IV OPERATIONS AND PERFORMANCE OF COMMERCIAL BANKS

During 2023-24, the consolidated balance sheet of commercial banks in India remained robust, marked by sustained expansion in both credit and deposits. Asset quality indicated gains across all bank groups. Capital and liquidity buffers remained well above regulatory requirements and profitability exhibited improvement for the sixth consecutive year.

1. Introduction

IV.1 The Indian commercial banking sector exhibited sustained strength during 2023-24 and H1: 2024-25. The consolidated balance sheet of scheduled commercial banks (SCBs) underwent double-digit expansion, led by robust credit growth[1]. Banks' profitability rose for the sixth consecutive year and asset quality improved further with the gross non-performing assets (GNPA) ratio falling to its lowest in 13 years at 2.7 per cent at end-March 2024. Banks' capital position remained satisfactory as reflected in their leverage and capital to risk weighted assets ratios (CRAR). All bank groups met regulatory requirements related to liquidity while maintaining high provision coverage ratios (PCRs).

IV.2 Against this background, this chapter is organised into 17 sections. Balance sheet developments are analysed in Section 2, followed by an assessment of their financial performance and financial soundness in Sections 3 and 4, respectively. Section 5 focuses on bank credit and its sectoral dynamics. The ownership pattern in commercial banks is discussed in Section 6. Corporate governance and compensation practices are presented in Section 7. Operations of foreign banks in India and overseas operations of Indian banks are covered in Section 8, followed by developments in payments systems (Section 9), technology adoption by banks (Section 10), consumer protection (Section 11) and financial inclusion (Section 12). Developments relating to regional rural banks (RRBs), local area banks (LABs), small finance banks (SFBs) and payments banks (PBs) are set out in Sections 13 to 16. An overall assessment of the domestic commercial banking system in Section 17 completes the chapter.

2. Balance Sheet Analysis

IV.3 At end-March 2024, India's commercial banking sector consisted of 12 public sector banks (PSBs), 21 private sector banks (PVBs), 45 foreign banks (FBs), 12 SFBs, six PBs, 43 RRBs, and two LABs. Out of these 141 commercial banks, 137 were classified as scheduled banks, while four were non-scheduled[2].

[1] Throughout this chapter, unless explicitly stated otherwise, data for all commercial banks and private sector banks from July 2023 onwards are inclusive of merger of a non-bank with a private sector bank and, therefore, the data may not be strictly comparable to the previous periods.

[2] Commercial banks are classified into scheduled and non-scheduled based on their inclusion or otherwise in the second schedule of the RBI Act, 1934. At end-March 2024, two PBs, *viz.*, Jio Payments Bank Ltd. and NSDL Payments Bank Ltd. and two LABs, *viz.*, Coastal Local Area Bank Ltd. and Krishna Bhima Samruddhi LAB Ltd. were non-scheduled commercial banks.

IV.4 The consolidated balance sheet of SCBs, excluding RRBs, increased by 15.5 per cent during 2023-24 (including the impact of the merger[3]), as compared with 12.2 per cent during 2022-23 (Appendix Table IV.1). On the assets side, this expansion was driven by buoyant bank credit, which increased by 16.0 per cent in 2023-24 (excluding the impact of the merger) on top of 17.4 per cent growth a year ago. SCBs' investments grew by 11.6 per cent in 2023-24 (excluding the impact of the merger) as compared with 11.4 per cent a year ago[4] (Chart IV.1).

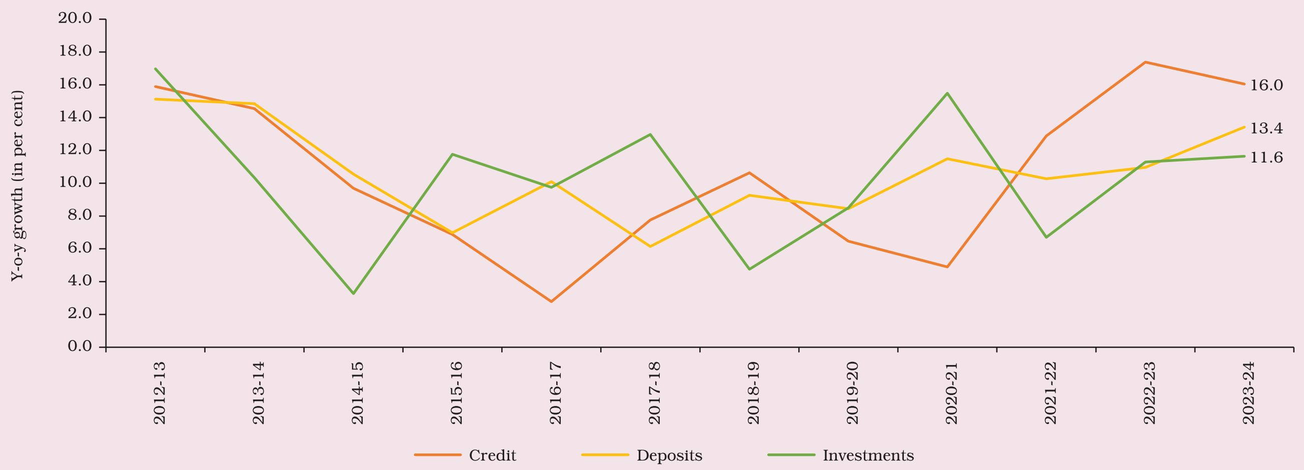
IV.5 The share of PSBs in the consolidated balance sheet of SCBs fell to 55.2 per cent at end-March 2024 from 57.6 per cent at end-March 2023, with that of PVBs increasing from 34.7 per cent to 37.5 per cent. PSBs accounted for 59.3 per cent of total deposits of SCBs and 55.5 per cent of total advances (Table IV.1).

IV.6 The share of loans and advances in total assets of SCBs increased by 2.2 percentage points during 2023-24 (Chart IV.2).

2.1 Liabilities

IV.7 Deposit growth of commercial banks accelerated to 13.4 per cent in 2023-24 (excluding the merger impact)[5] from 11.0 per cent a year ago. The weighted average domestic term deposit rate (WADTDR) on fresh deposits of PVBs increased to 6.6 per cent at end-March 2024 from 4.5 per cent at end-March 2022. Higher term deposit rates drove a faster pace of growth in term deposits relative to current account and savings account

Chart IV.1: Select Aggregates of SCBs
(At end-March)



Note: Credit, deposit and investment growth for 2023-24 exclude the impact of merger of a non-bank with a private sector bank.
Source: Annual accounts of respective banks.

3 Throughout this chapter, merger refers to the merger of a non-bank with a private sector bank.
4 Including the impact of the merger, bank credit and investments rose by 19.7 per cent and 13.0 per cent, respectively, in 2023-24.
5 14.0 per cent including the merger impact.

Table IV.1: Consolidated Balance Sheet of Scheduled Commercial Banks
(At end-March)

(Amount in ₹ crore)

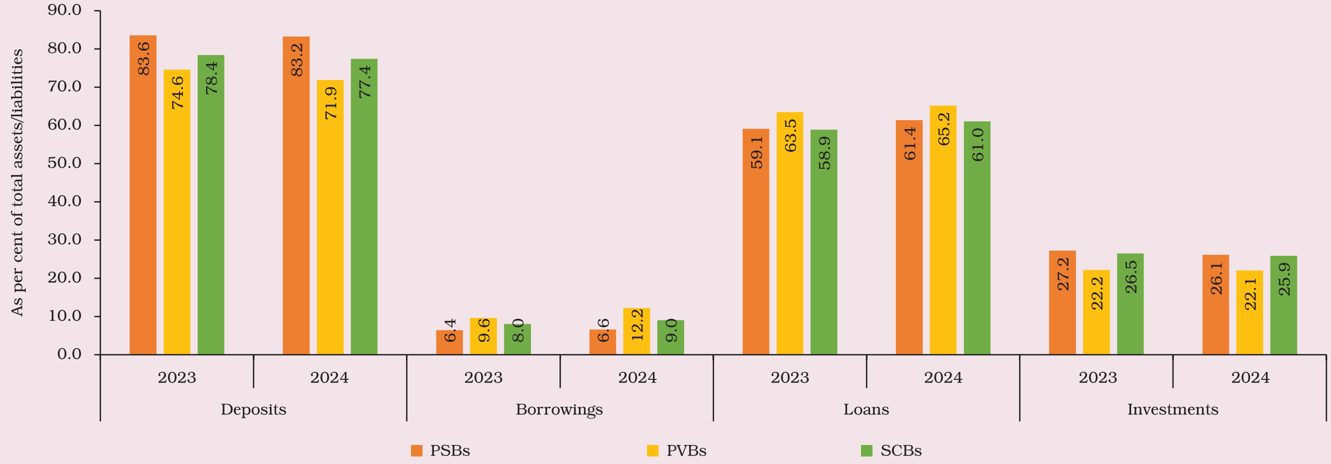
Item	Public Sector Banks		Private Sector Banks		Foreign Banks		Small Finance Banks		Payments Banks		All Scheduled Commercial Banks	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
1. Capital	71,176	72,877	32,468	32,832	1,11,612	1,18,603	7,811	7,844	4,512	5,001	2,27,580	2,37,158
2. Reserve and Surplus	8,24,250	9,56,917	9,34,791	12,14,082	1,60,606	1,80,023	23,557	32,957	-2,404	-2,365	19,40,800	23,81,614
3. Deposits	1,17,09,581	1,28,96,766	62,99,318	75,61,502 (74,51,388)	8,55,825	10,08,095	1,91,340	2,50,896	12,174	16,184	1,90,68,238	2,17,33,443 (2,16,23,329)
3.1. Demand Deposits	7,48,951	8,00,416	8,85,492	9,88,296	2,89,545	3,46,863	7,429	10,895	393	76	19,31,810	21,46,546
3.2. Savings Bank Deposits	39,79,202	41,83,455	18,89,846	20,23,962	56,931	57,827	54,668	59,691	11,781	16,108	59,92,427	63,41,043
3.3. Term Deposits	69,81,428	79,12,895	35,23,981	45,49,244	5,09,349	6,03,405	1,29,243	1,80,310	-	-	1,11,44,001	1,32,45,854
4. Borrowings	9,03,824	10,24,003	8,12,969	12,84,429	2,08,739	2,03,073	31,190	28,255	519	713	19,57,241	25,40,474
5. Other Liabilities and Provisions	5,05,949	5,42,671	3,65,924	4,28,526	2,30,921	1,96,198	13,619	15,331	8,156	5,135	11,24,570	11,87,862
Total Liabilities/assets	**1,40,14,781**	**1,54,93,234**	**84,45,470**	**1,05,21,372**	**15,67,704**	**17,05,993**	**2,67,517**	**3,35,284**	**22,957**	**24,668**	**2,43,18,429**	**2,80,80,550**
1. Cash and Balances with RBI	6,41,731	6,18,769	4,13,201	5,32,690	93,411	1,05,980	17,840	17,503	2,295	3,004	11,68,479	12,77,947
2. Balances with Banks and Money at Call and Short Notice	4,23,343	4,34,252	2,36,116	1,89,051	1,19,332	74,865	4,530	6,305	4,963	4,313	7,88,284	7,08,785
3. Investments	38,17,201	40,50,865	18,75,137	23,23,647 (22,33,887)	6,74,077	8,07,328	58,062	74,239	12,064	14,286	64,36,540	72,70,365 (71,80,604)
3.1 In Government Securities (a+b)	32,22,899	34,84,382	15,87,677	19,88,718	6,31,129	7,33,803	52,137	63,824	12,049	14,271	55,05,891	62,84,999
a) In India	31,65,076	34,23,192	15,73,022	19,73,422	5,88,166	7,25,476	52,137	63,824	12,049	14,271	53,90,449	62,00,185
b) Outside India	57,824	61,190	14,655	15,296	42,963	8,327	-	-	-	-	1,15,442	84,814
3.2 Other Approved Securities	5	5	-	-	-	-	-	-	-	-	5	5
3.3 Non-approved Securities	5,94,296	5,66,477	2,87,460	3,34,929	42,948	73,525	5,925	10,415	15	15	9,30,644	9,85,361
4. Loans and advances	82,83,763	95,06,329	53,66,673	68,61,388 (63,36,115)	4,91,029	5,48,474	1,77,887	2,26,148	-	-	1,43,19,353	1,71,42,340 (1,66,17,066)
4.1 Bills Purchased and Discounted	2,84,863	3,57,393	1,34,836	1,50,780	65,506	84,506	872	1,444	-	-	4,86,077	5,94,124
4.2 Cash Credits, Overdrafts, *etc.*	29,10,286	33,64,717	16,98,188	19,67,085	2,07,287	2,39,685	18,266	26,966	-	-	48,34,027	55,98,453
4.3 Term Loans	50,88,614	57,84,218	35,33,648	47,43,524	2,18,236	2,24,283	1,58,750	1,97,738	-	-	89,99,248	1,09,49,763
5. Fixed Assets	1,15,288	1,18,864	49,347	56,755	5,624	5,956	2,735	3,353	564	1,189	1,73,558	1,86,117
6. Other Assets	7,33,456	7,64,154	5,04,997	5,57,840	1,84,230	1,63,390	6,463	7,736	3,070	1,876	14,32,216	14,94,997

Notes: 1. -: Nil/negligible.
2. Detailed bank-wise data on annual accounts are collated and published in Statistical Tables Relating to Banks in India, which is being released simultaneously with this Report, available at https://data.rbi.org.in.
3. Data in parentheses exclude the impact of the merger of a non-bank with a bank. All other data are inclusive of the impact of the merger.

Source: Annual accounts of respective banks.

Chart IV.2: Balance Sheet Composition

(At end-March)



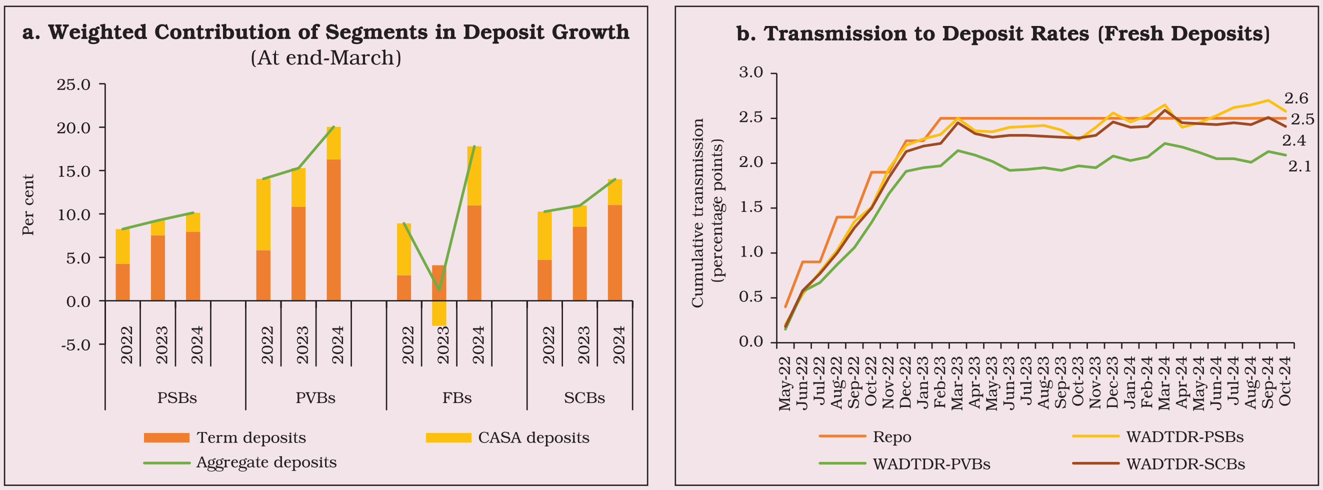
Source: Annual accounts of respective banks.

(CASA) deposits (Chart IV.3). In the long-run, the overall level of economic activity rather than interest rates is the main factor impacting deposit growth (Box IV.1).

2.2 Assets

IV.8 Credit growth remained robust during 2023-24, propelled by acceleration in economic activity[6] (Chart IV.4a). The weighted average lending rate (WALR) remained firm during the year reflecting the monetary policy stance. Transmission to lending rate on fresh loans was generally higher for PSBs than for PVBs (Chart IV.4b).

Chart IV.3: Deposit Growth



Source: Annual accounts of banks.

6 Real GDP expanded by 8.2 per cent in 2023-24 as compared with 7.0 per cent in 2022-23.

Box IV.1 Determinants of Deposit Growth in Commercial Banks

The determinants of deposit growth in commercial banks in India are assessed for the period June 2012-March 2024 in an autoregressive distributed lag (ARDL) model (Pesaran and Shin, 1999). In line with the consensus in the literature (Saleh, M. *et al.*, 2023 and S. A. S. Ali *et al.*, 2019), the regression results suggest that the long-run elasticity of bank deposits with respect to income, proxied by nominal gross value added (GVA) is close to unity (1.1), *i.e.*, a one per cent growth in income, *ceteris paribus*, is associated with almost one per cent increase in bank deposit growth in the long run. Higher deposit interest rates (WADTDR) contribute to higher bank deposits, but their impact is not statistically significant in the long run. The negative and statistically significant coefficient of the error correction term (ECM) indicates that around 17 per cent of any disequilibrium between deposit and income growth due to any shock is corrected in each quarter (Table IV.1.1).

References:

Pesaran, M. H., & Shin, Y. (1999). An Autoregressive Distributed-Lag Modelling Approach to Cointegration Analysis. *Econometrics and Economic Theory in the 20th Century: The Ragnar Frisch Centennial Symposium*, 371–413. Cambridge: Cambridge University Press.

Saleh, M., *et al.* (2023). The Impact of Financial Determinants on Bank Deposits Using ARDL Model. *Journal of Statistics Applications & Probability 12(2)*: 441-452. DOI: https://doi.org/10.18576/jsap/120210.

S. A. S. Ali, *et al.* (2019). Determinants of Deposit of Commercial Banks in Sudan: an Empirical Investigation (1970-2012). *International Journal of Electronic Finance* (9), 230-255.

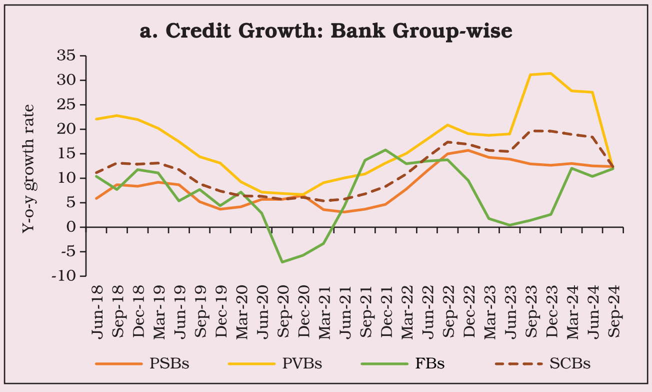
Table IV.1.1: Determinants of Aggregate Deposit: ARDL Model

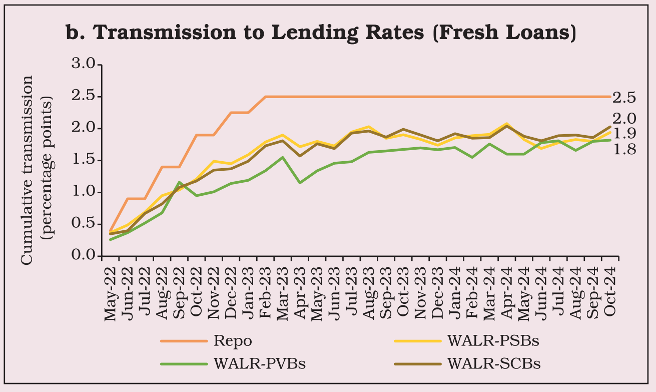
Dependent Variable: log Aggregate Deposit	
Long Run	
Log GVA (-1)	1.083***
	(0.360)
WADTDR Outstanding (-1)	0.0458
	(0.0603)
Log BSE (-1)	-0.0155
	(0.211)
ECM	-0.166**
	(0.0801)
Short Run	
D.Log GVA	-0.0420
	(0.0678)
D.WADTDR Outstanding	0.0479*
	(0.0267)
D.WADTDR Outstanding (-1)	-0.0312
	(0.0273)
D.Log BSE	0.0716
	(0.0427)
D.Log BSE (-1)	-0.0916**
	(0.0403)
Demonetisation Dummy	0.0244*
	(0.0121)
COVID Dummy	0.0299**
	(0.0117)
Quarter2 Dummy	-0.00352
	(0.00787)
Quarter3 Dummy	0.00396
	(0.00719)
Quarter4 Dummy	0.00643
	(0.00792)
Constant	-0.0420
	(0.742)
Observations	39
R-squared	0.468

Source: RBI staff estimates.

IV.9 Credit growth was led by the metropolitan region in 2023-24, as in the past. The contribution of rural, semi-urban and urban areas broadly remained steady (Chart IV.5).

Chart IV.4: Credit Growth

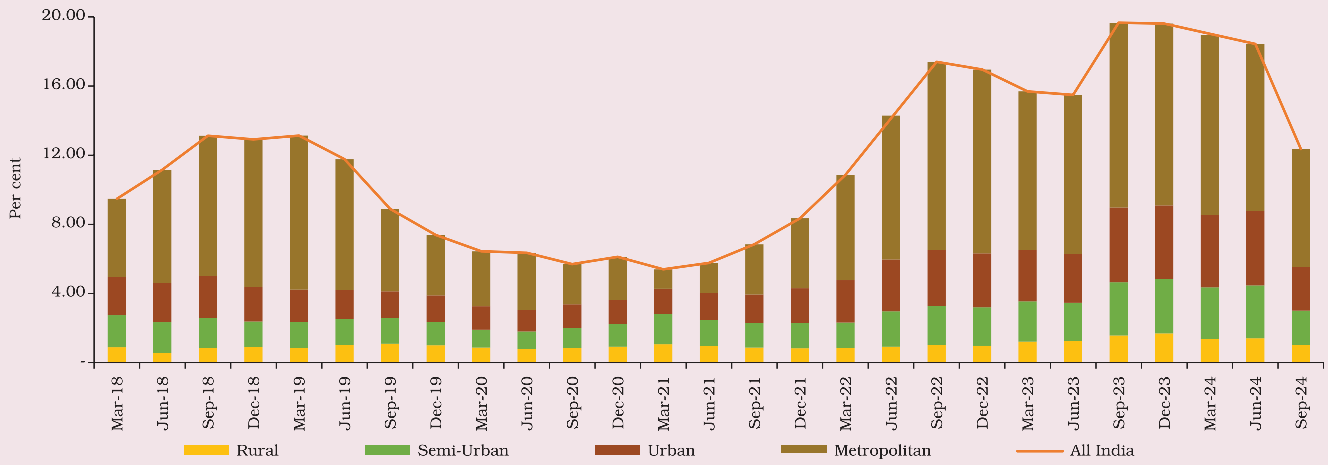




Notes:
1. SCBs' data exclude RRBs.
2. A public sector bank has been categorized as private sector bank with effect from January 21, 2019. Hence, from March 2019 onwards the bank is excluded from PSBs group and included in PVBs group. Therefore, from March 2019 onwards, public and private bank-group wise growth rates are based on adjusted bank-group totals.
3. A private sector bank was amalgamated with a foreign bank with effect from November 27, 2020. Hence, from December 2020 onwards private and foreign bank-group wise growth rates are based on adjusted bank-group totals.
4. Credit data exclude inter-bank advances.

Source: Spatial Distribution of Deposits and Credit and RBI.

Chart IV.5: Contribution of Population Groups in Credit Growth



Notes: 1. SCBs data exclude RRBs.
2. All the centres are classified into following four population groups based on their population in the Census 2011: a) 'Rural' group includes centres with population of less than 10,000; b) 'Semi-urban' group includes centres with population of 10,000 and above but less than 1,00,000; c) 'Urban' group includes centres with population of 1,00,000 and above but less than ten lakh; d) 'Metropolitan' group includes all centres with population of one million and above.

Source: Spatial Distribution of Deposits and Credit.

IV.10 At end-March 2024, 83.1 per cent of SCBs' investments were in SLR approved securities. In non-SLR investments, debt comprised nearly 95 per cent (Table IV.2).

IV.11 With a pick-up in deposit growth, the credit-deposit growth gap narrowed during 2023-24 to 3.4 percentage points (excluding the merger impact) (Chart IV.6a). The investment-deposit growth gap also narrowed during the year (Chart IV.6b).

2.3 *Maturity Profile of Assets and Liabilities*

IV.12 Assets-liability maturity mismatches are intrinsic to the banking sector as their primary source of funds, *i.e.*, deposits, are of short-to medium-term tenors, while the loans repayment schedule stretches across the medium-term.

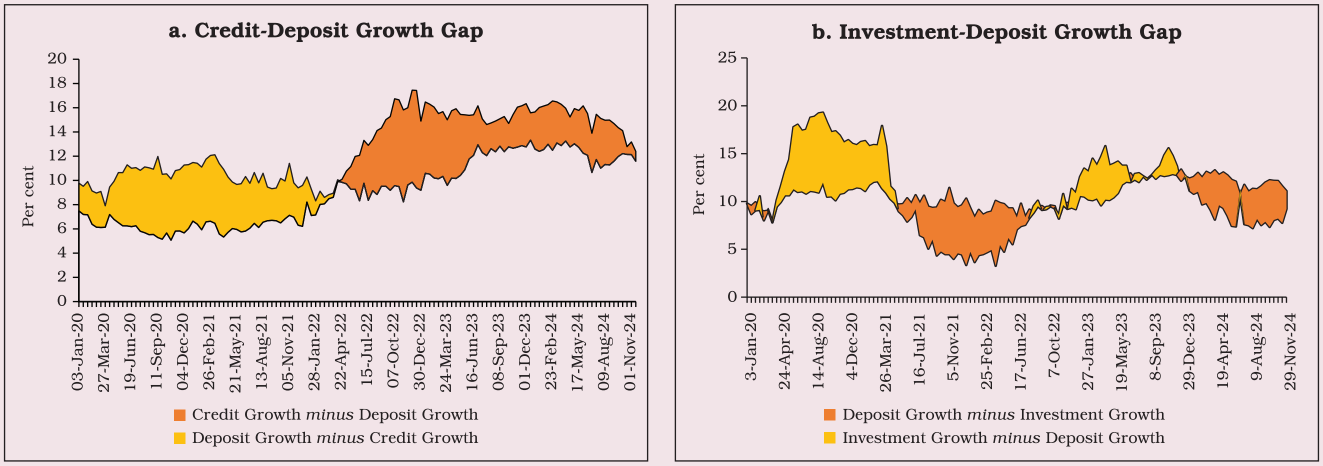
Table IV.2: Investments of SCBs
(At end-March)

(Amount in ₹ crore)

	PSBs		PVBs		FBs		SFBs		SCBs	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
1	2	3	4	5	6	7	8	9	10	11
Total Investments (A+B)	**38,33,030**	**40,54,445**	**18,81,756**	**23,11,707**	**6,55,830**	**8,01,533**	**58,244**	**74,508**	**64,28,860**	**72,42,193**
A. SLR Investments (I+ II+III)	30,07,757	32,62,932	15,62,365	19,61,384	5,99,061	7,27,546	52,151	63,873	52,21,335	60,15,735
I. Central Government Securities	17,45,055	18,36,240	13,10,477	16,23,034	5,93,438	7,17,980	40,013	47,494	36,88,983	42,24,748
II. State Government Securities	12,60,787	14,22,323	2,51,889	3,38,350	5,623	9,566	12,139	16,379	15,30,437	17,86,618
III. Other Approved Securities	1,916	4,369	0	0	0	0	0	0	1,916	4,369
B. Non-SLR Investments (I+II)	8,25,273	7,91,513	3,19,390	3,50,323	56,769	73,987	6,093	10,634	12,07,525	12,26,458
I. Debt Securities	7,68,545	7,49,178	3,03,474	3,32,937	56,404	73,691	6,016	10,555	11,34,439	11,66,361
II. Equities	56,728	42,335	15,916	17,386	365	297	77	79	73,087	60,097

Source: Off-site returns (global operations), RBI.

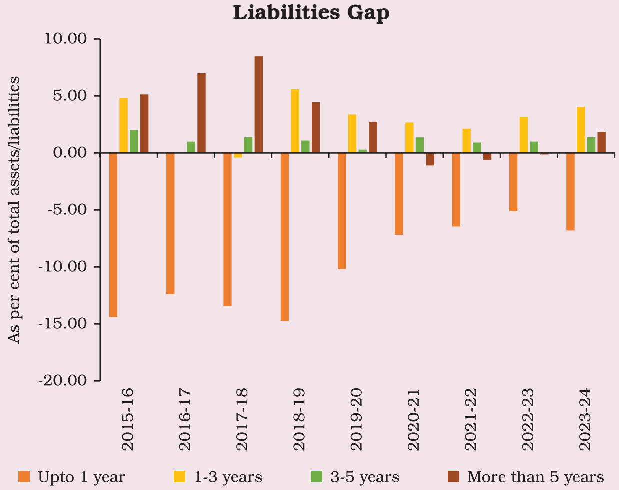
Chart IV.6: Credit-Deposit and Investment-Deposit Gap



Note: Data on credit, deposit and investment growth exclude the impact of merger.
Source: RBI.

During 2023-24, the maturity mismatch widened in the short-term bucket from a year ago, although it remained low relative to pre-pandemic levels. The gap remained positive across other buckets[7] (Chart IV.7). This mainly reflected an increase in shorter maturity deposits raised by banks.

Chart IV.7: Maturity Brackets-wise Assets and Liabilities Gap



Notes: 1. Assets consist of loans and advances and investments. Liabilities consist of deposits and borrowings.
2. Gap is calculated as assets *minus* liabilities.
Source: Annual accounts of banks.

IV.13 The share of short-term deposits in total deposits increased for all bank groups, except FBs. On the other hand, the share of short-term borrowings declined for all bank groups, except SFBs. All the operations of FBs, *viz.*, deposits, borrowings, lending and investments were concentrated in short-term buckets. PSBs' investments are typically in long-term instruments, while all other bank groups prefer short-term exposures (Table IV.3).

2.4 International Liabilities and Assets

IV.14 In 2023-24, growth of all types of non-residents deposits, *viz.*, foreign currency non-resident (Bank) [FCNR(B)], Non-resident External (NRE) Rupee and Non-resident Ordinary (NRO) Rupee contributed to acceleration in international liabilities of banks in India (Appendix Table IV.2). Their international assets fell by 23.5 per cent in 2023-24 on top of a contraction of 13.1 per cent a year ago on account of reduction in NOSTRO balances and

[7] Short-term is defined as up to one-year, medium term is one to five years, while long-term is defined as more than five years.

Table IV.3: Bank Group-wise Maturity Profile of Select Liabilities/Assets

(At end-March)

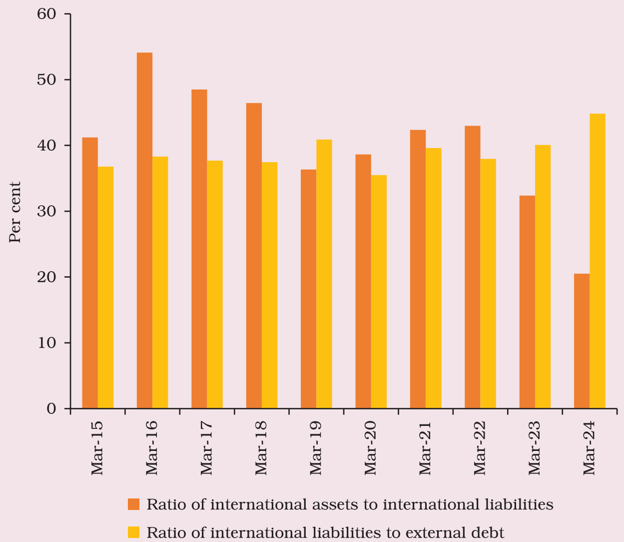
(Per cent)

Liabilities/Assets	PSBs		PVBs		FBs		SFBs		PBs		All SCBs	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
1	2	3	4	5	6	7	8	9	10	11	12	13
I. Deposits												
a) Up to 1 year	36.4	38.3	33.0	39.2	65.7	62.2	42.2	49.0	15.5	22.6	36.7	39.8
b) Over 1 year and up to 3 years	21.1	22.0	31.2	27.9	26.1	30.7	54.9	44.8	84.5	77.4	25.0	24.7
c) Over 3 years and up to 5 years	12.8	11.0	9.1	8.3	8.1	7.1	1.8	4.5	0.0	0.0	11.2	9.8
d) Over 5 years	29.7	28.7	26.7	24.6	0.0	0.0	1.1	1.7	0.0	0.0	27.1	25.6
II. Borrowings												
a) Up to 1 year	60.8	58.1	45.9	33.8	90.5	82.8	38.8	51.3	100.0	100.0	57.4	47.7
b) Over 1 year and up to 3 years	16.7	16.7	32.6	37.8	7.6	16.2	50.6	35.7	0.0	0.0	22.9	27.5
c) Over 3 years and up to 5 years	8.5	6.9	10.3	9.9	0.7	0.4	5.4	7.3	0.0	0.0	8.3	7.9
d) Over 5 years	14.0	18.3	11.2	18.6	1.2	0.6	5.2	5.8	0.0	0.0	11.3	16.9
III. Loans and Advances												
a) Up to 1 year	28.3	28.0	28.4	27.3	56.2	59.5	36.5	37.7	100.0	100.0	29.4	28.9
b) Over 1 year and up to 3 years	34.3	36.5	36.7	34.6	23.9	23.8	36.0	36.0	0.0	0.0	34.9	35.3
c) Over 3 years and up to 5 years	14.1	12.1	12.5	12.5	10.0	8.2	10.5	10.1	0.0	0.0	13.3	12.1
d) Over 5 years	23.3	23.4	22.4	25.6	9.9	8.5	17.1	16.3	0.0	0.0	22.4	23.7
IV. Investment												
a) Up to 1 year	26.0	22.4	55.3	58.6	86.4	83.9	61.6	68.6	99.5	99.2	41.3	41.4
b) Over 1 year and up to 3 years	14.6	16.3	19.1	17.2	8.2	10.4	27.0	25.9	0.1	0.4	15.3	16.0
c) Over 3 years and up to 5 years	12.9	11.9	7.1	6.1	1.3	1.6	5.5	4.0	0.0	0.1	9.9	8.8
d) Over 5 years	46.4	49.4	18.5	18.1	4.2	4.1	5.9	1.5	0.4	0.3	33.4	33.8

Note: Figures denote share of each maturity bucket in each component of the balance sheet.
Source: Annual accounts of banks.

placements abroad as well as in loans to non-residents (Appendix Table IV.3). Consequently, the international assets to liabilities ratio of banks in India declined for the second consecutive year during 2023-24 (Chart IV.8).

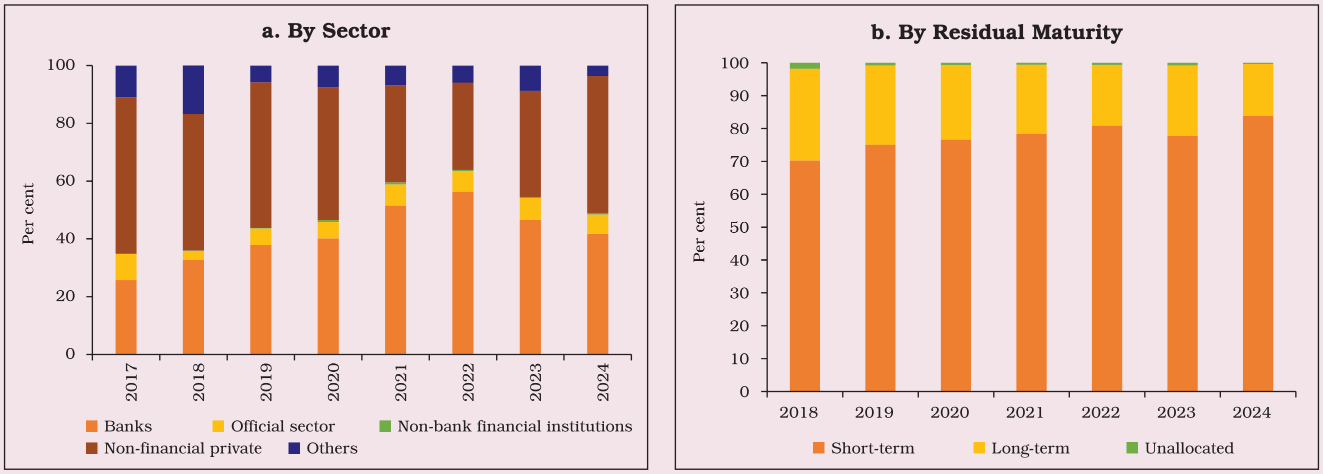
Chart IV.8: International Assets and Liabilities of Banks



Source: Annual accounts of banks and DBIE.

IV.15 The consolidated international claims of Indian banks on all the major economies, except US and UAE, increased in 2023-24 (Appendix Table IV.4); in contrast, in the previous year, Indian banks' consolidated international claims on major economies, except Singapore, had contracted. At end-March 2024, Indian banks' claims shifted away from their counterparts in other jurisdictions towards non-financial private sector (Chart IV.9a). The proportion of shorter maturity claims increased and remained the dominant category (Appendix Table IV.5 and Chart IV.9b).

Chart IV.9: Consolidated International Claims of Indian Banks
(At end-March)



Source: Annual accounts of banks and DBIE.

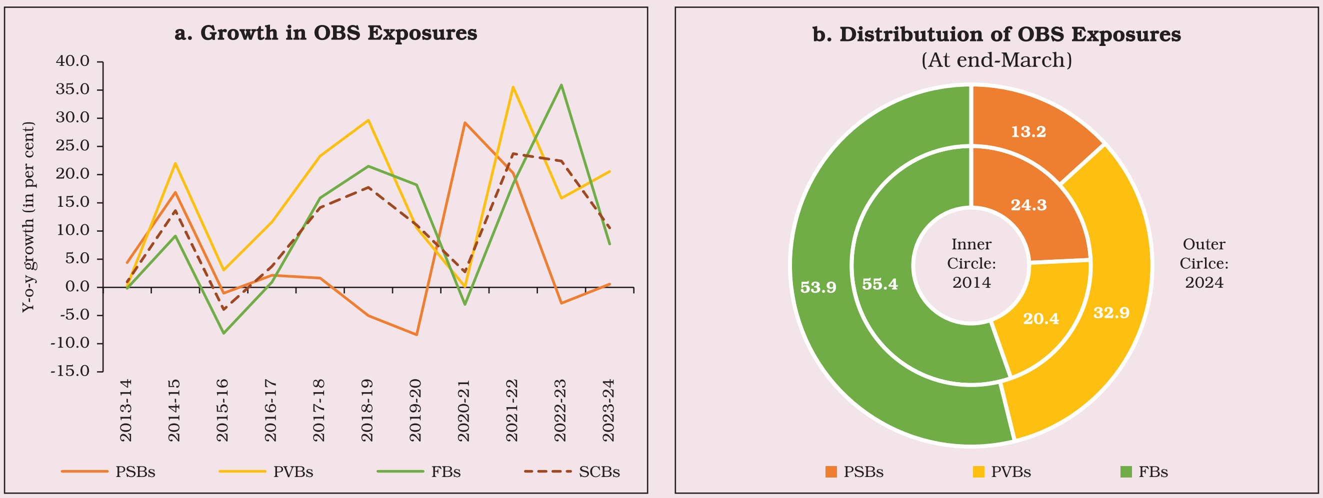
2.5 *Off-Balance Sheet Operations*

IV.16 Growth in contingent liabilities of SCBs decelerated at end-March 2024, led by forward exchange contracts (Chart IV.10a and Appendix Table IV.6). As a proportion of balance sheet size, the off-balance sheet exposure of SCBs decreased to 138.6 per cent at end-March 2024 from 144.8 per cent at end-March 2023. The share of PVBs in contingent liabilities of the banking sector increased from 20.4 per cent at end-March 2014 to 32.9 per cent at end-March 2024, while that of PSBs fell from 24.3 per cent to 13.2 per cent over the same period (Chart IV.10b).

3. Financial Performance

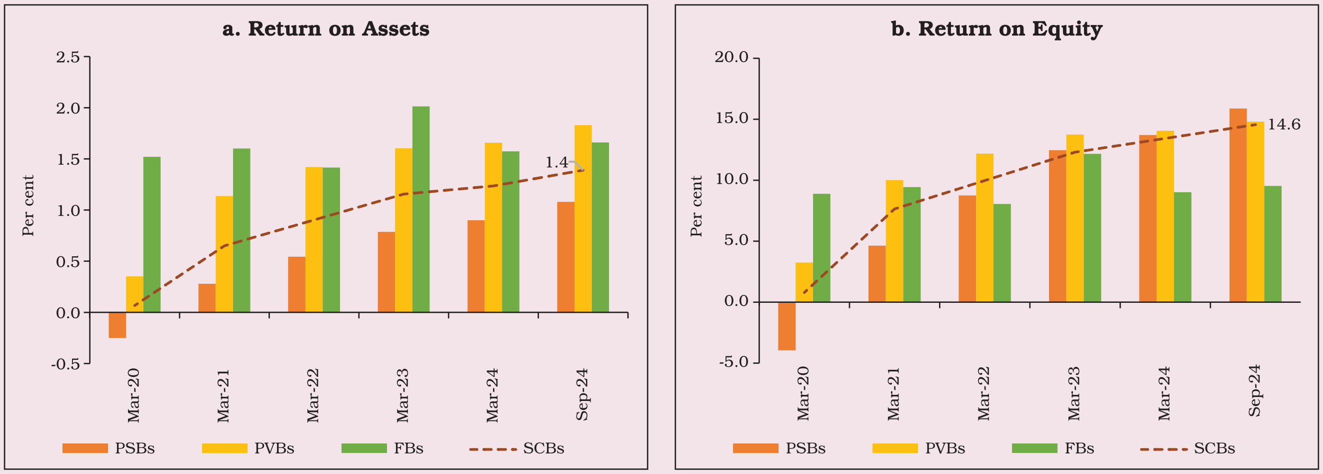
IV.17 Profitability of banks improved for the sixth consecutive year in 2023-24. Both PSBs and PVBs exhibited an increase in return on assets (RoA) in 2023-24 (Chart IV.11). Gains in

Chart IV.10: Off-Balance Sheet Liabilities of Banks



Source: Annual accounts of banks.

Chart IV.11: Profitability Ratios
(At end-March)



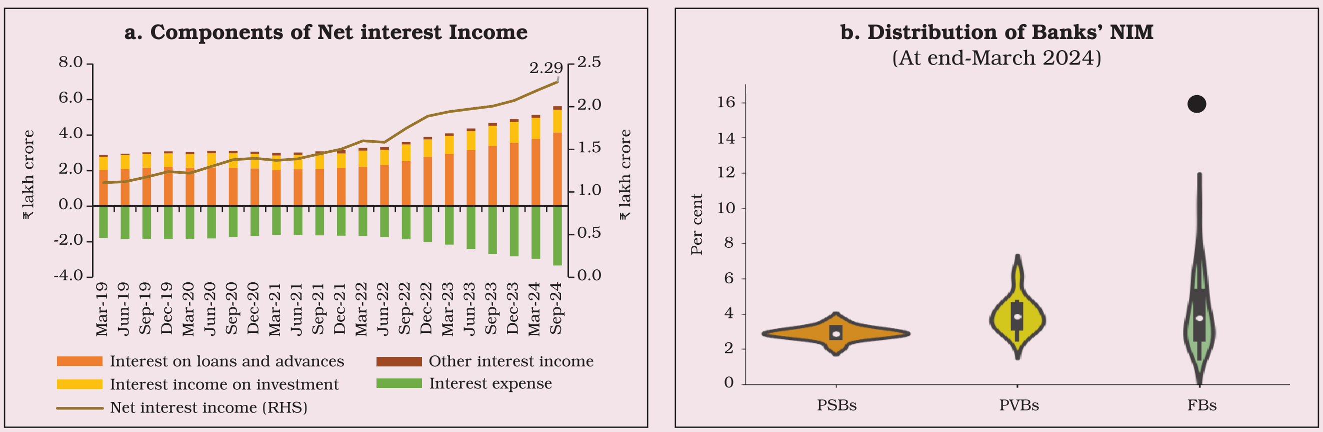
Source: Off-site returns (global operations), RBI.

profitability of SCBs continued in H1:2024-25 with RoA at 1.4 per cent and RoE at 14.6 per cent.

IV.18 During 2023-24, banks resorted to borrowings at higher interest rates and increased their deposit rates to bridge the credit-deposit growth gap. Consequently, the growth of their interest expenditure outpaced that of their interest earnings, resulting in a deceleration in both operating and net profit growth (Table IV.4 and Chart IV.12a).

IV.19 The interest expense to interest income ratio increased to 57.4 per cent during 2023-24 from 52.2 per cent in the previous year. The median Net Interest Margin (NIM) was the highest for PVBs, followed by FBs and PSBs. NIM is highly dispersed for FBs, followed by PVBs and PSBs (Chart IV.12b).

Chart IV.12: Net Interest Income and Net Interest Margin



Note: The violin chart is created using bank-wise NIM at end-March 2024. The white dot in the chart represents the median, the base of the black bar in the center represents first quartile, whereas the top represents the third quartile. Wider sections of the violin plot represent a higher frequency of the distribution, whereas the thinner sections represent a lower frequency. Black dot represents the outlier for FBs.
Source: Off-site returns, RBI and annual accounts of banks.

Table IV.4: Trends in Income and Expenditure of Scheduled Commercial Banks

(Amount in ₹ crore)

	Public Sector Banks		Private Sector Banks		Foreign Banks		Small Finance Banks		Payments Banks		All SCBs	
	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Income	9,71,421 (16.8)	12,12,665 (24.8)	6,90,504 (20.7)	9,41,864 (36.4)	1,08,132 (36.0)	1,29,870 (20.1)	33,806 (34.6)	45,449 (34.4)	5,965 (20.5)	7,102 (19.0)	18,09,829 (19.6)	23,36,949 (29.1)
a) Interest Income	8,51,078 (20.0)	10,66,243 (25.3)	5,82,278 (23.6)	7,96,569 (36.8)	83,315 (26.5)	1,06,032 (27.3)	29,806 (34.7)	39,646 (33.0)	860 (92.7)	1,416 (64.6)	15,47,337 (22.0)	20,09,907 (29.9)
b) Other Income	1,20,343 (-2.0)	1,46,422 (21.7)	1,08,226 (6.8)	1,45,295 (34.3)	24,817 (81.9)	23,838 (-3.9)	4,000 (34.0)	5,803 (45.1)	5,105 (13.3)	5,686 (11.4)	2,62,492 (7.0)	3,27,043 (24.6)
2. Expenditure	8,66,772 (13.3)	10,71,463 (23.6)	5,66,369 (19.0)	7,66,567 (35.3)	77,987 (27.6)	1,02,984 (32.1)	29,644 (22.8)	39,230 (32.3)	5,844 (15.9)	7,103 (21.5)	15,46,615 (16.1)	19,87,346 (28.5)
a) Interest Expended	4,87,690 (18.6)	6,58,611 (35.0)	2,75,391 (22.8)	4,29,732 (56.0)	31,678 (47.5)	46,996 (48.4)	12,140 (27.6)	17,474 (43.9)	246 (57.5)	353 (43.8)	8,07,144 (21.1)	11,53,167 (42.9)
b) Operating Expenses	2,44,064 (10.9)	2,95,090 (20.9)	2,02,563 (29.3)	2,39,146 (18.1)	27,958 (12.0)	34,789 (24.4)	13,150 (34.0)	17,189 (30.7)	5,579 (14.3)	6,634 (18.9)	4,93,314 (18.5)	5,92,848 (20.2)
of which: Wage Bill	1,44,690 (9.0)	1,84,025 (27.2)	70,605 (20.0)	90,284 (27.9)	10,065 (9.6)	10,460 (3.9)	6,705 (26.4)	8,504 (26.8)	914 (15.9)	1,215 (32.9)	2,32,978 (12.6)	2,94,488 (26.4)
c) Provision and Contingencies	1,35,018 (0.7)	1,17,761 (-12.8)	88,415 (-7.1)	97,688 (10.5)	18,351 (25.3)	21,200 (15.5)	4,354 (-9.4)	4,567 (4.9)	20 (556.9)	116 (488.4)	2,46,158 (-1.0)	2,41,332 (-2.0)
3. Operating Profit	2,39,667 (19.5)	2,58,964 (8.1)	2,12,551 (11.0)	2,72,986 (28.4)	48,496 (46.8)	48,085 (-0.8)	8,516 (47.3)	10,786 (26.6)	141 (-263.0)	114 (-18.9)	5,09,371 (18.2)	5,90,935 (16.0)
4. Net Profit	1,04,649 (57.3)	1,41,202 (34.9)	1,24,136 (29.0)	1,75,297 (41.2)	30,145 (64.0)	26,886 (-10.8)	4,162 (327.6)	6,219 (49.4)	121 (-235.6)	-1 (-101.0)	2,63,214 (44.6)	3,49,603 (32.8)
5. Net Interest Income (NII)	3,63,388 (22.0)	4,07,632 (12.2)	3,06,888 (24.4)	3,66,836 (19.5)	51,637 (16.4)	59,036 (14.3)	17,666 (40.1)	22,172 (25.5)	615 (111.7)	1,063 (72.9)	7,40,193 (23.0)	8,56,740 (15.7)
6. Net Interest Margin (NIM)	2.7	2.8	3.9	3.9	3.5	3.6	7.5	7.4	3.0	4.5	3.2	3.3

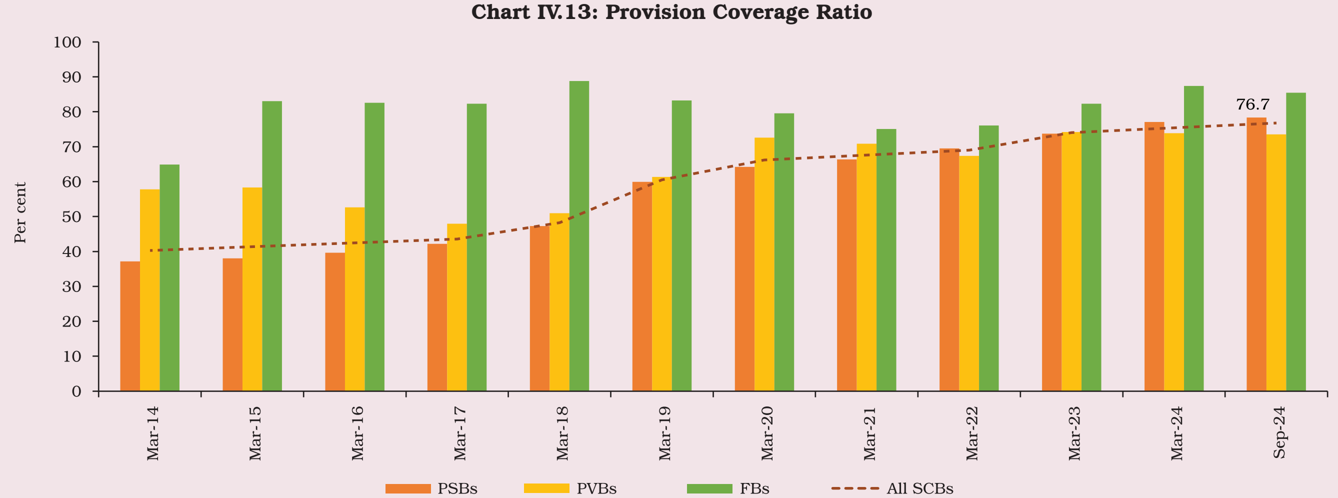
Notes: 1. NIM has been defined as NII as percentage of average assets.
2. Figures in parentheses refer to per cent variation over the previous year.

Source: Annual accounts of respective banks.

IV.20 The PCR (not adjusted for write-offs) of SCBs expanded by 210 basis points (bps) y-o-y to reach 76.2 per cent at end-March 2024, mainly reflecting lower slippages. It further improved to 76.7 per cent at end-September 2024, largely driven by PSBs (Chart IV.13).

IV.21 An increase of 104 bps in the cost of funds and 89 bps rise in the yield on assets narrowed

Chart IV.13: Provision Coverage Ratio



Note: Provision coverage ratio is not write-off adjusted.

Source: Off-site returns (domestic operations), RBI.

Table IV.5: Cost of Funds and Return 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 (Column 8 – Column 5)
1	2	3	4	5	6	7	8	9
PSBs	2022-23	3.9	6.2	4.1	7.5	6.5	7.1	3.1
	2023-24	4.8	7.3	5.0	8.4	6.9	7.9	2.9
PVBs	2022-23	3.8	6.4	4.1	9.2	6.3	8.4	4.3
	2023-24	4.8	9.2	5.4	10.4	6.8	9.5	4.1
FBs	2022-23	2.9	4.0	3.1	8.2	5.8	6.9	3.8
	2023-24	3.8	5.6	4.1	8.7	6.8	7.6	3.5
SFBs	2022-23	5.9	7.3	6.1	16.5	6.7	14.2	8.0
	2023-24	6.8	8.2	7.0	17.0	6.9	14.5	7.5
PBs	2022-23	2.1	7.8	2.4	6.0	5.6	5.6	3.3
	2023-24	2.0	11.2	2.4	10.0	7.6	7.6	5.2
All SCBs	2022-23	3.8	6.1	4.0	8.2	6.3	7.6	3.6
	2023-24	4.8	8.1	5.1	9.3	6.9	8.5	3.4

Notes: 1. Cost of deposits = Interest paid on deposits/Average of current and previous year's deposits.
2. Cost of borrowings = (Interest expended - Interest on deposits)/Average of current and previous year's borrowings.
3. Cost of funds = Interest expended / (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).

Source: Calculated from balance sheets of respective banks.

the spread for SCBs during 2023-24. SFBs had the widest spreads, reflecting relatively higher interest rates on their advances (Table IV.5).

4. Soundness Indicators

4.1 Capital Adequacy

IV.22 The minimum capital to risk-weighted assets ratio (CRAR) requirement for banks in India is set at 9 per cent [11.5 per cent inclusive of capital conservation buffer (CCB)]and Tier 1 capital requirement is set at 7 per cent, both one percentage point above the Basel III requirements. At end-March 2024, all bank groups remained well-capitalised, although the CRAR of SCBs moderated by 30 bps to 16.9 per cent while Tier 1 capital stood at 14.8 per cent (Table IV.6). The fall in CRAR was due to an increase in risk-weighted assets (RWAs) exceeding the increase in capital funds. Supervisory data indicate that the CRAR of SCBs was 16.8 per cent at end-September 2024.

IV.23 The dispersion of CRAR and CET1 among constituent banks was higher for PVBs than PSBs (Chart IV.14a and b). The mean as well as median of both CRAR and CET1 was higher for PVBs than those for PSBs.

Table IV.6: Component-wise Capital Adequacy of SCBs

(At end-March)

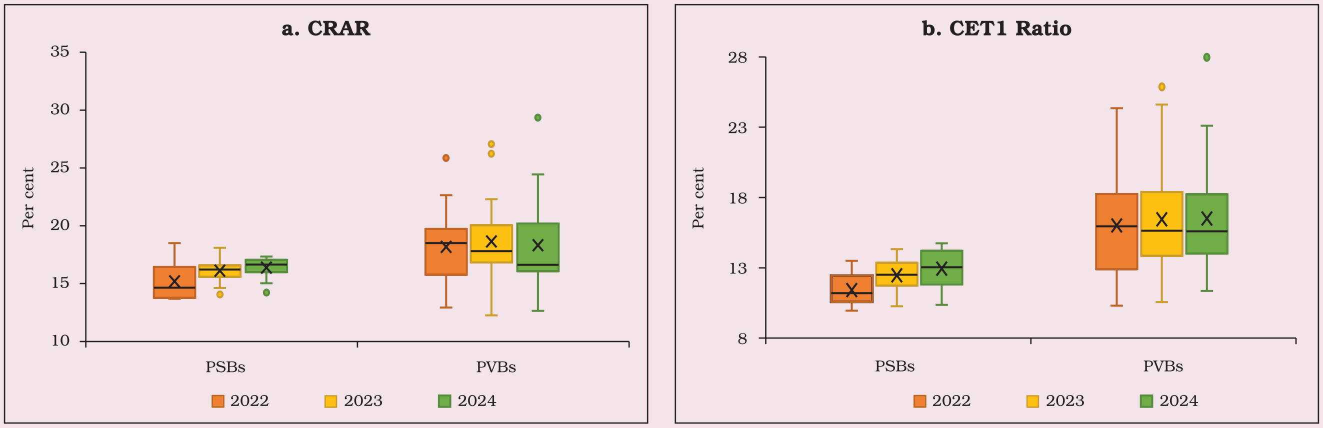
(Amount in ₹ crore)

	PSBs		PVBs		FBs		SCBs	
	2023	2024	2023	2024	2023	2024	2023	2024
1	2	3	4	5	6	7	8	9
1. Capital Funds	**10,16,789**	**11,74,245**	**10,20,953**	**12,83,455**	**2,43,096**	**2,70,646**	**23,15,358**	**27,69,950**
i) Tier 1 Capital	8,47,783	9,94,510	9,11,271	11,55,051	2,20,746	2,43,842	20,10,443	24,30,733
ii) Tier 2 Capital	1,69,006	1,79,735	1,09,681	1,28,404	22,350	26,804	3,04,915	3,39,217
2. Risk Weighted Assets	**65,48,771**	**75,59,396**	**54,85,172**	**72,14,513**	**12,50,775**	**14,18,639**	**1,34,38,317**	**1,63,84,879**
3. CRAR (1 as % of 2)	**15.5**	**15.5**	**18.6**	**17.8**	**19.4**	**19.1**	**17.2**	**16.9**
Of which: Tier 1	12.9	13.2	16.6	16.0	17.6	17.2	15.0	14.8
Tier 2	2.6	2.4	2.0	1.8	1.8	1.9	2.3	2.1

Source: Off-site returns, RBI.

Chart IV.14: Bank Group-wise CRAR and CET1 Ratio

(At end-March)

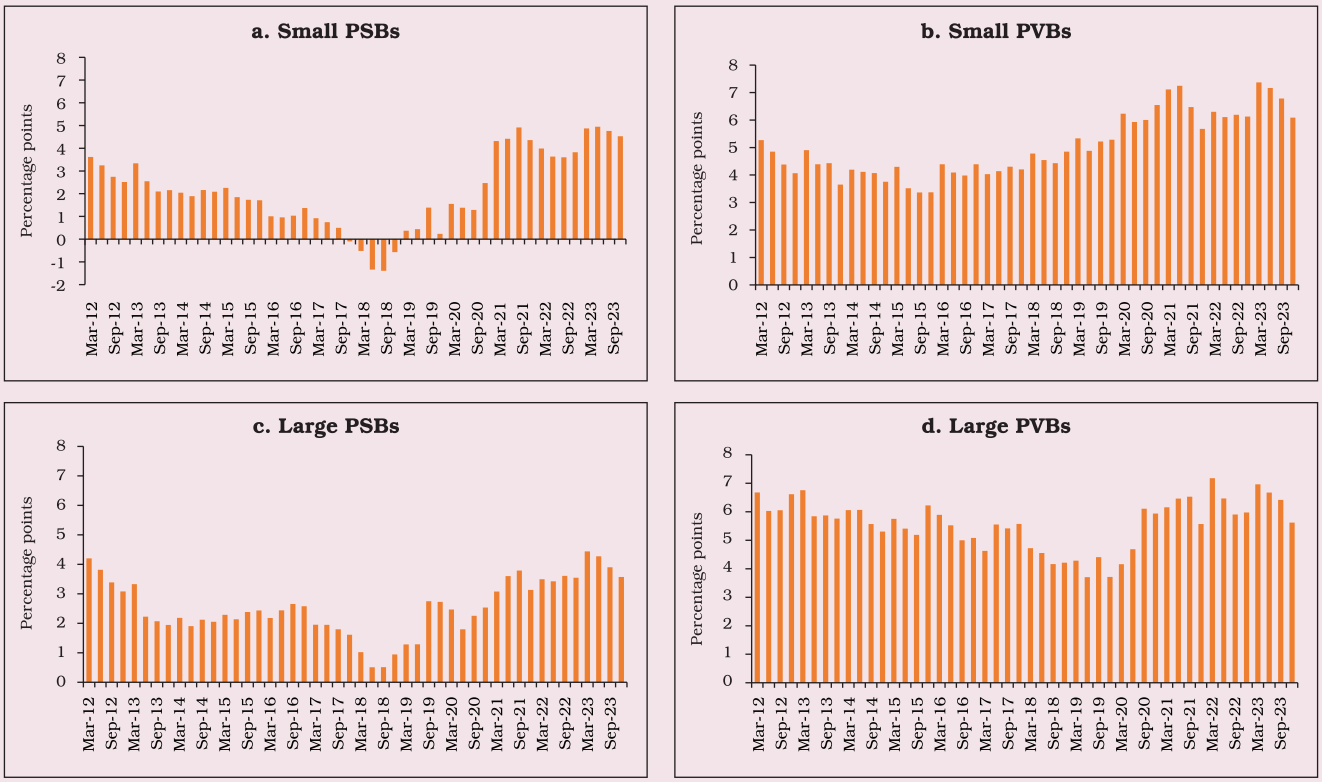


Note: The whiskers of the boxplots are indicative of maximum and minimum values. A colored box shows distance between first quantile and third quantile. Horizontal line in each box shows the median, while 'X' shows the mean.

Source: Off-site returns (domestic operations), RBI.

IV.24 Banks across groups and sizes have consistently maintained CRAR above the regulatory minimum requirements (Chart IV.15). The CCB was made applicable for Indian banks in tranches from 2016. Excess CRAR, calculated over and above the then applicable minimum CRAR inclusive of CCB, is influenced by a multitude of factors (Box IV.2).

Chart IV.15: Excess CRAR



Note: For any given quarter, a bank with asset size below (above) the group median is considered small (large).

Source: RBI.

Box IV.2: Why do Banks Hold Excess CRAR?

Banks maintain excess CRAR as a buffer against unexpected losses and economic downturns, and to boost their market reputation (Lindquist, 2004). CRARs above regulatory requirements could have opportunity costs for banks, as excess capital could have been invested in higher-yielding assets, including for extending credit (Kashyap, Rajan, and Stein, 2002).

The potential drivers of excess CRAR are estimated by using supervisory quarterly panel data for 33 PSBs and PVBs from March 2012 to December 2023 in fixed effects regression models.

The results indicate that profitability indicators like RoA or NIM positively impact excess CRAR (Table IV.2.1). Conversely, the *ex-post* credit risk of banks, measured by the lagged GNPA ratio or net NPA (NNPA) ratio, dampens excess CRAR as banks with weaker asset quality anticipate higher provisions. Additionally, a larger loan portfolio (measured by loans-to-assets ratio) requires more capital, resulting in a negative relationship with excess CRAR. The size of a bank, measured by the log of total assets, turns out to be negatively related to excess CRAR — larger banks may have the advantage of portfolio diversification, economies of scale and easier access to capital markets (Berger & Bouwman, 2009).

The decision to hold excess capital can also be influenced by peer behaviour (Angora, Distinguin, and Rugemintwari, 2009). In the Indian context, the average excess capital held by banks within the same category (size-wise groups of PSBs and PVBs) shows a significant and positive relationship with a bank's own excess CRAR. The weighted average call rate (WACR), a proxy for opportunity cost of holding excess capital, dampens excess capital holdings. Excess CRAR also appears to be procyclical, as evident from its positive and significant relationship with GDP growth.

In conclusion, banks maintaining excess CRAR may be influenced by their own financial conditions as well as peer influences apart from macroeconomic conditions.

Table IV.2.1: Regression Results

Dependent variable: Excess CRAR			
	Model 1	Model 2	Model 3
Lag (RoA)	0.865*** (0.0673)		1.115*** (0.0754)
Lag (NIM)		1.091*** (0.0859)	
Lag (NNPA ratio)	-0.0783*** (0.0262)		
Lag (GNPA ratio)		-0.197*** (0.0140)	-0.0935*** (0.0162)
Lag (loans-to-assets)	-0.0339*** (0.0102)		-0.0274** (0.0118)
Lag (credit growth)		0.00347 (0.00475)	
Group excess CRAR	0.649*** (0.0474)		
Log (total assets)		-0.676*** (0.160)	-0.315* (0.165)
WACR	-0.116*** (0.0305)	-0.439*** (0.0397)	-0.411*** (0.0405)
GDP growth	0.00120 (0.00792)	0.0334*** (0.00848)	0.0243*** (0.00845)
Constant	3.892*** (0.689)	12.21*** (2.084)	11.86*** (2.027)
Observations	1,518	1,509	1,518
Fixed Effects	Yes	Yes	Yes
R-squared	0.394	0.267	0.289
Number of banks	33	33	33

Notes: 1. Figures in parentheses indicate robust standard errors clustered at bank level.
2. ***, ** and * represent 1 per cent, 5 per cent and 10 per cent levels of significance, respectively.

Source: RBI staff estimates.

References:

Angora, A., Distinguin, I., and Rugemintwari, C. (2009). Excess Capital of European Banks: Does Bank Heterogeneity Matter? Working paper. University of Limoges.

Berger, A. N., and Bouwman, C. H. (2009). Bank Liquidity Creation. *The Review of Financial Studies*, 22(9), 3779-3837.

Kashyap, A. K., Rajan, R. G., and Stein, J. C. (2002). Banks as Liquidity Providers: An Explanation for the Coexistence of Lending and Deposit-taking. *Journal of Finance*, 57(1), 33-73.

Lindquist, K.-G. (2004). Banks' Buffer Capital: How Important is Risk. *Journal of International Money and Finance*, 23(3), 493-513.

IV.25 Resources raised by banks through private placement of debt, qualified institutional placement and preferential allotment of equity increased marginally during 2023-24. PSBs recorded a notable increase of 38.6 per cent in total amount raised during 2023-24 compared to 2022-23 (Table IV.7).

Table IV.7: Resources Raised by Banks through Private Placements

(Amount in ₹ crore)

	2021-22		2022-23		2023-24		2024-25 (Up to October)	
	No. of issues	Amount raised	No. of issues	Amount raised	No. of issues	Amount raised	No. of issues	Amount raised
1	2	3	4	5	6	7	8	9
PSBs	34	70,719	27	70,260	26	97,380	17	90,811
PVBs	16	40,034	14	52,903	14	33,426	6	14,519
FBs	0	0	2	224	0	0	0	0
Total	**50**	**1,10,753**	**43**	**1,23,387**	**40**	**1,30,806**	**23**	**1,05,330**

Notes: 1. Include private placement of debt, qualified institutional placement and preferential allotment.
2. Data for 2024-25 are provisional.

Source: SEBI, BSE and NSE.

4.2 Leverage and Liquidity

IV.26 The leverage ratio (LR) is a non-risk based backstop measure complementing the Basel III risk-based capital framework. The LR — the ratio of Tier 1 capital to total exposures — improved during 2023-24 for all bank groups, except FBs (Table IV.8).

IV.27 The liquidity coverage ratio (LCR) — designed to help banks withstand liquidity pressures in the short-term — requires banks to maintain high quality liquid assets (HQLAs) to meet 30 days' net outgo under stressed conditions. At end-March 2024, the LCR was 130.3 per cent, which was above the required 100 per cent, notwithstanding some moderation during the year (Table IV.8).

IV.28 The net stable funding ratio (NSFR) – the ratio of available stable funding to required stable funding – limits overreliance of banks on short-term wholesale funding and encourages better assessment of funding risk across all on- and off-balance sheet items, promoting funding stability. In line with international standards, the minimum NSFR that banks in India are required to maintain is set at 100 per cent. At end-March 2024, all bank groups met this target (Table IV.9).

4.3 Non-Performing Assets

IV.29 The improvement in asset quality of banks, measured by their GNPA ratios, commenced in 2018-19. GNPAs of SCBs reduced by 15.9 per cent y-o-y to ₹ 4.8 lakh crore as on March 31, 2024. The GNPA ratio declined to 2.7 per cent at

Table IV.8: Leverage Ratio and Liquidity Coverage Ratio

(in Per cent)

	Leverage Ratio				Liquidity Coverage Ratio			
	Mar-22	Mar-23	Mar-24	Sep-24	Mar-22	Mar-23	Mar-24	Sep-24
1	2	3	4	5	6	7	8	9
PSBs	5.1	5.5	6.0	6.0	155.8	153.5	129.3	127.4
PVBs	9.7	9.6	9.7	10.0	127.7	127.9	127.1	126.1
FBs	11.0	11.0	10.8	10.6	171.0	154.6	145.0	142.6
All SCBs	**7.2**	**7.4**	**7.8**	**7.9**	**147.1**	**144.6**	**130.3**	**128.6**

Source: Off-site returns (global operations), RBI.

Table IV.9: Net Stable Funding Ratio
(At end-March 2024)

(Amount in ₹ crore)

	Available Stable Funding	Required Stable Funding	NSFR (per cent)
1	2	3	4
Public Sector Banks	1,11,95,611	88,65,493	126.3
Private Sector Banks	77,28,087	60,47,820	127.8
Foreign Banks	6,78,655	5,34,056	127.1
Small Finance Banks	2,04,965	1,63,860	125.1
Scheduled Commercial Banks	**1,98,07,318**	**1,56,11,229**	**126.9**

Source: Off-site returns (global operations), RBI.

end-March 2024[8], the lowest in 13 years, from 3.9 per cent at end-March 2023. During 2023-24, around 44.4 per cent of the reduction in GNPAs was attributable to better recoveries and upgradations.

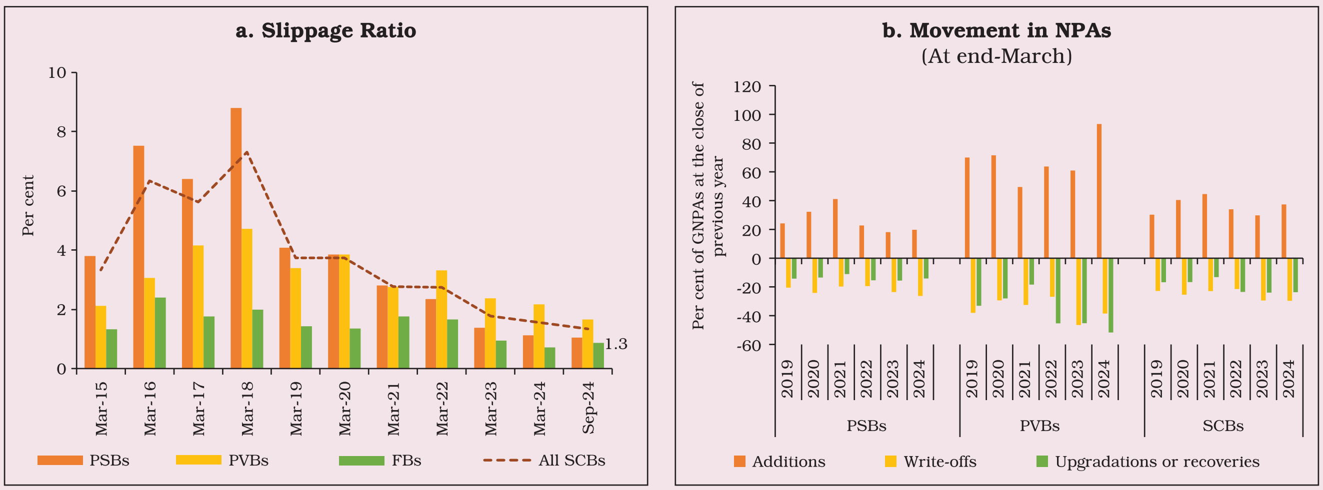
IV.30 The net NPA (NNPA) ratio also declined to a decadal low of 0.62 per cent at end-March 2024, driven by stronger provision buffers (Table IV.10). At end-September 2024, the NNPA ratio improved further to 0.57 per cent.

IV.31 The slippage ratio, which measures new accretions to NPAs as a share of standard advances at the beginning of the year, improved during 2023-24 (Chart IV.16a). For the third consecutive year, the slippage ratio of PVBs remained higher than PSBs on account of the former's larger fresh accretion to NPAs (Chart IV.16b).

IV.32 Reflecting these gains in asset quality, the proportion of standard assets in total advances increased for all bank groups at end-March 2024 from a year ago. The decline in share of non-standard advances (comprising sub-standard, doubtful and loss advances) was led by moderation in doubtful assets (Table IV.11).

IV.33 The share of large borrowal accounts[9] in total advances of SCBs declined to 43.9 per cent at end-March 2024 from 46.5 per cent at the end of the previous year. The special mention accounts-1 (SMA-1)[10] ratio declined for both

Chart IV.16: Reduction in GNPAs



Source: Off-site returns (global operations) and annual accounts of banks.

8 Latest available supervisory data suggests that the GNPA ratio improved further to 2.5 per cent at end-September 2024.
9 Large borrowal accounts refer to accounts with total exposure of ₹ 5 crore and above.
10 SMA-1 indicates accounts with interest or principal payments overdue between 31-60 days.

Table IV.10: Movements in Non-Performing Assets by Bank Group

(Amount in ₹ crore)

	PSBs	PVBs	FBs	SFBs#	All SCBs
1	2	3	4	5	6
Gross NPAs					
Closing Balance for 2022-23	4,28,197	1,25,214	9,526	8,608	5,71,546
Opening Balance for 2023-24	4,28,197	1,25,214	9,526	8,608	5,71,546
Addition during the year 2023-24	84,435	1,16,801	5,199	7,152	2,13,587
Reduction during the year 2023-24	1,73,090	1,12,852	8,202	10,170	3,04,314
i. Recovered	43,018	25,794	3,513	2,348	74,673
ii. Upgradations	17,558	38,856	1,961	2,159	60,535
iii. Written-off	1,12,515	48,202	2,728	5,662	1,69,106
Closing Balance for 2023-24	**3,39,541**	**1,29,164**	**6,523**	**5,590**	**4,80,818**
Gross NPAs as per cent of Gross Advances*					
Closing Balance for 2022-23	5.0	2.3	1.9	4.7	3.9
Closing Balance for 2023-24	3.5	1.9	1.2	2.4	2.7
Net NPAs					
Closing Balance for 2022-23	1,02,532	29,510	1,656	1,622	1,35,320
Closing Balance for 2023-24	72,544	31,594	799	1,796	1,06,732
Net NPAs as per cent of Net Advances					
2022-23	1.2	0.5	0.3	0.9	0.9
2023-24	0.8	0.5	0.1	0.8	0.6

Notes: 1. #: Data pertain to scheduled SFBs.
2. *: Calculated by taking gross NPAs from annual accounts of respective banks and gross advances from off-site returns (global operations).

Source: Annual accounts of banks and off-site returns (global operations), RBI.

PVBs and PSBs, overall as well as for large borrowal accounts (Chart IV.17).

IV.34 Restructured accounts had increased significantly in 2021-22 due to resolution schemes (RSA 1.0 and RSA 2.0) introduced in the aftermath of the pandemic. Subsequently, reflecting the expiry of deadlines for invocation of the restructured standard advances (RSA) and also improvements in asset quality, the number of restructured accounts declined, for both PSBs and PVBs. The share of RSA in gross loans and advances declined overall as well as for large borrowal accounts. The share remained lower for PVBs than for PSBs (Chart IV.18).

Table IV.11: Classification of Loan Assets by Bank Group

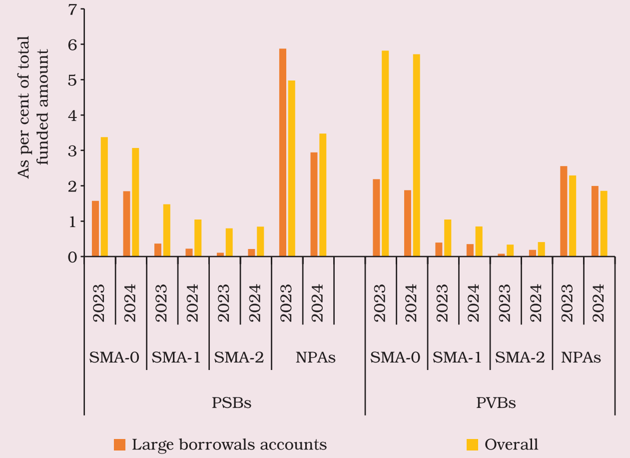
(Amount in ₹ crore)

Bank Group	End-March	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
PSBs	2023	72,86,427	94.8	62,444	0.8	2,28,806	3.0	1,10,054	1.4
	2024	84,24,922	96.3	58,576	0.7	1,78,483	2.0	83,681	1.0
PVBs	2023	51,99,732	97.8	34,288	0.6	52,469	1.0	29,033	0.5
	2024	66,96,942	98.2	44,199	0.6	52,944	0.8	26,397	0.4
FBs	2023	4,89,212	98.1	1,697	0.3	6,648	1.3	1,182	0.2
	2024	5,39,598	98.8	1,344	0.2	4,228	0.8	950	0.2
SFBs**	2023	1,76,199	95.3	3,035	1.6	2,491	1.3	3,082	1.7
	2024	2,24,245	97.6	4,005	1.7	1,514	0.7	71	0.0
All SCBs	2023	1,31,51,571	96.1	1,01,465	0.7	2,90,414	2.1	1,43,351	1.0
	2024	1,58,85,707	97.2	1,08,125	0.7	2,37,169	1.5	1,11,099	0.7

Notes: 1. *: As per cent of gross advances.
2. **: Data pertain to scheduled SFBs.

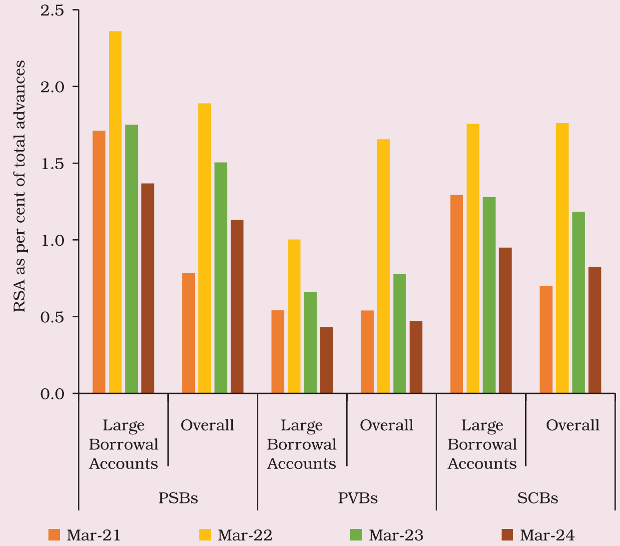
Source: Off-site returns (domestic operations), RBI.

Chart IV.17: Overall Stress *vis-à-vis* Stress in Large Borrowal Accounts
(At end-March)



Note: The ratios for large borrowal accounts and overall accounts are calculated as percentage of their respective amounts outstanding.
Source: CRILC database and off-site returns (global operations), RBI.

Chart IV.18: Restructured Standard Advances Ratio



Source: CRILC database and off-site returns (global operations), RBI.

4.4 *Recoveries*

IV.35 During 2023-24, the number of cases referred for resolution declined across channels, except those under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act. The increase in the number of SARFAESI cases during 2023-24 reflected a low base as the number of cases had declined by 24.6 per cent during 2022-23. The Insolvency and Bankruptcy Code (IBC) remained the dominant mode of recovery, with a share of 48.1 per cent in total amount recovered in 2023-24 (Table IV.12). Under the IBC, the realisable value remained high at 161.1 per cent of liquidation value at end-September 2024.

IV.36 Banks also cleaned up their balance sheets through sale of NPAs to asset reconstruction companies (ARCs). During 2023-24, the ratio of asset sales to GNPAs declined to 5.8 per cent from 9.7 per cent in the previous year. Amongst bank groups, the ratio increased for PSBs and FBs due

Table IV.12: NPAs of SCBs Recovered through Various Channels

(Amount in ₹ crore)

Recovery Channel	2022-23				2023-24 (P)			
	No. of cases referred	Amount involved	Amount recovered*	Col. (4) as per cent of Col. (3)	No. of cases referred	Amount involved	Amount recovered*	Col. (8) as per cent of Col. (7)
1	2	3	4	5	6	7	8	9
Lok Adalats	1,37,72,958	1,88,135	3,774	2.0	1,26,84,815	1,89,694	3,322	1.8
DRTs	56,198	4,02,753	39,785	9.9	31,414	1,06,887	16,202	15.2
SARFAESI Act	1,87,340	1,11,359	30,957	27.8	2,31,407	1,23,363	30,460	24.7
IBC @	1,262	1,38715	54,161	39.0	1,004	1,63,943	46,340	28.3
Total	**1,40,17,758**	**8,40,962**	**1,28,676**	**15.3**	**1,29,48,640**	**5,83,887**	**96,325**	**16.5**

Notes: 1. P: Provisional.
2. *: Refers to the amount recovered during the given year, which could be with reference to the cases referred during the given year as well as during the earlier years.
3. DRTs: Debt Recovery Tribunals.
4. @: Cases admitted by National Company Law Tribunals (NCLTs).

Source: Off-site returns, RBI and Insolvency and Bankruptcy Board of India (IBBI).

to higher sale to ARCs as well as moderation in GNPAs. In the case of PVBs, the decline in sales to ARCs outpaced the reduction in GNPAs, pulling the ratio down (Chart 19a). The acquisition cost of ARCs as a proportion of their book values of assets declined for the second consecutive year in 2023-24, suggesting lower realisable value of the assets (Chart IV.19b).

IV.37 Banks and FIs subscribed to 59.1 per cent of the total security receipts (SRs) issued at end-March 2024 as compared with 60.6 per cent a year ago and 62.5 per cent at end-March 2022, indicative of increasing diversification of investor base. The ratio of SRs issued to book value of assets acquired declined from 29.4 per cent during 2022-23 to 27.6 per cent during 2023-24. The SRs completely redeemed, an indicator of recovery through this mode, improved to 37.5 per cent of previous years' outstanding SRs during 2023-24 from 32.8 per cent during the previous year (Table IV.13).

Table IV.13: Details of Financial Assets Securitised by ARCs

(Amount in ₹ crore)

	Mar-22	Mar-23	Mar-24
1	2	3	4
Number of reporting ARCs	29	28	27
1. Book Value of Assets Acquired	6,29,314	8,39,126	10,25,429
2. Security Receipt issued by SCs/RCs	2,04,841	2,46,290	2,83,330
3. Security Receipts Subscribed to by			
(a) Banks	1,28,007	1,49,253	1,67,483
(b) SCs/RCs	41,350	49,519	57,201
(c) Financial Institutional Investors	15,069	19,383	21,518
(d) Others (Qualified Institutional Buyers)	20,415	28,135	37,128
4. Amount of Security Receipts Completely Redeemed	31,331	41,078	52,332
5. Security Receipts Outstanding	1,25,359	1,39,422	1,48,070

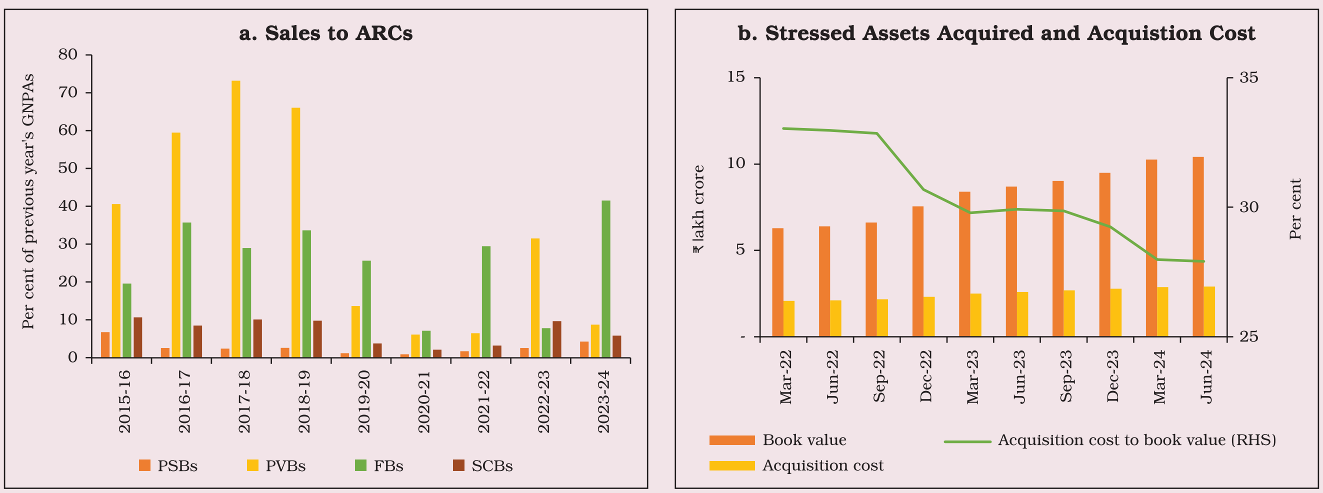
Notes: 1. Total as at the end of quarter (Cumulative/stock figures).
2. SCs- Securitisation Companies and RCs – Reconstruction Companies.

Source: Quarterly statements submitted by ARCs.

4.5 Frauds in the Banking Sector

IV.38 Frauds present multiple challenges for the financial system in the form of reputational risk, operational risk, business risk and erosion of customer confidence with financial stability implications. During 2023-24, based on date of reporting by banks, the amount involved in frauds was the lowest in a decade, while the average value was the lowest in 16 years (Appendix Table IV.7 and Table IV.14).

Chart IV.19: Stressed Asset sales to ARCs



Source: Quarterly statements submitted by ARCs and off-site returns (domestic operations), RBI.

Table IV.14: Frauds in Various Banking Operations Based on the Date of Reporting

(Amount in ₹ crore)

Area of Operation	2021-22		2022-23		2023-24		2023-24 (April-Sept.)		2024-25 (April-Sept.)	
	Number of frauds	Amount involved	Number of frauds	Amount involved	Number of frauds	Amount involved	Number of frauds	Amount involved	Number of frauds	Amount involved
1	2	3	4	5	6	7	8	9	10	11
Advances	3,745	41,485	4,063	22,421	4,124	11,017	1,136	1,747	3,531	19,748
Off-balance Sheet	21	1,077	14	285	11	256	4	73	0	0
Forex Transactions	7	7	13	12	19	38	5	5	6	1
Card/Internet	3,596	155	6,699	277	29,082	1,457	12,069	630	13,133	514
Deposits	471	493	652	258	2,002	240	915	103	934	363
Inter-Branch Accounts	3	2	3	-	29	10	0	0	3	1
Cash	649	93	1,485	159	484	78	210	31	205	18
Cheques/DDs, *etc.*	201	158	118	25	127	42	60	14	49	54
Clearing Accounts, *etc.*	16	1	18	3	17	2	2	0	3	1
Others	300	100	472	423	171	35	79	20	597	667
Total	**9,009**	**43,571**	**13,537**	**23,863**	**36,066**	**13,175**	**14,480**	**2,623**	**18,461**	**21,367**

Notes: 1. Refers to frauds of ₹1 lakh and above.
2. The figures reported by banks and financial institutions are subject to change based on revisions filed by them.
3. Frauds reported in a year could have occurred several years prior to year of reporting.
4. Amounts involved are as reported and do not reflect the amount of loss incurred. Depending on recoveries, the loss incurred gets reduced. Further, the entire amount involved in loan accounts is not necessarily diverted.
5. Post issuance of revised Master Directions on Fraud Risk Management dated July 15, 2024, the banks are reporting only those payment system related transactions which are concluded as fraud committed on bank(s).

Source: RBI.

IV.39 Based on the date of occurrence of frauds, in 2023-24, the share of internet and card frauds in the total stood at 44.7 per cent in terms of amount and 85.3 per cent in terms of number of cases (Table IV.15).

IV.40 In 2023-24, the number of fraud cases reported by PVBs accounted for 67.1 per cent of the total (Chart IV.20a). In terms of amount involved, however, PSBs had the highest share (Chart IV.20b). In terms of number of frauds, the

Table IV.15: Frauds in Various Banking Operations Based on the Date of Occurrence

(Amount in ₹crore)

Area of Operation	Prior to 2021-22		2021-22		2022-23		2023-24		2024-25 (April - Sept.)	
	Number of frauds	Amount involved	Number of frauds	Amount involved	Number of frauds	Amount involved	Number of frauds	Amount involved	Number of frauds	Amount involved
1	2	3	4	5	6	7	8	9	10	11
Advances	7,435	82,256	2,541	8,867	2,942	2,343	2,115	1,127	430	76
Off-balance Sheet	40	1,592	2	27	4	0	0	0	0	0
Forex Transactions	3	1	9	8	21	47	11	2	1	0
Card/Internet	1,078	165	4,395	173	11,979	626	27,604	1,214	7,454	225
Deposits	519	621	456	122	716	200	1,903	230	465	182
Inter-Branch Accounts	6	2	8	1	20	1	4	9	0	0
Cash	284	52	941	101	1,047	116	455	71	96	8
Cheques/DDs, *etc.*	108	156	169	29	107	22	89	36	22	36
Clearing Accounts, *etc.*	9	1	19	4	14	1	12	2	0	0
Others	314	227	216	84	382	268	177	26	451	619
Total	**9,796**	**85,073**	**8,756**	**9,416**	**17,232**	**3,624**	**32,370**	**2,717**	**8,919**	**1,146**

Notes: 1. Refers to frauds of ₹1 lakh and above.
2. The figures reported by banks and financial institutions are subject to change based on revisions filed by them.
3. Data based on date of occurrence may change for a period of time as frauds reported late but having occurred earlier would get added.
4. Data in the table pertain to cases reported from FY 2021-22 till September 30, 2024.
5. Amounts involved are as reported and do not reflect the amount of loss incurred. Depending on recoveries, the loss incurred gets reduced. Further, the entire amount involved in loan accounts is not necessarily diverted.
6. Post issuance of revised Master Directions on Fraud Risk Management dated July 15, 2024, the banks are reporting only those payment system related transactions which are concluded as fraud committed on bank(s).

Source: RBI.

Chart IV.20: Bank Group-wise Frauds

Notes: 1. Frauds based on date of reporting.
2. Others include clearing accounts, foreign exchange transactions, inter-branch accounts, non-resident accounts, off balance sheet.

Source: RBI.

share of card and internet frauds was highest for all bank groups in 2023-24 (Chart IV.20c).

4.6 Enforcement Actions

IV.41 Instances of penalty imposed on regulated entities (REs) increased during 2023-24 across all bank groups, except FBs and SFBs. The total penalty amount more than doubled in 2023-24, led by public and private sector banks. The amount of penalty imposed on co-operative banks declined during the year, while there was an increase in instances of penalty imposition (Table IV.16).

Table IV.16: Enforcement Actions

Regulated Entity	2022-23		2023-24	
	Instances of imposition of penalty	Total Penalty (₹ crore)	Instances of imposition of penalty	Total Penalty (₹ crore)
1	2	3	4	5
Public Sector Banks	7	3.6	16	23.7
Private Sector Bank	7	12.2	12	24.9
Co-operative Banks	176	14.0	215	12.1
Foreign Banks	5	4.7	3	7.0
Payments Banks	-	-	1	5.4
Small Finance Banks	2	1.0	1	0.3
Regional Rural Banks	1	0.4	4	0.1
NBFCs	11	4.4	22	11.5
HFCs	2	0.1	3	0.1
CICs	-	-	4	1.0
Total	**211**	**40.4**	**281**	**86.1**

Source: RBI.

5. Sectoral Bank Credit: Distribution and NPAs

IV.42 Bank credit growth in 2023-24 was broad-based, led by services sector and personal loans segment, followed by agriculture and industry (Table IV.17)[11]. To address the build-up of any risks due to high growth in certain sub-segments of consumer credit and increasing dependence of NBFCs on banks' borrowings, the Reserve Bank on November 16, 2023 tightened lending norms in these sectors[12]. Bank credit growth to segments like consumer durables, credit card receivables and lending to NBFCs, for which risk weights were increased, has moderated.

Table IV.17: Sectoral Deployment of Gross Bank Credit by SCBs

(Amount in ₹ crore)

Sector	Outstanding as on			Per cent variation (y-o-y)		
	Mar-23	Mar-24	Oct-24	Mar-23	Mar-24	Oct-24
1. Agriculture and Allied Activities	**17,26,410**	**20,71,251**	**22,05,299**	**15.4**	**20.0**	**15.5**
2. Industry (Micro and Small, Medium and Large)	**33,66,406**	**36,52,804**	**37,74,252**	**5.8**	**8.5**	**7.9**
		(36,35,810)	**(37,59,186)**		**(8.0)**	**(8.0)**
2.1. Micro and Small	6,33,289	7,26,315	7,49,790	13.1	14.7	10.0
2.2. Medium	2,68,286	3,03,998	3,35,822	12.3	13.3	19.6
2.3. Large	24,64,831	26,22,490	26,88,640	3.5	6.4	6.0
3. Services, *of which*	**37,18,805**	**45,92,227**	**47,84,938**	**19.5**	**23.5**	**12.7**
		(44,90,467)	**(47,04,550)**		**(20.8)**	**(14.1)**
3.1. Transport Operators	1,92,059	2,30,175	2,46,407	14.7	19.8	15.0
3.2. Computer Software	24,924	25,917	30,581	7.1	4.0	24.0
3.3. Tourism, Hotels and Restaurants	69,342	77,513	79,732	3.3	11.8	5.4
3.4. Trade	8,72,340	10,25,752	10,79,498	18.5	17.6	12.4
3.5. Commercial Real Estate	3,22,591	4,69,013	5,07,671	8.4	45.4	13.9
		(4,00,470)	(4,52,869)		(24.1)	(26.0)
3.6. Non-Banking Financial Companies (NBFCs)	13,42,539	15,48,027	15,36,655	29.9	15.3	6.4
4. Personal Loans, *of which*	**41,82,767**	**53,31,290**	**56,47,476**	**20.7**	**27.5**	**12.9**
		(49,19,468)	**(52,78,594)**		**(17.6)**	**(15.8)**
4.1. Consumer Durables	20,985	23,713	23,640	17.7	13.0	6.6
4.2. Housing (Including Priority Sector Housing)	19,91,164	27,18,715	28,71,845	14.5	36.5	12.1
		(23,31,935)	(25,25,138)		(17.1)	(17.8)
4.3. Advances against Fixed Deposits (Including FCNR (B), NRNR Deposits *etc.*)	1,22,484	1,25,239	1,27,533	46.4	2.2	10.9
4.4. Advances to Individuals against Shares, Bonds, *etc.*	7,633	8,492	9,060	12.1	11.3	16.0
4.5. Credit Card Outstanding	2,04,708	2,57,016	2,81,392	32.5	25.6	16.9
4.6. Education	96,482	1,19,380	1,30,309	15.3	23.7	17.6
4.7. Vehicle Loans	5,01,979	5,89,251	6,16,405	24.0	17.4	11.4
4.8. Loans against Gold Jewellery	89,370	1,02,562	1,54,282	19.6	14.8	56.2
5. Bank Credit	**1,36,75,235**	**1,64,32,164**	**1,72,38,250**	**15.0**	**20.2**	**11.5**
		(1,59,01,477)	**(1,67,72,605)**		**(16.3)**	**(12.8)**
5.1 Non-food Credit	**1,36,55,330**	**1,64,09,083**	**1,72,19,596**	**15.4**	**20.2**	**11.5**
		(1,58,78,397)	**(1,67,53,951)**		**(16.3)**	**(12.8)**

Notes: 1. Data are provisional.
2. Data since July 28, 2023 include the impact of the merger of a non-bank with a bank. Figures in parentheses exclude the impact of the merger.
3. NBFCs include HFCs, PFIs, microfinance Institutions (MFIs), NBFCs engaged in gold loan and others.

Source: RBI.

[11] Bank credit and non-food credit data are based on fortnightly Section-42 return, which covers all scheduled commercial banks (SCBs), while sectoral non-food credit data are based on sector-wise and industry-wise bank credit (SIBC) return, which covers select banks accounting for about 95 per cent of total non-food credit extended by all SCBs pertaining to the last reporting Friday of the month.

[12] Risk weight for consumer credit exposure of commercial banks (outstanding as well as new) was increased for personal loans, excluding housing loans, education loans, vehicle loans and loans secured by gold and gold jewellery, by 25 percentage points to 125 per cent. Moreover, risk weight for credit card receivables of SCBs was increased by 25 percentage points to 150 per cent. Risk weight for lending to NBFCs was increased by 25 percentage points.

IV.43 The shares of services and personal loans segments in total credit have grown from 21.9 per cent and 17.1 per cent, respectively, at end-March 2013 to 27.9 per cent and 32.4 per cent, respectively, at end-March 2024[13]. Credit diversification can help banks improve their profitability (Box IV.3).

Box IV.3: Impact of Credit Diversification on Banks' Profitability

Portfolio diversification reduces financial intermediation cost of banks and can enhance their profitability (Diamond 1984). Sectoral credit diversification, however, can also lead to scale inefficiency which can reduce banks' profitability (Acharya, 2006). Empirical evidence of the impact of sectoral credit diversification on bank profitability is, therefore, mixed (Mulwa, 2018).

The impact of diversification on banks' profitability is examined in a fixed effect panel framework (Eq. 1) using quarterly data for 12 public and 19 private sector banks for the period March 2015 to December 2023.

$$NIM_{it} = \beta_{i0} + \beta_1 D_{it} + \gamma V_{it} + \epsilon_{it} \qquad \text{(Eq. 1)}$$

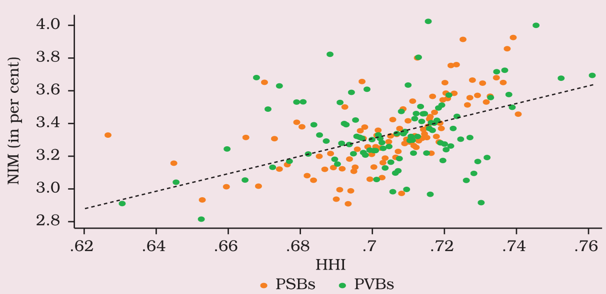
where, NIM_{it} is the net interest margin of bank i at time t, D_{it} is the diversification measure of bank i at time t, V_{it} is a vector of control variables including bank assets, GNPA ratio, credit growth and IIP growth. Drawing from literature, two diversification indices are constructed, the first using the Hirschman-Herfindahl methodology and the other using Shannon Entropy.

$$HHI_{it} = 1 - \sum_{i=1}^{n} s_{it}^2 \; ; \; Entropy_{it} = -\sum_{i=1}^{n} s_{it} \ln(s_{it})$$

where s_{it} is the share of each sector[14] in total credit of bank i at time t. Higher value of each of the indices indicates higher portfolio diversification. The scatter plot suggests a positive relationship between portfolio diversification and banks' profitability (Chart IV.3.1).

The results indicate a positive and significant relationship between NIM and diversification indices, suggesting that portfolio diversification has benefitted banks in terms of profitability. Additionally, asset quality, measured by the GNPA ratio, is negatively correlated with NIM. The differential impact of credit diversification on profitability of PVBs *vis-à-vis* PSBs, measured by the interaction of the private bank dummy with the diversification indices (PVB*HHI and PVB*Entropy), is found to be insignificant. This suggests a symmetric impact of credit diversification on profitability of both PVBs and PSBs (Table IV.3.1).

Chart IV.3.1: HHI and Net Interest Margin



Notes: Scatter graph is plotted after absorbing panel fixed effects.
Source: RBI staff estimates.

Table IV.3.1: Regression Results

Variables	Dependent variable: Net interest margin			
	(1)	(2)	(3)	(4)
Lag (HHI)	3.096*** (0.957)	2.201 (1.319)		
Lag (entropy)			1.712*** (0.423)	1.595* (0.790)
Lag (log assets)	0.0404 (0.372)	-0.000524 (0.364)	-0.0168 (0.379)	-0.0248 (0.370)
Lag (GNPA ratio)	-0.0307*** (0.00544)	-0.0309*** (0.00542)	-0.0308*** (0.00548)	-0.0309*** (0.00549)
Lag (credit growth) (y-o-y)	0.00392 (0.00246)	0.00429 (0.00251)	0.00413 (0.00246)	0.00419 (0.00248)
AQR dummy	-0.183*** (0.0455)	-0.190*** (0.0494)	-0.189*** (0.0463)	-0.190*** (0.0509)
Covid dummy	-0.00876 (0.0366)	-0.00214 (0.0348)	-0.00777 (0.0365)	-0.00632 (0.0353)
Lag (PVB*HHI)		1.345 (1.671)		
Lag (PVB*Entropy)				0.149 (0.911)
Log(IIP)	1.337** (0.508)	1.402** (0.528)	1.348** (0.509)	1.364** (0.533)
Constant	-1.573 (1.495)	-1.441 (1.426)	-1.326 (1.498)	-1.283 (1.398)
Observations	1,081	1,081	1,081	1,081
R-squared	0.738	0.738	0.739	0.739
Fixed Effects	Yes	Yes	Yes	Yes
Number of Banks	31	31	31	31

Notes: 1. Figures in parentheses indicate robust standard errors.
2. ***, ** and * represent 1 per cent, 5 per cent and 10 per cent levels of significance, respectively.
3. Covid dummy takes value 1 during the quarters ending March 2020 to March 2022 and zero otherwise.
4. AQR dummy takes value 1 during the quarters ending September 2015 to March 2018 and zero otherwise.

Source: RBI staff estimates.

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13 Data for March 2024 are inclusive of merger of a non-bank with a private sector bank. Exclusive of merger, the shares at end-March 2024 were: services 28.2 per cent and personal loans 30.5 per cent.

14 Sectors include agriculture, industry, services, and personal loans.

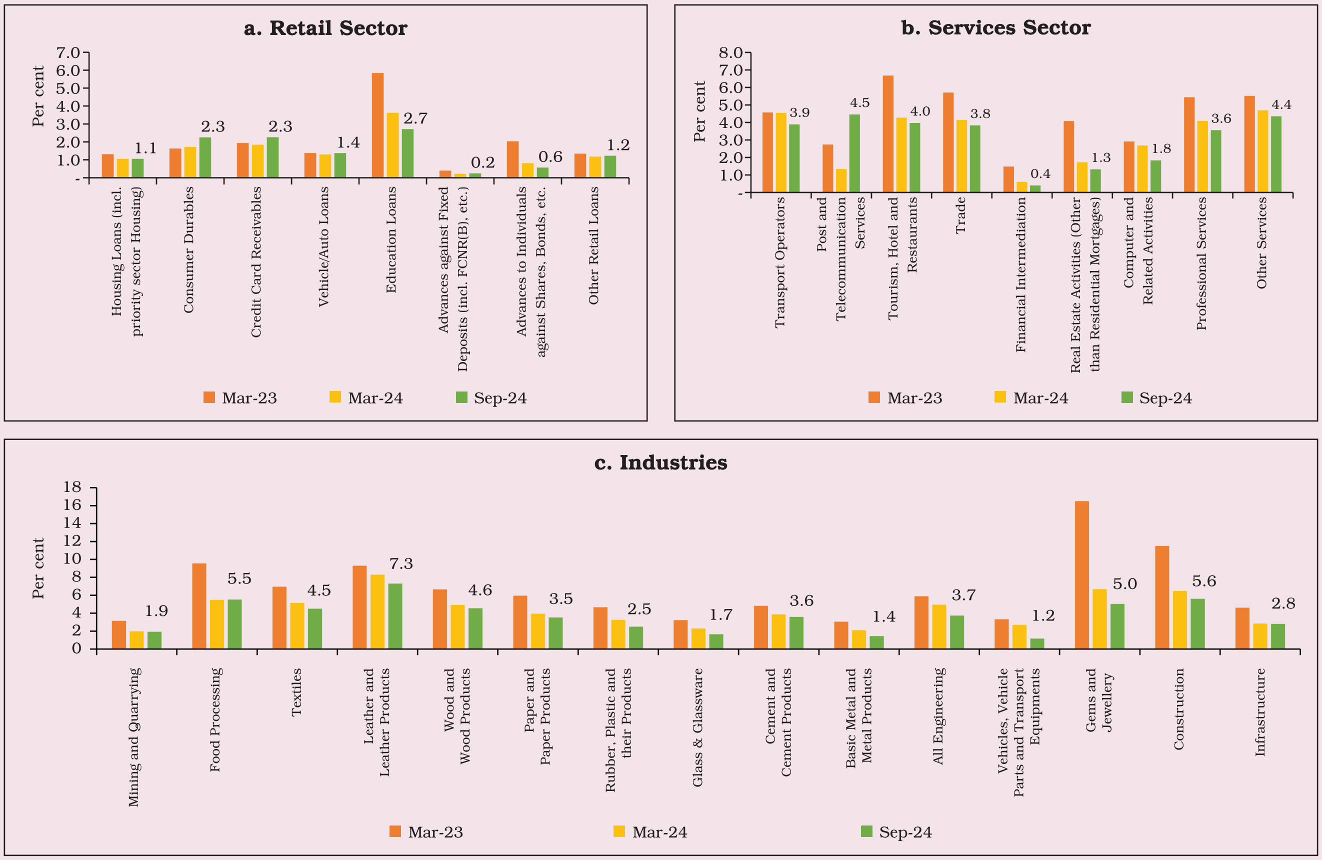
IV.44 The GNPA ratio remained the highest for the agricultural sector (6.2 per cent) and the lowest for retail loans (1.2 per cent) at end-September 2024. The asset quality of the industrial sector has been improving since March 2018, with the GNPA ratio declining to 2.9 per cent at end-September 2024. The GNPA ratio of sectoral credit across bank groups has converged over the years (Chart IV.21).

IV.45 The GNPA ratio of education loans fell from 5.8 per cent at end-March 2023 to 3.6 per cent at end-March 2024 and 2.7 per cent at end-September 2024 but it remained the highest across retail loan segments, followed by credit card receivables and consumer durables (Chart IV.22a). In the services sector, the GNPA ratio of tourism, hotel and restaurants sector remained elevated, notwithstanding a decline from 6.7 per cent at end-March 2023 to 4.3 per cent at end-March 2024 and 4.0 per cent at end-September 2024 (Chart IV.22b). Among the industrial sub-sectors, the GNPA ratio of the gems and jewellery segment moderated from 16.5 per cent at end-March 2023 to 6.7 per cent in March 2024 and 5.0 per cent at end-September 2024, partly reflecting higher recoveries. At end-September 2024, the leather and leather products industry had the highest GNPA ratio of 7.3 per cent, despite some recent improvement (Chart IV.22c).

Chart IV.21: Sectoral GNPA Ratios

Source: Off-site returns (domestic operations), RBI.

Chart IV.22: GNPA Ratio in Various Sub-Sectors



Source: Off-site returns (domestic operations), RBI.

5.1 *Credit to the MSME Sector*

IV.46 Credit growth of PVBs to the micro, small and medium-sized enterprise (MSME) sector has consistently remained in double digits, reaching 28.7 per cent in 2023-24. Outstanding credit by SCBs to the MSME sector increased to ₹27.25 lakh crore, accounting for 19.3 per cent of the total adjusted net bank credit (ANBC) at end-March 2024.

IV.47 The number of MSME credit accounts of SCBs increased during 2023-24, reversing the trend during the period 2020-21 to 2022-23. The growth in the amount of credit to the MSMEs was marginally higher than the growth in the number of accounts, resulting in an increase in average credit (Table IV.18).

5.2 *Priority Sector Credit*

IV.48 SCBs' priority sector lending rose by 16.9 per cent in 2023-24 from 10.8 per cent in the previous year, with a step up in growth among both PVBs (to 23.5 per cent from 15.7 per cent) and PSBs (to 12.3 per cent from 7.1 per cent). All bank groups managed to achieve their overall priority sector lending targets and sub-targets (Table IV.19). The amount outstanding under operative *Kisan* Credit Cards (KCC) also registered an improvement in growth to 10.7 per cent during 2023-24 from 8.8 per cent in the previous year, mainly led by the southern region. The southern region also had the highest share of amount outstanding under KCC. Although its growth decelerated to 13.2 per cent during

Table IV.18: Credit Flow to the MSME sector by SCBs

(Number of accounts in lakh, amount outstanding in ₹ crore)

		2019-20	2020-21	2021-22	2022-23	2023-24
1	2	3	4	5	6	7
Public Sector Banks	No. of accounts	111	151	150	139	144
		(-1.9)	(36.1)	(-0.7)	(-7.4)	(4.2)
	Amount Outstanding	8,93,315	9,08,659	9,55,860	10,84,953	12,22,687
		(1.5)	(1.7)	(5.2)	(13.5)	(11.3)
Private Sector Banks	No. of accounts	271	267	113	73	110
		(31.8)	(-1.4)	(-57.7)	(-35.2)	(50.2)
	Amount Outstanding	6,46,988	7,92,042	9,69,844	10,89,833	14,02,324
		(14.8)	(22.4)	(22.4)	(12.4)	(28.7)
Foreign Banks	No. of accounts	3	3	2	2	3
		(14.1)	(-5.1)	(-19.0)	(-26.3)	(72.9)
	Amount Outstanding	73,279	83,224	85,352	85,349	1,00,261
		(9.5)	(13.6)	(2.6)	(0.0)	(17.5)
All SCBs	No. of accounts	384	420	265	213	257
		(19.8)	(9.4)	(-37.0)	(-19.4)	(20.5)
	Amount Outstanding	16,13,582	17,83,925	20,11,057	22,60,135	27,25,272
		(6.8)	(10.6)	(12.7)	(12.4)	(20.6)

Note: Figures in the parentheses indicate y-o-y growth rates.
Source: RBI.

2023-24 from 18.3 per cent in the previous year, it remained above the all-India expansion rate (Appendix Table IV.8).

IV.49 The total trading volume of priority sector lending certificates (PSLCs) grew by 25.5 per cent during 2023-24, primarily led by PSLC-General.

Table IV.19: Priority Sector Lending by Banks
(At end-March 2024)

(Amount in ₹ crore)

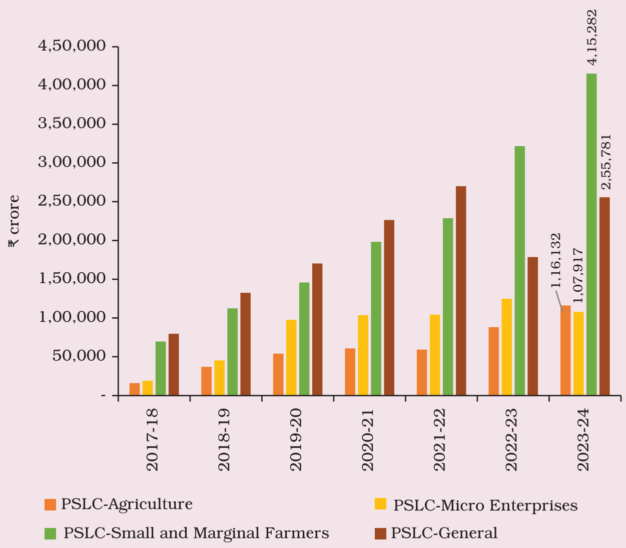
Item	Target/ sub-target (per cent of ANBC/ CEOBE)	Public Sector Banks		Private Sector Banks		Foreign Banks		Small Finance Banks		Scheduled Commercial Banks	
		Amount outstanding	Per cent of ANBC/ CEOBE	Amount outstanding	Per cent of ANBC/ CEOBE	Amount outstanding	Per cent of ANBC/ CEOBE	Amount outstanding	Per cent of ANBC/ CEOBE	Amount outstanding	Per cent of ANBC/ CEOBE
1	2	3	4	5	6	7	8	9	10	11	12
Total Priority Sector Advances	**40/75***	**31,85,092**	**42.6**	**24,09,329**	**47.4**	**2,51,550**	**41.6**	**1,31,967**	**90.6**	**59,77,938**	**45.0**
of which											
Total Agriculture	18.0	14,25,554	19.1	9,51,089	18.7	49,700	18.6	38,964	26.8	24,65,307	19.0
Small and Marginal Farmers	10.0	8,32,757	11.2	5,05,484	10.0	29,309	11.0	26,517	18.2	13,94,068	10.8
Non-corporate Individual Farmers#	13.8	11,05,493	14.8	7,08,677	14.0	29,435	14.2	36,962	25.4	18,80,568	14.6
Micro Enterprises	7.5	5,97,854	8.0	5,17,925	10.2	22,682	8.5	47,494	32.6	11,85,956	9.2
Weaker Sections	12.0	10,53,784	14.1	6,37,014	12.5	32,284	12.1	52,146	35.8	17,75,229	13.7

Notes:
1. Amount outstanding and achievement percentage are based on the average achievement of banks for four quarters of the financial year.
2. *: Total priority sector lending target for Small Finance Banks is 75 per cent.
3. #: Target for non-corporate farmers is based on the system-wide average of the last three years' achievement. For financial year 2023-24, the applicable system wide average figure is 13.78 percent.
4. For foreign banks having less than 20 branches, only the total PSL target of 40 per cent is applicable.
5. Data are provisional.

Source: RBI.

Among the four PSLC categories, the small and marginal farmers (SMF) category registered the highest trading volume, partly reflecting specialisation by a few banks in lending to this category of borrowers and the inability of other banks to meet sub-targets through direct lending (Chart IV.23).

Chart IV.23: Trading Volume of PSLCs



Source: RBI.

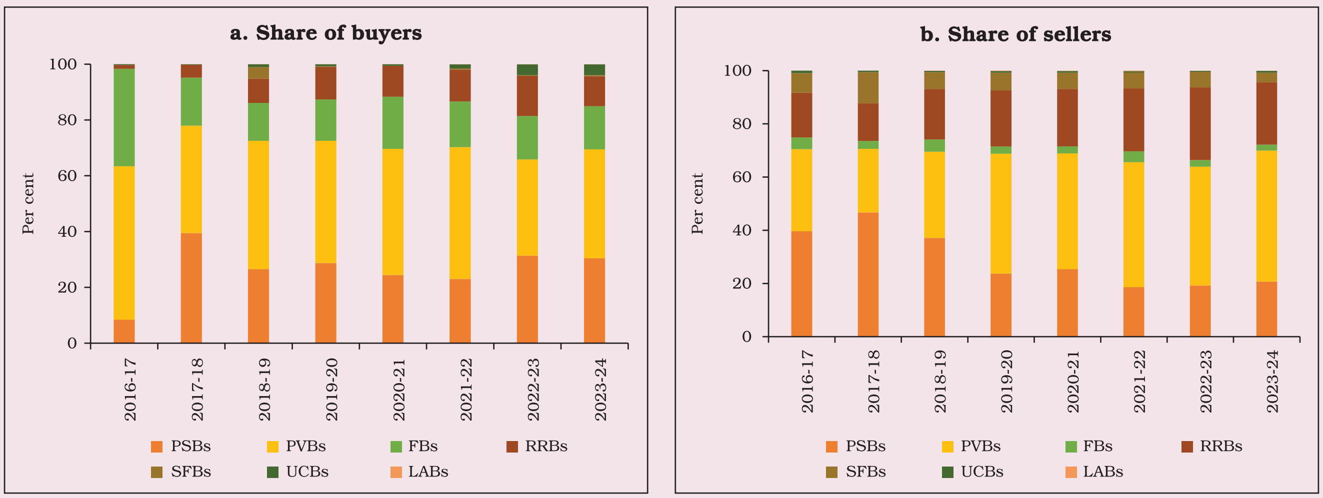
IV.50 In the last five years, PVBs have emerged as major sellers of PSLCs. In 2023-24, PVBs accounted for 49.2 per cent of total sales as compared with 20.7 per cent in the case of PSBs (Chart IV.24).

IV.51 Over the last three years, the weighted average premium (WAP) has declined for all categories, except for PSLC-SMF. This could be reflective of, *inter alia*, lower demand for PSLC-micro enterprises as banks make inroads into lending to micro enterprises to meet the PSL sub-targets organically (Table IV.20).

IV.52 The GNPA ratio of priority sector lending declined to 4.4 per cent at end-March 2024 from 5.4 per cent at end-March 2023. Nonetheless, the share of the priority sector in total GNPA of SCBs increased to 57.3 per cent at end-March 2024 from 51.1 per cent at end-March 2023, as NPAs in the non-priority sector declined more sharply. NPAs in the priority sector were led by agricultural defaults.

IV.53 While PSBs extended 42.6 per cent of their ANBC/ credit equivalent of off-balance sheet exposure (CEOBE) to the priority sector, this portfolio contributed 64.2 per cent to their total

Chart IV.24: Buyers and Sellers in PSLC Market



Source: RBI.

Table IV.20: Weighted Average Premium on Various Categories of PSLCs

(Per cent)

	2020-21	2021-22	2022-23	2023-24	2023-24 (Apr-Jun)	2024-25 (Apr-Jun)
1	2	3	4	5	6	7
PSLC-Agriculture	1.55	1.37	0.62	0.24	0.27	0.24
PSLC-Micro Enterprises	0.88	0.95	0.16	0.04	0.12	0.01
PSLC-Small and Marginal Farmers	1.74	2.01	1.68	1.74	1.98	1.97
PSLC-General	0.46	0.6	0.19	0.02	0.02	0.01

Source: RBI.

NPAs. In the case of SFBs, the priority sector comprises 90.6 per cent of their ANBC/CEOBE; its share in their total NPAs rose significantly to 72.1 per cent in 2023-24 from 42.1 per cent in the previous year (Table IV.21).

5.3 Credit to Sensitive Sectors

IV.54 Banks' exposure to the capital market and real estate is reckoned as sensitive in view of the risks inherent in fluctuations in asset prices. Data compiled using annual accounts of banks suggest that at end-March 2024 PSBs' exposure to these sectors was 22.1 per cent of their total loans and advances, marginally higher than 21.7 per cent a year ago. PVBs' exposure to sensitive sectors increased to 34.7 per cent of their total loans and advances from 27.8 per cent a year ago, largely reflecting the merger impact. The growth of capital market exposure of SCBs accelerated to 31.3 per cent during 2023-24 from 20.2 per cent in the previous year, contributed by both the bank groups. (Chart IV.25a and b and Appendix Table IV.9).

Table IV.21: Sector-wise GNPAs of Banks

(At end-March)

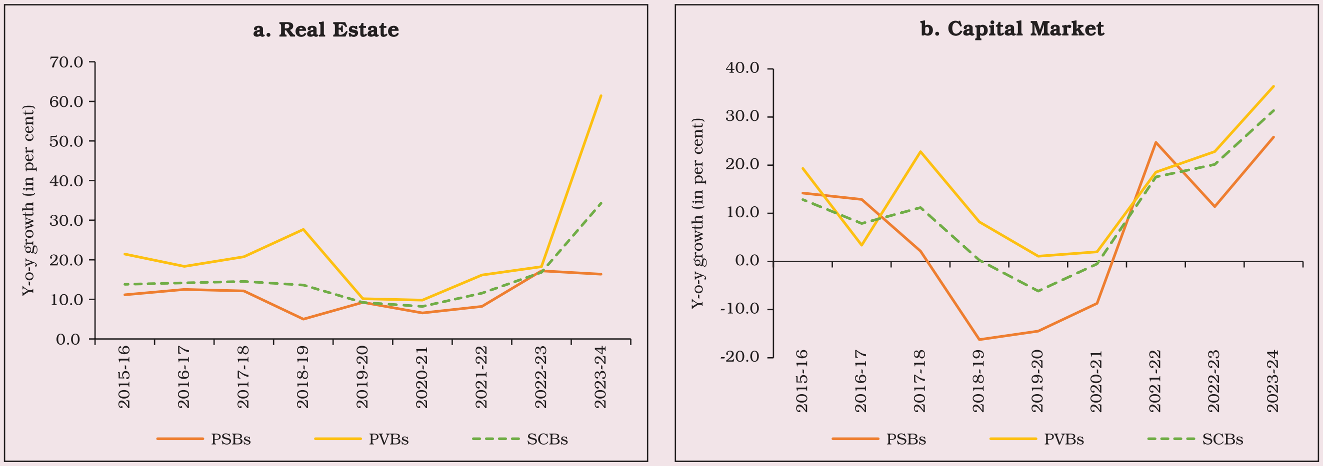
(Amount in ₹crore)

Bank Group	Priority Sector		*Of which*						Non-priority Sector		Total NPAs	
			Agriculture		Micro and Small Enterprises		Others					
	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
1	2	3	4	5	6	7	8	9	10	11	12	13
PSBs												
2023	2,25,638	56.2	1,14,409	28.5	80,577	20.1	30,652	7.6	1,75,666	43.8	4,01,304	100.0
2024	2,05,777	64.2	1,06,451	33.2	75,278	23.5	24,049	7.5	1,14,963	35.8	3,20,740	100.0
PVBs												
2023	42,321	36.5	19,999	17.3	14,569	12.6	7,752	6.7	73,470	63.5	1,15,791	100.0
2024	49,986	40.5	21,211	17.2	18,340	14.8	10,435	8.4	73,553	59.5	1,23,540	100.0
FBs												
2023	2,149	22.6	221	2.3	1,542	16.2	386	4.1	7,377	77.4	9,526	100.0
2024	1,795	27.5	162	2.5	1,315	20.2	318	4.9	4,728	72.5	6,523	100.0
SFBs												
2023	3,621	42.1	1,397	16.2	1,054	12.2	1,170	13.6	4,987	57.9	8,608	100.0
2024	4,031	72.1	1,878	33.6	1,137	20.3	1,015	18.2	1,560	27.9	5,590	100.0
All SCBs												
2023	2,73,729	51.1	1,36,026	25.4	97,742	18.3	39,960	7.5	2,61,500	48.9	5,35,229	100.0
2024	2,61,589	57.3	1,29,701	28.4	96,070	21.0	35,817	7.8	1,94,804	42.7	4,56,393	100.0

Note: Per cent: Per cent of total NPAs.
Source: Off-site returns (domestic operations), RBI.

Chart IV.25: Exposure to Sensitive Sectors

(At end-March)



Source: Annual accounts of banks.

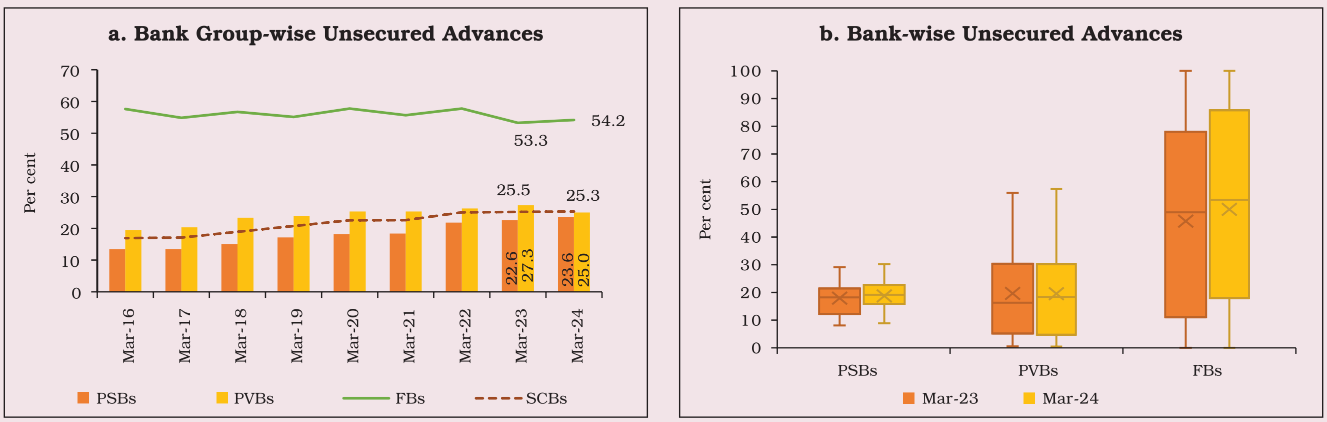
5.4 *Unsecured lending*

IV.55 Unsecured loans, characterised by absence or inadequacy of collateral, present higher credit risk for banks in the event of a default. The share of unsecured loans in total credit of SCBs had been increasing since end-March 2015, touching 25.5 per cent by end-March 2023. This share declined marginally to 25.3 per cent at end-March 2024, mainly led by PVBs, reflecting, *inter alia*, the impact of the Reserve Bank's November 2023 measures to contain build-up of risk in these sectors (Chart IV.26a). Among various bank groups, PSBs had the lowest share of unsecured advances, followed by PVBs. The mean, median as well as dispersion of bank-wise exposure to unsecured loans was the highest amongst FBs (Chart IV.26b).

6. Ownership Pattern in Commercial Banks

IV.56 The ownership pattern of banks plays a crucial role in governance, stability, and overall

Chart IV.26: Share of Unsecured Advances



Notes: 1. Data exclude regional rural banks.

2. The whiskers of the boxplots are indicative of maximum and minimum values. A colored box shows distance between first quantile and third quantile. Horizontal line in each box shows the median, while 'X' shows the mean.

Source: Annual accounts of banks.

performance of banks. During 2023-24, the central government brought down its stake in Bank of India, Indian Bank and Union Bank of India to below 75 per cent (Chart IV.27a). With this, seven PSBs met the minimum public shareholding norm at end-March 2024. The Government, *vide* its notification dated July 19, 2024, granted exemption upto August 1, 2026 to five PSBs that are yet to meet the criterion. PVBs have a more diversified ownership pattern (Chart IV.27b).

IV.57 During 2023-24, non-resident ownership of banks remained within the limits of 74 per cent for PVBs, LABs and SFBs, and 20 per cent for PSBs (Appendix Table IV.10).

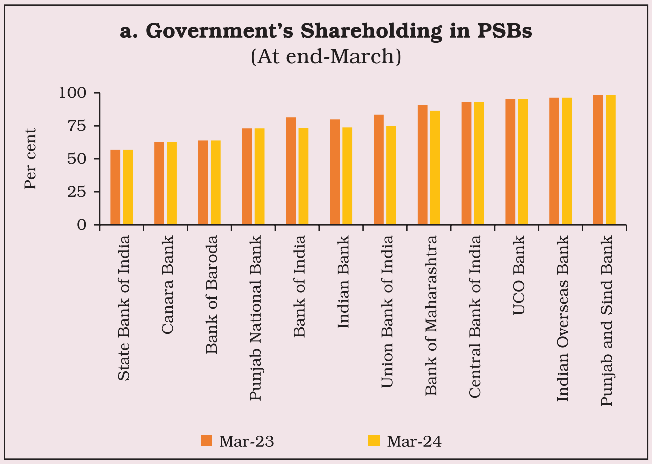
7. Corporate Governance

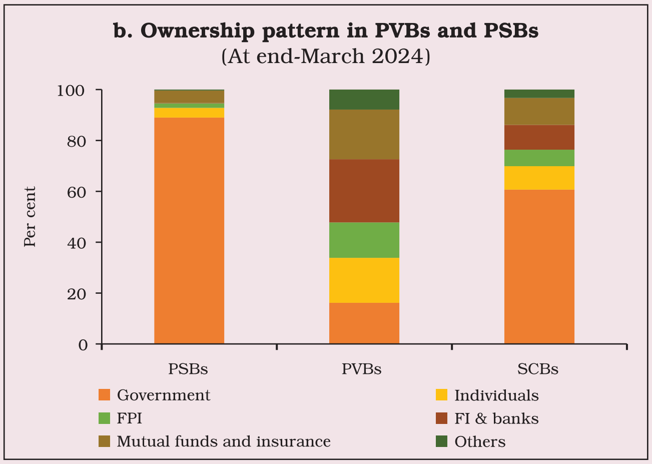
IV.58 Corporate governance is critical for efficiency in allocation of resources, protection of depositors' interest, and maintenance of financial stability. The Reserve Bank on April 26, 2021 laid down norms for the composition of certain committees of the board; chair and meetings of the board; age, tenure and remuneration of directors; and appointment of the whole-time directors for robust and transparent risk management and decision-making in banks[15].

7.1 Composition of Boards

IV.59 Independent directors contribute to the board's deliberations by providing independent judgement especially on issues of strategy, performance, risk management, resources, key appointments and standard of conduct. At end-March 2024, for both PVBs and SFBs, the share of independent directors in the board and its committee was well above the stipulated threshold (Table IV.22)[16].

Chart IV.27: Ownership Pattern of Banks





Note: SCBs include 12 PSBs, 21 PVBs, 12 SFBs and 6 PBs.
Source: RBI and BSE website.

15 These instructions were made applicable to all PVBs (including SFBs) and wholly owned subsidiaries of FBs. In respect of State Bank of India and Nationalised Banks, these guidelines were specified to apply only to the extent that they were not inconsistent with provisions of specific statutes applicable to them, or instructions issued under the statutes.

16 Instructions on corporate governance issued by the Reserve Bank on April 26,2021, *inter alia*, mandate that at least half of the directors attending the meetings of the board shall be independent directors; half of the members attending the meeting of the Risk Management Committee of Board shall be independent directors, of which at least one member shall have professional expertise/qualification in risk management; half of the members attending the meeting of the Nomination and Remuneration Committee shall be independent directors, of which one shall be a member of the RMCB; at least two-thirds of the members attending the meeting of the Audit Committee of the Board shall be independent directors.

Table IV.22: Independent Directors on the Board and its Committees
(At end-March)

(Share in per cent)

	Board		Risk Management Committee of Board (RMCB)		Nomination and Remuneration Committee (NRC)		Audit Committee of the Board (ACB)	
	2023	2024	2023	2024	2023	2024	2023	2024
1	2	3	4	5	6	7	8	9
PVBs	65	65	67	70	78	85	83	87
SFBs	68	67	76	73	83	79	83	82

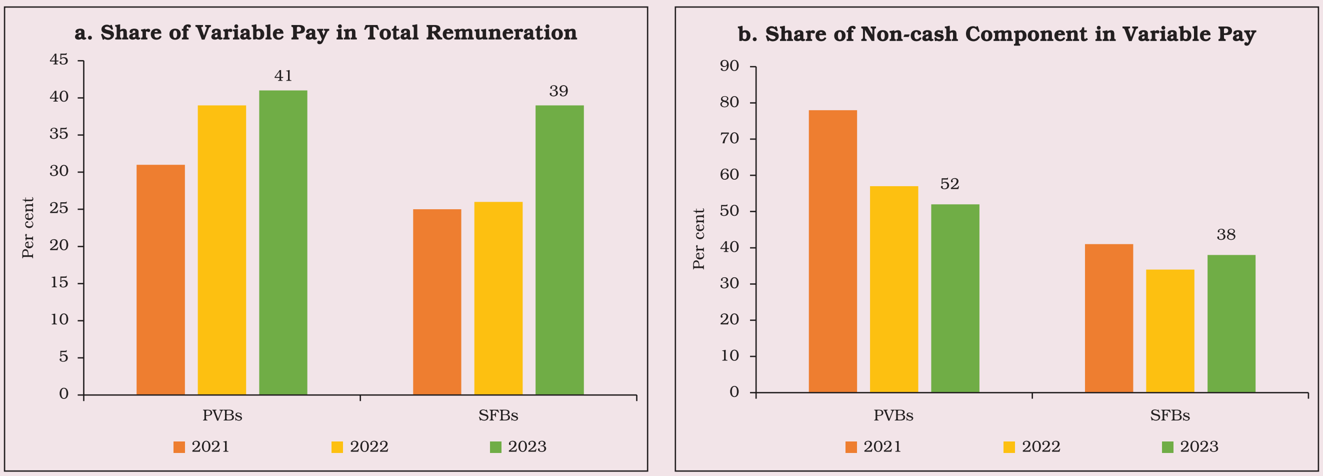
Source: Annual report and websites of banks.

IV.60 Banks are required to constitute a Risk Management Committee of Board (RMCB), with a majority of non-executive directors. The chair of the board may be a member of the RMCB only if he/she has the requisite risk management expertise. The proportion of PVBs in which the chair is not a member of the RMCB was unchanged at 38 per cent at end-March 2024. For SFBs, the proportion decreased from 42 per cent at end-March 2023 to 33 per cent at end-March 2024.

7.2 Executive Compensation

IV.61 To maintain balance between short-term risk-taking and long-term stability, the Reserve Bank's revised guidelines of November 2019 require a substantial portion of compensation (at least 50 per cent) to be variable and to be paid on the basis of individual, business-unit and firm-wide indicators that adequately measure performance[17]. Further the guidelines stipulate that if target variable pay (TVP) is up to 200 per cent (above 200 per cent) of fixed pay then minimum 50 per cent (67 per cent) of TVP shall be paid *via* non-cash components. During 2022-23, the share of actual variable pay (VP) in total remuneration improved for both PVBs and SFBs, (Chart IV.28a). The share of the non-cash component in the actual VP moderated to 52 per cent for PVBs and increased to 38 per cent for SFBs (Chart IV.28b).

Chart IV.28: Components of Total Remuneration of MDs and CEOs
(At end-March)



Source: RBI.

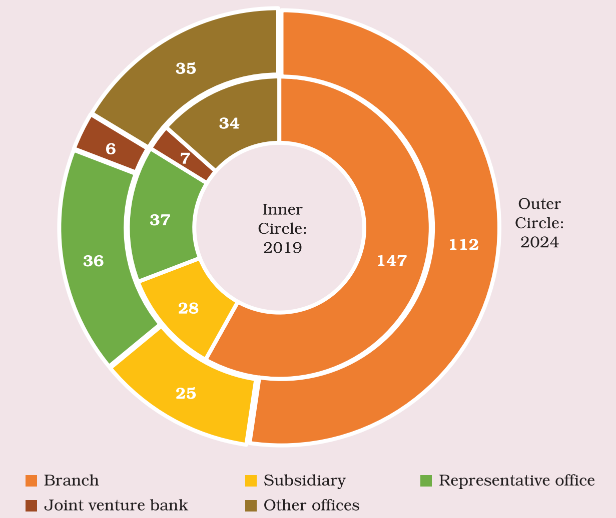
[17] Guidelines on compensation of whole-time directors/ chief executive officers/ material risk takers and control function staff, issued on November 4, 2019, became effective for the pay cycles beginning from/after April 01, 2020. These guidelines are applicable to PVBs including LABs, SFBs and PBs, and FBs operating in India through branches and wholly owned subsidiary.

8. Foreign Banks' Operations in India and Overseas Operations of Indian Banks

IV.62 During 2023-24, the number of FBs operating in India increased as one of the foreign banks, which previously had only a representative office, opened a fully functioning bank branch. However, the number of FBs' branches declined for the third consecutive year, reflecting re-alignment of global strategy and business value optimisation (Table IV.23).

IV.63 Indian banks conduct their overseas operations primarily through branches (Chart IV.29). During 2023-24, PSBs rationalised their overseas presence by closing non-viable branches, whereas overseas presence of PVBs remained unchanged (Appendix Table IV.11).

Chart IV.29: Overseas Operations of Indian Banks
(At end-March)



Source: RBI.

9. Payment Systems and Scheduled Commercial Banks

IV.64 India's payment systems have evolved rapidly, embracing both innovation and inclusivity to cater to a diverse population while also maintaining high safety standards. The landscape combines traditional banking channels with cutting-edge digital solutions, enabling secure, quick, and convenient transactions. This transformation has been driven by technological advancements, a robust regulatory framework, and policy initiatives aimed at promoting cashless transactions and financial inclusion.

Table IV.23: Operations of Foreign Banks in India

	Foreign banks operating through branches/WOS		Foreign banks having representative offices
	No. of Banks	Branches#	
1	2	3	4
Mar-21	45	874	36
Mar-22	45	861	34
Mar-23	44	782	33
Mar-24	45	780	31

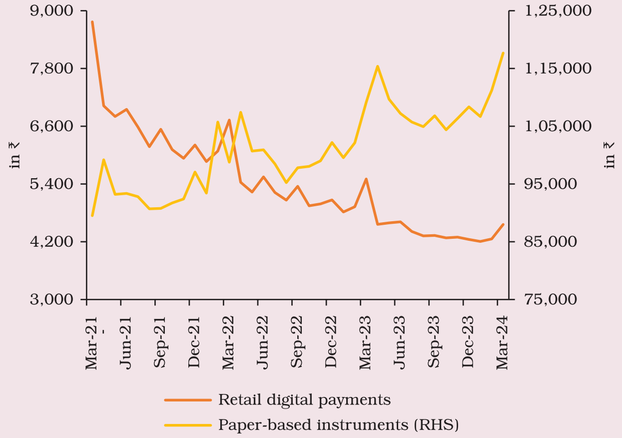
Note: #: Including branches of two foreign banks, *viz*., SBM Bank (India) Limited and DBS Bank India Limited, which are operating through Wholly Owned Subsidiary (WOS) mode.
Source: RBI.

9.1 Digital Payments

IV.65 During 2021-2024, digital payment methods registered a compound annual growth rate (CAGR) of 49.9 per cent in volume terms and 14.1 per cent in value terms. In contrast, paper-based instruments such as cheques and demand drafts contracted, with a CAGR of (-)10.1 per cent in volume terms and (-)1.6 per cent in value terms. The average value of retail digital payments has reduced from ₹8,769 in March 2021 to ₹4,560 in March 2024, with growing popularity of digital modes for small value payments (Chart IV.30).

IV.66 At end-March 2024, in terms of value, 97.1 per cent of the total payments were through digital mode. The Unified Payments Interface (UPI) has the majority share in volume of transactions, while real time gross settlements

Chart IV.30: Average Value of Retail Digital Payments *vis-à-vis* Paper-based Instruments



Notes: 1. Retail digital payments include NEFT, IMPS, UPI, NACH, BHIM Aadhar Pay, AePS fund transfer, NETC, card payments and prepaid payment instruments.
2. Paper-based instruments include cheques, demand drafts and others.

Source: RBI.

(RTGS) accounted for the largest share in terms of value (Table IV.24).

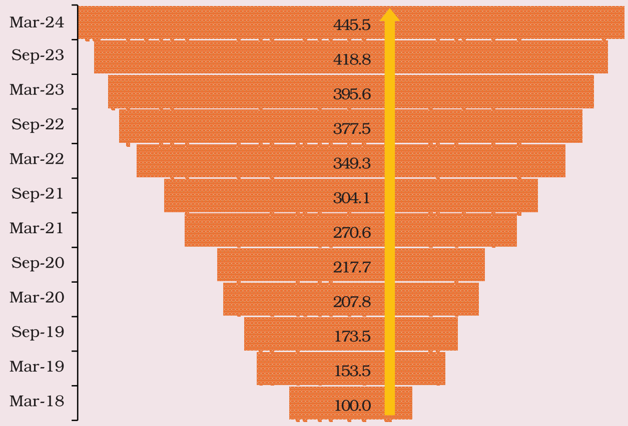
IV.67 The Reserve Bank launched a composite Digital Payments Index in January 2021 to measure the progress of digitalisation and assess the deepening and penetration of digital payments comprising five broad parameters: payment enablers; payment infrastructure – demand-side factors; payment infrastructure – supply-side factors; payment performance; and consumer centricity. The index is computed semi-annually with March 2018 as the base year. At end-March 2024, the index stood at 445.5 compared to 395.6 a year ago, driven by significant growth in payment performance and payment infrastructure across the country (Chart IV.31).

Table IV.24: Payment Systems Indicators

	Volume (lakh)			Value (₹ crore)		
	2021-22	2022-23	2023-24	2021-22	2022-23	2023-24
1	2	3	4	5	6	7
1. Large Value Credit Transfers – RTGS	2,078	2,426	2,700	12,86,57,516	14,99,46,286	17,08,86,670
2. Credit Transfers	5,77,935	9,83,621	14,86,107	4,27,28,006	5,50,09,620	6,75,42,859
2.1 AePS (Fund Transfers)	10	6	4	575	356	261
2.2 APBS	12,573	17,834	25,888	1,33,345	2,47,535	3,90,743
2.3 ECS	-	-	-	-	-	-
2.4 IMPS	46,625	56,533	60,053	41,71,037	55,85,441	64,95,652
2.5 NACH	18,758	19,257	16,227	12,81,685	15,41,815	15,25,104
2.6 NEFT	40,407	52,847	72,640	2,87,25,463	3,37,19,541	3,91,36,014
2.7 UPI	4,59,561	8,37,144	13,11,295	84,15,900	1,39,14,932	1,99,95,086
3. Debit Transfers and Direct Debits	12,189	15,343	18,250	10,34,444	12,89,611	16,87,658
3.1 BHIM Aadhaar Pay	228	214	194	6,113	6,791	6,112
3.2 ECS Dr	-	-	-	-	-	-
3.3 NACH	10,755	13,503	16,426	10,26,641	12,80,219	16,78,769
3.4 NETC (linked to bank account)	1,207	1,626	1,629	1,689	2,601	2,777
4. Card Payments	61,783	63,325	58,470	17,01,851	21,52,245	24,23,563
4.1 Credit Cards	22,399	29,145	35,610	9,71,638	14,32,255	18,31,134
4.2 Debit Cards	39,384	34,179	22,860	7,30,213	7,19,989	5,92,429
5. Prepaid Payment Instruments	65,783	74,667	78,775	2,79,416	2,87,111	2,83,048
6. Paper-based Instruments	6,999	7,109	6,632	66,50,333	71,72,904	72,12,333
Total Digital Payments (1+2+3+4+5)	**7,19,768**	**11,39,382**	**16,44,302**	**17,44,01,233**	**20,86,84,872**	**24,28,23,799**
Total Retail Payments (2+3+4+5+6)	**7,24,689**	**11,44,065**	**16,48,234**	**5,23,94,049**	**6,59,11,490**	**7,91,49,461**
Total Payments (1+2+3+4+5+6)	**7,26,767**	**11,46,491**	**16,50,934**	**18,10,51,565**	**21,58,57,776**	**25,00,36,131**

Source: RBI.

Chart IV.31: Digital Payments Index



Source: RBI.

9.2 ATMs

IV.68 During 2023-24, the total number of automated teller machines (ATMs) (on-site and off-site) declined moderately, primarily driven by PSBs and white-label ATMs (WLAs). At end-March 2024, PSBs and PVBs accounted for 61.6 per cent and 36.5 per cent, respectively, of total ATMs deployed by all SCBs (Table IV.25 and Appendix Table IV.12).

Table IV.25: Number of ATMs
(At end-March)

Bank Group	On-site ATMs		Off-site ATMs		Total Number of ATMs	
	2023	2024	2023	2024	2023 (2+4)	2024 (3+5)
1	2	3	4	5	6	7
PSBs	78,777	77,033	59,646	57,661	1,38,423	1,34,694
PVBs	41,426	45,438	35,549	34,446	76,975	79,884
FBs	612	603	612	566	1,224	1,169
SFBs*	2,797	3,042	24	26	2,821	3,068
PBs	1	0	62	0	63	0#
All SCBs	**1,23,613**	**1,26,116**	**95,893**	**92,699**	**2,19,506**	**2,18,815**
WLAs	0	0	35791	34602	35,791	34,602
Total	**1,23,613**	**1,26,116**	**1,31,684**	**1,27,301**	**2,55,297**	**2,53,417**

Notes: 1. *: Data pertain to 12 scheduled SFBs.
2. #: Significant decline due to closure of ATMs by a PB.
Source: RBI.

IV.69 At end-March 2024, the share of PSBs and PVBs in metropolitan ATMs was almost equal. In contrast, PSBs operated 78.7 per cent of ATMs in rural areas. The majority of WLAs (83.9 per cent) were concentrated in rural and semi-urban areas (Table IV.26).

Table IV.26: Geographical Distribution of ATMs: Bank Group-wise
(At end-March 2024)

Bank group	Rural	Semi-urban	Urban	Metropolitan	Total
1	2	3	4	5	6
Public Sector Banks	28,784 (78.7)	39,773 (63.9)	34,100 (62.1)	32,037 (49.2)	1,34,694 (61.6)
Private Sector Banks	7,400 (20.2)	21,207 (34.1)	19,607 (35.7)	31,670 (48.7)	79,884 (36.5)
Foreign Banks	112 (0.3)	317 (0.5)	320 (0.6)	420 (0.6)	1,169 (0.5)
Small Finance Banks*	282 (0.8)	938 (1.5)	896 (1.6)	952 (1.5)	3,068 (1.4)
Payments Banks	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
All SCBs	36,578 (100)	62,235 (100)	54,923 (100)	65,079 (100)	2,18,815 (100)
All SCBs (y-o-y growth)	0.15	0.97	-0.84	-1.25	-0.29
WLAs	17,496	11,550	3,766	1,790	34,602
WLAs (y-o-y growth)	-4.63	-0.28	-1.23	-12.64	-3.32

Notes: 1. Figures in parentheses indicate percentage share in total ATMs of SCBs in each geographical region.
2. *: Data pertain to 12 scheduled SFBs.
Source: RBI.

10. Technology Adoption and Scheduled Commercial Banks

IV.70 The banking sector has undergone profound transformation in recent years, driven by rapid advancements in technology. From digital payments to other technologies that have revolutionised the financial landscape, the growing interest in generative artificial intelligence (GenAI) and its integration into the financial sector has the potential to drive further advancements, fostering innovation, efficiency, and resilience for the benefit of the financial sector. A recent Reserve Bank survey indicates that banks in India are at a nascent stage in adoption of GenAI although majority of the respondents recognise its potential benefits (Box IV.4).

11. Consumer Protection

IV.71 With the advent of technology-based banking products and growing usage of these products by vulnerable sections of the society, consumer education and protection have assumed unprecedented importance. To this effect, the Reserve Bank administers an Alternate Grievance Redress (AGR) mechanism[18] and regulates the Internal Grievance Redressal mechanism (IGR) at the REs.

11.1 Grievance Redressal

IV.72 During 2023-24, the Centralised Receipt and Processing Centre (CRPC) and Offices of Reserve Bank of India Ombudsman (ORBIOs) received 9.34 lakh complaints, an increase of 32.8 per cent over the previous year. Of these complaints, 31.5 per cent were received by the ORBIOs and the rest were received at the CRPC. Majority of the complaints received by the ORBIOs during the year pertained to PSBs, although their share in the total declined (Chart IV.32).

IV.73 Structural changes in the Reserve Bank – Integrated Ombudsman Scheme (RB-IOS), effective November 2021, rationalised complaints categories, making 'deficiency in service' as the sole ground for lodging a complaint, with a specified list of exclusions. Hence, data on

Box IV.4: Adoption of Generative AI by Regulated Entities

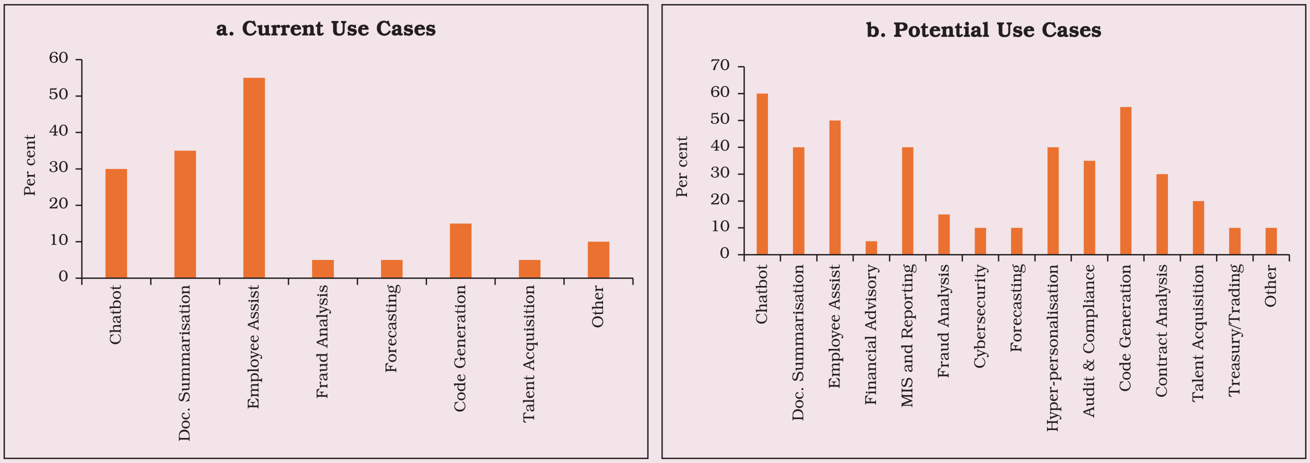
GenAI can perform routine and repetitive tasks effectively, and enhance the efficiency of operations, improve productivity and add to customer satisfaction. At the same time, it could also introduce new risks such as infringement of privacy, intentional misuse, introduction of biases or amplification of the existing risks like cyber security and third-party dependency. According to a survey conducted by the Reserve Bank in October 2024, 45 per cent of the respondent REs indicated that they were using it for tasks such as providing assistance to employees and document summarisation (Chart IV.4.1a). 55 per cent of the respondents, who were not leveraging GenAI when the survey was conducted, were considering its adoption in the near future for similar tasks (Chart IV.4.1b).

20 per cent of the adopters reported their preference for building models from scratch for specific uses. Extending the existing models *via* fine tuning and/or data retrieval was the most accepted approach (Chart IV.4.2). These strategies allow REs to tailor GenAI models for specific use cases, enhance performance and seamlessly incorporate AI capabilities into existing workflows.

(Contd.)

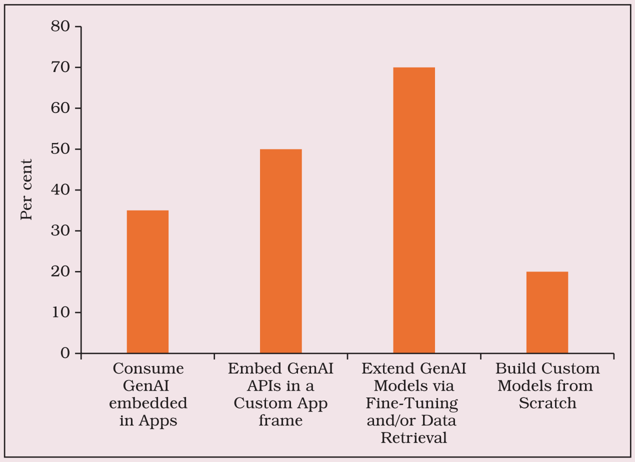
[18] The AGR Framework of the Reserve Bank comprises RBI Ombudsmen (RBIOs), Consumer Education and Protection Cells (CEPCs) and Consumer Education and Protection Department (CEPD). The RBIOs function under the framework of RB-IOS, 2021. The CEPCs take up complaints against REs not falling under the ambit of RB-IOS, 2021. CEPD provides assistance to the Appellate Authority (AA) under the RB-IOS and processes the appeal cases.

Chart IV.4.1: Adoption of GenAI in Regulated Entities



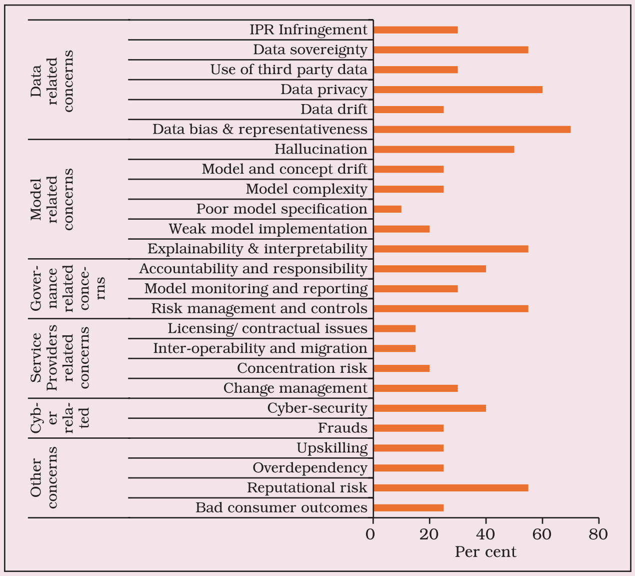
Note: In the survey, REs were allowed to choose more than one current or potential use cases.
Source: RBI.

Chart IV.4.2: Approaches for Adopting GenAI



Note: In the survey, REs were allowed to choose more than one approach for their current or potential use cases.
Source: RBI.

Chart IV.4.3: Risks Perceived by REs



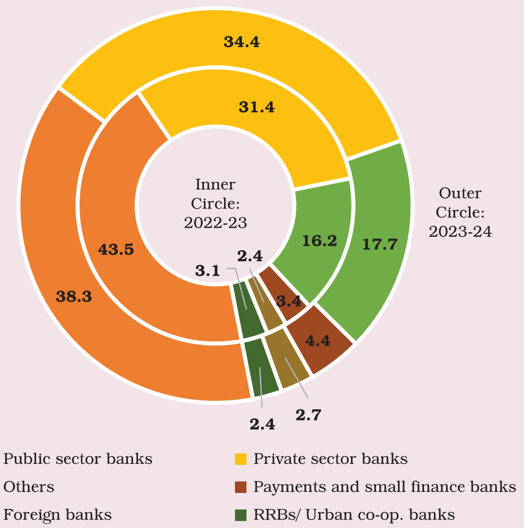
Note: In the survey, REs were allowed to choose multiple risks.
Source: RBI.

Amongst the concerns, most REs acknowledged data bias and representativeness as challenges, followed by data privacy and explainability & interpretability of models (Chart IV.4.3). To address such concerns, most REs adopt the human-in-the-middle (HITM) approach[19]. To mitigate data privacy concerns, REs reported using publicly available data or pseudonymised internal information instead of using confidential or sensitive data for training or fine-tuning GenAI-based tools. 90 per cent of the survey participants preferred not to use GenAI for critical applications like core banking and payment systems.

the nature of complaints may not be strictly comparable across the years. With this caveat, grievances relating to loans and advances, mobile/electronic banking and deposit accounts were the highest during 2023-24, contributing 64 per cent of the total complaints (Table IV.27).

[19] HITM refers to an approach under which continuous human oversight, judgement and control is integrated in usage of AI systems as a guardrail to ensure, *inter-alia*, the quality, reliability, safety and ethical alignment of AI-generated outputs.

Chart IV.32: Entity Type-wise Complaints Received at ORBIOs



Source: RBI.

IV.74 The share of complaints emanating from urban and metropolitan areas accounted for 71.6 per cent of the total complaints received by RBIOs during 2023-24, which could reflect greater awareness in these regions regarding the Reserve Bank's grievance redress mechanism (Chart IV.33a). PSBs and PVBs together accounted for 72.7 per cent of the total complaints received by RBIOs. Almost all pension-related complaints were filed against PSBs — traditionally preferred by pensioners. On the other hand, a large share of complaints (60.1 per cent) relating to credit cards were filed against PVBs (Chart IV.33b).

Table IV.27: Nature of Complaints Received by ORBIOs

	2021-22	2022-23	2023-24
1	2	3	4
Loans and Advances	30,734	59,762	85,281
Mobile/ Electronic Banking	42,271	43,167	57,242
Deposit Accounts	16,989	34,481	46,358
Credit Cards	34,828	34,151	42,329
ATM/ Debit Cards	41,849	29,929	25,231
Others	36,607	22,551	24,355
Para-banking	1,608	2,782	4,380
Pension Payments	6,206	4,380	4,108
Remittances	3,443	2,940	4,101
Notes and Coins	302	511	539
Non-observance of Fair Practice Code	37,880	20	-
Levy of Charges without Prior Notice	14,519	3	-
DSAs and Recovery Agents	1,640	7	-
Failure to Meet Commitments	22,420	5	-
Non-adherence to BCSBI Codes	5,069	1	-
Out of Purview of BO Scheme	8,131	-	-
Total	**3,04,496***	**2,34,690^**	**2,93,924@**

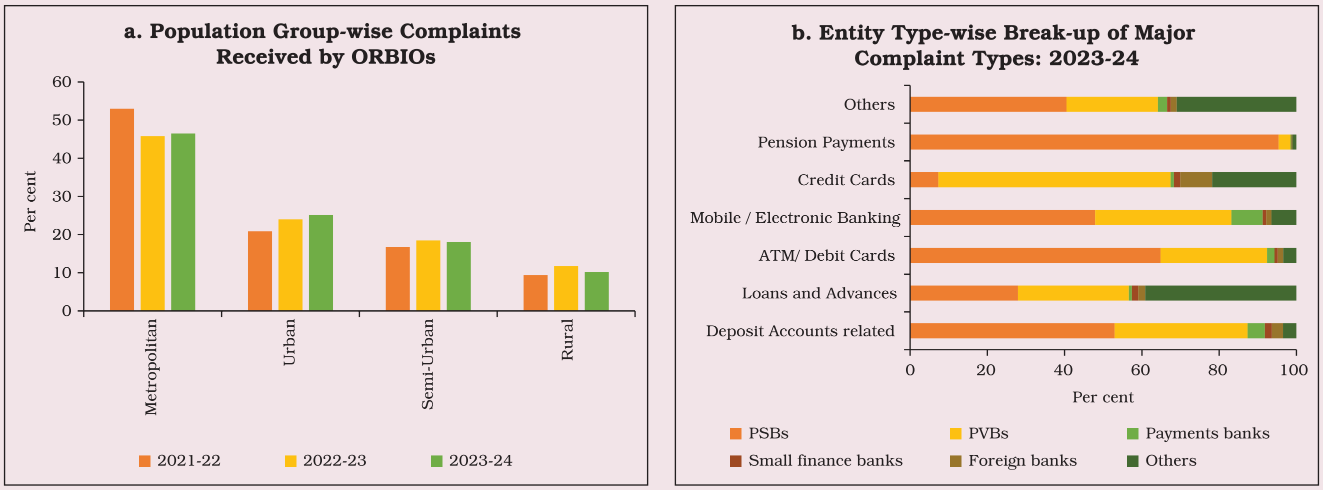
Notes: 1. *: Excludes 1,13,688 complaints handled by CRPC.
2. ^: Excludes 4,68,854 complaints handled by CRPC.
3. @: Excludes 6,40,431 complaints handled at CRPC.

Source: RBI.

11.2 Deposit Insurance

IV.75 Deposit insurance is a vital pillar of the financial safety-net system, playing a crucial role

Chart IV.33: Distribution of Complaints



Source: RBI.

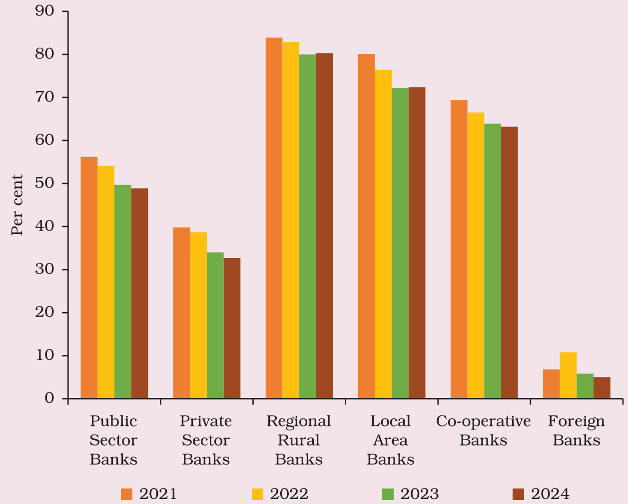
in bolstering public confidence in the banking sector, especially among small depositors, and fostering overall financial stability. In India, the Deposit Insurance and Credit Guarantee Corporation (DICGC), a wholly-owned subsidiary of the Reserve Bank, administers deposit insurance covering all commercial banks, including RRBs, LABs, and co-operative banks. At end-March 2024, 1,997 banks were insured by DICGC. At present, the deposit insurance coverage limit in India stands at ₹5 lakh per depositor per account. This limit covers 97.7 per cent of deposit accounts and in terms of value, 43.1 per cent of assessable deposits are insured (Table IV.28).

IV.76 The proportion of insured deposits to assessable deposits declined in 2023-24, reflective of the growing deposit base (Chart IV.34).

IV.77 The deposit insurance fund (DIF) is constituted with DICGC to settle the claims of insured deposits in the event of liquidation or imposition of all-inclusive directions (AID). During 2023-24, claims amounting to ₹1,432 crore were settled through DIF. At end-March 2024, the balance in DIF stood at ₹1,98,753 crore. With the growth of DIF (17.2 per cent) above that of insured deposits (9.1 per cent),

Chart IV.34: Bank Group-wise Insured Deposits as per cent of Assessable Deposits

(At end-March)



Source: DICGC.

Table IV.28: Bank Group-wise Insured Deposits

(Amount in ₹ crore)

Bank Groups	As on March 31, 2023				As on March 31, 2024			
	No. of Insured Banks	Insured Deposits	Assessable Deposits	IDR {(3) / (4)}	No. of Insured Banks	Insured Deposits	Assessable Deposits	IDR {(7) / (8)}
1	2	3	4	5	6	7	8	9
I. Commercial Banks (i to vii)	**139**	**79,22,120**	**1,83,48,838**	**43.2**	**140**	**86,66,416**	**2,06,73,077**	**41.9**
i) Public Sector Banks	12	52,20,324	1,05,07,639	49.7	12	56,47,846	1,15,76,001	48.8
ii) Private Sector Banks	21	21,20,937	62,37,833	34.0	21	23,63,912	72,35,902	32.7
iii) Foreign Banks	43	50,037	8,62,909	5.8	44	50,568	10,08,506	5.0
iv) Small Finance Banks	12	66,745	1,63,183	40.9	12	89,532	2,15,426	41.6
v) Payments Banks	6	12,533	12,694	98.7	6	16,794	16,937	99.2
vi) Regional Rural Banks	43	4,50,675	5,63,377	80.0	43	4,96,827	6,19,010	80.3
vii) Local Area Banks	2	869	1,204	72.2	2	937	1,295	72.4
II. Co-operative Banks (i to iii)	**1,887**	**7,09,139**	**11,10,076**	**63.9**	**1,857**	**7,46,290**	**11,79,084**	**63.3**
i) Urban Co-operative Banks	1,502	3,62,991	5,34,413	67.9	1,472	3,71,846	5,56,962	66.8
ii) State Co-operative Banks	33	64,041	1,46,931	43.6	33	64,202	1,48,080	43.4
iii) District Central Co-operative Banks	352	2,82,107	4,28,733	65.8	352	3,10,242	4,74,041	65.4
Total (I+II)	**2,026**	**86,31,259**	**1,94,58,915**	**44.4**	**1,997**	**94,12,705**	**2,18,52,160**	**43.1**

Note: IDR: Insured Deposits Ratio.
Source: DICGC.

the reserve ratio (RR)[20] improved to 2.11 per cent at end-March 2024 from 1.96 per cent a year ago. Under Section 21 of the DICGC Act, 1961, the corporation has the mandate to recover insurance claim payouts. During 2023-24, the DICGC made a total recovery of claims amounting to ₹901 crore as compared to ₹883 crore during 2022-23.

12. Financial Inclusion

IV.78 The Reserve Bank persevered with its initiatives to improve financial access, including by leveraging technology-driven innovations to bring the benefits of financial services to all sections of society. Despite fast paced digitalisation in India, the number of commercial bank branches per one lakh population increased 1.5 times during the period 2010 to 2023 (Chart IV.35a). Per capita availability of ATMs in India has also increased threefold since 2010 (Chart IV.35b).

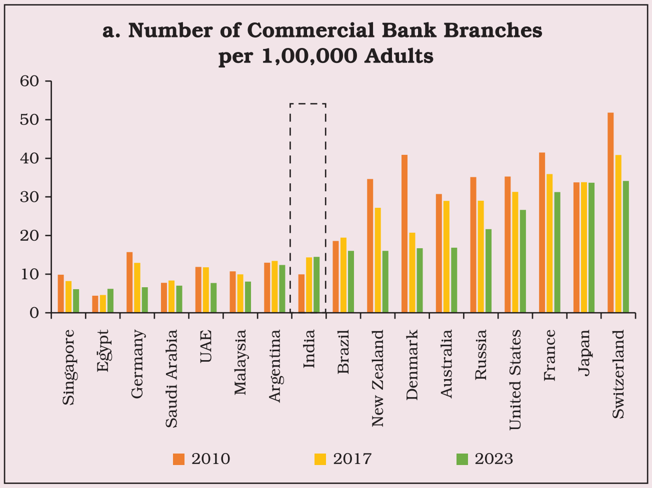
12.1 Financial Inclusion Plans

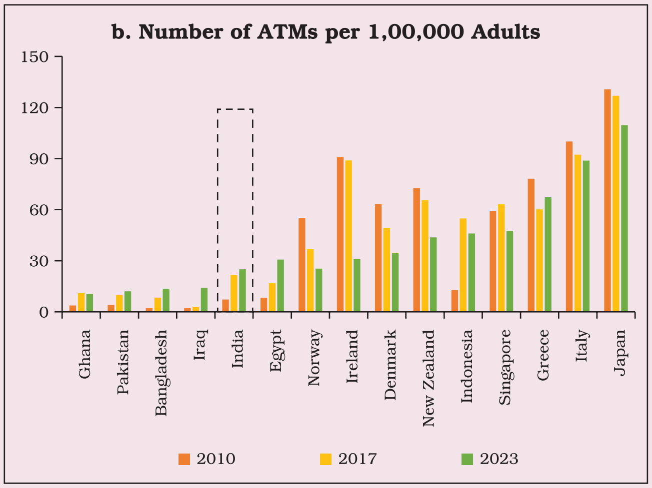
IV.79 Financial Inclusion Plans (FIPs) capture banks' achievements on parameters, such as, the number of banking and BC outlets, basic savings bank deposit accounts (BSBDAs), overdraft (OD) facilities availed in these accounts, transactions in KCC and General Credit Cards (GCCs) and transactions through the Business Correspondents - Information and Communication Technology (BC-ICT) channel. At end-March 2024, deposits in BSBDAs through the BC mode surpassed those through the branches mode, indicating the effectiveness of the BC model at the grassroots level (Table IV.29).

12.2 Financial Inclusion Index

IV.80 The Reserve Bank's Financial Inclusion Index (FII) monitors the progress of financial inclusion in the country. It captures information on 97 indicators, based on three dimensions, *viz.*, access, usage and quality. The index rose to 64.2 in March 2024 from 60.1 in March 2023, with growth across all sub-indices (Chart IV.36). The improvement in the FII in 2023-24 was largely contributed by the usage dimension, reflecting deepening of financial inclusion.

Chart IV.35: Progress of Financial Inclusion in Select Countries





Source: Financial Access Survey, 2023, IMF.

[20] Ratio of deposit insurance fund to insured deposits.

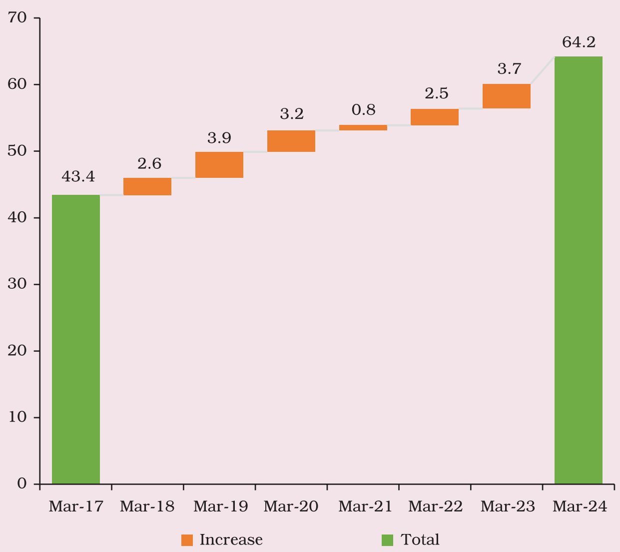
Table IV.29: Progress in Financial Inclusion Plan

(At end-March)

S. No.		2015	2020	2021	2022	2023	2024*
1	2	3	4	5	6	7	8
Banking Outreach							
1	Banking Outlets in Villages- Branches	49,571	54,561	55,112	53,287	53,802	54,198
2	BC Outlets in Villages with population >2000	90,877	1,49,106	8,50,406	18,92,462	13,48,038	12,66,756
3	BC Outlets in Villages with population <2000	4,08,713	3,92,069	3,40,019	3,26,008	2,77,844	2,80,922
4	Total BC Outlets in Villages	4,99,590	5,41,175	11,90,425	22,18,470	16,25,882	15,47,678
5	Urban Locations Covered Through BCs	96,847	6,35,046	4,26,745	12,95,307	4,15,218	3,06,658
Basic Saving Bank Deposits Account (BSBDA)							
6	BSBDA - Through Branches (No. in lakh)	2,103	2,616	2,659	2,661	2,750	2,768
7	BSBDA - Through Branches (Amt. in ₹ crore)	36,498	95,831	1,18,392	1,20,464	1,33,661	1,46,306
8	BSBDA - Through BCs (No. in lakh)	1,878	3,388	3,796	4,015	4,105	4,290
9	BSBDA - Through BCs (Amt. in ₹ crore)	7,457	72,581	87,623	1,07,415	1,29,531	1,53,489
10	BSBDA - Total (No. in lakh)	3,981	6,004	6,455	6,677	6,856	7,059
11	BSBDA - Total (Amt. in ₹ crore)	43,955	1,68,412	2,06,015	2,27,879	2,63,192	2,99,795
12	OD Facility Availed in BSBDAs (No. in lakh)	76	64	60	68	51	48
13	OD Facility Availed in BSBDAs (Amt. in ₹ crore)	1,991	529	534	516	572	564
KCC and General Credit Card (GCC)							
14	KCC - Total (No. in lakh)	426	475	466	473	493	515
15	KCC - Total (Amt. in ₹ crore)	4,38,229	6,39,069	6,72,624	7,10,715	7,68,339	8,47,237
16	GCC - Total (No. in lakh)	92	202	202	96	66	23
17	GCC - Total (Amt. in ₹ crore)	1,31,160	1,94,048	1,55,826	1,70,203	1,90,568	34,340
Business Correspondents							
18	ICT-A/Cs-BC-Total Transactions (No. in lakh) #	4,770	32,318	30,551	28,533	34,055	36,388
19	ICT-A/Cs-BC-Total Transactions (Amt. in ₹ crore) #	85,980	8,70,643	8,49,771	9,05,252	11,39,521	13,10,973

Notes: 1. *: Provisional
2. #: Transactions during the financial year.
Source: FIP returns submitted by PSBs, PVBs and RRBs.

Chart IV.36: RBI – Financial Inclusion Index

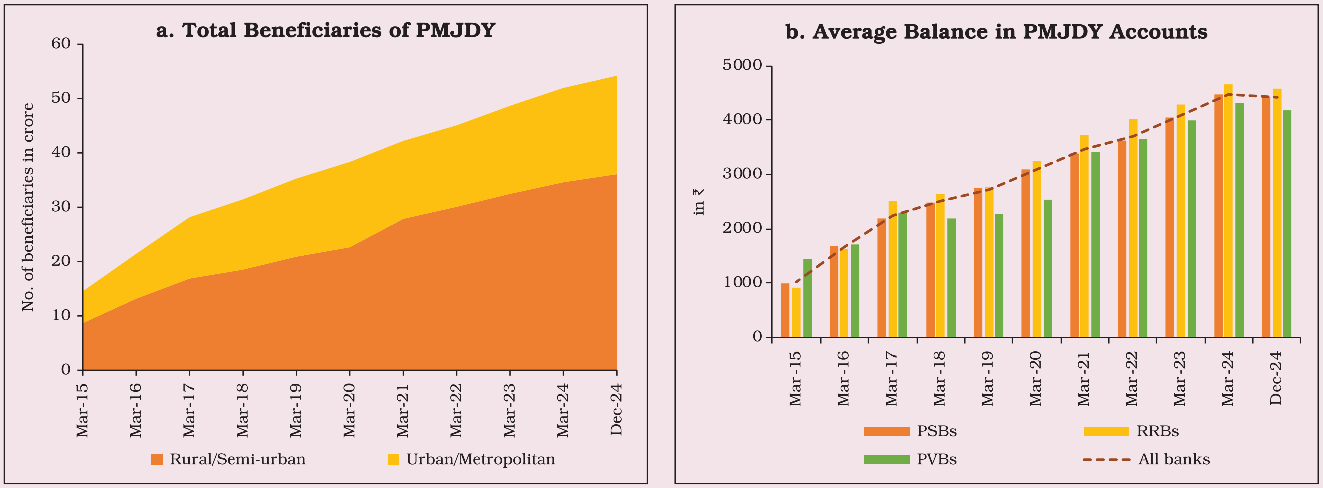


Source: RBI.

12.3 Pradhan Mantri Jan Dhan Yojana (PMJDY)

IV.81 The PMJDY, which has played a pivotal role in fostering financial inclusion in marginalised areas and sections of society, completed 10 years of its inception in August 2024. The number of beneficiaries under PMJDY reached 54.2 crore, with deposits of ₹2.4 lakh crore as on December 11, 2024 and 66.6 per cent of the beneficiaries are in rural/semi-urban areas (Chart IV.37a). Notwithstanding some recent moderation, the average balance in PMJDY accounts has expanded four times since its launch, reflecting growing usage and successful integration of previously unbanked individuals into the formal financial system (Chart IV.37b).

Chart IV.37: Progress in PMJDY



Source: PMJDY, Government of India.

12.4 New Bank Branches by SCBs

IV.82 While banks are increasingly emphasising digital channels, physical branches remain the core of customer engagement. During 2023-24, 41.9 per cent of the bank branches were opened in centers with population less than 50,000, improving banking penetration in smaller towns and villages (Table IV.30).

Table IV.30: Tier-wise Break-up of Newly Opened Bank Branches by SCBs

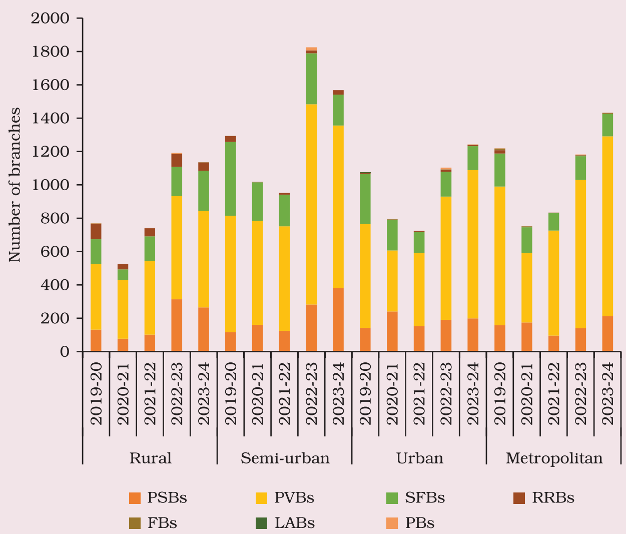
	2020-21	2021-22	2022-23	2023-24
1	2	3	4	5
Tier 1	1,545 (50.0)	1,558 (47.9)	2,285 (43.1)	2,675 (49.7)
Tier 2	278 (9.0)	233 (7.2)	468 (8.8)	452 (8.4)
Tier 3	475 (15.4)	427 (13.1)	812 (15.3)	683 (12.7)
Tier 4	265 (8.6)	292 (9.0)	545 (10.3)	433 (8.0)
Tier 5	179 (5.8)	229 (7.0)	424 (8.0)	368 (6.8)
Tier 6	347 (11.2)	512 (15.7)	768 (14.5)	768 (14.3)
Total	3,089 (100.0)	3,251 (100.0)	5,302 (100.0)	5,379 (100.0)

Notes: 1. Tier-wise classification of centres is as follows: 'Tier 1' includes centres with population of 1,00,000 and above, 'Tier 2' includes centres with population of 50,000 to 99,999, 'Tier 3' includes centres with population of 20,000 to 49,999, 'Tier 4' includes centres with population of 10,000 to 19,999, 'Tier 5' includes centres with population of 5,000 to 9,999, and 'Tier 6' includes centres with population of less than 5000.
2. Data exclude 'Administrative Offices'.
3. All population figures are as per census 2011.
4. Figures in the parentheses represent proportion of the branches opened in a particular area *vis-à-vis* the total.

Source: CISBI, RBI. CISBI data are dynamic in nature and are updated based on information received from banks.

IV.83 During 2023-24, 65.5 per cent of the new branches opened were by PVBs, with 44.1 per cent of these branches in rural and semi-urban areas (Chart IV.38).

Chart IV.38: Distribution of Newly Opened Bank Branches of SCBs



Source: CISBI, RBI.

12.5 Microfinance Programme

IV.84 Microfinance serves as an effective instrument for advancing financial inclusion, entailing the delivery of financial services, including small-value credit, to the underserved and unbanked segments of the population, thereby fostering social equity and empowerment. During 2023-24, steady progress was observed in the delivery of micro-credit through self-help groups (SHGs) and joint liability groups (JLGs). The number of SHGs accessing credit from banks rose from 43.0 lakh in 2022-23 to 54.8 lakh in 2023-24. The outstanding loans of SHGs increased by 38.1 per cent during 2023-24 as compared with 24.5 per cent in the previous year. A significant portion of the credit disbursement to SHGs remained concentrated in the southern and eastern regions of the country (Chart IV.39). Credit disbursed to JLGs grew by 41.2 per cent during 2023-24 as compared with 18.3 per cent in the previous year (Appendix Table IV.13).

Chart IV.39: SHGs – Regional Distribution of Credit and Average Loan Size
(At end-March 2024)

Source: NABARD.

12.6 Trade Receivables Discounting System (TReDS)

IV.85 TReDS is an electronic platform for facilitating the financing/discounting of trade receivables of MSMEs through multiple financiers. These receivables can be due from corporates and other buyers, including Government departments and public sector undertakings (PSUs). The revisions in TReDS guidelines on June 7, 2023 enabled insurance for financiers to hedge against default risk, expanded the pool of financiers, and enabled secondary market for factoring units. Reflecting these changes, the number and amount of invoices uploaded and financed increased sharply in 2023-24. The success rate of number of invoices financed improved from 93.9 per cent in 2022-23 to 94.4 per cent in 2023-24 (Table IV.31).

12.7 Regional Banking Penetration

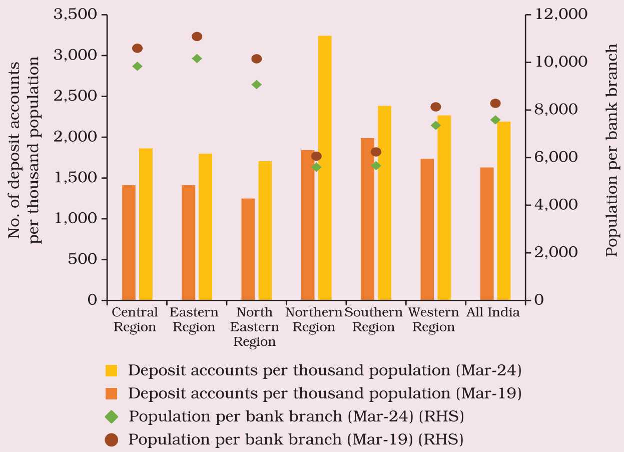
IV.86 During the last five years, banking penetration, gauged by population per bank branch, improved across all regions. The improvement in usage, measured by the number of deposit accounts per thousand population, was most evident in the northern region (Chart IV.40).

Table IV.31: Progress in MSME Financing through TReDS

Financial Year	Invoices Uploaded		Invoices Financed	
	Number	Amount	Number	Amount
1	2	3	4	5
2020-21	8,61,560	19,670	7,86,555	17,080
2021-22	17,33,553	44,112	16,40,824	40,309
2022-23	27,24,872	83,955	25,58,531	76,646
2023-24	44,04,148	1,51,343	41,58,554	1,38,241

Source: RBI.

Chart IV.40: Regional Penetration of Banks



Notes: 1. Total deposit accounts exclude inter-bank deposit accounts.
2. Data pertain to SCBs.

Sources: RBI and Office of the Registrar General & Census Commissioner, India Ministry of Home Affairs.

13. Regional Rural Banks[21]

IV.87 At end-March 2024, there were 43 RRBs sponsored by 12 SCBs operating through 22,078 branches in 26 States and 3 Union Territories (Puducherry, Jammu & Kashmir, Ladakh). In line with their mandate, 91.8 per cent of RRB branches were in rural/semi-urban areas. The southern region has the highest number of RRBs, and the region contributed nearly half to the RRBs' total profit (Appendix Table IV.14).

13.1 Balance Sheet Analysis

IV.88 The growth in the combined balance sheet of RRBs decelerated to 8.9 per cent during 2023-24 from 9.4 per cent in the previous year on account of a slowdown in borrowings on the liabilities side, even as there was an acceleration in deposits and credit growth (Table IV.32).

Table IV.32: Consolidated Balance Sheet of Regional Rural Banks

(Amount in ₹ crore)

Sr. No.	Item	At end-March		Y-o-y growth (in per cent)	
		2023	2024 (P)	2022-23	2023-24
1	2	3	4	5	6
1	Share Capital	17,232	19,042	15.8	10.5
2	Reserves	40,123	46,659	16.8	16.3
3	Deposits	6,08,509	6,59,815	8.2	8.4
	3.1 Current	11,945	11,952	-0.8	0.1
	3.2 Savings	3,19,572	3,47,193	8.5	8.6
	3.3 Term	2,76,992	3,00,670	8.2	8.5
4	Borrowings	84,712	92,444	14.7	9.1
	4.1 from NABARD	73,119	77,166	9.0	5.5
	4.2 Sponsor Bank	3,408	4,293	-12.1	26.0
	4.3 Others	8,185	10,986	177.7	34.2
5	Other Liabilities	20,885	22,120	5.8	5.9
	Total Liabilities/Assets	**7,71,462**	**8,40,080**	**9.4**	**8.9**
6	Cash in Hand	2,888	2,933	-7.4	1.6
7	Balances with RBI	29,332	30,990	32.3	5.7
8	Balances in Current Account	7,150	8,173	-12.0	14.3
9	Investments	3,13,401	3,19,099	6.0	1.8
10	Loans and Advances (net)	3,86,951	4,45,286	13.0	15.1
11	Fixed Assets	1,406	1,581	12.0	12.4
12	Other Assets, *of which*,	30,333	32,019	-6.9	5.6
	12.1 Accumulated Losses	9,841	8,921	8.6	-9.4

Note: P: Provisional.
Source: NABARD.

IV.89 Deposits accounted for 78.5 per cent of RRBs' total sources of funds, although their deposit growth remained below that of SCBs during 2023-24. Low-cost CASA deposits had a share of 54.4 per cent in RRBs' total deposits during 2023-24, the highest amongst all categories of SCBs, except PBs[22]. The average PMJDY deposit amount per account was ₹4,667 in RRBs, higher than ₹4,432 for other categories of banks. The C-D ratio of RRBs increased to 71.4 per cent at end-March 2024, its highest level in 33 years, as growth of loans and advances outpaced deposit growth.

[21] RRBs were established as professionally managed alternative channel for credit dispensation to small and marginal farmers, agricultural labourers, and socio-economically weaker section of the population. Their functional focus areas have been agriculture, trade, commerce and small-scale industries in the rural areas.

[22] PBs are not permitted to mobilise term deposits.

13.2 Financial Performance

IV.90 After reporting net losses during 2018-20, RRBs reported their highest ever consolidated net profit of ₹ 7,571 crore during 2023-24. Higher income growth and contraction in operating expenses, especially staff cost, boosted profitability (Table IV.33).

Table IV.33: Financial Performance of Regional Rural Banks

(Amount in ₹ crore)

Sr. No.	Item	Amount		Y-o-y change (in per cent)	
		2022-23	2023-24(P)	2022-23	2023-24
1	2	3	4	5	6
A	**Income (i + ii)**	**59,427**	**70,443**	**5.0**	**18.5**
	i. Interest Income	53,640	61,341	11.6	14.4
	ii. Other Income*	5,787	9,101	-32.2	57.3
B	**Expenditure (i+ii+iii)**	**54,454**	**62,872**	**2.0**	**15.5**
	i. Interest Expended	26,704	33,237	7.6	24.5
	ii. Operating Expenses	21,878	21,267	2.7	-2.8
	of which, Wage Bill	16,683	15,305	2.1	-8.3
	iii. Provisions and Contingencies*	5,872	8,368	-19.1	42.5
	of which, Income Tax	1,424	2,430	11.4	70.7
C	**Profit**				
	i. Operating Profit	10,845	15,938	4.9	47.0
	ii. Net Profit	4,974	7,571	54.5	52.2
D	**Total Average Assets**	**7,16,796**	**7,90,902**	**7.5**	**10.3**
E	**Financial ratios #**				
	i. Operating Profit	1.5	2.0		
	ii. Net Profit	0.7	1.0		
	iii. Income (a + b)	8.3	8.9		
	a) Interest Income	7.5	7.8		
	b) Other Income	0.8	1.2		
	vi. Expenditure (a+b+c)	7.6	7.9		
	a) Interest Expended	3.7	4.2		
	b) Operating Expenses	3.1	2.7		
	of which, Wage Bill	2.3	1.9		
	c) Provisions and Contingencies	0.8	1.1		
F	**Analytical Ratios (%)**				
	Gross NPA Ratio	7.3	6.2		
	CRAR	13.4	14.2		

Notes: 1. P: Provisional

2. #: as per cent of average total assets.

3. *: As per the Reserve Bank's extant master directions on presentation of financial statements, provision for depreciation in investments, which was earlier reported under provisions and contingencies head of expenditure, is now required to be deducted from other income. Accordingly, an amount of ₹ 2,204.4 crore provisioned by RRBs for MTM losses has been deducted from other income during 2022-23.

Source: NABARD.

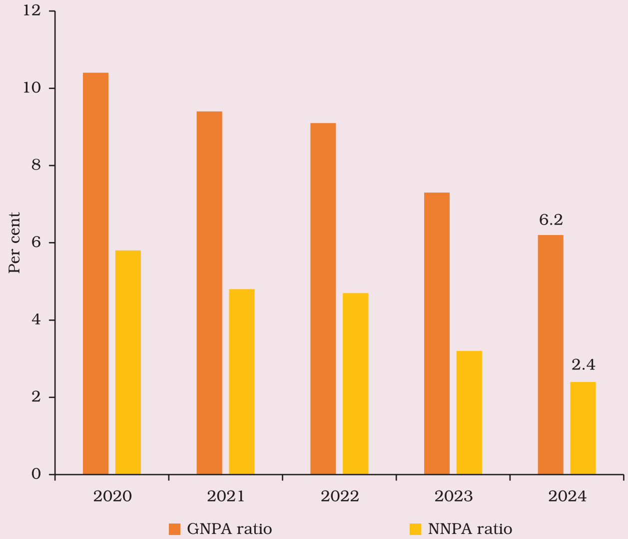
IV.91 The GNPA ratio of RRBs reached a decadal low of 6.2 per cent at end-March 2024 (Chart IV.41). The improvement in asset quality was accompanied by higher provision buffers.

IV.92 Consequent upon the capital infusion of ₹10,890 crore during 2021-23, the number of RRBs with CRAR below the regulatory minimum of 9 per cent declined (Chart IV.42a). The consolidated CRAR stood at an all-time high of 14.2 per cent at end-March 2024 (Chart IV.42b). The number of loss-making RRBs has steadily declined from 18 in 2019-20 to 3 in 2023-24 (Appendix Table IV.14).

IV.93 During 2023-24, priority sector lending accounted for 87.0 per cent of RRBs' total lending and all banks met their target of lending 75 per cent of their ANBC/CEOBE to the priority sector (Table IV.34 and Appendix Table IV.15).

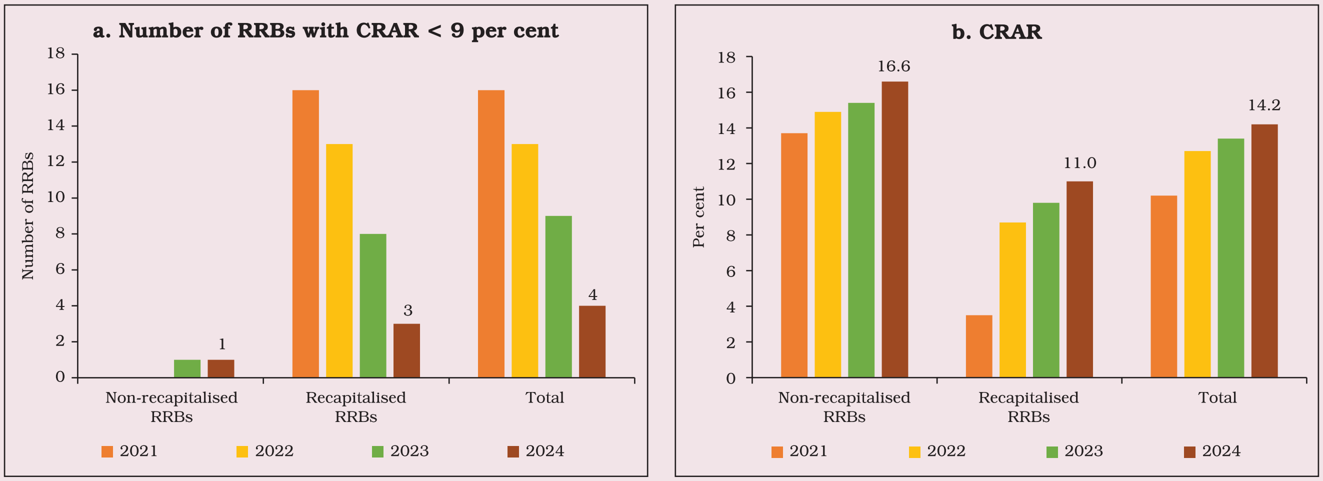
Chart IV.41: Asset Quality of RRBs

(At end-March)



Source: NABARD.

Chart IV.42: Capital to Risk-weighted Assets Ratio of RRBs
(At end-March)



Source: NABARD.

14. Local Area Banks[23]

IV.94 At end-March 2024, there were two LABs (down from four at end-March 2004), with 79 branches in operation. During 2023-24, the consolidated balance sheet growth of LABs decelerated, with slowdown in credit as well as deposit growth. With credit growth above deposit growth, the C-D ratio increased to 81.4 per cent at end-March 2024 from 81.1 per cent a year ago (Table IV.35).

Table IV.34: Purpose-wise Outstanding Advances by RRBs
(At end-March)

(Amount in ₹ crore)

Sr. No.	Purpose	2023	2024(P)
1	2	3	4
I	**Priority (i to v)**	**3,62,503**	**4,08,810**
	Per cent of total loans outstanding	88.3	87.0
	i. Agriculture	2,81,971	3,16,671
	ii. Micro, Small and Medium Enterprises	49,323	57,639
	iii. Education	1,744	1,609
	vi. Housing	24,503	2,6047
	v. Others	4,963	6,843
II	**Non-priority (i to vi)**	**48,236**	**61,300**
	Per cent of total loans outstanding	*11.7*	*13.0*
	i. Agriculture	16	17
	ii. Micro Small and Medium Enterprises	84	187
	iii. Education	218	343
	iv. Housing	9,100	13,620
	v. Personal Loans	12,985	17,788
	vi. Others	25,833	29,345
	Total (I+II)	**4,10,738**	**4,70,109**

Note: P: Provisional.
Source: NABARD.

14.1 Financial Performance of LABs

IV.95 Profits of LABs fell during 2023-24, as interest income growth decelerated, while interest expenditure growth accelerated (Table IV.36).

Table IV.35: Profile of Local Area Banks
(At end-March)

(Amount in ₹ crore)

	2023	2024
1	2	3
1. Assets	1,474 (15.7)	1,584 (7.5)
2. Deposits	1,190 (16.6)	1,271 (6.8)
3. Gross Advances	965 (15.1)	1,034 (7.2)

Note: Figures in parentheses represent y-o-y growth in per cent.
Source: Off-site returns (global operations), RBI.

[23] Local Area Banks (LABs) are small, privately-owned banks established with the objective of functioning as low-cost entities to offer efficient and competitive financial intermediation services. LABs have a defined geographical area of operation, specifically targeting rural and semi-urban regions encompassing three contiguous districts.

Table IV.36: Financial Performance of Local Area Banks

Sr. No.		Amount (in ₹ crore)		Y-o-y growth (in per cent)	
		2022-23	2023-24	2022-23	2023-24
1	2	3	4	5	6
A.	**Income (i+ii)**	**179**	**197**	**12.6**	**10.1**
	i. Interest Income	153	172	17.1	12.8
	ii. Other Income	26	25	-7.6	-5.7
B.	**Expenditure(i+ii+iii)**	**143**	**162**	**7.7**	**13.7**
	i. Interest Expended	63	79	8.8	25.9
	ii. Provisions and Contingencies	21	15	-6.8	-26.0
	iii. Operating Expenses	59	68	12.5	14.6
	of which, Wage Bill	29	33	14.6	13.5
C.	**Profit**				
	i. Operating Profit/Loss	57	50	17.3	-11.9
	ii. Net Profit/Loss	36	35	37.7	-3.9
D.	**Net Interest Income**	**90**	**93**	**23.6**	**3.7**
E.	**Total Assets**	**1,474**	**1,584**	**15.7**	**7.5**
F.	**Financial Ratios** (as per cent of total assets)				
	i. Operating Profit	3.9	3.2		
	ii. Net Profit	2.5	2.2		
	iii. Income	12.1	12.4		
	iv. Interest Income	10.4	10.9		
	v. Other Income	1.8	1.6		
	vi. Expenditure	9.7	10.2		
	vii. Interest Expended	4.3	5.0		
	viii. Operating Expenses	4.0	4.3		
	ix. Wage Bill	1.9	2.1		
	x. Provisions and Contingencies	1.4	1.0		
	xi. Net Interest Income	6.1	5.9		

Note: Wage Bill is taken as payments to and provisions for employees.
Source: Off-site returns (global operations), RBI.

15. Small Finance Banks[24]

IV.96 Following the merger of Fincare Small Finance Bank with AU Small Finance Bank, 11 SFBs with 7,230 domestic branches were operational in India at end-June 2024.

15.1 Balance Sheet

IV.97 During 2023-24, SFBs' combined balance sheet growth was in double digits, in line with the trend observed since their inception. SFBs' credit growth decelerated and deposit growth accelerated during 2023-24, thereby reducing their reliance on borrowings. The C-D ratio of SFBs moderated to 90.1 per cent at end-March 2024 from 93.0 per cent a year ago, though it remained higher than that of SCBs (Table IV.37).

15.2 Financial Performance

IV.98 The asset quality of SFBs improved for the third consecutive year during 2023-24. The net profit ratio also increased during the year, as gains in the income ratio exceeded the increase in

Table IV.37: Consolidated Balance Sheet of Small Finance Banks
(At end-March)

(Amount in ₹ crore)

Sr. No.	Item	Amount		Y-o-y growth (in per cent)	
		2023	2024	2023	2024
1	2	3	4	5	6
1	Share Capital	7,811	7,844	8.6	0.4
2	Reserves & Surplus	23,557	32,957	38	39.9
3	Tier 2 Bonds and Tier 2 Debt	1,926	2,458	-15.7	27.6
4	Deposits	1,91,372	2,50,896	28	31.1
	4.1 Current Demand Deposits	7,456	10,895	22.7	46.1
	4.2 Savings	54,667	59,691	16.2	9.2
	4.3 Term	1,29,248	1,80,310	34.1	39.5
5	Borrowings (Including Tier II Bonds)	31,170	28,261	10.8	-9.3
	5.1 Bank	4,241	4,500	-6.3	6.1
	5.2 Others	26,929	23,761	14.1	-11.8
6	Other Liabilities & provisions	13,606	15,326	14.1	12.6
	Total liabilities/Assets	**2,67,517**	**3,35,284**	**25.1**	**25.3**
7	Cash in Hand	1,371	1,333	9.7	-2.8
8	Balances with RBI	16,468	16,170	115.8	-1.8
9	Other Bank Balances/ Balances with Financial Institutions	4,484	6,261	-69	39.6
10	Investments	58,115	74,283	30.8	27.8
11	Loans and Advances	1,77,887	2,26,148	28.7	27.1
12	Fixed Assets	2,734	3,353	18.7	22.6
13	Other Assets	6,455	7,736	15.5	19.8

Note: Data pertains to 12 SFBs.
Source: Off-site returns (global operations), RBI.

[24] Small finance banks (SFBs) are specialised institutions set up to provide formal saving avenues to the unserved and underserved sections of the population. SFBs aim to supply credit to small business units, small and marginal farmers, micro and small industries and other unorganised sector entities through high technology and low-cost operations.

expenditure ratio. Provisions and contingencies (as per cent of total assets) declined due to the improvement in asset quality (Table IV.38).

16. Payments Banks[25]

IV.99 At end-March 2024, six PBs were operational with 82 branches. Of these, five PBs reported operational profit during 2023-24.

Table IV.38: Financial Performance of Small Finance Banks

(Amount in ₹ crore)

Sr. No.	Item	Amount		Y-o-y growth (in per cent)	
		2022-23	2023-24	2022-23	2023-24
1	2	3	4	5	6
A	**Income (i + ii)**	**33,827**	**45,437**	**35.1**	**34.3**
	i. Interest Income	29,806	39,588	34.7	32.8
	ii. Other Income	4,022	5,848	38.1	45.4
B	**Expenditure (i+ii+iii)**	**29,663**	**39,214**	**23.3**	**32.2**
	i. Interest Expended	12,139	17,473	27.6	43.9
	ii. Operating Expenses	13,153	17,186	34.0	30.7
	of which, Staff Expenses	6,707	8,494	26.4	26.6
	iii. Provisions and contingencies	4,371	4,555	-7.6	4.2
C	**Profit (Before Tax)**	**5,417**	**7,835**	**321.9**	**44.6**
	i. Operating Profit (EBPT)	8,534	10,774	49.7	26.2
	ii. Net Profit (PAT)	4,162	6,219	327.3	49.4
D	**Total Assets**	**2,67,517**	**3,35,284**	**31.8**	**25.3**
E	**Financial Ratios #**				
	i. Operating Profit	3.2	3.2		
	ii. Net Profit	1.6	1.9		
	iii. Income (a + b)	12.6	13.6		
	a. Interest Income	11.1	11.8		
	b. Other Income	1.5	1.7		
	iv. Expenditure (a+b+c)	11.1	11.7		
	a. Interest Expended	4.5	5.2		
	b. Operating Expenses	4.9	5.1		
	of which, Staff Expenses	2.5	2.5		
	c. Provisions and Contingencies	1.6	1.4		
F	**Analytical Ratios (%)**				
	Gross NPA Ratio	4.7	2.4		
	CRAR	22.5	21.6		
	Core CRAR	19.9	19.4		

Note: #: As per cent of total assets.
Source: Off-site returns (domestic operations), RBI.

16.1 Balance sheet

IV.100 During 2023-24, the combined balance sheet growth of PBs decelerated, primarily driven by slowdown in deposit growth on the liabilities side as well as slowdown in growth of cash and balances with the RBI and investments on the asset side. Deposits constituted 62.4 per cent of the liabilities of PBs (Table IV.39).

16.2 Financial Performance

IV.101 PBs turned profitable for the first time since their inception during 2022-23 and this momentum continued during 2023-24, *albeit* at a slower pace (Table IV.40). The share of non-interest income in total income of PBs declined from 91.3 per cent during 2021-22 to 81.7 per cent during 2023-24.

Table IV.39: Consolidated Balance Sheet of Payments Banks

(At end-March)

Sr No.	Item	Amount (in ₹ crore)			Y-o-y growth (in per cent)		
		2022	2023	2024	2022	2023	2024
1	2	3	4	5	6	7	8
1	Total Capital and Reserves	2,485	2,938	3,440	41	18.2	17.1
2	Deposits	7,859	12,222	16,330	69.9	55.5	33.6
3	Other Liabilities and Provisions	7,771	8,380	6,385	28	7.8	-23.8
	Total Liabilities/ Assets	**18,115**	**23,540**	**26,155**	**45**	**29.9**	**11.1**
1	Cash and Balances with RBI	1,560	2,453	3,094	24.3	57.3	26.1
2	Balances with Banks and Money Market	3,322	5,008	4,350	39	50.7	-13.1
3	Investments	10,178	12,397	14,627	43	21.8	18.0
4	Fixed Assets	372	562	1,266	4.7	51.1	125.3
5	Other Assets	2,683	3,120	2,819	98.8	16.3	-9.6

Note: Data pertain to 6 PBs.
Source: Off-site returns (domestic operations), RBI.

[25] Payments banks (PBs) are specialised financial institutions established with the objective of enhancing financial inclusion by leveraging technological advancements.

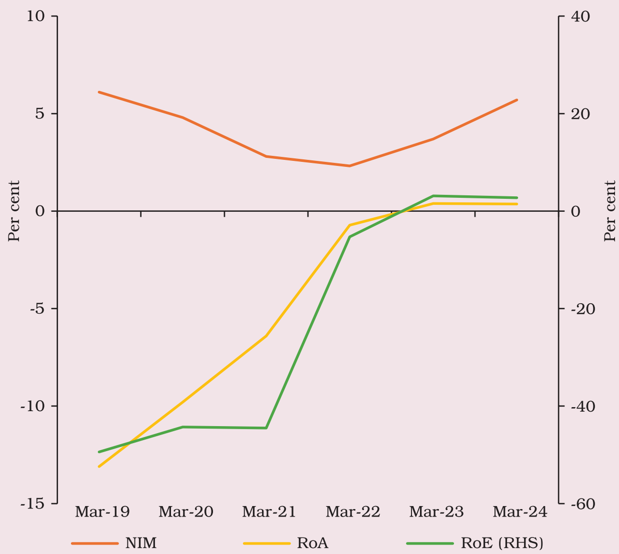
Table IV.40: Financial Performance of Payments Banks

Sr. No.		Amount (in ₹ crore)			Y-o-y growth (in per cent)		
		2021-22	2022-23	2023-24	2021-22	2022-23	2023-24
1	2	3	4	5	6	7	8
A	**Income**						
	i. Interest Income	460	877	1,441	27.5	90.7	64.3
	ii. Non-interest Income	4,801	5,630	6,416	34.8	17.3	14.0
B	**Expenditure**						
	i. Interest Expenses	157	247	356	56.0	57.5	44.1
	ii. Operating Expenses	5,216	6,154	7,292	13.8	18.0	18.5
	iii. Provisions and Contingencies	20	15	115	-44.4	-25.5	688.6
	of which,						
	Risk Provisions	21	4	11	133.3	-81.7	185.3
	Tax Provisions	-2	8	68	-111.0	415.8	773.4
C	**Net Interest Income**	**303**	**630**	**1,085**	**15.7**	**107.7**	**72.2**
D	**Profit**						
	i. Operating Profit (EBPT)	-111	106	209	85.4	195.4	97.0
	ii. Net Profit/Loss	-131	92	94	83.6	170.0	3.0

Source: Off-site returns (domestic operations), RBI.

IV.102 Their NIM improved from 3.7 per cent at end-March 2023 to 5.7 per cent at end-March 2024, reflecting higher increase in interest income relative to interest expenses (Chart IV.43). RoA and RoE of PBs remained positive at end-March 2024.

Chart IV.43: Profitability Indicators of Payments Banks



Source: Off site returns (domestic operations), RBI.

IV.103 PBs' cost-to-income ratio declined further during 2023-24, suggesting improvement in efficiency (Table IV.41).

17. Overall Assessment

IV.104 During 2023-24, banks' consolidated balance sheet expanded at a healthy pace, with robust deposit and credit growth. Broad-based credit growth was led by personal loans and services sectors. Banks' profitability improved, while liquidity and provision buffers remained comfortable. Lower slippages helped strengthen asset quality across the board. The share of unsecured advances in total advances declined, reflecting the Reserve Bank's measures to contain build-up of risk in these sectors.

IV.105 New and emerging technologies are reshaping the banking industry by bringing in innovative solutions along with new challenges. Indian banks are at the forefront of digitalisation,

Table IV.41: Select Financial Ratios of Payments Banks
(At end-March)

Sr. No.	Item	2022	2023	2024
1	2	3	4	5
1	Return on Assets	-0.7	0.4	0.4
2	Return on Equity	-5.3	3.1	2.7
3	Investments to Total Assets	56.1	52.7	55.9
4	Net Interest Margin	2.3	3.7	5.7
5	Efficiency (Cost-Income Ratio)	102.2	98.3	97.2
6	Operating Profit to Working Funds	-0.6	0.5	0.8
7	Profit Margin	-2.6	1.5	1.3

Note: Data pertain to 6 PBs.
Source: Off-site returns (domestic operations), RBI.

aiming to leverage technology for productivity and efficiency gains. With the adoption of new technology, however, the risks of cyber attacks, digital frauds, data breaches and operational failures have also increased.

IV.106 Going forward, there is a continuing need for banks to strengthen their risk management standards, IT governance arrangements and customer onboarding and transaction monitoring systems to check unscrupulous activities, including suspicious and unusual transactions.