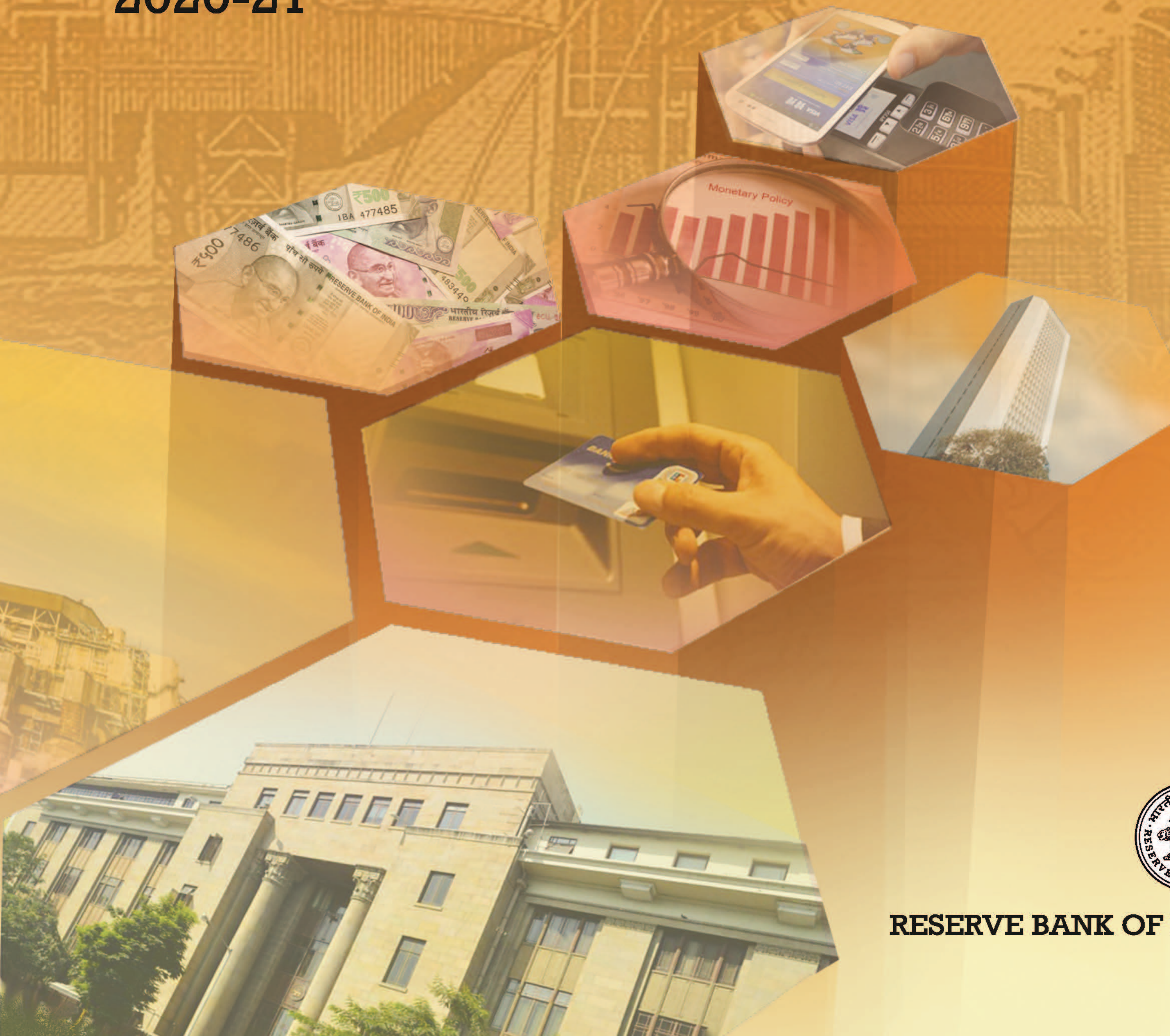
# REPORT ON TREND AND PROGRESS OF BANKING IN INDIA

## 2020-21




RESERVE BANK OF INDIA

Report on Trend and Progress of Banking in India for the year ended
March 31, 2021 submitted to the Central Government in terms of
Section 36(2) of the Banking Regulation Act, 1949

# REPORT ON TREND AND PROGRESS OF BANKING IN INDIA 2020-21

RESERVE BANK OF INDIA

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## LETTER OF TRANSMITTAL

CO. DEPR. BRD. No. S1018/13.01.001/2021-22

December 28, 2021
7 Pausha 1943 (Saka)

**The Finance Secretary**
**Government of India**
**Ministry of Finance**
**New Delhi – 110 001**

Dear Finance Secretary,

In pursuance of the provisions of Section 36(2) of the Banking Regulation Act, 1949, I have pleasure in transmitting herewith two copies of the Report on Trend and Progress of Banking in India for the year ended March 31, 2021.

Sincerely,

28.12.21

Shaktikanta Das

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## List of Select Abbreviations

| | |
|---|---|
| ACB | Audit Committee of the Board |
| AD | Authorised Dealer |
| ADSCR | Average Debt Service Coverage Ratio |
| AEs | Advanced Economies |
| AePS | Aadhar Enabled Payment Services |
| AIFIs | All-India Financial Institutions |
| AIFs | Alternative Investment Funds |
| ANBC | Adjusted Net Bank Credit |
| API | Application Programming Interface |
| AQR | Asset Quality Review |
| ARCs | Asset Reconstruction Companies |
| ARR | Alternative Reference Rate |
| ATMs | Automated Teller Machines |
| BCs | Business Correspondents |
| BCBS | Basel Committee on Banking Supervision |
| BFS | Board for Financial Supervision |
| BIS | Bank for International Settlements |
| BPLR | Benchmark Prime Lending Rate |
| BO | Banking Ombudsman |
| BR | Banking Regulation |
| BSBDA | Basic Saving Bank Deposit Accounts |
| CAGR | Compound Annual Growth Rate |
| CASA | Current Account and Savings Account |
| CBDCs | Central Bank Digital Currencies |
| CCB | Capital Conservation Buffer |
| CC | Cash Credit |
| CCPs | Central Counterparties |
| CCyB | Countercyclical Capital Buffers |
| C-D | Credit-Deposit |
| CDs | Certificates of Deposits |
| CDS | Credit Default Swap |
| CEO | Chief Executive Officer |
| CEOBE | Credit Equivalent of Off Balance-sheet Exposures |
| CEPCs | Consumer Education and Protection Cells |
| CET | Common Equity Tier |
| CIC | Core Investment Company |
| CISBI | Central Information System for Banking Infrastructure |
| CKYCR | Centralised KYC Registry |
| CMBs | Cash Management Bills |
| CoC | Committee of Creditors |
| CoFT | Card-on-File Tokenisation |
| CPI | Consumer Price Index |
| CPMI | Committee on Payments and Market Infrastructures |
| CPs | Commercial Papers |
| CPS | Centralised Payment System |
| CRAR | Capital to Risk-Weighted Asset Ratio |
| CRR | Cash Reserve Ratio |
| CSF | Cyber Security Framework |
| CUG | Closed User Groups |
| DBTs | Direct Benefit Transfer |
| DCCBs | District Central Co-operative Banks |
| DISCOMs | Distribution Companies |
| DICGC | Deposit Insurance and Credit Guarantee Corporation |
| DIF | Deposit Insurance Fund |
| DFI | Development Finance Institution |
| DLT | Distributed Ledger Technology |

| | |
|---|---|
| DPI | Digital Payments Index |
| DSCR | Debt Service Coverage Ratio |
| D-SIBs | Domestic Systemically Important Banks |
| ECB | External Commercial Borrowings |
| ECL | Expected Credit Loss |
| ECLGS | Emergency Credit Line Guarantee Scheme |
| EDPMS | Export Data Processing and Monitoring System |
| EMDEs | Emerging Market and Developing Economies |
| EMEs | Emerging Market Economies |
| eNWRs | electronic Negotiable Warehouse Receipts |
| ESG | Environmental, Social and Governance |
| ESOP | Employees Stock Option Plans |
| EXIM Bank | Export Import Bank of India |
| FAS | Financial Access Survey |
| FCA | Financial Conduct Authority |
| FCNR | Foreign Currency Non-Resident |
| FDI | Foreign Direct Investment |
| FDIC | Federal Deposit Insurance Corporation |
| FEMA | Foreign Exchange Management Act |
| FI-Index | Financial Inclusion Index |
| FIP | Financial Inclusion Plan |
| FMI | Financial Market Infrastructure |
| FPO | Follow-on Public Offer |
| FSB | Financial Stability Board |
| GDP | Gross Domestic Product |
| GNPA | Gross Non-Performing Assets |
| GSAP | Government Securities Acquisition Programme |
| G-secs | Government securities |
| G-SIBs | Global Systemically Important Banks |
| HDI | Human Development Index |
| HFCs | Housing Finance Companies |
| HNIs | High Net-worth Individuals |
| HPI | Human Poverty Index |
| HQLAs | High Quality Liquid Assets |
| HTM | Held to Maturity |
| IBA | Intercontinental Benchmark Administration |
| IBC | Insolvency and Bankruptcy Code |
| IBORs | Interbank Offered Rates |
| IBPCs | Inter-Bank Participation Certificates |
| ICAAP | Internal Capital Adequacy Assessment Process |
| ICC | Investment and Credit Company |
| ICE | Intercontinental Exchange |
| ICT | Information and Communication Technology |
| I-D | Investment-Deposit |
| IFC | International Finance Corporation |
| IFRS | International Financial Reporting Standards |
| IL&FS | Infrastructure Leasing and Financial Services Ltd |
| IMF | International Monetary Fund |
| IOS | Integrated Ombudsman Scheme |
| IPO | Initial Public Offer |
| IoT | Internet of Things |
| IRRBB | Interest Rate Risk in the Banking Book |
| ISSB | International Sustainability Standards Board |

| | |
|---|---|
| IT | Information Technology |
| IWG | Internal Working Group |
| JLGs | Joint Liability Groups |
| KCC | Kisan Credit Card |
| KYC | Know Your Customer |
| LABs | Local Area Banks |
| LAF | Liquidity Adjustment Facility |
| LCR | Liquidity Coverage Ratio |
| LEs | Legal Entities |
| LEX | Large Exposures |
| LIBOR | London Interbank Offered Rate |
| LR | Leverage Ratio |
| LTV | Loan-to-Value |
| MFIs | Micro Finance Institutions |
| MFIN | Microfinance Institutions Network |
| MFs | Mutual Funds |
| MGC | Mortgage Guarantee Company |
| MHP | Minimum Holding Period |
| MMFs | Money Market Funds |
| MPC | Monetary Policy Committee |
| MRR | Minimum Retention Requirement |
| MRTs | Material Risk Takers |
| MSF | Marginal Standing Facility |
| MSMEs | Micro, Small and Medium Enterprises |
| NABARD | National Bank for Agriculture and Rural Development |
| NABFID | National Bank for Financing Infrastructure and Development |
| NARCL | National Asset Reconstruction Company Limited |
| NBFC-AA | NBFC-Account Aggregator |
| NBFC-BL | NBFC Base Layer |
| NBFC-IDF | NBFC-Infrastructure Debt Fund |
| NBFC-IFC | NBFC-Infrastructure Finance Company |
| NBFC-MFI | NBFC-Micro Finance Institution |
| NBFC-ML | NBFC Middle Layer |
| NBFC-MGCs | NBFC Mortgage Guarantee Companies |
| NBFC-NOFHC | NBFC-Non-Operative Financial Holding Company |
| NBFC-P2P | NBFC–Peer to Peer Lending Platform |
| NBFCs | Non-Banking Financial Companies |
| NBFCs-D | Deposit-taking NBFCs |
| NBFCs-ND | Non-Deposit taking NBFCs |
| NBFCs-ND-SI | Non-Deposit taking Systemically Important NBFCs |
| NBFC-UL | NBFC Upper Layer |
| NBFI | Non-Bank Financial Intermediation |
| NBFIs | Non-Banking Financial Institutions |
| NCCDs | Non-Centrally Cleared Derivatives |
| NCDs | Non-Convertible Debentures |
| NCLT | National Company Law Tribunal |
| NDTL | Net Demand and Time Liabilities |
| NEFT | National Electronic Fund Transfer |
| NETC | National Electronic Toll Collection |
| NGFS | Network for Greening the Financial System |
| NHB | National Housing Bank |
| NII | Net Interest Income |
| NIM | Net Interest Margin |
| NOF | Net Owned Funds |

| | |
|---|---|
| NNPA | Net Non-Performing Asset |
| NPA | Non-Performing Asset |
| NPCI | National Payments Corporation of India |
| NPL | Non-Performing Loans |
| NRC | Nomination and Remuneration Committee |
| NRI | Non-Resident Indian |
| NSFE | National Strategy for Financial Education |
| NSFI | National Strategy for Financial Inclusion |
| NSFR | Net Stable Funding Ratio |
| NSUCBs | Non-Scheduled UCBs |
| NWRs | Negotiable Warehouse Receipts |
| OCC | Office of the Comptroller of the Currency |
| OD | Overdraft |
| OEFs | Open Ended Funds |
| OMOs | Open Market Operations |
| OTC | Over-The-Counter |
| OTs | Operation Twists |
| PACS | Primary Agricultural Credit Societies |
| PAT | Profit After Tax |
| PBs | Payments Banks |
| PCA | Prompt Corrective Action |
| PCARDBs | Primary Co-operative Agriculture and Rural Development Banks |
| PCR | Provision Coverage Ratio |
| PDI | Perpetual Debt Instruments |
| PDs | Primary Dealers |
| PIDF | Payments Infrastructure Development Fund |
| PLR | Prime Lending Rate |
| PMAY | Pradhan Mantri Awas Yojana |
| PMJDY | Pradhan Mantri Jan Dhan Yojana |
| PPI | Producer Price Inflation |
| PPIs | Prepaid Payment Instruments |
| PSBs | Public Sector Banks |
| PSL | Priority Sector Lending |
| PSLCs | Priority Sector Lending Certificates |
| PSPs | Payment System Providers |
| PVBs | Private Sector Banks |
| QE | Quantitative Easing |
| RBIH | Reserve Bank Innovation Hub |
| RB-IOS | Reserve Bank – Integrated Ombudsman Scheme |
| REs | Regulated Entities |
| RF | Resolution Framework |
| RIDF | Rural Infrastructure Development Fund |
| RMCB | Risk Management Committee of the Board |
| RNBC | Residuary Non-Banking Companies |
| RoA | Return on Assets |
| RoE | Return on Equity |
| RP | Resolution Plan |
| RRBs | Regional Rural Banks |
| RSA | Restructured Advances |
| RTGS | Real Time Gross Settlement |
| RWAs | Risk Weighted Assets |
| SAs | Statutory Auditors |
| SA-CCR | Standardised Approach for measuring Counterparty Credit Risk exposure |
| SAF | Supervisory Action Framework |

| | |
|---|---|
| SAR | Stressed Assets Ratio |
| SARFAESI Act | Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act |
| SCA | Statutory Central Auditors |
| SCARDBs | State Co-operative Agriculture and Rural Development Banks |
| SCBs | Scheduled Commercial Banks |
| SDLs | State Development Loans |
| SEBI | Securities and Exchange Board of India |
| SFBs | Small Finance Banks |
| SFG | Sustainable Finance Group |
| SHG – BLP | Self-help Groups – Bank Linkage Programme |
| SHGs | Self-help Groups |
| SIDBI | Small Industries Development Bank of India |
| SLF | Special Liquidity Facility |
| SLR | Statutory Liquidity Ratio |
| SLS | Special Liquidity Scheme |
| SLTRO | Special Three-year Long-Term Repo Operations |
| SMA | Special Mention Accounts |
| SMFs | Small and Marginal Farmers |
| SPDs | Standalone Primary Dealers |
| SPE | Special Purpose Entity |
| SPV | Special Purpose Vehicle |
| SRs | Security Receipts |
| SRO | Self-Regulatory Organization |
| SSBs | Standard-Setting Bodies |
| STC | Simple, Transparent and Comparable |
| StCBs | State Co-operative Banks |
| SUCBs | Scheduled UCBs |
| SWIFT | Society for Worldwide Interbank Financial Telecommunication |
| T-Bills | Treasury Bills |
| TBTF | Too-Big-To-Fail |
| TC | Trade Credit |
| TCFD | Task Force on Climate-related Financial Disclosures |
| TLAC | Total Loss-Absorbing Capacity |
| TLTRO | Targeted Long-Term Repo Operations |
| TReDS | Trade Receivables Discounting System |
| TREPS | Triparty Repo Dealing and Settlement |
| UCBs | Urban Co-operative Banks |
| UNDP | United Nations Development Programme |
| UPI | Unified Payments Interface |
| USD | U.S. dollar |
| VICS | Vulnerability Index for Cyber Security Framework |
| VINFRA | Fraud Vulnerability Index |
| VRRR | Variable Rate Reverse Repo |
| WAC | Weighted Average Cost |
| WAPs | Weighted Average Premiums |
| WLAs | White Label ATMs |
| WTDs | Whole Time Directors |

# I PERSPECTIVES

*Globally, as well as in India, the banking and non-banking sectors have weathered the COVID-19 disruptions well, supported by policy measures. As economic growth picks up and policy measures are rolled back, the pandemic's impact on banks' balance sheets will be clearer. Climate change and technological innovations pose medium-term challenges to the sector, which will need to be addressed through carefully crafted strategies.*

I.1 Globally, the banking sector remained resilient throughout the pandemic, aided by extraordinary policy initiatives by central banks and governments. Higher capital, better liquidity buffers and lower leverage allowed them to cushion the shock of the pandemic. Measures such as moratorium on payment of loan installments, asset classification standstill, restructuring of loans and restrictions on dividend payouts alleviated the stress, while helping banks to continue to provide credit to productive sectors.

I.2 As vaccination drives gathered pace across jurisdictions and economic activity hesitantly started turning around, time-bound and smooth unwinding of regulatory forbearances assumed importance from the viewpoint of financial stability. In India, most pandemic measures had a well specified sunset clause, and some have run their course during the year. However, the impact of these transient measures on banks' financial health is not immediately clear and can be fully fathomed only after passage of time.

I.3 A fallout of the pandemic and the slowdown in economic activity is that credit growth of scheduled commercial banks (SCBs) remained subdued in 2020-21 but non-banking financial companies (NBFCs) have stepped up to fill this space. In H1:2021-22, although credit growth of SCBs has shown some uptick, concerns have emerged about NBFCs' asset quality.

I.4 The Reserve Bank, in association with the Government, had to devise strategies to resolve two private sector banks (PVBs), a large urban co-operative bank (UCB) and a few NBFCs since 2018. As a lender of the last resort, the endeavour of the Reserve Bank has been to contain spillover risks to maintain financial stability, protect depositors' interest while also ensuring that such solutions do not lead to moral hazard, going forward.

I.5 The pandemic has brought about a shift in adoption of digital technology with multi-faceted opportunities in the financial sector, while posing certain challenges of tackling cybersecurity/frauds to all stakeholders including regulators and supervisors. Climate change has emerged as an overarching concern, enveloping all aspects of human life, including the financial sector.

I.6 Against this backdrop, this chapter presents a bird's eye view of the challenges faced by the banking and non-banking sectors and offers a futuristic view about policy options available to the regulator.

## Emerging from the Shadows of COVID-19

I.7 In the wake of the pandemic-related lockdowns during 2020-21, supply chains froze, and demand declined on economic agents trying to conserve cash with a precautionary motive. This resulted in sharp decline in credit growth even as deposits increased. The fall in yields provided a silver lining, as banks booked profits on their trading accounts. Banking stocks were affected particularly adversely as markets priced in future asset quality deterioration, affecting shareholders' wealth and confidence. Although construction of a counterfactual is difficult, the benefit of hindsight indicates that the pandemic's impact on the economy would have been much sharper, had the Government and the Reserve Bank not stepped in with timely initiatives.

I.8 Data available for 2021-22 so far indicate that banks' gross as well as net non-performing assets have moderated while provision coverage ratios (PCRs), capital buffers as well as profitability indicators have improved relative to pre-pandemic levels. A closer look at granular data, however, reveals a more nuanced picture. Credit growth is muted, indicative of pandemic scarring on aggregate demand as also risk aversion of banks. Banks' asset quality may get dented, going forward.

I.9 Most of the regulatory accommodations announced by the Reserve Bank, including deferment of implementation of net stable funding ratio (NSFR), restrictions on dividend payouts by banks, deferment of implementation of the last tranche of capital conservation buffer (CCB) have already expired. As the pandemic situation is dynamic, the regulatory response will be calibrated in response to the evolving situation.

## Resolution of Stressed Assets

I.10 During the two waves of COVID-19, the Reserve Bank announced Resolution Frameworks (RF) 1.0 and 2.0 to provide relief to borrowers and lending institutions. While the restructuring of large borrowal accounts under RF 1.0 could be invoked by December 31, 2020 and implemented within 180 days from the date of invocation, they have time till September 30, 2022 to achieve the operational parameters. On the other hand, resolutions under RF 2.0 for individuals, small businesses and MSMEs could be invoked before September 30, 2021 and the resolution plan had to be implemented within 90 days from the date of invocation. As support measures start unwinding, some of these restructured accounts might require higher provisioning by banks over the coming quarters.

I.11 With the expiry of the suspension on fresh proceedings under the Insolvency and Bankruptcy Code (IBC) on March 24, 2021, creditors can again leverage on the IBC mechanism for resolution of stressed assets. This is also expected to empower MSMEs—as operational creditors—to recover their dues.

I.12 Through an amendment to the IBC Act, a pre-pack resolution window for MSMEs has been made available, which is a blend of formal and informal mechanisms having debtor-in-possession model as an option. Even before the corporate debtor's admission application is filed, debtor and creditors can negotiate and arrive at a potential resolution plan. This has considerably expedited and simplified the process up to admission in the National Company Law Tribunal (NCLT).

I.13 The setting up of the National Asset Reconstruction Company Limited (NARCL), to consolidate and take over the stressed debt from banks, is a step forward for resolution of large value legacy assets. International experience, however, suggests that for the experiment to succeed and to avoid perverse incentives, risks to banks' balance sheets are clearly identified; transparent transfer pricing for sale of assets are ensured; and management of the new entity is independent and professional.

## Recapitalisation Requirements after COVID-19

I.14 Based on the capital position as on September 30, 2021, all PSBs and PVBs maintained the capital conservation buffer (CCB) well over 2.5 per cent. Going forward, however, banks would need a higher capital cushion to deal with challenges on account of the ongoing stress experienced by borrowers as well as to meet the economy's potential credit requirements. Concerted strategies for timely capital infusion need to be carried forward by the banks.

## Climate Change

I.15 The assessment of the systemic impact of climate change on the economy and financial stability is still evolving and so are the responses of central banks and supervisors around the world.

I.16 While the value of green bonds issued constitutes a small portion of the total bond issuance in India, it occupies the second spot in cumulative emerging market green bond issuance during 2012-2020, as per estimates of International Finance Corporation (IFC). In April 2021, the Reserve Bank joined the Network for Greening of Financial System (NGFS)—a group of central banks and supervisors willing to share best practices and contribute to the development of environment and climate risk management in the financial sector. The Reserve Bank has begun participating in the workstreams of the NGFS, which will equip its staff with the necessary skills and knowledge on climate related risks.

I.17 The Reserve Bank is actively engaged in conducting research on areas such as green finance and the impact of climate change on various macroeconomic variables such as inflation and growth. It participates in various international fora to discuss potential areas that need further research, methodological challenges, and ways to circumvent data challenges. The Reserve Bank has been actively assessing potential risks arising from sectors that account for a large portion of direct and indirect fossil fuel consumption in India.

I.18 A 'Sustainable Finance Group' (SFG) was set up in the Reserve Bank in May 2021 which co-ordinates with other national and international agencies on issues relating to climate change. The group would be instrumental in suggesting strategies and evolving a regulatory framework, including appropriate environmental, social and governance (ESG) disclosures, which could be prescribed for banks and other regulated entities (REs) to propagate sustainable practices and mitigate climate related risks in the Indian context. Going forward, it will analyse India-specific themes on the systemic stability impact of climate change and stress testing.

I.19 To assess the progress of REs in managing climate risk, the Reserve Bank is preparing a consultative discussion paper covering, *inter alia*, (i) governance (ii) strategy (iii) risk management and (iv) disclosure. The discussion paper will sensitise REs to incorporate climate-related and environmental risks in their business strategies as also in their governance and risk management frameworks. In line with the international best practices, banks will be guided to adopt a forward-looking, comprehensive, and strategic approach to climate-related risks.

I.20 India has reiterated its commitment to climate action at the United Nations Climate Change Conference (COP26) in November 2021 at Glasgow. In line with this resolve, and showcasing its solidarity with the NGFS, the Reserve Bank published a statement to support greening India's financial system. Keeping in mind the national commitment, priorities and complexity of the Indian financial system, the Reserve Bank committed to (i) exploring how climate change scenario analysis can be used to identify vulnerabilities in the supervised entities' balance sheets, business models and gaps in their capabilities for measuring and managing climate-related financial risks; (ii) integrating climate-related risks into financial stability monitoring; and (iii) building awareness about climate-related risks among regulated financial institutions and spreading knowledge about issues relating to climate change and methods to deal with them accordingly.

## Open Banking

I.21 Open banking frameworks allow authorised third parties to access customers' data, with the explicit consent of the latter. Benefits of the framework include convenient access to financial data and services to consumers and streamlining some costs for financial institutions. On the other hand, concerns about data privacy and security, customer grievance redressal, cybersecurity and operational risks, compliance and regulation risks need to be carefully addressed to develop a safe and secure ecosystem.

I.22 From the regulators' perspective, introduction of open banking has a wide range of ramifications. In many jurisdictions, including India, outsourcing arrangements by banks and other REs are covered under explicit regulations. Supervisors also have certain amount of oversight over third-party entities. If the relationships in the open banking extend beyond the existing supervisory and regulatory perimeters, the enforcement of standards and prudential policies may become difficult.

I.23 In contrast to the initiatives in some other countries, India has embraced an approach where both the regulator and the market collaborated towards development of the open banking space. In India, under the guidance of the Reserve Bank, the National Payments Corporation of India (NPCI) developed systems such as unified payments interface (UPI) and released its application programming interface (API) for banks and third-party app providers (TPAPs) to build upon. Market participants are also driving innovation and many banks are releasing their own APIs and joining forces with FinTech companies. Moreover, with the launch of its regulatory sandbox and the Reserve Bank Innovation Hub, the Reserve Bank has been guiding new vistas of development in financial intermediation.

I.24 At the same time, the importance of customer privacy and data protection cannot be overemphasised. Going forward, the challenge is to generate and sustain trust amongst customers about safety and security of the system while also nurturing innovation.

## Digital Lending

I.25 In the recent period, many digital platforms have emerged that offer hassle-free loans to retail individuals, small traders, and other borrowers. Banks and NBFCs too, have started lending directly through their own digital platforms or indirectly through an outsourced platform. Many large multi-national corporations whose primary business is technology (e-commerce, social media, payments enablers *etc.*), popularly known as BigTechs, have started lending either directly or in partnership with regulated financial entities. Even enhancing the traditional entity-based regulatory approach with activity-based regulations may be inadequate to ensure stability, a level playing field, competition, and customer protection. While use of digital channels in financial services is a welcome move, the potential downside risks embedded in such endeavours need to be addressed.

I.26 Taking cognisance of the recent spurt in unfair digital lending practices, the Reserve Bank had constituted a Working Group on Digital Lending that has made recommendations to foster a safe digital lending ecosystem, such as establishing a verification process for digital lending apps by a nodal agency; setting up of a self-regulatory organisation (SRO); enactment of a separate legislation to prevent illegal digital lending activities; development of certain baseline technology standards and compliance with those standards as a pre-condition for offering digital lending solutions; and consent-based data collection with verifiable audit trails. Going forward, a balanced approach needs to be followed so that the regulatory framework supports innovation while ensuring data security, privacy, confidentiality, and consumer protection.

## Central Bank Digital Currency

I.27 In its basic form, a central bank digital currency (CBDC), provides a safe, robust, and convenient alternative to physical cash. Depending on various design choices, it can also assume the complex form of a financial instrument. In comparison with existing forms of money, it can offer benefits to users in terms of liquidity, scalability, acceptance, ease of transactions with anonymity and faster settlement. Central banks across the globe are now deliberating on how to implement CBDCs, moving ahead from their initial exploratory forays.

I.28 Certain crucial questions about design elements of CBDC need to be navigated before its introduction, *e.g.*, whether the CBDC would be general purpose and available for retail use (CBDC-R), or would it be for wholesale use (CBDC-W). Furthermore, in a country like India, the decision about distribution architecture, *i.e.*, whether CBDC would be issued directly by the central bank or through commercial banks, needs to be carefully weighed. Gauging magnitude of issuance/ distribution will also help in identifying the appropriate underlying technology best suited to handle such operations.

I.29 Given its dynamic impact on macroeconomic policy making, it is necessary to adopt basic models initially, and test comprehensively so that they have minimal impact on monetary policy and the banking system. India's progress in payment systems will provide a useful backbone to make a state-of-the-art CBDC available to its citizens and financial institutions.

## Payments Banks

I.30 Payments banks (PBs)—offering basic banking services to the underserved segments of the society by leveraging technology—are under constant pressure to innovate to maintain competitiveness, especially against BigTech players. As a result, their operational costs and investment needs are higher than other segments of the banking sector, affecting their profitability.

I.31 Given the higher incidence of frauds and complaints about their operations, PBs need to be vigilant on these fronts while addressing customer complaints efficiently. They have a large network of business correspondents (BCs), who facilitate wide geographical reach and financial inclusion. This, however, necessitates close oversight to ensure continued public confidence in digital transactions.

I.32 Going forward, challenges facing them will include development of technologically sound and intuitive user interfaces that attract and retain new clientele. On the other hand, the potential increase in the volume of customers necessitates diligence in terms of security and timely resolution of glitches.

## Small Finance Banks

I.33 The primary cashflows of small finance banks (SFBs) were adversely affected during the first phase of the pandemic. Even before, structural problems have beset the sector. Many SFBs have concentration risk on both sides of their balance sheets. On the liabilities side, they have low CASA/retail CASA deposits and rely heavily on bulk deposits and term deposits from co-operative banks. On the assets side, the share of unsecured microfinance loans is disproportionately large. From the perspective of sound risk management, SFBs need to diversify their assets as well as their liability profiles.

I.34 The governance culture in these banks needs improvement. High attrition levels, especially at top ranks need to be addressed. SFBs also need to strengthen their information technology (IT) infrastructure for better customer experience and for cyber security resilience.

## Co-operative Banks

I.35 The co-operative banking sector in India emerged relatively unscathed from the first wave of the pandemic, although structural issues continue to mar the sector.

*Capital Related Issues*

I.36 Amendment to the Banking Regulation Act, 1949 granted powers to the Reserve Bank to regulate the issue of paid-up share capital and securities by co-operative banks. The amendment enables co-operative banks to raise capital through instruments such as equity shares, preference shares, special shares, unsecured debentures, and bonds, with prior permission of the Reserve Bank. It also has enabling provisions for co-operative banks to raise capital at premium, as also take the recourse to public and private placement for raising capital.

I.37 To give effect to the above, the Reserve Bank sought comments on draft guidelines on issue and regulation of share capital and securities of UCBs. The draft guidelines permit UCBs to raise equity share capital as hitherto. Additionally, they delineate guidelines pertaining to the instruments for raising capital, suitably revising them wherever warranted to ensure congruity with the extant statutory provisions. The draft guidelines further provide the prudential criteria based on which the UCBs can refund the value of share capital to their shareholders. However, the issues of raising capital at premium and public issue / private placement of securities issued by UCBs require further examination.

*Amalgamation of District Central Co-operative Banks (DCCBs) with State Co-operative Bank (StCB)*

I.38 With the provisions of the Banking Regulation (Amendment) Act, 2020 being enlarged, rules governing the amalgamation of DCCBs with their respective StCB are homogenized irrespective of the provisions in their State Co-operative Societies Acts. In exercise of these powers, the Reserve Bank issued guidelines specifying requirements and indicative benchmarks/ conditions for the same in May 2021.

I.39 Statutorily, however, the state governments have a vital role in rural short-term co-operative credit structure. The legal authority to declare a co-operative society as central co-operative bank rests with the state government. The proposal of amalgamation of DCCBs with StCB needs to be initiated voluntarily by the concerned state government. The Reserve Bank typically seeks commitment from the concerned state governments for capital infusion in cases where post amalgamation CRAR is likely to fall below regulatory requirements. Given the fiscal constraints faced by many state governments, especially in the aftermath of the pandemic, their capacity to infuse capital as and when the need arises, is severely limited.

## NBFC Sector

I.40 The pandemic posed significant challenges to the NBFC sector during the first wave. Aided by various policy initiatives, NBFCs have emerged stronger, with reasonable balance sheet growth, increased credit intermediation, higher capital and lower delinquency ratio. The latest data on SMA, however, show that potential NPAs have increased significantly during 2021-22 so far. Recognising the increasing importance of NBFCs in the financial ecosystem, the Reserve Bank has implemented scale-based regulation to enhance the regulatory oversight over the sector effective October 2022. Furthermore, NBFCs need to be better equipped and focused on cyber fraud prevention as customers' adoption of digital lending gathers pace. Going forward, the sector may have to grapple with higher delinquency as and when policy measures unwind.

*Micro Finance Institutions*

I.41 Over the last decade, the share of NBFC-MFIs in the overall microfinance sector declined to reach a little over 30 per cent at end-March 2021. However, the extant customer protection measures applicable to NBFC-MFIs since 2011 are not applicable to other lenders. In June 2021, the Reserve Bank released a consultative document to propose a uniform regulatory framework for microfinance lenders under its regulation. The proposed framework envisages introduction of activity-based regulation in the microfinance sector, protection of small borrowers from over-indebtedness, enhancement of the customer protection measures, and enabling competitive forces to bring down interest rates by empowering borrowers to make informed decisions.

I.42 In a nutshell, the Indian financial sector is standing at crossroads: while the immediate impact of the fallout of COVID-19 will dominate the short-term, larger challenges relating to climate change and technological innovations will need a carefully crafted strategy. The Reserve Bank will endeavour to ensure a safe, sound and competitive financial system through its regulatory and supervisory initiatives.

# II GLOBAL BANKING DEVELOPMENTS

*The financial sector remained largely resilient and robust during the pandemic on the back of strong policy support. High capital buffers and lower leverage enabled global banks to provide credit and other critical services to the real sector. The asset quality of the top 100 banks recorded marginal deterioration. Going forward however, as policy support is phased out, banks need to remain vigilant to mitigate stress and emerge stronger.*

## 1. Introduction

II.1 The global economy is recovering haltingly amidst renewed surges of the pandemic in some jurisdictions. Taking note of some loss of pace in the second half of 2021, the International Monetary Fund (IMF) revised downwards its global growth forecast for the year to 5.9 per cent[1], citing supply chain bottlenecks and rising energy prices as downside risks. The macroeconomic outlook for advanced economies (AEs) and emerging market and developing economies (EMDEs) is diverging, reflecting differentials in infections and vaccination (Chart II.1a). Going forward, this gap could narrow with higher vaccination rates. As on December 25, 2021 about 57.4 per cent of the world's population had received at least one dose of the vaccine, of which 48.3 per cent were fully vaccinated.[2] The pace of the global recovery is also contingent on policy support. While AEs provided substantial fiscal support in 2020 and intend to extend it beyond 2021, fiscal stimuli have either expired or scheduled to end shortly in EMDEs. Some AEs have started monetary policy tapers[3] in some form, while EMDEs have been compelled to tighten monetary policy aggressively in the face of elevated inflation risks (Chart II.1b).

II.2 Producer price inflation (PPI) is in double digits in the euro area and at 8.0 per cent or more in Japan and the US. Producers have started passing on price increases to the retail level, and as a consequence, CPI inflation is rising rapidly across jurisdictions, reaching 6.8 per cent in the US in November 2021, the highest level in nearly 40 years. In other AEs and EMDEs too, inflation is either above or testing tolerance thresholds. The jury is still out on whether the inflationary pressures are going to be 'temporary' or 'persistent'.

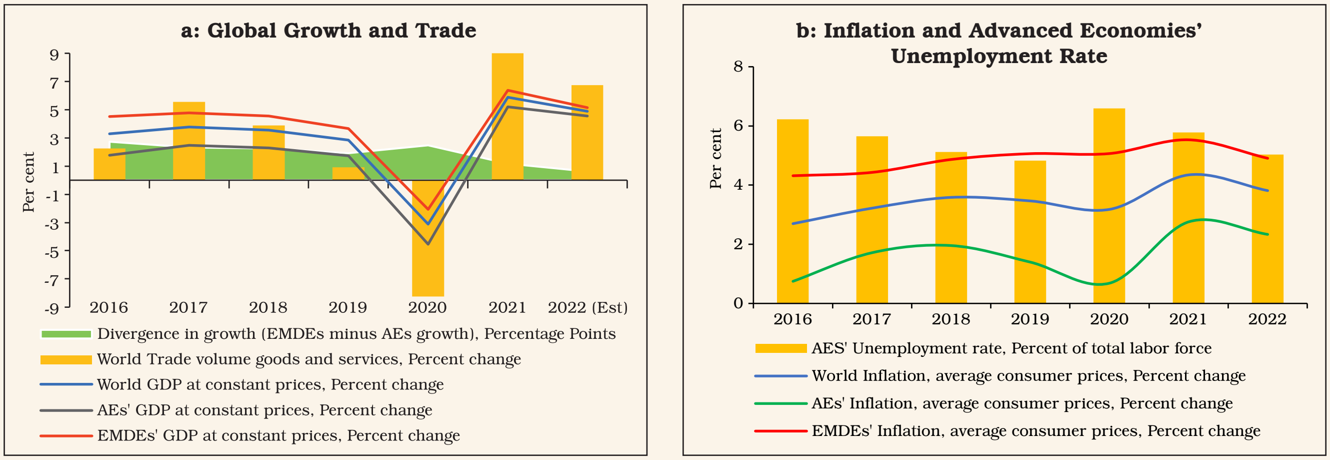
II.3 Some AEs, including New Zealand, South Korea and the UK, and some EMDEs namely Brazil, Chile, Hungary, Mexico, Russia, Sri Lanka and Uruguay, have begun raising monetary policy rates to curb price pressures emerging from pent-up demand and supply chain bottlenecks colliding (Chart II.2a and b). Canada has halted its quantitative easing programme (QE).

[1] International Monetary Fund (2021). *'World Economic Outlook: Recovery during a Pandemic- Health Concerns, Supply Disruptions, and Price Pressures' Washington, DC, October.* Available at https://www.imf.org/en/Publications/WEO,

[2] Source: https://ourworldindata.org/covid-vaccinations#

[3] On December 15, 2021, the US Federal Reserve decided to reduce the monthly pace of its net asset purchases by $20 billion for Treasury securities and $10 billion for agency mortgage-backed securities.

**Chart II.1: Macroeconomic Background**

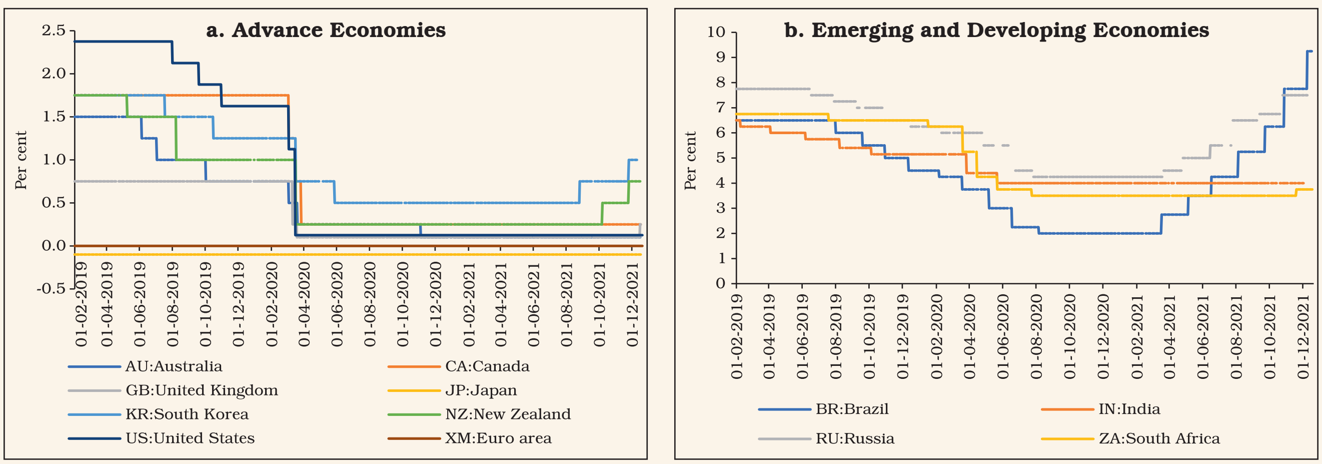



**Source:** IMF

II.4 The outlook for 2022 remains uncertain and slanted to the downside with the sporadic resurgence of infections from new variants of the coronavirus outweighing the upsides. The IMF projects global growth to slow down to 4.9 per cent and global trade volume to moderate to 6.7 per cent in 2022 from 9.7 per cent in 2021.

II.5 The rest of this chapter presents the global banking developments during the period under review in section 2, drawing information from a variety of sources including the IMF, the Bank for International Settlements (BIS) and the Financial Stability Board (FSB). Section 3 evaluates the performance of global banks in terms of credit growth, asset quality, capital buffers and leverage. The performance of the world's top 100 largest banks ranked by their tier-I capital is covered in Section 4. Section 5 concludes the chapter with what lies ahead for the global banking sector.

**Chart II.2: Monetary Policy Rates**




**Source:** BIS

## 2. Global Banking Policy Developments

II.6 Recognising the exceptional circumstances brought on by the pandemic, which prompted many regulators and supervisors to use existing flexibilities in the framework to provide regulatory relief, the implementation dates of Basel III standards (finalised in December 2017), the revised Pillar 3 disclosure requirements (finalised in December 2018), and the revised market risk framework (finalised in January 2019) have been deferred by one year to January 1, 2023[4]. They will now be phased in over five years. Meanwhile, progress has been made in the implementation of those Basel III standards, for which agreed timelines continue to apply.

II.7 The framework for other aspects of financial reforms such as those pertaining to too-big-to-fail (TBTF), making derivatives markets safer, and promoting resilient non-banking financial institutions (NBFIs) are in place and their implementation is underway. During the pandemic, the focus has shifted to understanding new sources of vulnerabilities[5].

*Building Resilient Financial Institutions*

II.8 All 27 member jurisdictions have already implemented Basel standards *viz.*, risk-based capital rules, liquidity coverage ratio (LCR), and capital conservation buffers (CCoB) as at end-May 2020. All jurisdictions have final rules in place for implementing the countercyclical capital buffer (CCyB)[6]. There have been eleven new adoptions in respect of the capital standards, four new adoptions of the net stable funding ratio (NSFR)[7], and seven adoptions pertaining to disclosure norms. In respect of Basel III standards which have a deadline in future, there were new adaptors of 'revised operational risk framework'[8] and revised standardised approach for credit risk[9].

II.9 As at end-September 2021, twenty-six jurisdictions (except for Australia) have enforced the leverage ratio. As regards the systemically important banks, while all members that are home jurisdictions for global systemically important banks (G-SIBs) have final rules in force, twenty-six members have implemented final rules for domestic systemically important banks (D-SIBs).

II.10 As alluded earlier, four new jurisdictions adopted the NSFR under liquidity standards in the last year. In addition, twenty-two jurisdictions have enforced final rules pertaining to 'monitoring tools for intra-day liquidity management'[10]. A majority of the members (ranging between 22 and 26) have either enforced final rules or published draft rules for the leverage ratio, the standardised approach for measuring counterparty credit risk (SACCR), the supervisory framework for measuring and controlling large exposures

[4] In March 2020, the Group of Central Bank Governors and Heads of Supervision endorsed a set of measures to provide additional operational capacity for banks and supervisors to respond to the financial stability priorities resulting from the impact of COVID19 on the global banking system.

[5] FSB (2021). *Implementation and Effects of the G20 Financial Regulatory Reforms.* Available at https://www.fsb.org/wp-content/uploads/P131120-1.pdf

[6] Source: BIS (2021), *Progress Report on Adoption of the Basel Regulatory Framework.* Available at https://www.bis.org/bcbs/publ/d525.htm.

[7] Japan, Mexico, Switzerland and the UK.

[8] Indonesia, Mexico and Russia.

[9] Mexico.

[10] China, Japan and Korea have not adopted the rules, while Canada has published the final rules but is yet to be implemented by banks.

(LEX), monitoring tools for intra-day liquidity management, margin requirements for non-centrally cleared derivatives (NCCDs), a revised securitisation framework, capital requirements for equity investments in funds and the revised Pillar 3 disclosure requirements[11].

II.11 There is, however, limited progress in the implementation of other Basel III standards for which deadlines have passed. These include interest rate risk in the banking book (IRRBB)[12]; capital requirements for bank exposures to central counterparties[13]; total loss absorbing capacity (TLAC) holdings[14]; margin requirements for non-centrally cleared derivatives[15] and the revised Pillar 3 framework[16].

II.12 Almost all G-SIB home and key host jurisdictions have in place comprehensive bank resolution regimes that align with the FSB Key Attributes[17]. Implementation of the Key Attributes is still incomplete in some other FSB jurisdictions. State support for failing banks has continued. Substantial work remains to be done to operationalise resolution plans for systemically important banks[18] and implement effective resolution regimes for insurers and central counterparties (CCPs)[19]. Work is also ongoing at the international level to enhance CCP resilience, recovery and resolution, and to make trade reporting truly effective; to strengthen governance standards to reduce misconduct risks; to address the decline in correspondent banking; to analyse implications of FinTech for financial stability, financial innovations, payments systems, cyber resilience and market fragmentation. Uncertainty remains around the resolvability of CCPs given their systemic role in the financial system. Challenging and important ongoing work to assess the need for international policy on the use, composition and amount of CCP financial resources in recovery and resolution is being urgently pursued[20].

*Too-big-to-fail (TBTF) reforms*

II.13 In March 2021, the FSB examined the extent to which the TBTF reforms are working as intended[21]. Specifically, the evaluation focused on (i) whether the reforms are reducing systemic and moral hazard risks associated with SIBs; and (ii) broader effects (positive or negative) of the reforms on the financial system. The

[11] The adoption of securitisation framework is yet to commence in India, while the implementation of margin requirement for non-centrally cleared derivatives (NCCDs) is in progress.

[12] Australia, India, Mexico, Russia, South Africa, and Turkey are yet to issue rules and U.K. is yet to enforce the rules.

[13] India issued final rules in 2016. Jurisdictions yet to do so include China, Indonesia, Mexico, Russia and Turkey.

[14] China, India, Korea, South Africa and Turkey are yet to issue final guidelines.

[15] Argentina, China, Indonesia, India, Mexico, Turkey and Russia are yet to issue final rules.

[16] Australia, China, India and U.S. are yet to issue draft rules, while Indonesia, Mexico, U.K. have moved towards only partial implementation.

[17] FSB (2011), *Key Attributes of Effective Resolution Regimes for Financial Institutions.* Available at https://www.fsb.org/wp-content/uploads/r_111104cc.pdf

[18] The level of compliance with the BCBS Principles on risk data aggregation and risk reporting is still to be improved.

[19] The powers most often lacking are bail-in and to impose a temporary stay on the exercise of early termination rights.

[20] FSB (2021), *"Glass half-full or still half-empty?"* Available at https://www.fsb.org/wp-content/uploads/P071221.pdf

[21] FSB (2021). *'Evaluation of the effects of too-big-to-fail reforms'.* Available at https://www.fsb.org/2021/03/evaluation-of-the-effects-of-too-big-to-fail-reforms-final-report/.

social benefits of TBTF reforms are measured in terms of reduced probability and severity of the financial crisis, while the social costs of the reforms are measured *via* increases in the cost of bank credit. The evaluation found that too-big-to-fail (TBTF) reforms have made banks more resilient and resolvable and have produced net benefits to society. It also identified gaps to be addressed. As non-bank financial institutions have gained market share, some risks have moved outside the banking system. There is also scope for improving public disclosures of information relating to resolution frameworks and funding mechanisms.

II.14 Cross border payments is another area of focus that faces challenges of speed, cost, access and transparency. To address these challenges, a roadmap has been developed by the FSB in coordination with the Committee on Payments and Market Infrastructures (CPMI) and other relevant international organisations and standard-setting bodies[22]. As part of the roadmap, the FSB has proposed specific targets to be achieved in terms of improvement across all four areas by the end of 2027 through the actions taken under 19 building blocks[23].

*Making Derivatives Markets Safer*[24]

II.15 Overall implementation of the G20's over-the-counter (OTC) derivatives reforms is well advanced, but there has been incremental progress since October 2020 across FSB member jurisdictions. Progress is monitored along six indicators, namely, (i) trade reporting requirements, (ii) interim capital requirements for non-centrally cleared derivatives (NCCDs), (iii) platform trading, (iv) mandatory central clearing, (v) margin requirements for NCCDs, and (vi) final capital requirements for NCCDs. Trade reporting requirements for OTC derivatives transactions and interim capital requirements for non-centrally cleared derivatives are in place in 23 FSB jurisdictions. Platform trading requirements are in force in 13 jurisdictions while 17 jurisdictions already have comprehensive standards for mandatory central clearing requirements. Fifteen jurisdictions have rules in force for final capital requirement for NCCDs. Sixteen jurisdictions have implemented the final rules for margin requirement for NCCDs.

*Promoting Resilient Non-Bank Financial Intermediation (NBFI)*

II.16 The implementation of non-bank financial intermediation (NBFI) reforms is underway but it is at an earlier stage than other reforms[25]. The FSB and standard-setting bodies (SSBs) have extended implementation deadlines for certain reforms in order to provide additional capacity for firms and authorities to respond to the pandemic shock. FSB together with other SSBs, is working to enhance the resilience of the NBFI sector while preserving its benefits, building on the lessons from the March 2020 market turmoil. Key work undertaken in

[22] FSB (2020). *Enhancing Cross-border Payments: Stage 3 roadmap.* Available at https://www.fsb.org/wp-content/uploads/P131020-1.pdf

[23] FSB(2021), *Targets for Addressing the Four Challenges of Cross-Border Payments.* Available at https://www.fsb.org/wp-content/uploads/P310521.pdf

[24] FSB (2021), *OTC Derivatives Market Reforms: Implementation progress in 2021.* Available at https://www.fsb.org/wp-content/uploads/P031221.pdf

[25] Implementation of the FSB policy recommendations for securities financing transactions continues to face significant delays in some jurisdictions. Work is underway to adopt standards and processes on global securities financing data collection and aggregation. Also, Implementation of the FSB and IOSCO recommendations to address structural vulnerabilities from liquidity and leverage in asset management activities is ongoing

this area includes policy proposals to enhance the resilience of money market funds (MMFs); addressing liquidity mismatches in open ended funds (OEFs); examining the frameworks and dynamics of margin calls in centrally cleared and non-centrally cleared derivatives.

*Phasing out of London Inter-bank Offered Rate (LIBOR)*

II.17 Interest rate benchmarks play a key role in global financial markets. In 2014, in response to cases of attempted manipulation and also declining liquidity in key interbank unsecured funding markets, the FSB made recommendations to reform interbank offered rates (IBORs), working in coordination with national authorities to set out a globally consistent roadmap that encourages firms to stop the use of LIBOR and identify alternative benchmarks. In October 2020, the FSB published a global transition roadmap, which sets out a timetable of actions for financial and non-financial sector firms to take in order to ensure a smooth transition out of LIBOR by end-2021. In March 2020, the UK Financial Conduct Authority (FCA) and Intercontinental Exchange (ICE) Benchmark Administration (IBA) have announced that the one-week and two-month U.S. dollar (USD) LIBOR settings will cease to be published immediately after December 31, 2021. The publication of overnight and one-, three-, six-, and 12-month USD LIBOR settings will, however, be extended till June 30, 2023 providing additional time to wind down or renegotiate existing contracts. The Office of the Comptroller of the Currency (OCC), the US Federal Reserve and the Federal Deposit Insurance Corporation (FDIC) in a joint statement have encouraged supervised institutions to cease entering into new contracts that use USD LIBOR as a reference rate as soon as practicable, but no later than December 31, 2021.

*Climate-Related Financial Disclosures*

II.18 With increased frequency and intensity of natural disasters, global attention has now shifted to climate change related risks to financial stability[26] (Box II.1). Traditional risk assessments are inadequate to capture these uncertainties. The FSB's 2015 Task Force on Climate-related Financial Disclosures (TCFD) finalised its recommendations in 2017[27]. These recommendations are being voluntarily implemented. The fourth status report on adoption of the recommendations of the TCFD (October 14, 2021) indicated that disclosure of climate related financial information has steadily increased. However, significant progress is still needed, as on an average only one in three of the companies reviewed disclosed climate-related information aligned with the TCFD recommendations[28]. The International Financial Reporting Standards (IFRS) Foundation is establishing an International Sustainability Standards Board (ISSB) to develop a baseline global sustainability reporting standard, built from the TCFD framework and the work of an alliance of sustainability standard setters. It also highlighted the need for improving the level of disclosures for greater consistency and comparability. However, a shortage of data

[26] BIS (2020). *The green swan - Central banking and financial stability in the age of climate change.* Available at https://www.bis.org/publ/othp31.pdf

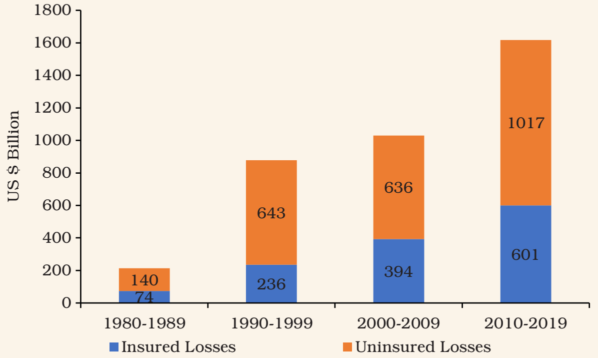
[27] The aim of the TCFD was 'to develop a set of voluntary, consistent disclosure recommendations for use by companies in providing information to investors, lenders and insurance underwriters about their climate-related financial risks.'

[28] FSB (2020), *The Implications of Climate Change for Financial Stability.* Available at https://www.fsb.org/wp-content/uploads/P231120.pdf

## Box II.1: Climate Change and Financial Stability: Assessment and Way Forward

The FSB (2020) estimates that global economic losses from catastrophic weather events have doubled since the 1990s going up to US$ 1.6 trillion over the last ten years.

**Chart 1: Global Insured *vis-à-vis* Uninsured Losses from Weather Related Natural Catastrophes**




**Note:** Losses measured in 2019 prices.
**Source:** FSB (2020).

Climate change and climate policies can potentially affect the broader mandates of the central banks. Though a range of policy options are available to central banks to factor climate-related risks into their operational frameworks, there is yet no consensus as to what adjustments would be optimal. Some of the policy options include:

(1) Credit operations: (a) adjust pricing to reflect counterparties' climate-related lending; (b) adjust pricing to reflect the composition of pledged collateral; (c) adjust counterparties' eligibility.

(2) Collateral: (a) adjust haircuts; (b) negative screening; (c) positive screening; (d) align collateral pools with a climate-related objective and

(3) Asset purchases: (a) Tilt purchases, (b) negative screening (NGFS, 2021).

As per the FSB's stocktake in July 2020, 24 out of 33 jurisdictions reported that they are currently attempting, or are planning to measure in the future, climate-related risks in their overall framework of financial stability monitoring. Jurisdictions are using either a 'top down' assessment in which the magnitude of risks is estimated at a macro-level by the authorities themselves, or a more involved 'bottom-up' estimate, which is calculated from the financial institutions' responses, based on a common scenario/s specified by the authorities. The FSB also published a roadmap focusing on four pillars: (i) firm level disclosures as the basis for the pricing and management of climate-related financial risks at the level of individual entities and market participants; (ii) data for diagnosis of climate-related vulnerabilities; (iii) vulnerabilities assessment and (iv) regulatory and supervisor practices and tools.

The analysis of climate related risks usually requires large amount of granular data. The Network for Greening the Financial System (NGFS) provides a common starting point for analysing climate risks through standardised scenarios and related datasets on transition risk, physical risk and economic impacts. A common problem is that the data on firms' exposure to physical and transition risks lack consistency and granularity. Firms also lack capacity to develop and disclose forward-looking assessment of climate-related risks. Some of these data gaps are particularly acute in emerging market economies.

To date, measurement of climate-related financial risks by banks and supervisors has centred on mapping near-term transition risk drivers into counterparty and portfolio exposures. Banks and supervisors have predominantly focused on assessing credit risk, as they advance in applying methods to translate climate-related exposures into various financial risk categories (BIS, 2021).

Going forward, there is a need for authorities to engage with stakeholders, including formation of industry bodies that would lay down guidance and best practices for industry to adopt. Central banks and supervisors could foster formation of such industry bodies.

**References:**

FSB (2020), *The Implications of Climate Change for Financial Stability*. Available at https://www.fsb.org/2020/11/the-implications-of-climate-change-for-financial-stability/

NGFS (2021), *'Adapting central bank operations to a hotter world Reviewing some options'*. Available at https://www.ngfs.net/en/adapting-central-bank-operations-hotter-world-reviewing-some-options

BIS (2021), *'Climate-related financial risks – measurement methodologies'*. Available at https://www.bis.org/bcbs/publ/d518.pdf

to measure financial institutions' exposures to climate-related risks appears to be the major constraint and various international organisations and SSBs are working to address them.

II.19 In October 2021, the FSB presented to the G20 a comprehensive roadmap for addressing climate related financial risks for firm-level disclosures. The roadmap provides the raw material for the diagnosis of climate-related vulnerabilities. The FSB also provided the G20 another report on ways to promote consistent, high-quality climate disclosures in line with the recommendations of the TCFD.

*Role of Central Bank Digital Currency (CBDC) and cross border transactions*

II.20 Over the past decade, cross-border correspondent banking[29] has withered, with the number of correspondent banks declining by about 20 per cent during 2011-18[30]. These banks withdrew more from countries where governance and controls on illicit financing were poor. The retreat of correspondent banks might hurt financial inclusion, raise the cost of cross-border payments or drive them underground.

II.21 Several central banks are rapidly moving towards developing central bank digital currencies (CBDCs)[31]. The design elements and policy decisions for CBDC are complex and require to be resolved. Introduction of the CBDC has a potential to enhance the efficiency of cross border payments and may provide an alternative to correspondent banks, going forward. The BIS Innovation Hub, along with the central banks of Hong Kong. Thailand, China and UAE is working towards building a prototype platform, called "mBridge". This co-creation project explores the capabilities of distributed ledger technology (DLT) and studies the application of CBDC in enhancing financial infrastructure to support multi-currency cross-border payments. The results of the phase 2 prototype, published in April 2021, demonstrated the potential of using digital currencies and DLT for delivering real-time, cheaper and safer cross-border payments and settlements. The platform was able to complete international transfers and foreign exchange operations in seconds, as opposed to several days normally required, and operates in a 24/7 basis. The cost of such operations to users can also be reduced by up to half. The BIS has, however, warned that the benefits are contingent on meeting the "Hippocratic Oath for CBDC design", as highlighted by the Group of central banks (2020).

*Lessons learned from the Pandemic*

II.22 Although the financial sector remained largely resilient and robust during the pandemic, the FSB observed that banks were somewhat hesitant to dip into their buffers, despite the flexibility embedded in the regulatory framework and using the flexibility inherent in the expected credit loss framework to extend credit.

II.23 Fiscal and monetary support measures helped in reducing banks' funding costs and lending rates. Prolonging support, however, risks delaying the recognition of losses, increasing provisions and tightening lending standards to

[29] FSB defines correspondent banking as the provision of banking services by one bank (the "correspondent bank") to another bank (the "respondent bank").

[30] Rice T, Peter G, and Boar C (2020): *'On the global retreat of correspondent banks', BIS Quarterly Review, March.* Available at https://www.bis.org/publ/qtrpdf/r_qt2003g.htm

[31] BIS (2021): *'Central bank digital currencies for cross-border payments'*. Available at https://www.bis.org/publ/othp38.pdf .

preserve capital. Policymakers attempted to enhance banks' lending capacity through a variety of measures such as restrictions on dividends, share buybacks and bonus payments. Banks' willingness to lend was incentivised by imparting flexibility in asset classification, restructuring, direct fiscal transfers and loan guarantees, moratoriums on loan payments; prohibitions on foreclosures, funding-for-lending schemes and moral suasion.

II.24 The costs and benefits of financial institutions relying heavily on third-party service providers, including on a cross-border basis, became evident during the pandemic. While these dependencies reduce costs, they also add to operational risks. Cyber and data security related issues, in particular, need special attention.

II.25 Some non-bank financial segments showed vulnerabilities during the pandemic from liquidity mismatches, leverage and interconnectedness. The FSB's holistic review laid a comprehensive and ambitious work plan programme and FSB focused on the specific issues such as money market funds (MMFs), open-ended funds, margining practices, liquidity, and cross-border USD funding.

II.26 The current high level of corporates and sovereigns' debt overhang have systemic implications for the EMDEs, especially for the eventual policy exit from extraordinary accommodation. Going forward, this will restrict policy choices available to them while accentuating trade-offs. The flight-for-safety and dash-for-cash behaviour of USD funding markets propagated through actions of few investors and dealers led to unprecedented capital outflow from the EMDEs. As current global regulatory regimes offer little help to safeguard against such shocks, policymakers of these countries will have to be watchful of their developments and devise mechanisms to ring-fence their economies from knee-jerk reactions.

## 3. Performance of the Global Banking Sector

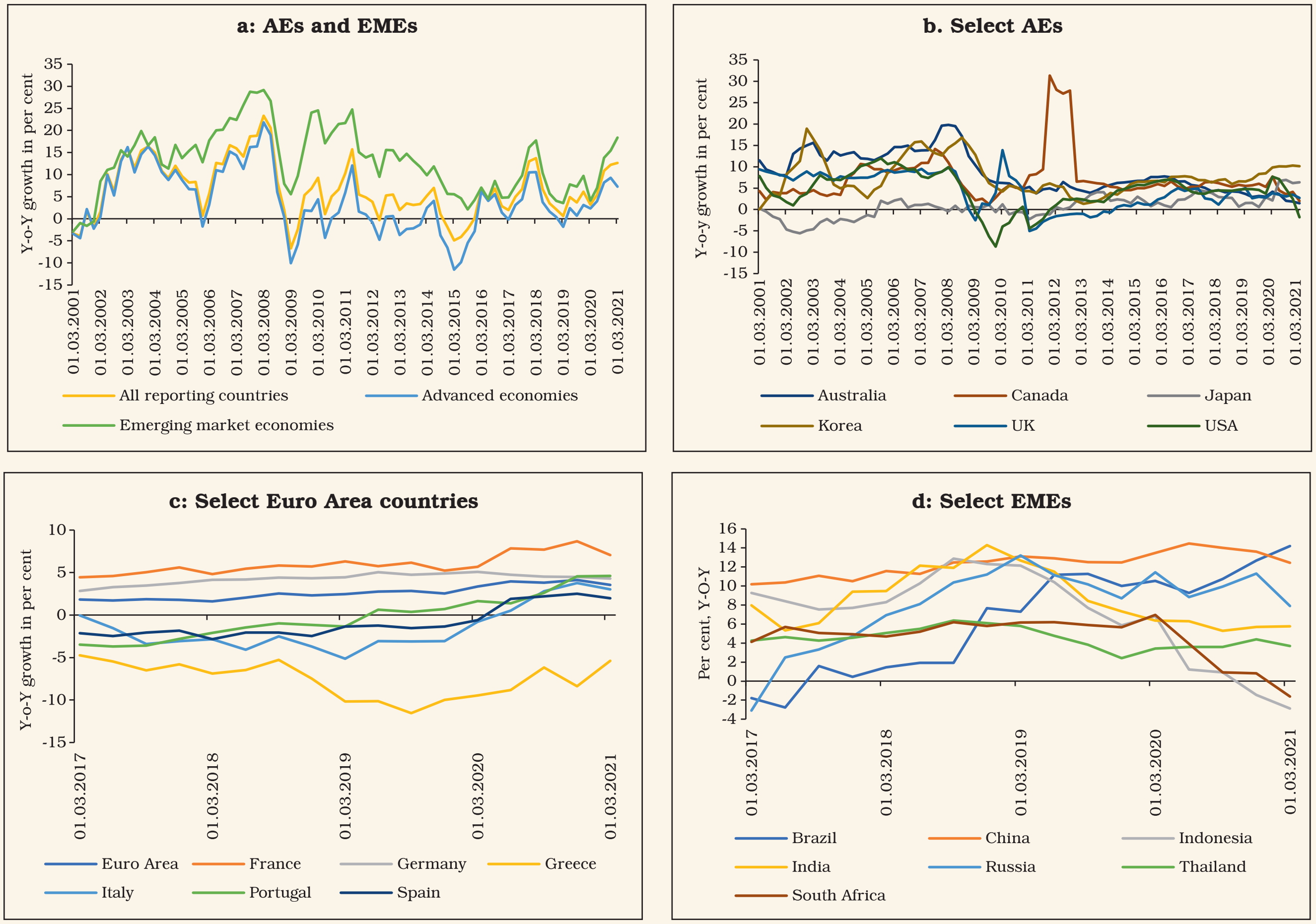
II.27 The COVID-19 pandemic was the first major test of the global financial system since the implementation of reforms following the global financial crisis of 2008. Higher capital, better liquidity profiles and lower leverage in large banks allowed them to cushion, rather than amplify, the macroeconomic shock emanating from the pandemic. The banking system played an active role in ensuring availability of credit and other critical services to the real sector, helped by extraordinary official support.

*Bank Credit Growth*[32]

II.28 Bank credit to the private non-financial sector contracted sharply in the quarter ending March 2020 with the onset of the pandemic, but revived subsequently, primarily led by the EMEs (Chart II.3a). Among the AEs, Korea and Japan bucked the overall trend and their credit growth remained robust even after the onset of the pandemic. Canada and UK are showing nascent signs of credit growth revival (Chart II.3b). A similar revival is taking root across countries in the Euro Area, except in Greece (Chart II.3c). In EMEs, bank credit is conditioned by country specific macroeconomic circumstances and demand side factors (Chart II.3d). Going forward, bank credit growth is expected to accelerate as economies unlock and vaccinations are ramped up.

[32] Data sourced from the Bank for International Settlements' (BIS) Total Credit Statistics. Available at https://www.bis.org/statistics/totcredit.htm .

**Chart II.3: Bank Credit to the Private Non-Financial Sector**




**Source:** Total Credit Statistics, Bank for International Settlements.

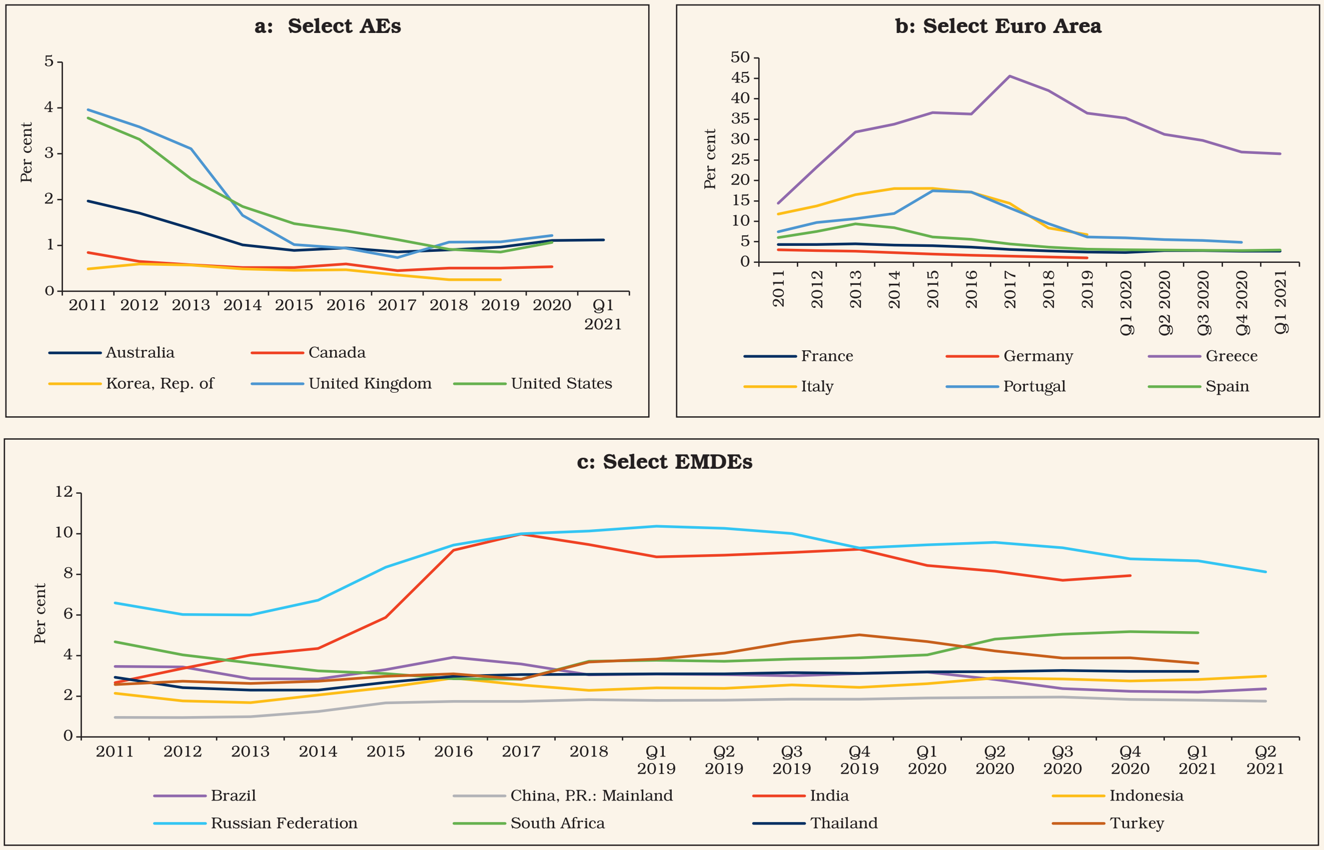
*Asset Quality*

II.29 Gauged from the metric of asset quality, banks across AEs showed resilience through the pandemic (Chart II.4a). Non-performing loans (NPL) ratios eased in the two peripheral economies of the Euro-zone, *viz.*, Greece and Portugal mainly due to institutional and government intervention (Chart II.4b). Asset quality of EME banks was showing wide divergences even before the pandemic. Although Russia and India continue to have the highest NPL ratios, their asset quality did not deteriorate during the pandemic, as in other EMEs. The South African banking system has started showing signs of distress (Chart II.4c). Going forward, as recognition standstills are phased out, the accumulated capital buffers may help banks in facing adversities.

*Bank Profitability*

II.30 Bank profitability, measured by the return on assets (RoA), generally declined in 2020 as banks' interest income declined but deposit costs increased. In 2021, banks in Australia, the United Kingdom and Spain are showing signs of

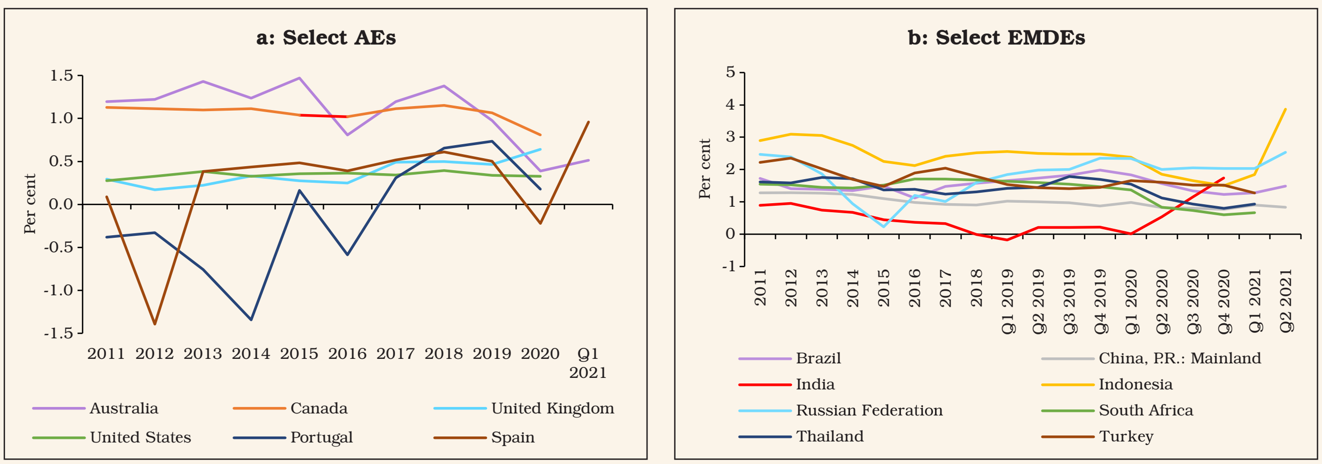
**Chart II.4: Asset Quality**
(NPL as per cent of total gross loans)




**Source:** Financial Soundness Indicators, IMF.

improvement in profitability (Chart II.5a). The narrative is less sanguine across EMEs. Indian banks turned profitable in 2020 and continue to clock in profits. (Chart II.5b).

**Chart II.5: Return on Assets**




**Source:** Financial Soundness Indicators, IMF and annual accounts of banks.
**Note:** RoA for India pertains to end-March.

*Capital Adequacy*

II.31 There has been steady progress in the implementation of Basel III norms across jurisdictions, *albeit* at varying speeds. Banks across systemic AEs and EMEs remained adequately capitalised (Chart II.6a and b). The global banking system weathered the pandemic on the back of stronger capital and liquidity positions that were built up in the wake of the global financial crisis.

*Leverage Ratio*

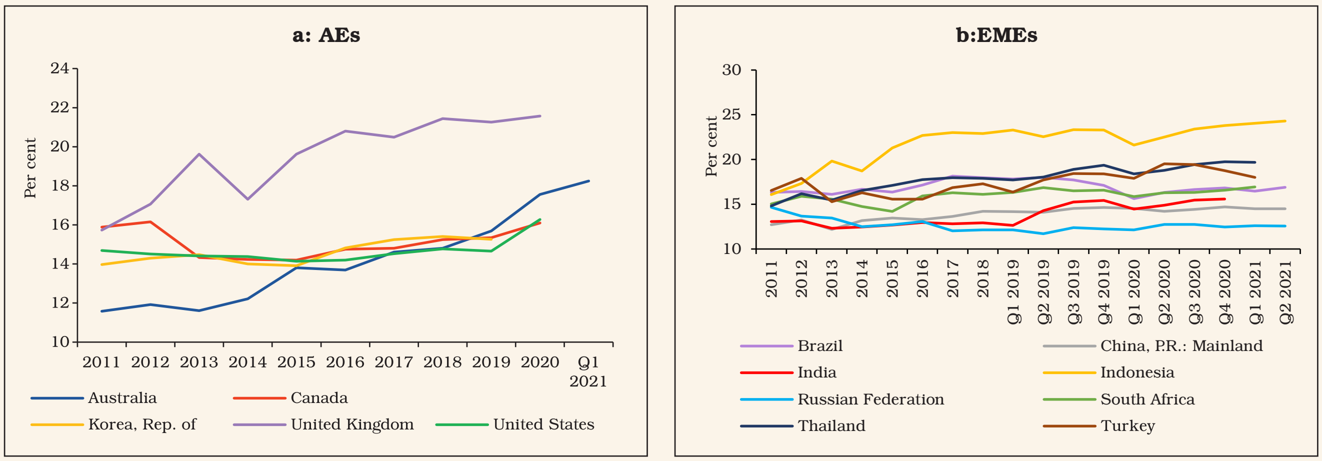
II.32 After showing substantial improvement with the implementation of Basel III norms, the leverage ratio measured in terms of capital to total asset ratio declined across jurisdictions in 2020, indicative of sharper fall in banks' capital relative to assets. The moderation was evident even in jurisdictions which traditionally have higher leverage ratios such as the US and Indonesia. A BIS survey of 47 large internationally active banks in July 2021, however, showed that leverage ratio[33] was not a binding constraint on these banks. (Chart II.7).

*Financial Market Indicators*

II.33 Financial markets witnessed a meltdown at the onset of the pandemic. In the first phase from late February to early March 2020, investors exhibited 'flight to safety' behaviour as they sold riskier assets. In the second and more acute phase from mid-March onwards, their behaviour turned to 'dash for cash'. In this phase investors sold risky as well as relatively safe assets in an attempt to obtain cash or cash-like instruments. By late March, the stress eased considerably following speedy, sizeable and sweeping interventions by authorities, and markets progressively returned to orderly conditions.

II.34 Bank equity prices indices have largely recovered, but their levels remain less than pre-COVID levels (Chart II.8a). Since June 2021, Indian banks equity prices revived sharply, while Chinese banks' equity prices have started to drop mainly reflecting concern about its real estate sector.

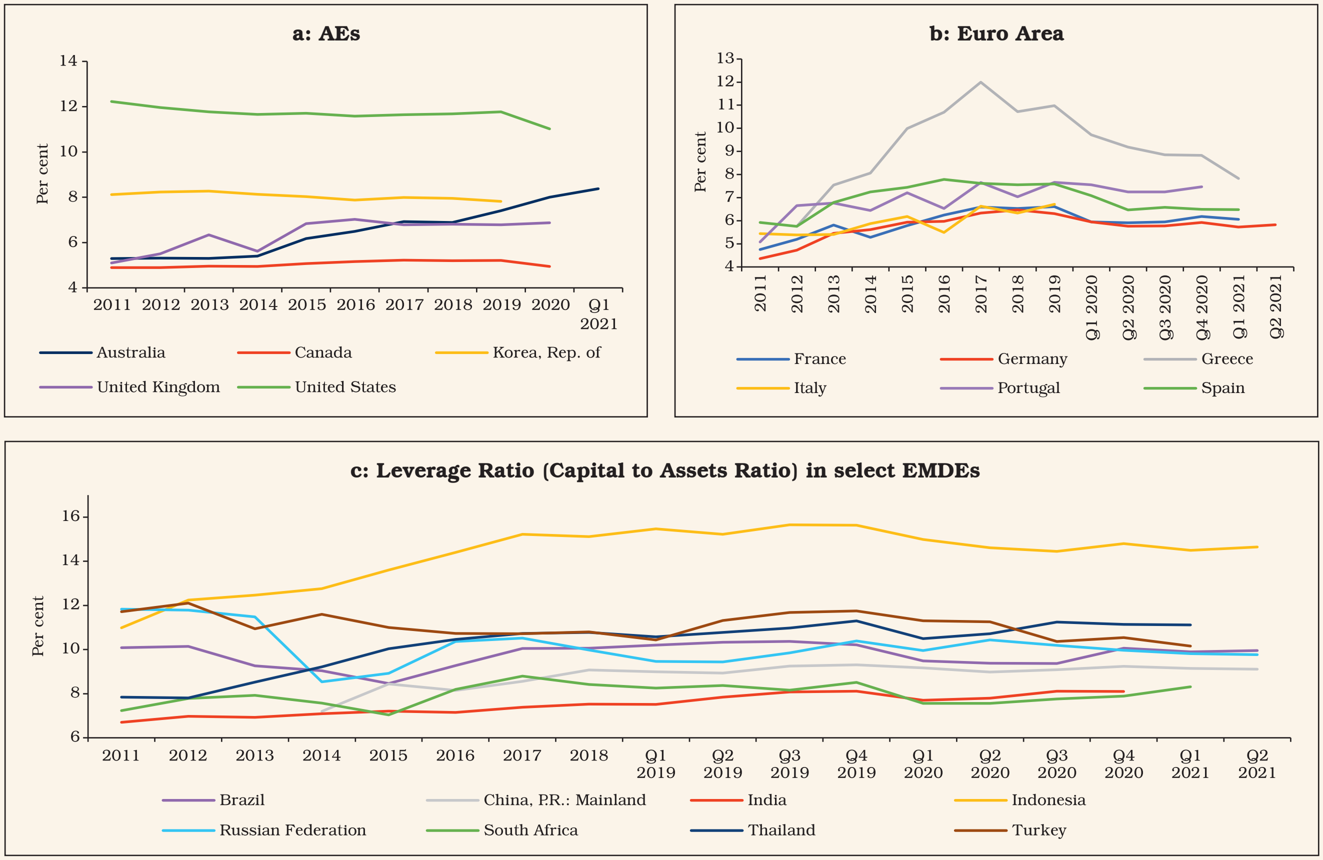
**Chart II.6: Capital Adequacy Ratios**




**Source:** Financial Soundness Indicators, IMF.

[33] In the survey, the leverage ratio is defined as tier I capital to assets ratio, in line with the Basel III norms. However, since comparable data on tier I capital for all jurisdictions is not available, data on a broader concept of capital to assets ratio is analyzed in this sub-section.

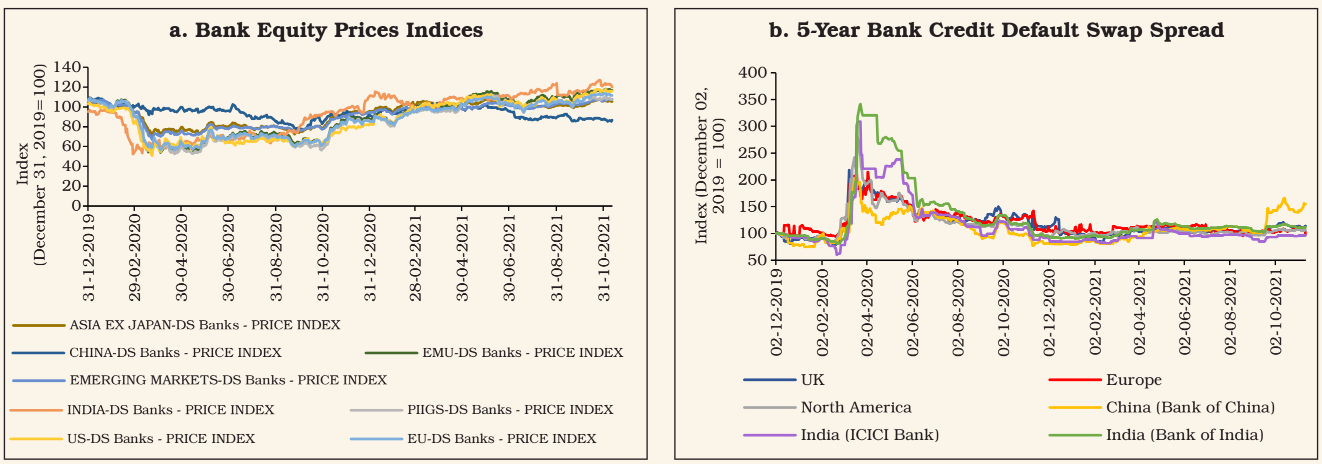
**Chart II.7 Leverage Ratio**
(Capital to assets ratio in per cent)




**Source:** Financial Soundness Indicators, IMF.

II.35 Credit Default Swap (CDS) spreads declined from December 2019 through February 2020 and showed higher volatility in March 2020 through June 2020. CDS spreads have generally

**Chart II.8: Market-based Indicators of Bank Health**




**Source :** Datastream.

declined since then and were at pre-pandemic levels. An increase in the CDS spreads is seen in the recent period, however, implying rising risk premiums (Chart II.8b).

## 4. World's Largest Banks

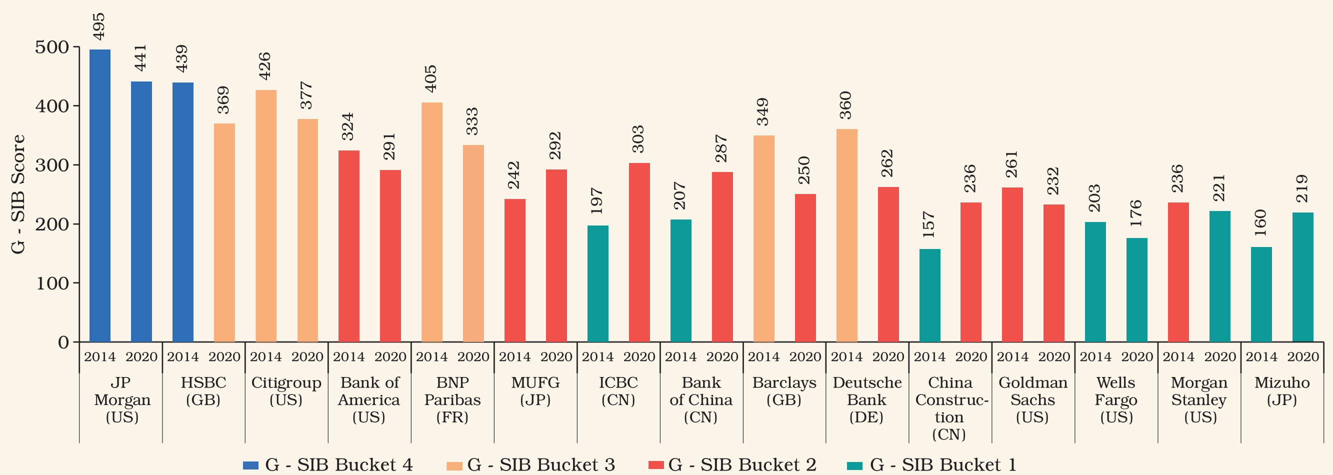
II.36 During the pandemic, large banks continued to provide market making functions, notwithstanding some evidence that few market segments experienced illiquidity. Financial market infrastructure (FMI), particularly central counterparties (CCPs), functioned as intended[34]. At the same time, large banks increased their support to trades and built up their securities holdings across an array of instruments. They have continued to actively trade in derivatives, as evidenced by increases in both the notional and gross market values of derivatives positions from end-2019 to mid-2020 (8.6 per cent and 33.6 per cent, respectively)[35].

*Global Systemically Important Banks (G-SIB)*

II.37 BIS data available since 2014 suggest that the G-SIB buckets of top 15 global banks, except for three China-based banks, have either shifted to become less risky or have remained steady during the period (Chart II.9). Thus, the regulatory push requiring G-SIBs to maintain higher capital seems to have nudged them to reduce complexity, cross jurisdictional presence, interconnectedness, size and substitutability of their operations.

II.38 Bank resilience and market discipline were tested by the pandemic. Banks' risk-based capital and leverage ratios improved, including those of SIBs. Most G-SIBs' TLAC debt issuances to replace maturing ineligible debt were absorbed by the markets without difficulty. Profitability of SIBs, particularly G-SIBs, have fallen relative to other banks as cross-border lending continued to expand.

**Chart II.9: G-SIB Score of top 15 banks: 2020 *versus* 2014**

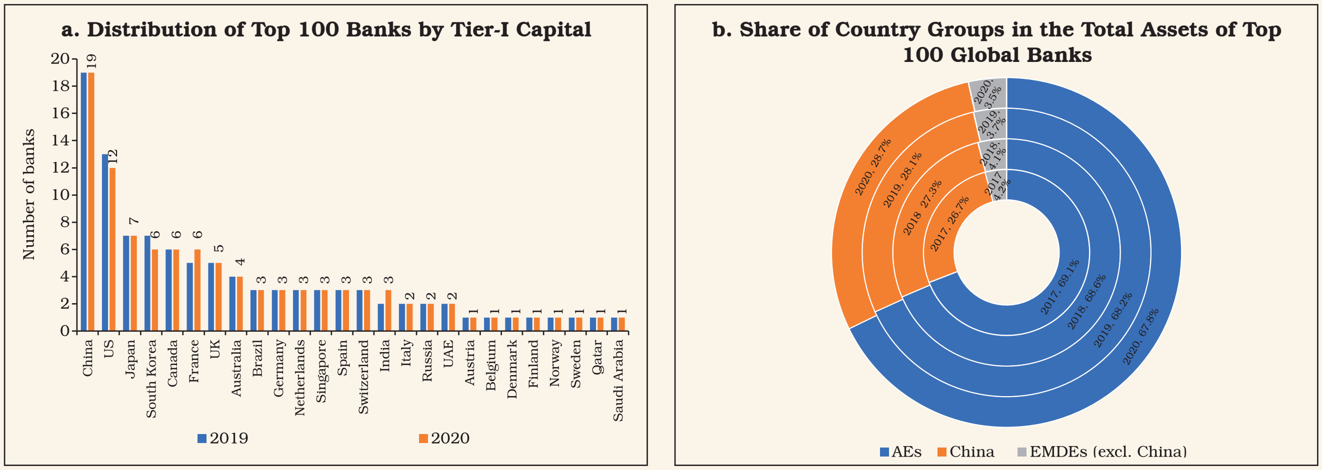



**Source:** BIS

[34] FSB (2021), *Lessons Learnt from the COVID-19 Pandemic from a Financial Stability Perspective*. Available at https://www.fsb.org/wp-content/uploads/P281021-2.pdf

[35] ISDA (2021), *The Role of Financial Markets and Institutions in Supporting the Global Economy During the COVID-19 Pandemic*. Available at https://www.isda.org/a/zZzTE/The-Role-of-Financial-Markets-and-Institutions-in-Supporting-the-Global-Economy-During-the-COVID-19-Pandemic.pdf

**Chart II.10: Distribution of Top 100 Banks by Tier-I Capital**



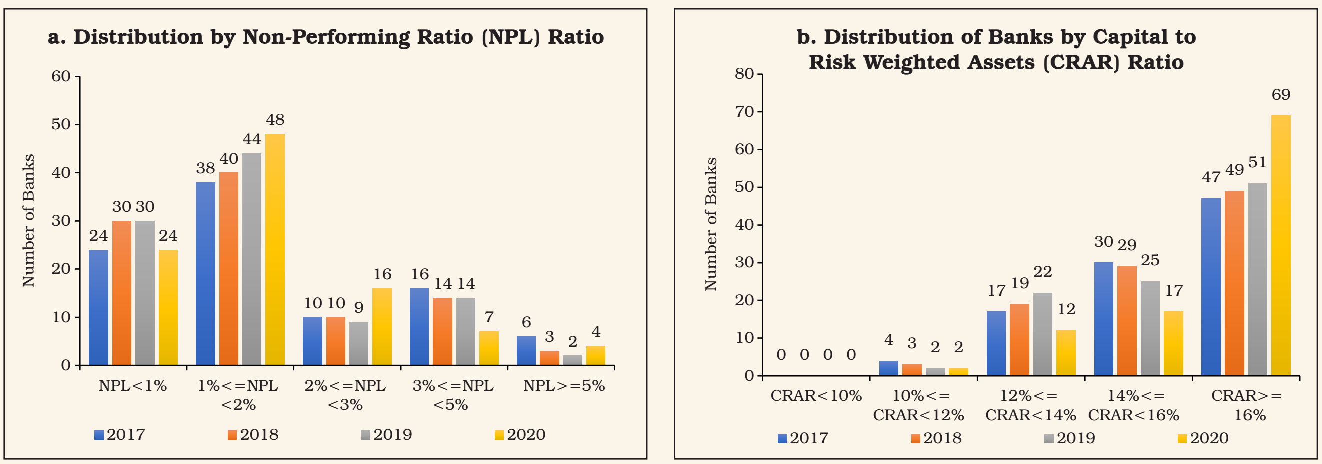

**Source:** Banker Database, Financial Times.

*Top 100 Largest Banks*[36]

II.39 Ranked by Tier-I capital, China (19), the US (12) and Japan (7) had the largest number of top 100 in December 2020 (Chart II.10a). While nearly 68 per cent of the total assets (in US dollar terms) were held by banks in the AEs, nearly 29 per cent of the total assets were held by banks in China and the rest by the other EMDE countries (Chart II.10b).

II.40 There was a marginal deterioration in the asset quality of the top 100 banks. The number of banks with non-performing loans (NPLs) in three categories *viz*. greater than 5 per cent, between 2 to 3 per cent and 1 to 2 per cent increased (Chart II.11a). However, the capital adequacy of banks remained comfortable, with 69 of the banks having capital to risk weighted assets

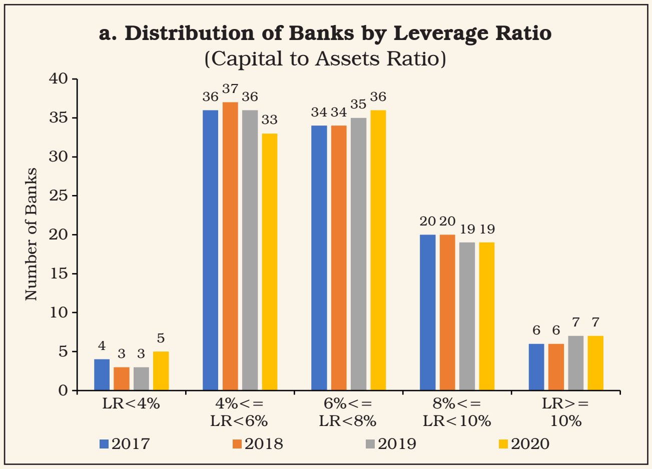
**Chart II.11: Asset Quality and Capital Adequacy of the Top 100 banks**

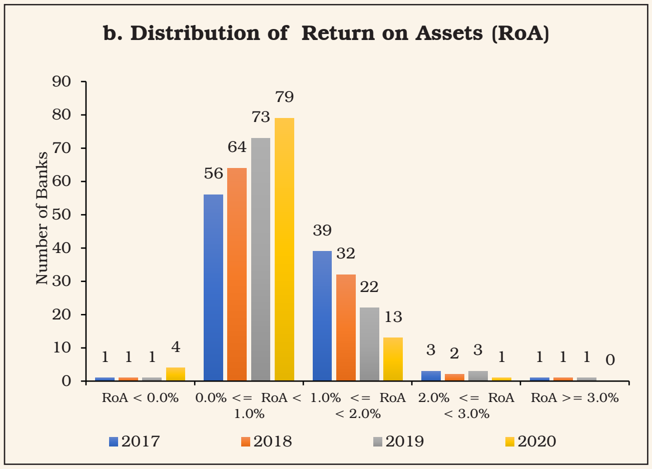



**Source:** Banker Database, Financial Times

[36] Data sourced from the Banker Database of the Financial Times.

**Chart II.12: Soundness of Top 100 Banks**




**Source:** Banker Database, Financial Times

(CRAR) ratios greater than 16 per cent in 2020, up from 51 banks in 2019 (Chart II.11b).

II.41 There was no significant change in leverage ratios (capital to assets ratio), with 69 per cent of banks having leverage ratios in the range of 4 to 8 per cent. Five banks, two in France and one each in Germany, Denmark, and Japan, had leverage ratios below 4 per cent (Chart II.12a). There was marginal deterioration in the return on assets (RoA). While four banks reported negative RoA, seventy-nine banks posted RoA less than 1 per cent, and 13 banks posted RoA between 1 to 2 per cent (Chart II.12b).

## 5. Summing Up

II.42 With the gradual recovery of global economic activity and trade boosted by the easing of restrictions across jurisdictions, the impact of pandemic on the global banking sector is turning out to be muted, mainly due to asset quality standstills in many jurisdictions as well as continuation of strong policy support. Going forward however, as policymakers phase out their support, stress on banking sectors may come to the fore. The areas that are likely to be most impacted by the pandemic are asset quality and profitability. High capital buffers have strengthened balance sheets of banks following implementation of Basel III norms which may help banks to manage stress and emerge stronger.

# III POLICY ENVIRONMENT

*The coordinated policy response of the Reserve Bank and the Government in 2020-21 helped in mitigating the impact of the pandemic on lives and livelihoods, kept financial markets and financial institutions functioning and the lifeline of finance flowing. With some of the Reserve Bank's measures reaching pre-set sunset dates in 2021-22, liquidity has been wound down partly, while several regulatory measures have been realigned to avoid extended forbearance and risks to financial stability. As the economy revives, renewed focus may need to be placed on building up of adequate buffers and being vigilant of the evolving risks.*

## 1. Introduction

III.1 The Indian economy is rebounding strongly from the second wave of the pandemic catalysed by a sharp decline in infections and the speed and scale of inoculations under which more than half of the adult population has been fully vaccinated. With containment being eased and workplaces filling up, real gross domestic product (GDP) growth has surged to 13.7 per cent in the first half of 2021-22 and output has crossed pre-pandemic levels. Powered by a fiscal stimulus of the order of 8.7 per cent of GDP, liquidity infusions amounting to 8.7 per cent of GDP (of which 5.9 per cent was utilised) and policy rate cuts of 115 basis points (bps), the Indian economy was digging out of arguably one of the deepest recessions in the world during the first wave of the pandemic and a hesitant recovery was taking root in the second half of 2020-21 when it was interrupted by the swift and contagious onset of the second wave. In the event, the unprecedented policy response has mitigated the impact of the pandemic on lives and livelihoods, kept financial markets and financial institutions functioning and the lifeline of finance flowing amidst congenial monetary and financial conditions. This averted financial meltdowns, limited scarring and job losses and prevented severe supply and logistics disruptions from becoming binding constraints on economic and financial activity.

III.2 Regulatory dispensations, and asset classification standstill including a temporary moratorium, reoriented restructuring/ resolution frameworks supplemented these efforts by limiting the loss of economic capital and easing liquidity and solvency stress. The overarching goal has been to maintain the soundness of the banking and financial system. These timely policy interventions helped alleviate stress experienced by individuals, MSMEs, corporates and lenders, and by keeping access to finance open on easy terms. In line with guidance from global standard-setting bodies like the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board (FSB), some implementation timelines for regulatory capital and liquidity were deferred.

III.3 With some of the Reserve Bank's measures reaching pre-set sunset dates, liquidity of the order of 2 per cent of GDP has been wound down, including special liquidity schemes for primary dealers (PDs), mutual funds (MFs) and non-bank financial companies (NBFCs) and large-scale purchases under the government securities acquisition programme

(GSAP). The CRR reduction of 100 bps was restored to the pre-pandemic level of 4.0 per cent in two phases on March 27, 2021 and May 22, 2021. Several pandemic-time regulatory measures have been realigned to avoid extended regulatory forbearance and risks to financial stability. In 2021-22 so far, the Reserve Bank has engaged in rebalancing liquidity from passive absorption under fixed rate reverse repo under its liquidity adjustment facility (LAF) to market based reverse repo auctions while ensuring adequate liquidity in the system in consonance with an accommodative monetary policy stance to support growth. Concurrently, the Reserve Bank has ushered in major reforms, including scale-based regulation of NBFCs and revised guidelines on securitisation. The draft guidelines on review of credit default swaps (CDS) were issued for public comments.

III.4 Against this backdrop, this chapter chronicles the monetary and liquidity measures in Section II. This is followed by an overview of the regulatory policy developments relating to scheduled commercial banks (SCBs), credit co-operatives and NBFCs during the period under review (2020-21 and 2021-22 so far) in Section III. The role of supervision in enforcement of regulatory policies and recent developments in this arena are covered in Section IV. Some new institutional developments have been covered in Section V. Policies relating to financial markets, foreign exchange, credit delivery and financial inclusion, and initiatives related to consumer protection are covered in Section VI, VII, VIII and IX, respectively. The Reserve Bank's initiatives for enhancing the scope and reach of payments ecosystem while ensuring a safe and secure environment are set out in Section X. The chapter concludes with an overall assessment in Section XI.

## 2. Monetary Policy and Liquidity Management

III.5 Complementing a 135 bps policy rate reduction during February 2019-February 2020 that took the cumulative policy rate reduction in the current easing cycle to 250 bps, the Reserve Bank employed the LAF corridor as a policy instrument, widening it asymmetrically by reducing the reverse repo rate cumulatively by 155 bps to 3.35 per cent during March-May 2020. Since May 2020, the policy rates have been on hold and an accommodative monetary policy stance with forward guidance that this stance will continue as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward, including in all its five meetings during the current financial year were maintained.

III.6 In its April 2021 meeting, the monetary policy committee (MPC) noted that COVID-19 situation could dampen the prospect of contact-intensive sectors, restrain growth impulses and delay the return to normalcy. As such continued policy support was deemed necessary. In its June 2021 policy, the MPC acknowledged that rising international prices—especially of crude—along with logistic costs, had altered the near-term inflation outlook. However, the growth outlook was impacted by the second wave of COVID-19, necessitating policy support from all sides–fiscal, monetary and sectoral. In its August 2021 meeting, the MPC took the view that inflationary pressures during Q1:2021-22 were largely driven by adverse supply shocks, which were deemed to be transitory in nature. With a view to supporting the nascent and hesitant recovery, the MPC decided to keep the policy repo rate unchanged. In the October 2021 meeting, the MPC observed that the outlook for aggregate demand was progressively improving but was still below pre-COVID-19 levels and the recovery was uneven. The December 2021 MPC meeting was held against the backdrop of rising uncertainty amidst emergence of new COVID-19 mutations. The MPC decided to keep policy rates unchanged to nurture the slow pick-up in economic activity, till it becomes self-sustaining.

III.7 In consonance with the accommodative monetary stance, the Reserve Bank kept banking system liquidity in large surplus, with daily net absorption under the LAF averaging ₹4.96 lakh crore through 2020-21 and ₹6.69 lakh crore during 2021-22 (up to December 22). The Reserve Bank injected ₹2.29 lakh crore in 2021-22 (up to December 17) through open market operations (OMOs), including G-SAP purchases, on top of ₹3.13 lakh crore through OMOs in 2020-21. During 2020-21, 19 auctions of simultaneous purchase and sale of government securities – operation twists (OTs) – were conducted, including one asymmetric OT on March 10, 2021 having a liquidity impact (purchase of ₹20,000 crore with sale of ₹15,000 crore). During 2021-22 so far (up to December 22), the Reserve Bank conducted three special OMOs (operation twists) involving the simultaneous purchase and sale of government securities of ₹40,000 crore (₹10,000 crore on May 6 and ₹15,000 crore each on September 23 and September 30) cumulatively. Providing forward guidance to market participants, the Reserve Bank emphasised that financial market stability and the orderly evolution of the yield curve were public goods, the benefits of which accrue to all stakeholders in the economy.

III.8 Targeted liquidity measures to alleviate sector specific stress formed an important component of the Reserve Bank's toolkit during the pandemic period. Targeted long-term repo operations (TLTRO) were augmented with the announcement of TLTRO 2.0 and 'On tap TLTROs'[1]. To reduce the cost of funds of banks that had availed of LTRO and TLTRO, an option was given to them in September and November 2020 and again in December 2021 allowing a reversal of transactions before maturity and availing fresh funds at the reduced repo rate. Accordingly, banks repaid ₹1,23,572 crore of LTROs in September 2020 and cumulatively ₹39,782 crore of TLTROs by December 22, 2021.

III.9 In H1:2021-22, an on-tap liquidity window of ₹50,000 crore with tenors of up to three years at the repo rate was opened (available till March 31, 2022) to boost provision of immediate liquidity for ramping up COVID-19 related healthcare infrastructure and services. Furthermore, it was decided to conduct special three-year long-term repo operations (SLTRO) of ₹10,000 crore at the repo rate for small finance banks (SFBs) to support small businesses, micro, small and medium enterprises (MSMEs), and other unorganised sector entities. A separate liquidity window of ₹15,000 crore was provided

1 To mitigate the adverse effects of the pandemic outbreak on financial conditions, effective March 27, 2020, the Reserve Bank conducted auctions of targeted term repos of up to three years tenor at a floating rate linked to the policy repo rate. Liquidity availed under the scheme by banks had to be deployed in investment grade corporate bonds, commercial papers (CPs), and non-convertible debentures (NCDs) over and above the outstanding level of their investments in these bonds. Further, starting from April 17, 2020, in order to channel liquidity to small and mid-sized corporates, including NBFCs and MFIs, it was decided to conduct TLTRO 2.0 at the policy repo rate for tenors up to three years. Furthermore, on October 9, 2020, it was decided to conduct on tap TLTRO with tenors of up to three years and banks were required to deploy these funds in debt-instruments issued by entities in specific sectors. The liquidity availed under the scheme could also be used to extend bank loans and advances to these sectors.

to alleviate stress in contact-intensive sectors (available till March 31, 2022) with tenors of up to three years at the repo rate.

III.10 Amidst large surplus liquidity conditions, the Reserve Bank on January 8, 2021 embarked on steps to move towards normal liquidity management operations in a phased and calibrated manner and accordingly conducted five 14-day variable rate reverse repo (VRRR) auctions during January- March 2021. However, to meet any additional/unforeseen demand for liquidity and to provide flexibility to the banking system in their year-end liquidity management, two fine-tuning variable rate repo auctions of ₹25,000 crore each were conducted on March 26 and March 31, 2021 of 11-day and 5-day tenors, respectively. Furthermore, it was decided not to conduct the 14-day VRRR auction on March 26, 2021 to ensure the availability of ample liquidity for managing year-end requirements.

III.11 The gradual normalisation of liquidity management operations in sync with the revised liquidity management framework instituted in February 2020 was a key feature of liquidity management during 2021-22. The surplus liquidity was mopped up through the overnight fixed rate reverse repo and the VRRR auctions of varying maturities under the LAF. Keeping in view the markets' feedback and appetite for higher remuneration, the Reserve Bank enhanced the size of the fortnightly VRRR auctions in a phased manner. As a result, daily average absorption under fixed rate reverse repo window has come down considerably to ₹2.3 lakh crore in H2:2021-22 (up to December 22) compared to ₹4.6 lakh crore in H1:2021-22.

*Refinancing Facilities for All India Financial Institutions (AIFIs)*

III.12 On the back of ₹75,000 crore provided to AIFIs in 2020-21 as special refinance facilities to meet sectoral credit requirements, the Reserve Bank provided additional liquidity support of ₹66,000 crore for fresh lending during 2021-22 to AIFIs. This included a line of credit of ₹15,000 crore to EXIM Bank for a period of 90 days to enable it to avail a US dollar swap facility in May 2020, which was not availed (Table III.1a and III.1b).

## 3. Regulatory Policies

III.13 In sync with central banks, the world over, the Reserve Bank had also announced a moratorium on loans, special schemes for loan

**Table III.1a: Special Refinance Facility for AIFIs**

(₹ Crore)

| AIFIs | SRF Facilities Announced in | | | | | Total |
|---|---|---|---|---|---|---|
| | Apr-20 | May-20 | Aug-20 | Apr-21 | Jun-21 | |
| NABARD | 25,000 | - | 5,000 | 25,000 | - | 55,000 |
| NHB | 10,000 | - | 5,000 | 10,000 | - | 25,000 |
| SIDBI | 15,000 | - | - | 15,000 | 16,000 | 46,000 |
| EXIM Bank | - | 15,000 | - | - | - | 15,000 |
| Total | 50,000 | 15,000 | 10,000 | 50,000 | 16,000 | 141,000 |

**Source:** RBI.

**Note:** '-' nil/not applicable.

**Table III.1b: Institution-wise Loan Availment by AIFIs**

(₹ crore)

| Loans Extended | 2020-21 | | 2021-22 | |
|---|---|---|---|---|
| | SLF availed by AIFIs | Loan disbursed by AIFIs | SLF availed by AIFIs | Loan disbursed by AIFIs |
| Cooperative banks | 16,300 | 16,300 | 13,000 | 15,053 |
| Regional Rural Banks | 6,700 | 6,700 | 7,000 | 8,066 |
| Microfinance Institutions | 4,839 | 5,975 | 1,200 | 2,454 |
| Small Finance Banks | 3,672 | 3,772 | - | 200 |
| MSMEs | 6,755 | 10,484 | 10,800 | 11,232 |
| Housing Finance Companies | 10,425 | 10,425 | 7,602 | 7,612 |
| Total | 48,691 | 53,656 | 39,602 | 44,617 |

**Notes:** 1. Data as on December 17, 2021.
2. '-' nil/not applicable.

**Source:** Weekly report submitted by NHB, NABARD, and SIBDI.

restructuring, asset quality standstill, restrictions on dividend pay-outs, zero risk weight on credit facilities covered by credit guarantee schemes backed by Government and increase in limit on banks' exposure to a group of connected counterparties, most of which ran their course in 2020-21 itself.

### III.A Regulatory Policies for SCBs

*Resolution Framework for Covid-19 Stressed Assets*

III.14 A window for resolution of Covid-19 related stressed assets was announced on August 06, 2020, under the Prudential Framework for Resolution of Stressed Assets introduced a year earlier. It enabled implementation of a resolution plan (RP) in respect of eligible corporate exposures without change in ownership, and covered personal loans too, while classifying them as standard but subject to certain conditions. Rescheduling of payments, conversion of any interest accrued into another credit facility, sale of the exposures to other entities, change in ownership and restructuring were allowed in the RP. Borrowers classified as standard and not in default for more than 30 days with any lending institution as on March 1, 2020 and continued to be classified as standard till the date of invocation, were eligible for resolution under the framework. The resolution framework was required to be invoked till December 31, 2020, and the RP had to be implemented within 90 days for personal loans and 180 days for other eligible loans from the date of invocation.

III.15 The recommendations of the Expert Committee (Chairperson: Shri K. V. Kamath) guided lending institutions while finalising RP in respect of eligible borrowers. The Expert Committee had recommended five financial parameters *viz*, total outside liability/adjusted tangible net worth; total debt/EBIDTA; current ratio; debt service coverage ratio (DSCR); and average debt service coverage ratio (ADSCR) for factoring into RPs implemented under the resolution framework. It had also recommended sector-specific thresholds for these ratios to act like floors or ceilings in respect of 26 sectors while the lending institutions could take these decisions in respect of other sectors.

III.16 The implementation deadline of 180 days was still operational when the second wave of pandemic hit, obviating the need for a new restructuring scheme for large borrowers. However, a need was felt for a framework specifically aimed at individuals and small businesses. The Resolution Framework – 2.0 was issued on May 5, 2021, with focus on these borrowers, which permitted implementation of resolution plans without a downgrade in their

**Table III.2: Resolution Framework for COVID-19 Stressed Borrowers**

| Features | Resolution Framework 1.0 | Resolution Framework 2.0 |
|---|---|---|
| Introduced | August 6, 2020 | May 5, 2021 |
| Aimed at | Corporates, MSMEs and personal loans | Individuals, small borrowers and MSMEs |
| Prerequisites | As on March 1, 2020<br>• Asset should be standard<br>• Asset not in default for more than 30 days<br>• Should be classified as standard as on the date of invocation | As on March 31, 2021<br>• Asset should be standard<br>• Should not have availed of Resolution Framework – 1.0 or any previous resolution frameworks for MSMEs |
| Deadline for Invocation | Dec. 31, 2020. RP must be implemented within 90 days from the date of invocation for personal loans and 180 days from the date of invocation for other eligible exposures | Sept 30, 2021. RP must be implemented within 90 days from the date of invocation. |
| Additional Provisions | 10 per cent; 5 per cent for MSMEs | 10 per cent |
| Asset Classification | Asset continues to be standard upon implementation* | Asset continues to be standard upon implementation** |
| Ownership change | Not compulsory, necessary only if envisaged in the resolution | Not compulsory, necessary only if envisaged in the resolution |

**Notes:** * if the asset slips into NPA during implementation, it can be upgraded to standard upon implementation.

** if the asset slips into NPA after invocation or during implementation, it can be upgraded to standard upon implementation.

**Source:** RBI.

asset classification (Table III.2). The facility could be invoked till September 30, 2021 while the implementation had to be completed within 90 days from the date of invocation. While all personal loans qualified for invocation, an aggregate exposure limit of ₹50 crore as on March 31, 2021 was set for small and individual owned businesses as well as MSMEs.

*Ex-gratia Payment of Difference between Compound Interest and Simple Interest*

III.17 On October 23, 2020, the Government announced a scheme for individual and MSME borrowers, envisaging *ex gratia* repayment of the difference between compound interest and simple interest to borrowers. The scheme provided relief to these borrowers with aggregate borrowing of up to ₹2 crore for the moratorium period, *i.e.* March 1, 2020 to August 31, 2020. Subsequently, the Hon'ble Supreme Court, vide its order dated March 23, 2021 directed the banks to reimburse the above difference to all borrowers.

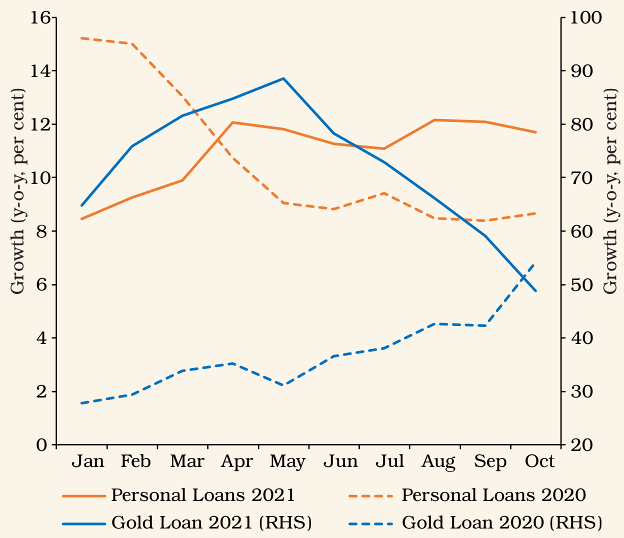
*Loan-to-Value Ratio for Loans against Gold Ornaments and Jewellery*

III.18 On August 6, 2020 the loan-to-value ratio (LTV) for loans against gold ornaments and jewellery for non-agricultural end-uses was increased from 75 per cent to 90 per cent. This temporary provision, applicable till March 31, 2021, was aimed at providing a cushion to households, entrepreneurs and small businesses against the economic impact of the pandemic. Analysis suggests that the flagging personal loans segment in 2020-21 was buoyed by this measure (Chart III.1).

*Dividend Declaration by Banks*

III.19 The Reserve Bank had directed banks not to make any dividend payment on their equity shares from the profits pertaining to 2019-20. This helped in bolstering provisions, especially of private sector banks (PVBs), to absorb impending loan losses due to COVID-19 and conserve capital to support credit growth. The policy was reviewed for 2020-21 and banks were advised to ensure that they continue to meet the minimum regulatory capital requirements after dividend payment. Bank boards were urged to consider the current and projected capital position of the banks *vis-à-vis* the applicable capital requirements and the adequacy of provisions, taking into account the economic environment and the outlook for profitability while considering dividend payouts.

**Chart III.1: Gold Loans *vis-à-vis* Personal Loans**

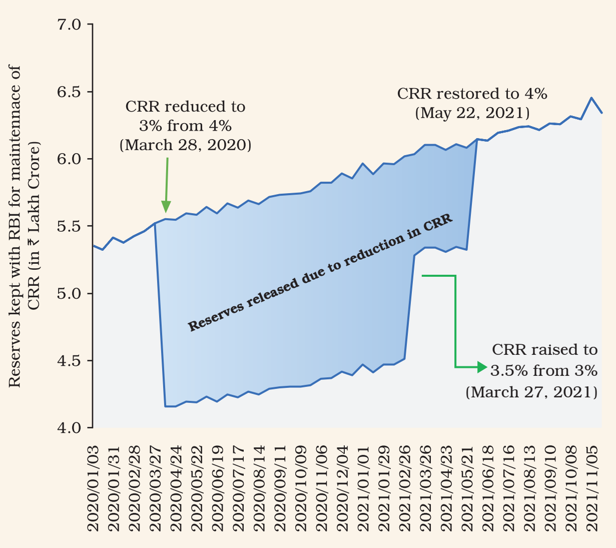



**Source:** RBI.

*Maintenance of Cash Reserve Ratio (CRR)*

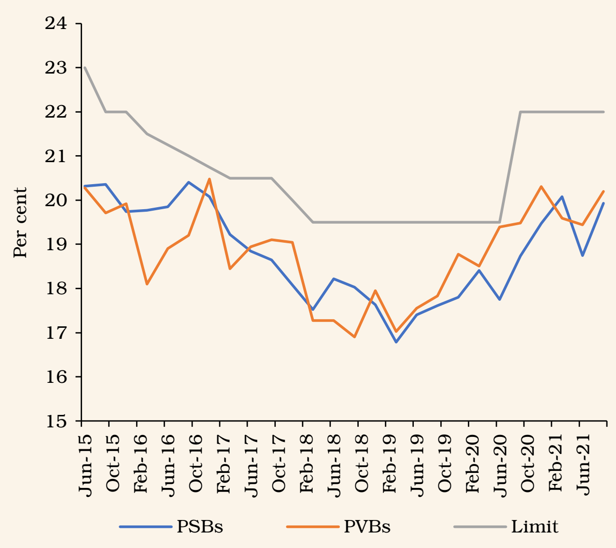
III.20 Based on a review of monetary and liquidity conditions banks were advised that the CRR - which was reduced to 3 per cent of their net demand and time liabilities (NDTL) effective from the reporting fortnight beginning March 28, 2020 - was restored to 4 per cent in two phases, *viz.*, 3.5 per cent of NDTL effective from the reporting fortnight beginning March 27, 2021 and 4 per cent effective from the reporting fortnight beginning May 22, 2021 (Chart III.2).

**Chart III.2: Impact of CRR Cut**




**Source:** Section 42 Returns of RBI.

**Chart III.3: SLR in HTM as per cent of NDTL**




**Source:** OSMOS and Section 42 Returns of RBI.

*Credit to MSME Entrepreneurs*

III.21 On February 5, 2021 banks were allowed to deduct the amount equivalent to credit disbursed to new MSME borrowers up to ₹25 lakh per borrower from their NDTL for calculation of CRR for the credit disbursed up to the fortnight ending October 1, 2021 in order to incentivise incremental credit flow to MSMEs. This exemption was further extended for credits disbursed up to the fortnight ending December 31, 2021.

*Statutory Liquidity Ratio (SLR) holdings in Held to Maturity (HTM) category*

III.22 The headroom available for banks for further investment in SLR securities under the HTM category was getting exhausted by June 2020 (Chart III.3). Faced with a large government borrowing programme, banks were permitted to exceed the HTM ceiling up to an overall limit of 22 per cent of NDTL (instead of 19.5 per cent) till March 31, 2023, provided such excess is on account of SLR securities acquired between September 1, 2020 and March 31, 2022. It was also decided that the enhanced HTM limit would be restored to 19.5 per cent in a phased manner, beginning from the quarter ending June 30, 2023.

*Dipping in SLR for Marginal Standing Facility (MSF) Maintenance - Extension of Relaxation*

III.23 Banks were allowed to avail of funds under the MSF by dipping into SLR up to an additional one per cent of their NDTL, *i.e.*, cumulatively up to three per cent of NDTL. This facility, which was initially available till June 30, 2020 was later extended in phases till March 31, 2021 providing comfort to banks on their liquidity requirements and also to enable them to meet their liquidity coverage ratio (LCR) requirements. A further extension of nine months, *i.e.*, up to December 31, 2021 was granted to banks to avail of this facility. However, the normal dispensation is being restored and consequently, with effect from January 1, 2022, scheduled banks would be able to dip into the SLR up to two per cent of NDTL instead of three per cent for borrowing under the MSF.

*Deferment of last tranche of capital conservation buffer (CCB)*

III.24 The last tranche of 0.625 per cent of the CCB was scheduled to be implemented by March 31, 2020. In view of the ongoing stress on account of COVID-19 on bank balance sheets, its implementation was deferred till October 1, 2021. It has come into effect since then.

*Deferment in implementation of Net Stable Funding Ratio (NSFR)*

III.25 Similarly, in view of the ongoing stress on account of COVID-19, the implementation of NSFR guidelines was deferred till October 1, 2021 and has come into force since then.

*Regulatory Retail Portfolio – Revised Limit for Risk Weight*

III.26 The exposures included in the regulatory retail portfolio of banks attract a risk weight of 75 per cent. One of the four qualifying criteria for claims to be recognized as regulatory retail portfolio was a threshold of ₹5 crore of aggregate retail exposure to one counterparty. In order to reduce the cost of credit for this segment consisting of individuals and small businesses (*i.e.* with turnover of up to ₹50 crore), and in harmonisation with the Basel guidelines, this threshold was raised to ₹7.5 crore for all fresh as well as incremental qualifying exposures so as to expand credit flow to small businesses including MSMEs through reducing the capital requirement of banks on such loans.

*Rationalisation of Risk Weights for Individual Housing Loans*

III.27 As a countercyclical measure, it was decided to rationalise the risk weights for all new individual housing loans sanctioned between October 16, 2020 and March 31, 2022, irrespective of the amount (Table III.3). The revision in the risk weightage is intended to give a fillip to bank lending to the real estate sector.

**Table III.3: Risk Weights for New Housing Loans**

| | Earlier Norms | | Revised Norms | |
|---|---|---|---|---|
| Outstanding loan | Loan to Value Ratio (%) | Risk Weight (%) | Loan to Value Ratio (%) | Risk Weight (%) |
| Up to ₹30 lakh | LTV≤ 80 | 35 | LTV≤ 80 | 35 |
| | 80<LTV≤ 90 | 50 | 80<LTV≤ 90 | 50 |
| Above ₹30 lakh and up to ₹75 lakh | LTV≤ 80 | 35 | LTV≤ 80 | 35 |
| | | | 80<LTV≤ 90 | 50 |
| Above ₹75 lakh | LTV≤ 75 | 50 | LTV≤ 80 | 35 |
| | | | 80<LTV≤ 90 | 50 |

**Source:** RBI.

*Streamlining of Opening of Current Accounts by Banks*

III.28 On August 6, 2020 restrictions were placed on banks for opening and operating current accounts and cash credit (CC) /overdraft (OD) facilities for borrowers. This policy was aimed at streamlining the use of multiple accounts by borrowers and containing diversion of funds. The policy prohibited banks from opening current accounts for customers who have availed credit facilities in the form of CC/OD from the banking system. All transactions of such borrowers would be routed through the CC/OD account alone. In case of customers who have not availed CC/OD facility from any bank, they may be allowed to open current accounts under certain conditions.

III.29 Considering the operational constraints in implementation, the Reserve Bank eased restrictions on borrowers with exposure to the banking system of less than ₹5 crore. This is, however, subject to obtaining an undertaking from such borrowers that they will inform the bank(s) as and when the credit facilities availed by them from the banking system crosses the threshold. In respect of borrowers where exposure of the banking system is ₹5 crore or more, such borrower can maintain current accounts with any one of the banks with which it has CC/OD facility, provided that the bank has at least 10 per cent of the exposure of the banking system to that borrower.

*Transfer of Loan Exposures*

III.30 On September 24, 2021, the Reserve Bank harmonised the extant guidelines on transfer of loan exposures to make it consistent with the Insolvency and Bankruptcy Code (IBC) mechanism and extant regulatory framework on resolution of stressed assets. Loans that are in default are now permitted to be transferred to a wider universe of transferees. For loans that are not in default, the guidelines allowed transfer of loans through assignment, novation or loan participation contract. In case a loan in default is transferred, a cooling period of at least one year was mandated before the lending institution can again extend loan to the same borrower. In case the loan in default is transferred to an entity not regulated by the Reserve Bank, cooling period is of three years. The requirement of minimum holding period (MHP) for transfer of loans was simplified. A minimum retention requirement (MRR) of 10 per cent was prescribed for transfer of loans not in default where the acquiring lender is unable to perform due diligence at the individual loan level for more than one-third of the portfolio. For price discovery of loans in default, Swiss challenge method has been made mandatory, where the aggregate exposure of all lenders is ₹100 crore or more, as well as in cases where transfer of loan exposures is undertaken as a resolution plan under the Prudential Framework. Loan exposures classified as fraud were permitted to be transferred to asset reconstruction companies (ARCs) along with responsibilities of continuous reporting, monitoring, filing of complaints with law enforcement agencies and proceedings. The Reserve Bank, however, specified that transfer of such loan exposures to ARCs will not absolve the transferor from fixing staff accountability as required under the extant instructions on frauds.

III.31 Given the tremendous growth in number, size and potential of ARCs for resolving stressed assets, a committee was constituted in April 2021 to undertake a comprehensive review of the working of ARCs and recommend suitable measures to meet the growing requirements of the financial sector (Box III.1).

*Securitisation of Standard Assets*

III.32 To develop a strong and robust securitisation market, the Reserve Bank simplified its structure and aligned existing guidelines with the Basel III guidelines on September 24, 2021. The directions permit only traditional securitisations *i.e.*, securities issued by a special purpose entity (SPE) where the cash flows are from a pool of underlying loans acquired from a lender. Any transaction between an originator and an SPE should be 'strictly on an arm's length basis'. Furthermore, credit enhancement facilities may provide additional financial support for securitisation.

III.33 It has simplified the requirements of MHP and MRR. Listing of securitisation notes, especially for residential mortgage-backed securities, is required when securities are sold to 50 or more investors. Further revisions include permission for single asset securitisation, concessional capital regime in case of simple, transparent and comparable (STC) securitisations, simplified instructions governing reset of credit enhancements and capital requirements in line with the Basel III norms, which also factor in seniority, thickness and maturity of the securitisation exposures held by lending institutions.

**Box III.1: Report of the Committee to Review the Working of Asset Reconstruction Companies (ARCs)**

The ARC framework is designed to allow originators to focus on lending, by removing sticky stressed financial assets from their books. Experience so far, however, shows that ARCs' performance has been lacklustre, both in terms of ensuring recovery and revival of businesses. The Reserve Bank had set up a Committee (Chairperson: Shri Sudarshan Sen) to review the existing legal and regulatory framework applicable to them and to recommend measures to improve their efficacy. The Committee's report was released on November 2, 2021 for public comments. Key recommendations of the Committee are set out below:

1. In order to incentivise lenders to sell NPAs at an early stage of stress, it has recommended the amortisation of loss on sale of stressed assets over a period of two years.
2. To determine reserve price of financial assets worth ₹500 crore and above, assessment by two valuers and for assets between ₹100 crore and ₹500 crore by one valuer is recommended.
3. In order to enhance ARCs' ability to acquire all related debt pertaining to a borrower, Reserve Bank may be empowered to specify the entities from which ARCs can acquire financial assets under Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest (SARFAESI) Act, 2002. Further, using these powers, the Reserve Bank may consider permitting ARCs to acquire financial assets from all the regulated entities and retail investors.
4. For financial assets under consortium/multiple banking arrangements, if 66 per cent of lenders (by value) decide to accept an offer by an ARC, the same may be made binding on the remaining lenders and it must be implemented within 60 days of approval by majority of lenders.
5. Given that additional funding to the stressed borrowers is the key in reviving their businesses, ARCs should be allowed to use Securities and Exchange Board of India (SEBI) registered Alternative Investment Funds (AIFs) as an additional vehicle for facilitating restructuring/recovery of debt acquired by them.
6. For better value realization and enhancing the effectiveness of ARCs in recovery, even the borrower's equity may be allowed to be sold to ARCs.
7. ARCs may be allowed to participate under IBC as a resolution applicant either through their SR trust or through the AIF sponsored by them.
8. To give impetus to listing and trading of SRs, the list of eligible qualified buyers may be expanded to include high net-worth individuals (HNIs), corporates, NBFCs/HFCs, trusts, family offices, pension funds and distressed asset funds with suitable safeguards.
9. To balance the need of protecting the interest of SR investors along with distribution of risk among willing and sophisticated investors, the minimum investment in SRs by an ARC may be specified at 15 per cent of the lenders' investment in SRs or 2.5 per cent of the total SRs issued, whichever is higher.
10. Considering the wider role envisaged for ARCs in the resolution of stressed assets, the minimum net owned fund requirement for ARCs may be increased to ₹200 crore.

*Review of Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks*

III.34 An Internal Working Group (IWG) was constituted by the Reserve Bank to review the extant guidelines on ownership and corporate structure for Indian private sector banks. Out of 33 recommendations made by the IWG, Reserve Bank has accepted 21 recommendations (some with partial modifications) and remaining 12 recommendations are under examination. The accepted major recommendations pertain to lock-in period for promoters' initial shareholding, limits on shareholding of promoters in the long run and dilution requirements, cap on holding of non-promoters, pledge of shares by promoters during lock-in period, initial capital requirements, corporate structure – Non-operative Financial Holding Company (NOFHC), listing requirements and harmonisation of various licensing guidelines.

*Extension of* Centralised KYC Registry (*CKYCR) to Legal Entities (LEs)*

III.35 In terms of provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 the Reserve Bank's regulated entities

(REs) have been uploading know your customer (KYC) data pertaining to all individual accounts, opened on or after January 1, 2017, on the CKYCR. Consequently, the use of this facility, especially in terms of uploads by RBI-REs has grown in leaps and bounds (Table III.4).

III.36 As the CKYCR is now fully operational for individual customers, it has been extended to KYC data pertaining to Legal Entities (LEs) accounts opened on or after April 1, 2021 as well.

*Policy for Liquidity Management in RRBs*

III.37 Earlier, Regional Rural Banks (RRBs) had no access to the LAF/MSF window of the Reserve Bank as well as the call/notice money market. On December 4, 2020 the Reserve Bank granted them access to these facilities, subject to meeting certain eligibility criteria, to facilitate efficient liquidity management.

*Regulatory Framework for Safe Deposit Locker Facility*

III.38 Comprehensive revised instructions were issued for the safe deposit locker facility offered by banks on August 18, 2021. Enhanced standards of safety and security of lockers, detailed procedure for discharge of locker contents by breaking it open under various circumstances and alert facility through registered email / SMS for locker operation have been introduced. The banks have been made liable to the extent of 100 times the annual locker rent in case of negligence or fraud committed by the bank employees leading to loss of contents of the locker.

## III.B Regulatory Policies for Co-operative Banks

*Dual Control of Co-operative Banks and Amendment to the Banking Regulation (BR) Act, 1949*

III.39 The Reserve Bank's powers to regulate and supervise co-operative banks were limited due to non-applicability of certain statutory provisions of the Banking Regulation (BR) Act, 1949 on co-operative banks, which affected its ability to take necessary and timely corrective actions in case of irregularities/weaknesses in functioning of these banks. The amendment to the Act, carried out in 2020 sought to protect the interests of depositors and strengthen co-operative banks by improving governance framework and oversight by the Reserve Bank, while enabling better access to capital. The amendment came into force for urban co-operative banks (UCBs) with retrospective effect from June 29, 2020 and for State Co-operative Banks (StCBs) and District Central Co-operative Banks (DCCBs) with effect from April 1, 2021.

**Table III.4: Progress in Usage of CKYCR**

(As at end March)

| | | Mar-18 | Mar-19 | Mar-20 | Mar-21 |
|---|---|---|---|---|---|
| RBI regulated entities | Upload | 1,55,01,944 | 8,46,82,357 | 19,09,38,547 | 32,87,67,274 |
| | | (62.5) | (83.6) | (89.4) | (91.9) |
| | Download | 16,00,759 | 1,07,52,654 | 5,57,75,772 | 11,34,35,629 |
| | | (53.1) | (76.1) | (89.2) | (88.9) |
| | Update | 5,45,154 | 45,60,320 | 1,48,89,628 | 2,47,08,320 |
| | | (81.1) | (90.2) | (92.2) | (89.5) |
| Total (All regulators) | Upload | 2,48,04,036 | 10,13,40,205 | 21,36,23,723 | 35,76,55,517 |
| | Download | 30,16,508 | 1,41,25,982 | 6,25,24,746 | 12,76,56,314 |
| | Update | 6,72,235 | 50,56,616 | 1,61,41,539 | 2,76,08,769 |

**Note:** Figures in parentheses refer to percentage share in total.

**Source:** RBI.

III.40 The amended Section 3 of the BR Act, 1949 makes the provisions of the Act inapplicable to Primary Agricultural Credit Societies (PACS) or co-operative societies whose primary object and principal business is providing long-term finance for agricultural development, and do not use words "bank", "banker" or "banking" in its name and do not act as drawee of cheques. The amendment of Section 45 of the Act enabled the Reserve Bank to reconstruct or amalgamate a bank, with or without implementing a moratorium, with the approval of the Central Government. The amendment also provides the Reserve Bank powers to supersede the Board of Directors of a co-operative bank in consultation with the state government concerned. The amendment to Section 56 of the Act will help in narrowing down the regulatory arbitrage between commercial banks and co-operative banks.

*Amalgamation of Cooperative Banks*

III.41 In the past, mergers and amalgamations between UCBs had to be approved by both the Reserve Bank and the respective Registrar of Co-operative Societies. Subsequent to the enactment of the Banking Regulation (Amendment) Act, 2020, the Reserve Bank received greater powers for sanctioning the process. Master directions in this regard were issued on March 23, 2021 specifying the necessary conditions for amalgamation, including, *inter alia*, approval of the proposal by two-thirds of board members of the concerned UCB. The criterion for consideration of the proposal by the Reserve Bank is based on whether the amalgamating bank assures to protect deposits of the amalgamated bank either through use of its own resources or through financial support from the state government. Incentives extended to the amalgamating bank include greater flexibility to close loss-making branches, open new branches and retention of authorised dealer (AD) -I licence of the amalgamated bank. With these guidelines, amalgamation process for UCBs is expected to be smoother and faster. Similarly, Reserve Bank on May 24, 2021 specified requirements and indicative benchmarks/ conditions for voluntary amalgamation of DCCBs with StCBs.

## III.C Regulatory Policies for Non-Bank Financial Companies (NBFCs)

*Scale-Based Regulatory Framework*

III.42 The Reserve Bank came out with a scale-based regulation framework for NBFCs following the principle of proportionality on October 22, 2021. The framework is based on a four-layered structure – base layer (NBFC-BL), middle layer (NBFC-ML), upper layer (NBFC-UL) and top layer, with a progressive increase in the intensity of regulation. The base layer consists of non-deposit taking NBFCs (NBFC-NDs) with asset size below ₹1,000 crore and certain other NBFCs engaged in specific activities. It aims at increasing transparency by way of greater disclosures and improved governance standards while not burdening them with higher level regulations. The middle layer mainly includes all deposit taking NBFCs and non-deposit taking NBFCs with asset size of ₹1,000 crore and above and some specialised NBFCs. Through this layer, the areas of arbitrage between banks and NBFCs—that were detrimental to orderly growth and systemic stability—were reduced. The upper layer will comprise of certain NBFCs specifically identified by the Reserve Bank based on a set of parameters and scoring methodology and will be subjected to enhanced regulatory rigour. The top layer of the pyramid has been proposed to remain empty unless the Reserve Bank takes a view that a specific NBFC lying in the upper layer poses systemic risk and needs to be subjected to higher and bespoke regulatory/ supervisory requirements. These guidelines would be effective from October 01, 2022.

III.43 The framework prescribes Internal Capital Adequacy Assessment Process (ICAAP) to be made proportionate to the scale and complexity of operations. Currently, capital to risk weighted assets ratio (CRAR) requirement for NBFCs is 15 per cent of risk weighted assets (RWAs), without any bifurcation such as Common Equity Tier (CET) 1 or additional Tier I capital. In order to enhance the quality of regulatory capital, NBFC-UL will have to maintain CET- 1 capital of at least 9 per cent of RWAs. Further, large exposure framework has also been introduced for NBFC-UL. The extant credit concentration limits prescribed separately for lending and investments have been merged into a single exposure limit of 25 per cent for a single borrower and 40 per cent for a group of borrowers in case of NBFC-ML and NBFC-UL. These concentration limits will be determined with reference to the NBFC's Tier 1 capital instead of their owned fund. The extant NPA classification norm has also been changed to the overdue period of more than 90 days for all categories of NBFCs and a glide path has been provided to NBFCs-BL to be achieved by March 31, 2026. Also, with a view to stem financial stability concerns, a ceiling of ₹1 crore per borrower has been put on financing of subscription to initial public offer (IPO). Furthermore, an enhanced governance framework for NBFCs in the middle and upper layers has been instituted.

*Special Liquidity Scheme (SLS) for non-bank financial companies (NBFCs) / housing finance companies (HFCs)*

III.44 In July 2020, the Government announced an SLS of ₹30,000 crore to address short-term liquidity concerns of NBFCs/HFCs. Under the scheme, a Special Purpose Vehicle (SPV) was set up to purchase investment grade commercial papers (CPs)/ non-convertible debentures (NCDs) of residual maturity up to 90 days issued by these institutions. The scheme permitted both primary and secondary market purchase of debt. NBFCs/HFCs were required to use the proceeds received under the SLS solely for extinguishing their existing liabilities. Under the SLS, ₹7,126 crores were disbursed, mainly via CPs, of which 53 per cent went to NBFCs and the rest to HFCs.

*Aligning Regulatory Framework for HFCs with NBFCs*

III.45 Consequent to the transfer of regulation of HFCs from National Housing Bank (NHB) to the Reserve Bank with effect from August 9, 2019, a revised regulatory framework was issued on October 22, 2020, to ensure smooth regulatory transition. The major changes in the regulatory framework were (a) clearly defining housing finance and principal business criteria for HFCs; (b) strengthening the capital base by increasing the net owned funds requirement from ₹10 crore to ₹20 crore; (c) restrictions on exposure to group companies engaged in real estate business to address concerns related to double lending and to ensure arm's length relationship; (d) introduction of regulations on liquidity risk management framework and a liquidity coverage ratio (LCR); (e) guidelines on securitisation; (f) guidelines on outsourcing of financial services to address risks emanating from such activities; (g) regulatory guidance related to prudential aspects, particularly on provisioning and regulatory capital for Ind-AS implementing HFCs. Further work is underway for greater harmonisation to the extent possible.

*Lowering of Secured Debt Limit for NBFCs under SARFAESI Act*

III.46 On February 24, 2020, NBFCs with asset size of ₹100 crore and above were permitted to take recourse to the SARFAESI Act for enforcement of security interest in secured debts of ₹50 lakh and above. Subsequently, the Government further reduced the secured debt limit to ₹20 lakh and above on February 12, 2021. This is expected to improve the recoveries of NBFCs from small businesses and micro and small enterprises.

*Declaration of Dividend by NBFCs*

III.47 Considering the increasing significance of NBFCs in the financial system and their inter-linkages with different segments, guidelines on their dividend distribution were issued on June 24, 2021. The eligibility criteria for dividend pay-out was linked to their capital adequacy and net NPA levels, and a ceiling on the maximum dividend pay-out ratio was specified.

## 4. Supervisory Policies

III.48 The Reserve Bank endeavours to constantly improve the efficacy of its supervisory function, so that the resilience of the regulated entities can be enhanced. A calibrated supervisory approach is followed to bring in required modularity and scalability to better focus on risky practices and institutions and to deploy an appropriate range of tools and technology to achieve our supervisory objectives. The Board for Financial Supervision (BFS), constituted in November 1994, acts as the integrated supervisor for the financial system covering SCBs, AIFIs, Co-operative banks and NBFCs. During July 2020 to November 2021, 16 meetings of the BFS were held in which issues such as initiatives to improve supervisory functions, measures to strengthen off-site surveillance, on-site examination and skill development were discussed. The Board also reviewed supervisory initiatives during COVID-19 disruptions, enforcement policy for REs, revised norms on opening of current accounts by banks, revisions to the PCA framework for banks, new PCA framework for NBFCs, corporate insolvency regime and its implications for the Indian banking system, compliance to instructions on Society for Worldwide Interbank Financial Telecommunication (SWIFT) and data localization by banks.

*Appointment of Auditors in Regulated Entities*

III.49 The Reserve Bank issued guidelines for appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of SCBs (excluding RRBs), UCBs and NBFCs (including HFCs) in April 2021. This was the first time when such guidelines were prescribed for UCBs and NBFCs. The objective is to put in place ownership-neutral regulations, ensure independence of auditors, avoid conflict of interest in auditors' appointments and improve the quality and standards of audit in the REs. The guidelines place greater responsibility on the Board/Audit Committee of the Board/Local Management Committee of REs, especially with respect to assessing and ensuring independence of auditors, their appointment, fixing remuneration and performance review. These guidelines will also ensure that appointments are made in a timely, transparent and effective manner.

*Revised Prompt Corrective Action (PCA) Framework for SCBs*

III.50 The Reserve Bank revised the Prompt Corrective Action (PCA) framework effective January 1, 2022. In contrast to the earlier framework issued in April 2017, a negative return on assets (RoA) will no longer be a trigger to initiate PCA.

III.51 Lakshmi Vilas Bank, which was under PCA, was amalgamated with DBS Bank on November 27, 2020. Subsequent to capital infusion by the Government, the financial parameters of IDBI Bank and UCO Bank improved and they were taken out of the framework on March 10, 2021 and September

8, 2021, respectively. Similarly, Indian Overseas Bank was taken out of the framework on September 29, 2021. All these banks were allowed to start normal banking operations subject to certain conditions and continuous monitoring. Currently, only one public sector bank, *viz*. Central Bank of India, remains under PCA.

*Prompt Corrective Action (PCA) Framework for NBFCs*

III.52 Given the growing size and interconnectedness of NBFCs with other segments of the financial system, the Reserve Bank put in place a PCA framework for them on December 14, 2021. The PCA framework, which will strengthen the supervisory tools applicable to NBFCs, will come into effect from October 1, 2022, based on the financials at end-March, 2022. This will be applicable to all deposit taking NBFCs (excluding government NBFCs); and (ii) all non-deposit taking NBFCs in middle, upper and top layers (excluding NBFCs not accepting public funds; government companies; primary dealers; and HFCs).

III.53 For NBFCs-D and NBFCs-ND (excluding core investment companies (CICs)), capital (CRAR and Tier I capital ratio) and asset quality (net NPA ratio) would be the key monitoring parameters. In case of CICs, leverage would be an additional parameter to track, apart from capital (adjusted net worth/aggregate risk weighted assets) and asset quality (Table III.5). The framework prescribes certain mandatory and discretionary actions such as restrictions on dividend distribution, requirement of promoters to infuse additional capital, reduction in leverage and concentration of exposures, restriction on branch expansion, capital expenditure, borrowings and staff expansion, among others.

## 5. New Institutional Developments

*National Asset Reconstruction Company Limited (NARCL)*

III.54 Despite several efforts, a substantial stock of legacy NPAs continue to be on the balance sheets of banks. As some large accounts are fragmented across various lenders, aggregation of bad assets leads to significant delays. NARCL, being incorporated by financial institutions only, will have the ability to aggregate bad loans from all members of the consortium. This would incentivise quicker resolution and help better value realisation. NARCL will initially acquire NPAs with total secured outstanding exposure of ₹500 crore and above, amounting to about ₹2 lakh crore. Following extant guidelines, it will acquire these assets through 15 per cent upfront payment in cash and 85 per cent in SRs. The

**Table III.5: Risk Thresholds for PCA Framework for NBFCs**

| Performance Indicator | Regulatory minimum (except for leverage) | Threshold - I | Threshold - II | Threshold - III |
|---|---|---|---|---|
| CRAR* | 15% | ≥ 12% but less than 15% | ≥ 9% but < 12% | Below 9% |
| Tier - I Capital* | 10% | ≥ 8% but less than 10% | ≥ 6% but less than 8% | Below 6% |
| Net NPA Ratio** | - | >6% but ≤ 9% | >9% but ≤12% | Higher than 12% |
| Adjusted net-worth/aggregate risk weighted assets*** | 30% | <30% but ≥24% | <24% but ≥ 18% | Below 18% |
| Leverage ratio*** | 2.5 times | ≥2.5 times but <3 times | ≥ 3 times but <3.5 times | Greater than 3.5 times |

**Note:** *: Pertain to NBFCs-D and NBFCs-ND
**: Pertain to CICs, NBFCs-D and NBFCs-ND
***: Pertain to CICs
**Source:** RBI.

SRs issued will be guaranteed by the government to cover the difference between the face value of SRs and actual realisation from their resolution process for upto five years. An amount of ₹30,600 crore has been earmarked for the purpose.

III.55 The NARCL has been incorporated under the Companies Act and has been granted ARC licence by the Reserve Bank. NARCL is capitalised through equity contributions from banks/financial institutions (FIs), and it will also raise debt as required. PSBs and government owned FIs will hold a minimum of 51 per cent stake and the rest will be with the private sector.

*National Bank for Financing Infrastructure and Development (NABFID)*

III.56 Infrastructure financing gap is a persistent challenge. After facing stress on their exposures to the sector, banks turned risk averse and moderated their lending to this sector. The long gestation periods of infrastructure projects leading to asset liability mismatches was another concern that served as a disincentive for lending. In order to address this concern, the Government has paved the way for the establishment of a development finance institution (DFI) through enactment of National Bank for Financing Infrastructure and Development (NABFID) Act, 2021. Union Budget 2021-22 has budgeted ₹20,000 crores for it. NABFID has been entrusted with the task of co-ordinating with relevant stakeholders to facilitate long term infrastructure financing, including through development of debt and derivatives market.

## 6. Financial Markets

*London Interbank Offered Rate (LIBOR) Transition - Review of Guidelines*

III.57 The planned LIBOR transition poses a challenge for banks and the financial system. To ensure a smooth transition for REs and financial markets, the Reserve Bank issued an advisory on July 8, 2021 encouraging banks and other REs to cease entering into new contracts that use LIBOR as a reference rate and instead adopt any widely accepted Alternative Reference Rate (ARR) as soon as practicable and in any event, no later than December 31, 2021. Regulatory changes have been made to make provision for use of ARRs in export credit, foreign currency non-resident (FCNR) (B) deposits, external commercial borrowings (ECBs) and trade credit (TC). To take into account differences in credit and term premia between LIBOR and the ARRs, the all-in-cost ceiling has been revised upwards by 100 bps for existing ECBs/TCs and by 50 bps for new ECBs/TCs. As the change in reference rate from LIBOR is a "*force majeure*" event, it has been clarified that changes in the terms of a derivative contract on its account would not be treated as restructuring.

*Money Market Regulations – Review of Guidelines*

III.58 The regulations for money market instruments were reviewed to bring in consistency across the markets and to expand its investor base. RRBs have been allowed to participate in the call, notice and term money markets and to issue Certificate of Deposits (CDs). Participants have been allowed to set their own lending limits in the call, notice and term money markets within extant prudential regulatory norms and CD issuers have been permitted to buy back CDs before maturity for greater flexibility in managing short-term liquidity.

## 7. Foreign Exchange Policies

*Relaxation in the period of parking of unutilised ECB proceeds in term deposits*

III.59 Borrowers are permitted to park unutilised ECB proceeds in term deposits with Authorised Dealer (AD) Category-I banks in India for a maximum period of 12 months. To provide relief to borrowers from COVID-19 related disruptions, a one-time relaxation was provided on April 07, 2021, allowing unutilised ECB proceeds drawn down on or before March 1, 2020 to be parked in term deposits with AD Category-I banks in India prospectively up to March 1, 2022.

*Export Data Processing and Monitoring System (EDPMS) Module for 'Caution/De-caution Listing of Exporters' – Review*

III.60 As part of automation of Export Data Processing and Monitoring System (EDPMS), the 'Caution / De-caution Listing' of exporters was automated in 2016. Accordingly, exporters were caution-listed automatically if any shipping bill against them remained outstanding for more than 2 years in EDPMS and no extension was granted for realisation of export proceeds against the outstanding shipping bill. Additionally, the normal system of caution-listing', based on specific recommendations of AD banks before the expiry of two years, continued. In October 2020, system-based automatic caution-listing was discontinued. In order to make the system more exporter friendly and equitable, the Reserve Bank will continue with caution-listing based on the case-specific recommendations of AD banks.

*Reporting Rationalisation*

III.61 Considering the latest technological advancements as well as recent rationalisation of various notifications under Foreign Exchange Management Act (FEMA), 1999 regulations, a comprehensive review of the extant reporting requirements was undertaken. 67 returns were reviewed with respect to their relevance, mode of filing, format and frequency and 17 returns were discontinued with effect from November 13, 2020, thus reducing the cost of compliance for the reporting entities.

## 8. Credit Delivery and Financial Inclusion

III.62 In pursuit of the goal of sustainable financial inclusion, the Reserve Bank has encouraged banks to adopt a structured and planned approach. The National Strategy for Financial Inclusion (NSFI) 2019-24 is aimed at accelerating the level of financial inclusion across the country in a holistic and systematic manner. In pursuance of the recommendations made in the NSFI, significant headway has been made on both the supply side and demand side of financial inclusion. On the supply side, provision of banking services to more than 99 per cent of the targeted villages within their 5 km radius and sensitisation of more than 1.91 lakh Business Correspondents (BCs) through conduct of about 32,000 programmes are the key achievements. On the demand side, enhanced financial literacy and consumer grievance redressal mechanisms are focus areas of NSFI. Against this backdrop, several policy measures were initiated during 2020-21 and the current financial year so far to ensure last mile access to financially excluded sections.

*Business Correspondent (BC) Model*

III.63 By end-March 2021, more than 95 per cent of the banking outlets in rural areas were operated by BCs. Given their role in effective delivery of financial services and furthering financial inclusion, a slew of initiatives *viz.* a BC Certification Programme, a Train the Trainers Programme for sensitizing bank officials, and a BC Registry Portal for having a repository of details about BCs were introduced by the Reserve Bank. In order to assess the efficacy of these initiatives, a study was undertaken by the Reserve Bank (Box III.2).

**Box III.2: Business Correspondent Survey**

A pan–India survey was conducted by the Reserve Bank in October 2020 to analyse the effectiveness of the initiatives in the BC sphere and identify areas of improvement. The survey covered 4,535 respondents (2,934 BCs and 1,601 bank officials), consisting of more than 60 per cent from public sector banks (PSBs), followed by RRBs and PVBs. Of the BC respondents, 75 per cent were deployed through corporate BCs and the remaining 25 per cent were directly deployed by banks. The survey was administered through 27 regional offices of the Reserve Bank across 29 States and 4 Union Territories covering all the regions of the country. The key findings of the survey are:

- Majority of the respondents, both from BCs and bank officials, indicated an overall improvement in knowledge, capabilities and expertise of BCs in response to the Reserve Bank's initiatives.
- Progress in the BC certification was tepid in the north-eastern region due to lack of awareness.
- Awareness about the BC registry portal showed improvement among bank officials and BCs.
- Owing to the Train the Trainers programme, majority of the BCs were aware about the terms and conditions of their agreement with their respective banks and grievance redressal process of banks.
- Further sensitisation through Train the Trainers programme has ensured frequent on-site visit by bank officials.
- Nearly 70 per cent of the BCs indicated that periodic handholding exercises are being conducted either by bank officials or by corporate BCs.

*Increase in limits for bank lending against Negotiable Warehouse Receipts (NWRs) / electronic Negotiable Warehouse Receipts (eNWRs)*

III.64 The priority sector lending (PSL) limit for loans against NWRs/eNWRs was enhanced from ₹50 lakh to ₹75 lakh per borrower to ensure greater flow of credit to farmers against hypothecation of agricultural produce and to encourage use of NWRs/eNWRs issued by regulated warehouses. The PSL limit backed by warehouse receipts other than NWR/eNWR will continue to be ₹50 lakh per borrower.

*Small Finance Banks (SFBs) Lending to NBFC-MFIs as Priority Sector Lending*

III.65 In view of the pandemic challenges and to address the liquidity concerns of smaller MFIs, fresh credit extended by SFBs to registered NBFC-MFIs and other MFIs (societies, trusts etc.) was allowed to be classified under priority sector lending (PSL), provided these institutions are members of the Reserve Bank recognized self-regulatory organization (SRO). The above benefit will be applicable to the MFIs having a gross loan portfolio of upto ₹500 crore as on March 31, 2021. Under the scheme, SFBs are permitted to lend upto 10 per cent of their total PSL portfolio as on March 31, 2021.

*Resolution of COVID-19 related stress of MSMEs*

III.66 A one-time restructuring of existing loans to MSMEs, which were in default but 'standard' as on January 1, 2019, was permitted without an asset classification downgrade. The restructuring was required to be implemented by March 31, 2020. The scheme was made available to MSMEs that qualify in terms of criteria such as a cap of ₹25 crore on total borrowings from banks and NBFCs and being GST-registered. Since then, the scheme has been extended thrice with the latest restructuring applicable to MSME accounts that were in default but 'standard' as on March 31, 2021. The restructuring of the borrower accounts had to be invoked by September 30, 2021. Furthermore, it was decided to enhance the cap on total borrowings from banks and NBFCs to ₹50 crore from ₹25 crore. The scheme helped relieve the stress of the MSME borrowers (Table III.6).

**Table III.6: Restructuring of MSME Advances**

| Circular Reference | Parameters | PSBs | PVBs | FBs | SCBs |
|---|---|---|---|---|---|
| Under January 2019 circular | No. of Accounts Restructured | 651503 | 2602 | - | 654105 |
| | % of Eligible Accounts Restructured | 44.87 | 2.51 | - | 42.04 |
| | Restructured Loan Amount (in ₹ Crore) | 26190 | 2174 | - | 28364 |
| | % of Eligible Amount Restructured | 22.3 | 10.2 | - | 20.5 |
| Under February-2020 Circular | No. of Accounts Restructured | 142299 | 3543 | - | 145842 |
| | % of Eligible Accounts Restructured | 11.2 | 1.18 | - | 9.29 |
| | Restructured Loan Amount (in ₹ Crore) | 5860 | 1364 | - | 7224 |
| | % of Eligible Amount Restructured | 5.9 | 3.6 | - | 5.3 |
| Under August 2020 Circular | No. of Accounts Restructured | 377208 | 466552 | 1 | 843761 |
| | % of Eligible Accounts Restructured | 9.31 | 6.07 | 10.0 | 7.19 |
| | Restructured Loan Amount (in ₹ Crore) | 18232 | 11026.98 | 17.7 | 29277 |
| | % of Eligible Amount Restructured | 4.4 | 6.4 | 8.2 | 5.0 |
| Under May 2021 Circular | No. of Accounts Restructured | 466106 | 341668 | 447 | 808221 |
| | % of Eligible Accounts Restructured | 11.33 | 3.49 | 1.66 | 5.80 |
| | Restructured Loan Amount (in ₹ Crore) | 27856 | 23122 | 489 | 51467 |
| | % of Eligible Amount Restructured | 8.49 | 8.31 | 1.00 | 7.86 |
| Total | No. of Accounts Restructured | 1637116 | 814365 | 448 | 2451929 |
| | % of Eligible Accounts Restructured | 15.04 | 4.55 | 1.66 | 8.51 |
| | Restructured Loan Amount (in ₹ Crore) | 78138 | 37687 | 507 | 116332 |
| | % of Eligible Amount Restructured | 8.14 | 7.42 | 1.03 | 7.67 |

**Notes**: 1. PVBs includes data pertaining to SFBs.
2. -: nil/negligible.

**Source**: As reported by banks.

## 9. Consumer Protection

III.67 Improvement in customer service and customer grievance redressal mechanisms in banks has been a major focus area of the Reserve Bank in recent years.

III.68 To give the depositors easy and time bound access to their deposits to the extent of insurance cover, the Deposit Insurance and Credit Guarantee Corporation (DICGC) Act, 1961 was amended by the Parliament in August 2021 wherein DICGC will be liable to provide interim payment of deposit cover within 90 days of the date such liability arises. Further, DICGC was permitted to raise the deposit insurance premium up to the maximum limit of 0.15 per cent of total assessable deposits, subject to prior approval from the Reserve Bank. The DICGC was given powers to defer or vary the repayment period for the insured banks and charge penal interest of 2 per cent over the repo rate in case of a delay. The amendments to the Act came into force from September 1, 2021.

*Strengthening of Grievance Redressal Mechanism in Banks*

III.69 In order to strengthen the grievance redressal mechanism in banks, a comprehensive framework, envisaging annual assessment of customer service, was put in place on January 27, 2021. The major features of the framework are: (i) enhanced disclosures on customer complaints by banks; (ii) monetary disincentive for banks in the form of recovery of cost of redressal of complaints beyond a threshold; and (iii) intensive review of grievance redressal system of banks that fail to improve their mechanisms.

III.70 Under the framework, banks identified as having persistent issues in grievance redressal would be subject to intensive review. Based on the review findings, a remedial action plan will be formulated and formally communicated to the bank for implementation within a specific time frame. In case no improvement is observed in the grievance redressal mechanism within the prescribed time, the bank will be subjected to corrective actions through appropriate regulatory and supervisory measures.

*Integration of the Ombudsman Schemes*

III.71 The primary responsibility for customer grievance redressal remains with the financial service providers. Complaints which are not resolved through this mechanism can be referred to the Reserve Bank's Ombudsman or Consumer Education and Protection Cells (CEPCs). The erstwhile three ombudsman schemes were integrated into a single Reserve Bank – Integrated Ombudsman Scheme (RB-IOS), 2021 with effect from November 12, 2021 and additional features were added for making the ombudsman structure more customer friendly (Box III.3).

*RBI Retail Direct Scheme*

III.72 The Reserve Bank launched the 'RBI Retail Direct' Scheme on November 12, 2021 as a one-stop solution to facilitate investment in Government securities by individual investors. The scheme enables individuals to participate in primary issuance of government securities (G-Secs) in the non-competitive segment and to buy/sell G-Secs in the secondary market on the NDS-OM platform.

## 10. Payments and Settlement Systems

III.73 The Reserve Bank has over the years encouraged greater use of electronic payments to achieve a "less-cash" society. The objective has been to provide payment systems that combine the attributes of safety, security, enhanced convenience and accessibility by leveraging on technological solutions that enable faster processing. Affordability, interoperability, customer awareness and protection have been the focus areas. Over the years, banks have been

### Box III.3: Reserve Bank - Integrated Ombudsman Scheme, 2021

The Banking Ombudsman (BO) Scheme was launched by the Reserve Bank in 1995 under Section 35A of the Banking Regulation Act, 1949 as an alternate customer grievance redressal mechanism. The scheme, which was earlier restricted to banking services rendered by SCBs and scheduled primary UCBs, was revised in 2002 to cover RRBs and revamped further in 2006 to include several new areas of customer complaints. In 2018, Ombudsman Scheme for NBFCs was introduced and a year later, an Ombudsman Scheme was launched specially to redress complaints related to digital transactions.

To strengthen the mechanism further, the Reserve Bank consolidated the three existing schemes into an Integrated Ombudsman Scheme (IOS) on November 12, 2021, which was inaugurated virtually by the Prime Minister in the presence of the Finance Minister and the Governor, Reserve Bank. Under the new scheme, it will no longer be necessary to identify exact scheme under which the complaint is to be registered. Furthermore, the scope of the ombudsman scheme has been expanded to include non-scheduled primary UCBs with a deposit size of ₹50 crore and above.

The new mechanism makes dispute redressal simpler and more responsive to the customers. A 'Centralised Receipt and Processing Centre' having a toll free number has been set up at Chandigarh for receipt of complaints through emails and physical modes. Importantly, the Scheme has defined 'deficiency in service' as the sole ground for filing a complaint, with a specified list of exclusions. Adoption of 'One Nation One Ombudsman' approach, ensures that the mechanism is jurisdiction neutral.

A Principal Nodal Officer of the rank of a General Manager in a Public Sector Bank or equivalent will be responsible for representing an RE and furnishing information about complaints. The RE will not have the right to appeal in cases where an award is issued by the ombudsman against it for not furnishing satisfactory and timely information.

the traditional gateway to payment services. With fast paced technological changes, this domain is no longer the monopoly of banks. Entities such as non-banks, including Fintechs, Techfins and Bigtechs are cooperating as well as competing with banks, either as technology service providers or direct providers of digital payment services. The regulatory framework has encouraged diversified participation in the payments domain, while being mindful of ensuring consumer convenience, safety, security and systemic stability.

*Enhancements to PPIs*

III.74 On May 19, 2021, the Reserve Bank mandated PPI interoperability, increased the maximum outstanding balance in PPIs to ₹2 lakh and permitted cash withdrawal from full-KYC PPIs. These measures are expected to lead to optimum utilisation of acceptance infrastructure, seamless customer experience and encourage non-bank PPI issuers to convert their offerings into full-KYC PPIs.

*Card transactions in Contactless mode – Relaxation in Requirement of Additional Factor of Authentication*

III.75 In 2015, the Reserve Bank permitted contactless transactions by using NFC-enabled EMV Chip cards without the need for additional factor of authentication for values up to ₹2,000 per transaction. Keeping the COVID-19 pandemic experience in view and given the sufficient protection available to users, it was decided to increase the per transaction limit to ₹5,000 with effect from January 1, 2021.

*Operationalisation of Payments Infrastructure Development Fund Scheme*

III.76 The Payments Infrastructure Development Fund (PIDF) Scheme intends to subsidise deployment of payment acceptance infrastructure in Tier-3 to Tier-6 centres with a special focus on north-eastern states. The target of the PIDF is to help deploy 10 lakh physical and 20 lakh digital acceptance devices every year in the target geography. The scheme was operationalised from January 01, 2021 for a period of three years. In August 2021, the scheme was expanded to include beneficiaries of the PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi Scheme) in Tier-1 and Tier-2 centres. As on November 30, 2021, the contribution to the scheme was ₹614 crore and 77.16 lakh payment acceptance devices have been deployed.

*Access for Non-banks to Centralised Payment Systems*

III.77 Direct access of non-banks to the Centralised Payment System (CPS) lowers the overall risk in the payments eco-system. It also brings in advantages to non-banks like reduction in cost of payments, minimising dependence on banks, reducing the time taken for completing payments and eliminating the uncertainty in finality of the payments as the settlement is carried out in central bank money. The risk of failure or delay in execution of fund transfers is also avoided when the transactions are directly initiated and processed by the non-bank entities. Keeping in mind these advantages, the Reserve Bank permitted authorised non-bank Payment System Providers (PSPs), *viz.* PPI issuers, card networks and White Label ATM operators to participate in the CPS as direct members from July 28, 2021.

*Tokenisation: Card transactions*

III.78 The Reserve Bank had issued a framework on card tokenisation services in January 2019. While initially limited to mobile phones and tablets, it was subsequently extended in August 2021 to cover other devices including Internet of Things (IoT). In September 2021, the scope of this framework was further extended by permitting card networks and card issuers to offer Card-on-File Tokenisation (CoFT) services. Additionally, the Reserve Bank advised that from July 1, 2022, no entity in the card transaction / payment chain, other than the card issuers and / or card networks, shall store the actual card data; and any such data stored previously will be purged.

*Reserve Bank Innovation Hub*

III.79 The Reserve Bank has set up Reserve Bank Innovation Hub (RBIH) as a company under section 8 of the Companies Act, 2013. The wholly owned subsidiary of the Reserve Bank has an independent board comprising eminent members from industry and academia to promote innovation across the financial sector by leveraging on technology and creating an environment which would facilitate and foster innovation. The role of the RBIH is to bring convergence among various stakeholders (*viz.*, banking and financial sector, start-up ecosystem, regulators and academia) in the financial innovation space. It would also develop the required internal infrastructure to promote fintech research and facilitate continuous engagement with innovators and start-ups.

## 11. Overall Assessment

III.80 The disruption in economic activity in the wake of the pandemic resulted in corporate and household sector stress and weakening of demand conditions. Through concerted efforts, the Reserve Bank and the Government managed to contain the risks to financial stability. As the economy revives, renewed focus may need to be placed on building up of adequate buffers and being vigilant of the evolving risks. The resolution framework was designed to minimise the risk of adverse selection. Higher provisioning requirements and stringent performance requirements for borrowers after the implementation of the resolution plan are expected to further dampen the impact of such risks. The trade-off between short-term liquidity and regulatory support to viable borrowers and medium-term macro-financial stability risks needs to be carefully balanced. Looking ahead, it is important for the credit cycle to gain traction and support the ensuing economic recovery. This will require policy initiatives that ensure effective risk management and sound corporate governance. The changing nature of banking—especially the increasing use of technology—presents challenges as well as opportunities for an inclusive and sound banking sector and the regulatory and supervisory function needs to keep pace.

# IV OPERATIONS AND PERFORMANCE OF COMMERCIAL BANKS

*During 2020-21, scheduled commercial banks (SCBs) reported a discernible improvement in their asset quality, capital buffers and profitability, notwithstanding the disruptions of the pandemic. While credit offtake remained subdued, elevated deposit growth on the liabilities side was matched by growth in investments on the assets side. Nonetheless, incipient stress remains in the form of higher restructured advances. Banks would need to bolster their capital positions to absorb potential stress as well as to augment credit flow when policy support is phased out.*

## 1. Introduction

IV.1 During 2020-21, the banking sector navigated the disruptions caused by the pandemic and the economic downturn with resilience, cushioned by various policy measures undertaken by the Reserve Bank and the Government. Asset quality improved, partly attributable to imposition of the asset classification standstill. Public sector banks (PSBs) reported net profits after a gap of five years. More generally, the capital position of banks improved, aided by recapitalisation by the government as well as raising of funds from the market. Nonetheless, incipient stress remains in the form of increased proportion of restructured advances and the possibility of higher slippages arising from sectors that were relatively more exposed to the pandemic. Nevertheless, with the green shoots of recovery re-emerging in H1:2021-22, banks are expected to further shore up their financials.

IV.2 Against this background, this chapter discusses the operations and performance of the banking sector during 2020-21 and H1:2021-22. 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. Sections 5 to 12 address specific themes relating to sectoral deployment of credit, performance of banking stocks, ownership patterns, corporate governance and compensation practices, foreign banks' operations in India and overseas operations of Indian banks, developments in payments systems, consumer protection and financial inclusion. Developments related to regional rural banks (RRBs), local area banks (LABs), small finance banks (SFBs) and payments banks (PBs) are analysed separately in Sections 13 to 16. The chapter concludes by bringing together major issues that emerge from the analysis and offers some perspectives on the way forward.

## 2. Balance Sheet Analysis

IV.3 The consolidated balance sheet of scheduled commercial banks (SCBs) accelerated during 2020-21, notwithstanding the pandemic and the contraction in economic activity in the first half of the year. Deposit growth on the liabilities side was matched by investments on the assets side; however, credit offtake remained subdued (Table IV.1 and Chart IV.1). Supervisory data suggest that while nascent signs of recovery are visible in credit growth, deposit growth has slowed down in 2021-22 so far.

IV.4 The share of PSBs in total advances as well as in deposits has been declining since

**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 SCBs | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| 1. Capital | 72,040 | 59,328 | 26,866 | 30,641 | 85,710 | 91,465 | 5,151 | 5,375 | 1,035 | 1,300 | 1,90,802 | 1,88,109 |
| 2. Reserves and Surplus | 5,80,886 | 6,49,142 | 5,81,749 | 7,07,345 | 1,08,987 | 1,24,706 | 11,047 | 14,800 | -461 | -704 | 12,82,208 | 14,95,289 |
| 3. Deposits | 90,48,420 | 99,00,766 | 41,59,044 | 48,00,646 | 6,84,239 | 7,77,173 | 82,488 | 1,09,472 | 855 | 2,543 | 1,39,75,045 | 1,55,90,600 |
| 3.1. Demand Deposits | 5,71,383 | 6,84,451 | 5,47,521 | 6,82,095 | 2,17,825 | 2,37,412 | 2,381 | 3,964 | 8 | 19 | 13,39,118 | 16,07,941 |
| 3.2. Savings Bank Deposits | 30,41,902 | 34,62,923 | 11,72,739 | 14,56,019 | 70,007 | 87,032 | 10,284 | 22,198 | 847 | 2,524 | 42,95,779 | 50,30,696 |
| 3.3. Term Deposits | 54,35,134 | 57,53,392 | 24,38,784 | 26,62,532 | 3,96,408 | 4,52,729 | 69,823 | 83,310 | - | - | 83,40,149 | 89,51,963 |
| 4. Borrowings | 7,09,780 | 7,18,850 | 8,27,575 | 6,25,683 | 1,28,761 | 1,02,331 | 30,004 | 27,828 | - | 198 | 16,96,120 | 14,74,890 |
| 5. Other Liabilities and Provisions | 3,71,706 | 4,03,292 | 2,36,890 | 2,66,732 | 2,57,381 | 1,68,893 | 4,057 | 6,076 | 216 | 737 | 8,70,250 | 8,45,729 |
| **Total Liabilities/Assets** | **1,07,82,831** | **1,17,31,378** | **58,32,123** | **64,31,048** | **12,65,079** | **12,64,567** | **1,32,747** | **1,63,552** | **1,645** | **4,072** | **1,80,14,425** | **1,95,94,617** |
| | **(59.9)** | **(59.9)** | **(32.4)** | **(32.8)** | **(7.0)** | **(6.5)** | **(0.7)** | **(0.8)** | **(0.0)** | **(0.0)** | **(100.0)** | **(100.0)** |
| 1. Cash and balances with RBI | 4,36,774 | 5,39,149 | 2,72,616 | 2,92,019 | 51,238 | 59,163 | 5,058 | 6,921 | 33 | 174 | 7,65,720 | 8,97,426 |
| 2. Balances with banks and money at call and short-notice | 4,66,615 | 5,93,721 | 2,12,324 | 2,73,711 | 99,468 | 1,51,549 | 8,701 | 12,309 | 455 | 812 | 7,87,563 | 10,32,102 |
| 3. Investments | 29,40,636 | 34,00,895 | 12,93,031 | 15,12,480 | 4,31,277 | 4,73,418 | 24,203 | 30,660 | 694 | 2,413 | 46,89,842 | 54,19,866 |
| 3.1 In Government Securities(a+b) | 24,09,182 | 27,89,985 | 10,66,313 | 12,57,222 | 3,84,102 | 4,30,779 | 20,748 | 27,142 | 694 | 2,412 | 38,81,039 | 45,07,541 |
| a) In India | 23,71,783 | 27,52,716 | 10,57,074 | 12,36,747 | 3,62,540 | 3,90,195 | 20,748 | 27,142 | 694 | 2,412 | 38,12,839 | 44,09,212 |
| b) Outside India | 37,399 | 37,270 | 9,240 | 20,476 | 21,562 | 40,584 | - | - | - | - | 68,201 | 98,329 |
| 3.2 In Other Approved Securities | 102 | 12 | - | - | - | - | - | - | - | - | 102 | 12 |
| 3.3 In Non-Approved Securities | 5,31,352 | 6,10,898 | 2,26,718 | 2,55,258 | 47,175 | 42,639 | 3,455 | 3,518 | - | 1 | 8,08,700 | 9,12,313 |
| 4. Loans and Advances | 61,58,112 | 63,48,758 | 36,25,154 | 39,39,292 | 4,28,076 | 4,23,546 | 90,554 | 1,08,613 | - | 0.1 | 1,03,01,897 | 1,08,20,208 |
| 4.1 Bills purchased and discounted | 1,60,977 | 1,45,894 | 1,25,111 | 1,19,295 | 59,273 | 60,380 | 37 | 124 | - | - | 3,45,398 | 3,25,694 |
| 4.2 Cash Credits, Overdrafts, etc. | 24,16,408 | 24,91,776 | 9,70,317 | 10,11,497 | 2,07,717 | 1,75,337 | 6,872 | 8,861 | - | - | 36,01,314 | 36,87,471 |
| 4.3 Term Loans | 35,80,727 | 37,11,087 | 25,29,726 | 28,08,501 | 1,61,085 | 1,87,828 | 83,646 | 99,628 | - | 0.1 | 63,55,184 | 68,07,043 |
| 5. Fixed Assets | 1,06,507 | 1,06,826 | 38,268 | 39,713 | 4,129 | 4,457 | 1,671 | 1,676 | 200 | 222 | 1,50,775 | 1,52,894 |
| 6. Other Assets | 6,74,187 | 7,42,030 | 3,90,729 | 3,73,832 | 2,50,891 | 1,52,434 | 2,559 | 3,373 | 263 | 452 | 13,18,629 | 12,72,121 |

**Notes**: 1. -: Nil/negligible.
2. Components may not add up to their respective totals due to rounding-off numbers to ₹ crore.
3. Detailed bank-wise data on annual accounts are collated and published in Statistical Tables Relating to Banks in India, available at https://www.dbie.rbi.org.in.
4. Figures in parentheses are shares in total assets/ liabilities of different bank groups in all SCBs.

**Source**: Annual accounts of respective banks.

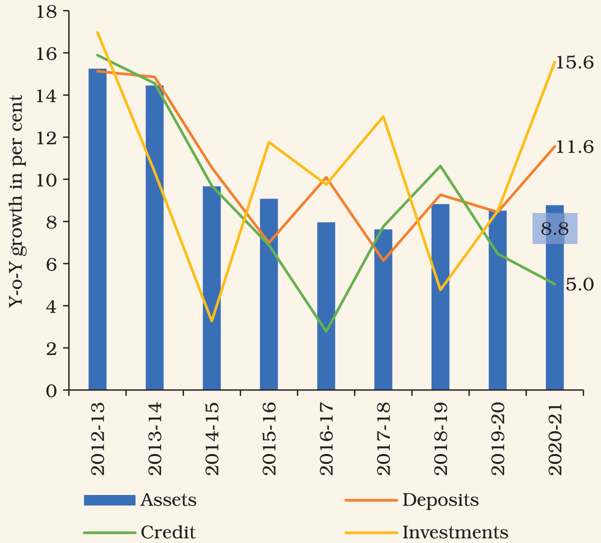
2010-11, while private sector banks (PVBs) have been improving their share.

*2.1 Liabilities*

IV.5 During 2020-21, deposit mobilisation by SCBs was the highest in seven years, mainly contributed by the low-cost current account and savings account (CASA) deposits (Chart IV.4). In H1:2021-22, there was a moderation in deposit growth with normalisation of economic activity and rising inflation.

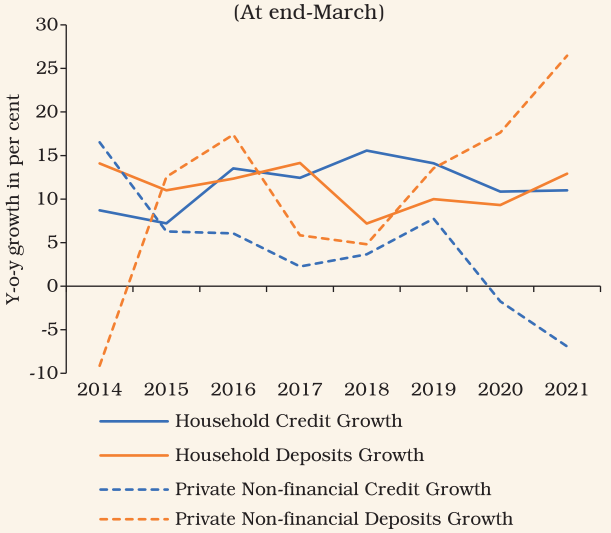
IV.6 For the last three years, private non-financial corporations have been net savers, progressively increasing their deposits with SCBs while their credit offtake has remained anaemic.

**Chart IV.1: Select Aggregates of SCBs**




**Source:** Annual accounts of banks.

**Chart IV.2: Credit and Deposits: Households and Private Non-Financial Corporations**
(At end-March)




**Source:** Basic statistical returns I and II (annual), RBI.

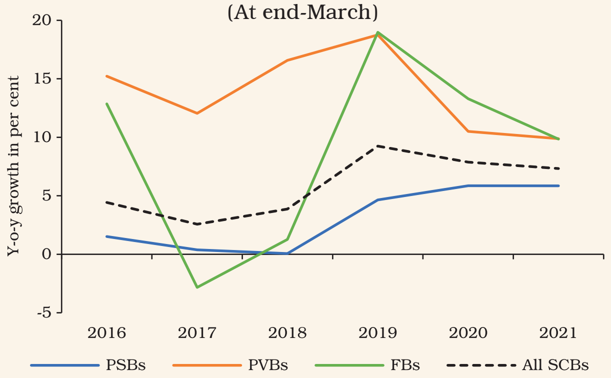
Moreover, the household sector's deposits—64 per cent of the total as at end-March 2021—also picked up pace (Chart IV.2).

IV.7 With term deposit rates falling across the board, their growth moderated during 2020-21 (Chart IV.3a). Correspondingly, their distribution across interest rates shifted leftwards, with 5-6 per cent interest rate emerging as the modal class (Chart IV.3b).

IV.8 Historically, PVBs have relied heavily on borrowings to supplement their deposits and fuel credit growth. On the other hand, PSBs

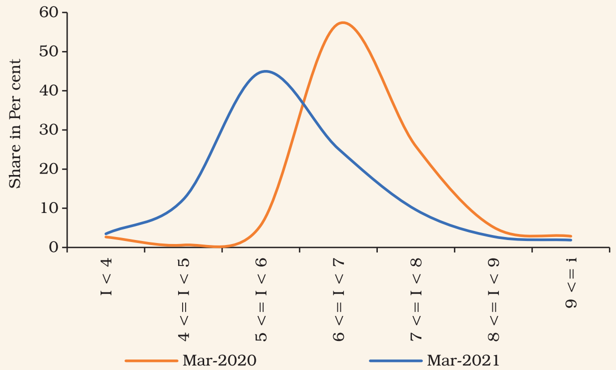
**Chart IV.3: Term Deposits of SCBs**

**a. Term Deposits[1]**
(At end-March)




**Source:** Annual accounts of banks.

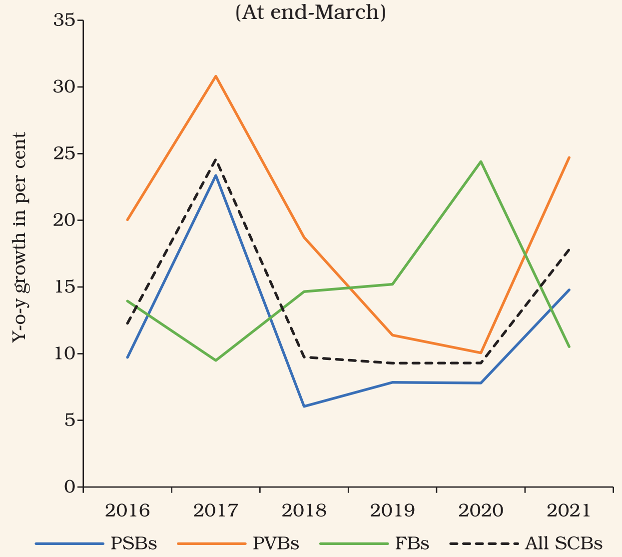
**b: Distribution of Term Deposits**




**Note:** I= interest rate in per cent.
**Source:** Annual accounts of banks.

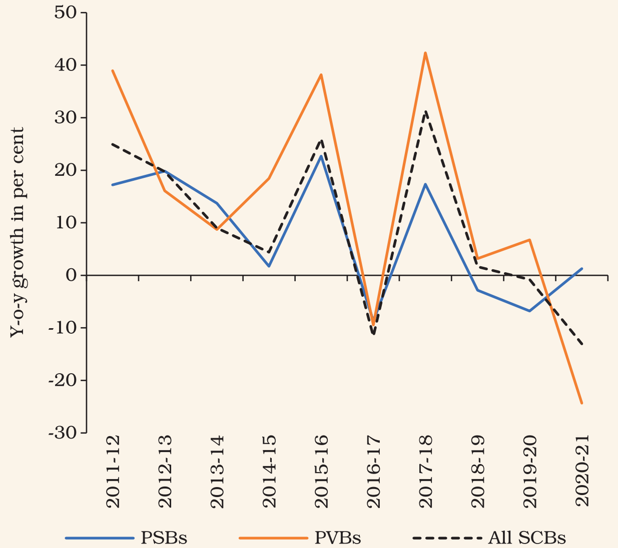
[1] For charts presenting bank-group wise growth rates, the following adjustments have been made: i) Following the recategorization of IDBI Bank Ltd. w.e.f. January 21, 2019, it is excluded from PSB group and included in PVB group. The data on bank-group wise growth rate from March 2019 to December 2019 is based on the adjusted bank-group totals; ii) Following amalgamation of Lakshmi Vilas Bank with DBS Bank India, w.e.f. November 27, 2020, private and foreign bank-group wise growth rates are based on adjusted bank-group totals.

**Chart IV.4: Growth in CASA Deposits**
(At end-March)




**Source:** Annual accounts of banks.

**Chart IV.5: Growth in Borrowings**




**Source:** Annual accounts of banks.

leveraged their wide deposit base and availability of low-cost CASA deposits to fund their lending. In 2020-21, borrowings of PVBs contracted for the first time since 2016-17, while those of PSBs accelerated after contracting for two consecutive years. Despite robust CASA deposit growth, PSBs raised higher resources through borrowings than the previous year as their credit growth accelerated over the first three quarters of the year (Chart IV.5).

*2.2 Assets*

IV.9 SCBs' credit growth has decelerated over previous two years, largely reflecting muted demand conditions and risk aversion (Box IV.1). Signs of recovery became visible in H1:2021-22.

**Box IV.1: Slowdown in Credit Growth: Supply or Demand Driven?**

Persistent anemic credit growth in recent years has led to a vigorous debate amongst policymakers and analysts on the underlying causes.

In the presence of asymmetric information, stickiness of loan interest rates leads to delays in price adjustments. In the interim, there can be disequilibrium whenever supply does not equal demand at the prevailing interest rate (Stiglitz and Weiss, 1981). The observed credit $C_t$ is assumed to be the minimum of the estimated demand for credit ($C_t^d$) and estimated supply for credit ($C_t^s$):

$$C_t = \min (C_t^d, C_t^s)$$

The disequilibrium model is estimated by using the maximum likelihood method (MLE). The model facilitates determination of probabilities with which each observation belongs to either the demand or supply equation (Maddala and Nelson, 1974).

Using monthly data for the period April 2001-March 2020, the disequilibrium model is estimated for India. The benchmark prime lending rate (BPLR) of State Bank of India is taken as a proxy for the market clearing interest rate, while the logarithm of credit is taken as dependent variable. The results suggest that the slowdown in credit is reflecting a scissors effect. Industrial activity (IIP) and investment (GFCF) constrained credit demand, while stressed balance sheets of banks[2] limited credit supply (Table 1). Hence, policies aimed at boosting aggregate demand need to be supplemented with strengthening bank balance sheets to reduce stress for a sustainable boost to credit growth.

*(Contd...)*

[2] Proxied by lagged values of stressed assets ratio (SAR) (GNPAs plus restructured standard advances as percentage of gross advances).

**Table 1: Estimation Results**

| Explanatory variables/ Dependent variables | Log Credit (Model 1) | | Log Credit (Model 2) | | Explanatory variables/ Dependent variables | Log Credit (Model 1) | | Log Credit (Model 2) | |
|---|---|---|---|---|---|---|---|---|---|
| **Credit Demand** | | | | | **Credit Supply** | | | | |
| Constant | 0.1339*** | (0.0114) | 5.6117*** | (0.036) | Constant | 0.0008 | (0.0083) | -2.5247*** | (0.0063) |
| BPLR_lag 1 | 0.6222*** | (0.0114) | 2.8388*** | (0.037) | Time trend | -0.00004 | (0.00002) | -0.0013*** | (0.00005) |
| Time trend | 0.0021 | (0.0022) | -0.0004 | (0.001) | SAR_lag1 | -0.0006 | (0.0009) | -0.0062** | (0.0029) |
| GFCF_lag 1 | | | 0.0253** | (0.0129) | CRAR_lag2 | 0.0006 | (0.0011) | | |
| IIP_lag 1 | 0.1488*** | (0.0014) | | | Log_deposit_lag 2 | | | 1.4017*** | (0.0124) |
| IIP_lag 2 | | | 0.0151 | (0.019) | Cost of Fund_lag 1 | 0.0009 | (0.0009) | | |
| Sensex growth | 0.0287 | (0.0177) | | | BPLR_lag 2 | 0.0008 | (0.0009) | -0.1051 | (0.0807) |
| CPI Inflation_lag 1 | 0.9217*** | (0.0003) | | | AQR Dummy | 0.0020 | (0.0023) | -0.0249*** | (0.0077) |
| BPLR_lag 2 | -0.5351*** | (0.0114) | -1.4109*** | (0.0373) | St. Dev. of demand equation error | 1.1380*** | (0.0005) | 0.6042*** | (0.0405) |
| AQR dummy | | | 0.6648*** | (0.0065) | St. Dev. of supply equation error | 0.0073*** | (0.00001) | 0.0256*** | (0.0001) |
| GFC Dummy | -0.2900*** | (0.0002) | | | Log-likelihood | 1114.16 | | -658.63 | |

**Note:** 1. AQR: Asset Quality Review; GFC: Global Financial Crisis; IIP: Index of Industrial production; GFCF: Gross Fixed Capital Formation.
2. lag 1: lagged by one period; lag 2: lagged by two periods.
3. ***, **, and * indicate 1 per cent, 5 per cent and 10 per cent levels of significance, respectively.
4. Figures in parenthesis are standard errors.

**References:**

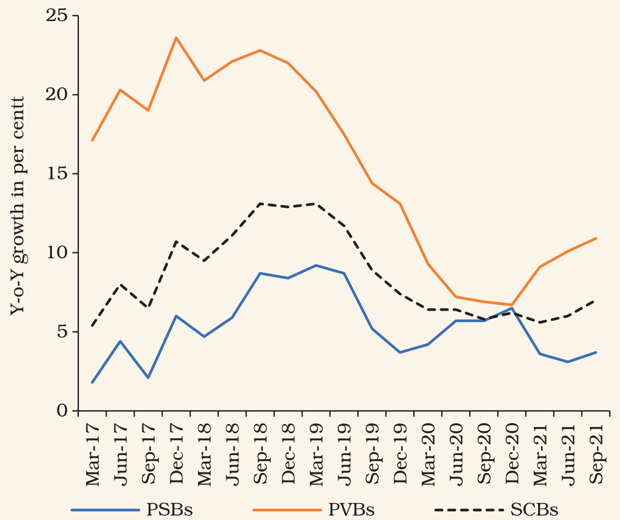
Maddalla, G. S., and F. Nelson. 1974. Maximum Likelihood Methods for Models of Markets in Disequilibrium. *Econometrica* 42(6): 1013–1030.

Stiglitz, Joseph E.; Weiss, Andrew (1981). Credit Rationing in Markets with Imperfect Information". The American Economic Review. 71 (3): 393–410.

Verma, R (2021). Slowdown in Credit Flow in India: Supply or Demand Driven, *mimeo*.

IV.10 Credit growth of PVBs decelerated from Q4: 2019-20 till Q3:2020-21 as the pandemic took its toll. Since Q4:2020-21, however, PVBs' credit showed signs of revival (Chart IV.6).

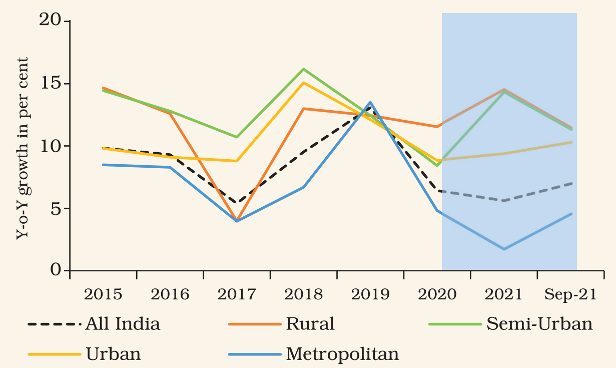
**Chart IV.6: Growth in Advances**




**Source:** Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks.

IV.11 Within population groups, the relatively higher credit growth to rural and semi-urban areas after the outbreak of COVID-19 is a bright spot (Chart IV.7). While PSBs remained the

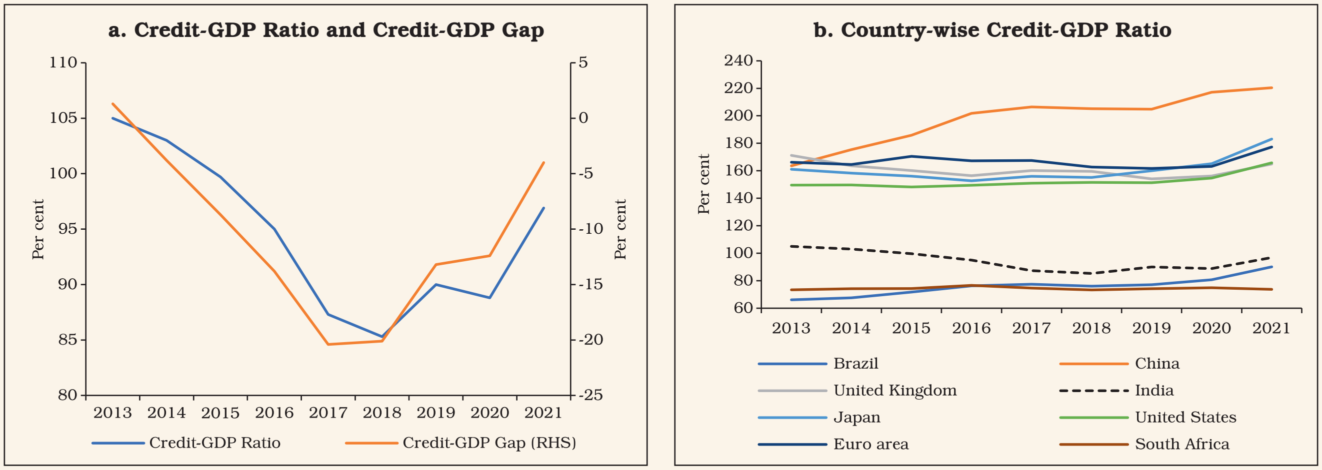
**Chart IV.7: Change in Credit Composition**
(At end-March)




**Notes:** All the centres are classified into following four population groups based on their population in the reference Census: 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 lakhs d) 'Metropolitan' group includes all centres with population of 10 lakhs and above.

**Source:** Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks.

**Chart IV.8: Credit-GDP Ratio**




**Note:** Includes credit from all sources.
**Source:** BIS.

major contributor of rural lending, given their reach and accessibility, the share of PVBs has also climbed up.

IV.12 The credit-to-GDP ratio increased to a five-year high, narrowing the credit-GDP gap (Chart IV.8a). India's credit-to-GDP ratio is still markedly lower than the G20 average (Chart IV.8b).

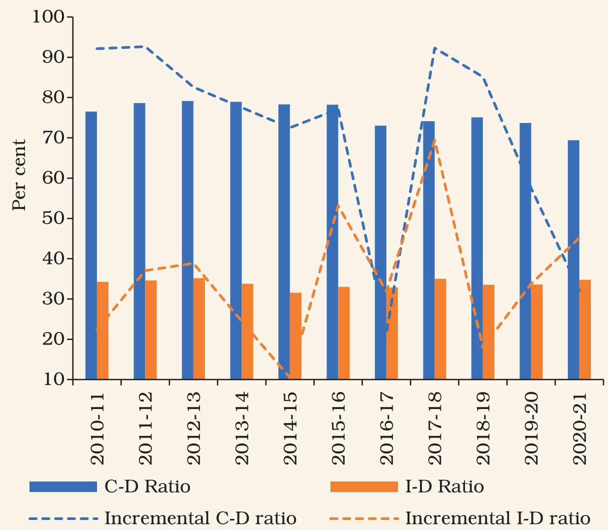
IV.13 As the share of advances in total assets fell, that of investments increased in an environment of risk aversion and limited profitable lending avenues. This resulted in a decline in the credit-deposit (C-D) ratio and a corresponding elevation in the investment-deposit (I-D) ratio, especially in incremental terms (Chart IV.9).

IV.14 Central Government and State Government securities were preferred by both PSBs and PVBs during 2020-21, indicating their preference for safer investments. Consequently, the share of other debt securities in PSBs' total portfolio declined after increasing for three consecutive years (Chart IV.10).

*2.3 Maturity Profile of Assets and Liabilities*

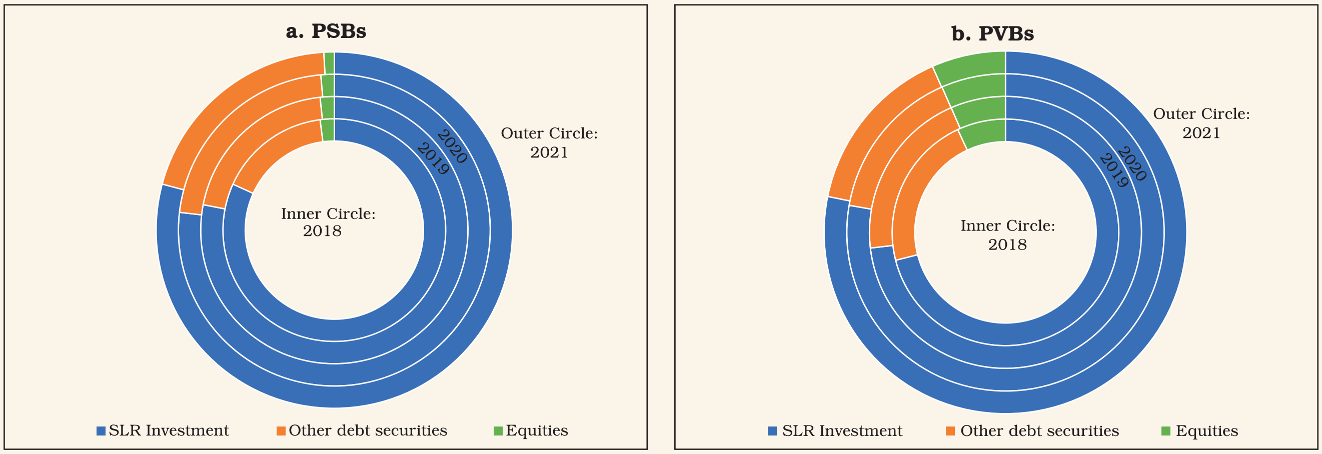
IV.15 Mismatches in the maturity of assets and liabilities are intrinsic to banking business, but they have implications for liquidity, profitability and risk exposures. During 2020-21, while the negative gap in the maturity bucket of up to one

**Chart IV.9: Credit -Deposit and Investment-Deposit Ratios**




**Source:** Annual accounts of banks.

**Chart IV.10: Investment Portfolio**
(At end-March)

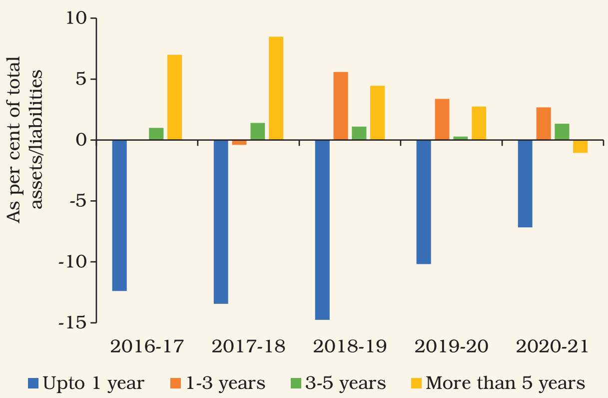



**Source:** OSMOS Supervisory Returns.

year moderated, the positive gap in the maturity bucket of more than five years turned negative as banks attracted less short-term CASA deposits and more longer-term deposits (Chart IV.11).

IV.16 In the case of borrowings, PSBs and PVBs displayed widely contrasting patterns. The share of short-term and long-term borrowings increased year-on-year in the case of PSBs, while PVBs relied more on borrowings with maturity between one and five years (Table IV.2).

**Chart IV.11: Gap between Proportion of Assets and Liabilities in Various Maturity Buckets**




**Notes:** 1. Short-term is up to 1 year while long-term is more than 3 years.
2. Assets consist of loans & advances and investments. Liabilities consist of deposits and borrowings.
3. Gap pertains to assets *minus* liabilities.

**Source:** Annual accounts of banks.

*2.4 International Liabilities and Assets*

IV.17 The total international liabilities of banks located in India expanded in 2020-21 on the back of rupee denominated deposits and equities held by non-resident Indians (NRIs) (Appendix Table IV.9). The sizeable increase in international assets, on the other hand, was led by their loans and debt securities (Appendix Table IV.10). However, international assets of banks in India (including foreign banks) were only 42 per cent compared to their international liabilities (Chart IV.12a).

IV.18 During the period under review, the share of claims of Indian banks (including their domestic and foreign branches) shifted away from non-financial private institutions and favoured other banks (Appendix Table IV.11 and Chart IV.12b). The country-composition of international claims remained stable, with the share of the top five out of six countries against which Indian banks held the highest share of claims increasing further (Appendix Table IV.12).

**Table IV.2: Bank Group-wise Maturity Profile of Select Liabilities /Assets**
(At end-March)

(Per cent)

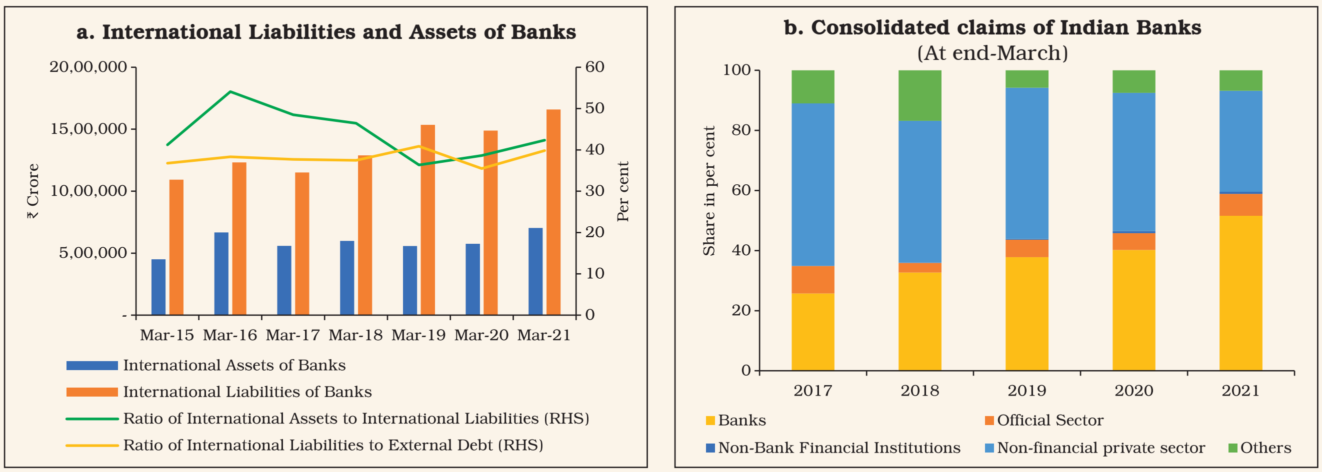
| Assets/Liabilities | PSBs | | PVBs | | FBs | | SFBs | | PBs | | All SCBs | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| **I. Deposits** | | | | | | | | | | | | |
| a) Up to 1 year | 40.4 | 36.2 | 38.1 | 34.3 | 63.9 | 62.4 | 59.6 | 53.6 | 10.0 | 13.0 | 40.9 | 37.0 |
| b) Over 1 year and up to 3 years | 22.8 | 21.9 | 28.1 | 28.9 | 28.3 | 30.8 | 37.5 | 42.1 | 90.0 | 87.0 | 24.8 | 24.7 |
| c) Over 3 years and up to 5 years | 10.2 | 11.3 | 8.5 | 9.2 | 7.7 | 6.7 | 0.7 | 1.7 | - | - | 9.5 | 10.3 |
| d) Over 5 years | 26.6 | 30.6 | 25.3 | 27.7 | 0.0 | 0.0 | 2.2 | 2.6 | - | - | 24.7 | 28.0 |
| **II. Borrowings** | | | | | | | | | | | | |
| a) Up to 1 year | 49.2 | 54.5 | 51.7 | 41.4 | 83.4 | 83.8 | 41.1 | 46.9 | - | 100.0 | 52.9 | 50.8 |
| b) Over 1 year and up to 3 years | 27.5 | 21.0 | 24.2 | 34.0 | 10.3 | 11.8 | 44.0 | 37.3 | - | - | 24.9 | 26.2 |
| c) Over 3 years and up to 5 years | 13.0 | 12.8 | 11.3 | 13.9 | 2.2 | 2.0 | 11.3 | 13.8 | - | - | 11.3 | 12.5 |
| d) Over 5 years | 10.2 | 11.7 | 12.8 | 10.6 | 4.2 | 2.4 | 3.6 | 2.1 | - | - | 10.9 | 10.4 |
| **III. Loans and Advances** | | | | | | | | | | | | |
| a) Up to 1 year | 25.1 | 24.8 | 32.3 | 32.2 | 61.4 | 55.4 | 38.1 | 41.8 | - | 100.0 | 29.3 | 28.9 |
| b) Over 1 year and up to 3 years | 40.9 | 36.9 | 33.6 | 34.1 | 19.3 | 22.7 | 42.4 | 34.0 | - | - | 37.4 | 35.3 |
| c) Over 3 years and up to 5 years | 10.9 | 14.9 | 12.7 | 12.8 | 7.1 | 9.1 | 9.0 | 11.0 | - | - | 11.4 | 13.8 |
| d) Over 5 years | 23.1 | 23.5 | 21.4 | 20.9 | 12.1 | 12.8 | 10.4 | 13.2 | - | - | 21.9 | 22.0 |
| **IV. Investments** | | | | | | | | | | | | |
| a) Up to 1 year | 23.7 | 23.7 | 54.2 | 50.6 | 83.4 | 85.1 | 59.0 | 58.1 | 100.0 | 97.4 | 37.8 | 36.8 |
| b) Over 1 year and up to 3 years | 13.1 | 16.6 | 15.1 | 20.7 | 11.0 | 10.3 | 26.3 | 25.4 | - | 1.9 | 13.5 | 17.3 |
| c) Over 3 years and up to 5 years | 10.6 | 13.2 | 6.8 | 6.5 | 2.0 | 2.2 | 3.1 | 2.9 | - | 0.4 | 8.7 | 10.3 |
| d) Over 5 years | 52.7 | 46.4 | 23.8 | 22.2 | 3.6 | 2.4 | 11.6 | 13.6 | - | 0.2 | 40.0 | 35.6 |

**Notes:** 1. - : Nil/Negligible.
2. The sum of components may not add up to 100 due to rounding off.
**Source:** Annual accounts of banks.

*2.5 Off-Balance Sheet Operations*

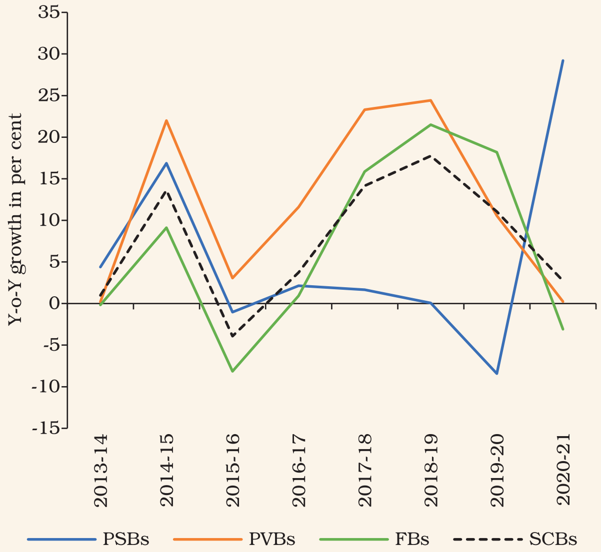
IV.19 The size of contingent liabilities of all SCBs relative to their total on-balance sheet exposures declined in 2020-21, after increasing in the previous year. For PSBs, however, the share increased as their forward exchange contracts that include all admissible derivative products increased by more than 40 per cent. For FBs, while off-balance sheet exposures decreased, they remained more than nine times their total

**Chart IV.12: International Liabilities and Assets of Indian Banks**




**Source:** Annual accounts of banks and DBIE.

Chart IV.13: Off-Balance Sheet Liabilities of Banks




**Source:** Annual accounts of banks.

liabilities (Chart IV.13). The overall deceleration in banks' contingent liabilities was on account of muted growth in their forward exchange contracts in line with subdued foreign exchange transactions (Appendix Table IV.2).

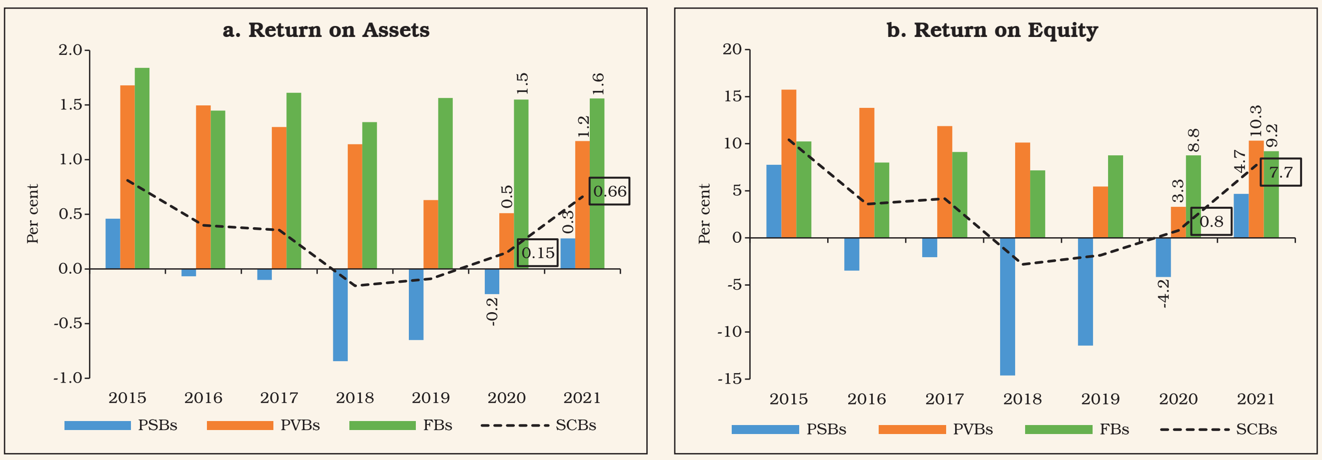
## 3. Financial Performance

IV.20 The financial performance of SCBs in 2020-21 was marked by a discernible increase in profitability as their income remained stable but expenditure declined. This was in sharp contrast with the past five years during which PSBs incurred losses and profitability of PVBs was declining (Chart IV.14).

IV.21 The total income of banks remained stable, despite a marginal decline in its largest component *viz.* interest income, in an environment characterised by low credit offtake and interest rates (Table IV.3). The fall was cushioned by a sizeable increase in income from investments. Income from trading also accelerated, as banks booked profits on falling G-Sec yields.

IV.22 The contraction in SCBs' expenditure was led by a decline in the interest expended on deposits and borrowings on account of moderation in interest rates and contraction in total borrowings. Across bank groups,

Chart IV.14: Profitability Ratios
(At end-March)




**Note:** i) Following the recategorization of IDBI Bank Ltd. w.e.f. January 21, 2019, it is excluded from PSB group and included in PVB group. The bank-group wise data from March 2019 to December 2019 are adjusted accordingly; ii) Following the amalgamation of Lakshmi Vilas Bank with DBS Bank India, w.e.f. November 27, 2020, private and foreign bank-group wise data are adjusted accordingly.
**Source:** Annual accounts of banks and DBIE, RBI.

**Table IV.3: Trends in Income and Expenditure of Scheduled Commercial Banks**

(Amount in ₹ crore)

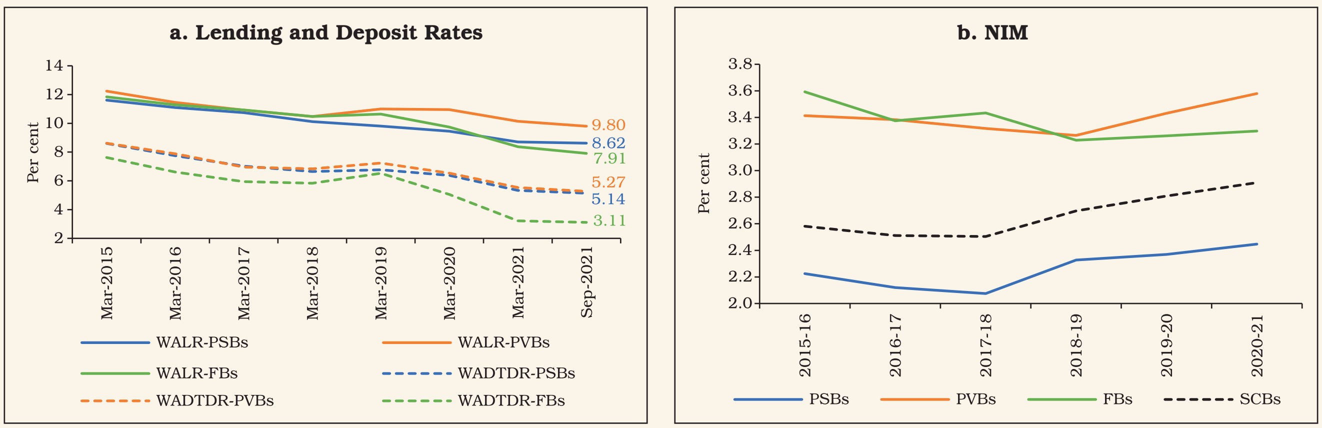
| Item | Public Sector Banks | | Private Sector Banks | | Foreign Banks | | Small Finance Banks | | Payments Banks | | All SCBs | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019-20 | 2020-21 | 2019-20 | 2020-21 | 2019-20 | 2020-21 | 2019-20 | 2020-21 | 2019-20 | 2020-21 | 2019-20 | 2020-21 |
| 1. Income | 8,34,320 | 8,31,882 | 5,46,347 | 5,45,833 | 83,223 | 82,081 | 19,219 | 22,500 | 55 | 1,004 | 14,83,164 | 14,83,301 |
| | (7.6) | (-0.3) | (17.0) | (0.4) | (19.1) | (-4.3) | (76.4) | (17.1) | - | (1733.7) | (12.1) | (0.01) |
| a) Interest Income | 7,16,203 | 7,07,092 | 4,49,006 | 4,51,617 | 66,673 | 63,888 | 16,948 | 19,523 | 46 | 101 | 12,48,876 | 12,42,222 |
| | (5.1) | (-1.3) | (14.1) | (1.1) | (20.0) | (-7.2) | (75.0) | (15.2) | - | (120.1) | (9.5) | (-0.5) |
| b) Other Income | 1,18,117 | 1,24,790 | 97,341 | 94,216 | 16,550 | 18,193 | 2,271 | 2,976 | 9 | 903 | 2,34,288 | 2,41,079 |
| | (26.0) | (5.6) | (32.6) | (-2.9) | (15.5) | (7.6) | (86.7) | (31.1) | - | (9932.3) | (28.2) | (2.9) |
| 2. Expenditure | 8,60,335 | 8,00,064 | 5,27,236 | 4,76,357 | 67,043 | 63,116 | 17,251 | 20,462 | 389 | 1,304 | 14,72,253 | 13,61,303 |
| | (2.2) | (-7.0) | (20.0) | (-9.1) | (21.0) | (-10.4) | (75.7) | (18.6) | - | (235.5) | (9.3) | (-7.5) |
| a) Interest Expended | 4,68,005 | 4,31,627 | 2,58,038 | 2,32,555 | 28,810 | 21,769 | 7,928 | 9,122 | 14 | 55 | 7,62,794 | 6,95,128 |
| | (3.9) | (-7.8) | (11.6) | (-9.3) | (17.7) | (-28.8) | (74.8) | (15.1) | - | (307.7) | (7.3) | (-8.9) |
| b) Operating Expenses | 1,92,720 | 2,02,879 | 1,26,663 | 1,30,456 | 21,584 | 22,318 | 7,152 | 7,549 | 488 | 1,251 | 3,48,607 | 3,64,453 |
| | (10.1) | (5.3) | (15.9) | (3.6) | (15.4) | (-0.3) | (70.3) | (5.6) | - | (156.6) | (13.4) | (4.5) |
| *Of which* : Wage Bill | 1,15,839 | 1,23,378 | 47,357 | 50,274 | 7,878 | 7,888 | 3,811 | 4,302 | 264 | 398 | 1,75,149 | 1,86,239 |
| | (14.1) | (6.5) | (20.8) | (6.9) | (17.2) | (-4.0) | (79.2) | (12.9) | - | (50.6) | (17.1) | (6.3) |
| c) Provision and Contingencies | 1,99,609 | 1,65,558 | 1,42,535 | 1,13,346 | 16,648 | 19,029 | 2,171 | 3,791 | -112 | -2 | 3,60,852 | 3,01,722 |
| | (-7.7) | (-17.1) | (44.1) | (-20.0) | (36.2) | (8.9) | (100.8) | (74.6) | - | | (9.9) | (-16.4) |
| 3. Operating Profit | 1,73,594 | 1,97,376 | 1,61,646 | 1,82,823 | 32,829 | 37,994 | 4,139 | 5,829 | -446 | -302 | 3,71,763 | 4,23,720 |
| | (16.0) | (13.7) | (27.8) | (13.1) | (22.8) | (15.8) | (91.4) | (40.8) | | | (21.9) | (14.0) |
| 4. Net Profit | -26,015 | 31,818 | 19,111 | 69,477 | 16,180 | 18,965 | 1,968 | 2,038 | -334 | -300 | 10,911 | 1,21,998 |
| | | | (-30.8) | (248.3) | (11.5) | (23.6) | (81.9) | (3.5) | | | | (1018.1) |
| 5. Net Interest Income (NII) | 2,48,198 | 2,75,465 | 1,90,968 | 2,19,063 | 37,863 | 42,119 | 9,020 | 10,401 | 32 | 45 | 4,86,082 | 5,47,094 |
| | (7.5) | (11.0) | (17.6) | (15.0) | (21.8) | (10.0) | (75.3) | (15.3) | - | (40.7) | (13.2) | (12.6) |
| 6. Net Interest Margin (NIM) | 2.37 | 2.45 | 3.43 | 3.58 | 3.26 | 3.30 | 8.34 | 7.02 | 1.95 | 1.58 | 2.81 | 2.91 |

**Notes:** 1. Figures in parentheses refer to per cent variations over the previous year.
2. Following amalgamation of Lakshmi Vilas Bank with DBS Bank India, w.e.f. November 27, 2020, private and foreign bank-group wise growth rates are based on adjusted bank-group totals.
3. Percentage variations could be slightly different as absolute numbers have been rounded off to ₹ crore.
4. NIM has been defined as NII as percentage of average assets.

**Source:** Annual accounts of respective banks.

the transmission of policy rate changes to term deposit rates was highest for FBs (Chart IV.15 a). At the system level, interest earned by banks outpaced their interest expenses, and hence the net interest margin (NIM) improved (Chart IV.15 b).

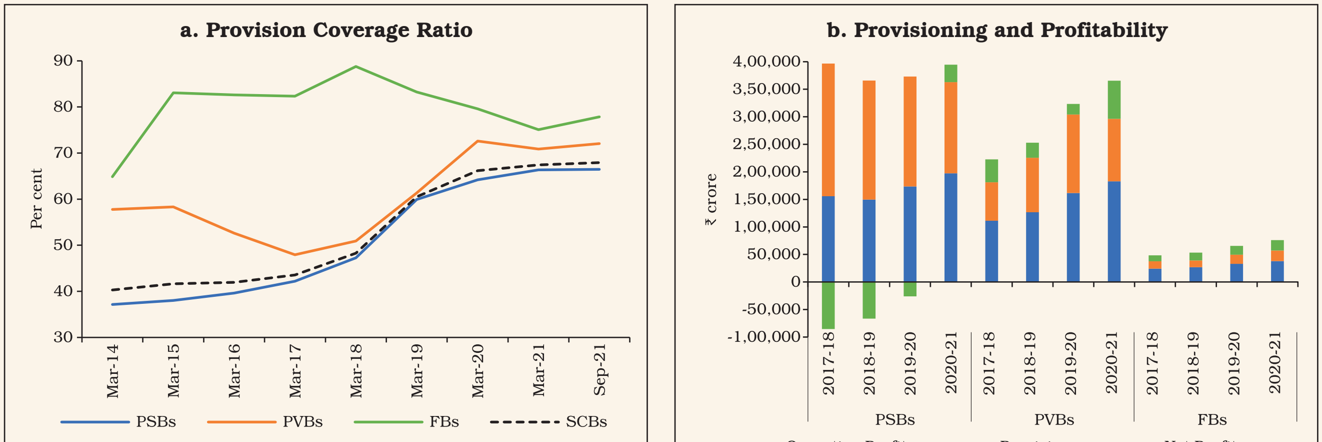
**Chart IV.15: Lending Rate, Deposit Rate and NIM**




**Notes:** 1. WALR-Weighted average lending rates on outstanding rupee loans.
2. WADTDR- Weighted average domestic term deposit rates.
3. i) Following the recategorization of IDBI Bank Ltd. w.e.f. January 21, 2019, it is excluded from PSB group and included in PVB group. The bank-group wise data for NIM from March 2019 to December 2019 are adjusted accordingly;
ii) Following the amalgamation of Lakshmi Vilas Bank with DBS Bank India, w.e.f. November 27, 2020, private and foreign bank-group wise data for NIM are adjusted accordingly.

**Source:** Annual accounts of banks and RBI.

**Chart IV.16: Impact of Provisioning on Profitability**




**Note:** Provision coverage ratio is not write-off adjusted.
**Source:** Off-site returns (domestic operations), RBI.

**Source:** Annual accounts of banks.

IV.23 Banks were required to maintain additional provisions of at least 10 per cent on moratorium amounts, which was allowed to be spread out across two quarters *viz*. Q4:2019-20 and Q1:2020-21. Most banks, especially PVBs, frontloaded the required provisions in the March 2020 quarter resulting in a higher provision coverage ratio for the year. Combined with lower slippage, this muted the provision requirements during 2020-21 which helped in boosting banks' profitability (Chart IV.16).

IV.24 Profitability of banks, measured in terms of spread between return on funds and cost of funds, improved with the decline in the latter exceeding that in the former. The improvement was especially evident in PSBs, while niche banks in the SFB and PB categories could not maintain their spreads (Table IV.4).

**Table IV.4: Cost of Funds and Return on Funds**

| Bank Group/ Variable | Year | Cost of Deposits | Cost of Borrowings | Cost of Funds | Return on Advances | Return on Investments | Return on Funds | Spread |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | (8-5) |
| PSBs | 2019-20 | 5.0 | 4.6 | 4.9 | 8.2 | 6.9 | 7.8 | 2.8 |
| | 2020-21 | 4.2 | 4.3 | 4.2 | 7.5 | 6.6 | 7.2 | 3.0 |
| PVBs | 2019-20 | 5.3 | 6.2 | 5.4 | 10.1 | 6.6 | 9.2 | 3.8 |
| | 2020-21 | 4.3 | 5.5 | 4.5 | 9.1 | 6.2 | 8.3 | 3.9 |
| FBs | 2019-20 | 3.7 | 4.1 | 3.7 | 8.5 | 6.7 | 7.6 | 3.9 |
| | 2020-21 | 2.4 | 3.4 | 2.5 | 7.1 | 6.1 | 6.5 | 4.0 |
| SFBs | 2019-20 | 8.2 | 9.8 | 8.7 | 19.9 | 7.5 | 17.3 | 8.7 |
| | 2020-21 | 6.8 | 8.8 | 7.3 | 17.1 | 6.8 | 14.9 | 7.6 |
| PBs | 2019-20 | 1.6 | - | 1.6 | - | 3.5 | 3.5 | 1.9 |
| | 2020-21 | 3.0 | 5.3 | 3.1 | 9.3 | 4.0 | 4.0 | 0.9 |
| SCBs | 2019-20 | 5.0 | 5.4 | 5.0 | 8.9 | 6.8 | 8.3 | 3.2 |
| | 2020-21 | 4.2 | 4.9 | 4.2 | 8.1 | 6.4 | 7.6 | 3.3 |

**Notes:** 1. Cost of Deposits = Interest Paid on Deposits / Average of Current and Previous Years' Deposits.
2. Cost of Borrowings = (Interest Expended - Interest on Deposits) /Average of Current and Previous Years' Borrowings.
3. Cost of Funds = (Interest Expended) /Average of Current and Previous Years' (Deposits + Borrowings).
4. Return on Advances = Interest Earned on Advances / Average of Current and Previous Years' Advances.
5. Return on Investments = Interest Earned on Investments / Average of Current and Previous Years' Investments.
6. Return on Funds = (Interest Earned on Advances + Interest Earned on Investments) /Average of Current and Previous Years' (Advances + Investments).
7. Following the amalgamation of Lakshmi Vilas Bank with DBS Bank India, w.e.f. November 27, 2020, private and foreign bank-group wise data are adjusted accordingly.

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

## 4. Soundness Indicators

IV.25 During 2020-21, SCBs bolstered their capital positions, and also improved their asset quality, liquidity and leverage ratios, despite the pandemic. The number of banks under the Reserve Banks's prompt corrective action (PCA) framework reduced from four at end-March 2020 to one at end-September 2021, reflecting bank-level as well as overall improvement in SCBs' soundness indicators.

4.1 *Capital Adequacy*

IV.26 The capital to risk-weighted assets ratio (CRAR) of SCBs has improved sequentially every quarter from end-March 2020 to reach 16.6 per cent at end-September 2021 (Table IV.5). This was essentially driven by a rise in core capital across bank groups, attributable to higher retained earnings, recapitalisation of PSBs by the government and raising of capital from the market. A slowdown in the accumulation of risk weighted assets (RWAs) of both PSBs and FBs helped to boost their capital ratios.

IV.27 The number of banks breaching the regulatory minimum requirement of CRAR (including capital conservation buffer) (10.875 per cent) declined to one during 2020-21 from three in the previous year. The fatter right tails for end-March 2021 distributions as compared with those for 2019 imply that a bigger share of banks maintained higher CRAR and CET-1 ratio, with the peak between 2.5 to 5 per cent over and above the minimum (Chart IV.17)[3]. Although the implementation of the last tranche of 0.625 per cent of capital conservation buffer (CCB) was deferred till October 1, 2021, banks proactively raised more capital to be in readiness for the imminent transition.

IV.28 Resource mobilisation by banks through public and rights issues increased sharply in 2020-21, reflecting the follow-on public offer (FPO) of equity capital by a PVB to meet its capital requirements (Table IV.6).

IV.29 In September 2020, the Parliament approved ₹20,000 crore capital infusion for PSBs which was fully disbursed by April 1, 2021. Since 2014, the government has infused ₹3.43 lakh crore in PSBs. In the Union Budget of 2021-22, the government has proposed to infuse another tranche of ₹20,000 crore into PSBs, which will help in augmenting their capital.

IV.30 The resources raised by PSBs through private placement almost doubled during 2020-21. In 2021-22 so far, both PSBs and PVBs

**Table IV.5: Component-wise Capital Adequacy of SCBs**
(At end-March)

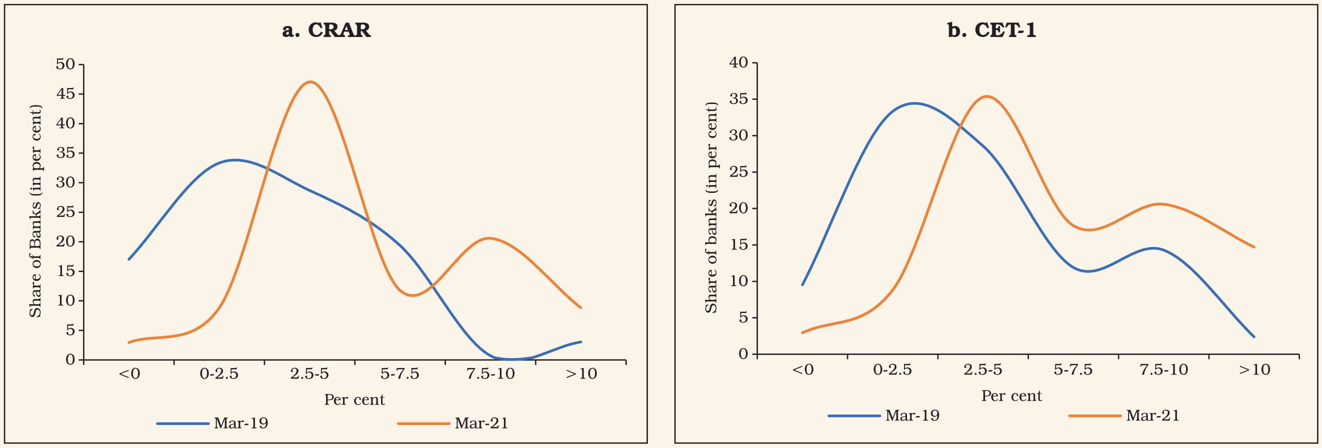
(Amount in ₹ crore)

| | PSBs | | PVBs | | FBs | | SCBs | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| **1. Capital Funds** | **6,99,872** | **7,93,971** | **6,54,772** | **7,72,389** | **1,88,665** | **2,04,433** | **15,56,686** | **17,90,330** |
| i) Tier I Capital | 5,65,830 | 6,49,082 | 5,80,718 | 7,01,622 | 1,72,887 | 1,86,369 | 13,30,816 | 15,54,796 |
| ii) Tier II Capital | 1,34,042 | 1,44,889 | 74,054 | 70,767 | 15,777 | 18,064 | 2,25,870 | 2,35,535 |
| **2. Risk Weighted Assets** | **54,46,253** | **56,56,060** | **39,56,956** | **41,92,303** | **10,65,889** | **10,49,878** | **1,05,35,311** | **1,09,86,622** |
| **3. CRAR (1 as % of 2)** | **12.9** | **14.0** | **16.5** | **18.4** | **17.7** | **19.5** | **14.8** | **16.3** |
| *Of which:* Tier I | 10.4 | 11.5 | 14.7 | 16.7 | 16.2 | 17.8 | 12.6 | 14.2 |
| Tier II | 2.5 | 2.6 | 1.9 | 1.7 | 1.5 | 1.7 | 2.1 | 2.1 |

**Source:** Off-site returns, RBI.

3 Skewness in the distribution of banks overachieving their CRAR and CET-1 targets progressively declined from 0.65 and 1.01 in 2018-19, to 0.23 and 0.52 in 2019-20 and (-)1.48 and (-) 0.35 in 2020-21, respectively.

**Chart IV.17: Distance from Regulatory Minimum**




**Note:** Data pertain to PSBs and PVBs.
**Source:** Off-site returns, RBI.

have resorted to this route for raising capital (Table IV.7).

4.2 *Leverage and Liquidity*

IV.31 The leverage ratio (LR), calculated as the ratio of tier-1 capital to total exposures, constrains the build-up of leverage by banks. Despite regulatory moderation in October 2019 requiring banks to maintain 4 and 3.5 per cent ratios for domestic systemically important banks and other banks, respectively as compared to 4.5 per cent earlier, the LR of SCBs rose for the second consecutive year during 2020-21. While the improvement was spread across all bank groups, it was led by a sharp improvement in the tier-1 capital of PVBs (Chart IV.18 a).

IV.32 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. In March 2020, banks were allowed to avail funds under the marginal standing facility by dipping into the statutory liquidity ratio (SLR) by up to an additional one per cent of their net demand and time liabilities (NDTL) for three months. This dispensation was progressively extended up to December 31, 2021 to enable banks to meet their LCR requirements and provide comfort on their liquidity needs and will expire thereafter. Additionally, the LCR requirement for SCBs was brought down from 100 per cent to 80 per cent in April 2020

**Table IV.6: Public and Rights Issues by the Banking Sector**

(Amount in ₹ crore)

| Year | PSBs | | PVBs | | Total | | Grand Total |
|---|---|---|---|---|---|---|---|
| | Equity | Debt | Equity | Debt | Equity | Debt | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8= (6+7) |
| 2019-20 | - | - | 410 | - | 410 | - | 410 |
| 2020-21 | - | - | 15,000 | - | 15,000 | - | 15,000 |
| 2021-22* | - | - | - | - | - | - | - |

**Note:** 1. *: Up to November 2021.
2. -: Nil/Negligible.
**Source:** SEBI.

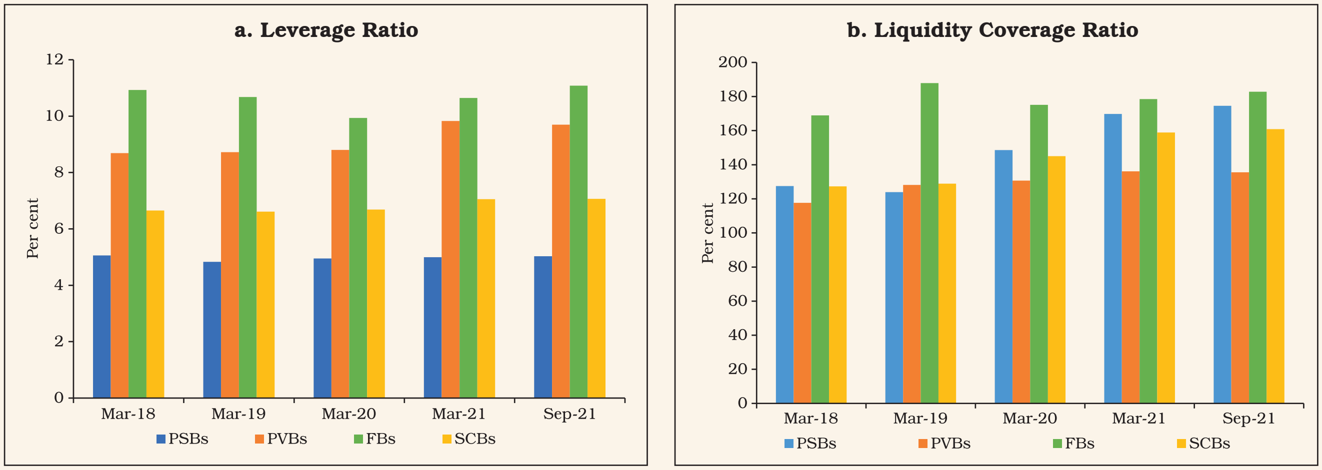
**Table IV.7: Resources Raised by Banks through Private Placements**

(Amount in ₹ crore)

| | 2019-20 | | 2020-21 | | 2021-22 (up to November) | |
|---|---|---|---|---|---|---|
| | No. of Issues | Amount Raised | No. of Issues | Amount Raised | No. of Issues | Amount Raised |
| PSBs | 20 | 29,573 | 36 | 58,697 | 16 | 32,567 |
| PVBs | 8 | 23,121 | 4 | 33,878 | 5 | 17,222 |

**Note:** Includes private placement of debt and qualified institutional placement. Data for 2021-22 are provisional.
**Source:** BSE, NSE and Merchant Bankers.

**Chart IV.18: Leverage and Liquidity**



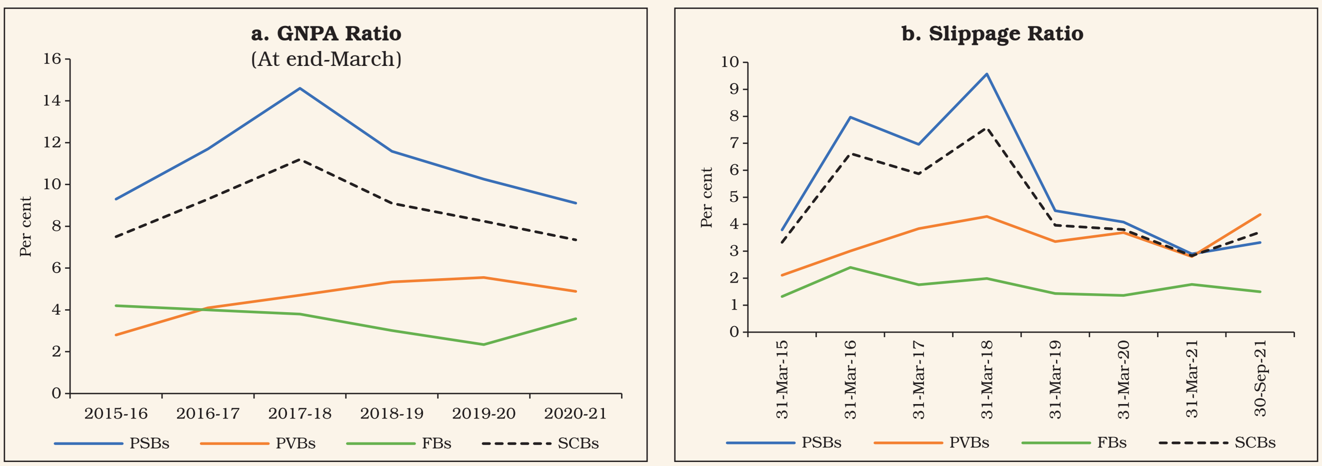

**Source:** Off-site returns (global operations), RBI.

and was gradually restored in two phases by April 1, 2021. Notwithstanding the regulatory relaxation, banks continued to maintain LCR above 100 per cent: the ratio increased from 145 per cent at end-March 2020 to 158.9 per cent by end-March 2021 and 160.9 per cent by end-September 2021 (Chart IV.18 b).

### 4.3 *Non-Performing Assets*

IV.33 The moderation in GNPA ratios of banks that began in 2019-20, continued during the period under review to reach 7.3 per cent by end-March 2021. Provisional supervisory data suggest a further moderation in the ratio to 6.9 per cent by end-September 2021. During 2020-21, this improvement was driven by lower slippages, partly due to the asset classification standstill. With the decline in delinquent assets, their provision requirements also dropped and the net NPA ratio of PSBs and PVBs eased from the previous year. On the contrary, FBs reported increasing accretions to NPAs and deteriorating asset quality due to amalgamation of a troubled PVB with an FB (Chart IV.19).

**Chart IV.19: Asset Quality of Banks**




**Note:** GNPA ratio is calculated using annual accounts of banks and off-site returns (global operations).
**Source:** Annual accounts of banks and off-site returns.

**Table IV.8: Movement in Non-Performing Assets**

(Amount in ₹ crore)

| Item | PSBs | PVBs | FBs | SFBs | All SCBs |
|---|---|---|---|---|---|
| **Gross NPAs** | | | | | |
| Closing Balance for 2019-20 | 6,78,317 | 2,09,568 | 10,208 | 1,709 | 8,99,803 |
| Opening Balance for 2020-21 | 5,46,590 | 2,05,335 | 10,208 | 1,709 | 7,63,842 |
| Addition during the year 2020-21 | 2,78,711 | 1,03,625 | 12,840 | 5,470 | 4,00,646 |
| Reduction during the year 2020-21 | 74,685 | 38,824 | 4,698 | 377 | 1,18,584 |
| Written-off during the year 2020-21# | 1,34,000 | 69,995 | 3,307 | 832 | 2,08,134 |
| Closing Balance for 2020-21 | 6,16,616 | 2,00,141 | 15,044 | 5,971 | 8,37,771 |
| **Gross NPAs as per cent of Gross Advances*** | | | | | |
| 2019-20 | 10.3 | 5.5 | 2.3 | 1.9 | 8.2 |
| 2020-21 | 9.1 | 4.9 | 3.6 | 5.4 | 7.3 |
| **Net NPAs** | | | | | |
| Closing Balance for 2019-20 | 2,30,918 | 55,683 | 2,005 | 765 | 2,89,370 |
| Closing Balance for 2020-21 | 1,96,451 | 55,809 | 2,987 | 2,981 | 2,58,228 |
| **Net NPAs as per cent of Net Advances** | | | | | |
| 2019-20 | 3.7 | 1.5 | 0.5 | 0.8 | 2.8 |
| 2020-21 | 3.1 | 1.4 | 0.7 | 2.7 | 2.4 |

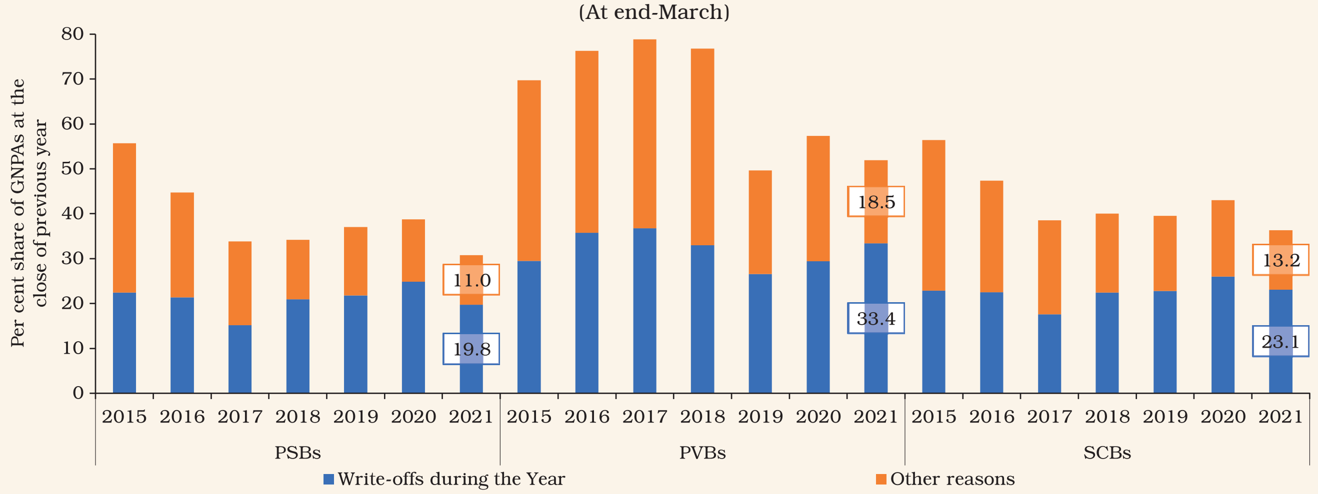
**Notes:** 1. #: Includes prudential as well as actual write-offs.
2. Closing balance for 2019-20 and opening balance for 2020-21 do not match due to amalgamation of banks. The amalgamated banks' GNPAs are reported under 'addition during the year'.
3. *: Calculated by taking gross NPAs from annual accounts of respective banks and gross advances from off-site returns (global operations).

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

IV.34 As observed since 2018, write-offs were the predominant recourse for lowering GNPAs in 2020-21 (Table IV.8 and Chart IV.20). In the case of FBs, the contribution of upgradation improved substantially, but it was not enough to offset fresh slippages.

IV.35 Consistent with the improvement in asset quality, the proportion of standard assets to total advances of SCBs increased in 2020-21, largely because of the improved performance of PVBs (Table IV.9). Within standard assets, the share of restructured standard advances (RSA) increased from 0.4 per cent at end March

**Chart IV.20: Reduction in GNPAs**
(At end-March)




**Note:** Other reasons include upgradation to standard assets and actual recoveries.
**Source:** Annual accounts of banks.

**Table IV.9: 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* |
| PSBs | 2020 | 53,27,903 | 89.2 | 1,32,530 | 2.2 | 4,04,724 | 6.8 | 1,07,163 | 1.8 |
| | 2021 | 55,87,450 | 90.6 | 1,03,744 | 1.7 | 3,51,014 | 5.7 | 1,22,217 | 2.0 |
| PVBs | 2020 | 34,14,554 | 94.9 | 56,588 | 1.6 | 92,396 | 2.6 | 34,986 | 1.0 |
| | 2021 | 37,57,240 | 95.3 | 65,363 | 1.7 | 90,228 | 2.3 | 31,350 | 0.8 |
| FBs | 2020 | 4,25,857 | 97.7 | 3,273 | 0.8 | 5,775 | 1.3 | 1,161 | 0.3 |
| | 2021 | 4,10,418 | 97.6 | 3,648 | 0.9 | 5,566 | 1.3 | 986 | 0.2 |
| SFBs** | 2020 | 89,800 | 98.1 | 1,023 | 1.1 | 648 | 0.7 | 39 | 0.0 |
| | 2021 | 1,05,619 | 94.6 | 4,965 | 4.4 | 841 | 0.8 | 165 | 0.1 |
| All SCBs | 2020 | 92,58,114 | 91.7 | 1,93,413 | 1.9 | 5,03,543 | 5.0 | 1,43,349 | 1.4 |
| | 2021 | 98,60,726 | 92.7 | 1,77,720 | 1.7 | 4,47,648 | 4.2 | 1,54,717 | 1.5 |

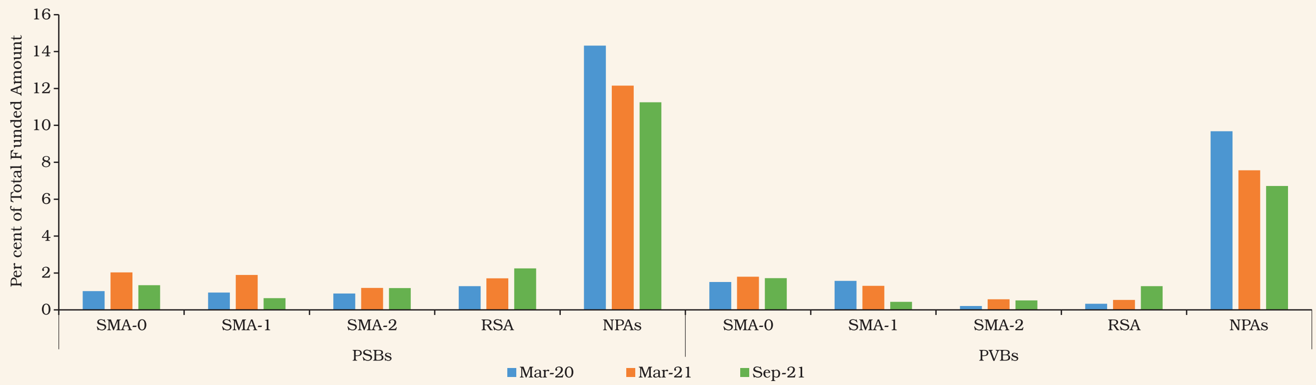
**Notes:** 1. Constituent items may not add up to the total due to rounding off.
2. *: As per cent of gross advances.
3. **: Refers to scheduled SFBs.

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

2020 to 0.8 per cent at end-March 2021, largely representing the onetime restructuring scheme for standard advances announced by the Reserve Bank in August 2020. The RSA further increased to 1.8 per cent at end September 2021 due to restructuring scheme 2.0 for retail loans and MSMEs which does not entail an asset classification downgrade.

IV.36 The share of large borrowal accounts (exposure of ₹5 crore or more) in total advances declined to 51 per cent at end-March 2021 from 54.2 per cent a year ago. Their contribution to total NPAs also declined in tandem from 75.4 per cent to 66.2 per cent during the same period. The special mention accounts-2 (SMA-2) ratio, which signals impending stress, has risen across bank groups since the outbreak of the pandemic. The RSA ratio has also increased during the same period, partly reflecting the impact of resolution framework (RF) 1.0 and 2.0 (Chart IV.21).

**Chart IV.21: Stress in Large Borrowal Accounts**




**Notes:** RSA: Restructured standard advances;
SMA-0, where principal or interest payment was not overdue for more than 30 days, but the account showed signs of incipient stress;
SMA-1, where principal or interest payment was overdue for 31-60 days;
SMA-2, where principal or interest payment was overdue for 61-90 days.

**Source:** Central Repository of Information on Large Credits (CRILC) database.

## 4.4 *Recoveries*

IV.37 During 2020-21, all the recovery channels, most notably Lok Adalats, witnessed a sizeable decline in the cases referred for resolution (Table IV.10). Even though initiation of fresh insolvency proceedings under the Insolvency and Bankruptcy Code (IBC) of India was suspended for a year till March 2021 and COVID-19 related debt was excluded from the definition of default, it constituted one of the major modes of recoveries in terms of amount recovered. Allowing pre-pack resolution window for MSMEs is expected to assuage the mounting pressure of pending cases before NCLTs, reduce haircuts and improve declining recovery rates[4].

IV.38 Another important mode of asset resolution for banks, especially PVBs, has been sale of NPAs to asset reconstruction companies (ARCs) by taking haircuts. In recent years, however, the preference of banks has shifted to alternative avenues, with asset sales declining as a proportion to outstanding GNPAs across bank groups. This was partly due to the worsening acquisition cost of ARCs as a proportion of book value of assets, reflecting higher haircuts and lower realisable values in respect of their acquired assets (Chart IV.22).

IV.39 The recovery of security receipts (SRs) issued by ARCs is a critical indicator of their performance. Since 2018, the Reserve Bank has been disincentivising banks from holding SRs in excess of 10 per cent of the transaction value of sale of stressed assets through increased provisions.[5] Consequently, the share of SRs subscribed to by banks has decreased over the years, and their share hovered around 58 per cent in 2019-20 and 2020-21[6]. The share of ARCs in SR holdings has declined over the years, with the investor base having gradually diversified with an increasing share of foreign

**Table IV.10: NPAs of SCBs Recovered through Various Channels**

(Amount in ₹ crore)

| Recovery Channel | 2019-20 | | | | 2020-21 (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 | 59,86,790 | 67,801 | 4,211 | 6.2 | 19,49,249 | 28,084 | 1,119 | 4.0 |
| DRTs | 33,139 | 2,05,032 | 9,986 | 4.9 | 28,182 | 2,25,361 | 8,113 | 3.6 |
| SARFAESI Act | 1,05,523 | 1,96,582 | 34,283 | 17.4 | 57,331 | 67,510 | 27,686 | 41.0 |
| IBC@ | 1,986 | 2,24,935 | 1,04,117 | 46.3 | 537 | 1,35,139 | 27,311 | 20.2 |
| **Total** | **61,27,438** | **6,94,350** | **1,52,597** | **22.0** | **20,35,299** | **4,56,094** | **64,228** | **14.1** |

**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) under IBC.
5. The resolution plan of Essar Steel India Ltd. was approved in 2018-19. However, as apportionment among creditors was settled in 2019-20, the recovery is reflected in the latter year data.

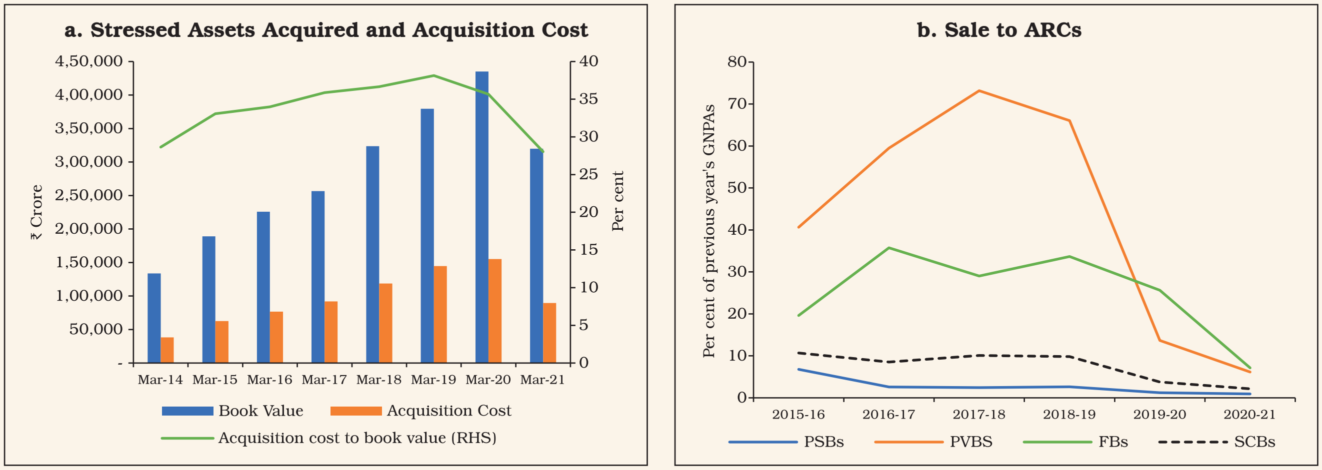
**Source:** Off-site returns, RBI and Insolvency and Bankruptcy Board of India (IBBI).

[4] Recovery rate is the amount recovered as a percentage of the amount involved.

[5] To ensure that asset sales by banks result in actual sale, threshold for banks holding SRs backed by their sold assets for additional provisioning was fixed at 50 per cent from April 1, 2017 and was subsequently reduced to 10 per cent from April 1, 2018.

[6] As reported by ARCs for which data are available.

**Chart IV.22: Stressed Asset Sales to ARCs**




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

institutional investors and other qualified buyers (Table IV.11).

4.5 *Frauds in the Banking Sector*

IV.40 Apart from eroding customer confidence, frauds present multiple challenges for the financial system in the form of reputational risk, operational risk and business risk. During 2020-21, the reported number of cases of frauds declined (Table IV.12). In terms of amount involved, a bulk of these cases occurred earlier but were reported during the year 2020-21 (Table IV.13).

IV.41 In terms of area of operations, an overwhelming majority of cases reported during 2020-21 in terms of number and amount involved related to advances, while frauds concerning card or internet transactions made up 34.6 per cent of the number of cases.

IV.42 In 2020-21, there was a marked increase in frauds related to PVBs, both in terms of number as well as the amount involved. During H1:2021-22, PVBs accounted for more than half of the number of reported fraud cases (Chart IV.23a). In value terms,

**Table IV.11: Details of Financial Assets Securitised by ARCs**

(Amount in ₹ crore)

| Item | Mar-19 | Mar-20 | Mar-21 |
|---|---|---|---|
| **Reporting ARCs** | **18** | **23** | **21** |
| 1. Book Value of the Assets acquired from banks/FIs | 1,86,770 | 2,95,097 | 3,19,838 |
| **Reporting ARCs** | **12** | **11** | **11** |
| 2. Amount of Security Receipts (SRs) issued | 14,691 | 59,347 | 69,995 |
| 3. Security Receipts Subscribed to by: | | | |
| a Selling Banks/ Financial Institutions | 10,659 | 34,147 | 41,076 |
| b Asset Reconstruction Companies (ARCs) | 3,663 | 12,421 | 13,942 |
| c FIIs | 151 | 8,750 | 9,861 |
| d Others (Qualified Institutional Buyers) | 219 | 4,028 | 5,116 |
| 4. Amount of SRs completely redeemed | 558 | 9,062 | 13,283 |
| 5. SRs Outstanding | 13,087 | 39,618 | 42,266 |

**Source:** Quarterly statements submitted by ARCs.

## Table IV.12: Frauds in Various Banking Operations Based on the Date of Reporting

(Cases in number and amount in ₹ crore)

| Area of Operation | 2018-19 | | 2019-20 | | 2020-21 | | 2020-21 (April-September) | | 2021-22 (April-September) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| Advances | 3,603 | 64,539 | 4,608 | 1,81,942 | 3,501 | 1,37,023 | 1,669 | 63,529 | 1,802 | 35,060 |
| Off-balance Sheet | 33 | 5,538 | 34 | 2,445 | 23 | 535 | 14 | 439 | 10 | 612 |
| Forex Transactions | 13 | 695 | 8 | 54 | 4 | 129 | 1 | 0 | 1 | 0 |
| Card/Internet | 1,866 | 71 | 2,677 | 129 | 2,545 | 119 | 1,247 | 49 | 1,532 | 60 |
| Deposits | 593 | 148 | 530 | 616 | 504 | 434 | 245 | 149 | 208 | 362 |
| Inter-Branch Accounts | 3 | 0 | 2 | 0 | 2 | 0 | 2 | 0 | 0 | 0 |
| Cash | 274 | 56 | 371 | 63 | 329 | 39 | 132 | 22 | 245 | 51 |
| Cheques/DDs, etc. | 189 | 34 | 201 | 39 | 163 | 85 | 77 | 48 | 107 | 149 |
| Clearing Accounts | 24 | 209 | 22 | 7 | 14 | 4 | 4 | 1 | 9 | 1 |
| Others | 200 | 244 | 250 | 173 | 278 | 54 | 108 | 25 | 157 | 47 |
| **Total** | **6,798** | **71,534** | **8,703** | **1,85,468** | **7,363** | **1,38,422** | **3,499** | **64,261** | **4,071** | **36,342** |

**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.

**Source:** RBI.

however, the share of PSBs was higher, indicating predominance of high value frauds (Chart IV.23b). While the major share of loans-related cases pertained to PSBs, PVBs accounted for a majority of card/ internet and cash-related cases (Chart IV.23c).

## Table IV.13: Frauds in Various Banking Operations Based on the Date of Occurrence

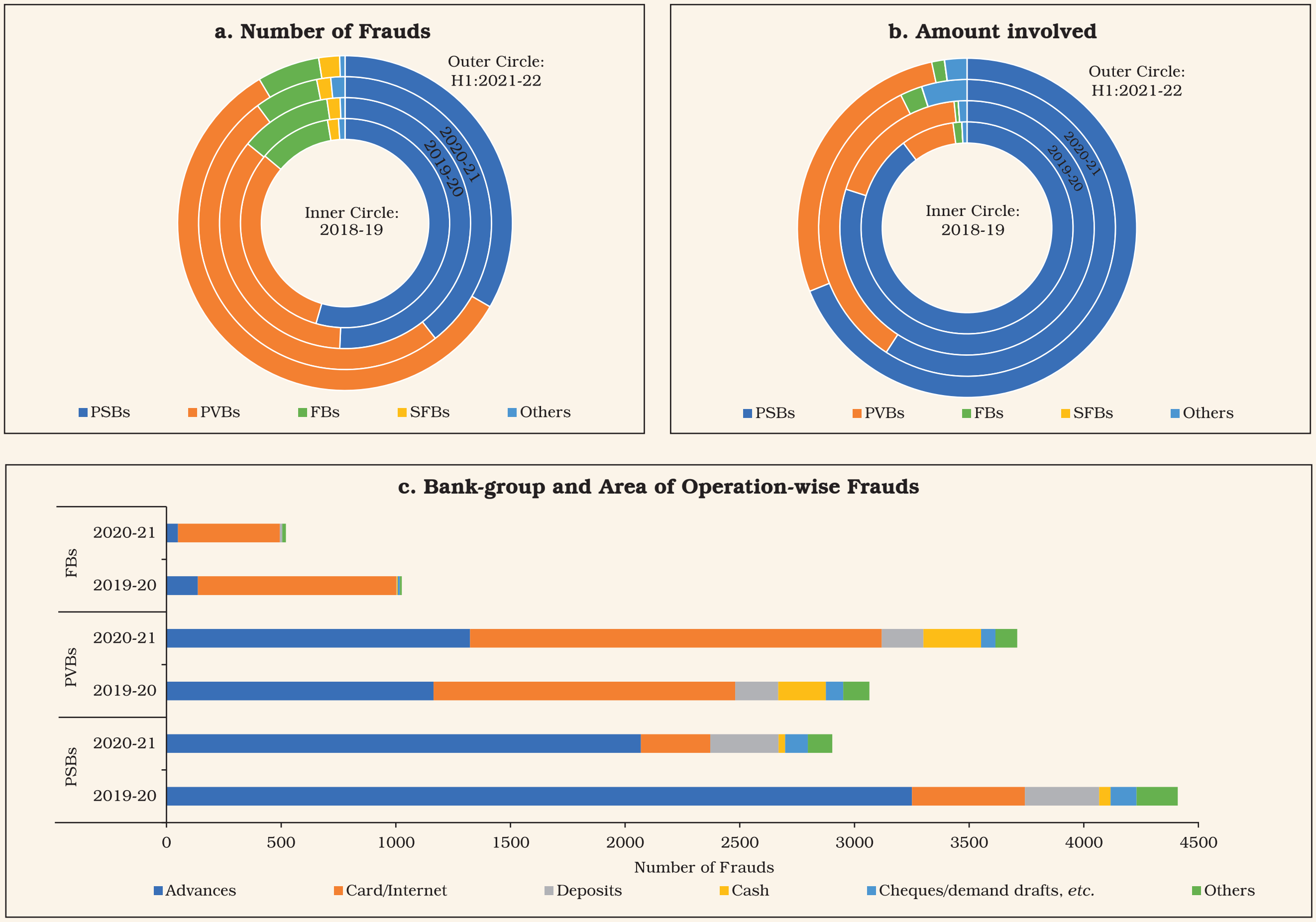
(Cases in number and amount in ₹ crore)

| Area of operation | Prior to 2018-19 | | 2018-19 | | 2019-20 | | 2020-21 | | 2021-22 (April - September) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| Advances | 8,752 | 3,33,362 | 2,129 | 40,516 | 1,525 | 31,074 | 903 | 13,373 | 205 | 237 |
| Off-balance Sheet | 71 | 5,817 | 19 | 2,927 | 5 | 371 | 5 | 12 | 0 | 0 |
| Forex Transactions | 11 | 597 | 5 | 145 | 7 | 135 | 3 | 1 | 0 | 0 |
| Card/Internet | 485 | 31 | 2,090 | 83 | 2,645 | 130 | 2,296 | 104 | 1,104 | 32 |
| Deposits | 475 | 606 | 550 | 163 | 438 | 338 | 306 | 421 | 66 | 32 |
| Inter-Branch Accounts | 3 | 0 | 3 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| Cash | 95 | 40 | 275 | 64 | 381 | 37 | 336 | 45 | 132 | 21 |
| Cheques/DDs, etc. | 109 | 34 | 165 | 28 | 201 | 69 | 144 | 163 | 41 | 12 |
| Clearing Accounts, etc. | 17 | 9 | 26 | 206 | 13 | 2 | 9 | 3 | 4 | 0 |
| Others | 289 | 277 | 201 | 58 | 144 | 132 | 206 | 35 | 45 | 18 |
| **Total** | **10,307** | **3,40,773** | **5,463** | **44,191** | **5,359** | **32,290** | **4209** | **14,158** | **1,597** | **353** |

**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 2018-19 till September 30, 2021.

**Source:** RBI.

**Chart IV.23: Bank-Group wise Frauds**




**Source:** RBI.

### 4.6 *Enforcement Actions*

IV.43 In order to separate enforcement action from the supervisory process and in accordance with international best practices, the Enforcement Department was created in the Reserve Bank in 2017. The department is entrusted with ensuring uniformity and consistency in enforcement of regulations and engendering compliance in the regulated entities (REs). During 2020-21, the number of instances of imposition of penalty reduced, with enforcement action being undertaken against 11 SCBs. Monetary penalties were imposed for non-compliance with provisions or contravention of certain directions issued by the Reserve Bank, including frauds classification and reporting, exposure norms and IRAC norms, interest rate on deposits and lending to MSMEs (Table IV.14).

**Table IV.14: Enforcement Actions**

| Regulated Entity | April 2019 to March 2020 | | April 2020 to March 2021 | |
|---|---|---|---|---|
| | Instances of imposition of penalty | Total Penalty (₹ crore) | Instances of imposition of penalty | Total Penalty (₹ crore) |
| Public Sector Banks | 29 | 35.1 | 4 | 9.5 |
| Private Sector Bank | 11 | 11.5 | 3 | 5.9 |
| Cooperative Banks | 9 | 7.4 | 43 | 3.9 |
| Foreign Banks | 1 | 1.0 | 3 | 8.0 |
| Payments Banks | - | - | 1 | 1.0 |
| Small Finance Banks | - | - | - | - |
| NBFCs | 2 | 0.1 | 7 | 3.1 |
| **Total** | **52** | **55** | **61** | **31** |

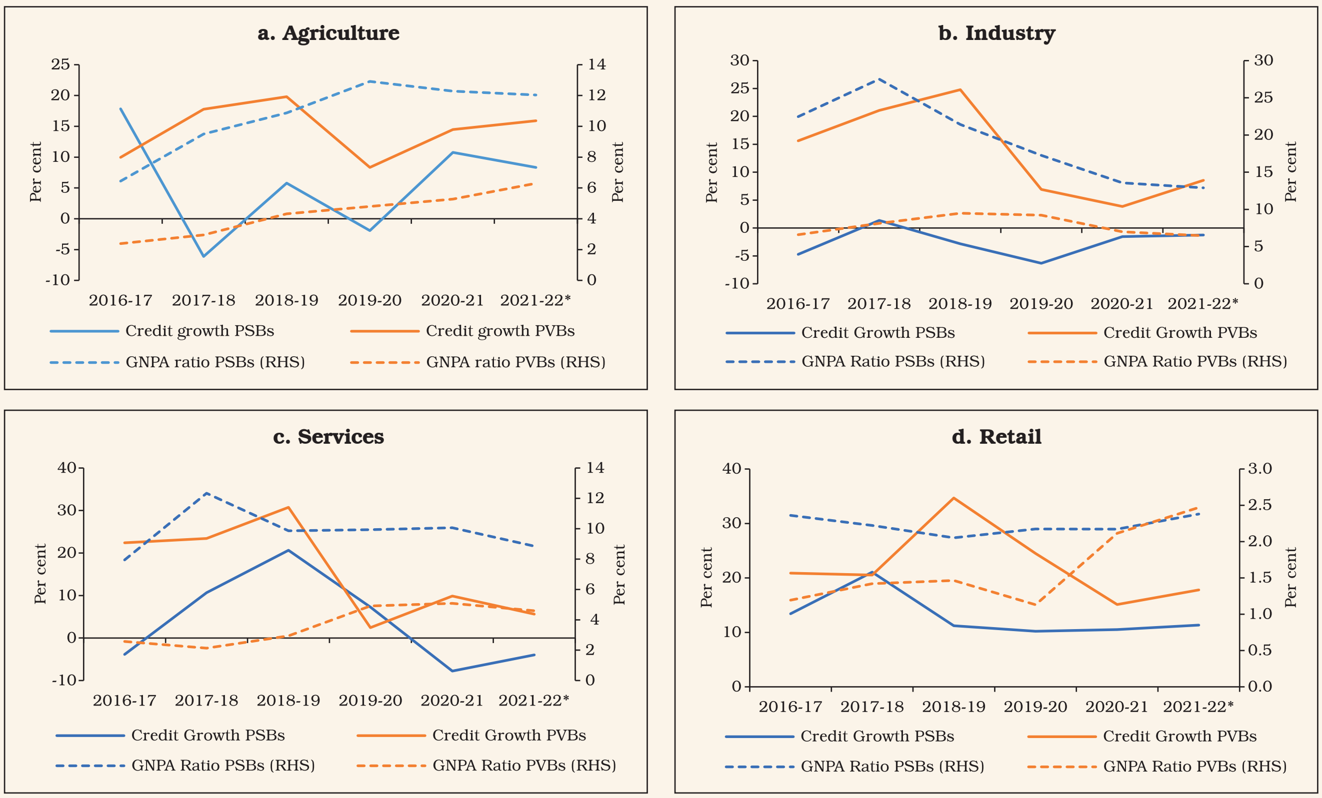
**Source:** RBI.

## 5. Sectoral Bank Credit: Distribution and NPAs

IV.44 Headline credit growth remained anaemic during 2020-21, although sectorally some bright spots appeared: agriculture credit revived from a sharp deceleration of the previous year; PVBs increased their lending to the services sector; and PSBs cushioned the deceleration in total retail credit growth, *albeit* partly. On the other hand, credit growth to services by PSBs and to retail by PVBs slowed down amidst rising NPA ratios (Chart IV.24).

IV.45 A drill down into the data reveals that although credit to large industries contracted, their medium-sized counterparts received sharply higher credit flows, incentivised by the Emergency Credit Line Guarantee Scheme (ECLGS)[7]. The higher NPAs of large industrial borrowers at the end of March 2021 as compared to better asset quality of medium enterprises may also be a driving factor. Within services, credit growth to trade surpassed its pre-pandemic growth rate in 2020-21. Remarkably, its share in services sector credit also grew sharply in 2020-21. After the IL&FS event, NBFCs—especially those with lower ratings—found raising resources from the market difficult and turned to banks. SCBs' credit to NBFCs grew in double digits during 2015-16 to

**Chart IV.24: Sectoral Growth and GNPA Ratios**




**Note:** *: Credit growth rates are for September 2021 over September 2020, GNPA ratios are as at end-September 2021.
**Source:** Off-site returns (domestic operations), RBI.

[7] Emergency Credit Line Guarantee Scheme was initiated by the Government of India in May 2020 to provide credit guarantee to MSMEs upto ₹3 lakh crore. The scope of the scheme was subsequently enlarged to include other sectors identified by the Kamath Committee.

**Table IV.15: Sectoral Deployment of Gross Bank Credit**

(Amount in ₹ crore)

| Sr. No. | Item | Outstanding as on | | | | Per cent variation (y-o-y) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Mar-19 | Mar-20 | Mar-21 | Sep-21 | 2018-19 | 2019-20 | 2020-21 | 2021-22 (up to September)* |
| **1** | **Agriculture & Allied Activities** | **12,17,594** | **12,39,575** | **13,84,815** | **14,30,480** | **10.0** | **1.8** | **11.7** | **10.7** |
| **2** | **Industry,** *of which* | **32,93,638** | **32,52,801** | **32,53,636** | **32,34,613** | **5.2** | **-1.2** | **0.03** | **3.3** |
| | 2.1 Micro & Small Industries | 4,39,811 | 4,37,658 | 4,72,529 | 5,41,554 | 5.2 | -0.5 | 8.0 | 16.8 |
| | 2.2 Medium | 1,23,843 | 1,12,367 | 1,87,599 | 2,06,151 | -1.7 | -9.3 | 67.0 | 47.0 |
| | 2.3 Large | 26,11,567 | 26,11,377 | 24,76,702 | 23,59,112 | 6.1 | -0.01 | -5.2 | -3.4 |
| **3** | **Services,** *of which* | **26,02,287** | **27,54,823** | **27,45,324** | **27,24,810** | **25.1** | **5.9** | **-0.3** | **1.3** |
| | 3.1 Trade | 5,83,930 | 6,28,142 | 7,14,210 | 6,75,820 | 12.4 | 7.6 | 13.7 | 3.7 |
| | 3.2 Commercial Real Estate | 2,43,122 | 2,66,357 | 2,52,696 | 2,76,980 | 18.9 | 9.6 | -5.1 | 8.7 |
| | 3.3 Tourism, Hotels & Restaurants | 56,194 | 60,039 | 62,722 | 61,027 | 7.9 | 6.8 | 4.5 | -2.1 |
| | 3.4 Computer Software | 22,236 | 24,404 | 23,742 | 21,570 | -0.3 | 9.8 | -2.7 | -4.4 |
| | 3.5 Non-Banking Financial Companies | 6,27,089 | 7,36,447 | 7,98,241 | 8,24,189 | 38.4 | 17.4 | 8.4 | 14.8 |
| **4** | **Retail Loans,** *of which* | **23,04,313** | **26,59,249** | **29,86,461** | **31,10,368** | **18.6** | **15.4** | **12.3** | **14.0** |
| | 4.1 Housing Loans | 12,04,362 | 13,96,444 | 15,61,913 | 15,99,395 | 19.5 | 15.9 | 11.8 | 11.2 |
| | 4.2 Consumer Durables | 9,195 | 11,154 | 21,569 | 28,409 | -51.7 | 21.3 | 93.4 | 69.2 |
| | 4.3 Credit Card Receivables | 1,11,361 | 1,32,076 | 1,38,560 | 1,43,937 | 34.5 | 18.6 | 4.9 | 2.2 |
| | 4.4 Vehicle/Auto Loans | 2,69,677 | 2,89,366 | 3,29,522 | 3,61,849 | 12.9 | 7.3 | 13.9 | 21.2 |
| | 4.5 Education Loans | 76,233 | 79,056 | 78,823 | 82,433 | 1.8 | 3.7 | -0.3 | 2.9 |
| | 4.6 Advances against Fixed Deposits (incl. FCNR (B), *etc.*) | 77,135 | 80,753 | 74,013 | 72,718 | -0.1 | 4.7 | -8.3 | 1.7 |
| | 4.7 Advances to Individuals against Shares, Bonds, *etc.* | 9,339 | 5,619 | 5,619 | 6,092 | 46.3 | -39.8 | 0 | -12.7 |
| | 4.8 Other Retail Loans | 5,47,010 | 6,64,781 | 7,76,441 | 8,15,535 | 25.6 | 21.5 | 16.8 | 20.8 |
| **5** | **Gross Bank Credit** | **95,26,932** | **1,00,98,420** | **1,06,40,811** | **1,07,52,479** | **13.4** | **6.0** | **5.4** | **6.8** |

**Note:** 1. Figures in the table may not tally with the figures released by RBI in 'Sectoral Deployment of Bank Credit' every month due to difference in coverage of banks.
2. Percentage variations are March over March.
3. The data pertain to SCBs.
4. *September 2021 over September 2020.

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

2019-20 but decelerated in 2020-21 on a high base (Table IV.15).

IV.46 During 2020-21, retail loan portfolios of banks outgrew their services sector lending, aided by double digit acceleration in housing loans- the biggest component of retail loans. Vehicle loans gained traction, reflecting consumer interest after companies announced substantial discounts on automobiles.

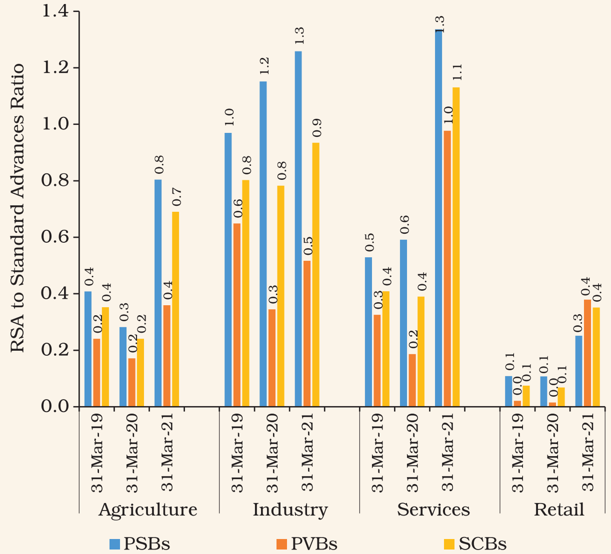
IV.47 The RSA ratio of SCBs had been decelerating for five consecutive years since 2015 on better asset quality recognition by banks after the asset quality review (AQR). With the restructuring scheme announced in August 2020 by the Reserve Bank in response to the pandemic, the RSA ratio, especially of services and retail loans increased sharply in 2020-21, led by contact-intensive services (Chart IV.25).

### 5.1 *Priority Sector Credit*

IV.48 Priority sector lending (PSL) accelerated in 2020-21, primarily driven by revival in credit to agriculture—especially Kisan Credit Card (KCC) loans—and micro and small enterprises (MSEs) by both PSBs and PVBs (Chart IV.26 and Appendix Table IV.3).

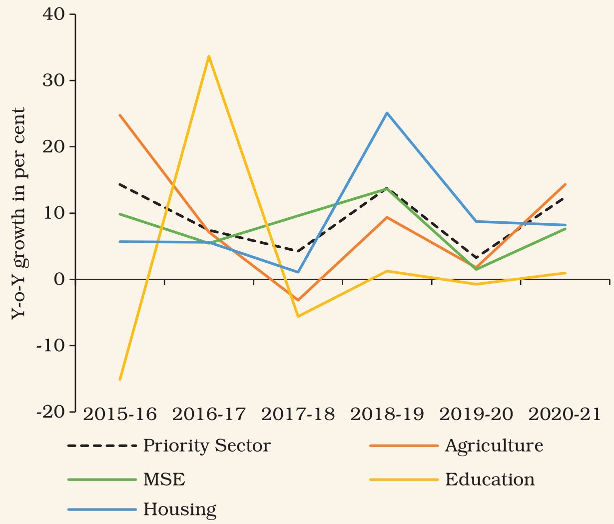
IV.49 PSL, which is typically pro-cyclical, is also influenced by bank-specific characteristics such as asset quality of the PSL *vis-à-vis* non-priority sector loans, size of the lending bank and their branch network (Box IV.2).

**Chart IV.25: Restructured Standard Advances**




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

**Chart IV.26: Credit to Priority Sectors – All SCBs**




**Source:** RBI.

IV.50 During 2020-21, all bank groups managed to achieve the overall PSL targets. Shortfalls were observed in certain sub-targets by PSBs (micro enterprises) and PVBs

**Box IV.2: Determinants of Priority Sector Lending**

Priority sector lending – aimed at meeting requirements of sectors which are credit-starved but are socially significant began in India in 1969. SCBs[8] are required to lend 40 per cent of their previous year's adjusted net bank credit (ANBC) or credit equivalent of off balance-sheet exposures (CEOBE), whichever is higher, to the priority sector. Despite uniform regulatory requirements, banks have deviated from the regulatory target in some periods across banks and bank groups. Multiple avenues are available to banks to meet regulatory obligations in case of shortfall in direct lending, including Inter-Bank Participation Certificates (IBPCs), securitisation of priority sector loans, depositing shortfalls in funds such as the Rural Infrastructure Development Fund (RIDF) and other funds with NABARD, NHB, SIDBI and MUDRA Ltd. In 2016, trading in priority sector lending certificates (PSLCs) was introduced, which was a game changer as it allowed buying for shortfall and selling for overachievement of PSL targets without corresponding transfer of loan, cash flows or risk.

Empirically, priority sector lending is found to depend on various bank-specific characteristics like the nature of ownership, size as well as performance (Kumar, Batra, & Deisting, 2016). A fixed effect panel regression for the period March 2005 till December 2020 with organic PSL by banks as the dependent variable using quarterly bank-wise data on 59 banks suggests that asset quality plays an important role in priority sector lending decisions: banks which face priority sector asset quality stress tended to lend less to it. GDP, which is a control for macro-economic factors, and bank size[9] – a bank-specific control variable – have a positive relationship with PSL. A dummy for the March quarter was found to be positive and significant, as

*(Contd...)*

[8] As of March 31, 2021, regional rural banks and small finance banks are required to lend 75 per cent to priority sector.

[9] Bank size = Advances + Deposits.

**Table 1: Determinants of Priority Sector Lending**

| Variables | Dependent Variables | | |
|---|---|---|---|
| | Priority Sector Advances | Priority Sector Agricultural Advances | Priority Sector MSE Advances |
| Dependent Variable (-1) | 0.477*** (0.111) | 0.564*** (0.0947) | 0.746*** (0.0313) |
| Priority GNPA Ratio | -0.0161*** (0.00314) | | |
| Non-Priority GNPA Ratio | 0.00495** (0.00192) | | 0.00492*** (0.00171) |
| Agriculture GNPA Ratio | | -0.00606*** (0.000868) | |
| MSE GNPA Ratio | | | -0.0154*** (0.00326) |
| March Dummy | 0.0351*** (0.0103) | 0.0616*** (0.0161) | 0.0461*** (0.0156) |
| GDP | 0.0568** (0.0231) | | 0.0979** (0.0454) |
| Agricultural GDP | | 0.0896*** (0.0329) | |
| CRAR | | 0.00230 (0.00332) | 0.00329 (0.00231) |
| PSLC Dummy | 0.0597*** (0.0217) | 0.0443** (0.0167) | -0.0204 (0.0225) |
| Bank Size | 0.480*** (0.106) | 0.397*** (0.0962) | 0.290*** (0.0515) |
| Branches per Asset | 0.00240*** (0.000542) | | |
| Rural Branches per Asset | | 0.00713*** (0.00173) | |
| Urban Branches per Asset | | | 0.00344*** (0.000623) |
| RoE | 0.00 (0.000) | | |
| Constant | -1.307*** (0.338) | -1.990*** (0.495) | -2.581*** (0.371) |
| Observations | 2,765 | 2,769 | 2,749 |
| R-squared | 0.970 | 0.938 | 0.948 |
| Number of Banks | 59 | 59 | 59 |

**Notes**: 1. Robust standard errors in parentheses
2. *** p<0.01, ** p<0.05, * p<0.1

banks tended to backload their PSL in the last quarter to improve their annual average and achieve the regulatory target[10]. Branches to assets ratio, a proxy for banks' reach, is also found to be significant[11].

For the sub-targets on lending to agriculture (18 per cent) and micro and small enterprises (MSEs) (7.5 per cent), similar models are estimated with rural and urban branches to assets ratio, respectively. The coefficients are significant and positive. Banks with significant brick-and-mortar presence in rural areas lend higher to priority agriculture sector while those in urban areas specialise in MSE lending.

A positive and significant PSLC dummy for overall PSL as well as sub-targets suggests that the introduction of PSLCs has given banks an opportunity to profitably trade in PSLCs while simultaneously fulfilling regulatory targets.

**References:**

Kumar, M., Batra, N., & Deisting, F. (2016). Determinants Of Priority Sector Lending: Evidence From Bank Lending Patterns In India. *The International Journal of Business and Finance Research*.

(agriculture; small and marginal farmers (SMFs) and non-corporate individual farmers) (Table IV.16). A phased increase in PSL targets for SMFs and weaker sections as per the revised PSL guidelines issued in September 2020 is expected to deepen credit penetration to these sectors[12].

IV.51 The total trading volume of PSLCs grew by 26 per cent to ₹5,89,163 crores during 2020-21. Among the four PSLC categories, significant growth was recorded in case of PSLC-General and PSLC-Micro Enterprises (Chart IV.27).

IV.52 The weighted average premiums (WAPs) for PSLCs increased year-on-year by 11 to 44 basis points across categories in 2020-21, with PSLC-SMF and PSLC-A categories commanding significantly higher premiums than PSLC-G and PSLC-ME. During H1:2021-22, the WAP on PSLCs-ME increased

[10] As per RBI norms, while computing priority sector target achievement, shortfall / excess lending for each quarter is monitored separately. A simple average of all quarters is arrived at and considered for computation of overall shortfall / excess at the end of the year.

[11] Data for bank branches is taken from the Handbook of Statistics on the Indian Economy.

[12] For SMFs, the sub-target will increase to 9 per cent by 2021-22, 9.5 per cent by 2022-23 and 10 per cent by 2023-24. Weaker sections target will increase to 11 per cent by 2021-22, 11.5 per cent by 2022-23 and 12 per cent by 2023-24.

**Table IV.16: Priority Sector Lending by Banks**
(As on March 31, 2021)

(Amount in ₹ crore)

| Item | Target/ sub-target (per cent of ANBC/ CEOBE) | Public Sector Banks | | Private Sector Banks | | Foreign Banks | | Small Finance 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 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **Total Priority Sector Advances** | **40/75*** | **24,16,750** | **41.06** | **14,33,674** | **40.62** | **1,99,969** | **41.02** | **59,055** | **86.00** |
| *of which* | | | | | | | | | |
| Total Agriculture | 18.0 | 10,68,112 | 18.15 | 5,29,637 | 15.01 | 45,457 | 18.97 | 19,239 | 28.02 |
| Small and marginal farmers | 8.0 | 5,53,455 | 9.40 | 2,40,754 | 6.82 | 24,233 | 10.11 | 17,798 | 25.92 |
| Non-corporate Individual Farmers# | 12.14 | 7,69,173 | 13.07 | 3,64,026 | 10.31 | 29,187 | 12.18 | 20,422 | 29.74 |
| Micro Enterprises | 7.50 | 4,18,763 | 7.11 | 2,93,072 | 8.30 | 18,050 | 7.53 | 16,580 | 24.14 |
| Weaker Sections | 10.0 | 7,27,794 | 12.37 | 3,58,002 | 10.14 | 28,037 | 11.70 | 36,377 | 52.97 |

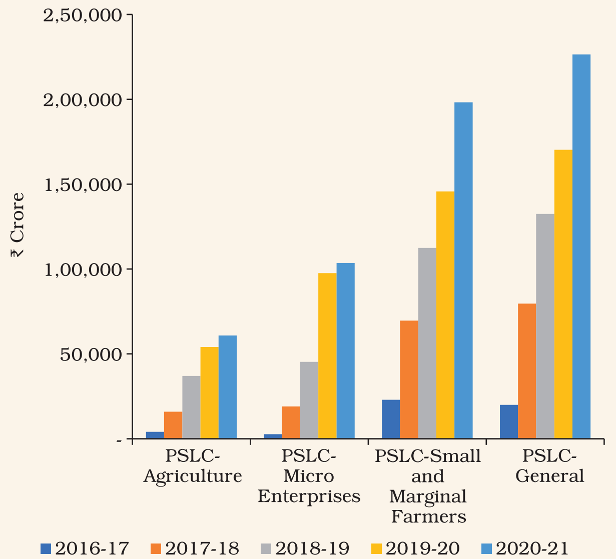
**Notes:** 1. Amount outstanding and achievement percentage are based on the average achievement of banks for four quarters of the financial year.
2. *: Total priority sector lending target for Small Finance Banks is 75 per cent.
3. #: Target for non-corporate farmers is based on the system-wide average of the last three years' achievement. For FY 2020-21, the applicable system wide average figure is 12.14 percent.
4. For foreign banks having less than 20 branches, only the total PSL target of 40 per cent is applicable.

**Source:** RBI.

sharply due to change in the definition of MSMEs. The increase in WAP across other categories may be attributed to COVID-related stress (Table IV.17).

IV.53 While the share of priority sector accounts in total bank lending increased only marginally from 35 per cent in 2019-20 to 36 per cent in 2020-21, their share in total GNPAs increased markedly from 32.8 per cent to 40.5 per cent during the same period, led by delinquencies in agricultural and micro and small enterprises PSL (Table IV.18).

**Chart IV.27: Trading Volume of PSLCs**




**Source:** RBI.

5.2 *Credit to Sensitive Sectors*

IV.54 Banks' exposure to sensitive sectors decelerated during 2020-21. Nevertheless, it grew at a higher pace than overall credit

**Table IV.17: Weighted Average Premium on Various Categories of PSLCs**

(Per cent)

| PSLC Category | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2020-21 (Apr-Sep) | 2021-22 (Apr-Sep) |
|---|---|---|---|---|---|---|
| PSLC-A | 1.29 | 0.79 | 1.17 | 1.55 | 1.61 | 2.00 |
| PSLC-ME | 0.61 | 0.57 | 0.44 | 0.88 | 0.54 | 2.03 |
| PSLC-SMF | 1.54 | 1.15 | 1.58 | 1.74 | 1.87 | 2.38 |
| PSLC-G | 0.59 | 0.31 | 0.35 | 0.46 | 0.49 | 0.85 |

**Source:** RBI.

**Table IV.18: Sector-wise GNPAs of Banks**
(At end-March)

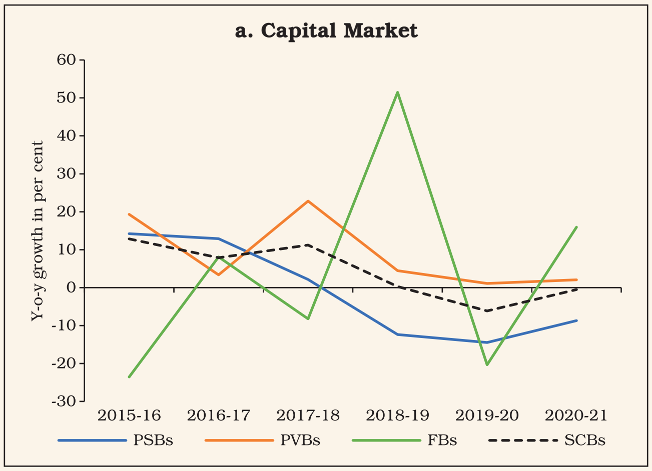
(Amount in ₹ crore)

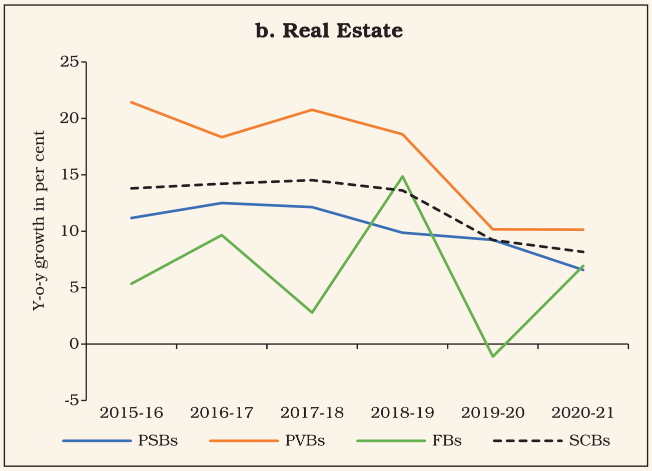
| Bank Group | Priority Sector | | *Of which* | | | | | | Non-priority Sector | | Total NPAs | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Agriculture | | Micro and Small Enterprises | | Others | | | | | |
| | Amt. | Per cent# | Amt. | Per cent# | Amt. | Per cent# | Amt. | Per cent# | Amt. | Per cent# | Amt. | Per cent# |
| **PSBs** | | | | | | | | | | | | |
| 2020 | 2,36,212 | 36.66 | 1,11,571 | 17.31 | 90,769 | 14.09 | 33,872 | 5.26 | 4,08,205 | 63.34 | 6,44,417 | 100.00 |
| 2021 | 2,58,228 | 44.76 | 1,15,281 | 19.98 | 1,01,786 | 17.64 | 41,161 | 7.13 | 3,18,747 | 55.24 | 5,76,974 | 100.00 |
| **PVBs** | | | | | | | | | | | | |
| 2020 | 36,219 | 19.69 | 14,462 | 7.86 | 16,111 | 8.76 | 5,646 | 3.07 | 1,47,751 | 80.31 | 1,83,970 | 100.00 |
| 2021 | 50,557 | 27.04 | 18,900 | 10.11 | 23,473 | 12.56 | 8,184 | 4.38 | 1,36,384 | 72.96 | 1,86,941 | 100.00 |
| **FBs** | | | | | | | | | | | | |
| 2020 | 1,692 | 16.57 | 376.07 | 3.68 | 1070.24 | 10.48 | 245.66 | 2.41 | 8,516 | 83.43 | 10,208 | 100.00 |
| 2021 | 1,802 | 17.67 | 328.97 | 3.23 | 1193.62 | 11.70 | 279.48 | 2.74 | 8,397 | 82.33 | 10,199 | 100.00 |
| **SFBs** | | | | | | | | | | | | |
| 2020 | 1,376 | 80.51 | 255.77 | 14.96 | 753.88 | 44.10 | 366.59 | 21.45 | 333 | 19.49 | 1,709 | 100.00 |
| 2021 | 4,974 | 83.31 | 1509.6 | 25.28 | 2049.4 | 34.32 | 1415.23 | 23.70 | 996 | 16.69 | 5,971 | 100.00 |
| **All SCBs** | | | | | | | | | | | | |
| 2020 | 2,75,499 | 32.79 | 1,26,664 | 15.07 | 1,08,704 | 12.94 | 40,131 | 4.78 | 5,64,806 | 67.21 | 8,40,305 | 100.00 |
| 2021 | 3,15,561 | 40.45 | 1,36,019 | 17.44 | 1,28,502 | 16.47 | 51,039 | 6.54 | 4,64,524 | 59.55 | 7,80,085 | 100.00 |

**Notes:** 1. Amt.: – Amount; Per cent: Per cent of total NPAs.
2. Constituent items may not add up to the total due to rounding off.
3. # Share in total NPAs.
**Source:** Off-site returns (domestic operations), RBI.

growth, led by the real estate sector, especially by PVBs and FBs. Banks' capital market exposure contracted for the second consecutive year (Chart IV.28 and Appendix Table IV.4).

**Chart IV.28: Exposure to Sensitive Sectors**



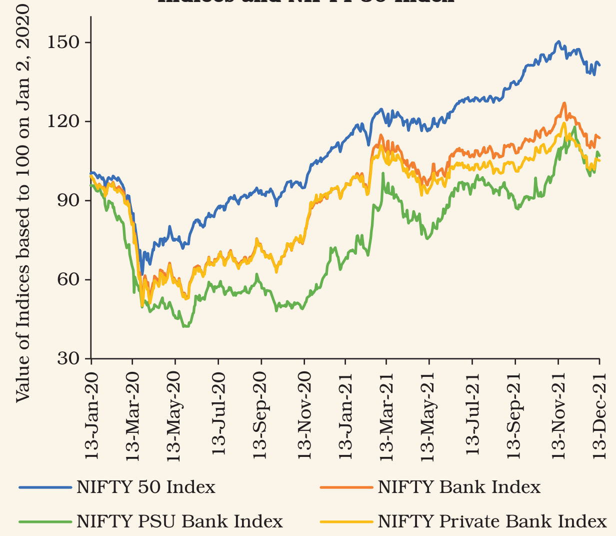

**Source:** Annual accounts of banks.

## 6. Performance of Banking Stocks

IV.55 After the outbreak of the COVID-19 pandemic, equity markets in India fell sharply, tracking global cues. Banking sector stocks were hit hard, reflecting investors' concerns about their financial health, although the impact was not homogenous across banks and bank groups. Subsequently, in response to the policy measures initiated by the Reserve Bank and the Government of India, stock prices revived (Chart IV.29)

IV.56 Empirical evidence suggests that stock prices of banks with weak balance sheets were hammered down more by investors in the pandemic shock (Box IV.3)

**Chart IV.29: Relative Performance of Bank Indices and NIFTY-50 Index**




**Source:** Bloomberg.

### Box IV.3: Impact of COVID-19 Lockdown on Banking Stock Performance

Globally, the pandemic and lockdowns led to persistent underperformance of banking sector stocks *vis-à-vis* the headline index. Market anxiety over potential liquidity risks led to a sell-off in these stocks. Subsequently, however, as policy support measures were introduced, reversals also became evident (Acharya *et al.*, 2021; Kunt *et al.*, 2021).

In India, too, the imposition of a nation-wide lockdown effective from March 24, 2020 onwards triggered investors' anxiety about banking stocks. In order to unravel this phenomenon empirically, a two-step approach is adopted[13]. In the first step, an event study model (MacKinlay, 1997; Mathur *et al.*, 2021) was employed to compute equation (1), which is estimated over a period of 91 to 11 days prior to the event day, *i.e.* imposition of lockdown.

$$R_{b,t} = \alpha + \beta \cdot R_t + \epsilon_{b,t} \qquad (1)$$

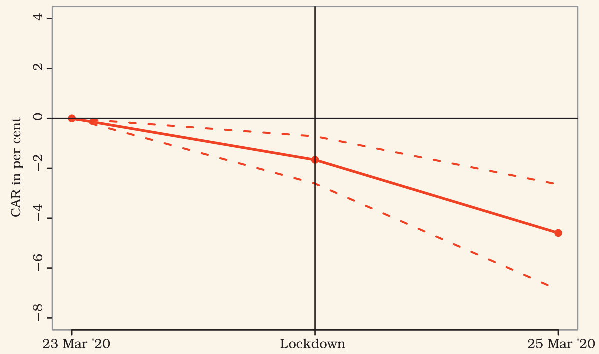
where, $R_{bt}$ is the daily stock market return for bank $b$ on day $t$, $R_t$ is the daily return on the NIFTY-50 index and $\epsilon_{b,t}$ represents the error term. Abnormal stock market returns (ARs) for each bank $b$ over a window of (-1, +1) days[14] are then calculated as

$$AR_{b,T} = R_{b,T} - \hat{R}_{b,T} \; \forall \, T \in (-1, 0, +1) \qquad (2)$$

where $T$ belongs to the event window. For comparison and easier interpretation, the ARs were indexed to 0 for day (-1) and summed over the event window to obtain cumulative abnormal stock return for a given bank ($CAR_{b,T}$).

As expected, CARs for SCBs declined significantly following the announcement of the nation-wide lockdown (Chart 1). Moreover, the impact was felt across the board, irrespective of bank size and bank group (Chart 2).

**Chart 1: Event Study Analysis – CARs around the Lockdown Event**



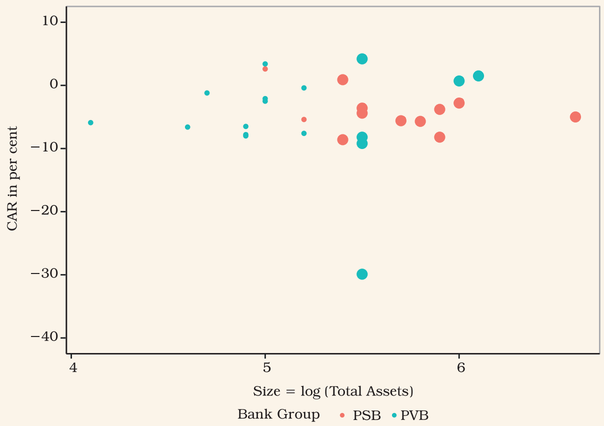

**Note:** The solid line represents the average CAR for the banking sector around the lockdown event. The dotted lines represent the 95 per cent bootstrapped confidence interval.
**Source:** RBI staff estimates.

*(Contd...)*

[13] Daily stock prices of 12 PSBs, 18 PVBs and NIFTY-50 index were sourced from Bloomberg.

[14] High-frequency data and a tight window around the event ensures better accounting for anticipation effects and other confounding factors.

**Chart 2: CARs – Bank Group-wise and Bank Size-wise**




**Note:** The smaller (larger) dots represent banks with asset size below (above) sample median.
**Source:** RBI staff estimates.

In the second step, a cross-sectional regression model (equation 3) is used to investigate the role of bank-level characteristics in explaining the CARs[15]:

$$CAR_b = \alpha + \beta.size + \gamma.bank\ group\ dummy + \theta \cdot X_b + \omega_b \quad (3)$$

where the size of the bank (proxied by log of total assets) and a binary variable for bank group (0 for PVBs and 1 for PSBs) are used as control variables. Balance sheet and financial variables such as profitability (RoE), asset quality (GNPA ratio and slippage ratio) and capital adequacy (CET-1 ratio), are represented by $X_b$. The results from the regression analysis suggest that controlling for size and ownership, banks which had stronger balance sheets and financial positions – such as higher RoE and CET-1 ratio – in the pre-pandemic period suffered lower losses. On the other hand, banks which entered the pandemic with higher GNPA and slippage ratios were penalised by markets with sharper price corrections (Table 1). These findings highlight the importance of robust balance sheets of banks so as to withstand large macroeconomic shocks.

**Table 1: Regression Results**

| Dependent Variable: CAR (-1, +1) | | | | | |
|---|---|---|---|---|---|
| Categories | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 |
| Size | 0.050 | 0.070 | 0.127 | -0.101 | 0.117 |
| | (1.070) | (0.976) | (1.005) | (0.997) | (0.782) |
| Bank-Group Dummy | 0.731 | 1.259 | 2.108 | 3.943 | 1.806 |
| | (2.625) | (2.404) | (2.667) | (2.814) | (1.931) |
| ROE | - | 0.100* | - | - | - |
| | | (0.040) | | | |
| CET-1 ratio | - | - | 0.724* | - | - |
| | | | (0.282) | | |
| GNPA ratio | - | - | - | -0.414* | - |
| | | | | (0.181) | |
| Slippage Ratio (annualized) | - | - | - | - | -1.180*** |
| | | | | | (0.238) |
| Number of Observations | 30 | 30 | 30 | 30 | 30 |
| Adjusted $R^2$ | -0.07 | 0.11 | 0.09 | 0.08 | 0.43 |
| BIC | 206.30 | 203.07 | 203.64 | 204.19 | 189.76 |

**Notes:** 1. Figures in parenthesis represents standard errors
2. ***p < 0.001, **p < 0.01, *p < 0.5

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## 7. Ownership Pattern in Commercial Banks

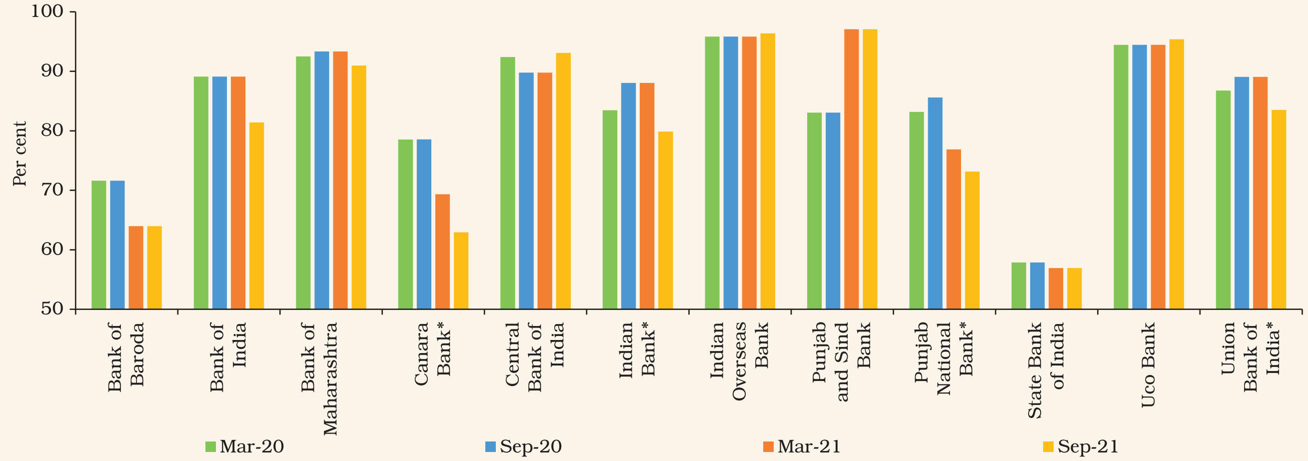
IV.57 Government ownership in Canara Bank, Punjab National Bank, Indian Bank and Union Bank of India increased substantially following the amalgamation of ten PSBs into four, effective from April 1, 2020[16]. During H2:2020-21, the government's shareholding increased in Punjab and Sind Bank due to recapitalisation[17] and decreased in Bank of Baroda, Canara Bank, Punjab National Bank and State Bank of India, owing to capital raising through private

[15] Bank-wise balance sheet data as at end December 2019 was taken from the RBI database.

[16] Syndicate Bank merged with Canara Bank, Andhra Bank and Corporation Bank merged with Union Bank of India, United Bank of India and Oriental Bank of Commerce merged with Punjab National Bank and Allahabad Bank merged with Indian Bank.

[17] In September 2020, the Parliament approved supplementary demand for grants of ₹20,000 crore for recapitalisation in PSBs, of which ₹5,500 crore was infused in Punjab and Sind Bank in November 2020.

**Chart IV.30: Government's Shareholding in PSBs**




**Note:** *: Merged entities
**Source:** Off-site returns (domestic operations), RBI.

placements (Chart IV.30). Furthermore, as at end-September 2021, government shareholding decreased in Bank of India, Bank of Maharashtra, Canara Bank, Indian Bank, Punjab National Bank and Union Bank of India on account of raising of fresh equity from the market. Capital infusions planned for PSBs during 2021-22 are expected to change their ownership pattern further[18].

IV.58 During the year, one private sector bank, Lakshmi Vilas Bank Limited, amalgamated with a foreign bank, DBS Bank India Limited, with effect from November 27, 2020. With this, 21 PVBs were operational in India as at end-March 2021. In terms of foreign investments, non-residents' shareholding was well within the limits of 74 per cent for PVBs including Local Area Banks (LABS) and Small Finance Banks (SFBs) and 20 per cent for PSBs (Appendix Table IV.5).

## 8. Corporate Governance

IV.59 Effective governance and balanced compensation practices in banks are important risk mitigation tools as they boost depositors' confidence and also reinforce financial stability. Following the discussion paper on 'Governance in Commercial Banks in India' issued in June 2020 and the feedback received thereon, the Reserve Bank issued an interim set of instructions addressing several operational subjects on April 26, 2021.

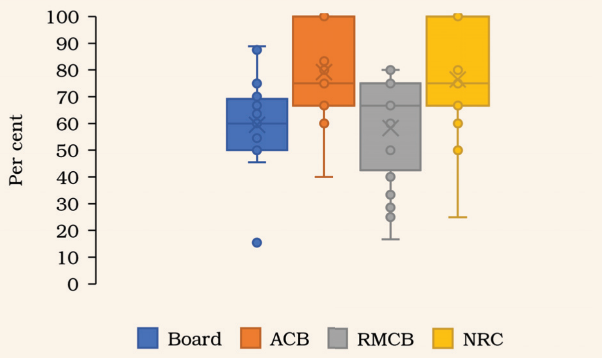
### 8.1 *Composition of Boards*

IV.60 Apart from ensuring competency, diversity and meeting the fit-and-proper criterion, appointment of independent directors goes a long way in ensuring board effectiveness. Most PVBs in India have achieved this in varying degrees, with the dominant presence of independent directors on their boards as well as in their key supervisory committees, including the Audit Committee of the Board (ACB), Risk Management Committee of the Board (RMCB) and Nomination and Remuneration Committee (NRC) (Chart IV.31).

IV.61 It is also necessary to limit the presence of management on the board and key supervisory

[18] In the Union Budget 2021-22, the government proposed to infuse ₹20,000 crore into PSBs.

**Chart IV.31: Share of Independent Directors in PVBs**
(At end-March 2021)




**Note:** The whiskers of the boxplots are indicative of maximum and minimum share of independent directors on the board. The coloured box shows distance between first quantile and third quantile. Horizontal line in each box shows the median while 'X' shows the mean. The points outside box represent outliers.
**Source:** RBI.

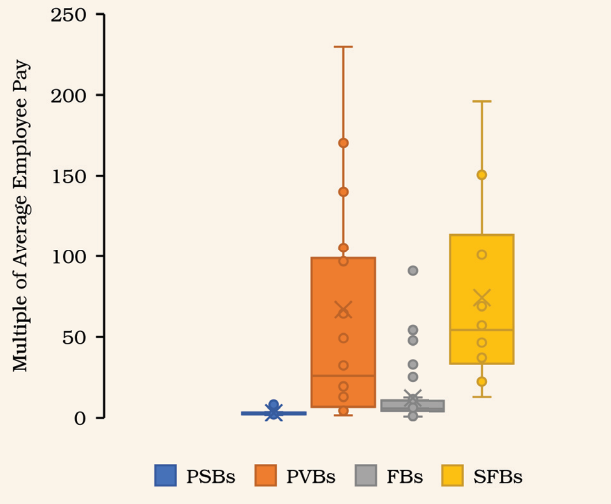
committees to ensure functional independence. Ensuring that the Chair of the board is not a member of these committees helps minimise role conflicts. The share of PVBs where the Chair is not a member of an ACB increased to 47 per cent at end-March 2021 from 35 per cent a year ago. However, the share remained unchanged at 29 per cent in the case of RMCBs[19].

8.2 *Executive Compensation*

IV.62 The compensation paid to a bank Chief Executive Officer (CEO) in comparison to a representative bank employee varies greatly across different bank groups. For PSBs, on an average, CEOs earn 3 times the typical employee[20], while the same was as high as 75 times in the case of SFBs and 67 times in the case of PVBs. The corresponding multiple was low for FBs as the remuneration received by employees is relatively high. The variation across bank groups remained consistent through 2018-19 and 2019-20 (Chart IV.32).

IV.63 Revised guidelines on compensation[21] require that the compensation of CEOs / Whole Time Directors (WTDs) / Material Risk Takers (MRTs) must be adjusted for all types of risk, their outcomes and time horizons. Moreover, the mix of cash, equity and other forms of payment must be consistent with risk alignment, wherein the variable pay component should be in the range of 50 to 75 per cent of the total pay, a minimum

**Chart IV.32: CEO Pay *vis-a-vis* Average Employee Pay**
(At end-March 2020)



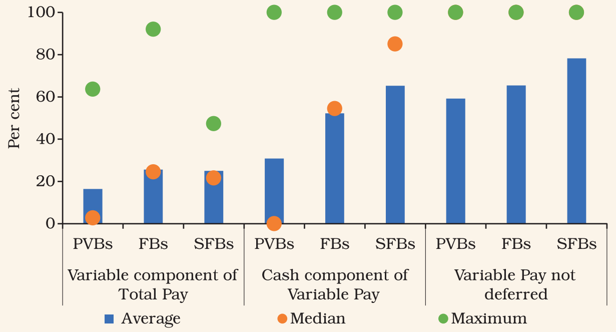

**Source:** RBI.

[19] The data presented here precedes the issuance of RBI Circular dated April 26, 2021 on Corporate Governance.

[20] Average employee pay has been calculated as a ratio of total staff costs to total employee strength.

[21] On November 4, 2019, the Reserve Bank revised its guidelines on compensation, aligning them to the Financial Stability Board norms. The new guidelines became effective from April 1, 2020.

**Chart IV.33: Components of CEO Remuneration**
(During 2019-20)




**Note:** Data in the chart precedes the applicability of the revised guidelines. Employee Stock Option Plans (ESOPs) are now a part of the variable pay under the revised compensation guidelines. It has also been clarified on August 30, 2021 that, in respect of the share-linked instruments including ESOPs granted after the accounting period ending March 31, 2021, the fair value of such instruments should be recognised as an expense, beginning with the accounting period for which the approval has been granted.
**Source:** RBI.

of 60 per cent of which should be under deferral arrangements. The cash component of variable pay is also capped between 33 to 50 per cent[22] under the revised guidelines (Chart IV.33).

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

IV.64 During 2020-21, the number of FBs operating in the country reduced as compared to a year ago[23], however, total branches of FBs increased due to amalgamation of Lakshmi Vilas Bank with DBS Bank, with effect from, November 27, 2020 (Table IV.19). On the other hand, PSBs have been reducing their overseas presence for the last three and a half years to achieve greater cost efficiency. PVBs also shut down their less profitable operations abroad during the year (Appendix Table IV.6).

**Table IV.19: Operations of Foreign Banks in India**

| | Foreign banks operating through branches | | Foreign banks having representative offices |
|---|---|---|---|
| | No. of Banks | Branches | |
| Mar-16 | 46 | 325 | 39 |
| Mar-17 | 44 | 295 | 39 |
| Mar-18 | 45 | 286 | 40 |
| Mar-19 | 45# | 299* | 37 |
| Mar-20 | 46# | 308* | 37 |
| Mar-21 | 45# | 874* | 36 |

**Notes:** 1. #: Includes two foreign banks, namely SBM Bank (India) Limited and DBS Bank India Limited which are operating through Wholly Owned Subsidiary (WOS) mode.
2. *: Includes branches of SBM Bank (India) Limited and DBS Bank India Limited (including branches of amalgamated entity *i.e.* Lakshmi Vilas Bank as on March 2021) operating through WOS mode
**Source:** RBI.

## 10. Payment Systems and Scheduled Commercial Banks

IV.65 The payment systems landscape in India is undergoing transformation due to rapid technological advancements and innovations, complemented by supportive regulatory policies. The Reserve Bank's Payment and Settlement Systems: Vision 2019-2021 envisaged payment systems that are not just safe and secure, but are also efficient, fast and affordable. In addition, there has been a greater thrust by the government for rapid adoption of digital payment services by all segments of the society.

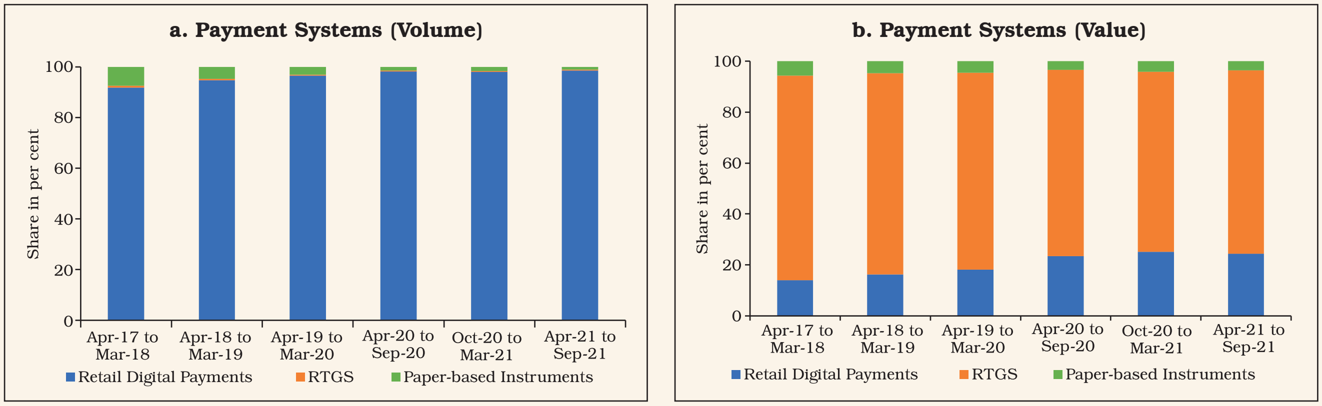
IV.66 Digital modes of payments have grown by leaps and bounds over the last few years. As a result, conventional paper-based instruments such as cheques and demand drafts now constitute a negligible share (Chart IV.34).

IV.67 The growth in volume of total payments decelerated to 26.7 per cent during 2020-21

[22] In case the variable pay is up to 200 per cent of the fixed pay, a minimum of 50 per cent of the variable pay and in case the variable pay is above 200 per cent, a minimum of 67 per cent of the variable pay should be *via* non-cash instruments.

[23] Westpac Banking Corporation was excluded from the Second Schedule to the Reserve Bank of India Act, 1934 vide notification DOR.IBD.No.99/23.13.138/2020-21 dated July 18, 2020.

**Chart IV.34: Components of Payment Systems**




**Notes:** 1. Digital modes of payments include RTGS and retail digital payments.
2. Retail digital payments include NEFT, IMPS, UPI, NACH, BHIM Aadhaar Pay, AePS fund transfer, NETC, card payments and prepaid payment instruments.

**Source:** RBI.

from 43.7 per cent a year ago. In terms of value, total payments contracted for the second consecutive year, mainly due to decline in value of transactions *via* RTGS and paper-based instruments (Table IV.20).

**Table IV.20: Payment Systems Indicators**

| Item | Volume (Lakh) | | | Value (₹ Crore) | | |
|---|---|---|---|---|---|---|
| | 2018-19 | 2019-20 | 2020-21 | 2018-19 | 2019-20 | 2020-21 |
| 1. Large Value Credit Transfers – RTGS | 1,366 | 1,507 | 1,592 | 13,56,88,187 | 13,11,56,475 | 10,55,99,849 |
| 2. Credit Transfers | 1,18,481 | 2,06,297 | 3,17,868 | 2,60,90,471 | 2,85,56,593 | 3,35,04,226 |
| 2.1 AePS (Fund Transfers) | 11 | 10 | 11 | 501 | 469 | 623 |
| 2.2 APBS | 14,949 | 16,747 | 14,373 | 86,226 | 99,048 | 1,11,001 |
| 2.3 ECS Cr | 54 | 18 | - | 13,235 | 5,146 | - |
| 2.4 IMPS | 17,529 | 25,792 | 32,783 | 15,90,257 | 23,37,541 | 29,41,500 |
| 2.5 NACH Cr | 8,834 | 11,100 | 16,465 | 7,29,673 | 10,37,079 | 12,16,535 |
| 2.6 NEFT | 23,189 | 27,445 | 30,928 | 2,27,93,608 | 2,29,45,580 | 2,51,30,910 |
| 2.7 UPI | 53,915 | 1,25,186 | 2,23,307 | 8,76,971 | 21,31,730 | 41,03,658 |
| 3. Debit Transfers and Direct Debits | 4,914 | 6,027 | 10,457 | 5,24,556 | 6,05,939 | 8,65,520 |
| 3.1 BHIM Aadhaar Pay | 68 | 91 | 161 | 815 | 1,303 | 2,580 |
| 3.2 ECS Dr | 9 | 1 | - | 1,260 | 39 | - |
| 3.3 NACH Dr | 4,830 | 5,842 | 9,646 | 5,22,461 | 6,04,397 | 8,62,027 |
| 3.4 NETC (linked to bank account) | 6 | 93 | 650 | 20 | 200 | 913 |
| 4. Card Payments | 61,769 | 72,384 | 57,787 | 11,96,888 | 14,34,813 | 12,91,799 |
| 4.1 Credit Cards | 17,626 | 21,773 | 17,641 | 6,03,413 | 7,30,894 | 6,30,414 |
| 4.2 Debit Cards | 44,143 | 50,611 | 40,146 | 5,93,475 | 7,03,920 | 6,61,385 |
| 5. Prepaid Payment Instruments | 46,072 | 53,811 | 49,743 | 2,13,323 | 2,15,558 | 1,97,696 |
| 6. Paper-based Instruments | 11,238 | 10,414 | 6,704 | 82,46,065 | 78,24,822 | 56,27,108 |
| **Total - Retail Payments (2+3+4+5+6)** | **2,42,473** | **3,48,933** | **4,42,557** | **3,62,71,304** | **3,86,37,726** | **4,14,86,348** |
| **Total Digital Payments (1+2+3+4+5)** | **2,32,602** | **3,40,026** | **4,37,445** | **16,37,13,425** | **16,19,69,379** | **14,14,59,089** |
| **Total Payments (1+2+3+4+5+6)** | **2,43,839** | **3,50,440** | **4,44,149** | **17,19,59,490** | **16,97,94,201** | **14,70,86,197** |

**Notes:** 1. RTGS system includes customer and inter-bank transactions only.
2. The figures for cards are for transactions at point of sale (POS) terminals only, which include online transactions.
3. Figures in the columns might not add up to the total due to rounding off of numbers.
4. -: nil

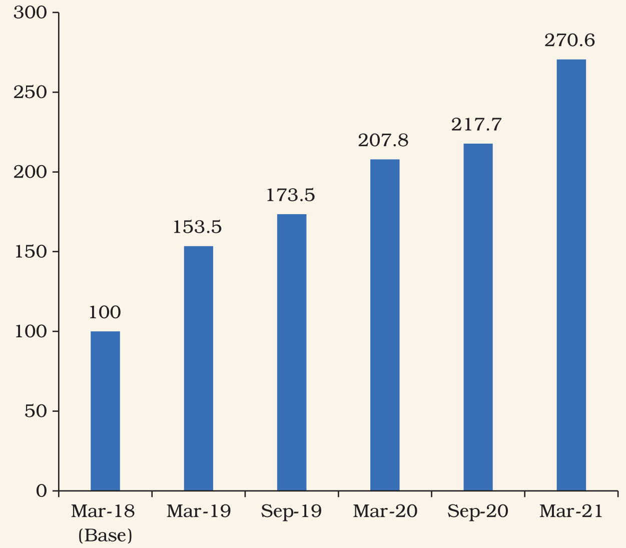
**Source:** RBI.

*10.1 Digital Payments*

IV.68 In recent years, the Reserve Bank has been encouraging wider adoption of digital modes of payments and strengthening of the required infrastructure. The pandemic provided a fillip to the faster adoption of retail digital payments. 24x7x365 availability of Centralised Payment Systems (CPS) *i.e.*, National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS), with effect from December 2019 and December 2020, respectively, reduced risks and enhanced efficiency of the entire payments ecosystem. Subsidies provided through the Payment Infrastructure Development Fund (PIDF), operationalised in January 2021, have helped to develop infrastructure in Tier-3 to Tier-6 centres and north-eastern states and are expected to give a boost, going forward. Granting non-bank Payment System Providers (PSPs)[24] direct access to the CPS will widen the reach of digital financial services to all segments of users.

IV.69 RTGS, which facilitates high value transactions on real time basis, dominates the digital payments space in value terms. On the other hand, Unified Payments Interface (UPI) from the retail segment has a majority share in transaction volume. The robust growth in transactions using innovative payment systems such as National Electronic Toll Collection (NETC), BHIM Aadhaar Pay and Aadhaar Enabled Payment System (AePS) points to greater acceptability of contactless payments during the year (Table IV.20). To measure the progress of digitisation and assess the deepening and penetration of digital payments, the Reserve Bank launched a composite Digital Payments Index (DPI) in January 2021, comprising five broad parameters (weights indicated in brackets) – (i) payment enablers (25 per cent); (ii) payment infrastructure – demand-side factors (10 per cent); (iii) payment infrastructure – supply-side factors (15 per cent); (iv) payment performance (45 per cent); and (v) consumer centricity (5 per cent). The index is computed semi-annually, with March 2018 as the base period (Chart IV.35).

**Chart IV.35: RBI – Digital Payments Index**




**Source:** RBI.

*10.2 ATMs*

IV.70 During 2020-21, the total number of automated teller machines (ATMs) (on-site and off-site) operated by SCBs increased for the second consecutive year after declining in 2018-19. The number of PSB ATMs, however, declined in their pursuit of greater cost efficiency by leveraging network externalities (Table IV.21, Appendix Table IV.7).

[24] These include Prepaid Payment Instrument (PPI) issuers, Card Networks and White Label Automated Teller Machine (ATM) operators.

**Table IV.21: Number of ATMs**
(At end-March)

| Sr. No. | Bank Group | On-Site ATMs | | Off-site ATMs | | Total Number of ATMs | |
|---|---|---|---|---|---|---|---|
| | | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| I | PSBs | 80,691 | 78,007 | 57,855 | 59,106 | 1,38,546 | 1,37,113 |
| II | PVBs | 30,483 | 34,828 | 38,886 | 37,566 | 69,369 | 72,394 |
| III | FBs | 225 | 690 | 678 | 1,135 | 903 | 1,825 |
| IV | SFBs* | 1,870 | 2,079 | 56 | 52 | 1,926 | 2,131 |
| V | PBs# | 2 | 1 | 14 | 111 | 16 | 112 |
| VI | WLAs | - | - | - | - | 23,597 | 25,013 |
| VII | All SCBs (I to V) | 1,13,271 | 1,15,605 | 97,489 | 97,970 | 2,10,760 | 2,13,575 |
| VIII | Total (VI+VII) | - | - | - | - | 2,34,357 | 2,38,588 |

**Notes:** 1. *: 10 scheduled SFBs as at end-March 2020 and end-March 2021.
2. #: 1 scheduled PB (Paytm Payments Bank) as at end-March 2020 and end-March 2021.
**Source:** RBI.

IV.71 The densely populated urban and metropolitan areas accounted for a majority—56.3 per cent—share in total SCBs' ATMs at end March 2021. While ATMs of PSBs were more evenly distributed across geographies, those of other bank-groups were skewed towards urban and metropolitan areas. In contrast, a majority of white label ATMs (WLAs) (around 85 per cent) were concentrated in rural and semi-urban areas (Table IV.22).

**Table IV.22: Geographical Distribution of ATMs – Bank-Group wise**
(At end-March 2021)

| Sr. No. | Bank Group | Rural | Semi - Urban | Urban | Metro-politan | Total |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| I | PSBs | 28,255<br>(20.6) | 39,349<br>(28.7) | 39,725<br>(29.0) | 29,784<br>(21.7) | 1,37,113<br>(100.0) |
| II | PVBs | 6,140<br>(8.5) | 18,197<br>(25.1) | 18,918<br>(26.1) | 29,139<br>(40.3) | 72,394<br>(100.0) |
| III | FBs | 96<br>(5.3) | 365<br>(20.0) | 413<br>(22.6) | 951<br>(52.1) | 1,825<br>(100.0) |
| IV | SFBs* | 241<br>(11.3) | 665<br>(31.2) | 651<br>(30.5) | 574<br>(26.9) | 2,131<br>(100.0) |
| V | PBs# | 21<br>(18.8) | 28<br>(25.0) | 28<br>(25.0) | 35<br>(31.3) | 112<br>(100.0) |
| VI | All SCBs (I to V) | 34,753<br>(16.3) | 58,604<br>(27.4) | 59,735<br>(28.0) | 60,483<br>(28.3) | 2,13,575<br>(100.0) |
| VII | All SCBs (y-o-y growth) | 3.0 | 1.3 | 2.2 | -0.4 | 1.3 |
| **VIII** | **WLAs** | 13,187<br>(52.7) | 8,162<br>(32.6) | 2,296<br>(9.2) | 1,368<br>(5.5) | 25,013<br>(100.0) |
| **IX** | **WLAs (y-o-y growth)** | 14.3 | 3.8 | -7.8 | -19.8 | 6.0 |

**Notes:** 1. Figures in parentheses indicate percentage share of total ATMs under each bank group.
2.*: 10 scheduled SFBs as at end-March 2020 and end-March 2021.
3. #: 1scheduled PB (Paytm Payments Bank) as at end-March 2020 and end-March 2021.
**Source:** RBI.

## 11. Consumer Protection

IV.72 The Reserve Bank strives to ensure bank customer protection through an efficient and effective grievance redressal mechanism. With the advent of technology-based banking products and growing usage of these products by vulnerable sections of the society, financial literacy, consumer protection and awareness assume critical importance. The launch of the Reserve Bank - Integrated Ombudsman Scheme (RB-IOS) on November 12, 2021 aims at developing a hassle-free grievance redressal mechanism for customers of the entities regulated by the Reserve Bank. The Scheme, while doing away with the jurisdictions of each ombudsman office, covers customer complaints on all areas of 'deficiency in services' rendered by the REs and as defined in the Scheme, except those mentioned in the exclusion list.

**Table IV.23: Nature of Complaints at BOs**

| Categories | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|
| ATM/ Debit Cards | 29,603 | 69,205 | 60,203 |
| Mobile / Electronic Banking | 12,051 | 39,627 | 44,385 |
| Credit Cards | 13,172 | 26,616 | 40,721 |
| Failure to Meet Commitments | 11,948 | 22,758 | 35,999 |
| Non-observance of Fair Practice Code | 39,188 | 40,124 | 33,898 |
| Levy of Charges without Prior Notice | 7,518 | 17,268 | 20,949 |
| Loans and Advances | 6,380 | 14,731 | 20,218 |
| Non-adherence to BCSBI Codes | 5,921 | 11,758 | 14,490 |
| Deposit Accounts | 8,520 | 10,188 | 8,580 |
| Pension Payments | 7,331 | 6,884 | 4,966 |
| Remittances | 3,277 | 4,130 | 3,394 |
| DSAs and Recovery Agents | 602 | 1,474 | 2,440 |
| Para-Banking | 1,127 | 1,134 | 1,236 |
| Notes and Coins | 799 | 551 | 332 |
| Others | 31,339 | 30,844 | 39,686 |
| Out of Purview of BO Scheme | 5,956 | 9,412 | 10,250 |
| **Total** | **1,84,732** | **3,06,704** | **3,41,747** |

**Note:** Data pertain to April to March.
**Source:** Various offices of Banking Ombudsman.

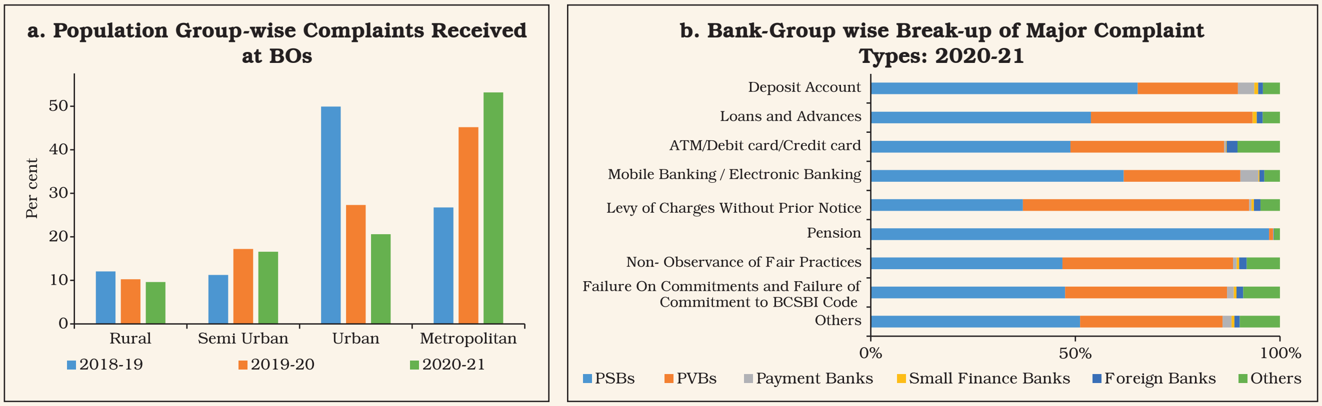
IV.73 During 2020-21, the number of complaints with Banking Ombudsman (BO) rose at a lower pace relative to the preceding year, with grievances pertaining to ATMs/debit cards, mobile/electronic banking and credit cards contributing 42.5 per cent of the total complaints (Table IV.23).

IV.74 The share of complaints emanating from urban and metropolitan areas accounted for more than 73 per cent of the total complaints received during 2020-21. Moreover, the share of complaints from metropolitan customers almost doubled in 2020-21 over 2018-19 levels, while the share of complaints from urban customers reduced significantly during the same period (Chart IV.36a).

IV.75 PSBs and PVBs accounted for more than three-fourth of the total complaints received during 2020-21. Almost all pension-related complaints were filed against PSBs, which are the traditional preference of pensioners. On the other hand, a large share of complaints (55 per cent) relating to levy of charges without prior notice were filed against PVBs (Chart IV.36b, Appendix Table IV.8).

IV.76 Deposit insurance plays a crucial role in protecting the interests of small depositors and thereby ensuring public confidence in the banking system. The Deposit Insurance and Credit Guarantee Corporation (DICGC) extends deposit insurance to all commercial banks including LABs, PBs, SFBs, RRBs and co-operative banks. By end-March 2021, 98.1 per cent depositors were insurance-protected under the ₹5 lakh cover, with the amount of deposits

**Chart IV.36: Population Group-wise Distribution of Complaints and Major Complaint Types**




**Notes:** 1. Data pertain to April to March.
2. Data on population group was not available for 120,671 complaints during 2020-21, *i.e.*, for 35% of complaints. Hence the available data has been extrapolated to all the complaints retaining the proportions from the available data.
**Source:** Various offices of Banking Ombudsman.

**Table IV.24: Bank Group-wise Insured Deposits**
(As at March 31, 2021)

(Amount in ₹ crore)

| Bank Group | No. of Insured Banks | Total Assessable Deposits (AD)* | Total Insured Deposits (ID)* | ID as percentage of AD |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| Public Sector Banks | 12 | 85,23,813 | 47,91,132 | 56.2 |
| Private Sector Banks** | 37 | 42,77,955 | 17,01,193 | 39.8 |
| Foreign Banks | 45 | 7,06,141 | 47,970 | 6.8 |
| Regional Rural Banks | 43 | 4,66,478 | 3,91,451 | 83.9 |
| Co-operative Banks | 1,919 | 9,92,491 | 6,88,790 | 69.4 |
| Local Area Banks | 2 | 892 | 714 | 80.1 |
| **Total** | **2,058** | **1,49,67,770** | **76,21,251** | **50.9** |

**Notes:** 1. *: Based on deposit base of September 2020 *i.e.*, six months prior to the reference date.
2. **: Data on private sector banks is inclusive of ten small finance banks and six payment banks.

**Source:** Deposit Insurance and Credit Guarantee Corporation.

covered by insurance close to 51 per cent of the total (Table IV.24).

IV.77 The size of the Deposit Insurance Fund (DIF), which is used for settlement of claims of depositors of banks taken into liquidation/ amalgamation stood at ₹1,29,904 crore as on March 31, 2021, yielding a reserve ratio of 1.70 per cent from 1.61 per cent a year ago[25]. Moreover, claims amounting to ₹993 crore were processed and sanctioned during 2020-21, out of which claims amounting to ₹564 crore were in respect of nine co-operative banks. The net outgo of funds towards settlement of claims was, however, lower on account of recovery of ₹569 crore during 2020-21.

## 12. Financial Inclusion

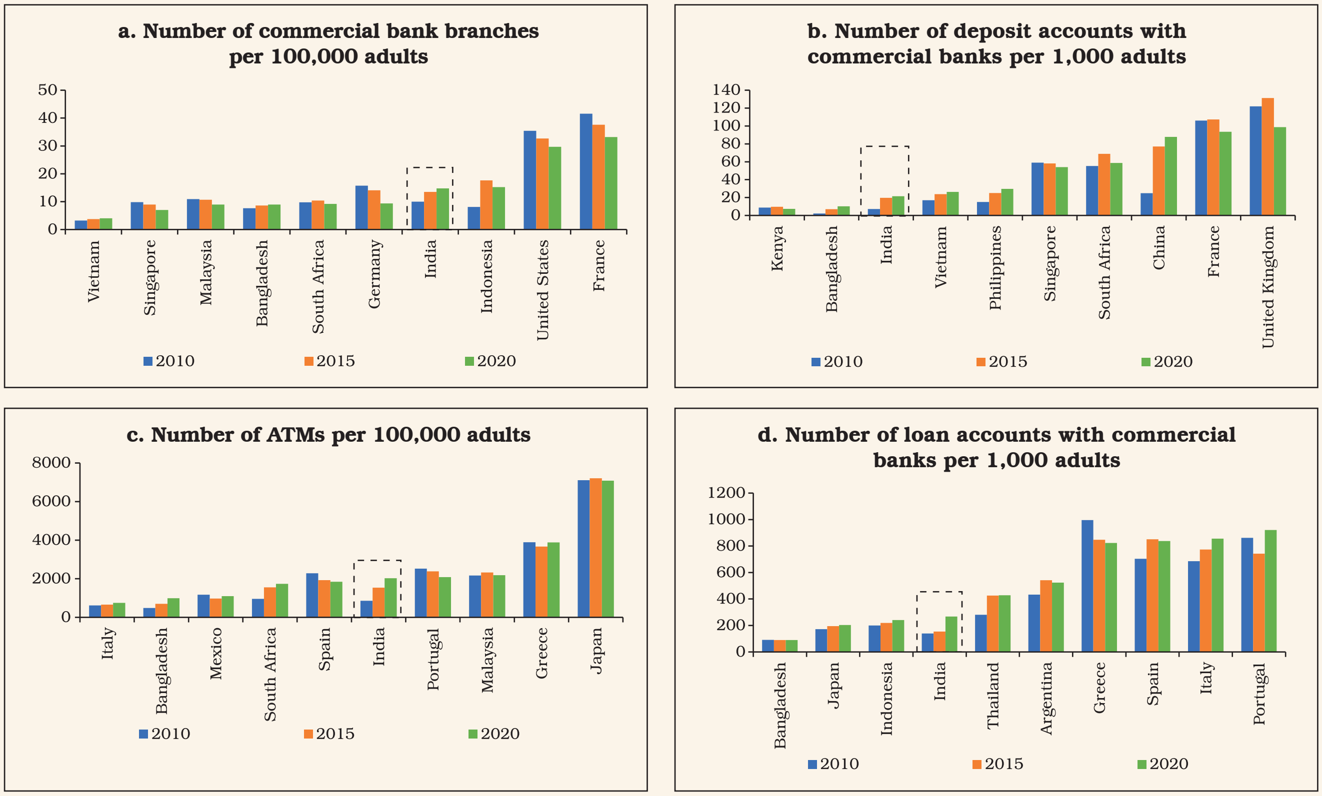
IV.78 Financial inclusion acts as a driver of balanced economic growth. The latest Financial Access Survey (FAS) of the International Monetary Fund (IMF)[26] highlights the progress made by India in dealing with the last mile problem of financial inclusion and increasing the popularity of financial products in the previous decade. The Pradhan Mantri Jan Dhan Yojana (PMJDY) and its linkage with Aadhar and mobile phones created the JAM trinity, which was a game changer not only for the welfare schemes under direct benefit transfers (DBTs) but also for financial inclusion. Over the last decade, India has taken long strides in expanding the number of commercial bank branches and deposit accounts, on a scale comparable with other emerging market economies (EMEs), although below levels achieved by advanced economies (AEs) (Chart IV.37a and b). With increase in banking outreach, the number of ATMs per 100,000 adults has also grown, however, penetration remained low in an international comparison (Chart IV.37c). The number of loan accounts with commercial banks per 1,000 adults has also remained lower than country peers (Chart IV.37d).

IV.79 The National Strategy for Financial Inclusion 2019-2024 (NSFI) and the National Strategy for Financial Education 2020-2025 (NSFE) was released by the Reserve Bank in January 2020 and August 2020, respectively, which provide a road map for accelerating the process of financial inclusion and promoting financial literacy and consumer protection. The Reserve Bank introduced the Financial Inclusion Index (FI Index) in August 2021 to monitor the progress of policy initiatives to promote financial inclusion (Box IV.4).

[25] Defined as deposit insurance fund as a per cent of insured deposits.

[26] Available at https://data.imf.org/?sk=E5DCAB7E-A5CA-4892-A6EA-598B5463A34C

**Chart IV.37: Progress in Financial Inclusion in Select Emerging and Advanced Economies**




**Source:** Financial Access Survey, IMF.

IV.80 Two distinct pillars of financial inclusion progress in India are: (a) advancement in digital technology (FinTech); and (b) greater participation of women. Financial inclusion

## Box IV.4: Financial Inclusion Index

The Financial Inclusion Index (FI Index) released by the Reserve Bank in August 2021 aggregates relevant indicators into a composite index to map the progress of financial inclusion in the country. The index captures the expansion of banking, investments, insurance, postal as well as the pension sector and is responsive to ease of access, availability, extent of usage and quality of services, inequality and deficiency in services, extent of financial literacy and consumer protection in the formal financial system.

Similar to the methodology used by the United Nations Development Programme (UNDP) for computation of the Human Development Index (HDI) and Human Poverty Index (HPI), the FI Index is based on three sub-indices (weights indicated in brackets) *viz*., Access (35 per cent), Usage (45 per cent) and Quality (20 per cent) (Chart 1). Out of a total 97 indicators, 90 are primary indicators and the remaining 7 indicators are inequality measures which are computed as Gini coefficient based on Lorenz curve analysis. Indicators are adjusted for inflation by applying Consumer Price Index (CPI), wherever necessary. As selected indicators are measured in different units, they are normalised before aggregation based on the following formula:

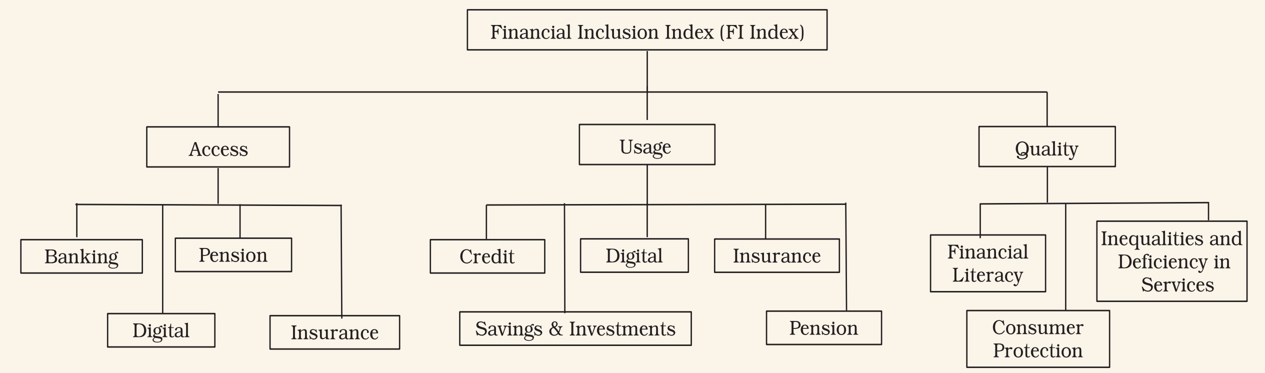
$$Normalised\ value\ (N_i) = \frac{Y_i - state\ when\ no\ financial\ services\ were\ available}{Desired\ goal\ based\ on\ policy\ thrust\ and\ resources\ (t_i)}$$

$$N_i = \frac{Y_i - 0}{t_i} = \frac{Y_i}{t_i}$$

where $Y_i$ represent the $i^{th}$ indicator and $t_i$ the desired goal of the $i^{th}$ indicator.

*(Contd...)*

**Chart 1: FI – Sub-indices and Dimensions**



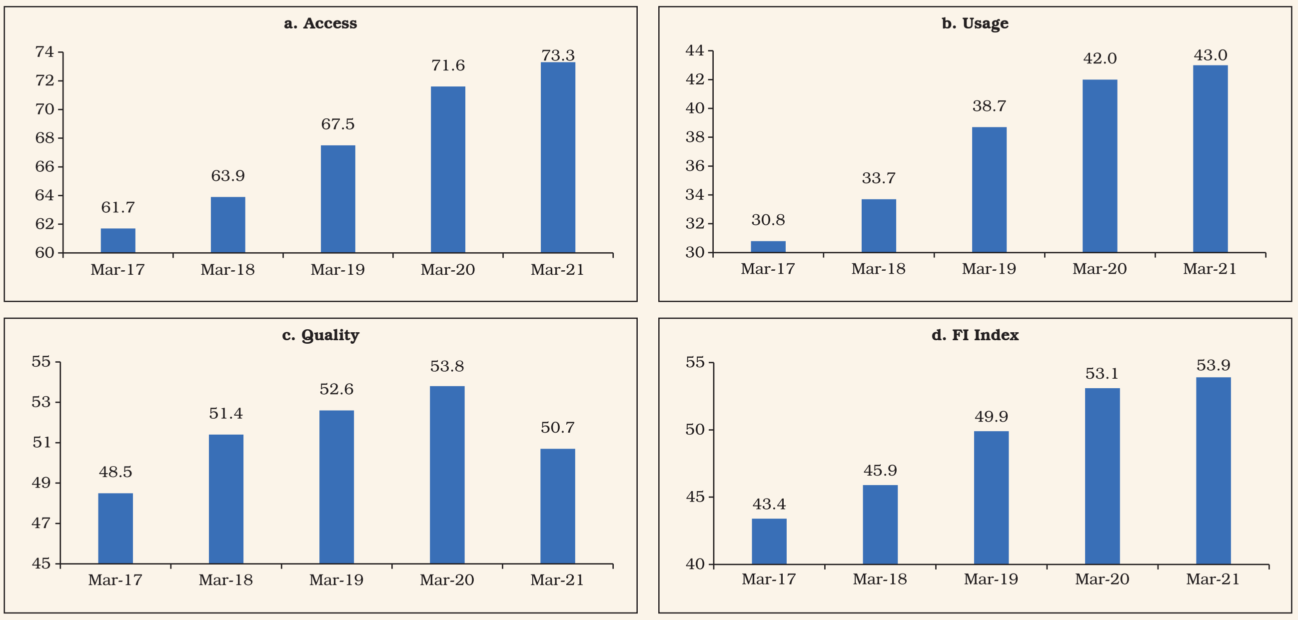

**Source:** RBI

Since the indicators are normalised with respect to complete absence of financial inclusion, there is no base year for the index (*i.e.*, the value of each constituent indicator depends on its own historical progress so far). Consequently, the lowest value of each normalised indicator is '0' and the highest value is '100'.

The normalised indicators are aggregated on the basis of exogenously determined weights to arrive at a single measure of financial inclusion for each dimension. The calculated dimensions are used to construct three sub-indices which in turn are aggregated to construct the composite FI Index.

Data on the index available so far suggest that FI-Access is markedly higher than FI-Usage and FI-Quality. While recognising the progress made in providing financial access, it also highlights the ground that need to be covered for improved usage and quality of financial services (Chart 2).

**Chart 2: FI Index and Sub-indices**

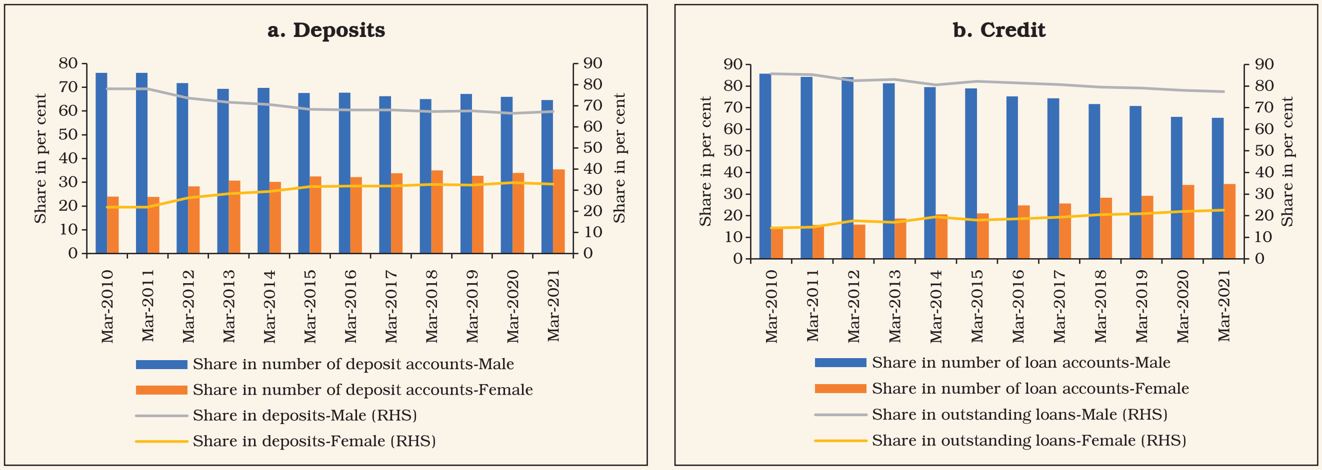



**Note:** Some of the data points for March-21 are provisional.
**Source:** RBI.

## Reference

Sharma A.K., Sengupta S., Roy I., & Phukan S. (2021), RBI Bulletin, Vol. LXXV, No. 9, pp 89-95, September 2021. Available at *https://www.rbi.org.in/Scripts/BS_ViewBulletin.aspx*

**Chart IV.38: Gender-wise Share in Credit and Deposits**




**Source:** Basic statistical returns I and II (annual), RBI.

acts as a key facilitator for reducing gender inequality and helps engender women's economic empowerment. As of December 15, 2021, 24.54 crore bank accounts were opened for women beneficiaries under PMJDY, accounting for 55.6 per cent of the total account holders under the scheme. Over the last decade, the number of loan accounts and outstanding loans of female borrowers grew at a CAGR of 43.2 per cent and 22.7 per cent, as against 29.0 per cent and 16.4 per cent, respectively, for male borrowers. The number of deposit accounts and deposit balances of females also grew at a faster rate than that of males, indicating reduced gender disparity in the usage of formal financial services (Chart IV.38). Women-centric financial products and alternative delivery channels such as women business correspondents (BCs) and women self-help groups (SHGs), helped in this direction. Notwithstanding these developments, further progress needs to be made to achieve greater financial equality and inclusion of women.

*12.1 Financial Inclusion Plans*

IV.81 Financial Inclusion Plans (FIPs) were introduced by the Reserve Bank in 2010 with the objective of encouraging banks to adopt a planned and structured approach towards financial inclusion. FIP returns submitted by banks show that progress has been made in provisioning of banking services in the rural areas and with time, their usage have also increased. However, the growth of traditional brick and mortar banking branches has remained tepid, while banking services through BCs have gained greater prominence in the last few years. At end-March 2021, BC outlets constituted more than 95 per cent of the total banking outlets in villages, led by the rapid growth in the number of BCs in villages with population more than 2,000. On the usage front, Basic Savings Bank Deposit Accounts (BSBDA) and Information and Communication Technology (ICT) based transactions through BCs witnessed strong growth during 2020-21 (Table IV.25).

*12.2 Pradhan Mantri Jan Dhan Yojana*

IV.82 Since its inception in August 2014, PMJDY has been contributing towards financial inclusion of the unserved and underserved population of the country. Over the span of seven years, the number of total beneficiaries under PMJDY expanded to 44.12 crores, with

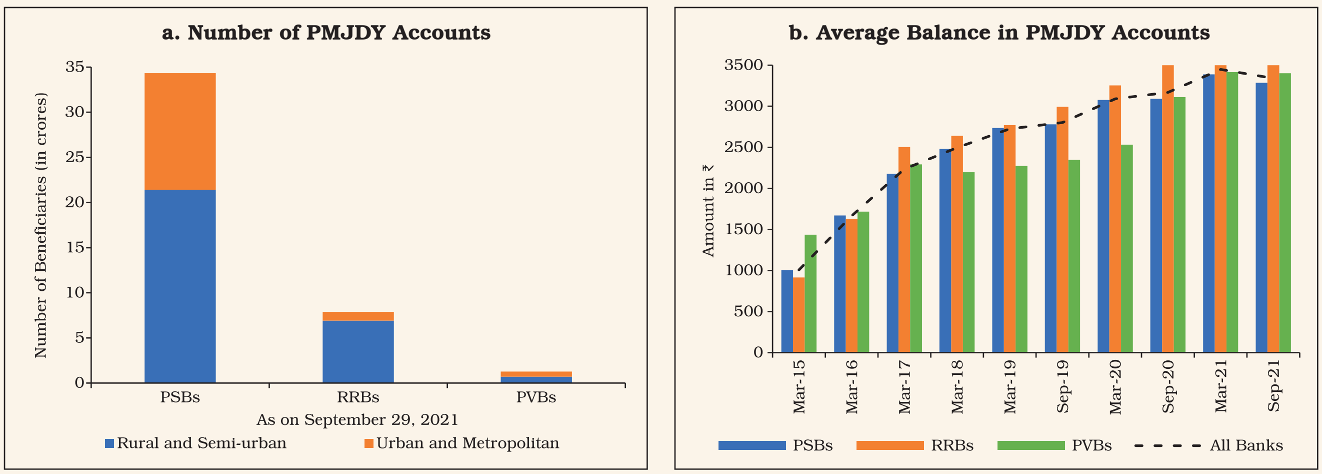
**Table IV.25: Progress in Financial Inclusion Plan**

| Sr. No. | Particulars | End-March 2010 | End-March 2015 | End-March 2019 | End-March 2020 | End-March 2021* |
|---|---|---|---|---|---|---|
| 1 | **Banking Outlets in Villages- Branches** | **33,378** | **49,571** | **52,489** | **54,561** | **55,112** |
| 2 | Banking Outlets in Villages>2000-BCs | 8,390 | 90,877 | 1,30,687 | 1,49,106 | 8,50,406^ |
| 3 | Banking Outlets in Villages<2000-BCs | 25,784 | 4,08,713 | 4,10,442 | 3,92,069 | 3,40,019 |
| 4 | **Total Banking Outlets in Villages – BCs** | **34,174** | **4,99,590** | **5,41,129** | **5,41,175** | **11,90,425^** |
| 5 | Banking Outlets in Villages – Other Modes | 142 | 4,552 | 3,537 | 3,481 | 2,542 |
| 6 | **Banking Outlets in Villages –Total** | **67,694** | **5,53,713** | **5,97,155** | **5,99,217** | **12,48,079** |
| 7 | Urban Locations Covered Through BCs | 447 | 96,847 | 4,47,170 | 6,35,046 | 4,26,745^ |
| 8 | BSBDA - Through Branches (No. in Lakh) | 600 | 2,103 | 2,547 | 2,616 | 2,659 |
| 9 | BSBDA - Through Branches (Amt. in Crore) | 4,400 | 36,498 | 87,765 | 95,831 | 1,18,392 |
| 10 | BSBDA - Through BCs (No. in Lakh) | 130 | 1,878 | 3,195 | 3,388 | 3,796 |
| 11 | BSBDA - Through BCs (Amt. in Crore) | 1,100 | 7,457 | 53,195 | 72,581 | 87,623 |
| 12 | **BSBDA - Total (No. in Lakh)** | **735** | **3,981** | **5,742** | **6,004** | **6,455** |
| 13 | **BSBDA - Total (Amt. in Crore)** | **5,500** | **43,955** | **1,40,960** | **1,68,412** | **2,06,015** |
| 14 | OD Facility Availed in BSBDAs (No. in Lakh) | 2 | 76 | 59 | 64 | 60 |
| 15 | OD Facility Availed in BSBDAs (Amt. in Crore) | 10 | 1,991 | 443 | 529 | 534 |
| 16 | KCC - Total (No. in Lakh) | 240 | 426 | 491 | 475 | 466 |
| 17 | KCC - Total (Amt. in Crore) | 1,24,000 | 4,38,229 | 6,68,044 | 6,39,069 | 6,72,624 |
| 18 | GCC - Total (No. in Lakh) | 10 | 92 | 120 | 202 | 202 |
| 19 | GCC - Total (Amt. in Crore) | 3,500 | 1,30,160 | 1,74,514 | 1,94,048 | 1,55,826 |
| 20 | ICT-A/Cs-BC-Total Transactions (No. in Lakh) # | 270 | 4,770 | 21,019 | 32,318 | 47,668 |
| 21 | ICT-A/Cs-BC-Total Transactions (Amt. in Crore) # | 700 | 85,980 | 5,91,347 | 8,70,643 | 11,48,237 |

**Notes:** 1. *: Provisional.
2. ^: Significant change in numbers is due to reclassification done by banks.
3. #: Transactions during the year.
**Source:** FIP returns submitted by banks.

deposits of ₹1.49 lakh crore deposits as on December 15, 2021[27]. The majority of these accounts are maintained with PSBs and RRBs (97 per cent), with nearly two-thirds of the total accounts operational in rural and semi-urban areas (Chart IV.39a). The usage of these accounts, however, moderated as evident from the marginal decline in average balances for September 2021 across all bank groups (Chart IV.39b). There has been a steady increase in the number of RuPay debit cards issued, driven by both PSBs and RRBs.

**Chart IV.39: PMJDY Accounts: Distribution and Average Balance**




**Source:** Pradhan Mantri Jan Dhan Yojana, Government of India.

[27] Available at https://pmjdy.gov.in/account

*12.3 New Bank Branches by SCBs*

IV.83 Opening of new bank branches moderated for the second consecutive year, with focus of banks shifting to leveraging the BC model and digitisation of banking operations, enabled by automation and data analytics. During 2020-21, new bank branches opened by SCBs declined by 29.2 per cent, on top of a contraction of 6.0 per cent in the previous year. The decline occurred across all population groups as well as bank groups, except for PSBs which increased their brick-and-mortar banking outreach by 15.8 per cent as compared to a year ago (Chart IV.40).

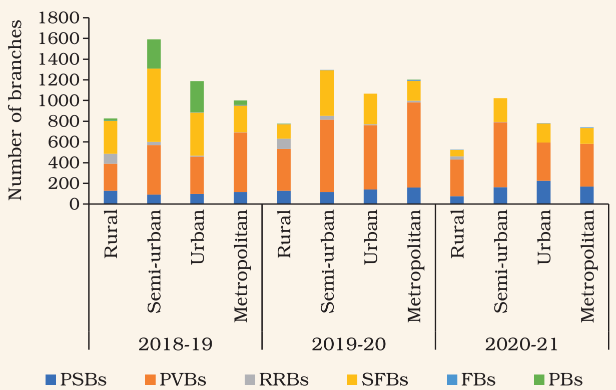
IV.84 Although fewer branches were opened across all tier centres, more than half of the new branches were opened in Tier 1 and Tier 2 centres in 2020-21 (Table IV.26).

*12.4 Microfinance Programme*

IV.85 Microfinance involves extension of small loans and other financial services to low-income individuals or groups who are otherwise deprived of access to formal financial services. Over the years, microfinance programmes have played a significant role in facilitating financial inclusion, particularly among the unbanked and underbanked segments of the population. The Self-Help Group – Bank Linkage Programme (SHG – BLP) promoted by the National Bank for Agriculture and Rural Development (NABARD) has emerged as the world's largest microfinance programme in terms of number of beneficiaries and micro-credit extended.

IV.86 At end-March 2021, while SHGs' savings with banks increased by 43.3 per cent, their loans outstanding with banks declined by 4.4 per cent in relation to end-March 2020 levels. Loans disbursed during 2020-21 declined by 25.2 per cent in comparison to a growth of 33.2 per cent a year ago. Micro-credit disbursements to

**Chart IV.40: Bank and Population Group-wise Newly Opened Bank Branches by SCBs**




**Notes:** 1. Population-group wise classification of centres is as follows: 'Rural' includes centres with population of less than 9,999, 'Semi-Urban' includes centres with population of 10,000 to 99,999, 'Urban' includes centres with population of 1, 00,000 to 9, 99,999 and 'Metropolitan' includes centres with population of 10, 00,000 and above.
2. Data exclude 'Administrative Offices'.
3. All population figures are as per census 2011.

**Source:** Central Information System for Banking Infrastructure (CISBI) (erstwhile Master Office File system) database, RBI (position as on December 01, 2021). CISBI data are dynamic in nature and are updated based on information as received from banks and processed at our end.

**Table IV.26: Tier-wise Break-up of Newly Opened Bank Branches by SCBs**

| Centre | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|---|
| Tier 1 | 1694 | 2191 | 2266 | 1520 |
| | (40.2) | (47.5) | (52.3) | (49.6) |
| Tier 2 | 359 | 520 | 371 | 280 |
| | (8.5) | (11.3) | (8.6) | (9.1) |
| Tier 3 | 620 | 709 | 568 | 481 |
| | (14.7) | (15.4) | (13.1) | (15.7) |
| Tier 4 | 374 | 361 | 354 | 262 |
| | (8.9) | (7.8) | (8.2) | (8.5) |
| Tier 5 | 472 | 373 | 282 | 177 |
| | (11.2) | (8.1) | (6.5) | (5.8) |
| Tier 6 | 693 | 454 | 492 | 346 |
| | (16.5) | (9.9) | (11.4) | (11.3) |
| **Total** | **4212** | **4608** | **4333** | **3066** |
| | **(100.0)** | **(100.0)** | **(100.0)** | **(100.0)** |

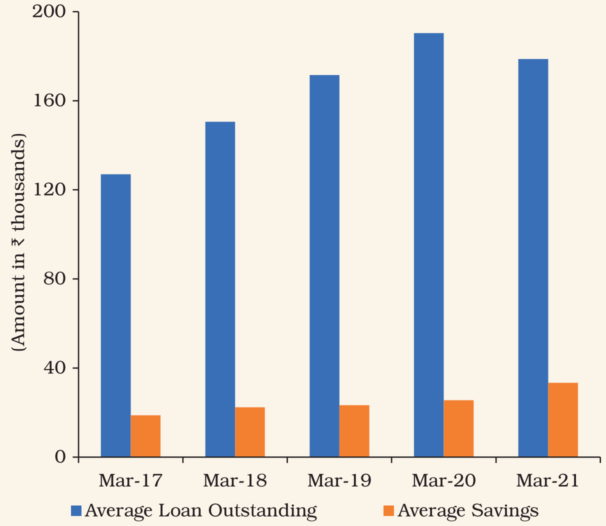
**Notes:** 1. Tier-wise classification of centres is as follows: 'Tier 1' includes centres with population of 1, 00,000 and above, 'Tier 2' includes centres with population of 50,000 to 99,999, 'Tier 3' includes centres with population of 20,000 to 49,999, 'Tier 4' includes centres with population of 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 (erstwhile Master Office File system) database, RBI (position as on December 01, 2021). CISBI data are dynamic in nature and are updated based on information as received from banks and processed at our end.

Joint Liability Groups (JLGs) and microfinance institutions also contracted by 30 per cent and 37 per cent, respectively, attributable to subdued economic activity on account of nation-wide lockdowns due to the pandemic (Appendix Table IV.13).

IV.87 On an average, the amount of savings per SHG augmented by 30.8 per cent from ₹25,531 in 2019-20 to ₹33,392 in 2020-21, whereas the credit outstanding per SHG has decreased by 5.8 per cent from ₹1.90 lakh to ₹1.79 lakh during the same period (Chart IV.41). The NPA ratio of SHGs continued to improve, however, from 5.2 per cent in 2018-19 (4.9 per cent in 2019-20) to 4.7 per cent in 2020-21[28].

**Chart IV.41: SHGs – Average Loan Outstanding and Average Savings**




**Source:** NABARD.

### *12.5 Credit to Micro, Small and Medium Enterprises*

IV.88 The number of MSME accounts decelerated for all SCBs during 2020-21, primarily driven by PVBs and FBs. The share of PSBs in total MSME credit outstanding has witnessed a secular decline since 2017-18, with corresponding increase in the share of PVBs. The average amount of credit disbursed by PVBs, however, was much lower than that by PSBs (Table IV.27).

### *12.6 Trade Receivables Discounting System*

IV.89 The Trade Receivables Discounting System (TReDS) was launched by the Reserve

**Table IV.27: Credit Flow to the MSME Sector by SCBs**

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

| Bank Groups | Items | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|---|---|
| PSBs | No. of accounts | 111.01 (-0.86) | 112.96 (1.76) | 110.82 (-1.89) | 150.77 (36.05) |
| | Amount Outstanding | 8,64,597.79 (4.30) | 8,80,032.90 (1.79) | 8,93,314.83 (1.51) | 9,08,659.06 (1.72) |
| PVBs | No. of accounts | 148.33 (24.03) | 205.30 (38.41) | 270.62 (31.82) | 266.81 (-1.41) |
| | Amount Outstanding | 4,10,760.21 (-4.69) | 5,63,678.47 (37.23) | 6,46,988.27 (14.78) | 7,92,041.95 (22.42) |
| FBs | No. of accounts | 2.20 (6.28) | 2.40 (9.09) | 2.74 (14.17) | 2.60 (-5.11) |
| | Amount Outstanding | 48,881.34 (33.91) | 66,939.13 (36.94) | 73,279.06 (9.47) | 83,223.79 (13.57) |
| **All SCBs** | No. of accounts | 261.54 (11.95) | 320.68 (22.61) | 384.18 (19.80) | 420.19 (9.37) |
| | Amount Outstanding | 13,24,239.35 (2.15) | 15,10,650.52 (14.08) | 6,13,582.17 (6.81) | 17,83,924.80 (10.56) |

**Note:** Figures in the parentheses indicate y-o-y growth rates.
**Source:** Financial Inclusion and Development Department, RBI.

[28] NABARD Annual Report 2020-21

Bank in 2017 to facilitate financial inclusion of MSMEs. It is an electronic platform for financing/ discounting trade receivables of MSMEs due from large corporates, PSUs and government departments with banks/NBFCs through a competitive auction process. Over the last four years, there has been noteworthy growth in the financing of trade receivables of MSMEs through the TReDS platform. During 2020-21, the number of invoices uploaded and financed through the platform grew by more than 62 per cent, with the success rate[29] improving to 91.3 per cent from 90.2 per cent in the previous year (Table IV.28). Going forward, with the central government permitting non-factor NBFCs and other entities to offer factoring services, credit supply to MSMEs through the platform is expected to increase further. Onboarding of more public sector enterprises on the TReDS can make a material difference in making the scheme more effective.

**Table IV.28: Progress in MSME Financing through TReDS**

(Invoices in number, amount in ₹ crore)

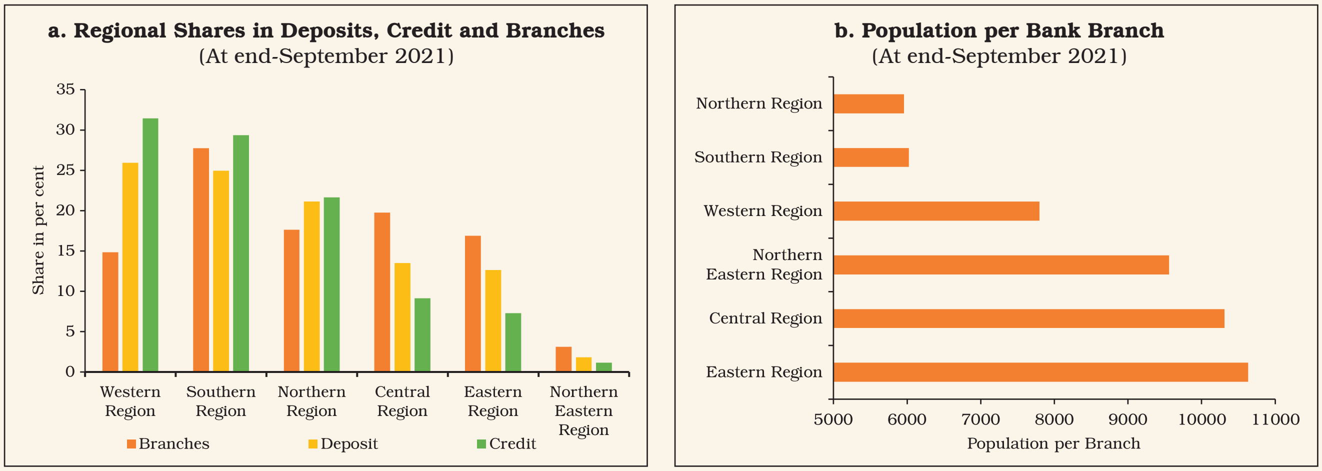
| Financial Year | Invoices Uploaded | | Invoices Financed | |
|---|---|---|---|---|
| | Invoices | Amount | Invoices | Amount |
| 2017-18 | 22,704 | 1,094.82 | 19,890 | 814.54 |
| 2018-19 | 2,51,695 | 6,699.57 | 2,32,098 | 5,854.48 |
| 2019-20 | 5,30,077 | 13,088.27 | 4,77,969 | 11,165.86 |
| 2020-21 | 8,61,560 | 19,669.84 | 7,86,555 | 17,080.14 |

**Source:** RBI.

### *12.7 Regional Banking Penetration*

IV.90 Notwithstanding concerted efforts to improve banking penetration across geographies, banking outreach at the sub-national level remains tilted towards western, southern and northern regions in terms of shares in credit, deposits and number of branches (Chart IV.42a). Accordingly, the average population served per bank branch remains significantly higher in eastern, central and north-eastern regions relative to other parts of the country (Chart IV.42b).

**Chart IV.42: Regional Penetration of Banks**




**Source:** RBI and Ministry of Statistics and Program Implementation (MoSPI).

[29] Defined as per cent of invoices uploaded that get financed.

## 13. Regional Rural Banks

IV.91 Combining the reach, familiarity and rural orientation of credit co-operatives and professionalism of commercial banks, regional rural banks (RRBs) attend to the basic banking and credit needs of small farmers, agricultural labourers, artisans and other rural poor. RRBs are jointly owned by the Government of India, the concerned State Government, and the sponsoring commercial bank. The ownership pattern espouses the spirit of co-operative federalism and aspires to achieve the goal of last mile financial inclusion.

IV.92 The number of RRBs reduced from 45 to 43 during 2020-21, due to amalgamation of 3 RRBs in Uttar Pradesh as a part of the third phase of their consolidation programme. Amalgamation drives in RRBs have helped boost their profitability and improved their asset quality while strengthening their capital base (Box IV.5).

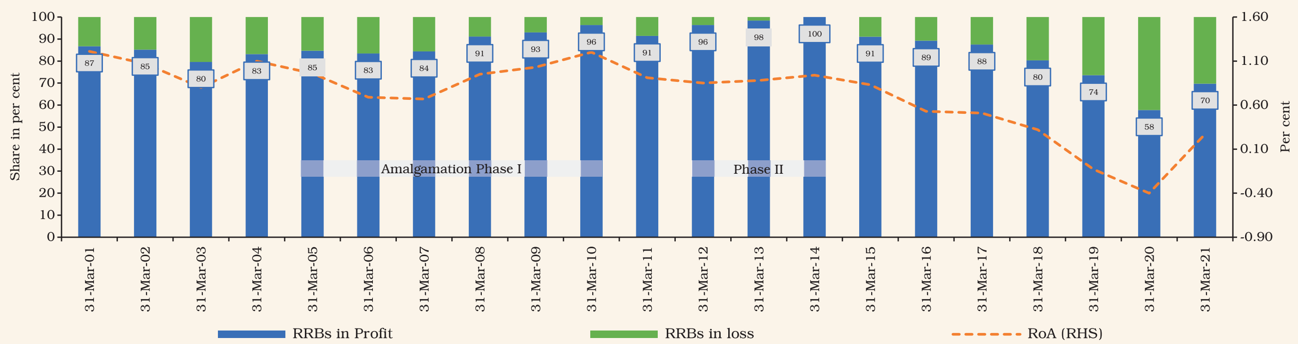
### Box IV.5: Impact of Amalgamation of Regional Rural Banks

Since their inception in 1975, RRBs remained unprofitable for nearly two decades, constrained by limited operational flexibility, inadequate scope for expansion or diversification and small ticket but high-risk lending profiles. In 1994-95 the government initiated reforms which, coupled with capital infusion, helped them turn profitable. However, at end-March 2005, 42 per cent of the RRBs still carried legacy losses. In order to improve their operational viability and to take advantage of economies of scale, the government initiated a consolidation programme in 2005-06[30].

In the first phase (2005-2010), RRBs belonging to the same sponsor bank within a state were amalgamated; in the second phase (2012-2014), RRBs across sponsor banks within a state were amalgamated. The third phase of amalgamation was initiated in 2018-19 on the principle of 'One state - One RRB' in smaller states and reduction in the number of RRBs in larger states. As a result, the number of RRBs reduced from 196 in 2005 to 43 at end-March 2021, while the number of standalone RRBs that have never undergone any amalgamation since their inception came down to 9.

**Impact on Profitability:** The share of profitable and sustainably viable[31] RRBs improved continuously during the first two phases of amalgamation[32] (Chart 1). The quantum of accumulated losses as a percentage of total

**Chart 1: Impact of Amalgamation on Profitability**




**Source:** NABARD.

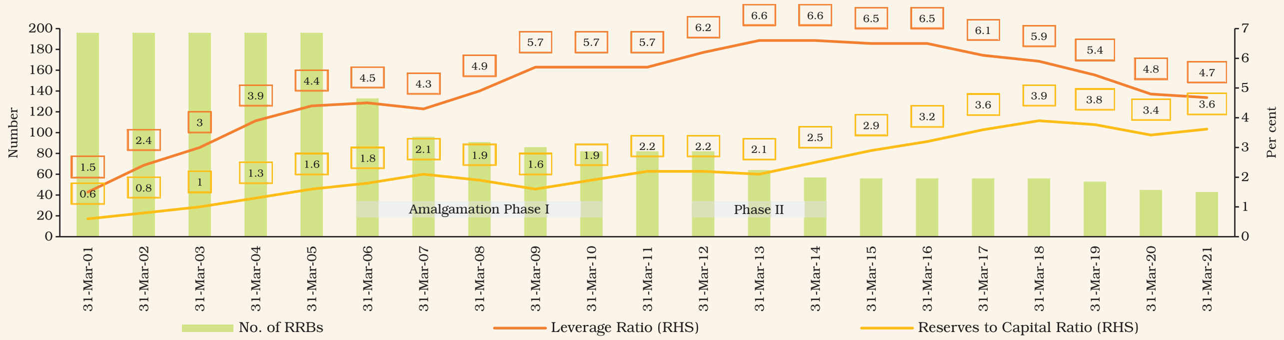
*(Contd...)*

[30] The amalgamation process was initiated based on the recommendations of the "Advisory Committee on Flow of Credit to Agriculture and Related Activities" (Dr.Vyas Committee, 2004) and the recommendations of the Internal Working Group on RRBs, headed by Shri A.V. Sardesai.

[31] RRBs that do not have accumulated losses and have posted net profit in the current year.

[32] The impact of the third phase of amalgamation on bank financials cannot be independently gauged since the pension scheme, implemented from April 2018, has also had a simultaneous impact.

**Chart 2: Impact of Amalgamation on Capital and Leverage**




**Note:** Leverage ratio of RRBs is calculated as a percentage of core capital (share capital+reserves-accumulated losses) to the total assets of the bank.
**Source:** NABARD.

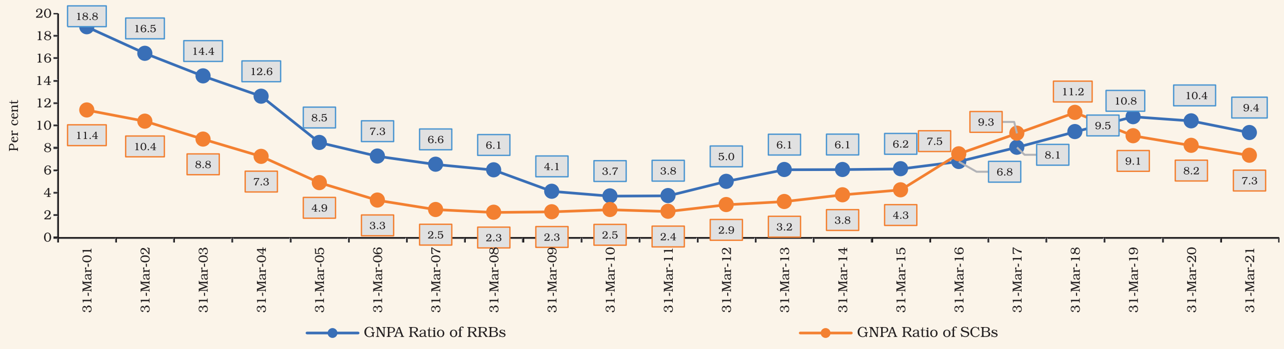
assets declined throughout the two phases. RoA increased steeply during the first phase but declined after 2009-10 due to withdrawal of income tax concessions given to them and greater recognition of asset quality.

**Impact on Capital Position:** Improved profitability of RRBs post amalgamation, coupled with capital infusion in weak banks, boosted their leverage ratio, as well as the reserves to capital ratio[33] (Chart 2). The percentage of RRBs requiring recapitalisation to achieve regulatory norm of 9 per cent CRAR decreased in the post amalgamation phases.

**Impact on Asset Quality:** RRBs have historically had higher GNPA ratio than SCBs. Since the beginning of the amalgamation process, the difference between the two has decreased, partly reflecting increased professionalism and efficiencies of scale amongst RRBs. Post the AQR, while the GNPAs of both SCBs and RRBs increased, the increase in the latter was less sharp than in the former. This asset quality deterioration of RRBs was due to more transparent recognition of NPAs that were concentrated in economically aspirational regions (Chart 3).

**Impact on Business Parameters:** The average growth rate in key business parameters *viz.*, credit and deposits peaked during the first phase of amalgamation. While the C-D ratio consistently improved even subsequently, growth in credit and deposits was less sanguine. After the second phase of amalgamation, the C-D ratio reached a trough in 2016-17 due to sharp increase in deposits post demonetisation (Chart 4).

**Chart 3: Impact of Amalgamation on Asset Quality**

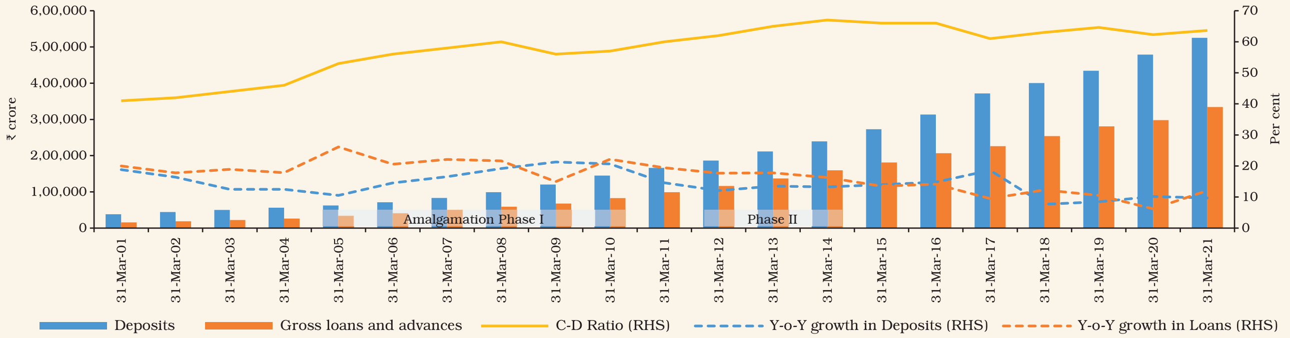



**Source:** NABARD and DBIE, RBI.

*(Contd...)*

[33] The concept of CRAR was introduced for RRBs only in 2007, and consequently, data on CRAR is not available for the period prior to amalgamation. Therefore, leverage ratio and reserves to capital ratio are used for assessing the impact of amalgamation on the capital position of RRBs.

**Chart 4: Impact of Amalgamation on Business Parameters**




**Source:** NABARD

An additional benefit of the amalgamation drive was a renewed focus on priority sector lending. The share of PSL in gross loans and advances increased from an average of 76 per cent during the pre-amalgamation phase to 88 per cent after the second phase of amalgamation. The third phase of the consolidation programme is expected to further improve profitability, capital positions and asset quality of RRBs.

### *13.1 Balance Sheet Analysis*

IV.93 During 2020-21, ₹400 crores (of which Central Government's share was ₹200 crore) was sanctioned towards recapitalisation of 7 RRBs which had CRAR less than 9 per cent. A few RRBs also received state governments' share of recapitalisation sanctioned during the previous financial year. Catalysed by capital infusion and bolstered by growth in borrowings and deposits, the liabilities of RRBs grew robustly during 2020-21. Borrowings were mainly from NABARD, aided by the Special Liquidity Facility (SLF) and relaxations in eligibility criteria for availing refinance.

IV.94 The availability of funds helped RRBs sustain their credit growth at rates higher than SCBs, as also their own 5-year average growth rate of 10.5 per cent. As a result, the C-D ratio of RRBs improved to 63.6 per cent at end-March 2021 from 62.2 per cent at end-March 2020. During 2020-21, the prevalence of excess liquidity also prompted RRBs to park more funds with the Reserve Bank (Table IV.29).

IV.95 Priority sector lending with a focus on agriculture is the mainstay of RRBs' operations.

**Table IV.29: Consolidated Balance Sheet of Regional Rural Banks**

(Amount in ₹ Crore)

| Sr. No. | Item | At end-March | | Y-o-Y Growth in Percent | |
|---|---|---|---|---|---|
| | | 2020 | 2021P | 2019-20 | 2020-21 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1 | Share Capital | 7,849 | 8,393 | 16.5 | 6.9 |
| 2 | Reserves | 26,814 | 30,348 | 5.6 | 13.2 |
| 3 | Deposits | 4,78,737 | 5,25,226 | 10.2 | 9.7 |
| | 3.1 Current | 10,750 | 11,499 | -3.4 | 7.0 |
| | 3.2 Savings | 2,44,414 | 2,71,516 | 9.1 | 11.1 |
| | 3.3 Term | 2,23,573 | 2,42,211 | 12.2 | 8.3 |
| 4 | Borrowings | 54,393 | 67,864 | 1.6 | 24.8 |
| | 4.1 from NABARD | 46,120 | 61,588 | -1.6 | 33.5 |
| | 4.2 Sponsor Bank | 4,519 | 3,444 | 20.6 | -23.8 |
| | 4.3 Others | 3,754 | 2,832 | 28.7 | -24.6 |
| 5 | Other Liabilities | 20,227 | 19,754 | 13.2 | -2.3 |
| | **Total liabilities/Assets** | 5,88,021 | 6,51,585 | 9.3 | 10.8 |
| 6 | Cash in Hand | 2,860 | 2,954 | -1.8 | 3.3 |
| 7 | Balances with RBI | 16,744 | 18,947 | -6.4 | 13.2 |
| 8 | Balances in current account | 7,613 | 5,987 | 39.2 | -21.4 |
| 9 | Investments | 2,50,859 | 2,75,658 | 10.9 | 9.9 |
| 10 | Loans and Advances (net) | 2,80,220 | 3,15,181 | 7.0 | 12.5 |
| 11 | Fixed Assets | 1,235 | 1,229 | -3.0 | -0.5 |
| 12 | Other Assets # | 28,490 | 31,629 | 27.7 | 11.0 |
| | 12.1 Accumulated Losses | 6,467 | 8,264 | 124.0 | 27.8 |

**Note:** 1. #: Includes accumulated losses
2. P Provisional.
3. Totals may not tally on account of rounding off of figures in ₹ crore. Percentage variations could be slightly different as absolute numbers have been rounded off to ₹ crore.

**Source:** NABARD.

**Table IV.30: Purpose-wise Outstanding Advances by RRBs**
(At end-March)

(Amount in ₹ Crore)

| Sr. No. | Purpose | 2020 | 2021P |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| **I** | **Priority (i to v)** | **2,70,182** | **3,00,962** |
| | *Per cent of total loans outstanding* | 90.6 | 90.1 |
| | i Agriculture | 2,08,762 | 2,33,145 |
| | ii Micro small and medium enterprises | 35,240 | 39,543 |
| | iii Education | 2,358 | 2,132 |
| | vi Housing | 19,814 | 21,127 |
| | v Others | 4,008 | 5,016 |
| **II** | **Non-priority (i to vi)** | **28,032** | **33,209** |
| | *Per cent of total loans outstanding* | 9.4 | 9.9 |
| | i Agriculture | 9 | **29** |
| | ii Micro small and medium enterprises | 495 | 434 |
| | iii Education | **74** | **92** |
| | iv Housing | 3,538 | 4,347 |
| | v Personal Loans | 7,069 | 8,311 |
| | vi Others | 16,847 | 19,996 |
| **Total (I+II)** | | **2,98,214** | **3,34,171** |

**Notes:** 1. P: Provisional
2. Totals may not tally on account of rounding off of figures in ₹ crore.
**Source:** NABARD.

During 2020-21, agricultural lending constituted 70 per cent of total loans and advances of RRBs (Table IV.30). Even though their total asset size was only 3.3 per cent of that of SCBs, their loans to the sector were 16.8 per cent of the SCBs' advances. With all except 3 RRBs lending more than 75 per cent of the previous year's ANBC to the priority sector, they overachieved their target by 17 per cent in 2020-21 (Appendix Table IV.15).

*13.2 Performance of RRBs*

IV.96 During 2020-21, RRBs, as a whole, turned around from losses in the preceding two years and reported net profit despite a moderation in their interest income as their interest expenses contracted (Table IV.31). Moreover, RRBs effectively utilised their high priority sector lending portfolio (particularly agriculture) to augment their income through sale of PSLCs.

**Table IV.31: Financial Performance of Regional Rural Banks**

(Amount in ₹ Crore)

| Sr. No. | Item | Amount | | Y-o-Y Change in per cent | |
|---|---|---|---|---|---|
| | | 2019-20 | 2020-21P | 2019-20 | 2020-21 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| **A** | **Income (i + ii)** | **49,452** | **53,858** | **15.0** | **8.9** |
| | i Interest income | 43,698 | 46,803 | 12.2 | 7.1 |
| | ii Other income | 5,754 | 7,055 | 41.8 | 22.6 |
| **B** | **Expenditure (i+ii+iii)** | **51,660** | **52,176** | **18.4** | **1.0** |
| | i Interest expended | 25,985 | 25,588 | 9.6 | -1.5 |
| | ii Operating expenses | 20,076 | 19,768 | 45.4 | -1.5 |
| | *of which*, Wage bill | 14,654 | 15,101 | 56.2 | 3.0 |
| | iii Provisions and contingencies | 5,599 | 6,819 | -8.5 | 21.8 |
| | *of which*, Income Tax | 931 | 1,279 | 12.3 | 37.5 |
| **C** | **Profit** | | | | |
| | i Operating profit | 2,972 | 8,304 | -45.6 | 179.5 |
| | ii Net profit | -2,208 | 1,682 | - | |
| **D** | **Total Average Assets** | **5,55,660** | **6,17,305** | **7.2** | **11.1** |
| **E** | **Financial ratios #** | | | | |
| | i Operating profit | 0.5 | 1.3 | | |
| | ii Net profit | -0.4 | 0.3 | | |
| | iii Income (a + b) | 8.9 | 8.7 | | |
| | (a) Interest income | 7.9 | 7.6 | | |
| | (b) Other income | 1.0 | 1.1 | | |
| | iv Expenditure (a+b+c) | 9.3 | 8.5 | | |
| | (a) Interest expended | 4.7 | 4.1 | | |
| | (b) Operating expenses | 3.6 | 3.2 | | |
| | *of which*, Wage bill | 2.6 | 2.4 | | |
| | (c) Provisions and contingencies | 1.0 | 1.1 | | |
| **F** | **Analytical Ratios (%)** | | | | |
| | Gross NPA Ratio | 10.4 | 9.4 | | |
| | CRAR | 10.3 | 10.2 | | |

**Notes:** 1. P- Provisional
2. # Financial ratios are percentages with respect to average total assets.
3. Totals may not tally and percentage variations could be slightly different on account of rounding off of figures in ₹ crore.
4. Provisions & Contingencies include Provision for Income Tax/ Income Tax paid.
**Source:** NABARD.

During 2020-21, the total volume of PSLCs traded by RRBs grew by 26 per cent and they accounted for 33 per cent of the total volume of PSLCs traded by all banks.

IV.97 During 2020-21, even as 30 of the 43 RRBs posted net profit (Appendix Table IV.14), 17 RRBs carried accumulated losses of ₹8,264 crore as at end-March 2021, and 16 of them had CRARs less than the regulatory minimum of 9 per cent.

IV.98 In the budget estimates for 2021-22, the Central Government allocated ₹1,200 crore for recapitalisation of RRBs, which is expected to further strengthen their capital buffers and help enhance their credit disbursement to the rural poor.

IV.99 According to the Fraud Vulnerability Index (VINFRA) that measures adherence to fraud management guidelines, out of the 42 RRBs (for which data are available for 2020-21), 41 RRBs were categorised as Grade A, indicating least vulnerability. However, being a self-assessment tool, the gradation does not completely preclude the vulnerability of a bank against fraud. On the other hand, the Vulnerability Index for Cyber Security Framework (VICS), which is also a self-assessment tool, during 2020-21, indicated 21 out of the 43 RRBs were categorised as Grade A, while 6 RRBs fell under Grade C, reflecting the need for strengthening their cyber security framework (CSF).

## 14. Local Area Banks

IV.100 Local Area Banks (LABs) were set up as private limited companies with the objective of enabling local institutions to mobilise rural savings and strengthen institutional credit mechanisms in local areas (up to three contiguous district towns). During 2020-21, the Reserve Bank cancelled the banking licence issued to Subhadra Local Area Bank Ltd., Kolhapur, Maharashtra and consequently, the number of LABs operational in the country reduced to two, accounting for a mere 0.006 per cent of the total assets of SCBs as at end-March 2021.

IV.101 The consolidated balance sheet of LABs expanded during 2020-21. However, the credit–deposit ratio remained unchanged at around 81 per cent (Table IV.32).

**Table IV.32: Profile of Local Area Banks**
(At end-March)

(Amount in ₹ crore)

| | 2019-20 | 2020-21 |
|---|---|---|
| 1. Assets | 1026.0 | 1170.8 |
| | (10.8) | (14.1) |
| 2. Deposits | 813.8 | 952.5 |
| | (9.0) | (17.0) |
| 3. Gross Advances | 660.5 | 769.2 |
| | (18.0) | (16.5) |

**Notes:** Figures in parenthesis represent y-o-y growth in per cent.
**Source:** Off-site returns, global operations, RBI.

### *14.1 Financial Performance of LABs*

IV.102 The profitability of LABs improved during 2020-21 as the contraction in operating expenses, especially the wage bill, outweighed that in non-interest income, which resulted in boosting profitability ratios (Table IV.33).

**Table IV.33: Financial Performance of Local Area Banks**
(At end-March)

| | Amount (in ₹ crore) | | Y-o-Y growth (in per cent) | |
|---|---|---|---|---|
| | 2020 | 2021 | 2019-20 | 2020-21 |
| **1. Income (i+ii)** | **135** | **148** | **14.9** | **9.5** |
| i. Interest income | 107 | 123 | 10.6 | 14.8 |
| ii. Other income | 28 | 25 | 35.0 | -10.4 |
| **2. Expenditure (i+ii+iii)** | **121** | **122** | **13.9** | **0.2** |
| i. Interest expended | 52 | 55 | 14.8 | 6.5 |
| ii. Provisions and contingencies | 13 | 20 | 53.8 | 47.1 |
| iii. Operating expenses | 56 | 47 | 6.7 | -16.7 |
| *of which*, wage bill | 26 | 22 | 8.1 | -15.9 |
| **3. Profit** | | | | |
| i. Operating profit/loss | 27 | 46 | 37.3 | 69.7 |
| ii. Net profit/loss | 14 | 27 | 24.6 | 91.3 |
| **4. Net Interest Income** | **55** | **68** | **6.9** | **22.7** |
| **5. Total Assets** | **1026** | **1171** | **10.8** | **14.1** |
| **6. Financial Ratios @** | | | | |
| i. Operating Profit | 2.7 | 3.9 | | |
| ii. Net Profit | 1.4 | 2.3 | | |
| iii. Income | 13.2 | 12.7 | | |
| iv. Interest Income | 10.4 | 10.5 | | |
| v. Other Income | 2.8 | 2.2 | | |
| vi. Expenditure | 11.8 | 10.4 | | |
| vii. Interest Expended | 5.0 | 4.7 | | |
| viii. Operating Expenses | 5.5 | 4.0 | | |
| ix. Wage Bill | 2.6 | 1.9 | | |
| x. Provisions and contingencies | 1.3 | 1.7 | | |
| xi. Net Interest Income | 5.4 | 5.8 | | |

**Notes:** 1. Financial ratios for 2019-20 and 2020-21 are calculated based on the asset of current year only.
2. 'Wage Bill' is taken as payments to and provisions for employees.
3. @: Ratios as per cent of average assets of last two years.
**Source:** Off-site returns, global operations, RBI.

## 15. Small Finance Banks

IV.103 Small finance banks (SFBs), set up in 2016, provide a savings vehicle for underserved sections of the population and also meet credit needs of small borrowers, through high technology low-cost operations. These banks are expected to deploy 75 per cent of their ANBC in priority sectors, with at least 50 per cent below ₹25 lakh. As of November 2021, twelve SFBs were operational in the country, including recently licenced Shivalik Small Finance Bank Ltd. and Unity Small Finance Bank Ltd.

*15.1 Balance Sheet of SFBs*

IV.104 Since their inception, the consolidated balance sheet of SFBs has been growing at a pace higher than that of SCBs, mainly reflecting inorganic growth in their operations. During 2020-21, this was aided by higher deposits on the liabilities side. With SFBs offering lucrative interest rates on savings accounts, the share of CASA in their total deposits increased to 23.9 per cent in 2020-21, from 15.4 per cent in 2019-20. On the assets side, growth was supported by higher accretion to investments. Although loans and advances was the dominant constituent—with share of more than 66 per cent of total assets—their growth decelerated, reflecting the overall system wide anaemic credit growth (Table IV.34).

*15.2 Priority Sector Lending of SFBs*

IV.105 The share of SFBs' PSL in total lending declined for the fourth consecutive year during 2020-21, with the non-priority sector accounting for more than 28 per cent of total loans as at end-March 2021. Within the priority sector, micro, small and medium enterprises remained the main focus of SFBs' lending, although their share declined (Table IV.35).

**Table IV.34: Consolidated Balance Sheet of Small Finance Bank**
(At end-March)

(Amount in ₹ crore)

| Sr. No. | | 2020 | 2021 | Y-o-Y growth (in per cent) 2020-21 |
|---|---|---|---|---|
| 1 | Share Capital | 5,150.9 | 5,375.4 | 4.4 |
| 2 | Reserves & Surplus | 11,046.9 | 14,800.3 | 34.0 |
| 3 | Tier II Bonds | 3,795.4 | 2,468.0 | -35.0 |
| 4 | Deposits | 82,487.8 | 1,09,472.5 | 32.7 |
| | 4.1 Current Demand Deposits | 2,381.2 | 3,964.2 | 66.5 |
| | 4.2 Savings | 10,283.5 | 22,198.3 | 115.9 |
| | 4.3 Term | 69,823.0 | 83,310.0 | 19.3 |
| 5 | Borrowings (Including Tier II Bonds) | 30,004.2 | 27,828.2 | -7.3 |
| | 5.1 Bank | 3,783.8 | 1,366.4 | -63.9 |
| | 5.2 Others | 26,220.5 | 26,461.8 | 0.9 |
| 6 | Other Liabilities & provisions | 4,078.4 | 6,076.3 | 49.0 |
| **Total liabilities/Assets** | | **1,32,768.2** | **1,63,552.5** | **23.2** |
| 7 | Cash in Hand | 975.9 | 1,052.2 | 7.8 |
| 8 | Balances with RBI | 4,082.4 | 5,869.2 | 43.8 |
| 9 | Other Bank Balances/ Balances with Financial Institutions | 8,700.9 | 12,309.1 | 41.5 |
| 10 | Investments | 24,203.1 | 30,659.8 | 26.7 |
| 11 | Loans and Advances | 90,576.1 | 1,08,612.6 | 19.9 |
| 12 | Fixed Assets | 1,649.3 | 1,676.3 | 1.6 |
| 13 | Other Assets | 2,580.4 | 3,373.2 | 30.7 |

**Note:** Data pertain to ten SFBs operational as at end March 2021.
**Source:** Off-site returns (domestic operations), RBI.

*15.3 Financial Performance of SFBs*

IV.106 Despite the significant acceleration in operating profits during 2020-21, net profits of

**Table IV.35: Purpose-wise Outstanding Advances by Small Finance Banks**
(Share in total advances)

| Purpose | 31-Mar-20 | 31-Mar-21 |
|---|---|---|
| **I Priority (i to v)** | **76.0** | **71.8** |
| *Per cent to total loans outstanding* | | |
| i. Agriculture and allied activities | 22.1 | 21.8 |
| ii. Micro small and medium enterprises | 34.4 | 25.9 |
| iii. Education | 0.1 | 0.1 |
| iv. Housing | 3.8 | 4.3 |
| v. Others | 15.7 | 19.7 |
| **II Non-priority (i to vi)** | **24.0** | **28.2** |
| **Total (I+II)** | **100.0** | **100.0** |

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

**Table IV.36: Financial Performance of Small Finance Banks**
(At end-March)

(Amount in ₹ crore)

| Sr. No. | Item | 2020 | 2021 | Y-o-Y growth (in per cent) 2020-21 |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| **A** | **Income (i + ii)** | **19,219.1** | **22,499.9** | **17.1** |
| i | Interest Income | 16,947.9 | 19,523.4 | 15.2 |
| ii | Other Income | 2,271.2 | 2,976.4 | 31.1 |
| **B** | **Expenditure (i+ii+iii)** | **17,251.1** | **20,462.2** | **18.6** |
| i | Interest Expended | 7,927.7 | 9,122.2 | 15.1 |
| ii | Operating Expenses | 7,152.0 | 7,549.0 | 5.6 |
| | *of which,* Staff Expenses | 3,811.2 | 4,301.8 | 12.9 |
| iii | Provisions and contingencies | 2,171.5 | 3,791.0 | 74.6 |
| **C** | **Profit (Before Tax)** | **2,678.6** | **2,580.9** | **-3.6** |
| i | Operating Profit (EBPT) | 4,141.4 | 5,828.7 | 40.7 |
| ii | Net Profit (PAT) | 1,969.9 | 2,037.7 | 3.4 |
| **D** | **Total Assets** | **1,32,768.2** | **1,63,552.5** | **23.2** |
| **E** | **Financial Ratios #** | | | |
| i | Operating Profit | 3.1 | 3.6 | |
| ii | Net Profit | 1.5 | 1.2 | |
| iii | Income (a + b) | 14.5 | 13.8 | |
| | a. Interest Income | 12.8 | 11.9 | |
| | b. Other Income | 1.7 | 1.8 | |
| iv | Expenditure (a+b+c) | 13.0 | 12.5 | |
| | a. Interest Expended | 6.0 | 5.6 | |
| | b. Operating Expenses | 5.4 | 4.6 | |
| | *of which Staff Expenses* | 2.9 | 2.6 | |
| | c. Provisions and contingencies | 1.6 | 2.3 | |
| **F** | **Analytical Ratios (%)** | | | |
| | Gross NPA Ratio | 1.9 | 5.4 | |
| | CRAR | 20.2 | 22.1 | |
| | Core CRAR | 17.2 | 20.1 | |

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

SFBs grew moderately on higher provisioning for bad and restructured loans. The GNPA ratio nearly tripled, reflecting the impact of COVID-19 on asset quality. There was improvement in capital positions (CRARs) on the back of high-quality Tier-1 capital (Table IV.36).

## 16. Payments Banks

IV.107 Payments banks (PBs) were set up as differentiated banks that harness technology to further financial inclusion by providing low-cost banking solutions to small businesses, low-income households and other entities in the unorganised sector. By end-March 2021, six PBs were operational in the country. Unlike commercial banks, PBs are not permitted to undertake lending activities, with restrictions on deposit balances per customer. The Reserve Bank's April 2021 move to enhance the limit of the maximum deposit balance per customer from ₹1 lakh to ₹2 lakh is expected to grant banks more flexibility in their operations.

### *16.1 Balance Sheet of PBs*

IV.108 In contrast to the flat growth in the SCBs' balance sheet, that of PBs expanded by 48.9 per cent in 2020-21, on top of a growth of 17.5 per cent in 2019-20. The acceleration was led by deposits growth on the liabilities side and investments on the assets side (Table IV.37). The share of deposits in total liabilities

**Table IV.37: Consolidated Balance Sheet of Payments Banks**

(Amount in ₹ crore)

| Sr. No. | Item | March-19 | March-20 | March-21 |
|---|---|---|---|---|
| 1. | Total Capital and Reserves | 1,899 | 1,868 | 1,792 |
| 2. | Deposits | 882 | 2,306 | 4,622 |
| 3. | Other Liabilities and Provisions | 4,392 | 4,254 | 6,133 |
| | **Total Liabilities/Assets** | **7,172** | **8,429** | **12,547** |
| 1. | Cash and Balances with RBI | 712 | 785 | 1,255 |
| 2. | Balances with Banks and Money Market | 1,375 | 2,101 | 2,413 |
| 3. | Investments | 3,136 | 4,077 | 7,102 |
| 4. | Fixed Assets | 638 | 351 | 355 |
| 5. | Other Assets | 1,311 | 1,115 | 1,421 |

**Note:** Data for end-March 2019, end-March 2020 and end-March 2021 pertain to seven, six and six PBs, respectively. Hence, the data are not comparable across years.
**Source:** Off-site returns (domestic operations), RBI.

increased to 36.8 per cent from 27.4 per cent a year ago and the recent enhancement in deposit balance limit is expected to further expand their deposit base.

*16.2 Financial Performance of PBs*

IV.109 PBs are still in a nascent stage of development, incurring extensive investment costs for developing basic infrastructure. Moreover, their customer base is yet to develop fully, making break-even challenging. As a result, since inception, they have been suffering losses. The same trend held in 2020-21, despite improvement in their non-interest income (Table IV.38).

IV.110 During 2020-21, efficiency of PBs measured in terms of cost-to-income ratio improved while their NIM declined. Their other performance metrics such as profit margin, RoA, and operating profit to working funds ratio remained negative, although the extent of losses reduced (Table IV.39).

**Table IV.38: Financial Performance of Payments Banks**

(Amount in ₹ crore)

| Sr. No. | Item | March-19 | March-20 | March-21 |
|---|---|---|---|---|
| **A** | **Income (i + ii)** | | | |
| | i. Interest Income | 291 | 348 | 360 |
| | ii. Non-Interest Income | 2,099 | 3,115 | 3,562 |
| **B** | **Expenditure** | | | |
| | i. Interest Expenses | 35 | 62 | 100 |
| | ii. Operating Expenses | 3,265 | 4,324 | 4,584 |
| | Provisions and Contingencies | 26 | -96 | 36 |
| | *of which,* | | | |
| | Risk Provisions | 2 | 3 | 9 |
| | Tax Provisions | 16 | -100 | 22 |
| **C** | **Net Interest Income** | 255 | 286 | 260 |
| **D** | **Profit** | | | |
| | i. Operating Profit (EBPT) | -911 | -923 | -762 |
| | ii. Net Profit | -937 | -827 | -798 |

**Note:** Data for end-March 2019, end-March 2020 and end-March 2021 pertain to seven, six and six PBs, respectively. Hence, the data are not comparable across years.
**Source:** Off-site returns (domestic operations), RBI.

**Table IV.39: Select Financial Ratios of Payments Banks**

| Sr. No. | Item | March-19 | March-20 | March-21 |
|---|---|---|---|---|
| 1 | Return on Assets | -13.1 | -9.8 | -6.4 |
| 2 | Return on Equity | -49.4 | -44.3 | -44.5 |
| 3 | Investments to Total Assets | 43.7 | 48.4 | 56.6 |
| 4 | Net Interest Margin | 6.1 | 4.8 | 2.8 |
| 5 | Efficiency (Cost-Income Ratio) | 136.6 | 124.8 | 116.9 |
| 6 | Operating profit to working funds | -12.7 | -10.9 | -6.1 |
| 7 | Profit Margin | -39.2 | -23.9 | -20.3 |

**Note:** : Data for end-March 2019, end-March 2020 and end-March 2021 pertain to seven, six and six PBs, respectively. Hence, the data are not comparable across years.
**Source:** Off-site returns (domestic operations), RBI.

*16.3 Inward and Outward Remittances of PBs*

IV.111 Total inward and outward remittances through PBs declined by more than 20 per cent in 2020-21, in terms of both volume and value. Given the predominance of small-value large-volume transactions in their operations, UPI had the largest share in total remittance business for the third consecutive year, followed by IMPS and E-wallets (Table IV.40).

## 17. Overall Assessment

IV.112 Notwithstanding a sharp downturn in global as well as domestic macroeconomic conditions, the banking sector in India remained resilient, with strong profitability indicators, and improved asset quality. Various regulatory measures initiated by the Reserve Bank in response to the pandemic played a crucial role in protecting banks' balance sheets, providing necessary liquidity support and stabilising the financial sector. Additionally, the establishment of the National Asset Reconstruction Company

**Table IV.40: Remittances through Payments Banks**

(Number in thousand, amount in ₹ crore)

| Channel | 2019-20 | | | | 2020-21 | | | |
|---|---|---|---|---|---|---|---|---|
| | Inward Remittances | | Outward Remittances | | Inward Remittances | | Outward Remittances | |
| | Number | Amount | Number | Amount | Number | Amount | Number | Amount |
| 1. NEFT | 898 | 19,398 | 1,408 | 43,593 | 1,389 | 26,295 | 826 | 60,649 |
| | (0.4) | (5.3) | (0.6) | (10.1) | (0.9) | (9.8) | (0.5) | (19.8) |
| i) Bill Payments | 63 | 6,103 | 421 | 8,151 | 9 | 17 | 23 | 28 |
| | (0.0) | (1.7) | (0.2) | (1.9) | (0.0) | (0.0) | (0.0) | (0.0) |
| ii) Other than Bill Payments | 835 | 13,295 | 987 | 35,442 | 1,380 | 26,278 | 803 | 60,621 |
| | (0.4) | (3.6) | (0.4) | (8.2) | (0.8) | (9.8) | (0.5) | (19.8) |
| 2. RTGS | 20 | 81,411 | 7 | 56,794 | 19 | 56,460 | 2 | 35,107 |
| | (0.0) | (22.2) | (0.0) | (13.2) | (0.0) | (21.0) | (0.0) | (11.4) |
| 3. IMPS | 14,069 | 34,309 | 34,522 | 1,05,366 | 13,627 | 37,466 | 18,988 | 65,866 |
| | (6.8) | (9.3) | (15.0) | (24.5) | (8.3) | (14.0) | (11.1) | (21.5) |
| 4. UPI | 1,44,227 | 1,70,998 | 1,45,370 | 1,60,976 | 1,17,270 | 1,13,289 | 1,20,069 | 1,03,908 |
| | (69.4) | (46.6) | (63.2) | (37.4) | (71.8) | (42.2) | (70.3) | (33.9) |
| 5. E - Wallets | 33,960 | 23,427 | 40,316 | 41,274 | 23,162 | 20,406 | 30,150 | 38,317 |
| | (16.3) | (6.4) | (17.5) | (9.6) | (14.2) | (7.6) | (17.7) | (12.5) |
| 6. Micro ATM (POS) | 4,736 | 16,746 | 69 | 229 | 3 | 20 | 14 | 45 |
| | (2.3) | (4.6) | (0.0) | (0.1) | (0.0) | (0.0) | (0.0) | (0.0) |
| 7. ATM | - | - | 375 | 1,169 | - | - | 1 | 3 |
| | - | - | (0.2) | (0.3) | - | - | (0.0) | (0.0) |
| 8. Others | 10,045 | 20,740 | 7,840 | 21,515 | 7,821 | 14,384 | 719 | 2,866 |
| | (4.8) | (5.7) | (3.4) | (5.0) | (4.8) | (5.4) | (0.4) | (0.9) |
| **Total** | **2,07,955** | **3,67,030** | **2,29,908** | **4,30,916** | **1,63,292** | **2,68,321** | **1,70,768** | **3,06,761** |

**Notes:** 1. Figures in the parentheses are percentage to total; -: Nil/Negligible.
2. Data for end-March 2020 and end-March 2021 pertain to six PBs each.

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

Limited (NARCL) by the Government of India is expected to aid the recovery process, while alleviating stress on banks' balance sheets.

IV.113 Although credit offtake by banks remained subdued in an environment of risk aversion and muted demand conditions during 2020-21, a pick up has started in Q2:2021-22, with the economy emerging out of the shadows of the second wave of COVID-19. Going forward, revival in bank balance sheets hinges around overall economic growth which is contingent on progress on the pandemic front. However, banks would need to further bolster their capital positions to absorb potential slippages as well as to sustain the credit flow, especially when monetary and fiscal measures unwind. Although most of the regulatory relaxation measures have run their course, full extent of their impact on banking is yet to unravel.

IV.114 Banks would need to strengthen their corporate governance practices and risk management strategies to build resilience in an increasingly dynamic and uncertain economic environment. With rapid technological advancements in the digital payments landscape and emergence of new entrants across the FinTech ecosystem, banks have to prioritise upgrading their IT infrastructure and improving customer services, together with strengthening their cybersecurity.

# V DEVELOPMENTS IN CO-OPERATIVE BANKING

*The co-operative banking segment—both urban and rural—remained robust throughout the COVID-19 stress. Although the balance sheet growth of urban co-operatives banks (UCBs) in 2020-21 was driven by deposits on the liabilities side, subdued credit growth prompted acceleration in investments on the assets side. The financial indicators of UCBs, including their capital position and profitability, improved. Among the short-term rural co-operatives, the profitability of state co-operative banks and district central co-operative banks improved, while their asset quality deteriorated. Going forward, structural reforms that address deep-seated fault lines are expected to catalyse change in their operations.*

## 1. Introduction

V.1 The co-operative banking sector, especially the rural co-operatives, emerged relatively unscathed from the first wave of the pandemic in 2020-21. Yet, structural impediments emanating from regulatory overlaps, high levels of loan delinquencies and erosion of depositor confidence due to frauds continue to beset the sector. In 2020-21, the Reserve Bank and the government set out to address these issues. The Banking Regulation (Amendment) Act, 2020 gave the Reserve Bank additional powers to regulate this sector. The enhancement in deposit insurance from ₹1 lakh to ₹5 lakh augmented the share of co-operative depositors' coverage from 42.7 per cent at end-March 2019 to 69.4 per cent at end-March 2021[1]. The creation of Ministry of Co-operation in July 2021 is intended to provide a separate administrative, legal and policy framework for enabling the development of multi-state co-operatives.

V.2 Against this background, the rest of the chapter examines the performance of urban and rural co-operative banks during the period under review. The structure of the co-operative banking sector and its regulation are set out in Section 2, followed by a discussion of business operations and financial performance of urban co-operative banks (UCBs) in 2020-21 in Section 3. The financial viability of short-term and long-term rural co-operatives is evaluated in Section 4[2]. Section 5 concludes the chapter with an overall assessment.

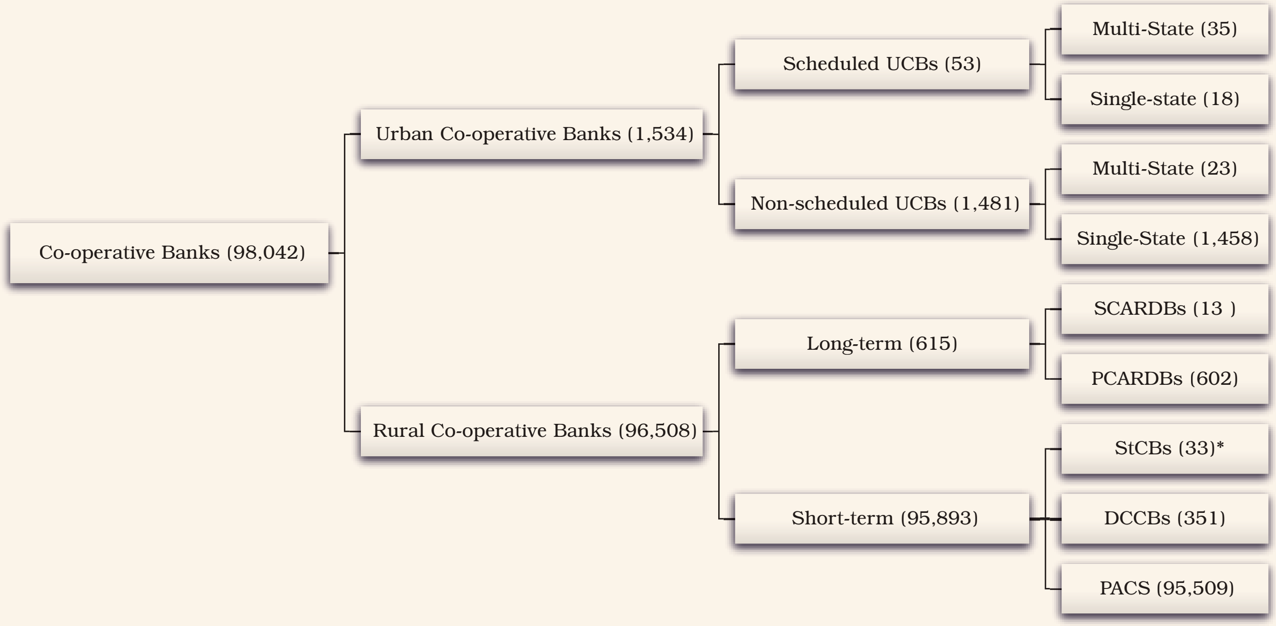
## 2. Structure of the Co-operative Banking Sector

V.3 The structure of co-operative banking in India is multi-tiered, with urban and rural co-operatives as its main pillars. UCBs are classified

[1] Pursuant to the announcement made in the Union Budget 2021-22, the Deposit Insurance and Credit Guarantee Corporation (DICGC) Act was amended on August 13, 2021 which came into force on September 1, 2021. The amendment empowered the DICGC to make interim deposit insurance payouts to troubled banks, even if they are under the Reserve Bank's All Inclusive Directions (AID), within 90 days of imposition of such Directions. As of December 20, 2021, out of 21 troubled banks, the DICGC has paid 16 UCBs that were eligible to receive such payouts. The disbursement of ₹1,374 crore was made through agency bank, involving 1.09 lakh depositors. This has brought considerable relief to long-stressed depositors and instilled confidence in the UCB sector.

[2] Although primary agricultural credit societies (PACS) and long-term co-operatives are outside the regulatory purview of the Reserve Bank, data and a brief description of their activities are covered in this chapter for providing a complete outline of the sector.

**Chart V.1: Structure of Co-operative Banks**




**Notes:** 1. StCBs: State Co-operative Banks; DCCBs: District Central Co-operative Banks; PACS: Primary Agricultural Credit Societies; SCARDBs: State Co-operative Agriculture and Rural Development Banks; PCARDBs: Primary Co-operative Agriculture and Rural Development Banks.
2. Figures in parentheses indicate the number of institutions at end-March 2021 for UCBs and at end-March 2020 for rural co-operatives.
* excludes Daman & Diu StCB which is yet to be bifurcated completely from Goa StCB.
**Source:** RBI, NABARD and NAFSCOB.

as scheduled and non-scheduled, based on their inclusion or otherwise in the second schedule of the Reserve Bank of India Act, 1934[3], and their geographical outreach (single-state or multi-state). Rural co-operatives, on the other hand, are classified into two arms—short-term and long-term. At end-March 2021, there were 98,042 co-operatives, consisting of 1,534 UCBs and 96,508 rural co-operatives[4] (Chart V.1).

V.4 Over a period of time, the relative size and, consequently, the influence of co-operative banks has been shrinking. The aggregate balance sheet size of the co-operative banking sector at ₹18.8 lakh crore at end-March 2020, was close to 10 per cent of the scheduled commercial banks' (SCBs') consolidated balance sheet, down from 19.4 per cent in 2004-05. Rural co-operatives, especially short-term, overshadow their urban counterparts, both in terms of number and total asset size (Chart V.2).

## 3. Urban Co-operative Banks

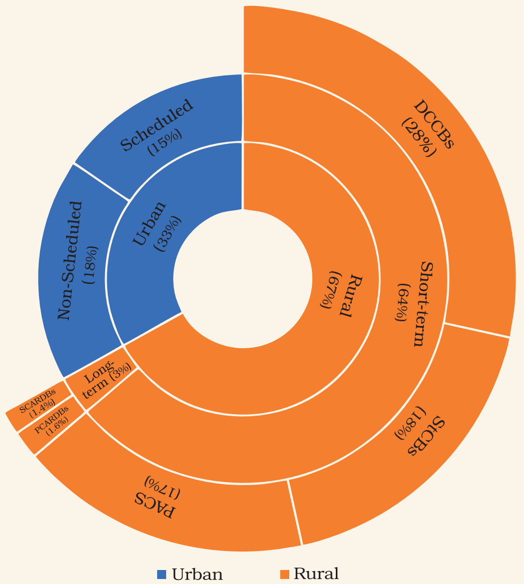
V.5 Financial liberalisation in the 1990s resonated through the urban co-operative banking sector. Interest rate deregulation provided an incentive for attracting new players with wider operational margins, while a liberal licensing policy eased barriers to entry. The number of UCBs increased from 1,307 in 1991 to 2,105 in 2004, accompanied by an 18 per cent compounded annual growth rate (CAGR) of deposits[5]. In subsequent years, however,

[3] Apart from Scheduled Co-operative Banks, Scheduled Commercial Banks are also included in the same schedule of the Act.

[4] Data on rural co-operatives are available with a lag of one year, *i.e.*, they relate to 2019-20.

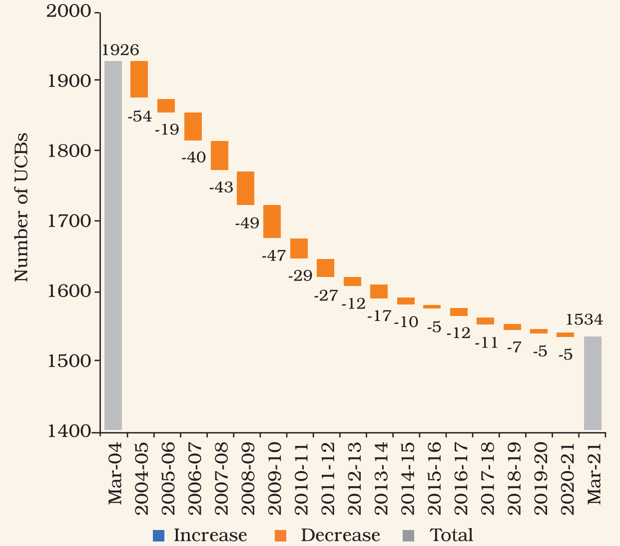
[5] Vision Document for Urban Co-operative Banks, 2005.

**Chart V.2: Distribution of Co-operative Banks by Asset Size**
(At end-March 2020)




**Note:** The sunburst chart represents layers in the co-operative banking sector. Size of each chart segment is proportional to its share (mentioned in parentheses) in total assets of the sector.
**Source:** RBI, NABARD and NAFSCOB.

**Chart V.3: Number of UCBs**

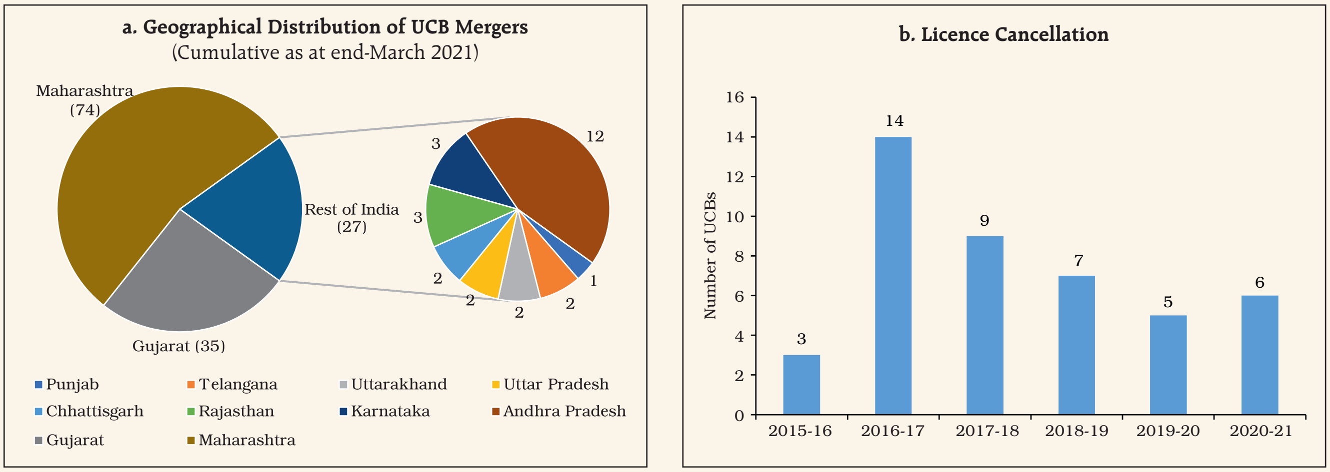



**Source:** Off-site surveillance returns, RBI.

financial weakness in some entities led to concerns about their systemic impact. The Reserve Bank initiated a process of consolidation in the sector, including amalgamation of unviable UCBs with their viable counterparts, closure of non-viable entities and suspension of issuance of new licenses. As a result, the number of UCBs progressively declined to 1,534 by end-March 2021 (Chart V.3).

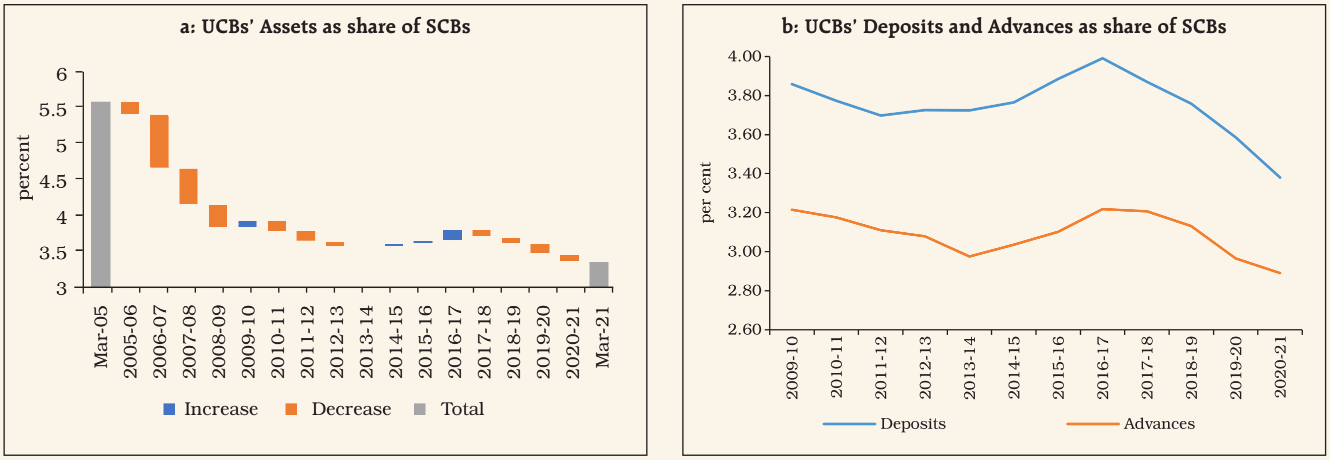
V.6 Starting 2004-05, the consolidation drive has yielded a total of 136 mergers till March 2021, with more than three-fourths of them in two states, *viz.* Maharashtra and Gujarat (Chart V.4a). Licence cancellations accompanied the merger process, with a total of 44 UCB licences being cancelled since 2015-16. With most of the amalgamations and closures occurring in

**Chart V.4: Consolidation Drive in UCBs**




**Source:** RBI

**Chart V.5: Balance Sheet Indicators: UCBs *versus* SCBs**




**Source:** Off-site surveillance returns, RBI.

the non-scheduled category, the number of scheduled UCBs (SUCBs) has broadly remained constant (Chart V.4b).

V.7 Despite the large localised presence of UCBs, their clientele share is increasingly being taken away by SCBs, leveraging on banking correspondent networks and FinTech. As a result, the total balance sheet size of UCBs as a proportion to that of SCBs has fallen from 5.6 per cent at end-March 2005 to 3.4 per cent at end-March 2021 (Chart V.5a). Their share in deposits and advances has also fallen proportionately (Chart V.5b).

V.8 For regulatory purposes, UCBs are classified into Tier-I and Tier-II categories, based on their depositor base[6]. The Tier-II category has become dominant, mainly on the back of an expansion of their depositor bases (Table V.1).

**Table V.1: Tier-wise Distribution of Urban Co-operative Banks**
(At end-March 2021)

(Amount in ₹Crore)

| Tier Type | Number of Banks | | Deposits | | Advances | | Total Assets | |
|---|---|---|---|---|---|---|---|---|
| | Number | % to Total | Amount | % to Total | Amount | % to Total | Amount | % to Total |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Tier I | 846 | 55.1 | 33,854 | 6.4 | 19,188 | 6.1 | 44,120 | 6.7 |
| Tier II | 688 | 44.9 | 4,93,128 | 93.6 | 2,93,577 | 93.9 | 6,13,731 | 93.3 |
| **All UCBs** | **1,534** | **100.0** | **5,26,982** | **100.0** | **3,12,765** | **100.0** | **6,57,851** | **100.0** |

**Note:** Data are provisional.
**Source:** Off-site surveillance returns, RBI.

[6] (a) Tier I UCBs are defined as: i) Banks with deposits below ₹100 crore operating in a single district, ii) Banks with deposits below ₹100 crore operating in more than one district will be treated as Tier I provided the branches are in contiguous districts and deposits and advances of branches in one district separately constitute at least 95 per cent of the total deposits and advances respectively of the bank, and iii) Banks with deposits below ₹100 crore, whose branches were originally in a single district but subsequently, became multi-district due to reorganisation of the district may also be treated as Tier I UCBs.

(b) All other UCBs are defined as Tier-II UCBs.

V.9 Following the failure of a large UCB in 2019, the Reserve Bank initiated supervisory actions to protect depositors' interests. This episode, however, brought forth issues that were simmering for several years. Legislative amendments to the Banking Regulation Act, 1949 carried out in 2020 and alluded to earlier, are considered as important steps to address such issues. Furthermore, the Expert Committee on UCBs (Chairman: Shri N S Vishwanathan) recommended measures to streamline the sector (Box V.1).

### 3.1 Balance Sheet

V.10 The consolidation drive initiated in 2004-05 yielded encouraging results for nearly a decade, with the combined balance sheet of UCBs expanding at a CAGR of 14 per cent. Since 2017-18, however, a low growth phase took hold right up to 2020-21. From 2013-14 to 2015-16, SUCBs were leaders driving the sector's growth; since then, however, non-scheduled UCBs (NSUCBs) have picked up steam. Overall, the sector has been growing at a slower pace than SCBs in the last four years (Chart V.6).

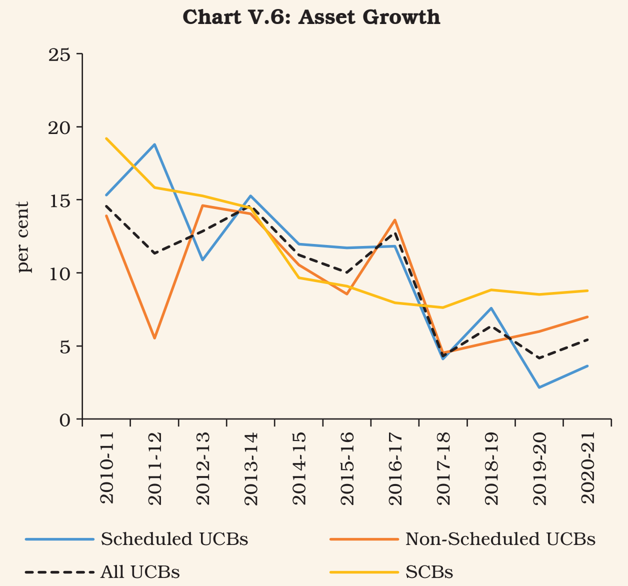
**Box V.1: Report of the Expert Committee on Primary (Urban) Co-operative Banks**

The Reserve Bank set up an Expert Committee on UCBs (Chairman: Shri N.S. Vishwanathan) in February 2021. In its report submitted on July 31, 2021, the Committee has made the following major recommendations:

- Scale-based differential regulation of UCBs by categorizing them into four tiers, based on size of deposits:

| Items | Tier-1 | Tier-2 | Tier-3 | Tier-4 |
|---|---|---|---|---|
| Classification basis | All unit UCBs and salary earner's UCBs, and all UCBs with deposit base up to ₹100 crore | Deposit base between ₹100 crore to ₹1,000 crore | Deposit base between ₹1,000 crore to ₹10,000 crore | Deposit base of over ₹10,000 crore |
| Net worth/ CRAR | A minimum net worth of ₹2 crore for banks operating in a single district and ₹5 crore for others. Minimum CRAR of 9 per cent, with additional CRAR of 2.5 per cent each for not having the prescribed minimum net worth and not being member of the Umbrella Organisation (UO). | A minimum CRAR of 15 per cent (on credit risk), which may be reduced by 1 per cent upon the bank becoming a member of the UO. | A minimum CRAR of 15 per cent as applicable to SFBs | CRAR as per Basel III norms applicable to universal banks |
| Sectoral Exposure Ceilings | Maximum exposure on housing loans, gold loans with bullet repayment terms and unsecured advances to be linked with their Tier 1 capital, subject to regulator-specified ceiling. | Maximum exposure on housing loans, gold loans with bullet repayment terms and unsecured advances to be linked with their Tier 1 capital with their own board-approved ceiling | As applicable to SFBs | As applicable to universal banks |
| Membership of UO | Incentives for membership wherein not being a member attracts higher CRAR requirements. | | Voluntary Membership | |

- The Committee recommended expediting the operationalisation of an UO for which in-principle approval was granted by the Reserve Bank in 2019. It recommended that for the UO to be financially strong with adequate capital, a minimum capital of ₹300 crore may be maintained, while the organisation may have a regulatory framework similar to the regime for the largest segment of NBFCs;
- Considering the need for listing the securities issued by UCBs, suitable amendments may be made in the Banking Regulation Act, 1949 to enable the Reserve Bank to notify instruments issued by co-operative banks as "securities" for the purpose of Securities Contracts (Regulation) Act, 1956 and the Securities and Exchange Board of India Act, 1992 so as to facilitate their listing and trading on recognised stock exchanges.
- Tier 3 and Tier 4 UCBs equipped with necessary technology and wherewithal may be permitted to issue shares at premium;
- On the Supervisory Action Framework, the Committee recommended adoption of a twin indicator approach, *i.e.* only net NPA and CRAR as triggers, instead of triple indicators at present *viz.*, asset quality, capital adequacy and profitability;
- As a remedial action for weak UCBs, the Reserve Bank should nudge them towards voluntary merger at an early stage of stress. For cases where prudential requirements are not met within a prescribed timeline and voluntary solutions are not forthcoming, the Committee has recommended mandatory mergers;
- The Committee also recommended issuance of new licences after the UO has stabilised.



**Source:** Off-site Surveillance returns, RBI.

V.11 UCBs' balance sheet growth in 2020-21 can be attributed to deposits on the liabilities side and investments on the assets side, both of which were spearheaded by NSUCBs. The increase in operating profits is responsible for the growth in UCBs' net worth (capital plus reserves and surplus), while the increase in balances with the Reserve Bank and in investments stems from the lack of credit growth despite excess liquidity conditions. In the aftermath of the outbreak of the pandemic, some major SUCBs had borrowed heavily from the Reserve Bank's repo window under the liquidity adjustment facility (LAF). At end-March 2021, SUCBs' aggregate borrowings declined on base effect (Table V.2).

V.12 The balance sheet composition of SUCBs and NSUCBs differs, with NSUCBs having a larger deposit base and being much less dependent on borrowings. Just like SUCBs, the NSUCBs are also required to maintain CRR and other

**Table V.2: Balance Sheet of Urban Co-operative Banks**
(At end-March)

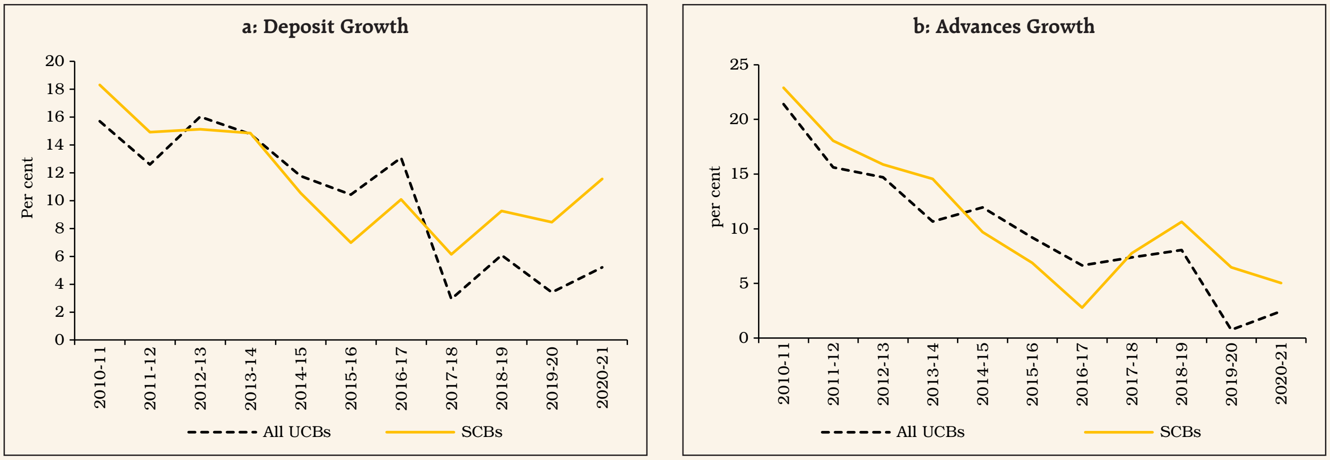
(Amount in ₹ Crore)

| Items | Scheduled UCBs | | Non-Scheduled UCBs | | All UCBs | | Rate of Growth (%) All UCBs | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2019-20 | 2020-21 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| **Liabilities** | | | | | | | | |
| 1) Capital | 4,415<br>(1.5) | 4,467<br>(1.5) | 9,696<br>(2.9) | 9,765<br>(2.7) | 14,111<br>(2.3) | 14,233<br>(2.2) | 3.9 | 0.9 |
| 2) Reserves and Surplus | 14,896<br>(5.1) | 15,836<br>(5.3) | 18,423<br>(5.5) | 21,354<br>(6.0) | 33,319<br>(5.3) | 37,190<br>(5.7) | -10.6 | 11.6 |
| 3) Deposits | 2,29,706<br>(78.9) | 2,39,576<br>(79.5) | 2,71,124<br>(81.4) | 2,87,406<br>(80.7) | 5,00,830<br>(80.3) | 5,26,982<br>(80.1) | 3.4 | 5.2 |
| 4) Borrowings | 5,003<br>(1.7) | 3,748<br>(1.2) | 334<br>(0.1) | 314<br>(0.1) | 5,337<br>(0.9) | 4,062<br>(0.6) | -1.0 | -23.9 |
| 5) Other Liabilities and Provisions | 36,950<br>(12.7) | 37,913<br>(12.6) | 33,518<br>(10.1) | 37,471<br>(10.5) | 70,467<br>(11.3) | 75,385<br>(11.5) | 20.4 | 7.0 |
| **Assets** | | | | | | | | |
| 1) Cash in Hand | 1,797<br>(0.6) | 1,676<br>(0.6) | 4,037<br>(1.2) | 4,212<br>(1.2) | 5,835<br>(0.9) | 5,888<br>(0.9) | 8.3 | 0.9 |
| 2) Balances with RBI | 9,804<br>(3.4) | 11,121<br>(3.7) | 2,792<br>(0.8) | 3,418<br>(1.0) | 12,595<br>(2.0) | 14,539<br>(2.2) | -8.4 | 15.4 |
| 3) Balances with Banks | 18,526<br>(6.4) | 21,906<br>(7.3) | 47,719<br>(14.3) | 47,694<br>(13.4) | 66,245<br>(10.6) | 69,600<br>(10.6) | 8.6 | 5.1 |
| 4) Money at Call and Short Notice | 6,260<br>(2.2) | 5,087<br>(1.7) | 2,135<br>(0.6) | 1,792<br>(0.5) | 8,395<br>(1.3) | 6,879<br>(1.0) | 39.8 | -18.1 |
| 5) Investments | 75,175<br>(25.8) | 80,278<br>(26.6) | 86,328<br>(25.9) | 99,872<br>(28.0) | 1,61,504<br>(26.0) | 1,80,150<br>(27.4) | 3.0 | 11.5 |
| 6) Loans and Advances | 1,41,151<br>(48.5) | 1,43,201<br>(47.5) | 1,64,138<br>(49.3) | 1,69,564<br>(47.6) | 3,05,289<br>(48.9) | 3,12,765<br>(47.5) | 0.7 | 2.4 |
| 7) Other Assets | 38,257<br>(13.2) | 38,271<br>(12.7) | 25,945<br>(7.8) | 29,760<br>(8.4) | 64,201<br>(10.3) | 68,031<br>(10.3) | 20.8 | 6.0 |
| **Total Liabilities/ Assets** | **2,90,970**<br>(100.0) | **3,01,540**<br>(100.0) | **3,33,094**<br>(100.0) | **3,56,311**<br>(100.0) | **6,24,064**<br>(100.0) | **6,57,851**<br>(100.0) | **4.2** | **5.4** |

**Notes:** 1. Data for March 2021 are provisional.
2. Figures in parentheses are proportion to total liabilities / assets (in per cent).
3. Components may not add up to the whole due to rounding off.

**Source:** Off- Site surveillance returns, RBI.

**Chart V.7: Deposits and Advances: SCBs *versus* UCBs**




**Source:** Off-site surveillance returns, RBI.

statutory reserves. Unlike the former, however, the latter have the option of not maintaining it with the Reserve Bank and can maintain it with other specified financial institutions. As a result, they hold more cash with themselves and with banks, as opposed to balances with the Reserve Bank.

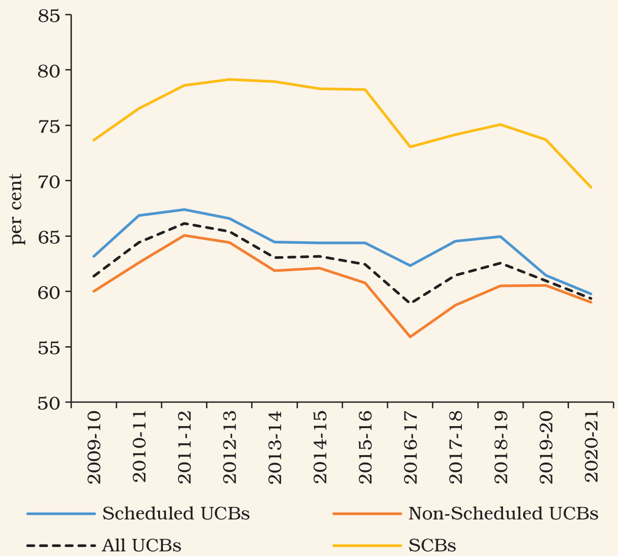
V.13 For more than a decade now, the consolidated balance sheet of UCBs has been decelerating on account of a slowdown in deposits on the liabilities side and loans and advances on the assets side. This trend was, however, reversed during 2020-21, mainly led by NSUCBs.

V.14 Until 2016-17, the deposit growth of UCBs was higher than SCBs but the former have been performing progressively worse than the latter in the last four years, partly owing to the entry of new-age banks which provide better returns on deposits (Chart V.7a).

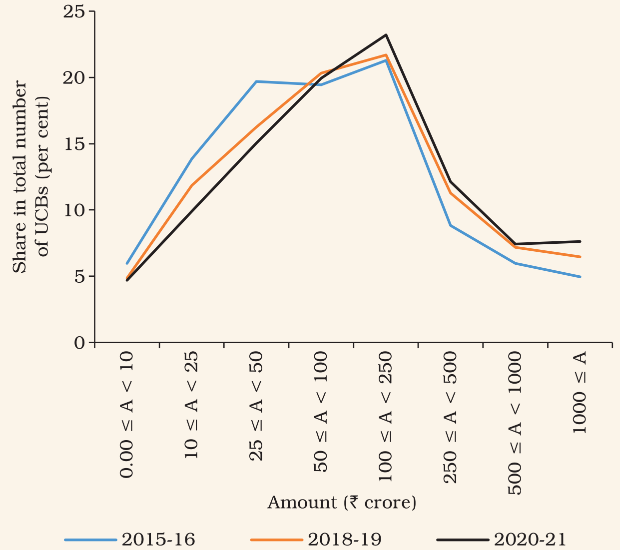
V.15 During 2020-21, advances of UCBs picked up marginally even while SCBs' credit decelerated. The credit contraction experienced by SUCBs during 2019-20 was reversed in the subsequent financial year (Chart V.7b).

V.16 The credit-deposit (C-D) ratio has always been significantly lower for UCBs, particularly NSUCBs, than SCBs. This is attributable to relatively lower credit disbursal and higher reliance on deposits. During the last two years, the C-D ratio of SUCBs has declined as credit growth across the board was lower than deposit growth and converged with that of NSUCBs (Chart V.8).

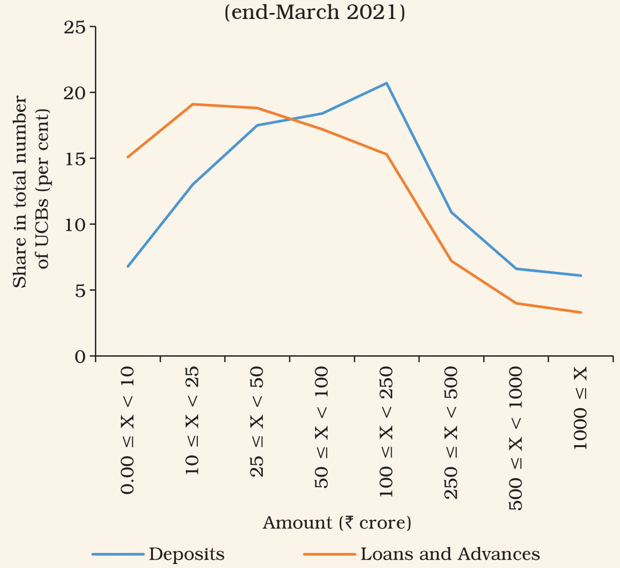
**Chart V.8: Credit-Deposit Ratio: UCBs *versus* SCBs**




**Source:** Off-site surveillance returns, RBI.




**Source:** Off-site surveillance returns, RBI.




**Source:** Off-site surveillance returns, RBI.

V.17 UCBs' distribution in terms of asset size has undergone a shift over time, an outcome of the consolidation drive. Since 2015-16, ₹100 crore to ₹250 crore emerged as the modal class, but the distribution has shifted rightward, indicating asset concentration at higher levels (Chart V.9).

V.18 The distribution of UCBs in terms of deposits follows the pattern of assets distribution, with ₹100 crore to ₹250 crore as the modal class. Over the years, this distribution has also shifted rightward as a result of an increase in average deposits per customer. In contrast, the advances structure differs, with the modal class being ₹10 crore to ₹25 crore (Table V.3 and Chart V.10).

V.19 During 2020-21, credit offtake remained subdued, but deposits accelerated. Co-operative banks – scheduled as well as non-scheduled – increased their investments as an alternative

**Table V.3: Distribution of UCBs by size of Deposits and Advances**
(At end-March 2021)

(Amount in ₹crore)

| Deposits | No. of UCBs | | Amount of Deposits | | Advances | No. of UCBs | | Amount of Advances | |
|---|---|---|---|---|---|---|---|---|---|
| | Number | % Share | Amount | % Share | | Number | % Share | Amount | % Share |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 0.00 ≤ D < 10 | 105 | 6.8 | 563 | 0.1 | 0.00 ≤ Ad < 10 | 231 | 15.1 | 1,223 | 0.4 |
| 10 ≤ D < 25 | 199 | 13.0 | 3,445 | 0.7 | 10 ≤ Ad < 25 | 293 | 19.1 | 4,936 | 1.6 |
| 25 ≤ D < 50 | 268 | 17.5 | 9,832 | 1.9 | 25 ≤ Ad < 50 | 289 | 18.8 | 10,176 | 3.3 |
| 50 ≤ D < 100 | 282 | 18.4 | 20,132 | 3.8 | 50 ≤ Ad < 100 | 264 | 17.2 | 19,258 | 6.2 |
| 100 ≤ D < 250 | 318 | 20.7 | 50,166 | 9.5 | 100 ≤ Ad < 250 | 235 | 15.3 | 37,791 | 12.1 |
| 250 ≤ D < 500 | 167 | 10.9 | 57,526 | 10.9 | 250 ≤ Ad < 500 | 110 | 7.2 | 38,472 | 12.3 |
| 500 ≤ D < 1000 | 102 | 6.6 | 70,299 | 13.3 | 500 ≤ Ad < 1000 | 62 | 4.0 | 42,783 | 13.7 |
| 1000 ≤ D | 93 | 6.1 | 3,15,018 | 59.8 | 1000 ≤ Ad | 50 | 3.3 | 1,58,125 | 50.6 |
| **Total** | **1,534** | **100.0** | **5,26,982** | **100.0** | **Total** | **1,534** | **100** | **3,12,765** | **100.0** |

**Notes:** 1. Data are provisional.
2. 'D' and 'Ad' indicates amount of deposits and advances respectively.
3. Components may not add up to the whole due to rounding off.
**Source:** Off- Site surveillance returns, RBI.

**Table V.4: Investments by Urban Co-operative Banks**

(Amount in ₹ Crore)

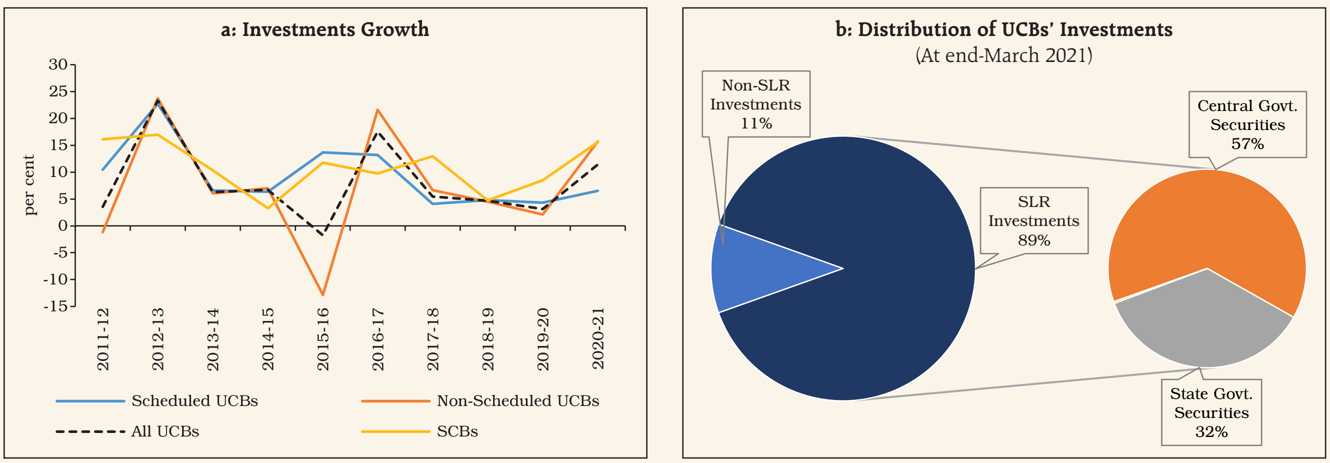
| Item | Amount outstanding (At end-March) | | | Variation (%) | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2019-20 | 2020-21 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| **Total Investments (A + B)** | **1,56,799** | **1,61,504** | **1,80,150** | **3.0** | **11.6** |
| | **(100.0)** | **(100.0)** | **(100.0)** | | |
| **A. SLR Investments (i to iii)** | **1,39,447** | **1,41,901** | **1,60,560** | **1.8** | **13.1** |
| | **(88.9)** | **(87.9)** | **(89.1)** | | |
| (i) Central Govt. Securities | 98,174 | 96,289 | 1,02,147 | -1.9 | 6.1 |
| | (62.6) | (59.6) | (56.7) | | |
| (ii) State Govt. Securities | 40,596 | 44,418 | 57,944 | 9.4 | 30.4 |
| | (25.9) | (27.5) | (32.2) | | |
| (iii)Other approved Securities | 678 | 1,194 | 470 | 76.2 | -60.6 |
| | (0.4) | (0.7) | (0.3) | | |
| **B. Non-SLR Investments** | **17,351** | **19,603** | **19,590** | **13.0** | **-0.1** |
| | **(11.1)** | **(12.1)** | **(10.87)** | | |

**Note:** 1. Data for 2021 are provisional.
2. Figures in parentheses are proportion to total investments (in per cent).
**Source:** Off-site surveillance returns, RBI.

source of income – in fact, investment of NSUCBs grew at 16 per cent, at par with SCBs, led by SLR securities, which more than compensated for the decline in non-SLR investments (Table V.4 and Chart V.11a).

V.20 At end-March 2021, 89 per cent of total investments of UCBs were in SLR instruments, more than half of which was in central government securities (Chart V.11b). For the last couple of years, low credit demand and the search for returns have prompted investment in state government securities. As a result, the proportion of central government securities in UCBs' investments declined from 73 per cent at end-March 2016 to 57 per cent at end-March 2021.

**Chart V.11: Investments by UCBs**




**Source:** Off-site surveillance returns, RBI.

### 3.2 Soundness

V.21 Concerns over the financial soundness of UCBs have risen in recent years. An increasing number of UCBs are being placed under the Supervisory Action Framework (SAF) by the Reserve Bank[7]. Furthermore, instances of penalty imposition increased to 43 during 2020-21, up from 9 in the previous year (Refer to Table IV.14). Additionally, claims settled by the Deposit Insurance and Credit Guarantee Corporation (DICGC) during the year pertained entirely to co-operative banks.

V.22 The CAMELS-based rating system[8], which assesses the financial strength of a UCB, was reviewed in 2019. The revised model gives a composite rating of A/B+/B/C/D (in decreasing order of performance) to UCBs, based on the weighted average rating of the individual components of CAMELS. At end-March 2021, 'B' category formed the modal class, both number-wise and business-wise, with more than 50 per cent UCBs falling under this rating category (Table V.5).

**Table V.5: Rating-wise Distribution of UCBs**
(End-March 2021)

(Amount in ₹crore)

| Ratings | Number | | Deposits | | Advances | |
|---|---|---|---|---|---|---|
| | Banks | % share in Total | Amount | % share in Total | Amount | % share in Total |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| A | 131 | 8.5 | 36,120 | 6.9 | 21,611 | 6.9 |
| B+ | 201 | 13.1 | 82,390 | 15.6 | 48,598 | 15.5 |
| B | 792 | 51.6 | 2,74,145 | 52 | 1,66,349 | 53.2 |
| C | 324 | 21.1 | 1,10,269 | 20.9 | 64,274 | 20.6 |
| D | 86 | 5.6 | 24,058 | 4.6 | 11,933 | 3.8 |
| **Total** | **1,534** | **100** | **5,26,982** | **100** | **3,12,765** | 100 |

**Notes:** 1. Data are provisional.
2. Components may not add up to the whole due to rounding off.
3. Ratings are based on latest available inspection data.
4. Percentage variation could be slightly different because absolute numbers have been rounded off to ₹crore.

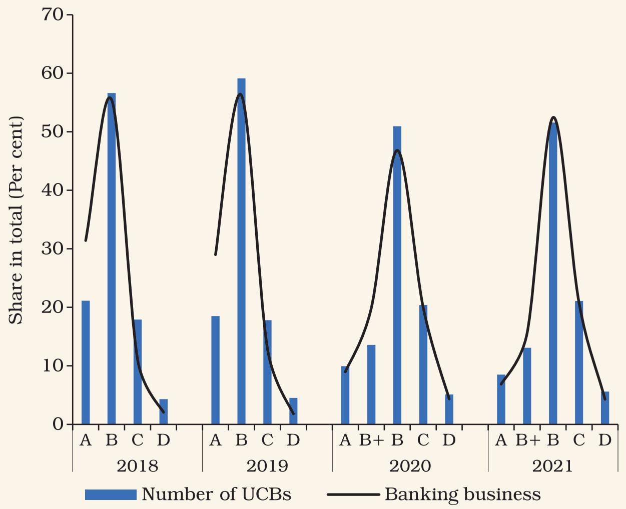
**Source:** Off-site surveillance returns, RBI.

V.23 Even though the scale of the new rating system is not strictly comparable with the old scale, there has been a marked deterioration in UCBs' ratings over time. The proportion of UCBs with 'A' rating has declined, with a creeping increase in the 'C' and 'D' rated ones, the latter now comprising of more than 25 per cent of the total number of UCBs. Banking business, calculated as the sum of deposits and advances of UCBs, has followed the distribution of the number of UCBs, and has steadily come down for the 'A' rated entities (Chart V.12).

### 3.3 Capital Adequacy

V.24 UCBs are governed by Basel I norms under which they are required to maintain a minimum capital-to-risk weighted assets ratio (CRAR) of 9 per cent. The capital position of

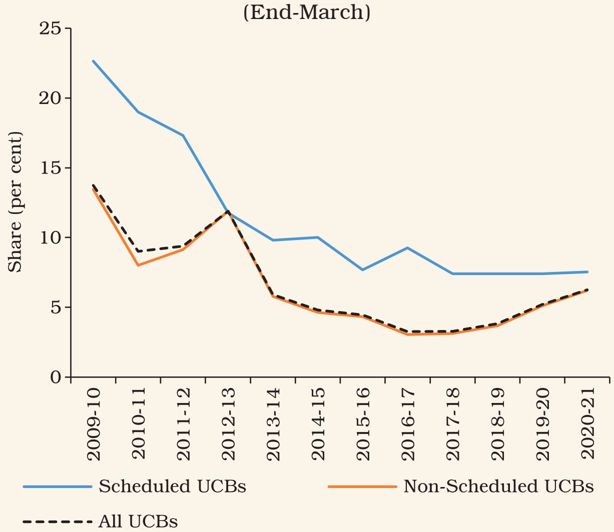
**Chart V.12: Distribution of Number and Banking Business of UCBs-by Rating Categories**
(End-March)




[7] The SAF for UCBs is equivalent of prompt corrective action for SCBs. The framework specifies initiation of corrective action by UCBs themselves or by the Reserve Bank on breach of specified thresholds for CRAR, asset quality, and profitability.

[8] The CAMELS (capital adequacy, asset quality, management, earnings, liquidity, and systems and control) rating model in its present form became applicable to UCBs from April 2008.

**Chart V.13: Share of UCBs with CRAR less than 9 per cent**
(End-March)




**Source:** Off-site surveillance returns, RBI.

SUCBs has been improving since 2009-10, with the number of banks breaching the regulatory minimum declining over the years. In the case of NSUCBs, however, the proportion of banks with CRAR below 9 per cent has increased since 2016-17, pointing to vulnerabilities in their financial position (Chart V.13).

V.25 On the other end of the spectrum, more than 80 per cent of UCBs in each category maintained strong capital buffers with CRARs higher than 12 per cent (Table V.6 and Appendix Table V.1).

**Table V.6: CRAR-wise Distribution of UCBs**
(End-March 2021)

(Number of banks)

| CRAR (in Per cent) | Scheduled UCBs | Non-Scheduled UCBs | All UCBs |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| CRAR < 3 | 4 | 57 | 61 |
| 3 <= CRAR < 6 | 0 | 11 | 11 |
| 6 <= CRAR < 9 | 0 | 24 | 24 |
| 9 <= CRAR < 12 | 4 | 160 | 164 |
| 12 <= CRAR | 45 | 1,229 | 1,274 |
| **Total** | **53** | **1,481** | **1,534** |

**Note**: Data are provisional.
**Source:** Off-site surveillance returns, RBI.

V.26 At end-March 2021, the CRAR of UCBs recorded an improvement over a year ago. NSUCBs, which have better capital positions than SUCBs, reported a further improvement, mostly due to a reduction in their risk-weighted assets (RWAs). Even though other capital requirements mandatory for SCBs such as capital conservation buffer and minimum common equity tier 1 (CET-I) capital are not applicable to UCBs, they maintained adequate levels of tier-1 capital, *albeit* lower than SCBs, abstracting from the drag from one defaulting UCB (Table V.7).

**Table V.7: Component-wise Capital Adequacy of UCBs**
(At end-March)

(Amount in ₹ crore)

| | Scheduled UCBs | | Non-Scheduled UCBs | | All UCBs | |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| **1 Capital Funds** | **13,407** | **13,794** | **25,408** | **27,610** | **38,815** | **41,404** |
| i) Tier I Capital | 7,521 | 8,000 | 22,009 | 24,011 | 29,530 | 32,011 |
| ii) Tier II Capital | 5,886 | 5,794 | 3,399 | 3,600 | 9,285 | 9,393 |
| **2 Risk-Weighted Assets** | **1,42,573** | **1,45,767** | **1,75,015** | **1,68,622** | **3,17,588** | **3,14,388** |
| **3 CRAR (1 as % of 2)** | **9.4** | **9.5** | **14.5** | **16.4** | **12.2** | **13.2** |
| *Of which:* | | | | | | |
| Tier I | 5.3 | 5.5 | 12.6 | 14.2 | 9.3 | 10.2 |
| Tier II | 4.1 | 4.0 | 2.0 | 2.1 | 2.9 | 3.0 |

**Source:** Off-site returns, RBI.

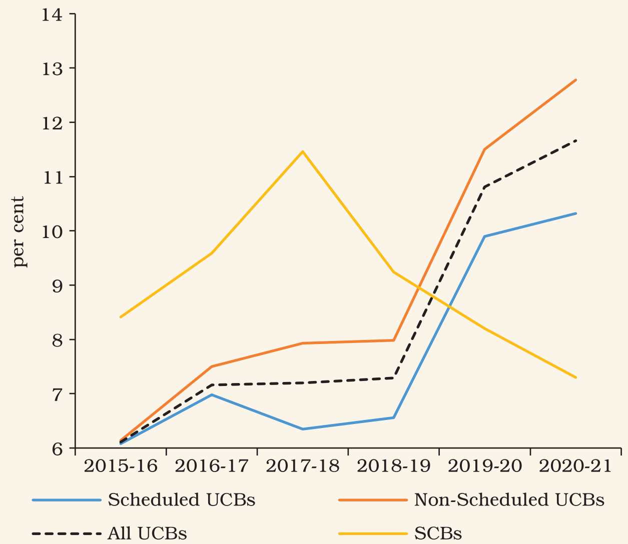
### 3.4 Asset Quality

V.27 During 2015-16 to 2018-19, SCBs had higher delinquency rates than UCBs. The position reversed during the last two years as SCBs' gross non-performing assets (GNPA) ratio fell, while for UCBs, it has been on a rising trajectory right up to 2020-21. Within the sector, both SUCBs and NSUCBs faced increasing GNPA ratios, with the latter experiencing sharply higher slippages (Chart V.14).

V.28 In January 2020, the SAF for UCBs was revised, making a net NPA ratio greater than 6 per cent a trigger for initiation of corrective action. With rising slippage, this has prompted an increase in provisioning (Table V.8).

V.29 Large borrowal accounts *i.e.*, exposure of ₹5 crore and above, exhibit varied behaviour between SCBs and UCBs, as well as among SUCBs and NSUCBs. During 2020-21, 25 per cent of UCBs' total funded loans and 32 per cent of their NPAs originated from large borrowal accounts as against 51 per cent of loans and 66 per cent of NPAs, respectively, for SCBs. Within UCBs, NSUCBs' exposure to large borrowers was less than 10 per cent of their total loans during the year as against 44 per cent share of SUCBs.

**Chart V.14: NPA Ratio: UCBs *versus* SCBs**




**Source:** Off-site surveillance returns, RBI.

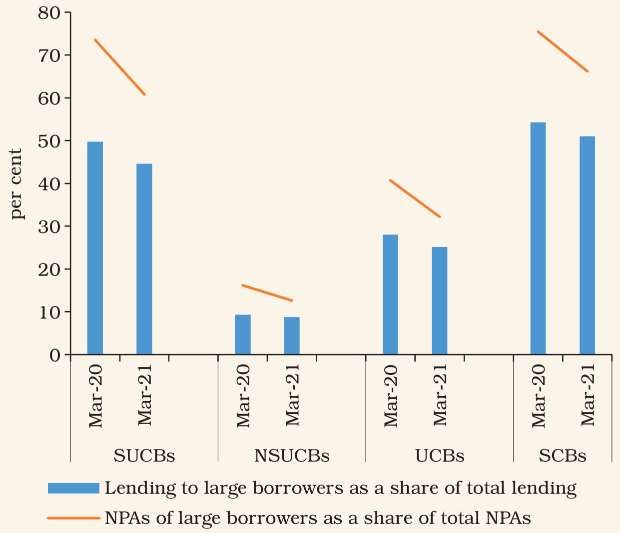
V.30 NPAs emanating from large borrowers have been proportionally higher than lending to such borrowers for all bank groups (Chart V.15). There has, however, been a noticeable reduction in both lending and NPAs in comparison to 2019-20. This may be attributable to the January 2020 regulation which curtailed large exposures of UCBs, while encouraging small-scale lending. The latter criterion requires that at least 50 per cent of UCBs' aggregate loans and advances or

**Table V.8: Non-Performing Assets of UCBs**
(At end-March)

| Sr. No. | Items | Scheduled UCBs | | Non-Scheduled UCBs | | All UCBs | |
|---|---|---|---|---|---|---|---|
| | | 2019-20 | 2020-21 | 2019-20 | 2020-21 | 2019-20 | 2020-21 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1 | Gross NPAs (₹crore) | 13,779 | 14,785 | 18,443 | 21,674 | 32,222 | 36,459 |
| 2 | Gross NPA Ratio (%) | 9.8 | 10.3 | 11.3 | 12.8 | 10.6 | 11.7 |
| 3 | Net NPAs (₹crore) | 5,051 | 5,264 | 8,167 | 7,981 | 13,217 | 13,245 |
| 4 | Net NPA Ratio (%) | 3.8 | 3.9 | 5.3 | 5.1 | 4.6 | 4.6 |
| 5 | Provisioning (₹crore) | 8,728 | 9,521 | 10,276 | 13,693 | 19,004 | 23,214 |
| 6 | Provisioning Coverage Ratio (%) | 63.4 | 64.4 | 55.7 | 63.2 | 59.0 | 63.7 |

**Note**: Data for 2020-21 are provisional.
**Source**: Off- site surveillance returns, RBI.

**Chart V.15: Large Borrowal Accounts – Lending *versus* NPAs**




**Source:** Off-site surveillance returns, RBI.

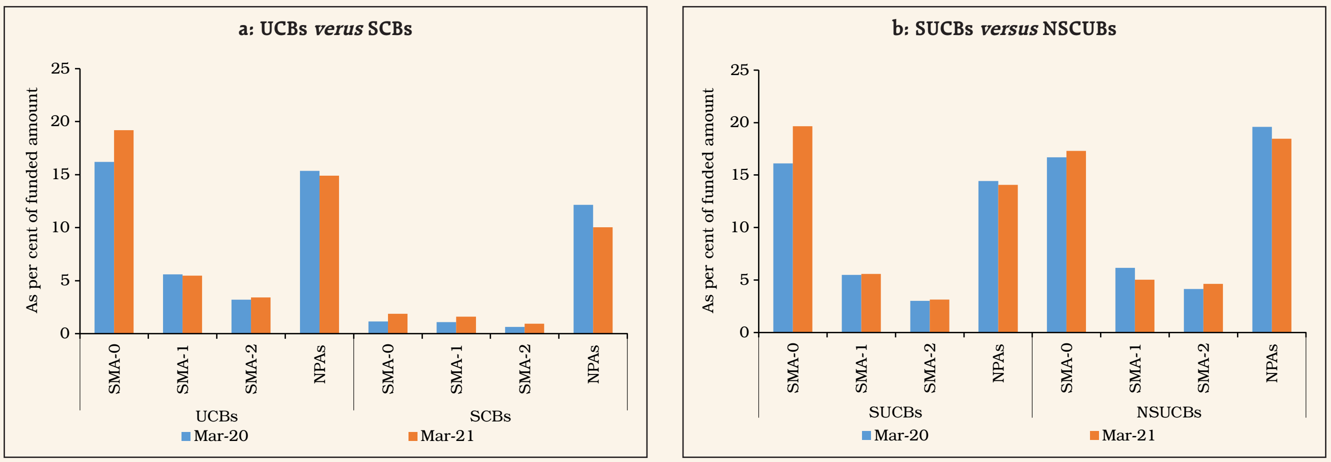
0.2 per cent of their tier-I capital, whichever is higher, should be geared towards loan sizes of less than ₹25 lakh[9].

V.31 All categories of special mention account ratios *viz.*, SMA-0, SMA-1 and SMA-2[10] as well as NPA ratio of large borrowal accounts are higher for UCBs than for SCBs. During 2020-21, the SMA-0 and SMA-2 ratios deteriorated, signifying stress building up incipiently in the sector (Chart V.16a). This was reflected across both categories of UCBs (Chart V.16b).

### 3.5 Financial Performance and Profitability

V.32 After registering sizeable losses in 2019-20 – mainly contributed by a large SUCB – the financial performance of UCBs improved in 2020-21 but they are yet to break back into profit levels achieved in 2018-19. With lower borrowings, SUCBs' interest expenditure contracted, leading to a fall in overall expenditure. Interest income, which had been declining for two consecutive years, picked up during 2020-21, driven by an increase in investments. Coupled with growth in non-interest income, there was acceleration in the total income of UCBs. The uncharacteristically high growth in provisions and contingencies of

**Chart V.16: Stress in Large Borrowal Accounts**




**Source:** Central Repository of Information on Large Credits (CRILC) database.

[9] Available at https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11819&Mode=0.

[10] Special mention accounts, *i.e.*, SMA-0, SMA-1 and SMA-2, refer to credit accounts wherein the principal and interest payments have been overdue for 30 days, 60 days and 90 days, respectively.

**Table V.9: Financial Performance of Scheduled and Non-scheduled Urban Co-operative Banks**

(Amount in ₹ crore)

| Item | Scheduled UCBs | | Non-scheduled UCBs | | All UCBs | | All UCBs Variation (%) |
|---|---|---|---|---|---|---|---|
| | 2019-20 | 2020-21 | 2019-20 | 2020-21 | 2019-20 | 2020-21 | 2020-21 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| **A. Total Income [i+ii]** | **20,307** | **23,430** | **29,777** | **30,348** | **50,084** | **53,778** | **7.4** |
| | **(100.0)** | **(100.0)** | **(100.0)** | **(100.0)** | **(100.0)** | **(100.0)** | |
| i. Interest Income | 16,920 | 19,524 | 27,811 | 27,887 | 44,731 | 47,411 | 6.0 |
| | (83.3) | (83.3) | (93.4) | (91.9) | (89.3) | (88.2) | |
| ii. Non-interest Income | 3,387 | 3,905 | 1,966 | 2,462 | 5,353 | 6,367 | 19.0 |
| | (16.7) | (16.7) | (6.6) | (8.1) | (10.7) | (11.8) | |
| **B. Total Expenditure [i+ii]** | **20,877** | **19,764** | **25,780** | **25,865** | **46,657** | **45,630** | **-2.2** |
| | **(100.0)** | **(100.0)** | **(100.0)** | **(100.0)** | **(100.0)** | **(100.0)** | |
| i. Interest Expenditure | 14,659 | 13,501 | 18,518 | 18,653 | 33,177 | 32,154 | -3.1 |
| | (70.2) | (68.3) | (71.8) | (72.1) | (71.1) | (70.5) | |
| ii. Non-interest Expenditure | 6,217 | 6,263 | 7,262 | 7,212 | 13,480 | 13,476 | -0.03 |
| | (29.8) | (31.7) | (28.2) | (27.9) | (28.9) | (29.5) | |
| *of which:* Staff Expenses | 2,833 | 2,731 | 3,895 | 3,892 | 6,728 | 6,622 | -1.6 |
| **C. Profits** | | | | | | | |
| i. Amount of Operating Profits | -569 | 3,665 | 3,986 | 4,483 | 3,417 | 8,148 | 138.5 |
| ii. Provision, Contingencies | 4,722 | 2,007 | 2,977 | 2,073 | 7,699 | 4,080 | -47.0 |
| iii. Provision for taxes | 356 | 603 | 927 | 717 | 1,283 | 1,320 | 2.9 |
| iv. Amount of Net Profit before Taxes | -5,292 | 1,659 | 1,009 | 2,410 | -4,282 | 4,069 | 195.0 |
| v. Amount of Net Profit after Taxes | -5,648 | 1,056 | 82 | 1,693 | -5,566 | 2,749 | 149.4 |

**Notes**: 1. Data for 2020-21 are provisional.
2. Components may not add up to the total due to rounding off.
3. Percentage variation could be slightly different because absolute numbers have been rounded off to ₹ crore.
4. Figures in parentheses are proportion to total income/expenditure (in per cent).

**Source:** Off-site surveillance returns, RBI.

SUCBs in 2019-20, which led to net losses for the consolidated sector, was reversed, causing an increase in net profits during the year (Table V.9 and Appendix Table V.2).

V.33 Interest income constitutes 88 per cent of the total income of UCBs, while interest expenditure makes up 70 per cent of their total expenditure. The composition of total income is different for the two cohorts – NSUCBs are more dependent on interest income in comparison to SUCBs, whereas expenditure composition is relatively similar for both groups.

V.34 All indicators of profitability were in the green in 2020-21. NSUCBs are more profitable than SUCBs. The return on assets (RoA) and return on equity (RoE), which turned negative for SUCBs in 2019-20, moved into positive territory during 2020-21. Net interest margin (NIM) recovered from a trough a year ago (Table V.10 and Chart V.17).

### 3.6 Priority Sector Advances

V.35 Priority sector lending guidelines for UCBs were revised in March 2020. They are required to progressively increase their priority

**Table V.10: Select Profitability Indicators of UCBs**

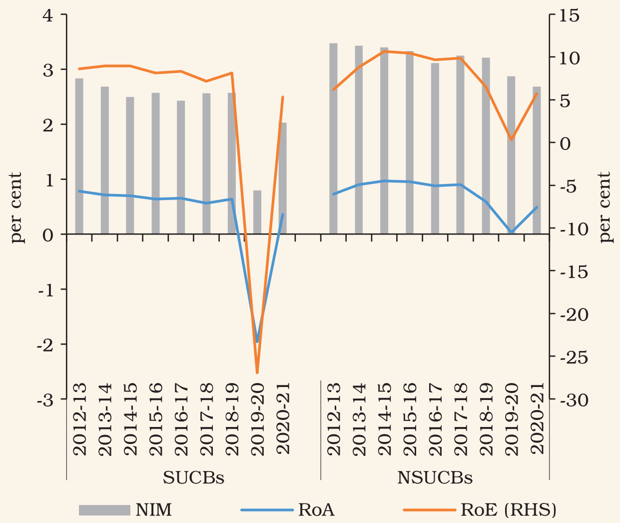
(Per cent)

| Indicators | Scheduled UCBs | | Non-Scheduled UCBs | | All UCBs | |
|---|---|---|---|---|---|---|
| | 2019-20 | 2020-21 | 2019-20 | 2020-21 | 2019-20 | 2020-21 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Return on Assets | -1.96 | 0.36 | 0.03 | 0.49 | -0.91 | 0.43 |
| Return on Equity | -26.95 | 5.33 | 0.29 | 5.71 | -11.32 | 5.56 |
| Net Interest Margin | 0.79 | 2.03 | 2.87 | 2.68 | 1.89 | 2.38 |

**Note**: Data for 2020-21 are provisional.

**Source**: Off-site surveillance returns, RBI.

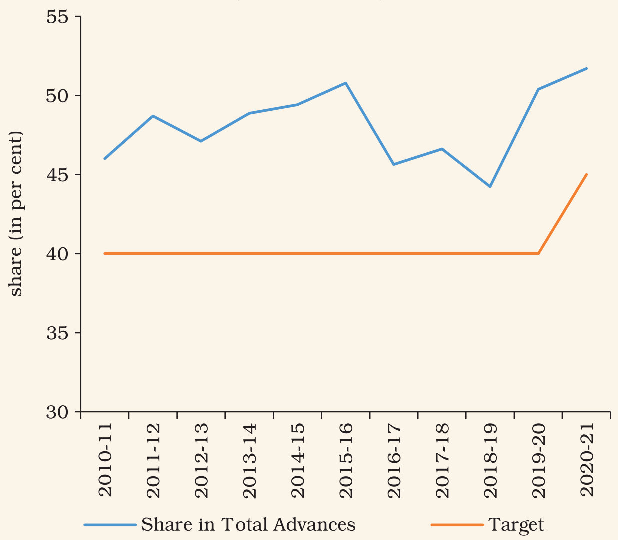
**Chart V.17: Profitablity Indicators – SUCBs *versus* NSUCBs**




**Source:** Off-site surveillance returns, RBI.

loan portfolio to 75 per cent of their adjusted net bank credit (ANBC) or credit equivalent amount of off-balance sheet exposures (CEOBE), whichever is higher, by end-March 2024[11]. UCBs have historically lent higher than the prescribed targets to the priority sector (Chart V.18).

**Chart V.18: Priority Sector Lending**
(At end-March)




**Source:** Off-site surveillance returns, RBI.

V.36 Consequent upon the new norms, a target of 45 per cent of the higher of ANBC or CEOBE was set for priority sector lending during 2020-21, up by 5 percentage points above the target a year ago. UCBs managed to meet the priority sector target comfortably. Although UCBs adhered to the sub-target of lending 10 per cent of advances to weaker sections, the share of such loans declined in 2020-21. The composition of UCBs' credit to the priority sector shows that advances to micro, small and medium

**Table V.11: Composition of Credit to Priority Sectors by UCBs**
(At end-March)

(Amount in ₹Crore)

| Item | 2020 | | 2021 | |
|---|---|---|---|---|
| | Amount | Share in Total Advances (%) | Amount | Share in Total Advances (%) |
| 1. Agriculture[(i)+(ii)+(iii)] | 11,716 | 3.8 | 12,245 | 3.9 |
| (i) Farm Credit | 8,682 | 2.8 | 8,913 | 2.8 |
| (ii) Agriculture Infrastructure | 500 | 0.2 | 676 | 0.2 |
| (iii) Ancillary Activities | 2,534 | 0.8 | 2,701 | 0.9 |
| 2. Micro and Small Enterprises [(i) + (ii) +(iii) + (iv)] | 95,102 | 31.1 | 1,01,340 | 32.4 |
| (i) Micro Enterprises | 31,497 | 10.3 | 34,301 | 11.0 |
| (ii) Small Enterprises | 49,569 | 16.2 | 46,128 | 14.8 |
| (iii) Medium Enterprises | 13,648 | 4.5 | 20,547 | 6.6 |
| (iv) Advances to Khadi and Village Industries (Including 'Other Finance to MSMEs') | 387 | 0.1 | 365 | 0.1 |
| 3. Export Credit | 378 | 0.1 | 368 | 0.1 |
| 4. Education | 2,434 | 0.8 | 2,374 | 0.8 |
| 5. Housing | 25,359 | 8.3 | 25,211 | 8.1 |
| 6. Social Infrastructure | 923 | 0.3 | 1,185 | 0.4 |
| 7. Renewable Energy | 1,476 | 0.5 | 1,291 | 0.4 |
| 8. 'Others' category under Priority Sector | 16,496 | 5.4 | 17,694 | 5.7 |
| **9. Total (1 to 8)** | **1,53,886** | **50.4** | **1,61,708** | **51.7** |
| *of which*, Loans to Weaker Sections under Priority Sector | 35,764 | 11.7 | 33,590 | 10.7 |

**Notes**: 1. Data for 2021 are provisional.
2. Percentage shares are with respect to the total credit of UCBs.
3. Components may not add up to total due to rounding off.

**Source**: Off-site surveillance returns, RBI.

[11] As per the revised guidelines issued on March 13, 2020, UCBs shall comply with the targets of 45 per cent, 50 per cent, 60 per cent and 75 per cent of ANBC or CEOBE, whichever is higher, by end-March 2021, 2022, 2023 and 2024, respectively.

enterprises (MSMEs) constituted 63 per cent of total priority sector lending, followed by housing at 16 per cent (Table V.11).

## 4. Rural Co-operatives

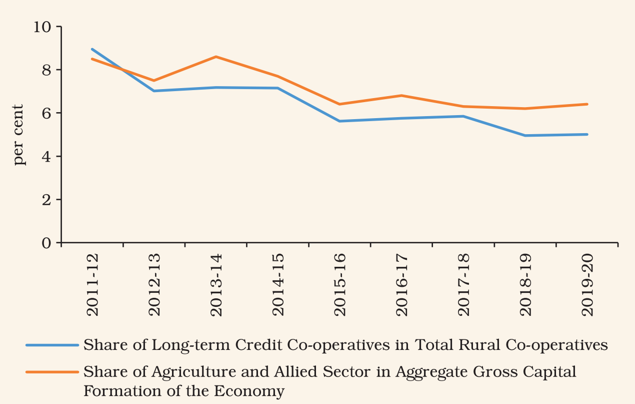
V.37 Rural co-operatives, which comprised around 67 per cent of the assets of all co-operatives at end-March 2020, are distinguished from their urban peers in terms of their area of operations, reach, performance as well as composition of liabilities. While a broad depositor base enables UCBs to raise funds at relatively low cost, rural co-operatives are heavily dependent on borrowings for their operations – at end-March 2020, borrowings constituted around 1 per cent of UCBs' liabilities, but were as high as 27 per cent for rural co-operatives.

V.38 Amongst the rural co-operatives, short-term institutions—comprising State Co-operative Banks (StCBs), District Central Co-operative Banks (DCCBs) and Primary Agricultural Credit Societies (PACS) — were established to provide short-term crop loans and working capital loans to farmers and rural artisans. On the other hand, the mandate of long-term co-operatives—SCARDBs and PCARDBs—is to provide funding for investment in agriculture, including land development, farm mechanisation and minor irrigation, rural industries and housing. For more than a decade now, the share of long-term credit co-operatives in total assets is falling to reach just over 5 per cent by end-March 2020, largely in line with the shrinking share of agriculture investment in total investments (Chart V.19a). Concomitantly, their financial performance has also deteriorated: at end-March 2020, their shares in total NPAs and net losses of rural co-operatives were higher than that in total assets (Chart V.19 b and Table V.12).

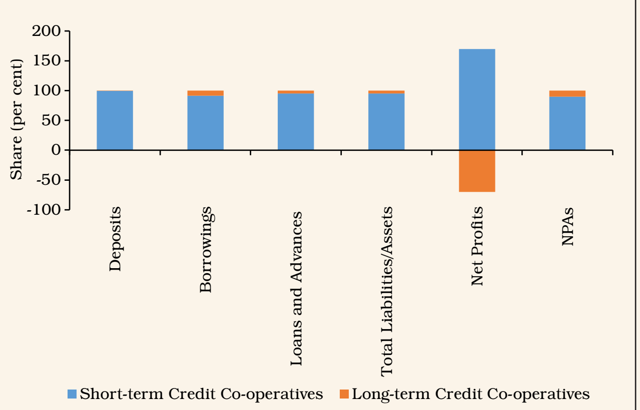
### 4.1 Short-term Rural Co-operatives

V.39 Initially formed to provide short-term crop loans, short-term rural co-operatives have been diversifying their operations to cover the non-farm sector, term lending to allied sectors, and personal and housing loans, among others. Currently, 20 states have a three-tier structure, with StCBs at the state level, DCCBs at the district level and PACS functioning at the village

**Chart V.19: Long-term *versus* Short-term Rural Co-operatives**
(At end-March 2020)




**Source:** MOSPI and NABARD




**Source:** NABARD and NAFSCOB

**Table V.12: A Profile of Rural Co-operatives**
(At end-March 2020)

(Amount in ₹Crore)

| Item | Short-term | | | Long-term | |
|---|---|---|---|---|---|
| | StCBs | DCCBs | PACS | SCARDBs (P) | PCARDBs (P) |
| 1 | 2 | 3 | 4 | 5 | 6 |
| **A. Number of Cooperatives** | 33* | 351** | 95,509 | 13 | 602 |
| **B. Balance Sheet Indicators** | | | | | |
| i. Owned Funds (Capital + Reserves) | 21,900 | 43,246 | 43,741 | 4,859 | 3,673 |
| ii. Deposits | 2,10,342 | 3,45,682 | 1,65,476 | 2,409 | 1,372 |
| iii. Borrowings | 85,723 | 97,448 | 1,38,571 | 13,710 | 16,643 |
| iv. Loans and Advances | 1,99,943 | 2,79,272 | 2,14,533 | 20,700 | 15,819 |
| v. Total Liabilities/Assets | 3,40,267 | 5,35,977 | 3,25,322 | 27,104 | 31,337 |
| **C. Financial Performance** | | | | | |
| i. Institutions in Profits | | | | | |
| a. No. | 32 | 291 | 47,027 | 10 | 227 |
| b. Amount of Profit | 1,740 | 1,887 | 6,531 | 287 | 86 |
| ii. Institutions in Loss | | | | | |
| a. No. | 1 | 60 | 37,369 | 3 | 375 |
| b. Amount of Loss | 16 | 1,041 | 8,325 | 35 | 657 |
| iii. Overall Profits (+)/Loss (-) | 1,724 | 846 | -1,794 | 252 | -571 |
| **D. Non-performing Assets** | | | | | |
| i. Amount | 13,477 | 35,298 | 70,160 | 6,836 | 6,815 |
| ii. As percentage of Loans Outstanding | 6.7 | 12.6 | 31.0 | 33.0 | 43.1 |
| **E. Recovery of Loans to Demand Ratio***(Per cent)** | 94.4 | 70.2 | 69.3 | 43.1 | 44.1 |

**Notes:** 1. StCBs: State Co-operative Banks; DCCBs: District Central Co-operative Banks; PACS: Primary Agricultural Credit Societies; SCARDBs: State Co-operative Agriculture and Rural Development Banks; PCARDBs: Primary Co-operative Agriculture and Rural Development Banks
2. (P)- Data are provisional.
3. *Data of Daman & Diu StCB (which is yet to be bifurcated completely from Goa StCB) is reported as a part of Goa StCB.
4. **: Excluding Tamil Nadu Industrial Co-operative Bank Limited (TAICO)
5. ***: Denotes the share of outstanding NPAs that have been recovered and on June 30, 2019..

**Source:** NAFSCOB and NABARD.

level. Among them, Jharkhand and Kerala[12] have only one DCCB while the rest were amalgamated with the respective StCBs. In 9 states and 5 union territories, they are arranged in a two-tier structure, consisting of only StCBs and PACS.

V.40 Among short-term rural co-operatives, StCBs are relatively better performers, with a proportionally higher share in net profits and a lower share in NPAs. PACS, on the other hand, are heavily reliant on borrowings, incur larger net losses, and comprise a larger share in NPAs of the rural co-operative sector (Chart V.20a).

V.41 In terms of regional presence, StCBs' branches are concentrated in the southern states. The western region claims the highest share of DCCBs' branches and PACS. The latter also have a substantial presence in the eastern region, while DCCBs have no presence in the north-eastern states (Chart V.20b).

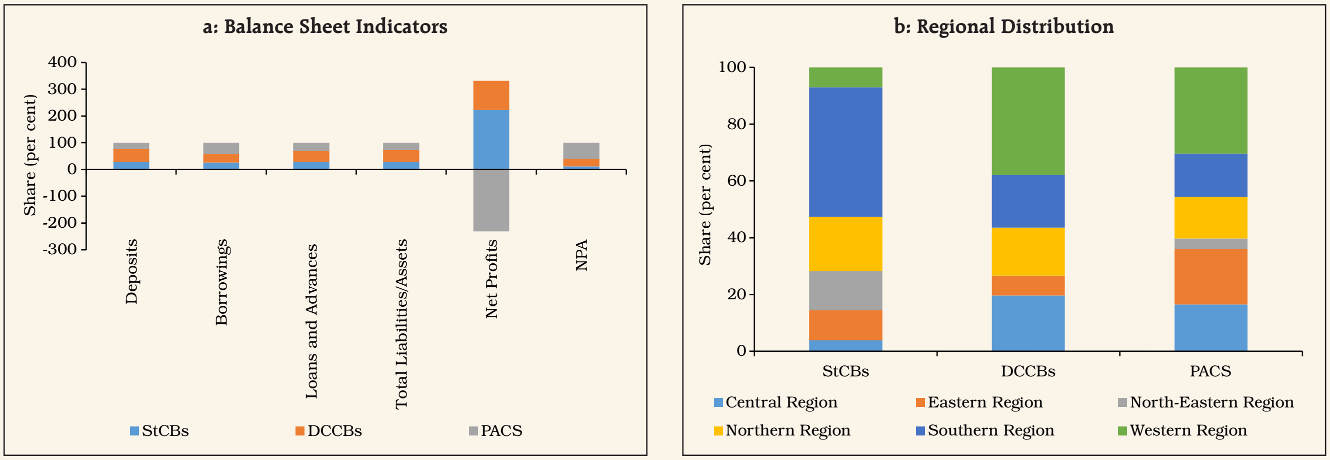
### 4.1.1 State Co-operative Banks

V.42 State co-operative banks (StCBs) are the apex institutions in the rural co-operative structure and as such they are responsible for providing liquidity and technical assistance to

[12] After the final approval given by the Reserve Bank, thirteen out of fourteen DCCBs (except Malappuram DCCB) of Kerala were amalgamated with the Kerala State Co-operative Bank Ltd. on November 29, 2019. Additionally, on June 8, 2020 the State Government of Punjab was given in-principle approval for merger of the DCCBs in Punjab with the Punjab State Co-operative Bank Ltd.

**Chart V.20: Comparison of Short-term Rural Co-operatives**

(At end-March 2020)




**Source:** NABARD and NAFSCOB

the other two tiers. At end-March 2020, they operated with 2,072 branches across the country, providing credit for a range of agricultural as well as non-agricultural purposes, including loans to MSMEs, housing and education which together comprise more than half of their total lending activities.

*Balance Sheet Operations*

V.43 StCBs' balance sheet grew by over 7 per cent for the second consecutive year in 2019-20, mainly fuelled by healthy deposit growth. The amalgamation of 13 Kerala DCCBs with the Kerala State Co-operative Bank Ltd. did not alter the broad composition of assets and liabilities of the consolidated balance sheet of the latter. The financial side, however, deteriorated due to accumulated losses of the former (Table V.13).

V.44 During 2020-21, StCBs' credit growth remained subdued, but they performed better than both SCBs and UCBs (Table V.14).

*Profitability*

V.45 Both income and expenditure of StCBs declined in 2019-20. The larger decline in expenditure led to an increase in net profits.

**Table V.13: Liabilities and Assets of State Co-operative Banks**

(Amount in ₹Crore)

| Item | At end-March | | Variation (%) | |
|---|---|---|---|---|
| | 2019 | 2020 | 2018-19 | 2019-20 |
| 1 | 2 | 3 | 4 | 5 |
| **Liabilities** | | | | |
| 1. Capital | 7,429<br>(2.3) | 7,459<br>(2.1) | 8.8 | 0.4 |
| 2. Reserves | 13,797<br>(4.3) | 14,441<br>(4.2) | 10.6 | 4.7 |
| 3. Deposits | 1,92,693<br>(60.7) | 2,10,342<br>(61.8) | 6.3 | 9.2 |
| 4. Borrowings | 84,074<br>(26.5) | 85,723<br>(25.1) | 10.2 | 2.0 |
| 5. Other Liabilities | 19,081<br>(6) | 22,301<br>(6.5) | 6.7 | 16.9 |
| **Assets** | | | | |
| 1. Cash and Bank Balances | 15,168<br>(4.7) | 10,229<br>(3) | 12.4 | -32.6 |
| 2. Investments | 1,03,131<br>(32.5) | 1,12,828<br>(33.1) | 0.3 | 9.4 |
| 3. Loans and Advances | 1,83,633<br>(57.9) | 1,99,943<br>(58.7) | 11.6 | 8.9 |
| 4. Accumulated Losses | 986<br>(0.3) | 1,232<br>(0.3) | -3.5 | 25.0 |
| 5. Other Assets | 14,156<br>(4.4) | 16,035<br>(4.7) | 9.3 | 13.3 |
| **Total Liabilities/Assets** | **3,17,074<br>(100.00)** | **3,40,267<br>(100.00)** | **7.6** | **7.3** |

**Notes:** 1. Figures in parentheses are proportion to total liabilities/assets (in per cent).
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹1 Crore.
3. Components may not add up to the total due to rounding off.
4. During 2019-20, 13 DCCBs (except Mallapuram DCCB) in Kerala were amalgamated with Kerala StCB. The data of 13 DCCBs have been added to the StCB totals for previous years to facilitate comparison and compute growth rates.

**Source:** NABARD.

## Table V.14: Select Balance Sheet Indicators of Scheduled State Co-operative Banks

(Amount in ₹crore)

| Item | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20* | 2020-21 |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Deposits | 79,564 | 90,277 | 98,768 | 1,10,559 | 1,87,456 | 1,97,751 |
| | (3.0) | (13.5) | (9.4) | (11.9) | (69.6) | (5.5) |
| Credit | 1,07,360 | 1,10,934 | 1,17,989 | 1,31,399 | 1,94,310 | 2,06,322 |
| | (3.4) | (3.3) | (6.4) | (11.4) | (47.9) | (6.2) |
| SLR Investments | 24,220 | 26,225 | 33,411 | 33,130 | 54,181 | 67,788 |
| | (4.0) | (8.3) | (27.4) | (-0.8) | (63.5) | (25.1) |
| Credit plus SLR Investments | 1,31,580 | 1,37,159 | 1,51,400 | 1,64,529 | 2,48,492 | 2,74,110 |
| | (3.5) | (4.2) | (10.4) | (8.7) | (51.0) | (10.3) |

**Notes:** 1. Data pertains to last reporting Friday of March of the corresponding year.
2. Figures in brackets are growth rates in per cent over previous year.
3. *: The high growth is mainly due to amalgamation of 13 District Central Co-operative Banks with Kerala State Co-operative Bank.

**Source:** Form B under Section 42 of RBI Act.

While interest income declined, non-interest income more than doubled, mainly due to the reversal of reserves and excess provisions, and deferred tax income in the Maharashtra StCB. This was complemented by profit booking on investments and gains in commission exchange and brokerage services by many StCBs during the year. On the expenditure side, a reduced wage bill, accompanied by declining interest expenditure, was offset by sizeable growth in provision and contingencies, causing a diminution in total expenditure (Table V.15).

V.46 StCBs have stronger presence in the southern region, which also accounts for higher profit than other regions. In growth terms, earnings in the eastern and central states surpassed other regions, culminating in a 41.3 per cent increase in all-India profits (Chart V.21).

### *Asset Quality*

V.47 StCBs' asset quality deteriorated in 2019-20, led by a substantial growth in sub-standard assets (Table V.16). Out of 33 StCBs, 17 reported acceleration in fresh slippages during the year.

## Table V.15: Financial Performance of State Co-operative Banks

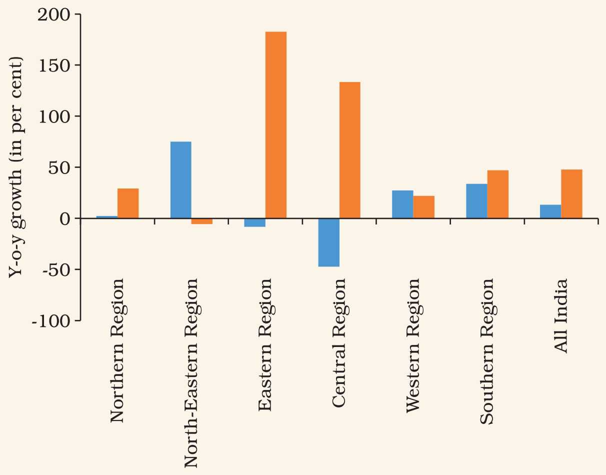
(Amount in ₹Crore)

| Item | As during | | Percentage Variation | |
|---|---|---|---|---|
| | 2018-19 | 2019-20 | 2018-19 | 2019-20 |
| 1 | 2 | 3 | 4 | 5 |
| **A. Income (i+ii)** | **22,283** | **21,922** | **6.5** | **-1.6** |
| | **(100.0)** | **(100.0)** | | |
| i. Interest Income | 21,383 | 20,014 | 6.7 | -6.4 |
| | (95.9) | (91.2) | | |
| ii. Other Income | 901 | 1,908 | 1.0 | 111.9 |
| | (4.0) | (8.7) | | |
| **B. Expenditure (i+ii+iii)** | **21,063** | **20,198** | **4.6** | **-4.1** |
| | **(100.0)** | **(100.0)** | | |
| i. Interest Expended | 16,276 | 14,871 | 2.0 | -8.6 |
| | (77.2) | (73.6) | | |
| ii. Provisions and Contingencies | 1,579 | 2,646 | 6.3 | 67.6 |
| | (7.4) | (13) | | |
| iii. Operating Expenses | 3,209 | 2,681 | 18.6 | -16.4 |
| | (15.2) | (13.2) | | |
| *Of which*, Wage Bill | 1,740 | 1,491 | 5.7 | -14.3 |
| | (8.2) | (7.3) | | |
| **C. Profits** | | | | |
| i. Operating Profits | 2,360 | 2,974 | 21.4 | 26.0 |
| ii. Net Profits | 1,220 | 1,724 | 55.3 | 41.3 |

**Notes**: 1. Figures in parentheses are proportion to total income/ expenditure (in per cent).
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹1 Crore in the table.
3. Components may not add up to the total due to rounding off.
4. During 2019-20, 13 DCCBs (except Mallapuram DCCB) in Kerala were amalgamated with Kerala StCB. The data of 13 DCCBs have been added to the StCB totals for previous years to Facilitate comparison and compute growth rates.

**Source:** NABARD.

**Chart V.21: State Co-operative Banks' Profits**




**Note:** Data for Southern region for the two years is not comparable as the impact of amalgamation of Kerala DCCBs is not accounted for.
**Source:** NABARD.

V.48 On asset quality, StCBs in Arunachal Pradesh, Jharkhand, Andaman and Nicobar Islands, Manipur and Puducherry have high NPA ratios (Appendix Table V.3).

**Table V.16: Soundness Indicators of State Co-operative Banks**

(Amount in ₹ crore)

| Item | At end-March | | Percentage Variation | |
|---|---|---|---|---|
| | 2019 | 2020 | 2018-19 | 2019-20 |
| 1 | 2 | 3 | 4 | 5 |
| **A. Total NPAs (i+ii+iii)** | 9,968 | 13,477 | 5.2 | 35.2 |
| i. Sub-standard | 4,712 | 7,883 | 9.6 | 67.3 |
| | (47.2) | (58.4) | | |
| ii. Doubtful | 4,011 | 4,400 | 9.2 | 9.7 |
| | (40.2) | (32.6) | | |
| iii. Loss | 1,245 | 1,195 | -17.2 | -4.1 |
| | (12.4) | (8.8) | | |
| **B. NPAs to Loans Ratio (%)** | **5.4** | **6.7** | - | - |
| **C. Recovery to Demand Ratio (%)** | **93.9** | **94.4** | - | - |

**Notes:** 1. Figures in parentheses are shares in total NPA (%).
2. Absolute numbers have been rounded off, leading to slight variations in per cent.
3. Components may not add-up to the total due to rounding off.
4. During 2019-20, 13 DCCBs (except Mallapuram DCCB) in Kerala were amalgamated With Kerala StCB. The data of 13 DCCBs have been added to the StCB totals for previous years to facilitate comparison and compute growth rates.
5. Recovery Position as on 30th June of the corresponding FY

**Source**: NABARD.

### 4.1.2 District Central Co-operative Banks

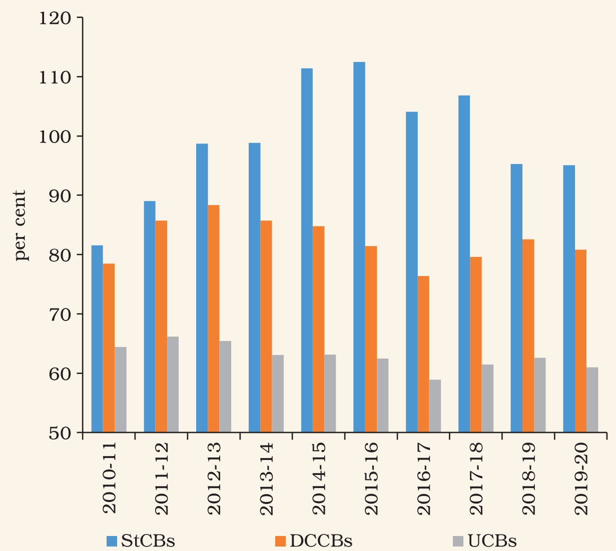
V.49 District central co-operative banks (DCCBs) are the intermediate tier in the short-term rural co-operative structure, mobilising funds through public deposits, borrowing from StCBs and refinance from NABARD. DCCBs lend to individual borrowers as well as to PACS. In practice, however, they are less dependent on borrowings in comparison to StCBs, as they can leverage their extensive branch network to garner deposits. This also translates to lower C-D ratios than StCBs, although the outstanding credit of DCCBs is larger (Chart V.22).

V.50 During the year, 13 DCCBs in Kerala were amalgamated with the Kerala State Co-operative Bank Ltd. and a DCCB in Bihar, *viz.*, Supaul DCCB was granted banking license, taking their total to 351 at end-March 2020, with a network of 13,589 branches.

*Balance Sheet Operations*

V.51 The consolidated balance sheet of DCCBs decelerated to 6.9 per cent in 2019-20, led by slowdown in deposit growth on the liabilities

**Chart V.22: Credit-Deposit Ratio**




**Source:** NABARD.

## Table V.17: Liabilities and Assets of District Central Co-operative Banks

(Amount in ₹Crore)

| Item | At end-March | | Percentage Variation | |
|---|---|---|---|---|
| | 2019 | 2020 | 2018-19 | 2019-20 |
| 1 | 2 | 3 | 4 | 5 |
| **Liabilities** | | | | |
| 1. Capital | 20,122 | 20,913 | 9.3 | 3.9 |
| | (4) | (3.9) | | |
| 2. Reserves | 20,780 | 22,332 | 5.5 | 7.5 |
| | (4.1) | (4.1) | | |
| 3. Deposits | 3,20,947 | 3,45,682 | 10.6 | 7.7 |
| | (63.9) | (64.4) | | |
| 4. Borrowings | 92,962 | 97,448 | 7.9 | 4.8 |
| | (18.5) | (18.1) | | |
| 5. Other Liabilities | 46,762 | 49,602 | 9.4 | 6.1 |
| | (9.3) | (9.2) | | |
| **Assets** | | | | |
| 1. Cash and Bank Balances | 25,637 | 23,409 | 11.3 | -8.7 |
| | (5.1) | (4.3) | | |
| 2. Investments | 1,69,554 | 1,86,745 | 8.4 | 10.1 |
| | (33.8) | (34.8) | | |
| 3. Loans and Advances | 2,65,026 | 2,79,272 | 8.4 | 5.4 |
| | (52.8) | (52.1) | | |
| 4. Accumulated Losses | 6,139 | 6,721 | 15.6 | 9.5 |
| | (1.2) | (1.2) | | |
| 5. Other Assets | 35,217 | 39,830 | 26.2 | 13.1 |
| | (7) | (7.4) | | |
| **Total Liabilities/Assets** | **5,01,573** | **5,35,977** | **9.7** | **6.9** |
| | **(100.00)** | **(100.00)** | | |

**Notes:** 1. Figures in parentheses are proportion to total liabilities/assets (in per cent).
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹1 Crore in the table.
3. Components may not add up to the total due to rounding off.
4. During 2019-20, 13 DCCBs (except Mallapuram DCCB) in Kerala were amalgamated with Kerala StCB. The data of 13 DCCBs have been deducted from the DCCB totals for previous years to facilitate comparison and compute growth rates.

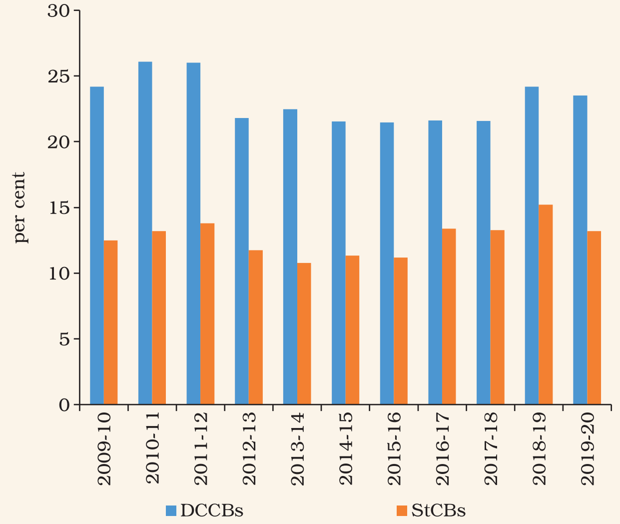
**Source**: NABARD.

side and loans and advances on the assets side. The contraction in cash and bank balances—due to lower CRR requirements[13]—was matched by an acceleration in investments (Table V.17).

*Profitability*

V.52 DCCBs have a higher wage bill burden than StCBs, which pushes up their operating expenses (Chart V.23). During 2019-20, a deceleration in operating expenses, especially the wage bill, helped in building up their operating profits. An acceleration in interest income more than compensated for an increase in interest expenses, and accompanied by a slowdown in provisions and contingencies, produced a surge in net profits in 2019-20 after a contraction for three consecutive years (Table V.18).

**Chart V.23: Share of Operating Expenses in Total Expenses**




**Source:** NABARD.

V.53 Typically, DCCBs in the southern and eastern regions contribute the lion's share in all-India net profits. During 2019-20, however, profits of the western region, especially Maharashtra, accelerated, surpassing the eastern region (Chart V.24). DCCBs in Tamil Nadu posted the highest net profits while those in Madhya Pradesh registered the highest net losses. Out of 351 DCCBs, 60 were loss-making during 2019-20, with a cumulative loss of ₹1,041 crore (Appendix Table V.4.).

[13] On March 27, 2020, as a one-time measure to help banks tide over the disruption caused by COVID-19, the Reserve Bank decided to reduce the CRR of all banks by 100 basis points to 3.0 per cent of net demand and time liabilities (NDTL) with effect from the reporting fortnight beginning March 28, 2020.

**Table V.18: Financial Performance of District Central Co-operative Banks**

(Amount in ₹Crore)

| Item | As during | | Percentage Variation | |
|---|---|---|---|---|
| | 2018-19 | 2019-20 | 2018-19 | 2019-20 |
| 1 | 2 | 3 | 4 | 5 |
| **A. Income (i+ii)** | **35,778** | **38,398** | **5.3** | **7.3** |
| | **(100.00)** | **(100.00)** | | |
| i. Interest Income | 33,995 | 36,473 | 4.8 | 7.3 |
| | (95) | (94.9) | | |
| ii. Other Income | 1,782 | 1,924 | 14.6 | 8.0 |
| | (4.9) | (5) | | |
| **B. Expenditure (i+ii+iii)** | **35,119** | **37,552** | **6.8** | **6.9** |
| | **(100.00)** | **(100.00)** | | |
| i. Interest Expended | 23,014 | 24,830 | 3.3 | 7.9 |
| | (65.5) | (66.1) | | |
| ii. Provisions and Contingencies | 3,596 | 3,886 | 17.2 | 8.0 |
| | (10.2) | (10.3) | | |
| iii. Operating Expenses | 8,508 | 8,836 | 12.9 | 3.9 |
| | (24.2) | (23.5) | | |
| *Of which*, Wage Bill | 5,374 | 5,663 | 12.2 | 5.4 |
| | (15.3) | (15) | | |
| **C. Profits** | | | | |
| i. Operating Profits | 3,784 | 4,229 | 2.7 | 11.8 |
| ii. Net Profits | 659 | 846 | -39.8 | 28.4 |

**Notes:** 1. Figures in parentheses are in proportion to total income/expenditure (in per cent).
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹ 1 Crore in the table.
3. Components may not add up to the total due to rounding off.
4. During 2019-20, 13 DCCBs (except Mallapuram DCCB) in Kerala were amalgamated with Kerala StCB. The data of 13 DCCBs have been deducted from the DCCB totals for previous years to facilitate comparison and compute growth rates.

**Source**: NABARD.

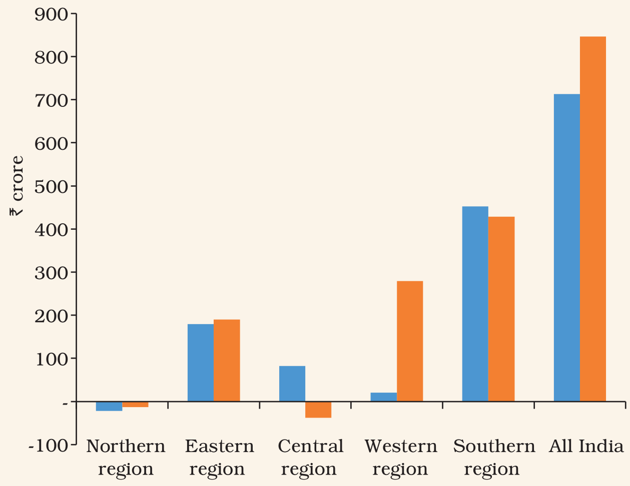
### *Asset Quality*

V.54 DCCBs have faced higher asset quality stress than StCBs for more than a decade now. Both have been worsening since 2016-17 when a number of states announced farm debt waiver schemes, partly affecting the credit culture and the recovery-to-demand ratio (Chart V.25).

V.55 The deterioration in the asset quality of DCCBs continued in 2019-20 (Table V.19). A deceleration in sub-standard assets and acceleration in doubtful assets is indicative of aging of bad assets and stress becoming entrenched. Weak credit culture, governance issues and poor management practices in some DCCBs play a major role in worsening asset quality. Five states *viz*., Jharkhand, Jammu and Kashmir, Madhya Pradesh, Himachal Pradesh and Maharashtra have NPA to loan ratios exceeding 20 per cent (Appendix Table V.4).

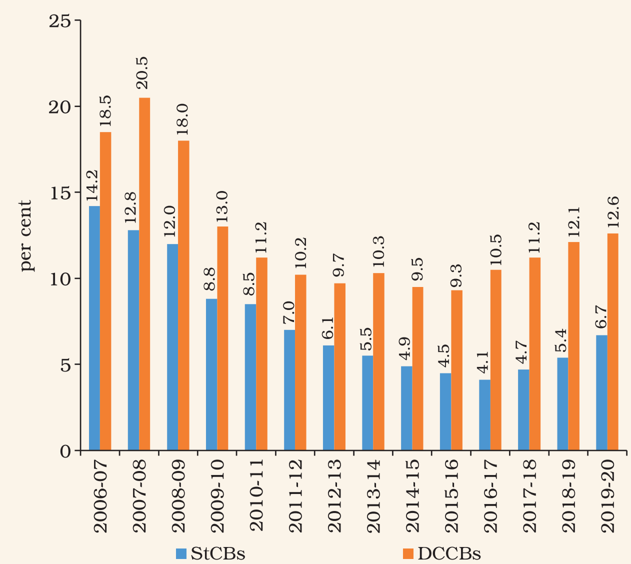
V.56 As per provisional data from NABARD for 2020-21, financial indicators of StCBs and DCCBs suggest that their performance had improved despite the pandemic due to regulatory

**Chart V.24: DCCBs' Profits**




**Note:** Data for Southern region for the two years is not comparable as the impact of amalgamation of Kerala DCCBs is not accounted for.
**Source:** NABARD.

**Chart V.25: NPA Ratio: StCBs *versus* DCCBs**




**Source:** NABARD.

**Table V.19: Soundness Indicators of District Central Cooperative Banks**

(Amount in ₹Crore)

| Item | At end-March | | Percentage Variation | |
|---|---|---|---|---|
| | 2019 | 2020 | 2018-19 | 2019-20 |
| 1 | 2 | 3 | 4 | 5 |
| **A. Total NPAs (i+ ii + iii)** | **31,998** | **35,298** | **15.7** | **10.3** |
| i) Sub- standard | 15,641 (48.8) | 15,885 (45.0) | 19.5 | 1.6 |
| ii) Doubtful | 13,918 (43.4) | 16,990 (48.1) | 15.0 | 22.1 |
| iii) Loss | 2,439 (7.6) | 2,423 (6.8) | -0.9 | -0.6 |
| **B. NPAs to Loans Ratio (%)** | **12.1** | **12.6** | - | - |
| **C. Recovery to Demand Ratio (%)** | **72.0** | **70.2** | - | - |

**Notes:** 1. Figures in parentheses are proportion to total NPAs (in per cent).
2. Y-o-y variations could be slightly different because absolute numbers have been rounded off to ₹1 Crore in the table.
3. Components may not add up to the total due to rounding off.
4. During 2019-20, 13 DCCBs (except Mallapuram DCCB) in Kerala were amalgamated with Kerala StCB. The data of 13 DCCBs have been deducted from the DCCB totals for previous years to facilitate comparison and compute growth rates.
5. Recovery Position as on 30th June of corresponding FY.

**Source:** NABARD.

and fiscal support from the Reserve Bank as well as government agencies (Box V.2).

### 4.1.3 Primary Agricultural Credit Societies

V.57 Primary Agricultural Credit Societies (PACS) constitute the third tier in the rural co-operative structure. They primarily engage in providing short-term and medium-term agricultural credit, along with arranging for the supply of agricultural inputs, distribution of consumer articles and marketing of produce for their members.

V.58 PACS had a reach into 6,44,089 villages, serving 13.8 crore members and 5.3 crore borrowers, with dominant presence in the western region at end-March 2020. The borrower-to-member ratio—a metric to gauge credit penetration of PACS—has progressively

## Box V.2: Impact of COVID-19 on Rural Co-operative Banks

StCBs and DCCBs together have over 78 per cent of their branches in rural/semi-urban areas and agricultural loans constitute over 40 per cent and 50 per cent, respectively, of their outstanding loan portfolio. As compared to SCBs, StCBs and DCCBs were thus operating in favourable geographies and sectors in managing the pandemic.

The share of co-operative banks in ground level credit to agriculture has been declining consistently as SCBs made inroads in this segment. In 2020-21, however, the share of the former increased on sharp acceleration in fresh loans provided (Table 1).

94 per cent of StCBs and 88 per cent of DCCBs[14] reported profits in 2020-21 as compared with 97 per cent and 83 per cent, respectively, in 2019-20.

**Table 1: Share in Credit Flow to Agriculture (%)**

| Year | Co-operative banks | RRBs | Commercial Banks |
|---|---|---|---|
| 2015-16 | 16.7 | 13.0 | 70.2 |
| 2016-17 | 13.4 | 11.6 | 75.0 |
| 2017-18 | 12.9 | 12.1 | 74.9 |
| 2018-19 | 12.1 | 11.9 | 76.0 |
| 2019-20 | 11.3 | 11.9 | 76.8 |
| 2020-21* | 12.0 | 12.2 | 75.8 |

**Note:** *-Data are provisional.
**Source:** Data submitted by Banks on ENSURE portal of NABARD.

Rural co-operative institutions employed innovative tools and strategies to deal with the pandemic as presented below:

**Table 2: Challenges and Strategies in the Face of the Pandemic**

| Impact on | Strategies Adopted |
|---|---|
| Lending Operations | • The RuPay KCC helped farmers to access timely credit.<br>• Online workshops were conducted for staff.<br>• Closed User Groups (CUG) were formed to monitor day to day activities of branches and field staff.<br>• Review meetings were conducted through video conferencing to monitor progress in credit business. |
| Liquidity | • Reduction in CRR by 100 bps.<br>• Enhanced borrowing under the Marginal Standing Facility (MSF)<br>• NABARD's Special Liquidity Facility which disbursed ₹16,800 crore to rural co-operatives. |
| Capital Adequacy | • Recapitalisation by some state governments helped in shoring up capital buffers.<br>• Some augmented their capital through internal accruals and share capital contribution from individual members or credit societies. |

**Source:** NABARD

StCBs and DCCBs weathered the first wave of the pandemic well, but early indicators suggest that the impact of the second wave has been more pronounced and stress is likely to rise in 2021-22 on account of fresh slippages.

[14] Data of Tamil Nadu Industrial Co-operative Bank Ltd. (TAICO) which is also a DCCB, has not been included as it is an industrial co-operative bank.

declined from 39.6 per cent in 2016-17 to 38 per cent in 2019-20. They are conduits of financial inclusion at the grassroot level as majority of their borrowers as well as members are marginal farmers (Appendix Table V.7).

V.59 A healthy growth in deposits was matched by expansion of loans, with short-term outstanding loans doubling (Appendix Table V.5). Borrowings, on the other hand, contracted marginally. There was also a substantial reduction in the government's contribution to PACS' owned funds.

V.60 Both agricultural and non-agricultural lending expanded at similar rates, which helped maintain the dominant share of agricultural loans in total lending at 81 per cent in 2019-20. While half of the total PACS were profitable during the year, the losses incurred by the other half outweighed profits. The bulk of the losses stemmed from the southern region, especially Andhra Pradesh and Kerala (Appendix Table V.6).

**4.2 Long Term Rural Co-operatives**

V.61 Long-term co-operatives provide term finance for capital formation and rural non-farm projects. Their structure, consisting of state co-operative agriculture and rural development banks (SCARDBs) operating at the state level and primary co-operative agriculture and rural development banks (PCARDBs) operating at the district/block level, does not follow a uniform pattern across states. Currently, five (Gujarat, Jammu and Kashmir, Puducherry, Tripura and Uttar Pradesh) out of thirteen fully functional SCARDBs, are unitary, *i.e.*, they lend directly without separate PCARDBs. Six (Haryana, Karnataka, Kerala, Punjab, Rajasthan and Tamil Nadu) are federal in nature, *i.e.*, they lend through PCARDBs, and two (Himachal Pradesh and West Bengal) have mixed structures, *i.e.*, they lend through PCARDBs as well as through their own branches.

**4.2.1 State Co-operative Agriculture and Rural Development Banks (SCARDBs)**

V.62 Functioning with 791 branches across 13 states/UTs, the consolidated balance sheet of SCARDBs contracted for the third consecutive year in 2019-20, dragged down by investments on the assets side and borrowings on the liabilities side (Appendix Table V.8). Turning their financial position around, they reported net profits after a gap of three years, with SCARDBs in Uttar Pradesh and Haryana completely reversing their losses reported in 2018-19 (Appendix Table V.11). Operating profits doubled as operating expenses and interest expenditure declined, and non-interest income grew by 150 per cent (Appendix Table V.9). However, asset quality continued to deteriorate as sub-standard and doubtful assets grew by 19 per cent and 29 per cent, respectively, along with a marginal reduction in recovery-to-demand ratio (Appendix Table V.10).

**4.2.2 Primary Co-operative Agriculture and Rural Development Banks (PCARDBs)**

V.63 At end-March 2020, there were 602 PCARDBs functioning across eight states. The consolidated balance sheet of PCARDBs expanded in 2019-20 on the back of higher borrowings and reserves on the liabilities side and loans and advances and investments on the assets side (Appendix Table V.12). Both interest and non-interest income rose; however, the substantial increase in provisions and contingencies on the expenditure side led to net losses for PCARDBs, with Kerala reporting the highest absolute losses (Appendix Table V.13). The NPA ratio of PCARDBs worsened, with the northern states reporting the highest NPA ratios. (Appendix Table V.14 and V.15).

## 5. Overall Assessment

V.64 Early indicators suggest that co-operative banks weathered the first wave of the pandemic well. Structural reforms that address deep-seated fault lines are expected to catalyse change in their operations. UCBs are increasingly adopting technology to address competitive pressures from other niche banking segments such as SFBs. Matters of inadequate governance are being addressed through regulatory as well as enforcement actions. Going forward, with a turnaround in economic activity, it is expected that the sector may build on its resilience and leverage on recent financial improvements to expand its footprint in order to reach finance to grassroot levels.

# VI NON-BANKING FINANCIAL INSTITUTIONS

*The pandemic tested the resilience of the NBFC sector. Their balance sheet expanded in 2020-21 on the back of credit growth of NBFCs-ND-SI aided by proactive policy support and revival of the economy. Asset quality and capital buffers improved during the year, while profitability worsened marginally. HFCs' balance sheet grew on the back of a pickup in credit in 2020-21. The consolidated balance sheet of AIFIs expanded during 2020-21 and their net profits posted an impressive growth.*

## 1. Introduction

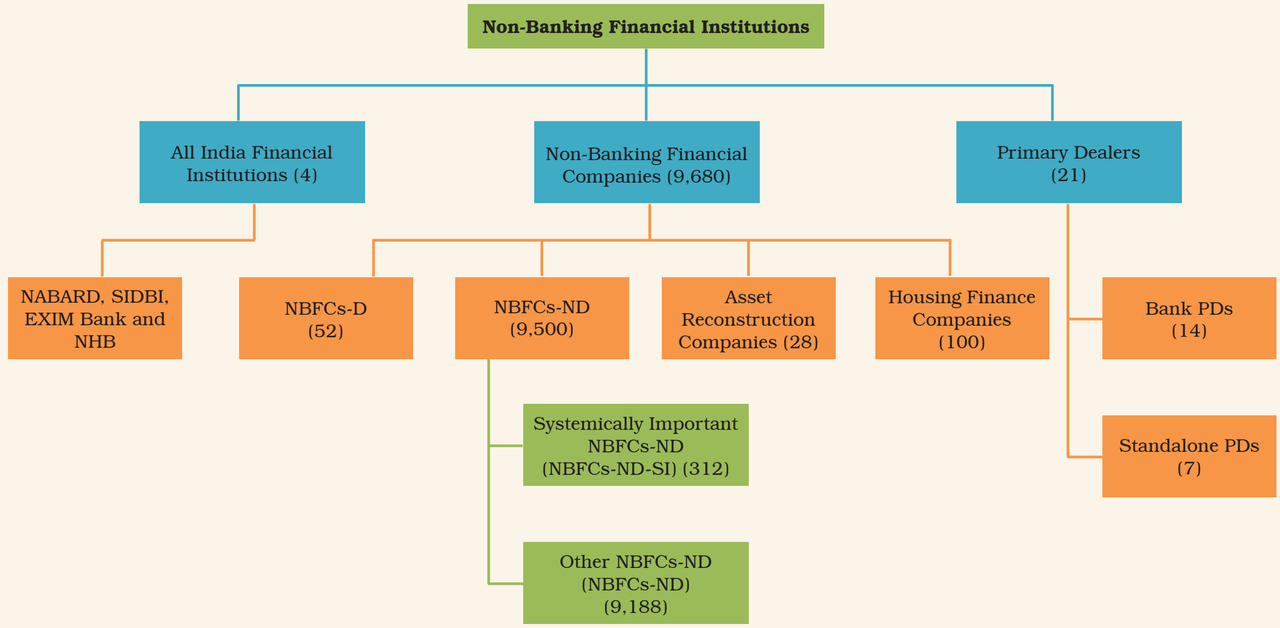
VI.1 During 2020-21, non-banking financial companies (NBFCs) consolidated their balance sheets with credit deployment gaining traction, improved asset quality and enhanced capital buffers notwithstanding the testing challenges imposed by the pandemic. This chapter deals with non-banking financial institutions (NBFIs) regulated by the Reserve Bank[1] comprising NBFCs, housing finance companies (HFCs), all-India financial institutions (AIFIs) and primary dealers (PDs). NBFCs are government/ public/ private limited companies engaged in purveying credit to key and niche sectors of the economy; *viz.*, from infrastructure to the unbanked sections of the society. HFCs specialise in housing finance to individuals, co-operative societies, corporate bodies, and lease commercial and residential premises to support housing activity in the country (Chart VI.1)[2]. AIFIs, *i.e.*, the National Bank for Agriculture and Rural Development (NABARD), the EXIM Bank of India, the Small Industries Development Bank of India (SIDBI) and the National Housing Bank (NHB) are apex financial institutions that play an important role in meeting the long-term funding requirements of agriculture and the rural sector, foreign trade, small industries, housing finance companies, NBFCs, Micro Finance Institutions (MFIs) and other specialised segments and institutions. PDs act as market makers in the government securities (G-secs) market, besides ensuring subscription to primary issuances.

VI.2 The ongoing COVID-19 pandemic has deeply impacted the NBFC sector. In Q1:2020-21, they faced severe disruptions during and in the wake of the nation-wide lockdown, leading to a standstill of economic activity and a contraction of Gross Domestic Product (GDP) by 24.4 per cent. As the impact on the real sector spilled over to financial markets, NBFCs witnessed a sharp drop in collections and disbursements and a substantial increase in the cost of their borrowings even as access to market funding became restricted. The provision of moratorium also had an impact on their cash inflows, resulting

[1] Although, merchant banking companies, stock exchanges, companies engaged in the business of stock-broking/sub-broking, alternative investment fund companies, nidhi companies, insurance companies and chit fund companies are NBFCs, they have been exempted from the requirement of registration with the Reserve Bank under Section 45-IA of the RBI Act, 1934.

[2] The Finance (No.2) Act, 2019 (23 of 2019) amended the National Housing Bank Act, 1987, conferring certain powers for regulation of housing finance companies (HFCs) with the Reserve Bank of India. HFCs are henceforth treated as a category of NBFCs for regulatory purposes.

**Chart VI.1: Structure of NBFIs under the Reserve Bank's Regulation**
(As on September 30, 2021)




**Notes:** 1. Figures in parentheses indicate the number of institutions (Provisional).
2. Although, Standalone PDs are registered as NBFCs under Section 45-IA of RBI Act, 1934, they have been kept under PD.
3. Other NBFCs-ND include 61 CICs.

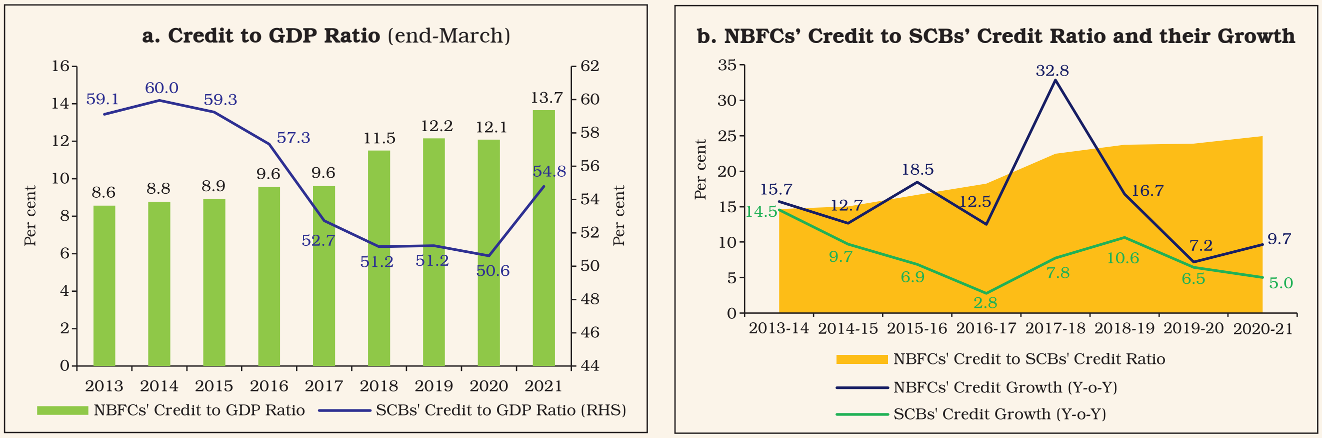
**Source:** RBI.

in reduction in collections. Timely measures on monetary, fiscal, and regulatory fronts by the Reserve Bank and the government aided their revival, eased financial conditions and bolstered market sentiments. From Q2:2020-21 onwards, the situation improved, aided by policy support. Many NBFCs also recalibrated their business strategies, leveraging on digital technology with a strong emphasis on data analytics. The NBFC sector faced headwinds again when the second wave hit the country by March 2021. With the passing of the second wave, the outlook is brightening again; however, downside risks remain significant.

VI.3 NBFCs have a competitive edge in their superior understanding of regional dynamics, well-developed collection systems and personalised services in the drive to expand financial inclusion in India. Lower transaction costs, quick decision making, customer orientation and prompt provision of services have typically differentiated NBFCs from banks. The reach and last mile advantages of NBFCs have empowered them with agility, innovation and a cutting edge in providing formal financial services to underbanked and unserved sections of the society.

VI.4 The rest of the chapter is organised into four sections. Section 2 provides an overview of the NBFC sector – both non-deposit taking systemically important NBFCs (NBFCs-ND-SI) and deposit-taking NBFCs (NBFCs-D). The activities and financial performance of HFCs are also covered in this section. An assessment of the performance of AIFIs is made in Section 3. Section 4 evaluates the role and performance of PDs. Section 5 concludes and offers some policy perspectives.

**Chart VI.2: NBFCs' Credit *vis-à-vis* SCBs' Credit and GDP**




**Note:** GDP refers to GDP at Current Market Prices (base: 2011-12).
**Sources:** 1. Report on Trend and Progress of Banking in India, various issues.
2. Handbook of Statistics on the Indian Economy, various issues.

## 2. Non-Banking Financial Companies (NBFCs)[3]

VI.5 NBFCs' credit intensity measured by the credit/GDP ratio has been rising consistently, reaching a high in 2021 (Chart VI.2 a). Significantly, NBFCs' credit as proportion to SCBs' credit has also risen (Chart VI.2 b).

VI.6 NBFCs can be classified on the basis of a) asset/liability structures; b) systemic importance; and c) the activities they undertake. In terms of liability structures, NBFCs are subdivided into deposit-taking NBFCs (NBFCs-D) - which accept and hold public deposits - and non-deposit taking NBFCs (NBFCs-ND) - which source their funding from markets and banks. Among non-deposit taking NBFCs, those with asset size of ₹500 crore or more are classified as non-deposit taking systemically important NBFCs (NBFCs-ND-SI). As on September 30, 2021, there were 52 NBFCs-D and 312 NBFCs-ND-SI. Based on activities, there are 11 categories of NBFCs (Table VI.1).

VI.7 Regulatory guidelines mandate that only those NBFCs with minimum net owned funds (NOF) of ₹2 crore[4] can be allowed to operate. In 2018-19, there was a record number of cancellations/surrender of licenses of non-compliant NBFCs. During 2020-21, the number of registrations and cancellations were the lowest in the last five years (Chart VI.3).

*2.1 Ownership Pattern*

VI.8 The NBFC sector is dominated by NBFCs-ND-SI that constitute 85.1 per cent of the total assets of the sector. The number of large government-owned NBFCs, which mainly lend in the infrastructure space, has remained unchanged but their share in total assets of NBFCs-ND-SI has increased during the year (Table VI.2).

[3] This section does not include Core Investment Companies (CICs) and other NBFCs-ND.

[4] Stipulation differs for IFCs, IDF-NBFCs, HFCs, NBFC-MGC, NBFCs-MFI, CICs and Factors.

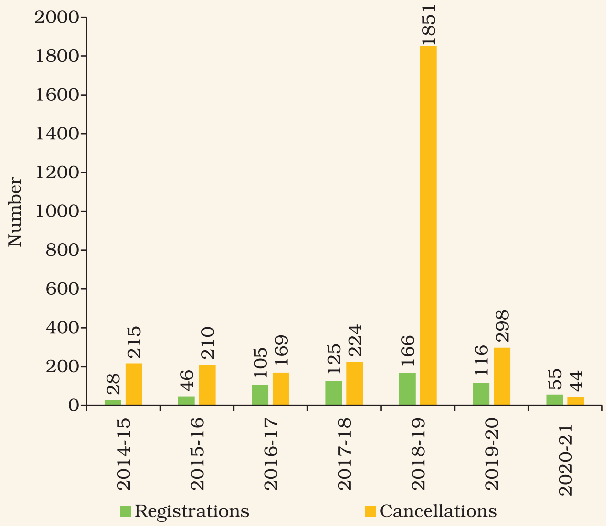
**Table VI.1 :Classification of NBFCs by Activity**

| Type of NBFC | Activity |
|---|---|
| 1. Investment and Credit Company (ICC) | Lending and investment. |
| 2. NBFC-Infrastructure Finance Company (NBFC-IFC) | Financing of infrastructure sector. |
| 3. Core Investment Company (CIC) | Investment in equity shares, preference shares, debt, or loans of group companies. |
| 4. NBFC-Infrastructure Debt Fund (NBFC-IDF) | Facilitation of flow of long-term debt only into post commencement operations in infrastructure projects which have completed at least one year of satisfactory performance. |
| 5. NBFC-Micro Finance Institution (NBFC-MFI) | Providing collateral free small ticket loans to economically disadvantaged groups. |
| 6. NBFC-Factor | Acquisition of receivables of an assignor or extending loans against the security interest of the receivables at a discount. |
| 7. NBFC-Non-Operative Financial Holding Company (NBFC-NOFHC) | Facilitation of promoters/ promoter groups in setting up new banks. |
| 8. Mortgage Guarantee Company (MGC) | Undertaking of mortgage guarantee business. |
| 9. NBFC-Account Aggregator (NBFC-AA) | Collecting and providing information about a customer's financial assets in a consolidated, organised, and retrievable manner to the customer or others as specified by the customer. |
| 10. NBFC–Peer to Peer Lending Platform (NBFC-P2P) | Providing an online platform to bring lenders and borrowers together to help mobilise funds. |
| 11. Housing Finance Company (HFC) | Financing for housing. |

**Source**: RBI.

VI.9 The Reserve Bank has been monitoring the operations and growth of NBFCs-D in order to secure depositors' interest, given that deposits of NBFCs-D are not covered by the Deposit Insurance and Credit Guarantee Corporation (DICGC). The Reserve Bank has mandated that only investment grade NBFCs-D shall accept fixed deposits from the public up to a limit of 1.5 times of their NOF and for a tenure of 12 to 60 months only, with interest rates capped at 12.5 per cent.

**Chart VI.3 : Registrations and Cancellations of Certificate of Registrations of NBFCs**




**Note:** Data are provisional.
**Source:** RBI.

VI.10 NBFCs-D accounted for 14.9 per cent of the total assets of the NBFC sector at end-March 2021. Privately owned NBFCs-D accounted for 88.4 per cent of NBFCs-D' total assets in 2020-21 (Table VI.2).

*2.2 Balance Sheet*

VI.11 During the year under review, the balance sheet of NBFCs expanded at a faster rate than a year ago, driven essentially by growth in credit and investments of NBFCs-ND-SI. The balance sheet of NBFCs-D, on the other hand, grew modestly as they adopted a more cautious approach. In 2020-21, the share capital and reserves of NBFCs expanded significantly as some NBFCs raised additional capital *via* rights issues, prudently buttressing their financials against the likely recognition of impaired assets after the lifting of the Supreme Court's order on

**Table VI.2: Ownership Pattern of NBFCs**
(End-March 2021)

(Amount in ₹ crore)

| Type | NBFC-ND-SI | | | NBFC-D | | |
|---|---|---|---|---|---|---|
| | Number of Companies | Asset Size | Asset Share in per cent | Number of Companies | Asset Size | Asset Share in per cent |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **A. Government Companies** | **21** | **13,47,377** | **45.6** | **5** | **60,214** | **11.6** |
| **B. Non-government Companies (1+2)** | **379** | **16,09,976** | **54.4** | **50** | **4,57,769** | **88.4** |
| 1. Public Limited Companies | 202 | 11,59,669 | 39.2 | 48 | 3,15,889 | 61.0 |
| 2. Private Limited Companies | 177 | 4,50,307 | 15.2 | 2 | 1,41,880 | 27.4 |
| **Total (A+B)** | **400$** | **29,57,352** | **100.0** | **55** | **5,17,983** | **100.0** |

**Notes:** 1. Data are provisional.
2. $The total number of NBFCs-ND-SI differs from that in Chart VI.1 as it includes group companies even with less than ₹500 crore asset size.
**Source:** Supervisory Returns, RBI.

standstill on asset classification[5]. NBFCs' credit also gained traction with the support provided by regulatory initiatives[6], including the "co-lending model" introduced in November 2020, which allows banks to co-lend with NBFCs (including HFCs) in respect of priority sector loans. NBFCs also increased their investments substantially during the year. In view of the pandemic, NBFCs also built liquidity buffers, with their cash and bank balances growing at a robust pace, except for NBFCs-ND-SI. In 2021-22 (up to September), balance sheet growth of NBFCs remained buoyant due to pick up in investments by NBFCs-ND-SI (Appendix Tables VI.1, VI.2 and VI.3).

VI.12 Public deposits of NBFCs-D grew strongly in 2019-20 and 2020-21 and remained a stable source of funding. On the assets side, investments continued to grow at an accelerated pace, while loans and advances picked up pace marginally *vis-à-vis* 2019-20 (Table VI.3).

VI.13 On credit disbursement, 57 NBFCs, each having a loan book of more than ₹5000 crore, lent 90.1 per cent of the total credit disbursed in 2020-21(Chart VI.4). Smaller NBFCs (asset size less than ₹500 crore) are numerous but accounted for only 0.9 per cent of total NBFC credit outstanding.

VI.14 Amongst NBFCs-ND-SI, ICCs, IFCs and NBFCs-MFI together accounted for 98.1 per cent of the total asset size of the sub-sector in March 2021. All categories of NBFCs-ND-SI exhibited balance sheet growth in 2020-21, except for

[5] In view of the pandemic, the Reserve Bank introduced a policy on March 27, 2020 which allowed lending institutions to grant a moratorium on payment of instalments of term loans falling due between March 1, 2020 and May 31, 2020 which was extended till August 31, 2020. In October 2020, the Supreme Court passed an interim order that any account which was standard as of August 31, 2020 when the moratorium ended should not be downgraded until final orders. On March 23, 2021, the Supreme Court lifted this ban on NPA classification.

[6] When COVID-19 struck, the Reserve Bank introduced TLTRO to provide targeted liquidity to sectors and entities experiencing liquidity constraints and restricted market access. The funds received by banks were to be invested in investment grade corporate debt. Under TLTRO 1.0 which was announced on March 27, 2020, the Reserve Bank conducted four auctions in tranches of ₹25,000 crore each, amounting to a total of ₹1,00,000 crore. TLTRO 2.0 was announced on 17 April, 2020 which sought to address liquidity constraints faced by small and mid-sized corporates, including NBFCs and micro finance institutions (MFIs). Under the TLTRO 2.0 window, a sum of ₹50,000 crore was to be made available at policy repo rate for tenors up to three years. In the first tranche, total bids received amounted to ₹12,850 crores. On October 9, 2020, the Reserve Bank announced commencement of on-tap TLTRO of up to three years tenor for a total amount of up to ₹1, 00,000 crore at a floating rate linked to the policy repo rate to revive economic activity in certain sectors which have backward and forward linkages.

**Table VI.3: Abridged Balance Sheet of NBFCs**

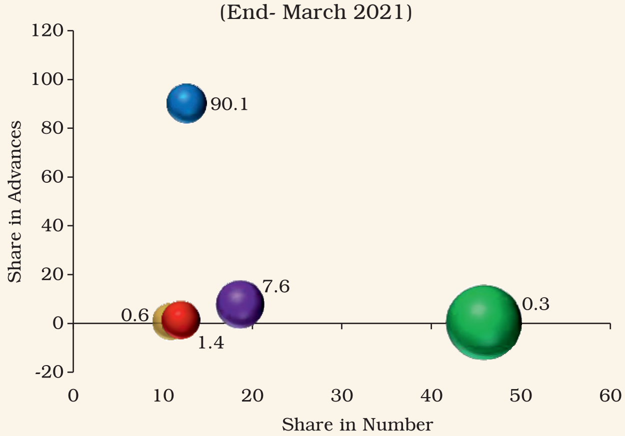
(Amount in ₹ crore)

| Items | As at end-March - 2020 | | | As at end-March - 2021 | | | As at end- September - 2021 | | |
|---|---|---|---|---|---|---|---|---|---|
| | NBFCs | NBFCs-ND-SI | NBFCs-D | NBFCs | NBFCs-ND-SI | NBFCs-D | NBFCs | NBFCs-ND-SI | NBFCs-D |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1. Share Capital and Reserves | 6,13,810 (11.8) | 5,28,044 (9.6) | 85,766 (27.7) | 7,76,214 (26.5) | 6,75,759 (28.0) | 1,00,455 (17.1) | 8,12,562 (25.6) | 7,06,936 (28.2) | 1,05,626 (10.5) |
| 2. Public Deposits | 50,022 (24.9) | - | 50,022 (24.9) | 62,262 (24.5) | - | 62,262 (24.5) | 66,443 (21.1) | - | 66,443 (21.1) |
| 3. Debentures | 9,04,655 (10.1) | 8,01,317 (10.9) | 1,03,338 (4.2) | 9,84,448 (8.8) | 8,85,746 (10.5) | 98,702 (-4.5) | 9,88,342 (7) | 8,85,414 (7.2) | 1,02,928 (5.6) |
| 4. Bank Borrowings | 6,93,918 (13.8) | 5,69,530 (13.1) | 1,24,388 (17.1) | 7,75,491 (11.8) | 6,60,669 (16) | 1,14,822 (-7.7) | 7,30,740 (5.0) | 6,25,219 (9.5) | 1,05,521 (-15.8) |
| 5. Commercial Paper | 64,877 (-54.6) | 57,399 (-54.0) | 7,478 (-58.7) | 70,631 (8.9) | 62,109 (8.2) | 8,523 (14.0) | 71,990 (6.0) | 60,369 (-0.1) | 11,621 (56.0) |
| 6. Others | 7,53,994 (13.9) | 6,38,166 (11.8) | 1,15,828 (27.1) | 8,06,289 (6.9) | 6,73,069 (5.5) | 1,33,219 (15) | 8,40,595 (7.5) | 7,00,069 (5.8) | 1,40,527 (16.9) |
| **Total Liabilities/Assets** | **30,81,276 (9.1)** | **25,94,456 (8.0)** | **4,86,820 (15.4)** | **34,75,335 (12.8)** | **29,57,352 (14.0)** | **5,17,983 (6.4)** | **35,10,671 (10.7)** | **29,78,006 (11.5)** | **5,32,665 (6.3)** |
| 1. Loans and Advances | 24,60,552 (7.2) | 20,42,745 (6.6) | 4,17,807 (10.2) | 26,98,689 (9.7) | 22,74,622 (11.4) | 4,24,068 (1.5) | 26,61,782 (4.9) | 22,22,579 (4.7) | 4,39,203 (5.8) |
| 2. Investments | 2,93,903 (13.5) | 2,54,752 (8.4) | 39,151 (63.9) | 4,19,319 (42.7) | 3,73,282 (46.5) | 46,037 (17.6) | 4,69,945 (50.5) | 4,23,116 (61.9) | 46,829 (-8.1) |
| 3. Cash and Bank Balances | 1,30,956 (36.4) | 1,13,681 (31.8) | 17,275 (76.5) | 1,56,260 (19.3) | 1,22,096 (7.4) | 34,164 (97.8) | 1,62,029 (20.3) | 1,29,667 (16.6) | 32,363 (37.4) |
| 4. Other Current Assets | 1,47,981 (19.2) | 1,38,487 (18.7) | 9,494 (26.1) | 1,56,871 (6.0) | 1,46,727 (5.9) | 10,145 (6.9) | 1,60,835 (6.5) | 1,50,712 (7.4) | 10,123 (-5.6) |
| 5. Other Assets | 47,884 (-5.3) | 44,792 (-8.5) | 3,093 (93.2) | 44,195 (-7.7) | 40,625 (-9.3) | 3,570 (15.4) | 56,081 (56.2) | 51,934 (47.2) | 4,147 (565.6) |

**Notes:** 1. Data are provisional.
2. Figures in parentheses indicate y-o-y growth in per cent.

**Source:** Supervisory Returns, RBI.

**Chart VI.4: Distribution of NBFCs' Credit**
(End- March 2021)




**Notes:** 1. Bubble size corresponds to share of NBFCs in total number.
2. Figures are share of NBFCs in total credit.
3. NBFCs here include NBFCs-ND-SI, group companies and NBFCs-D.

**Source**: Supervisory Returns, RBI.

NBFCs-Factor (Table VI.4). With the harmonisation of major NBFC categories, NBFCs-D now comprise only ICCs.

VI.15 ICCs' share in total assets dipped marginally. Their credit growth, *albeit* modest, was aided by favourable base effects. Balance sheets of micro finance institutions (NBFCs-MFI), on the other hand, expanded on the back of robust credit growth, a favourable policy environment, pent-up demand and phased reopening of the economy (Chart VI.5 a).

VI.16 IFCs' credit disbursements in the infrastructure sector (power) grew strongly, insulated from the impact of COVID-19. Two large government-owned NBFCs ensured liquidity in the power sector during the pandemic period.

**Table VI.4: Major Components of Liabilities and Assets of NBFCs-ND-SI by Classification**

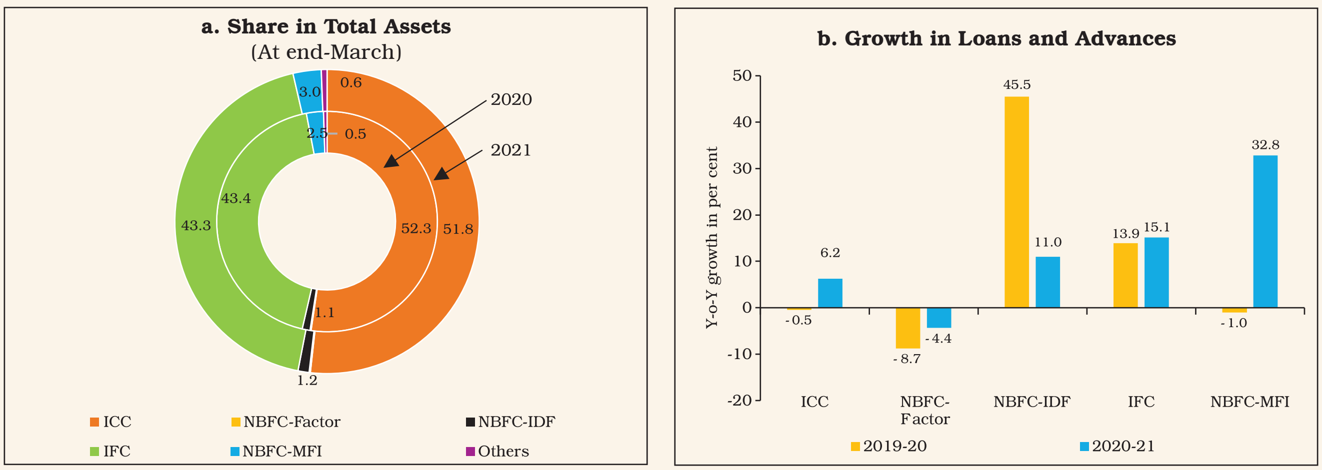
(Amount in ₹ crore)

| Category / Liability | As at end-March 2020 | | | As at end-March 2021 | | | As at end- September 2021 | | | Percentage Variation of Total Liabilities | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Borrow-ings | Other Liabilities | Total Liabilities | Borrow-ings | Other Liabilities | Total Liabilities | Borrow-ings | Other Liabilities | Total Liabilities | (March 2020 over March 2019) | (March 2021 over March 2020) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| ICC | 8,93,148 | 4,64,366 | 13,57,513 | 9,25,001 | 6,05,666 | 15,30,667 | 8,82,735 | 6,16,628 | 14,99,363 | 3.6 | 12.8 |
| NBFC-Factor | 1,822 | 2,070 | 3,893 | 1,839 | 2,039 | 3,878 | 1,632 | 1,964 | 3,596 | -6.7 | -0.4 |
| IDF-NBFC | 24,868 | 4,935 | 29,804 | 28,429 | 6,415 | 34,844 | 31,510 | 6,764 | 38,274 | 20.9 | 16.9 |
| Infrastructure Finance Company | 9,10,033 | 2,15,025 | 11,25,058 | 10,41,895 | 2,39,500 | 12,81,395 | 10,65,847 | 2,61,896 | 13,27,743 | 13.4 | 13.9 |
| NBFC-MFI | 45,594 | 19,241 | 64,835 | 62,310 | 26,249 | 88,559 | 58,562 | 22,924 | 81,487 | -1.0 | 36.6 |
| Others | 2 | 13,352 | 13,354 | 77 | 17,933 | 18,009 | 80 | 27,462 | 27,542 | 117.5 | 34.9 |
| **Total** | **18,75,467** | **7,18,989** | **25,94,456** | **20,59,551** | **8,97,801** | **29,57,352** | **20,40,367** | **9,37,639** | **29,78,006** | **8.0** | **14.0** |
| Category / Asset | Loans and Advances | Other Assets | Total Assets | Loans and Advances | Other Assets | Total Assets | Loans and Advances | Other Assets | Total Assets | Percentage Variation of Total Assets | |
| | | | | | | | | | | (March 2020 over March 2019) | (March 2021 over March 2020) |
| ICC | 9,44,992 | 4,12,521 | 13,57,513 | 10,03,748 | 5,26,919 | 15,30,667 | 9,20,368 | 5,78,995 | 14,99,363 | 3.6 | 12.8 |
| NBFC-Factor | 3,096 | 797 | 3,893 | 2,961 | 917 | 3,878 | 2,763 | 833 | 3,596 | -6.7 | -0.4 |
| IDF-NBFC | 27,410 | 2,394 | 29,804 | 30,414 | 4,430 | 34,844 | 31,477 | 6,797 | 38,274 | 20.9 | 16.9 |
| Infrastructure Finance Company | 10,15,853 | 1,09,205 | 11,25,058 | 11,69,240 | 1,12,155 | 12,81,395 | 12,04,869 | 1,22,874 | 13,27,743 | 13.4 | 13.9 |
| NBFC-MFI | 51,394 | 13,441 | 64,835 | 68,258 | 20,301 | 88,559 | 63,102 | 18,385 | 81,487 | -1.0 | 36.6 |
| Others | - | 13,354 | 13,354 | - | 18,009 | 18,009 | - | 27,542 | 27,542 | 117.5 | 34.9 |
| **Total** | **20,42,745** | **5,51,711** | **25,94,456** | **22,74,622** | **6,82,731** | **29,57,352** | **22,22,579** | **7,55,427** | **29,78,006** | **8.0** | **14.0** |

**Note:** Data are provisional.
**Source:** Supervisory Returns, RBI.

They sanctioned ₹1.34 lakh crore and disbursed over ₹79,000 crore to distribution utilities (DISCOMs) under the Liquidity Infusion Scheme as part of the *Aatmanirbhar Bharat Abhiyaan* of

**Chart VI.5: Classification-wise NBFCs: Select Indicators**




**Source:** Supervisory Returns, RBI.

the Union Government. Under this scheme, they extended special long-term transitional loans at concessional rates to DISCOMS to enable them to clear their outstanding dues. A renewed focus on encouraging green energy and introduction of policy measures to boost renewable projects has enabled greater funding of renewable energy projects by NBFCs. Another government-owned NBFC in the railway sector recorded substantial growth (48 per cent) in annual disbursements in 2020-21. These three government-owned NBFCs contributed 35.5 per cent of credit flows from the NBFC sector during the year. NBFCs-Factor, on the other hand, faced the brunt of the impact of COVID-19 which took a heavy toll on MSMEs (Chart VI.5 b).

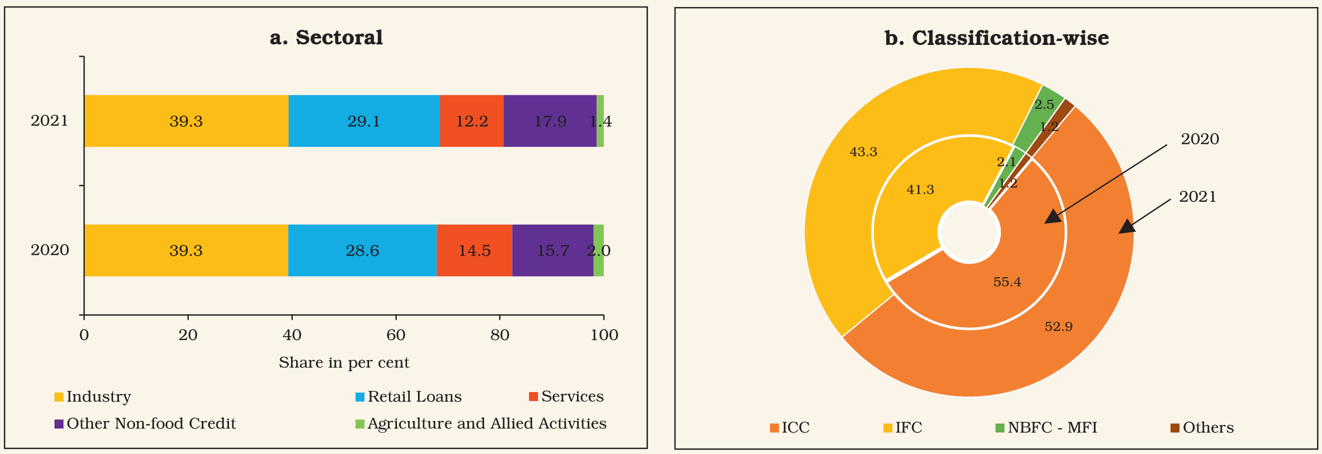
*2.3 Sectoral Credit of NBFCs*

VI.17 Industry remained the largest recipient of credit extended by the NBFC sector, followed by retail loans and services (Appendix Table VI.4). In 2020-21, the share of the retail loan portfolio of the sector continued to rise with a concomitant fall in the share of services sector. ICCs and IFCs together comprise 96.2 per cent credit extended by NBFCs as of end-March 2021. The fall in the share of ICCs was primarily due to the strong growth of other two categories *viz.*, IFCs and NBFCs-MFI (Chart VI.6 a & b).

VI.18 In 2020-21, the recovery in sectoral lending of NBFCs has been uneven. Credit to agriculture and services recorded absolute declines, while retail and industrial sectors expanded. Growth in retail loans was primarily driven by housing loans, vehicle loans, microfinance and loans against the collateral of gold (Table VI.5).

VI.19 Both ICCs and NBFCs-MFI increased lending to the industrial sector at the cost of lending to agriculture. ICCs reduced their exposure to services [including commercial real estate (CRE)] in contact-sensitive segments severely affected by the pandemic. As NBFCs-MFI are required to have a minimum of 85 per cent of their net assets in microfinance loans by regulation, the share of retail loans in their overall credit portfolio is the largest. IFCs lend mostly to the industrial sector (Chart VI.7).

**Chart V1.6: Distribution of NBFC Credit**
(End-March)




**Source:** Supervisory Returns, RBI.

## Table VI.5: Sectoral Credit Deployment by NBFCs

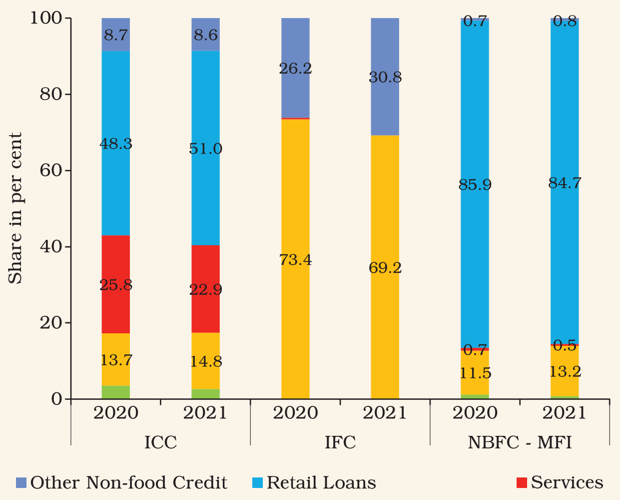
(₹ crore)

| Type | At end-March 2020 | At end-March 2021 | At end-September 2021 | Percentage Variation | |
|---|---|---|---|---|---|
| | | | | 2019-20 | 2020-21 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| **I. Gross Advances** | **24,60,552** | **26,98,689** | **26,61,782** | **7.2** | **9.7** |
| **II. Food Credit** | **75** | **274** | **10** | **-62.5** | **265.9** |
| **III. Non-food Credit (1 to 5)** | **24,60,477** | **26,98,415** | **26,61,772** | **7.2** | **9.7** |
| **1. Agriculture and Allied Activities** | **49,012** | **37,892** | **37,737** | **-21.9** | **-22.7** |
| **2. Industry (2.1 to 2.4)** | **9,66,456** | **10,61,284** | **10,63,631** | **3.8** | **9.8** |
| 2.1 Micro and Small | 36,441 | 44,294 | 36,156 | -2.5 | 21.5 |
| 2.2 Medium | 13,931 | 15,037 | 15,169 | -13.0 | 7.9 |
| 2.3 Large | 7,95,275 | 8,55,386 | 8,84,217 | 71.0 | 7.6 |
| 2.4 Others | 1,20,809 | 1,46,567 | 1,28,090 | -70.7 | 21.3 |
| **3. Services** | **3,56,624** | **3,29,320** | **3,27,550** | **-13.2** | **-7.7** |
| *Of which,* | | | | | |
| 3.1 Commercial Real Estate | 1,01,452 | 80,568 | 79,337 | -24.9 | -20.6 |
| 3.2 Retail Trade | 35,041 | 26,638 | 25,604 | -5.9 | -24.0 |
| **4. Retail Loans** | **7,03,094** | **7,86,518** | **7,62,232** | **17.4** | **11.9** |
| *Of which,* | | | | | |
| 4.1 Housing Loans | 19,480 | 21,478 | 21,497 | 5.6 | 10.3 |
| 4.2 Consumer Durables | 19,171 | 18,336 | 19,854 | -2.3 | -4.4 |
| 4.3 Vehicle/Auto Loans | 3,32,449 | 3,56,551 | 3,48,671 | 9.3 | 7.2 |
| 4.4 Advances to Individuals against Gold | 34,678 | 94,840 | 1,14,013 | NA | 173.5 |
| 4.5 Micro finance loan/SHG Loan | 43,802 | 57,270 | 60,008 | NA | 30.7 |
| **5. Other Non-food Credit** | **3,85,291** | **4,83,401** | **4,70,621** | **31.9** | **25.5** |

**Note:** Data are provisional.
**Source:** Supervisory Returns, RBI.

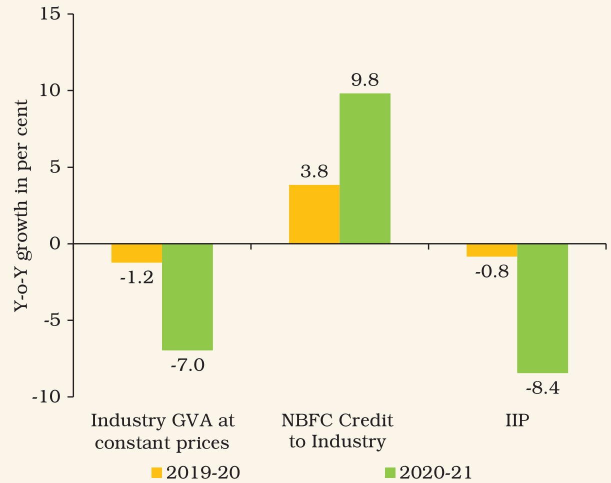
VI.20 Notwithstanding disruptions caused by COVID-19 during the year, NBFCs' industrial credit grew, reflecting their lending to the power and railway sectors, by government-owned NBFCs, as alluded to earlier (Chart VI.8).

**Chart VI.7: Classification-wise Sectoral Distribution of Credit**
(At end-March)




**Source:** Supervisory Returns, RBI.

**Chart VI.8: NBFC Credit to Industry *vis-a-vis* Macro Indicators**



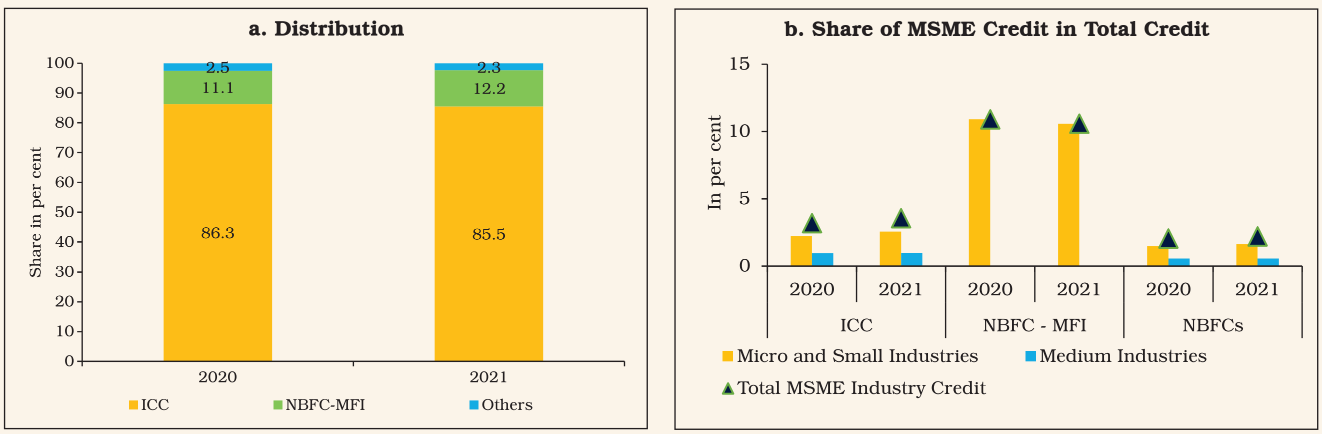

**Source:** 1. Supervisory Returns, RBI.
2. Handbook of Statistics on Indian Economy, RBI.
3. CSO, MOSPI.

VI.21 The MSME sector was among the most pandemic afflicted sectors. Accordingly, the Reserve Bank and the Union Government introduced several measures to revive activity in the sector: a) special refinance facilities for AIFIs, which included ₹15,000 crore to SIDBI for on-lending/refinancing to the MSME sector; b) Emergency Credit Line Guarantee Scheme (ECLGS) which provided ₹3 lakh crore of unsecured loans to MSMEs and business; c) extension of the scheme[7] of one-time restructuring of loans to MSMEs without an asset classification downgrade; d) permitting bank lending to NBFCs (other than MFIs) for on-lending to agriculture, MSMEs and housing to be classified as priority sector lending (PSL); e) introduction of on-tap Targeted Long-Term Repo Operations (TLTRO) in October 2020 for reviving specific sectors, including MSMEs.

VI.22 NBFCs' credit to MSMEs grew at 17.8 per cent during 2020-21. ICCs, together with NBFCs-MFI, are the main purveyors of MSME credit (Chart VI.9.a). Eleven per cent of the NBFCs-MFI' loan book comprises micro and small loans (Chart VI.9.b).

VI.23 In view of the significance of the sector for income and employment generation, many regulatory policies to support the sector have been extended. The scheme of one-time restructuring of loans to MSMEs without an asset classification downgrade was extended in May 2021 and the exposure threshold was increased to ₹50 crore in June, 2021. The on Tap TLTRO scheme was extended till December 31, 2021. The special refinance facility was bolstered in April 2021 by providing fresh support of ₹15,000 crore to the SIDBI to meet the funding requirements of MSMEs during 2021-22. In June 2021, another special liquidity facility of ₹16,000 crore was provided to the SIDBI for on-lending/refinancing through novel models and structures including double intermediation and pooled bond/loan issuances to meet MSMEs' short and medium-term credit needs with a focus on smaller MSMEs and businesses, including those in credit deficient and aspirational districts. The Union Government extended the ECLGS facility till

**Chart VI.9: MSME Credit by NBFCs**
(At end-March)




**Note:** MSME lending to industrial sector only.
**Source:** Supervisory Returns, RBI.

[7] Where the borrower's account was a 'standard asset' as on March 1, 2020 and the aggregate exposure of banks and NBFCs was not more than ₹25 crore.

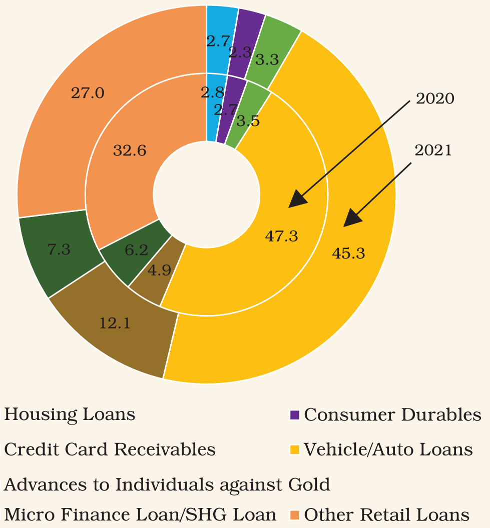
September 30, 2021 or till guarantees worth ₹3 trillion are issued. Bank lending to registered NBFCs was permitted to be classified as PSL till September 30, 2021.

VI.24 Nearly one-fourth of NBFCs' credit to the services sector goes to commercial real estate. In the total lending to commercial real estate by SCBs and NBFCs, the share of NBFCs was a sizable 25.5 per cent in March 2021. Credit flows to this segment have been severely affected as both banks and NBFCs reduced their exposures in view of the pandemic. In fact, credit flows from NBFCs were in the negative zone in 2020-21 while banks' lending to the segment increased only marginally (Chart VI.10).

VI.25 Vehicle loans credit, the largest segment in retail loans, witnessed reduction in share during 2020-21 owing to disruption of activity while the share of lending against gold doubled (Chart VI.11).

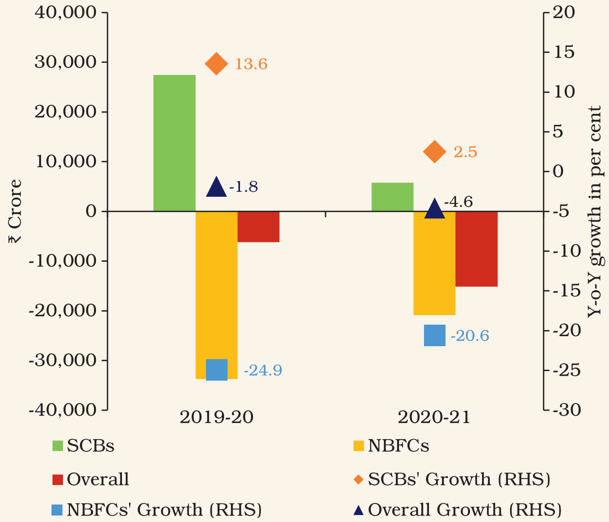
VI.26 Vehicle financing is a niche area for NBFCs in which they still account for a predominant share. Component-wise, sales growth of commercial vehicles continued to be in the negative zone in 2020-21 while passenger vehicle sales picked up marginally aided by the opening up of the economy and a growing preference for personal vehicles. Tractor sales grew at a robust pace in 2020-21 as agriculture and rural areas were relatively insulated from the first wave and normal monsoon whetted activity (Chart VI.12). Consequently, NBFCs rebalanced their credit portfolios in favour of this section.

**Chart VI.11: Distribution of Retail Loans of NBFCs**
(At end-March)



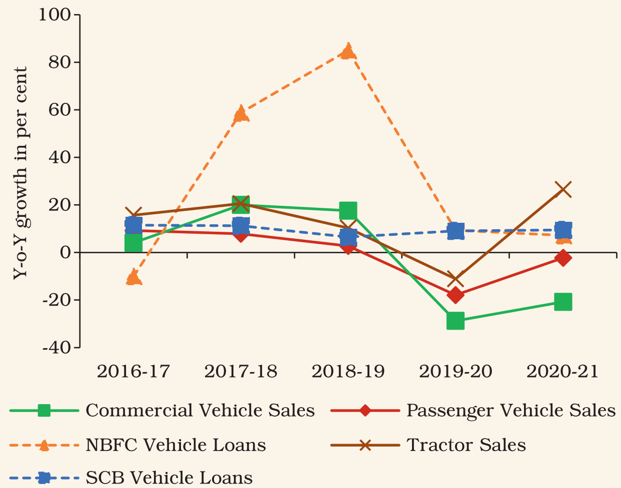

**Source:** Supervisory Returns, RBI.

**Chart VI.10: Incremental Credit to Commercial Real Estate: NBFCs and SCBs**



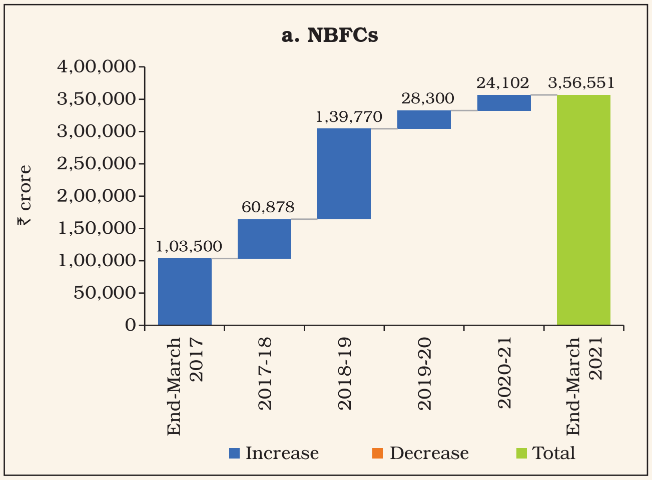

**Source:** 1. Supervisory Returns, RBI.
2. Handbook of Statistics on Indian Economy, RBI.

**Chart VI.12: Vehicle Loans: NBFCs and SCBs**




**Sources:** 1. Supervisory Returns, RBI.
2. Society of Indian Automobile Manufacturers.
3. Tractor and Mechanization Association.
4. Handbook of Statistics on Indian Economy, RBI.

**Chart VI.13: Incremental Vehicle Loans: NBFCs and SCBs**




**Sources:** 1. Supervisory Returns, RBI.
2. Handbook of Statistics on Indian Economy, RBI.
3. Report on Trend and Progress of Banking in India, various issues.

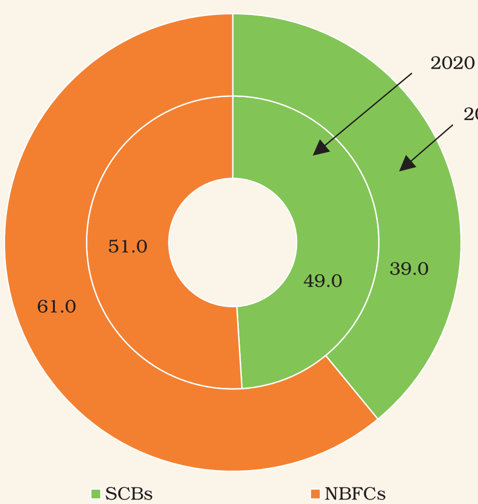
VI.27 Incremental credit flows of NBFCs to the vehicle loans segment outpaced those of SCBs. By 2020-21, NBFCs had a larger vehicle loan portfolio than SCBs (Chart VI.13 a and b).

VI.28 NBFCs consolidated their position in the gold loan segment *vis-a-vis* SCBs in 2020-21 (Chart VI.14).

VI.29 NBFCs-MFI play a crucial role in furthering financial inclusion, with a share of 31.1 per cent in total micro-credit (Chart VI.15).

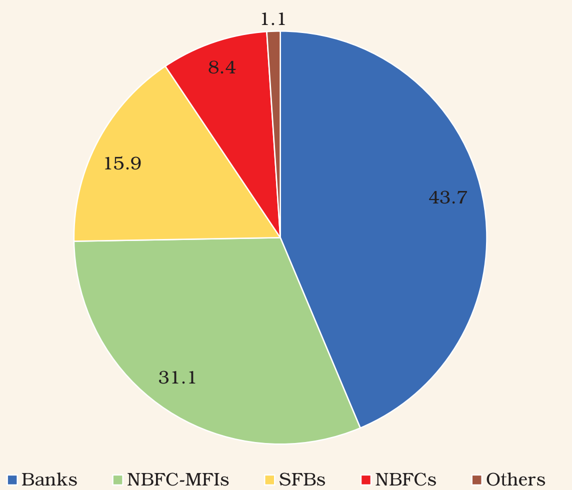
VI.30 Microfinance was adversely impacted by the pandemic. During the first wave of the pandemic (Q1:2020-21), the segment faced calamitous business interruptions with

**Chart VI.14: Distribution of Advances against Gold: NBFCs and SCBs** (At end-March)




**Source:** 1. Supervisory Returns, RBI.
2. Handbook of Statistics on Indian Economy, RBI.

**Chart VI.15: Micro-credit Loan Outstanding across Lenders** (At end- March 2021)

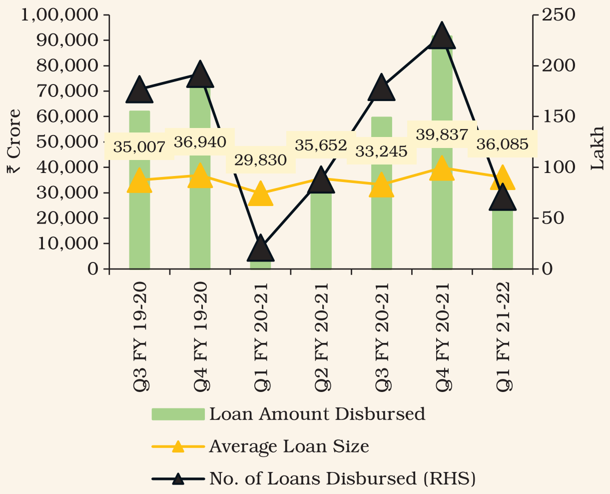



**Source:** Micrometer, Issue 37, Microfinance Institutions Network (MFIN).

drop in collections on account of the nation-wide lockdown as well as the moratorium. Resumption of demand for credit facilitated higher disbursements by Q4:2020-21. The second wave further reduced the disbursements due to localised lockdowns. Nevertheless, the decline in Q1:2021-22 was not as severe as in Q1:2020-21 (Chart VI.16).

VI.31 In the case of NBFCs-MFI, the pandemic had differential impact on big and small NBFCs-MFI (Box VI.1). The impact of the second wave was subdued as compared to the first wave - outstanding loans in June 2021 were higher than what was witnessed till December 2020, which bears testimony to the resilience of the segment (Chart VI.17).

**Chart VI.16: Disbursement Trend in the Microfinance Segment**




**Source:** Micrometer, Issue 36-37, MFIN.

## Box VI.1: Impact of COVID-19 on NBFCs-MFI

NBFCs-MFI provide collateral-free, short-term and small-ticket loans to borrowers, especially low-income households and unorganised sector enterprises that are generally under-served by the formal channels of credit (RBI, 2021).

The COVID-19 pandemic and associated lockdowns disproportionately affected the unorganised sector enterprises and the economically weaker sections. The stoppage of economic activity and mobility caused impediments to credit deployment by NBFCs-MFI and repayment of loans to them.

To empirically analyse the effect of the pandemic on credit growth and asset quality of NBFCs-MFI, a panel regression was run in an event study framework [following the methodology by Clarke and Tapia-Scythe (2021) and Ramacharan *et al.* (2015)] using quarterly supervisory data on 33 NBFCs-MFI for the period March 2019-June 2021 with the help of the following equation:

$$Y_{it} = \sum_{t=-5}^{4} \beta_{1t} * Time_t + \alpha_i + \gamma X_{it} + \varepsilon_{it}$$

where $i$ and $t$ represent NBFC and quarter, respectively. The equation was estimated independently for $Y_{it}$ for (a): the incremental credit[8] on yearly basis (accounting for seasonality) and (b) NPA ratio[9] : gross NPAs/total advances. The $Time$ dummy was fixed at 0 for the quarter ending June 2020 and March 2020 was chosen as the baseline period indicating the onset of the pandemic[10].The main coefficient of interest in the equation is $\beta_t$, which captures the difference in the outcome variable in each quarter (analysed with respect to the onset of the pandemic *i.e.*, March 2020). $\alpha_i$ captures the time-invariant NBFC-specific fixed effects and $X_{it}$ represents the vector of NBFC-specific control variables.

The incremental credit flow for all NBFCs-MFI declined in the period immediately following the outbreak (June 2020). Although it has recovered in the later quarters, this recovery has been driven by the big-sized NBFCs-

*(Contd...)*

8 In the first specification, the impact of the pandemic on incremental credit by NBFCs-MFI was assessed controlling for asset size, asset quality and profitability ratios.

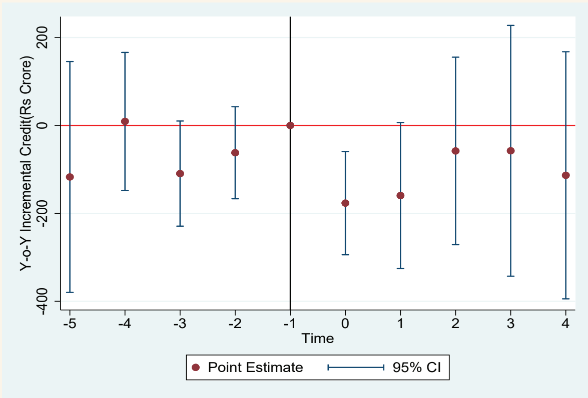
9 In the second specification, the impact of the pandemic on asset quality of NBFCs-MFI was assessed controlling for asset size, incremental credit and profitability ratio.

10 The baseline period indicates the quarter in which the event occurred and hence, is omitted. The impact of the event is expected to be seen in subsequent quarters.

11 NBFCs-MFI were differentiated into big-sized and small-sized based on the median asset size in March 2020.

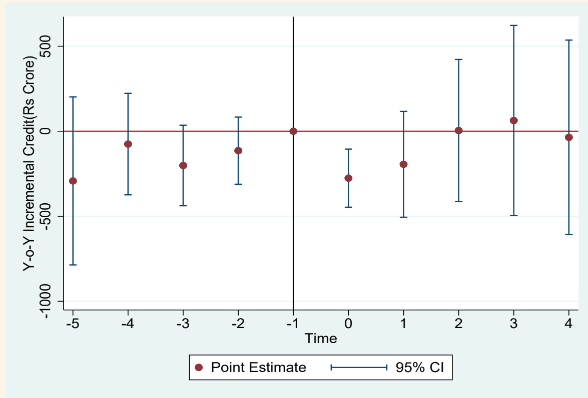
**Chart 1: Impact of COVID-19 on NBFCs-MFI: Coefficient Plots**

**Chart 1a. On Credit of All NBFCs-MFI**



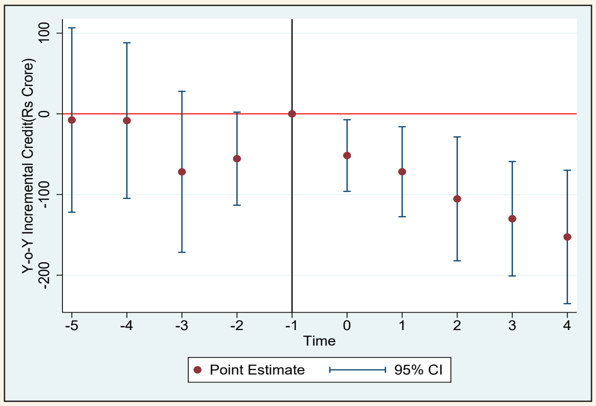

Controls: Total Assets (log), NPA Ratio and ROA

**Chart 1b. On Credit of Big NBFCs-MFI**



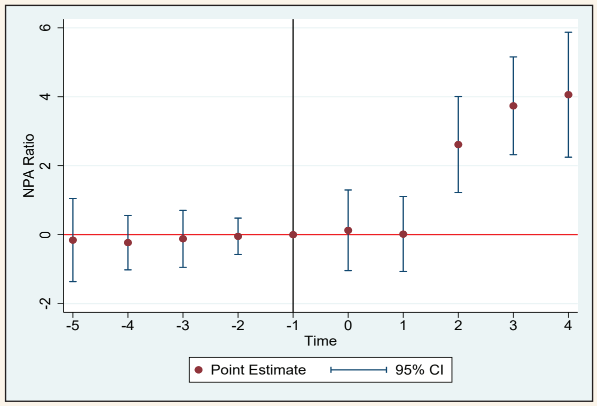

Controls: NPA Ratio and ROA

**Chart 1c. On Credit of Small NBFCs-MFI**




Controls: NPA Ratio and ROA

**Chart 1d. On NPA of All NBFCs-MFI**




Controls: Total Assets (log), incremental credit (Y-o-Y) and ROA

MFI[11]. Incremental credit flows of small-sized NBFCs-MFI has not yet been able to reach the pre-Covid levels (Charts 1a-1c).

The results also indicate that the NPA ratio for NBFCs-MFI was largely maintained immediately following the pandemic, possibly due to the moratorium benefit and standstill in asset classification for NBFC borrowers. However, the effect of the pandemic on the asset quality of NBFCs-MFI has started to show from December 2020 (Chart 1d).

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Clarke, D. and K. Tapia-Schythe (2021). Implementing the Panel Event Study. *Stata Journal*.

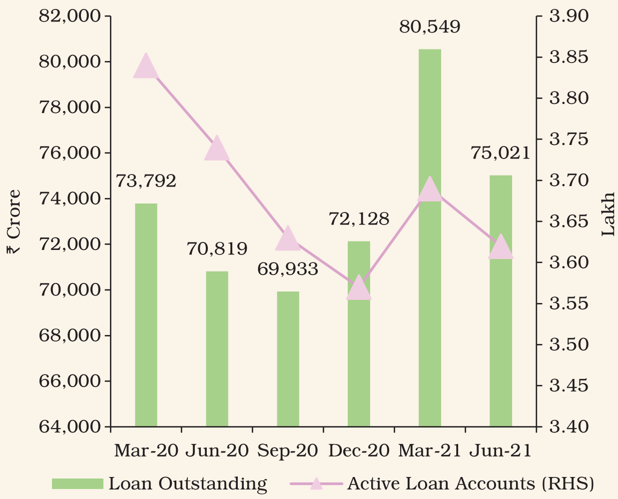
Ramcharan, R., A. Kermani and M. Di Maggio (2015). Monetary Policy Pass-Through: Household Consumption and Voluntary Deleveraging. Society for Economic Dynamics, Meeting Papers 256.

Reserve Bank of India (2021). Consultative Document on Regulation of Microfinance, June.

## *2.4 Resource Mobilisation*

VI.32 Policy measures by the Reserve Bank and the Government provided timely liquidity support to NBFCs, bolstered market confidence and reduced borrowing costs. As financial conditions and market access of NBFCs improved, many NBFCs also adopted prudent debt recycling to pay off their extant high-cost borrowings for new debt at a lower cost.

**Chart VI.17: NBFCs-MFI: Outstanding Loans and Number of Active Accounts**




**Source:** Micrometer, Issues 35-37, MFIN.

VI.33 NBFCs' borrowings from banks continued to grow on top of a y-o-y growth rate of 13.8 per cent in the previous year. Borrowings through debentures and *via* commercial paper (CPs) also increased. At end-September 2021, total borrowings mobilised by NBFCs decelerated (Table VI.6) (Appendix tables VI.1, VI.2 and VI.3).

VI.34 NBFCs have been gradually swapping their short-term borrowings for long-term borrowings; consequently, the share of long-term borrowings (payable in more than 12 months) in March 2021 inched up (Chart VI.18).

VI.35 Rating-wise, AAA-rated non-convertible debentures (NCDs) of NBFCs have a preponderant share in overall NCD private placements of NBFCs (Chart VI.19 a). In Q1:2020-21, debenture issuances shot up, mainly by AAA and AA-rated entities, bolstered by liquidity measures. In Q2: 2020-21, A-rated NCDs raised higher funds, aided by Special Liquidity Scheme and Partial Credit Guarantee Scheme 2.0.

VI.36 Tenure-wise, NCDs of three-year tenure were issued the most in Q1:2020-21 and this broadly coincides with the implementation of TLTRO. NCDs of long tenure (greater than 10 years) were mainly raised by government-owned

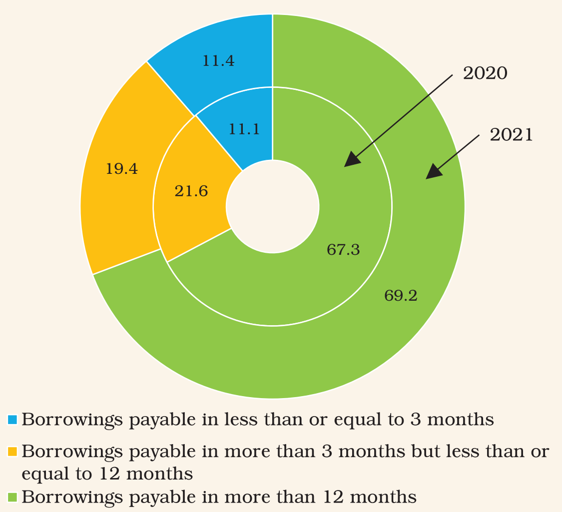
**Table VI.6: Sources of Borrowings of NBFCs**

(Amount in ₹ crore)

| Items | At end-March -2020 | At end-March -2021 | At end-September -2021 | Percentage variation | |
|---|---|---|---|---|---|
| | | | | 2019-20 | 2020-21 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1. Debentures | 9,04,655<br>(41.7) | 9,84,428<br>(42.0) | 9,88,342<br>(42.5) | 5.0 | 8.8 |
| 2. Bank Borrowings | 6,93,918<br>(32.0) | 7,75,484<br>(33.1) | 7,30,740<br>(31.4) | 13.8 | 11.8 |
| 3. Borrowings from FIs | 63,133<br>(2.9) | 56,224<br>(2.4) | 55,862<br>(2.4) | 63.0 | -10.9 |
| 4. Inter-corporate Borrowings | 77,032<br>(3.6) | 76,839<br>(3.3) | 87,189<br>(3.8) | 6.8 | -0.3 |
| 5. Commercial Paper | 64,877<br>(3.0) | 70,631<br>(3.0) | 71,990<br>(3.1) | -54.6 | 8.9 |
| 6. Borrowings from Government | 18,752<br>(0.9) | 19,131<br>(0.8) | 17,923<br>(0.8) | 30.2 | 2.0 |
| 7. Subordinated Debts | 73,513<br>(3.4) | 68,857<br>(2.9) | 67,095<br>(2.9) | 16.2 | -6.3 |
| 8. Other Borrowings | 2,73,969<br>(12.6) | 2,94,074<br>(12.5) | 3,04,638<br>(13.1) | 37.2 | 7.3 |
| 9. Total Borrowings | 21,69,849 | 23,45,668 | 23,23,777 | 8.3 | 8.1 |

**Notes:** 1. Data are provisional.
2. Figures in parentheses indicate share in total borrowings.
**Source:** Supervisory Returns, RBI.

**Chart VI.18: NBFCs' Borrowings: Repayment in Time Buckets**



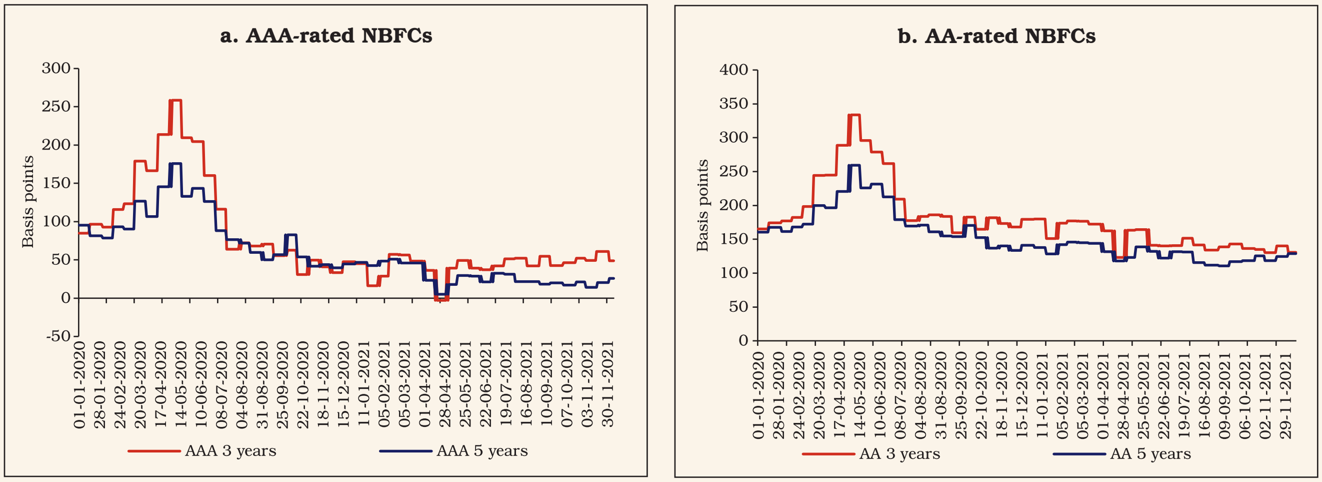

**Note:** Data are provisional.
**Source:** Supervisory Returns, RBI.

**Chart VI.19: NCD Private Placements of NBFCs**


**Sources:** 1. Staff calculations 2. PRIME database.

IFCs and prominent private NBFCs (Chart VI.19 b). The unprecedented spike in spreads witnessed in the beginning of 2020-21 eased subsequently (Chart VI.20 a and b).

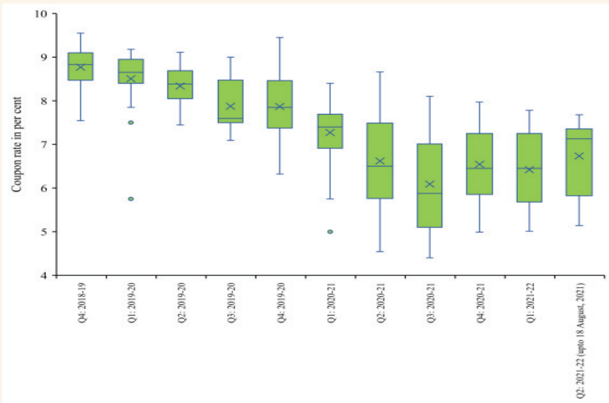
**Chart VI.20: Yield of NBFC Bonds: Spread over G-Sec of Corresponding Maturity**



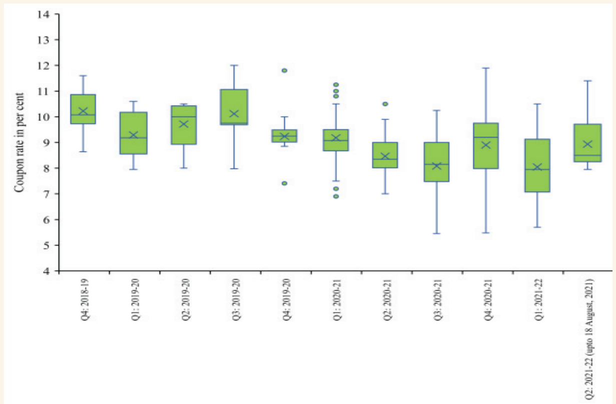

**Source:** FIMMDA, Bloomberg.

**Chart VI.21: Box Plot of NCD Coupon Rates of NBFCs- Rating-wise**

**a: AAA-rated**




**b: AA-rated**




**Sources:** 1. Staff calculations 2. PRIME database.

VI.37 Coupon rates of AAA-rated NCDs of NBFCs softened in tandem with the easing monetary cycle and it reduced considerably from Q3: 2020-21. However, the variance in rates among AAA-rated NCDs has widened relative to the pre-pandemic period, indicative of differentiation by the market on the basis of inherent balance sheet strength. In the case of AA-rated NCDs of NBFCs, the dispersion in the coupon rates broadened with policy support and increase in number of issuances (Chart VI.21 a and b).

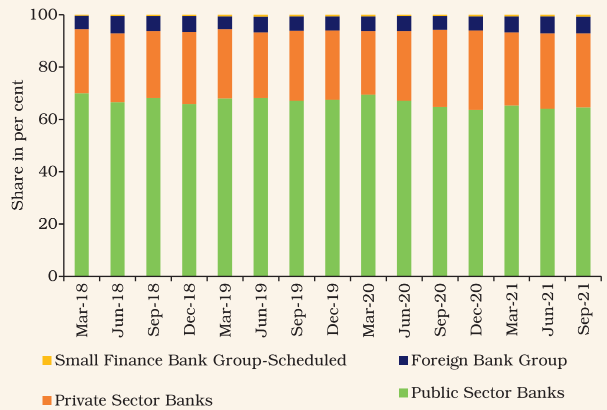
VI.38 Amongst SCBs, public sector banks (PSBs) remained dominant lenders to NBFCs, although private sector banks (PVBs) expanded lending to NBFCs in 2020-21 (Chart VI.22 a & b).

VI.39 Overall bank exposure to NBFCs grew as their investment in NBFCs' debentures increased on the back of COVID-19-related schemes (Chart VI.23 a and b).

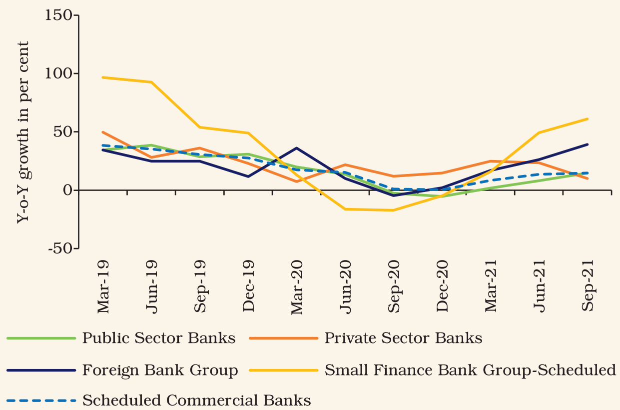
VI.40 The share of NBFCs in overall CP issuances fell sharply in April 2020, but recovered

**Chart VI.22: Bank Lending to NBFCs: Group-wise**

**a: Share**

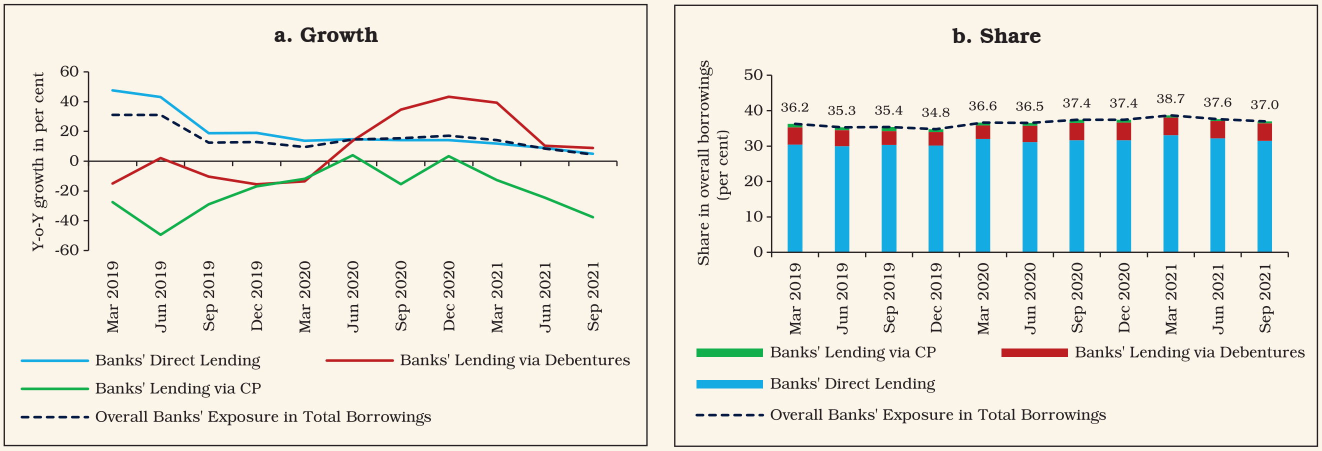



**b: Growth**




**Source:** Supervisory Data, RBI

**Chart VI.23: Instruments of Banks' Lending to NBFCs**




**Note:** Data are provisional.
**Source:** Supervisory Returns, RBI.

in the months of July and September 2020, with sector-specific policy actions. Subsequently, NBFCs' CP issuances surpassed their pre-Covid levels. During the second wave, however, NBFCs did not borrow much *via* CPs due to adequate liquidity on their books. Nevertheless, NBFCs were quickly back in this space in July 2021 when their share jumped to 65 per cent of total issuances and many NBFCs utilised the funds so raised to provide funding to individuals for subscribing to Initial Public Offerings (Chart VI.24 a).

VI.41 The spike in NBFCs' CP rates during the second wave was not as severe as the previous one and it quickly recovered (Chart VI.24 b).

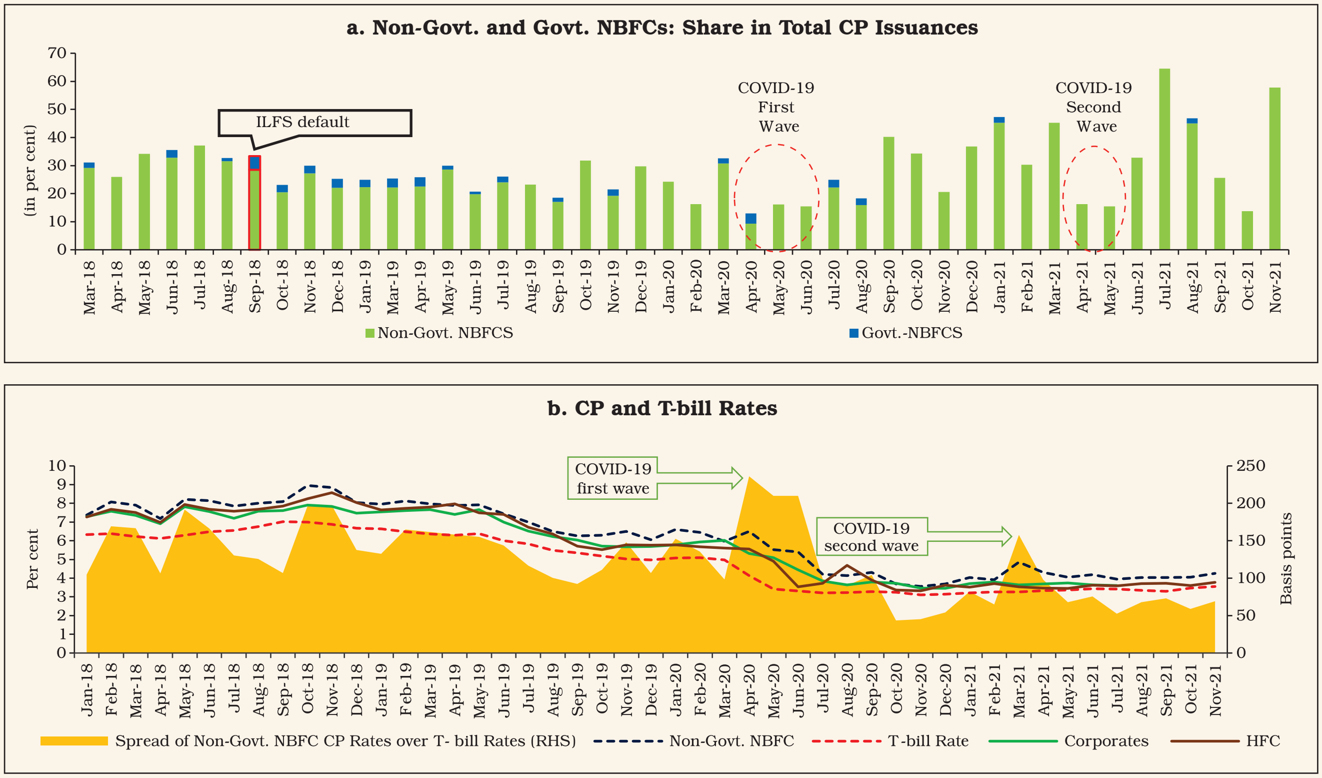
*2.5 NBFCs-D: Deposits*

VI.42 Deposit mobilisation by NBFCs progressed at a robust pace. The number of companies authorised to accept deposits has progressively reduced and stood at 55 as of March 2021 (Chart VI.25). Certain large NBFCs-D have explicitly increased their reliance on retail deposits relative to corporate deposits during the year. 90.1 per cent of deposits were raised by 5 NBFCs-D (Chart VI.26).

*2.6 Asset Sales and Securitisation*

VI.43 Asset sales that are undertaken by NBFCs for liquidity management, rebalancing exposures, or strategic sales, and securitisation for redistribution of credit risk by repackaging assets into tradable securities with different risk profiles, dipped in June 2020 but they recovered over the rest of the year. Nevertheless, loan sales volumes of NBFCs-ND-SI have not picked up to pre-COVID levels. Loans securitised, on the other hand, picked up from September 2020 onwards, when the first wave of the pandemic started waning. As NBFCs' business improved, the investor outlook towards loan securitisation gradually turned positive (Chart VI.27 a and b).

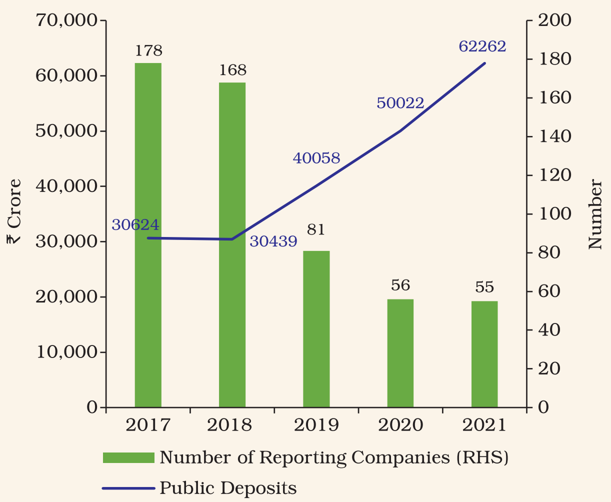
**Chart VI.24: CP Issuances and Rates**




**Sources:** 1. Supervisory Returns, RBI.
2. Database on Indian Economy, RBI.

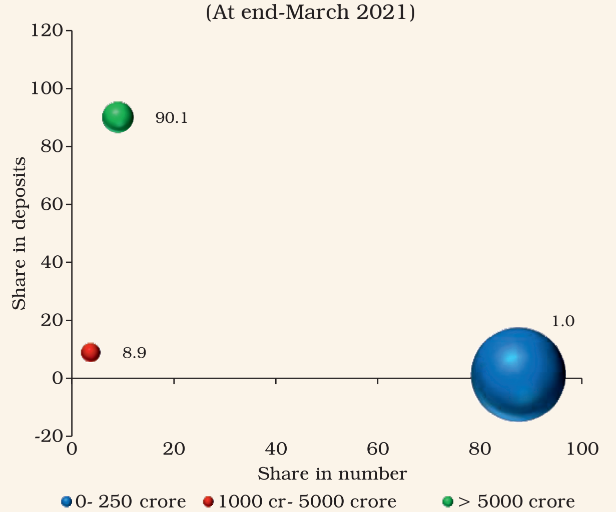
Guidelines issued by the Reserve Bank in September 2021 are expected to strengthen these segments. In H1: 2021-22, loans sales picked up, while securitisation decelerated.

**Chart VI.25: Public Deposits with NBFCs- D**
(At end-March 2021)



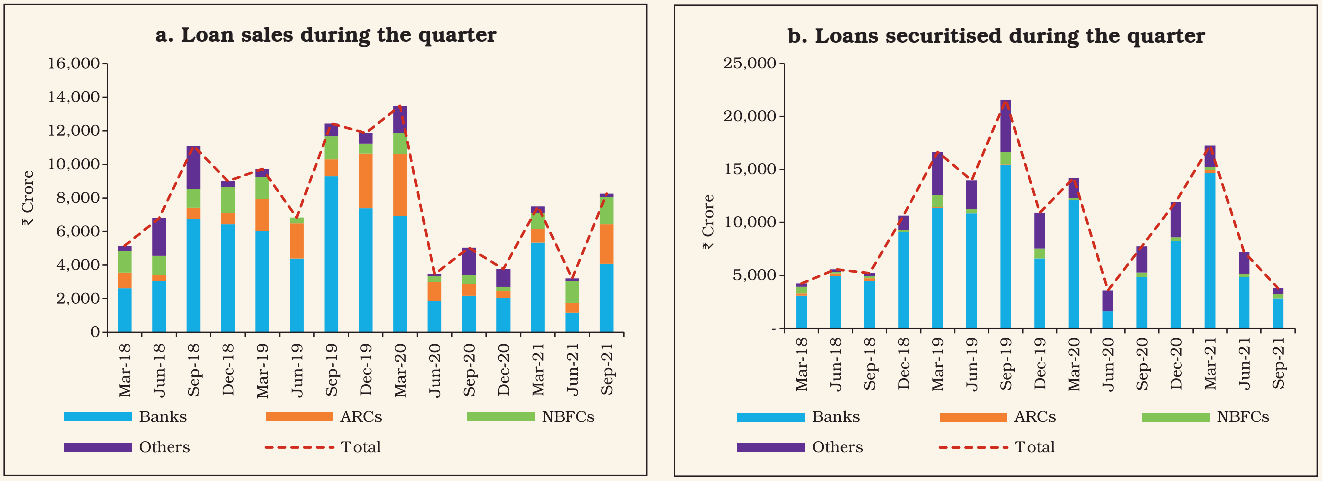

**Note:** Data are provisional.
**Source:** Supervisory Returns, RBI.

**Chart VI.26: Distribution of Deposits with NBFCs-D**
(At end-March 2021)




**Notes:** 1. Bubble size corresponds to share of NBFCs in total number.
2. Figures are share of NBFCs-D' deposits in total deposits.
**Source:** Supervisory Returns, RBI.

**Chart VI.27: Loan Sales and Securitisation of NBFCs-ND-SI**

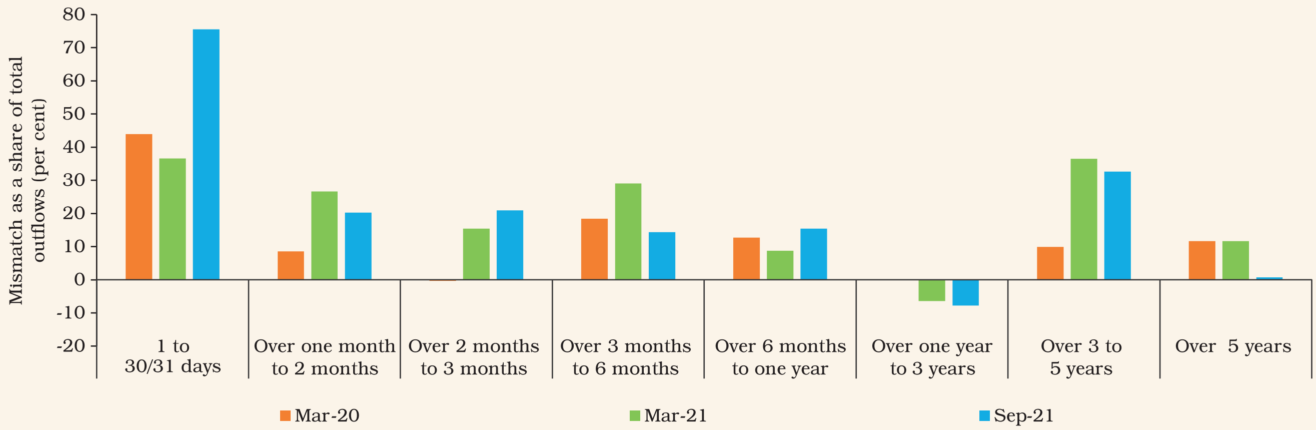



**Source:** Supervisory Returns, RBI.

*2.7 Asset Liability Profile of NBFCs*

VI.44 NBFCs have gradually changed their borrowing profile, relying more on the long-term segment. Policy support aided in ameliorating the liquidity position of NBFCs, that was impacted by COVID-19 and associated risk aversion. On account of the Liquidity Risk Management Framework, effective from December 2020, issues arising from lumpiness in income receipts which can hamper debt repayments, especially in short-term buckets, were mitigated. In March 2021, the mismatch (inflows minus outflows) in one-two months, two-three months and three-six months buckets improved *vis-à-vis* March 2020. The cumulative mismatch in the less than one year bucket was better in March 2021 than in March 2020. The deterioration in the one to three year maturity bucket may be attributable to the liquidity schemes in which many NBFCs availed funding by pledging three-year NCDs. The three to five year bucket, however, showed an improvement in March 2021 (Chart VI.28).

**Chart VI.28: Structural Liquidity Statement of NBFCs**
(End- March/ September position)




**Note:** Mismatch is defined as inflows minus outflows.
**Source:** Supervisory Returns, RBI.

**Table VI.7: Financial Parameters of the NBFC Sector**

(₹ crore)

| Items | 2019-20 | | | 2020-21 | | | H1:2021-22 | | |
|---|---|---|---|---|---|---|---|---|---|
| | NBFCs | NBFCs-ND-SI | NBFCs-D | NBFCs | NBFCs-ND-SI | NBFCs-D | NBFCs | NBFCs-ND-SI | NBFCs-D |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| A. Income | 3,42,225 | 2,75,651 | 66,574 | 3,53,407 | 2,86,324 | 67,083 | 1,74,711 | 1,39,464 | 35,247 |
| | (11.1) | (11.9) | (8.3) | (3.3) | (3.9) | (0.8) | (-3.8) | (-4.1) | (-2.4) |
| B. Expenditure | 2,85,808 | 2,34,347 | 51,460 | 2,94,358 | 2,38,837 | 55,522 | 1,38,325 | 1,08,239 | 30,085 |
| | (15.3) | (15.3) | (15.2) | (3.0) | (1.9) | (7.9) | (0.5) | (-0.6) | (4.4) |
| C. Net Profit | 39,171 | 28,454 | 10,716 | 44,723 | 36,074 | 8,649 | 28,992 | 24,717 | 4,275 |
| | (4.9) | (8.9) | (-4.5) | (14.2) | (26.8) | (-19.3) | (-17.1) | (-15.4) | (-25.6) |
| D. Total Assets | 30,81,276 | 25,94,456 | 4,86,820 | 34,75,335 | 29,57,352 | 5,17,983 | 35,10,671 | 29,78,006 | 5,32,665 |
| | (9.1) | (8.0) | (15.4) | (12.8) | (14.0) | (6.4) | (10.7) | (11.5) | (6.3) |
| **E. Financial Ratios (as per cent of Total Assets)** | | | | | | | | | |
| (i) Income | 11.1 | 10.6 | 13.7 | 10.2 | 9.7 | 13.0 | 5.0 | 4.7 | 6.6 |
| (ii) Expenditure | 9.3 | 9.0 | 10.6 | 8.5 | 8.1 | 10.7 | 3.9 | 3.6 | 5.6 |
| (iii) Net Profit | 1.3 | 1.1 | 2.2 | 1.3 | 1.2 | 1.7 | 0.8 | 0.8 | 0.8 |
| **F. Cost to Income Ratio (Per cent)** | 78.5 | 80.1 | 72.5 | 78.2 | 78.2 | 78.4 | 73.1 | 70.6 | 82.2 |

**Notes:** 1. Data are provisional.
2. Figures in parenthesis indicate Y-o-Y growth in per cent.
**Source:** Supervisory Returns, RBI.

2.8 *Financial Performance of NBFCs*

VI.45 NBFCs' income growth decelerated steeply, as both NBFCs-ND-SI and NBFCs-D reported lower incomes in 2020-21. However, the sector has leveraged technology to counter the challenges posed by the pandemic through rationalisation of expenditure. Net profits of NBFCs-ND-SI witnessed a significant improvement in the aftermath of the first wave of COVID-19 and their cost to income ratios dropped. Conversely, NBFCs-D experienced a moderation in their income due to marginal growth in fund-based income. This, coupled with rising interest payments, increasing cost to income ratio and other expenditures, resulted in a decline in their profits. Net profits of NBFCs during H1:2021-22 declined on the back of fall in fund-based income (Table VI.7, Appendix Table VI.5 and Appendix Table VI.6).

VI.46 Total expenses of NBFCs moderated during the year as interest expenses declined, although an increase in interest paid on fixed deposits reflected NBFCs-D preference for public deposits. Operating expenses declined during the year as NBFCs successfully reined in administrative costs by leveraging technology. Provisions against NPAs, however, increased significantly during the year reflective of NBFCs bracing for a potential increase in impaired assets after lifting of the asset classification standstill. In 2021-22 so far, expenses increased marginally as interest burden on bank credit declined (Table VI.8).

2.9 *Profitability*

VI.47 Profitability indicators of NBFCs– return on equity (RoE) and net interest margin (NIM)-were lower during 2020-21 than a year ago, reflecting the stress in the sector. Return on assets (RoA), on the other hand, remained unchanged (Chart VI.29). The overall decline in the profitability could be attributed to drop in the business in the wake of the ongoing pandemic. In H1:2021-22, all profitability indicators of the sector moderated.

**Table VI.8: Expenses of NBFCs**

(₹ Crore)

| Items | 2018-19 | 2019-20 | 2020-21 | H1:2021-22 |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| **1. Interest Expense and Other Financing Cost (a+b+c+d+e)** | **1,50,964** | **1,70,088** | **1,67,571** | **80,488** |
| (a) Interest Paid on Fixed Deposits | 2,822 | 3,180 | 4,668 | 2,469 |
| (b) Interest on Inter-corporate Deposits | 6,004 | 6,764 | 6,659 | 2,723 |
| (c) Interest on Credits from Banks | 50,075 | 58,915 | 60,206 | 27,616 |
| (d) Interest on Credits from Financial Institutions | 10,061 | 10,357 | 10,652 | 6,782 |
| (e) Other Financing Charges | 82,002 | 90,872 | 85,386 | 40,898 |
| **2. Bad Debts Written-off** | **14,194** | **25,426** | **29,678** | **8,854** |
| **3. Provisions against Non-Performing Assets** | **14,246** | **15,039** | **26,980** | **15,449** |
| **4. Operating Expenses (i+ii)** | **49,382** | **54,658** | **50,585** | **25,446** |
| *Of which;* (i) Employee Costs | 23,395 | 25,833 | 26,036 | 13,953 |
| (ii) Other Administrative Costs | 25,987 | 28,825 | 24,549 | 11,492 |
| **5. Other Expenses** | **19,175** | **20,597** | **19,544** | **8,087** |
| **Total Expenses** | **2,47,960** | **2,85,808** | **2,94,358** | **1,38,325** |

**Note:** Data are provisional. **Source**: Supervisory Returns, RBI.

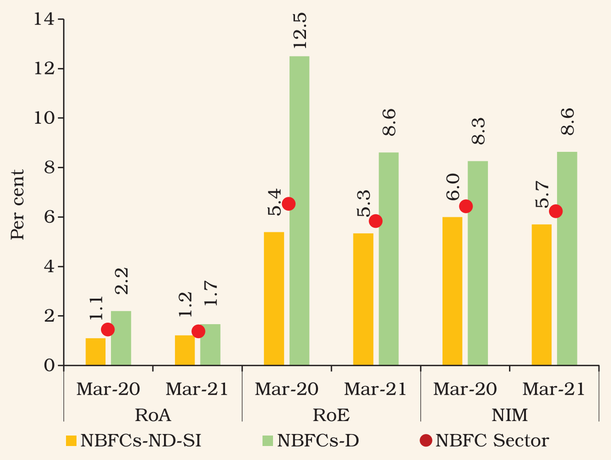
VI.48 In case of NBFCs-D, there was a deterioration in RoA and RoE in 2020-21 on account of the pandemic-induced slowdown. On the other hand, NIM improved during the same period, reflecting improvement in interest income along with lower expenses (Chart VI.29).

VI.49 The profitability of NBFCs-ND-SI gauged in terms of RoA marginally increased in 2020-21 due to an improvement in the RoA of IFCs. The overall RoE of NBFCs-ND-SI declined. NIM was lower for all entities, mirroring subdued credit off-take (Chart VI.30).

2.10 *Asset Quality*

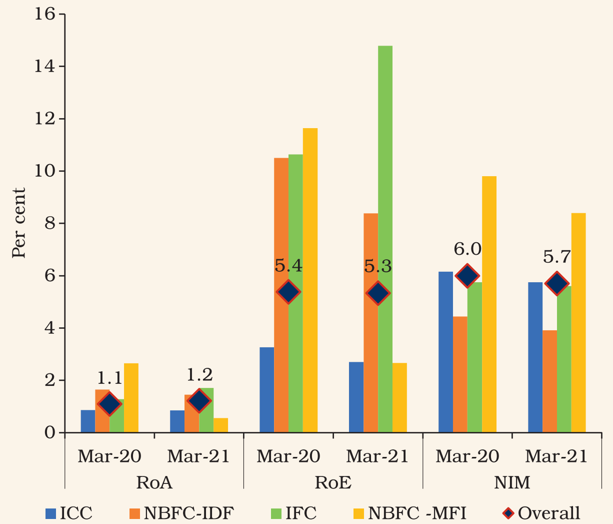
VI.50 In 2020-21, NBFCs registered an improvement in asset quality as the asset classification standstill in view of the pandemic was in force. Resolution of a few accounts in the infrastructure space during the year also helped.

**Chart VI.29: Profitability Ratios of NBFCs**



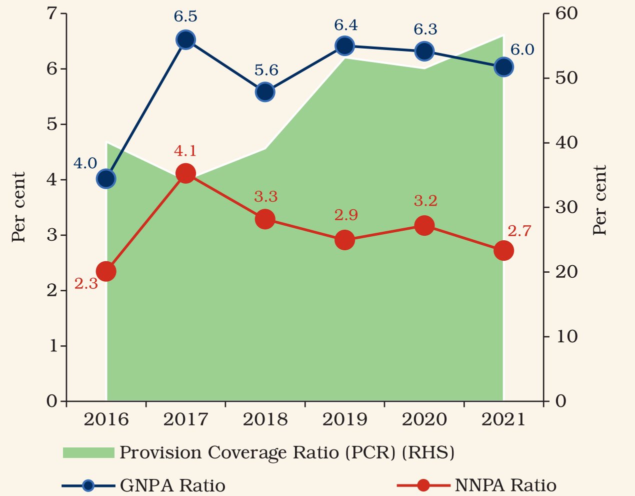

RoA: Return on Assets= Net Profits by Total Assets
RoE: Return on Equity= Net Profits by Shareholders' Equity
NIM: Net Interest Margin=Net Interest Income by Total Average Assets
**Note:** Data are provisional.
**Source:** Supervisory Returns, RBI.

**Chart VI.30: Profitability Indicators of NBFCs-ND-SI**



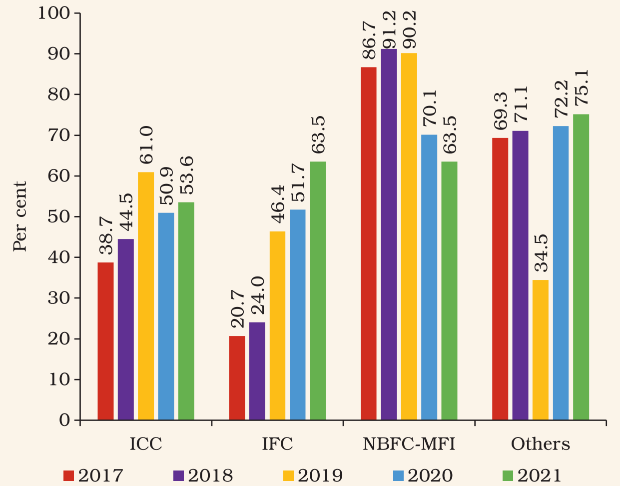

**Note:** Data are provisional.
**Source:** Supervisory Returns, RBI.

**Chart VI.31: Asset Quality of NBFCs**
(At end-March)




**Note:** Data are provisional.
**Source:** Supervisory Returns, RBI.

**Chart VI.32: Provision Coverage Ratio of NBFCs**
(At end-March)




**Note:** Data are provisional.
**Source:** Supervisory Returns, RBI.

Both GNPA and NNPA ratios declined post March 2020. The higher provision coverage ratio (PCR) during the period is reflective of adequate buffers to deal with likely headwinds (Chart VI.31). In 2021-22 (up to September), asset quality of the sector deteriorated to some extent. GNPA ratio increased from 6.0 per cent to 6.8 per cent and NNPA ratio increased from 2.7 per cent to 3.0 per cent.

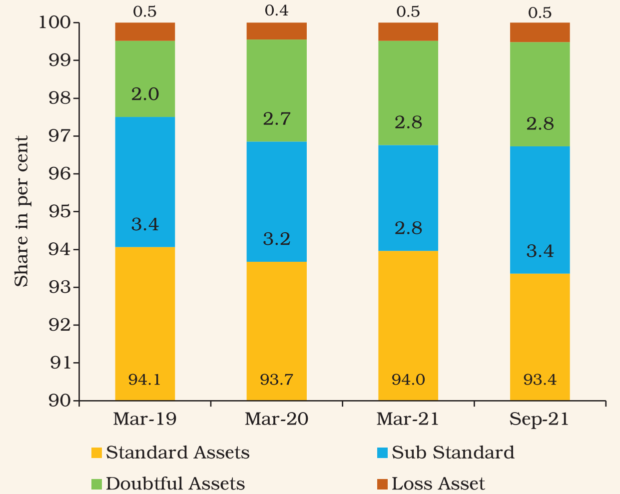
VI.51 In March 2021, NBFCs-MFI and IFCs had the highest PCRs. PCR of ICCs, though the lowest, improved in 2021 as compared to 2020 (Chart VI.32).

VI.52 Based on the duration for which an asset remains non-performing, NPAs can be categorised into sub-standard, doubtful and loss assets. In 2020-21, a part of the sub-standard assets of a large NBFC returned to being standard, which led to a marginal improvement in asset quality (Chart VI.33).

VI.53 Among performing loans of NBFCs, 87.6 per cent of loans were standard and rest were overdue but not NPAs in March 2021. Loans overdue in the first bucket *viz.*, less than 30 days were the largest, but the position improved in 2021. The share of loans overdue for more than 60 days but less than 90 days doubled (Chart VI.34).

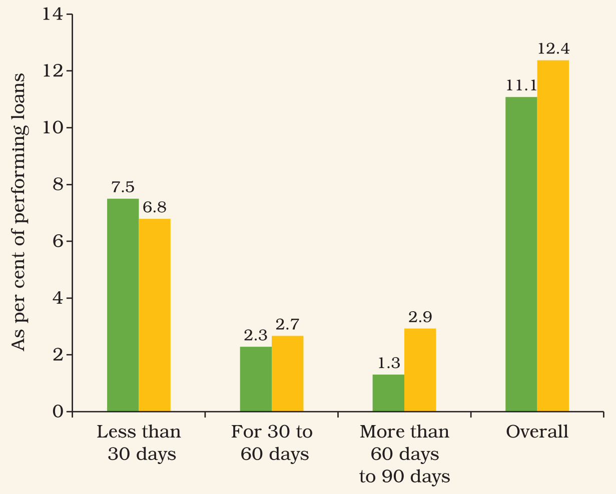
VI.54 In 2020-21, overall GNPA and NNPA ratios of NBFCs-ND-SI decreased but the quality of assets declined in the ICC and NBFC-MFI categories. On the other hand, asset quality of

**Chart VI.33: Classification of NBFCs' Assets**
(At end March/ September)




**Note:** Data are provisional.
**Source:** Supervisory Returns, RBI.

**Chart VI.34: Performing Loans Overdue**



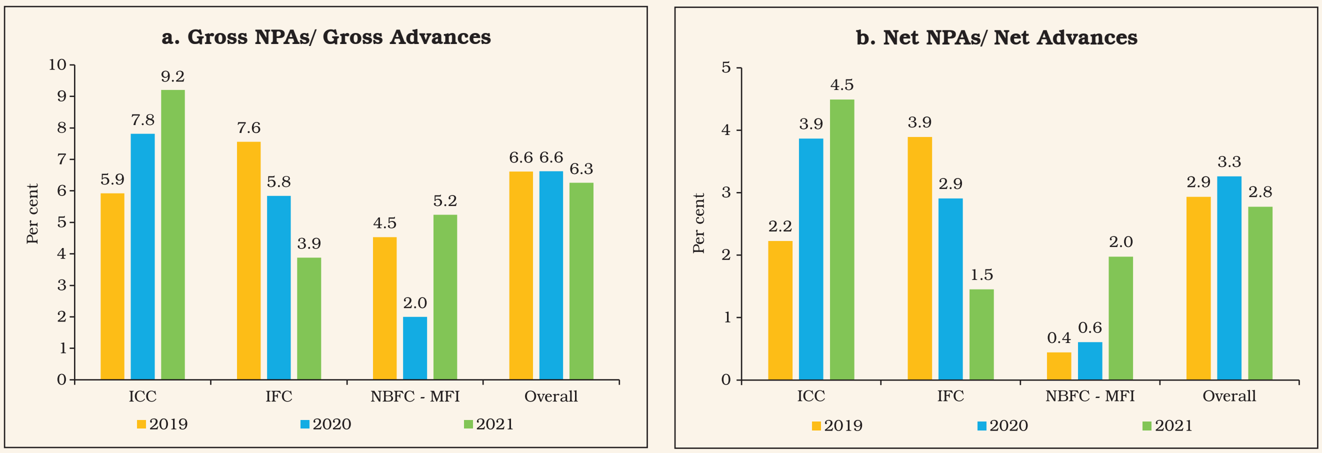

**Note:** Data are provisional.
**Source:** Supervisory Returns, RBI.

IFCs has improved with declines in GNPA and NNPA, reflective of better provisioning in the IFC segment (Chart VI.35). In H1:2021-22, the GNPA and NNPA ratios of NBFCs-ND-SI rose.

VI.55 The sectoral distribution of NPAs of NBFCs point to a preponderant share of industry in the overall delinquent assets of the sector. Within the industrial sector, loans to large industry have a predominant share in NPAs. Vehicle loans have the largest share in retail loans (Chart VI.36).

VI.56 Similarly, a sectoral snapshot of stressed assets[12] of NBFCs-ND-SI shows that industry, which is the largest recipient of NBFC lending traditionally, had the highest share of stressed assets whereas agriculture contributed the least (Chart VI.37). Retail and services sectors' contributions to stressed assets, which were similar till end-March 2020 diverged in 2021. In the light of the pandemic, the Reserve Bank had announced a six-month moratorium on loan repayments till August 31, 2020 and subsequently a one-time debt restructuring plan, which were geared to cushion the impact of the pandemic on the financial ecosystem. In the post moratorium period, the asset quality of NBFCs-ND-SI worsened in the retail loans category. By end-September 2021, stressed assets in the retail sector increased substantially while those in industry sector reduced.

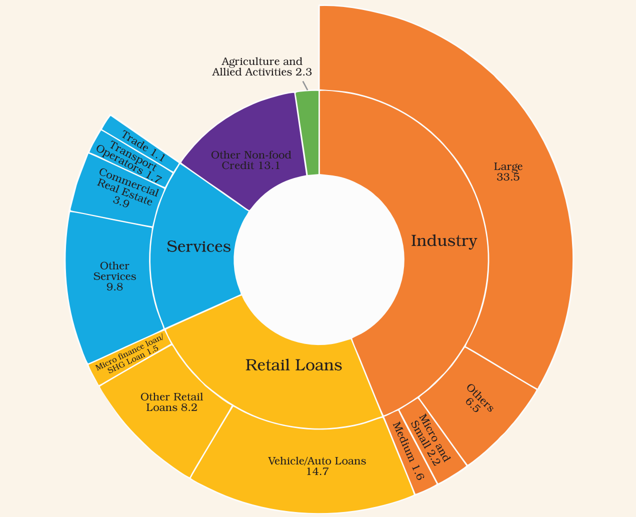
**Chart VI.35: NPAs of NBFCs-ND-SI**




**Note:** Data are provisional.
**Source:** Supervisory Returns, RBI.

[12] NPAs+ restructured standard advances.

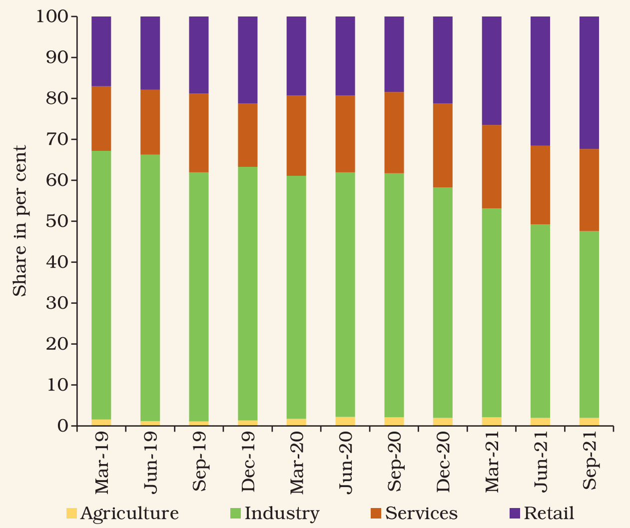
**Chart VI.36: Sectoral Distribution of NPAs of NBFCs**
(At end-March 2021)




**Note:** Data are provisional.
**Source:** Supervisory Returns, RBI.

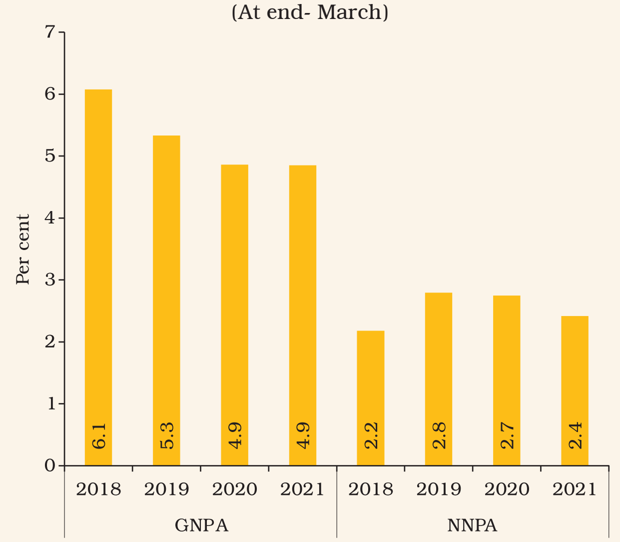
VI.57 In the case of NBFCs-D, the GNPA ratio reduced marginally during the year. The NNPA ratio also showed a reduction, pointing to adequate provisioning (Chart VI.38). In 2021-22 so far (up to September), however, the GNPA and NNPA ratios of NBFCs-D inched up.

**Chart VI.37: Stressed Assets of NBFCs-ND-SI by Sector**




**Note:** Data are provisional.
**Source:** Supervisory Returns, RBI.

**Chart VI.38: Gross and Net NPA Ratios of NBFCs- D**
(At end- March)



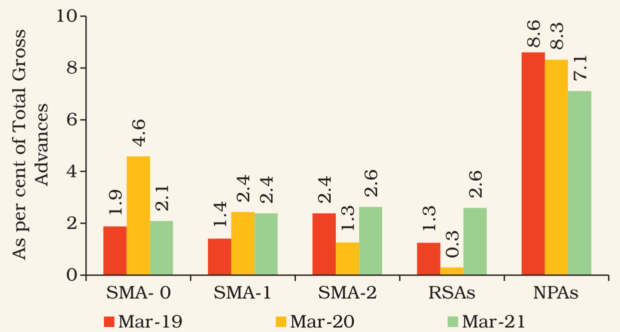

**Note:** Data are provisional.
**Source:** Supervisory Returns, RBI.

VI.58 Large borrowal accounts (exposure of ₹5 crore and above) constituted 52.8 per cent of NPAs and 44.9 per cent of total loans of NBFCs at end-March 2021. The large increase in restructured standard advances of NBFCs are indicative of proactive measures to arrest the impact of the pandemic on loan books. In the case of incipient stress as indicated by the share of special mention accounts (SMA), SMA-0 witnessed significant reduction while that of SMA-1 remained at the same level (Chart VI.39). SMA-2, which is on the brink of being classified as NPAs, doubled during the year which is a cause for concern.

2.11 *Capital Adequacy*

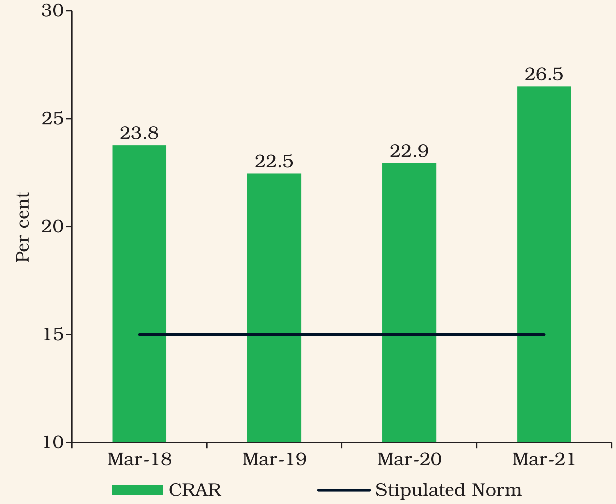
VI.59 NBFCs are well capitalised, with their capital to risk-weighted asset ratio (CRAR) well above the stipulated level of 15 per cent. During 2020-21, NBFCs' CRARs improved further, attributable to an increase in the level of Tier-I capital, retained earnings and moderation in non-performing assets (Chart VI.40).

**Chart VI.39: Stress in Large Borrowal Accounts**




**Note:** RSA: Restructured standard advances;
SMA-0, where principal or interest payment was not overdue for more than 30 days, but the account showed signs of incipient stress;
SMA-1, where principal or interest payment was overdue for 31-60 days;
SMA-2, where principal or interest payment was overdue for 61-90 days.
**Source:** Central Repository of Information on Large Credits (CRILC) database.

**Chart VI.40: Capital Position of NBFC Sector**




CRAR: Capital to Risk-weighted Assets Ratio= Tier I plus Tier II Capital by Risk- weighted assets
**Source:** Supervisory Returns, RBI.

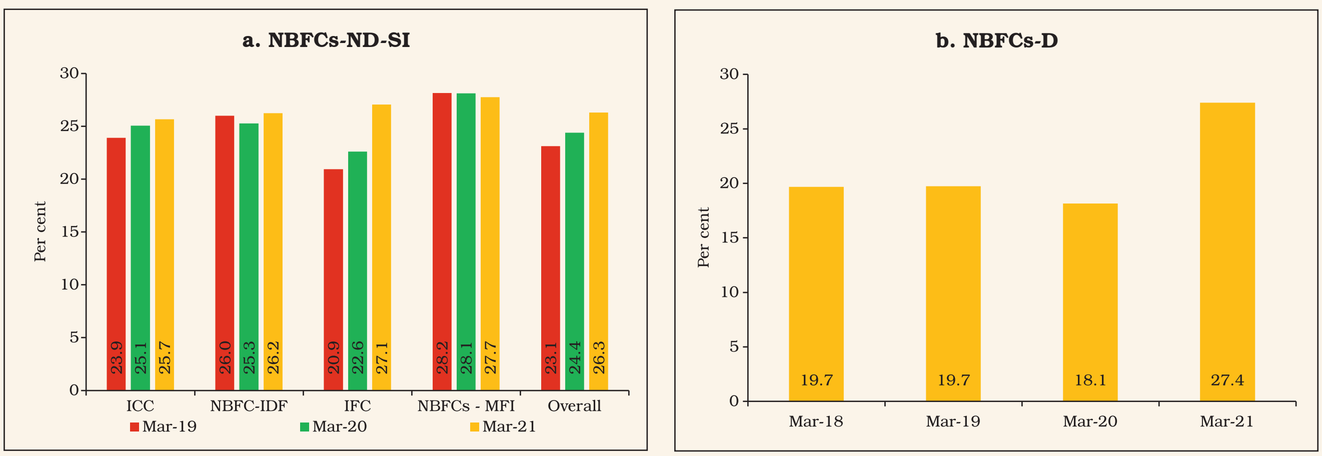
VI.60 All categories of NBFCs-ND-SI except the NBFCs-MFI have shown improvement in CRARs, mainly aided by higher CRARs of IFCs (Chart VI.41 a). The marginal decline in the CRAR of the NBFCs-MFI is mainly due to capital erosion and increase in their risk-weighted assets.

VI.61 The CRAR of the NBFCs-D witnessed a sharp increase in 2020-21, mainly due to growth in share capital and reserves (Chart VI.41 b).

2.12 *Exposure to Sensitive Sectors*

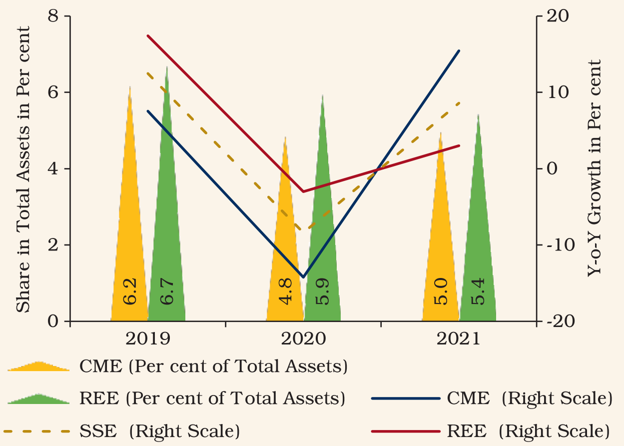
VI.62 The Reserve Bank has categorised the capital market, real estate, and commodities as sensitive sectors, as these assets are prone to fluctuations in value, with implications for financial stability. NBFCs' overall exposure to sensitive sectors grew in 2020-21 mainly due to a low base (Chart VI.42).

**Chart VI.41: CRAR of NBFCs by Category**




**Note:** Data are provisional.
**Source:** Supervisory Returns, RBI.

**Chart VI.42: Exposure to Sensitive Sectors**
(At end-March)




CME: Capital Market Exposure; REE: Real Estate Exposure; SSE: Sensitive Sector Exposure.
**Note:** Data are provisional.
**Source:** Supervisory Returns, RBI.

*2.13 Residuary Non-Banking Companies (RNBC)*

VI.63 The principal business of RNBCs is collecting deposits and deploying them in approved securities, as directed by the Reserve Bank. The number of RNBCs has consistently declined since 1998-99 and at end- March 2021, only one RNBC, which is not accepting any new deposits, remained in operation.

VI.64 In sum, the balance sheet of the NBFC sector expanded moderately in 2020-21, driven by growth in both credit and investments of NBFCs-ND-SI. Public deposits of NBFCs-D increased as well, due to attractive returns. The profit parameters of NBFCs registered a decline due to the pandemic-induced economic slowdown. As regards asset quality, the GNPA and NNPA ratios fell, backed by strong provisions. The substantial rise in capital of the sector, much above the regulatory prescription, signals overall resilience of the sector.

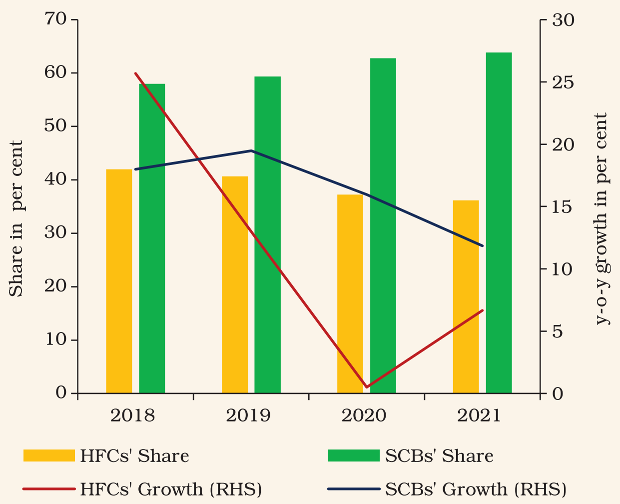
*2.14 Housing Finance Companies (HFCs)*

VI.65 Housing finance companies (HFCs) are specialised lending institutions which, along with SCBs, provide housing credit in India. With transferring of regulation of HFCs to the Reserve Bank by amendment of the NHB Act, 1987, effective August 9, 2019, HFCs are being treated as a category of NBFCs for regulation purposes.

VI.66 In recent times, HFCs have undergone several legislative/regulatory changes to harmonise the regulations between HFCs and NBFCs in a phased manner. Based on a review, a revised regulatory framework for HFCs was issued on October 22, 2020 and again on February 17, 2021.

VI.67 HFCs' credit to the housing sector accelerated in 2020-21, primarily on account of low interest rates, availability of refinance as well as special refinance facilities and the additional special refinance facility of the NHB (which amounted to ₹13,917 crore) backed by the Reserve Bank under the *Aatmanirbhar Bharat Abhiyaan*. Bank credit to the housing sector, however, decelerated in 2020-21 even though it remained higher than HFCs' credit (Chart VI.43).

**Chart VI.43: Credit to Housing Sector by HFCs and SCBs**
(At end- March)




**Note:** Data are provisional.
**Source:** Supervisory Returns, RBI.

VI.68 At the end of March 2021, there were 100[13] HFCs, of which only 16 were deposit taking entities. Five of the latter need prior permission from NHB before accepting public deposits. Non-government public limited companies dominate the segment, comprising 94.8 per cent of total assets. The combined balance sheet of these entities experienced a growth in 2020-21 after a deceleration in 2019-20. The asset size of the lone government HFC contracted in 2020-21 (Table VI.9).

**Table VI.9: Ownership Pattern of HFCs**
(At end-March)

(₹ crore)

| Type | 2020 | | 2021 | |
|---|---|---|---|---|
| | Number | Asset Size | Number | Asset Size |
| 1 | 2 | 4 | 5 | 7 |
| **A. Government Companies** | **1** | **79,535** | **1** | **76,959** |
| **B. Non-government Companies (1+2)** | **99** | **13,14,329** | **99** | **14,05,904** |
| 1. Public Ltd. Companies | 75 | 13,09,762 | 78 | 14,01,522 |
| 2. Private Ltd. Companies | 24 | 4,568 | 21 | 4,382 |
| **Total (A+B)** | **100** | **13,93,865** | **100** | **14,82,863** |

**Note:** Data are provisional.
**Source:** NHB.

*2.14.1. Balance Sheet*[14]

VI.69 The consolidated balance sheet of HFCs grew in 2020-21 on account of steep growth in borrowings from NHB, inter-corporate borrowing and reserves and surplus. On the asset side, loans and advances registered a moderate growth while investments registered an impressive growth. On

**Table VI.10: Consolidated Balance Sheet of HFCs**
(At end-March)

(₹ crore)

| Items | 2019 | 2020 | 2021 | Percentage variation | |
|---|---|---|---|---|---|
| | | | | 2020 | 2021 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1 Share capital | 34,048 | 36,858 | 37,696 | 8.3 | 2.3 |
| 2 Reserves and surplus | 1,51,706 | 1,45,053 | 1,70,359 | -4.4 | 17.4 |
| 3 Public deposits | 1,05,895 | 1,19,795 | 1,26,691 | 13.1 | 5.8 |
| 4 Debentures | 4,66,689 | 3,97,949 | 3,97,816 | -14.7 | 0.0 |
| 5 Bank borrowings# | 2,98,943 | 3,53,214 | 3,29,835 | 18.2 | -6.6 |
| 6 Borrowings from NHB # | 42,118 | 49,673 | 67,341 | 17.9 | 35.6 |
| 7 Inter-corporate borrowings | 35,627 | 6,206 | 19,182 | -82.6 | 209.1 |
| 8 Commercial papers | 79,059 | 46,631 | 54,554 | -41.0 | 17.0 |
| 9 Borrowings from Government*** | 0 | 1,282 | 19,313 | 0 | - |
| 10 Subordinated debts | 18,320 | 17,348 | 19,168 | -5.3 | 10.5 |
| 11 Other borrowings | 25,103 | 1,49,404 | 1,31,818 | 495.2 | -11.8 |
| 12 Current liabilities | 13,740 | 20,446 | 8,100 | 48.8 | -60.4 |
| 13 Provisions^ | 8,569 | 7,499 | 64,303 | -12.5 | 757.5 |
| 14 Other* | 40,021 | 42,508 | 36,686 | 6.2 | -13.7 |
| **15 Total Liabilities/ Assets** | **13,19,840** | **13,93,865** | **14,82,863** | **5.6** | **6.4** |
| 16 Loans and advances | 1,163,148 | 11,83,561 | 12,77,653 | 1.8 | 7.9 |
| 17 Hire purchase and lease assets | 0 | 33 | 10 | - | -70.4 |
| 18 Investments | 88,640 | 97,931 | 1,29,961 | 10.5 | 32.7 |
| 19 Cash and bank balances | 33,166 | 56,955 | 36,864 | 71.7 | -35.3 |
| 20 Other assets** | 34,885 | 55,384 | 38,375 | 58.8 | -30.7 |

^The sudden increase in provisions is due to high provision reported by one major HFC.
*includes deferred tax liabilities and other liabilities.
**includes tangible & intangible assets, other assets, and deferred tax asset.
*** includes borrowings from foreign government also.
# Figures have been revised.
**Notes**: Data are provisional.
**Source**: NHB.

[13] Excludes one HFC, which has surrendered its Certificate of Registration as it has been merged with a NBFC.

[14] Two HFCs *viz*., Capital First Home Finance Ltd. and Gruh Finance Ltd. have been merged with IDFC Bank in December 2018 and Bandhan Bank in October 2019 respectively. Consequently, asset and liabilities of these two HFCs have been deducted from HFCs' consolidated data by the NHB. Therefore, data may not tally with earlier data.

the other hand, cash and bank balances, and other assets declined (Table VI.10).

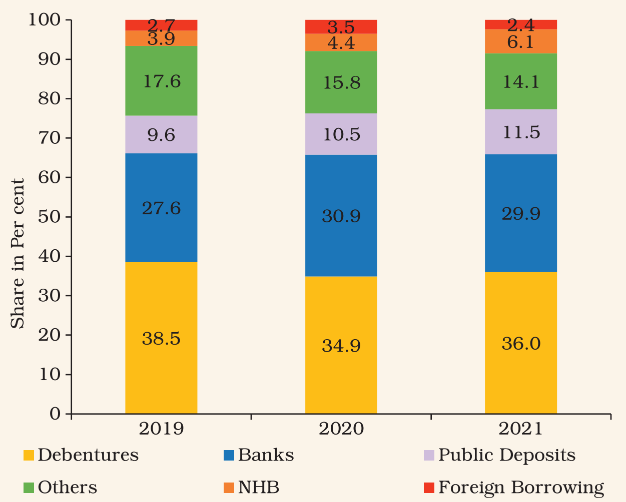
*2.14.2. Resource Profile of HFCs*

VI.70 HFCs primarily rely on debentures and bank borrowings for funds, which constitute around 66 per cent of total resources (Chart VI.44). The dependence of HFCs on bank borrowings decelerated in 2020-21; however, dependence on borrowings from NHB and public deposits increased, reflecting their reliance on long term-resources amidst risk averse market conditions.

VI.71 Public deposits, another important source of funding, decelerated in 2020-21 (Chart VI.45). Furthermore, the share of deposits in total liabilities of HFCs has been steadily declining since 2015-16 till 2020-21 with the exception of 2019-20.

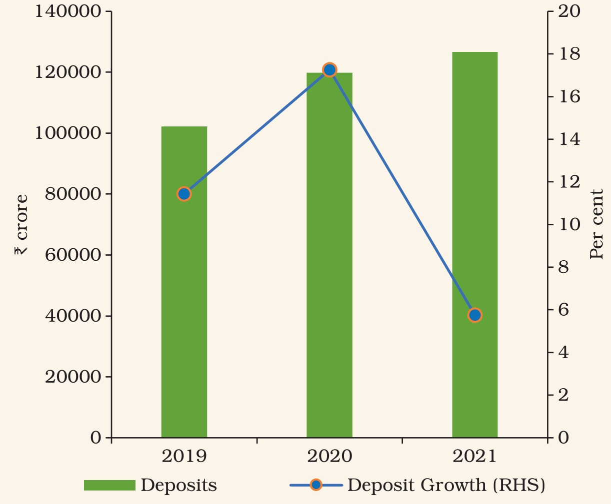
VI.72 The distribution of deposits with HFCs in 2020-21 shows that there is a concentration of deposits in the 6-9 per cent interest rate bracket. A significant growth has been observed in deposits in the below 6 per cent interest rate bracket due to the low interest rate environment (Chart VI.46). The maximum share of deposits is in the maturity bracket of 24 to 48 months.

**Chart VI.44: Resources Mobilised by HFCs**
(At end-March)




**Note:** Data are provisional.
**Source:** NHB.

**Chart VI.45: Public Deposits with HFCs**
(At end-March)




**Note:** Data are provisional.
**Source:** NHB.

*2.14.3. Financial Performance*

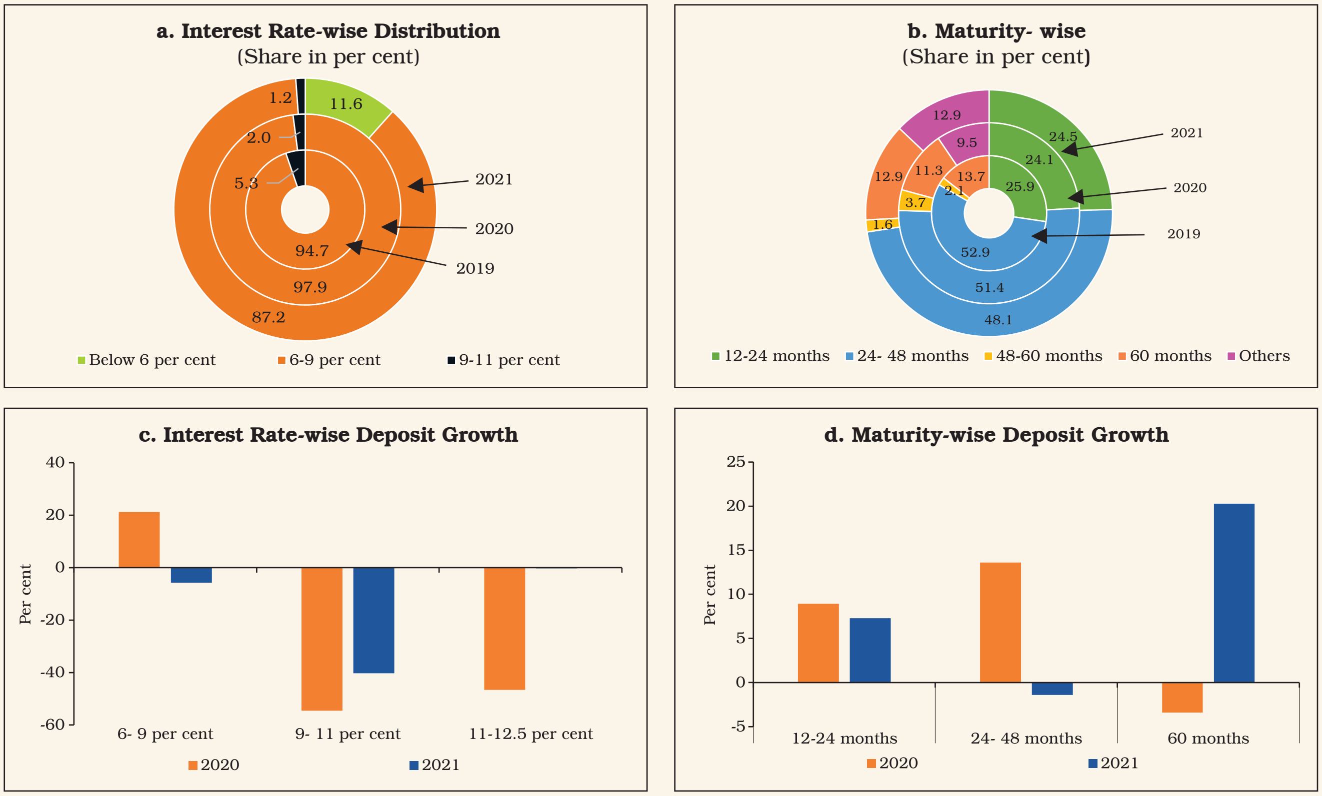
VI.73 The consolidated income of HFCs decelerated in 2020-21 on account of moderation of fee income and stagnant fund income. Income as a proportion to total assets decreased on account of decrease in fund income (Chart VI.47).

VI.74 Furthermore, expenditure also decreased mainly on account of deceleration in both financial expenditure and operating expenditure. As a result, there was a significant decrease in the cost to income ratio in 2020-21. Meanwhile, the RoA reached zero (Table VI.11).

*2.14.4. Soundness Indicators*

VI.75 The GNPA ratio of HFCs increased in 2020-21. However, the NNPA ratio decreased in 2020-21 on account of significant increase in provisioning. Two major HFCs registered spikes in their GNPA and NNPA ratios in 2020-21. Excluding these two major HFCs, GNPA and NNPA ratios stood at 3.1 per cent

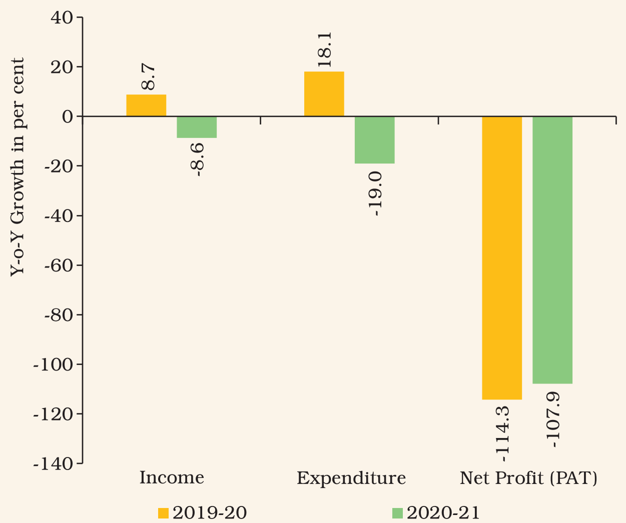
**Chart VI.46: Distribution of HFCs' Public Deposits**




**Note:** Data are provisional.
**Source:** NHB.

and 1.7 per cent, respectively, in 2020-21 (Chart VI.48a and b).

**Chart VI.47: Financial Parameters of HFCs**




**Note:** Data are provisional.
**Source:** NHB.

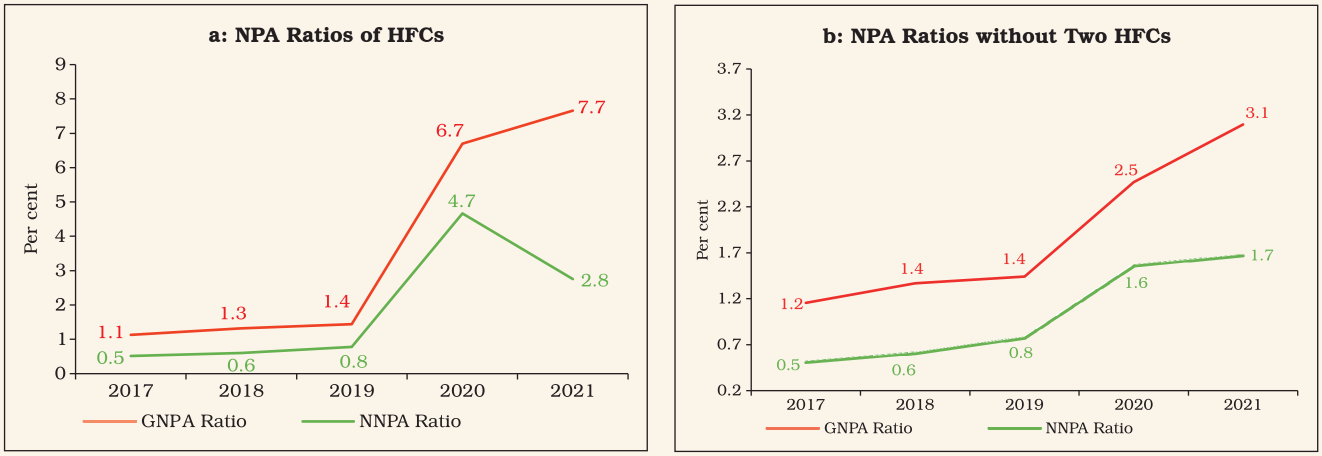
VI.76 To sum up, in 2020-21, HFCs have been able to sustain momentum with moderate growth in credit demand. After the outbreak of COVID-19, several regulatory and liquidity measures were

**Table VI.11: Financial Ratios of HFCs**
(As per cent of Total Assets)
(At end-March)

| Particulars | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| **Total Income** | **10.0** | **9.0** | **9.9** | **10.2** | **8.7** |
| 1. Fund Income | 9.8 | 8.8 | 9.7 | 10.1 | 8.6 |
| 2. Fee Income | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 |
| **Total Expenditure** | **7.4** | **6.6** | **7.9** | **8.8** | **6.7** |
| 1. Financial Expenditure | 6.4 | 5.6 | 6.4 | 6.4 | 5.4 |
| 2. Operating Expenditure | 0.9 | 1.0 | 1.5 | 2.4 | 1.3 |
| Tax Provision | 0.8 | 0.7 | 0.7 | 0.6 | 0.9 |
| Cost to Income Ratio (Total Exp./Total Income) | 73.6 | 73.6 | 79.3 | 86.2 | 76.4 |
| Return on Assets (RoA) (PAT/Total Assets) | 2.1 | 2.0 | 1.4 | -0.2 | 0.0 |

**Note**: Data are provisional.
**Source**: NHB.

**Chart VI.48: HFCs: GNPA and NNPA Ratios**




**Note:** Data are provisional.
**Source:** NHB.

announced by the Reserve Bank, along with the announcement of the *Aatmanirbhar Bharat Abhiyaan* by the Government, which resulted in an improvement in the liquidity position of HFCs. The recent uptick in sales of housing inventories on account of reopening of economy, the benign interest rate environment and incentives in stamp duty reductions aided the sector. Furthermore, HFCs took several proactive steps to counter the impact of the pandemic on their business by adopting work-from-home processes which helped in ensuring continuity of business even during the lockdown and made them digitally enabled for sourcing, processing, and disbursing loans. Efforts towards digitisation also might have contributed towards reducing their operating expenditure.

## 3. All India Financial Institutions

VI.77 At end-March 2021, there were four all India financial institutions (AIFIs) *viz.*, the National Bank for Agriculture and Rural Development (NABARD), the Small Industries Development Bank of India (SIDBI) and the National Housing Bank (NHB), which play a critical role in meeting the long-term funding requirements of agriculture and the rural sector, small industries, housing finance companies, NBFCs and MFIs, respectively. The fourth AIFI - Export Import Bank of India (EXIM Bank)- functions as the principal financial institution promoting the country's international trade and providing financial assistance to exporters and importers. The Reserve Bank regulates and supervises these four AIFIs.

### *3.1 AIFIs' Operations*[15]

VI.78 In response to the pandemic, financial assistance sanctioned by AIFIs registered a robust growth during 2020-21 as compared with the previous year. The increase was primarily on account of a 65 per cent rise in sanctions by NABARD. Disbursements too gained traction during 2020-21. NABARD recorded the highest disbursement growth, reflecting its thrust on the agricultural and rural sector, production

[15] The financial year for EXIM Bank, SIDBI and NABARD runs from April to March and for NHB, it is from July to June.

**Table VI.12: Financial Assistance Sanctioned & Disbursed by AIFIs**

| Institutions | Sanctions | | Disbursements | |
|---|---|---|---|---|
| | 2019-20 | 2020-21 | 2019-20 | 2020-21 |
| 1 | 2 | 3 | 4 | 5 |
| EXIM BANK | 40,255 | 36,521 | 33,735 | 34,122 |
| NABARD | 2,78,883 | 4,59,849 | 2,81,811 | 3,50,022 |
| NHB | 36,594 | 37,791 | 31,258 | 34,230 |
| SIDBI | 1,09,826 | 1,05,588 | 98,354 | 98,115 |
| **Total** | **4,65,558** | **6,39,748** | **4,45,159** | **5,16,489** |

**Note**: Data are provisional.
**Source**: Respective Financial Institutions.

and marketing credit, the long term irrigation fund and the micro irrigation fund. Increase in the disbursements by NHB could be attributed to the support for the *Pradhan Mantri Awas Yojana* (PMAY). Disbursements by SIDBI remained stagnant during the year. Financial assistance sanctioned by EXIM Bank declined on account of slowdown in exports and subdued macroeconomic conditions in partner countries (Table VI.12). Disbursements by EXIM Bank, however, increased moderately (Appendix Table VI.7).

*3.2 Balance Sheet*

VI.79 The consolidated balance sheet of AIFIs expanded in 2020-21 after decelerating in 2019-20 (Table VI.13). This was mainly on account of substantial growth in investments and loans and advances, particularly by NABARD. Loans and advances constituted the largest share in the total assets of AIFIs, followed by investments. On the liabilities side, AIFIs' reliance on bond and debentures increased in 2020-21. Borrowings recorded a robust growth due to favourable base effect. This was mainly on account of the steep increase in borrowings by NABARD to finance its enhanced credit disbursements and investment activities during the pandemic.

VI.80 In the COVID-19 pandemic, special refinance facilities for a total amount of ₹75,000 crore were provided during 2020-21 to all

**Table VI.13: AIFIs' Balance Sheet**

(₹ crore)

| Liabilities | 2020 | 2021 | Percentage variation 2020-21 |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1. Capital | 29,921<br>(3.2) | 32,221<br>(3.0) | 7.7 |
| 2. Reserves | 63,522<br>(6.8) | 71,025<br>(6.6) | 11.8 |
| 3. Bonds & Debentures | 2,63,425<br>(28.0) | 3,27,427<br>(30.4) | 24.3 |
| 4. Deposits | 3,86,678<br>(41.1) | 4,12,001<br>(38.3) | 6.5 |
| 5. Borrowings | 1,38,621<br>(14.7) | 1,70,820<br>(15.9) | 23.2 |
| 6. Other Liabilities | 58,105<br>(6.2) | 62,023<br>(5.8) | 6.7 |
| **Total Liabilities / Assets** | **9,40,271** | **10,75,516** | **14.4** |
| 1. Cash & Bank Balances | 35,078<br>(3.7) | 34,595<br>(3.2) | -1.4 |
| 2. Investments | 59,868<br>(6.4) | 79,275<br>(7.4) | 32.4 |
| 3. Loans & Advances | 8,25,620<br>(87.8) | 9,44,318<br>(87.8) | 14.4 |
| 4. Bills Discounted /Rediscounted | 1,395<br>(0.1) | 1,410<br>(0.1) | 1.1 |
| 5. Fixed Assets | 1,221<br>(0.1) | 1,273<br>(0.1) | 4.3 |
| 6. Other Assets | 17,089<br>(1.8) | 14,646<br>(1.4) | -14.3 |

**Notes:** Figures in parentheses are percentages of total liabilities/assets.
Data are provisional.
**Source**: Respective Financial Institutions.

AIFIs for a period of one year. Furthermore, in consonance with the policy objective of nurturing still nascent growth impulses, fresh support of ₹50,000 crore is allocated to the AIFIs for lending in 2021-22. Accordingly, NABARD is provided with a special liquidity facility (SLF) of ₹ 25,000 crore to support agriculture and allied activities, the rural non-farm sector, and NBFC-MFIs. Similarly, NHB is allocated with ₹ 10,000 crore to cater to the needs of the housing sector and SIDBI is allocated ₹15,000 crore to meet the funding requirements of MSMEs.

VI.81 Further, in order to meet MSMEs' short- and medium-term credit needs to kick start the investment cycle, a Special Liquidity Facility of ₹16,000 crore was granted to SIDBI for on-lending/refinancing.

VI.82 Total resources raised by AIFIs (except for NABARD) decreased in 2020-21. EXIM Bank resorted to higher short-term borrowings. Out of total resources raised in 2020-21, NABARD mobilised the highest share, followed by NHB, SIDBI and EXIM Bank. Putting together, NABARD and NHB accounted for 80 per cent of the total resources. Except SIDBI, AIFIs largely rely on short-term funds for financing their activities. NHB raises over 93 per cent of its resources *via* short term instruments (Table VI.14).

VI.83 The NABARD and the EXIM Bank together constituted around 80 per cent of resources raised by AIFIs from the money market. While resources raised through CDs decreased, resources raised through CPs increased for AIFIs. The utilisation of borrowing under umbrella limit remained lower in 2020-21 than a year ago (Table VI.15).

*3.3 Sources and Uses of Funds*

VI.84 Funds raised and deployed by the AIFIs in 2020-21 registered a rapid growth although there was marginal contraction in total fresh deployment by AIFIs. The share of repayment of past borrowings in resources mobilised increased in 2020-21 as compared to the previous year (Table VI.16).

**Table VI.14: Resources Mobilised by AIFIs in 2020-21**

(₹ crore)

| Institution | Total Resources Raised | | | | Outstand-ing |
|---|---|---|---|---|---|
| | Long-Term | Short-Term | Foreign Currency | Total | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| EXIM BANK | 0 | 35,146 | 14,841 | 49,987 | 1,09,617 |
| NABARD | 1,45,641 | 1,71,655 | 0 | 3,17,296 | 5,60,237 |
| NHB* | 9,879 | 1,30,975 | 0 | 1,40,854 | 78,028 |
| SIDBI** | 40,450 | 24,270 | 0 | 64,720 | 1,63,008 |
| **Total** | **1,95,970** | **3,62,046** | **14,841** | **5,72,857** | **9,10,890** |

**Note**: Long-term rupee resources comprise borrowings by way of bonds/debentures; while short-term resources comprise CPs, term deposits, ICDs, CDs and borrowings from the term money market. Foreign currency resources largely comprise of borrowings by issuing of bonds in the international market.
* Short-term resources figure represents the borrowing through transactions in the overnight triparty Repo Dealing and Settlement (TREPS) on a roll-over basis (gross amount on roll-over basis).
**Short-Term under Total Resources Raised also include Short Term Loans from Banks.
**Source**: Respective Financial Institutions.

**Table VI.15: Resources Raised by AIFIs from the Money Market**
(At end-March)#

(₹ crore)

| Instrument | 2019-20 | 2020-21 |
|---|---|---|
| 1 | 2 | 3 |
| **A. Total** | **1,20,294** | **99,068** |
| i) Term Deposits | 1,298 | 3,396 |
| ii) Term Money | 7,211 | 3,602 |
| iii) Inter-corporate Deposits | 8,177 | - |
| iv) Certificate of Deposits | 46,240 | 21,275 |
| v) Commercial Paper | 57,368 | 70,795 |
| *Memo:* | | |
| **B. Umbrella Limit** | 1,17,538 | 1,34,662 |
| **C. Utilization of Umbrella limit* (A as percentage of B)** | **102.3** | **73.6** |

#: End-June for NHB. *: Resources raised under A.
**Note:** AIFIs are allowed to mobilise resources within the overall 'umbrella limit', which is linked to the net owned funds (NOF) of the FI concerned as per its latest audited balance sheet. The umbrella limit is applicable for five instruments– term deposits; term money borrowings; certificates of deposits (CDs); commercial paper (CPs); and inter-corporate deposits.
**Source:** Respective Financial Institutions.

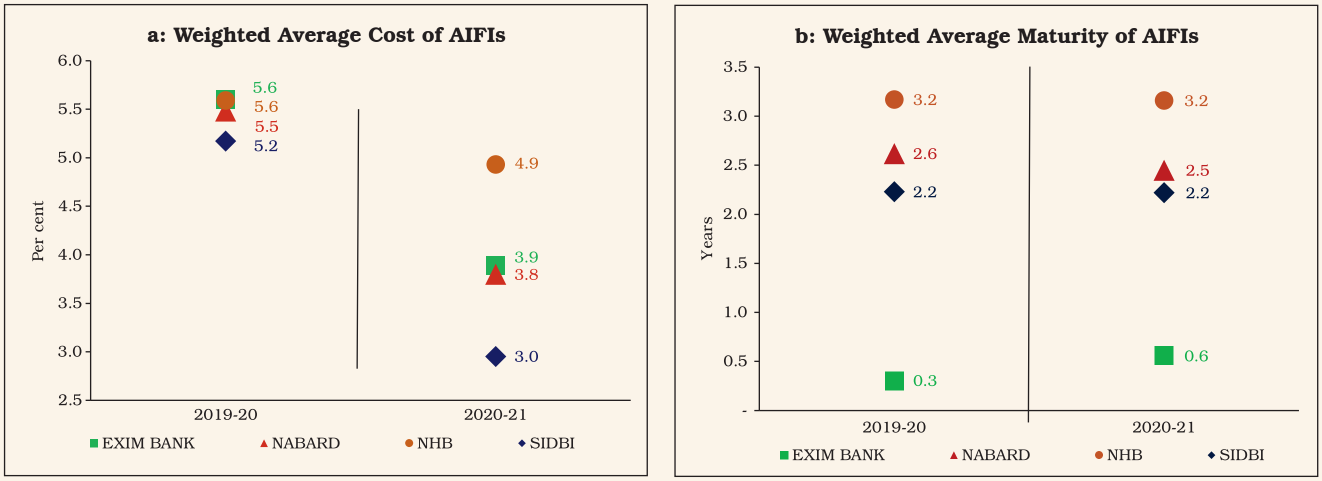
**Table VI.16: Pattern of AIFIs' Sources and Deployment of Funds**

(₹ crore)

| Items | 2019-20 | 2020-21 | Percentage variation |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| **A. Sources of Funds** | | | |
| i. Internal | 36,18,908 (84.0) | 44,97,117 (80.2) | 24.3 |
| ii. External | 5,65,094 (13.1) | 8,82,814 (15.8) | 56.2 |
| iii. Others@ | 1,24,634 (2.9) | 2,25,134 (4.0) | 80.6 |
| **Total (i+ii+iii)** | **43,08,636 (100)** | **56,05,065 (100)** | **30.1** |
| **B. Deployment of Funds** | | | |
| i. Fresh Deployment | 8,05,090 (18.7) | 8,03,936 (14.3) | -0.1 |
| ii. Repayment of Past Borrowings | 22,93,775 (53.4) | 32,55,032 (58.1) | 41.9 |
| iii. Other Deployment | 11,95,171 (27.8) | 15,46,098 (27.6) | 29.4 |
| *of which:* Interest Payments | 39,408 (0.9) | 39,344 (0.7) | -0.2 |
| **Total (i+ii+iii)** | **42,94,037 (100)** | **56,05,065 (100)** | **30.5** |

@: Includes cash and balances with banks and the Reserve Bank of India
**Note:** Figures in parentheses are percentages of total. Data are provisional.
**Source:** Respective Financial Institutions.

**Chart VI.49: Weighted Average Cost and Maturity of Rupee Resources Raised by AIFIs**

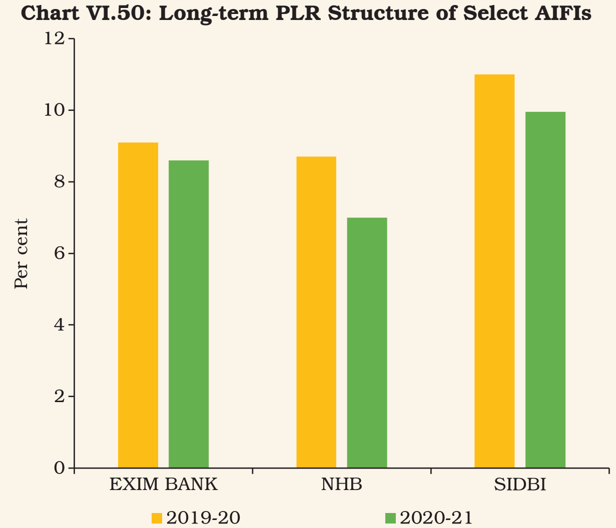



**Source:** Respective Financial Institutions.

*3.4 Maturity and Cost of Borrowings and Lending*

VI.85 AIFIs were able to borrow at lower rates as the weighted average cost (WAC) of rupee resources decreased substantially in 2020-21 *vis-à-vis* the previous year due to accommodative monetary policy. NHB recorded the highest decline in its long-term prime lending rate (PLR)-170 bps- followed by SIDBI (Chart VI.49a, Chart VI.49b and Chart VI.50).

**Chart VI.50: Long-term PLR Structure of Select AIFIs**




**Note:** EXIM Bank is using long-term minimum lending rate based on the base rate.
**Source:** Respective Financial Institutions.

*3.5 Financial Performance*

VI.86 AIFIs registered a marginal growth in income during 2020-21, mainly on account of deceleration in interest income, which constitutes around 97 per cent of total income. Expenditure, on the other hand, contracted during 2020-21, primarily on account of contraction in interest

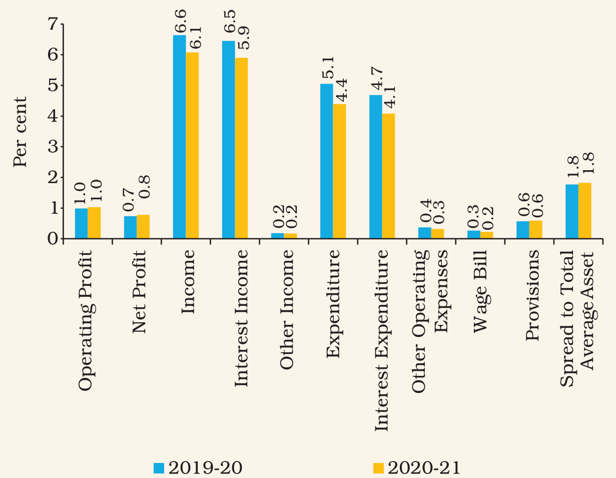
**Table VI.17: Financial Performance of AIFIs**

(₹ crore)

| Type | 2019-20 | 2020-21 | Percentage Variation 2019-20 | Percentage Variation 2020-21 |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| **A) Income** | **58,460** | **59,291** | **8.3** | **1.4** |
| a) Interest Income | 56,863 (97.3) | 57,597 (97.1) | 7.9 | 1.3 |
| b) Non-Interest Income | 1,597 (2.7) | 1,694 (2.9) | 27.0 | 6.1 |
| **B) Expenditure** | **44,499** | **42,913** | **5.7** | **-3.6** |
| a) Interest Expenditure | 41,236 (92.7) | 39,829 (92.8) | 4.9 | -3.4 |
| b) Operating Expenses | 3,263 (7.3) | 3,084 (7.2) | 17.0 | -5.5 |
| *of which* Wage Bill | 2,323 | 2,203 | 16.9 | -5.2 |
| **C) Provisions for Taxation** | **2,244** | **2,409** | **-20.8** | **7.4** |
| **D) Profit** | | | | |
| Operating Profit (PBT) | 8,738 | 10,045 | -19.4 | 15.0 |
| Net Profit (PAT) | 6,493 | 7,635 | 5.9 | 17.6 |

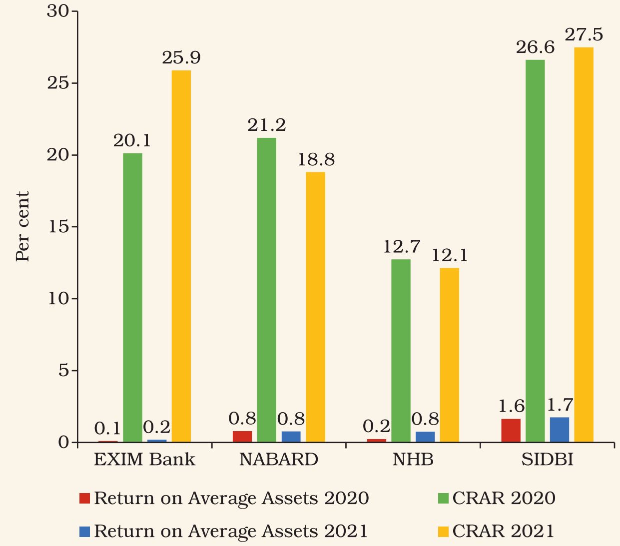
**Notes:** 1. Figures in parentheses are percentages of total income/ expenditure.
2. Data are provisional.
**Source:** Respective Financial Institutions.

**Chart VI.51: AIFIs' Financial Ratios**




**Notes:** 1. As percentage of total average assets.
2. Data are provisional.
**Source:** Respective Financial Institutions.

**Chart VI.52: Select Financial Parameters of AIFIs**




**Source:** Respective Financial Institutions.

expenditure and the wage bill. Consequently, net profits of AIFIs posted an impressive growth during 2020-21 (Table VI.17).

VI.87 Under financial ratios, operating profit as a ratio of total average assets slightly increased during 2020-21. However, other financial ratios, except the ratio of spread to total average assets, provisions, and net profit, decreased year on year (Chart VI.51).

VI.88 Interest income as a ratio of average working funds declined for all AIFIs. Operating profits of EXIM Bank, NABARD and SIDBI improved, indicating efficient utilization of working funds; however, operating profits of NHB moderated during the year (Table VI.18).

VI.89 The RoA for all AIFIs marginally improved in 2020-21 (for NABARD it remained the same) (Chart VI.52). The CRAR for EXIM Bank and SIDBI improved in 2020-21, while that of NABARD and NHB moderated.

*3.6 Soundness Indicators*

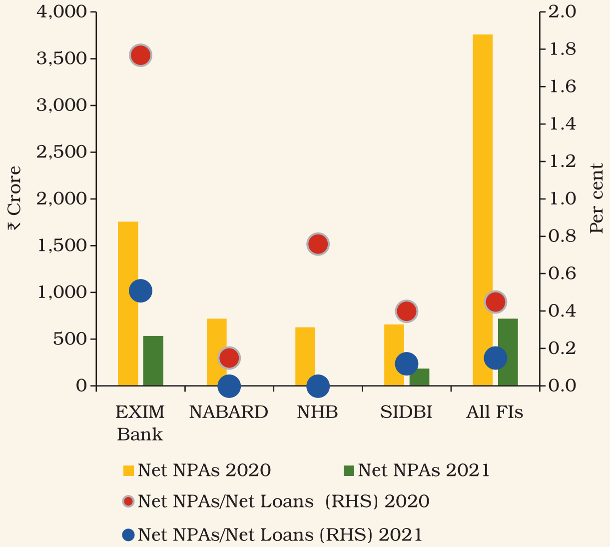
VI.90 AIFIs' net NPAs ratios decreased during 2020-21. NABARD and NHB reported zero per cent net NPAs (Chart VI.53).

**Table VI.18: AIFIs' Select Financial Parameters**

| Items | Interest Income/ Average Working Funds (per cent) | | Non-interest Income/ Average Working Funds (per cent) | | Operating Profit/ Average Working Funds (per cent) | | Net Profit per Employee (₹ lakh) | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| EXIM Bank | 7.2 | 6.4 | 0.4 | 0.5 | 1.8 | 2.3 | 35 | 73 |
| NABARD | 6.7 | 6.1 | 0.0 | 0.0 | 1.4 | 1.5 | 108 | 127 |
| NHB | 6.3 | 5.5 | 0.1 | 0.1 | 1.9 | 1.3 | 153 | 425 |
| SIDBI | 6.5 | 5.7 | 0.6 | 0.5 | 2.2 | 2.3 | 221 | 237 |

**Note:** Data are provisional.
**Source:** Respective Financial Institutions.

**Chart VI.53: AIFIs' Net NPAs**

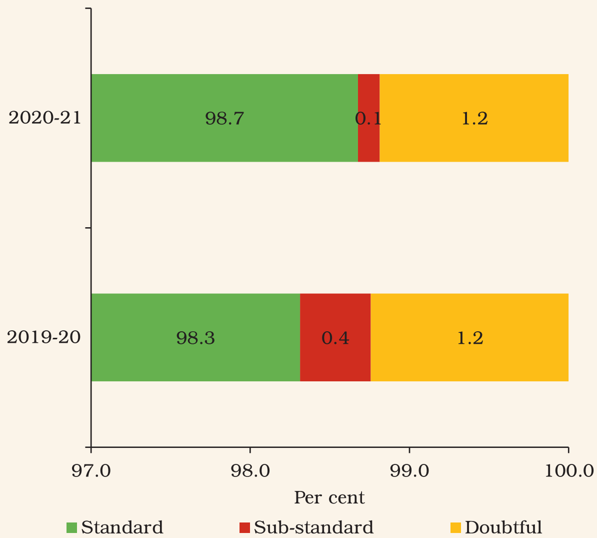



**Source:** Respective Financial Institutions.

VI.91 Overall, AIFIs' stable asset quality as reflected in the ratio of standard assets increased in 2020-21 (Chart VI.54).

VI.92 In order to strengthen the financial health of AIFIs, the Reserve Bank has released draft Master Directions on October 22, 2021 on prudential regulations on Basel III capital framework, exposure norms, significant investments, classification, valuation and operation of investment portfolio norms and resource raising norms for AIFIs for public comments.

**Chart VI.54: AIFIs' Assets Classification**




**Note:** Data are provisional.
**Source:** Respective Financial Institutions.

VI.93 The consolidated balance sheet of AIFIs expanded on account of ample liquidity support by the Reserve Bank as well as higher borrowings by them. AIFIs' reliance on deposits and bonds & debentures remained high. AIFIs' net NPA ratios decreased during the year and the ratio of standard assets increased.

## 4. Primary Dealers

VI.94 As on March 31, 2021 there were 21 primary dealers (PDs), of which 14 function as bank departments and 7 as standalone PDs (SPDs), the latter registered as NBFCs under section 45 IA of the RBI Act, 1934.

*4.1 Operations and Performance of PDs*

VI.95 PDs are financial intermediaries mandated to take part in the all-round development of the primary and secondary government securities market, underwrite issuances of government dated securities and participate in primary auctions. They are also mandated to achieve a minimum success ratio (bids accepted as a proportion to bidding commitment) of 40 per cent in primary auctions of T-bills and Cash Management Bills (CMBs), assessed on a half-yearly basis. In 2020-21, all PDs achieved their minimum bidding commitments and subscribed to 68.9 per cent of the notified amount of T-Bills / CMBs issued during the year. During the year, the Government of India issued dated securities with a face value of ₹13,70,324 crore (Notified amount was ₹12, 85,000 crore) through auctions, as against ₹7,10,000 crore issued during the previous year. PDs' share of allotment in the primary issuance of dated securities increased.

In H1:2021-22, PDs achieved a success ratio of 62.50 per cent against their bidding commitment in T-Bills and CMBs. Also, against the total notified amount of dated Government securities of ₹6,57,000 crore, allotment to PDs stood at 46.5 per cent which was lower than 52.4 per cent during H1: 2020-21 (Table VI.19).

VI.96 Partial devolvement on PDs took place on fifteen instances amounting to ₹1,30,562 crore during 2020-21 as against two instances amounting to ₹3,606 crore in 2019-20. The underwriting commission paid to PDs during 2020-21 was considerably higher at ₹455 crore, compared to ₹41 crores paid in the previous year. The increase in the underwriting commission, being strongly co-related to market conditions, can be attributed to the enlarged quantum of borrowing. During H1:2021-22, there were nine instances of devolvement aggregating to ₹75,802 crore. The underwriting commission paid to the PDs during the half year amounted to ₹309 crore, which works out to 4.82p/₹100 (Chart VI.55).

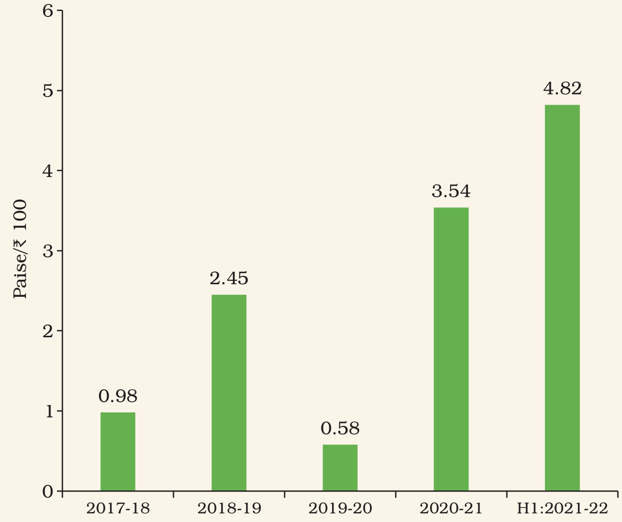
**Table VI.19: Performance of PDs in the Primary Market**

(₹ crore)

| Items | 2019-20 | 2020-21 | H1: 2021-22 |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| **Treasury Bills and CMBs** | | | |
| (a) Bidding commitment | 13,83,666 | 17,35,783 | 7,88,880 |
| (b) Actual bids submitted | 41,92,322 | 49,05,302 | 19,39,626 |
| (c) Bid to cover ratio | 3.0 | 2.8 | 2.5 |
| (d) Bids accepted | 8,51,816 | 10,24,732 | 4,92,935 |
| (e) Success ratio (d) / (a) (in Per cent) | 61.6 | 59.0 | 62.5 |
| **Central Government Dated Securities** | | | |
| (f) Notified amount | 7,10,000 | 12,85,000 | 6,57,000 |
| (g) Actual bids submitted | 15,31,570 | 24,54,253 | 13,25,625 |
| (h) Bid to cover ratio | 2.16 | 1.91 | 2.02 |
| (i) Bids of PDs accepted | 3,40,610 | 6,80,763 | 3,26,815 |
| (j) Share of PDs (i) / (f) (Per cent) | 48.0 | 49.7* | 46.5** |

*Calculated with respect to the total accepted amount of ₹13,70,324 crore.
**Calculated with respect to the total accepted amount of ₹7,02,357 crore.
**Source**: Returns filed by PDs.

**Chart VI.55: Average Rate of Underwriting Commission of PDs**




**Source:** Returns submitted by PDs.

VI.97 All PDs individually achieved the required minimum annual total turnover ratio (both in outright and repo transactions) for dated Government securities, set at 5 times the average month-end stock of securities held by them. Similarly, the minimum ratio to be achieved through outright transactions exclusively is 3 times. For T-Bills, the corresponding minimum targets are 10 times and 6 times, respectively.

### 4.2 *Performance of Standalone PDs*

VI.98 In the secondary market outright segment, the quantum of turnover of standalone primary dealers (SPDs) decreased in comparison with the previous year. In the repo segment, the quantum of turnover by SPDs increased over the previous year. The share of SPDs in total market turnover decreased marginally during the year (Table VI.20).

### *4.3 Sources and Application of SPDs' Funds*

VI.99 Funds mobilised by SPDs rose on a year-on-year basis in 2020-21. Borrowings remained the major source of SPDs' funding. The quantum of secured loans increased marginally whereas

**Table VI.20: Performance of SPDs in the G-secs Secondary Market**

(₹ crore)

| Items | 2019-20 | 2020-21 | H1: 2021-22 |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| **Outright** | | | |
| Turnover of SPDs | 36,56,472 | 24,71,523 | 14,00,727 |
| Market turnover | 1,33,08,365 | 1,00,32,187 | 48,35,156 |
| Share of SPDs (Per cent) | 27.5 | 24.6 | 29.0 |
| **Repo** | | | |
| Turnover of SPDs | 69,29,624 | 90,75,360 | 47,20,772 |
| Market turnover | 1,47,99,714 | 2,27,70,547 | 1,19,59,276 |
| Share of SPDs (Per cent) | 46.8 | 39.9 | 39.5 |
| **Total (Outright + Repo)** | | | |
| Turnover of SPDs | 1,05,86,096 | 1,15,46,883 | 61,21,499 |
| Market turnover | 2,81,08,079 | 3,28,02,734 | 1,67,94,432 |
| Share of SPDs (Per cent) | 37.7 | 35.2 | 36.4 |

**Source:** Clearing Corporation of India Ltd.

unsecured loans decreased. The largest share of investments of SPDs is held in the form of current assets (Table VI.21).

**Table VI.21: Sources and Applications of SPDs' Funds**

(₹ crore)

| Items | 2019-20 | 2020-21 | H1: 2021-22 | Percentage variation 2020-21 over 2019-20 |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| **Sources of Funds** | **69,573** | **71,986** | **69,864** | **3.5** |
| 1. Capital | 1,609 | 1,849 | 1,849 | 14.9 |
| 2. Reserves and surplus | 5,154 | 7,011 | 7,336 | 36.0 |
| 3. Loans (a+b) | 62,810 | 63,127 | 60,678 | 0.5 |
| (a) Secured | 49,181 | 50,374 | 45,915 | 2.4 |
| (b) Unsecured | 13,629 | 12,752 | 14,763 | -6.4 |
| **Application of Funds** | **69,573** | **71,986** | **69,864** | **3.5** |
| 1. Fixed assets | 44 | 44 | 41 | 2.0 |
| 2. HTM investments (a+b) | 493 | 154 | 1,805 | -68.8 |
| (a) Government securities | 358 | - | 1,634 | -100.0 |
| (b) Others | 135 | 154 | 171 | 13.7 |
| 3. Current assets | 71,074 | 72,389 | 66,145 | 1.9 |
| 4. Loans and advances | 809 | 1,986 | 4,931 | 145.5 |
| 5. Current liabilities | 2,847 | 2,616 | 3,050 | -8.1 |
| 6. Deferred tax | 1 | 32.7 | -6.8 | 3167.5 |
| 7. Others | -1 | -3.2 | -1.4 | 302.5 |

**Source**: Returns submitted by PDs

*4.4 Financial Performance of SPDs*

VI.100 A substantial increase was observed in the SPDs' profit after tax (PAT) in 2020-21 *vis-à-vis* previous year on account of sharp contraction in interest expenses. Trading profits also witnessed a substantial increase. Income remained at almost similar levels whereas expenditure decreased in comparison with the previous year, resulting in higher profits for the SPDs during 2020-21. During H1: 2021-22, there was a decrease in PAT on account of reduced trading profits (Table VI.22 and Appendix Table VI.8).

VI.101 SPDs' return on net worth increased in 2020-21 *vis-a-vis* 2019-20. On account of increased trading profits and the sharp drop in expenditure, the cost to income ratio decreased, reflecting improved operating efficiency (Table VI.23).

VI.102 The combined CRAR for all SPDs increased in 2020-21 and remained comfortably above the mandated 15 per cent. Capital buffers

**Table VI.22: Financial Performance of SPDs**

(₹ crore)

| Items | 2019-20 | 2020-21 | H1: 2021-22 | Variation 2020-21 over 2019-20 | |
|---|---|---|---|---|---|
| | | | | Amount | Per cent |
| 1 | 2 | 3 | 4 | 5 | 6 |
| **A. Income (i to iii)** | **5,367** | **5,386** | **2,493** | **19** | **0.3** |
| (i) Interest and discount | 4,628 | 4,173 | 2,141 | -455 | -9.9 |
| (ii) Trading profits | 682 | 1,008 | 248 | 326 | 47.8 |
| (iii) Other income | 57 | 205 | 103 | 148 | 259.0 |
| **B. Expenses (i to ii)** | **3,663** | **2,493** | **1,319** | **-1,170** | **-31.9** |
| (i) Interest | 3,209 | 2,130 | 1,127 | -1,079 | -33.6 |
| (ii) Other expenses including establishment and administrative costs | 454 | 364 | 192 | -90 | -19.9 |
| **C. Profit before tax** | **1,687** | **2,582** | **1,031** | **895** | **53.0** |
| **D. Profit after tax** | **1,276** | **1,938** | **766** | **662** | **51.9** |

**Note**: Figures may not add up due to rounding-off.
**Source**: Returns submitted by PDs

**Table VI.23: SPDs' Financial Indicators**

(₹ crore)

| Indicators | 2019-20 | 2020-21 | H1: 2021-22 |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| (i) Net profit | 1,276 | 1,938 | 766 |
| (ii) Average assets | 69,631 | 77,357 | 80,256 |
| (iii) Return on average assets (Per cent) | 1.9 | 2.6 | 1.0 |
| (iv) Return on net worth (Per cent) | 21.3 | 26.0 | 8.7 |
| (v) Cost to income ratio (Per cent) | 21.0 | 11.2 | 14.0 |

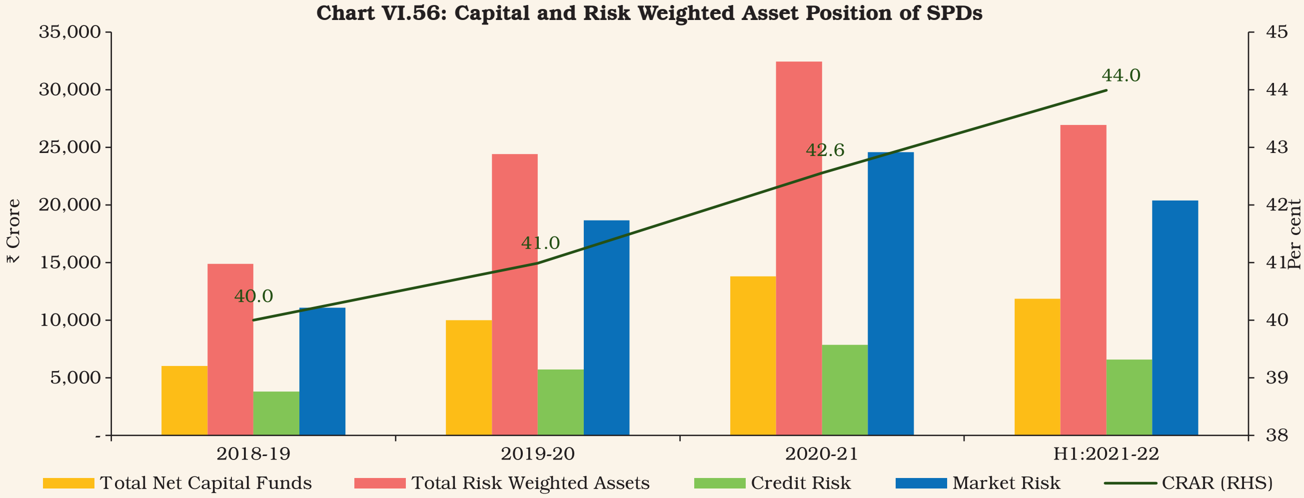
**Source:** Returns submitted by PDs

of the SPDs improved substantially during the year (Chart VI.56 and Appendix Table VI.9).

## 5. Overall Assessment

VI.103 The pandemic has tested the resilience of NBFCs, but so far, the sector has emerged stronger with reasonable balance sheet growth, increased credit intermediation, higher capital, lower delinquency ratio and enlarged liquidity cushions. Various policies in the aftermath of the pandemic ensured liquidity support, moratorium and asset classification standstill eased financial conditions and gave NBFCs adequate time and wherewithal to weather the shock and leverage on their grass root level reach to channelize credit to productive sectors and revive growth. Many NBFCs have adopted strong credit risk assessment frameworks to ensure the quality of credit creation. The Reserve Bank has introduced scale-based regulation to enhance the regulatory oversight over the sector effective October 2022. To further strengthen the supervisory tools applicable to NBFCs, the Reserve Bank issued Prompt Corrective Action Framework for NBFCs effective October 2022. The recent amendment of the Factoring Regulation Act can incentivise all NBFCs to boost the MSME sector. Many NBFCs have used the pandemic to reinvent their business models, realising the power of data analytics and Big Data in business applications. In this regard, many have tied up with FinTech firms to leverage on technological innovations. NBFCs need to be better equipped and focused on cyber fraud prevention. In this regard, the Reserve Bank has placed a report on digital lending including lending through online platforms and mobile apps on November 18,

**Chart VI.56: Capital and Risk Weighted Asset Position of SPDs**




**Source:** Returns submitted by PDs.

2021 in the public domain. The Reserve Bank's recent act of superseding the boards of NBFCs which failed to repay debts is evidence of the vigil the regulator has on the sector in protecting stakeholders' interests and preventing adverse impacts on the financial system.

VI.104 HFCs also took several proactive steps to counter the impact of COVID-19 and ensure continuity of business during the lockdown by resorting to digitally-enabled services for sourcing, processing, and disbursing loans. Going forward, given the growing population and the under penetrated market, affordable housing finance has huge potential. The consolidated balance sheet of AIFIs expanded at a fast pace on account of ample liquidity support by the Reserve Bank.

VI.105 With increased pace of vaccinations and the broadening revival of the economy, the NBFC sector is expected to remain buoyant. The financial system is maturing from a bank-dominated space to a hybrid system wherein non-bank intermediaries are gaining prominence. The developments in the sector in 2020-21 are a harbinger of even brighter prospects in the years ahead.

## Appendix Table IV.1: Indian Banking Sector at a Glance

(Amount in ₹ crore)

| Sr. No. | Items | Amount Outstanding (At end-March) | | Percentage Variation | |
|---|---|---|---|---|---|
| | | 2020 | 2021(P) | 2019-20 | 2020-21(P) |
| 1 | 2 | 3 | 4 | 5 | 6 |
| **1** | **Balance Sheet Operations** | | | | |
| | 1.1 Total Liabilities/Assets | 1,80,14,425 | 1,95,94,617 | 8.5 | 8.8 |
| | 1.2 Deposits | 1,39,75,045 | 1,55,90,600 | 8.4 | 11.6 |
| | 1.3 Borrowings | 16,96,120 | 14,74,890 | -0.8 | -13.0 |
| | 1.4 Net Loans and Advances | 1,03,01,897 | 1,08,20,208 | 6.5 | 5.0 |
| | 1.5 Investments | 46,89,842 | 54,19,866 | 8.5 | 15.6 |
| | 1.6 OBS Exposure (Credit Equivalent) to Total Assets (On-balance Sheet) | 125.6 | 118.7 | - | - |
| | 1.7 Total consolidated international claims | 5,78,412 | 6,13,794 | -8.1 | 6.1 |
| **2** | **Profitability** | | | | |
| | 2.1 Net profit | 10,911 | 1,21,998 | - | - |
| | 2.2 Return on Assets (RoA) (Per cent) | 0.15 | 0.66 | - | - |
| | 2.3 Return on Equity (RoE) (Per cent) | 0.8 | 7.7 | - | - |
| | 2.4 Net Interest Margin (NIM) (Per cent) | 2.8 | 2.9 | - | - |
| **3** | **Capital Adequacy** | | | | |
| | 3.1 Capital to risk weighted assets ratio (CRAR) @ | 14.8 | 16.3 | - | - |
| | 3.2 Tier I capital (as percentage of total capital) @ | 85.5 | 86.8 | - | - |
| | 3.3 CRAR (tier I) (Per cent) @ | 12.6 | 14.2 | - | - |
| **4** | **Asset Quality** | | | | |
| | 4.1 Gross NPAs | 8,99,803 | 8,37,771 | -3.9 | -6.9 |
| | 4.2 Net NPAs | 2,89,370 | 2,58,228 | -18.5 | -10.8 |
| | 4.3 Gross NPA ratio (Gross NPAs as percentage of gross advances) | 8.2 | 7.3 | - | - |
| | 4.4 Net NPA ratio (Net NPAs as percentage of net advances) | 2.8 | 2.4 | - | - |
| | 4.5 Provision Coverage Ratio (Without Write-Off adj) (Per cent)* | 66.2 | 67.4 | - | - |
| | 4.6 Slippage ratio (Per cent)* | 3.8 | 2.8 | - | - |
| **5** | **Sectoral Deployment of Bank Credit** | | | | |
| | 5.1 Gross bank credit | 1,00,98,420 | 1,06,40,811 | 6.0 | 5.4 |
| | 5.2 Agriculture | 12,39,575 | 13,84,815 | 1.8 | 11.7 |
| | 5.3 Industry | 32,52,801 | 32,53,636 | -1.2 | 0.0 |
| | 5.4 Services | 27,54,823 | 27,45,324 | 5.9 | -0.3 |
| | 5.5 Retail Loans | 26,59,249 | 29,86,461 | 15.4 | 12.3 |
| **6** | **Technological Development** | | | | |
| | 6.1 Total number of credit cards (in lakhs) | 577 | 620 | 22.6 | 7.5 |
| | 6.2 Total number of debit cards (in lakhs) | 8,286 | 8,982 | -8.5 | 8.4 |
| | 6.3 Number of ATMs | 2,10,760 | 2,13,575 | 4.2 | 1.3 |
| **7** | **Customer Services** | | | | |
| | 7.1 Total number of complaints received during the year | 3,06,704 | 3,41,747 | 66.0 | 11.4 |
| | 7.2 Total number of complaints handled during the year | 3,28,972 | 3,81,473# | 60.6 | 15.9 |
| | 7.3 Total number of complaints addressed | 3,05,592 | 3,71,395 | 67.4 | 21.5 |
| | 7.4 Percentage of complaints addressed | 92.9 | 97.4 | - | - |
| **8** | **Financial Inclusion** | | | | |
| | 8.1 Credit-deposit ratio (Per cent) | 73.7 | 69.4 | - | - |
| | 8.2 Number of new bank branches opened | 4,334 | 3,064 | 9.3 | -29.3 |
| | 8.3 Number of banking outlets in villages (Total) | 5,99,217 | 12,48,079^ | 0.4 | 108.3 |

**Notes:** 1. P: Provisional.
2. @Figures are as per the Basel III framework.
3. ^: Significant increase in numbers is due to reclassification done by banks.
4. *: Based on off-site returns.
5. Percentage variations could be slightly different as figures have been rounded off to lakh/crore.
6. # Includes complaints brought forward from the previous year, complaints received as e-mail before March 31, 2020 but registered as complaints after April 01, 2020 and complaints transferred from CEPCs on or later than April 01, 2020.

## Appendix Table IV.2: Off-Balance Sheet Exposure of Scheduled Commercial Banks in India

(Amount in ₹ crore)

| Item | Public Sector Banks | | Private Sector Banks | | Foreign Banks | | Small Finance Banks | | Payments Banks | | Scheduled Commercial Banks | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020-21 | Percentage Variation | 2020-21 | Percentage Variation | 2020-21 | Percentage Variation | 2020-21 | Percentage Variation | 2020-21 | Percentage Variation | 2020-21 | Percentage Variation |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 1. Forward exchange contracts@ | 30,41,423 (25.9) | 43.9 | 60,31,711 (93.8) | -0.2 | 1,12,54,195 (890.0) | -3.5 | 0 (0.0) | - | 0 (0.0) | - | 2,03,27,329 (103.7) | 2.6 |
| 2. Guarantees given | 5,42,067 (4.6) | -0.8 | 4,63,240 (7.2) | 1.1 | 1,74,474 (13.8) | 7.5 | 740 (0.5) | -9.3 | 0 (0.0) | - | 11,80,521 (6.0) | 1.1 |
| 3. Acceptances, endorsements, *etc.* | 7,98,360 (6.8) | 9.2 | 2,72,478 (4.2) | 9.1 | 6,74,867 (53.4) | 1.8 | 691 (0.4) | -3.0 | 4 (0.1) | 1,605.4 | 17,46,400 (8.9) | 6.2 |
| Contingent Liabilities | 43,81,850 (37.4) | 29.2 | 67,67,429 (105.2) | 0.2 | 1,21,03,536 (957.1) | -3.1 | 1,431 (0.9) | -6.4 | 4 (0.1) | 1,605.4 | 2,32,54,250 (118.7) | 2.7 |

**Notes:** 1. -: Nil/Negligible.
2. Figures in brackets are percentages to total liabilities of the concerned bank-group.
3. Due to rounding off of figures, the constituent items may not add up to totals.
4 Lakshmi Vilas Bank Ltd. amalgamated with DBS Bank India Ltd. w.e.f. November 27, 2020. To ensure comparability, the growth rates for 2020-21 for Private sector banks and foreign banks are computed as follows: Lakshmi Vilas Bank is removed from the base period data for private sector banks and is added in the base period data for Foreign Banks.
5. @:includes all derivative products (including interest rate swaps) as admissible.

**Source:** Annual accounts of respective banks.

## Appendix Table IV.3: Kisan Credit Card Scheme: State-wise Progress *(Continued)*
(As at end-March 2021)

(Amount in ₹ Crore and number of cards issued in '000)

| Sr. No. | State/UT | Co-operative Banks | | | | Regional Rural Banks | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Number of Operative KCCs | | Amount outstanding under Operative KCCs | | Number of Operative KCCs | | Amount outstanding under Operative KCCs | |
| | | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | **Northern Region** | **5,253** | **5,410** | **27,225.30** | **30,415.00** | **1,251** | **1,372** | **29,434.00** | **31,809.40** |
| 1 | Haryana | 1,187 | 1,179 | 10,602.00 | 11,436.20 | 269 | 276 | 7,388.00 | 7,697.00 |
| 2 | Himachal Pradesh | 103 | 111 | 1,614.10 | 1,742.00 | 55 | 63 | 706.1 | 829.7 |
| 2 | Jammu & Kashmir | 9 | 8 | 61 | 58.6 | 89 | 118 | 779.2 | 883.5 |
| 3 | Ladakh | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | New Delhi #$ | 0 | 0 | 7.3 | 4.5 | 0 | 0 | 0 | 0 |
| 5 | Punjab | 958 | 961 | 7,308.20 | 7,162.70 | 152 | 155 | 5,089.40 | 5,306.90 |
| 6 | Rajasthan | 2,995 | 3,150 | 7,632.70 | 10,011.00 | 687 | 760 | 15,471.80 | 17,092.20 |
| 7 | Chandigarh #$ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **North-Eastern Region** | **110** | **114** | **148.6** | **174.2** | **426** | **442** | **1,493.00** | **1,748.50** |
| 8 | Assam | 1 | 1 | 16.7 | 19.3 | 274 | 280 | 1,104.50 | 1,218.70 |
| 9 | Arunachal Pradesh # | 1 | 1 | 4.8 | 4.9 | 3 | 3 | 24.4 | 24.3 |
| 10 | Meghalaya # | 16 | 16 | 32 | 32 | 22 | 25 | 124.8 | 144.3 |
| 11 | Mizoram # | 1 | 1 | 5.9 | 5.7 | 10 | 14 | 56.4 | 153.1 |
| 12 | Manipur # | 1 | 2 | 3.5 | 17 | 9 | 10 | 30.9 | 38 |
| 13 | Nagaland # | 4 | 4 | 17.6 | 20.2 | 1 | 1 | 1.7 | 1.6 |
| 14 | Tripura # | 86 | 88 | 66.3 | 73.3 | 107 | 109 | 150.3 | 168.5 |
| 15 | Sikkim #$ | 1 | 1 | 1.7 | 1.8 | 0 | 0 | 0 | 0 |
| | **Western Region** | **4,088** | **4,348** | **27,723.60** | **30,411.30** | **732** | **975** | **8,951.80** | **11,206.30** |
| 16 | Gujarat | 933 | 954 | 10,822.50 | 11,589.70 | 357 | 384 | 5,814.80 | 6,621.50 |
| 18 | Maharashtra | 3,153 | 3,392 | 16,883.30 | 18,806.00 | 375 | 591 | 3,136.90 | 4,584.90 |
| 19 | Goa $ | 2 | 2 | 17.7 | 15.6 | 0 | 0 | 0 | 0 |
| 20 | Dadar & Nagar Haveli & Daman & Diu @#$ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Central Region** | **7,776** | **8,076** | **27,070.50** | **30,752.00** | **4,031** | **4,155** | **45,175.20** | **50,443.80** |
| 21 | Uttar Pradesh | 2,654 | 2,661 | 6,401.70 | 6,759.50 | 3,361 | 3,541 | 36,976.50 | 41,838.90 |
| 22 | Uttarakhand | 260 | 279 | 1,091.10 | 1,191.20 | 41 | 41 | 294.7 | 295.5 |
| 23 | Madhya Pradesh | 3,711 | 3,792 | 17,977.30 | 19,375.50 | 470 | 439 | 7,255.50 | 7,484.50 |
| 24 | Chhattisgarh | 1,152 | 1,344 | 1,600.40 | 3,425.80 | 158 | 134 | 648.5 | 825 |
| | **Southern Region** | **6,871** | **7,245** | **38,566.70** | **38,185.80** | **3,204** | **3,317** | **35,947.30** | **38,160.10** |
| 25 | Karnataka | 2,742 | 2,925 | 13,593.40 | 17,172.70 | 536 | 606 | 11,146.20 | 9,777.20 |
| 26 | Kerala | 538 | 584 | 3,316.50 | 4,017.30 | 161 | 298 | 1,539.00 | 3,961.80 |
| 27 | Andhra Pradesh | 1,440 | 1,463 | 9,182.80 | 10,879.20 | 1,059 | 931 | 10,839.30 | 10,823.20 |
| 28 | Tamil Nadu | 1,330 | 1,373 | 8,637.90 | 1,360.20 | 33 | 34 | 282.3 | 311 |
| 29 | Telangana | 814 | 894 | 3,827.30 | 4,746.20 | 1,414 | 1,448 | 12,128.00 | 13,274.30 |
| 30 | Lakshdweep @$ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 31 | Puducherry # | 6 | 6 | 8.8 | 10.3 | 1 | 1 | 12.7 | 12.7 |
| | **Eastern Region** | **4,840** | **4,989** | **16,000.10** | **17,042.60** | **2,555** | **2,629** | **15,693.50** | **16,047.70** |
| 32 | Odisha | 2,877 | 3,000 | 11,306.70 | 12,216.60 | 477 | 440 | 2,441.60 | 2,298.70 |
| 33 | West Bengal | 1,703 | 1,732 | 4,223.00 | 4,355.10 | 299 | 391 | 1,324.00 | 1,751.10 |
| 34 | Andaman and Nicobar Island@$ | 5 | 6 | 14.1 | 16.3 | 0 | 0 | 0 | 0 |
| 35 | Bihar | 240 | 238 | 410.9 | 417.6 | 1,400 | 1,420 | 10,118.70 | 10,035.40 |
| 36 | Jharkhand | 14 | 13 | 45.4 | 37 | 379 | 379 | 1,809.20 | 1,962.50 |
| | **Total** | **28,938** | **30,183** | **1,36,734.70** | **1,46,980.70** | **12,197** | **12,891** | **1,36,695.10** | **1,49,415.80** |

## Appendix Table IV.3: Kisan Credit Card Scheme: State-wise Progress (*Concluded)*

(As at end-March 2021)

(Amount in ₹ Crore and number of cards issued in '000)

| Sr. No. | State/UT | Commercial Banks | | | | Total | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Number of Operative KCCs | | Amount outstanding under Operative KCCs | | Number of Operative KCCs | | Amount outstanding under Operative KCCs | |
| | | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| 1 | 2 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| | **Northern Region** | **4,188** | **5,847** | **1,41,667.65** | **1,36,112.69** | **10,692** | **12,629** | **1,98,326.95** | **1,98,337.09** |
| 1 | Haryana | 687 | 809 | 28,119.95 | 26,222.75 | 2,143 | 2,264 | 46,109.95 | 45,355.95 |
| 2 | Himachal Pradesh | 219 | 218 | 4,142.08 | 4,054.50 | 377 | 392 | 6,462.28 | 6,626.20 |
| 2 | Jammu & Kashmir | 371 | 883 | 4,459.68 | 5,575.98 | 469 | 1,009 | 5,299.88 | 6,518.08 |
| 3 | Ladakh | 0 | 30 | 0 | 281.02 | 0 | 30 | 0 | 281.02 |
| 4 | New Delhi #$ | 3 | 4 | 77.72 | 90.87 | 3 | 3.706 | 85.02 | 95.37 |
| 5 | Punjab | 860 | 1,128 | 46,349.10 | 42,056.38 | 1,970 | 2,244 | 58,746.70 | 54,525.98 |
| 6 | Rajasthan | 2,045 | 2,705 | 58,126.30 | 57,533.94 | 5,727 | 6,615 | 81,230.80 | 84,637.14 |
| 7 | Chandigarh #$ | 4 | 71 | 392.82 | 297.26 | 4 | 71 | 392.82 | 297.26 |
| | **North-Eastern Region** | **607** | **585** | **4,054.65** | **3,176.83** | **1,143** | **1,141** | **5,696.25** | **5,099.53** |
| 8 | Assam | 465 | 456 | 3,171.36 | 2,517.09 | 740 | 737 | 4,292.56 | 3,755.09 |
| 9 | Arunachal Pradesh # | 8 | 5 | 49.37 | 32.82 | 12 | 9 | 78.57 | 62.022 |
| 10 | Meghalaya # | 26 | 20 | 160.79 | 113.99 | 64 | 61 | 317.59 | 290.29 |
| 11 | Mizoram # | 7 | 10 | 56.82 | 32.61 | 18 | 25 | 119.12 | 191.41 |
| 12 | Manipur # | 14 | 6 | 106.07 | 46.39 | 24 | 18 | 140.47 | 101.39 |
| 13 | Nagaland # | 23 | 23 | 121.66 | 125.22 | 28 | 28 | 140.96 | 147.02 |
| 14 | Tripura # | 58 | 59 | 351.71 | 276.58 | 251 | 256 | 568.31 | 518.38 |
| 15 | Sikkim #$ | 5 | 6 | 36.87 | 32.13 | 6 | 7 | 38.57 | 33.93 |
| | **Western Region** | **3,424** | **4,453** | **66,510.20** | **66,274.16** | **8,244** | **9,776** | **1,03,185.60** | **1,07,891.76** |
| 16 | Gujarat | 1,176 | 1,554 | 34,043.23 | 33,909.45 | 2,466 | 2,892 | 50,680.53 | 52,120.65 |
| 18 | Maharashtra | 2,242 | 2,885 | 32,366.50 | 32,244.34 | 5,770 | 6,868 | 52,386.70 | 55,635.24 |
| 19 | Goa $ | 5 | 12 | 83.53 | 98.39 | 7 | 14 | 101.23 | 113.99 |
| 20 | Dadar & Nagar Haveli & Daman & Diu @#$ | 1 | 1 | 16.94 | 21.98 | 1 | 1 | 16.94 | 21.98 |
| | **Central Region** | **6,777** | **7,697** | **1,25,689.73** | **1,20,761.57** | **18,584** | **19,928** | **1,97,935.43** | **2,01,957.37** |
| 21 | Uttar Pradesh | 4,633 | 5,079 | 73,031.08 | 69,467.22 | 10,648 | 11,281 | 1,16,409.28 | 1,18,065.62 |
| 22 | Uttarakhand | 216 | 286 | 4,792.21 | 5,624.07 | 517 | 606 | 6,178.01 | 7,110.77 |
| 23 | Madhya Pradesh | 1,716 | 2,043 | 43,619.37 | 41,367.31 | 5,897 | 6,274 | 68,852.17 | 68,227.31 |
| 24 | Chhattisgarh | 212 | 288 | 4,247.07 | 4,302.97 | 1,522 | 1,766 | 6,495.97 | 8,553.77 |
| | **Southern Region** | **5,676** | **7,979** | **1,05,787.41** | **1,08,631.27** | **15,751** | **18,541** | **1,80,301.41** | **1,84,977.17** |
| 25 | Karnataka | 831 | 1,292 | 22,790.62 | 19,139.79 | 4,109 | 4,823 | 47,530.22 | 46,089.69 |
| 26 | Kerala | 381 | 981 | 14,430.12 | 18,766.03 | 1,080 | 1,863 | 19,285.62 | 26,745.13 |
| 27 | Andhra Pradesh | 2,024 | 2,211 | 29,517.39 | 30,576.42 | 4,523 | 4,605 | 49,539.49 | 52,278.82 |
| 28 | Tamil Nadu | 585 | 1,566 | 17,457.70 | 18,193.36 | 1,948 | 2,973 | 26,377.90 | 19,864.56 |
| 29 | Telangana | 1,851 | 1,918 | 21,422.80 | 21,800.90 | 4,079 | 4,260 | 37,378.10 | 39,821.40 |
| 30 | Lakshdweep @$ | 0 | 0 | 2.37 | 2.6452 | 0 | 0 | 2.37 | 2.65 |
| 31 | Puducherry # | 4 | 9 | 166.41 | 152.12 | 11 | 16 | 187.91 | 175.12 |
| | **Eastern Region** | **3,472** | **4,136** | **26,433.90** | **21,779.82** | **10,867** | **11,754** | **58,127.50** | **54,870.12** |
| 32 | Odisha | 650 | 898 | 5,302.44 | 4,804.77 | 4,004 | 4,338 | 19,050.74 | 19,320.07 |
| 33 | West Bengal | 1,032 | 1,589 | 7,933.07 | 7,536.68 | 3,034 | 3,712 | 13,480.07 | 13,642.88 |
| 34 | Andaman and Nicobar Island@$ | 0 | 2 | 10.32 | 17.70 | 5 | 8 | 24.42 | 34.00 |
| 35 | Bihar | 1,161 | 1,113 | 9,865.11 | 6,931.67 | 2,801 | 2,771 | 20,394.71 | 17,384.67 |
| 36 | Jharkhand | 629 | 533 | 3,322.96 | 2,488.99 | 1,022 | 925 | 5,177.56 | 4,488.49 |
| | **Total** | **24,144** | **30,696** | **4,70,143.54** | **4,56,736.33** | **65,279** | **73,770** | **7,43,573.34** | **7,53,132.83** |

**Note:** 1. -: Nil / Negligible.
2. #: StCBs function as Central Financing Agencies.
3. @: No Co-operative Banks in these UTs
4. $: No RRBs in these States/UTs.
5. Components may not add up to their respective totals due to rounding off.

**Source**: NABARD/Returns from Commercial Banks.

## Appendix Table IV.4: Bank Group-wise Lending to the Sensitive Sectors

(Amount in ₹ crore)

| Sector | Public Sector Banks | | Private Sector Banks | | Foreign Banks | | Small Finance Banks | | Scheduled Commercial Banks | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020-21 | Percentage Variation | 2020-21 | Percentage Variation | 2020-21 | Percentage Variation | 2020-21 | Percentage Variation | 2020-21 | Percentage Variation |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1. Capital Market # | 38,943 (0.6) | -8.7 | 81,129 (2.1) | 2.1 | 10,942 (2.6) | 15.9 | 112 (0.1) | -51.4 | 1,31,126 (1.2) | -0.5 |
| 2. Real Estate @ | 13,75,815 (21.7) | 6.6 | 10,00,277 (25.4) | 10.1 | 1,30,072 (30.7) | 6.9 | 18,508 (17.0) | 39.8 | 25,24,671 (23.3) | 8.2 |
| 3. Commodities | - | - | - | - | - | - | - | - | - | - |
| **Total Advances to Sensitive Sectors** | **14,14,757 (22.3)** | **6.1** | **10,81,406 (27.5)** | **9.5** | **1,41,013 (33.3)** | **7.6** | **18,620 (17.1)** | **38.3** | **26,55,797 (24.5)** | **7.7** |

**Notes:** 1. - : Nil/Negligible.
2. #: Exposure to capital market is inclusive of both investments and advances.
3. @: Exposure to real estate sector is inclusive both direct and indirect lending.
4. Figures in brackets are percentages to total loans and advances of the concerned bank-group.
5. Lakshmi Vilas Bank Ltd. amalgamated with DBS Bank India Ltd. w.e.f. November 27, 2020. To ensure comparability, the growth rates for 2020-21 for Private sector banks and foreign banks are computed as follows: Lakshmi Vilas Bank is removed from the base period data for private sector banks and is added in the base period data for Foreign Banks.

**Source:** Annual accounts of respective banks.

## Appendix Table IV.5: Shareholding Pattern of Domestic Scheduled Commercial Banks *(Continued)*

(As at end-March 2021)

| Sr. No. | Name of the Bank | Total Government & RBI - Resident | Financial Institutions - Resident | Financial Institutions- Non Resident | Other Corporates - Resident | Other Corporates - Non Resident | Total Individual - Resident | Total Individual - Non Resident | Total - Resident | Total- Non Resident |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| | **Public Sector Banks** | | | | | | | | | |
| 1 | Bank of Baroda | 64.0 | 9.2 | - | 9.7 | 6.9 | 9.9 | 0.3 | 92.8 | 7.2 |
| 2 | Bank of India | 89.1 | 5.0 | 0.6 | 0.4 | - | 4.8 | 0.1 | 99.3 | 0.7 |
| 3 | Bank of Maharashtra | 93.3 | 3.0 | 0.1 | 0.3 | - | 3.2 | 0.1 | 99.8 | 0.2 |
| 4 | Canara Bank | 69.3 | 13.6 | - | 1.8 | 4.6 | 10.5 | 0.2 | 95.2 | 4.8 |
| 5 | Central Bank of India | 89.8 | 4.3 | 0.1 | 0.4 | - | 5.4 | 0.1 | 99.9 | 0.1 |
| 6 | Indian Bank | 88.1 | 4.4 | - | 1.6 | - | 5.9 | 0.1 | 99.9 | 0.1 |
| 7 | Indian Overseas Bank | 95.8 | 1.6 | 0.1 | 0.2 | - | 2.3 | 0.1 | 99.9 | 0.1 |
| 8 | Punjab and Sind Bank | 97.1 | 1.1 | - | 0.2 | - | 1.7 | - | 100.0 | - |
| 9 | Punjab National Bank | 76.9 | 9.1 | 2.9 | 0.7 | - | 10.2 | 0.2 | 96.9 | 3.1 |
| 10 | State Bank of India | 56.9 | 24.1 | 9.8 | 1.0 | 1.3 | 6.6 | 0.3 | 88.7 | 11.3 |
| 11 | UCO Bank | 94.4 | 1.6 | - | 0.3 | 0.1 | 3.6 | - | 99.9 | 0.2 |
| 12 | Union Bank of India | 89.1 | 1.0 | 0.7 | 3.7 | - | 5.6 | 0.1 | 99.3 | 0.7 |

## Appendix Table IV.5: Shareholding Pattern of Domestic Scheduled Commercial Banks *(Continued)*

(As at end-March 2021)

| Sr. No. | Name of the Bank | Total Government & RBI - Resident | Financial Institutions - Resident | Financial Institutions- Non Resident | Other Corporates - Resident | Other Corporates - Non Resident | Total Individual - Resident | Total Individual - Non Resident | Total - Resident | Total- Non Resident |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| | **Private Sector Banks** | | | | | | | | | |
| 1 | Axis Bank Ltd. | - | 31.1 | 55.6 | 3 | 4.3 | 5.7 | 0.2 | 39.9 | 60.1 |
| 2 | Bandhan Bank Ltd. | - | 6.1 | 34.9 | 51.7 | - | 6.8 | 0.6 | 64.5 | 35.5 |
| 3 | CSB Bank Ltd. | - | 7.7 | - | 10.5 | 56.8 | 17.7 | 7.3 | 36.0 | 64.1 |
| 4 | City Union Bank Ltd. | - | 39.1 | 18.0 | 4.1 | - | 37.7 | 1.2 | 80.8 | 19.2 |
| 5 | DCB Bank Ltd. | 0.2 | 37.7 | - | 9.0 | 27.1 | 24.8 | 1.2 | 71.7 | 28.4 |
| 6 | Federal Bank Ltd. | - | 42.6 | 25.6 | 2.3 | - | 24.1 | 5.4 | 69.0 | 31.0 |
| 7 | HDFC Bank Ltd. | 0.2 | 17.1 | 72.1 | 1.8 | - | 8.7 | 0.1 | 27.8 | 72.3 |
| 8 | ICICI Bank Ltd. | 0.3 | 22.2 | 59.0 | 12.0 | - | 6.2 | 0.3 | 40.7 | 59.3 |
| 9 | IDBI Bank Ltd. | 45.5 | 50.9 | - | 0.6 | - | 2.9 | 0.1 | 99.9 | 0.1 |
| 10 | IDFC First Bank Ltd. | 4.6 | 3.4 | 11.9 | 49.4 | 8.3 | 20.9 | 1.5 | 78.4 | 21.6 |
| 11 | IndusInd Bank Ltd. | - | 16.6 | 54.9 | 3.6 | 16.1 | 8.2 | 0.5 | 28.4 | 71.6 |
| 12 | Jammu & Kashmir Bank Ltd. | 68.2 | 2.8 | 3.6 | 2.2 | - | 22.2 | 1.1 | 95.3 | 4.7 |
| 13 | Karnataka Bank Ltd. | - | 5.9 | - | 5.3 | 9.4 | 76.3 | 3.3 | 87.4 | 12.7 |
| 14 | Karur Vysya Bank Ltd. | - | 20.3 | - | 4.1 | 21.3 | 53.3 | 1.0 | 77.7 | 22.3 |
| 15 | Kotak Mahindra Bank Ltd. | - | 13.6 | 45.9 | 3.4 | 1.7 | 35.0 | 0.4 | 52.0 | 48.0 |
| 16 | Nainital Bank Ltd. | - | 98.6 | - | - | - | 1.4 | - | 100.0 | - |
| 17 | RBL Bank Ltd. | 0.4 | 21.8 | 2.4 | 8.6 | 42.7 | 22.8 | 1.4 | 53.6 | 46.5 |
| 18 | South Indian Bank Ltd. | - | 0.9 | - | 23.9 | 7.3 | 60.4 | 7.6 | 85.2 | 14.8 |
| 19 | Tamilnad Mercantile Bank Ltd. | - | - | - | 6.7 | 24.9 | 67.5 | 0.9 | 74.2 | 25.8 |
| 20 | The Dhanalaxmi Bank Ltd. | - | 4.1 | - | 10.2 | 11.5 | 55.2 | 19.1 | 69.4 | 30.6 |
| 21 | Yes Bank Ltd. | - | 46.7 | - | 8.1 | 13.8 | 30.3 | 1.2 | 85.1 | 14.9 |

## Appendix Table IV.5: Shareholding Pattern of Domestic Scheduled Commercial Banks *(Concluded)*

(As at end-March 2021)

| Sr. No. | Name of the Bank | Total Government & RBI - Resident | Financial Institutions - Resident | Financial Institutions- Non Resident | Other Corporates - Resident | Other Corporates - Non Resident | Total Individual - Resident | Total Individual - Non Resident | Total - Resident | Total- Non Resident |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| | **Small Finance Banks** | | | | | | | | | |
| 1 | Au Small Finance Bank Limited | - | 10.8 | 32.1 | 17.1 | 3.2 | 36.1 | 0.8 | 63.9 | 36.1 |
| 2 | Capital Small Finance Bank Limited | - | 21.9 | 9.9 | 0.2 | - | 46.2 | 21.8 | 68.3 | 31.7 |
| 3 | Equitas Small Finance Bank Limited | - | 12.8 | 1.0 | 82.3 | - | 3.9 | 0.1 | 98.9 | 1.1 |
| 4 | Esaf Small Finance Bank Limited | - | 66.6 | - | 17.2 | - | 7.4 | 8.7 | 91.3 | 8.7 |
| 5 | Fincare Small Finance Bank Limited | - | 91.1 | - | 4.5 | 4.1 | 0.3 | - | 95.9 | 4.1 |
| 6 | Jana Small Finance Bank Limited | - | 5.8 | 48.3 | 45.1 | - | 0.9 | - | 51.8 | 48.3 |
| 7 | North East Small Finance Bank Limited | - | - | - | 100.0 | - | - | - | 100.0 | - |
| 8 | Suryoday Small Finance Bank Limited | - | 22.4 | - | 11.3 | 25.3 | 41.0 | 0.1 | 74.7 | 25.4 |
| 9 | Ujjivan Small Finance Bank Limited | - | 0.0 | - | 87.1 | 4.4 | 7.9 | 0.6 | 95.0 | 5.0 |
| 10 | Utkarsh Small Finance Bank Limited | - | - | - | 91.0 | 9.0 | - | - | 91.0 | 9.0 |
| | **Local Area Banks** | | | | | | | | | |
| 1 | Coastal Local Area Bank Ltd. | - | - | - | 25.0 | - | 55.7 | 19.3 | 80.7 | 19.3 |
| 2 | Krishna Bhima Samruddhi Lab Ltd. | - | - | - | 24.7 | - | 75.3 | - | 100.0 | 0.0 |

**Note:** -: Nil / Negligible.
**Source:** Off-site returns (domestic).

## Appendix Table IV.6: Overseas Operations of Indian Banks
(At end-March)

| Sr. No. | Items | Branch | | Subsidiary | | Representative Office | | Joint Venture Bank | | Other Offices * | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| **I.** | **Public Sector Banks** | **117** | **111** | **24** | **22** | **15** | **13** | **7** | **7** | **37** | **35** | **200** | **189** |
| 1 | Bank of Baroda | 36 | 33 | 9 | 7 | - | - | 2 | 2 | 9 | 10 | 56 | 52 |
| 2 | Bank of India | 25 | 23 | 4 | 4 | 1 | 1 | - | - | - | - | 30 | 28 |
| 3 | Canara Bank | 5 | 5+1# | 1 | 1 | 1 | 1 | - | - | - | - | 7 | 8 |
| 4 | Indian Bank | 3 | 3 | - | - | - | - | - | - | - | - | 3 | 3 |
| 5 | Indian Overseas Bank | 4 | 4 | - | - | - | - | - | - | 2 | 2 | 6 | 6 |
| 6 | Punjab National Bank | 2 | 2 | 2 | 2 | - | 2# | 2 | 2 | - | - | 6 | 8 |
| 7 | State Bank of India | 36 | 35 | 7 | 7 | 8 | 7 | 3 | 3 | 26 | 23 | 80 | 75 |
| 8 | Syndicate Bank | 1 | - | - | - | - | - | - | - | - | - | 1 | - |
| 9 | UCO Bank | 2 | 2 | - | - | 1 | 1 | - | - | - | - | 3 | 3 |
| 10 | Union Bank of India | 3 | 3 | 1 | 1 | 1 | 1 | - | - | - | - | 5 | 6 |
| 11 | United Bank of India | - | - | - | - | 2 | - | - | - | - | - | 2 | - |
| 12 | Oriental Bank of Commerce | - | - | - | - | 1 | - | - | - | - | - | 1 | - |
| **II** | **Private Sector Bank** | **20** | **15** | **3** | **3** | **20** | **21** | **-** | **-** | **1** | **1** | **44** | **40** |
| 13 | Axis Bank Ltd. | 5 | 2 | 1 | 1 | 4 | 4 | - | - | - | - | 10 | 7 |
| 14 | HDFC Bank Ltd. | 3 | 3 | - | - | 3 | 3 | - | - | - | - | 6 | 6 |
| 15 | ICICI Bank Ltd. | 10 | 8 | 2 | 2 | 5 | 6 | - | - | 1 | 1 | 18 | 17 |
| 16 | IDBI Bank Ltd.$ | 1 | 1 | - | - | - | - | - | - | - | - | 1 | 1 |
| 17 | IndusInd Bank Ltd. | - | - | - | - | 3 | 3 | - | - | - | - | 3 | 3 |
| 18 | Federal Bank Ltd. | - | - | - | - | 2 | 2 | - | - | - | - | 2 | 2 |
| 19 | Kotak Mahindra Bank Ltd. | 1 | 1 | - | - | 1 | 1 | - | - | - | - | 2 | 2 |
| 20 | Yes Bank Ltd. | - | - | - | - | 1 | 1 | - | - | - | - | 1 | 1 |
| 21 | South Indian Bank Ltd. | - | - | - | - | 1 | 1 | - | - | - | - | 1 | 1 |
| | **All Banks** | **137** | **126** | **27** | **25** | **35** | **34** | **7** | **7** | **38** | **36** | **244** | **229** |

**Notes:** 1. *: Other Offices include marketing/sub-office, remittance centers, etc.
2. $: IDBI Bank Ltd has been categorised as Private Sector Bank.
3. #: Syndicate Bank merged with Canara Bank, Andhra Bank and Corporation bank merged with Union Bank of India, United Bank of India and Oriental Bank of Commerce merged with Punjab National Bank, Allahabad Bank merged with Indian Bank w.e.f. April 01, 2020.

**Source:** Reserve Bank of India.

## Appendix Table IV.7: Branches and ATMs of Scheduled Commercial Banks *(Continued)*

(At end-March 2021)

| Sr. No. | Name of the Bank | Branches | | | | | ATMs | | |
|---|---|---|---|---|---|---|---|---|---|
| | | **Rural** | **Semi-urban** | **Urban** | **Metropolitan** | **Total** | **On-site** | **Off-site** | **Total** |
| 1 | 2 | 3 | 4 | 5 | 6 | **7** | 8 | 9 | 10 |
| | **Public Sector Banks** | **28,828** | **24,028** | **16,654** | **16,801** | **86,311** | **78,007** | **59,106** | **1,37,113** |
| 1 | Bank of Baroda | 2,851 | 2,087 | 1,482 | 1,794 | 8,214 | 8,663 | 2,970 | 11,633 |
| 2 | Bank of India | 1,835 | 1,455 | 803 | 932 | 5,025 | 2,388 | 3,163 | 5,551 |
| 3 | Bank of Maharashtra | 611 | 461 | 372 | 471 | 1,915 | 1,505 | 445 | 1,950 |
| 4 | Canara Bank | 3,072 | 3,141 | 2,103 | 2,130 | 10,446 | 9,128 | 4,324 | 13,452 |
| 5 | Central Bank Of India | 1,603 | 1,333 | 810 | 862 | 4,608 | 2,746 | 898 | 3,644 |
| 6 | Indian Bank | 1,940 | 1,589 | 1,259 | 1,214 | 6,002 | 4,239 | 686 | 4,925 |
| 7 | Indian Overseas Bank | 902 | 961 | 651 | 687 | 3,201 | 2,720 | 425 | 3,145 |
| 8 | Punjab And Sind Bank | 570 | 279 | 356 | 326 | 1,531 | 1,067 | 30 | 1,097 |
| 9 | Punjab National Bank | 3,900 | 2,680 | 2,257 | 1,931 | 10,768 | 8,610 | 5,171 | 13,781 |
| 10 | State Bank of India | 7,914 | 6,496 | 3,981 | 3,830 | 22,221 | 25,706 | 36,911 | 62,617 |
| 11 | Uco Bank | 1,074 | 818 | 609 | 555 | 3,056 | 2,146 | 215 | 2,361 |
| 12 | Union Bank Of India | 2,556 | 2,728 | 1,971 | 2,069 | 9,324 | 9,089 | 3,868 | 12,957 |

## Appendix Table IV.7: Branches and ATMs of Scheduled Commercial Banks *(Continued)*

(At end-March 2021)

| Sr. No. | Name of the Bank | Branches | | | | | ATMs | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Rural | Semi-urban | Urban | Metropolitan | Total | On-site | Off-site | Total |
| 1 | 2 | 3 | 4 | 5 | 6 | **7** | 8 | 9 | 10 |
| | **Private Sector Banks** | **7,431** | **11,391** | **7,547** | **9,422** | **35,791** | **34,828** | **37,566** | **72,394** |
| 1 | Axis Bank Ltd | 756 | 1,409 | 1,098 | 1,446 | 4,709 | 5,598 | 11,445 | 17,043 |
| 2 | Bandhan Bank Ltd | 1,811 | 2,022 | 977 | 500 | 5,310 | 485 | 2 | 487 |
| 3 | Catholic Syrian Bank Ltd | 45 | 264 | 109 | 97 | 515 | 264 | 54 | 318 |
| 4 | City Union Bank | 116 | 271 | 138 | 168 | 693 | 1,079 | 645 | 1,724 |
| 5 | DCB Bank Ltd | 67 | 93 | 89 | 103 | 352 | 308 | 102 | 410 |
| 6 | Dhanalakshmi Bank Ltd | 19 | 106 | 62 | 58 | 245 | 206 | 51 | 257 |
| 7 | Federal Bank Ltd | 162 | 689 | 229 | 209 | 1,289 | 1,495 | 462 | 1,957 |
| 8 | HDFC Bank Ltd | 1,052 | 1,742 | 1,159 | 1,651 | 5,604 | 6,552 | 8,227 | 14,779 |
| 9 | ICICI Bank Ltd | 1,097 | 1,537 | 1,063 | 1,542 | 5,239 | 8,161 | 8,642 | 16,803 |
| 10 | IDBI Ltd | 406 | 587 | 466 | 427 | 1,886 | 2,214 | 1,174 | 3,388 |
| 11 | IDFC Bank Ltd | 47 | 160 | 218 | 329 | 754 | 507 | 170 | 677 |
| 12 | Indusind Bank Ltd | 290 | 430 | 513 | 628 | 1,861 | 1,393 | 1,479 | 2,872 |
| 13 | Jammu And Kashmir Bank | 504 | 174 | 107 | 166 | 951 | 820 | 612 | 1,432 |
| 14 | Karnataka Bank Ltd | 193 | 199 | 226 | 240 | 858 | 341 | 660 | 1,001 |
| 15 | Karur Vysya Bank Ltd | 133 | 300 | 160 | 226 | 819 | 1,292 | 944 | 2,236 |
| 16 | Kotak Mahindra Bank Ltd | 256 | 292 | 341 | 715 | 1,604 | 1,325 | 1,273 | 2,598 |
| 17 | Nainital Bank Ltd | 50 | 33 | 44 | 32 | 159 | - | - | - |
| 18 | RBL Bank Limited | 63 | 73 | 61 | 232 | 429 | 325 | 87 | 412 |
| 19 | South Indian Bank | 110 | 461 | 172 | 192 | 935 | 824 | 491 | 1,315 |
| 20 | Tamilnad Mercantile Bank Ltd | 106 | 247 | 80 | 76 | 509 | 644 | 748 | 1,392 |
| 21 | Yes Bank Ltd | 148 | 302 | 235 | 385 | 1,070 | 995 | 298 | 1,293 |

## Appendix Table IV.7: Branches and ATMs of Scheduled Commercial Banks *(Concluded)*

(At end-March 2021)

| Sr. No. | Name of the Bank | Branches | | | | | ATMs | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Rural | Semi-urban | Urban | Metropolitan | Total | On-site | Off-site | Total |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | **Foreign Banks** | **124** | **185** | **165** | **400** | **874** | **690** | **1,135** | **1,825** |
| 1 | AB Bank Limited | - | - | - | 1 | 1 | - | - | - |
| 2 | Abu Dhabi Commercial Bank (P.J.S.C.) | - | - | - | 1 | 1 | - | - | - |
| 3 | American Express Banking Corp. | - | - | - | 1 | 1 | - | - | - |
| 4 | Australia and New Zealand Banking Group Limited | 1 | - | 1 | 1 | 3 | - | - | - |
| 5 | Bank of America, National Association | - | - | - | 4 | 4 | - | - | - |
| 6 | Bank of Bahrain & Kuwait B.S.C. | - | 1 | - | 3 | 4 | - | - | - |
| 7 | Bank of Ceylon | - | - | - | 1 | 1 | - | - | - |
| 8 | Bank of China Limited | - | - | - | 1 | 1 | - | - | - |
| 9 | Bank of Nova Scotia | - | - | - | 2 | 2 | - | - | - |
| 10 | Barclays Bank Plc | - | 1 | - | 2 | 3 | - | - | - |
| 11 | BNP Paribas | - | - | - | 8 | 8 | - | - | - |
| 12 | Citibank N.A | - | - | 4 | 31 | 35 | 47 | 455 | 502 |
| 13 | Co-operative Rabobank U.A. | - | - | - | 1 | 1 | - | - | - |
| 14 | Credit Agricole Corporate and Investment Bank | - | - | - | 5 | 5 | - | - | - |
| 15 | Credit Suisse Ag | - | - | - | 1 | 1 | - | - | - |
| 16 | CTBC Bank Co., Ltd. | - | 1 | - | 1 | 2 | - | - | - |
| 17 | DBS Bank India Limited* | 116 | 179 | 127 | 179 | 601 | 480 | 540 | 1020 |
| 18 | Deutsche Bank AG | 1 | - | 5 | 11 | 17 | 13 | 19 | 32 |
| 19 | Doha Bank Q.P.S.C. | - | - | 1 | 2 | 3 | - | - | - |
| 20 | Emirates NDB Bank (P.J.S.C.) | - | - | - | 1 | 1 | - | - | - |
| 21 | First Abu Dhabi Bank (P.J.S.C.) | - | - | - | 1 | 1 | - | - | - |
| 22 | Firstrand Bank Ltd | - | - | - | 1 | 1 | - | - | - |
| 23 | Hongkong And Shanghai Banking Corpn.Ltd. | - | - | 4 | 22 | 26 | 46 | 36 | 82 |
| 24 | Industrial and Commercial Bank of China | - | - | - | 1 | 1 | - | - | - |
| 25 | Industrial Bank of Korea | - | - | - | 1 | 1 | - | - | - |
| 26 | JPMorgan Chase Bank National Association | 2 | - | - | 2 | 4 | - | - | - |
| 27 | JSC VTB Bank | - | - | - | 1 | 1 | - | - | - |
| 28 | KEB Hana Bank | - | 1 | - | 1 | 2 | - | - | - |
| 29 | Kookmin Bank | - | - | 1 | - | 1 | - | - | - |
| 30 | Krung Thai Bank Public Company Limited | - | - | - | 1 | 1 | - | - | - |
| 31 | Mashreq Bank PSC | - | - | - | 1 | 1 | - | - | - |
| 32 | Mizuho Bank Ltd | - | 1 | 1 | 3 | 5 | - | - | - |
| 33 | MUFG Bank, Ltd. | 1 | - | - | 4 | 5 | - | - | - |
| 34 | Natwest Markets Plc | - | - | - | 1 | 1 | - | - | - |
| 35 | PT Bank Maybank Indonesia Tbk | - | - | - | 1 | 1 | - | - | - |
| 36 | Qatar National Bank (Q.P.S.C) | - | - | - | 1 | 1 | - | - | - |
| 37 | Sberbank | - | - | - | 1 | 1 | - | - | - |
| 38 | SBM Bank (India) Limited | 1 | - | - | 7 | 8 | 5 | - | 5 |
| 39 | Shinhan Bank | 1 | - | - | 5 | 6 | - | - | - |
| 40 | Societe Generale | - | - | - | 2 | 2 | - | - | - |
| 41 | Sonali Bank | - | - | 1 | 1 | 2 | - | - | - |
| 42 | Standard Chartered Bank | 1 | 1 | 19 | 79 | 100 | 99 | 85 | 184 |
| 43 | Sumitomo Mitsui Banking Corporation | - | - | - | 3 | 3 | - | - | - |
| 44 | United Overseas Bank Ltd | - | - | - | 1 | 1 | - | - | - |
| 45 | Woori Bank | - | - | 1 | 2 | 3 | - | - | - |

**Notes:** (a) Population groups are defined as follows: 'Rural' includes centres with population of less than 10,000, 'Semi-Urban' includes centres with population of 10,000 and above but less than of one lakh, 'Urban' includes centres with population of one lakh and above but less than of ten lakhs, and 'Metropolitan' includes centres with population of 10 lakhs and above. All population figures are as per census 2011.

(b) Data on branches exclude 'Administrative Offices'.

(c) -: nil.

(d) *: Includes branches and ATMs of amalgamated entity i.e. Lakshmi Vilas Bank Ltd. as on end-March 2021.

**Source:** Central Information System for Banking Infrastructure (erstwhile Master Office File system) database, RBI (position as on December 01, 2021). Central Information System for Banking Infrastructure data are dynamic in nature and are updated based on information as received from banks and processed at our end.

## Appendix Table IV.8: Statement of Complaints Received at Banking Ombudsman Office *(Continued)*

(April to March 2020-21)

| Sr. No. | Name of the Bank | Number of complaints in major categories for Public Sector Banks | | | | | | | | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Deposit Account | Loans and Advances | ATM/ Debit card/ Credit card | Mobile Banking/ Electronic Banking | Levy of Charges Without Prior Notice | Pension | Non-Observance of Fair Practices | Failure on Commitments and Failure of Commitments to BCSBI Code | | |
| | **Public Sector Banks** | **5,597** | **10,878** | **49,268** | **27,436** | **7,789** | **4,833** | **15,871** | **23,974** | **29,328** | **1,74,974** |
| 1 | Bank of Baroda | 598 | 1,097 | 3,860 | 2,556 | 895 | 255 | 1,701 | 2,235 | 3,068 | 16,265 |
| 2 | Bank of India | 251 | 583 | 3,412 | 1,120 | 347 | 182 | 740 | 816 | 1,448 | 8,899 |
| 3 | Bank of Maharashtra | 57 | 114 | 842 | 299 | 150 | 13 | 132 | 165 | 426 | 2,198 |
| 4 | Canara Bank | 386 | 782 | 2,260 | 1,371 | 639 | 227 | 1,421 | 2,098 | 2,050 | 11,234 |
| 5 | Central Bank of India | 196 | 412 | 3,361 | 1,242 | 229 | 374 | 691 | 802 | 1,216 | 8,523 |
| 6 | Indian Bank | 277 | 554 | 2,405 | 1,176 | 324 | 211 | 919 | 1,066 | 1,212 | 8,144 |
| 7 | Indian Overseas Bank | 88 | 234 | 641 | 353 | 108 | 51 | 389 | 469 | 348 | 2,681 |
| 8 | Punjab and Sind Bank | 46 | 85 | 262 | 153 | 42 | 24 | 90 | 402 | 177 | 1,281 |
| 9 | Punjab National Bank | 931 | 1,369 | 7,199 | 3,960 | 907 | 811 | 1,725 | 3,939 | 4,157 | 24,998 |
| 10 | State Bank of India (excluding SBI card) | 2,253 | 4,659 | 19,865 | 12,661 | 3,538 | 2,394 | 6,468 | 9,655 | 12,626 | 74,119 |
| 11 | UCO Bank | 103 | 223 | 826 | 520 | 116 | 71 | 316 | 364 | 533 | 3,072 |
| 12 | Union Bank of India | 411 | 766 | 4,335 | 2,025 | 494 | 220 | 1,279 | 1,963 | 2,067 | 13,560 |

## Appendix Table IV.8: Statement of Complaints Received at Banking Ombudsman Office *(Continued)*

(April to March 2020-21)

| Sr. No. | Name of the Bank | Number of complaints in major categories for Private Sector Banks | | | | | | | | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Deposit Account | Loans and Advances | ATM/ Debit card/ Credit card | Mobile Banking / Electronic Banking | Levy of Charges Without Prior Notice | Pension | Non-Observance of Fair Practices | Failure on Commitments and Failure of Commitment to BCSBI Code | | |
| | **Private Sector Banks** | **2,101** | **7,979** | **37,884** | **12,647** | **11,577** | **51** | **14,137** | **19,972** | **19,955** | **1,26,303** |
| 1 | Axis Bank Limited | 399 | 1,059 | 6,493 | 2,120 | 2,781 | 8 | 2,252 | 3,128 | 2,771 | 21,011 |
| 2 | Bandhan Bank Limited | 13 | 104 | 138 | 84 | 20 | - | 94 | 79 | 145 | 677 |
| 3 | Catholic Syrian Bank Limited | 4 | 2 | 15 | 3 | 22 | - | 31 | 18 | 13 | 108 |
| 4 | City Union Bank Limited | 5 | 23 | 56 | 64 | 20 | 1 | 53 | 42 | 54 | 318 |
| 5 | DCB Bank Limited | 20 | 167 | 32 | 34 | 89 | - | 129 | 198 | 165 | 834 |
| 6 | Dhanlaxmi Bank Limited | 2 | 8 | 11 | 8 | 8 | - | 29 | 7 | 17 | 90 |
| 7 | Federal Bank Limited | 34 | 76 | 314 | 147 | 73 | - | 162 | 87 | 161 | 1,054 |
| 8 | HDFC Bank Limited | 452 | 1,859 | 11,478 | 3,234 | 2,627 | 17 | 3,968 | 5,684 | 5,101 | 34,420 |
| 9 | ICICI Bank Limited | 462 | 2,312 | 6,740 | 3,481 | 2,926 | 9 | 3,209 | 4,383 | 4,543 | 28,065 |
| 10 | IDBI Bank Limited | 84 | 441 | 669 | 428 | 339 | 6 | 404 | 587 | 679 | 3,637 |
| 11 | IDFC First Bank Limited | 62 | 524 | 205 | 178 | 261 | - | 666 | 820 | 1,131 | 3,847 |
| 12 | IndusInd Bank Limited | 108 | 253 | 2,199 | 386 | 444 | - | 596 | 1,091 | 880 | 5,957 |
| 13 | Jammu & Kashmir Bank Limited | 28 | 49 | 285 | 82 | 21 | 3 | 128 | 41 | 81 | 718 |
| 14 | Karnataka Bank Limited | 10 | 38 | 115 | 107 | 71 | - | 61 | 162 | 112 | 676 |
| 15 | Karur Vysya Bank Limited | 19 | 51 | 79 | 77 | 59 | - | 120 | 107 | 90 | 602 |
| 16 | Kotak Mahindra Bank Limited | 221 | 557 | 2,656 | 1,492 | 971 | 6 | 1,079 | 1,582 | 2,193 | 10,757 |
| 17 | Nainital Bank Limited | - | 6 | 11 | 5 | 1 | - | 16 | 10 | 22 | 71 |
| 18 | RBL Bank Limited | 61 | 153 | 5,601 | 298 | 438 | - | 571 | 910 | 973 | 9,005 |
| 19 | South Indian Bank Limited | 8 | 26 | 129 | 72 | 51 | - | 77 | 53 | 71 | 487 |
| 20 | Tamilnadu Mercantile Bank Limited | 3 | 18 | 66 | 48 | 21 | - | 54 | 70 | 42 | 322 |
| 21 | Yes Bank Limited | 106 | 253 | 592 | 299 | 334 | 1 | 438 | 913 | 711 | 3,647 |

## Appendix Table IV.8: Statement of Complaints Received at Banking Ombudsman Office *(Continued)*

(April to March 2020-21)

| Sr. No. | Name of the Bank | Number of complaints in major categories for Foreign Banks | | | | | | | | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Deposit Account | Loans and Advances | ATM/ Debit card/ Credit card | Mobile Banking / Electronic Banking | Levy of Charges Without Prior Notice | Pension | Non-Observance of Fair Practices | Failure on Commitments and Failure of Commitment to BCSBI Code | | |
| | **Foreign Banks** | **95** | **286** | **2,678** | **530** | **342** | **4** | **632** | **842** | **748** | **6,157** |
| 1 | AB Bank Limited | 1 | 1 | 3 | - | 2 | - | - | - | 1 | 8 |
| 2 | Abu Dhabi Commercial Bank PJSC | - | - | - | - | - | - | - | - | 2 | 2 |
| 3 | American Express Banking Corporation | 1 | 3 | 255 | 1 | 31 | - | 33 | 54 | 26 | 404 |
| 4 | Barclays Bank Plc | - | - | 11 | - | - | - | 2 | 8 | - | 21 |
| 5 | Bank of America National Association | - | - | 2 | - | - | - | - | 1 | 1 | 4 |
| 6 | Bank of Bahrain and Kuwait B.S.C | - | - | - | - | - | - | - | - | 1 | 1 |
| 7 | BNP Paribas | - | - | - | - | - | - | - | - | 2 | 2 |
| 8 | Citibank N.A. | 25 | 37 | 955 | 184 | 68 | - | 160 | 214 | 165 | 1,808 |
| 9 | DBS Bank India Limited | 23 | 9 | 68 | 118 | 26 | - | 75 | 80 | 108 | 507 |
| 10 | Deutsche Bank A.G., | 7 | 14 | 7 | 10 | 9 | - | 33 | 41 | 30 | 151 |
| 11 | First Abu Dhabi Bank PJSC | - | - | - | - | - | - | - | 1 | - | 1 |
| 12 | FirstRand Bank Limited | - | - | - | - | - | - | - | - | 1 | 1 |
| 13 | Hong Kong and Shanghai Banking Corporation Limited | 10 | 29 | 282 | 38 | 15 | - | 53 | 90 | 56 | 573 |
| 14 | Industrial & Commercial Bank of China Limited | - | - | 4 | - | - | - | - | 1 | - | 5 |
| 15 | JP Morgan Chase Bank N.A. | - | 1 | - | - | - | - | - | - | - | 1 |
| 16 | Krung Thai Bank Public Co. Limited | - | - | 2 | - | - | - | - | - | - | 2 |
| 17 | Mashreqbank PSC | - | - | - | - | - | - | - | 1 | 2 | 3 |
| 18 | Mizuho Bank Limited | - | - | - | - | - | - | - | - | 1 | 1 |
| 19 | MUFG Bank, Ltd. | - | - | - | - | - | - | 1 | - | - | 1 |
| 20 | NatWest Markets Plc (erstwhile The Royal Bank of Scotland PLC) | - | - | 7 | - | - | - | - | 3 | 1 | 11 |
| 21 | SBM Bank (India) Limited | - | - | 2 | - | - | - | - | - | 2 | 4 |
| 22 | Shinhan Bank | - | 7 | - | 1 | - | - | 7 | 3 | - | 18 |
| 23 | Societe Generale India | - | - | - | - | - | - | 1 | - | - | 1 |
| 24 | Standard Chartered Bank | 28 | 185 | 1,079 | 178 | 190 | 4 | 267 | 345 | 348 | 2,624 |
| 25 | United Overseas Bank Limited | - | - | 1 | - | - | - | - | - | - | 1 |
| 26 | National Australia Bank | - | - | - | - | 1 | - | - | - | - | 1 |
| 27 | Cooperatieve Rabobank U.A | - | - | - | - | - | - | - | - | 1 | 1 |

## Appendix Table IV.8: Statement of Complaints Received at Banking Ombudsman Office *(Concluded)*

(April to March 2020-21)

| Sr. No. | Name of the Bank | Number of complaints in major categories for Small Finance Banks | | | | | | | | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Deposit Account | Loans and Advances | ATM/ Debit card/ Credit card | Mobile Banking / Electronic Banking | Levy of Charges Without Prior Notice | Pension | Non-Observance of Fair Practices | Failure on Commitments and Failure of Commitment to BCSBI Code | | |
| | **Small Finance Banks** | **85** | **204** | **174** | **120** | **125** | **-** | **201** | **316** | **416** | **1,641** |
| 1 | Au Small Finance Bank Limited | 17 | 110 | 22 | 25 | 52 | - | 60 | 91 | 196 | 573 |
| 2 | Capital Small Finance Bank Limited | 2 | 4 | 3 | 2 | 5 | - | 2 | 17 | 13 | 48 |
| 3 | Fincare Small Finance Bank Limited | 23 | 7 | 22 | 35 | 8 | - | 25 | 42 | 34 | 196 |
| 4 | Equitas Small Finance Bank Limited | 10 | 26 | 7 | 13 | 24 | - | 37 | 43 | 51 | 211 |
| 5 | ESAF Small Finance Bank Limited | 1 | 3 | 23 | 3 | 1 | - | 12 | 4 | 6 | 53 |
| 6 | Suryoday Small Finance Bank Limited | 6 | 4 | 1 | 2 | - | - | 3 | 5 | 5 | 26 |
| 7 | Ujjivan Small Finance Bank Limited | 9 | 21 | 41 | 31 | 11 | - | 21 | 56 | 47 | 237 |
| 8 | Utkarsh Small Finance Bank Limited | 6 | 10 | 11 | 5 | 2 | - | 11 | 11 | 14 | 70 |
| 9 | North East Small Finance Bank Limited | - | 1 | - | - | - | - | - | - | 1 | 2 |
| 10 | Jana Small Finance Bank Limited | 11 | 18 | 44 | 4 | 22 | - | 30 | 47 | 49 | 225 |
| | **Payments Banks** | **342** | **13** | **437** | **1,956** | **118** | **5** | **306** | **844** | **1,256** | **5,277** |
| 1 | Aditya Birla Idea Payments Bank Limited | 1 | 4 | 2 | 2 | - | - | - | - | 2 | 11 |
| 2 | Airtel Payments Bank Limited | 169 | - | 92 | 835 | 49 | 3 | 137 | 478 | 580 | 2,343 |
| 3 | Fino Payments Bank Limited | 30 | 5 | 72 | 43 | 5 | - | 11 | 24 | 65 | 255 |
| 4 | India Post Payments Bank Limited | 18 | 1 | 28 | 42 | 11 | 2 | 15 | 37 | 40 | 194 |
| 5 | Jio Payments Bank Limited | 2 | - | 1 | 14 | - | - | 1 | 3 | 8 | 29 |
| 6 | Paytm Payments Bank Limited | 114 | 3 | 240 | 1,011 | 44 | - | 138 | 292 | 557 | 2,399 |
| 7 | NSDL Payments Bank Limited | 8 | - | 2 | 9 | 9 | - | 4 | 10 | 4 | 46 |
| | Others (SBI Cards+Primary Urban Cooperative Banks+RRBs+Others) | 360 | 858 | 10,483 | 1,696 | 998 | 73 | 2,751 | 4,541 | 5,635 | 27,395 |

**Note:** Nil/negligible.
**Source:** RBI.

## Appendix Table IV.9: International Liabilities of Banks in India – By Type of Instruments

(Amount in ₹ Crore)

| Liability Type | Amount Outstanding (At end-March) | | Percentage Variation | |
|---|---|---|---|---|
| | **2020 (PR)** | **2021 (P)** | **2019-20** | **2020-21** |
| 1 | 2 | 3 | 4 | 5 |
| **1. Loans and Deposits** | **11,67,576 (78.4)** | **11,42,402 (68.8)** | **2.4** | **-2.2** |
| a) Foreign Currency Non-resident (Bank) [FCNR (B)] Scheme | 1,69,103 (11.4) | 1,33,986 (8.1) | 8.6 | -20.8 |
| b) Foreign Currency Borrowings* | 1,18,113 (7.9) | 54,998 (3.3) | -26.7 | -53.4 |
| c) Non-resident External (NRE) Rupee Accounts | 6,63,387 (44.5) | 7,20,626 (43.4) | 8.1 | 8.6 |
| d) Non-resident Ordinary (NRO) Rupee Accounts | 1,02,870 (6.9) | 1,17,500 (7.1) | 12.7 | 14.2 |
| **2. Own Issues of Securities/ Bonds** | **6,119 (0.4)** | **2,468 (0.1)** | **672.7** | **-59.7** |
| **3. Other liabilities** | **3,15,820 (21.2)** | **5,14,748 (31.0)** | **-19.8** | **63.0** |
| *Of which:* | | | | |
| a) ADRs/GDRs | 48,357 (3.2) | 86,860 (5.2) | -30.2 | 79.6 |
| b) Equities of Banks held by Non-residents | 1,33,105 (8.9) | 2,96,355 (17.9) | -34.2 | 122.6 |
| c) Capital / Remittable Profits of Foreign Banks in India and Other Unclassified International Liabilities | 1,34,357 (9.0) | 1,31,534 (7.9) | 9.9 | -2.1 |
| **Total International Liabilities** | **14,89,515 (100.0)** | **16,59,618 (100.0)** | **-3.0** | **11.4** |

**Notes:** 1. In view of the incomplete data coverage from all the branches, the data reported under the locational banking statistics (LBS) are not strictly comparable with those capturing data from all the branches.
2. PR: Partially Revised; P: Provisional
3. *: Inter-bank borrowings in India and from abroad and external commercial borrowings of banks.
4. Figures in parentheses are percentages to total.
5. Percentage variations could be slightly different as absolute numbers have been rounded off to ₹ crore.

**Source**: International Banking Statistics, RBI.

## Appendix Table IV.10: International Assets of Banks in India - By Type of Instruments

(Amount in ₹ Crore)

| Asset Type | Amount Outstanding (At end-March) | | Percentage Variation | |
|---|---|---|---|---|
| | **2020 (PR)** | **2021 (P)** | **2019-20** | **2020-21** |
| 1 | 2 | 3 | 4 | 5 |
| **1. Loans and Deposits** | **5,36,835** | **6,56,688** | **4.4** | **22.3** |
| | **(93.3)** | **(93.4)** | | |
| *Of which:* | | | | |
| (a) Loans to Non-residents | 85,464 | 1,49,800 | 2.0 | 75.3 |
| | (14.8) | (21.3) | | |
| (b) Foreign Currency Loan to Residents | 1,53,905 | 1,27,869 | 6.2 | -16.9 |
| | (26.7) | (18.2) | | |
| (c) Outstanding Export Bills | 73,289 | 57,283 | -28.9 | -21.8 |
| | (12.7) | (8.1) | | |
| (d) Foreign Currency in hand, Travelers Cheques, etc. | 3,097 | 5,663 | -4.5 | 82.8 |
| | (0.5) | (0.8) | | |
| (e) NOSTRO Balances and Placements Abroad | 2,21,080 | 3,16,074 | 23.4 | 43.0 |
| | (38.4) | (45.0) | | |
| **2. Holdings of Debt Securities** | **23,272** | **39,024** | **-15.0** | **67.7** |
| | **(4.0)** | **(5.6)** | | |
| **3. Other International Assets** | **15,421** | **7,293** | **-6.1** | **-52.7** |
| | **(2.7)** | **(1.0)** | | |
| **Total International Assets*** | **5,75,529** | **7,03,005** | **3.1** | **22.1** |
| | **(100.0)** | **(100.0)** | | |

**Notes:** 1. In view of the incomplete data coverage from all the branches, the data reported under the locational Banking statistics (LBS) are not strictly comparable with those capturing data from all the branches.
2. PR: Partially Revised; P: Provisional
3. Figures in parentheses are percentages to total.
4. The sum of components may not add up due to rounding off.

**Source**: International Banking Statistics, RBI.

## Table IV.11: Consolidated International Claims of Banks: Residual Maturity and Sector

(Amount in ₹ Crore)

| Residual Maturity/Sector | Amount Outstanding (At end-March) | | Percentage Variation | |
|---|---|---|---|---|
| | 2020 (PR) | 2021 (P) | 2019-20 | 2020-21 |
| 1 | 2 | 3 | 4 | 5 |
| **Total Consolidated International Claims** | **5,78,412** | **6,13,794** | **-8.1** | **6.1** |
| | **(100)** | **(100)** | | |
| **Residual Maturity** | | | | |
| Short Term | 4,42,971 | 4,81,320 | -6.4 | 8.7 |
| | (76.6) | (78.4) | | |
| Long Term | 1,31,319 | 1,28,699 | -13.4 | -2 |
| | (22.7) | (21.0) | | |
| Unallocated | 4,122 | 3,774 | -15.3 | -8.4 |
| | (0.7) | (0.6) | | |
| **Sector** | | | | |
| Banks | 2,32,459 | 3,16,643 | -2.2 | 36.2 |
| | (40.2) | (51.6) | | |
| Official Sector | 32,472 | 44,611 | -11.6 | 37.4 |
| | (5.6) | (7.3) | | |
| Non-Bank Financial Institutions | 3,765 | 4,249 | 192.5 | 12.8 |
| | (0.7) | (0.7) | | |
| Non-Financial Private | 2,66,252 | 2,06,419 | -16.1 | -22.5 |
| | (46.0) | (33.6) | | |
| Others | 43,463 | 41,873 | 19.2 | -3.7 |
| | (7.5) | (6.8) | | |

**Notes**: 1. PR: Partially Revised; P: Provisional.
2. Figures in parentheses are percentages to total.
3. The sum of components may not add up due to rounding off.
4. Residual Maturity 'Unallocated' comprises maturity not applicable (for example, for equities) and maturity information not available.
5. The official sector includes official monetary authorities, general government and multilateral agencies.
6. Non-financial private sector includes non-financial corporations and households including non-profit institutions serving households (NPISHs).
7. Others include non-financial public sector undertakings and the unallocated sector.
8. Percentage variation could be slightly different as absolute numbers have been rounded off to ₹ crore.

**Source**: International Banking Statistics, RBI.

## Appendix Table IV.12: Consolidated International Claims of Banks on Countries other than India

(Amount in ₹ Crore)

| Country | Amount Outstanding (At end-March) | | Percentage Variation | |
|---|---|---|---|---|
| | 2020 (PR) | 2021 (P) | 2019-20 | 2020-21 |
| 1 | 2 | 3 | 4 | 5 |
| **Total Consolidated International Claims** | **5,78,412** | **6,13,794** | **-8.1** | **6.1** |
| *of which* | | | | |
| 1. United States of America | 1,55,634 (26.9) | 1,94,023 (31.6) | -7.3 | 24.7 |
| 2. United Kingdom | 56,836 (9.8) | 67,652 (11.0) | -10.6 | 19.0 |
| 3. Hong Kong | 21,384 (3.7) | 35,828 (5.8) | -35.3 | 67.5 |
| 4. Singapore | 40,940 (7.1) | 45,049 (7.3) | 8.8 | 10.0 |
| 5. United Arab Emirates | 83,661 (14.5) | 79,446 (12.9) | 5.0 | -5.0 |
| 6. Germany | 15,353 (2.7) | 27,116 (4.4) | 17.5 | 76.6 |

**Notes**: 1. PR: Partially Revised; P: Provisional.
2. Figures in parentheses are percentages to total.
3. Percentage variation could be slightly different as absolute numbers have been rounded off to ₹ crore.

**Source**: International Banking Statistics, RBI.

## Appendix Table IV.13: Progress of Microfinance Programmes

(At end-March)

| Item | Self Help Groups | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number (₹ lakh) | | | | | Amount (₹ crore) | | | | |
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Loans Disbursed by Banks | 19.0<br>(9.9) | 22.6<br>(13.8) | 27.0<br>(17.8) | 31.5<br>(22.1) | 28.9<br>(17.0) | 38,781<br>(20,012.0) | 47,186<br>(27,479.3) | 58,318<br>(36,818.5) | 77,659<br>(55,589.9) | 58,071<br>(31,755.1) |
| Loans Outstanding with Banks | 48.5<br>(28.1) | 50.2<br>(30.8) | 50.8<br>(35.1) | 56.8<br>(39.6) | 57.8<br>(36.0) | 61,581<br>(34,127.7) | 75,599<br>(43,575.9) | 87,098<br>(58,431.6) | 1,08,075<br>(73,183.9) | 1,03,290<br>(61,393.1) |
| Savings with Banks | 85.8<br>(42.9) | 87.4<br>(46.1) | 100.1<br>(60.2) | 102.4<br>(62.6) | 112.2<br>(70.1) | 16,114<br>(8,679.6) | 19,592<br>(11,784.8) | 23,325<br>(14,481.6) | 26,152<br>(15,836.3) | 37,478<br>(21,308.4) |
| | Microfinance Institutions | | | | | | | | | |
| | Number | | | | | Amount (₹ crores) | | | | |
| Loans Disbursed by Banks | 2,314.0 | 1,922.0 | 1,933.0 | 4,762.0 | 28,562.0 | 19,304 | 25,515 | 14,626 | 20,226 | 12,739 |
| Loans Outstanding with Banks | 5,357.0 | 5,073.0 | 5,488.0 | 15,197.0 | 61,181.0 | 29,225 | 32,306 | 17,761 | 29,289 | 22,602 |
| | Joint Liability Groups | | | | | | | | | |
| | Number (₹ in lakhs) | | | | | Amount (₹ crores) | | | | |
| Loans Disbursed by Banks (During the FY) | 7.0 | 10.2 | 16.0 | 41.8 | 41.3 | 9,511 | 13,955 | 30,947 | 83,103 | 58,312 |

**Notes:** 1. Figures in brackets give the details of SHGs covered under the National Rural Livelihoods Mission (NRLM) and the National Urban Livelihoods Mission (NULM) for 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21 respectively.

2. Actual number of MFIs availing loans from banks would be less than the number of accounts, as most of MFIs avail loans several times from the same bank and also from more than one bank.

**Source:** NABARD.

## Appendix Table IV.14: Major Financial Indicators of Regional Rural Banks- State-wise *(Continued)*

(Amount in ₹ Crore)

| Region/State | 2019-20 | | | | | | 2020-21P | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. of RRBs | Profit Earning | | Loss Incurring | | Net Profit/ Loss | No. of RRBs | Profit Earning | | Loss Incurring | | Net Profit/ Loss |
| | Mar-20 | No. | Amount | No. | Amount | | Mar-21 | No. | Amount | No. | Amount | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| **Central Region** | **9** | **4** | **281** | **5** | **1,294** | **-1,013** | **7** | **5** | **468** | **2** | **224** | **245** |
| Chhattisgarh | 1 | 1 | 10 | - | - | 10 | 1 | 1 | 12 | - | - | 12 |
| Madhya Pradesh | 2 | - | - | 2 | 759 | -759 | 2 | - | - | 2 | 224 | -224 |
| Uttar Pradesh | 5 | 3 | 271 | 2 | 455 | -184 | 3 | 3 | 454 | - | - | 454 |
| Uttarakhand | 1 | - | - | 1 | 79 | -79 | 1 | 1 | 2 | - | - | 2 |
| **Eastern Region** | **8** | **2** | **42** | **6** | **1,769** | **-1,727** | **8** | **3** | **112** | **5** | **1,116** | **-1,004** |
| Bihar | 2 | - | - | 2 | 630 | -630 | 2 | - | - | 2 | 432 | -432 |
| Jharkhand | 1 | 1 | 42 | - | - | 42 | 1 | 1 | 32 | - | - | 32 |
| Odisha | 2 | - | - | 2 | 535 | -535 | 2 | - | - | 2 | 623 | -623 |
| West Bengal | 3 | 1 | 1 | 2 | 604 | -603 | 3 | 2 | 80 | 1 | 61 | 19 |
| **North Eastern Region** | **7** | **4** | **175** | **3** | **194** | **-19** | **7** | **4** | **246** | **3** | **121** | **124** |
| Arunachal Pradesh | 1 | 1 | 3 | - | - | 3 | 1 | 1 | 6 | - | - | 6 |
| Assam | 1 | - | - | 1 | 188 | -188 | 1 | - | - | 1 | 114 | -114 |
| Manipur | 1 | - | - | 1 | 3 | -3 | 1 | - | - | 1 | 5 | -5 |
| Meghalaya | 1 | 1 | 1 | - | - | 1 | 1 | 1 | 1 | - | - | 1 |
| Mizoram | 1 | 1 | 13 | - | - | 13 | 1 | 1 | 39 | - | - | 39 |
| Nagaland | 1 | - | - | 1 | 3 | -3 | 1 | - | - | 1 | 2 | -2 |
| Tripura | 1 | 1 | 158 | - | - | 158 | 1 | 1 | 200 | - | - | 200 |
| **Northern Region** | **7** | **5** | **198** | **2** | **166** | **31** | **7** | **5** | **435** | **2** | **49** | **386** |
| Haryana | 1 | 1 | 3 | - | - | 3 | 1 | 1 | 18 | - | - | 18 |
| Himachal Pradesh | 1 | 1 | 1 | - | - | 1 | 1 | 1 | 9 | - | - | 9 |
| Jammu & Kashmir | 2 | - | - | 2 | 166 | -166 | 2 | - | - | 2 | 49 | -49 |
| Punjab | 1 | 1 | 51 | - | - | 51 | 1 | 1 | 53 | - | - | 53 |
| Rajasthan | 2 | 2 | 143 | - | - | 143 | 2 | 2 | 355 | - | - | 355 |
| **Southern Region** | **10** | **8** | **1,446** | **2** | **656** | **790** | **10** | **10** | **2,117** | **-** | **-** | **2,117** |
| Andhra Pradesh | 3 | 3 | 483 | - | - | 483 | 3 | 3 | 566 | - | - | 566 |
| Karnataka | 2 | 1 | 19 | 1 | 605 | -586 | 2 | 2 | 21 | - | - | 21 |
| Kerala | 1 | - | - | 1 | 51 | -51 | 1 | 1 | 33 | - | - | 33 |
| Puducherry | 1 | 1 | 6 | - | - | 6 | 1 | 1 | 9 | - | - | 9 |
| Tamil Nadu | 1 | 1 | 150 | - | - | 150 | 1 | 1 | 185 | - | - | 185 |
| Telangana | 2 | 2 | 789 | - | - | 789 | 2 | 2 | 1,304 | - | - | 1,304 |
| **Western Region** | **4** | **3** | **62** | **1** | **333** | **-271** | **4** | **3** | **172** | **1** | **357** | **-185** |
| Gujarat | 2 | 2 | 34 | - | - | 34 | 2 | 2 | 119 | - | - | 119 |
| Maharashtra | 2 | 1 | 27 | 1 | 333 | -305 | 2 | 1 | 54 | 1 | 357 | -304 |
| **All India** | **45** | **26** | **2,203** | **19** | **4,411** | **-2,208** | **43** | **30** | **3,550** | **13** | **1,867** | **1,682** |

## Appendix Table IV.14: Major Financial Indicators of Regional Rural Banks- State-wise *(Concluded)*

| Region/State | Gross NPA (%) | | CRAR (%) | |
|---|---|---|---|---|
| | Mar-20 | Mar-21 | Mar-20 | Mar-21 |
| 1 | 14 | 15 | 16 | 17 |
| **Central Region** | **14.7** | **10.4** | **10.0** | **9.9** |
| Chhattisgarh | 5.5 | 3.1 | 22.0 | 20.4 |
| Madhya Pradesh | 22.7 | 19.7 | 1.4 | -0.1 |
| Uttar Pradesh | 13.8 | 8.8 | 11.0 | 11.4 |
| Uttarakhand | 7.3 | 7.9 | 6.1 | 6.2 |
| **Eastern Region** | **21.6** | **23.1** | **2.4** | **0.6** |
| Bihar | 24.2 | 29.3 | 4.0 | 1.9 |
| Jharkhand | 9.1 | 9.2 | 11.3 | 10.9 |
| Odisha | 26.8 | 26.5 | -3.5 | -10.8 |
| West Bengal | 17.1 | 14.7 | 0.3 | 1.7 |
| **North Eastern Region** | **20.7** | **19.0** | **12.1** | **13.1** |
| Arunachal Pradesh | 5.6 | 5.6 | 10.2 | 10.6 |
| Assam | 37.1 | 33.5 | 4.0 | 1.8 |
| Manipur | 19.8 | 28.7 | 6.1 | 2.4 |
| Meghalaya | 11.6 | 11.0 | 14.6 | 13.9 |
| Mizoram | 5.2 | 6.1 | 9.8 | 9.5 |
| Nagaland | 4.1 | 4.1 | 2.0 | -2.9 |
| Tripura | 8.9 | 8.3 | 21.9 | 26.8 |
| **Northern Region** | **7.2** | **5.6** | **11.3** | **11.4** |
| Haryana | 11.6 | 9.3 | 13.6 | 13.6 |
| Himachal Pradesh | 5.8 | 5.4 | 9.0 | 10.1 |
| Jammu & Kashmir | 11.3 | 8.9 | 0.8 | -1.7 |
| Punjab | 8.5 | 7.5 | 15.7 | 15.5 |
| Rajasthan | 4.3 | 3.1 | 10.0 | 10.8 |
| **Southern Region** | **4.8** | **5.2** | **13.2** | **13.4** |
| Andhra Pradesh | 1.6 | 1.5 | 15.8 | 15.4 |
| Karnataka | 11.5 | 14.0 | 11.7 | 11.2 |
| Kerala | 4.3 | 3.6 | 7.2 | 6.6 |
| Puducherry | 1.9 | 2.0 | 12.1 | 12.0 |
| Tamil Nadu | 2.4 | 2.2 | 14.2 | 12.2 |
| Telangana | 1.3 | 1.4 | 14.8 | 17.2 |
| **Western Region** | **7.3** | **7.3** | **7.5** | **5.9** |
| Gujarat | 3.9 | 3.5 | 10.1 | 10.8 |
| Maharashtra | 11.4 | 11.4 | 4.4 | 0.6 |
| **All India** | **10.4** | **9.4** | **10.3** | **10.2** |

**Notes**: 1. Components may not add up to the exact total due to rounding off.
2. Data for 2020-21 are provisional.

**Source:** NABARD.

## Appendix Table IV.15: RRBs- PSL Target and Achievement-2020-21

| Sector/Sub Sector | Target (%) | Achievement (%) | RRBs not Meeting Target/Sub-target |
|---|---|---|---|
| Overall Priority Sector | 75 | 92.0 | Arunachal Pradesh Rural Bank (74.9 %), Meghalaya Rural Bank (68.5%), Nagaland Rural Bank (50.0%) |
| Agriculture | 18 | 50.0 | Arunachal Pradesh Rural Bank (17.2 %), Nagaland Rural Bank (13.0%) |
| Small and Marginal Farmers | 8 | 31.4 | - |
| Non-Corporate Farmers | 12.1 | 83.5 | - |
| Micro Enterprises | 7.5 | 15.1 | - |
| Weaker Sections | 15 | 70.3 | - |

**Note:** Target and Achievement are as a percentage of ANBC as on corresponding date of previous year.
**Source:** NABARD.

## Appendix Table IV.16: Frauds in Various Banking Operations Based on Date of Reporting *(Continued)*

(Amount in ₹ crore)

| Area of Operation | 2004-05 | | 2005-06 | | 2006-07 | | 2007-08 | | 2008-09 | | 2009-10 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **No.** | **Amount** | **No.** | **Amount** | **No.** | **Amount** | **No.** | **Amount** | **No.** | **Amount** | **No.** | **Amount** |
| Advances | 1,564 | 672 | 1,525 | 1,162 | 1,734 | 1,055 | 1,750 | 721 | 1,977 | 1,402 | 2,190 | 1,263 |
| Card/Internet | 26 | 3 | 144 | 6 | 491 | 11 | 679 | 15 | 1,036 | 37 | 1,215 | 35 |
| Deposits | 374 | 28 | 325 | 28 | 384 | 49 | 458 | 79 | 599 | 66 | 666 | 195 |
| Off-balance sheet | 6 | 33 | 7 | 25 | 4 | 4 | 6 | 8 | 9 | 22 | 10 | 370 |
| Foreign exchange transactions | 16 | 14 | 10 | 30 | 28 | 7 | 25 | 30 | 15 | 14 | 16 | 28 |
| Cash | 75 | 4 | 89 | 16 | 87 | 7 | 99 | 5 | 141 | 36 | 143 | 14 |
| Cheques/demand drafts, etc. | 108 | 15 | 110 | 9 | 141 | 10 | 192 | 17 | 234 | 15 | 202 | 17 |
| Inter-branch accounts | 31 | 6 | 36 | 7 | 18 | 1 | 22 | 3 | 16 | 5 | 18 | 2 |
| Clearing, etc. accounts | 20 | 2 | 23 | 4 | 35 | 12 | 30 | 9 | 52 | 45 | 51 | 7 |
| Non-resident accounts | 11 | 2 | 9 | 0 | 17 | 1 | 9 | 4 | 26 | 2 | 13 | 2 |
| Others | 204 | 16 | 148 | 29 | 88 | 51 | 97 | 26 | 146 | 39 | 146 | 64 |
| **Grand Total** | **2,435** | **795** | **2,426** | **1,316** | **3,027** | **1,208** | **3,367** | **917** | **4,251** | **1,683** | **4,670** | **1,997** |

## Appendix Table IV.16: Frauds in Various Banking Operations Based on Date of Reporting *(Continued)*

(Amount in ₹ crore)

| Area of Operation | 2010-11 | | 2011-12 | | 2012-13 | | 2013-14 | | 2014-15 | | 2015-16 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| Advances | 2,382 | 2,740 | 1,953 | 3,552 | 2,087 | 6,530 | 1,985 | 8,334 | 2,256 | 17,123 | 2,120 | 17,367 |
| Card/Internet | 763 | 21 | 629 | 23 | 793 | 49 | 978 | 54 | 845 | 52 | 1,191 | 40 |
| Deposits | 790 | 583 | 857 | 219 | 791 | 291 | 774 | 331 | 875 | 437 | 759 | 809 |
| Off-balance sheet | 10 | 212 | 5 | 373 | 18 | 1,527 | 15 | 1,088 | 10 | 699 | 4 | 132 |
| Foreign exchange transactions | 19 | 148 | 22 | 130 | 10 | 98 | 9 | 144 | 16 | 899 | 17 | 51 |
| Cash | 154 | 20 | 173 | 20 | 140 | 23 | 145 | 24 | 153 | 43 | 160 | 22 |
| Cheques/demand drafts, etc. | 184 | 27 | 172 | 40 | 141 | 22 | 180 | 19 | 254 | 26 | 234 | 25 |
| Inter-branch accounts | 10 | 1 | 24 | 8 | 6 | 3 | 7 | 1 | 4 | 0 | 4 | 10 |
| Clearing, etc. accounts | 34 | 11 | 38 | 31 | 36 | 7 | 36 | 24 | 29 | 7 | 17 | 87 |
| Non-resident accounts | 9 | 2 | 11 | 3 | 17 | 3 | 38 | 10 | 23 | 8 | 8 | 9 |
| Others | 179 | 56 | 207 | 98 | 197 | 112 | 135 | 64 | 179 | 162 | 176 | 146 |
| **Grand Total** | **4,534** | **3,822** | **4,091** | **4,497** | **4,236** | **8,665** | **4,302** | **10,093** | **4,644** | **19,456** | **4,690** | **18,698** |

## Appendix Table IV.16: Frauds in Various Banking Operations Based on Date of Reporting *(Concluded)*

(Amount in ₹ crore)

| Area of Operation | 2016-17 | | 2017-18 | | 2018-19 | | 2019-20 | | 2020-21 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| Advances | 2,320 | 20,556 | 2,525 | 22,558 | 3,603 | 64,539 | 4,608 | 1,81,942 | 3,501 | 1,37,023 |
| Card/Internet | 1,372 | 42 | 2,059 | 110 | 33 | 5,538 | 34 | 2,445 | 23 | 535 |
| Deposits | 693 | 903 | 691 | 457 | 13 | 695 | 8 | 54 | 4 | 129 |
| Off-balance sheet | 5 | 63 | 20 | 16,288 | 1,866 | 71 | 2,677 | 129 | 2,545 | 119 |
| Foreign exchange transactions | 16 | 2,201 | 9 | 1,426 | 593 | 148 | 530 | 616 | 504 | 434 |
| Cash | 239 | 37 | 218 | 40 | 3 | 0 | 2 | 0 | 2 | 0 |
| Cheques/demand drafts, etc. | 235 | 40 | 207 | 34 | 274 | 56 | 371 | 63 | 329 | 39 |
| Inter-branch accounts | 1 | 0 | 6 | 1 | 189 | 34 | 201 | 39 | 163 | 85 |
| Clearing, etc. accounts | 27 | 6 | 37 | 6 | 24 | 209 | 22 | 7 | 14 | 4 |
| Non-resident accounts | 10 | 3 | 6 | 5 | 3 | 0 | 8 | 1 | 1 | 0 |
| Others | 153 | 77 | 138 | 242 | 197 | 244 | 242 | 172 | 277 | 54 |
| **Grand Total** | **5,071** | **23,928** | **5,916** | **41,167** | **6,798** | **71,534** | **8,703** | **1,85,468** | **7,363** | **1,38,422** |

**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.

**Source:** NABARD.

## Appendix Table V.1: Select Financial Parameters of Scheduled UCBs *(Continued)*

(As on March 31, 2021)

(Per cent)

| Sr. No. | Bank Name | Average Cost of Deposits | Average Yield on Advances | Net Interest Income to Total Assets (Spread) | Net Interest Income to Working Funds | Non-Interest Income to Working Funds | Return on Assets (ROA) | CRAR | Business per Employee (₹ Crores) | Profit per Employee (₹ Crores) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1 | Abhyudaya Co-operative Bank Limited, Mumbai | 5.62 | 9.53 | 1.83 | 1.79 | 1.85 | 0.03 | 12.01 | 5.99 | 0.00 |
| 2 | Ahmedabad Mercantile Co-operative Bank Limited | 5.79 | 9.47 | 3.51 | 3.35 | 0.48 | 1.60 | 29.19 | 9.45 | 0.12 |
| 3 | Akola Janata Commercial Co-operative Bank Limited, Akola | 5.01 | 10.40 | 2.27 | 2.21 | 1.14 | 0.31 | 22.13 | 4.80 | 0.01 |
| 4 | Akola Urban Co-operative Bank Limited, Akola | 4.69 | 10.66 | 3.72 | 3.56 | 0.54 | 0.41 | 13.36 | 4.46 | 0.01 |
| 5 | Amanath Co-operative Bank Limited, Bangalore | 1.75 | 1.77 | 0.24 | 1.88 | 4.87 | 0.30 | 21.05 | 1.25 | 0.03 |
| 6 | Andhra Pradesh Mahesh Co-operative Urban Bank Limited | 6.42 | 11.56 | 3.17 | 3.05 | 0.38 | 1.02 | 20.11 | 7.33 | 0.06 |
| 7 | Apna Sahakari Bank Limited | 5.97 | 10.24 | 2.46 | 2.62 | 1.03 | -0.79 | 9.25 | 8.93 | -0.05 |
| 8 | Bassein Catholic Co-operative Bank Limited | 6.19 | 10.28 | 2.73 | 2.69 | 0.50 | 1.89 | 18.58 | 20.07 | 0.30 |
| 9 | Bharat Co-operative Bank (Mumbai) Limited, Mumbai | 6.45 | 9.45 | 1.98 | 1.96 | 2.31 | 0.25 | 13.32 | 13.51 | 0.02 |
| 10 | Bharati Sahakari Bank Limited | 4.85 | 8.98 | 2.09 | 2.20 | 0.48 | 0.12 | 18.63 | 8.39 | 0.01 |
| 11 | Bombay Mercantile Co-operative Bank Limited | 3.60 | 10.20 | 4.00 | 3.67 | 1.94 | 0.46 | 17.94 | 3.27 | 0.01 |
| 12 | Citizen Credit Co-operative Bank Limited, Mumbai | 4.97 | 8.56 | 2.20 | 2.42 | 0.75 | 0.37 | 22.08 | 9.85 | 0.03 |
| 13 | Cosmos Co-operative Bank Limited | 5.81 | 9.09 | 1.90 | 2.00 | 3.77 | 0.28 | 12.54 | 10.28 | 0.02 |
| 14 | Dombivli Nagari Sahakari Bank Limited | 5.36 | 9.09 | 1.93 | 2.09 | 3.90 | 0.70 | 13.38 | 8.54 | 0.05 |
| 15 | Goa Urban Co-operative Bank Limited | 5.52 | 8.92 | 3.01 | 2.95 | 0.42 | 0.85 | 17.70 | 5.66 | 0.04 |
| 16 | Gopinath Patil Parsik Janata Sahakari Bank Limited, Thane | 5.19 | 10.35 | 2.17 | 3.14 | 0.42 | 0.19 | 21.10 | 7.68 | 0.02 |
| 17 | Greater Bombay Co-operative Bank Limited | 5.49 | 10.10 | 2.84 | 2.79 | 1.27 | 0.16 | 15.14 | 9.12 | 0.01 |
| 18 | Indian Mercantile Co-operative Bank Limited, Lucknow | 4.91 | 5.41 | 2.69 | 3.07 | 1.46 | -7.38 | 19.27 | 1.38 | -0.13 |
| 19 | Jalgaon Janata Sahakari Bank Limited | 5.20 | 10.39 | 2.99 | 3.16 | 1.18 | 0.63 | 12.85 | 8.39 | 0.04 |
| 20 | Jalgaon People's Co-operative Bank Limited | 4.78 | 10.24 | 2.79 | 2.79 | 0.76 | 0.19 | 12.98 | 6.86 | 0.01 |
| 21 | Janakalyan Sahakari Bank Limited, Mumbai | 5.43 | 9.22 | 2.67 | 2.64 | 0.51 | 0.05 | 10.83 | 9.08 | 0.00 |
| 22 | Janalaxmi Co-operative Bank Limited, Nashik | 6.08 | 7.00 | 1.00 | 2.03 | 0.74 | -1.05 | 29.36 | 1.24 | -0.03 |
| 23 | Janata Sahakari Bank Limited, Pune | 5.88 | 9.84 | 2.29 | 2.12 | 3.51 | 0.00 | 12.61 | 11.59 | 0.00 |
| 24 | Kallappanna Awade Ichalkaranji Janata Sahakari Bank Limited | 6.41 | 10.56 | 2.52 | 2.49 | 0.43 | 0.37 | 13.23 | 7.09 | 0.02 |
| 25 | Kalupur Commercial Co-operative Bank Limited | 5.49 | 9.07 | 3.12 | 2.94 | 0.92 | 1.47 | 18.63 | 16.30 | 0.17 |
| 26 | Kalyan Janata Sahakari Bank Limited, Kalyan | 5.62 | 10.19 | 2.26 | 2.24 | 1.14 | 0.42 | 12.25 | 10.22 | 0.03 |
| 27 | Kapol Co-operative Bank Limited, Mumbai | 3.46 | 2.81 | -0.61 | -0.61 | 0.33 | -4.28 | -278.06 | 3.47 | -0.16 |

## Appendix Table V.1: Select Financial Parameters of Scheduled UCBs *(Concluded)*

(As on March 31, 2021)

(Per cent)

| Sr. No. | Bank Name | Average Cost of Deposits | Average Yield on Advances | Net Interest Income to Total Assets (Spread) | Net Interest Income to Working Funds | Non-Interest Income to Working Funds | Return on Assets (ROA) | CRAR | Business per Employee (₹ Crores) | Profit per Employee (₹ Crores) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 28 | Karad Urban Co-operative Bank Limited | 6.04 | 10.61 | 3.05 | 3.03 | 1.17 | 0.66 | 16.41 | 5.61 | 0.03 |
| 29 | Khamgaon Urban Co-operative Bank Limited, Khamgaon | 4.72 | 10.44 | 3.46 | 3.61 | 0.73 | 0.56 | 18.88 | 4.71 | 0.02 |
| 30 | Mahanagar Co-operative Bank Limited, Mumbai | 5.66 | 10.53 | 3.33 | 3.51 | 0.69 | 0.75 | 15.11 | 6.72 | 0.04 |
| 31 | Mehsana Urban Co-operative Bank Limited | 6.35 | 10.61 | 3.30 | 2.99 | 0.59 | 1.29 | 14.06 | 22.05 | 0.18 |
| 32 | Nagar Urban Co-operative Bank Limited, Ahmednagar | 6.18 | 7.56 | 1.53 | 1.87 | 0.78 | -6.04 | 1.08 | 3.85 | -0.21 |
| 33 | Nagpur Nagrik Sahakari Bank Limited | 3.21 | 6.18 | 1.48 | 2.37 | 0.75 | 0.42 | 13.42 | 6.32 | 0.03 |
| 34 | Nasik Merchant's Co-operative Bank Limited | 4.85 | 9.78 | 3.39 | 3.36 | 1.30 | 0.74 | 38.00 | 4.63 | 0.03 |
| 35 | New India Co-operative Bank Limited, Mumbai | 5.76 | 10.50 | 2.01 | 1.79 | 1.40 | 0.88 | 11.23 | 13.27 | 0.08 |
| 36 | NKGSB Co-operative Bank Limited, Mumbai | 5.95 | 9.70 | 1.76 | 1.90 | 0.89 | 0.15 | 13.43 | 10.26 | 0.01 |
| 37 | Nutan Nagarik Sahakari Bank Limited, Ahmedabad | 6.05 | 8.98 | 1.51 | 1.40 | 1.29 | 0.60 | 15.96 | 11.41 | 0.05 |
| 38 | Pravara Sahakari Bank Limited | 6.26 | 10.98 | 2.91 | 2.86 | 1.68 | 0.24 | 12.91 | 4.73 | 0.01 |
| 39 | Punjab & Maharashtra Co-operative Bank Limited | 5.44 | 3.41 | -3.40 | -3.51 | 0.13 | -5.09 | -337.55 | 11.66 | -0.32 |
| 40 | Rajarambapu Sahakari Bank Limited | 6.88 | 10.42 | 2.33 | 2.23 | 0.60 | 0.52 | 12.40 | 9.70 | 0.03 |
| 41 | Rajkot Nagrik Sahakari Bank Limited | 5.79 | 10.27 | 2.40 | 2.28 | 1.26 | 1.31 | 15.74 | 8.26 | 0.07 |
| 42 | Rupee Co-operative Bank Limited | 1.86 | 0.50 | 0.90 | 2.48 | 2.35 | 0.64 | -539.27 | 5.98 | 0.07 |
| 43 | Sangli Urban Co-operative Bank Limited, Sangli | 6.22 | 10.09 | 2.18 | 2.36 | 1.09 | -0.02 | 13.08 | 5.92 | 0.00 |
| 44 | Saraswat Co-operative Bank Limited, Bombay | 5.37 | 8.96 | 1.88 | 1.85 | 1.33 | 0.58 | 14.26 | 15.80 | 0.06 |
| 45 | SBPP Co-operative Bank Limited, Killa Pardi | 4.75 | 9.66 | 3.59 | 3.43 | 1.92 | 0.51 | 18.67 | 8.48 | 0.03 |
| 46 | Shamrao Vithal Co-operative Bank Limited | 5.69 | 9.64 | 2.55 | 2.84 | 0.99 | 0.74 | 13.89 | 12.35 | 0.06 |
| 47 | Shikshak Sahakari Bank Limited, Nagpur | 5.64 | 9.69 | 1.22 | 1.59 | 1.01 | -0.60 | 11.26 | 4.63 | -0.03 |
| 48 | Solapur Janata Sahakari Bank Limited | 6.57 | 11.73 | 2.42 | 2.70 | 0.47 | -0.31 | 12.66 | 8.27 | -0.02 |
| 49 | Surat Peoples Co-operative Bank Limited | 6.81 | 9.32 | 1.28 | 1.26 | 1.36 | 0.55 | 13.86 | 21.94 | 0.08 |
| 50 | Thane Bharat Sahakari Bank Limited | 5.30 | 10.75 | 3.23 | 3.40 | 0.96 | 0.20 | 12.83 | 7.82 | 0.01 |
| 51 | TJSB Sahakari Bank | 5.38 | 10.13 | 3.12 | 2.98 | 0.91 | 1.25 | 16.16 | 12.21 | 0.11 |
| 52 | Vasai Vikas Sahakari Bank Limited | 6.01 | 10.20 | 2.55 | 0.21 | 0.04 | 0.95 | 13.14 | 9.83 | 0.07 |
| 53 | Zoroastrian Co-operative Bank Limited, Bombay | 5.62 | 9.91 | 2.28 | 2.27 | 0.34 | 0.45 | 24.22 | 7.54 | 0.03 |

**Note:** 1. Data are provisional.
2. Data as reported by UCBs in off-site returns.

## Appendix Table V.2: Indicators of Financial Performance: Scheduled UCBs *(Continued)*

(As per cent to total assets)

| Sr. No. | Name of the Banks | Interest Income | | Operating Profit | | Net Profit after Taxes | |
|---|---|---|---|---|---|---|---|
| | | 2019-20 | 2020-21 | 2019-20 | 2020-21 | 2019-20 | 2020-21 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1 | Abhyudaya Co-operative Bank Limited, Mumbai | 7.5 | 6.5 | 0.4 | 0.3 | 0.1 | 0.0 |
| 2 | Ahmedabad Mercantile Co-operative Bank Limited | 7.9 | 7.4 | 2.3 | 2.3 | 1.2 | 1.5 |
| 3 | Akola Janata Commercial Co-operative Bank Limited, Akola | 7.1 | 6.2 | 1.3 | 0.5 | 0.7 | 0.3 |
| 4 | Akola Urban Co-operative Bank Limited, Akola | 7.7 | 7.1 | 0.4 | 1.4 | 0.4 | 0.4 |
| 5 | Amanath Co-operative Bank Limited, Bangalore | 1.4 | 0.4 | 0.8 | 0.3 | 0.8 | 0.3 |
| 6 | Andhra Pradesh Mahesh Co-operative Urban Bank Limited | 8.7 | 8.2 | 2.0 | 1.6 | 1.3 | 1.0 |
| 7 | Apna Sahakari Bank Limited | 7.5 | 7.5 | 0.3 | 1.0 | 0.0 | -0.8 |
| 8 | Bassein Catholic Co-operative Bank Limited | 7.8 | 7.5 | 2.1 | 1.9 | 0.8 | 1.8 |
| 9 | Bharat Co-operative Bank (Mumbai) Limited, Mumbai | 8.3 | 7.3 | 1.2 | 0.9 | 0.4 | 0.2 |
| 10 | Bharati Sahakari Bank Limited | 6.7 | 6.4 | 0.6 | 0.6 | 0.2 | 0.1 |
| 11 | Bombay Mercantile Co-operative Bank Limited | 5.2 | 4.9 | 0.4 | 0.6 | 0.1 | 0.3 |
| 12 | Citizen Credit Co-operative Bank Limited, Mumbai | 7.3 | 6.6 | 0.8 | 1.0 | 0.4 | 0.4 |
| 13 | Cosmos Co-operative Bank Limited | 7.2 | 6.6 | 1.6 | 2.3 | -0.2 | 0.3 |
| 14 | Dombivli Nagari Sahakari Bank Limited | 8.3 | 6.9 | 1.8 | 2.5 | 0.8 | 0.8 |
| 15 | Goa Urban Co-operative Bank Limited | 8.1 | 7.1 | 1.7 | 1.3 | 0.3 | 0.8 |
| 16 | Gopinath Patil Parsik Janata Sahakari Bank Limited, Thane | 8.0 | 7.4 | 1.6 | 1.3 | 0.8 | 0.3 |
| 17 | Greater Bombay Co-operative Bank Limited | 7.7 | 7.3 | 1.2 | 1.6 | 0.2 | 0.1 |
| 18 | Indian Mercantile Co-operative Bank Limited, Lucknow | 7.8 | 6.2 | 0.5 | 1.4 | 3.2 | -7.7 |
| 19 | Jalgaon Janata Sahakari Bank Limited | 7.7 | 7.5 | 1.6 | 2.2 | 0.6 | 0.6 |
| 20 | Jalgaon People's Co-operative Bank Limited | 8.5 | 6.9 | 2.5 | 1.1 | 0.7 | 0.2 |
| 21 | Janakalyan Sahakari Bank Limited, Mumbai | 8.2 | 7.2 | 0.6 | 0.8 | 0.4 | 0.0 |
| 22 | Janalaxmi Co-operative Bank Limited, Nashik | 3.1 | 3.2 | -0.3 | -1.1 | -0.3 | -1.1 |
| 23 | Janata Sahakari Bank Limited, Pune | 7.3 | 6.6 | 1.3 | 2.2 | 0.0 | 0.0 |
| 24 | Kallappanna Awade Ichalkaranji Janata Sahakari Bank Limited | 7.1 | 7.4 | 0.6 | 1.2 | 0.3 | 0.3 |
| 25 | Kalupur Commercial Co-operative Bank Limited | 6.5 | 6.5 | 2.3 | 2.2 | 1.2 | 1.3 |
| 26 | Kalyan Janata Sahakari Bank Limited, Kalyan | 7.8 | 7.2 | 1.0 | 0.8 | 0.7 | 0.4 |
| 27 | Kapol Co-operative Bank Limited, Mumbai | 2.6 | 1.8 | -4.0 | -3.4 | -6.7 | -4.5 |
| 28 | Karad Urban Co-operative Bank Limited | 8.2 | 7.8 | 1.4 | 1.8 | 0.6 | 0.6 |
| 29 | Khamgaon Urban Co-operative Bank Limited, Khamgaon | 7.8 | 7.1 | 1.4 | 2.0 | 0.5 | 0.6 |
| 30 | Mahanagar Co-operative Bank Limited, Mumbai | 8.3 | 7.8 | 1.9 | 1.7 | 0.7 | 0.7 |
| 31 | Mehsana Urban Co-operative Bank Limited | 8.5 | 7.9 | 2.2 | 2.6 | 1.1 | 1.2 |
| 32 | Nagar Urban Co-operative Bank Limited, Ahmednagar | 8.4 | 5.7 | 1.3 | -0.2 | -2.5 | -6.4 |
| 33 | Nagpur Nagrik Sahakari Bank Limited | 7.3 | 6.8 | 1.3 | 0.7 | 0.2 | 0.7 |
| 34 | Nasik Merchant's Co-operative Bank Limited | 8.8 | 7.9 | 3.2 | 2.5 | 1.5 | 0.7 |
| 35 | New India Co-operative Bank Limited, Mumbai | 7.8 | 6.2 | 0.9 | 0.9 | 0.2 | 0.8 |
| 36 | NKGSB Co-operative Bank Limited, Mumbai | 7.6 | 7.6 | 0.5 | 0.8 | 0.0 | 0.2 |
| 37 | Nutan Nagarik Sahakari Bank Limited, Ahmedabad | 7.2 | 6.2 | 1.2 | 1.0 | 0.7 | 0.6 |
| 38 | Pravara Sahakari Bank Limited | 8.5 | 8.1 | 1.3 | 1.9 | 0.2 | 0.2 |
| 39 | Punjab & Maharashtra Co-operative Bank Limited | -23.7 | 2.4 | -31.2 | -3.0 | -52.2 | -3.0 |
| 40 | Rajarambapu Sahakari Bank Limited | 8.3 | 7.8 | 1.1 | 1.3 | 0.4 | 0.5 |
| 41 | Rajkot Nagrik Sahakari Bank Limited | 7.5 | 6.9 | 1.6 | 2.1 | 1.3 | 1.2 |
| 42 | Rupee Co-operative Bank Limited | 2.5 | 2.2 | 0.9 | 1.1 | 0.9 | 0.8 |
| 43 | Sangli Urban Co-operative Bank Limited, Sangli | 7.3 | 7.1 | 0.3 | 1.1 | -0.5 | 0.0 |
| 44 | Saraswat Co-operative Bank Limited, Bombay | 6.2 | 5.7 | 1.3 | 1.4 | 0.5 | 0.5 |
| 45 | SBPP Co-operative Bank Limited, Killa Pardi | 7.0 | 6.6 | 1.3 | 2.7 | 0.5 | 0.5 |
| 46 | Shamrao Vithal Co-operative Bank Limited | 7.1 | 6.7 | 1.0 | 1.1 | 0.7 | 0.7 |
| 47 | Shikshak Sahakari Bank Limited, Nagpur | 6.0 | 5.5 | 0.5 | -0.4 | 0.4 | -0.7 |
| 48 | Solapur Janata Sahakari Bank Limited | 8.2 | 7.8 | 1.4 | 1.1 | -0.1 | -0.3 |
| 49 | Surat Peoples Co-operative Bank Limited | 7.8 | 6.9 | 1.2 | 0.7 | 0.5 | 0.5 |
| 50 | Thane Bharat Sahakari Bank Limited | 8.8 | 7.6 | 1.8 | 1.5 | 0.2 | 0.2 |
| 51 | TJSB Sahakari Bank | 7.5 | 7.0 | 1.4 | 1.5 | 0.8 | 1.1 |
| 52 | Vasai Vikas Sahakari Bank Limited | 7.9 | 7.4 | 1.9 | 1.0 | 0.3 | 0.9 |
| 53 | Zoroastrian Co-operative Bank Limited, Bombay | 7.7 | 6.9 | 0.7 | 0.6 | 0.2 | 0.4 |

**Note:** Data for 2020-21 are provisional.

## Appendix Table V.2: Indicators of Financial Performance: Scheduled UCBs *(Concluded)*

(As per cent to total assets)

| Sr. No. | Name of the Banks | Interest Expended | | Non-Interest Expenses | | Provisions and Contingencies | |
|---|---|---|---|---|---|---|---|
| | | 2019-20 | 2020-21 | 2019-20 | 2020-21 | 2019-20 | 2020-21 |
| 1 | 2 | 9 | 10 | 11 | 12 | 13 | 14 |
| 1 | Abhyudaya Co-operative Bank Limited, Mumbai | 5.2 | 4.7 | 3.0 | 3.3 | 0.3 | 0.3 |
| 2 | Ahmedabad Mercantile Co-operative Bank Limited | 4.5 | 4.1 | 1.6 | 1.5 | 0.3 | 0.3 |
| 3 | Akola Janata Commercial Co-operative Bank Limited, Akola | 4.4 | 4.1 | 2.7 | 2.7 | 0.2 | 0.2 |
| 4 | Akola Urban Co-operative Bank Limited, Akola | 4.5 | 3.8 | 4.1 | 2.4 | 0.0 | 1.1 |
| 5 | Amanath Co-operative Bank Limited, Bangalore | 0.3 | 0.2 | 0.8 | 0.6 | 0.0 | 0.0 |
| 6 | Andhra Pradesh Mahesh Co-operative Urban Bank Limited | 5.3 | 5.1 | 2.0 | 1.8 | 0.1 | 0.4 |
| 7 | Apna Sahakari Bank Limited | 5.3 | 5.1 | 2.7 | 2.4 | 0.3 | 1.9 |
| 8 | Bassein Catholic Co-operative Bank Limited | 5.3 | 4.8 | 1.3 | 1.2 | 0.7 | 0.1 |
| 9 | Bharat Co-operative Bank (Mumbai) Limited, Mumbai | 6.1 | 5.4 | 2.9 | 3.2 | 0.6 | 0.6 |
| 10 | Bharati Sahakari Bank Limited | 4.9 | 4.3 | 1.7 | 1.9 | 0.3 | 0.4 |
| 11 | Bombay Mercantile Co-operative Bank Limited | 2.5 | 2.2 | 3.3 | 3.5 | 0.3 | 0.3 |
| 12 | Citizen Credit Co-operative Bank Limited, Mumbai | 4.9 | 4.2 | 2.1 | 2.1 | 0.2 | 0.3 |
| 13 | Cosmos Co-operative Bank Limited | 5.3 | 4.8 | 3.4 | 3.1 | 1.9 | 1.8 |
| 14 | Dombivli Nagari Sahakari Bank Limited | 5.9 | 4.7 | 2.4 | 3.8 | 1.0 | 1.7 |
| 15 | Goa Urban Co-operative Bank Limited | 4.7 | 4.2 | 2.0 | 2.0 | 0.9 | 0.1 |
| 16 | Gopinath Patil Parsik Janata Sahakari Bank Limited, Thane | 4.8 | 4.2 | 2.4 | 2.3 | 0.5 | 0.7 |
| 17 | Greater Bombay Co-operative Bank Limited | 5.1 | 4.6 | 2.5 | 2.3 | 0.8 | 1.3 |
| 18 | Indian Mercantile Co-operative Bank Limited, Lucknow | 4.6 | 3.4 | 3.0 | 2.7 | -3.0 | 9.0 |
| 19 | Jalgaon Janata Sahakari Bank Limited | 4.8 | 4.4 | 2.5 | 2.0 | 0.6 | 1.2 |
| 20 | Jalgaon People's Co-operative Bank Limited | 5.4 | 4.2 | 2.4 | 2.4 | 1.7 | 0.9 |
| 21 | Janakalyan Sahakari Bank Limited, Mumbai | 5.2 | 4.6 | 2.9 | 2.4 | 0.1 | 0.8 |
| 22 | Janalaxmi Co-operative Bank Limited, Nashik | 2.0 | 2.1 | 1.6 | 2.6 | 0.0 | 0.0 |
| 23 | Janata Sahakari Bank Limited, Pune | 5.4 | 4.7 | 2.3 | 2.9 | 1.2 | 2.1 |
| 24 | Kallappanna Awade Ichalkaranji Janata Sahakari Bank Limited | 5.4 | 5.1 | 2.2 | 1.5 | 0.3 | 0.6 |
| 25 | Kalupur Commercial Co-operative Bank Limited | 4.1 | 3.8 | 1.4 | 1.3 | 0.7 | 0.4 |
| 26 | Kalyan Janata Sahakari Bank Limited, Kalyan | 5.5 | 5.0 | 2.4 | 2.5 | 0.0 | 0.3 |
| 27 | Kapol Co-operative Bank Limited, Mumbai | 3.0 | 2.5 | 3.8 | 3.1 | 2.8 | 1.2 |
| 28 | Karad Urban Co-operative Bank Limited | 5.6 | 5.0 | 2.6 | 2.2 | 0.5 | 0.9 |
| 29 | Khamgaon Urban Co-operative Bank Limited, Khamgaon | 4.5 | 3.7 | 2.6 | 2.1 | 0.8 | 0.8 |
| 30 | Mahanagar Co-operative Bank Limited, Mumbai | 4.9 | 4.5 | 2.5 | 2.2 | 0.6 | 0.6 |
| 31 | Mehsana Urban Co-operative Bank Limited | 5.6 | 4.9 | 1.1 | 1.0 | 0.6 | 0.9 |
| 32 | Nagar Urban Co-operative Bank Limited, Ahmednagar | 5.2 | 4.1 | 2.9 | 2.5 | 3.4 | 6.3 |
| 33 | Nagpur Nagrik Sahakari Bank Limited | 4.4 | 4.4 | 2.9 | 2.4 | 0.5 | 0.0 |
| 34 | Nasik Merchant's Co-operative Bank Limited | 5.8 | 4.6 | 2.4 | 2.1 | 1.7 | 1.2 |
| 35 | New India Co-operative Bank Limited, Mumbai | 6.0 | 4.4 | 2.5 | 2.2 | 1.1 | 0.2 |
| 36 | NKGSB Co-operative Bank Limited, Mumbai | 5.9 | 5.5 | 2.3 | 2.3 | 0.4 | 0.5 |
| 37 | Nutan Nagarik Sahakari Bank Limited, Ahmedabad | 5.3 | 4.8 | 1.8 | 1.7 | 0.1 | 0.3 |
| 38 | Pravara Sahakari Bank Limited | 5.0 | 5.3 | 2.7 | 2.5 | 1.1 | 1.7 |
| 39 | Punjab & Maharashtra Co-operative Bank Limited | 6.0 | 4.4 | 1.9 | 1.1 | 22.5 | 0.0 |
| 40 | Rajarambapu Sahakari Bank Limited | 6.2 | 5.6 | 1.5 | 1.5 | 0.7 | 0.8 |
| 41 | Rajkot Nagrik Sahakari Bank Limited | 5.1 | 4.6 | 1.3 | 1.3 | 0.2 | 0.5 |
| 42 | Rupee Co-operative Bank Limited | 1.3 | 1.1 | 1.2 | 1.1 | -0.1 | 0.3 |
| 43 | Sangli Urban Co-operative Bank Limited, Sangli | 5.7 | 5.0 | 2.4 | 2.1 | 0.7 | 1.1 |
| 44 | Saraswat Co-operative Bank Limited, Bombay | 4.4 | 4.1 | 1.5 | 1.5 | 0.5 | 0.5 |
| 45 | SBPP Co-operative Bank Limited, Killa Pardi | 3.9 | 3.4 | 2.1 | 2.3 | 0.4 | 1.9 |
| 46 | Shamrao Vithal Co-operative Bank Limited | 4.9 | 4.4 | 2.1 | 2.1 | 0.2 | 0.2 |
| 47 | Shikshak Sahakari Bank Limited, Nagpur | 4.0 | 4.2 | 2.5 | 2.6 | 0.0 | 0.3 |
| 48 | Solapur Janata Sahakari Bank Limited | 5.8 | 5.3 | 1.8 | 1.8 | 1.1 | 1.2 |
| 49 | Surat Peoples Co-operative Bank Limited | 6.0 | 5.7 | 1.2 | 1.9 | 0.4 | 0.2 |
| 50 | Thane Bharat Sahakari Bank Limited | 5.6 | 4.4 | 2.7 | 2.5 | 1.5 | 1.1 |
| 51 | TJSB Sahakari Bank | 4.8 | 4.3 | 2.0 | 2.1 | 0.1 | 0.1 |
| 52 | Vasai Vikas Sahakari Bank Limited | 5.5 | 4.9 | 1.8 | 1.9 | 1.9 | 0.1 |
| 53 | Zoroastrian Co-operative Bank Limited, Bombay | 5.2 | 4.6 | 2.1 | 2.0 | 0.3 | 0.2 |

**Notes:** Data for 2020-21 are provisional.

## Appendix Table V.3: Indicators of Financial Health of State Co-operative Banks

**(At end-March)**

(Amount in ₹ Lakh)

| Sr. No | Region/State | Amount of Profit/Loss | | NPAs as Percentage of Loans Outstanding | | Recovery to Demand (%) | |
|---|---|---|---|---|---|---|---|
| | | 2018-19 | 2019-20 | 31-Mar-19 | 31-Mar-20 | 30-Jun-18 | 30-Jun-19 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| | **Northern Region** | **17,168** | **22,210** | **2.2** | **2.1** | **96.2** | **98.8** |
| 1 | Chandigarh | 394 | 341 | 5.7 | 6.2 | 81.9 | 80.7 |
| 2 | Delhi | 2,225 | 2,072 | 1.6 | 1.4 | 85.8 | 97.0 |
| 3 | Haryana | 3,188 | 5,150 | 0.0 | 0.1 | 100.0 | 100.0 |
| 4 | Himachal Pradesh | 4,109 | 5,049 | 9.2 | 8.0 | 54.5 | 51.2 |
| 5 | Jammu & Kashmir | 138 | 1,489 | 4.4 | 5.1 | 34.0 | 79.5 |
| 6 | Punjab | 1,777 | 2,269 | 1.1 | 1.0 | 99.6 | 99.6 |
| 7 | Rajasthan | 5,337 | 5,840 | 0.2 | 0.2 | 90.3 | 98.8 |
| | **North-Eastern Region** | **6,298** | **5,956** | **8.9** | **8.6** | **46.7** | **46.9** |
| 8 | Arunachal Pradesh | -39 | -1,550 | 49.3 | 54.2 | 9.1 | 1.8 |
| 9 | Assam | 1,141 | 736 | 7.2 | 6.8 | 62.4 | 25.9 |
| 10 | Manipur | 65 | 200 | 32.6 | 29.5 | 6.1 | 44.7 |
| 11 | Meghalaya | 1,025 | 1,128 | 8.6 | 7.4 | 31.6 | 22.1 |
| 12 | Mizoram | 960 | 1,262 | 8.8 | 5.6 | 40.6 | 67.8 |
| 13 | Nagaland | 915 | 1,272 | 13.1 | 13.7 | 57.3 | 62.0 |
| 14 | Sikkim | 672 | 1,132 | 3.5 | 4.2 | 10.1 | 38.9 |
| 15 | Tripura | 1,559 | 1,775 | 3.5 | 3.8 | 81.0 | 86.9 |
| | **Eastern Region** | **6,033** | **17,051** | **4.3** | **4.7** | **95.5** | **93.2** |
| 16 | Andaman & Nicobar Islands | 1,057 | 367 | 16.7 | 48.1 | 73.0 | 38.4 |
| 17 | Bihar | 4,731 | 4,885 | 4.8 | 4.9 | 96.0 | 77.7 |
| 18 | Jharkhand | -9,673 | 264 | 52.4 | 51.6 | 40.4 | 64.3 |
| 19 | Odisha | 9,281 | 8,181 | 1.6 | 1.4 | 98.1 | 98.3 |
| 20 | West Bengal | 638 | 3,354 | 5.1 | 4.2 | 89.1 | 91.6 |
| | **Central Region** | **8,534** | **19,918** | **6.3** | **5.6** | **92.7** | **91.3** |
| 21 | Chhattisgarh | 899 | 2,576 | 3.2 | 3.0 | 69.1 | 93.9 |
| 22 | Madhya Pradesh | 2,124 | 12,789 | 6.3 | 5.4 | 92.0 | 92.9 |
| 23 | Uttar Pradesh | 4,202 | 4,328 | 8.0 | 5.9 | 94.9 | 83.3 |
| 24 | Uttarakhand | 1,309 | 225 | 4.0 | 9.3 | 98.6 | 97.2 |
| | **Western Region** | **32,891** | **40,115** | **6.6** | **8.6** | **86.2** | **82.8** |
| 25 | Goa | 3,462 | 4,442 | 8.6 | 10.4 | 86.4 | 85.9 |
| 26 | Gujarat | 4,294 | 3,173 | 2.0 | 1.3 | 96.7 | 94.8 |
| 27 | Maharashtra | 25,135 | 32,500 | 8.1 | 10.8 | 82.0 | 79.3 |
| | **Southern Region** | **45,686** | **67,152** | **2.6** | **8.6** | **97.6** | **98.5** |
| 28 | Andhra Pradesh | 10,041 | 9,991 | 1.3 | 1.2 | 98.4 | 99.7 |
| 29 | Karnataka | 5,000 | 5,100 | 4.3 | 3.7 | 98.3 | 97.2 |
| 30 | Kerala | 22,488 | 37,475 | 3.2 | 15.3 | 96.2 | 98.4 |
| 31 | Puducherry | -4,980 | 2,343 | 20.3 | 16.3 | 87.1 | 87.1 |
| 32 | Tamil Nadu | 8,605 | 9,017 | 2.1 | 2.7 | 99.7 | 99.6 |
| 33 | Telangana | 4,532 | 3,226 | 0.2 | 0.2 | 95.5 | 98.6 |
| | **All India** | **116,611** | **172,401** | **4.3** | **6.7** | **93.9** | **94.4** |

**Notes:** 1. Components may not add up to total due to rounding off.
2. Recovery for a financial year is as on 30th June.
3. During the year 2019-20, 13 of 14 DCCBs in Kerala (except Mallapuram DCCB) amalgamated with Kerala StCB.

**Source:** NABARD

## Appendix Table V.4: Indicators of Financial Health of District Central Co-operative Banks

(At end-March)

(Amount in ₹ Lakh)

| Sr. No. | Region/State | 2018-2019 | | | | | 2019-20 | | | | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | No. of DC-CBs | Profit | | Loss | | No. of DC-CBs | Profit | | Loss | | NPA to loans ratio (%) | Recov-ery to Demand (%) (At end-June)* | NPA to loans ratio (%) | Recov-ery to Demand (%) (At end-June)* |
| | | | No. of DC-CBs | Amt. | No of DC-CBs | Amt. | | No. of DC-CBs | Amt. | No of DC-CBs | Amt. | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| | **Northern region** | **73** | **58** | **12,132** | **15** | **14,329** | **73** | **58** | **15,599** | **15** | **16,950** | **9.2** | **68.5** | **10.8** | **75.1** |
| 1 | Haryana | 19 | 17 | 3,302 | 2 | 1,485 | 19 | 17 | 5,289 | 2 | 867 | 6.3 | 65.5 | 6.3 | 65.2 |
| 2 | Himachal Pradesh | 2 | 1 | 423 | 1 | 4,516 | 2 | 1 | 712 | 1 | 4,033 | 22.9 | 69.0 | 25.2 | 74.2 |
| 3 | Jammu & Kashmir | 3 | 0 | - | 3 | 3,195 | 3 | 0 | - | 3 | 4,276 | 29.9 | 43.6 | 37.2 | 39.2 |
| 4 | Punjab | 20 | 11 | 1,598 | 9 | 5,134 | 20 | 12 | 2,185 | 8 | 7,563 | 9.9 | 73.0 | 10.3 | 76.7 |
| 5 | Rajasthan | 29 | 29 | 6,809 | 0 | - | 29 | 28 | 7,412 | 1 | 211 | 5.2 | 67.8 | 8.9 | 83.5 |
| | **Eastern region** | **57** | **45** | **21,607** | **12** | **3,679** | **58** | **51** | **24,682** | **7** | **5,711** | **9.3** | **71.0** | **9.3** | **67.3** |
| 6 | Bihar | 22 | 13 | 573 | 9 | 2,312 | 23 | 16 | 1,415 | 7 | 5,711 | 22.1 | 39.2 | 17.7 | 29.7 |
| 7 | Jharkhand | 1 | 1 | 4 | 0 | - | 1 | 1 | 219 | 0 | - | 78.0 | 14.6 | 63.4 | 17.2 |
| 8 | Odisha | 17 | 16 | 13,805 | 1 | 78 | 17 | 17 | 14,791 | 0 | - | 6.6 | 71.2 | 7.3 | 67.1 |
| 9 | West Bengal | 17 | 15 | 7,225 | 2 | 1,289 | 17 | 17 | 8,258 | 0 | - | 10.2 | 78.8 | 9.8 | 76.9 |
| | **Central region** | **104** | **81** | **29,880** | **23** | **21,608** | **104** | **73** | **25,754** | **31** | **29,547** | **19.3** | **62.3** | **21.2** | **55.4** |
| 10 | Chattisgarh | 6 | 6 | 7,286 | 0 | - | 6 | 6 | 6,465 | 0 | - | 11.9 | 72.1 | 14.5 | 70.2 |
| 11 | Madhya Pradesh | 38 | 28 | 10,671 | 10 | 14,613 | 38 | 25 | 6,699 | 13 | 19,686 | 23.6 | 59.0 | 26.7 | 47.7 |
| 12 | Uttar Pradesh | 50 | 37 | 7,201 | 13 | 6,995 | 50 | 32 | 8,289 | 18 | 9,861 | 15.8 | 61.8 | 13.9 | 62.6 |
| 13 | Uttarakhand | 10 | 10 | 4,723 | 0 | - | 10 | 10 | 4,301 | 0 | - | 8.7 | 79.6 | 12.1 | 75.0 |
| | **Western region** | **49** | **41** | **55,224** | **8** | **53,164** | **49** | **45** | **75,883** | **4** | **47,935** | **16.0** | **64.6** | **16.2** | **61.9** |
| 14 | Gujarat | 18 | 18 | 18,401 | 0 | - | 18 | 18 | 18,093 | 0 | - | 5.4 | 89.8 | 5.4 | 90.5 |
| 15 | Maharashtra | 31 | 23 | 36,823 | 8 | 53,164 | 31 | 27 | 57,790 | 4 | 47,935 | 19.4 | 53.9 | 20.1 | 49.7 |
| | **Southern region** | **80** | **78** | **51,012** | **2** | **5,807** | **67** | **64** | **46,738** | **3** | **3,922** | **7.6** | **88.4** | **6.9** | **87.7** |
| 16 | Andhra Pradesh | 13 | 13 | 4,743 | 0 | - | 13 | 12 | 4,773 | 1 | 1,411 | 4.9 | 90.9 | 5.8 | 90.8 |
| 17 | Karnataka | 21 | 20 | 12,724 | 1 | 3,634 | 21 | 20 | 14,152 | 1 | 1,788 | 6.3 | 90.2 | 6.1 | 88.1 |
| 18 | Kerala | 14 | 13 | 8,720 | 1 | 2,173 | 1 | 1 | 315 | 0 | - | 10.4 | 87.3 | 15.5 | 77.8 |
| 19 | Tamil Nadu | 23 | 23 | 21,149 | 0 | - | 23 | 23 | 24,641 | 0 | - | 7.0 | 86.2 | 7.1 | 85.6 |
| 20 | Telangana | 9 | 9 | 3,676 | 0 | - | 9 | 8 | 2,857 | 1 | 723 | 5.3 | 87.6 | 7.5 | 87.0 |
| | **All India** | **363** | **303** | **169,856** | **60** | **98,588** | **351** | **291** | **188,656** | **60** | **104,066** | **11.8** | **72.0** | **12.6** | **70.2** |

**Notes:** 1. Components may not add up to the total /s due to rounding off.

2. Recovery for a financial year is taken as on 30th June.

3. During the year 2019-20, 13 of 14 DCCBs in Kerala (except Mallapuram DCCB) amalgamated with Kerala StCB and Supaul DCCB was formed in Bihar.

**Source:** NABARD.

## Appendix Table V.5: Primary Agricultural Credit Societies

(Amount in ₹ crore)

| Item | As at end-March | | Percentage Variation | |
|---|---|---|---|---|
| | 2019 | 2020 | 2018-19 | 2019-20 |
| 1 | 2 | 3 | 4 | 5 |
| **A. Liabilities** | | | | |
| 1. Total Resources (2+3+4) | 3,14,128 | 3,47,788 | 12.63 | 10.72 |
| 2. Owned Funds (a+b) | 42,196 | 43,741 | 36.37 | 3.66 |
| a. Paid-up Capital | 22,817 | 22,994 | 61.34 | 0.78 |
| *of which,* Government Contribution | 1,323 | 649 | 63.94 | -50.94 |
| b. Total Reserves | 19,379 | 20,747 | 15.35 | 7.06 |
| 3. Deposits | 1,33,010 | 1,65,476 | 11.18 | 24.41 |
| 4. Borrowings | 1,38,922 | 1,38,571 | 8.25 | -0.25 |
| 5. Working Capital | 2,96,554 | 3,25,322 | 21.76 | 9.70 |
| **Assets** | | | | |
| 1. Total Loans Outstanding (a+b) | 1,15,048 | 2,12,360 | -32.18 | 84.58 |
| a) Short-Term | 93,919 | 1,86,249 | -22.27 | 98.31 |
| b) Medium-Term | 21,129 | 26,111 | -56.71 | 23.58 |

**Note:** Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹ Crore
**Source:** NAFSCOB

## Appendix Table V.6: Select Indicators of Primary Agricultural Credit Societies-State-wise (*Continued*)

(At end-March 2020)

(Amount in ₹ Lakh)

| Sr. No. | State | Number of PACS | Deposits | Working Capital | Loans and Advances Outstanding | | Societies in Profit | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Agriculture | Non-Agri-culture | Number | Amount |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | **Northern region** | **14,072** | **17,14,856** | **51,15,374** | **14,07,189** | **94,946** | **9,817** | **1,79,039** |
| 1 | Chandigarh | 17 | 0 | 6 | 0 | 0 | 13 | 0 |
| 2 | Haryana | 769 | 99,076 | 12,88,770 | 5,66,994 | 28,174 | 218 | 1,234 |
| 3 | Himachal Pradesh | 2,175 | 6,25,074 | 7,84,050 | 1,51,960 | 23,523 | 1,876 | 67 |
| 4 | Jammu & Kashmir* | 620 | 323 | 3,772 | 4,659 | 670 | 484 | 58 |
| 5 | Punjab | 3,922 | 7,37,177 | 16,14,134 | 6,83,576 | 42,579 | 2,124 | 6,849 |
| 6 | Rajasthan | 6,569 | 2,53,206 | 14,24,642 | N.A. | N.A. | 5,102 | 1,70,832 |
| | **North-Eastern region** | **3,556** | **12,722** | **46,351** | **5,503** | **938** | **817** | **8,934** |
| 7 | Arunachal Pradesh* | 34 | 0 | 1,940 | 0 | 0 | 13 | 452 |
| 8 | Assam* | 766 | 0 | 11,123 | 575 | 20 | 309 | 7,639 |
| 9 | Manipur* | 261 | 162 | 682 | 48 | 31 | 131 | 26 |
| 10 | Meghalaya* | 179 | 1,565 | 4,344 | 2,636 | 45 | 53 | 93 |
| 11 | Mizoram | 153 | 1,908 | 461 | 621 | 361 | 27 | 314 |
| 12 | Nagaland* | 1,719 | 6,419 | 11,245 | 197 | 357 | N.A. | N.A. |
| 13 | Sikkim | 176 | 426 | 2,451 | 1,254 | 68 | 91 | 21 |
| 14 | Tripura | 268 | 2,241 | 14,105 | 172 | 57 | 193 | 390 |
| | **Eastern region** | **18,627** | **3,79,452** | **15,68,757** | **7,10,831** | **44,148** | **4,271** | **8,408** |
| 15 | Andaman & Nicobar Islands | 58 | 114 | 1,285 | 179 | 0 | 17 | 21 |
| 16 | Bihar* | 8,463 | 17,533 | 50,816 | 0 | 0 | 1,180 | 604 |
| 17 | Jharkhand | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| 18 | Odisha* | 2,701 | 1,53,769 | 10,23,078 | 5,64,749 | 14,672 | 727 | 4,417 |
| 19 | West Bengal* | 7,405 | 2,08,036 | 4,93,578 | 1,45,903 | 29,476 | 2,347 | 3,366 |
| | **Central region** | **15,709** | **2,70,213** | **16,26,830** | **7,58,323** | **51,309** | **8,065** | **24,777** |
| 20 | Chhattisgarh* | 1,617 | 63,145 | 5,49,825 | 2,06,713 | 10,435 | 842 | 9,041 |
| 21 | Madhya Pradesh* | 4,457 | 81,731 | 6,45,546 | 3,39,959 | 11,892 | 2,153 | 13,124 |
| 22 | Uttarakhand | 706 | 1,18,517 | 3,05,532 | 1,31,621 | 28,982 | 534 | 838 |
| 23 | Uttar Pradesh* | 8,929 | 6,820 | 1,25,927 | 80,031 | 0 | 4,536 | 1,774 |
| | **Western region** | **29,052** | **1,23,820** | **36,56,694** | **22,81,853** | **3,15,296** | **15,162** | **10,786** |
| 24 | Goa | 78 | 9,607 | 15,452 | 1,503 | 3,141 | 48 | 268 |
| 25 | Gujarat | 8,823 | 91,156 | 15,57,674 | 12,72,623 | 42,095 | 6,375 | 9,912 |
| 26 | Maharashtra | 20,151 | 23,057 | 20,83,568 | 10,07,727 | 2,70,061 | 8,739 | 607 |
| | **Southern region** | **14,493** | **1,40,46,542** | **2,05,18,177** | **37,46,895** | **15,91,973** | **8,895** | **4,21,159** |
| 27 | Andhra Pradesh* | 1,992 | 2,30,027 | 13,60,941 | 8,68,742 | 1,91,062 | 1,358 | 3,05,258 |
| 28 | Telangana* | 799 | 39,876 | 5,72,499 | 4,22,881 | 29,309 | 502 | 14,031 |
| 29 | Karnataka | 5,481 | 12,90,269 | 29,34,583 | 14,08,485 | 6,38,816 | 3,966 | 3,938 |
| 30 | Kerala | 1,643 | 1,15,90,200 | 1,30,12,397 | N.A. | N.A. | 964 | 78,897 |
| 31 | Puducherry | 53 | 17,260 | 24,429 | 1,018 | 16,242 | 15 | 165 |
| 32 | Tamil Nadu | 4,525 | 8,78,911 | 26,13,328 | 10,45,769 | 7,16,544 | 2,090 | 18,871 |
| | **All India** | **95,509** | **1,65,47,604** | **3,25,32,183** | **89,10,595** | **20,98,610** | **47,027** | **6,53,104** |

n.a.: not applicable. N.A.: Not Available.

**Notes:** 1. *: Data relate to previous year

2. Components may not add up to the exact total /s due to rounding off.

**Source**: NAFSCOB

## Appendix Table V.6: Select Indicators of Primary Agricultural Credit Societies-State-wise (*Concluded*)

(At end-March 2020)

(Amount in ₹ lakhs)

| Sr. No. | State | Societies in Loss | | Viable | Potentially viable | Dormant | Defunct | Others |
|---|---|---|---|---|---|---|---|---|
| | | Number | Amount | | | | | |
| 1 | 2 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| | **Northern Region** | **3,698** | **59,939** | **5,159** | **1,702** | **265** | **270** | **6,676** |
| 1 | Chandigarh | 4 | 0 | 13 | 0 | 0 | 4 | 0 |
| 2 | Haryana | 512 | 2,561 | 657 | 73 | 26 | 0 | 13 |
| 3 | Himachal Pradesh | 220 | 7 | 512 | 1,528 | 46 | 53 | 36 |
| 4 | Jammu & Kashmir* | 105 | 2 | 458 | 48 | 12 | 91 | 11 |
| 5 | Punjab | 1,440 | 5,188 | 3519 | 53 | 181 | 122 | 47 |
| 6 | Rajasthan | 1,417 | 52,182 | N.A. | N.A. | N.A. | N.A. | 6,569 |
| | **North-Eastern Region** | **773** | **11,528** | **1,857** | **496** | **690** | **429** | **84** |
| 7 | Arunachal Pradesh* | 19 | 717 | 20 | 5 | 4 | 5 | 0 |
| 8 | Assam* | 419 | 9,909 | 709 | 57 | 0 | 0 | 0 |
| 9 | Manipur* | 99 | 40 | 122 | 71 | 23 | 45 | 0 |
| 10 | Meghalaya* | 126 | 756 | 116 | 55 | 8 | 0 | 0 |
| 11 | Mizoram | 5 | 13 | 29 | 40 | 0 | 0 | 84 |
| 12 | Nagaland* | N.A. | N.A. | 457 | 228 | 655 | 379 | 0 |
| 13 | Sikkim | 30 | 4 | 136 | 40 | 0 | 0 | 0 |
| 14 | Tripura | 75 | 89 | 268 | 0 | 0 | 0 | 0 |
| | **Eastern Region** | **9,845** | **27,996** | **14,173** | **2,864** | **587** | **413** | **590** |
| 15 | Andaman &Nicobar Island | 27 | 115 | 41 | 12 | 3 | 2 | 0 |
| 16 | Bihar* | 3,962 | 94 | 8,463 | 0 | 0 | 0 | 0 |
| 17 | Jharkhand | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| 18 | Odisha* | 1,878 | 26,358 | 1,721 | 604 | 10 | 1 | 365 |
| 19 | West Bengal* | 3,978 | 1,429 | 3,948 | 2,248 | 574 | 410 | 225 |
| | **Central Region** | **4,759** | **25,683** | **12,545** | **2,473** | **390** | **168** | **133** |
| 20 | Chhattisgarh* | 491 | 7,610 | 1,178 | 439 | 0 | 0 | 0 |
| 21 | Madhya Pradesh* | 2,129 | 17,824 | 3,663 | 720 | 4 | 0 | 70 |
| 22 | Uttarakhand | 171 | 96 | 589 | 45 | 4 | 5 | 63 |
| 23 | Uttar Pradesh* | 1,968 | 153 | 7,115 | 1,269 | 382 | 163 | 0 |
| | **Western Region** | **13,437** | **17,551** | **20,937** | **7,148** | **488** | **315** | **164** |
| 24 | Goa | 14 | 20 | 69 | 4 | 4 | 1 | 0 |
| 25 | Gujarat | 1,754 | 16,787 | 5,449 | 2,480 | 430 | 300 | 164 |
| 26 | Maharashtra | 11,669 | 743 | 15,419 | 4,664 | 54 | 14 | 0 |
| | **Southern Region** | **4,857** | **6,89,812** | **10,438** | **2,701** | **463** | **60** | **831** |
| 27 | Andhra Pradesh* | 634 | 3,63,883 | 1,498 | 330 | 28 | 3 | 133 |
| 28 | Telangana | 289 | 17,322 | 744 | 54 | 1 | 0 | 0 |
| 29 | Karnataka | 1,381 | 1,158 | 3,920 | 1,016 | 285 | 46 | 214 |
| 30 | Kerala | 632 | 1,86,138 | 1,643 | 0 | 0 | 0 | 0 |
| 31 | Puducherry | 38 | 2,575 | 15 | 38 | 0 | 0 | 0 |
| 32 | Tamil Nadu | 1,883 | 1,18,736 | 2,618 | 1,263 | 149 | 11 | 484 |
| | **All India** | **37,369** | **8,32,507** | **65,109** | **17,384** | **2,883** | **1,655** | **8,478** |

n.a. : not applicable. N.A.: Not Available.

**Notes:** 1. *:Data relate to previous year.

2. Components may not add up to the exact total /s due to rounding off.

**Source:** NAFSCOB.

## Appendix Table V.7: Details of Members and Borrowers of Primary Agricultural Credit Societies

(Numbers in thousands)

| All India | Members | | Borrowers | |
|---|---|---|---|---|
| | 2019 | 2020 | 2019 | 2020 |
| 1 | 2 | 3 | 4 | 5 |
| Scheduled Castes | 14,732 | 15,886 | 4,255 | 4,044 |
| Scheduled Tribes | 9,080 | 9,087 | 2,958 | 2,572 |
| Small Farmers | 37,491 | 35,959 | 13,923 | 12,449 |
| Rural Artisans | 3,355 | 2,996 | 1,081 | 762 |
| Others and Marginal Farmers | 67,371 | 74,230 | 28,841 | 32,728 |

**Source:** NAFSCOB.

## Appendix Table V.8: Liabilities and Assets of State Co-operative Agriculture and Rural Development Banks

(Amount in ₹ Crore)

| Item | As at End-March | | Percentage Variation | |
|---|---|---|---|---|
| | 2019 | 2020P | 2018-19 | 2019-20 |
| 1 | 2 | 3 | 4 | 5 |
| **Liabilities** | | | | |
| 1. Capital | 939 | 939 | -0.6 | -0.1 |
| | (3.3) | (3.4) | | |
| 2. Reserves | 3,550 | 3,921 | 5.7 | 10.5 |
| | (12.6) | (14.4) | | |
| 3. Deposits | 2,434 | 2,409 | 4 | -1 |
| | (8.6) | (8.8) | | |
| 4. Borrowings | 15,098 | 13,710 | -2 | -9.2 |
| | (53.9) | (50.5) | | |
| 5. Other Liabilities | 5,976 | 6,125 | -14 | 2.5 |
| | (21.3) | (22.5) | | |
| **Assets** | | | | |
| 1. Cash and Bank Balances | 257 | 174 | -6.5 | -32.2 |
| | (0.9) | (0.6) | | |
| 2. Investments | 3,302 | 2,499 | -6.6 | -24.3 |
| | (11.7) | (9.2) | | |
| 3. Loans and Advances | 20,651 | 20,700 | -0.7 | 0.2 |
| | (73.7) | (76.3) | | |
| 4.Accumulated Losses | 568 | 547 | 13 | -3.8 |
| | (2) | (2) | | |
| 5. Other Assets | 3,219 | 3,183 | -17.3 | -1.1 |
| | (11.4) | (11.7) | | |
| **Total Liabilities/Assets** | **27,997** | **27,104** | **-3.4** | **-3.2** |
| | **(100)** | **(100)** | | |

**Notes:** 1. Figures in parentheses are proportion to total liabilities/assets (in per cent).
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹1 Crore in the Table.
3. Components may not add up to the total due to rounding off
4. P- Provisional

**Source:** NABARD

## Appendix Table V.9: Financial Performance of State Co-operative Agriculture and Rural Development Banks

(Amount in ₹ Crore)

| Sr. No. | Item | As during | | Percentage Variation | |
|---|---|---|---|---|---|
| | | 2018-19 | 2019-20P | 2018-19 | 2019-20 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| **A** | **Income (i+ii)** | **2,510** | **2,586** | **5.3** | **3.0** |
| | | **(100.00)** | **(100.00)** | | |
| i | Interest Income | 2,427 | 2,378 | 6.1 | -2.0 |
| | | (96.6) | (91.9) | | |
| ii | Other Income | 83 | 208 | -14.2 | 150.0 |
| | | (3.3) | (8) | | |
| **B** | **Expenditure (i+ii+iii+iv)** | **2,559** | **2,334** | **6.9** | **-8.8** |
| i | Interest Expended | 1,376 | 1,296 | -8.4 | -5.8 |
| | | (53.7) | (55.5) | | |
| ii | Provisions and Contingencies | 394 | 437 | -12.8 | 10.7 |
| | | (15.4) | (18.7) | | |
| iii | Operating Expenses | 454 | 397 | 13.1 | -12.5 |
| | | (17.7) | (17) | | |
| | Of which, Wage Bill | 377 | 339 | 9.8 | -10.2 |
| | | (14.7) | (14.5) | | |
| iv | Other Expenditure | 335 | 204 | 792.6 | -39.0 |
| | | (13) | (8.7) | | |
| **C** | **Profits** | | | | |
| i | Operating Profits | 345 | 689 | -22.0 | 99.6 |
| ii | Net Profits/Loss | -49 | 252 | | |

**Notes:** 1. Figures in parentheses are proportion to total income/expenditure (in per cent).
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹1 Crore in the Table
3. Components may not add up to the total due to rounding off
4. P- Provisional

**Source:** NABARD

## Appendix Table V.10: Asset Quality of State Co-operative Agriculture and Rural Development Banks

(Amount in ₹ Crore)

| Item | As at end- March | | Percentage Variation | |
|---|---|---|---|---|
| | 2019 | 2020P | 2018-19 | 2019-20 |
| 1 | 2 | 3 | 4 | 5 |
| **A. Total NPAs (i+ii+iii)** | **5,477** | **6,836** | **5.2** | **24.8** |
| i) Sub-standard | 2,118 | 2,518 | 8.9 | 18.9 |
| | (38.6) | (36.8) | | |
| ii) Doubtful | 3,325 | 4,285 | 2.2 | 28.9 |
| | (60.7) | (62.6) | | |
| iii) Loss | 34 | 34 | 279.7 | -0.8 |
| | (0.6) | (0.4) | | |
| **B. NPAs to Loans Ratio (%)** | **26.5** | **33.0** | - | - |
| **C. Recovery to Demand Ratio (%)** | **46.1** | **43.1** | - | - |

**Notes:** 1. Figures in parentheses are proportions to total NPAs.
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹1 Crore.
3. Components may not add up to the total due to rounding off.
4. P- Provisional

**Source:** NABARD

## Appendix Table V.11: Major Financial Indicators of State Co-operative Agriculture and Rural Development Banks

(At end-March)

(Amount ₹ Lakh)

| Sr. No. | Region/State | Branches | Profit / Loss | | NPAs to Loans ratio (%) | | Recovery Ratio (%) (at End-June) | |
|---|---|---|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020P | 2019 | 2020P | 2018 | 2019 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | **Northern region** | | | | | | | |
| 1 | Haryana @ | 19 | -7,638 | 6,350 | 83.5 | 81.0 | 10.7 | 16.7 |
| 2 | Himachal Pradesh # | 51 | 23 | -1,210 | 25.5 | 33.0 | 47.6 | 33.3 |
| 3 | Jammu & Kashmir* | 51 | -1,193 | -2,237 | 27.0 | 32.1 | 30.4 | 38.4 |
| 4 | Punjab @ | 89 | 120 | 227 | 17.1 | 27.7 | 67.8 | 54.1 |
| 5 | Rajasthan @ | 7 | 4,420 | 2,971 | 44.2 | 51.0 | 38.4 | 28.8 |
| | **North-eastern region** | | | | | | | |
| 6 | Assam* | - | - | - | - | - | - | - |
| 7 | Tripura* | 5 | -12 | 85 | 99.0 | 98.2 | 40.5 | 16.9 |
| | **Eastern region** | | | | | | | |
| 8 | Bihar* | - | - | - | - | - | - | - |
| 9 | Odisha @ | - | - | - | - | - | - | - |
| 10 | West Bengal # | 11 | 323 | 358 | 23.9 | 24.0 | 41.3 | 35.7 |
| | **Central region** | | | | | | | |
| 11 | Chhattisgarh @ | - | - | - | - | - | - | - |
| 12 | Madhya Pradesh @ | - | - | - | - | - | - | - |
| 13 | Uttar Pradesh* | 323 | -8,451 | 9,770 | 38.4 | 72.1 | 25.3 | 27.1 |
| | **Western region** | | | | | | | |
| 14 | Gujarat* | 176 | 2,102 | 2,525 | 54.8 | 56.1 | 32.7 | 34.6 |
| 15 | Maharashtra @ | - | - | - | - | - | - | - |
| | **Southern region** | | | | | | | |
| 16 | Karnataka @ | 25 | 76 | 76 | 29.3 | 31.4 | 32.6 | 25.9 |
| 17 | Kerala @ | 14 | 2,566 | 2,868 | 2.2 | 5.8 | 95.4 | 88.0 |
| 18 | Puducherry* | 1 | -44 | -25 | 8.4 | 7.6 | 93.0 | 92.8 |
| 19 | Tamil Nadu @ | 19 | 2,762 | 3,440 | 15.7 | 12.1 | 85.6 | 86.2 |
| | **All India** | **791** | **-4,946** | **25,198** | **26.5** | **33.0** | **46.1** | **43.1** |

@ : Federal structure. # : Mixed structure. * : Unitary structure. -: Not applicable.

**Notes:** 1. Components may not add up to the exact total/s due to rounding off.

2. In Chhattisgarh the Short-Term coop credit structure merged with Long Term during 2014-15. Also, Assam, Bihar, Odisha, Madhya Pradesh and Maharashtra are no longer functional SCARDBs.

3. *Recovery for the financial year is taken as on 30th June.

4. P-Provisional

**Source:** NABARD

## Appendix Table V.12: Liabilities and Assets of Primary Co-operative Agriculture and Rural Development Banks

(Amount in ₹ Crore)

| Item | As at end-March | | Percentage Variation | |
|---|---|---|---|---|
| | 2019 | 2020P | 2018-19 | 2019-20 |
| 1 | 2 | 3 | 4 | 5 |
| **Liabilities** | | | | |
| 1. Capital | 1,068 | 1,056 | 1.4 | -1.1 |
| | (3.5) | (3.3) | | |
| 2. Reserves | 1,741 | 2,616 | -22.1 | 50.3 |
| | (5.7) | (8.3) | | |
| 3. Deposits | 1,303 | 1,372 | -0.2 | 5.3 |
| | (4.3) | (4.3) | | |
| 4. Borrowings | 16,101 | 16,643 | -1.5 | 3.4 |
| | (53.4) | (53.1) | | |
| 5. Other Liabilities | 9,894 | 9,650 | 3 | -2.5 |
| | (32.8) | (30.7) | | |
| **Assets** | | | | |
| 1. Cash and Bank Balances | 441 | 378 | 1.2 | -14.3 |
| | (1.4) | (1.2) | | |
| 2. Investments | 2,019 | 2,065 | -11.7 | 2.3 |
| | (6.7) | (6.5) | | |
| 3. Loans and Advances | 15,594 | 15,819 | -1.4 | 1.4 |
| | (51.7) | (50.4) | | |
| 4. Accumulated Losses | 4,844 | 5,479 | 9.7 | 13.1 |
| | (16) | (17.4) | | |
| 5. Other Assets | 7,209 | 7,595 | -5 | 5.3 |
| | (23.9) | (24.2) | | |
| **Total Liabilities/Assets** | **30,108** | **31,337** | **-1.4** | **4.1** |
| | **(100)** | **(100)** | | |

**Notes:** 1. Figures in parentheses are proportion to total liabilities/assets (in per cent).
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹ 1Crore in the Table.
3. Components may not add up to the total due to rounding off.
4. Provisional Data for 2020.

**Source:** NABARD.

## Appendix Table V.13: Financial Performance of Primary Co-operative Agriculture and Rural Development Banks

(Amount in ₹ Crore)

| Item | As during | | Percentage Variation | |
|---|---|---|---|---|
| | 2018-19 | 2019-20P | 2018-19 | 2019-20 |
| 1 | 2 | 3 | 4 | 5 |
| **A. Income (i+ii)** | **2,523** | **2,659** | **2.4** | **5.4** |
| | **(100)** | **(100)** | | |
| i. Interest Income | 1,953 | 2,020 | -2 | 3.5 |
| | (77.3) | (75.9) | | |
| ii. Other Income | 570 | 638 | 20.8 | 12 |
| | (22.6) | (24) | | |
| **B. Expenditure (i+ii+iii)** | **2,964** | **3,230** | **-0.4** | **8.9** |
| i. Interest Expended | 1,725 | 1,733 | -3.4 | 0.5 |
| | (53.3) | (53.6) | | |
| ii. Provisions and Contingencies | 771 | 1,013 | 3.1 | 31.3 |
| | (23.8) | (31.3) | | |
| iii. Operating Expenses | 469 | 484 | 6.2 | 3.3 |
| | (14.5) | (14.9) | | |
| *Of which*, Wage Bill | 319 | 274 | -3.5 | -13.9 |
| | (9.8) | (8.4) | | |
| **C. Profits** | | | | |
| i. Operating Profit | 330 | 442 | 39.1 | 34.16 |
| ii. Net Profit | -442 | -571 | | |

**Notes:** 1. Figures in parentheses are proportion to total income/expenditure (in per cent).
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹1 Crore in the Table
3. Components may not add up to the total due to rounding off.
4. Provisional Data for 2020

**Source:** NABARD.

## Appendix Table V.14: Asset Quality of Primary Co-operative Agriculture and Rural Development Banks

(Amount in ₹ Crore)

| Item | As at end-March | | Percentage Variation | |
|---|---|---|---|---|
| | 2019 | 2020P | 2018-19 | 2019-20 |
| 1 | 2 | 3 | 4 | 5 |
| **A. Total NPAs (i+ii+iii)** | **6,121** | **6,815** | **1.0** | **11.3** |
| i) Sub-standard | 3,137 | 3,531 | -6.8 | 12.5 |
| | (51.2) | (51.8) | | |
| ii) Doubtful | 2,940 | 3,263 | 10.4 | 11.0 |
| | (48) | (47.8) | | |
| iii) Loss | 44 | 21 | 52.9 | -52.4 |
| | (0.7) | (0.3) | | |
| **B. NPAs to Loans Ratio (%)** | **39** | **43** | **-** | **-** |
| **C. Recovery to Demand Ratio (%)** | **41** | **44** | **-** | **-** |

**Notes:** 1. Figures in parentheses are proportions to total NPAs.
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹1 Crore.
3. Components may not add up to the total due to rounding off.
4. Provisional Data for 2020.
5. Recovery for the financial year is taken as on 30th June.

**Source:** NABARD

## Appendix Table V.15: Major Financial Indicators of Primary Co-operative Agriculture and Rural Developments Banks – State-wise

(Amount in ₹ Lakh)

| State | 2018-19 | | | | 2019-20P | | | | NPAs to Loans ratio (per cent) | | Recovery Ratio (per cent) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Profit | | Loss | | Profit | | Loss | | | | (at End-June) | |
| | Number | Amount | Number | Amount | Number | Amount | Number | Amount | 2019 | 2020 | 2019 | 2020 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| **Northern Region** | **42** | **1,893** | **103** | **38,143** | **42** | **2,815** | **103** | **27,331** | **63** | **68** | **23** | **25** |
| Haryana | 0 | 0 | 19 | 19,885 | 4 | 264 | 15 | 9,411 | 79 | 82 | 10 | 22 |
| Himachal Pradesh | 0 | 0 | 1 | 231 | 0 | 0 | 1 | 442 | 33 | 51 | 58 | 49 |
| Punjab | 25 | 1,467 | 64 | 11,737 | 18 | 1,131 | 71 | 12,750 | 65 | 73 | 25 | 25 |
| Rajasthan | 17 | 426 | 19 | 6,289 | 20 | 1,419 | 16 | 4,728 | 41 | 45 | 34 | 30 |
| **Central Region** | - | - | - | - | - | - | - | - | - | - | - | - |
| Chhattisgarh | - | - | - | - | - | - | - | - | - | - | - | - |
| Madhya Pradesh | - | - | - | - | - | - | - | - | - | - | - | - |
| **Eastern Region** | **9** | **1,551** | **15** | **2,647** | **8** | **527** | **16** | **2,089** | **35** | **34** | **40** | **36** |
| Odisha | - | - | - | - | - | - | - | - | - | - | - | - |
| West Bengal | 9 | 1,551 | 15 | 2,647 | 8 | 527 | 16 | 2,089 | 35 | 34 | 40 | 36 |
| **Western Region** | - | - | - | - | - | - | - | - | - | - | - | - |
| Maharashtra | - | - | - | - | - | - | - | - | - | - | - | - |
| **Southern Region** | **220** | **6,883** | **213** | **13,703** | **177** | **5,235** | **256** | **36,239** | **26** | **32** | **65** | **67** |
| Karnataka | 25 | 696 | 153 | 10,890 | 41 | 1,709 | 137 | 10,444 | 25 | 25 | 43 | 40 |
| Kerala | 52 | 3,227 | 23 | 2,391 | 18 | 554 | 57 | 25,030 | 28 | 37 | 65 | 64 |
| Tamil Nadu | 143 | 2,960 | 37 | 422 | 118 | 2,973 | 62 | 765 | 14 | 10 | 87 | 93 |
| **All India** | **271** | **10,327** | **331** | **54,493** | **227** | **8,578** | **375** | **65,659** | **39** | **43** | **41** | **44** |

**Notes:** 1. Components may not add up to the exact total due to rounding off.
2. In Chhattisgarh, the Short-term co-operative credit structure merged with Long-term during 2014-15.
3. Also Maharashtra, Madhya Pradesh and Odisha structures are no longer functional.
4. Recovery for the financial year is taken as on 30th June.
5. Data for 2019-20 are Provisional.

**Source:** NABARD

## Appendix Table VI.1 : Consolidated Balance Sheet of NBFCs

(Amount in ₹ crore)

| Item | End-March 2017 | End-March 2018 | End-March 2019 | End-March 2020 | End-March 2021 | End-September 2021 | Percentage variation 2020-21 |
|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1. Share Capital | 84,583 | 94,807 | 1,03,244 | 1,23,924 | 1,26,154 | 1,26,638 | 1.8 |
| 2. Reserves & Surplus | 3,10,973 | 3,90,222 | 4,45,614 | 4,89,887 | 6,50,060 | 6,85,924 | 32.7 |
| 3. Public Deposits | 30,210 | 30,129 | 40,057 | 50,022 | 62,262 | 66,443 | 24.5 |
| 4. Total Borrowings (A+B) | 12,97,189 | 16,84,663 | 20,02,808 | 21,69,849 | 23,45,668 | 23,23,778 | 8.1 |
| A. Secured Borrowings | 6,70,434 | 9,19,538 | 11,06,917 | 12,55,000 | 13,28,811 | 12,73,723 | 5.9 |
| A.1. Debentures | 3,34,380 | 4,90,070 | 5,21,003 | 5,12,914 | 5,54,040 | 5,60,197 | 8.0 |
| A.2. Borrowings from Banks | 2,69,650 | 3,53,415 | 4,89,732 | 5,71,474 | 6,19,129 | 5,62,144 | 8.3 |
| A.3. Borrowings from FIs | 21,717 | 22,885 | 29,027 | 57,262 | 45,472 | 44,453 | -20.6 |
| A.4. Interest Accrued | 18,330 | 20,692 | 16,958 | 17,718 | 21,786 | 20,430 | 23.0 |
| A.5. Others | 26,357 | 32,476 | 50,196 | 95,632 | 88,384 | 86,498 | -7.6 |
| B. Un-Secured Borrowings | 6,26,755 | 7,65,125 | 8,95,891 | 9,14,849 | 10,16,857 | 10,50,053 | 11.2 |
| B.1. Debentures | 2,86,112 | 3,36,171 | 3,40,905 | 3,91,741 | 4,30,408 | 4,28,144 | 9.9 |
| B.2. Borrowings from Banks | 37,690 | 59,746 | 1,19,964 | 1,22,444 | 1,56,362 | 1,68,596 | 27.7 |
| B.3. Borrowings from FIs | 7,320 | 8,318 | 9,700 | 5,871 | 10,729 | 11,409 | 82.8 |
| B.4. Borrowings from Relatives | 1,748 | 2,324 | 1,994 | 2,642 | 3,638 | 3,342 | 37.7 |
| B.5. Inter-Corporate Borrowings | 40,535 | 54,100 | 72,103 | 77,032 | 76,839 | 87,189 | -0.3 |
| B.6. Commercial Paper | 1,22,341 | 1,36,072 | 1,42,966 | 64,877 | 70,631 | 71,990 | 8.9 |
| B.7. Interest Accrued | 20,163 | 21,165 | 17,598 | 18,935 | 19,069 | 18,768 | 0.7 |
| B.8. Others | 1,10,846 | 1,47,228 | 1,90,661 | 2,31,308 | 2,49,180 | 2,60,617 | 7.7 |
| 5. Current Liabilities & Provisions | 1,23,256 | 1,55,439 | 2,33,415 | 2,47,595 | 2,91,191 | 3,07,890 | 17.6 |
| **Total Liabilities/ Total Assets** | **18,46,211** | **23,55,260** | **28,25,139** | **30,81,276** | **34,75,335** | **35,10,671** | **12.8** |
| 1. Loans & Advances | 14,69,568 | 19,43,494 | 22,95,371 | 24,60,552 | 26,98,689 | 26,61,782 | 9.7 |
| 1.1. Secured | 11,65,249 | 15,00,477 | 15,52,453 | 18,56,733 | 19,68,000 | 19,85,488 | 6.0 |
| 1.2. Un-Secured | 3,04,319 | 4,43,017 | 6,07,573 | 6,03,819 | 7,30,689 | 6,76,294 | 21.0 |
| 2. Investments | 1,93,659 | 2,19,795 | 2,59,008 | 2,93,903 | 4,19,319 | 4,69,945 | 42.7 |
| 2.1. Govt. Securities | 10,722 | 10,330 | 17,328 | 31,235 | 48,848 | 54,813 | 56.4 |
| 2.2. Equity Shares | 93,350 | 1,10,412 | 1,35,395 | 1,34,961 | 2,42,544 | 2,66,074 | 79.7 |
| 2.3. Preference Shares | 6,853 | 7,479 | 6,644 | 6,434 | 5,907 | 6,365 | -8.2 |
| 2.4. Debentures & Bonds | 30,593 | 40,865 | 35,446 | 30,010 | 26,533 | 31,183 | -11.6 |
| 2.5. Units of Mutual Funds | 36,800 | 31,608 | 44,421 | 64,133 | 65,767 | 72,488 | 2.5 |
| 2.6. Commercial Paper | 1,298 | 2,135 | 1,390 | 1,052 | 1,449 | 690 | 37.7 |
| 2.7. Other Investments | 14,042 | 16,965 | 18,384 | 26,077 | 28,271 | 38,332 | 8.4 |
| 3. Cash & Bank Balances | 72,324 | 67,429 | 96,030 | 1,30,956 | 1,56,260 | 1,62,029 | 19.3 |
| 3.1. Cash in Hand | 2,322 | 3,367 | 6,770 | 6,255 | 3,601 | 3,913 | -42.4 |
| 3.2. Deposits with Banks | 70,002 | 64,062 | 89,260 | 1,24,702 | 1,52,659 | 1,58,116 | 22.4 |
| 4. Other Current Assets | 87,039 | 98,803 | 1,24,170 | 1,47,981 | 1,56,871 | 1,60,835 | 6.0 |
| 5. Other Assets | 23,621 | 25,739 | 50,560 | 47,884 | 44,195 | 56,081 | -7.7 |
| Memo Items | | | | | | | |
| 1. Capital Market Exposure | 1,44,002 | 1,61,874 | 1,39,965 | 1,49,107 | 1,72,144 | 1,78,151 | 15.4 |
| *of which:* Equity Shares | 60,389 | 59,876 | 70,611 | 81,631 | 84,895 | 1,01,062 | 4.0 |
| 2. CME as per cent to Total Assets | 7.8 | 6.9 | 5.0 | 4.8 | 5.0 | 5.1 | |
| 3. Leverage Ratio | 3.7 | 3.9 | 4.1 | 4.0 | 3.5 | 3.3 | |

**Notes**: 1. Data are provisional.
2. Including Group companies.
3. Excluding Core Investment Companies (CICs).
4. Percentage figures are rounded-off.

**Source**: Quarterly returns of NBFCs, RBI.

## Appendix Table VI.2 : Consolidated Balance Sheet of NBFCs-ND-SI

(Amount in ₹ crore)

| Item | End-March 2017 | End-March 2018 | End-March 2019 | End-March 2020 | End-March 2021 | End-September 2021 | Percentage variation 2020- 21 |
|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1. Share Capital | 81,468 | 91,545 | 98,041 | 1,16,735 | 1,17,691 | 1,17,820 | 0.8 |
| 2. Reserves & Surplus | 2,73,087 | 3,39,179 | 3,83,655 | 4,11,309 | 5,58,068 | 5,89,116 | 35.7 |
| 3. Public Deposits | - | - | - | - | - | - | |
| 4. Total Borrowings (A+B) | 11,27,539 | 14,72,716 | 17,32,680 | 18,75,467 | 20,59,551 | 20,40,367 | 9.8 |
| A. Secured Borrowings | 5,35,189 | 7,52,488 | 8,85,800 | 10,01,438 | 10,81,315 | 10,33,677 | 8.0 |
| A.1. Debentures | 2,68,040 | 4,07,105 | 4,23,738 | 4,13,362 | 4,60,460 | 4,62,461 | 11.4 |
| A.2. Borrowings from Banks | 2,10,372 | 2,83,386 | 3,83,654 | 4,47,436 | 5,04,622 | 4,56,914 | 12.8 |
| A.3. Borrowings from FIs | 18,646 | 19,430 | 24,051 | 49,194 | 32,825 | 32,683 | -33.3 |
| A.4. Interest Accrued | 14,111 | 15,499 | 13,839 | 14,390 | 14,633 | 17,262 | 1.7 |
| A.5. Others | 24,020 | 27,067 | 40,518 | 77,056 | 68,774 | 64,357 | -10.7 |
| B. Un-Secured Borrowings | 5,92,350 | 7,20,228 | 8,46,880 | 8,74,030 | 9,78,236 | 10,06,689 | 11.9 |
| B.1. Debentures | 2,85,959 | 3,35,698 | 3,39,013 | 3,87,956 | 4,25,286 | 4,22,953 | 9.6 |
| B.2. Borrowings from Banks | 35,831 | 58,420 | 1,19,813 | 1,22,094 | 1,56,047 | 1,68,305 | 27.8 |
| B.3. Borrowings from FIs | 7,320 | 8,318 | 9,700 | 5,871 | 10,729 | 11,409 | 82.8 |
| B.4. Borrowings from Relatives | 1,651 | 2,223 | 1,909 | 2,561 | 3,569 | 3,285 | 39.4 |
| B.5. Inter-Corporate Borrowings | 39,161 | 48,905 | 64,713 | 68,502 | 68,933 | 77,929 | 0.6 |
| B.6. Commercial Paper | 1,07,545 | 1,17,899 | 1,24,854 | 57,399 | 62,109 | 60,369 | 8.2 |
| B.7. Interest Accrued | 15,991 | 16,969 | 13,953 | 15,444 | 18,113 | 17,900 | 17.3 |
| B.8. Others | 98,891 | 1,31,796 | 1,72,926 | 2,14,203 | 2,33,450 | 2,44,540 | 9.0 |
| 5. Current Liabilities & Provisions | 89,527 | 1,10,709 | 1,88,933 | 1,90,945 | 2,22,042 | 2,30,704 | 16.3 |
| **Total Liabilities/ Total Assets** | **15,71,622** | **20,14,150** | **24,03,310** | **25,94,456** | **29,57,352** | **29,78,006** | **14.0** |
| 1. Loans & Advances | 12,25,544 | 16,34,294 | 19,16,352 | 20,42,745 | 22,74,622 | 22,22,579 | 11.4 |
| 1.1. Secured | 9,54,150 | 12,44,815 | 12,48,919 | 15,27,825 | 16,76,205 | 16,43,737 | 9.7 |
| 1.2. Un-Secured | 2,71,395 | 3,89,479 | 5,34,309 | 5,14,920 | 5,98,417 | 5,78,842 | 16.2 |
| 2. Investments | 1,80,949 | 2,07,838 | 2,35,117 | 2,54,752 | 3,73,282 | 4,23,116 | 46.5 |
| 2.1. Govt. Securities | 6,369 | 5,392 | 11,790 | 22,117 | 31,115 | 32,489 | 40.7 |
| 2.2. Equity Shares | 91,030 | 1,07,302 | 1,28,494 | 1,24,618 | 2,32,041 | 2,55,009 | 86.2 |
| 2.3. Preference Shares | 6,850 | 6,784 | 6,419 | 6,169 | 5,623 | 6,362 | -8.8 |
| 2.4. Debentures & Bonds | 29,432 | 39,197 | 34,091 | 29,514 | 26,239 | 30,940 | -11.1 |
| 2.5. Units of Mutual Funds | 33,235 | 31,272 | 39,615 | 48,830 | 54,569 | 64,282 | 11.8 |
| 2.6. Commercial Paper | 918 | 1,641 | 533 | 200 | 938 | 545 | 369.0 |
| 2.7. Other Investments | 13,115 | 16,250 | 14,175 | 23,304 | 22,757 | 33,490 | -2.3 |
| 3. Cash & Bank Balances | 63,633 | 58,634 | 86,244 | 1,13,681 | 1,22,096 | 1,29,667 | 7.4 |
| 3.1. Cash in Hand | 1,985 | 3,041 | 6,323 | 6,115 | 3,224 | 3,478 | -47.3 |
| 3.2. Deposits with Banks | 61,648 | 55,593 | 79,920 | 1,07,566 | 1,18,873 | 1,26,188 | 10.5 |
| 4. Other Current Assets | 79,346 | 89,371 | 1,16,638 | 1,38,487 | 1,46,727 | 1,50,712 | 5.9 |
| 5. Other Assets | 22,150 | 24,013 | 48,959 | 44,792 | 40,625 | 51,934 | -9.3 |
| Memo Items | | | | | | | |
| 1. Capital Market Exposure | 1,39,584 | 1,53,542 | 1,30,334 | 1,39,082 | 1,59,883 | 1,63,012 | 15.0 |
| *of which:* Equity Shares | 60,250 | 59,439 | 70,095 | 76,117 | 79,147 | 95,228 | 4.0 |
| 2. CME as per cent to Total Assets | 8.9 | 7.6 | 5.4 | 5.4 | 5.4 | 5.5 | |
| 3. Leverage Ratio | 3.4 | 3.7 | 4.0 | 3.9 | 3.4 | 3.2 | |

**Notes**: 1. Data are provisional.
2. Including Group companies.
3. Excluding Core Investment Companies (CICs).
4. Percentage figures are rounded-off.

**Source**: Quarterly returns of NBFCs-ND-SI, RBI.

## Appendix Table VI.3: Consolidated Balance Sheet of NBFCs-D

(Amount in ₹ crore)

| Item | End-March 2017 | End-March 2018 | End-March 2019 | End-March 2020 | End-March 2021 | End-September 2021 | Percentage variation 2020- 21 |
|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1. Share Capital | 3,115 | 3,262 | 5,202 | 7,189 | 8,463 | 8,817 | 17.7 |
| 2. Reserves & Surplus | 37,886 | 51,043 | 61,959 | 78,577 | 91,992 | 96,809 | 17.1 |
| 3. Public Deposits | 30,210 | 30,129 | 40,057 | 50,022 | 62,262 | 66,443 | 24.5 |
| 4. Total Borrowings (A+B) | 1,69,650 | 2,11,947 | 2,70,128 | 2,94,382 | 2,86,117 | 2,83,411 | -2.8 |
| A. Secured Borrowings | 1,35,245 | 1,67,050 | 2,21,117 | 2,53,562 | 2,47,496 | 2,40,046 | -2.4 |
| A.1. Debentures | 66,340 | 82,964 | 97,265 | 99,553 | 93,579 | 97,736 | -6.0 |
| A.2. Borrowings from Banks | 59,278 | 70,029 | 1,06,079 | 1,24,038 | 1,14,507 | 1,05,230 | -7.7 |
| A.3. Borrowings from FIs | 3,071 | 3,455 | 4,976 | 8,068 | 12,647 | 11,770 | 56.8 |
| A.4. Interest Accrued | 4,219 | 5,193 | 3,119 | 3,328 | 7,153 | 3,168 | 115.0 |
| A.5. Others | 2,337 | 5,408 | 9,678 | 18,576 | 19,610 | 22,141 | 5.6 |
| B. Un-Secured Borrowings | 34,405 | 44,897 | 49,010 | 40,820 | 38,621 | 43,364 | -5.4 |
| B.1. Debentures | 153 | 473 | 1,892 | 3,785 | 5,122 | 5,192 | 35.3 |
| B.2. Borrowings from Banks | 1,859 | 1,326 | 151 | 350 | 316 | 291 | -9.8 |
| B.3. Borrowings from FIs | - | - | - | - | - | - | |
| B.4. Borrowings from Relatives | 97 | 101 | 86 | 82 | 68 | 57 | -16.1 |
| B.5. Inter-Corporate Borrowings | 1,373 | 5,195 | 7,390 | 8,529 | 7,906 | 9,259 | -7.3 |
| B.6. Commercial Paper | 14,796 | 18,173 | 18,112 | 7,478 | 8,523 | 11,621 | 14.0 |
| B.7. Interest Accrued | 4,171 | 4,197 | 3,645 | 3,491 | 956 | 868 | -72.6 |
| B.8. Others | 11,955 | 15,432 | 17,736 | 17,104 | 15,730 | 16,077 | -8.0 |
| 5. Current Liabilities & Provisions | 33,728 | 44,729 | 44,482 | 56,650 | 69,149 | 77,186 | 22.1 |
| **Total Liabilities/ Total Assets** | **2,74,589** | **3,41,110** | **4,21,829** | **4,86,820** | **5,17,983** | **5,32,665** | **6.4** |
| 1. Loans & Advances | 2,44,024 | 3,09,199 | 3,79,019 | 4,17,807 | 4,24,068 | 4,39,203 | 1.5 |
| 1.1. Secured | 2,11,099 | 2,55,662 | 3,03,533 | 3,28,907 | 2,91,795 | 3,41,751 | -11.3 |
| 1.2. Un-Secured | 32,925 | 53,538 | 73,264 | 88,899 | 1,32,273 | 97,452 | 48.8 |
| 2. Investments | 12,710 | 11,957 | 23,891 | 39,151 | 46,037 | 46,829 | 17.6 |
| 2.1. Govt. Securities | 4,353 | 4,938 | 5,538 | 9,118 | 17,733 | 22,325 | 94.5 |
| 2.2. Equity Shares | 2,320 | 3,111 | 6,901 | 10,343 | 10,502 | 11,064 | 1.5 |
| 2.3. Preference Shares | 3 | 695 | 225 | 265 | 284 | 3 | 7.1 |
| 2.4. Debentures & Bonds | 1,161 | 1,668 | 1,355 | 496 | 294 | 243 | -40.8 |
| 2.5. Units of Mutual Funds | 3,566 | 336 | 4,807 | 15,302 | 11,198 | 8,207 | -26.8 |
| 2.6. Commercial Paper | 380 | 494 | 857 | 852 | 511 | 145 | -40.0 |
| 2.7. Other Investments | 927 | 714 | 4,209 | 2,773 | 5,514 | 4,842 | 98.8 |
| 3. Cash & Bank Balances | 8,691 | 8,795 | 9,786 | 17,275 | 34,164 | 32,363 | 97.8 |
| 3.1. Cash in Hand | 336 | 326 | 447 | 139 | 377 | 435 | 171.3 |
| 3.2. Deposits with Banks | 8,355 | 8,469 | 9,339 | 17,136 | 33,786 | 31,928 | 97.2 |
| 4. Other Current Assets | 7,693 | 9,432 | 7,531 | 9,494 | 10,145 | 10,123 | 6.9 |
| 5. Other Assets | 1,472 | 1,727 | 1,601 | 3,093 | 3,570 | 4,147 | 15.4 |
| Memo Items | | | | | | | |
| 1. Capital Market Exposure | 4,417 | 8,331 | 9,630 | 10,025 | 12,261 | 15,139 | 22.3 |
| *of which:* Equity Shares | 140 | 437 | 516 | 5,514 | 5,747 | 5,833 | 4.2 |
| 2. CME as per cent to Total Assets | 1.6 | 2.4 | 2.3 | 2.1 | 2.4 | 2.8 | |
| 3. Leverage Ratio | 5.7 | 5.3 | 5.3 | 4.7 | 4.2 | 4.0 | |

**Notes**: 1. Data are provisional.
2. Percentage figures are rounded-off.

**Source**: Quarterly returns of NBFC-D, RBI.

## Appendix Table VI.4: Credit to Various Sectors by NBFCs

(Amount in ₹ crore)

| Items | End- March 2019 | End- March 2020 | End- March 2021 | End- September 2021 | Percentage variation 2020- 21 |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| **I. Gross Advances (II + III)** | **22,95,371** | **24,60,552** | **26,98,689** | **26,61,782** | **9.7** |
| **II. Food Credit** | **200** | **75** | **274** | **10** | **265.9** |
| **III. Non-Food Credit (1 to 5)** | **22,95,171** | **24,60,477** | **26,98,415** | **26,61,772** | **9.7** |
| **1. Agriculture and Allied Activities** | **62,722** | **49,012** | **37,892** | **37,737** | **-22.7** |
| **2. Industry (2.1 to 2.4)** | **9,30,704** | **9,66,456** | **10,61,284** | **10,63,631** | **9.8** |
| 2.1 Micro and Small | 37,360 | 36,441 | 44,294 | 36,156 | 21.5 |
| 2.2 Medium | 16,020 | 13,931 | 15,037 | 15,169 | 7.9 |
| 2.3 Large | 4,65,137 | 7,95,275 | 8,55,386 | 8,84,217 | 7.6 |
| 2.4 Others | 4,12,186 | 1,20,809 | 1,46,567 | 1,28,090 | 21.3 |
| **3. Services (3.1 to 3.10)** | **4,10,764** | **3,56,624** | **3,29,320** | **3,27,550** | **-7.7** |
| 3.1 Transport Operators | 41,427 | 63,963 | 65,312 | 66,935 | 2.1 |
| 3.2 Computer Software | 1,351 | 1,391 | 1,704 | 1,708 | 22.5 |
| 3.3 Tourism, Hotel and Restaurants | 7,869 | 7,030 | 8,444 | 7,561 | 20.1 |
| 3.4 Shipping | 433 | 165 | 140 | 168 | -15.2 |
| 3.5 Professional Services | 13,896 | 14,664 | 16,391 | 16,896 | 11.8 |
| 3.6 Trade | 44,695 | 42,183 | 33,540 | 33,842 | -20.5 |
| 3.6.1 Wholesale Trade (other than Food Procurement) | 7,463 | 7,142 | 6,902 | 8,238 | -3.4 |
| 3.6.2 Retail Trade | 37,232 | 35,041 | 26,638 | 25,604 | -24.0 |
| 3.7 Commercial Real Estate | 1,35,153 | 1,01,452 | 80,568 | 79,337 | -20.6 |
| 3.8 NBFCs | 29,555 | 26,535 | 28,554 | 30,206 | 7.6 |
| 3.9 Aviation | 1,004 | 801 | 956 | 951 | 19.3 |
| 3.10 Other Services | 1,35,381 | 98,440 | 93,712 | 89,945 | -4.8 |
| **4. Retail Loans (4.1 to 4.10)** | **5,98,835** | **7,03,094** | **7,86,518** | **7,62,232** | **11.9** |
| 4.1 Housing Loans (incl. Priority Sector Housing) | 18,446 | 19,480 | 21,478 | 21,497 | 10.3 |
| 4.2 Consumer Durables | 19,613 | 19,171 | 18,336 | 19,854 | -4.4 |
| 4.3 Credit Card Receivables | 19,843 | 24,606 | 25,991 | 1,076 | 5.6 |
| 4.4 Vehicle/Auto Loans | 3,04,148 | 3,32,449 | 3,56,551 | 3,48,671 | 7.2 |
| 4.5 Education Loans | 7,642 | 9,049 | 9,274 | 11,464 | 2.5 |
| 4.6 Advances against Fixed Deposits (incl. FCNR(B), etc.) | 7 | 44 | 31 | 29 | -29.5 |
| 4.7 Advances to Individuals against Shares, Bonds, etc. | 15,723 | 7,940 | 8,298 | 9,341 | 4.5 |
| 4.8 Advances to Individuals against Gold | - | 34,678 | 94,840 | 1,14,013 | 173.5 |
| 4.9 Micro finance loan/SHG Loan | - | 43,802 | 57,270 | 60,008 | 30.7 |
| 4.10 Other Retail Loans | 2,13,411 | 2,11,875 | 1,94,448 | 1,76,280 | -8.2 |
| **5. Other Non-food Credit** | **2,92,146** | **3,85,291** | **4,83,401** | **4,70,621** | **25.5** |

**Notes**: 1. Data are provisional.
2. Including Group companies.
3. Excluding Core Investment Companies (CICs).
4. Percentage figures are rounded-off.

**Source**: Quarterly returns of NBFCs, RBI.

## Appendix Table VI.5: Financial Performance of NBFCs - NDSI

(Amount in ₹ crore)

| | 2018-19 | 2019-20 | 2020-21 | H1: 2020-21 |
|---|---|---|---|---|
| **A. Total Income** | **2,46,441** | **2,75,651** | **2,86,324** | **1,39,464** |
| (i) Fund Based Income | 2,31,082 | 2,58,821 | 2,69,100 | 1,32,665 |
| | (93.8) | (93.9) | (94.0) | (95.1) |
| (ii) Fee Based Income | 8,619 | 8,671 | 8,333 | 3,265 |
| | (3.5) | (3.1) | (2.9) | (2.3) |
| **B. Expenditure** | **2,03,285** | **2,34,347** | **2,38,837** | **1,08,239** |
| (i) Financial Expenditure | 1,24,731 | 1,42,789 | 1,39,775 | 67,187 |
| | (61.4) | (60.9) | (58.5) | (62.1) |
| *of which,* Interest payment | 63,436 | 67,596 | 68,750 | 33,284 |
| | (31.2) | (28.8) | (28.8) | (30.8) |
| (ii) Operating Expenditure | 37,786 | 42,144 | 39,193 | 18,947 |
| | (18.6) | (18.0) | (16.4) | (17.5) |
| (iii) Others | 40,767 | 49,414 | 59,868 | 22,106 |
| | **(20.1)** | (21.1) | (25.1) | (20.4) |
| **C. Tax Provisions** | **17,027** | **12,849** | **11,413** | **6,508** |
| **D. Profit Before Tax** | **43,157** | **41,303** | **47,487** | **31,224** |
| **E. Net Profit** | **26,130** | **28,454** | **36,074** | **24,717** |
| **F. Total Assets** | **24,03,310** | **25,94,456** | **29,57,352** | **29,78,006** |
| **G. Financial Ratios (as Per cent of Total Assets)** | | | | |
| (i) Income | 10.3 | 10.6 | 9.7 | 4.7 |
| (ii) Fund Income | 9.6 | 10.0 | 9.1 | 4.5 |
| (iii) Fee Income | 0.4 | 0.3 | 0.3 | 0.1 |
| (iv) Expenditure | 8.5 | 9.0 | 8.1 | 3.6 |
| (v) Financial Expenditure | 5.2 | 5.5 | 4.7 | 2.3 |
| (vi) Operating Expenditure | 1.6 | 1.6 | 1.3 | 0.6 |
| (vii) Tax Provision | 0.7 | 0.5 | 0.4 | 0.2 |
| (viii) Net Profit | 1.1 | 1.1 | 1.2 | 0.8 |
| **H. Cost to Income (percentage)** | **76.4** | **80.1** | **78.2** | **70.6** |

**Note**: 1. Data are provisional.
2. Total income includes non-financial income as well, which is not reported in the table.
3. Excluding Core Investment Companies (CICs).
4. Figures in parentheses are share (in per cent) to respective total.
5. Percentage figures are rounded-off.

**Source**: Quarterly returns of NBFCs-NDSI, RBI.

## Appendix Table VI.6 Financial Performance of NBFCs - Deposit Taking

(Amount in ₹ crore)

| | 2018-19 | 2019-20 | 2020-21 | H1: 2020-21 |
|---|---|---|---|---|
| **A. Total Income** | **61,468** | **66,574** | **67,083** | **35,247** |
| (i) Fund Based Income | 59,912 | 64,277 | 65,540 | 34,350 |
| | (97.5) | (96.6) | (97.7) | (97.5) |
| (ii) Fee Based Income | **1,555** | 131 | 107 | 83 |
| | (2.5) | (0.2) | (0.2) | (0.2) |
| **B. Expenditure** | **44,676** | **51,460** | **55,522** | **30,085** |
| (i) Financial Expenditure | 26,233 | 27,300 | 27,797 | 13,302 |
| | (58.7) | (53.0) | (50.1) | (44.2) |
| *of which,* Interest payment | 5,526 | 11,620 | 13,435 | 6,306 |
| | (12.4) | (22.6) | (24.2) | (21.0) |
| (ii) Operating Expenditure | 11,595 | 12,513 | 11,391 | 6,499 |
| | (26.0) | (24.3) | (20.5) | (21.6) |
| (iii) Others | 6,848 | 11,647 | 16,334 | 10,285 |
| | (15.3) | (22.6) | (29.4) | (34.2) |
| **C. Tax Provisions** | **5,566** | **4,398** | **2,912** | **887** |
| **D. Profit Before Tax** | **16,792** | **15,114** | **11,561** | **5,162** |
| **E. Net Profit** | **11,226** | **10,716** | **8,649** | **4,275** |
| **F. Total Assets** | **4,21,829** | **4,86,820** | **5,17,983** | **5,32,665** |
| **G. Financial Ratios (as Per cent of Total Assets)** | | | | |
| (i) Income | 14.6 | 13.7 | 13.0 | 6.6 |
| (ii) Fund Income | 14.2 | 13.2 | 12.7 | 6.4 |
| (iii) Fee Income | 0.4 | 0.0 | 0.0 | 0.0 |
| (iv) Expenditure | 10.6 | 10.6 | 10.7 | 5.6 |
| (v) Financial Expenditure | 6.2 | 5.6 | 5.4 | 2.5 |
| (vi) Operating Expenditure | 2.7 | 2.6 | 2.2 | 1.2 |
| (vii) Tax Provision | 1.3 | 0.9 | 0.6 | 0.2 |
| (viii) Net Profit | 2.7 | 2.2 | 1.7 | 0.8 |
| **H. Cost to Income (percentage)** | **70.0** | **72.5** | **78.4** | **82.2** |

**Note**: 1. Data are provisional.
2. Total income includes non-financial income as well, which is not reported in the table.
3. Excluding Core Investment Companies (CICs).
4. Figures in parentheses are share (in per cent) to respective total.
5. Percentage figures are rounded-off.

**Source**: Quarterly returns of NBFCs-D, RBI.

## Appendix Table VI.7: Financial Assistance Sanctioned and Disbursed by Financial Institutions *(Continued)*

(Amount in ₹ crore)

| Institutions | Loans* | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019-20 | | 2020-21 | | Apr-Sep 2020 | | Apr-Sep 2021 | |
| | S | D | S | D | S | D | S | D |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| **A. All India financial institutions (1 to 4)** | **4,55,116** | **4,28,975** | **6,40,518** | **5,23,957** | **1,85,752** | **1,90,454** | **2,00,380** | **2,03,380** |
| 1. NABARD | 2,78,371 | 2,81,341 | 4,59,205 | 3,49,470 | 1,28,388 | 1,16,617 | 1,18,766 | 1,27,551 |
| 2. SIDBI | 1,08,289 | 96,718 | 1,04,852 | 97,542 | 33,671 | 35,063 | 43,206 | 42,530 |
| 3. EXIM Bank | 40,255 | 33,735 | 36,521 | 34,122 | 9,313 | 13,828 | 30,046 | 19,452 |
| 4. NHB | 28,200 | 17,180 | 39,940 | 42,823 | 14,380 | 24,947 | 8,362 | 13,847 |
| **B. Specialised financial institutions (5, 6 and 7)** | **477** | **485** | **469** | **457** | **257** | **185** | **174** | **124** |
| 5. IVCF | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. ICICI venture | - | - | - | - | - | - | - | - |
| 7. TFCI | 477 | 483 | 469 | 457 | 257 | 185 | 174 | 124 |
| **C. Investment institutions (8 and 9)** | **4,000** | **11** | **13** | **0** | **0** | **0** | **..** | **..** |
| 8. LIC | 4,000 | 11 | 13 | 0 | 0 | 0 | .. | .. |
| 9. GIC | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **D. Financial Institutions (A+B+C)** | **4,59,593** | **4,29,470** | **6,41,000** | **5,24,415** | **1,86,009** | **1,90,639** | **2,00,554** | **2,03,504** |
| **E. State level institutions (10 and 11)** | **2,973** | **2,320** | **5,150** | **4,619** | **..** | **..** | **..** | **..** |
| 10. SFCs^ | 2,973 | 2,320 | 5,150 | 4,619 | .. | .. | .. | .. |
| 11. SIDCs | .. | .. | .. | .. | .. | .. | .. | .. |
| **F. Total assistance by all financial institutions (D+E)** | **4,62,566** | **4,31,790** | **6,46,150** | **5,29,034** | **1,86,009** | **1,90,639** | **2,00,554** | **2,03,504** |

S: Sanctions. D: Disbursements. _: Nil. .. : Not Available. n.m.: Not Meaningful.

* : Loans include rupee loans and foreign currency loans.

\# : Others include guarantees.

^ : Data pertains to nine SFCs.

**Notes**: 1. Data are provisional.

2. Components may not add up to the total due to rounding off.

3. Due to unavailiability of data of LIC for the period April-September 2021, its data pertaining to the period April-September 2020 has also been excluded from the totals of financial institutions (rows D and F) to ensure comparability.

**Source**: The respective financial institutions.

## Appendix Table VI.7: Financial Assistance Sanctioned and Disbursed by Financial Institutions *(Continued)*

(Amount in ₹ crore)

| Institutions | Underwriting and Direct Subscription | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019-20 | | 2020-21 | | Apr-Sep 2020 | | Apr-Sep 2021 | |
| | S | D | S | D | S | D | S | D |
| 1 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| **A. All India financial institutions (1 to 4)** | **1,532** | **1,631** | **731** | **573** | **299** | **199** | **310** | **456** |
| 1. NABARD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. SIDBI | 1,532 | 1,631 | 731 | 573 | 299 | 199 | 310 | 456 |
| 3. EXIM Bank | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. NHB | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **B. Specialised financial institutions (5, 6 and 7)** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 5. IVCF | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. ICICI venture | - | - | - | - | - | - | - | - |
| 7. TFCI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **C. Investment institutions (8 and 9)** | **95,622** | **79,024** | **1,23,128** | **42,182** | **45,098** | **23,120** | **..** | **..** |
| 8. LIC | 95,622 | 79,024 | 1,23,128 | 42,182 | 45,098 | 23,120 | .. | .. |
| 9. GIC | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **D. Financial Institutions (A+B+C)** | **97,154** | **80,655** | **1,23,859** | **42,755** | **299** | **199** | **310** | **456** |
| **E. State level institutions (10 and 11)** | **0** | **0** | **0** | **0** | **..** | **..** | **..** | **..** |
| 10. SFCs^ | 0 | 0 | 0 | 0 | .. | .. | .. | .. |
| 11. SIDCs | .. | .. | .. | .. | .. | .. | .. | .. |
| **F. Total assistance by all financial institutions (D+E)** | **97,154** | **80,655** | **1,23,859** | **42,755** | **299** | **199** | **310** | **456** |

S: Sanctions. D: Disbursements. _: Nil .. : Not Available. n.m.: Not Meaningful.

* : Loans include rupee loans and foreign currency loans.

\# : Others include guarantees.

^ : Data pertains to five SFCs.

**Notes**: 1. Data are provisional.
2. Components may not add up to the total due to rounding off.
3. Due to unavailiability of data of LIC for the period April-September 2021, its data pertaining to the period April-September 2020 has also been excluded from the totals of financial institutions (rows D and F) to ensure comparability.

**Source**: The respective financial institutions.

## Appendix Table VI.7: Financial Assistance Sanctioned and Disbursed by Financial Institutions *(Continued)*

(Amount in ₹ crore)

| Institutions | Others# | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019-20 | | 2020-21 | | Apr-Sep 2020 | | Apr-Sep 2021 | |
| | S | D | S | D | S | D | S | D |
| 1 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| **A. All India financial institutions (1 to 4)** | **6,324** | **3,413** | **7,071** | **3,623** | **1,648** | **1,530** | **2,305** | **2,120** |
| 1. NABARD | 512 | 470 | 644 | 552 | 145 | 144 | 155 | 160 |
| 2. SIDBI | 5 | 5 | 5 | 0 | 3 | 3 | 3 | 3 |
| 3. EXIM Bank | 5,807 | 2,938 | 6,422 | 3,071 | 1,501 | 1,383 | 2,147 | 1,957 |
| 4. NHB | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **B. Specialised financial institutions (5, 6 and 7)** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 5. IVCF | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. ICICI venture | - | - | - | - | - | - | - | - |
| 7. TFCI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **C. Investment institutions (8 and 9)** | **1,250** | **131** | **200** | **192** | **0** | **42** | **..** | **..** |
| 8. LIC | 1,250 | 131 | 200 | 192 | 0 | 42 | .. | .. |
| 9. GIC | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **D. Financial Institutions (A+B+C)** | **7,574** | **3,544** | **7,271** | **3,815** | **1,648** | **1,530** | **2,305** | **2,120** |
| **E. State level institutions (10 and 11)** | **0** | **0** | **0** | **0** | **..** | **..** | **..** | **..** |
| 10. SFCs^ | 0 | 0 | 0 | 0 | .. | .. | .. | .. |
| 11. SIDCs | .. | .. | .. | .. | .. | .. | .. | .. |
| **F. Total assistance by all financial institutions (D+E)** | **7,574** | **3,544** | **7,271** | **3,815** | **1,648** | **1,530** | **2,305** | **2,120** |

S: Sanctions. D: Disbursements. _: Nil .. : Not Available. n.m.: Not Meaningful.

* : Loans include rupee loans and foreign currency loans.

# : Others include guarantees.

^ : Data pertains to five SFCs.

**Notes**: 1. Data are provisional.
2. Components may not add up to the total due to rounding off.
3. Due to unavailiability of data of LIC for the period April-September 2021, its data pertaining to the period April-September 2020 has also been excluded from the totals of financial institutions (rows D and F) to ensure comparability.

**Source**: The respective financial institutions.

## Appendix Table VI.7: Financial Assistance Sanctioned and Disbursed by Financial Institutions *(Concluded)*

(Amount in ₹ crore)

| Institutions | Total | | | | | | | | Percentage variation | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019-20 | | 2020-21 | | Apr-Sep 2020 | | Apr-Sep 2021 | | 2020-21 | | Apr-Sep 2021 (Y-o-Y) | |
| | S | D | S | D | S | D | S | D | S | D | S | D |
| 1 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 |
| **A. All India financial institutions (1 to 4)** | **4,62,971** | **4,34,018** | **6,48,320** | **5,28,153** | **1,87,699** | **1,92,183** | **2,02,995** | **2,05,955** | **40.0** | **21.7** | **8.1** | **7.2** |
| 1. NABARD | 2,78,883 | 2,81,811 | 4,59,849 | 3,50,022 | 1,28,533 | 1,16,761 | 1,18,921 | 1,27,710 | 64.9 | 24.2 | -7.5 | 9.4 |
| 2. SIDBI | 1,09,826 | 98,354 | 1,05,588 | 98,115 | 33,973 | 35,265 | 43,519 | 42,988 | -3.9 | -0.2 | 28.1 | 21.9 |
| 3. EXIM Bank | 46,062 | 36,673 | 42,943 | 37,193 | 10,814 | 15,211 | 32,193 | 21,409 | -6.8 | 1.4 | 197.7 | 40.8 |
| 4. NHB | 28,200 | 17,180 | 39,940 | 42,823 | 14,380 | 24,947 | 8,362 | 13,847 | 41.6 | 149.3 | -41.9 | -44.5 |
| **B. Specialised financial institutions (5, 6 and 7)** | **477** | **485** | **469** | **457** | **257** | **185** | **174** | **124** | **-1.7** | **-5.7** | **-32.3** | **-32.9** |
| 5. IVCF | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | n.m. | -100.0 | n.m. | n.m. |
| 6. ICICI venture | - | - | - | - | - | - | - | - | - | - | - | - |
| 7. TFCI | 477 | 483 | 469 | 457 | 257 | 185 | 174 | 124 | -1.7 | -5.4 | -32.3 | -32.9 |
| **C. Investment institutions (8 and 9)** | **1,00,872** | **79,166** | **1,23,341** | **42,374** | **45,098** | **23,162** | **..** | **..** | **22.3** | **-46.5** | **n.m.** | **n.m.** |
| 8. LIC | 1,00,872 | 79,166 | 1,23,341 | 42,374 | 45,098 | 23,162 | .. | .. | 22.3 | -46.5 | .. | .. |
| 9. GIC | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | n.m. | n.m. | n.m. | n.m. |
| **D. Financial Institutions (A+B+C)** | **5,64,320** | **5,13,669** | **7,72,130** | **5,70,984** | **1,87,956** | **1,92,369** | **2,03,169** | **2,06,080** | **36.8** | **11.2** | **8.1** | **7.1** |
| **E. State level institutions (10 and 11)** | **2,973** | **2,320** | **5,150** | **4,619** | **..** | **..** | **..** | **..** | **73.2** | **99.1** | **..** | **..** |
| 10. SFCs^ | 2,973 | 2,320 | 5,150 | 4,619 | .. | .. | .. | .. | 73.2 | 99.1 | .. | .. |
| 11. SIDCs | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| **F. Total assistance by all financial institutions (D+E)** | **5,67,293** | **5,15,989** | **7,77,280** | **5,75,604** | **1,87,956** | **1,92,369** | **2,03,169** | **2,06,080** | **37.0** | **11.6** | **8.1** | **7.1** |

S: Sanctions. D: Disbursements. _: Nil .. : Not Available. n.m.: Not Meaningful.

* : Loans include rupee loans and foreign currency loans.

# : Others include guarantees.

^ : Data pertains to five SFCs.

**Notes**: 1. Data are provisional.
2. Components may not add up to the total due to rounding off.
3. Due to unavailiability of data of LIC for the period April-September 2021, its data pertaining to the period April-September 2020 has also been excluded from the totals of financial institutions (rows D and F) to ensure comparability.

**Source**: The respective financial institutions.

## Appendix Table VI.8: Financial Performance of Primary Dealers (*Continued*)

(Amount in ₹ crore)

| Sl. No. | Name of the Primary Dealers | Year | Income | | | |
|---|---|---|---|---|---|---|
| | | | Interest income (including discount income) | Trading profit | Other income | Total income |
| **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| 1 | STCI Primary Dealer Ltd. | 2019-20 | 583 | 174 | 30 | 787 |
| | | 2020-21 | 449 | 173 | 7 | 629 |
| | | H1: 2021-22 | 277 | 64 | -1 | 339 |
| 2 | SBI DFHI Ltd. | 2019-20 | 661 | 59 | 2 | 723 |
| | | 2020-21 | 730 | 32 | 16 | 779 |
| | | H1: 2021-22 | 299 | 23 | 10 | 332 |
| 3 | ICICI Securities Primary Dealership Ltd. | 2019-20 | 1,214 | 164 | 15 | 1,393 |
| | | 2020-21 | 999 | 554 | 70 | 1,624 |
| | | H1: 2021-22 | 544 | 270 | 43 | 857 |
| 4 | PNB Gilts Ltd. | 2019-20 | 766 | 72 | 4 | 843 |
| | | 2020-21 | 779 | 272 | 21 | 1,072 |
| | | H1: 2021-22 | 471 | 18 | 15 | 504 |
| 5 | Morgan Stanley India Primary Dealer Pvt. Ltd. | 2019-20 | 717 | 11 | 3 | 732 |
| | | 2020-21 | 607 | -12 | 54 | 650 |
| | | H1: 2021-22 | 293 | -89 | 9 | 213 |
| 6 | Nomura Fixed Income Securities Pvt. Ltd. | 2019-20 | 487 | 185 | 1 | 673 |
| | | 2020-21 | 452 | -6 | 17 | 462 |
| | | H1: 2021-22 | 167 | -21 | 9 | 154 |
| 7 | Goldman Sachs (India) Capital markets Pvt. Ltd. | 2019-20 | 199 | 16 | 1 | 216 |
| | | 2020-21 | 157 | -6 | 19 | 170 |
| | | H1: 2021-22 | 91 | -16 | 18 | 93 |
| **8** | **Total** | **2019-20** | **4,628** | **682** | **57** | **5,367** |
| | | **2020-21** | **4,173** | **1,008** | **205** | **5,386** |
| | | **H1: 2021-22** | **2,141** | **248** | **103** | **2,493** |

**Notes**: All amounts are rounded off to the nearest crore.
**Source:** Returns submitted by the Primary Dealers.

## Appendix Table VI.8: Financial Performance of Primary Dealers *(Concluded)*

(Amount in ₹ crore)

| Sl. No. | Name of the Primary Dealers | Year | Expenditure | | | Profit before tax | Profit after tax | Return on networth (per cent) |
|---|---|---|---|---|---|---|---|---|
| | | | Interest expenses | Other expenses | Total expenditure | | | |
| **1** | **2** | **3** | **8** | **9** | **10** | **11** | **12** | **13** |
| 1 | STCI Primary Dealer Ltd. | 2019-20 | 454 | 31 | 485 | 303 | 239 | 43.0 |
| | | 2020-21 | 294 | 28 | 322 | 307 | 228 | 33.4 |
| | | H1: 2021-22 | 198 | 12 | 211 | 129 | 96 | 12.4 |
| 2 | SBI DFHI Ltd. | 2019-20 | 459 | 84 | 542 | 231 | 171 | 16.5 |
| | | 2020-21 | 379 | 42 | 421 | 346 | 251 | 22.5 |
| | | H1: 2021-22 | 156 | 25 | 181 | 144 | 107 | 9.0 |
| 3 | ICICI Securities Primary Dealership Ltd. | 2019-20 | 840 | 120 | 960 | 434 | 331 | 28.9 |
| | | 2020-21 | 504 | 118 | 622 | 762 | 569 | 40.2 |
| | | H1: 2021-22 | 286 | 66 | 352 | 381 | 284 | 18.7 |
| 4 | PNB Gilts Ltd. | 2019-20 | 519 | 114 | 633 | 249 | 186 | 18.8 |
| | | 2020-21 | 395 | 41 | 436 | 617 | 464 | 35.3 |
| | | H1: 2021-22 | 241 | 15 | 255 | 166 | 122 | 8.8 |
| 5 | Morgan Stanley India Primary Dealer Pvt. Ltd. | 2019-20 | 493 | 34 | 527 | 246 | 187 | 17.2 |
| | | 2020-21 | 291 | 60 | 350 | 278 | 204 | 11.5 |
| | | H1: 2021-22 | 134 | 32 | 166 | 125 | 92 | 4.2 |
| 6 | Nomura Fixed Income Securities Pvt. Ltd. | 2019-20 | 325 | 42 | 366 | 171 | 121 | 14.0 |
| | | 2020-21 | 204 | 39 | 243 | 217 | 181 | 17.3 |
| | | H1: 2021-22 | 74 | 24 | 98 | 54 | 40 | 3.6 |
| 7 | Goldman Sachs (India) Capital markets Pvt. Ltd. | 2019-20 | 119 | 30 | 150 | 53 | 40 | 7.1 |
| | | 2020-21 | 63 | 35 | 98 | 55 | 41 | 6.8 |
| | | H1: 2021-22 | 39 | 18 | 57 | 33 | 25 | 3.9 |
| **8** | **Total** | **2019-20** | **3,209** | **454** | **3,663** | **1,687** | **1,276** | **21.3** |
| | | **2020-21** | **2,130** | **364** | **2,493** | **2,582** | **1,938** | **26.0** |
| | | **H1: 2021-22** | **1,127** | **192** | **1,319** | **1,031** | **766** | **8.7** |

**Notes**: All amounts are rounded off to the nearest crore.

**Source**: Returns submitted by the Primary Dealers.

## Appendix Table VI.9: Select Financial Indicators of Primary Dealers (*Continued)*

(Amount in ₹ crore)

| Sr. No. | Name of the Primary Dealers | Capital funds (Tier I + Tier II+ Eligible Tier III) | | | | | CRAR (Per cent) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2017-18 | 2018-19 | 2019-20 | 2020-21 | H1: 2021-22 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | H1: 2021-22 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 1 | STCI Primary Dealer Ltd. | 500 | 493 | 1,208 | 1,461 | 807 | 34 | 23 | 57 | 29 | 34 |
| 2 | SBI DFHI Ltd. | 900 | 954 | 2,159 | 2,488 | 2,485 | 69 | 67 | 71 | 33 | 36 |
| 3 | ICICI Securities Primary Dealership Ltd. | 1,400 | 1,453 | 1,456 | 3,464 | 1,940 | 24 | 28 | 39 | 44 | 45 |
| 4 | PNB Gilts Ltd. | 900 | 886 | 2,006 | 2,626 | 2,763 | 67 | 37 | 65 | 46 | 35 |
| 5 | Morgan Stanley India Primary Dealer Pvt. Ltd | 600 | 919 | 1,118 | 2,105 | 2,111 | 51 | 62 | 81 | 52 | 82 |
| 6 | Nomura Fixed Income Securities Pvt. Ltd. | 700 | 797 | 919 | 1,077 | 1,123 | 58 | 40 | 41 | 60 | 47 |
| 7 | Goldman Sachs (India) Capital Markets Pvt. Ltd. | 500 | 547 | 1,164 | 625 | 652 | 144 | 133 | 170 | 109 | 116 |
| **8** | **Total** | **5,500** | **6,049** | **10,029** | **13,846** | **11,881** | **43** | **40** | **41** | **43** | **44** |

**Note**: All amounts are rounded off to the nearest crore.
**Source**: Returns submitted by the Primary Dealers.

## Appendix Table VI.9: Select Financial Indicators of Primary Dealers (*Concluded)*

(Amount in ₹ crore)

| Sr. No. | Name of the Primary Dealers | Stock of government securities and treasury bills (Market value) | | | | | Total assets (Net of current liabilities and provisions) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2017-18 | 2018-19 | 2019-20 | 2020-21 | H1: 2021-22 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | H1: 2021-22 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 1 | STCI Primary Dealer Ltd. | 3,600 | 8,219 | 7,151 | 11,230 | 12,721 | 7,700 | 9,361 | 8,187 | 11,423 | 11,691 |
| 2 | SBI DFHI Ltd. | 2,000 | 4,955 | 7,892 | 6,840 | 8,665 | 5,600 | 7,152 | 11,328 | 9,958 | 11,555 |
| 3 | ICICI Securities Primary Dealership Ltd. | 6,600 | 7,723 | 14,748 | 14,044 | 8,441 | 16,500 | 11,431 | 15,815 | 18,099 | 11,067 |
| 4 | PNB Gilts Ltd. | 3,200 | 6,584 | 10,664 | 9,316 | 17,383 | 5,200 | 9,141 | 13,207 | 11,190 | 19,132 |
| 5 | Morgan Stanley India Primary Dealer Pvt. Ltd | 2,000 | 9,891 | 10,821 | 10,564 | 3,872 | 7,600 | 10,264 | 11,655 | 13,029 | 7,417 |
| 6 | Nomura Fixed Income Securities Pvt. Ltd. | 1,200 | 3,938 | 3,997 | 2,737 | 3,221 | 3,500 | 5,248 | 5,704 | 4,452 | 6,054 |
| 7 | Goldman Sachs (India) Capital Markets Pvt. Ltd. | 1,100 | 2,411 | 2,616 | 3,457 | 1,012 | 1,700 | 2,535 | 3,675 | 3,836 | 1,110 |
| **8** | **Total** | **19,700** | **43,722** | **57,888** | **58,187** | **55,316** | **47,800** | **55,133** | **69,573** | **71,986** | **68,026** |

**Note**: All amounts are rounded off to the nearest crore.
**Source**: Returns submitted by the Primary Dealers.

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