Report on Trend and Progress of Banking in India for the year ended June 30, 2010 submitted to the Central Government in terms of Section 36(2) of the Banking Regulation Act, 1949

# REPORT ON TREND AND PROGRESS OF BANKING IN INDIA 2009-10

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## LETTER OF TRANSMITTAL

DEPR.BRD. 4552 / 13.01.01/2010-11

November 4, 2010
Kartika 13, 1932 (Saka)

The Finance Secretary
Government of India
Ministry of Finance
New Delhi - 110 001

Dear Mr. Secretary,

In pursuance of the provisions of Section 36(2) of the Banking Regulation Act, 1949, I have pleasure in transmitting herewith two copies of the Report on Trend and Progress of Banking in India for the year ended June 30, 2010.

Yours faithfully,

(D. Subbarao)

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# List of Select Abbreviations

| | |
|---|---|
| ABS | Asset Backed Securities |
| ACH | Automatic Clearing House |
| AACS | As Applicable to Cooperative Societies |
| AD | Authorised Dealer |
| ADR | American Depository Receipt |
| AFC | Asset Finance Companies |
| AFS | Available For Sale |
| ALM | Asset-Liability Management |
| AMC | Asset Management Company |
| AML | Anti-Money Laundering |
| ANBC | Adjusted Net Bank Credit |
| ARC | Asset Reconstruction Company |
| ARCIL | Asset Reconstruction Company (India) Ltd. |
| ATM | Automated Teller Machine |
| BC | Business Correspondent |
| BCBS | Basel Committee on Banking Supervision |
| BCSBI | Banking Codes and Standards Boards of India |
| BF | Banking Facilitator |
| BFS | Board for Financial Supervision |
| BIS | Bank for International Settlements |
| BO | Banking Ombudsman |
| BPLR | Benchmark Prime Lending Rate |
| BPSS | Board for Payment and Settlement Systems |
| BSE | Bombay Stock Exchange Ltd. |
| BSR | Basic Statistical Returns |
| CAMELS | Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, Systems and Control |
| CAR | Capacity Assessment Rating |
| CBLO | Collateralised Borrowing and Lending Obligation |
| CBS | Core Banking Solutions |
| CCF | Credit Conversion Factors |
| CCIL | Clearing Corporation of India Ltd. |
| CCP | Central Counter Party |
| CD | Certificate of Deposit |
| CDBMS | Central Data-base Management System |
| CDR | Corporate Debt Restructuring |
| CDRM | Corporate Debt Restructuring Mechanism |
| CDS | Credit Default Swaps |
| CEOBSE | Credit Equivalent Amount Off-Balance Sheet Exposure |
| CFSA | Committee on Financial Sector Assessment |
| CFSR | Committee on Financial Sector Reforms |
| CIBIL | Credit Information Bureau of India Limited |
| CIC | Credit Information Company |
| CME | Capital Market Exposure |
| CP | Commercial Paper |
| CPI | Consumer Price Index |
| CPSS | Committee on Payment and Settlement System |
| CRAR | Capital to Risk-Weighted Assets Ratio |
| CRE | Commercial Real Estate |
| CRISIL | Credit Rating Information Services of India Limited |
| CRR | Cash Reserve Ratio |
| CSD | Customer Service Department |
| CSO | Central Statistical Organisation |
| CSR | Corporate Social Responsibilsity |
| CTR | Cash Transaction Report |
| CTS | Cheque Truncation System |
| DAPs | Development Action Plans |
| DCCB | District Central Cooperative Banks |
| DICGC | Deposit Insurance and Credit Guarantee Corporation |
| DLIC | District Level Implementation Committee |

| | |
|---|---|
| DoT | Department of Telecommunications |
| DPSS | Department of Payment and Settlement Systems |
| DRI | Differential Rate of Interest |
| DRT | Debt Recovery Tribunal |
| DTL | Demand and Time Liability |
| DvP | Delivery *versus* Payment |
| EBT | Electronic Benefit Transfer |
| ECB | External Commercial Borrowing |
| ECGC | Export Credit Guarantee Corporation |
| ECS | Electronic Clearing Service |
| EEFC | Exchange Earners' Foreign Currency |
| EFT | Electronic Funds Transfer |
| EME | Emerging Market Economy |
| EWS | Early Warning System |
| EXIM Bank | Export Import Bank of India |
| FAQs | Frequently Asked Questions |
| FATF | Financial Action Task Force |
| FBT | Fringe Benefit Tax |
| FC | Financial Conglomerates |
| FCNR (B) | Foreign Currency Non-Resident (Banks) |
| FDI | Foreign Direct Investment |
| FDIC | Federal Deposit Insurance Corporation |
| FEDAI | Foreign Exchange Dealers Association of India |
| FEMA | Foreign Exchange Management Act |
| FI | Financial Institution |
| FIF | Financial Inclusion Fund |
| FII | Foreign Institutional Investments |
| FIMMDA | Fixed Money Market and Derivatives Association of India |
| FIPB | Foreign Investment Promotion Board |
| FITF | Financial Inclusion Technology Fund |
| FIU-IND | Financial Intelligence Unit - India |
| FMD | Financial Markets Department |
| FRA | Forward Rate Agreement |
| FRB | Floating Rate Bond |
| FRBM Act | Fiscal Responsibility and Budget Management Act |
| FSAP | Financial Sector Assessment Programme |
| FSF | Financial Stability Forum |
| FSR | Financial Stability Report |
| G 20 | Group of Twenty |
| GCC | General Credit Card |
| GDP | Gross Domestic Product |
| GDR | Global Depository Receipt |
| GFD | Gross Fiscal Deficit |
| GIC | General Insurance Corporation of India |
| GLC | General Lines of Credit |
| HFC | Housing Finance Companies |
| HFT | Held for Trading |
| ICICI | Industrial Credit and Investment Corporation of India |
| IDBI | Industrial Development Bank of India |
| IDRBT | Institute for Development and Research in Banking Technology |
| IFCI | Industrial Finance Corporation of India Ltd. |
| IFR | Investment Fluctuation Reserve |
| IFC | Infrastructure Finance Company |
| IIBI | Industrial Investment Bank of India |
| IIFCL | India Infrastructure Finance Company Limited |
| IIP | Index of Industrial Production |
| IMF | International Monetary Fund |
| INFINET | Indian Financial NETwork |
| IOSCO | International Organisation of Securities Commission |
| IPDI | Innovative Perpetual Debt Instrument |
| IPO | Initial Public Offering |
| IRAC | Income Recognition and Asset Classification |
| IRDA | Insurance Regulatory and Development Authority |
| IRDP | Integrated Rural Development Programme |
| IRF | Interest Rate Future |
| IRS | Interest Rate Swap |
| IT | Information Technology |
| KCC | Kisan Credit Card |
| KVIB | Khadi and Village Industries Board |
| KYC | Know Your Customer |

| | |
|---|---|
| LAB | Local Area Bank |
| LAF | Liquidity Adjustment Facility |
| LIBOR | London Inter-Bank Offered Rate |
| LIC | Life Insurance Corporation of India |
| LOLR | Lender of Last Resort |
| LTCCS | Long-Term Cooperative Credit Structure |
| LTV | Loan-to-Value |
| $M_3$ | Broad Money |
| MFI | Micro Finance Institution |
| MIBOR | Mumbai Inter-Bank Offer Rate |
| MICR | Magnetic Ink Character Recognition |
| MIS | Management Information System |
| MoU | Memorandum of Understanding |
| MSME | Micro, Small and Medium Enterprises |
| MSS | Market Stabilisation Scheme |
| NABARD | National Bank for Agriculture and Rural Development |
| NAV | Net Asset Value |
| NBC | Net Bank Credit |
| NBFC | Non-Banking Financial Company |
| NBFC-D | Non-Banking Financial Company-Deposit taking |
| NBFC-ND | Non-Deposit taking Non-Banking Financial Company |
| NBFC-ND-SI | Systemically Important Non-Deposit taking Non-Banking Financial Company |
| NBFI | Non-Banking Financial Institutions |
| NCAF | New Capital Adequacy Framework |
| NDS | Negotiated Dealing System |
| NDS-OM | NDS Order Matching |
| NDTL | Net Demand and Time Liability |
| NECS | National Electronic Clearing Service |
| NEDFi | North Eastern Development Finance Corporation |
| NEFIS | Nationwide Electronic Financial Inclusion System |
| NEFT | National Electronic Fund Transfer |
| NFGBC | Non-food Gross Bank Credit |
| NFS | National Financial Switch |
| NGO | Non-Government Organisation |
| NHB | National Housing Bank |
| NOF | Net Owned Fund |
| NPA | Non-Performing Asset |
| NPL | Non-Performing Loan |
| NR(E)RA | Non-resident (External) Rupee Account |
| NRE | Non-Resident External |
| NREGA | National Rural Employment Guarantee Act |
| NRI | Non-Resident Indian |
| NSE | National Stock Exchange |
| OBS | Off-balance Sheet |
| OBU | Off-Shore Banking Units |
| OECD | Organisation for Economic Corporation and Development |
| OLTAS | On-line Tax Accounting System |
| OMO | Open Market Operations |
| ORFS | On-line Returns Filing System |
| OSMOS | Off-Site Monitoring and Surveillance System |
| OTC | Over the Counter |
| OTS | One Time Settlement |
| PACS | Primary Agricultural Credit Society |
| PAT | Profit After Tax |
| PBT | Profit Before Tax |
| PCARDB | Primary Cooperative Agriculture and Rural Development Bank |
| PCPS | Perpetual Cumulative Preference Shares |
| PD | Primary Dealer |
| PDI | Perpetual Debt Instruments |
| PDO | Public Debt Office |
| PFRDA | Pension Fund Regulatory and Development Authority |
| PKI | Public Key Infrastructure |
| PLR | Prime Lending Rate |
| PNCPS | Perpetual Non-cumulative Preference Shares |
| POS | Point of Sale |
| PPP | Purchasing Power Parity |
| PSB | Public Sector Bank |
| PSE | Public Sector Enterprise |
| PSLC | Priority Sector Lending Certificate |
| PSS | Payment and Settlement System |

| | |
|---|---|
| RBS | Risk-Based Supervision |
| RCPS | Redeemable Cumulative Preference Shares |
| RCS | Registrar of Cooperative Societies |
| RIDF | Rural Infrastructural Development Fund |
| RNBC | Residuary Non-Banking Company |
| RNCPS | Redeemable Non-Cumulative Preference Shares |
| RoA | Return on Assets |
| ROC | Registrar of Companies |
| RRB | Regional Rural Bank |
| RTGS | Real Time Gross Settlement System |
| SAA | Service Area Approach |
| SACP | Special Agricultural Credit Plan |
| SAO | Seasonal Agricultural Operations |
| SARFAESI | Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest |
| SBLP | SHG-Bank Linkage Programme |
| SC | Scheduled Caste |
| SCARDB | State Cooperative Agriculture and Rural Development Bank |
| SCB | Scheduled Commercial Bank |
| StCB | State Cooperative Bank |
| SEBI | Securities and Exchange Board of India |
| SEZ | Special Economic Zones |
| SFC | State Financial Corporation |
| SGL | Subsidiary General Ledger |
| SGSY | Swarn Jayanti Gram Swarojgar Yojna |
| SHG | Self-Help Group |
| SHPI | Self-Help Promoting Institutions |
| SIDBI | Small Industries Development Bank of India |
| SIDC | State Industrial Development Corporation |
| SIPS | Systemically Important Payment System |
| SJSRY | Swarna Jayanti Shahari Rojgar Yojna |
| SLBCs | State Level Bankers' Committees |
| SLR | Statutory Liquidity Ratio |
| SPV | Special Purpose Vehicle |
| SR | Security Receipt |
| SREP | Supervisory Review and Evaluation Process |
| SSI | Small Scale Industry |
| ST | Scheduled Tribe |
| STCCS | Short-Term Cooperative Credit Structure |
| STRIPS | Separate Trading of Registered Interest and Principal of Securities |
| SWIFT | Society for Worldwide Financial Telecommunication |
| TAFCUB | Task Force for Urban Cooperative Bank |
| TFCI | Tourism Finance Corporation of India |
| UCB | Urban Cooperative Bank |
| UTI | Unit Trust of India |
| VaR | Value at Risk |
| VCF | Venture Capital Fund |
| WADR | Weighted Average Discount Rate |
| WCTL | Working Capital Term Loan |
| WEO | World Economic Outlook |
| WPI | Wholesale Price Index |
| YTM | Yield to Maturity |

Chapter I

# Perspectives

*The unprecedented measures taken by central banks and governments have worked appreciably so far in supporting economic recovery. However, the fading away of the fiscal stimulus, limitations on future monetary measures and the ongoing deleveraging and repairing of balance sheets continue to clog the recovery process in developed economies. Meanwhile, multipronged initiatives have been undertaken by standard setting bodies and national authorities to reform the regulatory architecture of the financial system in areas ranging from enhanced capital prescriptions and regulatory perimeters to improved oversight and supervisory practices and orderly resolutions of financial institutions. In the Indian context, strengthening of regulatory and accounting frameworks for ensuring financial stability and improvement of allocative efficiency of financial markets will be the core agenda for the regulatory authorities. Special efforts will have to be made by the banks to manage non-performing assets and liquidity besides improving customer service through business process re-engineering. With regard to financial inclusion, there is a need for collaborative efforts from all stakeholders to leverage technology to bring more people into the banking fold.*

## 1. Introduction

1.1 The global economy is recovering from the worst financial crisis since the great depression. The recovery, however, has been fragile and uneven. The financial crisis has brought a number of lessons to the fore. First, financial regulation needs to stay ahead of the curve to avoid falling behind financial innovations and emerging new business models. This requires continuous sharpening of regulatory and supervisory skills and instruments. Second, there is need for inter-agency coordination which calls for understanding the respective roles of central banks, regulators, supervisors, and fiscal authorities with regard to financial stability. The agencies need to share information/data and sit together to resolve the overlapping issues devolving on more than one regulator. The third lesson points to the need to study the implications of large scale bail-out packages for the regulatory architecture of the financial system and for the fiscal health of countries. The rescue packages of one country may have worldwide repercussions through financial channels, adding costs to macroeconomic management even when countries in question are far removed from the epicentre of the crisis. To mitigate the effects of contagion and its impact on the domestic financial system, relevant issues regarding the methods and scope of deposit insurance and the feasibility of extending guarantees to financial institutions may need to be explored. The fourth lesson calls for better understanding of the weaknesses of structured products and derivatives in the credit markets which have implications for financial stability. In this respect, the relative superiority of different modes of trading and settlement practices need thorough examination to address the shortcomings inherent in the “originate-to-distribute” models. Finally, regulators should remain vigilant while striking the right balance between moderating risk-taking and economic growth since markets and institutions have the tendency to succumb occasionally.

1.2 Keeping the current global and Indian banking trends in view, Section 2 deals with the emerging perspectives from global banking developments. Section 3 discerns the emerging perspectives in Indian banking including issues relating to financial stability.

## 2. Perspectives from Global Trends

1.3 The global banking and financial system is currently undergoing structural transformation with standard setting institutions and national authorities framing new regulatory paradigms to address the weaknesses of the global financial system that surfaced to the fore during the crisis.

### Regulation of Financial Markets – Global Initiatives

1.4 The consultative document on 'Strengthening the Resilience of the Banking Sector' issued by the BCBS in December 2009 deliberated on a package of proposals for improving the resilience of the global financial system. The Committee's reform proposals were part of the global initiatives to strengthen the financial regulatory system that have been endorsed by the FSB and the G-20 countries. Through its reform package, the Committee aims to improve risk management and governance as well as strengthen banks' transparency and disclosures.

1.5 Based on the BCBS's proposals of December 2009, the Group of Governors and Heads of Supervision - the oversight body of the BCBS reached broad agreement pertaining to the definition of capital, the treatment of counterparty credit risk, the leverage ratio, and the global liquidity standard in July 2010. The major features of July 2010 agreement are set out in Box I.1.

**Box I.1 : The Capital and Liquidity Reform Package, July 2010 - Major Features**

**(1) *Definition of Capital***

(i) Prudent recognition of the minority interest

(ii) Elimination of counterparty credit restriction on hedging of financial institutions investments.

(iii) Limited recognition of investments in the common shares, mortgage servicing rights, and deferred tax assets for calculating common equity component of Tier I capital.

**(2) *Counterparty Credit Risk***

(i) Modification of bond equivalent approach to address hedging.

(ii) Elimination of excessive calibration of credit valuation adjustment.

(iii) To subject banks' mark to market and collateral exposures to central counterparties (CCPs) to modest risk weights in the range of 1-3 per cent.

**(3) *Leverage Ratio***

(i) Uniform credit conversion factors (CCF) for off-balance sheet exposures.

(ii) Basel II netting plus a simple measure of potential future exposure based on the standardised factors of the current exposure method.

(iii) Testing the proposal of minimum Tier I leverage ratio of 3 per cent during the parallel run.

**(4) *Regulatory Buffers, Cyclicality of the Minimum and Provisioning***

(i) Capital conservation and countercyclical buffers to be finalised by end 2010.

(ii) Findings on cyclicality of the minimum requirement to be dovetailed with those from quantitative impact study to develop a set of supervisory tools to assess the adequacy of banks' capital buffers.

(iii) Dialogue with International Accounting Standards Board (IASB) to develop expected loss approach to provisioning.

**(5) *Global Liquidity Standard***

(i) Revision of definition of liquid assets so that they remain liquid in periods of stress.

(ii) Introduction of 25.0 per cent outflow bucket for custody of clearing and settlement activities, as well as selected cash management activities.

(iii) Treatment of all sovereigns, central banks and PSEs on par with corporates with 100 per cent roll-off rate for unsecured funding.

**Source**: Basel Committee on Banking Supervision.

## Countercyclical Capital Buffers

1.6 The agreement of the Group of Central Bank Governors and Heads of Supervision set out in its press release of 7th September 2009 also put forward the commitment to introduce a framework for countercyclical capital buffers over the minimum to address pro-cyclicality. The aim of this approach as mentioned in the BCBS in the December 2009 Consultative Document 'Strengthening the Resilience of the Banking Sector' is to (i) dampen any excess cyclicality of the minimum capital requirement, (ii) promote more forward looking provisions, and (iii) increase capital buffers as to serve the goal of protecting the banking sector from periods of excess credit growth. In July 2010, the BCBS finalised the proposals on countercyclical capital buffer regime according to which capital distribution constraints would be imposed on the bank when capital levels fall aside the indicator range. The Committee felt that credit-to-GDP gap was the best performing indicator among the range of variables that could be used to calibrate capital conservation buffer requirements.

1.7 While the concept of making countercyclical provisions and buffers has intuitive appeal, its operationlisation would face several challenges namely, (i) identification of inflexion point to begin building capital and usage, (ii) choice of economic indicator for good and bad times, (iii) difficulty in defining an economic cycle in a global setting as economic cycles are not globally synchronised, (iv) implication of rapid emergence of distress and abrupt release of capital, (v) determining the right size of capital, and (vi) ensuring that the scheme of capital buffers is simple and transparent, entails low implementation costs and as rule based as possible.

## The Enhanced Basel II Regime

1.8 At its meeting held in September 2010, the Group of Governors and Heads of Supervision, announced a substantial strengthening of existing capital requirements as set out in Table I.1.

1.9 The revised capital standard will be implemented in a phased manner allowing long transition period. With a supervisory monitoring period up to end December 2012, the phased implementation would start from January 1, 2013 (Table I.2). Along with the global liquidity standards, these reforms which are expected to fully meet the core requirements of the global financial reform agenda will be presented to the Seoul G-20 Leaders Summit in November 2010. In the

**Table I.1: Strengthened Capital Framework: From Basel II to enhanced Basel II**

| In percentage of risk-weighted assets | Capital requirements | | | | | | | Additional macro-prudential overlay |
|---|---|---|---|---|---|---|---|---|
| | Common equity | | | Tier 1 capital | | Total capital | | Counter-cyclical buffer |
| | Minimum | Conservation buffer | Required | Minimum | Required | Minimum | Required | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Basel II | 2 | | | 4 | | 8 | | |
| Enhanced Basel II definition and calibration | 4.5 | 2.5 | 7.0 | 6 | 8.5 | 8 | 10.5 | 0-2.5 |

**Source:** Bank for International Settlements.

**Table I.2 : Phase-in Arrangements (figures in bold indicate transition periods) (all dates are as of 1 January)**

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | As on 1 January 2019 |
|---|---|---|---|---|---|---|---|---|---|
| Leverage Ratio | Supervisory monitoring | | Parallel run 1 Jan 2013 – 1 Jan 2017 Disclosure starts 1 Jan 2015 | | | | | Migration to Pillar 1 | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Minimum Common Equity Capital Ratio | | | **3.5%** | **4.0%** | **4.5%** | 4.5% | 4.5% | 4.5% | 4.5% |
| Capital Conservation Buffer | | | | | | **0.625%** | **1.25%** | **1.875%** | 2.50% |
| Minimum common equity plus capital conservation buffer | | | **3.5%** | **4.0%** | **4.5%** | **5.125%** | **5.75%** | **6.375%** | 7.0% |
| Phase-in of deductions from CET1 (including amounts exceeding the limit for DTAs, MSRs and financials) | | | | **20%** | **40%** | **60%** | **80%** | 100% | 100% |
| Minimum Tier 1 Capital | | | **4.5%** | **5.5%** | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% |
| Minimum Total Capital | | | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% |
| Minimum Total Capital plus conservation buffer | | | 8.0% | 8.0% | 8.0% | **8.625%** | **9.25%** | **9.875%** | 10.5% |
| Capital instruments that no longer qualify as non-core Tier 1 capital or Tier 2 capital | | | | Phased out over 10 years horizon beginning 2013 | | | | | |
| Liquidity coverage ratio | Observation period begins | | | | Introduce minimum standard | | | | |
| Net stable funding ratio | | Observation period begins | | | | | | Introduce minimum standard | |

**Source:** Bank for International Settlements.

interim, the communique of the G-20 meeting of Finance Ministers and Central Bank Governors held on September 2010 at Gyeongiu, Republic of Korea reaffirmed committment on fully implementing the new capital and liquidity framework within the agreed time frame.

### Assessment of Macroeconomic Impact of enhanced Basel II Capital Standards

1.10 The assessment of macroeconomic impact of new capital rules is varied depending on model assumptions. The FSB-BCBS Macroeconomic Assessment Group concluded that if higher requirements are phased in over four years, each one percentage point increase in bank's actual ratio of tangible common equity to risk-weighted assets will lead to a decline in the level of GDP relative to its baseline path by about 0.20 per cent after implementation. This implies that the annual growth rate would be reduced by an average of 0.04 percentage points over a four and a half year period, with a range of results around these point estimates. On the other hand, a 25 per cent increase in liquid asset holdings would affect output by less than half than associated with a one-percentage point increase in capital ratios. The projected impacts arise mainly from banks passing on higher costs to borrowers resulting in a slowdown in investment. The GDP, however, returns to its baseline path in subsequent years.

1.11 The Institute of International Finance's (IIF) preliminary 'Interim Report on the Cumulative Impact on the Global Economy of Proposed Changes in the Banking Regulatory Framework' issued on June 2010 assessed that the impact of the new regulatory regime would be much higher. Full implementation of regulatory reform would subtract an annual average of about 0.6 percentage points from the path of real GDP growth over the five year period 2011-15, and an average of about 0.3 percentage points from the growth path over the full ten year period, 2011-2020. The Euro Area is hit the hardest; Japan the least, with the United States somewhere in the middle depending on the significance of the banking system relative to the economy, the pattern of debt intermediation flows and the extent to which systems needs to adjust to meet the new requirements. On the positive side, the model used in the IIF study allows for most of the quantifiable reforms that has been proposed. On the negative side, the model contains relatively little behavioural feedback and relies very heavily on the credit transmission channel.

1.12 A preliminary assessment of the impact of increased capital requirements on GDP was made by the Reserve Bank based on a small analytical static macro model with inputs from annual balance sheets and profit and loss accounts data of the banking sector and macroeconomic aggregates. The study looked at one time impact, unlike the convergence pattern that the BIS study simulated. The findings from the model will be used for various policy purposes. The Reserve Bank will calibrate the new capital standards in line with the enhanced Basel II norms while adopting the same to local conditions.

**Systemically Important Financial Institutions**

1.13 The BCBS is evolving an appropriate framework dealing with systemically important financial institutions (SIFIs) taking into account a number of tasks namely, (i) identification of SIFIs, (ii) differential systems for SIFIs by way of capital and liquidity surcharge and enhanced supervision, (iii) improving capacity to resolve SIFIs without recourse to tax payers money, (iv) reducing the probability and impact of SIFI failure and, (vii) improving the oversight of SIFIs. The BCBS and the FSB are developing a well integrated approach to SIFIs which could include combinations of capital surcharges, contingent capital and bail-in debt. In addition, work is continuing to strengthen resolution regimes. The FSB is also contemplating on measures to enhance the effectiveness of SIFI supervision.

**Cross-Border Co-operation**

1.14 Efforts are being directed at arriving on the framework for cross-border resolutions which pose considerable uncertainties for stakeholders due to lack of cooperation and coordination among different jurisdictions during times of crisis. The FSB released a set of principles for 'Cross-border Cooperation on Crisis Management'. The Report of the 'Cross-border Bank Resolution Group' by the BCBS issued in March 2010, which complements the work of the FSB provides the detailed approach to implementing the FSB's principles on cross-border cooperation and calls for (i) intervention by national authorities in a timely manner to ensure continuity of critical functions, (ii) development of plans by banks for promoting resilience under stress and facilitating quick resolution, (iii) strengthening of CCPs to mitigate settlement risks, (iv) convergence and coordination of resolution mechanisms, (v) planning for preserving and/or facilitating rapid resolution of systemically important banks and groups and, (vi) close cooperation among supervisors in home and foreign jurisdictions and resolution authorities for facilitating resolution of complex group structures.

**Supervisory Colleges**

1.15 The importance of supervisory colleges as a conduit to strengthen the effectiveness of supervisory practices for international banking groups was heightened by the recent global financial crisis. In light of this, the BCBS brought out a set of good practice principles on supervisory colleges in October 2010. These principles supplement the earlier guidance on cross-border cooperation and information sharing. These principles relate to objectives of supervisory colleges, structure of supervisory colleges, appropriate sharing of information by the college members with respect to principal risks and risk management practices of the banking group, integrity and confidentiality of information exchange, promoting collaborative work between members, interacting with institutions, complementing the crisis management structures and tailoring the supervision of large internationally active financial conglomerates to their systemic importance.

**Financial Activities Tax**

1.16 The Interim Report of the G-20 on Fair and Substantial Contribution by the Financial Sector of April 2010 for 'financial stability contribution' proposed a flat rate levy on all financial institutions and 'financial activities tax' levied on profits and remuneration. The taxes are designed to help pay for future financial clean-ups and reduce systemic risk by shrinking the size of the financial sector. The proposal was discussed at the G-20 meeting at Busan, Republic of Korea in June 2010, which called for implementation of levy taking each nations 'circumstance and options'. India's view was that there was need for better and well placed regulation rather than imposing levy on bank balance sheets.

**Accounting Standards of Banks and Financial Institutions**

1.17 Following the initiatives taken by the G-20 countries, nearly all FSB member jurisdictions have either adopted the International Accounting Standards Board (IASB) standards or are in the process of converging with or adopting these standards by 2012. The FSB has made considerable progress in achieving converged accounting standards in four areas namely (i) impairment of financial assets, (ii) de-recognition of repurchase agreements as off-balance sheet exposures, (iii) valuation under uncertainty in fair value measurement guidance and, (iv) netting of financial instruments. Standard setting bodies for accounting namely the Financial Accounting Standards Board (FASB) and the IASB are discussing and reconciling respective proposals on the formulation of a single set of high quality global accounting standard while retaining the project target completion date of June 2011.

**Reform of Over-the-Counter (OTC) Market**

1.18 The reform of the OTC derivatives market is being implemented in the wake of experience from the global financial crisis to reduce systemic risk inherent in the complexity of the interconnected financial system. According to the BIS, the outstanding derivatives contracts were valued at US$ 6,63,870 billion as at end-2009 of which just 3.4 per cent were traded on the exchanges while the rest were traded in private or OTC markets with terms agreed directly between the buyers and sellers. In May 2010, the Committee on Payment and Settlement System (CPSS) and International Organisation of Securities Commissions (IOSCO) issued standards for central counterparties (CCPs) so as to better address risks associated with OTC derivatives. A Working Group comprising of CPSS, IOSCO and European Commission is studying policy options for consistency of implementation of clearing and exchange or electronic trading requirements across jurisdictions. The US financial regulation Bill proposes to move the widely traded standardised OTC derivatives to clearing houses to reduce counterparty and systemic risks.

**Reform of Credit Rating Agencies**

1.19 Reducing the conflict of interest at the credit rating agencies (CRAs) and encouraging due diligence on the part of investors is one of the key agenda of financial sector reforms. Accordingly, the G-20 member countries have agreed to a regulatory oversight regime for CRAs consistent with IOSCO's CRA Code of Conduct. Proposed reform measures seek to prohibit rating agencies from structuring advise, replacing issuer pay-model by investor-pay model, introduction of pay-for-performance and wait-to-rate models, and reducing reliance on ratings for meeting prudential requirements. The BCBS is also addressing the issue of inappropriate incentives arising from the use of external ratings in the regulatory framework.

**Executive Compensation Policy**

1.20 The executive compensation policies and practices in banks should be consistent with the objective of promoting effective risk management and are fair to customers and prevent market abuse. Towards this end, the principles and standards designed by the FSB are aimed at ensuring that employees are paid in relation to the value actually and fully realised by the bank, and that compensation is consistent with maintaining the bank in strong condition with adequate capital and liquidity.

1.21 With a view to limiting excessive risk taking arising from the remuneration packages of employees, BCBS in October 2010 brought out a consultative paper detailing some initial supervisory considerations and factors that banks may consider while developing methodologies to align remuneration packages to risks.

**Reform of Securitisation Market**

1.22 The breakdown in pricing of securitised products in the aftermath of the crisis has virtually shut down the market. The IMF has called for re-encouraging securitisation on a safer basis, particularly, to support credit needs of households and small and medium-size enterprises. To improve transparency, the IOSCO published disclosure principles for asset backed securities in April 2010. The joint forum of BCBS and the IOSCO is studying whether incentives in the market for securitisation are aligned or not.

**Deposit Insurance**

1.23 The global financial crisis has underscored the need for a credible and transparent deposit insurance system for maintaining public confidence in the banking system. The Core Principles for Effective Deposit Insurance Systems, jointly developed by International Association of Deposit Insurers (IADI) and BCBS were released in June 2009. It constitutes a voluntary framework, based on best international practices for bringing about changes in existing system or setting up a new deposit insurance system. The core principles include requirements for operational independence, transparency and accountability for deposit insurer and call for having effective relationships with other safety-net participants while delineating the approach to be taken in relation to cross-border issues, membership and coverage, funding, public awareness, legal issues, failure resolution, reimbursing depositors and recoveries.

**Supervisory/Regulatory Reforms – Regional/ National Initiatives**

1.24 The European Union is putting in place the Alternative Fund Managers Directive

(AIFMD) for hedge funds, private equity funds and other alternative funds. At its core, the directive seeks to impose standards and regulatory oversight on a large swathe of shadow banking system that had largely gone unsupervised. The European Commission is also proposing European Market Infrastructure Legislation that will establish EU legislative frameworks for central counterparties (CCPs) and trade repositories.

1.25 The US Senate and House of Representatives passed the Bill re-titled as “Restoring American Financial Stability Act of 2010” and was signed by the President in July 2010 to become a law. The major objectives of the legislation are “to promote the financial stability of the United States by improving accountability and transparency in the financial system, to end ‘too-big-to-fail’, to protect the American taxpayer by ending bailouts, and to protect consumers/investors from abusive financial services practices”.

1.26 The UK Financial Services Authority (FSA) is contemplating prescription of tighter capital rules than those proposed by the BCBS, particularly for systemically important banks. In a joint initiative with Financial Reporting Council (FRC), the FSA is proposing for regulatory scrutiny of the relationship between bank auditors and banks to ensure audit independence with regard to assigning valuations, particularly to complex financial instruments. The UK Stewardship Code developed by the Financial Reporting Council (FRC) is the first of its kind setting out good practices on the engagement of institutional investors with companies.

### Sovereign Debt Crisis

1.27 The emergence of the sovereign debt in several Eurozone countries caused by large-scale fiscal stimulus plans, financial rescue packages and falling tax revenues brought to the fore the unviable government budget deficits and public debt in many advanced countries, which pose serious risks to global growth and financial stability. According to the IMF, the debt to GDP ratio for G-7 countries is expected to reach more than 113 percent in 2010, a level not seen since 1950. The fallout of the deteriorating fiscal conditions has been reflected in sharp increases in sovereign CDS spreads of Greece, Portugal and Spain and the magnitude of the changes in such spreads were coincidental with budget deficits. To overcome the sovereign debt problem, there is need for careful management of budget deficits, ensuring a smooth deleveraging process, implementation of prudent macro and prudential regulations to prevent overheating, adoption of regulatory reforms in banks and efforts to reduce cost of systemic failures.

## 3. Perspectives on Indian Banking

1.28 In 2009-10 there was a slowdown in the balance sheet growth of scheduled commercial banks (SCBs) with some slippages in their asset quality and profitability. Bank credit posted a lower growth of 16.6 per cent in 2009-10 on a year-on-year basis but showed signs of recovery from October 2009 with the beginning of economic turnaround. Gross non performing assets (NPAs) as a ratio to gross advances for SCBs, as a whole, increased from 2.25 per cent in 2008-09 to 2.39 per cent in 2009-10. Notwithstanding some weakening of asset quality, the Capital to Risk Weighted Assets Ratio (CRAR) of Indian banks in terms of Basel II norms at 14.5 per cent as at end March, 2010 was much higher than the regulatory prescription. However, the profitability of Indian banks as reflected by the Return on Assets (RoA) was lower at 1.05 per cent in 2009-10 than 1.13 per cent during the previous year.

1.29 Notwithstanding some knock-on effects of the global financial crisis, Indian banks withstood the shock and remained stable and sound in the post-crisis period. Indian banks now compare favorably with banks in the region on metrics such as growth, profitability and loan delinquency ratios. In general, banks have had a track record of innovation, growth and value creation. However, this process of banking development needs to be taken forward to serve the larger need of financial inclusion through expansion of banking services, given their low penetration as compared to other markets.

**Regulatory Framework**

1.30 The Reserve Bank has been taking timely initiatives to ensure that the regulatory framework for the banking industry is regularly updated in keeping with the evolution of the financial system, reduce chances of regulatory/ supervisory arbitrage and excessive risk taking. Besides higher capital adequacy ratio and requirement of statutory liquidity buffers in the form of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR), banks are subject to regulatory norms pertaining to concentration risks, capital market exposure, inter-bank exposures, and external debt intermediation. Banks' exposure to derivatives have also been brought under the ambit of capital adequacy regime with prescriptions on use of credit conversion factors linked to the maturities of interest rate and exchange rate contracts. The Reserve Bank has already put in place a monitoring mechanism to capture the 'contagion risk' within financial conglomerates as also its cumulative exposure to specific outside entities, sectors and market segments from the point of view of various concentration risks facing the conglomerates.

**Institutional Developments**

1.31 In order to promote financial inclusion through larger number of banks, competition and good governance with diversified ownership, the Reserve Bank released a discussion paper on licensing of new private banks on 11 August, 2010. The discussion paper seeks to obtain feedback on the following aspects:

- Minimum capital requirements for new banks and promoters contribution
- Minimum and maximum limits on promoter shareholding and other shareholders
- Foreign shareholding in the new banks
- Whether industrial and business houses could be allowed to promote banks
- Should Non-Banking Financial Companies be allowed conversion into banks or to promote a bank
- Business model for the new banks.

1.32 Core investment companies primarily holding financial instruments are prone to market risk and hence need to be properly regulated to prevent systemic implications of their failure on the financial system. Accordingly, in August 2010 the Reserve Bank unveiled regulatory norms for core investment companies holding not less than 90 per cent of assets in the form of equity shares, preference shares, debt or loans in group companies. These holding companies and investment firms of large business houses with assets above ₹ 100 crore will be required to register with the Reserve Bank, maintain a minimum level capital and remain subject to appropriate leveraging norms.

1.33 The new Companies Bill, 2009 that seeks to replace the erstwhile Companies Bill, 1956 has, *inter alia*, proposed to include banks under the purview of class action suits. However, since the revised system of Ombudsman scheme has served well as a mechanism to provide quick and inexpensive redress of customers' grievances against banks, there may not be enough merit in extending the provision to banks under the new Bill.

**Bank Recapitalisation**

1.34 Capital forms the basic requirement for banks to expand balance sheets. Thus, banks will have to raise substantially higher levels of

**Table I.3: Recapitalisation of Public Sector Banks**

| Figures in ₹crore<br>Status | 2010-11<br>Already completed by July 2010 | 2009-10<br>Completed | 2008-09<br>Completed |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| UCO Bank | 673 | 450 | 450 |
| Vijaya Bank | 700 | - | 500 |
| United Bank of India | 250 | 300 | 250 |
| Central Bank@ | 250 | 450 | 700 |
| IDBI Bank | 3,119 | - | - |
| Bank of Maharashtra | 588 | - | - |
| Union Bank | 111 | - | - |
| Total | 5,691 | 1,200 | 1,900 |

@ Through participation in the proposal rights issue
**Source**: Press Information Bureau, Government of India

capital in order to provide the adequate resources needed by a growing economy. In the budget for 2010-11, the Government has provided for recapitalisation of ₹ 16,500 crore to help banks maintain a Tier I capital adequacy ratio in excess of 8 per cent. As part of this programme ₹ 5,691 crore was infused up to the end of July 2010 (Table I.3) The capital infusions have been in the form of direct equity and hybrid Tier I capital including perpetual non-cumulative preference shares.

### Implications of Enhanced Basel II Capital Regime

1.35 In addition to the recapitalisation by the Union Government, in the medium to long run, banks will have to continue to shore up their capital base to support higher credit growth. At present, Indian banks are not likely to be significantly impacted by the proposed new capital rules. With CRAR at 14.5 per cent including 10.1 per cent of Tier I capital as on end-March, 2010, the enhanced capital norms are lower than this level. However, there may be some negative impact arising from shifting some deductions from Tier I and Tier II capital to common equity. Further, changes relating to the counterparty credit risk framework are likely to have capital adequacy implications for some Indian banks having large OTC bilateral derivatives positions.

1.36 Meanwhile, since the BCBS has taken in-principle position that no assets, including cash should be exempted for the measurement of leverage ratio, the SLR would not be excluded for the calculation of leverage. However, the proposed regulation would not constrain banks due to the existing lower leverage ratio and adequate Tier I capital and limited derivatives positions. On the other hand, few banks may be called upon to maintain additional capital and liquidity charges to cover systemic risk capital and liquidity. With national discretion provided on proposals relating to forward looking countercyclical buffers, the impact of this regulation may have to be considered from the standpoint of its effect on overall credit growth, although building such buffers would not be too difficult for banks in a cyclical upturn. In the Indian context it would be preferable to follow sectoral approaches to countercyclical policies which have served well so far. Meanwhile the risk management framework for the banking system as prescribed by the Reserve Bank continues to be strengthened with guidance received from standard setting bodies.

### Long Term Financing

1.37 The constraints on the maturity of liabilities of the banking system largely consisting of retail deposits – biased towards the shorter end could inhibit banks to fulfill long term financing needs of sectors such as infrastructure as recent trends show that the bank lending to infrastructure sector is growing appreciably. The changing composition of bank credit in favour of long term financing can potentially aggravate asset liability mismatches in the banking system. It may not be prudent to further increase individual and group exposure norms for infrastructure financing, which already stand relaxed. Going forward, added impetus on take-out financing or other innovative credit enhancements mechanisms may have to be encouraged for bridging the gap between the demand and supply of long term funds.

1.38 Banks in India have also shown interest in sponsoring and managing private pools of capital such as venture capital funds and infrastructure funds. A discussion paper on prudential issues in banks' floating and managing such off balance sheet activities was issued by the Reserve Bank in January 2010 for comments. To promote infrastructure investment, in July 2010, the Reserve Bank permitted take-out financing arrangement through External Commercial Borrowings (ECB), under the approval route and subject to specified conditions, for the purpose of refinancing of Rupee currency loans availed of from the domestic banks by the sea port and airport, roads including bridges and power sectors for the development of new projects.

1.39 In August 2010, the Reserve Bank issued draft guidelines for CDS to seek feedback from stakeholders. The introduction of CDS would help banks to manage exposures while increasing credit penetration and lending to infrastructure and large firms without being constrained by the extant regulatory prescriptions in respect of single borrower gross exposure limits. Long term funding of corporates would entail development of flourishing corporate bond market. The Reserve Bank permitted repo in corporate bonds effective from March 1, 2010 for developing this market.

**Loan Restructuring**

1.40 Loan restructuring is resorted to manage NPAs in the short term, particularly, in case of credit worthy borrowers who are stressed by unexpected and adverse economic developments. The restructuring of borrowal accounts done by banks in 2009 may pose risk of losses over and above the initial diminution of the fair value of advances on account of reduction in the rate of interest and/or re-scheduling of the repayment of principal amounts. The improvement in domestic and global economic conditions, however, could help in limiting the extent of fresh slippages in the future. With a view to enhancing the soundness of individual banks as also the stability of the financial sector, the Reserve Bank advised the banks in December 2009 to ensure that their total provisioning coverage ratio, including floating provisions, should not be less than 70 per cent. Though the provisioning norm may provide a cushion against asset slippages, it may impact the profitability of banks.

1.41 Liquidity management is a fundamental component for safe and sound functioning of all financial institutions. Sound liquidity management involves prudent management of assets and liabilities (on- and off-balance sheet), supported by a process of liquidity planning taking into account changes in economic, regulatory or other operating conditions. Banks will have to put in place a robust liquidity management plan, especially through encouragement and retention of stable retail deposits.

1.42 The management of NPAs is one of the main business objectives of banks which requires appropriate appraisal, monitoring and management of issued loans. Gross NPA ratio has shown an increase in 2009-10. Moreover, there has been a deterioration of the asset quality as reflected by an increase in the proportion of doubtful and loss assets in the NPA profile of banks in 2009-10. The signs of financial stress thus remain an important concern for the Indian banking sector in the medium to long-term.

**Interest Rates**

1.43 The Base Rate system of loan pricing introduced with effect from July 1, 2010 is expected to enhance the transparency in the pricing of loans. As banks have been provided with greater flexibility in setting lending rates, they would also have to operate under a more competitive environment in the liberalised system. While lending rates have tended to be sticky, it is expected that the Base Rate system which is linked to cost of funds will show greater flexibility and strengthen both the interest rate and credit channels of monetary transmission. Interest rates on deposits have been rising since December 2009 taking cues from the rise in policy rates by the Reserve Bank. Going forward, it is important that banks focus on deposit mobilisation with commensurate interest rates that could boost retail deposits.

**Securitisation**

1.44 The RBI had issued guidelines on securitisation of standard assets in February 2006. These guidelines prohibit originators from booking profits upfront at the time of securitisation. Two other features relate to maintenance of capital at the required minimum of 9 per cent on any credit enhancements provided, and disallowing the release of credit enhancement during the life of the credit-enhanced transaction. Thus, banks in India do not have incentive to resort to unbridled securitisation as observed in "originate-to-distribute" and "acquire and arbitrage" models of securitisation in many other countries. In the light of the international experience of the financial crisis, particularly, the inability of regulation to prevent the excessive building up of risks through securitisation and off balance sheet leveraging, the Reserve Bank has issued draft guidelines on securitisation for banks and non-banking financial institutions in April 2010 and in June 2010, respectively, seeking comments on the same. Two important features included in the draft guidelines pertain to defining a minimum holding period before selling an asset to the Special Purpose Vehicle (SPV) and retention of a minimum portion of the loan prior to securitisation.

**Accounting Standards**

1.45 Well designed accounting covenants are necessary for maintaining financial stability. Accordingly, the G-20 Group on Enhancing Sound Regulation and Strengthening Transparency has recommended that the accounting standards setters and prudential supervisors should together identify solutions that are consistent with the complementary objectives of promoting financial stability and transparency. The Annual Policy Statement of 2010-11 announced that as part of the effort to ensure convergence of the Indian Accounting Standards (IAS) with the International Financial Reporting Standards (IFRS), all SCBs would be required to convert their opening balance sheet as at April 1, 2013 in compliance with the IFRS converged IAS. The presentation of financial statements in line with IFRS will be challenging for banks. The changeover from currently followed accounting principles viz., those prescribed by RBI to IFRS may have material impact on financial statements of bank particularly in areas such as provision of loan losses and impairment of investments which would require high level of judgment and extensive use of unobservable inputs and assumptions. This is turn would entail significant changes in financial reporting process. Specifically, unlike under the current RBI accounting rules where loans losses are provided based on provisioning rates in a mechanical fashion, the IFRS would require prior and fair assessment of expected impairment and upfront provisioning of loan losses.

1.46 However, with regard to Urban Co-operative Banks (UCBs) and Non-Bank Finance Companies (NBFCs), a staggered implementation schedule was considered appropriate depending on the size of net worth. Considering the amount of work involved in the convergence process, it is expected that banks and other entities initiate appropriate measures to upgrade their skills, management information system and information technology capabilities to manage the complexities and challenges of IFRS.

**Financial Inclusion**

1.47 Financial inclusion is being accorded top most priority by the Government and the Reserve Bank and is a central part of the policy agenda which needs to be carried forwarded in cost effective means particularly through use of effective technological solutions. Financial inclusion is important for the poor as it provides them opportunities to build savings, avail credit, make investments and equips them to meet emergencies. A combination of regulatory mandates, cost effective technology solutions and implicit and explicit incentives and moral suasion has been used to increase financial penetration of affordable banking services particularly in the rural and unorganised sectors.

1.48 Out of the 600,000 habitations in the country, only about 5 per cent have a commercial bank branch. Just about 40 per cent of the populations across the country have bank accounts, and this ratio is much lower in the north-east region of the country. People with debit cards comprise 13 per cent and those with credit cards comprise only 2 per cent. As discussed in Chapter IV, India ranks low when compared with the OECD countries and select Asian peer group in respect of financial penetration. The untapped potential with regard to financial inclusion needs to be harnessed using cost effective technology solutions and appropriate business models that make small value transactions viable.

1.49 During 2009-10, the Platinum Jubilee year of the Reserve Bank, the flagship project was the outreach programme aimed at financial inclusion and financial literacy. The Reserve Bank chose 160 remote unbanked villages to convert them into villages having 100 per cent financial inclusion with each household having at least one credit facility along with effective grievance redressal mechanism and awareness.

**Financial Stability**

1.50 Maintaining financial stability is one of the core goals of monetary policy in India. The Reserve Bank brought out its first Financial Stability Report in March 2010 which concluded that India was relatively less impacted by the global financial meltdown as robust regulatory and supervisory policies ensured the resilience of the financial sector. A financial stress indicator based on market indicators has been developed by the Reserve Bank for ongoing assessment financial stability.

1.51 Financial institutions in India have diversified into areas like insurance, securities and other non-banking financial services such as lending, leasing and hire purchase etc. The Reserve Bank has put in place a monitoring system with the intention of addressing concerns like excessive leverage or double gearing, regulatory arbitrage, moral hazard in relation to too-big-to-fail institutions and spread of contagion through failures inside a corporate group. A framework for enhanced supervision of Financial Conglomerates already exists but needs refinement as international consensus for a suitable policy framework for SIFIs evolves. In particular, while there is a need to have clarity on the definition of SIFI, the regulatory provisions will have to be suitably calibrated to prevent discretionary decisions compared to other regulated entities. SIFIs should also be required to complete 'living wills' and undertake advanced plans for contingent funding and de-risking. The increased presence of banks across the national boundaries calls for an effective cross-border supervision with appropriate rules for sharing information under the extant legal frameworks.

1.52 In the wake of global financial crisis, the issues of inter-connectedness and systemic risk concerns have come to fore. In this regard, the setting up of the Financial Stability and Development Council (FSDC), as announced in the Union Budget for 2010-11 is aimed at strengthening the institutional mechanism for financial stability along with financial inclusion and financial literacy. While coordination among the Government and financial regulators is essential, there has to be a clear demarcation of responsibilities of various regulatory authorities that can help in undertaking speedy and effective crisis prevention measures in the demarcated areas. Since the global crisis, world over, there has been a growing shift in favour of assigning greater responsibility to central banks for both systemic oversight and macro-prudential regulation. This greater responsibility is driven by capability of the central banks among the regulators to perform the intended tasks. However, in order to effectively discharge such responsibilities, institutional independence and autonomy of central banks is of crucial importance. In this context, the recent enactment of the Securities and Insurance Laws (Amendment and Validation) Bill 2010 raised some concerns. In operationalising the arrangement envisaged under the Bill, it is important to ensure that the autonomy of the regulators is not compromised either in fact or in perception.

### Financial Sector Reforms

1.53 The major aim of financial sector reforms in India has been enhancing efficiency and profitability, while maintaining stability in the financial sector. In line with these objectives, the Reserve Bank has thus far promoted, among others, the participation of foreign banks, technological upgradation in the banking sector, recapitalisation of public sector banks, libralisation of the branch authorisation policy, adoption of innovative policy measures for financial inclusion, and application of countercyclical prudential measures. Financial sector reforms, going ahead, will focus on bank consolidation, containing the systemic risks arising out of interconnectedness of the banking sector with other components of the financial sector, and laying down the roadmap for furthering foreign banks' participation. With regard to the roadmap for foreign banks' participation, the review, which was due in 2009, was put on hold on account of the crisis. A discussion paper on the mode of presence of foreign banks in India is under preparation.

## 4. Conclusions

1.54 The regulatory and supervisory framework of the financial system across the world is undergoing a paradigm shift following the problems experienced during the global financial crisis. In this regard, multilateral and standard setting bodies like the G-20, IMF, BIS and FSB have been in the forefront to design an advanced regulatory framework to prevent the recurrence of such crisis. In particular, a mention may be made of the enhanced Basel II capital regime announced by the BCBS in September 2010. While this regime may have some adverse macroeconomic impacts in the short-term, it is expected to enhance the stability and safety of the financial system with consequent long-term benefits for stable growth. In India, the Reserve Bank has been initiating several measures to strengthen the banks and other financial institutions taking cues from the international developments. Important regulatory initiatives such as the introduction of the Base Rate system is expected to lead to transparent and effective pricing of loan products while the intent to allow opening of new banks will instill competition and accelerate financial inclusion. Technological initiatives will help in providing cost effective banking services in underbanked areas. Management of NPAs by banks remains an area of concern, particularly, due to the likelihood of deterioration in the quality of restructured advances. Going forward, liquidity management will become critical for banks, as the monetary policy stance responds to macroeconomic developments.

Chapter II

# Global Banking Developments

*The global banking industry showed some improvements in performance during 2009-10, after witnessing a tumultuous period of large income losses and write downs in the wake of global crisis in 2008-09. Though the large scale monetary and fiscal stimulus measures led economic recovery and the revival of equity markets helped the global banking industry in terms of strengthening capital and liquidity and improving profitability, various concerns over downside risks to the global banking industry remained in regard to the quality of banks' assets and profitability. Keeping in view the higher capital charge proposal under the enhanced Basel II framework, the global banking industry in some regions especially in the Euro area may witness further challenges to recapitalisation over the coming years as private sector funding matures and extraordinary public support is withdrawn.*

## 1. Introduction

2.1 The global banking industry, after witnessing severe setback in terms of large income losses and write downs due to the global financial crisis in 2008, showed some improvement in performance in 2009. A major positive development in the aftermath of the global crisis was that during the first three months of 2010, the international claims of global banking industry rose for the first time since the third quarter of 2008. While the unprecedented monetary and fiscal stimulus measures by the central banks and the national authorities helped the banking industry to recoup capital and liquidity, the rise in asset prices that followed economic recovery in the first half of 2009 helped the banking industry return to profitability. However, the concerns remained with respect to the quality of profits, which were driven by trading in currency and fixed-income instruments.

2.2 Though the global banking business is now in much better shape than it was at the time of the crisis, the need for raising large amounts of capital for de-risking and for partaking normal borrowing and lending operations continues. According to the IMF's World Economic Outlook (WEO), July 2010, despite the reduction in estimated loan losses, the uncertainty surrounding future expected delinquencies cast doubts on whether loan losses have finally abated. Going forward, pressures on the funding side are expected to impede bank lending due to deleveraging, underlining the need for strengthening capital and liquidity buffers. The rise in income of the global banking industry that was observed in 2009 halted in the second quarter of 2010 as a consequence of the spillover of the sovereign debt crisis in euro area with increasing fears that bank earnings could be affected going forward.

2.3 According to the Bank of England Financial Stability Report (FSR), June 2010, banks internationally face substantial refinancing challenge over the coming years as private sector funding matures and extraordinary public support is withdrawn. Globally, banks are estimated to have at least US $ 5 trillion of medium to long term funding maturing over the next three years. According to the Bank for International Settlements (BIS) Annual Report 2009-10, the global banking system remains vulnerable to further losses and the disruption in funding markets has the potential to choke refinancing channels when sentiments turn adverse. At the same time, the concurrent reforms contemplated in respect of the enhanced Basel II capital regime and other regulatory initiatives being taken to strengthen the financial systems also have implications for the banking industry which may witness the reduction in liquidity and costly credit for the borrowers. The implications of these reforms have been adjudged by international institutions, which provide different estimates of forgone output growth (IIF, 2010; BIS, 2010).

2.4 Unlike the advanced economies, the banking system in the emerging market economies (EMEs) remained resilient during crisis except for the knock-on impact through trade and financial channels which affected economic growth due to the fall in export demand and drying up of overseas financing possibilities. As the impact of the crisis gradually waned, the EMEs recovered swiftly and regained growth momentum while providing support to global demand. Capital inflows into the EMEs have resumed, leading to significant rebound in equity markets since early 2009. The banking systems in most of the EMEs remained well capitalised and profitable.

2.5 In India, the economic recovery gained strength on the back of a variety of monetary policy initiatives taken by the Reserve Bank and fiscal stimulus measures by the Government which aimed at stimulating aggregate demand. However, going forward the continuing weakness in global economy poses downside risks, particularly through adverse implications on trade and financing channels.

## 2. Global Macroeconomic Scenario

2.6 Global economy, after declining by 0.6 per cent in 2009, witnessed a significant recovery during the first half of 2010. The IMF (WEO, October, 2010) raised the world growth forecast for 2010 to 4.8 per cent from 4.2 per cent in April 2010 and 4.6 per cent in July 2010 and projected a growth of 4.2 per cent for 2011, with a temporary slowdown during the second half of 2010 and the first half of 2011 (Table II.1). Emerging and developing economies are projected to grow at a faster rate than the advanced economies. According to the IMF, despite the recovery in the world economy, downside risks remain elevated as most advanced economies and a few emerging economies still face major adjustments, including the need to strengthen household balance sheets, stabilise and subsequently reduce high public debt and repair and reform their financial sectors. In many of these economies, the financial sector is still vulnerable to shocks and growth appears to be slowing as policy stimulus wanes. More generally, sustained and healthy recovery in the world economy rests on two rebalancing acts: internal rebalancing with a strengthening of private demand in advanced economies while allowing for fiscal consolidation and external rebalancing with an increase in net exports in deficit countries and a decrease in net exports in surplus countries, notably, in emerging Asia. A number of policies are required to support these rebalancing acts. In advanced economies, repair and reform of the financial sector need to accelerate to allow a resumption of healthy credit growth and fiscal adjustment needs to start in 2011, with specific plans to cut future budget deficits to create new room for fiscal policy maneuver. Policies in the EMEs should help rebalance global demand through further developing domestic sources of growth, structural reforms and in some cases, greater exchange rate flexibility.

## 3. Global Financial Markets

2.7 Monetary conditions remained easy with central bank policy rate expectations remaining anchored at low levels. By April 2010, financial markets in advanced and emerging market economies staged a remarkable recovery. Interbank lending rates and developing country bond spreads returned to close-to-normal levels. Stock markets in high-income and emerging market economies recovered much of the value they lost and most developing-country

**Table II.1: Overview of the World Economic Outlook (WEO) Projections**

(per cent)

| | Year Over Year | | | | | Q4 over Q4 | | |
|---|---|---|---|---|---|---|---|---|
| | Actual | Projections (October 2010) | | Difference from July 2010 WEO Projections | | Estimates | Projections | |
| | 2009 | 2010 | 2011 | 2010 | 2011 | 2009 | 2010 | 2011 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| **World Output[1]** | **-0.6** | **4.8** | **4.2** | **0.2** | **-0.1** | **2.0** | **4.3** | **4.4** |
| **Advanced Economies** | **-3.2** | **2.7** | **2.2** | **0.1** | **-0.2** | **-0.4** | **2.4** | **2.5** |
| United States | -2.6 | 2.6 | 2.3 | **-0.7** | **-0.6** | 0.2 | 2.2 | 2.7 |
| Euro Area | -4.1 | 1.7 | 1.5 | **0.7** | **0.2** | -2.0 | 1.9 | 1.4 |
| United Kingdom | -4.9 | 1.7 | 2.0 | **0.5** | **-0.1** | -2.9 | 2.8 | 1.6 |
| Other Advanced Economies | -1.2 | 5.4 | 3.7 | **0.8** | **0.0** | 3.2 | 4.2 | 4.7 |
| Newly Industrialised Asian Economies | -0.9 | 7.8 | 4.5 | **1.1** | **-0.2** | 6.1 | 5.2 | 6.6 |
| **Emerging and Developing Economies[2]** | **2.5** | **7.1** | **6.4** | **0.3** | **0.0** | **5.6** | **7.0** | **7.0** |
| Central and Eastern Europe | -3.6 | 3.7 | 3.1 | **0.5** | **-0.3** | 1.8 | 2.9 | 4.3 |
| Brazil | -0.2 | 7.5 | 4.1 | **0.4** | **-0.1** | 4.4 | 5.6 | 4.5 |
| Russia | -7.9 | 4.0 | 4.3 | **-0.3** | **0.2** | -2.9 | 3.2 | 5.0 |
| India | 5.7 | 9.7 | 8.4 | **0.3** | **0.0** | 7.3 | 10.3 | 7.9 |
| China | 9.1 | 10.5 | 9.6 | **0.0** | **0.0** | 11.4 | 9.9 | 9.6 |
| ASEAN-5[3] | 1.7 | 6.6 | 5.4 | **0.2** | **-0.1** | 5.1 | 5.0 | 6.8 |
| Middle East and North Africa | 2.0 | 4.1 | 5.1 | **-0.4** | **0.2** | … | … | … |
| Mexico | -6.5 | 5.0 | 3.9 | **0.5** | **-0.5** | -2.3 | 3.1 | 4.5 |

'…' : Not available.

**Note**: 1. The quarterly estimates and projections account for 90 percent of the world purchasing-power-parity weights
2. Quarterly estimates and projections account for about 79 per cent of the emerging and developing economies.
3. Indonesia, Malaysia, Philippines, Thailand and Vietnam

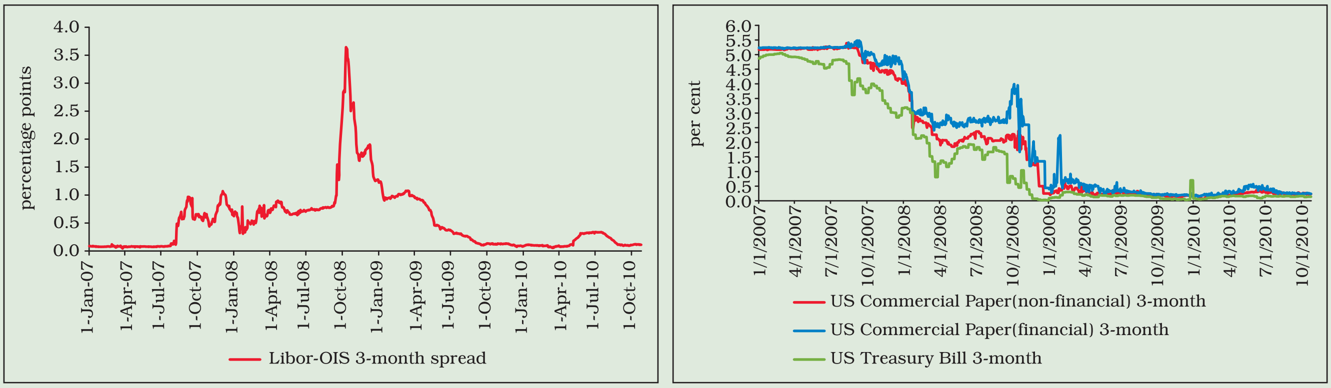
**Source**: International Monetary Fund (2010); World Economic Outlook Update, October.

currencies regained their pre-crisis levels against the dollar, with some having appreciated. While the most acute market strains receded, market confidence became fragile by mid-2010 as renewed funding constraints emerged in the wake of the sovereign debt crisis. The IMF's composite volatility index, comprising implied volatilities derived from options on various stock market indices, interest rates and exchange rates, climbed sharply in May 2010. By July 2010, market stress was somewhat relieved and the safe haven assets such as US treasuries, German bonds and gold gained in value resulting in declining volumes in the money market. The intensification of sovereign risks in the euro area in the early part of 2010 also showed signs of some abatement by end-May 2010 with the announcement of European Stability Fund and the liquidity support program of the ECB. The sovereign spreads for countries with large rollover needs such as Spain and Italy, however, continued to be at significantly elevated levels.

*Money Market*

2.8 While the drop in money market volumes in 2008 was caused by liquidity hoarding, and counterparty and collateral concerns, the unprecedented policy actions undertaken by central banks and governments worldwide during 2009 succeeded in stabilising the money market conditions by reducing funding pressures and counterparty risk concerns. The interbank markets returned to resumed functioning in the first quarter of 2010 as evidenced by the narrowing of the spread between LIBOR and overnight index swap (Chart II.1). Continued quantitative credit-

**Chart II.1: Global Money Market**




easing, liquidity support measures and government guaranteed funding programmes helped improve the functioning of short term money markets and allowed some recovery in securitised market. As a result monetary and financial conditions softened further, reversing the sharp tightening of spreads observed earlier. This was accompanied by decline in market and liquidity risks as asset prices continued to recover across a range of asset classes. Although LIBOR-overnight index swap (OIS) spreads had narrowed by end-April 2010, there were indications that money markets had yet not returned to normal functioning. This was evident from the contributions of LIBOR and EURIBOR panel banks to their respective benchmarks remaining more dispersed than before the crisis. Subsequently, the unfolding of the sovereign debt crisis around mid-2010 led to severe inter-bank funding strains due to increased counterparty concerns resulting in a widening of longer term LIBOR-overnight index swap (OIS) spreads.

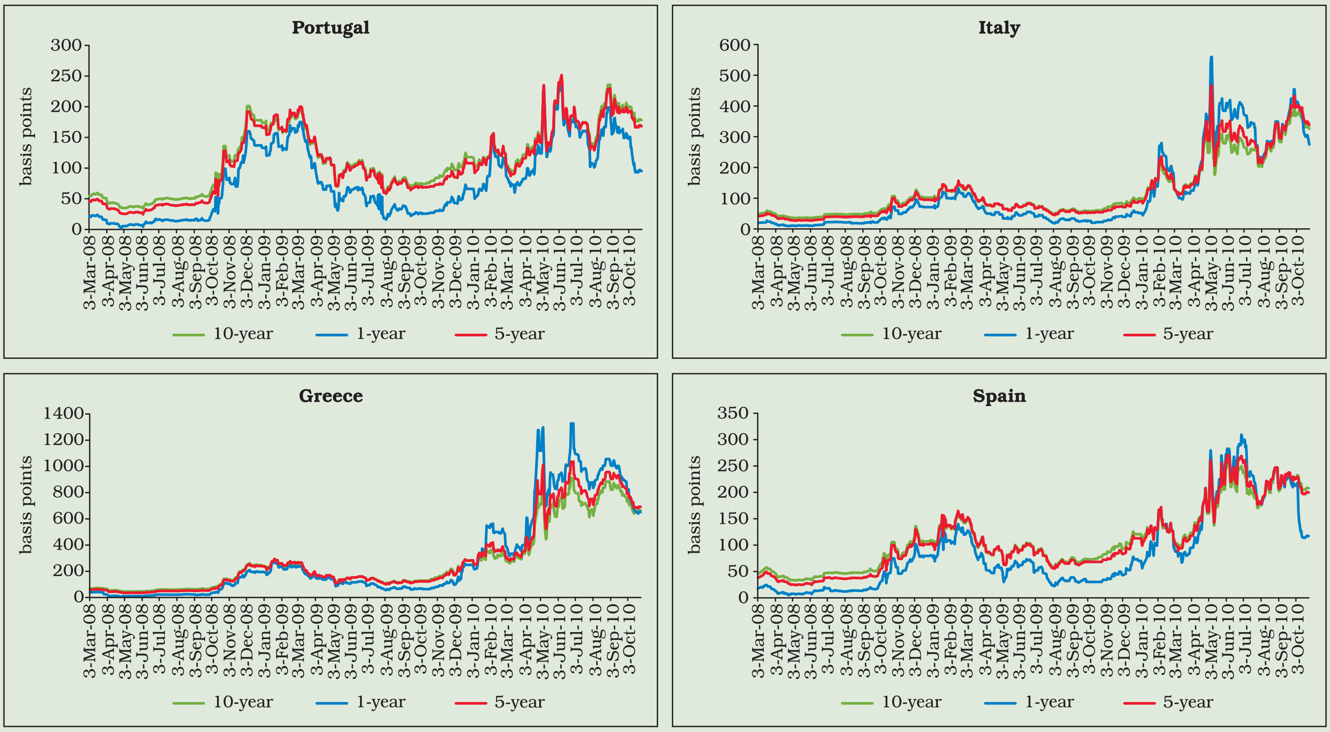
*Sovereign Spreads*

2.9 The combination of large-scale fiscal stimulus, financial rescue packages and falling tax revenues led to historically large government budget deficits and heightened levels of actual and projected public debt in most industrial countries especially in the Eurozone. Worries centered on the fiscal situation in Greece, but also extended to other countries facing a combination of high fiscal deficits and lack of competitiveness, such as Portugal and Spain. Greek sovereign bond yields and CDS spreads started to drift upwards in December 2009 and then exploded at the end of April 2010, when Standard and Poor's downgraded Greek debt to "junk" status. Within the same week, the agency went on to lower its ratings of Portugal and Spain, triggering sharp increases in their CDS spreads as well. In response to soaring bond and CDS spread, EU and IMF announced a US $ 750 billion joint fiscal stabilisation package. In the wake of this announcement and the austerity measures proposed by Greece, Spain and Portugal, sovereign bond and CDS spreads declined from the highs they had reached earlier. By end-August 2010, concerns about sovereign credit quality in mature economies appear to have resurfaced. Spreads of weak government bonds, particularly, those of Spain and Ireland widened against their benchmarks to levels seen on May 7, 2010, a day before the European Financial Stability Facility was announced (Chart II.2).

*Equity Markets*

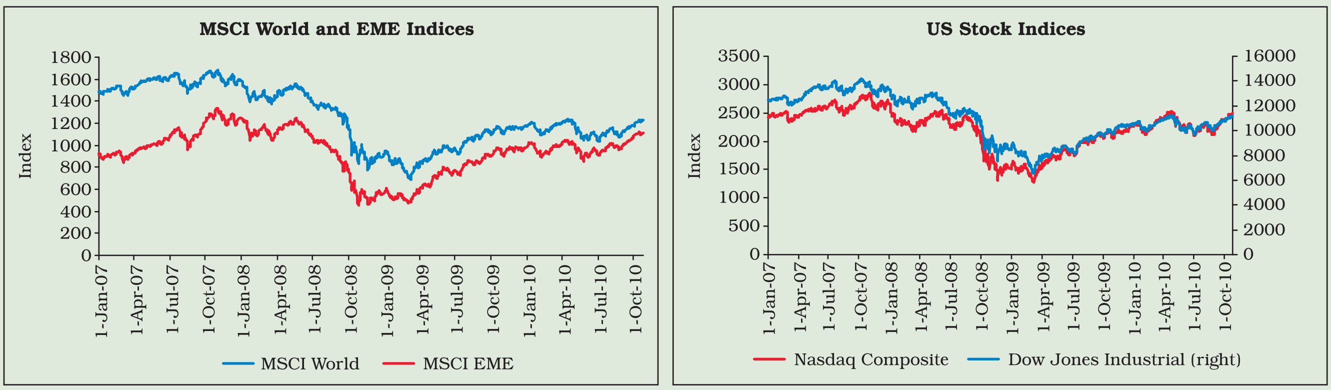
2.10 Equity markets in advanced countries and those in emerging markets moved more or less in tandem, reflecting greater integration (Chart II.3). The extraordinary stimulus

**Chart II.2: Sovereign CDS Spread of Euro Area Crisis Countries**




measures provided by the national authorities to safeguard financial stability and foster economic recovery helped global stock markets to recoup losses in 2009. However, the revelation of the depth and the impact of the sovereign debt crisis that surfaced to the fore by March 2010 led to renewed weakness in global stock markets. The equity markets in emerging market economies including India experienced revival of capital inflows and firming up of stock prices during the first half of 2010 as a result of quicker turnaround in economic prospects backed by the strength of internal demand. By the end of the first half of 2010, the impact of the sovereign crisis coupled with continued weakness in economy recovery in the developed world led to an overall global downtrend, although selective markets primarily in EMEs still continued intermediate uptrend.

**Chart II.3: Global Stock Markets**



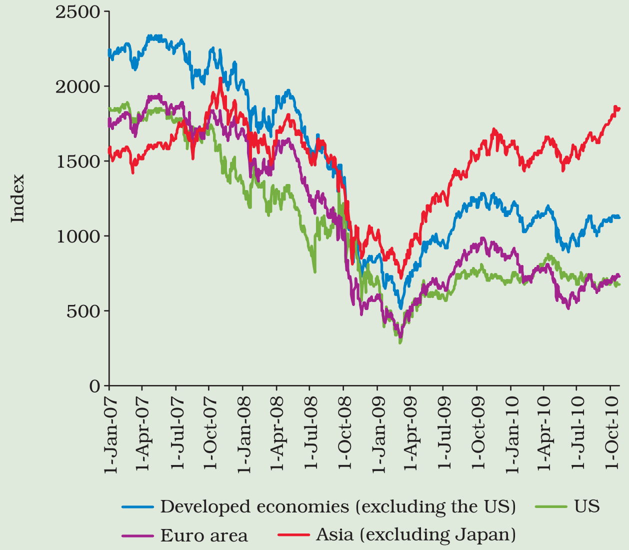
2.11 The trends in banking stocks in 2009-10 reflected the strength of global macroeconomic environment as well as the challenges to the financial system (Chart II.4). In the advanced economies including the euro area and the US, banking stocks could not recoup to their pre-crisis levels. However, in the EMEs, especially in Asia, bank stocks showed a sharp recovery to reach almost the pre-crisis level due to strong balance sheets and growth prospects.

*Bank CDS Market*

2.12 Average bank credit default spreads increased sharply in early April 2009 for the US, UK and euro area banks but subsequently continued to soften during much of the 2009 (Chart II.5). The CDS spreads for the US banks continued to remain moderate in 2010. The CDS spreads for the euro area banks climbed sharply beginning April 2010, reflecting the uncertainty about the impact of the unfolding sovereign debt crisis in Europe and the recognition for euro area banks' exposure to the crisis countries in the area. The greatest impact was on credit spreads for banks headquartered in the countries whose perceived credit worthiness had deteriorated the most especially in Greece, Portugal and Spain. In India, the CDS spread of some banks, which came under pressure in 2008, showed a significant softening of the trend during 2009-10.

**Chart II.4: Global Banking Stock Indices**

(in US dollar)




*Credit Market*

2.13 In the wake of global crisis, growth in bank credit to the private sector decelerated in mature economies, securitisation markets outside those supported by the public sector remained weak and lower quality borrowers lacked any access to capital market funding. Bank lending continued to remain restricted, despite unconventional policies aimed at reviving credit to end users (Table II.2). Despite credit and quantitative easing policies, global real private borrowing rates as proxied by borrowing rates and yields on housing, consumer, and corporate loans and securities,

**Chart II.5: CDS Spread of Banks**

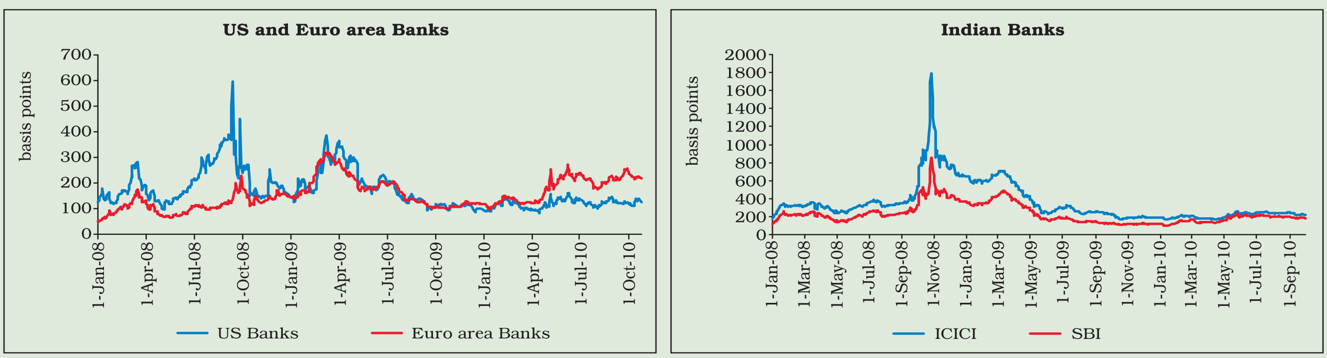


**Table II.2: Growth in Bank Credit to Private Sector**

(per cent)

| Quarter | US | UK | France | Germany | Japan | Italy | Greece | Spain | China | Russia | Brazil | Mexico | India |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| Q1 2007 | 11.8 | 13.0 | 10.0 | 0.5 | 1.0 | 12.9 | 16.8 | 24.0 | 16.3 | 51.0 | 34.4 | 29.1 | 25.7 |
| Q2 2007 | 10.3 | 11.1 | 11.7 | -0.5 | 0.7 | 12.3 | 20.6 | 22.4 | 17.6 | 53.2 | 33.7 | 28.4 | 23.3 |
| Q3 2007 | 11.3 | 13.1 | 13.4 | -0.8 | 0.7 | 10.6 | 15.2 | 20.2 | 19.5 | 54.5 | 40.9 | 30.5 | 20.1 |
| Q4 2007 | 11.2 | 12.9 | 13.4 | 0.8 | 0.1 | 19.7 | 21.8 | 16.7 | 19.3 | 50.9 | 36.6 | 27.3 | 20.4 |
| Q1 2008 | 12.4 | 12.2 | 13.8 | 1.4 | 1.2 | 18.4 | 26.1 | 14.3 | 17.7 | 49.9 | 33.8 | 18.8 | 21.6 |
| Q2 2008 | 10.6 | 13.4 | 11.3 | 2.6 | 2.0 | 17.9 | 18.2 | 11.3 | 15.4 | 45.5 | 30.5 | 14.7 | 25.1 |
| Q3 2008 | 8.2 | 12.0 | 8.5 | 4.2 | 1.8 | 18.1 | 13.1 | 8.6 | 14.1 | 41.3 | 27.5 | 6.1 | 24.5 |
| Q4 2008 | 8.1 | 13.1 | 6.2 | 5.1 | 4.1 | 7.5 | 25.3 | 6.4 | 14.0 | 35.9 | 30.1 | 5.5 | 22.3 |
| Q1 2009 | 3.3 | 13.7 | 2.5 | 4.7 | 3.6 | 7.6 | 9.6 | 4.0 | 23.6 | 29.3 | 18.2 | 8.6 | 16.7 |
| Q2 2009 | 2.1 | 7.9 | 0.5 | 4.7 | 2.5 | 5.4 | 1.6 | 1.5 | 30.2 | 16.5 | 16.3 | 4.2 | 14.3 |
| Q3 2009 | -2.2 | 5.1 | -1.0 | 1.9 | 1.6 | 2.5 | -3.4 | -0.1 | 32.1 | 8.3 | 7.7 | 4.7 | 11.9 |
| Q4 2009 | -7.8 | 2.8 | -0.7 | 0.4 | -1.2 | 2.3 | -19.5 | -1.6 | 33.1 | 1.9 | 5.3 | -0.2 | 12.1 |
| Q1 2010 | -8.0 | 5.0 | 1.2 | -1.2 | -2.0 | 0.3 | -15.8 | -1.7 | 24.8 | -1.1 | 8.5 | -0.6 | 17.1 |
| Q2 2010 | -2.7 | 5.9 | | -1.2 | -2.1 | 3.7 | 4.2 | -0.6 | 20.1 | 5.9 | 14.9 | 3.0 | |

**Note:** Growth rate over the corresponding quarter a year ago.
**Source**: Datastream, IMF, IFS.

weighted by the respective shares of outstanding debt, remained stable since April 2009. Furthermore, the public sector interventions that helped reduce the private sector risks resulted in increased public sector indebtedness and risks of fiscal failures. However, by October 2009, market and liquidity risks fell as interbank markets and some channels of private wholesale funding markets reopened and market volatility declined as worries of systemic collapse and economic failure abated. Financial institutions were no longer fully reliant on government guarantees for funding and were able to raise senior unsecured debt funding. Stronger banks faced no difficulty obtaining medium- to long-term funding in any major currency. However, some weaker banks were less able to access interbank and capital markets or only at penal rates.

2.14 Going forward, credit recovery will respond slowly as banks were still engaged in repairing their balance sheets. Notwithstanding the signs of some recovery in private credit demand, the sharp rise in sovereign funding needs entails that policy measures are swiftly initiated to address capacity constraints. The growth in private credit in the foreseeable period may continue to be weak as lending is overweighed by financing constraints and sovereign demands. As non bank finance is only a partial substitute of bank finance, households and SMEs which are largely reliant on bank lending may face credit constraint. The overall credit conditions moreover are expected to weaken as the central banks initiate progressive withdrawal of liquidity support provided by them.

*Corporate Bond Market*

2.15 The corporate bond markets returned to normal functioning in 2010 (IMF, Global Financial Stability Report (GFSR) July 2010). However, due to tightening of the bank credit market, corporate credit and asset-backed securities spreads tightened and issuances rose as firms sought alternatives to depleting bank credit. High-yield issuance also increased but was restricted to higher quality credit and spreads remained historically wide. Although the gap between short-term interest rates and private borrowing rates was at its widest level since the beginning of the crisis, the risk appetite showed an increasing propensity due to improved investor confidence and declining counterparty risks as global real private borrowing rates of corporate loans and securities stabilised compared to the first half of the year. However the threat of sovereign debt spillovers which led to market turbulence during April 2010 caused sharp widening of credit spreads on non-financial corporate bonds resulting in near collapse of bond issuance especially by European firms. With signs of US recovery seen during the first half of 2010, the corporate bond spreads moderated to some extent (Chart II.6). The emerging market countries in Asia, Latin America, Europe, Middle East and Africa also experienced tighter financing conditions since May 2010 due to heightened risks in the euro area resulting in the virtual stoppage of issuances of corporate bonds and equity, although some regions were less affected than others. Continuation of these tighter conditions could begin to have impact on the availability of credit to private firms.

## 4. Global Banking Developments

2.16 A significant positive development pertaining to the global banking industry was that the contraction of BIS reporting banks' international balance sheets that had begun in the fourth quarter of 2008 came to an end during the first three months of 2010 (Chart II.7). According to the BIS (Quarterly Review, September 2010), the turnaround was led by sizeable increases in international claims on residents of the United Kingdom and the United States. It was also boosted by continuing acceleration in cross-border claims on Asia-Pacific and Latin America and the Caribbean, which were the first two regions to experience positive post-crisis growth in international lending in the second quarter of 2009. Claims on the euro area and on emerging Europe continued to decline. Nevertheless, internationally active banks increased their exposures to Greece, Ireland, Portugal and Spain, mainly as a result of rising off-balance sheet items.

2.17 Despite generally improved economic conditions and a long period of healing after the failure of Lehman Brothers, progress towards global financial stability experienced setback in April and May 2010 with the emergence of euro area sovereign debt stress. According to the IMF, the huge refinancing need of close to Euro 300 billion for maturing bonds in the PIIGS (Portugal, Ireland, Italy, Greece and

**Chart II.6: US Corporate and Government Bond Yields**

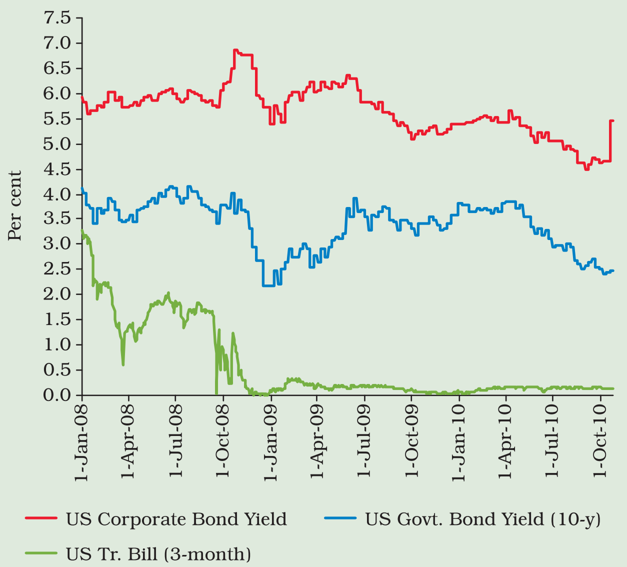
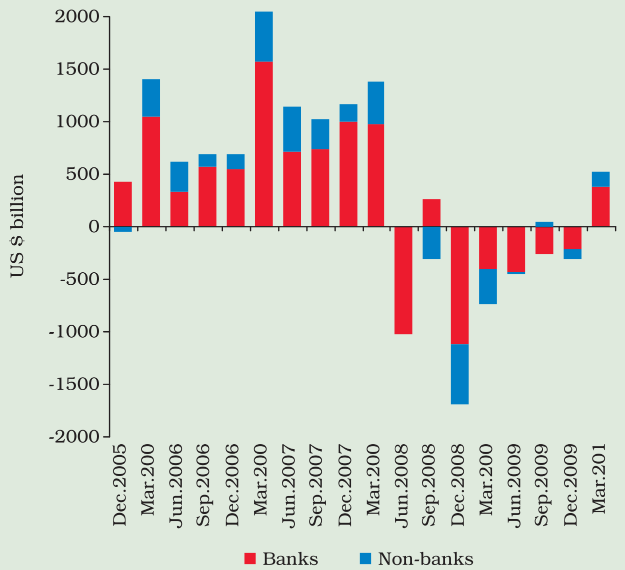



**Chart II.7: Changes in International Liabilities of Banks**



Spain) countries has the potential to spill over to other regions and re-establish an adverse feedback loop with the economy. Thus, further decisive follow-up of the significant national and supranational policy responses already taken would be required to be strengthened to instill confidence in the financial system and ensure continuation of the economic recovery. Going forward, the large and significant rollover needs in the PIIGS would create insurmountable pressure on bond markets as simultaneous funding needs of the United States, United Kingdom, Japan, and other Eurozone of the order of about US $ 4 trillion for bonds due for redemption in the third and fourth quarters come to fore. This implies that banks will face extreme difficulties in managing portfolio risks especially in the Eurozone, and the expected turbulence has already dampened the primary market for bonds of financial institutions.

2.18 The BIS Annual Report 2009-10 noted that banks returned to profitability and strengthened their capital ratios in 2009 (Table II.3). However, banks' profits continued to be largely dependent on poor quality revenue from fixed income and currency transactions. Going forward, banks would have to address three major challenges, namely, refinancing a large portion of their liabilities, ending their dependence on emergency support measures by the public sector and redressing balance sheet weaknesses and reducing operating costs.

2.19 The IMF's GSFR of October 2009 estimated that for the period 2007-10, the total write downs and loan provisions of the global banking system would amount to nearly US $ 2.8 trillion due to the problem of loan losses (Table II.4). The write downs and loan provisioning requirements for US banks were at the highest level aggregating US $ 1.025 trillion followed by euro area banks at US $ 0.814 trillion and UK banks at US $ 0.604 trillion. The GSFR for April 2010, however, reduced the size of estimated global write downs and loan provisions from US $ 2.8 trillion to US $ 2.3 trillion taking account of the estimated decline in the implied cumulative loss rate from 5.0 per cent to 4.1 per cent. Despite this moderation, there is little evidence to suggest

**Table II.3: Banks' Return on Equity**

(per cent)

| Countries | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| US | 12.3 | 7.8 | 0.4 | 0.9 |
| UK | 8.9 | 6.2 | -10.3 | 2.6 |
| Euro area* | 13.6 | 11.9 | -8.0 | 1.2 |
| Japan | 8.5 | 6.1 | -6.9 | 4.7 |
| Switzerland | 17.7 | 15.4 | 5.4 | 8.2 |
| Belgium | 22.4 | 13.2 | -36.5 | -2.7 |
| France | 14.0 | 9.8 | -1.0 | 8.2 |
| Germany | 9.4 | 6.6 | -7.7 | - |
| Portugal | 17.0 | 16.6 | 5.7 | 6.6 |
| Italy | 14.3 | 12.8 | 4.5 | 3.6 |
| Greece | 12.7 | 14.8 | 3.2 | -1.5 |
| Spain | 19.7 | 20.9 | 12.6 | 9.3 |
| Brazil | 27.3 | 28.8 | 15.3 | 20.4 |
| Russia | 26.3 | 22.7 | 13.3 | 4.9 |
| India | 12.7 | 13.2 | 12.5 | 12.3 |
| China | 14.9 | 16.7 | 17.1 | 15.1 |
| Indonesia | 22.4 | 23.2 | 15.5 | 18.4 |
| Malaysia | 16.2 | 19.7 | 18.5 | 16.1 |
| Philippines | 3.2 | 8.7 | 6.9 | 10.8 |
| Thailand | 8.5 | 1.2 | 10.3 | 9.5 |
| Mexico | 25.9 | 19.9 | 15.5 | 12.8 |

*Pertains to large and complex banking groups in the euro area, as reported in the ECB's FSR, June 2010.

**Source**: IMF; ECB.

**Table II.4: Bank Non-performing Loans to Total Loans Ratio**

(per cent)

| Countries | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| United States | 0.8 | 1.4 | 2.9 | 5.4 |
| United Kingdom | 0.9 | 0.9 | 1.6 | 3.5 |
| France | 3.0 | 2.7 | 2.8 | 3.6 |
| Germany | 3.4 | 2.6 | 2.8 | 3.3 |
| Portugal | 1.3 | 1.5 | 2.0 | 3.2 |
| Italy | 4.9 | 4.6 | 4.9 | 7.0 |
| Greece | 5.4 | 4.5 | 5.0 | 7.7 |
| Spain | 0.7 | 0.9 | 3.4 | 5.1 |
| Ireland | 0.7 | 0.8 | 2.6 | 9.0 |
| Brazil | 3.5 | 3 | 3.1 | 4.2 |
| Russia | 2.4 | 2.5 | 3.8 | 9.7 |
| India | 3.3 | 2.5 | 2.3 | 2.3 |
| China | 7.1 | 6.2 | 2.4 | 1.6 |
| Mexico | 2.0 | 2.7 | 3.2 | 3.1 |
| Indonesia | 6.0 | 4.1 | 3.2 | 3.3 |
| Malaysia | 8.5 | 6.5 | 4.8 | 3.7 |
| Pakistan | 6.9 | 7.6 | 10.5 | 12.2 |
| Philippines | 7.5 | 5.8 | 4.5 | 4.1 |
| Thailand | 8.1 | 7.9 | 5.7 | 5.3 |

**Source:** IMF.

that losses have finally abated due to the uncertainty surrounding the estimates of delinquencies as a result of differences in accounting procedures, reporting lags across regions, uncertain path of future delinquencies and covert concealment of losses through extension of maturities of loans sold by banks.

2.20 Central bank support and capital injections in the banking system by governments helped banks to recover from the crisis and return to profitability in 2009 due to rising asset prices and trading incomes. Banks were also able to raise capital worth US $ 1,236 billion thereby compensating actual losses of US $ 1,306 billion incurred till mid-2010. By the end 2009, and with the new capital raised by banks, the capital composition of US and European banks also showed qualitative improvement as Tier I capital rose to its highest level in 15 years due to slower growth in private credit and shift to government securities and other liquid assets (Table II.5). However, at the global level, the banking system still requires a large amount of capital for de-risking. Under these circumstances, the capital proposals under enhanced Basel II may have the effect of crimping bank balance sheets, resulting in reduced availability of liquidity and credit which could affect growth in bank centric economies.

**Table II.5: Bank Regulatory Capital to Risk-Weighted Assets**

(per cent)

| Countries | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| US | 12.9 | 13.0 | 12.8 | 12.8 | 14.3 |
| UK | 12.8 | 12.9 | 12.6 | 12.9 | 14.8 |
| Japan | 12.2 | 13.1 | 12.3 | 12.4 | 15.8 |
| France | 11.3 | 10.9 | 10.2 | 10.5 | 12.4 |
| Germany | 12.2 | 12.5 | 12.9 | 13.6 | 14.8 |
| Portugal | 11.3 | 10.9 | 10.4 | 9.4 | 10.5 |
| Italy | 10.6 | 10.7 | 10.4 | 10.8 | 12.1 |
| Greece | 13.2 | 12.2 | 11.2 | 9.4 | 11.7 |
| Spain | 11.0 | 11.2 | 10.6 | 11.3 | 12.2 |
| Brazil | 17.9 | 18.9 | 18.7 | 18.3 | 18.8 |
| Russia | 16.0 | 14.9 | 15.5 | 16.8 | 20.9 |
| India | 12.8 | 12.3 | 12.3 | 13.0 | 13.2 |
| China | 2.5 | 4.9 | 8.4 | 12.0 | 11.4 |
| Indonesia | 19.9 | 20.6 | 19.2 | 17.0 | 17.6 |
| Malaysia | 13.7 | 13.5 | 13.2 | 12.6 | 15.4 |
| Philippines | 17.6 | 18.1 | 15.7 | 15.5 | 15.8 |
| Thailand | 13.2 | 13.6 | 14.8 | 13.9 | 15.8 |
| Mexico | 14.3 | 16.1 | 15.9 | 15.3 | 15.9 |

Source: IMF

**US Banking System**

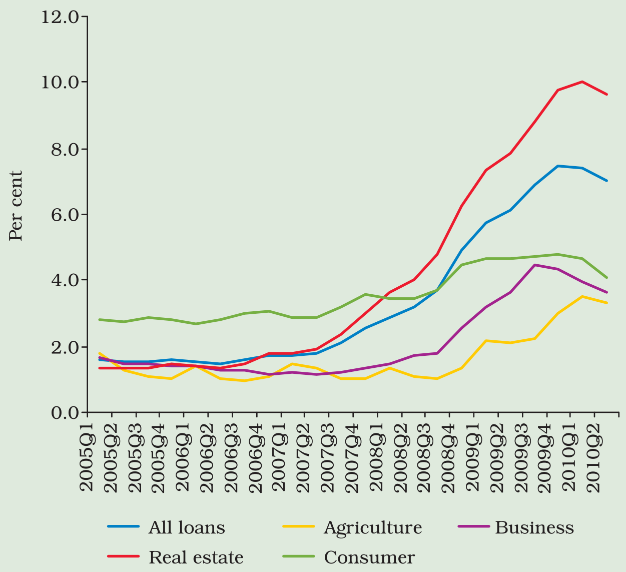
2.21 The U.S. commercial banking sector remained under significant pressure in 2009, though the stress tests conducted by the Treasury in the first quarter of 2009 helped in steadying investor sentiments and reducing volatility and market uncertainty. The Supervisory Capital Assessment Program (SCAP) was undertaken by the Federal Reserve and other US supervisors in May 2009 to measure how much of an additional capital buffer, if any, each banking institution would need to establish at that time to ensure that it would have sufficient capital if the economy weakened more than expected. The results of the stress tests for 19 largest US bank holding companies conducted by the Federal Reserve in coordination with other bank supervisors in May 2009 suggested that additional capital of US $ 75 billion was required to restore the confidence in the financial system.

2.22 Despite the subdued credit market, the profitability of US banks improved in the first quarter of 2010 as many banks reported tentative improvements in credit quality. Asset quality for all major loan classes in the US banks showed a moderation of the trend in 2010 (Chart II.8). In particular, the four largest bank holding companies recorded profits in the first quarter of 2010, as trading revenue and lower loss provisioning boosted earnings. Regional and smaller banks, however, continued to struggle with profitability as credit losses on core lending operations remained high. Moreover, failures of smaller banks continued in 2010 at about the same pace as 2009, driven largely by credit losses on commercial real estate lending.

**The Eurozone Banking System**

2.23 The financial performance of many euro area large and complex banking groups (LCBGs)

Chart II.8: US Loan Deliquency Rates




strengthened in the first quarter of 2010 on the back of efforts made to improve the soundness of their balance sheets. The capital ratios of euro area LCBGs also improved in the first quarter of 2010 to 10.6 per cent from 10.1 per cent in 2009 due to support from retained earnings and efforts made to raise capital from public and private sources. As per the estimate provided by the ECB's FSR of June 2010, the potential cumulative write-downs on securities and loans for the euro area banking sector for the period 2007 to 2010 at Euro 515 billion was lower than Euro 553 billion reported in the FSR December 2009. However, the progressive intensification of market concerns about sovereign credit risk in the euro area in the early months of 2010 opened up a number of hazardous contagion channels which led to adverse market dynamics taking hold of a range of asset markets by May 2010. According to the ECB's FSR of June 2010, the important risks for the financial system that persist include (i) concerns about the sustainability of public finances persisting or even increasing with associated crowding out of private investment, (ii) adverse feedback between financial sector and public finances continuing, (iii) setback to recovery of the profitability of LCBGs and adverse feedback with the provision of credit to the economy, (iv) vulnerabilities of financial institutions associated with concentrations of lending exposures to commercial property markets and central and eastern European countries and, (v) heightened financial market volatility if macroeconomic outcomes fail to live up to expectations. According to the BIS Annual Report 2009-10, the European banking system needs more capital even if there were no increase in the regulatory capital requirements under enhanced Basel II regime.

### The UK Banking Industry

2.24 The slew of supportive measures taken by the Bank of England and the Exchequer in the form of special liquidity scheme, equity injections, credit guarantee scheme for bank liabilities and asset protection scheme for toxic assets helped to bring about a turnaround in the UK banking sector. The implied mark-to-market losses of the UK banks in their banking books declined by about fifty per cent from the assessment in March 2009. The loan loss provisions for UK banking system were reduced by US $ 99 billion to US $ 398 billion by April 2010, reflecting improvements in expected losses on residential mortgages. Accordingly the projected loss provision rate for the first half of 2009 was revised downwards by the IMF in April 2010. The UK banking system took advantage of strong profitability and improved investor risk appetite in 2009 to strengthen their capital positions. The major UK banks raised more than £50 billion in additional core Tier 1 capital during the second half of 2009, taking the total to £127 billion since the start of the crisis. Core Tier 1 capital ratios at 9.6 per cent as at end-2009 exceeded the pre-crisis levels, but remained low when compared historically.

2.25 According to the Bank of England, FSR, June 2010, the capital and liquidity buffers notwithstanding, UK banks face a number of challenges in the period ahead. UK banks need to maintain resilience in a difficult environment, while refinancing substantial sums of funding. They have a collective interest in providing sufficient lending to support economic recovery and they will need over time to build larger buffers of capital and liquidity to meet more demanding future regulatory requirements. The new independent banking commission would recommend regulation and competition policies in 2011 which would foster competitive lending among banks and improve access to credit for small businesses. UK banks will need over time to build larger buffers of capital and liquidity to meet more demanding future regulatory requirements.

**Emerging Markets**

2.26 In terms of profits, Tier I capital, dividend and market value, the emerging market banks constitute about 25 per cent of the global banking industry. Emerging markets banks are pre-eminent gatherers of savings unlike western banks that borrowed heavily to finance business and suffered significantly from the financial crisis. Banks in emerging Asia gained significantly from a favorable combination of macroeconomic circumstances such as a sharp rise in domestic savings and easy monetary policies that led to low cost financing. However, going forward credit and market risks may increase owing to larger scale of future lending and exposure to government bonds.

2.27 The largest economy in the emerging markets group, China has been witnessing a boom in bank lending despite the impact of the global financial crisis. Chinese banks lent a record US $ 1,415 billion in 2009 - more than double the new loans issued in 2008 despite the warnings by regulators that many of the loans used to fund infrastructure spending and property boom may go bad. According to the rating agency Standard and Poor, if 30 per cent of the loans to local government vehicles become bad, it would add 4 to 6 percentage points to overall non-performing loan ratio of banks which is presently at a respectable level. Losses could be magnified if the real estate exposures are also affected by delinquencies. The regulatory initiative to slow down bank lending by imposing loan lending quotas has had some effect on the Chinese economy with the GDP growth slowing down from 11.9 per cent in the first quarter of 2010 to 10.3 per cent in the second quarter. The Peoples Bank of China has indicated that it would strictly maintain its credit target for 2010 at US $ 1,127 billion. Banks have also been asked to put all loans sold or transferred to lightly regulated trusts back on their books and refrain from 'informal securitisation'. This measure is expected to put some banks under severe stress and may require another round of capitalisation in the face of huge amount of credit sitting off balance sheets. According to the FSR issued by the Peoples Bank of China in 2008, going forward the banks in China need to establish and improve corporate governance, optimise the scale and risk control mechanism, clarify the risk compensation mechanism and establish standardised external regulation and assessment system to further strengthen their role in economic and social development.

2.28 Banks in emerging markets such as Brazil and Russia have significantly improved their market share. According to the FSR issued by Banco Central do Brasil in April 2010, the consolidation of economic recovery in Brazil by the end of 2009 had positive influence on credit, liquidity, solvency and profitability in the domestic banking system. The degree of solvency of the Brazilian banking institutions as at end 2009 remained high given the holdings of significant amounts of high quality liquid assets. Raised capital and retained profits contributed to an increase in the Basel Capital adequacy ratio (CAR) by 0.2 percentage point and a reduction of leverage by 0.4 percentage point. The scenario analysis, based on stressed macroeconomic variables, indicated that the solvency of the Brazilian banking system would not be impacted in a relevant way. In this scenario, the CAR of the aggregate system is expected to reach 15.0 per cent in June 2011, well above the regulatory minimum of 11 per cent. The profitability of the banking system continues to remain satisfactory and resulted mainly from increased volumes of business and diversification of the sources of revenue. The quality of income has improved over time, given that the participation of non-operating income in the composition of the profit was lower than that verified in each of the previous quarters.

2.29 Russian banks have traditionally undertaken only few core activities such as attracting deposits, offering credit, managing risk to earn a profit, and performing efficiently such that value is created. The current crisis demonstrated that many Russian banks hoarded liquidity and did not perform their core activities well enough. However despite the current crisis, there continues to be strong potential for growth in the Russian banking industry. The Russian market for banking services remains largely underserved and is expected to grow at 15 to 20 percent through 2020. Asset management, leasing and mortgages are some of the key financial products that will drive the growth in Russian banking services in the next few years.

2.30 Other emerging Asian economies in general also made a quicker turnaround with improved prospects of growth in the next two years, although slower global growth, withdrawal of stimulus measures, sharp increase in international commodity prices and deteriorating fiscal positions pose downside risks to growth.

*The Gulf Area Banking Industry*

2.31 The performance of investment banks in the Gulf region remains severely compromised owing to serious shortcomings in risk management, over-exposure to the real estate sector and reliance on paper gains on proprietary investments rather than recurring fee-based revenues. The banking industry in the Gulf has been shaken by billions of dollars of investment write downs, lay-offs and several defaults which was otherwise rarely seen in the oil rich region. Even as the regional economic recovery is taking shape, there is need for Gulf banks to restructure their business models towards more diversified revenue streams while reducing reliance on short term wholesale funding which caused toxic maturity mismatches.

*New Framework for Financial Stability*

2.32 Explicit pursuit of financial stability is the single most significant take away from the recent global financial crisis. While multilateral and standard setting bodies are placing in revised global regulation norm, countries across the world are implementing new frameworks for ensuring financial stability (Box II.1).

## 5. Conclusions

2.33 To conclude, despite the improvements in terms of capital, liquidity and profitability witnessed by the global banking industry in 2009-10, concerns remained over various downside risks. The global banking industry continues to face significant challenges to cleaning its balance sheet in order to improve the quality of assets and profitability. According to the new bank capital rules under enhanced Basel II framework, banks will have to hold Tier I capital totaling 6 per cent of their risk-bearing assets, an increase from the current requirement of 4 per cent. However, a long phase in period extending in part to 2019 has eased fears that lenders will have to rush to raise capital. Banks will not be required to meet the minimum core Tier-1 capital requirement, comprising shares and retained earnings, at 4.5 per cent until 2015. An additional 2.5 per cent capital conservation buffer will not need to be in place until 2019. Nevertheless, in line with the proposal of the BCBS for higher capital charge, the banking industry in some regions such as the euro area may witness challenges to recapitalisation, especially as countries in the euro area engage in the fiscal consolidation efforts in the future.

## Box II.1: Evolving Institutional Framework for Financial Stability

Preserving financial stability over the long term requires implementing carefully designed framework that is effective and gains public support over time. Major countries have proposed to overhaul the institutional framework for financial stability.

**United States:** The "Restoring American Financial Stability Act of 2010" signed by the President of the United States on July 21, 2010 would result in changes in the existing regulatory structure. The institutions affected by these changes include most of the regulatory agencies currently involved in monitoring the financial system (Federal Deposit Insurance Corporation (FDIC), Securities Exchange Commission, Comptroller of Currency, Federal Reserve, Securities Investor Protection Corporation, etc.), and the winding up of the Office of Thrift Supervision(OTS). To prevent regulatory competition and clarify regulatory duties, the Act divides the regulatory system into three distinct parts, with each part becoming the primary responsibility of a particular agency. The FDIC is responsible for state banks/thrifts with assets under US $ 50 billion whereas the Office of the Comptroller of Currency is responsible for national banks/thrifts with assets under US $ 50 billion. All other banks/thrifts, Bank Holding Companies (and institutions deemed necessary) will be the responsibility of the Federal Reserve. Certain non-bank financial companies and their subsidiaries will also be supervised by the Fed in the same manner and to the same extend as if they were a bank holding company. Three new agencies constituted by the Act include (i) Financial Stability Oversight Council (FSOC), (ii) Office of Financial Research (OFR) and (iii) Bureau of Consumer Financial Protection (BCFR)

The FSOC and the OFR would be attached to the Treasury Department with the Treasury Secretary as the Chair of the FSOC, and the Head of the OFR being a Presidential appointment with Senate confirmation. On the other hand, the BCFR would be housed within the Federal Reserve System, and is tasked with regulating consumer financial products and services in compliance with federal law, and is required to report to the Senate Banking Committee and the House Financial Services Committee.

The legislation entrusts responsibility of the Federal Reserve to "identify, measure, monitor, and mitigate risks to the financial stability of the United States." The Fed would continue to establish prudential standards for the institutions under their supervision including capital requirements, leverage ratio, liquidity requirements, etc.

**United Kingdom:** In 1997, the UK divided the supervision of the banking sector between the central bank, the Financial Services Authority (FSA) and the Treasury. However, given the ineffectiveness of this model in ensuring financial stability during the recent crisis, the country has now decided to reform the architecture of financial regulation with the proposed implementation of the 'twin peaks' model to divide the responsibilities of the Financial Services Authority (FSA). The responsibility of the FSA would be divided between a new prudential regulator which would be inside the Bank of England and a new consumer protection and markets authority. The focus of these changes would provide a new remit to the Bank of England to prevent the build-up of risk in the financial system in addition to its monetary policy role. Further, the reform also proposes to create a Financial Policy Committee with macro prudential oversight to prevent asset bubbles and managing systemic risk. Both the prudential regulatory authority and financial policy committee will be headed by the Governor, Bank of England bringing him at the centre of supervision of both individual banks and financial system.

**European Union:** In the Eurozone, while the European Central Bank (ECB) is in charge of monetary policy, interventions on the foreign exchange markets and international and European cooperation, there are separate mechanisms in place for monitoring and assessment of financial stability. Presently, the Committee of European Banking Supervisors (CEBS) gives advice to the European Commission on policy and regulatory issues related to banking supervision. Since 2009, CEBS has been tasked to provide regular bank sector analysis and perform assessments on risks and vulnerabilities on the banking sector and report its outcomes periodically to the European Union political institutions. A need was, however, felt to improve the interplay between micro- and macro-prudential supervision with the establishment of a body that can undertake macro-prudential supervision of the EU financial system as a whole. The EU has therefore proposed the establishment of European Systemic Risk Board (ESRB) responsible for macro-prudential supervision in the EU. An important topic that would be on the ESRB's agenda is that of the "Systemically Important Financial Institutions"(SIFIs).

**India**: The Securities and Insurance Laws (Amendment and Validation) Bill was passed in August 2010, enabling the Government to constitute an apex Financial Stability and Development Council (FSDC) headed by the Finance Minister for the purpose of institutionalizing the mechanism for maintaining financial stability and resolving inter-regulatory disputes. A sub- committee of the Council with the mandate to look after financial stability and inter-regulatory coordination would be headed by the Reserve Bank Governor. The sub-committee would be the first stop for resolving any disagreement among regulators.

In the post crisis scenario, the views on the preferable framework of regulatory architecture for financial stability have differed across countries.

Chapter III

# Policy Environment

*The policy framework for the financial sector during 2009-10 was guided by an array of global initiatives aimed at strengthening prudential controls to avoid the odds of future crises. Prescription of enhanced capital charges and liquidity requirements, improved regulatory and supervisory practices and the resolution of systemically important financial institutions including cross border cooperation across national jurisdictions have received concerted focus from G-20 and other standard setting bodies. During the year 2009-10, the policy environment in India was marked by the efforts directed at improving transparency and efficiency of the financial system, financial inclusion and stability. Further, following the recovery in economy, the Reserve Bank undertook measures towards normalization of monetary policy to address inflationary concerns while continuing to encourage economic recovery, financial stability and inclusion. The financial markets, in general, exhibited intermittent corrections during the year but remained stable nonetheless. The Government of India and the Reserve Bank undertook measures to ease the flow of credit particularly for small and marginal farmers and micro and small enterprises to increase self employment. Initiatives for improving financial literacy and inclusion in seven focus states formed an important part of the policy agenda. The supervisory practices in respect of concerns related to banking frauds, overseas operations, financial conglomerates, electronic banking and technology risk were also addressed. At the same time, focussed attention was placed on improving customer service and the efficiency of payments and settlement system. Among important legal measures, the Securities and Insurance Laws (Amendment and Validation) Bill was passed by the Parliament to provide a joint mechanism to resolve inter-regulatory differences in opinion.*

## 1. Introduction

3.1 During 2009-10 as against 2008-09, the policy focus of the Reserve Bank shifted from crisis management to recovery management. By the beginning of 2009-10, it was apparent that the risk of contagion to the Indian financial system was minimal, even though sustained weakness in the real economy put some stress on the financial system. To enable a faster recovery, the growth supportive fiscal and the monetary policy stances continued during first half of the year. Financial market activities recovered ahead of GDP, and with the return of capital inflows, the Rupee also appreciated. With the signs of revival of growth process in the second half of 2009-10, the Reserve Bank initiated a process of calibrated exit from the accommodative monetary policy and *ad hoc* measures from October 2009 onwards.

3.2 Against this background, this chapter provides important policy measures undertaken by the Reserve Bank during 2009-10 (March-April) and 2010-11 so far. The monetary policy measures during the period are presented briefly in Section 2, followed by a review of the initiatives taken in the area of credit delivery in Section 3. Section 4 details the various measures initiated to promote financial inclusion. Measures taken in the areas of prudential regulation and supervision are discussed in Sections 5 and 6. The initiatives pertaining to Regional Rural Banks (RRBs) are set out in Section 7. Policy initiatives with regard to cooperative banks - Urban Cooperative Banks (UCBs) and rural credit cooperatives are highlighted in Section 8. Measures relating to non-banking financial institutions are presented in Section 9. The developments in the area of financial markets are covered in Section 10. The developments in the area of customer service by banks are covered in Section 11. Similarly, measures relating to the payment and settlement systems and technological developments are outlined in Section 12 and Section 13, respectively. Section 14 outlines legal developments and Section 15 summarises the broad conclusions drawn from the chapter.

## 2. Monetary Policy[1]

3.3 The liquidity constraint that emerged in September 2008 in the wake of global financial crisis paved the way for an accommodative monetary policy stance by the Reserve Bank, which continued during first half of 2009-10. The earlier pre-emptive measures comprised a series of downward revisions in policy rates covering repo rate, reverse repo rate, CRR, SLR as well as specific refinancing windows for accommodating the distressed sectors of the economy. Although, the monetary policy stance during 2009-10 was conditioned by the changing dynamics of growth-inflation outlook and the uncertainty about both domestic and global economic recovery.

3.4 The calibrated exit from monetary expansion started in October 2009 which continued in subsequent quarterly policy reviews during 2010-11. The Reserve Bank had to strike a judicious balance amongst its various objectives of monetary policy such as growth, inflation and fininacial stability. On balancing the policy priorities during the exit phases, it had become important to raise the policy rates to the neutral levels in a calibrated manner, in view of the altered growth-inflation configuration by the end of 2009-10.

3.5 The dominant concern that shaped the monetary policy stance in the First Quarter Review of 2010-11 was high inflation. Even as food price inflation and, more generally, consumer price inflation showed some moderation, the existing range was in double digits. Non-food inflation rose and demand-side pressures were evident. In view of broad-based domestic recovery, the First Quarter Review revised upward the baseline projection of real GDP growth for 2010-11 to 8.5 per cent. The baseline projection for WPI inflation for March 2011 was raised to 6.0 per cent. Consistent with this assessment, the repo rate was hiked by 25 basis points and the reverse repo rate by 50 basis points. Furthermore, the Reserve Bank also introduced mid-Quarter Reviews of Monetary Policy intended to be announced in the form of press releases in June, September, December and March every year. The first mid-Quarter Review was announced on September 16, 2010, wherein the repo and reverse repo rates were increased by 25 and 50 basis points, respectively. During 2010-11 so far, the monetary policy actions were intended to moderate inflation by reining in demand pressures and inflationary expectations while maintaining financial conditions conducive to sustaining growth.

3.6 Thus, since the exit began in October 2009, the reverse repo rate has been raised by 175 basis points to 5.0 per cent and repo rate has been raised by 125 basis points to 6.0 per cent. The cash reserve ratio (CRR) was raised by 100 basis points to 6.0 per cent. The liquidity in the system has transmited from a surplus mode to more balanced mode, and in the process, the repo rate has emerged as the policy rate. The overnight interest rates have also settled around the repo rate.

## 3. Credit Delivery

3.7 Ensuring adequate flow of credit to agriculture, micro, small and medium

[1] For a detailed discussion, refer to the Reserve Bank's Annual Report 2009-10 and the various Policy Documents.

enterprises, and the export sector has been a policy thrust for achieving the objective of sustainable and inclusive economic growth. In the wake of the global crisis, several measures were initiated to facilitate credit delivery and thereby contain the adverse impact on small and medium enterprises (SMEs) as well as exports.

3.8 The recommendations of the Working Group on BPLR (Chairman: Shri Deepak Mohanty) were implemented with the introduction of the Base Rate with effect from July 1, 2010. As the Base Rate construed as the minimum rate below which it will not be profitable for banks to lend, banks were not permitted to resort to any lending below the Base Rate. At the same time the ceiling of BPLR for loans up to ₹2 lakh was withdrawn. The deregulation of lending rates is expected to improve transparency in the pricing of credit and step up flow of credit to small borrowers at reasonable rates.

Priority Sector Lending

3.9 Commercial banks have been advised to link the tenor of loans to Housing Finance Companies (HFCs) in line with the average portfolio maturity of housing loans up to ₹20 lakh extended by HFCs to individual borrowers, otherwise such loans would not be eligible for classification under priority sector. Banks have been advised to ensure the end-use of funds strictly as per the guidelines on lending to priority sector.

*Flow of Credit to Agriculture*

*Guidelines for Interest Subvention Relief to Farmers*

3.10 In 2006-07, the Government had announced to extend interest subvention of 2 per cent per annum in respect of short-term production credit up to ₹3 lakh to farmers so that such credit could be made available by banks at 7 per cent. The Union Budget for 2009-10 had announced that the Government would provide an additional subvention of one per cent as an incentive to farmers who repay short-term crop loans on schedule. The Union Budget for 2010-11 announced an interest subvention of 1.5 per cent and raised the additional interest subvention to 2 per cent.

*Agricultural Debt Waiver and Debt Relief Scheme, 2008*

3.11 The Union Budget for 2008-09, announced the Agricultural Debt Waiver and Debt Relief Scheme 2008 under which the entire 'eligible amount' was waived for the small and marginal farmers. The 'other' farmers were eligible for a one time settlement (OTS) Scheme under which the farmer will be given a rebate of 25 per cent of the 'eligible amount' subject to the condition that the farmer pays the balance of 75 per cent of the 'eligible amount'.

3.12 As per the Scheme announced by the Government of India, the last date for the 'other farmers' to pay their portion (75 per cent) was June 30, 2009. However, due to the late arrival of monsoon, it was proposed in the Union Budget 2009-10 to extend this period by six months up to December 31, 2009. Further, in view of drought in certain parts of the country and heavy rains in other parts, the Union Budget 2010-11 further extended this date till June 30, 2010.

*Waiver of Security/Margin Norms for Agricultural Loans*

3.13 The limit for waiver of margin/security requirements for agricultural loans has been enhanced from ₹50,000 to ₹1 lakh *vide* RBI circular dated June 18, 2010. The provision of waiver of margin/security requirements for agricultural loans up to ₹1 lakh also applies, *inter alia*, to the tenant farmers, share croppers and oral lessees.

### Flow of Credit to Micro and Small Enterprises

3.14 A High Level Task Force was constituted by the Government of India (Chairman: Shri T. K. A. Nair) to consider various issues relating to the Micro, Small and Medium Enterprises (MSMEs). Pursuant to the recommendations of the Task Force, SCBs have been advised on June 29, 2010 to achieve the share of Micro enterprises in MSE lending of 60 per cent prescribed in stages.

3.15 To further ease the credit flow to this sector, RBI constituted a Working Group (Chairman: Shri V. K. Sharma) to review the working of the Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). Major recommendations of the Working Group include mandatory doubling of the limit for collateral free loans to micro and small enterprises (MSEs) sector to ₹10 lakh from the existing ₹5 lakh, increase in the extent of guarantee cover, absorption of guarantee fees for the collateral free loans by CGTMSE subject to certain conditions, simplification of procedures for filing claims with CGTMSE and increasing awareness about the scheme. Following the recommendations of the Working Group, banks have been mandated on May 6, 2010, not to accept collateral security in the case of loans up to ₹10 lakh extended to units in the MSE sector.

#### *Scheme of 1 per cent Interest Subvention on Housing Loans up to ₹10 lakh*

3.16 The Union Budget for 2009-10 had announced a scheme of 1 per cent interest subvention in respect of individual housing loans up to ₹10 lakh, provided the cost of unit does not exceed ₹20 lakh, operative initially for a period of one year effective from October 1, 2009 to September 30, 2010. Further, the Union Budget for 2010-11 announced extension of the scheme till March 31, 2011.

### Measures for Improving Banking Penetration

#### *High Level Committee to review the Lead Bank Scheme*

3.17 The High Level Committee on Lead Bank Scheme constituted by the Reserve Bank (Chairman: Smt. Usha Throat) to review the Lead Bank Scheme has submitted its report on August 20, 2009. Comprehensive guidelines on the implementation of the recommendations were issued to SLBC convener banks and lead banks. CMDs of all the State Level Bankers' Committee (SLBC) convenor banks have been advised to initiate undernoted actions to revitalise SLBC meetings:

(i) State Chief Ministers may be encouraged to attend at least one SLBC meeting in a year. CMDs have, therefore, been requested to bestow their personal attention in the matter and liaise with State Government to facilitate Chief Minister's participation in at aleast one SLBC meeting during the year.

(ii) CMDs have further been requested to arrange workshops for district administration on the subject, in the light of recommendations of High Level Committee to review Lead Bank Scheme.

#### *Rural Self Employment Training Institutes (RSETIs)*

3.18 The Government has resolved to set up RSETIs in each district all over the country to tap the BPL youth from the rural hinterland. The Ministry of Rural Development desired to support establishment of one Rural Development and Self-Employment Training Institute (RUDSETI) type of institution in each district of the country by 2011. National Institute of Rural Development (NIRD), Hyderabad, has been appointed the Nodal Agency for setting up RSETIs. As per data received from NIRD, there were 319 RSETIs set up by various banks as on end-March 2010.

*Financial Literacy and Credit Counselling Centres (FLCCs)*

3.19 A model scheme on Financial Literacy and Credit Counselling Centres (FLCCs) was formulated and communicated to all SCBs and RRBs with the advice to set up the centres as distinct entities, maintaining an arm's length from the bank, so that the FLCCs' services were available to even other banks' customers in the district. Up to March 2010, banks had reported setting up 135 credit counselling centres in various States.

Export Credit

3.20 In the wake of the global crisis and the problems being faced by exporters, the Reserve Bank had reduced the interest rate ceiling to 250 bps below BPLR on pre-shipment rupee export credit up to 270 days and post-shipment rupee export credit up to 180 days. This facility was available up to June 30, 2010. On top of this, the Government of India extended interest rate subvention of 2 per cent on pre- and post-shipment rupee export credit, for certain employment oriented export sectors, such as, handicrafts, carpets, handlooms and small and medium enterprises. The Union Budget for 2010-11 extended the 2 per cent interest rate subvention to the select sectors up to March 31, 2011. On August 9, 2010, the interest rate subvention scheme was further extended to leather and leather manufacturers, jute manufacturing including floor covering, engineering goods and textiles for the period from April 1, 2010 to March 31, 2011. With the introduction of the Base Rate, the lending rates charged on rupee export credit were deregulated with effect from July 1, 2010. However, the Reserve Bank has stipulated that banks may reduce the interest rate chargeable as per the Base Rate in the sectors specified above by the subvention available, even if the interest rate charged to exporters goes below the Base Rate.

## 4. Financial Inclusion

3.21 The Reserve Bank has taken several initiatives in recent years for promoting financial inclusion. A significant step in this direction was the issue of RBI guidelines in January 2006 for engagement of Business Correspondents (BCs) by banks for providing banking and financial services in addition to the traditional 'brick and mortar' model. Under this BC Model, banks have been permitted to use the services of various entities like Non-Governmental Organisations/Self Help Groups (NGOs/SHGs), Micro Finance Institutions (MFIs) and other Civil Society Organisations (CSOs), companies registered under Section 25 of the Companies Act, 1956, retired Government/bank employees and ex-servicemen to act as BCs.

3.22 Based on the recommendations of the Working Group constituted to examine the experience of the BC Model and suggest measures to enlarge the category of persons that can act as BCs. Keeping in view the regulatory and supervisory framework and consumer protection issues, the banks were allowed to appoint as BCs: individual owners of kirana/medical/Fair Price shops/individual PCO operators, agents of small savings schemes of GoI/Insurance companies, individuals who own petrol pumps, retired teachers, authorized functionaries of well run self help groups which are linked to banks and any other individuals including those operating common service centre as BCs.

3.23 As announced in the Annual Policy Statement for the year 2010-11, a discussion paper on engagement of 'for profit' companies as BCs was placed on RBI website on August 2, 2010. Taking into consideration the feedback received from various quarters, banks have now been permitted to engage 'for profit' companies as BCs excluding Non Banking Financial Companies (NBFCs), in addition to the individuals/entities permitted earlier.

3.24 Regional Rural Banks (RRBs) continued to take initiatives in the area of financial inclusion by opening “No–frills Accounts”, issuing Kisan Credit Cards (KCC) and General Credit Cards (GCC) and dispensing micro credit through formation and credit linkage of SHGs. In respect of opening of Regional Offices (ROs) by RRBs, distinction between amalgamated and stand alone RRBs was dispensed with. All RRBs (both amalgamated and stand alone) would be allowed to open one RO for every 50 branches. Further, RRBs having up to 50 branches will be under the direct control of Head Office, without any intermediate tier. Also, request for relaxation, if any, in this regard will be examined by State Level Empowered Committee on RRBs.

3.25 As recommended by the Rangarajan Committee, two Funds have been set up with NABARD, *viz.*, ‘Financial Inclusion Fund’ (FIF) for meeting the cost of developmental and promotional interventions of financial inclusion and ‘Financial Inclusion Technology Fund’ (FITF), for meeting the cost of technology adoption. Each Fund consists of an overall corpus of ₹500 crore, to be contributed by the Government of India (GoI), Reserve Bank and NABARD in the ratio of 40:40:20 in a phased manner over five years, depending upon utilisation of funds. In the Union Budget for the year 2010-11, the corpus of each of these funds has been enhanced by another ₹100 crore.

3.26 The guidelines for these two funds have been formulated and circulated among stakeholders. As on March 31, 2010, 50,255 villages were covered under financial inclusion through FIF and FITF.

### *NABARD-UNDP Collaboration for Financial Inclusion*

3.27 In addition to financial inclusion initiated under FIF/FITF, NABARD and UNDP entered into collaboration for financial inclusion in seven focus states, *viz.*, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh. This collaboration was part of the Country Programme Action Plan (CPAP) signed between Government of India (GOI) and UNDP. A fund for the collaboration, *viz.*, ‘UNDP – NABARD Financial Inclusion Fund’ was established in NABARD with UNDP support. The overall objective of the collaboration is to provide better access to financial products and services to reduce risks and enhance livelihoods for the poor in at least two states, especially women and men from SC and ST groups, minorities and the displaced.

### *Financial Inclusion through grass-root Cooperatives*

3.28 It was announced in the Annual Policy Statement for the year 2010-11 that there was a need for better understanding of the functioning of grass-root level rural co-operatives, which have the potential to play an important role in financial inclusion. Accordingly, it was decided to conduct a study of select ‘well functioning’ rural co-operatives (around 220) across the country through the Regional offices in association with the Regional offices of NABARD and the concerned State Governments under the overall guidance of Reserve Bank.

3.29 In November 2009, the Reserve Bank has advised banks to draw up a roadmap to provide banking services through a banking outlet in every village having a population of over 2,000 by March 2011. Such banking services may not necessarily be extended through a brick and mortar branch but can be provided through any of the various forms of ICT-based models including through BCs. The target date for achievement of above has been revised to March 2012 in alignment with the Budget announcements. Banks are further advised that March 2011 may be considered as an intermediate target. As at end June 2010, about 73,000 villages have been allocated to various banks for the provision of banking facilities in villages having population of more than 2000.

3.30 With a view to increasing banking penetration and promoting financial inclusion, domestic commercial banks, both in the public and private sectors, were advised in January 2010 to draw up specific Board approved Financial Inclusion Plans (FIP) with a view to rolling them out over the next three years. Banks were advised to devise FIPs matching with their business strategy and to make the FIPs an integral part of their corporate plans. The Reserve Bank has not imposed a uniform model to allow each bank to build its own strategy in line with its business model and comparative advantage.

3.31 Given the strategic positioning of RRBs, the Reserve Bank directed their sponsor banks to implement Core Banking Solutions (CBS) in all RRBs speedily and fully as well as adhere to the deadline of September 2011. This is expected to give a further fillip to financial inclusion efforts given the penetrative outreach of the RRBs in the rural areas.

## 5. Prudential Regulation

*Implementation of Advanced Approaches under Basel II*

3.32 With regard to the necessary up-gradation of risk management framework, as also capital efficiency to accrue to the banks by adoption of advanced approach envisaged under Basel II framework and the emerging international trend in this regard, it was considered desirable in July 2009 to lay down a timeframe for implementation of the advanced approaches in India. This was expected to enable the banks to plan and prepare their migration to the advanced approaches for credit risk and operational risk, as also for the Internal Models Approach (IMA) for market risk. The time schedule for implementation of the advanced approaches for the regulatory capital measurement has been laid down as under:

3.33 Accordingly, banks were advised to undertake an internal assessment of their preparedness for migration to advanced approaches, in the light of the criteria envisaged in the Basel II document, and take a decision on their migration to the advanced approaches. Banks were further advised to invariably obtain prior approval of the Reserve Bank for adopting any of the advanced approaches.

3.34 The guidelines on 'The Standardised Approach' (TSA) and 'Alternative Standardised Approach' (ASA) for operational risk, largely based on Basel Committee on Banking Supervision (BCBS) document, were issued on March 31, 2010. The banks interested in migrating to TSA/ASA have been advised to approach the Reserve Bank with a write up in support of their compliance with the provisions of the stipulated guidelines.

3.35 The guidelines on Internal Models Approach for Market Risk were issued on April 7, 2010. Basel II Framework offers a choice between two broad methodologies in measuring market risks for the purpose of capital adequacy: (i) measure market risk in a standardised manner as per the Standardised Measurement Method (SMM), which is being used by banks in India since March 31, 2005; (ii) the alternative methodology known as Internal Models Approach (IMA) allows banks to use risk measures derived from their own internal market risk measurement models. Banks interested in migrating to IMA for market risk have been advised to assess their preparedness with reference to the guidelines, and approach the Reserve Bank for approval for adopting the same.

| Sl. No. | Approach | The earliest date of making application by banks to the Reserve Bank | Likely date of approval by the Reserve Bank |
|---|---|---|---|
| 1. | Internal Models Approach (IMA) for Market Risk | April 1, 2010 | March 31, 2011 |
| 2. | The Standardised Approach (TSA) for Operational Risk | April 1, 2010 | September 30, 2010 |
| 3. | Advanced Measurement Approach (AMA) for Operational Risk | April 1, 2012 | March 31, 2014 |
| 4. | Internal Ratings-Based (IRB) Approaches for Credit Risk (Foundation- as well as Advanced IRB) | April 1, 2012 | March 31, 2014 |

3.36 Recent developments in Basel Committee on Banking Supervision on Liquidity Risk Management framework have been discussed in Box III.1.

*Issue of Subordinated Debt for Raising Tier II Capital*

3.37 In September 2009 banks were permitted to issue subordinated debt as Tier II capital with call and step-up options subject to compliance with certain terms and conditions.

*Investment in Unlisted Non-SLR Securities*

3.38 Since there is a time lag between issuance and listing of securities, which are proposed to be listed but not listed at the time of subscription, banks may not be able to participate in primary issues of non-SLR securities. It was therefore decided that investment in non-SLR debt securities (both primary and secondary market) by banks where the security is proposed to be listed on the

**Box III.1: Recent Developments in Basel Committee on Banking Supervision – Liquidity Risk**

A key characteristic of the financial crisis was the inadequate/ineffective management of liquidity risk. In recognition of the need for banks to improve their liquidity risk management and control their liquidity risk exposures.The Basel Committee has developed two internationally consistent regulatory standards for liquidity risk supervision as a corner stone of a global framework to strengthen liquidity risk management and supervision. The work of the Basel Committee on these two standards is contained in the Consultative Paper issued by the Committee in December 2009 on *"International framework for liquidity risk measurement, standards and monitoring"*. These two standards are explained briefly below:

*Liquidity Coverage Ratio (LCR)*

The ratio aims to ensure that a bank maintains an adequate level of unencumbered, high quality assets that can be converted into cash to meet its liquidity needs for a 30-day time horizon under an acute liquidity stress scenario specified by supervisors. At a minimum, the stock of liquid assets should enable the bank to survive until day 30 of the proposed stress scenario, by which time it is assumed that appropriate actions can be taken by the management and/or supervisors.

$$\text{Liquidity Coverage Ratio} = \frac{\text{Stock of high quality liquid assets}}{\text{Net cash outflow over a 30 day period}}$$

The specified scenario entails both institution-specific and systemic shocks built upon actual circumstances experienced in the global financial crisis. The scenario entails: (i) a significant downgrade of the institution's public credit rating; (ii) a partial loss of deposits; (iii) a loss of unsecured wholesale funding; (iv) a significant increase in secured funding haircuts; and (v) increases in derivative collateral calls and substantial calls on contractual and non-contractual off-balance sheet exposures, including committed credit and liquidity facilities.

*Net Stable Funding Ratio (NSFR)*

To promote more medium and long-term funding of the assets and activities of banks, the Net Stable Funding Ratio (NSFR) has been developed. This ratio establishes a minimum acceptable amount of stable funding based on the liquidity characteristics of an institution's assets and activities over a one year time horizon. This standard is designed to act as a minimum enforcement mechanism to complement the liquidity coverage ratio standard and reinforce other supervisory efforts by incenting structural changes in the liquidity risk profiles of institutions away from short-term funding mismatches and toward more stable, longer-term funding of assets and business activities.

$$\text{Net Stable Funding Ratio} = \frac{\text{Available Stable Funding (ASF)}}{\text{Required Stable Funding (RSF)}}$$

Available Stable Funding (ASF) is defined as the total amount of an institution's: (i) capital; (ii) preferred stock with maturity of equal to or greater than one year; (iii) liabilities with effective maturities of one year or greater; and (iv) that portion of "stable" non-maturity deposits and/or term deposits with maturities of less than one year that would be expected to stay with the institution for an extended period in an idiosyncratic stress event.

The required amount of stable funding is calculated as the sum of the value of the assets held and funded by the institution, multiplied by a specific required stable funding (RSF) factor assigned to each particular asset type, added to the amount of OBS (off-balance sheet) activity (or potential liquidity exposure) multiplied by its associated RSF factor. The RSF factor applied to the reported values of each asset or OBS exposure is the amount of that item that supervisors believe should be supported with stable funding.

The finer details relating to these two standards, *viz.*, the definition of liquid assets, the run-off and roll-over factors, etc. to arrive at net cash outflows under LCR and the ASF and RSF factors under NSFR are being calibrated.

Exchange(s) may be considered as investment in listed security at the time of making investment. However, if such security is not listed within the period specified, the same will be reckoned for the 10 per cent limit specified for unlisted non-SLR securities.

*Investments by Banks in Bonds Issued by Companies engaged in Infrastructure Activities*

3.39 With a view to providing incentive to the SCBs for financing infrastructure, investment by them in the long-term bonds with a minimum residual maturity of seven years, issued by companies engaged in executing infrastructure projects was allowed to be classified under Held to Maturity (HTM) category in non-SLR bonds.

*Modifications to Prudential Norms governing Banks' Exposure to Infrastructure Sector*

3.40 In April 2010, Banks were permitted to treat annuities under Build-Operate-Transfer (BOT) model in respect of road/highway projects and toll collection rights, where there are provisions to compensate the project sponsor if a certain level of traffic is not achieved, as tangible securities, subject to the condition that banks' right to receive annuities and toll collection rights is legally enforceable and irrevocable. Unsecured infrastructure loan accounts which are classified as sub-standard will attract a provisioning of 15 per cent instead of the current prescription of 20 per cent.

*Computation of NPA Levels*

3.41 In order to ensure uniformity in reporting of Gross NPA across SCBs, banks were advised in September 2009 that on classification of an account as NPA, interest already debited to the NPA accounts but not collected should be reversed and further application of interest should also stop.

*Counter-Cyclical Provisioning Norms*

3.42 As part of the policy measures adopted to deal with the contagion from the global crisis, the risk weights and provisioning prescriptions had been relaxed in November 2008 as a countercyclical measure. However, in view of large increase in credit to the commercial real estate sector over the last one year and the extent of restructured advances in this sector, the provision required on standard assets in the commercial real estate sector was increased from 0.40 per cent to 1 per cent in November 2009 for building up cushion against likely deterioration in asset quality. It was decided in October 2009 that banks should augment their provisioning cushions consisting of specific provisions against NPAs as well as floating provisions, and ensure that their total Provisioning Coverage Ratio, including floating provisions, is not less than 70 per cent by September 2010.

*Modification to Prudential Norms for Projects under Implementation*

3.43 Asset classification guidelines as applicable to 'projects under implementation' were modified in March 2010 so as to provide some flexibility in cases where completion of projects particularly the infrastructure projects got delayed. An infrastructure project loan where the project is not able to commence operations on due date, can now continue to be classified as standard asset for a maximum period of four years (against two years allowed earlier) from the original date of commencement of commercial operations. Similarly, non-infrastructure project loans not being able to commence commercial operations on due date can also continue to be classified as standard assets up to a maximum period of one year (against six months allowed earlier). These modifications are subject to certain conditions including a requirement for higher provision.

*Compromise/Negotiated/One Time Settlement of Non Performing Assets*

3.44 Banks were advised in June 2010 that adequate care should be taken to ensure that the compromise settlements are done in a fair and transparent manner and in full compliance with the RBI guidelines. It was also decided that, henceforth, the officer/authority sanctioning a compromise/one time settlement should append a certificate stating that the compromise settlements are in conformity with the Reserve Bank guidelines.

*Sale of Investments Held under Held-to-Maturity (HTM) Category*

3.45 It was decided in August 2010 that if the value of sales and transfers of securities to/from HTM category exceeds 5 per cent of the book value of investments held in HTM category at the beginning of the year, banks should disclose the market value of the investments held in the HTM category and indicate the excess of book value over market value for which provision is not made.

*Classification in the Balance Sheet - Capital Instruments*

3.46 Banks were advised to adopt the following classification in the balance sheet from the financial year ending March 31, 2010:

Under Schedule 1 - Capital: Perpetual Non-Cumulative Preference Share (PNCPS)

Under Schedule 4 - Borrowings (i) Innovative Perpetual Debt Instruments (IPDI); (ii) Hybrid debt capital instruments issued as bonds/ debentures; (iii) Perpetual Cumulative Preference Shares (PCPS); (iv) Redeemable Non-Cumulative Preference Shares (RNCPS); (v) Redeemable Cumulative Preference Shares (RCPS); (vi) Subordinated Debt.

*Additional Disclosures by Banks in Notes to Accounts*

3.47 Additional disclosures were prescribed to be made by banks in Notes to Accounts in the banks' balance sheets, in the formats prescribed in the circular dated March 15, 2010. These related to the areas of Concentration of Deposits, Advances, Exposures and NPAs; Sector-wise NPAs; Movement of NPAs; Overseas Assets, NPAs and Revenue and Off-balance Sheet SPVs sponsored by banks.

3.48 Banks are required to disclose the total deposits/advances/exposure to twenty largest depositors/borrowers and total exposure to top four NPA accounts, apart from the disclosure of sector-wise NPAs (percentage of NPAs to Total Advances in that sector); information about movement of NPAs, *viz.*, additions, upgradations, recoveries and write-offs, disclosures on the overseas assets, NPAs and revenue and information on the Off-Balance Sheet SPVs sponsored by the banks.

*Presence of Foreign Banks in India*

3.49 In the first phase, during March 2005 – March 2009 foreign banks willing to have presence in India for the first time could either choose to operate through branch or set up a 100 per cent Wholly-Owned Subsidiary (WOS). Foreign banks already operating in India were also allowed to convert their existing branches to WOS while following the one-mode presence criterion. The WOS was to be treated on par with the existing branches of foreign banks for branch expansion in India. No foreign bank, however, applied to establish itself as a WOS or to convert to a WOS during the first phase.

3.50 When the revision of presence of foreign banks in India was due in April 2009, the global financial markets were in turmoil and there were uncertainties surrounding the financial strength of banks around the world.

Accordingly, the Annual Policy Statement of April 2009 indicated the intent to continue with the current policy and procedures governing the presence of foreign banks in India and to review the roadmap after due consultation with the stakeholders once there was greater clarity regarding stability and recovery of the global financial system.

*Issue and Pricing of Shares by Private Sector Banks*

3.51 RBI has issued guidelines in April 2010 spelling out the approval mechanism in respect of Qualified Institutional Placements (QIPs). Henceforth, private sector banks need to approach Reserve Bank for prior 'in principle' approval in case of QIPs. Once the allotment is complete, the banks will also be required to furnish complete details of the issue to RBI for post facto approval.

*Prudential norms on Investment in Zero Coupon Bonds (ZCBs)*

3.52 As per the guidelines issued by the Reserve Bank in September 2010, banks should henceforth not invest in ZCBs unless the issuer builds up sinking fund for all accrued interest and keeps it invested in liquid investments/ securities.

## 6. Supervision and Supervisory Policy

3.53 Supervision of financial entities presumes equal importance as regulation, since it will ensure compliance with the various regulatory policies prescribed by the Reserve Bank towards strengthening the banking system and maintaining financial stability. The Board for Financial Supervision (BFS) was constituted in 1994 to provide undivided attention to the supervision of financial entities. Major issues dealt with by the BFS during 2009-10 included frauds monitoring, supervision of overseas operations of banks, supervision of financial conglomerates, among others.

*Consolidated Supervision and Financial Conglomerate (FC) Monitoring Mechanism*

3.54 In India, Financial Conglomerates (FC) monitoring mechanism is in place since June 2004 following the recommendations of the Working Group (Convenor: Smt. Shyamala Gopinath) on monitoring of Systemically Important Financial Intermediaries. The FC monitoring framework primarily has two major components: (i) off-site surveillance through quarterly reporting requirements, and (ii) half-yearly discussions with the Chief Executive Officers of the major entities of the FCs in association with other principal regulators.

*Recent Supervisory Initiatives for Financial Conglomerates Supervision*

3.55 In terms of BFS directions, an Internal Group in the Bank recommended a set of proposals for strengthening the regulatory/ supervisory framework for the Financial Conglomerates (FCs). After due approval from BFS and the other regulators (SEBI and IRDA), steps have been taken for implementation of these proposals. The progress in implementation of the proposals is as under:

*Revision in FC Reporting Format*

3.56 The revised quarterly off-site reporting format for the FCs under the Reserve Bank jurisdiction has been introduced from the quarter ended March 2010. In addition to the Intra-group Transactions & Exposures, the revised return also seeks to capture information on gross/net NPA or bad debts, provisions held against 'impaired assets', frauds and 'other assets'.

*Identification of FCs for* monitoring

3.57 A Group is included in the list of identified FCs if it has significant presence in at least two financial market segments comprising Banking, Insurance, Securities (Mutual Fund), deposit taking and non-deposit taking NBFCs.

3.58 In April 2010, the Bank issued certain guidelines for monitoring market risk in terms of which banks can apply the Internal Models Approach (IMA) to their market risk positions across the entire bank (solo level) including overseas branches on a net basis, except for the branches located in jurisdictions where there are obstacles to the quick repatriation of profits or where there are legal and procedural difficulties in carrying out the timely management of risks on a global basis. Further, individual banks should also continue to monitor the market risks of their overseas operations separately.

*Development in Monitoring of Frauds in Banks*

*Fraud Risk Management System in banks - Role of Chairman/Chief Executive Officers*

3.59 A circular was issued to banks on September 16, 2009 prescribing, *inter alia*, that the fraud risk management and the fraud investigation function must be owned by the bank's CEO, its Audit Committee of the Board and the Special Committee of Board, at least in respect of high value frauds. Accordingly, they should own responsibility for systemic failure of controls or absence of key controls or severe weaknesses in existing controls which facilitate exceptionally large value frauds and sharp rises in frauds in specific business segments leading to large losses for the bank. Banks have been advised to frame, with the approval of their respective Boards, internal policy for fraud risk management and fraud investigation function.

*Constitution of High Level Group on Electronic Banking Controls, Governance and Technology Risk Management Standards*

3.60 Fraud Monitoring Cell had conducted a Special Study covering various facets of frauds in ATM/Debit cards and Internet Banking Operations of the banks. It was revealed that the incidence of such frauds was showing a rising trend. Based on the findings of the study which covered, *inter alia*, the factors/ loopholes that facilitated cyber frauds, the Annual Monetary Policy Statement 2010-11 announced the constitution of a High Level Working Group under the Chairmanship of Shri G. Gopalakrishna, Executive Director, to examine the following and suggest appropriate regulatory response.

- Suggest enhancement to RBI guidelines to commercial banks pertaining to IT and Information security governance and related processes;
- Examine IT related implications for banks arising out of recent legislations in India;
- Analysis of e-banking related frauds and suggest suitable enhancements in relevant controls and processes;
- Review the existing guidelines issued by various departments on e-banking and suggest improvements, if any;
- Suggest ways and means to enhance customer awareness regarding e banking systems.

*Anti Money Laundering*

3.61 An evaluation of India's Anti Money Laundering/Combating Financing of Terrorism (AML/CFT) framework was undertaken by a joint evaluation team of the Financial Action Task Force (FATF) and Asia Pacific Group on Money Laundering (APG) during November-December 2009. Their report identified areas where the AML/CFT framework had gaps/shortcomings needing statutory and/or regulatory action as also noted areas where tangible progress was made.

3.62 The evaluation report found the supervisory regime for financial institutions to be sound and acknowledged penal action taken by the Reserve Bank for systemic as well transaction related violations committed by banks. The FATF standards with respect to foreign branches and subsidiaries of Indian banks are fully complied with. Following the recommendations of the report, banks were advised that where there was a suspicion of money laundering/terrorist financing or they felt the customer did not pose a low risk they should carry out full Customer Due Diligence (CDD). Further, in the matter of client accounts opened by professional intermediaries, it has been clarified that banks should not allow opening or continuation of accounts where the professional intermediary is under obligation not to disclose the true identity of its customers or purpose of transactions. Banks were also advised not to enter into correspondent relationships with Shell banks or with such banks that allow Shell banks to use their accounts.

3.63 The Government also carried out amendments to the Prevention of Money Laundering Rules, 2005 to address gaps identified in regulations. An amendment was made to define a 'non-profit organization' (NPO) and requiring banks to report all receipts by NPOs amounting to more than ₹10 lakh. Banks and FIs are now also required to verify the identity of a non account-based customer who makes a transaction in excess of ₹50,000 as a single transaction or several transactions that appear to be connected.

3.64 India has been admitted as a member of the Financial Action Task Force (FATF) in June 2010.

*New Bank Guidelines*

3.65 Subsequent to the announcement in Union Budget for 2010-11, the Reserve Bank in its Annual Policy Statement 2010-11 announced to prepare a discussion paper on international practices, the Indian experience as also the extant Ownership and Governance (O&G) guidelines on licensing of new banks and place it on Reserve Bank's website for wider comments and feedback. The discussion paper was placed on Reserve Bank's website on August 11, 2010 for comments and detailed guidelines will be finalised based on the feedback.

## 7. Regional Rural Banks

3.66 Regional Rural Banks (RRBs) form an integral part of the Indian banking system with focus on service to rural areas. The process of amalgamation of the RRBs was initiated by Government of India in September 2005 in a phased manner. Prior to the process of amalgamation, 196 RRBs sponsored by 27 SCBs and one State Cooperative Bank were operating in the country with a network of 14,484 branches spread over 523 districts as on March 31, 2005. Consequent upon the amalgamation, the number of RRBs declined to 82 operating in 26 States and in one Union Territory covering 619 districts with a network of 15,475 branches as on March 31, 2010.

*Recapitalisation of RRBs*

3.67 The Government of India had constituted a Committee in September 2009 (Chairman: Dr. K. C. Chakrabarty) to study the current level of Capital-to-Risk-Weighted Assets Ratio (CRAR) of RRBs and to suggest a roadmap for achieving a CRAR of 9 per cent by March 2012. The Committee was also required to suggest the required capital structure for RRBs given their business level, so that their CRAR is sustainable and provides for future growth and compliance with regulatory requirements. The Committee submitted its Report to the Government of India on April 30, 2010 (Box III.2).

### Box III.2: Recommendations of the Committee on Recapitalisation of RRBs

The following are the main recommendations of the Committee on Recapitalisation of RRBs:

(i) The Committee carried out an assessment of capital requirement for all 82 RRBs to enable them to have CRAR of at least 7 per cent as on March 31, 2011 and at least 9 per cent from March 31, 2012 onwards. The recapitalisation requirement would be Rs.2,200 crore for 40 out of the 82 RRBs. This amount may be released in two instalments, *i.e.*, Rs.1,338 crore in 2010-11 and Rs.863 crore in 2011-12. The remaining 42 RRBs will not require any capital and will be able to maintain CRAR of at least 9 per cent as on March 31, 2012 and thereafter on their own.

(ii) The Committee noted that some of the weak RRBs, particularly those in the North Eastern and Eastern regions, might not be able to fully meet all the projected business parameters despite generally achieving acceptable growth. The Committee, therefore, suggests that an additional amount of Rs.700 crore may be kept to meet such contingencies and need based additional capitalisation provided to such RRBs once their draft balance sheets are prepared.

(iii) The recapitalisation of Rs. 2,200 crore to 40 RRBs should be a one-time measure, and released subject to signing of Memorandum of Understanding (MoU) by the Chairman of the RRB and on achieving the performance parameters specified in the MoU.

(iv) As per Section 5 of the RRB Act, the authorised capital of RRB is Rs. 5 crore. As a result, recapitalisation amounts are kept as share capital deposit. The Committee has recommended that the accumulated losses as on March 31, 2010 may be written off against the available share capital deposits, and the balance amount of share capital deposit may be appropriated as paid-up capital. Further, in view of the expanding business of the RRBs, the Committee recommended to increase in the authorised capital of RRBs to Rs.500 crore.

(v) In order to build public confidence, in due course, RRBs with higher net worth may be allowed to access capital from the market.

(vi) For improving the functioning of the RRB, change of sponsor banks may be considered, wherever required.

(vii) RRBs with a net worth of Rs. 100 crore or more as on March 2009 may be permitted to pay dividend from April 1, 2013 onwards. RRBs to be recapitalised in the current phase may be allowed to pay dividend only after achieving a sustainable CRAR of at least 9 per cent.

(viii) RBI may prescribe 'fit and proper' criteria for the Chairmen of RRBs. The Sponsor Bank may depute officers conforming to such criteria as Chairman on a tenure basis and wherever needed, such officers may be recruited by them from open market and then deputed to the RRBs. The compensation of Chairman may be de-linked from existing salary structure of commercial banks and be more market-oriented and a system of incentives and disincentives linked to performance benchmarks approved by the Board may be built in the compensation package.

(ix) The Board as a body as well as individual Board members may be made accountable for the bank's performance and individual Board members need to be assigned specific responsibilities as per their expertise.

(x) Wherever required, sponsor banks may recruit suitable persons from the market, including staff of the RRBs in their own service and then depute them as General Managers in RRBs.

(xi) RRBs may constitute Audit Committee of the Board and conduct of Concurrent Audit and Management Audit in RRBs may be encouraged.

(xii) A fund of Rs. 100 crore may be set up for training and capacity building of the RRB staff.

(xiii) The Governments, both Central and State, may include RRBs for keeping their deposits under various schemes.

(xiv) Performance of RRBs may be monitored at National and State levels on half-yearly basis. The Sponsor Bank and NABARD may review the performance on quarterly basis. The Board of RRB will review the performance on regular basis.

*Technology Up-gradation of RRBs*

3.68 In order to prepare RRBs to adopt appropriate technology and migrate to Core Banking Solutions (CBS), a Working Group was constituted by the Reserve Bank (Chairman: Shri G. Srinivasan) for technology up-gradation of RRBs. The report, *inter alia*, set September 2011 as the target date for all RRBs to move towards CBS. It was also stipulated that all branches of RRBs opened after September 2009 to be CBS compliant from day one. As per the status report received from sponsor banks, 22 RRBs have implemented CBS in full and for the remaining 60 RRBs, CBS is under implementation.

*Classification of investments by RRBs*

3.69 The exemption granted to RRBs up to the financial year 2008-09 from 'mark to market' norms in respect of their investments in SLR securities was extended by one more year, *i.e.*, for the financial year 2009-10.

*Provisioning Requirement for Standard Assets*

3.70 For RRBs, it has been decided to increase the provisioning requirement for advances to the commercial real estate sector classified as 'standard asset' to 1 per cent. As regards other standard assets, it has been decided that while the provisioning requirements for direct advances to agriculture and SME sectors would remain unchanged at 0.25 per cent, the same for all other loans and advances would be 0.40 per cent.

*Committee of Capacity Building Requirement*

3.71 The Working Group set up under the Chairmanship of Shri Amaresh Kumar, ED, NABARD has given, *inter alia*, the following recommendations on capacity building requirements of RRBs.

i. RRBs should have definite training policy and should treat it as investment on human capital;

ii. A definite budget should be approved by the Board for the purpose every year;

iii. A systematic TNA (Training Need Analysis) be conducted for all the staff;

iv. More on location programmes be organised by RRBs with the help of mobile job trainers;

v. RRBs with more than 100 branches should have their own training centers.

*Supervisory and Regulatory Initiatives*

i. NABARD had conducted statutory inspection of 61 RRBs during 2009-10;

ii. Regional Seminars on Internal Checks and Control Systems were conducted for the Chiefs of Audit and Inspection Departments of both RRBs and co-operative banks;

iii. At the instance of Financial Intelligence Unit-India (FIU-IND), two meetings of Chairmen of RRBs and three State level meetings of co-operative banks and RRBs were convened to review the status of implementations of Anti-Money Laundering (AML)/ Combating Financing of Terrorism (CFT) guidelines.

iv. Sensitisation workshops were conducted on KYC (Know Your Customer)/AML, CMA (Credit Monitoring Arrangement), Statutory Audit, Frauds, Investments, Internal Checks and Controls, and Corporate Governance for the auditors and other personnel of RRBs and Co-operative Banks.

## 8. Cooperative Banks

Urban Cooperative Banks (UCBs)

3.72 The major policy initiatives in the UCB sector during the recent years include implementation of the Vision Document 2005, initiatives for financial restructuring and asset liability management. The major policy initiatives in the UCB sector during the year 2009-10 are as under:

*New Bank Licenses*

3.73 Consequent upon consolidation and improvement in the financial health of the banking sector, it was announced in the Annual

Policy Statement in April 2010 that a Committee would be set up comprising all stakeholders for studying the advisability of granting new licenses to UCBs. Accordingly, an expert committee under the Chairmanship of Shri Y. H. Malegam has been set up. The committee, *inter alia*, will be reviewing the performance of UCBs over the last decade; review the need for organization of new UCBs and the extant regulatory policy on setting up of new UCBs; lay down entry point norms for new UCBs; examine whether the licensing could be restricted only to financially sound and well managed cooperative credit societies through conversion route; and to make recommendations relating to legal and regulatory structure to facilitate growth of sound UCBs.

*Area of Operation*

3.74 In order to provide avenues for organic growth to sound and well functioning uni-State Tier II UCBs, it was decided to consider requests for expansion of area of operation to the entire state of registration for UCBs conforming to the financial position of a Grade I bank. While considering such requests, RBI will give due consideration to the system of internal control prevailing in the bank and supervisory comfort.

*Opening of off-site ATMs*

3.75 In the Annual Policy Statement of 2010-11, it was announced that well managed UCBs would be allowed to set up off-site ATMs without seeking approval through Annual Business Plan. While considering such requests, the Reserve Bank would give due consideration to the financial health of the bank in terms of the eligibility criteria laid down.

*Maintenance of CSGL Accounts*

3.76 The Reserve bank allowed UCBs with a net worth of ₹200 crore and above, and having CRAR of 10 per cent and above, to open and maintain CSGL Accounts.

*Credit Information Companies*

3.77 As UCBs fall under the category of credit institutions as defined in sub-section (f) of Section 2 of the Credit Information Companies (Regulation) Act, 2005, they were advised to become members of at least one credit information company registered under the Act.

*Capital for Market Risk*

3.78 The Basel Committee on Banking Supervision (BCBS) had issued an amendment to the Capital Accord in 1996 to incorporate market risks. As an initial step towards prescribing capital requirement for market risks, UCBs were advised to assign an additional risk weight of 2.5 per cent on almost the entire investment portfolio. These additional risk weights are clubbed wtih the risk weights prescribed for credit risk in respect of investment portfolio of UCBs. UCBs were also advised to assign a risk weight of 100 per cent on the open position limits on foreign exchange and gold, and to build up Investment Fluctuation Reserve up to a minimum of 5 per cent of the investment held in Held for Trading and Available for Sale categories in the investment portfolio.

*Non-SLR Investments*

3.79 Investment by UCBs in unlisted non-SLR securities (subject to the minimum prescribed rating) should not exceed 10 per cent of total non-SLR investments at any time. Since there is a time lag between issuance and listing of securities, investment in non-SLR securities which are proposed to be listed but not listed at the time of subscription are exempted from the 10 per cent limit. Considering that long term bonds issued by companies engaged in infrastructure projects are generally held for a long period and not traded, UCBs investment in non-SLR bonds issued by such companies and having a residual maturity of seven years are allowed to be kept in HTM category.

*Resolution of Weak UCBs*

3.80 In order to deal with weak UCBs, where proposals for merger were not forthcoming from within the UCB sector, a scheme of transfer of assets and liabilities (including branches) of UCBs to commercial banks, with DICGC support, has been envisaged as an additional option for resolution of weak banks. Accordingly, detailed guidelines were issued by the Reserve Bank on February 24, 2010.

Rural Cooperative Banks (StCBs/DCCBs)

3.81 During the year 2009-10, the following important policy initiatives were taken in respect of State Cooperative Banks (StCBs) and District Central Cooperative Banks (DCCBs) on supervision related matters.

3.82 Prudential norms on Income Recognition, Asset Classification and Provisioning norms were made applicable to the Primary Agricultural Credit Societies (PACS) from the year 2009-10 and detailed guidelines were issued to the Registrar of Cooperative Societies (RCS). Further, following recommendations of the Vaidyanathan Committee for Revival of Short Term Cooperative Credit Structure, guidelines for calculation of Capital to Risk-weighted Assets Ratio for PACS were issued during the year.

3.83 In view of the sizable inflow of funds into the Short Term Cooperative Credit Structure (STCCS) by way of recapitalisation assistance under the Government of India's Revival Package (Vaidyanathan Committee) and under the ADWDR Scheme 2008, banks were cautioned to utilise the funds judiciously;

3.84 Guidelines on 'Fraud Risk Management System' in banks *vis-a-vis* the role of Chief Executive Officers were issued to all co-operative banks;

3.85 Guidance note on Credit Risk Management (CRM), and Business Continuity Planning (BCP) were circulated among StCBs/DCCBs to enable them to gear up their machinery to face the future challenges.

3.86 Consequent to the revised licensing policy announced by the Reserve bank, based on NABARD's recommendation, licenses to 9 StCBs and 132 DCCBs were issued during the last three quarters taking the total number of licensed StCBs and DCCBs to 23 and 207, respectively.

## 9. Non-Banking Financial Institutions

*Regulatory Initiatives for Financial Institutions*

3.87 In the wake of recovery in the global as well as Indian economy during 2009-10, the Reserve Bank rolled back the liquidity support measures initiated for AIFIs during 2008-09 for on-lending to HFCs/NBFCs/MFIs and exporters in the following manner: (i) The refinance facilities of ₹7,000 crore, ₹5,000 and ₹4,000 crore for SIDBI, EXIM Bank and NHB, respectively, under the relevant provisions of the Reserve Bank of India Act, 1934 sanctioned in December 2008 were withdrawn with effect from the close of business on March 31, 2010, (ii) The ceiling on aggregate resources raised including funds mobilised under the 'umbrella limit' by SIDBI, NHB and EXIM Bank was raised subject to conditions, with effect from December 8, 2008, for a period of one year. On a review, the relaxation allowed in December 2008 to select AIFIs (SIDBI, NHB and EXIM Bank) in resource raising norms for AIFIs was co-terminated with refinance facility. Accordingly, outstanding borrowings of AIFIs were required to be within the normal prudential limit, *i.e.*, ceiling on aggregate resources at 10 times of NOF and umbrella limit at one time of NOF with effect from March 31, 2010.

3.88 The guidelines regarding lending under consortium arrangements/multiple banking arrangements, provisioning coverage for advances, prudential norms on creation and utilisation of floating provisions, additional disclosures in 'notes to accounts' and prudential norms on income recognition, asset classification and provisioning pertaining to advances – computation of NPA levels and projects under implementation issued to banks were *mutatis mutandis* applied to the select AIFIs with effect from July 1, 2010. Further, the guidelines regarding know your customer (KYC) norms/ anti-money laundering (ALM) standards/ combating of financing of terrorism (CFT) and sale of investments held under Held to Maturity category issued to banks were also made applicable to the select AIFIs.

*Participation in Currency Futures*

3.89 NBFCs have been permitted to participate in the designated currency futures exchanges recognised by SEBI as clients, subject to Reserve Bank guidelines in the matter, only for the purpose of hedging their underlying forex exposures.

*Submission of Statement of Interest Rate Sensitivity [NBS-ALM3]*

3.90 NBFCs-ND-SI have been advised to submit the return on Interest Rate Sensitivity (NBS-ALM3) within 20 days of the close of the half year to which it relates.

*Interest Rate Futures for NBFCs*

3.91 NBFCs have been allowed to participate in the designated interest rate futures exchanges recognised by SEBI, as clients, subject to Reserve Bank/SEBI guidelines in the matter, for the purpose of hedging their underlying exposures.

*Fit and Proper Criterion*

3.92 Any takeover/acquisition of shares of a deposit taking NBFC or merger/ amalgamation of a deposit taking NBFC with another entity or any merger/amalgamation of an entity with a deposit taking NBFC that would give the acquirer/another entity control of the deposit taking NBFC would require the prior approval of the Reserve Bank. Further, it has also been decided that upon such merger/ amalgamation, the general character of management complies with the 'fit and proper' criteria prescribed by the Reserve Bank.

*Acceptance of Deposits by Chit Fund Companies*

3.93 Chit funds companies, classified as miscellaneous non-banking companies (MNBCs), can accept deposits from the shareholders but have been prohibited from accepting deposits from public.They have been advised to repay public deposits on maturity.

*New category of NBFC-Infrastructure Finance Companies*

3.94 Considering the critical role played by companies which are providing credit to the infrastructure sector, it has been decided to introduce a fourth category of NBFCs styled "Infrastructure Finance Companies" (IFCs). Companies that deploy a minimum of 75 per cent of total assets in infrastructure loans, have net owned funds of ₹300 crore or above, have minimum credit rating 'A' or equivalent; and CRAR of 15 percent (with a minimum Tier I capital of 10 percent) would be classified under this category and be allowed to exceed the extant credit concentration norms for lending to single/ group borrower by an additional 5 per cent of owned funds.

*Overseas Investment by NBFCs*

3.95 Making overseas investments by NBFCs without regulatory clearance from the Department of Non-Banking Supervision of the Reserve Bank, is a violation of FEMA Regulations 2004. Hence, all NBFCs desirous of making any overseas investment must obtain 'No Objection Certificate' (NoC) from the Reserve Bank before making such investment.

*Finance for Housing Projects - Information Disclosure*

3.96 NBFCs have been advised that while granting finance to housing/development projects, they should specify as a part of the terms and conditions that: (a) the builder/developer/owner/company would disclose in the Pamphlets/Brochures /advertisements etc., the name(s) of the entity to which the property is mortgaged and that they would provide No Objection Certificate (NOC)/permission of the mortgagee entity for sale of flats/property, if required. (b) Funds should not be released unless the builder/developer/owner/company fulfill the above requirements.

*Change in or Take Over of the Management of the Business of the Borrower by Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines, 2010.*

3.97 These guidelines are aimed at proper management of the business of the borrower to enable the Securitisation Companies/ Reconstruction Companies (SCs/ RCs) to realise their dues from the borrowers, by effecting change in or takeover of the management of the business of the borrower and related matters.

*The Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003 – Amendments*

3.98 With a view to bringing transparency and market discipline in the functioning of SC/RCs, additional disclosures related to assets realised during the year, value of financial assets unresolved as at the end of the year, value of security receipts pending for redemption, among others have been prescribed. It is now mandatory for SC/RCs to invest in and continue to hold a minimum of five per cent stake of the outstanding amount of the security receipts issued by them under each scheme and each class till the redemption of all the security receipts issued under a particular scheme.

*Loan Facilities to the Physically / Visually Challenged by NBFCs*

3.99 NBFCs have been advised that there should be no discrimination in extending products and facilities including loan facilities to the physically/visually challenged applicants on grounds of disability.

*Submission of Certificate from Statutory Auditor to the Bank*

3.100 Every non-banking financial company has to submit a Certificate from its Statutory Auditor that it is engaged in the business of non-banking financial institution requiring it to hold a Certificate of Registration under Section 45-IA of the RBI Act. The certificate from the Statutory Auditor as at end of the financial year ended March 31 has to be submitted to the Regional Office of the Department of Non-Banking Supervision under whose jurisdiction the non-banking financial company is registered, latest by June 30, every year.

*Know Your Customer (KYC) Guidelines / Anti-Money Laundering (AML) Standards*

*Accounts of Politically Exposed Persons (PEPs)*

3.101 Detailed guidelines on Customer Due Diligence (CDD) measures applicable to Politically Exposed Person (PEP) and their family members or close relatives have been issued. In the event of an existing customer or the beneficial owner of an existing account, subsequently becoming a PEP, NBFCs (including RNBCs) should obtain senior management approval to continue the business relationship and subject the account to the CDD measures as applicable to the customers of PEP category including enhanced monitoring on an ongoing basis.

*Principal Officer*

3.102 NBFCs (including RNBCs) were advised that they should appoint a senior management officer to be designated as Principal Officer and the role and responsibilities of the Principal Officer have been detailed therein. It was advised that the Principal Officer and other appropriate staff should have timely access to customer identification data and other CDD information, transaction records and other relevant information. Further, NBFCs (including RNBCs) should ensure that the Principal Officer is able to act independently and report directly to the senior management or to the Board of Directors.

*Prevention of Money laundering Act, 2002-Amendments*

3.103 NBFCs (including RNBCs) were advised to maintain for at least ten years from the date of transaction between the NBFC (including RNBC) and the client, all necessary records of transactions according to the Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 (PMLA Rules), both domestic or international. However, records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN card, utility bills etc.) obtained while opening the account and during the course of business relationship, would continue to be preserved for at least ten years after the business relationship is ended.

*Capital Adequacy - Risk weightage on Lending through Collateralized Borrowing and Lending Obligation (CBLO)*

3.104 Counterparty credit risk, arising out of exposure of NBFCs to CCIL on account of securities financing transactions (CBLOs) will carry a risk weight of zero, as it is presumed that the CCP's exposures to their counterparties are fully collateralised on a daily basis, thereby providing protection for the CCP's credit risk exposures. The deposits/collaterals kept by NBFCs with CCIL will attract a risk weight of 20 per cent.

*Know Your Customer (KYC) Norms/ Anti- Money Laundering (AML) Standards/ Combating of Financing of Terrorism (CFT)*

3.105 Financial Action Task Force (FATF) has issued a Statement on October 16, 2009 on risks arising from the deficiencies in AML/CFT regime of Uzbekistan, Iran, Pakistan, Turkmenistan, Sao Tome and Principe on the subject. All NBFCs and RNBCs are accordingly advised to take into account risks arising from the deficiencies in AML/CFT regime of Iran, Uzbekistan, Pakistan, Turkmenistan and Sao Tome and Principe.

*Compliance with FDI norms-Half yearly certificate from Statutory Auditors of NBFCs*

3.106 NBFCs having FDI whether under automatic route or under approval route are required to submit a certificate from their Statutory Auditors on half yearly basis (half year ending September and March) certifying compliance with the existing terms and conditions of FDI. Such certificate may be submitted not later than one month from the close of the half year to which the certificate pertains, to the Regional Office in whose jurisdiction the head office of the company is registered.

*NBFCs-ND-SI issuing guarantees-Applicability of exemption from Concentration norms*

3.107 NBFCs-ND-SI also issue guarantees and devolvement of these guarantees might require access to public funds. NBFCs-ND-SI were advised that any systemically important non-deposit taking NBFC not accessing public funds either directly or indirectly or not issuing guarantees to approach the Bank for exemption/ modification in the prescribed ceilings with regard to Concentration of credit / investment norms.

*Applicability of NBFCs-ND-SI regulations*

3.108 A non-deposit taking NBFC with an asset size of ₹100 is classified as a systemically important entity. NBFCs were, therefore, advised that they may comply with the Reserve Bank's regulations issued to NBFC-ND-SI from time to time, as and when they attain an asset size of ₹100 crore, irrespective of the date on which such size is attained and may continue to comply with the extant directions, even in case of temporary reduction in the size of assets.

*Primary Dealers*

3.109 During 2009-10, policy initiatives were taken to strengthen the primary dealers (PDs) system. First, standalone PDs were allowed to categorise a portion of their Government Securities (G-Secs) portfolio in the HTM category to the extent of their audited net owned funds (NOF) as at end-March of the preceding financial year. Second, the minimum NOF requirements for PDs has been increased from ₹50 crore to ₹150 crore with effect from April 1, 2010. For PDs who have been permitted to undertake diversified activities, the minimum NOF requirement has been increased from ₹100 crore to ₹250 crore. Third, in conformity with the best practices in disclosure of penalties imposed by the regulator and to maintain transparency, it has been decided that the details of the penalty levied on a PDs shall be placed in the public domain. The penalty is also required to be disclosed in the 'Notes on Accounts' to the balance sheet of the PD. Fourth, concentration of credit/investment norms prescribed in the notification DNBS.193 DG(VL)-2007 dated February 22, 2007 and updated till June 30, 2010 were made applicable to standalone PDs.

## 10. Financial Markets

3.110 During 2009-10, financial markets functioned in an orderly manner. The money market interest rates generally stayed closer to the lower bound of the liquidity adjustment facility (LAF) rate corridor as the overall liquidity conditions remained in surplus mode. The key drivers of liquidity during the first half of 2009-10 were Central Government balances with the Reserve Bank, open market operations (OMO) and market stabilisation scheme (MSS) unwinding. The large market borrowings by the Government put some upward pressure on yields of government securities during 2009-10. However, this was contained by active liquidity management by the Reserve Bank. Lower credit demand by the private sector also helped in containing the upward pressure on yield. Equity markets generally remained firm during the year with intermittent corrections in line with the global pattern. Resource mobilisation through public issues increased. Housing prices rebounded during 2009-10. According to the Reserve Bank's survey, they surpassed their pre-crisis peak levels in Mumbai. The exchange rate exhibited greater flexibility.

3.111 With the attainment of normalcy in the global financial market, easy domestic liquidity and improvement in the trade credit conditions, some of the earlier measures were either scaled down or rolled back. The facilities of enhanced export refinance credit limit (from 15 per cent to 50 per cent) provided to the commercial banks by the Reserve bank was rolled back to the pre-crisis level on October 27, 2009.

3.112 The definition of the infrastructure sector was expanded by including farm level pre-cooling, for preservation or storage of agricultural and allied produce, marine products and meat. Corporates engaged in the development of integrated township have been permitted to avail ECB under the approval route up to December 31, 2010. A scheme of take-out financing was permitted through ECB under approval route to enhance availability of credit to the infrastructure sectors, such as, sea port and airport, roads including bridges and power sectors for the development of new projects. The scheme of buyback of FCCBs, introduced during the crisis period and initially available up to June 2010, was subsequently extended up to June 2011, under the approval route. Borrowers in the services sectors, *viz.*, hotels, hospitals and software were hitherto allowed to avail of ECB up to US$ 100 million per financial year under the automatic route, for foreign currency and/or rupee capital expenditure for permissible end-uses. As a measure of further liberalisation, ECB beyond US$ 100 million has been allowed to borrowers in these specific services sectors under the approval route. However, following improvement in the credit market conditions and narrowing credit spreads in the international markets, the relaxation allowed in the all-in-cost ceilings under the approval route was withdrawn with effect from January 1, 2010.

3.113 The policy initiatives for removal of procedural impediments and anomalies in external transactions have also been strengthened to make capital account liberalisation process more meaningful. Guidelines for the issue of Indian Depository Receipts (IDRs) were operationalised in July, 2009, thereby enabling foreign companies to mobilise funds directly from the Indian capital market. The operationalisation of IDR facilitates residents to make investment in foreign security without any limits and going through currency conversion in India. Foreign Institutional Investors (FIIs) registered with the SEBI and Non-Resident Indians (NRIs) are also allowed to invest, purchase, hold and transfer IDRs.

3.114 FIIs have been permitted to offer domestic Government Securities and foreign sovereign securities with AAA rating, as collateral to the recognised Stock Exchanges in India, in addition to cash, for their transactions in the cash segment of the market. However, cross-margining of Government Securities (placed as margins by the FIIs for their transactions in the cash segment of the market) shall not be allowed between the cash and the derivative segments of the market. The pricing guidelines in respect of issue of shares including preferential allotment and for transfer of equity instruments from a resident to a non-resident and *vice versa* have been revised.

3.115 In deference to the demand of the market participants as also with a view to synchronising the timing of the money, domestic foreign exchange and Government Securities market, with effect from August 2, 2010, market timing for the outright transactions in Government Securities and CBLO markets that settle on T+1 basis shall be between 9.00 hrs and 17.00 hrs from Monday to Friday. The timings for transactions in these markets that settle on T+0 basis and those for Saturdays shall remain unchanged. In order to promote transparency in secondary market transaction for CDs and CP, with effect from July 1, 2010, all Reserve Bank regulated entities were advised to report their OTC transactions in CDs and CP on the FIMMDA platform within 15 minutes of the trade for online dissemination of market information.

3.116 In terms of the earlier regulatory framework, if the SGL transfer form bounces three times in a half year, the account holder is liable to be debarred from using SGL facility for a period of 6 months. The said guidelines were revised and a system of graded monetary penalties subject to a maximum penalty of ₹5 lakh per instance was prescribed in July 2010. Further, as per the Reserve Bank Directions, Non-Convertible Debentures (NCDs) cannot be issued for maturity less than 90 days and cannot have call/put options that are exercisable within 90 days from the date of issue.

3.117 In July 2010, the revised draft guidelines on Over-the-Counter (OTC) Foreign Exchange

Derivatives and Overseas Hedging of Commodity Price Risk and Freight Risk were placed by the Reserve Bank on its web site for public comments.

3.118 As a measure of procedural simplification, an on-line reporting system for Overseas Direct Investment (ODI) by the Indian Parties has been operationalised in a phased manner, with effect from March, 2010. The new system would enable on-line generation of the Unique Identification Number (UIN), acknowledgment of remittance/s and filing of the Annual Performance Reports (APRs) and easy accessibility to data at the AD level for reference purposes.

*Exchange Traded Currency Derivatives*

3.119 Currency futures in US$-INR were introduced in August 2008. Three more currency pairs, such as, Euro-INR, Japanese Yen-INR and Pound Sterling-INR were introduced during 2009-10 to provide more avenues to hedge the currency exposure of Indian residents. In the interest of financial stability, participation in the currency futures markets is, however, restricted to residents. In order to expand the existing menu of exchange trade hedging tools, recognised stock exchanges have been permitted to introduce plain vanilla currency options on spot USD-INR exchange rate for residents. The currency options market would function subject to directions, guidelines, instructions, and rules issued by the Reserve Bank and the SEBI from time to time.

## 11. Customer Service in Banks

3.120 During 2009-10, focused attention was paid to customer service in the banking sector by sensitising banks to render an efficient customer service. Reserve Bank has taken a number of steps to disseminate instructions/ guidelines relating to customer service and grievance redressal by banks through the multi-lingual website by placing all customers related notifications and press releases in a specific page titled ‘For Common Person’. Customers of commercial banks can also approach the Reserve Bank with their grievances and queries through ‘Contact Us’ mode of the website. A complaint form for lodging complaints with the Banking Ombudsman has also been made functional.

3.121 With a view to strengthening the Grievance Redressal Mechanism, banks are asked to display names of the concerned nodal officer appointed at their Regional/Zonal Offices along with names of officials who can be contacted for redressal of complaints as per provisions of the Banking Ombudsman Scheme (BOS), 2006. Banks may also display this information on their web-sites as per provisions of BOS.

3.122 A comprehensive Master Circular on Customer Service was issued on July 1, 2010 incorporating various issues, such as, customer service, operations of deposit accounts, levy of service charges, service at counters, disclosure of information, operation of accounts by old and incapacitated persons, facilities to visually impaired persons, guardianship in deposit accounts, remittances, drop box facility, collection of instruments, dishonour of cheques, dealing with complaints, erroneous debits due to wrong/fraudulent transactions, safe deposit lockers, nomination facility, settlement of claims of deceased depositor/missing person, unclaimed deposits and in operative accounts, customer confidentiality obligations, transfer of internal account in branch, switching of bank, coordination of officers of CBDT, implementation of recommendation of Working Groups/Committees, and BCSBI’s code of commitment to customers and instructions issued thereon. In the circular, instructions were issued regarding lodging of ATM-related complaints, display of information regarding Local Level Committees set up under the

National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 and dealing with incidence of frequent dishonour of cheques of value ₹1 crore and above.

3.123 The Customer Service Department (CSD) has published a FAQ on Housing Loans and Cheque Collection by banks which are placed on the website of the Bank for information to common man. Credit Information Bureau of India Limited (CIBIL) has been advised to revise the format of reporting of data by banks to CIBIL to classify accounts as closed accounts, settled accounts, restructured accounts and written off accounts with dates and with specific flag in status field, separately to better reflect credit history of an individual. Earlier, accounts were, classified as 'written off' even if it was settled with the bank. CIBIL credit report has now been made available to customers against payment of ₹142.

3.124 To avoid internet frauds, banks have been advised to put disclaimer (such as bank does not ask for PIN/password so beware, refrain from doing internet transactions if you are not familiar) on the monitor when customers are carrying out online internet banking transactions.

3.125 The IBA has issued instructions to all banks to provide loan statements on annual basis for all retail loans with details such as particulars of principal, interest and outstanding balance.

*Display of information for lodging ATM related Complaints*

3.126 The Reserve Bank has advised banks to display prominently at their ATM locations the following information: (a) A notice that complaints should be lodged at branches where customers maintain account to which the ATM card is linked, (b) Telephone numbers of help desk/contact persons of the ATM owning bank to lodge complaint/seek assistance.

3.127 Banks were advised to update customers' records immediately on receipt of intimation of change of address and other details, and also ensure proper coordination with billing department. A Committee on Customer Service in banks under the Chairmanship of Shri M. Damodaran has been constituted to look into banking services rendered to retail and small customers, including pensioners and also to look into the system of grievance redressal mechanism prevalent in banks, its structure and efficacy and suggest measures for expeditious resolution of complaints. Banks have been advised to review customer service/customer care aspects in the bank and submit a detailed memorandum in this regard to the Board of Directors, once every six months and initiate prompt corrective action wherever service quality/skill gaps have been noticed. Further, Banks have been advised not to insist on collateral security for educational loans up to ₹4 lakh.

3.128 Customers are entitled to compensation for delay in collection of cheques or delay in returning documents/securities beyond 15 days of settlement of dues without their demanding the same. Banks are also now committed to explain the provisions of Income Tax Act applicable to interest income and obtain Form 15G/H at the time of opening a term deposit account, wherever applicable; notify the joint holder/s, in addition to the first holder of an account, before classifying an account as dormant/inoperative; not to insist that insurance cover for securities lodged be obtained from a particular provider; disburse any pre-sanctioned credit facilities offered and accepted over telephone, only after obtaining written consent from the customer; introduce a system of checks before referring a loan to a collection agent and dispose customer complaints within 30 days.

*Banking Ombudsman Scheme*

3.129 Banking Ombudsman (BO) offices receive complaints from general public relating to their grievances against commercial banks, regional rural banks and scheduled primary co-operative banks. Complainants have the facility to send complaints by email, online or by post. These complaints are tracked by BO offices by means of a complaint tracking software. During 2009-10, 79,266 complaints were received by 15 BO offices as against 69,117 complaints received during the previous year.

## 12. Payment and Settlement Systems

3.130 Recognising the significance of advances in payment and settlement systems for the economy and the financial system, the Reserve Bank works with a clear mission to ensure that all payment and settlement systems operating in the country are "*safe, secure, sound, efficient, accessible and authorised*". Consistent with the above mission, the Reserve Bank took several measures during 2009-10 for improving the efficiency of existing systems as well as promoting the use of new modes/ systems while also striving to put in place a framework for off-site and on-site surveillance of payment systems.

3.131 Under the guidance and directions of the Board for Payment and Settlement Systems (BPSS), policies of the Reserve Bank continued to be transparent and oriented towards promoting orderly development of the payment systems ensuring that the systems functioned in an efficient and secure manner. The policies encouraged participants to shift from paper-based/cash-driven payment systems to safer and faster electronic modes of payments in a non-disruptive manner. The process of issue of authorisation to entities for operating payment systems under the Payment and Settlement Systems Act, 2007, was made rigorous and in alignment with these objectives, ensuring that only entities with sound financial position, adequate expertise, and technology support and good corporate governance are authorised to operate such systems. Thirty seven entities have so far been issued certificate of authorisation to operate various payment and settlement systems in areas of credit-debit card management, ATM networks, cross border money transfer services, and issue of pre-paid payment instruments. The Reserve Bank has prepared a Payment System Vision document covering the period 2009-12.

*Paper Based Payment Systems*

3.132 Paper based transactions account for 60 per cent of total transactions processed through both MICR and Non-MICR clearing houses. To enhance the safety, security and efficiency of paper based system, the Reserve Bank took steps like (i) discontinued high value clearing in a non-disruptive manner over a period of one year; (ii) extended speed clearing which facilitates local clearing of outstation cheques, to 66 MICR centres; (iii) Initiated steps to roll out Cheque Truncation System (CTS) in Chennai covering all the southern centres after successfully implementing the same in the National Capital Region; (iv) issued a new cheque standard styled CTS-2010 to enhance the integrity of images procured under CTS by mandating minimum security features covering quality of paper, watermark, banks logo in invisible ink, and void pantograph on cheque forms.

*Electronic Payment Systems*

3.133 The large value electronic payment systems, *viz.*, Real Time Gross Settlement System (RTGS) and the Retail Electronic Payment Systems, *viz.*, National Electronic Clearing Services (NECS and ECS), National Electronic Fund Transfer (NEFT) and Card Payment Systems are the electronic payment systems available in India. The trend of shift of transactions from paper to electronic mode continued during 2009-10. The share of electronic transactions to total transactions increased from 32.8 per cent to 40 per cent volume-wise and from 83.9 percent to 89 per cent value wise during the year. To encourage the electronic transactions, the waiver of processing charges for ECS/NECS/NEFT/RTGS was further extended up to March 31, 2011.

*Real Time Gross Settlement Systems:*

3.134 The implementation of RTGS systems by Central Banks throughout the world is driven by the goal to minimize risk in high-value electronic payment settlement systems. In an RTGS system, transactions are settled across accounts held at a Central Bank on a continuous gross basis. Settlement is immediate, final and irrevocable and thus the credit risks due to time lags in settlement are eliminated. India introduced RTGS system in 2004 and since then, each year the volume and value of transactions transacted is increasing in multiples. Reserve Bank in consultation with participants has been continuously striving to bring about improvements. Towards this, following initiatives were taken:

- extended customer and Inter -bank transactions timings for processing RTGS transactions on Saturdays by 30 minutes and is now available from 9.00 hours to 13.30 hours for customer transactions and from 9.00 hours to 15.00 hours for Inter-bank transactions
- permitted SEBI regulated clearing entities viz. Indian Clearing Corporation Limited (ICCL) and National Securities Clearing Corporation Limited (NSCCL) to settle funds legs of OTC trades of the corporate bond transactions in RTGS from December 2009.
- steps initiated for ushering in Next-Gen RTGS keeping in view the increase in the coverage, usage and change in the technology.

*Electronic Clearing Service (ECS)/ National Electronic Clearing Service (NECS):*

3.135 The ECS facility of multiple credits/ debits against a single debit/credit for bulk payments has been extended to 89 centres. To facilitate the users to submit a single file at a centralized location instead of multiple files at many locations, the *National Electronic Clearing Service* (NECS) was introduced in September 2008. A near two-fold increase in volumes and value of transactions processed through NECS credit was seen during the year which could be attributed to more banks (116), branches (about 48,000) and increased number of companies participating in the system. In July 2010, NECS saw a peak of 8.10 million transactions for ₹152.92 billion against a monthly average of 5.92 million (volume) and ₹65.10 Billion (Value) observed in 2009-10.

3.136 To facilitate State Governments to operate from a single location in the State (the capital city), a concept of *Regional ECS (RECS Credit)* was introduced in Bengaluru in May 2009 and is now extended to Chennai. The State Governments were otherwise using the Local-ECS variant available at different cities / local centres for making repeated payments to persons/entities.

*National Electronic Fund Transfer (NEFT) system*:

3.137 The centralized version of EFT termed National Electronic Funds Transfer (NEFT) introduced in 2005 enables the funds to be transferred electronically irrespective of location. Viewing the system successfully handling significant volumes the following measures were initiated to strengthen the NEFT system: (i) mandated creation of Customer Facilitation Centre (CFC) at the service centre of the NEFT member bank for prompt resolution of customer complaints. A directory of the CFCs has been placed at the RBI website for the benefit of the public; (ii) return discipline for NEFT transactions tightened by mandating the returns within two hours of completion of a batch against the earlier T+1; (iii) increased the number of settlements from six to eleven on week days and from three to five settlements on Saturdays to achieve a near-real time settlement of transactions; (iv) introduced the system of providing *'Positive Confirmation'* to the remitters of funds through NEFT for a successful credit to beneficiary's account which is a unique initiative.

*Credit/Debit Cards and ATMs*

3.138 During 2009-10, Reserve Bank mandated the following steps to enhance the quality of customer service in banks and mitigate risks arising out of usage of credit/debit cards over internet: (i) additional authentication on usage of credit cards over internet, based on the information not available on the card; (ii) online alert to be sent to the cardholder for 'card not present' (CNP) transactions of value for ₹5,000 and above; (iii) additional authentication and online alert to be implemented for transactions carried out over telephone (IVRS) from January 2011; (iv) reimbursement to the customers the amount wrongfully debited by banks on account of failed ATM transactions within 12 days and automatically pay compensation of ₹100 per day for delays in such disbursement to them; (v) to place a standardised ATM complaint template at all ATMs and banks' websites; and (vi) permitted banks to allow their customers cash withdrawal up to ₹1,000 per day using debit cards at POS terminals.

*Pre-paid Instruments*

3.139 Detailed guidelines were issued in April 2009, on the issue and accounting of pre-paid payment instruments. To widen the scope of these guidelines, in August 2009, *non-bank entities* which were not permitted earlier were also permitted to issue mobile based pre-paid payment instruments. The Reserve Bank has accorded approval to 28 banks and authorisation to 16 non-bank entities to issue pre-paid instruments.

3.140 To safeguard interests of customers and to ensure that the payments made by them using Electronic/Online Payment modes are duly accounted for by intermediaries receiving such payments, directions were issued in November 2009. Directions require that the funds received from customers for such transactions need to be maintained in an internal account of a bank and the intermediary should not have access to the same.

*Mobile Banking*

3.141 The operative guidelines on Mobile Banking issued in October 2008 were reviewed and relaxed in December 2009 by enhancing the limits for mobile banking transactions up to ₹50,000 for both e-commerce and money transfer transactions, and permitting the money transfer facility up to ₹5,000 from a bank account to beneficiaries not having a bank account.

*Regulatory/Supervisory Intervention*

3.142 The developments in the payment system were continued to be closely monitored to ensure that no person operated a payment system without specific authorisation from the Reserve Bank under the PSS Act, 2007. The Bank intervened in a few such cases and also issued show cause notices to few banks for violation of the Reserve Bank directions on charges for collection of outstation cheques.

*Other Developments*

3.143 India has been made a member of the Committee of Payment and Settlement System (CPSS) of Bank for International Settlement (BIS). The Reserve Bank also represents on four steering/working groups of CPSS, *viz.*, (i) General

Review of Standards; (ii) Repo Market Infrastructure; (iii) Post trade Services, and (iv) Retail Payment Systems. The Reserve Bank extended assistance to Royal Monetary Authority (RMA) of Bhutan to set up an electronic payment and settlement system infrastructure at Bhutan free of cost under the SAARC Payment Initiatives. In June 2010, the NECS and NEFT systems have been implemented in Bhutan.

## 13. Technological Developments

3.144 With a view to further leveraging the role of information technology (IT) in enhancing the efficient functioning of the financial system, the Reserve bank undertook important steps covering IT infrastructure and implementation of new applications. A High Level Committee was constituted under the Chairmanship of the Deputy Governor (Dr. K. C. Chakrabarty) and members from IIT, IIM, IDRBT, Banks, and the Reserve Bank to prepare the IT Vision for the Reserve Bank for the period 2011-2017, *inter alia*, to review the functions of Department of Information Technology and suggest measures for way forward.

*Green IT and its relevance to Banking Sector*

3.145 The term "Green Banking" is becoming popular as more citizens look for ways in which they can help the environment. While, green banking encompasses a wide variety of banking services, many banks are promoting their online banking services as a form of green banking. The environment and the banking industry can both benefit if more bank customers start to use the online banking services that are available. Benefits of online banking include less paperwork and less driving to branch offices by bank customers, which will have a positive impact on the environment. Interestingly, online banking can also increase the efficiency and profitability of a bank. A bank can lower their own costs that result from paper overload and bulk mailing fees if more of their customers use online banking. Green banking also can reduce the expenditure of branch banking (Box III.3).

## 14. Legal Reforms

3.146 The legislative changes undertaken during 2009-10 are as follows:

*The Coinage Bill, 2009*

3.147 This Bill (introduced in the Lok Sabha on December 17, 2009) seeks to consolidate laws relating to coinage and Mints into a Single Act while repealing the existing laws, *viz.,* (i) Metal Tokens Act, 1889, (ii) Coinage Act, 1906, (iii) Bronze Coin (Legal Tender) Act, 1918, and (iv) Small Coins (Offences) Act, 1971. The Bill also seeks to prohibit and impose penalty on the melting or destruction of coins, unlawful making, and issue or possession of metal pieces to be used as money.

*State Bank of Saurashtra (Repeal) and State Bank of India (Subsidiary Banks) Amendment Bill, 2009*

3.148 The Bill seeks to repeal the State Bank of Saurashtra Act, 1950 pursuant to the acquisition of State Bank of Saurashtra by the State Bank of India. It seeks to make certain consequential amendments in the State Bank of India (Subsidiary Banks) Act, 1959 by omitting provisions relating to State Bank of Saurashtra. The Bill has been passed by both the Houses of Parliament and has received the assent of the President.

*The Securities and Insurance Laws (Amendment and Validation) Bill, 2010*

3.149 This Bill seeks to replace the Securities and Insurance Laws (Amendment and Validation) Ordinance, 2010 which was promulgated by the President of India on June 18, 2010. The Bill seeks to introduce, *inter alia*, Chapter IIIE in the RBI Act to provide for a joint mechanism, consisting of Union Finance

**Box III.3: Green IT**

Green computing or green IT refers to environmentally sustainable computing or IT which is more environment-friendly. The green computing is also defined as the study and practice of designing, manufacturing, using, and disposing of computers, servers, and associated subsystems - monitors, printers, storage devices, and networking and communications systems - efficiently and effectively with minimal or no impact on the environment. Modern IT system rely upon a complicated mix of people, networks and hardware, as such, a green computing initiative must cover all of these areas as well. The other aspect of Green IT comprises of using the IT services to reduce environmental impact of other industries.

The goals of green computing are to maximise energy efficiency during the product's lifetime, and promote the recyclability or bio-degradability of defunct products and factory waste. The following would be benefits accruing from practicing principles associated with Green IT: (i) reduced energy costs both through lower usage and more efficient operations of equipment, (ii) streamlined IT processes to reduce cost inefficiencies and decrease environmental impact, (iii) enabled a more mobile and agile workforce for flexible and remote working, further reducing carbon emissions from unnecessary travel, (iv) organisations of all sizes can benefit by reducing operation costs and equipment costs.

While ensuring that this can be practiced in all areas of work, the following tips are helpful:

**IT services**

- Energy efficient data centre and renewable energy sources for data centre power consumption;
- Low energy communication and networking equipments and low energy consuming computing devices;

**IT Infrastructure**

- Use cloud computing and software-as-a-service solutions (SaaS) instead of running a new application in-house;
- Technologies such as virtual private networks, and collaboration tools help employees work together from different locations;
- Server and storage virtualisation;
- Develop a thin client strategy;

**Computers and Desktop Monitors**

- Reduce power consumption through effective power management by employing alternative energy sources for computing workstations, servers, networks and data centers;
- Power-down the CPU and all peripherals during extended periods of inactivity and activating standby setting;
- Power-up and power-down energy-intensive peripherals such as laser printers according to need;
- Use liquid-crystal-display (LCD) monitors rather than cathode-ray-tube (CRT) monitors;

**Paper**

- Reduce paper consumption;
- Use recycled paper or non-wood paper, eliminate paper, printer and packaging waste;
- Re-use papers to make rough notes;

**Printer**

- Ensure that printer has a standby mode, which should be activated after a short period of inactivity;
- Buy automatic duplex printers, set duplex printing as default or manually feed the paper for printing on both sides;

**Go digital**

- Transition from paper based to digital processes;
- Use emails with attachments for sending office documents instead of sending hardcopies;

**Encourage telecommuting and Collaboration**

- Use Web conferencing instead of traveling to meetings;
- Enable staff to telecommute;

**Waste Management – Reduce, Reuse, Recycle**

- Dispose of e-waste properly;
- Minimise the use of paper and properly recycle waste paper;
- Donate to non-profit organisations;

Minister as its Chairperson, Governor, the Reserve bank of India, Finance Secretary and Chairpersons SEBI, IRDA and PFRDA as its members to resolve any difference of opinion among the regulators. The Bill seeks to slightly modify the Ordinance. In the Bill, the constitution of the Joint Committee has been modified to make the Governor of the Reserve Bank as the Vice Chairperson of the Committee. Further, the difference of opinion which can be referred to the Joint Committee will not include any difference of opinion that may arise between any regulator and the Central Government. The Bill provides for a reference being made to the Joint Committee only by regulators and not by the Central Government. The Bill has been passed by both the Houses of Parliament.

*State Bank of India (Amendment) Bill, 2010*

3.150 The State Bank of India (Amendment) Bill, 2010 seeks to amend the State Bank of India Act, 1955. The Bill, *inter alia*, provides for: (i) raising the authorised capital of the State Bank of India (SBI) to ₹5,000 crore; (ii) the issued capital of SBI to consist of equity shares or equity and preference shares; (iii) allowing SBI to raise the issued capital by preferential allotment or private placement or public issue or rights issue; (iv) allowing SBI to issue bonus shares to existing equity share holders; (v) reducing the shareholding of the Central Government from fifty five percent to fifty one percent consisting of equity shares of issued capital; (vi) providing nomination facility in respect of shares held by individual or joint shareholder; (vii) restricting the voting rights of preference shareholders only to resolutions affecting their rights and also restricting the preference share holders, other than Central Government, to exercise voting rights in respect of preference shares held by them to a ceiling of ten percent of total voting rights of all preference share holders; (viii) specifying qualifications for directors elected by shareholders of SBI and conferring power upon the Reserve bank to notify the fit and proper criteria for such directors; (ix) empowering the Reserve bank to appoint additional directors as and when considered necessary; (x) conferring upon Central Government the power to supersede the Central Board of SBI in certain cases on the recommendations of the Reserve bank and to appoint an Administrator; (xi) allowing State Bank to hold their Central Board meetings through video-conferencing or other electronic means; (xii) allowing the Central Government to appoint not more than four Managing Directors in consultation with the Reserve Bank; (xiii) abolish the post of Vice-Chairman. The Bill has been passed by both the Houses of Parliament in August, 2010.

## 15. Conclusions

3.151 The economy has been on a recovery path with the process beginning with second half of 2009-10. The key macroeconomic concern in the second half of 2009-10, however, was the rising inflation, which warranted rebalancing the weights of different objectives pursued through monetary policy.

3.152 The introduction of the base rate system and the concomitant removal of interest rate ceiling on small loans and freeing of rupee export credit interest rate expected to enhance the allocative efficiency of the financial intermediation process by banks, while also promoting financial inclusion. The interest rate deregulation would enable greater flow of credit to agriculture and small businesses. As a regulator, the Reserve Bank emphasises transparency, customer education/awareness and effective grievance redressal systems. The role of Reserve Bank as a regulator and facilitator of payment and settlement systems assumes critical importance, given the pace and complexity of changes as well as the risks involved.

3.153 During 2009-10, the Reserve Bank undertook a number of initiatives in improving IT infrastructure facilities, implementing new applications and initiating steps for further adoption of technology in the financial sector. IT has helped in increasing the speed and efficiency of banking operations by facilitating introduction of innovative products and new delivery channels. Financial inclusion has been emphasised by broadening the scope of BCs. The legal reforms also helped in merger and acquisition as well as amalgamation of banks in the Indian banking system.

Chapter IV

# Operation and Performance of Commercial Banks

*The year 2009-10 witnessed a relatively sluggish performance of the Indian banking sector with some emerging concerns with respect to asset quality and a slow deposit growth. Gross NPAs as ratio to gross advances for Scheduled Commercial Banks as a whole increased from 2.25 per cent in 2008-09 to 2.39 per cent in 2009-10. Notwithstanding the weakening asset quality, the Capital to Risk-Weighted Assets Ratio (CRAR) of Indian banks remained strong at 14.5 per cent, way above the regulatory minimum even after migration to the Basel II framework, providing banks with adequate cushion for emerging losses. In 2009-10, the profitability of Indian banks captured by the Return on Assets (RoA) was a notch lower at 1.05 per cent than 1.13 per cent during the previous year. Low levels of financial penetration and inclusion in the global comparison continued to be an area of concern for the Indian banking sector. In the short-term, the Indian banking sector needs to lend support to the process of economic recovery, while in the medium to long-term, it needs to transform itself to become more efficient and vibrant so as to ensure a more sustainable and inclusive pattern of economic growth.*

## 1. Introduction

4.1 Commercial banks form the most important part of the Indian financial landscape in terms of their role in channelling credit to the commercial sector and facilitating the process of financial inclusion. With the onset of economic reforms, the commercial banking sector, which has retained its predominantly public character, has undergone a number of changes in terms of size, efficiency of operation and financial soundness. As per the analysis by the World Bank for 2005, prior to the outbreak of the global financial crisis, the operational efficiency and financial soundness of the Indian banking sector compared favourably with its Asian peer group countries as well as developed OECD countries.[1] The global financial crisis, which left the banking sector of most developed and even developing countries weakened, had relatively limited impact on the Indian banking sector. The Report on Trend and Progress of Banking in India (RTP) - 2008-09 had concluded that while the Indian banking system largely withstood the pressures of the crisis, it was not expected to remain insulated from the slowdown of the Indian economy, which followed the crisis. The analysis of the banking sector in 2009-10 is thus crucial in understanding the nature and extent of medium- to long-term impact of the crisis on the Indian banking system.

4.2 This chapter discusses developments in the Indian banking sector in detail during 2009-10 in a comparative perspective with the earlier year/s to bring out trends in balance sheets, financial performance and profitability, and financial soundness of the sector based on data

[1] The key indicators of operational efficiency used in the World Bank study were Return on Assets and Return on Equity, while the financial soundness parameters included capital adequacy and gross NPA ratio. Globally, India compared favourably with respect of each of these indicators with other Asian and OECD countries except gross NPA ratio. The gross NPA ratio for India was comparable with the Asian countries but was fairly higher than the OECD countries. See Kiatchai Sophastienphong and Anoma Kulathunga (2009), *Getting Finance in South Asia 2009-Indicators and Analysis of the Commercial Banking Sector*, World Bank.

of 81 Scheduled Commercial Banks (SCBs).[2] The chapter also spells out key issues related to several aspects of operation of the Indian banking sector, such as financial inclusion, sectoral distribution of credit, spatial and regional distribution of banking services, customer services, technological development apart from separately analysing the trends in two segments closely related to the SCB sector, namely Regional Rural Banks and Local Area Banks.

## 2. Balance Sheet Operations of Scheduled Commercial Banks

4.3 In continuation of the trend observed during 2008-09, the growth in consolidated balance sheet of SCBs decelerated in 2009-10 (Tables IV.1 and IV.2). Foreign banks, in particular, witnessed a contraction in their asset size to the tune of 2.7 per cent in 2009-10 (Table IV.2). This contraction in the assets of foreign banks was a break in the trend observed in the recent past, when assets of foreign banks had posted an annual growth consistently exceeding 20 per cent. There was a slowdown in the growth of balance sheets of public sector banks (comprising nationalised banks and State Bank of India (SBI) group) as well as old private sector banks in 2009-10. The only exception was new private sector banks, which had underperformed their old counterparts in 2008-09, recorded accelerated growth in 2009-10.

**Table IV.1: Consolidated Balance Sheet of Scheduled Commercial Banks**

(in ₹ crore)

| Item | As at end-March 2010 | | | | | |
|---|---|---|---|---|---|---|
| | **Public sector banks** | **Private sector banks** | Old private sector banks | New private sector banks | **Foreign banks** | **All scheduled commercial banks** |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1. Capital | **13,544** | **4,549** | 1,273 | 3,276 | **30,555** | **48,648** |
| 2. Reserves and Surplus | **2,27,458** | **1,15,435** | 18,898 | 96,537 | **38,584** | **3,81,476** |
| 3. Deposits | **36,91,802** | **8,22,801** | 2,29,897 | 5,92,904 | **2,37,853** | **47,52,456** |
| 3.1. Demand Deposits | **3,68,528** | **1,34,589** | 21,597 | 1,12,992 | **67,902** | **5,71,019** |
| 3.2. Savings Bank Deposits | **8,87,267** | **1,86,220** | 43,567 | 1,42,653 | **36,427** | **11,09,915** |
| 3.3. Term Deposits | **24,36,006** | **5,01,992** | 1,64,733 | 3,37,259 | **1,33,524** | **30,71,522** |
| 4. Borrowings | **3,13,814** | **1,48,803** | 8,127 | 1,40,676 | **62,146** | **5,24,764** |
| 5. Other Liabilities and Provisions | **1,94,497** | **59,221** | 10,783 | 48,438 | **64,080** | **3,17,798** |
| **Total Liabilities/Assets** | **44,41,114** | **11,50,809** | **2,68,977** | **8,81,831** | **4,33,219** | **60,25,141** |
| 1. Cash and Balances with RBI | **2,70,858** | **75,858** | 16,915 | 58,943 | **19,097** | **3,65,812** |
| 2. Balances with Banks and Money at Call and Short Notice | **1,24,216** | **38,681** | 5,692 | 32,989 | **20,559** | **1,83,455** |
| 3. Investments | **12,05,783** | **3,54,117** | 83,499 | 2,70,618 | **1,59,286** | **17,19,185** |
| 3.1 Government Securities (a+b) | **10,08,371** | **2,41,192** | 60,819 | 1,80,374 | **1,17,492** | **13,67,055** |
| a) In India | **10,00,015** | **2,41,028** | 60,819 | 1,80,209 | **1,17,492** | **13,58,534** |
| b) Outside India | **8,356** | **165** | - | 165 | **-** | **8,521** |
| 3.2 Other Approved Securities | **5,015** | **311** | 289 | 21 | **4** | **5,330** |
| 3.3 Non-Approved Securities | **1,92,396** | **1,12,614** | 22,391 | 90,223 | **41,790** | **3,46,800** |
| 4. Loans and Advances | **27,01,300** | **6,32,494** | 1,54,136 | 4,78,358 | **1,63,260** | **34,97,054** |
| 4.1 Bills purchased and Discounted | **1,40,817** | **27,462** | 8,957 | 18,505 | **21,306** | **1,89,585** |
| 4.2 Cash Credits, Overdrafts, *etc.* | **10,74,500** | **1,58,719** | 68,119 | 90,600 | **65,923** | **12,99,141** |
| 4.3 Term Loans | **14,85,984** | **4,46,313** | 77,060 | 3,69,252 | **76,031** | **20,08,328** |
| 5. Fixed Assets | **34,466** | **10,239** | 2,357 | 7,882 | **4,859** | **49,564** |
| 6. Other Assets | **1,04,491** | **39,421** | 6,378 | 33,043 | **66,158** | **2,10,070** |

**Source:** Balance sheets of respective banks.

[2] These include 27 public sector banks (State Bank of India and its six associates, 19 nationalised banks and IDBI Bank Ltd.), 7 new private sector banks, 15 old private sector banks and 32 foreign banks.

**Table IV.2 : Growth in Balance Sheet of Scheduled Commercial Banks**

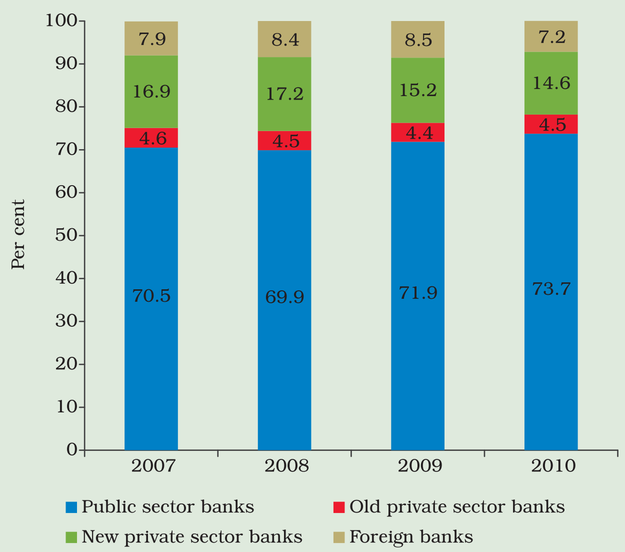
(Per cent)

| Item | **Public sector banks** | | **Private sector banks** | | Old private sector banks | | New private sector banks | | **Foreign banks** | | **All scheduled commercial banks** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2008-09** | **2009-10** | **2008-09** | **2009-10** | 2008-09 | 2009-10 | 2008-09 | 2009-10 | **2008-09** | **2009-10** | **2008-09** | **2009-10** |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 1. Capital | **3.6** | **0.1** | **-8.1** | **7.3** | 8.2 | 8.7 | -13.1 | 6.7 | **14.5** | **19.8** | **8.3** | **12.4** |
| 2. Reserves and Surplus | **20.5** | **16.8** | **10.0** | **21.0** | 14.6 | 15.9 | 9.1 | 22.0 | **27.3** | **12.1** | **17.8** | **17.5** |
| 3. Deposits | **26.9** | **18.6** | **9.1** | **11.7** | 20.3 | 15.4 | 5.4 | 10.4 | **12.0** | **11.1** | **22.4** | **17.0** |
| 3.1. Demand Deposits | **9.9** | **18.4** | **1.3** | **33.5** | 1.8 | 22.5 | 1.1 | 35.9 | **2.3** | **12.1** | **6.9** | **20.8** |
| 3.2. Savings Bank Deposits | **18.4** | **25.8** | **14.9** | **32.8** | 15.6 | 26.2 | 14.7 | 34.9 | **9.7** | **26.5** | **17.5** | **26.9** |
| 3.3. Term Deposits | **33.1** | **16.2** | **9.2** | **1.3** | 24.2 | 12.0 | 3.9 | -3.1 | **18.0** | **7.0** | **27.3** | **13.1** |
| 4. Borrowings | **65.3** | **21.4** | **56.6** | **8.1** | 77.4 | 31.8 | 55.7 | 6.9 | **32.9** | **-19.8** | **56.5** | **10.8** |
| 5. Other Liabilities and Provisions | **-21.4** | **4.4** | **-37.0** | **9.7** | -7.8 | 15.0 | -41.0 | 8.5 | **43.4** | **-31.6** | **-13.9** | **-4.8** |
| **Total Liabilities/Assets** | **24.6** | **17.9** | **9.3** | **12.0** | **19.4** | **15.8** | **6.7** | **10.9** | **22.3** | **-2.7** | **21.1** | **15.0** |
| 1. Cash and Balances with RBI | **-2.4** | **20.8** | **-19.4** | **32.0** | -14.6 | 27.7 | -20.7 | 33.3 | **-28.9** | **22.1** | **-8.0** | **23.1** |
| 2. Balances with Banks and Money at Call and Short Notice | **106.5** | **-5.4** | **32.7** | **13.9** | 46.0 | -43.3 | 27.8 | 38.0 | **56.8** | **-34.2** | **80.1** | **-6.6** |
| 3. Investments | **26.6** | **19.1** | **10.0** | **15.5** | 33.9 | 15.3 | 4.3 | 15.6 | **31.8** | **22.2** | **23.1** | **18.6** |
| 3.1 Government Securities (a+b) | **30.6** | **19.0** | **12.4** | **10.6** | 27.3 | 13.4 | 8.2 | 9.7 | **20.7** | **17.5** | **25.9** | **17.3** |
| a) In India | **30.8** | **18.8** | **12.4** | **10.6** | 27.3 | 13.4 | 8.3 | 9.7 | **20.7** | **17.5** | **26.0** | **17.2** |
| b) Outside India | **4.0** | **48.3** | **-32.0** | **72.6** | - | - | -32.0 | 72.6 | **-** | **-** | **3.1** | **48.7** |
| 3.2 Other Approved Securities | **-22.8** | **-36.8** | **-22.8** | **43.4** | -24.3 | 56.2 | -12.0 | -31.7 | **-80.7** | **-41.7** | **-23.0** | **-34.6** |
| 3.3 Non-Approved Securities | **11.9** | **22.2** | **4.7** | **27.6** | 58.8 | 20.5 | -4.0 | 29.5 | **89.3** | **37.7** | **14.6** | **25.6** |
| 4. Loans and Advances | **25.7** | **19.6** | **11.0** | **9.9** | 15.1 | 19.9 | 9.9 | 7.1 | **2.6** | **-1.3** | **21.1** | **16.6** |
| 4.1 Bills purchased and Discounted | **18.3** | **10.4** | **-23.5** | **30.7** | 7.0 | 19.1 | -33.9 | 37.2 | **-8.0** | **46.9** | **8.0** | **16.3** |
| 4.2 Cash Credits, Overdrafts, *etc.* | **29.3** | **20.0** | **11.5** | **9.6** | 15.0 | 20.8 | 9.3 | 2.5 | **7.0** | **-7.5** | **25.1** | **16.9** |
| 4.3 Term Loans | **24.0** | **20.2** | **13.4** | **9.0** | 16.2 | 19.3 | 12.9 | 7.0 | **1.1** | **-4.5** | **20.1** | **16.4** |
| 5. Fixed Assets | **17.2** | **2.1** | **2.6** | **3.6** | 8.0 | 8.0 | 1.2 | 2.4 | **19.4** | **2.6** | **14.1** | **2.5** |
| 6. Other Assets | **2.0** | **-0.2** | **21.6** | **-11.6** | 35.1 | 7.8 | 19.8 | -14.5 | **68.1** | **-32.3** | **25.1** | **-15.0** |

**Source:** Balance sheets of respective banks.

4.4 Consequent to the contraction in the balance sheet of the group of foreign banks, the share of foreign banks in total assets of the banking sector witnessed a decline in 2009-10 (Chart IV.1). There was also a decline in the share of new private sector banks in total assets of the banking sector. Despite the decelerated growth of assets of public sector banks, their relative share in the total assets of the banking sector posted an increase in 2009-10, while the share of old private sector banks stood almost unchanged at the last year's level.

**Chart IV.1: Percentage share of bank groups in total assets of banking sector**




## Major Liabilities of SCBs

### Deposits

4.5 The slowdown in the growth of balance sheets in 2009-10 largely emanated from deposits, the major component of liabilities of SCBs (Tables IV.1 and IV.2). Bank deposits, which constituted around 78 per cent of the total liabilities of SCBs, registered a decelerated growth for the third consecutive year since 2007-08. One of the factors responsible for a decline in the deposits growth in 2009-10 was the prevalence of low interest rates for a major part of the year.

4.6 The composition of deposits, however, indicated significant changes in 2009-10 with the percentage of Current and Saving Accounts (CASA) increasing from 33.2 per cent to 35.4 per cent between 2008-09 and 2009-10 in contrast to the declining trend in the recent past. Moreover, unlike in the past, CASA contributed almost half of the incremental deposits in 2009-10 (Chart IV.2). Saving deposits alone contributed about 34 per cent to the total increment in deposits in 2009-10. The calculation of interest rate on a daily product basis by banks with effect from April 1, 2010 is expected to give a further boost to saving deposits.

### Borrowings

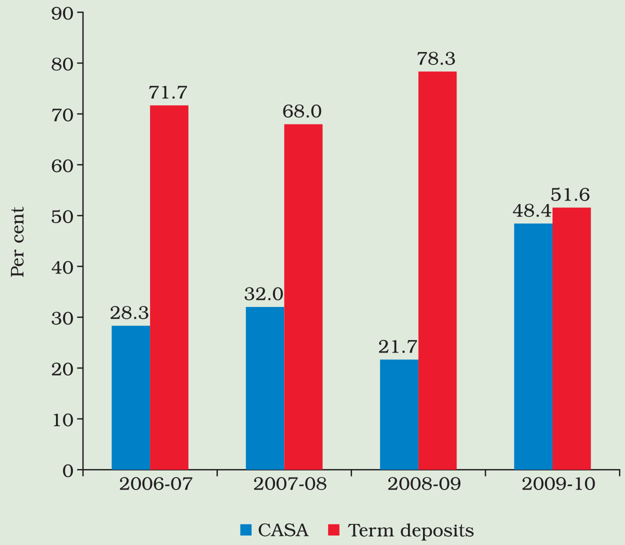
4.7 Borrowings, the major non-deposit liability for banks, constituted 8.7 per cent of their total liabilities in 2009-10. Similar to deposits, borrowings also recorded a sharp deceleration in growth adding to the overall slowdown in banks' balance sheets in 2009-10 (Tables IV.1 and IV.2). A decline in the growth of borrowings could be seen across all bank groups but was most striking in the case of foreign banks (Table IV.2).

## Major Assets of Scheduled Commercial Banks

### Bank Credit

4.8 In 2009-10, there was a decline in the growth in bank credit like in the previous year. Bank credit, which had reached a high of over 30 per cent in 2004-05, exhibited a continued decline in the subsequent years, reaching a low of 16.6 per cent in 2009-10. As deposits are the most important source of funds for banks, a slowdown in the growth of deposits was expected to translate itself into a slowdown in bank credit growth. Thus, notwithstanding the signs of recovery of the Indian economy and a low interest rate regime, on a year-on-year basis, bank credit growth registered a slowdown in 2009-10. However, on an intra-year basis, there were signs of a pick up in bank credit after November 2009, as economic recovery became more broad-based.[3]

**Chart IV.2: Percentage contribution of CASA to incremental deposits**

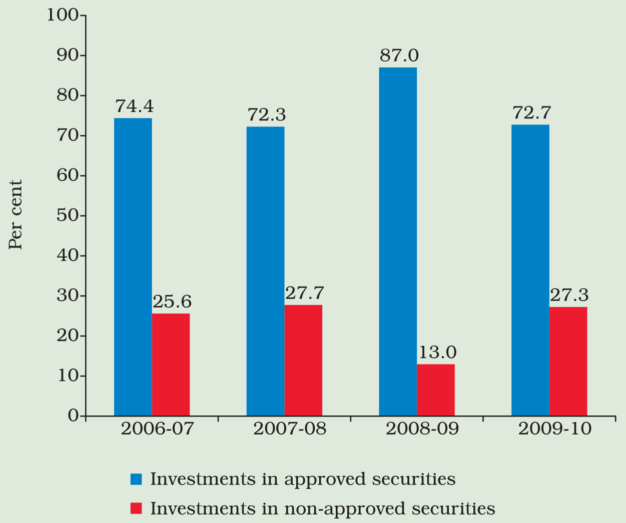



### Investments

4.9 In 2009-10, investments of SCBs, like bank credit, showed a deceleration in growth. Moreover, there was a perceptible change in the composition of investments of SCBs, as the percentage contribution of investments in approved securities to incremental investments showed a decline in 2009-10 in contrast to a striking increase in 2008-09, when banks had shown preference for low-risk investments following market uncertainties resulting from the global financial crisis (Chart IV.3).

[3] For an illustration of this point, see Chart IV.19 in Section 5.

Chart IV.3: Percentage contribution of investments in approved and non-approved securities to incremental investments




4.10 Non-SLR investments of banks, which include investments in mutual funds, bonds/debentures, shares and commercial papers, showed significant increase in 2009-10. This increase in non-SLR investments was primarily on account of investments in mutual funds, which increased to the tune of 42.8 per cent during the year, though it showed large intra-year volatility (Table IV.3). Bonds and debentures, which constitute the largest portion of banks' non-SLR investments, showed a declining trend in share in the recent years. The share of investments in shares, which had registered a steep fall in 2008-09 resulting from the subdued conditions in the capital market in the aftermath of the financial crisis, showed a further – although marginal – fall in 2009-10 (Chart IV.4). Thus, as against the waning importance of bonds/debentures and shares in the investment portfolio of banks, the share of investments in mutual funds showed a steady increase in the recent years.[4]

**Table IV.3: Non-SLR Investments of Scheduled Commercial Banks**

(Amount in ₹ crore)

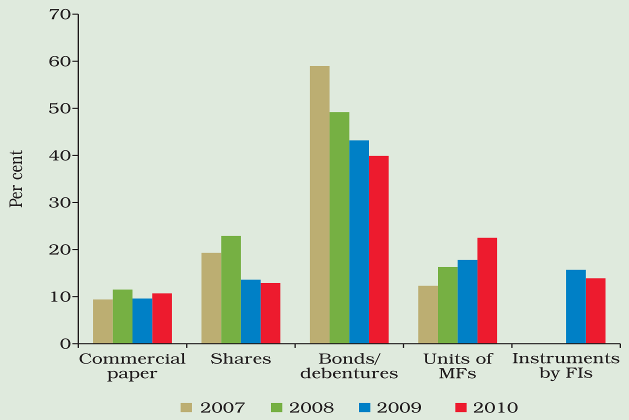
| Instrument | As on March 26, 2010 | Per cent to total | As on September 24, 2010 | Per cent to total |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| **1. Commercial Paper** | **25,188 (25.9)** | **10.7** | **43,818 (195.5)** | **17.7** |
| **2. Shares** | **30,192 (6.9)** | **12.9** | **37,703 (39.7)** | **15.2** |
| a) *Of which*, Public sector undertakings | 4,625 | 2.0 | 7,070 | 2.9 |
| b) *Of which*, Private corporate sector | 25,481 | 10.9 | 27,029 | 10.9 |
| **3. Bonds/debentures** | **93,679 (4.5)** | **39.9** | **1,05,664 (13.3)** | **42.7** |
| a) *Of which*, Public sector undertakings | 22,710 | 9.7 | 20,153 | 8.1 |
| b) *Of which*, Private corporate sector | 40,067 | 17.1 | 50,332 | 20.3 |
| **4. Units of MFs** | **52,887 (42.8)** | **22.5** | **33,534 (-46.3)** | **13.6** |
| **5. Instruments issued by FIs*** | **32,597 (0.04)** | **13.9** | **26,725 (3.2)** | **10.8** |
| **Total Investments (1 to 5)** | **2,34,543 (13.0)** | **100.0** | **2,47,444 (10.8)** | **100.0** |

**Note:** 1) Figures in parentheses indicate percentage variation over the corresponding period in the previous year.
2) *: Instruments issued by FIs are being shown separately since 2008-09 onwards. For the earlier years, they were included as part of bonds and debentures.

**Source**: Section 42(2) returns submitted by SCBs.

[4] Since 2008-09, the separation of the category of banks' investment in 'instruments of FIs' from 'bonds and debentures' was partly responsible for the decline in the share of 'bonds and debentures'. However, even when these two categories were added in order to arrive at a category of 'bonds and debentures' comparable with the past data, a decline in the share of this category was still evident in 2009-10.

**Chart IV.4: Composition of banks' Non-SLR investments**




**Note:** Data on banks' investments in 'Instruments by FIs' are not separately available for the years prior to 2009.

4.11 World over, banks' involvement in mutual funds has increased significantly over the last two decades. Banks have emerged as conduits for Mutual Funds (MFs) diverting a large portion of their deposits towards investments in such funds as well as have been borrowing from these funds. However, there are issues concerning systemic stability related to the growing involvement of banks in mutual funds, which have been discussed in Box IV.1.

## International Liabilities and Assets of Scheduled Commercial Banks

4.12 Both international liabilities and assets of banks registered accelerated growth during 2009-10 (Tables IV.4 and IV.5). There was an increase by about 17 per cent in the international liabilities of banks (located in India) in 2009-10, which far exceeded the growth of 7.4 per cent in their international assets. The surge in

### Box IV.1: Inter-linkages between Scheduled Commercial Banks and Mutual Funds

In advanced countries, such as the US, last two decades have seen an increasing involvement of banks in mutual funds channeling deposits mobilised from households towards investments in such funds. The growing exposure of banks to mutual funds could have a number of systemic implications arising out of the quantum, direction and concentration of such investments.

An analysis of inter-linkages between banks and Debt-Oriented Mutual Funds (DOMFs) was carried out in the Indian context using monthly data under OSMOS returns, money market data received from Clearing Corporation of India Limited (CCIL). The analysis was restricted to Debt Oriented funds as these funds make up almost the whole of banks' investments in MFs. The analysis covered data on banks' investments in MFs and MFs' investments in banks through the money market (Repo/CBLO) and Certificates of Deposits (CDs). The time period chosen for this analysis was from December 2008 to November 2009.

The major conclusions emerging from this analysis were the following: First, there was a significant growth in banks' investments in DOMFs during the period of analysis. Growth in investments in DOMFs was higher than the growth observed in the total investments of SCBs as well as their total non-SLR investments during this period (Table below). Secondly, banks were net borrowers since December 2008 and not net lenders to MFs. The net borrowing by SCBs from MFs for November 2009 was ₹1,56,317 crore. This was arrived at by taking the difference between the investments by banks in DOMFs and MFs' funds with SCBs (including investments in Certificates of Deposits (CDs) and MFs' placements in Repo and CBLO that were held by banks). Thirdly, all the banks investing in DOMFs were domestic and did not include any foreign bank. When banks were arranged in a descending order by the amount of their net borrowings from MFs, public sector banks figured prominently at the upper end as major borrowers, while the new private sector banks along with SBI could be seen as major lenders to MFs. Finally, in terms of concentration, more than 90 per cent of total investments in DOMFs by SCBs, which was held by 14 banks in November 2008, increased to 24 banks in November 2009.

**Table: Trends in Banks' investments in Debt Oriented Mutual Funds and Mutual Funds' investments in Banks**

(Amount in ₹ crore)

| Item | Dec-08 | Mar-09 | Jun-09 | Sep-09 | Nov-09 |
|---|---|---|---|---|---|
| **1 Banks' investments in Debt Oriented MFs*** | **17,650** | **51,348** | **91,721** | **1,12,361** | **1,25,895** |
| | - | (190.9) | (78.6) | (22.5) | (12.0) |
| 2 MFs' investments in CDs | 1,09,255 | 1,37,596 | 1,87,265 | 1,78,063 | 2,18,300 |
| | - | (25.9) | (36.1) | -(4.9) | (22.6) |
| 3 MFs' funds placements in Repo/CBLO | 32,006 | 55,909 | 70,376 | 86,018 | 71,983 |
| | - | (74.7) | (25.9) | (22.2) | -(16.3) |
| 3.a *Of which,* held by banks | 25,960 | 48,310 | 63,664 | 78,674 | 63,912 |
| | - | (86.1) | (31.8) | (23.6) | -(18.8) |
| **4 MFs' funds with SCBs (2+3a)** | **1,35,215** | **1,85,907** | **2,50,929** | **2,56,737** | **2,82,212** |
| | - | (37.5) | (35.0) | (2.3) | (9.9) |
| **5 Net borrowings by banks from MFs (4 – 1)** | **1,17,565** | **1,34,558** | **1,59,208** | **1,44,377** | **1,56,317** |

**Note:** 1) *- Monthly data were averaged to create a quarterly series as banks redeem their DOMF investments in quarter ending months to book profits and re-invest the funds at the beginning of the subsequent month. Data for November 2009 is based on average for October and November 2009.

2) Figures in parentheses indicate percentage change over the previous period.

**Table IV.4: International Liabilities of Banks – By Type (As at end-March)**

(Amount in ₹ crore)

| Item | 2009 | 2010 |
|---|---|---|
| 1 | 2 | 3 |
| **1. Deposits and Loans** | **3,23,205** | **3,38,574** |
| | **(83.6)** | **(74.9)** |
| *of which:* | | |
| Foreign Currency Non Resident Deposits (Bank) [FCNR (B)] scheme | 72,783 (18.8) | 72,234 (16.0) |
| Foreign Currency Borrowings * | 75,398 | 74,354 |
| | (19.5) | (16.4) |
| Non-resident External Rupee (NRE) Deposits | 1,24,488 (32.2) | 1,22,380 (27.1) |
| Non-Resident Ordinary (NRO) Rupee Deposits | 20,686 (5.4) | 30,824 (6.8) |
| **2. Own Issues of Securities/Bonds** | **6,864** | **5,439** |
| | **(1.8)** | **(1.2)** |
| **3. Other Liabilities** | **56,540** | **1,08,166** |
| | **(14.6)** | **(23.9)** |
| *of which:* | | |
| ADRs/GDRs | 10,357 | 30,391 |
| | (2.7) | (6.7) |
| Equities of banks held by non-residents | 18,932 | 50,313 |
| | (4.9) | (11.1) |
| Capital/remittable Profits of Foreign Banks in India and other unclassified International Liabilities | 27,251 (7.0) | 27,462 (6.1) |
| **Total International Liabilities** | **3,86,608** | **4,52,179** |
| | **(100.0)** | **(100.0)** |

**Note**: 1) Figures in parentheses are percentages to total liabilities.
2) * : Includes inter-bank borrowings in India and from abroad and external commercial borrowings of banks.

**Source**: Locational Banking Statistics.

**Table IV.5: International Assets of Banks - By Type (As at end-March)**

(Amount in ₹ crore)

| Item | 2009 | 2010 |
|---|---|---|
| 1 | 2 | 3 |
| **1. Loans and Deposits** | **2,19,547** | **2,37,181** |
| | **(95.7)** | **(96.3)** |
| *of which :* | | |
| a) Loans to Non-Residents* | 8,341 | 10,196 |
| | (3.6) | (4.1) |
| b) Foreign Currency Loans to Residents ** | 99,973 | 1,23,476 |
| | (43.6) | (50.1) |
| c) Outstanding Export Bills drawn on Non-Residents by Residents | 44,564 (19.4) | 50,496 (20.5) |
| d) Nostro Balances@ | 66,496 | 52,135 |
| | (29.0) | (21.2) |
| **2. Holdings of Debt Securities** | **76** | **39** |
| | **(0.03)** | **(0.02)** |
| **3. Other Assets @@** | **9,733** | **9,139** |
| | **(4.2)** | **(3.7)** |
| **Total International Assets** | **2,29,356** | **2,46,359** |
| | **(100.0)** | **(100.0)** |

**Note**: 1) * : Includes rupee loans and Foreign Currency (FC) loans out of non-residents (NR) deposits;
2) ** : Includes loans out of FCNR (B) deposits, Packing Credit in Foreign Currency (PCFC), FC lending to and FC deposits with banks in India, etc.
3) @ : Includes placements made abroad and balances in term deposits with non-resident banks.
4) @@: Includes capital supplied to and receivable profits from foreign branches/subsidiaries of Indian banks and other unclassified international assets.
5) Figures in parentheses are percentages to total assets.

**Source:** Locational Banking Statistics.

international liabilities during the year was primarily due to inflows through American/ Global Depository Receipts (ADRs/GDRs) and equities of banks held by non-residents. There was a fall in the inflows of FCNR(B)/NRE deposits in 2009-10. A steady fall in the benchmark London Inter-Bank Offered Rate (LIBOR) during 2009-10 resulting in a fall in the effective rate of interest payable on FCNR(B)/ NRE deposits could partly explain the fall in the FCNR(B)/NRE inflows in 2009-10. The fall could also be partly on account of an appreciation in the exchange rate of Indian rupee with respect to major international currencies during this period.

*Consolidated International Claims*

4.13 There was a perceptible slowdown in the growth of consolidated international claims of banks (based on *immediate* country risk) from 32.6 per cent in 2008-09 to 3.7 per cent in 2009-10. The (residual) maturity composition remained almost unchanged between 2008-09 and 2009-10 with claims having short term maturity (of less than a year) comprising about two-thirds of the total international claims indicating a preference of Indian banks towards short-term international loans and investments (Table IV.6).

4.14 As regards the country-wise composition, the largest proportion of the total international claims of Indian banks was accounted for by the US followed by the UK (Table IV.7). However, there was a fall in the absolute quantum as well as relative proportion of claims held by Indian banks on the US in 2009-10. This was in contrast to 2008-09, the year of financial crisis, when Indian banks' claims on the US had witnessed a steep increase, partly a reflection of the tight liquidity conditions prevailing then in the US markets.

**Table IV.6: Classification of Consolidated International Claims of Banks - By Maturity and Sector (As at end-March)**

(Amount in ₹ crore)

| Residual Maturity/Sector | 2009 | 2010 |
|---|---|---|
| 1 | 2 | 3 |
| **Total Consolidated International Claims** | **2,24,665 (100.0)** | **2,33,071 (100.0)** |
| **a) Maturity-wise** | | |
| 1) Short-term (residual maturity of less than one year) | 1,40,289 (62.4) | 1,44,638 (62.1) |
| 2) Long-term (residual maturity of one year and above) | 79,828 (35.5) | 81,939 (35.2) |
| 3) Unallocated | 4,548 (2.0) | 6,494 (2.7) |
| **b) Sector-wise** | | |
| 1) Bank | 1,02,223 (45.5) | 98,191 (42.1) |
| 2) Non-Bank Public | 656 (0.3) | 1,442 (0.6) |
| 3) Non-Bank Private | 1,21,786 (54.2) | 1,33,438 (57.3) |

**Note:** 1) Figures in parentheses are percentages to total claims.
2) Unallocated residual maturity comprises maturity not applicable (*e.g.*, for equities) and maturity information not available from reporting bank branches.
3) Bank sector includes official monetary institutions (IFC, ECB, *etc.*) and central banks.
4) Prior to the quarter ended March 2005, 'Non-bank public sector' comprised of companies/ institutions other than banks in which shareholding of State/ Central Governments was at least 51 per cent, including State/Central Governments and its departments. From March 2005 quarter, 'Non-bank public sector' comprises only State/Central Governments and its departments.

**Source**: Consolidated Banking Statistics - Immediate Country Risk Basis.

**Table IV.7: Consolidated International Claims of Banks on Countries other than India**
(As at end-March)

(Amount in ₹ crore)

| Item | 2009 | 2010 |
|---|---|---|
| 1 | 2 | 3 |
| **Total Consolidatd International Claims** | **2,24,665 (100.0)** | **2,33,071 (100.0)** |
| *of which:* | | |
| a) United States of America | 55,734 (24.8) | 53,394 (22.9) |
| b) United Kingdom | 29,753 (13.2) | 36,141 (15.5) |
| c) Singapore | 15,762 (7.0) | 18,437 (7.9) |
| d) Germany | 9,869 (4.4) | 12,179 (5.2) |
| e) Hong Kong | 19,031 (8.5) | 18,978 (8.1) |
| f) United Arab Emirates | 11,309 (5.0) | 13,536 (5.8) |

**Note :** Figures in the parentheses are percentage shares in total international claims.
**Source:** Consolidated Banking Statistics - Immediate Country Risk Basis.

## Credit-Deposit and Investment-Deposit Ratios of Scheduled Commercial Banks

4.15 In 2009-10, the series of incremental credit-deposit and investment-deposit ratios drifted away from each other since mid-October 2009 reflecting banks' growing preference for credit over investments (Chart IV.5). The outstanding credit-deposit ratio at end-March 2010 was marginally lower at 73.6 per cent as compared to 73.8 per cent at end-March 2009. Conversely, the investment-deposit ratio was marginally higher at 36.2 per cent at end-March 2010 as compared to 35.7 per cent at end-

Chart IV.5: Incremental Credit- and Investment-Deposit Ratios of SCBs

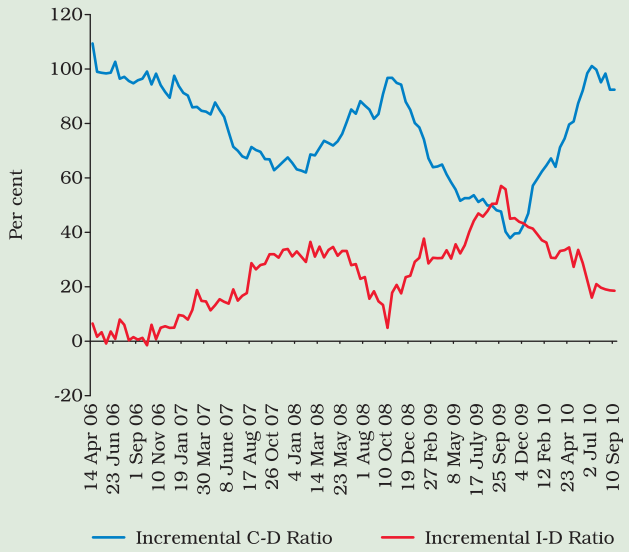
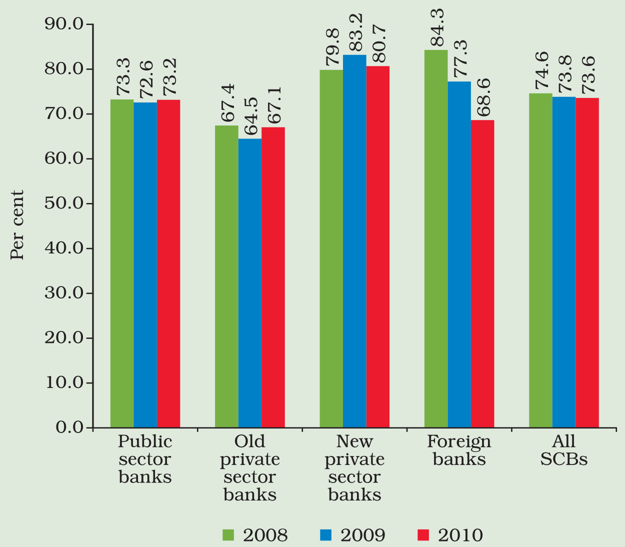



Chart IV.6: Bank Group-wise Credit-Deposit Ratio (Outstanding)




March 2009. Foreign banks, which had the highest (outstanding) credit-deposit ratio, witnessed a steep fall in this ratio between 2008 and 2009, and then further between 2009 and 2010.[5] At end-March 2010, foreign banks along with old private sector banks were in the lowest brackets with regard to credit-deposit ratio in comparison with public and new private sector banks (Chart IV.6).

### Maturity Profile of Assets and Liabilities of Banks

4.16 The asset liability management by banks is critically dependent on the maturity profile of their assets and liabilities. As banks generally raise resources through short-term liabilities to finance assets ranging from short- to long-term, the liquidity and credit risks get multiplied particularly during the periods of crisis.

4.17 The maturity profile of assets and liabilities of Indian banks in general shows greater reliance on short-term deposits matched by short- and medium-term loans and advances, and long-term investments on the assets side. In 2009-10, there was a shift towards the short- (up to 1 year) and medium-term (over one and up to three years) deposits mobilised by banks (Table IV.8). As already noted, there was an increase in the share of CASA in 2009-10. Concurrently, there was a decline in the share of deposits with long-term maturity of over three years. While the maturity distribution of loans and advances remained largely unchanged in 2009-10, there was a shift in favour of long-term investments by banks.

4.18 The asset liability mismatch was noticeable for public sector banks with a shift in their deposit liabilities during 2009-10 towards the short-term end of the maturity spectrum alongside a shift in their loans and investments towards the long-term end. Interestingly, new private sector banks, which normally relied heavily on short-term deposits, exhibited a shift in favour of medium- and long-term deposits in 2009-10, while their loans moved closer towards the short-term end of the spectrum.

[5] See *Statistical Tables relating to Banks in India (STB) – 2009-10* for data on credit- and investment-deposit ratios at the bank-level.

**Table IV.8: Maturity Profile of Select Liabilities/Assets of Scheduled Commercial Banks**
(As at end-March)

(Per cent to total under each item)

| Liabilities/assets | Public sector banks | | Private sector banks | | Old private sector banks | | New private sector banks | | Foreign banks | | All SCBs | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| **I. Deposits** | | | | | | | | | | | | |
| a) Up to 1 year | 46.6 | 48.9 | 52.5 | 47.7 | 48.3 | 47.6 | 54.0 | 47.7 | 63.8 | 64.1 | 48.6 | 49.4 |
| b) Over 1 year and up to 3 years | 27.1 | 27.5 | 36.1 | 38.4 | 38.4 | 36.8 | 35.3 | 39.0 | 23.1 | 26.6 | 28.5 | 29.4 |
| c) Over 3 years | 26.2 | 23.6 | 11.4 | 13.9 | 13.3 | 15.6 | 10.7 | 13.3 | 13.1 | 9.3 | 22.9 | 21.2 |
| **II. Borrowings** | | | | | | | | | | | | |
| a) Up to 1 year | 44.9 | 42.0 | 32.4 | 34.7 | 62.0 | 49.2 | 31.0 | 33.9 | 74.7 | 73.5 | 46.3 | 43.7 |
| b) Over 1 year and up to 3 years | 18.8 | 11.0 | 22.2 | 23.9 | 7.9 | 15.7 | 22.8 | 24.4 | 15.1 | 14.8 | 19.2 | 15.3 |
| c) Over 3 years | 36.3 | 46.9 | 45.4 | 41.4 | 30.1 | 35.1 | 46.2 | 41.7 | 10.2 | 11.7 | 34.5 | 41.0 |
| **III. Loans and Advances** | | | | | | | | | | | | |
| a) Up to 1 year | 38.8 | 38.0 | 34.2 | 37.1 | 40.8 | 40.5 | 32.4 | 36.0 | 55.8 | 61.3 | 38.9 | 38.9 |
| b) Over 1 year and up to 3 years | 33.4 | 33.8 | 35.5 | 34.2 | 35.5 | 36.8 | 35.5 | 33.4 | 24.1 | 20.1 | 33.3 | 33.3 |
| c) Over 3 years | 27.8 | 28.2 | 30.2 | 28.7 | 23.7 | 22.7 | 32.1 | 30.6 | 20.1 | 18.6 | 27.8 | 27.8 |
| **IV. Investments** | | | | | | | | | | | | |
| a) Up to 1 year | 22.8 | 18.1 | 44.1 | 38.1 | 37.2 | 24.4 | 46.3 | 42.4 | 69.0 | 76.4 | 31.2 | 27.7 |
| b) Over 1 year and up to 3 years | 14.5 | 12.3 | 20.7 | 21.6 | 7.1 | 8.8 | 25.0 | 25.6 | 18.9 | 15.6 | 16.1 | 14.5 |
| c) Over 3 years | 62.7 | 69.5 | 35.1 | 40.2 | 55.8 | 66.8 | 28.8 | 32.0 | 12.1 | 8.0 | 52.6 | 57.8 |

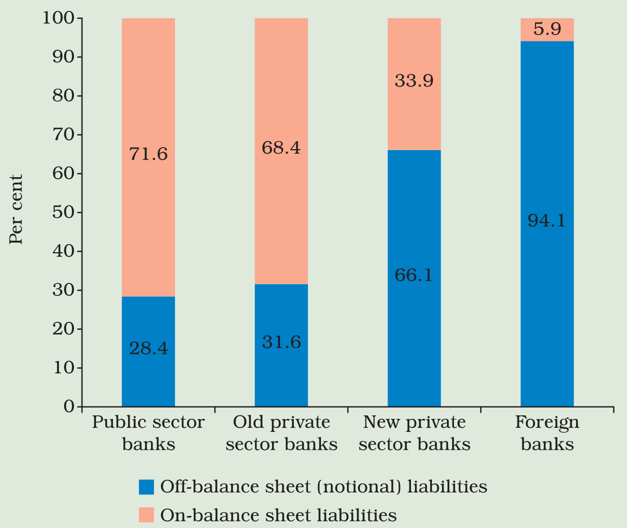
**Source**: Balance Sheets of respective banks.

## Off-Balance Sheet Operations of Scheduled Commercial Banks

4.19 Off-balance sheet operations of the banking system contributed in a major way in the aggravation of the global financial crisis and have thus been an important area of concern for financial regulators worldwide. In India, the Reserve Bank tightened the prudential norms for off-balance sheet exposures of banks, following which, there was a decline in this exposure by 23.1 per cent in 2008-09 breaking the trend of increase observed during the earlier period. In 2009-10, there was a further decline in the off-balance sheet exposure of banks, although the rate of decline was relatively lower at 5.6 per cent as compared to the previous year (Appendix Table IV.1). The decline in 2009-10, like in the previous year, was contributed by forward exchange contracts, which constituted the largest portion of the off-balance sheet liabilities of banks in India.

4.20 Among bank groups, off-balance sheet exposure was generally the largest for foreign banks. Notwithstanding the decline, the off-balance sheet exposure continued to be the largest for foreign banks at end-March 2010 constituting – in notional terms – about 1,599 per cent of their on-balance sheet liabilities (Appendix Table IV.1). Off-balance sheet (notional) liabilities occupied a share of 94.1 per cent in the total (on- plus off-balance sheet (notional)) liabilities of foreign banks at end-March 2010 (Chart IV.7). In contrast, for public sector banks, off-balance sheet (notional) liabilities held a share of 28.4 per cent in their total liabilities.

**Chart IV.7: Percentage shares of off-balance sheet (notional) and on-balance sheet liabilities in total liabilities of each bank group, end-March 2010**




## Table IV.9: Trends in Income and Expenditure of Scheduled Commercial Banks

(Amount in ₹ crore)

| Item | 2008-09 | | 2009-10 | |
|---|---|---|---|---|
| | Amount | Percentage variation | Amount | Percentage variation |
| 1 | 2 | 3 | 4 | 5 |
| **1. Income** | **4,63,702** | **25.7** | **4,94,271** | **6.6** |
| a) Interest Income | 3,88,482 | 25.9 | 4,15,752 | 7.0 |
| b) Other Income | 75,220 | 24.6 | 78,519 | 4.4 |
| **2. Expenditure** | **4,10,952** | **26.0** | **4,37,162** | **6.4** |
| a) Interest Expended | 2,63,223 | 26.5 | 2,72,084 | 3.4 |
| b) Operating Expenses | 89,581 | 15.9 | 99,769 | 11.4 |
| *of which* : Wage Bill | 47,974 | 20.1 | 55,164 | 15.0 |
| c) Provision and Contingencies | 58,148 | 42.3 | 65,310 | 12.3 |
| **3. Operating Profit** | **1,10,897** | **32.7** | **1,22,419** | **10.4** |
| **4. Net Profit for the year** | **52,750** | **23.5** | **57,109** | **8.3** |
| **5. Net Interest Income (1a-2a)** | **1,25,258** | **24.7** | **1,43,669** | **14.7** |

**Source**: Profit and loss statements of respective banks.

## 3. Financial Performance of Scheduled Commercial Banks

4.21 Similar to the slowdown in the balance sheets of SCBs, there were signs of a considerable slowdown in the income of SCBs in 2009-10. The slowdown in total income emanated from both interest and non-interest incomes of SCBs. Furthermore, there was a deceleration in the growth of total expenditure of SCBs in 2009-10 attributable mainly to a decline in the growth of interest expenditure (Table IV.9).

4.22 With the growth in both income and expenditure of SCBs recording a sharp decline, there was a slowdown in the growth of operating profits of SCBs in 2009-10. Operating profits recorded a growth of 10.4 per cent, while provisions and contingencies posted a relatively high growth of 12.3 per cent resulting in a low growth of 8.3 per cent in net profits of SCBs in 2009-10. The growth in net profits was on a steady rise during the four years up to 2007-08. The growth in net profits, however, posted a fall in 2008-09, which became even steeper in 2009-10 (Chart IV.8).

4.23 During the last five years since 2005-06, the net interest margin of SCBs was by and large on a declining trend except for a marginal recovery in 2008-09 (Chart IV.9). Both deposit and lending rates of SCBs, which influence the net interest margin of banks, had shown a generally upward movement during the first half of 2008-09. These rates, however, were on

**Chart IV.8: Trends in net profits of SCBs**

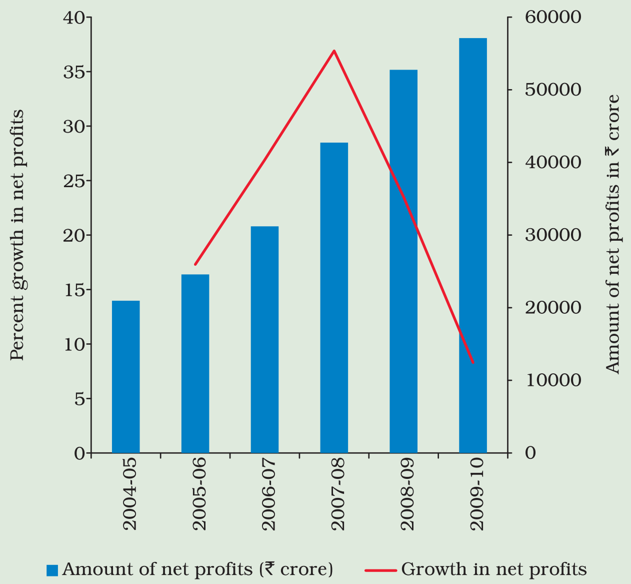
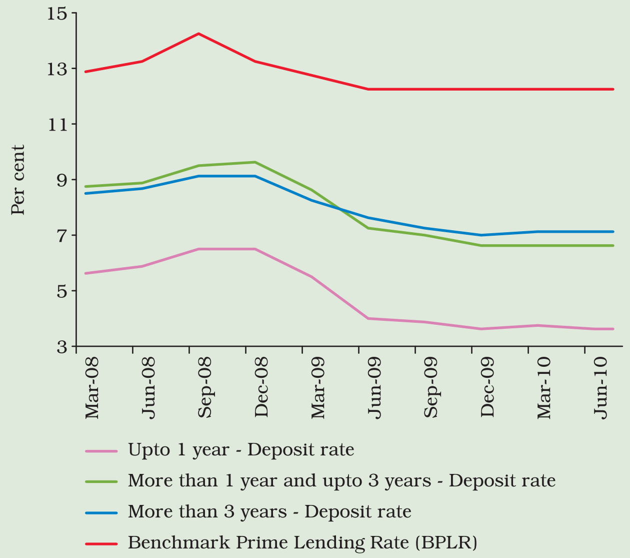


**Chart IV.9: Trends in Net Interest Margin and Return on Assets**


**Chart IV.10: Deposit and Lending Rates of Public Sector Banks**




a decline during the second half of the year following the accommodative monetary policy stance pursued by the Reserve Bank in the aftermath of the financial crisis. During a major part of 2009-10, the declining trend in the deposit rates of SCBs continued with the rates offered by public and private sector banks on deposits across the maturity spectrum showing a steady fall up to December 2009 (Chart IV.10).[6] As part of calibrated exit, the Reserve Bank increased its Repo rate by 125 basis points (bps), Reverse Repo rate by 175 bps and CRR by 100 bps during February-September 2010. Taking cues from the changes, banks increased their deposit rates in the range of 25-125 bps across various maturities during the same period. As regards the lending rate, the Base Rate system replaced the Benchmark Prime Lending Rate (BPLR) system with effect from July 1, 2010 (Box IV.2). Prior to the shift to the Base Rate system, the BPLR of SCBs remained unchanged between July 2009 and July 2010. A subdued interest rate environment coupled with a low credit off-take for a major part of the year partly explained the decline in the net interest margin of banks in 2009-10.

4.24 Both cost as well return on funds of SCBs showed a decline in 2009-10. In particular, the decline in return on advances was most striking from 10.50 per cent in 2008-09 to 9.29 per cent in 2009-10. The decline in return on advances in 2009-10 was more prominent for foreign and new private sector banks (Table IV.10).

4.25 Similar to a decline in net interest margin, there was also a decline in the Return on Assets (RoA) in 2009-10, another indicator of profitability of the banking sector, which captures the amount of profits that can be generated from one unit of assets held by the banking sector. RoA (defined as net profits as per cent of average total assets) posted a fall

[6] Also see *Monetary and Macro-economic Developments* issued with the First Quarter Review of Monetary Policy for 2010-11, Table V.7 for details on bank group-wise range of interest rates.

**Box IV.2: Base Rate System of Interest Rates –Features and Issues**

The system of Benchmark Prime Lending Rate (BPLR) introduced in 2003 was expected to serve as a benchmark rate for banks' pricing of their loan products so as to ensure that it truly reflected the actual cost. However, the BPLR system fell short of its original objective of bringing transparency to lending rates. This was mainly because under the BPLR system, banks could lend below the BPLR. For the same reason, it was difficult to assess the transmission of policy rates of the Reserve Bank to lending rates of banks.

In order to address these concerns, the Reserve Bank announced the constitution of the Working Group (Chairman: Shri Deepak Mohanty) on Benchmark Prime Lending Rate (BPLR) in the Annual Policy Statement of 2009-10 to review the BPLR system and suggest changes to make credit pricing more transparent. The Working Group submitted its Report on October 20, 2009. Based on the recommendations of the Group and the suggestions from various stakeholders, the Reserve Bank issued the Guidelines on the Base Rate system on April 9, 2010. Accordingly, the system of Base Rate came into effect since July 1, 2010. Base Rate includes all those elements of the lending rates that are common across all categories of borrowers. The actual lending rates charged to borrowers would be the Base Rate plus borrower-specific charges. The Base Rate is the minimum rate for all loans and as such, banks are not permitted to resort to any lending below the Base Rate except some specified categories such as (a) Differential Rate of Interest (DRI) advances; (b) loans to banks' own employees; and (c) loans to banks' depositors against their own deposits. Further, in the case of interest rate subvention given by Government to agricultural loans and rupee export credit, the actual lending rate can go below the Base Rate. In the case of restructured loans, if some of the Working Capital Term Loans (WCTL), Funded Interest Term Loans (FITL) need to be granted below the Base Rate for the purposes of viability and there are recompense clauses, such lending will not be construed as violating of the Base Rate guidelines.The interest rates on small loans up to ₹2 lakh were deregulated to increase the credit flow to small borrowers at reasonable rates. The Base Rate system is applicable to all new loans and to the old loans that come up for renewal. The existing loans based on the BPLR system may run till their maturity. The Reserve Bank on April 28, 2010 also deregulated the interest rate on rupee export credit with effect from July 1, 2010 and stipulated that the interest rate on rupee export credit could be priced at or above the Base Rate. The Base Rate system is expected to facilitate better pricing of loans, enhance transparency in lending rates and improve the assessment of transmission of monetary policy.

For the system as a whole, the Base Rates were in the range of 5.50 – 9.00 per cent as on October 13, 2010 (Table below). During end-September and early-October 2010, several banks increased their base rates by 25-50 basis points. There has been a large degree of convergence of base rates as announced by banks. In the latest review, 48 banks with a share of 94 per cent in total bank credit fixed their base rates in the range of 7.50-8.50 per cent. In July 2010, over 40 banks with the share of 81 per cent in total bank credit had fixed their base rates in the range of 7.25-8.00 per cent.

**Table: Range of BPLR and Base Rates of Bank Groups**

| Bank group | BPLR Range (As on October 13, 2010) | Base Rate Range (As on October 13, 2010) |
|---|---|---|
| Public sector banks | 11.75-13.50 | 7.50-8.50 |
| Private sector banks | 12.75-17.50 | 7.00-9.00 |
| Foreign banks | 10.50-16.00 | 5.50-9.00 |

**References:**

Reserve Bank of India (2010), *Report of the Working Group on Benchmark Prime Lending Rate* (Chairman: Shri Deepak Mohanty).

Mohanty, Deepak (2010), "Perspectives on Lending Rates in India", Speech delivered at the Bankers' Club, Kolkata, *RBI Bulletin*, July.

in 2009-10 largely reflecting the significant slowdown in profits of banks in 2009-10 (Chart IV.9).[7] Return on Equity (RoE), which reflects the banking sector's efficiency in generating profits from every unit of equity, also showed a decline in 2009-10 (Table IV.11).

4.26 At the bank group level, the fall in both RoA and RoE in 2009-10 was the largest for foreign banks. On the contrary, in the case of new private sector banks, both these indicators of profitability posted an increase in 2009-10 (Table IV.11).

[7] The figures of Net interest margin and Return on Assets presented in Chart IV.9 are worked out taking average total assets of SCBs (averages of current and previous years). Hence, these figures may not tally with the figures presented in the *Report on Trend and Progress of Banking in India* for the relevant years. Time series data on these variables at the aggregate as well as bank group/bank levels can be obtained from various past issues of the *Statistical Tables relating to Banks in India* (STB).

**Table IV.10: Cost of Funds and Returns on Funds - Bank Group-wise**

(Per cent)

| | Bank group/year | Cost of Deposits | Cost of Borrowings | Cost of Funds | Return on Advances | Return on Investments | Return on Funds | Spread |
|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8= (7-4) |
| 1 | **Public sector banks** | | | | | | | |
| | **2008-09** | **6.26** | **3.04** | **6.04** | **10.08** | **6.95** | **9.11** | **3.07** |
| | **2009-10** | **5.68** | **1.37** | **5.34** | **9.10** | **6.72** | **8.36** | **3.02** |
| | 1.1 Nationalised banks* | | | | | | | |
| | 2008-09 | 6.31 | 2.76 | 6.09 | 10.17 | 7.05 | 9.22 | 3.14 |
| | 2009-10 | 5.64 | 1.42 | 5.35 | 9.18 | 6.88 | 8.48 | 3.13 |
| | 1.2 SBI Group | | | | | | | |
| | 2008-09 | 6.17 | 3.47 | 5.94 | 9.89 | 6.77 | 8.90 | 2.95 |
| | 2009-10 | 5.75 | 1.28 | 5.32 | 8.92 | 6.41 | 8.13 | 2.81 |
| 2 | **Private sector banks** | | | | | | | |
| | **2008-09** | **6.60** | **3.56** | **6.18** | **11.41** | **6.93** | **9.85** | **3.67** |
| | **2009-10** | **5.36** | **1.95** | **4.83** | **9.89** | **6.25** | **8.60** | **3.77** |
| | 2.1 Old private sector banks | | | | | | | |
| | 2008-09 | 6.73 | 4.44 | 6.67 | 11.82 | 6.57 | 10.01 | 3.34 |
| | 2009-10 | 6.27 | 1.94 | 6.13 | 10.95 | 6.18 | 9.25 | 3.12 |
| | 2.2 New private sector banks | | | | | | | |
| | 2008-09 | 6.56 | 3.52 | 6.04 | 11.29 | 7.03 | 9.80 | 3.77 |
| | 2009-10 | 5.01 | 1.96 | 4.42 | 9.56 | 6.28 | 8.40 | 3.99 |
| 3 | **Foreign banks** | | | | | | | |
| | **2008-09** | **4.58** | **4.07** | **4.46** | **12.61** | **7.63** | **10.55** | **6.10** |
| | **2009-10** | **3.20** | **1.58** | **2.82** | **9.99** | **6.39** | **8.30** | **5.49** |
| | **All SCBs** | | | | | | | |
| | **2008-09** | **6.24** | **3.37** | **5.96** | **10.50** | **7.01** | **9.36** | **3.40** |
| | **2009-10** | **5.49** | **1.57** | **5.09** | **9.29** | **6.59** | **8.41** | **3.31** |

**Note :** 1) Cost of Deposits = Interest Paid on Deposits/Average of current and previous year's deposits.
2) Cost of Borrowings = Interest Paid on Borrowings/Average of current and previous year's borrowings.
3) Cost of Funds = (Interest Paid on Deposits + Interest Paid on Borrowings)/(Average of current and previous year's deposits plus borrowings).
4) Return on Advances = Interest Earned on Advances /Average of current and previous year's advances.
5) Return on Investments = Interest Earned on Investments /Average of current and previous year's investments.
6) Return on Funds = (Interest Earned on Advances + Interest Earned on Investments)/(Average of current and previous year's advances plus investments).
7) *- Includes IDBI Bank Ltd.

**Source**: Calculated from balance sheets of respective banks.

**Table IV.11: Return on Assets and Return on Equity of SCBs – Bank Group-wise**

(Per cent)

| | Bank group/year | Return on assets | | Return on equity | |
|---|---|---|---|---|---|
| | | 2008-09 | 2009-10 | 2008-09 | 2009-10 |
| | 1 | 2 | 3 | 4 | 5 |
| 1 | **Public sector banks** | **1.02** | **0.97** | **17.94** | **17.47** |
| | 1.1 Nationalised banks* | 1.03 | 1.00 | 18.05 | 18.30 |
| | 1.2 SBI Group | 1.02 | 0.91 | 17.74 | 15.92 |
| 2 | **Private sector banks** | **1.13** | **1.28** | **11.38** | **11.94** |
| | 2.1 Old private sector banks | 1.15 | 0.95 | 14.69 | 12.29 |
| | 2.2 New private sector banks | 1.12 | 1.38 | 10.69 | 11.87 |
| 3 | **Foreign banks** | **1.99** | **1.26** | **13.75** | **7.35** |
| | **All SCBs** | **1.13** | **1.05** | **15.44** | **14.31** |

**Note**: 1) Return on Assets = Net profits/Average total assets
2) Return on Equity = Net profits/Average total equity
3) * Nationalised banks include IDBI Bank Ltd.

**Source**: Calculated from balance sheets of respective banks.

4.27 The third major indicator of profitability of the banking sector namely, the spread – defined as the difference between return and cost of funds – also showed a marginal fall by about 0.10 percentage points in 2009-10 at the aggregate level. At the bank group level, the fall in the spread was again most striking for foreign banks (Table IV.10).

## 4. Soundness Indicators

4.28 Financial soundness of banks has an important bearing on the stability of the financial system as a whole. In the aftermath of the crisis, initiatives have been taken to strengthen the prudential regulatory framework across countries under the enhanced Basel II framework.[8] Using three indicators of Capital to Risk Weighted Assets Ratio (CRAR), Non-Performing Assets and leverage ratio, this section analyses the financial soundness of Indian banks during the year 2009-10.

### Capital to Risk Weighted Assets Ratio

4.29 As discussed in the Report on Trend and Progress of Banking in India (RTP) -2008-09, the Indian banking system withstood the pressures of the global financial crisis and a factor that facilitated the normal functioning of the banking system even in the face of one of the largest global financial crisis was its robust capital adequacy. The CRAR of Indian banks under Basel I framework, which had been on a steady rise since 2007, posted a marginal increase during the crisis year, from 13.0 per cent at end-March 2008 to 13.2 per cent at end-March 2009. At end-March 2010, there was a further rise in the CRAR to 13.6 per cent (Table IV.12).[9]

4.30 As all commercial banks in India excluding RRBs and LABs have become Basel II compliant as on March 31, 2009, it is essential to also look at the capital adequacy position under this framework. Under Basel II, CRAR of Indian banks as at end-March 2009 stood at 14.0 per cent, far above the stipulated minimum ratio by the Reserve Bank of 9 per cent. This signified that Indian banks successfully managed to meet the increased capital requirement under the changed framework. Moreover, between end-March 2009 and 2010, there was an increase by about 0.5 percentage points in the CRAR of SCBs reflecting further strengthening of their capital adequacy under the new framework.

4.31 Core CRAR reflecting the paid up capital and reserves generally forms the prime measure of the financial strength of any bank. In the case of Indian banks, core capital (measured by Tier I capital) made up about 70 per cent of the total capital at end-March 2010. Core CRAR ratio of SCBs at end-March 2010 stood at 9.4 per cent and 10.1 per cent under Basel I and II frameworks, respectively, again much above the Reserve Bank's stipulation of 6 per cent as under the Basel II framework, underlining the core capital strength of the Indian banking system (Table IV.13).

4.32 At the bank group-level, each bank group reported a CRAR ranging, on an average, above 12 per cent both under Basel I and II

**Table IV.12: Capital to Risk Weighted Assets Ratio – Bank group-wise**
(As at end-March)

(Per cent)

| Bank group | Basel I 2009 | Basel I 2010 | Basel II 2009 | Basel II 2010 |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| **Public sector banks** | **12.3** | **12.1** | **13.5** | **13.3** |
| Nationalised banks* | 12.1 | 12.1 | 13.2 | 13.2 |
| SBI group | 12.7 | 12.1 | 14.0 | 13.5 |
| **Private sector banks** | **15.0** | **16.7** | **15.2** | **17.4** |
| Old private sector banks | 14.3 | 13.8 | 14.8 | 14.9 |
| New private sector banks | 15.1 | 17.3 | 15.3 | 18.0 |
| **Foreign banks** | **15.0** | **18.1** | **14.3** | **17.3** |
| **Scheduled commercial banks** | **13.2** | **13.6** | **14.0** | **14.5** |

**Note**: *: Includes IDBI Bank Ltd.
**Source**: Based on off-site returns submitted by banks.

**Table IV.13: Component-wise Capital Adequacy of Scheduled Commercial Banks**
(As at end-March)

(Amount in ₹ crore)

| Item | Basel I 2009 | Basel I 2010 | Basel II 2009 | Basel II 2010 |
|---|---|---|---|---|
| A. Capital funds (i+ii) | 4,88,563 | 5,72,582 | 4,87,826 | 5,67,381 |
| i) Tier I capital | 3,31,422 | 3,97,665 | 3,33,810 | 3,95,100 |
| ii) Tier II capital | 1,57,141 | 1,74,916 | 1,54,016 | 1,72,281 |
| B. Risk-weighted assets | 37,04,372 | 42,16,565 | 34,88,303 | 39,01,396 |
| C. CRAR (A as % of B) | 13.2 | 13.6 | 14.0 | 14.5 |
| *of which:* Tier I | 9.0 | 9.4 | 9.6 | 10.1 |
| Tier II | 4.2 | 4.1 | 4.4 | 4.4 |

**Source**: Based on off-site returns submitted by banks.

8 See Chapter I for details on the enhanced Basel II framework.

9 The analysis in this section on CRAR is based on data from the off-site returns of Scheduled Commercial Banks.

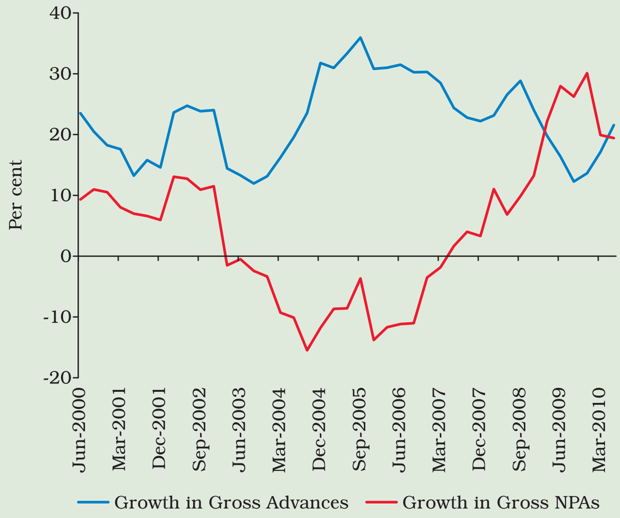
frameworks (Table IV.12). Under both frameworks, the level of CRAR was relatively high for foreign banks, which was about 4-6 percentage points above the levels reported by public sector banks. Foreign and private sector banks reported an increase in CRAR (under both Basel I and II) between 2009 and 2010. As against this, there was a decline in the capital adequacy ratio for the SBI group, while nationalised banks maintained their position with regard to capital adequacy during this period.

### Non-Performing Assets

4.33 While the capital adequacy of Indian banks remained robust, there were some emerging concerns with regard to the second important soundness indicator of banks of Non-Performing Assets (NPAs). Asset quality of Indian banks had generally seen a steady improvement as evident from a declining level of gross and net NPA ratio since 1999. The gross NPA ratio of SCBs placed at 14.6 per cent at end-March 1999, had declined steadily to 2.25 per cent at end-March 2008. During the crisis year 2008-09, the gross NPA ratio remained unchanged for Indian banks. However, during 2009-10, the gross NPA ratio showed an increase to 2.39 per cent (Table IV.14). After netting out provisions, there was a rise in the net NPA ratio of SCBs from 1.05 per cent at end-March 2009 to 1.12 per cent at end-March 2010.

4.34 It is noteworthy that the growth in NPAs of Indian banks has largely followed a lagged cyclical pattern with regard to credit growth (Chart IV.11). The empirical analysis taking growth rates of gross advances and gross NPAs since June 2000 indicated that NPA growth follows credit growth with a lag of two years.[10] The coefficients of credit growth were positive and statistically significant from the second lag onwards reflecting that credit growth fed into growth in NPAs in a lagged manner. This underlined the pro-cyclical behaviour of the banking system, wherein asset quality can get compromised during periods of high credit growth and this can result in the creation of non-performing assets for banks in the later years.

**Chart IV.11: Trends in growth of gross advances and gross NPAs of SCBs**




**Note:** Based on domestic operations of SCBs.

4.35 At the bank group level, the gross NPA ratio was the highest for foreign banks at end-March 2010 followed by private sector banks. On the other hand, it was the lowest for public sector banks. The increase in the gross NPA ratio between 2009 and 2010 could be seen across all bank groups except in the case of private sector banks. The increase in the gross NPA ratio during this period was perceptible for foreign banks (Table IV.14).

[10] The estimation was carried out for contemporaneous credit growth and credit growth with lags up to three years. The regression with lags showing significant coefficients is reported below:

$$\underset{}{\text{NPA growth}} = \acute{a} + \underset{(1.9)^{*}}{0.62\,\text{Credit growth}_{-2}} + \underset{(5.8)^{**}}{1.41\text{Credit growth}_{-3}}$$

* Significant at 5 per cent probability.
** Significant at 1 per cent probability.

**Table IV.14: Trends in Non-performing Assets - Bank Group-wise**

(Amount in ₹ crore)

| Item | **Public sector banks** | Nationalised banks* | SBI Group | **Private sector banks** | Old private sector banks | New private sector banks | **Foreign banks** | **Scheduled commercial banks** |
|---|---|---|---|---|---|---|---|---|
| 1 | **2** | 3 | 4 | **5** | 6 | 7 | **8** | **9** |
| **Gross NPAs** | | | | | | | | |
| Closing balance for 2008-09 | **44,957** | 26,543 | 18,413 | **16,926** | 3,072 | 13,854 | **6,444** | **68,328** |
| Opening balance for 2009-10 | **44,957** | 26,543 | 18,413 | **16,889** | 3,072 | 13,817 | **6,437** | **68,283** |
| Addition during 2009-10 | **44,818** | 29,701 | 15,116 | **11,651** | 2,833 | 8,817 | **9,205** | **65,674** |
| Recovered during 2009-10 | **26,946** | 18,966 | 7,980 | **6,498** | 1,686 | 4,811 | **5,513** | **38,957** |
| Written off during 2009-10 | **2,902** | 884 | 2,017 | **4,402** | 597 | 3,805 | **2,948** | **10,253** |
| Closing balance for 2009-10 | **59,926** | 36,395 | 23,532 | **17,639** | 3,622 | 14,017 | **7,180** | **84,747** |
| **Gross NPAs as per cent of Gross Advances** | | | | | | | | |
| 2008-09 | **1.97** | 1.73 | 2.46 | **2.89** | 2.36 | 3.05 | **3.80** | **2.25** |
| 2009-10 | **2.19** | 1.95 | 2.70 | **2.74** | 2.32 | 2.87 | **4.29** | **2.39** |
| **Net NPAs** | | | | | | | | |
| Closing balance for 2008-09 | **21,155** | 10,286 | 10,869 | **7,412** | 1,159 | 6,252 | **2,996** | **31,564** |
| Closing balance for 2009-10 | **29,644** | 16,813 | 12,831 | **6,506** | 1,271 | 5,234 | **2,975** | **39,126** |
| **Net NPAs as per cent of Net Advances** | | | | | | | | |
| 2008-09 | **0.94** | 0.68 | 1.47 | **1.29** | 0.90 | 1.40 | **1.81** | **1.05** |
| 2009-10 | **1.10** | 0.91 | 1.50 | **1.03** | 0.83 | 1.09 | **1.82** | **1.12** |

**Note**: 1) Closing balance for 2008-09 does not match with opening balance for 2009-10 for private sector and foreign banks as some of these banks have reported opening balance for NPAs after reducing interest suspense from the closing balance of NPAs of the previous year in accordance with the RBI circular <DBOD.No.BP.BC.46/21.04.048/2009-10> dated September 24, 2009.

2) *: Includes IDBI Bank Ltd.

**Source**: Balance Sheets of respective banks.

4.36 Apart from the increase in NPA ratio, there was also deterioration in the distribution of NPAs of SCBs between 2009 and 2010. This was evident from an increase in the percentage of loss making and doubtful assets of SCBs, which represented the lower end of the NPA spectrum (Table IV.15; Chart IV.12). The shift in the distribution of NPAs in favour of doubtful and loss making assets was more prominent in the case of foreign and new private sector banks as compared to public sector banks.

4.37 The sectoral distribution of NPAs showed a growing proportion of priority sector NPAs between 2009 and 2010 (Table IV.16). Priority sector NPAs, which constituted little over half of the total NPAs of domestic banks up to 2008, had shown a steep decline in 2009 attributable primarily to the Agricultural Debt Waiver and Debt Relief Scheme of 2008. Between 2009 and 2010, however, the share of priority sector NPAs in general, and small scale industries in particular, went up for domestic banks, partly a reflection of the impact of the financial crisis and the economic slowdown that had set in thereafter. At end-March 2010, the percentage of priority sector NPAs in total NPAs was 53.8 per cent for public sector banks as against 27.6 per cent for private sector banks (Appendix Tables IV.2 (A-C)).

4.38 The sectoral NPA ratio of banks also indicated a rise for priority and non-priority sectors between 2009 and 2010; the increase in NPA ratio for priority sector, however, was higher than that of the non-priority sector (Chart IV.13).

4.39 It is noteworthy that weaker sections comprising, among others, small and marginal farmers, Scheduled Castes and Tribes (SC/STs)

**Table IV.15: Classification of Loan Assets - Bank Group-wise**
(As at end-March)

(Amount in ₹ crore)

| Bank group | Year | Standard assets | | Sub-standard assets | | Doubtful assets | | Loss assets | |
|---|---|---|---|---|---|---|---|---|---|
| | | Amount | Per cent* | Amount | Per cent* | Amount | Per cent* | Amount | Per cent* |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **1 Public sector banks** | **2009** | **22,37,556** | **97.99** | **20,603** | **0.90** | **21,019** | **0.92** | **4,296** | **0.19** |
| | **2010** | **26,73,534** | **97.81** | **28,791** | **1.05** | **25,383** | **0.93** | **5,750** | **0.21** |
| 1.1 Nationalised banks** | 2009 | 15,08,798 | 98.25 | 11,086 | 0.72 | 13,306 | 0.87 | 2,412 | 0.16 |
| | 2010 | 18,27,061 | 98.05 | 18,520 | 0.99 | 15,034 | 0.81 | 2,841 | 0.15 |
| 1.2 SBI Group | 2009 | 7,28,758 | 97.44 | 9,517 | 1.27 | 7,713 | 1.03 | 1,884 | 0.25 |
| | 2010 | 8,46,473 | 97.30 | 10,271 | 1.18 | 10,349 | 1.19 | 2,909 | 0.33 |
| **2 Private sector banks** | **2009** | **5,68,093** | **97.10** | **10,592** | **1.81** | **5,035** | **0.86** | **1,345** | **0.23** |
| | **2010** | **6,26,472** | **97.27** | **8,842** | **1.37** | **6,590** | **1.02** | **2,166** | **0.34** |
| 2.1 Old private sector banks | 2009 | 1,27,280 | 97.64 | 1,334 | 1.02 | 1,327 | 1.02 | 411 | 0.32 |
| | 2010 | 1,52,745 | 97.69 | 1,395 | 0.89 | 1,637 | 1.05 | 580 | 0.37 |
| 2.2 New private sector banks | 2009 | 4,40,813 | 96.94 | 9,258 | 2.04 | 3,708 | 0.82 | 934 | 0.21 |
| | 2010 | 4,73,727 | 97.13 | 7,447 | 1.53 | 4,953 | 1.02 | 1,586 | 0.33 |
| **3 Foreign banks** | **2009** | **1,62,422** | **95.70** | **5,874** | **3.46** | **1,004** | **0.59** | **416** | **0.25** |
| | **2010** | **1,60,311** | **95.74** | **4,929** | **2.94** | **1,440** | **0.86** | **758** | **0.45** |
| **Scheduled commercial banks** | **2009** | **29,68,070** | **97.69** | **37,069** | **1.22** | **27,058** | **0.89** | **6,056** | **0.20** |
| | **2010** | **34,60,318** | **97.61** | **42,561** | **1.20** | **33,412** | **0.94** | **8,674** | **0.24** |

**Note:** 1) Constituent items may not add up to the total due to rounding off.
2) * : As per cent to total advances.
3) **: Includes IDBI Bank Ltd.

**Source :** DSB Returns (BSA) submitted by respective banks.

have shown a steady decline in the NPA ratio in the recent years. This trend corroborates the point that weaker sections are in fact not less creditworthy than other sections and strengthens the argument for furthering the process of financial inclusion. At end-March 2010, the NPA ratio for weaker sections stood at 2.73 per cent for domestic banks, a little higher than the NPA

**Chart IV.12: Percentage distribution of NPAs by asset types**

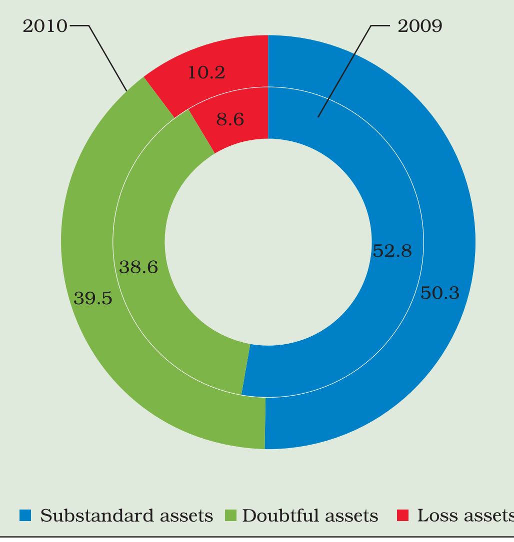
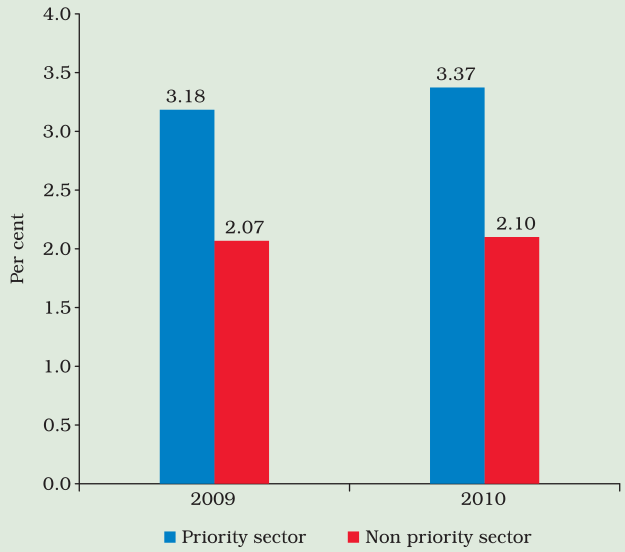



**Chart IV.13: Priority and Non-Priority sector NPA ratios of domestic banks**



### Table IV.16: Sector-wise NPAs of Domestic Banks*
(As at end-March)

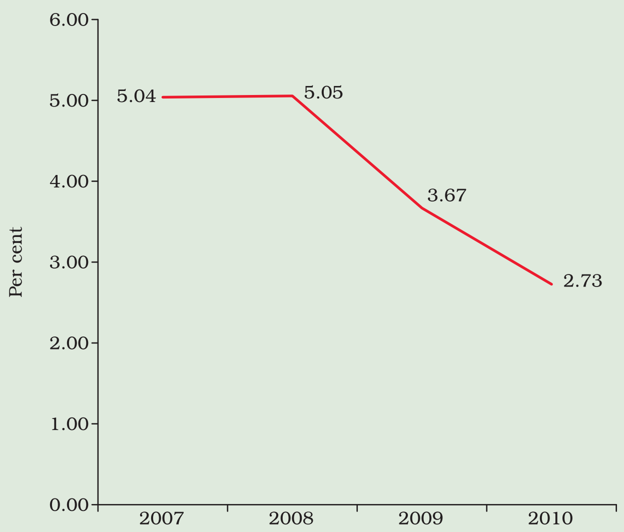
(Amount in ₹ crore)

| Bank group | Priority sector | | *Of which,* Agriculture | | *Of which,* Small scale industries | | *Of which,* Others | | Public sector | | Non-priority sector | | Total NPAs | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amt. | Per cent | Amt. | Per cent | Amt. | Per cent | Amt. | Per cent | Amt. | Per cent | Amt. | Per cent | Amt. | Per cent |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| **Public sector banks** | | | | | | | | | | | | | | |
| **2009** | **24,318** | **55.2** | **5,708** | **13.0** | **6,984** | **15.9** | **11,626** | **26.4** | **474** | **1.1** | **19,251** | **43.7** | **44,042** | **100.0** |
| **2010** | **30,848** | **53.8** | **8,330** | **14.5** | **11,537** | **20.1** | **10,981** | **19.2** | **524** | **0.9** | **25,929** | **45.3** | **57,301** | **100.0** |
| Nationalised banks** | | | | | | | | | | | | | | |
| 2009 | 15,871 | 60.6 | 3,707 | 14.2, | 4,958 | 18.9 | 7,206 | 27.5 | 297 | 1.1 | 10,001 | 38.2 | 26,169 | 100.0 |
| 2010 | 19,908 | 56.1 | 5,741 | 16.2 | 8,668 | 24.4 | 5,499 | 15.5 | 280 | 0.8 | 15,283 | 43.1 | 35,470 | 100.0 |
| SBI group | | | | | | | | | | | | | | |
| 2009 | 8,447 | 47.3 | 2,001 | 11.2 | 2,026 | 11.3 | 4,420 | 24.7 | 177 | 1.0 | 9,250 | 51.8 | 17,874 | 100.0 |
| 2010 | 10,940 | 50.1 | 2,589 | 11.9 | 2,869 | 13.1 | 5,482 | 25.1 | 244 | 1.1 | 10,646 | 48.8 | 21,831 | 100.0 |
| **Private sector banks** | | | | | | | | | | | | | | |
| **2009** | **3,641** | **21.6** | **1,441** | **8.5** | **666** | **3.9** | **1,533** | **9.1** | **75** | **0.4** | **13,172** | **78.0** | **16,888** | **100.0** |
| **2010** | **4,792** | **27.6** | **2,023** | **11.6** | **1,139** | **6.6** | **1,630** | **9.4** | **-** | **-** | **12,592** | **72.4** | **17,384** | **100.0** |
| Old private sector banks | | | | | | | | | | | | | | |
| 2009 | 1,234 | 40.2 | 263 | 8.6 | 303 | 9.9 | 667 | 21.7 | - | - | 1,839 | 59.8 | 3,072 | 100.0 |
| 2010 | 1,613 | 44.7 | 269 | 7.4 | 475 | 13.2 | 869 | 24.1 | - | - | 1,999 | 55.3 | 3,612 | 100.0 |
| New private sector banks | | | | | | | | | | | | | | |
| 2009 | 2,407 | 17.4 | 1,178 | 8.5 | 363 | 2.6 | 866 | 6.3 | 75 | 0.5 | 11,334 | 82.0 | 13,815 | 100.0 |
| 2010 | 3,179 | 23.1 | 1,754 | 12.7 | 664 | 4.8 | 760 | 5.5 | - | - | 10,594 | 76.9 | 13,772 | 100.0 |
| **All domestic SCBs** | | | | | | | | | | | | | | |
| **2009** | **27,958** | **45.9** | **7,149** | **11.7** | **7,650** | **12.6** | **13,159** | **21.6** | **549** | **0.9** | **32,423** | **53.2** | **60,930** | **100.0** |
| **2010** | **35,640** | **47.7** | **10,353** | **13.9** | **12,676** | **17.0** | **12,611** | **16.9** | **524** | **0.7** | **38,522** | **51.6** | **74,685** | **100.0** |

**Note**: 1) * : Excluding foreign banks.
2) - : Nil/negligible
3) Amt. – Amount; Per cent – Per cent of total NPAs.
4) **- includes IDBI Bank Ltd.

**Source :** Based on off-site returns (domestic) submitted by banks.

**Chart IV.14: Ratio of NPAs to advances of weaker sections of domestic banks**




ratio for non-priority sectors (Chart IV.14). The NPA ratio for weaker sections for public sector banks was higher at 3.0 per cent than 0.5 per cent for private sector banks at end-March 2010 (Appendix Tables IV.3 (A-B)).

4.40 Among the various channels, the amount of NPAs recovered under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 formed over half of the total amount of NPAs recovered in 2009-10. The SARFAESI Act has, thus, been the most important means of recovery of NPAs. However, there has been a steady fall in the amount of NPAs recovered under SARFAESI Act as per cent of the total amount of NPAs involved under this channel in recent years, a trend which could also be seen

**Table IV.17: NPAs of SCBs Recovered through Various Channels**

(Amount in ₹ crore)

| Recovery channel | 2008-09 | | | | 2009-10 | | | |
|---|---|---|---|---|---|---|---|---|
| | No. of cases referred | Amount involved | Amount recovered* | Col. (4) as % of Col. (3) | No. of cases referred | Amount involved | Amount recovered* | Col.(8) as % of Col.(7) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| i) Lok Adalats | 5,48,308 | 4,023 | 96 | 2.4 | 7,78,833 | 7,235 | 112 | 1.5 |
| ii) Debt Recovery Tribunals | 2,004 | 4,130 | 3,348 | 81.1 | 6,019 | 9,797 | 3,133 | 32.0 |
| iii) SARFAESI Act | 61,760# | 12,067 | 3,982 | 33.0 | 78,366# | 14,249 | 4,269 | 30.0 |

**Note**: 1) *: Refers to amount recovered during the given year, which could be with reference to cases referred during the given year as well as during the earlier years.
2) #: Number of notices issued.

between 2008-09 and 2009-10 (Table IV.17; Chart IV.15).

4.41 At end-June 2010, there were 13 registered Securitisation/Reconstruction Companies (SCs/RCs) in India. Of the total amount of assets securitised by these companies at end-June 2010, the largest amount was subscribed to by banks. However, there was a steady decline in the percentage share of banks in total value of securitised assets in the recent years, while the shares of both SCs/RCs and Qualified Institutional Buyers (QIBs) were on a rise (Table IV.18; Chart IV.16). This could partly be explained by trend of non-realisation of Security Receipts (SRs) by SCs/RCs within the stipulated period of five years (extended to eight years w.e.f. April 21, 2010) from the time of acquisition of the financial asset. This trend possibly led to waning of interest of commercial banks in subscribing to SRs of SCs/RCs. As the non-realised SRs remained on the books of SCs/RCs, their share continued to show a rise, while the share of commercial banks posted a decline.

4.42 The rise in NPAs was reflected in increased amount of provisioning by banks in 2009-10. The amount of NPA provisioning of SCBs grew by 22.4 per cent during this year. Given the concern about providing adequate

**Chart IV.15: Amount of NPAs recovered as per cent of NPAs involved under various recovery channels**

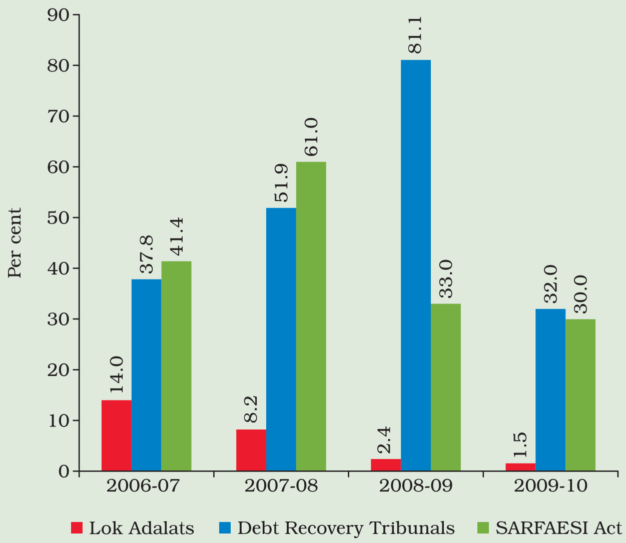



**Table IV.18: Financial Assets Securitised by SCs/RCs**

(Amount in ₹ crore)

| Item | 2009 | 2010 |
|---|---|---|
| 1 | 2 | 3 |
| 1 Book Value of assets acquired | 51,542 | 62,217 |
| 2 Security Receipts issued | 12,801 | 14,050 |
| 3 Security Receipts subscribed by | | |
| (a) Banks | 9,570 | 10,314 |
| (b) SCs/RCs | 2,544 | 2,940 |
| (c) FIIs | - | - |
| (d) Others (Qualified Institutional Buyers) | 687 | 797 |
| 4 Amount of Security Receipts completely redeemed | 2,792 | 4,556 |

**Note**: 1) -: Nil/negligible.
2) Data refer to end-June.

**Source**: Quarterly Statement submitted by SCs/RCs.

**Chart IV.16: Percentage shares of various agencies in financial assets securitised by SCs/RCs**

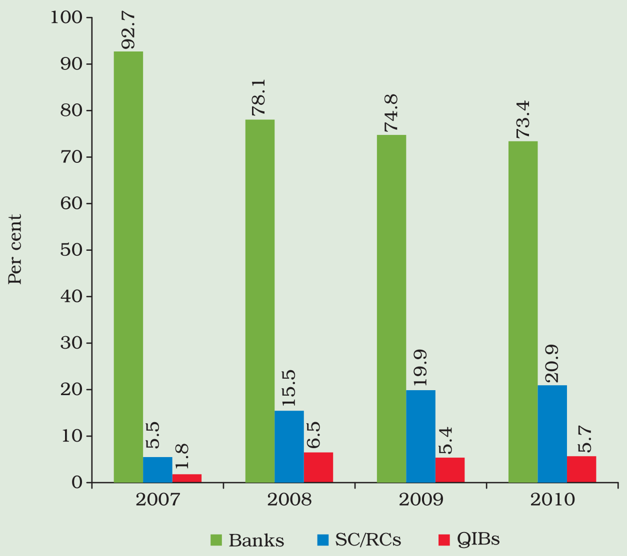
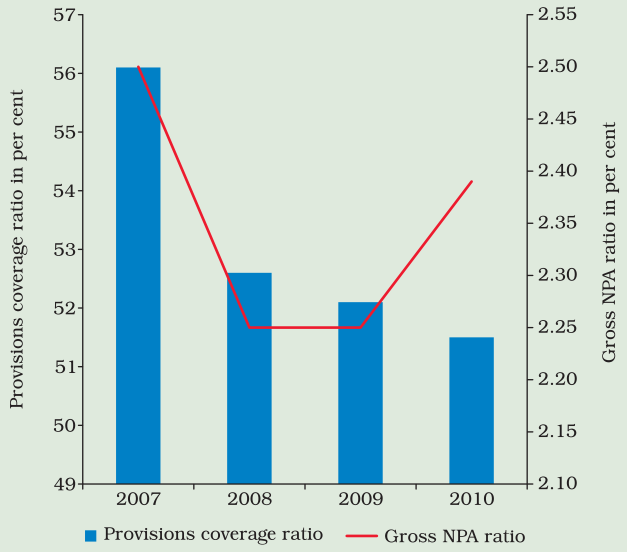



**Chart IV.17: Trends in Coverage and Gross NPA ratio of SCBs**




cushion for unexpected losses, in October 2009, the Reserve Bank advised SCBs about ensuring their provisioning (comprising specific provisions against NPAs and floating provisions) to NPA ratio was not less than 70 per cent. SCBs were asked to meet the provisioning norm not later than September 2010. Between 2009 and 2010, the coverage ratio of provisions to NPAs of SCBs declined from 52.1 per cent to 51.5 per cent (Chart IV.17). The decline in coverage ratio could be seen mainly in the case of nationalised banks (Table IV.19). The ratio declined substantially by about 8 percentage points for nationalised banks between 2009 and 2010. As against this decline, the ratio increased by about 7 percentage points for private sector banks and also by about 5 percentage points for foreign banks - the bank group showing the highest NPA ratio at end-March 2010.

**Leverage Ratio**

4.43 Following the financial crisis, there have been deliberations at various international fora including the Basel Committee on Banking Supervision (BCBS) in its formulation of the enhanced Basel II framework about the need for a non-risk based measure for monitoring the leverage of the banking system.[11] It has been argued that such a measure could supplement the existing risk-based measures and can introduce additional safeguards by putting a floor on the build up of leverage within the system. A simple measure is being used by countries, such as the US, to capture the most visible balance sheet leverage by taking the ratio of Tier I capital to total adjusted assets.[12] Using a similar definition for the Indian banking system, the leverage ratio worked out to 6.6 per cent at end-March 2010.[13] The leverage ratio

[11] Also refer to policy brief put out by the World Bank on leverage ratio in Hulster (2009), "The Leverage Ratio – A New Binding Limit on Banks" at <rru.worldbank.org>.

[12] Tier I capital refers to equity and reserves less intangible assets, while total adjusted assets refers to total assets less intangible assets, see Hulster (2009).

[13] The leverage ratio here is worked out as Tier I capital reported under the Basel I framework as per cent of total balance sheet assets of the banking system.

**Table IV.19: Trends in Provisions for Non-performing Assets – Bank Group-wise**

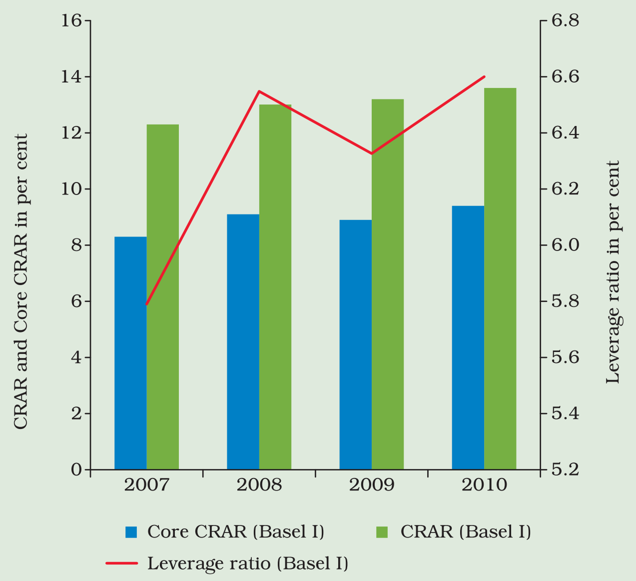
(Amount in ₹ crore)

| Item | **Public sector banks** | Nationalised banks* | SBI group | **Private sector banks** | Old private sector banks | New private sector banks | **Foreign banks** | **Scheduled commercial banks** |
|---|---|---|---|---|---|---|---|---|
| 1 | **2** | 3 | 4 | **5** | 6 | 7 | **8** | **9** |
| **Provisions for NPAs** | | | | | | | | |
| As at end-March 2009 | **22,658** | 15,171 | 7,487 | **9,391** | 1,826 | 7,564 | **3,448** | **35,498** |
| Add : Provisions made during the year | **18,037** | 11,518 | 6,519 | **10,393** | 1,246 | 9,147 | **3,576** | **32,007** |
| Less : Write-off, write- back of excess during the year | **12,293** | 8,881 | 3,411 | **8,782** | 852 | 7,929 | **2,810** | **23,886** |
| As at end-March 2010 | **28,402** | 17,808 | 10,594 | **11,002** | 2,220 | 8,782 | **4,214** | **43,619** |
| *Memo:* | | | | | | | | |
| **Gross NPAs** | **59,926** | 36,395 | 23,532 | **17,639** | 3,622 | 14,017 | **7,180** | **84,747** |
| Ratio of outstanding provisions to gross NPAs (per cent) | | | | | | | | |
| End-March 2009 | **50.5** | 57.2 | 40.8 | **55.7** | 59.4 | 54.9 | **53.8** | **52.1** |
| End-March 2010 | **47.4** | 48.9 | 45.0 | **62.4** | 61.3 | 62.7 | **58.7** | **51.5** |

**Note**:*: Includes IDBI Bank Ltd.
**Source**: Balance sheets of respective banks.

showed an increase during recent years except for a marginal fall between 2008 and 2009. The consistent increase in both non-risk-based leverage ratio and risk-based CRAR as well as core CRAR in the recent years indicated the growing soundness of the Indian banking system (Chart IV.18).

**Chart IV.18: Trends in Leverage ratio and CRAR of SCBs**

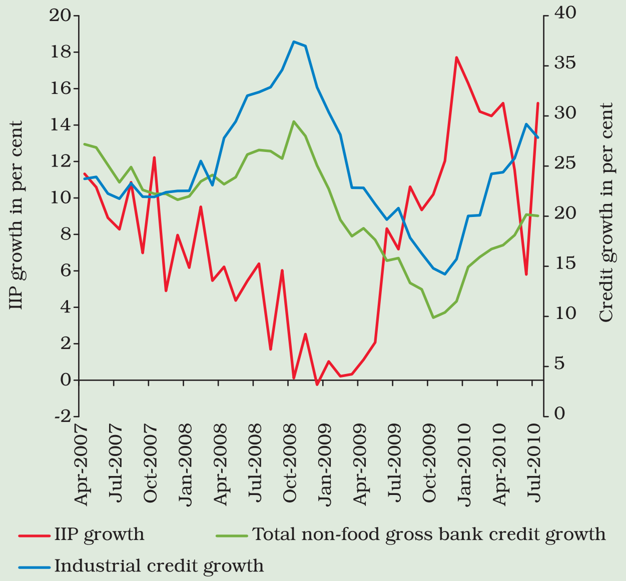



## 5. Sectoral Distribution of Bank Credit

4.44 Sectoral distribution of bank credit provides an understanding of the contribution of bank credit towards economic growth and financial inclusion as well as its role in ensuring financial stability. Accordingly, this section highlights the general trends and relevant issues in sectoral distribution of bank credit in 2009-10 followed by detailed discussions on the trends in priority sector credit as well as retail credit and credit to certain sensitive sectors.

4.45 As discussed in Section 2, bank credit witnessed a slowdown on a year-on-year basis during 2009-10 continuing with the trend observed in the recent past. However, there were signs of pick up in growth of bank credit in general, and industrial credit in particular, following the recovery in the real sector. As shown in Chart IV.19, the growth in Index of Industrial Production (IIP), a proxy for the real economic activity, which is expected to largely impact the corporate sector loans of banks, showed signs of recovery from June 2009, but it consolidated only after October 2009 entering

**Chart IV.19: Trends in IIP and credit growth**




into the double digit zone. It was also the period when growth in industrial credit, and bank credit as a whole, began to increase. Taking monthly data on industrial credit and production from April 2006 onwards, the elasticity of industrial credit with respect to industrial production worked out to 2.08.[14]

4.46 On the year-on-year basis, the main drivers of non-food bank credit during 2009-10 were the sectors of industry and agriculture. There was a considerable slowdown in credit to the services sector and personal loans during the year (Table IV.20).[15]

**Table IV.20: Sectoral Deployment of Gross Bank Credit: Flows**

(Variations over the year)

(Amount in ₹ crore)

| Sector | 2008-09 | | 2009-10 | |
|---|---|---|---|---|
| | Absolute | Per cent | Absolute | Per cent |
| 1 | 2 | 3 | 4 | 5 |
| **1. Agriculture & Allied Activities** | **63,313** | **23.0** | **76,758** | **22.7** |
| **2. Industry** | **1,96,046** | **22.8** | **2,55,424** | **24.2** |
| **3. Personal Loans** | **40,861** | **7.8** | **23,546** | **4.2** |
| *Of which:* Housing | 19,242 | 7.4 | 21,620 | 7.7 |
| **4. Services** | **96,803** | **17.6** | **79,394** | **12.3** |
| *Of which:* | | | | |
| (i) Wholesale Trade (other than food procurement) | 11,676 | 20.9 | 19,506 | 28.9 |
| (ii) Real Estate Loans | 29,072 | 45.9 | -363 | -0.4 |
| (iii) Non-Banking Financial Companies | 19,897 | 25.2 | 19,068 | 19.3 |
| **Total Non-Food Gross Bank Credit (1 to 4)** | **3,97,021** | **18.0** | **4,35,122** | **16.7** |

**Note**: 1) Data are provisional and relate to select banks.
2) The decline in real estate loans was on account of the definitional changes effected in September 2009, as discussed in footnote no.15.

**Source**: Sectoral and Industrial Deployment of Bank Credit Return (Monthly).

4.47 The general trend in the recent years has been the strengthening of the contribution from industrial credit to the increment in total bank credit. Between 2006-07 and 2009-10, the percentage contribution of industrial credit to total bank credit increased steadily from 37.1 per cent to 58.7 per cent (Chart IV.20). There was also a rising trend in the contribution of credit to agriculture and allied activities. On the

[14] The regression used for this exercise is as follows:

$$\text{Ln(industrial credit)} = \underset{(1.40)}{2.01} + \underset{(8.17)^*}{2.08}\ \text{Ln(industrial production)}$$

* Significant at 1 per cent probability.
$R^2 = 0.650$.

[15] One of the factors behind the slowdown in services sector credit was the significant deceleration in credit to the real estate sector on account of definitional changes effected in September 2009 by the Reserve Bank, whereby certain activities were excluded from credit to real estate. These activities, among others, included: (i) exposures to entrepreneurs for acquiring real estate for the purpose of their carrying on business activities, which would be serviced out of the cash flows generated by those business activities; (ii) loans extended to a company for a specific purpose, not linked to a real estate activity; (iii) loans extended against the security of future rent receivables; (iv) credit facilities provided to construction companies which work as contractors; (v) financing of acquisition/renovation of self-owned office/ company premises; (vi) exposure towards acquisition of units/to industrial units in SEZs; and (vii) advances to Housing Finance Companies (HFCs).

**Chart IV.20: Percentage contribution of various sectors to incremental bank credit**

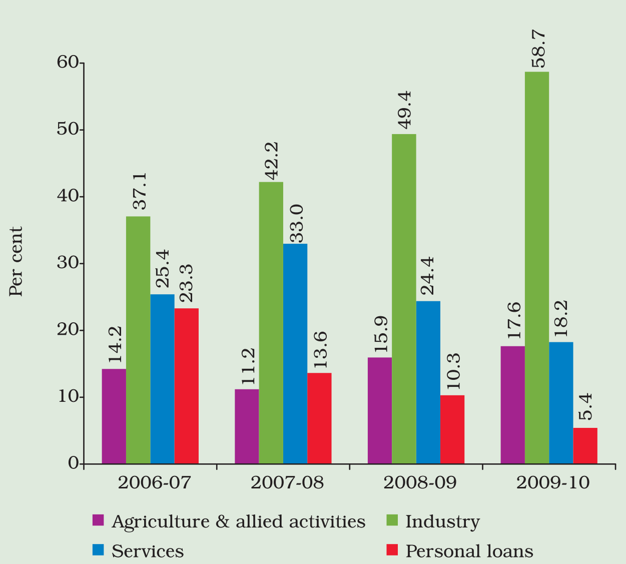
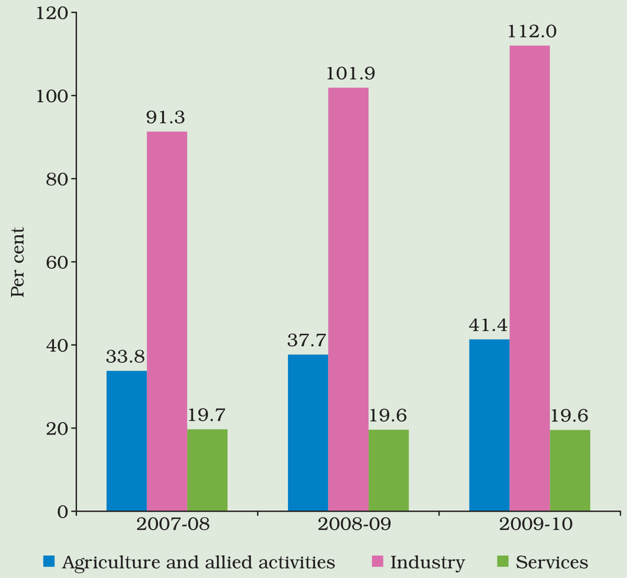



**Chart IV.21: Sectoral credit to sectoral GDP ratio**




other hand, personal loans, which were a major driver during the high credit growth phase of the mid-2000s, witnessed a decline in their percentage contribution. A decline could also be seen in the contribution from the services sector to the increment in total credit.

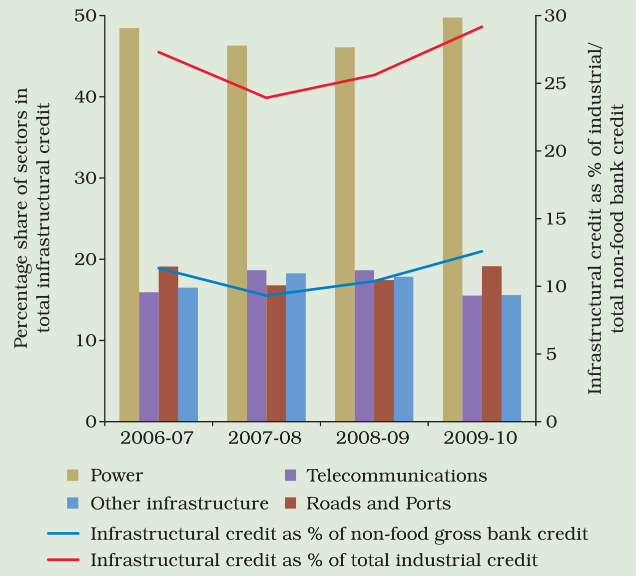
4.48 The sectoral credit to sectoral GDP ratio was the highest for the industrial sector (at 112 per cent) followed by agriculture (and allied activities) (at 41.4 per cent) and then services (at 19.6 per cent) in 2009-10 (Chart IV.21). During the recent years, the ratio was on a rising trend for industrial and agricultural sectors, while it was almost stagnant for the services sector.[16]

4.49 Given the importance of infrastructural development for economic growth, infrastructural financing has been an important area of concern for both Government and the Reserve Bank. Accordingly, a number of regulatory measures and concessions have been provided to banks including take out financing, relaxed asset classification norms and enhanced exposure ceilings for infrastructural lending. Infrastructural financing has been a growing component in banks' credit portfolio in the recent years partly on account of such policy initiatives. Infrastructural credit as per cent of total non-food gross bank credit as well as total industrial credit has shown a steady increase from 2007-08 onwards. The largest component of infrastructural finance has been of power accounting for almost half the total infrastructural credit from banks in 2009-10 (Chart IV.22).

### Credit to Priority Sectors

4.50 Priority sectors have been an integral part of bank credit delivery in India. Between 2009 and 2010, there was a growth in priority sector credit from domestic commercial banks of 18.4 per cent primarily due to the growth in

[16] However, given the growing importance of non-bank sources in providing financial resources to the commercial sector, bank credit can provide only a partial picture of the total credit availability to any sector. See Table IV.9 from Quarterly *Macro-economic and Monetary Developments*, First Quarter Review – 2010-11 for the percentage shares of bank and non-bank sources in providing financial resources to the commercial sector.




agricultural credit. The growth in agricultural credit from domestic banks was to the tune of 22.6 per cent in 2009-10. Foreign banks, however, posted a much lower growth of 8.8 per cent in priority sector credit in 2009-10 than their domestic counterparts.

4.51 At end-March 2010, domestic (public and private sector) and foreign banks had more than met their overall priority sector lending targets of 40 and 32 per cent, respectively (Tables IV.21 and IV.22). However, at the disaggregated level, three out of 27 public sector banks and 2 out of 22 private sector banks could not meet the overall priority sector target in 2010. Further, three out of 27 foreign banks also could not meet the overall priority sector target (Appendix Tables IV.4 (A-C) and IV.5 (A-C)).

4.52 There were some concerns regarding the performance of domestic banks in meeting the sub-target (of 18 per cent) under agriculture. At the aggregate level, both public and private sector banks were below the sub-target of 18 per cent for agriculture at end-March 2010. At the disaggregated level, more than half of public sector banks (15 out of 27) and exactly half of the private sector banks (11 out of 22) could not meet the agricultural sub-target. Within private sector banks, the performance was relatively poor in the case of old private sector

**Table IV.21: Priority Sector Lending by Public and Private Sector Banks**

(As on the last reporting Friday of March)

(Amount in ₹ crore)

| Item | Public Sector Banks | | Private Sector Banks | |
|---|---|---|---|---|
| | 2009 | 2010P | 2009 | 2010P |
| 1 | 2 | 3 | 4 | 5 |
| **Priority Sector Advances#** | **7,24,150 (42.7)** | **8,64,564 (41.6)** | **1,87,849 (46.2)** | **2,15,552 (45.9)** |
| *of which:* Agriculture | 2,99,415 (17.6) | 3,70,730 (17.1) | 76,102 (18.7) | 89,769 (15.6) |
| *of which:* Micro and Small Enterprises | 1,91,408 (11.3) | 2,78,398 (13.2) | 46,656 (11.8) | 64,534 (13.7) |

**Note:** 1) P : Provisional.
2) # : In terms of revised guidelines on lending to priority sector lending, broad categories include small enterprise sector, retail trade, microcredit, education and housing.
3) ^ : Indirect agriculture is reckoned up to 4.5 per cent of ANBC for calculation of percentage.
4) Figures in parentheses represent percentages to Net Bank Credit/ Adjusted Net Bank Credit (ANBC)/ Credit equivalent amount of Off-Balance Sheet Exposures (CEOBSE), whichever is higher.

**Table IV.22: Priority Sector Lending by Foreign Banks**

(As on the last reporting Friday of March)

(Amount in ₹ crore)

| Sector | 2009 | | 2010P | |
|---|---|---|---|---|
| | Amount | Percentage to ANBC/ CEOBSE | Amount | Percentage to ANBC/ CEOBSE |
| 1 | 2 | 3 | 4 | 5 |
| **Priority Sector Advances #** | **55,415** | **34.2** | **60,290** | **35.0** |
| *Of which,* Export credit | 31,511 | 19.4 | 35,466 | 20.6 |
| *Of which,* Micro and Small Enterprises* | 18,063 | 11.2 | 21,080 | 12.2 |

**Note**: 1) P : Provisional.
2) # : In terms of revised guidelines on lending to priority sector, broad categories include agriculture, small enterprises sector, retail trade, micro credit, education and housing.
3) * : The new guidelines on priority sector advances take into account the revised definition of small and micro enterprises as per the Micro, Small and Medium Enterprises Development Act, 2006.
4) ANBC/CEOBSE – Adjusted Net Bank Credit/Credit equivalent amount of Off-Balance Sheet Exposures, whichever is higher.

banks, while most new private sector banks were able to meet the sub-target under agriculture. Further, majority of the private sector banks (15 out of 22) could not meet the sub-target of 10 per cent under weaker sections. The performance of foreign banks in meeting the sub-targets under exports and Micro, Small and Medium Enterprises (MSME) sectors was significantly better with majority of the foreign banks being able to meet these targets in 2010.

### Retail Credit

4.53 Retail credit growth including personal loan portfolio of banks had shown a spurt between 2004-05 and 2005-06 but showed deceleration in the subsequent years (Chart IV.23). Retail credit growth posted only a marginal increase in 2009-10 (Table IV.23).

4.54 The marginal increase in retail credit growth between 2008-09 and 2009-10 was entirely attributable to the housing loan segment, which constituted the single-largest portion of total retail credit of Indian banks. The pick up in housing loan growth was partly on account of low interest rates that prevailed during most part of 2009-10 despite the fact that property prices, which had experienced a correction in 2008-09 immediately following the crisis, showed a spurt during 2009-10 (see Chart II.43, Page 53 from RBI Annual Report - 2009-10). Other retail segments such as consumer durables, auto loans and credit card receivables, however, recorded negative growth in 2009-10. Given that most retail sectors are rate-sensitive, credit to these sectors in future would be impacted by the emerging interest rate environment.

**Table IV.23: Retail Loan Portfolio of SCBs**

(Amount in ₹ crore)

| Item | At end-March | | Percentage variation | |
|---|---|---|---|---|
| | 2009 | 2010 | 2008-09 | 2009-10 |
| 1 | 2 | 3 | 4 | 5 |
| 1. Housing Loans | 2,63,235 | 3,15,862 | 4.1 | 20.0 |
| 2. Consumer Durables | 5,431 | 3,032 | 13.1 | -44.2 |
| 3. Credit Card Receivables | 29,941 | 21,565 | 9.1 | -28.0 |
| 4. Auto Loans | 83,915 | 78,346 | -4.6 | -6.6 |
| 5. Other Personal Loans | 2,11,294 | 2,03,947 | 6.9 | -3.5 |
| **Total Retail Loans (1 to 5)** | **5,93,816 (21.3)** | **6,22,752 (19.0)** | **4.0** | **4.9** |

**Note:** Figures in parentheses represent percentage share of retail loans in total loans and advances. The amount of total loans and advances are as provided in the off-site returns (domestic) of SCBs.

**Source :** Based on Off-site returns (domestic).

**Chart IV.23: Rate of growth and percentage share of retail credit of SCBs**

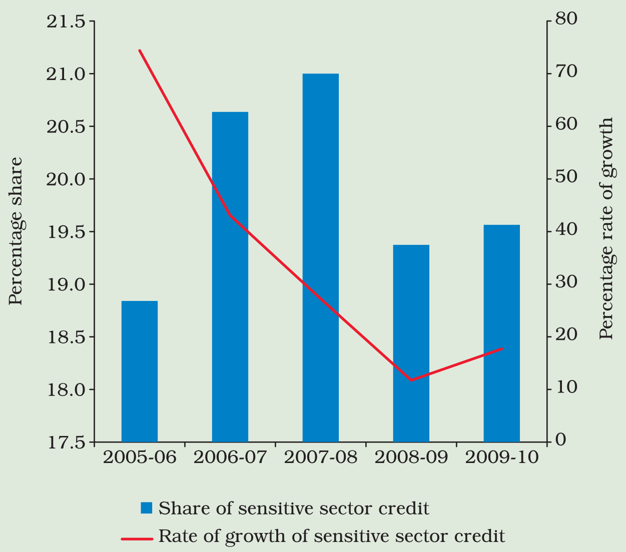

**Source:** Based on Off-site returns (domestic).

### Credit to Sensitive Sectors

4.55 Capital market, real estate and commodities are deemed sensitive for the stability of the banking system on account of the price fluctuations in the related asset/ product markets. Credit to these sensitive sectors together constituted 19.6 per cent of the total bank credit at end-March 2010, with the real estate sector individually accounting for 16.6 per cent of this share (Appendix Table IV.6).

4.56 In the recent years, there has been a falling trend in both growth as well as share of credit to sensitive sectors except for a mild increase in 2009-10 (Chart IV.24). The fall in the share of credit to sensitive sectors, however, was mainly due to public sector banks (Appendix Table IV.6). Foreign banks, which had

Chart IV.24: Rate of growth and percentage share of sensitive sector credit of SCBs




a much higher exposure to sensitive sectors than other bank groups, in fact, showed an increase in the share of credit given to these sectors.

## 6. Operations of Scheduled Commercial Banks in Capital Market

4.57 Capital market provides an important avenue to banks to raise resources for strengthening their capital base as well as to provide trading ground for bank stocks. Hence, in a liberalised and competitive environment, banks' operations in the capital market have critical implications for the growth of their banking business. This section highlights the operations of banks in the primary and secondary capital markets.

**Table IV.24: Public Issues by the Banking Sector**

(Amount in ₹ crore)

| Year | Public Sector Banks | | Private Sector Banks | | Total | | Grand Total |
|---|---|---|---|---|---|---|---|
| | Equity | Debt | Equity | Debt | Equity | Debt | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8=(6+7) |
| 2008-09 | - | - | - | - | - | - | - |
| 2009-10 | 325 | - | 313 | - | 638 | - | 638 |

– : Nil/Negligible.

### Banks' Operations in the Primary Market

4.58 After abstaining during 2008-09, banks started resorting to capital market for raising resources in 2009-10. This revival in primary market resource mobilisation was a reflection of the easing of liquidity constraints witnessed during the previous year, a buoyant secondary market and improved investment demand by corporates (Table IV.24).

4.59 Given the concerns related to a slow pace of economic recovery in the industrialised economies and emergence of European sovereign debt crisis, mobilisation of resources by domestic banks from global capital markets showed no major signs of revival in 2009-10 like in the previous year (Table IV.25). There was resource mobilisation only to the tune of ₹843 crore through GDRs by private sector banks in 2009-10.

4.60 Given that private placements and public issues largely act as substitutes of one another in raising resources, in 2008-09, when there was no resource mobilisation through public issues

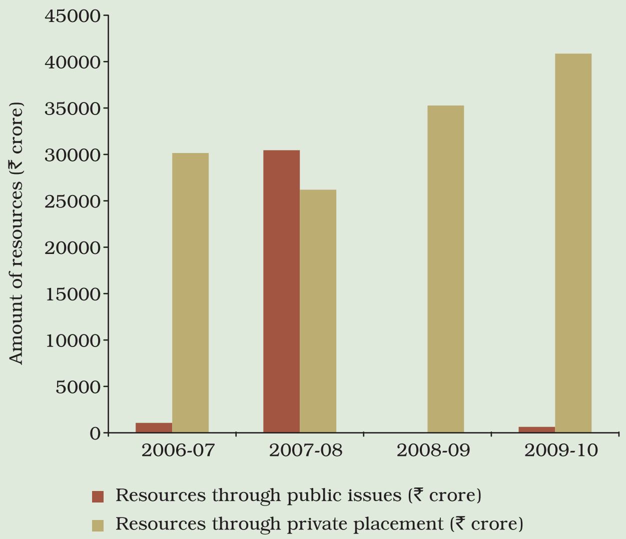
**Table IV.25: Resource Mobilisation through Euro Issues**

(Amount in ₹ crore)

| Item | 2008-09 | 2009-10 |
|---|---|---|
| 1 | 2 | 3 |
| **Euro Issues** | **4,788** | **15,967** |
| **(i) ADRs** | **-** | **7,763** |
| *Of which*, FIs | - | - |
| *Of which*, Banks | - | - |
| a) Private | - | - |
| b) Public | - | - |
| **(ii) GDRs** | **4,788** | **8,204** |
| *Of which*, FIs | - | - |
| *Of which*, Banks | - | 843 |
| a) Private | - | 843 |
| b) Public | - | - |
| **(iii) FCCBs** | **N.A.** | **N.A.** |

**Note:** 1) N.A.: Not available.
2) -: Nil/Negligible
3) FCCBs – Foreign Currency Convertible Bonds
4) ADRs/GDRs- American/Global Depository Receipts

Chart IV.25: Resources raised by SCBs through public issues and private placement




in the domestic capital market, banks' resource mobilisation through private placements had shown a significant increase by 34.6 per cent (Chart IV.25). Banks continued to raise funds through private placements in 2009-10 but the growth had abated to 15.8 per cent. The growth in mobilisation of resources through private placements in 2009-10 was attributable to private sector banks (Table IV.26).

## Performance of Banking Stocks in the Secondary Market

4.61 The domestic stock market, which had recorded significant losses in 2008-09 as a fallout of the financial crisis, registered phenomenal increase of 80.5 per cent in 2009-10 outperforming many Emerging Market Economies (EMEs) largely a reflection of domestic economic recovery and resumption of FII flows. Though the Dubai-debt crisis and the uncertainty over the health of indebted euro-zone countries overshadowed the stock market sentiment in the beginning of the 2010, there was a general upward movement in stock prices throughout the year with the BSE Sensex reaching the pre-crisis level in mid-September 2010.

**Table IV.26: Resources Raised by Banks through Private Placements**

(Amount in ₹ crore)

| Category | 2008-09 | | 2009-10 | |
|---|---|---|---|---|
| | No. of Issues | Amount Raised | No. of Issues | Amount Raised |
| 1 | 2 | 3 | 4 | 5 |
| Private Sector Banks | 13 | 6,967 | 18 | 17,101 |
| Public Sector Banks | 52 | 28,304 | 63 | 23,762 |
| **Total** | **65** | **35,271** | **81** | **40,863** |

**Source:** Merchant Bankers and Financial Institutions.

4.62 The BSE Bankex (representing the banking sector scrips) recorded larger gains than those in the BSE Sensex during 2009-10 reflecting the buoyancy in bank stocks (Table IV.27). However, while the returns were higher, the volatility of BSE Bankex, reflecting the risk in trading in these stocks, was also higher than that of BSE Sensex in 2009-10.

4.63 In line with the overall trend, all of the 39 listed banks recorded gains during 2009-10. The upward movement of prices of bank stocks was also reflected in increase of Price/Earning (P/E) ratios across most bank stocks. However,

**Table IV.27: Risk-Return Performance, Turnover and Capitalisation of Bank Stocks**

| Item | 2007-08 | 2008-09 | 2009-10 | 2010-11# |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| **1. Return*** | | | | |
| BSE Bankex | 18.0 | -41.8 | 137.2 | 31.9 |
| BSE Sensex | 19.7 | -37.9 | 80.5 | 14.8 |
| **2. Volatility@** | | | | |
| BSE Bankex | 13.8 | 23.8 | 16.5 | 6.0 |
| BSE Sensex | 12.0 | 24.2 | 11.9 | 10.6 |
| **3. Share of turnover of bank stocks in total turnover** | **6.6** | **12.3** | **10.0** | **9.8** |
| **4. Share of capitalisation of bank stocks in total market capitalisation ** ** | **7.2** | **7.7** | **8.7** | **12.7** |

**Note:** 1) * : Percentage variations in indices on a point-to-point basis.
2) @ : Defined as coefficient of variation.
3) ** : As at end-period
4) # : April-October 15, 2010.

**Source:** Bloomberg and National Stock Exchange of India Limited.

the increase in P/E ratio was much sharper in the case of scrips of private sector banks as compared to those of their public sector counterparts (Appendix Table IV.7).

4.64 After registering almost a doubling of their share in total capital market turnover between 2007-08 and 2008-09, bank stocks witnessed a decline in their share in total turnover in 2009-10 and even in 2010-11 (between April and October 15) (Table IV.27). On the other hand, the share of bank stocks in total market capitalisation posted a rise since 2007-08.

## 7. Shareholding Pattern in Scheduled Commercial Banks

4.65 Though government shareholding in public sector banks had remained above 51 per cent during 2009-10, majority of the public sector banks (11 out of 21) were very close to the floor (Table IV.28; Appendix Table IV.8). This raised the important issue of recapitalisation in order to ensure continued credit creation by public sector banks if the statutory floor of 51 per cent for government shareholding had to be maintained.[17]

**Table IV.28: Public Sector Banks Classified by Percentage of Private Shareholding**

| Class of shareholding | Total private share-holding | Private resident share-holding | Private non-resident share-holding |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| Up to 10 per cent | 1 | 2 | 10 |
| More than 10 and upto 20 per cent | 3 | 4 | 11 |
| More than 20 and upto 30 per cent | 2 | 7 | - |
| More than 30 and upto 40 per cent | 4 | 7 | - |
| More than 40 and upto 49 per cent | 11 | 1 | - |

**Note:** 1) – Nil.
2) Including 19 nationalised banks, SBI and IDBI Bank Ltd.

**Table IV.29: Public and Private Sector Banks Classified by Percentage of Foreign Shareholding**

| Class of shareholding | Public sector banks | New private sector banks | Old private sector banks |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| Nil | 1 | - | 2 |
| Up to 10 per cent | 9 | - | 3 |
| More than 10 and upto 20 per cent | 11 | - | 1 |
| More than 20 and upto 30 per cent | - | 1 | 4 |
| More than 30 and upto 40 per cent | - | 1 | 3 |
| More than 40 and upto 50 per cent | - | 2 | 1 |
| More than 50 per cent upto 60 per cent | - | 1 | - |
| More than 60 per cent upto 70 per cent | - | 2 | 1 |

**Note:** 1) – Nil.
2) Public sector banks include 19 nationalised banks, SBI and IDBI Bank Ltd.

4.66 In public sector banks, the percentage of foreign shareholding was only up to 20 per cent. However, the extent of foreign shareholding in new private sector banks was much greater; three banks out of seven from this bank group had foreign shareholding exceeding 50 per cent (Table IV.29).

## 8. Technological Developments in Scheduled Commercial Banks

4.67 Developments in the field of Information Technology (IT) strongly support the growth and inclusiveness of the banking sector thereby facilitating inclusive economic growth. IT not only enhances the competitive efficiency of the banking sector by strengthening back-end administrative processes, it also improves the front-end operations and helps in bringing down the

[17] See Chapter I for a discussion on recapitalisation of public sector banks in 2009-10.

transaction costs for the customers. It has the potential of furthering financial inclusion by making small ticket retail transactions cheaper, easier and faster for the banking sector as well as for the small customers. The Reserve Bank has thus been actively involved in harnessing technology for the development of the Indian banking sector over the years.

4.68 The most fundamental way in which technology has changed the face of the Indian banking sector has been through computerisation. While new private sector banks and foreign banks have an edge in this regard, public sector banks have been investing for upgrading their operations by way of computerisation. Of the total number of public sector bank branches, 97.8 per cent were fully computerised at end-March 2010 (Table IV.30; Appendix Table IV.9). All branches of the SBI group were fully computerised.

4.69 The cumulative expenditure on 'computerisation and development of communication networks' by public sector banks from September 1999 to March 2010 aggregated to ₹22,052 crore (Appendix Table IV.10). On an annual basis, the expenditure on 'computerisation and development of communication networks' registered a growth of 23.2 per cent in 2009-10.

4.70 A technological development closely related to computerisation in bank branches is the adoption of the Core Banking Solutions (CBS).

**Table IV.30: Computerisation in Public Sector Banks**
(As at end-March)

(Per cent of total bank branches)

| Category | 2009 | 2010 |
|---|---|---|
| 1 | 2 | 3 |
| **Fully Computerised Branches (i+ii)** | **95.0** | **97.8** |
| i) Branches under Core Banking Solutions | 79.4 | 90.0 |
| ii) Branches already Computerised # | 15.6 | 7.8 |
| **Partially Computerised Branches** | **5.0** | **2.2** |

# : Other than branches under Core Banking Solutions.

CBS enable banks to offer a multitude of customer-centric services on a continuous basis from a single location, supporting retail as well as corporate banking activities thus making "one-stop" shop for financial services a reality. An important development in 2009-10 was a significant increase in the percentage of branches of public sector banks implementing CBS. The percentage of such branches increased from 79.4 per cent at end-March 2009 to 90 per cent at end-March 2010 (Table IV.30). The percentage of branches under CBS was much larger for the SBI group as compared to nationalised banks (Appendix Table IV.9).

4.71 While computerisation in general, and CBS in particular, having reached near completion, it is important to leverage on to this technological advancement to look at areas beyond CBS that can help in not just delivering quality and efficient services to customers but also generating and managing information effectively. With regard to the second aspect of information management, a system of receiving data from banks by the Reserve Bank in an automated manner without any manual intervention is under examination; the benefits of this system are discussed in Box IV.3.

4.72 The third major technological development, which has revolutionised the delivery channel in the banking sector, has been the Automated Teller Machines (ATMs). ATMs, particularly off-site ATMs, act as substitutes for bank branches in offering a means of anytime cash withdrawal to customers. Growth in ATMs, which had been generally on a steady rise in the recent years, was observed to be 37.8 per cent in 2009-10. More importantly, the growth in off-site ATMs too was comparably high at 44.6 per cent during the year. At end-March 2010, the percentage of off-site ATMs to total ATMs stood at 45.7 per cent for all SCBs (Table IV.31; Chart IV.26; Appendix Table IV.11).

## Box IV.3: Automated Data Flow in the Banking Sector: The Future of Effective Data Transmission and Management

World over, central banks and various regulatory bodies depend on information received from regulated entities which helps in discharging their responsibilities and functions in an efficient manner. It also enables them to frame appropriate policies. Information consists of data which should be collected based on the principles of integrity, reliability, and accuracy. This information is systematically and meaningfully derived from data. It is, therefore, pertinent that data and information reaches the regulators not only in a timely manner but also is free from errors and distortions. The requirement is, therefore, to ensure collation of quality data along with its processing and flow to the appropriate level in a timely manner.

The concept of Automated Data Flow (ADF) seeks to fulfil this requirement in which data is seamlessly transmitted from the host systems to the recipient system without any intermediation, thus making the whole process more efficient, consistent and reliable. At the same time, as a major spin-off benefit, the system of automated data flow also streamlines the information sharing mechanism at the host level thus serving as a potent MIS tool and encourages good data management practices. IT should help banks not just to deliver robust and reliable services to their customers at a lower cost, but also generate and manage information effectively.

Submission of consistent data in a timely manner by banks is significant for the Reserve Bank in discharging its regulatory and supervisory functions. The flow of data from banks to the Reserve Bank in an automated manner would not only ensure its timely availability but also provide a better information-environment for building an effective decision support system. Large volumes of data relating to customers and transactions are now available with banks, which can be gainfully utilised through proper analysis with an objective to tailoring business strategies, meeting diversified internal and external MIS requirements and building robust risk management systems.

With computerisation of commercial banks having reached a plateau (even with regard to adoption of CBS), it has become possible to bring about a paradigm shift in the data flow and information sharing arrangements by harnessing the benefits of IT resources. The system of ADF would help in leveraging on these benefits and propel the information sharing system between banks and Reserve Bank to the next higher level.

4.73 There has been a steady increase in the ratio of total value of electronic payments to Gross Domestic Product (GDP) reflecting growing preference for the electronic mode of payments in the recent years (Chart IV.27). Among the various electronic modes of payment, the centralised version of Electronic Fund Transfer (EFT) – National EFT (NEFT) – has become an important means of retail payments, while the Real Time Gross Settlement (RTGS)

**Table IV.31: Number of ATMs of SCBs**
(As at end-March 2010)

| | Bank group | On-site ATMs | Off-site ATMs | Total number of ATMs | Off-site ATMs as per cent of total ATMs |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| **1** | **Public sector banks** | **23,797** | **16,883** | **40,680** | **41.5** |
| | 1.1 Nationalised banks | 12,655 | 7,047 | 19,702 | 35.8 |
| | 1.2 SBI group | 11,142 | 9,836 | 20,978 | 46.9 |
| **2** | **Private sector banks** | **8,603** | **9,844** | **18,447** | **53.4** |
| | 2.1 Old private sector banks | 2,266 | 1,124 | 3,390 | 33.2 |
| | 2.1 New private sector banks | 6,337 | 8,720 | 15,057 | 57.9 |
| **3** | **Foreign banks** | **279** | **747** | **1,026** | **72.8** |
| | **All SCBs** | **32,679** | **27,474** | **60,153** | **45.7** |

**Chart IV.26: Growth in number of ATMs of SCBs**

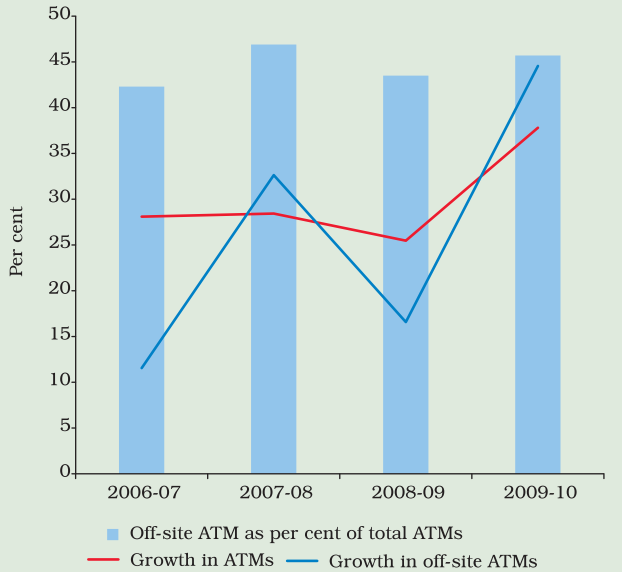
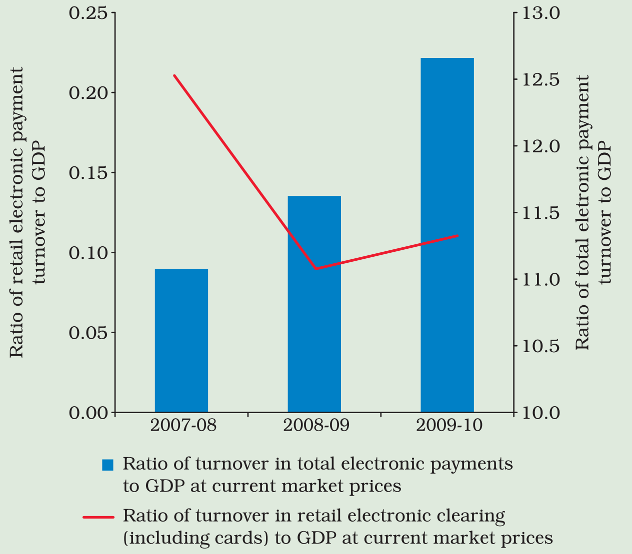


**Chart IV.27: Ratio of turnover in electronic payment systems to GDP**




has shown significant growth as a means of settling large value payments. The development of NEFT and RTGS has been compared and contrasted in Box IV.4.

4.74 Going forward, there are a number of issues with regard to development of banking technology that need to be addressed. These relate to further improvement in back office management in the form of streamlining MIS, strengthening centralised processing, Customer Relationship Management (CRM) and IT Governance. The back office technological advancement would help in diverting banks' resources more towards the front office management thereby increasing the customer focus of their services and support greater financial penetration and inclusion.

## Box IV.4: RTGS and NEFT: A Comparative Analysis of Scales of Operation

The Reserve Bank has taken a series of initiatives to facilitate use of electronic mode for various retail and large value transactions. RTGS is a large value payment system which processes both customer and inter-bank transactions of ₹1,00,000 and above, while the NEFT is essentially a retail system. Further, while RTGS is a real-time gross settlement arrangement, NEFT is a near-real time system with settlements taking place at hourly intervals. Both systems are operated by the Reserve Bank.

The facility of RTGS and NEFT is available in over 70,000 branches with 119 members and 99 banks participating in the respective systems.

The volume and value of transactions processed through the two systems has shown an impressive growth over the years (Charts 1 and 2). Considering the fact that RTGS is a large value payment system as against NEFT, the value of transactions processed in the former are much larger. However, the growth trend in the value of transactions in the two systems reveals that the amount of transactions processed in NEFT has increased exponentially since 2007-08, while RTGS has exhibited a relatively steady growth.

**Chart 1: Volume of transactions under RTGS and NEFT systems**

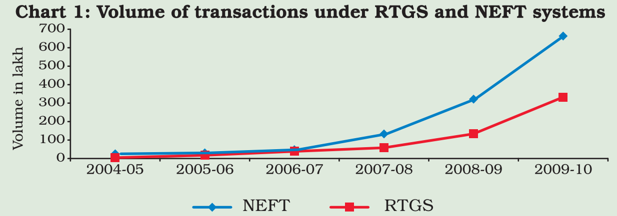
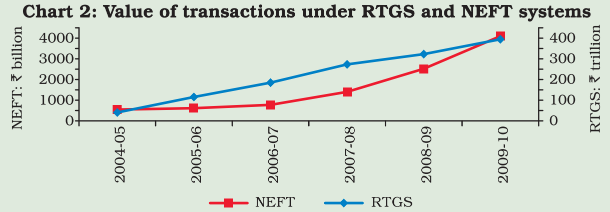



**Chart 2: Value of transactions under RTGS and NEFT systems**




**Bank group-wise analysis**

Bank group-wise data for 2008-09 and 2009-10 of RTGS and NEFT systems show that private sector banks were major participants in the systems and accounted for over one-third of total transactions. The SBI Group accounted for 22 per cent of the total transactions in the RTGS system but their presence in NEFT was only 10 per cent (Table below). Further, the volume and value of transactions in the RTGS system was concentrated among a few participants. The top eight players namely SBI, Punjab National Bank, AXIS Bank, HDFC Bank, ICICI Bank, Bank of India, IDBI Bank and CitiBank accounted for more than 50 per cent of total volume and value of transactions as at end-March 2010.

**Table: Bank Group-wise Number of Transactions in RTGS and NEFT**

(Number of transactions in million)

| | RTGS | | NEFT | |
|---|---|---|---|---|
| Bank Group | 2008-09 | 2009-10 | 2008-09 | 2009-10 |
| SBI Group | 3.3 | 7.4 | 2.7 | 6.7 |
| Nationalised banks | 3.5 | 9.0 | 2.2 | 7.7 |
| Foreign banks | 2.2 | 5.3 | 12.4 | 21.6 |
| Private sector banks | 4.2 | 11.3 | 14.4 | 29.3 |
| Others | 0.1 | 0.3 | 0.03 | 0.2 |

**Note**: Others include State Cooperative Banks, RBI and Urban Cooperative Banks under NEFT, and under RTGS, apart from these three entities, SEBI-regulated entities and DICGC are included.

## 9. Customer Services

4.75 Making banks more customer-friendly has been high on the agenda of the Reserve Bank. Accordingly, a number of steps have been taken towards enhancing financial literacy and strengthening channels of information dissemination relating to banking services to customers. A full-fledged Customer Service Department was set up in 2006 by the Reserve Bank to enhance the pace and quality of provision of customer services, while providing customers a forum for redressal of their grievances.

4.76 The forum of redressal of consumers' grievances about banking, the Banking Ombudsman (BO), received 79,266 complaints at its 15 offices in 2009-10 contributed largely by the complaints received at the offices of the three major metropolises of Mumbai, New Delhi and Chennai. These three offices together accounted for almost half of the total complaints (34,830 complaints accounting for 43.9 per cent of the total) in 2009-10. It may be highlighted that the number of complaints at almost all offices in India has been increasing in the recent years indicating the growing awareness among consumers about grievance redressal, but the increase was particularly rapid at the offices in these three metropolises (Table IV.32).

4.77 The share of complaints received against foreign banks and new private sector banks, which had been on a rapid increase in the recent years, showed signs of slowing down in 2009-10. In the case of foreign banks, there was a decline in the number of complaints received by the BOs in 2009-10. In contrast, there was a perceptible increase to the tune of over 26 per cent in the number of complaints received against public sector banks in 2009-10 (Table IV.33). On account of a fall in the growth of complaints against new private sector banks and foreign banks, the shares of these bank groups posted a decline between 2008-09 and 2009-10, while the share of public sector banks, particularly the SBI group showed a rise (Chart IV.28). In 2009-10, SBI group alone accounted for little less than one-third of the total number of complaints received by SCBs. The number of complaints per branch for public sector banks at 0.71 (1.3

**Table IV.32: Complaints received at Banking Ombudsman offices**

| BO office | Number of complaints | |
|---|---|---|
| | 2008-09 | 2009-10 |
| Ahmedabad | 3,732 | 4,149 |
| Bangalore | 3,255 | 3,854 |
| Bhopal | 3,375 | 3,873 |
| Bhubaneswar | 1,159 | 1,219 |
| Chandigarh | 2,634 | 3,234 |
| Chennai | 10,381 | 12,727 |
| Guwahati | 455 | 528 |
| Hyderabad | 3,961 | 5,622 |
| Jaipur | 3,688 | 4,560 |
| Kanpur | 7,776 | 7,832 |
| Kolkata | 3,671 | 5,326 |
| Mumbai | 9,631 | 10,058 |
| New Delhi | 10,473 | 12,045 |
| Patna | 2,110 | 1,707 |
| Thiruvananthapuram | 2,816 | 2,532 |
| **Total** | **69,117** | **79,266** |

**Source**: Various offices of Banking Ombudsman.

**Chart IV.28: Percentage shares of bank groups in total number of complaints**

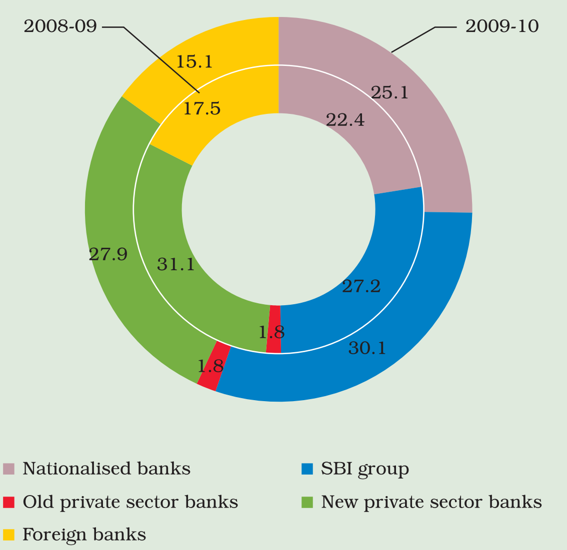


**Table IV.33: Bank-Group-wise Complaints received at Banking Ombudsman Offices - 2009-10**

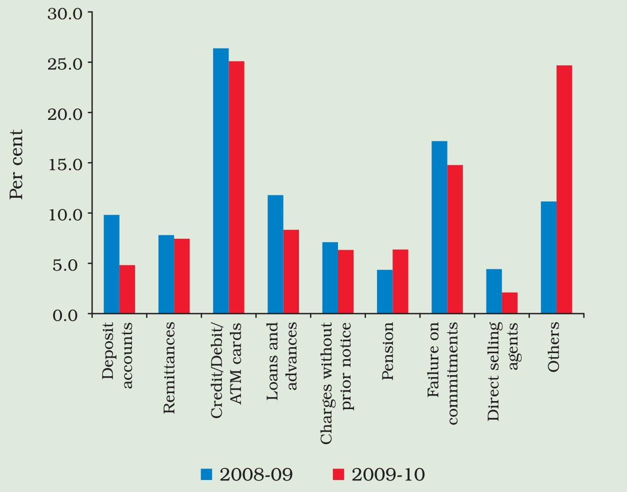
| Nature of Complaint | **Public Sector Banks** | Nationalised Banks | SBI Group | **Private Sector Banks** | Old Private Sector Banks | New Private Sector Banks | Foreign Banks | **All SCBs** | **UCBs/ RRBs/ others** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | **11= (9+10)** |
| Deposit accounts | **1,946** | 988 | 958 | **1,165** | 68 | 1,097 | 454 | **3,565** | **116** | **3,681** |
| Remittances | **3,358** | 1,639 | 1,719 | **1,873** | 76 | 1,797 | 268 | **5,499** | **209** | **5,708** |
| Credit/Debit/ATM cards | **9,550** | 3,250 | 6,300 | **4,725** | 126 | 4,599 | 4,258 | **18,533** | **277** | **18,810** |
| Loans/advances | **4,109** | 2,322 | 1,787 | **1,652** | 319 | 1,333 | 395 | **6,156** | **456** | **6,612** |
| Charges without prior notice | **1,939** | 1,027 | 912 | **2,009** | 130 | 1,879 | 729 | **4,677** | **87** | **4,764** |
| Pension | **4,577** | 1,294 | 3,283 | **67** | 2 | 65 | 65 | **4,709** | **122** | **4,831** |
| Failure on commitments made | **6,407** | 3,582 | 2,825 | **3,369** | 286 | 3,083 | 1,134 | **10,910** | **659** | **11,569** |
| Direct selling agents | **657** | 351 | 306 | **669** | 59 | 610 | 228 | **1,554** | **55** | **1,609** |
| Notes and coins | **92** | 48 | 44 | **41** | 4 | 37 | 20 | **153** | **5** | **158** |
| Others | **7,838** | 3,747 | 4,091 | **6,582** | 289 | 6,293 | 3,808 | **18,228** | **612** | **18,840** |
| Out of subject | **1,451** | 844 | 607 | **401** | 35 | 366 | 91 | **1,943** | **741** | **2,684** |
| **Total complaints** | **41,924 (26.5)** | **19,092 (27.5)** | **22,832 (25.7)** | **22,553 (2.6)** | **1,394 (18.4)** | **21,159 (1.7)** | **11,450 (-2.1)** | **75,927 (13.6)** | **3,339 (45.6)** | **79,266 (14.7)** |

**Note**: Figures in parentheses indicate percentage change over the previous year.
**Source**: Various offices of Banking Ombudsman.

for SBI group) was much lower than the corresponding figures of 2.3 and 37.8 for private sector and foreign banks, respectively, in 2009-10 (Appendix Table IV.12).

4.78 Though the largest number of complaints received by BOs continued to be with respect to credit/debit/ATM cards, there was a decline in the share of such complaints in 2009-10. Similarly, complaints about the core banking business of banks, particularly deposits and loans, also showed a fall during the year (Chart IV.29). The decline in the share of card-related complaints in 2009-10 needs to be juxtaposed with the decline in the share of complaints against foreign banks and new private sector banks, as card-related complaints formed an important reason for complaints against these two bank groups in the past.

**Chart IV.29: Percentage share of complaints related to SCBs by major type**




**Note:** The shares are worked out with respect to total number of complaints excluding 'notes and coins' and 'out of subject' complaints.

## 10. Financial Inclusion

4.79 The Reserve Bank has put financial inclusion process into mission mode given that it can effectively help in addressing the concern of inclusive growth. Financial exclusion remains an area of concern given the low levels of financial penetration and deepening in India compared with other countries across the globe. Recent data from the World Bank suggest that India ranks low when compared with the OECD countries with regard to financial penetration (Table IV.34). When compared with select Asian peer group countries, the difference in financial access is much less striking as far as access to bank branches is concerned but it is prominent with regard to access to ATMs. Further, the size and depth of the banking sector when measured taking private credit to GDP ratio also works out to be much lower for India than many of its Asian peer group countries.[18] These trends underline the need for strengthening the financial inclusion process in India in the years to come.

4.80 Financial inclusion in the Indian context has been defined as the provision of affordable financial services, *viz*., access to payments and remittance facilities, savings, loans and insurance services by the formal financial system to those who tend to be excluded. The Indian policy approach towards financial inclusion since early 2000s has been focused on ensuring inclusion at the individual and household level. Accordingly, the scheme of no-frills accounts (no pre-condition, low minimum balance maintenance) was initiated by the Reserve Bank in 2005 to provide an easy financial savings facility to the population at large, which can act as a means of their entry into the formal banking system. At end-March 2010, 50.6 million no-frills accounts were opened by the banking system. While no-frills accounts have grown phenomenally, an important challenge before the banking system is to keep these accounts operational, as many such accounts are found to be dormant since the poor often find it difficult to save and deposit money into these accounts. In order to keep these accounts operational, banks have been advised to provide small overdrafts in such accounts; up to March 2010, ₹27.54 crore were provided as overdrafts by banks in such accounts.

**Table IV.34: Indicators of Financial Access and Depth, India compared with Select Asian peer group and OECD countries**

| Countries/ groups | Financial Access | | Financial Market Size and Depth |
|---|---|---|---|
| | Number of branches per 1,00,000 persons | Number of ATMs per 1,00,000 persons | Private credit to GDP ratio (per cent)* |
| **India** | **6.33 ^^** | **1.63 ^^** | **33.30 ^^** |
| **Asian peer group countries (range)#** | **1.33-20** | **3.80-17.05** | **23.00-126.60** |
| *Of which,* | | | |
| China | 1.33 ^ | 3.80 ^ | 111.80 |
| Indonesia | 3.73 | 4.84 @ | 23.00 |
| Malaysia | 8.26 | 16.44 ^ | 126.60 |
| Thailand | 7.37 | 17.05 ** | 90.50 |
| **OECD countries (range)#** | **23-45** | **57-158** | **47.80-160.48** |
| *Of which,* | | | |
| Australia | 24 | 115 | 109.73 |
| Canada | 28 | 158 | 75.65 |
| Japan | 45 | 136 | 97.90 |
| UK | 23 | 97 | 160.48 |
| US | 26 | 134 | 47.84 |

**Note**: 1) Data relate to 2005 unless otherwise specified.
2) * : This indicator is used for measuring market concentration by Kiatchai Sophastienphong and Anoma Kulathunga (2009). However, traditionally, private credit to GDP reflects the size and depth of the financial markets; see "Measuring Banking Sector Development", Note 1, World Bank. Private credit to GDP here is defined as claims of banking sector on the private sector as per cent of GDP.
3) ^: 2003 data
4) @: 2000 data
5) **: 2004 data
6) # : The range for Asian peer group and OECD countries is given as per the highest and lowest figures reported under each head in the World Bank study by Kiatchai Sophastienphong and Anoma Kulathunga (2009). Separate data for only select countries have been shown in the table above.
7) ^^ : For India, the number of branches and ATMs per 1,00,000 persons have increased over the years; the respective numbers were 7.13 and 5.07 in 2010. Further, the ratio of private credit to GDP too has increased for India and stood at 56.1 per cent as at end-March 2010.

**Source**: Kiatchai Sophastienphong and Anoma Kulathunga (2009), *Getting Finance in South Asia 2009- Indicators and Analysis of the Commercial Banking Sector*, World Bank.

[18] See Kiatchai Sophastienphong and Anoma Kulathunga (2009), *Getting Finance in South Asia 2009- Indicators and Analysis of the Commercial Banking Sector*, World Bank.

4.81 Micro-finance has been another important component of the financial inclusion process in India. Micro-finance is defined as provision of thrift, credit and financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improving living standards. The Self-Help Group-Bank Linkage Programme (SBLP), which started as a pilot programme in 1992 has developed with rapid strides over the years. In 2009-10, 1.59 million new SHGs were credit-linked with banks, and bank loan of ₹14,453 crore (including repeat loan) was disbursed to these SHGs. Further, at end-March 2010, 6.95 million SHGs maintained savings accounts with banks (Table IV.35). On an average, the amount of savings per SHG was ₹8,915 as compared to the amount of credit outstanding of ₹57,795 in 2009-10. While there was a continued increase in the amount of credit outstanding per SHG, there was a fluctuating trend in the amount of saving per SHG in the recent years (Chart IV.30).

**Table IV.35: Progress of Micro-finance Programmes**

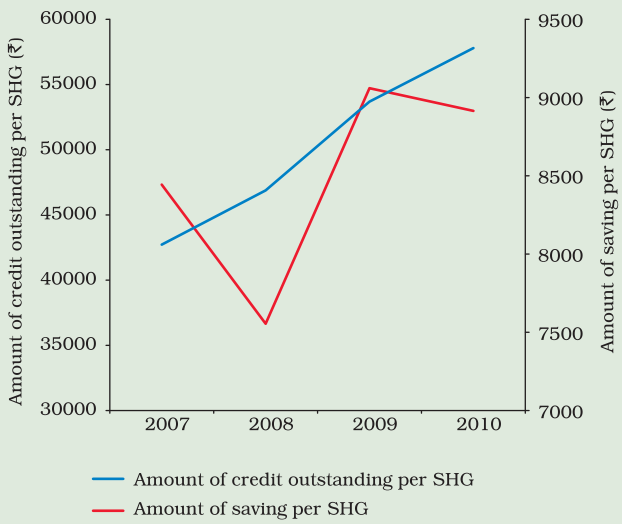
(As at end-March)

| Item | Self-Help Groups | | | |
|---|---|---|---|---|
| | Number (in million) | | Amount (₹ crore) | |
| | 2008-09 | 2009-10 | 2008-09 | 2009-10 |
| Loans disbursed by banks during the year | 1.61 (0.26) | 1.59 (0.27) | 12,254 (2,015) | 14,453 (2,198) |
| Loans outstanding with banks | 4.22 (0.98) | 4.85 (1.25) | 22,680 (5,862) | 28,038 (6,251) |
| Savings with banks | 6.12 (1.51) | 6.95 (1.69) | 5,546 (1,563) | 6,199 (1,293) |
| | Micro-Finance Institutions* | | | |
| | Number | | Amount (₹ crore) | |
| | 2008-09 | 2009-10 | 2008-09 | 2009-10 |
| Loans disbursed by banks during the year | 581 | 691 | 3,732 | 8,063 |
| Loans outstanding with banks | 1,915 | 1,513 | 5,009 | 10,148 |
| Savings with banks | - | - | - | - |

**Note**: 1) Figures in brackets indicate the details about SHGs covered under Swarnajayanti Gram Swarozgar Yojana (SGSY).
2) * : The actual number of MFIs provided with bank loans would be lower on account of MFIs availing loans from more than one bank.

**Source**: NABARD.

**Chart IV.30: Amount of credit outstanding and saving per SHG**




4.82 Alongside SBLP, Micro-finance Institutions (MFIs), such as Non-Governmental Organisations (NGOs), NBFCs, among others, have emerged as important sources of micro-finance delivery in India. In 2009-10, 691 MFIs were provided loans by banks to the tune of ₹8,063 crore. The growth under the MFI-linkage programme in terms of both number of credit-linked institutions and amount of loans was much higher than the corresponding growth under the SHG-Bank Linkage Programme in 2009-10.

## 11. Spatial and Regional Distribution of Banking Services

4.83 The spatial and regional distribution of banking services provides an insight into the spread and access of banking services and hence, is an important pointer of financial penetration and inclusion. This section sets out the distribution of bank branches across rural and urban areas, and across States/regions. Further, it also maps the distribution of ATMs, another channel of banking services, across rural and urban areas. Finally, it discusses the operations of Indian banks abroad and that of foreign banks in India.

## Distribution of Bank Branches

4.84 The average population per bank branch acts as a basic indicator of the penetration of banking services. Going by this indicator, the penetration of banking services has been on a consistent increase in India in the recent years (Chart IV.31). However, the rate of increase in the penetration of banking services in rural areas was much lower than that in urban areas.[19] This was evident from a comparison of the rate of decline in the population per bank branch in rural and urban areas.

4.85 At the regional level, there was a striking differential in the degree of penetration of banking services. On the one hand were northern, southern and western regions, where the population per bank branch was in the range of 10,000 to 14,000 at end-March 2010. On the other hand, in the central, eastern and north-eastern regions, the population per bank branch was fairly higher in the range of 18,000 to 19,000. It may, however, be emphasised that population per bank branch was on a decline across all regions in the recent years signifying growing penetration of banking services across all regions (Chart IV.32).[20]

4.86 The branch authorisation policy was liberalised in December 2009 giving freedom to domestic scheduled commercial banks to open branches at Tier 3 to 6 centres (with population of up to 49,999 as per the Population Census of 2001) without having the need to take permission from Reserve Bank in each case, subject to reporting. A comparison of newly opened bank branches at Tier 3 to 6 centres between July 2009 and June 2010 with the previous year indicated that the impact of this policy change has been positive. During 2009-10, 1,513 bank branches were opened at Tier 3 to 6 centres, which were higher than the addition of 1,481 branches during 2008-09 reflecting a growth of 2.2 per cent in the number of new branches (Table IV.36).

Chart IV.31: Population per bank branch

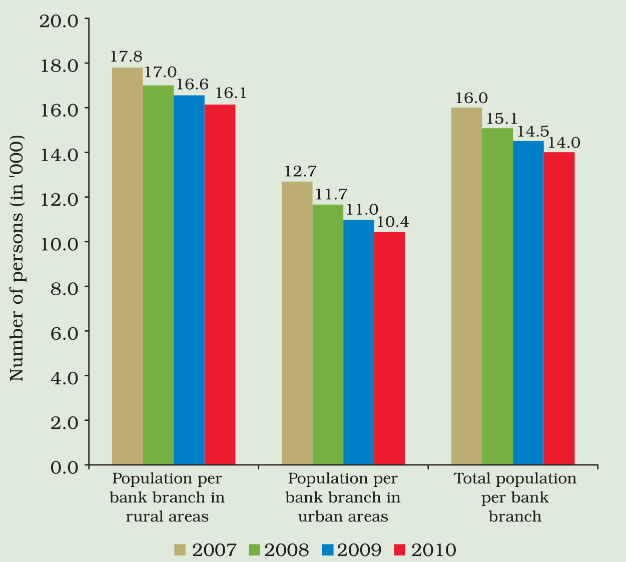
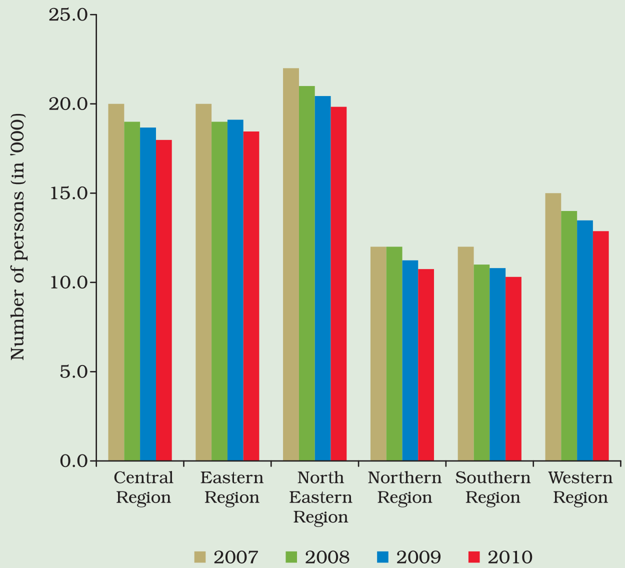



Chart IV.32: Population per bank branch by Region




[19] 'Rural' areas here refer to rural and semi-urban centres together, while 'urban' areas refers to urban and metropolitan centres together.

[20] See *Statistical Tables relating to Banks in India – 2009-10* for the State-level data.

### Table IV.36: Number of Newly Opened Bank Branches at Tier 3-6 Centres

| Item | 2008-09 | 2009-10P |
|---|---|---|
| Total number of newly opened bank branches at Tier 3-6 centres | 1,481<br>(-) | 1,513<br>(2.2) |

**Note**: 1) Figures in parentheses indicate percentage change over the previous year.
2) Data relate to July-June for each year.
3) P – Provisional.

**Source**: Master Office File of banks.

## Distribution of ATMs

4.87 Like bank branches, there was also an increase in the penetration of ATMs in recent years as evident from a fall in the population per ATM (Chart IV.33). While there was greater concentration of ATMs in urban areas than in rural areas, the number and percentage of ATMs in rural areas was on a steady rise in the recent years (Chart IV.34; Table IV.37).[21] The percentage of ATMs located in rural areas accounted for 28.4 per cent of the total ATMs in the country at end-March 2009, which increased to 32.7 per cent at end-March 2010 (Chart IV.34). A large part of the increase in ATMs in rural areas was due to public sector banks. The growing penetration of ATMs in rural areas could also be seen from a continued fall in the population per ATM in rural areas (Chart IV.33).

**Chart IV.34: Percentage share of ATMs located at various centres**

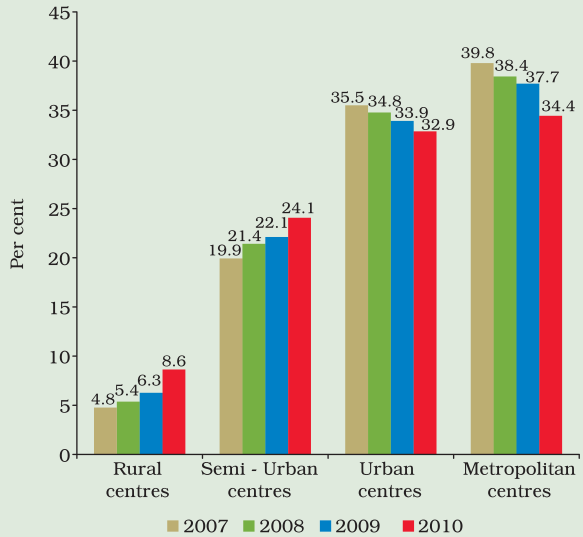
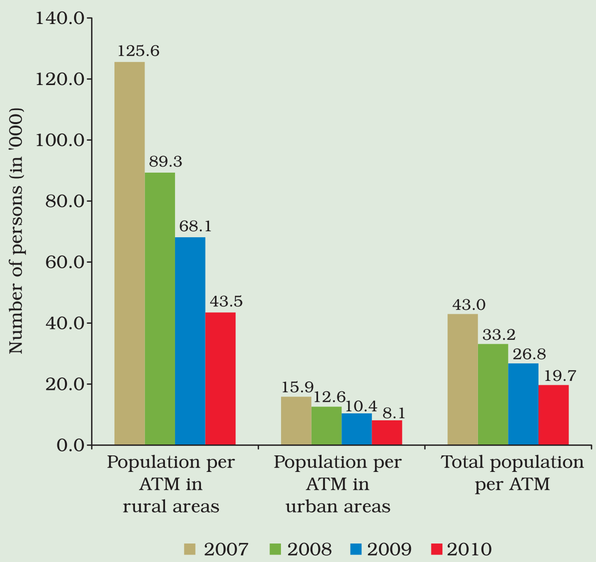



**Chart IV.33: Population per ATM**




### Table IV.37: Number of ATMs Located at Various Centres

| Bank group | (At end-March 2010) | | | | |
|---|---|---|---|---|---|
| | Rural centres | Semi–urban centres | Urban centres | Metro-politan centres | All centres |
| **Public sector banks** | **4,289<br>(10.5)** | **10,968<br>(27.0)** | **13,451<br>(33.1)** | **11,972<br>(29.4)** | **40,680<br>(100.0)** |
| Nationalised Banks | 1,669<br>(8.5) | 4,325<br>(22.0) | 6,726<br>(34.1) | 6,982<br>(35.4) | 19,702<br>(100.0) |
| State Bank Group | 2,620<br>(12.5) | 6,643<br>(31.7) | 6,725<br>(32.1) | 4,990<br>(23.8) | 20,978<br>(100.0) |
| **Private Sector Banks** | **901<br>(4.9)** | **3,499<br>(19.0)** | **6,124<br>(33.2)** | **7,923<br>(43.0)** | **18,447<br>(100.0)** |
| Old Private Sector Banks | 265<br>(7.8) | 1,019<br>(30.1) | 1,215<br>(35.8) | 891<br>(26.3) | 3,390<br>(100.0) |
| New Private Sector Banks | 636<br>(4.2) | 2,480<br>(16.5) | 4,909<br>(32.6) | 7,032<br>(46.7) | 15,057<br>(100.0) |
| **Foreign Banks** | **6<br>(0.6)** | **11<br>(1.1)** | **188<br>(18.3)** | **821<br>(80.0)** | **1,026<br>(100.0)** |
| **Total** | **5,196<br>(8.6)** | **14,478<br>(24.1)** | **19,763<br>(32.9)** | **20,716<br>(34.4)** | **60,153<br>(100.0)** |

**Note:** Figures in parentheses indicate percentage shares with respect to total ATMs under each bank group.

[21] Rural' areas here refer to rural and semi-urban centres together, while 'urban' areas refers to urban and metropolitan centres together.

## Distribution of Bank Credit and Deposits

4.88 The spatial distribution of bank credit showed high level of concentration of credit at the top 100 centres. At end-March 2010, the top 100 centres accounted for 78.0 per cent of the total bank credit in India, which was marginally lower than that at end-March 2009 (Chart IV.35). The top 100 centres, however, accounted for only 69.4 per cent of the total deposits mobilised at end-March 2010.[22]

4.89 At the regional level too, bank credit was concentrated in the western, southern and northern regions of the country (Chart IV.36). The amount of credit per capita in the western region was about 11 times the corresponding amount in the north-eastern region and about six to eight times the amount in the central and eastern regions at end-March 2010. The differential was less wide in the case of deposits per capita; the amount of deposits per capita in the western region was about four to five times the corresponding amount in the north-eastern, central and eastern regions. Moreover,

**Chart IV.35: Share of top 100 centres in total amount of deposits and bank credit**

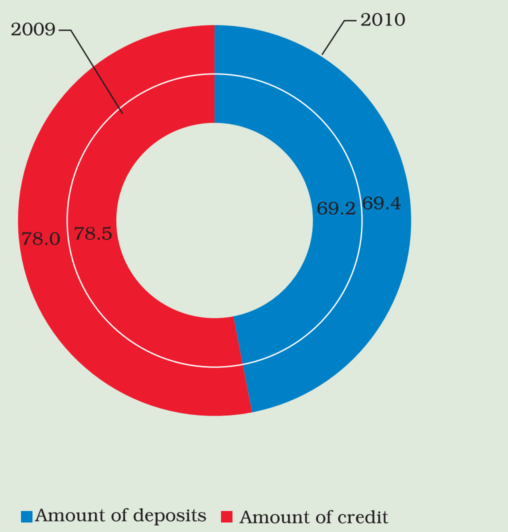
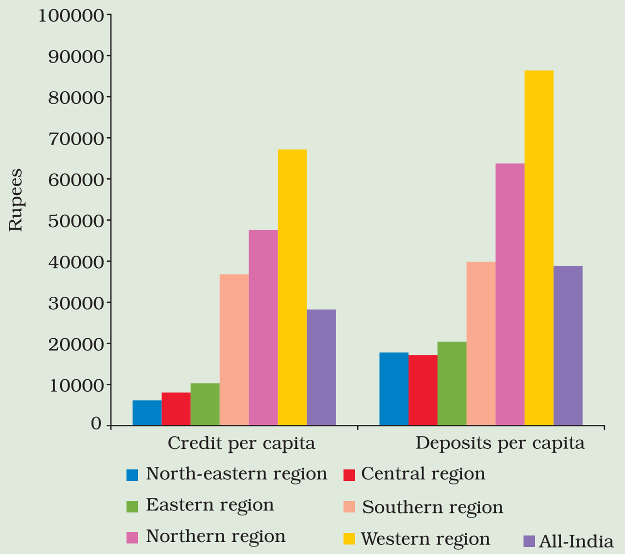



**Chart IV.36: Region-wise amount of credit and deposits per capita, end-March 2010**




the credit-deposit ratio in the southern, western and northern regions was significantly higher than that in the eastern, central and north-eastern regions at end-March 2010 (Appendix Table IV.13).

## Foreign Banks' Operations in India and Overseas Operations of Indian Banks

4.90 There has been a steady increase in the number of foreign banks and their branches operating in India. At end-September 2010, 34 foreign banks (from 24 countries) were operating in India as compared to 32 banks at end-June 2009. The total number of branches too increased to 315 in 2010 from 293 in 2009. In addition, 45 foreign banks operated in India through representative offices in 2010 as against 43 in 2009. The largest branch network of foreign banks in India was that of Standard Chartered Bank followed by HSBC Ltd., Citibank and the Royal Bank of Scotland N.V.

4.91 Between July 2009 and September 2010, permission was granted to four existing

[22] See *Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks* for detailed State level data.

foreign banks to open seven branches and to three new foreign banks, *viz*., Sberbank (Russia), ANZ Bank (Australia) and Credit Suisse AG (Switzerland) to open one branch each in India. Permission was also granted to two foreign banks *viz*., CIMB Bank (Malaysia) and LA Caixa (Spain) to open a representative office each in India.

4.92 During 2009-10, Indian banks continued to expand their presence overseas. Between July 2009 and September 2010, Indian banks opened seven branches, one subsidiary and five representative offices abroad. At end-September 2010, 22 Indian banks (16 public sector and 6 private sector banks) operated through a network of 233 overseas offices (Table IV.38). While Bank of Baroda had the largest overseas branch network, the presence of State Bank of India in the overseas banking system was increasingly felt, as the Bank expanded its branch network by four new branches during 2009-10.

4.93 The number of foreign banks' branches in India has generally exceeded the number of Indian banks' branches aboard, as growth in the former has been faster than that in the latter in the recent years (Chart IV.37).

## 12. Regional Rural Banks

4.94 Regional Rural Banks (RRBs) were created with the objective of combining the good

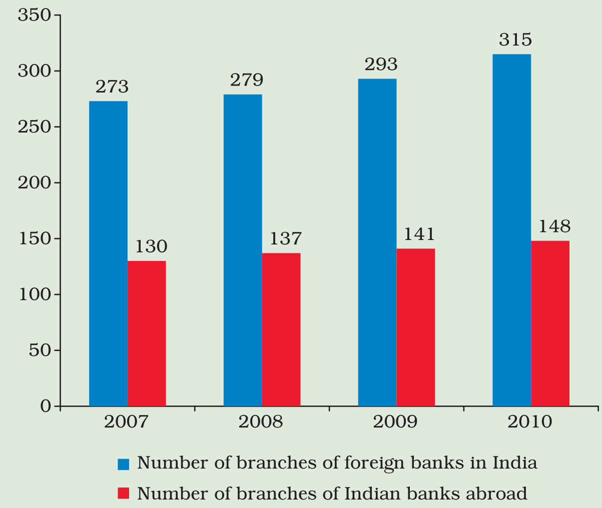
**Table IV.38: Overseas Operations of Indian Banks**

(Actually Operational)

| Name of the Bank | Branch | | Subsidiary | | Representative Office | | Joint Venture Bank | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **I. Public Sector Banks** | **130** | **137** | **18** | **20** | **34** | **39** | **7** | **7** | **189** | **203** |
| 1 Allahabad Bank | 1 | 1 | - | - | 1 | 1 | - | - | **2** | **2** |
| 2 Andhra Bank | - | - | - | - | 2 | 2 | - | - | **2** | **2** |
| 3 Bank of Baroda | 46 | 46 | 8 | 9 | 3 | 3 | 1 | 1 | **58** | **59** |
| 4 Bank of India | 24 | 24 | 3 | 3 | 5 | 5 | 1 | 1 | **33** | **33** |
| 5 Canara Bank | 3 | 4 | - | - | - | 1 | - | - | **3** | **5** |
| 6 Corporation Bank | - | - | - | - | 2 | 2 | - | - | **2** | **2** |
| 7 Indian Bank | 3 | 3 | - | - | - | - | - | - | **3** | **3** |
| 8 Indian Overseas Bank | 6 | 6 | 1 | 1 | 3 | 4 | - | - | **10** | **11** |
| 9 IDBI Bank Ltd. | - | 1 | - | - | - | - | - | - | **-** | **1** |
| 10 Punjab National Bank | 3 | 4 | 1 | 2 | 4 | 4 | 1 | 1 | **9** | **11** |
| 11 State Bank of India | 38 | 42 | 5 | 5 | 8 | 8 | 4 | 4 | **55** | **59** |
| 12 Syndicate Bank | 1 | 1 | - | - | - | - | - | - | **1** | **1** |
| 13 UCO Bank | 4 | 4 | - | - | 2 | 2 | - | - | **6** | **6** |
| 14 Union Bank | 1 | 1 | - | - | 3 | 5 | - | - | **4** | **6** |
| 15 United Bank of India | - | - | - | - | - | 1 | - | - | **-** | **1** |
| 16 Oriental Bank of Commerce | - | - | - | - | 1 | 1 | - | - | **1** | **1** |
| **II. New Private Sector Banks** | **11** | **11** | **3** | **3** | **16** | **16** | **-** | **-** | **30** | **30** |
| 17 Axis Bank | 3 | 3 | - | - | 2 | 2 | - | - | **5** | **5** |
| 18 HDFC Bank Ltd. | 1 | 1 | - | - | 2 | 2 | - | - | **3** | **3** |
| 19 ICICI Bank Ltd. | 7 | 7 | 3 | 3 | 8 | 8 | - | - | **18** | **18** |
| 20 IndusInd Bank Ltd. | - | - | - | - | 2 | 2 | - | - | **2** | **2** |
| 21 Federal Bank Ltd. | - | - | - | - | 1 | 1 | - | - | **1** | **1** |
| 22 Kotak Mahindra Bank Ltd. | - | - | - | - | 1 | 1 | - | - | **1** | **1** |
| **Total** | **141** | **148** | **21** | **23** | **50** | **55** | **7** | **7** | **219** | **233** |

**Note**: 1) -: Nil.
2) Data relate to end-September.

**Chart IV.37: Number of branches of foreign banks in India and Indian banks abroad**




**Note:** The numbers exclude representative offices.

features of cooperatives and commercial banks to provide regionally oriented institutions that could direct credit to the under-privileged sections of the rural population. Thus, RRBs can be regarded as an ideal institution for achieving financial inclusion in rural areas. With the onset of financial sector reforms, a number of changes were brought about in the policy framework relating to RRBs to impart operational freedom to these institutions and improve their weakening financial health. These changes were primarily reflected in the restructuring and amalgamation, recapitalisation of RRBs along with the application of prudential regulatory framework to these institutions.

4.95 In 2009-10, the consolidated balance sheet of RRBs showed accelerated growth of 22.2 per cent as compared to 16.5 per cent during the previous year. On the liabilities side, deposits propelled the growth in balance sheets of RRBs, while on the assets side, the growth was mainly on account of investments. It may be noted that the credit-deposit ratio of RRBs in 2009-10 stood at 57.6 per cent, a level far lower than that of SCBs (Table IV.39).

4.96 Out of 82 RRBs, 79 RRBs were in profits during 2009-10 indicating an increase in the share of profit-making RRBs to 96.3 per cent during this year as compared to 93.0 per cent in the previous year. On the whole, all RRBs taken together reported a net profit of ₹1,884 crore showing a growth of 41.1 per cent in 2009-10. As a result, there was a marginal rise in the Return on Assets (RoA) of RRBs from 1.0 per cent in 2008-09 to 1.1 per cent in 2009-10 (Table IV.40). The RoA of RRBs in 2009-10 thus worked out to be relatively higher than that of SCBs.

4.97 In line with their role in furthering financial inclusion, priority sectors, which have

**Table IV.39: Consolidated Balance Sheet of Regional Rural Banks**

(Amount in ₹ crore)

| Item | At end-March | | Percentage variation |
|---|---|---|---|
| | 2009 | 2010P | |
| **Share Capital** | **197** | **197** | **-** |
| **Reserves** | **6,754** | **8,065** | **19.4** |
| **Share Capital Deposits** | **3,959** | **3,985** | **0.7** |
| **Deposits** | **1,20,189** | **1,45,035** | **20.7** |
| Current | 6,432 | 8,065 | 25.4 |
| Savings | 63,675 | 75,906 | 19.2 |
| Term | 50,082 | 61,064 | 21.9 |
| **Borrowings from** | **12,735** | **18,770** | **47.4** |
| NABARD | 8,690 | 12,521 | 44.1 |
| Sponsor Bank | 3,931 | 6,165 | 56.8 |
| Others | 114 | 84 | -26.3 |
| **Other Liabilities** | **6,820** | **8,041** | **17.9** |
| **Total Liabilities/Assets** | **1,50,654** | **1,84,093** | **22.2** |
| **Cash in Hand** | **1,587** | **1,784** | **12.4** |
| **Balances with RBI** | **5,882** | **8,145** | **38.5** |
| **Other Bank Balances** | **31,865** | **39,102** | **22.7** |
| **Investments** | **37,984** | **47,289** | **24.5** |
| **Loans and Advances (net)** | **65,609** | **79,157** | **20.6** |
| **Fixed Assets** | **278** | **379** | **36.3** |
| **Other Assets #** | **7,449** | **8,237** | **10.6** |
| 1 Credit -Deposit Ratio | 56.4 | 57.6 | - |
| 2 Investment - Deposit Ratio | 54.8 | 50.2 | - |
| 3 (Credit + Investment) -Deposit Ratio | 111.3 | 107.8 | - |

**Note:** 1) P : Provisional
2) # : Includes accumulated losses.
**Source**: NABARD.

**Table IV.40: Financial Performance of Regional Rural Banks**

(Amount in ₹ crore)

| Sr. No. | Item | 2008-09 (86) | 2009-10P (82) | Percentage variation |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| **A** | **Income (i + ii)** | **11,388** | **13,835** | **21.5** |
| | i Interest income | 10,579 | 12,945 | 22.4 |
| | ii Other income | 810 | 890 | 9.9 |
| **B** | **Expenditure (i+ii+iii)** | **10,053** | **11,951** | **18.9** |
| | i Interest expended | 6,100 | 7,375 | 20.9 |
| | ii Operating expenses | 3,165 | 3,547 | 12.1 |
| | *of which,* | | | |
| | Wage bill | 2,291 | 2,676 | 16.8 |
| | iii Provisions and contingencies | 788 | 1,029 | 30.6 |
| **C** | **Profit** | | | |
| | i Operating profit | 2,123 | 2,913 | 37.2 |
| | ii Net profit | 1,335 | 1,884 | 41.1 |
| **D** | **Total assets** | **1,50,654** | **1,84,093** | **22.2** |
| **E** | **Financial ratios#** | | | |
| | i Operating profit | 1.5 | 1.7 | - |
| | ii Net profit | 1.0 | 1.1 | - |
| | iii Income (a + b) | 8.3 | 8.3 | - |
| | (a) Interest income | 7.7 | 7.7 | - |
| | (b) Other income | 0.6 | 0.5 | - |
| | iv Expenditure (a+b+c) | 7.3 | 7.1 | - |
| | (a) Interest expended | 4.4 | 4.4 | - |
| | (b) Operating expenses | 2.3 | 2.1 | - |
| | *of which,* Wage Bill | 1.7 | 1.6 | - |
| | (c) Provisions and contingencies | 0.6 | 0.6 | - |

**Note**: 1) P- Provisional
2) Financial ratios are with respect to average total assets.
3) Figures in parentheses refer to the total number of RRBs.

**Source**: NABARD.

**Table IV.41: Purpose-wise Distribution of Credit from Regional Rural Banks**

(Amount in ₹ crore)

| Purpose | As at end-March 2009 | As at end-March 2010P |
|---|---|---|
| **I. Agriculture (i to ii)** | **37,367** (55.1) | **45,829** (54.8) |
| i Short-term credit (crop loans) | 26,652 | 33,208 |
| ii Term credit (for agriculture and allied activities) | 10,715 | 12,621 |
| **II. Non-agriculture (i to iv)** | **30,435** (44.8) | **37,733** (45.1) |
| i Rural artisans | 772 | 857 |
| ii Other industries | 1,656 | 1,694 |
| iii Retail trade | 4,690 | 5,285 |
| iv Other purposes | 23,317 | 29,897 |
| **Total (I+II)** | **67,802** | **83,562** |
| *Memo item :* | | |
| (a) Priority sector | 56,555 | 68,660 |
| (b) Non-Priority sector | 11,247 | 14,902 |
| (c) Percentage share of priority sector in total credit | 83.4 | 82.2 |

**Note:** 1) P : Provisional.
2) Figures in parentheses indicate percentage share in total credit.

**Source** : NABARD.

generally constituted a major portion of the total advances of RRBs, occupied a share of about 82 per cent in their total advances at end-March 2010 (Table IV.41). Importantly, however, the share of agricultural credit in total credit from RRBs was on a declining trend in the recent years.

## 13. Local Area Banks

4.98 Local Area Banks (LABs) are a small but a vital component of the banking system in India. The LABs Scheme was introduced in 1996 with the objective of bridging gaps in credit availability and enhancing the institutional credit framework to provide efficient and competitive financial intermediation with a specialised local focus in rural and semi-urban areas. Although six LABs were licensed, as of now, only four LABs are functioning. This section discusses the performance of LABs during 2009-10 and highlights the major issues relating to the operation of these institutions.

4.99 The efficiency and profitability of LABs at the aggregate level measured by both RoA and NIM has been fairly higher than SCBs (Chart IV.38). There was a decline in both RoA and NIM in 2009-10 similar to that of SCBs partly reflective of the low interest rate environment that prevailed during most part of this year (Table IV.42).

4.100 Notwithstanding their higher efficiency, there were a number of issues of concern about the operation of LABs. First, a scrutiny of the bank-level data of LABs indicated that there was considerable concentration of the business in one LAB, namely Capital Local Area Bank making up over 68.8 per cent of the total assets

**Chart IV.38: Return on Assets and Net Interest Margin of LABs**


and about 69.1 per cent of the total banking business of the LABs at end-March 2010 (Table IV.43). Secondly, as noted by the Review Group of 2002 which looked into the working of LABs, these institutions had a limited capital base and hence, were not in a position to absorb the unexpected losses. Hence, the Group had recommended stepping up their net worth of ₹25 crore. However, except Capital Local Area Bank, other LABs had not been able to meet this target. At end-March 2010, Capital Local Area Bank had a net worth of ₹45.9 crore, while Coastal Local Area Bank had net worth of ₹18.7

## Table IV.42: Financial Performance of Local Area Banks

(Amount in ₹ crore)

| Item | 2008-09 | 2009-10 | Percentage variation |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| **A. Income (i+ii)** | **91** | **104** | 14.3 |
| i) Interest income | 75 | 86 | 14.3 |
| ii) Other income | 16 | 18 | 14.2 |
| **B. Expenditure (i+ii+iii)** | **76** | **91** | 19.1 |
| i) Interest expended | 42 | 51 | 22.8 |
| ii) Provisions and contingencies | 8 | 8 | 1.1 |
| iii) Operating expenses | 27 | 32 | 18.6 |
| *of which* : Wage bill | 12 | 14 | 14.9 |
| **C. Profit** | | | |
| **i) Operating profit** | **22** | **20** | -7.1 |
| **ii) Net profit** | **14** | **13** | -11.5 |
| **D. Spread (net interest income)** | **33** | **34** | 3.7 |
| **E. Total assets** | **787** | **946** | 20.2 |
| **F. Financial ratios** | | | |
| i) Operating profit | 3.0 | 2.4 | - |
| ii) Net profit | 2.0 | 1.4 | - |
| iii) Income | 12.6 | 12.0 | - |
| iv) Interest income | 10.4 | 9.9 | - |
| v) Other income | 2.2 | 2.1 | - |
| vi) Expenditure | 10.6 | 10.5 | - |
| vii) Interest expended | 5.8 | 5.9 | - |
| viii) Operating expenses | 3.8 | 3.7 | - |
| ix) Wage bill | 1.7 | 1.6 | - |
| x) Provisions and contingencies | 1.1 | 0.9 | - |
| xi) Spread (net interest income) | 4.6 | 4.0 | - |

**Note:** All ratios under 'F' are with respect to average total assets.
**Source:** Based on Off-site returns (domestic).

## Table IV.43: Profile of Local Area Banks
(As at end-March)

(Amount in ₹ crore)

| Bank | Assets | | Deposits | | Gross Advances | |
|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Capital Local Area Bank Ltd. | 549<br>(69.8) | 651<br>(68.8) | 461<br>(74.8) | 532<br>(72.2) | 296<br>(67.4) | 347<br>(65.0) |
| Coastal Local Area Bank Ltd. | 100<br>(12.7) | 127<br>(13.4) | 73<br>(11.9) | 101<br>(13.7) | 57<br>(13.0) | 84<br>(15.7) |
| Krishna Bhima Samruddhi Local Area Bank Ltd. | 99<br>(12.6) | 120<br>(12.7) | 56<br>(9.1) | 75<br>(10.2) | 64<br>(14.6) | 78<br>(14.6) |
| Subhadra Local Area Bank Ltd. | 39<br>(5.0) | 48<br>(5.1) | 27<br>(4.4) | 29<br>(3.9) | 23<br>(5.2) | 25<br>(4.7) |
| **All LABs** | **787**<br>**(100.0)** | **946**<br>**(100.0)** | **616**<br>**(100.0)** | **737**<br>**(100.0)** | **439**<br>**(100.0)** | **534**<br>**(100.0)** |

**Note:** Figures in parentheses indicate percentage share in total.
**Source:** Based on Off-site returns (domestic).

crore followed by Subhadra Local Area Bank (at ₹17.4 crore) and Krishna Bhima Samruddhi Local Area Bank (at ₹12.9 crore).

## 14. Conclusions

4.101 In 2009-10, the growth in the consolidated balance sheet of SCBs showed signs of slowdown contributed by a decline in the growth of deposits and bank credit similar to the trend noted during 2008-09. The growth in bank credit decelerated on a year-on-year basis reflecting the economic slowdown in the aftermath of the crisis. However, on an intra-year basis, bank credit showed signs of recovery after November 2009, as there was a pick up in growth momentum in the real economy.

4.102 An important development with regard to bank deposits was the rise in the percentage of CASA in 2009-10. As regards investment, there was a recovery in non-SLR investments in 2009-10, which had remained sluggish after the financial crisis. The growth in non-SLR investments was contributed mainly by investments in Mutual Funds (MFs) in 2009-10.

4.103 The growth in profitability of banks exhibited a slowdown contributed by a fall in the growth of income (and expenditure) of SCBs in 2009-10. Every indicator of profitability including RoA, RoE, Net Interest Margin and spread (difference between return and cost of funds) showed a decline at the aggregate level in 2009-10.

4.104 Apart from the decline in profitability, the other emerging concern in 2009-10 was with regard to the asset quality of SCBs. The gross NPA ratio showed an increase by about 0.14 percentage points at the aggregate level contributed by both priority and non-priority sector NPAs. Moreover, the increase in NPAs was owing to an increase in doubtful and loss making assets reflecting worsening of asset quality of banks.

4.105 While gross NPA ratio increased, the coverage ratio of provisions showed a fall at the aggregate level reflecting a weakening cushion to meet NPA losses. However, CRAR of SCBs, which had remained much above the stipulated minimum of 9 per cent in 2008-09 even after migration to Basel II framework, showed a further increase in 2009-10. The leverage ratio of SCBs also showed an increase indicating strengthening of core (Tier I) capital in comparison with the asset base of the banking system.

4.106 As regards financial inclusion, India compares poorly with OECD as well as many of its Asian peer group countries. However, a welcome development in the recent years has been a steady increase in the penetration of bank branches and ATMs (reflected by a decline in population per bank branch/ATM). More importantly, the increased penetration of both branches and ATMs could be seen across rural India. Micro-finance, which has emerged as an important engine for financial inclusion in India, showed further growth in 2009-10, particularly under the MFI-linkage programme as compared to the SHG-Bank Linkage programme. Domestic banks were able to meet their overall priority sector target but their performance in meeting the agricultural and weaker sections sub-targets was relatively weak in 2009-10.

4.107 As regards technological advancement in banks, an important development was the near completion of computerisation and an increase in the extent of adoption of CBS in public sector banks in 2009-10.

4.108 To sum up, in the near future, banking sector needs to support the growth momentum in the economy while giving due attention to the asset quality and prudent provisioning to balance emerging returns and risks. Further, banks need to step up efforts towards financial inclusion using the instrument of scale-neutral technology as this would help in bringing the vast population into the ambit of formal finance and also boost future economic growth coupled with equity.

Chapter V

# Developments in Cooperative Banking

*This chapter analyses the financial performance and soundness of the cooperative sector, both urban and rural, in the context of their role in furthering financial inclusion. The urban cooperative sector reported overall net profits as at end-March 2010 with improved asset quality. The overall financial performance of the rural cooperative sector witnessed some improvement at end-March 2009 over the previous year, though the asset quality deteriorated. However, the financial position of ground level institutions in the rural cooperative sector is a cause for concern as they reported losses alongside a high NPA ratio. Further, the role of the cooperative sector in the Kisan Credit Card Scheme, in terms of number of cards issued as well as amount of credit sanctioned, exhibited a declining trend during the recent years.*

## 1. Introduction

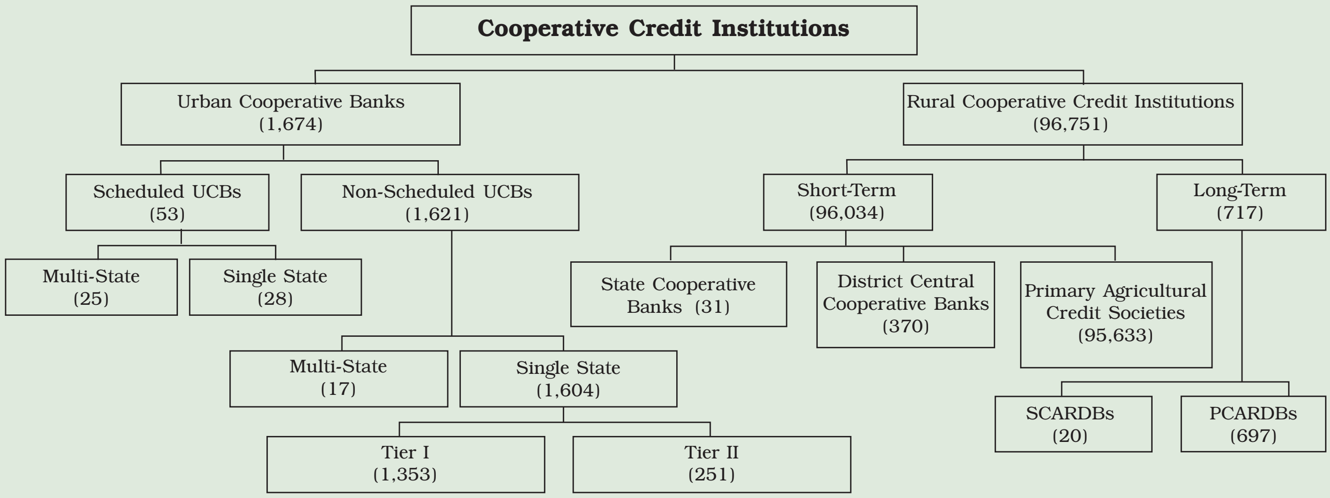
5.1 The wide network of cooperatives, both urban and rural, supplements the commercial bank network in its efforts to deepen financial intermediation by bringing large number of small depositors/borrowers under the formal financial network. However, these two sets of banks are not strictly comparable owing to reasons those stem from their origins, objectives and regulatory environment they are subjected to. Origins of the cooperative movement in India can be traced back to the Cooperative Credit Societies Act, 1904. The wide geographical coverage of cooperatives especially in rural areas was primarily established to save small borrowers hailing from rural areas from usurious interest rates charged by money lenders. Since its inception, it has been playing an important role in the socio-economic development of the country by making available institutional credit at affordable cost particularly to the agricultural sector. In the process, the cooperative movement in India has facilitated the process of financial inclusion. Howsoever, the weak financial position of majority of cooperative credit institutions has been a cause for concern.

5.2 The cooperative sector in India is divided into two major segments, *viz.*, the Urban Cooperative Banks (UCBs) and Rural Cooperatives. As names indicate, UCBs concentrate on credit delivery in urban areas, while Rural Cooperatives concentrate on rural areas. The structure of the cooperative banking sector in India is provided in Chart V.1.

5.3 The regulation of banking-related activities of the UCB sector is under the purview of the Reserve Bank, while the incorporation/registration and management-related activities are regulated by the Registrar of Cooperatives Societies or the Central registrar of cooperative societies as the case may be. In order to deal with the issue of dual control in the regulatory framework of the urban cooperative sector, MoUs have been entered into with the Central Government and all 28 States. Task Forces for Cooperative Urban Banks (TAFCUBs) have also been constituted in all these States and a Central TAFCUB has been constituted for the multi-State UCBs. The regulation and supervision of the rural cooperative sector (State Cooperative Banks (StCBs) and District Central Cooperative Banks (DCCBs)) is much more complex with a triangular structure, where the Registrar of cooperatives, the Reserve Bank and the NABARD are entrusted with separate responsibilities. For the rural cooperative sector, MoUs have been entered into by majority of State Governments with the NABARD.

5.4 In this context, this chapter provides an analysis of recent trends in operations and

**Chart V.1: Structure of Cooperative Credit Institutions in India**
(As at end-March 2010)




SCARDBs: State Cooperative Agriculture and Rural Development Banks.
PCARDBs: Primary Cooperative Agriculture and Rural Development Banks.

**Note**: 1) Figures in parentheses indicate the number of institutions at end-March 2010 for UCBs and at end-March 2009 for rural cooperative credit institutions.
2) For rural cooperatives, number of banks refers to reporting banks.

performance of urban and rural cooperative credit institutions in India using the latest available data. The chapter is organised into five sections. Section 2 discusses business operations and performance of UCBs during 2009-10, while Section 3 focuses on performance of rural cooperative credit institutions during 2008-09. Section 4 documents initiatives taken by NABARD followed by concluding observations in Section 5.

## 2. Urban Cooperative Banks[1]

### Profile of UCBs

5.5 The urban cooperative banking sector comprises a number of institutions which vary in terms of their size, nature of business and geographic spread while concentrating on credit delivery in urban areas. As an outcome of the on-going consolidation of the sector, there was a decline in the number of UCBs at end-March 2010 to 1,674 from 1,721 in the previous year.[2] The progress made so far in the consolidation of the UCB sector is provided in Box V.1.

*Grade-wise Profile of UCBs[3]*

5.6 On account of the consolidation process going on in the UCB sector, percentage of banks in grades III and IV witnessed a declining trend during recent years. Further, the absolute amount of deposits as well as advances with UCBs in grades III and IV also witnessed a decline as at end-March 2010 as compared with the previous year. Accordingly, the percentage of banks in

1 The analysis presented in this section is based on the data collected from supervisory returns of UCBs by the Urban Banks Department of the Reserve Bank.

2 As the number of UCBs varies from year to year, time series data on all indicators of UCBs are not strictly comparable over the years.

3 For regulatory purposes, UCBs are classified into Grades I, II, III and IV based on CRAR, net NPA, and profitability during previous years and compliance with CRR/SLR in the previous financial year. Banks with no supervisory concerns are classified as grade I banks. Banks classified in grade II are also relatively sound while those in grades III and IV are financially weak banks. From the inspection cycle of March 31, 2009, a revised CAMEL rating model has been made applicable to UCBs but rating in respect of all UCBs is yet to be completed.

## Box V.1: Consolidation and Strengthening of the UCB Sector

Weak financial position of a number of UCBs has been the major cause for concern in the UCB sector for decades. The dual regulatory control over this sector contributed a lot to the weak financial position of this sector. To address this issue, the Reserve Bank in March 2005 prepared a vision document and based on that a Medium-Term Framework (MTF), which envisaged regulatory coordination between the two main regulatory authorities of the urban cooperative banking sector, *viz.*, the Reserve Bank and the respective State Governments (Central Government for multi-State UCBs) through signing of a Memorandum of Understanding (MoU) in each State within the existing legal framework.

As on date, MoUs have been entered into with Central Government and all 28 States having presence of UCBs, thus covering the entire UCB sector. Task Force for Cooperative Urban Banks (TAFCUBs) have been constituted in all these States and a Central TAFCUB has also been constituted for the multi-State UCBs. The supervisory actions taken on the basis of recommendations of the TAFCUBs include cancellation of licenses or rejection of license applications of unviable UCBs, supersession of errant Board of Directors, and placing/modification of operational restrictions/directions on the banks. Other important policy measures that were implemented based on a consensus in the TAFCUBs, were Guidelines on 'Fair Practice Code for Lenders' and issue of Guidelines on 'Fit & Proper Criteria' for appointment of CEOs of UCBs. Further, TAFCUBs identify the potentially viable UCBs and suggest solutions for their revival while formulating non-disruptive exit strategies for non-viable banks. The exit of non-viable banks could be through merger/amalgamation with stronger banks, conversion into societies or liquidation, as the last option.

With a view to facilitating consolidation, and non-disruptive and orderly resolution of weak/unviable entities in the UCB sector, the Reserve Bank had framed in February 2005, guidelines for merger/amalgamation of UCBs. In terms of these guidelines, the acquirer bank has to protect deposits of the acquired bank on its own or with upfront financial assistance from the State Government. In order to give a fillip to the process of mergers and consolidation of the sector and to address the legacy cases of UCBs with negative net worth as on March 31, 2007, the Reserve Bank issued in January 2009 additional guidelines for merger/amalgamation of UCBs which provided for DICGC support to the extent and in the manner prescribed under Section 16(2) of the DICGC Act 1961, financial contribution by the acquirer bank and sacrifice of a portion of their deposits by large depositors.

Out of a total of 103 NOCs for merger issued by the Reserve Bank, 91 were in respect of weak banks. Of these 91, 71 mergers have so far been notified by the RCS of the respective States (Table).

As an additional option for resolution of weak UCBs, where proposals for mergers were not forthcoming from within the UCB sector, guidelines were issued by the Reserve Bank in February 2010 for sanction of a scheme of transfer of assets and liabilities (including branches) of UCBs to commercial banks with DICGC support, in legacy cases of banks with negative net worth. These guidelines provide for 100 per cent protection to all depositors and DICGC support is restricted to the amount provided under Section 16(2) of the DICGC Act, 1961. UCBs which had negative net worth as on March 31, 2007 or earlier and continue to have negative net worth as on the date of transfer would be considered eligible under the scheme.

As an incentive, the Reserve Bank would permit the transferee (commercial) bank to take over branches and close down the loss incurring branches of the transferor bank (UCB) with the prior approval of the Reserve Bank. The shifting/relocation of branches of the transferor bank may also be permitted by the Reserve Bank subject to banking facilities being made available to customers through the existing/relocated branches of the transferor/transferee bank.

**Table: Year wise Progress in Mergers/Acquisition of Weak Banks by Strong Banks (NOCs Issued)**
(As on June 30, 2010)

| Sr. No. | Name of the State | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | Total |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Maharashtra | - | 5 | 6 | 11 | 6 | 10 | - | **38** |
| 2 | Gujarat | 1 | 5 | 5 | 6 | 3 | 4 | - | **24** |
| 3 | Andhra Pradesh | - | 2 | 1 | 3 | 1 | 3 | - | **10** |
| 4 | Karnataka | - | - | 3 | 2 | 1 | 1 | - | **7** |
| 5 | Goa | - | 1 | - | - | - | - | - | **1** |
| 6 | Rajasthan | - | - | - | - | - | - | - | **-** |
| 7 | Delhi | - | - | - | - | - | - | - | **-** |
| 8 | Punjab | - | - | 1 | - | - | - | - | **1** |
| 9 | Madhya Pradesh | - | - | 1 | 2 | 1 | 2 | - | **6** |
| 10 | Uttarakhand | - | - | - | 2 | - | - | - | **2** |
| 11 | Chhattisgarh | - | - | - | - | 1 | - | - | **1** |
| 12 | Multi-State | - | 1 | - | - | - | - | - | **1** |
| **Total (1 to 12)** | | **1** | **14** | **17** | **26** | **13** | **20** | **-** | **91** |

'-': Nil.

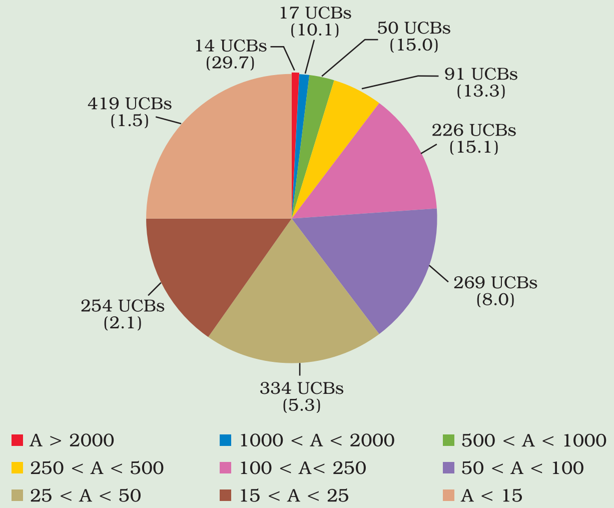
grades I and II as also their share in total deposits and advances of the sector exhibited a rising trend during the recent years. This implies a shift in the concentration of banking business in favour of financially sound UCBs. The value of normalised Herfindahl-Hirschman Index for the UCB sector increased to 0.38 as at end-March 2010 from 0.30 in the previous year, indicating an increase in the concentration of banking business with grade I banks in the sector (Table V.1).[4]

*Size of Assets-wise and Business-wise Profile of UCBs*

5.7 To further understand the extent of concentration in the UCB sector, an analysis of asset size-wise as well as size of deposit and advances-wise profile of UCBs is attempted in this section. The analysis shows that there was an increase in the number of banks as also an increase in the share of banking business in the larger asset-size categories as well as in the larger business-size categories of banks.

5.8 The size of asset-wise distribution of UCBs shows that there was a decline in the number of banks in the category 'asset size below ₹100 crore' with a corresponding increase in the 'above ₹100 crore' category as at end-March 2010 as compared with the previous year. The share of the former category in the total assets of the UCB sector also witnessed a decline as compared with the previous year. Consequently, as at end-March 2010 almost three-fourths of UCBs had assets below ₹100 crore; however, their share in the total assets of the sector was around one sixth of the total assets of the entire sector (Chart V.2).

**Chart V.2: Asset Size-wise Distribution of UCBs**
(As at end-March 2010) (in ₹ crore)




**Note :** 1) 'A' Stands for Assets.
2) Figures in parentheses indicate percentage share of assets.

**Table V.1: Grade-wise Distribution of Deposits and Advances of Urban Cooperative Banks**
(As at end-March)

(Amount in ₹ crore)

| Grade | Number of UCBs | | UCBs as percentage of total | | Amount of Deposits | | Deposits as percentage to total | | Amount of Advances | | Advances as percentage to total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| I | 845 | 879 | 49.1 | 52.5 | 1,02,330 | 1,28,770 | 65.1 | 70.4 | 61,761 | 77,265 | 64.2 | 70.0 |
| II | 484 | 465 | 28.1 | 27.8 | 30,626 | 34,756 | 19.5 | 19.0 | 18,920 | 21,245 | 19.7 | 19.3 |
| III | 219 | 179 | 12.7 | 10.7 | 7,954 | 7,494 | 5.1 | 4.1 | 5,405 | 4,731 | 5.6 | 4.3 |
| IV | 173 | 151 | 10.1 | 9.0 | 16,131 | 11,842 | 10.3 | 6.5 | 10,148 | 7,062 | 10.5 | 6.4 |
| **Total** | **1,721** | **1,674** | **100.0** | **100.0** | **1,57,041** | **1,82,862** | **100.0** | **100.0** | **96,234** | **1,10,303** | **100.0** | **100.0** |
| *Memo Item* | | | | | | | | | | | | |
| I+II | 1,329 | 1,344 | 77.2 | 80.3 | 1,32,956 | 1,63,526 | 84.6 | 89.4 | 80,681 | 98,510 | 83.9 | 89.3 |
| III+IV | 392 | 330 | 22.8 | 19.7 | 24,085 | 19,336 | 15.4 | 10.6 | 15,553 | 11,793 | 16.1 | 10.7 |

**Note**: Data for 2010 are provisional.

[4] Normalised Herfindahl-Hirschman Index = [H – (1/N)] / [1 – (1/N)], where H is Herfindahl-Hirschman Index and N is number of banks/firms/groups as the case may be.
$H = \sum_{i=1}^{n} s_i^2$, $S_i$ is the share of $i^{th}$ bank.

5.9 The size of banking business-wise classification of UCBs shows that less than one fifth of total UCBs accounted for more than three fourth of deposits as at end-March 2010. Similarly, a little more than one tenth of total UCBs accounted for almost 70 per cent of total advances as at end-March 2010. Further, the share of UCBs with deposits or advances less than ₹100 crore in the total deposits and advances declined as at end-March 2010 as compared with the previous year (Table V.2).

*Tier-wise and Scheduled Status-wise Profile of UCBs*

5.10 UCBs are also classified into scheduled and non-scheduled as well as into tier I and tier II categories.[5] In terms of number of banks, the sector was dominated by non-scheduled tier I banks, however, in terms of size of the banking business the sector was dominated by scheduled tier II banks. The banking business per UCB was the highest in scheduled tier II banks followed by non-scheduled tier II and non-scheduled tier I. Thus, tier II banks, both scheduled and non-scheduled together, accounted for around 80 per cent of the total banking business of the sector as at end-March 2010 (Table V.3).

5.11 There was a decrease in the number of non-scheduled UCBs at end-March 2010 over the previous year, while the number of scheduled UCBs remained unchanged during the same period. However, the number of tier II UCBs in the non-scheduled sector increased as

**Table V.2: Distribution of Urban Cooperative Banks by Size of Deposits and Advances**
(As at end-March 2010)

(Amount in ₹ crore)

| Deposit base | Distribution of UCBs by Size of Deposits | | | | Advances base | Distribution of UCBs by Size of Advances | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of UCBs | | Deposits | | | Number of UCBs | | Advances | |
| | Number | Percentage share in total | Amount | Percentage share in total | | Number | Percentage share in total | Amount | Percentage share in total |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| $D \geq 1000$ | 25 | 1.5 | 66,401 | 36.3 | $Ad \geq 1000$ | 13 | 0.8 | 31,875 | 28.9 |
| $500 \leq D < 1000$ | 37 | 2.2 | 24,825 | 13.6 | $500 \leq Ad < 1000$ | 18 | 1.1 | 12,768 | 11.6 |
| $250 \leq D < 500$ | 67 | 4.0 | 23,178 | 12.7 | $250 \leq Ad < 500$ | 44 | 2.6 | 15,281 | 13.9 |
| $100 \leq D < 250$ | 196 | 11.7 | 31,108 | 17.0 | $100 \leq Ad < 250$ | 136 | 8.1 | 20,501 | 18.6 |
| $50 \leq D < 100$ | 244 | 14.6 | 17,023 | 9.3 | $50 \leq Ad < 100$ | 149 | 8.9 | 10,439 | 9.5 |
| $25 \leq D < 50$ | 301 | 18.0 | 11,037 | 6.0 | $25 \leq Ad < 50$ | 251 | 15.0 | 9,092 | 8.2 |
| $10 \leq D < 25$ | 435 | 26.0 | 7,247 | 4.0 | $10 \leq Ad < 25$ | 446 | 26.6 | 7,264 | 6.6 |
| $D < 10$ | 369 | 22.0 | 2,043 | 1.1 | $Ad < 10$ | 617 | 36.9 | 3,083 | 2.8 |
| **Total** | **1,674** | **100.0** | **1,82,862** | **100.0** | **Total** | **1,674** | **100.0** | **1,10,303** | **100.0** |
| *Memo Item* | | | | | | | | | |
| $100 \leq D$ | 325 | 19.4 | 1,45,512 | 79.6 | $100 \leq Ad$ | 211 | 12.6 | 80,425 | 72.9 |
| $100 > D$ | 1,349 | 80.6 | 37,350 | 20.4 | $100 > Ad$ | 1,463 | 87.4 | 29,878 | 27.1 |

D: Deposits, Ad: Advances
**Note**: Data are provisional.

[5] Tier I banks: i) Banks having deposits below ₹100 crore operating in a single district, ii) Banks with deposits below ₹100 crore operating in more than one district will be treated as Tier I provided the branches are in contiguous districts and, deposits and advances of branches in one district separately constitute at least 95 per cent of the total deposits and advances, respectively of the bank, and iii) Banks with deposits below ₹100 crore, whose branches were originally in a single district but subsequently became multi-district due to reorganisation of the district are also treated as Tier I.

Tier II banks: All other banks, which are not Tier I, are treated as Tier II banks.

**Table V.3: Profile of Urban Cooperative Banks**
(As at end-March 2010)

(Amount in ₹ crore)

| Category | No. of UCBs | | | Deposits | | | Loans and Advances | | | Assets | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Tier I | Tier II | Total | Tier I | Tier II | Total | Tier I | Tier II | Total | Tier I | Tier II | Total |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| Scheduled | - | 53 | 53 | - | 80,207 | 80,207 | - | 48,951 | 48,951 | - | 1,04,228 | 1,04,228 |
| Non-Scheduled | 1,353 | 268 | 1,621 | 37,350 | 65,305 | 1,02,655 | 22,630 | 38,722 | 61,352 | 50,674 | 81,156 | 1,31,830 |
| **Total** | **1,353** | **321** | **1,674** | **37,350** | **1,45,512** | **1,82,862** | **22,630** | **87,673** | **1,10,303** | **50,674** | **1,85,384** | **2,36,058** |
| *As percentage to all UCBs* | | | | | | | | | | | | |
| Scheduled | - | 3.2 | 3.2 | - | 43.9 | 43.9 | - | 44.4 | 44.4 | - | 44.2 | 44.2 |
| Non-Scheduled | 80.8 | 16.0 | 96.8 | 20.4 | 35.7 | 56.1 | 20.5 | 35.1 | 55.6 | 21.5 | 34.4 | 55.8 |
| **Total** | **80.8** | **19.2** | **100.0** | **20.4** | **79.6** | **100.0** | **20.5** | **79.5** | **100.0** | **21.5** | **78.5** | **100.0** |

'-': Nil.
**Note :** Data are provisional.

at end-March 2010 over the previous year. Thus, the decline in the total number of UCBs was on account of a decline in the non-scheduled Tier I UCBs in Grades III and IV. Since these banks are classified as financially weak, a reduction in the number of these banks implies, *ceteris paribus*, an overall improvement in the financial strength of the sector. This may be attributed to the consolidation process initiated by the Reserve Bank as mentioned in Box V.1.

## Balance Sheet Operations of UCBs

5.12 Balance sheets of UCBs expanded at a higher rate at end-March 2010 over the previous year, which can be attributed to deposits on the liability side, and investments and disbursement of loans and advances on the asset side. While the growth of capital accelerated at end-March 2010, reserves also grew at a high rate of around 20 per cent, though at a decelerated pace during the same period. Deposits were the major liability of the UCB sector, implying that the sector is heavily dependent on deposits for resources. On the assets side, while loans and advances constituted almost half of total assets, investments grew at the highest rate constituting a little more than one third of the total assets (Table V.4).

5.13 Balance sheets of scheduled UCBs witnessed higher expansion than the balance sheets of non-scheduled UCBs as at end-March 2010 over the previous year. In both the scheduled and non-scheduled segments, expansion in the balance sheets was contributed by deposits on the liability side. On the asset side, while scheduled UCBs used their funds for disbursements of loans and advances as well as for investments, non-scheduled UCBs used their funds primarily for investments.

### *Investments of Urban Cooperative Banks*

5.14 The investment profile of UCBs shows that majority of investments of UCBs were in SLR instruments, constituting more than 80 per cent of the total investments of UCBs as at end-March 2010. Investments in Central Government securities constituted around half of the total SLR investments as at end-March 2010. Notably, the second major investment of UCBs was term deposits with DCCBs. UCBs were also having considerable amount of term deposits with StCBs. This highlights the interconnectedness of the urban and rural cooperative sectors (Table V.5).

5.15 The non-SLR investments of scheduled UCBs grew at a higher rate than that of non-scheduled UCBs at end-March 2010 over the previous year. On the contrary, SLR investments grew at a higher rate for non-scheduled UCBs as compared to scheduled UCBs (Table V.6).

**Table V.4: Liabilities and Assets of Urban Cooperative Banks**
(As at end-March)

(Amount in ₹ crore)

| Item | Scheduled UCBs | | Non-Scheduled UCBs | | All UCBs | |
|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **Liabilities** | | | | | | |
| 1. Capital | 1,417 | 1,672 | 3,720 | 3,975 | 5,137 | 5,647 |
| | (1.6) | (1.6) | (3.3) | (3.0) | (2.6) | (2.4) |
| 2. Reserves | 9,286 | 10,576 | 11,706 | 14,520 | 20,992 | 25,096 |
| | (10.7) | (10.1) | (10.3) | (11.0) | (10.4) | (10.6) |
| 3. Deposits | 66,713 | 80,207 | 90,329 | 1,02,655 | 1,57,042 | 1,82,862 |
| | (76.9) | (77.0) | (79.1) | (77.9) | (78.2) | (77.5) |
| 4. Borrowings | 1,141 | 1,093 | 566 | 454 | 1,707 | 1,547 |
| | (1.3) | (1.0) | (0.5) | (0.3) | (0.8) | (0.7) |
| 5. Other Liabilities | 8,205 | 10,680 | 7,861 | 10,225 | 16,066 | 20,905 |
| | (9.5) | (10.2) | (6.9) | (7.8) | (8.0) | (8.9) |
| **Assets** | | | | | | |
| 1. Cash in Hand | 543 | 586 | 1,529 | 1,632 | 2,072 | 2,218 |
| | (0.6) | (0.6) | (1.3) | (1.2) | (1.0) | (0.9) |
| 2. Balances with Banks | 5,953 | 6,278 | 10,267 | 6,287 | 16,220 | 12,565 |
| | (6.9) | (6.0) | (9.0) | (4.8) | (8.1) | (5.3) |
| 3. Money at Call and Short Notice | 1,203 | 406 | 727 | 1,060 | 1,930 | 1,466 |
| | (1.4) | (0.4) | (0.6) | (0.8) | (1.0) | (0.6) |
| 4. Investments | 26,629 | 33,427 | 38,475 | 51,920 | 65,104 | 85,347 |
| | (30.7) | (32.1) | (33.7) | (39.4) | (32.4) | (36.2) |
| 5. Loans and Advances | 40,504 | 48,951 | 55,730 | 61,353 | 96,234 | 1,10,304 |
| | (46.7) | (47.0) | (48.8) | (46.5) | (47.9) | (46.7) |
| 6. Other Assets | 11,930 | 14,580 | 7,454 | 9,577 | 19,384 | 24,157 |
| | (13.8) | (14.0) | (6.5) | (7.3) | (9.6) | (10.2) |
| **Total Liabilities/Assets** | **86,762** | **1,04,228** | **1,14,182** | **1,31,829** | **2,00,944** | **2,36,057** |
| | **(100.0)** | **(100.0)** | **(100.0)** | **(100.0)** | **(100.0)** | **(100.0)** |

**Note**: 1) Data for end-March 2010 are provisional.
2) Figures in parentheses are percentages to total liabilities/assets.

### Financial Performance of UCBs

5.16 In response to measures undertaken in the sector, the financial performance of UCBs witnessed considerable improvement over the last one decade. The scheduled UCB sector started reporting overall net profits since 2003-04 as compared with net losses prior to it. Accordingly, the return on assets (RoA) of the scheduled UCB sector witnessed a rising trend during the last one decade. However, owing to the spillover effects of the global financial turmoil, net profits declined during 2008-09 and 2009-10. Consequently, the sector reported lower RoA during the last two years as compared with 2007-08. The decline in RoA was mainly due to a decline in net interest margin (NIM) and non interest margin (Non-IM) during the last two years. An analysis of return on assets (RoA) of the scheduled UCB sector for the last one decade is provided in Box V.2.[6]

[6] The analysis provided in Box V.2 is confined to scheduled UCBs as the time series data on non-scheduled UCBs were not available.

**Table V.5: Investments by Urban Cooperative Banks**
(As at end-March)

(Amount in ₹ crore)

| Item | As at end-March 2009 | As at end-March 2010P | Percentage variation 2010P |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| **Total Investments (A+B)** | **65,104 (100.0)** | **85,347 (100.0)** | 31.1 |
| **A. SLR Investments (i to vi)** | **54,871 (84.3)** | **69,338 (81.2)** | 26.4 |
| i) Central Government Securities | 34,187 (52.5) | 40,656 (47.6) | 18.9 |
| ii) State Government Securities | 4,342 (6.7) | 6,833 (8.0) | 57.4 |
| iii) Other Approved Securities | 410 (0.6) | 393 (0.5) | -4.1 |
| iv) Term Deposits with StCBs | 5,281 (8.1) | 6,189 (7.3) | 17.2 |
| v) Term Deposits with DCCBs | 9,116 (14.0) | 13,850 (16.2) | 51.9 |
| vi) Others, if any | 1,535 (2.4) | 1,417 (1.7) | -7.7 |
| **B. Non-SLR Investments** | **10,233 (15.7)** | **16,009 (18.8)** | 56.4 |

P: Provisional.
**Note:** 1) Non-SLR investments include commercial papers, debentures, bonds and units of debt and money market mutual funds.
2) Figures in parentheses are percentages to total.

5.17 All major items of the profit and loss account of the UCB sector witnessed deceleration as at end-March 2010 over the previous year. However, the deceleration was more on the income side than on the expenditure side leading to lower overall operating profits as compared with the previous year. Though there was a decline in provisions and contingencies, it could not compensate for the decline in operating profits. Net profits, therefore, witnessed a decline at end-March 2010 as compared with the previous year. Accordingly, there was a decline in the return on assets (RoA) as well as net interest margin (NIM) of the sector as at end-March 2010 over end-March 2009. The non-interest margin continued to be negative at end-March 2010 as in the previous year. The non-interest income registered an absolute decline at end-March 2010 over the previous year.

5.18 The interest income of scheduled UCBs grew at a higher rate than that of non-scheduled UCBs at end-March 2010 over the previous year. Despite this, the non-scheduled UCBs were able to post higher net profits because of the deceleration in operating expenses, especially the staff expenses during the same period. The non-interest income of both the scheduled and non-scheduled sectors posted a decline as at end-March 2010 over the previous year (Table V.7).

5.19 Accordingly, while the RoA of scheduled UCB sector witnessed a decline, the RoA of the

**Table V.6: Composition of Investments of Scheduled and Non-Scheduled Urban Cooperative Banks**
(As at end-March)

(Amount in ₹ crore)

| Item | Non-Scheduled UCBs 2008-09 | Non-Scheduled UCBs 2009-10P | Scheduled UCBs 2008-09 | Scheduled UCBs 2009-10P | All UCBs 2008-09 | All UCBs 2009-10P |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| SLR investments | 31,587 (82.1) | 41,293 (79.5) | 23,284 (87.4) | 28,045 (83.9) | 54,871 (84.3) | 69,338 (81.2) |
| Non-SLR investments | 6,888 (17.9) | 10,627 (20.5) | 3,345 (12.6) | 5,382 (16.1) | 10,233 (15.7) | 16,009 (18.8) |
| **Total Investments** | **38,475 (100.0)** | **51,920 (100.0)** | **26,629 (100.0)** | **33,427 (100.0)** | **65,104 (100.0)** | **85,347 (100.0)** |

P : Provisional.
**Note:** Figures in parentheses are percentages to total.

**Box V.2: Actual RoA *vis-à-vis* Potential RoA – An Analysis of Scheduled Urban Cooperative Banks**

The return on assets of scheduled UCBs witnessed a rising trend over the last one decade. The ROA which was negative up to the year 2002-03, turned out to be positive in the year 2003-04 and remained positive thereafter. However, during the last two years, RoA exhibited a declining trend.

An attempt has been made to understand the deviation of actual RoA from its potential during the last one decade. The potential RoA is arrived at by taking the highest net interest margin (NIM) and non-interest margin (Non-IM), and the lowest provisioning requirements achieved during the last one decade (Table).

It is visible from the chart that actual RoA deviated from its potential throughout the decade. The analysis shows that the deviation of actual RoA from its potential was mainly due to higher provisioning requirements during the first half of the decade. However, during the later years there was an improvement in the asset quality of the sector and as such the provisioning requirements declined. Thus, in the latter half of the decade, the RoA did not reach its potential level mainly because of a lower NIM and Non-IM. However, the unrealised portion of RoA due to lower Non-IM was higher than that due to lower NIM during the second half of the decade. Thus, it is clear that the negative and declining Non-IM is the major factor which is putting a downward pressure on the actual RoA of the scheduled UCB sector followed by NIM. During the last two years NIM as well as non-IM of UCBs witnessed a declining trend.

**Chart : Decomposition of Unrealised RoA of Scheduled UCBs**

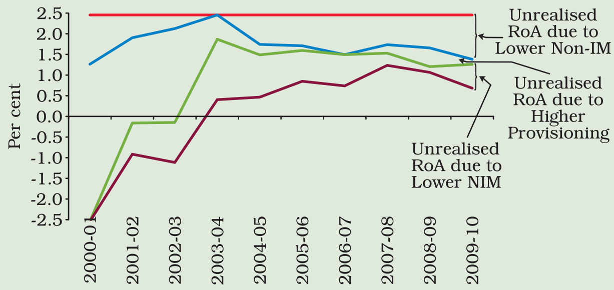



**Table : Return on Assets of Scheduled UCBs**

| Item | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. NIM | **3.1** | 2.3 | 2.1 | 1.6 | 2.0 | 2.3 | 2.3 | 2.8 | 2.9 | 2.5 |
| 2. Non-IM | -1.4 | -0.7 | -0.5 | **-0.2** | -0.9 | -0.9 | -1.1 | -0.9 | -1.0 | -1.2 |
| 3. Prov/Assets | 4.2 | 2.5 | 2.7 | 1.0 | 0.7 | 0.5 | **0.4** | 0.6 | 0.9 | 0.6 |
| 4. $RoA_{potential}$ | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| 5. RoA 1 | 1.3 | 1.9 | 2.1 | 2.5 | 1.7 | 1.7 | 1.5 | 1.7 | 1.7 | 1.4 |
| 6. RoA 2 | -2.5 | -0.2 | -0.1 | 1.9 | 1.5 | 1.6 | 1.5 | 1.5 | 1.2 | 1.3 |
| 7. $RoA_{actual}$ | -2.5 | -0.9 | -1.1 | 0.4 | 0.5 | 0.9 | 0.7 | 1.2 | 1.1 | 0.7 |

$RoA_{potential}$ : Arrived at using highest NIM and Non-IM, and lowest provisioning.
RoA 1 : Arrived at using highest NIM and lowest provisioning along with the actual Non-IM.
RoA 2 : Arrived at using highest NIM along with the actual provisioning and Non-IM.

**Note :** 1) Figures given in bold are maximum NIM and Non-IM, and minimum Provisioning to assets achieved by scheduled UCBs during the last one decade.
2) Data for 2009-10 are provisional.

non-scheduled sector increased. Bank-wise RoAs of the scheduled UCB sector revealed that a few banks are incurring heavy losses, while some others are at the margin, *i.e.*, almost no profit no loss position, and majority of banks are placed within the band 0 to 1 per cent. The presence of loss making banks, especially in the scheduled UCB sector is a cause for concern as banks in the scheduled UCB sector are large sized banks handling considerable banking business (Chart V.3, and Appendix Tables V.1 and V.2).

## Financial Soundness of UCBs

*Asset Quality*

5.20 There was an improvement in the asset quality of the entire UCB sector both in absolute and percentage terms as at end-March 2010 over the previous year. However, both gross as well as net non-performing loans of the UCB sector continued to be on the higher side (Chart V.4).

5.21 Along with a decline in the non-performing loans, there was also an increase in

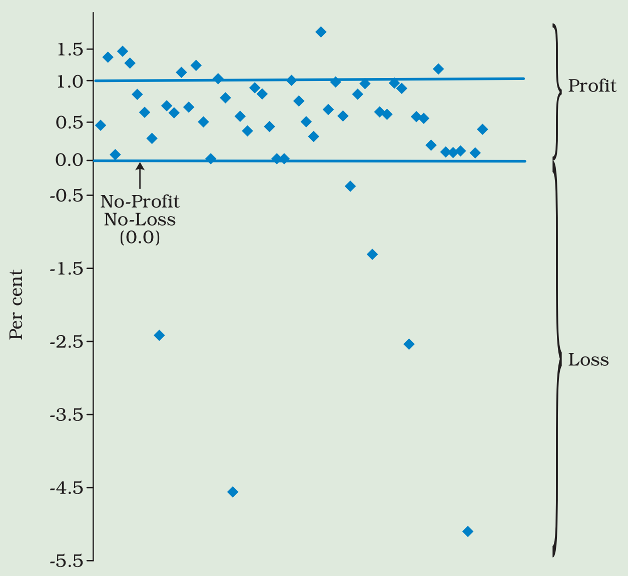
**Table V.7: Financial Performance of Urban Cooperative Banks**
(As at end-March)

(Amount in ₹ crore)

| Item | Scheduled | | Non-Scheduled | | All UCBs | |
|---|---|---|---|---|---|---|
| | 2008-09 | 2009-10P | 2008-09 | 2009-10P | 2008-09 | 2009-10P |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **A. Total Income (i+ii)** | **7,714** | **8,341** | **10,695** | **11,688** | **18,409** | **20,029** |
| | **(100.0)** | **(100.0)** | **(100.0)** | **(100.0)** | **(100.0)** | **(100.0)** |
| i. Interest Income | 6,803 | 7,593 | 9,828 | 10,865 | 16,631 | 18,458 |
| | (88.2) | (91.0) | (91.9) | (93.0) | (90.3) | (92.2) |
| ii Non-Interest Income | 911 | 748 | 867 | 823 | 1,778 | 1,571 |
| | (11.8) | (9.0) | (8.1) | (7.0) | (9.7) | (7.8) |
| **B. Total Expenditure (i+ii)** | **6,133** | **7,156** | **8,814** | **9,756** | **14,947** | **16,912** |
| | **(100.0)** | **(100.0)** | **(100.0)** | **(100.0)** | **(100.0)** | **(100.0)** |
| i. Interest Expenditure | 4,444 | 5,226 | 6,241 | 7,013 | 10,685 | 12,239 |
| | (72.5) | (73.0) | (70.8) | (71.9) | (71.5) | (72.4) |
| ii. Non-Interest Expenditure | 1,689 | 1,930 | 2,573 | 2,743 | 4,262 | 4,673 |
| | (27.5) | (27.0) | (29.2) | (28.1) | (28.5) | (27.6) |
| *of which:* Staff Expenses | 815 | 1,192 | 1,548 | 1,670 | 2,363 | 2,862 |
| **C. Profit** | | | | | | |
| i. Amount of operating profit | 1,581 | 1,185 | 1,881 | 1,931 | 3,461 | 3,116 |
| ii. Provisions, contingencies, taxes | 719 | 533 | 1,180 | 1,099 | 1,899 | 1,632 |
| iii. Amount of net profit | 862 | 652 | 701 | 832 | 1,562 | 1,484 |
| *Memo Item* | | | | | | |
| i. Return on Assets | 1.1 | 0.7 | 0.6 | 0.7 | 0.8 | 0.7 |
| ii. Return on Equity | 9.2 | 5.7 | 5.1 | 4.9 | 6.8 | 5.2 |
| iii. Net Interest Margin | 2.9 | 2.5 | 3.3 | 3.1 | 3.1 | 2.8 |
| iv. Non-Interest Margin | -1.0 | -1.2 | -1.6 | -1.6 | -1.3 | -1.4 |

P: Provisional.
**Note**: 1) Figures in parentheses are percentages to total.
2) Ratios given as memo items are derived using average assets or equity as the denominator.

**Chart V.3: Return on Assets of Scheduled UCBs**



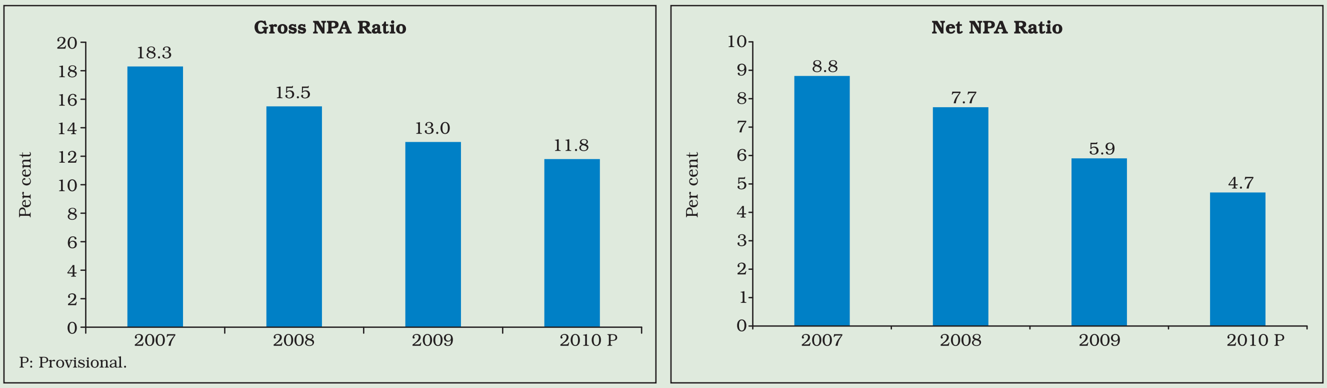

the coverage ratio of UCBs at end-March 2010 over the previous year, indicating improvement in the financial soundness of the sector (Table V.8).

*Capital Adequacy*

5.22 As at end-March 2010, dominant portion of UCBs were complying with the minimum CRAR norm of 9 per cent. Nonetheless, about 13.7 per cent of total UCBs fell short of meeting the regulatory norm with regard to capital adequacy. Leverage was higher in the case of scheduled UCBs as compared with the non-scheduled category (Table V.9).

5.23 Bank-wise data on CRAR of scheduled UCBs indicated that though majority of them

**Chart V.4: NPA Ratios of Urban Cooperative Banks**




P: Provisional.

### Table V.8: Non-Performing Assets of UCBs
(As at end-March)

(Amount in ₹ crore)

| Item | Gross NPA | Net NPA | Provisioning | Coverage Ratio |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 2009 | 12,862 | 5,161 | 7,701 | 59.9 |
| 2010P | 12,727 | 4,724 | 8,003 | 62.9 |

P: Provisional.
**Note**: Coverage ratio is calculated as provisioning to gross NPAs.

**Chart V.5: CRAR of Scheduled UCBs**


**Note**: Four UCBs have been exempted from this chart owing to their very high negative values for the CRAR as at end-March 2010 (See Appendix Table V.1).

were maintaining CRAR above the regulatory minimum of 9 per cent, some of the scheduled UCBs fell short of minimum level, and more alarmingly, nine UCBs within them reported negative CRAR as at end-March 2010 (Chart V.5 and Appendix Table V.1).

### Table V.9: Leverage Ratio (LR) and Distribution of UCBs According to CRAR
(As at end-March 2010)

| Range of CRAR (Per cent) | LR | CRAR<3 | 3≤CRAR<6 | 6≤CRAR<9 | CRAR≥9 |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Non-Scheduled | 14.0 | 135<br>(8.3) | 25<br>(1.5) | 58<br>(3.6) | 1,403<br>(86.6) |
| Scheduled | 11.8 | 9<br>(17.0) | 2<br>(3.8) | 1<br>(1.9) | 41<br>(77.4) |
| **All UCBs** | **13.0** | **144<br>(8.6)** | **27<br>(1.6)** | **59<br>(3.5)** | **1,444<br>(86.3)** |

**Note** : 1) Consolidated CRAR and leverage ratio for the UCB sector as a whole may not be representative of the sector because of the large variation across individual banks.
2) Figures in parentheses are percentages to respective totals.
3) Leverage ratio is calculated as 'capital and reserves' to total assets.
4) Data are provisional.

*Liquidity*

5.24 A rough analysis based on balance sheets of UCBs revealed that even if UCBs keep 100 per cent of their investments in liquid assets, *i.e.*, saleable within one to five days, these banks would be able to manage only a deposit run of 50.9 per cent without any external help. The detailed methodology and assumptions made for this analysis is provided in Box V.3.

### Financial Inclusion and UCBs

5.25 Along with commercial banks, UCBs are also taking efforts to bring in more depositors and borrowers to the formal network of banking.

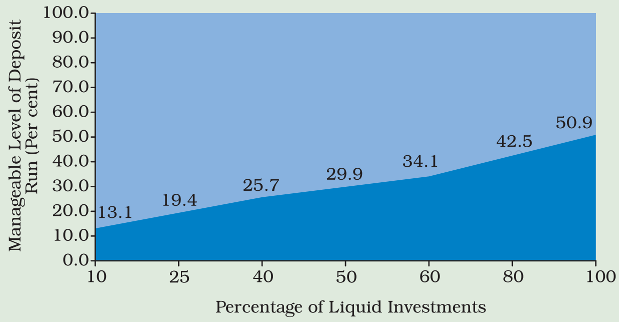
## Box V.3: Liquidity Analysis of Urban Cooperative Banks

UCBs are heavily dependent on deposits for resources. In this context, it is important to undertake liquidity stress tests to understand the strength of the sector in the event of a deposit run caused by external factors such as loss of confidence in these banks. However, conducting a stress test, *i.e.*, analysing the liquidity position of UCBs after giving a shock of certain percentage of deposit run, was not possible owing to the unavailability of detailed maturity profile of investments of UCBs. A bank-wise analysis was also not possible due to unavailability of data. Thus, a rough analysis based on the consolidated balance sheets of the UCB sector has been conducted by making certain assumptions about the asset profile of UCBs. Assumptions made are broadly based on those made by the Financial Stability Report for the liquidity stress test of scheduled commercial banks (SCBs).

*Assumptions*

1. A stressed withdrawal of deposits is assumed to take place within a span of five days.
2. UCBs are assumed to meet the deposit run primarily by using liquid resources available with them before resorting to any external help.
3. Among assets of UCBs, loans and advances, and other assets which, *inter alia,* includes overdue interest receivable, premises, furniture, fixtures, bills and purchased and discounted, are treated as illiquid assets.
4. Further, cash, balances with banks, and money at call and short notice are treated as liquid assets.
5. Apart from these liquid assets, liquid investments, *i.e.*, investments saleable within one to five days, would also be available for meeting the deposit run.

**Chart: Manageable Level of Deposit Run *vis-a-vis* Liquid Investments**




6. Sale of liquid investments is assumed to take place at a haircut of 10 per cent.
7. Seven scenarios have been created by assuming different percentages of total investments to be liquid.

Scenarios developed are based on very stringent assumptions, which are extreme.The detailed calculation of manageable level of deposit run at different percentages of liquid investments for the year 2009-10 is presented in the Table. Data used for the analysis are provisional.

The manageable level of deposit run calculated as total liquid funds to total deposits for different levels of liquid investments is depicted in the Chart. It clearly shows that even if UCBs maintain 100 per cent of their investment in liquid assets, they will be able to manage only a deposit run of 50.9 per cent without any external help. It may be noted that 80 per cent of total investments of UCBs are SLR investments. If we assume that all SLR investments are saleable within 5 days, UCBs would be able to manage a deposit run of 42.5 per cent.

**Table: Liquidity Analysis of UCBs**

(Amount in ₹ crore)

| Item | Scenarios | | | | | | |
|---|---|---|---|---|---|---|---|
| | I | II | III | IV | V | VI | VII |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1. Cash | 2,218 | 2,218 | 2,218 | 2,218 | 2,218 | 2,218 | 2,218 |
| 2. Balances with banks | 12,565 | 12,565 | 12,565 | 12,565 | 12,565 | 12,565 | 12,565 |
| 3. Money at Call and Short Notice | 1,466 | 1,466 | 1,466 | 1,466 | 1,466 | 1,466 | 1,466 |
| 4. Total Investments | 85,347 | 85,347 | 85,347 | 85,347 | 85,347 | 85,347 | 85,347 |
| **5. Percentage of Liquid Investments** | **10** | **25** | **40** | **50** | **60** | **80** | **100** |
| 6. Actual Liquid Investments | 8,535 | 21,337 | 34,139 | 42,674 | 51,208 | 68,278 | 85,347 |
| 7. Ten per cent haircut on sale | 853 | 2,134 | 3,414 | 4,267 | 5,121 | 6,828 | 8,535 |
| 8. Sale of liquid investments (6-7) | 7,681 | 19,203 | 30,725 | 38,406 | 46,087 | 61,450 | 76,812 |
| 9. Total liquid funds (1+2+3+8) | 23,930 | 35,452 | 46,974 | 54,655 | 62,336 | 77,699 | 93,061 |
| **Manageable Level of Deposits Run** | **13.1** | **19.4** | **25.7** | **29.9** | **34.1** | **42.5** | **50.9** |

*No-frills Accounts*

5.26 Among initiatives taken so far, introduction of 'no-frills accounts' was one of the most important steps to expand the banking network. Notably, UCBs also opened a considerable number of 'no-frills accounts' so far. As the non-scheduled UCB sector handles more banking business than the scheduled UCB

**Table V.10: Details of Deposits and Loans Accounts of UCBs**
(As at end-March 2010)

| Item | Scheduled | Non-Scheduled | All UCBs |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| Number of Deposit Accounts | 2,19,15,317 (35.5) | 3,98,45,850 (64.5) | 6,17,61,167 |
| *Of which*: No-frills Accounts | 3,41,434 (27.5) | 8,98,007 (72.5) | 12,39,441 |
| Number of Loan Accounts | 12,51,546 (8.0) | 1,43,03,228 (92.0) | 1,55,54,774 |
| *Memo Item* | | | |
| Credit-Deposit Ratio | 61.0 | 59.8 | 60.3 |
| Average Deposit per Account (in Rupees) | 36,599 | 25,763 | 29,608 |
| Average Loan per Account (in Rupees) | 3,91,124 | 42,895 | 70,913 |

**Note**: 1) Figures in parentheses are percentages to respective totals.
2) The interpretation of average deposit per account as well as average loan per account may take into account the fact that there can be multiple deposit and loan accounts in the name of the same individual.
3) Data are provisional.

sector, the number of deposits accounts, 'no-frills' accounts as also loan accounts were higher in the non-scheduled sector as compared with the scheduled sector. However, the share of loan accounts of the non-scheduled sector *vis-à-vis* scheduled sector was particularly striking as the scheduled sector was having only eight per cent of the total loan accounts of the entire UCB sector (Table V.10).

*Priority Sector Advances*

5.27 Priority sector lending targets introduced in 1983 were mainly aimed at directing a portion of total credit to some specific sectors of the economy which, *inter alia*, includes weaker sections, small enterprises, and housing.[7] As at end-March 2010, about 65 per cent of total advances of UCBs went to priority sectors of which more than 16 per cent of the total advances went to weaker sections (Table V.11).

**Table V.11: Advances to Priority Sectors and Weaker Sections by Urban Cooperative Banks**
(As at end-March 2010)

(Amount in ₹ crore)

| Sector | Priority Sector | | *Of which:* Weaker Sections | |
|---|---|---|---|---|
| | Amount | Percentage share in total advances | Amount | Percentage share in total advances |
| 1 | 2 | 3 | 4 | 5 |
| Agriculture and Allied Activities | 6,383 | 5.8 | 2,225 | 2.0 |
| 1. Direct Finance | 1,882 | 1.7 | 611 | 0.6 |
| 2. Indirect Finance | 4,501 | 4.1 | 1,614 | 1.5 |
| Retail Trade | 10,429 | 9.5 | 3,005 | 2.7 |
| Small Enterprises | 29,279 | 26.5 | 4,400 | 4.0 |
| 1. Direct Finance | 20,622 | 18.7 | 3,207 | 2.9 |
| 2. Indirect Finance | 8,657 | 7.8 | 1,193 | 1.1 |
| Educational Loans | 1,838 | 1.7 | 591 | 0.5 |
| Housing Loans | 17,923 | 16.2 | 5,213 | 4.7 |
| Micro Credit | 4,779 | 4.3 | 2,077 | 1.9 |
| State Sponsored Organisations for SC/ST | 754 | 0.7 | 387 | 0.4 |
| **Total** | **71,385** | **64.7** | **17,898** | **16.2** |

**Note:** Data are provisional.

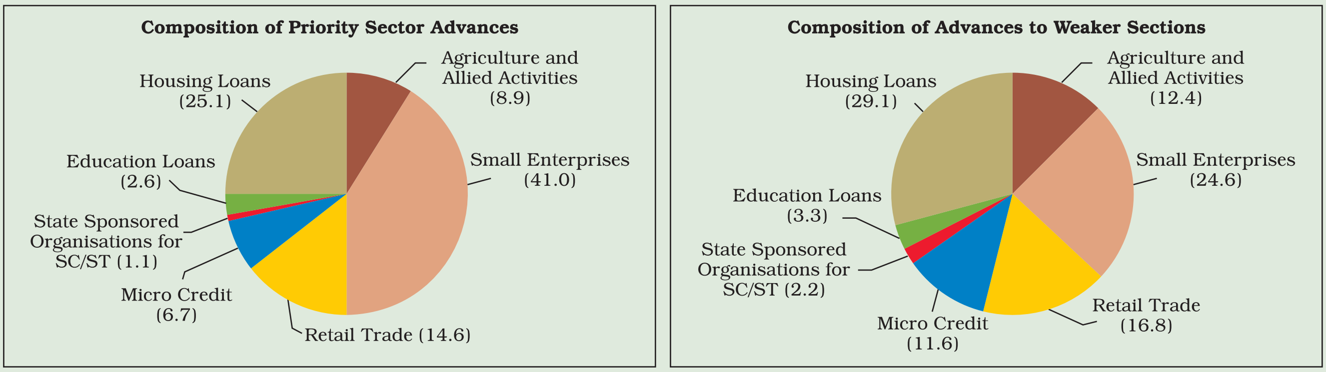
5.28 The composition of the priority sector lending of UCBs as at end-March 2010 showed that maximum loans under priority sectors went to small enterprises sector followed by housing and retail trade. Further, the composition of lending to weaker sections showed that almost one third of it went to the housing sector and another one fourth went to small enterprises (Chart V.6).

*Outreach of UCBs across States in India*

5.29 The distribution of UCBs across States showed that as at end-March 2010 one third of all UCBs, almost half of all branches of UCBs, around 60 per cent of total extension counters of UCBs and more than 85 per cent of ATMs of UCBs were located in Maharashtra. Accordingly, more than 60 per cent of the total banking business of the UCB sector was concentrated

[7] The norm of 40 per cent of their Adjusted Net Bank Credit (ANBC) or credit equivalent amount of Off-Balance Sheet Exposure (OBE), whichever is higher, as on March 31 of the previous year applicable to domestic SCBs is also applicable to UCBs.

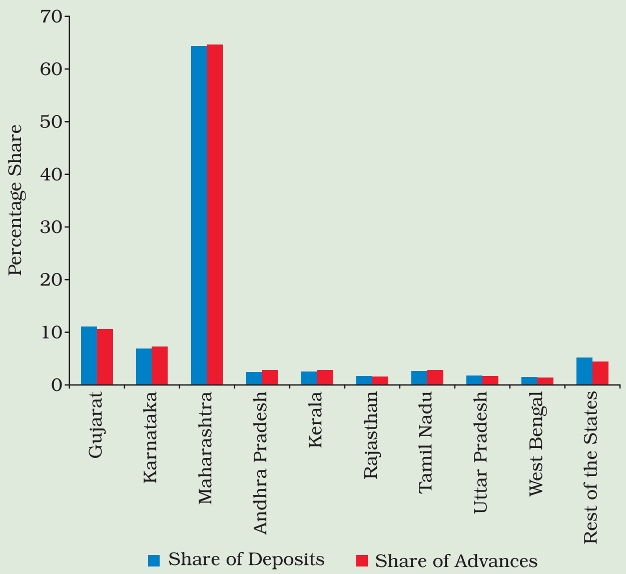
**Chart V.6: Composition of Advances of UCBs to Priority Sectors and Weaker Sections**
(As at end-March 2010)




in Maharashtra leaving very low volume of operations in rest of the States (Chart V.7).

5.30 The normalised Herfindahl-Hirschman Index showed that the State-wise concentration of UCBs went up as at end-March 2010 over the previous year. Further, it also showed that State-wise concentration was more in the case of ATMs followed by extension counters, branches and number of UCBs. Similarly, the normalised Herfindahl-Hirschman Index for the grade-wise distribution of UCBs across banking centres showed that concentration was more in grades III and IV UCBs across banking centres as compared with UCBs in grades I and II (Table V.12).

**Chart V.7 : Distribution of Banking Business of UCBs**




## 3. Rural Cooperatives

5.31 This section presents an analysis of the financial performance, soundness and balance sheet indicators of rural cooperatives, both short-term and long-term, using the latest available data.[8]

### *Financial Position of Rural Cooperatives*

5.32 The overall financial position of rural cooperative credit institutions improved as at end-March 2009 over the previous year. As at end-March 2009, half of the total rural cooperative credit institutions reported profits. Profits reported by the sector mainly emanated from DCCBs. While StCBs, DCCBs and State Cooperative Agriculture and Rural Development Banks (SCARDBs) reported overall net profits at end-March 2009, ground level institutions, *viz.*, Primary Agricultural Credit Societies (PACS), and Primary Cooperative Agriculture and Rural Development Banks (PCARDBs) reported

[8] Data for rural cooperative credit institutions (comprising StCBs, DCCBs, PACS, SCARDBs and PCARDBs) are available with a lag of one year and hence, the analysis in the present section relates to 2008-09.

**Table V.12: State-wise and Centre-wise Details of UCBs**
(As at end-March 2010)

| State | Centre/s | Grades | | | | Number of | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | I | II | III | IV | All UCBs | Branches | Extension Counters | ATMs |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Gujarat | Ahmedabad | 118 | 98 | 12 | 21 | 249 | 874 | 10 | 69 |
| Karnataka | Bangalore | 126 | 90 | 38 | 16 | 270 | 848 | 9 | 19 |
| Madhya Pradesh | Bhopal | 13 | 24 | 11 | 5 | 53 | 91 | 1 | - |
| Orissa | Bhubaneswar | 2 | 5 | 2 | 3 | 12 | 45 | 4 | - |
| PB/HR/HP | Chandigarh | 7 | 5 | 1 | 3 | 16 | 40 | 3 | 2 |
| Tamil Nadu | Chennai | 98 | 27 | 1 | 4 | 130 | 313 | - | 4 |
| Uttarakhand | Dehradun | 4 | 1 | - | - | 5 | 54 | 2 | 3 |
| Assam/North East | Guwahati | 9 | 6 | 1 | 1 | 17 | 40 | 1 | - |
| Andhra Pradesh | Hyderabad | 65 | 34 | 4 | 8 | 111 | 245 | 5 | 2 |
| Rajasthan | Jaipur | 26 | 10 | 1 | 2 | 39 | 189 | 3 | - |
| Jammu and Kashmir | Jammu | 3 | - | - | 1 | 4 | 16 | 4 | - |
| West Bengal/Sikkim | Kolkata | 30 | 4 | 3 | 11 | 48 | 101 | 2 | 1 |
| Uttar Pradesh | Lucknow | 48 | 6 | 9 | 7 | 70 | 190 | 28 | 8 |
| Maharashtra | Mumbai | 216 | 91 | 51 | 45 | 557 | 3,407 | 122 | 731 |
| | Nagpur | 59 | 38 | 37 | 20 | | | | |
| New Delhi | New Delhi | 11 | 2 | 1 | 1 | 15 | 65 | 1 | - |
| Bihar/Jharkhand | Patna | 5 | - | - | - | 5 | 6 | 1 | - |
| Chhattisgarh | Raipur | 7 | 3 | 2 | 1 | 13 | 21 | 2 | 1 |
| Kerala | TVM | 32 | 21 | 5 | 2 | 60 | 339 | 2 | - |
| **Total** | | **879** | **465** | **179** | **151** | **1,674** | **6,884** | **200** | **840** |

TVM: Thiruvananthapuram. PB: Punjab. HR: Haryana. HP: Himachal Pradesh. '-' : Nil.

**Note**: 1) Data are provisional.
2) Branches include head office cum branch.
3) Out of 840 ATMs, 26 were off-site ATMs and rest were onsite ATMs. Offsite ATMs are located in four States, *i.e.*, 16 in Maharashtra, 6 in Uttar Pradesh, 3 in Gujarat and one in Karnataka.

overall net losses. Despite the improved financial performance, the asset quality of the sector witnessed deterioration during the same period. The short-term rural cooperative credit institutions had the major share of non-performing loans of the entire rural cooperative credit institutions as at end-March 2009. Notably, ground level institutions, *viz*., PACS and PCARDBs reported higher NPA ratios as compared with institutions in upper tiers. Another notable trend in the rural cooperative sector is that while the dependence of short-term cooperative credit institutions on borrowings continued to be low (except PACS), that of long-term cooperative credit institutions were quite high (Table V.13).

### *Management of Cooperatives*

5.33 As at end-March 2009, boards of around one third of rural cooperative credit institutions (excluding PACS) were under supersession. However, the number of institutions with supersession of boards declined at end-March 2009 over the previous year. Supersession of boards was the highest among SCARDBs at end-March 2009 (Table V.14).

### *Short-term Structure of Rural Cooperatives*

5.34 The short-term rural cooperative credit institutions reported overall profits as at end-March 2009 as against overall losses in the

**Table V.13: A Profile of Rural Cooperative Banks**
(At end-March 2009)

(Amount in ₹ crore)

| Item | Short-Term | | | Long-Term | | Total |
|---|---|---|---|---|---|---|
| | StCBs | DCCBs | PACS | SCARDBs | PCARDBs | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **A. No. of Cooperative Banks** | 31 | 370 | 95,633 | 20 | 697 | 96,751 |
| **B. Balance Sheet Indicators** | | | | | | |
| i) Owned Funds (Capital + Reserves) | 11,726 | 29,792 | 11,806 | 4,003 | 5,007 | 62,334 |
| ii) Deposits | 68,659 | 1,27,623 | 26,245 | 711 | 400 | 2,23,638 |
| iii) Borrowings | 20,874 | 27,664 | 48,938 | 15,849 | 12,365 | 1,25,690 |
| iv) Loans and Advances Issued* | 93,883 | 90,105 | 58,787 | 2,585 | 1,195 | 2,46,555 |
| v) Loans and Advances Outstanding | 48,079 | 99,429 | 64,044 | 16,421 | 11,268 | 2,39,241 |
| vi) Investments | 45,230 | 64,709 | - | 2,941 | 1,122 | 1,14,002 |
| vii) Total Liabilities/Assets | 1,06,321 | 1,95,684 | 94,585+ | 25,386 | 24,846 | 4,46,822 |
| **C. Financial Performance** | | | | | | |
| i) Institutions in Profit | | | | | | |
| a) No. | 26 | 320 | 37,291 | 11 | 303 | 37,951 |
| b) Amount of Profit | 385 | 1,603 | 843 | 398 | 177 | 3,406 |
| ii) Institutions in Loss | | | | | | |
| a) No. | 5 | 50 | 45,869 | 8 | 309 | 46,241 |
| b) Amount of Loss | -71 | -287 | -1,915 | -349 | -375 | -2,997 |
| iii) Overall Profit (+)/Loss (-) | 314 | 1,316 | -1,072 | 49 | -198 | 408 |
| iv) Accumulated Loss | 459 | 5,213 | - | 1,108 | 3,678 | 10,458 |
| **D. Non-performing Assets** | | | | | | |
| i) Amount | 5,764 | 17,929 | 37,937++ | 4,938 | 4,393 | 70,961 |
| ii) As Percentage of Loans Outstanding | 12.0 | 18.0 | 59.2 | 30.1 | 39.0 | 29.7 |
| iii) Recovery of Loans to Demand (Per cent) | 92 | 72 | - | 49 | 39 | - |

StCBs: State Cooperative Banks, DCCBs: District Central Cooperative Banks, PACS: Primary Agricultural Credit Societies, SCARDBs: State Cooperative Agriculture and Rural Development Banks, PCARDBs: Primary Cooperative Agriculture and Rural Development Banks.

*: April- March, '-' : Not available. +: Working capital. ++: Total overdues.

**Note**: 1) Data are provisional.
2) Data for StCBs in Bihar, West Bengal and Tripura are repeated for the year 2008-09.
3) Data for DCCBs of Bihar, Jharkhand, West Bengal and Kerala are repeated for the year 2008-09.
4) During 2008-09, 12,473 PACS were in no-profit no-loss position.
5) Data for SCARDBs in Maharashtra are repeated for 2008-09 from the year 2007-08.
6) SCARDB in Manipur is defunct.

**Source**: NABARD and NAFSCOB.

previous year. The turnaround in the overall financial position of these institutions was mainly due to profits reported by DCCBs and lower losses reported by PACS as compared with the previous year. Apart from improving the financial position, the balance sheet of these institutions also witnessed an expansion at end-March 2009 over the previous year. StCBs registered the highest expansion of balance sheets followed by DCCBs and PACS. While the asset quality of StCBs and DCCBs improved at end-March 2009 over the previous year that of PACS deteriorated during the same period. Notably, PACS reported the highest non-performing loans to outstanding loans ratio among rural cooperative credit institutions.

**Table V.14: Elected Boards under Supersession**
(Position as on March 31, 2009)

| Item | StCBs | DCCBs | SCARDBs | PCARDBs | **Total** |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| (i) Total number of institutions | 31 | 370 | 20 | 697 | **1,118** |
| (ii) Number of institutions where Boards were under Supersession | 9 | 127 | 9 | 265 | **410** |
| **Percentage of reporting Boards under supersession [(ii) as per cent of (i)]** | **29.0** | **34.3** | **45.0** | **38.0** | **36.7** |

StCBs : State Cooperative Banks, DCCBs: District Central Cooperative Banks, SCARDBs: State Cooperative Agriculture and Rural Development Banks, PCARDBs: Primary Cooperative Agriculture and Rural Development Banks.

**Note** : 1) Data related to SCARDBs in Bihar and DCCBs in Bihar and Jharkhand are repeated for 2008-09.
2) SCARDB in Manipur is defunct.
3) Data are provisional.

**Source:** NABARD.

*State Cooperative Banks*

Balance Sheet Operations of State Cooperative Banks

5.35 During 2008-09, balance sheets of StCBs witnessed a higher growth as compared with the previous year, which can be attributed to deposits on the liabilities side and investments on the assets side. However, loans and advances declined at end-March 2009 over the previous year. While the share of deposits in liabilities moved up at end-March 2009 compared to the previous year, the share of borrowings declined. However, the increase in deposits was used for building up investments rather than providing loans, may be because of the increased risk averseness of these banks in wake of the general economic meltdown during the year on the one hand and for reaping treasury gains on the other (Table V.15).

5.36 Updated information on major balance sheet indicators of 16 scheduled StCBs available from Section 42(2) returns shows further improvement in major indicators as at last reporting Friday of 2009-10 over the previous year. The growth in SLR investments witnessed acceleration during 2009-10 over 2008-09. Notably, there was also a revival in bank credit disbursed by scheduled StCBs, which reported a positive growth during 2009-10 as against a contraction during the previous year (Table V.16).

**Table V.15: Liabilities and Assets of State Cooperative Banks**

(Amount in ₹ crore)

| Item | As at end-March | | Percentage variation | |
|---|---|---|---|---|
| | 2007-08 | 2008-09P | 2007-08 | 2008-09P |
| 1 | 2 | 3 | 4 | 5 |
| **Liabilities** | | | | |
| 1. Capital | 1,534 (1.6) | 1,569 (1.5) | 23.2 | 2.3 |
| 2. Reserves | 9,905 (10.4) | 10,157 (9.6) | 6.5 | 2.5 |
| 3. Deposits | 56,325 (59.3) | 68,659 (64.6) | 16.0 | 21.9 |
| 4. Borrowings | 22,577 (23.8) | 20,874 (19.6) | 1.4 | -7.5 |
| 5. Other Liabilities | 4,637 (4.9) | 5,062 (4.8) | 5.6 | 9.2 |
| **Assets** | | | | |
| 1. Cash and Bank balance | 8,312 (8.8) | 7,921 (7.4) | -10.5 | -4.7 |
| 2. Investments | 31,541 (33.2) | 45,230 (42.5) | 30.7 | 43.4 |
| 3. Loans and Advances | 50,028 (52.7) | 48,079 (45.2) | 5.6 | -3.9 |
| 4. Other Assets | 5,095 (5.4) | 5,092 (4.8) | 2.5 | -0.1 |
| **Total Liabilities/Assets** | **94,977 (100.0)** | **1,06,321 (100.0)** | **10.8** | **11.9** |

P: Provisional

**Note :** 1) Figures in parentheses are percentages to total liabilities/assets.
2) Data for StCBs in Bihar, West Bengal and Tripura are repeated for the year 2008-09.
3) 'Reserves' include credit balance in profit and loss account shown separately by some of the banks.

**Source :** NABARD.

### Table V.16: Salient Balance Sheet Indicators of Scheduled StCBs

(Amount in ₹ crore)

| Item | As on Last Reporting Friday of March | | |
|---|---|---|---|
| | 2008 | 2009 | 2010 |
| 1 | 2 | 3 | 4 |
| Aggregate Deposits | 42,396<br>(16.0) | 52,568<br>(24.0) | 65,175<br>(24.0) |
| Bank Credit | 46,886<br>(5.0) | 42,372<br>-(9.6) | 43,350<br>(2.3) |
| SLR Investments | 15,773<br>(17.6) | 17,179<br>(8.9) | 23,905<br>(39.2) |

**Note** : Figures in parentheses indicate percentage change over the previous year.

**Source :** Form B returns of Section 42(2) data.

### Table V.17: Financial Performance of State Cooperative Banks

(Amount in ₹ crore)

| Item | As at end-March | | Percentage variation | |
|---|---|---|---|---|
| | 2007-08 | 2008-09P | 2007-08 | 2008-09P |
| 1 | 2 | 3 | 4 | 5 |
| **A. Income (i+ii)** | **6,194**<br>(100.0) | **7,372**<br>(100.0) | **18.1** | **19.0** |
| i. Interest Income | 5,980<br>(96.5) | 7,065<br>(95.8) | 20.2 | 18.1 |
| ii. Other Income | 214<br>(3.5) | 307<br>(4.2) | -20.2 | 43.3 |
| **B. Expenditure (i+ii+iii)** | **5,973**<br>(100.0) | **7,058**<br>(100.0) | **20.2** | **18.2** |
| i. Interest Expended | 4,586<br>(76.8) | 5,563<br>(78.8) | 23.7 | 21.3 |
| ii. Provisions and Contingencies | 543<br>(9.1) | 419<br>(5.9) | 8.1 | -22.8 |
| iii. Operating expenses | 844<br>(14.1) | 1,076<br>(15.2) | 11.5 | 27.4 |
| *of which*, Wage Bill | 458<br>(7.7) | 498<br>(7.1) | 15.1 | 8.7 |
| **C. Profit** | | | | |
| i. Operating Profit | 764 | 733 | -1.8 | -4.0 |
| ii. Net Profit | 221 | 314 | -19.7 | 42.0 |
| iii. Return on Assets | 0.2 | 0.3 | | |
| iv. Return on Equity | 2.0 | 2.7 | | |
| v. Net Interest Margin | 1.5 | 1.5 | | |

P: Provisional

**Note:** 1) Figures in parentheses are percentages to the respective totals.

2) Data for StCBs in Bihar, West Bengal and Tripura are repeated for the year 2008-09.

**Source:** NABARD.

## Financial Performance of StCBs

5.37 The financial performance of StCBs improved as at end-March 2009 over the previous year in terms of higher net profits, higher ROA, and higher ROE. Not only profitability indicators improved for StCBs, but the number of institutions in profit also increased as compared with the previous year. However, operating profits of StCBs declined as at end-March 2009 over the previous year mainly on account of higher growth in interest expenses and operating expenses as compared with growth in income. StCBs, however, reported higher net profits owing to a decline in provisions and contingencies (Table V.17).

## Financial Soundness of StCBs

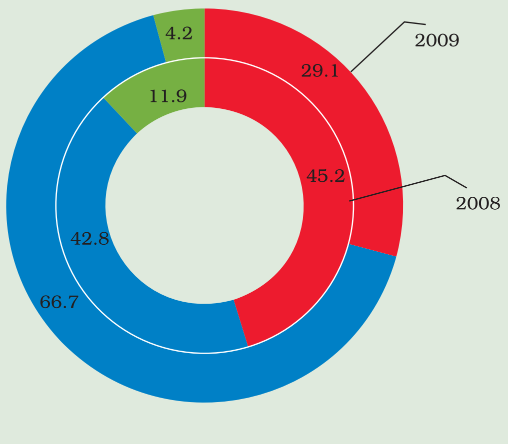
### Asset Quality

5.38 The asset quality of StCBs improved as at end-March 2009 over the previous year both in absolute and percentage terms. Category-wise details of non-performing loans showed that highest decline was in the loss category. Thus, the share of loss assets in the total non-performing loans declined in 2008-09 over 2007-08. Similarly, sub-standard assets also witnessed a decline during 2008-09 over the previous year bringing down its share in total non-performing loans in 2008-09 as compared with the previous year. The decline in sub-standard assets indicates that fresh additions to non-performing loans were comparatively less in 2008-09 as compared with the previous year (Chart 8 and Table V.18).

### Capital Adequacy

5.39 The capital adequacy of StCBs declined as at end-March 2009 over the previous year. As data on risk weighted assets were not available for StCBs, the ratio of ‘capital and reserves’ to ‘investments and advances’ was taken as a rough indicator of capital adequacy. This ratio declined at end-March 2009 as

**Chart V.8: Composition of Non-Performing Assets of State Cooperative Banks**




compared with the previous year. The decline in capital adequacy was mainly on account of a higher increase in investments as compared with marginal increase in capital and reserves (Table V.18).

**Table V.18: Soundness Indicators of State Cooperative Banks**

(Amount in ₹ crore)

| Item | As at end-March | | Percentage variation | |
|---|---|---|---|---|
| | 2008 | 2009P | 2008 | 2009P |
| 1 | 2 | 3 | 4 | 5 |
| **A. Total NPAs (i+ii+iii)** | **6,191** | **5,764** | -7.7 | -6.9 |
| i) Sub-standard | 2,801 | 1,678 | -5.3 | -40.1 |
| ii) Doubtful | 2,653 | 3,843 | 1.1 | 44.9 |
| iii) Loss | 737 | 242 | -34.3 | -67.2 |
| **B. NPAs to Loans Ratio** | **12.4** | **12.0** | | |
| i) Recovery to Demand (%) | 84.6 | 91.8 | | |
| ii) Provisions Required | 2,657 | 2,883 | -5.8 | 8.5 |
| iii) Provision Made | 3,000 | 3,309 | -6.2 | 10.3 |
| **C. CRAR*** | **14.0** | **12.6** | | |
| **D. Leverage Ratio** | **12.0** | **11.0** | | |

P: Provisional

* : Calculated as ratio of 'capital and reserves' to 'investments and advances'.

**Source:** NABARD.

### *District Central Cooperative Banks*

#### Balance Sheet Operations of District Central Cooperative Banks

5.40 DCCBs form the second tier of the rural short-term cooperative credit structure.[9] During 2008-09, balance sheets of DCCBs witnessed a lower growth as compared with the previous year. The growth in balance sheets of DCCBs can be attributed to deposits on the liabilities side and investments on the assets side. On the liabilities side, borrowings of DCCBs witnessed a decline as at end-March 2009 over the previous year indicating a lower dependence on borrowings for resources by DCCBs. In contrast, deposit mobilisation picked up during the year increasing its share in total liabilities of DCCBs. However, as in the case of StCBs, the increased deposit mobilisation was reflected in increased investments rather than an increase in loans and advances. This may either be due to the risk averseness of these banks or may be intended to reap treasury gains (Table V.19).

#### Financial Performance of DCCBs

5.41 There was an overall improvement in the financial performance of DCCBs as at end-March 2009 over the previous year. Importantly, DCCBs reported overall net profits as at end-March 2009 as compared with the reported net losses during the previous year, thus, witnessing a turnaround in their financial position. The number of profit making DCCBs also increased during the same period. Accordingly, profitability indicators such as ROA and ROE also witnessed improvement during the year as compared with the previous year. In contrast with the trend observed in case of StCBs, DCCBs reported higher operating profits as at end-March 2009 mainly on account of higher net interest income. However, the increase in

[9] States from the north-eastern region have a unitary short-term cooperative credit structure, thus, there are no DCCBs in these States.

## Table V.19: Liabilities and Assets of District Central Cooperative Banks

(Amount in ₹ crore)

| Item | As at end-March | | Percentage variation | |
|---|---|---|---|---|
| | 2008 | 2009P | 2008 | 2009P |
| 1 | 2 | 3 | 4 | 5 |
| **Liabilities** | | | | |
| 1. Capital | 5,939<br>(3.3) | 6,578<br>(3.4) | 8.8 | 10.8 |
| 2. Reserves | 22,467<br>(12.6) | 23,214<br>(11.9) | 8.4 | 3.3 |
| 3. Deposits | 1,09,597<br>(61.3) | 1,27,623<br>(65.2) | 15.9 | 16.4 |
| 4. Borrowings | 32,130<br>(18.0) | 27,664<br>(14.1) | 7.4 | -13.9 |
| 5. Other Liabilities | 8,749<br>(4.9) | 10,605<br>(5.4) | 5.8 | 21.2 |
| **Assets** | | | | |
| 1. Cash and Bank balance | 10,609<br>(5.9) | 12,918<br>(6.6) | -5.9 | 21.8 |
| 2. Investments | 48,228<br>(27.0) | 64,709<br>(33.1) | 17.6 | 34.2 |
| 3. Loans and Advances | 1,01,221<br>(56.6) | 99,429<br>(50.8) | 13.7 | -1.8 |
| 4. Other Assets | 18,823<br>(10.5) | 18,629<br>(9.5) | 7.1 | -1.0 |
| **Total Liabilities/Assets** | **1,78,881**<br>**(100.0)** | **1,95,684**<br>**(100.0)** | **12.6** | **9.4** |

P: Provisional

**Note:** 1) Figures in parentheses are percentages to total.
2) 'Reserves' include credit balance in profit and loss account shown separately by some of the banks.
3) Data for DCCBs of Bihar, Jharkhand, West Bengal and Kerala are repeated for the year 2008-09, as the latest data were not available.

**Source:** NABARD.

## Table V.20: Financial Performance of District Central Cooperative Banks

(Amount in ₹ crore)

| Item | As at end-March | | Percentage variation | |
|---|---|---|---|---|
| | 2007-08 | 2008-09P | 2007-08 | 2008-09P |
| 1 | 2 | 3 | 4 | 5 |
| **A. Income (i+ii)** | **13,135**<br>**(100.0)** | **16,107**<br>**(100.0)** | **12.7** | **22.6** |
| i. Interest Income | 11,980<br>(91.2) | 14,619<br>(90.8) | 13.0 | 22.0 |
| ii. Other Income | 1,155<br>(8.8) | 1,488<br>(9.2) | 9.5 | 28.9 |
| **B. Expenditure (i+ii+iii)** | **13,274**<br>**(100.0)** | **14,792**<br>**(100.0)** | **14.2** | **11.4** |
| i. Interest Expended | 7,872<br>(59.3) | 9,239<br>(62.5) | 18.0 | 17.4 |
| ii. Provisions and Contingencies | 2,423<br>(18.3) | 2,140<br>(14.5) | 6.1 | -11.7 |
| iii. Operating expenses | 2,980<br>(22.4) | 3,413<br>(23.1) | 11.6 | 14.5 |
| *of which*, Wage Bill | 1,980<br>(14.9) | 2,243<br>(15.2) | 7.8 | 13.3 |
| **C. Profit** | | | | |
| i. Operating Profit | 2,284 | 3,456 | -1.3 | 51.3 |
| ii. Net Profit | -139 | 1,315 | - | - |
| iii. Return on Assets | -0.1 | 0.7 | | |
| iv. Return on Equity | -0.5 | 4.5 | | |
| v. Net Interest Margin | 2.4 | 2.9 | | |

P: Provisional

**Note:** 1) Figures in parentheses are percentages to total.
2) Data for DCCBs of Bihar, Jharkhand, West Bengal and Kerala are repeated for the year 2008-09, as the latest data were not available.

**Source:** NABARD.

net profits was more than that in operating profits owing to a decline in provisions and contingencies (Table V.20).

### Financial Soundness of DCCBs

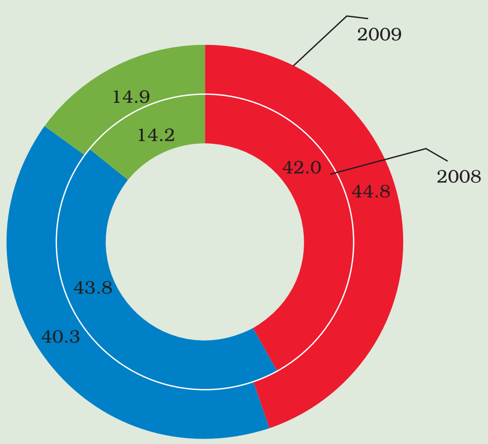
#### Asset Quality

5.42 The asset quality of DCCBs improved as at end-March 2009 over the previous year both in absolute and percentage terms. The absolute decline in total non-performing loans was due to an absolute decline in doubtful loans during 2008-09 over the previous year. However, sub-standard loans and loss loans increased during 2008-09 over the previous year. During 2008-09, sub-standard loans were the major category in the total non-performing loans followed by doubtful loans and loss loans (Chart 9 and Table V.21).

#### Capital Adequacy

5.43 The capital adequacy of DCCBs witnessed a decline as at end-March 2009 over the previous year. As data on risk weighted assets were not available for DCCBs, the ratio of capital and reserves to investments and advances was taken as the rough indicator of

Chart V.9: Composition of Non-Performing Assets of District Central Cooperative Banks




capital adequacy. This ratio declined at end-March 2009 as compared with the previous year. The decline in capital adequacy was mainly on account of a higher increase in investments of DCCBs as against a marginal increase in capital and reserves. As alluded to earlier, loans and advances of DCCBs declined over the same period (Table V.21).

*Primary Agricultural Credit Societies*

5.44 The PACS function as grass root level short-term rural credit segment of the cooperative sector.

Select Balance Sheet Indicators of PACS

5.45 The balance sheet operations of PACS expanded as at end-March 2009 over the previous year. Total resources of PACS increased as at end-March 2009 mainly on account of increase in borrowings followed by increase in owned funds. Needless to mention, PACS were heavily dependent on borrowings for resources. Total loans issued by PACS also increased during the year 2008-09. Medium term loans witnessed a higher growth than short-term loans during the same year. However, out of total loans issued, short-term loans constituted a major portion as at end-March 2009 (Table V.22).

**Table V.21: Soundness Indicators of District Central Cooperative Banks**

(Amount in ₹ crore)

| Item | As at end-March | | Percentage variation | |
|---|---|---|---|---|
| | 2008 | 2009P | 2008 | 2009P |
| 1 | 2 | 3 | 4 | 5 |
| **A. Total NPAs (i+ ii + iii)** | **18,754** | **17,929** | **14.5** | **-4.4** |
| i) Sub-standard | 7,880 | 8,030 | 14.6 | 1.9 |
| ii) Doubtful | 8,214 | 7,221 | 16.1 | -12.1 |
| iii) Loss | 2,660 | 2,678 | 9.7 | 0.7 |
| **B. NPAs to Loans ratio** | **18.5** | **17.9** | | |
| i) Recovery to Demand(%) | 55.6 | 72.2 | | |
| ii) Provisions Required | 10,394 | 10,225 | 1.7 | -1.6 |
| iii) Provision Made | 12,079 | 11,463 | -0.7 | -5.1 |
| **C. CRAR*** | **19.0** | **18.2** | | |
| **D. Leverage Ratio** | **15.9** | **15.2** | | |

P: Provisional
* : Calculated as ratio of 'capital and reserves' to 'investments and advances'.
**Source:** NABARD.

**Table V.22: Primary Agricultural Credit Societies - Select Balance Sheet Indicators**

(Amount in ₹ crore)

| Item | As at end-March | | Percentage variation |
|---|---|---|---|
| | 2008 | 2009 P | 2009 |
| 1 | 2 | 3 | 4 |
| **A. Liabilities** | | | |
| 1. Total Resources (2+3+4) | 84,281 | 86,990 | 3.2 |
| 2. Owned Funds (a+b) | 10,984 | 11,806 | 7.5 |
| a. Paid-up Capital | 6,597 | 7,007 | 6.2 |
| *of which,* Government Contribution | 629 | 603 | -4.1 |
| b. Total Reserves | 4,387 | 4,889 | 11.4 |
| 3. Deposits | 25,449 | 26,245 | 3.1 |
| 4. Borrowings | 47,848 | 48,938 | 2.3 |
| 5. Working Capital | 88,107 | 94,585 | 7.4 |
| **B. Assets** | | | |
| 1. Total Loans Issued (a+b)* | 57,643 | 58,787 | 2.0 |
| a) Short-Term | 47,390 | 48,022 | 1.3 |
| b) Medium-Term | 10,253 | 10,765 | 5.0 |
| 2. Total Loans Outstanding (a+b) | 65,666 | 64,044 | -2.5 |
| a) Short-Term | 43,696 | 45,686 | 4.6 |
| b) Medium-Term | 21,970 | 18,359 | -16.4 |
| *Memo Item* | | | |
| CRAR** | 16.7 | 18.6 | |
| Total Over dues to total loans outstanding | 36.6 | 59.2 | |

P : Provisional.
* : During the year.
** : Calculated as ratio of 'capital and reserves' to total loans outstanding.
**Source :** NAFSCOB.

Profitability

5.46 The analysis of financial performance of PACS showed that majority of PACS were loss making institutions. As at end-March 2009, a little less than half of total PACS functioning in the country reported losses. However, it may be mentioned that around two third of total PACS were classified as viable and another one fourth were classified as potentially viable as at end-March 2009.

Capital Adequacy

5.47 Capital adequacy of PACS witnessed an improvement as at end-March 2009 as compared with the previous year. As data on risk weighted assets for PACS were not available, the ratio of total capital and reserves to total loans outstanding was taken as a rough indicator of capital adequacy. This ratio improved at end-March 2009 as compared with the previous year mainly on account of a decline in the total loans outstanding (Table V.22).

Asset Quality

5.48 Asset quality of PACS deteriorated as at end-March 2009 over the previous year. As in the case of capital adequacy, data on non-performing loans were also not available for PACS. Hence, the ratio of total over dues to total loans outstanding was taken as the rough indicator of asset quality. This ratio increased at end-March 2009 as compared with the previous year (Table V.22).

## Long-Term Structure of Rural Cooperatives

5.49 As in the case of short term rural cooperative credit institutions, the balance sheet of the long-term rural cooperative credit institutions also expanded at end-March 2009 as compared with the previous year. Further, there was an overall improvement in the financial performance of long-term rural cooperative credit institutions as at end-March 2009 as compared with the previous year. While the SCARDBs reported overall net profits as at end-March 2009, PCARDBs reported lower overall net losses at end-March 2009 as compared with the previous year.

### *State Cooperative Agriculture and Rural Development Banks*

Balance Sheet Operations of SCARDBs

5.50 Balance sheets of SCARDBs witnessed a higher expansion during 2008-09 as compared with the previous year. The expansion in the balance sheets can be attributed to 'other' liabilities on the liability side and 'other' assets on the asset side.[10] Deposits constituted only a small per cent of total liabilities of SCARDBs at end-March 2009. Another striking development in balance sheets of SCARDBs is the decline in capital in 2008-09. However, reserves witnessed a growth over the previous year. Loans and advances declined while investments witnessed a growth as at end-March 2009 over the previous year. This may be due to the increased risk averseness of these banks caused by the general economic meltdown (Table V.23).

Financial Performance of SCARDBs

5.51 The financial performance of SCARDBs witnessed improvement as at end-March 2009 over the previous year. SCARDBs reported overall net profits as at end-March 2009 as compared with overall net losses in the previous year. The number of profit making SCARDBs also increased at end-March 2009 over the previous year. Accordingly, they reported higher ROA and

[10] 'Other liabilities' of SCARDBs include 'patta funds', share redemption fund, audit fees payable, unclaimed amount of Agricultural and Rural Debt Relief Scheme, 1991, and advance against sale of buildings. 'Other assets' include debentures subscription receivable, income tax refund claimed, organisation account and term deposits receivable from PCARDBs.

**Table V.23: Liabilities and Assets of State Cooperative Agriculture and Rural Development Banks**

(Amount in ₹ crore)

| Item | As at end-March | | Percentage variation | |
|---|---|---|---|---|
| | 2008 | 2009P | 2008 | 2009P |
| 1 | 2 | 3 | 4 | 5 |
| **Liabilities** | | | | |
| 1. Capital | 1,223 (4.9) | 812 (3.2) | 54.0 | -33.5 |
| 2. Reserves | 2,764 (11.2) | 3,191 (12.6) | 29.4 | 15.4 |
| 3. Deposits | 655 (2.6) | 711 (2.8) | 8.2 | 8.6 |
| 4. Borrowings | 16,114 (65.1) | 15,849 (62.4) | -3.3 | -1.6 |
| 5. Other Liabilities | 4,013 (16.2) | 4,823 (19.0) | -3.0 | 20.2 |
| **Assets** | | | | |
| 1. Cash and Bank Balance | 244 (1.0) | 189 (0.7) | -12.6 | -22.5 |
| 2. Investments | 2,545 (10.3) | 2,941 (11.6) | 32.8 | 15.6 |
| 3. Loans and Advances | 18,492 (74.7) | 16,421 (64.7) | -0.8 | -11.2 |
| 4. Other Assets | 3,487 (14.1) | 5,836 (23.0) | -0.3 | 67.3 |
| **Total Liabilities/Assets** | **24,768 (100.0)** | **25,386 (100.0)** | **1.8** | **2.5** |

P: Provisional

**Note:** 1) Figures in parentheses are percentages to total.
2) Data for SCARDBs in the States of Maharashtra repeated for 2008-09 from the year 2007-08.
3) SCARDB in Manipur is defunct.

**Source :** NABARD.

**Table V.24: Financial Performance of State Cooperative Agriculture and Rural Development Banks**

(Amount in ₹ crore)

| Item | As at end-March | | Percentage variation | |
|---|---|---|---|---|
| | 2007-08 | 2008-09P | 2007-08 | 2008-09P |
| 1 | 2 | 3 | 4 | 5 |
| **A. Income (i+ii)** | **1,824** (100.0) | **3,009** (100.0) | **-20.4** | **65.0** |
| i. Interest Income | 1,685 (92.4) | 2,774 (92.2) | -6.9 | 64.6 |
| ii. Other Income | 139 (7.6) | 235 (7.8) | -71.3 | 69.1 |
| **B. Expenditure (i+ii+iii)** | **2,067** (100.0) | **2,961** (100.0) | **-6.2** | **43.3** |
| i. Interest Expended | 1,283 (62.1) | 1,330 (44.9) | 0.2 | 3.7 |
| ii. Provisions and Contingencies | 561 (27.1) | 1,391 (47.0) | -15.9 | 148.0 |
| iii. Operating expenses | 223 (10.8) | 240 (8.1) | -12.8 | 7.6 |
| *of which*, Wage Bill | 164 (7.9) | 194 (6.6) | -11.5 | 18.3 |
| **C. Profit** | | | | |
| i. Operating Profit | 318 | 1,439 | -58.9 | 362.7 |
| ii. Net Profit | -243 | 48 | - | - |
| iii. Return on Assets | -1.0 | 0.2 | | |
| iv. Return on Equity | -7.0 | 1.2 | | |
| v. Net Interest Margin | 1.6 | 5.8 | | |

P: Provisional.

**Note** : 1) Figures in parentheses are percentages to total.
2) Data for SCARDBs in the States of Maharashtra repeated.
3) SCARDB in Manipur is defunct.

**Source :** NABARD.

ROE during the same period. The interest income of SCARDBs grew at a higher rate during 2008-09, resulting in an increase in the net interest margin. Owing to the higher net interest margin, SCARDBs reported high operating profits as at end-March 2009 as compared with the previous year. However, the increase in net profits was less as compared with the increase in operating profits owing to an increase in provisions and contingencies (Table V.24).

### Financial Soundness of SCARDBs

#### Asset Quality

5.52 The asset quality of SCARDBs improved at end-March 2009 over the previous year. They reported smaller amount of non-performing loans as at end-March 2009 as compared with the previous year. Non-performing loans to total loans ratio of SCARDBs also declined over the same period. The declining trend in the total non-performing loans was observed across all categories of non-performing loans, *viz*., sub-standard assets, doubtful assets and loss assets. Among non-performing loans, loss assets recorded the highest decline followed by doubtful assets and sub-standard assets during 2008-09 over the previous year (Table V.25).

#### Capital Adequacy

5.53 There was an improvement in the capital adequacy of SCARDBs at end-March 2009 over

**Table V.25: Soundness Indicators of State Cooperative Agriculture and Rural Development Banks**

(Amount in ₹ crore)

| Item | As at end-March | | Percentage variation | |
|---|---|---|---|---|
| | 2008 | 2009P | 2008 | 2009P |
| 1 | 2 | 3 | 4 | 5 |
| **A. Total NPAs (i+ii+iii)** | **6,435** | **4,938** | **14.0** | **-23.3** |
| i) Sub-standard | 3,465 (53.8) | 2,938 (59.5) | -19.7 | -15.2 |
| ii) Doubtful | 2,761 (42.9) | 1,965 (39.8) | 110.8 | -28.8 |
| iii) Loss | 209 (3.2) | 35 (0.7) | 1,093.7 | -83.2 |
| **B. NPAs to Loans Ratio** | **34.8** | **30.1** | | |
| i) Recovery to Demand(%) | 49.9 | 40.0 | | |
| ii) Provisions Required | 1,465 | 1,217 | 13.9 | -16.9 |
| iii) Provision Made | 1,493 | 1,536 | 16.0 | 2.9 |
| **C. CRAR*** | **19.0** | **20.7** | | |
| **D. Leverage Ratio** | **16.1** | **15.8** | | |

P: Provisional

* : Calculated as ratio of 'capital and reserves' to 'investments and advances'.

**Note:** Figures in parentheses are percentages to total.

**Source:** NABARD.

the previous year. The ratio of capital and reserves to investments and advances was taken as the rough indicator of capital adequacy owing to the unavailability of data on risk weighted assets. This ratio increased at end-March 2009 as compared with the previous year. The improvement was mainly because of a decline in the loans and advances (Table V.25).

### *Primary Cooperative Agriculture and Rural Development Banks*

Balance Sheet Operations of PCARDBs

5.54 Balance sheets of PCARDBs expanded during 2008-09 as compared with a contraction during 2007-08. On the liabilities side, the growth in balance sheets was mainly due to increase in borrowings and ‘other’ liabilities, while on the assets side it was due to increase in ‘other’ assets, and loans and advances.[11] Like SCARDBs, PCARDBs depend heavily on borrowings for their resources as deposit mobilisation by these banks are quite low. Accordingly, deposits constituted only a small percentage of total liabilities of PCARDBs, while borrowings constituted almost half of the total liabilities at end-March 2009 (Table V.26).

Financial Performance of PCARDBs

5.55 As in the previous year, during 2008-09 PCARDBs reported overall net losses. However, net losses came down at end-March 2009 as

**Table V.26: Liabilities and Assets of Primary Cooperative Agriculture and Rural Development Banks**

(Amount in ₹ crore)

| Item | As at end-March | | Percentage variation | |
|---|---|---|---|---|
| | 2008 | 2009P | 2008 | 2009P |
| 1 | 2 | 3 | 4 | 5 |
| **Liabilities** | | | | |
| 1. Capital | 894 (4.4) | 1,515 (6.1) | -2.6 | 69.4 |
| 2. Reserves | 3,036 (15.0) | 3,493 (14.1) | 13.4 | 15.0 |
| 3. Deposits | 340 (1.7) | 400 (1.6) | -0.4 | 17.8 |
| 4. Borrowings | 10,626 (52.5) | 12,365 (49.8) | -16.7 | 16.4 |
| 5. Other Liabilities | 5,327 (26.3) | 7,073 (28.5) | 4.8 | 32.8 |
| **Assets** | | | | |
| 1. Cash and Bank Balances | 127 (0.6) | 236 (0.9) | -43.4 | 86.2 |
| 2. Investments | 879 (4.3) | 1,122 (4.5) | 6.8 | 27.6 |
| 3. Loans and Advances | 9,914 (49.0) | 11,269 (45.4) | 18.2 | 13.7 |
| 4. Other Assets | 9,304 (46.0) | 12,219 (49.2) | 8.0 | 31.3 |
| **Total Liabilities / Assets** | **20,224 (100.0)** | **24,846 (100.0)** | **-7.1** | **22.9** |

P: Provisional.

**Note:** 1) Figures in parentheses are percentages to total.
2) For the year 2007-08, data for Bihar and Himachal Pradesh is not available.

**Source:** NABARD.

[11] ‘Other liabilities’ of PCARDBs include ‘patta funds’, share redemption fund, audit fees payable, unclaimed amount of Agricultural and Rural Debt Relief Scheme, 1991, and advance against sale of buildings. ‘Other assets’ include debentures subscription receivable, income tax refund claimed and organisation account.

**Table V.27: Financial Performance of Primary Cooperative Agriculture and Rural Development Banks**

(Amount in ₹ crore)

| Item | As at end-March | | Percentage variation | |
|---|---|---|---|---|
| | 2008 | 2009P | 2008 | 2009P |
| 1 | 2 | 3 | 4 | 5 |
| **A. Income (i+ii)** | **1,566** (100.0) | **2,022** (100.0) | **-36.0** | **29.2** |
| i. Interest Income | 1,366 (87.2) | 1,431 (70.8) | -29.0 | 4.8 |
| ii. Other Income | 200 (12.8) | 591 (29.2) | -61.8 | 195.8 |
| **B. Expenditure (i+ii+iii)** | **1,926** (100.0) | **2,221** (100.0) | **-25.8** | **15.3** |
| i. Interest Expended | 990 (51.4) | 1,217 (54.8) | -21.3 | 22.9 |
| ii. Provisions and Contingencies | 622 (32.3) | 545 (24.6) | -38.7 | -12.3 |
| iii. Operating expenses | 314 (16.3) | 458 (20.6) | -2.2 | 46.0 |
| *of which*, Wage Bill | 211 (10.9) | 191 (8.6) | -4.7 | -9.4 |
| **C. Profit** | | | | |
| i) Operating Profit | 262 | 347 | -69.8 | 32.5 |
| ii) Net Profit | -360 | -199 | 144.2 | -44.8 |

P: Provisional.

**Note :** 1) For the year 2007-08, data for Bihar, Himachal Pradesh, Kerala and Tamil Nadu was not available.
2) Data for PCARDBs in West Bengal and Orissa are repeated.

**Source:** NABARD.

compared with the previous year. It is interesting to note that PCARDBs reported overall operating profits at end-March 2009, however, due to the provisioning requirement, they reported overall net losses (Table V.27).

Financial Soundness of PCARDBs

Asset Quality

5.56 There was improvement in the asset quality of PCARDBs as at end-March 2009 over the previous year, both in absolute and percentage terms. Declining trend was observed across all categories of non-performing loans. Notably, in absolute terms, the highest decline was observed in the case of sub-standard loans (Table V.28).

**Table V.28: Soundness Indicators of Primary Cooperative Agriculture and Rural Development Banks**

(Amount in ₹ crore)

| Item | As at end-March | | Percentage variation | |
|---|---|---|---|---|
| | 2008 | 2009 P | 2007-08 | 2008-09 P |
| 1 | 2 | 3 | 4 | 5 |
| **A. Total NPAs (i+ ii + iii)** | **5,117** | **4,393** | 18.5 | -14.1 |
| i) Sub- standard | 2,983 (58.3) | 2,574 (58.6) | 18.8 | -13.7 |
| ii) Doubtful | 2,106 (41.2) | 1,793 (40.8) | 18.1 | -14.8 |
| iii) Loss | 28 (0.5) | 26 (0.6) | 30.0 | -7.8 |
| **B. NPAs to Loans Ratio** | **51.6** | **39.0** | | |
| i) Recovery to Demand (%) | 42.2 | 40.3 | | |
| ii) Provisions Required | 902 | 790 | 12.9 | -12.4 |
| iii) Provision Made | 948 | 892 | 18.6 | -5.9 |
| **C. CRAR*** | **36.4** | **40.4** | | |
| **D. Leverage Ratio** | **19.4** | **20.2** | | |

P: Provisional

*: Calculated as ratio of 'capital and reserves' to 'investments and advances'.

**Note:** Figures in parentheses are percentages to total.

**Source:** NABARD.

Capital Adequacy

5.57 There was an improvement in the capital adequacy of PCARDBs at end-March 2009 over the previous year. The rough indicator of capital adequacy, *viz.*, ratio of capital and reserves to investments and advances increased at end-March 2009 over end-March 2008 (Table V.28).

### Financial Inclusion by Rural Cooperatives

5.58 The most justifiable reason to speed up the ongoing revival plan of the rural cooperative sector emanates from the potential of this sector in enlarging the formal financial network especially in rural areas with the existing infrastructure, especially with the wide geographical outreach of PACS. As at end-March 2009, PACS functioning in the country covered around six lakhs villages with a total membership of around 13.2 million. This wide penetration of PACS across villages as well as across small depositors/borrowers would act like a catalyst while pursuing the objective of 100 per cent financial inclusion.

*Credit- Deposit Ratio of Rural Cooperatives*

5.59 The credit-deposit ratio of StCBs and DCCBs was very high as compared with UCBs and SCBs though it came down in 2009 as compared with the previous year. The higher credit-deposit ratio of these upper tier institutions implies a larger availability of funds for PACS (Table V.29).[12]

5.60 Deposits of long-term cooperative credit institutions such as SCARDBs and PCARDBs were very low as compared with their borrowings. This indicates that long-term cooperative credit institutions need to improve their deposit mobilisation efforts. This would on the one hand help these institutions to diversify their resource base and on the other would bring more depositors under the formal financial network.

*Outreach of Rural Cooperatives*

5.61 In the short-term structure of rural cooperatives, the apex organisation, *viz*., StCBs play a crucial role in financial inclusion by providing funds to lower tiers of the rural cooperative sector. Every State has one StCB in place to provide funds to the lower tiers of the rural cooperative sector. Though StCBs reported overall profits in majority of States, the poor asset quality of StCBs in the north eastern region is a cause for concern which can impact on the entire rural cooperative sector's effort to further financial inclusion (Appendix Table V.3).

**Table V.29: Credit-Deposit Ratio of StCBs and DCCBs**

(Per cent)

| | StCBs | DCCBs |
|---|---|---|
| 1 | 2 | 3 |
| 2008 | 88.8 | 92.4 |
| 2009 P | 70.0 | 77.9 |

P : Provisional.

5.62 The second tier of the rural cooperative sector, namely, DCCBs is present in all regions of the country, except the north eastern region. These banks are concentrated in the central region of the country as at end-March 2009. Notably, majority of them reported overall profits as at end-March 2009. In contrast, ground level institutions, *viz*., PACS were concentrated in the western region. As at end-March 2009, the average number of villages per PACS was 6 at the all-India level. However, this was very high in some of the regions, *viz*., central, eastern, north-eastern and northern. In the central region the average number of villages per PACS was 12, which is double of the national average (Appendix Tables V.4 and V.5).

5.63 Branches of SCARDBs were also concentrated in the central region. Though at the All-India level they reported overall net profits, in many States these banks were incurring losses. In contrast, the lower tier of the long-term structure, *viz*., PCARDBs were concentrated in the southern region followed by the northern region (Appendix Table V.6 and V.7).

*Business per Branch of Rural Cooperative Credit Institutions*

5.64 Among the rural cooperative credit institutions (except PACS), DCCBs were having the maximum number of branches across the country. However, the business per branch was the highest in StCBs. The business undertaken by PCARDBs per branch was very low as compared with other rural cooperative credit institutions. Thus, in terms of number of branches as well as amount of banking business per branch, the short term cooperative credit institutions were far ahead of their long-term counterparts indicating the higher role played by short term rural cooperative credit institutions in financial inclusion (Table V.30).

[12] PACs were more dependent on borrowings than on deposits for their resources.

**Table V.30: Business per Branch of Rural Cooperatives**
(As at end-March 2009)

(Amount in ₹ crore)

| Category | Number of Banks | Number of Branches | Business per Branch |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| StCBs | 31 | 943 | 123.8 |
| DCCBs | 370 | 12,939 | 17.5 |
| SCARDBs | 20 | 844 | 20.3 |
| PCARDBs | 697 | 1,227 | 9.5 |

**Note :** Data are provisional.
**Source :** NABARD

*Role of PACS in Financial Inclusion – Some Emerging Issues*

5.65 Over the years, though the network of PACS widened throughout the geographical space of the country, some persisting weaknesses have been making the sector less effective in financial intermediation in rural areas (Box V.4).

## 4. Role of NABARD in Rural Credit

5.66 In the area of rural credit, NABARD is the apex organisation and as such it has been playing a very important role in enhancing the credit flow to the rural economy since its inception in 1982. It is actively involved in refinancing of rural lending institutions such as RRBs and cooperative credit institutions as also in the recapitalisation of these institutions. Further, NABARD is also entrusted with the responsibility of supervision of rural cooperative credit institutions. Special schemes to improve credit flow to the rural economy, *viz*., Rural Infrastructure Development Fund (RIDF) and Kisan Credit Card (KCC), are also entrusted with NABARD.

***Short-term Credit Extended by NABARD***

5.67 NABARD provides short, medium and long-term credit facilities to different organisations, *viz*., StCBs, RRBs and State Governments.[13] As at end-March 2010, the total credit extended by NABARD to various organisations witnessed considerable increase over end-March 2009. While, there was an absolute increase in the credit extended by NABARD to StCBs and RRBs in 2009-10 over the previous year, credit extended to State Governments witnessed an absolute decline over the same period. Out of the total outstanding credit from NABARD as at end-March 2010, StCBs accounted for the maximum share followed by RRBs and State Governments (Table V.31).

***Role of NABARD in Reviving Rural Cooperative Credit Institutions***

*Revival of Short-term Structure - Status*

5.68 The approved revival package for rural cooperative credit institutions prepared based on the Vaidyanathan Committee (Task Force on Revival of Rural Cooperative Credit Institutions) Report is under implementation. Government of India has entered into agreements with multilateral agencies such as World Bank, Asian Development Bank and KfW (*Kreditanstalt für Wiederaufbau*) for financial assistance to implement the revival package at the State level. The National Implementation and Monitoring Committee (NIMC) has been constituted for guiding and monitoring the implementation of the package at national level. At State level, the progress is being monitored by State Level Implementing and Monitoring Committee and at district level by DCCB Level Implementing

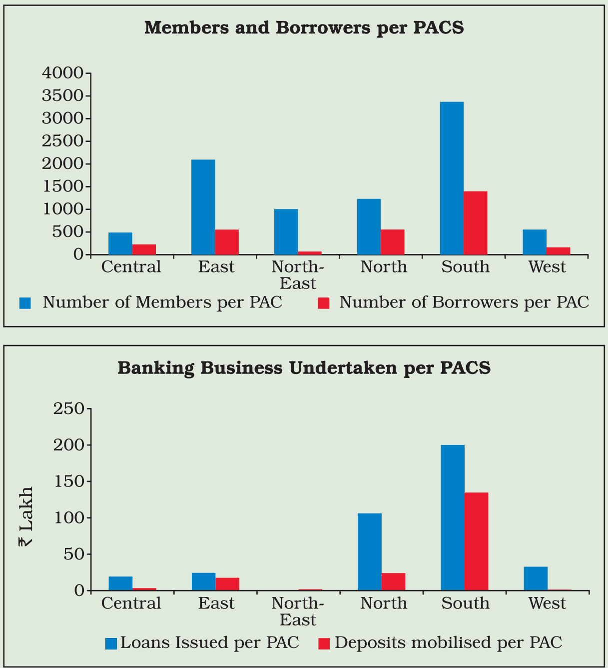
[13] Short-term credit is supplied mainly for financing seasonal agricultural operations, marketing of crops, production, procurement and marketing activities of cooperative weavers' societies, among others. While medium term credit is extended for financing other approved agriculture purposes as also for converting short-term loans to medium-term loans, long-term credit is extended to State Governments to enable them to contribute to the share capital of cooperative credit institutions.

## Box V. 4 Operations of PACS in India – Some Weak Spots

Though PACS have a wide network in the country, there are some inherent weaknesses in the sector which is making this sector less effective in becoming formal financial channels in rural areas. *Prima facie*, there is a need to increase the number of members in PACS as only members can borrow from PACS. As at end-March 2009, the number of members per PACS at the national level was 1,384. Further, number of members was low in the northern, western, eastern, north-eastern and central regions as compared with that in the southern region. Similarly, only 34.9 per cent of members were borrowers from PACS. As compared with the southern region, the number of borrowers was also comparatively less in other regions of the country. Furthermore, only 19.1 per cent of borrowers of PACS were belonging to SC, ST, small farmers and rural artisans.

The banking business undertaken by PACS was concentrated in the southern region. PACS in the southern region mobilised the highest share of total deposits at all-India level. Similarly, PACS in the southern region also had the highest share of loans and advances issued as at end-March 2009. Thus, it is clear that though the western region had the maximum number of PACS as well as lowest number of villages per PACS, PACS in the southern region were engaged in largest amount of banking business. In contrast, at end-March 2009, the banking business undertaken by each PACS was dismally low in the north-eastern region. In this region, the average deposits mobilised by one PACS were ₹2 lakhs and average loans issued by one PACS were ₹ one lakh (chart).

**Chart: Region-wise Details of PACS at end-March 2009**




Further, it is observed that, out of the loss making PACS, 37.4 per cent belonged to the western region followed by the eastern region (23.4 per cent). On the other hand, profit making PACS were distributed across regions, *i.e.*, 29.8 per cent in the western region followed by 22.2 per cent in the northern region and 19.9 per cent in the central region. Further, out of the total overdues of PACS, 61.2 per cent belong to the western region. However, 68.0 per cent of PACS in the western region and 76.3 per cent of PACS in the eastern region were classified as viable as at end-March 2009. (Table).

**Table: Regional Penetration of PACS**
(As at end-March 2009)

| Region | Total number of PACS | Number of Villages per PACS | Number of Profit Making PACS | Number of Loss Making PACS |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| Central | 15,938 | 12 | 7,412 | 5,338 |
| Eastern | 20,308 | 9 | 4,933 | 10,749 |
| North-Eastern | 3,579 | 9 | 564 | 1,075 |
| Northern | 12,738 | 8 | 8,267 | 3,515 |
| Southern | 13,744 | 6 | 4,989 | 8,040 |
| Western | 29,326 | 1 | 11,126 | 17,152 |
| **Total** | **95,633** | **6** | **37,291** | **45,869** |

**Note:** 1) 12,473 PACS are classified as no-profit no-loss making PACS.
2) Data are provisional.

**Source :** NAFSCOB.

Undoubtedly, PACS can be utilised to further financial inclusion given its wide geographical coverage. However, efforts need to be made to improve the performance of this sector as well as to ensure adequate presence of these institutions across different regions of the country. In this context, it is important to expand the PACS network in the north-eastern region. Along with expanding the number of PACS in the north-eastern region, measures may also be taken to increase the banking business per PACS in this region. PACS in the western region may be given special attention for improving the financial condition of the large number of loss-making PACS in the region. Further, deposit mobilisation by PACS in the western as well as in the central region was abysmally low, which requires immediate attention. Moreover, the membership in PACS may have to be increased considerably. However, the most important issue would be reduction of over dues of PACS, which is endangering the financial health of these institutions. Thus, with adequate reforms to improve the financial health of PACS along with correcting the existing regional imbalances would bring large number of small depositors/borrowers hailing from rural areas into the formal banking system and facilitate the process of financial inclusion.

**Table V.31: NABARD's Credit to StCBs, State Governments and RRBs**

(₹ crore)

| Item | 2008-09 | | | | 2009-10 | | | |
|---|---|---|---|---|---|---|---|---|
| | Limits | Drawals | Repayments | Outstanding | Limits | Drawals | Repayments | Outstanding |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| **1. StCBs (a+b)** | **20,133** | **17,778** | **17,858** | **15,704** | **18,287** | **18,680** | **17,215** | **17,169** |
| a. Short-term | 20,053 | 17,778 | 16,636 | 15,638 | 18,287 | 18,680 | 17,149 | 17,169 |
| b. Medium-term | 80 | - | 1,222 | 66 | 66* | - | 66 | - |
| **2. State Governments** | | | | | | | | |
| a. Long-term | - | 18 | 56 | 252 | - | - | 53 | 199 |
| **3. RRBs (a+b)** | **4,829** | **4,061** | **3,914** | **3,803** | **7,374** | **7,091** | **3,969** | **6,924** |
| a. Short-term | 4,829 | 4,061 | 3,291 | 3,656 | 7,374 | 7,091 | 3,842 | 6,904 |
| b. Medium-term | - | - | 623 | 147 | - | - | 127 | 20 |
| **Grand Total (1+2+3)** | **24,962** | **21,858** | **21,828** | **19,759** | **25,661** | **25,771** | **21,238** | **24,292** |

* This sanction was withdrawn later on. '-': Nil. StCBs: State Cooperative Banks. RRBs: Regional Rural Banks.

**Note:** 1) Short-term includes Seasonal Agricultural Operations (SAO) and Other than Seasonal Agricultural Operations (OSAO). For 2008-09, short-term also includes liquidity support scheme for Kharif and Rabi.

2) For StCBs and State Governments, the period is from April to March. For RRBs, it is from July to June.

3) Medium-term includes MT Conversion, MT (NS) and MT liquidity support scheme.

4) Repayments under Short-term during 2009-10 includes repayment under ST(SAO)A/C IV, A/C III and Liquidity support for Rabi.

**Source:** NABARD.

and Monitoring Committees. At NABARD level, review meetings of Regional Offices of Implementing States are held periodically for the same.

5.69 So far, 25 State Governments (except Goa, Himachal Pradesh and Kerala) have signed the MoU with Government of India and NABARD, which covers 96 per cent of short term rural cooperative credit units in the country. Further, an amount of ₹7,972 crore has been released by NABARD as Government of India share for recapitalisation of 49,764 PACS in 14 States, while State Governments have released ₹756 crore as their share. The State Cooperative Societies Act has been amended in 15 States through legislative process.

5.70 Further, for conducting the statutory audit of StCBs and DCCBs, NABARD provided a panel of chartered accountants to 13 States during the recent years. The audit process as on March 31, 2009 is completed in 12 States. The audit process in rest of the States is under different stages. Further, professional directors as well as CEOs as per fit and proper criteria were put in place in many of the banks across States. The common accounting system (CAS) was introduced from April 1, 2009 in almost all PACS in 11 States. Guidelines on computerisation of CAS and Management Information System (MIS) for PACS were issued in two separate modules, and it is in progress in 3 States. As per decision of NIMC, it has been decided to develop core software for PACS at the National level.

*HRD-Training*

5.71 Eight modules for training of different levels of Short-term Cooperative Credit Institutions (STCCs) functionaries and Board of directors of PACS/CCBs/StCBs have been developed by NABARD. Nodal training partners have been appointed for implementation of the programmes and Master Trainers have been identified and trained in the Training Establishments of NABARD. As on March 31, 2010, 72,127 PACS Secretaries from 14 states and 99,219 Elected Members of PACS from 11 states have been trained by 1,896 District Level Trainers. Further, 3,471 departmental auditors and supervisors from 17 States have been trained to provide hand-holding support in order to facilitate stabilisation of CAS/MIS at the ground level. Further 61,619 PACS functionaries from 15 States have been trained in CAS/MIS.

*Revival of the Long-term Structure – Status*

5.72 The Government of India constituted a Task Force (TF) on Long Term Cooperative Credit Institutions (LTCCs) to review the need for the Revival Package (RP) for LTCCs. The TF has discussed the need for RP for LTCCs with some State Governments. The TF submitted its report on Februrary 25, 2010, which is under consideration.

### *Schemes Entrusted with NABARD to Improve Credit Flow to the Rural Economy*

*Rural Infrastructure Development Fund (RIDF)*

5.73 RIDF is one of the most important schemes entrusted with NABARD by the Government of India to increase flow of credit for the development of rural infrastructure. The fund was set up in 1995 with an initial corpus of ₹2,000 crore. Apart from contributions of the Government of India, RIDF also receives deposits from commercial banks to the extent of shortfall in their lending to agriculture. As at end-March 2010, out of the total funds received by RIDF since its inception both from the Government of India as well as via deposits, more than half was from contributions by the Government of India. Out of the total funds received so far, RIDF sanctioned loans worth two third of the total amount so far. However, the percentage of disbursed loans to sanctioned loans exhibited a declining trend since tranche XI. The decline in the disbursal of funds from RIDF was mainly caused by procedural delays in administrative and technical approvals by State Governments in land acquisitions, statutory clearances and tendering process. Efforts to rationalise these procedures have already been initiated by State Governments (Table V.32 and Chart V.10).

5.74 The Government of India opened a separate window under RIDF in 2006 for the *Bharat Nirman Programme* with a corpus of ₹4,000 crore. Of the total funds received so far, this window of RIDF sanctioned and disbursed more than half of the amount. Notably, there is no delay observed under this window in disbursing the sanctioned amount of loan (Table V.32).

5.75 Out of total loans sanctioned so far under RIDF, the major share went towards building roads and bridges, followed by rural irrigation programmes. Notably, more than 10 per cent of loans went to the development of social infrastructure such as drinking water, primary school, public health centres and *aganwadi* centres.

5.76 Out of total loans sanctioned and disbursed under RIDF so far, northern region and southern region accounted for more than half. North-eastern region accounted for only 5.1 per cent of total sanctioned loans and 4.0 per cent of total disbursed loans. The north-eastern region also reported the lowest disbursed loans to sanctioned loans ratio amongst the regions. The State-wise profile shows that Andhra Pradesh accounted for the maximum share of loans sanctioned and disbursed, followed by Gujarat and Madhya Pradesh (Appendix Table V.8).

*Kisan Credit Card Scheme (KCC)*

5.77 KCC scheme was implemented in the late nineties to further financial inclusion by improving the accessibility of credit by farmers. At end-March 2010, the total number of cards issued and sanctioned amount of loans under the scheme witnessed an increase over the previous year. The average amount of sanctioned

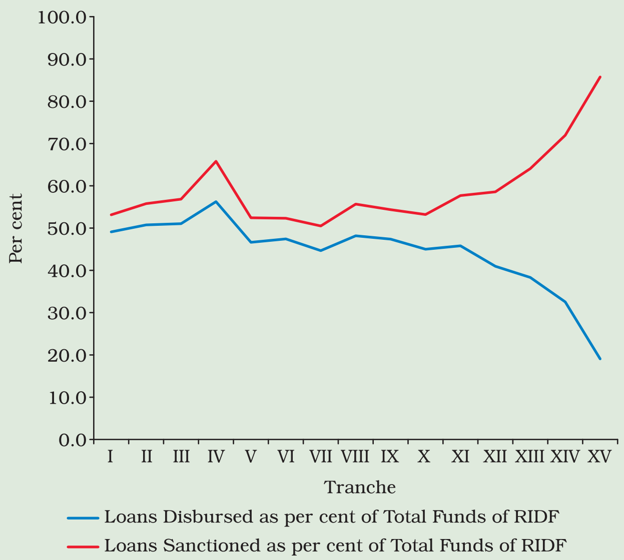
**Table V.32: Tranche-wise Details of RIDF**
(As at end-March 2010)

(Amount in ₹ crore)

| Tranche | Beginning of the Tranche | No. of Projects | Corpus* | Deposits Received | Loans Sanctioned | Loans Disbursed | Ratio of Loans Disbursed to Loans Sanctioned (per cent) |
|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 7 | 8 | 9 |
| I | 1995 | 4,168 | 2,000 | 1,587 | 1,906 | 1,761 | 92.4 |
| II | 1996 | 8,193 | 2,500 | 2,225 | 2,636 | 2,398 | 91.0 |
| III | 1997 | 14,345 | 2,500 | 2,308 | 2,733 | 2,454 | 89.8 |
| IV | 1998 | 6,171 | 3,000 | 1,413 | 2,903 | 2,482 | 85.5 |
| V | 1999 | 12,106 | 3,500 | 3,052 | 3,435 | 3,055 | 88.9 |
| VI | 2000 | 43,168 | 4,500 | 4,081 | 4,489 | 4,071 | 90.7 |
| VII | 2001 | 24,598 | 5,000 | 4,074 | 4,582 | 4,053 | 88.5 |
| VIII | 2002 | 20,887 | 5,500 | 5,188 | 5,950 | 5,149 | 86.5 |
| IX | 2003 | 19,548 | 5,500 | 4,873 | 5,638 | 4,916 | 87.2 |
| X | 2004 | 16,530 | 8,000 | 6,420 | 7,672 | 6,489 | 84.6 |
| XI | 2005 | 29,771 | 8,000 | 6,421 | 8,320 | 6,605 | 79.4 |
| XII | 2006 | 41,955 | 10,000 | 7,775 | 10,411 | 7,280 | 69.9 |
| XIII | 2007 | 36,890 | 12,000 | 7,835 | 12,706 | 7,601 | 59.8 |
| XIV | 2008 | 85,465 | 14,000 | 6,442 | 14,708 | 6,653 | 45.2 |
| XV | 2009 | 39,015 | 14,000 | 4,228 | 15,630 | 3,474 | 22.2 |
| **Total** | | **4,02,810** | **1,00,000** | **67,921** | **1,03,718** | **68,440** | **66.0** |
| **Separate Window of Bharat Nirman Programme** | | | | | | | |
| XII | 2006 | - | 4,000 | 3,946 | 4,000 | 4,000 | 100.0 |
| XIII | 2007 | - | 4,000 | 3,416 | 4,000 | 4,000 | 100.0 |
| XIV | 2008 | - | 4,000 | 3,817 | 4,000 | 4,000 | 100.0 |
| XV | 2009 | - | 6,500 | 3,626 | 6,500 | 6,500 | 100.0 |
| **Total** | | **-** | **18,500** | **14,805** | **18,500** | **18,500** | **100.0** |
| **Grand Total** | | **4,02,810** | **1,18,500** | **82,725** | **1,22,218** | **86,940** | **71.1** |

'-': Nil/Not Available. *: Provided by the Government of India.
**Source:** NABARD.

**Chart V.10: Loans Sanctioned and Disbursed as per cent of Total Funds of RIDF**




loan per card holder exhibited a steady rising trend since its inception except for the last two years (Table V.33).

5.78 Out of total KCCs issued and total amount sanctioned under the scheme since its inception, commercial banks accounted for the maximum share followed by cooperative banks. However, the number of cards issued by cooperative banks witnessed a declining trend since 2001-02, while the commercial banks more or less had a rising trend in the number of KCCs issued. Consequently, the share of cooperative banks in total amount sanctioned under KCC scheme also exhibited a declining trend (Chart V.11).

5.79 As at end-March 2010, Uttar Pradesh accounted for the maximum number of KCCs

**Table V.33: Number of Kisan Credit Cards Issued: Agency-wise and Year-wise**
(As at end-March 2010)

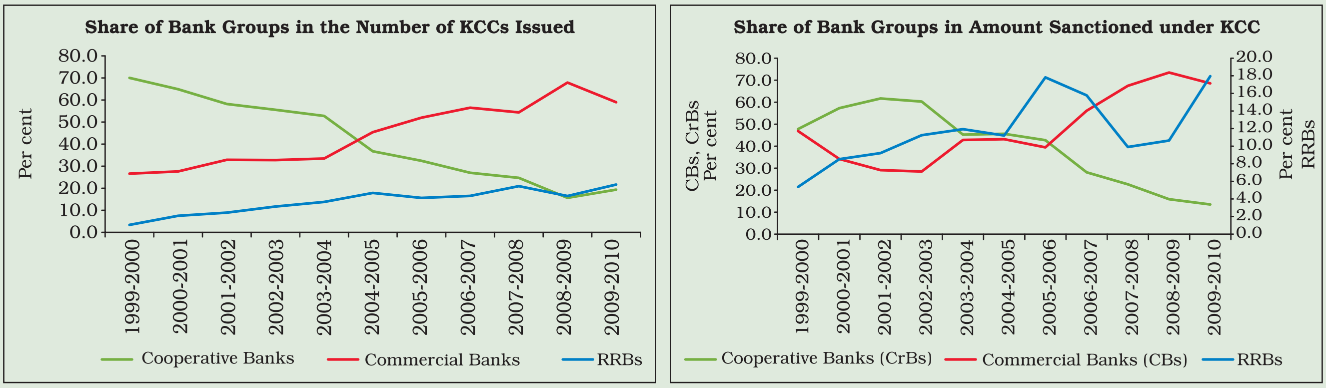
(Amount in ₹ crore)

| Year | Cooperative Banks | | Regional Rural Banks | | Commercial Banks | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Number of Cards | Amount | Number of Cards | Amount | Number of Cards | Amount | Number of Cards | Amount |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1998-99 | 1,55,353 | 826 | 6,421 | 11 | 6,22,391 | 1,473 | 7,84,165 | 2,310 |
| 1999-00 | 35,94,869 | 3,606 | 1,73,301 | 405 | 13,65,911 | 3,537 | 51,34,081 | 7,548 |
| 2000-01 | 56,14,445 | 9,412 | 6,48,324 | 1,400 | 23,89,588 | 5,615 | 86,52,357 | 16,427 |
| 2001-02 | 54,35,859 | 15,952 | 8,33,629 | 2,382 | 30,71,046 | 7,524 | 93,40,534 | 25,858 |
| 2002-03 | 45,78,923 | 15,841 | 9,63,950 | 2,955 | 26,99,883 | 7,481 | 82,42,756 | 26,277 |
| 2003-04 | 48,78,236 | 9,855 | 12,74,289 | 2,599 | 30,94,108 | 9,331 | 92,46,633 | 21,785 |
| 2004-05 | 35,55,783 | 15,597 | 17,29,027 | 3,833 | 43,95,564 | 14,756 | 96,80,374 | 34,186 |
| 2005-06 | 25,98,226 | 20,339 | 12,49,474 | 8,483 | 41,64,551 | 18,779 | 80,12,251 | 47,601 |
| 2006-07 | 22,97,640 | 13,141 | 14,05,874 | 7,373 | 48,07,964 | 26,215 | 85,11,478 | 46,729 |
| 2007-08 | 20,91,329 | 19,991 | 17,72,498 | 8,743 | 46,05,775 | 59,530 | 84,69,602 | 88,264 |
| 2008-09 | 13,43,845 | 8,428 | 14,14,647 | 5,648 | 58,33,981 | 39,009 | 85,92,473 | 53,085 |
| 2009-10 | 17,43,253 | 7,606 | 19,49,785 | 10,132 | 53,13,085 | 39,940 | 90,06,123 | 57,678 |
| **Total** | **37,887,761** | **1,40,594** | **13,421,219** | **53,964** | **42,363,847** | **2,33,190** | **93,672,827** | **4,27,748** |
| Percentage share in Total | 40.4 | 32.9 | 14.4 | 12.6 | 45.3 | 54.5 | 100.0 | 100.0 |

**Source :** NABARD

issued so far followed by Andhra Pradesh. Thus, these two States together accounted for one-third of the total KCCs issued so far. Similarly, at end-March 2010, Uttar Pradesh had the maximum share of loans sanctioned under the KCC scheme followed by Maharashtra. However, as at end-March 2010, average amount of loan sanctioned per KCC was the highest in Gujarat followed by Punjab. In the north-eastern States as well as in other hilly States, the number of KCCs issued as well as amount of loans sanctioned was very low as compared with rest of the States at end-March 2010 (Appendix Table V.9).

**Chart V.11: Share of Bank Groups in the Number of KCCs Issued and Amount Sanctioned under KCC**



## 5. Conclusions

5.80 Cooperative banks, though account for a small proportion of the total business undertaken by the banking system in India, have a prominent place in the Indian financial landscape owing to their potential role in furthering financial inclusion as also because of financial inter linkages that these institutions have with the rest of the financial system.

5.81 As a result of the on-going consolidation initiatives in the UCB sector, the profile of UCBs witnessed a shift in favour of financially sound banks. The UCB sector reported overall net profits as at end-March 2010. However, the spillover effects of the global financial turmoil caused a decline in the profitability during the last two years. Some of the emerging issues which deserve attention in the UCB sector are negative non-interest margin, high level of non-performing loans, presence of loss-making banks, banks with negative CRAR and skewed concentration of banking business.

5.82 There was an overall improvement in the financial performance of rural cooperatives at end-March 2009 over the previous year. However, the asset quality deteriorated during the same period. Improving the financial soundness of these institutions is extremely important as the existing infrastructure of these institutions especially that of PACS, can be leveraged upon for furthering financial inclusion. Addressing the lopsided geographical spread and the lopsided distribution of banking business of PACS across regions is important in this context. Further, there is also an urgent need to improve deposit mobilisation by the long-term cooperative credit institutions both from the point of view of diversification of resources and financial inclusion. The declining trend in the disbursal of loans from RIDF and the number of KCCs issued by cooperatives is a source of concern that requires urgent attention.

Chapter VI

# Non-Banking Financial Institutions

*Non-Banking Financial Institutions (NBFIs) supplement the efforts of scheduled commercial banks in credit delivery and financial intermediation. Given their growing inter-linkages with the banking sector, financial soundness of NBFIs assumes considerable importance to ensure overall financial stability. In 2009-10, the consolidated balance sheet of Non-Banking Financial Companies-Non-Deposit taking-Systematically Important (NBFCs-ND-SI) expanded but their Return on Assets (RoA) declined. In the case of Financial Institutions (FIs), there was an expansion in the combined balance sheet along with an increase in their net profits. However, the RoA of FIs declined marginally during 2009-10. In contrast, there was a steep decline in the profitability of Primary Dealers (PDs) in 2009-10 mainly due to the hardening of government securities yields.*

## 1. Introduction

6.1 Apart from commercial banks and cooperative credit institutions (urban and rural), the financial system in India consists of a wide variety of NBFIs, such as Non-Bank Financial Companies (NBFCs), financial institutions and primary dealers. NBFIs form a diverse group not only in terms of size and nature of incorporation, but also in terms of their functioning. In addition to enhancing competition in the financial system, these institutions play a crucial role in broadening the access of financial services to the population at large. With the growing importance assigned to the objectives of financial penetration and financial inclusion, NBFIs are being regarded as important financial intermediaries particularly for the small scale and retail sectors.

6.2 NBFCs, the largest component of NBFIs, can be distinguished from banks with respect to the degree and nature of regulatory and supervisory controls. First, the regulations governing these institutions are relatively lighter as compared to banks. Secondly, they are not subject to certain regulatory prescriptions applicable to banks. For instance, NBFCs are not subject to Cash Reserve Requirement (CRR) like banks. They are, however, mandated to maintain 15 per cent of their public deposit liabilities in Government and other approved securities as Statutory Liquidity Ratio (SLR). Thirdly, they do not have deposit insurance coverage and refinance facilities from the Reserve Bank. Fourthly, NBFCs do not have cheque issuing facilities and are not part of the payment and settlement system.

6.3 There are two broad categories of NBFCs based on whether they accept public deposits, namely, NBFC-Deposit taking (NBFC-D) and NBFCs-Non Deposit taking (NBFC-ND). Since 2006, NBFCs were reclassified based on whether they were involved in the creation of productive assets. Under the new classification, the NBFCs creating productive assets were divided into three major categories, namely, asset finance companies, loan companies and investment companies. Considering the growing importance of infrastructural finance, a fourth category of NBFCs involved in infrastructural finance was introduced in February 2010 namely infrastructure finance companies (Box VI.1).

6.4 Till recently, NBFCs-ND were subject to minimal regulation as they were non-deposit taking bodies and considered as posing little threat to financial stability. However, recognising

**Box VI.1: Infrastructure Finance Companies (IFCs) – Need for Separate Classification and Criteria for IFCs**

The need for a separate category of NBFCs financing infrastructure sector arose on account of the growing infrastructure needs of the country. Several Committees including the Deepak Parekh Committee were set up to look into the issue of infrastructure finance. The capability of the NBFCs to contribute significantly towards this growth has been well recognised. In view of the importance of infrastructure financing, it is felt that companies financing this sector should not face the same regulatory or funding constraints as companies financing consumer products or equity investments. Infrastructure financing requires large outlays, long gestation period and large exposures. The commitment required from each lender is high in terms of size of each loan and current prudential norms on credit concentration for NBFCs is likely to act as a constraint on companies participating in infrastructure financing. Hence, a separate class of NBFCs *viz.*, IFCs was introduced with effect from February 12, 2010.

**The criteria that would qualify an NBFC as IFC are the following:**

1. Companies that deploy a minimum of 75 per cent of total assets in infrastructure loans, as defined in para 2 (viii) of Non-Banking financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
2. Net owned funds of ₹300 crore or above,
3. Minimum credit rating 'A' or equivalent; of CRISIL, FITCH, CARE, ICRA or equivalent rating by any other accrediting rating agencies.
4. CRAR of 15 percent (with a minimum Tier I capital of 10 percent).

**Infrastructure Finance Companies (IFCs) – Concessions**

1. IFCs may exceed the concentration of credit norms as applicable to NBFCs-ND-SI as under:

(i) In lending to

(a) Any single borrower by ten per cent of its owned fund; and

(b) Any single group of borrowers by fifteen per cent of its owned fund

(For other NBFCs-ND-SI, the ceilings are 15 and 25 percent, respectively)

(ii) In lending and investing (loans/investments taken together) by

(a) five percent of its owned fund to a single party; and

(b) ten percent of its owned fund to a single group of parties.

(For other NBFCs-ND-SI, the ceilings are 25 and 40 percent, respectively)

2. ECB can be availed by IFCs through approval route for on-lending to infrastructure sector subject to certain conditions. Five NBFCs-ND-SI have been reclassified as Infrastructure Finance Companies.

the growing importance of this segment and its interlinkages with banks and other financial institutions, capital adequacy and exposure norms have been made applicable to NBFCs-ND that are large and systemically important from April 1, 2007; such entities are referred to as NBFCs-ND-Systemically Important (SI).

6.5 The second major component of NBFIs includes Financial Institutions (FIs). FIs have been broadly categorised based on the major focus of their lending/investment activity, into (i) term-lending institutions such as EXIM Bank, which extend export and overseas investment financing to different sectors of the economy; (ii) refinancing institutions such as NABARD, SIDBI and NHB which extend refinance to banking as well as nonbanking financial intermediaries for on-lending to agriculture, small scale industries (SSIs) and housing sectors and (iii) investment institutions like LIC and GIC which deploy their assets largely in marketable securities.

6.6 Primary Dealers (PDs), the third major component of NBFIs were set up in 1995 with the objective of developing the market for government securities in the country. This was envisaged to be achieved by strengthening the primary market with the creation of a dependable source of demand for these securities as well as by ensuring liquidity in the secondary market.

6.7 This chapter provides analysis of the financial performance and soundness indicators related to each of these segments of NBFIs during 2009-10. The chapter is organised into four

**Table VI.1: Ownership Pattern of Financial Institutions**
(As on March 31, 2010)

(per cent)

| Shareholding Institutions | EXIM Bank | NABARD | NHB | SIDBI |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| GOI | 100.0 | 27.5 # | – | – |
| RBI | – | 72.5 # | 100.0 | – |
| IDBI | – | – | – | 21.8 |
| SBI | – | – | – | 17.2 |
| LIC | – | – | – | 16.4 |
| Others | – | – | – | 44.7 @ |

\# In terms of GOI Notification dated 16.09.2010, with effect from 16.09.2010, the share of GOI and RBI in NABARD equity stands at 99% and 1% respectively.
@ Others include Public Sector Banks, EXIM Bank, LIC, GIC etc.

sections. Section 2 analyses the financial performance of FIs while Section 3 discusses the financial performance of NBFCs-D and NBFCs-ND-SI. Section 4 provides an analysis of the performance of PDs in the primary and secondary markets, followed by the conclusion in Section 5.

## 2. Financial Institutions

6.8 As at the end of March 2010, there were five FIs under the regulation of the Reserve Bank *viz.*, EXIM Bank, NABARD, NHB, SIDBI and IIBI. Of these, four FIs (*viz.*, EXIM Bank, NABARD, NHB and SIDBI) are under full-fledged regulation and supervision of the Reserve Bank. IIBI is under the process of voluntary winding up as of March 31, 2010.

6.9 As at end March 2010 EXIM Bank and NHB were fully owned by the Government of India (GoI) and RBI, respectively. RBI which owned a major stake in NABARD diluted its holding in September 2010 from 72.5 per cent to 1.0 per cent resulting in a corresponding increase in GoI ownership from 27.5 per cent to 99.0 cent. The ownership structure of SIDBI as at end-March 2010 indicates that, other institutions held 44.7 per cent of the total equity followed by IDBI, SBI and LIC (Table VI.1).

### Operations of Financial Institutions

6.10 Although the financial assistance sanctioned by FIs increased marginally during 2009-10, there was a decline in the disbursements made by these institutions during the year. This was on account of a decline in the disbursements made by investment institutions mainly LIC (Table VI.2 and Appendix Table VI.1).

### Assets and Liabilities of Financial Institutions

6.11 The combined balance sheets of FIs expanded during 2009-10. On the liabilities side, deposits along with the bonds and

**Table VI.2: Financial Assistance Sanctioned and Disbursed by Financial Institutions**

(Amount in ₹ crore)

| Category | Amount | | | | Percentage Variation | |
|---|---|---|---|---|---|---|
| | 2008-09 | | 2009-10 | | 2009-10 | |
| | S | D | S | D | S | D |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| (i) All-India Term- lending Institutions* | 33,232 | 31,629 | 42,118 | 37,824 | 26.7 | 19.6 |
| (ii) Specialised Financial Institutions# | 597 | 283 | 591 | 320 | -0.9 | 13.1 |
| (iii) Investment Institutions@ | 71,400 | 62,357 | 66,077 | 55,271 | -7.5 | -11.4 |
| **Total Assistance by FIs (i+ii+iii)** | **1,05,229** | **94,269** | **1,08,786** | **93,415** | **3.4** | **-0.9** |

S: Sanctions. D: Disbursements. *: Relating to IFCI, SIDBI and IIBI. # : Relating to IVCF, ICICI Venture and TFCI.
@: Relating to LIC and GIC & erstwhile subsidiaries (NIA,UIIC & OIC).
**Note**: All data are provisional.
**Source**: Respective Financial Institutions.

**Table VI.3: Liabilities and Assets of Financial Institutions**
(As at end-March)

(Amount in ₹ crore)

| Item | Amount | | Percentage Variation |
|---|---|---|---|
| | 2009 | 2010 | 2009-10 |
| 1 | 2 | 3 | 4 |
| **Liabilities** | | | |
| 1. Capital | 4,300 | 4,600 | 7.0 |
| | (2.0) | (1.9) | |
| 2. Reserves | 41,962 | 39,489 | -5.9 |
| | (19.3) | (16.0) | |
| 3. Bonds and Debentures | 59,602 | 69,943 | 17.4 |
| | (27.4) | (28.3) | |
| 4. Deposits | 63,515 | 79,473 | 25.1 |
| | (29.2) | (32.2) | |
| 5. Borrowings | 35,307 | 34,413 | - 2.5 |
| | (16.2) | (13.9) | |
| 6. Other Liabilities | 12,609 | 18,959 | 50.4 |
| | (5.8) | (7.7) | |
| **Total Liabilities/Assets** | **217,296** | **246,878** | **13.6** |
| | **(100.0)** | **(100.00)** | |
| **Assets** | | | |
| 1. Cash and Bank Balance | 5,244 | 3,703 | -29.4 |
| | (2.4) | (1.5) | |
| 2. Investments | 8,080 | 9187 | 13.7 |
| | (3.7) | (3.7) | |
| 3. Loans and Advances | 180,140 | 211,879 | 17.6 |
| | (82.9) | (85.8) | |
| 4. Bills Discounted/ Rediscounted | 2,145 | 2,668 | 24.4 |
| | (1.0) | (1.1) | |
| 5. Fixed Assets | 570 | 553 | -3.0 |
| | (0.3) | (0.2) | |
| 6. Other Assets | 21,117 | 18,888 | -10.6 |
| | (9.7) | (7.7) | |

**Note**: 1. Data pertains to four FIs, *viz*., NABARD, NHB, SIDBI and EXIM Bank. IIBI Ltd. was under voluntary winding up as on March 31, 2010.
2. Figures in parentheses are percentages to total liabilities/ assets.

**Source**: i) Balance sheets of respective FIs. ii) Unaudited Off-site returns for NHB as on June 30, 2010

debentures remains the major sources of borrowings (Table VI.3). However, resources raised through borrowings witnessed a decline during 2009-10.

6.12 On the assets side, loans and advances continued to be the single largest component contributing around four-fifth of the total assets of FIs. Similar to the trend observed in the case of Scheduled Commercial Banks (SCBs), the growth of loans and advances from FIs decelerated in 2009-10 as compared to the previous year.

### Resources Mobilised by FIs

6.13 FIs raised resources in 2009-10 in both rupee and foreign currency terms. Total resources raised by FIs in 2009-10 posted a growth of 25.0 per cent, which can mainly be attributed to long-term resources raised by these institutions comprising bonds/debentures (Table VI.4). Among the four FIs, growth in resource mobilisation in 2009-10 was the highest for SIDBI followed by NABARD Bank.

6.14 FIs raise resources from the money market through various instruments, such as Commercial Paper (CP), Certificate of Deposits (CD) and term deposits. In 2009-10, there was a significant increase in the resources raised by FIs through CP (Table VI.5). As a result, CP

**Table VI.4: Resources Mobilised by Financial Institutions**

(₹ crore)

| Institution | Total Resources Raised | | | | | | | | Total Outstanding (As at end-March) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Long-term | | Short-term | | Foreign Currency | | Total | | | |
| | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2009 | 2010 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| EXIM Bank | 3,197 | 8,150 | 8,905 | 5,052 | 3,800 | 5,193 | 15,902 | 18,395 | 37,202 | 40,509 |
| NABARD | 4,252 | 16 | 3,494 | 12,330 | – | – | 7,746 | 12,346 | 26,867 | 24,922 |
| NHB | 3,124 | 7,518 | 16,881 | 10,306 | – | – | 20,005 | 17,824 | 16,503 | 10,598 |
| SIDBI | 5,625 | 13,253 | 8,811 | 11,500 | 1,361 | 987 | 15,797 | 25,740 | 24,487 | 30,186 |
| **Total** | **16,198** | **28,937** | **38,091** | **39,188** | **5,161** | **6,180** | **59,450** | **74,305** | **1,05,059** | **1,06,215** |

– : Nil/Negligible

**Note:** Long-term rupee resources comprise of borrowings by way of bonds/ debentures; and short-term resources comprise of CPs, term deposits, ICDs, CDs and borrowing from the term money. Foreign currency resources comprise largely bonds and borrowings in the international market.

**Source:** Respective FIs.

**Table VI.5: Resources Raised by Financial Institutions from the Money Market**

(Amount in ₹ crore)

| Instrument | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| **A. Total** | **3,293** | **4,458** | **15,247** | **31,743** |
| i) Term Deposits | 89 | 508 | 2,222 | 3,510 |
| ii) Term Money | – | 250 | 1,184 | 922 |
| iii) Inter-corporate Deposits | – | – | – | 0 |
| iv) Certificate of Deposits | 663 | 2,286 | 5,633 | 1,555 |
| v) Commercial Paper | 2,540 | 1,414 | 6,207 | 25,456 |
| vi) Short term loans from Banks | – | – | – | 300 |
| *Memo:* | | | | |
| **B. Umbrella Limit** | **19,001** | **19,500** | **26,292** | **24,650** |
| **C. Utilisation of Umbrella limit (A as percentage of B)** | **17.3** | **22.9** | **58.0** | **129.0** |

- : Nil/Negligible.

**Source:** Fortnightly return of Resource mobilised by Financial Institutions.

emerged as the single most important channel accounting for around 80 per cent of the total resources mobilised by FIs from the money market in 2009-10. FIs are mandated to raise resources from the money market within the sanctioned umbrella limit. Given the increase in the amount of resources raised through CP, in 2009-10, FIs had apparently overshot the umbrella limit as against the trend observed in the previous years. However, this impression was created as CP is a short-term money market instrument and FIs kept resorting frequently to this instrument during the year taking the cumulative amount raised through CP to a higher level. It may be noted that the umbrella limit was not crossed each time this instrument was resorted to by FIs during the year.

**Sources and Uses of Funds**

6.15 In 2009-10, although resources raised by FIs through internal sources registered a decline, these sources continued to be the single largest source of funds for FIs during the year. This fall in internal sources of funds of FIs was mainly on account of decline in the internal sources of funds of SIDBI and NHB. In the case of SIDBI, higher level of disbursements and arrangements of standby lines of credit for managing day to day liquidity caused a reduction in the average investment in short term instruments resulting in decline in internal sources of funds in 2009-10. In case of NHB the internal sources of funds declined as consequence of lower amounts of repayments received from Primary Lending Institutions (PLIs). The funds raised through external sources increased significantly during the year mainly due to a recovery in the global financial markets. Given this increase, the share of external sources increased to around two fifth of the total resources raised in 2009-10 as compared to about one-third in the previous year.

6.16 More than half of the funds raised during the year were used for fresh deployments by FIs. However, there was a significant growth in the funds used for repayment of past borrowings by FIs during the year (Table VI.6).

**Maturity and Cost of Borrowings and Lending**

6.17 The weighted average cost of rupee resources declined for each of the four FIs in 2009-10 (Table VI.7). Further, the weighted average maturity of rupee resources also declined for all FIs except NHB during the year.

6.18 NHB and SIDBI lowered their Prime Lending Rates in 2009-10, while EXIM Bank kept it unchanged (Table VI.8). Notwithstanding the fact that prime lending rates were lower or remained unchanged, the growth in loans and advances from FIs worked out to be lower in 2009-10 as compared to the previous year, as alluded earlier (refer Table VI.3).

**Financial performance of FIs**

6.19 The financial performance of the FIs sector improved during 2009-10 as compared with 2008-09. The net profits of FIs registered

### Table VI.6: Pattern of Sources and Deployment of Funds of Financial Institutions*

(Amount in ₹ crore)

| Item | 2008-09 | 2009-10 | Percentage Variation 2009-10 |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| **A) Sources of Funds (i+ii+iii)** | **2,97,296** (100.0) | **3,02,610** (100.0) | **1.8** |
| (i) Internal | 1,93,294 (65.0) | 1,56,733 (51.8) | -18.9 |
| (ii) External | 91,314 (30.7) | 1,26,813 (41.9) | 38.8 |
| (iii) Others@ | 12,688 (4.3) | 19,065 (6.3) | 50.3 |
| **B) Deployment of Funds (i+ii+iii)** | **2,97,296** (100.0) | **3,02,610** (100.0) | **1.8** |
| (i) Fresh Deployment | 1,94,711 (65.5) | 1,71,922 (56.8) | -11.7 |
| (ii) Repayment of past borrowings | 56,592 (19.0) | 1,15,015 (38.0) | 103.2 |
| (iii) Other Deployment | 45,993 (15.5) | 15,673 (5.2) | -65.9 |
| *of which:* | | | |
| Interest Payments | 8,809 (3.0) | 16,561 (5.5) | 88.0 |

* : EXIM Bank, NABARD, NHB and SIDBI.
@: Includes cash and balances with banks, balances with the Reserve Bank and other banks.
**Note**: Figures in parentheses are percentages to the totals.
**Source**: Respective FIs.

an increase mainly on account of the substantial increase in interest income, notwithstanding the decline in non-interest income. However, their net profit as a ratio to total average assets (Return on Assets) declined marginally during the same period (Table VI.9). Among the four FIs, RoA continued to be the highest for SIDBI

### Table VI.7: Weighted Average Cost and Maturity of Long Term Resources Raised by Select Financial Institutions

| Institution | Weighted Average Cost (per cent) | | Weighted Average Maturity (years) | |
|---|---|---|---|---|
| | 2008-09 | 2009-10 | 2008-09 | 2009-10 |
| 1 | 2 | 3 | 4 | 5 |
| EXIM Bank | 9.0 | 7.1 | 2.5 | 1.9 |
| SIDBI | 6.4 | 5.2 | 5.3 | 3.2 |
| NABARD | 9.5 | 4.4 | 4.3 | 0.3 |
| NHB | 7.4 | 6.2 | 2.8 | 4.7 |

**Note**: Data are provisional.
**Source**: Respective FIs.

### Table VI.8: Long-term PLR Structure of Select Financial Institutions

(Per cent)

| Effective | NHB | EXIM Bank | SIDBI |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| March 2009 | 10.75 | 14.00 | 12.50 |
| March 2010 | 10.25 | 14.00 | 11.00 |

**Source**: Respective FIs.

followed by NABARD. It was the lowest for EXIM Bank (Table VI.10).

### Table VI.9: Financial Performance of Select All-India Financial Institutions

(Amount in ₹ crore)

| Item | 2008-09 | 2009-10 | Variation | |
|---|---|---|---|---|
| | | | Amount | Percentage |
| 1 | 2 | 3 | 4 | 5 |
| **A) Income (a+b)** | **14,274** | **15,331** | **1,057** | **7.4** |
| a) Interest Income | 12,169 (85.2) | 14,755 (96.2) | 2,587 | 21.3 |
| b) Non-Interest Income | 2,106 (14.8) | 575 (3.8) | -1,530 | -72.7 |
| **B) Expenditure (a+b)** | **10,492** | **11,095** | **603** | **5.7** |
| a) Interest Expenditure | 8,977 (85.6) | 9,328 (84.1) | 351 | 3.9 |
| b) Operating Expenses | 1,516 (14.4) | 1,767 (15.9) | 252 | 16.6 |
| *of which* : Wage Bill | 362 | 464 | 102 | 28.1 |
| **C) Provisions for Taxation** | **1,190** | **1417** | **227** | **19.0** |
| **D) Profit** | | | | |
| Operating Profit (PBT) | 3,782 | 4,236 | 454 | 12.0 |
| Net Profit (PAT) | 2,592 | 2,819 | 227 | 8.8 |
| **E) Financial Ratios@** | | | | |
| Operating Profit (PBT) | 1.9 | 1.8 | | |
| Net Profit (PAT) | 1.3 | 1.2 | | |
| Income | 7.2 | 6.6 | | |
| Interest Income | 6.1 | 6.4 | | |
| Other Income | 1.1 | 0.2 | | |
| Expenditure | 5.3 | 4.8 | | |
| Interest expenditure | 4.5 | 4.0 | | |
| Other Operating Expenses | 0.8 | 0.8 | | |
| Wage Bill | 0.2 | 0.2 | | |
| Provisions | 0.6 | 0.6 | | |
| Spread (Net Interest Income) | 1.6 | 2.3 | | |

- : Nil/Negligible. @: As percentage of average total assets.

**Note:**
1. Figures in parentheses are percentage shares to the respective total.
2. Non Interest Income also includes other non-operating income.
3. Operating Expenses also include other provisions.
4. Other provisions include risk provisions, provisions for other losses, write-offs, if any, provision for depreciation in fixed assets.
5. In case of NABARD, non-operating income includes capital gains.

**Source:** i) Annual Accounts of respective FIs. ii) Audited/Unaudited OSMOS returns of EXIM Bank, NABARD and SIDBI as at March 31, 2010 iii) Unaudited OSMOS returns of NHB as at June 30, 2010.

**Table VI.10: Select Financial Parameters of Financial Institutions**
(As at end-March)

(Per cent)

| Institution | Interest Income/ Average Working Funds | | Non-interest Income/Average Working Funds | | Operating Profits/Average Working Funds | | Return on Average Assets | | Net Profit per Employee (₹ crore) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| EXIM Bank | 7.75 | 8.37 | 0.80 | 0.80 | 2.36 | 1.75 | 1.18 | 1.13 | 2.06 | 2.21 |
| NABARD | 6.47 | 6.19 | 0.13 | 0.10 | 1.86 | 1.80 | 1.30 | 1.23 | 0.28 | 0.33 |
| NHB* | 7.96 | 6.63 | 0.33 | 0.15 | 1.74 | 1.86 | 1.20 | 1.20 | .. | .. |
| SIDBI | 8.84 | 8.35 | 1.11 | 0.41 | 5.25 | 4.19 | 3.11 | 2.36 | 0.31 | 0.41 |

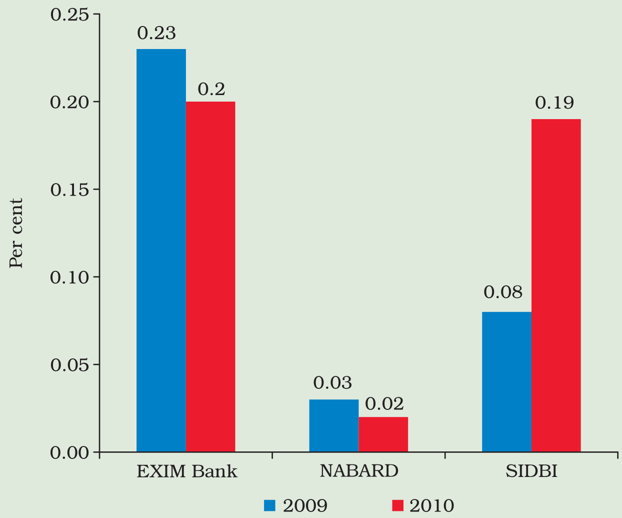
.. : Not Available.
* : Position as at the end of June 2010 as per OSMOS returns. In case of NHB Total assets have been taken in lieu of average working funds.
**Source:** i) Annual Accounts of respective FIs. ii) Audited/Unaudited OSMOS returns of EXIM Bank, NABARD and SIDBI as at March 31, 2010. iii) Unaudited OSMOS returns of NHB as at June 30, 2010.

### Soundness Indicators: Asset Quality

6.20 At the aggregate level, there was an increase in the amount of net NPAs for FIs in 2009-10 as compared to the previous year. The increase in net NPAs, however, was attributable only to SIDBI while in the case of all other FIs, there was in fact a fall in the amount of net NPAs in 2009-10 (Table VI.11 and Chart 1).

6.21 If the four FIs were ranked in an ascending order of the amount of their net NPAs at end March 2010, EXIM Bank appeared at the top having the largest quantum of net NPAs, while NHB was at the bottom with no NPAs. Moreover, the NPA ratio (NPAs as per cent of net loans) was the highest for EXIM Bank. Net NPA ratio of EXIM Bank, however,

**Chart VI.1: Net Non-Performing Assets/Net Loans**
**(As at end-March)**




*:NHB has no NPAs

posted a decline in 2010. On the contrary, the net NPA level for SIDBI increased to 0.19 during 2009-10 from 0.08 per cent in 2008-09 (Chart VI.1). The increase in the net NPA level for SIDBI was mainly on account of the adverse impact of economic downturn witnessed during the period.

**Table VI.11: Net Non-Performing Assets**
**(As at end-March)**

(Amount in ₹ crore)

| Institution | Net NPAs | |
|---|---|---|
| | 2009 | 2010 |
| 1 | 2 | 3 |
| EXIM Bank | 79 | 78 |
| NABARD | 30 | 29 |
| NHB* | - | - |
| SIDBI | 26 | 73 |
| All FIs | 135 | 180 |

-: Nil/Negligible.
*: Position as at end-March as per OSMOS returns
**Source**: i) Balance Sheet of respective FIs
ii) Audited/Unaudited OSMOS returns of EXIM Bank, NABARD and SIDBI as at March 31, 2010

6.22 Notwithstanding the increase in the amount of net NPAs, there were signs of improvement in NPA composition of FIs. This was evident from an increase in the percentage of sub-standard assets in the NPA portfolio of all FIs taken together while the percentage of doubtful assets showed a commensurate decline

**Table VI.12: Asset Classification of Financial Institutions**
(At end-March)

(₹ crore)

| Institution | Standard | | Sub-Standard | | Doubtful | | Loss | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| EXIM Bank | 34,077 | 38,957 | 21 | 49 | 58 | 29 | – | – |
| NABARD | 98,822 | 119,896 | 7 | 3 | 23 | 25 | – | – |
| NHB* | 16,851 | 19,837 | – | – | – | – | – | – |
| SIDBI | 30,854 | 37,892 | 23 | 68 | 3 | 2 | – | – |
| **All FIs** | **180,605** | **216,583** | **51** | **120** | **85** | **56** | – | – |

- : Nil/Negligible. *: Position as at end-June.
**Source:** i) Balance sheet of FIs. ii) Audited/Unaudited OSMOS returns of EXIM Bank, NABARD and SIDBI as at March 31, 2010. iii) Unaudited OSMOS returns of NHB as at June 30, 2010.

in 2009-10 as compared to the previous year (Table VI.12). Even in the case of SIDBI, the FI having the largest increase in net NPAs in 2009-10, there was an increase in the percentage of sub-standard assets and a decline in the percentage of doubtful assets signifying an improved NPA composition.

## Capital Adequacy

6.23 The capital adequacy measured by CRAR increased for all FIs except SIDBI in 2009-10. It may be noted, however, that the CRAR was way above stipulated minimum norm of 9 per cent for each of the FIs. CRAR was particularly high for NABARD, wherein capital was almost half of the total risk weighted assets of NABARD indicating that there was considerable scope for this institution to utilise its capital for further credit expansion (Table VI.13).

**Table VI.13: Capital to Risk (Weighted) Assets Ratio of Select Financial Institutions**
(As at end-March)

(Per cent)

| Institutions | 2009 | 2010 |
|---|---|---|
| 1 | 2 | 3 |
| EXIM Bank | 16.8 | 19.0 |
| NABARD | 25.9 | 48.8 |
| NHB * | 17.7 | 19.6 |
| SIDBI | 34.2 | 31.7 |

* : Position as at end-March as per OSMOS returns
**Source**: i) Balance sheets of FIs.
ii) Audited/Unaudited OSMOS returns of EXIM Bank, NABARD and SIDBI as at March 31, 2010
iii) Unaudited OSMOS returns of NHB as at June 30, 2010.

## 3. Non-Banking Financial Companies

6.24 The ownership pattern of NBFCs-ND-SI as well as deposit taking NBFCs companies suggest that these companies were perdominantly non-government companies (mainly Public Ltd. Companies in nature). The percentage of non-government companies was 96.6 per cent and 97.1 per cent respectively, in NBFCs-ND-SI and deposit taking NBFCs as against government companies having a share of only 3.4 per cent and 2.9 per cent respecitvely, at end-March 2010 (Table VI.14).

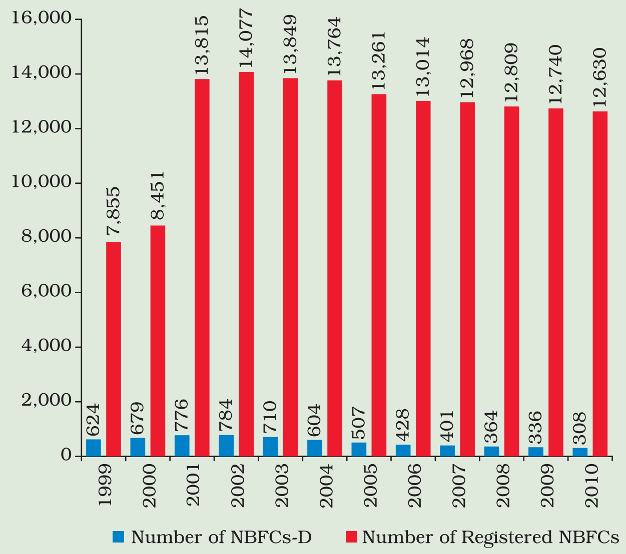
**Table VI.14: Ownership Pattern of NBFCs**

(Number of Companies as on March 2010)

| Ownership | NBFCs-ND-SI | Deposit taking NBFCs |
|---|---|---|
| 1 | 2 | 3 |
| **A. Government Companies** | **9** | **9** |
| | (3.4) | (2.9) |
| **B. Non-Government Companies** | **258** | **302** |
| | (96.6) | (97.1) |
| 1. Public Ltd Companies | 161 | 293 |
| | (60.3) | (94.2) |
| 2. Private Ltd Companies | 97 | 9 |
| | (36.3) | (2.9) |
| **Total No. of Companies (A+B)** | **267** | **311** |

**Note:** Figures in parentheses are percentage share in total number of companies.

**Chart VI.2: Number of NBFCs Registered with Reserve Bank of India**




*Profile of NBFCs*

6.25 The total number of NBFCs registered with the Reserve Bank declined to 12,630 as at end-June 2010 from 12,740 at end-June 2009 (Chart VI.2). There was also a decline in the number of deposit taking NBFCs (NBFCs-D) in 2009-10. This decline was mainly on account of cancellation of Certification of Registration of NBFCs, exit of NBFCs from deposit taking activities and conversion of deposit taking companies into non-deposit taking companies.

6.26 Despite the decline in the number of NBFCs, their total assets as well as net owned funds registered an increase during 2009-10, while deposits recorded a decline. The share of Residuary Non-Banking Companies (RNBCs) in total assets as well public deposits of NBFCs witnessed a decline in 2009-10, while share of the RNBCs in net owned funds registered an increase (Table VI.15).

6.27 The ratio of deposits of NBFCs to aggregate deposits of Scheduled Commercial Banks (SCBs) in 2009-10 indicated a decline. The ratio of deposits of NBFCs to the broad liquidity aggregate of L3 also declined over this year (Chart VI.3).

**Table VI.15: Profile of NBFCs**

(Amount in ₹ crore)

| Item | As at end-March | | | |
|---|---|---|---|---|
| | 2008-09 | | 2009-10 P | |
| | NBFCs | *of which:* RNBCs | NBFCs | *of which:* RNBCs |
| 1 | 2 | 3 | 4 | 5 |
| Total Assets | 97,408 | 20,280 (20.8) | 109,324 | 15,615 (14.3) |
| Public Deposits | 21,566 | 19,595 (90.9) | 17,247 | 14,520 (84.2) |
| Net Owned Funds | 13,617 | 1,870 (13.7) | 16,178 | 2,921 (18.1) |

P: Provisional.

**Note:** 1) NBFCs comprise NBFCs-D and RNBCs.
2) Figures in parentheses are percentage shares in respective total.
3) Of the 311 deposit taking NBFCs, 227 NBFCs filed Annual Returns for the year ended March 2010 by the cut-off date September 20, 2010.

**Source:** Annual Returns.

## Operations of NBFCs-D (excluding RNBCs)

6.28 The balance sheet size of NBFCs-D expanded at the rate of 21.5 per cent in 2009-10 as compared with 3.4 per cent in the previous year, largly due to increase in borrowings of NBFCs-D (Table VI.16). It may be noted that borrowings constituted around

**Chart VI.3: Ratio of Public Deposits of NBFCs to Broad Liquidity (L3) and Aggregate Deposits of SCBs**

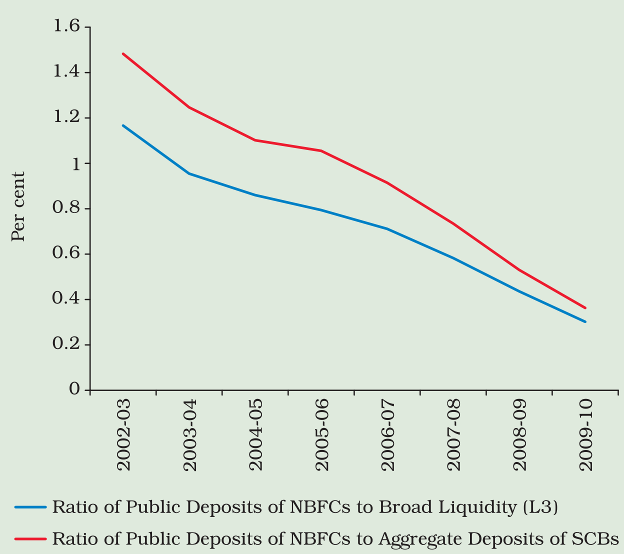


**Table VI.16: Consolidated Balance Sheet of NBFCs-D**

(Amount in ₹ crore)

| Item | As at End-March | | Variation | | | |
|---|---|---|---|---|---|---|
| | | | 2008-09 | | 2009-10 | |
| | 2008-09 | 2009-10 P | Absolute | Per cent | Absolute | Per cent |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **Liabilities** | | | | | | |
| 1. Paid up capital | 3,817<br>(4.9) | 3,361<br>(3.6) | 551 | 16.9 | -456 | -11.9 |
| 2. Reserves & Surplus | 9,412<br>(12.2) | 12,237<br>(13.1) | 717 | 8.2 | 2,825 | 30.0 |
| 3. Public Deposits | 1,971<br>(2.6) | 2,727<br>(2.9) | -71 | -3.5 | 756 | 38.4 |
| 4. Borrowings | 55,897<br>(72.5) | 69,070<br>(73.7) | 5,320 | 10.5 | 13,173 | 23.6 |
| 5. Other Liabilities | 6,031<br>(7.8) | 6,314<br>(6.7) | -3,951 | -39.6 | 283 | 4.7 |
| **LIABILITIES/ASSETS** | **77,128** | **93,709** | **2,566** | **3.4** | **16,581** | **21.5** |
| **Assets** | | | | | | |
| 1. Investments | 15,686<br>(20.3) | 19,335<br>(20.6) | 4,476 | 39.9 | 3,649 | 23.3 |
| i) SLR Securities @ | 9,412<br>(12.2) | 10,773<br>(11.5) | 2,266 | 31.7 | 1,361 | 14.5 |
| ii) Other Investments | 6,274<br>(8.1) | 8,562<br>(9.1) | 2,210 | 54.4 | 2,288 | 36.5 |
| 2. Loan & Advances | 21,583<br>(28.0) | 30,802<br>(32.9) | 2,760 | 14.7 | 9,219 | 42.7 |
| 3. Hire Purchase Assets | 35,815<br>(46.4) | 38,549<br>(41.1) | 2,290 | 6.8 | 2,734 | 7.6 |
| 4. Equipment Leasing Assets | 613<br>(0.8) | 241<br>(0.3) | -435 | -41.5 | -372 | -60.7 |
| 5. Bill business | 24<br>(0.0) | 44<br>(0.0) | 12 | 98.2 | 20 | 83.3 |
| 6. Other Assets | 3,407<br>(4.4) | 4,739<br>(5.1) | -6,537 | -65.7 | 1,332 | 39.1 |

P : Provisional @ : SLR Asset comprises 'approved securities' and 'unencumbered term deposits' in Scheduled Commercial Banks.
**Note:** Figures in parentheses are percentage shares in respective total.
**Source:** Annual Returns.

three-fourth of the total liabilities of NBFCs-D. Further, growth of deposits of NBFCs-D sector showed a substantial increase in 2009-10 compared to a decline in the previous year due to increase in public deposits of three NBFCs-D. On the assets side, hire purchase assets remained the most important asset category for NBFCs-D constituting over two-fifth of their total assets. Loans and advances constitute the second-most important asset category which witnessed large expansion during 2009-10. Total investments of NBFCs-D also recorded a sharp rise during 2009-10 primarily on account of rise in non-SLR investments.

6.29 Asset Finance Companies (AFCs) held the largest share followed by loan companies in the total assets of NBFCs-D at end-March 2010 (Table VI.17).

### Size-wise Classification of Deposits of NBFCs-D

6.30 A steep increase was discernible in 2009-10 in the share of NBFCs-D located at the upper end having deposit size of more than ₹50 crore, accounting for 86.7 per cent of the total deposits at end-March 2010. However, there were only eight NBFCs-D belonging to this class constituting about 3.5 per cent of the total number of NBFCs-D. Thus, only relatively bigger NBFCs-D were able to raise resources through deposits (Chart VI.4 and Table VI.18).

**Table VI.17: Major Components of Liabilities of NBFCs-D by Classification of NBFCs**

(Amount in ₹ crore)

| Classification of NBFCs | Number of NBFCs | | Deposits | | Borrowing | | Liabilities | |
|---|---|---|---|---|---|---|---|---|
| | 2008-09 | 2009-10 P | 2008-09 | 2009-10 P | 2008-09 | 2009-10 P | 2008-09 | 2009-10 P |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Asset Finance Companies | 231 | 184 | 1,553 | 2,268 | 40,689 | 54,202 | 56,496 | 69,801 |
| | | | (78.8) | (83.2) | (72.8) | (78.5) | (73.2) | (74.5) |
| Investment Companies | 1 | 1 | - | - | - | - | 2 | - |
| | | | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) |
| Loan Companies | 56 | 43 | 418 | 458 | 15,208 | 14,867 | 20,631 | 23,908 |
| | | | (21.2) | (16.8) | (27.2) | (21.5) | (26.7) | (25.5) |
| **Total** | **288** | **228** | **1,971** | **2,727** | **55,897** | **69,070** | **77,128** | **93,709** |

– : Nil/Negligible. P : Provisional.
**Note:** Figures in parentheses are percentage shares in respective total.
**Source:** Annual Returns.

## Region-wise Composition of Deposits held by NBFCs

6.31 There was a concentration of NBFCs-D in the northern region of the country, which accounted for 63.5 per cent of companies in the total number of NBFCs-D at end-March 2010. However, the deposit size of NBFCs-D in the northern region was fairly smaller in comparison with the NBFCs-D located in the southern region, which accounted for 67.5 per cent of deposits at end-March 2010. There was, however, a decline in the share of deposits held by NBFCs-D in the southern region in 2009-10 (Table VI.19 and Chart VI.5).

6.32 Among the metropolitan cities, New Delhi from the northern region accounted for the largest number of NBFCs-D, while Chennai from the southern region held the largest share in total deposits of NBFCs-D.

**Chart VI.4: Share of Public Deposits held by NBFCs-D by deposits Ranges**

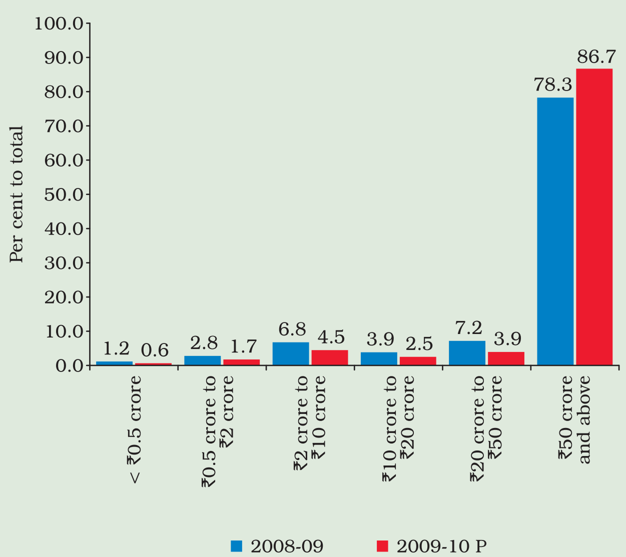



**Table VI.18: Public Deposits held by NBFCs-D by Deposit Ranges**

(Amount in ₹ crore)

| Deposit Range | As at end-March | | | |
|---|---|---|---|---|
| | No. of NBFCs | | Amount of Deposit | |
| | 2008-09 | 2009-10 P | 2008-09 | 2009-10 P |
| 1 | 2 | 3 | 4 | 5 |
| 1. Less than ₹0.5 crore | 185 | 141 | 23 | 17 |
| 2. More than ₹0.5 crore and up to ₹2 crore | 57 | 45 | 55 | 47 |
| 3. More than ₹2 crore and up to ₹10 crore | 30 | 26 | 133 | 122 |
| 4. More than ₹10 crore and up to ₹20 crore | 6 | 5 | 76 | 69 |
| 5. More than ₹20 crore and up to ₹50 crore | 4 | 3 | 142 | 107 |
| 6. ₹50 crore and above | 6 | 8 | 1,543 | 2,364 |
| **Total** | **288** | **228** | **1,971** | **2,727** |

P : Provisional.
**Source:** Annual Returns.

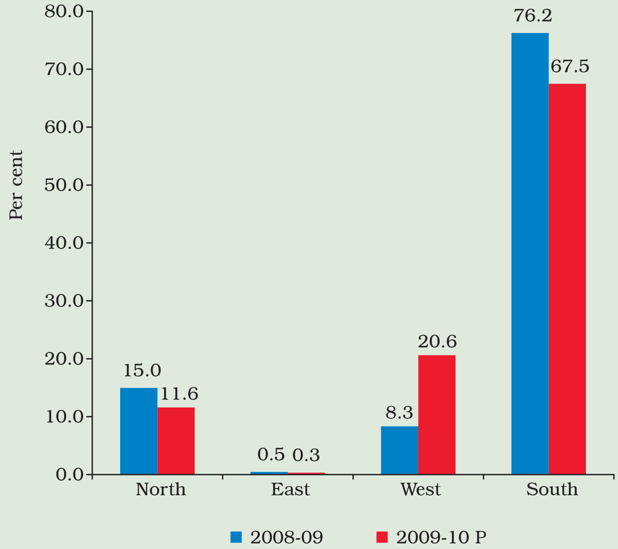
**Table VI.19: Public Deposits held by NBFCs-D – Region-wise**

(Amount in ₹ crore)

| Region | As at end-March | | | |
|---|---|---|---|---|
| | 2008-09 | | 2009-10 P | |
| | Number of NBFCs-D | Public Deposits | Number of NBFCs-D | Public Deposits |
| 1 | 2 | 3 | 4 | 5 |
| Northern | 187 | 295 | 145 | 316 |
| Eastern | 7 | 9 | 9 | 9 |
| Western | 27 | 164 | 26 | 562 |
| Southern | 67 | 1,503 | 48 | 1,840 |
| **Total** | **288** | **1,971** | **228** | **2,727** |
| *Metropolitan cities:* | | | | |
| Kolkata | 4 | 8 | 6 | 9 |
| Chennai | 33 | 1,436 | 24 | 1,776 |
| Mumbai | 11 | 148 | 11 | 542 |
| New Delhi | 53 | 208 | 50 | 204 |
| **Total** | **101** | **1,800** | **91** | **2,531** |

P: Provisional.
**Source:** Annual Returns.

**Chart VI.5: Share of Public Deposits held by NBFCs-D: Region-wise**




### Interest Rate on Public Deposits with NBFCs

6.33 The largest amount of public deposits of NBFCs-D were raised at interest rates in the range of up to 10 per cent with the share accounting more than half as at end-March 2010 (Table VI. 20 and Chart VI.6).

### Maturity Profile of Public Deposits

6.34 The largest proportion of public deposits raised by NBFCs-D belonged to the short- to medium-term end of the maturity spectrum. At end-March 2010, the largest percentage of deposits had a maturity of less than one year closely followed by deposits having a maturity of more than two years and up to three years. In 2009-10, there was an increase in the shares of deposits belonging to these two maturity categories, while the shares of deposits belonging to the long-term maturity categories

**Table VI.20: Public Deposits held by NBFCs-D – Deposit Interest Rate Range-wise**

(Amount in ₹ crore)

| Deposit Interest Rate Range | As at end-March | |
|---|---|---|
| | 2008-09 | 2009-10 P |
| 1 | 2 | 3 |
| Upto 10 per cent | 591 | 1,457 |
| More than 10 per cent and up to 12 per cent | 1,267 | 1,197 |
| 12 per cent and above | 113 | 73 |
| **Total** | **1,971** | **2,727** |

P: Provisional.
**Source:** Annual Returns.

**Chart VI.6: Public Deposits held by NBFCs-D - Deposit Interest Rate Range-wise**
(Per cent)

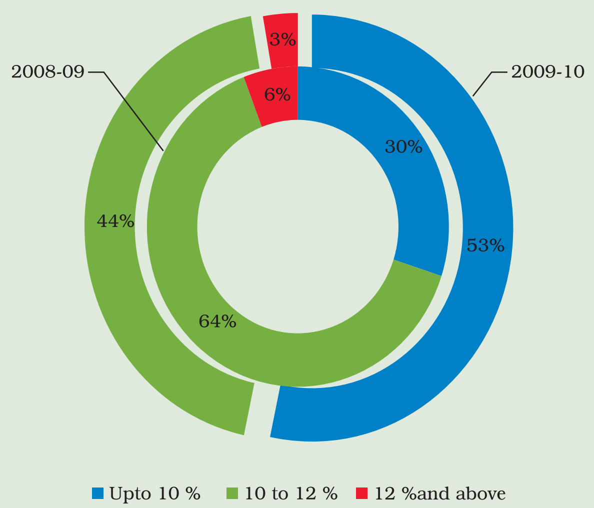


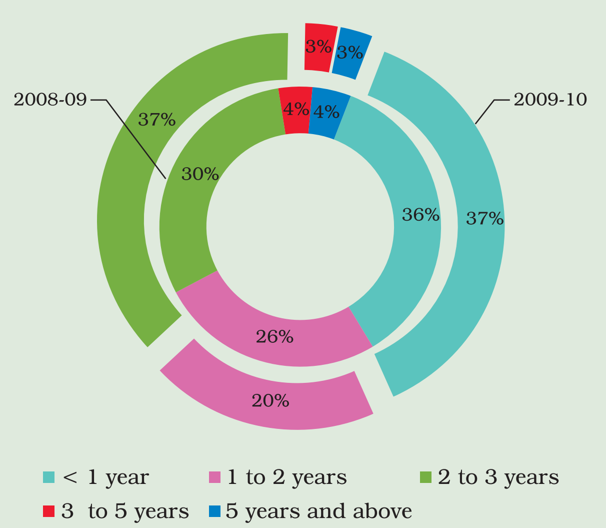
**Table VI.21: Maturity Profile of Public Deposits held by NBFCs-D**

(₹ crore)

| Maturity Period | As at end-March | |
|---|---|---|
| | 2008-09 | 2009-10 P |
| 1 | 2 | 3 |
| 1. Less than 1 year | 700 | 1,022 |
| 2. More than 1 and up to 2 years | 509 | 534 |
| 3. More than 2 and up to 3 years | 601 | 1,020 |
| 4. More than 3 and up to 5 years | 74 | 77 |
| 5. 5 years and above | 88 | 73 |
| **Total** | **1,971** | **2,727** |

P : Provisional.
**Source:** Annual Returns.

**Chart VI.7: Maturity Pattern of Public Deposits held by NBFCs-D**
(Per cent)




of more than 5 years showed a decline (Table VI.21 and Chart VI.7).

6.35 Banks and financial institutions were the dominant source of borrowings for NBFCs-D with a share of over 45 per cent at end-March 2010. The share of borrowings from the Government (extended only to Government Companies) witnessed a steep rise, while there was a noticeable decline in the share of external sources. Others (which include, *inter alia*, money borrowed from other companies, commercial paper, borrowings from mutual funds and any other type of funds, which were not treated as public deposits) registered a significant growth in 2009-10 resulting in a rise in its share in total borrowings of NBFCs-D (Table VI.22).

## Assets of NBFCs

6.36 The total assets of deposit-taking NBFCs-D sector registered a significant growth during 2009-10 mainly on account of increase in the assets of asset finance companies (Table VI.23).

**Table VI.22: Sources of Borrowings by NBFCs-D by Classification of NBFCs**

(Amount in ₹ crore)

| Classification | Government | | External Sources @ | | Banks and Financial Institutions | | Debentures | | Others | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2008-09 | 2009-10 P | 2008-09 | 2009-10 P | 2008-09 | 2009-10 P | 2008-09 | 2009-10 P | 2008-09 | 2009-10 P |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| Asset Finance | 3 | – | 832 | 757 | 21,974 | 25,488 | 11,627 | 13,267 | 6,253 | 14,690 |
| | (0.0) | (0.0) | (56.9) | (100.0) | (88.4) | (80.9) | (88.3) | (92.6) | (42.9) | (82.5) |
| Investment | – | – | – | – | – | – | – | – | – | – |
| | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) |
| Loan | 1,824 | 4,673 | 631 | – | 2,872 | 6,018 | 1,546 | 1,057 | 8,335 | 3,121 |
| | (99.8) | (100.0) | (43.1) | (0.0) | (11.6) | (19.1) | (11.6) | (7.4) | (57.1) | (17.5) |
| **Total** | **1,827** | **4,673** | **1,464** | **757** | **24,846** | **31,505** | **13,173** | **14,324** | **14,588** | **17,811** |

P : Provisional. @ : Comprises (i) Foreign Government, (ii) Foreign Authority, and (iii) Foreign Citizen or Person.
**Note:** Figures in parentheses are percentage to respective total.
**Source:** Annual Returns.

**Table VI.23: Major Components of Assets of NBFCs-D by Classification of NBFCs**

(Amount in ₹ crore)

| Classification | As at end-March | | | | | |
|---|---|---|---|---|---|---|
| | Assets | | Advances | | Investment | |
| | 2008-09 | 2009-10 P | 2008-09 | 2009-10 P | 2008-09 | 2009-10 P |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Asset Finance | 56,496 | 69,801 | 39,913 | 46,224 | 10,791 | 14,562 |
| | (73.2) | (74.5) | (68.8) | (66.4) | (68.8) | (75.3) |
| Investment | 2 | – | – | – | – | – |
| | (0.0) | (0.0) | (0.0) | (0.0) | (0.1) | (0.1) |
| Loan | 20,631 | 23,908 | 18,098 | 23,368 | 4,895 | 4,773 |
| | (26.7) | (25.5) | (31.2) | (33.6) | (31.2) | (24.7) |
| **Total** | **77,129** | **93,709** | **58,011** | **69,592** | **15,686** | **19,335** |

P : Provisional.
**Note:** Figures in parentheses are percentages to respective totals.
**Source:** Annual Returns.

As at end-March 2010, around three-fourths of the total assets of the NBFCs-D sector were held by assets finance companies. Components-wise, advances accounted for the predominant share of total assets followed by investment.

**Distribution of NBFCs-D According to Asset Size**

6.37 Based on their deposit taking capacity only bigger NBFCs-D had larger asset base. At end-March 2010, only 7 per cent of NBFCs-D had an asset size of more than ₹500 crore, which had share of 97.5 per cent in total assets of all NBFCs-D (Table VI.24).

**Distribution of Assets of NBFCs – Type of Activity**

6.38 During 2009-10, assets held in the form of loans and inter corporate deposits and investments of NBFCs-D witnessed a robust growth. Notwithstanding a decline in the share of assets held by hire purchase companies in 2009-10, this activity continued to have the largest share in total assets of the NBFCs-D sector (Table VI.25).

**Financial Performance of NBFCs-D**

6.39 The financial performance of NBFCs-D witnessed moderate deterioration as reflected in the decline in their operating profits during 2009-10. This decline was mainly on account of a higher growth in expenditure (especially financial expenditure) than income of these institutions. The decline in operating profit along with a marginal increase in tax provision resulted in a decline in net profits in 2009-10 (Table VI.26).

**Table VI.24: Assets of NBFCs-D by Asset-Size Ranges**

(Amount in ₹ crore)

| Asset-Size (₹) | No. of Companies | | Assets | |
|---|---|---|---|---|
| | 2008-09 | 2009-10 | 2008-09 | 2009-10P |
| 1 | 2 | 3 | 4 | 5 |
| Less than ₹0.25 crore | 3 | 2 | 0<br>(0.0) | 0<br>(0.0) |
| More than ₹0.25 crore and upto ₹0.50 crore | 19 | 12 | 7<br>(0.0) | 5<br>(0.0) |
| More than ₹0.50 Crore and upto ₹2 Crore | 113 | 84 | 124<br>(0.2) | 99<br>(0.1) |
| More than ₹2 Crore and upto ₹10 Crore | 87 | 69 | 395<br>(0.5) | 321<br>(0.3) |
| More than ₹10 Crore and upto ₹50 Crore | 37 | 32 | 828<br>(1.1) | 713<br>(0.8) |
| More than ₹50 Crore and upto ₹100 Crore | 11 | 10 | 747<br>(1.0) | 702<br>(0.7) |
| More than ₹100 Crore and upto ₹500 Crore | 5 | 4 | 1,471<br>(1.9) | 510<br>(0.5) |
| Above ₹500 Crore | 13 | 15 | 73,555<br>(95.4) | 91,358<br>(97.5) |
| **Total** | **288** | **228** | **77,128** | **93,709** |

P : Provisional.
**Note:** Figures in parentheses are percentages to respective total.
**Source:** Annual Returns.

**Table VI.25: Assets of NBFCs-D by Activity**

(Amount in ₹ crore)

| Item | As at end -March | | Percentage Variation |
|---|---|---|---|
| | 2008-09 | 2009-10 | 2010 |
| 1 | 2 | 3 | 4 |
| Loans and Inter-corporate deposits | 21,583 (28.0) | 30,802 (32.9) | 42.7 |
| Investments | 15,686 (20.3) | 19,335 (20.6) | 23.3 |
| Hire Purchase | 35,815 (46.4) | 38,549 (41.1) | 7.6 |
| Equipment and Leasing | 613 (0.8) | 241 (0.3) | -60.7 |
| Bills | 24 (0.0) | 44 (0.0) | 85.0 |
| Other assets | 3,407 (4.4) | 4,739 (5.1) | 39.1 |
| **Total** | **77,128** | **93,710** | **21.5** |

P: Provisional.
**Note:** Figures in parentheses are percentages to respective total.
**Source:** Annual Returns.

6.40 Expenditure as a percentage to average total assets witnessed a significant increase during 2009-10, while income as a percentage to average total assets increased at a slower pace resulting in a decline in net profit to total average assets (Return on Assets) ratio of NBFCs-D (Chart VI.8).

**Chart VI.8: Financial Performance of NBFCs-D**

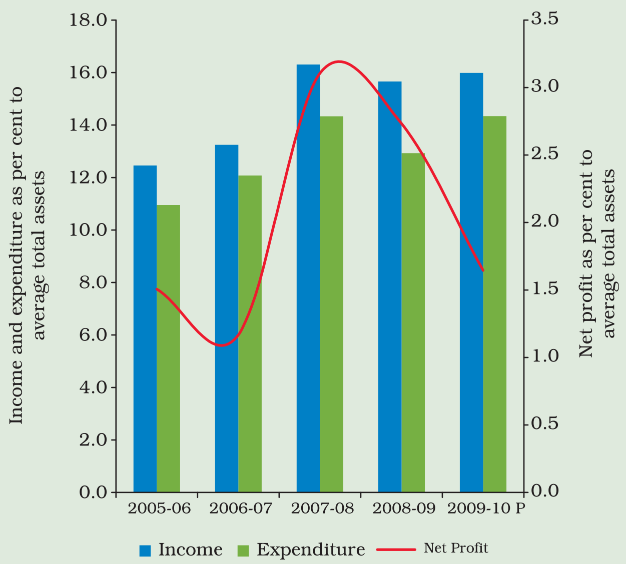



**Table VI.26: Financial Performance of NBFCs-D**

(Amount in ₹ crore)

| Item | As at end-March | |
|---|---|---|
| | 2008-09 | 2009-10P |
| 1 | 2 | 3 |
| **A. Income (i+ii)** | **11,879** | **13,656** |
| (i) Fund Based | 11,572 (97.4) | 13,489 (98.8) |
| (ii) Fee-Based | 307 (2.6) | 167 (1.2) |
| **B. Expenditure (i+ii+iii)** | **8,789** | **11,166** |
| (i) Financial *of which* | 5,663 (64.4) | 6,742 (60.4) |
| Interest Payment | 211 (2.4) | 289 (2.6) |
| (ii) Operating | 2,392 (27.2) | 2,587 (23.2) |
| (iii) Others | 734 (8.3) | 1,837 (16.4) |
| **C. TAX Provisions** | **1,017** | **1,085** |
| **D. Operating Profit (PBT)** | **3,090** | **2,490** |
| **E. Net Profit (PAT)** | **2,073** | **1,405** |
| **F. Total Assets** | **77,128** | **93,709** |
| **G. Financial Ratios (as % to Total Assets)@** | | |
| i) Income | 15.4 | 14.6 |
| ii) Fund Income | 15.0 | 14.4 |
| iii) Fee Income | 0.4 | 0.2 |
| iv) Expenditure | 11.4 | 11.9 |
| v) Financial Expenditure | 7.3 | 7.2 |
| vi) Operating Expenditure | 3.1 | 2.8 |
| vii) Tax Provision | 1.3 | 1.2 |
| viii) Net Profit | 2.7 | 1.5 |
| **H. Cost to Income Ratio** | **74.0** | **81.8** |

P: Provisional. @: As percentage of total assets.
**Note:** Figures in parentheses are percentages to respective total.
**Source:** Annual Returns.

## Soundness Indicators: Asset Quality of NBFCs-D

6.41 There was a decline in the gross NPAs to credit exposure ratio of NBFCs-D in 2009-10 in continuation with the trend observed in the recent past. Net NPAs remained negative with provisions exceeding NPAs for three consecutive years extending upto end-March 2010 (Table VI.27).

**Table VI.27: NPA Ratios of NBFCs-D**

(Per cent)

| End-March | Gross NPAs to Credit Exposure | Net NPAs to Credit Exposure |
|---|---|---|
| 1 | 2 | 3 |
| 2002 | 10.6 | 3.9 |
| 2003 | 8.8 | 2.7 |
| 2004 | 8.2 | 2.4 |
| 2005 | 5.7 | 2.5 |
| 2006 | 3.6 | 0.5 |
| 2007 | 2.2 | 0.2 |
| 2008 | 2.1 | # |
| 2009 | 2.0 | # |
| 2010 P | 1.3 | # |

P: Provisional. #: Provision exceeds NPA.

**Source:** Half-Yearly Return.

6.42 There was an improvement in the asset quality of asset finance and loan companies in 2009-10 as evident from a decline in the gross NPAs to gross advances ratio for these companies (Table VI.28).

6.43 There was a decline in the shares of all three NPA categories of sub-standard, doubtful and loss assets of asset finance companies in 2009-10 underlining the improvement in asset quality of these institutions. However, in case of loan companies, there was improvement in share of standard assets at end-March 2010 to 97.3 per cent notwithstanding a marginal increase in share of loss assets (Table VI.29).

**Table VI.28: NPAs of NBFCs-D by Classification of NBFCs**

(Amount in ₹ crore)

| Classification@ / End-March | Gross Advances | Gross NPAs | | Net Advances | Net NPAs | |
|---|---|---|---|---|---|---|
| | | Amount | Percent to Gross Advances | | Amount | Per cent to Net Advances |
| 1 | 2 | 3 | 4 | 6 | 7 | 8 |
| **Asset Finance** | | | | | | |
| 2008-09 | 39,038 | 507 | 1.3 | 38,136 | -394 | -1.0 |
| 2009-10 P | 45,264 | 337 | 0.7 | 44,166 | -760 | -1.7 |
| **Loan** | | | | | | |
| 2008-09 | 9,365 | 472 | 5.0 | 8,940 | 47 | 0.5 |
| 2009-10 P | 18,926 | 516 | 2.7 | 18,397 | -12 | -0.1 |

P: Provisional

@ New classification of NBFCs *viz.*, Asset Finance Company (AFC) has been in-effect vide notification no DNBS 189 and 190 /CGM(PK)-2006 dated 6-12-2006. Companies financing real/physical assets for productive/economic activities are re-classified as AFC. Accordingly, NBFCs satisfying above criterion were advised to approach RBI to recognise their classification as AFC. In the proposed structure the three categories of NBFCs *viz.*, (i) AFC, (ii) Investment Company and (iii) Loan Company will ultimately emerge.

**Source:** Half-Yearly Returns.

**Table VI.29: Classification of Assets of NBFCs-D by Classification of NBFCs**

(Amount in ₹ crore)

| Classification/ End-March | Standard Assets | Sub-Standard Assets | Doubtful Assets | Loss Assets | Gross NPAs | Credit Exposure |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **Asset Finance Companies** | | | | | | |
| 2008-09 | 38,531 | 429 | 55 | 23 | 507 | 39,038 |
| | (98.7) | (1.1) | (0.1) | (0.1) | (1.3) | (100.0) |
| 2009-10 P | 44,926 | 280 | 43 | 14 | 337 | 45,263 |
| | (99.3) | (0.6) | (0.1) | (0.0) | (0.7) | (100.0) |
| **Loan Companies** | | | | | | |
| 2008-09 | 8,893 | 331 | 125 | 18 | 386 | 9,367 |
| | (94.9) | (3.5) | (1.3) | (0.2) | (4.1) | (100.0) |
| 2009-10 P | 18,409 | 296 | 159 | 61 | 34 | 18,925 |
| | (97.3) | (1.6) | (0.8) | (0.3) | (0.2) | (100.0) |

P: Provisional.

**Note:** Figures in parentheses are percentages to total credit-exposures.

**Source:** Half-Yearly Returns.

**Table VI.30: Capital Adequacy Ratio of NBFCs-D**

(Number of Companies)

| CRAR Range | As at end-March | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2008-09 | | | | 2009-10 P | | | |
| | AFC | IC | LC | Total | AFC | IC | LC | Total |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1) Less than 12 % (a+b) | 2 | 0 | 2 | 4 | 1 | 0 | 3 | 4 |
| a) Less than 9 % | 2 | 0 | 2 | 4 | 1 | 0 | 2 | 3 |
| b) More than 9 and up to 12% | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| 2) More than 12 and up to 15% | 2 | 0 | 0 | 2 | 1 | 0 | 0 | 1 |
| 3) More than 15 and up to 20% | 3 | 0 | 1 | 4 | 5 | 1 | 1 | 7 |
| 4) More than 20 and up to 30% | 22 | 1 | 3 | 26 | 19 | 0 | 8 | 27 |
| 5) Above 50% | 138 | 3 | 48 | 189 | 140 | 2 | 35 | 177 |
| **Total** | **167** | **4** | **54** | **225** | **166** | **3** | **47** | **216** |

P: Provisional.

**Note:** AFC: Asset Finance Companies; IC: Investment Companies; LC: Loan Companies.

**Source:** Half-yearly Returns.

## Capital Adequacy Ratio

6.44 At end-March 2010, 212 out of 216 NBFCs had CRAR of more than 12 per cent or more as against 221 out of 225 NBFCs at end-March 2009 (Table VI.30). It may be highlighted that the NBFC sector is witnessing a consolidation process in the last few years, wherein the weaker NBFCs are gradually exiting, paving the way for a stronger NBFC sector.

6.45 The ratio of public deposits to Net Owned Funds (NOF) for all categories of NBFCs taken together remained unchanged at 0.2 per cent at end-March 2010 (Table VI.31).

6.46 There was an increase in NOF and public deposits of NBFCs-D in 2009-10. This increase was mainly concentrated in the NOF size category of ₹500 crore and above (Table VI.32).

**Table VI.31: Net Owned Fund *vis-à-vis* Public Deposits of NBFCs-D by Classification of NBFCs**

(Amount in ₹ crore)

| Classification | As at end-March | | | |
|---|---|---|---|---|
| | Net Owned Funds | | Public Deposits | |
| | 2008-09 | 2009-10 P | 2008-09 | 2009-10 P |
| 1 | 2 | 3 | 4 | 5 |
| Asset Finance | 7,652 | 9,863 | 1,553<br>(0.2) | 2,268<br>(0.2) |
| Investment | - | - | -<br>(0.0) | -<br>(0.0) |
| Loan | 4095 | 3394 | 418<br>(0.1) | 458<br>(0.2) |
| Total | 11,747 | 13,257 | 1,971<br>(0.2) | 2,727<br>(0.2) |

**Note:** Figures in parentheses are ratio of public deposits to net owned fund.

**Source:** Annual Returns.

## Residuary Non-Banking Companies (RNBCs)

6.47 Assets of the RNBCs declined by 23.0 per cent during the year ended March 2010. The assets mainly consists of investments in unencumbered approved securities, bonds/debentures and fixed deposits/ certificates of deposit of SCBs. However, NOF of RNBCs increased by 56.2 per cent in 2009-10 (Table VI.33).

6.48 The decline in the income of RNBCs during 2009-10 was less than the decline in expenditure, as a result of which the operating profits of RNBCs increased during the year.

**Table VI.32: Range of Net Owned Fund *vis-à-vis* Public Deposits of NBFCs-D**

(Amount in ₹ crore)

| Ranges of Net Owned Fund | As at end-March | | | | | |
|---|---|---|---|---|---|---|
| | 2008-09 | | | 2009-10 P | | |
| | No. of Companies | Net Owned Funds | Public Deposits | No. of Companies | Net Owned Funds | Public Deposits |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1. Upto ₹0.25 Crore | 4 | -424 | 179<br>-(0.4) | 3 | -202 | 148<br>-(0.7) |
| 2. More than ₹0.25 Crore and up to ₹2 Crore | 178 | 128 | 49<br>(0.4) | 129 | 96 | 34<br>(0.4) |
| 3. More than ₹2 Crore and up to ₹10 Crore | 69 | 261 | 136<br>(0.5) | 56 | 210 | 117<br>(0.6) |
| 4. More than ₹10 Crore and up to ₹50 Crore | 22 | 417 | 159<br>(0.4) | 24 | 432 | 189<br>(0.4) |
| 5. More than ₹50 Crore and up to ₹100 Crore | 2 | 127 | 45<br>(0.4) | 2 | 117 | 52<br>(0.4) |
| 6. More than ₹100 Crore and up to ₹500 Crore | 5 | 959 | 389<br>(0.4) | 4 | 824 | 482<br>(0.6) |
| 7. Above ₹500 Crore | 8 | 10,280 | 1,015<br>(0.1) | 10 | 11,780 | 1,704<br>(0.1) |
| **Total** | **288** | **11,747** | **1,971<br>(0.2)** | **228** | **13,257** | **2,727<br>(0.2)** |

P: Provisional.

**Note:** Figures in parentheses are Public Deposit as ratio of respective Net Owned Fund.

**Source:** Annual Returns.

Despite the increase in the provision for taxation, the net profits of RNBCs increased sharply during 2009-10 compared to a decline in the previous year.

**Table VI.33: Profile of RNBCs**

(Amount in ₹ crore)

| Item | As at end-March | | Percentage Variation | |
|---|---|---|---|---|
| | 2008-09 | 2009-10 P | 2008-09 | 2009-10 P |
| 1 | 2 | 3 | 4 | 5 |
| **A. Assets (i to v)** | **20,280** | **15,616** | **-17.1** | **-23.0** |
| (i) Investment in Unencumbered Approved Securities | 5,247 | 2,467 | 67.3 | -53.0 |
| (ii) Investment in Fixed deposits / Certificate of Deposit of Scheduled Commercial Banks / Public Financial Institutions | 5,999 | 4,860 | -8.6 | -19.0 |
| (iii) Debentures / Bonds / Commercial Papers of Govt. companies / Public Sector Banks / Public Financial Institution / Corporation | 6,993 | 5,290 | -43.2 | -24.4 |
| (iv) Other Investments | 299 | 1,280 | -47.8 | 328.1 |
| (v) Other Assets | 1,742 | 1,719 | -6.3 | -1.3 |
| **B. Net Owned Funds** | **1,870** | **2,921** | **8.8** | **56.2** |
| **C. Total Income (i+ii)** | **2,416** | **1,946** | **3.9** | **-19.5** |
| (i) Fund Income | 2,315 | 1,920 | 0.5 | -17.1 |
| (ii) Fee Income | 101 | 26 | 339.1 | -74.3 |
| **D. Total Expenses (i+ii+iii)** | **2,069** | **1,400** | **19.9** | **-32.3** |
| (i) Financial Cost | 1,604 | 974 | 21.3 | -39.3 |
| (ii) Operating Cost | 379 | 343 | 15.2 | -9.5 |
| (iii) Other Cost | 86 | 83 | 16.2 | -3.5 |
| **E. Taxation** | **149** | **164** | **-33.5** | **10.1** |
| **F. Operating Profit (PBT)** | **347** | **547** | **-42.3** | **57.6** |
| **G. Net Profit (PAT)** | **198** | **383** | **-47.5** | **93.4** |

P : Provisional. PBT : Profit Before Tax. PAT : Profit After Tax.

**Source:** Annual Return.

## Regional Pattern of Deposits of RNBCs

6.49 At end-March 2010, there were two RNBCs, of which, one was located in the eastern region while the other was in the central region. RNBCs are in the process of migrating to other business models and the companies would reduce their deposit liabilities to 'nil' by 2015. Public deposits held by the two RNBCs registered a significant decline in 2009-10 mainly on account of a substantial decline in the deposits held by the RNBC located in the central region (Table VI.34).

## Investment Pattern of RNBCs

6.50 Following the decline in deposit, there was a decline in the investments of RNBCs in 2009-10. The decline was noticeable in the case of unencumbered approved securities (Table VI.35).

## NBFCs-ND-SI

6.51 Information based on the returns received from non-deposit taking systemically important NBFCs (with asset size of ₹100 crore and above) for the year ended March 2010 showed an increase of 16.7 per cent in their liabilities/assets over the year ended March 2009. Total borrowings (secured and unsecured) by NBFCs-ND-SI increased by 19.6 per cent during the year ended March 2010, constituting around two-thirds of the total liabilities (Table VI.36). Unsecured loans continued to constitute the largest source of funds for NBFCs-ND-SI, followed by secured loans, and reserves and surplus.

**Table VI.34: Public Deposit Held by RNBCs – Region-wise**

(Amount in ₹ crore)

| Region | As at end-March | | | |
|---|---|---|---|---|
| | 2008-09 | | 2009-10 P | |
| | No. of RNBCs | Amount | No. of RNBCs | Amount |
| 1 | 2 | 3 | 4 | 5 |
| Central | 1 | 15,672<br>(80.0) | 1 | 11,235<br>(77.4) |
| Eastern | 1 | 3,924<br>(20.0) | 1 | 3,285<br>(22.6) |
| **Total** | **2** | **19,596** | **2** | **14,520** |
| *Metropolitan Cities:* | | | | |
| Kolkata | 1 | 3,924 | 1 | 3,285 |
| New Delhi | - | - | - | - |
| **Total** | **1** | **3,924** | **1** | **3,285** |

–: Nil/ Negligible. P: Provisional.
**Note:** Figures in parentheses are percentages to respective totals.
**Source:** Annual Return.

**Table VI.35: Investment Pattern of RNBCs**

(Amount in ₹ crore)

| | | End- March | |
|---|---|---|---|
| | | 2008-09 | 2009-10 P |
| 1 | | 2 | 3 |
| **Aggregate Liabilities to the Depositors (ALD)** | | **19,595** | **14,520** |
| (i) | Unencumbered approved securities | 5,247<br>(26.8) | 2,467<br>(17.0) |
| (ii) | Fixed Deposits with banks | 5,999<br>(30.6) | 4,860<br>(33.5) |
| (iii) | Bonds or debentures or commercial papers of a Govt. company / public sector bank/ public financial institution/corporations | 6,993<br>(35.7) | 5,290<br>(36.4) |
| (iv) | Other investments | 299<br>(1.5) | 1,280<br>(8.8) |

P: Provisional.
**Note:** Figures in parentheses as percentages to ALDs.
**Source:** Annual Return.

6.52 ND-SI sector is growing rapidly and unsecured borrowings comprise their largest source of funds, mostly sourced from banks/FIs. Thus, they have a systemic linkage and need to be monitored closely to ensure that they do not pose any risk to the system. To the extent that they rely on bank financing, there is an indirect exposure for depositors. While the concentration of funding has risks, the caps on bank lending to NBFCs may constrain their growth. The development of an active corporate bond market will help to address the funding requirement of NBFCs. The leverage ratio of the entire ND-SI sector rose during 2009-10. ND-SI sector's exposure towards the sensitive sector that is prone to potential boom-bust cycles such as capital market also shows an increase.

**Table VI.36: Consolidated Balance Sheet of NBFCs-ND-SI**

(₹ crore)

| Item | March 2009 | March 2010 | June 2010 | Percentage variation |
|---|---|---|---|---|
| 1. Share Capital | 31,756 | 33,576 | 33,734 | 5.7 |
| 2. Reserves & Surplus | 99,011 | 1,11,967 | 1,15,091 | 13.1 |
| **3. Total Borrowings (A + B)** | **3,19,175** | **3,81,850** | **4,13,476** | 19.6 |
| **A. Secured Borrowings** | **1,49,569** | **1,74,803** | **1,87,112** | **16.9** |
| A.1. Debentures | 48,833 | 56,913 | 63,009 | 16.5 |
| A.2. Borrowings from Banks | 36,263 | 47,404 | 48,995 | 30.7 |
| A.3. Borrowings from FIs | 5,749 | 7,844 | 7,313 | 36.4 |
| A.4. Interest Accrued | 2,897 | 3,506 | 3,686 | 21.0 |
| A.5. Others | 55,828 | 59,136 | 64,109 | 5.9 |
| **B. Un-Secured Borrowings** | **1,69,606** | **2,07,047** | **2,26,364** | **22.1** |
| B.1. Debentures | 64,570 | 82,529 | 92,469 | 27.8 |
| B.2. Borrowings from Banks | 42,430 | 42,364 | 40,702 | -0.2 |
| B.3. Borrowings from FIs | 2,687 | 3,064 | 3,378 | 14.0 |
| B.4. Borrowings from Relatives | 2,230 | 1,784 | 2,041 | -20.0 |
| B.5. Inter-Corporate Borrowings | 13,829 | 19,136 | 21,660 | 38.4 |
| B.6. Commercial Paper | 22,337 | 33,580 | 34,262 | 50.3 |
| B.7. Interest Accrued | 3,198 | 3,729 | 7,844 | 16.6 |
| B.8. Others | 18,326 | 20,860 | 24,007 | 13.8 |
| 4. Current Liabilities & Provisions | 32,966 | 36,082 | 37,087 | 9.5 |
| **Total Liabilities / Total Assets** | **4,82,907** | **5,63,476** | **5,99,388** | **16.7** |
| **Assets** | | | | |
| 1. Loans & Advances | 2,86,555 | 3,50,470 | 3,75,052 | 22.3 |
| 1.1. Secured | 1,95,335 | 2,49,895 | 2,76,326 | 27.9 |
| 1.2. Un-Secured | 91,221 | 1,00,575 | 98,727 | 10.3 |
| 2. Hire Purchase Assets | 35,682 | 41,746 | 43,568 | 17.0 |
| 3. Investments | 90,242 | 98,170 | 1,11,488 | 8.8 |
| 3.1. Long Term Investments | 60,569 | 65,999 | 67,001 | 9.0 |
| 3.2. Current Investments | 29,673 | 32,171 | 44,488 | 8.4 |
| 4. Cash & Bank Balances | 28,934 | 25,407 | 20,748 | -12.2 |
| 5. Other Current Assets | 32,119 | 36,270 | 35,834 | 12.9 |
| 6. Other Assets | 9,376 | 11,413 | 12,697 | 21.7 |
| *Memo Items* | | | | |
| 1. Capital Market Exposure | 81,865 | 1,05,514 | 1,10,761 | 28.9 |
| *Of which* | | | | |
| Equity Shares | 34,952 | 38,670 | 38,945 | 10.6 |
| 2. CME as % to Total Assets | 17.0 | 18.7 | 18.5 | |
| 3. Leverage Ratio | 2.69 | 2.87 | 3.03 | |

**Note**: 1. Data presented above pertaining to ND-SIs which have consistently reported from March 2009 to June 2009.
2. These ND-SI Constitutes More Than 98 % of Total Assets of All ND-SI.

**Source**: Monthly Return on ND-SI (₹100 crore and above).

### Borrowings of NBFCs- ND-SI by region

6.53 The region-wise analysis of the total borrowing of the NBFCs-ND-SI reveals that the, northern region along with the western region continued to account for more than three-fourths of the total borrowings during March 2010 and March 2009; this trend continued during the quarter ended June 2010 also. All regions registered significant growth during March 2010 as compared with March 2009. During the quarter ended June 2010 all regions registered an increase in the borrowing except eastern region (Table VI.37).

**Table VI.37: Borrowings of NBFCs-ND-SI-By Region**

(₹ crore)

| Region | March 2009 | March 2010 | June 2010 |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| Northern | 1,71,438 | 2,06,073 | 2,19,788 |
| Eastern | 10,079 | 13,074 | 12,891 |
| Western | 89,290 | 1,03,408 | 1,14,283 |
| Southern | 48,368 | 59,296 | 66,513 |
| **Total Borrowings** | **3,19,175** | **3,81,850** | **4,13,476** |

**Source:** Monthly Return on ND-SI (₹100 crore and above)

## Financial Performance

6.54 The financial performance of the NBFCs-ND-SI sector improved marginally as reflected in the increase in net profit during 2009-10 over the previous year. However, their net profit as a ratio to total assets declined during the same period (Table VI.38).

6.55 Gross and net NPAs as a ratio to total asset of the entire NBFCs-ND-SI sector deteriorated marginally during the year ended March 2010. Latest information available relating to the quarter June 2010 shows some improvements (Table VI.39).

6.56 As on March 2010, seventy-eight companies out of 188 ND-SI companies relied on owned fund to fund their assets. However, few companies showed their dependence on ICDs/commercial paper/banks to fund the significant portion of their assets (Table VI.40).

**Table VI.38: Financial Performance of NBFCs – ND-SI**

(₹ crore)

| Item | March 2009 | March 2010 | June 2010 |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1. Total Income | 60,091 | 58,628 | 16,366 |
| 2. Total Expenses | 43,885 | 43,227 | 10,959 |
| 3. Net Profit | 10,800 | 10,897 | 3,792 |
| 4. Total Assets | 4,82,907 | 5,63,476 | 5,99,388 |
| **Financial Ratios** | | | |
| (i) Income as % to Total Assets | 12.4 | 10.4 | 2.7 |
| (ii) Expenditure as % to Total Assets | 9.1 | 7.7 | 1.8 |
| (iii) Net Profit to Total Income | 18.0 | 18.6 | 23.2 |
| (iv) Net Profit to Total Assets | 2.2 | 1.9 | 0.6 |

**Source:** Monthly Return on ND-SI (₹100 crore and above).

**Table VI.39: NPA Ratios of NBFCs-ND-SI**

(₹ crore)

| Item | March 2009 | March 2010 | June 2010 |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1. Gross NPA to Gross Advances | 2.9 | 3.0 | 2.6 |
| 2. Net NPA to Net Advances | 1.0 | 1.2 | 1.1 |
| 3. Gross NPA to Total Assets | 2.2 | 2.3 | 2.0 |
| 4. Net NPA to Total Assets | 0.7 | 0.9 | 0.8 |

**Source:** Monthly Return on ND-SI (₹100 crore and above).

6.57 As on March 2010, ND-SI companies were largely dependent on the nationalised banks for their term loans, working capital loans, and debentures/CPs. New private banks have emerged as a second major bank group for the ND-SI companies to raise term loans and working capital loans. However in case of debentures, foreign banks contribution was significant for the ND-SI (Table VI.41).

## 4. Primary Dealers

6.58 As on June 30, 2010, there were twenty Primary Dealers (PDs), of which twelve were banks carrying on Primary Dealership business departmentally (Bank-PDs) and the remaining eight were non-bank entities, known as standalone PDs, registered as NBFCs under section 45 IA of the RBI Act, 1934. During the year 2009-10, DSP Merrill Lynch Securities Trading Limited ceased to be a PD pursuant to

**Table VI.40: Dependence on Public Funds (As on March 2010)**

(Number of Companies)

| Dependence (% to Total Liabilities) | Owned Fund | Banks | Debentures | ICDs | Commercial Paper | Others |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 0% | - | 129 | 129 | 139 | 153 | 92 |
| 0 to 20 % | 37 | 26 | 32 | 40 | 20 | 71 |
| 20 to 40 % | 31 | 17 | 15 | 1 | 9 | 12 |
| 40 to 60 % | 22 | 11 | 10 | 4 | 5 | 8 |
| 60 to 80 % | 20 | 4 | 2 | 2 | - | 3 |
| 80 to 100 % | 78 | 1 | - | 2 | 1 | 2 |
| Total | 188 | 188 | 188 | 188 | 188 | 188 |

- : Nil.

**Source:** Monthly Return on ND-SI (₹100 crore and above).

**Table VI.41: Bank Exposure of NBFCs-ND-SI (As on March 2010)**

(Amount in ₹ crore)

| Bank Group | Term Loans | Working Capital Loans | Debentures/CPs | Others | Total |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| A. Nationalised Banks | 37,863 | 5,666 | 3,773 | 2,001 | 49,303 |
| | (59.1) | (37.1) | (32.9) | (37.0) | (51.3) |
| B. State Bank Group | 5,866 | 3,756 | 1,160 | 19 | 10,802 |
| | (9.2) | (24.6) | (10.1) | (0.4) | (11.2) |
| C. Old Private Banks | 4,995 | 794 | 516 | 342 | 6,647 |
| | (7.8) | (5.2) | (4.5) | (6.3) | (6.9) |
| D. New Private Banks | 10,823 | 4,388 | 2,479 | 1,530 | 19,219 |
| | (16.9) | (28.7) | (21.6) | (28.3) | (20.0) |
| E. Foreign Banks | 4,483 | 674 | 3,552 | 1,510 | 10,218 |
| | (7.0) | (4.4) | (30.9) | (28.0) | (10.6) |
| All Banks | 64,029 | 15,279 | 11,480 | 5,402 | 96,190 |
| | (100.0) | (100.0) | (100.0) | (100.0) | (100.0) |

**Source:** Monthly Return on ND-SI (₹100 crore and above)

the agreement for merger between Bank of America Corporation, the parent company of Bank of America, N. A. and Merrill Lynch & Co., in terms of which the PD business of DSP Merrill Lynch Securities Trading Limited, was taken over by the Bank of America. Further, Morgan Stanley India Primary Dealer Pvt. Ltd and Nomura Fixed Income Securities Pvt. Ltd. were given authorisation to undertake Primary Dealership with effect from July 20, 2009 and September 7, 2009 respectively. Axis Bank was given authorisation to undertake PD business departmentally with effect from April 5, 2010.

### Operations and Performance of PDs

6.59 During the year 2009-10, the actual bids submitted by PDs collectively (including bank-PDs) in Treasury Bills (T-Bills) were ₹7,54,041 crore against their bidding commitment of ₹4,17,060 crore translating into a bid-cover ratio of 1.98. The success ratio, *i.e.*, the amount of bids of the PDs to the total commitment of the PDs declined during 2009-10 both in respect of Treasury Bills and Central Government Securities. All the PDs achieved the minimum prescribed success ratio of 40.0 per cent in both the halves of the year. In the G-Sec auctions, the actual bids of dated securities tendered by the PDs were 1.28 times the notified amount (₹4,18,000 crore) as compared to 1.34 times during 2008-09 (Table VI.42).

6.60 During 2009-10, PDs' turnover (both outright and repo) in the secondary market amounted ₹26,02,475 crore. The share of PDs' total turnover to the total market turnover declined from 12.8 per cent in 2008-09 to 8.7 per cent in 2009-10 (Table VI.43).

### Sources and Application of Funds

6.61 The balance sheet size of the PDs remained at their previous year's level during the year ended March 2010. However, the increase in the capital of standalone PDs in 2009-10 as compared with the previous year was on account

**Table VI.42: Performance of the PDs in the Primary Market**

(At end-March)

(Amount in ₹ crore)

| Item | 2009 | 2010 |
|---|---|---|
| 1 | 2 | 3 |
| **Treasury Bills** | | |
| Bidding Commitment | 2,84,985 | 4,17,060 |
| Actual Bids Submitted | 5,09,794 | 7,54,041 |
| Bid to Cover Ratio | 1.8 | 1.9 |
| Bid Accepted | 1,72,474 | 2,33,648 |
| Success Ratio (in per cent) | 59.1 | 56.0 |
| **Central Govt. Securities** | | |
| Notified Amount | 2,61,000 | 4,18,000 |
| Actual Bids submitted | 3,49,393 | 5,35,722 |
| Bid to Cover Ratio | 1.34 | 1.28 |
| Bid Accepted | 1,11,094 | 1,75,609 |
| Success Ratio (in per cent) | 42.6 | 42.0 |

**Table VI.43: Performance of the PDs in the Secondary Market**

(Amount in ₹ crore)

| Item | Apr - Jun 2009 | Jul- Sep 2009 | Oct - Dec 2009 | Jan - Mar 2010 | 2009-10 | 2008-09 |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **Outright** | | | | | | |
| PDs' Turnover | 2,29,437 | 2,26,437 | 2,66,662 | 1,79,557 | 9,02,093 | 7,96,187 |
| Market Turnover | 15,67,998 | 14,72,717 | 15,22,511 | 11,21,613 | 56,84,838 | 42,55,352 |
| Share of PDs (per cent) | 14.6 | 15.4 | 17.5 | 16.0 | 15.9 | 18.7 |
| **Repo** | | | | | | |
| PDs' Turnover | 3,77,966 | 4,13,077 | 5,26,858 | 3,82,480 | 17,00,382 | 18,21,096 |
| Market Turnover | 60,37,454 | 68,90,178 | 62,41,326 | 50,14,271 | 2,41,83,229 | 1,62,34,732 |
| Share of PDs (per cent) | 6.3 | 6.0 | 8.4 | 7.6 | 7.0 | 11.2 |
| **Total** | | | | | | |
| PDs' Turnover | 6,07,403 | 6,39,515 | 7,93,520 | 5,62,037 | 26,02,475 | 26,17,283 |
| Market Turnover | 76,05,452 | 83,62,896 | 77,63,837 | 61,35,883 | 2,98,68,067 | 2,04,90,084 |
| Share of PDs (per cent) | 8.0 | 7.7 | 10.2 | 9.2 | 8.7 | 12.8 |

**Source**: CCIL.

of increase in number of PDs from seven at end-March 2009 to eight at end-March 2010 as well as infusion of fresh capital by some PDs to adhere to the revised minimum NOF requirements. The reserves and surplus of stand alone PDs decreased as compared to the previous year. The secured loans of the PDs declined by 14 per cent; whereas unsecured loans increased by 7 per cent compared with the previous year. With regard to the application of funds, investments in G-Secs declined by 14 per cent as compared to the previous year, while investments in non-G-Sec instruments comprising CPs and corporate bonds rose during 2009-10 (Table VI.44).

### Financial Performance of Standalone PDs

6.62 During 2009-10, the net profit of the PDs declined by around 70 per cent as compared to the previous year mainly on account of decline in trading profit and income from interest and discount, despite a decline in interest expenditure.

**Table VI.44: Sources and Applications of Funds of Primary Dealers**

(Amount in ₹ crore)

| Item | End-March | | | Percentage Variation | |
|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2009 | 2010 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| **Sources of Funds** | 10,882 | 10,307 | 10,308 | -5.3 | 0.01 |
| 1 Capital | 1,508 | 1,121 | 1,541 | -25.7 | 37.47 |
| 2 Reserves and Surplus | 1,944 | 2,213 | 1,925 | 13.8 | -13.01 |
| 3 Loans (a+b) | 7,430 | 6,973 | 6,842 | -6.2 | -1.88 |
| a) Secured | 4,580 | 2,945 | 2,522 | -35.7 | -14.36 |
| b) Unsecured | 2,850 | 4,028 | 4,320 | 41.3 | 7.25 |
| **Application of Funds** | 10,882 | 10,307 | 10,308 | -5.3 | 0.01 |
| 1 Fixed Assets | 14 | 13 | 14 | -7.1 | 7.69 |
| 2 Investments (a to c) | 8,291 | 7,891 | 7,280 | -4.8 | -7.74 |
| a) Government Securities | 7,584 | 7,305 | 6,258 | -3.7 | -14.33 |
| b) Commercial Papers | 86 | 88 | 142 | 2.3 | 61.36 |
| c) Corporate Bonds | 621 | 498 | 880 | -19.8 | 76.71 |
| 3 Loans and Advances | 429 | 959 | 741 | 123.5 | -22.73 |
| 4 Non-current Assets | 0 | 0 | 0 | | |
| 5 Equity, Mutual Funds etc. | 150 | 22 | 68 | -85.3 | 209.09 |
| 6 Others* 1,998 | 1,422 | 2,205 | -28.8 | 55.07 | |

*: Others include cash+ bank balances + accrued interest + Deferred Tax Asset – current liabilities and provisions.
**Source:** Annual Reports of respective PDs.

**Table VI.45: Financial Performance of Primary Dealers**

(Amount in ₹ crore)

| Item | 2008-09 | 2009-10 | Percentage Variation | |
|---|---|---|---|---|
| | | | Amount | Percentage |
| 1 | 2 | 3 | 4 | 5 |
| **A. Income (i to iii)** | 1,825 | 804 | -1,021 | -55.9 |
| i) Interest and discount | 878 | 690 | -188 | -21.4 |
| ii) Trading Profit | 843 | -30 | -873 | -103.6 |
| iii) Other income | 104 | 144 | 40 | 38.5 |
| **B. Expenses (i+ii)** | 692 | 461 | -231 | -33.4 |
| i) Interest | 546 | 303 | -243 | -44.5 |
| ii) Other expenses | 146 | 158 | 12 | 8.2 |
| **Profit Before Tax** | 1,133 | 343 | -790 | -69.7 |
| **Profit After Tax** | 749 | 227 | -522 | -69.7 |
| No. of standalone PDs | 7 | 8 | | |

**Source:** Annual Reports of the PDs.

Hardening of G-Sec yields during the year impacted the treasury profits of the standalone PDs (Table VI.45 and Appendix Table VI.2).

6.63 Return on Assets (RoA) of PDs decreased sharply during 2009-10 following the sharp decline in net profit (Table VI.46).

6.64 Stand-alone PDs continued to be well capitalised. The CRAR of individual stand-alone PDs remained above the prescribed minimum CRAR of 15 per cent as at end-March 2010. The CRAR of the stand-alone PDs as a group was at 43.5 per cent as at end-March 2010 (Table VI.47 and Appendix Table VI.3).

## 5. Conclusions

6.65 The consolidated balance sheet of FIs expanded in 2009-10 attributable to a significant growth in deposits along with the issue of bonds and debentures by these institutions. There was an increase in the absolute level of net profits of FIs in 2009-10. The net NPAs of FIs showed some increase in 2009-10 at the aggregate level. The capital adequacy of FIs was fairly robust with their CRAR exceeding the statutory minimum ratio reflecting considerable scope for expanding their credit dispensation.

**Table VI.46: Financial Indicators of Primary Dealers**

(Amount in ₹ crore)

| Indicator | 2008-09 | 2009-10 |
|---|---|---|
| 1 | 2 | 3 |
| i) Net profit | 749 | 227 |
| ii) Average Assets | 11,348 | 12,815 |
| iii) Return on Average Assets (in per cent) | 6.6 | 1.8 |
| iv) No. of PDs | 7 | 8 |

**Source:** Primary Dealers' Return (PDR).

**Table VI.47: Select Indicators of Primary Dealers**

(At end-March)

(Amount in ₹ crore)

| Item | 2009 | 2010 |
|---|---|---|
| 1 | 2 | 3 |
| Total Assets | 10,307 | 10,308 |
| *of which*: Government securities | 7,305 | 6,258 |
| Government securities as percentage of total assets | 70.9 | 60.7 |
| Total Capital Funds | 3,464 | 3,610 |
| CRAR (in per cent) | 34.8 | 43.5 |
| Liquidity Support Limit | 3,000 | 3,000 |
| No. of PDs | 7 | 8 |

**Source**: Primary Dealers' Returns (PDRs).

6.66 There was a fall in the success ratio of PDs during 2009-10 for both Treasury Bills as well as Central Government Securities compared to the previous year. RoA of the PDs showed a sharp decline, as their net profit fell significantly during the year.

6.67 There was an expansion in the balance sheets of NBFCs-ND-SI in 2009-10. However, their RoA posted a fall in 2009-10. Further, their asset quality also showed moderate deterioration with the increase in gross and net NPA ratios in 2009-10.

6.68 It may be noted that there still exist a large number of NBFCs which do not come under the direct purview of regulation and supervision of the Reserve Bank. For promoting the growth of the NBFC sector, the development of alternative sources of funding in the form of an active corporate bond market, would be desirable.

## Appendix Table IV.1: Off-Balance Sheet Exposure of Scheduled Commercial Banks in India

(As at end-March)

(Amount in ₹ crore)

| Item | Public Sector Banks | | | Nationalised Banks * | | | State Bank Group | | | Private Sector Banks | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008-09 | 2009-10 | Percentage Variation | 2008-09 | 2009-10 | Percentage Variation | 2008-09 | 2009-10 | Percentage Variation | 2008-09 | 2009-10 | Percentage Variation |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 1. Forward exchange contract | 10,34,367 (27.5) | 9,59,314 (21.6) | -7.3 | 6,43,349 (25.9) | 6,00,770 (19.8) | -6.6 | 3,91,018 (30.6) | 3,58,544 (25.4) | -8.3 | 10,17,240 (99.0) | 9,69,704 (84.3) | -4.7 |
| 2. Guarantees given | 2,55,918 (6.8) | 3,30,555 (7.4) | 29.2 | 1,66,939 (6.7) | 2,12,317 (7.0) | 27.2 | 88,979 (7.0) | 1,18,238 (8.4) | 32.9 | 1,03,379 (10.1) | 1,32,673 (11.5) | 28.3 |
| 3. Acceptances, endorsements, etc. | 6,13,497 (16.3) | 4,72,329 (10.6) | -23.0 | 2,33,751 (9.4) | 2,46,368 (8.1) | 5.4 | 3,79,746 (29.7) | 2,25,960 (16.0) | -40.5 | 6,20,126 (60.3) | 7,40,222 (64.3) | 19.4 |
| **Contingent Liabilities** | **19,03,781 (50.6)** | **17,62,197 (39.7)** | **-7.4** | **10,44,039 (42.0)** | **10,59,455 (35.0)** | **1.5** | **8,59,742 (67.2)** | **7,02,742 (49.8)** | **-18.3** | **17,40,746 (169.4)** | **18,42,598 (160.1)** | **5.9** |

| Item | Old Private Sector Banks | | | New Private Sector Banks | | | Foreign Banks | | | Scheduled Commercial Banks | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008-09 | 2009-10 | Percentage Variation | 2008-09 | 2009-10 | Percentage Variation | 2008-09 | 2009-10 | Percentage Variation | 2008-09 | 2009-10 | Percentage Variation |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 1. Forward exchange contract | 96,661 (41.6) | 98,608 (36.7) | 2.0 | 9,20,579 (115.7) | 8,71,096 (98.8) | -5.4 | 62,94,435 (1414.1) | 52,26,956 (1206.5) | -17.0 | 83,46,043 (159.3) | 71,55,974 (118.8) | -14.3 |
| 2. Guarantees given | 10,303 (4.4) | 12,276 (4.6) | 19.2 | 93,076 (11.7) | 1,20,397 (13.7) | 29.4 | 57,241 (12.9) | 59,949 (13.8) | 4.7 | 4,16,537 (8.0) | 5,23,177 (8.7) | 25.6 |
| 3. Acceptances, endorsements, etc. | 9,860 (4.2) | 13,246 (4.9) | 34.4 | 6,10,266 (76.7) | 7,26,975 (82.4) | 19.1 | 11,56,284 (259.8) | 16,38,258 (378.2) | 41.7 | 23,89,907 (45.6) | 28,50,808 (47.3) | 19.3 |
| **Contingent Liabilities** | **1,16,824 (50.3)** | **1,24,131 (46.2)** | **6.3** | **16,23,922 (204.2)** | **17,18,467 (194.9)** | **5.8** | **75,07,960 (1686.7)** | **69,25,163 (1598.5)** | **-7.8** | **1,11,52,487 (212.9)** | **1,05,29,958 (174.8)** | **-5.6** |

* : Includes IDBI Bank Ltd.

**Note** : Figures in parentheses are percentages to total liabilities of the concerned bank-group.

**Source :** Balance sheets of respective banks.

## Appendix Table IV.2(A): Non-Performing Assets of Public Sector Banks - Sector-wise
(As at end-March 2010)

(Amount in ₹ crore)

| Sr. No. | Name of the Bank | Priority Sector NPAs | | *Of which,* Agriculture | | *Of which,* Small Scale Industries | | *Of which,* Others | | Public Sector NPAs | | Non-Priority Sector NPAs | | Total NPAs |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Amount | Per cent to total | Amount | Per cent to total | Amount | Per cent to total | Amount | Per cent to total | Amount | Per cent to total | Amount | Per cent to total | Amount 15 = (3+11+13) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| | **Public Sector Banks** | **30,848** | **53.8** | **8,330** | **14.5** | **11,537** | **20.1** | **10,981** | **19.2** | **524** | **0.9** | **25,929** | **45.3** | **57,301** |
| | **Nationalised Banks** | **19,908** | **56.1** | **5,741** | **16.2** | **8,668** | **24.4** | **5,499** | **15.5** | **280** | **0.8** | **15,283** | **43.1** | **35,470** |
| 1. | Allahabad Bank | **713** | **58.4** | 215 | 17.6 | 311 | 25.4 | 187 | 15.3 | **119** | **9.8** | **389** | **31.9** | **1,221** |
| 2. | Andhra Bank | **218** | **44.7** | 26 | 5.4 | 66 | 13.5 | 126 | 25.9 | - | - | **270** | **55.3** | **488** |
| 3. | Bank of Baroda | **1,444** | **65.8** | 636 | 29.0 | 530 | 24.1 | 279 | 12.7 | **85** | **3.9** | **667** | **30.4** | **2,196** |
| 4. | Bank of India | **2,147** | **47.9** | 490 | 10.9 | 1,360 | 30.4 | 297 | 6.6 | **18** | **0.4** | **2,317** | **51.7** | **4,481** |
| 5. | Bank of Maharashtra | **795** | **65.7** | 232 | 19.2 | 363 | 30.0 | 200 | 16.6 | - | - | **415** | **34.3** | **1,210** |
| 6. | Canara Bank | **1,423** | **56.8** | 462 | 18.4 | 394 | 15.7 | 568 | 22.7 | - | - | **1,081** | **43.2** | **2,505** |
| 7. | Central Bank of India | **1,658** | **67.5** | 421 | 17.1 | 922 | 37.5 | 315 | 12.8 | **8** | **0.3** | **792** | **32.2** | **2,458** |
| 8. | Corporation Bank | **398** | **61.1** | 122 | 18.7 | 79 | 12.1 | 197 | 30.3 | - | - | **253** | **38.9** | **651** |
| 9. | Dena Bank | **379** | **59.0** | 83 | 13.0 | 74 | 11.5 | 222 | 34.6 | - | - | **263** | **41.0** | **642** |
| 10. | Indian Bank | **249** | **54.2** | 55 | 12.0 | 163 | 35.5 | 31 | 6.7 | - | - | **210** | **45.8** | **459** |
| 11. | Indian Overseas Bank | **1,192** | **34.6** | 276 | 8.0 | 606 | 17.6 | 310 | 9.0 | **2** | - | **2,248** | **65.3** | **3,442** |
| 12. | Oriental Bank of Commerce | **911** | **62.0** | 276 | 18.8 | 385 | 26.2 | 250 | 17.0 | - | - | **558** | **38.0** | **1,469** |
| 13. | Punjab and Sind Bank | **138** | **67.1** | 42 | 20.4 | 85 | 41.2 | 11 | 5.5 | - | - | **68** | **32.9** | **206** |
| 14. | Punjab National Bank | **2,471** | **76.9** | 977 | 30.4 | 1,165 | 36.3 | 328 | 10.2 | **4** | **0.1** | **739** | **23.0** | **3,214** |
| 15. | Syndicate Bank | **1,091** | **54.4** | 176 | 8.8 | 238 | 11.9 | 677 | 33.8 | **12** | **0.6** | **902** | **45.0** | **2,005** |
| 16. | UCO Bank | **976** | **58.6** | 289 | 17.4 | 339 | 20.4 | 348 | 20.9 | **15** | **0.9** | **674** | **40.5** | **1,665** |
| 17. | Union Bank of India | **1,632** | **61.3** | 369 | 13.9 | 895 | 33.6 | 367 | 13.8 | - | - | **1,032** | **38.7** | **2,664** |
| 18. | United Bank of India | **894** | **65.1** | 204 | 14.9 | 283 | 20.6 | 407 | 29.6 | - | - | **478** | **34.9** | **1,372** |
| 19. | Vijaya Bank | **394** | **39.6** | 93 | 9.4 | 190 | 19.1 | 110 | 11.1 | **17** | **1.7** | **583** | **58.7** | **994** |
| 20. | IDBI Bank Ltd. | **785** | **36.9** | 297 | 13.9 | 221 | 10.4 | 267 | 12.6 | - | - | **1,344** | **63.1** | **2,129** |
| | **State Bank Group** | **10,940** | **50.1** | **2,589** | **11.9** | **2,869** | **13.1** | **5,482** | **25.1** | **244** | **1.1** | **10,646** | **48.8** | **21,831** |
| 21. | State Bank of Bikaner and Jaipur | **269** | **43.9** | 7 | 1.1 | 124 | 20.2 | 139 | 22.6 | - | - | **343** | **56.1** | **612** |
| 22. | State Bank of Hyderabad | **290** | **44.9** | 55 | 8.4 | 102 | 15.8 | 134 | 20.7 | - | - | **356** | **55.1** | **646** |
| 23. | State Bank of India | **9,073** | **50.9** | 2,322 | 13.0 | 2,168 | 12.2 | 4,583 | 25.7 | **235** | **1.3** | **8,529** | **47.8** | **17,836** |
| 24. | State Bank of Indore | **210** | **42.6** | 19 | 3.8 | 57 | 11.6 | 134 | 27.1 | - | - | **283** | **57.4** | **493** |
| 25. | State Bank of Mysore | **291** | **49.0** | 43 | 7.2 | 120 | 20.1 | 129 | 21.6 | **3** | **0.5** | **301** | **50.5** | **595** |
| 26. | State Bank of Patiala | **543** | **54.0** | 119 | 11.8 | 212 | 21.1 | 212 | 21.1 | - | - | **463** | **46.0** | **1,007** |
| 27. | State Bank of Travancore | **264** | **41.1** | 25 | 3.8 | 87 | 13.6 | 152.00 | 23.7 | **6** | **1.0** | **372** | **57.9** | **642** |

-: Nil/Negligible.
**Source :** Off-site returns (domestic).

## Appendix Table IV.2(B) : Non-Performing Assets of Private Sector Banks - Sector-wise
(As at end-March 2010)

(Amount in ₹ crore)

| Sr. No. | Name of the Bank | Priority Sector NPAs | | *Of which,* Agriculture | | *Of which,* Small Scale Industries | | *Of which*, Others | | Public Sector NPAs | | Non-Priority Sector NPAs | | Total NPAs |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Amount | Per cent to total | Amount | Per cent to total | Amount | Per cent to total | Amount | Per cent to total | Amount | Per cent to total | Amount | Per cent to total | Amount 15 = (3+11+13) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| | **Private Sector Banks** | **4,792** | **27.6** | **2,023** | **11.6** | **1,139** | **6.6** | **1,630** | **9.4** | **-** | **-** | **12,592** | **72.4** | **17,384** |
| | **Old Private Sector Banks** | **1,613** | **44.7** | **269** | **7.4** | **475** | **13.2** | **869** | **24.1** | **-** | **-** | **1,999** | **55.3** | **3,612** |
| 1. | Bank of Rajasthan Ltd. | **61** | **20.9** | 7 | 2.5 | 42 | 14.4 | 12 | 4.1 | **-** | **-** | **232** | **79.1** | **294** |
| 2. | Catholic Syrian Bank Ltd. | **62** | **41.7** | 7 | 4.6 | 32 | 21.4 | 23 | 15.7 | **-** | **-** | **87** | **58.3** | **149** |
| 3. | City Union Bank Ltd. | **41** | **44.2** | 16 | 17.1 | 9 | 9.7 | 16 | 17.3 | **-** | **-** | **52** | **55.8** | **94** |
| 4. | Dhanalakshmi Bank Ltd. | **35** | **45.6** | 4 | 5.3 | 6 | 7.3 | 26 | 33.0 | **-** | **-** | **42** | **54.4** | **78** |
| 5. | Federal Bank Ltd. | **440** | **53.6** | 65 | 8.0 | 18 | 2.2 | 356 | 43.4 | **-** | **-** | **381** | **46.4** | **821** |
| 6. | ING Vysya Bank Ltd. | **65** | **29.2** | 36 | 16.1 | 23 | 10.3 | 6 | 2.8 | **-** | **-** | **159** | **70.8** | **224** |
| 7. | Jammu and Kashmir Bank Ltd. | **286** | **61.8** | 32 | 7.0 | 54 | 11.7 | 199 | 43.2 | **-** | **-** | **176** | **38.2** | **462** |
| 8. | Karnataka Bank Ltd. | **324** | **59.0** | 51 | 9.2 | 172 | 31.2 | 102 | 18.6 | **-** | **-** | **225** | **41.0** | **550** |
| 9. | Karur Vysya Bank Ltd. | **68** | **29.0** | 7 | 2.9 | 53 | 22.7 | 8 | 3.4 | **-** | **-** | **167** | **71.0** | **235** |
| 10. | Lakshmi Vilas Bank Ltd. | **58** | **17.8** | 10 | 3.1 | 15 | 4.5 | 33 | 10.1 | **-** | **-** | **267** | **82.2** | **325** |
| 11. | Nainital Bank Ltd. | **17** | **73.4** | 8 | 34.9 | 2 | 9.2 | 7 | 29.4 | **-** | **-** | **6** | **26.6** | **23** |
| 12. | Ratnakar Bank Ltd. | **18** | **65.0** | 2 | 8.6 | 10 | 35.6 | 6 | 20.8 | **-** | **-** | **10** | **35.0** | **28** |
| 13. | SBI Commercial and International Bank Ltd. | **2** | **62.4** | - | - | - | - | 2 | 62.4 | **-** | **-** | **1** | **37.6** | **3** |
| 14. | South Indian Bank Ltd. | **88** | **41.7** | 12 | 5.7 | 27 | 12.9 | 49 | 23.0 | **-** | **-** | **123** | **58.3** | **211** |
| 15. | Tamilnad Mercantile Bank Ltd. | **46** | **40.2** | 10 | 9.0 | 12 | 10.6 | 24 | 20.6 | **-** | **-** | **69** | **59.8** | **115** |
| | **New Private Sector Banks** | **3,179** | **23.1** | **1,754** | **12.7** | **664** | **4.8** | **760** | **5.5** | **-** | **-** | **10,594** | **76.9** | **13,772** |
| 16. | Axis Bank Ltd. | **528** | **40.8** | 248 | 19.1 | 140 | 10.8 | 141 | 10.9 | **-** | **-** | **767** | **59.2** | **1,295** |
| 17. | Development Credit Bank Ltd. | **68** | **21.2** | 14 | 4.3 | 52 | 16.2 | 3 | 0.8 | **-** | **-** | **251** | **78.8** | **319** |
| 18. | HDFC Bank Ltd. | **400** | **22.1** | 110 | 6.1 | 276 | 15.3 | 14 | 0.8 | **-** | **-** | **1,407** | **77.9** | **1,807** |
| 19. | ICICI Bank Ltd. | **1,946** | **21.0** | 1303 | 14.1 | 50 | 0.5 | 593 | 6.4 | **-** | **-** | **7,321** | **79.0** | **9,267** |
| 20. | IndusInd Bank Ltd. | **84** | **33.0** | 31 | 12.0 | 46 | 18.1 | 8 | 3.0 | **-** | **-** | **171** | **67.0** | **255** |
| 21. | Kotak Mahindra Bank Ltd. | **152** | **-** | 49 | 6.5 | 100 | 13.0 | 2 | 0.3 | **-** | **-** | **616** | **80.2** | **767** |
| 22. | Yes Bank Ltd. | **-** | | - | - | - | - | - | - | **-** | **-** | **60** | **100.0** | **60** |

-: Nil/Negligible.

**Source :** Off-site returns (domestic).

## Appendix Table IV.2(C) : Non-Performing Assets of Foreign Banks - Sector-wise
(As at end-March 2010)

(Amount in ₹ crore)

| Sr. No. | Name of the Bank | Priority Sector NPAs | | *Of which,* Agriculture | | *Of which,* Small Scale Industries | | *Of which,* Others | | Public Sector NPAs | | Non-Priority Sector NPAs | | Total NPAs |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Amount | Per cent to total | Amount | Per cent to total | Amount | Per cent to total | Amount | Per cent to total | Amount | Per cent to total | Amount | Per cent to total | Amount 15 = (3+11+13) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| | **Foreign Banks** | **1170** | **16.4** | - | - | **299** | **4.2** | **871** | **12.2** | - | - | **5956** | **83.6** | **7,125** |
| 1. | AB Bank Ltd. | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. | Abu Dhabi Commercial Bank Ltd. | **5** | **35.6** | - | - | 5 | 35.6 | - | - | - | - | **9** | **64.4** | **14** |
| 3. | American Express Banking Corp. | - | - | - | - | - | - | - | - | - | - | **17** | **100.0** | **17** |
| 4. | Antwerp Diamond Bank NV | **100** | **100.0** | - | - | 49 | 49.6 | 50 | 50.4 | - | - | - | - | **100** |
| 5. | BNP Paribas | **1** | **0.7** | - | - | - | - | 1 | 0.7 | - | - | **68** | **99.3** | **68** |
| 6. | Bank of America N.T. & S.A. | - | - | - | - | - | - | - | - | - | - | **1** | **100.0** | **1** |
| 7. | Bank of Bahrain & Kuwait B.S.C. | - | - | - | - | - | - | - | - | - | - | **13** | **100.0** | **13** |
| 8. | Bank of Ceylon | **1** | **46.4** | - | - | 1 | 31.9 | 0 | 14.4 | - | - | **1** | **53.6** | **2** |
| 9. | Bank of Nova Scotia | **10** | **100.0** | - | - | 10 | 100.0 | 0 | 0 | - | - | - | - | **10** |
| 10. | Barclays Bank PLC | **124** | **8.7** | - | - | 103 | 7.3 | 20 | 1.4 | - | - | **1,298** | **91.3** | **1,422** |
| 11. | Chinatrust Commercial Bank | - | - | - | - | - | - | - | - | - | - | **3** | **100.0** | **3** |
| 12. | Citibank N.A. | **46** | **3.6** | - | - | - | - | 46 | 3.6 | - | - | **1,230** | **96.4** | **1,275** |
| 13. | Commomwealth Bank of Australia | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 14. | Credit Agricole Corporate and Investment | - | - | - | - | - | - | - | - | - | - | **277** | **100.0** | **277** |
| 15. | Deutsche Bank (Asia) | **14** | **5.4** | - | - | 8 | 2.9 | 7 | 2.5 | - | - | **247** | **94.6** | **261** |
| 16. | Development Bank of Singapore Ltd | - | - | - | - | - | - | - | - | - | - | **76** | **100.0** | **76** |
| 17. | FirstRand Bank | - | - | - | - | - | - | - | - | - | - | **0** | **0.0** | **0** |
| 18. | HSBC Ltd. | **484** | **28.7** | - | - | 122 | 7.3 | 361 | 21.5 | - | - | **1,200** | **71.3** | **1,683** |
| 19. | JPMorgan Chase Bank | - | - | - | - | - | - | - | - | - | - | **95** | **100.0** | **95** |
| 20. | JSC VTB Bank | - | - | - | - | - | - | - | - | - | - | **0** | **0.0** | **0** |
| 21. | Krung Thai Bank Public Co. Ltd. | - | - | - | - | - | - | - | - | - | - | **0** | **0.0** | **0** |
| 22. | Mashreqbank PSC | **0.0** | **87.5** | - | - | - | 12.5 | 0 | 75.0 | - | - | **0** | **12.5** | **0** |
| 23. | Mizuho Corporate Bank Ltd. | **6** | **100.0** | - | - | - | - | 6 | 100.0 | - | - | **0** | **0.0** | **6** |
| 24. | Oman International Bank S.A.O.G. | - | - | - | - | - | - | - | - | - | - | **0** | **0.0** | **0** |
| 25. | Shinhan Bank | - | - | - | - | - | - | - | - | - | - | **0** | **0.0** | **0** |
| 26. | Societe Generale | **1** | **100.0** | - | - | - | - | 1 | 100.0 | - | - | **0** | **0.0** | **1** |
| 27. | Sonali Bank | - | - | - | - | - | - | - | - | - | - | **1** | **100.0** | **1** |
| 28. | Standard Chartered Bank | **351** | **32.0** | - | - | 1 | 0.1 | 350 | 32.0 | - | - | **745** | **68.0** | **1,096** |
| 29. | State Bank of Mauritius Ltd. | - | - | - | - | - | - | - | - | - | - | **19** | **100.0** | **19** |
| 30. | The Bank of Tokyo-Mitsubishi UFJ,Ltd. | - | - | - | - | - | - | - | - | - | - | **0** | **0.0** | **0** |
| 31. | The Royal Bank of Scotland N V | **28** | **4.1** | - | - | - | - | 28 | 4.1 | - | - | **657** | **95.9** | **685** |
| 32. | UBS AG | - | - | - | - | - | - | - | - | - | - | - | - | - |

-: Nil/Negligible.

**Note**: In case of sector-wise gross NPAs of foreign banks, export trade have been added to NPAs of other priority sectors and non priority sector NPAs have been adjusted accordingly.

**Source**: Off-site returns (domestic).

## Appendix Table IV.3(A) : Non-Performing Assets in Advances to Weaker Sections - Public Sector Banks
(As at end-March 2010)

(Amount in ₹ crore)

| Sr. No. | Name of the bank | NPAs in Advances to Weaker Sections | |
|---|---|---|---|
| | | Amount | Per cent of total advances to weaker sections |
| 1 | 2 | 3 | 4 |
| | **Public Sector Banks** | **5,053** | **3.0** |
| | **Nationalised Banks** | **3,368** | **2.8** |
| 1. | Allahabad Bank | 196 | 3.2 |
| 2. | Andhra Bank | 39 | 0.7 |
| 3. | Bank of Baroda | 476 | 7.3 |
| 4. | Bank of India | 536 | 3.6 |
| 5. | Bank of Maharashtra | 200 | 9.1 |
| 6. | Canara Bank | 303 | 2.1 |
| 7. | Central Bank of India | 333 | 3.8 |
| 8. | Corporation Bank | 52 | 1.8 |
| 9. | Dena Bank | 93 | 6.5 |
| 10. | Indian Bank | 9 | 0.2 |
| 11. | Indian Overseas Bank | - | - |
| 12. | Oriental Bank of Commerce | 126 | 3.1 |
| 13. | Punjab and Sind Bank | 31 | 1.3 |
| 14. | Punjab National Bank | 487 | 3.1 |
| 15. | Syndicate Bank | 127 | 1.7 |
| 16. | UCO Bank | 277 | 4.2 |
| 17. | Union Bank of India | 3 | 8.2 |
| 18. | United Bank of India | - | - |
| 19. | Vijaya Bank | 73 | 2.2 |
| 20. | IDBI Bank Ltd. | 8 | 0.4 |
| | **State Bank Group** | **1,685** | **3.7** |
| 21. | State Bank of Bikaner and Jaipur | 42 | 1.2 |
| 22. | State Bank of Hyderabad | 131 | 2.3 |
| 23. | State Bank of India | 1,317 | 4.9 |
| 24. | State Bank of Indore | 45 | 2.0 |
| 25. | State Bank of Mysore | 30 | 1.2 |
| 26. | State Bank of Patiala | 41 | 7.0 |
| 27. | State Bank of Travancore | 78 | 2.0 |

- : Nil/Negligible.

**Source :** Based on off-site returns submitted by banks (domestic).

## Appendix Table IV.3(B) : Non-Performing Assets in Advances to Weaker Sections - Private Sector Banks
(As at end-March 2010)

(Amount in ₹ crore)

| Sr. No. | Name of the bank | NPAs in Advances to Weaker Sections | |
|---|---|---|---|
| | | Amount | Per cent of total advances to weaker sections |
| 1 | 2 | 3 | 4 |
| | **Private Sector Banks** | **130** | **0.5** |
| | **Old Private Sector Banks** | **98** | **1.0** |
| 1. | Bank of Rajasthan Ltd. | 10 | 6.4 |
| 2. | Catholic Syrian Bank Ltd. | 5 | 34.2 |
| 3. | City Union Bank Ltd. | - | - |
| 4. | Dhanalakshmi Bank Ltd. | - | - |
| 5. | Federal Bank Ltd. | - | - |
| 6. | ING Vysya Bank Ltd. | 2 | 0.6 |
| 7. | Jammu and Kashmir Bank Ltd. | 17 | 0.7 |
| 8. | Karnataka Bank Ltd. | 11 | 3.8 |
| 9. | Karur Vysya Bank Ltd. | 40 | 4.0 |
| 10. | Lakshmi Vilas Bank Ltd. | - | 0.1 |
| 11. | Nainital Bank Ltd. | - | - |
| 12. | Ratnakar Bank Ltd. | 1 | 4.7 |
| 13. | SBI Commercial and International Bank Ltd. | - | - |
| 14. | South Indian Bank Ltd. | 8 | 0.4 |
| 15. | Tamilnad Mercantile Bank Ltd. | 2 | 0.3 |
| | **New Private Sector Banks** | **32** | **0.2** |
| 16. | Axis Bank Ltd. | - | - |
| 17. | Development Credit Bank Ltd. | 1 | 0.4 |
| 18. | HDFC Bank Ltd. | 17 | 1.5 |
| 19. | ICICI Bank Ltd. | - | - |
| 20. | IndusInd Bank Ltd. | - | - |
| 21. | Kotak Mahindra Bank Ltd. | 14 | 1.2 |
| 22. | Yes Bank Ltd. | - | - |

- : Nil/Negligible.

**Source :** Based on off-site returns submitted by banks (domestic).

## Appendix Table IV.4(A): Advances of Public Sector Banks to Agriculture and Weaker Sections
(As on the last reporting Friday of March 2010)

(Amount in ₹ crore)

| Sr. No. | Name of the Bank | Total Priority Sector Advances | | Total Agricultural Advances | | *Of which*, Direct Agricultural Advances | | *Of which*, Indirect Agricultural Advances | | Advances to Weaker Sections | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Amount | Per cent to ANBC or credit equivalent of OBE, whichever is higher | Amount | Per cent to ANBC or credit equivalent of OBE, whichever is higher | Amount | Per cent to ANBC or credit equivalent of OBE, whichever is higher | Amount | Per cent to ANBC or credit equivalent of OBE, whichever is higher | Amount | Per cent to ANBC or credit equivalent of OBE, whichever is higher |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | **Public Sector Banks** | | | | | | | | | | |
| | **Nationalised Banks** | | | | | | | | | | |
| 1. | Allahabad Bank | **24,279** | **41.3** | 10,986 | 18.7 | 8,340 | 14.2 | 2,646 | 4.5 | 6,150 | 10.5 |
| 2. | Andhra Bank | **18,323** | **41.2** | 8,825 | 19.9 | 7,579 | 17.1 | 1,245 | 2.8 | 5,990 | 13.5 |
| 3. | Bank of Baroda | **48,552** | **44.4** | 21,617 | 16.7 | 13,329 | 12.2 | 8,288 | 7.6 | 10,945 | 10.0 |
| 4. | Bank of India | **52,125** | **46.4** | 18,256 | 16.3 | 13,958 | 12.4 | 4,298 | 3.8 | 12,987 | 11.6 |
| 5. | Bank of Maharashtra | **14,017** | **40.3** | 6,107 | 14.5 | 3,490 | 10.0 | 2,617 | 7.5 | 2,154 | 6.2 |
| 6. | Canara Bank | **59,310** | **43.9** | 25,052 | 18.6 | 19,069 | 14.1 | 5,983 | 4.4 | 14,631 | 10.8 |
| 7. | Central Bank of India | **35,161** | **40.9** | 18,306 | 17.9 | 11,468 | 13.4 | 6,838 | 8.0 | 8,697 | 10.1 |
| 8. | Corporation Bank | **19,805** | **40.8** | 6,586 | 12.3 | 3,763 | 7.8 | 2,823 | 5.8 | 2,878 | 5.9 |
| 9. | Dena Bank | **11,718** | **40.2** | 4,826 | 15.8 | 3,308 | 11.3 | 1,519 | 5.2 | 2,050 | 7.0 |
| 10. | Indian Bank | **21,433** | **43.9** | 9,091 | 18.6 | 7,598 | 15.6 | 1,493 | 3.1 | 5,206 | 10.7 |
| 11. | Indian Overseas Bank | **26,566** | **39.6** | 12,008 | 17.9 | 9,171 | 13.7 | 2,837 | 4.2 | 6,855 | 10.2 |
| 12. | Oriental Bank of Commerce | **28,511** | **41.6** | 11,032 | 13.9 | 6,457 | 9.4 | 4,575 | 6.7 | 4,110 | 6.0 |
| 13. | Punjab National Bank | **61,907** | **40.6** | 29,821 | 19.5 | 23,171 | 15.2 | 6,650 | 4.4 | 15,779 | 10.3 |
| 14. | Punjab & Sind Bank | **10,754** | **43.5** | 5,063 | 18.2 | 3,390 | 13.7 | 1,673 | 6.8 | 2,141 | 8.7 |
| 15. | Syndicate Bank | **32,713** | **45.9** | 13,135 | 18.4 | 9,927 | 13.9 | 3,208 | 4.5 | 7,497 | 10.5 |
| 16. | Union Bank of India | **43,064** | **44.4** | 17,701 | 15.5 | 10,705 | 11.0 | 6,996 | 7.2 | 9,320 | 9.6 |
| 17. | United Bank of India | **14,396** | **40.3** | 4,758 | 12.0 | 2,664 | 7.5 | 2,094 | 5.9 | 3,750 | 10.5 |
| 18. | UCO Bank | **26,880** | **54.0** | 13,629 | 20.9 | 8,185 | 16.4 | 5,444 | 10.9 | 6,350 | 12.8 |
| 19. | Vijaya Bank | **14,553** | **40.6** | 5,222 | 14.6 | 3,608 | 10.1 | 1,614 | 4.5 | 3,462 | 9.7 |
| 20. | IDBI Bank Ltd. | **29,548** | **28.4** | 12,129 | 11.1 | 6867 | 6.6 | 5262 | 5.1 | 1936 | 1.9 |
| | **State Bank Group** | | | | | | | | | | |
| 21. | State Bank of India | **1,88,164** | **40.7** | 83,239 | 18.0 | 62,452 | 13.5 | 20,787 | 4.5 | 56,085 | 12.1 |
| 22. | State Bank of Bikaner & Jaipur | **13,277** | **44.1** | 6,039 | 20.1 | 5,284 | 17.6 | 755 | 2.5 | 5,077 | 16.9 |
| 23. | State Bank of Hyderabad | **18,333** | **41.6** | 8,160 | 18.5 | 6,202 | 14.1 | 1,958 | 4.4 | 5,368 | 12.2 |
| 24. | State Bank of Indore | **10,183** | **46.8** | 4,120 | 17.8 | 2,887 | 13.3 | 1,233 | 5.7 | 2,224 | 10.2 |
| 25. | State Bank of Mysore | **8,927** | **34.5** | 3,833 | 14.8 | 3,135 | 12.1 | 698 | 2.7 | 2,580 | 10.0 |
| 26. | State Bank of Patiala | **17,931** | **40.8** | 8,058 | 18.3 | 6,079 | 13.8 | 1,979 | 4.5 | 4,545 | 10.3 |
| 27. | State Bank of Travancore | **14,132** | **42.8** | 3,130 | 9.5 | 2,985 | 9.0 | 145 | 0.4 | 3,447 | 10.4 |

**Note :** 1) Data are provisional.
2) ANBC - Adjusted net bank credit or credit equivalent amount of off-balance sheet exposures, whichever is higher, with effect from April 30, 2007.
3) Indirect agriculture is reckoned up to 4.5 per cent of ANBC for calculation of percentage for Agriculture.
4) For IDBI Bank Ltd. priority sector lending target and agriculture lending target are 34 per cent and 14 per cent, respectively, as on the last reporting Friday of March 2010.

**Source:** Data furnished by respective banks.

## Appendix Table IV.4(B): Advances of Private Sector Banks to Agriculture and Weaker Sections

(As on the last reporting Friday of March 2010)

(Amount in ₹ crore)

| Sr. No. | Name of the Bank | Total Priority Sector Advances | | Total Agricultural Advances | | *Of which*, Direct Agricultural Advances | | *Of which*, Indirect Agricultural Advances | | Advances to Weaker Sections | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Amount | Per cent to ANBC or credit equivalent of OBE, whichever is higher | Amount | Per cent to ANBC or credit equivalent of OBE, whichever is higher | Amount | Per cent to ANBC or credit equivalent of OBE, whichever is higher | Amount | Per cent to ANBC or credit equivalent of OBE, whichever is higher | Amount | Per cent to ANBC or credit equivalent of OBE, whichever is higher |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | **Private Sector Banks** | | | | | | | | | | |
| 1. | Axis Bank Ltd. | **29,772** | **41.4** | 10,537 | 14.6 | 7,299 | 10.1 | 3,238 | 4.5 | 4,764 | 6.6 |
| 2. | Bank of Rajasthan Ltd. | **2,714** | **34.9** | 1,454 | 8.4 | 301 | 3.9 | 1,153 | 14.8 | 137 | 1.8 |
| 3. | Catholic Syrian Bank Ltd. | **1,535** | **41.3** | 669 | 18.0 | 502 | 13.5 | 167 | 4.5 | 453 | 12.2 |
| 4. | City Union Bank Ltd. | **2,451** | **43.1** | 673 | 11.8 | 556 | 9.8 | 116 | 2.1 | 385 | 6.8 |
| 5. | Development Credit Bank Ltd. | **1,603** | **46.1** | 917 | 18.0 | 470 | 13.5 | 446 | 12.8 | 291 | 8.4 |
| 6. | Dhanalakshmi Bank Ltd. | **1,411** | **43.7** | 759 | 18.3 | 446 | 13.8 | 313 | 9.7 | 478 | 14.8 |
| 7. | Federal Bank Ltd. | **10,891** | **48.6** | 3,333 | 14.9 | 2,362 | 10.6 | 972 | 4.3 | 894 | 4.0 |
| 8. | Yes Bank Ltd. | **5,687** | **45.7** | 3,969 | 23.9 | 2,411 | 19.4 | 1,558 | 12.5 | 616 | 5.0 |
| 9. | HDFC Bank Ltd. | **45,818** | **46.3** | 17,132 | 10.9 | 6,377 | 6.4 | 10,755 | 10.9 | 1,191 | 1.2 |
| 10. | ICICI Bank Ltd. | **62,698** | **51.3** | 30,665 | 18.7 | 17,329 | 14.2 | 13,336 | 10.9 | 5,630 | 4.6 |
| 11. | IndusInd Bank Ltd. | **6,805** | **43.7** | 3,201 | 18.2 | 2,132 | 13.7 | 1,070 | 6.9 | 1,630 | 10.5 |
| 12. | ING Vysya Bank Ltd. | **7,105** | **42.4** | 1,954 | 11.7 | 1,263 | 7.5 | 690 | 4.1 | 449 | 2.7 |
| 13. | Jammu & Kashmir Bank Ltd. | **8,317** | **45.2** | 2,292 | 12.5 | 1,485 | 8.1 | 807 | 4.4 | 2,547 | 13.8 |
| 14. | Karnataka Bank Ltd. | **5,389** | **44.5** | 1,590 | 11.6 | 856 | 7.1 | 735 | 6.1 | 285 | 2.4 |
| 15. | Karur Vysya Bank Ltd. | **4,439** | **42.0** | 1,592 | 15.1 | 1,179 | 11.2 | 413 | 3.9 | 1,020 | 9.7 |
| 16. | Kotak Mahindra Bank Ltd. | **6,990** | **41.2** | 3,586 | 19.5 | 2,550 | 15.0 | 1,037 | 6.1 | 1,395 | 8.2 |
| 17. | Lakshmi Vilas Bank Ltd. | **2,142** | **40.3** | 980 | 18.1 | 724 | 13.6 | 257 | 4.8 | 569 | 10.7 |
| 18. | Nainital Bank Ltd. | **676** | **59.7** | 227 | 19.3 | 167 | 14.8 | 60 | 5.3 | 91 | 8.0 |
| 19. | Ratnakar Bank Ltd. | **333** | **47.7** | 110 | 14.6 | 70 | 10.1 | 40 | 5.7 | 26 | 3.7 |
| 20. | SBI Commercial & International Bank Ltd. | **114** | **36.2** | 33 | 5.6 | 4 | 1.1 | 30 | 9.4 | 0 | 0.0 |
| 21. | South Indian Bank Ltd. | **5,089** | **41.9** | 2,647 | 21.8 | 2,475 | 20.4 | 173 | 1.4 | 2,134 | 17.6 |
| 22. | Tamilnad Mercantile Bank Ltd. | **3,572** | **53.6** | 1,448 | 21.0 | 1,154 | 17.3 | 245 | 3.7 | 706 | 10.6 |

**Note :** 1) Data are provisional.

2) ANBC - Adjusted net bank credit or credit equivalent amount of off-balance sheet exposures, whichever is higher, with effect from April 30, 2007.

3) Indirect agriculture is reckoned up to 4.5 per cent of ANBC or credit equivalent amount of off-balance sheet exposures,whichever is higher, for computation of achievement in lending to agriculture sector.

**Source:** Data furnished by respective banks.

## Appendix Table IV.4(C): Advances of Foreign Banks to Micro and Small Enterprises (MSE) and Export sectors
(As on the last reporting Friday of March 2010)

(Amount in ₹ crore)

| Sr. No. | Name of the bank | Total Priority Sector advances | | MSE Advances | | Export Credit | |
|---|---|---|---|---|---|---|---|
| | | Amount | Per cent to ANBC or credit equivalent of OBE, whichever is higher | Amount | Per cent to ANBC or credit equivalent of OBE, whichever is higher | Amount | Per cent to ANBC or credit equivalent of OBE, whichever is higher |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| | **Foreign Banks** | | | | | | |
| 1 | Abu Dhabi Commercial Bank | **56** | **37.2** | 38 | 25.1 | 18 | 12.1 |
| 2 | Antwerp Diamond Bank | **481** | **68.3** | 162 | 23.0 | 477 | 67.8 |
| 3 | AB Bank | **8** | **46.1** | 4 | 21.5 | 3 | 19.3 |
| 4 | Bank of America | **1,317** | **40.1** | 330 | 10.1 | 987 | 30.1 |
| 5 | Bank of Baharin and Kuwait | **124** | **41.4** | 73 | 24.6 | 37 | 12.4 |
| 6 | Bank of Ceylon | **24** | **47.3** | 11 | 21.3 | 13 | 25.9 |
| 7 | Bank of Nova Scotia | **1,508** | **31.4** | 416 | 8.7 | 1,334 | 27.8 |
| 8 | Bank of Tokyo-Mitsubishi | **1,290** | **43.1** | 306 | 10.2 | 984 | 32.9 |
| 9 | Barclays Bank PLC | **3,477** | **33.0** | 2,168 | 20.6 | 1,364 | 12.9 |
| 10 | BNP Paribas | **1,632** | **33.5** | 935 | 19.2 | 697 | 14.3 |
| 11 | China Trust Commercial Bank | **69** | **46.8** | 52 | 35.0 | 18 | 11.8 |
| 12 | Citi Bank | **13,298** | **33.3** | 4,428 | 11.1 | 6,855 | 17.2 |
| 13 | Credit Agricole | **1,152** | **37.2** | 315 | 10.2 | 837 | 27.0 |
| 14 | Deutsche Bank | **3,325** | **37.1** | 954 | 10.7 | 2,319 | 25.9 |
| 15 | Development Bank of Singapore | **1,824** | **67.0** | 625 | 23.0 | 1,131 | 41.6 |
| 16 | HSBC Ltd. | **9,722** | **33.8** | 3,430 | 11.9 | 5,361 | 18.7 |
| 17 | JP Morgan Chase Bank | **1,170** | **33.4** | 356 | 10.1 | 815 | 23.2 |
| 18 | Krung Thai Bank | **2** | **17.8** | 2 | 17.8 | - | - |
| 19 | Mashreqbank | **53** | **547.2** | - | - | 53 | 547.2 |
| 20 | Mizuho Corporate Bank | **362** | **32.4** | 191 | 17.1 | 178 | 15.9 |
| 21 | Oman International bank | **-** | **-** | - | - | - | - |
| 22 | Shinhan Bank | **162** | **35.5** | 58 | 12.7 | 55 | 12.1 |
| 23 | Societe Generale | **138** | **37.6** | 52 | 14.3 | 85 | 23.3 |
| 24 | Sonali Bank | **5** | **42.5** | - | - | 5 | 42.5 |
| 25 | Standard Chartered Bank | **12,868** | **34.3** | 4,163 | 11.1 | 6,927 | 18.5 |
| 26 | State Bank of Mauritius | **112** | **37.1** | 46 | 15.4 | 37 | 12.2 |
| 27 | The Royal Bank of Scotland | **6,111** | **35.5** | 1,965 | 11.4 | 4,876 | 28.3 |

- : Nil/Negligible.

**Note:** 1) Data are provisional.

2) ANBC - Adjusted net bank credit or credit equivalent amount of off-balance sheet exposures, whichever is higher, with effect from April 30, 2007.

**Source:** Data furnished by respective banks.

## Appendix Table IV.5(A): Targets Achieved by Public Sector Banks under the Priority Sector
(As on the last reporting Friday of March 2010)

| Sr. No. | Name of the bank | Overall | Agriculture | Weaker Sections |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| | **Public Sector Banks** | | | |
| | **Nationalised Banks** | | | |
| 1. | Allahabad Bank | √ | √ | √ |
| 2. | Andhra Bank | √ | √ | √ |
| 3. | Bank of Baroda | √ | X | √ |
| 4. | Bank of India | √ | X | √ |
| 5. | Bank of Maharashtra | √ | X | X |
| 6. | Canara Bank | √ | √ | √ |
| 7. | Central Bank of India | √ | X | √ |
| 8. | Corporation Bank | √ | X | X |
| 9. | Dena Bank | √ | X | X |
| 10. | Indian Bank | √ | √ | √ |
| 11. | Indian Overseas Bank | X | X | √ |
| 12. | Oriental Bank of Commerce | √ | X | X |
| 13. | Punjab National Bank | √ | √ | √ |
| 14. | Punjab & Sind Bank | √ | √ | X |
| 15. | Syndicate Bank | √ | √ | √ |
| 16. | Union Bank of India | √ | X | X |
| 17. | United Bank of India | √ | X | √ |
| 18. | UCO Bank | √ | √ | √ |
| 19. | Vijaya Bank | √ | X | X |
| 20. | IDBI Bank Ltd. | X | X | NA |
| | **State Bank Group** | | | |
| 21. | State Bank of India | √ | √ | √ |
| 22. | State Bank of Bikaner and Jaipur | √ | √ | √ |
| 23. | State Bank of Hyderabad | √ | √ | √ |
| 24. | State Bank of Indore | √ | X | √ |
| 25. | State Bank of Mysore | X | X | X |
| 26. | State Bank of Patiala | √ | √ | √ |
| 27. | State Bank of Travancore | √ | X | √ |

√ : Indicates meeting the respective norm for priority sector.

X : Indicates shortfall in the respective norm for priority sector.

NA: Not applicable.

**Note**: For IDBI Ltd. concessional priority sector lending and agriculture lending targets have been fixed at 34 per cent and 14 per cent of ANBC respectively at the end of the last reporting Friday of March 2010.

## Appendix Table IV.5(B): Targets achieved by Private Sector Banks under the Priority Sector
(As on the last reporting Friday of March 2010)

| Sr. No. | Name of the bank | Overall | Agriculture | Weaker Sections |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| | **Private Sector Banks** | | | |
| 1. | Axis Bank Ltd. | √ | X | X |
| 2. | Bank of Rajasthan Ltd. | X | X | X |
| 3. | Catholic Syrian Bank Ltd. | √ | √ | √ |
| 4. | City Union Bank Ltd. | √ | X | X |
| 5. | Development Credit Bank Ltd. | √ | √ | X |
| 6. | Dhanalakshmi Bank Ltd. | √ | √ | √ |
| 7. | Federal Bank Ltd. | √ | X | X |
| 8. | HDFC Bank Ltd. | √ | X | X |
| 9. | ICICI Bank Ltd. | √ | √ | X |
| 10. | IndusInd Bank Ltd. | √ | √ | √ |
| 11. | ING Vysya Bank Ltd. | √ | X | X |
| 12. | Jammu & Kashmir Bank Ltd. | √ | X | √ |
| 13. | Karnataka Bank Ltd. | √ | X | X |
| 14. | Karur Vysya Bank Ltd. | √ | X | X |
| 15. | Kotak Mahindra Bank Ltd. | √ | √ | X |
| 16. | Lakshmi Vilas Bank Ltd. | √ | √ | √ |
| 17. | Nainital Bank Ltd. | √ | √ | X |
| 18. | Ratnakar Bank Ltd. | √ | X | X |
| 19. | SBI Commercial & International Bank Ltd. | X | X | X |
| 20. | South Indian Bank Ltd. | √ | √ | √ |
| 21. | Tamilnad Mercantile Bank Ltd. | √ | √ | √ |
| 22. | Yes Bank Ltd. | √ | √ | X |

√ : Indicates meeting the respective norm for priority sector.

X : Indicates shortfall in the respective norm for priority sector.

## Appendix Table IV.5(C): Targets Achieved by Foreign Banks under the Priority Sector
(As on the last reporting Friday of March 2010)

| Sr. No. | Name of the bank | Overall | Advances to Micro and Small Enterprises | Export Credit |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| | **Foreign Banks** | | | |
| 1 | Abu Dhabi Commercial Bank | √ | √ | √ |
| 2 | Antwerp Diamond Bank | √ | √ | √ |
| 3 | A B Bank | √ | √ | √ |
| 4 | Bank of America | √ | √ | √ |
| 5 | Bank of Baharin and Kuwait | √ | √ | √ |
| 6 | Bank of Ceylon | √ | √ | √ |
| 7 | Bank of Nova Scotia | X | X | √ |
| 8 | Bank of Tokyo-Mitsubishi UFJ | √ | √ | √ |
| 9 | Barclays Bank PLC | √ | √ | √ |
| 10 | BNP Paribas | √ | √ | √ |
| 11 | China Trust Commercial Bank | √ | √ | X |
| 12 | Citi Bank | √ | √ | √ |
| 13 | Credit Agricole | √ | √ | √ |
| 14 | Deutsche Bank | √ | √ | √ |
| 15 | Development Bank of Singapore | √ | √ | √ |
| 16 | HSBC Ltd. | √ | √ | √ |
| 17 | JP Morgan Chase Bank | √ | √ | √ |
| 18 | Krung Thai Bank | X | √ | X |
| 19 | Mashreqbank | √ | X | √ |
| 20 | Mizuho Corporate Bank | √ | √ | √ |
| 21 | Oman International Bank | X | X | X |
| 22 | Shinhan Bank | √ | √ | √ |
| 23 | Societe Generale | √ | √ | √ |
| 24 | Sonali Bank | √ | X | √ |
| 25 | Standard Chartered Bank | √ | √ | √ |
| 26 | State Bank of Mauritius | √ | √ | √ |
| 27 | The Royal Bank of Scotland | √ | √ | √ |

√ : Indicates meeting the respective norm for priority sector.

X : Indicates not meeting the respective norm for priority sector.

# Appendix Table IV.6: Bank Group-wise Lending to Sensitive Sectors
(As at end-March 2010)

(Amount in ₹ crore)

| Sector | Public Sector Banks | | | Nationalised Banks * | | | State Bank Group | | | Private Sector Banks | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008-09 | 2009-10 | Percentage Variation | 2008-09 | 2009-10 | Percentage Variation | 2008-09 | 2009-10 | Percentage Variation | 2008-09 | 2009-10 | Percentage Variation |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 1. Capital Market # | **33,119 (1.5)** | **37,315 (1.4)** | **12.7** | 24,446 (1.6) | 27,339 (1.5) | 11.8 | 8,674 (1.2) | 9,975 (1.2) | 15.0 | **16,051 (2.8)** | **23,569 (3.7)** | **46.8** |
| 2. Real Estate @ | **3,34,311 (14.8)** | **3,85,873 (14.3)** | **15.4** | 2,41,366 (15.9) | 2,67,247 (14.5) | 10.7 | 92,945 (12.6) | 1,18,625 (13.8) | 27.6 | **1,45,547 (25.3)** | **1,47,584 (23.3)** | **1.4** |
| 3. Commodities | **-** | **-** | **-** | - | - | - | - | - | - | **897 (0.2)** | **911 (0.1)** | **1.5** |
| **Total Advances to Sensitive Sectors** | **3,67,430 (16.3)** | **4,23,187 (15.7)** | **15.2** | **2,65,812 (16.3)** | **2,94,587 (15.7)** | **10.8** | **1,01,619 (13.7)** | **1,28,601 (15.0)** | **26.6** | **1,62,496 (28.2)** | **1,72,064 (27.2)** | **5.9** |

| Sector | Old Private Sector Banks | | | New Private Sector Banks | | | Foreign Banks | | | Scheduled Commercial Banks | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008-09 | 2009-10 | Percentage Variation | 2008-09 | 2009-10 | Percentage Variation | 2008-09 | 2009-10 | Percentage Variation | 2008-09 | 2009-10 | Percentage Variation |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 1. Capital Market # | 2,271 (1.8) | 2,087 (1.4) | -8.1 | 13,779 (3.1) | 21,481 (4.5) | 55.9 | **6,028 (3.6)** | **6,519 (4.0)** | **8.1** | **55,198 (1.8)** | **67,402 (1.9)** | **22.1** |
| 2. Real Estate @ | 22,240 (17.3) | 22,728 (14.8) | 2.2 | 1,23,308 (27.6) | 1,24,857 (26.1) | 1.3 | **45,220 (27.3)** | **46,357 (28.4)** | **2.5** | **5,25,079 (17.5)** | **5,79,814 (16.6)** | **10.4** |
| 3. Commodities | 897 (0.7) | 911 (0.6) | 1.5 | - | - | - | **-** | **-** | **-** | **897 (0.0)** | **911 (0.0)** | **1.5** |
| **Total Advances to Sensitive Sectors** | **25,408 (19.8)** | **25,725 (16.7)** | **1.3** | **1,37,087 (30.7)** | **1,46,338 (30.6)** | **6.8** | **51,248 (31.0)** | **52,875 (32.4)** | **3.2** | **5,81,174 (19.4)** | **6,84,126 (19.6)** | **17.7** |

- : Nil/Negligible.
# : Exposure to capital market is inclusive of both investments and advances.
@ : Exposure to real estate sector is inclusive of both direct and indirect lending.
* : Includes IDBI Bank Ltd.
**Note** : Figures in parentheses are percentages to total loans and advances of the concerned bank-group.
**Source** : Balance sheets of respective banks.

## Appendix Table IV.7 : Share Prices and Price/ Earning Ratios of Bank Stocks at BSE

| Sr. No. | Name of the Bank | Closing Prices (Rs.) (End-March) | | | Percentage variation in closing prices (2009-10 over 2008-09) | P/E Ratio (End-March) | | |
|---|---|---|---|---|---|---|---|---|
| | | 2007-08 | 2008-09 | 2009-10 | | 2007-08 | 2008-09 | 2009-10 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | **Public Sector Banks** | | | | | | | |
| 1 | Allahabad Bank | 77 | 39 | 143 | 266.8 | 3.4 | 2.2 | 5.2 |
| 2 | Andhra Bank | 74 | 45 | 108 | 139.2 | 6.1 | 3.3 | 5.0 |
| 3 | Bank of Baroda | 284 | 235 | 639 | 172.5 | 6.7 | 3.6 | 7.3 |
| 4 | Bank of India | 253 | 220 | 341 | 55.0 | 6.4 | 3.7 | 10.0 |
| 5 | Bank of Maharashtra | 50 | 21 | 50 | 139.9 | 6.6 | 2.4 | 4.9 |
| 6 | Canara Bank | 225 | 166 | 410 | 147.4 | 5.1 | 3.3 | 5.6 |
| 7 | Central Bank India | 87 | 34 | 147 | 331.7 | 6.2 | 2.4 | 5.3 |
| 8 | Corporation Bank | 282 | 181 | 481 | 166.3 | 5.4 | 2.9 | 5.8 |
| 9 | Dena Bank | 51 | 32 | 78 | 142.1 | 4.0 | 2.2 | 4.4 |
| 10 | Indian Bank | 163 | 83 | 176 | 112.7 | 7.0 | 2.8 | 4.9 |
| 11 | Indian Overseas Bank | 135 | 46 | 92 | 102.1 | 6.1 | 1.9 | 7.1 |
| 12 | Oriental Bank of Commerce | 177 | 110 | 321 | 192.0 | 5.3 | 3.0 | 7.1 |
| 13 | Punjab National Bank | 508 | 411 | 1013 | 146.6 | 7.3 | 4.1 | 8.0 |
| 14 | Syndicate Bank | 75 | 48 | 86 | 78.9 | 4.6 | 2.7 | 5.9 |
| 15 | Union Bank of India | 141 | 147 | 293 | 99.0 | 5.1 | 4.3 | 7.1 |
| 16 | Vijaya Bank | 49 | 23 | 47 | 103.2 | - | - | 5.4 |
| 17 | State Bank of India | 1599 | 1067 | 2079 | 94.9 | 10.1 | 6.2 | 11.2 |
| 18 | State Bank of Bikaner and Jaipur | 500 | 196 | 454 | 131.2 | 7.9 | 2.4 | 4.9 |
| 19 | State Bank of Mysore | 750 | 331 | 637 | 92.4 | 8.5 | 3.5 | 5.1 |
| 20 | State Bank of Travancore | 478 | 212 | 613 | 188.5 | 6.2 | 1.7 | 4.6 |
| 21 | UCO Bank | 37 | 24 | 57 | 134.9 | 7.1 | 3.2 | 3.1 |
| 22 | IDBI Bank Ltd. | 89 | 45 | 115 | 153.3 | 8.6 | 4.3 | 8.2 |
| | **Private Sector Banks** | | | | | | | |
| 23 | Axis Bank | 781 | 415 | 1169 | 182.1 | 24.7 | 8.2 | 19.7 |
| 24 | Bank of Rajasthan Ltd. | 83 | 37 | 55 | 47.6 | 11.6 | 5.2 | - |
| 25 | City Union Bank Ltd. | 28 | 12 | 29 | 134.0 | 8.9 | 3.2 | 7.1 |
| 26 | Development Credit Bank Ltd. | 85 | 19 | 32 | 70.4 | 36.7 | 8.0 | - |
| 27 | Dhanalakshmi Bank | 63 | 50 | 133 | 164.7 | 7.1 | 5.6 | 36.6 |
| 28 | Federal Bank Ltd. | 217 | 138 | 267 | 93.6 | 6.8 | 4.9 | 10.4 |
| 29 | ING Vysya Bank | 335 | 128 | 279 | 117.6 | 17.9 | 6.9 | 12.7 |
| 30 | Indusind Bank Ltd. | 79 | 32 | 171 | 428.3 | 33.5 | 7.6 | 18.9 |
| 31 | Jammu and Kashmir Bank Ltd. | 679 | 315 | 679 | 115.7 | 9.1 | 3.7 | 6.4 |
| 32 | Karnataka Bank Ltd. | 200 | 65 | 120 | 83.7 | 10.1. | 2.9 | 8.9 |
| 33 | Karur Vysya Bank Ltd. | 334 | 200 | 458 | 129.0 | 8.7 | 4.6 | 7.4 |
| 34 | Kotak Mahindra Bank Ltd. | 629 | 283 | 749 | 164.8 | 21.2 | 14.9 | 19.9 |
| 35 | Lakshmi Vilas Bank Ltd. | 99 | 63 | 78 | 23.2 | 18.9 | 5.3 | 15.7 |
| 36 | South Indian Bank Ltd. | 112 | 51 | 178 | 248.2 | 9.3 | 2.9 | 8.6 |
| 37 | HDFC Bank Ltd. | 1320 | 968 | 1933 | 99.7 | 28.5 | 18.3 | 28.1 |
| 38 | ICICI Bank Ltd. | 770 | 333 | 953 | 186.4 | 23.9 | 10.4 | 22.1 |
| 39 | Yes Bank | 169 | 50 | 255 | 410.7 | 24.0 | 4.9 | - |

– : Not Available.

## Appendix Table IV.8: Shareholding Pattern of Scheduled Commercial Banks *(Continued)*

(As at end-March 2010)

(Per cent)

| Sr. No. | Name of the Bank | Total Govern-ment and RBI - Resident | Financial Institu-tions-Resident | Financial Institu-tions-Non Resident | Other Corpo-rates-Resident | Other Corpo-rates-Non Resident | Total Indivi-dual-Resident | Total Indivi-dual - Non Resident | Total - Resident | Total - Non Resident |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| | **Nationalised Banks** | | | | | | | | | |
| 1. | Allahabad Bank | 55.2 | 15.6 | 13.0 | 4.0 | - | 12.1 | 0.1 | 86.9 | 13.1 |
| 2. | Andhra Bank | 51.6 | 18.7 | 12.9 | 3.1 | - | 13.6 | 0.2 | 86.9 | 13.1 |
| 3. | Bank of Baroda | 53.8 | 18.2 | 16.5 | 4.9 | - | 6.1 | 0.6 | 82.9 | 17.1 |
| 4. | Bank of India | 64.5 | 12.3 | 15.1 | 1.5 | - | 6.2 | 0.5 | 84.5 | 15.6 |
| 5. | Bank of Maharashtra | 76.8 | 9.4 | 2.0 | 1.4 | - | 10.2 | 0.2 | 97.8 | 2.2 |
| 6. | Canara Bank | 73.2 | 9.7 | 11.6 | 0.6 | - | 5.0 | 0.1 | 88.3 | 11.7 |
| 7. | Central Bank of India | 80.2 | 9.1 | 5.2 | 0.7 | - | 4.8 | 0.1 | 94.8 | 5.2 |
| 8. | Corporation Bank | 57.2 | 33.7 | 4.2 | 2.0 | - | 2.7 | 0.2 | 95.6 | 4.5 |
| 9. | Dena Bank | 51.2 | 8.0 | - | 5.0 | - | 19.8 | 16.1 | 83.9 | 16.1 |
| 10. | IDBI Bank Ltd. | 52.7 | 20.2 | - | 4.0 | 7.3 | 15.1 | 0.7 | 92.0 | 8.0 |
| 11. | Indian Bank | 80.0 | 3.3 | 12.8 | 0.9 | - | 3.0 | 0.1 | 87.1 | 12.9 |
| 12. | Indian Overseas Bank | 61.2 | 13.5 | 8.5 | 2.1 | - | 13.9 | 0.8 | 90.7 | 9.3 |
| 13. | Oriental Bank of Commerce | 51.1 | 26.2 | 15.0 | 1.9 | - | 5.7 | 0.2 | 84.8 | 15.2 |
| 14. | Punjab & Sind Bank | 100.0 | - | - | - | - | - | - | 100.0 | - |
| 15. | Punjab National Bank | 57.8 | 18.3 | 19.1 | 0.8 | - | 4.0 | - | 80.9 | 19.1 |
| 16. | Syndicate Bank | 66.5 | 11.9 | 4.1 | 5.2 | - | 12.3 | - | 95.9 | 4.1 |
| 17. | UCO Bank | 63.6 | 10.7 | 2.7 | 3.9 | - | 18.8 | 0.4 | 96.9 | 3.1 |
| 18. | Union Bank of India | 55.4 | 12.7 | 17.4 | 4.6 | - | 9.8 | - | 82.5 | 17.5 |
| 19. | United Bank of India | 84.2 | 7.0 | 1.2 | 3.1 | - | 4.5 | - | 98.8 | 1.2 |
| 20. | Vijaya Bank | 53.9 | 14.0 | 4.5 | 3.8 | - | 23.2 | 0.7 | 94.9 | 5.2 |
| | **State Bank Group** | | | | | | | | | |
| 21. | State Bank of Bikaner & Jaipur | - | 77.4 | - | 4.1 | 5.2 | 13.1 | 0.2 | 94.6 | 5.4 |
| 22. | State Bank of Hyderabad | - | 100.0 | - | - | - | - | - | 100.0 | - |
| 23. | State Bank of India | 59.4 | 17.3 | 13.7 | 3.4 | - | 6.1 | 0.1 | 86.2 | 13.8 |
| 24. | State Bank of Indore | - | 98.1 | - | 0.7 | - | 1.2 | - | 100.0 | - |
| 25. | State Bank of Mysore | - | 94.1 | - | 0.4 | - | 5.4 | - | 100.0 | - |
| 26. | State Bank of Patiala | - | 100.0 | - | - | - | - | - | 100.0 | - |
| 27. | State Bank of Travancore | 1.1 | 76.2 | 2.8 | 3.2 | - | 13.4 | 3.3 | 93.9 | 6.1 |

## Appendix Table IV.8: Shareholding Pattern of Scheduled Commercial Banks *(Concluded)*
(As at end-March 2010)

(Per cent)

| Sr. No. | Name of the Bank | Total Government and RBI - Resident | Financial Institutions-Resident | Financial Institutions-Non Resident | Other Corporates-Resident | Other Corporates-Non Resident | Total Individual-Resident | Total Individual - Non Resident | Total - Resident | Total - Non Resident |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| | **Old Private Sector Banks** | | | | | | | | | |
| 1. | Bank of Rajasthan Ltd. | - | 3.4 | 2.3 | 75.0 | - | 18.9 | 0.4 | 97.2 | 2.8 |
| 2. | Catholic Syrian Bank Ltd. | - | - | - | 12.1 | 12.4 | 49.9 | 25.6 | 62.0 | 38.0 |
| 3. | City Union Bank Ltd. | - | 8.3 | 12.0 | 18.3 | 8.6 | 52.2 | 0.5 | 78.9 | 21.1 |
| 4. | Dhanalakshmi Bank Ltd. | - | 1.6 | 24.9 | 23.0 | - | 44.8 | 5.8 | 69.4 | 30.6 |
| 5. | Federal Bank Ltd. | - | 24.6 | 35.1 | 12.1 | 5.0 | 19.7 | 3.5 | 56.5 | 43.5 |
| 6. | ING Vysya Bank Ltd. | - | 14.8 | 19.4 | 5.9 | 43.7 | 12.0 | 4.2 | 32.7 | 67.3 |
| 7. | Jammu & Kashmir Bank Ltd. | 53.2 | 3.0 | 29.3 | 2.2 | - | 11.7 | 0.6 | 70.1 | 29.9 |
| 8. | Karnataka Bank Ltd. | - | 34.9 | - | 17.9 | - | 46.8 | 0.4 | 99.6 | 0.4 |
| 9. | Karur Vysya Bank Ltd. | - | 4.3 | 22.4 | 16.7 | - | 54.8 | 1.8 | 75.8 | 24.2 |
| 10. | Lakshmi Vilas Bank Ltd. | - | 15.0 | - | 20.8 | 2.8 | 60.8 | 0.6 | 96.6 | 3.4 |
| 11. | Nainital Bank Ltd. | - | 98.4 | - | - | - | 1.6 | - | 100.0 | - |
| 12. | Ratnakar Bank Ltd. | - | 2.1 | - | 15.4 | 19.9 | 55.2 | 7.4 | 72.7 | 27.3 |
| 13. | SBI Commercial & International Bank Ltd | - | 100.0 | - | - | - | - | - | 100.0 | - |
| 14. | South Indian Bank Ltd. | - | 13.6 | 36.8 | 14.4 | - | 32.2 | 3.1 | 60.1 | 39.9 |
| 15. | Tamilnad Mercantile Bank Ltd. | - | - | - | 9.7 | 16.5 | 73.7 | 0.2 | 83.4 | 16.6 |
| | **New Private Sector Banks** | | | | | | | | | |
| 16. | Axis Bank Ltd. | - | 45.6 | 41.5 | 7.9 | 0.4 | 4.4 | 0.1 | 58.0 | 42.1 |
| 17. | Development Credit Bank Ltd | - | 8.1 | - | 19.6 | 32.4 | 38.7 | 1.2 | 66.4 | 33.6 |
| 18. | HDFC Bank Ltd. | - | 12.0 | - | 32.8 | 45.1 | 9.6 | 0.5 | 54.5 | 45.6 |
| 19. | ICICI Bank Ltd. | - | 20.6 | 65.9 | 7.1 | - | 6.0 | 0.5 | 33.7 | 66.3 |
| 20. | IndusInd Bank Ltd. | - | 6.9 | 43.6 | 11.3 | 22.6 | 13.3 | 2.3 | 31.5 | 68.5 |
| 21. | Kotak Mahindra Bank Ltd. | - | 4.6 | 28.6 | 7.3 | 0.6 | 58.3 | 0.6 | 70.2 | 29.8 |
| 22. | Yes Bank Ltd | - | 4.1 | 45.8 | 13.2 | 11.8 | 24.6 | 0.5 | 42.0 | 58.1 |

- : Nil/Negligible.

**Source:** Off-site Returns (unaudited and provisional).

## Appendix Table IV.9 : Computerisation in Public Sector Banks
(As at end-March 2010)

(Per cent)

| Sr. No. | Name of the Bank | Branches under Core Banking Solutions | Branches Fully Computerised# | Fully Computerised Branches (2+3) | Branches Partially Computerised |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| | **Public Sector Banks** | **90.0** | **7.7** | **97.8** | **2.2** |
| | **Nationalised Bank** | **85.9** | **10.9** | **96.9** | **3.1** |
| 1. | Allahabad Bank | 39.9 | 59.9 | 99.8 | 0.2 |
| 2. | Andhra Bank | 100.0 | - | 100.0 | - |
| 3. | Bank of Baroda | 100.0 | - | 100.0 | - |
| 4. | Bank of India | 100.0 | - | 100.0 | - |
| 5. | Bank of Maharashtra | 100.0 | - | 100.0 | - |
| 6. | Canara Bank | 59.4 | 40.6 | 100.0 | - |
| 7. | Central Bank of India | 34.2 | 51.6 | 85.7 | 14.3 |
| 8. | Corporation Bank | 100.0 | - | 100.0 | - |
| 9. | Dena Bank | 100.0 | - | 100.0 | - |
| 10. | Indian Bank | 100.0 | - | 100.0 | - |
| 11. | Indian Overseas Bank | 100.0 | - | 100.0 | - |
| 12. | Oriental Bank of Commerce | 100.0 | - | 100.0 | - |
| 13. | Punjab National Bank | 100.0 | 100.0 | 100.0 | - |
| 14. | Punjab and Sind Bank | - | 13.3 | 13.3 | 86.7 |
| 15. | Syndicate Bank | 100.0 | - | 100.0 | - |
| 16. | UCO Bank | 100.0 | - | 100.0 | - |
| 17. | Union Bank of India | 100.0 | - | 100.0 | - |
| 18. | United Bank of India | 100.0 | - | 100.0 | - |
| 19. | Vijaya Bank | 100.0 | - | 100.0 | - |
| | **State Bank Group** | **100.0** | **-** | **100.0** | **-** |
| 20. | State Bank of India | 100.0 | - | 100.0 | - |
| 21. | State Bank of Bikaner and Jaipur | 100.0 | - | 100.0 | - |
| 22. | State Bank of Hyderabad | 100.0 | - | 100.0 | - |
| 23. | State Bank of Indore | 100.0 | - | 100.0 | - |
| 24. | State Bank of Mysore | 100.0 | - | 100.0 | - |
| 25. | State Bank of Patiala | 100.0 | - | 100.0 | - |
| 26. | State Bank of Travancore | 100.0 | - | 100.0 | - |

- : Nil/Negligible.

#: Other than branches under Core Banking Solutions.

**Note** : Data for IDBI Bank Ltd. is not available.

**Source :** Data furnished by respective banks.

## Appendix Table IV.10: Expenditure Incurred on Computerisation and Development of Communication Networks by Public Sector Banks

(₹ crore)

| Sr. No. | Name of the Bank | Expenditure incurred during half year ended March 2010 | Expenditure incurred between Sept 1999 and March 2010 |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| | **Public Sector Banks** | **1,370** | **19,888** |
| | **Nationalised Banks** | **800** | **13,122** |
| 1. | Allahabad Bank | 18 | 265 * |
| 2. | Andhra Bank | 12 | 863 |
| 3. | Bank of Baroda | 118 | 1,565 |
| 4. | Bank of India | 15 | 1,497 |
| 5. | Bank of Maharashtra | 42 | 394 |
| 6. | Canara Bank | 102 | 1,151 |
| 7. | Central Bank of India | 3 | 473 * |
| 8. | Corporation Bank | 11 | 491 |
| 9. | Dena Bank | 5 | 193 |
| 10. | Indian Bank | 60 | 633 |
| 11. | Indian Overseas Bank | 50 | 508 |
| 12. | Oriental Bank of Commerce | 44 | 528 |
| 13. | Punjab and Sind Bank | 3 | 76 |
| 14. | Punjab National Bank | 90 | 1,535 |
| 15. | Syndicate Bank | 10 | 523 |
| 16. | UCO Bank | 44 | 630 |
| 17. | Union Bank of India | 34 | 823 |
| 18. | United Bank of India | 65 | 476 |
| 19. | Vijaya Bank | 74 | 500 |
| | **State Bank Group** | **571** | **6,766** |
| 20. | State Bank of India | 429 | 5,037 |
| 21. | State Bank of Bikaner and Jaipur | 62 | 500 |
| 22. | State Bank of Hyderabad | 19 | 314 * |
| 23. | State Bank of Indore | 9 | 163 |
| 24. | State Bank of Mysore | 20 | 220 $ |
| 25. | State Bank of Patiala | 5 | 259 $ |
| 26. | State Bank of Travancore | 26 | 274 |

* As of March, 2009

$ As of September 30 , 2009

**Note** : Data for IDBI Bank Ltd. is not available.

**Source :** Data furnished by respective banks.

## Appendix Table IV.11: Branches and ATMs of Scheduled Commercial Banks *(Continued)*

(As at end-March 2010)

| Sr. No. | Name of the Bank | Branches | | | | | ATMs | | | Per cent of Off-site to total ATMs | Per cent of ATMs to Branches |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Rural | Semi-urban | Urban | Metro-politan | Total | On-site | Off-site | Total | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | **Scheduled Commercial Banks** | **20,773** | **17,638** | **16,007** | **14,742** | **69,160** | **32,679** | **27,474** | **60,153** | **45.7** | **87.0** |
| | **Public Sector Banks** | **19,567** | **14,595** | **12,920** | **11,743** | **58,825** | **23,797** | **16,883** | **40,680** | **41.5** | **69.2** |
| | **Nationalised Banks** | **13,652** | **9,376** | **9,607** | **8,961** | **41,596** | **12,655** | **7,047** | **19,702** | **35.8** | **47.4** |
| 1. | Allahabad Bank | 956 | 403 | 469 | 403 | 2,231 | 126 | 85 | 211 | 40.3 | 9.5 |
| 2. | Andhra Bank | 399 | 408 | 429 | 313 | 1,549 | 370 | 489 | 859 | 56.9 | 55.5 |
| 3. | Bank of Baroda | 1,126 | 724 | 574 | 664 | 3,088 | 494 | 821 | 1,315 | 62.4 | 42.6 |
| 4. | Bank of India | 1,236 | 634 | 566 | 588 | 3,024 | 500 | 320 | 820 | 39.0 | 27.1 |
| 5. | Bank of Maharashtra | 523 | 266 | 280 | 366 | 1,435 | 259 | 86 | 345 | 24.9 | 24.0 |
| 6. | Canara Bank | 758 | 786 | 747 | 754 | 3,045 | 1,270 | 745 | 2,015 | 37.0 | 66.2 |
| 7. | Central Bank of India | 1,361 | 910 | 690 | 624 | 3,585 | 304 | 98 | 402 | 24.4 | 11.2 |
| 8. | Corporation Bank | 190 | 236 | 320 | 333 | 1,079 | 585 | 494 | 1,079 | 45.8 | 100.0 |
| 9. | Dena Bank | 358 | 233 | 231 | 301 | 1,123 | 297 | 99 | 396 | 25.0 | 35.3 |
| 10. | Indian Bank | 487 | 435 | 435 | 346 | 1,703 | 716 | 289 | 1,005 | 28.8 | 59.0 |
| 11. | Indian Overseas Bank | 549 | 479 | 514 | 473 | 2,015 | 590 | 181 | 771 | 23.5 | 38.3 |
| 12. | Oriental Bank of Commerce | 296 | 346 | 478 | 390 | 1,510 | 704 | 276 | 980 | 28.2 | 64.9 |
| 13. | Punjab and Sind Bank | 283 | 127 | 228 | 226 | 864 | 59 | - | 59 | - | 6.8 |
| 14. | Punjab National Bank | 1,947 | 1,005 | 968 | 793 | 4,713 | 2,404 | 1,140 | 3,544 | 32.2 | 75.2 |
| 15. | Syndicate Bank | 657 | 565 | 583 | 521 | 2,326 | 992 | 195 | 1,187 | 16.4 | 51.0 |
| 16. | UCO Bank | 779 | 420 | 468 | 438 | 2,105 | 330 | 148 | 478 | 31.0 | 22.7 |
| 17. | Union Bank of India | 796 | 743 | 672 | 621 | 2,832 | 1,548 | 778 | 2,326 | 33.4 | 82.1 |
| 18. | United Bank of India | 625 | 271 | 339 | 289 | 1,524 | 192 | 82 | 274 | 29.9 | 18.0 |
| 19. | Vijaya Bank | 258 | 244 | 351 | 301 | 1,154 | 348 | 87 | 435 | 20.0 | 37.7 |
| 20. | IDBI Bank Ltd. | 68 | 141 | 265 | 217 | 691 | 567 | 634 | 1,201 | 52.8 | 173.8 |
| | **State Bank Group** | **5,915** | **5,219** | **3,313** | **2,782** | **17,229** | **11,142** | **9,836** | **20,978** | **46.9** | **121.8** |
| 21. | State Bank of India | 4,678 | 3,636 | 2,236 | 1,887 | 12,437 | 7,913 | 8,381 | 16,294 | 51.4 | 131.0 |
| 22. | State Bank of Bikaner and Jaipur | 299 | 241 | 157 | 169 | 866 | 571 | 379 | 950 | 39.9 | 109.7 |
| 23. | State Bank of Hyderabad | 284 | 355 | 282 | 204 | 1,125 | 823 | 243 | 1,066 | 22.8 | 94.8 |
| 24. | State Bank of Indore | 120 | 140 | 89 | 122 | 471 | 308 | 299 | 607 | 49.3 | 128.9 |
| 25. | State Bank of Mysore | 211 | 140 | 149 | 187 | 687 | 474 | 134 | 608 | 22.0 | 88.5 |
| 26. | State Bank of Patiala | 274 | 239 | 237 | 140 | 890 | 548 | 179 | 727 | 24.6 | 81.7 |
| 27. | State Bank of Travancore | 49 | 468 | 163 | 73 | 753 | 505 | 221 | 726 | 30.4 | 96.4 |

## Appendix Table IV.11: Branches and ATMs of Scheduled Commercial Banks *(Continued)*
(As at end-March 2010)

| Sr. No. | Name of the Bank | Branches | | | | | ATMs | | | Per cent of Off-site to total ATMs | Per cent of ATMs to Branches |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Rural | Semi-urban | Urban | Metro-politan | Total | On-site | Off-site | Total | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | **Private Sector Banks** | **1,201** | **3,037** | **3,027** | **2,762** | **10,027** | **8,603** | **9,844** | **18,447** | **53.4** | **184.0** |
| | **Old Private Sector Banks** | **861** | **1,626** | **1,435** | **1,030** | **4,952** | **2,266** | **1,124** | **3,390** | **33.2** | **68.5** |
| 1. | Bank of Rajasthan Ltd. | 99 | 92 | 142 | 125 | 458 | 101 | 26 | 127 | 20.5 | 27.7 |
| 2. | Catholic Syrian Bank Ltd. | 18 | 193 | 100 | 49 | 360 | 95 | 52 | 147 | 35.4 | 40.8 |
| 3. | City Union Bank Ltd. | 38 | 63 | 78 | 45 | 224 | 142 | 10 | 152 | 6.6 | 67.9 |
| 4. | Dhanalakshmi Bank Ltd. | 26 | 92 | 70 | 55 | 243 | 128 | 152 | 280 | 54.3 | 115.2 |
| 5. | Federal Bank Ltd. | 47 | 340 | 172 | 111 | 670 | 413 | 319 | 732 | 43.6 | 109.3 |
| 6. | ING Vysya Bank | 83 | 83 | 154 | 154 | 474 | 180 | 177 | 357 | 49.6 | 75.3 |
| 7. | Jammu and Kashmir Bank Ltd. | 220 | 83 | 124 | 64 | 491 | 200 | 92 | 292 | 31.5 | 59.5 |
| 8. | Karnataka Bank Ltd. | 88 | 95 | 148 | 138 | 469 | 170 | 47 | 217 | 21.7 | 46.3 |
| 9. | Karur Vysya Bank Ltd. | 34 | 106 | 120 | 75 | 335 | 307 | 69 | 376 | 18.4 | 112.2 |
| 10. | Lakshmi Vilas Bank Ltd. | 39 | 95 | 85 | 46 | 265 | 129 | 46 | 175 | 26.3 | 66.0 |
| 11. | Nainital Bank Ltd. | 25 | 29 | 25 | 22 | 101 | - | - | - | - | - |
| 12. | Ratnakar Bank Ltd. | 24 | 26 | 18 | 19 | 87 | 19 | - | 19 | - | 21.8 |
| 13. | SBI Commercial and International Bank Ltd. | - | - | - | 2 | 2 | 2 | - | 2 | - | 100.0 |
| 14. | South Indian Bank Ltd. | 69 | 250 | 145 | 92 | 556 | 288 | 85 | 373 | 22.8 | 67.1 |
| 15. | Tamilnad Mercantile Bank Ltd. | 51 | 79 | 54 | 33 | 217 | 92 | 49 | 141 | 34.8 | 65.0 |
| | **New Private Sector Banks** | **340** | **1,411** | **1,592** | **1,732** | **5,075** | **6,337** | **8,720** | **15,057** | **57.9** | **296.7** |
| 16. | Axis Bank Ltd. | 44 | 252 | 378 | 292 | 966 | 1,245 | 3,048 | 4,293 | 71.0 | 444.4 |
| 17. | Development Credit Bank Ltd. | 4 | 13 | 13 | 52 | 82 | 76 | 34 | 110 | 30.9 | 134.1 |
| 18. | HDFC Bank Ltd. | 95 | 456 | 520 | 644 | 1,715 | 2,311 | 1,924 | 4,235 | 45.4 | 246.9 |
| 19. | ICICI Bank Ltd. | 151 | 566 | 481 | 500 | 1,698 | 2,149 | 3,070 | 5,219 | 58.8 | 307.4 |
| 20. | IndusInd Bank Ltd. | 10 | 43 | 96 | 64 | 213 | 199 | 298 | 497 | 60.0 | 233.3 |
| 21. | Kotak Mahindra Ltd. | 16 | 44 | 58 | 132 | 250 | 240 | 252 | 492 | 51.2 | 196.8 |
| 22. | Yes Bank Ltd. | 20 | 37 | 46 | 48 | 151 | 117 | 94 | 211 | 44.5 | 139.7 |

## Appendix Table IV.11: Branches and ATMs of Scheduled Commercial Banks *(Concluded)*

(As at end-March 2010)

| Sr. No. | Name of the Bank | Branches | | | | | ATMs | | | Per cent of Off-site to total ATMs | Per cent of ATMs to Branches |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Rural | Semi-urban | Urban | Metro-politan | Total | On-site | Off-site | Total | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | **Foreign Banks** | **5** | **6** | **60** | **237** | **308** | **279** | **747** | **1,026** | 72.8 | 333.1 |
| 1. | AB Bank Ltd. | - | - | - | 1 | 1 | - | - | - | - | - |
| 2. | Abu Dhabi Commercial Bank Ltd. | - | - | - | 2 | 2 | - | - | - | - | - |
| 3. | American Express Banking Corp. | - | - | - | 1 | 1 | - | - | - | - | - |
| 4. | Antwerp Bank Ltd. | - | - | - | 1 | 1 | - | - | - | - | - |
| 5. | Bank Internasional Indonesia | - | - | - | 1 | 1 | - | - | - | - | - |
| 6. | Bank of America NA | - | - | - | 5 | 5 | - | - | - | - | - |
| 7. | Bank of Bahrain and Kuwait B.S.C. | - | - | - | 2 | 2 | - | - | - | - | - |
| 8. | Bank of Ceylon | - | - | - | 1 | 1 | - | - | - | - | - |
| 9. | Bank of Nova Scotia | - | - | 1 | 4 | 5 | - | - | - | - | - |
| 10. | Bank of Tokyo-Mitsubishi UFJ Ltd. | - | - | - | 3 | 3 | - | - | - | - | - |
| 11. | Barclays Bank PLC | - | 1 | 3 | 3 | 7 | 7 | 10 | 17 | 58.8 | 242.9 |
| 12. | BNP Paribas | - | - | - | 9 | 9 | - | - | - | - | - |
| 13. | Calyon Bank | - | - | - | 6 | 6 | - | - | - | - | - |
| 14. | Chinatrust Commercial Bank | - | - | - | 1 | 1 | - | - | - | - | - |
| 15. | Citibank N.A. | - | 2 | 12 | 29 | 43 | 56 | 401 | 457 | 87.7 | 1062.8 |
| 16. | CommonWealth Bank of Australia | - | - | - | 1 | 1 | - | - | - | - | - |
| 17. | DBS Bank Ltd. | 2 | 2 | - | 6 | 10 | - | - | - | - | - |
| 18. | Deutsche Bank AG | - | - | 6 | 7 | 13 | 12 | 18 | 30 | 60.0 | 230.8 |
| 19. | First Rand Bank Ltd. | - | - | - | 1 | 1 | - | - | - | - | - |
| 20. | HSBC Ltd. | 1 | 1 | 10 | 38 | 50 | 73 | 82 | 155 | 52.9 | 310.0 |
| 21. | JPMorgan Chase Bank | - | - | - | 1 | 1 | - | - | - | - | - |
| 22. | JSC VTB Bank Ltd. | - | - | - | 1 | 1 | - | - | - | - | - |
| 23. | Krung Thai Bank Public Co. Ltd. | - | - | - | 1 | 1 | - | - | - | - | - |
| 24. | Mashreqbank psc | - | - | - | 2 | 2 | - | - | - | - | - |
| 25. | Mizuho Corporate Bank Ltd. | - | - | - | 2 | 2 | - | - | - | - | - |
| 26. | Oman International Bank S.A.O.G. | - | - | 1 | 1 | 2 | 1 | 0 | 1 | 0.0 | 50.0 |
| 27. | Shinhan Bank | - | - | - | 2 | 2 | - | - | - | - | - |
| 28. | Societe Generale | - | - | - | 2 | 2 | - | - | - | - | - |
| 29. | Sonali Bank | - | - | 1 | 1 | 2 | - | - | - | - | - |
| 30. | Standard Chartered Bank | - | - | 16 | 78 | 94 | 94 | 149 | 243 | 61.3 | 258.5 |
| 31. | State Bank of Mauritius Ltd. | - | - | - | 3 | 3 | - | - | - | - | - |
| 32. | The Royal Bank of Scotland | 2 | - | 10 | 19 | 31 | 36 | 87 | 123 | 70.7 | 396.8 |
| 33. | UBS AG | - | - | - | 1 | 1 | - | - | - | - | - |
| 34. | United Overseas Bank Ltd. | - | - | - | 1 | 1 | - | - | - | - | - |

**Note** – : Nil/Negligible.
**Source :** Master office file (latest updated version) on commercial banks.

# Appendix Table IV.12: Statement of Complaints Received at Banking Ombudsman Office *(Continued)*

(For the period 2009-10)

| Sr. No. | Name of the bank | Total No. of complaints received | Number of complaints other than credit / debit card complaints/ 1000 accounts* | Number of credit / debit card complaints/ 1000 credit / debit card accounts@ | Number of complaints per Branch # | Category-wise break up complaints: Deposit Account | Remitt-ances | Credit/ debit/ ATM Cards | Loans/ Adva-nces General & Housing | Charges without Prior Notice | Pension | Failure on Commit-ments Made | Direct Selling Agents/ Reco-very Agents | Notes and Coins | Others | Out of Subject |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| | **Scheduled Commercial Banks** | **75927** | **0.09** | **0.09** | **1.10** | **3565** | **5499** | **18533** | **6156** | **4677** | **4709** | **10910** | **1554** | **153** | **18228** | **1943** |
| | **Public Sector Banks** | **41924** | **0.06** | **0.07** | **0.71** | **1946** | **3358** | **9550** | **4109** | **1939** | **4577** | **6407** | **657** | **92** | **7838** | **1451** |
| | **Nationalised Banks** | **19092** | **0.04** | **0.05** | **0.46** | **988** | **1639** | **3250** | **2322** | **1027** | **1294** | **3582** | **351** | **48** | **3747** | **844** |
| 1. | Allahabad Bank | 797 | 0.03 | 0.09 | 0.36 | 41 | 95 | 63 | 108 | 38 | 53 | 114 | 8 | 2 | 203 | 72 |
| 2. | Andhra Bank | 822 | 0.03 | 0.06 | 0.53 | 54 | 54 | 238 | 74 | 33 | 98 | 180 | 10 | 1 | 76 | 4 |
| 3. | Bank of Baroda | 1782 | 0.05 | 0.05 | 0.58 | 82 | 171 | 236 | 200 | 137 | 125 | 254 | 29 | 5 | 431 | 112 |
| 4. | Bank of India | 1452 | 0.04 | 0.06 | 0.48 | 75 | 116 | 309 | 114 | 37 | 105 | 308 | 21 | 6 | 317 | 44 |
| 5. | Bank of Maharashtra | 296 | 0.02 | 0.01 | 0.21 | 17 | 42 | 18 | 28 | 14 | 14 | 43 | 9 | 0 | 95 | 16 |
| 6. | Canara Bank | 2153 | 0.05 | 0.11 | 0.71 | 105 | 171 | 575 | 272 | 54 | 124 | 471 | 46 | 5 | 285 | 45 |
| 7. | Central Bank of India | 1272 | 0.04 | 0.12 | 0.35 | 63 | 111 | 142 | 171 | 47 | 126 | 272 | 16 | 4 | 255 | 65 |
| 8. | Corporation Bank | 441 | 0.04 | 0.02 | 0.41 | 21 | 36 | 87 | 46 | 48 | 4 | 67 | 12 | 0 | 111 | 9 |
| 9. | Dena Bank | 502 | 0.05 | 0.03 | 0.45 | 12 | 22 | 26 | 75 | 56 | 55 | 44 | 10 | 0 | 181 | 21 |
| 10. | Indian Bank | 758 | 0.03 | 0.02 | 0.45 | 42 | 36 | 76 | 210 | 24 | 60 | 150 | 18 | 0 | 102 | 40 |
| 11. | Indian Overseas Bank | 833 | 0.04 | 0.06 | 0.41 | 51 | 47 | 127 | 183 | 13 | 52 | 196 | 17 | 2 | 106 | 39 |
| 12. | Oriental Bank of Commerce | 638 | 0.05 | 0.06 | 0.42 | 38 | 74 | 122 | 57 | 41 | 10 | 126 | 15 | 0 | 120 | 35 |
| 13. | Punjab and Sind Bank | 215 | 0.03 | 0.10 | 0.25 | 17 | 15 | 3 | 28 | 10 | 16 | 58 | 4 | 0 | 48 | 16 |
| 14. | Punjab National Bank | 2800 | 0.05 | 0.06 | 0.59 | 139 | 303 | 620 | 276 | 134 | 239 | 452 | 37 | 9 | 472 | 119 |
| 15. | Syndicate Bank | 933 | 0.03 | 0.04 | 0.40 | 37 | 66 | 161 | 110 | 47 | 57 | 213 | 20 | 2 | 175 | 45 |
| 16. | UCO Bank | 811 | 0.05 | 0.09 | 0.39 | 43 | 67 | 66 | 98 | 84 | 47 | 159 | 17 | 2 | 183 | 45 |
| 17. | Union Bank of India | 1237 | 0.04 | 0.05 | 0.44 | 65 | 117 | 240 | 161 | 58 | 70 | 185 | 22 | 4 | 246 | 69 |
| 18. | United Bank of India | 309 | 0.02 | 0.02 | 0.20 | 22 | 30 | 21 | 20 | 9 | 25 | 86 | 6 | 2 | 77 | 11 |
| 19. | Vijaya Bank | 322 | 0.04 | 0.05 | 0.28 | 19 | 18 | 67 | 26 | 12 | 9 | 67 | 9 | 0 | 75 | 20 |
| 20. | IDBI Bank Limited | 719 | 0.19 | 0.02 | 1.04 | 45 | 48 | 53 | 65 | 131 | 5 | 137 | 25 | 4 | 189 | 17 |
| | **State Bank Group** | **22832** | **0.09** | **0.08** | **1.33** | **958** | **1719** | **6300** | **1787** | **912** | **3283** | **2825** | **306** | **44** | **4091** | **607** |
| 21. | State Bank of India | 18939 | 0.11 | 0.08 | 1.52 | 798 | 1386 | 5219 | 1295 | 663 | 2939 | 2339 | 242 | 38 | 3500 | 520 |
| 22. | State Bank of Bikaner and Jaipur | 1328 | 0.11 | 0.11 | 1.53 | 35 | 141 | 334 | 222 | 107 | 132 | 92 | 26 | 4 | 214 | 21 |
| 23. | State Bank of Hyderabad | 696 | 0.03 | 0.09 | 0.62 | 25 | 49 | 345 | 47 | 21 | 55 | 90 | 7 | 0 | 57 | 0 |
| 24. | State Bank of Indore | 473 | 0.11 | 0.03 | 1.00 | 30 | 48 | 43 | 34 | 31 | 52 | 73 | 7 | 1 | 146 | 8 |
| 25. | State Bank of Mysore | 350 | 0.04 | 0.08 | 0.51 | 13 | 27 | 131 | 30 | 6 | 46 | 18 | 0 | 0 | 60 | 19 |
| 26. | State Bank of Patiala | 468 | 0.05 | 0.05 | 0.53 | 24 | 43 | 101 | 44 | 29 | 35 | 96 | 12 | 0 | 51 | 33 |
| 27. | State Bank of Travancore | 578 | 0.07 | 0.03 | 0.77 | 33 | 25 | 127 | 115 | 55 | 24 | 117 | 12 | 1 | 63 | 6 |

## Appendix Table IV.12: Statement of Complaints Received at Banking Ombudsman Office *(Continued)*

(For the period 2009-10)

| Sr. No. | Name of the bank | Total No. of complaints received | Number of complaints other than credit / debit card complaints/ 1000 accounts* | Number of credit / debit card complaints/ 1000 credit / debit card accounts@ | Number of complaints per Branch # | Category-wise break up complaints: Deposit Account | Remitt-ances | Credit/ debit/ ATM Cards | Loans/ Adva-nces General & Housing | Charges without Prior Notice | Pension | Failure on Commit-ments Made | Direct Selling Agents/ Reco-very Agents | Notes and Coins | Others | Out of Subject |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| | **Private Sector Banks** | **22553** | **0.18** | **0.08** | **2.25** | **1165** | **1873** | **4725** | **1652** | **2009** | **67** | **3369** | **669** | **41** | **6582** | **401** |
| | **Old Private Sector Banks** | **1394** | **0.04** | **0.01** | **0.28** | **68** | **76** | **126** | **319** | **130** | **2** | **286** | **59** | **4** | **289** | **35** |
| 1. | Bank of Rajasthan Ltd. | 200 | 0.06 | 0.06 | 0.44 | 3 | 22 | 22 | 24 | 39 | 1 | 24 | 7 | 2 | 52 | 4 |
| 2. | Catholic Syrian Bank Ltd. | 72 | 0.03 | 0.01 | 0.20 | 3 | 0 | 3 | 31 | 11 | 0 | 9 | 2 | 0 | 12 | 1 |
| 3. | City Union Bank Ltd. | 40 | 0.03 | 0.02 | 0.18 | 1 | 3 | 5 | 8 | 0 | 0 | 17 | 2 | 0 | 4 | 0 |
| 4. | Dhanalakshmi Bank Ltd. | 44 | 0.03 | 0.01 | 0.18 | 2 | 0 | 5 | 14 | 1 | 0 | 12 | 1 | 0 | 8 | 1 |
| 5. | Federal Bank Ltd. | 194 | 0.04 | 0.00 | 0.29 | 6 | 0 | 8 | 68 | 20 | 0 | 42 | 10 | 0 | 31 | 9 |
| 6. | ING Vysya Bank Ltd. | 323 | 0.11 | 0.03 | 0.68 | 24 | 22 | 31 | 29 | 33 | 1 | 54 | 15 | 0 | 107 | 7 |
| 7. | Jammu and Kashmir Bank Ltd. | 38 | 0.01 | 0.01 | 0.08 | 6 | 7 | 8 | 0 | 4 | 0 | 4 | 1 | 0 | 6 | 2 |
| 8. | Karnataka Bank Ltd. | 66 | 0.01 | 0.01 | 0.14 | 5 | 3 | 13 | 5 | 2 | 0 | 14 | 1 | 2 | 19 | 2 |
| 9. | Karur Vysya Bank Ltd. | 132 | 0.04 | 0.01 | 0.39 | 3 | 8 | 12 | 41 | 9 | 0 | 44 | 4 | 0 | 9 | 2 |
| 10. | Laxmi Vilas Bank Ltd. | 50 | 0.03 | 0.01 | 0.19 | 2 | 1 | 3 | 17 | 1 | 0 | 15 | 4 | 0 | 7 | 0 |
| 11. | Nainital Bank Ltd. | 9 | 0.02 | 0.00 | 0.09 | 0 | 1 | 0 | 1 | 0 | 0 | 3 | 0 | 0 | 1 | 3 |
| 12. | Ratnakar Bank Ltd. | 2 | 0.005 | 0.000 | 0.02 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 0 |
| 13. | SBI Commercial and International Bank Ltd. | 1 | 0.08 | 0.00 | 0.50 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| 14. | South Indian Bank Ltd. | 123 | 0.04 | 0.01 | 0.22 | 8 | 6 | 12 | 48 | 5 | 0 | 21 | 3 | 0 | 20 | 0 |
| 15. | Tamilnad Mercantile Bank Ltd. | 100 | 0.04 | 0.01 | 0.46 | 5 | 3 | 4 | 33 | 5 | 0 | 25 | 9 | 0 | 12 | 4 |
| | **New Private Sector Banks** | **21159** | **0.25** | **0.09** | **4.17** | **1097** | **1797** | **4599** | **1333** | **1879** | **65** | **3083** | **610** | **37** | **6293** | **366** |
| 16. | Axis Bank Ltd. | 2045 | 0.19 | 0.04 | 2.12 | 101 | 107 | 387 | 86 | 395 | 6 | 312 | 30 | 8 | 579 | 34 |
| 17. | Development Credit Bank Ltd. | 84 | 0.11 | 0.00 | 1.02 | 5 | 8 | 8 | 9 | 3 | 0 | 13 | 5 | 0 | 27 | 6 |
| 18. | HDFC Bank Ltd. | 7542 | 0.28 | 0.11 | 4.40 | 384 | 301 | 1716 | 648 | 620 | 33 | 1141 | 166 | 17 | 2354 | 162 |
| 19. | ICICI Bank Ltd. | 10328 | 0.25 | 0.12 | 6.08 | 523 | 1341 | 2371 | 516 | 671 | 24 | 1447 | 381 | 8 | 2897 | 149 |
| 20. | Indus Ind Bank Ltd. | 295 | 0.17 | 0.02 | 1.38 | 26 | 19 | 9 | 26 | 55 | 0 | 68 | 6 | 3 | 79 | 4 |
| 21. | Kotak Mahindra Bank Ltd. | 826 | 0.55 | 0.10 | 3.30 | 54 | 17 | 105 | 47 | 128 | 2 | 97 | 22 | 1 | 342 | 11 |
| 22. | Yes Bank Ltd. | 39 | 0.19 | 0.02 | 0.26 | 4 | 4 | 3 | 1 | 7 | 0 | 5 | 0 | 0 | 15 | 0 |

# Appendix Table IV.12: Statement of Complaints Received at Banking Ombudsman Office *(Concluded)*

(For the period 2009-10)

| Sr. No. | Name of the bank | Total No. of complaints received | Number of complaints other than credit / debit card complaints/ 1000 accounts* | Number of credit / debit card complaints/ 1000 credit / debit card accounts@ | Number of complaints per Branch # | Category-wise break up complaints: Deposit Account | Remitt-ances | Credit/ debit/ ATM Cards | Loans/ Adva-nces General & Housing | Charges without Prior Notice | Pension | Failure on Commit-ments Made | Direct Selling Agents/ Reco-very Agents | Notes and Coins | Others | Out of Subject |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| | **Foreign Banks** | **11450** | **0.51** | **0.40** | **37.79** | **454** | **268** | **4258** | **395** | **729** | **65** | **1134** | **228** | **20** | **3808** | **91** |
| 1. | AB Bank Ltd. | 4 | 4.60 | 0.00 | 4.00 | 1 | 0 | 2 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| 2. | ABN Amro Bank Ltd ** | 2143 | 0.79 | 0.71 | 69.13 | 75 | 46 | 829 | 67 | 140 | 13 | 263 | 41 | 5 | 654 | 10 |
| 3. | Abu Dhabi Commercial Bank Ltd. | 0 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. | American Express Bank Ltd. | 83 | 4.38 | 0.07 | 83.00 | 4 | 1 | 35 | 3 | 2 | 1 | 9 | 0 | 0 | 27 | 1 |
| 5. | Antwerp Bank Ltd. | 0 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. | Bank of America N.A. | 1 | 0.18 | 0.00 | 0.20 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7. | Bank of International Indonesia | 0 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8. | Bank of Bahrain & Kuwait B.S.C. | 1 | 0.06 | 0.00 | 0.50 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| 9. | Bank of Ceylon | 0 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10. | Bank of Nova Scotia | 0 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11. | Bank of Tokyo-Mitsubishi UFJ Ltd. | 0 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12. | Barclays Bank PLC | 1106 | 1.45 | 0.71 | 158.00 | 42 | 30 | 327 | 58 | 46 | 5 | 60 | 18 | 5 | 510 | 5 |
| 13. | BNP Paribas | 1 | 0.02 | 0.00 | 0.11 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14. | Calyon Bank | 1 | 0.21 | 0.00 | 0.17 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| 15. | Chinatrust Commercial Bank | 0 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16. | Citibank N.A. | 2005 | 0.28 | 0.14 | 46.63 | 69 | 53 | 618 | 65 | 60 | 12 | 185 | 47 | 0 | 871 | 25 |
| 17. | DBS Bank Ltd. | 4 | 0.19 | 0.00 | 0.40 | 3 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 18. | Deutsche Bank AG | 444 | 0.63 | 0.34 | 34.15 | 13 | 6 | 121 | 13 | 33 | 3 | 51 | 16 | 1 | 184 | 3 |
| 19. | HSBC Ltd. | 3388 | 0.64 | 0.84 | 67.76 | 146 | 62 | 1469 | 91 | 248 | 23 | 311 | 47 | 6 | 958 | 27 |
| 20. | J P Morgan Chase Bank | 1 | 0.02 | 0.00 | 1.00 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 21. | Krung Thai Bank Public Co. Ltd. | 0 | 0.02 | 0.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 22. | Mashreqbank PSC | 0 | 0.02 | 0.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 23. | Mauritious Bank | 0 | 0.02 | 0.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 24. | Mizuhho Corporate Bank Ltd. | 0 | 0.02 | 0.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 25. | Oman International Bank S.A.O.G. | 0 | 0.02 | 0.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 26. | Shinhan Bank | 0 | 0.02 | 0.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 27. | Societe Generale | 2 | 0.16 | 0.00 | 1.00 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 1 |
| 28. | Sonali Bank | 1 | 0.44 | 0.00 | 0.50 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| 29. | Standard Chartered Bank Ltd. | 2263 | 0.46 | 0.42 | 24.07 | 100 | 67 | 857 | 98 | 200 | 8 | 252 | 59 | 3 | 600 | 19 |
| 30. | State Bank of Mauritius Ltd. | 2 | 0.13 | 0.00 | 0.67 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 |

**Note:**

* The number of accounts as on March 31, 2009.

@ The number of credit/debit card accounts as on June 30, 2010.

\# The number of branches as on March 31, 2010.

** Presently Royal Bank of Scotland.

## Appendix Table IV.13: Credit-Deposit Ratio and Investment plus Credit-Deposit Ratio of Scheduled Commercial Banks - Region/State-wise

(Per cent)

| Sr. No. | Region/State/Union Territory | Credit-Deposit Ratio | | | | | Investment *plus* Credit-Deposit Ratio @ | | | | Investment *plus* Credit *plus* RIDF-Deposit Ratio @ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | March 2008 | | March 2009 | | March 2010 | March 2008 | | March 2009 | | March 2008 | |
| | | As per Sanction | As per Utilisation | As per Sanction | As per Utilisation | As per Sanction | As per Sanction | As per Utilisation | As per Sanction | As per Utilisation | As per Sanction | As per Utilisation |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| | **ALL INDIA** | **74.4** | **74.4** | **72.6** | **72.6** | **72.7** | **79.2** | **79.2** | **78.7** | **78.7** | **80.2** | **80.2** |
| 1 | **NORTHERN REGION** | **67.7** | **70.1** | **68.9** | **71.1** | **74.6** | **71.4** | **73.8** | **73.3** | **75.5** | **72.7** | **75.1** |
| | Haryana | 60.1 | 67.2 | 61.4 | 74.0 | 63.0 | 63.6 | 70.7 | 67.3 | 80.0 | 64.7 | 71.8 |
| | Himachal Pradesh | 43.4 | 51.3 | 38.6 | 47.1 | 41.4 | 62.7 | 70.6 | 60.6 | 69.1 | 65.9 | 73.8 |
| | Jammu & Kashmir | 56.4 | 56.3 | 47.2 | 47.3 | 46.9 | 68.3 | 68.3 | 59.8 | 60.0 | 71.6 | 71.5 |
| | Punjab | 67.2 | 76.1 | 65.7 | 65.5 | 71.1 | 75.4 | 84.3 | 75.0 | 74.8 | 76.6 | 85.6 |
| | Rajasthan | 82.4 | 100.0 | 80.6 | 87.5 | 88.2 | 95.9 | 113.6 | 96.2 | 103.0 | 97.8 | 115.5 |
| | Chandigarh | 96.2 | 95.8 | 115.0 | 119.9 | 131.7 | 96.2 | 95.8 | 115.0 | 119.9 | 96.2 | 95.8 |
| | Delhi | 66.9 | 64.4 | 68.9 | 68.8 | 75.1 | 66.9 | 64.4 | 69.0 | 68.8 | 68.0 | 65.4 |
| 2 | **NORTH-EASTERN REGION** | **40.7** | **48.3** | **36.0** | **39.2** | **34.4** | **50.3** | **58.0** | **46.9** | **50.1** | **52.5** | **60.1** |
| | Arunachal Pradesh | 31.7 | 57.7 | 25.5 | 33.9 | 25.1 | 40.3 | 66.3 | 32.0 | 40.3 | 48.2 | 74.2 |
| | Assam | 42.4 | 49.8 | 38.5 | 41.5 | 37.0 | 50.3 | 57.8 | 48.4 | 51.4 | 51.9 | 59.4 |
| | Manipur | 48.4 | 50.3 | 36.0 | 37.1 | 40.6 | 65.0 | 66.8 | 56.5 | 57.5 | 65.8 | 67.6 |
| | Meghalaya | 33.2 | 41.1 | 28.3 | 34.6 | 25.0 | 42.9 | 50.8 | 37.2 | 43.5 | 44.8 | 52.7 |
| | Mizoram | 62.9 | 65.5 | 57.9 | 60.2 | 47.5 | 83.2 | 85.9 | 80.5 | 82.8 | 87.3 | 90.0 |
| | Nagaland | 34.0 | 43.9 | 30.8 | 31.6 | 29.8 | 56.4 | 66.3 | 54.5 | 55.3 | 60.6 | 70.5 |
| | Tripura | 36.1 | 36.8 | 30.7 | 31.5 | 29.2 | 44.2 | 45.0 | 37.8 | 38.6 | 46.2 | 47.0 |
| 3 | **EASTERN REGION** | **51.5** | **58.2** | **48.8** | **50.8** | **50.3** | **59.1** | **65.7** | **57.7** | **59.7** | **60.1** | **66.7** |
| | Bihar | 28.2 | 45.0 | 26.8 | 26.6 | 28.6 | 36.0 | 52.8 | 35.0 | 34.8 | 37.0 | 53.8 |
| | Jharkhand | 35.3 | 40.2 | 32.0 | 35.7 | 34.4 | 38.8 | 43.6 | 37.5 | 41.2 | 40.2 | 45.0 |
| | Orissa | 56.3 | 62.4 | 50.8 | 55.7 | 53.2 | 62.4 | 68.5 | 55.3 | 60.2 | 63.8 | 69.9 |
| | Sikkim | 46.8 | 53.7 | 41.6 | 53.7 | 37.1 | 56.7 | 63.7 | 142.7 | 154.7 | 58.4 | 65.4 |
| | West Bengal | 62.4 | 65.8 | 60.7 | 62.2 | 61.3 | 71.1 | 74.5 | 71.1 | 72.6 | 71.9 | 75.3 |
| | Andaman & Nicobar Islands | 30.7 | 75.0 | 31.7 | 38.1 | 36.0 | 30.7 | 75.0 | 31.7 | 38.1 | 30.7 | 75.0 |
| 4 | **CENTRAL REGION** | **46.1** | **54.6** | **44.3** | **48.7** | **46.7** | **53.8** | **62.2** | **52.8** | **57.2** | **55.1** | **63.6** |
| | Chhattisgarh | 49.8 | 66.0 | 46.3 | 52.3 | 52.8 | 53.1 | 69.3 | 48.9 | 54.9 | 55.0 | 71.2 |
| | Madhya Pradesh | 60.1 | 65.9 | 57.4 | 61.9 | 59.8 | 67.5 | 73.3 | 66.7 | 71.2 | 69.9 | 75.7 |
| | Uttar Pradesh | 43.7 | 52.6 | 42.2 | 46.5 | 42.6 | 52.1 | 61.0 | 51.5 | 55.8 | 53.0 | 61.9 |
| | Uttaranchal | 26.2 | 31.6 | 25.3 | 28.6 | 33.8 | 33.6 | 38.9 | 32.9 | 36.3 | 35.2 | 40.6 |
| 5 | **WESTERN REGION** | **88.6** | **76.0** | **85.6** | **77.0** | **77.8** | **91.4** | **78.8** | **89.5** | **81.0** | **91.9** | **79.3** |
| | Goa | 29.4 | 33.6 | 26.7 | 26.6 | 25.5 | 34.3 | 38.4 | 31.8 | 31.7 | 34.3 | 38.5 |
| | Gujarat | 66.5 | 97.8 | 63.7 | 74.6 | 65.3 | 74.3 | 105.6 | 73.4 | 84.3 | 76.4 | 107.7 |
| | Maharashtra | 93.9 | 73.1 | 91.2 | 78.7 | 81.3 | 95.8 | 75.0 | 94.1 | 81.6 | 95.9 | 75.2 |
| | Dadra & Nagar Haveli | 23.9 | 121.9 | 18.1 | 87.7 | 59.7 | 23.9 | 122.0 | 18.1 | 87.7 | 23.9 | 122.0 |
| | Daman & Diu | 15.0 | 58.2 | 19.3 | 49.1 | 19.8 | 15.0 | 58.2 | 19.3 | 49.1 | 15.0 | 58.2 |
| 6 | **SOUTHERN REGION** | **89.1** | **96.8** | **87.9** | **94.1** | **92.2** | **95.1** | **102.8** | **95.5** | **101.7** | **96.1** | **103.8** |
| | Andhra Pradesh | 90.4 | 97.2 | 96.4 | 104.9 | 105.1 | 99.0 | 105.7 | 106.2 | 114.8 | 100.8 | 107.6 |
| | Karnataka | 78.1 | 94.3 | 77.3 | 82.8 | 76.9 | 81.2 | 97.3 | 82.2 | 87.7 | 81.7 | 97.9 |
| | Kerala | 63.4 | 66.4 | 59.7 | 61.7 | 63.6 | 71.4 | 74.4 | 68.8 | 70.8 | 72.1 | 75.0 |
| | Tamil Nadu | 114.7 | 117.0 | 108.1 | 115.2 | 112.6 | 120.4 | 122.8 | 115.5 | 122.7 | 121.5 | 123.9 |
| | Lakshadweep | 7.5 | 14.9 | 5.4 | 7.5 | 7.5 | 7.5 | 14.9 | 5.4 | 7.5 | 7.5 | 14.9 |
| | Puducherry | 49.7 | 50.1 | 51.4 | 55.8 | 56.9 | 57.1 | 57.5 | 64.0 | 68.4 | 57.1 | 57.5 |

@: Bank's State-wise investment represent their holdings of State-level securities, such as, State Government loans and shares, bonds, debentures, *etc.* of regional rural banks, co-operative institutions, State electricity boards, municipal corporations, municipalities and port trusts, State financial corporations, housing boards, State industrial development corporations, road transport corporations and other Government and quasi-Government bodies. All-India investment plus credit-deposit ratio is worked out by excluding investments in Central Government and other securities not mentioned above.

**Note:** 1) Deposits and Credit (as per place of sanction and utilisation) data for 2008 and 2009 are based on BSR-1 and 2 Surveys as on March 31, 2008 and 2009.

2) Deposits and credit data (as per sanction) for 2010 are based on BSR 7 as on March 31,2010.

3) The investment figures are based on BSR-5 survey as on March 31,2008 and March 31,2009.

4) RIDF outstanding data are based on information provided by NABARD.

## Appendix Table V.1: Select Financial Parameters of Scheduled UCBs
(As at end-March 2010)

| Sr. No. | Bank Name | CRAR (%) | Net Interest Income to Working Funds (%) | Non Interest Income to Working Funds (%) | Operating Profit to Working Funds (%) | Return on Assets | Average Cost of Deposits | Profit per Employee (₹ Lakh) | Business per Employee (₹ Lakh) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1 | Abhyudaya Co-operative Bank Ltd., Mumbai | 17.65 | 2.39 | 2.0 | 0.9 | 0.5 | 6.4 | 1.3 | 340.38 |
| 2 | Ahmedabad Mercantile Co-Op Bank Ltd. | 41.54 | 3.90 | 0.3 | 2.3 | 1.4 | 7.7 | 4.2 | 201.33 |
| 3 | Amanath Co-operative Bank Ltd. Bangalore | -66.54 | 1.36 | 1.1 | 0.1 | 0.1 | 7.4 | 0.1 | 176.94 |
| 4 | Andhra Pradesh Mahesh Co-Op Urban Bank Ltd. | 28.35 | 4.20 | 0.2 | 2.1 | 1.5 | 8.8 | 3.1 | 255.78 |
| 5 | Bassein Catholic Co-operative Bank Ltd. | 18.90 | 3.31 | 0.3 | 2.5 | 1.3 | 7.5 | 7.8 | 652.68 |
| 6 | Bharat Co-operative Bank (Mumbai) Ltd. | 14.98 | 2.66 | 1.2 | 1.9 | 0.9 | 8.2 | 3.7 | 535.93 |
| 7 | Bharati Sahakari Bank Limited. | 15.02 | 3.03 | 0.4 | 1.4 | 0.6 | 7.0 | 1.4 | 250.32 |
| 8 | Bombay Mercantile Co-operative Bank Limited | -4.47 | 2.94 | 2.8 | 3.2 | 0.3 | 7.6 | 0.5 | 195.54 |
| 9 | Charminar Co-operative Urban Bank Ltd. | -311.89 | - | - | - | -2.4 | 6.7 | - | 790.04 |
| 10 | Citizen Credit Co-operative Bank Ltd., Mumbai | 19.15 | 2.32 | 0.5 | 1.4 | 0.7 | 6.9 | 2.8 | 477.14 |
| 11 | Cosmos Co-operative Urban Bank Ltd. | 12.15 | 2.24 | 0.6 | 1.5 | 0.6 | 8.4 | 2.8 | 563.85 |
| 12 | Dombivli Nagari Sahakari Bank Ltd. | 15.04 | 3.34 | 1.3 | 2.6 | 1.2 | 7.2 | 4.8 | 401.64 |
| 13 | Goa Urban Co-operative Bank Limited. | 14.75 | 3.57 | 0.2 | 1.9 | 0.7 | 7.4 | 1.9 | 277.55 |
| 14 | Gopinath Patil Parsik Janata Sahakari Bank Ltd., Thane | 19.61 | 4.14 | 0.2 | 2.4 | 1.3 | 5.7 | 4.4 | 342.80 |
| 15 | Greater Bombay Co-operative Bank Limited | 22.93 | 1.76 | 1.2 | 1.0 | 0.5 | 8.6 | 1.6 | 345.20 |
| 16 | Indian Mercantile Co-operative Bank Ltd., Lucknow | 11.41 | - | - | - | - | - | - | 276.58 |
| 17 | Jalgaon Janata Sahakari Bank Ltd. | 12.91 | 17.92 | 15.4 | 15.8 | 1.1 | 5.9 | 2.0 | 254.68 |
| 18 | Janakalyan Sahakari Bank Ltd., Mumbai | 4.60 | 1.90 | 0.5 | 0.2 | 0.8 | 8.3 | 2.9 | 442.31 |
| 19 | Janalaxmi Co-operative Bank Ltd., Nashik | -0.25 | 0.89 | 0.2 | 0.2 | -4.6 | 3.5 | -6.9 | 149.31 |
| 20 | Janata Sahakari Bank Ltd., Pune. | 7.83 | 2.30 | 0.9 | 1.6 | 0.6 | 8.2 | 2.2 | 399.35 |
| 21 | Kallappanna Awade Ichalkaranji Janata Sahakari Bank Ltd. | 12.48 | 3.14 | 0.4 | 0.9 | 0.4 | 7.7 | 0.7 | 229.52 |
| 22 | Kalupur Commercial Coop.Bank Ltd. | 34.91 | 2.42 | 0.4 | 1.8 | 1.0 | 7.4 | 4.9 | 434.45 |
| 23 | Kalyan Janata Sahakari Bank Ltd., Kalyan | 12.45 | 3.21 | 0.6 | 1.9 | 0.9 | 7.1 | 2.9 | 360.67 |
| 24 | Karad Urban Co-operative Bank Ltd. | 10.62 | 2.60 | 0.5 | 1.1 | 0.4 | 8.3 | 0.9 | 237.01 |
| 25 | Madhavpura Mercantile Co-Op Bank Ltd. | -2,474.45 | - | - | - | - | - | - | 7,134.93 |
| 26 | Mahanagar Co-operative Bank Ltd., Mumbai | 13.18 | - | - | - | - | - | - | 405.89 |
| 27 | Mapusa Urban Co-operative Bank of Goa Ltd., Mapusa | -16.15 | 2.07 | 0.6 | 0.1 | 1.1 | 8.8 | 1.8 | 153.23 |
| 28 | Mehsana Urban Co-Op Bank Ltd. | 12.02 | 2.59 | 0.3 | 1.8 | 0.8 | 7.5 | 3.9 | 479.51 |
| 29 | Nagar Urban Co-operative Bank Ltd., Ahmednagar | 13.30 | 3.57 | 0.4 | 1.6 | 0.5 | 8.2 | 1.3 | 246.04 |
| 30 | Nagpur Nagrik Sahakari Bank Ltd. | 10.38 | 2.23 | 1.4 | 0.8 | 0.3 | 8.2 | 0.5 | 185.98 |
| 31 | Nasik Merchant's Co-operative Bank Ltd. | 38.91 | 5.45 | 0.5 | 3.1 | 1.7 | 6.9 | 2.7 | 129.12 |
| 32 | New India Co-operative Bank Ltd., Mumbai | 18.76 | 3.72 | 0.5 | 0.8 | 0.7 | 8.0 | 3.2 | 388.74 |
| 33 | NKGSB Co-operative Bank Ltd., Mumbai | 11.50 | 2.22 | 0.6 | 1.4 | 1.1 | 8.1 | 4.3 | 515.99 |
| 34 | Nutan Nagarik Sahakari Bank Ltd., Ahmedabad | 19.55 | 2.49 | 0.7 | 0.8 | 0.6 | 8.1 | 1.8 | 290.38 |
| 35 | Pravara Sahakari Bank Ltd. | 12.28 | 2.09 | 0.3 | 0.4 | -0.4 | 8.0 | -0.7 | 190.66 |
| 36 | Punjab & Maharashtra Co-operative Bank Ltd. | 13.33 | 3.18 | 0.9 | 2.0 | 0.9 | 6.9 | 4.0 | 430.04 |
| 37 | Rajkot Nagrik Sahakari Bank Ltd. | 16.74 | 2.43 | 0.6 | 1.5 | 1.0 | 7.9 | 3.9 | 370.45 |
| 38 | Rupee Co-operative Bank Ltd. | -75.69 | 0.14 | 0.5 | -1.8 | -1.3 | 8.3 | -3.6 | 246.63 |
| 39 | Sangli Urban Co-operative Bank Ltd., Sangli | 11.27 | 2.82 | 1.1 | 1.4 | 0.6 | 8.4 | 0.5 | 86.45 |
| 40 | Saraswat Co-operative Bank Ltd., Bombay | 14.63 | 1.58 | 0.5 | 1.2 | 0.6 | 7.7 | 4.0 | 703.86 |
| 41 | Sardar Bhiladwala Pardi Peoples Coop Bank Ltd. | 27.79 | 4.75 | 0.2 | 2.7 | 1.0 | 6.7 | 3.2 | 247.00 |
| 42 | Shamrao Vithal Co-operative Bank Ltd. | 13.48 | 3.09 | 1.0 | 2.4 | 1.0 | 7.8 | 4.7 | 606.87 |
| 43 | Shikshak Sahakari Bank Ltd., Nagpur. | -1.55 | - | - | - | -2.5 | 6.5 | - | 531.91 |
| 44 | Solapur Janata Sahakari Bank Ltd. | 11.00 | 3.30 | 0.4 | 1.2 | 0.6 | 8.8 | 1.3 | 254.94 |
| 45 | Surat Peoples Coop Bank Ltd. | 22.52 | 3.28 | 0.4 | 1.6 | 0.6 | 8.0 | 2.1 | 433.73 |
| 46 | Thane Bharat Sahakari Bank Ltd. | 9.95 | 1.99 | 0.7 | 0.3 | 0.2 | 8.5 | 0.5 | 407.30 |
| 47 | Thane Janata Sahakari Bank Ltd. | 15.47 | 3.31 | 0.9 | 2.3 | 1.2 | 7.6 | 6.3 | 552.76 |
| 48 | The Akola Janata Commercial Co-operative Bank Ltd., Akola. | 10.21 | 1.87 | 0.4 | 0.7 | 0.1 | 8.9 | 0.2 | 215.76 |
| 49 | The Akola Urban Co-operative Bank Ltd., Akola. | 8.18 | 1.44 | 0.4 | 0.8 | 0.1 | 9.0 | 0.2 | 335.09 |
| 50 | The Kapol Co-operative Bank Ltd., Mumbai | 10.38 | 2.22 | 1.2 | 0.4 | 0.1 | 8.7 | 0.3 | 248.46 |
| 51 | The Khamgaon Urban Co-operative Bank Ltd., Khamgaon. | -14.62 | 0.07 | 0.3 | -1.8 | -5.1 | 10.5 | -8.6 | 232.26 |
| 52 | Vasavi Coop Urban Bank LImited. | 12.23 | 4.79 | 0.3 | 0.5 | 0.1 | 15.0 | 0.1 | 108.23 |
| 53 | Zoroastrian Co-operative Bank Ltd., Bombay | 14.56 | 2.38 | 0.4 | 0.7 | 0.4 | 7.7 | 2.0 | 565.97 |

**Note:** Data are provisional. '-': Nil/Negligible.
**Source:** OSS Returns.

## Appendix Table V.2: Major Indicators of Financial Performance of Scheduled UCBs (Continued)

(As at end-March)

(As per cent to total assets)

| Sr. No. | Bank Name | Operating Profit | | Net Profit after Taxes | | Interest Income | |
|---|---|---|---|---|---|---|---|
| | | 2008-09 | 2009-10 P | 2008-09 | 2009-10 P | 2008-09 | 2009-10 P |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1 | Abhyudaya Co-operative Bank Ltd., Mumbai | 3.5 | 0.9 | 2.4 | 0.5 | 6.7 | 4.5 |
| 2 | Ahmedabad Mercantile Co-Op Bank Ltd. | 2.7 | 2.2 | 2.7 | 1.4 | 7.5 | 7.0 |
| 3 | Amanath Co-operative Bank Ltd. Bangalore | 0.6 | 0.1 | 0.6 | 0.1 | 4.4 | 3.5 |
| 4 | Andhra Pradesh Mahesh Co-Op Urban Bank Ltd. | 1.9 | 2.1 | 1.3 | 1.5 | 9.9 | 10.1 |
| 5 | Bassein Catholic Co-operative Bank Ltd. | 2.8 | 2.4 | 2.8 | 1.3 | 8.2 | 8.5 |
| 6 | Bharat Co-operative Bank (Mumbai) Ltd. | 1.7 | 1.8 | 1.1 | 0.9 | 9.1 | 8.3 |
| 7 | Bharati Sahakari Bank Limited. | 1.3 | 1.3 | 1.3 | 0.6 | 8.7 | 7.8 |
| 8 | Bombay Mercantile Co-operative Bank Limited | 2.8 | 2.2 | 2.8 | 0.3 | 4.5 | 5.0 |
| 9 | Charminar Co-operative Urban Bank Ltd. | -2.3 | -2.4 | -2.3 | -2.4 | 2.0 | 1.4 |
| 10 | Citizen Credit Co-operative Bank Ltd., Mumbai | 2.1 | 1.4 | 1.5 | 0.7 | 6.4 | 7.0 |
| 11 | Cosmos Co-operative Urban Bank Ltd. | 1.5 | 1.4 | 1.1 | 0.6 | 8.0 | 8.3 |
| 12 | Dombivli Nagari Sahakari Bank Ltd. | 1.3 | 2.2 | 1.2 | 1.2 | 7.7 | 7.8 |
| 13 | Goa Urban Co-operative Bank Limited. | 0.4 | 1.9 | 0.4 | 0.7 | 8.1 | 8.3 |
| 14 | Gopinath Patil Parsik Janata Sahakari Bank Ltd., Thane | 2.4 | 2.3 | 1.5 | 1.3 | 7.9 | 7.5 |
| 15 | Greater Bombay Co-operative Bank Limited | 0.8 | 0.9 | 0.8 | 0.5 | 8.1 | 7.5 |
| 16 | Indian Mercantile Co-operative Bank Ltd.,Lucknow | - | 1.0 | - | 1.0 | - | 8.6 |
| 17 | Jalgaon Janata Sahakari Bank Ltd. | -0.3 | 1.4 | -0.4 | 1.1 | 7.4 | 5.5 |
| 18 | Janakalyan Sahakari Bank Ltd., Mumbai | 0.5 | 0.2 | 0.5 | 0.8 | 7.9 | 7.8 |
| 19 | Janalaxmi Co-operative Bank Ltd., Nashik | 3.0 | 0.2 | 3.0 | -4.6 | 3.1 | 2.7 |
| 20 | Janata Sahakari Bank Ltd., Pune. | 0.8 | 1.5 | 0.8 | 0.6 | 8.3 | 8.2 |
| 21 | Kallappanna Awade Ichalkaranji Janata Sahakari Bank Ltd. | 0.3 | 0.8 | 0.3 | 0.4 | 7.9 | 8.2 |
| 22 | Kalupur Commercial Coop.Bank Ltd. | 2.2 | 1.7 | 2.2 | 1.0 | 5.5 | 6.8 |
| 23 | Kalyan Janata Sahakari Bank Ltd., Kalyan | 1.3 | 1.9 | 1.0 | 0.9 | 8.2 | 7.5 |
| 24 | Karad Urban Co-operative Bank Ltd. | 0.4 | 1.0 | 0.3 | 0.4 | 8.5 | 8.5 |
| 25 | Madhavpura Mercantile Co-Op Bank Ltd. | 1.6 | 0.4 | 1.6 | 0.4 | 1.3 | 0.4 |
| 26 | Mahanagar Co-operative Bank Ltd., Mumbai | -2.2 | 1.3 | - | 0.7 | - | 7.9 |
| 27 | Mapusa Urban Co-operative Bank of Goa Ltd., Mapusa | 1.5 | - | 1.5 | 1.1 | 1.6 | 7.0 |
| 28 | Mehsana Urban Co-Op Bank Ltd. | 1.5 | 1.8 | 0.9 | 0.8 | 8.7 | 8.3 |
| 29 | Nagar Urban Co-operative Bank Ltd., Ahmednagar | 0.8 | 1.5 | 0.5 | 0.5 | 7.9 | 8.4 |
| 30 | Nagpur Nagrik Sahakari Bank Ltd. | 0.4 | 0.8 | 0.3 | 0.3 | 7.9 | 7.5 |
| 31 | Nasik Merchant's Co-operative Bank Ltd. | 2.0 | 2.8 | 2.0 | 1.7 | 7.8 | 8.6 |
| 32 | New India Co-operative Bank Ltd., Mumbai | 1.3 | 0.8 | 0.9 | 0.7 | 8.7 | 8.6 |
| 33 | NKGSB Co-operative Bank Ltd., Mumbai | 1.8 | 1.4 | 1.3 | 1.1 | 8.9 | 8.4 |
| 34 | Nutan Nagarik Sahakari Bank Ltd., Ahmedabad | 1.0 | 0.8 | 0.8 | 0.6 | 7.7 | 7.5 |
| 35 | Pravara Sahakari Bank Ltd. | -0.8 | 0.4 | -0.8 | -0.4 | 3.1 | 7.9 |
| 36 | Punjab & Maharashtra Co-operative Bank Ltd. | 1.6 | 2.0 | 1.4 | 0.9 | 8.6 | 8.0 |
| 37 | Rajkot Nagrik Sahakari Bank Ltd. | 1.0 | 1.5 | 0.8 | 1.0 | 5.7 | 7.6 |
| 38 | Rupee Co-operative Bank Ltd. | -0.7 | -1.0 | -0.7 | -1.3 | 3.9 | 3.7 |
| 39 | Sangli Urban Co-operative Bank Ltd., Sangli | 0.8 | 1.2 | 0.8 | 0.6 | 2.5 | 7.5 |
| 40 | Saraswat Co-operative Bank Ltd., Bombay | 1.7 | 1.0 | 1.2 | 0.6 | 6.7 | 6.4 |
| 41 | Sardar Bhiladwala Pardi Peoples Coop Bank Ltd. | 1.3 | 2.4 | 0.7 | 1.0 | 7.0 | 7.2 |
| 42 | Shamrao Vithal Co-operative Bank Ltd. | 1.3 | 2.1 | 0.9 | 1.0 | 8.8 | 8.6 |
| 43 | Shikshak Sahakari Bank Ltd., Nagpur. | 0.2 | -0.2 | 0.2 | -2.5 | 6.1 | 4.3 |
| 44 | Solapur Janata Sahakari Bank Ltd. | 0.9 | 1.1 | 0.6 | 0.6 | 9.0 | 8.8 |
| 45 | Surat Peoples Coop Bank Ltd. | 1.3 | 1.5 | 0.9 | 0.6 | 8.6 | 8.1 |
| 46 | Thane Bharat Sahakari Bank Ltd. | 0.7 | 0.3 | 0.5 | 0.2 | 8.3 | 7.7 |
| 47 | Thane Janata Sahakari Bank Ltd. | 1.4 | 2.2 | 0.9 | 1.2 | 8.5 | 8.4 |
| 48 | The Akola Janata Commercial Co-operative Bank Ltd., Akola. | 0.6 | 0.7 | 0.4 | 0.1 | 8.1 | 8.4 |
| 49 | The Akola Urban Co-operative Bank Ltd., Akola. | 0.7 | 0.7 | 0.3 | 0.1 | 8.1 | 8.4 |
| 50 | The Kapol Co-operative Bank Ltd., Mumbai | 0.8 | 0.4 | 0.8 | 0.1 | 7.6 | 8.0 |
| 51 | The Khamgaon Urban Co-operative Bank Ltd., Khamgaon. | 0.1 | -1.8 | 0.1 | -5.1 | 8.1 | 6.9 |
| 52 | Vasavi Coop Urban Bank LImited. | 7.1 | 0.3 | 7.1 | 0.1 | 5.5 | 4.4 |
| 53 | Zoroastrian Co-operative Bank Ltd., Bombay | 1.7 | 0.7 | 1.7 | 0.4 | 8.4 | 8.3 |

## Appendix Table V.2: Major Indicators of Financial Performance of Scheduled UCBs (Concluded)

(As at end-March)

(As per cent to total assets)

| Sr. No. | Bank Name | Interest Expended | | Provisions and Contingencies | | Total Operating Expenses | | Spread | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2008-09 | 2009-10 P | 2008-09 | 2009-10P | 2008-09 | 2009-10 P | 2008-09 | 2009-10P |
| 1 | 2 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 1 | Abhyudaya Co-operative Bank Ltd., Mumbai | 3.3 | 3.5 | 1.1 | 0.3 | 4.9 | 5.6 | 3.4 | 1.0 |
| 2 | Ahmedabad Mercantile Co-Op Bank Ltd. | 3.0 | 3.3 | - | 0.2 | 5.2 | 5.1 | 4.5 | 3.8 |
| 3 | Amanath Co-operative Bank Ltd. Bangalore | 2.7 | 2.6 | - | - | 4.4 | 4.2 | 1.7 | 0.9 |
| 4 | Andhra Pradesh Mahesh Co-Op Urban Bank Ltd. | 5.4 | 5.9 | 0.6 | 0.1 | 7.9 | 8.2 | 4.6 | 4.2 |
| 5 | Bassein Catholic Co-operative Bank Ltd. | 4.6 | 5.3 | - | 0.5 | 5.8 | 6.4 | 3.6 | 3.3 |
| 6 | Bharat Co-operative Bank (Mumbai) Ltd. | 5.4 | 5.7 | 0.6 | 0.3 | 7.9 | 8.0 | 3.7 | 2.6 |
| 7 | Bharati Sahakari Bank Limited. | 4.8 | 5.0 | - | 0.7 | 6.9 | 7.0 | 3.9 | 2.9 |
| 8 | Bombay Mercantile Co-operative Bank Limited | 2.9 | 3.0 | - | 0.7 | 4.8 | 4.8 | 1.5 | 2.0 |
| 9 | Charminar Co-operative Urban Bank Ltd. | 3.1 | 3.0 | - | - | 4.3 | 3.9 | -1.1 | -1.5 |
| 10 | Citizen Credit Co-operative Bank Ltd., Mumbai | 3.7 | 4.7 | 0.6 | 0.4 | 4.9 | 6.2 | 2.7 | 2.2 |
| 11 | Cosmos Co-operative Urban Bank Ltd. | 5.5 | 6.1 | 0.4 | 0.6 | 6.8 | 7.7 | 2.5 | 2.1 |
| 12 | Dombivli Nagari Sahakari Bank Ltd. | 4.5 | 5.0 | 0.2 | 0.7 | 6.2 | 6.7 | 3.2 | 2.8 |
| 13 | Goa Urban Co-operative Bank Limited. | 5.4 | 4.8 | - | 0.7 | 7.9 | 6.7 | 2.7 | 3.5 |
| 14 | Gopinath Patil Parsik Janata Sahakari Bank Ltd., Thane | 3.2 | 3.4 | 0.9 | 0.3 | 5.2 | 5.4 | 4.7 | 4.1 |
| 15 | Greater Bombay Co-operative Bank Limited | 5.9 | 5.8 | - | 0.4 | 8.3 | 8.1 | 2.1 | 1.7 |
| 16 | Indian Mercantile Co-operative Bank Ltd.,Lucknow | - | 6.7 | - | - | - | 8.4 | - | 1.9 |
| 17 | Jalgaon Janata Sahakari Bank Ltd. | 5.5 | 3.9 | - | 0.3 | 7.5 | 5.3 | 1.8 | 1.6 |
| 18 | Janakalyan Sahakari Bank Ltd., Mumbai | 5.6 | 5.9 | - | - | 8.0 | 8.2 | 2.3 | 1.9 |
| 19 | Janalaxmi Co-operative Bank Ltd., Nashik | 1.1 | 1.9 | - | 4.8 | 1.6 | 2.6 | 2.0 | 0.7 |
| 20 | Janata Sahakari Bank Ltd., Pune. | 5.9 | 6.0 | - | 0.6 | 7.7 | 7.6 | 2.4 | 2.2 |
| 21 | Kallappanna Awade Ichalkaranji Janata Sahakari Bank Ltd. | 5.5 | 5.5 | - | 0.2 | 7.6 | 7.7 | 2.4 | 2.6 |
| 22 | Kalupur Commercial Coop.Bank Ltd. | 2.6 | 4.5 | - | 0.2 | 3.7 | 5.7 | 2.8 | 2.3 |
| 23 | Kalyan Janata Sahakari Bank Ltd., Kalyan | 4.5 | 4.4 | 0.4 | 0.5 | 6.6 | 6.5 | 3.7 | 3.1 |
| 24 | Karad Urban Co-operative Bank Ltd. | 5.8 | 6.0 | 0.2 | 0.3 | 7.8 | 8.2 | 2.7 | 2.5 |
| 25 | Madhavpura Mercantile Co-Op Bank Ltd. | 1.5 | 0.2 | - | - | 1.8 | 0.3 | -0.2 | 0.2 |
| 26 | Mahanagar Co-operative Bank Ltd., Mumbai | - | 4.5 | - | 0.6 | - | 7.1 | - | 3.4 |
| 27 | Mapusa Urban Co-operative Bank of Goa Ltd., Mapusa | 7.2 | 5.4 | - | 0.1 | 10.3 | 7.6 | 0.4 | 1.7 |
| 28 | Mehsana Urban Co-Op Bank Ltd. | 5.7 | 5.7 | 0.6 | 0.4 | 7.0 | 6.9 | 3.1 | 2.6 |
| 29 | Nagar Urban Co-operative Bank Ltd., Ahmednagar | 4.7 | 5.1 | 0.3 | 0.7 | 7.1 | 7.3 | 3.3 | 3.3 |
| 30 | Nagpur Nagrik Sahakari Bank Ltd. | 5.5 | 5.3 | 0.1 | 0.4 | 8.7 | 8.1 | 2.4 | 2.2 |
| 31 | Nasik Merchant's Co-operative Bank Ltd. | 3.4 | 3.6 | - | 0.4 | 6.2 | 6.2 | 4.4 | 4.9 |
| 32 | New India Co-operative Bank Ltd., Mumbai | 5.0 | 4.9 | 0.3 | - | 8.1 | 7.8 | 3.6 | 3.7 |
| 33 | NKGSB Co-operative Bank Ltd., Mumbai | 5.9 | 6.2 | 0.5 | - | 7.8 | 7.8 | 2.9 | 2.2 |
| 34 | Nutan Nagarik Sahakari Bank Ltd., Ahmedabad | 5.2 | 5.0 | 0.2 | - | 8.0 | 7.7 | 2.5 | 2.5 |
| 35 | Pravara Sahakari Bank Ltd. | 3.1 | 5.8 | 0.0 | 0.8 | 4.0 | 7.8 | - | 2.1 |
| 36 | Punjab & Maharashtra Co-operative Bank Ltd. | 5.1 | 4.9 | 0.2 | 0.2 | 7.8 | 7.1 | 3.5 | 3.1 |
| 37 | Rajkot Nagrik Sahakari Bank Ltd. | 3.7 | 5.2 | 0.2 | 0.4 | 4.7 | 6.7 | 2.0 | 2.4 |
| 38 | Rupee Co-operative Bank Ltd. | 3.8 | 3.6 | - | 0.2 | 4.9 | 5.1 | 0.2 | 0.1 |
| 39 | Sangli Urban Co-operative Bank Ltd., Sangli | 1.3 | 5.0 | - | 0.6 | 2.0 | 7.3 | 1.2 | 2.5 |
| 40 | Saraswat Co-operative Bank Ltd., Bombay | 5.2 | 5.0 | 0.4 | 0.2 | 6.8 | 6.6 | 1.5 | 1.4 |
| 41 | Sardar Bhiladwala Pardi Peoples Coop Bank Ltd. | 3.0 | 3.0 | 0.6 | 0.7 | 5.1 | 5.0 | 4.0 | 4.2 |
| 42 | Shamrao Vithal Co-operative Bank Ltd. | 5.8 | 5.8 | 0.4 | 0.4 | 7.8 | 7.5 | 3.0 | 2.7 |
| 43 | Shikshak Sahakari Bank Ltd., Nagpur. | 4.5 | 3.3 | 0.0 | 2.4 | 6.5 | 4.7 | 1.6 | 1.0 |
| 44 | Solapur Janata Sahakari Bank Ltd. | 5.9 | 5.7 | 0.3 | 0.2 | 8.4 | 8.1 | 3.1 | 3.1 |
| 45 | Surat Peoples Coop Bank Ltd. | 4.8 | 4.8 | 0.4 | 0.5 | 6.9 | 6.9 | 3.8 | 3.2 |
| 46 | Thane Bharat Sahakari Bank Ltd. | 5.7 | 5.8 | 0.3 | 0.1 | 8.1 | 8.2 | 2.6 | 1.9 |
| 47 | Thane Janata Sahakari Bank Ltd. | 5.1 | 5.2 | 0.5 | 0.2 | 6.7 | 7.1 | 3.4 | 3.2 |
| 48 | The Akola Janata Commercial Co-operative Bank Ltd., Akola. | 6.3 | 6.6 | 0.2 | 0.6 | 7.9 | 8.2 | 1.8 | 1.8 |
| 49 | The Akola Urban Co-operative Bank Ltd., Akola. | 6.5 | 7.1 | 0.4 | 0.5 | 8.0 | 8.1 | 1.6 | 1.4 |
| 50 | The Kapol Co-operative Bank Ltd., Mumbai | 4.9 | 5.8 | - | 0.1 | 7.8 | 8.8 | 2.7 | 2.2 |
| 51 | The Khamgaon Urban Co-operative Bank Ltd., Khamgaon. | 5.6 | 6.9 | - | 3.2 | 7.5 | 9.2 | 2.5 | 0.1 |
| 52 | Vasavi Coop Urban Bank LImited. | 1.8 | 2.0 | - | - | 4.3 | 4.3 | 3.7 | 2.4 |
| 53 | Zoroastrian Co-operative Bank Ltd., Bombay | 5.6 | 5.9 | - | 0.1 | 7.0 | 8.1 | 2.8 | 2.4 |

P: Provisional. '-': Nil/Negligible.

**Source**: OSS Returns.

## Appendix Table V.3: Working Results of State Cooperative Banks - Region and State-wise

(As at end-March)

(Amount in ₹ crore)

| Sr. No. | Region/State | Amount of Profit/Loss | | Total NPAs | | NPAs as Percentage of Loans Outstanding | | Recovery to Demand (Per cent as at end-June) | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2008 | 2009 P | 2008 | 2009 P | 2008 | 2009 P | 2008 | 2009 P |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | **NORTHERN REGION** | **101** | **107** | **322** | **347** | **2.9** | **2.9** | **97.8** | **97.8** |
| 1. | Chandigarh | 9 | 7 | 6 | 6 | 11.5 | 11.9 | 63.7 | 61.9 |
| 2. | Delhi | 31 | 32 | 48 | 35 | 14.7 | 10.9 | 88.5 | 92.4 |
| 3. | Haryana | 5 | 11 | 3 | 2 | 0.1 | 0.1 | 99.8 | 97.7 |
| 4. | Himachal Pradesh | 29 | 29 | 124 | 197 | 11.5 | 14.1 | 77.8 | 85.5 |
| 5. | Jammu and Kashmir | - | - | 20 | 19 | 23.2 | 21.4 | 43.4 | 56.7 |
| 6. | Punjab | 10 | 12 | 53 | 55 | 1.3 | 1.2 | 99.0 | 99.2 |
| 7. | Rajasthan | 17 | 16 | 68 | 33 | 3.0 | 1.9 | 96.1 | 96.5 |
| | **NORTH-EASTERN REGION** | **-19** | **14** | **445** | **435** | **40.4** | **40.4** | **42.6** | **42.6** |
| 8. | Arunachal Pradesh | -13 | 3 | 128 | 96 | 97.5 | 79.7 | 10.6 | 11.8 |
| 9. | Assam | -12 | -1 | 121 | 119 | 41.8 | 38.3 | 55.1 | 68.7 |
| 10. | Manipur | - | 9 | 53 | 84 | 32.4 | 58.0 | 30.9 | 43.7 |
| 11. | Meghalaya | 2 | 15 | 34 | 37 | 17.5 | 17.7 | 41.3 | 21.0 |
| 12. | Mizoram | 4 | 2 | 22 | 22 | 17.9 | 46.0 | 69.9 | 75.3 |
| 13. | Nagaland | - | -13 | 27 | 29 | 45.3 | 17.0 | 64.8 | 70.4 |
| 14. | Sikkim | 2 | 1 | 1 | 2 | 5.7 | 7.0 | 55.3 | 62.2 |
| 15. | Tripura | -3 | -3 | 59 | 46 | 43.2 | 29.7 | 52.6 | 64.6 |
| | **EASTERN REGION** | **32** | **33** | **534** | **506** | **10.8** | **10.8** | **82.2** | **82.2** |
| 16. | Andaman and Nicobar | 2 | 2 | 14 | 15 | 12.9 | 12.7 | 73.8 | 74.8 |
| 17. | Bihar | 6 | 6 | 267 | 267 | 42.5 | 42.5 | 36.1 | 36.1 |
| 18. | Orissa | 10 | 10 | 123 | 136 | 6.1 | 6.9 | 92.6 | 95.6 |
| 19. | West Bengal | 15 | 15 | 130 | 88 | 5.9 | 4.0 | 85.2 | 91.1 |
| | **CENTRAL REGION** | **65** | **69** | **820** | **607** | **12.5** | **12.5** | **82.9** | **82.9** |
| 20. | Chhattisgarh | 5 | 2 | 50 | 62 | 14.2 | 16.7 | 77.4 | 59.2 |
| 21. | Madhya Pradesh | 26 | 30 | 161 | 92 | 6.6 | 4.0 | 96.3 | 96.2 |
| 22. | Uttar Pradesh | 32 | 35 | 577 | 444 | 15.9 | 13.6 | 71.8 | 92.9 |
| 23. | Uttarakhand | 2 | 1 | 32 | 9 | 23.5 | 6.3 | 93.7 | 93.7 |
| | **WESTERN REGION** | **32** | **-34** | **2,352** | **2,269** | **19.8** | **19.8** | **67.5** | **67.5** |
| 24. | Goa | 1 | 1 | 61 | 61 | 15.4 | 12.3 | 76.5 | 80.4 |
| 25. | Gujarat | 6 | -53 | 105 | 301 | 4.8 | 16.9 | 97.9 | 86.8 |
| 26. | Maharashtra | 24 | 18 | 2,187 | 1,907 | 23.4 | 21.6 | 57.2 | 82.2 |
| | **SOUTHERN REGION** | **10** | **126** | **1,718** | **1,600** | **11.9** | **11.9** | **87.7** | **87.7** |
| 27. | Andhra Pradesh | 6 | 61 | 931 | 949 | 15.6 | 20.2 | 72.2 | 93.3 |
| 28. | Karnataka | 10 | 13 | 209 | 192 | 7.4 | 5.5 | 91.1 | 96.3 |
| 29. | Kerala | -18 | 20 | 480 | 338 | 22.0 | 14.0 | 89.4 | 88.8 |
| 30. | Puducherry | -3 | -1 | 18 | 19 | 9.4 | 8.9 | 72.8 | 90.8 |
| 31. | Tamil Nadu | 15 | 34 | 80 | 103 | 2.4 | 3.1 | 99.8 | 99.8 |
| | **ALL-INDIA** | **221** | **314** | **6,191** | **5,764** | **12.4** | **12.0** | **84.6** | **91.8** |

'-': Nil/Negligible.

P: Provisional.

**Note:** 1) NPA and Recovery data for Bihar is repeated for the year 2009. Jharkhand StCB is not yet functional and hence is not included.

2) Data for profit/loss in respect of Bihar, Himachal Pradesh and Manipur are repeated for 2008-09.

**Source:** NABARD.

## Appendix Table V.4: Working Results of District Central Cooperative Banks - State-wise
(As at end-March)

(Amount in ₹ crore)

| Sr. No. | Region/State | 2008 | | | | | 2009 | | | | | 2007-08 | | | 2008-09 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | No. of Reporting DCCBs | Profit | | Loss | | No. of Reporting DCCBs | Profit | | Loss | | Total NPAs | NPA to Loan ratio (Per Cent) | Recovery to Demand (Per cent) as at end-June | Total NPAs | NPA as Loan ratio (Per Cent) | Recovery to Demand (Per cent) as at end-June |
| | | | No. of DCCBs | Amount | No. of DCCBs | Amount | | No. of DCCBs | Amount | No. of DCCBs | Amount | | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| | **NORTHERN REGION** | **73** | **57** | **121** | **16** | **58** | **73** | **69** | **148** | **4** | **28** | **1,383** | **7.2** | **7.2** | **1,807** | **7.2** | **65.0** |
| 1 | Haryana | 19 | 14 | 11 | 5 | 18 | 19 | 18 | 31 | 1 | 9 | 287 | 5.1 | 54.4 | 534 | 9.6 | 61.4 |
| 2 | Himachal Pradesh | 2 | 2 | 52 | - | - | 2 | 2 | 50 | - | - | 106 | 8.3 | 85.9 | 112 | 7.7 | 84.4 |
| 3 | Jammu & Kashmir | 3 | - | - | 3 | 16 | 3 | 2 | 1 | 1 | 7 | 99 | 22.2 | 59.8 | 83 | 17.9 | 61.6 |
| 4 | Punjab | 20 | 17 | 35 | 3 | 15 | 20 | 19 | 38 | 1 | 2 | 483 | 6.7 | 81.2 | 540 | 7.3 | 91.2 |
| 5 | Rajasthan | 29 | 24 | 23 | 5 | 9 | 29 | 28 | 28 | 1 | 10 | 408 | 9.5 | 57.6 | 537 | 13.6 | 79.0 |
| | **EASTERN REGION** | **64** | **45** | **52** | **19** | **106** | **64** | **49** | **76** | **15** | **93** | **1,465** | **22.3** | **22.3** | **1,136** | **22.3** | **53.0** |
| 6 | Bihar | 22 | 13 | 12 | 9 | 23 | 22 | 13 | 12 | 9 | 23 | 340 | 54.5 | 55.8 | 340 | 54.5 | 50.7 |
| 7 | Jharkhand | 8 | 5 | 6 | 3 | 6 | 8 | 7 | 8 | 1 | 2 | 101 | 75.9 | 17.2 | 101 | 75.9 | 17.2 |
| 8 | Orissa | 17 | 13 | 5 | 4 | 46 | 17 | 15 | 28 | 2 | 38 | 618 | 18.6 | 49.0 | 289 | 7.5 | 59.6 |
| 9 | West Bengal | 17 | 14 | 28 | 3 | 31 | 17 | 14 | 28 | 3 | 31 | 407 | 16.2 | 66.0 | 407 | 16.0 | 75.6 |
| | **CENTRAL REGION** | **104** | **77** | **180** | **27** | **188** | **104** | **90** | **295** | **14** | **44** | **3,482** | **28.9** | **28.9** | **3,357** | **28.9** | **46.9** |
| 10 | Chhattisgarh | 6 | 6 | 18 | - | - | 6 | 6 | 40 | - | - | 296 | 31.9 | 48.1 | 236 | 24.7 | 69.5 |
| 11 | Madhya Pradesh | 38 | 37 | 81 | 1 | 2 | 38 | 37 | 122 | 1 | 5 | 1,382 | 26.3 | 47.1 | 1,582 | 29.2 | 65.2 |
| 12 | Uttar Pradesh | 50 | 24 | 49 | 26 | 187 | 50 | 37 | 91 | 13 | 39 | 1,610 | 33.4 | 44.2 | 1,388 | 30.0 | 57.8 |
| 13 | Uttarakhand | 10 | 10 | 31 | - | - | 10 | 10 | 41 | - | - | 194 | 18.3 | 66.8 | 151 | 13.7 | 83.4 |
| | **WESTERN REGION** | **49** | **29** | **181** | **19** | **338** | **49** | **41** | **573** | **8** | **55** | **6,940** | **22.3** | **22.3** | **6,502** | **22.3** | **44.3** |
| 14 | Gujarat | 18 | 10 | 50 | 7 | 62 | 18 | 14 | 101 | 4 | 18 | 1,247 | 19.2 | 60.5 | 1,116 | 18.1 | 74.7 |
| 15 | Maharashtra | 31 | 19 | 131 | 12 | 276 | 31 | 27 | 472 | 4 | 38 | 5,693 | 23.2 | 38.7 | 5,385 | 23.5 | 63.8 |
| | **SOUTHERN REGION** | **80** | **53** | **320** | **27** | **302** | **80** | **71** | **510** | **9** | **67** | **5,484** | **16.7** | **16.7** | **5,127** | **16.7** | **63.8** |
| 16 | Andhra Pradesh | 22 | 11 | 28 | 11 | 144 | 22 | 19 | 212 | 3 | 11 | 1,601 | 19.6 | 26.7 | 1,237 | 20.4 | 74.2 |
| 17 | Karnataka | 21 | 20 | 67 | 1 | 14 | 21 | 21 | 70 | - | - | 855 | 16.5 | 74.9 | 773 | 12.9 | 81.6 |
| 18 | Kerala | 14 | 10 | 39 | 4 | 46 | 14 | 10 | 39 | 4 | 46 | 1,224 | 14.4 | 78.8 | 1,224 | 14.4 | 78.8 |
| 19 | Tamil Nadu | 23 | 12 | 186 | 11 | 99 | 23 | 21 | 189 | 2 | 11 | 1,804 | 16.4 | 86.5 | 1,893 | 15.3 | 82.2 |
| | **ALL-INDIA** | **370** | **261** | **853** | **108** | **992** | **370** | **320** | **1,603** | **50** | **288** | **18,754** | **18.5** | **55.6** | **17,929** | **17.9** | **72.2** |

'-': Nil/Negligible.

**Note:** 1) Data for 2009 are provisional.

2) One DCCB in Gujarat and Madhya Pradesh each was in no profit no loss position in 2007-08.

3) Data for NPAs and Recovery to Demand in respect of DCCBs in Bihar and Himachal Pradesh are repeated for the year 2007-08 for all India average.

4) Profit and loss in respect of DCCBs in Andhra Pradesh, Bihar and Himachal Pradesh were not available for the year 2008.

**Source:** NABARD.

## Appendix Table V.5: Select Indicators of Primary Agricultural Credit Societies - State-wise (Continued)

(As on March 31, 2009)

| Sr. No. | Region/State | No. of PACS | Deposits (₹ crore) | Borrowings (₹ crore) | Working Capital (₹ crore) | Loans and Advances Issued (₹ crore) | | Loans and Advances Outstanding (₹ crore) | | Societies in Profit | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Short-term | Medium-term | Agriculture | Non-Agriculture | No. | Amount (₹ crore) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | **NORTHERN REGION** | **12,738** | **2,520** | **11,133** | **18,106** | **11,998** | **477** | **7,210** | **497** | **8,267** | **149** |
| 1. | Chandigarh | 16 | 0.03 | 0.09 | 0.23 | 0.04 | 0.10 | - | 0.06 | 15 | 0.03 |
| 2 | Haryana | 620 | 311.14 | 4,340.08 | 6,363.45 | 2,943.11 | 68.00 | 3,982.25 | 344.71 | 145 | 0.27 |
| 3 | Himachal Pradesh | 2,092 | 839.15 | 83.99 | 1,204.59 | 10.19 | 189.99 | 338.24 | - | 1,672 | 11.74 |
| 4 | Jammu & Kashmir | 765 | 1.19 | 37.19 | 78.72 | 9.82 | 3.06 | 22.27 | 0.89 | 335 | 0.84 |
| 5 | Punjab | 3,990 | 908.06 | 4,020.07 | 5,901.07 | 6,199.18 | 53.92 | 128.13 | - | 2,504 | 92.40 |
| 6 | Rajasthan | 5,255 | 460.06 | 2,651.48 | 4,557.88 | 2,835.98 | 161.56 | 2,739.30 | 151.65 | 3,596 | 43.98 |
| | **NORTH-EASTERN REGION** | **3,579** | **67** | **54** | **365** | **17** | **3** | **39** | **6** | **564** | **78** |
| 7 | Arunachal Pradesh | 31 | - | 4.11 | 16.36 | - | 0.77 | 0.87 | - | 20 | 0.25 |
| 8 | Assam | 766 | - | - | 111.23 | 7.13 | 0.81 | 5.65 | 0.30 | 309 | 76.39 |
| 9 | Manipur | 204 | 0.65 | 1.36 | 4.32 | 3.10 | - | 4.70 | - | - | - |
| 10 | Meghalaya | 179 | 1.15 | 6.92 | 17.67 | 2.29 | 0.22 | 4.46 | 0.74 | 51 | 0.1 |
| 11 | Mizoram | 245 | - | - | 6.32 | 0.53 | 0.12 | 0.85 | - | 83 | 0.74 |
| 12 | Nagaland | 1,719 | 64.19 | 9.04 | 112.46 | 1.57 | - | 1.97 | 3.57 | - | - |
| 13 | Sikkim | 166 | - | - | 2.07 | 2.15 | 0.24 | 0.54 | - | 84 | 0.2 |
| 14 | Tripura | 269 | 0.70 | 32.61 | 95.06 | 0.15 | 0.43 | 20.31 | 1.19 | 0.4 | 0.78 |
| | **EASTERN REGION** | **20,308** | **3,582** | **4,291** | **10,302** | **4,139** | **801** | **4,519** | **325** | **4,933** | **40** |
| 15 | Andaman &Nicobar Island | 45 | 0.82 | 2.09 | 2.95 | 0.86 | 0.38 | 2.11 | - | 33 | - |
| 16 | Bihar | 8,463 | 66.72 | 501.15 | 493.37 | 316.54 | - | 432.48 | - | 1,180 | 6 |
| 17 | Jharkhand | 208 | 12.68 | 3.49 | 15.23 | 1.00 | - | 2.64 | 7.23 | 60 | 1 |
| 18 | Orissa | 3,564 | 2,376.87 | 2,255.52 | 6,100.37 | 2,680.60 | 554.21 | 2,977.96 | 55.62 | 1,223 | 11 |
| 19 | West Bengal | 8,028 | 1,124.92 | 1,528.82 | 3,690.49 | 1,139.59 | 246.39 | 1,103.67 | 262.16 | 2,437 | 23 |
| | **CENTRAL REGION** | **15,938** | **1,074** | **4,550** | **7,472** | **3,869** | **258** | **3,549** | **244** | **7,412** | **122** |
| 20 | Chhattisgarh | 1,213 | 217.72 | 418.43 | 931.10 | 412.83 | 51.78 | 396.93 | 56.20 | 745 | 17 |
| 21 | Madhya Pradesh | 4,633 | 462.72 | 2,643.69 | 4,202.84 | 2,166.97 | 116.77 | 1,810.50 | 154.59 | 1,777 | 77 |
| 22 | Uttarakhand | 1,163 | 325.30 | 517.61 | 1,078.43 | 502.91 | 77.53 | 541.62 | 32.76 | 354 | 10 |
| 23 | Uttar Pradesh | 8,929 | 68.20 | 970.76 | 1,259.27 | 785.80 | 11.67 | 800.31 | - | 4,536 | 18 |
| | **WESTERN REGION** | **29,326** | **412** | **14,424** | **21,473** | **8,278** | **1,339** | **9,848** | **609** | **11,126** | **217** |
| 24 | Goa | 75 | 30.97 | 4.70 | 55.18 | 1.39 | 6.34 | 4.55 | 16.57 | 48 | 0.7 |
| 25 | Gujarat | 8,044 | 252.17 | 3,568.17 | 7,381.96 | 3,179.71 | 385.61 | 3,579.27 | 141.18 | 4,885 | 80 |
| 26 | Maharashtra | 21,199 | 128.90 | 10,851.37 | 14,036.11 | 5,096.54 | 947.16 | 6,263.92 | 451.64 | 6,187 | 136 |
| 27 | Dadra Nagar Haveli | 8 | - | - | 0.64 | 0.01 | - | - | - | 6 | - |
| | **SOUTHERN REGION** | **13,744** | **18,591** | **14,486** | **36,866** | **19,722** | **7,888** | **12,786** | **11,450** | **4,989** | **235** |
| 28 | Andhra Pradesh | 2,748 | 1,105.77 | 4,900.21 | 5,910.78 | 2,235.92 | 339.50 | 3,624.53 | 187.34 | 828 | 21 |
| 29 | Karnataka | 4,806 | 1,465.23 | 3,145.24 | 5,494.16 | 3,174.26 | 953.82 | 3,140.99 | 639.49 | 2,205 | 57 |
| 30 | Kerala | 1,608 | 13,087.59 | 2,004.69 | 17,459.94 | 9,802.67 | 5,562.39 | 3,580.80 | 8,438.51 | 855 | 81 |
| 31 | Puducherry | 52 | 66.01 | 25.57 | 106.21 | 95.14 | 13.26 | 15.82 | 58.72 | 23 | 1 |
| 32 | Tamil Nadu | 4,530 | 2,866.47 | 4,409.99 | 7,894.42 | 4,413.95 | 1,018.75 | 2,423.75 | 2,126.02 | 1,078 | 76 |
| | **ALL INDIA** | **95,633** | **26,245.38** | **48,938.44** | **94,584.88** | **48,021.93** | **10,764.80** | **37,951.40** | **13,131.10** | **37,291** | **842.6** |

## Appendix Table V.5: Select Indicators of Primary Agricultural Credit Societies - State-wise (Concluded)
(As on March 31, 2009)

| Sr. No. | Region/State | Societies in Loss | | Viable | Potentially viable | Dormant | Defunct | Others |
|---|---|---|---|---|---|---|---|---|
| | | No. | Amount (₹ crore) | | | | | |
| 1 | 2 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| | **NORTHERN REGION** | **3,515** | **66** | **8,926** | **2,844** | **676** | **249** | **43** |
| 1 | Chandigarh | 1 | - | 15 | - | 1 | - | - |
| 2 | Haryana | 475 | 3 | 620 | - | - | - | - |
| 3 | Himachal Pradesh | 367 | 4 | 433 | 1,626 | 33 | - | - |
| 4 | Jammu & Kashmir | 356 | 15 | 275 | 173 | 96 | 219 | 2 |
| 5 | Punjab | 970 | 13 | 3,206 | 290 | 490 | 4 | - |
| 6 | Rajasthan | 1,346 | 31 | 4,377 | 755 | 56 | 26 | 41 |
| | **NORTH-EASTERN REGION** | **1,075** | **134** | **2,071** | **407** | **665** | **434** | **2** |
| 7 | Arunachal Pradesh | 6 | - | 31 | - | - | - | - |
| 8 | Assam | 419 | 99 | 709 | 57 | - | - | - |
| 9 | Manipur | 108 | - | 195 | - | 8 | 1 | - |
| 10 | Meghalaya | 125 | 0.29 | 160 | 18 | 1 | - | - |
| 11 | Mizoram | 116 | 2 | 93 | 96 | - | 54 | 2 |
| 12 | Nagaland | - | - | 457 | 228 | 655 | 379 | - |
| 13 | Sikkim | 49 | - | 166 | - | - | - | - |
| 14 | Tripura | 252 | 33 | 260 | 8 | 1 | - | - |
| | **EASTERN REGION** | **10,749** | **75** | **15,491** | **2,969** | **797** | **539** | **512** |
| 15 | Andaman &Nicobar Island | 7 | - | 38 | - | 5 | 2 | - |
| 16 | Bihar | 3,962 | 1 | 8,463 | - | - | - | - |
| 17 | Jharkhand | - | - | 60 | 85 | 29 | - | 34 |
| 18 | Orissa | 2,285 | 58 | 2,970 | 443 | 27 | 5 | 119 |
| 19 | West Bengal | 4,495 | 17 | 3,960 | 2,441 | 736 | 532 | 359 |
| | **CENTRAL REGION** | **5,338** | **248** | **12,092** | **3,126** | **444** | **185** | **91** |
| 20 | Chhattisgarh | 468 | 25 | 1,117 | 96 | - | - | - |
| 21 | Madhya Pradesh | 2,465 | 212 | 3,371 | 1,185 | 6 | - | 71 |
| 22 | Uttarakhand | 437 | 10 | 489 | 576 | 56 | 22 | 20 |
| 23 | Uttar Pradesh | 1,968 | 2 | 7,115 | 1,269 | 382 | 163 | - |
| | **WESTERN REGION** | **17,152** | **677** | **17,913** | **9,911** | **745** | **374** | **383** |
| 24 | Goa | 27 | 2 | 55 | 12 | 8 | - | - |
| 25 | Gujarat | 2,605 | 274 | 4,667 | 2,142 | 706 | 325 | 204 |
| 26 | Maharashtra | 14,520 | 401 | 13,184 | 7,757 | 31 | 49 | 178 |
| 27 | Dadra Nagar Haveli | - | - | 7 | - | - | - | 1 |
| | **SOUTHERN REGION** | **8,040** | **715** | **8,379** | **3,789** | **657** | **189** | **730** |
| 28 | Andhra Pradesh | 1,782 | 226 | 2,221 | 525 | 2 | - | - |
| 29 | Karnataka | 2,342 | 98 | 3,371 | 1,003 | 165 | 50 | 217 |
| 30 | Kerala | 661 | 145 | 1,320 | 217 | 36 | 1 | 34 |
| 31 | Puducherry | 29 | 7 | 23 | 29 | - | - | - |
| 32 | Tamil Nadu | 3,226 | 239 | 1,444 | 2,015 | 454 | 138 | 479 |
| | **ALL INDIA** | **45,869.0** | **1,915.2** | **64,872** | **23,046** | **3,984** | **1,970** | **1,761** |

'-': Nil/Negligible.

**Source:** NAFSCOB.

## Appendix Table V.6: Working Results of State Cooperative Agriculture and Rural Development Banks - State-wise

(As at end-March)

(Amount in ₹. crore)

| Sr. No. | Region / State | Branches | Profit/Loss | | Total NPAs | | NPAs as percentage of Loans Outstanding | | Recovery (Per cent) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2008 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| | **NORTHERN REGION** | **85** | **72** | **61** | **724** | **760** | **13.0** | **13.9** | **58.5** | **64.9** |
| 1. | Haryana @ | - | 28 | 13 | 162 | 232 | 9.5 | 13.3 | 74.8 | 63.1 |
| 2. | Himachal Pradesh # | 33 | 4 | 4 | 122 | 102 | 44.1 | 39.0 | 59.8 | 49.3 |
| 3. | Jammu & Kashmir* | 45 | -5 | -5 | 12 | 7 | 100.0 | 80.1 | 37.6 | 20.9 |
| 4. | Punjab @ | - | 29 | 25 | 1 | 1 | 0.04 | 0.04 | 79.8 | 80.8 |
| 5. | Rajasthan @ | 7 | 16 | 24 | 427 | 419 | 27.6 | 28.9 | 30.0 | 59.2 |
| | **NORTH-EASTERN REGION** | **35** | **-** | **-3** | **18** | **16** | **58.6** | **52.0** | **71.0** | **53.4** |
| 6. | Assam* | 30 | 1 | -3 | 9 | 8 | 79.6 | 78.7 | 87.9 | 30.9 |
| 7. | Manipur* | - | - | - | - | - | - | - | - | - |
| 8. | Tripura* | 5 | -1 | - | 9 | 8 | 46.8 | 39.0 | 66.1 | 61.2 |
| | **EASTERN REGION** | **138** | **-3** | **-** | **445** | **359** | **45.7** | **39.2** | **33.7** | **28.3** |
| 9. | Bihar* | 131 | - | -1 | 79 | 59 | 91.8 | 85.3 | 16.9 | 1.9 |
| 10. | Orissa @ | 5 | -3 | -1 | 176 | 110 | 98.3 | 99.9 | 59.9 | 48.9 |
| 11. | West Bengal # | 2 | - | 2 | 190 | 190 | 26.8 | 25.7 | 33.1 | 36.4 |
| | **CENTRAL REGION** | **349** | **-171** | **208** | **2,755** | **1,725** | **47.9** | **39.2** | **69.5** | **35.3** |
| 12. | Chhattisgarh @ | - | -11 | - | 84 | 89 | 39.7 | 44.5 | 25.1 | 42.2 |
| 13. | Madhya Pradesh @ | 7 | - | -75 | 252 | 391 | 16.9 | 31.6 | 70.4 | 27.4 |
| 14. | Uttar Pradesh* | 342 | -161 | 283 | 2,419 | 1,244 | 59.7 | 42.0 | 70.7 | 38.3 |
| | **WESTERN REGION** | **181** | **-184** | **-177** | **1,569** | **1,382** | **80.1** | **77.6** | **10.0** | **20.1** |
| 15. | Gujarat* | 181 | 19 | 26 | 437 | 264 | 65.8 | 43.1 | 30.3 | 38.1 |
| 16. | Maharashtra @ | - | -203 | -203 | 1,132 | 1,117 | 87.4 | 95.7 | 2.7 | 13.3 |
| | **SOUTHERN REGION** | **56** | **42** | **-41** | **924** | **696** | **22.5** | **19.0** | **47.6** | **51.3** |
| 17. | Karnataka @ | 23 | -15 | -62 | 341 | 382 | 26.3 | 28.7 | 33.6 | 30.6 |
| 18. | Kerala @ | 14 | 16 | 17 | 161 | 92 | 9.1 | 5.1 | 77.1 | 88.4 |
| 19. | Puducherry* | 1 | - | 2 | 3 | 1 | 26.9 | 10.0 | 83.9 | 91.5 |
| 20. | Tamil Nadu @ | 18 | 41 | 2 | 419 | 221 | 40.9 | 41.3 | 18.9 | 4.9 |
| | **ALL INDIA** | **844** | **-243** | **49** | **6,435** | **4,938** | **34.8** | **30.1** | **49.9** | **40.0** |

'-': Nil/Negligible. @ Federal structure. # Mixed structure. * Unitary structure.

**Note:** 1) Data for 2009 are provisional.
2) Data for Manipur are not available for 2008 and 2009.

**Source:** NABARD.

# Appendix Table V.7: Working Results of Primary Cooperative Agriculture and Rural Development Banks -State-wise

(As at end-March)

(Amount in ₹. crore)

| Sr. No. | State | 2007-08 | | | | 2008-09 | | | | NPAs | | NPAs As Percentage of Loans Outstanding | | Recovery (Per cent) (as at end-June) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Profit | | Loss | | Profit | | Loss | | | | | | | |
| | | No. | Amount | No. | Amount | No. | Amount | No. | Amount | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| | **NORTHERN REGION** | **95** | **132** | **50** | **60** | **98** | **72** | **47** | **76** | **2,164** | **1,850** | **40.2** | **34.7** | **41.2** | **39.1** |
| 1. | Haryana | 17 | 100 | 2 | 1 | 4 | 25 | 15 | 45 | 762 | 661 | 46.8 | 38.2 | 36.9 | 22.3 |
| 2. | Himachal Pradesh | 1 | - | - | 3 | - | - | 1 | 3 | 28 | 26 | 36.4 | 35.5 | 56.8 | 59.2 |
| 3. | Punjab | 53 | 21 | 36 | 32 | 64 | 25 | 25 | 16 | 797 | 795 | 37.6 | 37.3 | 44.6 | 57.6 |
| 4. | Rajasthan | 24 | 12 | 12 | 24 | 30 | 22 | 6 | 12 | 578 | 368 | 37.0 | 26.4 | 41.4 | 40.1 |
| | **CENTRAL REGION** | **17** | **1** | **33** | **120** | **23** | **24** | **27** | **69** | **744** | **561** | **53.4** | **47.5** | **56.8** | **37.6** |
| 5. | Chhattisgarh | 8 | - | 4 | 1 | 6 | - | 6 | 3 | 71 | 72 | 38.2 | 42.1 | 47.5 | 49.5 |
| 6. | Madhya Pradesh | 9 | 1 | 29 | 118 | 17 | 24 | 21 | 66 | 674 | 489 | 55.7 | 48.5 | 57.9 | 36.0 |
| | **EASTERN REGION** | **8** | **3** | **60** | **38** | **11** | **3** | **54** | **38** | **201** | **130** | **27.0** | **19.7** | **75.2** | **73.7** |
| 7. | Orissa | 1 | 1 | 45 | 18 | 4 | 1 | 39 | 18 | 101 | 30 | 86.9 | 97.5 | 88.4 | 48.5 |
| 8. | West Bengal | 7 | 1 | 15 | 19 | 7 | 1 | 15 | 19 | 100 | 100 | 15.9 | 16.0 | 69.6 | 97.7 |
| | **WESTERN REGION** | **1** | **2** | **28** | **270** | **4** | **7** | **25** | **132** | **768** | **614** | **84.9** | **95.9** | **4.1** | **8.0** |
| 9. | Maharashtra | 1 | 2 | 28 | 270 | 4 | 7 | 25 | 132 | 768 | 614 | 84.9 | 95.9 | 4.1 | 8.0 |
| | **SOUTHERN REGION** | **162** | **75** | **222** | **86** | **167** | **71** | **236** | **61** | **1,239** | **1,238** | **37.1** | **36.2** | **46.8** | **50.1** |
| 10. | Karnataka | 80 | 32 | 97 | 32 | 79 | 26 | 98 | 39 | 366 | 394 | 29.8 | 31.9 | 22.7 | 49.0 |
| 11. | Kerala | 27 | - | - | - | 39 | 36 | 7 | 1 | 705 | 690 | 39.0 | 37.9 | 66.4 | 61.1 |
| 12. | Tamil Nadu | 55 | 43 | 125 | 54 | 49 | 9 | 131 | 21 | 169 | 154 | 54.1 | 42.2 | 30.4 | 12.1 |
| | **ALL INDIA** | **283** | **213** | **393** | **573** | **303** | **177** | **389** | **376** | **5,117** | **4,393** | **42.2** | **39.0** | **42.2** | **40.3** |

'-': Nil/Negligible.

**Note:** Data for 2009 are provisional.

**Source:** NABARD.

## Appendix Table V.8: Sanctions and Disbursements under Rural Infrastructure Development Fund - State-wise (Continued)
(At end-March 2010)

(₹ crore)

| Name of State/Region | RIDF I | | RIDF II | | RIDF III | | RIDF IV | | RIDF V | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Sanctions | Disburse-ments | Sanctions | Disburse-ments | Sanctions | Disburse-ments | Sanctions | Disburse-ments | Sanctions | Disburse-ments |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **ALL INDIA** | **1,906** | **1,761** | **2,636** | **2,398** | **2,733** | **2,454** | **2,903** | **2,482** | **3,435** | **3,055** |
| **SOUTHERN REGION** | **499** | **460** | **865** | **780** | **752** | **673** | **702** | **640** | **925** | **856** |
| Andhra Pradesh | 227 | 215 | 337 | 308 | 282 | 252 | 287 | 273 | 379 | 359 |
| Karnataka | 176 | 159 | 195 | 180 | 171 | 162 | 172 | 167 | 173 | 165 |
| Kerala | 96 | 86 | 87 | 73 | 89 | 74 | 64 | 57 | 127 | 117 |
| Tamil Nadu | - | - | 246 | 219 | 209 | 186 | 179 | 143 | 246 | 216 |
| Puducherry | - | - | - | - | - | - | - | - | - | - |
| **WESTERN REGION** | **345** | **322** | **359** | **319** | **408** | **381** | **426** | **380** | **572** | **511** |
| Goa | 7 | 7 | | | | | 9 | 9 | | |
| Gujarat | 151 | 145 | 127 | 114 | 154 | 135 | 115 | 91 | 222 | 179 |
| Maharashtra | 187 | 170 | 232 | 204 | 254 | 246 | 302 | 280 | 350 | 332 |
| **NORTHERN REGION** | **527** | **499** | **792** | **713** | **838** | **753** | **935** | **749** | **868** | **810** |
| Haryana | 27 | 19 | 64 | 62 | 67 | 62 | 53 | 48 | 90 | 80 |
| Himachal Pradesh | 14 | 14 | 53 | 53 | 51 | 49 | 88 | 79 | 110 | 108 |
| Jammu & Kashmir | 6 | 6 | - | - | 36 | 24 | 107 | 103 | 111 | 109 |
| Punjab | 61 | 61 | 63 | 62 | 89 | 85 | 96 | 75 | 103 | 91 |
| Rajasthan | 124 | 117 | 152 | 129 | 158 | 140 | 64 | 49 | 132 | 120 |
| Uttar Pradesh | 296 | 282 | 461 | 407 | 414 | 389 | 475 | 389 | 317 | 300 |
| Uttarakhand | - | - | - | - | 22 | 2 | 51 | 6 | 5 | - |
| **CENTRAL REGION** | **241** | **215** | **250** | **239** | **280** | **262** | **242** | **218** | **263** | **245** |
| Chhattisgarh | 82 | 78 | 10 | 6 | 57 | 58 | 69 | 65 | 34 | 32 |
| Madhya Pradesh | 159 | 137 | 241 | 233 | 223 | 204 | 173 | 153 | 229 | 213 |
| **EASTERN REGION** | **286** | **257** | **307** | **286** | **432** | **363** | **481** | **392** | **442** | **363** |
| Bihar | 22 | 13 | - | - | 58 | 27 | - | - | - | - |
| Jharkhand | - | - | - | - | 4 | 2 | 119 | 82 | 91 | 82 |
| Orissa | 170 | 162 | 151 | 141 | 199 | 172 | 149 | 117 | 128 | 100 |
| West Bengal | 95 | 82 | 156 | 145 | 171 | 161 | 214 | 193 | 222 | 181 |
| **NORTH EASTERN REGION** | **9** | **8** | **63** | **61** | **23** | **23** | **117** | **103** | **364** | **270** |
| Arunachal Pradesh | - | - | - | - | - | - | - | - | 25 | 23 |
| Assam | - | - | 63 | 61 | 16 | 16 | 65 | 52 | 186 | 117 |
| Manipur | 2 | 1 | - | - | - | - | - | - | - | - |
| Meghalaya | 3 | 3 | - | - | 7 | 7 | 9 | 9 | 31 | 31 |
| Mizoram | 2 | 2 | - | - | - | - | - | - | 54 | 54 |
| Nagaland | 1 | 1 | - | - | - | - | - | - | 16 | 14 |
| Sikkim | - | - | - | - | - | - | 21 | 21 | 9 | 9 |
| Tripura | - | - | - | - | - | - | 22 | 21 | 44 | 22 |

**Appendix Table V.8: Sanctions and Disbursements under Rural Infrastructure Development Fund - State-wise** (Continued)

(At end-March 2010)

(₹ crore)

| Name of State/Region | RIDF VI | | RIDF VII | | RIDF VIII | | RIDF IX | | RIDF X | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Sanctions | Disburse-ments | Sanctions | Disburse-ments | Sanctions | Disburse-ments | Sanctions | Disburse-ments | Sanctions | Disburse-ments |
| 1 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| **ALL INDIA** | **4,489** | **4,071** | **4,582** | **4,053** | **5,950** | **5,149** | **5,638** | **4,916** | **7,672** | **6,489** |
| **SOUTHERN REGION** | **1,279** | **1,174** | **1,388** | **1,256** | **1,706** | **1,480** | **1,783** | **1,481** | **2,817** | **2,311** |
| Andhra Pradesh | 559 | 511 | 609 | 558 | 904 | 752 | 856 | 651 | 1,533 | 1,208 |
| Karnataka | 292 | 275 | 235 | 212 | 220 | 202 | 290 | 261 | 407 | 368 |
| Kerala | 175 | 159 | 192 | 159 | 194 | 168 | 90 | 74 | 219 | 172 |
| Tamil Nadu | 253 | 229 | 353 | 327 | 388 | 358 | 548 | 494 | 658 | 563 |
| Puducherry | - | - | - | - | - | - | - | - | - | - |
| **WESTERN REGION** | **964** | **881** | **586** | **471** | **743** | **690** | **966** | **954** | **1,407** | **1,350** |
| Goa | 19 | 9 | 16 | 10 | 16 | 10 | - | - | - | - |
| Gujarat | 506 | 462 | 41 | 22 | 284 | 284 | 899 | 899 | 1,312 | 1,275 |
| Maharashtra | 439 | 410 | 530 | 439 | 443 | 396 | 67 | 55 | 95 | 75 |
| **NORTHERN REGION** | **1,070** | **1,006** | **1,439** | **1,360** | **1,558** | **1,407** | **1,386** | **1,264** | **1,720** | **1,509** |
| Haryana | 65 | 62 | 150 | 140 | 267 | 239 | 153 | 125 | 166 | 153 |
| Himachal Pradesh | 127 | 128 | 168 | 175 | 169 | 154 | 142 | 112 | 92 | 77 |
| Jammu & Kashmir | 162 | 155 | 217 | 207 | 176 | 158 | 154 | 147 | 49 | 43 |
| Punjab | 229 | 200 | 232 | 206 | 206 | 198 | 287 | 254 | 311 | 281 |
| Rajasthan | 254 | 245 | 375 | 347 | 347 | 281 | 140 | 125 | 313 | 235 |
| Uttar Pradesh | 233 | 218 | 298 | 269 | 323 | 311 | 218 | 212 | 481 | 428 |
| Uttarakhand | - | - | - | 16 | 70 | 65 | 292 | 289 | 308 | 291 |
| **CENTRAL REGION** | **372** | **310** | **396** | **322** | **823** | **736** | **708** | **570** | **593** | **497** |
| Chhattisgarh | 51 | 43 | 85 | 70 | 282 | 242 | 433 | 351 | 63 | 39 |
| Madhya Pradesh | 321 | 267 | 311 | 253 | 540 | 494 | 275 | 219 | 531 | 458 |
| **EASTERN REGION** | **512** | **442** | **672** | **544** | **964** | **704** | **538** | **445** | **1,051** | **742** |
| Bihar | - | - | 58 | 38 | 199 | 161 | 97 | 62 | 75 | 52 |
| Jharkhand | - | - | - | - | - | - | 49 | 39 | 174 | 113 |
| Orissa | 104 | 86 | 149 | 137 | 247 | 211 | 185 | 156 | 376 | 281 |
| West Bengal | 408 | 356 | 464 | 369 | 519 | 332 | 207 | 189 | 426 | 295 |
| **NORTH EASTERN REGION** | **291** | **258** | **101** | **99** | **156** | **131** | **257** | **203** | **84** | **80** |
| Arunachal Pradesh | 103 | 92 | 69 | 69 | - | - | 15 | 12 | 26 | 23 |
| Assam | 50 | 45 | - | - | 76 | 62 | 190 | 141 | 14 | 13 |
| Manipur | 8 | 8 | - | - | - | - | - | - | 1 | - |
| Meghalaya | 30 | 29 | 18 | 17 | 16 | 15 | 16 | 14 | - | - |
| Mizoram | 4 | 4 | 7 | 7 | 2 | 2 | 14 | 14 | 7 | 7 |
| Nagaland | 56 | 48 | 1 | 1 | 7 | 7 | 17 | 17 | 29 | 28 |
| Sikkim | 5 | 5 | 5 | 5 | 5 | 5 | 3 | 3 | 8 | 8 |
| Tripura | 35 | 28 | - | - | 50 | 41 | 3 | 3 | - | - |

## Appendix Table V.8: Sanctions and Disbursements under Rural Infrastructure Development Fund - State-wise (Concluded)

(At end-March 2010)

(₹ crore)

| Name of State/ Region | RIDF XI | | RIDF XII | | RIDF XIII | | RIDF XIV | | RIDF XV | | STATE TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sanctions | Disburse-ments | Sanctions | Disburse-ments | Sanctions | Disburse-ments | Sanctions | Disburse-ments | Sanctions | Disburse-ments | Sanctions | Disburse-ments |
| 1 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 |
| **ALL INDIA** | **8,320** | **6,605** | **10,411** | **7,280** | **12,706** | **7,601** | **14,708** | **6,653** | **15,630** | **3,474** | **1,03,718** | **68,440** |
| **SOUTHERN REGION** | **2,525** | **2,018** | **2,301** | **1,845** | **3,482** | **2,067** | **3,436** | **1,410** | **3,124** | **650** | **27,583** | **19,101** |
| Andhra Pradesh | 1,267 | 1,011 | 744 | 562 | 1,266 | 687 | 1,315 | 505 | 1,185 | 239 | 11,750 | 8,090 |
| Karnataka | 449 | 391 | 497 | 399 | 961 | 433 | 661 | 110 | 657 | 8 | 5,555 | 3,491 |
| Kerala | 205 | 125 | 261 | 167 | 298 | 171 | 501 | 233 | 353 | 76 | 2,951 | 1,911 |
| Tamil Nadu | 604 | 491 | 799 | 717 | 957 | 776 | 905 | 538 | 850 | 328 | 7,194 | 5,585 |
| Puducherry | - | - | - | - | - | - | 55 | 23 | 79 | - | 133 | 23 |
| **WESTERN REGION** | **992** | **789** | **1,317** | **751** | **1,760** | **1,290** | **2,293** | **1,386** | **2,034** | **648** | **15,172** | **11,125** |
| Goa | - | - | - | - | 27 | 9 | 86 | 86 | 149 | 61 | 328 | 200 |
| Gujarat | 891 | 755 | 803 | 331 | 649 | 475 | 1,085 | 747 | 972 | 365 | 8,210 | 6,281 |
| Maharashtra | 101 | 34 | 513 | 420 | 1,084 | 806 | 1,123 | 553 | 914 | 222 | 6,634 | 4,643 |
| **NORTHERN REGION** | **2,202** | **1,833** | **3,348** | **2,573** | **3,550** | **2,303** | **3,933** | **2,029** | **5,010** | **1,216** | **29,176** | **20,024** |
| Haryana | 178 | 164 | 252 | 228 | 258 | 182 | 288 | 124 | 543 | 129 | 2,621 | 1,816 |
| Himachal Pradesh | 225 | 177 | 273 | 168 | 299 | 117 | 425 | 163 | 454 | 140 | 2,691 | 1,715 |
| Jammu & Kashmir | 80 | 79 | 461 | 414 | 602 | 352 | 342 | 150 | 654 | 134 | 3,156 | 2,082 |
| Punjab | 283 | 243 | 553 | 454 | 336 | 269 | 525 | 303 | 553 | 132 | 3,925 | 2,915 |
| Rajasthan | 592 | 479 | 742 | 507 | 825 | 563 | 1,100 | 611 | 1,015 | 249 | 6,332 | 4,197 |
| Uttar Pradesh | 788 | 641 | 1,035 | 771 | 1,092 | 725 | 952 | 525 | 1,364 | 356 | 8,747 | 6,223 |
| Uttarakhand | 57 | 50 | 32 | 31 | 138 | 95 | 300 | 152 | 426 | 76 | 1,703 | 1,076 |
| **CENTRAL REGION** | **507** | **384** | **782** | **601** | **1,337** | **582** | **1,047** | **379** | **1,261** | **370** | **9,101** | **5,930** |
| Chhattisgarh | 118 | 78 | 53 | 27 | 76 | 38 | 72 | 43 | 86 | 26 | 1,569 | 1,195 |
| Madhya Pradesh | 389 | 306 | 729 | 574 | 1,261 | 544 | 975 | 336 | 1,176 | 345 | 7,532 | 4,734 |
| **EASTERN REGION** | **1,423** | **1,090** | **1,991** | **1,115** | **2,169** | **1,169** | **3,052** | **1,159** | **3,125** | **441** | **17,446** | **9,510** |
| Bihar | 459 | 377 | 649 | 186 | 589 | 418 | 752 | 284 | 877 | 167 | 3,835 | 1,784 |
| Jharkhand | 107 | 89 | 331 | 239 | 407 | 251 | 631 | 317 | 567 | 69 | 2,480 | 1,283 |
| Orissa | 397 | 275 | 498 | 358 | 509 | 184 | 849 | 208 | 760 | 28 | 4,871 | 2,617 |
| West Bengal | 459 | 349 | 513 | 331 | 665 | 316 | 820 | 350 | 922 | 177 | 6,260 | 3,826 |
| **NORTH EASTERN REGION** | **671** | **490** | **673** | **396** | **407** | **190** | **947** | **289** | **1,076** | **148** | **5,240** | **2,751** |
| Arunachal Pradesh | 149 | 70 | 140 | 93 | 29 | 12 | 122 | 48 | 56 | 16 | 735 | 458 |
| Assam | 402 | 339 | 283 | 178 | 88 | 41 | 113 | 43 | 300 | 57 | 1,846 | 1,164 |
| Manipur | 28 | - | 16 | 16 | - | - | - | - | 4 | - | 58 | 25 |
| Meghalaya | 32 | 22 | 24 | 18 | 57 | 46 | 66 | 25 | 135 | 27 | 445 | 262 |
| Mizoram | 19 | 19 | 8 | 8 | 22 | 22 | 1 | 1 | 75 | 20 | 216 | 161 |
| Nagaland | 34 | 34 | 25 | 21 | 15 | 15 | 240 | 41 | 187 | 28 | 627 | 256 |
| Sikkim | 6 | 6 | 16 | 16 | 42 | 36 | 99 | 40 | 177 | 1 | 397 | 155 |
| Tripura | - | - | 161 | 46 | 154 | 19 | 305 | 91 | 142 | - | 917 | 271 |

'-' : Nil/Negligible.

**Source:** NABARD.

## Appendix Table V.9: Kisan Credit Card Scheme - State-wise Progress

(As at end-March 2010)

(Amount in ₹ crore and Number of cards issued in '000)

| Sr. No. | State / UT | Cooperative Banks | | Regional Rural Banks | | Commercial Banks | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | Cards Issued | Amount Sanctioned | Cards Issued | Amount Sanctioned | Cards Issued | Amount Sanctioned | Cards Issued | Amount Sanctioned |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1 | Andhra Pradesh | 3,594 | 6,751 | 2,068 | 4,405 | 9,919 | 32,880 | 15,582 | 44,036 |
| 2 | Assam | 14 | 18 | 154 | 513 | 399 | 795 | 568 | 1,326 |
| 3 | Arunachal Pradesh # | 1 | 1 | 3 | 5 | 19 | 42 | 23 | 48 |
| 4 | Bihar | 833 | 1,008 | 1,110 | 4,067 | 1,862 | 8,181 | 3,805 | 13,256 |
| 5 | Gujarat | 1,206 | 18,457 | 248 | 2,644 | 1,543 | 22,622 | 2,997 | 43,723 |
| 6 | Goa $ | 4 | 19 | - | - | 12 | 139 | 17 | 158 |
| 7 | Haryana | 1,259 | 7,833 | 372 | 3,363 | 861 | 9,319 | 2,492 | 20,516 |
| 8 | Himachal Pradesh | 192 | 513 | 55 | 273 | 256 | 1,461 | 503 | 2,247 |
| 9 | Jammu & Kashmir | 53 | 78 | 24 | 173 | 15 | 101 | 93 | 353 |
| 10 | Karnataka | 1,867 | 7,197 | 1,255 | 6,135 | 2,543 | 15,476 | 5,665 | 28,808 |
| 11 | Kerala | 1,482 | 4,087 | 473 | 1,687 | 1,512 | 5,468 | 3,466 | 11,241 |
| 12 | Madhya Pradesh | 3,389 | 14,262 | 575 | 3,041 | 1,813 | 14,906 | 5,777 | 32,209 |
| 13 | Maharashtra | 5,395 | 32,157 | 330 | 1,180 | 2,972 | 13,859 | 8,697 | 47,197 |
| 14 | Meghalaya # | 11 | 15 | 22 | 40 | 46 | 120 | 79 | 174 |
| 15 | Mizoram # | 2 | 1 | 9 | 56 | 15 | 34 | 26 | 92 |
| 16 | Manipur # | 14 | 34 | 2 | 3 | 28 | 76 | 44 | 113 |
| 17 | Nagaland # | 3 | 2 | 2 | 4 | 23 | 44 | 28 | 49 |
| 18 | Orissa | 3,592 | 10,323 | 705 | 1,523 | 1,257 | 3,804 | 5,553 | 15,649 |
| 19 | Punjab | 904 | 6,370 | 140 | 1,719 | 1,353 | 16,979 | 2,398 | 25,068 |
| 20 | Rajasthan | 2,960 | 8,915 | 499 | 4,735 | 1,762 | 20,647 | 5,220 | 34,298 |
| 21 | Sikkim #$ | 3 | 8 | - | - | 8 | 32 | 11 | 40 |
| 22 | Tamil Nadu ## | 1,638 | 5,481 | 294 | 675 | 4,224 | 14,592 | 6,156 | 20,748 |
| 23 | Tripura # | 4 | 6 | 53 | 94 | 64 | 147 | 121 | 248 |
| 24 | Uttar Pradesh** | 6,280 | 7,578 | 3,916 | 14,320 | 6,917 | 39,731 | 17,113 | 61,629 |
| 25 | West Bengal | 1,535 | 5,782 | 375 | 1,814 | 1,535 | 4,756 | 3,445 | 12,352 |
| 26 | Andaman and Nicobar Islands #$ | 4 | 10 | - | - | 3 | 10 | 7 | 20 |
| 27 | Chandigarh $ | - | - | - | - | 3 | 20 | 3 | 20 |
| 28 | Daman & Diu @$ | - | - | - | - | 2 | 14 | 2 | 14 |
| 29 | New Delhi #$ | 2 | 9 | - | - | 22 | 295 | 24 | 304 |
| 30 | D & N Haveli @$ | - | - | - | - | 3 | 29 | 3 | 29 |
| 31 | Lakshdweep @$ | - | - | - | - | 1 | 3 | 1 | 3 |
| 32 | Puducherry # | 7 | 34 | - | - | 60 | 232 | 67 | 267 |
| 33 | Jharkhand** | 279 | 544 | 387 | 496 | 503 | 1,555 | 1,168 | 2,596 |
| 34 | Chhattisgarh | 1,046 | 2,413 | 301 | 779 | 317 | 1,718 | 1,663 | 4,910 |
| 35 | Uttarakhand | 314 | 689 | 50 | 220 | 304 | 2,835 | 668 | 3,744 |
| 36 | Other States | | | | | - | - | - | - |
| 37 | Statewise breakup not available for Comml. Bks. (1998-99) | | | | | 188 | 267 | 188 | 267 |
| **38** | **Total** | **37,888** | **1,40,594** | **13,421** | **53,964** | **42,364** | **2,33,190** | **93,673** | **4,27,748** |

'-': Nil/Negligible.

\# StCB functions as Central Financing Agencies @ No Cooperative Banks in these UTs. $ No RRBs in these States/UTs.

** Data under reconciliation.

\## No. of cards issued by Cooperatives in Tamil Nadu during the year is 950,89 and amount sanctioned ₹ 25,174 lakhs. However, the same is nullified to reflect the reduction of 237,432 in cumulative number of cards issued by Tiruchirapally DCCB, effected during the year.

**Source :** NABARD

## Appendix Table VI.1: Financial Assistance Sanctioned and Disbursed by Financial Institutions

(Amount in ₹ crore)

| Institutions | Loans* | | | | Underwriting and Direct Subscription | | | | Others# | | | | Total | | | | Percentage variation Over 2008-09 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008-09 | | 2009-10 | | 2008-09 | | 2009-10 | | 2008-09 | | 2009-10 | | 2008-09 | | 2009-10 | | | |
| | S | D | S | D | S | D | S | D | S | D | S | D | S | D | S | D | S | D |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| **A. All India Development Financial Institutions Banks (1 and 2)** | **29,188.0** | **28,297.8** | **35,084.6** | **31,755.1** | **-** | **-** | **-** | **-** | **28.7** | **20.0** | **26.6** | **23.9** | **29,216.7** | **28,317.8** | **35,111.2** | **31,778.1** | **20.2** | **12.2** |
| 1. SIDBI | 29,188.0 | 28,297.8 | 35,084.6 | 31,755.1 | - | - | - | - | 28.7 | 20.0 | 26.6 | 23.9 | 29,216.7 | 28,317.8 | 35,111.2 | 31,778.1 | 20.2 | 12.2 |
| 2. IIBI | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **B. Specialised Financial Institutions (3 and 4)** | **16.3** | **7.3** | **20.0** | **26.8** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **16.3** | **7.3** | **20.0** | **26.8** | **23.1** | **269.0** |
| 3. IVCF | 16.3 | 7.3 | 20.0 | 26.8 | - | - | - | - | - | - | - | - | 16.3 | 7.3 | 20.0 | 26.8 | 23.1 | 269.0 |
| 4. ICICI Venture | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| **C. Investment Institutions (5 and 6)** | **9,241.2** | **5,696.4** | **13,936.5** | **3,559.0** | **61,703.7** | **56,538.8** | **51,318.8** | **51,613.5** | **455.0** | **122.1** | **821.4** | **98.7** | **71,399.9** | **62,357.3** | **66,076.6** | **55,271.1** | **(7.5)** | **(11.4)** |
| 5. LIC | 9,201.2 | 5,656.2 | 13,896.5 | 3,519.0 | 61,198.7 | 56,033.8 | 50,748.2 | 51,042.9 | 455.0 | 122.1 | 821.4 | 98.7 | 70,854.9 | 61,812.2 | 65,466.0 | 54,660.5 | (7.6) | (11.6) |
| 6. GIC @ | 40.0 | 40.1 | 40.0 | 40.0 | 505.0 | 505.0 | 570.6 | 570.6 | - | - | - | - | 545.0 | 545.1 | 610.6 | 610.6 | 12.0 | 12.0 |
| **Financial Institutions (A+B+C)** | **38,445.4** | **34,001.4** | **49,041.0** | **35,340.9** | **61,703.7** | **56,538.8** | **51,318.8** | **51,613.5** | **483.7** | **142.1** | **848.0** | **122.6** | **100,632.8** | **90,682.4** | **101,207.8** | **87,076.0** | **0.6** | **(4.0)** |
| **E. State level Institutions (7 and 8)** | **..** | **..** | **..** | **..** | **..** | **..** | **..** | **..** | **..** | **..** | **..** | **..** | **..** | **..** | **..** | **..** | **..** | **..** |
| 7.SFCs | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| 8. SIDCs | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| **F. Total Assistance by All Financial Institutions (D+E)** | **38,445** | **34,001** | **49,041** | **35,341** | **61,704** | **56,539** | **51,319** | **51,613** | **484** | **142** | **848** | **123** | **100,633** | **90,682** | **101,208** | **87,076** | **0.6** | **(4.0)** |

S : Sanctions. D : Disbursements. – : Nil. .. : Not available. * : Loans include rupee loans, foreign currency loans. # : Others include guarantees. @ : Data include GIC and its subsidiaries.

**Note:** All data are provisional.

**Source :** Respective Financial Institutions.

## Appendix Table VI.2: Financial Performance of Primary Dealers

(Amount in ₹ crore)

| Sr. No. | Name of the Primary Dealer | Year | Income | | | | Expenditure | | | Profit Before Tax | Profit After Tax | Return on Net worth (per cent) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Interest Income including Discount Income | Trading Profit | Other Income | Total Income | Interest Expenses | Other Expenses | Total Expen-diture | | | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 1 | Securities Trading Corporation | 2008-09 | 84 | 90 | 9 | 183 | 62 | 13 | 75 | 107 | 107 | 44.2 |
| | of India Ltd. | 2009-10 | 100 | -31 | 11 | 80 | 44 | 16 | 60 | 20 | 13 | 4.7 |
| 2 | SBI DFHI LTD | 2008-09 | 162 | 22 | 13 | 197 | 56 | 10 | 66 | 102 | 67 | 6.2 |
| | | 2009-10 | 127 | 50 | 15 | 192 | 40 | 14 | 54 | 135 | 89 | 7.9 |
| 3 | ICICI Securities Ltd | 2008-09 | 309 | 388 | 32 | 729 | 229 | 81 | 310 | 418 | 272 | 53.3 |
| | | 2009-10 | 245 | 24 | 52 | 321 | 134 | 72 | 206 | 116 | 85 | 15.0 |
| 4 | PNB Gilts Ltd. | 2008-09 | 112 | -29 | 29 | 112 | 67 | 7 | 74 | 38 | 25 | 4.7 |
| | | 2009-10 | 101 | -30 | 31 | 102 | 35 | 11 | 46 | 56 | 37 | 6.5 |
| 5 | Morgan Stanley - PD* | 2008-09 | | | | | | | | | | |
| | | 2009-10 | 29 | 3 | 7 | 39 | 13 | 17 | 30 | 10 | 5 | 1.9 |
| 6 | Nomura FI Sec. Ltd.# | 2008-09 | | | | | | | | | | |
| | | 2009-10 | 18 | -10 | 15 | 23 | 7 | 14 | 21 | 1 | 1 | 0.4 |
| 7 | Deutsche Securities (India) Pvt Ltd | 2008-09 | 50 | 15 | 12 | 77 | 30 | 6 | 36 | 41 | 27 | 13.3 |
| | | 2009-10 | 47 | -10 | 7 | 44 | 17 | 4 | 21 | 23 | 15 | 6.7 |
| 8 | IDBI Gilts Ltd | 2008-09 | 45 | -30 | 6 | 21 | 33 | 7 | 40 | -20 | -20 | -21.4 |
| | | 2009-10 | 23 | -26 | 6.0 | 3 | 13 | 9 | 22 | -18.0 | -18 | -17.0 |
| | **TOTAL** | **2008-09** | **878** | **843** | **104** | **1825** | **546** | **146** | **692** | **1133** | **749** | **22.8** |
| | | **2009-10** | **690** | **-30** | **144** | **804** | **303** | **158** | **461** | **343** | **227** | **6.9** |

* : Commenced PD operations *w.e.f.* July 20, 2009.  #: Commenced PD operations *w.e.f.* September 7, 2009.

All amounts rounded off to the nearest crore.

-: Not applicable

**Source:** Primary Dealers' Returns

## Appendix Table VI.3: Select Financial Indicators of Primary Dealers

(Amount in ₹ crore)

| Sr. No. | Name of the Primary Dealer | Capital Funds (Tier I + Tier II + eligible Tier III) | | CRAR (per cent) | | Stock of Government Securities and Treasury bills (Book Value/MTM) | | Total Assets (Net of current liabilities and provisions) | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1 | Securities Trading Corporation of India Ltd. | 253 | 258 | 38 | 33 | 1,067 | 960 | 1,176 | 1,240 |
| 2 | SBI DFHI Ltd. | 1,084 | 1,109 | 49 | 149 | 1,188 | 1,225 | 2088 | 1,917 |
| 3 | ICICI Securities Ltd. | 641 | 807 | 36 | 29 | 1,421 | 639 | 2,799 | 3,046 |
| 4 | PNB Gilts Ltd. | 546 | 553 | 26 | 42 | 1,824 | 1,007 | 2,098 | 1,308 |
| 5 | Morgan Stanley India Primary Dealer Pvt. Ltd.* | - | 267 | - | 17 | - | 1,311 | - | 1,275 |
| 6 | Nomura Fixed Income Securities Pvt. Ltd.** | - | 246 | - | 50 | - | 707 | - | 793 |
| 7 | Deutsche Securities (India) Pvt Ltd | 221 | 228 | 25 | 53 | 615 | 235 | 663 | 279 |
| 8 | IDBI Gilts Ltd. | 81 | 142 | 36 | 72 | 420 | 175 | 467 | 449 |
| | **TOTAL** | **3,464** | **3,610** | **35** | **43** | **7,305** | **6,258** | **10,307** | **10,308** |

* : Morgan Stanley India PD commenced PD operations *w.e.f.* July 20, 2009.

** : Nomura FIS commenced PD operations *w.e.f.* September 7 , 2009.

– : Not applicable.

Amount rounded off to the nearest crore.

**Source:** Primary Dealers' Returns.