Chapter I
Banking Development and Perspectives

Banking has traditionally remained a protected industry in many emerging economies. Regulated deposit and lending rates and restrictions on competition enabled comfortable spreads. There was limited pressure on banks to come out of this quiescent and protected world. A combination of developments have compelled bankers to change the old ways of doing business. These include, among others, technological advancements, disintermediation pressures arising from a liberalised financial marketplace, increased emphasis on shareholder value, and macroeconomic pressures and banking crises in the 1990s. The scope, timing and speed of this process, however, have not been uniform across countries or segments of the industry, reflecting the differing objectives of intervention and diverse initial conditions.

1.2 As a consequence of the transitional developments that are taking place, the dividing lines between financial products, types of financial institutions and their geographical location have become less relevant than in the past. At the same time, the growing size of financial activity relative to overall economic activity in a closely integrated world has implied that disruptions in financial markets or infrastructure in any economy can engender contagion, which can spread rapidly and have far greater adverse economic ramifications than was the case earlier. Consequently, while lending and deposit-taking have continued to remain the mainstay of banking business, the greater globalisation of banking operations in an increasingly market-driven environment has made risk management critical.

1.3 Globally, while banking operations have been undergoing drastic metamorphosis, financial stability has come to occupy centre-stage as one of the prime policy concerns facing central banks worldwide. Given the predominantly bank-based nature of financial systems in emerging markets, there is growing realisation that the preservation of the safety and soundness of individual financial institutions, especially banks, and of the financial system as a whole is important not only for conducting business across national borders, but also for preserving financial stability. Not surprisingly, therefore, the banking sector in most emerging economies, including India, is passing through challenging times.

1.4 Against the above backdrop, this Chapter provides an overview of policy initiatives undertaken in the Indian banking system during 2001-02 and a perspective towards developing an efficient and globally competitive banking system.

1. Policy Environment

Monetary and Credit Policy

1.5 Recent experiences in conducting monetary policy have highlighted the imperative need for strategic adjustments so as to enable the policy to respond effectively to market disturbances as the economy becomes increasingly integrated with global financial markets. The development of a sound and healthy banking system through promotion of prudent financial practices has become essential to sustain financial stability. It has been recognised that the Indian banking system should be in tune with well-laid down international standards of capital adequacy and prudential norms.

1.6 The annual monetary and credit policy Statements as well as the mid-term Reviews of the Reserve Bank of India (RBI) have, therefore, been focusing on the structural and regulatory measures needed to strengthen the financial system and improve the functioning of various segments of the financial market. These measures, introduced after extensive consultations with experts and market participants, have the objectives of:

- increasing operational effectiveness of monetary policy,
- redefining the regulatory role of the RBI,
- strengthening prudential and supervisory norms,
- improving credit delivery system, and

- developing technological and institutional infrastructure of the financial sector.

1.7 Technology has broadened the horizon of banking business and in the context of deregulation, it has contributed to the emergence of a more open, competitive and globalised financial market. While this has contributed to improvements in the efficiency in the economy, it has also underscored the need for greater vigilance and prudence in managing banking operations.

1.8 The Monetary and Credit Policy, announced in April 2002, reiterated the objective of achieving convergence between Indian standards and international practices and focused, among others, on issues related to prevention of money laundering, corporate debt restructuring, investment fluctuation reserve and technology upgradation.

Interest Rate Structure

Bank Rate and Repo Rate

1.9 On the basis of the review of the macroeconomic and monetary developments, the Bank Rate was reduced to 6.50 per cent effective October 23, 2001. The April 2002 Monetary and Credit Policy statement also announced that in case the overall liquidity and credit situation warranted it and inflation rate continued to remain low, a reduction in the Bank Rate by up to half a percentage point (50 basis points) would be considered. Liquidity conditions, by and large, remained favourable, reflected in higher daily average outstanding amount of repos in response to which, the repo rate was brought down to 5.75 per cent on June 27, 2002. In the mid-term Review for 2002-03, the Bank Rate was reduced by 0.25 percentage point from 6.50 per cent with effect from the close of business on October 29, 2002. At this level, it is the lowest Bank Rate since 1973. The repo rate was reduced by 0.25 percentage point for the LAF on October 30, 2002.

Liquidity Adjustment Facility (LAF)

1.10 The LAF, an important indirect instrument for the conduct of monetary policy, operated through daily repo and reverse repo auctions, is assigned the objective of meeting day-to-day liquidity mismatches in the system, smoothening volatility in short-term money market rates and steering these rates consistent with monetary policy objectives.

1.11 In the second stage of LAF commencing May 2001, rationalisation in the operating procedures of LAF was effected. The minimum bid size was reduced from Rs.10 crore to Rs.5 crore to enable small level operators to participate in LAF auctions. The auction format for LAF was changed from the uniform price auction method to the multiple price auction method to ensure more responsible bidding. The timing for LAF auctions was advanced by 30 minutes, to provide additional time to unsuccessful bidders in LAF auctions to cover up their positions in the short-term money market. A system of information dissemination on aggregate cash balances maintained by scheduled commercial banks (SCBs) with RBI, on a cumulative basis during the reporting fortnight, was introduced with a view to stabilising market expectations and dampening volatility in call rates. Furthermore, RBI introduced longer-term repos up to 14 days and has resorted to fixed rate repos on overnight basis on one occasion. Since February 15, 2002, the members of Negotiated Dealing System (NDS) submit LAF bids on electronic platform instead of physical form.

1.12 The second stage of LAF was introduced in synchronisation with the rationalisation of standing liquidity facilities. In the second stage of LAF, operating since May 8, 2001, the standing liquidity facilities have been split into normal and backstop components. The switchover to the modified operating procedures so far has been smooth. The medium-term objective is to move gradually towards a full-fledged LAF and to do away with various sector-specific standing liquidity facilities.

Deposit and Lending Rates

1.13 The policy measures focused on imparting greater flexibility and transparency to the interest rate structure so that interest rates evolve in alignment with the behaviour of domestic and international macroeconomic and financial conditions.

1.14 One of the major objectives of the progressive deregulation of interest rates was to provide considerable flexibility to banks in deciding their deposit/lending rate structures and managing their assets/liabilities. On the deposit side, except for savings deposits on which the interest rate is fixed at 4 per cent, banks are free to offer fixed/floating rates. To impart flexibility, banks are encouraged to consider introducing flexible interest rate systems for all new deposits, in addition to the fixed rate option already available to depositors. Illustratively, banks may offer longer-term deposits at a floating rate and simultaneously offer fixed rates for similar maturity, with higher or lower interest rates depending on the period of deposit and banks' perception regarding inflation and interest rate outlook over the longer period. Banks were urged to devise schemes encouraging depositors to convert their existing long-term fixed rate deposits into variable rate deposits. Commercial banks were advised to consider the option of paying depositors at the contracted rate for the period of deposit already run and waive the penalty for premature withdrawal if the same deposit is renewed at the variable rate. Interest rate ceilings for foreign currency non-resident (banks) [FCNR (B)] deposits were revised downwards to LIBOR/SWAP rates of corresponding maturities minus 25 basis points. The mid-term Review for 2002-03 relaxed the ceiling rate for Japanese Yen deposits.

1.15 On the lending side, banks are free to prescribe respective prime lending rates (PLRs) across various tenors, as also lend at sub-PLR rates. To extend the benefits of lower interest rates to a wider spectrum of borrowers, banks were urged to review and disclose the maximum spreads over PLR and reduce them if unreasonably high, so as to enhance transparency and ensure credit availability at reasonable rates. In order to ensure appropriate pricing of loans, banks are encouraged to review both their PLRs and spreads and align spreads within reasonable limits around PLR subject to approval of their Boards.

1.16 In the interest of customers, and also to enhance competition, banks are expected to provide necessary information on deposit rates for various maturities, effective annualised return to depositors and maximum and minimum interest rates charged to their borrowers. Moreover, banks were urged to switch over to "all cost" concept for borrowers through explicit declaration of processing, service charges, etc. To further enhance transparency, it was proposed to consolidate this information and post it on the RBI's website after the data system has stabilised.

1.17 In tandem, in order to accord greater flexibility to co-operative banks and to enable them to attract good/prime borrowers in a competitive environment, the stipulation of minimum lending rate (MLR) for all co-operative banks was withdrawn. Co-operative banks are now free to determine their lending rates taking into account the cost of funds, transactions costs, etc. Furthermore, to ensure that the interest rates charged are transparent and known to all customers, co-operative banks have to publish minimum and maximum rates charged, and display this information in every branch.

Export Credit Interest Rates

1.18 In order to infuse competition and to provide exporters wider choice, the rupee export credit interest rate structure was linked to the PLR of banks. Ceiling rates applicable on pre-shipment credit upto 180 days and post-shipment credit (demand bills and usance bills) upto 90 days, were set at 150 basis points below PLR. In consideration of the special unusual international developments that occured in September 2001 and their consequent implications for Indian trade, the ceiling rate on export credit was reduced to 250 basis points below PLR for the above period, effective September 26, 2001, extended till end-September 2002 and further upto end-April 2003. Likewise, the ceiling for interest on foreign currency loans was reduced to LIBOR plus 0.75 percentage points in April 2002, in consonance with the reduction of 25 basis points on the interest to be paid on FCNR (B) deposits. The concessionality in interest rates for deemed exports is widely publicised by banks so that the advantage can be availed by all sections of exporters.

Export Credit Refinance

1.19 Beginning May 5, 2001, scheduled banks were provided export credit refinance facility 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 or the existing limits as on May 4, 2001, whichever was higher. The old formula, based on an increment of export credit eligible for refinance over the base date, did not reflect the extent of total credit support being provided by banks to exporters, especially in cases where the base levels were high. The limit prevailing on May 4, 2001 constituted the minimum limit available to a bank up to March 31, 2002. Effective April 1, 2002, export credit refinance is being provided to scheduled banks at 15 per cent of their outstanding export credit eligible for refinance as at the end of the preceding fortnight.

Liberalisation of Investment Norms of Funds Mobilised under FCNR(B) Deposits

1.20 To avoid asset-liability mismatches, and also to be consistent with the prevalent risk management guidelines, banks were permitted to invest FCNR(B) deposits in longer term fixed income instruments provided these instruments have ratings comparable to those prescribed for the money market instruments. Banks have to obtain prior approval from their Boards with regard to type/tenor of instruments along with relevant rating and likely cap on such investments within the asset-liability management (ALM) guidelines in force.

Relaxation on Borrowing from and Investment in Overseas Markets by Banks

1.21 To enhance operational flexibility banks have been permitted to borrow up to 25.0 per cent of their unimpaired tier I capital from overseas markets. Concurrently, the extant limit of 15.0 per cent of unimpaired tier I capital for investment in overseas market was also raised to 25.0 per cent. The borrowings and investments in money market instruments will be within the existing open position limit and maturity mismatch limits (gap limits). These measures are expected to enhance the integration of the Indian financial market with global markets, as also the different segments of the domestic market.

Crystallisation of External Commercial Borrowings

1.22 Overseas branches of authorised dealers (ADs) in foreign exchange customarily extend external commercial borrowings (ECBs) to Indian corporates against guarantees/letters of comfort issued by their branches in India. In cases of default of payment of interest/ instalment on due date, the branches in India have to honour the commitment. In cases where the accounts have become non-performing asset (NPA), the branches have to continue to service the loan in forex. To accord greater freedom and flexibility to banks in their fund management, permission was granted with appropriate safeguards for crystallisation of ECBs into rupee loans where considered necessary by banks.

Cash Reserve Ratio (CRR)

1.23 The RBI has been pursuing its medium-term objective of reducing the CRR to its statutory minimum level of 3.0 per cent. The CRR was reduced from 11.0 per cent in August 1998 to 7.5 per cent by May 2001. In October 2001, the CRR of SCBs (excluding Regional Rural Banks (RRBs)) was rationalised along with a reduction of 200 basis points to 5.5 per cent of net demand and time liabilities (NDTL). For strengthening the LAF and introducing better prudential standards, the CRR was reduced further to 5.0 per cent effective June 1, 2002. In the Mid-term Review of Monetary and Credit Policy for the year 2002-03, it was announced that the CRR would be reduced to 4.75 per cent effective from the fortnight beginning November 16, 2002.

1.24 Rationalisation of CRR was also initiated by withdrawing various exemptions given to banks on certain specific categories of liabilities for the CRR requirement. Subsequently, all categories of scheduled banks, including cooperative banks, were also subjected to the same CRR prescription as applicable to SCBs. These measures were designed to facilitate development of a short-term yield curve, develop the money market, enhance availability of lendable resources with banks and improve the efficacy of indirect instruments in the conduct of monetary policy.

Statutory Liquidity Ratio (SLR)

1.25 There has been no change in the statutory minimum requirement of SLR of 25 per cent of NDTL for commercial banks. Scheduled Urban Co-operative Banks are required to maintain the entire prescribed 25 per cent SLR holding only in Government and other approved securities from April 1, 2003. For RRBs, balances maintained in call money or fixed deposits with their sponsor banks were hitherto treated as 'cash' and hence reckoned towards their maintenance of SLR. As a prudential measure, RRBs are now required to maintain their entire SLR holdings in Government and other approved securities. The RRBs were allowed to convert existing deposits with sponsor banks into Government securities by March 31, 2003. Subsequently, the SLR holdings of RRBs in the form of deposits with sponsor banks maturing beyond March 31, 2003 were allowed to be retained till maturity.

Policy Perspectives Associated with Money Market Developments

Money Market

Moving further towards Pure Inter-bank Call Money Market

1.26 The intention to move towards a pure inter-bank call/notice money market by gradually phasing out non-bank participation was enunciated in April 2001. Accordingly, a time frame was outlined with four stages for implementation. In stage I, non-bank participants were allowed to lend, on average, up to 85 per cent of their average lending during 2000-01 in a reporting fortnight. A review of progress revealed that phasing out of non-banks has not caused any strain on the market: the volatility in the call money rate has reduced and average daily turnover has gone up. Simultaneously, net lending through repo transactions by non-banking financial institutions and mutual funds has increased. Accordingly, it was decided to move towards stage II, where non-bank participants would be allowed to lend, on average in a reporting fortnight, up to 75 per cent of their average lending in call /notice market during 2000-01 with effect from a date to be announced later, depending on when NDS/CCIL becomes fully operational, and widely accessed.

Reliance on Call/Notice Money Market

1.27 Narasimham Committee II had recommended that clearly defined prudent limits should exist, beyond which banks should not be allowed to rely on call/notice money market. Moreover, access should essentially be for meeting unforeseen mismatches and not as a regular means of financing banks' lending operations. This was also recognised in the guidelines on Asset-Liability Management (ALM) system issued by RBI in February 1999 which required, *inter alia,* that mismatches during the first two time buckets, *viz.*, 1-14 days and 15-28 days should not, in any case, exceed 20 per cent of the cash outflows in each time bucket. Further, to reduce excessive reliance on short-term funding, banks were advised to set a cap on inter-bank borrowings, especially call borrowings. A Working Group with representatives from eligible entities was constituted to recommend by June 30, 2002, the criteria for fixing the limits for Primary Dealers (PDs) in call/notice money market and suggest a road map for phasing them out from the call money market.

1.28 It was felt that building up of substantial exposure relative to balance sheet size by some participants on a continuous basis has the potential not only for default and consequent systemic instability, but also impedes the development of other segments of the money market, particularly, the term money market. The Technical Advisory Committee on Money and Government Securities Markets (TAC) also suggested linking of borrowing and lending in call/notice money market to the size of the balance sheet. Accordingly, it was decided to impose prudential limits on exposure to call/ notice money market in a symmetric way so as to preserve the integrity of the financial system.

1.29 In the first stage from the fortnight beginning October 5, 2002, lending by SCBs on a fortnightly basis in the call/notice money market should not exceed 50.0 per cent of their owned funds (paid-up capital plus reserves) as at the end of March of the previous financial year; however, banks are allowed to lend a maximum of 100.0 per cent of their owned funds on any day during a fortnight. Borrowing by SCBs, on the other hand, in call/notice money market, on a fortnightly average basis, should not exceed 150.0 per cent of their owned funds or 2.0 per cent of aggregate deposits as at the end of March of the previous financial year, whichever is higher; however, banks are allowed to borrow a maximum of 250.0 per cent of their owned funds on any day during a fortnight.

1.30 In the second stage, with effect from the fortnight beginning December 14, 2002, lending of SCBs, on a fortnightly average basis, should not exceed 25.0 per cent of their owned funds; however, banks are allowed to lend a maximum of 50.0 per cent on any day during a fortnight. Similarly, borrowing by SCBs should not exceed 100.0 per cent of their owned funds or 2.0 per cent of aggregate deposits, whichever is higher; however, banks are allowed to borrow a maximum of 125.0 per cent of their owned funds on any day during a fortnight. Effective October 5, 2002, PDs lendings in the call money market were limited to 25.0 per cent of their net owned fund (NOF). PDs are permitted to adhere to the limits of lending on a fortnightly average basis. The stipulated limits for borrowing in the call/notice money market will be implemented at a later stage conditional upon certain developments in the repo market.

1.31 For urban co-operative banks (UCBs), it was stipulated on April 19, 2001 that their borrowings in 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. Subsequently, the same stipulation was extended to State Co-operative Banks (StCBs) and District Central Co-operative Banks (DCCBs) on April 29, 2002 in that borrowings by StCBs and DCCBs in 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.

Collateralised Lending Facility (CLF)

1.32 The extent of liquidity support available to each bank out of the CLF, under which liquidity is provided against the collateral of Government of India dated securities/treasury bills held in excess of their SLR requirement, had been stipulated at 0.125 per cent of its fortnightly average outstanding aggregate deposits in 1997-98. With the progressive development of the inter-bank repo market and operationalisation of Clearing Corporation of India Limited (CCIL), limits for the CLF were reduced by 50 per cent with effect from the fortnight beginning July 27, 2002 and were withdrawn completely effective October 5, 2002.

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

Box I.1: Major Policy Measures Announced in the Mid-term Review of Monetary and Credit Policy for the year 2002-03

Monetary Measures

(a) Bank Rate

- The Bank Rate was reduced by 0.25 percentage point from 6.50 per cent with effect from the close of business on October 29, 2002. At this level, it is the lowest Bank Rate since 1973.

(b) Cash Reserve Ratio

- The CRR was reduced from 5.0 per cent to 4.75 per cent effective from the fortnight beginning November 16, 2002. With this reduction, CRR has been reduced by as much as 3.75 percentage points over the past two years.
- Banks have been advised to maintain a minimum of 80 per cent of required CRR amount on a daily basis effective from the fortnight beginning November 16, 2002. The minimum level of 80 per cent would be applicable for all the days in a reporting fortnight.

(c) Statutory Liquidity Ratio of Regional Rural Banks (RRBs)

- SLR holdings of RRBs in the form of deposits with sponsor banks maturing beyond March 31, 2003 was allowed to be retained till maturity. These deposits may be converted into government securities, on maturity, in case the concerned RRBs have not achieved the 25 per cent minimum level of SLR in government securities by that time.

- Although deposits with sponsor banks contracted before April 30, 2002 would be reckoned for SLR purpose till maturity, RRBs were advised to achieve the target of maintaining 25 per cent SLR in government securities out of the maturity proceeds of such deposits with sponsor banks as well as from their incremental public deposits at the earliest.

(d) Interest Rate Policy

- In order to further improve flexibility, banks were given freedom to decide the period of reset on variable rate deposits.

- In order to ensure appropriate pricing of loans, banks were encouraged to review both their PLRs and spreads and align spreads within reasonable limits around PLR subject to approval of their Boards.
- RRBs/LABs and co-operative banks were encouraged not to pay any additional interest on the savings bank accounts over and above what is payable by commercial banks.
- Co-operative banks were encouraged not to pay interest on current accounts.
- Sponsor banks were encouraged not to pay interest on the current accounts maintained by RRBs with them.

(e) Rupee Export Credit Interest Rates

With a view to encouraging competition among banks and to increase the flow of credit to export sector, the interest rates on export credit in rupee terms were proposed to be liberalised in two phases:

- In the first phase, the ceiling rate of PLR plus 0.5 percentage point on pre-shipment credit beyond 180 days and upto 270 days and post-shipment credit beyond 90 days and upto 180 days will be deregulated with effect from May 1, 2003. Banks would have freedom to charge PLR or sub-PLR rates subject to approval of their Boards.
- In the second phase, with effect from a date to be announced later, it would be considered whether the ceiling rates on pre-shipment credit upto 180 days and post-shipment credit upto 90 days should also be discontinued to encourage greater competition in the interest of exports.

(f) Flexibility in the Repayment of Export Credit

- In order to impart flexibility in the repayment of export credit, it was decided that subject to mutual agreement between the exporter and the banker, the repayment/ prepayment of pre-shipment credit would henceforth be permitted. For this purpose, balances held in the EEFC account of the exporter can also be used.

(g) Interest Rate on FCNR(B) deposits

- In respect of interest rates on FCNR(B) deposits, the ceiling rate for Japanese Yen deposits was relaxed. Banks are free to decide FCNR(B) deposit rates denominated in Japanese Yen which may be equal to or less than LIBOR/SWAP rates of corresponding maturities till further notice. Interest rate ceiling on FCNR(B) deposits denominated in other currencies will remain unchanged at the prevailing level of LIBOR/SWAP rates of corresponding maturities minus 25 basis points.

(h) Rationalisation of Standing Facilities

- With a view to furthering the progress of phasing out sector-specific standing facility in an environment of low CRR, it was decided that the apportionment of normal and back-stop facilities, which presently is in the ratio of two-thirds to one-third (67:33) would be changed to one-half each (50:50) from the fortnight beginning November 16, 2002.

(i) Certificates of Deposit (CDs)

- In order to provide more flexibility for pricing of CDs and to give additional choice to both investors and issuers, banks and FIs may issue CDs on floating rate basis provided the methodology of computing the floating rate is objective, transparent and market-based.

(j) Government Securities Market

In order to provide further transparency and stability in government securities market, the following measures were announced:

- In order to enlarge the number of participants and to provide countrywide access to government securities, anonymous screen-based order-driven trading in government securities on the stock exchanges was proposed to be introduced.
- It was decided to extend repo facility to select category of non-SGL account holders with adequate safeguards to ensure 'Delivery Versus Payment' and transparency.
- RBI proposes regulatory and prudential norms for introduction of Collateralised Borrowing and Lending Obligation (CBLO), a product developed by CCIL, as a money market instrument with original maturity between one day and upto one year.

(k) Priority Sector Lending

- In order to improve credit delivery to the priority sector and in particular to agriculture, the limit on advances granted to dealers in drip irrigation/ sprinkler irrigation system/agricultural machinery, located in rural/semi-urban areas would be increased from Rs.10 lakh to Rs. 20 lakh under priority sector lending for agriculture.
- In order to further increase credit flow to the small business and to weaker sections, the existing overall limit of Rs.10 lakh in respect of small business is increased to Rs.20 lakh without any ceiling for working capital. Further, banks are free to fix individual limits for working capital depending upon the requirements of different activities.
- To increase the individual credit limit to artisans, village and cottage industries to Rs.50,000 from the existing limit of Rs.25,000. The limits will be under the overall limit of 25 per cent advances to weaker sections under priority sector or 10 per cent of net bank credit.
- In order to increase credit flow to the housing sector, it is proposed to increase the existing limit of housing loans for repairing damaged houses from Rs.50,000 to Rs.1 lakh in rural and semi-urban areas and to Rs.2 lakh in urban areas.
- Unsecured advances given by banks to SHGs against group guarantees would be excluded for the purpose of computation of the prudential norms on unsecured guarantees and advances until further notice. The matter would be reviewed after a year in the light of growth in aggregate unsecured advances, and the recovery performance of advances to SHGs.

(l) Apex Supervisory Body

- The proposal for an Apex Supervisory Body was examined by a Committee under the Chairmanship of Hon. Minister of State for Finance. While RBI would do its best in implementing the final decisions of the Government in this regard, it may be kept in view that in case immediate measures are not taken to remove duality of control, it will be difficult to make the supervisory system effective.

Prudential Measures

- In order to have a consistent and uniform approach towards all segments of the banking system, the 90 days norm for recognition of loan impairment was extended to the State Co-operative Banks and District Central Co-operative Banks from the year ending March 31, 2006. To facilitate smooth transition, banks are advised to move over to charging interest on monthly rests effective April 1, 2004.
- As regards the adoption of 90 days norm for recognition of loan impairment, banks have been provided the option to charge interest at monthly rests effective either from April 1, 2002 or July 1, 2002 or April 1, 2003.
- In respect of advances to short duration crops and allied agricultural activities such as dairy, fishery, piggery, poultry, bee-keeping etc., banks were advised to consider the due dates fixed on the basis of fluidity with borrowers and harvesting/marketing season while charging interest and compounding the same if the loan/instalment becomes overdue.

Risk-based Supervision (RBS)

- It was stressed that RBI would switch over to RBS of banks by 2003.

Off-shore Banking Units (OBUs) in Special Economic Zones (SEZs)

- A scheme of OBUs in SEZs as branches of banks operating in India has been formulated and approval of the Central Government has been obtained. Detailed guidelines in this regard would be issued to banks shortly.

Government Securities Market

1.34 The growing market orientation of debt management policy since 1992 has placed increased emphasis on active debt management with the objective of minimising cost, while containing the refinance/rollover risk. Recognising the fact that a deep and liquid Government securities market would improve market efficiency and reduce the cost of borrowing, initiatives have been taken in recent years to consolidate debt through reissuance of existing loans and to develop benchmark securities. In order to reduce refinancing risk, greater emphasis has been placed on managing the maturity structure of Government loans. The weighted average maturity of loans issued has been altered from 6.6 years in 1997-98 to 14.3 years in 2001-02 and 13.7 years during the current year (upto October 9, 2002).

Calendar of Auctions - Dated Securities

1.35 In order to provide greater transparency and to facilitate investment planning by market players, a calendar of issuance was announced on March 27, 2002 for Rs. 68,000 crore (for the period April to September 2002) indicating the amounts and maturities of loans to be issued as also the tentative dates in a range of 4-6 days. This represented an indicative core calendar with possible variations depending on market conditions and other factors. The budgeted gross market borrowing through issuance of dated securities for 2002-03 is Rs. 1,16,867 crore, of which Rs. 84,000 crore has been raised in the first half of the fiscal year. Subsequently, on September 18, 2002, an indicative calendar for completion of the balance of the budgeted market borrowing through dated securities for the second half of 2002-03 aggregating Rs. 32,000 crore was announced. The calendar for the second half of the year is based on the budgeted borrowing programme of the Government, which, as has been borne out by past experience, is generally expected to be completed by January.

New Instruments

1.36 On July 17, 2002, for the first time, Government of India issued a 10-year loan for Rs. 3,000 crore with embedded call and put options exercisable on or after 5 years from the date of issue. The RBI is actively pursuing the introduction of Separate Trading for Registered Interest and Principal of Securities (STRIPS), which in addition to providing more flexibility in managing interest rate risk, would also help in addressing asset-liability mismatch problem of banks. In order to enable investors to reduce their interest rate risk, floating rate bonds (FRBs) had been re-introduced during the year 2001-02. The two FRB issues in November and December 2001 had a negative cut-off spread of 5 and 1 basis points, respectively. During the current year, FRB was issued on July 1, 2002 for Rs. 3,000 crore at a spread of 34 basis points above the variable base rate, based on the average cutoff yields in the last six auctions of 364-day Treasury bills. The coupon for the first half of the year was 6.84 per cent. Banks, with typically short maturity funding, can hold short duration STRIPS (basically coupon STRIPS), while the longer duration STRIPS have a ready market from insurance, pension funds, etc. To facilitate the market for STRIPS, which are essentially zero coupon bonds (ZCBs), the tax anomaly that existed in respect of ZCBs has been addressed in February 2002. Accordingly, ZCBs are now taxed on a total return basis by treating the marked-to-market gains to the holder during the assessment year as taxable. The Working Group set up to suggest operational and prudential guidelines in respect of STRIPS, comprising banks and market participants submitted its Report which has been placed on the RBI website.

Uniform Price Auction

1.37 Based on the experience of uniform price auction in the issuance of 91-day Treasury bills (since November 6, 1998), this auction format was extended to auctions of Floating Rate Bonds (FRBs) and the Government fixed coupon securities auction held on April 4, 2002 on an experimental basis. Thereafter, the uniform price auction format was used for introduction of Government security with call and put options undertaken on July 17, 2002, issuance of a 30-year Government security for the first time on August 27, 2002 and further for the re-issuance of the same on October 8, 2002.

Negotiated Dealing System

1.38 The Negotiated Dealing System (NDS) (Phase IA) has been operationalised effective February 15, 2002. Currently, NDS provides an on-line electronic bidding facility in the primary auctions of Central/ State Government securities, open market operations (OMO)/LAF auctions, screen based electronic dealing and reporting of transactions in money market instruments, including repo, and dissemination of information on trades with minimal time lag. In addition, the NDS enables "paperless" settlement of transactions in Government securities with electronic connectivity to CCIL and the DVP settlement system at the Public Debt Office (PDO) through electronic subsidiary general ledger (SGL) transfer form. As on October 23, 2002, 141 SGL account holders have joined NDS. The next phase of operationalisation of PDO-NDS project will provide for centralised securities settlement system with distributed servicing to investors through regional PDOs. It will help in increased geographical participation in primary issuance of Government securities from terminals located at regional PDOs and member terminals connected to the system.

Clearing Corporation of India Limited (CCIL)

1.39 At the initiative of the RBI, CCIL was registered on April 30, 2001 under the Companies Act, 1956 and commenced its operations for clearing and settlement of transactions in Government securities (including repos) on February 15, 2002. Acting as a central counterparty through novation, the CCIL provides guaranteed settlement and has put in place risk management systems and also has access to lines of credit from commercial banks. While all repo transactions have to be necessarily put through the CCIL, outright transactions up to Rs.20 crore also have to be settled through CCIL. CCIL is on the threshold of launching net forex clearing in India on a guaranteed settlement basis.

2. Commercial Banking System-Supervisory Initiatives

Board for Financial Supervision

1.40 The Board for Financial Supervision (BFS) is entrusted with supervision of commercial banks, select all-India financial institutions (FIs), non-banking financial companies (NBFCs), the Clearing Corporation of India and primary dealers (PDs).

1.41 Four directors of the Central Board were nominated as members of the BFS for a period of two years, effective December 21, 2000. The focus of the supervisory strategy pursued by the BFS has been institution specific and is outlined as follows:

(a) Off-site surveillance system for banks, select all-India FIs, NBFCs including residuary non-banking companies (RNBCs).

(b) On-site inspection of banks (including associate banks of State Bank of India), select all-India FIs, NBFCs including RNBCs.

(c) Monitoring asset quality, capital adequacy measures and other prudential norms of banks.

(d) Extending the task of supervision to strengthen, among others, internal control, management information systems and fraud monitoring procedures within the supervised institutions.

1.42 During 2001-02 (July-June), the BFS held 12 meetings and reviewed 126 inspection reports of public sector banks (PSBs), local head offices of State Bank of India (SBI), private sector banks, foreign banks, local area banks and FIs with reference to various dates during the year and some reports relating to the earlier period. The BFS also reviewed monitoring with regard to bank frauds and house-keeping in PSBs, including reconciliation of entries in inter-branch accounts, inter-bank accounts (including nostro accounts) and balancing of books of accounts. The monitoring done over all India FIs and NBFCs was also reviewed. Besides delineating the course of action to be pursued in respect of institution-specific supervisory concerns, the BFS provided guidance on several regulatory and supervisory policy decisions. The reports on Indian Banking System based on off-site half yearly data for the period ended September 2001 and March 2002, were reviewed by the BFS.

Committees Related to Banking Supervision

Working Group on Consolidated Accounting

1.43 There has been renewed focus on empowering supervisors to undertake consolidated supervision of bank groups on account of the failure of large international banks triggered by operations of their subsidiary ventures as also the concerns arising from banks entry into other lines of business. The Core principles for Effective Banking Supervision issued by the Basel Committee on Banking Supervision (BCBS) have underscored this requirement as an independent principle. Accordingly, a multi-disciplinary Working Group (Chairman: Shri Vipin Malik) set up in November 2000 submitted its Report in December 2001, which was placed on the RBI website for comments.

1.44 It has been decided to implement the recommendations of the aforesaid Working Group with suitable changes, wherever considered necessary. Three components of consolidated supervision identified are: consolidated financial statements (CFS), consolidated prudential reports (CPR) and application of prudential regulations like capital adequacy and large exposures/risk concentration on group basis. Initially, consolidated supervision is mandated for all groups where the controlling entity is a supervised institution. This would cover all banks in banking groups, i.e where the bank is the parent/controlling entity, all banks which are promoted and 'controlled' by FIs or NBFCs and all registered non-banking deposit taking financial companies which have networks of subsidiaries and are in control of the group. In respect of these NBFCs, consolidation is proposed to be applied on selective basis subject to certain conditions. The guidelines on consolidated accounting and other quantitative methods to facilitate consolidated supervision are applicable to banks which are the parent/controlling entity and banks which are promoted/controlled by FIs or NBFCs. The draft guidelines have been issued to banks for comments, and are being finalised based on the feedback received from banks. Pending legislative amendments to various Acts, in order to provide enabling provisions to facilitate consolidated accounting and quantitative methods under Indian conditions, a working arrangement with other regulators, *viz.* SEBI and IRDA, for sharing of information by way of Memorandum of Understanding (MoU) is being explored.

Working Group on Compliance by Banks with Accounting Standards

1.45 A Working Group was constituted (Chairman: Shri. N.D.Gupta) with representatives, *inter alia*, of Indian Banks' Association (IBA), banks and the RBI, to identify the compliance as also gaps in compliance with Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) and to recommend steps to eliminate/reduce the gaps.

Sub-Committee (Audit) of BFS

1.46 The Audit Sub-Committee of the BFS recommended various measures to deal with the accounting and regulatory implications of voluntary retirement scheme (VRS) implementaion in PSBs. They broadly related to disclosures, allocation of expenditure and providing relief to banks on one-time burden without compromising regulatory standards.

1.47 The format of half-yearly review report approved by the Sub-Committee was finalised in consultation with the Securities and Exchange Board of India (SEBI) and forwarded to all PSBs for introduction of half-yearly review system for the half-year ended September 30, 2001. The procedure to be adopted for recommending the names of audit firms to be appointed as statutory auditors by state financial corporations and the remuneration payable to these auditors from the year 2001-02 were reviewed.

Committee on Legal Aspects of Bank Frauds

1.48 The Committee on Legal Aspects of Bank Frauds (Chairman: Dr. N.L. Mitra) set up in September 2000 to examine, among other things, laying down procedural laws to deal with financial frauds, possibility of prohibiting alienation of assets of the accused and their relatives immediately after detection of fraud, etc., submitted its report in September 2001. The Report is available on the RBI website. The recommendations of the Committee consists of two parts: Part I dealing with the recommendations that could be implemented without any legislative changes and Part II containing recommendations which require legislative changes for implementation. The recommendations under Part I were forwarded to banks for implementation upon approval of BFS in May 2002. The recommendations under Part II were referred to the High-level group of Central Vigilance Commision (CVC) for further examination.

High Level Group to look into Frauds in the Banking Sector

1.49 The Central Vigilance Commission (CVC) had set up a High Level Group with representatives from the Ministry of Finance, CVC, Central Bureau of Investigation (CBI), banks and the RBI to examine certain matters relating to frauds in the banking sector. The Group submitted its report in April 2002 and recommended measures for reducing delay in taking action against officials involved in frauds, as also measures for strengthening internal control systems in banks. The Group's recommendations relating to penal action for delay in reporting fraud cases to RBI, delay in internal investigation and completion of departmental action against officials involved in frauds and strengthening of internal control mechanism were communicated to banks in May 2002 for implementation.

Committee on Computer Audit in Banks

1.50 A Committee comprising representatives from the RBI, ICAI, SBI, ICICI Bank and Citibank was constituted to draw up a checklist of audit controls in a standardised form so that all banks, operating in the country, can ensure that their computerised branches are applying requisite controls in the computerised environment to be verified by the branch auditors. The Report of the committee has been approved by the audit subcommittee of BFS.

Recent Developments in Banking Supervision

Long Form Audit Report

1.51 The format of the long form audit report (LFAR), in use since 1992-93, was revised, in consultation with ICAI and a few select banks, to reflect changes in regulatory/supervisory framework of banks as also the expanded role of statutory auditors who are now required to include certain additional certifications/ validations in their report. Banks were advised to apply the revised format from the year ending March 31, 2003.

Prompt Corrective Action

1.52 A scheme of prompt corrective action (PCA) based on certain triggers is being developed as a supervisory tool (Box I.2).

Box I.2: Prompt Corrective Action

The *Core Principles for Effective Banking Supervision* of the Bank for International Settlements (BIS) mandate that banking supervisors must have at their disposal adequate supervisory measures, backed by legal sanctions, to bring about timely corrective action. If banks are not to be allowed to fail, it is essential that corrective action be taken while the bank still has a manageable cushion of capital. This is crucial since low or negative capital often tempts bank managers' to attempt 'gamble for resurrection' strategies.

Studies indicate that excessive risk-taking among undercapitalised banks is, at least, partially constrained by regulation (Shrieves and Dahl, 1992; Peek and Rosengren, 1997). Even the Basel Committee has strongly endorsed the need for supervisors to take timely corrective action when banks fail to meet capital adequacy ratios or other prudential requirements. This has led many observers to suggest that interventions should be guided by rules rather than discretion of supervisors.

Automatic rules lead to prompter action, which gains importance as the costs of restructuring the bank increase if action is delayed. Several arguments can be advanced to support this case. Forbearance, or expecting the problem to resolve by itself, is always a tempting option, especially given the usual lack of precise information about the extent of a bank's problem. If a large number of banks are simultaneously in trouble, political-economy considerations might prevent contemplating the short-run costs of radical action. As a consequence, rule-based methods of intervention, especially if enshrined in legislation, are helpful for supervisors to take decisions based on established procedures and principles.

The best-known examples of rules are the compulsory quantitative triggers (in relation to bank capital levels) for action by the supervisors set in the 1991 US Federal Deposit Insurance Corporation Improvement Act (FDICIA) [Table 1].

Table 1: United States FDICIA System

Capital Level Trigger (per cent)	**Mandatory and Discretionary Actions**
10>CAR>8 or 5>CORE>4	Cannot make any capital distribution or payments that would leave the institution undercapitalised
CAR<8 or CORE<4	Must submit a restoration plan; asset growth restricted; approval required for new acquisitions, branching and new lines of business.
CAR<6 or CORE<3	Must increase capital; restrictions on deposits' interest rates and asset growth; may be required to elect new Board of Directors.
CAR<4 or CORE<2	Must be placed on conservatorship or receivership within 90 days; approval of the FDIC for: entering into material transactions other than usual core business, extending credit for any highly leveraged transaction; changes in accounting methods; paying excessive compensation or bonuses

CAR: Capital Adequacy Ratio CORE: Core Capital Source: Hawkins and Turner (1999).

Table 2: Structured and Discretionary Intervention Frameworks in Select Economies

Country	**Capital Level Trigger (per cent)**	**Mandatory & Discretionary Actions**
Structured Intervention		
Argentina	CAR<11.5	Bank is fined, must submit a recapitalisation plan, limit deposit raising, pay no dividends/bonuses and is restricted in branch opening
Chile	CAR<8 or CORE<3	Bank has to raise new capital; if unable, supervisors prohibit extension of new credit and restrict the acquisition of securities (those issued by Central Bank).
Korea	8>CAR>6	Rationalisation of branch management and restrictions on investments, new business areas and dividends.

	CAR<6	Freezing new capital participation, disposal of subsidiaries, change management, draw up plan for merger.
Discretionary Intervention		
Brazil	Illiquidity, insolvency, large losses due to bad management, serious violation of laws and regulations	Intervention: suspension of normal activities, removal of Directors. After 6 months, either return to normal activities or extra-judicial liquidation or bankruptcy; temporary special management regime. The supervisor can authorise the merger, take-over of transfer of stock-holding
Hong Kong	CAR falls below the minimum (in practice, Hong Kong Monetary Authority (HKMA) sets an informal 'trigger' ratio above the statutory minimum capital ratio).	HKMA may take control of the bank. It will first discuss remedial action or give directions (e.g., to stop taking deposits). It can appoint an Adviser or Manager.
Indonesia	Earlier, Bank Indonesia would put pressure on banks whose CAR fell below 8 per cent. Presently, banks with CAR below 4 per cent may participate in re-capitalisation programme.	Banks required to implement plan to raise capital; may replace management.

1. Based on current minimum CAR of 8 per cent. 2. CAR: Capital Adequacy Ratio.
Source: Hawkins and Turner (1999)

Similar rules have been adopted in some industrial economies and in a number of emerging economies (Table 2). Once capital falls below a defined threshold, such rules typically require banks to draw up plans for recapitalisation, limit or prohibit dividends and impose limits on risk-taking. Restrictions often involve limiting new acquisitions or restricting interest rates on deposits. When capital falls to very low levels, the authorities can force mergers or acquisitions, or proceed to closure. Such rules, however, would be rarely applied to a large bank where greater discretion would inevitably condition supervisors' responses (the "too-big-to-fail" argument).

In the Indian context, the supervisory authorities released a Discussion Paper in 1999, which envisages the possibility of introducing a system of Prompt Corrective Action (PCA) for the banking system. This has been dictated by two major considerations such as the responsibility of bank supervisors to identify problem banks and to monitor the behaviour of troubled banks in an attempt to prevent failure or to limit losses. More so, if a bank is not allowed to fail, it is essential that corrective action be taken well in time.

In view of the above considerations, a system of PCA with various trigger points and mandatory and discretionary responses by the supervisors is envisaged for the banking system in India. In contrast to the framework prevalent in other countries (Table 2), which focuses on a single trigger point (i.e., CRAR), a broader PCA regime is envisaged for India so as to delineate rule-based actions not only for shortfall in capital, but also for other indicators of deficiency, so that a seamless paradigm for system in India. In contrast to the framework prevalent in other countries (Table 2), which focuses on a single trigger point (i.e., CRAR), a broader PCA regime is envisaged for India so as to delineate rule-based actions not only for shortfall in capital, but also for other indicators of deficiency, so that a seamless paradigm for corrective actions can be put in place for major deficiencies in bank functioning. Accordingly, in addition to capital adequacy (CRAR), two additional indicators, viz., Net NPA and Return on Assets, as proxies for asset quality and profitability, have been included under the broader PCA regime. Trigger points have been set under each of the three parameters, taking into consideration the practical aspects of implementation of certain measures in the Indian context. Once a bank's performance falls below certain thresholds, which activates the trigger point, a certain set of mandatory actions addressing critical areas of the bank's weakness will follow.

For every trigger point, a set of mandatory and discretionary PCAs has been laid down. The rationale for classifying the rule-based actions into mandatory and discretionary components is that some of the actions are essential to restore the financial health of banks, while other actions will be left to the discretion of the supervisors, depending on the profile of each bank.

In addition to the above, supervisors can initiate certain discretionary actions, if need be, to pre-empt any deterioration in the soundness of banks. While the published balance sheets, off-site returns and on-site inspection reports are the primary sources for identifying banks for placement under the PCA framework, the discretion to enforce PCA will be vested with the Board for Financial Supervision (BFS). The scheme of prompt corrective action (PCA) developed as a supervisory tool based on certain trigger points, was cleared by the Government with some suggestions. An internal Group has been set up to study the impact of the PCA framework on select weak banks.

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1.53 The scheme is aimed at taking action at an early stage, when banks show incipient signs of weaknesses. This is in addition to the existing supervisory tools. Some of the actions envisaged such as capital restoration, reduction of stake in subsidiaries, bringing in new management, merger/liquidation, etc. in the case of PSBs and merger/moratorium in the case of private sector banks involve action on the part of the Central Government. The views of the Central Government were, therefore, sought which have since been received. The scheme is being examined taking into account the suggestions of the Government.

Risk-Based Supervision

1.54 The implementation phase of the risk- based supervision (RBS) project started in June 2001. A project implementation group has been set up in the RBI to address the transitional and change management issues for facilitating a smooth switchover to RBS based on the recommendations of PricewaterhouseCoopers, London. The RBS model comprises

- development of risk profile,
- designing customised supervisory actionplan based on risk profile for each bank,
- delineating scope and extent of supervision to target high risk areas and areas of supervisory concern, and
- strengthening quality assurance andenforcement functions to maintain objectivity and neutrality in application of supervisory standards.

The implementation of RBS calls for preparedness on the part of commercial banksto take certain measures such as:

- setting up comprehensive risk management system,
- adopting risk-focused internal audit system,
- upgrading the management information and information technology-based systems, setting up dedicated compliance units, and,
- addressing issues related to human resource and skill development.

1.55 A Discussion Paper on RBS presenting the background of the approach, its objectives, processes involved and specific bank level preparedness required for successful implementation has been circulated among banks. Banks were involved in a consultative process through high-level meetings to identify areas requiring assistance/guidance. Issues relating to design of templates for risk profiling of banks, preparation of manuals for the new supervisory approach, upgradation of technical skills of both commercial bank and supervisory staff are currently in focus. RBS is intended to be implemented in phases and is expected to be taken up for implementation during the next year.

Early Warning Systems for Identifying NPAs

1.56 On the direction of BFS, a study of early warning systems (EWS) in banks for identification of NPAs and initiating prompt steps for recovery was taken up. Besides attempting to identify financial and operational early distress signals, the study also enumerated other indicators like management-related problems, weakening industry characteristics, regulatory changes, general economic conditions, etc. The study, based on data collected from banks, clearly established the need for an EWS, sensitised to all signals of credit deterioration. The BFS, in turn, observed that there ought to be a structure in banks to process EWS emanating from potential NPAs, and further directed the Indian Banks' Association (IBA) to develop suitable software for the same. IBA proposed to initially bring out a manual incorporating early warning signals for use of banks. After obtaining sufficient experience, they would proceed towards development of an appropriate software.

Implementation of ALM in Commercial Banks

1.57 The ALM systems in some private sector banks have been further refined with their asset-liability management committee (ALCO) having prescribed tolerance levels for liquidity/interest rate sensitivity mismatches in time bands not covered by the RBI guidelines. The introduction of monthly DSB returns[1] by the RBI has facilitated more frequent surveillance of asset-liability mismatches in banks.

Implementation of Risk Management Systems

1.58 There has been considerable progress with regard to implementation of risk management systems in banks. Many banks, however, need to improve the existing MIS for enhancing their risk management capability, for preparation of contingency plans to measure the bank's ability to withstand liquidity crises, to conduct stress tests to estimate future volatility in values of securities due to market movements, for creation of an operational risk management policy and for stipulating prudential limits based on operational risk, and development of internal systems for quantifying and monitoring operational risk. Some banks have set up risk management committees, which are still in formative stages and require time to be functional with requisite degree of sophistication (Box I.3).

Box I.3: Assessment, Management, Curtailment of Risks in the Indian Financial System

Risk is intrinsic to banking and of late the management of risk has gained prominence. The growing sophistication in banking operations, derivatives trading, securities underwriting and corporate advisory businesses, improvements in information technology, on-line electronic banking, provision of bill presentation and payment services have led to increased diversity and complexity of risks being encountered by banks. The major risks confronting financial institutions are credit risk, interest rate risk, foreign exchange risk and liquidity risk. Of these, credit risk remains predominant for banks.

The credit risk depends on both internal and external factors. External factors include the state of the economy, commodity and equity prices, exchange rates and interest rates. The internal factors reflect deficiencies in loan policies and administration of loan portfolio, weaknesses in prudential credit concentration limits, appraisal of borrowers' financial position, excessive dependence on collateral and inadequate risk pricing, absence of loan review mechanism and post sanction surveillance. Such risks may extend beyond the conventional credit products such as loans and letters of credit and appear in more complicated, less conventional forms, such as credit derivatives.

Interest rate risk arises because banks fix and refix interest rates on their resources and on the assets in which they are deployed at different times. Changes in interest rates significantly impact the net interest income, depending on the extent of mismatch between the times when the interest rates on asset and liability are reset. Any such mismatches in cash flows (fixed assets or liabilities) or repricing dates (floating assets or liabilities) expose banks' net interest margins to variations.

The foreign exchange risk, in turn, is the risk inherent in running open forex positions and have become more pronounced in recent years owing to the wide variation in exchange rates. Such risks arise owing to adverse exchange rate movements which may affect a bank's open position, either spot or forward, or a combination of the two, in a specific foreign currency.

Finally, the liquidity risk arises from funding of long-term assets by short-term liabilities, making liabilities subject to rollover or refinancing risk. Banks that fund domestic assets with foreign currency deposits are susceptible to such risk, especially if sharp fluctuations in exchange rates and market turbulence make it difficult to retain sources of financing.

Besides these financial risks, banks are exposed to other risks *viz.*, operating risks, legal risks, etc. Irrespective of the nature of risk, the best way for banks to protect themselves is to identify the risks, accurately measure and price it, and maintain appropriate levels of reserves and capital. The development of a holistic approach to assessing and managing the many facets of risks still remains a challenging task for the financial sector and this raises the issue of how to identify the optimal strategies to curtail these risks.

The key issue in managing credit risk is to apply consistent evaluation and rating scheme of all investment opportunities, such that consistent credit decisions are made. Prudential limits need to be laid down on various aspects of credit, *viz.*, benchmark current debt/equity and profitability ratios, debt service coverage ratios, concentration limits for single/group borrower, maximum exposure limits to industry/sector. A comprehensive risk scoring system needs to be developed that serves as a single point indicator of the diverse risk factors.

For managing interest rate risk, most commercial banks make a clear distinction between their trading activity and balance sheet exposure. As regards trading book, Value-at-Risk (VaR), a standard approach, is employed to assess potential loss that could crystallise on trading position or portfolio due to variations in market interest rate and prices. For balance sheet exposure to interest rate risk, banks rely on 'gap reporting system', which identifies the asymmetry (gap) in repricing of assets and liabilities. This is supplemented with balance sheet simulation models to investigate the effect of interest rate variation on reported earnings over a medium-time horizon.

Limits are the key elements of risk management in foreign exchange trading. Banks with active trading positions tend to adopt VaR method to measure risk associated with such exposures. For banks unable to develop VaR, stress testing is conducted to evaluate the potential losses associated with exchange rate changes.

For the measurement of liquidity risk, there are several traditional ratios such as loans to total assets, loans to core deposits, large liabilities to earning assets and loan losses to net loans. In addition, prudential limits are placed on various liquidity measures like inter-bank borrowings, core deposits *vis-à-vis* core assets.

There is unanimity of view that developing sound and healthy financial institutions, especially banks, is a *sine qua non* for maintaining overall stability of the financial system. Keeping this in view, the RBI has issued guidelines for risk management systems in banks as early as October 1999. This has placed the primary responsibility of laying down risk parameters and establishing the risk management and control system on the Board of Directors of the bank. However, the implementation of the integrated risk management could be assigned to a risk management committee or alternately, a committee of top executives that reports to the Board. Banks are required 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. Banks were further advised to concurrently set up an independent credit risk management department to enforce and monitor compliance of risk parameters/ prudential limits set by the Board/Credit Policy Committee. The present set of guidelines are purported to serve as a benchmark to banks, which are in the process of establishing an integrated risk management system.

It is, however, recognised that, in view of the diversity and varying size of balance sheets of banks, it might neither be possible nor necessary to adopt a uniform risk management system. The design of risk management framework should, therefore, be oriented towards the bank's own requirement dictated by the size and complexity of business, risk philosophy, market perception and the existing level of capital.

The assessment of *Core Principles* with regard to India by RBI in 1999 had observed there were gaps between existing practice and principle mainly in the areas pertaining to risk management in banks and consolidated supervision. The deficiencies in the area of risk management have subsequently been tackled with the issuance of comprehensive guidelines. The Report of the Working Group on consolidated accounting was submitted in December 2001. The recommendations of the Working Group together with brief background and illustrative formats for submitting consolidated financial statements have been placed on the website.

In addition to the risk management guidelines, the levels of transparency and standards of disclosure have gradually been enhanced to provide a clearer picture of the balance sheet to informed readers. Such disclosures and transparency practices are aimed at improving the process of expectation formation by market players about bank behaviour and eventually lead to effective decision-making in banks.

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Prudential Accounting Standards

Uniform Accounting of Repo/Reverse Repo Transactions between Banks

1.59 It was decided to adopt a uniform accounting methodology for inter-bank repo / reverse repo transactions, to prevent banks from indulging in regulatory arbitrage, given the prevalent divergent accounting practices. The uniform accounting methodology would lend more transparency to banks' investment account through categorisation of securities acquired under reverse repo and those offered under repo and core investment account. Moreover, the holding rate of the security would be kept unaltered after the completion of the second leg. Furthermore, the interest received and paid (including broken period interest) will be booked in a separate revenue account and capital gains/losses will not be booked. Thus, a distinction between revenue and capital account would be maintained, thereby making the balance sheet more transparent. When the repo/reverse repo transactions are accounted for as outright sale/ purchase, the lending bank (buyer) also becomes eligible to reckon the underlying securities for their SLR calculations.

The draft guidelines on the proposed uniform accounting methodology for repo / reverse repo transactions between banks, were circulated among select banks. The guidelines are being finalised on the basis of feedback received from them.

Strengthening the Banking System

Capital Adequacy Measures

1.60 The investment fluctuation reserve consisting of realised gains from sale of investment would be eligible for inclusion in tier II capital.

1.61 Foreign banks, hitherto, were required to obtain prior approval for issue of subordinated debt instruments in foreign currency as well as for borrowings from head office for inclusion in tier II capital. To enhance transparency and ensure uniformity, guidelines were issued to foreign banks for raising subordinated debt through head office borrowings in foreign currency, for inclusion in tier II capital. These *inter alia* cover aspects relating to amount of borrowing, maturity period, rate of interest, repayment, documentation, disclosure, hedging, reporting, etc.

1.62 The investment in mortgage backed securities (MBS) of residential assets of housing finance companies recognised and supervised by National Housing Bank are to be assigned risk-weight of 50.0 per cent for credit risk subject to satisfying certain terms and conditions. Furthermore, housing loans to individuals against the mortgage of residential housing properties are to be assigned a risk-weight of 50.0 per cent.

'In-principle' Approval for New Banks in the Private Sector

1.63 Based on the recommendations of the High Level Advisory Committee and after further examination, RBI granted 'in principle' approvals in February 2002 for setting up two new banks in the private sector *viz.*, M/s. Kotak Mahindra Finance Ltd. and to three banking professionals together with Rabobank, Netherlands. These approvals have a validity of one year.

Disclosure of Information about Defaulters of Banks and Financial Institutions

1.64 The details of information about borrowers with outstandings aggregating Rs. 1 crore and above, classified as 'doubtful' or 'loss', as on March 31 and September 30 every year, are disseminated to banks and FIs for confidential use. The information on said suit-filed accounts is published as on March 31 every year, as also placed on the RBI website. The updated list as at the quarter ended December 31, 2001 in respect of suit-filed accounts is available on the website.

1.65 The information on cases of wilful defaults of borrowers with outstanding balance of Rs. 25 lakh and above, is also collected and disseminated on a quarterly basis effective quarter ended June 1999. Such information as at the quarter ended December 31, 2001 has been disseminated to banks and FIs. The list of said wilful defaulters against whom suits have been filed for recovery, along with the list of suit-filed accounts of Rs. 1 crore and above is published as on March 31 every year and placed on the RBI website for wider dissemination.

Report of the Working Group on Credit Information Bureaus

1.66 In pursuance of the Central Government Budget proposal, 2000-01, Credit Information Bureau (India) Ltd. (CIBIL) was set up in January 2001 by State Bank of India in collaboration with HDFC Ltd. and M/s. Dun & Bradstreet Information Services (India) Pvt. Ltd., and Trans Union International Inc., (as foreign technology partners) with a paid up capital of Rs.25 crore, to serve as an effective mechanism for exchange of information between banks and FIs for curbing growth of NPAs. The Government of India is also examining a draft legislation covering, *inter alia*, responsibilities of Credit Information Bureaus (CIBs), rights and obligations of the member/reporting credit institutions, and safeguarding of the privacy rights that may arise in the information sharing process by CIBs. Pending the enactment of CIB Regulation Bill, as a first step towards activating the Bureau, the RBI constituted a Working Group in December 2001 to examine the possibility of the CIB performing the role of collecting and disseminating information on the suit-filed accounts and the list of defaulters, presently being reported to the RBI by banks and notified FIs. The Report of the Working Group was submitted in January 2002, and some recommendations which satisfy the existing legal framework are being implemented (Box I.6).

Corporate Debt Restructuring Mechanism

1.67 To evolve an appropriate mechanism for corporate debt restructuring, on the lines of similar mechanism in countries like the United Kingdom (U.K.), Thailand, Korea and Malaysia, the RBI, in consultation with the Central Government, had issued guidelines on corporate debt restructuring (CDR) for implementation by banks and FIs in August 2001. The objective of the CDR framework has been to ensure a timely and transparent mechanism for restructuring the corporate debts, outside the purview of Board for Industrial and Financial Reconstruction (BIFR), debt recovery tribunal (DRT) and other legal proceedings, in respect of viable entities facing problems. In particular, the framework was intended to preserve viable corporates affected by certain internal/ external factors and minimise losses to creditors/ other stakeholders through an orderly and coordinated restructuring programme.

1.68 In view of the unsatisfactory progress of the scheme, the Central Government Budget for 2002-03 announced the setting up of a small group to suggest remedial measures to make the CDR mechanism more efficient. Accordingly, upon approval from Government, a High-Level Group (Chairman: Shri Vepa Kamesam) was constituted. The Group submitted its Report on July 31, 2002, which is under examination in RBI/Government. As on October 29, 2002, the CDR Cell has received 32 references, of which 8 restructuring packages have been approved for implementation with an aggregate exposure of banks / institutions of Rs. 2,018 crore. Of the balance 24 references, 7 have been rejected or withdrawn and the remaining cases are under various stages of processing.

International Initiatives

International Financial Architecture

1.69 Financial instability in several countries over the past few years have exposed some weaknesses in the international financial system, many of which relate to the increasing quantum of large cross-border capital flows. These crises have highlighted that global financial integration can bring both risks and benefits. There is also the realisation that the architecture of the present international financial system has to be strengthened, which is a *sine qua non* to reduce vulnerability to devastating financial crises, while allowing countries to reap benefits of globalisation. The financial architecture encompasses the institutions, markets, and practices that Governments, businesses, and individuals utilise to carry out economic and financial activities.

1.70 A major development for strengthening the international financial architecture has been the setting up of universally acceptable standards and codes for benchmarking domestic financial systems. In fact, multilateral assessments of country performance are being increasingly focused on the observance of such standards. The Basel Capital Accord, Core Principles on Banking Supervision, International Monetary Fund's (IMF) Article IV consultations, its Financial Sector Stability Assessment and the Reports on Observance of Standards and Codes of the IMF and The World Bank indicate that a country's adherence to benchmark standards and codes is considered integral to the preservation of international monetary and financial stability. Besides, several fora are analysing historical trends and experiences to introduce greater transparency, early detection, better supervision, higher capital requirements, more sustainable exchange rate regimes, and stronger standards and codes.

1.71 India has made noteworthy progress in generating a constructive debate on the applicability of international standards and codes to the domestic financial system. There has been participative consultation supported by internal evaluation as well as external assessment. The Standing Committee on International

Standards and Codes brought in objectivity and experience into studying the applicability of relevant international codes and standards to each area of competence. Under the aegis of the Committee, roadmaps for implementation of appropriate standards and codes were elaborated in the light of existing levels of compliance with international standards *viz.*, Core principles of Basel Committee on Banking Supervision, international accounting and auditing standards, etc. taking into account cross-country experience and the existing domestic legal and institutional infrastructure.

Foreign Direct Investment in the Banking Sector

1.72 Several steps have been taken to increase capital flows particularly foreign direct investment (FDI), and instill greater confidence in foreign investors regarding the macro-economic stability of the country. Some of these steps are: (i) in February 2002, a notification was issued permitting FDI up to 49 per cent from all sources in private sector banks on the automatic route subject to conformity with guidelines issued from time to time. Transfer of existing shares from residents to non-residents, however, requires approval of FIPB, followed by in-principle approval of the RBI, (ii) in order to provide a level playing field, the maximum limit of shareholding of Indian promoters in these banks has also been raised to 49 per cent of their paid up capital, (iii) in case of PSBs, FDI and foreign portfolio investment has been allowed upto 20 per cent.

Money Laundering and Financing of Terrorism

1.73 Recent developments have caused increasing international concern on the use of the financial system for money laundering and financing of terrorism. In recognition of the need for taking concerted action, the RBI and the Central Government initiated several measures to prevent the misuse of the financial system. The existing instructions on 'know your customer' (KYC) norms and cash transactions were reinforced to safeguard banks from being unwittingly used for transfer or deposit of funds derived from criminal activities. Accordingly, in consultation with banks, a circular elaborating the policy, procedures and controls to be introduced by banks, including strict adherence to KYC norms was issued. The anti money laundering (AML) measures to be adopted by banks comprise systems and procedures for proper customer identification while opening accounts and monitoring of activities in the accounts of customers for detection of suspicious transactions. It also involves institution of appropriate internal control and audit mechanisms for monitoring adherence to AML measures by branches. The attention of banks has been drawn to the Report of a Working Group of Bankers on Anti Money Laundering Guidelines for Banks in India, which has made several recommendations for strengthening KYC norms with focus on anti money laundering. It has, *inter alia*, suggested formats for customer profile, account opening procedures, establishing relationship with specific categories of customers, as well as outlined an illustrative list of suspicious activities for the guidance of banks.

1.74 Acknowledging the recent international developments and realising the need for a critical assessment of India's position *vis-à-vis* international standards on market integrity, the Standing Committee on International Financial Standards and Codes commissioned an internal technical group on 'Market Integrity'. The Report presents an assessment of India's position as compared to the G-7 principles on Market Integrity and Recommendations of the Financial Action Task Force (FATF) on AML and terrorist financing which serve as benchmarks in this regard. The Report provides an overview of international efforts to combat money laundering, reviews the extant laws and regulations for detection and law enforcement against criminal activities in financial sector, and notes the recent initiatives taken for prevention of money laundering. The full text of the Report on 'Market Integrity' has been placed on the RBI website for wider dissemination.

1.75 As an AML measure, the Central Government has also introduced the Prevention of Money Laundering Bill, which is awaiting Parliamentary approval.

Banks' Investment Norms

Non-SLR Investments of Banks - Guidelines

1.76 A significant proportion of banks' investments in non-SLR securities are through the private placement route. In order to allay concerns arising from the non-transparent practices prevalent in this market, guidelines had been issued in June 2001 regarding undertaking of due diligence, obtaining disclosures and credit risk in regard to privately placed investments, especially unrated instruments. Internal rating systems have to be adopted by banks for issues of non-borrowers, whether rated or otherwise, as also adopt prudential limits to mitigate adverse impact of concentration and illiquidity. Proper risk management systems also need to be established for capturing and analysing risks and entail timely remedial measures.

1.77 The ease of mobilising funds through privately placed debt issues could lead to diversion of funds for risky purposes, other than disclosed in offer document. Consequently, draft prudential guidelines were issued (seeking comments) for containing the risks arising out of non-SLR investment portfolio of banks and FIs, particularly through private placement route. These draft guidelines, *inter alia*, cover: (i) the need for strengthening of internal rating systems, and periodically tracking rating changes in respect of issuers; (ii) fixing prudential limits, with separate sub-limits for unrated, unquoted and privately placed instruments; (iii) review by the 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. The appropriate arrangements for collecting and sharing information regarding amounts of debt raised by corporates from the market, including through CPs, etc. are also envisaged in the guidelines. The draft operating guidelines would be finalised on the basis of the comments received from banks, after the RBI-SEBI Technical Committee takes a view on the disclosure and regulation of private placement.

Investment Fluctuation Reserve

1.78 Banks are advised to follow a more prudent policy for utilising the gains realised on sale of investment in securities arising from declines in interest rate and also for building up adequate reserves to guard against any possible reversal of interest rate environment due to unexpected developments. Accordingly, banks are required to transfer the maximum amount of gains realized on sale of investment in securities to the Investment Fluctuation Reserve Account (IFR). Banks have to achieve an IFR at a minimum of 5.0 per cent of all investments in 'held for trading' (HFT) and 'available for sale' (AFS) categories, within a period of 5 years. Moreover, the unrealised gains on valuation of investment portfolio are not to be taken to income account or to IFR. Furthermore, in modification of earlier instructions, banks are to 'mark-to-market' the individual scrips held under the AFS category, at least at quarterly instead of annual interval hitherto. The IFR, consisting of realized gains from sale of investments, would be eligible for inclusion in the tier II capital (Box I.4). The IFR as at end-March 2002 constituted 0.91 per cent of the investment held under HFT and AFS categories.

Box I.4: Investment Fluctuation Reserve

An investment fluctuation reserve (IFR) refers to a pool of reserves created by retaining a proportion of returns when proceeds are high which can be utilised to supplement payments when proceeds are low. This enables payments from investments to be consistent in spite of volatility in the accrual to the fund's earnings from year to year.

The progressive integration of the Indian financial sector with global markets has resulted in disruptions in local markets getting transmitted across borders with alarming rapidity. This, in its wake, has implied that the present quiescent conditions may change at a very short notice. The recognition of this factor has led to greater emphasis on the need for building up adequate reserves to safeguard against price fluctuations. With a view to ensuring that Indian banks have adequate reserves against adverse changes in the interest rate environment due to unexpected developments, they have been required to hold IFR account consisting of excess provision towards depreciation of investments and realised gains from sale of securities. In other words, in the context of the Indian banking sector, the IFR refers to a reserve meant to provide a cushion against depreciation of investments. The IFR would be eligible for inclusion in tier II capital.

At present, Indian banks are required to value their investments on the basis of international accounting standard (IAS) 39 which stipulates that investments be classified into three categories, *viz.*, available for sale (AFS), held for trading (HFT) and held to maturity (HTM). With respect to valuation, IAS 39 stipulates that the first two categories should be carried at fair value and the third at amortised cost. Indian banks are, however, required to recognise and provide for net depreciation of investments in the AFS and HFT categories, while ignoring net appreciations in the same. The book value of individual securities in these categories does not undergo any change consequent upon marking to market.

In March 1999, the RBI advised banks to appropriate the excess provisions towards depreciation of investments to IFR instead of the Capital Reserve Account. Banks were permitted to utilize the amount held in IFR to meet in future, the depreciation requirements on investments in securities. In view of the nature of the reserve, it was further decided that the existing amount of excess provision towards depreciation of investments held under the Capital Reserve Account may be transferred to the Investment Fluctuation Reserve Account as on March 31, 1999 and utilised to meet future depreciation requirement on investment in securities.

In January 2002, the RBI advised banks to build up an IFR of a minimum of 5.0 per cent of their investment portfolio within a period of 5 years. Banks were given the freedom to build up IFR to a maximum of 10.0 per cent of the portfolio depending on the size and composition of their portfolio with the approval of their Boards. Towards this end, banks were required to transfer maximum amount of gains realised on sale of investment in securities to the IFR. The IFR was to be computed with reference to investments in two categories, *viz.*, HFT and AFS, which are marked to market. As a result, it would not be necessary to include investments under HTM category, which are not meant to be traded, for purposes of computation of IFR. On the dictates of policy imperatives, at end-March 2002, the IFR constituted 0.71 per cent[2] of the investment portfolio of public sector banks (Table).

Table: Investment Fluctuation Reserves (IFR) of Public Sector Banks
(end-March)

(Amount in Rs. crore)

Name of the Bank	Investment	Investment Fluctuation Reserve (IFR)		Absolute Change	IFR as percentage to investment[2]
	(2002)	(2001)	(2002)		(2002)
1	2	3	4	5=(4)-(3)	6=(4)/(2)
State Bank Group	**1,85,587.29**	**660.26**	**1,228.61**	**568.35**	**0.66**
State Bank of India	1,45,142.03	447.36	671.16	223.80	0.46
State Bank of Bikaner & Jaipur	6,304.96	19.25	63.46	44.21	1.01
State Bank of Hyderabad	9,827.89	34.61	100.00	65.39	1.02
State Bank of Indore	4,530.76	9.01	59.60	50.59	1.32
State Bank of Mysore	4,158.84	6.76	38.76	32.00	0.93
State Bank of Patiala	5,704.96	112.09	205.58	93.49	3.60
State Bank of Saurashtra	3,545.69	0.62	37.90	37.28	1.07
State Bank of Travancore	6,372.16	30.56	52.15	21.59	0.82
Nationalised Banks	**2,68,420.61**	**632.32**	**1,994.76**	**1,362.44**	**0.74**
Allahabad Bank	10,358.03	12.14	41.47	29.33	0.40
Andhra Bank	8,419.26	28.42	59.79	31.37	0.71
Bank of Baroda	23,833.13	38.50	256.84	218.34	1.08
Bank of India	22,083.54	75.65	241.76	166.11	1.09
Bank of Maharashtra	9,909.19	52.83	72.66	19.83	0.73
Canara Bank	23,220.11	5.14	169.15	164.01	0.73
Central Bank of India	21,099.81	42.99	115.39	72.40	0.55

Corporation Bank	8,056.49	7.18	89.76	82.58	1.11
Dena Bank	7,648.06	-	-	-	-
Indian Bank	12,408.07	-	-	-	-
Indian Overseas Bank	15,069.17	18.45	53.95	35.50	0.36
Oriental Bank of Commerce	13,724.35	15.50	120.50	105.00	0.88
Punjab & Sind Bank	5,744.94	31.99	39.02	7.03	0.68
Punjab National Bank	28,207.17	134.55	310.12	175.57	1.10
Syndicate Bank	11,910.60	78.21	120.00	41.79	1.01
UCO Bank	12,301.84	10.61	96.61	86.00	0.79
Union Bank of India	15,409.69	49.98	149.98	100.00	0.97
United Bank of India	11,656.43	-	-	-	-
Vijaya Bank	7,360.73	30.18	57.76	27.58	0.78
Public Sector Banks	**4,54,007.90**	**1,292.58**	**3,223.37**	**1,930.79**	**0.71**

Source: Compiled from Balance Sheet of respective banks.

References:

Muniappan, G.P. (2002), 'Indian Banking: Paradigm Shift - A Regulatory Point of View', Speech Delivered at the Bank Economists' Conference, Kolkata.

RBI (2002), *Valuation of Investments by Banks* (www.rbi.org.in).

Technology in Banking

1.79 Technology has a definitive role in facilitating transactions in the banking sector and the impact of technology implementation has resulted in the introduction of new products and services by various banks in India. Within the RBI, technological advances have been significant and the present processes and systems have a high technology content. Several initiatives were taken during the year with the broad objective of providing systems which impact beneficially on efficient house-keeping in banks, better customer service and overall systemic efficiency.

Payment and Settlement Systems

1.80 The payment and settlement systems are the backbone of any financial economy. Reforms in the payment and settlement systems have been a focused area of attention to ensure the establishment of systems which would provide timely settlement of funds for the banking sector based on latest technological tools available. Achievement of all this would be within the overall fundamental requirements of safety, security and conformity to well-established norms of prudence and international standards.

Centralised Funds Management System

1.81 The centralised funds management system (CFMS) which facilitates funds and treasury managers of commercial banks to obtain the consolidated and account-wise, centre-wise position of their balances with all the Deposit Accounts Departments of the RBI has been installed at the various RBI locations as also banks which were ready with the infrastructure for obtaining the data in a networked environment.

Structured Financial Messaging System

1.82 The structured financial messaging system (SFMS), the messaging software riding on the INFINET, was implemented during the year under review. Providing for safe and secure communication, the SFMS was tested at three banks during a pilot phase spanning four months from November 2001. Subsequently, it has been made operational in banks which have provided the requisite infrastructure for SFMS effective January 2002. One of the key components of SFMS is security. Apart from smart card based access – an integral component of SFMS, the requirement of digital signatures has also been suitably addressed.

Real Time Gross Settlement System

1.83 The progress towards operationalisation of the real time gross settlement (RTGS) System continued during the year. The RTGS solution comprises of the software for arriving at real-time settlement of transactions – using a queuing mechanism which would also take care of potential gridlock situations. Further, it would provide for temporary intra-day liquidity to participating members on the basis of collateralised repo facility. The RTGS solution would also provide for replacement of the existing accounting software in the Deposit Accounts Department, RBI, Mumbai. The initial testing of the modules with the members is expected to commence during the second quarter of 2003.

Policy Related Issues

Extension of Membership of INFINET to Banks and FIs

1.84 The INdian FInancial NETwork (INFINET), a wide area network based on satellite technology (using VSATs) and terrestrial modes of communication has emerged as a secure inter-bank financial communication backbone. The members of the INFINET constitute a closed user group comprising initially of PSBs. The network was opened to other banks as well, encompassing PSBs, old and new private sector banks, foreign banks and urban co-operative banks during the year, apart from organisations such as PDs who maintain a current account or a subsidiary general ledger (SGL) with the RBI. With increase in usage levels, the membership has also risen from 27 members during the previous year to 162 as on June 30, 2002. Membership to INFINET provides users the benefits of communication facilities offered by the network; admission to each application platform on the INFINET (such as the CFMS, NDS and RTGS) is, however, governed by the rules and regulations for each such system. The network is used for common interbank applications like NDS and CFMS besides bank specific applications *viz.*, inter-branch reconciliation, message transfers, and information dissemination to branches of banks.

Digital Signatures and Certification of Electronic Messages

1.85 The messages transmitted over the INFINET are being digitally signed to ensure authentication and non-repudiation. This process has been made possible by means of the solution provided by the Institute for Development and Research in Banking Technology (IDRBT) for a public key infrastructure (PKI) based certification services. As an initial application, digital signatures are part of the NDS. The establishment of the IDRBT as the certification authority for the banking sector would provide a fillip in the usage of digitally signed electronic funds based transactions/messages. Banks are encouraged to use the PKI by creating the required registration authority.

Rural Credit and Credit to Small-Scale Industries

1.86 The scope of priority sector lending was expanded during the year to include financing of activities relating to setting up of agri-clinics and agri-business centres and purchase for agricultural purposes by small and marginal farmers. Further, the limits for financing of distribution of inputs for allied activities such as cattle feed, poultry feed, etc. under priority sector was increased to Rs. 25 lakh from Rs. 15 lakh. In order to help the farmers in marketing their products, credit limits for marketing of crops was increased to Rs. 5 lakh from Rs. 1 lakh and the repayment period for such credit was enhanced to 12 months from 6 months. To avoid double counting, it was decided that sponsor banks of RRBs, while computing their performance under priority sector lending, should exclude funds provided to the RRBs for on-lending to priority sector.

1.87 Keeping in view the stipulated two-year time frame for achievement of priority sector lending targets/sub-targets (for lending to agriculture and weaker sections), all domestic SCBs having shortfall in their lending to these sectors as on the last reporting Friday of September 2001 and March 2002 were advised to take appropriate steps to improve credit flows to the priority sector, to achieve the target/sub-targets by March 2003.

Credit to Small Scale Industries

1.88 Commercial banks have been advised to dispense with collateral requirements for the SSI sector for loans up to Rs.5 lakh. To further enhance credit flows to SSIs, the limit for dispensation of collateral requirements has been raised to Rs.15 lakh for those units having a good track record and financial position.

Specialised SSI Bank Branches

1.89 The PSBs have been advised to make concerted efforts to operationalise at least one specialised small scale industry (SSI) branch in every district and centre having cluster of SSI units. The convenor of the state-level bankers committee (SLBC) for each state has to monitor the progress in the operationalisation of such specialised SSI branches. As at end-March 2002, there were 395 specialised SSI bank branches operating in the country. With a view to encourage banks to open more specialised SSI branches, banks have been permitted to categorise their general branches having 60 per cent or more of their advances to SSI sector as specialised SSI branches.

Standing Advisory Committee for Small Scale Industries (SSIs)

1.90 The Standing Advisory Committee was reconstituted to review the flow of institutional credit to the SSI sector. The terms of reference broadly are to review credit flow to the sector and problems encountered thereon, suggest procedural and policy improvements in catering to the credit needs of the sector, examine other connected and related issues; and make recommendations related to or incidental to the above items. So far, two meetings of the reconstituted Standing Advisory Committee were held to deliberate on above issues of SSI sector.

Khadi & Village Industries Commission

1.91 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 2002, an amount of Rs.365 crore was outstanding out of an amount of Rs.738 crore disbursed by the consortium under the scheme.

Strengthening of Credit Delivery to Women

1.92 In order to overcome the difficulties being faced by women in accessing bank credit and credit-plus services in the tiny and SSI sector, the Central Government has drawn up a 14-point Action Plan for implementation by PSBs. PSBs are required to report the progress made in implementing the Plan to the Government and the RBI on a quarterly basis commencing from the quarter ended March 2001. Furthermore, PSBs have been advised to increase the share of credit to women and to achieve a target of 5 per cent of net bank credit (NBC) by end-March 2004. As a result, credit to women which stood at 2.36 per cent of NBC at end-March, 2001 had increased to 3.25 per cent as at end-March 2002.

Credit for Sick SSIs Units

1.93 In January 2002, the RBI issued detailed guidelines to banks for early detection of sickness in SSIs and taking remedial measures for rehabilitation of sick SSI units identified as potentially viable. As per the revised definition, a unit is considered as sick when any of the borrowal account of the unit remains substandard for more than six months or there is erosion in the net worth due to accumulated cash losses to the extent of 50 per cent of its net worth during the previous accounting year and the unit has been in commercial production for at least two years. The revised guidelines also stipulate that the rehabilitation package should be fully implemented within six months from the date the unit is declared as potentially viable/ viable. During this interim period, banks/FIs are required to do "holding operation" allowing the sick unit to draw funds from the cash credit account, up to the extent of the deposited sale proceeds. The revised criteria will enable banks to detect sickness at an early stage and facilitate corrective action for revival of the unit.

3. Perspectives

1.94 The significant transformation of the banking industry in India is clearly evident from the changes that have occured in the financial markets, institutions and products. While deregulation has opened up new vistas for banks to augment revenues, it has also entailed greater competition and consequently, greater risks. Cross-border flows and entry of new products, particularly derivative instruments, have impacted significantly on the domestic banking sector, forcing banks to adjust the product mix, as also effect rapid changes in their processes and operations in order to remain competitive in the globalised environment. These developments have facilitated greater choice for consumers, who have become more discerning and demanding, compelling banks to offer a broader range of products through diverse distribution channels. The traditional face of banks as mere financial intermediaries has since altered and risk management has emerged as their defining attribute. In keeping with the changing profile of the banking industry, measures initiated in India have focused on building safety norms, anticipating problems and effecting changes to tackle disturbances, if any, in a robust manner. Contextually, the recent policy measures of RBI have focused on implementing structural measures to strengthen banking and to improve the functioning of the various segments of financial markets. These can be classified under three major heads: (a) strengthening prudential norms, (b) effecting structural changes in the system, and (c) redefining the regulatory role of the RBI.

(a) Strengthening Prudential Norms

1.95 Prudential norms have been introduced to impart strength to the banking system and to ensure safety and soundness through transparency, accountability and public credibility. These norms, not only promote cautious behaviour on the part of banks, but also ensure that arbitrary problems do not engender systemic instabilities and, if need be address such problems proactively.

Capital Adequacy and Basel Accord

1.96 Minimum capital requirements promote prudent management of commercial banks' credit risk. As at end-March 2002, as many as 25 PSBs had CRAR exceeding the stipulated minimum of 9 per cent. Only two PSBs accounting for 4.3 per cent of total assets of PSBs did not achieve the desired level of CRAR.

1.97 Internationally, capital adequacy has gained credence with the move towards the adoption of the new capital Accord. The proposed new capital Accord is both far-reaching and path-breaking. It redefines the regulatory approach to bank supervision and provides new incentives for banks to improve their risk-measurement procedures. It also takes cognizance of the fact that technology and market practices have altered substantially since the days of the old Accord and consequently, envisages a change in the oversight function of the regulatory authorities. The Accord is at an advanced stage of implementation and likely to be operationalised sometime around 2006 (Box I.5).

1.98 Three features of the new Accord are significant. The first relates to increased risk sensitivity. Inadequate differentiation in credit quality, as prevalent in the old Accord, had become increasingly apparent. It was, therefore, proposed in the new Accord to increase the scale of risk weights and employ external credit ratings to categorise credit. Illustratively, the measurement of credit risk requires to be disaggregated into individual components, *viz.*, probabilities of default, loss given default, exposure at default and correlation of defaults across exposures. The second is the wide applicability of the new Accord. The applicability of the old Accord was uniform across institutions with varying degrees of sophistication and countries with widely differing legal traditions and business cultures, thereby resulting in a 'one-size-fits-all' approach. The answer has been to introduce a menu approach, with options capable of catering to a heterogeneous banking populace. Third, is the responsibility for measuring risk. The new Accord intends to introduce a shift in the responsibility for measuring risk away from regulators towards banks. Such a shift, inevitably necessitates strengthening oversight on banks' risk measurement and management. Consequently, two additional pillars: Pillar 2 (supervisory review) and Pillar 3 (market discipline through heightened disclosure) have been explicitly incorporated in the new Accord.

1.99 The RBI, while supporting the flexibility and national discretion in the implementation of the new Accord, emphasises the need to take into account the structural characteristics of different economies in the process of implementation. Owing to the lack of uniformity in selection of parameters and the differential mix and weightage of subjective and objective factors, the role of external credit rating agencies in assigning preferential risk weights for banking book assets is still not clear. Instead, RBI favours assessment of domestic rating agencies (which are better placed to rate domestic entities), owing to their up-to-date and ongoing access to domestic macroeconomic conditions, legal and regulatory framework and proprietary information.

1.100 The implementation of the new Accord envisages the development of a comprehensive and efficient internal system for assessment and management of risks, setting up and adhering to adequate internal exposure limits and improving internal control systems in banks. This is important not only from the viewpoint of deciding the quantum of capital allocation, but also from the systemic stability angle to ensure that there are no disruptions in the capital structure.

Box I.5: Basel II Timetable

Date	**Action Point**
October 2002	Basel Committee, in conjunction with national supervisors, launched quantitative impact survey (QIS 3) with a view to enable banks to conduct (within December 20, 2002) a concrete and comprehensive assessment of how the Committee's proposals would affect their particular firm.
Second Quarter, 2002	In light of responses received from QIS 3, the Committee will assess whether adjustments would be required in the proposed aggregate level of regulatory capital in the banking system and the updated version of the proposals would be released for public comment.
Fourth Quarter, 2003	Finalisation of the new capital Accord.
2004-06	Adaptation and development of necessary systems and procedures by banks and supervisors so as to bring them in conformity with the new capital Accord. The banks adopting internal rating based (IRB) approach and advanced measurement approach (AMA) will be required to conduct parallel calculations with the current Basel Accord for one year prior to implementation.
End 2006	Implementation of new capital Accord.

Source: BIS, 'Basel Committee Reaches Agreement on New Capital Accord Issues', July 2002.

1.101 India is also participating in the Quantitative Impact Study (QIS 3) being conducted by the Basel Committee to assess the impact of the new Accord. RBI has since constituted a group of seven banks (three public sector banks, two new private banks and two old private banks) that have begun participating in the exercise.

Risk Management

1.102 The continuing increase in the scale and complexity of financial entities and the pace of their financial transactions demand that institutions employ sophisticated risk management techniques and monitor the rapidly changing risk exposures. Simultaneously, advances in IT have lowered costs of acquiring, managing and analysing data, and have enabled significant and ongoing advances in risk management. In their effort to position themselves against global benchmarks, banks in India are increasing their focus on risk management to build more robust and sound financial systems.

1.103 In the context of large policy-induced changes in the interest rate environment, the interest rate sensitivity of banks' balance sheet has become important. In an uncertain interest rate scenario, maturity mismatch could entail significant balance sheet effects over time, although the actual impact might not be significant in the short-run. The impact on the bottomline of banks would depend on whether or not the future interest rate movement is in tandem with their respective expectations. It is, therefore, important that banks build up adequate cushion in a benign interest rate scenario so as to permit a 'soft-landing' once the interest rate environment turns adverse. The prescription of the investment fluctuation reserve is, thus, a case in point.

Non-performing Assets

1.104 The quality and performance of advances have direct bearing on the profitability and viability of banks. Despite the credit appraisal and disbursement mechanism, the problem often tends to manifest itself in an accretion to the stock of non-performing assets (NPAs). Although the net NPAs of the commercial banks in India have witnessed a decline over the past several years, they are still high as compared to developed country standards of around 2 per cent. Prompt remedial actions are, therefore warranted in this regard.

1.105 In market-driven systems, the seeds of credit excesses are often sown in an upswing when boom conditions prevail. Once financial excesses are unwound, however, there can be a tendency for loans to go bad, at the expense of the lender and the health of the financial system. In order to counter the benefits of faster credit growth in a boom against the costs of volatile economic cycles once the movements reverse, it is important that banks are not only equipped with balanced prudential norms, but also have forward-looking or dynamic provisioning so as to build-up a protective cushion in good times that can be drawn down in exigencies. The cumulative provisions against loan losses of PSBs in India amounted to 42.5 per cent of their gross NPAs for the year ended March 31, 2002. This is low compared to the international standards, where provisions against impaired assets are often as high as 140 per cent. There is, therefore, need for banks to improve their provisioning practices: full provisioning towards already impaired assets needs to be a priority corporate goal.

1.106 The approach to NPA management by the banks has to be multi-pronged, necessitating varied strategies suited to different stages of the passage of credit facility. Close monitoring of the account, particularly the larger ones, is of prime importance. Emerging weakness in profitability and liquidity of corporates, recessionary trends, recovery of instalments/interest with time lag, etc. should alert and caution the banks. The loan review mechanism is to be adopted as a tool to bring about improvements in credit administration. Banks should also adopt their own risk-rating systems to assess the risk of lending. Sanctions above certain limits should be through a Committee, which can assume the status of an ‘Approval Grid’. Exchange of credit information among banks would be of immense help to avoid possible NPAs. The banking system ought to be so geared that a defaulter at one place is recognised as a defaulter by the system. The system will have to provide a mechanism to ensure that the unscrupulous borrowers are unable to play one bank against the other.

1.107 It is in this context that the facility of Credit Information Bureau (CIB) becomes relevant. A CIB provides an institutional mechanism for sharing of credit information on borrowers and potential borrowers among banks and FIs. It acts as a facilitator for credit dispensation and helps mitigate the credit risk involved in lending. Based on cross-country experiences, initiatives have been taken in India to establish a credit information bureau (Box I.6).

Box I.6: Credit Information Bureau: International Experience

Banks and lending institutions have a traditional resistance, because of the confidential nature of banker-customer relationship, to share credit information on the client, not only with each other, but also across sectors. Specialised institutions, known as Credit Information Bureaus (CIBs) have, therefore, been set up to function as a repository of credit information-both current and historical data on existing and potential borrowers. These institutions maintain database on credit information on the borrower which can be accessed by the lending institutions.

CIBs have been established not only in countries with developed financial systems like USA, UK, Australia, New Zealand, France, Germany and Belgium, but also in countries with relatively less developed financial markets such as Sri Lanka, Mexico, Bangladesh and the Philippines. The Bureaus established in these countries collect information on both individual borrowers (retail segment) and the corporate sector.

In general, separate Bureaus have been established by several countries (*e.g.*, USA, UK, New Zealand, Sri Lanka, Philippines) for collecting information on retail/individual borrowers and corporate customers.

Country experiences show that there is no uniformity in the ownership and operational aspects of CIBs in various countries. For example, in USA, UK, Australia and New Zealand, credit bureaus are privately owned. The two large bureaus collecting information in the retail segment in USA are *Equifax* and *Trans Union* which maintain databases at the national level. The *Dun and Bradstreet* in USA is the leading CIB maintaining database on the corporate sector. *Experian* is the leading credit referencing agency in UK, alongwith a number of smaller bureaus formed through private initiatives. In New Zealand, there are no public CIBs, but several companies like *Baycorp* which provide credit reports on individuals and corporates. In Australia, while *Credit Reference Ltd*., provides information on small and medium-sized businesses, *Dun and Bradstreet* (Australia) provides commercial credit information on large corporates.

In several European countries such as France, Belgium and Germany, credit information services or credit registers have been set up as divisions of the Central Banks. Illustratively, in France, the Credit Bureau Division of the Banque de France, collects information at monthly intervals from banks on their lending to corporate customers above a certain threshold. In Belgium, on the other hand, credit information offices, set up as divisions of the central bank capture defaults on instalment contracts, consumer credit, mortgage agreements, leasing and corporate borrowings. Banks and financial services institutions in Germany are required to notify the details of those borrowers whose indebtedness exceeds DM 3 million during the three calendar months preceding the reporting date.

Among Asian economies, the CIB in Sri Lanka was formed by an Act of Parliament at the initiative of the Central Bank. In Bangladesh, the CIB was formed as a department of the Central Bank and collects from commercial banks, on a monthly basis, information on corporate borrowers availing credit above *Taka* Ten lakh. It also furnishes, on demand, to any commercial bank a CIB report. The CIB in Philippines provides information on both corporates and individuals.

In the Indian context, the Central Government is examining a draft legislation covering, *inter alia*, responsibilities of CIB, rights and obligations of the member/reporting credit institutions and safeguarding of privacy rights that may arise in the process of information sharing by CIBs. Pending the enactment of CIB Regulation Bill, a Working Group was constituted in December 2001 (Chairman: Shri S.R.Iyer) to examine the possibility of the CIB performing the role of collecting and disseminating information on suit-filed accounts and the list of defaulters, presently being reported to RBI by banks and notified financial institutions. The Working Group submitted its Report in January 2002 and the recommendations which satisfy the existing legal framework are being implemented by the RBI.

Based on the recommendations of the above Working Group, banks and FIs have been directed under Section 35 A of the Banking Regulation Act, 1949 that they should submit the list of suit-filed accounts of Rs.1 crore and above as on March 31, 2002 and quarterly updates thereof till December 2002 and suit-filed accounts of wilful defaulters of Rs.25 lakh and above as at end-March, June, September and December 2002 to the RBI as well as to CIBIL for a period of one year till March 31, 2003. Thereafter, the aforesaid information should be submitted to CIBIL only and not to the RBI.

Banks and notified FIs would, however, continue to submit the data relating to non suit-filed accounts of Rs.1 crore and above, classified as doubtful and loss, as on March 31 and September 30 and also quarterly list of wilful defaulters (Rs.25 lakh and above) where suits have not been filed only to RBI as hitherto. Thus, the statement on non suit-filed accounts need not be sent by banks/FIs to CIBIL.

References:

RBI (1999), *Report of the Working Group to Explore the Possibilities of Setting up a Credit Information Bureau* (Chairman: N.H.Siddiqui), RBI, Mumbai.

RBI (2002), *Report of the Working Group to Examine the Role of Credit Information Bureaus in Collection and Dissemination of Information on Suit-filed Accounts and Defaulters* (Chairman: S.R.Iyer), RBI , Mumbai.

1.108 From a policy perspective, it becomes imperative that a reduction in NPAs would require both a "stock" (a one-time cleansing of balance sheet) and a "flow" (preventing substantial accretion) solution. Several measures have been taken to address the 'flow' problem (*viz., Lok Adalats*, settlement advisory committees), whereas the issue of stock of NPAs has not been adequately addressed. Towards this end, the Central Government Budget for 2002-03 announced the setting up of a pilot Asset Reconstruction Company (ARC) with the participation of private and public sector banks, FIs and multilateral agencies. Accordingly, the Ordinance to regulate securitisation and reconstruction of financial assets and enforcement of security interest was promulgated on June 21, 2002 (subsequently re-promulgated on August 22, 2002). The salient features of the Ordinance are given in Box I.7.

Box I.7: The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Ordinance, 2002

Registration

According to the above Ordinance, a securitisation or reconstruction company, with owned fund of not less than Rs. 2 crore or not exceeding 15 per cent of total financial assets acquired or to be acquired as specified by the RBI, can commence or carry on business after obtaining a certificate of registration (CoR). Existing securitisation or reconstruction companies would have to apply for registration to the RBI, within six months from the commencement of the Ordinance. For grant of CoR to a company, the conditions to be satisfied include: (a) not incurred loss in any of the three preceding financial years, (b) made adequate arrangements for realisation of financial assets for securitisation or asset reconstruction, (c) pays periodical returns, and (d) complies with the prudential norms of the RBI. In addition, the Directors of the company should have adequate professional expertise and not have been convicted of any moral turpitude offence. Not more than half the Board members should be associated in any manner with the sponsor, and should not otherwise hold any controlling interest in such securitisation or reconstruction company.

Operations/Functions

The acquisition of financial assets by the securitisation/ reconstruction company would be through the issuance of debentures/bonds or agreements with banks/FIs. The notice of acquisition may be sent by banks/FIs to the concerned obligor, who, in turn, is to make payment to the concerned securitisation or reconstruction company. In case no notice of acquisition is given, then money/properties received subsequently by banks/FIs would be held in trust on behalf of the securitisation or reconstruction company. Other functions of such company would include acting as agent for banks/FIs to recover their dues from borrowers, acting as manager and receiver if appointed by court or tribunal. The disputes will be settled by conciliation or arbitration as provided in the Arbitration and Conciliation Act, 1996.

Prudential Norms

The RBI, in public interest and to regulate the financial system of the country to its advantage would, determine policy and give directions to such companies on income recognition, accounting standards, provisions for bad and doubtful debt, capital adequacy and deployment of funds.

Enforcement of Security Interest

The Ordinance empowers secured creditors to enforce any security interest credited in its favour without any intervention of court or tribunal. The secured creditor may require the borrower to discharge his liabilities within 60 days from the date of notice, failing which the secured creditor is entitled to take possession or management of the secured assets including the right to transfer by way of lease, assignment or sale or appoint any person to manage the secured asset. The borrowers are allowed to seek protection by filing an appeal in the Debt Recovery Tribunal (DRTs) along with a deposit of 75 per cent of the amount claimed with the DRT in order to prevent misuse of appeal provisions.

Offences and Penalties

There are strict provisions of penalties for offences or default by the securitisation or reconstruction company. In case of default in registration of transactions, modification of security interest or in reporting satisfaction of security interest, every company or officer would be fined upto Rs.5,000/- per day. In case of non-compliance with directions by the RBI, the company could be fined upto Rs.5 lakh and in case of continuing offence, an additional fine of Rs. 10,000 per day may be imposed.

The provisions of this Ordinance will override other laws. The application of other laws such as the Company's Act 1956, Securities Contract (Regulation) Act, 1956 and Securities and Exchange Board of India Act, 1993, however, are not barred.

The RBI has constituted two Working Groups for stipulating suitable norms for registration, prescribing prudential norms, recommending proper and transparent accounting and disclosure standards and framing appropriate guidelines for the conduct of asset reconstruction/ securitisation.

Reference:

Government of India (2002), *The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Ordinance,* New Delhi.

Prudential Norms for Loan Classification

1.109 Towards achieving an internationally competitive and sound banking system, attempts have been made to deepen and broaden prudential norms in line with the internationally recognised best practices and standards. Accordingly, banks have been advised by the RBI that, effective March 31, 2005, an asset would be classified as doubtful if it remained in the sub-standard category for 12 months; the additional provision therein would be phased over a four-year period, commencing from year ending March 31, 2005, with a minimum of 20 per cent each year. Loan classification criteria generally rely on *ex-post* signals of loan quality, which, in essence, include the number of days a loan is past due and, more broadly, the current condition of the debtor. Although not commonly practiced, it might be desirable to include other criteria, some of which exhibit forward-looking features. The US system for example classifies loans into five categories based on a set of criteria ranging from payment experience to the environment in which the debtor evolves. This system seeks to curb the risk of excessive bank discretion, although judgemental inputs play a critical role. Incorporation of such features, would, however, require an accurate assessment of the expected probability of default.

Legal Framework

1.110 The banking system requires a legal framework that facilitates the enforcement of financial contracts. Banks must be able to realise what is due to them. If they have no recourse against the borrowers who default, the latter will have reduced incentives to repay loans. Delays owing to inefficiencies or bottlenecks in the legal system can seriously jeopardise the debtor-creditor relationship and adversely impinge upon the smooth functioning of the financial system. It is, therefore, important that the judicial system displays an understanding of financial transactions for banks to rely on fair and speedy enforcement of their contractual rights and obligations.

1.111 In the context of ongoing changes in the financial sector, a number of steps have been initiated to amend the provisions of existing laws to make them compatible with the changed environment. The major legal reforms initiated in the banking sector pertain to security laws, frauds in banks and regulatory framework in banking. Illustratively, amendments have been proposed to the RBI Act, 1934 (which were sent to the Government in 2001), Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/80, Banking Regulation Act, 1949, as well as to legislations relating to State Bank group.

Corporate Governance

1.112 Corporate governance has as its backbone a set of transparent relationship between an institution's management, its Board, shareholders and other stakeholders. It, therefore, needs to 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. In a service industry like banking, 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 the objectives of the institution are set, the strategy for attaining them is determined and the performance of the institution is monitored.

1.113 The Reports of the Advisory Group on Corporate Governance (Chairman: Shri R.H. Patil) and Advisory Group on Banking Supervision (Chairman: Shri M.S. Verma) outlined several proposals to improve corporate governance without the necessity of legislative changes. It is, therefore, important to consider what improvements in corporate governance practices that may be implemented within the confines of the existing legislative framework.

1.114 Towards this end, the RBI constituted a Consultative Group of Directors of Banks and Financial Institutions (Chairman: Dr. A.S. Ganguly) to review the supervisory role of Boards of banks and FIs, to obtain feedback on the functioning of the Boards *vis-à-vis* compliance, transparency, disclosures, audit committees etc. and suggest measures for making the role of Board of Directors more effective. The Group submitted its recommendations in April 2002 after comprehensively reviewing the existing framework as well as the current practices and benchmarked its recommendations with international best practices as enunciated by the BCBS, as well as of other committees and advisory bodies, to the extent applicable in the Indian context. The major recommendations of the Group comprise the following (Box I.8).

Box I.8: Recommendations of the Consultative Group to look into the Role of Bank/FI Boards

- Appointment of one more whole-time director on the boards of large-sized nationalised banks. Further, the Government while nominating directors on the Boards of PSBs should be guided by certain broad "fit and proper" norms for the Directors, based on the lines of those suggested by the Bank for International Settlements (BIS).
- The appointment/nomination of independent/ non-executive directors to the Board of banks (both public sector and private sector) should be from a pool of professional and talented people to be prepared and maintained by RBI. Any deviation from this procedure by any bank should be with the prior approval of RBI.
- It would be desirable to take an undertaking from every director to the effect that they have gone through the guidelines defining the role and responsibilities of directors, and understood what is expected of them and enter into a covenant to discharge their responsibilities to the best of their abilities, individually and collectively.
- It would be desirable to separate the office of Chairman and Managing Director in respect of large-sized PSBs. This functional separation will bring about more focus on strategy and vision as also the needed thrust in the operational functioning of the top management of the bank. The whole-time directors should have sufficiently long tenure to enable them to leave a mark of their leadership and business acumen on the bank's performance.
- The information furnished to the Board should be wholesome, complete and adequate to take meaningful decisions. The Board's focus should be devoted more on strategy issues, risk profile, internal control systems, overall performance, etc. The procedure followed for recording of the

minutes of the board meetings in banks and FIs should be uniform and formalized.

- It would be desirable if the exposures of a bank to stockbrokers and market-makers as a group, as also exposures to other sensitive sectors, *viz.*, real estate etc. are reported to the Board regularly. The disclosures of progress made towards establishing progressive risk management system, the risk management policy, strategy, exposures to related entities, the asset classification of such lendings/investments etc. should be in conformity with corporate governance standards, etc.
- Finally, the banks could be asked to come up with a strategy and plan for implementation of the governance standards recommended and submit progress of implementation, for review after twelve months and thereafter half yearly or annually, as deemed appropriate.

Besides, the recommendations also focused on the role and responsibilities of independent/non-executive directors, their training and remuneration, commonality of directors of banks and NBFCs, information flows to/from the board, etc.

References:

Basel Committee on Banking Supervision (1999), *Enhancing Corporate Governance for Banking Organisations,* Basel, Switzerland.

Jalan, B. (2002), 'Corporate Governance and Financial Sector: Some Issues', Inaugural Address at NIBM Annual Day. Reddy, Y.V. (2002), 'Public Sector Banks and the Governance Challenge: Indian Experience', *RBI Bulletin,* May, 337-356. RBI (2000), *Report on Trend and Progress of Banking in India,* RBI: Mumbai.

RBI (2002), Report of the Consultative Group of Directors of Banks/ Financial Institutions - Implementation of recommendations (Notification dated June 20), (www.rbi.org.in).

1.115 In June 2002, the RBI requested banks (excluding foreign banks, RRBs and LABs) to place the Report as well as the list of recommendations before their respective Board of Directors. Based on the decision taken by the Board, these recommendations could be adopted and implemented in the concerned bank.

Recapitalisation

1.116 Governments can cleanse banks' balance sheets in various ways-rehabilitating assets, loss sharing, reducing debt and injecting new capital (Box I.9). The manner in which it is done depends, among other things, on the existing ownership structure of the distressed financial institutions. In the case of state-owned commercial banks, Government often needs to step in with public support. In all cases, assisted financial institutions need to draw up an acceptable business plan that encompasses capital and operational restructuring to contain costs and improve profit prospects without assuming additional risks. An overview of the capital injections by the Central Government in the banking sector upto end-March 2002 is presented in Table I.1.

Table I.1: Capital Restructuring in the Banking Sector

Institution	Assistance	Provisions made in the Central Government Budget, 2002 - 03
Nationalised Banks	Rs. 21,746 crore provided as recapitalisation support to nationalised banks upto end-March 2002.	The Central Government Budget 2002-03 has made a provision of Rs. 770 crore.
Regional Rural Banks	Rs. 2,188 crore have been infused by the share holders (Government of India, State Governments and sponsor banks) as additional capital support to 187 RRBs through several phases of recapitalisation upto January 2000.	No recapitalisation exercise was undertaken during 2000-01 and 2001-02. Further the Government has not made any budgetary allocation in this regard for the year 2002-03.

Co-operative Banks	Rs. 100 crore proposed in the Central Government Budget 2002-03. The provision is for grants through NABARD for providing incentives to states and co- operative institutions to adopt reform measures for strengthening co-operative credit structure.

1.117 In order to enable Indian Bank to improve its CRAR to the prescribed level, the Central Government released capital assistance of Rs.1,300 crore on March 30, 2002 on the basis of a commitment for implementing monitorable reform measures. The Government and the RBI are closely monitoring the performance of the bank and achievement of set milestones before deciding on any further recapitalisation. Concomitantly, Indian Bank reported a net profit of Rs.33 crore and CRAR at 1.70 per cent as on March 31, 2002.

1.118 The significant improvement recorded by banks in the last three years could be attributed to the sustained efforts to recover NPAs, improve incomes and efficiency and reduction of costs including staff expenses through adoption of voluntary retirement schemes (VRS) as well as close monitoring of the progress under restructuring plans.

(b) Effecting Structural Changes in the System

1.119 Although prudential norms are important to ensure systemic stability, it is imperative to effect structural changes to ensure long-run viability and sustainability of the system as a whole.

Box I.9: Alternative Forms of Support to Banks

Asset rehabilitation involves swapping impaired assets for cash or bonds. These will be at market prices. Even so, these swaps will improve capital adequacy, liquidity and the ability to make loans and can reduce funding costs. Risk-weighted capital ratios improve because the swap, generally, replaces risky loans with low-risk investments, such as Government bonds or cash.

Loss sharing arrangements can assume various forms. They might be proportional, or the bank could take the first hit upto a certain amount, with the Government covering subsequent losses according to a sliding scale. Loss sharing could also be for a limited period. The loans to be covered under loss sharing could be based on an (aggregate) assessment of the distribution of expected loan losses under different economic scenarios by sector. For example, commercial real-estate loans may have more favourable loss-sharing arrangements than home loans.

Equity purchases by Government, sub-ordinated debt or bonds (negotiable or non-negotiable) will also immediately increase net worth, improve capital ratios, liquidity and potential profitability. If asset values and corporate earnings are temporarily low, but expected to recover as the economy strengthens, support through capital injections is often a preferred choice. Where Governments provide support through purchase of preferred stock, they might forgo dividends for some time to boost banks' income. Sub-ordinated debt convertible into equity if not repurchased by the bank within a specified time can be used to protect the Government from banks' inability to service the debt (by allowing Government to intervene). Such contingent clauses can also be a powerful incentive for owners and management to rehabilitate the bank as quickly and effectively as they can.

Granting Government loans or placing deposits will also improve bank liquidity and provide an opportunity for the bank to buy impaired assets. This does not immediately increase capital, however, nor does it improve capital ratios, because assets and liabilities increase by the same amount.

References:

Claessens, A (1999), 'Experiences of Resolution of Banking Crises', *In Strengthening the Banking System in China: Issues and Experience,* BIS Policy Paper No.7, Basel. Hawkins, J and P.Turner (1999), 'Bank Restructuring in Practice: An Overview', In *Bank Restructuring in Practice,* BIS Policy Paper No.6, Basel.

E-banking

1.120 On the technology front, there is the issue of e-banking or the use of electronic delivery channels for banking products and services through automated teller machines (ATM), internet banking and tele-banking. E-banking leads to greater competition among banks, both domestic and foreign, as well as competition from the non-banking segment. Competition results in lowering of transactions cost, enables penetration into new markets and expansion of geographical reach. It also compels banks to offer a broad range of deposit, credit and investment products through diverse distribution channels.

1.121 In India, e-banking, however, has not been able to make significant inroads as an independent mode of banking due to psychological, technological and socio-economic factors. There are the additional hurdles relating to infrastructural and legal constraints. This channel of distribution, though promising, is unlikely to threaten traditional distribution channels in the immediate future.

1.122 Areas where innovations in IT and telecommunications have made significant transformation in banking services relate to new product development, speed of transaction processing and reduction in transaction costs. The major issue about new IT is its impact on the processing of information, which lies at the very core of banking business. Inspite of its advantages, reliance on such technology often exacerbates traditional risks: operational risk (since it requires changes in procedures), reputational risk (if the bank fails to deliver secure, accurate and timely services) and legal risk (uncertainty about which legislation applies to e-banking transactions), besides the emergence of other risks (business and credit risks). Another source of concern related to e-banking is the emergence of the 'digital divide' in the access to banking services. Since e-banking and other IT-led innovations in the financial sector are knowledge intensive, it often tends to favour more educated participants, that too at the cost of ignoring the relatively less privileged sections.

Transparency

1.123 Issues related to transparency in banking operation have gained prominence in recent years. The requirements of transparency are dynamic: growing with the changing character and complexities of banking business on the one hand and the economy itself, on the other. Unlike capital adequacy or asset quality, however, there is no way to quantify transparency and, therefore, the quest for transparency has to be continual and persistent.

1.124 In India, as part of the ongoing efforts towards transparency, banks have been asked to disclose certain financial and operational parameters in their balance sheet. These disclosures have gradually been expanded over the last few years. More recently, from the year ended March 2002, banks have started making additional disclosures relating to movement in provisions held towards NPAs and those held towards depreciation of investments as part of regulatory requirements of RBI.

Deposit Insurance

1.125 The issue of guarantees presents a major dilemma for Governments. On the one hand, the chances of a financial crisis can be increased by Government guarantees as the perception of sovereign protection leads market participants to take more risky positions. On the other hand, guarantees can serve to maintain confidence in the system and keep problems in one sector from spilling over into others. This is illustrated by the pros and cons of depositor protection schemes (Box I.10).

Box I.10: Deposit Protection Schemes-Cross Country Practices

Deposit insurance is designed to protect small depositors who cannot be expected to monitor the soundness of the bank's asset portfolio. Apart from promoting fair competition, the scheme would encourage savings and the use of large-scale payments systems rather than less efficient media like cash. It can also help timely bank restructuring by defusing political pressure or legal challenges leading to delays in closing banks. In the absence of deposit insurance schemes, depositors may try to avoid smaller financial entities in favour of state-owned banks (which enjoy implicit protection), large banks (which may be considered 'too-big-to-fail') or foreign banks (which may be able to rely on financial backing in their home countries).

Studies have shown that deposit insurance has its own pros and cons. On the flip side, chances of a financial crisis can be increased by Government guarantees, because the perception of official protection often leads market participants to assume more risky positions. Safety nets, however, can serve to maintain confidence in the system and keep problems in one sector from spilling over into others. While one study reveals that countries with explicit deposit insurance scheme are more likely to have systemic banking crisis (Demirguc-Kunt and Detragiache, 2000), another study finds that the adoption of an explicit deposit insurance scheme undermines market discipline exercised by creditors and depositors on banks (Demirguc-Kunt and Huizinga, 1999).

In recent years, the attention has, however, shifted from the establishment of an explicit deposit insurance scheme to institutional details such as coverage, membership, funding and administration. In this context, few studies demonstrate that the coverage and funding of deposit insurance schemes have significant impact on the probability with which a country suffers a banking crisis, while others show that the coverage and funding are important determinants of the degree of market discipline exercised by depositors *vis-à-vis* banks. The importance of the design of deposit insurance schemes thus increases the need to study institutional details of individual schemes.

In India, the Working Group on Reforms in Deposit Insurance in India (Chairman: Shri Jagdish Capoor), submitted its Report in October 1999. Based on the recommendations of the Group, a new draft law was prepared in supercession of the existing law. Subsequently, the Central Government Budget 2002-03 announced the conversion of the Deposit Insurance Credit and Guarantee Corporation (DICGC) into the Bank Deposits Insurance Corporation (BDIC). Appropriate legislative changes are to be proposed for this purpose. The proposed BDIC is expected to be an effective instrument for dealing with depositors' risks and for dealing with distressed banks. In order to evolve a suitable system for India, a joint team of officials from the Government, RBI and DICGC studied the Federal Deposit Insurance Corporation (FDIC) model and other regulatory and supervisory agencies in the US.

A comparison of the characteristics of the deposit insurance scheme as prevalent in India *vis-à-vis* those prevailing elsewhere are given in the table. As may be seen therefrom, several features of the deposit insurance scheme in India are comparable to those existing in other economies such as its explicit nature, compulsory membership and joint funding. The major differences, however, pertain to lack of co-insurance feature and absence of risk-adjusted premiums. It may be mentioned that most countries with risk-adjusted premiums are those where the deposit insurance schemes were enacted/revised in the 1990s.

References:

Beck, T. (2000), 'Deposit Insurance as Private Club: Is Germany a Model ?', (www.worldbank.org).

Demirguc-Kunt, A and E.Detragiache (2000), 'Does Deposit Insurance Increase Banking System Stability?', *IMF Working Paper* No.3.

Demirguc-Kunt, A and H.Huizinga (1999), 'Market Discipline and Financial Safety Net Design', *World Bank Policy Research Working Paper* No. 2183.

Demirguc-Kunt, A and T.Sobaci (2001), 'Deposit Insurance Around the World', *World Bank Economic Review*, 15, 481-490.

RBI (1999), *Report on Reforms in Deposit Insurance in India* (Chairman: Shri Jagdish Capoor), RBI: Mumbai.

Table: Characteristics of Deposit Insurance Scheme

Feature of the Scheme	India	European Union	US	World Average
Explicit	Yes	Yes	Yes	68 countries
Coverage Limit	US $ 2,355	Euro 20,000	US $ 1,00,000	Three times per capita GDP
Co-insurance	No	10 per cent	No	17 out of 68 countries have co-insurance
Coverage of Foreign Currency Deposits	Yes	Can be excluded	Yes	Covered in 48 out of 68 countries
Coverage of Inter-bank Deposits	No	No	Yes	Covered in 18 out of 68 countries
Source of Funding*	Joint (public plus private)	Not regulated	Joint	Private: 15 Joint: 51 Public: 1
Administration	Public	Not regulated	Public	Private: 11 Joint: 24 Public: 33
Membership	Compulsory	Compulsory	Compulsory	Compulsory in 55 out of 68 countries
Risk-adjusted Premium	No	Not regulated	Yes	21 out of 68 countries have risk-adjusted premiums

* Not available for one country.
Source: Beck (2000) and Demirguc-Kunt and Sobaci (2001).

Internal Controls

1.126 A set of effective mechanisms for an internal control system in banks is one of the fundamental conditions of their healthy functioning. As observed by the Basel Committee on Banking Supervision (BCBS), an internal control system refers to the ongoing process by which an institution meets three key sets of objectives: operational, informational and compliance. These comprise five inter-related elements: management oversight, risk assessment, control activities, information and communication and monitoring activities. In the Indian context, it is important for banks to strengthen their internal control mechanisms through simplification of documentation procedures and building efficient inter-office communication channels. This would necessitate revisions in audit procedures, operational manuals and above all, a commitment by the senior management to take responsibility for implementing strategies approved by Boards as also to monitor their efficacy. Above all, this would need to be supplemented by internal audit procedures to ensure that the introduced control mechanisms function properly.

(c) Redefining the Regulatory and Supervisory Focus of RBI

1.127 In keeping with the changing latitudes of the banking industry, it is important that the regulatory and supervisory focus of the RBI is geared to tackle contingencies. Accordingly, the focus of regulation and supervision are fine-tuned to keep pace with the changing financial landscape.

Regulation and Supervision

1.128 Financial markets are different from product markets and, therefore, greater liberalisation needs to go along with deeper supervision and higher degree of regulation. This is because financial institutions are more leveraged and there is more scope for speculative activities in such assets, given their inherent volatility. Moreover, there are negative externalities that can destabilise financial markets and instability in financial markets can adversely affect the real economy. Keeping the above aspects in mind, the RBI has instituted a three-pronged supervisory strategy comprising of on-site inspection, off-site surveillance and external auditing towards monitoring the health profile of individual institutions. The inspection for domestic banks is conducted in a more objective manner under the CAMELS (Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Systems) methodology and a comprehensive rating system has also been put in place. The banks have been advised about the procedure followed in the rating exercise in the interest of transparency and to help them in their efforts to improve their rating in the subsequent period.

1.129 With the passage of time, financial sector supervision is expected to become increasingly risk oriented and concerned more with validation of systems. There is a growing acceptance that risk-based supervision (RBS) approach would be more efficient than the traditional transaction-based approach (Box I.11).

Box I.11: Risk-based Supervision

The RBS process entails monitoring of banks by allocating supervisory resources and focusing supervisory attention according to the risk profile of each institution. The instruments of RBS are off-site monitoring and on-site examination supplemented by market intelligence mechanism. Internationally, off-site surveillance, however, gained primacy in recent times, given the ease and promptness of monitoring.

The objective of the RBS entails the allocation of scarce supervisory resources and paying supervisory attention in accordance with the risk profile of the concerned institution. This approach is expected to optimise utilisation of supervisory resources and minimise the impact of crisis situation in the financial system. The RBS process essentially involves continuous monitoring and evaluation of the risk profiles of the supervised institutions in relation to their business strategy and exposure. Apart from strengthening the risk modeling capabilities based on off-site data and associated research for 'predictive supervision', it would rationalise the overall compliance burden.

The major elements of RBS approach comprise of: (a) risk profiling of banks, (b) supervisory cycle, (c) supervisory programme, (d) inspection process, (e) review, evaluation and follow-up, (f) monitorable action plan, (g) supervisory organisation, (h) enforcement process and incentive framework, (i) role of external auditors, and (j) change management implications.

The central plank for RBS would be the risk profiling of banks, which, in essence, would document the various financial and non-financial risks confronting the bank. The risk profile of each bank, in turn, would entail drawing up of a supervisory programme for the concerned institution, which would be flexible enough to permit amendments warranted by subsequent major developments. The supervisory follow-up process will seek to ensure that banks take timely corrective action to remedy or mitigate any significant risks that have been identified in course of supervision. This would be implemented through the Monitorable Action Plan (MAP) that would not only outline remedial actions, but also link these to the areas of high risk identified in the risk profiling and supervisory process. In order to make the framework incentive compatible, banks with better compliance record and good risk management and control system could be subject to a longer supervisory cycle and less supervisory intervention. In case banks fail to show improvements in response to the MAP, there would be a disincentive package comprising of more frequent supervisory examination and higher supervisory intervention such as directions, sanctions and penalties, including the mandatory and discretionary actions as enshrined in the Prompt Corrective Action (PCA) framework. The process would be supplanted by leveraging the use of external auditors by widening the range of tasks and activities performed by them. Since the success of the entire process would hinge critically upon the pro-active response of banks, it is essential that banks have well-defined standards of corporate governance and documented policies and practices in place so as to clearly demarcate the lines of responsibility and accountability.

RBS offers several advantages. First, it enables supervisors to gain a better understanding of the quality of management, characteristics of the business and the risk a bank faces. It also enables supervisory authorities to display more consistency in carrying out supervisory responsibilities and establish best practices in the supervision of banks. Second, the explicit linking of tools of supervision to areas of risk or concern means that banks' management is better able to appreciate why a supervisor has used a particular supervisory tool. Third, in view of the high transactions costs involved in on-site supervision process, RBS will be better placed to decide the intensity of the future supervision, having obtained a better understanding of the bank's risk profile. The intensity of supervision and the amount and focus of supervisory action will increase in line with the perceived risk profile of the bank.

In India, in order to develop an overall plan for moving towards RBS, international consultants were appointed with the assistance of the Department for International Development of the United Kingdom. They have completed Phase-I of the project by conducting a review and evaluation of the current supervisory and regulatory framework, policies, guidelines, instructions, tools, techniques, systems, available IT infrastructure and external linkages. The thrust of Phase-I recommendations is on enhancement to the regulation and supervision framework leading to the increased effectiveness of overall supervision through greater focus on risk as well as realignment of the inspection process to fall in line with a more risk-based approach. The recommendations cover areas such as data management, supervisory process, inspection, feedback to banks, external audit, etc. During Phase-II of the project, the Consultants are expected to work out the practical and operational aspects of the above recommendations and suggest a new RBS framework including the sequencing of different stages and a time frame for implementation. A dedicated Group has been set up within the RBI for project implementation and to drive the change management implication. To meet the requirements of RBS, banks would be required to take immediate measures to improve the reliability and robustness of their risk management, management information and supervisory reporting systems. The compilation of supervision manual for the use of supervisors is in progress and the RBS approach is scheduled to be operationalised during 2003.

References:

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RBI (2001), *Move Towards Risk Based Supervision (RBS) of Banks-Discussion Paper*, RBI, Mumbai.

Co-operative Banking

1.130 Credit institutions are linked to each other through a complex chain of inter-bank relationships, which, in adversity might become potential vehicles for spread of the contagion effect. Signs of financial mismanagement in an institution or a group of institutions, regardless of the reasons, is liable to trigger similar problems in other institutions and generate serious risks in the financial system. Being an integral part of the banking system, co-operative banks are no exception to this rule. There is a need to refashion management in co-operative banks by picking up threads of good corporate governance.

1.131 An important issue that has engaged much attention in the recent past is the dual/triple regulatory and supervisory control over cooperative banks. In view of the local interest involved in the co-operatives, there seems to be limited consensus in favour of removing supervisory and regulatory responsibilities at various levels and to entrust it exclusively to one body. In view of this, supervision of UCBs often proves to be a challenging proposition for the RBI, so that it might prove worthwhile integrating the supervision of co-operative banks under one umbrella. There is also an urgent need for clarity in defining the roles of various control institutions by streamlining processes, procedures, etc. and for removing overlapping of controls over cooperative banks presently vested with State Governments, RBI and NABARD, as the case may be. In this context, the creation of a separate apex supervisory authority has been emphasised, which can take over the entire inspection/supervisory functions in relation to scheduled and non-scheduled UCBs. Subsequently, RBI has submitted a draft Bill which is under consideration of the Government.

Financial Soundness Indicators

1.132 Recent episodes of financial turmoil in international financial markets have underscored the need for better monitoring of financial risks and vulnerabilities. The magnitude and mobility of international capital flows have made it increasingly important to strengthen the foundations of domestic financial systems as a way to build up resilience to volatility in capital flows. As a consequence, increased attention is being paid to monitoring the health and efficiency of financial institutions and markets, and also the macroeconomic and institutional developments that pose potential risks to financial stability.

1.133 The Financial Sector Assessment Programme (FSAP), launched jointly by the IMF and The World Bank in May 1999, has sought to focus, among others, on early detection and identification of financial sector vulnerabilities, assess observance and implementation of standards and codes, and develop appropriate policy responses to weaknesses in financial systems. Towards this end, attention has come to be focused on financial soundness indicators (FSIs), complementing the macroprudential indicators (MPIs) (Box I.12).

Box I.12: Macroprudential Indicators: Salient Findings

The Mid-term Review of Monetary and Credit Policy of October 2000 had indicated that a half-yearly financial stability review using macroprudential indicators (MPIs) would be prepared. In this regard, an inter-departmental Group was constituted and a pilot review of MPIs was prepared for the half-year ended March 2000 followed by regular half-yearly reviews from September 2000 onwards. The salient findings of the review for the second half of 2001-02 are given below.

Capital Adequacy (CRAR)

The CRAR of the banking system improved over the period ending March 2001 to March 2002. This improvement in CRAR reflected the impact of higher growth in capital than the growth in risk-weighted assets. The faster growth in capital was made possible because of the surge in profits of the banking system as a whole and the mobilisation of equity capital by a couple of banks.

Non-Performing Assets (NPAs)

The gross NPAs (to gross advances) as well as net NPA (to net advances) position of the banking system witnessed an improvement by end-March 2002 *vis-à-vis* its position in end-March 2001. The containment in NPAs in the current year, viewed in the context of slowdown in industrial activity, seems significant owing to the substantial reductions effected.

Profitability-Return on Assets and Return on Equity

The profitability indicators of the banking system showed major improvement, with both return on asset and return on equity rising considerably in relation to the previous year. The improvement in profitability for PSBs, in particular, stemmed from reduction in staff expenses. This was also made possible by significant profits on securities trading, which has witnessed a marked increase in 2001-02. Return on equity also turned out to be the highest in the last few years.

Liquidity

An assessment of the liquidity position of the banking system suggests that their short-term assets were in excess of short-term liabilities and hence, maturity mismatch is unlikely to exert any major pressure on the liquidity-adjustment-induced changes in the interest rate.

Interest Spread

The trend in interest spread (net interest income to total assets), which has witnessed a declining trend over the past few years, continued during 2001-02. This trend reflects the possible impact of greater competition among banks. In this context, the share of interest income to non-interest income assumes importance. If non-interest income can meet operating expenses, then the constraint imposed by higher operating cost on reducing the spread can be mitigated.

Investments in non-SLR Securities

Investments in non-SLR securities include investments in CPs, bonds and debentures, debt-oriented mutual funds, Central Government recapitalisation bonds, etc. Investments in non-SLR securities exhibited a higher growth during 2001-02 as against that registered in the previous year. This was largely on account of capital injection to one PSB and the merger in the new private bank segment. Excluding the latter, the growth in non-SLR securities was less as compared to the previous year.

Credit Concentration

For the banking system as a whole, the degree of credit concentration (in terms of credit extended to top 20 corporates as percentage to total credit) appeared to be significant. In respect of foreign banks, the degree of concentration was large, which appears to be a source of vulnerability in their local operations and also a cause for relatively high NPA ratios of the smaller foreign banks. Exposure of the banking system to sensitive sectors, particularly to capital market and real estate, continued to remain modest.

1.134 In contrast to the MPIs which seek to provide an assessment and monitoring of the strengths and weaknesses of the financial system, FSIs are aimed at monitoring the health and soundness of financial institutions and markets and of their corporate and household counterparts. Two sets of FSIs have been proposed, a 'core' set, which is broadly comparable across countries, and an 'encouraged' set, which is more country-specific in nature. The FSI dataset, therefore, are aimed at serving two purposes: first, it seeks to develop a set of indicators that are broadly comparable across countries (the 'core' set), which is possible if countries adhere to internationally agreed prudential and accounting standards, and second, it allows for internalisation of country-specific vulnerabilities by promoting the development of an 'encouraged' set of indicators. Unlike the MPIs, therefore, FSIs seeks to eschew the 'one-size-fits-all' approach and provide flexibility in the selection of indicators.

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1. DSB returns were so called because at the time of introduction of these returns, the department of RBI seeking these returns was known as **D**epartment of **S**upervision, and these returns were called for by the **B**anking wing of the

[2] As per cent to total investment, i.e., HFT, AFS and HTM categories.

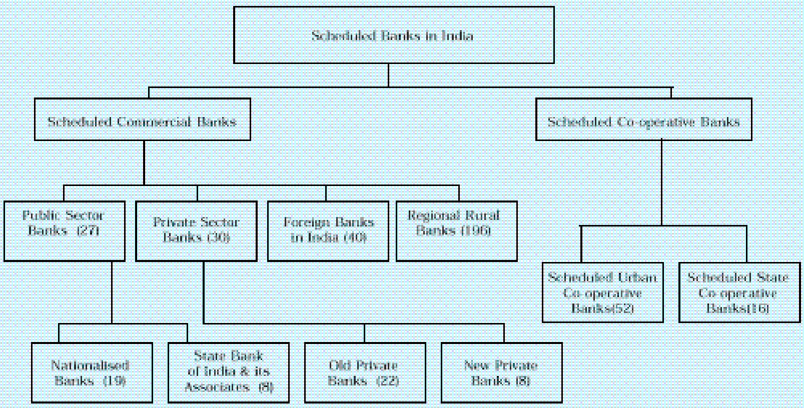
Chapter II

Developments in Commercial Banking

The Indian banking system continued to respond pro-actively to the challenges in its operating environment during the year 2001-02. There was a significant improvement in the performance of the commercial banking system, measured in terms of both operating as well as net profits. As at end-March 2002, 97 commercial banks, 196 Regional Rural Banks, 52 scheduled urban co-operative banks and 16 scheduled state co-operative banks were operating in India as scheduled banks (Chart II.1). Simultaneously, in view of the growing concerns about financial stability, prudential norms have been gradually tightened on par with international best practices. Banks have been also accorded greater operational flexibility in conducting their business. As part of the process, commercial banks have adopted several initiatives to strengthen their business practices, including, among others, greater product sophistication, increased customer orientation, improved risk-management, particularly credit risk management techniques, updated management information systems, greater focus on electronic banking channels and diversification into newer business areas. The salient policy measures pertaining to commercial banks are presented in the Annex.

2.2 The net profits of Scheduled Commercial Banks (SCBs), excluding Regional Rural Banks (RRBs), witnessed a noticeable upturn from Rs.6,403 crore in 2000-01 to Rs.11,572 crore in 2001-02 (excluding the impact of the merger, net profits stood at Rs.11,564 crore in 2001-02). The improvement in net profits, notwithstanding increased provisions and contingencies, was largely due to increased profit from treasury management operations in the soft interest rate scenario and the containment in operating expenses. While income of SCBs witnessed an increase of 14.4 per cent, driven largely by 'other income', the expenditure was, by and large, contained on account of the lower operating expenses, resulting from the decline in wage costs (Table II.1).

Chart II.1: Scheduled Banking Structure in India #
(As on March 31, 2002)



As included in the Second Schedule of the Reserve Bank of India Act, 1934.
Note: Figures in brackets indicate number of banks in each group.

Table II.1: Bank Group-wise Important Financial Indicators

(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: Total	Operating Expenses: Of which Wage Bill	Provisions & Contingencies	Spread (NII)
1	2	3	4	5	6	7	8	9	10	11	12
Scheduled Commercial Banks											
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	19,756.78	6,403.48	1,32,075.67	1,15,091.13	16,984.54	1,25,672.19	78,140.76	34,178.13	23,218.33	13,353.30	36,950.37
	(1.53)	(0.49)	(10.20)	(8.88)	(1.32)	(9.70)	(6.03)	(2.64)	(1.79)	(1.03)	(2.85)
2001-02	29,814.20	11,572.46 #	1,51,026.08	1,26,969.92	24,056.16	1,39,453.62	87,515.68	33,696.20	21,781.05	18,241.74	39,454.24
Public Sector Banks											
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	13,801.68	4,316.94	1,03,499.36	91,129.44	12,369.92	99,182.42	61,693.19	28,004.49	20,929.17	9,484.74	29,436.25
	(1.34)	(0.42)	(10.05)	(8.85)	(1.20)	(9.63)	(5.99)	(2.72)	(2.03)	(0.92)	(2.86)
2001-02	21,672.93	8,301.24	1,17,248.75	1,00,721.54	16,527.21	1,08,947.51	69,153.77	26,422.05	19,045.38	13,371.69	31,567.77
	(1.88)	(0.72)	(10.14)	(8.71)	(1.43)	(9.43)	(5.98)	(2.29)	(1.65)	(1.16)	(2.73)
Nationalised Banks											
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	8,062.06	2,095.09	64,126.52	56,977.36	7,149.16	62,031.43	38,789.64	17,274.82	13,142.78	5,966.97	18,187.72
	(1.29)	(0.33)	(10.23)	(9.09)	(1.14)	(9.90)	(6.19)	(2.76)	(2.10)	(0.95)	(2.90)
2001-02	12,953.25	4,851.75	72,485.95	61,975.51	10,510.44	67,634.20	42,597.86	16,934.84	12,316.55	8,101.50	19,377.65
	(1.83)	(0.69)	(10.26)	(8.78)	(1.48)	(9.58)	(6.03)	(2.40)	(1.74)	(1.15)	(2.74)
State Bank Group											
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	39,372.84	34,152.08	5,220.76	37,150.99	22,903.55	10,729.67	7,786.39	3,517.77	11,248.53
	(1.42)	(0.55)	(9.77)	(8.47)	(1.30)	(9.21)	(5.68)	(2.66)	(1.93)	(0.87)	(2.79)
2001-02	8,719.68	3,449.49	44,762.80	38,746.03	6,016.77	41,313.31	26,555.91	9,487.21	6,728.83	5,270.19	12,190.12
	(1.94)	(0.77)	(9.96)	(8.62)	(1.34)	(9.19)	(5.91)	(2.11)	(1.50)	(1.17)	(2.71)

Table II.1: Bank Group-wise Important Financial Indicators

(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 Total	Operating Expenses Of which Wage Bill	Provisions & Contingencies	Spread (NII)
1	2	3	4	5	6	7	8	9	10	11	12
Old Private Sector Banks											
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	1,475.75	502.15	9,091.20	8,054.57	1,036.63	8,589.05	5,931.92	1,683.53	1,049.57	973.60	2,122.65
	(1.75)	(0.59)	(10.76)	(9.53)	(1.23)	(10.16)	(7.02)	(1.99)	(1.24)	(1.15)	(2.51)
2001-02	2,516.19	1,004.49	10,946.04	8,725.33	2,220.71	9,941.55	6,494.96	1,934.89	1,178.28	1,511.70	2,230.37
	(2.70)	(1.08)	(11.74)	(9.36)	(2.38)	(10.67)	(6.97)	(2.08)	(1.26)	(1.62)	(2.39)
New Private Sector Banks											
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	1,368.96	639.41	7,498.23	6,437.61	1,060.62	6,858.82	4,752.76	1,376.51	249.55	729.55	1,684.85
	(1.74)	(0.81)	(9.52)	(8.17)	(1.35)	(8.71)	(6.03)	(1.75)	(0.32)	(0.93)	(2.14)
2001-02	2,112.07	774.62 #	9,871.40	7,823.41	2,047.99	9,096.78	5,813.23	1,946.10	434.80	1,337.45	2,010.18
	(1.21)	(0.44)	(5.66)	(4.48)	(1.18)	(5.22)	(3.33)	(1.12)	(0.25)	(0.77)	(1.15)
Foreign Banks											
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	3,110.39	944.98	11,986.88	9,469.51	2,517.37	11,041.90	5,762.89	3,113.60	990.04	2,165.41	3,706.62
	(3.05)	(0.93)	(11.74)	(9.27)	(2.47)	(10.81)	(5.64)	(3.05)	(0.97)	(2.12)	(3.63)
2001-02	3,513.01	1,492.11	12,959.89	9,699.64	3,260.25	11,467.78	6,053.72	3,393.16	1,122.59	2,020.90	3,645.92
	(3.13)	(1.33)	(11.56)	(8.65)	(2.91)	(10.23)	(5.40)	(3.03)	(1.00)	(1.80)	(3.25)

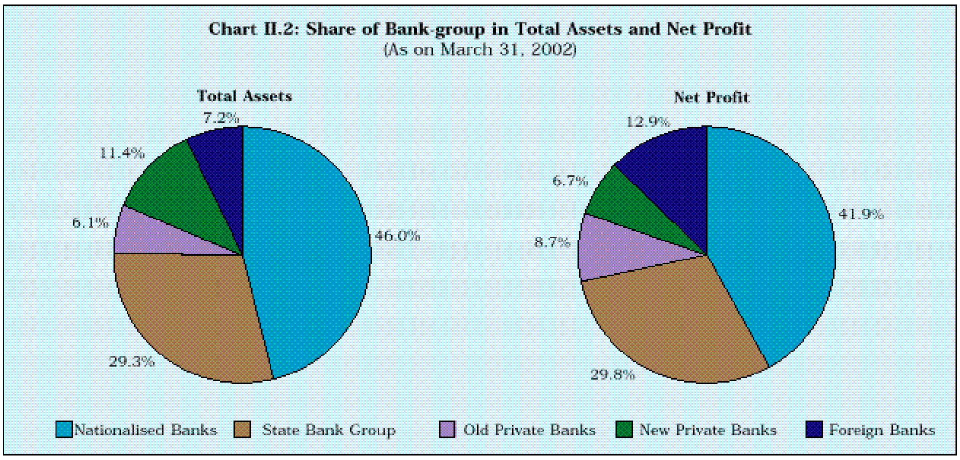
\# The profit after tax for 2001-02 of ICICI Bank includes about Rs. 8 crore attributable to ICICI, ICICI Personal Financial Services Ltd. and ICICI Capital Services Ltd. for March 30 and March 31, 2002.

Notes:
1. The number of Scheduled Commercial Banks (excluding RRBs) in 1999-2000, 2000-01 and 2001-02 were 101, 100 and 97, respectively.
2. The number of Foreign Banks in 1999-2000, 2000-01 and 2001-02 were 42, 42 and 40, respectively.
3. The number of Old Private Banks in 1999-2000, 2000-01 and 2001-02 were 24, 23 and 22, respectively.
4. The number of New Private Banks for the years 1999-2000, 2000-01 and 2001-02 were 8 in each year.
5. Figures in brackets are percentages to Total Assets.
6. NII - Net Interest Income.
7. Scheduled Commercial Banks data for 2000-01 are as reported in the balance sheets for 2001-02 and hence may not tally with those reported in the *Report on Trend and Progress of Banking in India, 2000-01*, to the extent the figures for 2000-01 have been revised by some banks

2.3 Certain other features of the performance of commercial banks are the following. First, buoyed by favourable policy announcements, housing loans showed an accelerated growth of 38.4 per cent and with the result, the share of credit to housing increased three-fold from 3.8 per cent in 2000-01 to 11.6 per cent in 2001-02. Second, in the face of slowdown in industrial activity, banks have aggressively increased the share of credit towards ‘other non-priority sector personal loans’. This has doubled over the same period from 4.9 per cent to 10.0 per cent. Third, provisions and contingencies (P & C) of SCBs witnessed a rise of 36.6 per cent in 2001-02. The sharp increase in P & C, especially provisioning for NPAs, in the light of the gradual tightening of prudential norms, reflects the growing awareness on the part of banks to set aside larger quantum against impaired assets.

2.4 Notwithstanding the significant improvement in the overall performance of SCBs, there was wide divergence across bank groups. For example, the increase in income was the lowest for the foreign bank group (8.1 per cent), due to lower growth in their interest income. Foreign bank group also registered a low growth in expenditure (3.9 per cent), arising out of containment in interest expenses. 'Other income' of all bank groups recorded substantial increases reflecting increasing diversification into non-fund based activities. The maximum increase in this aspect was recorded by old private banks (114.2 per cent). The growth in operating expenses was the highest for new private banks, driven largely by increase in wage costs. PSBs, however, registered lower wage costs, due to cost control measures (organisational restructuring, enhancement of IT capabilities, etc.) and the voluntary retirement scheme (VRS) implemented in the previous year. Provisions and contingencies (P & C) increased for all bank groups, excepting in the case of foreign banks, whose provisioning requirements were low on account of improved asset quality.

2.5 During 2001-02, the total assets of SCBs witnessed an increase of 18.5 per cent over the previous year (excluding the impact of merger, the increase in asset growth was 13.4 per cent). Almost all bank groups witnessed double-digit asset growth during the year under review. Out of this, the increase for the PSBs stood at 12.2 per cent. Reflecting the impact of merger, the asset growth in the new private sector bank category witnessed a substantial jump of over 100 per cent over the previous year (excluding the impact of merger, the increase in asset growth was 19.1 per cent). Accordingly, the share of new private banks, which constituted 6.1 per cent of total assets of SCBs during 2000-01 improved to 11.4 per cent during 2001-02. Correspondingly, there was a decline in the shares of PSBs (75.3 per cent in 2001-02 as compared with 79.5 per cent in 2000-01), old private sector banks and foreign banks (Chart II.2).



1. RBI Standing Liquidity Facilities

2.6 The RBI has been providing accommodation to SCBs and primary dealers (PDs) in the form of standing liquidity facilities on certain specific considerations. These facilities comprise (i) export credit refinance (ECR) facility (ii) collateralised lending facility (CLF) to banks (terminated on October 4, 2002) and (iii) liquidity support to PDs. These are in addition to liquidity operations through the liquidity adjustment facility (LAF). The standing liquidity facilities available from RBI are split into: (i) normal facility available at Bank Rate, and (ii) back-stop facility available at variable daily rate at 1 percentage point above reverse repo cut-off rate in LAF auctions, or 2-3 percentage points above repo rate in the absence of emergence of rate at the reverse repo auctions, or 1-3 percentage point above NSE - MIBOR as decided by the RBI, when no bids for repo/ reverse repo auctions have been received/ accepted. While normal facility constitutes two-thirds of total limits under standing liquidity support, back-stop facility comprises one-third. With a view to furthering the progress of phasing out sector-specific standing facility in an environment of low CRR, it was decided that the apportionment of normal and back-stop facilities, which presently is in the ratio of two-thirds to one-third (67:33) would be changed to one-half each (50:50) from the fortnight beginning November 16, 2002.

2.7 The outstanding export credit, which increased from Rs.45,387 crore as on March 23, 2001 to Rs.47,705 crore as on May 4, 2001, declined after some fluctuations to Rs.43,123 crore as on March 22, 2002. As a result, aggregate export credit as percentage of net bank credit dropped from 8.9 per cent to 7.4 per cent over this period. The export credit refinance limit on the other hand which had gone up from Rs.7,192 crore as on March 23, 2001 to Rs.9,221 crore as on June 29, 2001 on account of higher export credit along with change in formula effective the fortnight beginning May 5, 2001, declined subsequently to Rs.9,086 crore as on March 22, 2002 and further to Rs.5,198 crore as on September 20, 2002, reflecting the trend in export credit (Appendix Table II.1).

2.8 The daily average utilisation of export credit refinance (ECR) facility remained subdued during 2001-02 on account of substantial improvement in liquidity conditions in the economy. On fortnightly basis, it ranged between Rs.5,740 crore (69.5 per cent of limits) and Rs.1,135 crore (12.4 per cent of limits) during 2001-02. On average basis, the utilisation of export credit refinance stood at Rs.3,793 crore against the limit of Rs.9,014 crore during 2001-02. The utilisation of export credit refinance, which was subdued in April 2002, picked up somewhat in May 2002 and stood at Rs.2,130 crore as on May 31, 2002 (36.9 per cent of limits). Thereafter, the utilisation of export credit declined and stood at Rs. 11 crore as September 20, 2002 on account of easy liquidity conditions in the economy. ECR remains the only standing facility available for banks since October 5, 2002.

Collateralised Lending Facility (CLF)

2.9 The SCBs were provided CLF against collateral of excess holdings of Central government dated securities/treasury bills over their SLR requirements. The extent of liquidity support available to each bank was stipulated at equivalent to 0.125 per cent of its fortnightly average outstanding aggregate deposits 1997-98.

2.10 The utilisation of CLF during 2001-remained low due to easy liquidity conditions the economy. During the above period, daily average utilisation of CLF ranged between Rs.239 crore (36.3 per cent of limit) and Rs.21 crore (3. per cent of limit). On average, banks utilised Rs.124 crore against the limit of Rs.657 crore during the year. As on May 31, 2002, the average utilisation of CLF was Rs.127 crore (19.4 per cent of limits). However, during June 1 to October 2002, utilisation of CLF virtually remained nil The CLF was completely phased out since October 5, 2002. The option to reintroduce the CLF the future has, however, been retained.

2. Assets and Liabilities of Scheduled Commercial Banks

2.11 The assets and liabilities of SCBs are analysed on the basis of two data sources, viz., audited annual accounts and returns submitted by banks under Section 42(2) of RBI Act, 1934. As per the balance sheet data, during the year 2001-02, assets of SCBs (excluding RRBs) recorded a growth of 18.5 per cent (13.4 per cent, excluding the impact of merger). The shares of advances and investments in total assets stood at 42.1 per cent and 38.3 per cent, respectively. On the liability front, the composition underwent marginal changes with a decline in the share of deposits of SCBs from 81.5 per cent in 2000-01 to 78.3 per cent in 2001-02, and an increase in the share of borrowings from 4.3 per cent to 7.0 per cent during the same period. The share of short-term assets (cash and balances with RBI plus balances with banks and call/notice money) also declined over the period from 14.7 per cent to 13.3 per cent. Bank group-wise details of the consolidated balance sheets are presented in Tables II.2 to II.5.

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

(Amount in Rs. crore)

Item	As on March 31, 2001 Amount	per cent to total	As on March 31, 2002 Amount	per cent to total
1	2	3	4	5
Liabilities				
1. Capital	19,094.71	1.47	21,472.67	1.40
2. Reserves & Surplus	48,645.12	3.76	62,686.91	4.08
3. Deposits	10,55,386.43	81.47	12,02,699.42	78.33
3.1 Demand Deposits	1,39,732.74	10.79	1,53,069.81	9.97
3.2 Savings Bank Deposits	2,18,712.78	16.88	2,55,597.80	16.65
3.3 Term Deposits	6,96,940.91	53.80	7,94,031.81	51.71
4. Borrowings	55,514.58	4.29	1,07,180.18	6.98
5. Other Liabilities and Provisions	1,16,764.50	9.01	1,41,473.95	9.21
Total Liabilities	**12,95,405.34**	**100.00**	**15,35,513.13**	**100.00**
Assets				
1. Cash and balances with RBI	84,503.53	6.52	86,760.51	5.65
2. Balances with banks and money at call and short notice	1,05,970.66	8.18	1,17,518.25	7.65
3. Investments	4,91,755.14	37.96	5,88,058.29	38.30
3.1 In Govt. Securities (a+b)	3,53,190.33	27.26	4,31,753.46	28.12
a. In India	3,50,701.18	27.07	4,28,363.38	27.90
b. Outside India	2,489.15	0.19	3,390.08	0.22
3.2 In other approved Securities	23,800.91	1.84	21,752.96	1.42
3.3 In non-approved Securities	1,14,763.90	8.86	1,34,551.87	8.76
4. Loans and Advances	5,26,150.85	40.62	6,45,743.04	42.05
4.1 Bills purchased & discounted	50,267.48	3.88	53,609.38	3.49
4.2 Cash Credit, Overdrafts, etc.	2,85,851.62	22.07	3,21,725.86	20.95
4.3 Term Loans	1,90,031.75	14.67	2,70,407.80	17.61
5. Fixed Assets	16,237.29	1.25	20,083.30	1.31
6. Other Assets	70,787.87	5.46	77,349.74	5.04
Total Assets	**12,95,405.34**	**100.00**	**15,35,513.13**	**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, 2001		As on March 31, 2002		As on March 31, 2001		As on March 31, 2002		As on March 31, 2001		As on March 31, 2002	
	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	14,547.08	1.41	15,177.66	1.31	13,511.28	2.15	14,141.86	2.00	1,035.80	0.26	1,035.80	0.23
2. Reserves & Surplus	35,358.25	3.43	42,276.10	3.66	18,998.94	3.03	23,253.09	3.29	16,359.31	4.06	19,023.01	4.23
3. Deposits	8,59,461.95	83.45	9,68,749.32	83.82	5,47,343.50	87.30	6,17,672.68	87.46	3,12,118.45	77.45	3,51,076.64	78.10
3.1 Demand Deposits	1,11,223.79	10.80	1,19,052.32	10.30	60,723.51	9.68	65,783.23	9.31	50,500.28	12.53	53,269.09	11.85
3.2 Savings Bank Deposits	1,96,906.73	19.12	2,28,138.16	19.74	1,33,047.88	21.22	1,53,245.61	21.70	63,858.85	15.85	74,892.55	16.66
3.3 Term Deposits	5,51,331.43	53.53	6,21,558.84	53.78	3,53,572.11	56.39	3,98,643.84	56.45	1,97,759.32	49.07	2,22,915.00	49.59
4. Borrowings	20,108.84	1.95	20,567.37	1.78	8,702.59	1.39	10,515.56	1.49	11,406.25	2.83	10,051.81	2.24
5. Other Liabilities and Provisions	1,00,496.07	9.76	1,08,966.32	9.43	38,431.51	6.13	40,644.82	5.76	62,064.56	15.40	68,321.50	15.20
Total Liabilities	**10,29,972.19**	**100.00**	**11,55,736.77**	**100.00**	**6,26,987.82**	**100.00**	**7,06,228.01**	**100.00**	**4,02,984.37**	**100.00**	**4,49,508.76**	**100.00**
Assets												
1. Cash and balances with RBI	69,866.39	6.78	71,407.46	6.18	45,341.37	7.23	44,120.06	6.25	24,525.02	6.09	27,287.40	6.07
2. Balances with banks and money at call and short notice	82,873.72	8.05	79,474.14	6.88	35,958.20	5.74	31,877.48	4.51	46,915.52	11.64	47,596.66	10.59
3. Investments	3,94,107.33	38.26	4,54,007.90	39.28	2,36,915.01	37.79	2,68,420.61	38.01	1,57,192.32	39.01	1,85,587.29	41.29
3.1 In Govt. Securities (a+b)	2,91,997.88	28.35	3,44,691.24	29.82	1,67,433.29	26.70	1,93,179.82	27.35	1,24,564.59	30.91	1,51,511.42	33.71
a. In India	2,89,592.62	28.12	3,41,397.65	29.54	1,65,317.70	26.37	1,90,180.35	26.93	1,24,274.92	30.84	1,51,217.30	33.64
b. Outside India	2,405.26	0.23	3,293.59	0.28	2,115.59	0.34	2,999.47	0.42	289.67	0.07	294.12	0.07
3.2 In other approved Securities	22,318.71	2.17	20,460.80	1.77	15,065.56	2.40	13,815.13	1.96	7,253.15	1.80	6,645.67	1.48
3.3 In non-approved Securities	79,790.74	7.75	88,855.86	7.69	54,416.16	8.68	61,425.66	8.70	25,374.58	6.30	27,430.20	6.10
4. Loans and Advances	4,14,989.36	40.29	4,80,680.54	41.59	2,64,601.54	42.20	3,16,091.12	44.76	1,50,387.82	37.32	1,64,589.42	36.62
4.1 Bills purchased & discounted	34,124.56	3.31	36,583.72	3.17	17,953.87	2.86	20,833.59	2.95	16,170.69	4.01	15,750.13	3.50
4.2 Cash Credit, Overdrafts, etc.	2,32,731.36	22.60	2,67,890.64	23.18	1,47,927.04	23.59	1,77,169.90	25.09	84,804.32	21.04	90,720.74	20.18
4.3 Term Loans	1,48,133.44	14.38	1,76,206.18	15.25	98,720.63	15.75	1,18,087.63	16.72	49,412.81	12.26	58,118.55	12.93
5. Fixed Assets	10,472.99	1.02	10,420.00	0.90	7,427.83	1.18	7,531.11	1.07	3,045.16	0.76	2,888.89	0.64
6. Other Assets	57,662.40	5.60	59,746.73	5.17	36,743.87	5.86	38,187.63	5.41	20,918.53	5.19	21,559.10	4.80
Total Assets	**10,29,972.19**	**100.00**	**11,55,736.77**	**100.00**	**6,26,987.82**	**100.00**	**7,06,228.01**	**100.00**	**4,02,984.37**	**100.00**	**4,49,508.76**	**100.00**

Source: Balance sheets of respective banks.

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

(Amount in Rs.crore)

Item	*Private Sector Banks*				Old Private Sector Banks				New Private Sector Banks			
	As on March 31, 2001		As on March 31, 2002		As on March 31, 2001		As on March 31, 2002		As on March 31, 2001		As on March 31, 2002	
	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	1,877.63	1.15	2,718.86	1.02	603.91	0.71	604.79	0.65	1,273.72	1.62	2,114.07	1.21
2. Reserves & Surplus	6,999.26	4.29	13,472.08	5.03	3,948.27	4.67	4,806.25	5.16	3,050.99	3.87	8,665.83	4.97
3. Deposits	1,36,634.57	83.66	1,69,439.55	63.30	73,746.28	87.24	80,447.17	86.29	62,888.29	79.81	88,992.38	51.01
3.1 Demand Deposits	16,613.84	10.17	20,404.39	7.62	7,594.76	8.98	8,114.22	8.70	9,019.08	11.45	12,290.17	7.04
3.2 Savings Bank Deposits	16,177.02	9.90	20,120.17	7.52	10,345.25	12.24	11,828.99	12.69	5,831.77	7.40	8,291.18	4.75
3.3 Term Deposits	1,03,843.71	63.58	1,28,914.99	48.16	55,806.27	66.02	60,503.96	64.90	48,037.44	60.96	68,411.03	39.21
4. Borrowings	8,695.33	5.32	56,857.57	21.24	2,117.03	2.50	2,725.12	2.92	6,578.30	8.35	54,132.45	31.03
5. Other Liabilities and Provisions	9,118.60	5.58	25,191.87	9.41	4,113.42	4.87	4,642.46	4.98	5,005.18	6.35	20,549.41	11.78
Total Liabilities	**1,63,325.39**	**100.00**	**2,67,679.93**	**100.00**	**84,528.91**	**100.00**	**93,225.79**	**100.00**	**78,796.48**	**100.00**	**1,74,454.14**	**100.00**
Assets												
1. Cash and balances with RBI	10,732.70	6.57	11,306.23	4.22	5,783.83	6.84	5,296.35	5.68	4,948.87	6.28	6,009.88	3.44
2. Balances with banks and money at call and short notice	12,571.15	7.70	22,425.74	8.38	6,160.24	7.29	6,500.73	6.97	6,410.91	8.14	15,925.01	9.13
3. Investments	61,891.35	37.89	98,956.83	36.97	29,989.80	35.48	34,030.21	36.50	31,901.55	40.49	64,926.62	37.22
3.1 In Govt. Securities (a+b)	37,828.54	23.16	62,955.57	23.52	20,033.35	23.70	23,840.20	25.57	17,795.19	22.58	39,115.37	22.42
a. In India	37,744.65	23.11	62,859.08	23.48	19,957.42	23.61	23,755.83	25.48	17,787.23	22.57	39,103.25	22.41
b. Outside India	83.89	0.05	96.49	0.04	75.93	0.09	84.37	0.09	7.96	0.01	12.12	0.01
3.2 In other approved Securities	1,262.80	0.77	1,126.90	0.42	1,177.27	1.39	1,012.49	1.09	85.53	0.11	114.41	0.07
3.3 In non-approved Securities	22,800.01	13.96	34,874.36	13.03	8,779.18	10.39	9,177.52	9.84	14,020.83	17.79	25,696.84	14.73
4. Loans and Advances	68,110.71	41.70	116,430.11	43.50	37,947.83	44.89	42,285.68	45.36	30,162.88	38.28	74,144.43	42.50
4.1 Bills purchased & discounted	11,013.64	6.74	10,405.19	3.89	4,981.44	5.89	4,204.38	4.51	6,032.20	7.66	6,200.81	3.55
4.2 Cash Credit, Overdrafts, etc.	34,894.24	21.36	35,529.74	13.27	19,916.33	23.56	22,415.14	24.04	14,977.91	19.01	13,114.60	7.52
4.3 Term Loans	22,202.83	13.59	70,495.18	26.34	13,050.06	15.44	15,666.16	16.80	9,152.77	11.62	54,829.02	31.43
5. Fixed Assets	3,480.73	2.13	7,413.42	2.77	1,433.74	1.70	1,471.98	1.58	2,046.99	2.60	5,941.44	3.41
6. Other Assets	6,538.75	4.00	11,147.60	4.16	3,213.47	3.80	3,640.84	3.91	3,325.28	4.22	7,506.76	4.30
Total Assets	**1,63,325.39**	**100.00**	**2,67,679.93**	**100.00**	**84,528.91**	**100.00**	**93,225.79**	**100.00**	**78,796.48**	**100.00**	**1,74,454.14**	**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, 2001		As on March 31, 2002	
	Amount	**per cent to total**	**Amount**	**per cent to total**
1	2	3	4	5
Liabilities				
1. Capital	2,670.00	2.61	3,576.15	3.19
2. Reserves & Surplus	6,287.61	6.16	6,938.73	6.19
3. Deposits	59,289.91	58.07	64,510.55	57.55
3.1 Demand Deposits	11,895.11	11.65	13,613.10	12.14
3.2 Savings Bank Deposits	5,629.03	5.51	7,339.47	6.55
3.3 Term Deposits	41,765.77	40.90	43,557.98	38.86
4. Borrowings	26,710.41	26.16	29,755.24	26.54
5. Other Liabilities and Provisions	7,149.83	7.00	7,315.76	6.53
Total Liabilities	**1,02,107.76**	**100.00**	**1,12,096.43**	**100.00**
Assets				
1. Cash and balances with RBI	3,904.44	3.82	4,046.82	3.61
2. Balances with banks and money at call and short notice	10,525.79	10.31	15,618.37	13.93
3. Investments	35,756.46	35.02	35,093.56	31.31
3.1 In Govt. Securities (a+b)	23,363.91	22.88	24,106.65	21.51
a. In India	23,363.91	22.88	24,106.65	21.51
b. Outside India	–	–	–	–
3.2 In other approved Securities	219.40	0.21	165.26	0.15
3.3 In non-approved Securities	12,173.15	11.92	10,821.65	9.65
4. Loans and Advances	43,050.78	42.16	48,632.39	43.38
4.1 Bills purchased & discounted	5,129.28	5.02	6,620.47	5.91
4.2 Cash Credit, Overdrafts, etc.	18,226.02	17.85	18,305.48	16.33
4.3 Term Loans	19,695.48	19.29	23,706.44	21.15
5. Fixed Assets	2,283.57	2.24	2,249.88	2.01
6. Other Assets	6,586.72	6.45	6,455.41	5.76
Total Assets	**1,02,107.76**	**100.00**	**1,12,096.43**	**100.00**

Source: Balance sheets of respective banks

Deposits

2.12 The aggregate deposits of SCBs during 2001-02 (reported under Section 42(2) of RBI Act) registered a growth of 14.6 per cent (Rs.1,40,742 crore) as compared with 18.4 percent (Rs.1,49,274 crore) in 2000-01 (Table II.6). The accretion to deposits was primarily on account of time deposits, which increased by 15.9 per cent; this growth rate, was almost the same rate as that of 15.8 per cent (net of India Millennium Deposits) registered in the previous year. The steady accretion to time deposits with banks despite the downward movement in interest rates, reflect the 'safe haven' sentiments.

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

(Amount in Rs.crore)

Item	As on					Variations during the financial year		Variations during April - October 4 +	
	March 24, 2000	March 23, 2001	March 22, 2002	Oct. 5, 2001	Oct. 4, 2002 (P)	2000-01	2001-02(P)	2001	2002(P)
1	2	3	4	5	6	7 (3-2)	8 (4-3)	9 (5-3)	10 (6-4)
1 Total Demand and									

	Time Liabilities @	**9,48,358**	**11,33,480**	**12,72,174**	**12,15,548**	**14,31,909**	**1,85,122**	**1,38,694**	**82,068**	**1,59,735**
2	**Aggregate Deposits (a+b)**	**8,13,344**	**9,62,618**	**11,03,360**	**10,53,172**	**12,42,166**	**1,49,274**	**1,40,742**	**90,554**	**1,38,806**
							(18.4)	(14.6)	(9.4)	(12.6)
	(a) Demand Deposits	1,27,366	1,42,552	1,53,048	1,44,709	1,61,067	15,186	10,496	2,157	8,019
							(11.9)	(7.4)	(1.5)	(5.2)
	(b) Time Deposits	6,85,978	8,20,066	9,50,312	9,08,463	10,81,099	1,34,088	1,30,246	88,397	1,30,787
							(19.5)	(15.9)	(10.8)	(13.8)
	2a Certificate of Deposits	1,227	771	1,576	825	N.A.	-456	805	54	–
							-(37.2)	(104.4)	(7.0)	
	2b Aggregate Deposits (Excluding Certificate of Deposits)	8,12,117	9,61,847	11,01,784	10,52,347	N.A.	1,49,730	1,39,937	90,500	–
							(18.4)	(14.5)	(9.4)	
3	**Borrowings from RBI**	**6,491**	**3,896**	**3,616**	**2,488**	**95**	**-2,595**	**-280**	**-1,408**	**-3,521**
							-(40.0)	-(7.2)	-(36.1)	-(97.4)
4	**Liability to Banks**	**53,838**	**77,088**	**53,902**	**56,378**	**61,748**	**23,250**	**-23,186**	**-20,710**	**7,846**
							(43.2)	-(30.1)	-(26.9)	(14.6)
5	**Bank Credit (a+b)**	**4,35,958**	**5,11,434**	**5,89,723**	**5,46,098**	**6,73,112**	**75,476**	**78,289**	**34,664**	**83,389**
							(17.3)	(15.3)	(6.8)	(14.1)
	a. Food Credit	25,691	39,991	53,978	50,202	53,226	14,300	13,987	10,211	-752
							(55.7)	(35.0)	(25.5)	-(1.4)
	b. Non-food credit	4,10,267	4,71,443	5,35,745	4,95,896	6,19,886	61,176	64,302	24,453	84,142
							(14.9)	(13.6)	(5.2)	(15.7)
6	**Investments (a+b)**	**3,08,944**	**3,70,160**	**4,38,269**	**4,12,502**	**5,05,007**	**61,216**	**68,109**	**42,342**	**66,738**
							(19.8)	(18.4)	(11.4)	(15.2)
	a. Govt. Securities	2,78,456	3,40,035	4,11,176	3,83,431	4,77,831	61,579	71,141	43,396	66,655
							(22.1)	(20.9)	(12.8)	(16.2)
	b. Other Approved Securities	30,488	30,125	27,093	29,071	27,176	-363	-3,032	-1,054	83
							-(1.2)	-(10.1)	-(3.5)	(0.3)
7	**Cash Balances (a+b)**	**62,749**	**65,202**	**68,647**	**73,210**	**72,147**	**2,453**	**3,445**	**8,008**	**3,499**
							(3.9)	(5.3)	(12.3)	(5.1)
	a. Cash in hand	5,330	5,658	6,245	5,880	6,500	328	587	222	255
							(6.2)	(10.4)	(3.9)	(4.1)
	b. Balances with RBI	57,419	59,544	62,402	67,330	65,646	2,125	2,858	7,786	3,244
							(3.7)	(4.8)	(13.1)	(5.2)
Memorandum Items :										
A	Credit-Deposit (CD) Ratio	53.6	53.1	53.4	51.9	54.2				
B	Incremental CD Ratio	67.6	50.6	55.6	38.3	60.1				
C	Reserve-Deposit Ratio	7.7	6.8	6.2	7.0	5.8				
D	Investment/Deposit Ratio	38.0	38.5	39.7	39.2	40.7				
E	Investment+Credit/Deposit Ratio	91.6	91.6	93.2	91.0	94.8				

P Provisional. N.A. Not Available. + Corresponding day of the previous year.

@Excluding borrowings from RBI/IDBI/NABARD.

Note: 1. Figures in brackets are percentage variations.

2. Incremental credit deposit ratio calculated as ratio of increase in credit to increase in deposit during the financial year.

3. Constituent items may not add up to the totals due to rounding off.

2.13 During 2002-03 (upto October 4, 2002), aggregate deposits recorded a growth of 12.6 per cent (Rs.1,38,806 crore) as compared with 9.4 per cent (Rs.90,554 crore) in the corresponding period of the previous year. The increase was also primarily through accretion in time deposits, which recorded a growth of 13.8 percent which was substantially higher than the growth rate of 10.8 per cent registered in the corresponding period of the previous year.

Certificates of Deposit (CDs)

2.14 The outstanding deposits raised through issuance of CDs by SCBs which had declined from Rs. 1,042 crore as on April 06, 2001 to Rs.758 crore as on August 24, 2001 went up to Rs.1,007 crore as on August 23, 2002 and subsequently to Rs.1,236 crore as on September 20, 2002. The discount rates on the primary issuance of CDs also witnessed a declining trend during the same period. The range of discount rate which was 6.50 to 11.00 per cent as on April 06, 2001 declined to 5.00 to 10.00 per cent as on August 24, 2001 and further to 5.50 to 8.75 per cent as on September 20, 2002 (Appendix II.2). The typical discount rate on CDs (for three month maturity) also declined from 9.75 per cent as on April 06, 2001 to 8.00 per cent as on August 24, 2001 and further to 6.85 per cent as on August 23, 2002. The discount rate further softened to 6.20 per cent as on September 20, 2002 commensurate with the decline in the deposit rates.

Bank Credit

2.15 According to the data obtained under Section 42(2) of the RBI Act, during 2001-02, bank credit increased by Rs.78,289 crore (15.3 per cent) as compared with an increase of Rs.75,476 crore (17.3 per cent) recorded in the previous year. The deceleration in the growth rate was both in respect of food and non-food credit. While food credit increased by Rs.13,987 crore (35.0 per cent) as compared with an increase of Rs.14,300 crore (55.7 per cent) in the previous year, the increase in non-food bank credit was Rs.64,302 crore (13.6 per cent) as compared with an increase of Rs.61,176 crore (14.9 per cent). The credit-deposit ratio in terms of outstandings, moved up marginally to 53.4 per cent as on March 22, 2002 from 53.1 per cent as on March 23, 2001. Non-food credit adjusted for non-SLR investments of banks, including bills rediscounted with financial institutions recorded growth of 12.7 per cent to Rs. 6,17,650 crore as at end-March 2002 on top of a growth of 16.0 per cent in the previous year. The adjusted non-food credit-deposit ratio in terms of outstandings was 56.0 per cent as at end-March 2002 as compared with 56.9 per cent as at end-March 2001 (Table II.6 and Table II.7).

Table II.7:Scheduled Commercial Bank's Investments in NonSLR Securities Issued by the Non financial Commercial Sector

(Rs. crore)

Outstanding as on	**March 26, 1999**	**March 24, 2000**	**March 23, 2001**	**March 22, 2002**
1	2	3	4	5
1. Commercial Paper	4,006	5,037	8,049	8,497
2. Investment in Shares issued by (a+b)	3,899	4,784	5,690	5,914
a. Public Sector Undertakings	867	876	1,342	1,587
b. Private Corporate Sector	3,033	3,908	4,348	4,327
3. Investments in Bonds/Debentures issued by (a+b)	40,470	51,587	62,105	66,589
a. Public Sector Undertakings	24,072	30,376	36,568	39,520
b. Private Corporate Sector	16,398	21,211	25,537	27,069
Total	**48,376**	**61,408**	**75,844**	**81,000**

Note: Data upto March 2000 are based on information submitted by SCBs through Special Fortnightly Returns(SFR)VII. Subsequent data are based on Section 42(2) Return.

2.16 During 2002-03, (upto October 4, 2002) bank credit increased by Rs.83,389 crore (14.1 per cent) as against an increase of Rs.34,664 crore (6.8 per cent) in the corresponding period of the previous year. Food credit declined by Rs. 752 crore (1.4 per cent) as against an increase of Rs.10,211 crore (25.5 per cent) in the corresponding period of the previous year. The increase in non-food bank credit was Rs.84,142 crore (15.7 per cent) as against a modest rise of Rs.24,453 crore (5.2 per cent) in the corresponding period of the previous year. The sharp increase in non-food credit during the current financial year reflects the accounting effect of the impact of merger since May 3, 2002. On a year-on-year basis, bank credit increased by 23.3 per cent, while non-food credit increased by 25.0 per cent.

Investments

2.17 According to the data obtained under Section 42 (2) of the RBI Act, investments of SCBs in government and other approved securities continued to record a strong growth and increased by Rs.68,109 crore (18.4 per cent) in 2001-02 as compared to a rise of Rs.61,216 crore (19.8 per cent) in 2000-01. The high degree of market absorption of Government borrowings has led to the holding of Government securities by SCBs at 36.5 per cent of their net demand and time liabilities at end-March 2002, which is markedly higher than the statutory requirements of 25.0 per cent. The preference of banks towards government securities was primarily driven by lack-lustre credit demand.

2.18 During 2002-03 (upto October 4, 2002), investments of SCBs in government and other approved securities increased by a further Rs.66,738 crore (15.2 per cent) as compared with an increase of Rs. 42,342 crore (11.4 per cent) in the comparable period of 2001-02. The high growth in investments has led to an increase in the investment-deposit ratio (on an outstanding basis) from 39.7 per cent as on March 22, 2002 to 40.7 per cent as on October 4, 2002. On a year-on-year basis, banks' investments increased by 22.4 per cent, with investments in government securities registering 24.6 per cent growth.

Total Flow of Resources to Commercial Sector

2.19 Investments by banks in Commercial Paper (CPs) shares/bonds/debentures of PSUs and private corporate sector along with bills rediscounted with financial institutions recorded a growth of Rs. 5,181 crore (6.8 per cent) during 2001-02 as against Rs.14,533 crore (23.5 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.69,483 crore (12.7 per cent) in the financial year 2001-02 as compared with the increase of Rs.75,709 crore (16.0 per cent) in the previous year. SCBs investments in instruments issued by financial institutions and mutual funds increased by Rs.1,598 crore during 2001-02 as compared with Rs.1,708 crore a year ago. Including resource flow through capital issues, GDRs and those by financial institutions (FIs), the aggregate resource flow to the commercial sector was Rs.1,42,082 crore during 2001-02 as compared with Rs.1,71,124 crore in 2000-01. During 2002-03 (upto October 4, 2002), such flows at Rs.1,01,448 crore were higher than the flow of Rs.50,152 crore in the corresponding period of 2001-02.

Commercial Bill Market

2.20 During 2001-02, there was some improvement in activity in the market for bills rediscounting. The outstanding amount of commercial bills rediscounted by commercial banks with various financial institutions (FIs) aggregating Rs.711 crore at the end of April 2001 was higher than that of Rs. 371 crore during the corresponding period of previous year. The outstandings which amounted to Rs.1,921 crore at end-September 2001 declined to Rs. 512 crore by end-September 2002 with some fluctuations in between.

Inter-bank Repos

2.21 During 2001-02, the weekly transaction volume (first leg only) in the repo market segment ranged between Rs.1,350 crore and Rs.13,578 crore. The volumes of repo transactions were, however, mostly in the range of Rs.3,000 to Rs. 9,000 crore, except during the months of January 2002 and March 2002, when the volume of transactions had crossed Rs. 10,000 crore. The amount transacted in this segment witnessed a spurt and touched Rs. 13,185 crore in the second week of January 2002. Generally, repo rates ranged 4.00 to 10.25 per cent during 2001-02, except for occasional high rates, particularly during the first week of April 2001, when it increased to 14.0 per cent due to temporary tightness in the market.

2.22 During 2002-03 (upto October 11, 2002), the weekly volume (first leg only) in this market has been range bound between Rs.6,429 crore and Rs.14,579 crore, with the rates prevailing between 2.50 to 9.20 per cent.

Rupee Derivatives

2.23 In order to facilitate hedging of interest rate risks and ensuring orderly development of the derivatives market, policy guidelines for forward rate agreement (FRAs)/interest rate swaps (IRS) were issued to SCBs (excluding RRBs), PDs and all-India FIs, allowing them to undertake FRAs/IRS as a product for their own balance sheet management and for market making purposes. To provide more flexibility for pricing of rupee interest rate derivatives and facilitate some integration between money and foreign exchange markets, use of "interest rates implied in the foreign exchange forward market" were permitted as benchmarks, in addition to existing domestic money and debt market rates.

2.24 There was sharp increase in the volume of FRAs /IRS market during 2001-02. Available data show that FRAs /IRS transactions, both in terms of number of contracts and outstanding notional principal amount, rose from 1,615 contracts amounting to Rs.22,865 crore as on April 6, 2001 to 4,379 contracts for Rs. 86,749 crore as at end-March 2002. During 2002-03, till September 20, 2002, transaction in this segment recorded 5,675 contracts for Rs. 1,31,898 crore. Although there has been a significant increase in the number and amount of contracts, participation continues to be restricted mainly to select foreign and new private sector banks and PDs. In a majority of these contracts, NSE-MIBOR was used as the benchmark rate. The other benchmark rates used include 3-month benchmark rate on Reuters, MIFOR, government securities yield for 1 year, primary cutoff yield on 364-day treasury bills, etc.

Term Money Market

2.25 The volume of transactions was quite low in this segment of the market, reflecting, in part, the inability of players to build interest rate expectations in the medium-term. Hence, there was a tendency to lock in for shorter periods. Secondly, while PSBs are generally in surplus, foreign and private sector banks are in deficit in respect of short-term resources. Since these deficit banks depend heavily on call/notice money, the surplus banks exhaust their exposure limit to them, thereby constraining the growth of the term money market. Thirdly, corporates' preferences for "cash credit" rather than "loan credit" generally force banks to deploy a large amount of resources in call/notice money market rather than in term money market to meet their demands. In addition to the exemption of term money of original maturity between 15 days and 1 year from CRR, the gradual phasing out of non-bank participants from the call money market, the stipulation of prudential limit on lending and borrowing in the call/notice money market for banks and PDs, and the full scale operationalisation of CCIL are expected to activate the repo and term money market.

2.26 The average outstanding volume of transactions in the term money market rose from Rs. 199 crore in May 2001 to Rs. 320 crore in July 2001, but subsequently declined to Rs. 65 crore in December 2001. Thereafter, it recovered to Rs. 118 crore in March 2002 with intervening fluctuations. During the year 2002-03 so far, the volume increased from Rs. 225 crore in April 2002 to Rs. 1,198 crore in August 2002, before declining to Rs. 224 crore in September 2002.

Sectoral Deployment of Bank Credit

2.27 The gross bank credit of select SCBs (covering major banks accounting for over 90-95 per cent of bank credit of all SCBs) recorded a growth of Rs.67,574 crore (14.4 per cent) during 2001-02 as against Rs.68,335 crore (17.0 per cent) in the previous year (Table II.8). Out of this amount, food procurement credit recorded a rise of 35.0 per cent in 2001-02, which was less than that of 55.7 per cent registered in 2000-01. Reflecting the slowdown in industrial activity, growth in non-food credit slipped to 12.5 per cent in 2001-02 from 14.4 per cent in the previous year. This was mainly due to the deceleration in credit to industry (medium and large) to 5.8 per cent (Rs.9,487 crore) in 2001-02 as compared to 10.5 per cent (Rs.15,518 crore) in the previous year. Credit to priority sectors also witnessed a decelerated growth at 13.5 per cent as compared with 17.1 per cent in the previous year. The growth in credit to wholesale trade and 'other sectors' increased to 14.6 per cent and 21.9 per cent, respectively, in 2001-02. Within the ambit of ‘other sectors’, the share of credit to housing and other non-priority sector personal loans witnessed significant increases. In particular, housing loans, a component of other sectors, showed an accelerated growth of 38.4 per cent. Accordingly, the share of credit to housing increased threefold from 3.8 per cent in 2000-01 to 11.6 per cent in 2001-02. Secondly, in the face of slowdown in industrial activity, banks have aggresively increased the share of credit towards ‘other non-priority sector personal loans’. This has doubled over the same period from 4.9 per cent to 10.0 per cent. During the review period, the outstanding export credit decreased from Rs.43,321 crore as on March 23, 2001 to Rs.42,978 crore as on March 22, 2002, with a decline in its share in net bank credit from 9.3 per cent to 8.0 per cent. The decline in the growth of export credit largely reflected the slowdown in exports, which after having increased in US dollar terms by 21.0 per cent in 2000-01, declined by 2.2 per cent in 2001-02.

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

(Amount in Rs.crore)

Sectors	**March 24, 2000**	**March 23, 2001**	**March 22, 2002**	**June 29, 2001**	**June 28, 2002**	**Variations during: Financial year 2000-01**	**Financial year 2001-02**	**April-June 2001**	**April-June 2002**
1	2	3	4	5	6	7	8	9	10
						(3-2)	(4-3)	(5-3)	(6-4)
I. Gross Bank Credit (1+2)	**4,00,818**	**4,69,153**	**5,36,727**	**4,74,954**	**5,50,855**	**68,335**	**67,574**	**5,801**	**14,128**
1. Public Food Procurement Credit	25,691	39,991	53,978	50,340	64,008	14,300	13,987	10,349	10,030
2. Non-Food Gross Bank Credit (A+B+C+D)	3,75,127	4,29,162	4,82,749	4,24,614	4,86,847	54,035 [100.0]	53,587 [100.0]	-4,548	4,098
A. Priority Sectors ##	**1,31,827**	**1,54,414**	**1,75,259**	**1,53,499**	**1,70,949**	**22,587 (41.8)**	**20,845 (38.9)**	**-915**	**-4,310**
(i) Agriculture	44,381	51,922	60,761	51,664	60,707	7,541 (14.0)	8,839 (16.5)	-258	-54
(ii) Small Scale Industries	52,814	56,002	57,199	53,405	55,579	3,188 (5.9)	1,197 (2.2)	-2,597	-1,620
(iii) Other Priority Sectors	34,632	46,490	57,299	48,430	54,663	11,858 (21.9)	10,809 (20.2)	1,940	-2,636
B. Industry (Medium & Large)	**1,47,319**	**1,62,837**	**1,72,324**	**1,58,841**	**1,78,199**	**15,518 (28.7)**	**9,487 (17.7)**	**-3,996**	**5,875**
C. Wholesale Trade (other than food procurement)	**16,818**	**17,845**	**20,459**	**16,211**	**19,748**	**1,027 (1.9)**	**2,614 (4.9)**	**-1,634**	**-711**
D. Other Sectors	**79,163**	**94,066**	**114,707**	**96,063**	**1,17,951**	**14,903 (27.6)**	**20,641 (38.5)**	**1,997**	**3,244**
of which :									
(i) Housing	14,100	16,143	22,346	16,851	26,983	2,043 (3.8)	6,203 (11.6)	708	4,637
(ii) Consumer durables	3,855	5,566	7,015	6,587	6,864	1,711 (3.2)	1,449 (2.7)	1,021	-151
(iii) Non-banking financial Companies	7,178	7,810	9,653	7,589	10,628	632 (1.2)	1,843 (3.4)	-221	975
(iv) Loans to individuals against shares/bonds	2,146	1,697	1,520	1,463	1,615	-449 -(0.8)	-177 -(0.3)	-234	95
(v) Real Estate Loans	1,644	1,766	2,596	1,978	2,627	122 (0.2)	830 (1.5)	212	31
(vi) Other non-priority sector personal loans	15,409	18,064	23,402	18,969	22,737	2,655 (4.9)	5,338 (10.0)	905	-665
(vii) Advances against Fixed Deposits	18,876	19,942	21,243	19,449	21,419	1,066 (2.0)	1,301 (2.4)	-493	176
(viii) Tourism and tourism related hotels	900	996	1,540	1,183	1,687	96 (0.2)	544 (1.0)	187	147
II. Export Credit (included under item I.2)	**39,118**	**43,321**	**42,978**	**39,859**	**42,601**	**4,203**	**-343**	**-3,462**	**-377**
III. Net Bank Credit (including inter-bank participation)	**3,98,205**	**4,67,206**	**5,35,063**	**4,73,034**	**5,49,841**	**69,001**	**67,857**	**5,828**	**14,778**
Memorandum Item :									
Export Sector credit as % to NBC	9.8	9.3	8.0	8.4	7.7				

: The data in this statement may not agree with those quoted elsewhere in the Report as the data base are different.

Notes: 1. Data are provisional and relate to selected scheduled commercial banks (49 banks in 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 proportions to variation in non-food gross bank credit.

Industry-wise Deployment of Credit

2.28 Industrial credit as a percentage of net bank credit declined from 46.8 per cent in 2000-01 to 42.9 per cent in 2001-02. The incremental credit to industrial sector decelerated to 4.9 per cent (Rs. 10,684 crore) in 2001-02 as compared to 9.3 per cent (Rs.18,706 crore) in 2000-01. Industry-wise, significant credit growths were observed in infrastructure (30.5 per cent or Rs.3,460 crore), chemical, dyes, etc. (8.0 per cent or

Rs.1,923 crore), other textiles (12.0 per cent or Rs.1,443 crore), food processing (14.7 per cent or Rs.931 crore) and construction (26.0 per cent or Rs. 825 crore). However, 7 out of 26 industries showed decline in credit during 2001-02 and the important among these were: cotton textiles (decline of Rs.1,500 crore or -11.3 per cent), and petroleum (decline of Rs.252 crore or -2.2 per cent) (Table II.9).

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

(Amount in Rs.crore)

Sectors	Outstanding as on					Variations during			
						Financial year		April-June	
	March 24, 2000	March 23, 2001	March 22, 2002	June 29, 2001	June 28, 2002*	2000-01	2001-02	2001	2002*
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)	**2,00,133**	**2,18,839**	**2,29,523**	**2,12,246**	**2,33,778**	**18,706**	**10,684**	**-6,593**	**4,255**
1 Coal	1,126	1,034	1,409	866	1,647	-92	375	-168	238
2 Mining	1,240	1,303	1,593	1,230	1,502	63	290	-73	-91
3 Iron & Steel	18,799	19,406	20,042	20,100	19,905	607	636	694	-137
4 Other Metals and Metal Products	6,294	6,351	6,496	6,131	6,605	57	145	-220	109
5 All Engineering	23,069	23,397	24,199	21,443	22,654	328	802	-1,954	-1,545
of which : Electronics	5,133	5,291	5,941	5,605	5,829	158	650	314	-112
6 Electricity	7,438	8,590	9,343	8,639	9,526	1,152	753	49	183
7 Cotton Textiles	11,682	13,244	11,744	12,547	12,396	1,562	-1,500	-697	652
8 Jute Textiles	894	844	737	737	724	-50	-107	-107	-13
9 Other Textiles	13,003	12,012	13,455	12,083	13,498	-991	1,443	71	43
10 Sugar	3,832	4,682	5,028	4,753	5,068	850	346	71	40
11 Tea	1,034	1,058	986	1,017	1,126	24	-72	-41	140
12 Food Processing	5,986	6,354	7,285	6,634	7,043	368	931	280	-242
13 Vegetable Oils and Vanaspati	2,958	2,876	2,729	2,702	2,637	-82	-147	-174	-92
14 Tobacco and Tobacco Products	993	963	861	840	966	-30	-102	-123	105
15 Paper and Paper Products	3,143	3,468	3,741	3,562	3,899	325	273	94	158
16 Rubber and Rubber products	2,063	2,195	2,246	2,245	2,204	132	51	50	-42
17 Chemicals, Dyes, Paints, etc.	23,440	24,065	25,988	24,711	25,778	625	1,923	646	-210
of which :									
i) Fertilisers	4,577	5,233	5,463	5,002	5,531	656	230	-231	68
ii) Petro-chemicals	6,185	6,115	6,663	6,020	6,707	-70	548	-95	44
iii) Drugs & Pharmaceuticals	5,693	5,389	6,393	6,494	6,485	-304	1,004	1,105	92
18 Cement	3,624	3,842	4,224	3,702	4,467	218	382	-140	243
19 Leather and Leather products	2,664	2,764	2,852	2,956	2,688	100	88	192	-164
20 Gems and Jewellery	5,406	6,581	6,456	6,591	6,746	1,175	-125	10	290
21 Construction	2,736	3,175	4,000	3,449	4,308	439	825	274	308
22 Petroleum	8,969	11,572	11,320	7,674	12,976	2,603	-252	-3,898	1,656
23 Automobiles including trucks	4,028	4,409	4,454	4,300	4,474	381	45	-109	20
24 Computer Software	1,022	1,223	1,665	1,396	1,718	201	442	173	53
25 Infrastructure	7,243	11,349	14,809	11,160	15,310	4,106	3,460	-189	501
of which :									
i) Power	3,289	5,246	7,373	5,426	8,207	1,957	2,127	180	834
ii) Telecommunications	1,992	3,644	3,972	3,294	3,647	1,652	328	-350	-325
iii) Roads and Ports	1,962	2,459	3,464	2,440	3,456	497	1,005	-19	-8
26 Other Industries	37,447	42,082	41,861	40,777	43,913	4,635	-221	-1,305	2,052
Memorandum Item :									
Industrial Credit as proportion to Net Bank Credit	50.3	46.8	42.9	44.9	42.5				

* Provisional.

Note: Data relate to selected scheduled commercial banks which account for about 90-95 per cent of bank credit of all scheduled commercial banks.

Bank Credit to Sick/Weak Industries

2.29 There has been a decline in the number of sick-SSI and non-SSI (sick/weak) industrial units financed by the SCBs from 3,07,399 as at end-March 2000 to 2,52,947 as at end-March 2001 (Appendix Table II.3).

2.30 The bank credit locked up in sick/weak industries, however, showed a rise of 9.0 per cent from Rs. 23,656 crore as at end-March 2000 to Rs. 25,776 crore as at end-March 2001. As a proportion of industrial credit, the bank credit locked up in sick industrial units marginally decreased from 11.9 per cent to 11.8 per cent during 2000-01.

2.31 Owing to certain extraneous circumstances, the operations of the wood and panel based industry in the north-eastern region have been adversely affected, resulting in closure of a number of units during the last four years. Considering the importance of this industry in the north-eastern region and with a view to enabling the industry to regain its financial health, it was decided that banks may extend financial assistance, by way of rehabilitation package as indicated by RBI to such of the manufacturing units in the industry which are considered potentially viable by the banks.

Survey on Export Credit

2.32 At the instance of RBI, the National Council of Applied Economic Research (NCAER), New Delhi, conducted a survey to obtain feedback on the simplification of procedures for export credit delivery as also to assess the level of exporters' satisfaction with bank services. The findings of the survey revealed that more than three-fourths of exporters are satisfied with the overall bank services relating to export credit delivery. Nearly one-fourth of exporters have perceived it as 'excellent' and more than half as 'good'.

Credit-Deposit Ratio

2.33 As per BSR data[1] , the credit-deposit (C-D) ratio of SCBs as on March 31, 2002 (as per sanctions)2 stood at 62.3 per cent as compared with 56.7 per cent as at end-March 2001. The total flow of resources, as reflected in the credit and investment to deposit (IC-D) ratio showed an increase (as per utilisation) for the northern, northeastern and western regions as at end-March 2001. The IC-D ratio was the highest for the western region (79.2 per cent), followed by southern (75.3 per cent) and northern regions (57.7 per cent), respectively (Appendix Table II.4).

Exposure Norms

2.34 Ceilings on exposure to single/group borrowers serve to limit credit risk in banks' portfolios and have been linked to capital funds of banks as reckoned for capital adequacy purposes. Effective March 2002, exposure limit for individual borrowers was lowered from 20.0 per cent to 15.0 per cent and for group borrowers, from 50.0 per cent to 40.0 per cent of banks' capital funds. This is in line with international best practices (Box II.1). For borrowers belonging to a group, exposure may exceed the 40.0 per cent by an additional 10.0 per cent (*i.e.*, upto 50.0 per cent), provided the additional exposure is on account of extension of credit to infrastructure projects. The additional exposure of 10 per cent in group exposure limit has been extended to projects in all infrastructure sectors as defined in Section 10(23G) of the Income Tax Act, 1961. For the purpose of prudential exposure limits, foreign banks were allowed to reckon foreign currency loans deployed in India in their capital funds. Effective March 31, 2002, foreign banks were brought on par with Indian banks for the purpose of exposure ceiling based on the capital funds as reckoned for capital adequacy purposes in India. With this revised concept, a number of foreign banks exceeded the prudential exposure ceiling. To enable smooth transition the RBI allowed banks on a case-by-case basis, to continue with the existing level of exposure in excess of the limit upto March 31, 2003.

Lending to Sensitive Sectors

2.35 The overall exposure of SCBs to the sensitive sectors comprising capital market, real estate and commodities[3] stood at Rs.23,224 crore (3.6 per cent of total loans and advances) as at end-March 2002, showing a marginal rise of 3.1 per cent during 2001-02 as compared to that during the previous year, driven primarily by a rise in real estate lending and, to a lesser extent, advances to commodities sector (Table II.10 and Chart II.3).

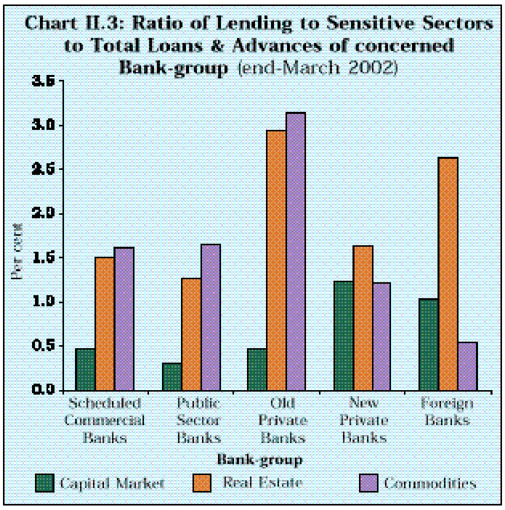
Table II.10: Lending to Senstive Sectors

(Amount in Rs. crore)

Advances to	Nationalised Banks			State Bank Group			Public Sector Banks		
	2000-01	2001-02	variations	2000-01	2001-02	variations	2000-01	2001-02	Variations
1	2	3	4	5	6	7	8	9	10
1. Capital Market	1,334.48 (0.50)	1,268.65 (0.40)	-4.93	116.52 (0.08)	166.72 (0.10)	43.08	1,451.00 (0.35)	1,435.37 (0.30)	-1.08
2. Real Estate	4,413.30 (1.67)	5,423.45 (1.72)	22.89	1,354.27 (0.90)	620.26 (0.38)	-54.20	5,767.57 (1.39)	6,043.71 (1.26)	4.79
3. Commodities	5,903.14 (2.23)	6,503.93 (2.06)	10.18	1,476.37 (0.98)	1,409.38 (0.86)	-4.54	7,379.51 (1.78)	7,913.31 (1.65)	7.23
Total Advances to Sensitive Sectors	11,650.92 (4.40)	13,196.03 (4.17)	13.26	2,947.16 (1.96)	2,196.36 (1.33)	-25.48	14,598.08 (3.52)	15,392.39 (3.20)	5.44

Advances to	New Private Sector Banks			Old Private Sector Banks			Foreign Banks			Scheduled Commercial Banks		
	2000-01	2001-02	Variations	2000-01	2001-02	Variations	2000-01	2001-02	Variations	2000-01	2001-02	Variations
	11	12	13	14	15	16	17	18	19	20	21	22
1. Capital Market	1,786.75 (5.92)	912.73 (1.23)	-48.92	545.09 (1.44)	194.61 (0.46)	-64.30	828.62 (1.92)	502.48 (1.03)	-39.36	4,611.46 (0.88)	3,045.19 (0.47)	-33.96
2. Real Estate	876.94 (2.91)	1,208.34 (1.63)	37.79	1,197.24 (3.15)	1,243.32 (2.94)	3.85	523.79 (1.22)	1,277.43 (2.63)	143.88	8,365.54 (1.59)	9,772.80 (1.51)	16.82
3. Commodities	672.73 (2.23)	899.65 (1.21)	33.73	1,199.75 (3.16)	1,327.56 (3.14)	10.65	298.89 (0.69)	265.04 (0.54)	-11.33	9,550.88 (1.82)	10,405.56 (1.61)	8.95
Total Advances to Sensitive Sectors	3,336.42 (11.06)	3,020.72 (4.07)	-9.46	2,942.08 (7.75)	2,765.49 (6.54)	-6.00	1,651.30 (3.84)	2,044.95 (4.20)	23.84	22,527.88 (4.28)	23,223.55 (3.60)	3.09

Note: Figures in brackets are percentage to Total Loans & Advances of the concerned bank-group.



Box II.1: Exposure Norms-Cross Country Practices

The need for countries to limit risk concentration by banks is widely recognised. Large credit exposure by banks to an individual borrower, group of related borrowers or a sector of the economy may lead to extensive financial loss and even failure of the bank should that creditor or economic sector experience financial difficulties. One approach employed by bank supervisors to limit credit risk includes setting a limit on large exposures to a single borrower or a group of related borrowers. This method has been employed in several countries through setting a maximum ratio to bank's regulatory capital for exposure to a single or a related group of borrowers or even a sectoral cap.

There are several major issues that arise in the context of exposure norms. The first is the issue of appropriate level of the large exposure limit. The second is the issue of the items to be included under credit exposure. The third is the issue of group of related borrowers. The final issue is that of exposure to selected sectors.

Credit Exposure

The Basel Committee on Banking Supervision (BCBS) and The World Bank separately recommended that 25 per cent of a bank's capital be the limit for an individual large exposure to a private sector non-bank borrower or a closely related group of borrowers. The World Bank further recommended that the unsecured credit limit should not exceed 15 per cent of capital funds. The directives of the European Union also impose a 25 per cent limit.

Table 1: Cross Country Limits for Loan Exposure to Single Borrower

Countries	Single Borrower (% of capital)
Chile	5
China, Colombia, Mexico	10
Korea, Israel, United States*,	
Argentina, India#	15
Hong Kong, Malaysia, Philippines,	

Singapore, Thailand**, Brazil,	
Hungary, Poland, Russia, Japan	25
Australia	30

* 10-25 per cent for state-chartered banks.

** Of tier I capital.

\# Since April 2002, the banks' exposure limits to single and group borrowers has been reduced to 15 per cent and 40 per cent respectively of banks capital base. For financing, infrastructure projects, the group exposure limit is extendable upto 50 per cent.

Internationally, most countries primarily follow a 'single borrower' limit (Table 1). Although, they do not have a separate group exposure limit, they treat a group of related borrowers (related through common ownership, control or management) as a single borrower for the purpose of exposure limit. This is in consonance with the Basel Committee recommendations that banking supervisors need not reckon exposure to a group of related counter parties (which represent a single risk to the lending institution) for determining the exposure limits.

The BCBS and The World Bank separately recommend that 'exposure' includes all claims and transactions, on-balance sheet as well as off-balance sheet. The differences identified among countries concern the application of the limits on a consolidated basis, whether exclusions are specified from the exposure limits and the use of risk weights.

In India effective March 31, 2002, the exposure ceiling is computed in relation to total capital of banks as defined under capital adequacy standards (tier I and tier II), and includes credit exposure (funded and non-funded credit limits) and investment exposure (underwriting and similar commitments). The sanctioned limits or outstandings, whichever are higher, are reckoned for arriving at exposure limits. However, in respect of non-funded credit limits, only 50 per cent of such limits or outstanding, whichever is higher are taken into account for the purpose. Effective April 1, 2003, non-fund based exposures will be reckoned at hundred per cent.

Definition of Group of Related Borrowers

The *Core Principles for Effective Banking Supervision* of the Basel Committee has observed that "banking supervisors must be satisfied that banks have management information systems that enable management to identify concentrations within the portfolio and supervisors must set prudential limits to restrict banks' exposures to single borrowers or groups of related borrowers" (Principle 9). The definition of group of related borrowers would thus include not only legally related companies, but also financially related companies, *e.g*., common ownership and physical persons (i.e., large shareholders). The international position in this regard in select countries is summarised in Table 2.

In India, the task of identification of borrowers belonging to specific industrial groups was left to the perception of the banks themselves, within the overall guiding principle for identification of 'Group' being commonality of management and effective control, as banks were aware of the basic constitution of their clientele.

Exposures to Selected Sectors

Few countries also have had limits on exposures to certain sectors. These include, among others, the limits on property in Hong Kong until 1998, limits on the share of the outstanding advances of the previous financial year-end which Indian banks are permitted to invest in equity or convertible debt instruments, and restrictions on property or share-related loans in Singapore. In Bulgaria and Latvia, banks are expected in their internal credit rules to prescribe restrictions on concentrations of exposures to an economic region and or geographic region. In contrast, the Central Bank of Peru is prohibited from imposing sectoral or regional ratios on the composition of loan portfolios of financial institutions.

In India, within the overall exposure to sensitive sectors (capital market, real estate and commodities), a bank's exposure to the capital market in all forms should not exceed 5 per cent of outstanding domestic credit (including commercial paper) as on March 31 of the previous year. The ceiling of 5 per cent would cover (i) direct investment 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. Apart from limiting exposure to individual or group 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.

Table 2: Definition of Connected or Related Group

Country	**Definition of Connected or Related Group**
USA	Credit extended to one borrower is attributed to another when (a) proceeds used for direct benefit of the other, (b) common enterprise exist. Common enterprise exists when (a) expected source of repayment is the same and no other source of repayment exists, (b) extensions of credit made (i) to borrowers related through common control and (ii) substantial financial interdependence exists.
Switzerland	Two or more entities are considered as related group when (a) one directly or indirectly holds more than half the voting rights of other and exercises controlling influence (b) recognisable interdependencies exist which render it probable that if one falls into financial difficulties, the other will encounter payment difficulties and (c) they form a consortium.
Australia	Counter parties related where linked by cross-guarantees, common ownership, ability to control, financial interdependency or other connections, which identify the counter parties as a single risk.
Canada	A connection exists where two or more entities are a common risk. Common risk exists where (a) expected source of repayment is the same for each entity or (b) the entities are part of a corporate group and there is material financial interdependence between them.
European Union (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and UK). Source: IMF (2001).	A group of connected clients means (a) two or more persons who, unless otherwise, are a single risk because one of them, directly or indirectly, has control over the other or (b) two persons between whom there is no relationship or control but who are regarded as a single risk because they are so interconnected that if one of them were to experience financial problems, the other is likely to encounter payment difficulties.

References:

Hawkins, J and P.Turner (1999), *'Bank Restructuring in Practice:* An Overview', in Bank Restructuring in Practice, BIS Policy Paper No.6, Basel, Switzerland.

Morris, J (2001), 'Risk Diversification in the Credit Portfolio: An Overview of Country Practices', *IMF Working Paper* No.200.

2.36 Among bank groups, exposure to sensitive sectors was the highest for PSBs at Rs.15,392 crore (comprising 66.3 per cent of the total exposure of SCBs to sensitive sectors), followed in order by new private banks (13.0 per cent), old private banks (11.9 per cent) and foreign banks (8.8 per cent). Except for nationalised and foreign banks, the other bank groups witnessed a reduction in their exposure to sensitive sectors over the period. The maximum decline was recorded by the State Bank group, whose exposure to sensitive sectors during 2001-02 declined by 25.5 per cent to Rs.2,196 crore.

2.37 Almost all bank groups, excepting State Bank Group, unwound their exposure to the capital market during 2001-02. While nationalised banks exposure to capital markets registered a decline of 4.9 per cent to Rs.1,269 crore, the largest fall was witnessed by old private banks whose capital market exposure declined by 64.3 per cent to Rs.195 crore. Following the liberalisation of prudential requirements for housing finance for banks, lending to real estate witnessed a sharp upturn for most bank groups and the largest increase was observed in the case of foreign banks (143.9 per cent). The State Bank group was again an exception, and it lowered its real estate exposure by over 50.0 per cent to Rs.620 crore. Most bank groups witnessed modest to significant increases in their exposure to the commodities sector, with the increase for new private banks being the largest at 33.7 per cent; foreign banks, however, lowered their exposure to commodities sector.

Stock Prices of Indian Banks

2.38 The number of bank shares available for trading on the National Stock Exchange (NSE) remained constant at 31 as at end-March 2002, with no additional listings/de-listings during the year. There were 12 PSBs and 19 private sector banks whose shares were available for trading on NSE. The movements in share prices are given in Table II.11.

Table II.11: Changes in Share Prices of Banks

	Name of the Bank	Closing Price (Rs.) 2000-01	Closing Price (Rs.) 2001-02	Percentage Change in Share Price
	1	2	3	4
	Public Sector Banks			
1	Andhra Bank	*	9.10	—
2	Bank of Baroda	60.45	47.60	-21.26
3	Bank of India	11.40	25.00	119.30
4	Corporation Bank	110.10	133.30	21.07
5	Dena Bank	8.75	6.70	-23.43
6	Indian Overseas Bank	7.75	8.85	14.19
7	Oriental Bank of Commerce	39.80	39.45	-0.88
8	State Bank of Bikaner & Jaipur	276.50	295.00	6.69
9	State Bank of India	201.05	219.95	9.40
10	State Bank of Travancore	240.00	275.30	14.71
11	Syndicate Bank	8.90	10.85	21.91
12	Vijaya Bank	7.15	8.45	18.18
	Private Sector Banks			
1	Bank of Punjab Ltd.	14.55	13.90	-4.47
2	The Bank of Rajasthan Ltd.	12.30	11.45	-6.91
3	Centurion Bank Ltd.	11.45	11.85	3.49
4	City Union Bank Ltd.	23.80	24.25	1.89
5	The Federal Bank Ltd.	45.85	104.40	127.70
6	Global Trust Bank Ltd.	35.70	26.30	-26.33
7	HDFC Bank Ltd.	228.35	236.60	3.61
8	ICICI Bank Ltd.	166.50	123.90	-25.59
9	IDBI Bank Ltd.	17.05	28.00	64.22
10	IndusInd Bank Ltd.	14.00	16.70	19.29
11	The Jammu & Kashmir Bank Ltd.	37.30	73.35	96.65
12	The Karur Vysya Bank Ltd.	273.65	384.55	40.53
13	The Karnataka Bank Ltd.	70.30	127.90	81.93
14	The Laxmi Vilas Bank Ltd.	48.55	61.10	25.85
15	The Nedungadi Bank Ltd.	92.00	38.65	-57.99
16	The South Indian Bank Ltd.	22.05	43.95	99.32
17	United Western Bank Ltd.	32.00	22.00	-31.25
18	UTI Bank Ltd.	24.95	39.85	59.72
19	Vysya Bank Ltd.	121.35	237.15	95.43

Source : National Stock Exchange.

Notes: 1. *Trading in the shares of Andhra Bank started on April 04, 2001.
2. Closing price figures are of the last trading day of the financial year.
3. Punjab National Bank was listed on April 26, 2002.

2.39 As Table II.11 reveals, PSBs scrips have recorded a mixed reaction. The contribution of the bank scrips to the NSE total turnover increased from 1.0 per cent in 2000-01 to 1.3 per cent in 2001-02 (Table II.12). The turnover of the top 5 banks at Rs.5,690 crore in 2001-02 was lower than the previous year.

Table II.12: Turnover Details of Bank Shares

(Amount in Rs. crore)

Item	Turnover 2000-01	Turnover 2001-02
1	2	3
All Banks	13,992	6,804
Top 5 Banks	12,226	5,690
NSE Total (including bank shares)	13,39,511	5,13,167

Per cent share of all Banks to NSE Total	1.00	1.33
Per cent share of top 5 Banks to All Banks	87.38	83.63

Source: National Stock Exchange.

3. Financial Performance of Scheduled Commercial Banks

2.40 During the year 2001-02, there was a significant improvement in the profitability of the SCBs owing to the rise in trading profits attributable to the softer interest rate regime coupled with the containment in operating expenses, notwithstanding the higher provisions and contingencies (Table II.13 and Chart II.4).

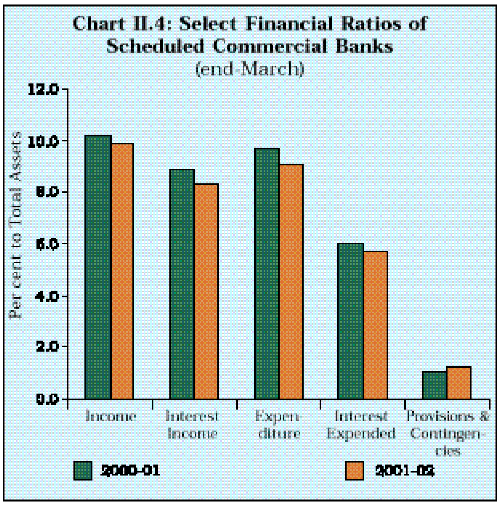


Table II.13: Bank Group-wise Select Indicators of Financial Performance
(As percentage of Total Assets)

Bank Group/ Year	Operating Profit	Net Profit	Income	Interest Income	Other Income	Expen-diture	Interest Expended	Operating Expenses Total	Operating Expenses *of which* Wage Bill	Provisions and Cont-ingencies	Spread (Net Interest Income)
1	2	3	4	5	6	7	8	9	10	11	12
Scheduled Commercial Banks											
2000-01	1.53	0.49	10.20	8.88	1.32	9.70	6.03	2.64	1.79	1.03	2.85
2001-02	1.94	0.75	9.84	8.27	1.57	9.08	5.70	2.19	1.42	1.19	2.57
Public Sector Banks											
2000-01	1.34	0.42	10.05	8.85	1.20	9.63	5.99	2.72	2.03	0.92	2.86
2001-02	1.88	0.72	10.14	8.71	1.43	9.43	5.98	2.29	1.65	1.16	2.73
Nationalised Banks											
2000-01	1.29	0.33	10.23	9.09	1.14	9.90	6.19	2.76	2.10	0.95	2.90
2001-02	1.83	0.69	10.26	8.78	1.48	9.58	6.03	2.40	1.74	1.15	2.74
State Bank Group											
2000-01	1.42	0.55	9.77	8.47	1.30	9.21	5.68	2.66	1.93	0.87	2.79
2001-02	1.94	0.77	9.96	8.62	1.34	9.19	5.91	2.11	1.50	1.17	2.71
Old Private Sector Banks											
2000-01	1.75	0.59	10.76	9.53	1.23	10.16	7.02	1.99	1.24	1.15	2.51
2001-02	2.70	1.08	11.74	9.36	2.38	10.67	6.97	2.08	1.26	1.62	2.39
New Private Sector Banks											
2000-01	1.74	0.81	9.52	8.17	1.35	8.71	6.03	1.75	0.32	0.93	2.14
2001-02	1.21	0.44	5.66	4.48	1.18	5.22	3.33	1.12	0.25	0.77	1.15
Foreign Banks											
2000-01	3.05	0.93	11.74	9.27	2.47	10.81	5.64	3.05	0.97	2.12	3.63
2001-02	3.13	1.33	11.56	8.65	2.91	10.23	5.40	3.03	1.00	1.80	3.25

Note : The ratios are compiled from the balance sheets of the respective banks and include the impact of merger, wherever applicable.

Income

2.41 The income of SCBs increased by 14.4 per cent during 2001-02 to Rs.1,51,026 crore. This was higher than the average growth rate of 11.7 per cent registered during the period 1997-2001. Among bank groups, while the increase in income for PSBs was 13.3 per cent, the same for old private and foreign banks increased by 20.4 per cent and 8.1 per cent, respectively. For new private sector banks, total income increased by 31.7 per cent [Appendix Table II.5(A) to (G)].

2.42 Owing to the higher growth in assets *vis-à-vis* the growth in income, the ratio of income to total assets of SCBs declined from 10.2 per cent in 2000-01 to 9.8 per cent in 2001-02. Except the PSBs group and old private sector banks, other bank groups, recorded declines in this ratio. The decline was most significant in the case of new private sector banks from 9.5 per cent to 5.7 per cent.

Interest Income

2.43 The interest income of SCBs witnessed a rise of 10.3 per cent. A large chunk of the interest income was accounted for by interest on advances (39.3 per cent in 2001-02), which was followed by income on investments, on account of valuation of the stock of investments held by banks as also on account of trading of such investments actively in the market (Box II.2)

2.44 Despite the rise in interest income, the ratio of interest income to total assets for SCBs stood lower at 8.3 per cent in 2001-02 as compared to 8.9 per cent in 2000-01. The increased asset growth of SCBs due to the impact of merger during the year outweighed this rise in interest income. Such ratios for PSBs and foreign banks decreased from 8.9 per cent and 9.3 per cent, respectively in 2000-01 to 8.7 per cent for both groups in 2001-02.

Other Income

2.45 Other income of SCBs witnessed a rise of nearly 41.6 per cent in 2001-02 to Rs.24,056 crore. Among bank groups, the increase was 33.6 per cent for PSBs, with a significant increase being recorded by nationalised banks (47.0 per cent) reflecting the increased diversification undertaken by them for fee-based activities. Old private sector banks recorded a massive increase in other income of 114.0 per cent to Rs.2,221 crore. Likewise new private sector banks also witnessed a substantial increase of 93.1 per cent. Commission, exchange and brokerage, which comprise a major share of 'other income' witnessed only a marginal rise of 3.7 per cent for SCBs over the previous year. With the result, its share in other income, declined to 38.3 per cent in 2001-02 from 52.3 per cent in the previous year.

2.46 The ratio of other income to total assets for SCBs stood at 1.6 per cent in 2001-02 as compared with 1.3 per cent in 2000-01. Most of the bank groups recorded increases in this ratio and the increase was more in respect of nationalised banks (1.5 per cent as compared with 1.1 per cent in 2000-01) and foreign banks (2.9 per cent as compared with 2.5 per cent in 2000-01).

Box II.2: Securities Trading and Profitability of Commercial Banks

Investments, especially in government securities, constitute a considerable portion of assets of the SCBs in India. As on March 31, 2002, investments accounted for nearly two-fifths of the total assets of SCBs. Since yield-to-maturity (YTM) and security price are inversely related, a fall in YTM would, therefore, engender an increase in security price and *vice versa*. In line with general softening in interest rates since the late 1990s, YTM on government and other approved securities has declined substantially. On a point-to-point basis, the fall in YTM during 2001-02 of more than 300 basis points has been particularly remarkable and this has substantially boosted the profits of SCBs. The net profits of SCBs during 2001-02 at Rs. 11,572 crore increased by 81 per cent over the previous year, of which the gains on account of securities trading have been significant.

Bank-wise data on securities trading during 2001-02 indicate that gains on such account emanated from sale of existing securities as well as increased turnover of trading in such securities. Gains from securities transactions, however, were not uniform across bank groups. In terms of absolute amounts, nationalised banks profited the most from such transactions, while in percentage terms, the gains were the highest for Indian private sector banks. The gains on securities trading during 2001-02 have also been supplemented by large reduction in staff expenses of PSBs.

Expenditure

2.47 Total expenditure of SCBs witnessed a rise of 11.0 per cent in 2001-02 to Rs.1,39,454 crore. This growth rate, however, was lower than the average growth rate of 11.9 per cent recorded over the period 1997-2001. Among bank groups, the increase in expenditure growth was the lowest for foreign banks (3.9 per cent) and the highest (32.6 per cent) for new private sector banks. In the PSBs category, the growth rate was higher for State Bank group at 11.2 per cent, whereas for nationalised banks, it was 9.0 per cent.

2.48 As a result of the containment in expenses, the ratio of expenditure to total assets for SCBs stood lower at 9.1 per cent in 2001-02 as compared with 9.7 per cent in 2000-01. While most bank groups recorded a decline in this ratio, old private sector banks registered an increase from 10.2 per cent in 2000-01 to 10.7 per cent in 2001-02.

Interest Expended

2.49 The major component of total expenditure was interest expenses, comprising nearly 63.0 per cent of the total expenses of SCBs. For SCBs as a whole, the rise in interest expenses was of the order of 12.0 per cent to Rs.87,516 crore. This was primarily due to an increase in the interest paid on deposits, which witnessed a rise of 12.3 per cent to Rs.80,570 crore. Foreign banks recorded the lowest growth in interest expenses (5.1 per cent) due to very low rise in interest paid on deposits (2.9 per cent). Among other bank groups, the interest paid on deposits increased by 16.6 per cent for State Bank group resulting in 16.0 per cent rise in interest expenditure.

2.50 The ratio of interest expended to total assets for SCBs declined to 5.7 per cent in 2001-02 from 6.0 per cent in 2000-01. The decline was also observed in the case of foreign banks .

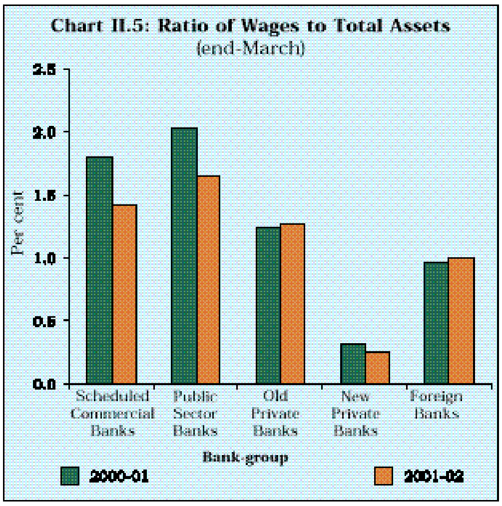
Operating Expenses

2.51 The operating expenditure of SCBs witnessed a decline of 1.4 per cent in 2001-02, driven, to a large extent, by the decline in wage costs. It is significant that except the PSBs group, all other bank groups recorded a rise in operating expenses. In the case of PSBs, operating expenses declined by 5.7 per cent to Rs.26,422 crore, with a more pronounced reduction in the case of the State Bank group (11.6 per cent) *vis-à-vis* the nationalised banks (2.0 per cent). In contrast, other bank groups witnessed an upturn in this component of expenditure, with a noticeable increase in case of old private sector banks (14.9 per cent) and new private sector banks (41.4 per cent). In view of the overwhelming share of PSBs in the operating expenses of SCBs (about 78.0 per cent in 2001-02), this had the effect of exerting a downward pressure on operating expenses of SCBs as a whole.

2.52 During the period, the ratio of operating expenses to total assets for SCBs declined to 2.2 per cent in 2001-02 from 2.6 per cent in 2000-01. Concomitantly, such ratios for various categories of banks (except old private sector banks) also recorded declines.

Wage Bill

2.53 The major component of operating expenditure for SCBs, *viz.*, wage bill witnessed a decline of 6.2 per cent in 2001-02. The decline was observed among the nationalised banks as well as the State Bank group (Chart II.5). For PSBs, the reduction in wage costs was of the order of Rs.1,884 crore on account of the VRS scheme introduced in the previous year (Box II.3). This has had a salutary effect on improving the profit parameters of PSBs.



Box II.3: Impact of Voluntary Retirement Scheme for PSBs

With a view to optimise utilisation of human resources, 26 out of the 27 PSBs introduced voluntary retirement schemes (VRS) in 2000-01. As on March 31, 2002 implementation of the scheme involved a total cost of Rs. 12,300 crore for PSBs and resulted in nearly 12 per cent reduction in staff strength. The RBI permitted PSBs to amortise VRS related expenditure over a period of five years. The guidelines for such amortisation were set out in consultation with competent professional bodies. During 2000-01 and 2001-02, PSBs charged Rs. 3,007 crore and Rs. 2,346 crore, respectively, on their profit and loss account on account of VRS and as on March 31, 2002 the balance of deferred revenue expenditure related to VRS was Rs. 6,947 crore.

The staff costs, as proportion of total costs declined during 2001-02, inspite of the apportionment for VRS. The business per employee and profitability (as measured by return on assets) for PSBs has increased during 2001-02.

2.54 With the lowering of wage costs, the ratio of wage bill to total assets of SCBs declined from 1.8 per cent in 2000-01 to 1.4 per cent in 2001-02. The decline was visible within both the subcategories of PSBs. The ratio for old private sector banks and foreign banks, however, witnessed marginal upward movements in tandem with the increase in their wage expenses.

Provisions and Contingencies

2.55 Provisions and contingencies (P & C) of SCBs witnessed a rise of 36.6 per cent in 2001-02. The sharp increase in P & C, especially provisioning for NPAs, in the light of the gradual tightening of prudential norms, reflects the growing awareness on the part of banks to set aside larger quantum against impaired assets. Among bank groups, such expenditure for PSBs increased by nearly 41.0 per cent, while that for new private sector banks witnessed the maximum rise of 83.3 per cent. Foreign banks, however, registered a decline in such expenditure owing to lowering of provisions for taxation.

2.56 A major component of P & C was the provisions for non-performing assets (NPAs), which for SCBs, increased by 40.5 per cent over the previous year. Even though there was increase in such provisions for all categories of banks, foreign banks registered the lowest increase.

2.57 During the review period, the ratio of provisions and contingencies to total assets of SCBs increased from 1.0 per cent in 2000-01 to 1.2 per cent in 2001-02. The trend was the same for all bank groups, except new private sector and foreign banks.

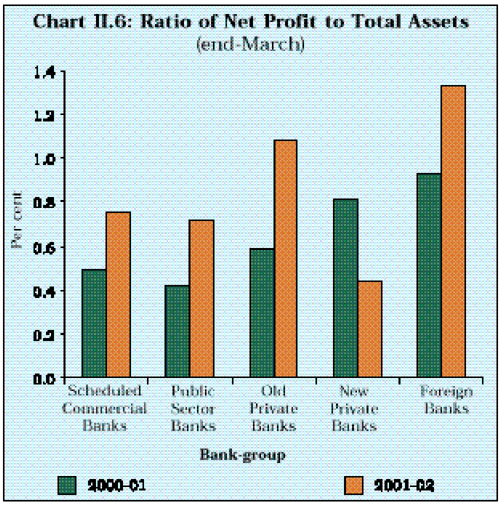
Operating Profit

2.58 As on March 31, 2002, the operating profits of SCBs increased by 51.0 per cent to Rs.29,814 crore over the previous year. Out of this, the operating profits of PSBs increased by 57.0 per cent, with an observed increase of 52.0 per cent and 61.0 per cent for the State Bank group and nationalised banks, respectively. Old private sector banks and foreign banks also registered notable increases in their operating profits. The increase for new private banks stood at 54.0 per cent [(Appendix Tables II.5 (A) to (G)].

Net Profit

2.59 Notwithstanding the increased provisions and contingencies by almost all bank groups (foreign banks were an exception), there was a marked increase in net profit by 80.7 per cent for SCBs during the year (excluding the impact of the merger, the increase in net profit was 80.6 per cent). The increase was significant in respect of most bank groups. The increase for PSBs was of the order of 92.3 per cent. Excluding the impact of the merger, the increase in net profit for new private banks was 19.9 per cent.

2.60 Driven by the improved profitability, the ratio of net profits to total assets for SCBs increased from 0.5 per cent in 2000-01 to 0.8 per cent in 2001-02. In case of PSBs, the ratio increased from 0.4 per cent to 0.7 per cent and was more than double for nationalised banks from 0.3 per cent to 0.7 per cent. Other bank groups also witnessed appreciable increases in the ratio; although an exception was the new private sector bank group for which the ratio declined from 0.8 per cent to 0.4 per cent (Chart II.6).



2.61 The increase in profits of PSBs was observed in the case of both the State Bank group and the nationalised banks. The breakup of profits of PSBs revealed that trading profits increased more than two-fold from Rs.2,250 crore in 2000-01 to Rs.5,999 crore in 2001-02, with several banks witnessing three to four-fold increase in such profits. Forex profits also registered an increase of 13.3 per cent to Rs.1,547 crore in 2001-02 (Table II.14).

Table II.14: Break-up of Profit of Public Sector Banks

Rs. crore

Sr. No.	Name of the Bank	Trading Profit		Forex Profit		Net Profit	
		2000-01	2001-02	2000-01	2001-02	2000-01	2001-02
1	2	3	4	5	6	7	8
I.	**Nationalised Banks**	**1,690**	**4,965**	**926**	**998**	**2,095**	**4,852**
1	Allahabad Bank	48	193	29	29	40	80
2	Andhra Bank	65	136	13	16	121	202
3	Bank of Baroda	102	415	134	117	275	546
4	Bank of India	196	427	105	124	252	505
5	Bank of Maharashtra	81	167	23	12	45	145
6	Canara Bank	201	663	124	129	285	741
7	Central Bank of India	144	318	31	29	46	163
8	Corporation Bank	67	135	37	53	262	308
9	Dena Bank	37	201	16	16	-266	11
10	Indian Bank	60	226	48	55	-274	33
11	Indian Overseas Bank	53	257	42	52	116	230
12	Oriental Bank of Commerce	95	311	38	39	203	321
13	Punjab & Sind Bank	69	126	24	25	13	23
14	Punjab National Bank	242	438	94	92	464	562
15	Syndicate Bank	67	74	36	29	235	251
16	UCO Bank	73	346	18	25	33	165
17	Union Bank of India	34	160	90	114	155	314
18	United Bank of India	51	281	2	3	19	119
19	Vijaya Bank	3	90	24	37	71	131
II.	**State Bank Group**	**560**	**1,034**	**439**	**549**	**2,222**	**3,449**

20 State Bank of India	342	352	304	408	1,604	2,432
21 State Bank of Bikaner & Jaipur	18	77	23	21	105	165
22 State Bank of Hyderabad	40	105	35	35	150	226
23 State Bank of Indore	63	174	8	9	64	125
24 State Bank of Mysore	28	76	13	21	26	66
25 State Bank of Patiala	22	95	21	20	161	233
26 State Bank of Saurashtra	16	80	10	10	14	82
27 State Bank of Travancore	30	75	26	25	97	121
III. Public Sector Banks (I+II)	**2,250**	**5,999**	**1,365**	**1,547**	**4,317**	**8,301**

Notes: 1. Trading Profit - Net Profit on Sale of Investment.
2. Forex Profit - Net Profit on Exchange Transaction.

Source : Balance Sheet of respective banks.

Off-Balance Sheet Activities

2.62 Off-balance sheet activities of SCBs, comprising forward exchange contract, guarantees, acceptances and endorsements, etc., registered a rise of 17.7 per cent in 2001-02 (Table II.15). The ratio of contingent liabilities to total liabilities of SCBs witnessed a marginal decline from 58.1 per cent in 2000-01 to 57.7 per cent in 2001-02. Forward exchange contracts, which account for the highest share of contingent liabilities, increased by 10.4 per cent to Rs.6,35,095 crore. The highest growth, however, was recorded by acceptances, endorsements, etc., which increased by over 56.9 per cent during the year.

Table II.15: Off-Balance Sheet exposure of Scheduled Commercial Banks in India

Item	State Bank Group			Nationalised Banks			Public Sector Banks		
	2000-01	2001-02	Variations	2000-01	2001-02	Vadiations	2000-01	2001-02	Variations
1	2	3	4	5	6	7	8	9	10
1. Forward exchange Contract	61,945.87 (15.37)	70,280.40 (15.63)	13.45	1,37,619.48 (21.95)	1,38,960.22 (19.68)	0.97	1,99,565.35 (19.38)	2,09,240.62 (18.0)	4.85
2. Guarantees given	17,336.27 (4.30)	17,727.41 (3.94)	2.26	26,656.95 (4.25)	30,423.26 (4.31)	14.13	43,993.22 (4.27)	48,150.67 (4.17)	9.45
3. Acceptances, Endorsements, etc.	25,122.48 (6.23)	38,575.42 (8.58)	53.55	30,054.08 (4.79)	33,311.44 (4.72)	10.84	55,176.56 (5.36)	71,886.86 (6.22)	30.29
Total Contingent Liabilities	**1,04,404.62 (25.91)**	**1,26,583.23 (28.16)**	**21.24**	**1,94,330.51 (30.99)**	**2,02,694.92 (28.7)**	**4.30**	**2,98,735.13 (29.00)**	**3,29,278.15 (28.49)**	**10.22**

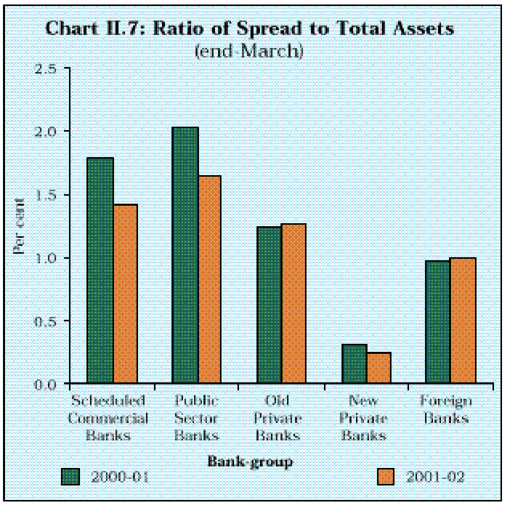
Item	New Private Sector Banks			Old Private Sector Banks			Foreign Banks			All SCBs		
	2000-01	2001-02	Variations	2000-01	2001-02	Variations	2000-01	2001-02	Variations	2000-01	2001-02	Variations
1	11	12	13	14	15	16	17	18	19	20	21	22
1. Forward exchange contract	41,243.39 (52.34)	47,697.38 (27.34)	15.65	18,451.56 (21.83)	17,390.79 (18.65)	-5.75	3,15,988.13 (309.47)	3,60,766.65 (321.84)	14.17	5,75,248.43 (44.41)	6,35,095.44 (41.36)	10.40
2. Guarantees given	7,087.08 (8.99)	14,503.54 (8.31)	104.65	2,958.29 (3.50)	3,302.63 (3.54)	11.64	17,296.43 (16.94)	18,298.13 (16.32)	5.79	71,335.02 (5.51)	84,254.97 (5.49)	18.11
3. Acceptances, endorsements, etc.	10,954.72 (13.90)	23,979.72 (13.75)	118.90	3,242.50 (3.84)	3,295.87 (3.54)	1.65	36,398.39 (35.65)	66,837.80 (59.63)	83.63	1,05,772.17 (8.17)	1,66,000.25 (10.81)	56.94
Total Contingent Liabilities	**59,285.19 (75.24)**	**86,180.64 (49.40)**	**45.37**	**24,652.35 (29.16)**	**23,989.29 (25.73)**	**-2.69**	**3,69,682.95 (362.05)**	**4,45,902.58 (397.78)**	**20.62**	**7,52,355.62 (58.08)**	**8,85,350.66 (57.66)**	**17.68**

Notes: 1. Figures in brackets are percentages to Total Liabilities of the concerned bank group.
2. Variation indicates the percentage variation in 2001 02 over 2000 01 of the concerned item.

2.63 Foreign banks were particularly active in off-balance sheet activities. With the result, the ratio of off-balance sheet activity to total liabilities of foreign banks rose to 397.8 per cent in 2001-02 as compared with 362.1 per cent in 2000-01. Among PSBs, such ratio for the State Bank group was 28.2 per cent in 2001-02.

Spread

2.64 With the increase in interest income outpacing interest expense, the interest spread of SCBs increased by 6.8 per cent to Rs.39,454 crore in 2001-02. While most of the bank groups registered a rise in spreads, there was a decline of 1.6 per cent in the interest spread of foreign banks. New private sector banks, recorded a 19.3 per cent increase in spreads in 2001-02 (Chart II.7). Bank-wise details of select parameters of PSBs, private sector banks and foreign banks are furnished in Appendix Tables II.6 (A) to 6 (I), II.7(A) to 7(H) and II.8(A) to 8 (H), respectively.



2.65 During the review period, there was a decline in the ratio of spread to total assets for SCBs from 2.9 per cent in 2000-01 to 2.6 per cent in 2001-02. The decline was reflected across all bank groups. For instance, for PSBs, the ratio declined from 2.9 per cent in 2000-01 to 2.7 per cent in 2001-02. Some of the factors impacting on spreads are given in Box II.4.

Box II.4: Spreads in the Banking Sector

A central objective of financial deregulation is to encourage competition among financial institutions in order to improve the efficiency and the stability of the financial system. In this context, the difference between the interest rate charged to borrower and the interest rate paid to depositors, which reflects the cost of intermediation, is an important indicator of efficiency. A high differential may adversely affect domestic savings and jeopardize economic growth. Financial deregulation, by enhancing competition, is expected to narrow this gap.

Financial systems in developing countries typically exhibit significantly high and persistent spreads (Barajas *et al*., 2000). These high margins have persisted even though most countries have undertaken financial liberalisation. It has been observed that in many sub-Saharan African countries, the range of financial products remain extremely limited, interest rate spreads are wide, capital adequacy ratios insufficient, and the share of non-performing loans quite high. Similarly, Brock and Rojas-Suarez (2000) remark that most policymakers in Latin America have been disappointed by the fact that spreads have failed to converge to international levels.

Several arguments have been advanced for the same. First, high interest rates may persist if financial sector reforms do not significantly alter the structure within which banks operate. Several studies have noted that competitive pressures that arise from conditions of free entry and competitive pricing will tend to raise the functional efficiency of intermediation by decreasing the spread. More recent studies on bank spreads also tend to support the hypothesis that intermediation margins are positively related to market power (Barajas *et al*., 1999).

Second, in many developing countries without an explicit deposit insurance mechanism, banks are subject to high reserve requirements, even post liberalisation. While such requirements might be dictated by the need for protection of depositors' interests, the availability of a pool of resources allows for financing high fiscal deficits through an implicit financial tax, thereby creating an environment that can promote rising inflation and persistent high intermediation margins. Barajas *et al*. (2000) for instance, find evidence of a positive and significant relationship between spreads and liquidity reserves in the Columbian banking system.

Third, the removal of credit controls during financial liberalisation may worsen the quality of loans that may, in turn, lead to increased risks of systemic crisis. Testimony for the same is empirically evidenced in the work of Brock and Rojas-Suarez (2000) and Barajas *et al*. (2000) who note that the cost of poor quality loans is shifted to bank customers through higher spreads.

Fourth, there is overwhelming evidence that high non-financial costs also act as a source of persistent and wide intermediation spreads in developing countries. Non-financial costs reflect variations in physical capital costs, employment and wage levels. Demirgic-Kunt and Huizinga (1999) find evidence of a positive relation between net interest margin and overhead costs. Similarly, Brock and Rojas-Suarez (2000) also find significant evidence of a positive relation between spreads and wages or non-financial costs.

Fifth, Saunders and Schumacher (2000) note that the capital which banks hold to cushion themselves against expected and unexpected risks may lead to higher spreads. The cost of high regulatory and/or endogenously determined capital ratios may be covered through widening the spread between lending and deposit rates.

Sixth, macroeconomic instability and the policy environment may also affect the pricing behaviour of commercial banks. In order to capture the effects of the macroeconomic and policy environment, spread equations include, among others , inflation and growth of industrial output as control variables. For instance, there is evidence to suggest that inflation is positively associated with intermediation spreads, particularly in developing countries with high and variable inflation rates (Demirgic-Kunt and Huizinga, 1999; Mlachila and Chirwa, 2002).

In summary, while financial liberalisation should generally lead to a lowering of spreads, whether they actually decline or not ultimately depend upon a number of factors. Generally, lending rates relative to deposit rates can increase or remain high, depending on the level of reserve requirements, the competitiveness of the banking system, the cost structure of the market, and the macroeconomic environment. On the other hand, if the banking system is characterised by excess liquidity, deposit rates are unlikely to increase much following financial liberalisation because the marginal cost of mobilising resources is high, while the marginal profit is negligible. Thus, the spread may actually rise, rather than fall, after financial liberalisation.

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4. Non-performing Assets

2.66 The gross non-performing assets (NPAs)[4] of SCBs stood at Rs.70,904 crore as on March 31, 2002 as compared with Rs.63,741 crore at the end of the previous year. The gross NPAs for end-March 2002 includes an amount of Rs. 4,512 crore on account of merger. During the same period, net NPAs increased by 9.5 per cent to Rs.35,546 crore from Rs.32,461 crore at end-March 2001. For PSBs, gross NPAs stood at Rs.56,507 crore as at end of March 2002, comprising 79.7 per cent of the sticky loans of SCBs (Table II.16).

Table II.16: Gross and Net NPAs of Scheduled Commercial Banks - Bank Group-wise
(As at end-March)

(Amount in Rs. crore)

Bank Group/Year	Gross NPAs				Net NPAs			
	Gross Advances	Amount	Per cent to Gross Advances	Per cent to total Assets	Net Advances	Amount	Per cent to Net Advances	Per cent to total Assets
1	2	3	4	5	6	7	8	9
Scheduled Commercial Banks								
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	63,741	11.4	4.9	5,26,329	32,461	6.2	2.5
2002	6,80,958	70,904 #	10.4	4.6	6,45,859	35,546	5.5	2.3
Public Sector Banks								
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	54,672	12.4	5.3	4,15,207	27,977	6.7	2.7
2002	5,09,368	56,507	11.1	4.9	4,80,681	27,958	5.8	2.4
Old Private Sector Banks								
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	4,346	10.9	5.1	37,973	2,771	7.3	3.3
2002	44,057	4,850	11.0	5.2	42,286	3,005	7.1	3.2
New Private Sector Banks								
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	1,617	5.1	2.1	30,086	929	3.1	1.2
2002	76,901	6,822 #	8.9	3.9	74,187	3,663	4.9	2.1
Foreign Banks in India								
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	3,106	6.8	3.0	43,063	785	1.8	0.8
2002	50,631	2,726	5.4	2.4	48,705	920	1.9	0.8

The gross NPAs for end-March 2002 include an amount of Rs. 4,512 crore on account of merger.

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

2. The figures furnished in the table may not tally with the data in table II.18 due to different sources of data collection.

Source: Balance sheets of respective banks.

Returns submitted by respective banks.

2.67 There was a perceptible decline in the ratio of gross NPAs and net NPAs, measured as percentage to advances as well as assets. For example, the ratio of gross NPAs to gross advances for SCBs declined from 11.4 per cent as at end of March 2001 to 10.4 per cent as at end of March 2002; net NPA to net advances, over the same period, declined from 6.2 per cent to 5.5 per cent. As percentage to total assets, gross NPAs declined from 4.9 per cent at end-March 2001 to 4.6 per cent at end-March 2002. Bank-wise details of NPA ratios for PSBs and private sector banks are given in Appendix Table II.9 (A) to (D). Sector-wise NPAs of individual public and private sector banks are presented in Appendix Tables II.10 (A) and (B) and Chart II.8. The movement in NPAs across bank groups is provided in Table II.17. The NPAs of PSBs increased marginally during the year inspite of the substantial recoveries, whereas for foreign banks, recoveries exceeded accretions to NPAs. New private banks, however, had substantial addition to their NPAs, reflecting the impact of merger during the year (Chart II.9).

Chart II.8: Sector-wise NPAs as percentage to non-performing Assets
(end-March 2002)

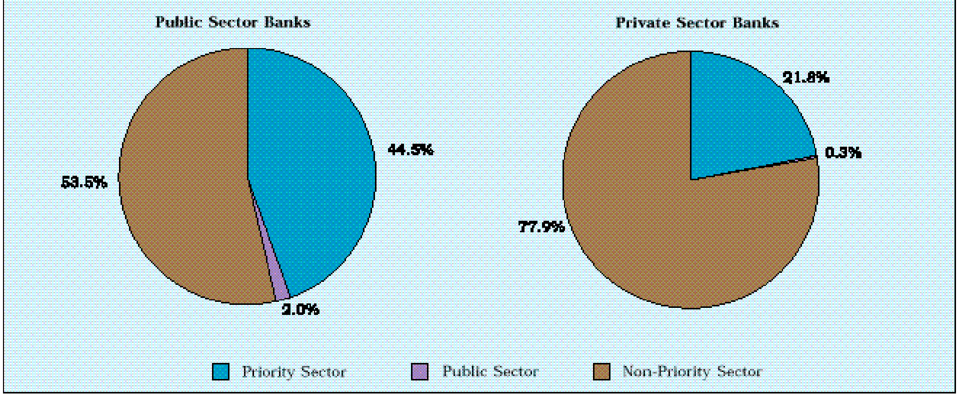


Chart II.9: Ratio of Net NPAs to Net Advances
(end-March)

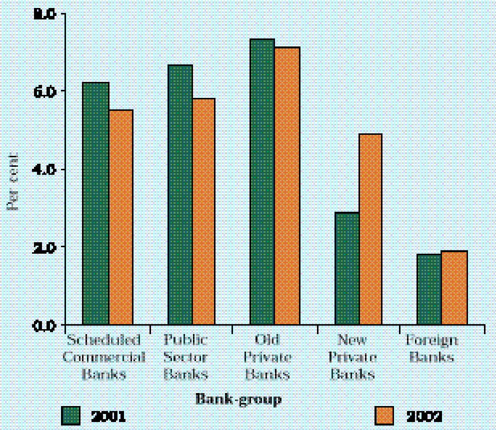


Table II.17: Bank Group-wise Movements in Non-performing Assets - 2001-02

(Rs. crore)

Item	Scheduled Commercial Banks	Public Sector Banks (27)	Old Private Banks (22)	New Private Banks (8)	Foreign Banks (40)
1	2	3	4	5	6
Gross NPAs					
As on 31st March 2001	63,581.41	54,671.58	4,262.42	1,616.51	3,030.90
Addition during the year	24,824.32	15,668.25	1,718.72	6,312.52	1,124.83
Reduction during the year	17,502.10	13,833.24	1,131.43	1,107.47	1,429.96
As on 31st March 2002	70,903.63 #	56,506.59	4,849.71	6,821.56 #	2,725.77
Net NPAs					
As on 31st March 2001	32,402.68	27,976.55	2,716.30	929.08	780.75
As on 31st March 2002	35,545.71	27,957.64	3,005.00	3,663.03	920.04
Memo:					
Gross Advances	6,80,958.41	5,09,368.39	44,057.25	76,901.44	50,631.33
Net Advances	6,45,858.78	4,80,680.56	42,285.70	74,187.10	48,705.42
Ratio:					
Gross NPAs/Gross Advances	10.41	11.09	11.01	8.87	5.38
Net NPAs/Net Advances	5.50	5.82	7.11	4.94	1.89

The gross NPAs for end-March 2002 include an amount of Rs. 4,512 crore on account of merger.

Notes: 1. Data is based on audited balance sheet figures of 97 scheduled commercial banks.
2. Figures in brackets indicates the number of banks in each group.

Source: Respective bank balance sheet.

Public Sector Banks

2.68 The gross NPAs of PSBs as at end-March 2002 at Rs.56,507 crore witnessed an increase of 3.4 per cent over the year. The share of PSBs in total NPAs of SCBs declined from 85.8 per cent as at end-March 2001 to 79.7 per cent as at end-March 2002. The ratio of gross NPAs to gross advances of PSBs witnessed a sharp decline from 12.4 per cent as at end-March 2001 to 11.1 per cent as at end-March 2002. In line with the improvement in assets in the 'standard' category from 87.6 per cent at end-March 2001 to 88.9 per cent at end-March 2002, there has been a decline in the gross NPAs to gross advances ratio (Table II.18). As at end-March 2002, 24 out of 27 PSBs had net NPA to net advances ratio upto 10 per cent, whereas 3 banks had the ratio in excess of 10 per cent (Table II.19).

Table II.19: Distribution of Scheduled Commercial Banks by Ratio of Net NPAs to Net Advances

(No. of banks)

Net NPAs/Net Advances	End-March				
	1998	1999	2000	2001	2002
1	2	3	4	5	6
Public Sector Banks	**27**	**27**	**27**	**27**	**27**
1. Upto 10 per cent	17	18	22	22	24
2. Above 10 and up to 20 per cent	9	8	5	5	3
3. Above 20 per cent	1	1	—	—	—
Old Private Sector Banks	**25**	**25**	**24**	**23**	**22**
1. Upto 10 per cent	21	17	18	16	17
2. Above 10 and upto 20 per cent	4	5	5	4	3
3. Above 20 per cent	—	3	1	3	2
New Private Sector Banks	**9**	**9**	**8**	**8**	**8**
1. Upto 10 per cent	9	9	8	8	8
2. Above 10 and upto 20 per cent	—	—	—	—	—
3. Above 20 per cent	—	—	—	—	—
Foreign Banks in India @	**42**	**41**	**42**	**42**	**40**
1. Upto 10 per cent	34	27	31	31	26
2. Above 10 and upto 20 per cent	6	11	7	6	5
3. Above 20 per cent	2	3	4	5	9

Note: @ No. of banks having nil NPAs for 1998, 1999, 2000, 2001 and 2002 were 14, 9, 8, 6 and 8 respectively.

New Private Sector Banks

2.69 The gross NPAs of new private banks witnessed a substantial increase from Rs.1,617 crore at end-March 2001 to Rs.6,822 crore at end-March 2002. Accordingly, the ratio of gross NPA to gross advances increased from 5.1 percent at end-March 2001 to 8.9 per cent at end-March 2002. The proportion of assets in the 'standard' category declined from 94.9 per cent at end-March 2001 to 91.1 per cent as at end-March 2002 (Table II.18).

Table II.18: Classification of Loan Assets of Scheduled Commercial Banks – Bank Group-Wise (As at end-March)

(Amount in Rs.crore)

Bank Group/Year	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											
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
2002	6,09,916	89.6	21,382	3.1	41,207	6.1	8,378	1.2	70,967#	10.4	6,80,883
Public Sector Banks											
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
2002	4,52,862	88.9	15,788	3.1	33,658	6.6	7,061	1.4	56,507	11.1	5,09,369
Old Private Sector Banks											
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
2002	39,206	89.0	1,834	4.2	2,668	6.1	349	0.8	4,851	11.0	44,057
New Private Sector Banks											
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
2002	70,010	91.1	2,904	3.8	3,871	5.0	41	0.1	6,816#	8.9	76,826
Foreign Banks in India											
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
2002	47,838	94.5	856	1.7	1,010	2.0	927	1.8	2,793	5.5	50,631

The gross NPAs for end-March 2002 include an amount of Rs. 4,512 crore on account of merger.

Notes: 1. The figures furnished in this table may not tally with the data given in Table II.16 due to different sources of data collection.

2. Figures are provisional.

3. Constituent items may not add up to the totals due to rounding off.

Source: Returns submitted by respective banks.

Old Private Sector Banks

2.70 The gross NPAs of old private sector banks increased from Rs.4,346 crore as at end-March 2001 to Rs.4,850 crore as at end-March 2002. As percentage to gross advances, over this period, gross NPAs rose from 10.9 per cent to 11.0 per cent. Net NPAs, on the other hand, increased to Rs.3,005 crore, with net NPA to net advances ratio at end-March 2002 being 7.1 per cent. As at end-March 2002, out of 22 old private sector banks, 17 banks had net NPA to net advances ratio upto 10 per cent, whereas five banks had this ratio in excess of 10 per cent.

Foreign Banks

2.71 The gross NPAs of foreign banks declined by 12.0 per cent from Rs.3,106 crore at end-March 2001 to Rs.2,726 crore at end-March 2002. This had the effect of reducing the gross NPA to gross advances ratio over the same period from 6.8 per cent to 5.4 per cent. In terms of ratio to total assets, gross NPA decreased from 3.0 per cent to 2.4 per cent. Net NPAs, on the other hand, increased to Rs.920 crore. As per cent to net advances, net NPAs increased marginally from 1.8 per cent to 1.9 per cent, whereas as ratio to total assets, net NPA has remained at 0.8 per cent during the last two years. There has been a marked improvement in the asset profile of foreign banks, with the category of 'standard' asset registering an increase from 93.1 per cent as at end-March 2001 to 94.5 per cent as at end-March 2002. Out of 40 foreign banks operating in India, 26 banks had net NPAs to net advances ratio within 10 per cent and for as many as 9 banks, this ratio was in excess of 20 per cent. The bank-wise NPAs as percentage to advances/assets are provided in Appendix Tables II.9 (E) and (F).

Incremental Non-performing Assets

2.72 The incremental gross NPAs, as percentage of incremental gross advances for SCBs increased from 4.0 per cent in 2000-01 to 5.9 per cent in 2001-02. In absolute terms, the quantum of incremental gross NPAs was Rs.7,164 crore in 2001-02 as compared with Rs.3,332 crore in 2000-01. Among bank groups, there was a decline in incremental gross NPAs for the State Bank group and foreign banks. New private sector banks, incremental gross NPAs recorded a large increase from Rs.671 crore in 2000-01 to Rs.5,205 crore in 2001-02 reflecting the addition on account of the merger. Incremental net NPAs of SCBs, over the same period, increased from Rs.2,389 crore to Rs.3,084 crore which was also largely due to substantial increase in incremental net NPAs of new private banks (Table II.20). As per cent of incremental net advances, incremental net NPAs of SCBs declined from 2.9 per cent in 2000-01 to 2.6 per cent in 2001-02. As per cent to incremental assets, while the incremental gross NPAs of SCBs increased from 1.8 per cent to 3.0 per cent in 2001-02, the incremental net NPA to total assets remained constant at 1.3 per cent in both the years (Table II.21).

Table II.20: Bank Group-wise Incremental Gross and Net NPAs

(Rs. crore)

Bank Group	Incremental Gross NPAs		Incremental Net NPAs	
	2000-01	2001-02	2000-01	2001-02
1	2	3	4	5
Scheduled Commercial Banks	**3,333**	**7,164**	**2,389**	**3,084**
Public Sector Banks	1,639	1,835	1,790	-19
Nationalised Banks	819	2,684	1,087	468
State Bank Group	820	-849	702	-487
Old Private Sector Banks	531	504	378	234
New Private Sector Banks	671	5,205	291	2,734
Foreign Banks	492	-380	-70	135

Note: This Table is derived from Table II.16

Source: Balance sheets of respective banks.

Table II.21: 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	
	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02
1	2	3	4	5	6	7	8	9
Scheduled Commercial Banks	4.0	5.9	1.8	3.0	2.9	2.6	1.3	1.3
Public Sector Banks	2.6	2.7	1.2	1.5	2.9	0.0	1.3	0.0
Nationalised Banks	2.0	5.0	1.1	3.4	2.7	0.9	1.5	0.6
State Bank Group	3.8	-6.2	1.2	-1.8	3.2	-3.5	1.1	-1.0
Old Private Sector Banks	12.3	11.7	4.7	5.8	9.2	5.4	3.3	2.7
New Private Sector Banks	7.7	11.5	3.4	5.4	3.7	6.2	1.5	2.9
Foreign Banks in India	6.2	-7.3	2.5	-3.8	-0.9	2.4	-0.4	1.4

Note: This table is derived from Table II.16

Source: 1. Balance sheets of respective banks.

2. Returns received from respective banks.

5. Capital Adequacy

2.73 As at end-March 2002, 25 out of the 27 PSBs had capital to risk-weighted assets ratio (CRAR) above the prescribed minimum levels. Out of this, as many as 23 banks had capital adequacy levels in excess of 10 per cent. Only two nationalised banks could not satisfy the capital adequacy standard (Table II.22). For PSBs as a whole, the CRAR at end-March 2002 stood at 11.8 per cent, which was substantially higher than 11.2 per cent as at end-March 2001. Bank-wise details of CRAR of various bank groups are given in Appendix Table II.11(A) to (C).

Table II.22: Distribution of Scheduled Commercial Banks by CRAR

(No. of banks)

Bank Group	Capital to Risk-weighted Assets Ratio (CRAR)							
	2000-01				2001-02			
	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*	1	2	15	1	1	2	15
Old Private Sector Banks	2*	1	4	16	1*	—	2	19
New Private Sector Banks	—	—	1	7	—	1	1	6
Foreign Banks	—	—	4	38	1*	—	2	37
Total	**3**	**2**	**11**	**84**	**3**	**2**	**7**	**85**

* Negative

2.74 During 2000-01, of the 23 old private banks, two banks had negative CRAR, while one could not achieve the stipulated CRAR. As compared to that position, during 2001-02, out of the 22 old private banks, only one bank had a negative CRAR, while all others satisfied the prescribed CRAR. Among 8 new private sector banks, 7 banks had achieved the stipulated CRAR during 2001-02.

2.75 Out of the 40 foreign banks operating in India at end-March 2002, only one bank had negative CRAR, while the CRAR of the remaining banks were in excess of the stipulated minimum level.

Equity Capital and Sub-ordinated Debt

2.76 During the year ended March 2002, Punjab National Bank (PNB) made an initial public offering (IPO) and raised the full amount of Rs.390 crore. Consequent upon this IPO issue, the shareholding of the Central Government in PNB stands reduced to 80.0 per cent. Over the period 1993-2002, 12 PSBs have raised capital through public issues to the tune of Rs.6,501 crore (Table II.23). During 2002-03, Union Bank of India made an IPO in August 2002 aggregating Rs.288 crore. Consequent upon this IPO issue, the shareholding of the Central Government in Union Bank of India stands reduced to 60.9 per cent. Another nationalised bank, viz., Allahabad Bank made an IPO in October 2002 aggregating Rs.100 crore. After the issue, the shareholding of the Central Government would come down to 71.2 per cent.

Table II.23: Details of Public Equities by Public Sector Banks:1993-2002 (end-March)

(Amount in Rs.crore)

Name of the bank/ Date of Issue	Equity Capital Before public Issue	Size of the Public Issue			Equity after public issue	Post-Issue Shareholding	
		Equity	Premium	Total		GoI/RBI	Others

1	2	3	4	5	6	7	8
State Bank of India December, 1993	200.00	274.00	1,938.17 (Rs.90 per share)	2,212.17	474.00	314.34 (66.3)	159.67 (43.7)
State Bank of India (GDR) October, 1996	474.00	52.28	1,218.12 (Rs.233 per share)	1,270.40	526.28	314.34 (59.7)	211.94 (40.3)
State Bank of Bikaner & Jaipur – November, 1997	36.40	13.60	59.84 (Rs.440 per share)	73.44	50.00	37.50 (75.0)	12.50 (25.0)
Oriental Bank of Commerce October, 1994	128.00	60.00	300.00 (Rs.50 per share)	360.00	192.54	128.00 (66.5)	64.54 (33.5)
Dena Bank December, 1996	146.82	60.00	120.01 (Rs.20 per share)	180.01	206.82	146.82 (71.0)	60.00 (29.0)
Bank of Baroda December, 1996	196.00	100.00	750.00 (Rs.75 per share)	850.00	296.00	196.00 (66.2)	100.00 (33.8)
Bank of India February, 1997	489.00	150.00	525.00 (Rs.35 per share)	675.00	639.00	489.00 (77.0) (69.3)*	150.00 (23.0) (30.7)*
Corporation Bank October, 1997	82.00	38.00	266.00 (Rs.70 per share)	304.00	120.00	82.00 (68.3) (57.2)**	38.00 (31.7) (42.8)**
State Bank of Travancore January, 1998	35.00	15.00	75.00 (Rs.500 per share)	90.00	50.00	37.50 (75.0)	12.50 (25.0)
Syndicate Bank October, 1999	346.97	125.00	At par (Rs. 10 per share)	125.00	471.97	346.97 (73.5)	125.00 (26.5)
Vijaya Bank December, 2000	259.24	100.00	At par (Rs. 10 per share)	100.00	359.24	259.24 (72.2) (70.0)*	100.00 (27.8) (30.0)*
Andhra Bank February, 2001	347.95	150.00	At par (Rs. 10 per share)	150.00	450.00	299.98 (66.6)	150.03 (33.4)
Indian Overseas Bank February, 2001	333.60	111.20	At par (Rs.10 per share)	111.20	444.80	333.60 (75.0)	111.20 (25.0)

* indicates shareholding post return of capital to Government. GoI - Government of India

** Subsequent upon allotment of equity shares on preferential basis to 'Others'.

Note : Figures in brackets in Columns 7 and 8 indicate percentage shareholding.

2.77 During the year 2001-02, eleven PSBs raised subordinated debts to augment their capital. They are: Punjab National Bank (Rs.480 crore), Union Bank of India (Rs.270 crore), Canara Bank (Rs.450 crore), Oriental Bank of Commerce (Rs.200 crore), Andhra Bank (Rs.75 crore), Central Bank of India (Rs.240 crore), Allahabad Bank (Rs.95 crore), Indian Overseas Bank (Rs.150 crore), UCO Bank (Rs.150 crore), Punjab & Sind Bank (Rs.45 crore) and State Bank of Travancore (Rs.120 crore). Subsequently, PNB raised Rs.390 crore in July 2002, while Andhra Bank and Central Bank of India raised Rs.140 crore and Rs.200 crore, respectively in September 2002.

2.78 During the year 2001-02, six private sector banks raised equity capital to the tune of Rs.849 crore, while five banks raised subordinated debt to the extent of Rs.225 crore.

Return of Capital

2.79 During the financial year 2001-02, two PSBs viz., Bank of India (Rs.150.4 crore) and Vijaya Bank (Rs.25.7 crore) returned capital to the Government of India. With this, the total amount of capital returned to the Government by the PSBs aggregated Rs.867 crore.

Writing off losses against paid-up capital

2.80 With the approval of the Central Government, Central Bank of India wrote off losses from its paid-up capital amounting to Rs.681 crore as on March 31, 2002.

6. Indian Banks' Branches Abroad

2.81 At present, 9 Indian banks (8 in public sector and 1 in private sector) are operating branches abroad. As at the end of September 2002, the number of Indian banks' branches operating abroad stood at 93, while the number of representative offices of Indian banks abroad were 17. The number of wholly-owned subsidiaries of Indian banks abroad and joint ventures abroad were 15 and 5, respectively.

7. Foreign Banks in India

2.82 The requests of new foreign banks for conducting business in India are considered keeping in view the financial soundness of the bank, international and home country ranking, rating, international presence, and economic and political relations between the two countries. In particular, the home country of the bank should not discriminate against Indian banks. The bank should be under consolidated supervision of the home country regulator.

2.83 It has been stipulated that the minimum capital requirement for foreign bank should be US$ 25 million, spread over 3 branches i.e. US$ 10 million for the first branch, additional US$ 10 million for the second branch and further US$ 5 million for the third branch. Additional branches are permitted after monitoring performance of existing branches of the banks, their financial results, inspection findings, etc. The number of licences is fixed in conformity with India's commitment made to World Trade Organisation, which is presently 12 licences (both for new and expansion by existing banks) per year, excluding off-site ATMs, which also require licences.

2.84 As on September 30, 2002, there are 40 foreign banks operating in India with 203 branches. While 4 banks have 10 or more branches, 18 banks were operating with only one branch each. The branches of foreign banks are spread over 25 centres in 15 States/Union territories. Foreign banks have also set up representative offices in India. As on June 30, 2002, 23 banks from 12 countries have representative offices in India, of which 19 are in Mumbai, three in New Delhi and one in Chennai. Thus, 63 banks have presence in India either through branches or representative offices.

2.85 Four banks viz., Dresdner Bank, Commerzbank, KBC Bank and Siam Commercial Bank have decided to wind up their operations in India. The winding up process is in progress.

8. Regional Rural Banks

Mobilisation and Deployment of Funds

2.86 The outstanding deposits mobilised by Regional Rural Banks (RRBs) registered an increase of 16.7 per cent to Rs.43,220 crore in 2001-02 as compared with a rise of 23.2 per cent registered in the previous year. Both demand and time deposits registered growth rates of over 16.0 per cent, which were lower than those registered in the previous year (Table II.24). Similarly, the credit extended by RRBs increased at a lower rate of 17.9 per cent during 2001-02 as compared with 23.0 per cent in 2000-01. During the period, the credit-deposit ratio of RRBs rose to 42.5 per cent as compared with 42.1 per cent in the previous year. Owing to the decline in investments, especially those in approved securities, the investment-deposit ratio, however, witnessed a decline to 15.7 per cent in 2001-02.

Table II.24: Important Banking Indicators of RRBs

(Amount in Rs.crore)

Item	March 24, 2000	March, 30 2001	March 29, 2002	Variations 2000-01	2001-02
1	2	3	4	5 (3-2)	6 (4-3)
1. Liabilities to the Banking System	**183**	**177**	**188**	**-6 (-3.3)**	**11 (6.2)**
2. Liabilities to Others	**31,306**	**38,696**	**44,873**	**7,390 (23.6)**	**6,177 (16.0)**
2.1 Aggregate Deposits (a+b)	30,051	37,027	43,220	6,976 (23.2)	6,193 (16.7)
(a) Demand Deposits	5,105	6,499	7,716	1,394 (27.3)	1,217 (18.7)

(b) Time Deposits	24,946	30,528	35,504	5,582	4,976
				(22.4)	(16.3)
2.2 Borrowings	52	24	12	-28	-12
				(-53.8)	(-50.0)
2.3 Other Demand & Time Liabilities*	1,203	1,645	1,641	442	-4
				(36.7)	(-0.2)
3. Assets with the Banking System	**13,454**	**16,973**	**18,509**	**3,519**	**1,536**
				(26.2)	**(9.0)**
4. Bank Credit	**12,663**	**15,579**	**18,373**	**2,916**	**2,794**
				(23.0)	**(17.9)**
5. Investments (a+b)	**6,009**	**7,546**	**6,772**	**1,537**	**-774**
				(25.6)	**(-10.3)**
(a) Government Securities	1,223	1,588	1,915	365	327
				(29.8)	(20.6)
(b) Other Approved Securities	4,786	5,958	4,857	1,172	-1,101
				(24.5)	(-18.5)
6. Cash Balances	**343**	**441**	**472**	**98**	**31**
				(28.6)	**(7.0)**
Memorandum Items :					
A) Cash Balance-Deposit Ratio	1.14	1.19	1.09		
B) Credit-Deposit Ratio	42.14	42.07	42.51		
C) Investment/Deposit Ratio	20.00	20.38	15.67		
D) Investment+Credit/Deposit Ratio	62.13	62.45	58.18		

* includes Participation Certificates issued to others.
Note: Figures in brackets are percentage variations.

Purpose-wise outstanding Loans and Advances

2.87 The loans and advances outstanding in respect of RRBs for agriculture accounted for 45.7 per cent of total advances as on March 31, 2001. The term loans for agriculture and allied activities at Rs.3,547 crore formed 49.0 per cent of agricultural advances, while crop loans constituted the remaining amount. Non-agricultural advances, accounted for 54.3 per cent of total loans and advances as on March 31, 2001 (Table II.25).

Table II.25: Purpose-wise Outstanding Loans and Advances of RRBs

(Rs.crore)

Purpose	**As at end-March**	
	2000	**2001***
1	2	3
1. Short term (crop loans)	2,865	3,670
2. Term loan for agriculture and allied activities	3,339	3,547
3. Indirect Advances	23	N.A.
I Total Agriculture (1 to 3)	**6,227**	**7,217**
	(47.5)	**(45.7)**
4. Rural artisans, village and cottage industries	773	561
5. Other Industries	664	246
6. Retail trade and Self-employed, etc.	2,073	1,951
7. Other purposes	3,372	5,819
II Total Non-Agriculture (4 to 7)	**6,882**	**8,577**
	(52.5)	**(54.3)**
Total (I+II)	**13,109**	**15,794**
	(100.0)	**(100.0)**

* Purpose-wise break-up in respect of 195 RRBs.
N.A. Not available.
Note : Figures in brackets are percentages to the total.
Source : NABARD

Financial Performance of RRBs

2.88 The data in respect of 196 RRBs for 2000-01 and 2001-02 indicate that there was a significant improvement in their performance, although the number of profit-making RRBs declined over the year. The policy measures undertaken in respect of RRBs, viz., the permission to relocate loss-making branches to better business location/centres, conversion of loss-making RRBs into satellite/mobile offices without impairing the performance of service area had salutary effect on the financial performance of RRBs. As against 170 RRBs making operating profits of Rs.790 crore in 2000-01, 167 RRBs earned operating profits of Rs.838 crore in 2001-02. Notwithstanding the higher provisions and contingencies made during the year, the net profit of the 196 profit-making RRBs stood at Rs.608 crore in 2001-02. Given the significant asset growth, the ratio of net profit to total assets declined from 1.2 per cent in 2000-01 to 1.1 per cent in 2001-02. Although modest in absolute terms, 'other income' of RRBs witnessed a significant rise of 59.4 per cent during the year (Table II.26) (Chart II.10).

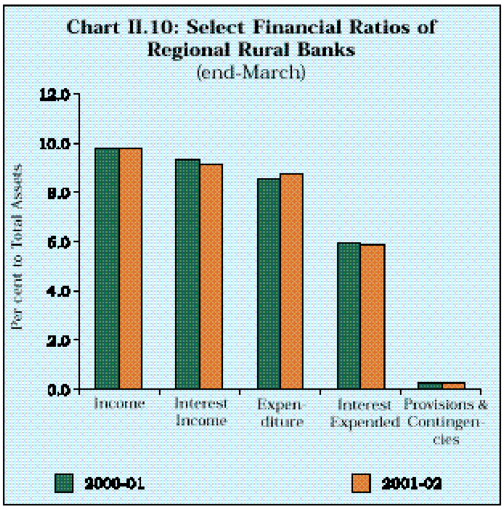


Table II.26: Financial Performance of Regional Rural Banks

(Amount in Rs. crore)

Item	2000-01			2001-02			Variation
	Loss Making [26]	Profit Making [170]	RRBs [196]	Loss Making [29]	Profit Making [167]	RRBs [196]	Col. (7) over Col. (4)
1	2	3	4	5	6	7	8
A. Income (i+ii)	**390.39**	**4,469.44**	**4,859.83**	**484.40**	**5,079.79**	**5,564.19**	**704.36** (14.49)
i) Interest income	367.38	4,258.56	4,625.94	448.63	4,742.83	5,191.46	565.52 (12.22)
ii) Other income	23.01	210.88	233.89	35.77	336.96	372.73	138.84 (59.36)
B. Expenditure (i+ii+iii)	**466.23**	**3,792.96**	**4,259.19**	**576.45**	**4,379.86**	**4,956.31**	**697.12** (16.37)
i) Interest expended	307.67	2,657.86	2,965.53	361.44	2,967.71	3,329.15	363.62

							(12.26)
ii) Provisions and contingencies	15.94	113.62	129.56	28.46	137.74	166.20	36.64
							(28.28)
iii) Operating expenses	142.62	1,021.48	1,164.10	186.55	1,274.41	1,460.96	296.86
of which :							(25.5)
Wage Bill	127.68	876.82	1,004.50	157.63	1,106.61	1,264.24	259.74
							(25.86)
C. Profit							
i) Operating Profit/Loss	**-59.90**	**790.10**	**730.20**	**-63.59**	**837.67**	**774.08**	**43.88**
							(6.01)
ii) Net Profit/Loss	**-75.84**	**676.48**	**600.64**	**-92.05**	**699.93**	**607.88**	**7.24**
							(1.21)
D. Total Assets	**5,235.70**	**44,405.69**	**49,641.39**	**6,169.30**	**50,634.54**	**56,803.84**	**7,162.45**
							(14.43)
E. Financial Ratios @							
i) Operating Profit	-1.14	1.78	1.47	-1.03	1.65	1.36	
ii) Net Profit	-1.45	1.52	1.21	-1.49	1.38	1.07	
iii) Income	7.46	10.07	9.79	7.85	10.03	9.80	
iv) Interest income	7.02	9.59	9.32	7.27	9.37	9.14	
v) Other Income	0.44	0.47	0.47	0.58	0.67	0.66	
vi) Expenditure	8.90	8.54	8.58	9.34	8.65	8.73	
vii) Interest expended	5.88	5.99	5.97	5.86	5.86	5.86	
viii) Operating expenses	2.72	2.30	2.35	3.02	2.52	2.57	
ix) Wage Bill	2.44	1.97	2.02	2.56	2.19	2.23	
x) Provisions and Contingencies	0.30	0.26	0.26	0.46	0.27	0.29	
xi) Spread (Net Interest Income)	1.14	3.60	3.34	1.41	3.51	3.28	

@ Ratios to Total Assets.
Source : NABARD.

Non-performing Assets

2.89 The asset quality of RRBs has been witnessing a significant improvement over the past few years. This has been possible due to their improved recovery performance. In order to reduce the level of NPAs as also to improve recovery of sick advances, one-time settlement scheme for recovery of NPAs was introduced in RRBs, effective upto March 31, 2002. The concomitant improvement in asset quality is evident from the fact that, the per cent of 'standard' assets have increased to 83.9 per cent in 2001-02 from 81.2 per cent in 2000-01 (Table II.27).

Table II.27: Classification of Loan Assets of all RRBs
(As Percentage to Total Loan Assets)

(Per cent)

Category	As at end-March					
	1997	1998	1999	2000	2001	2002
1	2	3	4	5	6	7
1. Standard Assets	**63.2**	**67.2**	**72.2**	**76.9**	**81.2**	**83.9**
2. Non-Performing Assets	**36.8**	**32.8**	**27.8**	**23.1**	**18.8**	**16.1**
Sub-standard Assets	8.2	8.5	8.1	7.0	5.3	N.A.
Doubtful Assets	24.0	20.4	17.0	14.0	12.0	N.A.
Loss Assets	4.6	3.9	2.7	2.1	1.5	N.A.

N.A. Not available.
Source: NABARD

9. Local Area Banks

2.90 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 at the local level, Local Area Banks (LABs) were established in the private sector. The related guidelines were announced by RBI in 1996. Five LABs have since been established of which licence in respect of one LAB viz., Vinayak Local Area Bank, Sikar has been cancelled in January 2002. The four banks which are functional are: (1) Coastal Local Area Bank Ltd., Vijayawada in the districts of Krishna, Guntur and West Godavari in Andhra Pradesh; (2) Capital Local Area Bank Ltd. Phagwara in the districts of Hoshiarpur, Jalandhar and Kapurthala in Punjab; (3) South Gujarat Local Area Bank Ltd., Navsari in the districts of Navsari, Surat and Bharuch in Gujarat; (4) Krishna Bhima Samruddhi Local Area Bank Ltd., Mehboobnagar in the districts of Raichur and Gulbarga in Karnataka and Mehboobnagar district in Andhra Pradesh. The performance of LABs during the period ended March 2002 is provided in Table II.28.

Table II.28: Performance of Local Area Banks

(Amount in Rs. crore)

Name of the LAB	**Deposits**	**Advances**	**CD ratio (per cent)**
Coastal Local Area Bank Ltd.	21.90	17.80	81.29
Capital Local Area Bank Ltd.	47.29	30.00	63.46
South Gujarat Local Area Bank Ltd.	19.10	13.90	72.77
Krishna Bhima Samruddhi Local Area Bank Ltd.	0.40	2.55	637.5

10. Regional Spread of Banking

2.91 The total number of branches of commercial banks increased from 65,933 at end-June 2001 to 66,186 at end-June 2002. Rural branches accounted for the highest share (49.1 per cent), although marginally lower than that recorded in the previous year (49.4 per cent). The shares of semi-urban, urban and metropolitan branches remained at almost the same levels as in the earlier year (Appendix Table II.12). State-wise distribution of branches reveals that the number of branches in the central and eastern regions witnessed an increase owing to the opening of new branches in several new states. The maximum number of bank branches were opened in the state of Andhra Pradesh (47), followed by Kerala (43) and Maharashtra (40) (Appendix Table II.13). The southern region accounted for the highest share of bank branches at end-June 2002 (27.4 per cent), followed by central region (20.3 per cent) and eastern region (17.7 per cent), respectively.

11. Interest Rates of Scheduled Commercial Banks

Domestic Deposit Rates

2.92 The deposit rate across all maturities came down significantly during 2001-02 with the degree of moderation being higher for longer-term deposits. Reflecting the comfortable liquidity condition, deposit rates of PSBs, which were ranging from 4.00 to 10.50 per cent in March 2001, softened to 4.25 to 8.25 per cent by October 2002 in all maturities except for a marginal increase of 25 basis points at the short end of 15-day deposits. Deposit rates of private sector as well as foreign banks also declined during 2002-03 (Table II.29).

Table II.29: Movement in Deposit and Lending Interest Rates

Interest Rates	March 2001	October 2001	March 2002	October 2002
1	2	3	4	5
Domestic Deposit Rates				
Public Sector Banks				
a) **Up to 1 year**	4.00 – 8.00	4.25 – 7.50	4.25 – 7.50	4.25 – 6.75
b) 1 year up to 3 years	8.00 – 9.50	7.75 – 9.00	7.25 – 8.50	6.50 – 7.75
c) Over 3 years	9.50 – 10.50	8.50 – 9.25	8.00 – 8.75	7.00 – 8.25
Private Sector Banks				
a) Up to 1 year	5.00 – 10.25	5.00 – 9.50	5.00 – 9.00	4.00 – 8.75
b) 1 year up to 3 years	9.00 – 11.00	8.00 – 10.50	8.00 – 9.50	7.25 – 9.50
c) Over 3 years	9.25 – 11.50	8.25 – 10.50	8.25 – 10.0	7.50 – 9.50
Foreign Banks				
a) Up to 1 year	4.25 – 10.00	4.25 – 10.00	4.25 – 9.75	4.00 – 9.75
b) 1 year up to 3 years	7.25 – 10.75	5.75 – 10.50	6.25 – 10.0	5.50 – 10.0
c) Over 3 years	7.25 – 10.50	7.25 – 10.50	6.25 – 10.0	5.50 – 10.0
Prime Lending Rates				
Public Sector Banks	10.00 – 13.00	10.00 – 12.50	10.00 – 12.50	10.00 – 12.50
Private Sector Banks	10.25 – 15.50	10.50 – 15.50	10.00 – 15.50	9.50 – 15.50
Foreign Banks	9.00 – 17.50	8.80 – 17.50	9.00 – 17.50	7.40 – 17.50

2.93 Long-term domestic deposit rates (over 3 year) of PSBs declined to 8.0 to 8.75 per cent by March 2002 from 9.50 to 10.50 per cent in March 2001. Reductions of the order of 125 and 25 basis points, respectively, in the maximum deposit rates for shorter maturities (less than one year) were observed in respect of private sector banks and foreign banks.

2.94 During the current financial year so far (upto October 2002), deposit rates of PSBs for maturity periods up to one year have remained in the range of 4.25 to 6.75 per cent. For longer maturities, as compared to March 2002, the rates for deposits of maturity over 1 year to 3 years declined by 75 basis points, while those for over 3 year maturity period declined by 50 to 100 basis points. There has also been a reduction in deposit rates of foreign banks. Private sector banks, however, reduced the deposit rates by 25 to 100 basis points for maturity upto one year, 75 basis points for over one year to 3 years, and 50 to 75 basis points for over 3 years.

Lending Rates (non-export credit)

2.95 During 2001-02, the range of prime lending rates (PLRs) of PSBs declined marginally by 50 basis points, as compared to the decline in long-term deposit rate by 150 to 175 basis points. At end of March 2002, the PLRs of PSBs ranged between 10.0 and 12.5 per cent as against 10.0 and 13.0 per cent at end-March 2001. While sub-PLR lending forms a part of pricing strategy of commercial banks, rigidities in lending rates still persist. At the end of October 2002, PLRs of PSBs remained at the March 2002 level of 10.0 to 12.5 per cent, although a number of PSBs reduced their PLRs by 25 to 100 basis points within the range. The foreign and private sector banks, on the other hand, reduced the PLRs at the lower end of the range (Table II.30). Moreover, after the announcement of April 2002 policy, a number of banks have reduced their spreads by 50 to 100 basis points. As a result, effective interest rate on lending has come down during the first half of 2002-03.

Table II.30: Bank Rate, Export Credit Rate and PLR
(Public Sector Banks)

(Per cent)

		Export Credit				PLR
	Bank Rate	Pre-shipment		Post-shipment		(Public
Effective		Upto	Beyond 180	Upto 90	Beyond 90	Sector Banks)

From		180 days	days and Upto 270 days*	days (Not exceeding)	days upto 180 days*	
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.

* Will be deregulated with effect from May 1, 2003.

Notes : 1. The validity of the reduction in the interest rates on rupee export credit effective from September 26, 2001 would remain in force upto April 30, 2003.

2. The Bank Rate was reduced by 0.25 percentage point from 6.50 per cent with effect from the close of business on October 29, 2002.

12. Diversification in Banking Activities

Debit Card Business of Banks

2.96 The minimum net worth criterion of Rs.100 crore for banks issuing on-line debit cards was dispensed with, while retaining the same for offline cards. Some banks were also allowed to issue pre-paid smart cards (both on-line and off-line) to select customers who maintain accounts with banks for less than six months subject to their ensuring the implementation of 'Know Your Customer' (KYC) concept. Banks introducing off-line mode of operation of debit cards are required to adhere to the minimum period of satisfactory maintenance of accounts for six months.

Portfolio Investment

2.97 Seven banks in the public sector and one foreign bank were granted permission to contribute to the equity participation in Clearing Corporation of India Ltd. and one public sector bank was permitted to participate in the equity of PNB Gilts Ltd.

Insurance Business

2.98 One private sector bank was given approval for participating in insurance joint venture on risk participation basis. Thirteen private sector banks including foreign banks and one financial services company were given 'in principle' approval for acting as 'corporate agents' to undertake distribution of insurance products on agency basis without any risk participation. A few banks have been permitted to enter into referral arrangements with insurance companies subject to certain conditions to protect the interests of their customers.

Customer Service Measures

2.99 With a view to further improving the customer service in the banks, following major measures were taken:

(a) *Release of Assets of Deceased Customers to Legal Survivors/Claimants*

As against the earlier instructions that banks should not insist upon succession certificate from legal heirs where the amount to the credit of the deceased depositor does not exceed Rs.25,000, RBI has withdrawn the requirement of obtaining succession certificate from legal heirs, irrespective of the amount involved in the account of deceased customer. Banks were, however, advised to adopt such safeguards in settling claims as they consider appropriate including taking of an indemnity bond or even call for succession certificates from legal heirs of deceased depositors in cases where there are disputes and all legal heirs do not join in indemnifying the bank. Similar guidelines were issued to banks for release of other assets also, e.g. safe custody articles, mortgaged security, etc.

(b) *Introduction of Accounts and Documents for Identification*

Banks have been advised that it is not essential to open an account only through an introducer; it may be done on the basis of certain official documents such as passport, ration card, election card, Voter's identity card, driving licence, sales tax number, PAN card, etc. Identification of documents that are easily obtainable in any name should, however, not be accepted as the sole means of identification. Invariably the information made available by customers should be corroborated from other sources, in case of doubt. Banks can thus, follow a flexible approach by adopting alternate methods to establish identity of the person while opening an account. Moreover, at Government instance, banks have been advised not to insist on production of ration cards for purpose of verifying identity of an individual or proof of residence.

(c) *Delay in Collection of Outstation Cheques*

RBI, in consultation with the Indian Banks' Association, examined the question of reducing further the outer limit for collection of outstation cheques. It was felt that there was scope for commercial banks to further reduce the period of outer limit by introducing 'quick collection service' or by ascertaining the fate of collection by fax, etc. Banks may, therefore, review their existing arrangements and capabilities and work out a scheme for reduction in collection period.

(d) *Stapling of Note Packets*

To put an end to an undesirable practice and to prolong the life span of notes, banks have to do away with stapling of any note packets and instead secure them with paper bands. They should also sort notes into reissuables and non-issuables and issue only clean notes to public, and should stop writing on watermark window of bank notes.

(e) *Updating of Savings/Current Accounts Passbooks*

As part of better customer service, while updating passbooks of customers maintaining Savings/Current accounts, banks have been advised to provide complete information regarding every transaction by remodelling the packages, if necessary.

(f) *Reversal of Erroneous Debits in Deposit Accounts*

Banks have to remain vigilant about fraudulent encashment by unscrupulous persons opening deposit accounts in the name/s similar to already established concern/s resulting in erroneous and unwanted debit of drawer's accounts. Once the irregularity/fraud has been committed by its staff towards any constituent, banks should acknowledge its liability and pay the just claim: (i) in cases where bank is at fault, banks should compensate customer without demur; (ii) in cases where neither bank is at fault nor the customer is at fault, but the fault lies elsewhere in the system, then also bank should compensate customer (upto a limit).

13. Developments in Payment and Settlement Systems

Reports of Committees

Working Group on Systemically Important Payment Systems

2.100 Recognising the greater impetus ascribed towards payment and settlement systems, it was decided to assess the essential requirements for such systems which impact the economy as a whole. These 'systemically important payment systems' are those which have definitive impact on not only the entire payment system scenario, but also the economy, in general. To assess the various issues arising out of such systems, an internal Working Group on Systemically Important Payment Systems was constituted to examine the various payment systems in vogue. The systemically important systems identified by the Group include the Inter-Bank Clearing System, the High Value Cheque Clearing System, the MICR/Main Cheque Clearing, the Electronic Clearing System, the Electronic Fund Transfer System, and the Securities Clearing and Settlement Systems at Stock Exchanges. The RTGS system being implemented and the proposed Government Securities and Foreign Exchange Clearing and Settlement system were also identified as systemically important payment systems. The Group recommended that general guidelines should be formulated by the RBI in respect of such systemically important payment systems. Further, direct access to the RBI operated payment systems should be restricted only to banking entities, barring exceptions like Clearing Corporation of India Ltd., which have significant role in the payment and settlement systems. Moreover, all systemically important payment systems operated by other than the RBI should get their funds leg settled through any sponsor bank including the RBI.

Working Group on Amendments to the Negotiable Instruments (NI) Act

2.101 With proliferation in usage of electronic communication between banks and constituents, and the emergence of funds transfers based on modes other than paper based instruments, the need for a legal base to take care of such transactions, such as electronic based transactions has been engaging the attention of the RBI for some time. The Information Technology Act, 2000, which gives the legal backing to electronic records and digital signatures, however, does not apply to Negotiable Instruments as defined under the Negotiable Instruments (NI) Act, 1881, which is the base for banking transactions, especially those relating to effecting debits. To provide for these, a Working Group was set up (Chairman: Shri N.V. Deshpande) to suggest amendments to the NI Act. The Group's recommendations have been forwarded to the Government for further action in getting it notified. The recommendations provide for cheque truncation (which relates to the non-movement of physical paper based cheques for collection) and e-cheques, which would meet the requirements of the banking sector consequent to technological developments in this area of operations.

Working Group on E-Money

2.102 With technology having a substantial impact on payment systems, especially with regard to non-paper based systems, the switch over to electronic money may take place. In order to analyse the impact of e-money a Working Group on Electronic Money (Chairman: Shri. Zarir J Cama) was constituted. The major recommendations of the Working Group relate to the issuance of e-money only against central bank money, only banks to issue multi-purpose e-money, the need for the central bank to monitor issue of e-money on credit, and the need to review issues relating to legal framework, technical security and settlement arrangements of e-money to preserve the integrity of the financial market.

Vision Document for Payment and Settlement Systems

2.103 In order to facilitate banks to formulate their plans for implementing effective payment systems within their own area of activities, a Vision Document was published in December, 2001. The document outlines the vision of the RBI in respect of payment and settlement systems for the immediate future and the medium term. The document indicates the broad framework of the initiatives being taken by the RBI and the approach adopted for time bound implementation of the various projects.

Electronic Funds Transfer (EFT) Systems

2.104 The electronic funds transfer was extended during the year to cover all the centres where RBI manages the clearing activities. EFT is now available at 15 centres of the country –Ahmedabad, Bangalore, Bhopal, Bhubaneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi and Thiruvananthapuram. The maximum limit for any single transaction under the EFT which was Rs. 5.00 lakh was enhanced during the year to Rs. 2.00 crore. This is expected to give a fillip to the scheme, apart from making it an ideal means of funds settlement for the securities market which has migrated to the rolling settlement. The credit which was being afforded to the beneficiary's account on the second working day – using the T+1 process cycle, has since been made to be completed on the same day and multiple settlements– at 12:00 noon, 2:00 p.m., and 4:00 p.m, have been introduced from January 2, 2002. Substantial efforts are being made through the National Clearing Cells of the RBI to increase the scope, coverage and usage of both the Electronic Clearing Service (ECS) and EFT facilities; a few banks have integrated their funds transfer schemes with that of the RBI-EFT Scheme. In addition to the above, the EFT software has been integrated with Public Key Infrastructure (PKI) so as to provide for increased levels of security. Banks are encouraged to use the PKI by creating the required registration authority.

2.105 In order to ensure that the benefits of electronic modes of funds transfer are available across almost all the locations of the country and to provide for transfer of messages relating to EFT in a safe and secure manner, it is proposed to commence a National EFT using the facilities available under the SFMS over the INFINET. This would result in EFT being available from any branch of a bank which has connectivity to INFINET with the settlement taking place in the books of account of the RBI at a single location.

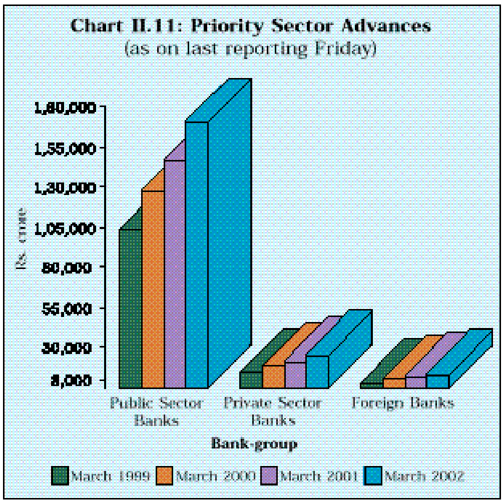
14. Developments in Technology for Banking

Working Group on Information Systems Security

2.106 The recommendations of the Working Group on Information Systems Security (Chairman:Dr. R. B. Barman) for the Banking and Financial Sector were circulated to banks/ FIs, requested to set up appropriate audit and security systems. One major recommendation is that each banking and financial sector organisation should conduct Information Systems Audit conforming to the 'Information Systems Audit Policy'.

15. Priority Sector Lending

2.107 Lending to priority sector continued to be an important aspect of agricultural lending (Chart II.11). Sector-wise break-up of priority sector advances of PSBs 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 Tables II.15 (A) and (B).



Public Sector Banks

2.108 The outstanding priority sector advances of PSBs increased by 16.8 per cent to Rs.1,71,185 crore as on the last reporting Friday of March 2002. At this level, priority sector advances formed 43.1 per cent of net bank credit (NBC). While 'other priority sector advances' registered the maximum rise (33 per cent), direct and indirect advances to agriculture, taken together, registered an increase of Rs.9,398 crore (17.5 per cent). Advances to agriculture constituted 15.7 per cent of NBC as on the last reporting Friday of March 2002.

Private Sector Banks

2.109 Total priority sector advances extended by private sector banks as on the last reporting Friday of March 2002 amounted to Rs.25,709 crore and constituted 40.9 per cent of the NBC as compared with Rs.21,550 crore (38.2 per cent of NBC) a year ago. The share of other priority sector category was the highest at 14.4 per cent of NBC, followed by advances to small-scale industries (13.7 per cent of NBC) and agriculture (8.5 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 to weaker sections are furnished in Appendix Table II.17 (A) and (B).

Foreign Banks

2.110 Foreign banks operating in India have to achieve the target of 32.0 per cent of NBC for priority sector with sub-targets of 10.0 per cent of NBC for SSI and 12.0 per cent of NBC for exports. Lending to priority sector by foreign banks at Rs.13,414 crore constituted 34.2 per cent of NBC as on last reporting Friday of March 2002, of which the share of export credit, as percentage to NBC was 17.7 per cent (Appendix Table II.18).

Differential Rate of Interest (DRI) Scheme

2.111 The differential rate of interest (DRI) scheme, introduced in 1972, is being implemented by all SCBs throughout the country. Under the scheme, bank finance is provided at a concessional rate of interest of 4.0 per cent per annum to the weaker sections for engaging in productive and gainful activities, enabling thereby an improvement in their economic conditions. As per the scheme, banks are required to lend at least 1 per cent of their aggregate advances as at the end of the previous year. Moreover, two-thirds of the total DRI advances must be routed through the bank's rural and semi-urban branches. The annual income ceiling for eligibility is Rs.7,200 per family in urban or semi-urban areas and Rs.6,400 per family in rural areas. The size of land holding must not exceed one acre of irrigated land and 2.5 acres of unirrigated land, with exemptions for SCs/STs. The maximum assistance per beneficiary has been fixed at Rs.6,500 for productive purposes. In addition to this, physically handicapped persons can avail of assistance to the extent of Rs.5,000 (maximum) per beneficiary for acquiring aids, appliances, equipment, provided they are eligible for assistance under the scheme. Similarly, members of SCs/STs fulfilling the income criteria under the scheme can avail of housing loan upto Rs.5,000 per beneficiary over and above the loan amount available under the scheme.

Special Agricultural Credit Plans (SACP)

2.112 In order to enable the achievement of the targeted agricultural lending, PSBs were advised to formulate Special Agricultural Credit Plans (SACP) since 1994-95, and fix self-set targets for achievement during the year (April-March). Since the introduction of the SACP, there has been substantial increase in the flow of credit to agriculture from Rs. 8,255 crore in 1994-95 to Rs.29,332 crore in 2001-02. During the year 2001-02, PSBs had disbursed Rs. 29,332 crore upto March 31, 2002, as against the target of Rs. 30,883 crore set for the year. The PSBs have set the target of Rs. 36,779 crore for the year 2002-03.

Swarnjayanti Gram Swarozgar Yojana (SGSY)

2.113 The Government had launched a restructured poverty alleviation programme, the Swarnjayanti Gram Swarozgar Yojana (SGSY) in April 1999, which subsumed the erstwhile Integrated Rural Development Programme (IRDP) and its allied programmes 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).

2.114 SGSY is a holistic programme covering all aspects of self-employment such as organization of the poor into self help groups, training, credit, technology, infrastructure and marketing. Subsidy will be uniform at 30.0 per cent of the project cost subject to a maximum of Rs.7,500. In respect of SCs/STs, it will be 50.0 per cent with a maximum of Rs.10,000. The subsidy for group loans will be 50.0 per cent of the project cost subject to a maximum ceiling of Rs.1.25 lakh. There will be no monetary limit on subsidy for irrigation projects. The sub-targets have been stipulated for borrowers under various categories viz., SCs/STs (at least 50.0 per cent), women (40.0 per cent) and physically handicapped (3.0 per cent). During the year 2001-02, the total number of Swarozgaris assisted were 8,00,593. Bank credit of Rs. 1,10,928 lakh and goverment subsidy amounting to Rs. 55,493 lakh were disbursed. Out of the total Swarozgaris assisted, 2,48,021 (30.9 per cent) were SC, 1,00,138 (12.6 per cent) were ST, 3,28,660 (41.0 per cent) were women and 5,106 (0.6 per cent) were physically handicapped.

Lead Bank Scheme (LBS)

2.115 The main focus of Lead Bank Scheme (LBS) is to enhance the proportion of bank finance to priority sector. As at end-March 2002, the LBS covered 580 districts, including the five new districts formed due to re-organisation/bifurcation of the existing districts. The assignment of the new districts to PSBs is detailed in Table II.31.

Table II.31: Lead Bank Responsibility in respect of New Districts

Name of the District	Name of the State	Date of Allocation	Name of the Lead Bank
Ariyalur	Tamil Nadu	June 26, 2001	State Bank of India
Latehar	Jharkhand	September 25, 2001	State Bank of India
Jamtara	Jharkhand	September 25, 2001	State Bank of India
Saraikella-Kharsawan	Jharkhand	September 25, 2001	Bank of India
Simdega	Jharkhand	September 25, 2001	Bank of India

16. Banks' Liquidations and Amalgamations/Mergers

Liquidation of Banks

2.116 There were 78 banks under liquidation as on June 30, 2002. The matter regarding early completion of liquidation proceedings is being pursued with Official/Court Liquidators.

Merger/Amalgamation of Banks

2.117 The RBI accorded approval for merger of ICICI Ltd. with ICICI Bank Ltd. on April 26, 2002 subject to inter alia the following conditions: (a) ICICI Bank Ltd. would have to maintain SLR/CRR as prescribed on the net demand and time liabilities of the bank on the post merger liabilities even though the liabilities of ICICI Ltd. as existing prior to merger did not attract the reserve requirements; (b) since the assets and liabilities of ICICI Ltd. would be taken over by ICICI Bank Ltd. after the merger, the bank would have to comply with all prudential requirements, guidelines and other instructions concerning capital adequacy, asset classification, income recognition and provisioning requirements as applicable to banks after the merger. RBI had, however, given a transition period for compliance with certain prudential norms to avoid any hardship in the interim; (c) ICICI Bank Ltd. would have to deploy an additional 10.0 per cent, over and above the requirement of 40.0 per cent, on the residual portion of its advances after the merger till such time as the aggregate priority sector advances reach a level of 40.0 per cent of the total net bank credit of the bank.

2.118 The Central Government had sanctioned the scheme of amalgamation of the Benares State Bank Ltd. (BSBL) with Bank of Baroda (BoB) vide Notification dated June 19, 2002. Accordingly, the BSBL has been merged with BoB with effect from June 20, 2002 and all the branches of the erstwhile bank have started functioning as branches of BoB from July 19, 2002.

2.119 During the year, there have been several cases of mergers/acquisitions of banks abroad, which resulted in reorganization of foreign banks operating in India:

(a) Morgan Guaranty Trust Company of New York merged with Chase Manhattan Bank and the new entity viz., JPMorgan Chase Bank came into existence on November 11, 2001. It has one branch in Mumbai.
(b) Sanwa Bank Ltd. and Tokai Bank Ltd. merged globally and the Indian operations of both the banks (Sanwa Bank with one branch and Tokai Bank with a representative office) stood merged with effect from January 15, 2002. The new entity viz., UFJ Bank Ltd. is operating with one branch in New Delhi.
(c) Fuji Bank Ltd., which has a branch in Mumbai, has been renamed as Mizuho Corporate Bank Ltd. consequent upon the merger of the bank with Dai-Ichi Kangyo Bank Ltd. and Industrial Bank of Japan on April 1, 2002.

Merger of Subsidiary/ies with Parent Bank

1. The Bank of Rajasthan Ltd. was given approval to merge with itself its wholly owned subsidiary viz., Rajasthan Bank Financial Services Ltd.

2. Andhra Bank was given 'in principle' approval to merge its housing finance subsidiary i.e. Andhra Bank Housing Finance Ltd. with itself.
3. Bank of India was given approval to merge its wholly owned subsidiary viz., BOI Finance Ltd. and BOI Asset Management Company Ltd. with itself.

17. Relaxations to Trade and Industry in Jammu & Kashmir

2.120 The concessions/credit relaxations to borrowers/customers in Jammu and Kashmir were extended for a further period of one year i.e upto March 31, 2003. The relaxations pertain to: (a) relaxation of inventory norms upto 50.0 per cent; (b) realistic appraisal of the change in the level of credit on purchases; (c) the incremental maximum permissible bank finance due to application of relaxed norms (limited to 50.0 per cent) (d) review of all borrowal accounts for speedy sanction of need-based working capital; (e) finance against accepted hundies (usance) bills to be encouraged; (f) 50.0 per cent reduction in service charges for remittances, collection of outstation cheques/ bills; (g) pragmatic approach towards debt-equity ratio, reschedulement of repayment programme in deserving cases; (h) extension of period of relaxation of bills purchased; (i) inland LC facilities with margin not exceeding 15.0 per cent; and (j) no delay in provision of banking services.

18. Miscellaneous Developments

Wilful Defaulters and Action Thereagainst

2.121 Considering the concerns expressed over the persistence of wilful default in the financial system in the Eighth Report of the Parliament's Standing Committee on Finance in May 2001, the RBI had, in consultation with the Central Government, constituted a Working Group on Wilful Defaulters (WGWD) (Chairman: Shri S.S. Kohli) for examining some of the recommendations of the Committee. The Group submitted its report in November 2001. The recommendations of the WGWD were examined by an in-house Working Group constituted by RBI and accordingly, revised definition of the term 'wilful default' was conveyed to all SCBs (excluding RRBs and LABs) and notified all-India FIs on May 30, 2002, in supersession of the earlier definition conveyed to them. They were advised to initiate penal measures, as mentioned therein, against the wilful defaulters so identified. In order to prevent the access to the capital markets by the wilful defaulters, a copy of the list of wilful defaulters would also be forwarded to SEBI.

Adoption of 90 days' norm for Recognition of Loan Impairment - Application of Interest at Monthly Rests

2.122 In May 2001, banks were, inter-alia, advised that with a view to moving towards international best practices and ensuring greater transparency in repayment of loans, they should adopt 90 days' norm for recognition of loan impairment from the year ending March 31, 2004. As a facilitating measure, banks were advised to move over to charging of interest on loans/ advances at monthly rests with effect from April 1, 2002. Banks have however, the option to compound interest at monthly rests effective either from April 1, 2002, or July 1, 2002 or April 1, 2003. Moreover, it should be ensured by the banks that effective rate does not increase merely due to the switchover of charging / compounding interest at monthly rests and increase burden on borrowers (effective quarter beginning July1, 2002). The charging of interest at monthly rests would not be applicable to agricultural advances; the existing practice of charging / compounding of interest on such advances linked to crop seasons would have to be followed. In respect of advances to short duration crops and allied agricultural activities, banks should take into consideration due dates fixed on the basis of fluidity with borrowers and harvesting/marketing season while charging interest and compounding the same if the loan/instalment becomes overdue.

Full Convertibility of NRI Deposit Schemes

2.123 To provide full convertibility of deposit schemes for non-resident Indians and rationalise the existing non-resident deposit schemes, banks were to discontinue Non-Resident (Non-Repatriable) Rupee Account Scheme (NRNR) and the Non-Resident (Special) Rupee Account Scheme (NRSR) effective April 1, 2002. The existing accounts under NRNR account scheme could be continued upto the date of maturity. Further, the maturity proceeds under NRNR Account Scheme would be credited to the account holder's NonResident (External) Rupee account (NRE account), after giving notice to the account holder. As regards NRSR accounts, the existing term deposits under the NRSR accounts scheme could be continued till maturity and proceeds credited to the Non-Resident (Ordinary) Rupee Account (NRO account) of the account holder. The existing NRSR accounts, other than term deposits, have been discontinued after September 30, 2002 and may at the option of the account holder be closed or balance credited to the account holder's NRO account on or prior to the date.

2.124 NRNR account holders have the option to directly credit maturity proceeds to NRE account but not to Foreign Currency (Non-Resident) Account (Banks) Scheme (FCNR(B) account). The proceeds of NRNR Deposits can be credited to NRE account only on maturity and in case of premature withdrawal, the proceeds are to be credited only to Non-Resident Ordinary Rupee (NRO) account.

Issue of Certificates of Deposit in Demat Form

2.125 Banks and FIs were advised to make investments and hold CPs only in the dematerialised form without prejudice to the Provisions of Depositories Act 1996. Existing outstandings had to be converted into demat form by October 31, 2001. Effective June 30, 2002, banks and FIs issue CDs only in the dematerialised form and existing outstandings of CDs were to be converted into the dematerialised form by October 31, 2002. In order to provide more flexibility for pricing of CDs and to give additional choice to both investors and issuers, banks and FIs may issue CDs on floating rate basis provided the methodology of computing the floating rate is objective, transparent and market-based.

Issue and Pricing of Shares of Private Sector Banks

2.126 According to the revised norms, all private sector banks, listed or unlisted, would be free to price and issue rights shares without prior approval of RBI. Bonus issue would be de-linked from the rights issue. However, for initial public offerings and preferential allotment of shares, RBI approval would be necessary. The banks are also free to price their subsequent issues once their shares are listed on the stock exchanges. Suitable advice has been given to the banks in this regard on March 20, 2002.

Indian Promoters' Holding in Private Banks

2.127 RBI, in consultation with the Central Government, has raised the maximum limit of shareholding of Indian promoters in private sector banks from 40.0 per cent to 49.0 per cent of their paid up capital vide notification dated June 7, 2002. Consequently, of the 4 banks, (IndusInd Bank Ltd, UTI Bank Ltd., ICICI Bank Ltd. and IDBI Bank Ltd.), the equity holding of promoters in UTI Bank Ltd. and IndusInd Bank Ltd. are presently within the permissible ceiling. Since RBI has approved the merger of ICICI Ltd. with ICICI Bank Ltd. effective March 30, 2002, the issue of dilution of promoters holding is no longer valid for ICICI Bank Ltd. The Central Government has granted time to IDBI Bank for reducing promoters’ equity upto September 30, 2002.

Government Securities Transactions

2.128 In the light of recent fraudulent transactions in the guise of Government securities transactions in physical format by a few co-operative banks with the help of some broker entities, the measures for further reducing the scope for trading in physical forms were accelerated. Accordingly, (i) for banks which do not have SGL account with RBI, only one CSGL account can be opened; (ii) in case CSGL account is opened with a SCB, the account holder has to open a designated funds account for all CSGL-related transactions with the same bank; (iii) the entities maintaining the CSGL/ designated funds accounts are to ensure availability of clear funds in the designated funds accounts for purchases and of sufficient securities in the CSGL account for sales before putting through the transactions; (iv) no transactions are to be undertaken in physical form with brokers; (v) it should be ensured that brokers approved for transacting in Government securities are registered with the debt market segment of NSE/BSE/OTCEI.

Lok Adalats

2.129 Lok Adalats have proved an effective institution for settlement of dues in respect of smaller loans. Guidelines were issued to banks and FIs in 2001 indicating that: (i) ceiling of amount for coverage under Lok Adalats would be Rs.5 lakh; (ii) the scheme may include both suit-filed and non-suit filed accounts in the doubtful and loss category; and (iii) the settlement formula must be flexible. Further, DRTs have been empowered to organise Lok Adalats to decide cases of NPAs of Rs.10 lakh and above. The public and private sector banks had recovered Rs. 78 crore by March 31, 2002 through the forum of Lok Adalats.

Debt Recovery Tribunals

2.130 Debt Recovery Tribunals (DRTs) aid the recovery of NPAs. To enhance the effectiveness of DRTs, the Central Government amended the Recovery of Debts due to Banks and Financial Institutions Act in January 2000. As on March 31, 2002, there were 22 DRTs and 5 Debt Recovery Appellate Tribunals (DRATs). In respect of public and private sector banks, the number of cases disposed by the DRTs increased from 8,625 (involving recovery of Rs.1,657 crore) as on March 31, 2001 to 13,520 (involving recovery of Rs.2,864 crore) as on March 31, 2002. RBI has suggested certain major amendments in the said Act to the Central Government.

Securitisation / Enforcement of Securities

2.131 The Central Government has re-promulgated 'The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Ordinance, 2002' on August 22, 2002 for regulation of securitisation and reconstruction of financial assets and enforcement of security interest and allied matters thereto. The Ordinance provides certain benefits to the banks and FIs in the direction of realisation of their loans and advances. In order to ensure strict compliance of the provisions of the Ordinance or any directions order issued thereunder, penalties have been prescribed for violation thereof. The Rules have been notified by the Central Government to carry out the provisions relating to enforcement of securities by banks and FIs. In a writ petition filed against the Ordinance, the Supreme Court has stayed the operations of the Ordinance to a limited extent i.e., secured assets can be seized but cannot be sold or leased or assigned pending replacement of the Ordinance by the Bill. The RBI has constituted two Working Groups for stipulating suitable norms for registration, prescribing prudential norms, recommending proper and transparent accounting and disclosure standards and framing appropriate guidelines for the conduct of asset reconstruction/ securitisation.

Frauds in Banks

2.132 During the period January to December 2001, commercial banks (other than RRBs) reported 2,076 cases of fraud involving a sum of Rs. 562 crore. These cases were followed up with the banks for necessary remedial action including examination of accountability.

2.133 During the year, 115 cases of robberies/ dacoities involving Rs. 5.6 crore were reported by PSBs.

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1 BSR-Basic Statistical Returns

2 Data available only as per sanctions

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

4 NPAs refer to non-performing loans and advances.

Chapter III

Developments in Co-operative Banking

The co-operative banks[1] having extensive networks, with reach in remote areas, play a significant role in the Indian economy, especially in creating banking habits among the lower and middle-income groups and in rural credit delivery. This sector with uneven geographical spread and detailed stratification (Chart III.1) has substantial heterogeneity in both financial position and performance within and across different strata. While many cooperative banks are healthy and conduct their business efficiently within the confines of the regulatory norms, some others are confronted with many constraints. Major concerns facing the co-operative sector, *inter alia,* include high levels of loan delinquency, erosion of capital base, paucity of funds for fresh deployment, high level of dependence on other agencies for funds, lack of professionalism in conduct and management, inadequate internal controls, governance structure and non-adherence to norms and regulations. Measures for improving the overall health and conduct of the cooperative banking system here become imperative.

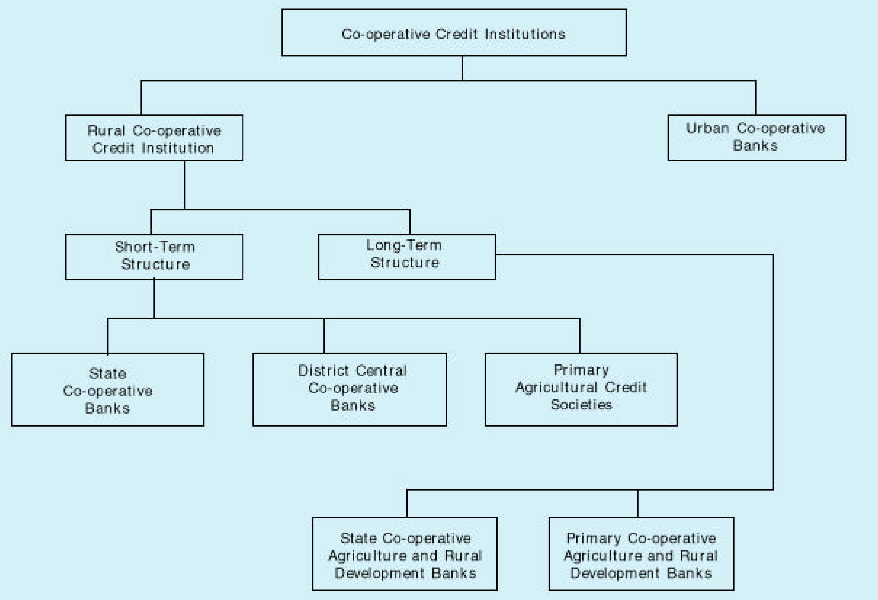
3.2 Several committees have, in the recent past, explored the possibilities for rejuvenation of co-operative banks through appropriate initiatives and suitable reforms. Many issues have surfaced from the deliberations of such committees. First, existence of a large number of weak banks in this sector does not augur well for the healthy growth of the financial sector. There is an impending need to improve the financial position of potentially viable institutions and to deal suitably with the non-viable ones. Second, for institutional and systemic viability, it is essential that such banks adhere to prudential discipline and guidelines framed, keeping in view the specific characteristics of the sector. Third, effective and co-ordinated regulation and supervision is a *sine qua non* for improvement of these institutions. They are, however, under the regulatory control of multiple authorities like State Governments, the Reserve Bank of India (RBI), the National Bank for Agriculture and Rural Development (NABARD) and also in certain cases the Central Government. Such multiplicity of control, regulatory overlap and lack of coordination are impediments to the revitalisation of the sector. Addressing the issue of dual/multiple control thus, assumes paramount importance for reforming cooperative banks.

Overview of the Recent Policy Measures on Cooperative Credit Institutions

3.3 Several steps have been taken to recast the co-operative credit system and place it on a viable and sustainable path. These can be classified into three broad categories. First, while recognising the differences between commercial and co-operative banks, it has been emphasised that some of the prudential norms introduced for commercial banks should be extended to co-operative banks as well, *albeit* in a phased manner. In particular, efforts have been made to improve the capital base of co-operative banks. Second, policies have been framed to contain the systemic risk emanating from the co-operative banking sector. Lastly, duality/multiplicity of control of co-operative banks has been recognised as an irritant to their effective regulation and supervision and measures have been initiated to address this issue.

3.4 In the Central Government Budget for 2002-03, a decision was taken to recapitalise co-operative banks with financial support from the Central and State Governments. The recapitalisation formula suggested is 60:40 between the Central and State Governments along with increases in share capital of members. In order to start the process, a token provision of Rs. 100 crore has been made and depending on the pace of reform, provision of additional funds would be considered.

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



3.5 A beginning in the direction of prudential regulation has been made with the introduction of a time bound programme for capital to risk-weighted asset ratio (CRAR) for Urban Cooperative Banks (UCBs). Similarly, efforts are on to conduct statutory audit of the UCBs through chartered accountants rather than Government officials. Further, entry point norms (EPNs) have been recast for the UCBs. Measures have also been taken to ensure that the minimum capital requirement as specified by the Banking Regulation (B.R.) Act, 1949 [as applicable to co-operative societies (AACS)] is met by rural co-operative banks.

3.6 Systemic implications of health and conduct of co-operative banks remain an issue for concern. Steps are being initiated to restrict the potential spillover effects of disturbances emanating from certain credit co-operatives to others in the same segment as also to other segments of the financial sector. Accordingly, various exposure limits and related norms have been formulated. UCBs have been instructed to unwind their cross-exposures in the form of term deposits with other UCBs. UCBs are allowed to maintain a part of their reserves for the purpose of statutory liquidity ratio (SLR) in the form of deposits with State Co-operative Banks (StCBs) and District Central Co-operative Banks (CCBs). In a bid to reduce such cross exposures and to maintain liquidity of these institutions, UCBs have been advised to increase the proportion of SLR holding in the form of government and other approved securities. Exposure of co-operative banks to capital market and inter-bank money markets has also been restricted. The norms for granting permission to a UCB to extend its area of operation beyond the State of incorporation have been tightened. Supervisory efforts have been strengthened and an effective off-site surveillance mechanism is being put in place for both UCBs and rural co-operative banks.

3.7 Duality/multiplicity of control of the credit co-operatives comes in the way of effective regulation and supervision of co-operative banks. The major issue in this context is the overlapping jurisdiction of the State Governments and the RBI. Successive committees have recommended that there should be clear demarcation of areas of regulatory responsibilities between the State Governments and the RBI. It has also been recommended that the RBI should regulate and supervise the banking operations of the UCBs. Although the RBI has concurred with such recommendations and advised the State Governments to undertake suitable legislative amendments, the issue has not been resolved so far. Given the serious implications of the lack of clear-cut jurisdiction over regulation of cooperative banks, it has been proposed by the RBI to rationalise this system by establishing an appropriate unified regulatory authority for UCBs with representatives of Centre, States and other interested parties. The Central Government, in turn, view that the issue be resolved through appropriate amendments in the B.R. Act, 1949 rather than through amendment of respective State Co-operative Societies Acts. Subsequently, RBI has submitted a draft Bill which is under consideration of the Government. This important issue was examined recently by a Commitee (Chairman : Honorable Minister of State for Finance). While RBI will do its best in implementing the final decisions of the Government in this regard, in case immediate measures are not taken to remove duality of control, it will be difficult to make the supervisory system effective.

3.8 In order to align with SCBs and to increase the operational autonomy of UCBs, the practice of fixing floor interest rates chargeable on loans and advances made by UCBs has been discontinued. UCBs now have to internally decide their own lending rates taking into account the cost of funds, transaction cost, etc. with the approval of the managing committee. In order to ensure transparency co-operative banks have to publish the minimum and maximum lending rates and display such information in every branch. Furthermore, cooperative banks are encouraged not to pay any additional interest on the savings bank accounts over and above what is payable by commercial banks. In addition, co-operative banks are encouraged not to pay interest on current accounts.

1. Progress of the Co-operative Banks

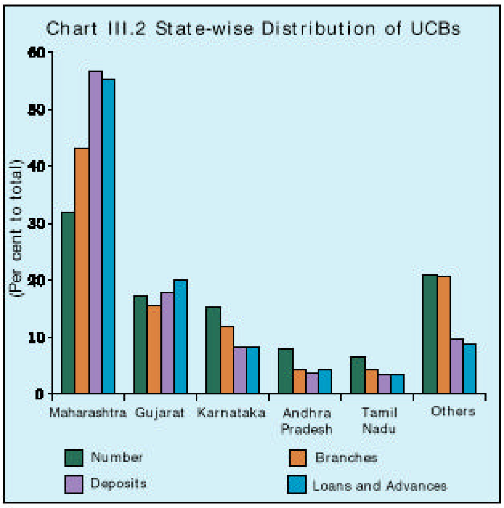
(a) Urban Co-operative Banks (UCBs)

3.9 UCBs are registered under Co-operative Societies Act of the respective State Governments. Prior to 1966, UCBs were exclusively under the purview of State Governments. Effective March 1, 1966 certain provisions of the B.R. Act, 1949 (AACS) have been made applicable to these banks. Consequently, the RBI became the regulatory and supervisory authority of UCBs for their banking related operations. Managerial aspects of such banks continue to remain with the State Governments under their respective Cooperative Societies Act. UCBs with multi-state presence are also regulated by the Central Government and registered under the Multi-state Co-operative Societies Act.

Licensing

3.10 The High Power Committee (HPC) on UCBs (Chairman: Shri K. Madhava Rao), 1999 recommended revisions in the entry point norms (EPNs) for UCBs. Accordingly, EPNs for UCBs were revised linking the minimum capital requirements to the population of the place of incorporation and membership. Depending on the parameters, the minimum start-up capital requirement for UCBs has been fixed between Rs. 25 lakh to Rs. 4 crore. Granting license to UCBs is also contingent upon fulfilment of specific experience/ qualifications by the Board of Directors and the Chief Executive Officer.

3.11 The RBI has constituted an Advisory Screening Committee comprising of eminent experts for overseeing the individual applications for licensing of UCBs. Based on the recommendations of the Committee, during 2001-02, the RBI granted ‘in principle’ approvals for setting up 7 new UCBs, while 63 applications were rejected. In addition, 51 ‘in principle’ applications granted earlier were withdrawn during 2001-02 due to failure of promoters of such proposed banks to comply with the stipulated requirements. The number of UCBs has increased from 2,084 as at end-March 2001 to 2,090 as at end-March 2002. The state-wise distribution of UCBs is given in Chart III.2.



Inspection

3.12 The on-site inspection cycle for scheduled UCBs and weak UCBs is once a year, while well managed non-scheduled UCBs are inspected once in three years. All other UCBs are inspected once in two years. The mechanism of evaluating performance on the basis of supervisory ratings based on CAMELS (capital adequacy, asset quality, management, earnings, liquidity and systems) parameters are already in place for commercial banks. A similar rating system has been finalised for UCBs. Initially, such supervisory ratings would be made applicable for scheduled UCBs and the same would be extended to other UCBs in a phased manner. This would be implemented on trial basis for scheduled UCBs from March 2003. During 2001-02, the RBI conducted 833 statutory inspections of UCBs as against 914 inspections conducted during the previous year.

3.13 Due to increased number of UCBs, the existing on-site inspection system has come under severe strain. Consequently, a system of continuous off-site supervision has been put in place through a set of periodical prudential returns from UCBs. The returns cover asset and liability position, profitability, non-performing assets (NPAs), details on credit portfolio and large exposures, etc. During the first phase of implementation of off-site supervision, scheduled UCBs were advised to submit quarterly returns commencing with their financial position as on March 31, 2001. It has been observed that in the past, some UCBs developed serious financial problems soon after they received licenses. Various measures such as close monitoring of the submission of statutory returns by the banks, special scrutiny of their books of account in case of default in maintaining CRR/SLR, etc. have been initiated to step up supervisory efforts towards such banks.

3.14 Financial audit is a key supervisory tool for monitoring implementation of various prudential norms including accounting, income recognition, asset classification, provisioning, etc. For UCBs, however, supervision of audit function falls within the purview of the respective State Governments. A Committee was set up in 1995 to review the system and procedures associated with audit of UCBs (Chairman: Shri Chitale). The recommendations of the Committee included professionalisation of audit, mandatory concurrent audit for large banks, mandatory setting up of audit committee for all UCBs, conduct of statutory audit by chartered accountants rather than government officials, etc. The RBI has accepted the recommendations and advised the State Governments to implement them. To review the supervisory framework of UCBs on a regular basis and to recommend suitable steps to strengthen the existing system, a Task Force has also been formed which is headed by an Executive Director of the RBI.

3.15 In view of certain irregularities observed in a few UCBs in the recent past (Box III.1), it is increasingly recognised that focus of supervision of UCBs should be on prevention of irregularities rather than taking penal actions after their occurence. Accordingly, definite steps have been initiated to evolve an interactive mechanism between the Central Office and Regional Offices of the RBI. This mechanism places emphasis on improving market intelligence to pick up early warning signals, setting up code of responsibility of the auditors of UCBs, revising the guidelines for statutory audit, rating system, etc. The RBI has advised the State Governments to appoint professional chartered accountants.

Box: III.1: Co-operative Banks: Supervisory Actions

In the past few years, it has been repeatedly indicated that the existence of a multi-agency approach towards supervision of co-operative bank, results in certain supervisory gaps and ambiguities. Some co-operative banks have been conducting business contrary to the spirit of cooperation, while some others have flouted specific regulatory norms in the transactions relating to government securities.

The approach followed by the RBI to address the systemic issues arising from the irregularities has been to protect the interests of the depositors of the banks concerned and to ensure that action was taken against the erring management of these banks under the applicable law of the land. Wherever necessary, the RBI imposed graded penalty on the erring banks, based on the gravity of the violations.

All scheduled UCBs and some other UCBs with high level of transactions in government securities were advised by the RBI to conduct special audits by chartered accountants to ensure that dealings in government securities were transacted within prescribed regulatory norms. All competent authorities including Registrar of Co-operative Societies (RCS) have also been requested to oversee the audit of these co-operative banks and to initiate appropriate action. Depending on the gravity of regulatory violation by the erring co-operative banks, the RBI in conjunction with the respective RCSs initiated graded action including supersession of the Board of Directors, issuing show cause notices, filing of criminal cases, etc.

Instructions were issued by the RBI that all transactions in government securities should be through Subsidiary General Ledger (SGL)/ Constituent’s Subsidiary General Ledger (CSGL) account or through dematerialised account. Trading in government securities in physical form through brokers has been prohibited. UCBs have also been advised to have their holdings of investments certified by concurrent auditors every quarter to confirm that the investments reported are in fact owned/held by the UCBs. Investments of UCBs not having concurrent auditor are to be verified by auditors appointed by the RCS.

Against this background, initiatives have also been taken to establish a unified supervisory authority for co-operative banks.

Prudential Norms

3.16 In order to ensure financial stability at both micro and systemic levels, it would be necessary to extend some of the prudential measures introduced for commercial banks to co-operative banks as well, notwithstanding the recognition of various differences in terms of operations and culture of commercial and co-operative banks. Accordingly, important policy changes have been initiated for UCBs in areas such as asset classification, income recognition, capital adequacy, asset liability management (ALM), etc.

3.17 As a move towards international best practices on asset classification, the current arrangement of recognising an asset as NPA if income and/or principal remain overdue for 180 days is being replaced by the 90-day norm. Though this norm would be effective from March 31, 2005, in order to ensure smooth transition, UCBs were advised to make additional provisions for such loans starting from March 31, 2002. Banks have also been advised to move over to a system of charging interests on monthly rests.

3.18 A definite time frame has been worked out for introduction of CRAR for UCBs. The time schedule is as under:

Date	CRAR for Scheduled UCBs	CRAR for Non-Scheduled UCBs
March 31, 2002	8 per cent	6 per cent
March 31, 2003	9 per cent	7 per cent
March 31, 2004	As applicable for commercial Banks	9 per cent
March 31, 2005		As applicable for commercial banks

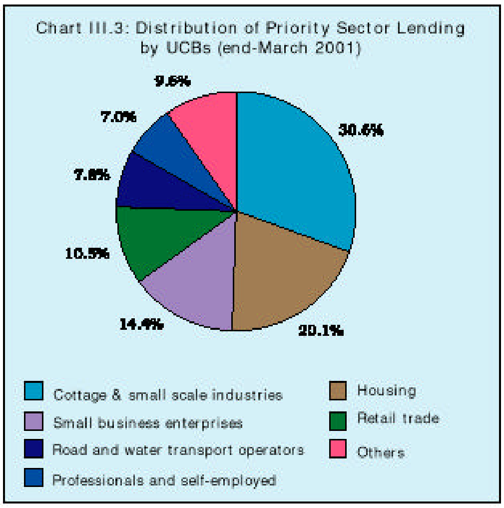
Refinance Facilities

3.19 The RBI extends refinance to UCBs at bank rate against their advances to tiny and cottage industrial units. Sanctioned limit for such refinance amounted to Rs. 3 crore during 2000-01 as well as 2001-02. Since 2000-01, NABARD has designated scheduled UCBs as eligible institutions for drawing refinance in respect of loans issued for rural non-farm sector, including rural housing and for other agricultural activities.

Priority Sector Lending

3.20 UCBs are required to channelise 60 per cent of total loans and advances towards priority sector. Furthermore, within the priority sector lending, lending to weaker sections should constitute 15 per cent of the total loans and advances of UCBs. Fulfilment of priority sector lending targets by individual UCBs are taken into consideration by the RBI while granting permission for branch expansion, expansion of areas of operation, scheduled status, etc.

3.21 The latest available data on priority sector lending by UCBs relate to end-March 2001. During 2000-01, out of the 1,617 reporting banks, 1,397 UCBs achieved the overall target for priority sector lending, while 1,093 achieved the target of lending towards weaker sections. For the same year, out of the 51 scheduled UCBs, 43 achieved the overall priority sector lending target while 18 achieved the sub-target for lending towards weaker sections. The sector-wise distribution of priority sector lending by UCBs during 2000-01 reflects that 30.6 per cent of the total priority sector lending was channelised towards cottage and small scale industries while 20.1 per cent was for housing. UCBs also granted sizeable loans and advances under priority sector lending to small business enterprises, retail trade, road and water transport operators and professional and self-employed persons (Chart III.3).



Weak Banks

3.22 An important purpose of micro-prudential measures is detection of incipient weakness of individual banks and initiation of prompt corrective action for addressing such problems. Towards this end, the RBI is following a mechanism to identify weak UCBs. Until March 2002, the criterion for identification was based on the extent of erosion of own funds of the UCB and impairment in its equity capital relative to statutory floor. In line with the recommendations of the HPC, criteria for categorising weak banks have been revised and UCBs are categorised as weak if the financial position is unsatisfactory beyond specific threshold limits in terms of CRAR (below 75 per cent of the statutory minimum) or NPA (above 10 per cent but below 15 per cent of outstanding loans and advances) or profitability (net losses for two years out of last three consecutive years). Weak banks are required to draw up a time bound revival package, the implementation of which would be monitored by the RBI and the Registrar of Co-operative Societies (RCS). Further worsening of the financial position of a weak UCB beyond certain limits in terms of either NPA or profitability along with CRAR, would result in it being classified as sick. On a case-by-case basis, sick UCBs would be put under moratorium or liquidation. As on March 31, 2002 there were 285 weak UCBs as compared to 249 weak banks identified in the previous year. During 2001-02, 119 weak banks could not comply with the minimum capital requirement as laid down by Section 11 (1) of the B.R. Act (AACS), 1949.

Liquidation

3.23 The HPC had recommended that sick UCBs be placed under moratorium/liquidation as also their automatic winding up. The RBI accepted the suggestions of the HPC in principle, though winding up of the operations of sick UCBs would depend on individual cases. During 2001-02, 13 banks were placed under liquidation.

Complaints and Frauds

3.24 UCBs are required to report to the RBI details of any fraud taking place within one week from the detection. UCBs are also required to submit a quarterly statement to the RBI detailing the outstanding cases of frauds. Until recently, there was no uniformity in taking up such cases with the concerned RCS. In February 2002, it was decided that instances of frauds in UCBs, which come under the notice of the RBI either through reports submitted by UCBs or during statutory inspection, would be reported in detail to RCS. During 2001-02, 1,703 complaints were received and 158 cases of frauds were reported by 98 banks involving Rs. 26 crore.

Financial Performance of UCBs[2]

3.25 Data relating to the financial performance of UCBs for 2001-02 is available for 1,854 reporting banks as against corresponding figures for the previous year in respect of 1,618 banks (Appendix Table III.1). Comparison of the performance of the reporting UCBs indicates that as at end-March 2002 owned funds increased substantially by 27.4 per cent over end-March 2001. During the same period outstanding deposits and loans increased by 15.1 per cent and 14.1 per cent, respectively. The credit-deposit (CD) ratio as at end-March 2002 was almost unchanged at the previous year's level of 67 per cent (Table III.1 and Chart III.4). Out of 1,854 reporting UCBs, 1,629 made profits during 2001-02. The percentage of profitable UCBs among the reporting banks increased to 87.9 per cent during 2001-02 from 83.9 per cent in the previous year.

3.26 Information on NPAs of UCBs during 2001-02 is available for 1,342 banks, while 1,942 banks reported their NPA positions during the previous year. Notwithstanding this difference, the gross NPAs at the aggregate level deteriorated progressively since 1999. The ratio of gross NPAs to total advances increased from 16.1 per cent as at end-March 2001 to 21.9 per cent as at end-March 2002 (Table III.2 and Chart III.5). The significant increase in gross NPAs was, to a large extent, due to very high NPAs of a few large UCBs situated in Gujarat. For example, the ratio of gross NPAs of 152 reporting UCBs from the State to total advances was 47.0 per cent as at end-March 2002. Excluding these banks, the ratio of gross NPA to total advances for other reporting UCBs was much lower at 15.8 per cent.

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

(Per cent)

Items	Financial year		
	1999-2000	2000-01	2001-02P
1	2	3	4
Owned Funds	27.3	16.2	27.4
Deposits	35.3	13.6	15.1
Borrowings	41.8	40.3	N.A.
Loans Outstanding	34.6	18.2	14.1
C.D. Ratio@	64.6	67.3	66.7

@ As at end-March. P - Provisional, N.A. - Not available.

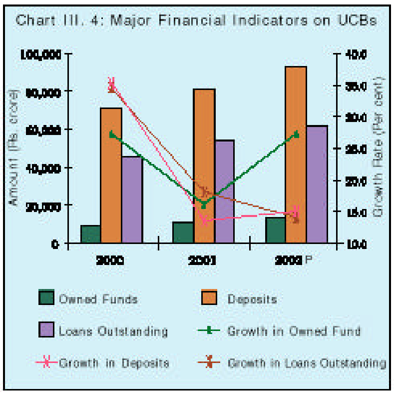
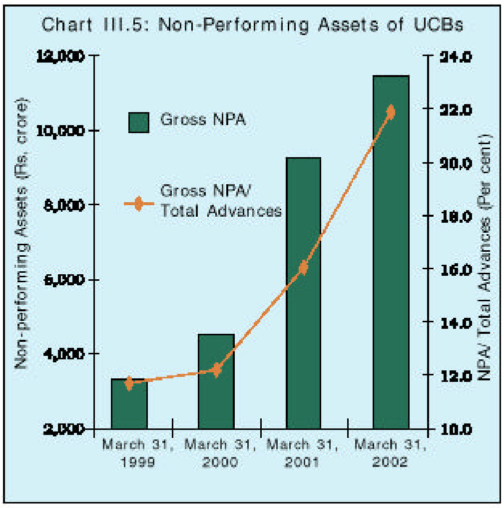


Table III.2: Gross Non-Performing Assets of Urban Co-operative Banks

As on	Number of Reporting UCBs	Gross NPAs (Rs. Crore)	Gross NPA as a Percentage of Total Advance
1	2	3	4
March 31, 1999	1,474	3,306	11.7
March 31, 2000	1,748	4,535	12.2
March 31, 2001	1,942	9,245	16.1
March 31, 2002*	1,342	11,472	21.9

* Figures are unaudited.



Scheduled UCBs

3.27 UCBs are included in the second schedule of the RBI Act, 1934, if their net demand and time liabilities (NDTL) are at least Rs. 100 crore and their overall functioning in terms of select parameters are satisfactory. As on March 31, 2002 there were 52 scheduled UCBs compared with 51 scheduled UCBs in the previous year.

3.28 The composition of liabilities of scheduled UCBs as on March 31, 2002 underwent some changes compared to that prevalent on March 31, 2001. In particular, the share of reserves and other liabilities to total liabilities increased by 1.7 percentage points and 2.6 percentage points, respectively, while that of deposits declined by 3.7 percentage points. The composition of assets also underwent changes. The share of other assets and investments in total assets increased by 3.2 percentage points and 0.7 percentage point, respectively. The shares of loans and advances and balance with banks declined by 1.7 percentage points and 1.2 percentage points, respectively (Table III.3).

Financial Performance of the Scheduled UCBs

3.29 During 2001-02, income of scheduled UCBs increased by 2.6 per cent while their expenditure declined by 9.9 per cent. As a result, operating profits of scheduled UCBs increased by 1.3 per cent. Though scheduled UCBs at the aggregate level continued to register a net loss for the second year in succession, the amount of net loss declined to Rs. 304 crore in 2001-02 from Rs. 1,023 crore in 2000-01. For scheduled

UCBs, interest income declined by 2.9 per cent during 2001-02 while other income increased sharply by 86.7 per cent. The fall in expenditure during 2001-02 was on account of a sharp fall in provisions and contingencies by 41.6 per cent (Table III.4). Select financial ratios (as a percentage of assets) for UCBs, StCBs and CCBs have been presented in Table III.5. Bank-wise major indicators for UCBs have been presented in Appendix Table III.2.

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

(Rs. crore)

Item	As on March 31	
	2001	**2002 P**
1	2	3
Liabilities		
1. Capital	442	531
	(1.0)	(1.1)
2. Reserves	4,658	5,854
	(10.7)	(12.4)
3. Deposits	33,183	34,236
	(76.2)	(72.5)
4. Borrowings	887	640
	(2.0)	(1.4)
5. Other Liabilities	4,368	5,955
	(10.0)	(12.6)
Total Liabilities	**43,538**	**47,217**
	(100.0)	**(100.0)**
Assets		
1. Cash	2,183	2,001
	(5.0)	(4.2)
2. Balances with Banks	2,552	2,200
	(5.9)	(4.7)
3. Money at call and short notice	376	318
	(0.9)	(0.7)
4. Investments	11,544	12,848
	(26.5)	(27.2)
5. Loans and Advances	21,480	22,469
	(49.3)	(47.6)
6. Other Assets	5,402	7,381
	(12.4)	(15.6)
Total Assets	**43,538**	**47,217**
	(100.0)	**(100.0)**

P Provisional

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

2. For details see notes to Appendix Table III.2.

3. Components may not add-up to the aggregate figures due to rounding off.

Source: Balance sheet of respective banks.

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

(Rs.crore)

Item	2000-01	2001-02P	Variation of Column (3) over (2)	
			Absolute	Percentage
1	2	3	4	5
A. Income (i+ii)	**4,916**	**5,045**	**129**	**2.6**
	(100.0)	**(100.0)**		
i) Interest Income	4,613	4,479	-134	-2.9
	(93.8)	(88.8)		
ii) Other Income	303	566	263	86.7
	(6.2)	(11.2)		
B. Expenditure (i+ii+iii)	**5,939**	**5,349**	**-590**	**-9.9**
	(100.0)	**(100.0)**		
i) Interest Expended	3,384	3,426	42	1.2
	(57.0)	(64.0)		
ii) Provisions and Contingencies	1,705	995	-710	-41.6
	(28.7)	(18.6)		
iii) Operating Expenses	849	928	78	9.2
	(14.3)	(17.3)		
of which : Wage Bill	498	537	38	7.7
	(8.4)	(10.0)		
C. Profit				
i) Operating Profit	**683**	**691**	**9**	**1.3**
ii) Net Profit	**-1,023**	**-304**	**718**	**—**
D. Total Assets	**43,538**	**47,217**	**3,679**	**8.5**

P Provisional - Not Applicable.
Note : 1.Figures in brackets are percentages to total liabilities/assets.
2.For details see notes to Appendix Table III.2.
3.Components may not add-up to the aggregate figures due to rounding off.
Source : Balance sheet of respective banks

Table III.5: Select Financial Ratios of Co-operative Banks*

(per cent of assets)

Item	Scheduled UCBs		StCBs		CCBs	
	2000-01	2001-02	1999-2000	2000-01	1999-2000	2000-01
1	2	3	4	5	6	7
Operating Profit	1.60	1.50	1.68	1.71	1.60	1.71
Net Profit	-2.30	-0.60	0.29	0.39	-0.11	0.07
Income	11.30	10.70	10.37	10.28	10.86	10.71
Interest Income	10.60	9.50	9.83	9.90	10.31	10.14
Other Income	0.70	1.20	0.54	0.37	0.55	0.57
Expenditure	13.60	11.30	10.07	9.88	10.98	10.64
Interest Expended	7.80	7.30	7.91	7.86	7.27	7.18
Operating Expenses	2.00	2.00	0.78	0.71	1.99	1.82
Wage Bill	1.10	1.10	0.60	0.53	1.54	1.41
Provisions and Contingencies	3.90	2.10	1.39	1.31	1.72	1.64
Spread (Net Interest Income)	2.80	2.20	1.92	2.05	3.04	2.96

* As ratio to total assets.

Table III.6: Composition of Liabilities and Assets of State Co-operative Banks

(Rs. crore)

Item	As on March 31	
	2000	2001P
1	2	3
Liabilities		
1. Capital	636	695
	(1.3)	(1.3)
2. Reserves	4,275	5,142
	(9.0)	(9.8)
3. Deposits	29,557	32,606
	(62.1)	(62.2)
4. Borrowings	10,859	11,685
	(22.8)	(22.3)
5. Other Liabilities	2,260	2,315
	(4.7)	(4.4)
Total Liabilities	**47,587**	**52,443**
	(100.0)	**(100.0)**
Assets		
1. Cash and Bank Balance	2,644	2,285
	(5.6)	(4.4)
2. Investments	15,362	16,168
	(32.3)	(30.8)
3. Loans and Advances	25,709	29,848
	(54.0)	(56.9)
4. Other Assets	3,872	4,142
	(8.1)	(7.9)
Total Assets	**47,587**	**52,443**
	(100.0)	**(100.0)**

P - Provisional.
Note : Figures in brackets are percentages to total liabilities/assets.
Source: NABARD

(b) State Co-operative Banks (StCBs)

3.30 Composition of the liabilities of the State Co-operative Banks (StCBs) in terms of major constituents (namely, capital, reserves, deposits, borrowings and other liabilities) as at end-March 2001 remained broadly unaltered compared with end-March 2000 position. The share of reserves in total liabilities increased by 0.8 percentage point while that of borrowings declined by 0.5 percentage point (Table III.6). The decline in deposit growth of StCBs witnessed during 2000 continued in 2001 also. As at end-March 2001, the deposit growth of StCBs decelerated from 14.6 per cent to 10.3 per cent. The asset portfolio of StCBs underwent some changes as at end-March 2000 compared to the position prevailing at end-March 2001. While the share of loans and advances in total assets increased by nearly 3 percentage points, the corresponding shares of all other constituents of assets (namely, cash and bank balance, investments and other assets) declined (Table III.6). Loans and advances by StCBs increased by 16.1 per cent as on March 31, 2001. Provisional data available for March 31, 2002 indicate that as compared with March 31, 2001 outstanding deposits and loans of StCBs increased by 10.2 per cent and 9.5 per cent, respectively, while borrowings declined by 1.8 per cent.

3.31 Recovery performance of StCBs as a proportion of demand[3] at the all India level improved from 83 per cent in 1999-2000 to 84 per cent in 2000-01.

Financial Performance of StCBs

3.32 The total income of StCBs during 2000-01 increased by 9.2 per cent while expenditure increased by 8.1 per cent. During the same year, operating profit and net profit of StCBs increased by 12.2 per cent and 48.6 per cent, respectively. As a proportion of assets, profitability of StCBs improved both in net and gross terms. On the income side, while interest income increased during 2000-01, other income recorded a decline. On the expenditure side, StCBs were able to contain the growth in operating expenditure and in particular, the wage bill (Table III.7). During 2000-01, out of 30 StCBs, 23 made profits while 6 made losses (Chart III.6).

(c) Central Co-operative Banks (CCBs)

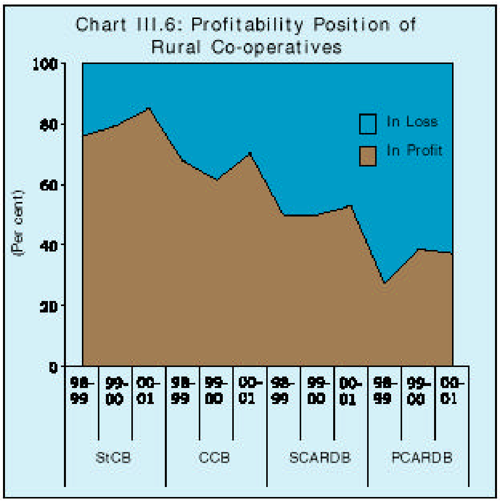
3.33 The composition of the liabilities of district Central Co-operative Banks (CCBs) remained broadly unaltered as at end-March 2001 compared to the position prevailing as at end-March 2000. Deposits and borrowings continued to account for nearly two-thirds and one-sixth of the total liabilities, respectively, although reserves of CCBs increased by 24.2 per cent. The change in asset portfolio was, however, pronounced. In the total assets, share of cash and bank balances declined, while those of investments and loans and advances increased (Table III.8). Investments by CCBs increased by 22.2 per cent as on March 31, 2001 as compared to the previous year. According to provisional data for March 31, 2002 deposit growth rate of CCBs declined substantially from 13.9 per cent to 5.1 per cent. There was a decline in the growth rate of borrowings also.

Table III.7: Financial Performance of State Co-operative Banks

(Rs.crore)

Item	1999-2000	2000-01(P)	Variation of Column (3) over (2)	
			Absolute	Percentage
1	2	3	4	5
A. Income (i+ii)	**4,933**	**5,389**	**456**	**9.2**
	(100.0)	**(100.0)**		
i) Interest Income	4,678	5,194	516	11.0
	(94.8)	(96.4)		
ii) Other Income	255	195	-60	-23.6
	(5.2)	(3.6)		
B. Expenditure (i+ii+iii)	**4,794**	**5,183**	**389**	**8.1**
	(100.0)	**(100.0)**		
i) Interest Expended	3,765	4,120	355	9.4
	(78.5)	(79.5)		
ii) Provisions and Contingencies	659	689	30	4.5
	(13.8)	(13.3)		
iii) Operating Expenses	370	373	4	1.0
	(7.7)	(7.2)		
of which: Wage Bill	286	280	-7	-2.3
	(6.0)	(5.4)		
C. Profit				
i) Operating Profit	**798**	**895**	**97**	**12.2**
ii) Net Profit	**138**	**206**	**67**	**48.6**
D. Total Assets	**47,587**	**52,443**	**4,855**	**10.2**

Notes : 1)Figures in brackets are percentage shares to the respective total.
P Provisional
2)Totals may not tally due to rounding off.
Source : NABARD



3.34 At the all-India level, recovery performance of CCBs as a proportion of demand declined from 70 per cent in 1999-2000 to 67 per cent in 2000-01 (Appendix Table III.3).

Financial Performance of CCBs

3.35 During 2000-01, income and expenditure of CCBs increased by 12.7 per cent and 10.8 per cent, respectively, over the previous year. Interest income continued to account for nearly 95 per cent of the total income, while interest expenditure accounted for nearly two-thirds of total expenditure. The growth rate of operating expenditure of CCBs during 2000-01 remained low at 4.7 per cent (Table III.9). During 2000-01, out of 367 CCBs, 245 made profits while 112 CCBs made losses. Profitability situation of CCBs improved during 2000-01 both in terms of number of profitable CCBs and amount of total profit (Chart III.6).

Table III.8: Composition of Liabilities and Assets of Central Co-operative Banks

(Rs. crore)

Sr. No.	Item	As on March 31 2000	2001(P)
	1	2	3
Liabilities			
1	Capital	2,826	3,124
		(3.3)	(3.2)
2	Reserves	7,290	9,056
		(8.6)	(9.4)
3	Deposits	54,248	61,786
		(64.1)	(63.9)
4	Borrowings	14,658	16,935
		(17.3)	(17.5)
5	Other Liabilities	5,554	5,774
		(6.6)	(6.0)
Total Liabilities		**84,576**	**96,675**
		(100.0)	**(100.0)**

Assets			
1	Cash and Bank Balance	7,731 (9.1)	5,848 (6.0)
2	Investments	22,594 (26.7)	27,612 (28.6)
3	Loans and Advances	44,538 (52.7)	52,491 (54.3)
4	Other Assets	9,713 (11.5)	10,724 (11.1)
Total Assets		**84,576 (100.0)**	**96,675 (100.0)**

P - Provisional.
Note : Figures in brackets are percentages to total liabilities/assets.
Source : NABARD

(d) Primary Agricultural Credit Societies (PACS)

3.36 Primary Agricultural Credit Societies (PACS) are the grassroot level arms of the short-term co-operative credit structure. PACS deal directly with individual borrowers, grant short-to medium-term loans and also undertake distribution and marketing functions. According to estimates nearly 1 lakh PACS existed as on March 31, 2001 with membership of approximately 10 crore. As on the same date, outstanding deposits and loans outstanding of PACS were Rs. 13,481 crore and Rs. 34,522 crore, respectively. A large number of PACS, however, face severe financial problems primarily due to significant erosion of own funds, deposits, and low recovery rates. Various policies such as financial support for computerisation, steps towards better effective recovery performance, human resource development, etc. have been adopted to improve the financial health of the PACS. NABARD has been extending funds to develop the infrastructure for PACS.

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

3.37 State Co-operative Agriculture and Rural Development Banks (SCARDBs) constitute the upper-tier of long-term co-operative credit structure in India. Though long-term credit cooperatives have been allowed to access public deposits subject to certain conditions, such deposits constitute a relatively small proportion of their total liabilities. SCARDBs are mostly dependent on borrowings for on-lending. As on March 31, 2002, as against deposits of Rs. 536 crore, outstanding borrowings of SCARDBs were Rs. 14,888 crore. On the same date, their loans outstanding were Rs. 14,000 crore (Appendix Table III.1). At the all-India level, there was deterioration in the recovery performance of SCARDBs from 62 per cent in 1999-2000 to 58 per cent in 2000-01 (Appendix Table III.3). During 2000-01, out of the 17 reporting SCARDBs there were 10 profit making and 7 loss making SCARDBs and in the aggregate, SCARDBs incurred a loss of Rs. 126 crore during this year.

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

3.38 PCARDBs are the lowest layer of long-term credit co-operatives. As in the case of SCARDBs, PCARDBs are primarily dependent on borrowings for their lending business. As on March 31, 2002, deposits and borrowings of PCARDBs were at Rs. 251 crore and Rs. 9,077 crore, respectively, while loans extended by them was of the order of Rs. 8,960 crore (Appendix Table III.1). During 2000-01, recovery performance of PCARDBs worsened to 53 per cent from 58 per cent during the previous year (Appendix Table III.3). During 2000-01, there were 284 profit making and 448 loss making PCARDBs and in aggregate they registered a loss of Rs. 158 crore.

Table III.9: Financial Performance of Central Co-operative Banks: 1999-2000 and 2000-01

(Rs.crore)

Item	1999-2000	2000-01(P)	Variation of Column (3) over (2)	
			Absolute	Percentage
1	2	3	4	5
A. Income (i+ii)	**9,187**	**10,356**	**1,168**	**12.7**
	(100.0)	**(100.0)**		
i) Interest Income	8,718	9,807	1,089	12.5
	(94.9)	(94.7)		
ii) Other Income	469	549	79	16.9
	(5.1)	(5.3)		
B. Expenditure (i+ii+iii)	**9,283**	**10,290**	**1,007**	**10.8**
	(100.0)	**(100.0)**		
i) Interest Expended	6,149	6,942	794	12.9
	(66.2)	(67.5)		
ii) Provisions and Contingencies	1,453	1,588	134	9.2
	(15.7)	(15.4)		
iii) Operating Expenses	1,681	1,760	79	4.7
	(18.1)	(17.1)		
of which: Wage Bill	1,301	1,360	59	4.6
	(14.0)	(13.2)		
C. Profit				
i) Operating Profit	1,357	1,653	296	21.8
ii) Net Profit	-96	66	162	-
D. Total Assets	**84,576**	**96,675**	**12,099**	**14.3**

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

2. Health Status of Rural Co-operatives

Non-Performing Assets (NPAs)

3.39 Among credit co-operatives the proportion of gross NPAs as per cent of loans outstanding is relatively higher for the lower tier institutions *vis-a-vis* the higher tier. As on March 31, 2001, gross NPAs of StCBs at Rs. 3,889 crore accounted for 13.0 per cent of their outstanding loans and advances. Nearly three-fifth of the gross NPAs consisted of substandard assets and more than one-third were doubtful assets. For CCBs, on the same date, gross NPAs were at Rs. 9,371 crore, which was equivalent to 17.9 per cent of their outstanding loans and advances. The proportions of substandard and doubtful assets in gross NPA of CCBs were approximately the same as that of StCBs. As on March 31, 2001, gross NPAs of SCARDBs and PCARDBs were at Rs. 2,567 crore and Rs. 2,005 crore, respectively, and were equivalent to 20.4 per cent and 23.9 per cent of their respective loans and advances (Table III.10).

Table III.10: Composition of Gross NPAs
(as on March 31, 2001)

(Rs.crore)

Asset Quality	StCBs	CCBs	SCARDBs	PCARDBs
1	2	3	4	5
Substandard Assets	2,178	4,994	1,557	1,156
Doubtful Assets	1,520	3,466	1,000	816
Loss Assets	191	911	11	33

Total NPAs	3,889	9,371	2,567	2,005
Percentage of NPAs to loans outstanding	13.0	17.9	20.4	23.9

Source: NABARD.

Table III.11: Frequency Distribution of StCBs, CCBs & SCARDBs according to levels of Gross NPAs (As on March 31, 2001)

NPAs as Percentage to Outstanding Loans and Advances	Agency					
	StCBs		CCBs		SCARDBs	
	Number	% to Total	Number	% to Total	Number	% to Total
1	2	3	4	5	6	7
0-5	6	21	40	11	4	21
5-10	3	10	57	16	0	0
10-15	7	24	35	10	1	5
15-20	1	3	45	12	2	11
20-25	2	7	26	7	1	5
25-30	1	3	27	7	0	0
Above 30	9	31	136	37	11	58
Total number of reporting banks	**29**	**100**	**366**	**100**	**19**	**100**
Total number of banks	**30**		**367**		**19**	

Note : Haryana & Punjab SCARDBs have reported Nil NPAs.
Source : NABARD.

3.40 As on March 31, 2001, the NPA situation of all types of rural credit co-operatives worsened as compared with the previous year, both in absolute terms and as a proportion of loans outstanding. As has been observed over time, the problem of NPAs continued to be more acute for the long-term structure of credit cooperatives than the short-term structure. The number of StCBs, CCBs and SCARDBs, having NPAs above 30 per cent of the outstanding loans and advances increased between end-March 2000 and end-March 2001. As on March 31, 2001, the share of such credit cooperatives (i.e., NPAs above 30 per cent) among the reporting credit co-operatives were 31 per cent, 37 per cent and 58 per cent for StCBs, CCBs and SCARDBs, respectively (Table III.11 and Charts 7 and 8).

3.41 Various measures are being initiated to address the large NPA problems being faced by the credit co-operatives. In line with the one-time settlement (OTS) schemes for NPAs of commercial banks announced by the RBI, NABARD has finalised similar guidelines for credit co-operatives in consultation with RBI. The cut-off date for NPAs has been fixed at March 31, 1998 and the cut-off level amount at Rs. 5 lakh. The scheme was initially made operative up to March 31, 2002 and subsequently extended up to September 30, 2002. Credit co-operatives were instructed to follow the guidelines uniformly without any discrimination, as also to immediately pass on the recovered amounts to higher financing institutions. It was also clarified that for implementing the scheme, credit cooperatives would not receive financial support from the Government, the RBI or NABARD. With approval from the appropriate authorities, most of the credit co-operatives have adopted the scheme. Banks were given discretion to formulate OTS Scheme for NPAs above the cut-off limit and date with approval of their respective Boards and RCS. With a view to moving towards international best practices and to ensure greater transparency, 90 days norm for recognition of loan impairment has been extended to StCBs and CCBs from the year ending March 31, 2006. To facilitate smooth transition, banks are advised to move over to charging interest on monthly rests effective April 1, 2004.

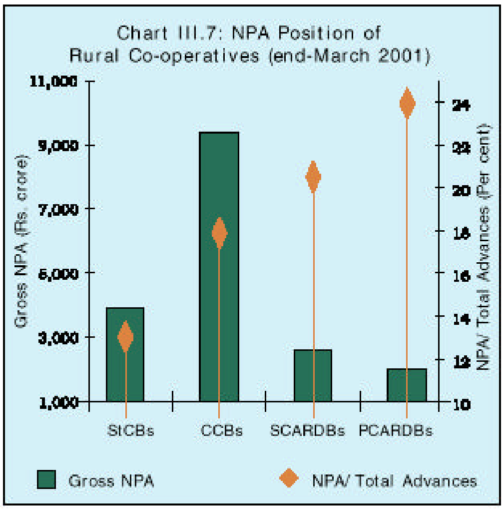


Chart III.7: NPA Position of Rural Co-operatives (end-March 2001)

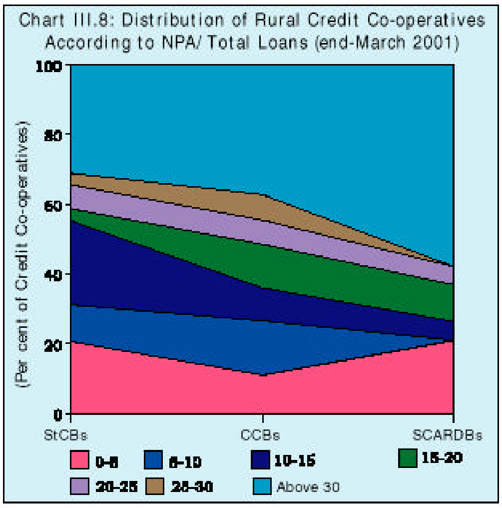


Chart III.8: Distribution of Rural Credit Co-operatives According to NPA/ Total Loans (end-March 2001)

Capital Adequacy

3.42 Since the introduction of prudential norms for co-operative banks in 1996-97, some improvement has been noticed in the capital structure of these banks. Under Section 11(1) of the B.R. Act, 1949 (AACS), co-operative banks need to maintain minimum capital which is linked to the place of incorporation and situation of business premises of the co-operatives. As on March 31, 2002, 9 out of 30 StCBs and 139 out of 367 CCBs were not complying with the minimum share capital requirement. Depletion of assets has eroded not only own funds but also affected deposits to the tune of Rs. 1,934 crore. Deposits in respect of 1 StCB and 14 CCBs had been fully eroded, while for 1 StCB and 26 CCBs, the erosion has been to the extent of 50 per cent and above. Of the 148 non-compliant cooperative banks, exemption from the provisions of Section 11 (1) of the B.R. Act, 1949 (AACS) has been granted to 74 banks (5 StCBs and 69 CCBs) by the Central Government and applications for grant of exemption in respect of 42 banks (1 StCB and 41 CCBs) have been recommended by NABARD to the RBI and the Central Government.

3. NABARD and its Role in Rural Credit

3.43 The basic emphasis of NABARD during 2001-02 had been to foster larger deployment of own funds by credit co-operatives and improvement in their recovery performance. In order to be eligible for facilities extended by NABARD, credit co-operatives need to satisfy certain norms in terms of minimum recovery performance and NPA level. Some of these norms were tightened during the year. In order to encourage farm mechanisation, schemes of refinance against such loans were liberalised. In addition, for technological upgradation of Indian agriculture, special schemes were framed for setting up agri-clinics and agri-business centres. A scheme for financing the purchase of land by small and marginal farmers, sharecroppers and tenant farmers was also made operational during the year.

Table III.12 : Net Accretion to Resources of NABARD (April-March)

(Rs. crore)

Sr. No.	Particulars	Financial Year 2000-01	2001-02
	1	2	3
1	Capital*	0	1,500
2	Advance received from RBI and Central		

	Government towards Capital*	0	-1,500
3	Reserves and Surplus	159	655
4	NRC(LTO) Fund	1,151	531
5	NRC (Stab.) Fund	51	6
6	RIDF Deposits	1,825	2,474
7	Open market borrowings	1,473	2,464
8	Borrowings from Government of India	-19	-66
9	*Borrowings from RBI*	716	-100
10	Foreign currency loan	-9	9
11	Others	102	309
	Total	**5,449**	**6,282**

* In earlier years, sums aggregating Rs. 1,500 crore has been received from RBI and Government of India as advance towards capital. On issue of notification by Government of India during the financial year 2001-02 increasing the capital of NABARD, these amounts have been credited to capital account.

Note : 1. The balances lying under Watershed Development Fund, Micro Finance Development Fund and Interest Differential Fund have been included under item 11, *i.e.*, Others.

2. Deposits other than RIDF and short-term borrowings have also been included under item 11, *i.e.*, Others.

Source: NABARD.

Resources Mobilised by NABARD

3.44 Net accretion to resources of NABARD during 2001-02 at Rs. 6,282 crore was higher than that of Rs. 5,449 crore during the previous year (Table III.12). During 2001-02, as in the previous year, two largest sources of net accretion were RIDF deposits, closely followed by market borrowings. A significant portion of total market borrowings by NABARD was through the issue of Capital Gains Bonds and Priority Sector Bonds. NABARD cannot accept short-term public deposits and thus, since inception it is dependent on general line of credit (GLC) from the RBI for meeting short-term funding needs. Though NABARD's dependence on GLC from the RBI continues to be large, there was a decline from this source of financing during 2001-02 as compared to the previous year.

Refinance by NABARD

3.45 The aggregate refinance by NABARD during 2001-02 was Rs. 18,075 crore. NABARD provides two types of refinance. The first is extended to Regional Rural Banks (RRBs) and apex institutions, namely, StCBs and State Governments. The other type of refinance is extended to augment resources for ground level deployment of rural credit.

Refinance to StCBs, State Governments and RRBs

3.46 The total outstanding refinance by NABARD for StCBs, State Governments and RRBs at Rs. 7,075 crore as at end-June 2002, was higher than Rs. 6,857 crore as at end-June 2001. The outstanding refinance to StCBs and RRBs at Rs. 5,353 crore and Rs. 1,234 crore as at end-June 2002, respectively, were higher than their corresponding levels as at end-June 2001. Outstanding refinance to State Governments at Rs. 488 crore as at end-June 2002, however, declined from its level as at end-June 2001 (Table III.13). The shares of StCBs, State Governments and RRBs in aggregate refinance limits sanctioned, as at end-June 2002 remained almost unaltered as at end-June, 2001. As compared to the position as at end-June 2001, the share of limit for short-term refinance to StCBs declined and the share of limit for medium-term refinance to StCBs increased considerably as at end-June 2002. It has been observed over the past few years that for the full year (July-June), drawal of refinance by StCBs for short-term purposes exceeded the limits sanctioned for such purposes. Since this category of refinance by NABARD accounts for about 80 per cent of the total refinance extended by NABARD to StCBs, State Governments and RRBs taken together, excess drawal of refinance by StCBs for short-term purposes result in drawal in excess of refinance limits sanctioned at the aggregate level as well. A similar trend continued for 2001-02 as well. NABARD advised the State Governments to reduce their participation in the capital of credit co-operatives and therefore, reduce borrowings from NABARD for contributing to the share capital of co-operatives. In line with this, refinance accessed by State Governments declined during 2001-02 (July-June).

Table III.13: NABARD's Credit to State Co-operative Banks, State Governments and Regional Rural Banks

(Rs. crore)

Category	2000-01 (July-June)				2001-02 (July-June)			
	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	7,277	8,254	7,562	4,832	7,289	9,146	9,068	4,910
b Medium-term	267	120	173	298	838	307	162	443
Total (a+b)	7,544	8,373	7,736	5,130	8,127	9,453	9,230	5,353
2 State Government	68	58	70	496	63	50	59	488
3 Regional Rural Banks								
a Short-term	1,314	1,214	1,110	1,189	1,381	1,257	1,246	1,200
b Medium-term	11	10	34	42	16	9	16	34
Total (a+b)	1,325	1,224	1,144	1,230	1,397	1,266	1,262	1,234
Grand Total (1+2+3)	**8,937**	**9,656**	**8,950**	**6,857**	**9,587**	**10,769**	**10,551**	**7,075**

Source: NABARD.

Refinance for Short-term - Seasonal Agricultural Operations

3.47 Augmentation of ground-level credit flow through adoption of region specific strategies and rationalisation of lending policies and procedures continued to remain major considerations in the refinance policy of NABARD towards credit cooperatives for short-term seasonal agricultural operations (SAO). For accessing refinance from NABARD, CCBs were required to have minimum loan recovery of 50 per cent or NPA not exceeding 20 per cent of outstanding loans and advances. Need based relaxation of the minimum eligibility norms were, however, granted for minor irrigation projects. In order to boost the recovery and thereby recycle funds, minimum recovery norms with seasonality discipline for CCBs were enhanced by 10 per cent.

Refinance for Short-term - Other than Seasonal Agricultural Operations

3.48 During 2001-02, NABARD reduced the rate of interest on finance provided for stocking and distribution of fertilizers and the credit limit for financing was fixed at an equivalent of 2 months' average sale of fertilizers/inputs in the preceding calendar year. For refinance against credit extended for production and marketing activities of weavers' societies and industrial cooperative societies, minimum eligibility norms in terms of NPAs were introduced.

Refinance against Investment Credit

3.49 Limits of refinance towards credit flows for farm mechanisation were raised in certain cases and specific norms on refinancing were liberalised during 2001-02. This was in pursuance of the policy of technology transfer in agriculture. Schemes were formulated for financing agricultural graduates for setting up agri-clinics and agri-business centres and for small and marginal farmers, sharecroppers and tenant farmers for purchase of land for agricultural purposes.

Interest Rates on Refinance

3.50 In response to reduction in PLR by commercial banks, NABARD reduced the interest rate on refinance provided to commercial banks across the board by 0.5 percentage point on January 14, 2002. Likewise, reduction was effected for loans amounting to more than Rs.25,000 extended by RRBs and co-operative banks for minor irrigation projects. In line with the objective of expediting rural technology transfer, interest rate on refinance was reduced from 10.0 per cent to 8.5 per cent on February 1, 2002 for loans above Rs. 2 lakh extended for rural godowns, farm mechanisation, agri-clinics and agri-business centres. On March 15, 2002, interest rates for minor irrigation investment under the Swarnjayanti Gram Swarozgar Yojana (SGSY) were brought on par with other minor irrigation projects (Table III.14).

Rural Infrastructure Development Fund

3.51 To provide loans to State Governments for the creation of rural infrastructure at reasonable rates, Rural Infrastructure Development Fund (RIDF) was set up in 1995-96 under the initiative of the Central Government. Under the scheme, the Central Government, through budgetary outlays, contributes to the corpus fund of RIDF. Commercial banks can, in turn, deploy their short-falls in priority sector lending target to the Fund. In order to encourage commercial banks towards direct lending to agriculture/priority sector, interest rates earned by commercial banks on RIDF deposits are kept inversely related to the shortfall in lending to agriculture. Furthermore, for ensuring parity in risk weights assigned to direct priority sector lending and RIDF deposits, credit risk weights for both types of fund deployments by commercial banks have been fixed at 100 per cent.

3.52 The corpus of RIDF I to VII taken together amounted to Rs. 23,000 crore as on March 31, 2002. It was announced that funds for RIDF VIII would be enhanced from Rs. 5,000 crore to Rs 5,500 crore (Central Government Budget, 2002-03). Cumulative amounts of deposits mobilised, loans sanctioned and fund disbursed under RIDF as on March 31, 2002 were Rs. 12,288 crore, Rs. 23,432 crore and Rs. 13,042 crore, respectively (Tables III.15 and III.16). In terms of purpose-wise amounts sanctioned under RIDF, projects related to rural connectivity - roads and bridges - and irrigation continued to account for nearly 90 per cent of the cumulative sanctions between 1995-96 and 2001-02 (Table III.17 and Chart III.9).

Table III.14: NABARD's Interest Rate Structure on Term-Loan Refinance

(per cent per annum)

Loan Size	Rates as on November 1, 2001: Minor Irrigation (MI*)	November 1, 2001: Purpose Other than MI@	January 14, 2002: Minor Irrigation (MI*)	January 14, 2002: Purpose Other than MI@	March 15, 2002: Minor Irrigation (MI)**	March 15, 2002: Purpose Other than MI@
1	2	3	4	5	6	7
A. StCBs/ SCARDBs						
Upto Rs.25,000	7.0	7.0	7.0	7.0	7.0	7.0
Rs.25,001 - Rs.2 lakh	8.0	9.0	7.5	8.5	7.5	8.5
Above Rs.2 lakh	8.0	10.0	7.5	10.0	7.5	10.0
B. RRBs						
Upto Rs.25,000	7.5	7.5	7.5	7.5	7.5	7.5
Rs.25,001 - Rs.2 lakh	8.0	9.0	7.5	8.5	7.5	8.5
Above Rs.2 lakh	8.0	10.0	7.5	10.0	7.5	10.0
C. Commercial Banks/UCBs						
Upto Rs.25,000	8.0	8.0	7.5	7.5	7.5	7.5
Rs.25,001 - Rs.2 lakh	8.0	9.0	7.5	8.5	7.5	8.5
Above Rs.2 lakh	8.0	10.0	7.5	10.0	7.5	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.
** Wasteland development has also been extended these rates.
Note : 1. Interest rates on farm mechanisation, rural godowns, agri-clinics and agri-business has been fixed at 8.5 per cent with effect from February 1, 2002 and 9.5 per cent on loans for non-conventional energy investments for all disbursements made on or after January 24, 2002.
2. In respect of externally aided projects, the rate of interest as per provisions contained in the agreement would apply.
3. As on March 15, 2002 interest rates refinance against rural housing for loans up to Rs. 1 lakh, Rs. 1-2 lakh and above Rs. 2 lakh were 8.5 per cent, 9.5 per cent and 10.0 per cent, respectively.
Source: NABARD.

3.53 Low disbursement of RIDF funds compared to the sanctioned amounts has been an area of concern and, accordingly, several measures were initiated to address this issue. For example, apart from State Governments, *Panchayati Raj* institutions were made eligible to implement RIDF projects. New types of projects were also included within the scope of RIDF. The rate of interest on RIDF loans has been reduced from 10.5 per cent to 8.5 per cent. Simultaneously, a decision has been taken that, in future, interest on RIDF loans would be fixed at the prevailing bank rate plus 2 per cent. To encourage State Governments to introduce reforms in agriculture and rural sectors, assistance to States from RIDF would be linked to such reform efforts. With the result, the ratio of loan disbursed to loan sanctioned improved from 49.9 per cent as on March 31, 2001 to 55.7 per cent as on March 31, 2002. State-wise sanctions and disbursements under different tranches of RIDF are presented in Appendix Table III.4.

Table III.15: Deposits Mobilised under RIDF

(Rs. crore)

Year	RIDF-I	RIDF-II	RIDF-III	RIDF-IV	RIDF-V	RIDF-VI	RIDF-VII	Total
1	2	3	4	5	6	7	8	9
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
1999-00	67	539	797	605	300	—	—	2,307
2000-01	—	161	412	440	850	790	—	2,654
2001-02	—	155	264	—	689	988	1,495	3,591
Total	**1,587**	**2,225**	**2,120**	**1,245**	**1,839**	**1,778**	**1,495**	**12,288**

Source: NABARD.

Table III.16: Cumulative Sanctions and Disbursements under Different Tranches of RIDF (As on 31 March 2002)

(Rs. crore)

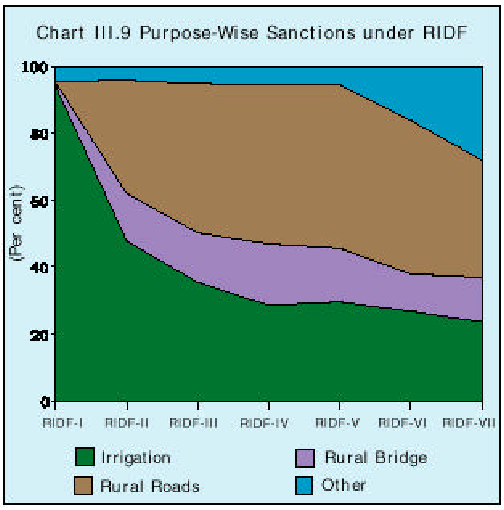
RIDF Tranche	Corpus	Amount Sanctioned*	Amount Phased	Amount Disbursed
1	2	3	4	5
RIDF I	2,000	1,911	1,911	1,761
RIDF II	2,500	2,620	2,620	2,250
RIDF III	2,500	2,693	2,693	2,183
RIDF IV	3,000	2,988	2,988	1,863
RIDF V	3,500	3,568	3,568	1,969
RIDF VI	4,500	4,586	3,872	1,899

RIDF VII	5,000	5,066	1,479	1,117
Total	**23,000**	**23,432**	**19,131**	**13,042**

* Excluding schemes withdrawn.
Source: NABARD.

Supervision

3.54 Among the rural co-operative banks, only StCBs and CCBs are covered under the scope of the B.R. Act, 1949. The RBI is the regulatory authority for such banks, while their supervision has been entrusted to NABARD, which has concurrent power for the same. NABARD has constituted a Board of Supervision for the rural co-operative banks. In line with the CAMELS supervisory rating model for commercial banks, NABARD has introduced a CAMELSC (capital adequacy, asset quality, management, earnings, liquidity, systems/procedures and compliance) supervisory rating model for the rural co-operative banks. A mechanism for off-site surveillance has also been put in place since 1998-99.



3.55 During 2001-02, NABARD conducted statutory inspection of 17 StCBs and 184 CCBs. Inspection of 8 SCARDBs and one apex institution was also conducted during the year. Monitoring visits were also made in respect of 51 weak rural co-operative banks.

Table III.17: Purpose-wise Amount Sanctioned under RIDF (As on March 31, 2002)

(Rs. crore)

Purpose	RIDF-I	RIDF-II	RIDF-III	RIDF-IV	RIDF-V	RIDF-VI	RIDF VII	Total	Percent-age Share
1	2	3	4	5	6	7	8	9	10
Irrigation	1,796	1,255	954	853	1,053	1,227	1,196	8,333	35.6
Rural Bridges	25	369	398	548	575	509	666	3,090	13.2
Rural Roads	3	887	1,199	1,426	1,742	2,109	1,784	9,151	39.1
Others*	86	109	142	161	199	742	1,420	2,859	12.2
Total	**1,911**	**2,620**	**2,693**	**2,988**	**3,568**	**4,586**	**5,066**	**23,432**	**100.0**

* Others include : Watershed Development, Flood Protection, Market yard /Godowns, CADA, Drainage, Cold Storage, Fisheries, Forest Development, Inland Waterways, Primary Schools, Rubber Plantations, Public Health, Seed/Agri/Horticulture Farms, Rural Drinking Water, Soil Conservation, Citizen Information Centres, Food Park, System Improvement.
Source : NABARD.

4. Other Major Developments on Rural Credit

Kisan Credit Card

3.56 The *Kisan* Credit Card scheme (KCC), introduced in 1998-99, has been successful in increasing credit to farmers. The personal insurance package linked to KCCs announced in the Central Government Budget 2001-02, has been operationalised. Loans disbursed under KCCs have also been brought under *Rashtriya Krishi Bima Yojana* of the General Insurance Corporation. Furthermore, KCC holders are being provided personal accident insurance cover of Rs. 50,000 for death and Rs. 25,000 for disability. Against the target of 1 crore KCCs to be issued during 2001-02, 93 lakh KCCs were issued, of which, 62.7 lakh cards were issued by cooperative banks and RRBs. Since inception till the end of March 2002, cumulatively more than 2.32 crore KCCs have been issued of which RRBs and co-operative banks issued 1.65 crore KCCs, involving credit limit of Rs. 33,994 crore. In order to ensure the access of small and medium farmers to facilities under KCC, the floor limit of Rs. 5,000 has been dispensed with from 2001-02. The annual policy Statement of April 2002 had proposed a survey for assessing the impact of the KCC Scheme on the benefeciaries. Accordingly, preparatory work has been initiated to conduct a survey with the help of an outside agency.

Micro Finance Innovations

3.57 Micro finance schemes in India have emerged as major avenues for bringing the poor within the purview of the organised financial sector. Such schemes also have distinct roles in eradication of poverty (Box III.2). The Central Government Budget for 2002-03 announced that the scheme of micro credit through Self Help Groups (SHG)-bank linkage would link one lakh additional SHGs to banks during 2001-02 and thereby take the total since inception to more than 3.5 lakh covering more than 70 lakh families.

3.58 NABARD assumes a key role in the development and promotion of SHGs and other micro finance institutions, and provides refinance at special rates. As against the target of providing bank loans to 1 lakh new SHGs during 2001-02, such loans were extended to nearly 2 lakh new SHGs. Moreover, the quantum of loan disbursed during 2001-02, at Rs. 545 crore, was much higher than the Rs. 288 crore disbursed in 2000-01. Refinance availed by banks against micro finance loans also increased to Rs. 396 crore in 2001-02 (Rs.251 crore in 2000-01). Since inception of the micro finance scheme till March 31, 2002, cumulatively 4.6 lakh SHGs covering 78 lakh poor households have been provided bank loans aggregating Rs. 1,026 crore. Refinance of Rs. 796 crore was provided against such loans.

Box III.2: Micro Finance: Emerging Issues

The access to credit for the poor from conventional banking is often constrained by lack of collaterals, information asymmetry and high transaction costs associated with small borrowal accounts. Micro finance has emerged as a viable alternative to reach the hitherto unreached for their social and economic empowerment through social and financial intermediation. It is well documented that timely and adequate access to credit can help alleviate poverty. Proponents of micro finance argue that by adapting to certain characteristics of informal credit markets, it is possible for even the organised financial intermediaries to lend to the poor at market determined interest rate with high rates of recovery and low transaction costs. Micro finance involves provision of thrift, credit and other financial services and products of very small amounts to the poor for enabling them to raise their income levels and thereby improve living standards. In operational terms, micro credit involves small loans, up to Rs. 25,000, extended to the poor without any collateral for undertaking self-employment project. The approach of the micro finance institutions (MFIs) is to build in an incentive compatible method to ensure high repayment rates and reduction in transaction cost. Group lending with peer monitoring is a common method applied by many MFIs to ensure such objectives.

The *Grameen Bank* model, developed originally in Bangladesh, is one of the most popular models of MFI and has been replicated in various parts of the world. Under this model, non-government organisations (NGOs) form and develop self-help groups (SHG) and provide credit to them. The dominant models of micro credit in India are, however, different from the *Grameen Bank* model. In India three main models of micro credit are being followed. Under the first model, banks themselves assume the role of Self Help Promoting Institutions (SHPIs) by promoting formation of SHGs and extending loans to them. Under the second model, groups are formed and nurtured by NGOs, Government Agencies or other community based organisations. These agencies act as facilitators. Banks open saving accounts of the SHGs formed and nurtured by the NGOs and provide them credit in due course of time. This is the most popular and wide spread model of micro credit in India. Under the third model the NGOs (SHPIs) promote formation of SHGs. Banks provide bulk assistance to these SHPIs for undertaking financial intermediation. NGOs, here, thus act as both facilitators and micro finance intermediaries. The share of this model in total micro finance in the country is much less than the first two models. However, in years to come, this model is likely to be found more convenient by banks when large number of SHGs would be required to be provided micro finance by small sized branches of banks.

Micro finance services are generally routed through the conduit of self-help groups (SHGs). SHGs have made rapid strides in India particularly in terms of number of SHGs. SHGs have exhibited tremendous scope for democratic set up, group dynamism, business like functioning and efficiency in recycling funds with excellent repayment culture. However, of late, some new issues and concerns have surfaced in the evolution of micro finance. The coverage of the poor is not satisfactory. The present average amount of loan at Rs. 1,360 per poor family is not sufficient to help the poor to cross the poverty line. MFIs are currently only credit providers and are unable to provide other services like savings, insurance, etc., which are critical in reducing vulnerabilities of the poor. Furthermore, the existing savings and loan products are not sufficient to suit the requirements of the poor *viz*, consumption, housing, education, etc. In addition, the spread of micro finance has been uneven across the States - five States *viz*, Andhra Pradesh, Tamil Nadu, Uttar Pradesh, Orissa and Maharashtra accounting for three fourths of SHGs.

The absence of quality agencies for social intermediation is limiting not only the spread but also the sustainability of micro finance. Capacity building of NGOs has become a huge task. Further, the adoption of SHG approach under Government sponsored programmes like SGSY with capital subsidy component has a dampening effect on micro finance. It has been argued that the operating costs of micro finance are generally high, leading to high interest rates for the poor.

Cross-country experiences are replete with well documented success stories from countries like Bangladesh, Sri Lanka and Zambia involving NGOs in the mission of helping the poor by organising and promoting self-employment projects like fisheries, garment industry, restaurants, rural bakeries, etc. In order to achieve this, it is often argued that there is need for higher and diversified financial assistance under micro finance, besides scaling up the same evenly across the States especially in underdeveloped areas. Another issue being deliberated upon is defining codes of conduct for NGOs, SHGs, etc. In order to reduce the transaction costs and to improve the operational efficiency, innovative technologies are suggested for adoption. Further, for enhancing the credibility of micro finance, the issues such as regulation, supervision, disclosure guidelines, capital adequacy, etc., are suggested. To start with, it is argued that self-regulatory organisation (SRO) should be promoted to take advantage of the informal set up of micro finance institutions. This apart, financial prudence parameters, uniform performance standards and reporting systems may also be evolved. The SHGs have to eventually graduate into viable enterprises to help members to cross the threshold of poverty.

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3.59 Following the past trend, Andhra Pradesh continued to lead in linking new SHGs to banks during 2001-02. Andhra Pradesh alone accounted for nearly 40 per cent of new SHG-bank linkages during the year. Other states, which accounted for a large portion of new linkages, include Tamil Nadu (15 per cent), Karnataka (9 per cent), Orissa (6 per cent) and Uttar Pradesh (6 per cent). Around 90 per cent of the SHGs linked to banks were exclusively women SHGs and evaluations show that repayments of loans by SHGs to banks were consistently over 95 per cent.

3.60 The number of Self-Help Promoting Institutions (SHPIs) participating in the linkage programmes more than doubled to 2,155 as on March 31, 2002, with 44 SCBs and 191 RRBs joining the linkage programme. Among credit cooperatives, 209 have already joined the scheme. During the current year 2002-03, RBI is planning a series of interactive sessions to review the progress made in this vital area and to put in place a more vibrant micro-finance delivery environment in the country where complementary and competitive models of micro-finance would be encouraged. Banks generally lend to SHGs against group guarantee without insisting on any security. Considering the high recovery rate in respect of banks' advances to SHGs and that this programme helps the poor, it has been decided that unsecured advances given by banks to SHGs against group guarantees would be excluded for the purpose of computation of prudential norms on unsecured guarantees and advances until further notice. The matter would be reviewed after a year in the light of growth in aggregate unsecured advances, and the recovery performance of advances to SHGs.

1 Under the Banking Regulation (B.R.) Act, 1949 only Urban Co-operative Banks (UCBs), State Co-operative Banks (StCBs) and District Central Co-operative Banks (CCBs) are qualified to be called as banks in the co-operative sector. The discussion in this Chapter also covers issues relating to other credit co-operatives namely, Primary Agricultural Credit Societies (PACS) and the long-term structure of rural credit co-operatives.

2 The number 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. Accordingly, data for different periods

need not necessarily be comparable.

3 Demand is amount due as on a particular date. It includes both interest and principal repayment due as on that date.

Chapter IV
Financial Institutions

In the pre-reform era, financial institutions (FIs) were largely engaged in providing medium- and long-term loans predominantly in the form of project finance. They had access to low cost funds like concessional long term operation (LTO) funds, government guaranteed funds from bilateral/ multilateral agencies and issues of statutory liquidity ratio (SLR) bonds. Over the years, the FIs played a pivotal promotional role by providing risk capital, underwriting new issues, arranging for foreign currency loans, identifying investment projects and preparing and evaluating project reports. They also provide technical advice, market information about both domestic and export markets, and management services.

4.2 The functional barriers amongst different types of financial intermediaries are, however, getting blurred with increasing competition and deregulation. FIs are facing new challenges both on the asset and liability sides. Concessional sources of funds, having dried up, FIs are raising resources including short-term funds at market-related rates. On the asset side, the distinction between banks and FIs are getting blurred as both are offering long- and short-term financing. In view of such changes, asset-liability management, prudential norms, accounting standards and disclosure norms are becoming increasingly important for FIs.

4.3 FIs and banks together face competition from market-based modes of financing. Dominance of one system over the other varies from one country to another; but available evidence does not support the superiority of any system in optimal allocation of resources. In fact, existence of both financial intermediary-based and market-based modes of financing are considered essential for efficient allocation of resources (Box IV.1).

4.4 The wide variety of FIs existing in India could be broadly classified into all-India financial institutions (AIFIs), State level institutions and other institutions. The FIs within these groups can be further categorised according to their main activities/functions: (a) all India development banks[1] comprising IFCI Ltd., Industrial Development Bank of India (IDBI), Small Industries Development Bank of India (SIDBI), and Industrial Investment Bank of India Ltd. (IIBI); (b) specialised financial institutions comprising Export Import Bank of India (EXIM Bank), IFCI Venture Capital Funds (IVCF, formerly RCTC) Ltd., ICICI Venture Ltd. (formerly TDICI), Tourism Finance Corporation of India (TFCI) Ltd., and Infrastructure Development Finance Company (IDFC) Ltd.; (c) investment institutions such as Life Insurance Corporation (LIC), Unit Trust of India (UTI) and General Insurance Corporation (GIC)[2] and four erstwhile subsidaries; and (d) refinance institutions such as National Housing Bank (NHB) and National Bank for Agriculture and Rural Development (NABARD). State Financial Corporations (SFCs) and State Industrial Development Corporations (SIDCs) are the State level FIs. Export Credit Guarantee Corporation of India (ECGC) Ltd. and Deposit Insurance and Credit Guarantee Corporation[3] (DICGC) are some of the other FIs. Among the AIFIs, only nine AIFIs[4] fall within the regulatory and supervisory domain of the RBI (Chart IV.1).

Box IV.1: Financial Intermediary-based *versus* Market-based Financing

The literature on the comparative role of financial intermediary-based as opposed to market-based debt in financing the corporate sector tries to theorise different conditions under which one form of finance would be advantageous over the other. Several benefits are cited in favour of a financial intermediary-based system. It has been argued that there are higher costs associated with market-based finance which places small firms in a relatively less privileged position to access such markets. The possibility of long-term relationship or commitment between borrower and the lender can also engender a preference for financial intermediary-based finance. This is because financial intermediaries are often better placed in providing long-term finance to firms due to *inter alia* specialisation in transfer of funds, expertise in credit appraisal and monitoring, enforcement of specific contractual covenants and debt renegotiation under distress. The theory on "life cycle" of financing behaviour of a firm indicates that relatively new firms would be more dependent on institutional finance and with maturity firms would increase their dependence more on market-based debt instruments. The proponents of intermediation based on "control" argue that intermediaries are better placed to exercise such controls. As for market-based finance, it is felt that markets provide liquidity and permit risk sharing. They also enable continuous valuation/revaluation of portfolios.

Different countries have followed different models. Most of the finance for corporates in industrialised countries is generated internally. As a source of external finance, institutional financing is more dominant in countries like Germany, France, Italy and Japan, while market-based financing is more prevalent in the United States. Notwithstanding these broad patterns, the relative importance of various sources of finance has undergone significant cyclical fluctuations and changes over time. In countries like Germany and Japan, for instance, where institutions have historically played a dominant role, capital markets are becoming increasingly important. This is partly due to the growing role of institutions in the capital market. On the other hand, in the United States, there are growing pressures on institutions to play a greater role in corporate finance.

It has been argued that the differences in institutional structures, tax regimes, stages of development of capital market were important reasons for the sharp differences in financing pattern of firms, between industrialised and industrialising countries.

India has, historically, followed a financial-intermediary-based system, where banks and FIs played a dominant role. The corporate financing patterns in India indicate that, on average, internal sources constitute about one-third of total sources of funds, while external sources account for the rest. Taking together all sources of finance from the capital market, *i.e*., equity capital and debentures, their share was particularly important during the period 1991-92 to 1994-95, but declined thereafter. The share of borrowings in total sources has moved inversely with equity financing in the post-reform period. Of the various components of borrowings, bank borrowings generally constitute the most important source, followed by borrowings from FIs and through debentures.

With the initiation of financial sector reforms, the avenues for raising long-term finance for the Indian corporates are undergoing some shift. While corporates now have increased access to international capital markets, the channelisation of funds from the traditional source of long-term finance to the corporate sector, i.e., development financial institutions (DFIs) have been slowing down. After the East Asian crisis, a view has emerged according to which a multi-agency approach for meeting the demand for long-term funds would be both effective and efficient. A multi-agency approach is better since it diversifies the risks in the system and increases efficency through enhanced competition. Under such an approach, the equity market, the debt market, banks and financial institutions should together meet the long-term financing needs of the corporates.

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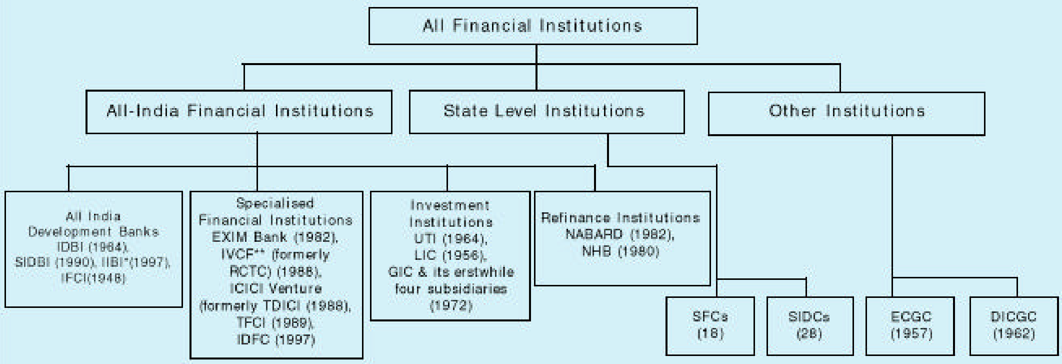
4.5 Due to merger of ICICI Ltd. with ICICI Bank Ltd. with effect from March 30, 2002 the balance sheet data for ICICI Ltd. as on March 31, 2002 do not exist. The flow data on sanctions and disbursements, resources raised from the capital market and money market operations during 2001-02 (up to March 29,2002), however, are available for ICICI Ltd.

4.6 During 2001-02, for the first time in the last four years, both financial assistance sanctioned and disbursed by AIFIs (including ICICI Ltd.) declined by 36.9 per cent and 20.6 per cent, respectively, to Rs.72,878 crore and Rs.56,985 crore which can be attributed to the economic slowdown, in general, and deceleration in the growth of the industrial sector, in particular. Concomitantly, the share of fresh deployments of funds in the total uses of funds by AIFIs (excluding ICICI Ltd.) also declined. The institutions seemed to have taken advantage of the softer interest rate environment and increased the share of external sources in the total sources of funds. Simultaneously, the share of repayment of past borrowings in total uses of funds also increased.

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 institution 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.

4.7 The industrial slowdown and exposure to certain industries have adversely impacted the assets and margins of some FIs, such as IFCI, IDBI and IIBI. The share of net NPAs in net loans as at end-March 2002 was highest in the case of IIBI at 24.1 per cent followed by IFCI (22.5 per cent), TFCI (20.2 per cent) and IDBI (13.4 per cent). Return on assets in the case of IFCI (-4.0 per cent) was lowest among the FIs while for IDBI, it was 0.6 per cent. The CRAR of IFCI at end-March 2002 at 3.1 per cent was the lowest amongst the FIs. Owing to liquidity constraints, IFCI could not meet certain liabilities on time in respect of bonds issued by it which fell due during the year. The overdue amount was Rs. 902 crore as on March 31, 2002. The Central Government has provided support through subscription to the 20-year convertible bonds issued by IFCI for Rs. 400 crore, which qualify as tier I capital. In addition, major shareholders of IFCI, *viz.*, IDBI, SBI and LIC were to extend assistance of Rs. 200 crore each to shore up the capital adequacy ratio of IFCI.

In view of the deterioration in the quality of assets and the profitability of the FIs some restructuring seems imperative.

4.8 Resource mobilisation by mutual funds continued to decline during 2001-02. Net resource mobilisation by all mutual funds declined by 27.9 per cent to Rs.8,024 crore from Rs.11,135 crore in the previous year mainly due to a large outflow in the case of UTI and lower resource mobilisation by other public sector mutual funds. Net resource mobilisation by private sector mutual funds, however, increased by 50.4 per cent, but it remained below its record level during 1999-2000. The composition of the portfolio of mutual funds changed in favour of debt instruments.

1. Regulation and Supervision of Financial Institutions

Policy Developments

4.9 Several policy initiatives were undertaken by the RBI during 2001-02 in respect of the nine FIs falling within the regulatory and supervisory domain of the RBI (details in the Annex on chronology of various policy measures). Some of the major policy developments are presented here.

Prudential Norms

Assets Classification of the Projects under Implementation -Time Overrun

4.10 Under the original policy (effective March 1994), a time overrun of upto 50 per cent of the originally envisaged time-schedule was permitted for projects under implementation before downgrading the asset to sub-standard category. Subsequently in June 1996, a onetime refixing of time period for projects with the approval of the Board of the FI was allowed even if the time overrun had exceeded 50 per cent and the asset could be treated as standard till the time refixed by the Board of the FI. Upon review, it was observed that time overruns adversely affect the viability of projects as well as impair the quality of loans and advances extended by FIs. To ensure that loan assets relating to projects under implementation are appropriately classified and asset quality correctly reflected, a definite time frame for completion of projects was evolved. For the purpose, such projects were grouped into three categories for determining the reference date to be used for asset classification. Accordingly, the RBI issued new guidelines, effective March 31, 2002 (Box IV.2).

Overdue Period for the Principal Amount Reduced for NPAs of FIs

4.11 With effect from the year ending March 31, 2002 FIs are classifying an asset as non-performing, if interest and/or instalment of principal remain overdue for more than 180 days instead of the overdue period of 365 days for principal earlier.

Risk-Weight on Staff Loans and Advances

4.12 A risk-weight of 20 per cent has been assigned on all loans and advances granted to FIs own employees which are fully covered by superannuation benefits and mortgages of flats/ houses. All other loans and advances granted to their own employees are subject to 100 per cent risk-weight.

Box IV.2: Guidelines for time Overrun in Projects under Implementation and Classification of Assets

To ensure that loan assets with respect to projects under implementation are classified appropriately and asset quality correctly evaluated, projects under implementation have been classified under the following three categories:

Category I: *Projects where financial closure had been achieved and formally* *documented.*

In such cases, usually involving infrastructure or large value manufacturing projects financed post 1997, the two year time period is to be counted from the date of completion of project, as envisaged at the time of original financial closure. The asset is to be treated as standard for a period not exceeding two years beyond the date of completion, envisaged at the time of initial financial closure of project. In case of projects where the financial closure has not been formally documented, the norms enumerated for category III would apply.

Category II: *Projects with original project cost of Rs. 100 crore or more.*

Such projects (sanctioned prior to 1997) where the date of financial closure had not been formally documented, an independent Group was constituted with experts from outside as well as lending institutions to decide on a project-by-project basis, the deemed date of completion of the project. The asset in this category, is to be treated as standard only for a period not exceeding two years beyond the deemed date of completion of project.

Category III: *Projects with original project cost of less than Rs. 100 crore* .

For projects (sanctioned prior to 1997), where financial closure has not been formally documented, the date of commencement of commercial production is to be deemed as the date exactly two years after the date of completion of project, as originally envisaged at the time of sanction. The asset is to be continued to be treated as standard only for a period not exceeding two years beyond the originally envisaged date of completion of project.

In all the three categories, in case of time overruns beyond the aforesaid periods of two years, the asset is to be classified as sub-standard regardless of the record of recovery and provided for accordingly. For projects to be financed by FIs in future, the date of completion should be clearly indicated at the time of financial closure. If the date of commencement of commercial production extends beyond six months after the originally envisaged date of project completion, the account should be treated as substandard. To ensure uniformity in interpretation, the term ‘financial closure’ for projects was standardised. For greenfield projects, financial closure is a legally binding commitment of equity holders and debt financiers to provide/mobilise funding for at least 90 per cent of total cost, thereby securing the construction of the facility.

Treatment of Preference Shares for Capital Adequacy of FIs - Grant Equivalent

4.13 Under the extant instructions (effective April 1999), the amount of “grant equivalent” in respect of preference shares of 20-year original maturity issued by the FIs, is permitted to be reckoned as an element of tier I capital of the FI. The instructions for computation of the amount of “grant equivalent” were modified with effect from November 29, 2001 to obviate certain anomalies observed. Accordingly, for such preference shares, the amount of “grant equivalent” reckoned towards tier I capital of FIs is to be computed after making certain adjustments on account of present value (PV) of dividend outflows, dividend tax and tax on income from investment[5]. If the balance amount after creating the corpus is not deployed in separate identifiable investments/securities but instead utilised as working funds, then cash inflow on account of income thereon is computed as notionally equivalent to the return on average working funds in the preceding financial year.

Conversion of Debt into Equity or other Instruments

4.14 As part of restructuring of borrowal accounts, the debt outstanding is, at times, converted into certain financial instruments which would normally comprise the principal and interest components. If interest dues are converted into equity or other instruments, the income recognised in consequence shall be fully provided for. This would be in addition to the provision made towards depreciation in value of equity/other instruments, as per investment valuation norms. If interest is, however, converted into equity which is quoted, interest income can be recognised at market value of equity on the date of conversion. Such equity would be then classified as "available for sale" and valued at lower of cost or market value.

4.15 The debentures issued for conversion of principal and /or interest in respect of NPAs should be treated as NPA, *ab initio*, in the same asset classification applicable to the loan prior to conversion, with usual normative provisions. This is also applicable to zero coupon bonds or other instruments seeking to defer the liability of the issuer. On such debentures, income should be recognised only on realisation basis. The income in respect of unrealised interest converted into debentures or any fixed maturity instrument is to be recognised only on redemption of such instrument. The equity shares or other instruments arising from conversion of principal amount of loan are also subject to the usual prudential valuation norms, as applicable to such instruments.

Corporate Debt Restructuring

4.16 A three-tier corporate debt restructuring (CDR) system was introduced on August 25, 2001. This is applicable only to multiple banking/syndicates/consortium accounts, in the standard and sub-standard categories, with outstanding exposure of Rs.20 crore and above with banks and FIs. FIs should disclose accounts restructured under this system, under the standard and sub-standard categories as also in aggregate, separately, in the annual reports under "notes to accounts".

Classification and Valuation of Investments

Treatment of Preference Shares

4.17 Preference shares, excepting convertible preference shares, with definite maturity period can be included in the held to maturity (HTM) category irrespective of maturity period, subject to the following:

- Preference shares acquired as a part of project financing, and meeting the extant criteria for treating bonds and debentures as 'in the nature of advance' should be treated as in the nature of advance. Such shares are not counted towards the ceiling of 25 per cent on investments in HTM category and valued by notionally extending asset-classification norms on outstanding loans of issuing company and provision for depreciation is also accordingly made. If loans are in standard category, provision as applicable to standard loan assets is required for depreciation in the value of shares. If loans are in doubtful category, the preference shares held are treated as an unsecured facility and fully provided for.
- All other preference shares in HTM category are to be reckoned within the ceiling of 25 per cent for investments in HTM category. Such shares should be valued at acquisition cost unless acquired at a premium, in which case, the valuation ought to be at amortised cost. Any diminution, other than temporary, in value should be determined and provided for each investment individually and not be set off against appreciation in other preference shares.

Valuation of non-HTM Preference Shares

4.18 In view of the modification in the tax treatment of dividend on shares by the Central Government Budget 2002-03, the norms for valuation of preference shares were also modified and a revised formula for valuation of preference shares in AFS and HFT categories was prescribed as follows:

(1) a) Yield to maturity (YTM) of the preference share is to be determined as per its cash flow profile;

b) Obtain YTM on government security of equivalent residual maturity; add applicable credit spread/risk premium as per the rating of the preference shares; [in case of unrated preference shares, the aforesaid credit/risk premium should be determined as per the extant norms detailed below at item (2)]

c) Value the preference shares as per the following formula :

$$\frac{\textbf{YTM of the Preference share}}{\text{rate arrived at step (b)}} \times 100.$$

(2) For unrated preference shares, the credit spread/risk premium added to YTM of specified government security is determined in the following manner:

a) In case the company issuing unrated preference shares has other rated instruments which are outstanding, then a rating one full-notch below that rating should be arrived at (for instance, for a ‘AAA’ rating, only ‘AA’ rating is reckoned). If more than one rated instrument issued by the company is outstanding, then rating of that instrument which has been assigned the rating most recently is reckoned. The risk spread corresponding to such rating, as announced by Fixed Income Money Market and Derivatives Association (FIMMDA), would be the spread to be added to the YTM of the government security;

b) In case, no other instrument of the company issuing the preference shares has been rated and is outstanding, then a credit spread not less than the spread applicable to bond of minimum investment grade, i.e., a ‘BBB’ rated bond, would be added to the YTM of the government security.

Ceiling on YTM Valuation of Preference Shares

4.19 The restriction of not valuing preference shares above their redemption value stands withdrawn. Unquoted preference shares are to be valued on YTM basis, even if it results in higher than redemption value. For equity shares, if the market quotation is more than 30 days old it is reckoned as an unquoted investment and valued at break-up value. The market price for valuation of quoted equity shares is the price derived for reasonable volume of transactions between two independent parties, in an arms-length relationship, and not just a solitary trade for small volume transactions.

4.20 The thinly traded equity is identified as having monthly trading of less than Rs. 5 lakh or total trading volume less than 50,000 shares. If stock exchange identifies such securities, the latest quotation should be used for valuation. If stock exchange does not provide identification information, FIs may determine whether the share is a thinly traded one, and use the latest quotation for valuation.

The Age of “Latest” Balance Sheet

4.21 In view of genuine operational problems faced by the FIs in valuation of unquoted equity shares of companies which close their annual accounts on dates other than March 31, the latest balance sheet for determining the break up value should not be older than 21 months as on valuation date, failing which, the equity shares would be valued at Re. 1/- per company.

Tenor of Bonds/Debentures Deemed to be in the Nature of Advance

4.22 Reckoning the predominantly long-term nature of loan assets of FIs, the exemption available at present, from the 25 per cent ceiling for HTM category of investments, in respect of debentures/bonds acquired by FIs as part of working capital finance with a maturity of less than one year, was removed. Debentures/bonds with tenor of three years and more, acquired through private placement, with the FI holding at least 10 per cent stake in the issue, would only be deemed to be in the nature of advance and included in HTM category, but excluded for the purpose of 25 per cent ceiling on HTM category. All debentures/ bonds of less than three-year tenor are to be placed in the available for sale (AFS) or held for trading (HFT) category and if kept in HTM category, these are to be reckoned within the 25 per cent ceiling.

Wilful Defaulters

4.23 The RBI, in consultation with the Central Government, constituted a Working Group on Wilful Defaulters (WGWD), (Chairman : Shri S. S. Kohli). The Group submitted its report in November 2001. As per the new definition, a wilful default would be deemed to have occurred if any of the following events is noted: (a) the unit has defaulted in meeting its payment/ repayment obligations to the lender even when it has the capacity to honour the said obligations; (b) the unit has defaulted in meeting its payment/repayment obligations to the lender and has not utilised the finance from the lender for the specific purposes for which finance was availed of but has diverted the funds for other purposes; and (c) the unit has defaulted in meeting its payment/repayment obligations to the lender and has siphoned off the funds and these have not been utilised for the specific purpose for which finance was availed of, nor are the funds available with the unit in the form of other assets.

4.24 No additional facilities should be granted by any bank or FI to the listed wilful defaulters. In addition, the entrepreneurs or promoters of companies where banks or FIs have identified siphoning/diversion of funds, misrepresentation, falsification of accounts and fraudulent transactions should be debarred from institutional finance from scheduled commercial banks, DFIs, Government owned NBFCs, investment institutions, etc. for floating new ventures for a period of five years.

Additional Disclosures

4.25 To enhance transparency in the annual reports of FIs and in consonance with international best practices, additional disclosures of certain parameters were considered desirable and were made effective from the financial year 2001-02. These disclosures relate to publication of movement in provisions held towards NPAs and depreciation in investment portfolio and are to be made in the annual reports as part of "notes to accounts". This would enable authentication of such information by the auditors. The disclosures are to be made even if the information is contained elsewhere in the annual report. The prescribed disclosures constitute the minimum, and it is considered desirable for FIs to make further disclosures.

Supervision of Financial Institutions

On-site Inspection

4.26 The RBI commenced on-site inspection, once in two years, of select all-India FIs, since 1995 under Section 45 N of the RBI Act, 1934. The process was strengthened with the introduction of annual inspections effective March 31, 2001 and all supervised FIs were inspected under inspection cycle 2001-02 accordingly. Inspection cycle 2002-03 has been initiated and inspection of all 9 FIs falling under RBI supervision has been scheduled with reference to balance sheet date of the FIs.

Prudential Off-site Surveillance System

4.27 A prudential supervisory reporting system (PSRS) for an on-going off-site surveillance as a part of the integrated supervisory strategy was introduced in July 1999. Effective quarter ended September 2001, the formats of returns were revised to reflect latest regulatory prescriptions and FIs have to submit all seven returns on a 'quarterly' basis. The prudential returns submitted by FIs are scrutinised and an analytical review is submitted to the Board for Financial Supervision (BFS). The Report for the quarter ended June 2002 has been submitted to BFS.

Other Policy Developments

Dematerialisation of Bonds/Debentures, CPs and CDs

4.28 In public interest, FIs were advised to issue certificates of deposits (CDs) and make fresh investments in Commercial Papers (CPs) only in dematerialised form effective June 30, 2001. All outstandings had to be converted into dematerialised form by October 31, 2001. Moreover, FIs were required to make fresh investments and hold bonds, debentures, privately placed or otherwise, only in dematerialised form with effect from October 31, 2001. Outstanding investments in scrip form had also to be converted into dematerialised form by June 30, 2002. As regards holding of equity instruments in demat form, the date would be notified in consultation with SEBI.

Minimum Size and Pricing of CDs

4.29 To expand the investor base for CDs, both the minimum and multiple requirements were reduced to Rs.1 lakh from the existing levels of Rs.10 lakh and Rs. 5 lakh, respectively. The amount relates to face value (i.e., maturity value) of CDs issued. In order to provide more flexibility for pricing of CDs and to give additional choice to both investors and issuers, banks and FIs may issue CDs on floating rate basis provided the methodology of computing the floating rate is objective, transparent and market-based.

Ready Forward Contracts

4.30 With the operationalisation of Clearing Corporation of India Ltd. (CCIL), modified instructions were issued to FIs which, *inter alia*, state that ready forward contracts would be settled through the participant's Subsidiary General Ledger (SGL) accounts with the RBI or through the accounts of CCIL with the RBI.

Exposure Norms for Refinancing Institutions (RFIs)

4.31 It was clarified that the credit exposure norms applicable to term lending institutions are also applicable to the refinancing institutions (*viz*. NABARD, NHB and SIDBI). Since refinancing is the core function of these institutions, their refinance portfolio, however, is not subject to such exposure norms. From a prudential perspective, however, RFIs should evolve credit exposure limits, even for the refinancing portfolio, with the approval of their Boards. These norms could, among others, be related to the capital funds or regulatory capital of the institution. Relaxation or deviation from such norms should only be permitted with prior approval of the Board.

Asset Liability Management (ALM) System -Treatment of Securities in the Trading Book

4.32 As some FIs are still in a nascent stage of developing risk management systems, and with a view to keeping the ALM system simple at the initial stages, it was decided that the 'trading book' may continue to be covered under the ALM system, till the ALM system stabilises and FIs are able to migrate to more sophisticated techniques for management of interest rate risk, separately for the banking and trading book. In the interregnum, the securities in the trading book may be slotted as per the residual maturity or re-pricing maturity for floating rate securities, as against the defeasance period prescribed earlier. Accordingly, the ALM guidelines in respect of the related items were amended.

Guidelines for Entry of all-India Financial Institutions into Insurance Business

4.33 On account of the interest evinced by some all-India FIs for entering into insurance business, guidelines regarding entry of FIs into insurance sector were issued in November 2001 (Box IV.3). The FIs are required to ensure that risks involved in insurance business do not get transmitted to the FI and that any risk that may arise from insurance business does not contaminate its principal business.

Box IV.3: Guidelines for Entry of All-India Financial Institutions into Insurance Business

A. Insurance business without risk participation

An FI having a net owned fund of Rs. 2 crore is permitted to undertake insurance business as an agent of insurance companies on fee basis, without any risk participation.

B. Insurance business with risk participation

An FI which satisfies the eligibility criteria given below is permitted to set up a joint venture company for undertaking insurance business with risk participation, subject to safeguards. The maximum equity contribution that the FI can hold in the joint venture company will normally be 50 per cent of the paid-up capital of the insurance company. On a selective basis, a higher equity contribution by a promoter FI may be permitted initially, pending divestment of equity within the prescribed period. The eligibility criteria for joint venture participant are: owned fund of at least Rs.500 crore, minimum CRAR of 15 per cent, NPAs not more than 5 per cent of outstanding loans and advances, and net profits for the last three consecutive years. Further, performance of subsidiaries, if any, should be satisfactory. There should be demonstrated compliance with the regulatory requirement of the RBI for raising of resources.

In case where a foreign partner contributes 26 per cent of equity with approval of Insurance Regulatory and Development Authority / Foreign Investment Promotion Board, more than one FI may be allowed to participate in the equity of the insurance joint venture.

No FI would be allowed to conduct business with risk participation departmentally. A subsidiary or a company in the same group of the FI or of another FI engaged in non-banking or banking business, will not normally be allowed to join the insurance company on risk participation basis.

FIs, not eligible as joint venture participants, can make investments up to 10 per cent of the owned fund of the FI or Rs.50 crore, whichever is lower, in the insurance company. Such participation is subject to certain eligibility conditions and will be treated as an investment and is without any contingent liability for the FI.

All FIs entering into insurance business as agents or investors or on risk participation basis have to obtain prior approval of the RBI.

2. Financial Position[6]

Financial Assets of All-India FIs

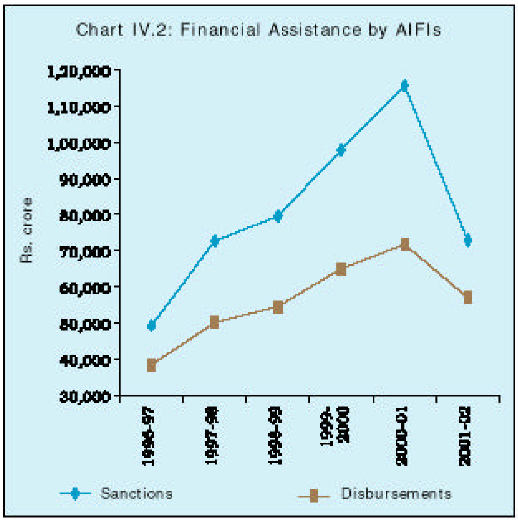
4.34 The aggregate financial assets of banks and FIs as at end-March 2002 at Rs. 17,58,032 crore recorded a growth of 9.2 per cent over the corresponding level of the previous year, lowest in the last ten years [Appendix Table IV.1 (A)]. There was a sharp decline in the growth of financial assets of FIs by 12.5 per cent as at end-March 2002 consequent to the merger of ICICI Ltd. with ICICI Bank. Accordingly, the share of FIs in the aggregate financial assets of banks and FIs as at end-March 2002 declined as compared to the previous year.

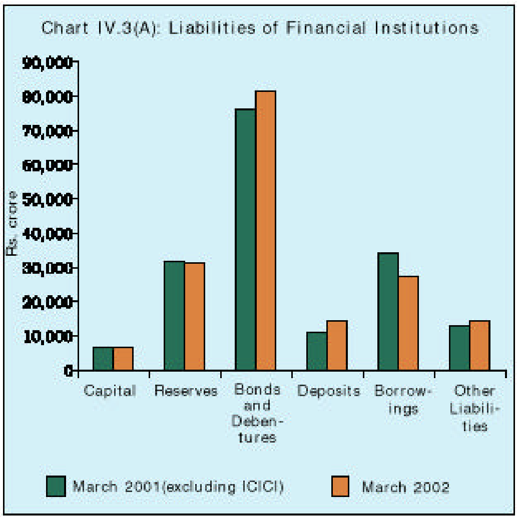
4.35 Among the AIFIs, NABARD recorded the maximum rise of 15.5 per cent in its financial assets, followed by IDFC (13.9 per cent) and EXIM Bank (11.1 per cent). There was decline in the financial assets of IDBI (6.6 per cent), IFCI (3.7 per cent) and NHB (1.4 per cent) [Appendix Table IV.1(B)].

Financial Assistance Provided by AIFIs[7]

4.36 Financial assistance sanctioned and disbursed by AIFIs during 2001-02 at Rs.72,878 crore and Rs.56,985 crore, respectively, declined by 36.9 per cent and 20.6 per cent over the previous year. During 2000-01 sanctions and disbursements had increased by 18.1 per cent and 10.3 per cent, respectively (Appendix Table IV.2 and Chart IV.2). The upward trend in financial assistance sanctioned and disbursed since 1996-97 was, thus reversed during 2001-02, mainly attributable to excess capacity in the industrial sector and lower effective demand. Financial assistance sanctioned by all-India development banks (AIDBs), which accounted for bulk of sanctions (86.1 per cent of total sanctions by AIFIs) declined by 35.0 per cent, while their disbursements declined by 24.2 per cent. During 2001-02, specialised financial institutions (*viz.*, IFCI Venture Capital Funds, ICICI Venture and TFCI) witnessed sharp increase in both sanctions and disbursements by 157.3 per cent and 242.8 per cent, respectively, to Rs.872 crore and Rs.869

crore. The sanctions and disbursements by investment institutions declined to Rs.9,238 crore (by 50.6 per cent) and Rs. 11,649 crore (8.9 per cent), respectively.





Assets and Liabilities Structure of FIs[8]

4.37 Total assets/liabilities of AIFIs as at end-March 2002 increased by 1.4 per cent over the previous year's level (excluding ICICI) (Appendix Table IV.3). As in the previous year, the composition of liabilities continued to move in favour of bonds and debentures and deposits. The combined share of bonds and debentures and deposits as at end-March 2002 stood at 54.7 per cent as compared to 50.3 per cent in the previous year. During the same period, the share of capital and reserves declined from 22.4 per cent to 21.6 per cent [Chart IV.3(A)].

4.38 Loans and advances (the major component on the asset side) recorded only 0.6 per cent growth over the previous year though its share in the total assets declined from 75.5 per cent as at end-March 2001 to 75.0

per cent at end-March 2002. The share of investments increased during the same period while that of cash and bank balances, bills discounted/ rediscounted and fixed assets declined [Chart IV.3 (B)].

Sources and Uses of Funds

Chart IV.3(B): Assets of Financial Institutions

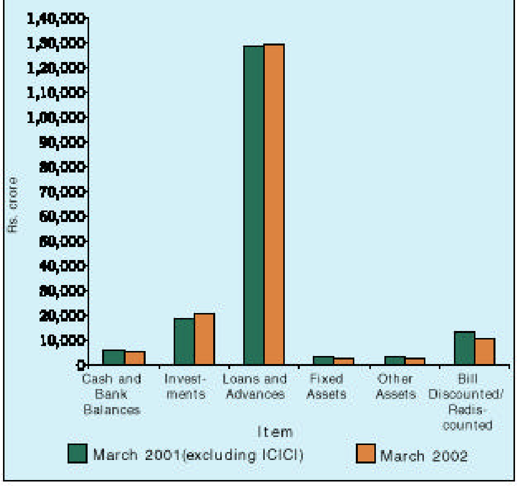
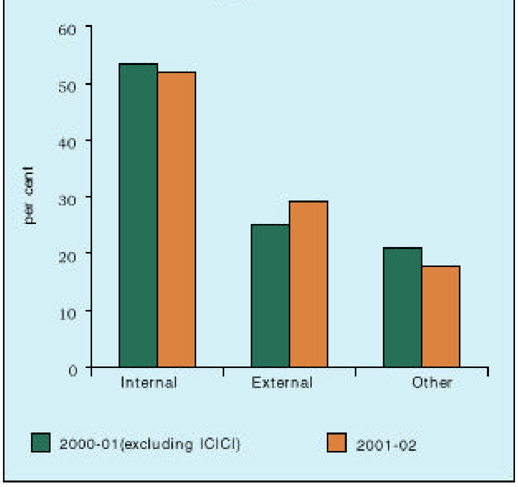
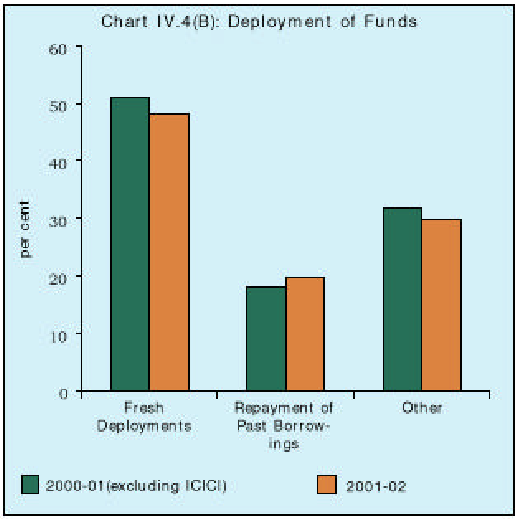


Chart IV.4(A): Sources of Funds





4.39 The dependence of FIs on external sources of funds increased during the year which may be attributed to the softer interest rate environment. The share of internal sources in the total sources of funds for FIs during 2001-02 was lower at 52.5 per cent as compared to 53.4 per cent in the previous year (excluding ICICI) (Appendix Table IV.4). The share of external sources during 2001-02 was 29.1 per cent as compared to 25.6 per cent in the previous year [Chart IV.4 (A)].

4.40 Reflecting the industrial slowdown, the share of fresh deployments in the total uses of funds declined to 49.5 per cent, while that of repayment of borrowings increased to 21.3 per cent during 2001-02 [Chart IV.4(B)].

Financial Performance of AIFIs[9]

4.41 The combined net profit of 9 AIFIs continued to decline during 2001-02. While income declined by 3.2 per cent, expenditure increased by 4.8 per cent, mainly due to a sharp increase of 97.3 per cent in provisions. Consequently, net profit showed a sharp decline of 46.5 per cent during 2001-02. The spread (net interest income) as ratio of total assets worsened from 1.55 per cent in 2000-01 to 1.27 per cent in 2001-02 (Table IV.1).

4.42 In order to meet the new disclosure requirements, FIs had been providing certain operating ratios from the year 2000-01 (Appendix Table IV.5). These include, among others, return on average assets, CRAR and net NPAs to net loans. IFCI continued to record negative return on average assets and net loss per employee. CRAR has been high in the case of all AIFIs, excepting IFCI. The ratio of net NPAs to net loans and advances is the highest in case of IIBI (24.1 per cent), followed by IFCI (22.5 per cent) TFCI (20.2 per cent) and IDBI (13.4 per cent).

Prime Lending Rates (PLRs)

4.43 There has been a softening of interest rates during 2001-02 (Table IV. 2). The long term PLR in respect of IDBI exhibited a decline from 14.0 per cent in March 2001 to 11.5 per cent in March 2002. Similarly, the medium and short term PLR also decreased from 13.0 per cent and 12.5 per cent, respectively, to 12.5 per cent and 12.0 per cent. In the case of IFCI, interest rates softened at the long end of the maturity spectrum but remained constant at the short end.

Table IV.1: Financial Performance of Financial Institutions*

(Amount in Rs. crore)

Item	2000–01	2001-02 (Excluding ICICI)		*Variation of* Column (4) over (2) Absolute	Percen-tage	Column (4) over (3) Absolute	Percen-tage
1	2	3	4	5	6	7	8
A. Income (i+ii)	**27,064.52 (100.00)**	**17,766.47 (100.00)**	**17,195.79 (100.00)**	**-9,868.73**	**-36.46**	**-570.68**	**-3.21**
i) Interest Income	24,721.22 (91.34)	15,885.05 (89.41)	15,516.49 (90.23)	-9,204.73	-37.23	-368.56	-2.32
ii) Other Income	2,343.30 (8.66)	1,881.42 (10.59)	1,679.30 (9.77)	-664.00	-28.34	-202.12	-10.74
B. Expenditure (i+ii+iii)	**23,745.46 (100.00)**	**14,984.68 (100.00)**	**15,708.43 (100.00)**	**-8,037.03**	**-33.85**	**723.75**	**4.83**
i) Interest Expended	19,571.50 (82.42)	13,194.72 (88.05)	13,287.37 (84.59)	-6,284.13	-32.11	92.65	0.70
ii) Provisions	1,576.15 (6.64)	657.25 (4.39)	1,296.97 (8.26)	-279.18	-17.71	639.72	97.33
iii) Other Expenses	2,597.81 (10.94)	1,132.71 (7.56)	1,124.09 (7.16)	-1,473.72	-56.73	-8.62	-0.76
of which : Wage Bill	476.34 (2.01)	377.30 (2.52)	404.82 (2.58)	-71.52	-15.01	27.52	7.29
C. Profit							
i) Operating Profit	**4,895.21**	**3,439.04**	**2,784.33**	**-2,110.88**	**-43.12**	**-654.71**	**-19.04**
ii) Net Profit	**3,319.06**	**2,781.79**	**1,487.36**	**-1,831.70**	**-55.19**	**-1,294.43**	**-46.53**
D. Total Assets	**2,46,525.84**	**1,73,112.11**	**1,75,520.47**	**-71,005.37**	**-28.80**	**2,408.36**	**1.39**
E. Financial Ratios (per cent) @							
i) Operating Profit	1.99	1.99	1.59				
ii) Net Profit	1.35	1.61	0.85				
iii) Income	10.98	10.26	9.80				
iv) Interest Income	10.03	9.18	8.84				
v) Other Income	0.95	1.09	0.96				
vi) Expenditure	9.63	8.66	8.95				
vii) Interest Expended	7.94	7.62	7.57				
viii) Other Operating Expenses	1.05	0.65	0.64				
ix) Wage Bill	0.19	0.22	0.23				
x) Provisions and Contingencies	0.64	0.38	0.74				
xi) Spread (Net Interest Income)	2.09	1.55	1.27				

@ Ratios to Total Assets.
* IDBI,TFCI,EXIM BANK,NABARD,SIDBI,IDFC,IFCI, IIBI and NHB which are regulated and supervised by the RBI.
Note: Figures in brackets are percentage shares to the respective total.

Resources Raised by Major Financial Institutions

4.44 During 2001-02, the total resources mobilised by the three major FIs [*viz.*, IDBI, ICICI (upto March 29, 2002) and IFCI] from the capital market aggregated Rs.18,735 crore registering an increase of 11.9 per cent over Rs.16,737 crore raised during 2000-01 (Table IV.3). The private placement market remained the dominant source of resources, as 73.5 per cent of the funds aggregating Rs.13,772 crore were raised through this route. The relative reliance on the private placement market, however, declined as these institutions raised substantial amount from the public issue market as well. The debt issues by IDBI and ICICI constituted 69.8 per cent of the total resources mobilised in the public issue market. Institution-wise, ICICI during 2001-02 (prior to its merger), raised the maximum amount of Rs.13,411 crore from the capital market, while IDBI and IFCI raised Rs. 4,359 crore and Rs.965 crore, respectively.

Table IV.2: Lending Rate Structure of Major FIs

(Per cent per annum)

Effective from	IDBI	ICICI #	IFCI
March 2001			
LTPLR	14.0	12.5	13.0
MTPLR	13.0	12.5	-
STPLR	12.5	12.5	12.5
July 2001			
LTPLR	13.1	12.5	13.0
MTPLR	12.5	12.5	-
STPLR	12.0	12.5	12.5
March 2002			
LTPLR	11.5	12.5	12.5
MTPLR	12.5	12.5	-
STPLR	12.0	12.5	12.5

LTPR - Long Term PLR

MTPLR - Medium Term PLR

STPLR - Short Term PLR

Merged with ICICI Bank Ltd. with effect from March 30, 2002.

Note: All interest rates stated above are exclusive of interest tax unless stated otherwise.

Source: Respective FIs

FIs' Money Market Operations

4.45 With a view to moving towards pure inter-bank call/notice money market, non-bank entities are permitted to lend, on average in a reporting fortnight, upto 85 per cent of their average lending during 2000-01 effective May 5, 2001. Accordingly, with regard to FIs, the effective limit for thirteen FIs (*viz.*, UTI, LIC, IDBI, NABARD, erstwhile ICICI, GIC, EXIM Bank, NHB, SIDBI, IIBI, ECGC, IFCI and TFCI) who had been permitted to lend in call/notice money market, stood reduced to Rs. 3,429 crore. As a result, the average daily lending by FIs declined from Rs.4,034 crore during 2000-01 to Rs. 2,620 crore during the year 2001-02. The share in aggregate lending thus, dropped from 31.5 per cent to 15.6 per cent over this period. During the year, one major insurance company had requested for enhanced access to call/notice money market in view of unexpected large inflows and the RBI accorded permission for a limited period. During the year 2002-03 (upto October 20, 2002), the average lending of the FIs in the call/notice money market increased to Rs.2,795 crore, in contrast to the decline witnessed in 2001-02. This amounts to 20.1 per cent of total lending in call/notice money market.

4.46 During the course of 2001-02, while the average lending in the call market increased, largely reflecting improved liquidity in the system, the net supply of funds by non-banks (i.e., FIs and mutual funds) in the repo market more than doubled from Rs. 16,980 crore in May 2001 to Rs. 36,178 crore in March 2002. It, however, declined to Rs.32,152 crore in April 2002 and further to Rs.28,462 crore in August 2002.

4.47 Select all-India FIs are permitted by the RBI to raise resources by way of term money, issue of CDs and CPs, acceptance of term deposits and ICDs (wherever applicable). The select FIs, *viz.*, IDBI, IFCI, EXIM Bank, SIDBI, IIBI, TFCI, NABARD, IDFC and NHB have been given umbrella limits to raise resources equivalent to 100 per cent of their net owned funds (NOF) as per their latest audited balance sheet. The average aggregate amount of resources raised by the FIs by way of these instruments declined to Rs.10,112 crore (33.0 per cent of limits) during 2001-02. It declined further to Rs.6,904 crore during the period April to September 20, 2002 (Table IV.4). Significantly, only three institutions *viz.*, erstwhile ICICI (upto March 29, 2002), IDBI and IFCI accounted for as much as about 97 per cent of total resources mobilised. After the exit of ICICI, however, only IDBI and IFCI continue to account for the major part of resources mobilised. NABARD, NHB and IDFC had not mobilised any resources under their umbrella limits during the period under review. Inter-corporate deposits (ICDs) continued to remain the most preferred instrument followed by term money, term deposits, CDs and CPs during 2001-02 and 2002-03 (April-September 20, 2002).

Table IV.3: Resources Raised by Major FIs

(Rs. crore)

	ICICI			**IDBI**			**IFCI**			**Total**		
	1999–00	**2000–01**	**2001-02**	**1999-00**	**2000–01**	**2001-02**	**1999-00**	**2000–01**	**2001-02**	**1999–00**	**2000–01**	**2001-02**
1	2	3	4	5	6	7	8	9	10	11	12	13
Public Issue	2,575.2	2,050.0	4,058.0	2,073.6	1,111.0	905.0	352.0	0	0	5,000.8	3,161.0	4,963.0
	(33.0)	(18.6)	(30.0)	(34.0)	(26.0)	(21.0)	(13.0)	(0.0)	(0.0)	(30.0)	(18.9)	(26.5)
Private Placement	5,196.6	8,944.1	9,352.8	4,094.3	3,099.9	3,453.6	2,357.2	1,531.8	965.4	11,648.1	13,575.8	13,771.8
	(67.0)	(81.4)	(70.0)	(66.0)	(74.0)	(79.0)	(87.0)	(100.0)	(100.0)	(70.0)	(81.1)	(73.5)
Total	**7,771.8**	**10,994.1**	**13,410.8**	**6,167.9**	**4,210.9**	**4,358.6**	**2,709.2**	**1,531.8**	**965.4**	**16,648.9**	**16,736.8**	**18,734.8**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**

Note: Figures in parenthesis indicate percentage share in total resource mobilisation.

Table IV.4: Money Market Operations of Select all-India Financial Institutions

(Rs. crore)

Instrument	**2000-01**	**2001-02**	**2002-03 (April-September 20, 2002)**
1	2	3	4
Average Lendings			
1 Call / Notice Money	4,034	2,620	2,795*
Average Borrowings			
2 Term Money	999	1,206	464
3 Term Deposit	701	1,166	1,215
4 Inter Corporate Deposits	5,940	6,526	4,116
5 Certificates of Deposit	2,686	981	543
6 Commercial Paper	72	234	566
Total (2 to 6)	10,398	10,112	6,904

* Upto October 20, 2002

Asset Classification and Capital Adequacy of Select FIs.

4.48 As mentioned earlier, the prudential regulatory norms of RBI relating to asset classification and capital adequacy are attracted only by the nine all-India FIs which fall within the regulatory domain of RBI. In respect of these FIs, the ratio of net NPA to total loans as on March 2002 was 24.1 per cent for IIBI followed by IFCI (22.5 per cent), TFCI (20.2 per cent) and IDBI (13.4 per cent). As compared to the previous year, IDBI, EXIM Bank and TFCI have recorded some improvement in their NPA position while IFCI, IIBI and SIDBI have recorded deterioration with respect to the share of delinquent loans in net loans (Table IV.5).

4.49 The CRAR for SIDBI, EXIM Bank, NABARD and IDFC ruled higher than 30 per cent. IFCI remained the only institution which recorded CRAR below 10 per cent (Table IV.6).

RBI Assistance to Financial Institutions

4.50 As part of the initiative to divest itself of development financing functions, the RBI transferred the assets on account of loans and advances worth Rs. 3,792 crore (face value) to the developmental financial institutions (*viz*. IDBI, SIDBI, EXIM Bank and IIBI) out of National Industrial Credit (Long Term Operations) Fund to the Government, replacing them with long-term Government of India securities (10.25 per cent Government Stock 2021 of Rs. 3,213 crore face value) through private placement. The transaction was effected by matching the discounted present values (discounted at yields prevailing on March 28, 2002) so that it was cash neutral. These FIs issued 20 years convertible bonds in favour of the Central Government which qualify as tier I capital. The outstanding long-term borrowing by NHB from the National Housing Credit (LTO) Fund as at end-March 2002 stood at Rs.175 crore.

Table IV.5: Asset Classification of Select FIs

(As at end-March)

(Rs.crore)

Institution	Standard		Sub-standard		Doubtful		Loss		Total Net Loans Outstanding#		Net NPA/Net Loans (per cent)	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
1	2	3	4	5	6	7	8	9	10	11	12	13
IDBI	48,107	40,947	3,014	2,490	5,356	3,865	—	—	56,478	47,302	14.8	13.4
ICICI	54,525	@	885	@	2,097	@	—	—	57,506	@	5.2	@
IFCI	14,818	13,373	934	877	2,963	2,996	—	—	18,715	17,246	20.8	22.5
SIDBI	13,934	12,344	61	270	113	112	—	—	14,108	12,727	1.2	3.0
NABARD	35,771	40,960	0	0	0	0	—	—	35,771	40,960	0.0	0.0
NHB	4,046	4,630	0	0	0	0	—	—	4,046	4,630	0.0	0.0
IIBI	2,108	1,700	201	115	424	424	—	—	2,733	2,239	22.9	24.1
EXIM Bank	4,562	5,624	236	247	171	201	—	—	4,969	6,072	8.2	7.4
IDFC	1,199	2,007	0	0	0	0	—	—	1,199	2,007	0.0	0.0
TFCI	604	619	81	47	75	110	—	—	759	776	20.5	20.2

Data for 2001-02 are provisional.
Net of provisioning and write-offs.
@ merged with ICICI Bank Ltd.
Note: NPA in any year is the aggregate of the amounts under sub-standard, doubtful and loss category in that year.
Source: Respective Financial Institutions.

Table IV.6: Capital Adequacy Ratio@ of Select FIs

(Per cent)

Institution		As at end-March			
		1999	2000	2001	2002
1		2	3	4	5
1.	IDBI	12.7	14.5	15.8	17.9
2.	ICICI	12.5	17.2	14.6	#
3.	IFCI	8.4	8.8	6.2	3.1
4.	SIDBI	26.9	27.8	28.1	45.0
5.	IIBI	11.7	9.7	13.9	13.6
6.	EXIM Bank	23.6	24.4	23.8	33.1
7.	NABARD	53.3	44.4	38.5	36.9
8.	IDFC	235.5	119.7	85.5	56.9
9.	NHB*	17.3	16.5	16.8	22.1
10.	TFCI	15.4	16.2	18.6	18.5

@ As per cent of risk weighted assets.
# Merged with ICICI Bank Ltd.
* Relate to general fund.
Note : The figures furnished in this table may not tally with the data given in Appendix Table IV.5 due to different sources of data.
Source: respective Financial Institutions.

4.51 Under Section 17(4A)/(4BB) of the RBI Act, 1934, the RBI sanctioned *ad hoc* borrowing limits amounting to Rs.166 crore to 13 State Financial Corporations (SFCs) during 2001-02 at bank rate, against *ad hoc* bonds guaranteed by respective State Government/Union Territories. The outstanding borrowing by SFCs as at end-June 2002, amounted to Rs.31 crore (Table IV.7).

Table IV.7: RBI Assistance to FIs

(Rs.crore)

Type of Assistance	Amount outstanding as on June 30, 2001	Amount outstanding as on June 30, 2002
1	2	3
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	175.0
Total of B	**875.0**	**175.0**
C. Medium/short term credit		
1. IDBI	—	—
2. SFCs	—	30.8
Total of C	**—**	**30.8**
D. Grand Total (A+B+C)	**5,096.8**	**205.8**

— NIL

3. Other Developments

Universal Banking

4.52 In response to the interest evinced by FIs to convert themselves to universal banks, RBI advised FIs to work out the transition paths for their evolution towards universal banks. Accordingly, some FIs took initiatives in this direction. For instance, ICICI Ltd. had approached the RBI with its proposal for conversion to a bank by means of reverse merger with its subsidiary ICICI Bank Ltd. The RBI gave clearance after the merger case was cleared by the High Court of Mumbai and the clearance was subject to certain terms and conditions relating to, *inter alia*, reserve requirements, prudential norms, etc.

4.53 Similarly, in order to pave the way for conversion into a universal bank, IDBI had approached the Government of India to corporatise IDBI by repealing the IDBI Act. Accordingly, the Central Government announced the proposal for corporatising IDBI by introducing the necessary legislative changes. Furthermore, in order to strengthen its capital, the International Bank for Reconstruction and Development (IBRD) loan outstanding in respect of IDBI was transferred to the Central Government and replaced with a long-term bond, which qualified as tier I capital.

Mutual Funds

Policy Developments relating to Mutual Funds

4.54 The SEBI tightened the disclosure norms for the mutual funds to help investors take more informed decisions. SEBI laid down detailed investment and disclosure norms for employees of asset management companies (AMCs) and Trustee companies in order to avoid any actual or potential conflict of interest. To promote venture capital activity, SEBI allowed the mutual funds to invest in the listed or unlisted securities or units of venture capital funds within the overall ceiling for such investment. Detailed guidelines on disclosure and reporting requirements were issued to mutual funds for investment in foreign securities. With a view to improve the professional standards, SEBI decided to make it mandatory for all mutual funds to appoint agents/distributors who have obtained Association of Mutual Funds of India (AMFI) certification.

Resource Mobilisation by Mutual Funds

4.55 During 2001-02 resource mobilisation (net) by all mutual funds together declined by 27.9 per cent to Rs.8,024 crore from Rs.11,135 crore in the previous year. While resource mobilisation by the public sector mutual funds (other than UTI) declined to Rs.1,330 crore from Rs.1,521 crore, that by the private sector mutual funds at Rs.13,977 crore increased by 50.4 per cent from Rs.9,292 crore during the same period (Table IV.8 & Appendix Table IV.6). The composition of portfolio of mutual funds moved away from equity funds in favour of debt funds. Resource mobilisation by UTI declined sharply registering an outflow of Rs.7,284 crore during 2001-02 as compared with an inflow of Rs.322 crore during the previous year.

Restructuring of UTI

4.56 The Cabinet Committee on Economic Affairs (CCEA) granted its approval to a UTI reform package in its meeting on August 31, 2002. The major highlights of the reform package are :

- The Government would honour the redemption guarantee, as approved by Cabinet Committee of Economic Reforms on December 27, 2001, for US-64 unit holders. The liability in this account was estimated to be about Rs.6,000 crore, which could vary depending on market conditions. In respect of the assured return schemes, wherever interest can be reset, it will be reset at a lower level. The shortfall in these schemes was estimated to be about Rs. 8,561 crore. The Government would also consider certain tax concessions on US-64 with a view to providing an incentive to unit holders to remain invested with the scheme.
- UTI would be divided into two parts:

Table IV.8: Resource Mobilisation by Mutual Funds

(Rs. crore)

Mutual Funds	1998-99	1999-2000P	2000-01P	2001-02P
1	2	3	4	5
I. Bank - sponsored (1 to 6)	**-88.3**	**335.9**	**247.8**	**717.6**
1. SBI Mutual Fund	-71.8	659.0	251.5	457.0
2. Canbank Mutual Fund	-16.5	-361.0	-5.4	143.2
3. Indian Bank Mutual Fund	..	..	..	..
4. BOI Mutual Fund	..	..	..	..
5. PNB Mutual Fund	..	39.6	2.1	56.7
6. BOB Mutual Fund	..	-1.7	-0.4	60.7
II. FIs - sponsored (1 to 3)	**546.8**	**295.5**	**1,272.8**	**612.8**
1. GIC Mutual Fund	-12.1	-268.2	-43.5	58.2
2. LIC Mutual Fund	348.4	284.5	566.0	732.5
3. IDBI Mutual Fund	210.5	279.2	750.3	-177.9
III. Unit Trust of India	**170.0**	**4,548.0**	**322.0**	**-7,284.0**
	(1,300.0)	(5,762.0)	(1,201.0)	(-6,119.0)
IV. Private Sector Mutual Funds	**2,066.9**	**16,937.4**	**9,292.1**	**13,977.1**

TOTAL (I+II+III+IV)	2,695.4	22,116.8	11,134.7	8,023.5

P Provisional
.. Nil or negligible.
Notes:
1. For UTI, the figures are gross value (with premium) of net sales and for other mutual funds, net sales under all 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.

(a) UTI-I and (b) UTI-II
(a) old protected UTI-I comprising of US-64 for which assured repurchase prices have been announced and assured returns schemes, and
(b) New UTI (UTI-II) comprising of all net asset value based schemes.
Government will meet its obligations annually to cover any deficit in UTI-I .

- UTI-I will be managed by a Government appointed administrator and a team of advisers nominated by Government.
- UTI-II will for the time being be managed by professional Chairman and Board of Trustees and will be disinvested.
- UTI Act would be repealed through issue of an Ordinance and both UTI-I and UTI-II will be structured as per the SEBI Regulations.
- The operational aspect including, but not limited to distribution of assets and liabilities between UTI-I and UTI-II etc., would be worked out by Government.

4.57 On September 3, 2002, the Government announced the following decisions:

a) In view of the commitment of the Government of India to meet all shortfalls in UTI-I, UTI-I will not indulge in asset bleeding to meet redemption pressure and all sale and purchase of stocks will take place in UTI-II based upon the market perception of its fund managers or the management.
b) Fresh units of US-64 in its present form will not be issued by UTI-I.

4.58 Certain initiatives undertaken by the UTI in the recent past in the areas of investor service and efficient fund management are the following:

- making US-64 NAV-based effective January 1,2002;
- disclosure of portfolio for all schemes including US-64 on a monthly basis;
- daily announcement of NAVs;
- introduction of special repurchase facility with monthly increasing price support for investments upto 3,000 units per investor from August 1, 2001 and upto 5,000 units per investor from January 1, 2002;
- price support of Rs. 10 per unit from May 31, 2003 for holdings in excess of 5,000 units per investor;
- issue of detailed investment manual and comprehensive delegation of powers;
- setting up of Risk Management department;
- setting up of Asset Reconstruction Fund for focussed effort for recovery of NPAs;
- performance-linked incentivisation for officers;
- commissioning of Central Processing Centre and Central Data Centre and centralisation of all back office functions; and
- implementation of integrated front office automation system.

1 This included ICICI Ltd. which was merged with ICICI Bank Ltd. on March 30, 2002.

2 Pursuant to the enactment of the General Insurance Business (Nationalisation) Amendment Act, 2002, GIC has been delinked from its four subsidiaries. GIC would undertake only reinsurance business and cease to carry on its general insurance business. The four "acquiring insurance companies" (*i.e.,* its former subsidiaries) would carry on general insurance business.

3 The Central Government Budget 2002-03 proposed to convert DICGC to Bank Deposits Insurance Corporation (BDIC) to make it an effective instrument for dealing with depositors' risks and for dealing with distressed banks.

4 IDBI, IFCI Ltd., IIBI Ltd., TFCI Ltd., IDFC Ltd., EXIM Bank, NABARD, NHB, and SIDBI. For regulatory and supervisory purposes, the last three FIs are referred to as 'Refinancing Institutions', while the other six as 'Term Lending Institutions'.

5 Amount received against the preference shares ……………(A)

less

(a) the amount of corpus created as per the existing norms; (b) the PV of the dividend outflows on the preference shares issued; (c) the PV of the dividend tax payable; (d) the PV of the tax payable on the income from investment of the amount left after creating the corpus;

add

(e) the PV of the cash inflows / income from the investment of the amount left after creating the corpus

Amount of "grant equivalent" that would be counted towards tier I capital……..	} = [A – (a + b + c + d) + e]

6 Due to merger of ICICI Ltd. with ICICI Bank Ltd. with effect from March 30, 2002 the balance sheet data for ICICI Ltd. as on March 31, 2002 do not exist. Flow data on sanctions and disbursements, resources raised from the capital market and money market operations during 2001-02 are, however, available for ICICI Ltd. (upto March 29, 2002).

7 Data include those for ICICI Ltd. for 2000-01 and 2001-02 (upto March 29, 2002).

8 For the sake of comparability, the data for ICICI Ltd. have been excluded from 2000-01.

9 For the sake of comparability, the data for ICICI Ltd. have been excluded from 2000-01.

Chapter V
Non-Banking Financial Companies

The activities of non-banking financial companies (NBFCs) in India have undergone qualitative changes over the years through functional specialisation. The role of NBFCs as effective financial intermediaries has been well recognised as they have inherent ability to take quicker decisions, assume greater risks, and customise their services and charges more according to the needs of the clients. While these features, as compared to the banks, have contributed to the proliferation of NBFCs, their flexible structures allow them to unbundle services provided by banks and market the components on a competitive basis. The distinction between banks and non-banks has been gradually getting blurred since both the segments of the financial system engage themselves in many similar types of activities. At present, NBFCs in India have become prominent in a wide range of activities like hire-purchase finance, equipment lease finance, loans, investments, etc. By employing innovative marketing strategies and devising tailor-made products, NBFCs have also been able to build up a clientele base among the depositors, mop up public savings and command large resources as reflected in the growth of their deposits from public, shareholders, directors and other companies, and borrowings by issue of non-convertible debentures, etc. Consequently, the share of non-bank deposits in household sector savings in financial assets, increased from 3.1 per cent in 1980-81 to 10.6 per cent in 1995-96. In 1998, the definition of public deposits [1] was for the first time contemplated as distinct from regulated deposits [2] and as such, the figures thereafter are not comparable with those before.

5.2 The importance of NBFCs in delivering credit to the unorganised sector and to small borrowers at the local level in response to local requirements is well recognised. The rising importance of this segment calls for increased regulatory attention and focused supervisory scrutiny in the interests of financial stability and depositor protection (Box V.1).

5.3 In response to the perceived need for better regulation of the NBFC sector, the Reserve Bank of India (RBI) Act, 1934 was amended in 1997, providing for a comprehensive regulatory framework for NBFCs. The RBI (Amendment) Act, 1997 conferred powers on the RBI to issue directions to companies and its auditors, prohibit deposit acceptance and alienation of assets by companies and initiate action for winding up of companies. The Amendment Act provides for compulsory registration with the RBI of all NBFCs, irrespective of their holding of public deposits, for commencing and carrying on business of a non-banking financial institution; minimum entry point norms; maintenance of a portion of deposits in liquid assets; and creation of reserve fund and transfer of 20 per cent of profit after tax but before dividend annually to the fund. Accordingly, to monitor the financial health and prudential functioning of NBFCs, the RBI issued directions to companies on: acceptance of public deposits; prudential norms like capital adequacy, income recognition, asset classification, provisioning for bad and doubtful assets, exposure norms and other measures. Directions were also issued to the statutory auditors to report non-compliance with the RBI Act and regulations to the RBI, and Board of Directors and shareholders of the NBFCs.

Box V.1: An Overview of Regulation of NBFCs

(1) *Mission*

To ensure that

- the financial companies function on healthy lines,

deposit taking NBFCs and limited supervision over those not accepting public deposits,

- Prescription of prudential norms akin to those applicable to banks,

- these companies function in consonance with the monetary policy framework, so that their functioning does not lead to systemic aberrations,

- the quality of surveillance and supervision exercised by the RBI over the NBFCs keeps pace with the developments in this sector.

(2) Amendments to the Reserve Bank of India (RBI) Act, 1934

RBI Act was amended in January 1997 providing for, *inter alia,*

- Entry norms for NBFCs and prohibition of deposit acceptance (save to the extent permitted under the Act) by unincorporated bodies engaged in financial business,

- Compulsory registration, maintenance of liquid assets and creation of reserve fund,

- Power of the RBI to issue directions to an NBFC or to the NBFCs in general or to a class of NBFCs.

(3) Basic Structure of Regulatory and Supervisory Framework

- Comprehensive regulation and supervision of

- Submission of periodical returns for the purpose of off-site surveillance,

- Supervisory framework comprising (a) on-site inspection (CAMELS pattern) (b) off-site monitoring through returns (c) market intelligence, and (d) exception reports by statutory auditors,

- Asset liability and risk management system for NBFCs,

- Punitive action like cancellation of Certificate of Registration (CoR), prohibition from acceptance of deposits and alienation of assets, filing criminal complaints and winding up petitions in extreme cases, appointment of the RBI observers in certain cases, etc.

(4) Other steps for protection of depositors' interest

- Co-ordination with State Governments to curb unauthorised and fraudulent activities, training programmes for personnel of NBFCs, State Governments and Police officials,

- Publicity for depositors' education and awareness, workshops / seminars for trade and industry organisations, depositors' associations, chartered accountants, etc.

Non-Banking Financial Entities Regulated by the RBI

5.4 The developments in the NBFC sector in terms of policies and performance during 2001-02 and for the subsequent periods (to the extent information is available) are discussed in the subsequent paragraphs.

5.5 Non-banking financial entities partially or wholly regulated by the RBI include: (a) NBFCs comprising equipment leasing (EL), hire purchase finance (HP), loan (LC), investment (IC) (including primary dealers [3] (PDs)) and residuary non-banking (RNBC) companies; (b) mutual benefit financial company (MBFC), *i.e. nidhi* company; (c) mutual benefit company (MBC), *i.e.* potential *nidhi* company; (d) miscellaneous non-banking company (MNBC), *i.e. chit fund* company (Table V.1).

Table V.1: Types of Non-Banking Financial Entities (Regulated by RBI)

Non-Banking Financial Entity	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.
(a) Equipment leasing company (EL)	Equipment leasing or financing of such activity.
(b) Hire purchase finance company (HP)	Hire purchase transactions or financing of such transactions.
(c) Investment company (IC)	Acquisition of securities. These include Primary Dealers (PDs) who deal in underwriting and market making for government securities.
(d) 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).
(e) 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 as a *Nidhi* company 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 but has not yet been so declared by the Central Government, has minimum net owned fund(NOF) of Rs.10 lakh, has applied to the RBI for CoR and also to Department of Company Affairs (DCA) for being notified as *Nidhi* company and has not contravened directions/ regulations of RBI/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 tender or in such manner as may be provided for in the arrangement, be entitled to the prize amount.

1. Registration

5.6 In terms of the RBI Act, 1934, registration of NBFCs with the RBI is mandatory, irrespective of whether they hold public deposits or not. The amended Act (1997) provides an entry point norm of Rs. 25 lakh as the minimum net owned fund (NOF), which has been revised upwards to Rs.2 crore for new NBFCs seeking grant of CoR on or after April 21, 1999. Certain types of financial companies, *viz*., insurance companies, housing finance companies, stock broking companies, *chit fund* companies, companies notified as *'nidhis'* under Section 620A of the Companies Act, 1956 and companies engaged in merchant banking activities (subject to certain conditions), however, have been exempted from the requirement of registration under the RBI Act, as they are regulated by other agencies. Accordingly, as on June 30, 2002, RBI received 36,269 applications, of which 14,077 were approved and 19,111 were rejected. The rest of the applications are pending at different stages of processing. Of the total approvals, only 784 companies have been permitted to accept/ hold public deposits. Moreover, all NBFCs holding public deposits, whose applications for Certificate of Registration (CoR) have been rejected or CoRs have been cancelled, have to continue repaying the deposits on due dates and dispose of their financial assets within three years from the date of rejection of application/ cancellation of certificate or convert themselves into non-banking non-financial companies within the same period.

2. Supervision

5.7 The RBI has instituted a strong and comprehensive supervisory mechanism for NBFCs. The focus of the RBI is on prudential supervision so as to ensure that NBFCs function on sound and healthy lines and avoid excessive risk taking. The RBI has put in place a four pronged supervisory framework based on:

i) On-site inspection;
ii) Off-site monitoring supported by state-of-the art technology;
iii) Market intelligence; and
iv) Exception reports of statutory auditors of NBFCs.

5.8 The thrust of supervision is based on the asset size of the NBFC and whether it accepts/ holds deposits from the public. The system of on-site examination put in place during 1997 is structured on the basis of assessment and evaluation of CAMELS (Capital, Assets, Management, Earnings, Liquidity, and Systems and Procedures) approach and the same is akin to the supervisory model adopted by the RBI for the banking system. Market intelligence system is also being strengthened as one of the important tools of supervision. This process of continuous and on-going supervision is expected to facilitate RBI to pick up warning signals which can result in triggering supervisory action promptly. The returns being submitted by the NBFCs are reviewed and relooked at intervals to widen the scope of information so as to address the requirements either for supervisory objectives or for furnishing the same to various interest groups on the important aspect of the working of these companies. The companies not holding public deposits are supervised in a limited manner with companies with asset size of Rs.100 crore and above being subjected to annual inspection and other non-public deposit companies by rotation once in every 5 years. The exception reports, if any, from the auditors of such companies coupled with adverse market information and the sample check at periodical intervals are the main tools for monitoring the activities of such companies *vis-à-vis* the RBI regulations.

3. Policy Developments

5.9 The RBI introduced a number of measures to enhance the regulatory and supervisory standards of this sector, to bring them on par with commercial banks over a period of time. The regulatory norms, applicable to NBFCs are presented in Box V.2. Regulatory measures adopted during the year aim at aligning the interest rates in this sector with the rates prevalent in the rest of the economy, tightening prudential norms, standardising operating procedures and aligning the RBI's regulations with the requirements of the amended Companies Act.

Box V.2: Regulatory Norms and Directions for NBFCs

A. Important Statutory Provisions of Chapter IIIB of the RBI Act as applicable to NBFCs

Sr. No.	Subject	Particulars
1.	Certificate of Registration*	No company, other than those exempted by the RBI, can commence or carry on the business of non-banking financial institution without obtaining a CoR from RBI. The pre-requisite for eligibility for such a CoR is that the NBFC should have a minimum NOF of Rs. 25 lakh (since raised to Rs. 2 crore on and from April 21, 1999 for any new applicant NBFC). The RBI considers grant of the CoR after satisfying itself about the company's compliance with the criteria enumerated in Section 45-IA of the RBI Act.
2.	Maintenance of Liquid Assets*	NBFCs have to invest in unencumbered approved securities, valued at a price not exceeding current market price, an amount which, at the close of business on any day, shall not be less than 5.0 per cent but not exceeding 25.0 per cent, specified by RBI, of the deposits outstanding at the close of business on the last working day of the second preceding quarter.

3.	Creation of Reserve Fund*	Every non-banking financial company shall create a reserve fund and transfer thereto a sum not less than 20.0 per cent of its net profit every year as disclosed in the profit and loss account and before any dividend is declared. Such fund is to be created by every NBFC irrespective of the fact whether it accepts public deposits or not. Further, no appropriation can be made from the fund for any purpose without prior written approval of RBI.

B. Directions applicable to NBFCs

The RBI has issued comprehensive deposit acceptance and asset side regulations as under for the NBFCs. While all the prudential norms are applicable to public deposit accepting/holding NBFCs only, some of the regulations are applicable to non-deposit accepting companies.

(1) Deposit Acceptance Related Regulations

1	Ceiling on quantum of public deposits	• Loan and investment companies - 1.5 times of NOF if the company has NOF of Rs. 25 lakh, minimum investment grade (MIG) credit rating, complies with all the prudential norms and has CRAR of 15 per cent. • Equipment leasing and hire purchase finance companies - if company has NOF of Rs. 25 lakh and complies with all the prudential norms. (i) with MIG credit rating and 12 per cent CRAR - 4 times of NOF (ii) without MIG credit rating but CRAR 15 per cent or above - 1.5 times of NOF, or Rs.10 crore, whichever is less.
2	Investment in liquid assets	• NBFCs - 15 per cent of outstanding public deposit liabilities as at the close of business on the last working day of the second preceding quarter, of which (i) not less than 10 per cent in approved securities and (ii) not more than 5 per cent in term deposits with scheduled commercial banks. • RNBCs - 10 per cent of outstanding deposit liabilities as at close of business on last working day of second preceding quarter. • These liquid asset securities are required to be lodged with one of the scheduled commercial banks or Stock Holding Corporation of India Ltd., or a depository or its participant (registered with SEBI). • Effective October 1, 2002, government securities are to be necessarily held by NBFCs either in Constituent's Subsidiary General Ledger Account with a scheduled commercial bank or in a demat account with a depository participant registered with SEBI. • These securities cannot be withdrawn or otherwise dealt with for any purpose other than repayment of public deposits.
3	Period of deposits	• No demand deposits • NBFCs - 12 to 60 months • RNBCs - 12 to 84 months • MNBCs *(Chit Funds)* - 6 to 36 months
4	Ceiling on deposit rate	• NBFCs, MNBCs and *Nidhis* - 12.5 per cent per annum (effective November 1, 2001) • RNBCs - Minimum interest of 4.0 per cent on daily deposits and 6.0 per cent on other than daily deposits . • Interest may be paid or compounded at periods not shorter than monthly rests.
5.	Advertisement and methodology for acceptance of deposits/ public deposits	Every company which accepts deposits by advertisement has to comply with the advertisement rules prescribed in this regard, the deposit acceptance form should contain certain prescribed information, issue receipt for deposits, maintain a deposit register, etc.
6.	Submission of returns	All NBFCs holding or accepting public deposits have to submit periodical returns to RBI at Quarterly, half yearly and annual intervals.

(2) Prudential Norms applicable to only those NBFCs which are accepting/holding public deposits

1	Capital to Risk Assets Ratio(CRAR)	• The NBFCs holding/accepting public deposits are required to maintain CRAR as under: (i) Equipment leasing companies/hire purchase finance companies (with MIG credit rating) — 12 per cent (ii) Equipment leasing companies/ hire purchase finance companies (without minimum investment grade credit rating) — 15 per cent (iii) Loan/investment companies — 15 per cent (iv) RNBCs — 12 per cent • CRAR comprises - tier I and tier II capital. • To be maintained on a daily basis and not merely on the reporting dates. • Tier I capital - core capital or NOF but includes compulsorily convertible preference shares (CCPS) as a special case for CRAR purposes. • Tier II capital - all quasi-capital like preference shares (other than CCPS) subordinated debt, convertible debentures, etc. • Tier II capital not to exceed tier I capital. • General provisions and loss reserves not to exceed 1.25 per cent of the risk - weighted assets. • Subordinated debt issued with original tenor of 60 months or more.
2.	Restrictive norms	• Acceptance of public deposits not allowed if the prudential norms are not complied with fully. • Any NBFC defaulting in repayment of the matured deposits prohibited from creating any further assets until the defaults are rectified. • Investments in real estate, except for own use, restricted to 10 per cent of the owned fund. • Investments in unquoted shares restricted as under: • EL/HP Companies — 10 per cent of owned fund • Loan/investment companies — 20 per cent of owned fund • No further investments in real estate or unquoted shares in case of excess position held till its regularisation. • Sufficient adjustment period allowed - further extension on merits of each case.
3.	Credit/investment concentration norms	• Single borrower exposure limits credit — 15 per cent of owned fund investments — 15 per cent of owned fund • Single group of borrowers exposure limits credit — 25 per cent of owned fund investments — 25 per cent of owned fund • Composite (credit and investments) exposure limits Single borrower: — 25 per cent of owned fund Single group of borrowers : — 40 per cent of owned fund • Exposure norms also applicable to own group companies and subsidiaries. • Includes all forms of credit and credit related and certain other receivables as also off balance sheet exposures. • Debentures/bonds to be treated as credit for the purpose of prudential norms but as investments for the purpose of balance sheet and compliance with investment obligations.
4.	Reporting System: Half-yearly return	• Half-yearly returns to be submitted as at the end of March and September every year. • Time allowed for submission - 3 months from the due date. • The return to be certified by the statutory auditors of the company. However, it need not wait for audit and the figures furnished therein could be the unaudited figures but must be certified by auditors.

(3) Prudential Norms applicable to all NBFCs irrespective of whether they accept/hold public deposits or not

1.	Income Recognition Norms	• The recognition of income on the NPA is allowed on cash basis only. The unrealised income recognised earlier is required to be reversed.
2.	NPA Norms	• Recognition of income on accrual basis before the asset becomes NPA as under : Loans and Advances: Upto 6 months and 30 days past due period (past due period done away with effect from March 31, 2003) Lease and Hire Purchase Finance: 12 months
3.	Restrictive Norms	• Loans against own shares not allowed.
4.	Policy on demand/call loans	• Companies to frame a policy for demand and call loans relating to cut-off date for recalling the loans, the rate of interest, periodicity of such interest, periodical reviews of such performance, etc.
5.	Accounting Standards	• All the Accounting Standards and Guidance Notes issued by Institute of Chartered Accountants of India (ICAI) are applicable to all NBFCs in so far as they are not inconsistent with the guidelines of RBI.
6.	Accounting for investments	• All NBFCs to have a well defined investment policy. • Investments classified into two categories - (i) long term and (ii) current investments. • Long term investments to be valued as per Accounting Standard, AS-13 of ICAI. • Current investments to be classified into - (a) quoted and (b) unquoted. • Current quoted investments to be valued at lower of cost or market value. • Block valuation permitted - Notional gains or losses within the block permitted to be netted - but not inter-block, net notional gains to be ignored but notional losses to be provided for. • Valuation norms for current unquoted investments are as under- (i) Equity shares (at lower of cost or break up value or fair value) (ii) Re 1/- for the entire block of holding if the balance sheet of the investee company is not available for the last two years (iii) Preference shares at lower of cost or face value (iv) Government securities at carrying cost (v) Mutual Fund units at net asset value (NAV) for each scheme and (vi) Commercial Paper (CP) at its carrying cost
7.	Asset Classification	• All forms of credit (including receivables) to be classified into four categories - • Standard asset • Sub-standard asset • Doubtful asset • Loss asset
8.	Provisioning for Non-Performing Assets – Loans and advances	• Standard assets - No provision • Sub-standard assets- 10 per cent of outstanding balance • Doubtful assets - on unsecured portion 100 per cent and on secured portion 20, 30 and 50 per cent depending on the age of the doubtful assets • Loss asset – 100 per cent of the outstanding
9.	Provisioning for Non-Performing Assets - Equipment lease and hire purchase accounts	• Unsecured portion to be fully provided for • Further provisions on net book value (NBV) of EL/HP assets • Accelerated additional provisions against NPAs NPA for 12 months or more but less than 24 months — 10 per cent of NBV

	NPA for 24 months or more but less than 36 months — 40 per cent of NBV NPA for 36 months or more but less than 48 months — 70 per cent of NBV NPA for 48 months or more — 100 per cent of NBV • Value of any other security considered only against additional provisions. • Rescheduling in any manner will not upgrade the asset upto 12 months of satisfactory performance under the new terms. • Repossessed assets to be treated in the same category of NPA or own assets - option lies with the company.
10. Risk - weights and credit conversion factors	• Risk – weights to be applied to all assets except intangible assets. • Risk – weights to be applied after netting off the provisions held against relative assets. • Risk – weights are 0, 20 and 100. • Assets deducted from owned fund like exposure to subsidiaries or companies in the same group or intangibles to be assigned 0 per cent risk - weight. • Exposures to all-India financial institutions (AIFIs) at 20 per cent risk - weight and all other assets to attract 100 per cent risk – weights. • Off-balance sheet items to be factored at 50 or 100 and then converted for risk – weight.
11. Disclosure requirements	(1) Every NBFC is required to separately disclose in its balance sheet the provisions made as outlined above without netting them from the income or against the value of assets. (2) The provisions shall be distinctly indicated under separate heads of accounts as under: (i) provisions for bad and doubtful assets; and (ii) provisions for depreciation in investments. (3) Such provisions shall not be appropriated from the general provisions and loss reserves held, if any, by the NBFC. (4) Such provisions for each year shall be debited to the profit and loss account. The excess of provisions, if any, held under the heads general provisions and loss reserves may be written back without making adjustment against them.

* *Nidhis* and *Chit Fund* companies exempted.

Interest Rates

5.10 Keeping in view interest rates prevalent in the financial sector, the ceiling on interest rates on deposits payable by NBFCs, including *chit fund* companies and *nidhi* companies, was reduced from 16 per cent per annum to 14 per cent per annum effective April 1, 2001 and further to 12.5 per cent per annum effective November 1, 2001.

Classification of NBFCs as Equipment Leasing and Hire Purchase Finance Companies

5.11 In response to representations from NBFCs, it was decided to include loans and advances against hypothecation of automobiles, aircrafts and ships registered with the specified authorities in the aggregate of equipment leasing and hire purchase assets for the purpose of classification of an NBFC into equipment leasing and hire purchase finance company.

Alignment of the RBI's Regulations with Companies (Amendment) Act, 2000

5.12 Changes were effected in the RBI directions to NBFCs to align with those contained in the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000. Accordingly, all NBFCs were advised to report to the Company Law Board the defaults, if any, in repayment of matured deposits or payment of interest to small depositors within 60 days of such default. In addition to NBFCs with asset size of Rs.50 crore and more, those with paid up capital of not less than Rs.5 crore have to constitute Audit Committees. Such committees would have the same powers, functions and duties as laid down in Companies Act, 1956. Moreover, some NBFCs, which were hitherto private limited companies holding public deposits, have now become public limited companies under the Companies Act. Such NBFCs have to approach the RBI after obtaining a fresh certificate of incorporation from the Registrar of Companies, for change of name in the CoR to reflect their status as public limited companies

Liquid Asset Securities of NBFCs

5.13 Effective from October 1, 2002, all NBFCs should necessarily hold their investments in government securities either in Constituent's Subsidiary General Ledger Account (CSGL) with a scheduled commercial bank or Stock Holding Corporation of India Ltd. (SHCIL) or in a dematerialised account with depositories [National Securities Depository Ltd. (NSDL)/ Central Depository Services (India) Ltd. (CDSL)] through a depository participant registered with SEBI. The facility of holding government securities in physical form, therefore, stands withdrawn. Government guaranteed bonds, which have not been dematerialised may be kept in physical form till such time these are dematerialised. Only one CSGL or a dematerialised account can be opened by any NBFC. In case the CSGL account is opened with a scheduled commercial bank, the account holder has to open a designated funds account (for all CSGL related transactions) with the same bank. In case the CSGL account is opened with any of the non-banking institutions indicated above, the particulars of the designated funds account (with a bank) should be intimated to that institution. The NBFCs maintaining the CSGL/designated funds accounts will be required to ensure availability of clear funds in the designated funds accounts for purchases and of sufficient securities in the CSGL account for sales before putting through the transaction. No further transactions in government securities should be undertaken by NBFCs with any broker in physical form with immediate effect. All further transactions of purchase and sale of government securities have to be compulsorily through CSGL/demat account. Government securities held in physical form were to be dematerialised by October 31, 2002.

Accounting Standards

5.14 In terms of Accounting Standard (AS) 19 (Accounting for Leases) issued by the Institute of Chartered Accountants of India (ICAI), it was clarified that (i) the prudential norms applicable to hire purchase assets would, *mutatis mutandis*, be applicable to the financial leases written on or after April 1, 2001 and (ii) the leases written up to March 31, 2001 would continue to be governed by the prudential norms relating to leased assets, as hitherto.

Statutory Auditors

5.15 NBFCs have to reiterate in their letter of appointment to statutory auditors their statutory responsibility to report directly to the RBI the violations, if any, of the provisions of the RBI Act or Directions issued thereunder, noticed by them in the course of their audit.

Prudential Regulation

5.16 Some NBFCs were granting demand/call loans with an open period or without any stipulation regarding the rate of interest and servicing, resulting in problems of compliance with prudential norms relating to income recognition, asset classification and provisioning in respect of such loans. Accordingly, guidelines were issued to obviate such difficulties and to ensure that all such loans are appropriately classified and the position of NPAs are truly reflected in the financial statements of NBFCs. The concept of 'past due' would be done away with in respect of the definition of NPA for NBFCs effective from March 31, 2003, which would be reflected in the half-yearly return on prudential norms and the balance sheet as on March 31, 2003. In terms of NBFCs Directions on Prudential Norms, the NBFCs accepting/holding public deposits have to ensure maintenance of minimum prescribed capital to risk-weighted assets ratio (CRAR) at all times. The format for the report of the auditors has accordingly been amended. In order to obviate the probability of applying divergent yardsticks for identification of potential threat of non-recoverability of loans, RBI has prescribed objective criteria for classification of assets as loss assets.

Submission of Returns by NBFCs

5.17 Several NBFCs have been lax in timely submission of the returns to the RBI. Action has been contemplated against such NBFCs – initially those with public deposits of Rs.50 crore and above - for non-submission of returns. The action may include imposing penalties as provided in the RBI Act, 1934 as also launching court proceedings against the errant companies, besides considering rejection/ cancellation of the CoR.

Protection of Depositors' Interest

5.18 With a view to protecting the interest of depositors, it was decided to issue press advertisements in cases where winding up petitions filed by the RBI have been admitted in Court and provisional liquidators have been appointed or where criminal complaints have been filed by the RBI and summons have been issued by the Court.

Asset Liability Management

5.19 Based on the guidelines issued in July 2001, effective March 31, 2002 asset liability management system in all NBFCs with public deposits of Rs. 20 crore and above as also NBFCs with asset size of Rs. 100 crore and above has been made operational. Instructions were also issued to the effect that the first return as on September 30, 2002, should be submitted by the NBFCs to the RBI latest by October 31, 2002.

Primary Dealers

5.20 Primary dealers (PDs) as institutional entities fall in the category of NBFC. PDs are registered with and regulated by the RBI irrespective of whether they accept public deposits or not.

5.21 During 2000-01, the scheme of liquidity support to PDs was fine tuned to provide at two levels: (a) assured support at a fixed rate and quantum, and (b) discretionary support to be extended through Liquidity Adjustment Facility (LAF). In May 2001, the assured liquidity support was further bifurcated[4] into 'Normal' (two-third) facility at the bank rate and 'Backstop' (one-third) facility with a higher interest rate provided at a variable rate linked to cut-off rates emerging in regular LAF auctions. In the absence of LAF operations, the rate is fixed at 200 to 300 basis points over National Stock Exchange-Mumbai inter-bank offer rate (NSE-MIBOR) as may be decided by the RBI.

5.22 The RBI prescribed new guidelines in January 2002 to improve the risk management system of PDs. Accordingly, the capital adequacy requirements of PDs take into account both credit risk and market risk. The PDs are required to maintain a minimum CRAR of 15 per cent, including market risk capital. PDs are required to maintain the higher of the market risk capital calculated through a standardised model and the Value at Risk (VaR) method. PDs without a VaR system in place are required to maintain 7 per cent risk capital. In January 2002, PDs were advised to provide back-testing results for the year ended December 31, 2001 and follow a prudent distribution policy so as to build up sufficient reserves even in excess of regulatory requirements which can act as a cushion against any adverse interest rate movements in the future. The need for putting in place appropriate exposure limits and reviewing those limits periodically by the PDs was also emphasised. Furthermore, in view of the risks involved in accepting Inter-corporate Deposits (ICDs) and deploying those funds in non-SLR bonds, PDs were advised to restrict acceptance of ICDs to 50 per cent of their net owned funds (NOF) and evolve a policy for acceptance of ICDs after due consideration of the risks involved. ALM discipline has also been extended to PDs during the year. Unlike other NBFCs, the entire portfolio of government securities of PDs has been allowed to be treated as liquid.

5.23 The off-site surveillance of PDs is done on the basis of three basic returns, *viz*., PDR I, II and III. PDR I is a daily statement of sources and uses of funds and is used to monitor the deployment of call borrowing and the RBI liquidity support, leverage and the duration of PDs portfolio. PDR I return has been revised to capture more details on sources like ICDs, CPs, etc. PDR II is a monthly statement on the basis of which the bidding commitments, success ratio, underwriting performance, secondary market turnover of PDs, etc., are monitored. PDR III is a quarterly return on the basis of which the capital adequacy of the PDs is monitored. Apart from these regular returns, additional details are called for as and when necessary. The ALM guidelines for NBFCs with some modifications were also made applicable to PDs.

Mutual Benefit Financial Companies (Nidhis)

5.24 Mutual Benefit Financial Companies (*Nidhis*) have been exempted from the core provisions of the RBI Act, 1934 and Directions, excepting those relating to ceiling on interest rate, maintenance of register of deposits, issue of deposit receipt to depositors, and submission of return on deposits in Form NBS-1. As part of the implementation of the recommendations of an Expert Group to examine various aspects of the functioning of *Nidhi* companies (Chairman: Shri P. Sabanayagam), the Central Government prescribed entry point norms and NOF to deposits ratio, liquid asset requirement, etc. These measures are expected to strengthen the functioning of these companies. In July 2001, the Central Government announced guidelines relating to acceptance of deposits, business activity, prudential norms, etc., which were further amended in April 2002.

Unincorporated Bodies

5.25 The time limit for repayment of public deposits, except those from sources permitted by the RBI Act, 1934, held by all the unincorporated bodies engaged in financial business expired on March 31, 2000. Accordingly, the RBI cautioned unincorporated bodies engaged in financial business to neither accept any deposit from members of the public, nor issue advertisements soliciting deposit. Concomitantly, members of the public were also cautioned about the risk of depositing money with such unincorporated bodies.

4. Business Profile of the NBFC sector[5]

5.26 A broad business profile of the NBFC sector as at the end of March 2000 and 2001, based on the periodic returns submitted by deposit accepting/holding companies is presented in Table V.2.

Table V.2: Business Profile of the NBFC Sector

(As at end-March)

(Amount in Rs. crore)

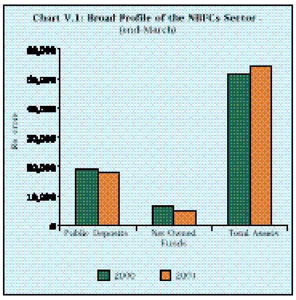
Item	2000		2001	
	NBFCs	*of which :* **RNBCs**	**NBFCs**	*of which :* **RNBCs**
1	2	3	4	5
Number of reporting companies	1,005	9	981	7
Total Assets	51,324.26	11,317.31	53,878.24	16,244.01
Public Deposits	19,341.72	11,003.77 (56.9)	18,084.64	11,625.24 (64.3)

Net Owned Fund	6,222.89	- 442.82	4,942.90	-178.83

Note: 1. Figures are provisional.
2. Figures in brackets indicate percentages to total outstanding deposits of NBFCs.

5.27 The aggregate assets of the NBFC sector as on March 31, 2001 at Rs.53,878 crore increased by 5.0 per cent over the previous year, despite a decline in the number of reporting companies to 981 from 1,005 (Chart V.1), reflecting significant increase in the total assets of RNBCs (43.5 per cent or Rs.4,927 crore). Consequently, their share in total assets of NBFCs also increased to 30.2 per cent by end-March 2001.

Chart V. 1: Broad Profile of the NBFCs Sector –
(End-March)



5.28 As on March 31, 2001, the quantum of public deposits (reported by 981 companies) stood at Rs.18,085 crore, equivalent to 1.7 per cent of the aggregate deposits (Rs.10,55,386 crore) of scheduled commercial banks (SCBs). A year ago, the public deposits of 1,005 reporting deposit holding companies (registered and unregistered) was of the order of Rs.19,342 crore. Public deposits of the reporting 7 RNBCs increased by 5.6 per cent to Rs.11,625 crore as on March 31, 2001 compared with the position prevailing for 9 reporting RNBCs as on March 31, 2000 (Rs.11,004 crore).

5.29 The profile of public deposits of different categories of NBFCs indicates that public deposits with equipment leasing companies increased by 42.0 per cent as on March 31, 2001. On the other hand, the public deposits of investment and loan companies decreased substantially by 68.8 per cent during the same period (Table V.3 and Chart V.2). The decline may be partly attributed to conversion of some companies into non-public deposit holding companies by repaying the public deposits.

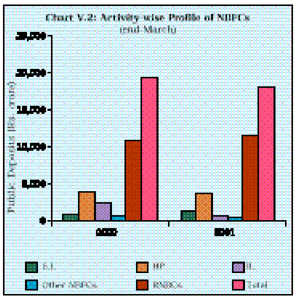
Table V.3: Profile of Public Deposits of Different Categories of NBFCs
(As at end-March)

(Amount in Rs. crore)

Nature of Business	No. of NBFCs		Public Deposits		Percentage Variation
	2000	2001	2000	2001	(Col.5/Col.4)
1	2	3	4	5	6
1. Equipment Leasing (EL)	56	58	1,021.20 (5.2)	1,450.21 (8.0)	42.0
2. Hire Purchase (HP)	465	470	4,083.54 (21.2)	3,659.19 (20.2)	-10.4
3. Investment and Loan (IL)	188	170	2,517.46 (13.0)	785.82 (4.3)	-68.8
4. RNBCs	9	7	11,003.77 (56.9)	11,625.24 (64.3)	5.6
5. Other NBFCs*	287	276	715.75 (3.7)	564.18 (3.1)	-21.2
Total	**1,005**	**981**	**19,341.72 (100.0)**	**18,084.64 (100.0)**	**-6.5**

* Includes miscellaneous non-banking companies, unregistered and unnotified *Nidhis,* etc.
Note: Figures in brackets indicate percentages to total.

Chart V.2: Activity-Wise Profile of NBFCs
(end-March)



5. Region-wise composition of Deposits held by NBFCs

5.30 The region-wise analysis of the deposits of NBFCs is based on the number of deposit-holding/ accepting NBFCs (including RNBCs) that reported data to the RBI for the years ending March 2000 and March 2001 (Table V.4, Chart V.3). The NBFCs in the eastern region continued to account for a significant proportion of public deposits of all reporting NBFCs in both the years. Their share in the regional distribution of aggregate public deposits, however, declined from 49.5 per cent as on March 31, 2000 to 43.9 per cent as on March 31, 2001. The central region improved their share from 18.7 per cent as at end- March 2000 to 22.7 per cent as on March 31, 2001. The public deposits reported by NBFCs in the metropolitan centres of Mumbai, New Delhi, Kolkata and Chennai accounted for Rs.14,920 crore (77.1 per cent) and Rs.13,350 crore (73.8 per cent) of the total deposits as on March 31, 2000 and March 31, 2001, respectively, with Kolkata maintaining its dominant position.

Chart V.3: Region-wise break-up of Public Deposits held by Registered and Unregistred NBFCs (End-March)

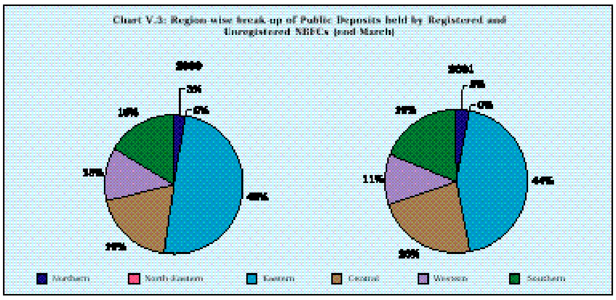


Table V.4: Region-wise break-up of Public Deposits held by Registered and Unregistered NBFCs (As at end-March)

(Amount in Rs. crore)

Region	2000						2001					
	NBFCs						NBFCs					
	No.	Amount	Per cent to Total	*of which* **RNBCs** No.	Amount	Per cent	No.	Amount	Per cent to Total	*of which* **RNBCs** No.	Amount	Per cent
1	2	3	4	5	6	7	8	9	10	11	12	13

Northern	251	529.04	2.7	—	—	—	253	575.05	3.1	—	—	—
North-Eastern	4	7.02	0.1	1	5.55	0.1	—	—	—	—	—	—
Eastern	32	9,573.05	49.5	6	7,506.62	68.2	24	7,932.10	43.9	3	7,641.86	65.7
Central	124	3,623.41	18.7	2	3,491.64	31.7	126	4,104.94	22.7	3	3,980.06	34.2
Western	86	2,441.17	12.6	—	—	—	81	2,040.79	11.3	—	—	—
Southern	508	3,168.07	16.4	—	—	—	497	3,431.72	19.0	1	3.32	0.1
Total	**1,005**	**19,341.76**	**100.0**	**9**	**11,003.81**	**100.0**	**981**	**18,084.64**	**100.0**	**7**	**11,625.24**	**100.0**
Metropolitan cities :												
Mumbai	68	2,381.21	12.3	—	—	—	62	2,011.40	11.1	—	—	—
Chennai	340	2,577.56	13.3	—	—	—	349	2,918.01	16.1	—	—	—
Kolkata	28	9,508.53	49.2	5	7,446.67	67.5	23	7,929.32	43.9	3	7,641.86	65.7
New Delhi	122	452.65	2.3	—	—	—	114	491.69	2.7	—	—	—
Total	**558**	**14,919.95**	**77.1**	**5**	**7,446.67**	**67.5**	**548**	**13,350.42**	**73.8**	**3**	**7,641.86**	**65.7**

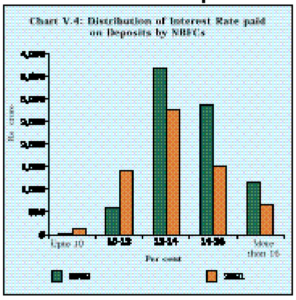
— Nil

6. Interest Rate and Maturity Pattern of Deposits with NBFCs

5.31 The distribution of the public deposits of NBFCs (excluding RNBCs) by interest rates and maturity pattern are presented in Tables V.5 and V.6, respectively.

5.32 Reflecting the successive reductions in the ceiling for deposit rates during 2000-01, NBFCs (excluding RNBCs) recorded a perceptible shift towards the lower end of interest rates spectrum for deposits. This is revealed by a five-fold increase in outstanding public deposits of NBFCs (excluding RNBCs) in the interest rate below 10 per cent. The share of such deposits in total deposits increased from 0.3 per cent as on March 31, 2000 to 1.8 per cent as on March 31, 2001. The quantum of public deposits in the interest rate range of 10-12 per cent also doubled from Rs.589 crore to Rs.1,404 crore, thereby raising its share in total deposits from 7.1 per cent to 21.8 per cent. On the other hand, public deposits with interest rates in the range of 14–16 per cent declined steeply from Rs.2,881 crore (March 31, 2000) to Rs.1,533 crore as on March 31, 2001 (Chart V.4).

Chart V.4: Distribution of Intrest Rate paid on Deposits by NBFCs



5.33 The broad trends indicate that outstanding public deposits with NBFCs (other than RNBCs) had declined from Rs.8,338 crore as on March 31, 2000 to Rs.6,459 crore by March 31, 2001. The decline (Rs.1,879 crore or 22.5 per cent) was on account of the fall in public deposits with maturities of 2 years and above. The quantum of public deposits in the maturity buckets of less than 1 year and 1-2 years, however, rose to Rs.1,721 crore and Rs.1,740 crore, respectively, as on March 31, 2001. During 2000-01, there was also a shift in the composition of deposits of NBFCs (excluding RNBCs) to the shorter end of the maturity spectrum (Table V.6). Between March 31, 2000 and March 31, 2001, the quantum of deposits with a maturity profile of less than one year rose by 30.1 per cent, with a concomitant rise in share in its total deposits to 26.7 per cent. During the same period, the share of deposits with maturity period of 1-2 years in total deposits also increased from 19.4 per cent to 27.0 per cent. Significantly, the quantum of deposits in the maturity bucket of 5 years or above witnessed a decline by 93.1 per cent; with their share in total deposits steeply declining from 20.6 per cent to 1.8 per cent. This is primarily on account of the exclusion from the data for 2001, an amount of Rs.1,668 crore (but included in 2000) mobilised as unsecured non-convertible debentures by a Government owned NBFC based in West Bengal. These are now treated as 'secured bonds' guaranteed by the Government of West Bengal, and hence not considered as public deposits according to the Directions of the RBI.

Table V.6: Maturity Pattern of Public Deposits held by NBFCs @ (excluding RNBCs)
(As at end-March)

(Rs. crore)

Maturity Period in years		Amount of Public Deposits	
		2000	2001
1		2	3
Less than 1		1,323.45	1,721.22
	(a)	(15.9)	(26.7)
	(b)	(-21.9)	(30.1)
1 – 2		1,615.94	1,740.48
	(a)	(19.4)	(27.0)
	(b)	(-44.4)	(7.7)
2 – 3		2,462.48	2,037.49
	(a)	(29.5)	(31.5)
	(b)	(-15.0)	(-17.3)
3 – 5		1,218.45	841.89
	(a)	(14.6)	(13.0)
	(b)	(-42.6)	(-30.9)
5 and above		1,717.63	118.32
	(a)	(20.6)	(1.8)
	(b)	(923.8)	(-93.1)
Total		**8,337.95**	**6,459.40**
	(a)	**(100.0)**	**(100.0)**
	(b)	**(-14.8)**	**(-22.5)**

@ On the basis of residual maturity of outstanding deposits
(a) Percentages to total.
(b) Percentage increase over the previous year.

7. Asset Profile of NBFCs

5.34 The asset profile of NBFCs revealed that out of 996 reporting companies (excluding RNBCs), 66 NBFCs with asset sizes of Rs.50 crore and above accounted for 91 per cent of the total assets as on March 31, 2000 (Table V.7). As on March 31, 2001, out of 974 reporting companies, 63 companies had asset size of Rs.50 crore and above, accounting for 90 per cent of the total assets. During 2001, the number of reporting companies for almost all categories decreased or remained unchanged, except companies with asset base of Rs.2 crore to Rs.10 crore which recorded an increase. The aggregate assets of almost all categories, excepting those in the ranges of Rs.2 crore to Rs.10 crore and Rs.10 crore to Rs. 50 crore recorded a decline as on March 31, 2001. Apart from the decline in the number of reporting companies the decline in asset size of several companies may be reflective of utilisation of assets to liquidate high cost deposit liabilities (Table V.5).

Table V.5: Distribution of NBFC Deposits according to Rate of Interest @
(As at end-March)

(Amount in Rs. crore)

Interest Range (per cent)	Amount of deposit	
	2000	2001
1	2	3
Upto10	22.96	118.43
	(0.3)	(1.8)
10-12	588.50	1,403.55
	(7.1)	(21.8)
12-14	3,702.08	2,758.84
	(44.4)	(42.7)
14-16	2,880.79	1,532.92
	(34.6)	(23.7)
More than16	1,143.62	645.75
	(13.6)	(10.0)
Total	**8,337.95**	**6,459.49**
	(100.0)	**(100.0)**

@ Excluding RNBCs
Note: Figures in brackets indicate percentages to total deposits

Table V.7: Asset Profile of NBFCs*
(As at end-March)

(Amount in Rs. crore)

Range of Assets (Rs. crore)	No. of reporting companies		Assets		Percentage Variation of Col. (5) over Col. (4)
	2000	2001	2000	2001	
1	2	3	4	5	6
Less than 0.25	82	62	7.86	6.79	-13.6
0.25 - 0.50	95	91	36.36	34.80	-4.3
0.50 – 2	397	389	434.32	420.46	-3.2
2 – 10	266	280	1,142.02	1,193.33	4.5
10 – 50	90	89	1,921.11	1,981.25	3.1
50 – 100	16	15	1,114.35	1,018.82	-8.6
100 – 500	28	28	7,825.22	7,130.39	-8.9
Above 500	22	20	27,525.71	25,848.39	-6.1
Total	**996**	**974**	**40,006.95**	**37,634.23**	**-5.9**

* The reporting NBFCs (excluding RNBCs) have been regrouped on the basis of their asset size as on March 31, 2000 and March 31, 2001.

8. Distribution of Assets of NBFCs according to Activity

5.35 A major portion of the assets of NBFCs (excluding RNBCs) constitutes hire purchase and equipment leasing assets. These two portfolios comprised 46.6 per cent of the total assets of NBFCs as on March 31, 2001. The loans and ICD portfolios accounted for 27.3 per cent of the assets of the NBFCs (Table V.8).

Table V.8: Activity-wise Distribution of Assets of NBFCs @
(As at end-March)

(Rs. crore)

Activity	2000	2001
1	2	3
Loans & ICD	10,561.35	10,271.00
	(26.4)	(27.3)
Investments	5,578.65	4,344.07

	(13.9)	(11.5)
Hire Purchase	12,016.79	12,886.51
	(30.0)	(34.2)
Equipment & Leasing	5,146.70	4,680.90
	(12.9)	(12.4)
Bills	1,280.09	788.36
	(3.2)	(2.1)
Other Assets	5,423.37	4,663.39
	(13.6)	(12.4)
Total	**40,006.95**	**37,634.23**
	(100.0)	**(100.0)**

@ excluding RNBCs.
Note: Figures in brackets are percentages to total.

9. Analysis of Borrowings by NBFCs

5.36 The total outstanding borrowings of NBFCs (excluding RNBCs) registered a marginal increase of 0.5 per cent as on March 31, 2001 compared with the position prevalent at the end of the previous year (Table V.9). There was, however, a steep decline in borrowings from 'other' sources *viz.*, security deposits from employees and caution money, allotment money, borrowings from mutual funds, directors, etc. to the extent of Rs.3,122 crore (48.2 per cent) in the year 2001 as compared to the previous year. The reduction in borrowings from other sources was more than offset by the increase in borrowings from: (i) corporates (Rs. 1,023 crore), (ii) borrowings from banks (Rs.913 crore), (iii) Central/State Governments (Rs.437 crore), (iv) money raised by issue of convertible or secured debentures (Rs.409 crore), (v) financial institutions (Rs.309 crore) and (vi) commercial paper (Rs.72 crore). As at end-March 2001, borrowing from banks accounted for the highest share (29.0 per cent) of the total borrowings of NBFCs, followed by money raised by issue of convertible or secured debentures (including those subscribed by banks) at 16.7 per cent.

Table V.9: Classification of Borrowings by NBFCs (excluding RNBCs)
(As at end-March)

(Rs. crore)

Item	2000	2001
1	2	3
Money borrowed from Central/State Government @	2,603.60	3,040.57
	(11.6)	(13.5)
Money borrowed from foreign sources*	601.32	670.26
	(2.7)	(3.0)
Inter-corporate borrowings	1,842.74	2,866.16
	(8.2)	(12.6)
Money raised by issue of convertible or secured debentures including those subscribed by banks	3,348.82	3,757.98
	(14.9)	(16.7)
Borrowings from banks	5,632.77	6,545.32
	(25.1)	(29.0)
Borrowings from Financial Institutions	1,384.47	1,693.71
	(6.1)	(7.5)
Commercial Paper	554.42	626.77
	(2.5)	(2.8)
Others #	6,480.24	3,358.23
	(28.9)	(14.9)

Total	**22,448.38**	**22,559.00**
	(100.0)	**(100.0)**

@ Mainly by State-Government owned companies.

* The amount received from foreign collaborators as well as from institutional investors (Asian Development Bank, Interna- tional 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.

10. Assets and Liabilities of Large NBFCs

5.37 As on March 31, 2001, out of the 974 reporting companies, 37 held public deposits of Rs.20 crore and above. An analysis of their assets and liabilities reveals that they held public deposits of Rs.5,351 crore which accounted for 82.8 per cent of total public deposits (Rs.6,459 crore) held by all the reporting NBFCs, excluding RNBCs. The total asset size of these companies was Rs.25,604 crore, which was 68.0 per cent of the total assets (Rs.37,634 crore) of all reporting NBFCs. Under the assets portfolio, loans and advances and hire purchase assets constituted 64.2 per cent of total assets of these companies, while investments accounted for 11.3 per cent (Table V.10). On the liabilities side, paid up capital and free reserves together accounted for 16.0 per cent of total liabilities as on March 31, 2001. Public deposits constituted 20.9 per cent of the total, while convertible debentures and other borrowings together accounted for nearly 31.9 per cent of total liabilities of these companies as on that date.

Table V.10: Asset and Liabilities of Companies Holding Public Deposits of Rs.20 crore and above (As on March 31, 2001)

(Rs. crore)

Liabilities		Amount	Assets		Amount
1		2	3	4	
Paid-Up Capital		1,070.61	Loans & Advances		8,090.94
Free Reserve		3,018.90	Investment		2,882.35
Public Deposits		5,350.88	(1) Government Securities	875.15	
(1) Maturity of less than 1 year	1,240.14		(2) Corporate sector-share, bonds, debentures	1,320.18	
(2) 1 year or more	4,110.74				
			(3) Others	687.02	
Convertible debentures		2,176.36			
			Other Financial Assets		12,027.19
Other Borrowings		5,980.79			
			(1) Hire Purchase	8,341.03	
(1) From Banks	4,443.41				
			(2) Equipment Leasing	3,187.21	
(2) Inter-Corporate Deposits	1,031.13				
			(3) Bills Discounting	498.95	
(3) Foreign Government	506.25				
			Accumulated balance of Loss		544.58
Other Liabilities		8,006.42	Other Assets		2,058.90
Total Liabilities		**25,603.96**	**Total Assets**		**25,603.96**

11. Income-Expenditure Statement of NBFCs

5.38 Both income and expenditure continued to decline for the second year in succession. The order of decline in these two components, however, was much larger during 2000-01 and resulted in a net loss (Table V.11). Income declined by 17.0 per cent, during 2000-01 largely due to the drop in fund-based income (contributing 91.4 per cent of the decline in income). Fee-based income also recorded a steep fall. Although total expenditure also declined by 9.8 per cent, mainly due to decrease in operating expenses by 27.9 per cent, it did not result in enhanced profitability of NBFCs on account of the steep decline in income. With the result, NBFCs recorded a net loss of Rs.325 crore as on March 31, 2001 compared to a net profit of Rs.137 crore during the previous year.

Table V.11: Financial Performance of NBFCs (excluding RNBCs)
(As at end-March)

(Rs. crore)

Item	1999-2000	2000-2001
1	2	3
A. Income (I+ii)	**6,770**	**5,619**
	(-0.6)	**(-17.0)**
i) Fund based	6,299	5,247
	(-3.8)	(-16.7)
ii) Fee based	471	372
	(82.6)	(-21.0)
B. Expenditure (I+ii+iii)	**6,363**	**5,741**
	(-0.8)	**(-9.8)**
i) Financial	3,687	3,400
	(-15.3)	(-7.8)
ii) Operating	1,614	1,164
	(-49.9)	(-27.9)
iii) Other	1,062	1,177
	(7.9)	(10.8)
C. Tax Provisions	**270**	**203**
	(-1.1)	**(-24.8)**
D. Net Profit	**137**	**-325**
	(14.2)	(—)
E. Total Assets	**40,007**	**37,634**
	(11.2)	**(-5.9)**
F. Financial Ratios @		
i) Income	16.9	14.9
ii) Fund Income	15.7	13.9
iii) Fee Income	1.2	1.0
iv) Expenditure	15.9	15.3
v) Financial Expenditure	9.2	9.0
vi) Operating Expenditure	4.0	3.1
vii) Other Expenditure	2.7	3.1
viii) Tax Provisions	0.7	0.5
ix) Net Profit	0.3	-0.9

@ Ratios to Total Assets in per cent.
Note : Figures in brackets are percentage change over the previous year.

12. Net Owned Funds (NOF)[6] of NBFCs

5.39 The number of companies having NOF up to Rs.25 lakh have increased to 225 as on March 31, 2001 compared with 205 for the previous year. For most other ranges of NOF, the number of registered companies showed declines as compared to the previous period (Table V.12). The ratio of public deposits to NOF reflects the resilience of the institution as given by the capital cushion available to it. The aggregate public deposits to NOF ratio for all reporting NBFCs (excluding RNBCs) as at end-March 2001 stood at 1.3, the same as that in the previous year.

Table V.12: Net Owned Fund *vis-à-vis* Public Deposits of NBFCs @

(As at end-March)

(Amount in Rs. crore)

Range of NOF (Rs. crore)	2000 No. of Reporting Companies	Net Owned Fund	Public Deposits	Public Deposits as multiple of NOF	2001 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	205	-215.15	394.78	-1.8	225	-859.39	806.72	-0.9
0.25 – 0.50	360	116.17	194.20	1.7	346	115.70	187.77	1.6
0.50 – 5.0	314	501.98	362.86	0.7	305	497.73	692.11	1.4
5 – 10	43	294.12	202.13	0.7	34	223.83	94.11	0.4
10 – 50	46	1,060.24	2,773.16	2.6	37	774.95	776.64	1.0
50 – 100	9	628.40	877.58	1.4	12	804.39	923.56	1.1
100 – 500	19	4,279.95	3,533.24	0.8	14	3,063.19	2,299.29	0.8
Above 500	—	—	—	—	1	501.33	679.20	1.4
Total	**996**	**6,665.71**	**8,337.95**	**1.3**	**974**	**5,121.73**	**6,459.40**	**1.3**

@ Excluding RNBCs.

13. Capital Adequacy Ratio

5.40 Capital adequacy norms were made applicable to NBFCs in 1998. The norms relating to CRAR stipulate that every NBFC shall maintain a minimum capital ratio, consisting of tier I and tier II capital (Box V.2). It is noteworthy that, 525 out of the 714 reporting NBFCs (73.5 per cent) had CRAR above 30 per cent as on March 31, 2001. Another 82 companies (11.5 per cent of the total), recorded CRAR between 20 and 30 per cent, 5 had CRAR between 10 and 12 per cent, while 56 companies had CRAR below 10 per cent. Among the different categories of NBFCs, a large number of HPs and LC/ICs have been well-capitalised, with about 73.1 per cent and 79.3 per cent of the two categories, respectively, having CRAR in excess of 30 per cent (Table V.13).

Table V.13: Distribution of Reporting NBFCs by CRAR

(As at end-March)

CRAR Range (per cent)	2000 EL	HP	LC/IC	RNBC	Total	2001 EL	HP	LC/IC	RNBC	Total
1	2	3	4	5	6	7	8	9	10	11
Less than 10	7	11	12	2	**32**	9	22	23	2	**56**
10-12	—	—	1	—	**1**	1	1	2	1	**5**
12-15	1	3	3	—	**7**	1	5	2	—	**8**
15-20	3	31	8	—	**42**	4	29	5	—	**38**
20-30	12	52	16	1	**81**	8	58	15	1	**82**
Above 30	23	253	159	1	**436**	30	313	180	2	**525**
Total	**46**	**350**	**199**	**4**	**599**	**53**	**428**	**227**	**6**	**714**

14. Performance of Primary Dealers (PDs)

5.41 PDs' performance in the Government securities market was marked by steady improvement over the years (Table V.14). During the year 2001-02, 65 per cent of auctioned primary issues of Government securities were absorbed by PDs. In treasury bills auctions, PDs' share was 83.2 per cent. In the secondary market too, the PDs achieved a noticeable expansion in their transactions. In 2001-02, the PDs achieved a turnover (outright plus repos) of Rs.8,84,181 crore (representing a share of 23 per cent of market transactions).

5.42 In the primary market, for the year 2001-02, all PDs together had given a bidding commitment of Rs.50,718 crore in treasury bills and Rs.95,950 crore in Government of India dated securities representing 156 per cent and 97 per cent of the amounts indicated to be raised at the beginning of the year. The bids tendered by them were higher at Rs.64,752 crore and Rs.1,24,804 crore for treasury bills and Government of India dated securities, respectively, at 199 per cent and 109 per cent of actual amounts notified for auction. Of these, the bids accepted were Rs.26,236 crore for treasury bills and Rs.55,113 crore for Government of India dated securities, respectively, indicating a success ratio of 51 per cent and 57 per cent. As against Rs.1,20,449 crore offered for underwriting, Rs.68,267 crore were accepted by the RBI. Total primary purchases including devolvement on PDs were 83 per cent in case of treasury bills and 65 per cent in Government of India dated securities against 74 per cent and 48 per cent in the last year indicating larger absorption by PDs in the primary market (Table V.15). In the secondary market, primary dealers turnover (outright plus repo) amounted to Rs.8,84,181 crore in treasury bills and dated securities (representing 23 per cent of market transactions), out of which turnover on outright basis amounted to Rs.6,52,127 crore (Table V.14).

Table V.14 : Selected Indicators of the Primary Dealers

(As at end-March)

(Amount in Rs. crore)

	2000	2001	2002
1	2	3	4
Number of PDs	15	15	18
Total Capital (NOF)	2,688	3,184	4,425
Total assets	15,399	14,772	15,310
Of which Government Securities	10,502	10,401	12,236
Per cent of Government Securities	68	70	80
PD system turnover (outright)	2,34,337	3,16,915	6,52,127
Market turnover (outright)	9,12,986	11,44,291	24,23,933
Per cent of PD turnover (outright)	26	28	27
Liquidity Support limits	5,900	6,000	4,000 + 2,000 (backstop)

Table V.15: Activities of Primary Dealers

(Amount in Rs. crore)

		1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6
Total Primary Purchase (including devolvements)	Treasury Bills	18,018	18,786	23,815	26,236
	Dated Securities	16,243	34,956	47,818	55,848
Per cent to Total Primary Issues	Treasury Bills	40	46	74	83
	Dated Securities	19	40	48	65
Market Share of PDs * (Per cent)		20	27	31	23

* Turnover of PDs to total turnover in the market.

5.43 The average daily net call money borrowing of the PDs aggregated Rs.6,711 crore during 2001-02 as compared with Rs.6,216 crore in the previous year. A total commission/ underwriting fee of Rs.25 crore was paid to the PDs during 2001-02 as compared with Rs.87 crore in 2000-01. For the year 2001-02, the normal liquidity support limits for PDs was fixed at Rs.6,000 crore. The average daily utilisation of liquidity support by the PDs was Rs.1,529 crore for the financial year 2001-02, well below the utilisation of Rs.4,145 crore last year. This lower utilisation reflects the ample liquidity available in the system throughout the year.

15. Other Developments

Developments Pertaining to Informal Advisory Group on NBFCs.

5.44 The Informal Advisory Group on NBFCs deliberates on various issues emanating from the difficulties in compliance with the regulatory framework and serves as a forum for consulting the professional bodies, experts and NBFCs themselves. Such institutionalised decision-making mechanism has been extremely useful, and has resulted in the formulation of several policy decisions, regulatory measures and amendments to the Directions. During the year under review (July-June), the Group held four meetings with the last one being in June 2002.

Study Group to Design New Balance Sheet Format

5.45 In pursuance of the Khanna Committee recommendations, a Committee was constituted to explore the possibility of prescribing separate formats of financial statements for NBFCs to enhance transparency in the presentation of their financial position. On the basis of the Committee's report, further discussions were held with the Informal Advisory Group and a final view is being taken thereon.

Depositor Protection

5.46 The RBI continues to pursue with various State Governments the case for enacting legislation for protection of interest of depositors in financial establishments. An extensive publicity campaign has also been taken up using the print and electronic media to educate the depositors. RBI has been conducting special seminars for the civil and police personnel of State Governments to equip them with the skills of identifying and apprehending unscrupulous elements in NBFC sector and to protect the interest of depositors. Special training programmes were held at the College of Agricultural Banking (CAB), Pune as also at some of the regional offices of RBI for personnel/executives of NBFCs in order to familiarise them with the objectives, genesis and focus of the RBI regulations.

Training of Auditors

5.47 The ICAI in association with the RBI, holds workshops for auditors at various centres, for training them on auditors' reporting requirements under the directions issued by RBI. In addition, RBI conducts training programmes for the statutory auditors of the NBFCs to familiarise them with the directions and regulations as applicable to NBFCs.

Initiatives in Co-ordination

5.48 The RBI continues to hold regular meetings with the top civil and police officials of the State Governments and other regulatory agencies, and issues of common concern are discussed in such meetings for impressing upon them the need for supporting the RBI to track down unscrupulous elements. Constant follow up action by the RBI helped in the setting up of Economic Offences Wing in many States. Close liaison is also maintained with various other regulatory authorities like DCA, SEBI, etc.

Self Regulatory Organisation

5.49 The RBI has been impressing upon various NBFC Associations, the need for formation of a self-regulatory organisation (SRO) which would serve the purpose of a viable mechanism for instituting a self-regulatory system for the sector, particularly for the benefit of smaller NBFCs. Towards this end, the RBI continues to be in touch with the Informal Advisory Group of NBFCs and also with various NBFC Associations.

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1 The term 'public deposit' means any receipt of money by way of deposit or loan or in any other form excluding amounts received as share capital, borrowings from Central or State Governments, foreign Governments, banks, institutions, registered money lenders, *chit* subscription, money received as advance against sale of assets, dealership deposits, security deposits, the money received from other companies and mutual funds, money raised by issue of optionally convertible debentures, secured debentures, hybrid debts/subordinated debts and commercial papers, deposits received from the directors and their relatives and deposits accepted by a private company from its shareholders.

2 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.

3 From the institutional angle, PDs also belong to the category of NBFCs and are classified as investment companies. The policy developments and performance of PDs have been presented separately in this Chapter.

4 One-half each from the fortnight beginning November 16, 2002.

5 Data for different periods may not be comparable due to differences in the reporting NBFCs in each period.

6 The NOF of NBFCs is the total of paid-up capital and free reserves, net of (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 of10 per cent of owned funds.

Annex: Chronology of Major Policy Developments

Announcement Date		Measures
		A) Scheduled Commercial Banks
2001		
April	10	• The operation of the guidelines for a simplified, non-discriminatory and non-discretionary mechanism for settlement of dues relating to non-performing assets (NPAs) with outstanding up to Rs.5 crore, in respect of banks, was extended up to June 30, 2001. Same instructions were issued to central public finance institutions on April 18, 2001.
	19	• In order to move towards international best practices and impart greater transparency, it was decided to classify loan as non-performing where the 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. • In line with international best practices, it was decided that the concept of capital funds in India as defined under capital adequacy standards for determining exposure ceiling uniformly by domestic and foreign banks would be made effective March 31, 2002. • It was decided that non fund-based exposures should be reckoned at 100 per cent and banks should include forward contracts in foreign exchange and other derivative products at their replacement cost, effective April 1, 2003. • RBI announced reduction of exposure limit for single borrower from the existing 20.0 per cent to 15.0 per cent and group exposure limit from the existing 50.0 per cent to 40.0 per cent of capital funds, effective March 31, 2002; the group exposure limit is extendable by another 10 percentage points, *i.e*., upto 50.0 per cent provided the additional credit exposure is on account of extension of credit to infrastructure projects.
	27	• For greater transparency in the operation of borrowal accounts, RBI advised banks for bi-annual circulation of defaulters list of Rs.1 crore and above in the doubtful or loss category and also obtain the consent of borrowers to disclose their names in the event of default.
	30	• Effective June 30, 2001, banks, Financial Institutions (FIs), Primary Dealers (PDs) and Satellite Dealers (SDs) were directed to make fresh investments and hold commercial papers (CPs) only in demateralised form.
May	2	• Guidelines were issued for compromise settlement of dues of banks and FIs through *Lok Adalats.* • Banks and FIs were advised that all cases of wilful defaults of Rs.one crore and above should be reviewed and suits filed, if not done earlier. If in such cases of wilful defaults, there are instances of cheating or fraud by the defaulting borrowers, banks should file criminal cases.
	11	• According to the revised guidelines issued on bank financing of equities and investments in shares, the ceiling of 5 per cent was made applicable to total exposure of a bank to stock markets with sub-ceilings for total advances to all stock brokers and market makers as well as individual stock-broking entities and their associate/interconnected companies. The 5 per cent ceiling would be computed in relation to the total advances (including CPs) as on March 31 of the previous year.

June	7	• Banks were advised to put in place appropriate systems to ensure that investment in privately placed unrated instruments was made in accordance with systems and procedures prescribed under the respective bank's investment policy approved by the Board. Banks were also advised to introduce suitable format of disclosure requirements in respect of private placement issues on the lines of the model format recommended by the Technical Group on non-SLR Investments.
	14	• With a view to reduce divergences in assessment of NPAs by banks, statutory auditors and the RBI inspectors, user friendly guidelines defining and clarifying certain related issues in question- answer format were issued.
July	2	• Banks were advised to provide a personal insurance package to all *Kisan* Credit Cards (KCCs) holders to cover them against accidental death or permanent disability up to a maximum of Rs.50 ,000 and Rs.25,000, respectively.
	18	• For the year 2001-02, Scheduled Commercial Banks (SCBs) were advised to compute their respective share of housing finance allocation at 3 per cent of their incremental deposits as on the last reporting Friday of March 2001 over the corresponding figure of the last reporting Friday of March 2000.
	25	• Public Sector Banks (PSBs) were advised to ensure that no branch in general and that in a rural area in particular, is closed due to non-availability of staff on account of introduction of voluntary retirement scheme and also that lending under various schemes in rural areas is not adversely affected due to this scheme.
	26	• PSBs were advised to earmark five per cent of their net bank credit for lending to women and the target is required to be achieved by March 31, 2004.
August	23	• A three-tier structure of the corporate debt restructuring (CDR) system - 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 Board for Industrial and Financial Reconstruction (BIFR), Debt Recovery Tribunal (DRT) and other legal proceedings.
	24	• To expedite the process of inter-branch reconciliation and provide urgency to the efforts needed on the part of banks, it was decided to further reduce the period allowed for making provisions against the net balance in the inter-branch accounts from two years to one year for the year ending March 31, 2002.
September	29	• The stipulation of minimum networth of Rs.100 crore for introduction of online debit cards is removed which, however, should be adhered to by banks introducing offline mode of operation of debit cards.

October	22	• It has been decided that with effect from fortnight beginning November 3, 2001, all exemptions on the liabilities will be withdrawn except inter-bank liabilities for computation of net demand And time liabilities (NDTL) for the purpose of maintenance of cash reserve ratio (CRR) and the banks will be paid interest at the Bank Rate on all eligible cash balances maintained with the RBI under Section 42 of the RBI Act, 1934.
	27	• Banks which have large exposure to corporates were advised to monitor and review on a monthly basis, through a suitable reporting system, the unhedged portion of the foreign currency exposures of those corporates, whose total foreign currency exposure is relatively large (say about US $25 million or its equivalent). • Banks were advised to furnish the following additional disclosures in the "Notes on Accounts" in their balance sheets, from the year ending March 2002: movement of provisions held towards (i) NPAs and (ii) depreciation on investments. • Banks were advised that they are free to design and implement their own policies for recovery and write-off including compromise and negotiated settlements with the approval of their Boards ,particularly for old and unresolved cases falling under the NPA category.
November	7	• Banks have been directed to do away with stapling of note packets and issue only clean notes to publi .
	15	• According to the revised guidelines issued by the RBI on bank financing of margin trading by stock brokers, the Board of each bank should formulate detailed guidelines for lending for margin trading, subject to the prescribed parameters like extending of finance for margin trading within the overall ceiling of 5 per cent prescribed for exposure to capital market, maintenance of minimum margin of 40 per cent on the funds lent for margin trading, etc.
	22	• In response to representations by banks, it was announced that infusion of capital either through domestic issue or overseas float, after the published balance sheet date, would be taken into account in calculating capital funds for the purpose of determination of exposure ceiling.
December	22	• The Boards of PSBs were advised to formulate a policy for the recovery of dues pertaining to loans outstanding up to Rs.25,000, subject to certain parameters. The amount that should be recovered as settlement amount under these guidelines would be the balance outstanding towards principal in the loan account as on March 31, 1998. The compromise settlement reached should be reviewed by the Board at monthly intervals. The guidelines were operative up to June 30, 2002.
2002		
January	9	• Banks/FIs were advised to exercise due caution while taking any investment decisions to subscribe to debentures, bonds, shares, etc. and refer to the defaulters lists to ensure that investments are not made in companies/entities who are defaulters to banks/FIs.

	10	• In order to build up investment fluctuation reserve (IFR), banks were advised to transfer maximum amount of the gains realised on sale of investment in securities to the IFR account with the objective of achieving IFR of a minimum of 5 per cent of the portfolio within a period of 5 years.
	22	• The norm of two harvest seasons, not exceeding two half years, for reckoning NPAs in respect of short term agricultural loans for production and marketing of seasonal agricultural crops such as paddy, wheat, oilseeds, sugarcane, etc., was extended to cover all direct agricultural advances.
	25	• Banks/FIs may not refuse proposals for investments in companies whose Director's names find a place in defaulters list circulated by the RBI at periodical intervals and particularly in respect of those bank accounts which have been restructured under the extant RBI guidelines, provided the proposal is viable and satisfies all parameters for such credit extension.
	30	• Based on the recommendations of a High Level Committee chaired by Dr. I. G. Patel, former Governor, the RBI decided to issue 'in-principle' approval to two applicants for setting up new banks.
February	14	• The RBI issued detailed guidelines for raising subordinated debt through head office borrowings in foreign currency for inclusion in tier II capital by foreign banks. The salient features of the guidelines *inter alia* are: the amount eligible for inclusion in tier II capital as subordinated debt would be subject to a maximum ceiling of 50 per cent of the tier I capital maintained in India; the head office borrowings should have a minimum initial maturity of 5 years and should be fully paid up, etc.
	16	• Consolidated guidelines were issued on foreign direct investments (FDI) in the banking sector. It was clarified that FDI from all sources in private banks is permitted under the automatic route up to 49 per cent. Foreign direct investment and portfolio investment in PSBs including State Bank of India, however, is permitted up to 20 per cent. The maximum limit of 49 per cent is applicable also to foreign banks having branch presence in India and wishing to make FDI in private banks.
March	20	• The RBI liberalised the norms for issue and pricing of shares by private sector banks. According to the revised norms, all private sector banks - listed or unlisted - would be free to issue bonus and rights issues without prior approval of the RBI. Moreover, the bonus issue will now be delinked from the rights issue. For initial public offerings and preferential shares, however,the RBI approval will be necessary.
	22	• In line with the announcements in the Central Government Budget 2002-03, the RBI announced special one-time settlement (OTS) Scheme for small and marginal farmers. The guidelines would cover loans up to Rs.50,000 principal amount (excluding any interest element) which have become NPAs as on March 31, 1998. The guidelines will remain operative up to December 31, 2002.
April	11	• The banks can issue smart cards (both online and offline) to select customers with good financial standing subject to their ensuring the implementation of 'Know Your Customer' concept.
	18	• The RBI advised that while reckoning the quantum of unsecured advances and guarantees for applying the norms relating to unsecured advances and guarantees, outstanding credit card dues should be excluded from the total of unsecured advances.

	26	• The RBI approved the merger of ICICI Ltd. with ICICI Bank Ltd., subject to certain conditions.
	29	• It has been decided that with effect from June 30, 2002, banks and FIs should issue Certificates of Deposits (CDs) only in the dematerialised form and the existing outstandings of CDs should be converted into same form by October 31, 2002. • The Non-Resident (Non-Repatriable) Rupee Account Scheme and Non-Resident (Special) Rupee Account Scheme was discontinued effective April 1, 2002.
May	3	• Banks were advised to compute IFR with reference to investments in two categories, *viz.*, "held for trading" and "available for sale" and not include investments under "held to maturity" for the purpose.
	7	• All scheduled commercial banks excluding Regional Rural Banks (RRBs) have been advised to maintain with RBI a CRR of 5 per cent of NDTL (excluding liabilities subject to zero CRR prescriptions) under Section 42 of the RBI Act, 1934 with effect from fortnight beginning June 1, 2002.
	9	• Banks were advised that, effective March 31, 2005, an asset would be classified as doubtful if it remained in the sub-standard category for 12 months. Banks were permitted to phase the additional provisioning consequent upon the reduction in the transition period from sub-standard to doubtful asset from 18 months to 12 months over a four year period, commencing from the year ending March 31, 2005, with a minimum of 20 per cent each year. • As an interim measure, the RBI would grant permission for CDR on the basis of specific recommendations of CDR "Core Group", if a minimum of 75 per cent of the lenders consent for CDR, irrespective of differences in asset classification status in banks/FIs.
	24	• Banks were advised that loans and advances secured by mortgage of residential property may be assigned a risk weight of 50 per cent instead of the existing 100 per cent for the purpose of Capital adequacy. Loans against mortgage of commercial real estate would continue to attract 100 per cent risk weight as hitherto. Bank's investment in mortgage backed securities (MBS) of residential assets of Housing Finance Companies (HFCs) which are supervised by the National Housing Bank (NHB) would be eligible for risk weight of 50 per cent for the purpose of capital adequacy.
	28	• In order to ensure that the loan assets relating to projects under implementation were appropriately classified and asset quality correctly reflected, the norms on income recognition, asset classification and provisioning with respect to industrial projects under implementation, which involve time overrun, earlier applicable to FIs only, were made applicable to banks also.
	29	• Keeping in view the nature of operations of banks and the need to ensure uniformity in regulatory requirements, it was decided that compliance with the following accounting standards (AS) be made optional for banks only for the financial year ended March 31, 2002: AS 17 on segment reporting, AS 18 on related party disclosure, AS 21 on consolidated financial statements and AS 22 on Taxes on Income. Banks would be required to conform to the above AS by March 31, 2003 in accordance with the detailed guidelines to be issued on the basis of the recommendations of a Working Group on the issue.

	30	• Based on the recommendations of the Working Group on Wilful Defaulters, the term 'wilful default' was redefined and widened so as to cover the aspects of diversion of/siphoning off funds therein. The banks and FIs are required to initiate penal measures against wilful defaulters as advised.
June	4	• The banks, all India notified FIs and State Financial Corporations (SFCs) were advised to submit the list of suit-filed accounts of Rs.1 crore and above as on March 31, 2002 and quarterly updates thereof till December 2002 and suit-filed accounts of wilful defaulters of Rs.25 lakh and above as at end-March, June, September and December 2002 to the RBI as well as to Credit Information Bureau (India) Ltd. (CIBIL) for a period of one year till March 31, 2003 and thereafter to CIBIL only. • In the process of extending the guidelines of Securities and Exchange Board of India (SEBI) Committee on Corporate Governance, the public and private sector banks have been advised to form committees on the same lines as listed companies to look into redressal of shareholders' complaints and listed banks have to provide unaudited financial results on half-yearly basis to their shareholders.
	15	• In order to increase the investor base, the minimum size of CDs to single investor was reduced from the existing level of Rs. 5 lakh to Rs.1 lakh and in multiples of Rs. 1 lakh thereafter. The amount relates to face value (i.e. maturity value) of CDs issued.
	20	• The Benares State Bank Ltd. has been merged with Bank of Baroda effective June 20, 2002. • The Consultative Group of Directors of Banks and Financial Institutions (FIs) [Chairman: Dr. A. S. Ganguly], constituted to look into role of Board of Directors of banks/FIs and make recommendations, for consideration by the Government/RBI, for making it more effective with a view to minimising risks and over-exposure, submitted its Report to the RBI. Its implementablerecommendations have been communicated to the public and private sector banks for adoption and certain recommendations requiring the Central Government approval or legislative amendments have been referred to Central Government for consideration.
July	26	• In supersession of the earlier instructions on system of charging interest on advances at monthly rests, banks have been given option to compound interest at monthly rests effective either from April 1, 2002 or July 1, 2002 or April 1, 2003. However, instructions on charging interest at monthly rests shall not be applicable to agricultural advances.
August	6	• In terms of extant instructions, profit-making banks are permitted to make donations during a financial year aggregating up to 1 per cent of their published profit for the pervious year. On a view, it has been decided that the donations made by the banks to the Prime Minister's Relief Fund would be exempted from the above ceiling.

	16	• Banks have been issued consolidated guidelines, as part of 'Know Your Customer' concept, to facilitate identification of depositors and to control financial frauds, identify money laundering and for monitoring of large value cash transactions.
October	12	• The banks have been advised to use the revised Guidance Notes on Management of Credit Risk and Market Risk, which have been placed on RBI Website, for updating their risk management systems.
	21	• The banks have been advised that Boards of each bank may fix a suitable cut off limit with reference to the borrowing entity's overall exposure on the banking system, over which audit of accounts of borrowers by Chartered Accountants would be mandatory.
		B) Urban Co-operative Banks
2001		
April	4	• The RBI advised co-operative banks facing liquidity problems in their day-to-day operations in the wake of the Gujarat earthquake to approach PSBs and also Primary Dealers (PDs) for repo facilities against their holdings of eligible government securities and, in the event of a shortfall, approach the RBI for special liquidity support against the eligible holdings of appropriate assets for temporary periods upto 90 days.

	19	• The interim prudential measures were announced for urban co-operative banks (UCBs) to provide greater security to depositors and members. These included stopping of direct and 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 borrowing from call money market upto 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 with other UCBs and unwinding of existing term deposits by June 2002; increases in the component of government and other approved securities in their SLR holdings by March 31, 2002 (extended upto September 30, 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 25.0 per cent of NDTL for scheduled UCBs only in government and other approved securities with effect from April 1, 2003 and maintenance of investment in government securities of scheduled UCBs as well as non-scheduled UCBs with NDTL of Rs. 25 crore and above only in Subsdiary General Ledger (SGL) accounts with the RBI or in constituent SGL Accounts of PSBs and PDs. • The RBI 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, RBI 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 RBI. • In order to improve the functioning of co-operative banks on a professional basis and also to substantially improve the entry point norms and stiffer prudential and other parameters, State Governments were requested to implement the recommendations of the High Power Committee at the earliest.
	23	• As per the revised guidelines for classification and valuation of investment, all UCBs were directed to classify their entire investment portfolio under ‘held to maturity’, ‘available for sale’ and ‘held for trading’ with investments in the latter two categories marked-to-market. These instructions were applicable effective March 31, 2002.
	25	• Pursuant to the High Power Committee recommendation, CRAR was 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.
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 conditions. • It was clarified that scheduled UCBs are required to achieve capital adequacy norms gradually by March 2004 and non-scheduled UCBs by March 2005.

November	12	• It was decided to effect certain changes in the norms relating to restructuring /rescheduling / renegotiation of terms of the standard and sub-standard loan assets of UCBs.
2002		
March	7	• The RBI reduced the minimum lending rate of UCBs from 13 per cent to 12 per cent, effective March 2, 2002. The decision was taken in the wake of representations from UCBs which felt that such a reduction would help them offer competitive rates to their borrowers.
	21	• The RBI decided to consider, on a case-by-case basis, extension of timeframe for investment in government and other approved securities by UCBs as part of SLR investments. The relaxation was made in order to smoothen the process of compliance in respect of banks that may have difficulties in complying with RBI norms on SLR investments
April	1	• UCBs were advised that accretion to or reduction in the share capital after the balance sheet date may be taken into account for determining the exposure ceiling at half-yearly intervals, with the approval of the Board of Directors.
June	7	• In light of the fraudulent transactions in government securities in physical form by a few co- operative banks with the help of some broker entities, it was decided that all SGL holders/ stock certificate holders with the Public Debt Office of the RBI (PDs/RRBs/UCBs/SCBs) should necessarily hold their investments in government securities portfolio in either SGL (with RBI) or constituent SGL (with SCB/State co-operative bank/PD/FIs/sponsor banks –in case of RRBs) and Stock Holding Corporation of India or in a dematerialised account with depositories, National Security Depository Limited (NSDL)/Central Security Depository Limited (CSDL), depending on the concerned institution. Secondly, only one CSGL or dematerialised account can be opened by any such entity. Thirdly, in case the CSGL accounts are opened with a SCB or state co-operative bank, the account holder has to open a designated funds folder (for all CSGL related transactions) with the same bank. Finally, a RBI regulated entity should not, with immediate effect, undertake government securities transaction in physical form with any broker.

August	26	• In respect of charging interest at monthly rests, the following consolidated instructions are effective: (a) banks have the option to compound interest at monthly rests effective either from April 1, 2002 or July 1, 2002 or April 1, 2003. (b) with effect from the quarter beginning July 1, 2002, banks should ensure that the effective rate does not go up merely on account of the switchover to the system of charging/compounding interest at monthly rests and increase the burden on the borrowers. (c) application of interest on monthly rests may be implemented for all running accounts (e.g., cash credit, overdraft, export packing credit accounts, etc). At the time of changing over to monthly rests, banks may obtain consent letter/supplemental agreement from the borrowers for the purpose of documentation. (d) Interest at monthly rests shall be applied in case of all new and existing loans and other loans of longer/fixed tenor. (e) The proviso "provided that the interest payable by the borrower shall be charged in conformity with the instructions issued in this regard by the RBI from time to time" may invariably be incorporated in the case of loan agreements.
		C) Financial Institutions
2001		
April	18	• The operation of the guidelines for a simplified, non-discriminatory and non-discretionary mechanism for settlement of dues relating to NPAs with outstanding up to Rs.5 crore was extended upto June 30, 2001 in respect of central public financial institutions.
	26	• To bring convergence in the norms for asset classification between financial institutions (FIs) and banks over a reasonable period of time, effective from the year ending March 31, 2002, a credit facility of a FI would be treated as non-performing if interest and/or principal remains overdue for more than 180 days in a year.
	28	• The RBI clarified the approach to universal banking for all-India term lending and refinancing institutions. The salient operational and regulatory features to be addressed by the FIs for conversion into universal bank included those with respect to : (a) reserve requirements, (b) permissible activities, (c) disposal of non-banking assets, (d) composition of the Board, (e) prohibition of floating charge on assets, (f) nature of subsidiaries,(g) restriction on investments, (h) connected lending, (i) licensing, (j) branch network, (k) assets in India, (l) format of annual reports, (m) managerial remuneration of Chief Executive Officers, (n) deposit insurance, (o) Authorised Dealers licence, (p) priority sector lending and (q) prudential norms.
	30	• With effect from June 30, 2001, banks, FIs, PDs and SDs were directed to make fresh investments and hold CPs only in dematerialised form.
May	2	• In view of certain advantages in using the forum of *Lok Adalats* by the banks and FIs in compromise settlements of their NPAs, guidelines were issued to the FIs for making increasing use of *Lok Adalats* for settling banking disputes involving smaller amounts.

June	20	• In line with international best practices, the RBI decided to adopt the concept of 'capital funds' as defined under capital adequacy standards for determining exposure ceilings for the FIs, effective March 31, 2002.
August	7	• The FIs were advised to assign a risk weight of 20 per cent to all such loans and advances granted by them to their own employees which 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	• The FIs were advised the details of the CDR system which is a three-tier structure envisaging a non-statutory, voluntary mechanism based on debtor-creditor and inter-creditor agreements to provide a transparent mechanism for restructuring of corporate debts of viable corporate entities affected by internal or external factors, outside the purview of BIFR, DRT and other legal proceedings.
	27	• It was clarified to refinancing institutions that credit exposure norms are also applicable to them, except their refinancing portfolio since refinancing operations constituted their core operations. However, from the prudential perspective, it is expected that these institutions evolve their own exposure norms, with the approval of their respective Boards, which could be related to the capital funds/regulatory capital of the FI concerned.
	28	• As a corollary to the instructions to FIs to make fresh investment and hold CPs only in dematerialised form with effect from June 30, 2001 and with a view to extend the 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, 2001. Outstanding investments in scrip form were also to be converted into dematerialised form by June 30, 2002.
	29	• The guidelines relating to asset liability management (ALM), issued to the FIs, were amended to amplify the time-buckets for slotting of the off-balance sheet items for compiling the liquidity and interest rate gap reports and to modify the treatment of securities in the trading book for compiling the interest rate sensitivity statement.
2001		
October	16	• A clarificatory circular was issued to FIs on the classification and valuation of investments, based on suggestions/queries received from various FIs. These included definitions of joint ventures, treatment of preference shares, tenor of bonds/debentures deemed to be in the volume of advance, frequency of category, transfer of investment, eligible investments for 'held to maturity' category, valuation of equity preference shares and ceilings, etc.
	20	• Since the introduction of the prudential off-site surveillance system (PSRS) for FIs, several changes in the prudential norms applicable to FIs, had taken place which necessitated certain modifications in the formats of some of the returns. In light of the foregoing, and with a view to migrate to a more user-friendly and efficient software platform, it was decided to modify the format of some of the returns. A complete set of the revised returns along with a floppy diskette containing a soft copy thereof, was forwarded to the FIs.

November	12	• The frequency of all the seven off-site returns was made quarterly with effect from the quarter ended September 2001.
	28	• In view of the interest evinced by some of the all-India FIs, falling within the regulatory and supervisory domain of the RBI, in entering the insurance business, the guidelines for entry of the FIs into insurance business were formulated. FIs having net owned fund of Rs. 2 crore were permitted to undertake insurance business as agent of insurance companies on fee basis, without any risk participation. For permission to set up a joint venture company for undertaking insurance business with risk participation, FIs would need to satisfy the following criteria: i. The owned fund of FI should not be less than Rs. 500 crore. The owned fund for the purpose should be computed as per the definition of 'net owned fund' under Section 45-IA of the RBI Act, 1934; ii. The CRAR of FI should be not less than 15 per cent; iii. The level of NPAs assets should not be more than 5 per cent of the total outstanding loans and advances ; iv. The FI should have earned net profit for the last three continuous years; v. The track record of the performance of the subsidiaries, if any, of the concerned FI should be satisfactory. Regulatory compliance with the RBI guidelines for raising of resources by the FIs should be demonstrated.
	29	• In order to obviate anomalies in respect of the treatment of preference shares, with original maturity of 20 years, issued by the FIs for the purpose of capital adequacy norms, the norms were reviewed and it was decided to modify instructions in the matter. Accordingly, in respect of preference shares (existing as well as those that may be issued in future) of 20 year original maturity, the amount of "grant equivalent" that can be reckoned towards the tier 1 capital of the FIs would be computed after making the following adjustments in the amount received against subscription to the preference shares: Amount received against the preference shares………(A) Less: (a) the amount of corpus created; (b) the present value of the dividend outflows on the preference shares issued; (c) the present value of the dividend tax payable; (d) the present value of the tax payable on the income from investment of the amount left after creating the corpus; Add: (e) the present value of the cash inflows / income from the investment of the amount left after creating the corpus Amount of "grant equivalent" that would be counted towards tier 1 capital = [A – (a + b + c + d) + e]

2002

January	9	• Banks and FIs were advised to exercise due caution while taking any investment decision to subscribe to debentures, bonds, shares of companies and refer to the defaulters list to ensure that investments are not made in companies/entities which are defaulters of banks/FIs.
February	1	• Certain clarifications were issued to the FIs regarding the treatment of restructured accounts relating to the accounting issues, write back of provision / write off, treatment of security, funded interest, conversion of debt into various instruments under the prudential norms. • Recognising the need to evolve an objective and definite timeframe for completion of projects under implementation (PUI) so as to ensure that the loan assets relating to PUI are appropriately classified and asset quality correctly reflected, it was decided to group all the projects under three categories and the norms for asset classification for each category of project were prescribed for the FIs. • The new software developed by the RBI for submission of returns by the FIs under the Off-Site Monitoring and Surveillance System (OSMOS), after considering and, as far as possible, incorporating the suggestions received from various FIs, was forwarded to the FIs for installation and operationalisation.
	8	• With a view to bring greater transparency in the published annual reports of the FIs and in tune with international best practices, FIs were advised to disclose, in addition to the parameters already prescribed earlier, in their published annual report, with effect from the financial year 2001-02, as part of "notes to accounts" the following additional information: movement in the provisions held towards (i) non-performing assets and (ii) depreciation in investment portfolio .The format of these disclosures was also prescribed.
	20	• Revised guidelines as briefly enumerated below, were issued to the FIs for financing of infrastructure projects. Criteria for Financing - Finance for infrastructure projects undertaken by government owned entities. For infrastructure projects, where financing is by way of term loans or investment in bonds issued by government owned entities, banks/FIs should undertake due diligence on the viability and bankability of such projects to ensure efficient utilisation of resources and creditworthiness of the projects financed. Banks should also ensure that the individual components of financing and returns on the project are well defined and assessed. Lending/investment decisions should be based solely on the commercial judgment of banks/FIs. In respect of projects undertaken by public sector units, term loans may be sanctioned only for public sector undertakings registered under the Companies Act or a Corporation established under the relevant statute. Further, such term loans should not be *in lieu* of or to substitute budgetary resources envisaged for the project. The term loans could supplement the budgetary resources if such supplementing was contemplated in the project design. While such public sector units may include special purpose vehicles (SPVs) registered under the Companies Act set up for financing infrastructure projects, banks and FIs should ensure that these loans/investments are not used for financing the budgets of the State Governments. Inter-Institutional Guarantees For infrastructure projects, banks are permitted to issue guarantees favouring other lending institutions, provided the bank issuing the guarantee takes a funded share in the project at least to the extent of 5 per cent of the project cost and undertakes normal credit appraisal, monitoring and follow up of the project. Group Exposure Limit The additional exposures of 10 per cent in group exposure limit presently restricted to projects in four specified infrastructure sectors, *viz.*, roads, power, telecommunications and ports may be extended to projects in all infrastructure sectors.

2002		
April	29	• FIs were advised that with effect from June 30, 2002 they should issue CDs only in the dematerialised form and their holdings of CDs should also be converted into dematerialised form by October 2002.
May	14	• The terms and conditions subject to which the ready forward contracts (including the reverse ready forward contracts) may be entered into among the participants were modified to provide for settlement through the SGL account (with the RBI) of Clearing Corporation of India Limited (CCIL) also, in addition to the SGL account of the participants with the RBI.
June	4	• The notified all-India FIs were advised to submit the list of suit-filed accounts of Rs.1 crore and above as on March 31, 2002 and quarterly updates thereof till December 2002 and suit-filed accounts of wilful defaulters of Rs.25 lakh and above as at end-March, June, September, and December 2002 to the RBI as well as to CIBIL for a period of 1 year till March 31, 2003. Thereafter, such information should be submitted to CIBIL only.
	7	• In the context of guidelines on asset classification of certain categories of projects under implementation, "financial closure" for a project was defined as followsFor greenfield projects, financial closure is defined as a legally binding commitment of equity holders and debt financiers to provide or mobilise funding for the project. Such funding must account for a significant part of the project cost which should not be less than 90 per cent of the total project cost securing the construction of the facility.
	20	• With a view to expand the investor base for the CDs, both the minimum and the multiple requirements were reduced from the existing levels of Rs. 10 lakh and Rs. 5 lakh to Rs. 1 lakh only. The amount relates to the face value (maturity value) of the CDs.
July	13	• In view of the stabilisation of the PSRS, which includes a comprehensive quarterly return on capital adequacy (RCA), the requirement of submission of half-yearly statements in respect of CRAR was dispensed with, with effect from half year ended March 31, 2002.
	18	• All-India term lending and refinancing institutions were advised to ensure full compliance with the instructions issued on transactions in government securities at the earliest, but notlater than July 31, 2002.
	22	• Pursuant to certain suggestions and queries received from some of the FIs in respect of the guidelines for classification and valuation of investments, detailed clarifications were issued regarding the definition of joint ventures, treatment and valuation of preference shares in the light of the changes in the Income Tax Act, valuation of equity in the nature of advance, etc.

August	8	• In February 2002, banks were permitted to extend guarantees in respect of infrastructure projects in favour of other lending institutions provided the bank issuing the guarantee takes a funded share in the infrastructure project at least to the extent of 5 per cent of the project cost and undertakes normal credit appraisal, monitoring and follow up of the project. • The following guidelines were issued to FIs regarding the applicable risk weight for the loan extended by an FI against the guarantee of a bank in the CRAR computation of the FI and the treatment of the loan for the purpose of exposure norms. a) In the transactions of the type referred to above, the loan extended by an FI against the guarantee of a bank would attract a risk weight of 20 per cent in computation of CRAR of the lending FI. The risk weight of 20 per cent would apply to only that part of the loan which is covered by the bank's guarantee and the remaining amount of loan, if any, would normally attract 100 per cent risk weight. b) For the purpose of exposure norms, however, the entire loan transaction should be reckoned as an exposure on the borrowing entity and not on the bank guaranteeing the loan, so as to correctly reflect the degree of credit concentration. In case the funded facility is by way of a term loan, the level of exposure should be reckoned, as per the RBI's extant guidelines.
2002		
August	31	• In order to liberalise the prudential norms for FIs in keeping with the international practice, it was decided, with immediate effect, that: a) housing loans extended by FIs to individuals against the mortgage of residential housing properties would attract a risk weight of 50 per cent (as against the 100 per cent risk weight at present); and b) investments by FIs in the mortgage backed securities (MBS) would attract a risk weight of 50 per cent (in addition to the 2.5 per cent risk weight for market risk) provided that the assets underlying the MBS are the residential loan assets of the Housing Finance Companies which are recognised and supervised by the National Housing Bank; and that the MBS satisfy certain terms and conditions, as indicated in the circular.
September	2	• Pursuant to the report of the 'Working Group on Consolidated Accounting and Other Quantitative Methods to Facilitate Consolidated Supervision', the draft Guidelines for Consolidated Accounting and Consolidated Supervision were issued to the FIs for comments, with the objective of introducing consolidated supervision for the FIs. The proposed consolidated supervisory framework envisages the following three components: (a) consolidated financial statements (CFS), (b) consolidated prudential returns (CPR), and (c) application of prudential regulations like capital adequacy, large exposures and liquidity gaps on group- wide basis.
	14	• Under the asset classification norms for the projects under implementation which fall in category II, their asset classification is to be decided with reference to the 'deemed date of completion' of such projects as determined by the independent group constituted for the purpose. In this context, it was clarified that the FIs should not reverse the provisions held in respect of those accounts which might become eligible for upgradation to the 'standard' category as per the deemed date of completion.

D) Non-Banking Financial Companies		
2001		
June	27	• The monies received by Non-Banking Financial Companies (NBFCs) by issue of CPs in accordance with IECD guidelines dated October 10, 2000 have been exempted from the purview of public deposits. Procedure for accounting of repossessed lease/hire purchase assets was clarified. • Guidelines relating to asset liability management system for NBFCs were issued. ALM guidelines have been recommended to all the NBFCs irrespective of whether they are accepting/holding public deposits or not. To begin with, NBFCs meeting the criteria of asset base of Rs.100 crore or holding public deposits of Rs.20 crore or more, as per their audited balance sheet as on March 31, 2001 have been required to put in place ALM system. ALM guidelines have since become fully operational effective from March 31, 2002.
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 14.0 per cent to 12.5 per cent per annum.
2002		

January	1	• The RBI announced a rationalisation of the guidelines pertaining to the NBFC sector. The details of rationalisation announced in the regulations are: (i) In line with the earlier amendment in the Mid-term Review of the Monetary and Credit Policy of October 2001, it was decided that companies, whose application for Certificate of Registration (CoR) have been rejected or companies whose CoR have been cancelled, have to continue to repay their deposits, if any, on due dates and dispose of their financial assets or convert into non-banking non-financial companies within three years from date of rejection/cancellation. (ii) NBFCs were advised to report to Company Law Board whenever they default in repayment of matured deposits or payment of interest to small depositors within 60 days of default in terms of Section 58AA of the Companies Act. (iii)To ensure alignment of RBI regulations with provisions of Companies Act, the requirement of constituting an Audit Committee, having the same power, functions and duties as laid down in Section 292-A of Companies Act, was prescribed for companies with paid up capital of not less than Rs. 5 crore or asset size of Rs. 50 crore and above. (iv) NBFCs, which were hitherto private limited companies but have become public limited companies under the Companies Act because of their holding public deposits, were advised to approach the RBI for change in the CoR to reflect the new name as public limited company. (v) In view of the recent strides towards dematerialisation of securities, NBFCs and RNBCs were permitted to keep securities with any scheduled commercial bank or with a Depository Participant registered with the SEBI, Stock Holding Corporation of India Ltd. or in constituent's SGL account, with the prior written approval of the RBI. (vi) In order to classify NBFCs into Equipment Leasing/Hire Purchase (HP) categories, it was decided that loans against hypothecation of certain specific assets, (*viz.*, automobiles registered with the Road Transport Authority and the charge is recognised under Motor Vehicles Act, aircrafts registered with Director General of Civil Aviation and ships registered with Director General of Shipping along with other equipment leasing and hire purchase assets) may also be considered to satisfy the 60 per cent norm (*i.e.*, 60 per cent of total assets in lease and hire purchase and deriving not less than 60 per cent of total income from them) (vii) Re-examining the issue of valuation of investments in the light of AS-13 of the Institute of Chartered Accountants of India, NBFCs were directed to frame investment policy, classify each investment into current and long term at the time of making the investment, make inter-class transfer scripwise at the lower of book value or market value without taking advantage of block valuation. Further, such transfer would be permissible only at the beginning of half-year with the approval of the Board and not on an *ad-hoc* basis. (viii) NBFCs were advised to include in the letter of appointment to statutory auditors the responsibility to report directly to the RBI, the violations or irregularities, if any, noticed by them in the course of their audit of the NBFC. (ix) It was reiterated that every NBFC is required to maintain the prescribed minimum capital ratio, not only on reporting dates, but on an on-going basis.

April	22	• The RBI announced that all NBFCs granting/intending to grant demand/call loans should lay down a policy duly approved by their board of directors. The policy should cover the following aspects: 1. Stipulation of a cut off date within which the repayment of the loan will be demanded/ called up. If the cut off date is beyond one year, the sanctioning authority should record specific reasons. 2. Stipulation of the rate of interest and the periodic rests for payment of interest, which should be at quarterly/monthly intervals. Where no interest is levied or a moratorium is granted, the sanctioning authority should record specific reasons. 3. Stipulation of a cut off date not exceeding six months from the date of sanction of loan for review of its performance. 4. Such loans should be renewed on the basis of a review covering satisfactory compliance with the terms of sanction .The RBI also clarified that all such loans remaining unpaid for more than six months from the date of demand/call or loans where interest remained past due for a period of six months from the due date would be classified as NPA. The provisioning requirements as applicable to loans, advances and other credit facility would be applicable to such loans. • The RBI announced that the past due period of 30 days for identification of NPAs by NBFCs would be done away with, effective March 31, 2003. As such, a loan asset would become a NPA if the instalment or interest remains overdue for six months or more.
June	6	• The Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, were amended. The primary amendments related to (i) removal of the concept of “past due”, (ii) definition of NPAs, (iii) maintenance of capital adequacy, etc.

October	1	• NBFCs should necessarily hold their investments in government securities either in CSGL with SCB/SHCIL or in a dematerialised account with depositories (NSDL/CDSL) through a depository participant registered with SEBI. The facility of holding government securities in physical form, therefore, stands withdrawn. Government guaranteed bonds, which have not been dematerialised may be kept in physical form till such time, these are dematerialised. Only one CSGL or a dematerialised account can be opened by any NBFC. All further transactions of purchase and sale of government securities have to be compulsorily through CSGL /demat account. Government securities held in physical form should be dematerialised on or before October 31, 2002. The NBFCs need not seek prior approval of the RBI for opening a demat/ SGL account with any of the organisations mentioned above, but must inform the concerned Regional Office of the RBI, DNBS of the details of the account within one week of doing so. • As a depositor protection measure, NBFCs have been advised to include in their advertisements or statements *in lieu* of advertisement the fact that the deposits collected by them are not insured. • With a view to capturing the information relating to exposure of the NBFCs to the capital market, it has been decided to call for information and data from NBFCs holding public deposits of Rs. 50 crore and above and the RNBCs having aggregate liabilities to the depositors of Rs. 50 crore and above as on March 31, 2002 or thereafter regarding their exposure to the capital market. Accordingly, all NBFCs and RNBCs covered by the above criteria have been advised to furnish the information in a quarterly return within one month of the close of the relative quarter and the first such return is to be submitted as on December 31, 2002. • Every NBFC including a Government company which is not holding/accepting public deposits has been directed to inform the RBI any change in the address of its registered office and names of its directors / principal officers / authorised signatories / auditors, within 30 days of occurrence of the event.

Primary Dealers

2001		
April	19	• Existing liquidity support from the RBI for satellite dealers (SDs) was discontinued. Liquidity support to PDs was split into two parts, normal at bank rate and backstop at daily variable rate linked to cut-off rates emerging in LAF auctions.
	20	• The RBI granted final approval to HSBC Primary Dealership India Private Limited to operate as a PD in the government securities market thereby increasing the number of PDs to sixteen.
September	18	• Authorisation of Ceat Financial Services Limited (CFSL) as PD was not renewed. Hence, the company ceased to be a PD. • The RBI issued directions to all PDs and SDs making it compulsory for them to make fresh investments and hold bonds and debentures, privately placed or otherwise, only in dematerialised form.

November	1	• The RBI granted final approval to Banc of America Securities (India) Pvt. Ltd., and Standard Chartered-UTI Securities India Pvt. Ltd., to operate as PDs in the government securities market.
2002		
January	1	• The RBI issued updated guidelines for enlistment and operations of PDs in government securities, incorporating changes effected from time to time. The guidelines covered, *inter alia :* i) the objectives of PD system, ii) eligibility conditions for authorisation, of PDs iii) roles and objectives of PDs iv) facilities from RBI to PDs, v) procedure for authorisation of PDs and vi) regulation of PDs. It was also indicated in the guidelines that the decision to enlist PDs would be taken by the RBI based on its perception of market needs, suitability of the applicant and the likely value addition to the system.
	4	• As a follow up of the earlier prescription of capital adequacy standards for PDs and introduction of value at risk (VaR) based models for improving the risk management system, PDs were required to provide back-testing results for the year ended December 31, 2001 along with the PDR III returns for the December quarter. They were also advised to follow a prudent distribution policy in the current year so as to build up sufficient reserves even in excess of regulatory requirements which can act as a cushion against any adverse interest rate movements in the future.
	8	• The daily report format for PDs was revised to include additional information for better off-site supervision, taking into account the diversified sources and application of funds of PDs.
	12	• The ALM guidelines for NBFCs were made applicable to PDs also with some modifications.
	17	• PDs' acceptance of funds through ICDs were restricted to a maximum limit of 50 per cent of their NOFs. PDs were advised to evolve a policy for acceptance of ICDs after due consideration of the risks involved.
March	16	• Final approval was given to BOB Capital Markets Limited to operate as a new PD in government securities market.
	26	• RBI announced revised terms and conditions subject to which ready forward contracts could be undertaken. As per the revised terms and conditions, any banking company, a co-operative bank or any person maintaining a SGL account with RBI, Mumbai would be eligible to enter into ready forward contracts in dated securities and treasury bills issued by Government of India and dated securities issued by State Governments. Ready forward contracts should be settled through the subsidiary general ledger (SGL) accounts of the participants with RBI or through the SGL account of Clearing Corporation of India with RBI.

May	8	• PDs were advised to review their call money lending/borrowing positions and fix prudent limits in terms of their NOFs, as part of the overall risk management policy. • PDs were advised that the provisions of the scheme for bidding, underwriting and liquidity support for the year 2001-02 will continue to apply for the year 2002-03 also, except that for computation of success ratio in the case of dated securities, the success ratio of 40 per cent will be based on actual bids tendered and not the bidding commitment.
	17	• The penalty period for reduction in liquidity support, in case a PD fails to submit the required minimum bid or submits a bid lower than its commitment in any auction of treasury bills, was reduced from existing 6 months to 3 months.
	20	• RBI regulated entities were instructed : (i) not to undertake transactions in physical form with any broker entity with immediate effect and (ii) to necessarily hold all their investments in government securities portfolio in either SGL (with RBI) or CSGL (with bank/PD/FI) or in dematerialised account with depositories.
	31	• Satellite dealers scheme was discontinued effective May 31, 2002.
June	5	• PDs, as a category, were brought under the purview of Board for Financial Supervision (BFS).
	10	• PDs were advised to confirm that all debt securities and government securities in their portfolio are held by them in dematerialised form. It was also stipulated that future transactions in government securities should be compulsorily through SGL/CSGL/demat accounts. PDs were advised to ensure that brokers approved by them for transacting government securities business are specifically registered with the debt market segment of National Stock Exchange (NSE)/ Over the Counter Exchange of India (OTCEI)/Bombay Stock Exchange (BSE).
July	26	• PDs were advised to publish their audited annual financial results in leading financial dailies and on their website.
	31	• PDs were advised that with effect from October 5, 2002, they will be permitted to lend in call/ notice money market only upto 25 per cent of their NOFs. It was also advised that their access to borrow in call/notice money market would be reduced to 200 per cent of their NOF (as at end-March of the previous financial year) in Stage I and to 100 per cent of their NOF in Stage II on fulfilment of certain specific conditions.
October	10	• It was clarified that the above limit of 25 per cent of NOF for lending in call/notice money marketby PDs will be determined on an “average” basis and not on a daily basis during a reportingfortnight.

Appendix Table II.1: RBI Accommodation to Scheduled Commercial Banks

(Rs.crore)

As on the last reporting Friday of	Total Export Credit Refinance		Others@		Total Refinance	
	Limit	Outstan-ding	Limit	Outstan-ding	Limit	Outstan-ding
1	2	3	4	5	6	7
					(2+4)	(3+5)
2000						
March	10,579.06	6,291.49	3,027.72	199.47	13,606.78	6,490.96
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
October	9,125.07	4,492.85	1,056.27	130.57	10,181.34	4,623.42
November	9,296.69	2,760.82	1,056.27	21.67	10,352.96	2,782.49
December	9,209.02	6,321.69	1,056.27	664.19	10,265.29	6,985.88
2002						
January	9,120.93	3,518.33	1,056.27	452.93	10,177.20	3,971.26
February	9,129.07	3,723.10	1,056.27	475.10	10,185.34	4,198.20
March	9,085.89	3,193.94	1,056.27	422.35	10,142.16	3,616.29
April	5,820.32	3,024.76	1,056.27	497.86	6,876.59	3,522.62
May	5,776.05	426.30	1,056.27	399.30	6,832.32	825.60
June	5,800.30	336.12	1,056.27	—	6,856.57	336.12
July	5,702.02	21.64	1,056.27	—	6,758.29	21.64
August	5,501.84	15.09	727.97	—	6,229.81	15.09
September	5,197.75	11.78	727.97	—	5,925.78	11.78

@ Others include Collateralised Lending Facility (CLF) (withdrawn effective October 5, 2002)/Additional CLF (withdrawn effective June 5, 2000) etc.

Note: Effective May 5, 2001, Export Credit Refinance and CLF facilities split up into 2/3rd (normal) and 1/3rd (back-stop).

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
2001				**2002**			
January	12	1,180	7.25 - 11.00	January	11	775	6.20 - 9.50
	26	1,197	7.25 - 10.75		25	1,008	5.99 - 9.60
February	9	1,153	7.25 - 11.00	February	8	1,196	6.00 - 9.50
	23	1,187	6.75 - 12.00		22	1,292	6.00 - 10.15
March	9	1,050	7.25 - 11.00	March	8	1,503	5.95 - 10.00
	23	771	5.50 - 11.00		22	1,583	5.00 - 10.03
April	6	1,042	6.50 - 11.00	April	5	1,474	5.00 - 10.88
	20	905	7.00 - 11.00		19	1,393	5.00 - 10.28

May	4	1,011	5.00 -10.80	May	3	1,247	5.00 - 10.28
	18	935	6.30 - 11.50		17	1,362	5.00 - 9.50
June	1	960	6.80 - 10.50		31	1,360	6.00 - 8.90
	15	979	5.00 - 10.00	June	14	1,357	5.00 - 9.25
	29	921	6.80 - 10.25		28	1,361	5.40 - 9.20
July	13	787	5.00 - 10.50	July	12	1,312	5.21 - 9.10
	27	751	6.00 - 10.00		26	1,303	5.10 - 8.50
August	10	786	6.00 - 10.50	August	9	1,161	4.99 - 8.50
	24	758	5.00 - 10.00		23 *	1,007	5.03 - 8.50
September	7	729	6.00 - 10.00	September	6 *	1,222	5.00 - 8.50
	21	736	6.33 - 9.50		20*	1,236	5.50- 8.75
October	5	825	6.00 - 9.50				
	19	786	6.20 - 9.75				
November	2	766	6.44 - 9.40				
	16	791	6.40 - 9.40				
	30	876	6.33 - 9.30				
December	14	798	5.00 - 9.50				
	28	839	5.00 - 9.20				

* 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 2000	March 2001	March 2000	March 2001	March 2000	March 2001	March 2000	March 2001	March 2000	March 2001	March 2000	March 2001	March 2000	March 2001	March 2000	March 2001
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. Potentially viable units	14,373 (4.7)	13,076 (5.2)	369.45 (8.0)	399.17 (8.9)	349 (12.7)	339 (11.6)	2,877.29 (17.2)	2,945.11 (15.9)	71 (16.8)	74 (19.0)	571.41 (24.9)	995.55 (35.7)	14,793 (4.8)	13,489 (5.3)	3,818.15 (16.1)	4,339.83 (16.8)
2. Non–viable units	2,76,643 (91.0)	2,25,488 (90.4)	4,007.86 (87.0)	3,943.20 (87.5)	1,563 (57.0)	1,661 (56.7)	5,648.54 (33.7)	6,635.96 (35.9)	217 (51.4)	193 (49.6)	658.20 (28.6)	479.45 (17.2)	2,78,423 (90.6)	2,27,342 (89.9)	10,314.60 (43.6)	11,058.61 (42.9)
3. Viability not decided	13,219 (4.3)	11,066 (4.4)	231.12 (5.0)	163.17 (3.6)	830 (30.3)	928 (31.7)	8,222.25 (49.1)	8,897.10 (48.2)	134 (31.8)	122 (31.4)	1,069.60 (46.5)	1,317.09 (47.1)	14,183 (4.6)	12,116 (4.8)	9,522.97 (40.3)	10,377.36 (40.3)
4. Total	**3,04,235**	**2,49,630**	**4,608.43**	**4,505.54**	**2,742**	**2,928**	**16,748.08**	**18,478.17**	**422**	**389**	**2,299.21**	**2,792.09**	**3,07,399**	**2,52,947**	**23,655.72**	**25,775.80**
5. Units put under nursing Programme	663	753	137.69	120.30	213	194	1,428.00	1,754.00	17	17	117.66	390.98	893	964	1,683.35	2,265.28
5 as percentage of 1	4.6	5.8	37.3	30.1	61.0	57.2	49.6	59.6	23.9	23.0	20.6	39.3	6.0	7.1	44.1	52.2

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 @			
		1999		2000		2001		2002	2000		2001	
		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**	**51.1**	**49.4**	**51.1**	**49.6**	**54.7**	**52.5**	**66.3**	**56.3**	**54.8**	**59.9**	**57.7**
	Haryana	43.3	54.9	42.4	53.4	41.0	54.0	43.3	51.6	62.6	49.8	62.8
	Himachal Pradesh	22.7	26.0	23.8	26.8	21.3	25.7	23.0	37.0	40.1	35.5	39.9
	Jammu & Kashmir	39.6	37.2	33.5	30.9	34.5	33.5	35.9	40.8	38.2	42.7	41.8
	Punjab	38.8	40.9	39.4	40.9	41.1	42.3	42.3	45.3	46.8	47.0	48.2
	Rajasthan	46.0	49.3	46.7	50.1	46.6	49.6	48.9	65.3	68.7	65.4	68.4
	Chandigarh	85.1	81.4	82.0	79.5	99.4	99.3	112.3	82.0	79.5	99.4	99.3
	Delhi	60.0	52.7	60.5	53.7	66.1	57.6	88.1	60.7	53.9	66.3	57.8
2	**NORTH-EASTERN REGION**	**28.9**	**33.7**	**28.1**	**30.6**	**27.6**	**32.0**	**26.9**	**46.4**	**48.9**	**44.9**	**49.3**
	Arunachal Pradesh	14.6	18.5	15.7	22.3	14.5	22.1	15.7	22.0	28.6	24.3	31.8
	Assam	32.0	38.7	32.0	35.5	32.1	38.1	31.4	50.3	53.8	48.9	55.0
	Manipur	47.8	47.8	37.4	37.9	40.1	40.7	25.5	64.9	65.3	72.2	72.8
	Meghalaya	18.1	19.3	16.3	16.3	17.1	17.3	18.0	33.4	33.4	33.0	33.3
	Mizoram	20.8	23.6	23.3	26.0	24.1	29.0	25.9	44.0	46.7	43.8	48.7
	Nagaland	15.9	18.1	15.3	15.6	12.4	13.6	12.5	45.3	45.5	42.1	43.3
	Tripura	30.3	31.1	25.7	25.7	21.7	21.7	22.3	39.2	39.2	34.2	34.2
3	**EASTERN REGION**	**38.2**	**38.0**	**37.0**	**37.2**	**36.7**	**36.6**	**37.4**	**48.1**	**48.3**	**47.7**	**47.6**
	Bihar	25.6	27.4	22.5	23.2	20.7	20.7	21.3	33.5	34.3	37.6	37.6
	Jharkhand	—	—	—	—	28.0	30.6	24.9	—	—	28.7	31.2
	Orissa	43.3	44.2	41.5	42.8	40.2	41.6	42.4	67.9	69.1	65.8	67.1
	Sikkim	20.9	18.8	15.1	15.2	14.4	14.5	16.0	34.8	35.0	31.7	31.7
	West Bengal	44.9	43.4	45.5	44.9	44.5	43.4	45.8	53.3	52.8	52.4	51.2
	Andaman & Nicobar Islands	16.0	22.3	16.8	27.6	16.3	27.5	18.6	16.8	27.6	16.3	27.5
4	**CENTRAL REGION**	**33.7**	**36.8**	**33.9**	**36.8**	**32.7**	**36.9**	**33.6**	**45.6**	**48.5**	**43.9**	**48.1**
	Chhattisgarh	—	—	—	—	38.5	49.9	43.9	—	—	39.4	50.8
	Madhya Pradesh	48.8	52.2	49.1	52.5	47.6	52.5	46.5	62.3	65.8	62.7	67.5
	Uttar Pradesh	28.0	31.1	28.2	30.9	28.3	31.9	29.4	39.4	42.1	40.3	43.9
	Uttaranchal	—	—	—	—	21.7	23.9	23.3	—	—	21.8	24.0
5	**WESTERN REGION**	**68.0**	**67.0**	**75.4**	**74.6**	**75.5**	**74.8**	**89.6**	**79.5**	**78.6**	**79.9**	**79.2**
	Goa	24.0	26.3	23.8	25.4	26.1	27.3	24.9	26.6	28.1	29.5	30.7
	Gujarat	48.8	54.2	49.0	53.5	48.5	53.6	45.1	54.9	59.4	55.1	60.2
	Maharashtra	75.8	72.6	86.4	83.4	86.4	83.5	107.1	89.9	86.9	90.1	87.2
	Dadra & Nagar Haveli	22.0	103.3	18.8	135.6	14.3	135.2	22.1	18.8	135.6	14.3	135.2
	Daman & Diu	18.7	94.6	15.7	87.6	13.3	75.3	9.9	15.7	87.6	13.3	75.3
6	**SOUTHERN REGION**	**68.2**	**68.7**	**66.2**	**66.8**	**66.6**	**66.8**	**63.7**	**74.9**	**75.5**	**75.2**	**75.3**
	Andhra Pradesh	67.9	69.1	64.2	65.5	64.5	64.9	61.6	77.2	78.4	77.2	77.6
	Karnataka	65.4	66.7	63.3	65.5	61.0	61.8	59.8	70.0	72.1	67.6	68.5
	Kerala	41.7	41.8	41.5	41.7	43.3	42.3	42.8	50.3	50.4	51.7	50.8
	Tamil Nadu	90.7	90.3	88.6	87.5	90.6	90.6	84.3	95.6	94.5	97.6	97.5
	Lakshadweep	8.0	9.6	7.4	9.1	10.4	11.8	8.4	7.4	9.1	10.4	11.8
	Pondicherry	35.4	41.4	33.6	38.7	33.5	35.8	31.2	33.6	38.7	33.5	35.8
	ALL INDIA	**54.8**	**54.8**	**56.0**	**56.0**	**56.7**	**56.7**	**62.3**	**63.6**	**63.6**	**64.3**	**64.3**

@ Banks' State-wise investment represent their holdings of state government loan and shares, bonds, debentures etc. of Regional Rural Banks, Co-operative Institutions, State Electricity Boards, Municipal Corporation, Municipality and Port Trusts, State Financial Corporations, Housing Board, State Industrial Development Corporations, Road Transport Corporations and other Govt. and quasi-Govt. bodies.

All India investment *plus* credit-deposit ratio is worked out by excluding investments in Central Government and other approved securities.

— Not applicable.

Notes:

1. Deposits and Credit (as per place of sanction and utilisation) data for 1999, 2000 and 2001 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. CD-ratio for 2002 are based on BSR-7 survey as on 31st March 2002.

Appendix Table II.5(A): Financial Performance of Scheduled Commercial Banks

(Amount in Rs. crore)

Item	2000-01	2001-02	Variation of Col. (3) over Col.(2)	
			Absolute	Percentage
1	2	3	4	5
A. Income (i+ii)	**1,32,075.67 (100.00)**	**1,51,026.08 (100.00)**	**18,950.41**	**14.35**
i) Interest Income	1,15,091.13 (87.14)	1,26,969.92 (84.07)	11,878.79	10.32
of which: Interest on Advances	55,403.63 (41.95)	59,346.17 (39.30)	3,942.54	7.12
ii) Other Income	16,984.54 (12.86)	24,056.16 (15.93)	7,071.62	41.64
of which: Commission & Brokerage	8,888.24 (6.73)	9,213.00 (6.10)	324.76	3.65
B. Expenditure (i+ii+iii)	**1,25,672.19 (100.00)**	**1,39,453.62 (100.00)**	**13,781.43**	**10.97**
i) Interest Expended	78,140.76 (62.18)	87,515.68 (62.76)	9,374.92	12.00
of which: Interest on Deposits	71,775.68 (57.11)	80,570.07 (57.78)	8,794.39	12.25
ii) Provisions and Contingencies	13,353.30 (10.63)	18,241.74 (13.08)	4,888.44	36.61
of which: Provision for NPAs	7,343.30 (5.84)	10,318.67 (7.40)	2,975.37	40.52
iii) Operating Expenses	34,178.13 (27.20)	33,696.20 (24.16)	-481.93	-1.41
of which: Wage Bill	23,218.33 (18.48)	21,781.05 (15.62)	-1,437.28	-6.19
C. Profit				
i) Operating Profit	**19,756.78**	**29,814.20**	**10,057.42**	**50.91**
ii) Net Profit *	**6,403.48**	**11,572.46 #**	**5,168.98**	**80.72**
D. Spread (Net Interest Income) *(Interest Income - Interest Expended)*	**36,950.37**	**39,454.24**	**2,503.87**	**6.78**
E. Total Assets	**12,95,405.34**	**15,35,513.13**	**2,40,107.79**	**18.54**

* Before Extra Ordinary Item of Standard Chartered Bank and Standard Chartered Grindlays Bank.

The profit after tax for 2001-02 of ICICI Bank includes about Rs. 8 crore attributable to ICICI, ICICI Personal Financial Services Ltd. and ICICI Capital Services Ltd. for March 30 and March 31, 2002.

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	2000-01	2001-02	Variation of Col. (3) over Col.(2) Absolute	Percentage
1	2	3	4	5
A. Income (i+ii)	**1,03,499.36 (100.00)**	**1,17,248.75 (100.00)**	**13,749.39**	**13.28**
i) Interest Income	91,129.44 (88.05)	1,00,721.54 (85.90)	9,592.10	10.53
of which: Interest on Advances	43,017.14 (41.56)	45,938.48 (39.18)	2,921.34	6.79
ii) Other Income	12,369.92 (11.95)	16,527.21 (14.10)	4,157.29	33.61
of which: Commission & Brokerage	6,574.29 (6.35)	6,811.04 (5.81)	236.75	3.60
B. Expenditure (i+ii+iii)	**99,182.42 (100.00)**	**1,08,947.51 (100.00)**	**9,765.09**	**9.85**
i) Interest Expended	61,693.19 (62.20)	69,153.77 (63.47)	7,460.58	12.09
of which: Interest on Deposits	58,406.12 (58.89)	65,578.56 (60.19)	7,172.44	12.28
ii) Provisions and Contingencies	9,484.74 (9.56)	13,371.69 (12.27)	3,886.95	40.98
of which: Provision for NPAs	5,924.29 (5.97)	8,209.55 (7.54)	2,285.26	38.57
iii) Operating Expenses	28,004.49 (28.24)	26,422.05 (24.25)	-1,582.44	-5.65
of which: Wage Bill	20,929.17 (21.10)	19,045.38 (17.48)	-1,883.79	-9.00
C. Profit				
i) Operating Profit	**13,801.68**	**21,672.93**	**7,871.25**	**57.03**
ii) Net Profit	**4,316.94**	**8,301.24**	**3,984.30**	**92.29**
D. Spread (Net Interest Income) *(Interest Income - Interest Expended)*	**29,436.25**	**31,567.77**	**2,131.52**	**7.24**
E. Total Assets	**10,29,972.19**	**11,55,736.77**	**1,25,764.58**	**12.21**

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	2000-01	2001-02	Variation of Col. (3) over Col.(2) Absolute	Percentage
1	2	3	4	5
A. Income (i+ii)	**64,126.52 (100.00)**	**72,485.95 (100.00)**	**8,359.43**	**13.04**
i) Interest Income	56,977.36 (88.85)	61,975.51 (85.50)	4,998.15	8.77
of which: Interest on Advances	27,998.10 (43.66)	30,629.36 (42.26)	2,631.26	9.40
i a) Interest on Recapitalisation Bonds	1,795.48	1,793.08		
ii) Other Income	7,149.16	10,510.44	3,361.28	47.02

	(11.15)	(14.50)		
of which: Commission & Brokerage	3,062.36	3,095.82	33.46	1.09
	(4.78)	(4.27)		
B. Expenditure	**62,031.43**	**67,634.20**	**5,602.77**	**9.03**
(i+ii+iii)	**(100.00)**	**(100.00)**		
i) Interest Expended	38,789.64	42,597.86	3,808.22	9.82
	(62.53)	(62.98)		
of which: Interest on Deposits	36,870.98	40,464.32	3,593.34	9.75
	(59.44)	(59.83)		
ii) Provisions and Contingencies	5,966.97	8,101.50	2,134.53	35.77
	(9.62)	(11.98)		
of which: Provision for NPAs	3,751.88	5,173.10	1,421.22	37.88
	(6.05)	(7.65)		
iii) Operating Expenses	17,274.82	16,934.84	-339.98	-1.97
	(27.85)	(25.04)		
of which: Wage Bill	13,142.78	12,316.55	-826.23	-6.29
	(21.19)	(18.21)		
C. Profit				
i) Operating Profit	**8,062.06**	**12,953.25**	**4,891.19**	**60.67**
i a) Operating Profit *(exclusive of interest on recapitalisation bonds)*	**6,266.58**	**11,160.17**	**4,893.59**	**78.09**
ii) Net Profit	**2,095.09**	**4,851.75**	**2,756.66**	**131.58**
ii a) Net Profit *(exclusive of interest on recapitalisation bonds)*	**299.61**	**3,058.67**	**2,759.06**	**920.88**
D. Spread (Net Interest Income) *(Interest Income - Interest Expended)*	**18,187.72**	**19,377.65**	**1,189.93**	**6.54**
E. Total Assets	**6,26,987.82**	**7,06,228.01**	**79,240.19**	**12.64**

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	2000-01	2001-02	Variation of Col. (3) over Col.(2)	
			Absolute	Percentage
1	2	3	4	5
A. Income	**39,372.84**	**44,762.80**	**5,389.96**	**13.69**
(i+ii)	**(100.00)**	**(100.00)**		
i) Interest Income	34,152.08	38,746.03	4,593.95	13.45
	(86.74)	(86.56)		
of which: Interest on Advances	15,019.04	15,309.12	290.08	1.93
	(38.15)	(34.20)		
ii) Other Income	5,220.76	6,016.77	796.01	15.25
	(13.26)	(13.44)		
of which: Commission & Brokerage	3,511.93	3,715.22	203.29	5.79
	(8.92)	(8.30)		
B. Expenditure	**37,150.99**	**41,313.31**	**4,162.32**	**11.20**
(i+ii+iii)	**(100.00)**	**(100.00)**		
i) Interest Expended	22,903.55	26,555.91	3,652.36	15.95
	(61.65)	(64.28)		
of which: Interest on Deposits	21,535.14	25,114.24	3,579.10	16.62
	(57.97)	(60.79)		
ii) Provisions and Contingencies	3,517.77	5,270.19	1,752.42	49.82
	(9.47)	(12.76)		
of which: Provision for NPAs	2,172.41	3,036.45	864.04	39.77
	(5.85)	(7.35)		
iii) Operating Expenses	10,729.67	9,487.21	-1,242.46	-11.58

	(28.88)	(22.96)		
of which: Wage Bill	7,786.39	6,728.83	-1,057.56	-13.58
	(20.96)	(16.29)		
C. Profit				
i) Operating Profit	**5,739.62**	**8,719.68**	**2,980.06**	**51.92**
ii) Net Profit	**2,221.85**	**3,449.49**	**1,227.64**	**55.25**
D. Spread (Net Interest Income) *(Interest Income - Interest Expended)*	**11,248.53**	**12,190.12**	**941.59**	**8.37**
E. Total Assets	**4,02,984.37**	**4,49,508.76**	**46,524.39**	**11.54**

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	2000-01	2001-02	Variation of Col. (3) over Col.(2)	
			Absolute	Percentage
1	2	3	4	5
A. Income (i+ii)	**9,091.20**	**10,946.04**	**1,854.84**	**20.40**
	(100.00)	**(100.00)**		
i) Interest Income	8,054.57	8,725.33	670.76	8.33
	(88.60)	(79.71)		
of which: Interest on Advances	4,198.64	4,620.90	422.26	10.06
	(46.18)	(42.22)		
ii) Other Income	1,036.63	2,220.71	1,184.08	114.22
	(11.40)	(20.29)		
of which: Commission & Brokerage	485.95	485.60	-0.35	-0.07
	(5.35)	(4.44)		
B. Expenditure (i+ii+iii)	**8,589.05**	**9,941.55**	**1,352.50**	**15.75**
	(100.00)	**(100.00)**		
i) Interest Expended	5,931.92	6,494.96	563.04	9.49
	(69.06)	(65.33)		
of which: Interest on Deposits	5,615.60	6,187.96	572.36	10.19
	(65.38)	(62.24)		
ii) Provisions and Contingencies	973.60	1,511.70	538.10	55.27
	(11.34)	(15.21)		
of which Provision for NPAs	542.33	745.61	203.28	37.48
	(6.31)	(7.50)		
iii) Operating Expenses	1,683.53	1,934.89	251.36	14.93
	(19.60)	(19.46)		
of which: Wage Bill	1,049.57	1,178.28	128.71	12.26
	(12.22)	(11.85)		
C. Profit				
i) Operating Profit	**1,475.75**	**2,516.19**	**1,040.44**	**70.50**
ii) Net Profit	**502.15**	**1,004.49**	**502.34**	**100.04**
D. Spread (Net Interest Income) *(Interest Income - Interest Expended)*	**2,122.65**	**2,230.37**	**107.72**	**5.07**
E. Total Assets	**84,528.91**	**93,225.79**	**8,696.88**	**10.29**

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	2000-01	2001-02	Variation of Col. (3) over Col.(2)	
				Absolute	Percentage
	1	2	3	4	5
A.	**Income (i+ii)**	**7,498.23 (100.00)**	**9,871.40 (100.00)**	**2,373.17**	**31.65**
	i) Interest Income	6,437.61 (85.86)	7,823.41 (79.25)	1,385.80	21.53
	of which: Interest on Advances	3,031.79 (40.43)	3,452.54 (34.98)	420.75	13.88
	ii) Other Income	1,060.62 (14.14)	2,047.99 (20.75)	987.37	93.09
	of which: Commission & Brokerage	549.11 (7.32)	647.19 (6.56)	98.08	17.86
B.	**Expenditure (i+ii+iii)**	**6,858.82 (100.00)**	**9,096.78 (100.00)**	**2,237.96**	**32.63**
	i) Interest Expended	4,752.76 (69.29)	5,813.23 (63.90)	1,060.47	22.31
	of which: Interest on Deposits	4,097.03 (59.73)	5,040.05 (55.40)	943.02	23.02
	ii) Provisions and Contingencies	729.55 (10.64)	1,337.45 (14.70)	607.90	83.33
	of which: Provision for NPAs	363.62 (5.30)	777.39 (8.55)	413.77	113.79
	iii) Operating Expenses	1,376.51 (20.07)	1,946.10 (21.39)	569.59	41.38
	of which: Wage Bill	249.55 (3.64)	434.80 (4.78)	185.25	74.23
C.	**Profit**				
	i) Operating Profit	**1,368.96**	**2,112.07**	**743.11**	**54.28**
	ii) Net Profit	**639.41**	**774.62 #**	**135.21**	**21.15**
D.	**Spread (Net Interest Income)** *(Interest Income - Interest Expended)*	**1,684.85**	**2,010.18**	**325.33**	**19.31**
E.	**Total Assets**	**78,796.48**	**1,74,454.14**	**95,657.66**	**121.40**

The profit after tax for 2001-02 of ICICI Bank includes about Rs. 8 crore attributable to ICICI, ICICI Personal Financial Services Ltd. and ICICI Capital Services Ltd. for March 30 and March 31, 2002.
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	2000-01	2001-02	Variation of Col. (3) over Col.(2)	
				Absolute	Percentage
	1	2	3	4	5
A.	**Income (i+ii)**	**11,986.88 (100.00)**	**12,959.89 (100.00)**	**973.01**	**8.12**
	i) Interest Income	9,469.51 (79.00)	9,699.64 (74.84)	230.13	2.43
	of which: Interest on Advances	5,156.06 (43.01)	5,334.25 (41.16)	178.19	3.46
	ii) Other Income	2,517.37 (21.00)	3,260.25 (25.16)	742.88	29.51
	of which: Commission & Brokerage	1,278.89 (10.67)	1,269.17 (9.79)	-9.72	-0.76
B.	**Expenditure**	**11,041.90**	**11,467.78**	**425.88**	**3.86**

	(i+ii+iii)	**(100.00)**	**(100.00)**		
	i) Interest Expended	5,762.89 (52.19)	6,053.72 (52.79)	290.83	5.05
	of which: Interest on Deposits	3,656.93 (33.12)	3,763.50 (32.82)	106.57	2.91
	ii) Provisions and Contingencies	2,165.41 (19.61)	2,020.90 (17.62)	-144.51	-6.67
	of which: Provision for NPAs	513.06 (4.65)	586.12 (5.11)	73.06	14.24
	iii) Operating Expenses	3,113.60 (28.20)	3,393.16 (29.59)	279.56	8.98
	of which: Wage Bill	990.04 (8.97)	1,122.59 (9.79)	132.55	13.39
C.	**Profit**				
	i) Operating Profit	**3,110.39**	**3,513.01**	**402.62**	**12.94**
	ii) Net Profit *	**944.98**	**1,492.11**	**547.13**	**57.90**
D.	**Spread (Net Interest Income)** *(Interest Income - Interest Expended)*	**3,706.62**	**3,645.92**	**-60.70**	**-1.64**
E.	**Total Assets**	**1,02,107.76**	**1,12,096.43**	**9,988.67**	**9.78**

* Before Extra Ordinary Item of Standard Chartered Bank and Standard Chartered Grindlays Bank.
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, 2002)

(Per cent)

Sr. No.	Name of the Bank	CRAR Tier I	CRAR Tier II	CRAR Total	Net NPAs/ Net Advances	Interest Income/ Working Fund	Non–Interest Income/ Working Fund	Operating Profit/ Working Fund	Return on Assets	Business per employee (Amount in Rs. lakh)	Profit per employee (Amount in Rs. lakh)
1	2	3	4	5	6	7	8	9	10	11	12
	Nationalised Banks										
1	Allahabad Bank	6.22	4.40	10.62	10.57	9.41	1.59	1.69	0.32	153.00	0.40
2	Andhra Bank	8.80	3.79	12.59	2.45	10.40	1.56	2.18	0.97	195.96	1.58
3	Bank of Baroda	7.56	3.76	11.32	5.06	8.39	1.40	1.84	0.81	222.76	1.40
4	Bank of India	6.37	4.31	10.68	6.02	8.67	1.71	2.18	0.78	218.74	1.16
5	Bank of Maharashtra	6.56	4.60	11.16	5.81	9.90	1.52	2.06	0.68	191.44	1.02
6	Canara Bank	8.07	3.81	11.88	3.89	9.29	2.08	2.41	1.03	214.88	1.64
7	Central Bank of India	5.20	4.38	9.58	7.98	10.07	1.30	1.52	0.31	148.77	0.40
8	Corporation Bank	16.80	1.10	17.90	2.31	10.08	1.98	3.22	1.60	290.44	3.00
9	Dena Bank	4.36	3.28	7.64	16.31	9.55	1.97	1.87	0.06	221.00	0.11
10	Indian Bank	0.85	0.85	1.70	8.28	8.60	1.87	1.14	0.13	156.00	0.15
11	Indian Overseas Bank	6.17	4.65	10.82	6.32	9.14	1.53	1.78	0.65	175.41	0.93
12	Oriental Bank of Commerce	8.89	2.10	10.99	3.20	10.40	1.60	3.10	1.00	318.00	2.40
13	Punjab & Sind Bank	6.37	4.33	10.70	11.70	9.19	1.66	1.19	0.17	181.67	0.23
14	Punjab National Bank	6.34	4.36	10.70	5.32	9.50	1.40	2.11	0.77	167.76	0.97
15	Syndicate Bank	8.47	3.65	12.12	4.63	9.97	0.96	1.22	0.98	155.12	0.89
16	UCO Bank	4.89	4.75	9.64	5.45	9.27	2.13	1.74	0.60	134.00	0.66
17	Union Bank of India	6.16	4.91	11.07	6.26	9.96	1.24	2.16	0.71	214.75	1.22
18	United Bank of India	8.84	3.18	12.02	7.90	9.84	1.91	1.15	0.54	144.00	0.66
19	Vijaya Bank	8.86	3.39	12.25	6.02	9.97	1.22	1.63	0.86	169.38	1.16
	State Bank Group										
20	State Bank of India	9.22	4.13	13.35	5.63	9.01	1.26	1.83	0.70	173.01	1.16
21	State Bank of Bikaner & Jaipur	12.06	1.36	13.42	5.72	9.55	2.12	2.75	1.06	129.42	1.31
22	State Bank of Hyderabad	9.86	4.17	14.03	4.97	9.65	1.84	3.02	1.02	166.04	1.68
23	State Bank of Indore	8.15	4.63	12.78	3.58	9.67	3.00	3.70	1.24	171.00	1.91
24	State Bank of Mysore	6.70	5.11	11.81	7.36	9.35	2.25	2.26	0.64	124.96	0.67
25	State Bank of Patiala	9.97	2.58	12.55	2.94	10.01	1.76	3.76	1.34	194.31	1.97
26	State Bank of Saurashtra	12.11	1.09	13.20	4.95	10.17	2.09	2.67	0.88	152.12	1.10
27	State Bank of Travancore	7.79	4.75	12.54	5.72	9.73	1.54	2.15	0.73	178.78	1.06

Note : Figures reported in this table may not exactly tally with the data reported in Appendix Tables II.6 (B) to II.6 (H) 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	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6	7	8
1	Allahabad Bank	1.40	1.56	1.34	1.28	1.21	1.65
2	Andhra Bank	1.06	1.68	1.35	1.83	1.22	2.03
3	Bank of Baroda	2.06	1.76	1.81	1.79	1.64	1.85
4	Bank of India	1.53	1.50	1.31	1.23	1.30	2.02
5	Bank of Maharashtra	1.18	1.16	1.11	1.52	1.26	1.93
6	Canara Bank	1.83	1.56	1.99	1.70	1.70	2.29
7	Central Bank of India	1.14	1.18	0.85	1.02	1.00	1.34
8	Corporation Bank	3.00	2.70	2.05	2.54	2.70	2.64
9	Dena Bank	2.00	2.23	1.46	1.36	0.43	1.78
10	Indian Bank	-0.81	-1.08	-0.76	0.10	0.23	1.01
11	Indian Overseas Bank	0.72	0.72	0.58	0.68	1.01	1.74
12	Oriental Bank of Commerce	2.60	2.28	2.06	2.06	1.97	2.84
13	Punjab & Sind Bank	0.75	1.11	0.86	0.83	0.77	1.19
14	Punjab National Bank	1.77	2.01	1.77	1.52	1.49	2.02
15	Syndicate Bank	0.56	0.70	0.77	1.03	1.05	1.12
16	UCO Bank	-0.45	0.08	0.18	0.75	0.78	1.52
17	Union Bank of India	1.52	1.36	0.99	1.12	1.31	1.96
18	United Bank of India	-0.51	1.13	0.27	0.43	0.64	1.04
19	Vijaya Bank	0.43	0.68	1.05	0.98	1.25	1.56
	Nationalised Banks	**1.26**	**1.33**	**1.22**	**1.30**	**1.29**	**1.83**
20	State Bank of India	2.17	1.95	1.55	1.61	1.26	1.74
21	State Bank of Bikaner & Jaipur	1.93	2.30	1.58	1.91	1.93	2.51
22	State Bank of Hyderabad	2.43	2.70	2.07	2.65	2.43	2.71
23	State Bank of Indore	2.23	2.22	2.31	2.06	2.10	3.40
24	State Bank of Mysore	2.39	2.16	1.75	1.96	1.47	2.27

25	State Bank of Patiala	2.26	2.14	2.34	2.83	2.79	3.26
26	State Bank of Saurashtra	2.43	2.30	1.92	2.15	1.36	2.36
27	State Bank of Travancore	1.93	2.19	1.39	1.47	1.59	1.95
	State Bank Group	**2.18**	**2.03**	**1.63**	**1.74**	**1.42**	**1.94**
	Public Sector Banks	**1.60**	**1.58**	**1.37**	**1.46**	**1.34**	**1.88**

Appendix Table II.6(C): Net Profit/Loss as Percentage of Total Assets – Public Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6	7	8
1	Allahabad Bank	0.49	0.85	0.77	0.35	0.18	0.32
2	Andhra Bank	0.43	0.82	0.78	0.76	0.59	0.97
3	Bank of Baroda	0.73	1.01	0.81	0.86	0.43	0.77
4	Bank of India	0.95	0.79	0.37	0.31	0.42	0.72
5	Bank of Maharashtra	0.54	0.53	0.43	0.59	0.24	0.68
6	Canara Bank	0.41	0.47	0.47	0.43	0.43	1.03
7	Central Bank of India	0.57	0.57	0.41	0.36	0.10	0.31
8	Corporation Bank	1.53	1.49	1.29	1.39	1.33	1.31
9	Dena Bank	0.75	0.86	0.74	0.37	-1.49	0.06
10	Indian Bank	-2.28	-1.55	-3.64	-1.81	-1.03	0.11
11	Indian Overseas Bank	0.58	0.53	0.23	0.15	0.38	0.65
12	Oriental Bank of Commerce	1.56	1.42	1.23	1.14	0.75	0.99
13	Punjab & Sind Bank	0.26	0.72	0.53	0.52	0.10	0.17
14	Punjab National Bank	0.68	1.20	0.80	0.75	0.73	0.77
15	Syndicate Bank	0.38	0.42	0.65	0.79	0.83	0.79
16	UCO Bank	-1.08	-0.52	-0.33	0.16	0.12	0.52
17	Union Bank of India	0.96	0.97	0.51	0.29	0.40	0.71
18	United Bank of India	-0.89	0.07	0.09	0.16	0.09	0.52
19	Vijaya Bank	0.24	0.25	0.27	0.41	0.50	0.81
	Nationalised Banks	**0.41**	**0.62**	**0.37**	**0.44**	**0.33**	**0.69**
20	State Bank of India	0.86	1.04	0.46	0.78	0.51	0.70
21	State Bank of Bikaner & Jaipur	0.50	1.06	0.90	0.97	0.76	1.06
22	State Bank of Hyderabad	0.56	0.91	0.85	0.82	0.82	1.02

23	State Bank of Indore	0.49	0.68	0.63	0.72	0.78	1.24
24	State Bank of Mysore	0.74	0.86	0.49	0.58	0.27	0.64
25	State Bank of Patiala	0.68	1.47	0.93	1.06	1.12	1.34
26	State Bank of Saurashtra	2.20	2.43	0.40	1.18	0.16	0.88
27	State Bank of Travancore	0.52	0.69	0.40	0.53	0.67	0.73
	State Bank Group	**0.84**	**1.06**	**0.51**	**0.80**	**0.55**	**0.77**
	Public Sector Banks	**0.57**	**0.77**	**0.42**	**0.57**	**0.42**	**0.72**

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	
		2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02
1	2	3	4	5	6	7	8	9	10
1	Allahabad Bank	266.00	407.98	39.91	80.21	192.10	334.08	-33.99	6.31
2	Andhra Bank	248.72	425.38	121.19	202.27	194.29	373.35	66.76	150.24
3	Bank of Baroda	1,036.47	1,309.26	274.66	545.93	1,021.94	1,294.73	260.13	531.40
4	Bank of India	772.02	1,408.45	251.88	505.22	597.77	1,234.20	77.63	330.97
5	Bank of Maharashtra	239.98	415.04	45.19	145.41	169.45	344.51	-25.34	74.88
6	Canara Bank	1,131.22	1,656.24	285.10	741.40	1,026.00	1,551.02	179.88	636.18
7	Central Bank of India	470.48	704.36	46.46	163.30	294.61	528.49	-129.41	-12.57
8	Corporation Bank	532.06	622.93	261.84	308.10	525.49	616.36	255.27	301.53
9	Dena Bank	76.84	335.39	-266.12	11.36	51.94	310.49	-291.02	-13.54
10	Indian Bank	61.59	307.15	-274.00	33.22	-183.54	62.02	-519.13	-211.91
11	Indian Overseas Bank	306.60	616.36	115.93	230.21	182.57	492.33	-8.10	106.18
12	Oriental Bank of Commerce	534.11	917.09	202.89	320.55	523.15	906.13	191.93	309.59
13	Punjab & Sind Bank	102.74	163.70	13.26	23.04	37.00	97.96	-52.48	-42.70
14	Punjab National Bank	945.21	1,473.80	463.64	562.39	890.54	1,419.13	408.97	507.72
15	Syndicate Bank	297.80	355.24	234.94	250.55	173.23	230.67	110.37	125.98
16	UCO Bank	213.77	475.98	32.99	164.52	-0.81	261.40	-181.59	-50.06
17	Union Bank of India	511.25	869.24	155.46	314.13	481.02	839.01	125.23	283.90
18	United Bank of India	136.72	237.16	19.14	119.04	-35.98	64.46	-153.56	-53.66
19	Vijaya Bank	178.48	252.50	70.73	130.90	125.81	199.83	18.06	78.23
	Total	**8,062.06**	**12,953.25**	**2,095.09**	**4,851.75**	**6,266.58**	**11,160.17**	**299.61**	**3,058.67**

+ 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	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6	7	8
1	Allahabad Bank	9.71	9.30	9.15	9.36	9.39	9.18
2	Andhra Bank	9.53	9.92	9.11	9.16	9.20	9.69
3	Bank of Baroda	9.99	9.10	9.23	8.83	9.09	8.40
4	Bank of India	9.26	8.49	8.51	8.51	8.93	8.03
5	Bank of Maharashtra	9.79	9.30	9.31	9.64	8.96	9.31
6	Canara Bank	9.57	8.87	9.68	8.91	8.45	8.82
7	Central Bank of India	9.59	9.31	9.29	9.06	9.03	8.85
8	Corporation Bank	10.11	9.16	9.04	9.57	9.16	8.24
9	Dena Bank	10.44	9.92	10.05	9.40	9.58	9.07
10	Indian Bank	9.18	7.53	7.60	8.07	7.91	7.58
11	Indian Overseas Bank	10.37	9.26	9.40	9.07	9.22	8.95
12	Oriental Bank of Commerce	10.82	9.86	9.97	10.02	10.19	9.42
13	Punjab & Sind Bank	9.64	9.35	9.30	9.50	9.23	9.20
14	Punjab National Bank	10.43	10.03	9.60	9.52	9.23	9.12
15	Syndicate Bank	9.12	8.69	9.45	8.97	9.89	9.08
16	UCO Bank	7.97	7.78	8.16	8.39	8.32	8.10
17	Union Bank of India	10.28	9.72	9.19	9.47	9.58	9.05
18	United Bank of India	7.82	9.19	8.44	8.70	8.99	8.93
19	Vijaya Bank	9.10	8.58	9.01	9.36	9.51	9.53
	Nationalised Banks	**9.65**	**9.09**	**9.15**	**9.06**	**9.09**	**8.78**
20	State Bank of India	9.55	8.84	8.59	8.49	8.28	8.56
21	State Bank of Bikaner & Jaipur	9.05	9.98	9.42	8.95	9.12	8.73
22	State Bank of Hyderabad	10.13	9.74	9.30	9.56	9.19	8.67
23	State Bank of Indore	10.87	9.95	9.98	8.92	8.63	8.83
24	State Bank of Mysore	11.01	10.45	10.14	9.66	9.72	9.38
25	State Bank of Patiala	10.47	9.66	9.38	9.40	9.38	8.68
26	State Bank of Saurashtra	9.88	9.66	9.41	9.25	8.95	8.99

27	State Bank of Travancore	11.67	10.75	9.40	9.32	9.08	8.82
	State Bank Group	**9.75**	**9.11**	**8.79**	**8.67**	**8.47**	**8.62**
	Public Sector Banks	**9.69**	**9.10**	**9.01**	**8.92**	**8.85**	**8.71**

Appendix Table II.6(F): Interest Expended as Percentage of Total Assets – Public Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6	7	8
1	Allahabad Bank	6.66	6.42	6.34	6.50	6.29	6.23
2	Andhra Bank	6.55	6.56	6.20	6.49	6.74	6.95
3	Bank of Baroda	6.78	6.19	6.22	5.98	6.03	5.75
4	Bank of India	6.25	5.72	5.90	6.19	6.15	5.40
5	Bank of Maharashtra	6.11	5.80	6.02	6.57	6.03	6.57
6	Canara Bank	6.39	6.37	6.51	6.27	5.62	6.30
7	Central Bank of India	6.42	6.20	6.32	6.09	5.96	5.93
8	Corporation Bank	6.24	5.70	6.55	6.84	6.21	5.59
9	Dena Bank	6.59	6.44	7.09	6.94	7.08	6.72
10	Indian Bank	8.47	6.95	6.68	6.45	6.05	5.83
11	Indian Overseas Bank	7.99	6.95	7.09	6.61	6.31	6.21
12	Oriental Bank of Commerce	6.93	6.48	6.87	7.11	7.27	6.41
13	Punjab & Sind Bank	7.04	6.72	6.91	7.15	6.72	6.90
14	Punjab National Bank	6.96	6.78	6.03	6.54	6.02	5.97
15	Syndicate Bank	5.95	5.84	6.51	5.94	6.01	5.59
16	UCO Bank	6.04	5.88	6.01	6.05	5.90	5.77
17	Union Bank of India	6.87	6.55	6.52	6.73	6.45	6.04
18	United Bank of India	6.28	6.45	6.44	6.59	6.60	6.29
19	Vijaya Bank	6.19	5.82	6.15	6.33	6.28	6.52
	Nationalised Banks	**6.68**	**6.30**	**6.37**	**6.40**	**6.19**	**6.03**
20	State Bank of India	6.13	5.83	5.86	5.84	5.63	5.95
21	State Bank of Bikaner & Jaipur	5.72	6.30	6.19	5.95	5.84	5.58
22	State Bank of Hyderabad	6.44	6.13	5.77	6.21	5.88	5.74
23	State Bank of Indore	6.59	6.09	6.05	5.93	5.79	5.92
24	State Bank of Mysore	6.79	6.50	6.56	6.26	6.39	6.33

25	State Bank of Patiala	6.76	6.01	5.85	5.62	5.16	4.89
26	State Bank of Saurashtra	6.26	6.03	5.92	6.05	6.02	6.01
27	State Bank of Travancore	8.49	7.81	7.20	7.06	6.35	6.24
	State Bank Group	**6.27**	**5.97**	**5.94**	**5.91**	**5.68**	**5.91**
	Public Sector Banks	**6.53**	**6.19**	**6.21**	**6.22**	**5.99**	**5.98**

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	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6	7	8
1	Allahabad Bank	3.05	2.88	2.82	2.86	3.10	2.95
2	Andhra Bank	2.98	3.37	2.91	2.68	2.45	2.75
3	Bank of Baroda	3.21	2.91	3.01	2.85	3.06	2.65
4	Bank of India	3.00	2.77	2.61	2.33	2.78	2.63
5	Bank of Maharashtra	3.67	3.50	3.29	3.07	2.93	2.73
6	Canara Bank	3.19	2.49	3.17	2.64	2.83	2.52
7	Central Bank of India	3.17	3.11	2.97	2.96	3.07	2.92
8	Corporation Bank	3.87	3.46	2.49	2.73	2.95	2.65
9	Dena Bank	3.85	3.48	2.97	2.46	2.51	2.35
10	Indian Bank	0.71	0.57	0.92	1.61	1.86	1.75
11	Indian Overseas Bank	2.38	2.31	2.31	2.46	2.91	2.74
12	Oriental Bank of Commerce	3.89	3.38	3.10	2.90	2.92	3.01
13	Punjab & Sind Bank	2.60	2.63	2.38	2.35	2.51	2.30
14	Punjab National Bank	3.47	3.25	3.57	2.99	3.21	3.15
15	Syndicate Bank	3.17	2.85	2.94	3.04	3.87	3.49
16	UCO Bank	1.93	1.89	2.15	2.35	2.42	2.33
17	Union Bank of India	3.41	3.17	2.66	2.73	3.13	3.01
18	United Bank of India	1.54	2.74	2.00	2.10	2.39	2.64
19	Vijaya Bank	2.91	2.76	2.86	3.03	3.23	3.01
	Nationalised Banks	**2.97**	**2.78**	**2.77**	**2.66**	**2.90**	**2.74**
20	State Bank of India	3.43	3.01	2.72	2.65	2.66	2.61
21	State Bank of Bikaner & Jaipur	3.32	3.68	3.23	3.00	3.28	3.15

22	State Bank of Hyderabad	3.69	3.61	3.53	3.35	3.32	2.94
23	State Bank of Indore	4.28	3.86	3.92	2.99	2.84	2.91
24	State Bank of Mysore	4.22	3.94	3.58	3.39	3.33	3.04
25	State Bank of Patiala	3.70	3.64	3.53	3.78	4.22	3.79
26	State Bank of Saurashtra	3.62	3.63	3.49	3.20	2.93	2.99
27	State Bank of Travancore	3.18	2.94	2.20	2.27	2.73	2.57
	State Bank Group	**3.48**	**3.14**	**2.85**	**2.76**	**2.79**	**2.71**
	Public Sector Banks	**3.16**	**2.91**	**2.80**	**2.70**	**2.86**	**2.73**

Appendix Table II.6(H): Provisions and Contingencies as Percentage of Total Assets - Public Sector Banks

(Per cent)

Sr. No.	**Name of the Bank**	**1996-97**	**1997-98**	**1998-99**	**1999-2000**	**2000-01**	**2001-02**
1	2	3	4	5	6	7	8
1	Allahabad Bank	0.91	0.71	0.57	0.93	1.03	1.32
2	Andhra Bank	0.63	0.87	0.58	1.07	0.63	1.07
3	Bank of Baroda	1.33	0.75	1.00	0.94	1.20	1.08
4	Bank of India	0.58	0.72	0.93	0.92	0.87	1.29
5	Bank of Maharashtra	0.64	0.64	0.68	0.93	1.02	1.26
6	Canara Bank	1.42	1.09	1.52	1.26	1.27	1.27
7	Central Bank of India	0.56	0.61	0.43	0.65	0.90	1.03
8	Corporation Bank	1.48	1.21	0.76	1.15	1.37	1.33
9	Dena Bank	1.25	1.37	0.71	0.99	1.92	1.72
10	Indian Bank	1.47	0.47	2.88	1.92	1.26	0.91
11	Indian Overseas Bank	0.14	0.19	0.36	0.54	0.63	1.09
12	Oriental Bank of Commerce	1.04	0.86	0.83	0.93	1.22	1.85
13	Punjab & Sind Bank	0.48	0.39	0.33	0.31	0.67	1.02
14	Punjab National Bank	1.09	0.81	0.97	0.76	0.76	1.25
15	Syndicate Bank	0.18	0.27	0.12	0.24	0.22	0.33
16	UCO Bank	0.63	0.60	0.51	0.60	0.66	0.99
17	Union Bank of India	0.56	0.39	0.48	0.83	0.91	1.25
18	United Bank of India	0.38	1.07	0.18	0.27	0.55	0.52
19	Vijaya Bank	0.20	0.43	0.77	0.57	0.76	0.75
	Nationalised Banks	**0.85**	**0.71**	**0.85**	**0.86**	**0.95**	**1.15**

20	State Bank of India	1.31	0.91	1.09	0.82	0.75	1.04
21	State Bank of Bikaner & Jaipur	1.43	1.24	0.69	0.94	1.17	1.45
22	State Bank of Hyderabad	1.88	1.78	1.22	1.83	1.62	1.69
23	State Bank of Indore	1.74	1.55	1.68	1.34	1.32	2.16
24	State Bank of Mysore	1.65	1.30	1.26	1.38	1.19	1.63
25	State Bank of Patiala	1.58	0.67	1.41	1.78	1.66	1.91
26	State Bank of Saurashtra	0.23	-0.13	1.52	0.98	1.20	1.49
27	State Bank of Travancore	1.42	1.50	0.99	0.93	0.92	1.21
	State Bank Group	**1.35**	**0.98**	**1.11**	**0.94**	**0.87**	**1.17**
	Public Sector Banks	**1.03**	**0.81**	**0.95**	**0.89**	**0.92**	**1.16**

Appendix Table II.6(I): Operating Expenses as Percentage of Total Assets – Public Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6	7	8
1	Allahabad Bank	3.02	2.70	2.67	2.89	2.98	2.86
2	Andhra Bank	3.11	2.95	2.83	2.27	2.24	2.17
3	Bank of Baroda	2.37	2.34	2.31	2.22	2.54	2.20
4	Bank of India	2.77	2.52	2.37	2.51	2.93	2.19
5	Bank of Maharashtra	3.41	3.21	3.06	2.76	2.84	2.23
6	Canara Bank	2.63	2.34	2.56	2.48	2.51	2.21
7	Central Bank of India	3.19	3.05	3.11	3.00	3.06	2.72
8	Corporation Bank	2.23	2.05	1.81	1.81	1.73	1.63
9	Dena Bank	2.99	2.75	2.54	2.44	3.19	2.44
10	Indian Bank	2.80	2.67	2.61	2.68	2.79	2.40
11	Indian Overseas Bank	2.73	2.55	2.75	2.74	2.89	2.50
12	Oriental Bank of Commerce	2.19	2.03	1.97	1.74	1.94	1.64
13	Punjab & Sind Bank	3.06	2.80	2.57	2.82	2.98	2.77
14	Punjab National Bank	3.04	2.84	2.97	2.82	2.95	2.47
15	Syndicate Bank	3.50	3.29	3.41	3.13	3.81	3.24
16	UCO Bank	3.16	2.89	2.87	2.65	2.73	2.67
17	Union Bank of India	2.77	2.62	2.51	2.47	2.62	2.18
18	United Bank of India	2.81	2.58	2.40	2.39	2.52	3.33

19	Vijaya Bank	3.26	2.95	2.80	2.97	3.07	2.61
	Nationalised Banks	**2.85**	**2.65**	**2.63**	**2.57**	**2.76**	**2.40**
20	State Bank of India	2.94	2.63	2.65	2.41	2.63	2.07
21	State Bank of Bikaner & Jaipur	2.97	3.29	3.24	2.85	3.07	2.57
22	State Bank of Hyderabad	2.81	2.52	2.90	2.42	2.45	1.88
23	State Bank of Indore	3.56	3.41	3.40	3.07	2.72	2.24
24	State Bank of Mysore	3.44	3.43	3.57	3.41	3.68	3.03
25	State Bank of Patiala	2.50	2.51	2.41	2.34	2.62	2.06
26	State Bank of Saurashtra	2.82	3.13	3.00	2.56	2.88	2.48
27	State Bank of Travancore	2.84	2.38	2.22	2.37	2.48	2.02
	State Bank Group	**2.94**	**2.68**	**2.70**	**2.46**	**2.66**	**2.11**
	Public Sector Banks	**2.88**	**2.66**	**2.66**	**2.53**	**2.72**	**2.29**

Appendix Table II.7(A): Select Financial Parameters of Private Sector Banks

(As on March 31, 2002)

(Per cent)

Sr. No.	Name of the Bank	CRAR Tier I	CRAR Tier II	CRAR Total	Net NPAs/ Net Advances	Interest Income/ Working Fund	Non-Interest Income/ Working Fund	Operating Profit/ Working Fund	Return on Assets	Business per employee (Amount in Rs.lakh)	Profit per employee (Amount in Rs.lakh)
1	2	3	4	5	6	7	8	9	10	11	12
	Old Private Sector Banks										
1	Bharat Overseas Bank Ltd.	12.55	2.54	15.09	4.38	9.29	2.75	2.97	1.08	259.00	2.17
2	City Union Bank Ltd.	12.81	1.16	13.97	8.22	9.91	2.24	3.04	1.33	203.50	2.10
3	Development Credit Bank Ltd.	10.93	0.56	11.49	6.47	10.52	2.67	2.88	0.95	443.00	2.53
4	Lord Krishna Bank Ltd.	12.75	3.75	16.50	9.85	9.19	4.80	3.22	1.26	246.41	2.09
5	SBI Commercial & International Bank Ltd.	21.11	0.99	22.10	23.43	9.45	2.67	2.18	0.46	739.09	2.87
6	Tamilnad Mercantile Bank Ltd.	16.88	1.14	18.02	6.66	11.00	1.59	3.06	1.29	245.45	2.48
7	The Bank of Rajasthan Ltd.	10.01	2.06	12.07	8.86	9.80	2.10	1.76	0.84	135.84	0.94
8	The Catholic Syrian Bank Ltd.	5.97	3.60	9.57	9.92	9.96	2.93	2.68	1.07	140.98	1.23
9	The Dhanalakshmi Bank Ltd.	9.36*	1.87	11.23	11.66	9.85	3.20	2.75	0.53	199.24	0.78
10	The Federal Bank Ltd.	6.96	3.67	10.63	8.60	11.11	2.35	3.25	0.81	219.00	1.31
11	The Ganesh Bank of Kurundwad Ltd.	6.36	3.72	10.08	14.08	10.70	1.51	1.37	11.68	110.17	1.04
12	The Jammu & Kashmir Bank Ltd.	12.41	3.05	15.46	1.88	10.65	2.02	3.63	1.77	264.00	4.00
13	The Karnataka Bank Ltd.	11.10	1.86	12.96	5.90	10.05	3.26	3.39	1.26	247.24	2.20
14	The Karur Vysya Bank Ltd.	15.62	1.28	16.90	6.33	10.75	2.33	3.61	2.42	219.00	3.79
15	The Lakshmi Vilas Bank Ltd.	8.44	3.10	11.54	9.13	9.64	3.05	2.75	1.06	212.00	1.56
16	The Nainital Bank Ltd.	12.92	1.96	14.88	0.00	10.10	0.55	1.95	0.92	104.49	0.89
17	The Nedungadi Bank Ltd.	-1.99	Nil	-1.99	31.05	9.09	4.10	2.03	0.08	136.80	0.08
18	The Ratnakar Bank Ltd.	11.93	1.67	13.60	8.60	10.89	4.54	4.28	1.16	162.54	1.27
19	The Sangli Bank Ltd.	9.14	2.50	11.64	5.97	9.76	2.39	1.84	0.60	83.34	0.50
20	The South Indian Bank Ltd.	7.68	3.52	11.20	6.64	10.60	2.39	2.98	1.07	218.00	1.68
21	The United Western Bank Ltd.	6.98	2.81	9.79	10.72	9.71	3.01	3.03	0.50	207.00	0.77
22	The Vysya Bank Ltd.	7.97	3.60	11.57	4.59	10.11	3.08	2.24	0.64	197.95	1.22
	New Private Sector Banks										
23	Bank of Punjab Ltd.	8.47	4.35	12.82	2.93	9.38	3.03	1.92	0.92	519.90	3.74
24	Centurion Bank Ltd	2.58	1.58	4.16	5.82	10.63	1.56	0.32	-3.27	467.72	-16.77
25	Global Trust Bank	7.44	3.77	11.21	9.23	9.02	2.85	1.84	0.55	709.09	3.51
26	HDFC Bank	10.81	3.12	13.93	0.50	8.46	1.65	2.61	1.48	778.00	9.75
27	ICICI Bank	7.47	3.97	11.44	5.48	8.44	2.25	2.14	0.67	486.49	5.33
28	IDBI Bank Ltd.	6.36	3.23	9.59	2.21	8.93	2.15	2.16	0.79	689.88	4.34
29	IndusInd Bank Ltd.	10.45	2.06	12.51	6.59	10.15	2.63	3.61	0.50	1587.91	6.88
30	UTI Bank Ltd.	6.42	4.23	10.65	2.74	9.95	3.51	3.46	0.93	896.00	7.79

* Capital includes share application money pending allotment.

Note : Figures reported in this Table may not exactly tally with the data reported in Appendix Tables II.7(B) to II.7 (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	1996-97	1997-98	1998-99	1999-2000	2000-01	2002-02
1	2	3	4	5	6	7	8
1	Bharat Overseas Bank Ltd.	1.79	1.56	1.11	1.26	1.98	2.53
2	City Union Bank Ltd.	2.61	1.86	1.76	3.18	2.70	2.92
3	Development Credit Bank Ltd.	2.48	2.81	1.27	1.89	1.62	2.47
4	Lord Krishna Bank Ltd.	2.24	1.59	1.06	1.41	1.08	2.93
5	SBI Commercial & International Bank Ltd.	1.08	2.27	2.33	3.19	1.34	1.86
6	Tamilnad Mercantile Bank Ltd.	4.19	3.32	2.42	2.36	2.78	2.82
7	The Bank of Rajasthan Ltd.	1.41	0.84	-0.30	0.46	1.33	1.69
8	The Catholic Syrian Bank Ltd.	0.83	0.97	0.22	0.95	1.63	2.60
9	The Dhanalakshmi Bank Ltd.	1.35	1.60	0.96	1.89	1.46	2.68
10	The Federal Bank Ltd.	1.20	1.27	0.61	1.78	2.12	3.01
11	The Ganesh Bank of Kurundwad Ltd.	1.34	0.80	0.54	0.81	0.42	1.14
12	The Jammu & Kashmir Bank Ltd.	2.19	2.89	2.29	2.20	2.14	3.14
13	The Karnataka Bank Ltd.	2.90	2.65	1.48	1.41	2.04	3.23
14	The Karur Vysya Bank Ltd.	2.99	3.29	1.98	2.91	2.61	3.17
15	The Lakshmi Vilas Bank Ltd.	1.70	1.70	1.29	2.40	2.30	2.72
16	The Nainital Bank Ltd.	1.51	1.50	1.90	1.69	1.58	1.83
17	The Nedungadi Bank Ltd.	1.67	1.95	0.99	1.51	0.03	2.20
18	The Ratnakar Bank Ltd.	1.04	1.40	1.10	1.46	1.75	3.69
19	The Sangli Bank Ltd.	1.09	2.46	0.99	1.14	1.08	1.51
20	The South Indian Bank Ltd.	0.92	0.98	0.98	1.80	2.05	2.64
21	The United Western Bank Ltd.	2.54	2.67	1.63	2.96	0.88	2.99
22	The Vysya Bank Ltd.	1.86	1.74	0.81	1.35	1.13	1.91
	Old Private Sector Banks	**1.89**	**1.97**	**1.21**	**1.82**	**1.75**	**2.70**
23	Bank of Punjab Ltd.	2.45	2.78	1.97	1.69	1.73	1.92
24	Centurion Bank Ltd.	1.83	2.43	1.01	1.25	0.98	0.35
25	Global Trust Bank	3.92	3.49	2.01	3.29	2.12	2.03
26	HDFC Bank	3.52	3.62	2.90	2.21	2.44	2.29

27	ICICI Bank	3.80	3.06	1.78	1.88	1.47	0.52
28	IDBI Bank Ltd.	1.09	1.30	1.13	1.85	1.39	1.85
29	IndusInd Bank Ltd.	3.51	4.00	1.79	2.39	2.00	2.47
30	UTI Bank Ltd.	1.95	1.72	1.74	1.74	1.23	2.85
	New Private Sector Banks	**2.98**	**2.86**	**1.78**	**2.11**	**1.74**	**1.21**
	Private Sector Banks	**2.18**	**2.25**	**1.42**	**1.95**	**1.74**	**1.73**

Appendix Table II.7(C): Net Profit/Loss as Percentage of Total Assets - Private Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1996-97	1997-98	1998-99	1999-2000	2000-01	2002-02
1	2	3	4	5	6	7	8
1	Bharat Overseas Bank Ltd.	1.06	0.87	0.74	0.06	0.95	1.08
2	City Union Bank Ltd.	1.23	1.00	0.87	1.30	1.16	1.28
3	Development Credit Bank Ltd.	1.77	1.67	0.90	0.87	0.76	0.81
4	Lord Krishna Bank Ltd.	0.78	0.51	0.16	0.61	0.36	1.14
5	SBI Commercial & International Bank Ltd.	1.17	2.22	1.64	1.70	-6.65	0.46
6	Tamilnad Mercantile Bank Ltd.	2.23	1.98	1.43	1.32	1.37	1.29
7	The Bank of Rajasthan Ltd.	0.10	-2.58	-1.84	0.30	0.74	0.84
8	The Catholic Syrian Bank Ltd.	0.24	0.36	0.02	0.25	0.38	1.07
9	The Dhanalakshmi Bank Ltd.	0.65	0.71	0.28	0.71	0.40	0.53
10	The Federal Bank Ltd.	0.85	0.69	0.03	0.61	0.69	0.81
11	The Ganesh Bank of Kurundwad Ltd.	0.10	0.08	0.08	0.14	0.22	0.50
12	The Jammu & Kashmir Bank Ltd.	0.59	0.91	1.14	1.14	1.32	1.77
13	The Karnataka Bank Ltd.	1.41	1.51	0.87	0.71	0.68	1.17
14	The Karur Vysya Bank Ltd.	1.86	1.73	1.19	1.90	1.70	2.12
15	The Lakshmi Vilas Bank Ltd.	1.40	1.31	0.79	1.14	1.02	1.06
16	The Nainital Bank Ltd.	0.25	0.45	0.75	0.86	0.53	0.87
17	The Nedungadi Bank Ltd.	0.64	0.78	0.62	0.84	-3.57	0.08
18	The Ratnakar Bank Ltd.	0.73	0.91	0.78	0.70	0.67	1.00
19	The Sangli Bank Ltd.	0.50	0.35	0.34	0.34	0.38	0.58
20	The South Indian Bank Ltd.	0.33	0.68	0.17	0.58	0.80	0.95
21	The United Western Bank Ltd.	0.94	1.13	0.95	1.16	-0.27	0.50
22	The Vysya Bank Ltd.	1.10	1.14	0.40	0.50	0.38	0.64

	Old Private Sector Banks	**0.91**	**0.81**	**0.48**	**0.81**	**0.59**	**1.08**
23	Bank of Punjab Ltd.	2.13	2.09	1.53	1.04	0.93	0.92
24	Centurion Bank Ltd.	1.25	1.27	0.69	0.66	0.12	-2.27
25	Global Trust Bank	2.16	2.12	1.36	1.44	0.85	0.55
26	HDFC Bank	2.23	2.23	1.89	1.02	1.35	1.25
27	ICICI Bank	2.25	1.53	0.91	0.87	0.82	0.25
28	IDBI Bank Ltd.	0.46	0.91	0.90	1.35	0.39	0.79
29	IndusInd Bank Ltd.	2.06	1.81	0.60	0.70	0.47	0.50
30	UTI Bank Ltd.	0.89	0.56	0.79	0.76	0.80	0.93
	New Private Sector Banks	**1.73**	**1.55**	**1.03**	**0.97**	**0.81**	**0.44**
	Private Sector Banks	**1.13**	**1.04**	**0.68**	**0.88**	**0.70**	**0.66**

Appendix Table II.7(D): Interest Income as Percentage of Total Assets - Private Sector Banks

(Per cent)

Sr. No.	**Name of the Bank**	**1996-97**	**1997-98**	**1998-99**	**1999-2000**	**2000-01**	**2002-02**
1	2	3	4	5	6	7	8
1	Bharat Overseas Bank Ltd.	9.61	9.86	9.45	8.63	8.54	7.93
2	City Union Bank Ltd.	10.88	10.58	10.59	11.40	10.08	9.51
3	Development Credit Bank Ltd.	9.99	8.36	9.14	8.02	9.84	9.01
4	Lord Krishna Bank Ltd.	11.22	12.59	12.38	9.37	8.75	8.36
5	SBI Commercial & International Bank Ltd.	9.48	8.37	11.44	9.40	10.17	8.07
6	Tamilnad Mercantile Bank Ltd.	11.68	10.80	10.05	10.14	10.24	10.12
7	The Bank of Rajasthan Ltd.	10.61	10.27	9.54	10.04	10.20	9.42
8	The Catholic Syrian Bank Ltd.	12.76	11.97	10.98	10.53	10.48	9.68
9	The Dhanalakshmi Bank Ltd.	10.23	11.28	10.31	10.24	10.45	9.59
10	The Federal Bank Ltd.	10.60	9.60	10.64	11.60	10.42	10.28
11	The Ganesh Bank of Kurundwad Ltd.	10.34	10.80	11.01	10.95	10.61	10.04
12	The Jammu & Kashmir Bank Ltd.	9.44	9.48	9.23	8.38	8.46	9.21
13	The Karnataka Bank Ltd.	11.60	11.14	10.09	10.07	9.79	9.57
14	The Karur Vysya Bank Ltd.	11.35	10.57	10.82	11.16	10.88	9.44
15	The Lakshmi Vilas Bank Ltd.	10.91	9.41	9.95	9.62	9.61	9.53
16	The Nainital Bank Ltd.	10.42	10.34	10.31	9.54	9.72	9.55

17	The Nedungadi Bank Ltd.	11.18	10.96	11.23	9.33	9.32	9.85
18	The Ratnakar Bank Ltd.	10.70	10.05	10.26	9.91	10.18	9.39
19	The Sangli Bank Ltd.	9.48	9.54	9.01	8.36	9.11	8.00
20	The South Indian Bank Ltd.	11.80	11.05	11.18	10.55	10.36	9.39
21	The United Western Bank Ltd.	10.06	8.73	8.55	8.70	8.29	9.59
22	The Vysya Bank Ltd.	10.67	9.75	9.55	8.88	8.76	8.61
	Old Private Sector Banks	**10.65**	**10.00**	**9.92**	**9.66**	**9.53**	**9.36**
23	Bank of Punjab Ltd.	7.69	9.59	8.80	8.23	9.11	9.35
24	Centurion Bank Ltd.	7.82	11.34	12.71	8.50	9.29	11.63
25	Global Trust Bank	13.46	10.55	9.45	9.22	9.48	9.91
26	HDFC Bank	8.91	8.51	8.65	5.80	8.06	7.16
27	ICICI Bank	10.25	7.88	7.79	7.06	6.29	2.07
28	IDBI Bank Ltd.	5.55	6.78	8.63	9.38	10.80	7.67
29	IndusInd Bank Ltd.	11.49	10.96	9.62	7.97	8.42	6.96
30	UTI Bank Ltd.	9.26	8.06	9.53	7.25	8.26	8.21
	New Private Sector Banks	**10.14**	**9.27**	**9.19**	**7.60**	**8.17**	**4.48**
	Private Sector Banks	**10.51**	**9.77**	**9.65**	**8.74**	**8.87**	**6.18**

Appendix Table II.7(E): Interest Expended as Percentage of Total Assets - Private Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1996-97	1997-98	1998-99	1999-2000	2000-01	2002-02
1	2	3	4	5	6	7	8
1	Bharat Overseas Bank Ltd.	6.56	7.30	7.41	6.48	5.74	5.59
2	City Union Bank Ltd.	8.00	8.49	8.72	8.38	7.17	7.06
3	Development Credit Bank Ltd.	6.32	6.37	7.09	6.21	7.64	6.84
4	Lord Krishna Bank Ltd.	8.73	10.45	10.72	7.97	7.31	7.59
5	SBI Commercial & International Bank Ltd.	8.19	7.22	10.06	7.42	8.95	7.30
6	Tamilnad Mercantile Bank Ltd.	7.02	7.12	7.10	7.26	6.95	6.77
7	The Bank of Rajasthan Ltd.	7.82	7.89	7.78	7.69	7.13	6.73
8	The Catholic Syrian Bank Ltd.	9.73	9.51	9.01	8.18	7.75	7.36
9	The Dhanalakshmi Bank Ltd.	7.89	8.55	8.15	7.74	8.10	7.34
10	The Federal Bank Ltd.	8.64	7.71	9.56	9.23	7.73	7.55
11	The Ganesh Bank of Kurundwad Ltd.	7.20	8.20	8.95	8.55	8.52	8.28

12	The Jammu & Kashmir Bank Ltd.	5.96	5.88	5.73	5.66	5.66	6.23
13	The Karnataka Bank Ltd.	7.48	7.56	7.71	8.08	7.52	7.76
14	The Karur Vysya Bank Ltd.	7.39	7.29	7.91	7.50	7.21	6.22
15	The Lakshmi Vilas Bank Ltd.	7.82	6.88	7.64	7.03	7.07	7.36
16	The Nainital Bank Ltd.	6.20	6.44	6.20	5.71	5.91	5.68
17	The Nedungadi Bank Ltd.	7.57	7.74	8.69	7.19	8.28	9.22
18	The Ratnakar Bank Ltd.	7.03	6.84	7.14	7.09	7.11	6.50
19	The Sangli Bank Ltd.	6.43	6.17	6.26	5.79	5.96	5.58
20	The South Indian Bank Ltd.	9.10	8.53	8.71	7.88	7.49	7.02
21	The United Western Bank Ltd.	7.25	6.35	6.25	6.32	6.33	7.62
22	The Vysya Bank Ltd.	8.57	8.18	8.30	7.65	7.05	6.91
	Old Private Sector Banks	**7.72**	**7.43**	**7.77**	**7.33**	**7.02**	**6.97**
23	Bank of Punjab Ltd.	5.10	7.01	6.86	5.92	6.09	7.03
24	Centurion Bank Ltd.	5.26	8.40	9.54	6.96	7.56	9.13
25	Global Trust Bank	10.93	8.54	8.43	6.72	7.36	8.70
26	HDFC Bank	4.80	4.86	5.27	3.19	4.83	4.51
27	ICICI Bank	6.57	5.66	6.09	5.52	4.24	1.50
28	IDBI Bank Ltd.	2.48	4.75	6.75	7.37	8.74	5.51
29	IndusInd Bank Ltd.	8.71	8.54	7.76	6.27	6.58	5.36
30	UTI Bank Ltd.	7.17	7.00	7.68	5.89	7.35	6.82
	New Private Sector Banks	**7.26**	**7.04**	**7.21**	**5.64**	**6.03**	**3.33**
	Private Sector Banks	**7.60**	**7.31**	**7.56**	**6.58**	**6.54**	**4.60**

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	1996-97	1997-98	1998-99	1999-2000	2000-01	2002-02
1	2	3	4	5	6	7	8
1	Bharat Overseas Bank Ltd.	3.06	2.56	2.05	2.15	2.80	2.34
2	City Union Bank Ltd.	2.88	2.09	1.87	3.03	2.91	2.45
3	Development Credit Bank Ltd.	3.67	1.99	2.05	1.81	2.20	2.17
4	Lord Krishna Bank Ltd.	2.49	2.14	1.66	1.41	1.44	0.77
5	SBI Commercial & International Bank Ltd.	1.29	1.15	1.38	1.98	1.22	0.78

6	Tamilnad Mercantile Bank Ltd.	4.65	3.68	2.96	2.88	3.29	3.35
7	The Bank of Rajasthan Ltd.	2.80	2.38	1.76	2.35	3.07	2.69
8	The Catholic Syrian Bank Ltd.	3.03	2.47	1.97	2.34	2.72	2.32
9	The Dhanalakshmi Bank Ltd.	2.33	2.72	2.16	2.49	2.34	2.25
10	The Federal Bank Ltd.	1.95	1.89	1.09	2.37	2.69	2.72
11	The Ganesh Bank of Kurundwad Ltd.	3.14	2.60	2.06	2.40	2.09	1.77
12	The Jammu & Kashmir Bank Ltd.	3.48	3.60	3.49	2.71	2.81	2.98
13	The Karnataka Bank Ltd.	4.11	3.58	2.38	1.99	2.28	1.81
14	The Karur Vysya Bank Ltd.	3.96	3.28	2.91	3.66	3.67	3.22
15	The Lakshmi Vilas Bank Ltd.	3.09	2.53	2.31	2.59	2.55	2.17
16	The Nainital Bank Ltd.	4.21	3.90	4.11	3.83	3.81	3.87
17	The Nedungadi Bank Ltd.	3.62	3.23	2.54	2.14	1.04	0.63
18	The Ratnakar Bank Ltd.	3.67	3.21	3.12	2.82	3.07	2.89
19	The Sangli Bank Ltd.	3.05	3.37	2.75	2.57	3.14	2.42
20	The South Indian Bank Ltd.	2.70	2.52	2.46	2.66	2.87	2.37
21	The United Western Bank Ltd.	2.81	2.38	2.30	2.38	1.96	1.97
22	The Vysya Bank Ltd.	2.10	1.57	1.25	1.24	1.71	1.70
	Old Private Sector Banks	**2.93**	**2.57**	**2.15**	**2.33**	**2.51**	**2.39**
23	Bank of Punjab Ltd.	2.59	2.58	1.95	2.31	3.03	2.32
24	Centurion Bank Ltd.	2.55	2.93	3.17	1.54	1.73	2.50
25	Global Trust Bank	2.53	2.02	1.02	2.50	2.11	1.21
26	HDFC Bank	4.11	3.65	3.38	2.60	3.24	2.65
27	ICICI Bank	3.68	2.23	1.70	1.54	2.05	0.57
28	IDBI Bank Ltd.	3.07	2.03	1.87	2.02	2.06	2.16
29	IndusInd Bank Ltd.	2.79	2.43	1.86	1.70	1.84	1.60
30	UTI Bank Ltd.	2.09	1.05	1.86	1.36	0.91	1.39
	New Private Sector Banks	**2.88**	**2.23**	**1.98**	**1.95**	**2.14**	**1.15**
	Private Sector Banks	**2.92**	**2.46**	**2.09**	**2.16**	**2.33**	**1.58**

Appendix Table II.7(G): Provisions and Contingencies as Percentage of Total Assets - Private Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1996-97	1997-98	1998-99	1999-2000	2000-01	2002-02

1	2	3	4	5	6	7	8
1	Bharat Overseas Bank Ltd.	0.73	0.69	0.37	1.20	1.02	1.45
2	City Union Bank Ltd.	1.39	0.86	0.89	1.88	1.54	1.64
3	Development Credit Bank Ltd.	0.71	1.15	0.37	1.02	0.86	1.66
4	Lord Krishna Bank Ltd.	1.46	1.08	0.90	0.79	0.72	1.79
5	SBI Commercial & International Bank Ltd.	-0.09	0.04	0.69	1.48	7.99	1.40
6	Tamilnad Mercantile Bank Ltd.	1.96	1.34	0.99	1.04	1.41	1.52
7	The Bank of Rajasthan Ltd.	1.31	3.42	1.53	0.16	0.59	0.86
8	The Catholic Syrian Bank Ltd.	0.59	0.61	0.20	0.70	1.25	1.53
9	The Dhanalakshmi Bank Ltd.	0.70	0.89	0.68	1.18	1.06	2.15
10	The Federal Bank Ltd.	0.35	0.58	0.58	1.17	1.43	2.20
11	The Ganesh Bank of Kurundwad Ltd.	1.24	0.72	0.46	0.67	0.20	0.64
12	The Jammu & Kashmir Bank Ltd.	1.60	1.98	1.15	1.06	0.83	1.37
13	The Karnataka Bank Ltd.	1.50	1.14	0.61	0.70	1.36	2.06
14	The Karur Vysya Bank Ltd.	1.14	1.57	0.79	1.01	0.91	1.04
15	The Lakshmi Vilas Bank Ltd.	0.30	0.38	0.50	1.26	1.28	1.65
16	The Nainital Bank Ltd.	1.26	1.05	1.15	0.83	1.04	0.97
17	The Nedungadi Bank Ltd.	1.02	1.17	0.37	0.67	3.60	2.12
18	The Ratnakar Bank Ltd.	0.31	0.49	0.33	0.76	1.07	2.69
19	The Sangli Bank Ltd.	0.60	2.11	0.66	0.81	0.70	0.93
20	The South Indian Bank Ltd.	0.60	0.30	0.81	1.23	1.26	1.69
21	The United Western Bank Ltd.	1.60	1.54	0.68	1.80	1.16	2.49
22	The Vysya Bank Ltd.	0.77	0.60	0.41	0.85	0.75	1.27
	Old Private Sector Banks	**0.98**	**1.16**	**0.73**	**1.01**	**1.15**	**1.62**
23	Bank of Punjab Ltd.	0.32	0.69	0.44	0.65	0.80	1.00
24	Centurion Bank Ltd.	0.58	1.16	0.32	0.59	0.86	2.61
25	Global Trust Bank	1.75	1.37	0.65	1.85	1.27	1.47
26	HDFC Bank	1.29	1.39	1.01	1.19	1.10	1.04
27	ICICI Bank	1.55	1.53	0.88	1.01	0.65	0.28
28	IDBI Bank Ltd.	0.63	0.39	0.23	0.50	1.00	1.06
29	IndusInd Bank Ltd.	1.45	2.19	1.19	1.69	1.53	1.98

30	UTI Bank Ltd.	1.06	1.16	0.95	0.98	0.43	1.92
	New Private Sector Banks	**1.24**	**1.32**	**0.75**	**1.14**	**0.93**	**0.77**
	Private Sector Banks	**1.05**	**1.21**	**0.74**	**1.07**	**1.04**	**1.06**

Appendix Table II.7(H): Operating Expenses as Percentage of Total Assets - Private Sector Banks

(Per cent)

Sr. No.	Name of the Bank	1996-97	1997-98	1998-99	1999-2000	2000-01	2002-02
1	2	3	4	5	6	7	8
1	Bharat Overseas Bank Ltd.	2.33	2.09	2.14	2.12	2.21	2.16
2	City Union Bank Ltd.	2.27	2.07	2.06	1.99	1.80	1.68
3	Development Credit Bank Ltd.	3.13	2.42	2.36	1.82	1.82	1.99
4	Lord Krishna Bank Ltd.	1.77	2.22	2.33	1.82	1.85	2.21
5	SBI Commercial & International Bank Ltd.	1.29	0.95	1.25	1.14	1.45	1.20
6	Tamilnad Mercantile Bank Ltd.	2.86	2.38	2.25	2.14	1.90	1.99
7	The Bank of Rajasthan Ltd.	2.64	2.87	3.25	3.23	3.04	3.02
8	The Catholic Syrian Bank Ltd.	3.37	3.03	2.80	2.96	2.71	2.56
9	The Dhanalakshmi Bank Ltd.	2.00	2.36	2.17	2.15	2.42	2.68
10	The Federal Bank Ltd.	2.06	1.88	1.88	2.33	1.98	1.89
11	The Ganesh Bank of Kurundwad Ltd.	2.63	2.69	2.41	2.19	2.14	2.07
12	The Jammu & Kashmir Bank Ltd.	1.99	1.75	1.78	1.51	1.30	1.59
13	The Karnataka Bank Ltd.	2.48	2.18	1.89	1.84	1.58	1.68
14	The Karur Vysya Bank Ltd.	2.66	2.59	2.24	2.29	2.33	2.10
15	The Lakshmi Vilas Bank Ltd.	3.45	2.95	3.08	2.78	2.50	2.47
16	The Nainital Bank Ltd.	3.19	2.86	2.69	2.67	2.65	2.55
17	The Nedungadi Bank Ltd.	3.56	3.06	2.85	2.68	2.53	2.88
18	The Ratnakar Bank Ltd.	3.41	2.90	2.90	3.23	2.84	3.12
19	The Sangli Bank Ltd.	3.32	3.08	3.03	2.80	2.92	2.87
20	The South Indian Bank Ltd.	2.71	2.39	2.51	2.53	2.21	1.84
21	The United Western Bank Ltd.	2.75	2.24	2.02	1.94	1.83	1.96
22	The Vysya Bank Ltd.	1.92	1.93	1.90	1.98	1.80	2.42
	Old Private Sector Banks	**2.52**	**2.31**	**2.26**	**2.17**	**1.99**	**2.08**
23	Bank of Punjab Ltd.	2.30	2.47	1.99	2.07	2.45	3.42

24	Centurion Bank Ltd.	1.70	2.12	3.60	2.00	2.42	3.86
25	Global Trust Bank	2.01	1.88	1.82	1.64	1.73	2.32
26	HDFC Bank	2.32	2.22	2.04	1.46	1.98	1.76
27	ICICI Bank	2.27	1.76	1.19	1.27	1.70	0.60
28	IDBI Bank Ltd.	2.74	1.52	1.59	1.39	2.08	2.15
29	IndusInd Bank Ltd.	1.58	1.51	1.41	1.13	1.19	0.93
30	UTI Bank Ltd.	1.55	1.25	1.30	0.98	1.20	1.43
	New Private Sector Banks	**1.94**	**1.76**	**1.74**	**1.42**	**1.75**	**1.12**
	Private Sector Banks	**2.36**	**2.14**	**2.07**	**1.83**	**1.87**	**1.45**

Appendix Table II.8 (A): Select Financial Parameters of Foreign Banks in India

(As on March 31, 2002)

(Per cent)

Sr. No.	Name of the Bank	CRAR Tier I	CRAR Tier II	CRAR Total	Net NPAs/ Net Advances	Interest Income/ Working Fund	Non-Interest Income/ Working Fund	Operating Profit/ Working Fund	Return on Assets	Business per employee (Amount in Rs. lakh)	Profit per employee (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.	11.15	2.02	13.17	1.34	8.47	2.20	3.01	1.72	840.16	13.49
2	Abu Dhabi Commercial Bank Ltd.	9.17	1.25	10.42	13.43	10.03	0.46	0.90	0.47	2,581.11	11.28
3	American Express Bank Ltd.	10.28	0.43	10.71	7.56	9.83	7.39	4.34	0.27	237.22	0.86
4	Arab Bangladesh Bank Ltd.	138.51	0.00	138.51	1.39	6.66	3.00	6.19	3.03	237.96	10.91
5	Bank Internasional Indonesia	123.03	0.04	123.07	61.39	5.87	2.08	0.31	0.23	263.47	1.32
6	Bank Muscat S.A.O.G.	28.15	0.18	28.33	1.10	11.09	1.66	1.94	0.31	586.72	2.08
7	Bank of America NA	13.45	7.62	21.07	0.18	8.55	2.24	3.33	1.68	1,768.97	31.67
8	Bank of Bahrain & Kuwait B.S.C.	16.20	0.83	17.03	11.40	8.55	2.94	2.72	1.32	802.00	9.00
9	Bank of Ceylon	30.77	0.17	30.94	23.88	8.21	2.33	5.43	0.02	815.48	0.14
10	Barclays Bank PLC	62.81	0.75	63.56	36.04	7.44	8.81	7.29	1.78	328.91	34.42
11	BNP Paribas	5.61	4.05	9.66	1.62	9.78	1.45	-0.77	-0.94	617.86	-6.90
12	Chinatrust Commercial Bank	39.61	0.50	40.11	0.00	11.13	1.12	3.50	1.00	635.34	5.91
13	Chohung Bank	27.43	0.22	27.65	0.47	9.30	2.69	8.44	3.42	1,161.94	40.77
14	Citibank N.A.	8.36	2.68	11.04	0.40	9.49	3.99	4.24	3.60	1,566.82	22.14
15	Commerzbank AG	171.54	0.00	171.54	100.00	9.98	1.42	-2.61	-2.60	43.45	-29.17
16	Credit Agricole Indosuez	11.02	0.21	11.23	0.36	7.85	1.51	0.64	0.99	1,042.48	15.66
17	Credit Lyonnais	9.10	1.20	10.30	3.80	11.60	3.10	2.50	0.30	1,670.89	3.99
18	Deutsche Bank AG	13.67	0.88	14.55	0.38	4.02	4.34	4.69	2.24	986.22	27.95
19	Development Bank of Singapore Ltd.	12.73	0.58	13.31	Nil	10.26	2.48	4.52	2.01	1,237.57	35.98
20	Dresdner Bank AG	39.00	N.A.	39.00	0.00	1.37	1.58	-5.76	-8.78	Nil**	Nil**
21	HSBC Ltd.	7.47	3.45	10.92	2.27	8.70	2.77	2.77	0.87	595.80	4.97

22	ING Bank N.V.	12.39	0.08	12.47	26.82	4.65	2.53	0.06	-0.44	415.47	-3.32
23	JPMorgan Chase Bank (The Chase Manhattan Bank)	85.21	0.67	85.88	Nil	8.51	16.46	11.16	3.18	223.86	38.61
24	K.B.C.Bank N.V.	96.75	0.00	96.75	0.00	5.96	2.30	-5.01	-6.34	375.64	-95.43
25	Krung Thai Bank Public Co. Ltd.	166.21	1.44	167.65	35.36	8.09	0.69	4.40	0.03	126.73	0.12
26	Mashreqbank psc	20.31	0.23	20.54	0.00	9.59	2.51	2.80	1.59	457.17	20.97
27	Mizuho Corporate Bank Ltd. (The Fuji Bank Ltd.)	11.01	0.13	11.14	4.75	9.41	1.16	1.23	-1.57	570.52	-11.81
28	Oman International Bank S.A.O.G.	17.28	1.58	18.86	41.52	5.73	1.38	-2.67	-5.80	961.83	-45.39
29	Oversea-Chinese Banking Corporation Ltd.	191.78	0.34	192.12	100.00	8.22	0.99	2.34	0.00	38.52	0.00
30	Societe Generale	11.60	1.25	12.85	0.52	7.21	1.44	-0.13	-2.18	340.60	-15.40
31	Sonali Bank	113.64	Nil	113.64	1.58	5.91	14.65	6.12	1.40	59.93	2.96
32	Standard Chartered Bank	6.90	2.38	9.28	0.40	11.49	3.61	5.44	2.17*	800.88	20.38
33	Standard Chartered Grindlays Bank	6.54	6.54	13.08	0.59	8.03	2.40	2.12	2.48*	850.07	22.66
34	State Bank of Mauritius Ltd.	46.20	0.58	46.78	16.30	7.62	2.50	3.75	0.85	1,012.00	8.80
35	Sumitomo Mitsui Banking Corporation (The Sumitomo Bank Ltd.)	20.86	0.10	20.96	18.52	10.06	1.08	2.56	-3.13	859.42	-20.75
36	The Bank of Nova Scotia	9.73	0.39	10.12	2.72	9.66	1.38	2.99	1.10	1,521.23	15.14
37	The Bank of Tokyo-Mitsubishi Ltd.	15.21	0.15	15.36	0.00	9.38	3.52	3.31	4.08	404.23	17.29
38	The Siam Commercial Bank	-13.51	0.00	-13.51	71.95	5.09	0.38	-1.62	-33.38	1,731.19	-739.67
39	The Toronto-Dominion Bank Ltd.	172.05	1.23	173.28	0.00	10.81	-0.12	6.14	2.99	283.26	19.72
40	UFJ Bank Ltd. (The Sanwa Bank Ltd.)	29.44	0.00	29.44	12.69	9.62	0.93	3.34	0.05	875.70	0.43

* Ratio calculated before Extra Ordinary Item.
** No employee on Balance Sheet date.
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.8(B): Gross Profit/Loss as Percentage of Total Assets – Foreign Banks in India

(Per cent)

Sr. No.	Name of the Bank	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6	7	8
1	ABN-AMRO Bank N.V.	4.51	4.13	3.68	3.05	3.51	3.68
2	Abu Dhabi Commercial Bank Ltd.	0.68	2.57	2.43	2.50	1.35	0.90
3	American Express Bank Ltd.	5.07	3.49	1.79	2.74	1.81	3.80
4	Arab Bangladesh Bank Ltd.	0.62	3.35	6.15	6.08	7.09	6.47
5	Bank Internasional Indonesia	2.18	0.91	-6.39	-9.75	-6.89	0.22
6	Bank Muscat S.A.O.G.	—	—	-1.44	0.63	1.27	1.92
7	Bank of America NA	4.50	4.41	3.95	5.02	3.36	3.47
8	Bank of Bahrain & Kuwait B.S.C.	1.46	0.16	0.67	1.74	1.49	2.72
9	Bank of Ceylon	8.59	6.35	7.51	6.34	4.91	5.49
10	Barclays Bank PLC	1.71	3.87	2.00	-0.55	-0.09	4.51
11	BNP Paribas	4.80	2.75	2.24	2.27	1.36	-0.60

12	Chinatrust Commercial Bank	0.55	1.36	0.35	1.11	2.03	4.20
13	Chohung Bank	2.85	9.24	6.65	7.23	8.38	6.45
14	Citibank N.A.	4.59	4.45	4.00	3.41	3.55	3.97
15	Commerzbank AG	0.37	2.44	1.65	0.69	0.81	-12.05
16	Credit Agricole Indosuez	2.70	0.16	0.64	-0.14	0.01	0.49
17	Credit Lyonnais	3.73	4.08	4.63	4.10	3.49	2.26
18	Deutsche Bank AG	6.42	8.17	4.48	5.19	5.72	4.39
19	Development Bank of Singapore Ltd.	4.68	2.92	2.85	3.01	2.93	3.49
20	Dresdner Bank AG	-0.55	2.34	2.02	1.74	-4.84	-10.87
21	HSBC Ltd.	3.27	3.40	1.96	2.41	2.84	2.50
22	ING Bank N.V.	4.08	3.11	1.17	6.44	-2.44	0.06
23	JPMorgan Chase Bank (The Chase Manhattan Bank)	0.79	5.35	4.14	5.83	10.32	8.29
24	K.B.C.Bank N.V.	—	—	-0.93	1.28	0.79	-6.17
25	Krung Thai Bank Public Co. Ltd.	0.05	8.78	6.22	3.57	4.94	4.38
26	Mashreqbank psc	2.66	0.24	0.05	0.41	0.41	3.26
27	Mizuho Corporate Bank Ltd. (The Fuji Bank Ltd.)	-5.28	2.77	1.42	-0.25	1.62	1.10
28	Oman International Bank S.A.O.G.	4.25	1.82	0.04	-0.20	-0.64	-2.05
29	Oversea-Chinese Banking Corporation Ltd.	-6.16	1.03	5.05	4.24	4.22	-7.17
30	Societe Generale	3.38	2.49	2.63	0.73	0.60	-0.13
31	Sonali Bank	7.37	10.48	12.89	4.11	5.87	3.66
32	Standard Chartered Bank	1.68	2.63	1.09	3.45	3.15	4.12
33	Standard Chartered Grindlays Bank	2.16	4.49	2.86	4.02	2.72	2.45
34	State Bank of Mauritius Ltd.	6.79	7.10	3.21	3.79	3.80	4.56
35	Sumitomo Mitsui Banking Corporation (The Sumitomo Bank Ltd.)	—	1.85	3.15	2.74	2.49	3.30
36	The Bank of Nova Scotia	4.88	3.65	4.44	3.11	2.19	2.70
37	The Bank of Tokyo-Mitsubishi Ltd.	6.22	2.64	-27.32	-2.92	9.22	3.04
38	The Siam Commercial Bank	4.33	6.30	5.13	5.09	-0.43	-1.58
39	The Toronto-Dominion Bank Ltd.	—	7.08	7.69	6.15	9.95	6.29
40	UFJ Bank Ltd. (The Sanwa Bank Ltd.)	3.57	5.56	5.24	3.02	1.95	3.34
	Foreign Banks in India	**3.62**	**3.91**	**2.32**	**3.24**	**3.05**	**3.13**
	All Scheduled Commercial Banks	**1.82**	**1.84**	**1.45**	**1.66**	**1.53**	**1.94**

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**	**1996-97**	**1997-98**	**1998-99**	**1999-2000**	**2000-01**	**2001-02**
1	2	3	4	5	6	7	8
1	ABN-AMRO Bank N.V.	2.08	2.33	2.20	1.58	0.40	1.72
2	Abu Dhabi Commercial Bank Ltd.	0.31	0.42	0.32	0.52	0.44	0.47
3	American Express Bank Ltd.	1.60	2.11	0.25	1.02	-0.62	0.27
4	Arab Bangladesh Bank Ltd.	0.49	1.70	3.15	2.80	3.50	2.85
5	Bank Internasional Indonesia	1.17	-3.58	-14.41	-8.10	-2.95	0.24
6	Bank Muscat S.A.O.G.	—	—	-1.44	0.45	1.05	0.31
7	Bank of America NA	1.80	2.58	1.99	2.70	1.25	1.68
8	Bank of Bahrain & Kuwait B.S.C.	0.64	-3.66	0.71	0.90	0.81	1.25
9	Bank of Ceylon	3.18	2.55	2.33	2.62	0.95	0.02
10	Barclays Bank PLC	0.18	1.71	0.33	-2.10	1.35	1.78
11	BNP Paribas	1.83	0.98	1.06	0.94	0.33	-0.94
12	Chinatrust Commercial Bank	0.14	0.00	-0.26	0.25	0.63	1.00
13	Chohung Bank	1.41	5.01	3.68	0.50	3.15	3.42
14	Citibank N.A.	0.57	1.10	0.92	1.44	1.46	1.51
15	Commerzbank AG	0.18	-0.20	0.27	0.46	0.14	-12.01
16	Credit Agricole Indosuez	-0.28	-1.70	-0.64	-9.83	-1.62	0.99
17	Credit Lyonnais	1.76	-0.59	1.74	1.58	0.19	0.31

18	Deutsche Bank AG	2.08	3.58	1.11	1.10	1.71	2.24
19	Development Bank of Singapore Ltd.	2.36	0.97	1.31	1.44	1.58	2.02
20	Dresdner Bank AG	-0.59	1.02	-1.57	-11.37	-24.38	-10.87
21	HSBC Ltd.	1.53	0.98	0.58	0.96	1.26	0.87
22	ING Bank N.V.	2.82	2.04	0.03	-4.00	-3.97	-0.44
23	JPMorgan Chase Bank (The Chase Manhattan Bank)	0.48	2.73	1.87	2.87	5.06	3.18
24	K.B.C.Bank N.V.	—	—	-0.93	0.58	0.30	-6.34
25	Krung Thai Bank Public Co. Ltd.	0.03	5.90	4.31	0.26	2.22	0.02
26	Mashreqbank psc	0.52	-2.84	-2.73	-3.60	-3.10	1.59
27	Mizuho Corporate Bank Ltd. (The Fuji Bank Ltd.)	-5.34	2.38	0.16	-2.85	-3.30	-1.45
28	Oman International Bank S.A.O.G.	2.01	-0.89	-2.85	-8.98	-4.41	-4.47
29	Oversea-Chinese Banking Corporation Ltd.	-6.16	0.87	4.39	-0.26	0.79	-3.90
30	Societe Generale	1.46	1.09	-3.17	0.02	0.04	-2.29
31	Sonali Bank	3.31	5.44	6.69	2.14	3.05	1.41
32	Standard Chartered Bank	0.77	1.04	0.04	1.81	1.51	2.17*
33	Standard Chartered Grindlays Bank	1.03	2.27	1.49	1.58	0.72	2.48*
34	State Bank of Mauritius Ltd.	3.56	4.47	1.81	1.48	1.05	0.85
35	Sumitomo Mitsui Banking Corporation (The Sumitomo Bank Ltd.)	—	1.02	1.56	0.25	-1.95	-3.13
36	The Bank of Nova Scotia	-0.68	0.84	2.20	1.46	1.06	1.00
37	The Bank of Tokyo-Mitsubishi Ltd.	1.38	-25.85	-4.29	4.87	7.57	4.08
38	The Siam Commercial Bank	2.13	3.86	2.74	2.25	-2.28	-33.38
39	The Toronto-Dominion Bank Ltd.	—	3.07	3.48	2.90	4.84	2.99
40	UFJ Bank Ltd. (The Sanwa Bank Ltd.)	1.42	1.16	1.02	0.14	0.25	0.05
	Foreign Banks in India	**1.19**	**0.97**	**0.69**	**1.17**	**0.93**	**1.33**
	All Scheduled Commercial Banks	**0.67**	**0.82**	**0.47**	**0.66**	**0.49**	**0.75**

* Ratio calculated before Extra Ordinary Item.

Appendix Table II.8(D): Interest Income as Percentage of Total Assets - Foreign Banks in India

(Per cent)

Sr. No.	Name of the Bank	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6	7	8
1	ABN-AMRO Bank N.V.	11.05	9.65	9.24	8.05	10.18	10.16
2	Abu Dhabi Commercial Bank Ltd.	10.24	9.74	8.59	10.98	6.54	10.03
3	American Express Bank Ltd.	13.75	10.13	10.55	11.11	8.39	8.60
4	Arab Bangladesh Bank Ltd.	4.27	5.03	6.81	7.23	7.77	6.25
5	Bank Internasional Indonesia	11.75	17.85	12.84	9.87	5.16	4.27
6	Bank Muscat S.A.O.G.	—	—	3.72	5.90	10.40	10.99
7	Bank of America NA	10.94	10.57	12.63	11.76	10.31	8.90
8	Bank of Bahrain & Kuwait B.S.C.	11.09	11.09	10.29	10.15	9.96	8.55
9	Bank of Ceylon	7.66	8.49	11.21	8.60	8.45	8.32
10	Barclays Bank PLC	12.56	16.23	12.15	11.20	7.31	4.60
11	BNP Paribas	10.40	8.13	8.81	9.60	9.68	7.54
12	Chinatrust Commercial Bank	6.31	11.25	7.60	12.44	10.70	13.35
13	Chohung Bank	6.63	13.87	8.81	8.80	9.86	7.11
14	Citibank N.A.	11.60	11.00	12.52	10.53	9.00	8.89
15	Commerzbank AG	8.26	10.73	9.28	11.39	8.21	46.14
16	Credit Agricole Indosuez	11.87	10.46	12.00	11.46	7.02	5.95
17	Credit Lyonnais	13.90	12.43	13.82	13.22	12.32	10.44
18	Deutsche Bank AG	10.60	12.36	9.72	10.13	9.77	8.19
19	Development Bank of Singapore Ltd.	13.55	8.89	11.69	8.34	8.92	7.92
20	Dresdner Bank AG	14.81	10.24	12.66	11.10	17.44	2.58
21	HSBC Ltd.	10.31	8.50	8.30	7.84	8.29	7.83

22	ING Bank N.V.	8.32	8.54	10.48	16.88	4.84	4.65
23	JPMorgan Chase Bank (The Chase Manhattan Bank)	4.53	4.62	8.56	5.17	8.43	6.32
24	K.B.C.Bank N.V.	—	—	0.99	7.50	13.38	7.33
25	Krung Thai Bank Public Co. Ltd.	1.53	12.75	7.92	9.20	9.46	8.71
26	Mashreqbank psc	14.80	13.13	10.78	9.90	8.36	11.18
27	Mizuho Corporate Bank Ltd. (The Fuji Bank Ltd.)	3.70	6.92	10.75	7.75	10.64	8.39
28	Oman International Bank S.A.O.G.	12.53	11.69	8.53	8.39	6.36	4.42
29	Oversea-Chinese Banking Corporation Ltd.	1.33	6.72	9.09	9.56	10.00	8.21
30	Societe Generale	15.10	11.97	14.51	9.94	7.38	7.57
31	Sonali Bank	1.86	3.23	5.66	1.84	3.71	3.54
32	Standard Chartered Bank	9.78	10.84	10.74	10.51	9.12	8.70
33	Standard Chartered Grindlays Bank	10.22	10.39	10.00	10.80	10.48	9.29
34	State Bank of Mauritius Ltd.	8.69	8.37	7.50	8.08	9.03	9.27
35	Sumitomo Mitsui Banking Corporation (The Sumitomo Bank Ltd.)	—	3.99	10.19	12.42	10.88	12.97
36	The Bank of Nova Scotia	11.92	9.68	11.40	8.07	8.79	8.73
37	The Bank of Tokyo-Mitsubishi Ltd.	13.79	12.32	10.23	13.02	10.53	8.62
38	The Siam Commercial Bank	7.00	14.41	12.46	11.37	8.72	4.97
39	The Toronto-Dominion Bank Ltd.	—	5.42	11.51	8.72	16.96	11.06
40	UFJ Bank Ltd. (The Sanwa Bank Ltd.)	12.41	12.10	11.35	9.05	8.38	9.62
	Foreign Banks in India	**11.08**	**10.42**	**10.27**	**9.93**	**9.27**	**8.65**
	All Scheduled Commercial Banks	**9.88**	**9.27**	**9.18**	**8.97**	**8.88**	**8.27**

Appendix Table II.8(E): Interest Expended as Percentage of Total Assets - Foreign Banks in India

(Per cent)

Sr. No.	Name of the Bank	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6	7	8
1	ABN-AMRO Bank N.V.	6.67	6.42	5.94	4.83	6.24	5.49
2	Abu Dhabi Commercial Bank Ltd.	9.17	7.51	6.67	8.88	5.56	9.11
3	American Express Bank Ltd.	9.48	6.84	7.78	7.20	5.77	5.78
4	Arab Bangladesh Bank Ltd.	1.35	1.41	1.32	1.41	1.16	0.69
5	Bank Internasional Indonesia	6.48	12.42	10.09	7.10	2.35	1.70
6	Bank Muscat S.A.O.G.	—	—	0.94	3.76	7.85	6.64
7	Bank of America NA	6.52	6.58	8.22	7.11	7.03	6.04
8	Bank of Bahrain & Kuwait B.S.C.	9.41	10.17	9.18	8.60	8.32	7.37
9	Bank of Ceylon	1.83	3.79	4.67	3.61	4.58	3.90
10	Barclays Bank PLC	10.33	13.45	8.57	8.83	5.77	3.67
11	BNP Paribas	4.93	4.89	5.67	6.90	7.07	5.66
12	Chinatrust Commercial Bank	0.60	3.74	4.33	8.50	6.48	7.14
13	Chohung Bank	0.34	2.53	1.62	0.92	1.65	0.97
14	Citibank N.A.	6.85	6.60	7.08	5.97	5.02	5.13
15	Commerzbank AG	3.98	6.41	6.17	8.37	6.40	32.77
16	Credit Agricole Indosuez	10.50	11.09	9.17	8.99	5.56	5.00
17	Credit Lyonnais	13.15	8.54	10.20	9.70	9.22	8.90
18	Deutsche Bank AG	4.76	5.66	4.79	5.12	4.63	4.42
19	Development Bank of Singapore Ltd.	7.31	6.94	8.68	5.02	6.06	4.83
20	Dresdner Bank AG	12.20	7.58	8.51	5.51	11.16	1.38
21	HSBC Ltd.	6.65	5.12	5.61	5.09	5.33	5.21
22	ING Bank N.V.	4.43	6.74	6.91	10.66	3.34	3.71
23	JPMorgan Chase Bank (The Chase Manhattan Bank)	0.32	4.23	9.49	4.40	5.48	3.01
24	K.B.C.Bank N.V.	—	—	0.00	4.53	10.18	12.31
25	Krung Thai Bank Public Co. Ltd.	0.00	5.54	0.44	1.41	1.18	0.68
26	Mashreqbank psc	8.41	7.95	8.43	7.67	7.26	8.96

27	Mizuho Corporate Bank Ltd. (The Fuji Bank Ltd.)	0.24	1.98	5.99	6.00	7.65	6.18
28	Oman International Bank S.A.O.G.	8.06	10.34	9.09	8.85	6.87	6.38
29	Oversea-Chinese Banking Corporation Ltd.	0.03	0.67	1.86	2.38	1.40	0.54
30	Societe Generale	11.47	9.50	11.73	8.85	6.09	6.38
31	Sonali Bank	0.87	1.63	2.48	0.90	1.42	2.00
32	Standard Chartered Bank	6.29	7.27	7.17	6.27	5.38	4.94
33	Standard Chartered Grindlays Bank	6.75	5.83	6.33	5.93	5.37	5.50
34	State Bank of Mauritius Ltd.	1.18	1.91	4.72	4.96	5.95	6.57
35	Sumitomo Mitsui Banking Corporation (The Sumitomo Bank Ltd.)	—	1.80	5.84	8.46	7.16	8.03
36	The Bank of Nova Scotia	7.61	6.83	8.16	5.48	6.57	6.32
37	The Bank of Tokyo-Mitsubishi Ltd.	7.28	8.28	6.59	6.68	4.30	3.92
38	The Siam Commercial Bank	2.07	7.82	6.12	5.75	6.95	5.54
39	The Toronto-Dominion Bank Ltd.	—	0.05	0.02	1.12	5.44	0.27
40	UFJ Bank Ltd. (The Sanwa Bank Ltd.)	5.38	5.73	5.72	4.81	4.49	5.36
	Foreign Banks in India	**6.95**	**6.49**	**6.79**	**6.01**	**5.64**	**5.40**
	All Scheduled Commercial Banks	**6.66**	**6.32**	**6.41**	**6.25**	**6.03**	**5.70**

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	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6	7	8
1	ABN-AMRO Bank N.V.	4.38	3.23	3.30	3.22	3.94	4.67
2	Abu Dhabi Commercial Bank Ltd.	1.07	2.23	1.93	2.09	0.98	0.92
3	American Express Bank Ltd.	4.27	3.29	2.78	3.91	2.61	2.82
4	Arab Bangladesh Bank Ltd.	2.92	3.62	5.49	5.82	6.61	5.56
5	Bank Internasional Indonesia	5.27	5.43	2.75	2.77	2.81	2.57
6	Bank Muscat S.A.O.G.	—	—	2.78	2.13	2.55	4.35
7	Bank of America NA	4.42	3.98	4.41	4.65	3.28	2.86
8	Bank of Bahrain & Kuwait B.S.C.	1.67	0.92	1.11	1.55	1.64	1.18
9	Bank of Ceylon	5.83	4.70	6.54	4.98	3.87	4.43
10	Barclays Bank PLC	2.23	2.78	3.58	2.37	1.55	0.94
11	BNP Paribas	5.47	3.24	3.14	2.70	2.61	1.88
12	Chinatrust Commercial Bank	5.70	7.50	3.27	3.93	4.22	6.21
13	Chohung Bank	6.28	11.34	7.19	7.87	8.21	6.14
14	Citibank N.A.	4.75	4.39	3.44	4.55	3.98	3.76
15	Commerzbank AG	4.28	4.32	3.11	3.02	1.82	13.37
16	Credit Agricole Indosuez	1.37	-0.63	2.83	2.48	1.46	0.95
17	Credit Lyonnais	0.75	3.89	3.63	3.52	3.10	1.54
18	Deutsche Bank AG	5.83	6.70	4.93	5.00	5.14	3.77
19	Development Bank of Singapore Ltd.	6.24	1.95	3.01	3.33	2.85	3.10
20	Dresdner Bank AG	2.61	2.66	4.15	5.58	6.29	1.20
21	HSBC Ltd.	3.66	3.38	2.69	2.75	2.96	2.63
22	ING Bank N.V.	3.90	1.81	3.56	6.22	1.50	0.94
23	JPMorgan Chase Bank (The Chase Manhattan Bank)	4.22	0.39	-0.92	0.77	2.95	3.30
24	K.B.C.Bank N.V.	—	—	0.99	2.97	3.21	-4.98
25	Krung Thai Bank Public Co. Ltd.	1.53	7.21	7.48	7.79	8.28	8.03
26	Mashreqbank psc	6.39	5.18	2.35	2.23	1.11	2.22
27	Mizuho Corporate Bank Ltd. (The Fuji Bank Ltd.)	3.46	4.94	4.75	1.76	2.98	2.21
28	Oman International Bank S.A.O.G.	4.47	1.35	-0.57	-0.47	-0.51	-1.96
29	Oversea-Chinese Banking Corporation Ltd.	1.30	6.06	7.23	7.17	8.60	7.68

30	Societe Generale	3.63	2.47	2.78	1.09	1.29	1.19
31	Sonali Bank	0.99	1.60	3.18	0.94	2.29	1.55
32	Standard Chartered Bank	3.49	3.57	3.57	4.24	3.74	3.76
33	Standard Chartered Grindlays Bank	3.47	4.56	3.67	4.88	5.11	3.79
34	State Bank of Mauritius Ltd.	7.51	6.46	2.78	3.12	3.08	2.70
35	Sumitomo Mitsui Banking Corporation (The Sumitomo Bank Ltd.)	—	2.20	4.35	3.96	3.72	4.94
36	The Bank of Nova Scotia	4.31	2.85	3.24	2.60	2.21	2.41
37	The Bank of Tokyo-Mitsubishi Ltd.	6.51	4.05	3.64	6.34	6.23	4.70
38	The Siam Commercial Bank	4.93	6.59	6.34	5.62	1.77	-0.57
39	The Toronto-Dominion Bank Ltd.	—	5.37	11.49	7.60	11.52	10.80
40	UFJ Bank Ltd. (The Sanwa Bank Ltd.)	7.03	6.37	5.63	4.24	3.89	4.27
	Foreign Banks in India	**4.13**	**3.93**	**3.47**	**3.92**	**3.63**	**3.25**
	All Scheduled Commercial Banks	**3.22**	**2.95**	**2.78**	**2.73**	**2.85**	**2.57**

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	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6	7	8
1	ABN-AMRO Bank N.V.	2.44	1.79	1.47	1.47	3.11	1.96
2	Abu Dhabi Commercial Bank Ltd.	0.37	2.15	2.11	1.98	0.91	0.43
3	American Express Bank Ltd.	3.47	1.38	1.54	1.73	2.42	3.53
4	Arab Bangladesh Bank Ltd.	0.13	1.66	3.00	3.28	3.58	3.62
5	Bank Internasional Indonesia	1.01	4.49	8.02	-1.65	-3.93	-0.01
6	Bank Muscat S.A.O.G.	—	—	0.00	0.17	0.22	1.62
7	Bank of America NA	2.70	1.83	1.96	2.32	2.12	1.79
8	Bank of Bahrain & Kuwait B.S.C.	0.82	3.82	-0.04	0.84	0.68	1.48
9	Bank of Ceylon	5.40	3.80	5.17	3.73	3.95	5.48
10	Barclays Bank PLC	1.53	2.16	1.68	1.55	-1.43	2.73
11	BNP Paribas	2.97	1.78	1.18	1.32	1.02	0.35
12	Chinatrust Commercial Bank	0.41	1.36	0.62	0.86	1.40	3.21
13	Chohung Bank	1.44	4.23	2.97	6.73	5.23	3.02
14	Citibank N.A.	4.02	3.35	3.08	1.98	2.09	2.45
15	Commerzbank AG	0.19	2.64	1.37	0.23	0.66	-0.04
16	Credit Agricole Indosuez	2.98	1.86	1.27	9.69	1.64	-0.50
17	Credit Lyonnais	1.97	4.67	2.90	2.51	3.30	1.95
18	Deutsche Bank AG	4.34	4.58	3.37	4.09	4.02	2.15
19	Development Bank of Singapore Ltd.	2.32	1.96	1.54	1.58	1.35	1.47
20	Dresdner Bank AG	0.05	1.32	3.59	13.11	19.53	0.00
21	HSBC Ltd.	1.75	2.42	1.38	1.45	1.58	1.63
22	ING Bank N.V.	1.26	1.07	1.14	10.43	1.53	0.50
23	JPMorgan Chase Bank (The Chase Manhattan Bank)	0.32	2.62	2.26	2.96	5.25	5.11
24	K.B.C.Bank N.V.	—	—	0.00	0.70	0.49	0.18
25	Krung Thai Bank Public Co. Ltd.	0.03	2.87	1.90	3.31	2.73	4.35
26	Mashreqbank psc	2.15	3.09	2.78	4.02	3.52	1.67
27	Mizuho Corporate Bank Ltd. (The Fuji Bank Ltd.)	0.06	0.39	1.26	2.59	4.92	2.55
28	Oman International Bank S.A.O.G.	2.24	2.71	2.89	8.78	3.76	2.41
29	Oversea-Chinese Banking Corporation Ltd.	0.00	0.16	0.67	4.51	3.43	-3.27
30	Societe Generale	1.92	1.40	5.80	0.71	0.57	2.16
31	Sonali Bank	4.05	5.05	6.20	1.97	2.82	2.25
32	Standard Chartered Bank	0.91	1.59	1.05	1.64	1.64	1.95
33	Standard Chartered Grindlays Bank	1.13	2.22	1.37	2.44	2.00	-0.04
34	State Bank of Mauritius Ltd.	3.23	2.63	1.40	2.31	2.75	3.72
35	Sumitomo Mitsui Banking						

	Corporation	—	0.83	1.59	2.49	4.44	6.43
	(The Sumitomo Bank Ltd.)						
36	The Bank of Nova Scotia	5.57	2.81	2.24	1.65	1.13	1.71
37	The Bank of Tokyo-Mitsubishi Ltd.	4.85	28.49	-23.03	-7.78	1.64	-1.03
38	The Siam Commercial Bank	2.19	2.44	2.39	2.84	3.70	31.80
39	The Toronto-Dominion Bank Ltd.	—	4.01	4.21	3.26	5.10	3.30
40	UFJ Bank Ltd.	2.15	4.40	4.22	2.88	1.70	3.29
	(The Sanwa Bank Ltd.)						
	Foreign Banks in India	**2.44**	**2.94**	**1.63**	**2.08**	**2.12**	**1.80**
	All Scheduled Commercial Banks	**1.15**	**1.02**	**0.98**	**1.00**	**1.03**	**1.19**

Appendix Table II.8(H): Operating Expenses as Percentage of Total Assets – Foreign Banks in India

(Per cent)

Sr. No.	Name of the Bank	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6	7	8
1	ABN-AMRO Bank N.V.	3.23	2.85	2.08	1.83	2.58	3.62
2	Abu Dhabi Commercial Bank Ltd.	1.22	1.41	0.97	1.10	0.44	0.49
3	American Express Bank Ltd.	3.93	3.70	4.52	6.38	6.58	5.49
4	Arab Bangladesh Bank Ltd.	3.77	2.53	1.95	2.08	2.40	1.91
5	Bank Internasional Indonesia	4.34	6.81	12.25	15.03	11.49	3.85
6	Bank Muscat S.A.O.G.	—	—	4.85	2.80	3.49	4.07
7	Bank of America NA	1.68	1.83	1.94	3.26	1.60	1.72
8	Bank of Bahrain & Kuwait B.S.C.	1.49	1.54	1.82	1.75	1.75	1.39
9	Bank of Ceylon	2.94	1.51	1.99	1.54	1.58	1.29
10	Barclays Bank PLC	3.71	6.52	3.60	3.67	2.81	1.87
11	BNP Paribas	1.86	1.96	2.19	2.32	2.82	3.59
12	Chinatrust Commercial Bank	5.34	7.67	3.01	3.30	2.79	3.34
13	Chohung Bank	4.49	4.73	2.80	2.43	2.30	1.75
14	Citibank N.A.	3.82	3.83	3.53	3.88	3.15	3.52
15	Commerzbank AG	6.72	4.19	3.89	3.99	2.21	31.98
16	Credit Agricole Indosuez	1.73	2.38	2.99	3.78	2.27	1.61
17	Credit Lyonnais	1.80	2.32	1.80	2.07	1.73	2.06
18	Deutsche Bank AG	3.05	3.38	3.42	3.89	3.90	3.44
19	Development Bank of Singapore Ltd.	4.12	2.78	2.18	1.70	1.58	1.53
20	Dresdner Bank AG	5.23	3.44	5.19	5.21	10.92	15.02
21	HSBC Ltd.	2.81	2.71	2.80	2.35	2.61	2.63
22	ING Bank N.V.	2.67	3.13	4.41	6.82	6.52	3.40
23	JPMorgan Chase Bank	8.38	7.50	11.11	5.60	5.36	7.24
	(The Chase Manhattan Bank)						
24	K.B.C.Bank N.V.	—	—	1.59	2.58	2.32	4.01
25	Krung Thai Bank Public Co. Ltd.	2.16	6.08	5.00	4.65	4.41	4.33
26	Mashreqbank psc	2.80	4.30	3.53	3.39	2.05	1.88
27	Mizuho Corporate Bank Ltd.	8.94	3.08	3.98	2.63	2.58	2.14
	(The Fuji Bank Ltd.)						
28	Oman International Bank S.A.O.G.	1.86	1.92	1.54	1.25	1.25	1.16
29	Oversea-Chinese Banking						
	Corporation Ltd.	7.51	7.21	5.80	5.33	5.96	15.84
30	Societe Generale	1.51	1.86	2.56	2.83	2.81	2.83
31	Sonali Bank	3.65	4.98	5.77	3.28	5.13	6.66
32	Standard Chartered Bank	4.38	4.11	5.11	3.29	3.04	2.38
33	Standard Chartered Grindlays Bank	3.19	2.72	2.60	2.89	4.08	4.11
34	State Bank of Mauritius Ltd.	2.06	1.26	1.23	0.92	0.84	1.19
35	Sumitomo Mitsui Banking						
	Corporation	—	2.20	2.44	2.38	2.09	3.02
	(The Sumitomo Bank Ltd.)						
36	The Bank of Nova Scotia	1.56	1.46	1.55	1.43	0.96	0.94
37	The Bank of Tokyo-Mitsubishi Ltd.	1.34	2.21	33.47	14.70	4.45	4.88
38	The Siam Commercial Bank	1.46	1.85	2.33	2.14	1.68	1.38
39	The Toronto-Dominion Bank Ltd.	—	7.97	4.34	2.59	3.78	4.38

40	UFJ Bank Ltd. (The Sanwa Bank Ltd.)	1.42	1.68	2.00	2.41	3.27	1.85
	Foreign Banks in India	**3.00**	**2.97**	**3.59**	**3.22**	**3.05**	**3.03**
	All Scheduled Commercial Banks	**2.85**	**2.63**	**2.67**	**2.50**	**2.64**	**2.19**

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**			
		1998-99	**1999-2000**	**2000-01**	**2001-02**	**1998-99**	**1999-2000**	**2000-01**	**2001-02**
1	2	3	4	5	6	7	8	9	10
	Nationalised Banks	**6.83**	**6.00**	**5.44**	**5.21**	**3.26**	**3.15**	**2.95**	**2.69**
1	Allahabad Bank	8.72	8.59	8.26	8.08	4.98	5.09	4.87	4.68
2	Andhra Bank	3.90	2.89	2.31	2.50	1.67	1.23	1.07	1.13
3	Bank of Baroda	7.06	6.65	6.61	6.33	3.08	2.88	2.92	2.70
4	Bank of India	5.63	6.23	5.76	5.33	3.29	3.96	3.59	3.30
5	Bank of Maharashtra	5.87	4.71	4.60	4.22	2.95	2.43	2.61	2.23
6	Canara Bank	8.46	4.29	3.23	2.93	2.88	2.28	2.02	1.78
7	Central Bank of India	6.90	6.87	6.88	6.42	3.55	3.76	3.87	3.23
8	Corporation Bank	2.46	2.58	2.46	2.49	0.83	0.89	0.87	1.07
9	Dena Bank	5.78	8.31	10.77	10.59	3.40	5.83	7.15	6.51
10	Indian Bank	17.34	14.26	8.86	7.19	7.57	5.64	3.57	2.99
11	Indian Overseas Bank	5.89	5.88	5.39	5.13	3.02	3.21	3.03	2.70
12	Oriental Bank of Commerce	2.65	2.15	2.16	2.95	1.85	1.37	1.47	1.41
13	Punjab & Sind Bank	10.35	6.53	7.66	7.94	4.06	3.76	4.73	4.73
14	Punjab National Bank	6.11	5.78	5.45	5.68	3.66	3.54	2.95	2.48
15	Syndicate Bank	4.91	3.65	3.80	4.09	1.68	1.42	1.89	2.12
16	UCO Bank	8.27	7.01	4.67	4.25	3.45	2.90	2.38	2.31
17	Union Bank of India	4.68	5.37	5.28	5.45	3.15	3.32	3.08	3.02
18	United Bank of India	9.00	7.79	6.57	5.34	3.33	3.01	2.80	2.38
19	Vijaya Bank	4.95	4.43	4.17	3.73	2.26	2.42	2.50	2.31
	State Bank Group	**6.52**	**5.88**	**5.11**	**4.39**	**2.94**	**2.60**	**2.35**	**2.00**
20	State Bank of India	6.32	5.83	5.03	4.45	2.65	2.40	2.17	1.96
21	State Bank of Bikaner & Jaipur	6.60	6.20	5.15	3.96	4.01	3.64	2.95	2.20
22	State Bank of Hyderabad	7.00	6.03	5.84	4.06	3.55	2.86	3.01	1.89

23	State Bank of Indore	6.60	5.06	3.95	3.18	4.30	3.42	2.46	1.53
24	State Bank of Mysore	8.57	6.64	6.17	6.03	4.95	3.64	3.58	3.49
25	State Bank of Patiala	6.61	5.41	4.85	3.62	3.65	2.84	2.35	1.47
26	State Bank of Saurashtra	7.19	6.23	6.62	4.73	3.28	3.34	3.06	2.17
27	State Bank of Travancore	8.11	6.52	5.23	4.41	4.34	3.63	3.42	2.58
	Public Sector Banks	**6.71**	**5.95**	**5.31**	**4.89**	**3.14**	**2.94**	**2.72**	**2.42**

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			
		1998-99	**1999-2000**	**2000-01**	**2001-02**	**1998-99**	**1999-2000**	**2000-01**	**2001-02**
1	2	3	4	5	6	7	8	9	10
	Nationalised Banks	**16.02**	**13.91**	**12.16**	**11.01**	**8.35**	**7.80**	**7.01**	**6.01**
1	Allahabad Bank	20.09	19.07	17.66	16.94	12.54	12.17	11.21	10.55
2	Andhra Bank	9.42	7.85	6.13	5.26	4.26	3.47	2.95	2.45
3	Bank of Baroda	16.03	14.73	14.11	12.39	7.70	6.95	6.77	5.68
4	Bank of India	11.87	12.89	10.25	9.37	7.29	8.61	6.72	6.01
5	Bank of Maharashtra	15.97	12.65	12.35	10.44	8.72	6.97	7.41	5.81
6	Canara Bank	18.32	9.60	7.48	6.22	7.09	5.28	4.84	3.89
7	Central Bank of India	17.41	16.63	16.06	14.70	9.79	9.84	9.72	7.98
8	Corporation Bank	5.66	5.39	5.40	5.19	1.98	1.91	1.98	2.31
9	Dena Bank	12.37	18.17	25.31	24.11	7.67	13.81	18.29	16.31
10	Indian Bank	38.70	32.77	21.76	17.86	21.67	16.18	10.07	8.28
11	Indian Overseas Bank	13.32	13.18	11.81	11.35	7.30	7.65	7.01	6.32
12	Oriental Bank of Commerce	6.30	5.54	5.21	6.57	4.50	3.61	3.59	3.21
13	Punjab & Sind Bank	23.01	15.27	18.45	18.19	10.48	9.40	12.27	11.68
14	Punjab National Bank	14.12	13.19	11.71	11.38	8.96	8.52	6.69	5.27
15	Syndicate Bank	10.72	7.74	7.87	8.38	3.93	3.17	4.07	4.53
16	UCO Bank	22.55	18.79	11.64	9.59	10.83	8.75	6.30	5.65
17	Union Bank of India	12.41	12.27	11.20	10.77	8.70	7.97	6.86	6.26

18	United Bank of India	32.38	27.63	21.51	16.16	15.06	12.85	10.47	7.94
19	Vijaya Bank	13.65	11.52	10.00	9.39	6.72	6.62	6.22	6.02
	State Bank Group	**15.67**	**14.08**	**12.73**	**11.25**	**7.74**	**6.77**	**6.27**	**5.45**
20	State Bank of India	15.56	14.25	12.93	11.95	7.18	6.41	6.03	5.64
21	State Bank of Bikaner & Jaipur	16.11	16.18	12.91	9.85	10.45	10.14	7.83	5.77
22	State Bank of Hyderabad	15.94	14.18	14.08	10.08	8.78	7.30	7.83	4.96
23	State Bank of Indore	14.68	10.80	9.16	7.18	10.10	7.55	5.91	3.58
24	State Bank of Mysore	16.96	13.89	12.83	12.07	10.55	8.12	7.88	7.36
25	State Bank of Patiala	13.98	10.99	9.66	6.94	8.23	6.09	4.92	2.94
26	State Bank of Saurashtra	15.43	13.71	14.57	10.18	7.69	7.86	6.87	4.95
27	State Bank of Travancore	18.46	14.43	11.38	9.41	10.80	8.80	7.75	5.72
	Public Sector Banks	**15.89**	**13.98**	**12.37**	**11.09**	**8.13**	**7.42**	**6.74**	**5.82**

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			
		1998-99	1999-2000	2000-01	2001-02	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6	7	8	9	10
	Old Private Sector Banks	**5.78**	**5.22**	**5.14**	**5.20**	**3.56**	**3.27**	**3.28**	**3.22**
1	Bharat Overseas Bank Ltd.	2.38	5.07	3.33	3.91	1.38	2.72	1.76	1.87
2	City Union Bank Ltd.	5.92	6.54	6.96	6.31	3.75	3.62	3.91	3.72
3	Development Credit Bank Ltd.	2.74	3.70	4.18	5.14	2.07	2.88	3.20	3.57
4	Lord Krishna Bank Ltd.	14.65	8.36	7.27	6.07	9.57	6.52	5.36	4.72
5	SBI Commercial & International Bank Ltd.	14.21	10.76	15.52	12.86	9.28	7.27	10.23	8.14
6	Tamilnad Mercantile Bank Ltd.	4.55	4.63	6.66	7.59	2.24	2.34	2.58	2.75
7	The Bank of Rajasthan Ltd.	9.80	9.13	8.22	6.93	3.98	4.28	3.28	3.61
8	The Catholic Syrian Bank Ltd.	8.16	7.05	6.31	5.47	6.08	4.88	4.22	3.45
9	The Dhanalakshmi Bank Ltd.	8.97	7.38	7.96	7.73	5.45	5.38	6.00	5.80
10	The Federal Bank Ltd.	5.94	6.45	7.28	6.29	3.94	4.54	5.55	4.39
11	The Ganesh Bank of Kurundwad Ltd.	6.50	6.94	6.77	8.80	3.75	5.19	4.84	6.53

12	The Jammu & Kashmir Bank Ltd.	3.24	2.25	1.91	1.61	1.49	1.07	0.92	0.82
13	The Karnataka Bank Ltd.	3.47	3.89	4.81	4.81	2.09	2.44	2.93	2.59
14	The Karur Vysya Bank Ltd.	3.16	3.06	3.88	4.42	2.00	1.81	2.52	3.03
15	The Lakshmi Vilas Bank Ltd.	4.70	4.18	5.62	7.71	3.25	2.67	3.66	5.00
16	The Nainital Bank Ltd.	2.55	2.05	1.71	1.81	1.26	0.17	0.00	0.00
17	The Nedungadi Bank Ltd.	7.13	8.36	17.27	29.27	6.07	7.21	9.45	15.12
18	The Ratnakar Bank Ltd.	4.81	4.85	4.72	5.34	3.25	3.27	3.12	3.40
19	The Sangli Bank Ltd.	6.46	5.18	4.70	4.07	2.86	2.41	2.20	1.93
20	The South Indian Bank Ltd.	8.29	5.90	4.93	5.12	5.12	3.92	3.36	3.25
21	The United Western Bank Ltd.	4.76	3.20	5.92	7.58	3.53	2.36	4.41	5.55
22	The Vysya Bank Ltd.	7.76	6.70	2.12	1.91	5.24	4.02	2.03	1.89
	New Private Sector Banks	**2.26**	**1.60**	**2.05**	**3.91**	**1.59**	**1.08**	**1.18**	**2.10**
23	Bank of Punjab Ltd.	1.96	1.42	1.59	2.62	1.46	0.94	0.93	1.22
24	Centurion Bank Ltd.	3.28	2.67	2.63	5.59	2.03	1.37	1.21	2.45
25	Global Trust Bank	1.71	0.65	2.52	5.89	1.36	0.37	1.62	3.83
26	HDFC Bank	0.58	1.04	0.94	0.94	0.11	0.32	0.13	0.14
27	ICICI Bank	1.45	0.78	2.07	4.82	0.87	0.46	0.78	2.48
28	IDBI Bank Ltd.	0.48	0.81	2.44	1.85	0.40	0.69	1.83	1.03
29	IndusInd Bank Ltd.	4.49	3.32	3.03	4.09	3.11	2.75	2.57	3.60
30	UTI Bank Ltd.	4.40	2.90	2.10	1.96	3.48	2.48	1.68	1.29
	Private Sector Banks	**4.48**	**3.61**	**3.65**	**4.36**	**2.83**	**2.30**	**2.27**	**2.49**

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			
		1998-99	1999-2000	2000-01	2001-02	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6	7	8	9	10
	Old Private Sector Banks	**13.06**	**10.78**	**10.94**	**11.01**	**8.96**	**7.06**	**7.30**	**7.11**
1	Bharat Overseas Bank Ltd.	7.08	11.29	7.58	8.77	4.23	6.39	4.14	4.38
2	City Union Bank Ltd.	12.02	12.40	13.69	13.20	7.96	7.25	8.18	8.20

3	Development Credit Bank Ltd.	6.25	7.40	7.84	9.29	4.79	5.86	6.13	6.61
4	Lord Krishna Bank Ltd.	28.43	17.19	16.74	12.32	20.60	13.94	12.92	9.85
5	SBI Commercial & International Bank Ltd.	30.02	19.38	30.38	32.53	21.89	13.97	22.56	23.38
6	Tamilnad Mercantile Bank Ltd.	10.88	10.80	14.69	16.47	5.67	5.77	5.99	6.63
7	The Bank of Rajasthan Ltd.	20.55	18.55	17.20	15.73	9.50	9.86	7.62	8.86
8	The Catholic Syrian Bank Ltd.	19.01	16.99	14.24	14.88	14.88	12.41	9.99	9.91
9	The Dhanalakshmi Bank Ltd.	18.80	14.58	14.77	15.29	0.00	11.08	11.55	11.94
10	The Federal Bank Ltd.	10.93	11.75	12.84	11.88	7.53	8.56	10.09	8.59
11	The Ganesh Bk of Kurundwad Ltd.	11.60	12.49	13.63	18.08	7.03	9.94	10.12	14.08
12	The Jammu & Kashmir Bank Ltd.	7.90	6.53	4.97	3.62	3.79	3.21	2.46	1.88
13	The Karnataka Bank Ltd.	8.01	8.82	10.58	10.43	4.99	5.73	6.93	5.88
14	The Karur Vysya Bank Ltd.	6.70	6.20	7.14	8.97	4.35	3.76	4.73	6.30
15	The Lakshmi Vilas Bank Ltd.	9.45	8.18	9.61	13.42	0.00	5.37	6.46	9.10
16	The Nainital Bank Ltd.	11.13	9.33	7.92	8.68	6.20	0.80	0.00	0.00
17	The Nedungadi Bank Ltd.	14.16	17.83	32.91	46.57	12.30	15.79	20.65	30.98
18	The Ratnakar Bank Ltd.	11.11	12.37	11.03	12.88	7.80	8.71	7.58	8.60
19	The Sangli Bank Ltd.	16.87	14.95	13.21	11.80	8.26	7.56	6.61	5.95
20	The South Indian Bank Ltd.	16.76	12.50	10.12	10.05	11.06	8.67	7.10	6.60
21	The United Western Bank Ltd.	10.86	6.45	12.00	14.08	8.24	4.82	9.22	10.72
22	The Vysya Bank Ltd.	19.82	14.33	4.72	4.64	14.31	9.13	4.77	4.59
	New Private Sector Banks	**6.19**	**4.14**	**5.13**	**8.87**	**4.46**	**2.88**	**3.09**	**4.94**
23	Bank of Punjab Ltd.	4.88	3.44	3.88	6.11	3.66	2.32	2.31	2.93
24	Centurion Bank Ltd.	7.32	7.28	7.34	12.66	4.67	3.87	3.52	6.09
25	Global Trust Bank	4.15	1.52	5.70	13.52	3.33	0.87	3.75	9.23
26	HDFC Bank	1.65	3.32	2.81	3.18	0.34	1.10	0.45	0.50
27	ICICI Bank	4.72	2.54	5.42	10.23	2.88	1.53	2.19	5.48
28	IDBI Bank Ltd.	1.53	2.26	6.84	3.89	1.28	1.96	5.24	2.21
29	IndusInd Bank Ltd.	10.08	6.97	6.13	7.41	7.20	5.98	5.25	6.59

30	UTI Bank Ltd.	7.86	5.47	4.64	5.18	6.32	4.71	3.76	3.46
	Private Sector Banks	**10.81**	**8.17**	**8.37**	**9.65**	**7.41**	**5.41**	**5.44**	**5.72**

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 Assets - Foreign Banks in India

(Per cent)

Sr. No.	Name of the Bank	Gross NPAs/Total Assets				Net NPAs/Total Assets			
		1998-99	1999-2000	2000-01	2001-02	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6	7	8	9	10
1	ABN-AMRO Bank N.V.	0.90	0.53	1.45	2.11	0.23	0.16	0.62	0.81
2	Abu Dhabi Commercial Bank Ltd.	3.03	2.99	1.17	3.28	1.21	0.75	0.27	2.18
3	American Express Bank Ltd.	1.91	2.41	4.59	6.98	0.68	1.41	2.24	3.35
4	Arab Bangladesh Bank Ltd.	0.00	1.01	0.96	1.02	0.00	0.58	0.49	0.35
5	Bank Internasional Indonesia	23.84	24.94	33.75	40.43	4.08	7.63	6.42	6.19
6	Bank Muscat S.A.O.G.	0.00	0.42	0.54	1.39	0.00	0.35	0.34	0.59
7	Bank of America NA	0.10	1.51	1.33	1.58	0.00	1.21	0.44	0.45
8	Bank of Bahrain and Kuwait B.S.C.	12.73	7.90	7.44	5.80	5.07	3.52	5.91	4.79
9	Bank of Ceylon	13.23	16.93	26.79	19.98	10.55	14.51	20.01	13.40
10	Barclays Bank PLC	2.39	4.52	0.00	0.42	0.40	0.00	0.00	0.31
11	BNP Paribas	0.71	0.75	1.30	1.59	0.58	0.02	0.25	0.66
12	Chinatrust Commercial Bank	2.53	2.55	2.79	1.25	2.53	2.19	2.13	0.00
13	Chohung Bank	0.50	0.48	0.54	0.46	0.45	0.33	0.38	0.26
14	Citibank N.A.	1.18	0.85	0.65	0.50	0.81	0.49	0.34	0.21
15	Commerzbank AG	2.46	2.36	2.96	17.89	2.21	2.10	2.60	17.89
16	Credit Agricole Indosuez	18.60	22.64	15.19	10.51	8.03	1.59	0.46	0.11
17	Credit Lyonnais	1.04	3.03	3.64	4.12	0.14	1.61	1.76	2.14
18	Deutsche Bank AG	2.15	4.90	2.74	1.26	0.48	2.02	0.47	0.13
19	Development Bank of Singapore Ltd.	2.73	0.00	0.00	0.07	0.85	0.00	0.00	0.00
20	Dresdner Bank AG	11.64	12.77	39.62	0.00	6.44	7.01	0.00	0.00
21	HSBC Ltd.	2.75	3.48	2.76	2.33	0.27	0.35	0.38	0.93
22	ING Bank N.V.	2.74	11.58	9.12	4.82	2.42	4.50	0.86	3.62
23	JPMorgan Chase Bank (The Chase Manhattan Bank)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
24	K.B.C. Bank N.V.	0.00	0.00	0.08	0.00	0.00	0.00	0.04	0.00
25	Krung Thai Bank Public Co. Ltd.	0.00	0.00	0.00	8.62	0.00	0.00	0.00	7.76
26	Mashreqbank psc	23.22	18.68	12.67	3.81	10.39	7.17	2.92	0.00
27	Mizuho Corporate Bank Ltd. (The Fuji Bank Ltd.)	3.65	8.97	9.29	9.44	3.29	6.23	2.00	3.08
28	Oman International Bank S.A.O.G.	36.01	38.94	45.09	25.14	16.94	11.14	7.17	3.04
29	Oversea-Chinese Banking Corporation Ltd.	0.00	7.07	7.70	8.26	0.00	4.79	3.75	7.29
30	Societe Generale	11.69	5.67	4.23	1.92	4.88	3.01	2.07	0.14
31	Sonali Bank	0.38	0.23	0.33	0.79	0.00	0.23	0.33	0.79
32	Standard Chartered Bank	3.80	3.98	3.42	1.70	1.32	0.96	0.64	0.19
33	Standard Chartered Grindlays Bank Ltd.	1.70	1.74	2.40	1.52	0.09	0.01	0.12	0.08
34	State Bank of Mauritius Ltd.	8.19	5.65	9.52	9.19	6.31	5.09	8.24	7.06
35	Sumitomo Mitsui Banking Corporation (The Sumitomo Bank Ltd.)	0.26	12.17	12.35	24.89	0.24	11.10	4.04	9.38
36	The Bank of Nova Scotia	6.47	1.87	1.72	2.34	1.84	0.79	1.34	1.76
37	The Bank of Tokyo-Mitsubishi Ltd.	12.10	4.78	2.94	0.00	5.47	1.10	0.00	0.00
38	The Siam Commercial Bank	6.88	4.44	25.09	55.17	6.19	3.46	22.42	24.58

39	The Toronto-Domonion Bank Ltd.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
40	UFJ Bank Ltd. (The Sanwa Bank Ltd.)	10.62	16.04	10.91	13.51	6.29	12.24	5.83	6.88
	Foreign Banks in India	**3.10**	**3.16**	**3.04**	**2.43**	**1.10**	**1.03**	**0.77**	**0.82**

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 in India

(Per cent)

Sr. No.	Name of the Bank	Gross NPAs/Gross Advances				Net NPAs/Net Advances			
		1998-99	1999-2000	2000-01	2001-02	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6	7	8	9	10
1	ABN-AMRO Bank N.V.	1.70	1.00	2.84	3.43	0.45	0.31	1.22	1.34
2	Abu Dhabi Commercial Bank Ltd.	8.55	7.92	7.80	18.89	3.59	2.12	1.92	13.43
3	American Express Bank Ltd.	6.25	7.14	11.92	14.56	2.32	4.32	6.05	7.56
4	Arab Bangladesh Bank Ltd.	0.00	10.08	7.72	3.91	0.00	5.78	4.09	1.35
5	Bank Internasional Indonesia	40.74	75.70	100.00	91.20	10.53	48.85	50.75	61.40
6	Bank Muscat S.A.O.G.	0.00	0.00	1.26	2.56	0.00	0.00	0.80	1.10
7	Bank of America NA	0.19	2.33	2.03	2.68	0.00	1.88	0.68	0.80
8	Bank of Bahrain and Kuwait B.S.C.	24.00	15.76	13.26	13.23	11.17	7.72	11.51	11.40
9	Bank of Ceylon	19.78	27.92	39.09	31.87	16.43	25.86	34.15	23.88
10	Barclays Bank PLC	17.04	23.40	0.00	43.58	3.35	0.00	0.00	36.06
11	BNP Paribas	2.48	2.47	3.21	3.60	2.07	0.08	0.64	1.54
12	Chinatrust Commercial Bank	5.69	5.58	4.86	2.60	5.74	4.83	3.75	0.00
13	Chohung Bank	2.08	2.08	1.31	0.84	1.88	1.45	0.91	0.47
14	Citibank N.A.	3.00	1.81	1.35	0.93	2.08	1.05	0.71	0.40
15	Commerzbank AG	7.70	8.16	15.24	100.00	7.04	7.34	13.64	100.00
16	Credit Agricole Indosuez	43.25	48.12	28.68	25.21	24.75	6.13	1.21	0.36
17	Credit Lyonnais	2.67	7.38	6.89	7.09	0.37	4.07	3.47	3.84
18	Deutsche Bank AG	5.59	12.02	6.71	3.52	1.31	5.33	1.23	0.38
19	Development Bank of Singapore Ltd.	13.83	0.00	0.00	0.16	4.78	0.00	0.00	0.00
20	Dresdner Bank AG	25.45	25.15	57.97	0.00	16.16	16.57	0.00	0.00
21	HSBC Ltd.	8.38	9.39	6.64	5.51	0.91	1.04	0.96	2.27
22	ING Bank N.V.	6.37	28.24	40.02	32.79	5.67	13.26	5.94	26.82
23	JPMorgan Chase Bank (The Chase Manhattan Bank)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
24	K.B.C. Bank N.V.	0.00	0.00	0.47	0.00	0.00	0.00	0.23	0.00
25	Krung Thai Bank Public Co. Ltd.	0.00	0.00	0.00	37.82	0.00	0.00	0.00	35.43
26	Mashreqbank psc	38.01	40.17	40.18	17.87	21.55	20.48	13.40	0.00
27	Mizuho Corporate Bank Ltd. (The Fuji Bank Ltd.)	6.65	14.17	13.47	13.26	6.02	10.28	3.24	4.75
28	Oman International Bank S.A.O.G.	56.60	64.03	78.79	85.46	38.03	33.79	37.12	41.53
29	Oversea-Chinese Banking Corporation Ltd.	0.00	18.81	31.71	87.37	0.00	12.74	18.45	100.00
30	Societe Generale	24.50	15.14	13.80	6.71	11.94	8.66	7.27	0.52
31	Sonali Bank	2.17	3.43	4.17	2.95	0.00	3.55	4.35	3.04
32	Standard Chartered Bank	8.50	7.94	7.59	3.44	3.18	2.04	1.53	0.40
33	Standard Chartered Grindlays Bank Ltd.	4.60	4.48	7.24	9.73	0.03	0.03	0.41	0.59
34	State Bank of Mauritius Ltd.	13.53	8.63	18.39	17.46	10.76	8.06	16.18	14.02
35	Sumitomo Mitsui Banking Corporation (The Sumitomo Bank Ltd.)	0.39	17.60	55.79	37.63	0.36	16.34	19.12	18.52
36	The Bank of Nova Scotia	9.25	2.69	2.61	3.58	2.80	1.16	2.04	2.72
37	The Bank of Tokyo-Mitsubishi Ltd.	25.47	9.88	5.15	0.00	13.45	2.46	0.01	0.00

38	The Siam Commercial Bank	11.55	6.54	41.60	87.94	10.51	5.17	39.12	39.18
39	The Toronto-Domonion Bank Ltd.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
40	UFJ Bank Ltd. (The Sanwa Bank Ltd.)	15.64	21.75	16.60	22.20	9.90	17.67	9.61	12.69
	Foreign Banks in India	**7.59**	**6.99**	**6.84**	**5.38**	**2.94**	**2.41**	**1.82**	**1.89**

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, 2002)

(Amount in Rs. crore)

Sr. No.	Name of the Bank	Agriculture Amount	Agriculture Per cent to total	Small Scale Amount	Small Scale Per cent to total	Others Amount	Others Per cent to total	Priority Sector Amount	Priority Sector Per cent to total	Public Sector Amount	Public Sector Per cent to total	Non-Priority Sector Amount	Non-Priority Sector Per cent to total	Total
1	2	3	4	5	6	7	8	9 (3+5+7)	10	11	12	13	14	15 (9+11+13)
	Nationalised Banks	**4,659.29**	**12.67**	**6,913.86**	**18.81**	**4,547.45**	**12.37**	**16,120.60**	**43.85**	**496.44**	**1.35**	**20,145.74**	**54.80**	**36,762.78**
1	Allahabad Bank	221.92	11.09	285.94	14.28	265.94	13.28	773.80	38.65	53.82	2.69	1,174.23	58.66	2,001.85
2	Andhra Bank	87.57	16.71	127.56	24.34	89.29	17.04	304.42	58.08	2.03	0.39	217.69	41.53	524.14
3	Bank of Baroda	646.13	14.39	786.34	17.52	397.17	8.85	1,829.64	40.76	37.86	0.84	2,621.79	58.40	4,489.29
4	Bank of India	435.01	11.69	572.76	15.39	373.74	10.04	1,381.51	37.11	23.90	0.64	2,317.00	62.24	3,722.41
5	Bank of Maharashtra	211.68	23.36	197.94	21.85	142.60	15.74	552.22	60.95	0.36	0.04	353.48	39.01	906.06
6	Canara Bank	426.03	20.17	475.22	22.50	160.01	7.57	1,061.26	50.24	44.70	2.12	1,006.48	47.65	2,112.44
7	Central Bank of India	396.34	11.74	789.37	23.38	523.28	15.50	1,708.99	50.63	25.01	0.74	1,641.69	48.63	3,375.69
8	Corporation Bank	85.94	14.64	65.79	11.21	87.61	14.92	239.34	40.77	—	—	347.71	59.23	587.05
9	Dena Bank	161.44	8.09	356.15	17.84	247.73	12.41	765.32	38.34	8.62	0.43	1,222.09	61.23	1,996.03
10	Indian Bank	202.76	9.32	395.27	18.17	193.95	8.92	791.98	36.41	11.15	0.51	1,372.22	63.08	2,175.35
11	Indian Overseas Bank	175.68	9.66	379.55	20.87	140.81	7.74	696.04	38.27	102.07	5.61	1,020.43	56.11	1,818.54
12	Oriental Bank of Commerce	99.74	10.48	252.77	26.56	86.82	9.12	439.33	46.16	2.36	0.25	510.09	53.59	951.78
13	Punjab & Sind Bank	75.95	6.96	211.60	19.38	89.86	8.23	377.41	34.57	—	—	714.43	65.43	1,091.84
14	Punjab National Bank	443.90	10.72	687.09	16.60	597.32	14.43	1,728.31	41.75	59.43	1.44	2,352.12	56.82	4,139.86
15	Syndicate Bank	195.31	15.03	292.82	22.54	192.96	14.85	681.09	52.43	61.87	4.76	556.17	42.81	1,299.13
16	UCO Bank	202.20	15.17	190.17	14.27	238.20	17.87	630.57	47.32	13.27	1.00	688.81	51.69	1,332.65
17	Union Bank of India	306.12	12.65	555.10	22.93	334.85	13.83	1,196.07	49.41	1.42	0.06	1,222.99	50.53	2,420.48
18	United Bank of India	183.33	15.08	197.32	16.23	270.02	22.21	650.67	53.53	48.19	3.96	516.64	42.50	1,215.50
19	Vijaya Bank	102.24	16.96	95.10	15.78	115.30	19.13	312.63	51.87	0.38	0.06	289.68	48.06	602.69
	State Bank Group	**3,162.26**	**16.02**	**3,670.09**	**18.59**	**2,186.40**	**11.07**	**9,018.75**	**45.68**	**619.41**	**3.14**	**10,105.41**	**51.18**	**19,743.57**
20	State Bank of India	2,520.49	16.28	2,794.22	18.04	1,627.71	10.51	6,942.42	44.83	506.40	3.27	8,037.05	51.90	15,485.87
21	State Bank of Bikaner & Jaipur	96.63	15.70	133.85	21.74	14.91	2.42	245.39	39.86	—	—	370.19	60.14	615.58
22	State Bank of Hyderabad	143.31	15.95	150.54	16.75	146.91	16.35	440.76	49.05	55.66	6.19	402.10	44.75	898.52
23	State Bank of Indore	62.80	19.62	55.88	17.46	58.43	18.25	177.10	55.33	1.78	0.56	141.22	44.12	320.11
24	State Bank of Mysore	91.94	14.72	109.40	17.51	89.62	14.35	290.96	46.58	10.23	1.64	323.42	51.78	624.61
25	State Bank of Patiala	79.42	12.65	143.57	22.86	54.81	8.73	277.80	44.23	30.70	4.89	319.52	50.88	628.02
26	State Bank of Saurashtra	68.39	15.43	154.59	34.88	33.07	7.46	256.05	57.77	8.22	1.85	178.98	40.38	443.25
27	State Bank of Travancore	99.28	13.64	128.04	17.60	160.94	22.12	388.26	53.36	6.42	0.88	332.93	45.76	727.61
	Public Sector Banks	**7,821.54**	**13.84**	**10,583.95**	**18.73**	**6,733.85**	**11.92**	**25,139.34**	**44.49**	**1,115.85**	**1.97**	**30,251.15**	**53.54**	**56,506.34**

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, 2002)

(Amount in Rs. crore)

Sr. No.	Name of the Bank	Agriculture Amount	Agriculture Per cent to total	Small Scale Amount	Small Scale Per cent to total	Others Amount	Others Per cent to total	Priority Sector Amount	Priority Sector Per cent to total	Public Sector Amount	Public Sector Per cent to total	Non-Priority Sector Amount	Non-Priority Sector Per cent to total	Total
1	2	3	4	5	6	7	8	9 (3+5+7)	10	11	12	13	14	15 (9+11+13)
	Old Private Sector Banks	**294.12**	**6.06**	**1,025.98**	**21.15**	**588.96**	**12.14**	**1,909.06**	**39.35**	**8.82**	**0.18**	**2,933.01**	**60.46**	**4,850.89**
1	The Bank of Rajasthan Ltd.	19.52	5.86	55.29	16.61	38.54	11.58	113.35	34.06	—	—	219.49	65.94	332.84

2	Bharat Overseas Bank Ltd.	5.72	6.94	16.88	20.48	3.30	4.00	25.90	31.42	—	—	56.54	68.58	82.44
3	The Catholic Syrian Bank Ltd.	5.68	2.98	44.98	23.62	46.29	24.31	96.95	50.90	—	—	93.50	49.10	190.45
4	City Union Bank Ltd.	5.10	3.63	42.26	30.05	10.38	7.38	57.74	41.06	—	—	82.89	58.94	140.63
5	Development Credit Bank Ltd	6.72	3.12	70.11	32.54	24.55	11.40	101.38	47.05	—	—	114.07	52.95	215.45
6	Dhanalakshmi Bank Ltd.	0.82	0.56	14.23	9.76	19.63	13.46	34.68	23.78	—	—	111.18	76.22	145.86
7	The Federal Bank Ltd.	61.52	9.64	85.46	13.39	98.03	15.36	245.01	38.38	8.29	1.30	385.06	60.32	638.36
8	The Ganesh Bank of Kurundwad Ltd.	1.22	7.27	1.63	9.64	1.92	11.40	4.77	28.32	—	—	12.08	71.68	16.85
9	The Jammu & Kashmir Bank Ltd.	13.05	5.50	76.60	32.30	48.08	20.28	137.73	58.08	—	—	99.40	41.92	237.13
10	The Karnataka Bank Ltd.	26.05	6.97	72.23	19.34	24.26	6.49	122.54	32.81	—	—	250.98	67.19	373.52
11	The Karur Vysya Bank Ltd.	4.49	1.99	62.30	27.57	8.87	3.93	75.66	33.48	—	—	150.32	66.52	225.98
12	The Lakshmi Vilas Bank Ltd.	8.88	4.04	49.05	22.32	16.14	7.35	74.07	33.71	—	—	145.67	66.29	219.74
13	Lord Krishna Bank Ltd.	2.13	2.03	9.92	9.47	1.94	1.85	13.99	13.36	—	—	90.71	86.64	104.70
14	The Nainital Bank Ltd.	1.79	14.89	4.57	38.11	1.90	15.83	8.26	68.82	—	—	3.74	31.18	12.00
15	The Nedungadi Bank Ltd.	27.91	6.05	82.91	17.96	64.41	13.95	175.23	37.96	—	—	286.39	62.04	461.62
16	The Ratnakar Bank Ltd.	1.74	4.77	6.13	16.77	4.49	12.28	12.36	33.81	—	—	24.19	66.19	36.55
17	SBI Commercial & International Bank Ltd	—	—	6.57	7.21	—	—	6.57	7.21	—	—	84.65	92.79	91.23
18	The Sangli Bank	15.70	22.25	14.22	20.15	6.89	9.76	36.80	52.16	0.09	0.13	33.67	47.72	70.55
19	The South Indian Bank Ltd.	20.27	6.03	93.58	27.86	37.76	11.24	151.61	45.13	—	—	184.33	54.87	335.94
20	Tamilnad Mercantile Bank Ltd.	15.50	4.77	92.02	28.34	45.76	14.09	153.28	47.20	—	—	171.45	52.80	324.73
21	The United Western Bank Ltd.	20.48	5.26	90.89	23.36	33.07	8.50	144.43	37.12	—	—	244.65	62.88	389.08
22	The Vysya Bank Ltd.	29.83	14.54	34.16	16.64	52.75	25.70	116.74	56.88	0.44	0.22	88.04	42.90	205.23
	New Private Sector Banks	**145.04**	**2.13**	**459.28**	**6.74**	**32.97**	**0.48**	**637.29**	**9.35**	**22.36**	**0.33**	**6,156.76**	**90.32**	**6,816.41**
23	Bank of Punjab Ltd.	1.41	1.38	12.38	12.17	1.55	1.53	15.34	15.08	—	—	86.38	84.92	101.72
24	Centurion Bank Ltd.	—	—	10.20	4.40	—	—	10.20	4.40	—	—	221.61	95.60	231.81
25	Global Trust Bank	7.22	1.68	185.17	43.03	1.24	0.29	193.63	44.99	—	—	236.71	55.01	430.34
26	HDFC Bank	1.52	0.70	26.17	12.02	—	—	27.69	12.72	—	—	190.05	87.28	217.74
27	ICICI Bank	129.42	2.58	152.30	3.04	9.86	0.20	291.59	5.82	22.36	0.45	4,699.08	93.74	5,013.02
28	IDBI Bank	—	—	12.52	10.21	—	—	12.52	10.21	—	—	110.10	89.79	122.62
29	IndusInd Bank Ltd.	1.13	0.27	44.58	10.69	19.69	4.72	65.40	15.68	—	—	351.60	84.32	417.00
30	UTI Bank Ltd.	4.34	1.54	15.96	5.66	0.62	0.22	20.92	7.41	—	—	261.24	92.59	282.16
	Private Sector Banks	**439.16**	**3.76**	**1,485.26**	**12.73**	**621.93**	**5.33**	**2,546.35**	**21.82**	**31.18**	**0.27**	**9,089.77**	**77.91**	**11,667.30**

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	1997-98	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6	7
	Nationalised Banks					
1	Allahabad Bank	11.64	10.38	11.51	10.50	10.62
2	Andhra Bank	12.37	11.02	13.36	13.40	12.59
3	Bank of Baroda	12.05	13.30	12.10	12.80	11.32
4	Bank of India	9.11	10.55	10.57	12.23	10.68
5	Bank of Maharashtra	10.90	9.76	11.66	10.64	11.16
6	Canara Bank	9.54	10.96	9.64	9.84	11.88
7	Central Bank of India	10.40	11.88	11.18	10.02	9.58
8	Corporation Bank	16.90	13.20	12.80	13.30	17.90
9	Dena Bank	11.88	11.14	11.63	7.73	7.64
10	Indian Bank	1.41	Negative	Negative	Negative	1.70
11	Indian Overseas Bank	9.34	10.15	9.15	10.24	10.82
12	Oriental Bank of Commerce	15.28	14.10	12.72	11.81	10.99
13	Punjab & Sind Bank	11.39	10.94	11.57	11.42	10.70
14	Punjab National Bank	8.81	10.79	10.31	10.24	10.70
15	Syndicate Bank	10.49	9.57	11.45	11.72	12.12
16	UCO Bank	9.07	9.63	9.15	9.05	9.64
17	Union Bank of India	10.86	10.09	11.42	10.86	11.07
18	United Bank of India	8.40	9.60	9.60	10.40	12.02
19	Vijaya Bank	10.30	10.00	10.61	11.50	12.25
	State Bank Group					
20	State Bank of India	14.58	12.51	11.49	12.79	13.35
21	State Bank of Bikaner & Jaipur	10.65	12.26	12.35	12.39	13.42
22	State Bank of Hyderabad	10.83	10.65	10.86	12.28	14.03
23	State Bank of Indore	9.83	12.35	11.26	12.73	12.78
24	State Bank of Mysore	11.61	10.23	11.50	11.16	11.81
25	State Bank of Patiala	13.24	12.47	12.60	12.37	12.55
26	State Bank of Saurashtra	18.14	14.35	14.48	13.89	13.20

27	State Bank of Travancore	11.48	10.27	11.09	11.79	12.54

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	1997-98	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6	7
	Old Private Sector Banks					
1	Bharat Overseas Bank Ltd.	13.00	13.70	12.68	14.43	15.09
2	City Union Bank Ltd.	11.60	14.30	13.33	13.59	13.97
3	Development Credit Bank Ltd.	19.79	16.90	11.34	11.28	11.49
4	Lord Krishna Bank Ltd.	8.35	11.85	11.25	12.90	16.50
5	SBI Commercial & International Bank Ltd.	27.69	28.90	24.32	19.85	22.10
6	Tamilnad Mercantile Bank Ltd.	19.11	18.40	18.02	17.59	18.02
7	The Bank of Rajasthan Ltd.	5.54	0.83	5.73	10.57	12.07
8	The Catholic Syrian Bank Ltd.	3.04	6.06	5.94	6.08	9.57
9	The Dhanalakshmi Bank Ltd.	11.39	10.06	10.02	9.69	11.23
10	The Federal Bank Ltd.	9.43	10.32	11.33	10.29	10.63
11	The Ganesh Bank of Kurundwad Ltd.	8.04	8.26	9.14	9.11	10.08
12	The Jammu & Kashmir Bank Ltd.	20.48	24.48	18.82	17.44	15.46
13	The Karnataka Bank Ltd.	13.23	10.85	11.04	11.37	12.96
14	The Karur Vysya Bank Ltd.	14.47	14.53	15.16	15.56	16.90
15	The Lakshmi Vilas Bank Ltd.	10.35	9.64	10.45	10.21	11.54
16	The Nainital Bank Ltd.	9.46	13.81	15.11	15.81	14.88
17	The Nedungadi Bank Ltd.	12.85	10.24	9.04	Negative	-1.99
18	The Ratnakar Bank Ltd.	10.41	9.72	11.56	10.00	13.60
19	The Sangli Bank Ltd.	10.98	11.58	12.13	11.47	11.64
20	The South Indian Bank Ltd.	9.40	10.40	10.41	11.17	11.20
21	The United Western Bank Ltd.	9.87	11.64	11.94	9.59	9.79
22	The Vysya Bank Ltd.	12.48	10.63	12.24	12.05	11.57
	New Private Sector Banks					
23	Bank of Punjab Ltd.	16.34	14.64	9.81	11.02	12.82
24	Centurion Bank Ltd.	20.00	8.45	9.31	9.61	4.16

25	Global Trust Bank	10.28	11.97	13.68	12.71	11.21
26	HDFC Bank	13.92	11.86	12.19	11.09	13.93
27	ICICI Bank	13.48	11.06	19.64	11.57	11.44
28	IDBI Bank Ltd.	9.82	11.26	11.80	11.72	9.59
29	IndusInd Bank Ltd.	17.91	15.16	13.24	15.00	12.51
30	UTI Bank Ltd.	9.72	11.64	11.37	9.00	10.65

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	1997-98	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6	7
	Foreign Banks in India					
1	ABN-AMRO Bank N.V.	9.82	9.27	10.09	11.42	13.17
2	Abu Dhabi Commercial Bank Ltd.	10.29	10.01	10.61	10.05	10.42
3	American Express Bank Ltd.	9.86	9.25	10.09	9.59	10.71
4	Arab Bangladesh Bank Ltd.	144.00	124.00	123.00	96.34	138.51
5	Bank Internasional Indonesia	28.03	57.26	59.92	103.78	123.07
6	Bank Muscat S.A.O.G.	—	212.45	70.06	34.55	28.33
7	Bank of America NA	8.95	9.26	12.93	13.03	21.07
8	Bank of Bahrain and Kuwait B.S.C.	10.48	13.38	12.30	11.83	17.03
9	Bank of Ceylon	40.05	37.05	29.07	36.49	30.94
10	Barclays Bank PLC	14.52	12.90	17.75	26.97	63.56
11	BNP Paribas	8.80	9.09	9.55	9.92	9.66
12	Chinatrust Commercial Bank	146.33	28.25	25.56	28.27	40.11
13	Chohung Bank	46.00	42.00	38.00	35.00	27.65
14	Citibank N.A.	8.61	10.00	10.62	11.24	11.04
15	Commerzbank AG	12.81	15.81	17.58	15.05	171.54
16	Credit Agricole Indosuez	8.41	8.56	11.82	11.60	11.23
17	Credit Lyonnais	8.70	9.90	9.70	10.60	10.30
18	Deutsche Bank AG	9.69	9.50	10.68	12.67	14.55
19	Development Bank of Singapore Ltd.	31.47	23.26	18.14	15.93	13.31
20	Dresdner Bank AG	16.89	19.36	18.69	10.66	39.00
21	HSBC Ltd.	9.82	9.31	10.30	12.37	10.92
22	ING Bank N.V.	12.91	12.79	21.15	15.00	12.47
23	JPMorgan Chase Bank (The Chase Manhattan Bank)	13.03	12.53	45.86	43.79	85.88
24	K.B.C. Bank N.V.	—	95.00	18.51	23.01	96.75
25	Krung Thai Bank Public Co. Ltd.	347.22	235.93	197.74	148.99	167.65
26	Mashreqbank psc	29.84	12.13	9.04	10.54	20.54
27	Mizuho Corporate Bank Ltd. (The Fuji Bank Ltd.)	43.45	23.62	25.29	18.38	11.14
28	Oman International Bank S.A.O.G.	13.38	9.07	11.08	14.21	18.86
29	Oversea-Chinese Banking Corporation Ltd.	90.93	94.00	98.34	168.11	192.12
30	Societe Generale	10.74	12.50	13.95	13.93	12.85
31	Sonali Bank	27.80	38.39	24.91	88.14	113.64
32	Standard Chartered Bank	9.30	8.30	9.50	9.60	9.28
33	Standard Chartered Grindlays Bank Ltd.	9.05	9.04	10.93	12.52	13.08
34	State Bank of Mauritius Ltd.	73.50	46.78	35.23	30.78	46.78
35	Sumitomo Mitsui Banking Corporation (The Sumitomo Bank Ltd.)	40.67	16.58	18.54	19.40	20.96
36	The Bank of Nova Scotia	10.30	9.06	9.67	9.97	10.12
37	The Bank of Tokyo-Mitsubishi Ltd.	8.73	9.92	17.62	15.51	15.36

38	The Siam Commercial Bank	30.00	39.00	30.06	33.23	-13.33
39	The Toronto-Domonion Bank Ltd.	86.61	74.23	51.98	57.87	173.28
40	UFJ Bank Ltd. (The Sanwa Bank Ltd.)	30.35	31.97	36.17	34.91	29.44

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, 2001 @					As on June 30, 2002 @				
		Rural	Semi-urban	Urban	Metro-politan	Total	Rural	Semi-urban	Urban	Metro-politan	Total
1	2	3	4	5	6	7	8	9	10	11	12
1. State Bank of India	1	4,109 (45.8)	2,439 (27.2)	1,418 (15.8)	999 (11.1)	8,965 (100.0)	4,102 (45.8)	2,440 (27.2)	1,421 (15.9)	1,000 (11.2)	8,963 (100.0)
2. Associate Banks of SBI	7	1,404 (31.5)	1,544 (34.7)	816 (18.3)	691 (15.5)	4,455 (100.0)	1,408 (31.5)	1,552 (34.7)	819 (18.3)	692 (15.5)	4,471 (100.0)
3. Nationalised Banks	19	13,818 (42.3)	6,887 (21.1)	6,455 (19.8)	5,487 (16.8)	32,647 (100.0)	13,765 (42.1)	6,911 (21.1)	6,497 (19.9)	5,511 (16.9)	32,684 (100.0)
4. Indian Private Sector Banks	31	1,135 (21.8)	1,723 (33.1)	1,248 (24.0)	1,099 (21.1)	5,205 (100.0)	1,138 (21.2)	1,761 (32.8)	1,322 (24.6)	1,155 (21.5)	5,376 (100.0)
5. Foreign Banks in India	41	— (—)	2 (1.0)	15 (7.7)	179 (91.3)	196 (100.0)	— (—)	2 (1.0)	20 (9.9)	180 (89.1)	202 (100.0)
6. Regional Rural Banks	196	12,081 (83.6)	2,006 (13.9)	350 (2.4)	17 (0.1)	14,454 (100.0)	12,060 (83.3)	2,037 (14.1)	359 (2.5)	17 (0.1)	14,473 (100.0)
7. Non-Scheduled Comm. Banks (Local Area Banks)	4	— (—)	4 (36.4)	7 (63.6)	— (—)	11 (100.0)	3 (17.6)	7 (41.2)	7 (41.2)	— (—)	17 (100.0)
Total	**299**	**32,547 (49.4)**	**14,605 (22.2)**	**10,309 (15.6)**	**8,472 (12.8)**	**65,933 (100.0)**	**32,476 (49.1)**	**14,710 (22.2)**	**10,445 (15.8)**	**8,555 (12.9)**	**66,186 (100.0)**

As on June 30, 2002.
@ Population group-wise classification of branches is based on 1991 Census.
— Negligible.
Notes:
1.Figures in bracket indicate percentage to total in each group.
2.Bank branches exclude administrative offices.
3.Data for June 2001 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	
		2001	2002	July 2000 to June 2001	*of which:* at un-banked centres	July 2001 to June 2002	*of which:* at un-banked centres	2001	2002
1	2	3	4	5	6	7	8	9	10

1.	**NORTHERN REGION**	**10,571**	**10,676**	**127**	**2**	**118**	**1**	**12**	**12**
	Chandigarh	170	172	5	0	3	0	5	5
	Delhi	1,434	1,464	39	1	34	0	10	10
	Haryana	1,529	1,547	25	0	18	0	13	13
	Himachal Pradesh	779	782	2	0	3	0	9	9
	Jammu & Kashmir	817	827	5	0	10	0	12	12
	Punjab	2,533	2,562	25	0	32	0	9	9
	Rajasthan	3,309	3,322	26	1	18	1	16	17
2.	**NORTH-EASTERN REGION**	**1,881**	**1,868**	**3**	**0**	**1**	**0**	**21**	**21**
	Arunachal Pradesh	68	68	0	0	0	0	18	18
	Assam	1,229	1,217	2	0	1	0	22	22
	Manipur	78	77	0	0	0	0	33	34
	Meghalaya	179	179	0	0	0	0	14	14
	Mizoram	78	78	0	0	0	0	12	13
	Nagaland	70	70	0	0	0	0	25	25
	Tripura	179	179	1	0	0	0	22	22
3.	**EASTERN REGION**	**11,711**	**11,735**	**40**	**0**	**33**	**1**	**19**	**19**
	Andaman & Nicobar Islands	31	31	0	0	0	0	13	13
	Bihar	3,547	3,550	2	0	3	0	20	21
	Jharkhand	1,447	1,455	6	0	11	1	0 **	0 **
	Orissa	2,223	2,229	12	0	6	0	16	16
	Sikkim	47	48	1	0	1	0	12	12
	West Bengal	4,416	4,422	19	0	12	0	18	18
4.	**CENTRAL REGION**	**13,449**	**13,457**	**79**	**0**	**44**	**0**	**19**	**19**
	Chhattisgarh	1,040	1,033	6	0	3	0	0 **	0 **
	Madhya Pradesh	3,443	3,442	29	0	10	0	18	18
	Uttar Pradesh	8,129	8,142	41	0	27	0	19	20
	Uttaranchal	837	840	3	0	4	0	0 **	0 **
5.	**WESTERN REGION**	**10,292**	**10,328**	**108**	**1**	**65**	**0**	**14**	**14**
	Dadra & Nagar Haveli	11	11	0	0	0	0	18	18
	Daman & Diu	15	16	0	0	1	0	9	9
	Goa	326	328	7	0	3	0	5	5
	Gujarat	3,650	3,654	33	1	21	0	13	14
	Maharashtra	6,290	6,319	68	0	40	0	15	15
6.	**SOUTHERN REGION**	**18,029**	**18,122**	**205**	**1**	**154**	**1**	**12**	**13**
	Andhra Pradesh	5,162	5,203	64	0	47	0	15	15
	Karnataka	4,740	4,762	45	0	38	0	11	11
	Kerala	3,297	3,336	43	1	43	1	10	10
	Lakshadweep	9	9	0	0	0	0	8	8
	Pondicherry	84	82	0	0	1	0	14	14
	Tamil Nadu	4,737	4,730	53	0	25	0	13	13
	ALL INDIA	**65,933**	**66,186**	**562**	**4**	**415**	**3**	**15**	**16**

@ Including the branches of non-scheduled commercial banks (Local Area Banks).
** As the population data of Jharkhand, Chhattisgarh and Uttaranchal are not separately available, these are included in Bihar, Madhya Pradesh and Uttar Pradesh, respectively. The average population per bank branch for Bihar, Madhya Pradesh and Uttar Pradesh include the number of bank branches in Jharkhand, Chhattisgarh and Uttaranchal, respectively.
Notes:
1.Average population per bank branch is based on estimated mid-year population of respective years received from the Office of Registrar General and Census Commissioner, Government of India.
2. Bank branches exclude administrative offices.
3. Data for June 2001 are revised.

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 1999**	**March 2000**	**March 2001@**	**March 2002@**	**June 1969**	**March 1999**	**March 2000**	**March 2001@**	**March 2002@**
1	2	3	4	5	6	7	8	9	10	11
I. Agriculture	1.7	166	160	161	161	162	37,631	45,296	53,685	63,083
						(5.4)	(14.2)	(14.3)	(15.7)	(15.8)
i) Direct	1.6	163	157	157	157	40	31,167	34,247	38,003	44,909
						(1.3)	(11.7)	(10.8)	(11.1)	(11.3)
ii) Indirect	0.1	3	3	3	4	122	6,464	11,049	15,682	18,174
						(4.0)	(2.4)	(3.5)	(4.6)	(4.6)
II. Small-scale industries	0.5	24	22	23	22	257	42,591	46,045	48,445	49,743
						(8.5)	(16.1)	(14.6)	(14.2)	(12.5)
III. Other priority sector advances	0.4	93	81	79	83	22	23,661	30,816	40,395	53,712
						(0.7)	(8.9)	(9.7)	(11.8)	(13.5)
IV. Total priority sector advances #	2.6	284	265	273	269	441	1,04,094	1,27,478	1,46,546	1,71,185
						(14.6)	(39.2)	(40.2)	(43.0)	(43.1)
V. Net Bank Credit	—	—	—	—	—	3,016	2,65,554	3,16,427	3,40,888	3,96,954

@ Data are provisional.
# Inclusive of advances to setting up industrial estates, funds provided to RRBs by sponsor banks, loan to software industries, food and agro processing sector, self-help group and venture capital.
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 2002)

(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	1,306.99	12.22	621.01	5.81	1,928.00	16.72	752.95	7.04	4,722.81	44.16
2	Andhra Bank	1,226.89	13.22	162.18	1.75	1,389.07	14.97	894.00	9.63	3,401.21	36.65
3	Bank of Baroda	2,427.94	11.31	1,133.15	5.28	3,561.09	15.81	1,601.00	7.46	10,336.94	48.17
4	Bank of India	2,680.99	12.06	849.60	3.82	3,530.59	15.88	1,600.00	7.20	10,169.59	45.75
5	Bank of Maharashtra	862.96	10.80	163.66	2.05	1,026.62	12.84	611.00	7.64	3,211.26	40.17
6	Canara Bank	3,266.00	12.68	622.00	2.42	3,888.00	15.10	1,930.00	7.50	10,536.00	40.92
7	Central Bank of India	1,617.09	7.77	1,439.75	6.91	3,056.84	12.27	932.50	4.48	8,934.61	42.91
8	Corporation Bank	538.56	6.03	399.21	4.47	937.77	10.50	205.89	2.30	3,583.80	40.12
9	Dena Bank	605.91	7.99	559.65	7.38	1,165.56	12.49	252.97	3.34	3,339.49	44.05
10	Indian Bank	1,212.60	14.36	314.09	3.72	1,526.69	18.08	845.27	10.01	3,986.55	47.20
11	Indian Overseas Bank	1,462.96	13.69	503.10	4.71	1,966.06	18.19	1,295.03	12.11	5,066.37	47.39
12	Oriental Bank of Commerce	999.96	6.96	972.66	6.77	1,972.62	11.46	491.96	3.42	5,861.97	40.80
13	Punjab National Bank	4,375.00	13.12	752.70	2.26	5,127.70	15.38	3,263.10	9.79	14,895.90	44.68
14	Punjab & Sind Bank	566.88	10.84	376.27	7.19	943.15	15.34	266.12	5.09	2,474.50	47.31
15	Syndicate Bank	1,652.00	15.35	293.00	2.72	1,945.00	18.07	1,095.00	10.17	5,005.00	46.50
16	Union Bank of India	1,766.91	9.31	1,120.55	5.90	2,887.46	13.81	1,086.90	5.73	8,374.12	44.12
17	United Bank of India	559.00	7.45	471.00	6.28	1,030.00	11.95	457.00	6.09	2,715.00	36.18
18	UCO Bank	927.00	7.62	622.00	5.11	1,549.00	12.12	569.00	4.67	4,847.50	39.83
19	Vijaya Bank	656.40	11.54	202.77	3.56	859.17	15.10	387.47	6.81	2,230.94	39.22
20	State Bank of India	11,053.61	11.32	5,149.31	5.28	16,202.92	15.82	7,052.10	7.22	40,538.92	41.53
21	State Bank of Bikaner & Jaipur	738.82	13.09	202.85	3.59	941.67	16.69	439.67	7.79	2,659.78	47.13
22	State Bank of Hyderabad	1,041.50	13.52	366.89	4.76	1,408.39	18.02	771.00	10.01	3,469.98	45.05
23	State Bank of Indore	617.44	14.49	151.01	3.54	768.45	18.03	296.53	6.96	1,881.18	44.14
24	State Bank of Mysore	562.42	13.31	78.66	1.86	641.08	15.17	460.65	10.90	1,739.67	41.17
25	State Bank of Patiala	1,029.00	13.45	351.00	4.59	1,380.00	17.95	767.00	10.02	3,081.00	40.26
26	State Bank of Saurashtra	650.83	16.21	151.35	3.77	802.18	19.98	229.84	5.73	1,747.11	43.52
27	State Bank of Travancore	503.65	12.84	144.26	3.68	647.91	16.52	420.95	10.74	2,374.06	60.55
	Total	**44,909.31**	**11.31**	**18,173.68**	**4.58**	**63,082.99**	**15.81**	**28,974.90**	**7.30**	**1,71,185.26**	**43.12**

* Indirect agricultural advances taken to the extent of 4.5 per cent of NBC.

Notes : 1. Data are provisional.

2. NBC - net bank credit.

Source : Data furnished by respective banks.

Appendix Table: II.15(B): Non-Performing Assets in Advances to Weaker Sections under Priority Sector - Public Sector Banks

(As on March 31, 2002)

(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	793.45	116.43	14.67
2	Andhra Bank	894.00	210.00	23.49
3	Bank of Baroda	1,652.04	433.12	26.22
4	Bank of India	985.16	267.61	27.16
5	Bank of Maharashtra	456.75	139.68	30.58
6	Canara Bank	1,930.15	446.95	23.16
7	Central Bank of India	932.50	147.05	15.77
8	Corporation Bank	205.89	29.19	14.18
9	Dena Bank	252.97	58.18	23.00
10	Indian Bank	758.83	181.28	23.89
11	Indian Overseas Bank	1,295.04	106.94	8.26
12	Oriental Bank of Commerce	300.96	42.98	14.28
13	Punjab & Sind Bank	258.30	34.56	13.38
14	Punjab National Bank	2,858.80	437.09	15.29
15	Syndicate Bank	415.97	87.26	20.98
16	UCO Bank	569.21	252.39	44.34
17	Union Bank of India	909.10	240.64	26.47
18	United Bank of India	475.00	115.00	24.21
19	Vijaya Bank	360.12	51.61	14.33
20	State Bank of Bikaner & Jaipur	476.45	N.A.	N.A.
21	State Bank of Hyderabad	771.00	146.49	19.00
22	State Bank of India	6,929.82	1,809.69	26.11
23	State Bank of Indore	296.53	46.68	15.74
24	State Bank of Mysore	460.65	61.15	13.27
25	State Bank of Patiala	763.69	205.20	26.87
26	State Bank of Saurashtra	260.88	60.83	23.32
27	State Bank of Travancore	196.05	15.82	8.07
	Total	**26,459.31**	**5,743.82**	**21.71**

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 2000		March 2001@		March 2002@	
	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	4,023	8.3	5,394	8.5	8,022	8.5
II. Small-scale industries	8,000	16.5	8,158	14.4	8,613	13.7
III. Other priority sectors #	6,345	12.0	7,998	14.2	9,074	14.4
Total (I+II+III)	**18,368**	**38.0**	**21,550**	**38.2**	**25,709**	**40.9**

@ Data are provisional.

Inclusive of advances to setting up industrial estates, funds provided to RRBs by sponsor banks, loan to software industries, food and agro-processing sector, self-help group and venture capital.

Note: Indirect Agriculture is reckoned upto 4.5 per cent of Net Bank Credit for calculation of percentage of Agriculture.

Appendix Table II.17(A): Advances of Private Sector Banks to Agriculture and Weaker Sections

(As on the last reporting Friday of March 2002)

(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	Bharat Overseas Bank Ltd.	20.06	4.63	17.59	4.06	37.64	8.69	7.22	1.67	219.39	50.65
2	Benares State Bank Ltd.	3.84	2.02	21.08	11.07	24.92	6.52	1.89	0.99	92.92	48.81
3	City Union Bank Ltd.	29.76	3.20	42.94	4.62	72.70	7.70	24.77	2.66	372.57	40.06
4	Development Credit Bank Ltd.	9.61	0.43	276.63	12.27	286.24	4.93	0.36	0.02	920.95	40.85
5	Dhanalakshmi Bank Ltd.	20.05	2.58	34.60	4.45	54.65	7.04	9.54	1.23	315.16	40.57
6	Lord Krishna Bank Ltd.	6.07	1.02	83.67	14.05	89.74	5.52	5.00	0.84	212.89	35.75
7	SBI Commercial & International Bank Ltd.	0.00	0.00	42.06	31.64	42.06	4.50	0.00	0.00	53.93	40.57
8	Tamilnad Mercantile Bank Ltd.	117.75	6.78	34.54	1.99	152.30	8.78	23.05	1.33	701.48	40.42
9	The Bank of Rajasthan Ltd.	88.08	4.33	216.43	10.65	304.51	8.83	63.88	3.14	813.48	40.02
10	The Catholic Syrian Bank Ltd.	28.00	4.66	8.61	1.43	36.61	6.09	15.90	2.64	346.61	57.60
11	The Federal Bank Ltd.	351.53	14.12	13.92	0.56	365.45	14.68	224.64	9.02	1,695.64	68.11
12	The Ganesh Bank of Kurundwad Ltd.	24.71	25.19	0.00	0.00	24.71	25.19	9.82	10.01	49.05	50.00
13	The Jammu & Kashmir Bank Ltd.	59.12	1.15	222.26	4.32	281.38	5.47	157.94	3.07	1,622.38	31.55
14	The Karnataka Bank Ltd.	301.03	9.77	75.02	2.44	376.05	12.21	62.94	2.04	1,200.90	38.99
15	The Karur Vysya Bank Ltd.	129.49	5.93	77.72	3.56	207.21	9.49	82.19	3.76	878.84	40.24
16	The Lakshmi Vilas Bank Ltd.	115.55	8.08	50.13	3.51	165.67	11.58	52.44	3.67	611.94	42.79
17	The Nainital Bank Ltd.	16.82	12.17	6.11	4.42	22.93	16.59	8.85	6.40	73.11	52.88
18	The Nedungadi Bank Ltd.	29.14	4.74	14.87	2.42	44.01	7.16	4.85	0.79	272.01	44.26
19	The Ratnakar Bank Ltd.	11.75	4.46	21.76	8.25	33.51	8.96	4.52	1.71	97.78	37.09
20	The Sangli Bank Ltd.	64.56	11.35	32.47	5.71	97.03	15.85	24.32	4.28	211.61	37.21
21	The South Indian Bank Ltd.	86.03	5.03	29.57	1.73	115.60	6.76	47.41	2.77	918.57	53.68
22	The United Western Bank Ltd.	160.40	6.13	47.26	1.80	207.66	7.92	191.94	7.32	1,090.32	41.57
23	The Vysya Bank Ltd.	353.21	8.54	276.66	6.69	629.87	13.04	66.99	1.62	1,764.61	42.67
24	Bank of Punjab Ltd.	18.58	1.15	192.64	11.95	211.22	5.65	0.00	0.00	466.04	28.92
25	Centurion Bank Ltd.	22.96	1.51	250.61	16.48	273.57	6.01	0.00	0.00	665.38	43.76
26	Global Trust Bank	19.59	0.66	160.26	5.41	179.85	5.16	0.00	0.00	1,129.07	38.10
27	HDFC Bank	97.88	1.73	944.88	16.66	1,042.76	6.23	0.00	0.00	2,511.17	44.27
28	ICICI Bank	140.02	3.05	656.81	14.31	796.83	7.55	42.76	0.93	1,926.46	41.97
29	IDBI Bank	0.78	0.03	302.11	10.91	302.89	4.53	0.00	0.00	1,131.00	40.85
30	IndusInd Bank	75.15	1.95	302.40	7.86	377.55	6.45	0.00	0.00	1,041.56	27.06
31	UTI Bank Ltd.	131.65	2.32	1,033.51	18.22	1,165.16	6.82	8.85	0.16	2,302.32	40.59
	Total	**2533.17**	**4.03**	**5,489.12**	**8.74**	**8,022.28**	**8.53**	**1,142.06**	**1.82**	**25,709.14**	**40.93**

* Target - 18 per cent of NBC
Notes : 1. Data are provisional
2. NBC - net bank credit.
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, 2002)

(Rs. in crore)

Sr. No.	Name of the Bank	Advances to Weaker Section Total	of which NPAs Amount	of which NPAs Per cent
1	2	3	4	5
1	The Bank of Rajasthan Ltd.	24.12	7.70	31.93
2	Bharat Overseas Bank Ltd.	7.22	0.81	11.25
3	The Catholic Syrian Bank Ltd.	7.86	3.87	49.24
4	City Union Bank Ltd.	25.21	1.85	7.34
5	Development Credit Bank Ltd.	1.18	0.94	79.66
6	Dhanalakshmi Bank Ltd.	9.54	1.49	15.62
7	The Federal Bank Ltd.	222.83	29.39	13.19
8	The Ganesh Bank of Kurundwad Ltd.	0.01	—	—
9	The Jammu & Kashmir Bank Ltd.	157.93	9.80	6.21
10	The Karnataka Bank Ltd.	60.31	6.06	10.04
11	The Karur Vysya Bank Ltd.	90.24	4.98	5.52
12	The Lakshmi Vilas Bank Ltd.	27.22	2.95	10.85
13	Lord Krishna Bank Ltd.	5.00	—	—
14	The Nainital Bank Ltd.	8.85	0.90	10.21
15	The Nedungadi Bank Ltd.	4.85	—	—
16	The Ratnakar Bank Ltd.	18.57	2.34	12.60
17	The Sangli Bank Ltd.	24.32	3.57	14.68
18	SBI Commercial & International Bank Ltd.	—	—	—
19	The South Indian Bank Ltd.	47.41	7.36	15.53
20	Tamilnad Mercantile Bank Ltd.	6.26	0.30	4.79
21	The United Western Bank Ltd.	55.79	8.24	14.77
22	The Vysya Bank Ltd.	41.81	—	—
23	Bank of Punjab Ltd.	—	—	—
24	Centurion Bank Ltd.	—	—	—
25	Global Trust Bank	0.90	—	—
26	HDFC Bank	—	—	—
27	ICICI Bank	42.76	—	—
28	IDBI Bank	—	—	—
29	IndusInd Bank Ltd.	—	—	—
30	UTI Bank Ltd.	8.85	—	—
	Total	**899.03**	**92.56**	**10.30**

— Nil or Negligible

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 2000 Amount	March 2000 Percentage to Net bank credit	March 2001@ Amount	March 2001@ Percentage to Net bank credit	March 2002@ Amount	March 2002@ Percentage to Net bank credit
1		2	3	4	5	6	7
I.	Export Credit	6,459	22.9	6,863	20.0	6,948	17.7
II.	Small-scale industries	2,990	10.6	3,716	11.0	4,561	11.6
Total Priority Sector Advances #		**9,934**	**35.2**	**11,835**	**34.0**	**13,414**	**34.2**

@ Provisional.
# Inclusive of advances to setting up industrial estates, loan to software industries, food and agro-processing sector, self- help group and venture capital.

Appendix Table III.1: Progress of Co-Operative Credit Movement in India Performance as Proportion to Assets of Scheduled Urban Co-operative Banks

(Continued)

(Amount in Rs. crore, ratio in per cent)

Sr. No.	Type of Institution	Item	As at end March 1999	2000	2001	2002 P
1	2	3	4	5	6	7
1	Urban Co-operative Banks	Number	1,587	1,784	1,618	1,854
		Owned Funds	7,314	9,314	10,826	13,797
		Deposits	52,617	71,189	80,840	93,069
		Borrowings	1,040	1,475	2,069	N.A.
		Working Capital	66,985	90,301	1,03,042	1,15,596
		Loans Outstanding	34,172	45,995	54,389	62,060
		C- D Ratio	65	65	67	67
2	State Co-operative Banks(StCBs)	Number	29	29	30	30
		Owned Funds	4,135	4,911	5,837	N.A.
		Deposits	25,788	29,557	32,606	35,929
		Borrowings	9,739	10,859	11,685	11,480
		Working Capital	39,222	44,035	49,490	N.A.
		Loans Issued	32,834	37,368	34,307	34,221
		Loans Outstanding	21,909	25,709	29,848	32,706
		Recovery Performance (as per cent of demand)	81	83	84	N.A.
		C-D Ratio	85	87	92	91
3	District Central Co-operative Banks (CCBs)	Number	367	367	367	369
		Owned Funds	7,652	10,116	12,180	N.A.
		Deposits	40,112	54,248	61,786	64,900
		Borrowings	12,871	14,658	16,935	17,799
		Working Capital	65,466	77,679	87,821	N.A.
		Loans Issued	40,397	46,619	45,016	45,257
		Loans Outstanding	36,949	44,538	52,491	56,554
		Recovery Performance (as per cent of demand)	70	70	67	N.A.
		C-D Ratio	81	82	85	87
4	State Co-operative Agriculture and Rural Development Banks (SCARDBs)	Number@	19	19	20	20
		Owned Funds	2,353	2,702	3,034	N.A.
		Deposits #	240	422	535	536
		Borrowings	11,051	12,390	13,431	14,888
		Working Capital	13,078	15,074	16,896	N.A.
		Loans Issued	2,439	2,532	2,586	2,693
		Loans Outstanding	10,441	11,565	12,596	14,000
		Recovery Performance (as per cent of demand)	62	62	58	N.A.
5	Primary Co-operative Agriculture and Rural Development Banks (PCARDBs)	Number $	745	755	732	739
		Owned Funds	1,167	1,379	1,628	N.A.
		Deposits #	166	218	235	251
		Borrowings	6,777	7,647	8,412	9,077
		Working Capital	8,824	9,982	10,838	N.A.
		Loans Issued	1,735	1,819	1,865	1,933
		Loans Outstanding	6,778	7,611	8,352	8,960
		Recovery Performance (as per cent of demand)	60	58	53	N.A.

N.A. Not Available,
@ - Integrated structure in Andhra Pradesh and hence progress is included in ST structure, P- Provisional.

$ - 4 PCARDBs in Orissa were liquidated and 21 PCARDBs in Assam were merged with SCARDBs
# - Deposits of SCARDBs and PCARDBs include advance repayments by Land Development Banks.
Data incorporate changes due to audit compliance and late receipt of returns.
Source: NABARD for Sr. No. 2 to 5.

Appendix Table III.2: Bank-Wise Major Indicators of Financial

(Per cent)

Sr. No:	Name of the Bank	Operating Profit		Net Profit		Interest Income	
		2000-01	2001-02	2000-01	2001-02	2000-01	2001-02
1	2	3	4	5	6	7	8
1	Abhyudaya Co-op Bank Ltd.	1.93	1.80	0.77	0.69	9.79	9.89
2	Ahmedabad Mercantile Co-op Bank Ltd.	3.37	3.38	0.90	0.64	11.47	11.89
3	Akola Janata Commercial Co-op Bank Ltd.	0.97	1.85	0.51	0.44	11.40	10.93
4	Akola Urban Co-op Bank Ltd.	1.32	1.81	0.93	0.53	12.52	13.96
5	Amanath Co-op Bank Ltd. #	1.44	1.28	1.44	1.28	9.37	10.32
6	AP Mahesh Co-op Urban Bank Ltd.	1.62	2.83	1.29	1.53	11.34	13.48
7	Bassein Catholic Co-op Bank Ltd.	2.17	2.13	1.34	1.28	10.77	9.99
8	Bharat Co-op Bank (Mumbai) Ltd.	2.36	2.11	1.58	0.99	10.97	10.89
9	Bombay Mercantile Co-op Bank Ltd. #	-0.38	0.15	-3.41	0.15	7.65	7.23
10	Charminar Co-op Urban Bank Ltd.	0.83	-7.50	0.40	-20.22	15.79	3.89
11	Charotar Nagarik Sahakari Bank Ltd. #	1.81	-0.09	1.48	-0.87	12.99	13.26
12	Citizencredit Co-op Bank Ltd.	1.82	1.50	1.27	0.88	9.68	9.15
13	Co-operative Bank of Ahmedabad	0.80	-2.16	0.27	-2.16	11.68	8.61
14	Cosmos Co-op Urban Bank Ltd.	1.82	2.49	1.21	1.13	10.64	11.11
15	Dombivli Nagarik Sahakari Bank Ltd.	1.98	2.22	1.01	0.88	10.24	10.16
16	Goa Urban Co-op Bank Ltd. #	0.69	2.45	0.43	0.43	11.16	10.96
17	Greater Bombay Co-op Bank Ltd.	2.15	4.49	1.17	2.02	10.47	9.35
18	Ichalkaranji Janata Sahakari Bank Ltd.	1.06	2.18	0.70	0.97	10.56	10.58
19	Indian Mercantile Co-op Bank Ltd.	—	0.86	—	0.86	—	12.15
20	Jalgaon Janata Sahakari Bank Ltd.	0.76	2.17	0.42	0.64	10.77	8.75
21	Janakalyan Sahakari Bank Ltd.	1.76	2.32	0.55	0.58	11.30	11.58
22	Janalaxmi Co-op Bank Ltd. #	1.31	2.56	0.26	0.29	15.43	16.93
23	Janata Sahakari Bank Ltd.	1.04	0.64	0.49	-2.27	9.30	7.76
24	Kalupur Commercial Bank Ltd.	2.46	4.16	1.27	1.73	11.79	12.31
25	Kalyan Janata Sahakari Bank Ltd.	2.06	2.32	1.13	0.82	9.17	7.46
26	Kapol Co-op Bank Ltd.	1.26	1.91	0.35	0.55	12.59	9.09
27	Karad Urban Co-op Bank Ltd.	1.37	2.91	0.76	1.43	11.44	10.20
28	Khamgaon Urban Co-op Bank Ltd.	0.78	2.12	0.29	0.60	14.86	14.30
29	Madhavpura Mercantile Co-op Bank Ltd. #	1.27	-1.85	-38.24	-7.51	6.16	1.42
30	Mahanagar Co-op Bank Ltd.	0.32	0.33	0.30	0.31	14.98	15.93
31	Mandvi Co-op Bank Ltd.	1.11	1.61	0.56	0.58	9.85	10.09
32	Mapusa Urban Co-op Bank Ltd. #	-3.74	-3.81	-7.15	-7.07	6.36	5.50
33	Mehsana Urban Co-op Bank Ltd.	1.29	1.91	1.16	1.33	18.48	12.59
34	Nagar Urban Co-op Bank Ltd.	0.63	1.19	0.63	0.85	12.72	13.97
35	Nagpur Nagarik Sahakari Bank Ltd.	1.09	4.34	0.45	0.46	10.25	11.01
36	Nasik Merchant's Co-op Bank Ltd. #	2.67	2.66	2.13	2.11	15.64	11.28
37	New India Co-op Bank Ltd.	2.92	2.09	1.60	1.73	10.54	10.11
38	North Kanara GSB Co-op Bank Ltd.	1.93	1.47	1.00	0.90	10.31	10.08
39	Nutan Nagarik Sahakari Bank Ltd.	3.17	1.74	2.06	1.46	11.82	10.37
40	Parsik Janata Sahakari Bank Ltd.	2.78	3.45	2.08	1.83	10.22	9.63
41	Punjab & Maharashtra Co-op Bank Ltd.	1.64	2.06	1.37	1.31	10.91	10.77
42	Rajkot Nagrik Sahakari Bank Ltd.	3.65	4.48	0.72	0.83	11.14	8.20
43	Rupee Co-op Bank Ltd. #	1.39	0.85	0.35	-5.70	10.56	9.33
44	Sangli Urban Co-op Bank Ltd.	1.54	1.91	1.40	0.52	10.78	10.36
45	Saraswat Co-op Bank Ltd.	2.25	2.19	0.60	0.55	9.12	8.15
46	Sardar Bhiladwalla Pardi People's Co-op Bank Ltd.	1.62	0.49	1.62	0.46	9.71	9.30
47	Shamrao Vithal Co-op Bank Ltd.	2.23	1.71	1.17	1.06	10.96	10.52
48	Shikshak Sahakari Bank Ltd.	0.93	1.99	0.40	-0.09	7.78	7.20
49	Surat People's Co-op Bank Ltd.	2.51	2.90	0.76	0.79	10.09	10.35
50	Thane Janata Sahakari Bank Ltd.	2.43	1.95	1.92	1.60	10.82	10.02
51	Vasavi Co-operative Urban Bank Ltd.	0.08	0.39	0.08	-7.31	12.99	16.53
52	Visnagar Nagarik Sahakari Bank Ltd.	1.45	0.39	1.45	0.39	25.51	25.38
	TOTAL	**1.57**	**1.46**	**-2.35**	**-0.64**	**10.60**	**9.49**

(Per cent)

Sr. No.	Name of the Bank	Interest Expended		Provision & Contingencies	
		2000-01	2001-02	2000-01	2001-02
1	2	3	4	5	6
1	Abhyudaya Co-op Bank Ltd.	5.72	5.45	1.15	1.11
2	Ahmedabad Mercantile Co-op Bank Ltd.	7.09	7.21	2.47	2.74
3	Akola Janata Commercial Co-op Bank Ltd.	8.55	8.42	0.45	1.41
4	Akola Urban Co-op Bank Ltd.	10.22	11.93	0.40	1.28
5	Amanath Co-op Bank Ltd. #	6.44	7.49	0.00	0.00
6	AP Mahesh Co-op Urban Bank Ltd.	7.87	8.60	0.33	1.30
7	Bassein Catholic Co-op Bank Ltd.	7.38	6.82	0.83	0.85
8	Bharat Co-op Bank (Mumbai) Ltd.	6.21	6.43	0.77	1.12
9	Bombay Mercantile Co-op Bank Ltd. #	6.58	6.17	3.03	0.00
10	Charminar Co-op Urban Bank Ltd.	13.40	10.62	0.43	12.72
11	Charotar Nagarik Sahakari Bank Ltd. #	9.85	12.64	0.32	0.78
12	Citizencredit Co-op Bank Ltd.	5.93	5.90	0.55	0.61
13	Co-operative Bank of Ahmedabad	8.97	8.45	0.53	0.00
14	Cosmos Co-op Urban Bank Ltd.	7.78	7.23	0.62	1.36
15	Dombivli Nagarik Sahakari Bank Ltd.	6.30	6.17	0.97	1.34
16	Goa Urban Co-op Bank Ltd. #	7.65	8.00	0.26	2.01
17	Greater Bombay Co-op Bank Ltd.	7.97	7.44	0.98	2.47
18	Ichalkaranji Janata Sahakari Bank Ltd.	7.69	8.26	0.36	1.20
19	Indian Mercantile Co-op Bank Ltd.	—	9.97	—	0.00
20	Jalgaon Janata Sahakari Bank Ltd.	8.51	6.81	0.34	1.53
21	Janakalyan Sahakari Bank Ltd.	7.99	7.75	1.21	1.74
22	Janalaxmi Co-op Bank Ltd. #	12.99	13.43	1.05	2.26
23	Janata Sahakari Bank Ltd.	7.17	6.82	0.55	2.92
24	Kalupur Commercial Bank Ltd.	8.91	7.67	1.19	2.44
25	Kalyan Janata Sahakari Bank Ltd.	5.61	6.17	0.93	1.51
26	Kapol Co-op Bank Ltd.	9.09	7.07	0.91	1.36
27	Karad Urban Co-op Bank Ltd.	7.81	7.50	0.61	1.49
28	Khamgaon Urban Co-op Bank Ltd.	12.63	12.43	0.49	1.52
29	Madhavpura Mercantile Co-op Bank Ltd. #	4.67	3.04	39.51	5.65
30	Mahanagar Co-op Bank Ltd.	11.56	11.87	0.02	0.02
31	Mandvi Co-op Bank Ltd.	6.77	7.61	0.55	1.03
32	Mapusa Urban Co-op Bank Ltd. #	7.78	6.60	3.41	3.25
33	Mehsana Urban Co-op Bank Ltd.	16.61	9.97	0.13	0.57
34	Nagar Urban Co-op Bank Ltd.	10.76	12.02	0.00	0.33
35	Nagpur Nagarik Sahakari Bank Ltd.	7.98	7.88	0.65	3.88
36	Nasik Merchant's Co-op Bank Ltd. #	10.87	6.73	0.54	0.55
37	New India Co-op Bank Ltd.	5.31	5.46	1.32	0.36
38	North Kanara GSB Co-op Bank Ltd.	6.54	6.81	0.93	0.58
39	Nutan Nagarik Sahakari Bank Ltd.	8.20	7.01	1.12	0.28
40	Parsik Janata Sahakari Bank Ltd.	6.08	5.93	0.70	1.63
41	Punjab & Maharashtra Co-op Bank Ltd.	7.31	7.47	0.28	0.75
42	Rajkot Nagrik Sahakari Bank Ltd.	7.51	5.75	2.93	3.65
43	Rupee Co-op Bank Ltd. #	8.20	8.70	1.04	6.55
44	Sangli Urban Co-op Bank Ltd.	7.58	6.93	0.14	1.39
45	Saraswat Co-op Bank Ltd.	5.54	5.65	1.66	1.64
46	Sardar Bhiladwalla Pardi People's Co-op Bank Ltd.	6.52	6.96	0.00	0.03
47	Shamrao Vithal Co-op Bank Ltd.	7.29	7.03	1.06	0.64
48	Shikshak Sahakari Bank Ltd.	8.29	8.63	0.52	2.08
49	Surat People's Co-op Bank Ltd.	6.71	6.46	1.75	2.11
50	Thane Janata Sahakari Bank Ltd.	6.79	6.50	0.52	0.34
51	Vasavi Co-operative Urban Bank Ltd.	11.06	12.77	0.00	7.71
52	Visnagar Nagarik Sahakari Bank Ltd.	22.86	24.25	0.00	0.00
	TOTAL	**7.77**	**7.26**	**3.92**	**2.11**

(Per cent)

Sr. No	Name of the Bank	Operating Expenses		Spread	
		2000-01	2001-02	2000-01	2001-02
1	2	3	4	5	6
1	Abhyudaya Co-op Bank Ltd.	2.54	2.95	4.08	4.44
2	Ahmedabad Mercantile Co-op Bank Ltd.	1.25	1.49	4.38	4.68
3	Akola Janata Commercial Co-op Bank Ltd.	2.47	2.00	2.85	2.51
4	Akola Urban Co-op Bank Ltd.	1.55	1.62	2.31	2.03
5	Amanath Co-op Bank Ltd. #	1.79	1.83	2.93	2.83
6	AP Mahesh Co-op Urban Bank Ltd.	2.32	2.44	3.48	4.88
7	Bassein Catholic Co-op Bank Ltd.	1.84	1.66	3.39	3.17
8	Bharat Co-op Bank (Mumbai) Ltd.	2.78	2.73	4.76	4.46
9	Bombay Mercantile Co-op Bank Ltd. #	2.25	2.29	1.07	1.06
10	Charminar Co-op Urban Bank Ltd.	1.74	1.75	2.40	-6.73
11	Charotar Nagarik Sahakari Bank Ltd. #	1.59	1.45	3.14	0.62
12	Citizencredit Co-op Bank Ltd.	2.19	1.95	3.75	3.25
13	Co-operative Bank of Ahmedabad	2.75	3.24	2.71	0.16
14	Cosmos Co-op Urban Bank Ltd.	1.59	1.68	2.86	3.88
15	Dombivli Nagarik Sahakari Bank Ltd.	2.15	1.93	3.94	3.98
16	Goa Urban Co-op Bank Ltd. #	3.01	2.38	3.51	2.97
17	Greater Bombay Co-op Bank Ltd.	2.26	2.52	2.50	1.91
18	Ichalkaranji Janata Sahakari Bank Ltd.	2.32	2.12	2.87	2.32
19	Indian Mercantile Co-op Bank Ltd.	—	1.69	—	2.18
20	Jalgaon Janata Sahakari Bank Ltd.	2.52	2.21	2.26	1.94
21	Janakalyan Sahakari Bank Ltd.	2.13	1.92	3.31	3.82
22	Janalaxmi Co-op Bank Ltd. #	1.39	1.28	2.44	3.50
23	Janata Sahakari Bank Ltd.	1.85	1.71	2.12	0.94
24	Kalupur Commercial Bank Ltd.	0.87	1.16	2.87	4.65
25	Kalyan Janata Sahakari Bank Ltd.	1.79	1.85	3.56	1.29
26	Kapol Co-op Bank Ltd.	3.48	3.82	3.51	2.03
27	Karad Urban Co-op Bank Ltd.	3.32	3.09	3.63	2.70
28	Khamgaon Urban Co-op Bank Ltd.	1.80	1.87	2.23	1.87
29	Madhavpura Mercantile Co-op Bank Ltd. #	0.41	0.24	1.49	-1.62
30	Mahanagar Co-op Bank Ltd.	3.49	4.69	3.42	4.07
31	Mandvi Co-op Bank Ltd.	2.91	3.20	3.09	2.48
32	Mapusa Urban Co-op Bank Ltd. #	2.44	2.81	-1.42	-1.10
33	Mehsana Urban Co-op Bank Ltd.	0.73	0.90	1.88	2.62
34	Nagar Urban Co-op Bank Ltd.	2.16	2.00	1.96	1.96
35	Nagpur Nagarik Sahakari Bank Ltd.	2.00	2.11	2.27	3.12
36	Nasik Merchant's Co-op Bank Ltd. #	2.21	2.03	4.77	4.55
37	New India Co-op Bank Ltd.	3.69	3.39	5.23	4.65
38	North Kanara GSB Co-op Bank Ltd.	2.14	2.08	3.77	3.26
39	Nutan Nagarik Sahakari Bank Ltd.	2.12	2.77	3.62	3.36
40	Parsik Janata Sahakari Bank Ltd.	2.11	1.95	4.14	3.70
41	Punjab & Maharashtra Co-op Bank Ltd.	2.57	2.33	3.60	3.30
42	Rajkot Nagrik Sahakari Bank Ltd.	1.11	1.09	3.63	2.46
43	Rupee Co-op Bank Ltd. #	1.52	1.72	2.36	0.63
44	Sangli Urban Co-op Bank Ltd.	2.58	3.06	3.20	3.43
45	Saraswat Co-op Bank Ltd.	2.73	2.34	3.57	2.50
46	Sardar Bhiladwalla Pardi People's Co-op Bank Ltd.	2.05	2.54	3.20	2.34
47	Shamrao Vithal Co-op Bank Ltd.	2.48	2.46	3.67	3.49
48	Shikshak Sahakari Bank Ltd.	1.48	1.49	-0.51	-1.43
49	Surat People's Co-op Bank Ltd.	1.81	2.05	3.37	3.88
50	Thane Janata Sahakari Bank Ltd.	2.28	2.22	4.03	3.52
51	Vasavi Co-operative Urban Bank Ltd.	2.08	3.56	1.93	3.76
52	Visnagar Nagarik Sahakari Bank Ltd.	1.46	0.92	2.65	1.12
	TOTAL	**1.95**	**1.96**	**2.82**	**2.23**

Uuaudited for 2001-02.

Source: Balance sheet of respective banks.

Appendix Table III.3: Recovery Performance of Rural Co-Operative Banks

(As per cent of demand)

Sr. No.	State/ Union Territory	StCBs 1999 - 2000	StCBs 2000 - 01(P)	CCBs 1999 - 2000	CCBs 2000 - 01(P)	SCARDBs 1999 - 2000	SCARDBs 2000 - 01(P)	PCARDBs 1999 - 2000	PCARDBs 2000 - 01(P)
1	2	3	4	5	6	7	8	9	10
1	Andaman & Nicobar Islands	68	65	—	—	—	—	—	—
2	Andhra Pradesh	68	72	64	62	—	—	—	—
3	Arunachal Pradesh	27	27	—	—	—	—	—	—
4	Assam	25	22	9	10	1	1	—	—
5	Bihar	6	22	9	23	46	46	—	—
6	Chandigarh	30	50	—	—	—	—	—	—
7	Chhattisgarh	—	—	—	66	—	—	—	—
8	Delhi	36	42	—	—	—	—	—	—
9	Goa	73	66	—	—	—	—	—	—
10	Gujarat	92	92	68	67	55	47	—	—
11	Haryana	99	99	77	79	90	88	61	62
12	Himachal Pradesh	79	70	66	74	63	62	78	73
13	Jammu & Kashmir	23	20	27	27	44	36	—	—
14	Jharkhand	—	—	—	19	—	—	—	—
15	Karnataka	94	84	68	69	37	31	44	35
16	Kerala	91	94	80	79	96	92	72	66
17	Madhya Pradesh	99	98	67	49	59	41	64	57
18	Maharashtra	82	76	69	66	41	36	—	—
19	Manipur	6	4	—	—	—	—	—	—
20	Meghalaya	42	45	—	—	—	—	—	—
21	Mizoram	23	29	—	—	—	—	—	—
22	Nagaland	29	28	—	—	—	—	—	—
23	Orissa	84	78	44	51	4	4	15	14
24	Pondicherry	87	95	—	—	35	28	—	—
25	Punjab	99	96	90	82	100	97	80	75
26	Rajasthan	91	90	77	77	79	66	54	45
27	Sikkim	100	95	—	—	—	—	—	—
28	Tamil Nadu	100	98	78	77	49	42	47	43
29	Tripura	36	24	—	—	—	—	—	—
30	Uttar Pradesh	98	76	52	48	84	86	—	—
31	Uttaranchal	—	—	—	80	—	—	—	—
32	West Bengal	76	78	73	71	62	56	57	54
	All India	**83**	**84**	**70**	**67**	**62**	**58**	**58**	**53**

P Provisional.

— No bank in the State/Union Territory or not available.

Note: Demand is amount due as on a particular date. It includes both interest and principal repayment due as on that date.

Source: NABARD.

Appendix Table III.4: State-Wise Position of Sanctions And Disbursements Under Rural Infrastructure Development Fund

(As on March 31, 2002)

(Rs. crore)

Sr. No.	State	RIDF-I		RIDF-II		RIDF-III		RIDF-IV		RIDF-V		RIDF-VI		RIDF-VII		State Total	
		Sanct-ions	Disbur-sement	Sanct-ions	Disbur-sement	Sanct-ions	Disbur-sement	Sanct-ions	Disbur-sement	Sanct-ions	Disbur-sement	Sanct-ions	Disbur-sement	Sanct-ions	Disbur-sement	Sanct-ions	Disbur-sement
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1	Andhra Pradesh	227	215	334	298	291	224	305	203	383	198	574	251	627	203	2,741	1,592
2	Arunachal Pradesh	—	—	—	—	—	—	—	—	25	18	89	38	69	12	183	69
3	Assam	—	—	63	61	16	15	65	36	196	99	50	15	—	—	390	225
4	Bihar	22	13	—	—	58	27	—	—	1	—	—	—	137	—	218	40
5	Chhattisgarh	79	78	9	4	57	48	65	30	34	9	51	14	84	9	380	192
6	Goa	7	7	—	—	—	—	9	9	—	—	19	7	16	4	51	27
7	Gujarat	151	145	134	114	161	134	136	75	254	139	555	259	41	12	1,431	879
8	Haryana	27	19	61	56	75	59	56	43	99	58	67	27	228	38	613	301
9	Himachal Pradesh	14	14	53	53	51	47	89	71	113	75	135	57	176	45	631	362
10	Jammu & Kashmir	6	6	8	1	36	18	106	72	111	65	162	69	217	61	645	292
11	Jharkhand	—	—	—	—	4	2	119	—	91	—	—	—	—	—	214	2
12	Karnataka	173	159	195	172	171	152	174	139	174	111	303	69	342	1	1,532	803
13	Kerala	96	86	88	69	90	60	65	39	128	78	186	68	192	32	844	432
14	Madhya Pradesh	161	137	204	179	192	142	178	82	229	76	293	93	312	85	1,568	793
15	Maharashtra	187	170	232	204	254	235	302	227	350	267	439	187	530	106	2,294	1,397
16	Manipur	2	1	—	—	—	—	—	—	—	—	8	—	—	—	10	1
17	Meghalaya	3	3	—	—	7	6	9	7	35	18	30	9	18	3	104	47
18	Mizoram	2	2	—	—	—	—	—	—	54	28	4	4	7	3	68	37
19	Nagaland	1	1	—	—	—	—	1	—	17	13	61	13	1	—	81	28
20	Orissa	170	162	130	117	163	120	163	83	135	50	107	29	153	48	1,020	609
21	Punjab	61	61	63	62	89	84	116	68	103	86	237	126	240	91	907	579
22	Rajasthan	124	117	152	127	163	132	72	29	153	89	254	224	435	124	1,352	842
23	Sikkim	—	—	—	—	—	—	21	18	9	8	5	3	5	2	40	31
24	Tamil Nadu	—	—	246	219	209	172	177	134	254	180	262	158	360	79	1,508	942
25	Tripura	—	—	—	—	—	—	22	12	45	4	35	4	7	—	109	20
26	Uttar Pradesh	296	282	492	380	411	343	475	302	349	182	248	56	339	62	2,609	1,605
27	Uttranchal	—	—	—	—	22	2	51	6	5	—	—	—	54	—	131	9
28	West Bengal	103	82	157	135	174	159	214	177	222	119	413	119	474	95	1,757	887
	All India	**1,911**	**1,761**	**2,620**	**2,250**	**2,693**	**2,183**	**2,988**	**1,863**	**3,568**	**1,969**	**4,586**	**1,899**	**5,066**	**1,117**	**23,432**	**13,042**

Source : NABARD

Appendix Table IV.1(A): Financial Assets of Banks and Financial Institutions

(As at end of March)

(Amount in Rs. crore)

Institutions	1990-91	1996-97	1997-98	1998-99	1999-00	2000-01 P	2001-02 P
1	2	3	4	5	6	7	8

I. Banks (1+2+3)*	**2,32,786**	**5,64,824**	**6,54,406**	**7,61,326**	**8,88,781**	**10,50,276**	**12,69,034**	
			(15.9)	(16.3)	(16.7)	(18.2)	(20.8)	
1. All Scheduled Commercial Banks**	2,22,613	5,42,001	6,28,332	7,26,129	8,51,100	10,09,150	12,23,008	
2. Non-Scheduled Commercial Banks***	77	2	—	—	—	—	—	
Total Commercial Banks (1+2)	2,22,690	5,42,003	6,28,332	7,26,129	8,51,100	10,09,150	12,23,008	
3. State Co-operative Banks+	10,096	22,821	26,074	35,197	37,681	41,126	46,026	
II. Financial Institutions++	**1,22,655**	**3,27,958**	**3,86,653**	**4,45,278**	**5,05,691**	**5,59,077**	**4,88,998**	
			(17.9)	(15.2)	(13.6)	(10.6)	(-12.5)	
4. Term-lending Institutions# (All-India)	52,054	1,31,636	1,61,216	1,90,338	2,06,402	2,23,035	1,52,656	
5. State Level Institutions@	10,048	20,948	21,203	21,629	24,518	24,748	25,048	
6. Investment Institutions @@	58,566	1,69,491	1,97,321	2,27,023	2,67,817	3,03,340	3,03,340	@*
7. Other Institutions @#	1,987	5,884	6,914	6,289	6,954	7,954	7,954	@*
III. Aggregate (I+II)	**3,55,441**	**8,92,782**	**10,41,059**	**12,06,604**	**13,94,472**	**16,09,353**	**17,58,032**	
			(16.6)	(15.9)	(15.6)	(15.4)	(9.2)	
IV.Percentage Share:								
a) I to III	65.5	63.3	62.9	63.1	63.7	65.3	72.2	
b) II to III	34.5	36.7	37.1	36.9	36.3	34.7	27.8	

P Provisional.

@* Figures repeated.

* 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 the last reporting Friday of March. Data in respect of ICICI Bank Ltd. for 2001-02, pertain to March 31, 2002 as reported in published balance sheet.

*** As per returns under Section 27 of the Banking Regulation Act ,1949. Data are in respect of Last Friday of March.

+ The data since 1990 are in respect of Last Reporting Friday of March.

++ Figures pertain to the accounting year of the respective financial institution.

Term lending institutions include IDBI, NABARD, ICICI, IFCI, EXIM BANK , IIBI, NHB and IDFC. For end March 2002, the data do not include ICICI as it was merged with the ICICI Bank Ltd.

@ Include SFCs and SIDCs.

@@ Include UTI, LIC and GIC and its former subsidiaries.

@# Include DICGC and ECGC.

Note: Figures in brackets indicate percentage change over the previous year.

Appendix Table IV.1(B): Financial Assets of Financial Institutions – Institution-Wise

(As at end of March)

(Amount in Rs. crore)

Institutions		1990-91	1996-97	1997-98	1998-99	1999-2000	2000-01P	2001-02P
	1	2	3	4	5	6	7	8
A.	**All-India Financial Institutions**							
1.	IDBI	22,701	47,925	58,614	66,136	69,018	70,059	65,444
				(22.3)	(12.8)	(4.4)	(1.5)	-(6.6)
2.	NABARD	12,664	22,393	25,027	28,803	32,999	38,491	44,454
				(11.8)	(15.1)	(14.6)	(16.6)	(15.5)
3.	ICICI	7,084	33,756	45,340	56,515	62,828	72,033	@
				(34.3)	(24.6)	(11.2)	(14.7)	
4.	IFCI	5,835	16,453	19,924	22,034	21,927	21,292	20,494
				(21.1)	(10.6)	-(0.5)	-(2.9)	-(3.7)
5.	EXIM Bank	1,984	4,883	5,186	5,641	6,863	7,245	8,051
				(6.2)	(8.8)	(21.7)	(5.6)	(11.1)
6.	IIBI	818	1,698	2,508	3,764	4,089	4,089 #	4,089 #
				(47.7)	(50.1)	(8.6)	(0.0)	(0.0)
7.	NHB	969	4,528	4,617	5,143	6,239	6,972	6,872
				(2.0)	(11.4)	(21.3)	(11.7)	-(1.4)
8.	IDFC				2,302	2,439	2,854	3,252
						(6.0)	(17.0)	(13.9)
Total of A		**52,054**	**1,31,636**	**1,61,216**	**1,90,338**	**2,06,402**	**2,23,035**	**1,52,656**
(1 to 8)				**(22.5)**	**(18.1)**	**(8.4)**	**(8.1)**	**-(31.6)**
B.	**State Level Institutions**							
9.	SFCs	6,412	12,210	12,555	10,437	12,218	12,448	12,748*
				(2.8)	-(16.9)	(17.1)	(1.9)	(2.4)
10.	SIDCs	3,637	8,738	8,648	11,192	12,300	12,300 #	12,300 #
				-(1.0)	(29.4)	(9.9)	(0.0)	(0.0)
Total of B		**10,048**	**20,948**	**21,203**	**21,629**	**24,518**	**24,748**	**25,048**
(9 to10)				**(1.2)**	**(2.0)**	**(13.4)**	**(0.9)**	**(1.2)**
C.	**Investment Institutions**							
11.	LIC	29,040	90,599	1,08,847	1,31,780	1,59,949	1,92,482	1,92,482 #
				(20.1)	(21.1)	(21.4)	(20.3)	(0.0)
12.	GIC and its subsidiaries	6,362	18,065	20,788	23,717	26,834	29,824	29,824 #
				(15.1)	(14.1)	(13.1)	(11.1)	(0.0)
13.	UTI	23,164	60,827	67,686	71,526	81,034	81,034 #	81,034 #
				(11.3)	(5.7)	(13.3)	(0.0)	(0.0)
Total of C		**58,565**	**1,69,491**	**1,97,321**	**2,27,023**	**2,67,817**	**3,03,340**	**3,03,340**
(11 to 13)				**(16.4)**	**(15.1)**	**(18.0)**	**(13.3)**	**(0.0)**
D.	**Other Institutions**							
14.	DICGC	1,744	5,251	6,138	5,251	5,607	6,311	6,311 #
				(16.9)	-(14.5)	(6.8)	(12.6)	(0.0)
15.	ECGC	244	634	776	1,038	1,347	1,643	1,643 #
				(22.5)	(33.8)	(29.8)	(22.0)	(0.0)
Total of D		**1,987**	**5,884**	**6,914**	**6,289**	**6,954**	**7,954**	**7,954**
(14 to 15)				**(17.5)**	**-(9.0)**	**(10.6)**	**(14.4)**	**(0.0)**
Grand Total		**1,22,655**	**3,27,958**	**3,86,653**	**4,45,278**	**5,05,691**	**5,59,077**	**4,88,998**
(A+B+C+D)				**(17.9)**	**(15.2)**	**(13.6)**	**(10.6)**	**-(12.5)**

Figures repeated. P Provisional. @ Merged with the ICICI Bank Ltd.

* Figures of SFCs in respect of eight states were repeated for the year 2001-02.

Note:
1. Data pertain to the accounting year of the respective financial institutions. As far as IFCI is concerned, the stock of financial assets for the years upto 1992-93 are as at end-June while for 1993-94 onwards the figures are as at end-March due to 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. Totals may not tally due to rounding off.

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 2000-2001	
	2000-01		2001-02		2000-01		2001-02		2000-01		2001-02		2000-01		2001-02			
	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)	**74,443.7**	**44,927.8**	**41,993.1**	**29,409.2**	**13,795.5**	**9,118.9**	**9,065.9**	**7,222.1**	**9,098.0**	**5,402.7**	**12,163.1**	**8,273.9**	**97,337.2**	**59,449.4**	**63,222.0**	**44,905.2**	**-35.1**	**-24.5**
	(73,639.9)	**(44,152.2)**	**(41,539.3)**	**(28,970.9)**									**(96,533.4)**	**(58,673.9)**	**(62,768.2)**	**(44,466.9)**	**(-35.0)**	**(-24.2)**
1. IDBI	21,767.7	13,589.1	12,250.4	7,853.3	4,572.0	3,404.1	3,357.9	2,894.0	492.9	483.7	259.6	265.2	26,832.6	17,476.9	15,867.9	11,012.5	-41.0	-37.0
	(21,349.5)	(13,096.2)	(11,965.8)	(7,551.2)									(26,414.4)	(16,984.0)	(15,583.3)	(10,710.4)	(-41.0)	(-36.9)
2. IFCI	1,369.7	1,741.1	628.1	880.9	396.8	409.8	149.5	193.5	—	5.9	—	—	1,766.5	2,156.8	777.6	1,074.4	-56.0	-50.2
3. ICICI	39,506.9	22,512.0	19,533.1	14,474.7	7,703.2	4,239.4	4,792.6	3,347.6	8,605.1	4,913.1	11,903.5	8,008.7	55,815.2	31,664.6	36,229.1	25,831.0	-35.1	-18.4
4. SIDBI	10,820.6	6,441.4	9,025.5	5,919.3	—	—	—	—	—	—	—	—	10,820.6	6,441.4	9,025.5	5,919.3	-16.6	-8.1
	(10,435.0)	(6,158.7)	(8,856.3)	(5,783.1)									(10,435.0)	(6,158.7)	(8,856.3)	(5,783.1)	(-15.1)	(-6.1)
5. IIBI	978.8	644.2	556.0	281.0	1,123.5	1,065.6	765.9	787.0	—	—	—	—	2,102.3	1,709.8	1,321.9	1,068.0	-37.1	-37.5
B. Specialised Financial Institutions (6 to 8)	**102.4**	**60.7**	**96.1**	**89.3**	**235.7**	**192.0**	**773.3**	**776.1**	**1.0**	**0.8**	**3.0**	**3.5**	**339.1**	**253.5**	**872.4**	**868.9**	**157.3**	**242.8**
6. IVCF	0.6	0.6	—	0.5	2.0	1.9	—	0.1	1.0	0.8	3.0	3.5	3.6	3.3	3.0	4.1	-16.7	24.2
7. ICICI Venture	—	1.5	2.7	2.3	229.9	188.1	771.3	776.0	—	—	—	—	229.9	189.6	774.0	778.3	236.7	310.5
8. TFCI	101.8	58.6	93.4	86.5	3.8	2.0	2.0	—	—	—	—	—	105.6	60.6	95.4	86.5	-9.7	42.7
C. Investment Institutions (9 to 11)	**4,050.8**	**700.2**	**1,541.0**	**955.8**	**14,620.3**	**12,079.6**	**7,696.7**	**10,693.5**	**13.0**	**13.0**	**—**	**—**	**18,684.1**	**12,792.8**	**9,237.7**	**11,649.3**	**-50.6**	**-8.9**
9. LIC	3,669.4	279.5	900.6	374.3	7,192.8	6,810.5	5,840.9	8,539.9	5.0	5.0	—	—	10,867.2	7,095.0	6,741.5	8,914.2	-38.0	25.6
10. UTI	—	—	—	—	6,762.1	4,591.9	991.0	1,269.6	8.0	8.0	—	—	6,770.1	4,599.9	991.0	1,269.6	-85.4	-72.4
11. GIC@	381.4	420.7	640.4	581.5	665.4	677.2	864.8	884.0	—	—	—	—	1,046.8	1,097.9	1,505.2	1,465.5	43.8	33.5
D. Total Assistance by All-India Financial Institutions (A+B+C)	**78,596.9**	**45,688.7**	**43,630.2**	**30,454.3**	**28,651.5**	**21,390.5**	**17,535.9**	**18,691.7**	**9,112.0**	**5,416.5**	**12,166.1**	**8,277.4**	**1,16,360.4**	**72,495.8**	**73,332.1**	**57,423.4**	**-37.0**	**-20.8**
	(77,793.1)	**(44,913.1)**	**(43,176.4)**	**(30,016.0)**									**(1,15,556.6)**	**(71,720.2)**	**(72,878.3)**	**(56,985.1)**	**(-36.9)**	**(-20.6)**
E. State level Institutions (12 to 13)	**4,810.3**	**3,450.2**	..	..	**148.3**	**160.3**	..	..	**32.9**	**32.9**	..	..	**4,991.5**	**3,643.4**	..	..	..	..
12. SFCs	2,911.4	1,979.0	2,210.2	1,749.6	—	—	—	—	—	—	—	—	2,911.4	1,979.0	2,210.2	1,749.6	-24.1	-11.6
13. SIDCs	1,898.9	1,471.2	..	..	148.3	160.3	..	..	32.9	32.9	..	..	2,080.1	1,664.4	..	..	..	..
F. Total Assistance by All Financial Institutions (D+E)	**83,407.2**	**49,138.9**	..	..	**28,799.8**	**21,550.8**	..	..	**9,144.9**	**5,449.4**	..	..	**1,21,351.9**	**76,139.2**	..	..	..	..
	(82,603.4)	**(48,363.3)**											**(1,20,548.1)**	**(75,363.6)**	(..)	(..)	(..)	(..)

S Sanctions D Disbursements — Nil .. Not available

* Loans include rupee loans, foreign currency loans and guarantees.

@ Data includes GIC and its former subsidiaries.

Notes:
1. 2001-2002 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. Others item (Col.10 to 13) include short-term/bridge loans in case of IVCF & UTI.

Source: IDBI for GIC and SIDCs, SIDBI for SFCs and respective financial institutions.

Appendix Table IV.3: Composition of Liabilities and Assets of Financial Institutions*

(Amount in Rs. crore)

Item	As on March 31,		
	2001	**2001** (Excluding ICICI)	**2002**
1	2	3	4
Liabilities			
1. Capital	7,865.78	6,730.94	6,810.94
	(3.2)	(3.9)	(3.9)
2. Reserves	39,146.55	31,958.69	31,136.92
	(15.9)	(18.5)	(17.7)
3. Bonds & Debentures	1,26,154.93	76,066.53	81,717.38
	(51.2)	(43.9)	(46.6)
3. Deposits	17,846.28	11,028.57	14,239.94
	(7.2)	(6.4)	(8.1)
4. Borrowings	37,204.05	34,275.20	27,145.96
	(15.1)	(19.8)	(15.5)
5. Other Liabilities	18,308.25	13,052.18	14,469.33
	(7.4)	(7.5)	(8.2)
Total Liabilities	**2,46,525.84**	**1,73,112.11**	**1,75,520.47**
	(100.0)	**(100.0)**	**(100.0)**
Assets			
1. Cash and Bank balances	8,901.28	6,195.16	5,577.19
	(3.6)	(3.6)	(3.2)
2. Investment	29,864.08	18,712.44	21,945.08
	(12.1)	(10.8)	(12.5)
3. Loans and Advances	1,82,025.73	1,30,752.38	1,31,599.21
	(73.8)	(75.5)	(75.0)
4. Bills Discounted/Rediscounted	3,641.02	3,641.02	2,744.26
	(1.5)	(2.1)	(1.6)
5. Fixed Assets	8,152.23	3,041.82	2,747.21
	(3.3)	(1.8)	(1.6)
6. Other Assets	13,941.50	10,769.29	10,907.52
	(5.7)	(6.2)	(6.2)
Total Assets	**2,46,525.84**	**1,73,112.11**	**1,75,520.47**
	(100.0)	**(100.0)**	**(100.0)**

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

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

Source: Balance sheet of respective Financial Institutions.

Appendix Table IV.4: Pattern of Sources and Deployment of Funds of Financial Institutions*

(Amount in Rs. crore)

Sources/Deployment of Funds	2000-2001										2001-2002									
	Quarter ended										Quarter ended									
	Jun-00		Sep-00		Dec-00		March-01		**Total (April-March)**		Jun-01		Sep-01		Dec-01		March-02#		**Total (April-March)**	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	**Amount**	**Share**	Amount	Share	Amount	Share	Amount	Share	Amount	Share	**Amount**	**Share**
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	12,868	50.6	19,112	56.7	10,718	40.9	24,859	53.2	**67,557**	**51.1**	18,870	50.5	23,332	56.1	18,504	54.9	17,914	53.9	**78,620**	**53.9**
	(5,907)	(42.0)	(12,573)	(62.2)	(6,973)	(42.8)	(18,045)	(58.4)	**(43,498)**	**(53.4)**	(10,680)	(49.4)	(13,448)	(57.2)	(9,199)	(47.8)	(17,914)	(53.9)	**(51,241)**	**(52.5)**
(ii) External	6,537	25.7	8,189	24.3	9,187	35.0	15,013	32.1	**38,926**	**29.5**	11,779	31.5	10,373	24.9	8,982	26.6	11,011	33.1	**42,145**	**28.9**
	(3,527)	(25.1)	(3,423)	(16.9)	(5,237)	(32.2)	(8,643)	(28.0)	**(20,830)**	**(25.6)**	(6,688)	(30.9)	(4,569)	(19.4)	(6,170)	(32.0)	(11,011)	(33.1)	**(28,438)**	**(29.1)**
(iii) Other sources	6,025	23.7	6,393	19.0	6,317	24.1	6,899	14.8	**25,634**	**19.4**	6,698	17.9	7,896	19.0	6,218	18.4	4,308	13.0	**25,120**	**17.2**
	(4,630)	(32.9)	(4,204)	(20.8)	(4,070)	(25.0)	(4,226)	(13.7)	**(17,130)**	**(21.0)**	(4,248)	(19.7)	(5,492)	(23.4)	(3,886)	(20.2)	(4,308)	(13.0)	**(17,934)**	**(18.4)**
Total Sources of Funds (i+ii+iii)	25,430	100.0	33,694	100.0	26,222	100.0	46,771	100.0	**1,32,117**	**100.0**	37,347	100.0	41,601	100.0	33,704	100.0	33,233	100.0	**1,45,885**	**100.0**
	(14,064)	(100.0)	(20,200)	(100.0)	(16,280)	(100.0)	(30,914)	(100.0)	**(81,458)**	**(100.0)**	(21,616)	(100.0)	(23,509)	(100.0)	(19,255)	(100.0)	(33,233)	(100.0)	**(97,613)**	**(100.0)**
Deployment of Funds																				
(i) Fresh Deployments	12,814	50.4	18,836	55.9	12,903	49.2	28,308	60.5	**72,861**	**55.1**	18,939	50.7	20,498	49.3	16,791	49.8	17,316	52.1	**73,544**	**50.4**
	(5,575)	(39.6)	(10,226)	(50.6)	(7,357)	(45.2)	(18,406)	(59.5)	**(41,564)**	**(51.0)**	(10,754)	(49.8)	(10,820)	(46.0)	(9,399)	(48.8)	(17,316)	(52.1)	**(48,289)**	**(49.5)**
(ii) Repayment of past borrowings	3,456	13.6	8,498	25.2	3,983	15.2	8,523	18.2	**24,460**	**18.5**	10,172	27.2	10,824	26.0	7,945	23.6	8,066	24.3	**37,007**	**25.4**
	(2,336)	(16.6)	(5,457)	(27.0)	(1,948)	(12.0)	(4,953)	(16.0)	**(14,694)**	**(18.0)**	(5,259)	(24.3)	(4,356)	(18.5)	(3,134)	(16.3)	(8,066)	(24.3)	**(20,815)**	**(21.3)**
(iii) Other Deployments	9,160	36.0	6,360	18.9	9,336	35.6	9,940	21.3	**34,796**	**26.3**	8,236	22.1	10,279	24.7	8,968	26.6	7,851	23.6	**35,334**	**24.2**
	(6,153)	(43.8)	(4,517)	(22.4)	(6,975)	(42.8)	(7,555)	(24.4)	**(25,200)**	**(30.9)**	(5,603)	(25.9)	(8,333)	(35.4)	(6,722)	(34.9)	(7,851)	(23.6)	**(28,509)**	**(29.2)**
of which : Interest Payments	4,614	18.1	4,774	14.2	4,174	15.9	4,785	10.2	**18,347**	**13.9**	4,929	13.2	6,387	15.4	4,723	14.0	3,069	9.2	**19,108**	**13.1**
	(3,106)	(22.1)	(3,176)	(15.7)	(2,543)	(15.6)	(3,145)	(10.2)	**(11,970)**	**(14.7)**	(3,256)	(15.1)	(4,748)	(20.2)	(3,149)	(16.4)	(3,069)	(9.2)	**(14,222)**	**(14.6)**
Total Deployment of Funds (i+ii+iii)	25,430	100.0	33,694	100.0	26,222	100.0	46,771	100.0	**1,32,117**	**100.0**	37,347	100.0	41,601	100.0	33,704	100.0	33,233	100.0	**1,45,885**	**100.0**
	(14,064)	(100.0)	(20,200)	(100.0)	(16,280)	(100.0)	(30,914)	(100.0)	**(81,458)**	**(100.0)**	(21,616)	(100.0)	(23,509)	(100.0)	(19,255)	(100.0)	(33,233)	(100.0)	**(97,613)**	**(100.0)**

* Financial Institutions comprise of IDBI, ICICI, IFCI, IIBI, EXIM Bank, NABARD, SIDBI, IDFC and NHB.
# ICICI Ltd. merged with ICICI Bank Ltd. with effect from March 30, 2002.
Notes: 1. Figures in brackets excluding ICICI.
2. Share - As per cent of total of that category

Appendix Table IV.5: Selected Financial Parameters of Financial Institutions

(As on March 31, 2002) (Per cent)

Sr. No.	Financial Institutions	Core CRAR	Supplementary CRAR	CRAR	Net NPAs/ Net Loan#	Interest Income/ average W.Funds	Non-Interest Income/ average W.Funds	Operating Profit/ average W.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	31.77	1.36	33.13	7.40	7.79	1.07	3.59	2.22	1.05
2	IDBI	12.92	4.94	17.86	13.40	9.40	2.09	1.72	0.61	0.15
3	IDFC	38.88	17.98	56.86	0.00	11.74	1.10	6.62	5.91	1.61
4	IFCI	1.56	1.56	3.12	22.50	9.42	0.65	-4.17	-4.03	-1.06
5	IIBI	5.68	3.47	9.15	24.10	12.79	0.49	1.56	12.91	0.23
6	NABARD	35.67	1.25	36.92	0.00	8.81	0.05	4.35	3.58	0.28
7	NHB*	N.A.	N.A.	20.16	0.00	10.81	0.69	2.48	2.48	2.14
8	SIDBI	43.76	1.25	45.01	3.00	10.28	0.26	3.89	2.33	0.31
9	TFCI	18.27	0.19	18.46	20.20	12.84	0.61	3.07	1.00	0.32

W. Funds - Working Funds. N.A. Not Available.

* Audited data of NHB is as on June 30, 2002.

As furnished by respective financial institutions.

Source : Respective Balance sheets.

Appendix Table IV.6 : Resource Mobilisation by Mutual Funds

(Rs. crore)

Year (April-March)	Public Sector Mutual Funds: Sponsored by Banks	FIs	Total (2+3)	Unit Trust of India		Total (4+5)	Private Sector Mutual Funds	Grand Total (6+7)
1	2	3	4	5		6	7	8
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	-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	335.9	295.5	631.4	4,548.0		5,179.4	16,937.4	22,116.8
	(6)	(3)	(9)	(1)		(10)	(27)	(37)
2000-2001 P	247.8	1,272.8	1,520.6	322.0		1,842.6	9,292.1	11,134.7
	(6)	(3)	(9)	(1)		(10)	(27)	(37)
2001-2002 P	717.6	612.8	1,330.4	-7,284.0		-5,953.7	13,977.1	8,023.5
	(6)	(3)	(9)	(1)		(10)	(27)	(37)

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 ongoing schemes.
2. Data exclude amount mobilised by off-shore funds and through roll-over schemes.
3. Data within parentheses relate to the number of mutual funds which mobilised resources during the year. The actual number of funds in operation could be greater than the number indicated in parentheses .

Source : UTI and respective Mutual Funds.