

Contents

Sr. No.	Particulars	Page No.
Chapter I: Perspectives on the Indian Banking Sector		
	I Introduction	1
	II Emerging Issues and Policy Responses.....	2
	III The Way Forward.....	8
Chapter II: Global Banking Developments		
	I Introduction	11
	II The Macro-Financial Environment	11
	III Banking Developments: Select Advanced and Emerging Market Economies ...	18
	IV World's Biggest Banks: Profitability, Health and Soundness	25
	V Global Policy Reforms	27
	VI Summing Up	32
Chapter III: Policy Environment		
	I Introduction	33
	II Monetary Policy and Liquidity Management	33
	III Credit Delivery	35
	IV Financial Inclusion.....	37
	V Prudential Regulatory Policy.....	38
	VI Supervisory Policy.....	43
	VII Non-Banking Financial Companies (NBFCs)	45
	VIII Customer Service / Customer Protection in Banks	49
	IX Payment and Settlement Systems.....	50
	X Banking Sector Legislations	51
	XI Overall Assessment	52
Chapter IV: Insolvency and Bankruptcy Code and Bank Recapitalisation		
	I Introduction	53
	II Insolvency and Bankruptcy Code, 2016	53
	III Recapitalisation of Banks	59
	IV Summing Up	62
Chapter V: Operations and Performance of Commercial Banks		
	I Introduction	63
	II Balance Sheet Operations of Scheduled Commercial Banks.....	64
	III Financial Performance of Scheduled Commercial Banks.....	70
	IV Soundness Indicators.....	71
	V Sectoral Distribution of Bank Credit.....	80

Sr. No.	Particulars	Page No.
VI	Operations of Scheduled Commercial Banks in the Capital Market	82
VII	Ownership Pattern in Scheduled Commercial Banks	83
VIII	Foreign Banks' Operations in India and Overseas Operations of Indian Banks.....	84
IX	Payment System Indicators of Scheduled Commercial Banks	85
X	Customer Service	87
XI	Financial Inclusion.....	89
XII	Regional Rural Banks.....	93
XIII	Local Area Banks	94
XIV	Small Finance Banks	95
XV	Overall Assessment	97

Chapter VI: Developments in Co-operative Banking

I	Introduction	99
II	Urban Co-operative Banks	100
III	Rural Co-operatives	113
IV	A Comparative Assessment of Short-term and Long-term Rural Credit Co-operatives.....	133
V	Overall Assessment	134

Chapter VII: Non-Banking Financial Institutions

I	Introduction	137
II	Non-Banking Financial Companies.....	138
III	Payments Banks	150
IV	All India Financial Institutions	152
V	Primary Dealers	156
VI	Recent Developments	159
VII	Overall Assessment	162

List of Boxes

Sr. No.	Particulars	Page No.
I.1	Proportionality in Banking Regulation - A Global Perspective	4
I.2	The FinTech Revolution: Impetus, Opportunities and Risks.....	6
II.1	Prompt Corrective Action across Jurisdictions	16
II.2	Role of Macroprudential Policies in the post- Global Financial Crisis Period.....	30
III.1	Narrow Measure of Shadow Banking.....	46
IV.1	Recovery of NPAs - Role of Different Factors	55
V.1	NPAs and Credit Cycles in India - Priority <i>versus</i> Non-Priority Sectors	75
VI.1	What Drives the Profitability of Scheduled and Non-scheduled UCBs?: A Du Pont Analysis	110
VII.1	Factors Influencing NBFCs' Credit Growth	143
VII.2	Account Aggregator: A Cross-Country Analysis.....	161

List of Tables

Sr. No.	Particulars	Page No.
II.1	Ratio of Non-performing Loans and Advances (NPL Ratio, Per cent)	22
II.2	Adoption Status of Basel III - Number of Basel Committee Member Jurisdictions (End-March 2017)	28
II.3	Implementation of Reforms - Resolution (As of end-June 2017)	28
II.4	Implementation of Reforms - Over-the-Counter Derivatives (As of end-June 2017).....	29
II.5	Implementation of Reforms - Shadow Banking (As of end-June 2017).....	29
IV.1	Transactions under Corporate Insolvency Resolution Process.....	58
IV.2	Initiation of Corporate Insolvency Transactions	58
IV.3	Progress in Registration of Insolvency Professionals (As on September 30, 2017).....	59
IV.4	Recapitalisation: Experience of Advanced Economies	61
V.1	Trends in Flow of Financial Resources to the Commercial Sector from Banks and Non-banks	65
V.2	Consolidated Balance Sheet of Scheduled Commercial Banks	66
V.3	Public Issues by the Banking Sector	67
V.4	Resources Raised by Banks through Private Placements	67
V.5	International Assets of Banks in India - By Type of Instruments (Based on LBS Statements).....	67
V.6	International Liabilities of Banks in India - By Type of Instruments (Based on LBS Statements).....	68
V.7	Maturity (Residual) and Sectoral Classification of Consolidated International Claims of Banks	68
V.8	Consolidated International Claims of Banks on Countries other than India ...	69
V.9	Bank Group-wise Maturity Profile of Select Liabilities / Assets (As at end-March).....	69
V.10	Trends in Income and Expenditure of Scheduled Commercial Banks	71
V.11	Return on Assets and Return on Equity of SCBs - Bank Group-wise.....	71
V.12	Cost of Funds and Return on Funds - Bank Group-wise.....	72
V.13	Component-wise Capital Adequacy of SCBs (As at end-March).....	73
V.14	Trends in Non-performing Assets - Bank Group-wise	74
V.15	Classification of Loan Assets - Bank Group-wise (As at end-March)	76
V.16	Sector-wise NPAs of Banks (As at end-March)	77
V.17	Revised PCA Matrix - Indicators and Risk Thresholds	79

Sr. No.	Particulars	Page No.
V.18	NPAs of SCBs Recovered through Various Channels.....	79
V.19	Details of Financial Assets Securitised by SCs / RCs	80
V.20	Sectoral Deployment of Gross Bank Credit	80
V.21	Retail Loan Portfolio of Banks.....	81
V.22	Priority Sector Lending by Banks (As at March 31, 2017)	82
V.23	Overseas Operations of Indian Banks (As at end-March).....	84
V.24	ATMs of Scheduled Commercial Banks (As at end-March 2017).....	85
V.25	Credit and Debit Cards Issued by Scheduled Commercial Banks (As at end-March 2017).....	86
V.26	Region-wise Complaints Received at Banking Ombudsman Offices	87
V.27	Progress under Financial Inclusion Plans, All SCBs including RRBs	89
V.28	Tier-wise Break-up of Newly Opened Bank Branches	91
V.29	Percentage Share of ATMs of SCBs at Various Centres (As at end-March 2017)	91
V.30	Progress of Microfinance Programmes (As at end-March).....	92
V.31	Financial Inclusion in BRICS and Other Emerging Economies, 2016.....	93
V.32	Purpose-wise Outstanding Advances by RRBs (As at end-March)	93
V.33	Consolidated Balance Sheet of Regional Rural Banks.....	94
V.34	Financial Performance of Regional Rural Banks	94
V.35	Profile of Local Area Banks (As at end-March)	95
V.36	Financial Performance of Local Area Banks	95
V.37	Consolidated Balance Sheet of Small Finance Banks	96
V.38	Purpose-wise Outstanding Advances by Small Finance Banks	96
V.39	Financial Performance of Small Finance Banks.....	97
VI.1	Tier-wise Distribution of Urban Co-operative Banks (End-March 2017)	102
VI.2	Distribution of UCBs by Deposits and Advances (End-March 2017).....	102
VI.3	Liabilities and Assets of Urban Co-operative Banks (End-March)	104
VI.4	Investments by Urban Co-operative Banks.....	105
VI.5	Rating-wise Distribution of UCBs (End-March 2017)	106
VI.6	CRAR-wise Distribution of UCBs (End-March 2017)	106
VI.7	Non-performing Assets of UCBs (End-March)	108
VI.8	Financial Performance of Scheduled and Non-scheduled Urban Co-operative Banks	108

Sr. No.	Particulars	Page No.
VI.9	Select Indicators of Profitability of UCBs.....	110
VI.10	Composition of Credit to Priority Sectors by UCBs (End-March 2017).....	112
VI.11	A Profile of Rural Co-operatives (As at end-March 2016).....	114
VI.12	Share in Credit Flow - Rural Co-operatives	114
VI.13	Liabilities and Assets of State Co-operative Banks	117
VI.14	Select Banking Indicators of Scheduled State Co-operative Banks	117
VI.15	Financial Performance of State Co-operative Banks	117
VI.16	Soundness Indicators of State Co-operative Banks	118
VI.17	Regional Disparity in Financial Health of StCBs	119
VI.18	Liabilities and Assets of District Central Co-operative Banks	120
VI.19	Financial Performance of District Central Co-operative Banks	120
VI.20	Soundness Indicators of District Central Co-operative Banks	121
VI.21	Regional Disparity in Financial Health of DCCBs	122
VI.22	Primary Agricultural Credit Societies - Select Balance Sheet Indicators	123
VI.23	Liabilities and Assets of State Co-operative Agriculture and Rural Development Banks.....	128
VI.24	Financial Performance of State Co-operative Agriculture and Rural Development Banks.....	129
VI.25	Asset Quality of State Co-operative Agriculture and Rural Development Banks.....	130
VI.26	Liabilities and Assets of Primary Co-operative Agriculture and Rural Development Banks.....	131
VI.27	Financial Performance of Primary Co-operative Agriculture and Rural Development Banks	132
VI.28	Asset Quality of Primary Co-operative Agriculture and Rural Development Banks.....	132
VI.29	Comparison of Assets, Credit and Capital Size of SCARDBs and StCBs.....	133
VII.1	Classification of NBFCs Based on Activity	138
VII.2	Consolidated Balance Sheet of NBFCs (End-March).....	139
VII.3	Credit to Select Sectors by NBFCs (End-March).....	140
VII.4	Financial Parameters of the NBFC Sector (End-March)	141
VII.5	Classification of NBFCs' Assets	141
VII.6	Ownership Pattern of NBFCs-ND-SI (End-March)	142
VII.7	Consolidated Balance Sheet of NBFCs-ND-SI (End-March)	144

Sr. No.	Particulars	Page No.
VII.8	Major Components of Liabilities and Assets of NBFCs-ND-SI by Classification of NBFCs (End-March)	145
VII.9	Sources of Borrowings of NBFCs-ND-SI (End-March)	145
VII.10	Financial Performance of NBFCs-ND-SI	145
VII.11	Bank Exposure to NBFCs-ND-SI Sector (End-March 2017)	146
VII.12	Ownership Pattern of NBFCs-D (End-March)	147
VII.13	Consolidated Balance Sheet of NBFCs-D (End-March)	147
VII.14	Major Components of Liabilities and Assets of NBFCs-D by Classification of NBFCs (End-March)	148
VII.15	Financial Ratios of NBFCs-D (End-March)	149
VII.16	Brief Profile of Payments Banks	151
VII.17	Select Financial Parameters of Payments Banks (End-March 2017)	151
VII.18	Select Financial Ratios of Payments Banks (End-March 2017).....	152
VII.19	Ownership Pattern of AIFIs (End-March 2017).....	152
VII.20	Financial Assistance Sanctioned and Disbursed by AIFIs.....	152
VII.21	AIFIs' Balance Sheet.....	153
VII.22	Resources Raised by AIFIs from the Money Market (End-March)	153
VII.23	Pattern of AIFIs' Sources and Deployment of Funds	154
VII.24	Weighted Average Cost and Maturity of Rupee Resources Raised by AIFIs	154
VII.25	Financial Performance of Select AIFIs	154
VII.26	AIFIs' Financial Ratios.....	155
VII.27	AIFIs' Select Financial Parameters.....	155
VII.28	AIFIs' Net NPAs	155
VII.29	AIFIs' Assets Classification	156
VII.30	Performance of PDs in the Primary Market	157
VII.31	Performance of SPDs in the G-secs Secondary Market.....	157
VII.32	Sources and Applications of SPDs' Funds	158
VII.33	Financial Performance of SPDs	158
VII.34	SPDs' Financial Indicators	159
VII.35	Abridged Balance Sheet of NBFCs.....	159
VII.36	Weighted Average Lending Rates of Various Categories of NBFCs-ND-SI.....	160

List of Charts

Sr. No.	Particulars	Page No.
II.1	The Macro Backdrop.....	12
II.2	Credit Growth in Select Economies.....	13
II.3	Credit to Households	14
II.4	Return on Assets: Select Economies	14
II.5	Capital to Risk Weighted Assets Ratio (CRAR): Select Economies.....	15
II.6	Non-performing Loans Ratio: Select Economies.....	15
II.7	Leverage Ratio: Select Economies	18
II.8	Market-based Indicators of Bank Health	18
II.9	Credit and Deposit Growth: USA.....	19
II.10	Improving Asset Quality: US Banks.....	19
II.11	Bank Credit and Deposits: UK	20
II.12	Bank Credit in the UK: Availability and Quality.....	21
II.13	Bank Assets and Lending in the Euro Area	22
II.14	Drivers of Deposit Growth: Euro Area.....	23
II.15	The Chinese Banking System - A Snapshot	23
II.16	The Brazilian Banking Sector - A Snapshot.....	24
II.17	The Russian Banking Sector - A Snapshot	25
II.18	Distribution of the World's Largest Banks: Capital and Assets	25
II.19	Return and Asset Quality.....	26
II.20	Bank Soundness	26
II.21	Capital Adequacy <i>versus</i> Profitability <i>versus</i> Asset Quality	27
IV.1	Capital Infusion by the Government in PSBs.....	62
V.1	Growth in Select Banking Aggregates	64
V.2	Bank Group-wise Growth in Advances.....	64
V.3	Growth in CASA and Term-deposits, Bank Group-wise	66
V.4	Trends in Outstanding C-D Ratio (End-March)	66
V.5	Trends in Maturity Profile of Assets and Liabilities	69
V.6	Growth in Balance Sheet and Off-balance Sheet Transactions.....	70
V.7	Composition of Off-Balance Sheet Exposures of the Banking Sector - 2016-17	70
V.8	CRAR - Bank Group-wise	72
V.9	Leverage Ratio - Bank Group-wise	73

Sr. No.	Particulars	Page No.
V.10	Liquidity Coverage Ratio	74
V.11	Restructured Standard Advances as per cent of Gross Advances	76
V.12	Share of Loan Accounts with Possible Stress in Total Funded Amount Outstanding in case of Large Borrowal Accounts	77
V.13	Slippage Ratio	77
V.14	Stressed Assets to Gross Advances in Select Industries (End-March).....	78
V.15	GNPA Ratio for Select Sectors	78
V.16	Provision Coverage Ratio.....	78
V.17	Stressed Asset Sale to SCs / RCs.....	79
V.18	Growth in Credit to Major Sectors	80
V.19	Growth in Credit to Priority Sectors.....	81
V.20	Relative Performance of Bank Indices and Nifty 50	83
V.21	Bank Group-wise Share in Total Assets and Profits of Banking Sector (End-March).....	83
V.22	Public Shareholding in Select PSBs.....	83
V.23	Instruments of Retail Payments.....	85
V.24	Growth of ATMs	86
V.25	Trends in Debit and Credit Cards	86
V.26	Progress of Pre-paid Payment Instruments	87
V.27	Population Group-wise Distribution of Complaints Received at BOs	88
V.28	Share of Major Types of Complaints.....	88
V.29	Number of Complaints per Bank Branch / Account - 2016-17.....	88
V.30	Banking Outlets in Villages (Percentage Share in Total)	90
V.31	Bank Group-wise Share in PMJDY Accounts (As on December 6, 2017).....	90
V.32	Average Balance in PMJDY Accounts.....	90
V.33	Banking Penetration across Regions.....	91
V.34	Distribution of ATMs.....	92
VI.1	Structure of Co-operative Credit Institutions in India (End-March 2017).....	99
VI.2	The Structure of Co-operatives by Asset Size	100
VI.3	Fall in Number of UCBs since 2005.....	101
VI.4	Geographical Distribution of UCB Mergers (Cumulative basis as at end-March 2017)	101

Sr. No.	Particulars	Page No.
VI.5	Asset Growth of UCBs	101
VI.6	Rise of the Tier II UCBs (End-March)	102
VI.7	Changing Distribution of Deposits of UCBs (End-March)	102
VI.8	Distribution of UCBs by Deposits <i>versus</i> Advances (End-March 2017)	103
VI.9	Distribution of UCBs by Asset Size (End-March)	103
VI.10	Asset Share of Scheduled UCBs (End-March)	103
VI.11	Credit to Deposit Ratio (End-March)	104
VI.12	Investment to Deposit Ratio (End-March).....	105
VI.13	SLR and Non-SLR Investments of UCBs: End-March (y-o-y percentage variation)..	105
VI.14	Distribution of Number and Business of UCBs - by Rating Categories	106
VI.15	UCBs with CRAR above 9 Per cent	107
VI.16	Growth in Net Worth and Assets.....	107
VI.17	Non-performing Assets: UCBs <i>versus</i> SCBs	107
VI.18	NPAs and PCR - UCBs	107
VI.19	NPAs to Net Worth Ratio for UCBs (End-March)	108
VI.20	Non-interest Income Share of UCBs	109
VI.21	Share of Non-interest Income <i>versus</i> Capital Buffer - Scheduled UCBs.....	109
VI.22	Profitability Indicators - UCBs.....	109
VI.23	Profitability Indicators - SUCBs <i>versus</i> NSUCBs	110
VI.24	Priority Sector Lending - UCBs (Share in Total Advances).....	112
VI.25	Advances to Weaker Sections by UCBs	113
VI.26	Share of Short-term <i>versus</i> Long-term Co-operatives in Total Assets of Rural Co-operatives: End-March	115
VI.27	Change in Number of Rural Co-operatives between March 2015 and March 2016.....	116
VI.28	Soundness Indicators of StCBs	118
VI.29	Regional Trends in NPAs and Recovery	118
VI.30	Regional Disparity in Financial Health of StCBs	119
VI.31	Growth in Loans - StCBs <i>versus</i> DCCBs	119
VI.32	Credit-Deposit Ratio.....	119
VI.33	Soundness Indicators of DCCBs.....	121
VI.34	NPAs and Recovery - StCBs <i>versus</i> DCCBs (End-March).....	121

Sr. No.	Particulars	Page No.
VI.35	Share of Operating Expenses in Total Expenses	121
VI.36	Regional Trends in NPAs and Recovery - DCCBs	122
VI.37	Regional Disparity in Financial Health of DCCBs	122
VI.38	Growth in Outstanding Credit of PACS.....	123
VI.39	Resource Composition - Short-term Co-operatives.....	123
VI.40	Member Share by Category	124
VI.41	Borrower to Member Ratio by Category.....	124
VI.42	Borrower to Member Ratio - Shortfall from 50 Per cent Access	124
VI.43	Growth in Loans Disbursed by PACS	124
VI.44	Percentage of PACS in Profit and Loss.....	125
VI.45	Net Profit to Loans and Advances Ratio of the Short-term Credit Institutions	125
VI.46	Net Profit of PACS by Region	125
VI.47	Percentage of PACS in Profit and Loss - Regional Level (End-March 2016).....	126
VI.48	DCCB Licensing Waterfall.....	127
VI.49	Capital-to-Assets Ratio	127
VI.50	CRAR: StCBs and DCCBs.....	127
VI.51	Balance Sheet Insights - SCARDBs.....	129
VI.52	NPAs and Recovery - SCARDBs	130
VI.53	NPA Ratios: A Comparison	130
VI.54	Region-wise Position of Financial Health of SCARDBs.....	131
VI.55	Profitability Indicators of PCARDBs	132
VI.56	Financial Health of PCARDBs <i>vis-a-vis</i> SCARDBs	133
VI.57	StCBs <i>versus</i> SCARDBs - By RoA.....	134
VII.1	Non-Banking Financial Institutions Regulated by the Reserve Bank of India ...	137
VII.2	Number of Registrations and Cancellations of CoR of NBFCs.....	139
VII.3	Exposure to Sensitive Sectors as a per cent of Total Assets (End-March)	140
VII.4	Profitability Ratios of NBFCs (End-March)	141
VII.5	Asset Quality of NBFCs (End-March)	141
VII.6	Capital Adequacy of NBFC Sector (End-March)	142

Sr. No.	Particulars	Page No.
VII.7A	Gross NPAs as a percentage of Gross Advances of NBFCs-ND-SI (End-March).....	146
VII.7B	Net NPAs of NBFCs-ND-SI (End-March)	146
VII.8	Category-wise CRAR of NBFCs-ND-SI (End-March).....	146
VII.9A	Public Deposits of NBFCs-D (End-March)	148
VII.9B	Ratio of Public Deposits of NBFCs-D to SCBs' Aggregate Deposits (End-March).....	148
VII.10	Select Financial Parameters of NBFCs-D (End-March)	149
VII.11	Gross NPA Ratio of NBFCs-D (End-March).....	149
VII.12	Gross and Net NPA Ratio of NBFCs-D (End-March)	150
VII.13	Capital to Risk (Weighted) Assets Ratio of NBFCs-D (End-March)	150
VII.14	Balance Sheet of Payments Banks (End-March 2017)	151
VII.15	Long-term PLR Structure of Select AIFIs	154
VII.16	Average RoA of AIFIs	155
VII.17	Capital to Risk (Weighted) Assets Ratio of AIFIs	156
VII.18	Average Rate of Underwriting Commission of PDs.....	156
VII.19	Capital and Risk Weighted Asset Position of SPDs.....	159
VII.20	Growth Rates of Credit of NBFCs and Banks	160
VII.21	Sectoral Credit Deployment by NBFCs-ND-SI	160
VII.22	GNPA Ratio of NBFCs-ND-SI	160

List of Appendix Tables

Sr. No.	Particulars	Page No.
V.1	Indian Banking Sector at a Glance	164
V.2	Off-Balance Sheet Exposure of Scheduled Commercial Banks in India	165
V.3	Kisan Credit Card Scheme: State-wise Progress (As at end-March 2017)	166
V.4	Bank Group-wise Lending to the Sensitive Sectors (As at end-March).....	167
V.5	Shareholding Pattern of Domestic Scheduled Commercial Banks (As at end-March 2017).....	168
V.6	Branches and ATMs of Scheduled Commercial Banks (As at end-March 2017).....	170
V.7	Statement of Complaints Received at Banking Ombudsman Office (For the Period 2016-17)	173
VI.1	Select Financial Parameters of Scheduled UCBs (As at end-March 2017).....	176
VI.2	Major Indicators of Financial Performance of Scheduled UCBs	177
VI.3	Salient Indicators of Financial Health of State Co-operative Banks - Region and State-wise (As at end-March)	179
VI.4	Salient Indicators of Financial Health of District Central Co-operative Banks - Region and State-wise (As at end-March).....	180
VI.5	Select Indicators of Primary Agricultural Credit Societies - State-wise (As at end-March 2016).....	181
VI.6	Major Financial Indicators of State Co-operative Agriculture and Rural Development Banks – State-wise (As at end-March).....	183
VI.7	Major Financial Indicators of Primary Co-operative Agriculture and Rural Development Banks – State-wise (As at end-March).....	184
VII.1	Credit to Various Sectors by NBFCs (End-March)	185
VII.2	Financial Assistance Sanctioned and Disbursed by Financial Institutions.....	186
VII.3	Financial Performance of Primary Dealers	188
VII.4	Select Financial Indicators of Primary Dealers	190