Report on Trend and Progress of Banking in India for the year ended June 30, 2001 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 2000-01

RESERVE BANK OF INDIA

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GOVERNOR

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LETTER OF TRANSMITTAL

November 15, 2000
Kartika 24, 1922 (Saka)

The Secretary to the Government of India,
Ministry of Finance,
Department of Economic Affairs,
New Delhi – 110 001

Dear Secretary,

In pursuance of the provisions of Section 36(2) of the Banking Regulation Act, 1949, I transmit herewith two copies of the Report on Trend and Progress of Banking in India for the year ended June 30, 2000.

Yours faithfully,

Bimal Jalan

(Bimal Jalan)

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Chapter I

Banking Developments and Perspectives

In recent years, the banking industry has been undergoing rapid changes, reflecting a number of underlying developments. The most significant has been advances in communication and information technology, which have accelerated and broadened the dissemination of financial information while lowering the costs of many financial activities. A second key impetus for change has been the increasing competition among a broad range of domestic and foreign institutions in providing banking and related financial services. Third, financial activity has become larger relative to overall economic activity in most economies. This has meant that any disruption of the financial markets or financial infrastructure has broader economic ramifications than might have been the case previously.

1.2 These developments have manifold consequences for the institutional and systemic structure of the financial sector in general and banking in particular. Directly issued securities are replacing bank deposits as a vehicle for savings. Markets for risk have emerged in which exposures to specific market or credit risks can be bought and sold separately from the underlying financial assets. The business profile of financial institutions is also undergoing change. The service traditionally associated with 'banking' is being offered by institutions not normally characterised as banks, while banks have gradually made forays into non-banking activities. Mergers and takeovers of smaller institutions have led to the emergence of transnational conglomerates, offering services ranging from traditional commercial banking to investment banking and insurance.

1.3 With increasing globalisation and blurring of distinction between different segments of financial intermediaries, there is a growing recognition that safeguarding the health of the financial system is of paramount importance for maintaining financial stability. Not surprisingly, the financial sector especially the banking sector in most emerging economies is passing through a process of change and India is no exception. With the banking sector being the mainstay of financial intermediation in emerging economies, developing a sound and healthy banking system through promotion of prudent financial practices is viewed as a *sine qua non* for safeguarding financial stability. The banking sector accounts for over half of the assets of the financial sector and remains dominant in India.

1.4 This Chapter provides an overview of the policy initiatives undertaken in the banking sector during the year 2000-01 and a perspective towards developing a stable, healthy, robust and efficient banking system.

1. Policy Environment

Monetary and Credit Policy

1.5 The measures announced in the Monetary and Credit Policy Statement of April 2001 continued to focus on strengthening the financial system and improving the functioning of the various segments of financial markets driven primarily by four objectives:

(i) Deregulation of the operation of institutions subject to appropriate guidelines, within the Reserve Bank's regulatory ambit so as to enable them to evolve as efficient organisations in a competitive environment;

(ii) Tightening of the prudential norms within institutions to limit and manage risk in an optimal manner and to improve supervisory oversight so as to ensure the protection of interests of small deposits in the operations of individual institutions and stability of the system as a whole;

(iii) Increasing the transparency and improving the market practices with a view to improving overall efficiency as well as stability of markets; and

(iv) Enhancing the technological and institutional infrastructure for the

financial markets, especially the money market with a view to, *inter alia*, increasing the effectiveness of monetary policy.

1.6 Important measures taken during the year to strengthen the prudential and supervisory norms and increase operational effectiveness of monetary policy are as follows:

(a) *Liquidity Adjustment Facility*

1.7 In April 2000, the Reserve Bank had announced a transition to a full-fledged Liquidity Adjustment Facility (LAF) in three progressive stages. The first stage involved the replacement of the Additional Collateralised Lending Facility (ACLF) for banks and level II liquidity support to Primary Dealers (PDs) by reverse repo auctions and the fixed rate repo by variable rate repos, effective June 5, 2000. The second stage envisaged replacement of Collateralised Lending Facility (CLF) and Level I support to PDs by variable rate repo auctions. After extensive consultations with experts and market participants, the policy statement of April 2001 announced the decision to move over to the second phase in graduated steps. For more effective functioning of LAF, certain changes were effected in the operating procedures. These included recasting of auction methods and periods, a strategy for smooth transition of call money market to pure inter-bank market and a comprehensive and coherent programme for rationalisation of liquidity support available to the system. Certain complementary and associated measures in money and government securities markets were also introduced so as to provide considerable operational flexibility to the market participants and facilitate further integration of money market. The second stage of LAF came into operation from May 8, 2001. The third stage envisages multiple auctions intra-day, which will become feasible with the proposed introduction of electronic transfers of funds and securities.

(i) Changes in Standing Liquidity Facilities and Introduction of Back-Stop Facility

1.8 The standing liquidity facilities available from the Reserve Bank have been split into two parts, *viz*., (i) normal facility and (ii) back-stop facility. Of the total limits of liquidity support available to PDs and banks, the normal facility constitutes about two-thirds and back-stop faciltity about one-third. The normal facility is being provided at the Bank Rate. The back-stop facility is being provided at a variable daily rate linked to cut-off rates emerging in regular LAF auctions and in the absence of such rates, to National Stock Exchange-Mumbai Inter-Bank Offer Rate (NSE-MIBOR).

1.9 The limits to refinance of export credit have been fixed on the basis of total outstanding export credit eligible instead of the incremental export credit eligible over a base date. With effect from the fortnight beginning May 5, 2001, scheduled commercial banks are being provided export credit refinance to the extent of 15.0 per cent of the outstanding export credit eligible for refinance as at the end of the second preceding fortnight. The existing refinance limit as on May 4, 2001, as per the old formula would, however, constitute the minimum limit available for a bank up to March 31, 2002.

(ii) Changes in LAF Operating Procedures

1.10 The minimum bid size for LAF was reduced from Rs. 10 crore to Rs. 5 crore to add further operational flexibility to the scheme and enable participation by small level operators. To provide quick interest rate signals, when necessary, and to meet unexpected domestic or external developments, the Reserve Bank has an additional option to switch over to fixed rate repos. In addition to overnight repos, the Reserve Bank also has the discretion to introduce longer-term repos up to 14 days as and when required. Multiple price auctions (in place of the then existing uniform price auction) were introduced on an experimental basis for one month period during May 2001, and, on a review the practice has since been continued.

(b) *Complementary Measures for Efficient Functioning of LAF*

1.11 As a part of streamlining the LAF and improving the transmission channel of monetary policy, the following complementary and associated measures in respect of money and government securities markets were announced.

(i) Moving towards Pure Inter-bank Call Money Market

1.12 As announced in the Mid-term Review of October 2000, permission to corporates to route their call transactions through PDs was terminated effective July 1, 2001. Access of other non-bank institutions (*viz*., financial institutions,

mutual funds and insurance companies) to directly lend in call/notice money market would gradually be reduced in four stages. In the initial stage, effective from May 5, 2001, non-banks have been allowed to lend upto 85.0 per cent of their average daily lendings in the call market during 2000-01. From a date to be notified by the Reserve Bank, after the on-set of the last stage, non-banks would not be permitted to lend in call/notice money market.

(ii) Shortening of Minimum Maturity Period of Term Deposits

1.13 With a view to moving further towards deregulation and providing opportunities for non-banks to invest short-term surplus funds in a more flexible manner, and to enable banks to have more flexibility in their Asset-Liability Management (ALM), it was decided to reduce the minimum maturity period for wholesale term deposits of Rs. 15 lakh and above to 7 days from the earlier 15 days maturity, at the discretion of individual banks.

(iii) Relaxation in Daily Minimum Cash Reserve Ratio Maintenance Requirement

1.14 Effective from the fortnight beginning August 11, 2001, the maintenance of daily minimum requirement of Cash Reserve Ratio (CRR) has been lowered from 65.0 per cent to 50.0 per cent for the first seven days of the reporting fortnight while continuing with the minimum requirement of 65.0 per cent for the rest of the fortnight.

(iv) Interest on Cash Balances Maintained with the Reserve Bank under Cash Reserve Ratio

1.15 It was decided to align the interest rate paid on CRR to the Bank Rate in two stages. In the first stage, with effect from the fortnight beginning April 21, 2001, the interest paid on eligible balances was increased to 6.0 per cent. With effect from the fortnight begining November 3, 2001 the interest paid on eligible cash balances will be at Bank rate (i.e., 6.5 per cent).

(v) Exemption of Inter-bank Term Liability from Minimum Cash Reserve Requirement

1.16 Effective from the fortnight beginning August 11, 2001, inter-bank term deposits/term borrowings liabilities of original maturity of 15 days and above upto one year have been exempt from the prescription of minimum CRR requirement of 3.0 per cent. Besides, marginal saving on cost to banks, this measure is expected to help in developing inter-bank term money market.

(vi) Change in Treasury Bills Auction

1.17 With effect from the week beginning May 14, 2001, the auctions of 14-day and 182-day Treasury Bills were discontinued and the notified amount for the 91-day Treasury Bills auctions was increased to Rs. 250 crore from Rs. 100 crore. The notified amount in the auctions of 364 - day Treasury Bills continues to remain at Rs. 750 crore.

(vii) T plus 1 Settlement for SGL Settled Transactions

1.18 In anticipation of a move towards a Negotiated Dealing System (NDS), to be directly linked to the settlement system, all transactions settled through the Delivery *versus* Payment (DVP) system of the Reserve Bank were to be on T *plus* 1 basis with effect from June 2, 2001. Based on the feedback received from market participants, it was decided to postpone the date for introduction of T *plus* 1 settlement for SGL transactions in Government securities to make it coterminous with the introduction of NDS.

(viii) Rationalisation of Interest Rates on Export Credit

1.19 As regards the interest rate on export credit extended by banks, it was decided that a ceiling rate in respect of all categories was to be indicated, so that interest rate charged by the banks can be lower than the prescribed rate. It was decided to link such ceiling rates to the prime lending rates (PLRs) of respective banks available to their other domestic borrowers. The application of interest rates on export credit by banks will be on the basis of the relevant PLR prescribed by the bank. With the ceiling rate on Foreign Currency Non-Resident (Banks) (FCNR (B)) deposits being changed to London Inter-Bank Offer Rate (LIBOR) (instead of LIBOR *plus* 0.5 percentage point), the ceiling rate on foreign currency loans for exports by banks was revised to LIBOR *plus* 1.0 percentage point, to make this rate even more competitive. With effect from September 26, 2001, the Reserve Bank announced a reduction in the ceiling rate for export credit by 1.0 percentage point across

the board for period upto March 31, 2002. Accordingly, the maximum rate that the bank could charge to exporters was revised to 2.5 percentage points below its PLR for pre-shipment credit upto 180 days and for post-shipment credit upto 90 days.

1.20 The salient features of the Mid-term Review are presented in Box I.1.

Government Securities Market

1.21 Several measures were taken to continue the momentum initiated by Reserve Bank for developing the Government securities market. One of the important steps is setting up of the Clearing Corporation of India Ltd. (CCIL) with State Bank of India (SBI) as the chief promoter and five other banks and financial institutions as co-promoters. The CCIL will act as a central counter-party in the settlement of all trades in Government securities, Treasury Bills, Repos and foreign exchange. The CCIL will facilitate clearing and settlement of Government securities and foreign exchange transactions by reducing the counter-party risk through multilateral netting of transactions. CCIL will clear transactions in repos and Government securities between its members reported on the Negotiated Dealing System (NDS) of the Reserve Bank and also the rupee-U.S. dollar spot and forward deals. The Reserve Bank has already opened current account and SGL account for CCIL and given approval for its membership to Indian Financial Network (INFINET). CCIL is putting in place the hardware and software and has held many meetings with banks for finalising operational procedures/modalities, changes to systems of member banks, etc. The first phase of the project is expected to go live in November 2001, alongwith the expected commencement of parallel run of NDS.

Box I.1: Major Policy Measures Announced in the Mid-term Review of Monetary and Credit Policy for the year 2001-02

I. Monetary Measures

(1) The Bank Rate was reduced by 0.50 percentage point from 7.0 per cent to 6.5 per cent with effect from the close of business on October 22, 2001.

(2) The Cash Reserve Ratio (CRR) was reduced by 200 basis points to 5.50 per cent from 7.50 per cent of net demand and time liabilities (NDTL). Effective from the fortnight beginning November 3, 2001, CRR would stand reduced to 5.75 per cent; and effective fortnight beginning December 29, 2001, the CRR will be reduced further to 5.50 per cent of NDTL. All the exemptions on the liabilities were withdrawn except inter-bank liabilities, for the computation of NDTL (for the purpose of maintenance of CRR) with effect from fortnight beginning November 3, 2001.

(3) With effect from the fortnight beginning November 3, 2001, the interest paid on eligible cash balances maintained with the Reserve Bank would be at the Bank Rate (i.e., 6.5 per cent).

II. Prudential Measures

(1) As a first step towards activating the Credit Information Bureau (CIB), it was decided to initiate the process of collection and dissemination of some relevant information, within the existing legal framework. The Reserve Bank accordingly decided to constitute a Group drawing representation from CIB, Indian Banks' Association (IBA), select banks and FIs to examine the possibility of the CIB performing the role of collecting and disseminating information on the list of suit-filed accounts and the list of defaulters, including willful defaulters, which is presently handled by the Reserve Bank. The Group will also examine the other aspects of information collection and dissemination, such as, the extent, periodicity and coverage including the feasibility of supplying such information on-line, to members in future and submit its Report within a month.

(2) In order to contain the risks arising out of non-SLR investment portfolio of banks and FIs, in particular through the private placement route, it was proposed to issue further prudential guidelines to be observed by banks. These guidelines, *inter alia*, would cover: (i) the need for strengthening of internal rating systems, periodically tracking the rating changes in respect of issuers; (ii) fixing of prudential limits, with separate sub-limits for unrated, unquoted and privately placed instruments; (iii) review by Board on total investments/disinvestments, regulatory compliance, rating changes in respect of issuers and non-performing investments; and (iv) disclosures in 'Notes on Accounts' regarding issuer composition and non-performing investments. It was also proposed to constitute a Working Group, which would submit its report within a month, to evolve a framework for collecting and sharing by banks/FIs of information on private placement of

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debt with CIB as a convenor, and representatives, *inter alia*, of banks, FIs and the Reserve Bank.

(3) It was decided that banks should furnish the following additional disclosures in the 'Notes on Accounts' in their balance sheets, from the year ending March 2002: (i) movement of provisions held towards NPAs and (ii) movement of provisions held towards depreciation on investments.

(4) Based on the feedback on the recommendations of the Working Group constituted by the Reserve Bank to evolve asset-liability management (ALM) guidelines for UCBs, guidelines will be issued to scheduled UCBs. In order to strengthen the supervisory mechanism, the Reserve Bank has since introduced off-site monitoring system for scheduled UCBs.

(5) It was proposed to allow UCBs to grant loans to individuals against security of shares, subject to the following parameters:

(a) Loans against shares/debentures may be granted to individuals to meet contingencies and personal needs or for subscribing to rights or new issues of shares/debentures or for purchase in the secondary market. Loans against primary/ collateral security of shares/debentures will be limited upto Rs.5 lakh, if the security is in physical form, and upto Rs.10 lakh, if the security is in demat form. Aggregate of all such loans should be within the overall ceiling of 20.0 per cent of the owned funds of the bank, and margin of 40.0 per cent should be maintained in all cases of such loans.

(b) It is essential that before accepting shares as security, UCBs should put in place a risk management system. UCBs should also have Audit Committee of their Boards of Directors and all the approved loan proposals should be placed before the Audit Committee at least once in two months. Details of loans sanctioned should be reported to the Board in the subsequent Board meeting. The Management and Audit Committees should ensure that all loans against shares are made only to those individuals who are not in any way connected with any stock-broking activity or stock-broking entity.

(c) UCBs which have outstanding loans to individuals can renew them upto permissible amounts beyond the contracted date on merits, subject to the above conditions.

(d) UCBs should ensure that there is no direct investment by them in either primary or secondary market under any circumstances.

(6) The time-frame for achieving the prescribed levels of SLR holding by UCBs was altered as follows:

Table : Category of UCBs Minimum SLR holding in government and other approved securities as per cent of NDTL

Category of UCBs	Minimum SLR holding in government and other approved securities as per cent of NDTL			
	Present	Earlier Proposed for March 31, 2002	Now Proposed for March 31, 2002	Now Proposed for September 30,2002
Non-Scheduled UCBs				
1. UCBs with NDTL of Rs.25 crore and above	10.0	15.0	12.5	15.0
2. UCBs with NDTL of less than Rs.25 crore	NiL	10.0	7.5	10.0
Scheduled UCBs	15.0	20.0	17.5	20.0*

(7) Banks were given the freedom to change the composition of working capital by increasing the cash credit component beyond 20 per cent, or to increase the 'loan component' beyond 80 per cent, as the case may be, for working capital limits of Rs.10 crore and above, if they so desire. Banks are expected to appropriately price each of the two components of working capital finance, taking into account the impact of such decisions on their cash and liquidity management.

* It may be clarified that so far as scheduled UCBs are concerned, with effect from April 1, 2003, the entire prescribed level of 25 per cent SLR holding has to be only in government and other approved securities.

1.22 The Reserve Bank has commenced an integrated project for complete automation of the operations of its Public Debt Office (PDO) which involves NDS and securities settlement systems (SSS). NDS will be an interface between the members (SGL account holders) and the PDO. NDS will facilitate electronic bidding in the primary market in Goverment securities and secondary market in Government dated securites, Treasury bills, Repos, call money, Notice/Term money, Commercial Paper, Certificates of Deposit, Interest Rate Swaps and Forward Rate Agreements. The entire system will operate in a networked environment and INFINET will provide the backbone for communication. The NDS fully integrated with the computerised PDO and CCIL, will lead to higher efficiency in trading, settlement and other improvements in services to investors in Government securities. In this regard, it has been decided to closely coordinate the work relating to NDS with the CCIL, and, in fact, place the whole system within the overall technological and institutional infrastructure for transactions in the financial sector, with which the Reserve Bank is intimately concerned. The NDS software application has been installed in LAN environment for testing and over 80 institutions have tested the software and given suggestions for improvements.

Subsequently, the system is being tested in WAN environment with 5 market participants connected to the network.

2. Commercial Banking System- Supervisory Initiatives during the Year

Board for Financial Supervision

1.23 The members of the Board for Financial Supervision (BFS) and its Sub-Committee (Audit) appointed initially continued till the reconstitution of the Central Board of the Reserve Bank on November 27, 2000. Effective from December 21, 2000, a new Board has been formed comprising four Directors of Central Board of the Reserve Bank as members. The new Board would function for a period of two years. The BFS has reconstituted the Sub-Committee (Audit) on January 10, 2001.

1.24 During the period July 2000 to June 2001, the Board reviewed Inspection Reports of 27 public sector banks, a consolidated Report of Local Head Offices (LHOs) of SBI, 26 private sector banks, 50 foreign banks and six financial institutions. The Board also reviewed the monitoring relating to bank frauds and house-keeping in public sector banks, including reconciliation of entries in inter-branch accounts, inter-bank accounts (including nostro accounts) and balancing of the books of accounts. In addition, the Board reviewed the monitoring in respect of select all-India financial institutions and NBFCs. Besides delineating the course of action to be pursued in respect of institution-specific supervisory concerns, the Board also provided guidance on several regulatory and supervisory policy decisions.

1.25 The Board considered the Report of the "Informal Working Group on Supervision of Foreign Branches of Indian Banks". It was decided that scrutiny of foreign branches of Indian banks should be carried out by the Reserve Bank once in three years. The basic responsibility of inspection of their overseas branches has been left to the parent banks. The report along with a draft copy of memorandum containing implementation guidelines has been forwarded to the concerned banks. They have been advised to implement the reporting system with effect from April-June 2000 quarter. The banks with high percentage of NPA/ loss making feature are being monitored on a quarterly basis.

1.26 In the course of implementing the recommendations of the Working Group on Supervision of Overseas Branches of Indian Banks, all Indian banks having foreign branches were advised regarding the personnel policies to be followed in respect of officials posted to these foreign branches. Banks were required, in the light of these guidelines, to take adequate measures by amending their existing contractual agreements governing overseas postings / staff regulations / pension regulations, in consultation with their own legal experts.

1.27 The supervisory rating exercise of banks in vogue since the inspection cycle of 1998-99 was reviewed by a working group and on the basis of its recommendations, a revised rating model has been evolved which has reduced the, subjectivity elements.

1.28 A system of prompt corrective action (PCA) based on a pre-determined rule-based structured early intervention, has been proposed to be instituted as part of the constant efforts to enhance the existing supervisory framework. Under the proposed PCA, a schedule of corrective actions has been suggested based on three parameters, namely, Captial to Risk-weighted Assets Ratio (CRAR), net NPAs and return on assets (RoA). Certain trigger points have been determined for the PCA framework under the three parameters taking into account the practicability of implementation of certain measures in the Indian context. For every trigger point, a set of mandatory and discretionary actions has been proposed. These actions have been further divided into those which would be recommended to the Government for implementation and those which could be taken by the Reserve Bank. A copy of the scheme was sent to all scheduled commercial banks. Comments and suggestions received from various banks had been examined. As some of the actions under PCA will require approval on the part of Government of India, the proposed scheme has been forwarded to the Government for their views.

1.29 The position of reconciliation of outstanding entries under inter-branch accounts was submitted quarterly to the Board

and based on the directions the position is monitored on a continuing basis. There has been considerable improvement in respect of reconciliation of entries pertaining to the period over six months.

Up-gradation of Off-site Monitoring and Surveillance Function

1.30 The off-site monitoring and surveillance system (OSMOS) was set up in 1995 with the primary objective of analysing the financial condition of banks in between on-site examinations. Banks are required to submit a total of 14 off-site returns to Reserve Bank. These returns include 7 returns in the first tranche that were introduced in March 1996, 4 ALM returns comprising the second tranche introduced in June 1999 and 2 annual returns *viz*., balance sheet and bank profile statements prepared on the basis of audited figures. The last off-site return, introduced in September 2000, pertains to operations of domestic subsidiaries of banks.

1.31 In view of the enhanced data processing requirements, the increased number of users as well as the need for more sophisticated analytical tools, the Reserve Bank, with assistance from Department for International Development of the United Kingdom, launched a project in 1999 for upgradation of its off-site monitoring and surveillance function. The Systems Requirements Analysis report was prepared by M/s PricewaterhouseCoopers, London and the work pertaining to development of software for the project was out-sourced. The new OSMOS system having a data-warehousing component was successfully commissioned in January 2001. This has enhanced data storage, information retrieval and analytical capabilities.

Introduction of Half-Yearly Review for Public Sector Banks (PSBs)

1.32 Keeping in view, a long period of one year between the availability of two audited financial statements and with a view to getting timely feed-back about the financial position of the public sector banks, it was decided to introduce a system of half-yearly review of accounts of these banks, with effect from the half year ended September 30, 2001. The review would cover advances, provision for non-performing assets (NPAs), investments, income and expenditure items, etc., with the major thrust on verification of income and expenditure items rather than on balance sheet items. All PSBs are required to submit half-yearly review/report to the Reserve Bank in the format finalised in consultation with the Securities and Exchange Board of India (SEBI), within a period of 60 days from the close of the half year. Further, in compliance to clause 41 of the listing agreement, these review/reports are to be submitted by PSBs to the concerned Stock Exchange(s) where the PSBs shares have been listed.

Norms for the Statutory Central Auditors to be Appointed for the Private Sector Banks

1.33 There was no uniformity amongst private sector banks in regard to the appointment of their statutory central auditors (SCAs). Considering the fast changes that are taking place in the financial sector in general, and in the field of banking in particular, as also use of latest technology by some of the new private sector banks in their day-to-day operations coupled with the introduction of innovative products, the issue of prescribing minimum eligibility standards for the audit firms before approving their names as SCAs for Indian private sector banks was examined. Accordingly, with effect from 2001-02, the audit firms recommended by Indian private sector banks for appointment as their SCAs would have to satisfy prescribed standards relating, *inter alia*, to minimum standing, minimum number of full time partners associated with the firm, minimum number of chartered accountants exclusively associated with the firm, number of professional/audit staff as well as minimum statutory central audit experience. With a view to applying the prescribed minimum standards, Indian private sector banks have been classified into two categories on the basis of their asset size as on March 31 of the previous year, i.e., banks with an asset size up to Rs. 5,000 crore and those with assets above Rs. 5,000 crore.

Strengthening the Banking System

Capital Adequacy

1.34 Effective from the year ended March 2000, stipulation on minimum CRAR of scheduled commercial banks was increased by one percentage point to 9 per cent.

1.35 In addition to the existing 100 per cent risk-weight for credit risk, banks are required

to assign a risk-weight of 2.5 per cent to cover market risk in respect of all securities including securities outside the SLR from the year ended March 2001.

1.36 The risk-weight of 100 per cent prescribed on staff advances was reviewed in the light of the safeguards available to the banks to effect recovery. It was decided that banks need to assign 20 per cent risk-weight on all loans and advances granted to their staff, which are fully covered by superannuation benefits and mortgage of flat/house.

1.37 Deposits placed with NABARD/SIDBI in *lieu* of the shortfall in banks' advances to the priority sector *vis-à-vis* the prescribed target were assigned a 100 per cent risk-weight as these deposits are in *lieu* of assets that carry a similar risk-weight.

Provisioning Norms

1.38 With regard to provisioning for standard assets, it was clarified that the general provision of 0.25 per cent on standard assets should be made on global portfolio basis, and not on domestic advances alone.It was announced in October 2000, that the general provision on standard assets would be included in tier II capital, together with other "general provisions/loss reserves", up to a maximum of 1.25 per cent of the total risk- weighted assets. While recognising the need to give autonomy to banks for the assessment of risks associated with their asset portfolios, it was emphasised that provisions in excess of the amount required could be made by banks, keeping in view their own risk perceptions.

Recovery Management

1.39 In pursuance of the announcement in the Union Budget for 1999-2000, guidelines were framed for the constitution of Settlement Advisory Committees (SACs) for compromise settlement of chronic NPAs of small sector which were valid till September 30, 2000. While banks were required to take effective measures to strengthen the credit appraisal and post-credit monitoring to arrest the incidence of fresh NPAs, a more realistic approach was needed to reduce the stock of existing and chronic NPAs in all categories. The guidelines were, therefore, modified in July 2000, which provided a simplified, non-discretionary and non-discriminatory mechanism for recovery of NPAs. The revised guidelines, operative till March 31, 2001, were subsequently extended upto June 30, 2001 and for processing applications / cases, banks were given time up to September 30, 2001. All public sector banks were required to uniformly follow these guidelines, to maximise recovery of NPAs within the stipulated time.

Exposure Norms

1.40 As a prudential measure intended for better risk management and avoidance of concentration of credit risks, banks were advised to fix limits on their exposure to i) individual borrowers and group borrowers in India, ii) specific industry or sectors, and iii) unsecured guarantees and unsecured advances. Besides, banks are also required to observe certain statutory and regulatory exposure limits in respect of 'advances against shares, debentures and bonds' and 'investments in shares, debentures and bonds'.

Credit Exposures to Individual/Group Borrowers

1.41 With effect from April 1, 2000, the ceiling on a bank's exposure to an individual borrower was lowered to 20 per cent of the capital funds from the existing limit of 25 per cent with a view to moving closer to the international standard of 15 per cent in phases.Where the existing level of exposure, as on October 31, 1999, was more than 20 per cent, banks were expected to reduce the exposure to the 20 per cent limit over a two-year period, (*i.e.*, by end-October 2001).

1.42 In April 2001, the Reserve Bank announced fresh guidelines in respect of the concept of 'capital funds', and measurement of credit exposure and the level of the exposure limit. The exposure ceiling is to be computed in relation to total capital in India as defined under capital adequacy standards (tier I and tier II), effective March 31, 2002. As in the case of funded exposure, non-fund based exposures are also to be reckoned at hundred per cent (as against 50 per cent for non-fund based exposures earlier) and in addition, banks should include forward contracts in foreign exchange and other derivative products like currency swaps and options at their replacement cost value in determining the individual/group borrowers exposures, effective April 1, 2003. Banks were advised to reduce exposure to a single borrower

to 15 per cent from the existing level of 20 per cent of the bank's capital funds with effect from March 31, 2002. Similarly, group exposure was to be brought down to 40 per cent of the capital funds from the existing 50 per cent with effect from March 31, 2002. In the case of financing of infrastructure projects, the group exposure limit is extendable by an additional 10 per cent, *i.e.*, up to 50 per cent.

1.43 Based on the recommendations of the Standing Technical Committee of RBI-SEBI officials on banks' financing of equities and investments in shares, banks' exposure to capital market was reviewed and guidelines were issued on November 10, 2000. Within the overall exposure to sensitive sectors, a bank's exposure to the capital market by way of investments in shares, convertible debentures and units of equity-oriented mutual funds should not exceed 5 per cent of outstanding domestic credit (excluding inter-bank lending and advances outside India) as on March 31 of the previous year. As announced on November 10, 2000, these guidelines were reviewed again by the RBI-SEBI Technical Committee, in the light of actual experience over six months, and revised guidelines were issued on May 11, 2001. As per the guidelines, banks could acquire shares, debentures and units of mutual funds, etc., for direct investment in shares/ debentures, etc., at their own risk and for granting loans and advances to individuals and share-broking entities for investment in capital market on their own account. Shares/ debentures may be assigned to banks by individuals and corporates as collateral and additional security for certain approved purposes which do not involve stock broking or investment in the capital market. Therefore, banks' exposure to capital market in all forms was restricted to 5 per cent of total outstanding advances (including commercial paper) as on March 31 of the previous year. The ceiling of 5 per cent would cover (i) direct investments in equity shares and convertible bonds and debentures; (ii) advances against shares to individuals for investment in equity shares (including IPOs), bonds and debentures, units of equity-oriented mutual funds; and (iii) secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers. A uniform margin of 40 per cent was prescribed on all advances/financing of IPOs/guarantees. A minimum cash margin of 20 per cent (within the margin of 40 per cent) was prescribed in respect of guarantees issued by banks.

1.44 In September 2001, the Reserve Bank, on an experimental basis, as recommended by the RBI-SEBI Standing Technical Committee and keeping in view circumstances prevailing in the equity markets, permitted banks to extend finance to stockbrokers for margin trading within the overall ceiling of 5 per cent prescribed for exposure of banks to the capital market. Banks could accordingly provide finance to brokers for margin trading in actively traded scrips forming part of the NSE Nifty and the BSE Sensex, subject to certain guidelines. These guidelines will be valid for a period of 60 days (*i.e.* upto November 22, 2001) and will be reviewed in the light of actual experience.

1.45 With regard to the valuation and disclosure requirements, equity shares in the banks' portfolios, whether held as primary security or as collateral for advances or guarantees, or as investment, should be marked to market, preferably on a daily basis, but at least on a weekly basis. Banks are required to disclose the total investments made in equity shares, convertible bonds and debentures, units of equity-oriented mutual funds and aggregate advances against shares in the 'Notes on Accounts' to their balance sheets.

Credit Exposure to Industry or Certain Sectors

1.46 Apart from limiting the exposures to individual or group of borrowers, the banks were advised to also consider fixing internal limits for aggregate commitments to specific sectors (e.g., textiles, jute, tea, etc.) so that the exposures are evenly spread over various sectors. These limits could be fixed, by the banks, having regard to the performance of different sectors and the risks perceived. The banks may review the limits so fixed at periodic intervals and revise, as necessary.

Underwriting of Bonds of Public Sector Undertakings

1.47 The banks were advised to formulate their own internal guidelines as approved by their Boards of Directors on investments in and underwriting of PSU bonds, including norms to

ensure that excessive investment in any single PSU is avoided and that due attention is given to the maturity structure of such investments. Banks would also need to take into account the fact that such investments are subject to risk-weight and necessary depreciation is to be fully provided for. Further, such investments in PSU bonds including shares and debentures and subscription to commercial papers of PSUs should be reckoned for the purpose of arriving at prudential norms of credit exposure for single borrower and group of borrowers.

Asset Classification –"Past Due" Concept

1.48 Under the earlier guidelines, an asset was classified as NPA if the amounts due in the account remained 'past due' for more than two quarters. It was clarified on December 17, 1992 that an amount should be considered 'past due' when it remains outstanding for 30 days beyond the due date. Due to the improvements in the payment and settlement systems, recovery climate, upgradation of technology in the banking system, etc., it was decided to dispense with 'past due' concept, with effect from March 31, 2001. Accordingly, effective that date, an advance has to be classified as NPA, if interest and/or instalment of principal remain overdue for a period of more than 180 days in respect of a term loan, and the account remains 'out of order' for a period of more than 180 days, in respect of an Overdraft/Cash Credit (OD/CC). With a view to moving towards international best practies and to ensure greater transparency, the intention to adopt the 90 day norm for recognition of loan impairment from the year ending March 31, 2004 was announced in the statement on Monetary and Credit Policy for the year 2001-02.

Treatment of Restructured Accounts

1.49 The issue of restructuring credit facilities due to unexpected decline in anticipated cash flows, particularly in project assistance has implications for asset classification norms. It was felt that these stipulations deter the banks from restructuring of standard and sub-standard loan assets, even though the modification of terms might not jeopardise the assurance of repayment of dues from the borrower. Accordingly, the norms were reviewed in the light of the international best practices and changes were effected in the norms relating to restructuring/rescheduling/renegotiation of terms of the standard and sub-standard loan assets. The stages where restructuring/rescheduling/renegotiation of the terms of loan agreement could take place are: (i) before commencement of commercial production; (ii) after commencement of commercial production, but before the asset has been classified as sub-standard; and (iii) after commencement of commercial production and the asset has been classified as sub-standard.

1.50 A rescheduling of the instalments of principal alone, at any of the aforesaid first two stages would not cause a standard asset to be classified in the sub-standard category, provided the loan/credit facility is fully secured. Likewise, a rescheduling of interest element would not necessitate an asset to be downgraded if the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved.

1.51 In the case of restructured sub-standard accounts also, a sub-standard asset is eligible for continuation in the sub-standard category for the specified period, provided the loan/credit facility is fully secured. The rescheduling of interest element would render a sub-standard asset eligible for continuance of classification in sub-standard category for the specified period. This is subject to the condition that the amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved. Even in cases where the sacrifice is by way of write off of the past interest dues, the asset should continue to be treated as sub-standard.

1.52 The sub-standard assets would be eligible to be upgraded to the standard category only after the specified period, i.e., a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period. In case, however, the satisfactory performance during the one-year period is not evidenced, the asset classification of the restructured account would be governed as per the applicable prudential norms with reference to the pre-restructuring payment schedule. These changes in the norms would be applicable only to the standard and sub-standard accounts which are subjected to

restructuring/ rescheduling/renegotiation of terms during the financial year 2000-01 and thereafter.

1.53 Banks should also disclose in their published Annual Accounts, under the Notes on Accounts, certain information in respect of restructuring undertaken during the year. The disclosures include among others (a) the total amount of loan assets subjected to restructuring; (b) the total amount of standard assets subjected to restructuring; and (c) the amount of sub-standard assets subjected to restructuring.

Guidelines on Categorisation and Valuation of Banks' Investment Portfolio

1.54 The process of marking to market of the investment portfolio required bifurcation of investments into 'permanent' and 'current' categories. Banks have made substantial progress in this respect. A number of banks have fully marked the portfolio to the market and the remaining have reached the prescribed level of 75 per cent for approved securities.

1.55 Accordingly, the guidelines on classification and valuation of investments by banks have been revised on the basis of the recommendations of an Informal Working Group in order to bring them in consonance with the best international practices. The revised guidelines were made effective from September 30, 2000. The banks are required to classify their entire investment portfolio, under three categories *viz.*, 'held to maturity', 'available for sale' and 'held for trading'. In the balance sheet, the investments would continue to be disclosed as per the existing six classifications *viz.*, i) Government securities, ii) other approved securities, iii) shares, iv) debentures and bonds, v) subsidiaries/ joint ventures, vi) others (commercial papers, mutual fund units, etc.).

1.56 The investments under the 'available for sale' and 'held for trading' categories should be marked to market at yearly and monthly intervals, respectively, or at more frequent intervals. The investments under the 'held to maturity' category need not be marked to market, as in the case of 'permanent' securities at present. Such investments will not exceed 25 per cent of the total investments.

1.57 The guidelines cover classification of investments, shifting of investments among the three categories, valuation of the investments, methodology for booking profit/ loss on sale of investments and providing for depreciation. The risk-weights assigned to the various securities at present, including those for 'market risk', remain unchanged.

1.58 Banks were advised to formulate an investment policy with the approval of their Board of Directors to take care of the requirements on classification, shifting and valuation of investments under the revised guidelines. The policy should adequately address risk-management aspects and ensure that the procedures to be adopted by the banks under the revised guidelines are consistent, transparent and well documented to facilitate easy verification by inspectors and statutory auditors.

Transfer of Profits to Reserve Funds

1.59 All scheduled commercial banks operating in India (including foreign banks) are required to transfer not less than 25 per cent of the net profit (before appropriations) to the Reserve Fund with effect from the year ending March 31, 2001. The transfer to the reserves may be made 'after adjustment/provision towards bonus to staff'.

Voluntary Retirement Scheme Expenditure - Accounting and Prudential Regulatory Treatment

1.60 Faced with the problem of surplus manpower resources, several public sector banks introduced a voluntary retirement scheme (VRS) as a measure of cost reduction. The scheme brought to the fore certain accounting issues relating to booking of VRS related expenditure such as *ex-gratia* payment and other terminal benefits. Consequently, the accounting treatment of VRS expenditure was specified in consultation with the Institute of Chartered Accountants of India (ICAI). In particular, the banks were advised that unless expensed in the same period, the entire *ex-gratia* amount as a result of VRS could be treated as an extra-ordinary item and as Deferred Revenue Expenditure (DRE). Banks were advised that in view of the extra-ordinary nature of the event, VRS related DRE would not be reduced from tier I capital. The position will stand regularised by the end of the accounting

year in which the deferred expenses are totally wiped out. The banks are required to disclose in the balance sheet the accounting policies followed in respect of VRS expenditure. The period of deferment would be restricted to a maximum of 5 years including the year of acceptance of VRS application by a bank.

Consolidated Supervision

1.61 The adoption of Basel *Core Principles for Effective Banking Supervision* requires adherence to the principles of consolidated accounting and supervision of the affairs of the bank's subsidiaries. With a view to moving towards international best practices, banks were advised on May 3, 2000, to voluntarily build in the risk-weighted components of their subsidiaries into their own balance sheet on notional basis, at par with the risk-weights applicable to the bank's own assets and earmark additional capital in their books, in phases, beginning from the year ending March, 2001. Furthermore, in order to bring more transparency to the balance sheets, public sector banks were advised to annex the balance sheet in respect of each of their subsidiaries, to their own balance sheets beginning from the year ending March, 2001. The accounting year of the entities which are banking subsidiaries, should normally be coterminous with that of the parent bank and the date of the annual accounts of such subsidiaries, annexed to the parent's balance sheet, should coincide with the date of annual accounts of the parent. In respect of subsidiaries which may have an accounting year different from that of the parent bank, the annual accounts annexed should not relate to a date earlier than six months prior to the date of the annual accounts of the parent bank.

Move towards Risk-based Supervision

1.62 In the Monetary and Credit Policy of April 2000, the Reserve Bank had announced its intention to move towards a risk-based approach to supervision of banks with the assistance of international consultants. The switchover to risk-based supervision (RBS) from the current CAMELS based approach will enhance supervisory standards and practices in alignment with the international best practices. M/s. PricewaterHouse Coopers (PwC), UK, were engaged as consultants to facilitate the transition to RBS under assistance from the Department for International Development (DFID), UK.

1.63 The consultants submitted the final deliverables in May 2001. The RBS model suggested by them consists of (i) a formal risk assessment of a bank by producing a detailed risk profile, (ii) developing a unique supervisory action plan for each bank based on the risk profile, (iii) defining the scope and extent of supervision, and (iv) setting up quality assurance and enforcement functions to maintain objectivity and neutrality in application of supervisory standards. The project has entered the implementation phase from June 2001 and a dedicated Project Implementation Group has been set up in the Reserve Bank to address the transitional and change management issues for switchover to RBS.

1.64 The RBS approach will involve allocation of supervisory resources in accordance with the risk profile of a bank. A high-risk bank will be subjected to enhanced supervisory focus through a shorter supervisory cycle and greater use of various supervisory tools like targeted inspections, intensive off-site surveillance, structured meetings with the bank management, etc. On the contrary, a low risk bank will be subjected to a longer supervisory cycle and use of fewer supervisory tools. Thus, the RBS approach will lead to an optimum use of supervisory resources by focusing them on the targeted banks and the specific areas within the banks that pose the greatest risk to the system and to the supervisory objectives.

1.65 The implementation of RBS approach calls for certain preparedness on the part of commercial banks like setting up comprehensive risk management systems, switching to a risk-based audit system, upgrading the management information and Information Technology-based systems, setting up dedicated compliance units and addressing issues related to HRD and skill development. A discussion paper on RBS giving a background of the approach, its objectives, the processes involved and the specific bank level preparedness required for successful implementation has been issued to the banks and they will be involved in the switchover through a consultative process. The RBS approach is planned to be put in operation after the pilot run in the last quarter of the financial year 2002- 03.

Credit Information Bureau

1.66 With a view to developing an institutional mechanism for sharing of information on borrowers/ potential borrowers among banks and financial institutions, the Credit Information Bureau (India) Ltd. (CIBIL) has been set up in August 2000 for collecting, processing and sharing credit information on the borrowers of credit institutions. In order to strengthen the legal mechanism for making the functioning of CIBIL effective, a draft master legislation covering responsibilities of the Bureau, rights and obligations of the member credit institutions, safeguarding of the privacy rights, is under preparation by the Government.

Report on Borrowal Accounts Classified as Doubtful or Loss and Suit-filed Accounts of Rs.1 crore and above

1.67 A scheme has been put in place to collect and disseminate, amongst banks/ notified all-India FIs, the details about borrowers of banks and FIs with outstanding aggregating Rs. 1 crore and above which are classified as 'doubtful' or 'loss' or where suits have been filed. So far, information up to the half-year ended September 30, 2000 has been disseminated. The list of borrowal accounts against which banks and FIs have filed suits for recovery of their dues aggregating Rs. 1 crore and above as on March 31, 2001 is available on the Reserve Bank website (www.rbi.org.in). Information on cases of wilful default with outstanding balance of Rs. 25 lakh and above up to the quarter ended March 31, 2001, has also been furnished to the banks and notified all India FIs. The list of wilful defaulters of Rs. 25 lakh and above against whom suits have been filed is published along with the list of suit filed accounts of Rs. 1 crore and above and is also available on the RBI website.

Guidelines for Entry of New Private Sector Banks

1.68 Following the recommendations of the Working Group to review the licensing policy for setting up new private sector banks, in consultation with the Government of India, guidelines were issued in January 2001 for entry of new banks in the private sector. The guidelines retained certain existing conditions on the entry of new banks such as promoters' capital share at 40 per cent, opening of new branches, etc. The proposed bank needs to observe the prescribed targets in respect of priority sector lending (40 per cent of net bank credit) as applicable to other domestic banks. The major changes in the revised guidelines are:

(i) The initial minimum paid up capital for a new bank should be Rs. 200 crore, which shall be increased to Rs. 300 crore in subsequent three years after commencement of business.

(ii) The guidelines also enable a NBFC to convert into a commercial bank, if it satisfies the prescribed criteria of a) minimum net worth of Rs. 200 crore, b) a credit rating of not less than AAA (or its equivalent) in the previous year, c) capital adequacy of not less than 12 per cent, and d) net NPAs not more than 5 per cent.

(iii) A large industrial house should not promote any new bank. Individual companies, directly or indirectly connected with large industrial houses may however, be permitted to participate in the equity of a new private sector bank up to a maximum of 10 per cent, but would not have controlling interest in the bank. The bank shall not extend any credit facilities to the promoters and companies investing up to 10 per cent of the equity.

(iv) Preference would be given to promoters with expertise of financing priority areas and in setting up banks specialising in the financing of rural and agro-based industries.

1.69 The guidelines also prescribed March 31, 2001 as the last date for receipt of applications. At the first stage, the applications were screened by the Reserve Bank to ensure *prima facie* eligibility of the applicants. Thereafter, the applications were referred to a high-level Advisory Committee (Chairman: Dr.I.G.Patel), which submitted its recommendations to the Reserve Bank on June 29, 2001. Further detailed information and analysis of the applications, in the light of the Advisory Committee's recommendations is in progress and a decision to issue 'in-principle' approval for setting up of a private sector bank would be taken by the Reserve Bank.

Supervisory Initiatives Relating to Foreign Branches of Indian Banks

1.70 A revised reporting system has been introduced for collecting data on foreign operations of Indian banks from June 2000. The new reporting system is designed to capture additional risks/information pertaining to (a) interest rate risks, (b) liquidity risks, (c) non-performing investments, (d) information on frauds, and (e) detailed data on profitability.

Ownership Function

1.71 The Reserve Bank holds at present shares in State Bank of India (SBI), National Housing Bank (NHB), Infrastructure Development Finance Company (IDFC), Deposit Insurance and Credit Guarantee Corporation (DICGC), NABARD, Bharatiya Reserve Bank Note Mudran Ltd. (BRBNML), Discount and Finance House of India (DFHI) and Securities Trading Corporation of India (STCI). The Committee on Banking Sector Reforms (Chairman: M. Narasimham) 1998, was of the view that appropriately, the Reserve Bank should not own the institutions it regulates. Furthermore, in January 1999, the RBI Discussion Paper on 'Harmonising the Role and Operation of Development Financial Institutions and Banks' had suggested that the owership of financing institutions could ideally be delinked from the Reserve Bank through transfer of such ownership to the Government. The Reserve Bank accepted the recommendation for transfer of ownership of its shares in SBI, NHB and NABARD to the Central Government. Given the crucial importance and bearing of the issue, the matter has to be decided in consultation with the Government of India. In respect of DICGC, Reserve Bank had already submitted proposal to the Government for framing a new Act to make it consistent with financial sector liberalisation. In respect of BRBNML, there is no intention to divest the shareholding of the Reserve Bank at this stage, since the RBI is a captive customer and there are no regulatory implications. Currently, the Reserve Bank holds only 10.50 per cent of the shares in DFHI and 14.40 per cent of the shares in STCI. It has decided to completely divest these shareholdings in the current year.

Legal Reforms

1.72 The experience of the financial restructuring process initiated since early-1990s indicates that the success of financial sector reforms often hinges crucially on appropriate reforms of the underlying legal framework. Keeping this in view, important legal reforms initiated in the banking sector in the recent months include areas such as security laws, Negotiable Instruments Act, fraud on banks and regulatory framework of banking. The Reserve Bank has forwarded its recommendations to the Central Government for comprehensive amendments to the Reserve Bank of India Act, 1934 and the Banking Regulation Act, 1949. In view of the increasing level and complexity of frauds in the banking industry, a Committee on legal aspects of bank frauds has been constituted to define financial frauds, lay down procedural laws, examine the process of investigation of bank frauds and prosecution of persons involved.

1.73 The Government of India constituted an Expert Committee (Chairman: Shri T. R. Andhyarujina) on legal reforms, which submitted its report in February 2000. As a follow up measure, the Government constituted a Working Group on Asset Securitisation (Chairman: Shri S. H. Bhojani) in July 2000. This Working Group has submitted a draft Bill to the Government. In order to examine the vesting of powers with banks and financial institutions for taking possession and sale of securities without intervention of the courts and to draft a Bill for consideration, another Working Group was constituted by the Government in July 2000 (Chairman: Shri M. R. Umarji). The Working Group submitted its Report to the Government alongwith the draft Bill in May 2001.

New Capital Accord

1.74 The Basel Committee on Banking Supervision (BCBS) released the second consultative document on the proposed draft New Capital Accord in January 2001 (Box I.2). The New Accord places greater emphasis on banks' own assessment of their risks in calculating their capital requirements. The new Accord will be effective from 2005. The feedback received from a few banks on the same indicated that they would have to substantially upgrade their existing MIS, risk management practices and procedures and technical skills of the staff. Banks would, therefore, need to initiate necessary steps to ensure that they are equipped to adopt the new Accord as and when approved.

Interest Rate Policy

1.75 One of the main objectives of financial sector reforms has been to provide operational flexibility to the banks. Deregulation of interest rates has been a major step in this direction. A move was taken in October 1994 with the introduction of the Prime Lending Rate (PLR) as the minimum rate chargeable by banks to their borrowers with credit limit above Rs.2 lakh. Thereafter, banks have been given autonomy to fix their own PLR and maximum spread thereon. Currently, banks can determine their own Prime Term Lending Rate (PTLR) and they are also permitted to offer tenor linked PLRs. Effective April 19, 2001, commercial banks have been permitted to lend at rates below PLR to exporters and other creditworthy borrowers including public enterprises on the lines of a transparent and objective policy approved by their Boards.

Flexibility to Banks in Terms of Interest Rate on Term Deposits

1.76 As the premature withdrawal of term deposits may adversely impact the ALM functions of the banks, based on communications received from banks on this issue, banks were given the freedom to exercise their discretion to disallow premature withdrawal of large deposits held by entities other than individuals and Hindu Undivided Families (HUF). Furthermore, renewal of overdue deposits at the rate of interest prevailing on the date of maturity would now be allowed only for an overdue period of 14 days. In case the overdue period exceeds 14 days, the deposits should be treated like fresh term deposits and banks may prescribe their own interest rate for the overdue period.

Interest Rate on FCNR (B) Deposits

1.77 Banks are free to accept FCNR (B) deposits for a maturity period of 1 to 3 years and offer fixed or floating rates. Till April 2001, floating rate deposits could be offered with an interest reset period of six months, subject to the ceiling of LIBOR/SWAP rates plus 50 basis points for the corresponding maturity. Based on the feedback received from the banks, it was decided to revise the above ceiling downward to LIBOR/SWAP rates for the corresponding maturity.

Restructuring of Weak Public Sector Banks

1.78 The recommendations of the Working Group on restructuring weak public sector banks (Chairman: Shri M. S. Verma) were examined by the Reserve Bank and the Reserve Bank's views were conveyed to the Government in December 1999. The three areas which need to be considered in this context are recapitalisation, setting up of financial restructuring authority and other measures.

(i) Recapitalisation

1.79 As a sequel to the recommendations of the Working Group, the Union Budget 2000–01 announced that Government would consider recapitalisation of weak banks to achieve the prescribed capital adequacy norms. Such recapitalisation, however, would be made subject to a viable restructuring programme to be drawn by the concerned banks that would be acceptable to both the Government of India and the Reserve Bank. The Government of India did not provide recapitalisation assistance to any of the weak banks during 1999-2000 and 2000-01. While UCO Bank and United Bank of India have maintained the prescribed CRAR of 9 per cent as on March 31, 2001, Indian Bank continued to have negative net worth and negative CRAR. In accordance with the Government's directions, the three banks submitted restructuring plans for 2000-01 to 2002-03. The recapitalisation requirements of the banks based on the plans and assessed by a High Level Committee appointed by the Government in December 2000 are currently under consideration of Government of India.

(ii) Setting up of Financial Restructuring Authority

1.80 The Government of India had announced that Financial Restructuring Authority (FRA) comprising experts and professionals could also be set up for individual banks, if necessary, to turn around weak banks after due amendments are carried out in the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980. A draft of the proposed amendments to Banking Companies Act (Acquisition & Transfer of Undertakings) Act of 1970/1980 was forwarded to Government in April 2000. The Government has since introduced the Banking Companies (Acquisition and Transfer of Undertakings) Bill, 2000 in Parliament, which

seeks to empower the Central Government to supersede (based on the recommendations of the Reserve Bank) the Board of Directors of any nationalised bank and constitute the Financial Restructuring Authority.

(iii) Other Measures

1.81 The three weak banks have implemented VRS and have achieved significant reduction of excess staff. The banks have taken steps to rationalise their branch network and abolish Zonal Offices. These banks are also taking various measures such as reduction of NPAs, lowering cost of deposits, increasing productivity and profitability for bringing about sustained improvement in their financial strength. The Reserve Bank and Government of India are monitoring the progress achieved against performance targets fixed in consultation with the banks in respect of all the above areas.

Frauds in Banks

1.82 During the year 2000-01, banks and financial institutions reported 50 cases of large value frauds (Rs. 1 crore and above) involving Rs.506.34 crore, as against 49 cases involving Rs.431.59 crore, during the previous year. The major factors which facilitated the perpetration of frauds during the year included, among others, non-observance of the laid-down systems and procedures by the bank functionaries, nexus or collusion of bank staff with the borrowers/depositors, negligence on the part of the dealing officials/branch managers, commission of fraud by the bank staff themselves, failure of internal control system and inadequate appraisal of credit proposals and ineffective supervision over advances.

1.83 Out of 50 cases of large value frauds reported during the year, in 5 cases, bank officials themselves perpetrated the frauds. In as many as 10 cases, nexus or collusion of bank officials with the fraudsters was observed. In respect of a few cases of fraud involving pay orders reported by certain banks recently, nexus of a co-operative bank with the perpetrators of the fraud was also observed.

1.84 The Committee on Legal Aspects of Bank Frauds (Chairman: Dr. N. L. Mitra) constituted by the BFS submitted its Report in September 2001. The terms of reference included charting procedural laws to deal with financial frauds, examining the process of investigation of bank frauds, providing suggestions to operationalise the recommendations of previous Committees relating to legal aspects of bank frauds and examining the role of Reserve Bank with regard to frauds reported by banks. The Report highlighted the limitations of the existing legal provisions to deal with such cases in an effective manner and emphasised that efforts should be made, both to prevent frauds and to deal firmly with incidents of financial frauds. It recommended that financial institutions should develop, implement and monitor a Best Practice Code (BPC). Citing cross-country examples, the Committee categorised different types of frauds and proposed legislative attention to deal with the serious ones separately. It recommended that serious financial frauds should be treated as criminal offence and the burden of proof should be shifted on the accused to prove absence of fraud. The Report also recommended establishment of Special Bureau, Court and prosecutors to deal with major frauds and provided certain operational guidelines for the Bureau, Court and the recovery of the defrauded amount. In order to facilitate the operation of the Bureau, it recommended the establishment of a Statutory Fraud Committee under the chairmanship of the Reserve Bank nominee with representation from other financial supervisory authorities.

Technology in Banking

Payment and Settlement Systems

1.85 As part of restructuring of the banking sector, special emphasis has been accorded to improvements in payment and settlement systems. Prominent among the measures initiated in these areas include introduction of Electronic Funds Transfer (EFT), Real Time Gross Settlement System (RTGS), Centralised Funds Management System (CFMS), the NDS and the Structured Financial Messaging Solution (SFMS). The SFMS would be the backbone for all message-based communication over the Indian Financial Network (INFINET).

Electronic Funds Transfer (EFT)

1.86 The EFT scheme enables transfer of funds within and across cities and between branches of a bank and across banks. The scheme, which is operated by the Reserve

Bank is available for funds transfer across thirteen major cities in the country, as on September 30, 2001. The facility is being extended to two more centres. The scheme was originally intended for small value transactions. However, with effect from October 1, 2001, even large value transactions (as high as Rs. 2 crore) have also been permitted.

Real Time Gross Settlement System (RTGS)

1.87 The work on operationalisation of RTGS system continued during the year. The major project components completed during the year included the finalisation of the design for RTGS system, issue of the tender for the development of the software, evaluation of the technical components of the bids received, site visits and evaluation of the commercial proposals. The implementation of RTGS is targeted to be accomplished within 12 to 15 months of award of the contract for software development and implementation.

Centralised Funds Management System (CFMS)

1.88 The CFMS would enable the funds and treasury managers of commercial banks to obtain the consolidated account-wise, centre-wise position of their balances with all the 17 Deposit Accounts Departments (DAD) of the Reserve Bank. The system has been tested prior to installation and phase-wise implementation commenced from November 2001. The CFMS would enable better funds management by constituent current account holders of the Reserve Bank.

Structured Financial Messaging Solution (SFMS)

1.89 At the base of all inter-bank message transfers using the INFINET is the SFMS. SFMS would serve as a safe, secure communication carrier built with templates for transmission of intra and inter-bank messages in fixed message formats, which would facilitate "Straight Through Processing". SFMS comprises the central server in the form of a hub located at the Institute for Development and Research in Banking Technology (IDRBT), Hyderabad and individual bank gateways to which the branches of the banks would be connected with a provision for banks to have multiple bank level gateways. The SFMS would provide for all inter-bank transactions to be stored and switched at the central hub, while intra-bank messages will be switched and stored by the bank gateway. Adequate security in the form of smart card authentication apart from the Public Key Infrastructure (PKI) would be an integral part of the SFMS. All these would result in the security levels matching those of international standards.

Working Group on Improvements in Monitoring of Clearing Systems

1.90 Following the recent developments in the banking sector, a Working Group on 'Improvements in Monitoring of Clearing Systems' was constituted by the Reserve Bank to examine the major issues pertaining to management and operation of the Clearing Houses and make necessary recommendations. The Group submitted the Report in May 2001. The recommendations of the Group were discussed with a select group of bankers and regulators. Based on these discussions, a roadmap has been drawn for implementation of these recommendations which fall under the following major areas of control / monitoring *viz*., (a) monitoring presentations by banks; (b) monitoring returns by banks; (c) accounting of the clearing settlements; (d) formation of an Internal Group at each Regional Office of the Reserve Bank to review the trends reported by the clearing house and plan follow up action as deemed necessary; (e) formation of a central monitoring cell to monitor the trends on a national basis and provide warning signals wherever necessary; and (f) implementation of MIS to serve as early warning signals for better surveillance over the activities of the clearing member banks.

1.91 The recommendations which could be implemented immediately are being taken up with the four major metropolitan clearing houses managed by the Reserve Bank. Action on implementing these at the clearing houses managed by State Bank of India / other banks would also be taken up concurrently.

Imaging of Instruments

1.92 A process of capturing the images of the instruments as they are being processed was introduced during the year at the four metropolitan National Clearing Cells managed by the Reserve Bank. Imaging facilitates in quicker balancing during the cheque-

processing cycle and also in reducing clearing reconciliation differences.

Electronic Clearing Services

1.93 Emphasis on widespread usage of Electronic Clearing Service (ECS) is being prescribed by the Reserve Bank to encourage non-paper based funds movement. The prime thrust areas forming part of this vital activity include the extension of ECS to more centres, inclusion of more customers under the ambit of the scheme and provision of a centralised facility for affording payments.

Indian Financial Network (INFINET)

1.94 The INFINET has been operational for almost two years. Started as a closed user group communication network for the banking sector in India, the members of this network are the public sector banks. During the year 2000-01, the membership was opened up for other banks and financial institutions that need to communicate with one another.

Computerisation in Public Sector Banks

1.95 The progress in implementation of the directive of the Central Vigilance Commission (CVC) on the need to computerise 70 per cent of the banking business by public sector banks before January 1, 2001 revealed that as on December 31, 2000, 13 banks had achieved the desired level. Figures as at end of March 2001, indicated that 23 banks have achieved the target, while two banks have computerisation levels ranging between 60 per cent and 70 per cent and two others were at a level below 60 per cent.

Cheque Clearing

1.96 Magnetic Ink Character Recognition (MICR) based cheque-clearing accounts for about 65 per cent of the value of cheques processed in the country. In addition, Magnetic Media Based Clearing Systems account for about 10 per cent of the remaining value while claim-based processes cover the rest of clearing. It may be pertinent to note that growth in cheque volumes has decelerated to 10 per cent in 2000-01 from 12 per cent during the previous year. This is reflective of general trends the world over, indicating the migration towards electronic funds transfer mechanisms.

Progress of the Committees Associated with Different Areas of Banking Supervision

Working Group on Consolidated Accounting

1.97 A multi-disciplinary Working Group has been set up to look into the introduction of consolidated accounting and other quantitative methods for consolidated supervision of banks and bank groups. The recommendations of the Group are expected to be finalised shortly. The adoption of consolidated approach to supervision of banks would also be in line with the requirements relating to Consolidated Supervision enunciated in the *Core Principles of Effective Banking Supervision*, put forth by the Bank for International Settlements.

Informal Group to Review Regulatory and Supervisory Arrangements

1.98 World over, financial innovations, technological development and blurring of distinction between financial institutions have resulted in increasing integration of financial services and markets. Technical advances have also resulted in accelerated pace and complexities in financial products besides the manifold increase in volumes and turnover. Indian financial system is catching up fast with these developments in the post-reform period. The regulatory regimes and supervisory systems in the changing environment face new challenges in safeguarding the integrity, efficiency, soundness and stability of the financial system. In India, the regulatory and supervisory arrangements have been rendered complex in view of the existence of various types of financial intermediaries with different charters. In the above background, an Informal Group was constituted to prepare a Discussion paper on regulatory and supervisory arrangements in the financial sector. The paper would include theoretical perspective, international practice and financial innovations along with its associated problems. It would also cover the growing complexities of regulation and supervision and the existing Indian position.

Internal Working Group on Control over Cost of Funds in Public Sector Banks

1.99 As per the directions of BFS, an internal Working Group was formed in August 2000 to

undertake a study on control over cost of funds in public sector banks. The Working Group submitted its report along with recommendations and the same was placed before the BFS in May 2001. The Board has directed to forward the study to banks and to conduct a high-level seminar on the issue so as to arrive at the best solutions.

Working Group on Non-SLR investments of Banks

1.100 A Working Group was constituted to study, *inter alia*, the methods of acquisition of non-SLR investments by banks. Subsequently, instructions were issued for classification and valuation of investments in such securities held by banks. Further, with a view to ensuring that the investment by banks in non-rated issues through private placement, both of the borrower customers and non-borrower customers, do not give rise to systemic concerns, guidelines were issued in June 2001 on measures to be taken by banks, including guidelines on use of a suitable format of disclosure in respect of private placement issues. Banks and financial institutions were advised that effective October 2001, they would be permited make fresh investments and hold bonds and debentures, privately placed and otherwise only in dematerialised form. Outstanding investments should also be converted into demat form by June 2002.

Working Group to Review Rating Model

1.101 A system of supervisory rating of banks operating in India has been in vogue since inspection cycle of 1998-99. The objective of introducing the system of supervisory rating of banks is to summarise the performance of individual banks and also to assess the aggregate strength and soundness of the banking system. The Indian banks are rated as per CAMELS model covering capital adequacy, asset quality, management, earnings, liquidity and systems and control, while the branches of foreign banks in India are rated as per CACS model covering capital adequacy, asset quality, compliance and systems. Each of the components is rated on a scale of 1 to 100 marks, which are apportioned among various sub-parameters. The weighted average of the rating of components is arrived at using respective weights assigned to each component reflecting its importance. On the basis of weighted average of the rating of components, composite rating is determined on a scale of A to D in the descending order of performance of banks.

1.102 Recently, a Working Group comprising officials of the Reserve Bank, scheduled commercial banks, ICAI, and Credit Rating and Investment Services India Limited (CRISIL) reviewed the rating models for bringing about improvements. The purpose of this review was to minimise the element of subjectivity in certain rating components and to make the composite rating more broad based. On the basis of the recommendations of the Group, a rating model has been evolved.

Rural Credit, Housing Finance and Credit to Small Scale Industries

Special Agricultural Credit Plans

1.103 The Reserve Bank has advised PSBs to prepare Special Agricultural Credit Plans (SACP) for increasing the credit flow to agriculture. The plan prepared on annual basis indicate the self-set targets for disbursement to agriculture. For the financial year 2000-01, the disbursement to agriculture under this plan was Rs. 24,654 crore as against the projection of Rs. 25,893 crore. For the financial year 2001-02, the target for disbursement has been set at Rs. 30,818 crore.

Small Scale Industries Sector

1.104 Commercial banks have been advised to dispense with collateral requirements for the tiny sector for loans up to Rs.5 lakh. Similarly, to promote credit flow to small borrowers, composite loan limit for providing working capital and term loan through single window has been increased from Rs.10 lakh to Rs.25 lakh.

Specialised SSI bank branches

1.105 Public sector banks have been advised to make concerted efforts to operationalise at least one specialised small scale industry (SSI) branch in every district and centres having cluster of SSI units. The convenor of State Level Bankers Committee (SLBC) in each State has been asked to monitor the progress in the operationalisation of specialised SSI branches. As at the end of March 2001, there were 390 specialised SSI bank branches in the country.

Task Force to Study the Functioning of Co-operative Banks and Suggest Measures for their Strengthening

1.106 The Task Force to study the co-operative credit system (Chairman: Shri Jagdish Capoor) submitted its Report in July 2000. The recommendations were discussed in a consultation meet organised by NABARD in December 2000 and in a Conference of Chief Ministers held in August 2001. While consensus was reached on several recommendations, divergent views were expressed by the States on the proposed rehabilitation package, selection criteria for revitalisation and delayering of the rural co-operative credit structure. The Government of India, therefore, announced the formation of a Joint Committee under the Chairmanship of the Minister of State for Finance to consider these issues.

Standing Advisory Committee for Small Scale Industries

1.107 A Standing Advisory Committee, under the Chairmanship of a Deputy Governor was constituted in September 2000 to review the flow of institutional credit to the SSI sector. The terms of reference of the Committee are to:

(a) review the flow of credit to the SSI sector and problems being faced by this sector in securing adequate credit;

(b) suggest improvements in the procedure of commercial banks and modification in their policies as also those of the Reserve Bank, to the extent desirable, in catering to the credit needs of the SSI sector;

(c) examine other related issues; and

(d) make recommendations which are related to or incidental to the above items.

Khadi & Village Industries Commission

1.108 A Consortium Scheme with the corpus of Rs.1,000 crore has been set up for the banking system to provide finance to the *Khadi* and Village Industries Boards (KVIBs). As at the end of September 2001, an amount of Rs.437 crore was outstanding out of an amount of Rs.738 crore disbursed by the consortium under the scheme.

Relief Measures

1.109 In view of the devastating effect of earthquake in the State of Gujarat in January 2001 resulting in widespread damage to the properties and heavy loss of life, the Reserve Bank announced a package of relief measures for the State. The loan classification status in case of borrowers affected by the earthquake is frozen on an 'as-is-where-is' basis until March 31, 2003. In regard to standard assets, no demand for recovery would be made for two years, while in regard to loans not classified as standard assets no penalties would be levied in the event of non-receipt of repayments due during the next two years.

1.110 Notwithstanding the present loan classification status, the affected small traders, small business, self-employed and small road transporters, etc., would be sanctioned fresh loans up to Rs. 1 lakh for the purpose of restoration/rehabilitation of their business at interest rates not exceeding PLR. Banks have also been advised to grant loans up to Rs. 2 lakh at interest rate not exceeding PLR for repairs/reconstruction of houses/shops damaged by the earthquake. Loans for repair/construction of houses and shops and to small traders, small business, self-employed and small road transport operators, etc., would be reckoned as priority sector lending. In respect of agricultural loans, banks are not to recover principal or interest from the affected farmers for a period of two years with a provision for rescheduling up to 7 years. On the request from NHB, the Reserve Bank has sanctioned a long-term loan of Rs.1,000 crore at 6.0 per cent rate of interest per annum repayable over 18 years (inclusive of moratorium period of 3 years) solely for the purpose of extending finance/refinance for the reconstruction of houses etc., in the earthquake affected areas of Gujarat.

1.111 The interest on additional limits would be at PLR up to Rs. 10 lakh and at banks' discretion beyond Rs.10 lakh. The interest on rescheduled loans would be charged at 10 per cent per annum at simple rate up to end-March 2003 and thereafter at PLR. For purposes of interest rate on loans to affected borrowers, all banks would uniformly apply PLR of the SBI. Relief/concessions for affected exporters include extending the period of packing credit at concessive rate of interest upto 360 days from date of advance, conversion of overdue packing credit into short-term loans repayable in suitable instalments and relaxation in NPA classification norms.

Housing Finance

1.112 Certain types of credit extended by commercial banks for housing is now reckoned as priority sector. These include both direct and indirect housing finance. The types of direct finance which have been brought under the ambit of priority sector include loans up to Rs. 5 lakh in rural and semi-urban areas and up to Rs. 10 lakh in urban and metropolitan areas for construction of houses granted to individuals. It also includes loans up to Rs. 50,000 for repairs to damaged houses by individuals. The types of indirect housing finance which have been made part of priority sector lending include assistance given to any governmental agency or for construction of houses or for slum clearance and rehabilitation of slum dwellers subject to a ceiling of Rs. 5 lakh per housing unit. Assistance given to a non-governmental agency approved by the NHB for the purpose of refinance for construction of houses or for slum clearance and rehabilitation of slum dwellers subject to a ceiling of loan component of Rs. 5 lakh per housing unit is also included in the scheme. Furthermore, subscription to bonds issued by NHB and Housing and Urban Development Corporation (HUDCO) exclusively for financing of housing, irrespective of the loan size per dwelling unit, would also be considered as loans to priority sector.

3. Perspectives

1.113 The banking sector has come into increased focus in recent years. The problems in south-east Asian economies, the recessionary trends in the Japanese economy, the financial sector problems encountered in Latin American economies and more recently, in some central European economies have provided graphic evidence of how a weak banking sector can undermine confidence in macroeconomic policies. It is, therefore, no longer possible for developing countries to delay the introduction of structural reforms, stricter prudential and supervisory norms, greater transparency and increased accountability not only to ensure the stability of the financial system, but also to enhance competitiveness. Since the initiation of reform process in India, considerable attention has been devoted to improve the efficiency and health of the banking sector.

1.114 Towards this end, the recent policy measures have continued to focus on structural measures to strengthen the financial system and to improve the functioning of the various segments of the financial markets. The Union Budget for 2000-01 carried forward reform in public sector banking by announcing intention for a more diversified ownership for public sector banks, establishment of financial restructuring authority, debt recovery tribunals, credit information bureaus and legislative amendments to accord greater operational flexibility to the Reserve Bank. At the same time, several Expert Groups/Advisory Groups submitted their recommendations on various facets of the financial sector and various policy measures were accordingly initiated.

1.115 In the light of positioning of appropriate measures towards safeguarding the health and stability of the banking sector, there are several issues that need to be pro-actively addressed. These issues can be broadly categorised under three major heads: (a) strengthening of prudential norms; (b) redefining of the regulatory role of the Reserve Bank in order to make it more efficient and purposeful; and, (c) introduction of structural changes in the system.

(a) Strengthening of Prudential Norms

Capital Adequacy

1.116 Imposition of minimum capital adequacy requirements promotes prudent management of commercial banks. As at end-March 2001, out of 27 PSBs, as many as 25 had CRAR exceeding the stipulated minimum of 9 per cent. Only two PSBs had CRAR below the stipulated minimum, but they accounted for 4.3 per cent of total assets of PSBs as at end-March 2001.

1.117 The Basel Committee on Banking Supervision (BCBS) had released its comments on the new Capital Accord in January 2001, which is expected to be more sensitive to the level of underlying economic risks. In addition to the minimum capital standard taking into account the credit rating, the new norms give emphasis on supervisory oversight of capital adequacy at the level of an individual bank together with market discipline and better public disclosure. The range of options for capital provisioning would facilitate banks with varying degrees of sophistication to adopt appropriate methods with supervisory validation (Box I.2).

Box I.2: The New Basel Capital Accord

The structure and operations of banks have undergone a rapid transformation in recent years. Consequent upon the revolution in information technology and the associated increase in competition, both at national and international levels, financial intermediaries have become increasingly global in geographical coverage and universal in their financial operations, encompassing a wide range of activities including banking, securities markets activities and insurance. In the face of widespread concerns about declining profitability of banks, especially in the 'eighties, the Basel capital adequacy norms were enacted in 1988.

Although the Basel norms helped to arrest the erosion of banks' capital ratios, concerns were raised regarding the mere applicability of baseline capital ratios in the changed environment of operations. The blurring of both functional as well as national divisions among the financial intermediaries, and the speed and complexity of adjustment made it difficult for regulators to keep up with the growing pace of change. In particular, the rule of 'one-size-fits-all' aspect of the capital adequacy ratio was the subject of intense debate and recent banking crises only emphasised the point that baseline capital adequacy norms were not adequate to hedge against failures. In response to the same, the Basel Committee on Banking Supervision (BCBS) came out with the new Consultative Paper on Capital Adequacy in June 1999 and invited suggestions from the policymakers, academia and other institutes all over the world by March 2000. After taking into consideration the manifold suggestions of the various organisations, the second Consultative Paper on Capital Adequacy was released in January 2001. The new rules will take effect by 2005.

The Accord rests on three pillars: the first pillar of minimum capital requirement, the second pillar of supervisory review process and the third pillar of market discipline. The *first pillar* sets out the minimum capital requirements. The new framework maintains both the current definition of capital and the minimum requirement of 8 per cent of capital to risk-weighted assets. The revised Accord will be extended on a consolidation basis to holding companies of banking groups. The Accord stresses upon the improvement in the measurement of risks. The credit risk measurement methods have been made more elaborate than those in the existing Accord. The new framework also emphasises the measurement of operational risk. For measuring credit risk, two options have been proposed. The first is the standardised approach and the second is the internal rating based (IRB) approach. Under the standardised approach, the existing approach for credit risk remains conceptually the same, but the risk-weights have been enlarged to encompass exposures to a broad category of borrowers with reference to the rating provided by rating agencies. For example, for corporates, the existing Accord provides only a single uniform risk-weight of 100 per cent, but the new Accord provides four categories-20 per cent, 50 per cent, 100 per cent and 150 per cent, based on the rating of the corporate. Under the IRB approach, on the other hand, banks will be allowed to use its internal estimates of the borrower's creditworthiness to assess credit risk in the portfolio subject to strict methodological and disclosure standards.

The *second pillar* would seek to ensure that each bank has sound internal processes in place to assess the adequacy of capital based on a thorough evaluation of its risks. The new framework focuses on the importance of bank management in developing an internal capital assessment process and setting targets for capital that are commensurate with the banks particular risk profile and control environment. Supervisors would be responsible for evaluating how well the banks are assessing the capital adequacy needs relative to their risks. The internal processes would then be subjected to supervisory review and intervention, when appropriate.

The *third pillar* aims at bolstering market discipline through enhanced disclosure by banks. Effective disclosure is essential to ensure that market participants can better understand banks risk profile and the adequacy of their capital position. The new framework sets out disclosure requirements in several areas, including the way in which banks calculate their capital adequacy and their risk assessment methods.

The new Accord, when implemented, is expected to have far-reaching implications. The banks ever-increasing awareness of credit risk and the higher reliance on advanced risk management techniques could lead to further consolidation through mergers and acquisitions. It is essentially the emerging economies, which are still encountering several structural issues, and where banks remain the dominant financial intermediaries, which might encounter problems in implementation of these standards and therefore would require some flexibility in their approach. First, the New Accord is quite complex in view of its sophistication and could, over the next couple of years, shift scarce supervisory resources away from direct supervision towards implementation of these specific proposals. Secondly, as a corollary of the earlier point, this complexity of the New Accord would demand enormous skill, which domestic banks may find hard to obtain. Thirdly, because of the increased flow of resources to capital regulation, bank capital may be seen as a panacea for the prevention of bank failure and supervisory oversight in respect of other bank-specific parameters might become common, more so in the belief that adequate capital would keep banks insulated from failure. As observed in the second Consultative Paper, increased capital ratios should not be viewed as the only option for addressing increased risks confronting the bank. Other methods for addressing risk, such as strengthening risk management, applying judicious exposure limits and improving internal controls should be considered as well. Fourthly, increased reliance on external rating agencies could lead banks to loosen their own credit rating models and place explicit responsibility on supervisors to take such agencies into their regulatory fold.

References:

Basel Committee on Banking Supervision (2001), '*The New Basel Capital Accord*', Bank for International Settlements, Switzerland.

Mayer, L. (2001), '*The New Basel Capital Proposal*', BIS Review No. 40.

1.118 In its comments on the New Accord, the Reserve Bank has underlined the need for the new Accord to be initially applied to internationally active banks (defined as banks with cross-border banking business exceeding 15 per cent of their total business). Secondly, the Reserve Bank has observed that External Credit Assessment Institutions (ECAIs) should not be assigned the direct responsibility for assessing risk of banking book assets. This view stems from the fact that in the recent past, the credit rating agencies had resorted to sudden downgrading of certain countries, which experienced financial crises, that exacerbated the tendency of financial institutions for rapid withdrawal. Thirdly, the Reserve Bank has noted that risk-weighting of banks should be de-linked from that of the sovereign in whose jurisdiction they are incorporated. Instead, preferential risk-weights should be assigned on the basis of their underlying strengths and creditworthiness. As regards claims on corporates, the Reserve Bank has proposed that while internationally active banks may be required to follow the Internal Rating Based (IRB) approach, a simplified standardised approach may be evolved for other banks, whereby standardised risk-weights ranging from 20 to 150 per cent could be assigned on the basis of internal ratings of banks.

1.119 The new capital norms, when implemented, may demand a greater amount of capital for the banking system as a whole. The capital of the PSBs has increased in three ways: Government capital infusion, equity issues to the public and retained earnings. The Government's total contribution of over Rs.20,000 crore between 1992-93 and 1998-99, equivalent to an annual average of nearly 0.3 per cent of GDP, has primarily been in the form of non-marketable Government bonds paying 10 per cent. Equity issues by 12 PSBs till 2000-01 have aggregated Rs.6,527crore, with the State Bank of India going to the market twice, in 1993 and thereafter in 1996. The banks also raised tier-II capital. In order to discourage issue of tier-II capital bonds to other banks, a ceiling of 10 per cent of the investing banks' total capital has been prescribed for its aggregate investments in the tier-II capital of banks.

Non-performing Assets

1.120 Non-performing assets have been substantially reduced since regulation was tightened in 1993, but improvement has recently slowed down and the levels of NPAs remain high compared to international standards. In 2001, the commercial banking system's gross NPA to gross advances ratio was 11.4 per cent; net of provisions it was 6.2 per cent. The public sector banks' NPAs witnessed a decline in 2001, with the gross NPA to gross advances ratio being 12.4 per cent, as compared with14.0 per cent in 1999-2000; net of provisions, the corresponding figures were 6.7 per cent and 7.4 per cent, respectively.

1.121 An effective resolution of the problem of NPAs is hampered on account of a sizeable overhang component arising from infirmities in the existing process of debt recovery, inadequate legal provisions on foreclosure and bankruptcy and difficulties in the execution of court decrees. Any solution to the overhang problem of large magnitude requires well-crafted medium to long-term actions, devoted to specific definition of goals and negotiation of the process rather than *ad hoc* approaches.

1.122 Needless to mention, a lasting solution to the problem of NPAs can be achieved only with proper credit assessment and risk management mechanisms. For instance, in a situation of liquidity overhang, the enthusiasm of the banking system to increase lending could compromise on asset quality, raising concerns about adverse selection, and the potential danger of addition to the stock of NPAs. It is, therefore, necessary that the banking system is equipped with prudential norms to minimise, if not completely avoid the problem.

1.123 As regards internal factors leading to NPAs, the onus for containing the same rests with the banks themselves. This would necessitate organisational restructuring, improvement in managerial efficiency, skill upgradation for proper assessment of creditworthiness and a change in the attitude of the banks towards legal action, which is traditionally viewed as a measure of the last resort.

Prudential Norms for Loan Classification

1.124 With a view to moving towards international best practice and to ensure greater transparency, the Reserve Bank has announced the intention of moving towards the norm of 90 days classification from the year

ending March 31, 2004. Banks have been advised to incorporate a condition in the loan agreement for obtaining the consent of the borrowers to disclose their names in the event of their becoming defaulters. Considering that higher loan loss provisioning adds to the overall financial strength of the banks and the stability of the financial sector, banks are urged to voluntarily set apart provisions much above the minimum prudential levels as a desirable practice.

Legal Framework

1.125 The issue of NPAs is closely related to the state of legal framework. The legal framework sets standards of behaviour for market participants, details about rights and responsibilities of transacting parties, assures that completed transactions are legally binding and provides regulators with the backing to enforce standards and ensure compliance and adherence to law.

1.126 At the policy level, there is the need for legislation, which will make recovery processes smoother and legal action quicker. Banks have been provided with a menu of alternatives such as Debt Recovery Tribunals (DRT), *Lok Adalats* and Asset Reconstruction Companies. A Credit Information Bureau has been established with a paid-up capital of Rs.25 crore, in order to co-ordinate sharing of information on the borrowers of credit institutions. The Reserve Bank has also provided indicative guidelines for compromise settlement of chronic NPAs in the small-scale sector. Settlement Advisory Committees have also been formed at regional and head office levels. Another method which has been proposed is Corporate Debt Restructuring (CDR) (Box 1.3). These alternatives will create the enabling environment for the appropriate legal reforms, which are being addressed jointly by the Reserve Bank and the Government of India.

Universal Banking

1.127 The policy regarding approach to Universal Banking was enunciated in the annual monetary and credit policy Statement of April 2000. The salient operational and regulatory issues to be addressed by the financial institutions for conversion into a universal bank were also communicated through a circular in April 2001. These issues relate to, among others, reserve requirements, permissible activities, disposal of non-banking assets, composition of the Board, prohibition on floating charge of assets, nature of subsidiaries, restrictions on investments, connected lending, licensing, branch network, assets in India, formats of annual report, priority sector lending and prudential norms. In the Mid-term review Statement of October 2001, the Reserve Bank has stated that the applications received from the concerned institutions would be processed in the light of considerations outlined in RBI's circular to FIs on approach to Universal Banking in April 2001.

1.128 In processing a specific proposal, the overwhelming consideration will be to meet the strategic objectives of the concerned financial institution for meeting the varied needs of different categories of customers, while at the same time ensuring healthy competition in the financial system through transparent and equitable regulatory framework applicable to all the participants in banking business. It needs to be recognised that the movement towards universal banking should foster stability and efficiency of the financial system, but by itself it cannot provide a viable or sustainable solution to the operational problems of individual institutions arising from low capitalisation, high level of NPAs, large asset–liability mismatches, liquidity, etc. While taking a flexible view on each application, particular attention will be paid to the primary need to ensure safety of public deposits, especially of small depositors, and to promote the continued stability of the financial system as a whole, and of the banking system in particular.

Recapitalisation

1.129 The experience of bank recapitalisation in several parts of the world has demonstrated that the exercise of recapitalisation does not necessarily prevent banks from getting into trouble again. In fact, it often serves to distort the incentive structure, erode discipline and reaffirm the faith of these institutions in the 'deep pockets' of the Government. Recapitalisation of weak banks using public money is also a costly and unsustainable option, in view of the increasing strains on the Government exchequer. Till 1999-2000, the

Box 1.3: Corporate Debt Restructuring

One of the methods suggested for the reduction of non-performing assets is Corporate Debt Restructuring (CDR). The process is primarily rescheduling the debt portfolio of the borrowers among its creditors to help the borrowers in the revival of projects and continue operations through reductions in existing debt burden and establishment of new credit lines with implied assumption that the lender would prefer reduction in risk to optimization of returns. The objective of the CDR is to ensure a timely and transparent mechanism for restructuring of the corporate debts of viable corporate entities affected by internal and external factors, outside the purview of BIFR, DRT or other legal proceedings, for the benefit of all concerned.

Recent guidelines on CDR put forth by the Reserve Bank indicate that the CDR is to have a three tier structure: (a) CDR Standing Forum, (b) CDR Empowered Group and (c) CDR Cell. The CDR Standing Forum would be a self-empowered body, which would lay down policies and guidelines and guide and monitor the progress of corporate debt restructuring. The CDR Empowered Group, on the other hand, will decide on individual cases of corporate debt restructuring, which will consider preliminary report of all cases of requests of restructuring submitted to it by the CDR Cell. The Empowered Group would be mandated to look into each case of debt restructuring, examine the viability and rehabilitation potential of the company and approve the restructuring package within a specified time of 90 days, or at best 180 days of reference to the Empowered Group. The lowest of the three tiers would be the CDR Cell, which would make the initial scrutiny of all proposals received from borrowers/lenders by calling for proposed rehabilitation plan and other information and put up the matter before CDR Empowered Group, within one month to decide whether rehabilitation is *prima facie* feasible.

The major features of the CDR mechanism are (a) it would be a voluntary system based on debtor-creditor agreement and inter-creditor agreement, (b) the scheme will not apply to accounts involving only one financial institution or one bank; instead, it will cover multiple banking accounts/ syndication/consortium accounts with outstanding exposure of Rs. 20 crore and above by banks and institutions, (c) the CDR system would only be applicable to standard and sub-standard accounts, with potential cases of NPAs getting a priority.

References:

Deshpande, N.V. (2001), Indian Banking Emerging Challenges Strategies and Solutions-Legal Perspective, *IBA Bulletin*, March.

Reserve Bank of India (2001), Corporate Debt Restructuring (www.rbi.org.in)

Government has recapitalised nationalised banks to the tune of Rs.20,446.12 crore (Table I.1). However, even after allowing for additional infusion of capital through internal generation and access to subordinated debt, the gap between the capital required by these banks and the leeway available to raise the same from market sources, is likely to remain significant. The question which merits attention is whether the gap should be filled by the Government or alternately, whether the legislative ceiling for public subscription should be raised.

1.130 In this context, the Government has indicated that it will adopt a gradual privatisation agenda where its ownership of PSBs will be reduced over a period of time. Accordingly, the Government has introduced the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/80 and Financial Institutions Laws (Amendment) Bill, 2000 in Parliament which seeks to reduce the minimum shareholding by Government to 33 per cent to enable PSBs to raise fresh equity from the capital market. Assuming that the economy grows at the current rate and capital adequacy norms are the same as at present, it is estimated that the banks (barring the three weak banks) would require Rs.10,000 crore over the next five years.

Risk Management

1.131 An open and competitive environment of operations provides opportunities as well as challenges to banks. As narrowing spreads compel banks to assume more risks, it becomes necessary to ensure an appropriate trade-off between risks and returns. Recognising the need for effective risk management systems, in October 1999, the Reserve Bank issued detailed guidelines for risk management system in banks, embracing broadly the areas of credit, market and operational risks. With regard to

Table I.1: Nationalised Banks whose capitals were subscribed by the Government of India out of Budget provisions/Banks whose investments were written down/Banks whose capital was returned to Government

(Rs.crore)

Sr. No.	Name of the Bank	Capital subscribed/written down (*)/Capital Returned to Government (**)											
		2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95			1993-94	Upto 1992-93	Total
								Tier-I					
								Feb. 1995	Dec. 1994	Tier-II			
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.	Allahabad Bank			—	—	532.00*	160.00	—	356.20	101.61	90.00	171.33	
2.	Syndicate Bank			942.62*	—	—	172.00	—	278.59	88.79	680.00	148.50	
3.	Bank of Maharashtra			418.18*	—	—	80.00	94.61	239.58	—	150.00	182.08	
4.	Punjab and Sind Bank			462.47*	—	150.00	72.00	—	116.03	—	160.00	205.61	
5.	UCO Bank			200.00	350.00	54.00	110.00	235.56	279.96	—	535.00	492.00	
6.	United Bank of India			100.00	—	338.00	256.00	67.44	471.43	—	215.00	360.19	
7.	Andhra Bank	47.95**		243.37*	—	165.00	—	75.72	108.60	—	150.00	89.00	
8.	Central Bank of India			—	—	500.00	—	—	632.46	—	490.00	175.74	
9.	Vijaya Bank		297.07*	—	—	302.00	—	—	62.31	—	65.00	125.72	
10	Bank of Baroda			—	—	381.00**	—	—	—	—	400.00	163.00	
11.	Canara Bank			507.10*	600.00	—	—	—	—	—	365.00	112.50	
12.	Corporation Bank			—	—	30.00**	—	—	—	—	45.00	65.40	
13.	Bank of India			—	—	93.47**	1,369.91*	—	848.38	348.22	635.00	455.00	
14.	Dena Bank			—	—	—	136.29*	—	6.11	72.28	130.00	145.63	
15.	Indian Bank			100.00	1,750.00	—	—	—	230.96	180.94	220.00	194.00	
16.	Indian Overseas Bank			—	—	1,000.00*	—	—	258.60	132.74	705.00	357.00	
17.	Oriental Bank of Commerce			—	—	—	—	—	—	—	50.00	76.90	
18.	Punjab National Bank			—	138.33**	—	—	—	425.43*	—	415.00	165.00	
19.	Union Bank of India			—	—	—	—	—	—	—	200.00	132.00	
Capital Subscribed				**400.00**	**2,700.00**	**1,509.00**	**850.00**	**473.33**	**3,889.21**	**924.58**	**5,700.00**	**4,000.00@**	**20,446.12**
Capital Written down			**297.07**	**2,573.74**	**—**	**1,532.00**	**1,506.20**	**—**	**425.43**		**—**		**6,334.44**
Capital Returned to Govt.		**47.95**			**138.33**	**504.47**							**690.75**

* Written down ** Capital Returned to Government

@ Including an amount of Rs. 183.40 crore towards capital subscription by the Government to the erstwhile New Bank of India.

credit risk, it was suggested that banks should put in place the loan policy, approved by the Board of Directors, covering the methodologies for measurement, monitoring and control of credit risk. The guidelines also require banks to evaluate portfolio on an on-going basis, rather than near about the balance sheet date. As regards off-balance sheet exposures, the current and potential credit exposures may be measured on a daily basis. Banks have also been asked to fix a definite time-frame for moving over to duration and Value-at Risk (VaR) approaches for measurement of interest rate risk.

Corporate Governance

1.132 Corporate governance acts a 'coping mechanism' in order to enable the participants to reap the full benefits of reforms. Corporate governance has as its backbone a set of transparent relationships between an institution's management, its Board, shareholders and other stakeholders. It should therefore take into account a number of aspects such as enhancement of shareholder's value, protection of rights of shareholders, composition and role of Board of Directors, integrity of accounting practices and disclosure norms and internal control system. As far as the banking industry is concerned, corporate governance relates to the manner in which the business and affairs of individual banks are directed and managed by their Board of Directors and senior management. It also provides the structure through which objectives of the institution are set, the strategy of attaining those objectives is determined and the performance of the institution is monitored.

1.133 The paper of the Basel Committee for Banking Supervision (BCBS) on the subject envisages certain strategies and techniques basic to sound corporate governance in banks. Basic elements of corporate governance are capable and experienced Directors in the Board, efficient management, coherent strategy and business plan and clear lines of responsibility and accountability. While the primary responsibility for good corporate governance in banks rests with the Board of Directors, the roles played by the Government, regulator, auditors and banking industry associations are equally important.

1.134 The Advisory Group on Corporate Governance (Chairman: Dr. R.H.Patil) had observed that since most of the Indian companies belong to the East Asian insider model, where the promoters dominate governance, it is essential to bring reforms quickly so as to make boards of corporates/ banks/financial institutions/public sector enterprises more professional and truly autonomous. As the statutory framework for corporate governance has already been provided in the Companies Act, the Group felt that it is desirable to amend the Companies Act suitably for enforcing good governance practices in India. Contextually, the Advisory Group on Banking Supervision (Chairman: Shri M.S.Verma) had also made certain recommendations relating to corporate governance in banks (Box II.4).

(b) Redefining the Regulatory Role of the Reserve Bank

Regulation and Supervision

1.135 Prudential regulation and supervision have formed a critical component of the financial sector reform programme since its inception, and India has adopted international prudential norms and practices with regard to capital adequacy, income recognition, provisioning requirement and supervision. These norms have been progressively tightened over the years, particularly against the backdrop of the Asian crisis. Recently, the required capital adequacy ratio has been increased to 9 per cent, from 8 per cent, in the banking sector. The mark-to-market practice for valuation of government securities has been gradually enhanced from 30 per cent in 1992-93 to 75 per cent in 1999-2000 and subsequently, revised guidelines for valuation and classification of investments have been implemented to align with international best practices.

1.136 In the area of supervision, a full-fledged institutional mechanism has been developed keeping in view the needs of a strong and stable financial system. The system of off-site surveillance has been combined with periodical on-site supervision for monitoring the risk profile of banks and their compliance with prudential guidelines. The assessment had shown that most of the *Core Principles for Effective Banking Supervision* are already provided in our existing

legislation or current regulations and attempts are underway to rectify the gaps between existing practice and principles in areas where certain shortcomings exist.

1.137 Keeping in line with the emerging regulatory and supervisory standards at international level, the Reserve Bank has initiated some macro level monitoring techniques to assess the true health of the supervised institutions. The format of balance sheets of commercial banks have now been prescribed by the Reserve Bank with disclosure standards on vital performance and growth indicators, provisions, net NPAs, staff productivity, etc. appended as 'Notes to Accounts'. To bring in further transparency in the banks' published accounts, the Reserve Bank has also advised the banks to disclose data on movement of NPAs and provisions as well as lending to sensitive sectors. These proposed additional disclosure norms would bring the disclosure standards almost on par with the international best practices.

1.138 The Reserve Bank has instituted a mechanism for critical analysis of the balance sheet by the banks themselves and the presentation of such analysis before their boards to provide an internal assessment of the health of the bank. The analysis which is made available to the Reserve Bank forms a supplement to the already stabilised system of off-site monitoring of banks.

Co-operative Banking

1.139 The year under review witnessed an emergence of several challenges, especially in the urban co-operative banks (UCBs). This segment has been exposed to certain weaknesses that need to be remedied on an urgent basis. Apart from the multiple regulatory authorities involved in their supervision and inspection, the sheer numbers and their dispersed and local character, with a different niche clientele can affect the regular programming of inspections by supervisors. In view of the above, supervision of UCBs often proves to be a challenging proposition for the Reserve Bank. In this context, the Monetary and Credit Policy of April 2001 has emphasised the creation of a separate apex supervisory authority which can take over the entire inspection/supervisory functions in relation to scheduled and non-scheduled UCBs with manpower and other assistance to the new supervisory body, when created. Greater co-ordination and information sharing will also be required among regulators in view of the increasing integration of the various segments of the financial market and overlaps in the areas of operation of different types of financial institutions.

International Financial Standards and Codes

1.140 Recent experiences that have demonstrated the vulnerabilities of financial systems to contagion from across national borders and the close correlation of the risks faced by financial systems across countries, have highlighted the necessity for greater homogeneity in the supervisory norms and practices of various countries and closer co-ordination between countries in terms of regulation of their financial systems.

1.141 India, while supporting the need to observe certain minimum universally accepted standards in areas relevant to the maintenance of stability in the international monetary system, has advocated a voluntary approach taking into account the institutional framework, legal infrastructure and stage of development of various countries. India's approach to the process of convergence has been two-fold. At the international front, India has been closely associated with international bodies involved in the process of setting standards and formulating practices for effective supervision of financial systems and has sought to voice its opinion during the process of formulation of new standards. Thus, India has been closely associated with standard setting bodies such as the Core Principles Liaison Group and Group on Joint Task Force on Securities Settlement Systems constituted by the Committee on Payment and Settlement Systems (CPSS) and International Commission of Securities Commissions (IOSCO).

1.142 On the domestic front, the Reserve Bank, in consultation with the Government of India, set up a Standing Committee on International Financial Standards and Codes under the Chairmanship of Dr. Y.V. Reddy, Deputy Governor (and the Finance Secretary as Alternate Chairman) to guide the process of convergence to international financial standards and codes. In the face of rapid changes in the banking sector in the recent years, the Committee envisaged a systematic approach to implementation of international standards and

codes consisting of recognition, identification and recording of standards and codes in the relevant areas, followed by detailed assessment of the present status of compliance, applicability, relevance and feasibility of compliance. Preparation of roadmaps and recommendations of possible time-frame for convergence to such standards as are relevant, applicable and feasible constitute the other steps in the process. The next stage in the process involves making efforts for the widest possible dissemination of the expert opinion so as to involve public authorities and other stakeholders and generate an informed debate to sensitise public opinion on the subject.

Macro-prudential Indicators and Micro-prudential Framework

1.143 The health and stability of the econonmy has traditionally been measured by Macroeconomic Indicators (MEIs). Financial sector supervisors have been using their own set of Microprudential Indicators, based on CAMELS framework. Following the east-Asian crisis, the interest in a combine of Aggregated Microprudential Indicators (AMPIs) and MEIs has increased. Such indicators, referred to as Macroprudential indicators, are pointers of the health and soundness of financial systems and allow policymakers to gauge the extent of vulnerability of a system or an institution to financial crises (Box I.4). The dual approach takes cognizance of the fact that banking and financial institutions are greatly affected by the real economic environment in which they operate. Macroprudential indicators allow for assessments to be based on objective measures of financial soundness.

1.144 In view of the increasing competition and diversification of operations in the Indian banking sector as well as the increasing globalisation of the financial sector, it was deemed fit to expand the supervisory approach to include identification and monitoring of macroprudential indicators. In October 2000, it was decided to prepare a half-yearly financial stability review using macroprudential indicators for internal circulation in the Reserve Bank and an inter-departmental group was constituted for the purpose. A pilot review of macroprudential indicators for the half-years ended March 2000 and September 2000 were prepared. The review for March 2001 has subsequently been prepared and put up to the Board for Financial Supervision.

1.145 In order to orient the system to the requirements of the Indian banking sector, the microprudential framework for supervision of individual institutions uses a set of indicators aimed at: (i) peer group analysis based on critical financial ratios, and (ii) development of supervisory bank rating systems involving assignment of rating based on the behaviour of certain indicators in relation to pre-specified norms/ benchmarks. The indicators used for both these approaches are based on the CAMELS model, where the 'S' stands for systems and procedures. A prompt corrective action framework based on certain indicators like CRAR, net NPAs and return on assets is also expected to be operationalised in the near future.

(c) Effecting Structural Changes in the System

Internal Controls

1.146 The experience reveals that the operational rules and norms of banking have not kept pace with the developments taking place in the banking sector. The cumbersome loan and documentation procedures in banks, which partly arise from legislative and regulatory requirements, impinge on the efficient functioning of the banking sector.

1.147 It is, therefore, very vital that the internal controls which consist of a wide spectrum of internal inspection and audit, submission of control returns by branches/ controlling offices to higher level offices, visits by controlling officials to the field level offices, risk management system, simplification of documentation procedures and efficient inter-office communication channels, are strengthened. The implementation of such a control system would necessitate revisions in the 'Operational Manuals', audit procedures and better evaluation of clients. Some steps have already been initiated in this direction. Besides, banks have been advised to constitute Audit Committees of the Boards to enable focused attention by the Boards of the banks on internal control systems.

Box I.4: Macroprudential Indicators

Aggregated Microprudential Indicators	Macroeconomic Indicators
Capital Adequacy Aggregate capital ratios. Frequency distribution of capital ratios **Asset Quality** ***Lending Institution*** Sectoral credit concentration. Foreign currency denominated lending. Non-performing loans and provisions. Loans to loss-making public sector entities. Risk Profile of Assets. Connected lending. Leverage Ratios. ***Borrowing Entity*** Debt-equity ratios. Corporate profitability. Other indicators of corporate conditions. Household indebtedness. **Management Soundness** Expense Ratios. Earnings per employee. Growth in the number of financial institutions. **Earnings and Profitability** Return on Assets. Return on Equity. Income and Expense ratios. Structural profitability indicators. **Liquidity** Central bank credit to financial institutions. Deposits in relation to monetary aggregates. Segmentation of inter-bank rates. Loans-to-deposits ratios. Maturity structure of assets and liabilities. Measures of secondary market liquidity. **Sensitivity to Market Risk** Foreign Exchange risk. Interest rate risk. Equity price risk. Commodity price risk. **Market based Indicators** Market prices of financial instruments, including equity. Indicators of excess yields. Credit Ratings. Sovereign yield spreads.	**Economic Growth** Aggregate growth rates. Sectoral slumps. **Balance of Payments** Current account deficit. Foreign exchange reserve adequacy. External debt (including maturity structure). Terms-of-trade. Composition and Maturity of capital flows. **Inflation** Volatility in inflation. **Interest and Exchange Rates** Volatility in interest and exchange rates. Level of domestic real interest rates. Exchange rate sustainability. Exchange rate guarantees. **Lending and asset price booms** Lending booms. Asset price booms. **Contagion Effects** Financial market correlation. Trade spillovers. **Other factors** Directed lending and investment. Government recourse to banking system. Arrears in the economy.

Source : Evans, O., A.M. Leone, M.Gill and P.Hilbers (2000), *"Macroprudential Indicators of Financial System Soundness"*, IMF Occassional Paper, No.192.

Information Technology

1.148 Information Technology and the communication Networking Systems have revolutionalised the functioning of banks and other financial institutions the world over. In the highly industrialised countries, access to financial entities is on an on-line basis. Banks as well as other financial entities in India have only recently entered the world of information technology and computer networking. The introduction of liberalisation measures in the banking sector and the emergence of new private sector and foreign banks equipped with latest technology, have led to an increase in competition and a reduction in

costs in the banking sector. Technology upgradation is taking place in PSBs in a phased manner. Computerisation is increasingly being applied in day-to-day deposit and loan operations, but the pace at which it has moved so far, has been somewhat limited. Moreover, there is a need for computerisation in a large number of areas of operations of banks, with customer service as the main focus. Management information system could be further improved by using modern information technology methods. In the case of many industrial countries, due to advancement of information technology, virtual banking has gained more prominence and in the days to come, banks have to hasten the process of computerisation with a view to improving competitiveness. There is evidence to show that it has been possible for public sector and old private banks to improve their productivity and efficiency over a period of time, through stepping up of IT investments. Increasing use of information technology in finance is inevitable and it is expected that more and more transactions will take place across the Internet and the Web in the near future. At the same time, stronger supervision, surveillance and regulation of transactions conducted electronically or over the Web would be required.

1.149 Strengthening of information technology in commercial banks would also be an important prerequisite to implement an effective ALM system in banks. The database of banks has to cover all operations of branches for a detailed analysis of assets and liabilities and for forecasting liquidity conditions under various scenarios. The success of ALM would hinge critically on the availability of trained and skilled manpower. The guidelines on risk management have placed the primary responsibility of laying down risk parameters and establishing the risk management and control system on the board of directors. The responsibility of day-to-day implementation of the integrated risk management has been assigned to risk management committees or a committee of top executives that reports to the board. The risk management guidelines also require banks to constitute a high level credit policy committee to deal with issues pertaining to credit sanction, disbursement and follow-up procedures and to manage and control credit risk for the bank as a whole. The Reserve Bank has further asked banks to concurrently set up an independent credit risk management department to enforce and monitor compliance of the risk parameters and prudential limits set by the board/credit policy committee.

Deposit Insurance

1.150 In India, at present, the deposit insurance premia is a flat rate, irrespective of the risk profile of the financial entity. This creates a moral hazard problem in that depositors have limited incentive to monitor the condition of the financial institution. This has raised the obvious question as to whether the premia should be risk-based which requires establishment of an agreeable basis of assessment of risk profile of banks. Various alternate choices such as Federal Deposit Insurance Corporation (FDIC) model of supervisory rating (CAMELS), risk-adjusted assets basis and options pricing model exist. There is also the question of whether the onus of monitoring the bank should fall on the Deposit Insurance Corporation and whether it should be conferred legal status to take penal action including liquidation. Another issue relates to the size of deposit that is insured. Many of these issues have been discussed in the Report on Reforms in Deposit Insurance in India (1999). From the point of view of legal requirements, the scope of revision of the present deposit insurance setup will have to deal with a number of statutory amendments. Several enactments, including the Bank Nationalisation Act and the State enactments on cooperatives present difficulties for the Deposit Insurance Corporation to act as a receiver/liquidator in the case of failure of insured entity. These issues would also be addressed while adopting a revised deposit insurance scheme, which is being contemplated.

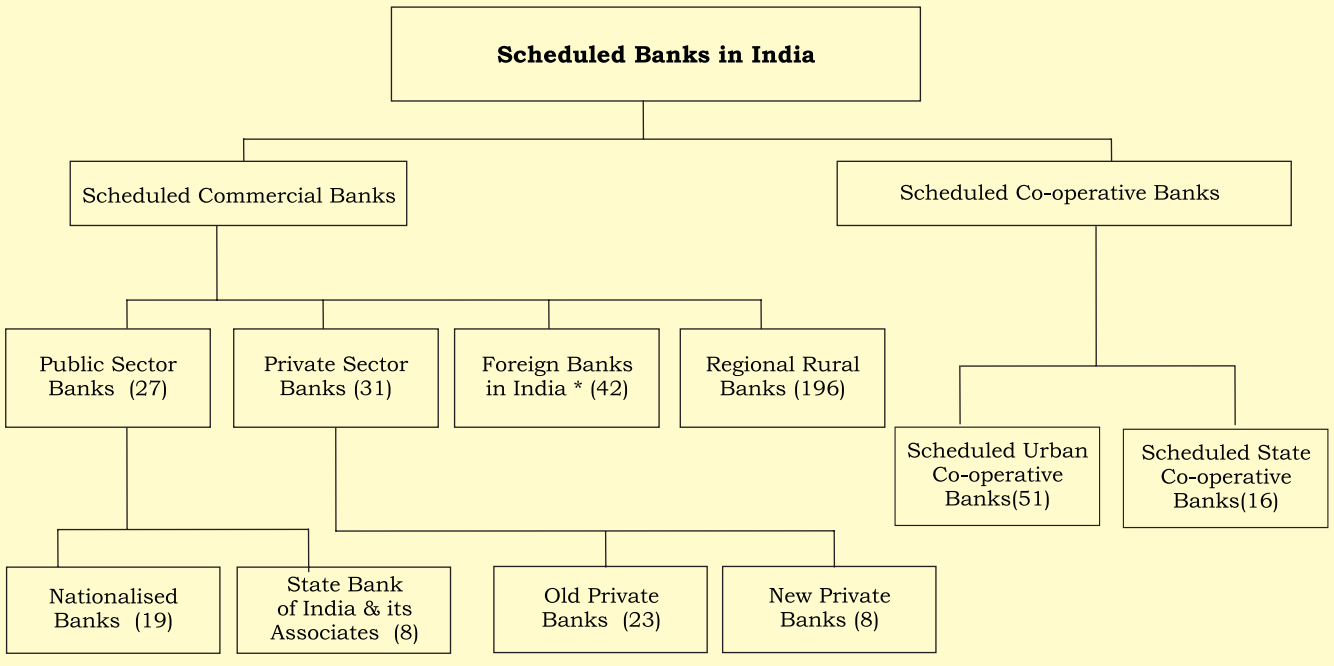
Chapter II

Developments in Commercial Banking

The scheduled banking structure in India consists of banks that are listed in the Second Schedule of the Reserve Bank of India Act, 1934. These scheduled banks comprise commercial banks, regional rural banks, urban co-operative banks and state co-operative banks. As at end-March 2001, 100 commercial banks, 196 regional rural banks, 51 urban co-operative banks and 16 state co-operative banks were operative in India as scheduled banks (Chart II.1). This chapter discusses the operations and performance of commercial banks (including public sector, private sector and foreign banks), and regional rural banks in India for the financial year 2000-01.

2.2 During the year 2000-01, the Indian banking sector continued to respond to the emerging challenges of increased competition and uncertainties. While the prudential and supervisory norms are being brought in conformity with international best practices to further strengthen the stability of the banking system, the ongoing reforms provide greater operational flexibility to commercial banks. In their business strategy, commercial banks exhibited a greater emphasis on product diversification, customer orientation, thrust towards retail banking, adoption of information technology for improved service, better management information systems and risk

Chart II.1: Scheduled Banking Structure in India@
(As on March 31, 2001)



@ As included in the Second Schedule of the Reserve Bank of India Act, 1934.
* The Sakura Bank Ltd. merged with Sumitomo Bank Ltd. in April 2001.
Note: Figures in brackets indicate number of banks in each group.

management, and strategic mergers and acquisitions across bank groups. The major policy measures pertaining to commercial banks during the year are given in Annexure. The overall financial performance of the scheduled commercial banks (SCBs), excluding RRBs, during the year under review, however, was marked by a decline in net profits reflecting higher operating expenses, a deceleration in 'other income' and higher provisions and contingencies. The increase in operating expenses was largely due to allocations for voluntary retirement scheme (VRS). Among the major financial parameters of the banking sector, the growth in income during 2000-01 was 14.9 per cent while that in expenditure was 16.7 per cent. Growth in other income decelerated to 8.8 per cent from 23.5 per cent in the previous year while operating expenditures accelerated to 23.9 per cent from 8.8 per cent, thereby affecting the net profits of the banking sector (Table II.1).

2.3 In the total assets of all SCBs, excluding RRBs, public sector banks (PSBs) continued to have a dominant share of 79.5 per cent as at end-March 2001 with nationalised banks accounting for 48.4 per cent and the State Bank of India (SBI) and its seven associate banks accounting for 31.1 per cent. The share of private sector banks in the total assets of SCBs stood at 12.6 per cent, with that of old and new private banks being 6.5 per cent and 6.1 per cent, respectively. Foreign banks accounted for the remaining 7.9 per cent (Chart II.2).

1. Reserve Bank Standing Liquidity Facilities

2.4 The Reserve Bank has been providing accommodation to SCBs in the form of standing liquidity facilities on certain specific considerations. These comprise Collateralised Lending Facility (CLF), export credit refinance to banks and liquidity support to Primary Dealers (PDs). The Liquidity Adjustment Facility (LAF), introduced since June 5, 2000, has emerged as an effective and flexible instrument for influencing liquidity on a day-to-day basis. It could be made more effective only when it becomes the primary instrument of liquidity adjustment and the standing liquidity facilities are gradually replaced with the LAF. The replacement of these facilities has to be structured in stages over a reasonable period so that the transition to LAF as the primary instrument does not cause any serious operational problems for banks and PDs to adjust their asset-liability positions smoothly.

2.5 In the first stage, effective June 5, 2000,

Chart II.2: Share of Bank Groups in Total Assets and Net Profit
(As on March 31, 2001)

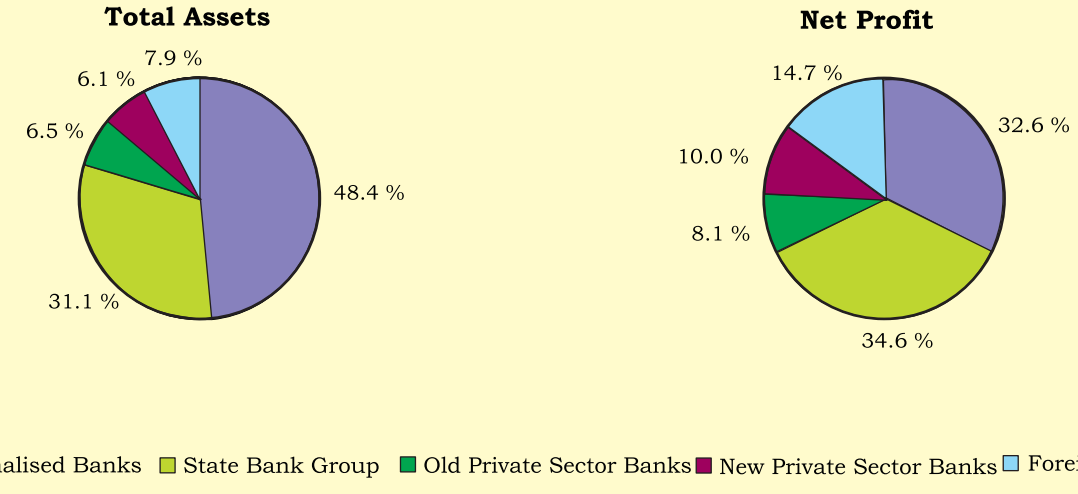


Table II.1: Bank Group-wise Important Financial Indicators *(Continued)*

(Amount in Rs. crore)

Year	Operating Profit (3+11)	Net Profit (4-7)	Income (5+6)	Interest Income	Other Income	Expenditure (8+9+11)	Interest Expended	Operating Expenses		Provisions & Contin-gencies	Spread (NII)
								Total	*Of which* Wage Bill		
1	2	3	4	5	6	7	8	9	10	11	12
Scheduled Commercial Banks											
1998-99	13,810.69	4,490.34	1,00,062.00	87,312.04	12,749.96	95,571.66	60,904.99	25,346.32	16,649.52	9,320.35	26,407.05
	(1.45)	(0.47)	(10.52)	(9.18)	(1.34)	(10.05)	(6.41)	(2.67)	(1.75)	(0.98)	(2.78)
1999-2000	18,306.57	7,245.25	1,14,930.47	99,183.88	15,746.59	1,07,685.22	69,040.58	27,583.32	18,442.49	11,061.32	30,143.30
	(1.66)	(0.66)	(10.40)	(8.97)	(1.42)	(9.74)	(6.25)	(2.50)	(1.67)	(1.00)	(2.73)
2000-01	19,747.04	6,424.10	1,32,078.24	1,14,951.13	17,127.11	1,25,654.14	78,151.87	34,179.33	23,205.53	13,322.94	36,799.26
	(1.52)	(0.50)	(10.20)	(8.88)	(1.32)	(9.70)	(6.04)	(2.64)	(1.79)	(1.03)	(2.84)
Public Sector Banks											
1998-99	10,560.79	3,253.85	78,850.36	69,417.42	9,432.94	75,596.51	47,839.75	20,449.82	14,839.66	7,306.94	21,577.67
	(1.37)	(0.42)	(10.24)	(9.01)	(1.22)	(9.82)	(6.21)	(2.66)	(1.93)	(0.95)	(2.80)
1999-2000	13,042.29	5,116.18	90,911.01	79,413.68	11,497.33	85,794.83	55,374.47	22,494.25	16,394.67	7,926.11	24,039.21
	(1.46)	(0.57)	(10.21)	(8.92)	(1.29)	(9.63)	(6.22)	(2.53)	(1.84)	(0.89)	(2.70)
2000-01	13,792.95	4,316.94	1,03,498.93	90,983.98	12,514.95	99,181.99	61,692.75	28,013.23	20,929.17	9,476.01	29,291.23
	(1.34)	(0.42)	(10.05)	(8.84)	(1.22)	(9.63)	(5.99)	(2.72)	(2.03)	(0.92)	(2.84)
Nationalised Banks											
1998-99	5,912.73	1,788.19	49,500.95	44,291.27	5,209.68	47,712.76	30,856.91	12,731.31	9,346.79	4,124.54	13,434.36
	(1.22)	(0.37)	(10.22)	(9.15)	(1.08)	(9.85)	(6.37)	(2.63)	(1.93)	(0.85)	(2.77)
1999-2000	7,203.15	2,437.00	56,896.43	50,234.01	6,662.42	54,459.43	35,477.41	14,215.87	10,468.28	4,766.15	14,756.60
	(1.30)	(0.44)	(10.27)	(9.06)	(1.20)	(9.83)	(6.40)	(2.57)	(1.89)	(0.86)	(2.66)
2000-01	8,053.33	2,095.09	64,126.52	56,967.11	7,159.41	62,031.43	38,789.64	17,283.55	13,142.78	5,958.24	18,177.47
	(1.28)	(0.33)	(10.23)	(9.09)	(1.14)	(9.90)	(6.19)	(2.76)	(2.10)	(0.95)	(2.90)
State Bank Group											
1998-99	4,648.06	1,465.66	29,349.41	25,126.15	4,223.26	27,883.75	16,982.84	7,718.51	5,492.87	3,182.40	8,143.31
	(1.63)	(0.51)	(10.27)	(8.79)	(1.48)	(9.76)	(5.94)	(2.70)	(1.92)	(1.11)	(2.85)
1999-2000	5,839.14	2,679.18	34,014.58	29,179.67	4,834.91	31,335.40	19,897.06	8,278.38	5,926.39	3,159.96	9,282.61
	(1.74)	(0.80)	(10.11)	(8.67)	(1.44)	(9.32)	(5.91)	(2.46)	(1.76)	(0.94)	(2.76)
2000-01	5,739.62	2,221.85	39,372.41	34,016.87	5,355.54	37,150.56	22,903.11	10,729.68	7,786.39	3,517.77	11,113.76
	(1.42)	(0.55)	(9.77)	(8.44)	(1.33)	(9.22)	(5.68)	(2.66)	(1.93)	(0.87)	(2.76)

Table II.1: Bank Group-wise Important Financial Indicators *(Concluded)*

(Amount in Rs. crore)

Year	Operating Profit (3+11)	Net Profit (4-7)	Income (5+6)	Interest Income	Other Income	Expenditure (8+9+11)	Interest Expended	Operating Expenses		Provisions & Contin-gencies	Spread (NII)
								Total	*Of which* Wage Bill		
1	2	3	4	5	6	7	8	9	10	11	12
Old Private Sector Banks											
1998-99	792.15	311.46	7,362.14	6,493.40	868.74	7,050.68	5,087.73	1,482.26	919.95	480.69	1,405.67
	(1.21)	(0.48)	(11.24)	(9.92)	(1.33)	(10.77)	(7.77)	(2.26)	(1.41)	(0.73)	(2.15)
1999-2000	1,333.42	591.68	8,282.11	7,065.08	1,217.03	7,690.43	5,362.85	1,585.84	1,017.48	741.74	1,702.23
	(1.82)	(0.81)	(11.33)	(9.66)	(1.66)	(10.52)	(7.33)	(2.17)	(1.39)	(1.01)	(2.33)
2000-01	1,479.97	522.84	9,091.21	8,052.11	1,039.10	8,568.37	5,931.92	1,679.32	1,037.49	957.13	2,120.19
	(1.75)	(0.62)	(10.75)	(9.52)	(1.23)	(10.13)	(7.01)	(1.98)	(1.23)	(1.13)	(2.51)
New Private Sector Banks											
1998-99	684.28	397.05	4,130.49	3,540.88	589.61	3,733.44	2,776.94	669.27	119.97	287.23	763.94
	(1.78)	(1.03)	(10.72)	(9.19)	(1.53)	(9.69)	(7.21)	(1.74)	(0.31)	(0.75)	(1.98)
1999-2000	1,243.85	569.42	5,407.46	4,478.31	929.15	4,838.04	3,326.60	837.01	163.36	674.43	1,151.71
	(2.11)	(0.97)	(9.18)	(7.60)	(1.58)	(8.21)	(5.64)	(1.42)	(0.28)	(1.14)	(1.95)
2000-01	1,368.97	639.41	7,504.26	6,444.25	1,060.01	6,864.85	4,759.12	1,376.17	248.85	729.56	1,685.13
	(1.74)	(0.81)	(9.53)	(8.18)	(1.35)	(8.71)	(6.04)	(1.75)	(0.32)	(0.93)	(2.14)
Foreign Banks											
1998-99	1,773.47	527.98	9,719.01	7,860.34	1,858.67	9,191.03	5,200.57	2,744.97	769.94	1,245.49	2,659.77
	(2.32)	(0.69)	(12.69)	(10.27)	(2.43)	(12.00)	(6.79)	(3.59)	(1.01)	(1.63)	(3.47)
1999-2000	2,687.01	967.97	10,329.89	8,226.81	2,103.08	9,361.92	4,976.66	2,666.22	866.98	1,719.04	3,250.15
	(3.24)	(1.17)	(12.47)	(9.93)	(2.54)	(11.31)	(6.01)	(3.22)	(1.05)	(2.08)	(3.92)
2000-01	3,105.15	944.91	11,983.84	9,470.79	2,513.05	11,038.93	5,768.08	3,110.61	990.02	2,160.24	3,702.71
	(3.05)	(0.93)	(11.77)	(9.30)	(2.47)	(10.84)	(5.66)	(3.05)	(0.97)	(2.12)	(3.64)

Notes: 1. The numbers of scheduled commercial banks (excluding RRBs) in 1998-99, 1999-2000 and 2000-01 were 105, 101 and 100, respectively.
2. The numbers of foreign banks in 1998-99, 1999-2000 and 2000-01 were 44, 42 and 42, respectively.
3. The numbers of old private banks in 1998-99, 1999-2000 and 2000-01 were 25, 24 and 23, respectively.
4. The numbers of new private banks in 1998-99, 1999-2000 and 2000-01 were 9, 8 and 8, respectively.
5. Figures in brackets are percentages to Total Assets.
6. NII - Net Interest Income.
7. Scheduled commercial banks data for 1999-2000 are as reported in the balance sheets for 2000-01 and hence may not tally with those reported in the *Report on Trend and Progress of Banking in India* 1999-2000, to the extent the figures for 1999-2000 have been revised by some banks.

the Additional Collateralised Lending Facility (ACLF) to banks and Level II support to PDs were replaced by variable rate repo auctions with the same day settlement. Stage II envisages replacement of Collateralised Lending Facility (CLF) and Level I support to PDs by variable rate repo auctions. As this has to be achieved through various stages, a package of measures was announced in the annual Policy Statement in April 2001 encompassing changes in operating procedures of LAF, a strategy for smooth transition of call money market to pure inter-bank market and a comprehensive programme for rationalisation of liquidity support available to the system as also a set of complementary measures in money and government securities markets. In this stage, the total entitlement under standing liquidity facilities (CLF and export credit refinance) was split into normal facility (constituting two-third) and the back-stop facility (constituting one-third) with effect from May 5, 2001. While liquidity under normal facility is available at the Bank Rate, back-stop facility is provided at a variable daily rate linked to liquidity adjustment facility (LAF) operations/ National Stock Exchange (NSE) - Mumbai Inter-Bank Offer Rate (MIBOR).

2.6 In order to further strengthen LAF, a pure inter-bank call/notice money market coupled with the growth of a deep and liquid repo/reverse repo market for non-bank participants, was envisaged. Accordingly, effective May 5, 2001, non-banks are permitted to lend, up to 85 per cent of their average daily lending during 2000-01 in a reporting fortnight.

2.7 With full-fledged LAF and the gradual discontinuation of segmented standing facilities at pre-determined interest rates, the Reserve Bank would gain greater flexibility in the daily liquidity management.

Export Credit Refinance

2.8 During 2000-01, the export credit refinance limits of banks decreased from Rs.10,579 crore (30.6 per cent of outstanding export credit eligible for refinance at Rs.34,576 crore) as on March 24, 2000 to Rs.7,192 crore (18.5 per cent of outstanding export credit eligible for refinance at Rs.38,765 crore) as on March 23, 2001 (Appendix Table II.1). The general trend in utilisation of export credit refinance by banks was, on an average, downward, except during August to November 2000, when the utilisation ranged higher between 80 per cent and 96 per cent, owing to tight liquidity conditions.

2.9 Effective from the fortnight beginning May 5, 2001, scheduled commercial banks are provided export credit refinance to the extent of 15.0 per cent of the outstanding export credit eligible for refinance as at the end of the second preceding fortnight. The existing refinance limit as on May 4, 2001 as per the old formula will constitute the minimum limit available to a bank up to March 31, 2002. During the period April-September 2001, it ranged between Rs. 1,135 crore (12.4 per cent of the limits) and Rs. 4,973 crore (69.8 per cent of the limits). Utilisation of this facility remained low on account of improvement in overall liquidity conditions during the period.

Collateralised Lending Facility

2.10 The CLF limits of banks decreased from Rs.3,028 crore as on March 24, 2000 to Rs.657 crore as on March 23, 2001. The daily average utilisation of CLF ranged between Rs.171 crore (13.0 per cent of the limits) and Rs.487 crore (74.1 per cent of the limits). For the period April-October 2001, it ranged between Rs.45 crore (6.9 per cent of the limits) and Rs.239 crore (36.4 per cent of the limits).

Special Facilities

2.11 In the wake of liquidity crisis faced by a few co-operative banks, the Reserve Bank announced, as a temporary measure, a special collateralised liquidity facility for short periods to co-operative banks. Five co-operative banks had approached the Reserve Bank for special liquidity facility during May 14 - June 13, 2001. An amount of Rs. 149.38 crore was sanctioned, out of which Rs. 45 crore was availed and repaid. A private sector bank approached the Reserve Bank with a request for special liquidity support for a short period to tide over its temporary liquidity mismatches. The Reserve Bank after an assessment of the bank's overall assets position, extended a temporary and special collateralised credit facility of Rs.463.50 crore for 81 days ending June 30, 2001.

2. Assets and Liabilities Structure of Scheduled Commercial Banks

2.12 The assets and liabilities of SCBs are analysed on the basis of two sources of data, *viz.*, audited balance sheets of banks and returns submitted by banks under Section 42(2) of the Reserve Bank of India Act, 1934. As per the balance sheet data during the year 2000-01, the assets of SCBs, excluding RRBs, increased by 17.1 per cent compared with a growth of 16.3 per cent during 1999-2000. The shares of investments and loans and advances in total assets of SCBs were 38.0 per cent and 40.6 per cent, respectively. During the year under review, the liability structure of SCBs underwent marginal changes. On the liabilities side, capital of SCBs in total liabilities declined from 1.7 per cent at end-March 2000 to 1.5 per cent at end-March 2001, and reserves and surplus declined marginally from 3.9 per cent to 3.8 per cent. The share of deposits in total liabilities increased to 81.5 per cent from 81.1 per cent over the year. Bank group-wise details of the consolidated balance sheets are presented in Tables II.2 to II.5. As per Section 42(2) returns, the ratio of cash and balances with RBI to aggregate deposits of SCBs declined to 6.8 per cent as on the last reporting Friday of March 2001, from 7.7 per cent in the comparable period of the previous year, reflecting the reduction in cash reserve ratio of banks during the year (Table II.6).

Deposits

2.13 The aggregate deposits of SCBs during 2000-01(reported under Section 42(2) of the Reserve Bank Act) registered a growth rate of 18.4 per cent (Rs.1,49,274 crore) as compared

Table II.2: Consolidated Balance Sheet of Scheduled Commercial Banks

(Amount in Rs.crore)

Item	As on March 31, 2000		As on March 31, 2001	
	Amount	per cent to total	Amount	per cent to total
1	2	3	4	5
Liabilities				
1. Capital	18,435.19	1.67	19,094.70	1.47
2. Reserves & Surplus	43,451.85	3.93	48,646.77	3.76
3. Deposits	8,96,695.70	81.11	10,55,233.47	81.49
3.1 Demand Deposits	1,28,490.43	11.62	1,39,685.99	10.79
3.2 Savings Bank Deposits	1,87,977.20	17.00	2,18,716.01	16.89
3.3 Term Deposits	5,80,228.07	52.49	6,96,831.47	53.81
4. Borrowings	45,140.85	4.08	55,421.01	4.28
5. Other Liabilities and Provisions	1,01,740.79	9.20	1,16,578.00	9.00
Total Liabilities	**11,05,464.38**	**100.00**	**12,94,973.95**	**100.00**
Assets				
1. Cash and balances with RBI	84,927.75	7.68	84,503.53	6.53
2. Balances with banks and money at call and short notice	81,218.30	7.35	1,05,899.62	8.18
3. Investments	4,12,081.46	37.28	4,91,907.84	37.99
3.1 In Govt. Securities (a+b)	2,86,523.54	25.92	3,52,679.30	27.23
a. In India	2,84,619.10	25.75	3,50,638.83	27.08
b. Outside India	1,904.44	0.17	2,040.47	0.16
3.2 In other approved Securities	25,009.00	2.26	23,947.68	1.85
3.3 In non-approved Securities	1,00,548.92	9.10	1,15,280.86	8.90
4. Loans and Advances	4,44,124.64	40.18	5,25,682.94	40.59
4.1 Bills purchased & discounted	42,357.14	3.83	50,223.79	3.88
4.2 Cash Credit, Overdrafts, etc.	2,43,823.72	22.06	2,85,747.26	22.07
4.3 Term Loans	1,57,943.78	14.29	1,89,711.89	14.65
5. Fixed Assets	15,294.44	1.38	16,208.90	1.25
6. Other Assets	67,817.79	6.13	70,771.12	5.47
Total Assets	**11,05,464.38**	**100.00**	**12,94,973.95**	**100.00**

Source:Balance sheets of respective banks

Table II.3: Consolidated Balance Sheet of Public Sector Banks

(Amount in Rs.crore)

Item	Public Sector Banks				Nationalised Banks				State Bank Group			
	As on March 31, 2000		As on March 31, 2001		As on March 31, 2000		As on March 31, 2001		As on March 31, 2000		As on March 31, 2001	
	Amount	per cent to total	Amount	per cent to total	Amount	per cent to total	Amount	per cent to total	Amount	per cent to total	Amount	per cent to total
1	2	3	4	5	6	7	8	9	10	11	12	13
Liabilities												
1. Capital	14,233.68	1.60	14,547.08	1.41	13,197.88	2.38	13,511.28	2.16	1,035.80	0.31	1,035.80	0.26
2. Reserves & Surplus	31,818.73	3.57	35,358.25	3.43	17,334.98	3.13	18,998.94	3.03	14,483.75	4.31	16,359.31	4.06
3. Deposits	7,37,280.53	82.78	8,59,376.33	83.45	4,80,992.51	86.79	5,47,258.83	87.30	2,56,288.02	76.19	3,12,117.50	77.47
3.1 Demand Deposits	1,02,423.38	11.50	1,11,138.18	10.79	57,008.07	10.29	60,638.84	9.67	45,415.31	13.50	50,499.34	12.53
3.2 Savings Bank Deposits	1,71,129.96	19.22	1,96,906.73	19.12	1,15,932.31	20.92	1,33,047.88	21.22	55,197.65	16.41	63,858.85	15.85
3.3 Term Deposits	4,63,727.19	52.07	5,51,331.42	53.54	3,08,052.13	55.58	3,53,572.11	56.40	1,55,675.06	46.28	1,97,759.31	49.09
4. Borrowings	19,425.33	2.18	20,084.40	1.95	8,864.93	1.60	8,679.36	1.38	10,560.40	3.14	11,405.04	2.83
5. Other Liabilities and Provisions	87,841.78	9.86	1,00,403.53	9.75	33,815.42	6.10	38,443.71	6.13	54,026.36	16.06	61,959.82	15.38
Total Liabilities	**8,90,600.05**	**100.00**	**10,29,769.59**	**100.00**	**5,54,205.72**	**100.00**	**6,26,892.12**	**100.00**	**3,36,394.33**	**100.00**	**4,02,877.47**	**100.00**
Assets												
1. Cash and balances with RBI	70,791.53	7.95	69,866.39	6.78	45,577.96	8.22	45,341.37	7.23	25,213.57	7.50	24,525.02	6.09
2. Balances with banks and money at call and short notice	64,807.92	7.28	82,851.54	8.05	32,892.16	5.94	35,958.21	5.74	31,915.76	9.49	46,893.33	11.64
3. Investments	3,33,192.09	37.41	3,94,107.33	38.27	2,12,123.51	38.28	2,36,915.01	37.79	1,21,068.58	35.99	1,57,192.32	39.02
3.1 In Govt. Securities (a+b)	2,37,188.78	26.63	2,91,556.16	28.31	1,45,642.03	26.28	1,66,991.57	26.64	91,546.75	27.21	1,24,564.59	30.92
a. In India	2,35,358.41	26.43	2,89,592.62	28.12	1,44,132.59	26.01	1,65,317.70	26.37	91,225.82	27.12	1,24,274.92	30.85
b. Outside India	1,830.37	0.21	1,963.54	0.19	1,509.44	0.27	1,673.87	0.27	320.93	0.10	289.67	0.07
3.2 In other approved Securities	23,521.23	2.64	22,318.71	2.17	15,966.52	2.88	15,065.56	2.40	7,554.71	2.25	7,253.15	1.80
3.3 In non-approved Securities	72,482.08	8.14	80,232.46	7.79	50,514.96	9.11	54,857.88	8.75	21,967.12	6.53	25,374.58	6.30
4. Loans and Advances	3,54,071.19	39.76	4,14,627.96	40.26	2,24,818.43	40.57	2,64,237.43	42.15	1,29,252.76	38.42	1,50,390.53	37.33
4.1 Bills purchased & discounted	27,872.87	3.13	34,124.56	3.31	16,088.07	2.90	17,953.87	2.86	11,784.80	3.50	16,170.69	4.01
4.2 Cash Credit, Overdrafts, etc.	2,00,180.77	22.48	2,32,719.96	22.60	1,24,693.75	22.50	1,47,912.93	23.59	75,487.02	22.44	84,807.03	21.05
4.3 Term Loans	1,26,017.55	14.15	1,47,783.44	14.35	84,036.61	15.16	98,370.63	15.69	41,980.94	12.48	49,412.81	12.26
5. Fixed Assets	10,019.73	1.13	10,456.26	1.02	7,126.45	1.29	7,411.10	1.18	2,893.28	0.86	3,045.16	0.76
6. Other Assets	57,717.59	6.48	57,860.11	5.62	31,667.21	5.71	37,029.00	5.91	26,050.38	7.74	20,831.11	5.17
Total Assets	**8,90,600.05**	**100.00**	**10,29,769.59**	**100.00**	**5,54,205.72**	**100.00**	**6,26,892.12**	**100.00**	**3,36,394.33**	**100.00**	**4,02,877.47**	**100.00**

Source:Balance sheets of respective banks

Table II.4: Consolidated Balance Sheet of Private Sector Banks

(Amount in Rs.crore)

Item	All Private Banks				Old Private Banks				New Private Banks			
	As on March 31, 2000		As on March 31, 2001		As on March 31, 2000		As on March 31, 2001		As on March 31, 2000		As on March 31, 2001	
	Amount	per cent to total	Amount	per cent to total	Amount	per cent to total	Amount	per cent to total	Amount	per cent to total	Amount	per cent to total
1	2	3	4	5	6	7	8	9	10	11	12	13
Liabilities												
1. Capital	1,796.68	1.36	1,877.63	1.15	546.84	0.75	603.91	0.71	1,249.84	2.12	1,273.72	1.62
2. Reserves & Surplus	5,958.65	4.51	6,999.27	4.28	3,369.73	4.61	3,948.28	4.67	2,588.92	4.39	3,050.99	3.87
3. Deposits	1,10,038.63	83.33	1,36,666.66	83.65	63,357.08	86.64	73,746.28	87.17	46,681.55	79.21	62,920.38	79.87
3.1 Demand Deposits	15,428.81	11.68	16,651.86	10.19	7,424.70	10.15	7,594.76	8.98	8,004.11	13.58	9,057.10	11.50
3.2 Savings Bank Deposits	12,015.46	9.10	16,180.25	9.90	9,001.15	12.31	10,345.25	12.23	3,014.31	5.11	5,835.00	7.41
3.3 Term Deposits	82,594.36	62.55	1,03,834.55	63.55	46,931.23	64.18	55,806.27	65.96	35,663.13	60.52	48,028.28	60.97
4. Borrowings	6,863.13	5.20	8,519.00	5.21	1,821.22	2.49	1,942.23	2.30	5,041.91	8.56	6,576.77	8.35
5. Other Liabilities and Provisions	7,396.75	5.60	9,317.77	5.70	4,028.07	5.51	4,363.92	5.16	3,368.68	5.72	4,953.85	6.29
Total Liabilities	**1,32,053.84**	**100.00**	**1,63,380.33**	**100.00**	**73,122.94**	**100.00**	**84,604.62**	**100.00**	**58,930.90**	**100.00**	**78,775.71**	**100.00**
Assets												
1. Cash and balances with RBI	10,206.33	7.73	10,732.70	6.57	6,362.48	8.70	5,783.83	6.84	3,843.85	6.52	4,948.87	6.28
2. Balances with banks and money at call and short notice	10,280.91	7.79	12,571.98	7.69	4,941.59	6.76	6,157.93	7.28	5,339.32	9.06	6,414.05	8.14
3. Investments	49,225.58	37.28	62,037.05	37.97	25,712.37	35.16	30,007.96	35.47	23,513.21	39.90	32,029.09	40.66
3.1 In Govt. Securities (a+b)	30,675.57	23.23	37,812.62	23.14	16,356.59	22.37	20,033.36	23.68	14,318.98	24.30	17,779.26	22.57
a. In India	30,601.50	23.17	37,736.69	23.10	16,282.52	22.27	19,957.43	23.59	14,318.98	24.30	17,779.26	22.57
b. Outside India	74.07	0.06	75.93	0.05	74.07	0.10	75.93	0.09	—	—	—	—
3.2 In other approved Securities	1,239.19	0.94	1,262.82	0.77	1,195.15	1.63	1,177.29	1.39	44.04	0.07	85.53	0.11
3.3 In non-approved Securities	17,310.82	13.11	22,961.61	14.05	8,160.63	11.16	8,797.31	10.40	9,150.19	15.53	14,164.30	17.98
4. Loans and Advances	54,195.73	41.04	68,058.44	41.66	31,927.50	43.66	37,972.82	44.88	22,268.23	37.79	30,085.62	38.19
4.1 Bills purchased & discounted	9,884.39	7.49	11,027.34	6.75	4,443.74	6.08	4,996.77	5.91	5,440.65	9.23	6,030.57	7.66
4.2 Cash Credit, Overdrafts, etc.	28,446.37	21.54	34,922.64	21.38	17,320.19	23.69	19,950.57	23.58	11,126.18	18.88	14,972.07	19.01
4.3 Term Loans	15,864.97	12.01	22,108.46	13.53	10,163.57	13.90	13,025.48	15.40	5,701.40	9.67	9,082.98	11.53
5. Fixed Assets	2,972.01	2.25	3,469.07	2.12	1,333.35	1.82	1,433.73	1.69	1,638.66	2.78	2,035.34	2.58
6. Other Assets	5,173.28	3.92	6,511.09	3.99	2,845.65	3.89	3,248.35	3.84	2,327.63	3.95	3,262.74	4.14
Total Assets	**1,32,053.84**	**100.00**	**1,63,380.33**	**100.00**	**73,122.94**	**100.00**	**84,604.62**	**100.00**	**58,930.90**	**100.00**	**78,775.71**	**100.00**

Source: Balance sheets of respective banks

Table II.5: Consolidated Balance Sheet of Foreign Banks in India

(Amount in Rs.crore)

Item	As on March 31, 2000		As on March 31, 2001	
	Amount	per cent to total	Amount	per cent to total
1	2	3	4	5
Liabilities				
1. Capital	2,404.83	2.90	2,669.99	2.62
2. Reserves & Surplus	5,674.47	6.85	6,289.25	6.18
3. Deposits	49,376.54	59.63	59,190.48	58.13
3.1 Demand Deposits	10,638.24	12.85	11,895.95	11.68
3.2 Savings Bank Deposits	4,831.78	5.83	5,629.03	5.53
3.3 Term Deposits	33,906.52	40.94	41,665.50	40.92
4. Borrowings	18,852.39	22.77	26,817.61	26.34
5. Other Liabilities and Provisions	6,502.26	7.85	6,856.70	6.73
Total Liabilities	**82,810.49**	**100.00**	**1,01,824.03**	**100.00**
Assets				
1. Cash and balances with RBI	3,929.89	4.75	3,904.44	3.83
2. Balances with banks and money at call and short notice	6,129.47	7.40	10,476.10	10.29
3. Investments	29,663.79	35.82	35,763.46	35.12
3.1 In Govt. Securities (a+b)	18,659.19	22.53	23,310.52	22.89
a. In India	18,659.19	22.53	23,309.52	22.89
b. Outside India	—	—	1.00	0.00
3.2 In other approved Securities	248.58	0.30	366.15	0.36
3.3 In non-approved Securities	10,756.02	12.99	12,086.79	11.87
4. Loans and Advances	35,857.72	43.30	42,996.54	42.23
4.1 Bills purchased & discounted	4,599.88	5.55	5,071.89	4.98
4.2 Cash Credit, Overdrafts, etc.	15,196.58	18.35	18,104.66	17.78
4.3 Term Loans	16,061.26	19.40	19,819.99	19.46
5. Fixed Assets	2,302.70	2.78	2,283.57	2.24
6. Other Assets	4,926.92	5.95	6,399.92	6.29
Total Assets	**82,810.49**	**100.00**	**1,01,824.03**	**100.00**

Source:Balance sheets of respective banks

with that of 13.9 per cent (Rs.99,319 crore) in 1999-2000. This higher growth rate of deposits in 2000-01 can partly be attributable to the inflow of deposits (Rs. 25,662 crore) under the India Millennium Deposits (IMD) scheme. The growth rate of deposits, excluding the IMD inflows, was 15.2 per cent. Both, demand and time deposits recorded higher growth rates of 11.9 per cent and 19.5 per cent, respectively, during 2000-01 as compared with the growth of 8.5 per cent in demand deposits and 15.0 per cent in time deposits in the previous year (Table II.6).

2. 14 During 2001-02 so far, (up to October 19, 2001), aggregate deposits recorded a growth rate of 9.0 per cent (Rs.86,682 crore) as compared with 9.5 per cent (Rs.77,160 crore) in the corresponding period of the previous year.

Table II.6 : Important Banking Indicators - Scheduled Commercial Banks

(Amount in Rs.crore)

Item	March 26, 1999	March 24, 2000	March 23, 2001	Oct. 20, 2000	Oct. 19, 2001*	Variations during the financial year		Variations during April-October	
						1999-2000 over March 26	2000-01* over March 24	2000 over March 24	2001* over March 23
1	2	3	4	5	6	7 (3-2)	8 (4-3)	9 (5-3)	10 (6-4)
1 Total Demand and Time Liabilities @	**8,20,443**	**9,48,358**	**11,33,480**	**10,26,448**	**12,09,149**	**1,27,915**	**1,85,122**	**78,090**	**75,669**
2 Aggregate Deposits (a+b)	**7,14,025**	**8,13,344**	**9,62,618**	**8,90,504**	**10,49,300**	**99,319**	**1,49,274**	**77,160**	**86,682**
						(13.9)	(18.4)	(9.5)	(9.0)
a. Demand Deposits	1,17,423	1,27,366	1,42,552	1,30,934	1,42,283	9,943	15,186	3,568	-269
						(8.5)	(11.9)	(2.8)	(-0.2)
b. Time Deposits	5,96,602	6,85,978	8,20,066	7,59,570	9,07,017	89,376	1,34,088	73,592	86,951
						(15.0)	(19.5)	(10.7)	(10.6)
2a Certificates of Deposit	3,717	1,227	771	1,695	N.A.	-2,490	-456	468	—
						(-67.0)	(-37.2)	(38.1)	—
2b Aggregate Deposits (excl. Certificates of Deposit)	7,10,308	8,12,117	9,61,847	8,88,809	10,49,300	1,01,809	1,49,730	76,692	87,453
						(14.3)	(18.4)	(9.4)	(9.1)
3 Borrowings from RBI	**2,894**	**6,491**	**3,896**	**6,225**	**4,623**	**3,597**	**-2,595**	**-266**	**727**
						(124.3)	**(-40.0)**	**(-4.1)**	**(18.7)**
4 Liability to Banks	**45,204**	**53,838**	**77,088**	**55,073**	**55,554**	**8,634**	**23,250**	**1,235**	**-21,534**
						(19.1)	**(43.2)**	**(2.3)**	**(-27.9)**
5 Bank Credit (a+b)	**3,68,837**	**4,35,958**	**5,11,434**	**4,78,126**	**5,44,125**	**67,121**	**75,476**	**42,168**	**32,691**
						(18.2)	(17.3)	(9.7)	(6.4)
a. Food Credit	16,816	25,691	39,991	33,845	50,280	8,875	14,300	8,154	10,289
						(52.8)	(55.7)	(31.7)	(25.7)
b. Non-food credit	3,52,021	4,10,267	4,71,443	4,44,281	4,93,845	58,246	61,176	34,014	22,402
						(16.5)	(14.9)	(8.3)	(4.8)
6 Investments (a+b)	**2,54,594**	**3,08,944**	**3,70,160**	**3,34,403**	**4,15,545**	**54,350**	**61,216**	**25,459**	**45,385**
						(21.3)	(19.8)	(8.2)	(12.3)
a. Govt. Securities	2,23,217	2,78,456	3,40,035	3,03,958	3,84,663	55,239	61,579	25,502	44,628
						(24.7)	(22.1)	(9.2)	(13.1)
b. Other Approved Sec.	31,377	30,488	30,125	30,445	30,882	-889	-363	-43	757
						(-2.8)	(-1.2)	(-0.1)	(2.5)
7 Cash Balances (a+b)	**67,910**	**62,749**	**65,202**	**77,856**	**78,671**	**-5,161**	**2,453**	**15,107**	**13,469**
						(-7.6)	(3.9)	(24.1)	(20.7)
a. Cash in hand	4,362	5,330	5,658	5,826	6,967	968	328	496	1,309
						(22.2)	(6.2)	(9.3)	(23.1)
b. Balances with RBI	63,548	57,419	59,544	72,030	71,704	-6,129	2,125	14,611	12,160
						(-9.6)	(3.7)	(25.4)	(20.4)
Memorandum Items :									
A Credit-Deposit (CD) Ratio	51.7	53.6	53.1	53.7	51.9				
B Incremental CD Ratio	38.7	67.6	50.6	54.7**	37.7 **				
C Reserve-Deposit Ratio	9.5	7.7	6.8	8.7	7.5				
D Investment/Deposit Ratio	35.7	38.0	38.5	37.6	39.6				
E Investment+Credit/Deposit Ratio	87.3	91.6	91.6	91.2	91.5*				

* Provisional. N.A. Not Available
@ Excluding borrowings from RBI/IDBI/NABARD.
** Over end-March.
Notes: 1. Figures in brackets are percentage variations.
2. Incremental Credit deposit ratio is calculated as ratio of increase in credit to increase in deposits during the financial year.
3. Constituent items may not add up to the totals due to rounding off.

Certificates of Deposit

2.15 The outstanding amount of Certificates of Deposit (CDs) issued by scheduled commercial banks declined from Rs.1,273 crore as on April 21, 2000 to Rs.872 crore as on May 5, 2000. Consequent upon the reduction in the minimum maturity period of CDs to 15 days, with effect from May 3, 2000, CD market picked up and the outstanding amount of CDs issued by SCBs peaked to Rs.1,695 crore as on October 20, 2000. However, as on October 5, 2001, outstanding amount of CDs declined to Rs.823 crore.

2.16 Reflecting the trends in other segments of money market, the typical discount rates (for 3 months maturity) on CDs, which had declined from 11.0 per cent as on April 7, 2000 to 8.5 per cent as on June 16, 2000, started rising and ranged between 10.0 per cent and 10.5 per cent during August - November 2000. Thereafter, reflecting easy liquidity condition, following IMD flows, the discount rates declined from 10.25 per cent during the fortnight ended November 17, 2000 to 8.5 per cent in the fortnight ended March 23, 2001 and the outstanding amount of CDs declined gradually to Rs.771 crore as on March 23, 2001. The typical discount rate on CDs with a maturity of one year increased from 10.25 per cent as on March 23, 2000 to 10.50 per cent as on October 20, 2000 and remained there till March 23, 2001. Discount rates on CDs in general, which ranged between 6.3 - 14.1 per cent as on October 20, 2000, ranged between 5.5 - 11.0 per cent as on March 23, 2001 (Appendix Table II.2). As on October 5, 2001, the discount rate on CDs ranged between 6.0 per cent and 9.3 per cent.

Bank Credit

2.17 During the year under review, credit extended by SCBs recorded a growth of 17.3 per cent (Rs.75,476 crore), on top of the rise of 18.2 per cent recorded in the previous year. Food credit showed an increase of 55.7 per cent during 2000-01 as compared with the increase of 52.8 per cent during 1999-2000. Non-food credit increased by 14.9 per cent (Rs.61,176 crore) in 2000-01 as compared with the rise of 16.5 per cent in 1999-2000. The credit-deposit ratio in terms of outstandings, moved down marginally to 53.1 per cent as on March 23, 2001 from 53.6 per cent as on March 24, 2000. Non-food credit adjusted for non-SLR investments of banks, including bills rediscounted with financial institutions, recorded a growth rate of 16.1 per cent to Rs.5,48,071 crore as at end-March 2001 on top of the growth of 17.8 per cent in the previous year. The (adjusted) non-food credit-deposit ratio in terms of outstandings, was 56.9 per cent as at end-March 2001 as compared with 58.1 per cent as at end-March 2000 (Table II.6 and Table II.7).

2.18 During 2001-02 (upto October 19, 2001) bank credit registered a lower growth of 6.4 per cent (Rs. 32,691 crore) than that of 9.7 per cent (Rs.42,168 crore) in the comparable period of the previous year. Food credit increased by 25.7 per cent (Rs. 10,289 crore) as against an increase of 31.7 per cent (Rs. 8,154 crore) recorded during the comparable period of 2000-01. Non-food credit growth at 4.8 per cent (Rs. 22,402 crore) was lower than that of 8.3 per cent (Rs. 34,014 crore) during the same period of 2000-01. Growth in non-food credit adjusted for SCBs non-SLR investments was lower at Rs. 25,947 crore upto October 19, 2001 as compared with Rs. 37,535 crore during the corresponding period of the previous year, showing a year-on-year growth rate of 12.3 per cent as on October 19, 2001 as against 19.3 per cent as on October 20, 2000. Bank credit (adjusted)- deposit ratio, on the basis of outstandings, was placed lower at 59.5 per cent as on October 19, 2001 as against 61.2 per cent on October 20, 2001.

Investment

2.19 Investments of SCBs in government and other approved securities increased by 19.8 per cent (Rs.61,216 crore) in 2000-01 as compared to a rise of 21.3 per cent (Rs.54,350 crore) in 1999-2000 (Table II.6). On an incremental basis, investment by SCBs in government and other approved securities was equal to 41.0 per cent of their deposits during 2000-01. As on March 23, 2001, SCBs were holding excess investment of about Rs.1,06,000 crore in SLR eligible securities over the statutory prescription of 25 per cent. The investment-deposit ratio, on an outstanding basis, increased to 38.5 per cent as on March 23, 2001 from 38.0 per cent as on March 24, 2000.

2.20 The investments of scheduled

Table II.7: Scheduled Commercial Banks' Investment in Non-SLR Securities Issued by the Non-Financial Commercial Sector

(Rs.crore)

Outstanding as on	March 27, 1998	March 26, 1999	March 24, 2000	March 23, 2001
1	2	3	4	5
1. Commercial Paper	2,443	4,006	5,037	6,984
2. Bonds/Debentures/Preference Shares Issued by	28,545	42,026	53,607	65,460
a) Public Sector Units (PSUs)	18,767	24,169	30,620	38,453
b) Private Corporate Sector	9,778	17,857	22,988	27,006
3. Equity Shares *	1,472	2,343	2,834	3,171
Total	**32,460**	**48,375**	**61,478**	**75,615**
Memorandum Item:				
Loans to Corporates against shares	44	64	20	15

* Issued by PSU and private corporate sector.

Notes: 1. Constituent figures may not add up to totals due to rounding off.

2. Data are based on special fortnightly returns received from SCBs.

commercial banks in government and other approved securities increased by 12.3 per cent (Rs. 45,385 crore) during 2001-02 (upto October 19, 2001) as compared with a rise of 8.2 per cent (Rs. 25,459 crore) in the comparable period of 2000-01. The investment-deposit ratio, on an outstanding basis, increased to 39.6 per cent as on October 19, 2001 from 37.6 per cent as on October 20, 2000.

Total Flow of Resources to Commercial Sector

2.21 During 2000-01, bank credit increased by Rs. 75,476 crore (17.3 per cent). While food credit increased by Rs.14,300 crore, non-food credit posted a growth of Rs. 61,176 crore (14.9 per cent). Investments by banks in CPs, shares/ bonds/debentures of PSUs and private corporate sector along with bills rediscounted with financial institutions recorded a growth of Rs.14,713 crore (23.8 per cent) as against Rs.13,067 crore (26.8 per cent) in the previous year. Together with these investments, the increase in total flow of resources to commercial sector excluding food credit from SCBs amounted to Rs.75,888 crore (16.1 per cent) in the financial year 2000-01 as compared with the increase of Rs.71,313 crore (17.8 per cent) in the previous year. SCBs' investments in instruments issued by financial institutions and mutual funds increased by Rs. 1,703 crore during 2000-01 as compared with Rs. 3,660 crore in the previous year. Including resource flow through capital issues, GDRs and financial institutions, the commercial sector could raise Rs.1,65,056 crore during 2000-01 compared with Rs.1,60,381 crore in 1999-2000.

2.22 During 2001-02, including non-food credit, investments by banks in CPs, shares/ bonds/debentures of PSUs and private corporate sector, alongwith bills rediscounted with financial institutions and resource flows through capital issues, GDRs and financial institutions, the commercial sector could raise Rs. 67,923 crore upto October 19, 2001, which was lower than the flow of Rs. 81,199 crore in the corresponding period of 2000-01.

Commercial Bill Market

2.23 There was some improvement in activity relating to bill rediscounting during 2000-01. The outstanding amount of commercial bills rediscounted by commercial banks with various financial institutions at Rs.1,013 crore at the end of March 2001 was higher than that of Rs.439 crore during the previous year. The outstanding amount of bills rediscounted was Rs. 1,370 crore in August 2001.

Forward Rate Agreements / Interest Rate Swaps

2.24 There have been sharp increases in volumes in Forward Rate Agreements (FRAs)/ Interest Rate Swaps (IRS) market during 2000-01. The available data indicate that FRAs/IRS transactions, both in terms of number of contracts and outstanding notional principal amount, increased from 216 contracts amounting to Rs.4,249 crore as on March 24, 2000 to 1,521 contracts for Rs.21,504 crore as on March 23, 2001. During the current financial year 2001-02, this market has expanded further to 2,537 contracts amounting to Rs.41,309 crore as on September 7, 2001. Though there is a significant increase in the number and amount of contracts, participation in the market continued to be restricted mainly to foreign and private sector banks, PDs and all-India financial institutions. In a majority of these contracts, NSE-MIBOR was used as a benchmark rate.

Sectoral Deployment of Bank Credit

2.25 The sectoral deployment of gross bank credit during 2000-01 reflects deceleration in credit growth to industry (medium and large) to 10.5 per cent (Rs.15,518 crore) in 2000-01 as compared to 12.9 per cent (Rs.16,803 crore) in the previous year. A similar deceleration was evident in the case of credit to wholesale trade also (6.1 per cent in 2000-01 as against 20.4 per cent in 1999-2000). The growth in credit to 'other sectors' also slowed down to 18.8 per cent in 2000-01 from 19.8 per cent in the previous year. Among other sectors, while the credit to housing, non-banking financial companies, loans to individuals against shares/bonds, non-priority personal loans, advances against fixed deposits and tourism and tourism related hotels decelerated, the credit to real estate sector accelerated. The credit to priority sector registered a growth of 17.1 per cent (2000-01) as against 15.0 per cent (1999-2000). Within the priority sector, credit to other priority sector increased substantially by 34.2 per cent (Rs. 11,858 crore) followed by agriculture by 17.0 per cent (Rs. 7,541 crore) while credit to small scale industries decelerated to 6.0 per cent (Rs.3,188 crore). Export credit recorded a rise of Rs. 4,203 crore (10.7 per cent) and formed 9.3 per cent of the net bank credit during 2000-01 in comparison with a rise of Rs. 3,227 crore (9.0 per cent) during the previous year, constituting 9.8 per cent of the net bank credit (Table II.8).

Industry-wise Deployment of Credit

2.26 The industry-wise credit growth during 2000-01 was the highest in infrastructure at 56.7 per cent (Rs. 4,106 crore), followed by petroleum at 29.0 per cent (Rs. 2,603 crore), gems and jewellery at 21.7 per cent (Rs. 1,175 crore), electricity at 15.5 per cent (Rs. 1,152 crore) and cotton textiles at 13.4 per cent (Rs. 1,562 crore). On the other hand, credit deployment to seven industries (out of 26 industries) showed declines during 2000-01; the major declines were in 'other textiles' at Rs.991 crore (7.6 per cent) and drugs and pharmaceuticals at Rs.304 crore (5.3 per cent). Industrial credit as a percentage of net bank credit decreased to 46.8 per cent in 2000-01 from 50.3 per cent in 1999-2000. The growth in credit to industry decelerated to 9.3 per cent (Rs.18,706 crore) in 2000-01 from 11.8 per cent (Rs.21,134 crore) in 1999-2000 (Table II.9).

Bank Credit to Sick/Weak Industries

2.27 The number of sick/weak industrial units financed by SCBs declined to 3,07,399 as at end-March 2000 from 3,09,013 a year ago. As at the end of March 2000, the outstanding bank credit to these industrial units increased by 21.5 per cent to Rs. 23,656 crore. At this level, bank credit to sick/weak industries as a proportion of the bank credit to the total industrial sector stood at 11.9 per cent as at end-March 2000, as against 10.9 per cent as at end-March 1999 (Appendix Table II.3).

Credit-Deposit Ratio

2.28 As per BSR data[1] the credit-deposit (C-D) ratio of SCBs as on March 31, 2001 (as per sanctions)[2] stood at 58.5 per cent as compared with 56.0 per cent as at end-March 2000. The total flow of resources as reflected in the credit

[1] Banking Statistical Returns (BSR)
[2] Data for 2001 is available only for sanctions.

Table II.8 : Sectoral Deployment of Gross Bank Credit by Major Sectors

(Amount in Rs.crore)

Sectors	Outstanding as on					Variations during			
						Financial year		April-July	
	March 26, 1999	March 24, 2000	March 23, 2001	July 28, 2000	July 27, 2001	1999-2000	2000-01	2000	2001
1	2	3	4	5	6	7 (3-2)	8 (4-3)	9 (5-3)	10 (6-4)
I. Gross Bank Credit (1+2)	**3,42,012**	**4,00,818**	**4,69,153**	**4,19,532**	**4,80,648**	**58,806**	**68,335**	**18,714**	**11,495**
1. Public Food Procurement Credit	16,816	25,691	39,991	33,182	51,027	8,875	14,300	7,491	11,036
2. Non-Food Gross Bank Credit (A+B+C+D)	3,25,196	3,75,127	4,29,162	3,86,350	4,29,621	49,931 [100.0]	54,035 [100.0]	11,223	459
A. Priority Sectors	**1,14,611**	**1,31,827**	**1,54,414**	**1,35,480**	**1,54,156**	**17,216 (34.5)**	**22,587 (41.8)**	**3,653**	**-258**
(i) Agriculture	39,634	44,381	51,922	45,528	52,076	4,747 (9.5)	7,541 (14.0)	1,147	154
(ii) Small Scale Industries	48,483	52,814	56,002	52,040	53,241	4,331 (8.7)	3,188 (5.9)	-774	-2,761
(iii) Other Priority Sectors	26,494	34,632	46,490	37,912	48,839	8,138 (16.3)	11,858 (21.9)	3,280	2,349
B. Industry (Medium & Large)	**1,30,516**	**1,47,319**	**1,62,837**	**1,52,626**	**1,60,175**	**16,803 (33.7)**	**15,518 (28.7)**	**5,307**	**-2,662**
C.Wholesale Trade (other than food procurement)	**13,965**	**16,818**	**17,845**	**17,006**	**16,567**	**2,853 (5.7)**	**1,027 (1.9)**	**188**	**-1,278**
D.Other Sectors	**66,104**	**79,163**	**94,066**	**81,238**	**98,723**	**13,059 (26.2)**	**14,903 (27.6)**	**2,075**	**4,657**
of which :									
(i) Housing	11,404	14,100	16,143	14,237	17,891	2,696 (5.4)	2,043 (3.8)	137	1,748
(ii) Consumer durables	3,090	3,855	5,566	4,561	6,793	765 (1.5)	1,711 (3.2)	706	1,227
(iii) Non-banking financial companies	6,082	7,178	7,810	7,138	7,491	1,096 (2.2)	632 (1.2)	-40	-319
(iv) Loans to individuals	1,625	2,146	1,697	2,175	1,454	521 (1.0)	-449 (-0.8)	29	-243
(v) Real Estate Loans	1,625	1,644	1,766	1,596	1,912	19 (0.0)	122 (0.2)	-48	146
(vi) Other non-priority sector personal loans	12,289	15,409	18,064	15,101	18,415	3,120 (6.2)	2,655 (4.9)	-308	351
(vii) Advances against Fixed Deposits	15,106	18,876	19,942	19,126	19,383	3,770 (7.6)	1,066 (2.0)	250	-559
(viii) Tourism and tourism related hotels	612	900	996	1,048	1,473	288 (0.6)	96 (0.2)	148	477
II. Export Credit (included under item I.2)	**35,891**	**39,118**	**43,321**	**39,708**	**38,217**	**3,227**	**4,203**	**590**	**-5,104**
III.Net Bank Credit (including inter-bank participation)	**3,39,477**	**3,98,205**	**4,67,206**	**4,17,697**	**4,78,903**	**58,728**	**69,001**	**19,492**	**11,697**
Memorandum Item :									
Export Sector credit as per cent to NBC	10.6	9.8	9.3	9.5	8.0				

Notes: 1. Data are provisional and relate to selected scheduled commercial banks (49 banks from March 2001 onwards) which account for about 90-95 per cent of bank credit of all scheduled commercial banks. Gross bank credit data include bills rediscounted with RBI, IDBI, EXIM Bank, other approved financial institutions and inter-bank participations. Net bank credit data are exclusive of bills rediscounted with RBI, IDBI, EXIM Bank and other approved financial institutions.

2. Figures in brackets are percentage to variation in non-food gross bank credit.

3. Data on priority sector does not include eligible investments and also differs from that published elsewhere in the Report.

Table II.9 : Industry-wise Deployment of Gross Bank Credit

(Amount in Rs. crore)

Industry	Outstanding as on					Variations during			
						Financial year		April-July	
	March 26, 1999	March 24, 2000	March 23, 2001	July 28, 2000	July 27, 2001	1999-2000	2000-01	2000	2001*
1	2	3	4	5	6	7 (3-2)	8 (4-3)	9 (5-3)	10 (6-4)
Industry (Total of Small, Medium and Large Scale)	**1,78,999**	**2,00,133**	**2,18,839**	**2,04,666**	**2,13,416**	**21,134**	**18,706**	**4,533**	**-5,423**
1 Coal	1,114	1,126	1,034	1,038	788	12	-92	-88	-246
2 Mining	1,360	1,240	1,303	1,307	1,210	-120	63	67	-93
3 Iron & Steel	18,291	18,799	19,406	18,700	19,414	508	607	-99	8
4 Other Metals and Metal Products	5,918	6,294	6,351	6,219	6,060	376	57	-75	-291
5 All Engineering	21,513	23,069	23,397	22,891	21,922	1,556	328	-178	-1,475
of which : Electronics	*(4,872)*	*(5,133)*	*(5,291)*	*(5,475)*	*(5,593)*	*(261)*	*(158)*	*(342)*	*(302)*
6 Electricity	6,813	7,438	8,590	8,435	8,503	625	1,152	997	-87
7 Cotton Textiles	10,430	11,682	13,244	11,940	12,098	1,252	1,562	258	-1,146
8 Jute Textiles	844	894	844	732	729	50	-50	-162	-115
9 Other Textiles	12,000	13,003	12,012	13,497	12,507	1,003	-991	494	495
10 Sugar	3,338	3,832	4,682	4,269	4,629	494	850	437	-53
11 Tea	825	1,034	1,058	993	1,016	209	24	-41	-42
12 Food Processing	4,750	5,986	6,354	5,899	6,660	1,236	368	-87	306
13 Vegetable Oils and *Vanaspati*	2,710	2,958	2,876	2,667	2,649	248	-82	-291	-227
14 Tobacco and Tobacco Products	1,005	993	963	877	714	-12	-30	-116	-249
15 Paper and Paper Products	2,938	3,143	3,468	3,056	3,518	205	325	-87	50
16 Rubber and Rubber products	2,014	2,063	2,195	2,060	2,191	49	132	-3	-4
17 Chemicals, Dyes, Paints, etc.	19,929	23,440	24,065	24,672	24,674	3,511	625	1,232	609
of which :									
i) Fertilisers	3,577	4,577	5,233	5,232	5,218	1,000	656	655	-15
ii) Petro-chemicals	4,748	6,185	6,115	6,824	6,347	1,437	-70	639	232
iii) Drugs & Pharmaceuticals	5,323	5,693	5,389	5,589	6,156	370	-304	-104	767
18 Cement	2,746	3,624	3,842	3,808	3,648	878	218	184	-194
19 Leather and Leather products	2,542	2,664	2,764	2,522	2,953	122	100	-142	189
20 Gems and Jewellery	4,124	5,406	6,581	5,734	6,616	1,282	1,175	328	35
21 Construction	2,569	2,736	3,175	2,780	3,592	167	439	44	417
22 Petroleum	5,516	8,969	11,572	9,278	7,855	3,453	2,603	309	-3,717
23 Automobiles including trucks	3,128	4,028	4,409	4,109	4,310	900	381	81	-99
24 Computer Software	747	1,022	1,223	1,015	1,353	275	201	-7	130
25 Infrastructure	5,945	7,243	11,349	8,922	11,554	1,298	4,106	1,679	205
of which :									
i) Power	2,109	3,289	5,246	4,192	5,650	1,180	1,957	903	404
ii) Telecommunications	2,273	1,992	3,644	2,622	3,498	-281	1,652	630	-146
iii) Roads and Ports	1,563	1,962	2,459	2,108	2,406	399	497	146	-53
26 Other Industries	35,890	37,447	42,082	37,246	42,253	1,557	4,635	-201	171
Memorandum Item :									
Industrial Credit as proportion to Net Bank Credit	52.7	50.3	46.8	49.0	44.6				

* Provisional.

Notes : 1. Data relate to selected scheduled commercial banks which account for about 90-95 per cent of bank credit of all scheduled commercial banks.
2. No sign is indicated for positive variations.

and investment to deposit (IC-D) ratio showed an increase (as per utilisation) for the northern and western regions as at end-March 2000. The IC-D ratio was highest for the western region (78.6 per cent), followed by the southern (75.5 per cent) and the northern (54.8 per cent) regions (Appendix Table II.4).

Lending to Sensitive Sectors

2.29 The overall exposure of SCBs to the sensitive sector comprising capital market, real estate and commodities[3] stood at Rs.22,318 crore which was 4.3 per cent of total loans and advances as at end-March 2001. Lending to the commodities sector accounted for the largest share of advances of banks within the sensitive sectors (42.0 per cent), followed by real estate (36.8 per cent) and the capital market (21.2 per cent). New private sector banks had an exposure at 11.0 per cent, of their total loans and advances to the sensitive sectors, followed by old private banks (7.7 per cent), nationalised banks (4.3 per cent), foreign banks (4.2 per cent) and the State Bank group (2.0 per cent) (Table II.10).

Stock Prices of Indian Banks

2.30 As on March 31, 2001, there were 11 public sector banks and 19 private sector banks listed for trading on the National Stock Exchange. Movements in bank share prices are given in Table II.11. The share of bank scrips in the total turnover of NSE declined to 1.0 per cent in 2000-01 from 3.7 per cent in 1999-2000 (Table II.12).

Table II.10: Lending to Sensitive Sectors
(As at end-March 2001)

(Rs. crore)

Bank-group	Advances to			Total
	Capital Market	Real Estate	Commodities	
1	2	3	4	5
1. Public Sector Banks	**1,479.34**	**5,622.42**	**7,196.18**	**14,297.94**
	(0.36)	(1.36)	(1.74)	(3.45)
Nationalised Banks	1,362.82	4,268.15	5,719.81	11,350.78
	(0.52)	(1.62)	(2.16)	(4.30)
State Bank Group	116.52	1,354.27	1,476.37	2,947.16
	(0.08)	(0.90)	(0.98)	(1.96)
2. Private Sector Banks	**2,280.48**	**2,060.57**	**1,883.23**	**6,224.28**
	(3.35)	(3.03)	(2.77)	(9.15)
Old Private Sector Banks	535.22	1,184.02	1,210.83	2,930.07
	(1.41)	(3.12)	(3.19)	(7.72)
New Private Sector Banks	1,745.26	876.55	672.40	3,294.21
	(5.80)	(2.91)	(2.23)	(10.95)
3. Foreign Banks in India	**973.15**	**523.79**	**298.89**	**1,795.83**
	(2.26)	(1.22)	(0.70)	(4.18)
Scheduled Commercial Banks (1+2+3)	**4,732.97 (0.90)**	**8,206.78 (1.56)**	**9,378.30 (1.78)**	**22,318.05 (4.25)**

Note: Figures in brackets are percentage to total loans and advances of the concerned bank-group.

[3] Commodities include cash crops, edible oils, agricultural produce and other sensitive commodities.

Table II.11: Changes in Share Prices of Banks

Name of the Bank	Closing Price (Rs.)		Percentage Change in Share Price
	1999-2000	2000-01	
1	2	3	4
Public Sector Banks			
1 Bank of Baroda	46.00	60.45	31.41
2 Bank of India	15.65	11.40	-27.16
3 Corporation Bank	76.40	110.10	44.11
4 Dena Bank	11.30	8.75	-22.57
5 Indian Overseas Bank	*	7.75	—
6 Oriental Bank of Commerce	36.85	39.80	8.01
7 State Bank of Bikaner & Jaipur	270.00	276.50	2.41
8 State Bank of India	204.75	201.05	-1.81
9 State Bank of Travancore	210.00	240.00	14.29
10 Syndicate Bank Ltd.	10.00	8.90	-11
11 Vijaya Bank	*	7.15	—
Private Sector Banks			
12 Bank of Punjab Ltd.	14.20	14.55	2.46
13 The Bank of Rajasthan Ltd.	18.40	12.30	-33.15
14 Centurion Bank Ltd.	17.90	11.45	-36.03
15 City Union Bank Ltd.	19.15	23.80	24.28
16 The Federal Bank Ltd.	53.00	45.85	-13.49
17 Global Trust Bank	82.35	35.70	-56.65
18 HDFC Bank	257.20	228.35	-11.22
19 ICICI Bank	267.05	166.50	-37.65
20 IDBI Bank	29.55	17.05	-42.30
21 IndusInd Bank Ltd.	27.80	14.00	-49.64
22 The Jammu & Kashmir Bank Ltd.	36.15	37.30	3.18
23 The Karur Vysya Bank Ltd.	185.55	273.65	47.48
24 The Karnataka Bank Ltd.	*	70.30	—
25 The Laxmi Vilas Bank Ltd.	38.50	48.55	26.10
26 The Nedungadi Bank Ltd.	108.40	92.00	-15.13
27 The South Indian Bank Ltd.	17.50	22.05	26.00
28 United Western Bank Ltd.	28.50	32.00	12.28
29 UTI Bank Ltd.	39.70	24.95	-37.15
30 Vysya Bank Ltd.	125.30	121.35	-3.15

* Banks got listed in the year 2000-01.

Note : Closing Price figures are of the last trading day of the financial year.

Source : National Stock Exchange.

Table II.12: Turnover details of Bank shares

(Rs. crore)

Item	Turnover	
	1999-2000	2000-01
1	2	3
All Banks	30,982	13,992
Top 5 Banks	29,600	12,226
NSE Total (incl.bank shares)	8,39,051	13,39,511
Per cent of all Banks to NSE Total	3.69	1.00
Per cent of Top 5 Banks to All Banks	95.54	87.38

Source: National Stock Exchange.

3. Financial Performance of Scheduled Commercial Banks

2.31 The performance of SCBs at the disaggregated bank group levels in terms of important financial parameters *viz.*, operating profit, net profit, income, interest income, other income, expenditure, interest expended, operating expenses, wage bill, provisions and contingencies and spread is analysed in this section.

2.32 The financial performance of SCBs during 2000-01 has been characterised by a marked decline in net profits on account of higher provisions, despite an improvement in the operating profits of SCBs [Table II.1 and Appendix Table II.5 (A)].

Operating Profit

2.33 The operating profits of SCBs in 2000-01 increased by 7.9 per cent to Rs.19,747 crore as on March 31, 2001. Operating profits of PSBs increased by 5.8 per cent to Rs.13,793 crore driven by 11.8 per cent increase in the operating profits of nationalised banks to Rs.8,053 crore, while those of the State Bank group declined by 1.7 per cent to Rs.5,740 crore in 2000-01. The profits of old private banks increased by 11.0 per cent to Rs.1,480 crore and that of new private banks by 10.1 per cent to Rs.1,369 crore in 2000-01. Foreign banks registered a 15.6 per cent increase in operating profits to Rs.3,105 crore in 2000-01 [Appendix Tables II.5 (A) to (G)].

2.34 Over the year, the ratio of operating profit to total assets, however, recorded a decline for all bank groups. In case of SCBs, the ratio declined from 1.66 per cent in 1999-2000 to 1.52 per cent in 2000-01. The State Bank group recorded a decline from 1.74 per cent to 1.42 per cent in 2000-01and new private sector banks from 2.11 per cent to 1.74 per cent (Table II.13).

Net Profit

2.35 The net profits of SCBs declined by 11.3 per cent to Rs.6,424 crore in 2000-01. Among the bank groups, only new private sector banks recorded an increase of 12.3 per cent in net profits. Net profit of public sector banks and foreign banks declined by 15.6 per cent and 2.4 per cent, respectively [Appendix Tables II.5 (A) to (G)].

2.36 The ratio of net profit to total assets of SCBs declined from 0.66 per cent in 1999-2000 to 0.50 per cent in 2000-01. In the case of PSBs, the ratio declined from 0.57 per cent to 0.42 per cent and within that for the State Bank group from 0.80 per cent to 0.55 per cent. The ratio for individual PSBs excluding two loss making banks are furnished in Chart II.3. In the case of private banks, for new banks, the ratio declined from 0.97 per cent to 0.81 per cent and for the old banks from 0.81 per cent to 0.62 per cent. In respect of foreign banks, the ratio declined from 1.17 per cent to 0.93 per cent (Table II.13 and Chart II.4).

2.37 In order to shore up the profitability amidst increasing competition, particularly private sector banks have resorted among others to mergers and acquisitions in the recent past in consonance with the trends witnessed in developed as well as emerging market economies (Box II.1).

Income

2.38 The income of SCBs recorded an increase of 14.9 per cent to Rs.1,32,078 crore in 2000-01. PSBs recorded an increase of 13.9 per cent in their income to Rs.1,03,499 crore. The State Bank group and nationalised banks recorded a 15.8 per cent and 12.7 per cent increases in income, respectively. New and old private sector banks, respectively, recorded 38.8 per cent and 9.8 per cent increase in income and foreign banks income rose by 16.0 per cent [Appendix Tables II.5(A) to (G)].

2.39 With the higher increase in total assets (17.1 per cent) than in income (14.9 per cent) the ratio of income to total assets of SCBs declined from 10.40 per cent in 1999-2000 to 10.20 per cent in 2000-01. There was a general decline in this ratio among bank groups during 2000-01 excepting in case of the new private sector banks where the ratio increased from 9.18 per cent in 1999-2000 to 9.53 per cent in 2000-01 (Table II.13).

Interest Income

2.40 The interest income of SCBs increased by 15.9 per cent to Rs.1,14,951 crore in 2000-01. Among the individual bank groups, new private sector banks recorded the highest increase of 43.9 per cent followed by the State Bank group (16.6 per cent), foreign banks (15.1

Chart II.3: Net Profit as percentage of Total Assets - Public Sector Banks*
(As on March 31, 2001)

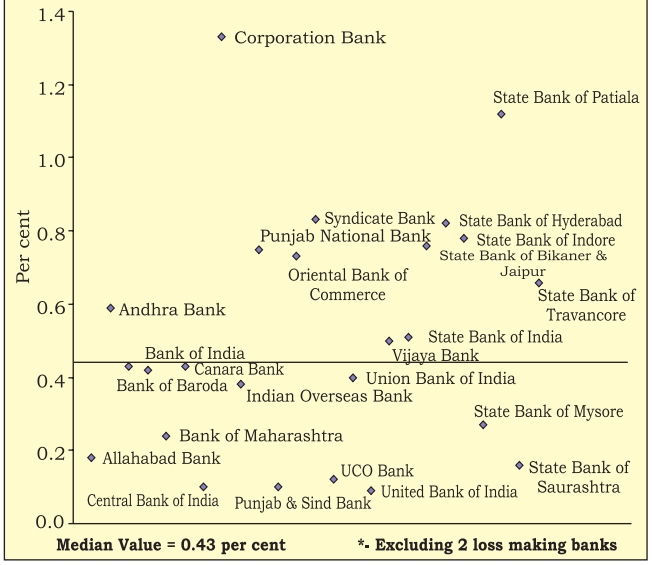


Chart II.4: Ratio of Net Profit to Total Assets

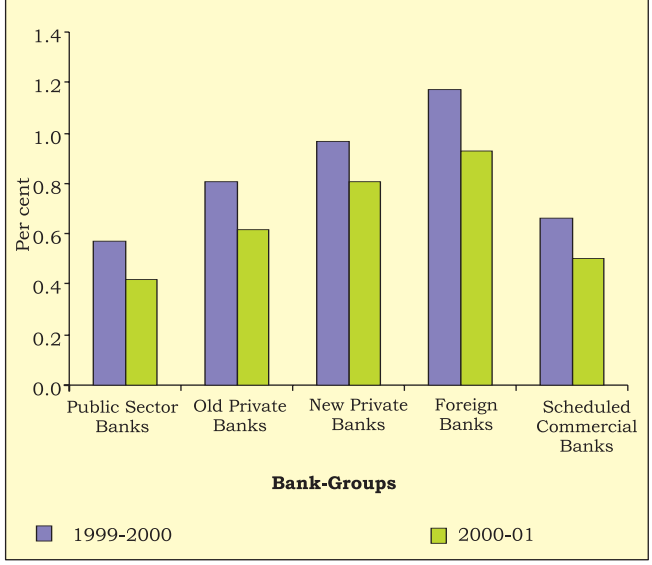


Table II.13: Bank Group-wise Select Indicators of Financial Performance

(As percentage of Total Assets)

Bank Group/ Year	Operating Profit	Net Profit	Income	Interest Income	Other Income	Expen-diture	Interest Expended	Operating Expenses		Provisions and Cont-ingencies	Spread
								Total	*of which* Wage Bill		
1	2	3	4	5	6	7	8	9	10	11	12
Scheduled Commercial Banks											
1999-2000	1.66	0.66	10.40	8.97	1.42	9.74	6.25	2.50	1.67	1.00	2.73
2000-01	1.52	0.50	10.20	8.88	1.32	9.70	6.04	2.64	1.79	1.03	2.84
Public Sector Banks											
1999-2000	1.46	0.57	10.21	8.92	1.29	9.63	6.22	2.53	1.84	0.89	2.70
2000-01	1.34	0.42	10.05	8.84	1.22	9.63	5.99	2.72	2.03	0.92	2.84
Nationalised Banks											
1999-2000	1.30	0.44	10.27	9.06	1.20	9.83	6.40	2.57	1.89	0.86	2.66
2000-01	1.28	0.33	10.23	9.09	1.14	9.90	6.19	2.76	2.10	0.95	2.90
State Bank Group											
1999-2000	1.74	0.80	10.11	8.67	1.44	9.32	5.91	2.46	1.76	0.94	2.76
2000-01	1.42	0.55	9.77	8.44	1.33	9.22	5.68	2.66	1.93	0.87	2.76
Old Private Sector Banks											
1999-2000	1.82	0.81	11.33	9.66	1.66	10.52	7.33	2.17	1.39	1.01	2.33
2000-01	1.75	0.62	10.75	9.52	1.23	10.13	7.01	1.98	1.23	1.13	2.51
New Private Sector Banks											
1999-2000	2.11	0.97	9.18	7.60	1.58	8.21	5.64	1.42	0.28	1.14	1.95
2000-01	1.74	0.81	9.53	8.18	1.35	8.71	6.04	1.75	0.32	0.93	2.14
Foreign Banks											
1999-2000	3.24	1.17	12.47	9.93	2.54	11.31	6.01	3.22	1.05	2.08	3.92
2000-01	3.05	0.93	11.77	9.30	2.47	10.84	5.66	3.05	0.97	2.12	3.64

per cent), old private sector banks (14.0 per cent) and nationalised banks (13.4 per cent) [Appendix Tables II.5(A) to (G)]. Among individual bank groups, foreign banks had the highest proportion of interest earned on advances / bills in interest income, whereas the proportion of interest income from investments was highest in the case of new private sector banks.

2.41 The ratio of interest income to total assets of SCBs declined from 8.97 per cent in 1999-2000 to 8.88 per cent in 2000-01. The ratio declined in respect of PSBs from 8.92 per cent to 8.84 per cent, the State Bank group from 8.67 per cent to 8.44 per cent, old private banks from 9.66 per cent to 9.52 per cent and foreign banks from 9.93 per cent to 9.30 per cent (Table II.13). The ratio increased for nationalised banks from 9.06 per cent to 9.09 per cent and for new private banks from 7.60 per cent to 8.18 per cent (Chart II.5).

Box II.1: Mergers and Acquisitions in Banking: International Experiences and Indian Evidence

The banking system in many emerging economies is fragmented in terms of the number and size of institutions, ownership, profitability and competitiveness of banks, use of modern technology and other related structural features. Very often, three or four large commercial banks co-exist with a large number of smaller urban and rural banks, or under the influence of the public sector. In general, few commercial banks, even larger ones, are listed on the stock exchange. Profitability varies widely, with some banks earning high returns but operating very inefficiently, and other banks competing fiercely for a narrow segment of the market. Likewise, while some commercial banks in the emerging economies are at the cutting edge of technology and financial innovation, many are still struggling with the basic operations such as credit risk assessment and liquidity management. Finally, recent banking crises have weakened banking systems in a number of countries, and banks in some countries remain on the brink of insolvency.

In this context, bank mergers have been considered as a possible avenue for improving the structure and efficiency of the banking industry. It is possible to categorise the motivations for bank mergers into four *viz.*, cost benefits (economies of scale, organisational efficiency, funding costs and risk diversification), revenue benefits (economies of scope, enhancing monopoly rents), economic conditions (mergers after crises or after the upswing of the business cycle); and other motives (private managerial benefits, defence against takeovers, etc.).

Cross-country experience of bank mergers is suggestive of significant cost and revenue benefits from bank consolidation. *Market-driven* consolidation is a relatively new phenomenon and has been mainly observed in Central European economies. In Hungary, for instance, some 40 institutions are presently competing in the retail and corporate markets. At the same time, Belgium's KBC and ABN Amro merged their Hungarian operations to exploit market synergies. After the large number of bankruptcies of private banks, in Poland and Czech Republic the number of commercial banks declined significantly, with no dominant bank in the corporate sector.

In other economies and especially in Asia, *government-led* consolidation has gained credence, motivated by the need to strengthen capital adequacy and the financial viability of many smaller banks affected by the 1997-98 crisis. The clearest example of this approach is Malaysia's Danamodal, a special purpose institution established with the twin objectives of recapitalising the banks and facilitating consolidation and rationalisation of the banking system. In Philippines, a range of incentives is being offered to the merging banks, including better access to rediscount facilities and temporary relief from certain prudential requirements. In Indonesia, four of the seven state banks existing before the crisis were consolidated into a new state bank (Bank Mandiri). In addition, eight private banks that had been taken over by the Indonesian Bank Restructuring Agency (IBRA) were merged during 2000 into a new institution.

In Latin America, bank mergers arose as a response to inefficient banking structures. In Argentina, bank consolidation has been driven largely by the domestic and external financial liberalisation launched in the early 1990s, and the progressive tightening of prudential regulations. Bank consolidation in Mexico, on the other hand, took place in response to the lack of capital after the 1995 banking crisis.

In view of the global phenomenon of consolidation and convergence, the Report of the Committee on Banking Sector Reforms (Chairman: Shri. M.Narasimham) had suggested mergers among strong banks, both in the public and private sectors and even with financial institutions and NBFCs. The phenomenon of mergers in the banking sector is a relatively recent one in India. There was one merger in the early nineties, *i.e.*, New Bank of India with Punjab National Bank. There has been a spate of mergers in the recent past, *viz.*, 20th Century Finance with Centurion Bank, HDFC Bank with Times Bank and ICICI Bank with Bank of Madura. The table below presents the number of mergers in the banking sector in India over the last three years.

(Contd..)

Table: Mergers in Banking Sector in India: 1999 to 2001

Name of the Merging Entity	Name of the Merged Entity	Date of Merger	Post Merger Status (in per cent)		
			CRAR	Net NPA Ratio	Return on Assets
20th Century Finance	Centurion Bank	January 1998	8.45*	4.67*	0.82*
Bareilly Corporation Bank	Bank of Baroda	June 1999	12.10	6.95	0.85
Sikkim Bank	Union Bank of India	December 1999	11.42	7.97	0.29
Times Bank	HDFC Bank	February 2000	12.19	1.01	1.84
Bank of Madura	ICICI Bank	March 2001	11.57**	2.19**	0.82**

* As at end-March 1999. ** As at end-March 2001. All other ratios are as at end-March 2000.

What is important is that the systems for internal controls and risk management are put in place in order to take speedy decisions for offering a wide range of products through multiple delivery channels. In the ultimate analysis, therefore, the success of consolidation efforts will depend on how effectively the banking industry is able to put in place firewalls against financial crises, while blending risks with returns.

References:

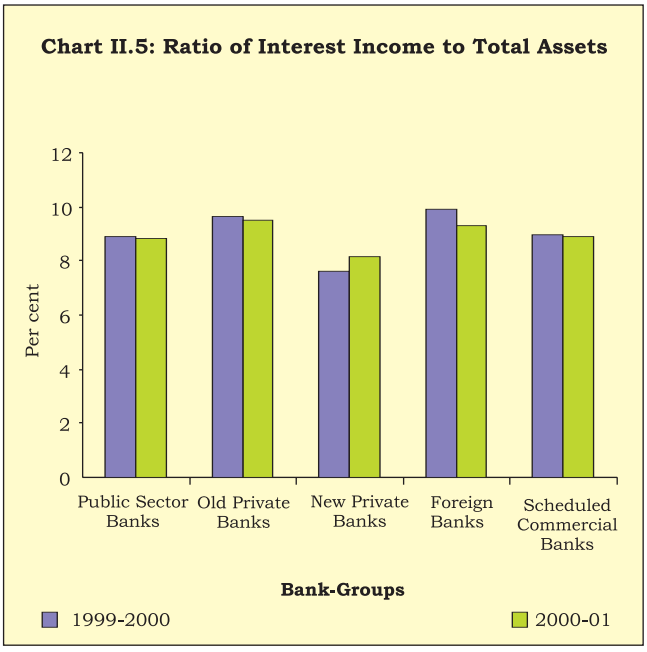
Hawkins, J. and P. Turner (1999), 'Bank Restructuring in Practice: An Overview', in *Bank Restructuring in Practice*, Bank for International Settlements, Switzerland.

Reserve Bank of India, *Annual Report* 1999-2000, Mumbai.

Other Income

2.42 Other income of SCBs registered an increase of 8.8 per cent to Rs.17,127 crore in 2000-01. Among the bank groups, foreign banks recorded the highest increase of 19.5 per cent followed by new private sector banks (14.1 per cent), the State Bank group (10.8 per cent) and nationalised banks (7.5 per cent). On the other hand, old private sector banks recorded a decline of 14.6 per cent to Rs.1,039 crore in other income in 2000-01[Appendix Tables II.5(A) to (G)].

Chart II.5: Ratio of Interest Income to Total Assets



2.43 Commission, exchange and brokerage constituted around 52.0 per cent of the other income of SCBs, with the proportion being highest in case of PSBs at 52.5 per cent. There was a decline in the ratio of other income to total assets among all bank groups during 2000-01. The ratio of other income to total assets of SCBs declined from 1.42 per cent in 1999-2000 to 1.32 per cent in 2000-01. In the case of PSBs, the ratio declined from 1.29 per cent to 1.22 per cent, the State Bank group from 1.44 per cent to 1.33 per cent, nationalised banks from 1.20 per cent to 1.14 per cent, old private sector banks from 1.66 per cent to 1.23 per cent, new private banks from 1.58 per cent to 1.35 per cent and for foreign banks from 2.54 per cent to 2.47 per cent (Table II.13).

Expenditure

2.44 The expenditure of SCBs registered an increase of 16.7 per cent to Rs.1,25,654 crore in 2000-01. Among the bank groups, new private sector banks recorded the highest increase (41.9 per cent) to Rs.6,865 crore, followed by the

State Bank group (18.6 per cent) to Rs.37,151 crore, foreign banks (17.9 per cent) to Rs.11,039 crore, nationalised banks (13.9 per cent) to Rs.62,031 crore and old private sector banks (11.4 per cent) to Rs. 8,568 crore [Appendix Tables II.5(A) to (G)].

2.45 The ratio of expenditure to total assets of SCBs declined marginally from 9.74 per cent in 1999-2000 to 9.70 per cent in 2000-01. In the case of PSBs, the ratio remained unchanged at 9.63 per cent. For the State Bank group, the ratio fell from 9.32 per cent to 9.22 per cent, old private sector banks from 10.52 per cent to 10.13 per cent and for foreign banks from 11.31 per cent to 10.84 per cent. For the nationalised banks and new private banks, the ratio increased from 9.83 per cent to 9.90 per cent and from 8.21 per cent to 8.71 per cent, respectively (Table II.13).

Interest Expended

2.46 The interest expended by SCBs increased by 13.2 per cent to Rs.78,152 crore in 2000-01. Among the bank groups, new private sector banks exhibited the highest increase of 43.1 per cent and nationalised banks recorded the lowest increase of 9.3 per cent [Appendix Tables II.5(A) to (G)]. The interest on deposits comprised a substantial portion of interest expended, touching a high of 94.6 per cent for both PSBs and old private banks in 2000-01 and a low of 63.4 per cent for foreign banks in 2000-01. The foreign bank group had a relatively high share of interest expended on borrowings from the Reserve Bank at 29.6 per cent in 2000-01 compared with 2.3 per cent for PSBs.

2.47 The ratio of interest expended to total assets of SCBs declined from 6.25 per cent in 1999-2000 to 6.04 per cent in 2000-01. The decline in this ratio was seen in all the bank groups during 1999-2000, except in the case of new private banks in whose case the ratio increased from 5.64 per cent in 1999-2000 to 6.04 per cent in 2000-01 (Table II.13).

Operating Expenses

2.48 The operating expenses of SCBs showed an increase of 23.9 per cent to Rs.34,179 crore in 2000-01. Among the bank groups, the new private sector banks registered the highest percentage increase (64.4 per cent), followed by the State Bank group (29.6 per cent), nationalised banks (21.6 per cent), foreign banks (16.7 per cent) and old private sector banks (5.9 per cent) [Appendix Tables II.5(A) to (G)].

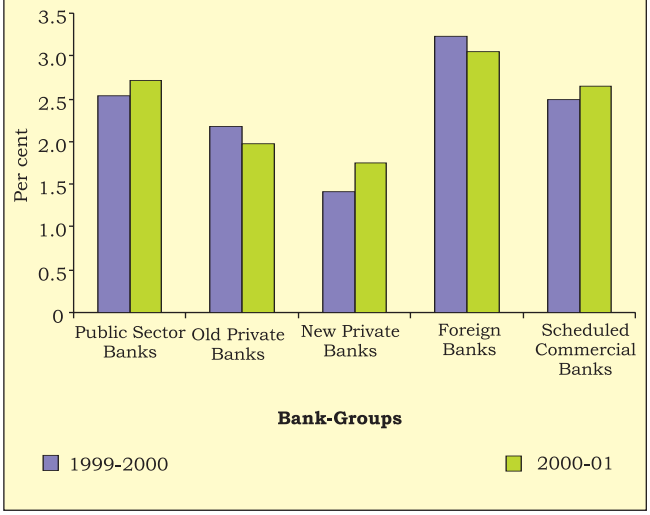
2.49 The ratio of operating expenses to total assets of SCBs increased from 2.50 per cent in 1999-2000 to 2.64 per cent in 2000-01. The ratio increased from 2.53 per cent to 2.72 per cent in the case of PSBs, from 2.57 per cent to 2.76 per cent for nationalised banks, from 2.46 per cent to 2.66 per cent for the State Bank group and from 1.42 per cent to 1.75 per cent for new private sector banks. The ratio declined from 2.17 per cent in 1999-2000 to 1.98 per cent in respect of old private sector banks and from 3.22 per cent to 3.05 per cent for foreign banks (Table II.13 and Chart II.6).

Wage Bill

2.50 The wage bill of SCBs increased by 25.8 per cent to Rs.23,206 crore in 2000-01. Among the bank groups, new private sector banks showed the highest increase (52.3 per cent) followed by the State Bank group (31.4 per cent), while old private banks recorded the lowest increase of 2.0 per cent [Appendix Tables II.5(A) to (G)].

2.51 The ratio of wage bill to total assets increased for all bank groups, excepting old private sector banks and foreign banks. The ratio of wage bill to total assets of SCBs

Chart II.6: Ratio of Operating Expenses to Total Assets



increased from 1.67 per cent in 1999-2000 to 1.79 per cent in 2000-01. The ratio increased from 0.28 per cent to 0.32 per cent in the case of new private sector banks. In the case of foreign banks, the ratio decreased from 1.05 per cent to 0.97 per cent and in the case of old private banks from 1.39 per cent to 1.23 per cent (Table II.13).

Provisions and Contingencies

2.52 The provisions and contingencies of SCBs increased by 20.5 per cent to Rs.13,323 crore in 2000-01. Among the bank groups, old private sector banks showed the highest increase (29.0 per cent), followed by foreign banks (25.7 per cent), nationalised banks (25.0 per cent), the State Bank group (11.3 per cent) and new private sector banks (8.2 per cent) [Appendix Tables II.5(A) to (G)].

2.53 The ratio of provisions and contingencies to total assets of SCBs increased nominally from 1.00 per cent in 1999-2000 to 1.03 per cent in 2000-01. For the nationalised banks the ratio increased from 0.86 per cent to 0.95 per cent and for old private sector banks from 1.01 per cent to 1.13 per cent, from 2.08 per cent to 2.12 per cent for foreign banks. The ratio declined from 0.94 per cent to 0.87 per cent in the case of State Bank group and from 1.14 per cent to 0.93 per cent for new private sector banks (Table II.13 and Chart II.7).

Spread

2.54 There was an increase in the spread (net interest income) among most bank groups during the year 2000-01. The ratio of spread to total assets of SCBs increased from 2.73 per cent in 1999-2000 to 2.84 per cent in 2000-01. In the case of nationalised banks, the ratio increased from 2.66 per cent to 2.90 per cent and for new private sector banks from 1.95 per cent to 2.14 per cent (Table II.13 and Chart II.8). Foreign banks showed a decline in spread from 3.92 per cent to 3.64 per cent. In the case of State Bank group the ratio remained unchanged at 2.76 per cent. The bank-wise details of the select financial parameters of public sector banks, private sector banks and foreign banks are furnished in Appendix Tables II.6(A) to (I), II.7(A) to (H) and II.8(A) to (H), respectively.

Off-Balance Sheet Activities of Scheduled Commercial Banks

2.55 Off-balance sheet activities of SCBs comprising forward exchange contracts, guarantees, acceptances and endorsements, etc., increased by 28.9 per cent over the 1999-2000 levels to Rs.7,52,976 crore. As a result, the ratio of contingent liabilities to total liabilities of SCBs increased by 5.3 percentage points to 58.2 per cent in 2000-01. Forward exchange contracts which account for the highest share

Chart II.7: Ratio of Provisions and Contingencies to Total Assets

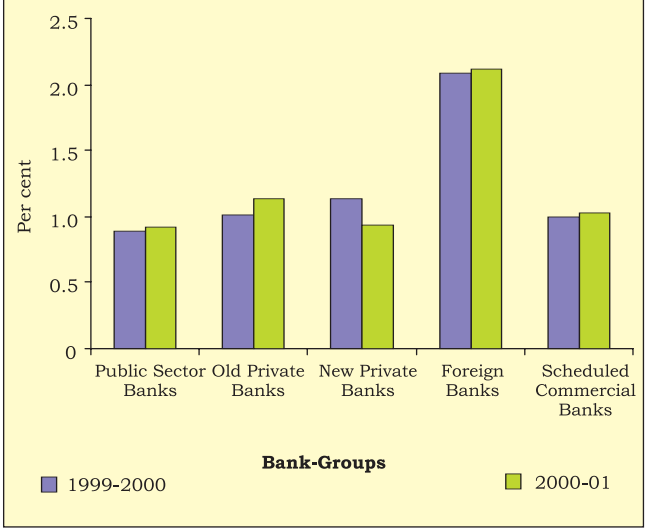
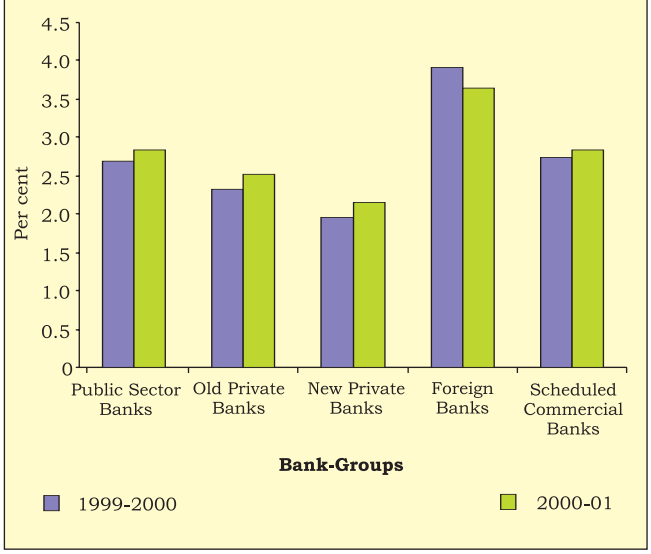


Chart II.8 : Ratio of Spread to Total Assets



of contingent liabilities increased by 30.5 per cent to Rs.5,53,597 crore in 2000-01. The share of forward exchange contracts in total liabilities increased by 4.4 percentage points over the previous year to 42.8 per cent. Acceptances, endorsements, etc., increased by 37.6 per cent to Rs.1,27,930 crore in 2000-01, taking its share in total liabilities up to 9.9 per cent (Table II.14). Among bank groups, nationalised banks recorded the highest proportional increase in contingent liabilities (42.2 per cent), followed by foreign banks (31.2 per cent). Foreign banks continued to maintain the highest contingent liabilities both in absolute terms (Rs.3,71,807 crore) and as a percentage of total liabilities (365.2 per cent) (Chart II.9).

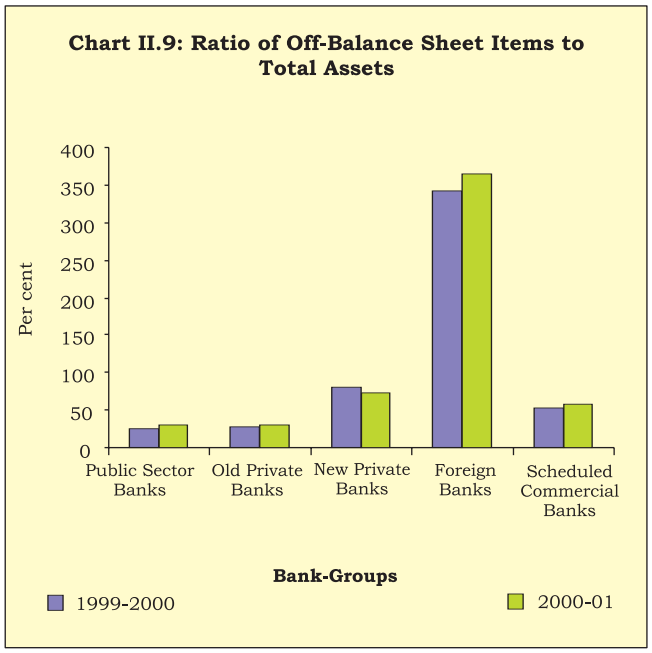
4. Non-Performing Assets

2.56 The gross non-performing assets (NPAs) of the SCBs increased to Rs.63,883 crore at end-March 2001, from Rs.60,408 crore a year ago. Net NPAs as at end-March 2001 amounted to Rs.32,468 crore compared with Rs. 30,073 crore, as at end-March 2000 (Table II.15). Bank group-wise also, gross NPAs increased for PSBs, private sector banks and foreign banks to Rs.54,773 crore, Rs. 6,039 crore and Rs.3,071 crore, respectively, as at end-March 2001 over the levels of Rs.53,033 crore, Rs.4,761 crore and Rs.2,614 crore, respectively, at end-March 2000.

2.57 The ratios of gross and net NPAs to total assets as well as gross and net advances, however, declined for all bank groups other than private sector banks. The ratio of gross NPAs to total assets of SCBs declined from 5.5 per cent in 1999-2000 to 4.9 per cent in 2000-01 while the ratio of net NPAs declined from 2.7 per cent to 2.5 per cent. The ratio of gross NPAs to gross advances declined from 12.7 per cent in 1999-2000 to 11.4 per cent in 2000-01. The ratio of net NPAs to net advances declined from 6.8 per cent to 6.2 per cent over the year (Chart II.10). Bank-wise details of NPA ratios of PSBs and private sector banks are given in Appendix Tables II.9(A) to (D). Sector-wise NPAs of individual public and private sector banks are presented in Appendix Table II.10 (A) and (B).

Public Sector Banks

2.58 The gross NPAs of PSBs as at end-March 2001 at Rs.54,773 crore showed an increase of 3.3 per cent over the year. The share of PSBs in total NPAs of SCBs declined from 87.8 per cent as at end-March 2000 to 85.7 per cent as at end-March 2001. The ratio of gross NPAs to total assets of PSBs declined from 6.0 per cent to 5.3 per cent during 2001 and that of net NPAs to total assets from 2.9 per cent to 2.7 per cent. The ratio of gross NPAs to gross advances decreased from 14.0 per cent to 12.4 per cent



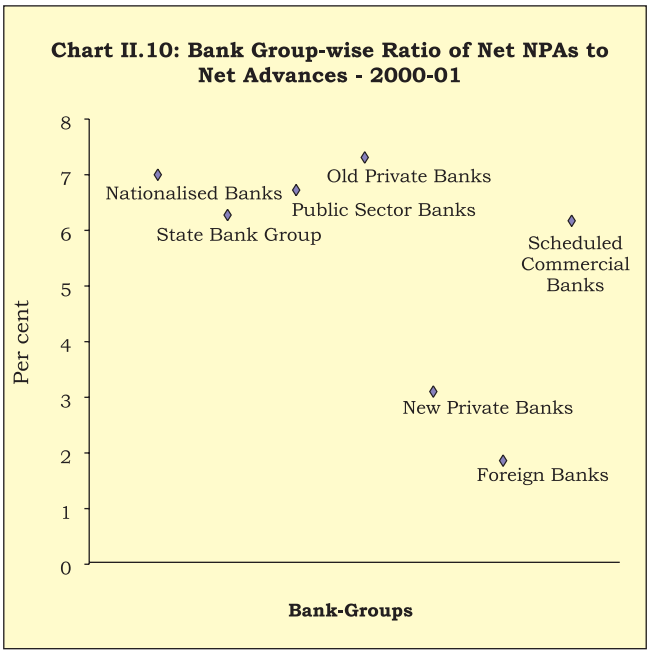


Table II.14 : Off-Balance Sheet Exposure of Scheduled Commercial Banks in India

(Rs. crore)

Item	State Bank Group			Nationalised Banks			Public Sector Banks		
	1999-2000	2000-01	variations	1999-2000	2000-01	variations	1999-2000	2000-01	variations
1	2	3	4	5	6	7	8	9	10
1. Forward exchange contracts	57,037.23 (16.96)	61,945.87 (15.38)	8.61 -1.58	85,157.77 (15.37)	1,37,619.48 (21.95)	61.61 6.59	1,42,195.00 (15.97)	1,99,565.35 (19.38)	40.35 3.41
2. Guarantees given	17,616.79 (5.24)	17,336.27 (4.30)	-1.59 -0.93	25,220.83 (4.55)	26,656.95 (4.25)	5.69 -0.30	42,837.62 (4.81)	43,993.22 (4.27)	2.70 -0.54
3. Acceptances, endorsements, etc.	22,798.69 (6.78)	25,122.48 (6.24)	10.19 -0.54	26,264.07 (4.74)	30,054.08 (4.79)	14.43 0.06	49,062.76 (5.51)	55,176.56 (5.36)	12.46 -0.15
Total Contingent Liabilities	**97,452.71** **(28.97)**	**1,04,404.62** **(25.91)**	**7.13** **-3.06**	**1,36,642.67** **(24.66)**	**1,94,330.51** **(31.00)**	**42.22** **6.34**	**2,34,095.38** **(26.29)**	**2,98,735.13** **(29.01)**	**27.61** **2.72**

Item	New Pvt. Sec. Banks			Old Pvt. Sec. Banks			Foreign Banks			All SCBs		
	1999-2000	2000-01	variations	1999-2000	2000-01	variations	1999-2000	2000-01	variations	1999-2000	2000-01	variations
1	11	12	13	14	15	16	17	18	19	20	21	22
1. Forward exchange contracts	34,377.90 (58.34)	40,888.84 (51.91)	18.94 -6.43	14,807.98 (20.25)	18,451.56 (21.81)	24.61 1.56	2,32,934.24 (281.29)	2,94,690.71 (289.41)	26.51 8.13	4,24,315.12 (38.38)	5,53,596.46 (42.75)	30.47 4.37
2. Guarantees given	5,741.21 (9.74)	7,087.08 (9.00)	23.44 -0.75	2,566.27 (3.51)	2,954.36 (3.49)	15.12 -0.02	15,877.91 (19.17)	17,414.72 (17.10)	9.68 -2.07	67,023.01 (6.06)	71,449.38 (5.52)	6.60 -0.55
3. Acceptances, endorsements, etc.	6,606.45 (11.21)	9,806.00 (12.45)	48.43 1.24	2,741.06 (3.75)	3,246.43 (3.84)	18.44 0.09	34,539.87 (41.71)	59,701.10 (58.63)	72.85 16.92	92,950.14 (8.41)	1,27,930.09 (9.88)	37.63 1.47
Total Contingent Liabilities	**46,725.56** **(79.29)**	**57,781.92** **(73.35)**	**23.66** **-5.94**	**20,115.31** **(27.51)**	**24,652.35** **(29.14)**	**22.56** **1.63**	**2,83,352.02** **(342.17)**	**3,71,806.53** **(365.15)**	**31.22** **22.98**	**5,84,288.27** **(52.85)**	**7,52,975.93** **(58.15)**	**28.87** **5.29**

Notes :
1. Figures in brackets are percentages to Total Liabilities.
2. The variations relating to the 'amounts' indicate the percentage variation in 2000-01 over 1999-2000.
3. The variations relating to the 'percentage to Total Liabilities given in brackets' indicate the simple change in such figures during 2000-01 as compared to 1999-2000.

Table II.15: Gross and Net NPAs of Scheduled Commercial Banks - Bank Group-wise

(As at end-March)

(Amount in Rs. crore)

Bank Groups/Years	Gross Advances	Gross NPAs			Net Advances	Net NPAs		
		Amount	Per cent to Gross Advances	Per cent to total Assets		Amount	Per cent to Net Advances	Per cent to total Assets
1	2	3	4	5	6	7	8	9
Scheduled Commercial Banks								
1998	3,52,697	50,815	14.4	6.4	3,25,522	23,761	7.3	3.0
1999	3,99,436	58,722	14.7	6.2	3,67,012	28,020	7.6	2.9
2000	4,75,113	60,408	12.7	5.5	4,44,292	30,073	6.8	2.7
2001	5,58,766	63,883	11.4	4.9	5,26,329	32,468	6.2	2.5
Public Sector Banks								
1998	2,84,971	45,653	16.0	7.0	2,60,459	21,232	8.2	3.3
1999	3,25,328	51,710	15.9	6.7	2,97,789	24,211	8.1	3.1
2000	3,79,461	53,033	14.0	6.0	3,52,714	26,187	7.4	2.9
2001	4,42,134	54,773	12.4	5.3	4,15,207	27,969	6.7	2.7
All Private Sector Banks								
1998	36,753	3,186	8.7	3.9	35,411	1,863	5.3	2.3
1999	43,049	4,655	10.8	4.5	39,731	2,943	7.4	2.8
2000	58,220	4,761	8.2	3.6	56,035	3,031	5.4	2.3
2001	71,237	6,039	8.5	3.7	68,059	3,699	5.4	2.3
Old Private Sector Banks								
1998	25,580	2,794	10.9	5.1	24,353	1,572	6.5	2.9
1999	28,979	3,784	13.1	5.8	26,017	2,332	9.0	3.6
2000	35,404	3,815	10.8	5.2	33,879	2,393	7.1	3.3
2001	39,738	4,420	11.1	5.2	37,973	2,770	7.3	3.3
New Private Sector Banks								
1998	11,173	392	3.5	1.5	11,058	291	2.6	1.1
1999	14,070	871	6.2	2.3	13,714	611	4.5	1.6
2000	22,816	946	4.1	1.6	22,156	638	2.9	1.1
2001	31,499	1,619	5.1	2.1	30,086	929	3.1	1.2
Foreign Banks in India								
1998	30,972	1,976	6.4	3.0	29,652	666	2.2	1.0
1999	31,059	2,357	7.6	3.1	29,492	866	2.9	1.1
2000	37,432	2,614	7.0	3.2	35,543	855	2.4	1.0
2001	45,395	3,071	6.8	3.0	43,063	800	1.9	0.8

Notes: 1. Constituent items may not add up to the totals due to rounding off.

2. Figures for 2001 are provisional.

Source: 1. Balance sheets of respective banks.

2. Returns submitted by respective banks.

and that of net NPAs to net advances from 7.4 per cent to 6.7 per cent over the year. The decline in the NPAs ratios of PSBs was facilitated by the rise in assets in standard category from 86.0 per cent in 1999-2000 to 87.6 per cent in 2000-01 (Table II.16). As at end-March 2001, 22 out of the 27 PSBs had net NPAs up to 10 per cent of net advances, while five banks had net NPAs in excess of 10 per cent (Table II.17).

Private Sector Banks

2.59 As at end-March 2001, the gross NPAs of all private sector banks stood at Rs.6,039 crore with an increase of 26.8 per cent during the year. The private sector bank group witnessed an increase in the ratios of gross NPAs to total assets and gross NPAs to gross advances. The ratio of gross NPAs to gross advances increased to 8.5 per cent and that to total assets increased to 3.7 per cent. The ratio of net NPAs to net advances remained unchanged at 5.4 per cent as also the ratio of net NPAs to total assets (2.3 per cent).

Old Private Sector Banks

2.60 The gross NPAs of old private banks increased by 15.9 per cent to Rs.4,420 crore as at end-March 2001 from Rs.3,815 crore as at end-March 2000, while net NPAs increased by 15.8 per cent to Rs.2,770 crore from Rs.2,393 crore during the same period. The ratio of gross NPAs to total assets remained unchanged at 5.2 per cent for old private sector banks as also the ratio of net NPAs to total assets at 3.3 per cent. The ratio of gross NPAs to gross advances increased from 10.8 per cent to 11.1 per cent and that of net NPAs to net advances increased from 7.1 per cent to 7.3 per cent. Out of the 23 old private banks functioning as at end-March 2001, 16 banks had net NPAs up to 10 per cent of net advances, 4 banks had net NPAs between 10 and 20 per cent of net advances and 3 banks had net NPAs in excess of 20 per cent (Table II.17).

New Private Sector Banks

2.61 Gross NPAs of new private sector banks increased by 71.1 per cent to Rs.1,619 crore as at end-March 2001 from Rs.946 crore as at end-March 2000, while net NPAs increased by 45.6 per cent to Rs.929 crore from Rs. 638 crore. The ratio of gross NPAs to total assets increased from 1.6 per cent to 2.1 per cent. The ratio of gross NPAs to gross advances increased from 4.1 per cent to 5.1 per cent and the ratio of net NPAs to net advances from 2.9 per cent to 3.1 per cent. All eight new private sector banks had net NPAs within 10 per cent of net advances as at end-March 2001 (Table II.17).

Foreign Banks

2.62 The gross NPAs of foreign banks increased by 17.5 per cent to Rs.3,071 crore during 2000-01, while net NPAs declined by 6.4 per cent to Rs.800 crore. The ratios of both gross and net NPAs to total assets declined during the year under review. The ratio of gross NPAs to gross advances declined from 7.0 per cent to 6.8 per cent, and the ratio of net NPAs to net advances from 2.4 per cent to 1.9 per cent. The proportion of standard assets increased to 93.1 per cent from 93.0 per cent a year ago. Out of 42 foreign banks, 31 had net NPAs up to 10 per cent, 6 between 10 per cent and 20 per cent and 5 had net NPAs in excess of 20 per cent (Table.II 17). Bank-wise details of NPAs of foreign banks are given in Appendix Tables II.9 (E) and (F).

Incremental Non-Performing Assets

2.63 The incremental gross NPAs, as percentage of incremental gross advances and incremental total assets, increased for all bank groups during 2000-01, except for State Bank group. In absolute terms, the incremental gross NPAs was higher at Rs. 3,475 crore in 2000-01 as compared to Rs.1,686 crore in 1999-2000, while incremental net NPAs increased from Rs.2,053 crore in 1999-2000 to Rs.2,394 crore in 2000-01 (Table II.18). As percentage of incremental advances, the incremental gross NPA ratio of SCBs rose from 2.2 per cent in 1999-2000 to 4.2 per cent in 2000-01, with the same for PSBs increasing from 2.4 per cent to 2.8 per cent. In net terms, the incremental net NPA ratio increased from 2.7 per cent in 1999-2000 to 2.9 per cent in 2000-01 (Table II.19). As ratio to incremental assets, while the incremental gross NPA for SCBs increased from 1.1 per cent to 1.8 per cent in 2000-01; over the same period, the incremental net NPA ratio has remained unchanged at 1.3 per cent.

Table II.16 : Classification of Loan Assets of Scheduled Commercial Banks

(As at end-March)

(Amount in Rs. crore)

Bank Groups/Years	Standard Assets		Sub-standard Assets		Doubtful Assets		Loss Assets		Total NPAs		Total Advances
	Amount	per cent	Amount	per cent	Amount	per cent	Amount	per cent	Amount	per cent	Amount
1	2	3	4	5	6	7	8	9	10	11	12
Scheduled Commercial Banks											
1998	3,01,881	85.6	17,428	4.9	27,146	7.7	6,242	1.8	50,815	14.4	3,52,696
1999	3,40,714	85.3	19,928	5.0	31,350	7.8	7,444	1.9	58,722	14.7	3,99,436
2000	4,14,917	87.2	19,594	4.1	33,688	7.1	7,558	1.6	60,840	12.8	4,75,757
2001	4,94,716	88.6	18,206	3.3	37,756	6.8	8,001	1.4	63,963	11.4	5,58,679
Public Sector Banks											
1998	2,39,318	84.0	14,463	5.1	25,819	9.1	5,371	1.9	45,653	16.0	2,84,971
1999	2,73,618	84.1	16,033	4.9	29,252	9.0	6,425	2.0	51,710	15.9	3,25,328
2000	3,26,783	86.0	16,361	4.3	30,535	8.0	6,398	1.7	53,294	14.0	3,80,077
2001	3,87,360	87.6	14,745	3.3	33,485	7.6	6,544	1.5	54,774	12.4	4,42,134
All Private Sector Banks											
1998	33,567	91.3	1,766	4.8	1,077	2.9	343	0.9	3,186	8.7	36,753
1999	38,394	89.2	2,657	6.2	1,591	3.7	407	0.9	4,655	10.8	43,049
2000	53,317	91.5	2,137	3.7	2,355	4.0	439	0.8	4,931	8.5	58,248
2001	65,071	91.5	2,585	3.6	3,069	4.3	424	0.6	6,078	8.5	71,149
Old Private Sector Banks											
1998	22,786	89.1	1,402	5.5	1,068	4.2	324	1.3	2,794	10.9	25,580
1999	25,195	86.9	1,920	6.6	1,463	5.0	401	1.4	3,784	13.1	28,979
2000	31,447	88.8	1,577	4.5	2,061	5.8	347	1.0	3,985	11.2	35,432
2001	35,166	88.7	1,622	4.1	2,449	6.2	413	1.0	4,484	11.3	39,650
New Private Sector Banks											
1998	10,781	96.5	365	3.3	9	0.1	19	0.2	392	3.5	11,173
1999	13,199	93.8	737	5.2	128	0.9	6	0.0	871	6.2	14,070
2000	21,870	95.9	560	2.5	294	1.3	92	0.4	946	4.1	22,816
2001	29,905	94.9	963	3.1	620	2.0	11	0.0	1,594	5.1	31,499
Foreign Banks in India											
1998	28,996	93.6	1,198	3.9	250	0.8	528	1.7	1,976	6.4	30,972
1999	28,702	92.4	1,238	4.0	507	1.6	612	2.0	2,357	7.6	31,059
2000	34,817	93.0	1,096	2.9	798	2.1	721	1.9	2,615	7.0	37,432
2001	42,285	93.1	876	1.9	1,202	2.6	1,033	2.3	3,111	6.9	45,396

Notes:
1. Figures are provisional.
2. NPAs consist of assets including (i) Sub-standard, (ii) Doubtful, and (iii) Loss Assets. An asset becomes (i) Sub-standard when it is classified as NPA for a period not exceeding two years, (ii) Doubtful when it remains NPA for a period exceeding two years, and (iii) Loss, when loss is identified either by a bank or an internal or external auditors or under RBI inspection, but not written off.
3. Constituent items may not add up to the totals due to rounding off.
4. The figures furnished in this table may not tally with the data given in table II.15 due to different sources of data collection

Source :
1. Returns submitted by respective banks.
2. Balance sheets of respective banks

Table II.17: Distribution of Scheduled Commercial Banks by Ratio of Net NPAs to Net Advances

(No. of banks)

Net NPAs/Net Advances	End-March				
	1997	1998	1999	2000	2001
Public Sector Banks	**27**	**27**	**27**	**27**	**27**
1. Upto 10 per cent	17	17	18	22	22
2. Above 10 and up to 20 per cent	9	9	8	5	5
3. Above 20 per cent	1	1	1	—	—
Old Indian Private Sector Banks	**25**	**25**	**25**	**24**	**23**
1. Upto 10 per cent	22	21	17	18	16
2. Above 10 and up to 20 per cent	3	4	5	5	4
3. Above 20 per cent	—	—	3	1	3
New Indian Private Sector Banks	**9**	**9**	**9**	**8**	**8**
1. Upto 10 per cent	9	9	9	8	8
2. Above 10 and up to 20 per cent	—	—	—	—	—
3. Above 20 per cent	—	—	—	—	—
Foreign Banks in India @	**39**	**42**	**41**	**42**	**42**
1. Upto 10 per cent	36	34	27	31	31
2. Above 10 and up to 20 per cent	1	6	11	7	6
3. Above 20 per cent	2	2	3	4	5

@ No. of banks having nil NPAs for 1997, 1998, 1999, 2000 and 2001 was 16, 14, 9, 8 and 6, respectively.

5. Capital to Risk-Weighted Assets Ratio (CRAR)

2.64 As at end-March 2001, 23 out of the 27 PSBs (consisting of eight banks in the State Bank group and 15 nationalised banks) had capital in excess of 10 per cent of risk-weighted assets. Among the remaining four nationalised banks, two had CRAR between 9 per cent and 10 per cent, one had CRAR between 4 per cent and 9 per cent and one had negative CRAR (Table II. 20).

2.65 Of the 23 old private banks, 16 banks had CRAR in excess of 10 per cent, four had CRAR between 9 and 10 per cent, one had CRAR between 4 and 9 per cent while two had negative CRAR. Thus, the number of old private banks having CRAR in excess of 10 per cent decreased from 18 in the previous year to 16 in 2000-01.

Table II.18: Bank Group-wise Incremental Gross and Net NPAs

(Rs. crore)

Bank Group	Incremental Gross NPAs		Incremental Net NPAs	
	1999-2000	2000-01	1999-2000	2000-01
1	2	3	4	5
Scheduled Commercial Banks	**1,686.0**	**3,475.3**	**2,053.0**	**2,393.9**
Public Sector Banks	1,322.6	1,739.8	1,975.9	1,781.2
Nationalised Banks	190.3	920.4	1,640.7	1,088.5
State Bank Group	1,132.2	819.4	335.2	692.7
Old Private Sector Banks	31.0	604.8	61.0	377.0
New Private Sector Banks	75.0	673.9	27.0	290.7
Foreign Banks	257.0	456.7	-11.0	-55.0

Table II.19: Bank Group-wise Incremental Ratio of Gross and Net NPAs

(Per cent)

Bank Group	Incremental Ratio of Gross NPAs to				Incremental Ratio of Net NPAs to			
	Gross Advances		Total Assets		Net Advances		Total Assets	
	1999-2000	2000-01	1999-2000	2000-01	1999-2000	2000-01	1999-2000	2000-01
1	2	3	4	5	6	7	8	9
Scheduled Commercial Banks	**2.2**	**4.2**	**1.1**	**1.8**	**2.7**	**2.9**	**1.3**	**1.3**
Public Sector Banks	2.4	2.8	1.1	1.3	3.6	2.9	1.6	1.3
Nationalised Banks	0.6	2.2	0.3	1.3	4.8	2.7	2.3	1.5
State Bank Group	5.3	3.8	2.2	1.2	1.6	3.2	0.7	1.0
Old Private Sector Banks	0.5	14.0	0.4	5.3	0.8	9.2	0.8	3.3
New Private Sector Banks	0.9	7.8	0.4	3.4	0.3	3.7	0.1	1.5
Foreign Banks in India	4.0	5.7	4.1	2.4	-0.2	-0.7	-0.2	-0.3

The number of new private sector banks having CRAR in excess of 10 per cent continued to remain at seven in 2000-01 with one bank having CRAR between 9 per cent and 10 per cent. The number of foreign banks having CRAR above 10 per cent increased to 38 from 37 in the previous year (Table II.20). Bank-wise details of CRAR of individual bank groups are given in Appendix Tables II.11 (A) to (C).

2.66 The measurement of operational risk has emerged as an important aspect in the calculation of capital as per the new capital adequacy framework of the Basel Committee on Banking Supervision (BCBS). In the context of increasing globalisation, enhanced use of technology, product innovations and growing complexity in operations, the Reserve Bank agrees, as a general principle, with the Basel Committee's proposal to assign explicit capital charge for operational risk (Box II.2).

6. Equity Capital and Subordinated Debt

2.67 Three banks *viz*., Andhra Bank, Indian Overseas Bank and Vijaya Bank raised capital amounting to Rs.361.20 crore, through initial public offerings (IPO) in the market during the year 2000-01. The Ganesh Bank of Kurundwad Ltd., was

Table II.20: Distribution of Scheduled Commercial Banks by CRAR

(No. of banks)

Bank-group	Capital Risk-weighted Assets Ratio (CRAR)							
	1999-2000				2000-01			
	Below 4 per cent	Between 4-9 per cent	Between 9-10 per cent	Above 10 per cent	Below 4 per cent	Between 4-9 per cent	Between 9-10 per cent	Above 10 per cent
1	2	3	4	5	6	7	8	9
State Bank Group	—	—	—	8	—	—	—	8
Nationalised Banks	1	—	4	14	1*	1	2	15
Old Private Sector Banks	2	2	2	18	2*	1	4	16
New Private Sector Banks	—	—	1	7	—	—	1	7
Foreign Banks	—	—	5	37	—	—	4	38
Total	**3**	**2**	**12**	**84**	**3**	**2**	**11**	**84**

* Negative

granted permission to issue shares on rights basis for Rs. 0.41 crore. The Vysya Bank Ltd., was granted permission to issue preferential shares to its foreign collaborators amounting to Rs.42.49 crore.

2. 68 During 2000-01, eleven public sector banks raised subordinated debt to augment their capital. These are Bank of India (Rs.200 crore), Bank of Maharashtra (Rs. 50 crore), Canara Bank (Rs. 300 crore), Central Bank of India (Rs. 250 crore), Indian Overseas Bank (Rs. 125 crore), Punjab and Sind Bank (Rs. 60 crore), Punjab National Bank (Rs. 240 crore), Union Bank of India (Rs. 100 crore), UCO Bank (Rs. 150 crore), United Bank of India (Rs. 140 crore) and Bank of Baroda (Rs. 600 crore).

Return of Capital

2. 69 During 2000-01, Andhra Bank returned Rs. 47.95 crore capital to the Government of India.

Box II.2: Measurement of Operational Risk

Operational risk, as defined by the Basel Committee is "the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events". The definition excludes strategic and reputational risk, but includes legal risk. Operational risks can broadly be classified in the following categories:

Information Technology Risk – System failure, internet virus, inaccurate data, poor quality of communication, etc.

Human Resources Risk – Recruitment procedures, incompetent staff, holiday policy, etc.

Loss to Assets Risk – Risk that damages assets and interrupts business. The damage could be due to fire, flood or earthquake.

Relationship Risk – Changes in regulatory requirements, claims, customer satisfaction, lawsuits, etc.

There are three approaches in the assessment of capital requirements for operational risk *viz*. *Basic Indicator Approach*, *Standardised Approach* and *Internal Measurement Approach*.

Under *Basic Indicator Approach*, operational risk capital is allocated using a single indicator as a proxy for an institution's overall operational risk exposure. Gross income is proposed as the indicator, with each bank holding capital for operational risk equal to a fixed percentage, multiplied by its individual amount of gross income.

Under the *Standardised Approach*, bank's activities are divided into a number of standardised business units and business lines, as given by the Bank for International Settlements (BIS). Within each business line, regulators specify a broad indicator that is intended to reflect the size or volume of a bank's activity in the area. The indicator serves as a rough proxy for the amount of operational risk within each of these business lines. Within each business line, the required capital is calculated by multiplying an indicator, such as gross income or asset size of the business line, by a fixed percentage. The total capital charge is the simple sum of the required capital across each business line.

In the case of *Internal Measurement Approach*, bank's internal loss data are used and the method to calculate the required capital is uniformly set by supervisors. Banks activities are categorised into number of business lines and a broad set of operational loss types is defined and applied across business lines. Within each business line/ loss type combination, the supervisor specifies an Exposure Indicator (EI) - a proxy for the size of a particular business line's operational risk exposure. In addition to EI, for each business line/loss type combination, banks measure, based on their internal loss data, a parameter representing the probability of the occurrence of loss event (PE) as well as a parameter representing the loss given that event (LGE). Expected Loss (EL) is arrived at by the multiplication of EI, PE and LGE. Given the scaling factor r(i,j) (defined as the maximum amount of loss per holding period within a certain confidence interval) for each business line (i) and risk type (j) this translates the expected loss into capital charge as $=\sum_i \sum_j [\gamma(i,j) * EI(i,j) * PE(i,j) * LGE(i,j)]$.

Quantification of operational risk poses a major computational challenge to policy makers. Modeling operational risk in financial institutions is still in its infancy. But the process is likely to gather momentum in the future. As it stands at present, several methods have been employed including appropriate statistical distributions to estimate operational VaR. However, unlike market risk, the operational VaR is not easily obtainable. The difficulty lies in identifying the right statistical distribution that determine the severity and the frequency of a particular category of operational loss. In order to approximate the severity of operational loss, methods, like Extreme Value Theory (EVT) and Monte Carlo simulation can be fruitfully employed to calculate the operational VaR.

On the measurement of operational risk the Reserve Bank is of the view that "until a scientific method to measure the operational risk across countries is evolved, the Basel Committee should consider prescribing a lower capital charge of 15 per cent of the gross income or 10 per cent of the current capital requirement to align capital to the underlying risk profile. National supervisors may, however, be given discretion to prescribe higher capital charge towards operational risk in case of banks, which may be considered as 'outliers'.

References:

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Augmentation of Capital Funds - Private Sector Banks

2.70 Pursuant to the guidelines issued in January 1993, the minimum capital requirement for setting up banks in the private sector was prescribed at Rs. 100 crore. Upon review of the position of the capital funds of old private sector banks in 1998-99, it was indicated that old private sector banks having networth of less than Rs. 50 crore were to attain the level of Rs. 50 crore by March 31, 2001. Accordingly, three old private sector banks having networth of less than Rs.50 crore, and 7 banks whose capital funds ranged above Rs. 50 crore but less than Rs.100 crore were advised to prepare action plans for augmenting capital funds to the level of Rs.100 crore.

2.71 The guidelines for entry of new banks in the private sector were revised in January 2001, so as to make the issue of licenses selective and restrict to the applicants who can meet the prudential requirements and provide efficient customer service. The guidelines are given in Chapter I.

7. Indian Banks' Branches Abroad

2.72 Nine Indian banks (8 in public sector and one in the private sector) are operating branches abroad. During the year 2000-01 the number of Indian branches abroad stood at 94. The number of representative offices of Indian banks abroad stood at 14. The number of wholly owned subsidiaries of Indian banks abroad and joint ventures abroad stood at 15 and 5, respectively.

8. Foreign Banks' Branches in India

2.73 Foreign banks are allowed to operate in India through branches. There are 41 foreign banks from 21 countries operating in India with 194 branches as on June 30, 2001. While 5 banks have 10 or more branches, 17 are one branch banks. Twelve foreign banks have 367 ATMs located both at branches and off-sites. The branches of foreign banks are spread over 25 centres in 16 States/Union Territories. Consequent upon acquisition of the issued share capital of ANZ Grindlays Bank Ltd. from Australia and New Zealand Banking Group, Australia by Standard Chartered Bank plc, London, the name of ANZ Grindlays Bank Ltd., operating with 41 branches in India, has been changed to Standard Chartered Grindlays Bank. Further, as a result of a global merger between two Japanese banks *viz*., Sakura Bank and Sumitomo Bank Ltd., Indian operations of Sakura Bank have been merged with Sumitomo Bank and the latter is operating in India as a new entity *viz*., Sumitomo Mitsui Banking Corporation since April 2001. As on June 30, 2001, 24 banks from 12 countries had representative offices in India of which 22 were in Mumbai and one each in New Delhi and Chennai.

9. Regional Rural Banks

Mobilisation and Deployment of Funds

2.74 The outstanding deposits mobilised by Regional Rural Banks (RRBs) registered an increase of 23.2 per cent to Rs.37,027 crore in 2000-01 with demand deposits rising by 27.3 per cent. The credit extended by RRBs increased by 23.0 per cent to Rs.15,579 crore in 2000-01 and investments by 25.6 per cent to Rs.7,546 crore. The credit-deposit ratio was at 42.1 per cent in 2000-01, while investment-deposit ratio increased marginally to 20.4 per cent (Table II.21).

Purpose-wise Disbursement of Loans and Advances

2.75 The loans and advances disbursed by RRBs for agriculture accounted for 47.5 per cent of total advances as on March 31, 2000. The term loans for agriculture and allied activities at Rs.3,339 crore accounted for 53.6 per cent of agricultural advances while the share of crop loans constituted 46.0 per cent. Non-agricultural advances *viz*., advances to rural artisans, village and cottage industries, retail trade and self-employed, etc., and others accounted for 52.5 per cent of total loans and advances as at end-March 2000 (Table II.22).

Financial Performance of RRBs

2.76 Of the 196 RRBs, the audited results for 2000-01 are available for 192 banks. The performance of RRBs during 2000-01 is indicative of an improvement in profitability. The operating profits increased by 33.2 per cent to Rs.715 crore and the net profits by 37.0 per cent to Rs.589 crore (Table II.23). The ratio of

Table II.21: Important Banking Indicators of RRBs

(Amount in Rs.crore)

Item	March 26, 1999	March 24, 2000	March 24, 2001	Variations 1999-2000	Variations 2000-2001
1	2	3	4	5 (3-2)	6 (4-3)
1 Liabilities to the Banking System	**151**	**183**	**177**	**32**	**-6**
				(21.2)	**(-3.3)**
2 Liabilities to Others	**26,319**	**31,306**	**38,696**	**4,987**	**7,390**
				(18.9)	**(23.6)**
2.1 Aggregate Deposits (a+b)	25,428	30,051	37,027	4,623	6,976
				(18.2)	(23.2)
(a) Demand Deposits	4,688	5,105	6,499	417	1,394
				(8.9)	(27.3)
(b) Time Deposits	20,740	24,946	30,528	4,206	5,582
				(20.3)	(22.4)
2.2 Borrowings	8	52	24	44	-28
				(550.0)	(-53.8)
2.3 Other Demand & Time Liabilities*	883	1,203	1,645	320	442
				(36.2)	(36.7)
3 Assets with the Banking System	**11,319**	**13,454**	**16,973**	**2,135**	**3,519**
				(18.9)	**(26.2)**
4 Bank Credit	**11,016**	**12,663**	**15,579**	**1,647**	**2,916**
				(15.0)	**(23.0)**
5 Investments (a+b)	**5,007**	**6,009**	**7,546**	**1,002**	**1,537**
				(20.0)	(25.6)
a.Government Securities	1,191	1,223	1,588	32	365
				(2.7)	(29.8)
b. Other Approved Securities	3,816	4,786	5,958	970	1,172
				(25.4)	(24.5)
6 Cash Balances	**300**	**343**	**441**	**43**	**98**
				(14.3)	**(28.6)**
Memorandum Items :					
a Cash Balance-Deposit Ratio	1.18	1.14	1.19		
b Credit-Deposit Ratio	43.32	42.14	42.07		
c Investment/Deposit Ratio	19.69	20.00	20.38		
d Investment+Credit/Deposit Ratio	63.01	62.13	62.45		

* Includes Participation Certificates issued to others.

Note : Figures in brackets are percentage variations.

operating profits to total assets increased from 1.27 per cent to 1.47 per cent and that for net profits from 1.01 per cent to 1.21 per cent. The increase in profitability could be attributed to rise in interest income coupled with lower operating expenses.

Non-performing Assets

2.77 The NPAs of RRBs declined considerably during 2000-01. The share of NPAs in total assets of RRBs declined from 23.2 per cent as at end-March 2000 to 19.2 per cent as at end-March 2001, largely due to an increase in the share of assets in standard category from 76.8 per cent in end-March 2000 to 80.8 per cent as at end-March 2001 (Table II.24).

Recapitalisation

2.78 A total sum of Rs.2,188 crore has been infused as additional capital support to 187 out of 196 RRBs through six phases of recapitalisation of the loss-making RRBs till January 2000. Out of 187 RRBs, 158 RRBs have been fully recapitalised and 29 RRBs partially. Further, while 7 RRBs are

Table II.22: Purpose-wise Disbursements of Loans and Advances of RRBs

(Rs. crore)

Purpose	As at end-March	
	1999	2000*
1	2	3
1. Short term (crop loans)	2,240.00	2,864.74
2. Term loan for agriculture and allied activities	3,159.00	3,339.14
3. Indirect Advances	61.00	23.00
I Total Agriculture (1 to 3)	**5,460.00**	**6,226.88**
	(48.1)	**(47.5)**
4. Rural artisans, village and cottage industries	722.00	772.64
5. Other Industries	387.00	663.86
6. Retail trade and Self-employed, etc.	2,495.00	2,072.85
7. Other purposes	2,292.00	3,372.61
II Total Non-Agriculture (4 to 7)	**5,896.00**	**6,881.96**
	(51.9)	**(52.5)**
Total (I+II)	**11,356.00**	**13,108.84**
	(100.0)	**(100.0)**

* Purpose-wise break-up in respect of 194 RRBs.

Note : Figures in brackets are percentages to the total.

Source: NABARD.

yet to be taken up for recapitalisation, 2 profit-making RRBs do not need any capital support. During the year 2000-01, recapitalisation exercise was not taken up by the Government of India and no budgetary allocation has been made for the year 2001-02.

10. Local Area Banks

2.79 With a view to providing an institutional mechanism for promoting rural and semi-urban savings as well as provision of credit for viable economic activities in local areas, Local Area Banks (LAB) were established in the private sector. The related guidelines were announced by the Reserve Bank in 1996. The Reserve Bank has given 'in-principle ' approval for setting up of seven LABs in the private sector. Of these, licenses were issued to five LABs, *viz*., (1) Coastal Local Area Bank Limited, Vijayawada in the districts of West Godavari, Krishna and Guntur in Andhra Pradesh (2) Capital Local Area Bank Limited, Phagwara in the districts of Kapurthala, Jalandhar and Hoshiarpur in Punjab, (3) Krishna Bhima Samurdhi Local Area Bank Ltd., Mehboobnagar in the districts of Raichur and Gulbarga in Karnataka and Mehboobnagar district in Andhra Pradesh, (4) Vinayak Local Area Bank Ltd., Sikar in the districts of Jhunjhunu, Sikar and Churu in Rajasthan and (5) South Gujarat Local Area Bank Ltd., Navsari in the districts of Surat, Navsari and Bharuch in Gujarat. These LABs have since commenced banking business.

11. Regional Spread of Banking

2.80 Banks were given freedom to open the new branches and close unviable branches subject to the stipulations laid down by the Reserve Bank. The total number of branches of commercial banks increased to 65,800 as at end-June 2001 from 65,556 as at end-June 2000. As at end-June 2001, rural branches accounted for the highest share (49.6 per cent) of branches of commercial banks in India, followed by semi-urban branches (22.1 per cent), urban branches (15.5 per cent) and metropolitan branches (12.8 per cent) (Appendix Table II.12). State-wise and region-wise distribution of branches of commercial banks are given in Appendix Table II.13.

Table II.23: Financial Performance of Regional Rural Banks

(Rs. crore)

	Item	1999-2000			2000-01			Variation
		Loss Making [34]	Profit Making [162]	All RRBs [196]	Loss Making [25]	Profit Making [167]	RRBs [192]	Col. (7) over Col. (4)
	1	2	3	4	5	6	7	8
A.	**Income (i+ii)**	**463.97**	**3,694.21**	**4,158.18**	**381.57**	**4,374.74**	**4,756.31**	**598.13** (14.38)
i)	Interest income	423.27	3,522.20	3,945.47	358.70	4,169.37	4,528.07	582.60 (14.77)
ii)	Other income	40.70	172.01	212.71	22.87	205.37	228.24	15.53 (7.3)
B.	**Expenditure (i+ii+iii)**	**577.52**	**3,150.69**	**3,728.21**	**451.07**	**3,716.20**	**4,167.27**	**439.06** (11.78)
i)	Interest expended	369.35	2,195.24	2,564.59	298.41	2,603.33	2,901.74	337.15 (13.15)
ii)	Provisions and contingencies	11.59	95.40	106.99	15.94	110.45	126.39	19.40 (18.13)
iii)	Operating expenses	196.58	860.05	1,056.63	136.72	1,002.42	1,139.14	82.51 (7.81)
	of which :							
	Wage Bill	176.18	739.42	915.60	122.24	860.28	982.52	66.92 (7.31)
C.	**Profit**							
i)	**Operating Profit/Loss**	**-101.96**	**638.92**	**536.96**	**-53.56**	**768.99**	**715.43**	**178.47** (33.24)
ii)	**Net Profit/Loss**	**-113.55**	**543.52**	**429.97**	**-69.50**	**658.54**	**589.04**	**159.07** (37.00)
D.	**Total Assets**	**6,233.52**	**36,191.42**	**42,424.94**	**5,086.75**	**43,482.66**	**48,569.41**	**6,144.47** (14.48)
E.	**Financial Ratios $**							
i)	Operating Profit	-1.64	1.77	1.27	-1.05	1.77	1.47	0.21
ii)	Net Profit	-1.82	1.50	1.01	-1.37	1.51	1.21	0.20
iii)	Income	7.44	10.21	9.80	7.50	10.06	9.79	-0.01
iv)	Interest income	6.79	9.73	9.30	7.05	9.59	9.32	0.02
v)	Other Income	0.65	0.48	0.50	0.45	0.47	0.47	-0.03
vi)	Expenditure	9.26	8.71	8.79	8.87	8.55	8.58	-0.21
vii)	Interest expended	5.93	6.07	6.05	5.87	5.99	5.97	-0.07
viii)	Operating expenses	3.15	2.38	2.49	2.69	2.31	2.35	-0.15
ix)	Wage Bill	2.83	2.04	2.16	2.40	1.98	2.02	-0.14
x)	Provisions and Contingencies	0.19	0.26	0.25	0.31	0.25	0.26	0.01
xi)	Spread (Net Interest Income)	0.87	3.67	3.25	1.19	3.60	3.35	0.09

$ Ratios to Total Assets.

Note: Figures in brackets are percentage variations.

Source: NABARD.

12. Interest Rates of Scheduled Commercial Banks

Interest Rate Policy

2.81 With progressive deregulation of interest rates, banks now have considerable flexibility to decide their deposit and lending rate structures and manage their assets and liabilities with greater efficiency. On the lending side, banks are free to prescribe their own lending rates including the Prime Lending Rate (PLR). On the deposit side, banks have been

Table II.24: Classification of Loan Assets of all RRBs
(As Percentage to Total Assets)

(Per cent)

Category	As at end-March					
	1996	1997	1998	1999	2000	2001
1	2	3	4	5	6	7
1. Standard Assets	**56.9**	**63.2**	**67.2**	**72.2**	**76.8**	**80.8**
2. Non-Performing Assets	**43.1**	**36.8**	**32.8**	**27.8**	**23.2**	**19.2**
Sub-standard	9.3	8.2	8.5	8.1	7.1	N.A.
Doubtful	28.0	24.0	20.4	17.0	14.0	N.A.
Loss	5.8	4.6	3.9	2.7	2.1	N.A.

N.A. Not available.
Source: NABARD

given the freedom to offer a fixed rate or a floating rate subject to the approval of their Boards.

Deposit Rates

2.82 The minimum maturity period for term deposits has been reduced to 7 days from 15 days in respect of wholesale deposits of Rs.15 lakh and above. Banks are permitted to formulate fixed deposit schemes specifically meant for senior citizens offering them higher and fixed rates of interest than normal deposits of any size. The ceiling on FCNR(B) deposits rates has been brought down to LIBOR/SWAP rates for corresponding maturity from LIBOR/SWAP rates plus 0.50 per cent. Movement in the domestic term deposits as well as on NRE deposits, during April 2000 to October 2001 is given in Table II.25.

Prime Lending Rate

2.83 The concept of Tenor Linked Prime Lending Rates (TPLRs) was introduced in April 1999 to give SCBs more operational flexibility. Keeping in view the international practice and to provide further operational flexibility to commercial banks in deciding their lending rates, PLR was converted into a benchmark rate and accordingly the requirement of PLR being the floor rate for loans above Rs. 2 lakh was relaxed. Effective from April 19, 2001, commercial banks have been allowed to lend at sub-PLR rate for loans above Rs.2 lakh. Movement in the PLRs of SCBs during April 2000 to October 2001 is given in Table II.25.

Interest Rates on Export Credit

2.84 Effective May 5, 2001, the rupee export credit interest rate structure was changed by prescribing ceiling rates linked to the relevant PLRs of banks. This was expected to introduce healthy competition and provide exporters a greater choice to avail of banking services in terms of interest rate, quality of service and transaction costs.

2.85 Considering the special circumstances arising out of recent global developments and consequent implications of the same for Indian trade, the Reserve Bank effected a reduction in ceiling rate on export credit by 1 percentage point across the board on September 26, 2001, which will remain valid up to March 2002 (Table II.26).

Table II.25: Prime Lending Rates and Interest Rates on Deposits of Scheduled Commercial Banks

(per cent per annum)

Category of Banks	Range of PLR		
	April 2000	April 2001	October 2001
Public Sector Banks	11.25 - 12.50	10.00 - 13.00	10.00 - 12.50
Private Sector Banks	10.25 - 16.00	10.25 - 15.50	10.50 - 15.50
Foreign Banks	9.75 - 17.50	9.00 - 17.50	8.80 - 17.50
	Range of Domestic Term Deposit Rates		
Public Sector Banks	5.00 - 11.00	4.00 - 10.00	4.25 - 9.25
Private Sector Banks	5.00 - 12.50	5.00 - 11.00	5.00 - 10.50
Foreign Banks	4.00 - 12.00	4.25 - 12.00	4.25 - 12.00
	Range of NRE Deposit Rates		
Public Sector Banks	6.00 - 11.00	6.75 - 11.00	6.50 - 10.50
Private Sector Banks	7.25 - 13.00	8.00 - 12.00	7.00 - 11.50
Foreign Banks	8.00 - 12.00	7.50 - 12.00	6.00 - 12.00

13. Diversification in Banks' Operations

Banks' entry into Insurance

2.86 The Government of India Notification specifying insurance as a permissible form of business under Section 6(1)(0) of the Banking Regulation Act, 1949, was issued on August 3, 2000. Based on the above, detailed guidelines were issued by Reserve Bank on August 9, 2000. Since then, State Bank of India has been permitted to set up a life insurance subsidiary on risk participation basis with 74 per cent equity holding. Jammu & Kashmir Bank Ltd., and Vysya Bank Ltd., have been accorded approval to contribute 25 per cent and 49 per cent, respectively, to the equity of insurance joint ventures on risk participation basis. Punjab National Bank and Vijaya Bank were permitted to make strategic investment to the extent of 15 per cent and 8 per cent, respectively, in the life and non-life insurance joint venture and in a distribution and services company. Citibank, American Express, Standard Chartered Bank, HSBC, ABN-Amro, HDFC Bank and Deutsche Bank have been given 'in principle' approval to act as corporate agents of insurance companies for distribution of insurance products on fee basis. All these approvals have been granted subject to the banks obtaining necessary clearance from Insurance Regulatory and Development Authority (IRDA).

Clearing Corporation

2.87 A clearing corporation known as Clearing Corporation of India Ltd. (CCIL) for clearing and settlement of government securities and foreign exchange transactions has been set up by SBI (chief promoter) and co-promoted by Bank of Baroda, HDFC Bank, ICICI, IDBI, and LIC in April 2001 with an authorised as well as paid-up capital of Rs.50 crore. While SBI and the co-promoters are participating to the extent of 51 per cent in the equity of the Corporation, the balance 49 per cent equity will be contributed by other banks, financial institutions, primary dealers and mutual funds. SBI has been permitted to invest 26 per cent in the equity of the Corporation amounting to Rs.13 crore whereas Bank of Baroda and HDFC Bank have been permitted to invest Rs.2.5 crore each. Permission has also been accorded to Central Bank of India to subscribe Rs.2 crore in the equity of CCIL, Rupees one crore each by Punjab National Bank and Oriental Bank of Commerce and Rs.50 lakh each by Citibank, Bank of India, Canara Bank, Corporation Bank and Union Bank of India.

Table II.26: Bank Rate, Export Credit Rate and PLR

(Per cent)

Effective date	Bank Rate	Export Credit				PLR (Public Sector Banks)
		Pre-shipment		Post-shipment		
		Upto 180 days	Beyond 180 days and Upto 270 days	Upto 90 days (Not exceeding)	Beyond 90 days Upto 6 Months	
1	2	3	4	5	6	7
March 2, 1999	8.0	10.0	13.0	10.0	12.0	12.0 - 14.0
April 2, 2000	7.0	—	—	—	—	11.25 - 12.5
July 22, 2000	8.0	—	—	—	—	—
February 17, 2001	7.5	—	—	—	—	11.5 - 13.0
March 2, 2001	7.0	—	—	—	—	10.0 - 13.0
May 5, 2001	—	PLR *minus* 1.5	PLR *plus* 1.5	PLR *minus* 1.5	PLR *plus* 1.5	—
September 26, 2001	—	PLR *minus* 2.5	PLR *plus* 0.5	PLR *minus* 2.5	PLR *plus* 0.5	10.0 - 12.5
October 23, 2001	6.5	—	—	—	—	—

— indicates no change.

14. Developments in Retail Banking

2.88 The retail banking portfolio encompasses deposit and asset-linked products as well as other financial services offered to individuals for personal consumption. Retail banking is increasingly viewed by banks as an attractive market segment with opportunities for growth with profits. The products offered in the retail banking segment are housing loans, consumption loans for purchase of durables, auto loans, credit cards and educational loans. The loan values could typically range between Rs. 20 thousand and Rs.100 lakh. The loans are generally for duration of 5 to 7 years with housing loans granted for a longer duration of 15 years. Credit card is another rapidly growing sub-segment of this product group.

2.89 The growth in retail banking has been facilitated by growth in banking technology and automation of banking processes to enable extension of reach and rationalisation of costs. ATMs have emerged as an alternative banking channel which facilitate low-cost transactions *vis-à-vis* traditional branches. It also has the advantage of reducing the branch traffic and enables banks with small networks to offset the traditional disadvantages by increasing their reach and spread. The increased use of ATMs by foreign banks and private sector banks has helped these banks to compete with PSBs by enabling them to expand their reach and to contain costs. The use of ATM technology is quite low in the case of PSBs and the old private sector banks. Given the fact that the PSBs are in the process of rationalisation of staff strength, introduction of ATMs would help facilitate improved customer service by these banks. Some of the factors which inhibit the rapid growth of the ATMs are absence of a shared payments network, the high cost of ATM cards and machines and poor telecommunication infrastructure.

Internet Banking in India - Guidelines

2.90 Economic integration within and across countries, deregulation, advances in telecommunications, and the growth of the Internet and wireless communication technologies are dramatically changing the structure and nature of financial services. Notwithstanding the rudimentary stage of internet banking in India, in order to promote safety and soundness for e-banking activities, as a precautionary measure, the Reserve Bank constituted a Working Group on Internet Banking and issued guidelines to the banks (Box II.3).

15. Priority Sector Lending

2.91 Priority sector lending[4] continued to be an important aspect of lending to agriculture, small scale industries, transport operators, etc. Bank group-wise credit extended to these sectors is discussed below. Sector-wise break-up of priority sector advances of public sector banks are detailed in Appendix Table II.14. Bank-wise details of advances to agriculture and weaker sections as well as NPAs arising out of advances to weaker sections are furnished in Appendix Table II.15 (A) and (B).

Public Sector Banks

2.92 The outstanding priority sector advances of PSBs increased by 14.7 per cent to Rs.1,46,546 crore as on the last reporting Friday of March 2001. At this level, the advances formed 43.0 per cent of the net bank credit (NBC) as on last reporting Friday of March 2001. Total agricultural advances of PSBs increased by Rs. 7,495 crore to Rs.53,685 crore as on the last reporting Friday of March 2001 comprising 15.7 per cent of NBC.

Private Sector Banks

2.93 The total priority sector advances extended by private sector banks as on the last reporting Friday of March 2001 amounted to Rs.21,550 crore (constituting 38.2 per cent of NBC) as compared with Rs.18,019 crore a year ago. The share of small scale industries was the highest at 14.4 per cent of NBC, followed by advances to 'other priority sector' (14.2 per cent) and agriculture (9.6 per cent) (Appendix Table II.16). Bank-wise details of advances to priority sector, agriculture and weaker sections as well as NPAs arising out of advances

[4] The definition of priority sector lending has been expanded during the year to include *inter alia*, bank finance to agriculture through (i) non-banking financial companies and (ii) finance for distribution of inputs for activities allied to agriculture up to Rs. 15 lakh (raised from Rs 5 lakh).

Box II.3: Working Group on Internet Banking in India

With the growing spread of internet and the forays being made by banks in the field of internet banking, the Reserve Bank of India had constituted a Working Group to examine the different issues relating to internet banking and recommend technology, security, legal and operational standards keeping in view international best practices. The terms of reference of the Working Group were related to the examination of different aspects of internet banking from regulatory and supervisory perspective and to recommend appropriate standards for adoption in India. In its report, the Working Group has classified the internet banking products into 3 types, based on the levels of access granted, which are detailed below:

Information only systems

General-purpose information like interest rates, branch locations, product features, FAQs, loan and deposit calculations etc., are provided on the bank's website. There exist facilities for downloading various types of application forms. The communication is normally done through e-mail. There is no interaction between the bank's application systems and the customer. No identification or authentication of customers is done. In this case, the possibility of any hacking or an unauthorised person getting into the production system of the bank through the internet does not exist.

Electronic Information Transfer System

These systems provide customer-specific information in the form of account balances, transaction details, statement of accounts, etc. The information is still largely of the 'read only' format. Identification and authentication of the customer is through password. The information is fetched from the bank's application systems either in batch mode or off-line. In this case also, the application systems cannot be directly accessed through the internet.

Fully Electronic Transactional System

These systems allow bi-directional transactional capabilities. Transactions can be submitted by the customers for on-line update. These systems require high degree of security and control. In such an environment, web server and the application systems are linked over secure infrastructure, which comprise the basic requirements in terms of technology covering computerisation, networking and security; inter-bank payment gateway and legal infrastructure for introduction of internet banking involving a fully Electronic Transactional System.

The recommendations cover the risks associated with internet banking, the technology and security standards for internet banking, legal issues relating to this new type of activity and the regulatory and supervisory concerns of the central bank. The recommendations of the Group have been accepted and the Reserve Bank has issued necessary guidelines to banks for implementation in a phased manner.

Reference:

Reserve Bank of India (2001), 'Report of the Working Group on Internet Banking in India' June.

to weaker sections are furnished in Appendix Table II.17 (A) and (B).

Foreign Banks

2.94 The foreign banks operating in India have to allocate a target of 32 per cent of NBC for the priority sector with sub-sectoral targets of 10 per cent of NBC for SSI and 12 per cent of NBC for exports. The foreign banks' lending to the priority sector as on the last reporting Friday of March 2001 constituted 34 per cent of NBC, with loans to exports (20.0 per cent of NBC) increasing to Rs. 6,863 crore in March 2001 from Rs.6,372 crore in March 2000 (Appendix Table II.18)

Advances to Weaker Sections

2.95 The total outstanding advances to weaker sections provided by PSBs increased by Rs.3,660 crore over the level prevailing in March 2000 to Rs. 24,805 crore (7.3 per cent of NBC) as on the last reporting Friday of March 2001.

Differential Rate of Interest (DRI) Scheme

2.96 The outstanding advances of PSBs under the DRI scheme as at end-March 2001 formed 0.12 per cent of the total advances as at end-March 2000.

Special Agricultural Credit Plans

2.97 PSBs were advised to prepare Special Agricultural Credit Plans for increasing the credit flow to agriculture on an annual basis. During 2000-01, the disbursements to agriculture under this Plan were Rs.24,654 crore as against the projection of Rs.25,893 crore. During 2001-02, the target for disbursements has been set at Rs.30,818 crore.

Swarnjayanti Gram Swarozgar Yojana

2.98 The Swarnjayanti Gram Swarozgar Yojana (SGSY), a restructured poverty alleviation programme launched by the Government of India from April 1999, has subsumed IRDP and its allied schemes *viz.*, Training of Rural Youth for Self Employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA), Supply of Improved Toolkits to Rural Artisans (SITRA), Ganga Kalyan Yojana (GKY) and Million Wells Scheme (MWS). The scheme aims at establishing a large number of micro enterprises in the rural areas of the country. SGSY is a holistic programme covering all aspects of self-employment such as organisation of the poor into Self Help Groups, training, credit, technology, infrastructure and marketing. During 2000-01, beneficiaries under the scheme number about 10.3 lakh (as at end- March 2001). Bank credit to the tune of Rs. 1,44,510 lakh along with Government subsidy amounting to Rs. 69,472 lakh were disbursed.

Lead Bank Scheme

2.99 As at end of March 31, 2001, Lead Bank Scheme covered 576 districts in the country. During November 2000, three new States *viz.*, Jharkhand, Uttaranchal and Chhattisgarh have been created by bifurcation of the existing states of Bihar, Uttar Pradesh and Madhya Pradesh, respectively. Consequent upon creation of the above states, the SLBC convenorship of all the six states (new as well as existing) has been assigned to some of the public sector banks by the Central Government in consultation with the Reserve Bank.

16. Supervisory Developments

2.100 The position of the Indian banking system and its regulation and supervision *vis-à-vis* the principles laid down by the Basel Committee on Banking Supervision was assessed by the Advisory Group on Banking Supervision (Chairman: Shri M.S.Verma). The Group submitted its Report in May 2001. The major recommendations of the Group are detailed in Box II.4.

Foreign Branches of Indian Banks

2.101 As part of new initiatives, new supervisory reporting system called DSB-O returns was introduced from the quarter ended June 2000, replacing the RALOO returns. The DSB-O returns consists of a set of seven returns showing the quarter-wise data on assets and liabilities, off-balance sheet exposure, inter-branch and inter-bank reconciliation, structural liquidity, problem credits and investments, large exposures, country exposure, profitability and frauds. The detailed analysis of DSB-O returns carried out by the Reserve Bank brought to light the various parameters of the performance of overseas branches. The supervisory concerns that emerged out of these analyses were communicated to the banks for necessary corrective action. Based on the analyses of DSB-O returns as also reports on portfolio appraisals on the functioning of foreign branches, the Reserve Bank held meetings with the individual banks to discuss the performance of their foreign branches, problems faced by them and strategic plans for the near future. The Reserve Bank received quarterly reports from

Box II.4: Advisory Group on Banking Supervision

The Advisory Group on Banking Supervision (Chairman: Shri M.S. Verma) sought to: (i) study the present status of applicability and relevance and compliance in India of the relevant standards and codes; (ii) study the feasibility of compliance and the time-frame within which this can be achieved given the prevailing legal and institutional practices in India; (iii) compare the levels of adherence in India *vis-à-vis* industrialised countries and also emerging economies particularly to understand India's position and to prioritise actions on some of the more important codes and standards; and (iv) chalk out a course of action for achieving the best practices.

The recommendations of the Group can broadly be classified under seven broad categories, *viz.*, (i) Corporate Governance; (ii) Internal Control; (iii) Risk Management; (iv) Loan Accounting; (v) Transparency and disclosures; (vi) Financial Conglomerates; and (vii) Cross-border Banking Supervision.

With regard to the current status in India, the Group

(Contd...)

(Contd...)

was of the view that, given the level of complexity and development of the Indian banking sector, the level of compliance with the standards and codes is of a high order. Wherever there are significant gaps, these can be remedied within a reasonable time-frame and, as such, are not causes for immediate concern provided that necessary amendments to laws, wherever required, are put in place without delay.

Corporate Governance

Given the predominantly public sector character of the banking sector, the Group felt that the nature of a bank's ownership should not be a critical factor affecting the type and quality of corporate governance. The quality of corporate governance should be the same in all types of banking organisations, irrespective of their ownership.

In the short run, it needs to be ensured that the directors on the boards of banks are conversant with complex issues such as risk management that banks need to tackle and that they are not over-committed elsewhere. While setting accountability standards for bank boards, the Group felt that there was a need for enhanced transparency and disclosures in respect of various aspects of boards' constitution and functioning.

Management Information System (MIS)

The quality of MIS is an area of potential risk both from the point of view of internal control and regulatory oversight. It would, therefore, be necessary to strengthen the MIS and data collection machinery in banks to ensure integrity and reliability of data. This is also necessary for banks to move towards more sophisticated means of managing the risks inherent in their functioning.

Risk Management

The Group recommended greater orientation of the banks' managements and their boards towards a better understanding of risks and their management. Further more, in the view of the Group, it was desirable that some of the more capable and better-equipped banks could take the lead in expediting the process of transition from elementary levels of risk management to levels of greater sophistication and act as forerunners so that they could act as models for other banks to follow.

Loan Accounting

Over a period of time, the formulae-based system of classification of assets and provisioning will have to give way to a more realistic assessment of the realisability of assets, relying on a risk assessment-based system. However, a system of provisioning based on risk assessment as regards the realisability of a debt and the value of collaterals can take root only if the present lacunae in the relevant legal provisions and the system itself, which make it debtor-friendly, are removed.

Transparency and Disclosure

At present, all banks irrespective of their size, scope and complexity of operations, are required to make the same credit risk disclosures. There is need for introducing the concept of materiality in the matter of disclosures. Among other things, banks should be asked to disclose qualitative information on their credit risk management and control policies and practices in the Management's 'Notes to the balance sheet'. Banks should also be advised to disclose information about significant concentrations of credit risk, business segment-wise general and specific provisions, movement in provisions and cumulative provisions held against impaired assets. There is also need for disclosures on transactions with affiliated and related parties and large shareholders.

Internal Control

Boards of most banks, particularly public sector banks would need to undergo an attitudinal change towards the operational risks faced by banks, that they have a better and firmer say in the maintenance and improvement of internal control systems in the banks. In-depth discussions on periodic reports on internal controls systems of banks between the management and their boards should be institutionalised. The Reserve Bank may consider taking steps, so that on-site inspections are individualised and more bank-specific in its approach. The Reserve Bank may also consider leveraging the findings/reports of the external auditors of banks by even engaging them for specific area audit/inspection of banks and utilise their reports for supervisory oversight as is done by some other regulators.

Supervision of Conglomerates

The Reserve Bank should ensure that fitness, propriety or other qualification tests can be applied to managers and directors of other unregulated entities in a conglomerate if there is any possibility of their exercising a material or controlling influence on the operations of regulated entities. It would be desirable to put in place arrangements for applying fitness, qualification and propriety tests on all shareholders with shareholdings beyond a specified threshold. Suitable legal provisions would need to be introduced in the Banking Regulation Act, in order to empower the Reserve Bank in this regard.

In order to ensure co-ordination amongst the supervisors of the different entities in the conglomerate, introduction of the concept of 'primary supervisor' may be considered. Designating one of the supervisors as the primary supervisor will substantially improve much needed coordination between different supervisors (regulators) and adds to the scope and quality of the overall supervision of the conglomerate.

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(Concld...)

Cross-border Banking Supervision

Provision of unhindered and unqualified access to information to the home supervisor may be made a condition for permitting a bank to open offices abroad. Country-wise analyses will have to be made to ensure reciprocity between home and host supervisors in sharing information on certain qualitative aspects of the business undertaken by branches and subsidiaries of banking organisations outside the jurisdiction of their respective home supervisors.

Effective supervision of financial conglomerates, which would become a part of the banking sector in the near future, would require that supervisory coordination is based on formal arrangements which may include appointment of separate coordinators and, where considered necessary, primary regulators, for each group. The methods of supervision would have to become increasingly risk-based with greater reliance on the Boards of banks themselves and the external auditors. Supervision which moves along this direction would pave the way for a healthy and sound banking system.

Reference:

Reserve Bank of India (2001), *'Report of the Advisory Group on Banking Supervision'*, June

the banks on the overseas sectors detailing changes in the regulatory framework, pending issues relating to both host country and home country supervision, business environment and perception of new opportunities, credit and control areas and compliance of audit/ inspection. Significant developments were noted and monitored.

17. Frauds/Robberies

2.102 During the calendar year 2000, commercial banks reported 3,072 cases of frauds involving an amount of Rs. 672.59 crore. Eight cases of frauds involving an amount of Rs.1.59 crore were reported by the banks in their overseas branches during the same period. These cases were followed up with the banks for necessary remedial measures and fixing staff accountability. During the year 2000-01 (July-June), 48 Caution Advices were issued to commercial banks/financial institutions in respect of firms/companies observed to have committed serious irregularities in their borrowal accounts. During the year 2000-01, 94 cases of robberies/ dacoities involving an amount of Rs. 3.44 crore were reported by public sector banks.

Chapter III

Developments in Co-operative Banking

Co-operative credit institutions occupy an important position in the financial system of the economy in terms of their reach, volume of operations and the purpose they serve. Rural co-operative banks play a pivotal role in the rural credit delivery system with credit co-operatives forming almost 70 per cent of the rural credit outlets. Rural co-operative banks account for around 30 per cent of rural deposits and 44 per cent of the outstanding loans and advances of the banking system for agriculture and rural development. About 55 per cent of the short-term production loans for the agriculture sector come from co-operative credit institutions. Urban co-operative banks (UCBs), on the other hand, aim at mobilisation of savings from the middle- and low-income urban groups and purvey credit towards the weaker sections. The majority of credit from UCBs is channelised towards priority sector segments. The organisational structure of co-operative credit institutions is given in Chart III.1.

Overview of the Recent Policy Measures on Co-operative Credit Institutions

3.2 In order to examine the functioning and the constraints being faced by co-operative banks and the rural credit system, a High Power Committee (HPC), a Task Force and an Expert Group were appointed in recent years. The objectives of setting up these Groups were to devise ways to improve the efficiency of the credit co-operatives and to make the credit delivery system of these credit institutions viable. Notwithstanding certain differences in their focus, the three Groups identified *inter alia* many common constraints being faced by different types of credit co-operatives and gave recommendations to improve the co-operative credit system (Box III.1). In line with the recommendations of these Groups, policy changes for the co-operative banks have been framed with a view to improving the credit delivery mechanism of co-operative banks and introducing various prudential measures for strengthening the financial health of these institutions.

3.3 Major initiatives relating to co-operative credit institutions and the rural credit system undertaken since 2000-01 include the launch of a new tranche of Rural Infrastructure Development Fund (RIDF), enhancement of the reach of the schemes relating to *Kisan* Credit Cards (KCCs), Self-Help Groups (SHGs) and micro credit. There has also been significant change in the prudential and operational norms relating to UCBs.

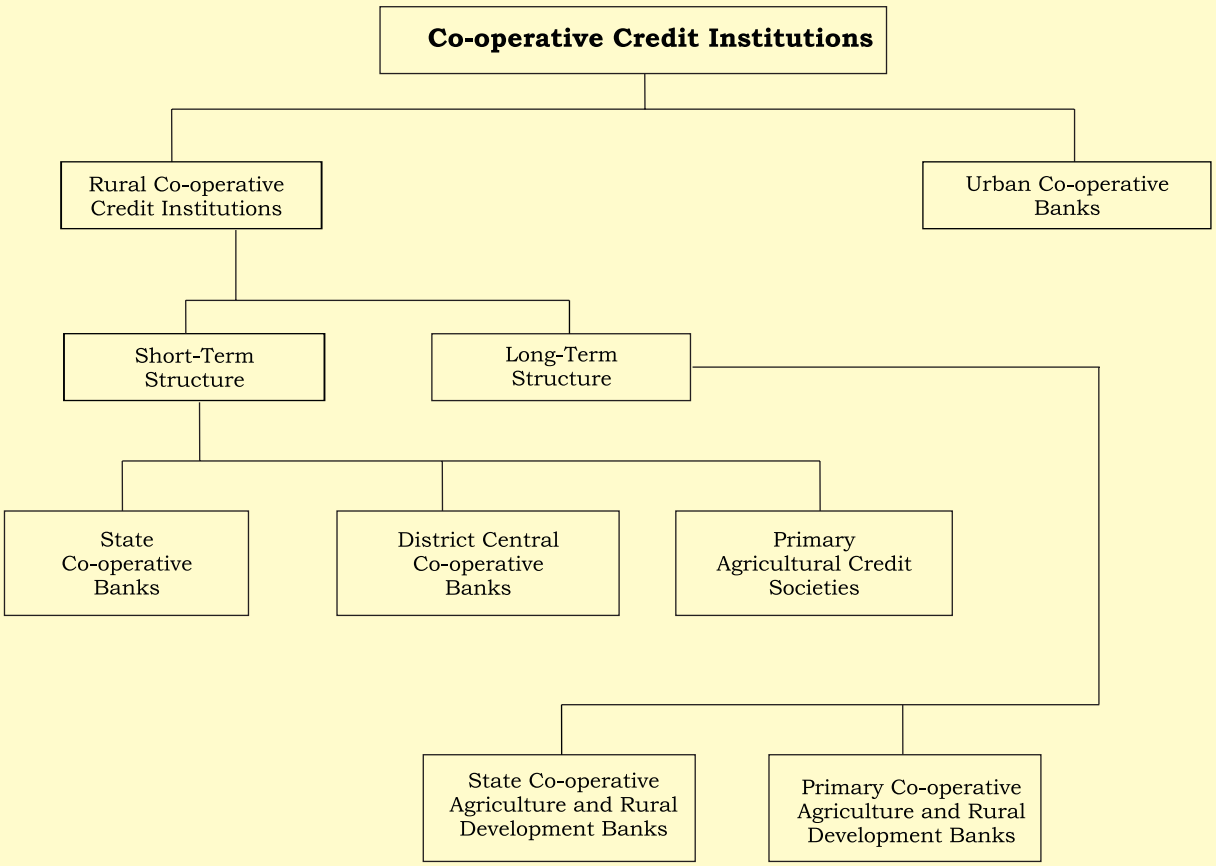
3.4 Introduced in 1998-99, KCCs have been popular among both farmers and bankers. Recently, the National Bank for Agriculture and Rural Development (NABARD), in consultation with the Reserve Bank, has dispensed with the floor limit of Rs. 5,000 for the KCC. This would enable small and medium farmers to take advantage of the facility. The Union Budget 2001-02 proposed the introduction of accident benefit scheme for KCCs holders. The Budget further proposed to accelerate issue of KCCs by banks so as to bring all eligible farmers within its scope in the next three years, *i.e.*, by March 31, 2004.

3.5 The RIDF has played an important role in the development of rural infrastructure, especially in the context of projects relating to irrigation and rural connectivity. In order to reduce the gap between the amounts sanctioned and disbursed under RIDF, the interest rate charged by NABARD on RIDF loans was reduced from 11.5 per cent to 10.5 per cent. A further allocation of Rs. 5,000 crore as net corpus of RIDF-VII was announced in the Union Budget 2001-02. It was proposed that during the current year, NABARD would link an additional 1 lakh SHGs to enable an additional 20 lakh families to access credit.

3.6 While NABARD has so far been extending refinance to the rural co-operative credit institutions, subject to certain conditions, the facility has been extended to scheduled UCBs also, against both farm and non-farm rural credit extended by these banks.

3.7 In the context of improving the health of the co-operative credit institutions, revised Entry Point

Chart III.1: Organisational Structure of the Co-operative Credit Institutions



Norms (EPNs) for UCBs were announced during August 2000. With an aim to align the prudential norms applicable to the urban co-operative banks with those prevailing for the commercial banks, UCBs have been advised to achieve capital to risk-weighted asset ratio (CRAR) at par with the levels applicable for commercial banks in a phased manner between 2002 and 2005.

3.8 In view of certain developments in the urban co-operative banking sector during March 2001, the monetary and credit policy for the first half of 2001-02 announced some reform measures relating to this sector (Box III.2). These measures included, *inter alia*, ban on lending by the UCBs to the equity market, limits on their access to borrowings from call/notice money markets, ban on UCBs in keeping term deposits with other UCBs and revision in the form in which UCBs can maintain their Statutory Liquidity Ratio (SLR) reserves. In response to representations received from UCBs and their federations, the Mid-term Review of October 2001 has proposed to allow UCBs to grant loans to individuals against security of shares, subject to certain conditions. The Policy also proposed to modify the time-frame for achieving the prescribed levels of SLR holding (Box I.1). The existing major differences between UCBs and commercial banks in terms of reserve requirements and funds deployment are given in Box III.3.

1. Progress of the Co-operative Banks

(a) Urban Co-operative Banks

Licensing and Inspection

3.9 Licensing policy for UCBs was revised in August 2000, in consonance with the recommendations of the HPC. The thrust of the

Box III.1: Recommendations of the Recent Committees on Co-operative Banks

The objective of co-operative banking is to create enduring and sustainable financial institutions, which remain responsive to the credit needs of the weaker sections. Concerns have been expressed that the financial health of a large number of co-operative credit institutions is extremely fragile. Keeping in view the primacy of the role of the credit co-operatives and the need to review and improve the functioning of the credit co-operatives, various groups and committees have been constituted from time to time. In the recent past three such groups/committees were formed. In 1999, a High Power Committee (Chairman: Shri. K. Madhava Rao) was appointed by the Reserve Bank to suggest ways to strengthen the urban co-operative banks in the country. The HPC submitted its report in November 1999. A Task Force (Chairman: Shri. Jagdish Capoor) was appointed by the Government of India to suggest measures to strengthen the co-operative credit system in the country. The Task Force submitted its report in August 2000. A Committee of Experts (Chairman: Professor V. S. Vyas) was formed by National Bank for Agriculture and Rural Development (NABARD) on rural credit system, which submitted its report in July 2001. All these Committees/Groups emphasised the need to revitalise the co-operative credit system in the country.

Some of the common financial problems faced by the co-operative credit institutions, which have been identified by the HPC, the Task Force and the Expert Group, include the following:

- Low capital base,
- Inadequate loan appraisal systems and credit planning,
- Poor recovery performance,
- Mounting overdues and non-performing assets (NPAs), and
- Low levels of diversification in business operations.

Since credit co-operatives constitute a major avenue for flow of credit to the priority sector in general and rural sector in particular, deterioration in the financial health of these institutions hampers the effective channelisation of credit. The initiation of financial sector reforms has posed new challenges for the co-operative credit institutions. First, the reform measures have substantially increased competition in the banking sector. Second, the structural changes in the Indian banking sector since the 1990s have increased the interdependence between financial institutions especially through inter-institutional exposures and payments and settlement channels. Therefore, the deterioration in the financial position of the co-operative banks can get easily transmitted to other segments of the financial sector, which might generate a systemic problem.

In light of their assessment of the co-operative credit system in the country, the HPC, the Task Force and the Expert Group have come out with various suggestions. Some of the important common points in their recommendations include the following:

- Functioning of co-operative credit institutions should be member-driven and democratic,
- In order to make the co-operative credit system sustainable and the underlying institutions viable, it is essential to introduce professionalism in the operations of these institutions, and they need to be run on the basis of sound business principles. Co-operative banks need to devise ways to adapt to the new situation arising from the introduction of the financial reform process by making themselves more competitive,
- Regulation and supervision mechanisms of the co-operative credit institutions need revamping and streamlining. There is need to explore possibilities to establish a suitable unified agency to supervise the co-operative credit institutions,
- Prudential norms are required for both transparency and healthy functioning of financial system. Compared to the commercial banks, the reach of such principles for the co-operative banks remains rather limited especially in the context of rural co-operative credit institutions. Over time, co-operative credit system has to be brought under the purview of these measures.

References :

Government of India (2000): *Report of the Task Force to Study the Cooperative Credit System and Suggest Measures for its Strengthening*, Mumbai (Chairman: Shri. Jagdish Capoor).
National Bank for Agriculture and Rural Development (2001): *Report of the Expert Group on Rural Credit*, Mumbai (Chariman: Shri. V. S. Vyas).
Reserve Bank of India (1999): *Report of the High Power Committee on Urban Co-operative Banks*, Mumbai (Chariman: Shri. K. Madhava Rao).

new policy is on strong start-up capital, professionalisation of boards of management and corporate governance. The revised EPNs are based on population criterion. According to the new norms, UCBs should have minimum capital of Rs. 4 crore and membership of at least 3,000 if the population of the place where the UCB is being established is more than 10 lakh. For population between 5-10 lakh, the minimum share capital and membership requirements are Rs. 2 crore and 2,000, respectively. For population between 1-5 lakh the corresponding minimum requirements are Rs. 1 crore and 1,500, respectively. For towns with population

less than 1 lakh, the corresponding minimum requirements are Rs. 25 lakh and 500, respectively. The number of licensed UCBs increased from 1,849 to 1,937 between end-March 2000 and end-March 2001. Between July 2000 and June 2001, licenses under Section 22 of the Banking Regulation (BR) Act, 1949 (As Applicable to Co-operative Societies (AACS)) were issued to 18 new banks and 17 existing unlicensed UCBs.

3.10 The Reserve Bank conducts on-site inspection of the UCBs under Section 35 of the BR Act, 1949 (AACS). The periodicity of inspection is one year for scheduled and weak UCBs. Well functioning non-scheduled UCBs would now be inspected once in three years and all other UCBs would be inspected once in two years. During 2000-01 (July-June), 877 UCBs were inspected as against 828 UCBs during the previous year.

Box III.2: Urban Co-operative Banks - Recent Regulatory Measures

During March 2001, certain UCBs faced liquidity and insolvency problems. A major factor behind the problem had been non-adherence by these UCBs to prudential norms prescribed by the Reserve Bank, such as lending to stockbrokers, exceeding prudential exposure to single party/group and the limit on unsecured advances and failure to meet inter-bank payment obligations. At the centre of the problem was a multi-state scheduled UCB, which witnessed a sudden withdrawal of deposits.

The Reserve Bank felt that in the interest of financial stability, it was important to take measures to strengthen the regulatory framework for the co-operative sector. Issues such as removal of 'dual' control of the UCBs, laying down of clear-cut guidelines for their management structure, enforcement of further prudential standards in respect of access to uncollateralised funds, lending by the UCBs against volatile assets, etc., were considered in this context. The Reserve Bank identified the following areas for immediate regulatory response: (a) the extent of access of the UCBs to call/notice money markets, (b) the asset-liability management system of the UCBs, (c) inter-bank exposure of the UCBs in the form of deposits maintained by one UCB with another and (d) the maintenance of SLR portfolio by the UCBs. In order to address these issues, the Reserve Bank has announced a series of measures relating to UCBs in the April 2001 monetary and credit policy statement. The salient features of these measures are given below.

Lending to Stock Market: It is important to point out that even before the policy changes were initiated in April 2001, co-operative banks were not permitted to invest directly in stock markets nor to lend to stock brokers. They could, however, lend to individuals against pledge of shares up to a certain limit. Available information revealed that a few UCBs ignored these guidelines and established a nexus with certain stockbrokers in order to operate in the stock market. In order to prevent any possible misuse in the future, Reserve Bank had put a stop on lending by UCBs directly or indirectly against security of stocks with immediate effect. UCBs were also advised to unwind existing lending to stockbrokers or direct investment in shares on the contracted dates. In response to representations received from UCBs and their federations, the October 2001 Mid-term Review proposed to allow UCBs to grant loans to individuals against security of shares, subject to certain conditions (Box I.1).

Access to Call/Notice Money Markets: In order to reduce the excessive reliance of some UCBs in the call money market, it was announced that their borrowings in the call/notice money market on a daily basis should not exceed 2.0 per cent of their aggregate deposits as at end-March of the previous financial year. The freedom to lend in the call/notice money market, however, continues.

Inter-UCB Term Deposits: As parking of funds by UCBs with other UCBs may pose a systemic risk, as a safety precaution, UCBs were advised not to increase their term deposits with other UCBs. The outstanding deposits with other UCBs as on April 19, 2001 have to be unwound before end of June 2002. UCBs may maintain current account balances at their discretion with other UCBs to meet their day-to-day clearing and remittance requirements.

Maintenance of SLR: UCBs are required to maintain their SLR equivalent to 25.0 per cent of net demand and time liabilities (NDTL). They can maintain it in the form of investments in government and other approved securities or as deposits with StCBs/CCBs. In the April 2001 policy statement, it was announced that with effect from April 1, 2003 all scheduled UCBs would need to maintain their entire SLR assets of 25.0 per cent of NDTL only in government and other approved securities and that compliance with CRR requirements on par with scheduled commercial banks would be prescribed in due course. All scheduled UCBs and non-scheduled UCBs with deposits of Rs. 25 crore and above now have to maintain investments in government securities only in Subsidiary General Ledger (SGL) Accounts with Reserve Bank or in constituent SGL Accounts with public sector banks, Primary Dealers (PDs), scheduled commercial banks,

(contd...)

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state co-operative banks and depositories. Non-scheduled UCBs with deposits of less than Rs. 25 crore would have the facility of maintaining government securities in physical or scrip form. The UCBs were required to achieve certain higher proportion of their SLR holding in the form of government and other approved securities as a percentage of their NDTL by March 31, 2002. In response to the representations received from UCBs and their federations it has been proposed to modify the time-frame for achieving the prescribed levels of SLR holding (Box I.1).

Apart from initiating the policy changes, the Reserve Bank has also addressed the issue of dual control of UCBs. At present, three authorities are involved in regulatory and promotional aspects concerning the UCBs – the Central Government (in case of banks having multi-State presence), State Governments and the Reserve Bank. Doing away of dual control entails amendments to the Constitution of India, which can be a long drawn legislative process. In view of this, the Reserve Bank felt that one of the options that deserves to be seriously considered is setting up of a new apex supervisory body which can take over the entire inspection/supervisory functions in relation to scheduled and non-scheduled UCBs. This apex body could be under the control of a separate high-level supervisory board consisting of representatives of the Central Government, State Governments, the Reserve Bank as well as acknowledged experts in the areas of co-operative banking, etc. The body may be given the responsibility of inspection and supervision of UCBs and ensuring their conformity with prudential, capital adequacy and risk-management norms laid down by the Reserve Bank.

Much before the incidence of irregularities in the UCBs discussed above, the Reserve Bank had appointed a HPC (Chairman: Shri. K. Madhava Rao), 1999, to review the performance of the UCBs and to suggest necessary measures to strengthen this sector. The Committee submitted its Report in the same year.

The salient features of the major recommendations of the Committee and the action taken by the Reserve Bank on these recommendations are outlined below.

Recommendations	Action taken
I.Licensing Policy of New Urban Co-operative Banks	
1) The Committee felt that entry point norms (EPN) should be on par with peer groups like Local Area Banks and RRBs whose clientele and area of operation are broadly similar to UCBs. The Committee also felt that the existing low EPN is one of the major causes for weakness of UCBs. The Committee, therefore, recommended 5 grades of increased EPN compared to the then existing 3 grades.	Accepted with slight modification in classification of centres and entry point capital.
2) Good corporate governance is critical to efficient functioning of an entity and more so for banking entity. The Committee, therefore, suggested that at least 2 directors with suitable banking experience or relevant professional background should be present on the Boards of UCBs and the promoters should not be defaulters to any financial institutions or banks and should not have any association with *chit fund*/NBFC/co-operative bank or commercial bank in the capacity of Directors on the Board of Directors.	Accepted and implemented.
II.Policy on Unlicensed and Weak Urban Co-operative Banks	
1) All the UCBs which were brought under the purview of Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) in 1966 should be licensed by March 31, 2002, if they comply with norms of the Reserve Bank, failing which their application for licences should be rejected and they should be stopped from doing banking business.	Accepted and being implemented.
2) Such of the primary credit societies which became eligible to convert themselves into banks after March 1, 1966, should be licensed by March 31, 2002 or within five years from the date of commencement of their banking business, whichever is later. Such of those which do not comply with these norms within the said time frame, their licence application should be rejected. The Reserve Bank should give notices to this effect to all the unlicensed banks indicating its policy posture.	Accepted and implemented. Unlicensed banks have been suitably advised.
3) Norms for licensing unlicensed banks should be objective and precise based on (a) minimum regulatory level of CRAR, (b) net NPAs less than 10 per cent, (c) profitability during each of the last 3 years and (d) compliance with statutory framework of Banking Regulation Act/directions issued by the Reserve Bank from time to time.	Accepted and implemented.
4) Primary Credit Societies which intend to convert themselves into Urban Co-operative Banks in future should be granted licences only if they satisfy the	Accepted and implemented.

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(concld...) Recommendations	Action taken
entry point norms. Licences should be granted or rejected within a period not exceeding six months from the date when application for licence is made. Pending grant of licence, such societies must not be permitted to carry on banking business.	
5) The Committee has recommended classification of banks having unsatisfactory financial position as:	
Weak Banks: If CRAR falls below the level of 75 per cent of the minimum prescription or net NPA of 10 per cent or more but less than 15 per cent of loans and advances outstanding as on 31st March or showing net losses in operation for two years out of the last three consecutive financial years, and	Accepted and implemented.
Sick Banks: If CRAR falls below the level of 50 per cent of the minimum prescription and net NPA 15 per cent or more of loans and advances outstanding as on 31st March or showing net losses in operation for the last three consecutive financial years.	Accepted and implemented.
III.Application of Capital Adequacy Norms to Urban Co-operative Banks	
1) Both Scheduled UCBs and non-scheduled UCBs should maintain CRAR at par with commercial banks, in a phased manner by March 31, 2003 and March 31, 2004, respectively.	Recommendation has been accepted with a modification that the scheduled and non-scheduled UCBs may be required to maintain CRAR at par with commercial banks in a phased manner by March 31, 2004 and March 31, 2005, respectively.
2) Until an Urban Co-operative Bank attains the required CRAR norms: (a) It should transfer not less than 50 per cent of its net profits to the Reserve Fund; (b) It should not, without permission of Reserve Bank of India, declare dividend in any year in excess of 20 per cent.	Accepted and implemented.
IV.Dual Control The Committee is of the opinion that the only way to address the problem of dual control is to carry out amendments in the State Co-operative Societies Act, Multi-State Co-operative Societies Act and Banking Regulation Act, 1949. Accordingly, it has demarcated banking related functions to be regulated by the Reserve Bank and co-operative functions to be regulated by Registrar of Co-operative Societies (RCS) of concerned State.	The Reserve Bank accepted the recommendation. As Amendments are to be mooted to State and Central Acts, it is in consultation with the Union Government.
V.Amendments to Banking Regulation Act, 1949 The committee has proposed amendments to Sections 5 (ccv), 7, 11,30, 31 and 45 of BR Act to strengthen the Reserve Bank's regulatory powers over UCBs.	The Reserve Bank has finalised necessary amendments to the Act and the same have been forwarded to the Government of India

References :

Capoor, Jagdish (2001): *'Urban Co-operative Banks: Agenda for Future Reforms'*, Key Note Address, Seminar on Urban Co-operative Banks: Future Reforms, organised by the Federation of Indian Chambers of Commerce and Industries, (May 10).

Reserve Bank of India (1999): *Report of the High Power Committee on Urban Cooperative Banks* (Chairman: Shri. K. Madhava Rao).

- (2001): *Statement on Monetary and Credit Policy for the year 2001-2002*, April.

Box III.3: Major Differences between UCBs and SCBs in terms of Reserve Requirements and Credit Deployment

Cash Reserve Ratio (CRR): Till recently the scheduled UCBs needed to maintain CRR at 6 per cent of NDTL as against the requirement of SCBs to maintain 7.5 per cent of NDTL. With effect from the fortnight begining November 3, 2001, the CRR requirement is uniformly 5.75 per cent of NDTL for both SCBs and scheduled UCBs and effective from the fortnight begining December 29, 2001, the CRR requirement will be uniformly 5.5 per cent for both.

Deployment of SLR: Commercial banks need to deploy their SLR funds in the form of government and other approved securities. Subject to the deployment of a minimum portion of SLR fund in government/approved securities, the UCBs can place the rest of SLR fund as deposits with StCBs/CCBs. Though the scheduled UCBs would be brought out of the purview of this facility with effect from April 1, 2003, non-scheduled UCBs would continue to enjoy this facility.

Interest on Deposits: In order to facilitate deposit mobilisation by UCBs, they are allowed to offer higher interest rates on savings and current accounts by 1.0 per cent and 0.5 per cent, respectively, *vis-à-vis* the commercial banks.

Entry Point Norms: The UCBs have much lower start-up capital requirements than the commercial banks entry capital prescription.

Priority Sector Targets: UCBs need to deploy 60 per cent of credit to the priority sector (of which 25 per cent should go to weaker sections) as against 40 per cent prescription for commercial banks.

Deployment of Funds: While the commercial banks can deploy up to 5 per cent of their outstanding loans and advances to the equity market – either directly or indirectly, UCBs can grant loans to individuals against security of shares within the overall limit of 20 per cent of owned fund of the bank, subject to certain parameters. There are also special restrictions on UCBs on lending to non-banking financial companies.

Advances: UCBs can not extend unsecured credit beyond Rs. 50,000 per borrower.

Reach: UCBs area of operation mostly confines to a single district or the adjoining districts. Only UCBs with Rs. 50 crore net owned fund or above can extend their area of operation to the entire country.

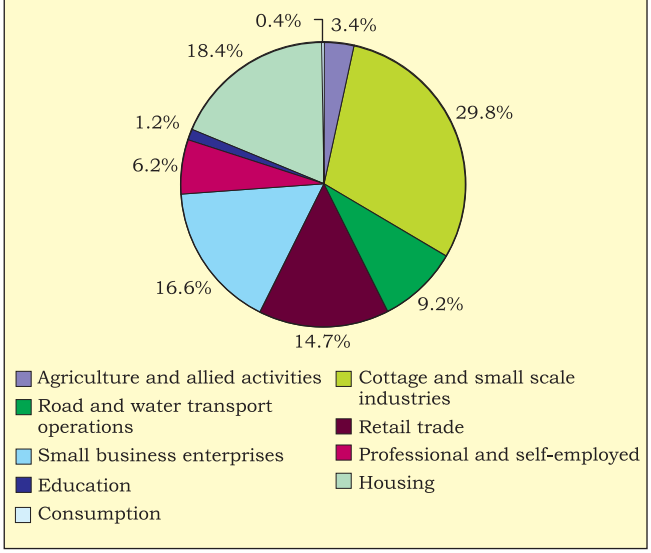
Refinance Facilities

3.11 Under Section 17(2)(bb) read with Section 17(4)(c) of the Reserve Bank of India Act, 1934, the Reserve Bank extends refinance at the Bank Rate to UCBs against the advances granted by them to the tiny/cottage industries. Demand for such funds is, however, declining in the recent period mainly on account of the comfortable liquidity position. Three UCBs availed of refinance during 2000-01, with an aggregate limit of Rs. 3 crore.

Priority Sector Lending

3.12 The UCBs are required to extend 60 per cent of their total advances to priority sector, of which, 25 per cent needs to be deployed to the weaker sections. Information on lending of UCBs towards priority sector and weaker sections as at end-March 2000 was available for 1,467 banks. Of this, 1,266 fulfilled the priority sector target and 990 banks fulfilled the target for lending to weaker sections. Out of the 51 scheduled UCBs, 42 achieved the target of 60 per cent. It may be mentioned that there is no penal provision for non-attainment of targets to priority sector and weaker sections. As an indirect incentive, however, facilities such as branch expansion, expansion of areas of operation, attainment of scheduled status, etc., are dependent on the attainment of priority sector/weaker section targets by the banks. Out of the total priority sector advances of Rs. 26,321 crore extended by the reporting UCBs, cottage and small scale industries received 30 per cent, followed by housing (18 per cent), small business enterprises (17 per cent) and retail trade (15 per cent) (Chart III.2).

Chart III.2: Deployment of Priority Sector Advances by UCBs - As at end-March 2000



Weak Banks

3.13 Based on certain parameters of their performance, UCBs are classified into weak and strong banks (Box III.4). There were 261 weak banks as at end-June 2001.

Liquidation

3.14 On account of fragile financial position, orders were issued for liquidation of 15 UCBs between July 2000 and June 2001. As at end-June 2001, 118 UCBs were under liquidation.

Complaints and Frauds

3.15 Between July 1, 2000 and June 30, 2001, 1,476 complaints were received against UCBs. Furthermore, 149 cases of frauds involving Rs. 27 crore were reported. All the complaints and fraud cases were investigated or taken up with the concerned banks and the Registrar of Co-operative Socieities (RCS), wherever required, for necessary action.

Financial Performance of UCBs

3.16 At the end of March 2001, the number of UCBs stood at 2,084 including 90 salary earners' banks. The latest information on major banking aggregates on UCBs is available up to end-December 2000, encompassing 1,826 reporting UCBs, *i.e.*, around 88 per cent of the total.[1] The outstanding deposits of UCBs increased by 27.6

Box III.4: Weak Urban Co-operative Banks

One of the most important requirements for the resilience of a financial system relates to its ability to identify early warning signals on the financial health of the constituent financial institutions. Once the weakness is identified, prompt corrective action needs to be initiated to improve the conditions of the affected institutions on the one hand and on the other, immediate steps need to be initiated to contain the spread of weakness to other constituents through inter-institutional exposure and other kinds of interdependence. Keeping these issues in view, the Reserve Bank identifies weakness among the UCBs during the statutory inspection or on annual review of bank's financial results. An UCB is classified as weak bank, if:

- the bank's own funds are eroded to the extent of 25 per cent or more by unprovided for bad and doubtful debts and other bad assets or its overdues exceed 50 per cent of the outstanding loans and advances; and
- the bank does not comply with the provisions on minimum share capital set out in Section 11(1) of the B.R. Act, 1949 (AACS), *i.e.*, if the real or exchangeable value of the paid-up share capital and reserves of the bank has fallen below Rs. 1 lakh.

Once a bank is identified as weak, it is advised to draw up a time bound action plan for revival. As per existing policy, if a weak bank (a) is under rehabilitation programme for more than five years or (b) under rehabilitation programme for more than two years but does not show any perceptible indication of becoming viable, or (c) the bank fails to satisfy Section 11 (1) of the B.R. Act, 1949 (AACS), then steps should be taken for either merger of such banks with stronger banks or their liquidation, as the case may be.

The HPC on UCBs (Chairman: Shri. K. Madhava Rao) observed that the present system for identification of weak UCBs does not capture the incipient sickness of UCBs. The Committee felt that under the present criterion, by the time sickness of a bank is identified, the concerned UCB has already reached the point of "no return". Based on parameters such as capital adequacy, non-performing assets and profitability, the Committee recommended that UCBs, which are not strong, should be classified into two groups-weak and sick (Recommendation II.(5) in Box III.2). Pertinently, the HPC recommended that if an UCB exhibits even one of the three symptoms laid down to identify a weak bank, it should be classified as weak. Further, if the condition of the UCB deteriorates even further in terms of either NPA or profitability along with capital adequacy, then the UCB should be classified as sick as the interests of the depositors are endangered.

The HPC recommended that the weak banks themselves should draw up their revival package with the aid of experts. The Reserve Bank and the RCS should monitor the implementation of the programme. The Committee suggested that the sick UCBs should be liquidated in a time bound manner because functioning of a large number of financially weak banks is detrimental to both the growth of UCBs and the interests of the depositors. The Committee recommended that once an UCB is declared sick it should be put under moratorium. During the period of moratorium, the UCB should either be reconstituted or amalgamated with another UCB failing which its licence should be cancelled.

The recommendations of the HPC on classification of financially fragile UCBs into weak and sick categories have been accepted by the Reserve Bank and would come into effect from March 2002. Although the recommendation of the HPC on placing the sick banks under moratorium/liquidation have been accepted in principle, the decision to wind up the operations would be based on the merits of each case.

[1] The numbers of reporting UCBs vary from year to year. Furthermore, during the same financial year, the banks reporting in terms of various indicators such as financial performance, NPAs, etc., are also not uniform.

per cent as at end-December 2000, while loans outstanding increased by 26.2 per cent and owned fund increased by 23.2 per cent. Owned fund and deposits remained the major source of funds for UCBs. Borrowings by UCBs have increased by 8.9 per cent during the period. As at end-December 2000, the credit-deposit ratio was at 64.6 per cent (Table III.1).

3.17 Information on the financial performance of UCBs relating to profits/losses during 1999-2000 are available for 1,747 banks, which roughly cover 84 per cent of the total UCBs. Of these UCBs 1,499 banks registered profits while the rest incurred losses. Information on NPAs, for the year ended March 31, 2000, has been reported by 1,866 UCBs. The gross NPAs of the reporting UCBs as a percentage of total advances decreased marginally from 12.2 per cent as at end-March 1999 to 12.1 per cent by end-March 2000 (Table III.2).

Scheduled UCBs

3.18 As on March 31, 2000, there were 51 scheduled UCBs and this number remained unchanged on March 31, 2001. Total deposits and advances of the scheduled UCBs as at end-March 2001 were Rs. 33,164 crore and Rs. 21,511 crore, respectively (Table III.3).

3.19 Between end-March 2000 and end-March 2001, deposits increased by 17.7 per cent and formed 76.1 per cent of the total liabilities of the scheduled UCBs. The share of other liabilities in the total liabilities of the scheduled UCBs at 10.4 per cent as at end-March 2001, declined by 2.9 percentage points over the year while net reserves increased by 3.0 per cent.

Table III.2: Gross Non-Performing Assets of Urban Co-operative Banks

As on March 31	Number of Reporting UCBs	Gross NPAs	
		Amount (Rs. crore)	Per cent to Total Advances
1	2	3	4
1997	1,318	2,839.04	13.2
1998	1,474	3,305.98	11.7
1999	1,748	4,534.60	12.2
2000	1,866	5,589.00	12.1

Note: Figures are provisional.

3.20 During 2000-01 (April-March) the share of loans and advances in total assets of the scheduled UCBs increased by nearly 3 percentage points to 49.3 per cent while the share of investments remained almost unchanged (Table III.3).

Financial Performance of the Scheduled UCBs

3.21 The total income of the scheduled UCBs increased by 17.2 per cent during the financial year 2000-01. Interest income contributed 93.3 per cent of the total income of the scheduled UCBs (Table III.4).

3.22 The total expenditure of the scheduled UCBs increased sharply by 49.7 per cent in 2000-01. While the share of interest expended in total expenditure reduced considerably by 13 percentage points to 58.0 per cent and that of operating expenses declined by 5 percentage points to 14.8 per cent, the share of provisions and contingencies to total expenditure

Table III.1: Variations in Major Aggregates of Urban Co-operative Banks

(Per cent)

Item	Financial Year			April-June	
	1998-99	1999-2000	2000-01 *	1999**	2000**
1	2	3	4	5	6
Owned Funds	22.3	27.2	23.2	5.8	5.1
Deposits	29.5	35.1	27.6	6.9	1.1
Borrowings	17.5	41.7	8.9	-6.0	-0.9
Loans Outstanding	23.0	34.4	26.2	4.1	0.2
C.D. Ratio@	65.0	64.6	64.6	63.3	64.0

* December 2000 over December 1999.
** June over March.
@ As at the end of period.

Table III.3: Composition of Liabilities and Assets of Scheduled Urban Co-operative Banks

(Rs. crore)

Item	As on March 31 of	
	2000	2001
1	2	3
Liabilities		
1. Capital	362.65	442.02
	(1.0)	(1.0)
2. Reserves	2,780.46	4,591.16
	(7.5)	(10.5)
3. Deposits	28,181.95	33,164.18
	(76.3)	(76.1)
4. Borrowings	673.93	885.19
	(1.8)	(2.0)
5. Other Liabilities	4,922.82	4,525.07
	(13.3)	(10.4)
Total Liabilities	**36,921.81**	**43,607.62**
	(100.0)	**(100.0)**
Assets		
1. Cash	2,116.93	2,252.60
	(5.7)	(5.2)
2. Balances with Banks	2,503.12	2,558.35
	(6.8)	(5.9)
3. Money at call and short notice	435.86	347.30
	(1.2)	(0.8)
4. Investments	9,691.42	11,482.08
	(26.2)	(26.3)
5. Loans and Advances	17,286.89	21,510.94
	(46.8)	(49.3)
6. Other Assets	4,887.59	5,456.35
	(13.2)	(12.5)
Total Assets	**36,921.81**	**43,607.62**
	(100.0)	**(100.0)**

Notes: 1. Figures in brackets are percentages to total liabilities/assets
2. For details see notes to Appendix Table III.4.
3. Components may not add-up to the aggregates due to rounding off.

Source:Balance sheet of respective banks

increased by 18 percentage points during the year (Table III.4).

3.23 During 2000-01, operating profit of the scheduled UCBs increased by 4.7 per cent, while net profit turned out negative mainly because of a single scheduled UCB which had to make provisioning to the tune of Rs. 1,255 crore. Number-wise, 48 out of the 51 scheduled UCBs made net profit during the year. As a percentage of total assets, the operating profit of the scheduled UCBs declined from 1.8 per cent in 1999-2000 to 1.6 per cent in 2000-01 while the net profit declined from 0.8 per cent in 1999-2000 to a negative 2.1 per cent in 2000-01. As percentage of total assets, provisions and contingencies, other income and interest expended of the scheduled UCBs increased during 2000-01, interest income, operating expenses and wage bill declined. The net interest income to assets, measured as the difference between interest income and interest expended as a proportion of total assets, declined from 3.2 per cent in 1999-2000 to 2.8 per cent in 2000-01 (Table III.4). Bank-wise details on the major financial performances of the scheduled UCBs have been given in Appendix Table III.4.

(b) State Co-operative Banks

3.24 The growth in deposits of the StCBs during 2000-01 at 10.6 per cent was lower than 14.6 per cent registered during 1999-2000. Growth in loans outstanding also decelerated from 17.4 per cent to 16.9 per cent. The CD ratio improved from 87.0 per cent to 91.9 per cent (Appendix Table III.1). At the all-India level, the recovery performance of the StCBs as a percentage to demand during 1999-2000 improved to 83 per cent from 81 per cent registered during the previous year. StCBs in Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Punjab, Rajasthan, Sikkim, Tamil Nadu and Uttar Pradesh achieved recovery rates of 90 per cent and above during 1999-2000 (Appendix Table III.2).

3.25 The details of assets and liabilities of StCBs are currently available as at end-March 2000. Deposits accounted for 62.1 per cent of the total liabilities followed by borrowing, which accounted for 22.8 per cent as at end-March 2000. On the asset side, loans and advances accounted for 54.0 per cent of the total assets of StCBs, while investments formed 32.3 per cent (Table III.5).

Financial Performance of StCBs

3.26 The total income of StCBs during 1999-2000 (April-March) grew by 17.6 per cent and

Table III.4: Financial Performance of Scheduled Urban Co-operative Banks

(Amount in Rs.crore)

Item	1999-2000	2000-01	Variation of Col. (3) over Col. (2)	
			Absolute	Percentage
1	2	3	4	5
A. Income	**4,228.26**	**4,954.33**	**726.07**	**17.17**
(i+ii)	**(100.00)**	**(100.00)**		
i) Interest Income	3,957.81	4,619.95	662.14	16.73
	(93.60)	(93.25)		
ii) Other Income	270.45	334.38	63.93	23.64
	(6.40)	(6.75)		
B. Expenditure	**3,918.16**	**5,864.85**	**1,946.69**	**49.68**
(i+ii+iii)	**(100.00)**	**(100.00)**		
i) Interest Expended	2,794.76	3,399.13	604.37	21.63
	(71.33)	(57.96)		
ii) Provisions and Contingencies	348.93	1,600.22	1,251.29	358.61
	(8.91)	(27.28)		
iii) Operating Expenses	774.47	865.50	91.03	11.75
	(19.77)	(14.76)		
of which : Wage Bill	449.82	498.22	48.40	10.76
	(11.48)	(8.50)		
C. Profit				
i) Operating Profit	**659.03**	**689.70**	**30.67**	**4.65**
ii) Net Profit	**310.10**	**-910.52**	**-1,220.62**	**-393.62**
D. Total Assets	**36,921.81**	**43,607.62**	**6,685.81**	**18.11**
E. Financial Ratios (per cent) @				
i) Operating Profit	1.78	1.58	-0.20	—
ii) Net Profit	0.84	-2.09	-2.93	—
iii) Income	11.45	11.36	-0.09	—
iv) Interest Income	10.72	10.59	-0.13	—
v) Other Income	0.73	0.77	0.03	—
vi) Expenditure	10.61	13.45	2.84	—
vii) Interest Expended	7.57	7.79	0.23	—
viii) Operating Expenses	2.10	1.98	-0.11	—
ix) Wage Bill	1.22	1.14	-0.08	—
x) Provisions and Contingencies	0.95	3.67	2.72	—
xi) Spread (Net Interest Income)	3.15	2.80	-0.35	—

@ Ratios to Total Assets.

Notes: 1. For details see notes to Appendix Table III.4.
2. Figures in brackets are percentage shares to the respective total.
3. Components may not add-up to the aggregate figures due to rounding off.

Source: Balance sheet of respective banks.

Table III.5: Composition of Liabilities and Assets of State Co-operative Banks

(Rs. crore)

Item	As on March 31	
	1999	2000 (P)
1	2	3
Liabilities		
1 Capital	583.59	636.25
	(1.40)	(1.34)
2 Reserves	3,950.76	4,267.00
	(9.46)	(8.97)
3 Deposits	25,788.13	29,556.63
	(61.78)	(62.12)
4 Borrowings	9,739.00	10,858.76
	(23.33)	(22.82)
5 Other Liabilities	1,679.31	2,260.47
	(4.02)	(4.75)
Total Liabilities	**41,740.79**	**47,579.11**
	(100.00)	**(100.00)**
Assets		
1 Cash and Bank Balance	2,297.46	2,663.21
	(5.50)	(5.60)
2 Investments	13,011.34	15,342.78
	(31.17)	(32.25)
3 Loans and Advances	21,909.33	25,708.95
	(52.49)	(54.03)
4 Other Assets	4,523.22	3,864.17
	(10.84)	(8.12)
Total Assets	**41,741.35**	**47,579.11**
	(100.00)	**(100.00)**

P Provisional.

Note: Figures in brackets are percentages to total liabilities/assets.

Source: NABARD.

expenditure by 11.2 per cent. The operating profit of StCBs increased by 77.0 per cent as against a 14.3 per cent decline in 1998-99. Interest income forming about 95 per cent of the total income increased by 16 per cent during the year while "other income" with the relative share of 5.2 per cent increased by about 57 per cent. On the expenditure side, interest expenditure accounted for 78.7 per cent of the total expenditure of StCBs. As against the previous year, while the share of interest expenditure in total expenditure declined, those of provisions and contingencies and operating expenses increased. Almost the entire increase in the amount of operating expenses was due to the increase in wage bill (Table III.6).

3.27 As a proportion of assets, operating profits of StCBs increased to 1.68 per cent in 1999-2000 from 1.08 per cent in 1998-99. The spread (net interest income as a ratio to total assets) of StCBs increased by 0.46 percentage points to 1.92 per cent in 1999-2000 over the previous year. In net terms, StCBs reaped positive return of 0.31 per cent to total assets in 1999-2000 as against a negative return of 0.26 per cent in 1998-99. While non-interest expenditure of StCBs as a percentage of assets increased it was more than offset by the larger fall in the ratio of interest expenditure to total assets. This coupled with increase in both interest and non-interest income, resulted in improvement in the profitability of StCBs during 1999-2000 (Table III.6).

(c) Central Co-operative Banks

3.28 Deposits of the CCBs during 2000-01 (April-March) increased by 6.2 per cent as against 18.8 per cent growth registered in the previous year. The growth in borrowings by the CCBs decelerated from 14.0 per cent to 8.0 per cent. The loans issued in 2000-01 declined by 3.3 per cent as against a growth of 14.8 per cent in 1999-2000 (Appendix Table III.1). The recovery performance of the CCBs deteriorated albeit marginally from 70 per cent as at end-March 1999 to 69 per cent as at end-March 2000. Notwithstanding the overall trend, recoveries by CCBs in Himachal Pradesh and Madhya Pradesh improved significantly during 1999-2000. In Haryana, Kerala, Punjab, Rajasthan, Tamil Nadu and West Bengal, CCBs recovered more than 70 per cent of their demand in 1998-99 as well as 1999-2000 (Appendix Table III.2).

3.29 The latest information on the details relating to the assets and liabilities of CCBs are available up to end-March 2000. On the liability side, deposits accounted for about two-thirds of the total liabilities of CCBs while the share of borrowings in total liabilities was over 17 per cent. On the asset side, loans and advances accounted for 52.6 per cent of the total assets

Table III.6: Financial Performance of State Co-operative Banks

(Rs. crore)

Item	1998-99	1999-2000	Variation of Col. (3) over Col. (2)	
			Absolute	Percentage
1	2	3	4	5
A. Income (i+ii)	**4,194.28**	**4,932.72**	**738.44**	**17.61**
	(100.00)	**(100.00)**		
i) Interest Income	4,031.94	4,678.08	646.14	16.03
	(96.13)	(94.84)		
ii) Other Income	162.34	254.64	92.30	56.86
	(3.87)	(5.16)		
B. Expenditure (i+ii+iii)	**4,301.87**	**4,785.05**	**483.18**	**11.23**
	(100.00)	**(100.00)**		
i) Interest Expended	3,424.19	3,765.37	341.18	9.96
	(79.60)	(78.69)		
ii) Provisions and Contingencies	558.25	650.18	91.93	16.47
	(12.98)	(13.59)		
iii) Operating Expenses	319.43	369.50	50.07	15.67
	(7.43)	(7.72)		
of which: Wage Bill	237.63	286.23	48.60	20.45
	(5.52)	(5.98)		
C. Profit				
i) Operating Profit	**450.66**	**797.85**	**347.19**	**77.04**
ii) Net Profit	**-107.59**	**147.67**	**255.26**	**-237.25**
D. Total Assets	**41,741.35**	**47,579.11**	**5,837.76**	**13.99**
E. Financial Ratios (per cent) @				
i) Operating Profit	1.08	1.68	0.60	—
ii) Net Profit	-0.26	0.31	0.57	—
iii) Income	10.05	10.37	0.32	—
iv) Interest Income	9.66	9.83	0.17	—
v) Other Income	0.39	0.54	0.15	—
vi) Expenditure	10.31	10.06	-0.25	—
vii) Interest Expended	8.20	7.91	-0.29	—
viii) Operating Expenses	0.77	0.78	0.01	—
ix) Wage Bill	0.57	0.60	0.03	—
x) Provisions and Contingencies	1.34	1.37	0.03	—
xi) Spread (Net Interest Income)	1.46	1.92	0.46	—

@ Ratios to total Assets.
Note : Figures in brackets are percentage shares to the respective total.
Source : NABARD.

and investments for 26.8 per cent. During 1999-2000, loans and advances and investments by CCBs increased by 19.5 per cent and 11.8 per cent, respectively. The cash and bank balance which increased significantly by 34.1 per cent during 1999-2000, accounted for 9.0 per cent of the total assets of CCBs (Table III.7).

Financial Performance of CCBs

3.30 The income and expenditure of CCBs during 1999-2000 increased by 16.0 per cent and 17.4 per cent, respectively. The slower growth in income relative to expenditure resulted in a net loss of Rs. 67 crore for CCBs in 1999-2000 as against a net profit of Rs. 39 crore during the previous year. A part of the increased expenditure during 1999-2000 was on account of the 28.8 per cent increase in provisions and contingencies. The operating profit of CCBs during 1999-2000 increased by 18.6 per cent over the previous year. Interest income of CCBs accounted for 94.8 per cent of the total income. Interest expenditure accounted for almost two-thirds of the total expenditure of CCBs during the last two years. There was a decline in the share of operating expenditure by about two-percentage points in total expenditure and one percentage point increase in the share of provisions and contingencies (Table III.8).

3.31 As a percentage of total assets, the net profit of CCBs shifted to a marginal net loss of 0.08 per cent in 1999-2000 from a small net profit of 0.05 per cent in 1998-99. The operating profit as a percentage of assets, increased to 1.62 from 1.60 per cent. As a percentage of assets both components of income- interest income and other income - were lower in 1999-2000 than in 1998-99. Expenditure also declined marginally between these two years. Compared to the previous year, the spread of CCBs decreased by 0.07 percentage points in 1999-2000 (Table III.8).

(d) Primary Agricultural Credit Societies

3.32 It is the PACS which deal directly with the individual farmers, provide short- and medium-term credit, supply agricultural inputs, distribute consumer articles and also arrange for marketing of produce of its members through a co-operative marketing society. As at end-March 1999, there were approximately 92,000 PACS with membership of more than 10 crore. The number of borrowing members is, however, much lower at 4.4 crore i.e. borrowing members constitute around 43 per cent of the total members. The high level of overdues faced by many PACS makes a large portion of the members ineligible for fresh borrowings. As at end-March 1999, deposits mobilised by PACS at

Table III.7: Composition of Liabilities and Assets of Central Co–operative Banks

(Rs. crore)

Item	As on March 31	
	1999	2000 (P)
1	2	3
Liabilities		
1 Capital	2,511.00	2,826.00
	(3.49)	(3.34)
2 Reserves	6,197.00	7,208.00
	(8.62)	(8.51)
3 Deposits	45,536.00	54,195.00
	(63.35)	(64.02)
4 Borrowings	12,773.00	14,661.00
	(17.77)	(17.32)
5 Other Liabilities	4,860.00	5,764.00
	(6.76)	(6.81)
Total Liabilities	**71,877.00**	**84,654.00**
	(100.00)	**(100.00)**
Assets		
1 Cash and Bank Balance	5,678.00	7,613.00
	(7.90)	(8.99)
2 Investments	20,285.00	22,677.00
	(28.22)	(26.79)
3 Loans and Advances	37,272.00	44,528.00
	(51.86)	(52.60)
4 Other Assets	8,642.00	9,836.00
	(12.02)	(11.62)
Total Assets	**71,877.00**	**84,654.00**
	(100.00)	**(100.00)**

P Provisional.

Notes: 1. Figures in brackets are percentages to total liabilities/assets.

2. Profit and Loss credit balance, if any, included under Reserve.

Source : NABARD.

Table III.8: Financial Performance of Central Co-operative Banks

(Rs. crore)

Item	1998-99	1999-2000 (P)	Variation of Col. (3) over Col. (2)	
			Absolute	Percentage
1	2	3	4	5
A. Income (i+ii)	**7,949.92**	**9,221.04**	**1,271.12**	**15.99**
	(100.00)	**(100.00)**		
i) Interest Income	7,465.04	8,744.46	1,279.42	17.14
	(93.90)	(94.83)		
ii) Other Income	484.88	476.58	-8.30	-1.71
	(6.10)	(5.17)		
B. Expenditure (i+ii+iii)	**7,910.64**	**9,288.41**	**1,377.77**	**17.42**
	(100.00)	**(100.00)**		
i) Interest Expended	5,226.92	6,171.80	944.88	18.08
	(66.07)	(66.45)		
ii) Provisions and Contingencies	1,113.80	1,434.57	320.77	28.80
	(14.08)	(15.44)		
iii) Operating Expenses	1,569.92	1,682.04	112.12	7.14
	(19.85)	(18.11)		
of which: Wage Bill	1,173.97	1,306.70	132.73	11.31
	(14.84)	(14.07)		
C. Profit				
i) Operating Profit	**1,153.08**	**1,367.20**	**214.12**	**18.57**
ii) Net Profit	**39.28**	**-67.37**	**-106.65**	**-271.51**
D. Total Assets	**71,877.20**	**84,654.13**	**12,776.93**	**17.78**
E. Financial Ratios (per cent) @				
i) Operating Profit	1.60	1.62	0.01	—
ii) Net Profit	0.05	-0.08	-0.13	—
iii) Income	11.06	10.89	-0.17	—
iv) Interest Income	10.39	10.33	-0.06	—
v) Other Income	0.67	0.56	-0.11	—
vi) Expenditure	11.01	10.97	-0.03	—
vii) Interest Expended	7.27	7.29	0.02	—
viii) Operating Expenses	2.18	1.99	-0.20	—
ix) Wage Bill	1.63	1.54	-0.09	—
x) Provisions and Contingencies	1.55	1.69	0.15	—
xi) Spread (Net Interest Income)	3.11	3.04	-0.07	—

@-Ratio to total Assets.

Note: Figures in brackets are percentage shares to the respective total.

Source : NABARD.

Rs. 7,035 crore increased by 7.9 per cent as against an increase of around 15 per cent registered during the previous year. Most of the PACS are dependent on the finance provided by CCBs. In case the CCBs are weak, the PACS are starved of finance, which affects the expansion of both the credit and non-credit functions of PACS. The outstanding borrowings of the PACS as at end-March 1999 at Rs. 16,924 crore, however, was lower by a percentage point

over that at end-March 1998. The loans outstanding for PACS increased by 16.1 per cent to reach Rs. 21,108 crore as at end-March 1999.

(e) State Co-operative Agriculture and Rural Development Banks

3.33 With the exception of PACS, deposits constitute the most important source of funding for short-term rural co-operative credit institutions. Even for the PACS, deposits account for nearly one-third of its total liabilities. Long-term rural co-operative banks, on the other hand, are predominantly dependent on borrowings for their financial resources. Previously, SCARDBs were not allowed to raise public deposits but subject to certain conditions, they raise long-term public deposits. The scheme, however, has not been very popular as yet. As at end-March 2001, deposits mobilised by SCARDBs at Rs. 483 crore increased by 26.4 per cent over end-March 2000. Borrowing at Rs. 13,117 crore increased by 6.0 per cent as against 11.9 per cent increase registered during the previous year (Appendix Table III.1).

3.34 On the asset side, loans extended by the SCARDBs as at end-March 2001 at Rs. 2,524 crore increased marginally by 0.8 per cent over the previous year. Loans outstanding of the SCARDBs at end-March 2001 at Rs. 12,375 crore increased by 6.7 per cent, over the year as compared with 11.1 per cent increase during the previous year. During 1999-2000, out of the 18 reporting SCARDBs, 9 registered profit and 9 others were in loss. As on March 31 2000 the accumulated losses of SCARDBs stood at Rs. 779 crore, constituting 6.3 per cent of the total loans outstanding.

(f) Primary Co-operative Agriculture and Rural Development Banks

3.35 As at end-March 2001, deposits mobilised by PCARDBs at Rs. 302 crore increased by 36.7 per cent as against 30.8 per cent registered as at end-March 2000. As in the case of SCARDBs, PCARDBs are heavily dependant on borrowing as their source of funds. Borrowings by PCARDBs, as at end-March 2001 at Rs. 8,208 crore increased by 7.2 per cent as against an increase of 12.0 per cent in 1999-2000.

3.36 Loans extended by PCARDBs at Rs. 1,754 crore during 2000-01, declined by 3.7 per cent as against an increase of 7.7 per cent registered during 1999-2000. Loans outstanding as at end-March 2001 at Rs. 8,070 crore increased by 6.2 per cent as against 11.5 per cent during the year ended March 2000. As at end-March 2000, accumulated losses of the PCARDBs stood at Rs. 891 crore.

2. Health Status of Rural Co-operatives

Non-Performing Assets

3.37 The asset quality and recovery mechanism of the rural co-operatives have a crucial bearing on the viability of the overall credit system and in particular the viability of co-operative banks. Given the financial constraints faced by the rural co-operative banks, the Reserve Bank allowed such banks providing short-term credit to implement the provisioning norms in a phased manner till 1999-2000. From 1999-2000, however, co-operative banks are required to maintain a general provision of at least 0.25 per cent against standard assets. As at end-March 2000, the aggregate NPAs of StCBs estimated at Rs. 2,758 crore accounted for 10.7 per cent of the total outstanding loans. Out of the total NPAs, around 45 per cent are sub-standard assets, 50 per cent are doubtful assets and 5 per cent are loss assets (Table III.9). During 1999-2000, out of the 29 StCBs, 4 banks had NPAs below 5 per cent of outstanding loans and advances, 10 banks reported NPAs between 5 to 15 per cent and 8 StCBs reported NPAs higher than 30 per cent (Table III.10).

3.38 For CCBs, NPAs as at end-March 2000 at Rs. 7,543 crore accounted for 17.2 per cent of the total outstanding loans. Sub-standard, doubtful and loss assets comprised 49 per cent, 39 per cent and 12 per cent, respectively, of the total NPAs. For the SCARDBs, aggregate NPAs at Rs. 2,157 crore accounted for 18.7 per cent of their outstanding loans at end-March 2000. Among the PCARDBs, NPAs at Rs. 1,519 crore were at 20.0 per cent of loans outstanding at end-March 2000 (Table III.9).

3.39 Co-operative banks extend credit directly to the ultimate borrowers as well as to institutions at the different tiers of the co-operative banking structure. A need has been felt to work out a mutually agreed system of recovery whereby the proceeds of the settlement as well as the cost of

Table III.9: Composition of Gross NPAs
(As on March 31, 2000)

(Rs. crore)

Asset Quality	StCBs	CCBs	SCARDBs	PCARDBs
1	2	3	4	5
Substandard Assets	1,247.82	3,723.33	1,210.85	867.91
Doubtful Assets	1,373.95	2,918.85	937.49	613.97
Loss Assets	136.51	901.25	8.45	36.99
Total NPAs	**2,758.28**	**7,543.43**	**2,156.79**	**1,518.87**
Percentage of NPAs to loans and advances outstanding	10.73	17.15	18.66	19.98

Source: NABARD.

Table III.10: Frequency Distribution of StCBs, CCBs & SCARDBs according to levels of Gross NPAs
(As on March 31, 2000)

NPAs as percentage to Outstanding Loans and Advances	Agency		
	StCBs	CCBs	SCARDBs
1	2	3	4
0-5	4 (14)	42(11)	4* (22)
5-10	4 (14)	52(14)	0 (0)
10-15	6 (21)	43(12)	1 (6)
15-20	2 (7)	55(15)	2 (11)
20-25	3 (11)	39(11)	2 (11)
25-30	1 (4)	26 (7)	1 (6)
Above 30	8 (29)	110(30)	8 (44)
Total number of reporting banks	28(100)	367(100)	18(100)
Total number of banks	29	367	19

* Haryana and Punjab SCARDBs have reported nil NPAs.

Note : 1. Figures in brackets represent percentage to total number of reporting banks.

2. Corresponding figures for PCARDBs are not available.

Source: NABARD.

recovery/losses would be shared by various concerned tiers of co-operative banks. Consequently, NABARD, in consultation with the Reserve Bank has framed guidelines for one-time settlement of chronic NPAs/overdues of the co-operative banks. The guidelines would cover NPAs under all loans and advances and would remain operative up to end-March 2002.

Capital Adequacy

3.40 All commercial banks are required to maintain a minimum CRAR of 9 per cent. These norms have not as yet been extended to rural co-operative banks. The Task Force on co-operative banks (Chairman: Shri. Jagdish Capoor), however, felt that being an important part of the rural credit system, co-operative banks should also conform to the CRAR standards set for commercial banks albeit in a phased manner. These proposals have not as yet been implemented. The latest information shows that as at end-March 1999, among the reporting StCBs, 22.2 per cent had negative CRAR, 14.8 per cent had positive but less than 8 per cent CRAR and the remaining 63.0 per cent had CRAR of more than 8 per cent.

Compliance with Section 11(1) of B.R. Act, 1949 (AACS) - Position as on March 31, 2001

3.41 In terms of Section 11(1) of B.R. Act, 1949 (AACS), CCBs and non-scheduled StCBs should have minimum share capital of Rs.1 lakh each. The number of banks not complying with this provision has increased, especially after the introduction of prudential norms. As on March 31, 2001, 139 CCBs and 6 StCBs have defaulted in complying with the above provision. In respect of a majority of these banks, the erosion in the value of their assets was larger than their owned funds. To address this issue, NABARD impressed upon the respective State Governments to initiate measures like augmenting share capital base of these banks, helping them in their recovery efforts, etc. To maintain uninterrupted flow of credit in the area of operation of the defaulting CCBs, NABARD continued to sanction short-term credit limits on behalf of such banks, subject to certain conditions. Furthermore, in case of first-time default, CCBs continued to obtain access to credit limits from NABARD for 2000-01 subject to certain conditions.

3.42 The Board of Supervision (for StCBs/ CCBs and RRBs) set up in NABARD as a Committee of its Board of Directors to give direction and guidance to NABARD in supervision-related matters, has been reviewing the financial health of the co-operative banks, based on the inspection findings on an ongoing basis. The Board of Supervision (BoS) has been, *inter alia*,

discussing the financial position of the weak co-operative banks particularly those which have had a high level of erosion in their deposits. As per the decisions of the BoS, various preventive, revival and punitive measures in respect of the banks which are showing signs of weakness have been initiated.

3. NABARD and its Role in Rural Credit

3.43 NABARD has been playing a pivotal role in the channelisation of bank credit to the rural sector. NABARD provides refinance and augments resource base of the institutions providing credit to the rural sector. NABARD also undertakes supervision of the rural co-operative banks.

3.44 The focus of policy initiatives by NABARD during 2000-01 continued to aim at augmentation and smoothening of the ground level rural credit flows. Certain reorientation was introduced in the lending and refinance policies to capture the changing financial requirements of the varied segments of the rural economy. NABARD enhanced the coverage of rural credit institutions by bringing in areas of non-traditional agriculture and new ventures in non-farm activities under their purview. Steps were also taken to restructure the institutional rural credit system in line with recommendations of the Task Force on the co-operative credit system, 2000.

Resources Mobilised by NABARD

3.45 The net accretion to resources of NABARD during 2000-01 has been Rs. 5,449 crore as compared with Rs. 4,381 crore in the previous year (Table III.11). Out of the total net accretion during 2000-01, major contributions were by the Rural Infrastructure Development Fund (RIDF) deposits (34 per cent), National Rural Credit (Long Term Operations (NRC (LTO)) (21 per cent), reserves and surplus (6 per cent) and market borrowing through bonds and debentures (27 per cent). Between 1999-2000 and 2000-01, contribution of the borrowings from the Reserve Bank to net resource accretion increased from 5 per cent to 13 per cent.

Refinance from NABARD

3.46 The total outstanding refinance by NABARD increased sharply by 21.4 per cent from

Table III.11: Net Accretion to the Resources of NABARD

(Rs. crore)

Item		April-March 1999-2000	April-March 2000-01
1		2	3
1	Capital	0	0
2	Advance received from Reserve Bank and Central Government towards Capital	0	0
3	Reserves and Surplus	128	311
4	NRC(LTO) Fund	1,021	1,151
5	NRC (Stabilisations) Fund	151	51
6	Deposits	41	-28
7	Bonds and Debentures	509	1,472
8	Borrowings from Government of India	-86	-20
9	Borrowings from Reserve Bank	235	716
10	Short-term Borrowings	203	-203
11	Foreign Currency Loans	-18	-9
12	RIDF Deposits	1,817	1,826
13	Other Liabilities	380	182
	Total	**4,381**	**5,449**

Source: NABARD.

Rs. 6,151 crore as at the end-June 2000 to Rs. 7,464 crore as at end-March 2001 (Table III.12). The largest increase during 2000-01 (July-March) was in refinance to StCBs, which increased by 28 per cent. As regards, the term structure of refinance provided by NABARD during 2000-01 (July-March), 88 per cent was of short-term in nature. Of the short-term credit limit sanctioned by NABARD, that to StCBs was Rs. 7,169 crore, of which seasonal agricultural operations (SAO) accounted for Rs. 6,400 crore. Similarly, of Rs. 1,312 crore credit limit sanctioned to Regional Rural Banks (RRBs) for short-term purposes, SAO accounted for Rs. 1,114 crore. Refinance availed by the banks in the North-Eastern region continued to be low despite certain relaxation extended by NABARD in respect of refinance support to co-operative banks in that region. NABARD sanctioned long-term loans to 12 State Governments aggregating Rs. 68 crore during 2000-01 (July-March) for contribution to the share capital of co-operative credit institutions. The Task Force constituted

Table III.12: NABARD's Credit to State Co-operative Banks, State Governments and Regional Rural Banks

(Rs. crore)

Category	1999-2000 (July-June)				2000-2001 (July-March)			
	Limits	Drawals	Repay-ments	Out-Standings	Limits	Drawals	Repay-ments	Out-Standings
1	2	3	4	5	6	7	8	9
1 State Co-operative Banks								
a Short-term	6,962.16	7,938.51	7,852.68	4,141.05	7,168.96	6,299.16	5,026.51	5,413.70
	(1.70)	(3.90)	(12.30)	(2.10)	(2.97)	(-20.65)	(-35.99)	(30.73)
b Medium-term	193.92	52.15	188.31	351.59	267.37	110.13	127.01	334.71
	(-54.90)	(-85.10)	(46.00)	(27.90)	(37.88)	(111.18)	(-32.55)	(-4.80)
Total (a+b)	7,156.08	7,990.66	8,040.99	4,492.64	7,436.33	6,409.29	5,153.52	5,748.41
	(1.60)	(0.00)	(12.90)	(-1.10)	(3.92)	(-19.79)	(-35.91)	(27.95)
2 State Government								
Long-term	91.07	48.78	40.16	507.90	67.78	58.23	66.78	499.35
	(39.40)	(19.40)	(-28.90)	(1.70)	(-25.57)	(19.37)	(66.28)	(-1.68)
3 Regional Rural Banks								
a Short-term	1,202.95	1,097.97	1,149.17	1,085.28	1,312.33	938.28	850.65	1,172.91
	(-2.80)	(-5.50)	(17.50)	(-4.50)	(9.09)	(-14.54)	(-25.98)	(8.07)
b Medium-term	7.53	5.58	41.23	65.02	11.03	10.15	31.72	43.45
	(-84.20)	(-87.20)	(-4.40)	(-35.40)	(46.48)	(81.90)	(-23.07)	(-33.17)
Total (a+b)	1,210.48	1,103.55	1,190.40	1,150.30	1,323.36	948.43	882.37	1,216.36
	(-5.90)	(-8.40)	(16.60)	(-7.00)	(9.33)	(-14.06)	(-25.88)	(5.74)
Grand Total (1+2+3)	**8,457.63**	**9,142.99**	**9,271.55**	**6,150.84**	**8,827.47**	**7,415.95**	**6,102.67**	**7,464.12**
	(-2.00)	**(-1.00)**	**(13.10)**	**(-2.00)**	**(4.37)**	**(-18.89)**	**(-34.18)**	**(21.35)**

Note : Figures in brackets are percentage change over previous year.
Source : NABARD.

to study the co-operative credit system had recommended that co-operatives should be self-reliant and member driven. NABARD asked the State Governments to reduce their participation in the capital of the co-operatives and thus reduce borrowing from NABARD for contributing to the share capital of co-operatives.

Rural Infrastructure Development Fund

3.47 RIDF was set up with NABARD under the initiative of the Central Government in 1995-96 to provide loans to State Governments for financing rural infrastructure projects. Since then, six tranches of allocations have been made towards the Fund and the Union Budget 2001-02 has enhanced the allocations under the VII tranche of the Fund. The commercial banks make contributions towards the Fund in accordance with the shortfall in their priority sector lending. Since 1999-2000 (RIDF-V), the scope has been widened to enable utilisation of loans by *Panchayati Raj* institutions, self-help groups, non-government organisations, etc.

3.48 As at end-March 2001, the total corpus of the fund under the tranches I to VI of the RIDF aggregated to Rs. 18,000 crore. A further allocation of Rs. 5,000 crore as corpus of RIDF-VII has been announced in the Union Budget 2001-02. During 2000-01, deposits mobilised under RIDF increased by Rs. 2,654 crore and the total deposit mobilisation between 1995-96 and

2000-01 stood at Rs. 8,698 crore (Table III.13). The cumulative amounts sanctioned and disbursed under the different tranches till end-March 2001 were at Rs. 18,545 crore and Rs. 9,251 crore, respectively (Table III.14).

3.49 Between end-March 2000 and end-March 2001, the ratio of funds disbursed to funds sanctioned under RIDF increased from 43.6 per cent to 49.9 per cent while utilisation ratio (amount disbursed as a proportion of amount phased) increased from 59.4 per cent to 64.4 per cent. Notwithstanding these improvements, the ratio of disbursement to sanction and to utilisation under RIDF is not very high. Various factors have been attributed to explain this situation, which include high interest cost of funds allocated through RIDF, lack of matching funds with State Governments and other procedural hardships. NABARD has initiated several measures to make the loans under RIDF more attractive and to increase the reach of such loans. The interest rate on RIDF loans has been reduced from 12.0 per cent to 11.5 per cent per annum and further to 10.5 per cent. Apart from State Governments, other institutions and groups such as *Panchayati Raj* institutions can now implement RIDF projects. The scope of the projects eligible for RIDF loans has been enlarged to include innovative projects such as information technology enabled services and new activities such as system improvement and mini hydel under power sector, construction of primary school buildings, primary health centres, etc.

3.50 Purpose-wise utilisation of RIDF funds indicates high concentration towards irrigation and rural connectivity, which together account for around 80 per cent of the aggregate sanctions till end-March 2001 (Table III.15). State-wise distribution of RIDF funds reflects that as at end-March 2001, five States namely Andhra Pradesh, Gujarat, Madhya Pradesh, Maharashtra and Uttar Pradesh taken together accounted for around 50 per cent of both aggregate sanctions and disbursements (Appendix Table III.3).

Policy Initiatives by NABARD

Kisan Credit Card

3.51 KCC scheme introduced in 1998-99 is popular among both farmers and issuing bankers. Farmers have the flexibility to avail of production credit and also avoid procedural delays in getting credit sanctioned. For bankers, the need for repeated processing of credit applications is avoided. Against the target of 75 lakh KCC to be issued by banks in 2000-01, co-operative banks and RRBs issued 63 lakh KCCs involving a credit limit of Rs. 10,812 crore. Cumulatively since 1998, 102 lakh KCCs involving credit limits of Rs. 15,660 crore as at the end of March 2001 were issued. 27 Public Sector Banks had issued 36 lakh KCCs as at the end-of March 2001, since the inception of the Scheme. For 2001-02, the Union Budget has announced a target of an additional 1 crore KCCs to be issued by the banking system comprising all co-operative banks, RRBs and commercial banks. Furthermore, to ensure that small and medium farmers are not denied access to KCC facility, NABARD, in consultation with the Reserve Bank dispensed with the floor limit of Rs. 5,000 earlier suggested for coverage under

Table III.13: Deposits Mobilised under RIDF

(Rs. crore)

Year	RIDF-I	RIDF-II	RIDF-III	RIDF-IV	RIDF-V	RIDF-VI	Total
1	2	3	4	5	6	7	8
1995-96	350	—	—	—	—	—	**350**
1996-97	842	200	—	—	—	—	**1,042**
1997-98	188	670	149	—	—	—	**1,007**
1998-99	140	500	498	200	—	—	**1,338**
1999-2000	67	539	797	605	300	—	**2,307**
2000-01	—	161	412	440	850	790	**2,654**
Total	**1,587**	**2,070**	**1,856**	**1,245**	**1,150**	**790**	**8,698**

Source: NABARD.

Table III.14: Cumulative Sanctions and Disbursements
(As on March 31, 2001)

(Rs. crore)

RIDF Tranche	Corpus	Amount Sanctioned*	Amount Phased	Amount Disbursed
1	2	3	4	5
RIDF-I	2,000	1,898.64	1,898.64	1,742.45
RIDF-II	2,500	2,588.78	2,588.78	2,092.41
RIDF-III	2,500	2,665.34	2,665.34	1,885.14
RIDF-IV	3,000	3,119.86	3,119.86	1,382.22
RIDF-V	3,500	3,639.34	2,763.44	1,189.44
RIDF-VI	4,500	4,632.67	1,328.37	959.63
Total	**18,000**	**18,544.63**	**14,364.43**	**9,251.29**

* Excluding schemes withdrawn.
Source: NABARD.

Table III.15: Purpose–wise Amount Sanctioned under RIDF
(As on March 31, 2001)

(Rs. crore)

Purpose	RIDF–I	RIDF–II	RIDF–III	RIDF–IV	RIDF–V	RIDF–VI	Total (2 to 7)	Percentage Share
1	2	3	4	5	6	7	8	9
Irrigation	1,783.99	1,221.97	937.32	923.69	1,072.56	1,241.32	**7,180.85**	38.70
Rural Bridges	24.82	369.87	385.09	548.84	575.81	537.66	**2,442.09**	13.20
Rural Roads	3.39	888.33	1,201.11	1,440.01	1,791.25	2,112.07	**7,436.16**	40.10
Others*	86.44	108.61	141.82	207.32	199.72	741.62	**1,485.53**	8.00
Total	**1,898.64**	**2,588.78**	**2,665.34**	**3,119.86**	**3,639.34**	**4,632.67**	**18,544.63**	**100.00**

* Others include : watershed development, flood protection, market yard /godown, CADA, drainage, cold storage, fisheries, forest development, inland waterways, primary schools, rubber plantations, public health, seed/ agriculture/horticulture farms, rural drinking water, soil conservation, citizen information centres, food park and system improvement.
Source: NABARD.

the Scheme. The loans disbursed under KCC Scheme were also brought under the *Rashtriya Krishi Bima Yojana* of the General Insurance Corporations and personal accident insurance cover of Rs. 50,000 for death and Rs. 25,000 for disability from 2001-02 would be provided to KCC holders.

Interest Rates on Refinance

3.52 Effective November 1, 2001 NABARD has revised interest rates on refinance to commercial banks, RRBs and co-operative banks (Table III.16).

Short-term - Seasonal Agricultural Operations

3.53 The refinance policy of NABARD on short-term Seasonal Agricultural Operations (SAO) for co-operative banks and RRBs for 2000-01 included, *inter alia,* augmentation of the ground-level credit flow through adoption of region-specific strategies and rationalisation of the lending policies and procedures. The policy of sanctioning special lines of credit exclusively for financing tribals at concessional rates of interest with relaxation of norms relating to ceiling on credit was continued. The existing concessions in the rate of interest, relaxation in minimum involvement norms, minimum recovery norms, etc., were continued for banks in the North-Eastern States and in Sikkim and Jammu and Kashmir.

Table III.16: NABARD's Interest Rate Structure on Term-Loan Refinance

(per cent per annum)

Loan Size	Rates Effective from			
	May 1, 2000		November 1, 2001	
	Minor Irrigation (MI*)	Purpose Other than MI@	Minor Irrigation (MI*)	Purpose Other than MI@
1	2	3	4	5
A. StCBs/ SCARDBs				
Upto Rs.25,000	7.0	7.0	7.0	7.0
Rs.25,001 - Rs.2 lakh	8.5	9.0	8.0	9.0
Above Rs.2 lakh	8.5	10.5	8.0	10.0
B. RRBs				
Upto Rs.25,000	7.5#	7.5#	7.5	7.5
Rs.25,001 - Rs.2 lakh	8.5	9.0	8.0	9.0
Above Rs.2 lakh	8.5	10.5	8.0	10.0
C. Commercial Banks/UCBs				
Upto Rs.25,000	8.5	8.5	8.0	8.0
Rs.25,001 - Rs.2 lakh	8.5	9.5	8.0	9.0
Above Rs.2 lakh	8.5	10.5	8.0	10.0

* Excludes MI under *Swarnjayanti Gram Swarozgar Yojana* for which rates shown under 'others' is applicable.

@ Excludes MI/wasteland, SHGs, cold storage and storage of horticulture products under Government of India capital investment subsidy scheme.

\# Effective July 1, 2001.

Notes: (1) The rate of interest on refinance against loans extended to SHGs would be 7.0 per cent for co-operative banks and 7.5 per cent for RRBs and commercial banks.

(2) Rates of interest on refinance for financing cold storage and storage of horticulture produce under capital investment subsidy scheme of the Government of India would be 8.5 per cent.

(3) Rate of interest on refinance for rural housing finance for loans up to Rs. 50,000, Rs. 50,001 to Rs. 2 lakh and above 2 lakh has been fixed at 8.5 per cent, 10.0 per cent and 10.5 per cent, respectively, effective November 1, 2001. Previously, the corresponding rates were 9.0 per cent, 10.5 per cent and 11.0 per cent, respectively.

(4) In respect of externally aided projects, the rate of interest as per provisions contained in the relative agreement would apply.

Source: NABARD.

Short-term - Other than Seasonal Agricultural Operations

3.54 With a view to boosting credit flow for marketing of crops and encouraging StCBs/ CCBs to extend credit to farmers against the pledge of their agricultural produce, NABARD modified the existing scheme for providing refinance to StCBs/CCBs for financing marketing of crops, by increasing quantum of loans and reducing rate of interest on refinance from 10 per cent to 8.5 per cent. During 2000-01, NABARD opened a separate window of refinance for StCBs and scheduled commercial banks for financing working capital requirements of State Handicrafts Development Corporations (SHnDCs). By supplementing banks' efforts in financing SHnDCs, NABARD aims at improving credit flow to handicrafts sector especially to artisans and craftsmen operating outside the co-operative fold.

Supervision

3.55 NABARD is the supervisory authority for StCBs, CCBs and certain other State-level co-operative institutions such as SCARDBs. Accordingly, NABARD undertakes periodic on-site inspection of these organisations and since 1998-99 this has been supplemented by a system of off-site surveillance. During 2000-01, NABARD inspected 175 co-operative banks - 11 StCBs, 11 SCARDBs and 153 CCBs - and 11 apex institutions. Some of the deficiencies observed include high levels of NPAs and overdues, high transaction costs, low margins, poor quality of loan appraisals, inadequate internal checks and balances, etc.

Micro Finance Innovations

3.56 NABARD has been spearheading the promotion and linkage of SHGs to the banking systems through refinance support, capacity building of stakeholders and initiating other proactive policies and systems. During 2000-01, 1,70,680 SHGs were financed by banks including 21,630 which received repeat finance, as against the target of 1,00,000 SHGs proposed in the Union Budget, 2000-01. The cumulative number of SHGs credit-linked to the banks aggregated 2,63,825 out of which 2,13,213 were refinanced by NABARD, as at end-March 2001.

3.57 The significant increase in the number of SHGs linked during the year was possible due to the active involvement of 1,030 NGOs, 314 banks and many other agencies including developmental departments of different State Governments. The credit-linkage programme covered 412 districts in 27 States and Union Territories. A notable feature of the same was that more than 90 per cent of the groups formed were exclusively of women members.

3.58 NABARD continued to provide 100 per cent refinance assistance to banks at an interest rate of 7 per cent per annum for financing SHGs. During the year, an amount of Rs. 288 crore was disbursed to SHGs by various banking institutions against which refinance support by NABARD was to the tune of Rs. 251 crore. Cumulatively, till end-March 2001, bank loans disbursed to SHGs aggregated Rs. 481 crore while NABARD refinance availed by banks aggregated Rs. 401 crore.

3.59 NABARD has also been providing grants on a selective basis to NGOs, primarily for promoting and nurturing SHGs. NABARD sanctioned grant assistance of Rs. 2 crore to 126 NGOs during 2000-01 for promotion and linkage of 20,033 SHGs. With this, the cumulative grant assistance sanctioned till end-March 2001 for promotion and linkage of SHGs aggregated Rs. 4.6 crore to 198 NGOs for promoting 36,944 SHGs. Additionally, NABARD continued to provide financial and other types of support for training of bank staff, NGOs and Government agencies engaged in the field of micro finance. During 2000-01, more than 1,000 training and awareness programmes were conducted or facilitated for training 36,370 bank officials, NGOs and Government agencies.

3.60 As announced in the Union Budget 2000-01, a Micro Finance Development Fund (MFDF) has been constituted in NABARD with a start-up contribution of Rs. 100 crore comprising Rs. 40 crore each from Reserve Bank and NABARD and balance Rs. 20 crore from select commercial banks. This would be utilised for scaling up the SHG-linkage programme and supporting other micro credit initiatives. Accordingly, both on-lending funds and capacity building support would be extended to eligible institutions from this Fund. Special emphasis will be provided for building the capacities of the poor with particular emphasis on vulnerable sections including women, scheduled tribes and scheduled castes.

Extension of Refinance Facilities to Scheduled UCBs

3.61 In response to requests received for extending refinance facilities to UCBs and considering that UCBs are an important segment of the multi-agency banking system, refinance facilities were extended to scheduled UCBs by NABARD for financing both farm and non-farm activities in rural areas.

Chapter IV

Financial Institutions

All-India financial institutions (FIs)[1] constitute an important segment of the financial system, which cater to the medium, long-term financing and, of late, working capital requirements of varied sectors in the economy. In November 1994, the Board for Financial Supervision (BFS) was constituted under the aegis of the Reserve Bank for comprehensive and integrated regulation and supervision over the commercial banks, FIs and non-banking financial companies (NBFCs) under one umbrella and the Reserve Bank of India (Board for Financial Supervision) Regulations were framed. The BFS Regulation 5(1) specifically provides that the Board shall perform all functions and exercise the powers of supervision and inspection in relation to different sectors of the financial system such as banking companies, FIs and NBFCs. In pursuance of the above, select FIs[2] have been brought under the supervisory purview of the Reserve Bank. The Reserve Bank regulates and supervises these institutions, keeping in view the need for enhancing the transparency in their performance and maintaining systemic stability. The supervision of all-India FIs by the Reserve Bank is of recent origin. It may be emphasised that the scope and coverage of the FIs inspection are very limited unlike that of NBFCs and are not as rigorous as that of banks.

4.2 FIs could be broadly categorised into all-India level financial institutions (AIFIs), state-level institutions and other institutions, with the AIFIs being the most dominant in terms of assets and range of operations (Chart IV.1). The progressive deregulation of financial markets, the disintermediation pressures arising therefrom and the diversification in portfolio preferences of investors have warranted growing sophistication and innovation in financial services. These developments have necessitated introduction of policy measures for greater transparency in operations, better monitoring and more comprehensive regulation. In response to the same, the extant guidelines in respect of prudential supervision and regulation of FIs have been reviewed and new guidelines have been introduced by the Reserve Bank in various areas of operations of FIs.

4.3 During the year 2000-01, financial assistance sanctioned and disbursed by AIFIs registered an increase, though of a lower order than during the previous year. Sanctions increased by Rs. 16,437 crore (16.2 per cent), and disbursements by Rs. 4,934 crore (7.3 per cent). During 1999-2000, sanctions had increased by 23.6 per cent and disbursements by 20.1 per cent.

4.4 Resource mobilisation[3] by mutual funds registered a decline during 2000-01 as compared with the previous year. Net resource mobilisation by all mutual funds stood at Rs.13,339 crore *vis-à-vis* Rs.19,953 crore mobilised during 1999-2000.

1. Policy Developments Relating to Select All India Financial Institutions

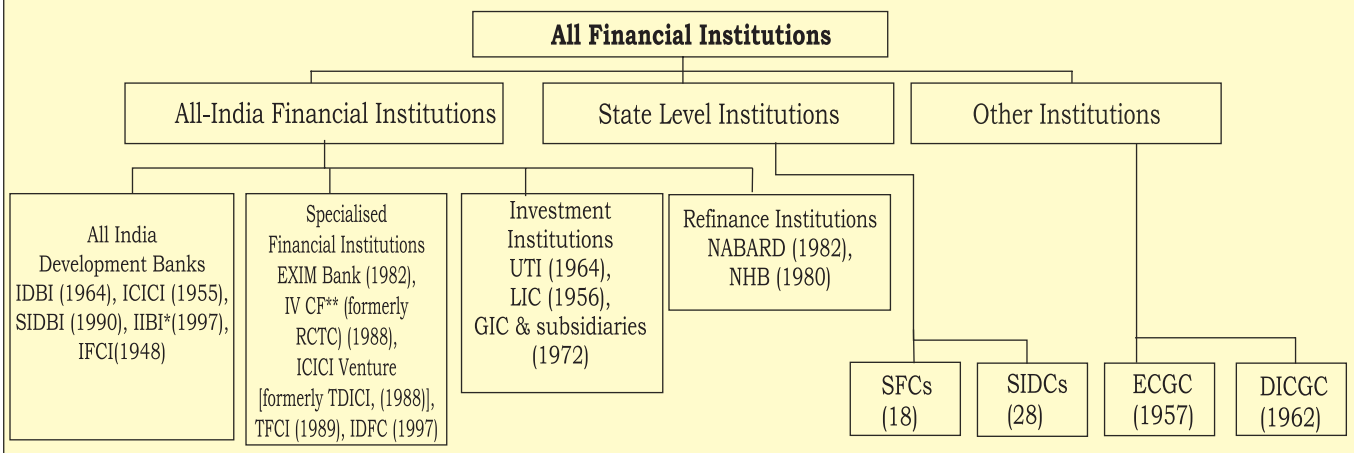
4.5 During the year 2000-01 (April-March), several policy initiatives were undertaken by the Reserve Bank with regard to the regulation and supervision of select all-India FIs. The chronology

[1] Reserve Bank of India regulates and supervises only select All-India Financial Institutions and the same are covered in this section, *viz*., Industrial Development Bank of India (IDBI), IFCI Ltd., ICICI Ltd., Industrial Investment Bank of India Ltd. (IIBI), Small Industries Development Bank of India (SIDBI), National Housing Bank (NHB), National Bank for Agriculture and Rural Development (NABARD), Export Import Bank of India (EXIM Bank), Tourism Finance Corporation of India Ltd., (TFCI) and Infrastructure Development Finance Company Ltd. (IDFC). The Reserve Bank also calls for returns in respect of investment institutions *viz*., Unit Trust of India (UTI), Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC) and its erstwhile four subsidiaries, but does not supervise or regulate these institutions.

[2] These institutions are IDBI, ICICI Ltd., IFCI Ltd., IIBI Ltd., NABARD, NHB, EXIM Bank, TFCI, SIDBI and IDFC.

[3] Net resource mobilisation equals inflows net of redemptions/repurchases.

Chart IV.1: Organisational Structure of Financial Institutions



*The erstwhile Industrial Reconstruction Bank of India (IRBI), established in 1985 under the IRBI Act, 1984, was renamed as Industrial Investment Bank of India Ltd. (IIBI) with effect from March 27, 1997.
**IVCF-IFCI Venture Capital Funds Ltd.

Notes : 1.Figures in brackets under respective institutions indicate the year of establishment or incorporation.
2.Figures in the brackets under State Financial Corporations (SFCs)/ State Industrial Development Corporations (SIDCs) indicate the number of institutions in that category.
3.ECGC: Export Credit Guarantee Corporation of India; DICGC: Deposit Insurance and Credit Guarantee Corporation.

of major policy measures pertaining to financial institutions is presented in Annexure. The policy developments and review of the operations of FIs are presented below.

Regulation of Financial Institutions

Prudential Norms relating to Income Recognition, Asset Classification, Provisioning and Capital Adequacy

4.6 Select all-India FIs were advised on May 5, 2000 that the provision for standard assets need not be netted from gross advances, but shown separately as 'contingent provision against standard assets' under 'other liabilities and provisions' in the balance sheets. It was also indicated that the provision would not be eligible for inclusion in tier II capital and the provision for standard asset should not be reckoned for arriving at net NPAs. Subsequently, on October 10, 2000, this stipulation was amended under which FIs were permitted to include the 'general provision on standard assets' in their supplementary (tier II) capital. It was also stipulated that the provisions on standard assets along with other 'general provisions and loss reserves' should not exceed 1.25 per cent of the total risk-weighted assets. The comparitive position of FIs and banks with respect to select regulatory parameters is given in Table IV.1.

Removal of 'Past Due' Concept

4.7 In view of the improvement in the payment and settlement systems, the recovery climate, upgradation of technology in the financial system, etc., the Reserve Bank advised FIs that the 'past due' concept (grace period of 30 days) with regard to the definition of NPAs is dispensed with, effective from the year ended March 31, 2001. Accordingly, NPA should be an advance where (i) interest remains overdue for a period of more than 180 days and/ or instalment of principal remains overdue for a period of more than 365 days in respect of a term loan; (ii) the bill remains overdue and unpaid for a period of more than 180 days in the case of bills purchased and discounted; and (iii) any amount to be received remains overdue for a period of more than 180 days in respect of other accounts.

Parity of NPA Norms for Banks and FIs

4.8 In order to bring parity in the NPA norms for banks and FIs, it was clarified that an asset would be treated as non-performing, if interest and/or instalment of principal remain overdue for more than 180 days with effect from the year ending March 31, 2002 as against the present norm of an overdue period of 365 days or more in respect of principal and more than 180 days in respect of interest.

Risk-Weight on Securities guaranteed by State Governments

4.9 The FIs were earlier required to assign 100 per cent risk-weight on the investment in all the securities issued or guaranteed by the State Governments in case of default of interest or principal. Subsequently, FIs were advised on May 30, 2000 that they would need to assign a 100 per cent risk-weight only on those State Government guaranteed securities which were issued by the defaulting entities. It was also advised that due regard should be paid to the record of the particular State Government in honouring its guarantees, while processing any further request for loans to PSUs in that State on the strength of State Government guarantee.

Risk-weight for Market Risk in Investment Portfolio of non-Government Securities

4.10 In line with international best practices, some capital cushion needs to be provided for market risk in addition to credit risk. Accordingly, FIs were required to assign a risk-weight of 2.5 per cent for market risk with effect from March 31, 2001 in respect of investments in all securities. This risk-weight would be in addition to 20 per cent / 100 per cent risk-weight already assigned for credit risk in non-government/non-approved securities.

Treatment of Restructured Accounts

4.11 The norms relating to restructuring / rescheduling / re-negotiation of terms of standard and sub-standard loan assets, were reviewed in the light of international best practices and Bank for International Settlements (BIS) guidelines, and revised guidelines for FIs were issued on March 28, 2001.

4.12 In the context of restructuring of accounts, the stages at which restructuring / rescheduling / renegotiation of the terms of loan agreement could take place were identified as:

(a) prior to commencement of commercial production;

(b) after commencement of commercial production, but before the asset has been classified as sub-standard; and

(c) after commencement of commercial production and the asset has been classified as sub-standard.

4.13 The norms for treatment of the accounts, subjected to restructuring / rescheduling / re-negotiation of terms are detailed in Box IV.1.

Guidelines for Compromise Settlement of Dues of Banks and FIs through Lok Adalats

4.14 To settle disputes involving smaller amounts through the forum of *Lok Adalats*, FIs were issued guidelines for implementation. These guidelines indicate the ceiling amount for coverage of *Lok Adalats* upto Rs. 5 lakh, covering all NPA accounts, both suit filed and non-suit filed in the doubtful and loss

Box IV.1: Norms for Treatment of Restructured Accounts

(i) Treatment of Restructured Standard Accounts

a) Rescheduling of instalments of principal alone, at any of the first two stages would not cause a standard asset to be classified in the sub-standard category, provided the loan/credit facility is fully secured.

b) Rescheduling of interest element at any of the first two stages would not cause an asset to be downgraded to sub-standard category, subject to the condition that the amount of sacrifice, if any, in the element of interest, measured in present value (PV) terms, is either written off or provision is made to the extent of the sacrifice involved. For the purpose, the future interest due as per the original loan agreement in respect of an account should be discounted to the present value at a rate appropriate to the risk category of the borrower (i.e., current PLR *plus* appropriate credit risk premium for the borrower-category) and compared with the present value of the dues expected to be received under the restructuring package, discounted on the same basis.

c) In case there is a sacrifice involved in the amount of interest in present value terms, as at (b) above, the amount of sacrifice should either be written off or provision made to the extent of sacrifice involved.

(ii) Treatment of Restructured Sub-standard Accounts

a) Rescheduling of the instalments of principal alone would render a sub-standard asset eligible to be continued in the sub-standard category for the specified period, provided the loan/credit facility is fully secured.

b) Rescheduling of interest element would render a sub-standard asset eligible to be continued to be classified in sub-standard category for the specified period subject to the condition that the amount of sacrifice, if any,

(Contd.....)

(.....Concld)

in the element of interest, measured in PV terms, is either written off or provision is made to the extent of the sacrifice involved. For the purpose, the future interest due as per the original loan agreement in respect of an account should be discounted to the present value at a rate appropriate to the risk category of the borrower (i.e., current PLR *plus* appropriate credit risk premium for the borrower-category) and compared with the present value of the dues expected to be received under the restructuring package, discounted on the same basis.

c) In case there is a sacrifice involved in the amount of interest in present value terms, as at (b) above, the amount of sacrifice should either be written off or provision made to the extent of the sacrifice involved. Even in cases where the sacrifice is by way of write-off of the past interest dues, the asset should continue to be treated as sub-standard.

The sub-standard accounts at (a), (b) and (c) above, which have been subjected to restructuring, etc, whether in respect of principal, instalment or interest amount, by whatever modality, would be eligible to be upgraded to the standard category only after the specified period, i.e., a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period. The amount of provision made earlier, net of the amount provided for sacrifice in the interest amount in present value terms as stated earlier, could also be reversed after the one-year period.

During this one-year period, the classification of the sub-standard asset would not deteriorate if the account demonstrates satisfactory performance. However, if lack of satisfactory performance is evidenced during the one-year period, the asset classification of the restructured account would be governed as per the applicable prudential norms with reference to the pre-restructuring payment schedule.

(iii) Restructuring of Doubtful/Loss Assets

The existing instructions relating to doubtful/loss assets which are subsequently classified, as sub-standard consequent to restructuring/ renegotiations/ rescheduling will remain unchanged. Accordingly, the reversal of provisions made or amount written off till the asset becomes eligible to be classified as performing asset, will not be permitted as hitherto. Such sub-standard assets, if subsequently subjected to restructuring/ renegotiations/ rescheduling, would be governed by the above norms.

The foregoing norms for restructuring, etc., of standard and sub-standard assets are applicable, in supercession of existing Reserve Bank norms, in respect of such assets as long as these relate to restructuring/ rescheduling / renegotiation of the loan agreement terms. FIs have the option to adopt the norms subsequent to date of issue of instruction, or earlier but during the financial year 2000-01. All other prudential guidelines relating to income recognition, asset classification and provisioning remain unaltered.

In addition to the existing disclosure requirements, as per Reserve Bank's guidelines, FIs have to separately disclose the total amount of those loans and the sub-standard assets, which have been subjected to restructuring, etc., in their published Annual Accounts. All standard and sub-standard accounts subjected to restructuring, etc., would continue to be eligible for fresh financing of funding requirements, by lenders as per their normal policy parameters and eligibility criteria.

categories. Keeping in view certain essential parameters, the settlement formula has been made flexible and left to the discretion of the Board of Directors of FIs. The organisational arrangements could be put in place in consultation with State / District/ *Taluka* level legal services authorities.

Disclosures in the Published Annual Report

4.15 In order to bring about uniformity in the disclosure practices adopted by the FIs and with a view to improving the degree of transparency in their affairs, FIs were advised to disclose certain important financial ratios/data with effect from the financial year 2000-01. Such disclosures were to be made as part of the 'Notes on Accounts' to enable the auditors to authenticate the information, notwithstanding the fact that the same information might be contained elsewhere in the published annual report. These disclosures pertain to capital to risk-weighted assets ratio (CRAR)[4], Core CRAR, supplementary CRAR, amount of subordinated debt raised/ outstanding as tier II capital, risk-weighted

[4] CRAR represents the amount of capital maintained in consonance with the risk-adjusted aggregate of funded and non-funded assets of a FI. The risk-adjusted asset is arrived at by multiplying each asset with its corresponding risk-weight in the case of funded assets. Conversion factors are assigned in case of non-funded assets apart from weights. CRAR include core capital (tier-I) and supplementary capital (tier-II).

Core CRAR or tier-I capital includes paid-up capital, statutory reserves and other disclosed free reserves, if any. Balance if any of the special reserve created under Section 36 (1) (viii) of the Income Tax Act, 1961 is to be treated as capital. Besides capital reserves, equity investment in subsidiaries, intangible assets, gap in provisioning and losses in the current period and those brought forward from previous period will be deducted from tier-I capital. The core CRAR should not be less than 50 per cent of CRAR at any point of time.

Supplementary CRAR or tier-II capital includes undisclosed reserves and cumulative preference shares, revaluation reserves, general provisions and reserves, hybrid debt capital instruments, sub-ordinated debt. The supplementary capital is limited to a maximum of 100 per cent of tier-I capital.

assets, share holding pattern, asset quality and credit concentration, maturity pattern of rupee and foreign currency assets and liabilities, and details on operating results. Besides, separate details on loan assets and sub-standard assets which have been subjected to restructuring, etc., would also need to be disclosed. Furthermore, accounts restructured under corporate debt restructuring system also should be disclosed by FIs in their annual report as part of 'notes on accounts'.

Excess of Provisions on Depreciation

4.16 FIs were advised on May 30, 2000 that the excess provision towards depreciation on investments in equity should be appropriated to the 'Investment Fluctuation Reserve Account' (IFRA) instead of 'Capital Reserve Account' (CRA). This excess provision would be eligible for inclusion in tier II capital. The existing amount of such provisions held in CRA would also stand transferred to IFRA. These amounts in IFRA could then be utilised to meet the depreciation requirement on investments. The extra provision needed in the event of a depreciation in the value of investments should however be debited to the profit and loss account and if required, an equivalent amount may be transferred from the IFRA as a 'below the line' item after determining the profit for the year.

Raising of Resources by all-India FIs

4.17 In the context of progressive deregulation, introduction of Interest Rate Swaps (IRS)/ Floating Rate Agreements (FRA), introduction of Asset-Liability Management (ALM) system, shift in investors preference towards short-term instruments, etc., which have had a bearing on the resources raised by FIs, the guidelines for raising of resources by AIFIs were modified in June 2000. Under the guidelines, FIs need not seek the Reserve Bank's issue-wise prior approval/ registration for raising resources through either public issue or private placement if (a) the minimum maturity period is 3 years, (b) where bonds have call/ put or both options, the same is not exercisable before expiry of one year from date of issue, (c) YTM offered at the time of issue of bonds including instruments having call/put options, does not exceed 200 basis points over that on government securities of equal residual maturities, and (d) 'exit' option is not offered prior to expiry of one year, from date of issue.

4.18 It was also stipulated that the outstanding total resources mobilised at any point of time by an individual FI including funds mobilised under the 'umbrella limit' as prescribed by the Reserve Bank should not exceed 10 times its net owned funds as per the latest audited balance sheet. FIs were advised that the limit fixed for raising resources would be an enabling provision, and their requirements of resources along with maturity structure and interest rate offered thereon should be arrived on a realistic basis and derived, *inter alia*, from a sound system of ALM/ risk management. In case of floating rate bonds, FIs would need to seek prior approval from the Reserve Bank, with regard to 'reference rate' selected and the methods of floating rate determination. The same would not be required for subsequent individual issues so long as the underlying reference rate and method of floating rate determination remain unchanged. FIs were also advised to comply with the prudential requirements of other regulatory authorities such as SEBI, etc., as hitherto.

4.19 A system of monthly reporting to the Reserve Bank on raising of resources by FIs has been introduced. The format of consolidated return on raising of resources by way of money market instruments and bonds was revised on December 5, 2000 to facilitate inclusion of information on commercial paper and additional information on short-term borrowings, which have been included under the one-time 'umbrella limit'.

Rating for Public Deposits of FIs

4.20 In order to improve the functional efficiency of the market, the rating for the term deposits accepted by FIs was made mandatory, effective November 1, 2000.

Repatriation of Global Depository Receipts (GDR) /American Depository Receipts (ADR) Proceeds

4.21 Considering the fact that FIs, which are raising capital abroad for improving their capital base, have largely rupee-denominated assets and that most of the risk limits are linked to their capital, FIs were advised on July 20, 2000 to repatriate the entire proceeds of GDRs / ADRs soon after the issue process was completed.

Classification and Valuation of Investments

4.22 The FIs have been advised regarding

classification and valuation of investments from time to time. In order to bring the existing practice in consonance with the international practice, revised guidelines effective from the half year ended March 31, 2001, were issued on November 9, 2000. These guidelines state that:

(a) FIs are required to classify entire investment portfolio as on March 31, 2001, under three categories *viz.*, (i) Held to Maturity, (ii) Available for Sale and (iii) Held for Trading. Investments under (ii) and (iii) are to be marked to market as prescribed or at more frequent intervals, while those under 'Held to Maturity' need not be marked to market and should not exceed 25 per cent of total investments.

(b) Classification, valuation, shifting of investments among the three categories, methodology for booking profit/ loss on sale of investments and provision for depreciation should be in accordance with the new guidelines.

(c) Investments are to be classified as (i) Government securities (ii) other approved securities (iii) shares (iv) debentures and bonds (v) subsidiaries / joint ventures and (vi) others (CPs, units of mutual funds, etc.).

4.23 FIs were advised to formulate an investment policy with the approval of their Board of Directors tailored to the requirements of classification, shifting and valuation of investments under the revised guidelines. The policy should also adequately address risk management aspects and ensure that the procedures being adopted by FIs are consistent, transparent and well-documented.

Supervision of Financial Institutions

On-site Inspection of FIs

4.24 On-site inspection of FIs commenced since 1995, with inspections being conducted every alternate year. During the year 1999, it was observed that the financial position of certain FIs was changing rapidly. Therefore, it was decided that the inspection of all the FIs would be undertaken on an annual basis with effect from March 31, 2001 with reference to their balance sheet date from the accounting year 2000-01 till the FIs could be systematically differentiated as per the risk profile based on the off-site surveillance system and the proposed supervisory rating system. Accordingly, the inspection of all 10 FIs supervised by the Reserve Bank is to be taken up during the inspection cycle 2001-02, with reference to the balance sheet date of the FIs for accounting year 2000-01. During the year 2000-01, inspection of nine FIs, which fell due, had been completed.

Off-site Monitoring / Information System

4.25 As a part of the integrated supervisory strategy, a Prudential Supervisory Reporting System (PSRS) for an on-going off-site surveillance was introduced in July 1999. The principal objective of the process has been to obtain periodic information pertaining to prudential concerns of the Reserve Bank, with particular reference to compliance with the prudential regulations prescribed for select FIs supervised by the Reserve Bank. An ancillary objective is to help build up the management information system (MIS) within the FIs on the prudential parameters. The PSRS, patterned broadly on lines of the off-site surveillance system comprises seven returns - three quarterly, two half yearly and two annual. The returns broadly cover assets and liabilities of FIs, capital adequacy statement, operational results, asset quality, ownership and management, large credit and list of subsidiaries and affiliates of the FIs.

Inspection Practices / Procedures

4.26 The Reserve Bank introduced changes in the practices/procedures followed in conducting the financial inspection of FIs since January 24, 2001. The modified procedures comprise the following: (a) the information requirements of the inspection team would be advised at least a month prior to commencement of inspection to ensure better time management and efficiency of the examination process; and (b) before the commencement of inspection, the management of the FI would be requested to make a presentation to the inspection team on the FI's perspective of its own risk exposures, the manner in which these risks were earlier addressed and the future strategy thereon.

4.27 During the inspection, the inspection team would meet with the internal and external auditors to appreciate the scope of their work and the results of their audit. On completion of inspection, the Principal Inspecting Officer,

along with his team members, as considered necessary, would meet the Audit Committee as also the chief executive officer (CEO) of the FI to discuss the major findings of the inspection. A system of discussing the provisioning-shortfall, owing to objective as well as subjective factors, by the inspection team with the statutory/ external auditors in the presence of the management of the FIs, would also be followed to enhance transparency and minimise any element of subjectivity.

Other Developments

Co-ordination between Banks and FIs on Issues of Common Interest

4.28 With a view to securing more effective co-ordination between banks and FIs, which jointly finance large-scale projects, on issues of common interest, the Reserve Bank had convened an informal meeting of the Heads of select banks and FIs. Banks and FIs have since evolved ground rules for co-ordination on areas of mutual interest (Box IV. 2).

Valuation of Units of Mutual Funds

4.29 FIs were advised in April 2000 to value the investments in mutual fund units at market rates, as per stock exchange quotations, if available. Otherwise, the latest net asset value (NAV) declared by the mutual fund in respect of each particular scheme should be used for valuation. Subsequently, the guidelines for classification and valuation of investments by FIs were revised with effect from March 31, 2001, so as to bring the norms in consonance with the international best practices.

Interest Rate Surcharge on Import Finance

4.30 In the context of developments in the foreign exchange markets and the overall monetary and credit situation prevalent at that time, with effect from May 2000, interest rate surcharge of 50 per cent of the actual lending rate on credit extended by FIs for imports, was reintroduced as a temporary measure. Certain specified categories of credit for import were exempted from this levy. Subsequently, certain categories of export-related imports were also exempted from this levy in November 2000. Subsequently, in January 2001, the interest rate surcharge was withdrawn.

Interest on Overdue Export Bills

4.31 The FIs were advised to charge interest at the rate of 25 per cent per annum (minimum) with effect from May 26, 2000 in respect of overdue export bills from the date the bills fall due for payment, and also to ensure that the exporters do not delay repatriation of export proceeds beyond the due date.

Role of Brokers

4.32 The FIs have been permitted to undertake transactions in securities among themselves or with banks and non-banks clients through members of the National Stock Exchange (NSE) and OTCEI. Since November 22, 2000, they have also been permitted to undertake transactions among themselves or with non-bank clients through the members of Bombay Stock Exchange (BSE) directly, without engaging any brokers. In case any transaction in securities is not undertaken on NSE, OTCEI and BSE, the same should be undertaken directly, without engaging any brokers.

Advances against Shares and Debentures

4.33 In September 2000, the FIs were instructed that whenever the limits of advances granted to a borrower against the security of shares / debentures exceed Rs. 10 lakh, it should be ensured that the said shares/ debentures are transferred in the name of the FI concerned. In this regard, SEBI amended the SEBI (Depositories and Participants) Regulations, 1996 to facilitate pledge of dematerialised securities. In case of default by the borrower, the FI could invoke the pledge, subject to the provisions of the pledge documents, and the depository will register the FI as beneficial owner. Accordingly, FIs were permitted to accept shares/ debentures held in dematerialised form in addition to the physical form.

Recovery of Dues in respect of NPAs

4.34 In line with the guidelines issued to public sector banks for recovery of dues relating to NPAs, all Central Public financial Institutions (*viz.*, IDBI, IFCI Ltd., IDFC Ltd., IIBI Ltd., TFCI Ltd., EXIM Bank, NABARD, SIDBI and NHB) were advised in July 2000 to implement the modified guidelines which provided a simplified, non-discretionary and non-discriminatory

Box IV.2: Co-ordination Issues between Banks and Financial Institutions

In the context of transition of the banks and the all-India FIs from a regulated to a deregulated regime, the issue of effective co-ordination between banks and financial institutions has gained prominence. One of the common problems faced by banks and FIs in the recent years is the level of NPAs. In this context, it has been increasingly recognised that one of the reasons for the rise in NPAs was lack of the requisite co-ordination between banks and FIs, particularly where they are joint financiers of large value projects.

Such jointly financed projects also give rise to certain operational issues which, can be better addressed through closer co-ordination between the two sets of lenders, *viz*., banks and FIs. Therefore, attention has been focused on large projects jointly financed by banks and FIs, in order to eschew delays and facilitate better solutions to the common problems. In this regard, pursuant to the recommendations of the Working Group on Harmonising the Role and Operations of Development Financial Institutions (DFIs) and Banks (Chairman: Shri. S.H. Khan), a Standing Co-ordination Committee was constituted in August 1999 under the aegis of IDBI, with representatives from select FIs and banks. The Committee evolved certain ground rules in the following areas for consideration and adoption by banks and FIs.

1. Timeframe for Sanction of Facilities

a) In the cases where only two lenders are involved, any issue relating to sanction of facilities should be resolved by mutual discussions between them within 60 days from the date of sanction by the Lead.

b) In cases where more than two lenders were involved, their agreement or disagreement for sanction of facilities must be conveyed by the Lead within 60 days from the date of receiving loan applications, complete in all respects and by the other participating institutions within 60 days from the date of receipt of appraisal note from the Lead.

c) In cases of fresh loan proposals involving more than two lenders, the sanction should be conveyed within a period of two months from the date of the appraisal note by the lenders which had initially agreed in-principle to participate in the financing and *prima facie*, rejection of the proposal, if any, should be conveyed within 30 days.

d) In case of accounts involving restructuring, the lead institutions should complete the restructuring process within three months from the date of receipt of complete proposal while the other participating lenders should convey their decision within two months from the date of receipt of appraisal note.

2. Asset Classification across Consortium Members

Normally banks and FIs may classify the accounts based on their performance as per their books of accounts. In cases of restructured and consortium accounts, the classification should be the same for all institutions/ banks concerned.

3. Disciplining Borrowers - Change in Management

The views of the majority of lenders in a consortium (say 70 per cent of total funded exposure), on a consortium-specific basis, should be adopted in regard to changing the management of a defaulting borrowing unit. If 70 per cent majority of lenders (in terms of their funded exposures) agree to effect a change in the management of the defaulting borrowal unit, or to convert the loans to equity for subsequent off-loading of the same to the highest bidder through auction, they should take such decisions on a consortium-specific basis. Such action should be taken in certain specific circumstances (e.g. where sickness was induced by the same promoters in several units) in at least a few cases expeditiously in order to set a deterrent example in this regard.

4. Levy of Charges in Problem Accounts

While the consortium members should decide the rate of interest to be charged on borrowal accounts, the penal interest or other punitive charges, if any, should not exceed two percentage points above the contracted rate.

5. Group Approach for Borrowers

Normal funding requirements of the healthy performing units belonging to a group should not be hampered by adoption of group approach, unless the companies concerned are in defaulting list or the promoters are non-co-operative.

6. Sharing of securities and cash flows

While it was agreed, in principle, to the proposition of the banks and FIs sharing securities and cash flows in respect of consortium loans, it was felt that the exact modalities would need to be worked out.

Table IV.1: Comparative Position of Banks and FIs with respect to Select Regulatory Parameters *(Contd.)*

Sr. No.	Particulars	Norms for Banks	Norms for FIs
1	NPAs	An asset shall be treated as a NPA when	An asset would be treated as NPA for the following reasons: (A) Record of recovery
		(i) interest and/or instalment of principal remain overdue for a period of more than 180 days in respect of a term loan;	(i) The change to 180 days for instalment of principal/interest is applicable from the year ending March 31, 2002.
		(ii) the account remains out of order for a period of more than 180 days, in respect of Overdraft/Cash Credit (OD/CC);	(ii) Not applicable.
		(iii) the bill remains overdue for a period of more than 180 days in the case of bills purchased and discounted;	(iii) A bill purchased/ discounted/ rediscounted shall be treated as NPA if it remains overdue and unpaid for a period more than 180 days;
		(iv) interest and/or instalment of principal remains overdue for two harvest seasons; in respect of short-term agricultural loans for production and marketing of seasonal agricultural crops such as paddy, wheat, oilseeds, sugarcane, etc.	(iv) not applicable;
		(v) any amount to be received remains overdue for a period more than 180 days in respect of other accounts;	(v) Any other credit facility (including deposits placed with the corporate sector or debentures subscribed for private placement basis) would need to be treated as NPA, if any amount to be received in respect of that facility remain overdue for a period more than 180 days. (vi) Government guaranteed advances shall be treated as NPAs only if concerned State Government repudiates its guarantee.
		The 90 day norm shall be adopted by banks from the year ending March 31, 2004.	The 90 day norm has not been made applicable to FIs.
			(B) Time overrun In case of the projects under implementation, an asset becomes NPA where the time overrun has exceeded more than 50 per cent of the time period initially contracted for completion of the project. Based on valid grounds, however, the Board of the FI can treat an asset as standard even if the time overrun has been in excess of the above limit of 50 per cent and pass a resolution as what the permitted time overrun would be, but there can only be a one time refixing of the time period of the project.
			(C) Take over / OTS/Merger of units (i) In case sick units (under nursing program or otherwise) which are taken over by 'standard' category borrowers, the credit facilities extended to the

Table IV.1: Comparative Position of Banks and FIs with respect to Select Regulatory Parameters *(Contd.)*

Sr. No.	Particulars	Norms for Banks	Norms for FIs
			transferee and the merged units are permitted to be classified separately for not more than three years from the date of take over. Thereafter, the conduct of the facilities by the combined entity determines the asset classification. (ii) In case of one time settlement (OTS) entered into between a FI and the new management of a sick unit after its merger with a healthy unit, the assets in respect of the merged (sick) unit are permitted to be treated as standard without waiting for the three year period, if the payments are being made as per the OTS scheme. (iii) In case of reverse merger too, where a sick unit takes over a healthy unit, the respective facilities of the two units are permitted to be classified separately for a period of three years; thereafter, the performance of the combined entity determines the classification.
2	Income Recognition	*Advances* (i) The banks should not take to income account, the interest on any NPA; (ii) Interest on advances against term deposits, National Savings Certificates, *Indira Vikas Patra, Kisan Vikas Patra,* and Life policies may be recognised, provided adequate margin is available in the accounts; (iii) If government guaranteed advances become NPA, the interest on such advances should not be taken to income account unless the interest has been realised.	*Advances* (i) in respect of any NPA, the FI should not take to interest income, fees or any other charges unless actually realised. (ii) Not applicable to FIs. (iii) Same as in case of banks.
		Investments (i) Where interest/principal is in arrears, the banks should not reckon the income on the securities. (ii) Banks may book income on accrual basis on securities of corporate bodies/public sector undertakings in respect of which the payment of interest and repayment of principal have been guaranteed by the Central Government or a State Government, provided interest is serviced regularly and as such is not in arrears. (iii) Banks may book income from dividend on shares of corporate bodies on accrual basis, provided dividend	*Investments* (i) Same as in case of banks. (ii) Generally the same, except that the words 'public sector undertakings' are not mentioned in case of FIs. (iii) Same as in case of banks.

Table IV.1: Comparative Position of Banks and FIs with respect to Select Regulatory Parameters *(Contd.)*

Sr. No.	Particulars	Norms for Banks	Norms for FIs
		on the shares has been declared by the corporate body in its Annual General Meeting and the owner's right to receive payment is established.	
		(iv) Banks may book income from government securities and bonds and debentures of corporate bodies on accrual basis, where interest rates on these instruments are pre-determined and provided interest is serviced regularly and is not in arrears.	(iv) Same as in case of banks.
		(v) Banks should book income from units of mutual funds on cash basis.	(v) Not applicable to FIs.
		Reversal of Interest If any advance including bills purchased and discounted becomes NPA during any year, interest accrued and credited to income account in the previous year should be reversed or provided for, if the same is not realised. This is applicable to Government guaranteed accounts and non-performing investments also.	As in case of banks.
3	Asset Classification	All NPAs in the advances portfolio (except State Government guaranteed advances, where guarantee is not invoked) and Central Government advances, where the Central Government has not repudiated the guarantee, are to be classified into three categories (a) Sub-standard asset – if NPA for a period less than or equal to 18 months, (b) Doubtful asset-NPA for a period exceeding 18 months and (c) Loss asset-Asset where loss has been identified by the bank/internal/external auditor, but the amount has not been written off wholly.	Generally the same as in case of banks.
4	Provisioning	*Advances* Standard asset-0.25 per cent on global portfolio basis. Sub-standard asset-10 per cent of the outstanding balance. Doubtful asset (DA)-Unsecured portion 100 per cent *plus* the following per cent on the secured portion: 20 per cent, if a DA ≤1 year 30 per cent, if DA of 1-3 years 50 per cent, if DA>3 years Loss asset-100 per cent of the outstanding to be provided for.	*Advances* Generally the same as in the case of banks. However, in case of doubtful/loss assets which are subsequently classified as sub-standard consequent to rescheduling/renegotiation, the provision made or the amount written off cannot be reversed till the asset becomes eligible to be classified as performing asset. The provision for government guaranteed account which has become NPA should be made only if the concerned State Government repudiates its guarantees.
		Investments Where the interest/principal is in arrears,	*Investments* Same as in case of banks.

Table IV.1: Comparative Position of Banks and FIs with respect to Select Regulatory Parameters *(Contd.)*

Sr. No.	Particulars	Norms for Banks	Norms for FIs
		the bank should make appropriate provisions for the depreciation in the value of the investment.	
5	CRAR	9 per cent of risk-weighted assets (RWA) on an ongoing basis. Capital Funds would include the following elements: Tier-I capital (i) paid-up capital, statutory reserves and other disclosed free reserves, if any; (ii) capital reserves representing surplus arising out of sale proceeds of assets; Equity investments in subsidiaries, intangible assets and losses in the current period and those brought forward from previous periods, should be deducted from tier-I capital. Tier-II capital: (i) Undisclosed reserves and cumulative perpetual preference shares; (ii) Revaluation reserves (at a discount of 55 per cent); (iii) General provisions and loss reserves, including general provisions on standard assets (not more than 1.25 per cent of RWA). (iv) Hybrid debt capital instruments; (v) Sub-ordinated debt (eligible to be reckoned as tier-II capital will be limited to 50 per cent of tier-I capital); Tier-II elements will be reckoned as capital upto a maximum of 100 per cent of total tier-I elements. *Capital Adequacy for Subsidiaries* Banks to voluntarily build-in the risk-weighted components of their subsidiaries into their own balance sheet on notional basis, at par with the risk-weights applicable to the bank's own assets. The additional capital is to be built up in the bank's book in phases from March 2001.	Generally, the same as in case of banks, except that the under noted instruments are also permitted to be treated as tier-I capital: (i) Grant equivalent implicit in the 20 year preference shares with original maturity of 20 years; (ii) Government of India grant received in perpetuity in respect of KfW line of credit as portion of Interest Differential Fund; (iii) Certain 20 year bonds of FIs subscribed by Government of India that fulfill prescribed conditions; (iv) Reserves held under Section 36 (1) (viii) of the Income Tax Act, 1961. Gap in provisioning also deducted for FIs. The same as in case of banks, except that redeemable, cumulative, non-convertible preference shares having initial maturity not less than 5 years will be eligible for inclusion in tier-II capital on the same footing as 'sub-ordinated debt' and will be subject to the progressive discounting and the ceiling applicable to sub-ordinated debt. Same as in case of banks. Not applicable to FIs.
6	Investments	*Classification* The entire investment portfolio of banks (including SLR securities and non-SLR securities) should be classified into three	*Classification* Generally the same as in case of banks, except that the under noted norms apply for equity shares.

Table IV.1: Comparative Position of Banks and FIs with respect to Select Regulatory Parameters *(Contd.)*

Sr. No.	Particulars	Norms for Banks	Norms for FIs
		categories, *viz*., Held to Maturity (HTM), Available for Sale (AFS) and Held for Trading (HFT) categories.Holding period under HFT not more than 90 days. The investments under HTM should not exceed 25 per cent of bank's total investments. Banks have the freedom to decide the extent of holdings under AFS and HFT categories. *Valuation* HTM – not necessary, unless book value is more than face value, in which case the premium is to be amortised over the period remaining to maturity. AFS-annual or more frequent (net appreciation in each classification to be ignored, net depreciation to be provided for). HFT-monthly or more frequent (net appreciation and net depreciation can be taken to Profit and Loss account).	Investments in equity shares as part of project finance are to be valued at cost for a period of two years after commencement of production or five years after subscription, whichever is earlier. In respect of other investments in equity shares, valuation may be done as per market value which would be the market price of the scrip as available from the trades/quotes on the stock exchange. Those scrips for which current quotation are not available or where the shares are not quoted on the stock exchanges, should be valued at break-up value (without considering revaluation reserves, if any) which is to be ascertained from the company's latest balance sheet (which should not be more than one year prior to the date of valuation). In case the latest balance sheet is not available, the shares are to be valued at rupee one per company.
7	Exposure Norms	The exposures to individual and group borrowers are 20 per cent and 50 per cent of the capital funds[5], respectively; and 60 per cent in case the exposure is on infrastructure sector. The maximum exposure to (with effect from March 2002)[6]: Individual borrowers-15 per cent of capital funds; Group borrowers-40 per cent of capital funds (can be exceeded by an additional 10 per cent if the exposure is for financing infrastructure projects alone). Components of exposure would comprise	Same as in case of banks, except (i) investment exposure not reckoned for FIs, (ii) in respect of term loans, the exposure limit is reckoned on the basis of undrawn commitments. In cases where disbursements are yet to commence, exposure limit is reckoned on the basis of sanctioned limit or the extent to which the FIs have entered into commitments with the borrowing companies in terms of agreements, as the case may be. In respect of all other facilities (other than term loans), exposure limits shall continue to be reckoned on the basis of sanctioned limits or outstandings, whichever are higher.

[5] Paid-up capital and free reserves as per latest published balance sheet.

[6] The components of exposure are credit exposure (funded and non-funded credit limits) and investment exposure (underwriting and similar commitments). The sanctioned limits or outstandings, whichever is higher, shall be reckoned. In case of non-funded limits, only 50 per cent of such limits or outstandings, whichever is higher, may be taken into account.

Table IV.1: Comparative Position of Banks and FIs with respect to Select Regulatory Parameters *(Contd.)*

Sr. No.	Particulars	Norms for Banks	Norms for FIs
		100 per cent of funded and non-funded exposure. With effect from April 2003, forward contracts in foreign exchange and other derivative products like currency swaps, options, etc., at their replacement cost are to be included, while determining exposure. Ceiling for investment in shares is 5 per cent of bank's total outstanding advances as on March 31 of the previous year (including Commercial Paper).	Not applicable.
8	Disclosure Requirements	The following information is to be disclosed as 'Notes on Accounts' in the balance sheet by public sector banks: (i) Percentage shareholding of the Government of India; (ii) Percentage of net NPA to net advances; (iii) Amount of provisions made towards NPAs, depreciation in the value of investment and income tax, separately; (iv) capital adequacy ratio (tier-I and tier-II capital), separately; (v) sub-ordinated debt raised as tier-II capital; (vi) gross value of investments in and outside India; aggregate of provisions for depreciation and net value of investments; (vii) interest income as percentage to average working funds; (viii) non-interest income as percentage to average working fund; (ix) Operating profit as percentage to average working fund; (x) Return on Assets; (xi) Business per employee; (xii) Profit per employee; (xiii) Maturity pattern of loans and advances; (xiv) Maturity pattern of investments in securities; (xv) Foreign currency assets and liabilities; (xvi) Movements in NPAs; (xvii) Maturity pattern of deposits and borrowings; (xviii) Lending to sensitive sectors. Additional disclosure in the 'Notes on Accounts' from the accounting year ended	Generally the same as in case of banks, except that items (i), (iii), (vi), (xi) and (xviii) are not applicable to FIs. iii) Same as banks. However, investments includes only those items which are other than in the nature of an advance. The undernoted additional disclosures have been prescribed for FIs. (i) Risk-weighted assets-for on and off-balance sheet items separately; (ii) The shareholding pattern as on the date of the balance sheet; (iii) Amount and percentage of net NPAs under prescribed asset classification categories; (iv) Credit exposure as percentage to capital funds and as percentage to total assets, in respect of : (a) the largest single borrower (b) the largest borrower group (c) the 10 largest single borrowers (d) the 10 largest borrower groups (v) Detailed disclosures on forward rate agreements and interest rate swaps. (vi) Credit exposure to the five largest sectors/ industries as percentage to total loan assets.

Table IV.1: Comparative Position of Banks and FIs with respect to Select Regulatory Parameters *(Concld.)*

Sr. No.	Particulars	Norms for Banks	Norms for FIs
		March 31, 2001 (i) Treatment of restructured accounts; (ii) Investment in shares etc: (a) Investments in shares, (b) Investments in convertible debentures, and, (c) units of equity oriented mutual funds. Additional information in the 'Notes on Accounts' in the balance sheet from the accounting year ending March 31, 2002: (i) Movement of provisions held towards NPAs, (ii) Movement of provisions held towards depreciation on invesments.	
9	ALM Guidelines	ALM guidelines were introduced for banks in February 1999. Banks were to ensure coverage of 60 per cent of their liabilities and assets initially, and subsequently cover 100 per cent of their business by April 1, 2000. The prudential norms prescribed are only for negative liquidity mismatches in the first two time buckets (*viz.*, 1-14 days and 15-29 days) at 20 per cent each of the cash outflows in these time buckets.	ALM guidelines for FIs were issued in December 1999 and implemented since April 2000. The guidelines envisages preparation of periodical Liquidity Gap Statement and Interest Rate Sensitivity statement in accordance with the detailed prescriptions contained in the guidelines. The prudential norms prescribed are only for negative liquidity mismatches in the first two time buckets (*viz.*, 1-14 days and 15-29 days) at 10 per cent and 15 per cent of cash outflows in these time buckets. The FIs are expected to fix their own prudential limits with the approval of their Board/Asset Liability Committee (ALCO) for cumulative negative gaps. In the case of interest rate gaps, the Board/ALCO will have to fix the prudential limits for each FI.
10	Resource Raising	Not applicable for banks.	Regulation has been laid down regarding the total borrowing of the FI and the quantum of resources they can raise through the umbrella limit (i.e., term-money borrowings, certificate of deposits, term-deposits, inter-corporate deposits and commercial paper). At present, their total borrowings are required to be within a ceiling of 10 times of their NOF, while borrowings through the aforesaid umbrella limit for the said instruments are required to be within the ceiling of one time of their NOF.

mechanism for recovery of NPAs. Accordingly, notice was to be given by the FIs to eligible defaulting borrowers to avail of the opportunity for one-time settlement of their outstanding dues by August 31, 2000 which was extended up to September 30, 2000. The guidelines for settlement of the outstanding dues, which were initially to be operational up to March 31, 2001, were later extended up to June 30, 2001. All applications received by FIs up to June 30, 2001 were to be processed and decisions taken thereon at the earliest but not later than September 30, 2001.

Moving towards Pure Inter-bank Call Money Market

4.35 At present, several non-bank FIs and mutual funds are permitted to lend directly in the

call/notice money market. Following the recommendations of the Committee on Banking Sector Reforms (Chairman: Shri M.Narasimham), it was decided to move towards a pure inter-bank (including PDs) call/notice money market. With a view to formulating a smooth phasing out of these institutions from the call/notice money market, pursuant to the announcement in the Mid-Term Review of October 2000, a Technical Group, comprising representatives from Reserve Bank, non-banks and banks was constituted. In the light of the recommendations of the Group and the feedback received on the recommendations, the FIs participation in the call money market will be phased out in the following four stages:

a) In stage I, with effect from May 5, 2001 non-banks would be allowed to lend up to 85.0 per cent of their average daily lending in call market during 2000-01.

b) In stage II, with effect from the date of operationalisation of the Clearing Corporation, non-banks would be allowed to lend up to 70.0 per cent of their average daily lending in call market during 2000-01.

c) In stage III, with effect from three months after stage II, access of non-banks to call/notice money market would be equivalent to 40.0 per cent of their average daily lending in call market during 2000-01.

d) In stage IV, with effect from three months after stage III, access of non-banks to call/notice money market would be equivalent to 10.0 per cent of their average daily lending in call market during 2000-01.

4.36 From a date to be notified by the Reserve Bank, after the on-set of stage IV, non-banks will not be permitted to lend in call/notice money market.

4.37 In view of the above, FIs were advised on April 21, 2001 to submit a daily return in a prescribed format to facilitate monitoring of their operations in the call/notice money market on a daily basis.

2. Financial Assets of Financial Institutions

4.38 During 2000-01, the aggregate financial assets of banks and FIs grew by 14.4 per cent compared with the growth of 15.3 per cent recorded in the previous year [Appendix Table IV.1(A)]. The financial assets of FIs grew at a lower rate of 7.8 per cent in 2000-01 than 12.7 per cent in 1999-2000 (and 15.1 per cent in 1998-99). Consequently, the share of FIs in the aggregate financial assets of FIs and banks taken together moved down from 36.1 per cent in 1999-2000 to 34.0 per cent in 2000-01 (Chart IV.2).

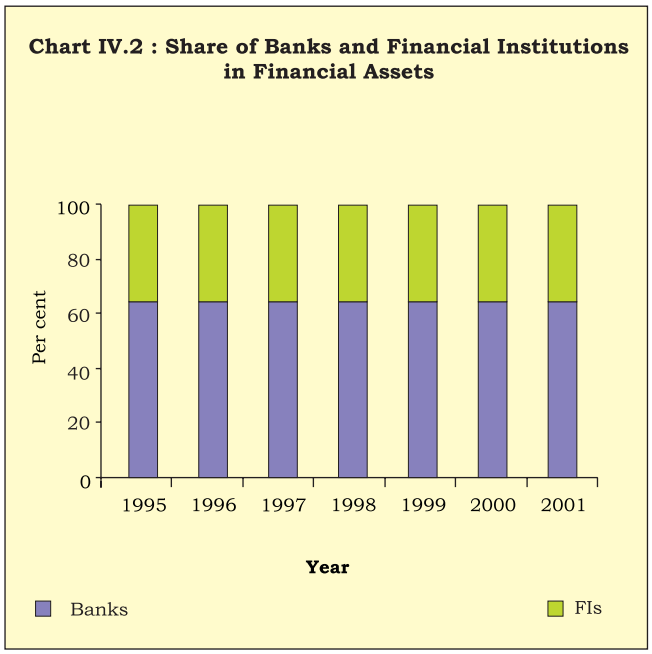
4.39 At the disaggregated level, the financial assets of all-India term lending institutions recorded a growth of 6.6 per cent in 2000-01 as compared with 9.5 per cent in 1999-2000 [Appendix Table IV.1(B)]. Among these institutions, during 2000-01, the financial assets of NABARD recorded the highest growth (16.2 per cent) followed by ICICI (12.5 per cent). The financial assets of IDBI and IFCI declined by 0.8 per cent and 3.0 per cent, respectively, in 2000-01. Among the investment institutions, the financial assets of all the three institutions witnessed lower increase in 2000-01 than in the previous year (Chart IV.3).

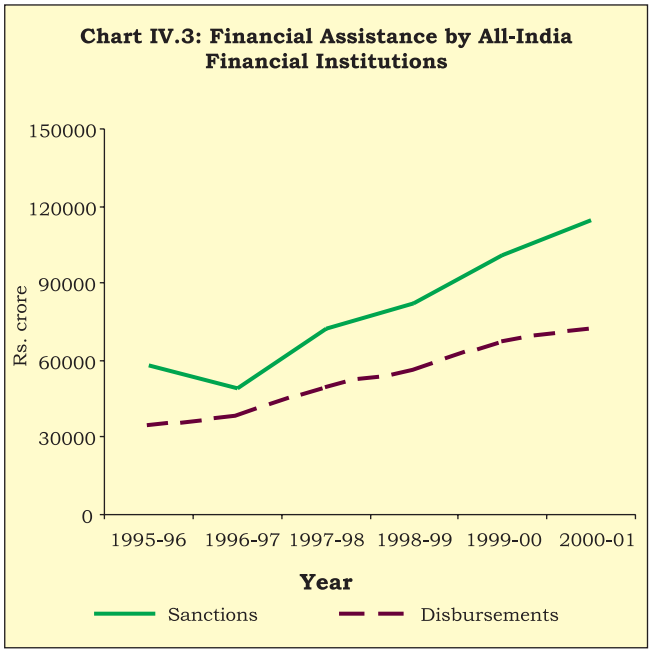
3. Term-Lending and Investment Institutions

Financial Assistance

4.40 During 2000-01, financial assistance sanctioned and disbursed by AIFIs stood at Rs.1,17,667 crore and Rs.72,528 crore, respectively. Sanctions increased by 16.2 per cent and disbursements by 7.3 per cent respectively, as compared with 23.6 per cent and 20.1 per cent, respectively, during 1999-2000 (Appendix Table IV.2 and Chart IV.3). All-India development banks' (AIDBs) sanctions grew by 16.7 per cent and disbursements by 9.2 per cent, during 2000-01. Specialised financial institutions (*viz.*, IFCI Venture Capital Funds Ltd., ICICI Venture and TFCI) witnessed a marginal decline in disbursements to Rs.254 crore from Rs.260 crore even as their sanctions increased by 37.7 per cent to Rs.339 crore. Disbursements by investment institutions also declined marginally to Rs.12,694 crore (from Rs.12,764 crore in 1999-2000), while their sanctions increased by 13.2 per cent to Rs.17,900 crore.

4.41 Disbursements by ICICI witnessed a significant increase both in 1999-2000 and 2000-01 and accounted for 62.0 per cent of the disbursements by three major financial





institutions in 2000-01. The share of disbursements by IDBI, on the other hand, declined from 37.6 per cent in 1998-99 to 33.9 per cent in 2000-01 (Table IV.2).

Trend in Assets and Liabilities of Financial Institutions

4.42 During 2000-01, the total assets/ liabilities of AIFIs showed a growth rate of 6.2 per cent as compared with 8.5 per cent in the previous year (Appendix Table IV.3).

4.43 The composition of liabilities displayed a movement away from borrowings and towards debt in the form of bonds and debentures and deposits. External sources continued to be the important source of finance for FIs, constituting 80.9 per cent of the total resource base, while capital and reserves constituted the remaining

Table IV.2: Disbursements of Major Financial Institutions

(Rs. crore)

Year / Institution	1998-99		1999-2000 (Provisional)		2000-01 (Provisional)		Percentage variation	
	Amount	Per cent Share	Amount	Per cent Share	Amount	Per cent Share	Col. (4) over Col.(2)	Col. (6) over Col.(4)
1	2	3	4	5	6	7	8	9
Disbursements								
i) IDBI	14,470.1	37.6	17,059.4	37.0	17,498.3	33.9	17.9	2.6
ii) ICICI	19,225.1	49.9	25,835.7	55.9	31,964.6	62.0	34.4	23.7
iii) IFCI	4,819.3	12.5	3,272.1	7.1	2,120.9	4.1	-32.1	-35.2
A. Total (i+ii+iii)	**38,514.5**	**100.0**	**46,167.2**	**100.0**	**51,583.8**	**100.0**	**19.9**	**11.7**
B. AIFIs	56,296.0		67,594.1		72,528.2		20.1	7.3
C. A as per cent of B	68.4		68.3		71.1			

19.1 per cent. Funds raised through bonds and debentures comprised 50.9 per cent of the total liabilities as at end-March 2001 [Chart IV.4 (A)].

4.44 Loans and advances constituted the major item (72.9 per cent) on the asset side of the balance sheet of FIs, and posted a growth of 7.5 per cent during the year ended March 2001. While cash and bank balances increased by 6.9 per cent, investments posted a rise of 3.4 per cent as at the end of March 2001 [Chart IV.4 (B)].

Sources and Uses of Funds of Financial Institutions

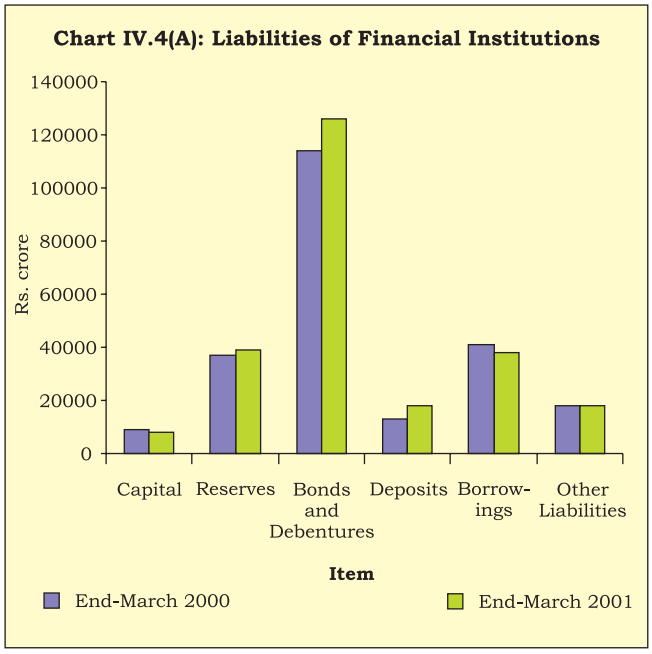
4.45 During 2000-01 (April-March), internal sources as a proportion of total sources constituted 51.1 per cent as against 50.2 per cent during the preceding year. The share of external sources amounted to 29.5 per cent as against 27.1 per cent during 1999-2000. The share of 'other sources' of funds (which includes interest/dividends received, etc.,) declined to 19.4 per cent from 22.7 per cent (Appendix Table IV.4 and Chart IV.5(A)).

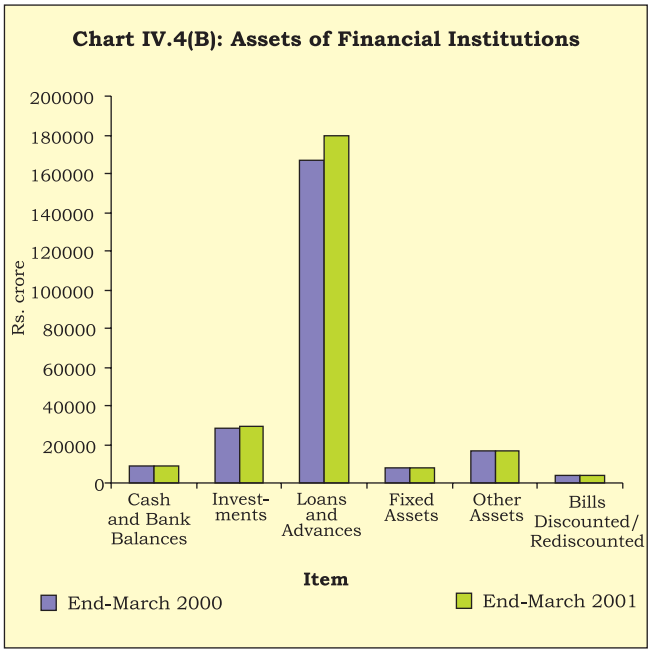
4.46 On the uses side, fresh deployments as a proportion of total uses declined marginally from 55.6 per cent during the year 1999-2000 (April-March) to 55.1 per cent, while the share of repayments of past borrowings increased from 17.9 per cent to 18.5 per cent in 2000-01. The share of 'other deployments', declined marginally from 26.5 per cent in 1999-2000 to 26.4 per cent in 2000-01, of which the interest payments component has also increased marginally from 13.6 per cent in 1999-2000 to 13.9 per cent in 2000-01 as evidenced from Appendix Table IV.5 and Chart IV.5 (B).

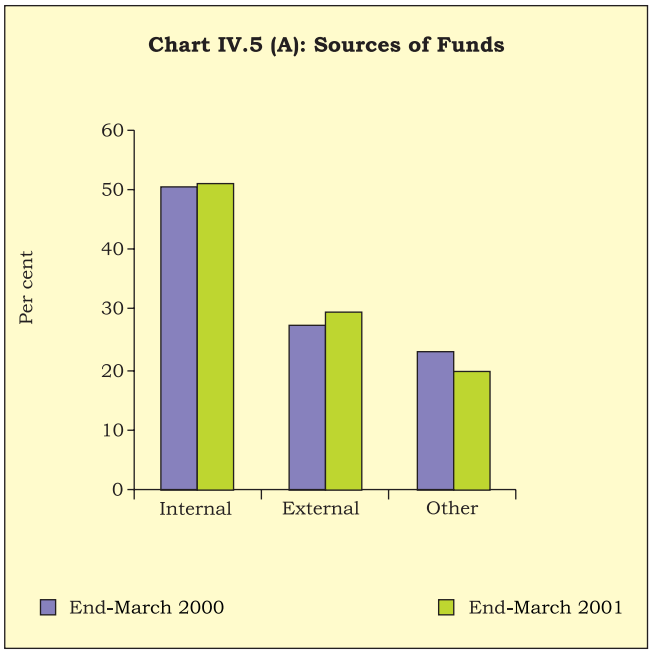
Financial Performance of Select all-India Financial Institutions

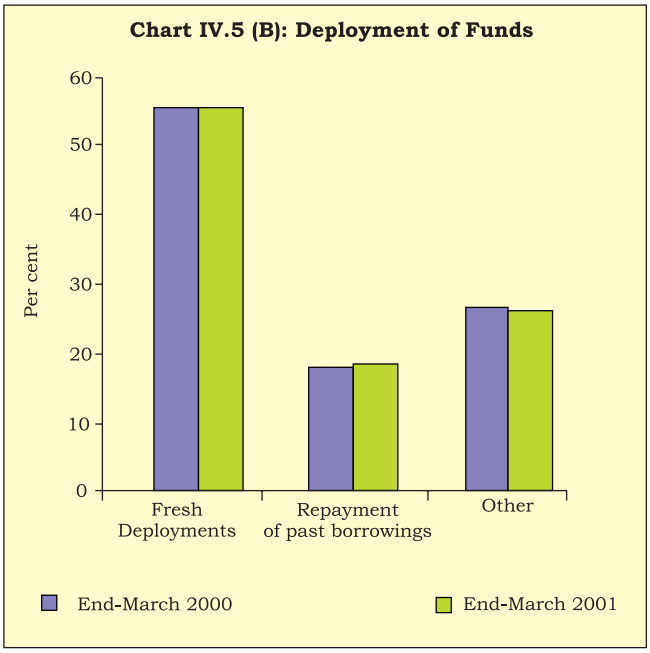
4.47 The profitability analysis of the 10 FIs indicates that the combined net profits of these institutions registered a decline of 35.1 per cent during the year 2000-01. With income increasing by 6.0 per cent and expenditure by more than 12.0 per cent, net profits of FIs showed a decline. The spread (net interest income) of FIs as a ratio of total assets declined from 1.69 per cent in 1999-2000 to 1.61 per cent in 2000-01 (Table IV.3).

4.48 Among the major financial institutions (IDBI, ICICI and IFCI), both IDBI and IFCI witnessed a decline in their income during the year 2000-01, reflecting primarily a fall in interest income (in case of IDBI) and a sharp drop in other income (in case of IFCI). However, the rise in expenditure was more pronounced in case of all the three institutions, the largest increase being in the case of ICICI, which recorded a rise of 20.7 per cent in 2000-01 due primarily to a rise in provisions. Consequently,









the net profits of IDBI and ICICI posted declines during the year 2000-01, while IFCI posted a net loss (Appendix Table IV.5).

4.49 As a move towards greater disclosure, FIs have been advised to disclose, among other parameters, certain operating ratios in their audited balance sheet from the year 2000-01 (Appendix Table IV.6). These ratios reveal that, among the select financial institutions regulated and supervised by the Reserve Bank, IFCI has a negative return on assets and net loss per employee.

Prime Lending Rates of FIs

4.50 There has been a general downward movement in interest rates over the period January 2001 to July 2001(Table IV.4). The long-term PLR (LTPLR) of IDBI declined from 14.0 per cent in January 2001 to 13.5 per cent in July 2001, and that of ICICI from 13.0 per cent to 12.5 per cent. The LTPLR of IFCI remained at 13.0 per cent during this period. The medium-term PLR (MTPLR) and short-term PLR (STPLR) of these institutions have also recorded concomitant declines.

Resources Raised by Major Financial Institutions

4.51 During the year 2000-01 (April-March), total resources mobilised by three major all-India FIs by way of issue of bonds (both public issue of bonds / debentures as well as private placements) aggregated Rs. 18,867 crore (Table IV.5). This amount was higher than Rs.16,312 crore raised during 1999-2000, but lower than Rs.29,037 crore raised during 1998-99. Of the total resources raised during the year 2000-01, Rs.14,806 crore (78.5 per cent) was raised through private placements, whereas the remaining amount was raised through public issues. Institution-wise, ICICI raised the maximum amount of Rs.10,677 crore (56.6 per cent of the total resources raised), whereas IDBI and IFCI raised Rs. 5,481 crore and Rs. 2,709 crore, respectively. ICICI raised Rs. 7,776 crore through private placements, whereas IFCI mobilised the entire amount through the private placement route.

FIs' Money Market Operations

4.52 FIs are allowed to participate in the call/notice money market as lenders (which is currently being phased out) and borrow the funds by way of term money with the maturity range of three to six months within the umbrella limit prescribed for the individual FIs. Investment institutions, *viz.*, UTI, LIC and GIC are at present allowed to participate in the call/notice money market as lenders only.

4.53 During the year 2000-01 (April-March), the average quarterly outstanding borrowing by

Table IV.3 : Financial Performance of Select Financial Institutions*

(Rs. crore)

Item	1999–2000	2000–01	Variation of Col. (3) over Col. (2)	
			Absolute	Percentage
1	2	3	4	5
A. Income	**24,410.41**	**25,867.15**	**1,456.74**	**5.97**
(i+ii)	**(100.00)**	**(100.00)**		
i) Interest Income	22,152.18	23,519.05	1,366.87	6.17
	(90.75)	(90.92)		
ii) Other Income	2,258.23	2,348.10	89.87	3.98
	(9.25)	(9.08)		
B. Expenditure	**21,147.73**	**23,748.09**	**2,600.36**	**12.30**
(i+ii+iii)	**(100.00)**	**(100.00)**		
i) Interest Expended	18,244.60	19,567.24	1,322.64	7.25
	(86.27)	(82.40)		
ii) Provisions	686.64	1,578.77	892.13	129.93
	(3.25)	(6.65)		
iii) Other Expenses	2,216.49	2,602.08	385.59	17.40
	(10.48)	(10.96)		
of which : Wage Bill	362.27	476.35	114.08	31.49
	(1.71)	(2.01)		
C. Profit				
i) Operating Profit	**3,949.32**	**3,697.83**	**-251.49**	**–6.37**
ii) Net Profit	**3,262.68**	**2,119.06**	**-1,143.62**	**–35.05**
D. Total Assets	**2,32,043.02**	**2,46,518.00**	**14,474.98**	**6.24**
E. Financial Ratios (per cent) @				
i) Operating Profit	1.71	1.50	-0.21	—
ii) Net Profit	1.41	0.86	-0.55	—
iii) Income	10.52	10.49	-0.03	—
iv) Interest Income	9.55	9.54	-0.01	—
v) Other Income	0.97	0.95	-0.02	—
vi) Expenditure	9.11	9.63	0.52	—
vii) Interest Expended	7.86	7.94	0.07	—
viii) Other Operating Expenses	0.96	1.06	0.10	—
ix) Wage Bill	0.16	0.19	0.04	—
x) Provisions and Contingencies	0.30	0.64	0.34	—
xi) Spread (Net Interest Income)	1.69	1.61	-0.08	—

@ Ratios to Total Assets.

* IDBI,ICICI,TFCI,EXIM Bank, NABARD,SIDBI,IDFC,IFCI, NHB and IIBI.

Notes: 1. Figures in brackets are percentage shares to the respective total.

2. NHB data is as on June 30, 2001.

way of term money in respect of select FIs stood at Rs.1,091 crore as compared with Rs.465 crore during the previous year. The cost of borrowing ranged between 7.25 per cent and 11.95 per cent as against 11.10 per cent and 11.25 per cent per annum in the previous year. The maturity period ranged between 90 days to 184 days, roughly the same as during the previous year.

4.54 The average quarterly lending of the select FIs including investment institutions (*viz.*, UTI, LIC and GIC) in the call/ notice money market during 2000-01 (April-March) amounted to Rs.4,374 crore as compared with Rs.3,996 crore during the previous year. Institution-wise, the largest lender in the call/ notice money market during 2000-01 (April-March) was UTI with an average daily lending at Rs.878 crore followed by LIC at Rs.811 crore (Appendix Table IV.7).

Table IV.4: Lending Rate Structure of Major Financial Institutions

(per cent per annum)

PLR	IDBI	ICICI	IFCI
1	2	3	4
January 2001			
LTPLR	14.0	13.0	13.0
MTPLR	13.0	13.0	—
STPLR	12.5	13.0	12.5
March 2001			
LTPLR	14.0	12.5	13.0
MTPLR	13.0	12.5	—
STPLR	12.5	12.5	12.5
July 2001			
LTPLR	13.5	12.5	13.0
MTPLR	12.5	12.5	—
STPLR	12.0	12.5	12.5

Notes: 1. All interest rates are exclusive of interest tax unless stated otherwise.

2. Interest rates indicated are the range/band which includes Prime Lending Rates also.

3. LTPLR: Long-term Prime Lending Rate (for term-loans exceeding 3 years) STPLR: Short-term Prime Lending Rate (for term-loans below 3 years). In case of ICICI, the STPLR is of variable maturity with interest rates reset annually. MTPLR: Medium-term Prime Lending Rate (applicable for ICICI for loans with maturity exceeding 1 year).

Asset Classification and Capital Adequacy of Financial Institutions

4.55 The ratio of net NPA to net loan as on March 31, 2001, in respect of ICICI, SIDBI and EXIM Bank was below 10 per cent that of IFCI, IDBI, IIBI and TFCI ranged between 14.0 per cent and 23.0 per cent (Table IV.6).

4.56 In December 1998, the minimum CRAR to be achieved by FIs was enhanced from the then existing 8 per cent to 9 per cent, with effect from the year ending March 31, 2000. Judged thus, as at end-March 2001 all financial institutions (except IFCI) were well above the 9 per cent benchmark figure as evidenced from Table IV.7. The CRAR of IDBI, SIDBI, IIBI, NHB and TFCI witnessed significant improvements. EXIM Bank, NABARD, IFCI, ICICI and IDFC showed a decline in their CRAR as compared with the previous year's position. The CRAR of IFCI was 6.2 per cent which is lower than the required level of 9 per cent as at the end of March 2001.

4. Reserve Bank Assistance to Financial Institutions

4.57 During 2000-01 (July-June), no long-term assistance was sanctioned by the Reserve Bank to any FI. The outstanding long-term borrowings by IDBI, SIDBI, EXIM Bank and IIBI under NIC (LTO) Fund facility as at end-June 2001 stood at Rs.4,222 crore. The outstanding long-term borrowing by NHB from the NHC (LTO) Fund as at end-June 2001 stood at Rs.875 crore.

4.58 Under Section 17(4A)/(4BB) of the Reserve Bank of India Act, 1934, the Reserve Bank sanctioned *ad-hoc* borrowing limits amounting to Rs.161 crore to 13 State Financial Corporations (SFCs) during the year 2000-01, at the Bank Rate against *ad-hoc* bonds guaranteed by respective State Government/Union Territories. There was no outstanding borrowing by SFCs as at end-June 2001 (Table IV.8).

Table IV.5: Resources Raised by Major FIs

(Amount in Rs. crore)

	ICICI			IDBI			IFCI			Total		
	1998–99	1999–00	2000–01	1998–99	1999–00	2000–01	1998–99	1999–00	2000–01	1998–99	1999–00	2000–01
1	2	3	4	5	6	7	8	9	10	11	12	13
Public Issue of Bonds/Debentures	3,064.4 (23.9)	2,574.9 (37.6)	2,900.8 (27.2)	4,342.0 (34.2)	2,073.5 (27.0)	1,161.0 (21.2)	– (0.0)	– (0.0)	– (0.0)	7,406.4 (25.5)	4,648.4 (28.5)	4,061.8 (21.5)
Private placement of Bonds/Debentures	9,745.4 (76.1)	4,274.0 (62.4)	7,776.5 (72.8)	8,341.0 (65.8)	5,602.6 (73.0)	4,320.0 (78.8)	3,543.8 (100.0)	1,786.5 (100.0)	2,709.0 (100.0)	21,630.2 (74.5)	11,663.1 (71.5)	14,805.5 (78.5)
Total	**12,809.8 (100.0)**	**6,848.9 (100.0)**	**10,677.3 (100.0)**	**12,683.0 (100.0)**	**7,676.1 (100.0)**	**5,481.0 (100.0)**	**3,543.8 (100.0)**	**1,786.5 (100.0)**	**2,709.0 (100.0)**	**29,036.6 (100.0)**	**16,311.5 (100.0)**	**18,867.3 (100.0)**

Notes:1.Figures in brackets indicate percentage to total.

2.Data for 2000–01 are provisional.

Table IV.6: Asset Classification of Select Financial Institutions
(As at end-March)

(Amount in Rs.crore)

Institution	Standard		Sub-standard		Doubtful		Loss		Net Loans Outstanding #		Net NPA/Net Loans (per cent)	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
1	2	3	4	5	6	7	8	9	10	11	12	13
IDBI	49,424	48,107	4,055	3,014	3,620	5,356	—	—	57,099	56,477	13.4	14.8
ICICI	48,382	54,525	1,793	885	2,166	2,097	—	—	52,341	57,507	7.6	5.2
IFCI	15,738	14,818	2,177	934	1,926	2,963	—	—	19,841	18,715	20.7	20.8
SIDBI	14,613	13,934	115	61	82	113	—	—	14,810	14,108	1.3	1.2
NABARD	29,031	35,771	833	—	218	—	—	—	30,082	35,771	3.5	—
NHB	3,668	N.A.	—	N.A.	—	N.A.	—	—	3,668	N.A.	—	N.A.
IIBI	3,286	2,108	380	201	278	424	—	—	3,944	2,733	16.7	22.9
EXIM Bank	4,231	4,562	200	236	174	171	—	—	4,605	4,969	8.1	8.2
IDFC	895	1,199	—	—	—	—	—	—	895	1,199	—	—
TFCI	746	604	101	81	28	75	—	—	875	760	14.7	20.5

N.A. Not available — Nil
Net of provisioning and write-offs.
Notes: 1. NPA in any year is the aggregate of the amounts under sub-standard, doubtful and loss categories.
2. IDFC has been included since 1999.
Source : Published balance sheet of respective institutions.

5. Mutual Funds

Policy Developments relating to Mutual Funds

4.59 During 2000-01, several steps were taken by SEBI to impart flexibility to the operations of mutual funds (MFs) and to safeguard the interests of the investors in mutual funds. Investment norms relating to mutual funds were liberalised allowing them to invest in mortgage-backed securities of investment grade and above. Further, the open ended schemes were allowed to invest up to 5 per cent of their net asset value in unlisted equity shares. The above two measures are expected to increase the funds to the housing sector and venture capital industry. Eligibility criteria for overseas investment were changed allowing apportionment of US$ 500 million limit of overseas investments among Indian MFs. The norms relating to code of conduct, criteria for classification of NPAs and their disclosures, treatment of income accrued on NPAs and the provisions to be made, disclosure of NPAs in the half-yearly portfolio reports, were stipulated. The period for initial offer of a scheme and despatch of certificates, standardisation of format, treatment of unclaimed deposits and standards for trading by the employees were tightened as well. Disclosure and transparency standards relating to Asset Management Companies (AMCs) were also tightened.

Table IV.7: Capital Adequacy Ratio@ of Select Financial Institutions

Institution	As at End-March			
	1998	1999	2000	2001
1	2	3	4	5
1. IDBI	13.7	12.7	14.5	15.8
2. ICICI	13.0	12.5	17.2	14.6
3. IFCI	11.6	8.4	8.8	6.2
4. SIDBI	30.3	26.9	27.8	28.1
5. IIBI	12.8	11.7	9.7	13.9
6. EXIM Bank	30.5	23.6	24.4	23.8
7. NABARD	52.5	53.3	44.4	38.5
8. IDFC	-	235.5	119.7	85.5
9. NHB*	16.7	17.3	16.5	16.8
10. TFCI	16.4	15.4	16.2	18.6

@ As per cent of risk-weighted assets.
* Relate to general fund.

Table IV.8: RBI Assistance to Financial Institutions

(Rs. crore)

Type of Assistance	Amount outstanding as on June 30, 2001
1	2
A. Long Term Credit [NIC(LTO)Fund]	
1.IDBI	1,440.0
2.SIDBI	2,004.8
3.EXIM Bank	617.0
4.IIBI	160.0
Total of A	**4,221.8**
B. Long Term Credit [NHC(LTO)Fund]	
1.NHB	875.0
Total of B	**875.0**
C. Medium/ short-term credit	
1.IDBI	—
2.SFCs	—
Total of C	**—**
D. Total (A+B+C)	**5,096.8**

Resource Mobilisation by Mutual Funds

4.60 Net resource mobilisation by all mutual funds registered a decline of 33.2 per cent to Rs.13,339 crore from Rs.19,953 crore in the previous year (Table IV.9). During 2000-01, public sector mutual funds raised Rs.1,623 crore which was more than three times the amount of Rs.513 crore raised during the previous year. The resource mobilisation by the private sector mutual funds at Rs.9,717 crore though much higher than that by public sector mutual funds was lower by 34.7 per cent as compared with Rs.14,892 crore mobilised during the previous year (Appendix Table IV.8). Resource mobilisation by UTI witnessed a sharp decline of 56.0 per cent to Rs.1,999 crore during 2000-01.

4.61 As detailed in the previous year's Report, a High Level Committee (Chairman: Shri Deepak Parekh) was constituted by the Government in 1998 to review the objectives and working of the US-64 scheme of UTI. The progress in implementation of the recommendations of the Committee is presented in Box IV.3. Subsequently, a Committee on 'Corporate Positioning' (Chairman: Shri Y.H. Malegam) was appointed, which submitted its Report on October 31, 2001. The recommendations are given in Box IV.4.

Table IV.9 : Resources Mobilised by Mutual Funds

(April-March)

(Rs. crore)

Mutual Funds	1997-98	1998-99(P)	1999-2000 (P)	2000-01(P)
1	2	3	4	5
I. Bank-sponsored (1 to 6)	**236.89**	**-88.34**	**155.58**	**348.23**
1. SBI MF	190.11	-71.79	477.60	351.88
2. Canbank MF	46.78	-16.55	-361.03	-5.41
3. Indian Bank MF	..	..	..	..
4. BOI MF	..	..	..	..
5. PNB MF	..	..	40.72	2.12
6. BOB MF	..	..	-1.71	-0.36
II. FIs-sponsored (7 to 9)	**203.39**	**546.81**	**357.41**	**1,274.51**
7. GIC MF	-19.20	-12.05	-206.28	-41.81
8. LIC MF	99.75	348.36	284.52	566.00
9. IDBI MF	122.84	210.50	279.17	750.32
III. Unit Trust of India	**2,875.00 (2,592.00)**	**170.00 (1,300.00)**	**4,548.00 (5,762.00)**	**1,999.00 (1,201.00)**
IV. Private Sector MFs	**748.62**	**2,066.90**	**14,892.17**	**9,717.35**
Total (I+II+III+IV)	**4,063.90**	**2,695.37**	**19,953.16**	**13,339.09**

P Provisional

.. Nil or negligible

Notes 1. For UTI, the figures are gross value (with premium) of net sales under all domestic schemes and for other mutual funds, figures represent net sales under all on-going schemes.

2. Figures in brackets in case of UTI pertain to net sales at face value.

3. Data exclude amounts mobilised by off-shore funds and through roll-over schemes.

Source: UTI and respective mutual funds.

Box IV.3: Implementation Status of High Level Committee Recommendations on US-64

Recommendations	Action taken
Recommendation # 1 Initial contributors to infuse permanent funds of at least Rs.500 crore.	Sixteen out of 35 institutions including IDBI, IFCI, SBI, ICICI and LIC invested a total amount of Rs.445.50 crore.
Recommendation # 2 Create a Special Unit Scheme 99 (SUS 99) to transfer PSU stock from US-64	A Special Unit Scheme (SUS 99) was launched in the month of June 1999 by transferring from US-64 PSU stock with a book value of Rs.3,300 crore as against 11.24 per cent UTI–SUS 99 (non-transferable) Government of India Special Securities 2004. At the time of transfer, the market value of the PSU stocks was Rs.1,528.28 crore.
Recommendation # 3 Strategic sale of significant equity holding by negotiation to the highest bidder, whenever feasible.	In June 2001, the Board of Trustees set up a three member sub-committee consisting of the Chairman and two other trustees for sale of strategic holdings. A few scrips have been identified for the purpose. The sub-committee would take appropriate action on a case-by-case basis.
Recommendation # 4 Remove tax on income distributed by US-64 and schemes investing more than 50 per cent in equity.	The Government through the Budget for 1998-99 granted exemption from tax on income distribution for a period of 3 years ending March 31, 2002.
Recommendation # 5 Launch of a new UTI scheme for investing in the equity of growth stocks in Information Technology (IT), Pharma and Fast Moving Consumer Goods (FMCG) sectors.	The UTI Growth Sector Fund was launched on May 27, 1999 with five fund options: Pharma & Healthcare, Services, Brand value, Software and Petro.
Recommendation # 6 Reconstitution of UTI Board to increase the size to 15 by additional 5 members.	The constitution of the Board of Trustees of UTI in a manner recommended by the Deepak Parekh Committee would be possible only if the UTI Act is amended.
Recommendation # 7 (a) Trustees to assume higher degree of responsibility and exercise greater authority. (b) Increase in remuneration of Trustees and publication of attendance record of Trustees in Annual Report.	The Trustees have noted the recommendation.
Recommendation # 8 Creation of a Separate Asset Management Company for US-64 with an independent Board of Directors.	Creation of a Separate Asset Management Company for US-64 with an independent Board of Directors would be possible only if the UTI Act is amended. Meanwhile, the Asset Management Committee, which was setup in 1997, is overseeing the US-64 scheme.
Recommendation # 9 Chinese wall to be created by appointing separate and independent fund managers for each scheme. Inter-scheme transfers to be effected based on independent decisions and requirements of concerned fund managers and at market determined prices.	Independent fund managers have been appointed for the domestic schemes, offshore and Venture Capital Fund. Inter-scheme transfers are being effected at market price as per SEBI guidelines. Such transfers are made based on the decisions of fund managers.
Recommendation # 10 Independent fund manager for US-64 with full responsibility and accountability. Fund Manger should be helped by strong research team and research capability strengthened.	UTI has entrusted the management of US-64 to an independent fund management group headed by an Executive Director. UTI has organised an independent Equity Research Cell.
Recommendation # 11 Investment/disinvestment decisions to be based on research analysts' recommendation – analysts to have authority and responsibility. Fund managers to have final authority and responsibility	While investment/disinvestment decisions take into account the inputs provided by Equity Research Cell and other information available with the Fund Managers, the ultimate responsibility of decision making would vest with the concerned fund manager.

(Contd.....)

(Contd.....)

in decision-making based on his perception of market and research input.	
Recommendation # 12 Focus on small investors to be strengthened and tilt towards corporate investors reduced.	Reducing tilt towards corporate investors has made some progress and is a continuing one.
Recommendation # 13 Making US-64 NAV driven.	Steps have been initiated to make US-64 NAV driven.
Recommendation # 14 Spread between sale and repurchase price to be gradually increased to deter short-term investors.	Since there is no sale of fresh units under US- 64 scheme with effect from July 2001 and since the scheme would be NAV based by January 1, 2002, the recommendation to gradually increase the difference between sale and repurchase price is no longer applicable.
Recommendation # 15 Dividend distribution policy to be thoroughly revamped to ensure that the Scheme is responsive to changing market conditions. UTI needs to follow a more conservative approach to build sufficient reserves during periods of good performance. As a rule, dividend needs to be curtailed when there is inadequate income.	As against income distribution ranging from 20-26 per cent per annum for the period 1993-97, the income distribution was at 13.50 per cent, 13.75 per cent and 10 per cent in the last three years, i.e., 1998-99, 1999-2000 and 2000-01, respectively.
Recommendation # 16 The rate of return offered to investors to be reviewed on a periodic basis.	As indicated in point 15.
Recommendation # 17 Portfolio composition to be changed to provide for more weightage to debt in US-64 portfolio consistent with the Scheme objectives. Needs to happen without US-64 to resort to selling large part of equity portfolio in the market.	The portfolio composition of US-64 will have to be gradually re-oriented to give more weightage to debt. This will have to be done in a manner in which neither the Trust nor the market will be adversely impacted.
Recommendation # 18 Operations of US-64 to be brought under SEBI purview at the earliest. This would ensure transparency to unit holders and would significantly enhance investor confidence.	For US-64 to be structurally compliant with SEBI (MFs) Regulations would necessitate *inter-alia* amendments to the UTI Act.
Recommendation # 19 To commission an independent professional firm for detailed review of asset management process including back office, inter-scheme transfer and investor servicing.	The software based support for asset management back office was successfully implemented. The Trust has, however, not commissioned any independent professional firm for a detailed review of the asset management process including back office and inter-scheme transfers. As regards investor servicing M/s Mckinsey & Co. have been engaged by UTI to carry out a business process re-engineering assignment to ensure focus on marketing investor servicing and back office operations. Their recommendations are under implementation. This involves conversion of UTI offices into UTI-Financial Centres, setting up of the Central Data Centre, Central Processing Centre and development of a generic software for all the existing and for future schemes. M/s Tata Consultancy Services (TCS) have been retained by UTI for developing a generic software. This will offer improved services to the unit holders. The three separate Asset Management Committees (one each for US-64, Equity Schemes and Income Schemes) review the asset management process, back office work and investor servicing periodically.

Source: Unit Trust of India.

Box IV.4: Corporate Positioning Committee – Unit Trust of India

The Unit Trust of India (UTI) had constituted a Corporate Positioning Committee in July 2000 under the Chairmanship of Shri Y.H. Malegam to review and enhance the competitive positioning of UTI and to recommend appropriate follow-up action plans including amendments to the connected legislation for enabling the UTI to fully meet with the Mutual Fund Regulations of SEBI.

The Committee submitted its report in October 2001 and the major recommendations made by the Committee are summarised below:

- The structure of UTI should be in line with SEBI Regulations as applicable to mutual funds. Accordingly, there should be (i) a Sponsor (ii) a Trustee Company and (iii) an Asset Management Company (AMC).
- There should be a single Sponsor and there is a need for a separate Sponsoring Company with initial shareholders being the Sponsoring Institutions. The Sponsoring Company should have a capital of Rs.550 crore of which 40 per cent would be held by the Sponsoring Institutions with no individual institution holding more than 25 per cent of the capital. The remaining 60 per cent of the capital would be held by a strategic partner. There should be 3 year 'lock-in' for the capital to be held by the sponsoring institutions.
- A Trustee Company should be incorporated as a wholly-owned subsidiary of the sponsoring company. The Trustee Company should have a capital of Rs.5 crore.
- UTI should convert itself into an AMC whereby the infrastructure and organisation, presently forming part of US-64, would become the infrastructure and organisation of UTI. The AMC would issue bonds to US-64 in consideration of the transfer of the infrastructure.
- The AMC should have a capital of Rs.1,000 crore of which 40 per cent would be held by the Sponsoring Company and 60 per cent would be offered to the public.
- There should be a single AMC to manage all the schemes of the UTI and it would be entitled to charge management fees to the different schemes in accordance with the Mutual Fund Regulations.
- US-64 be made NAV based before the restructuring is attempted. The provision should also be made for the contingent liability, if any, on the guaranteed price to individual unitholder's holdings upto 3,000 units.
- The provision should be made for the contingent liability in respect of assured return schemes. The Committee also made specific recommendations to reduce the gap between the present value of the future liability and the value of assets under the schemes.
- The Development Reserve Fund, the corpus of which includes contributions from each scheme each year since 1984 should be transferred, free of consideration to the AMC after valuing the investments of the Fund at their fair market value.
- The valuation should be made of UTI as a whole by an independent valuer and prospective strategic partner should be invited to quote the value at which UTI's infrastructure and organisation should be converted into the AMC. The valuation should take into account the goodwill attached to UTI arising out of its large unitholder base, its low operating costs as a percentage of investible funds and other relevant factors. It should also take into account the contingent liabilities arising out of the assured return schemes after adjusting the balance available in the Development Reserve Fund.
- The UTI Act should be repealed and replaced by a new enactment.

Chapter V

Non-Banking Financial Companies

Non-banking financial companies (NBFCs) have been the subject of focussed attention during the nineties. In particular, the rapid growth of NBFCs, especially in the nineties, has led to a gradual blurring of dividing lines between banks and NBFCs, with the exception of the exclusive privilege that commercial banks exercise in the issuance of cheques (Chart V.1). Simplified sanction procedures, orientation towards customers, attractive rates of return on deposits and flexibility and timeliness in meeting the credit needs of specified sectors (like equipment leasing and hire purchase), are some of the factors enhancing the attractiveness of this sector. The total regulated deposits[1] of NBFCs aggregated Rs.17,390 crore, as at end of March 1994, equivalent to 4.0 per cent of bank deposits. The quantum of regulated deposits grew more than three-fold and as at end-March 1997, at Rs.53,116 crore constituted 7.9 per cent of bank deposits.

5. 2 In the year 1998, a new concept of public deposits meaning deposits received from public including shareholders in the case of public limited companies and unsecured debentures/ bonds other than those issued to companies, banks and financial institutions, was introduced for the purpose of focussed supervision of NBFCs accepting such deposits. The amount of such public deposits held by NBFCs, which as at end of March 1998 was Rs.23,820 crore, declined to Rs.19,341 crore as at end of March 2000.

5.3 Owing to certain disquieting developments in the NBFC sector, the RBI Act was amended in 1997, providing for a comprehensive regulatory framework for NBFCs. The RBI (Amendment) Act, 1997 provides for compulsory registration with the Reserve Bank of all NBFCs, irrespective of their holding of public deposits, for commencing and carrying on business, minimum entry point norms, maintenance of a portion of deposits in liquid assets, creation of Reserve Fund and transfer of 20 per cent of profit after tax annually to the Fund. The Amendment Act also conferred powers on Reserve Bank to issue directions to companies and its auditors, prohibit deposit acceptance and alienation of assets by companies and effect winding up of companies.

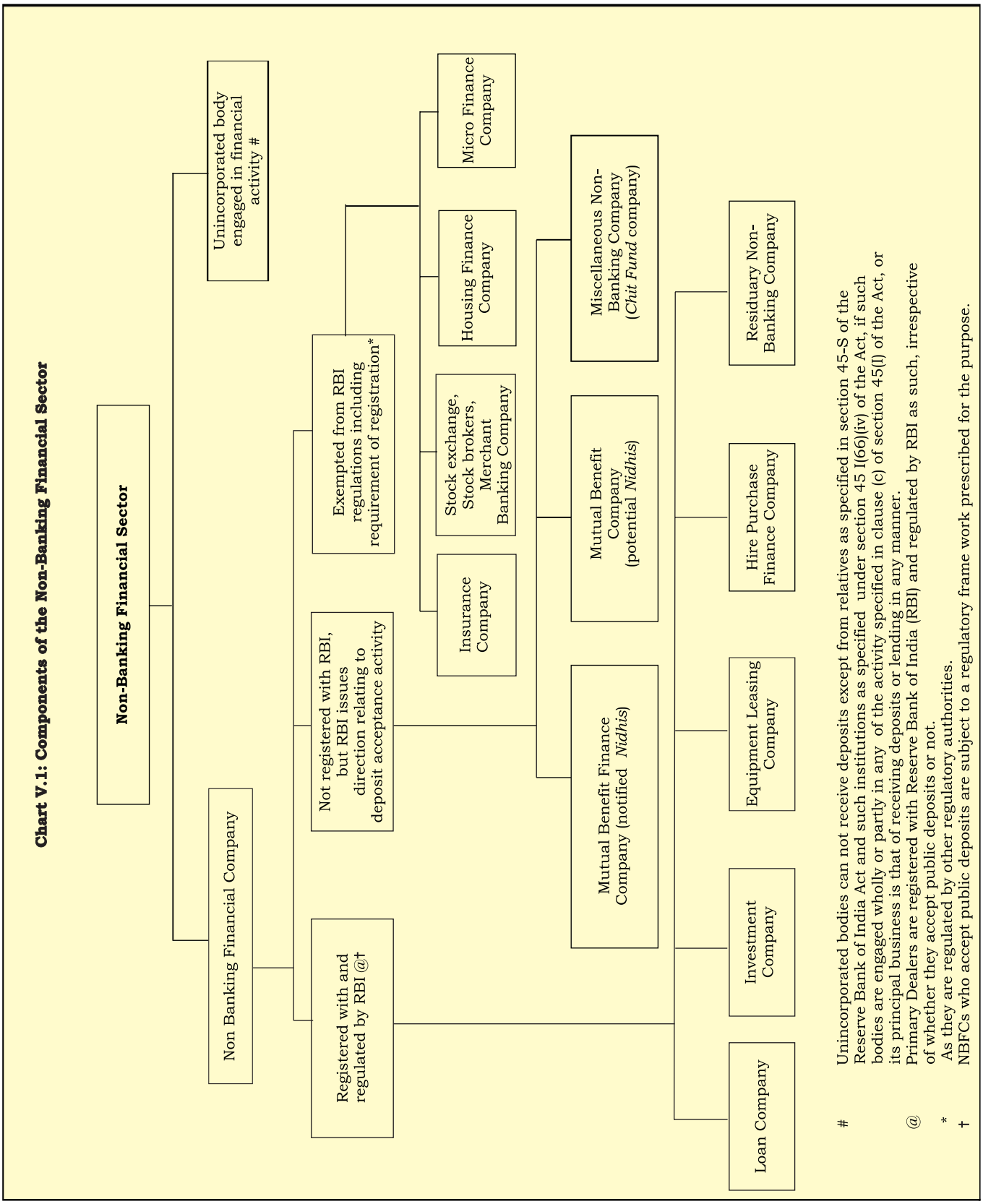
5. 4 Accordingly, the Reserve Bank issued directions to companies on acceptance of public deposits, prudential norms like capital adequacy, income recognition, asset classification, provision for bad and doubtful debts, exposure norms and other measures to monitor the financial solvency and reporting by NBFCs. Directions were also issued to auditors to report non-compliance with the RBI Act and regulations to the Reserve Bank, Board of Directors and shareholders.

1. Registration of NBFCs

5.5 The registration is compulsory for all NBFCs, irrespective of their holding of public deposits. The types of NBFCs regulated by the Reserve Bank are indicated in Table V.1. The amended Act, which introduced comprehensive changes in Chapter III-B, III-C and V, provides for an entry point norm of Rs.25 lakh as the minimum net owned fund (NOF). Subsequently, for new NBFCs seeking registration with the Reserve Bank to commence business on or after April 21, 1999, the requirement of minimum level of NOF was revised upwards to Rs.2 crore. No NBFC can commence or carry on business of a financial institution including acceptance of public deposit without obtaining a Certificate of Registration (CoR) from the Reserve Bank.

[1] Regulated deposits are defined as receipt of money by way of deposit or loan or in any other form excluding amounts received as share capital, bank borrowings, institutional borrowings, chit subscription, borrowings from registered money lenders and money received in ordinary course of business; further excluding certain other forms of deposits as specified in Non-Banking Financial Companies (Reserve Bank) Directions, 1977 like money received from Central or State Governments, foreign Government, financial institutions, companies and certain other forms of deposits.

Chart V.1: Components of the Non-Banking Financial Sector



\# Unincorporated bodies can not receive deposits except from relatives as specified in section 45-S of the Reserve Bank of India Act and such institutions as specified under section 45 I(66)(iv) of the Act, if such bodies are engaged wholly or partly in any of the activity specified in clause (c) of section 45(I) of the Act, or its principal business is that of receiving deposits or lending in any manner.

@ Primary Dealers are registered with Reserve Bank of India (RBI) and regulated by RBI as such, irrespective of whether they accept public deposits or not.

* As they are regulated by other regulatory authorities.

† NBFCs who accept public deposits are subject to a regulatory frame work prescribed for the purpose.

Table V.1: Non-Banking Financial Entities Regulated by Reserve Bank

Non-Banking Financial Companies	Principal Business
I. Non-Banking Financial Company	In terms of the Section 45-I(f) read with Section 45-I(c) of the RBI Act, 1934, as amended in 1997, their principal business is that of receiving deposits or that of a financial institution, such as lending, investment in securities, hire purchase finance or equipment leasing.
Equipment leasing company (EL)	Equipment leasing or financing of such activity.
Hire purchase finance company (HP)	Hire purchase transaction or financing of such transactions.
Investment company (IC)	Acquisition of securities and trading in such securities to earn a profit.
Loan company (LC)	Providing finance by making loans or advances, or otherwise for any activity other than its own; excludes EL/HP/Housing Finance Companies (HFCs).
Residuary non-banking company (RNBC)	Company which receives deposits under any scheme or arrangement, by whatever name called, in one lump-sum or in instalments by way of contributions or subscriptions or by sale of units or certificates or other instruments, or in any manner. These companies do not belong to any of the categories as stated above.
II. Mutual benefit financial company (MBFC) i.e. *Nidhi* Company	Any company which is notified by the Central Government under Section 620A of the Companies Act 1956 (1 of 1956).
III. Mutual Benefit Company (MBC), i.e., potential *Nidhi* company	A company which is working on the lines of a *Nidhi* company. However, it has not yet been so declared by the Central Government, has minimum NOF of Rs.10 lakh, has applied to the Reserve Bank for CoR and also to Department of Company Affairs (DCA) for declaration as *nidhi* company and has not contravened direction/ regulation of Reserve Bank/DCA.
IV. Miscellaneous non-banking company (MNBC), i.e., *Chit Fund* Company	Managing, conducting or supervising as a promoter, foreman or agent of any transaction or arrangement by which the company enters into an agreement with a specified number of subscribers that every one of them shall subscribe a certain sum in instalments over a definite period and that every one of such subscribers shall in turn, as determined by lot or by auction or by tender or in such manner as may be provided for in the arrangement, be entitled to the prize amount.

5.6 The Reserve Bank received applications for CoR from 36,505 NBFCs, of which, 13,815 applications were approved and 18,355 were rejected, as at end-August 2001. Out of the total approvals of 13,815 applications, only 776 companies have been permitted to accept public deposits.

2. Supervision of NBFCs

5.7 The supervisory framework for NBFCs is based on three criteria, *viz.*, (a) the size of NBFC, (b) the type of activity performed, and (c) the acceptance or otherwise of public deposits. Towards this end, a four-pronged supervisory strategy comprising (a) on-site inspection based on CAMELS (capital, assets, management, earnings, liquidity, systems and procedures) methodology, (b) computerised off-site surveillance through periodic control returns, (c) an effective market intelligence network, and (d) a system of submission of exception reports by auditors of NBFCs, has been put in place. The regulation and supervision is comprehensive for companies accepting or holding public deposits to ensure protection of interests of depositors.

5.8 Companies holding or accepting public deposits are required to comply with all the directions on acceptance of public deposits, prudential norms and liquid assets, and should submit periodic returns to the Reserve Bank. They are supervised using all the supervisory tools indicated above.

5.9 Companies not holding or accepting public deposits are regulated and supervised in a limited manner. They are required to comply only with prudential norms relating to income recognition, accounting standards, asset classification and provisioning against bad and doubtful debts. They are less frequently inspected. Such companies are presently not required to submit any returns to the Reserve Bank. Thus, market intelligence and auditors' exception reports constitute the important supervisory tools in respect of these companies.

3. Policy Developments Relating to NBFCs

(a) NBFCs Registered and Regulated by Reserve Bank

Monetary and Credit Policy Statements

5.10 The Mid-Term Review of Monetary and Credit Policy for the year 2000-01 announced in October 2000 and the Monetary and Credit Policy for 2001-02 announced in April 2001 fine-tuned the policy environment governing NBFCs. Policy changes, *inter alia*, included changes in interest rate on public deposits and introduction of asset-liability management system for certain categories of NBFCs. A half-yearly Financial Stability Review using Macroprudential Indicators (MPI) data as relevant for NBFCs was also prepared. The chronology of major policy developments is presented in the Annexure.

Reduction in Interest Rate on Deposits

5.11 Effective from April 1, 2001, taking into account the market conditions and changes in other interest rates in the financial system, the maximum rate of interest that NBFCs can pay on their public deposits was reduced from 16 per cent to 14 per cent per annum. The ceiling on interest rate on the deposits accepted by Miscellaneous Non-Banking Companies (*Chit Fund* companies) and Mutual Benefit Financial Companies (*Nidhi* companies) was also brought down to 14 per cent. Effective November 1, 2001, the ceiling on rate of interest has been further brought down to 12.5 per cent.

Issuance of Commercial Paper by NBFCs

5.12 On October 10, 2000, the Reserve Bank issued guidelines for issue of commercial paper by companies, *inter alia*, exempting money received by NBFCs by issue of commercial paper (CP) in accordance with this guidelines, from the purview of public deposits.

Asset Liability Management (ALM) System for NBFCs

5.13 The Reserve Bank announced ALM guidelines for NBFCs for effective risk management. All NBFCs with asset size of Rs.100 crore or above or with public deposits of Rs.20 crore or above, as per their balance sheet as on March 31, 2001, were instructed to have ALM systems in place. These NBFCs were advised to constitute an ALM Committee, under the charge of Chief Executive Officer or other Senior Executive and other specialist members, for formalising ALM systems. The number of companies likely to be covered by the guidelines is about 70 and they account for 75-80 per cent of total public deposits held by reporting NBFCs. The ALM system is required to be implemented by NBFCs by March 31, 2002. In the case of NBFCs holding public deposits of Rs.20 crore or above, the first ALM return, comprising of statements on structural liquidity, short-term dynamic liquidity and interest rate sensitivity, as on September 30, 2002, should be submitted to the Reserve Bank by October 31, 2002. NBFCs not holding public deposits, but having asset size of Rs.100 crore or above would be advised of the supervisory framework in due course of time. The companies have been advised to conduct trial runs during the half-year ending September 30, 2001 and half-year beginning October 1, 2001, and report operational difficulties in implementing the system for rectification. The *Chit Funds* and *Nidhi* companies have, for the present, been kept out of the purview of these guidelines. NBFCs not qualifying presently have also been advised to put in place an ALM system, as it is the endeavour of the Reserve Bank to extend these guidelines to all NBFCs in future.

Rationalisation of the Requirement of Introduction for Depositors of NBFCs

5.14 To rationalise requirements of introduction for depositors stipulated earlier in June 2000, it was clarified that requirement of introduction was for purpose of identification of depositors, so that deposits are not made in fictitious names. NBFCs were advised to obtain and keep on record copies of identification of depositors, *viz.*, passport, ration card, election identity card, identification by an existing depositor, as proof of identity of the prospective depositors.

Entry of NBFCs into Insurance Business

5.15 Consequent upon issue of final guidelines for entry of NBFCs into insurance business in June 2000, the Reserve Bank permitted five NBFCs to undertake insurance business as joint venture participants in insurance companies. Of these, while two NBFCs were granted permission to undertake both life and general insurance business, three NBFCs were permitted to undertake only life insurance business with risk participation. One company was permitted both to engage in insurance agency business as well as to make strategic investment in equity of insurance company upto 10 per cent of its owned fund. Another company was granted permission to conduct only insurance agency business while a third company could only make strategic investment in equity of insurance company.

Rationalisation of Returns Submitted by NBFCs

5.16 In order to improve the reporting of supervisory information and facilitate electronic processing, the formats of all returns prescribed in terms of Directions issued under RBI Act, submitted by the NBFCs and *Chit Fund* companies at quarterly, half-yearly and annual intervals were rationalised. Such a step was also necessitated by the twin concerns of the Reserve Bank to take expeditious steps, wherever necessary, as also to intensify off-site monitoring procedure of the deposit-taking/ holding NBFCs. A monthly return on repayment of deposits was prescribed for NBFCs holding public deposits, whose applications for CoR under Section 45-IA of RBI Act, 1934 were rejected or CoR was cancelled, if it was granted earlier.

Focus on Large NBFCs with Public Deposit exceeding Rs. 20 crore

5.17 For addressing supervisory concerns and for picking up early warning signals of deterioration in financial health of companies (especially those holding a substantial quantum of public deposits), the quarterly return for compiling monetary aggregates, calling for information on asset-liability position from NBFCs holding public deposits of Rs.20 crore and above, was expanded to include certain critical supervisory information. The return prescribes companies to furnish information on net owned fund, public deposits, NPA position, credit rating, cash flow, certain key ratios, etc. This is expected to enable closer monitoring of large NBFCs holding public deposits of Rs.20 crore and above.

Residuary Non-Banking Companies (RNBCs)

5.18 RNBCs are a class of NBFCs which cannot be classified as equipment leasing, hire purchase, loan, investment, *nidhi* or *chit fund* companies, but which tap public savings by operating various deposit schemes, akin to recurring deposit schemes of banks. The deposit acceptance activities of these companies are governed by the provisions of Residuary Non-Banking Companies (Reserve Bank) Directions, 1987. These directions include provisions relating to the minimum (not less than 12 months) and maximum period (not exceeding 84 months) of deposits, prohibition from forfeiture of any part of the deposit or interest payable thereon, disclosure requirements in the application forms and the advertisements soliciting deposits and periodical returns and information to be furnished to the Reserve Bank.

5.19 In the absence of any linkage of deposits to their NOF, to safeguard the depositors' interests, these companies have been directed to invest not less than 80 per cent of aggregate deposit liabilities as per the investment pattern prescribed by the Reserve Bank, and to entrust these securities to a public sector bank to be withdrawn only for repayment of depositors. Subject to compliance with the investment pattern, they can invest 20 per cent of aggregate liabilities or ten times its net owned fund, whichever is lower, in a manner decided by its Board of Directors.

5.20 The RNBCs are the only class of NBFCs which are enjoined to pay a minimum rate of interest on their deposits. The floor rate of interest for deposits are specified by the Reserve Bank in terms of RNBC Directions, 1987. There is no upper limit prescribed for RNBCs unlike other NBFCs, which can pay any rate of interest subject to the maximum ceiling prescribed by the Reserve Bank. The floor interest rate payable by RNBCs was revised downwards from 6 per cent to 4 per cent per annum (to be compounded annually) on daily deposit schemes and from 8 per cent to 6 per cent per annum (to be compounded annually) on other deposit schemes of higher duration or term deposits. The provisions of prudential norms were extended to RNBCs, under the provisions of the NBFC Prudential Norms (RB) Directions, 1998 and compliance with prudential norms is mandatory and a prerequisite for acceptance of deposits.

5.21 Monitoring and inspection of these companies, from time to time, revealed continuance of many unsatisfactory features like non-compliance with the core provisions of the Directions, forfeiture of the depositors' money on one pretext or the other, diversion of depositors' money to associate concerns and/or investment in illiquid assets, violation of investment requirements/pattern, etc., thus jeopardising the interests of depositors. The Reserve Bank was issuing prohibitory orders on a case-by-case basis restraining erring RNBCs from accepting deposits. Some of the ingenious promoters floated new companies and started accepting deposits through new entities or shifted their area of operations to other States. The requirement of compulsory registration before commencing business of RNBC and concerted action taken against such companies has curbed such practices to a large extent.

5.22 The Reserve Bank received 106 applications for Certificate of Registration (CoR) from NBFCs which were functioning as RNBCs by accepting deposits under some scheme or arrangement. While 12 companies subsequently converted themselves to NBFCs, applications of 84 companies have been rejected. Ten NBFCs are still functioning as RNBCs, the total deposits of which amounted to nearly Rs. 11,000 crore, constituting about 57.0 per cent of the total deposits of all reporting NBFCs.

(b) NBFCs not Registered with the Reserve Bank

Mutual Benefit Companies

5.23 Mutual Benefit financial companies (*Nidhis*) are NBFCs notified under Section 620A of the Companies Act, 1956 and primarily regulated by Department of Company Affairs (DCA) under the directions / guidelines issued by them under Section 637 A of the Companies Act, 1956. These companies are exempt from the core provisions of the RBI Act *viz.*, requirement of compulsory registration, maintenance of liquid assets and transfer of profits to Reserve Fund. These companies are also exempted from the core provisions of NBFC directions relating to acceptance of public deposits. Directions relating to ceiling on interest rate, maintenance of register of deposits, furnishing receipt to depositors and submission of returns to Reserve Bank are however applicable to these companies.

5.24 The Government of India constituted an Expert Committee in March 2000 (Chairman: Shri P.Sabanayagam) to examine various aspects of the functioning of the *Nidhi* companies and suggest an appropriate policy framework for overall improvement of these companies. This was done with a view to facilitate their healthy functioning and restore the confidence of the investing public. The salient features of the recommendations of the Committee are detailed in Box V.1.

Miscellaneous Non-Banking Companies (MNBCs)

5.25 MNBCs are mainly engaged in the *Chit Fund* business. The term 'deposit' as defined under Section 45 I(bb) of the Reserve Bank of India Act, 1934 does not include subscription to *Chit Funds*. The *Chit Fund* companies have been exempted from all the core provisions of Chapter IIIB of the RBI Act including registration. In terms of Miscellaneous Non-Banking Companies (RB) Directions, the companies can accept deposits upto 25 per cent and 15 per cent of the NOF from public and shareholders, respectively, for a period of 6 months to 36 months, but cannot accept deposits repayable on demand/notice.

5.26 The Reserve Bank only regulates the deposits accepted by these companies, but it does not regulate their *Chit Fund* business, which is administered by the respective State

Box V.1: Recommendations of the Expert Committee on *Nidhis*

The Expert Committee on *Nidhis*, comprising members from the Government as well as the Reserve Bank, submitted its Report to the Government on September 28, 2000. The Committee observed that although *Nidhis* essentially operate on the principle of 'mutual benefit' (i.e., they accept deposits only from members and lend only to members), given the large number of failures in this sector, the regulatory framework governing such companies should be on the same lines as that applicable to NBFCs, without stifling the basic principle on which they are formed or disturbing their local character. Accordingly, the regulatory framework for such companies recommended by the Committee encompassed entry point barriers, minimum capital funds, debt-equity ratio, liquid asset requirements, restrictions on dividend, ceiling on interest rates on deposits and loans, regulations of various managerial aspects, disclosure norms, prudential norms, adequate supervisory framework, role of auditors and other measures for protection of depositors' interests.

The statutory regulatory framework for *Nidhis* suggested by the Committee encompass the following stipulations:

I. Entry Point Norms

(i) Entry point barriers of minimum members of 500 and minimum capital fund of Rs.10 lakh,

(ii) Use of '*Nidhi*' as part of the name of the company to distinguish between a NBFC and a *Nidhi* company, restrictions on opening branches by *Nidhi* companies,

(iii) Regulation over issue of equity and preference share capital,

II. Prudential Norms

(iv) Prudential norms on income recognition, asset classification, credit concentration, provisioning for bad and doubtful debts,

(v) Restrictions over voting rights and other managerial aspects including remuneration and loans to Directors, norms for conduct of affairs of the Board of Directors, prohibition of grant of loans to Directors, etc.

(vi) Sectoral exposure ceilings for aggregate loans against each type of collateral security,

III. Regulatory Stipulations

(vii) Ceiling on interest rates on deposits and loans,

(viii) Minimum and maximum period of deposits,

(ix) Advertisement and disclosure norms for deposit acceptance,

(x) Net owned fund to deposit ratio of 1:20,

(xi) Liquid asset requirements of not less than 10 per cent of deposits,

(xii) Adequate reporting system and supervisory framework, submission of quarterly and other periodical returns by the *Nidhis* to the regulatory authority after certification by the auditor,

(xiii) Appointment of auditors by the company out of the three names suggested by the regulatory authority,

IV. Other Measures

(xiv) Dividend not to exceed 25 per cent per annum, subject to transfer of equivalent amount to the Reserve Fund,

(xv) Penal provisions for various violations, and,

(xvi) Other depositors' protection measures like contingency fund, insurance cover, if possible.

At present, *Nidhis* are governed under the provisions of the Companies Act in force. However, the Reserve Bank is also empowered to issue directions in matters relating to deposit acceptance activities. The Committee, therefore, suggested that the dual regulatory control over *Nidhis* should be done away with and that the sole responsibility for regulating and supervising of *Nidhis* could be under the DCA, Government of India and the Reserve Bank could tender advice from time to time. The Report is presently under consideration of the Government.

Governments through the offices of Registrars of Chits. The *Chit Funds* Act, 1982 was enacted as a Central Act for ensuring uniformity in the provisions applicable to *Chit Fund* institutions throughout the country, and all State Governments are required to frame rules for extending the provisions of this Act to their respective jurisdictions. At present, 16 States and 6 Union Territories have adopted the Central Act and the Reserve Bank is pursuing with the State Governments of Andhra Pradesh, Arunachal Pradesh, Gujarat, Haryana, Kerala, Maharashtra, Mizoram and Nagaland for early formulation of rules under the Central Act[2] .

[2] As regards plantation companies, the Securities and Exchange Board of India (SEBI) is entrusted with the responsibility of regulating the resource-taking activities of these companies. Accordingly, SEBI has implemented a regulatory framework in terms of which no new plantation scheme can be floated without credit rating and minimum requirement of paid up capital. The SEBI (Collective Investment Schemes) Regulations, 1999 were notified in October 1999. As prescribed in the regulations, no person other than a Collective Investment Management Company, which had obtained a CoR from SEBI under the SEBI (Collective Investment Schemes) Regulations, 1999 would be entitled to carry on or sponsor or launch a collective investment scheme. Also, no company engaged in the business of collective investment scheme can launch any new scheme or raise money from investors even under existing schemes, unless a CoR is granted to it under the aforesaid regulations. The Securities Laws (Second Amendment) Act, 1999 inserted a new section 11 AA in the SEBI Act, 1992. In February 2000, the SEBI (Collective Investment Schemes) Amendment Regulations, 2000 were notified in the Gazette of India.

4. Implementation of Recommendations of Task Force on NBFCs (1998)

Financial Companies Regulation Bill, 2000

5.27 The Task Force constituted by Government of India (Chairman: Shri C.M. Vasudev) to review the regulatory and supervisory framework for NBFCs and unincorporated bodies and address the shortcomings in dealing with the investors' complaints submitted its report on October 28, 1998. The recommendations, which have since been accepted by the Government, can be stratified into four broad strands, according to their status of implementation, *viz.*, recommendations which (a) were implemented with immediate effect (on December 18, 1998) by modifying the existing notification/Directions; (b) required statutory amendments, (c) required amendments to the Directions under the RBI Act, and (d) needed to be implemented over a period of time through administrative action. The Government of India framed the Financial Companies Regulation Bill, 2000 to implement the recommendations requiring statutory changes, as also consolidate the law relating to NBFCs and unincorporated bodies with a view to ensure depositor protection, (Box V.2).

State Acts for Protection of Interests of Depositors

5.28 The Task Force on NBFCs had recommended that State Governments should be empowered to initiate penal action against those NBFCs which function illegally or accept public deposits without any authorisation. It emphasized that such legislation should be expeditiously enacted. As a move towards this process, Tamil Nadu Protection of Interests Depositors (in Financial Establishments) Act, 1997, which contains penal provisions for promoters of financial establishments

Box V.2: Financial Companies Regulation Bill, 2000

The Government of India framed a new legislation to amend and consolidate the provisions contained in Chapter III-B, III-C and V of the RBI Act, 1934 relating to the regulation and supervision of financial companies, hitherto known as non-banking financial companies (NBFCs). This included prohibition of acceptance of deposits by unincorporated bodies and incorporating the recommendations of the Task Force on NBFCs, which had made certain recommendations to this effect. The salient features of the proposed legislation, which are materially different from the corresponding provisions of RBI Act or are new provisions are as follows:

I. Basic Stipulations

(i) The draft bill has been named as 'Financial Companies Regulations Bill, 2000'. All the NBFCs will be known as Financial Companies instead of NBFCs.

(ii) The term 'public deposit' has been defined in the Bill for the first time and the definition would mean the same as at present in the NBFC Directions.

(iii) There would be a nine member Advisory Council for Financial Companies under the Chairmanship of Deputy Governor, drawing on members from the representatives of Associations of Financial Companies and other experts in related areas to advise the Reserve Bank.

(iv) NBFCs holding /accepting public deposits would be prohibited from carrying on any non-financial business without the prior approval of the Reserve Bank and the non-financial business presently carried on by them would have to be wound up or transferred to a subsidiary within three years. Any other business or fee-based activity like insurance agency business, portfolio management, etc., would require prior approval of the Reserve Bank.

II.Entry Point Norms

(v) The requirement of obtaining the CoR from the Reserve Bank would be compulsory for all financial companies, irrespective of whether the companies accept public deposits or not. However, the non-public deposit taking financial companies would require minimum owned fund of Rs.25 lakh, whereas the public deposit taking financial companies would require minimum net owned fund (NOF) of Rs.2 crore and a specific authorisation from the Reserve Bank to accept public deposits.

(vi) There would be powers with the Reserve Bank to (a) prescribe different capital for different classes of financial companies, (b) raise the requirement of minimum owned fund (entry norm) from Rs.25 lakh to Rs.200 crore for new financial companies not accepting public deposits, (c) raise the

(Contd...)

(...Concld.)

minimum NOF (entry norm) from the present ceiling of Rs.2 crore to Rs.10 crore in the case of new financial companies intending to accept public deposits, and (d) raise the minimum NOF from the present level of Rs.25 lakh to Rs.2 crore for the existing financial companies accepting public deposits. However, sufficient time would be allowed to such financial companies to attain the enhanced capital requirement.

(vii) The requirement of creation of reserve fund would be applicable only to the financial companies accepting public deposits, as against the earlier requirement applicable to all NBFCs.

(viii) Unsecured depositors would have first charge on liquid assets and assets created out of the deployment of the part of the reserve fund.

(ix) The financial companies would require prior approval of the Reserve Bank for any change in the name, change in the management or change in the location of the registered office.

(x) Any sale of property in violation of order for prohibition from alienation of any property or assets would be void and that such order could be extended by the Reserve Bank in tranches of one year each on each occasion upto a period of five years.

III.Regulatory and Supervisory Issues

(xi) The Reserve Bank would be empowered to appoint Special Officer(s) on a delinquent financial company and a duty has been cast on such company to cooperate with such Special Officer(s).

(xii) The Company Law Board (CLB) would continue to be authority to adjudicate the claims of depositors against the delinquent companies with powers to order initial payment of a part of deposit, attach assets of fraudulent financial company and appoint Recovery Officer(s) for management of such asset. The financial company would have no recourse to the CLB to seek deferment of the depositors' dues.

(xiii) The prohibitory provisions for unincorporated bodies would continue in the Financial Companies Regulations Bill, but the role of exercising the powers for enforcement of these provisions have been exclusively entrusted to State Governments, in addition to the powers under the respective State Laws for protecting the interests of investors in financial establishments.

(xiv) There would be powers vested in the District Magistrates to call for information and to proceed against delinquent unincorporated bodies.

(xv) There would be a ban on the issue of advertisement for soliciting deposits by all unincorporated bodies, irrespective of whether they are conducting financial business or not.

(xvi) Unauthorised deposit-taking by companies (a) whose applications for Certificate of Registration have been rejected, (b) whose registration has been cancelled, (c) who have been prohibited from accepting public deposits would be a cognisable offence. The same would be the case for unregistered financial companies as well as unincorporated bodies.

(xvii) Powers would be vested with a police officer of the rank not below that of the Superintendent of Police of any State to order investigations into the alleged violations of requirement of registration by financial companies and prohibition from acceptance of deposits by unincorporated bodies.

(xviii) Penalties have been rationalised in accordance with the severity of defaults, with the objective that the penalty should serve as a deterrent to others.

The Bill has been introduced in the Parliament in 2000 and has since been referred to the Standing Committee on Finance.

defaulting on repayment of deposits and interest payments, and for attachment of assets of defaulters to ensure payment to depositors was passed. It also provides for setting up of special Courts to which the pending cases against financial companies could be transferred. The Reserve Bank also advised State Governments / Union Territories to enact such legislations. Eleven State Governments / Union Territories have since taken substantial steps in this regard.

5. Business of the NBFC Sector

5.29 The broad profile of the NBFC sector for 1998-99 and 1999-2000, based on the regulatory returns submitted by deposit holding/accepting companies is presented in Table V.2. In view of the difference in the number of reporting companies in the two years, the data are not strictly comparable. As at end-March 1999, the total outstanding public deposits of the 1,547 deposit holding companies

Table V.2: Profile of the NBFC Sector
(As at end-March)

(Amount in Rs. crore)

Item	1999		2000	
	NBFCs	*of which* RNBCs	NBFCs	*of which* RNBCs
1	2	3	4	5
Number of reporting companies	**1,547**	11	**1,005**	9
Total Assets	**47,048.50**	**11,080.50**	**51,324.26**	**11,317.31**
Public Deposits	20,428.93	10,644.27	19,341.72	11,003.77
		(52.1)		(56.9)
Net Owned Funds	9,118.27	-666.39	6,222.89	-442.82

Notes: 1. Figures are provisional.
2. Figures in brackets indicate percentages to total outstanding deposits of NBFCs.

(both registered and unregistered) aggregated Rs.20,429 crore, equivalent to 2.6 per cent of the outstanding deposits (Rs.7,71,129 crore) of scheduled commercial banks (excluding Regional Rural Banks). In the case of 1,005 reporting companies, as at end-March 2000, the total quantum of outstanding public deposits reported by them was Rs.19,342 crore, equivalent to 2.2 per cent of the aggregate deposits (Rs.8,96,696 crore) of scheduled commercial banks.

5.30 The aggregate assets of the NBFC sector increased to Rs.51,324 crore as on March 31, 2000, from Rs.47,049 crore, as on March 31, 1999.

5.31 The break-up of public deposits within the different categories of NBFCs is provided in Table V.3. Some of the companies have converted themselves into non deposit-holding companies by repaying the deposits held by them. At the disaggregated level, public deposits with the hire purchase companies and RNBCs increased by 22.3 per cent and 3.4 per cent, respectively (Chart V.2).

6. Region-wise Composition of Deposits held by NBFCs

5.32 The region-wise analysis is based on the number of deposit-holding/accepting NBFCs that reported data to the Reserve Bank for the years ending March 1999 and March 2000 (Table V.4 and Chart V.3). The NBFCs based in the southern region continued to account for a significant share of the reporting NBFCs in both years although their share fell sharply from 23.7 per cent of total public deposits at end-March 1999, to 16.4 per cent at end-March 2000. Of the NBFCs located in the southern region, the major quantum of public deposits was held by the NBFCs located in Chennai. The deposits of NBFCs located in the western region declined from 14.0 per cent at end-March 1999 to 12.6 per cent at end-March 2000. The share of deposits of the NBFCs based in the northern region to the total deposits of all NBFCs, recorded an increase from 2.4 per cent at March 1999 to 2.7 per cent at March 2000, mainly due to an increase in the share of public deposits held in New Delhi. The share of deposits in the eastern region increased from 37.7 per cent of total deposits to 49.5 per cent mainly on account of mobilisation of non-convertible debentures

Chart V.2: Activity-wise Profile of NBFC (end-March)

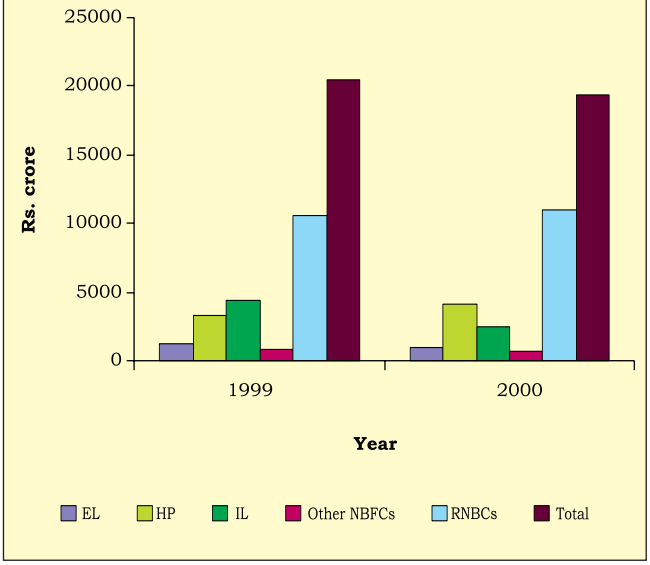


Table V.3 : Activity–wise Profile of Public Deposits of NBFCs
(As at end-March)

(Amount in Rs. crore)

Nature of Business	Public Deposits		Percentage Variation Col. (3) over Col. (2)
	1999	2000	
1	2	3	4
1. Equipment Leasing (EL)	1,172. 91 (5.7)	1,021.20 (5.2)	-12.9
2. Hire Purchase (HP)	3,339.78 (16.3)	4,083.54 (21.2)	22.3
3. Investment and Loan (IL)	4,455.80 (21.8)	2,517.46 (13.0)	-43.5
4. RNBCs	10,644.27 (47.8)	11,003.77 (56.9)	3.4
5. Other NBFCs*	816.17 (4.0)	715.75 (3.7)	-12.3
Total	**20,428.93 (100.0)**	**19,341.72 (100.0)**	**-5.3**

* includes Miscellaneous Non-Banking Companies, unregistered and unnotified *Nidhis* etc.
Note: Figures in brackets indicate percentages to total.

(NCDs) to the tune of Rs. 1,668 crore by one Government-owned NBFC based in West Bengal. The public deposits reported by NBFCs in four metropolitan centres of Mumbai, New Delhi, Kolkata and Chennai accounted for Rs.14,403 crore (70.5 per cent) and Rs.14,920 crore (77.1 per cent), respectively, of the total deposits for the years ending March 1999 and March 2000.

7. Interest Rate and Maturity Pattern of Deposits with NBFCs

5.33 The maturity-wise analysis of deposits held by NBFCs together with the interest rate range on the deposits is presented in Tables V.5 and V.6.

5.34 The broad trends indicate that NBFCs (other than RNBCs) had outstanding public deposits of Rs.9,785 crore as at end-March 1999, which declined to Rs. 8,338 crore by end-March 2000. The decline of Rs.1,447 crore (14.8 per cent) in public deposits was observed in 1-2 year, 2-3 year and 3-5 year maturities. However, the quantum of public deposits in the maturity bucket exceeding 5 years witnessed a significant jump, from Rs.168 crore at end-March 1999 to Rs.1,718 crore by end-March 2000. This is mainly due to mobilisation of non-convertible debentures (NCDs) to the tune of Rs. 1,668 crore by one Government-owned NBFC based in West Bengal. In 1999, around 90 per cent of the deposits were in the maturity bucket of 1-5 years, while as at end-March 2000, most deposits were in the maturity bucket '1-2 years', '2-3 years' and 'exceeding 5 years'; the last category comprising over one-fifth of the public deposits as at end-March 2000.

5.35 Interest rate-wise, there was a rise in the quantum and percentage of deposits in the interest rate range of 12-14 per cent. The deposits in this range increased from Rs. 2,337 crore (23.9 per cent) in 1999 to Rs. 3,702 crore (44.4 per cent) (Chart V.4). Deposits with interest rates of over 16 per cent declined from Rs. 3,645 crore to Rs. 1,144 crore, over the year.

8. Asset Profile of NBFCs

5.36 The information on the asset profile of NBFCs (excluding RNBCs) based on reporting companies reveals that out of 1,536 companies, 30 NBFCs with an asset size exceeding Rs.50 crore accounted for 92 per cent of the total assets. By end-March 2000, the number of such companies increased to 66 and these accounted for 91 per cent of the total assets of NBFC sector (Table V.7). Perceptible reduction in the number of small companies was evidenced during the

Table V.4: Region-wise break-up of Public Deposits held by Registered and Unregistered NBFCs

(As at end-March)

(Amount in Rs. crore)

Region	1999						2000					
	Public Deposits						Public Deposits					
	NBFCs						NBFCs					
	No.	Amount	Per cent	*of which* RNBCs			No.	Amount	Per cent	*of which* RNBCs		
				No.	Amount	Per cent				No.	Amount	Per cent
1	2	3	4	5	6	7	8	9	10	11	12	13
Northern	204	484.07	2.4	—	—	—	251	529.04	2.7	—	—	—
North-Eastern	30	0.89	Neg.	—	—	—	4	7.02	Neg.	1	5.55	0.1
Eastern	64	7,711.91	37.7	5	7,068.26	66.4	32	9,573.05	49.5	6	7,506.62	68.2
Central	244	4,533.94	22.2	4	3,574.73	33.6	124	3,623.41	18.7	2	3,491.64	31.7
Western	180	2,851.08	14.0	1	0.27	Neg.	86	2,441.17	12.6	—	—	—
Southern	825	4,847.04	23.7	1	1.01	Neg.	508	3,168.07	16.4	—	—	—
Total	**1,547**	**20,428.93**	**100.0**	**11**	**10,644.27**	**100.0**	**1,005**	**19,341.76**	**100.0**	**9**	**11,003.81**	**100.0**
Memorandum Items:												
Mumbai	123	2,405.04	11.8	—	—	—	68	2,381.21	12.3	—	—	—
Chennai	408	3,843.13	18.8	—	—	—	340	2,577.56	13.3	—	—	—
Kolkata	38	7,702.53	37.7	5	7,068.26	66.4	28	9,508.53	49.2	5	7,446.67	67.5
New Delhi	90	452.17	2.2	—	—	—	122	452.65	2.3	—	—	—

Neg.- Negligible

Table V.5: Maturity Pattern of Deposits held by NBFCs @

(As at end-March)

(Amount in Rs. crore)

Maturity Period	Amount of Deposits		Variation of Col. 2 over Col.3	
	1999	2000	Amount	Per cent
1	2	3	4	5
Less than 1 year	1,694.59	1,323.45	-371.14	-21.9
	(17.3)	(15.9)		
1-2 years	2,904.34	1,615.94	-1,288.40	-44.4
	(29.7)	(19.4)		
2-3 years	2,895.80	2,462.48	-433.32	-15.0
	(29.6)	(29.5)		
3-5 years	2,122.16	1,218.45	-903.71	-42.6
	(21.7)	(14.6)		
5 years and above	167.77	1,717.63	1,549.86	923.8
	(1.7)	(20.6)		
Total	9,784.66	8,337.95	-1,446.71	-14.8
	(100.0)	(100.0)		

@ On the basis of residual maturity of outstanding deposits (excluding RNBCs).
Note: Figures in brackets are percentages to total.

Table V.6: Distribution of NBFC Deposits according to Rate of Interest @
(As at end-March)

(Amount in Rs. crore)

Interest Range (per cent)	Amount of deposits		Per cent to total deposits	
	1999	2000	1999	2000
1	2	3	4	5
Upto10	52.38	22.96	0.5	0.3
10-12	87.49	588.50	0.9	7.1
12-14	2,336.67	3,702.08	23.9	44.4
14-16	3,662.74	2,880.79	37.4	34.6
More than 16	3,645.38	1,143.62	37.3	13.6
Total	9,784.66	8,337.95	100.0	100.0

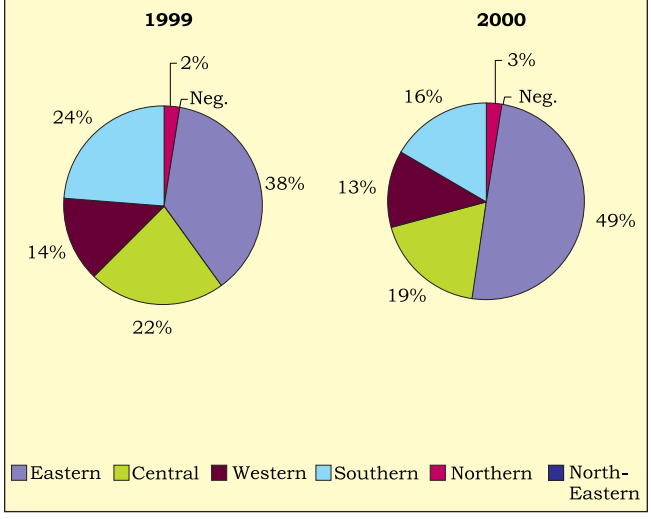
@ Excluding RNBCs.

year 2000. The number of companies in the asset range of Rs.25 lakh to Rs.10 crore declined from 1,442 in 1999 to 840 companies in 2000.

9. Distribution of Assets of NBFCs according to Activity

5.37 The major portion of the assets of NBFCs (excluding RNBCs) are in the form of hire purchase and equipment leasing assets. These two portfolios constituted 42.9 per cent of the total assets of NBFCs as at end-March 2000. The loans and inter-corporate deposit (ICD) portfolios accounted for 26.4 per cent of the assets of the NBFCs (Table V.8).

Chart V.3: Region-wise break-up of Public Deposits held by Registered and Unregistered NBFCs



10. Analysis of Borrowings by NBFCs

5.38 The borrowings by NBFCs (excluding RNBCs) for the years ended March 1999 and 2000 are presented in Table V.9. As evident from the Table, total borrowings registered a marginal decline of 0.8 per cent, the decline is more pronounced in inter-corporate borrowings (40.1 per cent), money raised through convertible bonds or secured debentures (16.3 per cent) and borrowings from financial institutions (10.4 per cent). Money raised through commercial paper increased from Rs.465 crore to Rs.554 crore and borrowings through other sources increased from Rs. 4,130 crore to Rs. 6,480 crore (Chart V.5).

11. Net Owned Funds of NBFCs

5.39 Net owned fund (NOF) of NBFCs is the aggregate of paid-up capital and free reserves, netted by (i) the amount of accumulated balance of loss, (ii) deferred revenue expenditure and other intangible assets, if any, and further reduced by investments in shares and loans and advances to (a) subsidiaries, (b) companies in the same group and (c) other NBFCs, in excess of 10 per cent of owned fund.

5.40 The data on NOF of NBFCs for the years 1999 and 2000 presented in Table V.10, reveals that the number of companies having NOF upto Rs. 25 lakh have declined from 736 as at end-March 1999 to 205 as at end-March 2000. This reduction, to an extent, is reflected in the decline of number of reporting companies by 540 during the same period.

Table V.7: Asset Profile of NBFCs*
(As at end-March)

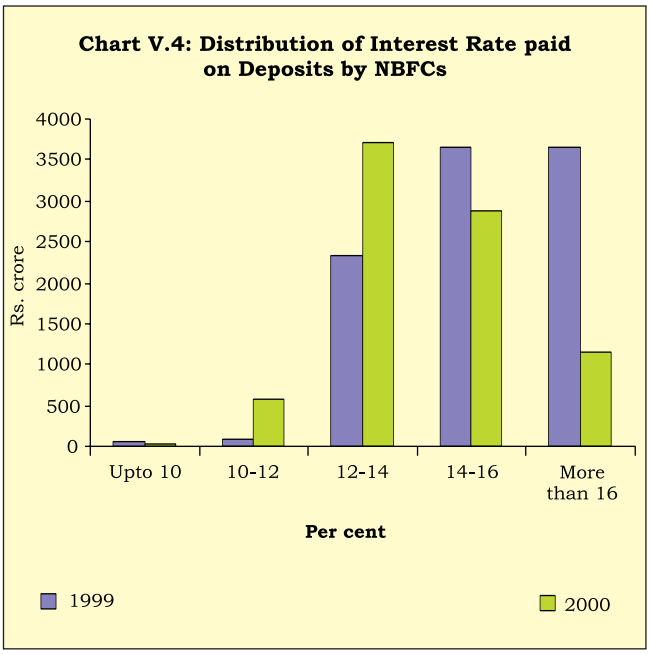
Range of Assets (Rs. crore)	No. of reporting companies		Assets (Rs. crore)		Percentage Variation of Col. (5) over Col. (4)
	1999	2000	1999	2000	
1	2	3	4	5	6
1. Less than 0.25	736	82	30.15	7.86	-73.9
2. 0.25 - 0.50	319	95	49.15	36.36	-26.0
3. 0.50 - 2	332	397	307.41	434.32	41.3
4. 2 - 10	55	266	961.49	1,142.02	18.8
5. 10 - 50	64	90	1,701.31	1,921.11	12.9
6. 50 - 100	11	16	1,709.95	1,114.35	-34.8
7. 100 - 500	18	28	8,122.76	7,825.22	-3.7
8. Above 500	1	22	23,085.78	27,525.71	19.2
Total	**1,536**	**996**	**35,968.00**	**40,006.95**	**11.2**

* The 996 reporting NBFCs (excluding RNBCs) have been regrouped on the basis of their asset size as on end-March 1999 and end-March 2000.

12. Income Expenditure Statement of NBFCs

5.41 The profitability analysis of the NBFCs indicates that the net profits of these institutions registered an increase during the year 1999-2000. While income witnessed a decline of 0.6 per cent, largely due to a drop in fund-based income, the decline in expenditure was more pronounced, with the result that the net profits of NBFCs increased by 14.2 per cent from Rs.120 crore in 1998-99 to Rs.137 crore in 1999-2000. The fee-based income of the reporting NBFCs has registered an increase of Rs. 213 crore (Table V.11).

Chart V.4: Distribution of Interest Rate paid on Deposits by NBFCs



13. Capital Adequacy Ratio

5.42 The capital adequacy norms were made applicable to NBFCs in 1998. The norms relating to capital adequacy ratio (CAR) stipulate that every NBFC shall maintain a minimum capital ratio consisting of tier I and tier II capital that shall not be less than (a) 10 per cent on or before March 31, 1998; and (b) 12 per cent on or before March 31, 1999, of its aggregate risk-weighted assets and of risk-adjusted value of off-balance sheet items. The total of tier II capital, at any point of time, shall not exceed 100 per cent of tier I capital. Table V.12 presents CAR of the reporting companies for the years ended March 1999 and March 2000, respectively.

14. Other Developments

Role of BFS in Monitoring NBFCs

5.43 Considering the manifold growth of the non-banking financial companies in the early

Table V.8: Activity-wise Distribution of Assets of NBFCs @
(As at end-March)

Activity	Amount in Rs.crore		Per cent	
	1999	2000	1999	2000
1	2	3	4	5
Loans & ICD	2,158.11	10,561.35	6.0	26.4
Investments	4,352.13	5,578.65	12.1	13.9
Hire Purchase	13,128.29	12,016.79	36.5	30.0
Equipment & Leasing	3,165.18	5,146.70	8.8	12.9
Bills	1,095.56	1,280.09	3.0	3.2
Other assets	12,068.73	5,423.37	33.6	13.6
Total	**35,968.00**	**40,006.95**	**100.0**	**100.0**

@ excluding RNBCs.
The share under Loans & ICD has increased because of appropriate classification of assets in 2000, which were earlier booked under the head 'Other Assets'.

nineties and with a view to having an integrated approach to the entire financial sector, the supervision of NBFC sector was brought under the jurisdiction of the Board for Financial Supervision (BFS) with effect from July 1, 1995. Since then, the BFS has been serving as an important supervisory body for direction, formulation and overseeing the implementation of policy as well as supervision of NBFCs. Approval of BFS is obtained before any important

Table V.9: Classification of Borrowings by NBFCs (excluding RNBCs)
(As at end-March)

(Amount in Rs. crore)

Item	1999	2000
1	2	3
Money borrowed from Central/State Government @	2,739.59 (12.1)	2,603.60 (11.6)
Money borrowed from foreign sources*	624.18 (2.8)	601.32 (2.7)
Inter-corporate borrowings	3,076.48 (13.6)	1,842.74 [8.2)
Money raised by issue of convertible or secured debentures, including those subscribed by banks	4,001.78 (17.7)	3,348.82 (14.9)
Borrowings from banks	6,038.10 (26.7)	5,632.77 (25.1)
Borrowings from Financial Institutions	1,544.76 (6.8)	1,384.47 (6.1)
Commercial Paper	465.23 (2.1)	554.42 (2.5)
Others #	4,130.47 (18.3)	6,480.24 (28.9)
Total	**22,620.59 (100.0)**	**22,448.38 (100.0)**

@ Mainly by State-Government owned companies.
* The amount received from foreign collaborators as well as from institutional investors (Asian Development Bank, International Finance Corporation, etc.). The major amount is in infrastructure and leasing companies.
\# Includes security deposits from employees and caution money, allotment money, borrowings from mutual funds, Directors, etc.
Note: Figures in brackets are percentages to total.

Table V.10: Net Owned Funds *vis-à-vis* Public Deposits of NBFCs @

(As at end-March)

(Amount in Rs. crore)

Range of NOF Amounts	1999				2000			
	No. of reporting companies	Net Owned Fund	Public Deposits	Public Deposits as multiple of NOF	No. of reporting companies	Net Owned Fund	Public Deposits	Public Deposits as multiple of NOF
1	2	3	4	5	6	7	8	9
Upto 0.25	736	38.08	650.22	17.1	205	-215.15	394.78	-1.8
0.25 - 0.50	319	70.43	115.51	1.6	360	116.17	194.20	1.7
0.50 - 5.0	332	442.74	1,067.55	2.4	314	501.98	362.86	0.7
5 - 10	55	336.37	264.71	0.8	43	294.12	202.13	0.7
10 - 50	64	1,285.08	2,107.15	1.6	46	1,060.24	2,773.16	2.6
50 - 100	11	786.99	1,271.05	1.6	9	628.40	877.58	1.4
100 - 500	18	3,946.07	4,286.73	1.1	19	4,279.95	3,533.24	0.8
Above 1,000	1	1,120.83	21.74	0.02	—	—	—	—
Total	**1,536**	**8,026.59**	**9,784.66**	**1.2**	**996**	**6,665.71**	**8,337.95**	**1.3**

@ Excluding RNBCs.
Note:There were no reporting companies with NOF of above Rs.1,000 crore as at end-March 2000.

Table V.11: Financial Performance of NBFCs*

(Amount in Rs. crore)

Item	1998-99	1999-2000	Variation of Col. (3) over Col. (2)	
1	2	3	4	5
			Absolute	Percentage
A. Income (i+ii)	**6,809**	**6,770**	**-39**	**-0.6**
i) Fund	6,551	6,299	-252	-3.8
ii) Fee	258	471	213	82.6
B. Expenditure (i+ii+iii)	**6,416**	**6,363**	**-53**	**-0.8**
i) Financial	4,355	3,687	-668	-15.3
ii) Operating	1,077	1,614	537	49.9
iii) Other	984	1,062	78	7.9
C. Tax Provisions	**273**	**270**	**-3**	**-1.1**
D. Net Profit	**120**	**137**	**17**	**14.2**
E. Total Assets	**35,968**	**40,007**	**4,039**	**11.2**
F. Financial Ratios @				
i) Income	18.9	16.9	-2.0	—
ii) Fund Income	18.2	15.7	-2.5	—
iii) Fee Income	0.7	1.2	0.5	—
iv) Expenditure	17.8	15.9	-1.9	—
v) Financial Expenditure	12.1	9.2	-2.9	—
vi) Operating Expenditure	3.0	4.0	1.0	—
vii) Other Expenditure	2.7	2.7	-0.1	—
viii)Tax Provisions	0.8	0.7	-0.1	—
ix) Net Profit	0.3	0.3	0.0	—

* excluding RNBCs.
@ Ratios to Total Assets

policy change and amendments in the regulatory framework of NBFCs are carried out. BFS also serves as an important forum for deciding the course of action against problem companies and monitoring their status on an on-going basis. In addition to information notes on specific companies, quarterly reports on the status of large, weak and problem companies are discussed in BFS meetings. Furthermore, half-yearly reports on the performance of the NBFC sector are also put up for information of BFS.

Close Monitoring of Errant NBFCs

5.44 The Reserve Bank continued to keep close surveillance on large NBFCs, particularly those which had difficulties in honouring commitments to depositors and against whom Company Law Board (CLB) had issued orders for repayment of deposits. The implementation of CLB orders is being monitored by Regional Co-ordination Committees formed at Chennai, Kolkata, New Delhi and Mumbai with representatives from Department of Company Affairs and Economic Offences Wing of State Governments.

Institutionalised Decision-making Mechanism

5.45 The Informal Advisory Group for NBFCs constituted by the Reserve Bank in January 1998 consists of representatives from the Institute of Chartered Accountants of India, national level Associations of NBFCs, chief executive officers of two large NBFCs, besides the Reserve Bank. The Group meets at quarterly intervals to deliberate on regulatory issues relating to NBFCs for aiding decision-making process, and serves as a useful institutionalised framework for periodical consultation with various associations of NBFCs. The term of the Group has been extended to June 2002.

Developmental Aspects

5.46 The NBFCs are widely dispersed across the country and their managements exhibit varied degrees of professionalism. Furthermore, the depositors have varied degrees of perceptions regarding safety of their deposits while making an investment decision. Therefore, a need was felt for educating the depositors about the regulations of NBFCs, the personnel of NBFCs and their auditors about their obligation to the regulator and the personnel of enforcement bodies like police and State Government departments about their role in curbing unscrupulous activities. The Task Force on NBFCs had also suggested that the State Governments should be increasingly involved in curbing the illegal and unauthorised deposit taking activities of the NBFCs and unincorporated bodies engaged in the financial business. The Reserve Bank also received requests from a number of State Governments for conducting seminars/programmes for their civil and police officials on various aspects of legal and supervisory issues pertaining to

Table V.12: Distribution of Reporting NBFCs by CRAR
(As at end-March)

CRAR Range (per cent)	1999					2000				
	EL	HP	LC/IC	RNBC	Total	EL	HP	LC/IC	RNBC	Total
1	2	3	4	5	6	7	8	9	10	11
Less than 10	11	33	39	1	**84**	7	11	12	2	**32**
10-12	1	1	2	—	**4**	—	—	1	—	**1**
12-15	1	7	10	—	**18**	1	3	3	—	**7**
15-20	7	27	15	1	**50**	3	31	8	—	**42**
20-30	10	71	37	—	**118**	12	52	16	1	**81**
Above 30	27	144	230	2	**403**	23	253	159	1	**436**
Total	**57**	**283**	**333**	**4**	**677**	**46**	**350**	**199**	**4**	**599**

NBFCs. Accordingly, the Reserve Bank has organised focussed training programmes/ seminars/workshops for personnel of NBFCs and enforcement agencies.

Publicity Campaign for NBFC Depositors

5.47 The elaborate publicity campaign for educating depositors through advertisements which began in July 1998 continued through the year. The campaign has since been fine-tuned with a three-pronged strategy comprising advertisements in print media, spots on electronic media and informal publicity through seminars and press meets elucidating the steps taken for ensuring protection of depositors' interests.

Committee for Redesigning Balance Sheet Format for NBFCs

5.48 The Committee for Redesigning of Financial Statements of Non-Banking Financial Companies (Chairman: Shri V.S.N.Murty), submitted its Report in September 1999. It recommended revised formats for balance sheets which essentially follows the existing formats prescribed under the Companies Act, with additional disclosures in respect of maturity profile of assets and liabilities, sector-wise concentration of assets and liabilities, details in respect of overdue loans and other credits, non-performing assets and provisioning thereagainst, valuation of investments, etc., as schedules to the main balance sheet as well as the formats for these additional schedules. Two salient recommendations of the Committee *viz.*, uniform accounting year ending on March 31, and constitution of audit committees for NBFCs having asset size of Rs.50 crore and above have been implemented. Other recommendations of the Committee are under the consideration of the Reserve Bank.

Asset Securitisation

5.49 The Government of India constituted an Expert Committee (Chairman: Shri T.R. Andhyarujina) for the purpose of formulating specific proposals to give effect to the suggestions made by the Committee on Banking Sector Reforms (Chairman: Shri M. Narasimham) relating to changes needed in the legal framework. The Committee submitted its Report in February 2000. As a follow up, the Government of India constituted a Working Group (Chairman: Shri S.H. Bhojani, with Shri M.R.Umarji as a member from the Reseve Bank) on asset securitisation in July 2000 to examine the Expert Committee's recommendations for implementation. The Working Group has drafted a Bill on asset securitisation and submitted the same to the Government.

Foreclosure Laws

5.50 The Government of India constituted a Working Group (Chairman: Shri M.R. Umarji) in July 2000 to examine the recommendations of the Andhyarujina Expert Working Group on Foreclosure Laws regarding vesting of powers with banks and financial institutions for taking possession and sale of securities without the intervention of the courts and to draft a bill for consideration of the Government. The Working Group submitted its report to the Government along with the draft Bill in May 2001.

Annexure: Chronology of Major Policy Developments

Announcement Date		Measures
A) Scheduled Commercial Banks		
2000		
April	6	• All Indian banks having branches/offices/subsidiaries/joint ventures abroad were advised to dispense with RALOO statements from the quarter ended June 2000. Instead DSB(O) quarterly reporting system consisting of seven returns was introduced.
	24	• Banks were advised to assign risk-weight of 100 per cent only on those State Government guaranteed securities issued by the defaulting entities and not on all the securities issued or guaranteed by the concerned State Government. Banks were advised to pay due regard to the record of the particular State Government in honouring their guarantees while processing any further requests for loans to PSUs in that State on the strength of State Government guarantee. • No provision need be made for a period of one year in respect of additional credit facilities granted to SSI units which are identified as sick and whose accounts are classified as NPA where rehabilitation packages/nursing programme have been drawn by the banks themselves or under consortium arrangements. • Banks were advised to make general provision of 0.25 per cent on standard assets on global portfolio basis and not on domestic advances alone. The provisions towards standard assets are eligible for inclusion in tier II capital. • It was clarified to banks that effective March 31, 2000 the extra provision needed in the event of a depreciation in the value of the investments should be debited to the Profit and Loss Account and if required, an equivalent amount may be transferred from the 'Investment Fluctuation Reserve Account' to the Profit and Loss Account as a below the line item after determining the profit for the year. • Lending by banks to NBFCs for on-lending to agriculture reckoned as priority sector lending.
	27	• A move towards risk-based supervision (RBS) of banks announced. The risk-based supervision approach entails the supervision of banks by allocating supervisory resources and focusing supervisory attention according to the risk profile of each bank. • Banks were advised that micro-credit extended by them to individual borrowers either directly or through any intermediary would be reckoned as part of their priority sector lending. • With regard to deposit insurance, the Reserve Bank announced that a new law in supercession of the existing enactment is required to be enacted to implement the recommendations of the Advisory Group on Reforms in Deposit Insurance in India and the task of preparation of the new draft law has been taken up.
May	3	• On prudential considerations and in line with international standards, banks were advised that they may voluntarily build-in the risk-weighted components of their subsidiaries into their own balance sheet on notional basis, at par with the risk-weights applicable to the bank's own assets. Banks were further advised to earmark additional capital in their books over a period of time so as to obviate the possibility of impairment to their net worth when switchover to unified balance sheet for the group as a whole is adopted after some time. The additional capital required is to be provided in the bank's books in phases, beginning from the year ending March 2001. • Banks were advised to make the necessary in-house arrangement for gathering and collection of credit and other information in one place for transmitting it to the Credit Information Bureau, as and when it is established.
	5	• Taking into consideration the difficulties expressed by some of the banks, it was decided that, details of the maturity pattern of deposits and borrowings, loans and advances and investments, may be disclosed as additional information in the 'Notes on Accounts' to the Balance sheet for the year ending March 2001 and not end-March 2000 as originally stipulated. However, the information should be disclosed in the Director's Report.
	12	• Banks were permitted to rediscount bills discounted by NBFCs arising from sale of two wheeler and three wheeler vehicles subject to the conditions that the bills were to have been drawn by the manufacturers on dealers only.

(continued)

Annexure: Chronology of Major Policy Developments *(Continued)*

Announcement Date		Measures
2000		
	26	• The exemption granted to RRBs from the practice of marking to market norms in respect of SLR securities was further extended to another two financial years, *viz*., 2000-01 and 2001-02.
	28	• RRBs having minimum working capital of Rs.25 crore and satisfying other criteria were authorised to open/maintain NRE accounts in rupees.
June	12	• Banks were advised to review urgently the pendency of all suit filed cases relating to NPAs and convey to the functionaries at all levels, the need for close monitoring of suit filed and decreed cases on an ongoing basis.
July	14	• Banks were advised to bring into force the 'Revised calendar of Reviews' (based on the recommendations of the Working Group appointed for the purpose) with effect from August 1, 2000.
	20	• The issue of repatriation of the proceeds of GDRs/ADRs issued by banks was reviewed and banks were advised to repatriate the entire proceeds of GDRs/ADRs soon after the issue process is completed. This provision would also be applicable to direct investments in banks made by NRIs/OCBs, foreign banking companies or finance companies, including multilateral institutions.
	27	• Modified guidelines were issued to the public sector banks in order to provide a simplified non-discretionary and non-discriminatory mechanism for recovery of stock of NPAs. These guidelines cover NPAs in all sectors up to Rs. 5 crore but do not cover cases of wilful default, fraud and malfeasance. All NPAs categorised as doubtful or loss assets as at end-March 1997 as well as sub-standard assets as on that date which have become doubtful subsequently will also be covered. The amount of settlement arrived at should be paid within one year together with interest at the existing PLR from date of settlement up to the date of final payment. The guidelines would be operative up to end-March 2001. The Board of Directors of the banks were also advised that they could evolve detailed policy guidelines regarding one time settlement of NPAs over Rs.5 crore covering the computation formula, realisable amount, cut-off date and payment conditions, etc. as part of its loan recovery policy and decide individual cases in accordance with such policy.
August	7	• Banks were advised to (i) assign 100 per cent risk-weight to all types of loans and advances granted to the bank's own staff; and (ii) to show these loans under 'Other Assets' in Schedule 11 of the Balance Sheet with a suitable foot note.
	9	• Insurance business was not permitted to be undertaken departmentally by the banks. Any bank intending to undertake insurance as per the guidelines should obtain prior approval of Reserve Bank before engaging in such business.
	14	• It was decided to scale down the balances in EEFC accounts to 50 per cent of the amount held on August 11, 2000. Accordingly, banks were permitted to credit i) 35 per cent of the inward remittances in the EEFC accounts of export oriented units, units in Export Processing Zone, Software Technology Park or Electronic Hardware Technology Park; and ii) 25 per cent of inward remittances in respect of others. Further, future accretions would be permitted only up to 50 per cent of the currently eligible amount. Accretions should be maintained in liquid form as current/ savings accounts. Besides, credit facilities available against such accounts would be held in abeyance.
	29	• It was clarified that rupee subordinated debts raised by banks as tier II capital, will not be considered for inclusion in capital funds for the purpose of determining the exposure ceiling to individual/group borrowers.
October	4	• It was decided that tyre re-treading activity (through hot-cold process) and coffee curing / processing shall be treated as an industrial activity registrable as small scale industries.
	5	• The Reserve Bank issued guidelines for sanction of working capital finance to Information Technology (IT) and Software Industry.
	8	• The concept of 'Past Due' was dispensed with effective from March 31, 2001. Accordingly as from that date, a NPA shall be an advance where: interest and /or instalment of principal

Annexure: Chronology of Major Policy Developments *(Continued)*

Announcement Date		Measures
2000		
		remain overdue for a period of more than 180 days in respect of a Term Loan; (ii) the account remains 'Out of order' for a period of more than 180 days, in respect of an Overdraft/Cash Credit (OD/CC); (iii)the bill remains overdue for a period of more than 180 days, in the case of bills purchased and discounted; (iv) interest and/or instalment of principal remains overdue for two harvest seasons but not exceeding two half years in the case of an advance granted for agricultural purposes; and (v) any amount to be received remains overdue for a period of more than 180 days in respect of other accounts.
	10	• General provision on standard assets was allowed to be included in tier II capital. • In order to bring more transparency to the balance sheets of public sector banks and as a further step towards consolidated supervision and to provide additional disclosures, it was decided that public sector banks should annex the balance sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors in respect of each of their subsidiaries to their balance sheet beginning from the year ending March 31, 2001. • The concept of "past due" (grace period of 30 days) which was incorporated into the two quarter delinquency norm on income recognition, asset classification and provisioning introduced in April 1992, would be dispensed with, effective March 31, 2001. • After a review of current practices regarding credit exposure limits *vis-à-vis* international best practices, it was decided to prepare a detailed Discussion Paper on the subject which was expected to be finalised by December 2000. Based on the comments and suggestions on the issues, and followed by an interaction with banks, the Reserve Bank would take a final view on the approach that should be adopted with a view to making it effective from end-March 2002. • On a review of the August 14, 2000 measure relating to EEFC accounts, it was decided to restore fully the earlier entitlement of i) 70 per cent of the inward remittances in the EEFC accounts of export oriented units, units in Export Processing Zone, Software Technology Park or Electronic Hardware Technology Park; and ii) 50 per cent of inward remittances in respect of others. • To provide further operational autonomy, banks were given freedom to decide on charging penal interest to borrowers and may formulate transparent policy for the same with the approval of their Boards. • On a review of market conditions and with a view to providing flexibility to banks in prescribing margins, the prescription of minimum margin of 15 per cent under selective credit control on free sale sugar was withdrawn. Margins on free sale sugar would be decided by the banks based on their commercial judgement. • Public sector banks were advised to set monthly targets for issue of Kisan Credit Card to farmer borrowers within the yearly target fixed for the bank and draw action plan for achieving the overall target. • Restrictions on transferability period of CDs issued by banks were withdrawn.
	16	• The Reserve Bank circulated the revised guidelines relating to categorisation and valuation of banks' investment portfolio. The guidelines were effective from the half year ended September 30, 2000. • As regards the flow of credit to SSI sector, in the light of the decision of the Group of Ministers, the Reserve Bank advised banks to take the following measures, (i) Banks may, while sanctioning/ renewing credit limits to their large corporate borrowers (i.e., borrowers who enjoy working capital limits of Rs.10 crore and above from the banking system), fix separate sub-limits, within the overall limits, specifically for meeting payment obligations in respect of purchases from SSIs either on cash basis or bill basis, (ii) the size of such sub-limits, may be decided by banks taking into account the projected purchases by corporate borrowers from the SSIs during a year in relation to their total purchase and other relevant factors, (iii) ensuring that sale proceeds/ other receipts of the borrower are credited to this account on a *pro rata* basis. • The categories of bank credit for imports exempted from the levy of interest rate surcharge are:

Annexure: Chronology of Major Policy Developments *(Continued)*

Announcement Date		Measures
2000		
		(i) Export packing credit provided at concessive rate of interest to meet the cost of imported inputs; (ii) Import of capital goods by *bonafide* borrower-importers under valid Licences issued under the Export Promotion Capital Goods Scheme (EPCG Scheme); (iii) all *bonafide* imports including import of capital goods by Export-Oriented Units (EOUs) and units in the Export Processing Zones (EPZs); (iv) all *bonafide* imports under Advance Licences granted for import of "Inputs" such as raw materials, intermediates, components, etc., by either the original holder or a transferee (if transferred under an endorsement of the Directorate General of Foreign Trade enabling such transfer); (v) all *bonafide* imports against the credit under the Duty Entitlement Pass Book (DEPB) Scheme contained in the EXIM Policy 1997-2002; (vi) Bulk Imports in respect of crude oil, petroleum products, fertilizers, edible oils and other essential commodities imported through Government Agencies; (vii) import of crude oil by private and joint sector refineries for actual use in their own refineries, (viii) All *bonafide* imports under duty free replenishment certificate (DFRC) scheme, GEM Replenishment License and Diamond Imprest –License; and (ix) All *bonafide* imports including import of capital goods by units under Electronic Hardware Technology Park (EHTP), Software Hardware Technology Park (STP) and special Economic Zone (SEZ) schemes.
November	9	• A series of preventive measures were suggested by Reserve Bank to prevent frauds: (i) While opening deposit accounts, banks are required to obtain from customers their photograph and an introduction from an existing customer; (ii) Banks were advised to observe safeguards while issuing Letters of Credit (LCs) to their customers enjoying credit facilities; and (iii) banks must lay out clear instructions for their branch staff in respect of loan accounts where such non-funded facilities have become funded.
	10	• As recommended by the RBI-SEBI Technical Committee it was decided that within the overall exposure to sensitive sectors, a bank's exposure to capital market by way of investments in shares, convertible debentures and units of mutual funds (other than debts funds) through primary or secondary markets should not exceed 5 per cent of the bank's total outstanding domestic credit (excluding inter-bank lendings and advances outside India) as on March 31 of the previous year.
	20	• It was decided that no provision need be made for a period of one year in respect of additional credit facilities granted to SSI units which are identified as sick, and where rehabilitation packages/nursing programmes have been drawn by the banks themselves or under consortium arrangements.
	23	• The existing practice of banks submitting credit proposals above Rs. 1 crore to the Reserve Bank for its prior approval under selective credit control has been discontinued. Banks have freedom to sanction such credit proposals in terms of their individual loan policies.
December	11	• It was decided that loans to the software industry having credit limit upto Rs. one crore from the banking system, will be eligible for inclusion under priority sector. However, small loans given to software professionals etc. upto Rs.5 lakh will continue to be covered and reported under the existing category of "loans to professionals and self-employed". Other advances to software industry may be reported under a separate head "Software Industry" in the annual statements of priority sector advances.
2001		
January	3	• The guidelines for licensing of new banks in the private sector were revised indicating that: (i) initial minimum paid-up capital for the new bank shall be Rs.200 crore, to be raised to Rs.300 crore within 3 years of commencement of business, (ii) the promoter's contribution shall be a minimum of 40 per cent of the paid-up capital of the bank at any point of time, (iii) while augmenting the capital base to Rs.300 crore, the promoters will have to bring in additional capital, which would be at least 40 per cent of the fresh capital raised, (iv) NRI participation in the primary equity of a new bank shall be to a maximum extent of 40 per cent, (v) the new bank should not be promoted by a large industrial house. However, individual companies, directly or

Annexure: Chronology of Major Policy Developments *(Continued)*

Announcement Date		Measures
2001		
		indirectly connected with large industrial houses may be permitted to participate in the equity of a new private sector bank upto a maximum of 10 per cent but will not have controlling interest in the bank, (vi) the proposed bank shall maintain arms length relationship with business entities in the promoter group and the individual companies investing upto 10 per cent of the equity as stipulated above.
	6	• Interest-rate surcharge of 50 per cent on bank finance was withdrawn.
	18	• It was decided to consider the amounts held under the head "Building Fund" also as eligible to be treated as part of free reserves, to be taken into account for calculating "Capital Funds" for the purpose of determining exposure norms by urban co-operative banks.
	29	• With regard to payment of balances in the accounts of the deceased customers to survivors/ claimants, it was clarified that banks may call for succession certificate from legal heirs of deceased depositors if there are disputes and all legal heirs do not join in indemnifying the bank or in certain other exceptional cases where the bank has a reasonable doubt about the genuineness of the claimant/s being the legal heir/s of the depositor.
February	2	• The Reserve Bank advised banks about the exemption granted by the Ministry of Home Affairs to all associations from provision of Foreign Contribution (Regulation) Act, 1976 to accept foreign contributions, in cash or kind, to provide relief to earthquake victims without obtaining a formal approval of the Central Government.
	6	• In order to provide relief to the exporters, affected by earthquake of 2001 it was decided to extend the following concessions: *i) Extension of pre-shipment credit* In cases where shipment is likely to be delayed beyond the specified time due to the calamity, banks may, after satisfying themselves of the genuineness of the case, extend upto 180 days, pre-shipment credit granted for periods less than 180 days (based on the production cycle), at the interest rate applicable for the period upto 180 days (10 per cent per annum) and for period beyond 180 days and upto 360 days, banks may charge concessional rate applicable for the period beyond 180 days and upto 270 days (13 per cent per annum). Extension of credit beyond 360 days may also be considered, where necessary, on the basis of bank's commercial judgement and discretion at the rate applicable for "ECNOS-Pre-shipment" and with the approval of the bank's Board. In case where the pre-shipment credit has been granted in foreign currency, extension beyond 180 days may be allowed as per the actual cost of roll-over instead of applying 2 per cent over the rate charged for the period upto 180 days as per extant instructions. *(ii) Conversion of dues into short-term loans* Banks may convert the overdue pre-shipment credit, wherever considered necessary, into a short-term loan repayable within a reasonable period of time after taking into account the settlement of ECGC claim, if any, in respect of guarantees taken by the bank. Penal interest which is now required to be decided by the banks should not be charged from the date of advance in case of non-shipment in such cases. *(iii) Application of asset classification norm* Banks need not classify as NPA the pre-shipment credit granted to exporters if period of credit has been extended in terms of paragraph (i) above or where the pre-shipment credit has been converted into short-term loan in terms of paragraph (ii) above. The advances will be treated as NPA if the interest and/or instalment of principal remains unpaid for 180 days after it has become overdue taking into account the revised due dates fixed by the banks after extension of the period or conversion of the pre-shipment credit, as the case may be.

Annexure: Chronology of Major Policy Developments *(Continued)*

Announcement Date		Measures
2001		
	28	• Banks were advised to assign 20 per cent risk-weight on all loans and advances to staff which were fully covered by superannuation benefits and mortgage of flat/house and classify under 'Advances' in Schedule 9 of the balance sheet all interest bearing loans and advances granted to their staff. However, all non-interest bearing loans and advances to their own staff was to be included in "Others" under "Other Assets" in Schedule 11 of the balance sheet.
March	2	• The Reserve Bank of India granted 'in principle' approval to four entities (1) Bank of America Securities (India) Pvt. Ltd. 2) Bank of Baroda (subsidiary to be established) 3) HSBC Primary Dealership (India) Pvt. Ltd. 4) Standard Chartered - UTI securities India Pvt. Ltd. to be accredited as Primary Dealers in the Government Securities Market. • With regard to the provision of credit to SSI sector, in line with the recommendations of the Nayak Committee, banks were advised to make further improvements towards: (a) delegation of adequate discretionary powers to branch officials for sanction of credit facilities, (b) issuing acknowledgements of loan proposals received, (c) providing technical expertise in branches, (d) providing credit to tiny sector, (e) maintenance of loan application registers in a comprehensive manner, (f) referring proposals liable for rejection/curtailment in the amount of finance to the next higher authority.
	3	• Banks were advised to prepare action plan for issuing *Kisan* Credit Cards to all eligible borrowers in agricultural sector within next three years and to inform the Reserve Bank if targets are changed in future.
	22	• To keep a special watch on receipt and utilisation of foreign contribution received for providing relief to the earthquake victims in Gujarat, commercial banks were directed to furnish a monthly report of receipt of foreign contributions by Associations/Organisations in India under Foreign Contribution (Regulation) Act, 1976. • It was clarified that all deposits placed with NABARD/SIDBI in *lieu* of shortfall in advances to priority sector *vis-à-vis* the prescribed target would attract 100 per cent risk-weight, since these deposits are in *lieu* of shortfall in assets which carry 100 per cent risk-weight.
	28	• Public sector banks were instructed to (a) annex only the annual accounts and auditors' report of the subsidiaries to its balance sheet, (b) make available the Directors' report in respect of the subsidiaries on the website of parent bank, (c) continue the above procedure till the bank switches over to the consolidated balance-sheet system. The accounting year of banking subsidiaries should be coterminous with the parent bank and hence date of the annual accounts of subsidiaries, annexed to the parent's balance sheet, should coincide with date of annual accounts of parent bank. For subsidiaries having accounting year different from the parent bank, the annual accounts annexed should not relate to a date earlier than six months prior to the date of the annual accounts of the parent bank.
	30	• The classification and provisioning norms for restructured accounts in the standard and sub-standard category were reviewed and it was decided that on rescheduling, they could continue to be classified as standard and sub-standard, respectively, if the asset is fully secured and the sacrifice, if any in interest, is either written off or fully provided for.
April	10	• The operation of the guidelines for a simplified, non-discriminatory and non-discretionary mechanism for settlement of dues relating to NPAs with outstandings upto Rs.5 crore was extended upto June 30, 2001.
	19	• Banks allowed to offer loans or credit limits over Rs. 2 lakh at below-PLR interest rates to exporters or other credit-worthy borrowers including public enterprises on the lines of a transparent and objective policy approved by their respective boards. However, PLR would serve as ceiling interest rates for loans up to Rs. 2 lakh. • Banks were permitted to formulate fixed deposit schemes specifically for senior citizens offering higher and fixed rates of interest as compared to normal deposits of any size. • To facilitate better ALM, banks were given freedom to exercise discretion to disallow premature withdrawal of large deposits held by entities other than individuals and Hindu Undivided Families,

Annexure: Chronology of Major Policy Developments *(Continued)*

Announcement Date		Measures
2001		
		subject to informing the depositors in advance. The period of renewal of overdue term deposits at interest rate prevailing on date of maturity was made 14 days while for overdue period exceeding 14 days banks were allowed to prescribe their own interest rate. • In order to move towards international best practices and impart greater transparency, it was decided to introduce classification of loans as non-performing when interest and/or instalment of principal remain overdue for a period of more than 90 days from the year ending March 31, 2004. Banks were advised to make additional provisions from the year ending March 31, 2002 to facilitate smooth transition. • Effective from the year 2001-02, audit firms recommended by private sector banks for appointment as Statutory Central Auditors (SCAs) have to satisfy certain minimum standards like minimum number of full time partners, number of chartered accountants exclusively associated, number of professional audit staff, etc. • The Reserve Bank announced a reduction in exposure limit for single borrower from the existing 20.0 per cent to 15.0 per cent, effective from March 31, 2002; group exposure limit to 40.0 per cent from the existing 50.0 per cent of capital funds, effective from March 31, 2002; for financing infrastructure projects, the limit is extendable by another 10.0 per cent, i.e. upto 50.0 per cent. • Banks were advised to incorporate a condition in the loan agreement for obtaining consent of borrowers to disclose their names if they become defaulters. • For greater transparency in the operation of borrowal accounts, banks were advised for bi-annual circulation of defaulters list of Rs. 1 crore and above in the doubtful or loss category. • In pursuance of the Union Budget announcement, measures were taken to commence operations of the Clearing Corporation, by June 2001, with State Bank of India as chief promoter and five other banks and FIs to facilitate clearing and settlement of money, government securities and foreign exchange transactions. • It was decided to introduce an electronic Negotiated Dealing System (NDS) by June 2001 to facilitate transparent electronic bidding in auctions and secondary market transactions on a real time basis. • It was proposed while the current eligibility criteria for accredition as a SD would continue, the existing liquidity support from RBI will be discontinued. • With effect from June 30, 2001, banks, FIs, PDs and SDs directed to make fresh investments and hold CP only in dematerialised form. Outstanding investments in scrip form in the books of these institutions should also be converted into dematerialised form by October 31, 2001.
	20	• HSBC Primary Dealership India Private Limited granted final approval to operate as a PD in government securities market, thereby increasing the number of PDs to sixteen.
May	2	• Considering that higher loan loss provisioning adds to the overall financial strength of the banks and stability of the financial sector, banks were urged to voluntarily set apart provisions much above the minimum prudential levels as a desirable practice • Banks and Fls advised that all cases of willful defaults of Rs. 100 crore and above should be reviewed and suits filed, if not done earlier. If in such cases of willful defaults, there are instances of cheating or fraud by the defaulting borrowers, banks should also file criminal cases. • Guidelines were issued for compromise settlement of dues of banks and financial institutions through *Lok Adalats*.
	11	• Revised guidelines were issued on Bank Financing of Equities and Investments in Shares; (i) for making direct investment in shares/debentures etc. at bank's own risk; (ii) for making loans and advances to individuals and sharebroking entities for making investment in capital markets on own account. Here, the investment risk is that of the individual or stock-broking entities. Loans/advances by banks are normally fixed in value and carry stipulated interest rate, and risk to banks could arise on account of inadequacy of margining or the inability of borrowers to meet their repayment/interest obligations to banks because of volatility in share prices or other related reasons, and (iii) shares/debentures may be assigned to banks by individuals and corporates as collateral and additional security for certain approved purposes which do not involve stockbroking or investment in capital market.

Annexure: Chronology of Major Policy Developments *(Continued)*

Announcement Date		Measures
2001		
		• The ceiling of 5 per cent prescribed for investment in shares will henceforth apply to total exposure including both fund based and non-fund based, to capital market by a bank in all form. The ceiling will cover: direct investment by a bank in equity shares, convertible bonds and debentures and units of equity oriented mutual funds; advances against shares to individuals for investment in equity shares (including IPOs), bonds and debentures, units of equity-oriented mutual funds etc; secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers.
	14	• Guidelines issued for bank financing of film production.
June	7	• Guidelines were issued in respect of investment in non-SLR securities regarding the due diligence to be undertaken, the disclosures to be obtained, and the credit risk analysis to be made in regard to privately placed investments especially for unrated instruments.
	14	• With a view to reduce divergences in assessment of NPAs by banks, statutory auditors and RBI Inspectors, user friendly guidelines defining and clarifying certain related issues in question-answer format were issued. • The guidelines on internet banking were released.
August	23	• Based on extensive discussions that the Government of India and Reserve Bank had with banks and financial institutions, the scheme of Corporate Debt Restructuring (CDR) was finalised. The objective of the CDR framework is to ensure a timely and transparent mechanism for restructuring of the corporate debts of viable corporate entities affected by internal or external factors, outside the purview of BIFR, DRT and other legal proceedings, for the benefit of all concerned. CDR will apply only to multiple banking accounts/syndicates/consortium accounts with outstanding exposure of Rs. 20 crore and above with the banks and financial institutions.
September	22	• Based on the recommendations of the RBI-SEBI Technical Committee, on an experimental basis it was decided to permit banks to extend finance to stockbrokers for margin trading within the overall ceiling of 5 per cent prescribed for exposure of banks to capital market subject to certain conditions. These guidelines will be valid for a period of 60 days (i.e. upto November 22, 2001) and will be reviewed in the light of actual experience.
	24	• A special financial package was drawn in consultation with the Government of India, for large value exports of select products, which are internationally competitive and have high value addition. The products eligible for export under special financial package are: (a) pharmaceuticals (including drugs, fine chemicals), (b) agro-chemicals (including inorganic and organic chemicals), (c) transport equipment (including commercial vehicles, two and three wheelers, tractors, railway wagons, locomotives), (d) cement (including glass, glassware, ceramics and refractories), (e) iron and steel (including iron & steel bars/rods and primary and semi-finished iron & steel), (f) electrical machinery (including transmission line towers, switch gear, transformers).
	26	• A reduction in the ceiling rate for export credit by 1.0 percentage point across the board for period upto March 31, 2002 was announced. Accordingly, the maximum rate that the bank would charge to exporters was revised to 2.5 percentage points below its PLR for pre-shipment credit upto 180 days and for post-shipment credit upto 90 days.
October	22	• It was decided that banks should furnish the following, additional disclosures in the 'Notes on Accounts' in their balance sheets, from the year ending March 2002: (i) movement or provisions held towards NPAs and (ii) movement of provisions held towards depreciation on investments.
	25	• Banks were given the freedom to change the composition of working capital by increasing the cash credit component beyond 20 per cent, or to increase the 'loan component' beyond 80 per cent, as the case may be, for working capital limits of Rs. 10 crore and above, if they so desire. Banks are expected to appropriately price each of the two components of working capital finance, taking into account the impact of such decisions on their cash and liquidity management.

Annexure: Chronology of Major Policy Developments *(Continued)*

Announcement Date		Measures
		B) Co-operative Banks
2000		
August	30	• Based on the recommendations of the High Power Committee, revised licensing policy for setting up of new UCBs was announced. The thrust of the revised policy is on strong start-up capital and corporate governance. Accordingly, Entry Point Norms were enhanced significantly based on population criteria. To improve corporate governance, a thorough screening of credentials of promoters is required to be carried out. Also, there should at all times be at least two directors with suitable banking experience or persons with relevant professional qualification on the Boards of Management. The promoters should not be defaulters to any financial institutions or banks and should also not have any association with *chit fund* / NBFC / co-operative banks or commercial banks in the capacity of directors on the Board.
2001		
April	19	• The interim prudential measures for UCBs proposed to provide greater security to depositors and members included stopping of direct or indirect lending by UCBs to individuals or corporates against security of shares with immediate effect, unwinding of existing lending to stock brokers or direct investment in shares, limiting of their borrowings from call money market up to 2.0 per cent of their aggregate deposits as at end-March in the previous financial year, no permission for increase in their term deposits in other UCBs and unwinding of existing term deposits by June 2002, increases in their SLR holdings in government and other approved securities as per cent of NDTL by March 2002 from 15 to 20 per cent for scheduled UCBs; from 10 to 15 per cent for non-scheduled UCBs with deposit base of Rs. 25 crore and above and from zero to 10.0 per cent in case of other non-scheduled UCBs, maintenance of the entire SLR of 25 per cent of NDTL for scheduled UCB only in government and other approved securities with effect from April 1, 2003 and maintenance of investment in Government securities of scheduled as well as non-scheduled UCBs only in SGL accounts with Reserve Bank or in constituent SGL Accounts of public sector banks and PDs. • Reserve Bank proposed a new apex supervisory body, which can take over the entire inspection / supervisory functions in relation to scheduled and non-scheduled UCBs. This apex body could be under the control of a separate high level supervisory board consisting of representatives of Central Government, State Governments, Reserve Bank as well as experts and it may be given the responsibility of inspection / and supervision of UCBs and ensuring their conformity with prudential, capital adequacy and risk management norms laid down by the Reserve Bank.
	25	• Pursuant to High Power Committee's recommendation, Capital to Risk-weighted Assets Ratio (CRAR) has been made applicable to UCBs in a phased manner. Over a period of three years, UCBs should fall in line with the discipline applicable to commercial banks.
	26	• Branch Licensing Policy for licensed UCBs was revised. UCBs which are not classified as weak / sick may apply for allotment of centres to the Reserve Bank, provided they satisfy the criteria in terms of CRAR, profitability, NPAs, fulfillment of priority sector advance targets and compliance with B.R. Act 1949 (AACS) and Reserve Bank of India Act, 1934 and the instructions / directions issued by the Reserve Bank from time to time. They should also maintain requisite level of CRR and SLR and also ensure timely submission of statutory and other returns.
October	22	• In response to representations received from UCBs and their federations, it was proposed to allow UCBs to grant loans to individuals against security of shares, subject to certain parameters. • In response to representations received from UCBs and their federations, it was proposed to modify the timeframe for achieving the prescribed levels of SLR holding by UCBs. • It was clarified that scheduled UCBs are required to achieve capital adequacy norms gradually by March 2004 and the non-scheduled UCBs by March 2005.

Annexure: Chronology of Major Policy Developments *(Continued)*

Announcement Date		Measures
C) Financial Institutions		
2000		
May	5	• It was clarified that in regard to the treatment of accounting of provision on Standard Assets, (i) the provision for Standard Asset need not be netted from gross advances, but shown separately as 'Contingent Provisions against Standard Assets' under 'Other Liabilities and Provisions' in the balance sheet, (ii) the above provisions would not be eligible for inclusion in tier II capital and (iii) provision for standard assets should not be reckoned for arriving at net NPAs.
	25	• It was clarified that the interest rate surcharge of 50 per cent of the actual lending rate on credit for imports, which was reintroduced as a temporary measure, with effect from May 26, 2000, would not be applicable to the following categories of credit for imports: (i) Export Packing Credit provided at concessive rate to meet the cost of imported inputs, (ii) import of capital goods by *bonafide* borrowers-importers under valid licences issued under the Export Promotion Capital Goods Scheme, (iii) all *bonafide* imports including import of capital goods by Export-Oriented Units and units in the Export Processing Zones, (iv) all *bonafide* imports under Advance Licenses granted for "Inputs" such as raw materials, intermediaries, components, etc., by either the original holder or a transferee (of transferred under an endorsement of the Directorate General of Foreign Trade enabling such transfer), (v) all *bonafide* imports against the credit under the Duty Entitlement Pass Book Scheme contained in the EXIM Policy 1997-2000, (vi) bulk imports in respect of crude oil, petroleum products, fertiliser, edible oils and other essential commodities imported through Government Agencies, and, (vii) import of crude oil by private and joint sector refineries for actual use in their own refineries.
	30	• It was advised that (i) FIs need to assign risk-weight of 100 per cent only on those State Government guaranteed securities which are issued by the defaulting entities and not on all the securities issued or guaranteed by that State Government, and, (ii) the excess provision towards depreciation on investments should be appropriated to "Investment Fluctuation Reserve Account" instead of "Capital Reserve Account" and will be eligible for inclusion in tier II capital and the existing amount of excess provision towards depreciation on investments held under "Capital Reserve Account" should stand transferred to "Investment Fluctuation Reserve Account". The amount held under "Investment Fluctuation Reserve Account" could be utilised to meet, in future, the depreciation requirement on investment.
June	21	• It was clarified that FIs need not seek Reserve Bank's, issue-wise prior approval /registration for raising of resources by way of bonds (both public issue and private placement) subject to the fulfillment of the following conditions: (i) the minimum maturity of the bond should be 3 years, (ii) in respect of bonds having call/put options, the same should not be exercisable before the expiry of one year from the date of issue of bonds, (iii) the Yield to Maturity (YTM) offered, at the time of issue of bonds, should not exceed 200 basis points above the YTM on the Government of India securities of equal residual maturities. The effective YTM on instruments having call/put options should also satisfy this requirement, (iv) no 'exit' option on the bonds will be offered before the end of one year, from the date of issue, (v) the outstandings of total resources mobilised at any point of time by an individual FI including funds mobilised under the 'umbrella limit' as prescribed by the Reserve Bank should not exceed 10 times its net owned funds (NOF) as per the latest audited balance sheet, (vi) the limit for raising resources is only an enabling provision, FIs are advised to arrive at their requirements of resources along with maturity structure and the interest rate offered thereon on a realistic basis, derived, *inter alia*, from a sound system of ALM/Risk Management, (vii) in case of floating rate bonds, FIs should seek prior approval from Reserve Bank, in regard to 'reference rate' selected and the methods of floating rate determination (the same is not required for subsequent individual issues as long as the underlying reference rate and methods of floating rate determination remain unchanged), (viii) FIs should take note to comply with the prudential requirements of other regulatory authorities, such as SEBI, etc., as *hitherto*, (ix) FIs are required to furnish monthly statements (to be submitted on or before the 10th day of the following month) giving details on the resources raised.
July	20	• Considering the fact that FIs, which are raising capital abroad for improving their capital base, have largely Rupee-denominated assets and that most of the risk limits are linked to their capital, FIs were advised to repatriate the entire proceeds of Global Depository Receipts (GDRs)/ American Depository Receipts (ADRs) soon after the issue process has been completed.

Annexure: Chronology of Major Policy Developments *(Continued)*

Announcement Date		Measures
2000		
	28	• It was advised that the guidelines for recovery of dues relating to non-performing assets (NPAs) issued to public sector banks should also be uniformly implemented by Central Public Financial Institutions. The revised guidelines cover NPAs relating to all sectors including the small sector.
August	24	• The FIs were informed that the Rule 9 of the draft Ozone Rules 2000 prohibited expansion of capacity and establishment of new capacity based on Ozone Depleting Substances (ODS), and it was expected that FIs were not extending finance for setting up of units consuming / producing the specified ODS. The sectors covered in the phase out programme included, foam products, refrigerators and air conditioners, aerosol products, solvents in cleaning applications and fire extinguishers.
	31	• The guidelines for Recovery of Dues Relating to NPAs were extended up to September 30, 2001 for giving notice to eligible borrowers.
September	19	• As regards advances against shares and debentures, it was advised that (i) whenever the limits of advances granted to a borrower against the security of shares/debentures exceed Rs.10 lakh, it should be ensured that the said shares/debentures are transferred in the FI's name and (ii) in the case of default by the borrower, the FI may invoke the pledge of dematerialised securities (as amended by SEBI (Depositories and Participants) Regulations, 1996, to facilitate the pledge of such securities) subject to the provisions of the pledge document and on such invocation, the depository will register the name of the FI as the beneficial owner of such securities.
October	10	• It was advised that in order to improve the functional efficiency of the market, rating would be mandatory for term deposits accepted by AIFIs.
	11	• Due to improvements in the payment and settlement systems, the recovery climate, upgradation of technology in the banking system, etc., it was decided to dispense with 'Past Due' concept, effective March 31, 2001. Accordingly, it was clarified that a NPA shall be an advance where (a) interest remains overdue for a period of more than 180 days and /or instalment of principal remains overdue for a period of 365 days or more in respect of a term loan, (ii) the bill remains overdue and unpaid for a period of more than 180 days in the case of bills purchased and discounted, and (iii) any amount to be received remains overdue for a period of more than 180 days in respect of other accounts. • It was decided to allow financial institutions to include 'General Provisions on Standard Assets' in tier II capital. However, the provision on standard assets together with other 'General Provisions and Loss Reserves' should not exceed 1.25 per cent of the total risk-weighted assets.
November	9	• The guidelines on classification and valuation of investments by FIs were revised on the basis of recommendations of the Informal Group in the Reserve Bank so that they are in consonance with the best international practices. The highlights of the revised guidelines are given below: (i) the revised guidelines will be effective from the half-year ended March 31, 2001, (ii) FIs are required to classify the entire investment portfolio as on March 31, 2001 under three categories, *viz*., 'Held to Maturity', 'Available for Sale' and 'Held for Trading' categories, (iii) the investments will be classified as (a) Government securities, (b) other approved securities, (c) shares, (d) debentures and bonds, (e) subsidiaries/joint ventures, (f) others (CPs, mutual fund units, etc), (iv) the investments under 'Available for Sale' and 'Held for Trading' categories should be marked to market as prescribed or at more frequent intervals, (v) the investments under Held to Maturity category need not be marked to market, (vi) classification of investments, shifting of investments, among the three categories, valuation of the investments, methodology for booking profit/loss on sale of investments and providing for depreciation should be in accordance with the guidelines of the Reserve Bank and (vii) the risk-weights assigned to the various securities at present including those for 'market risk', would remain unchanged.
December	5	• Commercial Paper was added to the list of instruments under the 'umbrella limit' equivalent to one time NOF in the amended set of returns regarding raising of resources by all-India FIs.

Annexure: Chronology of Major Policy Developments *(Continued)*

Announcement Date		Measures
2001		
January	24	• In line with the recommendations of the Informal Advisory Group on Regulation and Supervision of FIs, it was decided that (i) the information requirement of the inspection team would be advised to the FIs at least one month before the commencement of inspection to ensure better time management and efficiency of the examination process, (ii) before the commencement of inspection, the management of the FI may be asked to make a presentation to the inspection team of the FI's perspective on its own risk exposures, and the manner in which these risks were addressed in the past and the future strategy of the FI in this regard and (iii) the inspection team should also meet the internal and external auditors to appreciate the scope of their work and the results of their audit. On conclusion of the inspection, the Principal Inspecting Officer, along with his team members as considered necessary, should meet the Audit Committee as also the CEO of the FI to discuss the major findings of the inspection.
February	7	• In the context of transition of the banks and the all-India FIs from a regulated to a deregulated regime, informal meetings of the Heads of select banks and the FIs, including the Chairman of IBA convened by the Reserve Bank led to the emergence of the following seven issues (i) timeframe for sanction of facilities, (ii) asset classification across consortium members, (iii) disciplining borrowers-change in management, (iv) levy of charges in the problem accounts, (v) group approach to borrowers, (vi) sharing of securities and cash flows, and (vii) treatment of restructured accounts for asset classification purpose. Ground Rules were framed for the above issues. The Reserve Bank advised FIs to place the minutes indicating the agreed Ground Rules before their Board of Directors for adoption and ensure implementation thereof thereafter.
	10	• FIs were advised that the prescription of interest at 25 per cent per annum (minimum) in respect of overdue export bills was withdrawn. The revision in the rate of interest would be applicable not only to fresh advances but also to the existing advances for the remaining period.
March	23	• FIs were advised to disclose certain important financial ratios/data in their published annual accounts with effect from the financial year 2000-01. Such disclosures were to be made as part of 'Notes on Accounts' to enable the auditors to authenticate the information, notwithstanding the fact that such information might be contained elsewhere in the published annual report. These disclosures could be classified into four heads (i) Capital, (ii) Asset Quality and Credit Concentration, (iii) Liquidity and (iv) Operating Results. Under (i), the disclosures included (a) CRAR, core CRAR and supplementary CRAR, (b) amount of sub-ordinated debt raised and outstanding as tier II capital, (c) risk-weighted assets-separately for on- and off-balance sheet items and (d) the shareholding pattern as on the date of the balance sheet. Under (ii), the disclosures included, (a) percentage of net NPA to net loans and advances, (b) amount and percentage of net NPAs under the prescribed asset classification categories, (c) amount of provisions made during the year towards standard assets, NPAs, investments (other than those in the nature of an advance), income tax, (d) movement in net NPAs, (e) credit exposure as percentage of capital funds and as percentage of total assets, in respect of (e1) the largest single borrower, (e2) the largest borrower group, (e3) the 10 largest single borrowers and (e4) the 10 largest borrower groups and (f) credit exposures to the five largest industrial sectors as percentage of total loan assets. Under (iii) the disclosures included, (a) maturity pattern of Rupee assets and liabilities and (b) maturity pattern of foreign currency assets and liabilities. Under (iv), the disclosures included, (a) interest income as a percentage to average working funds, (b) non- interest income as a percentage to average working funds, (c) operating profit as a percentage of average working funds, (d) return on average assets and (e) net profit per employee. • In addition, the following disclosures would also need to be made under the RBI guidelines, (a) the notional principal of swap agreements, (b) nature and terms of the swaps including information on credit and market risk and the accounting policies adopted for recording the swaps, (c) quantification of the losses which would be incurred if the counterparties failed to fulfil their obligation under the agreements, (d) collateral required by the entity upon entering into swaps, (e) any concentration of credit risk arising from the swaps, and (f) the "fair" value of the total swaps book.

Annexure: Chronology of Major Policy Developments *(Continued)*

Announcement Date		Measures
2001		
	28	• The Reserve Bank issued revised guidelines in respect of the norms relating to restructuring/rescheduling/renegotiation of loans on the standard and sub-standard loan assets.
April	18	• The period of operations of the guidelines issued in respect of Central Public Financial institutions for Recovery of Dues Relating to NPAs was extended finally upto June 30, 2001. The FIs were advised that all applications received upto June 30, 2001 should be processed and decisions taken thereof at the earliest, but not later than September 30, 2001.
	26	• It was clarified that FIs would treat a credit facility as non-performing if interest and/or instalment of principal remain overdue for more than 180 days with effect from the year ending March 31, 2002.
	28	• The FIs were advised that for evolving a path for transition of a FI to a universal bank, several operational and regulatory issues would need to be addressed. In this context, the Reserve Bank briefly enumerated some of the salient ones for information and guidance of the FIs. These included, reserve requirements, range of permissible activities, disposal of non-banking assets, composition of the Board, prohibition of floating charge on assets, nature of subsidiaries, restrictions on investments, connected lending, licensing, branch network, assets in India, format of Annual Reports, managerial remuneration, deposit insurance, Authorised Dealer's licence, priority sector lending and prudential norms.
May	2	• As a move towards compromise settlement of dues, financial institutions were advised to take recourse to the forum of *Lok Adalats* to settle banking disputes involving smaller amounts (upto Rs.5 lakh).
June	20	• FIs were advised that (a) the concept of capital funds as defined under capital adequacy standards for determining exposure ceiling for the FI would include both tier I and tier II capital, (b) non-fund based exposures would be reckoned at 100 per cent value with effect from April 1, 2003, (c) forward contracts in foreign exchange and other derivative products like currency swaps, options, etc., will need to be taken at their replacement cost for determining individual/group borrower exposure (methodology to be adopted by FIs for arriving at replacement cost of the derivatives to be advised separately) and (d) the exposure ceiling in respect of single borrower was reduced from 20 per cent to 15 per cent of capital funds, effective March 31, 2002. Similarly, the group exposure ceilings were also reduced to 40 per cent of capital funds, effective March 31, 2002. In case of financing infrastructure projects, the borrower-group exposure ceiling was extendable by another 10 per cent (i.e., upto 50 per cent).
August	7	• A risk-weight of 20 per cent should be assigned to all such loans and advances granted by the FIs to their own employees as are covered by superannuation benefits and mortgage of flats/houses. All other loans and advances to own employees should, however, be subject to 100 per cent risk-weight.
	25	• A three-tier structure of the Corporate Debt Restructuring (CDR) system, which is a non-statutory, voluntary mechanism, based on the debtor-creditor and inter-creditor agreements , was envisaged to provide a transparent mechanism for restructuring of corporate debts of viable corporate entities affected by internal and external factors, outside the purview of BIFR, DRT and other legal proceedings. The CDR system is to be applied only to multiple banking/syndicates/consortium accounts, in the standard and sub-standard category, with outstanding exposure of Rs.20 crore and above with the banks and FIs.
	27	• It was clarified that the credit exposure norms are also applicable to refinancing institutions, excepting their refinancing portfolio. However, from the prudential perspective, it is expected that these institutions evolve their own exposure norms relating to the capital funds/regulatory capital of the FI concerned with the approval of their respective Boards.
	28	• As a corollary to the instructions of FIs to make fresh investment and hold CPs only in dematerialised form with effect from June 30, 2001 and with a view to extend demat form of holding to other investments such as bonds, debentures and equities, it was decided to permit the FIs to make fresh investments and hold bonds, debentures, privately placed or otherwise, only in dematerialised form with effect from October 31, 2000. Outstanding investments in

Annexure: Chronology of Major Policy Developments *(Continued)*

Announcement Date		Measures
2001		
		scrip form should also be converted into dematerialised form by June 30, 2002.
	29	• Amended guidelines relating to Asset-Liability Management was issued to FIs covering time-buckets for slotting of the off-balance sheet items and treatment of securities in the trading book for interest rate sensitivity statement.
October	16	• A clarificatory circular was issued to FIs on classification and valuation of investments, based on suggestions/queries received from various FIs. These include definitions of joint-ventures, treatment of preference shares, tenor of bonds/debentures deemed to be in the volume of advances, frequency of category, transfer of investment, eligible investments for 'held to maturity' category, valuation of equity preference shares and ceilings, etc.
D) Non-Banking Financial Companies		
2000		
June	9	• The Reserve Bank issued guidelines for entry of NBFCs into insurance business. According to the guidelines: (i) Any NBFC registered with Reserve Bank, having net owned fund of Rs. 2 crore would be permitted to undertake insurance business as agent of insurance companies on fee basis, without any risk participation. (ii) All NBFCs registered with Reserve Bank which satisfy the eligibility criteria given below will be permitted to set up a joint venture company for undertaking insurance business with risk participation subject to safeguards:(a) the owned fund of NBFC should not be less than Rs. 500 crore, (b) the CRAR of the NBFC engaged in loan and investment activities holding public deposits should not be less than 15 per cent and for other NBFCs at 12 per cent, irrespective of their holding public deposits, (c) the level of net non-performing assets should not be more than 5 per cent of the total outstanding leased/hire purchase assets and advances taken together, (d) the NBFC should have net profit for the last three consecutive years, (e) the track record of the performance of the subsidiaries, if any, of the concerned NBFC should be satisfactory, and (f) regulatory compliance and servicing of public deposits, if held, should be satisfactory. The maximum equity contribution such NBFC can hold in a joint venture company will normally be 50 per cent of the paid up capital of the insurance company. On a selective basis, the Reserve Bank may permit a higher equity contribution by a promoter NBFC initially pending divestment of equity within the prescribed period. (iii) Registered NBFCs which are not eligible as joint venture participants can make investment upto 10 per cent of its owned fund or Rs. 50 crore, whichever is lower, in equity of insurance companies subject to fulfilment of conditions *viz.*, (a) CRAR of 15 per cent for loan and investment companies and 12 per cent for other companies, (b) net NPAs not more than 5 per cent of total outstanding lease / hire purchase assets and advances, and (c) net profit for the last three continuous years for entering into any form of insurance business. (iv) NBFCs desirous of entering into any form of insurance business should obtain prior approval of Reserve Bank.
	30	• Provisioning norms in respect of lease and hire purchase assets were rationalised to encourage the NBFCs to continue to provide asset creating facilities and lease / HP finance against second hand assets. • The instructions relating to introduction of depositors of NBFCs were rationalised. NBFCs may obtain and keep on their records a copy of the passport, ration card, election ID card, identification by an existing depositor, etc., as an evidence of identification of new depositors. • Residuary Non-Banking Companies were permitted to make investment in the schemes of mutual funds approved by the Securities and Exchange Board of India along with the schemes of Unit Trust of India. The floor ceiling on interest rates payable by these companies was also lowered by two percentage points.

Annexure: Chronology of Major Policy Developments *(Concluded)*

Announcement Date		Measures
2000		
		• NBFCs were permitted to treat deposits from the relatives of the Directors outside the purview of public deposits subject to adequate disclosures in this regard. • The formats of all the returns prescribed in terms of Directions issued under RBI Act, to be submitted by the non-banking financial companies, residuary non-banking companies and *chit fund* companies at quarterly, half-yearly and annual intervals were rationalised with a view to improving reporting of supervisory information and facilitating electronic processing of these returns to enable Reserve Bank to take expeditious steps to address the concerns, wherever necessary.
October	10	• In terms of guidelines issued by the Reserve Bank, applicability of Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 would not be applicable to receipt of money by NBFCs by issuance of commercial paper in accordance with the guidelines.
2001		
March	31	• Taking into account the market conditions and changes in other interest rates in the system, the maximum rate of interest that NBFCs can pay on their public deposits was reduced from 16 per cent to 14 per cent per annum with effect from April 1, 2001. The ceiling on interest rate was brought down to 14 per cent per annum to deposits accepted by Miscellaneous non-banking companies (*Chit Fund* companies) and *Nidhi* companies also in terms of directions prescribed by Reserve Bank.
June	27	• Asset-Liability Management (ALM) guidelines for NBFCs including RNBCs were announced as a part of the overall system for effective risk management in their various portfolios and initially made applicable to such companies which have asset size of Rs. 100 crore and above or public deposits of Rs. 20 crore and above as per their balance sheet as on March 31, 2001. NBFCs have been advised that it would be desirable to constitute an Asset-Liability Management Committee under the charge of Chief Executive Officer or other Senior Executive with other specialist members for carrying out the spadework for formalising ALM system in the institution. The ALM system is required to be implemented by the year ending March 31, 2002. While companies holding public deposits are required to submit the first ALM return (comprising of statements on structural liquidity, short-term dynamic liquidity and interest rate sensitivity) as on September 30, 2002 by October 31, 2002, arrangements for companies not holding public deposits are being worked out. *Chit funds* and *Nidhi* companies have been kept out of the purview of these guidelines. NBFCs not coming under the purview of the guidelines presently have also been advised to put in place ALM system as it is the objective of Reserve Bank to make these guidelines applicable to all NBFCs. • Since issue of CPs by NBFCs would be governed by the guidelines issued by the Reserve Bank it was decided to exempt from the purview of public deposits the monies received by issue of CP in accordance with the guidelines; (i) The procedure of accounting for repossessed assets was clarified and suitable guidelines were issued. ii) To ensure adoption of a uniform practice by companies for computing the net amount of outstanding public deposit liabilities, it was clarified that NBFCs may maintain liquid assets on deposit liabilities as netted off in respect of TDS actually deducted and remitted to Government. (iii) In order to improve the accountability of the management of the company to its shareholders, statutory auditors of NBFCs were advised that their observations on contravention of RBI Act / Directions should also form part of the reports submitted by them to the shareholders of the company under Section 227 (2) of the Companies Act, 1956, besides directly reporting such contravention to Reserve Bank. (iv) An option was given to companies which have been granted Certificate of Registration with authorisation to accept public deposits but which were not submitting returns since they have repaid the public deposits or placed the requisite amount with scheduled commercial banks advising them to either submit periodic returns or apply for conversion into a non-public deposit taking company within 30 days.
October	31	• Taking into account the market conditions and changes in other interest rates in the system, the maximum rate of interest that NBFCs can pay on their public deposits was reduced, effective November 1, 2001, from 14 per cent to 12.5 per cent per annum.

Appendix Table II.1 : RBI Accommodation to Scheduled Commercial Banks

(Rs.crore)

As on the last reporting Friday of	Total Export Credit Refinance		General Refinance/ Others* +		Special Liquidity Support Facility @		Total Refinance	
	Limit	Outstanding	Limit	Outstanding	Limit	Outstanding	Limit	Outstanding
1	2	3	4	5	6	7	8 (2+4+6)	9 (3+5+7)
1999								
March	7,269.27	2,616.57	1,115.02	19.23	3,235.02	258.00	11,619.31	2,893.80
April	8,638.29	5,164.76	1,115.02	56.31			9,753.31	5,221.07
May	8,563.56	4,521.79	3,027.72	437.91			11,591.28	4,959.70
June	8,151.40	3,863.21	3,027.72	—			11,179.12	3,863.21
September	7,099.97	4,109.11	3,027.72	95.23			10,127.69	4,204.34
December	8,577.94	2,470.84	3,027.72	82.50			11,605.66	2,553.34
2000								
March	10,579.06	6,291.49	3,027.72	199.47			13,606.78	6,490.96
April	11,277.89	4,609.33	3,027.72	458.95			14,305.61	5,068.28
May	12,162.70	9,734.24	3,027.72	607.22			15,190.42	10,341.46
June	11,273.12	8,489.59	1,713.69	223.02			12,986.81	8,712.61
September #	6,215.24	4,647.52	1,056.68	644.86			7,271.92	5,292.38
December	6,722.34	5,987.92	1,056.68	716.89			7,779.02	6,704.83
2001								
March	7,192.11	3,252.24	1,056.68	639.58			8,248.79	3,891.82
April	7,350.13	4,710.86	1,520.18	1,132.14			8,870.31	5,843.00
May	9,324.90	4,624.89	1,519.77	147.16			10,844.67	4,772.05
June	9,221.07	3,553.02	1,519.77	63.01			10,740.84	3,616.03
July	9,256.04	5,734.56	1,056.27	703.15			10,312.31	6,437.71
August	9,187.10	3,359.12	1,056.27	89.30			10,243.37	3,448.42
September	9,144.62	4,042.33	1,056.27	109.99			10,200.89	4,152.32

* General Refinance facility was replaced by collateralised lending facility (CLF)/additional collateralised lending facility (ACLF) effective April 21, 1999, ACLF was withdrawn with the introduction of liquidity adjustment facility (LAF), effective June 5, 2000.

@ Special Liquidity Facility which was introduced effective September 17, 1998 was available upto March 31, 1999.

\# The export credit refinance and CLF limits were reduced by 50 per cent in two stages of 25 per cent each effective July 29, 2000 and August 12, 2000.

\+ Others include CLF/ACLF etc.

Appendix Table II.2 : Issue of Certificates of Deposit by Scheduled Commercial Banks

Fortnight ended	Total Outstanding (Rs. crore)	Rate of Interest (Per cent) @	Fortnight ended	Total Outstanding (Rs. crore)	Rate of Interest (Per cent) @
1	2	3	4	5	6
2000			**2001**		
January 14	1,401	8.50 - 11.00	January 12	1,180	7.25 - 11.00
28	1,385	8.00 - 11.00	26	1,197	7.25 - 10.75
February 11	1,374	8.00 - 11.00	February 9	1,153	7.25 - 11.00
25	1,280	7.75 - 13.24	23	1,187	6.75 - 12.00
March 10	1,243	7.85 - 12.78	March 9	1,060	7.25 - 11.00
24	1,227	7.50 - 12.00	23	771	5.50 - 11.00
April 7	1,264	6.50 - 14.00	April 6	1,042	6.50 - 11.00
21	1,273	6.75 - 11.00	20	905	7.00 - 11.00
May 5	872	8.00 - 12.82	May 4	1,011	5.00 -10.80
19	945	8.00 - 11.70	18	935	6.30 - 11.50
June 2	933	8.00 - 11.16	June 01	960	6.80 - 10.50
16	974	5.50 - 13.35	15	979	5.00-10.00
30	1,041	8.00 - 15.70	29	921	6.80 - 10.25
July 14	1,129	5.50 -14.00	July 13	782	5.00 - 10.50
28	1,211	5.50 - 12.75	27	751	6.00 - 10.00
August 11	1,094	8.00 - 14.60	August 10	786	6.00 - 10.50
25	1,149	6.50 - 11.25	24	758	5.00 - 10.00
27	3,293	8.00 - 11.50	September 7	729	6.00 - 10.00
September 8	1,120	8.50 - 14.20	21	736	6.33 - 9.50
22	1,153	8.00 - 13.50	October 5*	823	6.00 - 9.30
October 6	1,364	5.00 - 12.80			
20	1,695	6.30 - 14.06			
November 3	1,660	7.50 - 11.35			
17	1,626	8.50 - 12.28			
December 1	1,344	8.00 - 11.00			
15	1,303	7.75 - 11.00			
29	1,135	7.78 - 10.50			

* Provisional.

@ Effective interest rate range per annum.

Appendix Table II.3 : Viability Position of Sick/Weak Industrial Units

(Amount in Rs. crore)

Type of Industrial Units	SSI Sick Units				Non–SSI Sick Units				Non-SSI Weak Units				Total			
	Number		Amount Outstanding		Number		Amount Outstanding		Number		Amount Outstanding		Number		Amount Outstanding	
	March 1999	March 2000	March 1999	March 2000	March 1999	March 2000	March 1999	March 2000	March 1999	March 2000	March 1999	March 2000	March 1999	March 2000	March 1999	March 2000
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. Potentially viable units	18,692 (6.1)	14,373 (4.7)	376.96 (8.7)	369.45 (8.0)	410 (17.4)	349 (12.7)	2,796.67 (21.3)	2,877.29 (17.2)	57 (13.1)	71 (16.8)	334.51 (16.4)	571.41 (24.9)	19,159 (6.2)	14,793 (4.8)	3,508.14 (18.0)	3,818.15 (16.1)
2. Non–viable units	2,71,193 (88.6)	2,76,643 (91.0)	3,746.07 (86.8)	4,007.86 (87.0)	1,298 (55.1)	1563 (57.0)	4,263.96 (32.5)	5,648.54 (33.7)	237 (54.5)	217 (51.4)	516.36 (25.4)	658.20 (28.6)	2,72,728 (88.3)	2,78,423 (90.6)	8,526.39 (43.8)	10,314.60 (43.6)
3. Viability not decided	16,336 (5.3)	13,219 (4.3)	190.45 (4.4)	231.12 (5.0)	649 (27.5)	830 (30.3)	6,053.25 (46.2)	8,222.25 (49.1)	141 (32.4)	134 (31.8)	1,185.66 (58.2)	1,069.60 (46.5)	17,126 (5.5)	14,183 (4.6)	7,429.36 (38.2)	9,522.97 (40.3)
4. Total	**3,06,221**	**3,04,235**	**4,313.48**	**4,608.43**	**2,357**	**2,742**	**13,113.88**	**16,748.08**	**435**	**422**	**2,036.53**	**2,299.21**	**3,09,013**	**3,07,399**	**19,463.89**	**23,655.72**
5. Units under nursing Programme	12,759	663	194.91	137.69	306	213	2,007.04	1,428.00	43	17	243.40	117.66	13,108	893	2,445.35	1,683.35
5 as percentage of 1	68.3	4.6	51.7	37.3	74.6	61.0	71.8	49.6	75.4	23.9	72.8	20.6	68.4	6.0	69.7	44.1

Note : Figures in brackets are percentages to total.

Appendix Table II.4: Region/State-wise Credit-Deposit Ratio and Investment *plus* Credit-Deposit Ratio of Scheduled Commercial Banks

(Per cent)

Sr. No.	Region/State/ Union Territory	Credit-Deposit Ratio							Investment *plus* Credit-Deposit Ratio @			
		1998		1999		2000		2001	1999		2000	
		As per Sanction	As per Utilisation	As per Sanction	As per Utilisation	As per Sanction	As per Utilisation	As per Sanction	As per Sanction	As per Utilisation	As per Sanction	As per Utilisation
1	2	3	4	5	6	7	8	9	10	11	12	13
1	**NORTHERN REGION**	**48.8**	**47.5**	**51.1**	**49.4**	**51.1**	**49.6**	**63.1**	**56.0**	**54.3**	**56.3**	**54.8**
	Haryana	42.9	55.1	43.3	54.9	42.4	53.4	41.7	52.5	64.0	51.6	62.6
	Himachal Pradesh	21.4	25.3	22.7	26.0	23.8	26.8	22.6	33.2	36.5	37.0	40.1
	Jammu & Kashmir	37.7	35.7	39.6	37.2	33.5	30.9	38.3	47.6	45.2	40.8	38.2
	Punjab	36.5	38.9	38.8	40.9	39.4	40.9	41.4	44.1	46.1	45.3	46.8
	Rajasthan	47.2	51.7	46.0	49.3	46.7	50.1	48.2	63.5	66.7	65.3	68.7
	Chandigarh	57.9	56.2	85.1	81.4	82.0	79.5	96.7	85.1	81.4	82.0	79.5
	Delhi	58.2	50.7	60.0	52.7	60.5	53.7	82.9	60.2	52.9	60.7	53.9
2	**NORTH-EASTERN REGION**	**30.4**	**33.5**	**28.9**	**33.7**	**28.1**	**30.6**	**28.1**	**48.4**	**53.2**	**46.4**	**48.9**
	Arunachal Pradesh	13.3	16.8	14.6	18.5	15.7	22.3	17.3	20.9	24.8	22.0	28.6
	Assam	33.6	37.8	32.0	38.7	32.0	35.5	32.4	52.2	58.9	50.3	53.8
	Manipur	58.2	58.6	47.8	47.8	37.4	37.9	38.9	76.7	76.6	64.9	65.3
	Meghalaya	15.4	15.7	18.1	19.3	16.3	16.3	16.8	35.5	36.7	33.4	33.4
	Mizoram	23.2	25.2	20.8	23.6	23.3	26.0	25.5	38.0	40.7	44.0	46.7
	Nagaland	19.0	21.2	15.9	18.1	15.3	15.6	13.9	44.2	46.4	45.3	45.5
	Tripura	33.8	35.1	30.3	31.1	25.7	25.7	23.0	45.1	45.9	39.2	39.2
3	**EASTERN REGION**	**40.9**	**40.4**	**38.2**	**38.0**	**37.0**	**37.2**	**36.9**	**50.1**	**50.0**	**48.1**	**48.3**
	Bihar	28.3	28.7	25.6	27.4	22.5	23.2	21.3	39.1	40.9	33.5	34.3
	Orissa	47.6	49.4	43.3	44.2	41.5	42.8	41.5	71.4	72.3	67.9	69.1
	Sikkim	21.3	18.0	20.9	18.8	15.1	15.2	15.6	42.9	40.8	34.8	35.0
	West Bengal	47.2	45.7	44.9	43.4	45.5	44.9	44.1	52.7	51.2	53.3	52.8
	Andaman & Nicobar Islands	15.1	16.5	16.0	22.3	16.8	27.6	18.6	16.0	22.3	16.8	27.6
	Jharkhand	—	—	—	—	—	—	28.4	—	—	—	—
4	**CENTRAL REGION**	**35.8**	**39.2**	**33.7**	**36.8**	**33.9**	**36.8**	**33.4**	**45.4**	**48.6**	**45.6**	**48.5**
	Madhya Pradesh	52.8	56.7	48.8	52.2	49.1	52.5	48.3	61.9	65.3	62.3	65.8
	Uttar Pradesh	29.5	32.7	28.0	31.1	28.2	30.9	28.8	39.3	42.3	39.4	42.1
	Uttaranchal	—	—	—	—	—	—	23.0	—	—	—	—
	Chhattisgarh	—	—	—	—	—	—	39.8	—	—	—	—
5	**WESTERN REGION**	**66.5**	**65.0**	**68.0**	**67.0**	**75.4**	**74.6**	**75.0**	**71.8**	**70.9**	**79.5**	**78.6**
	Goa	24.7	25.6	24.0	26.3	23.8	25.4	22.8	26.9	28.7	26.6	28.1
	Gujarat	49.0	53.8	48.8	54.2	49.0	53.6	49.4	54.6	60.0	54.9	59.4
	Maharashtra	73.4	69.8	75.8	72.6	86.4	83.4	85.4	79.1	75.9	89.9	86.9
	Dadra & Nagar Haveli	22.4	127.6	22.0	103.3	18.8	135.6	16.5	22.0	103.3	18.8	135.6
	Daman & Diu	21.3	69.9	18.7	94.6	15.7	87.6	14.1	18.7	94.6	15.7	97.6
6	**SOUTHERN REGION**	**71.1**	**72.0**	**68.2**	**68.7**	**66.2**	**66.8**	**65.8**	**77.3**	**77.8**	**74.9**	**75.5**
	Andhra Pradesh	71.1	72.4	67.9	69.1	64.2	65.5	63.3	81.3	82.5	77.2	78.4
	Karnataka	68.4	70.3	65.4	66.7	63.3	65.5	59.3	72.6	73.8	70.0	72.1
	Kerala	44.2	44.7	41.7	41.8	41.5	41.7	43.1	50.7	50.8	50.3	50.4
	Tamil Nadu	92.6	92.6	90.7	90.3	88.6	87.5	90.6	98.2	97.7	95.6	94.5
	Lakshadweep	7.8	9.8	8.0	9.6	7.4	9.1	9.7	8.0	9.6	7.4	9.1
	Pondicherry	36.5	48.3	35.4	41.4	33.6	38.7	33.4	36.4	41.4	33.6	38.7
	ALL INDIA	**55.3**	**55.3**	**54.8**	**54.8**	**56.0**	**56.0**	**58.5**	**62.5**	**62.5**	**63.6**	**63.6**

@ State-wise investment figures pertain to investments by scheduled commercial banks in the respective States only. All India investment *plus* credit-deposit ratio is worked out by excluding investments in Central Government and other approved securities.

Notes: 1. Deposits and Credit (as per place of sanction and utilisation) data for 1998,1999 and 2000 are based on BSR-1 and 2 surveys as on 31st March.
2. The investment figures are based on BSR-5 survey as on 31st March.
3. For March 1999, deposits data exclude Resurgent India Bonds (Rs. 17,945 crore).
4. CD-ratio for 2001 are based on BSR-7 survey as on 31st March 2001.

Appendix Table II.5(A): Financial Performance of Scheduled Commercial Banks

(Amount in Rs.crore)

Item	1999-2000	2000-01	Variation of Col. (3) over Col.(2)	
			Absolute	Percentage
1	2	3	4	5
A. Income (i+ii)	**1,14,930.47 (100.00)**	**1,32,078.24 (100.00)**	**17,147.77**	**14.92**
i) Interest Income	99,183.88 (86.30)	1,14,951.13 (87.03)	15,767.25	15.90
ii) Other Income	15,746.59 (13.70)	17,127.11 (12.97)	1,380.52	8.77
B. Expenditure (i+ii+iii)	**1,07,685.22 (100.00)**	**1,25,654.14 (100.00)**	**17,968.92**	**16.69**
i) Interest Expended	69,040.58 (64.11)	78,151.87 (62.20)	9,111.29	13.20
ii) Provisions and Contingencies	11,061.32 (10.27)	13,322.94 (10.60)	2,261.62	20.45
iii) Operating Expenses	27,583.32 (25.61)	34,179.33 (27.20)	6,596.01	23.91
of which : Wage Bill	18,442.49 (17.13)	23,205.53 (18.47)	4,763.04	25.83
C. Profit				
i) Operating Profit	**18,306.57**	**19,747.04**	**1,440.47**	**7.87**
ii) Net Profit	**7,245.25**	**6,424.10**	**-821.15**	**-11.31**
D. Total Assets	**11,05,464.38**	**12,94,973.95**	**1,89,509.57**	**17.14**
E. Financial Ratios (per cent) @				
i) Operating Profit	1.66	1.52	-0.14	—
ii) Net Profit	0.66	0.50	-0.16	—
iii) Income	10.40	10.20	-0.20	—
iv) Interest Income	8.97	8.88	-0.09	—
v) Other Income	1.42	1.32	-0.10	—
vi) Expenditure	9.74	9.70	-0.04	—
vii) Interest Expended	6.25	6.04	-0.21	—
viii) Operating Expenses	2.50	2.64	0.14	—
ix) Wage Bill	1.67	1.79	0.12	—
x) Provisions and Contingencies	1.00	1.03	0.03	—
xi) Spread (Net Interest Income)	2.73	2.84	0.11	—

@ Ratios to Total Assets.

Note : Figures in brackets are percentage to the respective total.

Appendix Table II.5(B): Financial Performance of Public Sector Banks

(Amount in Rs.crore)

Item	1999-2000	2000-01	Variation of Col. (3) over Col.(2)	
			Absolute	Percentage
1	2	3	4	5
A. Income (i+ii)	**90,911.01 (100.00)**	**1,03,498.93 (100.00)**	**12,587.92**	**13.85**
i) Interest Income	79,413.68 (87.35)	90,983.98 (87.91)	11,570.30	14.57
ii) Other Income	11,497.33 (12.65)	12,514.95 (12.09)	1,017.62	8.85
B. Expenditure (i+ii+iii)	**85,794.83 (100.00)**	**99,181.99 (100.00)**	**13,387.16**	**15.60**
i) Interest Expended	55,374.47 (64.54)	61,692.75 (62.20)	6,318.28	11.41
ii) Provisions and Contingencies	7,926.11 (9.24)	9,476.01 (9.55)	1,549.90	19.55
iii) Operating Expenses	22,494.25 (26.22)	28,013.23 (28.24)	5,518.98	24.54
of which : Wage Bill	16,394.67 (19.11)	20,929.17 (21.10)	4,534.50	27.66
C. Profit				
i) Operating Profit	**13,042.29**	**13,792.95**	**750.66**	**5.76**
ii) Net Profit	**5,116.18**	**4,316.94**	**-799.24**	**-15.62**
D. Total Assets	**8,90,600.05**	**10,29,769.59**	**1,39,169.54**	**15.63**
E. Financial Ratios (per cent) @				
i) Operating Profit	1.46	1.34	-0.12	—
ii) Net Profit	0.57	0.42	-0.15	—
iii) Income	10.21	10.05	-0.16	—
iv) Interest Income	8.92	8.84	-0.08	—
v) Other Income	1.29	1.22	-0.07	—
vi) Expenditure	9.63	9.63	0.00	—
vii) Interest Expended	6.22	5.99	-0.23	—
viii) Operating Expenses	2.53	2.72	0.19	—
ix) Wage Bill	1.84	2.03	0.19	—
x) Provisions and Contingencies	0.89	0.92	0.03	—
xi) Spread (Net Interest Income)	2.70	2.84	0.14	—

@ Ratios to Total Assets.

Note : Figures in brackets are percentage to the respective total.

Appendix Table II.5(C): Financial Performance of Nationalised Banks

(Amount in Rs.crore)

Item	1999-2000	2000-01	Variation of Col. (3) over Col.(2)	
			Absolute	Percentage
1	2	3	4	5
A. Income (i+ii)	**56,896.43 (100.00)**	**64,126.52 (100.00)**	**7,230.09**	**12.71**
i) Interest Income	50,234.01 (88.29)	56,967.11 (88.84)	6,733.10	13.40
ii) Other Income	6,662.42 (11.71)	7,159.41 (11.16)	496.99	7.46
B. Expenditure (i+ii+iii)	**54,459.43 (100.00)**	**62,031.43 (100.00)**	**7,572.00**	**13.90**
i) Interest Expended	35,477.41 (65.14)	38,789.64 (62.53)	3,312.23	9.34
ia) Interest on Recapitalisation Bonds	1,797.88	1,795.48		
ii) Provisions and Contingencies	4,766.15 (8.75)	5,958.24 (9.61)	1,192.09	25.01
iii) Operating Expenses	14,215.87 (26.10)	17,283.55 (27.86)	3,067.68	21.58
of which : Wage Bill	10,468.28 (19.22)	13,142.78 (21.19)	2,674.50	25.55
C. Profit				
i) Operating Profit	**7,203.15**	**8,053.33**	**850.18**	**11.80**
ia) *Operating Profit exclusive of income from recapitalisation bonds*	5,405.27	6,257.85	852.58	15.77
ii) Net Profit	**2,437.00**	**2,095.09**	**-341.91**	**-14.03**
iia) *Net Profit exclusive of income from recapitalisation bonds*	639.12	299.61	-339.51	-53.12
D. Total Assets	**5,54,205.72**	**6,26,892.12**	**72,686.40**	**13.12**
E. Financial Ratios (per cent) @				
i) Operating Profit	1.30	1.28	-0.02	—
ia) Operating Profit exclusive of income from recapitalisation bonds	0.98	1.00	0.02	—
ii) Net Profit	0.44	0.33	-0.11	—
iia) Net Profit exclusive of income from recapitalisation bonds	0.12	0.05	-0.07	—
iii) Income	10.27	10.23	-0.04	—
iv) Interest Income	9.06	9.09	0.03	—
v) Other Income	1.20	1.14	-0.06	—
vi) Expenditure	9.83	9.90	0.07	—
vii) Interest Expended	6.40	6.19	-0.21	—
viii) Operating Expenses	2.57	2.76	0.19	—
ix) Wage Bill	1.89	2.10	0.21	—
x) Provisions and Contingencies	0.86	0.95	0.09	—
xi) Spread (Net Interest Income)	2.66	2.90	0.24	—
xia) Spread exclusive of recapitalisation Bonds	2.34	2.61	0.27	—

@ Ratios to Total Assets.

Note : Figures in brackets are percentage to the respective total.

Appendix Table II.5(D): Financial Performance of the State Bank Group

(Amount in Rs.crore)

Item	1999-2000	2000-01	Variation of Col. (3) over Col.(2)	
			Absolute	Percentage
1	2	3	4	5
A. Income	**34,014.58**	**39,372.41**	**5,357.83**	**15.75**
(i+ii)	**(100.00)**	**(100.00)**		
i) Interest Income	29,179.67	34,016.87	4,837.20	16.58
	(85.79)	(86.40)		
ii) Other Income	4,834.91	5,355.54	520.63	10.77
	(14.21)	(13.60)		
B. Expenditure	**31,335.40**	**37,150.56**	**5,815.16**	**18.56**
(i+ii+iii)	**(100.00)**	**(100.00)**		
i) Interest Expended	19,897.06	22,903.11	3,006.05	15.11
	(63.50)	(61.65)		
ii) Provisions and Contingencies	3,159.96	3,517.77	357.81	11.32
	(10.08)	(9.47)		
iii) Operating Expenses	8,278.38	10,729.68	2,451.30	29.61
	(26.42)	(28.88)		
of which : Wage Bill	5,926.39	7,786.39	1,860.00	31.39
	(18.91)	(20.96)		
C. Profit				
i) Operating Profit	**5,839.14**	**5,739.62**	**-99.52**	**-1.70**
ii) Net Profit	**2,679.18**	**2,221.85**	**-457.33**	**-17.07**
D. Total Assets	**3,36,394.33**	**4,02,877.47**	**66,483.14**	**19.76**
E. Financial Ratios (per cent) @				
i) Operating Profit	1.74	1.42	-0.32	—
ii) Net Profit	0.80	0.55	-0.25	—
iii) Income	10.11	9.77	-0.34	—
iv) Interest Income	8.67	8.44	-0.23	—
v) Other Income	1.44	1.33	-0.11	—
vi) Expenditure	9.32	9.22	-0.10	—
vii) Interest Expended	5.91	5.68	-0.23	—
viii) Operating Expenses	2.46	2.66	0.20	—
ix) Wage Bill	1.76	1.93	0.17	—
x) Provisions and Contingencies	0.94	0.87	-0.07	—
xi) Spread (Net Interest Income)	2.76	2.76	0.00	—

@ Ratios to Total Assets.

Note : Figures in brackets are percentage to the respective total.

Appendix Table II.5(E) : Financial Performance of Old Private Sector Banks

(Amount in Rs.crore)

Item	1999-2000	2000-01	Variation of Col. (3) over Col.(2)	
			Absolute	Percentage
1	2	3	4	5
A. Income	**8,282.11**	**9,091.21**	**809.10**	**9.77**
(i+ii)	**(100.00)**	**(100.00)**		
i) Interest Income	7,065.08	8,052.11	987.03	13.97
	(85.31)	(88.57)		
ii) Other Income	1,217.03	1,039.10	-177.93	-14.62
	(14.69)	(11.43)		
B. Expenditure	**7,690.43**	**8,568.37**	**877.94**	**11.42**
(i+ii+iii)	**(100.00)**	**(100.00)**		
i) Interest Expended	5,362.85	5,931.92	569.07	10.61
	(69.73)	(69.23)		
ii) Provisions and Contingencies	741.74	957.13	215.39	29.04
	(9.64)	(11.17)		
iii) Operating Expenses	1,585.84	1,679.32	93.48	5.89
	(20.62)	(19.60)		
of which : Wage Bill	1,017.48	1,037.49	20.01	1.97
	(13.23)	(12.11)		
C. Profit				
i) Operating Profit	**1,333.42**	**1,479.97**	**146.55**	**10.99**
ii) Net Profit	**591.68**	**522.84**	**-68.84**	**-11.63**
D. Total Assets	**73,122.94**	**84,604.62**	**11,481.68**	**15.70**
E. Financial Ratios (per cent) @				
i) Operating Profit	1.82	1.75	-0.07	—
ii) Net Profit	0.81	0.62	-0.19	—
iii) Income	11.33	10.75	-0.58	—
iv) Interest Income	9.66	9.52	-0.14	—
v) Other Income	1.66	1.23	-0.43	—
vi) Expenditure	10.52	10.13	-0.39	—
vii) Interest Expended	7.33	7.01	-0.32	—
viii) Operating Expenses	2.17	1.98	-0.19	—
ix) Wage Bill	1.39	1.23	-0.16	—
x) Provisions and Contingencies	1.01	1.13	0.12	—
xi) Spread (Net Interest Income)	2.33	2.51	0.18	—

@ Ratios to Total Assets.

Note : Figures in brackets are percentage to the respective total.

Appendix Table II.5(F): Financial Performance of New Private Sector Banks

(Amount in Rs.crore)

Item	1999-2000	2000-01	Variation of Col. (3) over Col.(2)	
			Absolute	Percentage
1	2	3	4	5
A. Income (i+ii)	**5,407.46 (100.00)**	**7,504.26 (100.00)**	**2,096.80**	**38.78**
i) Interest Income	4,478.31 (82.82)	6,444.25 (85.87)	1,965.94	43.90
ii) Other Income	929.15 (17.18)	1,060.01 (14.13)	130.86	14.08
B. Expenditure (i+ii+iii)	**4,838.04 (100.00)**	**6,864.85 (100.00)**	**2,026.81**	**41.89**
i) Interest Expended	3,326.60 (68.76)	4,759.12 (69.33)	1,432.52	43.06
ii) Provisions and Contingencies	674.43 (13.94)	729.56 (10.63)	55.13	8.17
iii) Operating Expenses	837.01 (17.30)	1,376.17 (20.05)	539.16	64.42
of which : Wage Bill	163.36 (3.38)	248.85 (3.62)	85.49	52.33
C. Profit				
i) Operating Profit	**1,243.85**	**1,368.97**	**125.12**	**10.06**
ii) Net Profit	**569.42**	**639.41**	**69.99**	**12.29**
D. Total Assets	**58,930.90**	**78,775.71**	**19,844.81**	**33.67**
E. Financial Ratios (per cent) @				
i) Operating Profit	2.11	1.74	-0.37	—
ii) Net Profit	0.97	0.81	-0.16	—
iii) Income	9.18	9.53	0.35	—
iv) Interest Income	7.60	8.18	0.58	—
v) Other Income	1.58	1.35	-0.23	—
vi) Expenditure	8.21	8.71	0.50	—
vii) Interest Expended	5.64	6.04	0.40	—
viii) Operating Expenses	1.42	1.75	0.33	—
ix) Wage Bill	0.28	0.32	0.04	—
x) Provisions and Contingencies	1.14	0.93	-0.21	—
xi) Spread (Net Interest Income)	1.95	2.14	0.19	—

@ Ratios to Total Assets.

Note : Figures in brackets are percentage to the respective total.

Appendix Table II.5(G): Financial Performance of Foreign Banks in India

(Amount in Rs.crore)

Item	1999-2000	2000-01	Variation of Col. (3) over Col.(2)	
			Absolute	Percentage
1	2	3	4	5
A. Income	**10,329.89**	**11,983.84**	**1,653.95**	**16.01**
(i+ii)	**(100.00)**	**(100.00)**		
i) Interest Income	8,226.81	9,470.79	1,243.98	15.12
	(79.64)	(79.03)		
ii) Other Income	2,103.08	2,513.05	409.97	19.49
	(20.36)	(20.97)		
B. Expenditure	**9,361.92**	**11,038.93**	**1,677.01**	**17.91**
(i+ii+iii)	**(100.00)**	**(100.00)**		
i) Interest Expended	4,976.66	5,768.08	791.42	15.90
	(53.16)	(52.25)		
ii) Provisions and Contingencies	1,719.04	2,160.24	441.20	25.67
	(18.36)	(19.57)		
iii) Operating Expenses	2,666.22	3,110.61	444.39	16.67
	(28.48)	(28.18)		
of which : Wage Bill	866.98	990.02	123.04	14.19
	(9.26)	(8.97)		
C. Profit				
i) Operating Profit	**2,687.01**	**3,105.15**	**418.14**	**15.56**
ii) Net Profit	**967.97**	**944.91**	**-23.06**	**-2.38**
D. Total Assets	**82,810.49**	**1,01,824.03**	**19,013.54**	**22.96**
E. Financial Ratios (per cent) @				
i) Operating Profit	3.24	3.05	-0.19	—
ii) Net Profit	1.17	0.93	-0.24	—
iii) Income	12.47	11.77	-0.70	—
iv) Interest Income	9.93	9.30	-0.63	—
v) Other Income	2.54	2.47	-0.07	—
vi) Expenditure	11.31	10.84	-0.47	—
vii) Interest Expended	6.01	5.66	-0.35	—
viii) Operating Expenses	3.22	3.05	-0.17	—
ix) Wage Bill	1.05	0.97	-0.08	—
x) Provisions and Contingencies	2.08	2.12	0.04	—
xi) Spread (Net Interest Income)	3.92	3.64	-0.28	—

@ Ratios to Total Assets.

Note : Figures in brackets are percentage to the respective total.

Appendix Table II.6(A): Select Financial Parameters of Public Sector Banks

(As on March 31, 2001)

(Per cent)

Sr. No.	Name of the Bank	CRAR			Net NPAs/ Net Advances	Interest Income/ Working Fund	Non-Interest Income/ Working Fund	Operating Profit/ Working Fund	Return on Assets	Business per employee	Profit per employee
		Tier I	Tier II	Total						(Amount in Rs. lakh)	
1	2	3	4	5	6	7	8	9	10	11	12
	Nationalised Banks										
1	Allahabad Bank	6.70	3.80	10.50	11.23	9.77	1.15	1.26	0.18	129.00	0.19
2	Andhra Bank	9.76	3.64	13.40	2.95	10.66	1.16	1.41	0.59	153.62	0.95
3	Bank of Baroda	8.49	4.31	12.80	6.77	9.09	1.12	1.64	0.45	166.11	0.59
4	Bank of India	7.62	4.61	12.23	6.72	9.23	1.50	1.34	0.44	184.26	0.57
5	Bank of Maharashtra	6.39	4.25	10.64	7.41	10.41	1.36	1.46	0.24	164.77	0.32
6	Canara Bank	7.31	2.53	9.84	4.84	9.70	1.58	1.95	0.43	190.67	0.63
7	Central Bank of India	5.74	4.28	10.02	9.72	10.43	1.15	1.15	0.10	110.38	0.10
8	Corporation Bank	13.00	0.30	13.30	1.98	10.68	1.73	3.15	1.55	245.31	2.55
9	Dena Bank	4.38	3.35	7.73	18.37	9.69	1.10	0.38	0.00	207.00	0.00
10	Indian Bank	Negative	Nil	Negative	10.06	8.58	1.29	0.25	Nil	136.00	Nil
11	Indian Overseas Bank	5.81	4.43	10.24	7.01	9.47	1.03	1.04	0.38	141.40	0.45
12	Oriental Bank of Commerce	11.45	0.36	11.81	3.60	10.60	1.00	2.00	0.80	263.20	1.50
13	Punjab & Sind Bank	6.87	4.55	11.42	12.27	9.83	1.32	0.82	0.10	168.08	0.13
14	Punjab National Bank	6.84	3.40	10.24	6.69	9.84	1.31	1.59	0.73	141.95	0.80
15	Syndicate Bank	7.88	3.84	11.72	4.05	9.84	0.99	1.05	0.91	133.68	0.81
16	UCO Bank	5.36	3.69	9.05	6.35	9.71	1.27	0.91	0.14	97.00	0.12
17	Union Bank of India	6.19	4.67	10.86	6.87	10.49	0.88	1.44	0.40	183.23	0.55
18	United Bank of India	7.00	3.40	10.40	10.50	10.07	0.86	0.71	0.10	120.00	0.10
19	Vijaya Bank	8.04	3.46	11.50	6.23	10.34	1.19	1.36	0.53	122.83	0.53
	State Bank Group										
20	State Bank of India	8.58	4.21	12.79	6.03	8.70	1.34	1.33	0.50	136.58	0.70
21	State Bank of Bikaner & Jaipur	11.62	0.77	12.39	7.83	10.15	1.92	2.15	0.80	105.19	0.77
22	State Bank of Hyderabad	9.56	2.72	12.28	7.82	9.23	1.57	2.44	0.82	165.00	1.13
23	State Bank of Indore	9.12	3.61	12.73	5.91	9.89	2.27	2.91	0.89	126.00	2.60
24	State Bank of Mysore	6.76	4.40	11.16	7.65	9.96	1.86	1.50	0.27	112.15	0.26
25	State Bank of Patiala	10.69	1.68	12.37	4.92	10.76	1.36	3.19	1.12	143.45	1.23
26	State Bank of Saurashtra	13.65	0.24	13.89	7.30	10.50	1.54	1.59	0.18	123.87	0.21
27	State Bank of Travancore	7.73	4.06	11.79	7.75	10.18	1.50	1.78	0.67	157.32	0.85

Note : Figures reported in this table may not exactly tally with the data reported in Appendix Tables II.7 (B) to II.7 (I) due to conceptual differences.
Source : Respective Balance Sheets.

Appendix Table II.6(B): Gross Profit/Loss as Percentage of Total Assets – Public Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	Allahabad Bank	0.83	1.40	1.56	1.34	1.28	1.21
2	Andhra Bank	0.89	1.06	1.68	1.35	1.83	1.22
3	Bank of Baroda	2.55	2.06	1.76	1.81	1.79	1.64
4	Bank of India	1.43	1.53	1.50	1.31	1.23	1.30
5	Bank of Maharashtra	0.85	1.18	1.16	1.11	1.52	1.26
6	Canara Bank	2.09	1.83	1.56	1.99	1.70	1.70
7	Central Bank of India	0.91	1.14	1.18	0.85	1.02	1.00
8	Corporation Bank	3.13	3.00	2.70	2.05	2.54	2.70
9	Dena Bank	1.76	2.00	2.23	1.46	1.36	0.38
10	Indian Bank	-1.26	-0.81	-1.08	-0.76	0.10	0.23
11	Indian Overseas Bank	0.12	0.72	0.72	0.58	0.68	1.01
12	Oriental Bank of Commerce	2.62	2.60	2.28	2.06	2.06	1.97
13	Punjab & Sind Bank	0.12	0.75	1.11	0.86	0.83	0.77
14	Punjab National Bank	1.22	1.77	2.01	1.77	1.52	1.49
15	Syndicate Bank	0.64	0.56	0.70	0.77	1.03	1.05
16	UCO Bank	-0.17	-0.45	0.08	0.18	0.75	0.78
17	Union Bank of India	1.52	1.52	1.36	0.99	1.12	1.31
18	United Bank of India	-0.37	-0.51	1.13	0.27	0.43	0.64
19	Vijaya Bank	0.07	0.43	0.68	1.05	0.98	1.25
	Nationalised Banks	**1.14**	**1.26**	**1.33**	**1.22**	**1.30**	**1.28**
20	State Bank of India	2.10	2.17	1.95	1.55	1.61	1.26
21	State Bank of Bikaner & Jaipur	1.71	1.93	2.30	1.58	1.91	1.94
22	State Bank of Hyderabad	2.46	2.43	2.70	2.07	2.65	2.44
23	State Bank of Indore	2.01	2.23	2.22	2.31	2.06	2.10
24	State Bank of Mysore	1.91	2.39	2.16	1.75	1.96	1.47
25	State Bank of Patiala	2.23	2.26	2.14	2.34	2.83	2.79
26	State Bank of Saurashtra	2.00	2.43	2.30	1.92	2.15	1.36
27	State Bank of Travancore	2.07	1.93	2.19	1.39	1.47	1.59
	State Bank Group	**2.10**	**2.18**	**2.03**	**1.63**	**1.74**	**1.42**
	Public Sector Banks	**1.49**	**1.60**	**1.58**	**1.37**	**1.46**	**1.34**

Appendix Table II.6(C): Net Profit/Loss as Percentage of Total Assets – Public Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	Allahabad Bank	0.05	0.49	0.85	0.77	0.35	0.18
2	Andhra Bank	0.16	0.43	0.82	0.78	0.76	0.59
3	Bank of Baroda	0.61	0.73	1.01	0.81	0.86	0.43
4	Bank of India	0.84	0.95	0.79	0.37	0.31	0.42
5	Bank of Maharashtra	0.16	0.54	0.53	0.43	0.59	0.24
6	Canara Bank	0.81	0.41	0.47	0.47	0.43	0.43
7	Central Bank of India	-0.32	0.57	0.57	0.41	0.36	0.10
8	Corporation Bank	1.52	1.53	1.49	1.29	1.39	1.33
9	Dena Bank	0.63	0.75	0.86	0.74	0.37	-1.49
10	Indian Bank	-7.52	-2.28	-1.55	-3.64	-1.81	-1.03
11	Indian Overseas Bank	0.02	0.58	0.53	0.23	0.15	0.38
12	Oriental Bank of Commerce	1.64	1.56	1.42	1.23	1.14	0.75
13	Punjab & Sind Bank	-1.83	0.26	0.72	0.53	0.52	0.10
14	Punjab National Bank	-0.30	0.68	1.20	0.80	0.75	0.73
15	Syndicate Bank	0.13	0.38	0.42	0.65	0.79	0.83
16	UCO Bank	-1.53	-1.08	-0.52	-0.33	0.16	0.12
17	Union Bank of India	0.39	0.96	0.97	0.51	0.29	0.40
18	United Bank of India	-2.16	-0.89	0.07	0.09	0.16	0.09
19	Vijaya Bank	-3.47	0.24	0.25	0.27	0.41	0.50
	Nationalised Banks	**-0.36**	**0.41**	**0.62**	**0.37**	**0.44**	**0.33**
20	State Bank of India	0.58	0.86	1.04	0.46	0.78	0.51
21	State Bank of Bikaner & Jaipur	0.39	0.50	1.06	0.90	0.97	0.76
22	State Bank of Hyderabad	0.61	0.56	0.91	0.85	0.82	0.82
23	State Bank of Indore	0.39	0.49	0.68	0.63	0.72	0.78
24	State Bank of Mysore	0.54	0.74	0.86	0.49	0.58	0.27
25	State Bank of Patiala	0.63	0.68	1.47	0.93	1.06	1.12
26	State Bank of Saurashtra	-4.94	2.20	2.43	0.40	1.18	0.16
27	State Bank of Travancore	0.39	0.52	0.69	0.40	0.53	0.67
	State Bank Group	**0.42**	**0.84**	**1.06**	**0.51**	**0.80**	**0.55**
	Public Sector Banks	**-0.07**	**0.57**	**0.77**	**0.42**	**0.57**	**0.42**

Appendix Table II.6(D) : Operating and Net Profits before and after Adjustment of Interest on Recapitalisation Bonds - Nationalised Banks

(Rs.crore)

Sr. No.	Name of the Bank	Operating Profit		Net Profit		After adjustment+			
						Operating Profit		Net Profit	
		1999-2000	2000-01	1999-2000	2000-01	1999-2000	2000-01	1999-2000	2000-01
1	2	3	4	5	6	7	8	9	10
1	Allahabad Bank	252.51	266.00	69.33	39.91	178.61	192.10	-4.57	-33.99
2	Andhra Bank	289.48	248.72	120.59	121.19	232.65	194.29	63.76	66.76
3	Bank of Baroda	1,051.67	1,036.47	502.77	274.66	1,037.14	1,021.94	488.24	260.13
4	Bank of India	682.99	772.02	172.82	251.88	508.74	597.77	-1.43	77.63
5	Bank of Maharashtra	231.60	239.98	90.14	45.19	161.07	169.45	19.61	-25.34
6	Canara Bank	923.16	1,131.22	236.05	285.10	817.94	1,026.00	130.83	179.88
7	Central Bank of India	421.56	470.48	150.69	46.46	245.69	294.61	-25.18	-129.41
8	Corporation Bank	425.12	532.06	232.44	261.84	418.55	525.49	225.87	255.27
9	Dena Bank	229.94	68.11	62.87	-266.12	205.04	43.21	37.97	-291.02
10	Indian Bank	23.86	61.59	-426.97	-274.00	-221.27	-183.54	-672.10	-519.13
11	Indian Overseas Bank	188.22	306.60	40.34	115.93	64.19	182.57	-83.69	-8.10
12	Oriental Bank of Commerce	505.91	534.11	278.62	202.89	494.95	523.15	267.66	191.93
13	Punjab & Sind Bank	98.21	102.74	61.44	13.26	32.47	37.00	-4.30	-52.48
14	Punjab National Bank	820.16	945.21	408.14	463.64	765.49	890.54	353.47	408.97
15	Syndicate Bank	280.57	297.80	215.65	234.94	156.00	173.23	91.08	110.37
16	UCO Bank	176.83	213.77	36.64	32.99	-37.75	-0.81	-177.94	-181.59
17	Union Bank of India	391.63	511.25	101.24	155.46	361.40	481.02	71.01	125.23
18	United Bank of India	84.29	136.72	31.36	19.14	-88.41	-35.98	-141.34	-153.56
19	Vijaya Bank	125.44	178.48	52.84	70.73	72.77	125.81	0.17	18.06
	Total	**7,203.15**	**8,053.33**	**2,437.00**	**2,095.09**	**5,405.27**	**6,257.85**	**639.12**	**299.61**

+ Adjusted for interest on recapitalisation bonds

Appendix Table II.6(E): Interest Income as Percentage of Total Assets – Public Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	Allahabad Bank	8.80	9.71	9.30	9.15	9.36	9.37
2	Andhra Bank	9.45	9.53	9.92	9.11	9.16	9.20
3	Bank of Baroda	10.22	9.99	9.10	9.23	8.83	9.09
4	Bank of India	8.74	9.26	8.49	8.51	8.51	8.93
5	Bank of Maharashtra	9.51	9.79	9.30	9.31	9.64	8.96
6	Canara Bank	9.37	9.57	8.87	9.68	8.91	8.46
7	Central Bank of India	9.28	9.59	9.31	9.29	9.06	9.03
8	Corporation Bank	9.64	10.11	9.16	9.04	9.57	9.16
9	Dena Bank	9.94	10.44	9.92	10.05	9.40	9.58
10	Indian Bank	8.46	9.18	7.53	7.60	8.07	7.88
11	Indian Overseas Bank	8.83	10.37	9.26	9.40	9.07	9.22
12	Oriental Bank of Commerce	9.75	10.82	9.86	9.97	10.02	10.19
13	Punjab & Sind Bank	9.04	9.64	9.35	9.30	9.50	9.23
14	Punjab National Bank	9.90	10.43	10.03	9.60	9.52	9.23
15	Syndicate Bank	8.79	9.12	8.69	9.45	8.97	9.89
16	UCO Bank	7.76	7.97	7.78	8.16	8.39	8.32
17	Union Bank of India	9.67	10.28	9.72	9.19	9.47	9.58
18	United Bank of India	7.69	7.82	9.19	8.44	8.70	8.99
19	Vijaya Bank	9.26	9.10	8.58	9.01	9.36	9.51
	Nationalised Banks	**9.22**	**9.65**	**9.09**	**9.15**	**9.06**	**9.09**
20	State Bank of India	8.97	9.55	8.84	8.59	8.49	8.24
21	State Bank of Bikaner & Jaipur	9.21	9.05	9.98	9.42	8.95	9.14
22	State Bank of Hyderabad	9.93	10.13	9.74	9.30	9.56	9.23
23	State Bank of Indore	10.20	10.87	9.95	9.98	8.92	8.63
24	State Bank of Mysore	10.29	11.01	10.45	10.14	9.66	9.72
25	State Bank of Patiala	9.27	10.47	9.66	9.38	9.40	9.38
26	State Bank of Saurashtra	8.54	9.88	9.66	9.41	9.25	8.95
27	State Bank of Travancore	11.51	11.67	10.75	9.40	9.32	9.08
	State Bank Group	**9.17**	**9.75**	**9.11**	**8.79**	**8.67**	**8.44**
	Public Sector Banks	**9.20**	**9.69**	**9.10**	**9.01**	**8.92**	**8.84**

Appendix Table II.6(F): Interest Expended as Percentage of Total Assets – Public Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	Allahabad Bank	6.13	6.66	6.42	6.34	6.50	6.29
2	Andhra Bank	6.42	6.55	6.56	6.20	6.49	6.74
3	Bank of Baroda	6.54	6.78	6.19	6.22	5.98	6.03
4	Bank of India	5.86	6.25	5.72	5.90	6.19	6.15
5	Bank of Maharashtra	5.92	6.11	5.80	6.02	6.57	6.03
6	Canara Bank	6.03	6.39	6.37	6.51	6.27	5.62
7	Central Bank of India	6.13	6.42	6.20	6.32	6.09	5.96
8	Corporation Bank	5.90	6.24	5.70	6.55	6.84	6.21
9	Dena Bank	6.30	6.59	6.44	7.09	6.94	7.08
10	Indian Bank	7.94	8.47	6.95	6.68	6.45	6.05
11	Indian Overseas Bank	6.71	7.99	6.95	7.09	6.61	6.31
12	Oriental Bank of Commerce	5.95	6.93	6.48	6.87	7.11	7.27
13	Punjab & Sind Bank	6.88	7.04	6.72	6.91	7.15	6.72
14	Punjab National Bank	6.63	6.96	6.78	6.03	6.54	6.02
15	Syndicate Bank	5.60	5.95	5.84	6.51	5.94	6.01
16	UCO Bank	5.60	6.04	5.88	6.01	6.05	5.90
17	Union Bank of India	6.27	6.87	6.55	6.52	6.73	6.45
18	United Bank of India	5.98	6.28	6.45	6.44	6.59	6.60
19	Vijaya Bank	6.73	6.19	5.82	6.15	6.33	6.28
	Nationalised Banks	**6.30**	**6.68**	**6.30**	**6.37**	**6.40**	**6.19**
20	State Bank of India	5.69	6.13	5.83	5.86	5.84	5.63
21	State Bank of Bikaner & Jaipur	5.67	5.72	6.30	6.19	5.95	5.85
22	State Bank of Hyderabad	6.21	6.44	6.13	5.77	6.21	5.90
23	State Bank of Indore	6.10	6.59	6.09	6.05	5.93	5.79
24	State Bank of Mysore	6.40	6.79	6.50	6.56	6.26	6.39
25	State Bank of Patiala	5.79	6.76	6.01	5.85	5.62	5.16
26	State Bank of Saurashtra	5.24	6.26	6.03	5.92	6.05	6.02
27	State Bank of Travancore	8.22	8.49	7.81	7.20	7.06	6.35
	State Bank Group	**5.82**	**6.27**	**5.97**	**5.94**	**5.91**	**5.68**
	Public Sector Banks	**6.12**	**6.53**	**6.19**	**6.21**	**6.22**	**5.99**

Appendix Table II.6(G): Net Interest Income (Spread) as Percentage of Total Assets – Public Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	Allahabad Bank	2.67	3.05	2.88	2.82	2.86	3.09
2	Andhra Bank	3.03	2.98	3.37	2.91	2.68	2.45
3	Bank of Baroda	3.68	3.21	2.91	3.01	2.85	3.06
4	Bank of India	2.88	3.00	2.77	2.61	2.33	2.78
5	Bank of Maharashtra	3.59	3.67	3.50	3.29	3.07	2.93
6	Canara Bank	3.33	3.19	2.49	3.17	2.64	2.83
7	Central Bank of India	3.15	3.17	3.11	2.97	2.96	3.07
8	Corporation Bank	3.74	3.87	3.46	2.49	2.73	2.95
9	Dena Bank	3.64	3.85	3.48	2.97	2.46	2.51
10	Indian Bank	0.52	0.71	0.57	0.92	1.61	1.84
11	Indian Overseas Bank	2.12	2.38	2.31	2.31	2.46	2.91
12	Oriental Bank of Commerce	3.80	3.89	3.38	3.10	2.90	2.92
13	Punjab & Sind Bank	2.15	2.60	2.63	2.38	2.35	2.51
14	Punjab National Bank	3.27	3.47	3.25	3.57	2.99	3.21
15	Syndicate Bank	3.20	3.17	2.85	2.94	3.04	3.87
16	UCO Bank	2.17	1.93	1.89	2.15	2.35	2.42
17	Union Bank of India	3.40	3.41	3.17	2.66	2.73	3.13
18	United Bank of India	1.71	1.54	2.74	2.00	2.10	2.39
19	Vijaya Bank	2.53	2.91	2.76	2.86	3.03	3.23
	Nationalised Banks	**2.92**	**2.97**	**2.78**	**2.77**	**2.66**	**2.90**
20	State Bank of India	3.28	3.43	3.01	2.72	2.65	2.61
21	State Bank of Bikaner & Jaipur	3.53	3.32	3.68	3.23	3.00	3.29
22	State Bank of Hyderabad	3.72	3.69	3.61	3.53	3.35	3.33
23	State Bank of Indore	4.10	4.28	3.86	3.92	2.99	2.84
24	State Bank of Mysore	3.88	4.22	3.94	3.58	3.39	3.33
25	State Bank of Patiala	3.48	3.70	3.64	3.53	3.78	4.22
26	State Bank of Saurashtra	3.30	3.62	3.63	3.49	3.20	2.93
27	State Bank of Travancore	3.29	3.18	2.94	2.20	2.27	2.73
	State Bank Group	**3.34**	**3.48**	**3.14**	**2.85**	**2.76**	**2.76**
	Public Sector Banks	**3.08**	**3.16**	**2.91**	**2.80**	**2.70**	**2.84**

Appendix Table II.6(H): Provisions and Contingencies as Percentage of Total Assets - Public Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	Allahabad Bank	0.79	0.91	0.71	0.57	0.93	1.03
2	Andhra Bank	0.74	0.63	0.87	0.58	1.07	0.63
3	Bank of Baroda	1.94	1.33	0.75	1.00	0.94	1.20
4	Bank of India	0.60	0.58	0.72	0.93	0.92	0.87
5	Bank of Maharashtra	0.69	0.64	0.64	0.68	0.93	1.02
6	Canara Bank	1.28	1.42	1.09	1.52	1.26	1.27
7	Central Bank of India	1.23	0.56	0.61	0.43	0.65	0.90
8	Corporation Bank	1.61	1.48	1.21	0.76	1.15	1.37
9	Dena Bank	1.14	1.25	1.37	0.71	0.99	1.87
10	Indian Bank	6.27	1.47	0.47	2.88	1.92	1.26
11	Indian Overseas Bank	0.10	0.14	0.19	0.36	0.54	0.63
12	Oriental Bank of Commerce	0.98	1.04	0.86	0.83	0.93	1.22
13	Punjab & Sind Bank	1.94	0.48	0.39	0.33	0.31	0.67
14	Punjab National Bank	1.53	1.09	0.81	0.97	0.76	0.76
15	Syndicate Bank	0.51	0.18	0.27	0.12	0.24	0.22
16	UCO Bank	1.36	0.63	0.60	0.51	0.60	0.66
17	Union Bank of India	1.12	0.56	0.39	0.48	0.83	0.91
18	United Bank of India	1.79	0.38	1.07	0.18	0.27	0.55
19	Vijaya Bank	3.54	0.20	0.43	0.77	0.57	0.76
	Nationalised Banks	**1.50**	**0.85**	**0.71**	**0.85**	**0.86**	**0.95**
20	State Bank of India	1.52	1.31	0.91	1.09	0.82	0.75
21	State Bank of Bikaner & Jaipur	1.32	1.43	1.24	0.69	0.94	1.18
22	State Bank of Hyderabad	1.85	1.88	1.78	1.22	1.83	1.63
23	State Bank of Indore	1.63	1.74	1.55	1.68	1.34	1.32
24	State Bank of Mysore	1.37	1.65	1.30	1.26	1.38	1.19
25	State Bank of Patiala	1.60	1.58	0.67	1.41	1.78	1.66
26	State Bank of Saurashtra	6.94	0.23	-0.13	1.52	0.98	1.20
27	State Bank of Travancore	1.68	1.42	1.50	0.99	0.93	0.92
	State Bank Group	**1.67**	**1.35**	**0.98**	**1.11**	**0.94**	**0.87**
	Public Sector Banks	**1.56**	**1.03**	**0.81**	**0.95**	**0.89**	**0.92**

Appendix Table II.6(I): Operating Expenses as Percentage of Total Assets – Public Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	Allahabad Bank	3.04	3.02	2.70	2.67	2.89	2.98
2	Andhra Bank	3.23	3.11	2.95	2.83	2.27	2.24
3	Bank of Baroda	2.53	2.37	2.34	2.31	2.22	2.54
4	Bank of India	2.72	2.77	2.52	2.37	2.51	2.93
5	Bank of Maharashtra	3.73	3.41	3.21	3.06	2.76	2.84
6	Canara Bank	2.74	2.63	2.34	2.56	2.48	2.51
7	Central Bank of India	3.40	3.19	3.05	3.11	3.00	3.06
8	Corporation Bank	2.20	2.23	2.05	1.81	1.81	1.73
9	Dena Bank	3.07	2.99	2.75	2.54	2.44	3.24
10	Indian Bank	2.86	2.80	2.67	2.61	2.68	2.79
11	Indian Overseas Bank	2.76	2.73	2.55	2.75	2.74	2.89
12	Oriental Bank of Commerce	2.14	2.19	2.03	1.97	1.74	1.94
13	Punjab & Sind Bank	3.06	3.06	2.80	2.57	2.82	2.98
14	Punjab National Bank	3.21	3.04	2.84	2.97	2.82	2.95
15	Syndicate Bank	3.47	3.50	3.29	3.41	3.13	3.81
16	UCO Bank	3.27	3.16	2.89	2.87	2.65	2.73
17	Union Bank of India	2.80	2.77	2.62	2.51	2.47	2.62
18	United Bank of India	2.99	2.81	2.58	2.40	2.39	2.52
19	Vijaya Bank	3.36	3.26	2.95	2.80	2.97	3.07
	Nationalised Banks	**2.93**	**2.85**	**2.65**	**2.63**	**2.57**	**2.76**
20	State Bank of India	3.09	2.94	2.63	2.65	2.41	2.63
21	State Bank of Bikaner & Jaipur	3.46	2.97	3.29	3.24	2.85	3.08
22	State Bank of Hyderabad	3.05	2.81	2.52	2.90	2.42	2.46
23	State Bank of Indore	3.67	3.56	3.41	3.40	3.07	2.72
24	State Bank of Mysore	3.82	3.44	3.43	3.57	3.41	3.68
25	State Bank of Patiala	2.52	2.50	2.51	2.41	2.34	2.62
26	State Bank of Saurashtra	3.08	2.82	3.13	3.00	2.56	2.88
27	State Bank of Travancore	2.97	2.84	2.38	2.22	2.37	2.48
	State Bank Group	**3.10**	**2.94**	**2.68**	**2.70**	**2.46**	**2.66**
	Public Sector Banks	**2.99**	**2.88**	**2.66**	**2.66**	**2.53**	**2.72**

Appendix Table II.7(A): Select Financial Parameters of Private Sector Banks

(As on March 31, 2001)

(Per cent)

Sr. No.	Name of the Bank	CRAR			Net NPAs/ Net Advances	Interest Income/ Working Fund	Non-Interest Income/ Working Fund	Operating Profit/ Working Fund	Return on Assets	Business per employee	Profit per employee
		Tier I	Tier II	Total						(Amount in Rs.lakh)	
1	2	3	4	5	6	7	8	9	10	11	12
	Old Private Sector Banks										
1	The Bank of Rajasthan Ltd.	8.91	1.66	10.57	7.65	10.44	1.33	1.36	0.74	123.55	0.75
2	The Benares State Bank Ltd.	Negative	N.A.	Negative	23.70	8.88	1.52	-0.70	-1.19	100.13	-1.04
3	Bharat Overseas Bank Ltd.	12.48	1.95	14.43	4.14	10.22	1.66	2.37	1.14	233.00	1.67
4	The Catholic Syrian Bank Ltd.	4.47	1.61	6.08	9.99	10.49	1.62	1.63	0.38	125.42	0.37
5	City Union Bank Ltd.	13.26	0.33	13.59	8.20	10.49	1.64	2.81	1.21	167.35	1.58
6	Development Credit Bank Ltd.	10.69	0.59	11.28	6.12	11.28	1.41	1.86	0.87	429.39	2.35
7	Dhanalakshmi Bank Ltd.	7.33	2.36	9.69	11.34	10.52	1.54	1.01	0.40	184.28	0.52
8	The Federal Bank Ltd.	7.72	2.57	10.29	10.08	11.54	1.57	2.35	0.69	190.00	0.97
9	The Ganesh Bank of Kurundwad Ltd.	5.26	3.85	9.11	10.12	11.30	0.49	0.44	11.08	105.40	0.16
10	The Jammu & Kashmir Bank Ltd.	14.33	3.11	17.44	2.45	10.51	0.79	2.66	1.32	212.00	2.58
11	The Karnataka Bank Ltd.	11.06	0.31	11.37	6.93	10.89	1.49	2.27	0.73	210.28	1.11
12	The Karur Vysya Bank Ltd.	15.12	0.44	15.56	4.73	11.69	1.37	2.80	1.70	192.00	2.52
13	The Lakshmi Vilas Bank Ltd.	8.52	1.69	10.21	6.47	10.39	2.44	2.49	1.02	192.00	1.38
14	Lord Krishna Bank Ltd.	8.60	4.30	12.90	12.92	10.09	1.72	1.24	0.41	226.00	0.65
15	The Nainital Bank Ltd.	13.72	2.09	15.81	0.00	10.40	0.44	1.80	0.93	93.07	0.79
16	The Nedungadi Bank Ltd.	Negative	Nil	Negative	21.04	9.80	1.60	0.04	Negative	145.80	-4.19
17	The Ratnakar Bank Ltd.	9.42	0.58	10.00	7.58	11.61	1.73	1.99	0.77	145.87	0.75
18	The Sangli Bank Ltd.	8.37	3.10	11.47	6.64	11.05	1.04	1.31	0.40	74.58	0.30
19	SBI Commercial & International Bank Ltd.	19.48	0.37	19.85	22.56	9.94	1.53	1.31	-6.50	706.37	-36.20
20	The South Indian Bank Ltd.	8.36	2.81	11.17	7.10	11.55	1.55	2.29	0.89	171.00	1.11
21	Tamilnad Mercantile Bank Ltd.	15.81	1.78	17.59	5.99	11.32	1.54	3.08	1.37	214.94	2.29
22	The United Western Bank Ltd.	6.62	2.97	9.59	9.48	10.52	1.03	1.38	0.00	212.00	0.00
23	The Vysya Bank Ltd.	8.44	3.61	12.05	4.77	10.54	1.47	1.36	0.37	199.59	0.63
	New Private Sector Banks										
24	Bank of Punjab Ltd.	8.52	2.50	11.02	2.31	11.20	1.41	2.13	0.93	645.68	4.94
25	Centurian Bank Ltd.	6.88	9.61	16.49	2.96	10.24	1.83	1.08	0.13	636.16	7.04
26	Global Trust Bank	8.79	3.92	12.71	3.75	10.35	1.90	2.32	0.85	832.00	7.00
27	HDFC Bank	8.69	2.40	11.09	0.45	3.89	1.43	2.83	1.62	643.00	8.61
28	ICICI Bank	10.42	1.15	11.57	2.19	10.07	1.78	2.35	0.82	815.22	10.45
29	IDBI Bank	7.89	3.83	11.72	5.24	10.89	1.41	1.39	0.41	684.67	2.50
30	IndusInd Bank Ltd.	12.56	2.44	15.00	5.25	10.59	1.69	2.51	0.47	1,582.36	6.98
31	UTI Bank Ltd.	5.84	3.16	9.00	3.43	10.07	1.85	1.50	0.80	959.00	7.27

N.A. : Not Applicable.

Note : Figures reported in this table may not exactly tally with the data reported in Appendix Tables II.8 (B) to II.8 (H) due to conceptual differences.

Source : Respective Balance Sheets.

Appendix Table II.7(B): Gross Profit/Loss as Percentage of Total Assets - Private Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	The Bank of Rajasthan Ltd.	1.86	1.41	0.84	-0.30	0.46	1.33
2	The Benares State Bank Ltd.	0.33	0.98	1.07	-0.95	0.06	-0.70
3	Bharat Overseas Bank Ltd.	2.44	1.79	1.56	1.11	1.26	1.94
4	The Catholic Syrian Bank Ltd.	1.29	0.83	0.97	0.22	0.95	1.63
5	City Union Bank Ltd.	2.98	2.61	1.86	1.76	3.18	2.72
6	Development Credit Bank Ltd.	3.09	2.48	2.81	1.27	1.89	1.61
7	Dhanalakshmi Bank Ltd.	1.46	1.35	1.60	0.96	1.89	1.01
8	The Federal Bank Ltd.	1.59	1.20	1.27	0.61	1.78	2.12
9	The Ganesh Bank of Kurundwad Ltd.	1.35	1.34	0.80	0.54	0.81	0.42
10	The Jammu & Kashmir Bank Ltd.	2.81	2.19	2.89	2.29	2.20	2.14
11	The Karnataka Bank Ltd.	2.38	2.90	2.65	1.48	1.41	2.04
12	The Karur Vysya Bank Ltd.	2.83	2.99	3.29	1.98	2.91	2.61
13	The Lakshmi Vilas Bank Ltd.	2.15	1.70	1.70	1.29	2.40	2.30
14	Lord Krishna Bank Ltd.	2.69	2.24	1.59	1.06	1.41	1.08
15	The Nainital Bank Ltd.	0.93	1.51	1.50	1.90	1.69	1.67
16	The Nedungadi Bank Ltd.	1.09	1.67	1.95	0.99	1.51	0.03
17	The Ratnakar Bank Ltd.	0.97	1.04	1.40	1.10	1.46	1.75
18	The Sangli Bank Ltd.	1.09	1.09	2.46	0.99	1.14	1.08
19	SBI Commercial & International Bank Ltd.	-0.33	1.08	2.27	2.33	3.19	1.31
20	The South Indian Bank Ltd.	1.83	0.92	0.98	0.98	1.80	2.05
21	Tamilnad Mercantile Bank Ltd.	3.96	4.19	3.32	2.42	2.36	2.78
22	The United Western Bank Ltd.	2.33	2.54	2.67	1.63	2.96	1.08
23	The Vysya Bank Ltd.	2.29	1.86	1.74	0.81	1.35	1.13
	Old Private Sector Banks	**2.10**	**1.89**	**1.97**	**1.21**	**1.82**	**1.75**
24	Bank of Punjab Ltd.	2.89	2.45	2.78	1.97	1.69	1.73
25	Centurion Bank Ltd.	3.10	1.83	2.43	1.01	1.25	0.98
26	Global Trust Bank	2.78	3.92	3.49	2.01	3.29	2.12
27	HDFC Bank	2.98	3.52	3.62	2.90	2.21	2.44
28	ICICI Bank	2.48	3.80	3.06	1.78	1.88	1.47
29	IDBI Bank	0.73	1.09	1.30	1.13	1.85	1.40
30	IndusInd Bank Ltd.	3.50	3.51	4.00	1.79	2.39	2.00
31	UTI Bank Ltd.	2.34	1.95	1.72	1.74	1.74	1.23
	New Private Sector Banks	**2.77**	**2.98**	**2.86**	**1.78**	**2.11**	**1.74**
	Private Sector Banks	**2.23**	**2.18**	**2.25**	**1.42**	**1.95**	**1.74**

Appendix Table II.7(C): Net Profit/Loss as Percentage of Total Assets - Private Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	The Bank of Rajasthan Ltd.	1.50	0.10	-2.58	-1.84	0.30	0.74
2	The Benares State Bank Ltd.	-3.21	0.21	0.13	-2.32	-0.54	-1.18
3	Bharat Overseas Bank Ltd.	1.17	1.06	0.87	0.74	0.06	0.94
4	The Catholic Syrian Bank Ltd.	0.02	0.24	0.36	0.02	0.25	0.38
5	City Union Bank Ltd.	1.32	1.23	1.00	0.87	1.30	1.17
6	Development Credit Bank Ltd.	2.34	1.77	1.67	0.90	0.87	0.76
7	Dhanalakshmi Bank Ltd.	0.57	0.65	0.71	0.28	0.71	0.40
8	The Federal Bank Ltd.	1.03	0.85	0.69	0.03	0.61	0.69
9	The Ganesh Bank of Kurundwad Ltd.	0.19	0.10	0.08	0.08	0.14	0.22
10	The Jammu & Kashmir Bank Ltd.	0.53	0.59	0.91	1.14	1.14	1.32
11	The Karnataka Bank Ltd.	1.11	1.41	1.51	0.87	0.71	0.68
12	The Karur Vysya Bank Ltd.	2.11	1.86	1.73	1.19	1.90	1.70
13	The Lakshmi Vilas Bank Ltd.	0.90	1.40	1.31	0.79	1.14	1.02
14	Lord Krishna Bank Ltd.	1.54	0.78	0.51	0.16	0.61	0.36
15	The Nainital Bank Ltd.	0.28	0.25	0.45	0.75	0.86	0.87
16	The Nedungadi Bank Ltd.	0.36	0.64	0.78	0.62	0.84	-3.57
17	The Ratnakar Bank Ltd.	0.58	0.73	0.91	0.78	0.70	0.67
18	The Sangli Bank Ltd.	0.36	0.50	0.35	0.34	0.34	0.38
19	SBI Commercial & International Bank Ltd.	3.23	1.17	2.22	1.64	1.70	-6.50
20	The South Indian Bank Ltd.	0.22	0.33	0.68	0.17	0.58	0.80
21	Tamilnad Mercantile Bank Ltd.	1.68	2.23	1.98	1.43	1.32	1.37
22	The United Western Bank Ltd.	0.75	0.94	1.13	0.95	1.16	0.05
23	The Vysya Bank Ltd.	2.01	1.10	1.14	0.40	0.50	0.38
	Old Private Sector Banks	**1.06**	**0.91**	**0.81**	**0.48**	**0.81**	**0.62**
24	Bank of Punjab Ltd.	2.86	2.13	2.09	1.53	1.04	0.93
25	Centurion Bank Ltd.	2.71	1.25	1.27	0.69	0.66	0.12
26	Global Trust Bank	1.82	2.16	2.12	1.36	1.44	0.85
27	HDFC Bank	2.04	2.23	2.23	1.89	1.02	1.35
28	ICICI Bank	1.43	2.25	1.53	0.91	0.87	0.82
29	IDBI Bank	0.73	0.46	0.91	0.90	1.35	0.39
30	IndusInd Bank Ltd.	2.42	2.06	1.81	0.60	0.70	0.47
31	UTI Bank Ltd.	0.92	0.89	0.56	0.79	0.76	0.80
	New Private Sector Banks	**1.85**	**1.73**	**1.55**	**1.03**	**0.97**	**0.81**
	Private Sector Banks	**1.21**	**1.13**	**1.04**	**0.68**	**0.88**	**0.71**

Appendix Table II.7(D): Interest Income as Percentage of Total Assets - Private Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	The Bank of Rajasthan Ltd.	9.27	10.61	10.27	9.54	10.04	10.18
2	The Benares State Bank Ltd.	8.90	9.21	10.07	9.15	9.26	8.88
3	Bharat Overseas Bank Ltd.	10.62	9.61	9.86	9.45	8.63	8.40
4	The Catholic Syrian Bank Ltd.	10.94	12.76	11.97	10.98	10.53	10.48
5	City Union Bank Ltd.	10.35	10.88	10.58	10.59	11.40	10.18
6	Development Credit Bank Ltd.	9.68	9.99	8.36	9.14	8.02	9.81
7	Dhanalakshmi Bank Ltd.	10.10	10.23	11.28	10.31	10.24	10.45
8	The Federal Bank Ltd.	9.69	10.60	9.60	10.64	11.60	10.42
9	The Ganesh Bank of Kurundwad Ltd.	10.15	10.34	10.80	11.01	10.95	10.61
10	The Jammu & Kashmir Bank Ltd.	9.27	9.44	9.48	9.23	8.38	8.46
11	The Karnataka Bank Ltd.	10.05	11.60	11.14	10.09	10.07	9.79
12	The Karur Vysya Bank Ltd.	11.35	11.35	10.57	10.82	11.16	10.88
13	The Lakshmi Vilas Bank Ltd.	10.89	10.91	9.41	9.95	9.62	9.61
14	Lord Krishna Bank Ltd.	10.83	11.22	12.59	12.38	9.37	8.75
15	The Nainital Bank Ltd.	10.11	10.42	10.34	10.31	9.54	9.69
16	The Nedungadi Bank Ltd.	10.70	11.18	10.96	11.23	9.33	9.32
17	The Ratnakar Bank Ltd.	10.70	10.70	10.05	10.26	9.91	10.18
18	The Sangli Bank Ltd.	9.96	9.48	9.54	9.01	8.36	9.11
19	SBI Commercial & International Bank Ltd.	11.44	9.48	8.37	11.44	9.40	9.94
20	The South Indian Bank Ltd.	11.50	11.80	11.05	11.18	10.55	10.36
21	Tamilnad Mercantile Bank Ltd.	10.52	11.68	10.80	10.05	10.14	10.24
22	The United Western Bank Ltd.	10.01	10.06	8.73	8.55	8.70	8.23
23	The Vysya Bank Ltd.	10.67	10.67	9.75	9.55	8.88	8.75
	Old Private Sector Banks	**10.15**	**10.65**	**10.00**	**9.92**	**9.66**	**9.52**
24	Bank of Punjab Ltd.	5.99	7.69	9.59	8.80	8.23	9.12
25	Centurion Bank Ltd.	11.30	7.82	11.34	12.71	8.50	9.31
26	Global Trust Bank	7.73	13.46	10.55	9.45	9.22	9.48
27	HDFC Bank	11.55	8.91	8.51	8.65	5.80	8.06
28	ICICI Bank	10.04	10.25	7.88	7.79	7.06	6.29
29	IDBI Bank	6.22	5.55	6.78	8.63	9.38	10.96
30	IndusInd Bank Ltd.	10.14	11.49	10.96	9.62	7.97	8.42
31	UTI Bank Ltd.	10.66	9.26	8.06	9.53	7.25	8.26
	New Private Sector Banks	**9.25**	**10.14**	**9.27**	**9.19**	**7.60**	**8.18**
	Private Sector Banks	**9.97**	**10.51**	**9.77**	**9.65**	**8.74**	**8.87**

Appendix Table II.7(E): Interest Expended as Percentage of Total Assets - Private Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	The Bank of Rajasthan Ltd.	6.49	7.82	7.89	7.78	7.69	7.12
2	The Benares State Bank Ltd.	6.41	6.92	7.57	7.66	8.00	7.98
3	Bharat Overseas Bank Ltd.	6.73	6.56	7.30	7.41	6.48	5.65
4	The Catholic Syrian Bank Ltd.	7.90	9.73	9.51	9.01	8.18	7.75
5	City Union Bank Ltd.	6.97	8.00	8.49	8.72	8.38	7.23
6	Development Credit Bank Ltd.	4.67	6.32	6.37	7.09	6.21	7.61
7	Dhanalakshmi Bank Ltd.	7.01	7.89	8.55	8.15	7.74	8.10
8	The Federal Bank Ltd.	7.26	8.64	7.71	9.56	9.23	7.73
9	The Ganesh Bank of Kurundwad Ltd.	7.41	7.20	8.20	8.95	8.55	8.52
10	The Jammu & Kashmir Bank Ltd.	5.22	5.96	5.88	5.73	5.66	5.66
11	The Karnataka Bank Ltd.	6.40	7.48	7.56	7.71	8.08	7.52
12	The Karur Vysya Bank Ltd.	8.00	7.39	7.29	7.91	7.50	7.21
13	The Lakshmi Vilas Bank Ltd.	7.55	7.82	6.88	7.64	7.03	7.07
14	Lord Krishna Bank Ltd.	7.09	8.73	10.45	10.72	7.97	7.31
15	The Nainital Bank Ltd.	5.91	6.20	6.44	6.20	5.71	5.89
16	The Nedungadi Bank Ltd.	6.65	7.57	7.74	8.69	7.19	8.28
17	The Ratnakar Bank Ltd.	7.15	7.03	6.84	7.14	7.09	7.11
18	The Sangli Bank Ltd.	6.16	6.43	6.17	6.26	5.79	5.96
19	SBI Commercial & International Bank Ltd.	10.86	8.19	7.22	10.06	7.42	8.75
20	The South Indian Bank Ltd.	7.77	9.10	8.53	8.71	7.88	7.49
21	Tamilnad Mercantile Bank Ltd.	6.19	7.02	7.12	7.10	7.26	6.95
22	The United Western Bank Ltd.	6.88	7.25	6.35	6.25	6.32	6.32
23	The Vysya Bank Ltd.	8.49	8.57	8.18	8.30	7.65	7.05
	Old Private Sector Banks	**7.01**	**7.72**	**7.43**	**7.77**	**7.33**	**7.01**
24	Bank of Punjab Ltd.	1.48	5.10	7.01	6.86	5.92	6.08
25	Centurion Bank Ltd.	6.48	5.26	8.40	9.54	6.96	7.57
26	Global Trust Bank	6.14	10.93	8.54	8.43	6.72	7.36
27	HDFC Bank	7.14	4.80	4.86	5.27	3.19	4.83
28	ICICI Bank	7.34	6.57	5.66	6.09	5.52	4.24
29	IDBI Bank	0.16	2.48	4.75	6.75	7.37	8.89
30	IndusInd Bank Ltd.	7.12	8.71	8.54	7.76	6.27	6.58
31	UTI Bank Ltd.	8.38	7.17	7.00	7.68	5.89	7.35
	New Private Sector Banks	**6.41**	**7.26**	**7.04**	**7.21**	**5.64**	**6.04**
	Private Sector Banks	**6.89**	**7.60**	**7.31**	**7.56**	**6.58**	**6.54**

Appendix Table II.7(F): Net Interest Income (Spread) as Percentage of Total Assets - Private Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	The Bank of Rajasthan Ltd.	2.78	2.80	2.38	1.76	2.35	3.06
2	The Benares State Bank Ltd.	2.48	2.29	2.50	1.49	1.26	0.90
3	Bharat Overseas Bank Ltd.	3.90	3.06	2.56	2.05	2.15	2.75
4	The Catholic Syrian Bank Ltd.	3.04	3.03	2.47	1.97	2.34	2.72
5	City Union Bank Ltd.	3.38	2.88	2.09	1.87	3.03	2.95
6	Development Credit Bank Ltd.	5.00	3.67	1.99	2.05	1.81	2.19
7	Dhanalakshmi Bank Ltd.	3.09	2.33	2.72	2.16	2.49	2.34
8	The Federal Bank Ltd.	2.43	1.95	1.89	1.09	2.37	2.69
9	The Ganesh Bank of Kurundwad Ltd.	2.74	3.14	2.60	2.06	2.40	2.09
10	The Jammu & Kashmir Bank Ltd.	4.05	3.48	3.60	3.49	2.71	2.81
11	The Karnataka Bank Ltd.	3.65	4.11	3.58	2.38	1.99	2.28
12	The Karur Vysya Bank Ltd.	3.35	3.96	3.28	2.91	3.66	3.67
13	The Lakshmi Vilas Bank Ltd.	3.34	3.09	2.53	2.31	2.59	2.55
14	Lord Krishna Bank Ltd.	3.75	2.49	2.14	1.66	1.41	1.44
15	The Nainital Bank Ltd.	4.19	4.21	3.90	4.11	3.83	3.80
16	The Nedungadi Bank Ltd.	4.05	3.62	3.23	2.54	2.14	1.04
17	The Ratnakar Bank Ltd.	3.55	3.67	3.21	3.12	2.82	3.07
18	The Sangli Bank Ltd.	3.80	3.05	3.37	2.75	2.57	3.14
19	SBI Commercial & International Bank Ltd.	0.58	1.29	1.15	1.38	1.98	1.19
20	The South Indian Bank Ltd.	3.73	2.70	2.52	2.46	2.66	2.87
21	Tamilnad Mercantile Bank Ltd.	4.33	4.65	3.68	2.96	2.88	3.29
22	The United Western Bank Ltd.	3.13	2.81	2.38	2.30	2.38	1.91
23	The Vysya Bank Ltd.	2.18	2.10	1.57	1.25	1.24	1.71
	Old Private Sector Banks	**3.14**	**2.93**	**2.57**	**2.15**	**2.33**	**2.51**
24	Bank of Punjab Ltd.	4.51	2.59	2.58	1.95	2.31	3.04
25	Centurion Bank Ltd.	4.82	2.55	2.93	3.17	1.54	1.74
26	Global Trust Bank	1.58	2.53	2.02	1.02	2.50	2.11
27	HDFC Bank	4.41	4.11	3.65	3.38	2.60	3.24
28	ICICI Bank	2.70	3.68	2.23	1.70	1.54	2.05
29	IDBI Bank	6.05	3.07	2.03	1.87	2.02	2.07
30	IndusInd Bank Ltd.	3.02	2.79	2.43	1.86	1.70	1.84
31	UTI Bank Ltd.	2.28	2.09	1.05	1.86	1.36	0.91
	New Private Sector Banks	**2.84**	**2.88**	**2.23**	**1.98**	**1.95**	**2.14**
	Private Sector Banks	**3.08**	**2.92**	**2.46**	**2.09**	**2.16**	**2.33**

Appendix Table II.7(G): Provisions and Contingencies as Percentage of Total Assets - Private Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	The Bank of Rajasthan Ltd.	0.35	1.31	3.42	1.53	0.16	0.59
2	The Benares State Bank Ltd.	3.54	0.77	0.94	1.37	0.59	0.48
3	Bharat Overseas Bank Ltd.	1.27	0.73	0.69	0.37	1.20	1.01
4	The Catholic Syrian Bank Ltd.	1.26	0.59	0.61	0.20	0.70	1.25
5	City Union Bank Ltd.	1.67	1.39	0.86	0.89	1.88	1.55
6	Development Credit Bank Ltd.	0.75	0.71	1.15	0.37	1.02	0.86
7	Dhanalakshmi Bank Ltd.	0.90	0.70	0.89	0.68	1.18	0.61
8	The Federal Bank Ltd.	0.56	0.35	0.58	0.58	1.17	1.43
9	The Ganesh Bank of Kurundwad Ltd.	1.16	1.24	0.72	0.46	0.67	0.20
10	The Jammu & Kashmir Bank Ltd.	2.28	1.60	1.98	1.15	1.06	0.83
11	The Karnataka Bank Ltd.	1.27	1.50	1.14	0.61	0.70	1.36
12	The Karur Vysya Bank Ltd.	0.72	1.14	1.57	0.79	1.01	0.91
13	The Lakshmi Vilas Bank Ltd.	1.25	0.30	0.38	0.50	1.26	1.28
14	Lord Krishna Bank Ltd.	1.15	1.46	1.08	0.90	0.79	0.72
15	The Nainital Bank Ltd.	0.64	1.26	1.05	1.15	0.83	0.81
16	The Nedungadi Bank Ltd.	0.73	1.02	1.17	0.37	0.67	3.60
17	The Ratnakar Bank Ltd.	0.39	0.31	0.49	0.33	0.76	1.07
18	The Sangli Bank Ltd.	0.73	0.60	2.11	0.66	0.81	0.70
19	SBI Commercial & International Bank Ltd.	-3.56	-0.09	0.04	0.69	1.48	7.81
20	The South Indian Bank Ltd.	1.60	0.60	0.30	0.81	1.23	1.26
21	Tamilnad Mercantile Bank Ltd.	2.27	1.96	1.34	0.99	1.04	1.41
22	The United Western Bank Ltd.	1.58	1.60	1.54	0.68	1.80	1.03
23	The Vysya Bank Ltd.	0.28	0.77	0.60	0.41	0.85	0.75
	Old Private Sector Banks	**1.04**	**0.98**	**1.16**	**0.73**	**1.01**	**1.13**
24	Bank of Punjab Ltd.	0.03	0.32	0.69	0.44	0.65	0.80
25	Centurion Bank Ltd.	0.21	0.58	1.16	0.32	0.59	0.86
26	Global Trust Bank	0.96	1.75	1.37	0.65	1.85	1.27
27	HDFC Bank	0.93	1.29	1.39	1.01	1.19	1.10
28	ICICI Bank	1.05	1.55	1.53	0.88	1.01	0.65
29	IDBI Bank	0.00	0.63	0.39	0.23	0.50	1.00
30	IndusInd Bank Ltd.	1.08	1.45	2.19	1.19	1.69	1.53
31	UTI Bank Ltd.	1.42	1.06	1.16	0.95	0.98	0.43
	New Private Sector Banks	**0.92**	**1.24**	**1.32**	**0.75**	**1.14**	**0.93**
	Private Sector Banks	**1.02**	**1.05**	**1.21**	**0.74**	**1.07**	**1.03**

Appendix Table II.7(H): Operating Expenses as Percentage of Total Assets - Private Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	The Bank of Rajasthan Ltd.	2.23	2.64	2.87	3.25	3.23	3.04
2	The Benares State Bank Ltd.	3.77	3.32	3.26	3.48	2.87	3.13
3	Bharat Overseas Bank Ltd.	2.91	2.33	2.09	2.14	2.12	2.17
4	The Catholic Syrian Bank Ltd.	3.14	3.37	3.03	2.80	2.96	2.71
5	City Union Bank Ltd.	2.33	2.27	2.07	2.06	1.99	1.82
6	Development Credit Bank Ltd.	2.60	3.13	2.42	2.36	1.82	1.81
7	Dhanalakshmi Bank Ltd.	2.47	2.00	2.36	2.17	2.15	2.87
8	The Federal Bank Ltd.	2.41	2.06	1.88	1.88	2.33	1.98
9	The Ganesh Bank of Kurundwad Ltd.	2.65	2.63	2.69	2.41	2.19	2.14
10	The Jammu & Kashmir Bank Ltd.	1.98	1.99	1.75	1.78	1.51	1.30
11	The Karnataka Bank Ltd.	2.42	2.48	2.18	1.89	1.84	1.58
12	The Karur Vysya Bank Ltd.	2.86	2.66	2.59	2.24	2.29	2.33
13	The Lakshmi Vilas Bank Ltd.	3.53	3.45	2.95	3.08	2.78	2.50
14	Lord Krishna Bank Ltd.	2.09	1.77	2.22	2.33	1.82	1.85
15	The Nainital Bank Ltd.	3.80	3.19	2.86	2.69	2.67	2.54
16	The Nedungadi Bank Ltd.	4.54	3.56	3.06	2.85	2.68	2.53
17	The Ratnakar Bank Ltd.	3.27	3.41	2.90	2.90	3.23	2.84
18	The Sangli Bank Ltd.	3.86	3.32	3.08	3.03	2.80	2.92
19	SBI Commercial & International Bank Ltd.	1.35	1.29	0.95	1.25	1.14	1.42
20	The South Indian Bank Ltd.	3.05	2.71	2.39	2.51	2.53	2.21
21	Tamilnad Mercantile Bank Ltd.	2.62	2.86	2.38	2.25	2.14	1.90
22	The United Western Bank Ltd.	2.88	2.75	2.24	2.02	1.94	1.63
23	The Vysya Bank Ltd.	1.92	1.92	1.93	1.90	1.98	1.80
	Old Private Sector Banks	**2.60**	**2.52**	**2.31**	**2.26**	**2.17**	**1.98**
24	Bank of Punjab Ltd.	2.67	2.30	2.47	1.99	2.07	2.45
25	Centurion Bank Ltd.	2.90	1.70	2.12	3.60	2.00	2.42
26	Global Trust Bank	1.25	2.01	1.88	1.82	1.64	1.73
27	HDFC Bank	2.79	2.32	2.22	2.04	1.46	1.98
28	ICICI Bank	2.37	2.27	1.76	1.19	1.27	1.69
29	IDBI Bank	7.38	2.74	1.52	1.59	1.39	2.09
30	IndusInd Bank Ltd.	1.46	1.58	1.51	1.41	1.13	1.19
31	UTI Bank Ltd.	1.52	1.55	1.25	1.30	0.98	1.20
	New Private Sector Banks	**1.89**	**1.94**	**1.76**	**1.74**	**1.42**	**1.75**
	Private Sector Banks	**2.46**	**2.36**	**2.14**	**2.07**	**1.83**	**1.87**

Appendix Table II.8 (A): Select Financial Parameters of Foreign Banks in India *(Continued)*

(As on March 31, 2001)

(Per cent)

Sr. No.	Name of the Bank	CRAR			Net NPAs/ Net Advances	Interest Income/ Working Fund	Non-Interest Income/ Working Fund	Operating Profit/ Working Fund	Return on Assets	Business per employee	Profit per employee
		Tier I	Tier II	Total						(Amount in Rs. lakh)	
1	2	3	4	5	6	7	8	9	10	11	12
	Foreign Banks in India										
1	ABN-AMRO Bank N.V.	9.51	1.91	11.42	1.22	10.73	2.26	3.61	0.40	868.15	3.80
2	Abu Dhabi Commercial Bank	8.80	1.25	10.05	1.92	6.54	0.81	1.35	0.44	2,454.49	10.36
3	American Express Bank Ltd.	9.36	0.23	9.59	6.20	9.88	6.80	2.13	-0.62	252.92	-2.11
4	Arab Bangladesh Bank Ltd.	96.34	0.00	96.34	4.24	7.88	2.91	6.91	3.68	218.13	14.92
5	Bank Internasional Indonesia	103.78	0.00	103.78	50.75	5.59	1.95	-8.05	-2.96	306.40	-15.61
6	Bank Muscat S.A.O.G.	34.55	0.00	34.55	0.81	9.89	1.61	1.20	1.29	367.11	6.63
7	Bank of America NA	12.51	0.52	13.03	0.68	10.63	1.74	3.46	1.25	1,978.32	23.42
8	Bank of Bahrain & Kuwait B.S.C.	11.64	0.19	11.83	11.51	11.65	1.87	1.75	0.81	808.00	5.70
9	Bank of Ceylon	36.46	0.03	36.49	28.74	9.88	3.18	5.75	0.95	757.00	6.00
10	The Bank of Nova Scotia	9.71	0.26	9.97	2.04	10.61	1.13	2.64	1.28	1,300.40	15.70
11	The Bank of Tokyo-Mitsubishi	15.51	0.00	15.51	0.01	10.15	7.17	8.88	7.57	354.55	23.51
12	Barclays Bank PLC	26.75	0.22	26.97	Nil	8.97	1.45	-0.11	1.65	366.53	14.28
13	BNP Paribas (Banque Nationale De Paris)	6.59	3.33	9.92	0.64	10.99	1.76	1.53	0.33	553.45	1.96
14	Chinatrust Commercial Bank	27.50	0.77	28.27	3.76	11.21	0.64	2.13	0.64	689.79	4.87
15	Cho Hung Bank	35.00	0.00	35.00	0.91	9.38	2.34	8.00	3.16	766.01	27.84
16	Citibank	7.91	3.33	11.24	0.70	10.23	3.05	4.05	3.24	1,336.24	19.34
17	Commerzbank AG	14.76	0.29	15.05	13.64	10.26	1.50	1.01	0.18	520.63	1.89
18	Credit Agricole Indosuez	11.16	0.44	11.60	1.21	8.05	0.91	0.02	-1.62	835.59	-20.05
19	Credit Lyonnais	9.50	1.10	10.60	3.50	13.50	2.30	3.80	0.20	1,581.04	2.36
20	Deutsche Bank AG	12.51	0.16	12.67	1.23	5.83	5.09	6.50	1.71	835.25	17.81
21	Development Bank of Singapore Ltd.	15.56	0.37	15.93	Nil	11.61	2.16	3.81	1.58	830.89	22.48

Appendix Table II.8(A): Select Financial Parameters of Foreign Banks in India *(Concluded)*

(As on March 31, 2001)

(Per cent)

Sr. No.	Name of the Bank	CRAR			Net NPAs/ Net Advances	Interest Income/ Working Fund	Non-Interest Income/ Working Fund	Operating Profit/ Working Fund	Return on Assets	Business per employee	Profit per employee
		Tier I	Tier II	Total						(Amount in Rs. lakh)	
1	2	3	4	5	6	7	8	9	10	11	12
22	Dresdner Bank AG	10.66	N.A.	10.66	29.45	8.72	-0.10	-2.42	-24.38	2,968.29	-413.99
23	HSBC Ltd.	8.63	3.74	12.37	0.99	9.27	2.78	3.18	1.29	528.67	6.62
24	ING Bank N.V.	15.00	0.00	15.00	5.94	6.31	3.37	-3.17	-3.96	409.54	-23.56
25	K.B.C.Bank N.V.	22.86	0.15	23.01	0.24	11.64	-0.09	0.68	0.30	910.59	4.29
26	Krung Thai Bank Public Co.Ltd.	148.75	0.24	148.99	0.00	9.57	1.08	5.00	2.21	174.86	9.88
27	Mashreq Bank psc	10.42	0.12	10.54	13.39	9.49	1.54	0.47	-3.10	574.51	-38.24
28	Morgan Guaranty Trust Co. of New York	79.00	0.00	79.00	0.00	5.78	2.74	0.21	0.25	217.39	4.24
29	Oman International Bank S.A.O.G	12.82	1.39	14.21	37.11	7.71	2.10	0.00	0.00	938.40	0.00
30	Oversea-Chinese Banking Corporation Ltd.	167.82	0.29	168.11	18.44	10.00	1.58	4.21	0.74	211.05	4.44
31	The Sanwa Bank Ltd.	34.91	0.00	34.91	9.61	8.38	1.39	1.95	0.27	825.68	2.23
32	The Siam Commercial Bank	33.05	0.18	33.23	39.18	8.43	1.30	-0.41	-2.28	941.20	-25.89
33	Societe Generale	13.28	0.65	13.93	7.27	8.02	2.30	0.65	0.04	475.50	0.30
34	Sonali Bank	88.14	0.00	88.14	4.21	5.30	12.41	8.54	5.87	66.83	5.77
35	Standard Chartered Bank	6.70	2.90	9.60	1.53	11.83	3.16	4.07	3.14	617.78	11.21
36	Standard Chartered Grindlays Bank	6.90	5.62	12.52	0.41	10.11	1.63	2.58	2.67	442.72	2.85
37	State Bank of Mauritius Ltd.	30.55	0.23	30.78	18.93	9.77	1.70	4.12	1.05	1,292.10	14.10
38	The Sumitomo Bank Ltd.	19.24	0.16	19.40	16.76	10.20	0.87	0.72	Negative	1,189.13	-14.65
39	The Chase Manhattan Bank	43.77	0.02	43.79	0.00	10.87	16.93	13.56	6.66	93.91	30.06
40	The Fuji Bank Ltd.	18.21	0.17	18.38	3.24	10.51	1.19	1.60	-3.53	544.30	-25.01
41	The Sakura Bank Ltd.	16.07	0.14	16.21	1.03	11.28	0.84	3.26	-2.11	608.14	-14.83
42	The Toronto-Dominion Bank Ltd.	56.60	1.27	57.87	0.00	12.14	1.58	7.12	4.84	645.63	37.57

Notes : 1. Figures reported in this table may not exactly tally with the data reported in Appendix Tables II.9(B) to II.9(H) due to conceptual differences.
2. N.A. Not Applicable.

Source : Respective Balance Sheets.

Appendix Table II.8(B): Gross Profit/Loss as Percentage of Total Assets – Foreign Banks in India

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	ABN-AMRO Bank N.V.	3.30	4.51	4.13	3.68	3.05	3.50
2	Abu Dhabi Commercial Bank	4.03	0.68	2.57	2.43	2.50	1.35
3	American Express Bank Ltd.	3.11	5.07	3.49	1.79	2.74	1.81
4	Arab Bangladesh Bank Ltd.	2.82	0.62	3.35	6.15	6.08	7.09
5	Bank Internasional Indonesia	-7.46	2.18	0.91	-6.39	-9.75	-6.89
6	Bank Muscat S.A.O.G.	—	—	—	-1.44	0.63	1.26
7	Bank of America N A	3.46	4.50	4.41	3.95	5.02	3.36
8	Bank of Bahrain and Kuwait B.S.C.	4.45	1.46	0.16	0.67	1.74	1.48
9	Bank of Ceylon	3.74	8.59	6.35	7.51	6.34	4.91
10	The Bank of Nova Scotia	2.58	4.88	3.65	4.44	3.11	2.19
11	The Bank of Tokyo-Mitsubishi, Ltd.	6.11	6.22	2.64	-27.32	-2.92	9.21
12	Barclays Bank PLC	5.39	1.71	3.87	2.00	-0.55	-0.09
13	BNP Paribas (Banque Nationale De Paris)	3.94	4.80	2.75	2.24	2.27	1.36
14	Chinatrust Commercial Bank	—	0.55	1.36	0.35	1.11	2.03
15	Cho Hung Bank	—	2.85	9.24	6.65	7.23	8.38
16	Citibank	4.35	4.59	4.45	4.00	3.41	3.56
17	Commerzbank	-4.58	0.37	2.44	1.65	0.69	0.81
18	Credit Agricole Indosuez	1.93	2.70	0.16	0.64	-0.14	0.01
19	Credit Lyonnais	2.61	3.73	4.08	4.63	4.10	3.49
20	Deutsche Bank AG	4.99	6.42	8.17	4.48	5.19	5.72
21	Development Bank of Singapore Ltd.	1.42	4.68	2.92	2.85	3.01	2.93
22	Dresdner Bank AG	-4.64	-0.55	2.34	2.02	1.74	-4.84
23	HSBC Ltd.	4.25	3.27	3.40	1.96	2.41	2.90
24	ING Bank Ltd. N.V.	-1.06	4.08	3.11	1.17	6.44	-2.44
25	K.B.C. Bank N.V.	—	—	—	-0.93	1.28	0.79
26	Krung Thai Bank Public Co. Ltd.	—	0.05	8.78	6.22	3.57	4.94
27	Mashreq Bank psc	2.19	2.66	0.24	0.05	0.41	0.41
28	Morgan Guaranty Trust Co. of New York	—	—	—	-3.88	2.27	0.34
29	Oman International Bank S.A.O.G.	4.47	4.25	1.82	0.04	-0.20	-0.09
30	Oversea - Chinese Banking Corporation Ltd.	—	-6.16	1.03	5.05	4.24	4.22
31	The Sanwa Bank Ltd.	0.69	3.57	5.56	5.24	3.02	1.95
32	The Siam Commercial Bank	0.60	4.33	6.30	5.13	5.09	-0.43
33	Societe Generale	1.44	3.38	2.49	2.63	0.73	0.60
34	Sonali Bank	12.45	7.37	10.48	12.89	4.11	5.87
35	Standard Chartered Bank	2.53	1.68	2.63	1.09	3.45	3.14
36	Standard Chartered Grindlays Bank Ltd.	2.25	2.16	4.49	2.86	4.02	2.67
37	State Bank of Mauritius Ltd.	8.44	6.79	7.10	3.21	3.79	3.80
38	The Sumitomo Bank Ltd.	—	—	1.85	3.15	2.74	0.70
39	The Chase Manhattan Bank	-8.06	0.79	5.35	4.14	5.83	10.32
40	The Fuji Bank Ltd.	—	-5.28	2.77	1.42	-0.25	1.62
41	The Sakura Bank Ltd.	5.19	5.87	3.84	2.35	2.93	3.26
42	The Toronto-Dominion Bank	—	—	7.08	7.69	6.15	9.95
	Foreign Banks in India	**3.35**	**3.62**	**3.91**	**2.32**	**3.24**	**3.05**
	All Scheduled Commercial Banks	**1.69**	**1.82**	**1.84**	**1.45**	**1.66**	**1.52**

Appendix Table II.8(C): Net Profit/Loss as Percentage of Total Assets - Foreign Banks in India

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	ABN-AMRO Bank N.V.	1.43	2.08	2.33	2.20	1.58	0.40
2	Abu Dhabi Commercial Bank	1.05	0.31	0.42	0.32	0.52	0.44
3	American Express Bank Ltd.	1.17	1.60	2.11	0.25	1.02	-0.62
4	Arab Bangladesh Bank Ltd.	2.82	0.49	1.70	3.15	2.80	3.50
5	Bank Internasional Indonesia	-7.46	1.17	-3.58	-14.41	-8.10	-2.95
6	Bank Muscat S.A.O.G.	—	—	—	-1.44	0.45	1.05
7	Bank of America N A	3.10	1.80	2.58	1.99	2.70	1.25
8	Bank of Bahrain and Kuwait B.S.C.	1.60	0.64	-3.66	0.71	0.90	0.80
9	Bank of Ceylon	1.72	3.18	2.55	2.33	2.62	0.95
10	The Bank of Nova Scotia	0.58	-0.68	0.84	2.20	1.46	1.06
11	The Bank of Tokyo-Mitsubishi, Ltd.	2.21	1.38	-25.85	-4.29	4.87	7.57
12	Barclays Bank PLC	2.02	0.18	1.71	0.33	-2.10	1.35
13	BNP Paribas (Banque Nationale De Paris)	1.39	1.83	0.98	1.06	0.94	0.33
14	Chinatrust Commercial Bank	—	0.14	0.00	-0.26	0.25	0.63
15	Cho Hung Bank	—	1.41	5.01	3.68	0.50	3.15
16	Citibank	2.02	0.57	1.10	0.92	1.44	1.47
17	Commerzbank	-4.60	0.18	-0.20	0.27	0.46	0.14
18	Credit Agricole Indosuez	1.20	-0.28	-1.70	-0.64	-9.83	-1.62
19	Credit Lyonnais	1.04	1.76	-0.59	1.74	1.58	0.19
20	Deutsche Bank AG	1.15	2.08	3.58	1.11	1.10	1.71
21	Development Bank of Singapore Ltd.	0.77	2.36	0.97	1.31	1.44	1.58
22	Dresdner Bank AG	-4.64	-0.59	1.02	-1.57	-11.37	-24.38
23	HSBC Ltd.	1.74	1.53	0.98	0.58	0.96	1.29
24	ING Bank N.V.	-1.14	2.82	2.04	0.03	-4.00	-3.97
25	K.B.C. Bank N.V.	—	—	—	-0.93	0.58	0.30
26	Krung Thai Bank Public Co. Ltd.	—	0.03	5.90	4.31	0.26	2.22
27	Mashreq Bank psc	1.32	0.52	-2.84	-2.73	-3.60	-3.10
28	Morgan Guaranty Trust Co of New York	—	—	—	-3.88	1.98	0.25
29	Oman International Bank S.A.O.G.	1.30	2.01	-0.89	-2.85	-8.98	-4.41
30	Oversea - Chinese Banking Corporation Ltd.	—	-6.16	0.87	4.39	–0.26	0.79
31	The Sanwa Bank Ltd.	0.16	1.42	1.16	1.02	0.14	0.25
32	The Siam Commercial Bank	0.23	2.13	3.86	2.74	2.25	-2.28
33	Societe Generale	0.56	1.46	1.09	-3.17	0.02	0.04
34	Sonali Bank	5.59	3.31	5.44	6.69	2.14	3.05
35	Standard Chartered Bank	2.43	0.77	1.04	0.04	1.81	1.50
36	Standard Chartered Grindlays Bank	0.77	1.03	2.27	1.49	1.58	0.72
37	State Bank of Mauritius Ltd.	5.21	3.56	4.47	1.81	1.48	1.05
38	The Sumitomo Bank Ltd.	—	—	1.02	1.56	0.25	-1.69
39	The Chase Manhattan Bank	-8.10	0.48	2.73	1.87	2.87	5.06
40	The Fuji Bank Ltd.	—	-5.34	2.38	0.16	-2.85	-3.30
41	The Sakura Bank Ltd.	2.43	2.97	0.20	-3.77	-0.77	-2.07
42	The Toronto-Dominion Bank	—	—	3.07	3.48	2.90	4.84
	Foreign Banks in India	**1.58**	**1.19**	**0.97**	**0.69**	**1.17**	**0.93**
	All Scheduled Commercial Banks	**0.16**	**0.67**	**0.82**	**0.47**	**0.66**	**0.50**

Appendix Table II.8(D): Interest Income as Percentage of Total Assets - Foreign Banks in India

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	ABN-AMRO Bank N.V.	9.50	11.05	9.65	9.24	8.05	10.16
2	Abu Dhabi Commercial Bank	12.68	10.24	9.74	8.59	10.98	6.54
3	American Express Bank Ltd.	12.10	13.75	10.13	10.55	11.11	8.39
4	Arab Bangladesh Bank Ltd.	4.57	4.27	5.03	6.81	7.23	7.77
5	Bank Internasional Indonesia	0.10	11.75	17.85	12.84	9.87	5.16
6	Bank Muscat S.A.O.G.	—	—	—	3.72	5.90	10.40
7	Bank of America N A	10.66	10.94	10.57	12.63	11.76	10.31
8	Bank of Bahrain and Kuwait B.S.C.	12.01	11.09	11.09	10.29	10.15	9.83
9	Bank of Ceylon	4.60	7.66	8.49	11.21	8.60	8.44
10	The Bank of Nova Scotia	13.13	11.92	9.68	11.40	8.07	8.79
11	The Bank of Tokyo-Mitsubishi, Ltd.	12.17	13.79	12.32	10.23	13.02	10.53
12	Barclays Bank PLC	20.13	12.56	16.23	12.15	11.20	7.31
13	BNP Paribas (Banque Nationale De Paris)	11.34	10.40	8.13	8.81	9.60	9.75
14	Chinatrust Commercial Bank	—	6.31	11.25	7.60	12.44	10.70
15	Cho Hung Bank	—	6.63	13.87	8.81	8.80	9.86
16	Citibank	10.17	11.60	11.00	12.52	10.53	8.99
17	Commerzbank	1.87	8.26	10.73	9.28	11.39	8.21
18	Credit Agricole Indosuez	7.22	11.87	10.46	12.00	11.46	7.02
19	Credit Lyonnais	13.26	13.90	12.43	13.82	13.22	12.32
20	Deutsche Bank AG	11.31	10.60	12.36	9.72	10.13	9.77
21	Development Bank of Singapore Ltd.	7.11	13.55	8.89	11.69	8.34	8.92
22	Dresdner Bank AG	4.27	14.81	10.24	12.66	11.10	17.44
23	HSBC Ltd.	10.20	10.31	8.50	8.30	7.84	8.47
24	ING Bank N.V.	3.97	8.32	8.54	10.48	16.88	4.84
25	K.B.C. Bank N.V.	—	—	—	0.99	7.50	13.38
26	Krung Thai Bank Public Co. Ltd.	—	1.53	12.75	7.92	9.20	9.46
27	Mashreq Bank psc	9.14	14.80	13.13	10.78	9.90	8.36
28	Morgan Guaranty Trust Co of New York	—	—	—	1.40	6.19	6.80
29	Oman International Bank S.A.O.G.	12.30	12.53	11.69	8.53	8.39	6.36
30	Oversea - Chinese Banking Corporation Ltd.	—	1.33	6.72	9.09	9.56	10.00
31	The Sanwa Bank Ltd.	11.67	12.41	12.10	11.35	9.05	8.38
32	The Siam Commercial Bank	3.73	7.00	14.41	12.46	11.37	8.72
33	Societe Generale	11.54	15.10	11.97	14.51	9.94	7.38
34	Sonali Bank	8.86	1.86	3.23	5.66	1.84	3.71
35	Standard Chartered Bank	11.34	9.78	10.84	10.74	10.51	9.13
36	Standard Chartered Grindlays Bank	9.42	10.22	10.39	10.00	10.80	10.48
37	State Bank of Mauritius Ltd.	10.97	8.69	8.37	7.50	8.08	9.03
38	The Sumitomo Bank Ltd.	—	—	3.99	10.19	12.42	9.98
39	The Chase Manhattan Bank	6.20	4.53	4.62	8.56	5.17	8.27
40	The Fuji Bank Ltd.	—	3.70	6.92	10.75	7.75	10.64
41	The Sakura Bank Ltd.	9.96	12.20	12.23	13.59	12.65	11.28
42	The Toronto-Dominion Bank	—	—	5.42	11.51	8.72	16.96
	Foreign Banks in India	**10.46**	**11.08**	**10.42**	**10.27**	**9.93**	**9.30**
	All Scheduled Commercial Banks	**9.36**	**9.88**	**9.27**	**9.18**	**8.97**	**8.88**

Appendix Table II.8(E): Interest Expended as Percentage of Total Assets - Foreign Banks in India

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	ABN-AMRO Bank N.V.	7.18	6.67	6.42	5.94	4.83	6.23
2	Abu Dhabi Commercial Bank	10.12	9.17	7.51	6.67	8.88	5.56
3	American Express Bank Ltd.	8.34	9.48	6.84	7.78	7.20	5.77
4	Arab Bangladesh Bank Ltd.	0.00	1.35	1.41	1.32	1.41	1.16
5	Bank Internasional Indonesia	0.00	6.48	12.42	10.09	7.10	2.35
6	Bank Muscat S.A.O.G.	—	—	—	0.94	3.76	7.34
7	Bank of America N A	6.95	6.52	6.58	8.22	7.11	7.03
8	Bank of Bahrain and Kuwait B.S.C.	6.25	9.41	10.17	9.18	8.60	8.21
9	Bank of Ceylon	0.76	1.83	3.79	4.67	3.61	4.57
10	The Bank of Nova Scotia	11.97	7.61	6.83	8.16	5.48	6.57
11	The Bank of Tokyo-Mitsubishi, Ltd.	7.18	7.28	8.28	6.59	6.68	4.30
12	Barclays Bank PLC	15.97	10.33	13.45	8.57	8.83	5.77
13	BNP Paribas (Banque Nationale De Paris)	6.70	4.93	4.89	5.67	6.90	7.14
14	Chinatrust Commercial Bank	—	0.60	3.74	4.33	8.50	6.48
15	Cho Hung Bank	—	0.34	2.53	1.62	0.92	1.65
16	Citibank	6.26	6.85	6.60	7.08	5.97	5.03
17	Commerzbank	0.24	3.98	6.41	6.17	8.37	6.40
18	Credit Agricole Indosuez	6.06	10.50	11.09	9.17	8.99	5.56
19	Credit Lyonnais	11.50	13.15	8.54	10.20	9.70	9.22
20	Deutsche Bank AG	6.55	4.76	5.66	4.79	5.12	4.63
21	Development Bank of Singapore Ltd.	4.54	7.31	6.94	8.68	5.02	6.06
22	Dresdner Bank AG	3.28	12.20	7.58	8.51	5.51	11.16
23	HSBC Ltd.	5.79	6.65	5.12	5.61	5.09	5.44
24	ING Bank N.V.	4.30	4.43	6.74	6.91	10.66	3.34
25	K.B.C. Bank	—	—	—	0.00	4.53	10.18
26	Krung Thai Bank Public Co. Ltd.	—	0.00	5.54	0.44	1.41	1.18
27	Mashreq Bank psc	5.17	8.41	7.95	8.43	7.67	7.26
28	Morgan Guaranty Trust Co of New York	—	—	—	0.80	4.18	4.93
29	Oman International Bank S.A.O.G.	7.76	8.06	10.34	9.09	8.85	6.87
30	Oversea – Chinese Banking Corporation Ltd.	—	0.03	0.67	1.86	2.38	1.40
31	The Sanwa Bank Ltd.	7.91	5.38	5.73	5.72	4.81	4.49
32	The Siam Commercial Bank	0.18	2.07	7.82	6.12	5.75	6.95
33	Societe Generale	9.55	11.47	9.50	11.73	8.85	6.09
34	Sonali Bank	0.85	0.87	1.63	2.48	0.90	1.42
35	Standard Chartered Bank	5.81	6.29	7.27	7.17	6.27	5.40
36	Standard Chartered Grindlays Bank	6.42	6.75	5.83	6.33	5.93	5.37
37	State Bank of Mauritius Ltd.	1.12	1.18	1.91	4.72	4.96	5.95
38	The Sumitomo Bank Ltd.	—	—	1.80	5.84	8.46	7.44
39	The Chase Manhattan Bank	0.12	0.32	4.23	9.49	4.40	5.48
40	The Fuji Bank Ltd.	—	0.24	1.98	5.99	6.00	7.65
41	The Sakura Bank Ltd.	4.25	4.41	4.77	6.78	6.29	7.03
42	The Toronto-Dominion Bank	—	—	0.05	0.02	1.12	5.44
	Foreign Banks in India	**6.72**	**6.95**	**6.49**	**6.79**	**6.01**	**5.66**
	All Scheduled Commercial Banks	**6.23**	**6.66**	**6.32**	**6.41**	**6.25**	**6.04**

Appendix Table II.8(F): Net Interest Income (Spread) as Percentage of Total Assets - Foreign Banks in India

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	ABN-AMRO Bank N.V.	2.32	4.38	3.23	3.30	3.22	3.93
2	Abu Dhabi Commercial Bank	2.57	1.07	2.23	1.93	2.09	0.98
3	American Express Bank Ltd.	3.76	4.27	3.29	2.78	3.91	2.61
4	Arab Bangladesh Bank Ltd.	4.57	2.92	3.62	5.49	5.82	6.61
5	Bank Internasional Indonesia	0.10	5.27	5.43	2.75	2.77	2.81
6	Bank Muscat S.A.O.G.	—	—	—	2.78	2.13	3.06
7	Bank of America N A	3.70	4.42	3.98	4.41	4.65	3.28
8	Bank of Bahrain and Kuwait B.S.C.	5.77	1.67	0.92	1.11	1.55	1.62
9	Bank of Ceylon	3.84	5.83	4.70	6.54	4.98	3.86
10	The Bank of Nova Scotia	1.16	4.31	2.85	3.24	2.60	2.21
11	The Bank of Tokyo-Mitsubishi, Ltd.	4.99	6.51	4.05	3.64	6.34	6.23
12	Barclays Bank PLC	4.16	2.23	2.78	3.58	2.37	1.54
13	BNP Paribas (Banque Nationale De Paris)	4.64	5.47	3.24	3.14	2.70	2.61
14	Chinatrust Commercial Bank	—	5.70	7.50	3.27	3.93	4.22
15	Cho Hung Bank	—	6.28	11.34	7.19	7.87	8.21
16	Citibank	3.91	4.75	4.39	3.44	4.55	3.97
17	Commerzbank	1.63	4.28	4.32	3.11	3.02	1.82
18	Credit Agricole Indosuez	1.17	1.37	-0.63	2.83	2.48	1.46
19	Credit Lyonnais	1.75	0.75	3.89	3.63	3.52	3.10
20	Deutsche Bank AG	4.77	5.83	6.70	4.93	5.00	5.14
21	Development Bank of Singapore Ltd.	2.57	6.24	1.95	3.01	3.33	2.85
22	Dresdner Bank AG	0.99	2.61	2.66	4.15	5.58	6.29
23	HSBC Ltd.	4.40	3.66	3.38	2.69	2.75	3.03
24	ING Bank N.V.	-0.33	3.90	1.81	3.56	6.22	1.50
25	K.B.C. Bank N.V.	—	—	—	0.99	2.97	3.21
26	Krung Thai Bank Public Co. Ltd.	—	1.53	7.21	7.48	7.79	8.28
27	Mashreq Bank psc	3.97	6.39	5.18	2.35	2.23	1.11
28	Morgan Guaranty Trust Co of New York	—	—	—	0.60	2.01	1.87
29	Oman International Bank S.A.O.G.	4.54	4.47	1.35	-0.57	-0.47	-0.51
30	Oversea - Chinese Banking Corporation Ltd.	—	1.30	6.06	7.23	7.17	8.60
31	The Sanwa Bank Ltd.	3.76	7.03	6.37	5.63	4.24	3.89
32	The Siam Commercial Bank	3.55	4.93	6.59	6.34	5.62	1.77
33	Societe Generale	1.98	3.63	2.47	2.78	1.09	1.29
34	Sonali Bank	8.01	0.99	1.60	3.18	0.94	2.29
35	Standard Chartered Bank	5.54	3.49	3.57	3.57	4.24	3.73
36	Standard Chartered Grindlays Bank	3.00	3.47	4.56	3.67	4.88	5.11
37	State Bank of Mauritius Ltd.	9.86	7.51	6.46	2.78	3.12	3.08
38	The Sumitomo Bank Ltd.	—	—	2.20	4.35	3.96	2.54
39	The Chase Manhattan Bank	6.08	4.22	0.39	-0.92	0.77	2.79
40	The Fuji Bank Ltd.	—	3.46	4.94	4.75	1.76	2.98
41	The Sakura Bank Ltd.	5.71	7.79	7.46	6.81	6.37	4.25
42	The Toronto-Dominion Bank	—	—	5.37	11.49	7.60	11.52
	Foreign Banks in India	**3.74**	**4.13**	**3.93**	**3.47**	**3.92**	**3.64**
	All Scheduled Commercial Banks	**3.13**	**3.22**	**2.95**	**2.78**	**2.73**	**2.84**

Appendix Table II.8(G): Provisions and Contingencies as Percentage of Total Assets – Foreign Banks in India

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	ABN-AMRO Bank N.V.	1.88	2.44	1.79	1.47	1.47	3.10
2	Abu Dhabi Commercial Bank	2.98	0.37	2.15	2.11	1.98	0.91
3	American Express Bank Ltd.	1.94	3.47	1.38	1.54	1.73	2.42
4	Arab Bangladesh Bank Ltd.	0.00	0.13	1.66	3.00	3.28	3.58
5	Bank Internasional Indonesia	0.00	1.01	4.49	8.02	-1.65	-3.93
6	Bank Muscat S.A.O.G.	—	—	—	0.00	0.17	0.22
7	Bank of America N A	0.36	2.70	1.83	1.96	2.32	2.12
8	Bank of Bahrain and Kuwait B.S.C.	2.85	0.82	3.82	-0.04	0.84	0.67
9	Bank of Ceylon	2.02	5.40	3.80	5.17	3.73	3.96
10	The Bank of Nova Scotia	2.00	5.57	2.81	2.24	1.65	1.13
11	The Bank of Tokyo-Mitsubishi, Ltd.	3.90	4.85	28.49	-23.03	-7.78	1.64
12	Barclays Bank PLC	3.37	1.53	2.16	1.68	1.55	-1.43
13	BNP Paribas (Banque Nationale De Paris)	2.55	2.97	1.78	1.18	1.32	1.02
14	Chinatrust Commercial Bank	—	0.41	1.36	0.62	0.86	1.40
15	Cho Hung Bank	—	1.44	4.23	2.97	6.73	5.23
16	Citibank	2.33	4.02	3.35	3.08	1.98	2.09
17	Commerzbank	0.02	0.19	2.64	1.37	0.23	0.66
18	Credit Agricole Indosuez	0.73	2.98	1.86	1.27	9.69	1.64
19	Credit Lyonnais	1.57	1.97	4.67	2.90	2.51	3.30
20	Deutsche Bank AG	3.84	4.34	4.58	3.37	4.09	4.02
21	Development Bank of Singapore Ltd.	0.65	2.32	1.96	1.54	1.58	1.35
22	Dresdner Bank AG	0.00	0.05	1.32	3.59	13.11	19.53
23	HSBC Ltd.	2.51	1.75	2.42	1.38	1.45	1.61
24	ING Bank N.V.	0.07	1.26	1.07	1.14	10.43	1.53
25	K.B.C. Bank N.V.	—	—	—	0.00	0.70	0.49
26	Krung Thai Bank Public Co. Ltd.	—	0.03	2.87	1.90	3.31	2.73
27	Mashreq Bank psc	0.87	2.15	3.09	2.78	4.02	3.52
28	Morgan Guaranty Trust Co of New York	—	—	—	0.00	0.28	0.10
29	Oman International Bank S.A.O.G.	3.17	2.24	2.71	2.89	8.78	4.32
30	Oversea - Chinese Banking Corporation Ltd.	—	0.00	0.16	0.67	4.51	3.43
31	The Sanwa Bank Ltd.	0.53	2.15	4.40	4.22	2.88	1.70
32	The Siam Commercial Bank	0.38	2.19	2.44	2.39	2.84	1.85
33	Societe Generale	0.88	1.92	1.40	5.80	0.71	0.57
34	Sonali Bank	6.85	4.05	5.05	6.20	1.97	2.82
35	Standard Chartered Bank	0.09	0.91	1.59	1.05	1.64	1.64
36	Standard Chartered Grindlays Bank	1.48	1.13	2.22	1.37	2.44	1.95
37	State Bank of Mauritius Ltd.	3.23	3.23	2.63	1.40	2.31	2.75
38	The Sumitomo Bank Ltd.	—	—	0.83	1.59	2.49	2.39
39	The Chase Manhattan Bank	0.05	0.32	2.62	2.26	2.96	5.25
40	The Fuji Bank Ltd.	—	0.06	0.39	1.26	2.59	4.92
41	The Sakura Bank Ltd.	2.76	2.90	3.64	6.13	3.70	5.33
42	The Toronto-Dominion Bank	—	—	4.01	4.21	3.26	5.10
	Foreign Banks in India	**1.77**	**2.44**	**2.94**	**1.63**	**2.08**	**2.12**
	All Scheduled Commercial Banks	**1.54**	**1.15**	**1.02**	**0.98**	**1.00**	**1.03**

Appendix Table II.8(H): Operating Expenses as Percentage of Total Assets – Foreign Banks in India

(Per cent)

Sr. No.	Name of the Bank	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	ABN-AMRO Bank N.V.	1.92	3.23	2.85	2.08	1.83	2.57
2	Abu Dhabi Commercial Bank	1.18	1.22	1.41	0.97	1.10	0.44
3	American Express Bank Ltd.	3.09	3.93	3.70	4.52	6.38	6.58
4	Arab Bangladesh Bank Ltd.	1.75	3.77	2.53	1.95	2.08	2.40
5	Bank Internasional Indonesia	7.56	4.34	6.81	12.25	15.03	11.49
6	Bank Muscat S.A.O.G.	—	—	—	4.85	2.80	3.49
7	Bank of America N A	2.25	1.68	1.83	1.94	3.26	1.60
8	Bank of Bahrain and Kuwait B.S.C.	1.62	1.49	1.54	1.82	1.75	1.72
9	Bank of Ceylon	3.39	2.94	1.51	1.99	1.54	1.63
10	The Bank of Nova Scotia	1.59	1.56	1.46	1.55	1.43	0.96
11	The Bank of Tokyo-Mitsubishi, Ltd.	1.06	1.34	2.21	33.47	14.70	4.46
12	Barclays Bank PLC	3.43	3.71	6.52	3.60	3.67	2.81
13	BNP Paribas (Banque Nationale De Paris)	2.27	1.86	1.96	2.19	2.32	2.82
14	Chinatrust Commercial Bank	—	5.34	7.67	3.01	3.30	2.79
15	Cho Hung Bank	—	4.49	4.73	2.80	2.43	2.30
16	Citibank	3.28	3.82	3.83	3.53	3.88	3.09
17	Commerzbank	6.77	6.72	4.19	3.89	3.99	2.21
18	Credit Agricole Indosuez	0.99	1.73	2.38	2.99	3.78	2.27
19	Credit Lyonnais	1.40	1.80	2.32	1.80	2.07	1.73
20	Deutsche Bank AG	3.65	3.05	3.38	3.42	3.89	3.90
21	Development Bank of Singapore Ltd.	2.36	4.12	2.78	2.18	1.70	1.58
22	Dresdner Bank AG	5.50	5.23	3.44	5.19	5.21	10.92
23	HSBC Ltd.	2.72	2.81	2.71	2.80	2.35	2.66
24	ING Bank N.V.	2.15	2.67	3.13	4.41	6.82	6.52
25	K.B.C. Bank N.V.	—	—	—	1.59	2.58	2.32
26	Krung Thai Bank Public Co. Ltd.	—	2.16	6.08	5.00	4.65	4.41
27	Mashreq Bank psc	1.07	2.80	4.30	3.53	3.39	2.05
28	Morgan Guaranty Trust Co of New York	—	—	—	4.86	6.24	4.76
29	Oman International Bank S.A.O.G.	2.22	1.86	1.92	1.54	1.25	1.32
30	Oversea - Chinese Banking Corporation	—	7.51	7.21	5.80	5.33	5.96
31	The Sanwa Bank Ltd.	1.35	1.42	1.68	2.00	2.41	3.33
32	The Siam Commercial Bank	3.07	1.46	1.85	2.33	2.14	3.54
33	Societe Generale	1.07	1.51	1.86	2.56	2.83	2.81
34	Sonali Bank	3.93	3.65	4.98	5.77	3.28	5.13
35	Standard Chartered Bank	5.15	4.38	4.11	5.11	3.29	3.03
36	Standard Chartered Grindlays Bank	2.74	3.19	2.72	2.60	2.89	4.12
37	State Bank of Mauritius Ltd.	2.57	2.06	1.26	1.23	0.92	0.84
38	The Sumitomo Bank, Ltd.	—	—	2.20	2.44	2.38	2.68
39	The Chase Manhattan Bank	21.55	8.38	7.50	11.11	5.60	5.36
40	The Fuji Bank, Ltd.	—	8.94	3.08	3.98	2.63	2.58
41	The Sakura Bank Ltd.	0.54	0.87	1.35	1.72	2.15	1.83
42	The Toronto-Dominion Bank	—	—	7.97	4.34	2.59	3.78
	Foreign Banks in India	**2.77**	**3.00**	**2.97**	**3.59**	**3.22**	**3.05**
	All Scheduled Commercial Banks	**2.94**	**2.85**	**2.63**	**2.67**	**2.50**	**2.64**

Appendix Table II.9(A): Non-Performing Assets as percentage of Total Assests - Public Sector Banks

(Per cent)

Sr. No.	Name of the Bank	Gross NPAs/Total Assets				Net NPAs/Total Assets			
		1997-98	1998-99	1999-2000	2000-01	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8	9	10
	Nationalised Banks	**7.24**	**6.83**	**6.00**	**5.45**	**3.48**	**3.26**	**3.15**	**2.95**
1	Allahabad Bank	9.63	8.72	8.59	8.26	5.67	4.98	5.09	4.87
2	Andhra Bank	3.70	3.90	2.89	2.31	1.02	1.67	1.23	1.07
3	Bank of Baroda	6.83	7.06	6.65	6.61	2.81	3.08	2.88	2.92
4	Bank of India	5.76	5.63	6.23	5.76	3.39	3.29	3.96	3.59
5	Bank of Maharashtra	6.65	5.87	4.71	4.60	2.97	2.95	2.43	2.61
6	Canara Bank	8.31	8.46	4.29	3.38	2.93	2.88	2.28	2.03
7	Central Bank of India	7.91	6.90	6.87	6.88	4.28	3.55	3.76	3.87
8	Corporation Bank	3.05	2.46	2.58	2.46	1.12	0.83	0.89	0.87
9	Dena Bank	6.32	5.78	8.31	10.77	3.58	3.40	5.83	7.15
10	Indian Bank	17.62	17.34	14.26	8.86	9.71	7.57	5.64	3.57
11	Indian Overseas Bank	5.86	5.89	5.88	5.39	2.53	3.02	3.21	3.03
12	Oriental Bank of Commerce	2.69	2.65	2.15	2.16	1.94	1.85	1.37	1.47
13	Punjab & Sind Bank	11.50	10.35	6.53	7.66	3.82	4.06	3.76	4.73
14	Punjab National Bank	6.15	6.11	5.78	5.45	3.84	3.66	3.54	2.95
15	Syndicate Bank	6.09	4.91	3.65	3.80	2.06	1.68	1.42	1.88
16	UCO Bank	9.58	8.27	7.01	4.70	3.79	3.45	2.90	2.40
17	Union Bank of India	4.64	4.68	5.37	5.28	3.06	3.15	3.32	3.08
18	United Bank of India	10.08	9.00	7.79	6.57	3.28	3.33	3.01	2.80
19	Vijaya Bank	5.65	4.95	4.43	4.17	2.93	2.26	2.42	2.50
	State Bank Group	**6.67**	**6.52**	**5.88**	**5.11**	**2.89**	**2.94**	**2.60**	**2.34**
20	State Bank of India	6.38	6.32	5.83	5.03	2.50	2.65	2.40	2.17
21	State Bank of Bikaner & Jaipur	5.43	6.60	6.20	5.16	3.14	4.01	3.64	2.95
22	State Bank of Hyderabad	9.09	7.00	6.03	5.86	4.74	3.55	2.86	3.03
23	State Bank of Indore	7.33	6.60	5.06	3.95	5.09	4.30	3.42	2.46
24	State Bank of Mysore	9.19	8.57	6.64	6.17	5.23	4.95	3.64	3.47
25	State Bank of Patiala	5.34	6.61	5.41	4.85	3.00	3.65	2.84	2.35
26	State Bank of Saurashtra	7.01	7.19	6.23	6.62	3.02	3.28	3.34	3.06
27	State Bank of Travancore	9.97	8.11	6.52	5.23	5.53	4.34	3.63	3.42
	Public Sector Banks	**7.03**	**6.71**	**5.95**	**5.32**	**3.27**	**3.14**	**2.94**	**2.72**

Source: 1. Balance sheets of respective banks.

2. Returns received from respective banks.

Appendix Table II.9(B): Non-Performing Assets as percentage of Advances - Public Sector Banks

(Per cent)

Sr. No.	Name of the Bank	Gross NPAs/Gross Advances				Net NPAs/Net Advances			
		1997-98	1998-99	1999-2000	2000-01	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8	9	10
	Nationalised Banks	**16.88**	**16.02**	**13.91**	**12.19**	**8.91**	**8.35**	**7.80**	**7.01**
1	Allahabad Bank	23.18	20.09	19.07	17.66	15.09	12.54	12.17	11.21
2	Andhra Bank	9.86	9.42	7.85	6.13	2.92	4.26	3.47	2.95
3	Bank of Baroda	14.63	16.03	14.73	14.11	6.60	7.70	6.95	6.77
4	Bank of India	11.55	11.87	12.89	10.25	7.13	7.29	8.61	6.72
5	Bank of Maharashtra	17.39	15.97	12.65	12.35	8.59	8.72	6.97	7.41
6	Canara Bank	18.69	18.32	9.60	7.80	7.52	7.09	5.28	4.84
7	Central Bank of India	20.47	17.41	16.63	16.06	12.21	9.79	9.84	9.72
8	Corporation Bank	7.60	5.66	5.39	5.40	2.93	1.98	1.91	1.98
9	Dena Bank	13.73	12.37	18.17	25.31	8.28	7.67	13.81	18.29
10	Indian Bank	38.96	38.70	32.77	21.76	26.01	21.67	16.18	10.07
11	Indian Overseas Bank	13.38	13.32	13.18	11.81	6.26	7.30	7.65	7.01
12	Oriental Bank of Commerce	6.16	6.30	5.54	5.21	4.84	4.50	3.61	3.59
13	Punjab & Sind Bank	26.79	23.01	15.27	18.45	10.84	10.48	9.40	12.27
14	Punjab National Bank	14.50	14.12	13.19	11.71	9.60	8.96	8.52	6.69
15	Syndicate Bank	15.31	10.72	7.74	7.87	5.78	3.93	3.17	4.05
16	UCO Bank	24.04	22.55	18.79	11.71	11.14	10.83	8.75	6.35
17	Union Bank of India	11.18	12.41	12.27	11.20	7.66	8.70	7.97	6.86
18	United Bank of India	33.50	32.38	27.63	21.51	14.10	15.06	12.85	10.47
19	Vijaya Bank	15.21	13.65	11.52	10.00	7.50	6.72	6.62	6.22
	State Bank Group	**14.57**	**15.67**	**14.08**	**12.73**	**6.89**	**7.74**	**6.77**	**6.26**
20	State Bank of India	14.14	15.56	14.25	12.93	6.07	7.18	6.41	6.03
21	State Bank of Bikaner & Jaipur	11.73	16.11	16.18	12.91	7.13	10.45	10.14	7.83
22	State Bank of Hyderabad	18.96	15.94	14.18	14.08	10.88	8.78	7.30	7.83
23	State Bank of Indore	15.05	14.68	10.80	9.16	10.96	10.10	7.55	5.91
24	State Bank of Mysore	17.47	16.96	13.89	12.83	10.75	10.55	8.12	7.65
25	State Bank of Patiala	11.88	13.98	10.99	9.66	7.04	8.23	6.09	4.92
26	State Bank of Saurashtra	14.83	15.43	13.71	14.57	6.98	7.69	7.86	6.87
27	State Bank of Travancore	20.06	18.46	14.43	11.38	12.21	10.80	8.80	7.75
	Public Sector Banks	**16.02**	**15.89**	**13.98**	**12.39**	**8.15**	**8.13**	**7.42**	**6.74**

Source: 1. Balance sheets of respective banks.

2. Returns received from respective banks.

Appendix Table II.9(C): Non-Performing Assets as percentage of Total Assests - Private Sector Banks

(Per cent)

Sr. No.	Name of the Bank	Gross NPAs/Total Assets				Net NPAs/Total Assets			
		1997-98	1998-99	1999-2000	2000-01	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8	9	10
	Old Private Sector Banks	**5.06**	**5.78**	**5.22**	**5.22**	**2.84**	**3.56**	**3.27**	**3.27**
1	The Bank of Rajasthan Ltd.	8.74	9.80	9.13	8.21	4.11	3.98	4.28	3.27
2	Bharat Overseas Bank Ltd.	3.57	2.38	5.07	3.28	1.80	1.38	2.72	1.83
3	City Union Bank Ltd.	5.75	5.92	6.54	7.01	3.78	3.75	3.62	3.94
4	Development Credit Bank Ltd.	3.04	2.74	3.70	4.16	2.12	2.07	2.88	3.19
5	The Ganesh Bank of Kurundwad Ltd.	5.59	6.50	6.94	6.77	3.25	3.75	5.19	4.84
6	The Karnataka Bank Ltd.	2.39	3.47	3.89	4.81	1.44	2.09	2.44	2.93
7	Lord Krishna Bank Ltd.	10.05	14.65	8.36	7.27	6.91	9.57	6.52	5.36
8	The Nainital Bank Ltd.	3.63	2.55	2.05	1.70	1.26	1.26	0.17	0.00
9	SBI Commercial & International Bank Ltd.	8.86	14.21	10.76	15.48	2.97	9.28	7.27	10.00
10	Tamilnad Mercantile Bank Ltd.	4.70	4.55	4.63	4.80	2.29	2.24	2.34	2.58
11	The Benares State Bank Ltd.	7.44	10.10	8.71	7.35	5.11	6.99	5.70	4.80
12	The Catholic Syrian Bank Ltd.	9.34	8.16	7.05	6.31	5.50	6.08	4.88	4.22
13	The Dhanalakshmi Bank Ltd.	7.83	8.97	7.38	7.96	5.10	5.45	5.38	5.87
14	The Federal Bank Ltd.	4.02	5.94	6.45	7.28	2.83	3.94	4.54	5.55
15	The Jammu & Kashmir Bank Ltd.	3.84	3.24	2.25	1.91	1.75	1.49	1.07	0.92
16	The Karur Vysya Bank Ltd.	1.88	3.16	3.06	3.88	0.85	2.00	1.81	2.52
17	The Lakshmi Vilas Bank Ltd.	4.64	4.70	4.18	5.62	2.74	3.25	2.67	3.66
18	The Nedungadi Bank Ltd.	6.50	7.13	8.36	12.62	4.97	6.07	7.21	9.45
19	The Ratnakar Bank Ltd.	4.71	4.81	4.85	4.72	3.11	3.25	3.27	3.12
20	The Sangli Bank Ltd.	7.76	6.46	5.18	4.70	3.07	2.86	2.41	2.20
21	The South Indian Bank Ltd.	5.09	8.29	5.90	4.93	2.93	5.12	3.92	3.36
22	The United Western Bank Ltd.	3.64	4.76	3.20	5.91	2.63	3.53	2.36	4.41
23	The Vysya Bank Ltd.	6.30	7.76	6.70	4.37	3.28	5.24	4.02	2.02
	New Private Sector Banks	**1.52**	**2.26**	**1.60**	**2.06**	**1.12**	**1.59**	**1.08**	**1.18**
24	Bank of Punjab Ltd.	0.57	1.96	1.42	1.59	0.38	1.46	0.94	0.93
25	Centurion Bank Ltd.	0.13	3.28	2.67	2.68	0.10	2.03	1.37	1.21
26	Global Trust Bank	2.06	1.71	0.65	2.52	1.39	1.36	0.37	1.62
27	HDFC Bank	0.44	0.58	1.04	0.94	0.46	0.11	0.32	0.13
28	ICICI Bank	0.67	1.45	0.78	2.07	0.39	0.87	0.46	0.78
29	IDBI Bank	0.14	0.48	0.81	2.44	0.12	0.40	0.69	1.84
30	IndusInd Bank Ltd.	2.64	4.49	3.32	3.03	1.93	3.11	2.75	2.57
31	UTI Bank Ltd.	3.67	4.40	2.90	2.10	2.84	3.48	2.48	1.68
	Private Sector Banks	**3.93**	**4.48**	**3.61**	**3.70**	**2.29**	**2.83**	**2.30**	**2.26**

Source: 1. Balance sheets of respective banks.
2. Returns received from respective banks.

Appendix Table II.9(D): Non-Performing Assets as percentage of Advances - Private Sector Banks

(Per cent)

Sr. No.	Name of the Bank	Gross NPAs/Gross Advances				Net NPAs/Net Advances			
		1997-98	1998-99	1999-2000	2000-01	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8	9	10
	Old Private Sector Banks	**10.92**	**13.06**	**10.78**	**11.12**	**6.46**	**8.96**	**7.06**	**7.30**
1	The Bank of Rajasthan Ltd.	17.61	20.55	18.55	17.20	9.14	9.50	9.86	7.62
2	Bharat Overseas Bank Ltd.	8.36	7.08	11.29	7.58	4.40	4.23	6.39	4.38
3	City Union Bank Ltd.	11.03	12.02	12.40	13.69	7.54	7.96	7.25	8.18
4	Development Credit Bank Ltd.	7.03	6.25	7.40	7.84	5.02	4.79	5.86	6.12
5	The Ganesh Bank of Kurundwad Ltd.	10.20	11.60	12.49	13.63	6.18	7.03	9.94	10.12
6	The Karnataka Bank Ltd.	4.98	8.01	8.82	10.58	3.06	4.99	5.73	6.93
7	Lord Krishna Bank Ltd.	19.23	28.43	17.19	16.74	14.09	20.60	13.94	12.92
8	The Nainital Bank Ltd.	15.48	11.13	9.33	7.92	5.99	6.20	0.80	0.00
9	SBI Commercial & International Bank Ltd.	20.39	30.02	19.38	31.00	7.89	21.89	13.97	22.56
10	Tamilnad Mercantile Bank Ltd.	10.42	10.88	10.80	10.58	5.37	5.67	5.77	5.99
11	The Benares State Bank Ltd.	22.02	37.91	33.36	32.21	16.85	29.71	24.70	23.70
12	The Catholic Syrian Bank Ltd.	17.74	19.01	16.99	14.24	11.27	14.88	12.41	9.99
13	The Dhanalakshmi Bank Ltd.	15.68	18.80	14.58	14.77	11.01	N.A.	11.08	11.31
14	The Federal Bank Ltd.	7.34	10.93	11.75	12.84	5.28	7.53	8.56	10.09
15	The Jammu & Kashmir Bank Ltd.	9.40	7.90	6.53	4.97	4.57	3.79	3.21	2.46
16	The Karur Vysya Bank Ltd.	4.06	6.70	6.20	7.14	1.87	4.35	3.76	4.73
17	The Lakshmi Vilas Bank Ltd.	9.86	9.45	8.18	9.61	6.09	N.A.	5.37	6.46
18	The Nedungadi Bank Ltd.	11.97	14.16	17.83	24.06	9.41	12.30	15.79	20.65
19	The Ratnakar Bank Ltd.	10.00	11.11	12.37	11.03	6.84	7.80	8.71	7.58
20	The Sangli Bank Ltd.	20.83	16.87	14.95	13.21	9.43	8.26	7.56	6.61
21	The South Indian Bank Ltd.	10.25	16.76	12.50	10.12	6.35	11.06	8.67	7.10
22	The United Western Bank Ltd.	7.76	10.86	6.45	12.00	5.73	8.24	4.82	9.22
23	The Vysya Bank Ltd.	15.07	19.82	14.33	9.75	8.45	14.31	9.13	4.76
	New Private Sector Banks	**3.51**	**6.19**	**4.14**	**5.14**	**2.63**	**4.46**	**2.88**	**3.09**
24	Bank of Punjab Ltd.	1.69	4.88	3.44	3.88	1.14	3.66	2.32	2.31
25	Centurion Bank Ltd.	0.24	7.32	7.28	7.48	0.38	4.67	3.87	3.52
26	Global Trust Bank	4.36	4.15	1.52	5.70	2.98	3.33	0.87	3.75
27	HDFC Bank	3.04	1.65	3.32	2.81	1.18	0.34	1.10	0.45
28	ICICI Bank	1.93	4.72	2.54	5.42	1.14	2.88	1.53	2.19
29	IDBI Bank	0.36	1.53	2.26	6.84	0.32	1.28	1.96	5.24
30	IndusInd Bank Ltd.	5.33	10.08	6.97	6.13	3.96	7.20	5.98	5.25
31	UTI Bank Ltd.	7.15	7.86	5.47	4.64	5.63	6.32	4.71	3.76
	Private Sector Banks	**8.67**	**10.81**	**8.17**	**8.48**	**5.26**	**7.41**	**5.41**	**5.44**

N.A. : Not available.

Source: 1. Balance sheets of respective banks.
2. Returns received from respective banks.

Appendix Table II.9(E): Non-Performing Assets as percentage of Total Assests - Foreign Banks

(Per cent)

Sr. No.	Name of the Bank	Gross NPAs/Total Assets				Net NPAs/Total Assets			
		1997-98	1998-99	1999-2000	2000-01	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8	9	10
1	ABN-AMRO Bank N.V.	0.65	0.90	0.53	1.45	-0.01	0.23	0.16	0.62
2	Abu Dhabi Commercial Bank	3.82	3.03	2.99	1.17	2.19	1.21	0.75	0.27
3	American Express Bank Ltd.	0.61	1.91	2.41	4.59	-0.17	0.68	1.41	2.24
4	Standard Chartered Grindlays Bank Ltd.	1.77	1.70	1.74	2.40	0.09	0.09	0.01	0.12
5	Arab Bangladesh Bank Ltd.	0.00	0.00	1.01	0.96	0.00	0.00	0.58	0.49
6	Bank Internasional Indonesia	0.00	23.84	24.94	24.56	0.00	4.08	7.63	6.42
7	Bank of America N A	0.03	0.10	1.51	1.33	0.00	0.00	1.21	0.44
8	Bank of Bahrain and Kuwait B.S.C.	10.39	12.73	7.90	10.55	4.14	5.07	3.52	5.83
9	Bank of Ceylon	5.33	13.23	16.93	26.76	4.27	10.55	14.51	19.99
10	Bank Muscat S.A.O.G.	—	0.00	0.42	0.54	—	0.00	0.35	0.34
11	BNP Paribas	0.92	0.71	0.75	1.30	0.15	0.58	0.02	0.25
12	Barclays Bank PLC	3.49	2.39	4.52	0.00	2.13	0.40	0.00	0.00
13	The Chase Manhattan Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
14	Chinatrust Commercial Bank	0.00	2.53	2.55	2.79	0.00	2.53	2.19	2.13
15	Cho Hung Bank	0.88	0.50	0.48	0.54	0.79	0.45	0.33	0.38
16	Citibank	0.49	1.18	0.85	0.65	0.24	0.81	0.49	0.34
17	Commerzbank	3.47	2.46	2.36	2.96	1.74	2.21	2.10	2.60
18	Credit Agricole Indosuez	12.58	18.60	22.64	15.19	7.85	8.03	1.59	0.46
19	Credit Lyonnais	5.19	1.04	3.03	3.64	1.56	0.14	1.61	1.76
20	Deutsche Bank AG	1.56	2.15	4.90	3.29	0.81	0.48	2.02	0.47
21	Dresdner Bank AG	6.47	11.64	12.77	39.62	5.35	6.44	7.01	9.10
22	The Fuji Bank Ltd.	0.00	3.65	8.97	9.29	0.00	3.29	6.23	2.00
23	HSBC Ltd.	2.95	2.75	3.48	2.82	0.52	0.27	0.35	0.39
24	ING Bank N.V.	0.00	2.74	11.58	9.12	0.00	2.42	4.50	0.86
25	K.B.C. Bank N.V.	—	0.00	0.00	0.08	—	0.00	0.00	0.04
26	Krung Thai Bank Public Co. Ltd.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
27	Mashreq Bank psc	17.73	23.22	18.68	12.67	9.23	10.39	7.17	2.92
28	Morgan Guaranty Trust Co.of New York	—	0.00	0.00	0.00	—	0.00	0.00	0.00
29	Oman International Bank S.A.O.G.	28.88	36.01	38.94	45.09	11.89	16.94	11.14	7.17
30	Oversea-Chinese Banking Corporation Ltd.	0.00	0.00	7.07	7.70	0.00	0.00	4.79	3.75
31	The Siam Commercial Bank	0.00	6.88	4.44	25.09	0.00	6.19	3.46	22.42
32	Societe Generale	9.10	11.69	5.67	4.23	7.49	4.88	3.01	2.07
33	Sonali Bank	0.42	0.38	0.23	0.33	0.03	N.A.	0.23	0.33
34	Standard Chartered Bank	3.83	3.80	3.98	3.41	1.24	1.32	0.96	0.64
35	State Bank of Mauritius Ltd.	1.30	8.19	5.65	9.52	0.20	6.31	5.09	8.24
36	The Sumitomo Bank Ltd.	0.00	0.26	12.17	15.05	0.00	0.24	11.10	11.70
37	The Bank of Nova Scotia	7.04	6.47	1.87	1.72	2.28	1.84	0.79	1.34
38	The Bank of Tokyo-Mitsubishi Ltd.	35.24	12.10	4.78	2.94	6.70	5.47	1.10	0.00
39	Development Bank of Singapore Ltd.	6.05	2.73	0.00	0.00	4.22	0.85	0.00	0.00
40	The Sakura Bank Ltd.	4.31	14.14	17.48	11.06	3.34	7.68	9.40	0.61
41	The Sanwa Bank Ltd.	2.47	10.62	16.04	10.37	2.47	6.29	12.24	5.83
42	The Toronto-Domonion Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Foreign Banks in India	**3.05**	**3.10**	**3.16**	**3.02**	**1.02**	**1.10**	**1.03**	**0.79**

Source: 1. Balance sheets of respective banks.
2. Returns received from respective banks.

Appendix Table II.9(F): Non-Performing Assets as percentage of Advances - Foreign Banks

(Per cent)

Sr. No.	Name of the Bank	Gross NPAs/Gross Advances				Net NPAs/Net Advances			
		1997-98	1998-99	1999-2000	2000-01	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7	8	9	10
1	ABN-AMRO Bank N.V.	1.65	1.70	1.00	2.84	0.51	0.45	0.31	1.22
2	Abu Dhabi Commercial Bank	9.38	8.55	7.92	7.81	5.02	3.59	2.12	1.92
3	American Express Bank Ltd.	3.56	6.25	7.14	11.92	1.21	2.32	4.32	6.05
4	Standard Chartered Grindlays Bank Ltd.	4.46	4.60	4.48	7.24	0.59	0.03	0.03	0.41
5	Arab Bangladesh Bank Ltd.	Nil	Nil	10.08	7.72	Nil	Nil	5.78	4.09
6	Bank Internasional Indonesia	Nil	40.74	75.70	79.80	Nil	10.53	48.85	50.75
7	Bank of America N A	0.06	0.19	2.33	2.03	0.17	Nil	1.88	0.68
8	Bank of Bahrain and Kuwait B.S.C.	23.61	24.00	15.76	19.03	15.22	11.17	7.72	11.51
9	Bank of Ceylon	11.23	19.78	27.92	39.09	9.62	16.43	25.86	34.15
10	Bank Muscat S.A.O.G.	—	N.A.	N.A.	1.26	—	N.A.	N.A.	0.80
11	BNP Paribas	2.78	2.48	2.47	3.21	2.41	2.07	0.08	0.64
12	Barclays Bank PLC	15.76	17.04	23.40	0.00	11.45	3.35	Nil	0.00
13	The Chase Manhattan Bank	Nil	Nil	Nil	0.00	Nil	Nil	Nil	0.00
14	Chinatrust Commercial Bank	Nil	5.69	5.58	4.86	Nil	5.74	4.83	3.75
15	Cho Hung Bank	1.56	2.08	2.08	1.31	1.41	1.88	1.45	0.91
16	Citibank	1.22	3.00	1.81	1.35	0.57	2.08	1.05	0.71
17	Commerzbank	7.36	7.70	8.16	15.24	3.88	7.04	7.34	13.64
18	Credit Agricole Indosuez	38.71	43.25	48.12	28.68	23.59	24.75	6.13	1.21
19	Credit Lyonnais	10.44	2.67	7.38	6.89	3.38	0.37	4.07	3.47
20	Deutsche Bank AG	2.96	5.59	12.02	8.07	0.48	1.31	5.33	1.23
21	Dresdner Bank AG	17.19	25.45	25.15	57.97	12.33	16.16	16.57	24.05
22	The Fuji Bank Ltd.	Nil	6.65	14.17	13.47	Nil	6.02	10.28	3.24
23	HSBC Ltd.	7.91	8.38	9.39	6.64	1.99	0.91	1.04	0.96
24	ING Bank N.V.	Nil	6.37	28.24	40.02	Nil	5.67	13.26	5.94
25	K.B.C. Bank N.V.	—	Nil	Nil	0.47	—	N.A.	Nil	0.23
26	Krung Thai Bank Public Co. Ltd.	Nil	Nil	Nil	0.00	Nil	Nil	Nil	0.00
27	MashreqBank psc	34.49	38.01	40.17	40.18	22.08	21.55	20.48	13.40
28	Morgan Guaranty Trust Co.of New York	—	Nil	Nil	Nil	—	Nil	Nil	Nil
29	Oman International Bank S.A.O.G.	44.34	56.60	64.03	78.79	25.42	38.03	33.79	37.12
30	Oversea-Chinese Banking Corporation Ltd.	Nil	Nil	18.81	31.71	Nil	Nil	12.74	18.45
31	The Siam Commercial Bank	Nil	11.55	6.54	41.60	Nil	10.51	5.17	39.12
32	Societe Generale	16.88	24.50	15.14	13.80	14.24	11.94	8.66	7.27
33	Sonali Bank	2.42	2.17	3.43	4.17	0.00	0.00	3.55	4.35
34	Standard Chartered Bank	7.47	8.50	7.94	7.59	2.50	3.18	2.04	1.53
35	State Bank of Mauritius Ltd.	2.46	13.53	8.63	18.39	1.79	10.76	8.06	16.18
36	The Sumitomo Bank Ltd.	Nil	0.39	17.60	20.57	Nil	0.36	16.34	16.76
37	The Bank of Nova Scotia	10.68	9.25	2.69	2.61	2.80	2.80	1.16	2.04
38	The Bank of Tokyo-Mitsubishi Ltd.	43.41	25.47	9.88	5.15	15.20	13.45	2.46	0.01
39	Development Bank of Singapore Ltd.	12.70	13.83	Nil	0.00	9.19	4.78	Nil	0.00
40	The Sakura Bank Ltd.	6.62	20.95	26.87	15.90	3.33	12.59	16.49	1.03
41	The Sanwa Bank Ltd.	4.37	15.64	21.75	15.78	0.72	9.90	17.67	9.61
42	The Toronto-Domonion Bank	Nil	Nil	0.00	0.00	Nil	Nil	Nil	0.00
	Foreign Banks in India	**6.38**	**7.59**	**6.99**	**6.76**	**2.25**	**2.94**	**2.41**	**1.86**

N.A. : Not available.

Source: 1. Balance sheets of respective banks.
2. Returns received from respective banks.

Appendix Table II.10(A): Sector-wise Non-Performing Assets of Public Sector Banks

(As on March 31, 2001)

(Amount in Rs. crore)

Sr. No.	Name of the Banks	Agriculture		Small Scale		Others		Priority Sector		Public Sector		Non-Priority Sector		Total
		Amount	Per cent to total	Amount	Per cent to total	Amount	Per cent to total	Amount	Per cent to total	Amount	Per cent to total	Amount	Per cent to total	
1	2	3	4	5	6	7	8	9 (3+5+7)	10	11	12	13	14	15 (9+11+1 3)
	Nationalised Banks	**4,357.21**	**13.21**	**6,536.22**	**19.82**	**4,334.46**	**13.14**	**15,227.89**	**46.17**	**498.09**	**1.51**	**17,257.44**	**52.32**	**32,983.42**
1	Allahabad Bank	183.03	10.05	262.46	14.41	239.90	13.17	685.39	37.63	99.54	5.47	1,036.38	56.90	1,821.31
2	Andhra Bank	53.00	11.27	106.00	22.55	66.00	14.04	225.00	47.86	6.85	1.46	238.25	50.68	470.10
3	Bank of Baroda	652.56	16.69	731.72	18.71	364.13	9.31	1,748.41	44.72	0.08	0.00	2,161.57	55.28	3,910.06
4	Bank of India	438.79	13.78	497.67	15.63	349.09	10.96	1,285.55	40.38	26.73	0.84	1,871.56	58.78	3,183.84
5	Bank of Maharashtra	179.83	20.51	241.07	27.50	144.77	16.51	565.67	64.53	0.12	0.01	310.85	35.46	876.64
6	Canara Bank	366.17	16.56	703.63	31.83	264.70	11.97	1,334.50	60.37	68.55	3.10	807.50	36.53	2,210.55
7	Central Bank of India	346.78	10.66	737.71	22.68	499.11	15.34	1,583.60	48.68	26.96	0.83	1,642.77	50.50	3,253.33
8	Corporation Bank	66.97	13.82	86.40	17.82	70.46	14.54	223.83	46.18	10.77	2.22	250.14	51.60	484.74
9	Dena Bank	152.66	7.92	261.82	13.58	272.23	14.12	686.71	35.61	3.10	0.16	1,238.45	64.23	1,928.26
10	Indian Bank	227.54	11.22	401.84	19.82	179.96	8.88	809.34	39.92	18.10	0.89	1,199.97	59.19	2,027.41
11	Indian Overseas Bank	178.11	11.65	319.76	20.91	133.20	8.71	631.07	41.26	94.94	6.21	803.39	52.53	1,529.40
12	Oriental Bank of Commerce	106.66	18.21	85.06	14.52	130.62	22.30	322.34	55.03	0.07	0.01	263.36	44.96	585.77
13	Punjab & Sind Bank	85.23	8.31	216.86	21.13	99.11	9.66	401.20	39.10	23.45	2.29	601.50	58.62	1,026.15
14	Punjab National Bank	384.81	11.12	568.88	16.44	466.29	13.48	1,419.98	41.04	46.60	1.35	1,993.52	57.61	3,460.10
15	Syndicate Bank	156.75	14.63	245.41	22.90	158.99	14.84	561.15	52.37	12.08	1.13	498.25	46.50	1,071.48
16	UCO Bank	180.96	16.72	176.95	16.35	241.14	22.29	599.05	55.36	17.09	1.58	465.89	43.06	1,082.03
17	Union Bank of India	280.91	13.66	514.20	25.01	292.66	14.23	1,087.77	52.90	4.87	0.24	963.69	46.86	2,056.33
18	United Bank of India	211.09	14.96	242.99	17.22	260.61	18.47	714.69	50.65	38.19	2.71	658.12	46.64	1,411.00
19	Vijaya Bank	105.36	17.71	135.79	22.82	101.49	17.06	342.64	57.59	—	—	252.28	42.41	594.92
	State Bank Group	**3,019.44**	**14.95**	**3,803.19**	**18.84**	**2,105.72**	**10.43**	**8,928.35**	**44.22**	**1,212.78**	**6.01**	**10,049.57**	**49.77**	**20,190.70**
20	State Bank of India	2,351.18	15.20	2,898.42	18.73	1,626.72	10.51	6,876.32	44.44	1,090.40	7.05	7,506.26	48.51	15,472.98
21	State Bank of Bikaner & Jaipur	112.97	15.80	114.19	15.97	63.13	8.83	290.29	40.60	20.29	2.84	404.42	56.56	715.00
22	State Bank of Hyderabad	159.38	14.82	168.68	15.69	129.28	12.02	457.34	42.53	57.70	5.37	560.25	52.10	1,075.29
23	State Bank of Indore	62.34	19.17	55.00	16.91	61.77	19.00	179.11	55.08	1.66	0.51	144.42	44.41	325.19
24	State Bank of Mysore	96.20	16.56	127.58	21.96	51.44	8.85	275.22	47.37	—	—	305.79	52.63	581.01
25	State Bank of Patiala	87.85	12.64	131.63	18.95	60.63	8.73	280.11	40.32	24.91	3.59	389.74	56.10	694.76
26	State Bank of Saurashtra	78.69	13.84	196.41	34.55	31.11	5.47	306.21	53.86	—	—	262.33	46.14	568.54
27	State Bank of Travancore	70.83	9.35	111.28	14.68	81.64	10.77	263.75	34.80	17.82	2.35	476.36	62.85	757.93
	Public Sector Banks	**7,376.65**	**13.87**	**10,339.41**	**19.44**	**6,440.18**	**12.11**	**24,156.24**	**45.43**	**1,710.87**	**3.22**	**27,307.01**	**51.35**	**53,174.12**

Note : Data is based on domestic operations of respective banks.
Source : Based on off-site returns.

Appendix Table II.10(B): Sector-wise Non-Performing Assets of Private Sector Banks

(As on March 31, 2001)

(Amount in Rs. crore)

Sr. No.	Name of the Banks	Agriculture		Small Scale		Others		Priority Sector		Public Sector		Non-Priority Sector		Total
		Amount	Per cent to total	Amount	Per cent to total	Amount	Per cent to total	Amount	Per cent to total	Amount	Per cent to total	Amount	Per cent to total	
1	2	3	4	5	6	7	8	9 (3+5+7)	10	11	12	13	14	15 (9+11+1 3)
	Old Private Sector Banks	**295.12**	**6.13**	**800.14**	**16.63**	**496.22**	**10.31**	**1,591.48**	**33.08**	**123.37**	**2.56**	**3,095.97**	**64.35**	**4,810.82**
1	The Bank of Rajasthan Ltd.	18.90	5.30	27.11	7.60	22.04	6.18	68.05	19.08	—	—	288.59	80.92	356.64
2	The Benaras State Bank Ltd.	1.28	1.53	16.83	20.18	6.48	7.77	24.59	29.49	—	—	58.80	70.51	83.39
3	Bharat Overseas Bank Ltd.	2.46	2.93	10.86	12.93	1.76	2.10	15.08	17.96	—	—	68.89	82.04	83.97
4	The Catholic Syrian Bank Ltd.	5.14	2.73	39.95	21.19	46.50	24.67	91.59	48.59	—	—	96.91	51.41	188.50
5	City Union Bank Ltd.	6.55	5.14	30.70	24.10	8.55	6.71	45.80	35.95	—	—	81.61	64.05	127.41
6	Development Credit Bank Ltd	5.90	3.58	43.68	26.47	30.13	18.26	79.71	48.30	—	—	85.32	51.70	165.03
7	Dhanalakshmi Bank Ltd.	0.45	0.33	14.73	10.92	21.06	15.61	36.24	26.86	—	—	98.66	73.14	134.90
8	The Federal Bank Ltd.	56.44	8.28	79.90	11.72	81.74	11.99	218.08	31.98	10.43	1.53	453.47	66.49	681.98
9	The Ganesh Bank of Kurundwad Ltd.	1.08	9.09	2.00	16.84	1.27	10.69	4.35	36.62	—	—	7.53	63.38	11.88
10	The Jammu & Kashmir Bank Ltd.	13.89	5.70	66.43	27.27	46.01	18.89	126.33	51.86	—	—	117.25	48.14	243.58
11	The Karnataka Bank Ltd.	39.49	9.70	73.54	18.07	24.26	5.96	137.29	33.74	0.04	0.01	269.62	66.25	406.95
12	The Karur Vysya Bank Ltd.	3.49	2.12	33.37	20.27	10.70	6.50	47.56	28.88	—	—	117.10	71.12	164.66
13	The Lakshmi Vilas Bank Ltd.	6.72	4.57	28.86	19.65	8.52	5.80	44.10	30.02	—	—	102.80	69.98	146.90
14	Lord Krishna Bank Ltd.	2.98	2.15	17.28	12.47	1.95	1.41	22.21	16.03	—	—	116.35	83.97	138.56
15	The Nainital Bank Ltd.	1.69	17.02	4.74	47.73	1.79	18.03	8.22	82.78	—	—	1.71	17.22	9.93
16	The Nedungadi Bank Ltd.	9.76	3.21	58.90	19.36	46.32	15.23	114.98	37.80	—	—	189.19	62.20	304.17
17	The Ratnakar Bank Ltd.	2.18	7.75	6.81	24.22	4.36	15.50	13.35	47.48	—	—	14.77	52.52	28.12
18	SBI Commercial & International Bank Ltd.	—	—	7.88	7.98	—	—	7.88	7.98	—	—	90.88	92.02	98.76
19	The Sangli Bank Ltd.	19.28	25.28	15.69	20.57	8.13	10.66	43.10	56.51	0.10	0.13	33.07	43.36	76.27
20	The South Indian Bank Ltd.	21.97	5.50	72.43	18.13	42.23	10.57	136.63	34.21	—	—	262.77	65.79	399.40
21	Tamilnad Mercantile Bank Ltd.	7.89	4.48	52.93	30.07	15.56	8.84	76.38	43.39	—	—	99.64	56.61	176.02
22	The United Western Bank Ltd.	15.29	4.50	24.88	7.33	28.39	8.36	68.56	20.19	—	—	271.02	79.81	339.58
23	The Vysya Bank Ltd.	52.29	11.77	70.64	15.90	38.47	8.66	161.40	36.33	112.80	25.39	170.02	38.27	444.22
	New Private Sector Banks	**27.35**	**1.71**	**200.59**	**12.54**	**15.29**	**0.96**	**243.23**	**15.21**	**—**	—	**1,356.29**	**84.79**	**1,599.52**
24	Bank of Punjab Ltd.	0.86	1.45	14.87	25.05	0.68	1.15	16.41	27.64	—	—	42.95	72.36	59.36
25	Centurion Bank Ltd.	—	—	0.49	0.32	—	—	0.49	0.32	—	—	154.09	99.68	154.58
26	Global Trust Bank	6.53	2.74	17.98	7.54	—	—	24.51	10.28	—	—	213.80	89.72	238.31
27	HDFC Bank	—	—	13.47	9.73	—	—	13.47	9.73	—	—	124.96	90.27	138.43
28	ICICI Bank	15.63	3.82	89.69	21.92	—	—	105.32	25.73	—	—	303.93	74.27	409.25
29	IDBI Bank	—	—	—	—	—	—	—	—	—	—	120.11	100.00	120.11
30	IndusInd Bank Ltd.	0.83	0.32	52.11	19.87	0.40	0.15	53.34	20.33	—	—	208.97	79.67	262.31
31	UTI Bank Ltd.	3.50	1.61	11.98	5.52	14.21	6.54	29.69	13.67	—	—	187.48	86.33	217.17
	Private Sector Banks	**322.47**	**5.03**	**1,000.73**	**15.61**	**511.51**	**7.98**	**1,834.71**	**28.62**	**123.37**	**1.92**	**4,452.26**	**69.45**	**6,410.34**

Note: Data is based on domestic operations of respective banks.

Source: Based on off-site returns.

Appendix Table II.11(A): Capital Adequacy Ratio - Public Sector Banks

(Per cent)

Sr.No.	Name of the Bank	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7
	Nationalised Banks					
1	Allahabad Bank	11.00	11.64	10.38	11.51	10.50
2	Andhra Bank	12.05	12.37	11.02	13.36	13.40
3	Bank of Baroda	11.80	12.05	13.30	12.10	12.80
4	Bank of India	10.26	9.11	10.55	10.57	12.23
5	Bank of Maharashtra	9.07	10.90	9.76	11.66	10.64
6	Canara Bank	10.17	9.54	10.96	9.64	9.84
7	Central Bank of India	9.41	10.40	11.88	11.18	10.02
8	Corporation Bank	11.30	16.90	13.20	12.80	13.30
9	Dena Bank	10.81	11.88	11.14	11.63	7.73
10	Indian Bank	-18.81	1.41	Negative	Negative	Negative
11	Indian Overseas Bank	10.07	9.34	10.15	9.15	10.24
12	Oriental Bank of Commerce	17.53	15.28	14.10	12.72	11.81
13	Punjab & Sind Bank	9.23	11.39	10.94	11.57	11.42
14	Punjab National Bank	9.15	8.81	10.79	10.31	10.24
15	Syndicate Bank	8.80	10.49	9.57	11.45	11.72
16	UCO Bank	3.16	9.07	9.63	9.15	9.05
17	Union Bank of India	10.53	10.86	10.09	11.42	10.86
18	United Bank of India	8.23	8.40	9.60	9.60	10.40
19	Vijaya Bank	11.53	10.30	10.00	10.61	11.50
	State Bank Group					
20	State Bank of India	12.17	14.58	12.51	11.49	12.79
21	State Bank of Bikaner & Jaipur	8.82	10.65	12.26	12.35	12.39
22	State Bank of Hyderabad	10.84	10.83	10.65	10.86	12.28
23	State Bank of Indore	9.31	9.83	12.35	11.26	12.73
24	State Bank of Mysore	10.80	11.61	10.23	11.50	11.16
25	State Bank of Patiala	11.25	13.24	12.47	12.60	12.37
26	State Bank of Saurashtra	12.14	18.14	14.35	14.48	13.89
27	State Bank of Travancore	8.17	11.48	10.27	11.09	11.79

Source : Balance sheets of respective banks.

Appendix Table II.11(B): Capital Adequacy Ratio - Private Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7
	Old Private Sector Banks					
1	The Bank of Rajasthan Ltd.	10.13	5.54	0.83	5.73	10.57
2	The Benares State Bank Ltd.	2.99	4.12	Negative	Negative	Negative
3	Bharat Overseas Bank Ltd.	12.51	13.00	13.70	12.68	14.43
4	The Catholic Syrian Bank Ltd.	2.51	3.04	6.06	5.94	6.08
5	City Union Bank Ltd.	9.47	11.60	14.30	13.33	13.59
6	Development Credit Bank Ltd.	23.47	19.79	16.90	11.34	11.28
7	Dhanalakshmi Bank Ltd.	9.75	11.39	10.06	10.02	9.69
8	The Federal Bank Ltd.	9.22	9.43	10.32	11.33	10.29
9	The Ganesh Bank of Kurundwad Ltd.	8.00	8.04	8.26	9.14	9.11
10	The Jammu & Kashmir Bank Ltd.	15.58	20.48	24.48	18.82	17.44
11	The Karnataka Bank Ltd.	12.27	13.23	10.85	11.04	11.37
12	The Karur Vysya Bank Ltd.	12.76	14.47	14.53	15.16	15.56
13	The Lakshmi Vilas Bank Ltd.	10.64	10.35	9.64	10.45	10.21
14	Lord Krishna Bank Ltd.	5.40	8.35	11.85	11.25	12.90
15	The Nainital Bank Ltd.	9.86	9.46	13.81	15.11	15.81
16	The Nedungadi Bank Ltd.	11.97	12.85	10.24	9.04	Negative
17	The Ratnakar Bank Ltd.	9.85	10.41	9.72	11.56	10.00
18	The Sangli Bank Ltd.	8.03	10.98	11.58	12.13	11.47
19	SBI Commercial & International Bank Ltd.	30.59	27.69	28.90	24.32	19.85
20	The South Indian Bank Ltd.	8.27	9.40	10.40	10.41	11.17
21	Tamilnad Mercantile Bank Ltd.	15.65	19.11	18.40	18.02	17.59
22	The United Western Bank Ltd.	10.20	9.87	11.64	11.94	9.59
23	The Vysya Bank Ltd.	14.21	12.48	10.63	12.24	12.05
	New Private Sector Banks					
24	Bank of Punjab Ltd.	18.65	16.34	14.64	9.81	11.02
25	Centurion Bank Ltd.	27.00	20.00	8.45	15.62	16.49
26	Global Trust Bank	10.16	10.28	11.97	13.68	12.71
27	HDFC Bank	13.50	13.92	11.86	12.19	11.09
28	ICICI Bank	13.04	13.48	11.06	19.64	11.57
29	IDBI Bank	17.90	9.82	11.26	11.80	11.72
30	IndusInd Bank Ltd.	12.90	17.91	15.16	13.24	15.00
31	UTI Bank Ltd.	14.43	9.72	11.64	11.37	9.00

Source : Balance sheets of respective banks.

Appendix Table II.11 (C): Capital Adequacy Ratio - Foreign Banks in India

(Per cent)

Sr. No.	Name of the Bank	1996-97	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7
	Foreign Banks in India					
1	ABN-AMRO Bank N.V.	9.16	9.82	9.27	10.09	11.42
2	Abu Dhabi Commercial Bank	9.47	10.29	10.01	10.61	10.05
3	American Express Bank Ltd.	10.40	9.86	9.25	10.09	9.59
4	Arab Bangladesh Bank Ltd.	122.00	144.00	124.00	123.00	96.34
5	Bank Internasional Indonesia	27.46	28.03	57.26	59.92	103.78
6	Bank Muscat S.A.O.G.	—	—	212.45	70.06	34.55
7	Bank of America N A	8.37	8.95	9.26	12.93	13.03
8	Bank of Bahrain and Kuwait B.S.C.	17.10	10.48	13.38	12.30	11.83
9	Bank of Ceylon	48.98	40.05	37.05	29.07	36.49
10	The Bank of Nova Scotia	8.23	10.30	9.06	9.67	9.97
11	The Bank of Tokyo-Mitsubishi Ltd.	8.88	8.73	9.92	17.62	15.51
12	Barclays Bank PLC	11.62	14.52	12.90	17.75	26.97
13	BNP Paribas (Banque Nationale De Paris)	8.88	8.80	9.09	9.55	9.92
14	Chinatrust Commercial Bank	84.09	146.33	28.25	25.56	28.27
15	Cho Hung Bank	63.00	46.00	42.00	38.00	35.00
16	Citibank	9.46	8.61	10.00	10.62	11.24
17	Commerzbank	15.39	12.81	15.81	17.58	15.05
18	Credit Agricole Indosuez	8.83	8.41	8.56	11.82	11.60
19	Credit Lyonnais	8.86	8.70	9.90	9.70	10.60
20	Deutsche Bank AG	9.31	9.69	9.50	10.68	12.67
21	Development Bank of Singapore Ltd.	26.41	31.47	23.26	18.14	15.93
22	Dresdner Bank AG	9.10	16.89	19.36	18.69	10.66
23	HSBC Ltd.	11.91	9.82	9.31	10.30	12.37
24	ING Bank N.V.	11.00	12.91	12.79	21.15	15.00
25	K.B.C.Bank N.V.	—	—	95.00	18.51	23.01
26	Krung Thai Bank Public Co. Ltd.	398.59	347.22	235.93	197.74	148.99
27	Mashreq Bank psc	17.52	29.84	12.13	9.04	10.54
28	Morgan Guaranty Trust Co. of New York	—	—	413.00	89.00	79.00
29	Oman International Bank S.A.O.G.	12.36	13.38	9.07	11.08	14.21
30	Oversea-Chinese Banking Corporation Ltd.	291.00	90.93	94.00	98.34	168.11
31	The Sanwa Bank Ltd.	24.02	30.35	31.97	36.17	34.91
32	The Siam Commercial Bank	19.00	30.00	39.00	30.06	33.23
33	Societe Generale	10.55	10.74	12.50	13.95	13.93
34	Sonali Bank	13.54	27.80	38.39	24.91	88.14
35	Standard Chartered Bank	8.60	9.30	8.30	9.50	9.60
36	Standard Chartered Grindlays Bank	8.98	9.05	9.04	10.93	12.52
37	State Bank of Mauritius Ltd.	66.42	73.50	46.78	35.23	30.78
38	The Sumitomo Bank, Ltd.	—	40.67	16.58	18.54	19.40
39	The Chase Manhattan Bank	18.27	13.03	12.53	45.86	43.79
40	The Fuji Bank Ltd.	82.82	43.45	23.62	25.29	18.38
41	The Sakura Bank Ltd.	12.19	11.84	10.29	15.01	16.21
42	The Toronto-Domonion Bank	—	86.61	74.23	51.98	57.87

Source : Balance sheets of respective banks.

Appendix Table II.12: Bank Group and Population Group-wise Distribution of Commercial Bank Branches in India

Bank Group	No. of Banks#	Number of Branches									
		As on June 30, 2000 @					As on June 30, 2001 @				
		Rural	Semi-urban	Urban	Metropolitan	Total	Rural	Semi-urban	Urban	Metropolitan	Total
1	2	3	4	5	6	7	8	9	10	11	12
1. State Bank of India	1	4,110 (46.0)	2,432 (27.2)	1,406 (15.7)	985 (11.0)	8,933 (100.0)	4,111 (46.0)	2,433 (27.2)	1,408 (15.7)	990 (11.1)	8,942 (100.0)
2. Associate Banks of SBI	7	1,404 (31.7)	1,537 (34.8)	806 (18.2)	676 (15.3)	4,423 (100.0)	1,406 (31.6)	1,541 (34.7)	811 (18.2)	686 (15.4)	4,444 (100.0)
3. Nationalised Banks	19	13,867 (42.6)	6,828 (21.0)	6,384 (19.6)	5,489 (16.9)	32,568 (100.0)	13,866 (42.5)	6,842 (21.0)	6,419 (19.7)	5,508 (16.9)	32,635 (100.0)
4. Indian Private Sector Banks	31	1,135 (22.7)	1,683 (33.6)	1,178 (23.5)	1,014 (20.2)	5,010 (100.0)	1,140 (22.2)	1,704 (33.2)	1,220 (23.8)	1,067 (20.8)	5,131 (100.0)
5. Foreign Banks in India	41	— —	2 (1.1)	14 (7.5)	170 (91.4)	186 (100.0)	— —	2 (1.0)	15 (7.8)	175 (91.1)	192 (100.0)
6. Regional Rural Banks	196	12,133 (84.0)	1,949 (13.5)	342 (2.4)	12 (0.1)	14,436 (100.0)	12,108 (83.8)	1,987 (13.7)	346 (2.4)	15 (0.1)	14,456 (100.0)
Total	**295**	**32,649 (49.8)**	**14,431 (22.0)**	**10,130 (15.5)**	**8,346 (12.7)**	**65,556 (100.0)**	**32,631 (49.6)**	**14,509 (22.1)**	**10,219 (15.5)**	**8,441 (12.8)**	**65,800 (100.0)**

As on June 30, 2001.

@ Population group-wise classification of branches as per 1991 Census.
— Negligible.

Notes: 1. Figures in brackets indicate percentage to total in each group.
2. Bank branches exclude administrative offices.
3. Data for June 2000 are revised.

Appendix Table II.13: Region/State/Union Territory-wise Distribution of Commercial Bank Branches

Sr. No.	Region/State/ Union Territory	Number of Branchces as on June 30,			Number of branches opened during				Average population (in '000) per bank branch as at the end of June		
		1969	2000	2001	July1999 to June 2000	*of which:* at un-banked centres	July 2000 to June 2001	*of which:* at un-banked centres	1969	2000	2001
1	2	3	4	5	6	7	8	9	10	11	12
1.	**NORTHERN REGION**	**1,253**	**10,475**	**10,525**	**143**	**2**	**63**	**3**	**46**	**12**	**12**
	Chandigarh	20	166	169	7	0	3	0	7	5	5
	Delhi	274	1,405	1,422	46	0	19	1	10	10	10
	Haryana	172	1,501	1,509	22	1	8	0	56	13	13
	Himachal Pradesh	42	778	779	1	0	1	0	80	9	9
	Jammu & Kashmir	35	813	815	8	0	2	0	124	12	12
	Punjab	346	2,513	2,527	33	1	16	1	38	9	9
	Rajasthan	364	3,299	3,304	26	0	14	1	68	16	17
2.	**NORTH-EASTERN REGION**	**90**	**1,885**	**1,885**	**7**	**0**	**1**	**0**	**203**	**21**	**21**
	Arunachal Pradesh	—	68	68	0	0	0	0	—	18	18
	Assam	74	1,231	1,231	7	0	1	0	193	21	22
	Manipur	2	81	81	0	0	0	0	510	31	32
	Meghalaya	7	179	179	0	0	0	0	137	14	14
	Mizoram	—	78	78	0	0	0	0	—	12	13
	Nagaland	2	70	70	0	0	0	0	250	24	25
	Tripura	5	178	178	0	0	0	0	300	21	22
3.	**EASTERN REGION**	**878**	**11,687**	**11,696**	**51**	**1**	**19**	**0**	**135**	**19**	**19**
	Andaman & Nicobar Islands	1	31	31	0	0	0	0	82	13	13
	Bihar	273	3,550	3,549	8	0	1	0	200	20	21
	Jharkhand	—	1,442	1,446	8	0	4	0	—	0	0
	Orissa	100	2,219	2,218	9	1	4	0	211	16	16
	Sikkim	—	46	47	4	0	1	0	—	12	12
	West Bengal	504	4,399	4,405	22	0	9	0	85	18	18
4.	**CENTRAL REGION**	**1,090**	**13,345**	**13,375**	**91**	**2**	**39**	**2**	**115**	**19**	**19**
	Chhattisgarh	—	1,040	1,043	5	0	3	0	—	0	0
	Madhya Pradesh	343	3,434	3,440	26	0	13	0	116	18	18
	Uttar Pradesh	747	8,041	8,060	56	2	21	2	114	19	20
	Uttaranchal	—	830	832	4	0	2	0	—	0	0
5.	**WESTERN REGION**	**1,955**	**10,235**	**10,299**	**106**	**3**	**69**	**2**	**38**	**14**	**14**
	Dadra & Nagar Haveli	—	11	11	0	0	0	0	—	17	18
	Daman & Diu	—	15	15	0	0	0	0	—	9	10
	Goa	85*	318	324	9	0	6	1	8	5	5
	Gujarat	752	3,647	3,671	41	3	27	1	34	13	13
	Maharashtra	1,118	6,244	6,278	56	0	36	0	43	15	15
6.	**SOUTHERN REGION**	**2,996**	**17,929**	**18,020**	**248**	**4**	**135**	**6**	**44**	**12**	**13**
	Andhra Pradesh	567	5,117	5,142	68	1	35	1	74	15	15
	Karnataka	756	4,710	4,733	75	1	30	2	37	11	11
	Kerala	601	3,258	3,290	55	0	33	3	34	10	10
	Lakshadweep	—	9	9	0	0	0	0	—	8	8
	Pondicherry	12	84	84	3	0	0	0	31	13	14
	Tamil Nadu	1,060	4,751	4,762	47	2	37	0	37	13	13
	ALL INDIA	**8,262**	**65,556@**	**65,800@**	**646**	**12**	**326**	**13**	**64**	**15**	**15**

@ Excluding the branches of non-scheduled banks.

* Includes 'Daman and Diu' for 1969 data.

Notes: 1. Average population per bank branch for June 1969 is based on 1969 mid-year population. Similar data for June 2000 and June 2001 are based on estimated mid-year population of respective years received from Registrar General & Census Commissioner, Government of India.

2. Bank branches exclude administrative offices.

Appendix Table II.14: Advances to the Priority Sectors by Public Sector Banks

(As on the last reporting Friday)

Sector	No. of Accounts (in lakh)					Amount Outstanding (Rs. crore)				
	June 1969	March 1998@	March 1999@	March 2000@	March 2001@	June 1969	March 1998@	March 1999@	March 2000@	March 2001@
1	2	3	4	5	6	7	8	9	10	11
I. Agriculture	1.7	192	179	163	161	162	34,305	40,078	46,190	53,685
						(5.4)	(15.7)	(16.3)	(15.8)	(15.7)
i) Direct	1.6	187	175	159	157	40	28,303	31,681	34,432	38,003
						(1.3)	(13.0)	(12.9)	(11.8)	(11.1)
ii) Indirect	0.1	5	4	4	3	122	6,002	8,397	11,758	15,682
						(4.0)	(2.8)	(3.4)	(4.0)	(4.6)
II. Small-scale industries	0.5	30	26	23	23	257	38,109	42,674	45,788	48,445
						(8.5)	(17.5)	(17.3)	(15.6)	(14.2)
III. Other priority sector advances*	0.4	103	96	84	79	22	18,881	24,448	35,829	40,395
						(0.7)	(8.7)	(9.9)	(12.2)	(11.8)
IV. Total priority sector advances	2.6	325	302	274	273	441	91,319 #	1,07,200 #	1,27,807#	1,46,546#
						(14.6)	(41.8)	(43.5)	(43.6)	(43.0)
V. Net Bank Credit	—	—	—	—	—	3,016	2,18,219	2,46,203	2,92,943	3,40,888

@ Data are provisional.

* Include small transport operators, self-employed persons, etc.

Inclusive of funds provided to RRBs by their sponsoring banks, loan to software industry, food and agro-processing sector and Self Help Groups eligible for being treated under priority sector advances.

Note: Figures in brackets represent percentages to net bank credit.

Appendix Table II.15(A): Advances of Public Sector Banks to Agriculture and Weaker Sections

(As on the last reporting Friday of March 2001)

(Amount in Rs. crore)

Sr. No.	Name of the bank	Direct agricultural advances		Indirect agricultural advances		Total agricultural advances		Weaker Sections		Total Priority Sector advances	
		Amount	Per cent to NBC	Amount	Per cent to NBC	Amount	Per cent to NBC (Target-18 per cent)	Amount	Per cent to NBC (Target-10 per cent)	Amount	Per cent to NBC (Target-40 per cent)
1	2	3	4	5	6	7	8	9	10	11	12
1	Allahabad Bank	978.98	10.32	615.00	6.49	1,593.98	14.82	610.04	6.43	4,192.40	44.21
2	Andhra Bank	911.41	13.67	137.48	2.06	1,048.89	15.73	782.90	11.74	2,774.02	41.60
3	Bank of Baroda	2,168.59	12.12	864.22	4.83	3,032.81	16.62	1,266.38	7.08	8,762.50	48.98
4	Bank of India	2,261.93	11.21	768.16	3.81	3,030.09	15.02	1,026.80	5.09	8,731.00	43.28
5	Bank of Maharashtra	722.70	10.75	95.56	1.42	818.26	12.17	394.32	5.86	2,763.44	41.09
6	Canara Bank	3,120.31	14.14	390.45	1.77	3,510.76	15.91	1,911.30	8.66	9,049.85	41.02
7	Central Bank of India	1,671.31	9.37	873.60	4.90	2,544.91	13.87	912.39	5.12	7,839.65	43.95
8	Corporation Bank	444.28	6.80	274.99	4.21	719.27	11.01	161.97	2.48	3,178.39	48.64
9	Dena Bank	614.60	8.51	544.39	7.54	1,158.99	13.01	263.14	3.64	3,163.73	43.80
10	Indian Bank	1,049.38	12.99	404.24	5.01	1,453.62	17.49	743.70	9.21	3,282.77	40.65
11	Indian Overseas Bank	1,238.00	14.52	371.00	4.35	1,609.00	18.87	1,060.00	12.43	4,209.00	49.35
12	Oriental Bank of Commerce	964.41	8.40	705.47	6.14	1,669.88	12.90	480.65	4.19	4,819.16	41.97
13	Punjab National Bank	2,837.47	10.44	1,012.17	3.73	3,849.64	14.17	2,399.93	8.83	12,110.88	44.57
14	Punjab & Sind Bank	463.19	9.49	386.80	7.92	849.99	13.99	268.95	5.51	2,276.81	46.63
15	Syndicate Bank	1,460.00	15.13	290.00	3.01	1,750.00	18.13	980.00	10.16	4,662.00	48.31
16	Union Bank of India	1,393.95	9.20	656.92	4.34	2,050.87	13.53	784.23	5.18	6,759.14	44.61
17	United Bank of India	547.00	8.57	218.00	3.42	765.00	11.99	390.00	6.11	2,400.00	37.61
18	UCO Bank	630.00	7.07	329.00	3.69	959.00	10.77	439.00	4.93	3,009.00	33.79
19	Vijaya Bank	604.53	12.61	146.92	3.06	751.45	15.67	350.61	7.31	2,046.68	42.68
20	State Bank of India	9,488.39	10.65	5,493.92	6.17	14,982.31	15.15	6,847.25	7.68	35,899.14	40.29
21	State Bank of Bikaner & Jaipur	584.77	11.72	233.99	4.69	818.76	16.22	383.36	7.68	2,309.27	46.27
22	State Bank of Hyderabad	942.81	14.12	271.49	4.07	1,214.30	18.19	495.65	7.42	2,914.30	43.65
23	State Bank of Indore	538.09	15.91	71.10	2.10	609.19	18.02	218.89	6.47	1,496.54	44.26
24	State Bank of Mysore	464.33	12.66	107.36	2.93	571.69	15.58	431.25	11.75	1,642.93	44.78
25	State Bank of Patiala	867.00	13.41	269.00	4.16	1,136.00	17.58	647.00	10.01	2,603.10	40.28
26	State Bank of Saurashtra	577.70	16.06	36.38	1.01	614.08	17.07	144.57	4.02	1,532.88	42.61
27	State Bank of Travancore	458.09	13.55	114.53	3.39	572.62	16.94	411.05	12.16	2,117.38	62.64
	Total	**38,003.22**	**11.15**	**15,682.14**	**4.60**	**53,685.36**	**15.65**	**24,805.33**	**7.28**	**1,46,545.96**	**42.99**

Data are Provisional. NBC net bank credit.

Source: Data furnished by respective banks.

Appendix Table: II.15(B): Non-Performing Assets in Advances to Weaker Section under Priority Sector - Public Sector Banks

(As on March 31, 2001)

(Amount in Rs. crore)

Sr. No.	Name of the Bank	Advances to Weaker Section		
		Total	*of which* NPAs	
			Amount	Per cent
1	2	3	4	5
1	Allahabad Bank	644.36	111.86	17.36
2	Andhra Bank	692.03	135.93	19.64
3	Bank of Baroda	1,266.38	328.11	25.91
4	Bank of India	914.96	188.46	20.60
5	Bank of Maharashtra	414.52	108.78	26.24
6	Canara Bank	1,688.29	411.43	24.37
7	Central Bank of India	838.00	249.83	29.81
8	Corporation Bank	161.97	41.03	25.33
9	Dena Bank	N.A.	N.A.	N.A.
10	Indian Bank	683.44	155.55	22.76
11	Indian Overseas Bank	1,074.71	112.40	10.46
12	Oriental Bank of Commerce	480.65	15.70	3.27
13	Punjab National Bank	2,427.30	360.20	14.84
14	Punjab & Sind Bank	268.95	32.77	12.18
15	Syndicate Bank	987.48	133.43	13.51
16	Union Bank of India	784.30	272.15	34.70
17	United Bank of India	450.00	202.00	44.89
18	UCO Bank	476.09	229.45	48.19
19	Vijaya Bank	N.A.	N.A.	N.A.
20	State Bank of India	7,791.00	2,144.00	27.52
21	State Bank of Bikaner & Jaipur	406.78	50.21	12.34
22	State Bank of Hyderabad	614.55	121.21	19.72
23	State Bank of Indore	193.70	51.56	26.62
24	State Bank of Mysore	431.25	64.00	14.84
25	State Bank of Patiala	653.03	30.26	4.63
26	State Bank of Saurashtra	144.57	10.23	7.08
27	State Bank of Travancore	411.05	45.22	11.00
	Total	**24,899.36**	**5,605.77**	**22.51**

Data are Provisional. N.A. Not Available.

Source: Data furnished by respective banks.

Appendix Table II.16: Advances to the Priority Sectors by Private Sector Banks

(As on the last reporting Friday)

(Amount in Rs. crore)

Sector	March 1999		March 2000*		March 2001*	
	Amount	Percentage to Net bank credit	Amount	Percentage to Net bank credit	Amount	Percentage to Net bank credit
1	2	3	4	5	6	7
I. Agriculture	3,257	9.5	4,239	9.1	5,394	9.6
II. Small-scale industries	6,451	18.9	7,313	15.7	8,158	14.4
III. Other priority sectors	4,447	13.0	6,467	13.9	7,998	14.2
Total (I+II+III)	**14,155**	**41.4**	**18,019**	**38.7**	**21,550**	**38.2**

* Provisional.

Appendix Table II.17(A): Advances of Private Sector Banks to Agriculture and Weaker Section

(As on the last reporting Friday of March 2001)

(Amount in Rs. crore)

Sr. No.	Name of the bank	Direct agricultural advances		Indirect agricultural advances		Total agricultural advances			Weaker Sections		Total Priority Sector advances	
		Amount	per cent to NBC	Amount	per cent to NBC	Amount (taking entire indirect advances)	per cent to NBC	per cent to NBC (Indirect only up to 4.5 per cent)	Amount	per cent to NBC (Target 10 per cent)	Amount	per cent to NBC (Target 40 per cent)
1	2	3	4	5	6	7	8	9	10	11	12	13
1	The Bank of Rajasthan Ltd	89.75	4.76	152.00	8.07	241.75	12.83	9.26	61.64	3.27	663.32	35.21
2	The Benaras State Bank Ltd	9.31	3.70	27.63	10.97	36.94	14.67	8.20	2.99	1.19	138.55	55.02
3	Bharat Overseas Bank Ltd	19.43	3.98	18.48	3.79	37.91	7.77	7.77	4.98	1.02	259.89	53.24
4	The Catholic Syrian Bank Ltd	28.60	3.82	3.48	0.46	32.08	4.28	4.28	20.40	2.72	354.35	47.29
5	City Union Bank Ltd	21.77	2.73	34.54	4.32	56.31	7.05	7.05	40.94	5.13	327.77	41.04
6	Development Credit Bank Ltd	10.80	0.54	210.78	10.59	221.58	11.14	5.04	1.71	0.08	830.49	41.74
7	Dhanalakshmi Bank Ltd	10.61	1.43	24.10	3.24	34.71	4.67	4.67	14.43	1.94	313.29	42.17
8	The Federal Bank Ltd	319.65	12.83	11.87	0.48	331.52	13.31	13.31	162.57	6.53	1,471.96	59.08
9	The Ganesh Bank of Kurundwad Ltd	23.36	27.71	—	—	23.36	27.71	27.71	8.44	10.01	40.88	48.49
10	The Jammu & Kashmir Bank Ltd.	52.14	1.41	65.70	1.78	117.84	3.19	3.19	133.94	3.63	1,400.45	37.94
11	The Karnataka Bank Ltd	279.78	11.70	15.75	0.66	295.53	12.36	12.36	107.49	4.49	1,030.21	43.07
12	The Karur Vysya Bank Ltd	106.89	5.11	56.28	2.69	163.17	7.80	7.80	78.40	3.75	861.78	41.18
13	The Lakshmi Vilas Bank Ltd	102.18	7.69	54.37	4.09	156.55	11.78	11.78	53.45	4.02	591.06	44.48
14	Lord Krishna Bank Ltd	7.18	1.70	51.14	12.12	58.32	13.82	6.20	2.68	0.64	162.75	38.57
15	The Nainital Bank Ltd	13.54	10.80	6.08	4.85	19.62	15.65	15.30	7.38	5.89	70.74	56.42
16	The Nedungadi Bank Ltd	29.77	3.94	19.66	2.60	49.43	6.54	6.54	4.69	0.62	312.39	41.35
17	The Ratnakar Bank Ltd	11.00	4.53	12.87	5.30	23.87	9.83	9.03	3.37	1.39	88.07	36.26
18	The Sangli Bank Ltd	60.93	11.29	12.59	2.33	73.52	13.62	13.62	21.29	3.94	181.05	33.54
19	SBI Commercial & International Bank Ltd	—	—	32.69	16.06	32.69	16.06	4.50	—	—	56.10	27.56
20	The South Indian Bank Ltd	97.40	6.43	10.15	0.67	107.55	7.10	7.10	45.95	3.03	846.48	55.85
21	Tamilnad Mercantile Bank Ltd	101.20	6.53	24.74	1.60	125.94	8.13	8.13	24.69	1.59	663.29	42.80
22	The United Western Bank Ltd	113.03	4.65	29.24	1.20	142.27	5.86	5.85	49.44	2.04	981.43	40.41
23	The Vysya Bank Ltd	309.27	7.60	208.23	5.12	517.50	12.72	12.10	67.12	1.65	1,516.89	37.27
24	Bank of Punjab Ltd	18.72	1.24	183.52	12.16	202.24	13.40	5.74	—	—	471.15	31.22
25	Centurion Bank Ltd	6.56	0.36	207.38	11.38	213.94	11.74	4.86	—	—	626.05	34.35
26	Global Trust Bank	18.84	0.48	328.29	8.36	347.13	8.84	4.98	—	—	1,603.21	40.82
27	HDFC Bank	67.07	1.95	471.83	13.71	538.90	15.66	6.45	—	—	1,614.49	46.92
28	ICICI Bank	151.65	2.40	561.06	8.90	712.71	11.30	6.90	40.95	0.65	2,318.79	36.76
29	IDBI Bank	1.45	1.10	159.39	11.21	160.84	11.32	5.60	—	—	637.57	44.86
30	IndusInd Bank Ltd	156.49	5.18	98.27	3.25	254.76	8.44	8.43	—	—	834.52	27.63
31	UTI Bank Ltd	30.88	0.74	33.02	0.79	63.90	1.52	1.53	—	—	280.83	6.69
	Total	**2,269.25**	**4.02**	**3,125.13**	**5.53**	**5,394.38**	**9.55**	**7.12**	**958.94**	**1.70**	**21,549.80**	**38.15**

Data are Provisional.

Source: Data furnished by respective banks.

Appendix Table: II.17(B): Non-Performing Assets in Advances to Weaker Sections under Priority Sector - Private Sector Banks

(As on March 31, 2001)

(Amount in Rs. crore)

Sr. No.	Name of the Bank	Advances to Weaker Section		
		Total	*of which* NPAs	
			Amount	Per cent
1	2	3	4	5
1	The Bank of Rajasthan Ltd	60.16	18.49	30.73
2	The Benaras State Bank Ltd	2.99	2.84	94.98
3	Bharat Overseas Bank Ltd	4.98	0.84	16.87
4	The Catholic Syrian Bank Ltd	18.40	12.37	67.23
5	City Union Bank Ltd	40.84	2.95	7.22
6	Development Credit Bank Ltd	1.71	0.01	0.43
7	Dhanalakshmi Bank Ltd	14.43	0.46	3.19
8	The Federal Bank Ltd	162.57	29.84	18.36
9	The Ganesh Bank of Kurundwad Ltd	7.85	0.44	5.61
10	The Jammu & Kashmir Bank Ltd.	133.94	41.51	30.99
11	The Karnataka Bank Ltd	107.49	10.70	9.95
12	The Karur Vysya Bank Ltd	78.40	2.01	2.56
13	The Lakshmi Vilas Bank Ltd	53.45	1.68	3.14
14	Lord Krishna Bank Ltd	2.78	0.45	16.19
15	The Nainital Bank Ltd	7.38	0.88	11.92
16	The Nedungadi Bank Ltd	4.69	2.28	48.61
17	The Ratnakar Bank Ltd	3.34	0.51	15.27
18	The Sangli Bank Ltd	21.29	5.29	24.85
19	SBI Commercial & International Bank Ltd	—	—	—
20	The South Indian Bank Ltd	45.95	13.61	29.62
21	Tamilnad Mercantile Bank Ltd	17.31	2.25	13.00
22	The United Western Bank Ltd	49.71	6.27	12.61
23	The Vysya Bank Ltd	67.13	20.06	29.88
24	Bank of Punjab Ltd	*	*	10.00
25	Centurion Bank Ltd	—	—	—
26	Global Trust Bank	—	—	—
27	HDFC Bank	—	—	—
28	ICICI Banking	40.95	11.13	27.18
29	IDBI Bank	0.02	0.01	61.90
30	IndusInd Bank Ltd	—	—	—
31	UTI Bank Ltd	—	—	—
	Total	**947.77**	**186.88**	**19.72**

Data are Provisional. — Nil

* Advances to weaker sections were Rs. 40,000 of which, Rs. 4,000 were NPAs

Source: Data furnished by respective banks.

Appendix Table II.18 : Advances to the Priority Sectors by Foreign Banks in India

(As on the last reporting Friday)

(Amount in Rs.crore)

Sector	March 1999		March 2000*		March 2001*	
	Amount	Percentage to Net bank credit	Amount	Percentage to Net bank credit	Amount	Percentage to Net bank credit
1	2	3	4	5	6	7
I. Export Credit	5,678	25.0	6,372	23.0	6,863	20.0
II. Small-scale industries	2,460	11.0	2,871	10.0	3,716	11.0
Total Priority Sector Advances	**8,270**	**37.0**	**9,699**	**35.0**	**11,835**	**34.0**

* Provisional.

Appendix Table III.1: Progress of Co-operative Credit Movement in India

(Amount in Rs. crore, ratio in per cent)

Sr. No.	Type of Institution	Item	1997-98	1998-99	1999-2000	2000-01
1	2	3	4	5	6	7
1	Urban Co-operative Banks (UCBs)	Number	1,502	1,590	1,784	1,826
		Owned Funds	5,985	7,322	9,314	10,425
		Deposits	40,692	52,681	71,189	80,009
		Borrowings	886	1,041	1,475	1,589
		Working Capital	52,229	67,074	90,302	1,00,802
		Loans Outstanding	27,807	34,214	45,995	51,680
		C-D Ratio	68.3	64.9	64.6	64.6
2	State Co-operative Banks (StCBs)	Number	28	29	29	29
		Owned Funds	3,319	36,210	3,987	N.A.
		Deposits	22,189	25,788	29,557	32,704
		Borrowings	8,558	9,739	10,859	11,619
		Working Capital	34,647	39,268	43,937	N.A.
		Loans Issued	29,523	30,162	35,231	38,246
		Loans Outstanding	19,588	21,902	25,709	30,047
		Recovery Performance (as per cent to demand)	84	81	83	N.A.
		C-D Ratio	88.3	84.9	87.0	91.9
3	District Central Co-operative Banks (CCBs)	Number	367	367	367	367
		Owned Funds	6,223	7,139	8,470	N.A.
		Deposits	36,628	45,612	54,195	57,574
		Borrowings	11,547	12,857	14,660	15,836
		Working Capital	54,655	65,368	77,319	N.A.
		Loans Issued	34,780	40,252	46,206	44,678
		Loans Outstanding	31,516	36,853	43,986	47,635
		Recovery Performance (as per cent to demand)	70	70	69	N.A.
		C-D Ratio	86.0	80.8	81.2	82.7
4	State Co-operative Agriculture and Rural Development Banks (SCARDBs)	Number	19	19@	19@	19@
		Owned Funds	1,685	1,999	2,382	N.A.
		Deposits	203	240	382	483
		Borrowings	9,772	11,051	12,371	13,117
		Working Capital	11,716	13,473	15,713	N.A.
		Loans Issued	2,295	2,431	2,503	2,524
		Loans Outstanding	9,182	10,443	11,603	12,375
		Recovery Performance (as per cent to demand)	61	62	62	N.A.
5	Primary Co-operative Agriculture and Rural Development Banks (PCARDBs)	Number	745	745	755*	N.A.
		Owned Funds	989	1,177	1,380	N.A.
		Deposits	99	169	221	302
		Borrowings	5,888	6,834	7,657	8,208
		Working Capital	7,285	8,873	10,295	N.A.
		Loans Issued	1,594	1,692	1,822	1,754
		Loans Outstanding	5,840	6,820	7,602	8,070
		Recovery Performance (as per cent to demand)	55	60	58	N.A.

N.A. Not Available,
@ Integrated structure in Andhra Pradesh and hence progress is included in short-term structure.
* 4 PCARDBs in Orissa since liquidated.
Note : Data for the year 1999-2000 and 2000-01 are provisional.
Source : NABARD for Sr. Nos. 2 to 5.

Appendix Table III.2: Recovery Performance of Rural Co-operative Banks

(As per cent of demand)

Sr. No.	State/ Union Territory	StCBs		CCBs		SCARDBs		PCARDBs	
		1998-99	1999-2000(P)	1998-99	1999-2000(P)	1998-99	1999-2000(P)	1998-99	1999-2000(P)
1	2	3	4	5	6	7	8	9	10
1	Andaman & Nicobar	67	68	—	—	—	—	—	—
2	Andhra Pradesh	69	68	72	64	—	—	—	—
3	Arunachal Pradesh	22	27	—	—	—	—	—	—
4	Assam	27	25	4	9	1	1	—	—
5	Bihar	7	6	12	9	40	46	—	—
6	Chandigarh	22	30	—	—	—	—	—	—
7	Delhi	39	36	—	—	—	—	—	—
8	Goa	68	73	—	—	—	—	—	—
9	Gujarat	91	92	66	68	65	55	—	—
10	Haryana	99	99	79	77	94	90	69	61
11	Himachal Pradesh	56	79	54	66	63	63	78	78
12	Jammu & Kashmir	39	23	27	27	37	44	—	—
13	Karnataka	95	94	71	68	33	37	40	44
14	Kerala	88	91	84	80	94	96	74	72
15	Madhya Pradesh	96	99	60	67	42	59	60	64
16	Maharashtra	78	82	66	69	48	41	—	—
17	Manipur	4	6	—	—	6	6	—	—
18	Meghalaya	41	42	—	—	—	—	—	—
19	Mizoram	42	23	—	—	—	—	—	—
20	Nagaland	4	29	—	—	—	—	—	—
21	Orissa	91	84	48	44	7	4	23	15
22	Pondicherry	63	87	—	—	41	35	—	—
23	Punjab	99	99	89	90	100	100	83	80
24	Rajasthan	89	91	84	77	81	79	66	54
25	Sikkim	—	100	—	—	—	—	—	—
26	Tamil Nadu	95	100	78	78	53	49	48	47
27	Tripura	46	36	—	—	34	14	—	—
28	Uttar Pradesh	80	98	52	52	82	84	—	—
29	West Bengal	78	76	76	73	64	62	59	57
	All India	**81**	**83**	**70**	**69**	**62**	**62**	**60**	**58**

P Provisional.

— No banks in the State/Union Territory or not available.

Appendix Table III.3: State-wise Sanctions and Disbursements under Rural Infrastructure Development Fund (RIDF)

(As on March 31, 2001)

(Rs. crore)

Sr. No.	State	RIDF-I		RIDF-II		RIDF-III		RIDF-IV		RIDF-V		RIDF-VI (P)		State Total	
		Sanctions	Disburse-ment	Sanctions	Disburse-ment	Sanctions	Disburse-ment	Sanctions	Disburse-ment	Sanctions	Disburse-ment	Sanctions	Disburse-ment	Sanctions	Disburse-ment
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	Andhra Pradesh	227	214	334	276	275	187	305	154	383	99	574	145	2,098	1,077
2	Arunachal Pradesh	—	—	—	—	—	—	—	—	25	12	89	22	114	34
3	Assam	—	—	63	61	16	13	65	11	196	84	50	—	390	170
4	Bihar	22	13	—	—	62	5	119	—	101	—	44	—	348	17
5	Goa	7	7	—	—	—	—	9	8	—	—	19	—	35	15
6	Gujarat	151	145	130	108	161	126	136	63	254	106	555	141	1,386	689
7	Haryana	27	19	61	50	75	54	102	29	99	30	67	8	432	191
8	Himachal Pradesh	14	14	53	51	50	42	89	56	113	46	135	36	454	246
9	Jammu & Kashmir	6	6	8	1	36	16	106	49	111	38	162	34	428	144
10	Karnataka	173	157	172	158	172	142	179	108	176	44	303	12	1,175	621
11	Kerala	96	86	88	67	91	49	65	25	128	38	186	11	653	277
12	Madhya Pradesh	229	199	208	145	249	132	243	51	263	40	344	69	1,534	637
13	Maharashtra	187	170	232	203	254	227	302	188	350	192	439	92	1,764	1,071
14	Manipur	2	1	—	—	—	—	—	—	—	—	8	—	10	1
15	Meghalaya	3	3	—	—	8	5	9	5	35	11	30	3	87	28
16	Mizoram	2	2	—	—	—	—	—	—	54	21	4	—	60	23
17	Nagaland	1	1	—	—	—	—	1	—	17	10	61	5	80	16
18	Orissa	170	162	130	107	163	103	163	69	135	38	107	14	867	493
19	Punjab	61	61	63	62	89	83	116	48	103	74	237	49	667	376
20	Rajasthan	124	117	152	123	163	116	153	17	200	68	254	144	1,044	586
21	Sikkim	—	—	—	—	—	—	21	17	9	2	5	—	35	19
22	Tamil Nadu	—	—	247	218	195	159	177	114	256	114	264	48	1,139	653
23	Tripura	—	—	—	—	—	—	22	9	45	2	35	1	102	12
24	Uttar Pradesh	296	282	492	328	433	286	526	258	366	63	248	44	2,360	1,261
25	West Bengal	103	82	159	134	174	139	214	103	222	57	413	80	1,285	595
	All India	**1,899**	**1,742**	**2,589**	**2,092**	**2,665**	**1,885**	**3,120**	**1,382**	**3,639**	**1,189**	**4,633**	**960**	**18,545**	**9,251**

P Provisional — Nil

Note : Sanctions and Disbursements for the three newly created states of Chhattishgarh, Jharkhand and Uttaranchal are not available separately from Madhya Pradesh, Bihar and Uttar Pradesh, respectively.

Source : NABARD

Appendix Table III.4: Major Indicators of Financial Performance-Scheduled Urban Co-operative Banks *(Continued)*

(As percentage of Total Assets)

(Per cent)

Sr. No.	Name of the Bank	Operating Profit		Net Profit		Interest Income	
		1999-2000	2000-01	1999-2000	2000-01	1999-2000	2000-01
1	2	3	4	5	6	7	8
1	Abhyudaya Co-op Bank Ltd.	2.21	1.93	0.85	0.77	10.43	9.79
2	Ahmedabad Mercantile Co-op Bank Ltd.	3.58	3.37	1.05	0.90	12.21	11.47
3	Akola Janata Commercial Co-op Bank Ltd.	1.30	0.94	0.54	0.50	8.19	8.13
4	Akola Urban Co-op Bank Ltd.	1.30	1.32	0.73	0.93	12.66	12.52
5	Amanath Co-op Bank Ltd.	1.72	1.44	1.72	1.44	9.91	9.37
6	AP Mahesh Co-op Urban Bank Ltd.	1.80	1.63	1.57	1.29	11.87	11.34
7	Bassein Catholic Co-op Bank Ltd.	2.29	2.17	1.41	1.34	11.21	10.77
8	Bombay Mercantile Co-op Bank Ltd. #	0.51	-0.22	0.09	-0.22	7.11	7.81
9	Charminar Co-op Urban Bank Ltd.	0.62	0.40	0.62	0.40	15.37	15.78
10	Charotar Nagarik Sahakari Bank Ltd.	2.64	1.81	1.72	1.48	13.26	12.99
11	Citizencredit Co-op Bank Ltd.	1.86	1.93	1.13	1.38	10.06	9.68
12	Co-operative Bank of Ahmedabad	0.88	1.02	0.58	0.27	10.96	11.68
13	Cosmos Co-op Urban Bank Ltd.	1.99	1.82	1.32	1.21	11.47	10.64
14	Dombivli Nagarik Sahakari Bank Ltd.	2.23	1.98	1.06	1.01	10.22	10.24
15	Goa Urban Co-op Bank Ltd. #	0.46	0.97	0.35	0.49	11.22	11.44
16	Greater Bombay Co-op Bank Ltd.	2.97	2.15	2.71	1.17	10.55	10.47
17	Ichalkaranji Janata Sahakari Bank Ltd.	0.92	1.05	0.68	0.69	10.56	10.46
18	Jalgaon Janata Sahakari Bank Ltd.	1.24	0.74	0.79	0.41	10.16	10.26
19	Janakalyan Sahakari Bank Ltd.	2.04	1.76	0.46	0.55	11.54	11.30
20	Janalaxmi Co-op Bank Ltd.	2.91	1.31	1.92	0.26	17.29	15.43
21	Janata Sahakari Bank Ltd.	0.96	1.04	0.83	0.49	9.10	9.30
22	Kalupur Commercial Bank Ltd.	3.30	2.46	1.15	1.27	11.25	11.79
23	Kalyan Janata Sahakari Bank Ltd.	2.79	2.06	1.67	1.13	10.78	9.17
24	Kapol Co-op Bank Ltd.	2.26	1.31	1.74	0.34	11.32	12.89
25	Karad Urban Co-op Bank Ltd.	1.26	1.37	0.52	0.76	11.04	11.44
26	Khamgaon Urban Co-op Bank Ltd.	0.85	0.80	0.32	0.39	15.43	14.81
27	Madhavpura Mercantile Co-op Bank Ltd.	2.86	1.27	1.10	-38.24	11.32	6.16
28	Mahanagar Co-op Bank Ltd.	1.56	0.67	0.29	0.30	15.72	14.98
29	Mandvi Co-op Bank Ltd.	1.09	1.11	0.46	0.56	12.27	9.85
30	Mapusa Urban Co-op Bank Ltd. #	0.05	-3.74	0.05	-7.15	11.33	6.36
31	Mehsana Urban Co-op Bank Ltd.	1.38	1.29	1.38	1.16	17.34	18.48
32	Nagar Urban Co-op Bank Ltd.	0.84	0.63	0.84	0.63	14.48	12.72
33	Nagpur Nagarik Sahakari Bank Ltd.	0.88	1.08	0.44	0.44	10.61	10.15
34	Nasik Merchant's Co-op Bank Ltd.	3.13	2.67	2.79	2.13	15.61	15.64
35	New India Co-op Bank Ltd.	3.03	2.92	1.59	1.60	10.90	10.54
36	North Kanara GSB Co-op Bank Ltd.	1.71	1.93	1.01	1.00	10.57	10.31
37	Nutan Nagarik Sahakari Bank Ltd.	1.95	3.00	1.88	2.06	10.31	11.82
38	Parsik Janata Sahakari Bank Ltd.	2.32	2.78	1.65	2.08	10.59	10.22
39	Punjab & Maharashtra Co-op Bank Ltd.	1.54	1.64	1.27	1.37	11.47	10.84
40	Rajkot Nagrik Sahakari Bank Ltd.	5.05	3.65	0.71	0.72	11.31	10.69
41	Rupee Co-op Bank Ltd.	0.99	1.39	0.52	0.35	8.11	10.56
42	Sangli Urban Co-op Bank Ltd.	0.45	1.54	0.41	1.40	10.25	10.78
43	Saraswat Co-op Bank Ltd.	1.63	2.28	0.47	0.62	9.15	9.12
44	Sardar Bhiladwalla PardiPeople's Co-op Bank Ltd.	2.56	1.62	2.56	1.62	10.23	9.71
45	Shamrao Vithal Co-op Bank Ltd.	1.89	2.23	1.10	1.17	10.94	10.96
46	Shikshak Sahakari Bank Ltd.	1.43	0.93	0.49	0.40	8.39	7.78
47	Surat People's Co-op Bank Ltd.	2.43	2.51	1.27	0.76	11.33	10.09
48	Thane Janata Sahakari Bank Ltd.	2.39	2.43	1.68	1.92	10.77	10.82
49	The Bharat Co-op Bank (Mumbai) Ltd.	2.21	2.36	1.70	1.58	11.00	10.97
50	Vasavi Co-operative Urban Bank Ltd. #	0.85	0.08	-7.26	0.08	16.13	16.64
51	Visnagar Nagarik Sahakari Bank Ltd.	1.78	1.45	1.78	1.45	23.63	25.51
	TOTAL	**1.78**	**1.58**	**0.84**	**-2.09**	**10.72**	**10.59**

Appendix Table III.4: Major Indicators of Financial Performance-Scheduled Urban Co-operative Banks *(Continued)*

(As percentage of Total Assets)

(Per cent)

Sr. No.	Name of the Bank	Interest Expended		Provision & Contingencies	
		1999-2000	2000-01	1999-2000	2000-01
1	2	3	4	5	6
1	Abhyudaya Co-op Bank Ltd.	5.82	5.72	1.36	1.15
2	Ahmedabad Mercantile Co-op Bank Ltd.	7.32	7.09	2.53	2.47
3	Akola Janata Commercial Co-op Bank Ltd.	8.48	8.30	0.76	0.44
4	Akola Urban Co-op Bank Ltd.	10.27	10.22	0.57	0.40
5	Amanath Co-op Bank Ltd.	6.35	6.44	0.00	0.00
6	AP Mahesh Co-op Urban Bank Ltd.	7.88	7.87	0.22	0.34
7	Bassein Catholic Co-op Bank Ltd.	7.81	7.38	0.87	0.83
8	Bombay Mercantile Co-op Bank Ltd.#	5.60	6.52	0.42	0.00
9	Charminar Co-op Urban Bank Ltd.	12.51	13.39	0.00	0.00
10	Charotar Nagarik Sahakari Bank Ltd.	9.80	9.85	0.92	0.32
11	Citizencredit Co-op Bank Ltd.	6.13	5.94	0.72	0.55
12	Co-operative Bank of Ahmedabad	8.08	8.97	0.29	0.75
13	Cosmos Co-op Urban Bank Ltd.	8.02	7.78	0.67	0.62
14	Dombivli Nagarik Sahakari Bank Ltd.	6.12	6.30	1.17	0.97
15	Goa Urban Co-op Bank Ltd.#	8.97	7.65	0.11	0.48
16	Greater Bombay Co-op Bank Ltd.	7.88	7.97	0.27	0.98
17	Ichalkaranji Janata Sahakari Bank Ltd.	7.71	7.61	0.24	0.36
18	Jalgaon Janata Sahakari Bank Ltd.	7.60	8.36	0.46	0.33
19	Janakalyan Sahakari Bank Ltd.	7.80	7.99	1.59	1.21
20	Janalaxmi Co-op Bank Ltd.	13.36	12.99	0.99	1.05
21	Janata Sahakari Bank Ltd.	7.17	7.33	0.13	0.55
22	Kalupur Commercial Bank Ltd.	7.77	8.91	2.15	1.19
23	Kalyan Janata Sahakari Bank Ltd.	6.12	5.61	1.12	0.93
24	Kapol Co-op Bank Ltd.	6.64	8.86	0.53	0.97
25	Karad Urban Co-op Bank Ltd.	7.38	7.81	0.73	0.61
26	Khamgaon Urban Co-op Bank Ltd.	12.89	12.59	0.52	0.40
27	Madhavpura Mercantile Co-op Bank Ltd.	8.04	4.67	1.76	39.51
28	Mahanagar Co-op Bank Ltd.	11.65	11.56	1.26	0.37
29	Mandvi Co-op Bank Ltd.	8.30	6.77	0.64	0.55
30	Mapusa Urban Co-op Bank Ltd.#	8.83	7.78	0.00	3.41
31	Mehsana Urban Co-op Bank Ltd.	15.11	16.61	0.00	0.13
32	Nagar Urban Co-op Bank Ltd.	11.32	10.76	0.00	0.00
33	Nagpur Nagarik Sahakari Bank Ltd.	8.58	7.90	0.45	0.64
34	Nasik Merchant's Co-op Bank Ltd.	10.49	10.87	0.34	0.54
35	New India Co-op Bank Ltd.	5.55	5.31	1.43	1.32
36	North Kanara GSB Co-op Bank Ltd.	6.84	6.54	0.70	0.93
37	Nutan Nagarik Sahakari Bank Ltd.	6.98	8.20	0.07	0.94
38	Parsik Janata Sahakari Bank Ltd.	6.22	6.08	0.66	0.70
39	Punjab & Maharashtra Co-op Bank Ltd.	7.62	7.31	0.27	0.28
40	Rajkot Nagrik Sahakari Bank Ltd.	6.14	7.51	4.34	2.93
41	Rupee Co-op Bank Ltd.	6.04	8.20	0.46	1.04
42	Sangli Urban Co-op Bank Ltd.	7.92	7.58	0.04	0.14
43	Saraswat Co-op Bank Ltd.	5.86	5.54	1.17	1.66
44	Sardar Bhiladwalla Pardi People's Co-op Bank Ltd.	6.04	6.52	0.00	0.00
45	Shamrao Vithal Co-op Bank Ltd.	7.36	7.29	0.79	1.06
46	Shikshak Sahakari Bank Ltd.	8.23	8.29	0.93	0.52
47	Surat People's Co-op Bank Ltd.	6.78	6.71	1.15	1.75
48	Thane Janata Sahakari Bank Ltd.	6.80	6.79	0.71	0.52
49	The Bharat Co-op Bank (Mumbai) Ltd.	6.55	6.21	0.51	0.77
50	Vasavi Co-operative Urban Bank Ltd.#	13.46	14.73	8.11	0.00
51	Visnagar Nagarik Sahakari Bank Ltd.	19.82	22.86	0.00	0.00
	TOTAL	**7.57**	**7.79**	**0.95**	**3.67**

Appendix Table III.4: Major Indicators of Financial Performance-Scheduled Urban Co-operative Banks *(Concluded)*

(As percentage of Total Assets)

(Per cent)

Sr. No.	Name of the Bank	Operating Expenses		Net Interest Income (Spread)	
		1999-2000	2000-01	1999-2000	2000-01
1	2	3	4	5	6
1	Abhyudaya Co-op Bank Ltd.	2.79	2.54	4.61	4.08
2	Ahmedabad Mercantile Co-op Bank Ltd.1.48	1.25	4.89	4.38	
3	Akola Janata Commercial Co-op Bank Ltd.	5.94	6.09	-0.29	-0.17
4	Akola Urban Co-op Bank Ltd.	1.98	1.55	2.39	2.31
5	Amanath Co-op Bank Ltd.	2.08	1.79	3.56	2.93
6	AP Mahesh Co-op Urban Bank Ltd.	2.70	2.31	3.99	3.48
7	Bassein Catholic Co-op Bank Ltd.	1.81	1.84	3.40	3.39
8	Bombay Mercantile Co-op Bank Ltd.#	1.79	2.22	1.51	1.29
9	Charminar Co-op Urban Bank Ltd.	2.42	2.16	2.87	2.39
10	Charotar Nagarik Sahakari Bank Ltd.	1.16	1.59	3.46	3.14
11	Citizencredit Co-op Bank Ltd.	2.37	2.08	3.93	3.75
12	Co-operative Bank of Ahmedabad	2.50	2.53	2.88	2.71
13	Cosmos Co-op Urban Bank Ltd.	1.79	1.59	3.45	2.86
14	Dombivli Nagarik Sahakari Bank Ltd.	2.13	2.15	4.11	3.94
15	Goa Urban Co-op Bank Ltd.#	2.54	3.01	2.25	3.79
16	Greater Bombay Co-op Bank Ltd.	2.55	2.26	2.67	2.50
17	Ichalkaranji Janata Sahakari Bank Ltd.2.43	2.30	2.85	2.84	
18	Jalgaon Janata Sahakari Bank Ltd.	2.57	2.47	2.56	1.90
19	Janakalyan Sahakari Bank Ltd.	2.26	2.13	3.73	3.31
20	Janalaxmi Co-op Bank Ltd.	1.27	1.39	3.93	2.44
21	Janata Sahakari Bank Ltd.	2.03	1.69	1.93	1.97
22	Kalupur Commercial Bank Ltd.	0.72	0.87	3.47	2.87
23	Kalyan Janata Sahakari Bank Ltd.	2.14	1.79	4.66	3.56
24	Kapol Co-op Bank Ltd.	3.06	3.39	4.67	4.04
25	Karad Urban Co-op Bank Ltd.	2.78	3.32	3.67	3.63
26	Khamgaon Urban Co-op Bank Ltd.	1.94	1.77	2.54	2.22
27	Madhavpura Mercantile Co-op Bank Ltd.0.73	0.41	3.28	1.49	
28	Mahanagar Co-op Bank Ltd.	2.80	3.15	4.07	3.42
29	Mandvi Co-op Bank Ltd.	3.64	2.91	3.97	3.09
30	Mapusa Urban Co-op Bank Ltd.#	2.62	2.44	2.50	-1.42
31	Mehsana Urban Co-op Bank Ltd.	0.97	0.73	2.23	1.88
32	Nagar Urban Co-op Bank Ltd.	2.67	2.16	3.16	1.96
33	Nagpur Nagarik Sahakari Bank Ltd.	2.02	1.98	2.03	2.25
34	Nasik Merchant's Co-op Bank Ltd.	2.08	2.21	5.12	4.77
35	New India Co-op Bank Ltd.	3.32	3.69	5.36	5.23
36	North Kanara GSB Co-op Bank Ltd.	2.34	2.14	3.73	3.77
37	Nutan Nagarik Sahakari Bank Ltd.	1.72	2.29	3.33	3.62
38	Parsik Janata Sahakari Bank Ltd.	2.26	2.11	4.38	4.14
39	Punjab & Maharashtra Co-op Bank Ltd.	2.97	2.57	3.86	3.53
40	Rajkot Nagrik Sahakari Bank Ltd.	1.07	1.11	5.17	3.18
41	Rupee Co-op Bank Ltd.	1.34	1.52	2.06	2.36
42	Sangli Urban Co-op Bank Ltd.	2.81	2.58	2.33	3.20
43	Saraswat Co-op Bank Ltd.	2.89	2.70	3.30	3.57
44	Sardar Bhiladwalla Pardi People's Co-op Bank Ltd.	1.90	2.05	4.19	3.20
45	Shamrao Vithal Co-op Bank Ltd.	2.47	2.48	3.58	3.67
46	Shikshak Sahakari Bank Ltd.	2.18	1.48	0.16	-0.51
47	Surat People's Co-op Bank Ltd.	2.33	1.81	4.55	3.37
48	Thane Janata Sahakari Bank Ltd.	2.44	2.28	3.96	4.03
49	The Bharat Co-op Bank (Mumbai) Ltd.	3.11	2.78	4.45	4.76
50	Vasavi Co-operative Urban Bank Ltd.#	1.97	2.07	2.68	1.91
51	Visnagar Nagarik Sahakari Bank Ltd.	2.21	1.46	3.81	2.65
	TOTAL	**2.10**	**1.98**	**3.15**	**2.80**

Unaudited for 2000-01.

Source: Balance sheet of respective banks.

Appendix Table IV.1(A) : Financial Assets of Banks and Financial Institutions

(As at end of March)

(Rs.crore)

Institution	1981	1991	1996	1997	1998	1999	2000 P	2001 P
1	2	3	4	5	6	7	8	9
I. Banks*	**46,987**	**2,32,786**	**5,08,652**	**5,64,824**	**6,54,406**	**7,61,326**	**8,88,781**	**10,49,451**
(1+2+3)				**(11.0)**	**(15.9)**	**(16.3)**	**(16.7)**	**(18.1)**
1. All Scheduled Commercial Banks**	44,622	2,22,613	4,89,148	5,42,001	6,28,332	7,26,129	8,51,100	10,09,150
2. Non-Scheduled Commercial Banks***	9	77	2	2	0	0	0	0
Total Commercial Banks (1+2)	44,631	2,22,690	4,89,150	5,42,003	6,28,332	7,26,129	8,51,100	10,09,150
3. State Co-operative Banks+	2,356	10,096	19,502	22,821	26,074	35,197	37,681	40,301
II. Financial Institutions++	**16,650**	**1,22,655**	**2,79,321**	**3,27,958**	**3,86,653**	**4,45,116**	**5,01,802**	**5,40,967**
(4 to 7)				**(17.4)**	**(17.9)**	**(15.1)**	**(12.7)**	**(7.8)**
4. All-India term-lending Institutions#	6,143	52,054	1,06,127	1,31,636	1,61,216	1,90,338	2,08,447	2,22,130
5. State Level Institutions @	1,733	10,048	17,914	20,948	21,203	21,467	22,767	22,767 †*
6. Investment Institutions @@	8,534	58,566	1,50,719	1,69,491	1,97,321	2,27,023	2,63,634	2,88,015
7. Other Institutions @ #	240	1,987	4,560	5,884	6,914	6,289	6,954	8,055
III. Aggregate (I + II)	**63,637**	**3,55,441**	**7,87,973**	**8,92,782**	**10,41,059**	**12,06,442**	**13,90,583**	**15,90,418**
				(13.3)	**(16.6)**	**(15.9)**	**(15.3)**	**(14.4)**
IV. Percentage Share								
a) I to III	73.8	65.5	64.6	63.3	62.9	63.1	63.9	66.0
b) II to III	26.2	34.5	35.4	36.7	37.1	36.9	36.1	34.0

P: Provisional.

* Include the following items: (i) Cash in hand and balances with the Reserve Bank, (ii) Asset with the banking system, (iii) Investments, (iv) Bank Credit (total loans, cash credits, overdrafts and bills purchased and discounted) and (v) Dues from banks.

** As per returns under Section 42 of the RBI Act, 1934 and since 1991 relate to reporting Friday of March.

*** As per returns under Section 27 of the Banking Regulation Act, 1949. Data are in respect of last Friday of March.

\+ The data since 1991 relate to last reporting Friday of March 2001, the date relate to February 23, 2001.

++ Figures pertain to the accounting year of the respective financial institution.

\# Include IDBI, ICICI, IFCI, IIBI, EXIM Bank, NABARD, NHB and IDFC.

@ Include SFCs and SIDCs.

@@ Include UTI, LIC and GIC and its subsidiaries.

@# Include DICGC and ECGC.

†* Figures repeated.

Note: Figures in brackets indicate percentage change over the previous year.

Appendix Table IV.1(B): Total Financial Assets of Financial Institutions-Institution-wise

(Rs. crore)

Institutions	As at the end of March							
	1980-81	1990-91	1995-96	1996-97	1997-98	1998-99	1999-2000 P	2000-01 P
1	2	3	4	5	6	7	8	9
A. All-India Term Lending Institutions								
1. IDBI	3,099	22,701	43,791	47,925	58,614	66,136	70,693	70,132
				(9.4)	(22.3)	(12.8)	(6.9)	(-0.8)
2. NABARD @	1,635	12,664	19,437	22,393	25,027	28,803	33,169	38,550
				(15.2)	(11.8)	(15.1)	(15.2)	(16.2)
3. ICICI	728	7,084	20,911	33,756	45,340	56,515	62,932	70,775
				(61.4)	(34.3)	(24.6)	(11.4)	(12.5)
4. IFCI	589	5,835	13,380	16,453	19,924	22,034	22,023	21,357
				(23.0)	(21.1)	(10.6)	(-0.05)	(-3.0)
5. EXIM Bank	—	1,984	3,958	4,883	5,186	5,641	6,863	7,245
				(23.4)	(6.2)	(8.8)	(21.7)	(5.6)
6. IIBI	92	818	1,508	1,698	2,508	3,764	4,089	4,245
				(12.6)	(47.7)	(50.1)	(8.6)	(3.8)
7. NHB	—	969	3,142	4,528	4,617	5,143	6,239	6,972
				(44.1)	(2.0)	(11.4)	(21.3)	(11.7)
8. IDFC						2,302	2,439	2,854
							(6.0)	(17.0)
Total of A (1 to 8)	**6,143**	**52,054**	**1,06,127**	**1,31,636**	**1,61,216**	**1,90,338**	**2,08,447**	**2,22,130**
				(24.0)	**(22.5)**	**(18.1)**	**(9.5)**	**(6.6)**
B. State Level Institutions								
9. SFCs	1,074	6,412	10,575	12,210	12,555	10,275 P	10,467 P	10,467 @@
				(15.5)	(2.8)	(-18.2)	(1.9)	
10.SIDCs	660	3,637	7,339	8,738	8,648	11,192	12,300	12,300 @@
				(19.1)	(-1.0)	(29.4)	(9.9)	
Total of B (9 to 10)	**1,733**	**10,048**	**17,914**	**20,948**	**21,203**	**21,467**	**22,767**	**22,767**
				(16.9)	**(1.2)**	**(1.2)**	**(6.1)**	
C. Investment Institutions								
11. LIC	6,815	29,040	75,291	90,599	1,08,847	1,31,780	1,55,766	1,74,457
				(20.3)	(20.1)	(21.1)	(18.2)	(12.0)
12. GIC and its subsidiaries	1,199	6,362	16,017	18,065	20,788	23,717	26,834	28,132
				(12.8)	(15.1)	(14.1)	(13.1)	(4.8)
13. UTI	521	23,164	59,411	60,827	67,686	71,526	81,034	85,426
				(2.4)	(11.3)	(5.7)	(13.3)	(5.4)
Total of C (11 to 13)	**8,534**	**58,566**	**1,50,719**	**1,69,491**	**1,97,321**	**2,27,023**	**2,63,634**	**2,88,015**
				(12.5)	**(16.4)**	**(15.1)**	**(16.1)**	**(9.2)**
D. Other Institutions								
14. DICGC	200	1,744	4,005	5,251	6,138	5,251	5,607	6,412
				(31.1)	(16.9)	(-14.5)	(6.8)	(14.4)
15. ECGC	40	244	556	634	776	1,038	1,347	1,643
				(14.1)	(22.4)	(33.8)	(29.8)	(22.0)
Total of D (14 to 15)	**240**	**1,987**	**4,560**	**5,884**	**6,914**	**6,289**	**6,954**	**8,055**
				(29.0)	**(17.5)**	**(-9.0)**	**(10.6)**	**(15.8)**
Grand Total (A+B+C+D)	**16,650**	**1,22,655**	**2,79,321**	**3,27,958**	**3,86,653**	**4,45,116**	**5,01,802**	**5,40,967**
				(17.4)	**(17.9)**	**(15.1)**	**(12.7)**	**(7.8)**

P Provisional @ Data for 1980-81 pertain to ARDC as NABARD was formed only in 1982. @@ Repeated figures.

Notes: 1. Data pertain to the accounting year of the respective financial institutions. For IFCI, the data for years upto 1992-93 are as at end-June and after that, the figures are as at end-March due to a change in IFCI's accounting year.
2. Figures pertaining to NHB and UTI are as at end-June. All other figures are as at end-March.
3. Figures in brackets indicate percentage change over the previous year.
4. Figures in respect of investment institutions for 2001 are estimated and include investment, loans and advances, money market assets, deposits, cash in hand and balances with banks and other assets, excluding fixed assets.

Appendix Table IV.2: Financial Assistance Sanctioned and Disbursed by Financial Institutions

(Year: April-March)

(Amount in Rs. crore)

Institution	Loans*				Underwriting and Direct Subscription				Others				Total				Percentage variation over 1999-2000	
	1999-2000		2000-01		1999-2000		2000-01		1999-2000		2000-01		1999-2000		2000-01			
	S	D	S	D	S	D	S	D	S	D	S	D	S	D	S	D	S	D
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
A. All India Development Banks (1 to 5)	**61,336.6**	**38,062.0**	**69,885.3**	**37,692.6**	**11,297.1**	**7,541.7**	**13,614.7**	**8,898.6**	**12,538.4**	**8,966.6**	**15,928.1**	**12,989.9**	**85,172.1 (81,815.8)**	**54,570.3 (51,986.6)**	**99,428.1 (97,032.2)**	**59,581.1 (57,768.4)**	16.7	9.2
1. IDBI	21,890.8 (..)	13,388.3 (..)	22,370.3 (..)	12,450.4 (..)	2,743.9 (..)	1,710.2 (..)	4,683.2 (..)	3,484.9 (..)	2,331.8 (..)	1,960.9 (..)	1,657.6 (..)	1,563.0 (..)	**26,966.5 (25,786.5)**	**17,059.4 (16,036.5)**	**28,711.1 (28,163.1)**	**17,498.3 (16,936.6)**	6.5	2.6
2. IFCI	1,511.8	2,516.0	1,429.8	1,663.2	473.2	407.7	389.9	353.2	95.0	348.4	38.8	104.5	**2,080.0**	**3,272.1**	**1,858.5**	**2,120.9**	-10.6	-35.2
3. ICICI	26,886.8	14,917.1	34,908.6	16,915.5	7,845.2	5,119.5	7,668.2	4,209.4	8,790.8	5,799.1	13,515.2	10,839.7	**43,522.8**	**25,835.7**	**56,092.0**	**31,964.6**	28.9	23.7
4. SIDBI	10,261.2 (..)	6,960.2 (..)	10,819.9 (..)	6,440.7 (..)	..	..	..	..	3.5	3.3	0.7	0.7	**10,264.7 (8,088.4)**	**6,963.5 (5,402.7)**	**10,820.6 (8,972.7)**	**6,441.4 (5,190.4)**	5.4	-7.5
5. IIBI	786.0	280.4	356.7	222.8	234.8	304.3	873.4	851.1	1,317.3	854.9	715.8	482.0	**2,338.1**	**1,439.6**	**1,945.9**	**1,555.9**	-16.8	8.1
B. Specialised Financial Institutions (6 to 8)	**105.1**	**135.8**	**106.2**	**62.8**	**141.3**	**124.0**	**232.1**	**190.0**	—	—	**1.0**	**0.8**	**246.4**	**259.8**	**339.3**	**253.6**	**37.7**	**-2.4**
6. IVCF**	4.0	6.7	0.6	0.6	4.1	5.2	2.2	1.9	—	—	1.0	0.8	**8.1**	**11.9**	**3.8**	**3.3**	-53.1	-72.3
7. ICICI Venture	18.7	17.4	..	1.5	137.2	118.8	229.9	188.1	—	—	—	—	**155.9**	**136.2**	**229.9**	**189.6**	47.5	39.2
8. TFCI	82.4	111.7	105.6	60.7	—	—	—	—	—	—	—	—	**82.4**	**111.7**	**105.6**	**60.7**	28.2	-45.7
C. Investment Institutions (9 to 11)	**1,084.4**	**380.9**	**3,794.2**	**324.5**	**13,421.5**	**11,090.6**	**13,523.1**	**11,796.5**	**1,306.2**	**1,292.6**	**582.6**	**572.5**	**15,812.2**	**12,764.0**	**17,899.9**	**12,693.5**	**13.2**	**-0.6**
9. LIC	872.0	306.0	3,674.4	284.5	5,953.4	5,328.4	7,192.8	6,810.5	..	..	—	—	**6,825.5**	**5,634.3**	**10,867.2**	**7,095.0**	59.2	25.9
10. UTI	—	—	—	—	6,737.2	5,069.9	5,964.3	4,591.9	107.8	92.2	8.0	8.0	**6,845.0**	**5,162.1**	**5,972.3**	**4,599.9**	-12.7	-10.9
11. GIC	212.4	74.9	119.8	40.0	730.9	692.3	366.0	394.1	1,198.4	1,200.4	574.6	564.5	**2,141.7**	**1,967.6**	**1,060.4**	**998.6**	-50.5	-49.2
D. Total Assistance by All-India Financial Institutions (A+B+C)	**62,526.1**	**38,578.7**	**73,785.7**	**38,079.9**	**24,859.9**	**18,756.3**	**27,369.9**	**20,885.1**	**13,844.6**	**10,259.2**	**16,511.7**	**13,563.2**	**1,01,230.7 (97,874.4)**	**67,594.1 (65,010.4)**	**1,17,667.3 (1,15,271.4)**	**72,528.2 (70,715.5)**	**16.2**	**7.3**
E.State-level Institutions (12 and 13)	..	..	..	..	..	..	..	..	..	..	..	..	**4,043.4**	**3,583.8**	..	..	..	..
12.SFCs	2,169.5	1,636.8	2,720.4	1,841.4	..	..	..	..	225.7	205.8	177.3	139.2	2,395.2	1,842.6	2,897.7	1,980.6	21.0	7.5
13.SIDCs	..	..	..	..	..	..	..	..	..	..	..	..	1,648.2	1,741.2	..	..	..	..
F.Total Assistance by All-Financial Institutions (D+E)	..	..	..	..	..	..	..	..	..	..	..	..	**1,05,274.1 (1,01,917.8)**	**71,177.9 (68,594.2)**	.. (..)	.. (..)	.. (..)	.. (..)

S Sanctions D Disbursements .. Not available — Nil

* Loans include Rupee loans, foreign currency loans and guarantees.

** IFCI Venture Capital Funds Ltd. (erstwhile RCTC).

Notes: 1. Data for 2000-01 are provisional for all institutions.

2. Data adjusted for inter-institutional flows are indicated in brackets. This involves adjustment in regard to IDBI/SIDBI's refinance to SFCs and SIDCs seed capital as also loans to and subscriptions to shares and bonds of financial institutions.

3. Other items (Col. 10 to 13) include leasing in case of IDBI, line of credit leasing and personal finance for ICICI, unsecured short-term loans/Deposits and public sector bonds by GIC.

4. TDICI Ltd. has been renamed as ICICI Venture Funds Management Company Ltd. with effect from October 8, 1998.

Source: IDBI and Respective financial institution.

Appendix Table IV.3: Composition of Liabilities and Assets of Financial Institutions*

(Amount in Rs. crore)

Item	As on March 31 of	
	2000	2001
1	2	3
Liabilities		
1. Capital	8,731.38	7,865.78
	(3.8)	(3.2)
2. Reserves	36,619.40	39,146.55
	(15.8)	(15.9)
3. Bonds & Debentures	1,14,017.12	1,25,597.38
	(49.1)	(50.9)
4. Deposits	13,350.03	17,821.41
	(5.8)	(7.2)
5. Borrowings	41,413.42	37,715.01
	(17.8)	(15.3)
6. Other Liabilities	17,913.51	18,376.44
	(7.7)	(7.5)
Total Liabilities	**2,32,044.86**	**2,46,522.57**
	(100.0)	**(100.0)**
Assets		
1. Cash and Bank balances	8,310.89	8,880.30
	(3.6)	(3.6)
2. Investment	28,676.41	29,661.75
	(12.4)	(12.0)
3. Loans and Advances	1,67,201.44	1,79,785.91
	(72.1)	(72.9)
4. Bills Discounted/Rediscounted	4,008.47	3,641.02
	(1.7)	(1.5)
5. Fixed Assets	7,354.68	8,173.74
	(3.2)	(3.3)
6. Other Assets	16,492.97	16,379.85
	(7.1)	(6.6)
Total Assets	**2,32,044.86**	**2,46,522.57**
	(100.0)	**(100.0)**

* IDBI, ICICI, TFCI, EXIM Bank, NABARD, SIDBI, IDFC, IFCI, NHB and IIBI.

Notes: 1. Figures in brackets are percentages to total liabilities/assets

2. Audited data of NHB is on June 30, 2001.

Source: Balance sheet of respective Financial Institutions.

Appendix Table IV.4: Pattern of Sources and Deployment of Funds of Term-Lending Institutions

(Amount in Rs. crore)

Sources/Deployment of Funds	1999-2000										2000-01									
	Quarter ended										Quarter ended									
	Jun-1999		Sep-1999		Dec-1999		March-2000		**Total (April-March)**		Jun-2000		Sep-2000		Dec-2000		March-2001		**Total (April-March)**	
	Amo-unt	Per-cent	Amo-unt	Per-cent	Amo-unt	Per-cent	Amo-unt	Per-cent	**Amo-unt**	**Per cent**	Amo-unt	Per-cent	Amo-unt	Per-cent	Amo-unt	Per-cent	Amo-unt	Per-cent	**Amo-unt**	**Per-cent**
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Sources of Funds																				
(i) Internal	11,104	52.5	15,737	46.2	11,905	40.6	24,490	59.1	**63,236**	**50.2**	12,868	50.6	19,112	56.7	10,718	40.9	24,859	53.2	**67,557**	**51.1**
(ii) External	4,776	22.5	11,721	34.4	9,237	31.5	8,396	20.3	**34,130**	**27.1**	6,537	25.7	8,189	24.3	9,187	35.0	15,013	32.0	**38,926**	**29.5**
(iii) Other sources	5,284	25.0	6,618	19.4	8,165	27.9	8,551	20.6	**28,618**	**22.7**	6,025	23.7	6,393	19.0	6,317	24.1	6,899	14.8	**25,634**	**19.4**
Total Sources of Funds (i+ii+iii)	21,164	100.0	34,076	100.0	29,307	100.0	41,437	100.0	**1,25,984**	**100.0**	25,430	100.0	33,694	100.0	26,222	100.0	46,771	100.0	**1,32,117**	**100.0**
Deployment of Funds																				
(i) Fresh Deployments	11,147	52.7	18,124	53.2	16,290	55.6	24,491	59.1	**70,052**	**55.6**	12,814	50.4	18,836	55.9	12,903	49.2	28,308	60.5	**72,861**	**55.1**
(ii) Repayment of past borrowings	3,676	17.3	8,213	24.1	4,854	16.6	5,796	14.0	**22,539**	**17.9**	3,456	13.6	8,498	25.2	3,983	15.2	8,523	18.2	**24,460**	**18.5**
(iii) Other Deployments	6,341	30.0	7,739	22.7	8,163	27.8	11,150	26.9	**33,393**	**26.5**	9,160	36.0	6,360	18.9	9,336	35.6	9,940	21.3	**34,796**	**26.4**
of which :																				
Interest Payments	4,253	20.1	4,393	12.9	4,002	13.7	4,499	10.9	**17,147**	**13.6**	4,614	18.1	4,774	14.2	4,174	15.9	4,785	10.2	**18,347**	**13.9**
Total Deployment of Funds (i+ii+iii)	21,164	100.0	34,076	100.0	29,307	100.0	41,437	100.0	**1,25,984**	**100.0**	25,430	100.0	33,694	100.0	26,222	100.0	46,771	100.0	**1,32,117**	**100.0**

Note: Term-Lending institutions comprise of IDBI, ICICI, IFCI, IIBI, EXIM Bank, NABARD, SIDBI, IDFC and NHB.

Appendix Table IV.5: Financial Performance of IDBI, ICICI and IFCI

(Amount in Rs. crore)

Item	IDBI				ICICI				IFCI			
	1999-2000	2000-01	Variation		1999-2000	2000-01	Variation		1999-2000	2000-01	Variation	
			Absolute	Percentage			Absolute	Percentage			Absolute	Percentage
1	2	3	4	5	6	7	8	9	10	11	12	13
A. Income	**7,859.62**	**7,834.77**	**-24.85**	**-0.32**	**8,466.39**	**9,298.05**	**831.66**	**9.82**	**2,899.76**	**2,890.39**	**-9.37**	**-0.32**
(i+ii)	**(100.00)**	**(100.00)**			**(100.00)**	**(100.00)**			**(100.00)**	**(100.00)**		
i) Interest Income	6,224.51	6,191.38	-33.13	-0.53	8,117.43	8,836.17	718.74	8.85	2,843.38	2,879.93	36.55	1.29
	(79.20)	(79.02)			(95.88)	(95.03)			(98.06)	(99.64)		
ii) Other Income	1,635.11	1,643.39	8.28	0.51	348.96	461.88	112.92	32.36	56.38	10.46	-45.92	-81.45
	(20.80)	(20.98)			(4.12)	(4.97)			(1.94)	(0.36)		
B. Expenditure	**6,912.62**	**7,143.80**	**231.18**	**3.34**	**7,260.64**	**8,760.78**	**1,500.14**	**20.66**	**2,840.39**	**3,152.32**	**311.93**	**10.98**
(i+ii+iii)	**(100.00)**	**(100.00)**			**(100.00)**	**(100.00)**			**(100.00)**	**(100.00)**		
i) Interest Expended	6,370.00	6,594.91	224.91	3.53	5,785.23	6,376.78	591.55	10.23	2,535.74	2,520.09	-15.65	-0.62
	(92.15)	(92.32)			(79.68)	(72.79)			(89.27)	(79.94)		
ii) Provisions	80.00	43.00	-37.00	-46.25	244.00	918.90	674.90	276.60	178.40	495.90	317.50	177.97
	(1.16)	(0.60)			(3.36)	(10.49)			(6.28)	(15.73)		
iii) Other Expenses	462.62	505.89	43.27	9.35	1,231.41	1,465.10	233.69	18.98	126.25	136.33	10.08	7.98
	(6.69)	(7.08)			(16.96)	(16.72)			(4.44)	(4.32)		
of which : Wage Bill	74.04	84.32	10.28	13.88	72.84	99.04	26.20	35.97	32.68	53.44	20.76	63.53
	(1.07)	(1.18)			(1.00)	(1.13)			(1.15)	(1.70)		
C. Profit												
i) Operating Profit	**1,027.00**	**733.97**	**-293.03**	**-28.53**	**1,449.75**	**1,456.17**	**6.42**	**0.44**	**237.77**	**233.97**	**-3.80**	**-1.60**
ii) Net Profit	**947.00**	**690.97**	**-256.03**	**-27.04**	**1,205.75**	**537.27**	**-668.48**	**-55.44**	**59.37**	**-261.93**	**-321.30**	**-541.18**
D. Total Assets	**72,285.43**	**71,783.41**	**-502.02**	**-0.69**	**65,389.56**	**73,413.73**	**8,024.17**	**12.27**	**23,371.17**	**22,778.81**	**-592.36**	**-2.53**
E. Financial Ratios (per cent) @												
i) Operating Profit	1.42	1.02	-0.40	—	2.22	1.98	-0.24	—	1.02	1.03	0.01	—
ii) Net Profit	1.31	0.96	-0.35	—	1.84	0.73	-1.11	—	0.25	-1.15	-1.40	—
iii) Income	10.87	10.91	0.04	—	12.95	12.67	-0.28	—	12.41	12.69	0.28	—
iv) Interest Income	8.61	8.63	0.02	—	12.41	12.04	-0.37	—	12.17	12.64	0.47	—
v) Other Income	2.26	2.29	0.03	—	0.53	0.63	0.10	—	0.24	0.05	-0.19	—
vi) Expenditure	9.56	9.95	0.39	—	11.10	11.93	0.83	—	12.15	13.84	1.69	—
vii) Interest Expended	8.81	9.19	0.38	—	8.85	8.69	-0.16	—	10.85	11.06	0.21	—
viii) Other Expenses	0.64	0.70	0.06	—	1.88	2.00	0.12	—	0.54	0.60	0.06	—
ix) Wage Bill	0.10	0.12	0.02	—	0.11	0.13	0.02	—	0.14	0.23	0.09	—
x) Provisions and Contingencies	0.11	0.06	-0.05	—	0.37	1.25	0.88	—	0.76	2.18	1.42	—
xi) Spread (Net Interest Income)	-0.20	-0.56	-0.36	—	3.57	3.35	-0.22	—	1.32	1.58	0.26	—

@ Ratios to Total Assets.

Note: Figures in brackets are percentage shares to the respective total.

Appendix Table IV.6: Selected Financial Parameters of Financial Institutions

(As on March 31, 2001)

(Per cent)

Sr. No.	Financial Institutions	Core CRAR	Supplem-entary CRAR	CRAR	Net NPAs/ Net Loan Advances	Interest Income/ average Working Funds	Non-Interest Income/ average Working Funds	Operating Profit/ average Working Funds	Return on average assets	Net Profit per employee (Rs. crore)
1	2	3	4	5	6	7	8	9	10	11
1	EXIM Bank	23.67	0.16	23.83	1.86	9.36	0.27	2.91	2.14	1.00
2	ICICI	9.60	5.00	14.60	5.20	11.63	2.50	3.16	0.85	0.50
3	IDBI	12.20	3.63	15.83	14.82	9.88	2.36	2.38	0.96	0.24
4	IDFC	57.46	28.02	85.48	0.00	10.59	1.22	6.43	5.26	1.35
5	IFCI	3.48	2.74	6.22	21.90	11.39	0.85	-1.17	-1.15	-0.32
6	IIBI	8.90	4.38	13.28	14.69	14.10	0.40	2.73	2.6	0.40
7	NABARD	37.26	1.25	38.51	0.0002	8.59	0.02	4.61	3.87	0.25
8	NHB*	16.91	Nil	16.91	0.00	9.69	0.21	1.71	1.59	1.46
9	SIDBI	28.12	0.00	28.12	1.23	10.69	0.20	4.09	2.84	0.55
10	TFCI**	18.60	0.00	18.60	20.60	13.64	1.73	3.40	1.36	0.47

* Audited data of NHB is as on June 30, 2001.

** Provisional.

Source : Respective Balance Sheets.

Appendix Table IV.7 : Call/Notice Money Market Operations of Financial Institutions

(Rs.crore)

Institution	Quartterly Average Outstanding Borrowings		Quarterly Average Daily Lending	
	1999-2000	2000-01	1999-2000	2000-01
1	2	3	4	5
A. Term Lending Institutions	**465**	**1,091**	**2,779**	**2,552**
1. IDBI	0	4	740	502
2. ICICI	263	828	517	352
3. IFCI	131	193	204	176
4. IIBI(IRBI)	0	6	112	94
5. EXIM BANK	0	0	189	134
6. NABARD	71	60	190	315
7. NHB	0	0	0	18
8. SIDBI	0	0	346	453
9. TFCI	0	0	0	100
10. IDFC	0	0	481	408
B. Investment Institutions	—	—	**1,217**	**1,822**
11. UTI	—	—	344	878
12. LIC	—	—	751	811
13. GIC	—	—	122	133
Total (A+B)	**465**	**1,091**	**3,996**	**4,374**
C. Rate of Interest (per cent per annum)				
Highest	11.25	11.95	28.00	28.00
Lowest	11.10	7.25	0.25	0.25
Maturity Period (No. of days)	90-183	90-184	1-14	1-14

Note: Outstanding borrowing refer to term-money borrowing.

Appendix Table IV.8 : Resource Mobilisation by Mutual Funds

(Rs. crore)

Year (April-March)	Public Sector Mutual Funds					Private Sector Mutual Funds	Grand Total (6+7)
	Sponsored by						
	Bank	FIs	Total (2+3)	Unit Trust of India	Total (4+5)		
1	2	3	4	5	6	7	8
1993-94	148.1	238.6	386.7	9,297.0	9,683.7	1,559.5	**11,243.2**
	(2)	(2)	(4)	(1)	(5)	(5)	**(10)**
1994-95	765.5	576.3	1,341.8	8,611.0	9,952.8	1,321.8	**11,274.6**
	(6)	(3)	(9)	(1)	(10)	(10)	**(20)**
1995-96	113.3	234.8	348.1	-6,314.0	-5,965.9	133.0	**-5,832.9**
	(4)	(3)	(7)	(1)	(8)	(11)	**(19)**
1996-97	5.9	136.9	142.8	-3,043.0#	-2,900.2	863.6	**-2,036.6**
	(3)	(2)	(5)	(1)	(6)	(17)	**(23)**
1997-98	236.9	203.4	440.3	2,875.0	3,315.3	748.6	**4,063.9**
	(2)	(3)	(5)	(1)	(6)	(15)	**(21)**
1998-99 P	-88.3	546.8	458.5	170.0	628.5	2,066.9	**2,695.4**
	(2)	(3)	(5)	(1)	(6)	(16)	**(22)**
1999-2000 P	155.6	357.4	513.0	4,548.0	5,061.0	14,892.2	**19,953.2**
	(5)	(3)	(8)	(1)	(9)	(20)	**(29)**
2000-01 P	348.2	1,274.5	1,622.7	1,999.0	3,621.7	9,717.4	**13,339.1**
	(4)	(3)	(7)	(1)	(8)	(22)	**(30)**

P Provisional.

Exclude re-investment sales.

Notes: 1. For UTI, the figures are gross value (with premium) of net sales under all domestic schemes and for other mutual funds, figures represent net sales under all on-going schemes.

2. Data exclude amount mobilised by off-shore funds and through roll-over schemes.

3. Data in parentheses relates to the number of mutual funds which have mobilised resources during the year. The actual number of funds in operation may be greater than this number.

Source : UTI and respective Mutual Funds.

List of Abbreviations

AACS	–	As Applicable to Co-operative Societies
ACLF	–	Additional Collateralised Lending Facility
ADR	–	American Depository Receipts
AIDB	–	All India Development Bank
AIFI	–	All India Financial Institution
ALM	–	Asset-Liability Management
AMC	–	Asset-Management Committee
AMPI	–	Aggregated Microprudential Indicator
ARF	–	Automatic Refinance Facility
ATM	–	Automated Teller Machine
BCBS	–	Basel Committee on Banking Supervision
BFS	–	Board for Financial Supervision
BIS	–	Bank for International Settlements
BPC	–	Best Practice Code
BR Act	–	Banking Regulation Act
BRBNML	–	Bharatiya Reserve Bank Note Mudran Ltd.
BSE	–	Bombay Stock Exchange
CACS	–	Capital Adequacy, Asset Quality, Compliance and Systems
CAMELS	–	Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Systems
CAR	–	Capital Adequacy Ratio
CC	–	Cash Credit
CCB	–	Central Co-operative Bank
CCIL	–	Clearing Corporation of India Ltd.
CD	–	Certificates of Deposit
C-D Ratio	–	Credit-Deposit Ratio
CDR	–	Corporate Debt Restructuring
CEO	–	Chief Executive Officer
CFMS	–	Centralised Funds Management System
CIB	–	Credit Information Bureau
CLB	–	Company Law Board
CLF	–	Collateralised Lending Facility
CoR	–	Certificate of Registration
CP	–	Commercial Paper
CPSS	–	Committee on Payment and Settlement Systems
CRA	–	Capital Reserve Account
CRAR	–	Capital to Risk-Weighted Assets Ratio
CRISIL	–	Credit Rating and Investment Services of India Ltd.
CRR	–	Cash Reserve Ratio
CVC	–	Central Vigilance Commission
DAD	–	Deposit Accounts Department
DCA	–	Department of Company Affairs
DFHI	–	Discount and Finance House of India
DFID	–	Department for International Development
DFI	–	Development Financial Institution
DICGC	–	Deposit Insurance and Credit Guarantee Corporation
DRE	–	Deferred Revenue Expenditure
DRI	–	Differential Rate of Interest
DRT	–	Debt Recovery Tribunal
DvP		Delivery *versus* Payment
DWCRA	–	Development of Women and Children in Rural Areas
ECAI	–	External Credit Assessment Institutions
ECS	–	Electronic Clearing Service
EL	–	Equipment Leasing
EPN	–	Entry Point Norms
FAQ	–	Frequently Asked Question
FBC	–	Foreign Branches Cell
FCNR	–	Foreign Currency Non-Resident
FDIC	–	Federal Deposit Insurance Corporation
FII	–	Foreign Institutional Investor
FI	–	Financial Institution

FRA	–	Forward Rate Agreement/ Financial Restructuring Authority
GDP	–	Gross Domestic Product
GDR	–	Global Depository Receipt
GIC	–	General Insurance Corporation
GKY	–	Ganga Kalyan Yojana
GLC	–	General Line of Credit
HDFC	–	Housing Development Finance Corporation
HPC	–	High Power Committee
HUDCO	–	Housing and Urban Development Corporation
HUF	–	Hindu Undivided Family
IC	–	Investment Company
ICAI	–	Institute of Chartered Accountants of India
ICD	–	Inter-Corporate Deposit
IC-D	–	Investment plus Credit to Deposit
IDBI	–	Industrial Development Bank of India
IDFC	–	Infrastructure Development Finance Company
IDRBT	–	Institute for Development and Research in Banking Technology
IFCI	–	Industrial Finance Corporation of India
IFRA	–	Investment Fluctuation Reserve Account
IIBI	–	Industrial Investment Bank of India
IMD	–	India Millennium Deposits
INFINET	–	Indian Financial Network
IOSCO	–	International Organisation of Securities Commissions
IPO	–	Initial Public Offering
IRB	–	Internal Rating Based
IRDA	–	Insurance Regulatory and Development Authority
IRDP	–	Integrated Rural Development Programme
IRS	–	Interest Rates Swaps
KCC	–	*Kisan* Credit Cards
KVIB	–	*Khadi* and Village Industries Board
LAB	–	Local Area Bank
LAF	–	Liquidity Adjustment Facility
LC	–	Loan Company/Letter of Credit
LHO	–	Local Head Office
LIBOR	–	London Inter-Bank Offer Rate
LIC	–	Life Insurance Corporation of India
LTO	–	Long-Term Operation
LTPLR	–	Long-Term Prime Lending Rate
MBFC	–	Mutual Benefit Financial Company
MBS	–	Mortgage Backed Securities
MEI	–	Macroeconomic Indicator
MFDF	–	Micro Finance Development Fund
MF	–	Mutual Fund
MIBOR	–	Mumbai Inter-Bank Offer Rate
MICR	–	Magnetic Ink Character Recognition
MIS	–	Management Information System
MNBC	–	Miscellaneous Non-Banking Company
MTPLR	–	Medium-Term Prime Lending Rate
MWS	–	Million Wells Scheme
NABARD	–	National Bank for Agriculture and Rural Development
NAV	–	Net Asset Value
NBC	–	Net Bank Credit
NBFC	–	Non-Banking Financial Company
NCD	–	Non-Convertible Debenture
NDS	–	Negotiated Dealing System
NDTL	–	Net Demand and Time Liabilities
NGO	–	Non-Government Organisation
NHB	–	National Housing Bank
NOF	–	Net Owned Fund
NPA	–	Non-Performing Asset
NSE	–	National Stock Exchange
OD	–	Overdraft

ODS	–	Ozone Depleting Substances
OSMOS	–	Off-Site Monitoring and Surveillance System
OTCEI	–	Over the Counter Exchange of India
PACS	–	Primary Agricultural Credit Society
PCA	–	Prompt Corrective Action
PCARDB	–	Primary Co-operative Agriculture and Rural Development Bank
PDO	–	Public Debt Office
PD	–	Primary Dealer
PLR	–	Prime Lending Rate
PSB	–	Public Sector Bank
PSRS	–	Prudential Supervisory Reporting System
PSU	–	Public Sector Undertaking
PTLR	–	Prime Term Lending Rate
QIB	–	Qualified Institutional Buyer
RALOO	–	Return on Assets and Liabilities of Overseas Offices
RBS	–	Risk-Based Supervision
RCS	–	Registrar of Co-operative Societies
RIDF	–	Rural Infrastructure Development Fund
RKBY	–	*Rashtriya Krishi Bima Yojana*
RNBC	–	Residuary Non-Banking Company
RoA	–	Return on Asset
RRB	–	Regional Rural Bank
RTGS	–	Real-Time Gross Settlement
SAC	–	Settlement Advisory Committee
SACP	–	Special Agricultural Credit Plan
SAO	–	Seasonal Agricultural Operation
SBI	–	State Bank of India
SCA	–	Statutory Central Auditor
SCARDB	–	State Co-operative Agricultural and Rural Development Bank
SCB	–	Scheduled Commercial Bank
SEBI	–	Securities and Exchange Board of India
SFC	–	State Financial Corporation
SFMS	–	Structured Financial Messaging System
SGL	–	Subsidiary General Ledger
SGSY	–	*Swarnajayanti Gram Swarojgar Yojana*
SHG	–	Self Help Group
SHnDC	–	State Handicrafts Development Corporation
SIDBI	–	Small Industries Development Bank of India
SITRA	–	Supply of Improved Toolkits to Rural Artisans
SLBC	–	State-Level Bankers Committee
SLR	–	Statutory Liquidity Ratio
SSI	–	Small-Scale Industry
StCB	–	State Co-operative Bank
STCI	–	Securities Trading Corporation of India
STPLR	–	Short-Term Prime Lending Rate
TFCI	–	Tourism Finance Corporation of India
TRYSEM	–	Training of Rural Youth for Self Employment
UCB	–	Urban Co-operative Bank
UIB	–	Unincorporated Body
UTI	–	Unit Trust of India
VaR	–	Value at Risk
VRS	–	Voluntary Retirement Scheme
YTM	–	Yield to Maturity