

Table III.42: Return on Bank Stocks vis-à-vis Other Sectoral Stocks *

(Per cent)

Year	BSE	BSE	Sectoral Indices					
	Sensex	500	Bankex	FMCG	IT	PSU	Capital Goods	Consumer Durables
1	2	3	4	5	6	7	8	9
2002-03	-12.1	-8	16.2	-23.6	-20.4	10.1	26.4	-15.1
2003-04	83.4	109.4	118.6	31.3	29.2	148.1	147.3	68.4
2004-05	16.1	21.9	28.6	11.6	59.5	8.1	39.9	50.5
2005-06	73.7	65.2	36.8	109.9	49.2	44.0	156.0	115.4
2006-07	15.9	9.7	24.3	-21.4	21.6	-3.2	11.1	11.1
2007-08	19.7	24.2	18.0	31.7	-27.6	25.4	54.4	8.8
2008-09 (up to December 08, 2008)	-41.4	-45.9	-38.0	-15.5	-32.7	-37.6	-53.4	-56.1

* : Percentage variations in indices measured on a point-to-point basis.
Source : Bombay Stock Exchange Limited (BSE).

sector banks witnessed handsome gains during 2007-08. Among public sector banks, the major gainers during 2007-08 were UCO Bank (72.7 per cent), State Bank of India (61.0 per cent), State Bank of Travancore (58.8 per cent), Bank of India (50.7 per cent), State Bank of Bikaner and Jaipur (49.3 per cent) and State Bank of Mysore (45.8 per cent) (Table III.44). Among the private sector banks, the major gainers during 2007-08 included Bank of Rajasthan (155.0 per cent), ING Vysya Bank (94.7 per cent), Indusind Bank (87.6 per cent), Axis Bank (59.4 per cent), South Indian Bank Ltd. (40.6 per cent) and HDFC Bank (39.0 per cent). However, share prices of City Union Bank declined by 82.7 per cent during the year.

3.102 The price/earning (P/E) ratio of both public and private sector banks showed wide variations. At end-March 2008, while the P/E ratio of public sector banks ranged

between 3.4 (Allahabad Bank) and 10.1 (State Bank of India), the P/E ratio of private sector banks ranged between 6.8 (Federal Bank) and 52.7 (Centurion Bank of Punjab Ltd., which was later merged with HDFC Bank in May 2008) (Table III.44).

3.103 Bank stocks continued to constitute a significant portion of market capitalisation of the Indian equity market with their share increasing to 7.2 per cent at end-March 2008 from 6.8 per cent at end-March 2007. The market capitalisation of bank stocks constituted 8.8 per cent of total market capitalisation on December 03, 2008. The share of turnover of bank stocks in total turnover also increased from 5.3 per cent during 2006-07 to 6.6 per cent during 2007-08 and further to 11.5 per cent during the current financial year (up to December 03, 2008) (Table III.45).

Table III.43: Performance of Bank Stocks - Risk and Return

Indices	Returns*			Volatility@		
	2006-07	2007-08	2008-09#	2006-07	2007-08	2008-09#
1	2	3	4	5	6	7
BSE Bankex	24.2	18.0	-38.0	17.5	18.1	18.3
BSE Sensex	15.9	19.7	-41.4	11.1	13.7	19.0

* : Percentage variations in indices on a point-to-point basis.
@ : Defined as coefficient of variation.
: Up to December 08, 2008.
Source : Bloomberg.

Table III.44: Share Prices and Price/Earning Ratios of Bank Stocks at BSE

Bank	End-March Closing Prices (Rs.)			Percentage Variation (Per cent) End-March 2008 over end-March 2007	P/E Ratio (End-March)		
	2006	2007	2008		2006	2007	2008
1	2	3	4	5	6	7	8
Public Sector Banks							
Allahabad Bank	38.95	72.7	76.65	5.43	5.0	4.3	3.4
Andhra Bank	80.8	76.05	74.1	-2.56	8.1	6.8	6.1
Bank of Baroda	230.3	215.4	283.9	31.80	10.1	6.9	6.7
Bank of India	132	167.8	252.9	50.72	9.2	7.4	6.4
Bank of Maharashtra	30.65	39.1	50.05	28.01	26.0	6.2	6.6
Canara Bank	266.9	194.7	225.2	15.67	8.2	5.2	5.1
Corporation Bank	381.7	288.9	283.05	-2.02	12.3	8.0	5.4
Dena Bank	36.4	35	50.85	45.29	20.3	5.0	4.0
Indian Overseas Bank	96.95	103	135.2	31.26	6.7	5.6	6.1
Oriental Bank of Commerce	232.85	187.55	176.65	-5.81	7.4	8.1	5.3
Punjab National Bank	471.2	471.65	508.15	7.74	10.3	9.2	7.3
Syndicate Bank	89.35	63.95	75.05	17.36	8.7	4.3	4.5
Union Bank of India	121.85	103.9	141	35.71	9.1	6.2	5.1
Vijaya Bank	52.55	42.5	49.65	16.82	18.0	5.6	6.5
State Bank of India	968.05	992.9	1598.85	61.03	11.6	8.2	10.1
State Bank of Bikaner and Jaipur	4,164.35	3,348.00	4,998.00	49.28	14.4	5.5	7.9
State Bank of Mysore	6,326.75	5,143.25	7,500.00	45.82	10.5	7.4	8.5
State Bank of Travancore	4,151.95	3,008.35	4,775.95	58.76	8.0	4.6	6.2
UCO Bank	26.55	21.4	36.95	72.66	10.8	5.4	7.1
Other Public Sector Banks							
IDBI Bank Ltd.	78.3	77.55	89.05	14.83	10.1	9.6	8.6
Private Sector Banks							
Axis Bank	356.35	490.15	781.15	59.37	20.5	20.0	22.5
Bank of Rajasthan Ltd.	44.2	38.8	98.95	155.03	39.8	3.8	11.6
City Union Bank Ltd.	112	161.45	27.9	-82.72	4.8	5.4	8.9
Centurion Bank of Punjab Ltd.	26.55	37.55	43.35	15.45	152.0	45.8	52.7
Dhanalakshmi Bank	31.1	58.55	63.05	7.69	10.5	11.7	7.1
Federal Bank Ltd.	201.65	215.55	216.3	0.35	7.7	6.3	6.8
ING Vysya Bank	142.8	174.35	339.4	94.67	143.6	17.7	17.9
Indusind Bank Ltd.	46.85	41.95	78.7	87.60	36.9	18.1	33.5
Jammu and Kashmir Bank Ltd.	451.4	643.75	681.9	5.93	12.4	11.4	9.1
Karnataka Bank Ltd.	100.15	171.05	199.95	16.90	6.9	11.7	10.0
Karur Vysya Bank Ltd.	491.5	256.95	335.85	30.71	6.5	7.9	8.6
Kotak Mahindra Bank Ltd.	278	479.65	628.55	31.04	72.7	28.9	21.1
South Indian Bank Ltd.	61.65	99	139.2	40.61	8.5	6.7	7.4
HDFC Bank Ltd.	773.5	949.4	1319.95	39.03	27.8	26.1	28.7
ICICI Bank Ltd.	589.25	853.1	770.1	-9.73	21.8	27.6	23.9
Yes Bank	100.4	140.7	168.75	19.94	49.0	40.5	24.0

Source : BSE and Bloomberg.

Table III.45: Relative Share of Bank Stocks - Turnover and Market Capitalisation

(Per cent)		
Year	Share of turnover of bank stocks in total turnover	Share of capitalisation of bank stocks in total market capitalisation*
1	2	3
2005-06	6.8	7.1
2006-07	5.3	6.8
2007-08	6.6	7.2
2008-09 (up to December 03, 2008)	11.5	8.8

* : As at end-period.
Note : Data for turnover and market capitalisation of banks relate to Bank Nifty Index of NSE.
Source : National Stock Exchange of India Limited (NSE).

Shareholding Pattern in Public Sector Banks

3.104 The process of diversification of ownership of public sector banks made further progress during 2007-08. The number of public sector banks with private shareholding up to 10 per cent declined from three at end-March 2007 to two at end-March 2008, while those with more than 10 per cent and up to 20 per cent increased from one to two (Table III.46 and Appendix Table III.32).

3.105 The shareholding of foreign financial institutions (FFIs) in Indian banks increased further during the year. While the FFIs shareholding in public sector banks at end-

Table III.46: Private Shareholding in Public Sector Banks*

(As at end-March)		
Category	2007	2008
1	2	3
Up to 10 per cent	3	2
More than 10 and up to 20 per cent	1	2
More than 20 and up to 30 per cent	3	3
More than 30 and up to 40 per cent	3	3
More than 40 and up to 49 per cent	11	11

- : Nil/negligible
 * : Including 19 nationalised banks, State Bank of India and IDBI Bank Ltd.

March 2008 was broadly same as at end-March 2007, it increased in the case of old as well as new private sector banks. In the case of old private sectors banks, FFIs shareholding was more than 20 per cent in nine banks at end-March 2008 as against four a year ago. In four new private sector banks, FFI holding was more than 60 per cent as against three banks in the last year (Table III.47).

7. Technological Developments in Banks

3.106 Technological developments and the use of information technology (IT) have transformed the functioning of the financial sector in the country. Banks in India have

Table III.47: Foreign Financial Institutions (Non-resident) Shareholding in Indian Banks
 (As at end-March)

Category	(No. of banks)					
	Public Sector Banks		New Private Sector Banks		Old Private Sector Banks	
	2007	2008	2007	2008	2007	2008
1	2	3	4	5	6	7
Nil	8	8	-	-	4	2
Up to 10 per cent	5	5	-	-	9	2
More than 10 and up to 20 per cent	13	13	-	-	-	2
More than 20 and up to 30 per cent	2	2	1	1	1	4
More than 30 and up to 40 per cent	-	-	-	1	1	2
More than 40 and up to 50 per cent	-	-	1	1	-	-
More than 50 and up to 60 per cent	-	-	3	1	1	2
More than 60 and up to 70 per cent	-	-	2	4	-	-
More than 70 and up to 80 per cent	-	-	1	-	1	1
Total	28	28	8	8	17	15

used IT not only to improve their own internal processes but also to increase facilities and services to the customer. Furthermore, the large scale increase in the number of transactions handled by banks has enhanced the dependence of banking sector on modern technology, including use of computers. Apart from reducing transactions costs, the use of technology has also provided new avenues to banks to expand their outreach, especially in the remote and rural areas.

3.107 The process of computerisation, which marked the starting point of all technological initiatives, is reaching near completion for most of the banks. Public sector banks continued to provide adequate resources for computerisation and development of communication networks. The cumulative amount spent from September 1999 to March 2008 aggregated Rs.15,016 crore (Appendix Table III.33). A major development during 2007-08 was a significant increase in coverage of the number of branches providing core banking solution (CBS) from 22,804 at end-March 2007 to 35,464 at end-March 2008. In terms of percentage to total branches, the share of branches under CBS increased to 67.0 per cent at end-March 2008 from 44.4 per cent a year ago. At end-March 2008, the number of fully computerised branches was 93.7 per cent as against 85.6 per cent at end-March 2007 (Table III.48).

Table III.48: Computerisation in Public Sector Banks

(As at end-March)

(Per cent of total bank branches)

Category	2007	2008
1	2	3
Fully Computerised Branches (i+ii)	85.6	93.7
i) Branches Under Core Banking Solution	44.4	67.0
ii) Branches already Fully Computerised #	41.2	26.6
Partially Computerised Branches	13.4	6.3
# : Other than branches under Core Banking Solution.		

3.108 The total number of Nodes/PCs in the computerised branches (fully and partially) increased by 61,437 during 2007-08 representing an increase of 11.1 per cent. Public Sector banks recorded significant progress in fully computerising their branches. Of the twenty seven public sector banks, 20 banks have computerised their branches fully, while 5 banks have computerised between 70 to less than 100 per cent of their branches. Only two banks, viz., Punjab and Sind Bank and UCO Bank are yet to computerise more than half of their branches (Table III.49).

3.109 During 2007-08, the total number of ATMs installed by the banks grew by 28.4 per cent to 34,789 at end-March 2008. While, the ATMs installed by foreign banks and new private sector banks were nearly four and three times of their respective branches, the ATM to branch ratio was much lower for public sector (41.2 per cent) and old private sector banks (47.2 per cent) (Table III.50). At individual bank level, the number of ATMs exceeded branches in respect of all new private sector banks, except Centurion Bank of Punjab Ltd., which was later merged with HDFC Bank Ltd. In the case of old private sector banks, the ATM to branch ratio was

Table III.49: Computerisation of Branches - Public Sector Banks

(As at end-March)

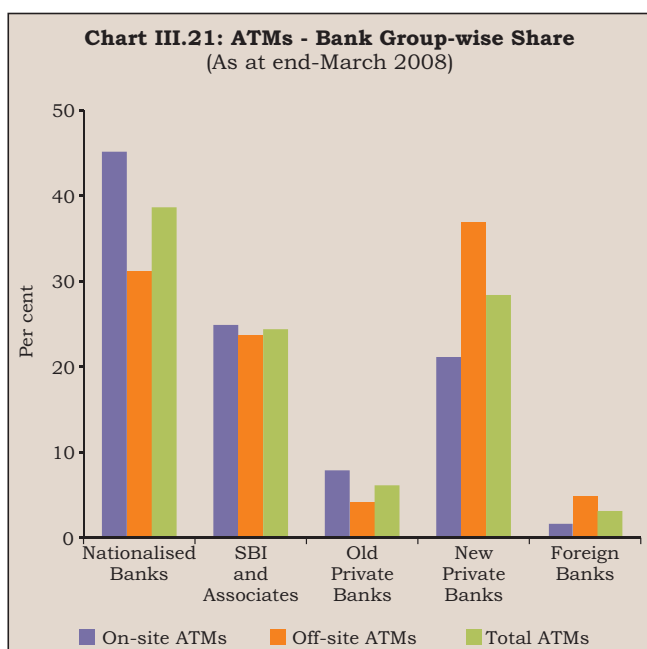
Extent of Computerisation	(Number of banks)	
	2007	2008
1	2	3
Nil	-	-
Up to 10 per cent	-	1
More than 10 and up to 20 per cent	1	-
More than 20 and up to 30 per cent	1	-
More than 30 and up to 40 per cent	1	-
More than 40 and up to 50 per cent	1	1
More than 50 and up to 60 per cent	-	-
More than 60 and up to 70 per cent	1	-
More than 70 and up to 80 per cent	1	1
More than 80 and up to 90 per cent	4	3
More than 90 and less than 100 per cent	2	1
Fully Computerised	15	20
Total*	27	27
*: Excludes IDBI Bank Ltd.		

Table III.50: Branches and ATMs of Scheduled Commercial Banks
(As at end-March 2008)

Bank Group	Number of Bank/Branches					Number of ATMs			Off-site ATMs as percentage of total ATMs	ATMs as percentage of Branches
	Rural	Semi-urban	Urban	Metro-politan	Total	On-site	Off-site	Total		
1	2	3	4	5	6	7	8	9	10	11
i) Nationalised Banks	13,198	8,140	8,440	7,997	37,775	8,320	5,035	13,355	37.7	35.4
ii) State Bank Group	5,328	4,545	2,820	2,421	15,105	4,582	3,851	8,433	45.7	55.8
iii) Old Private Sector Banks	808	1,498	1,270	874	4,450	1,436	664	2,100	31.6	47.2
iv) New Private Sector Banks	223	870	1,147	1,285	3,525	3,879	5,988	9,867	60.7	279.9
v) Foreign Banks	0	2	48	224	274	269	765	1,034	74.0	377.4
Total (i to v)	19,557	15,055	13,725	12,801	61,129	18,486	16,303	34,789	46.9	56.9

less than 100 per cent for all banks barring two, viz., SBI Commercial and International Bank Ltd. and Karur Vysya Bank Ltd. As most foreign banks operated with limited branches in urban and metropolitan areas, the number of ATMs operated by them, in general, far exceeded the number of branches (Appendix Table III.35).

3.110 Of all the ATMs installed in the country at end-March 2008, new private sector banks had the largest share in off-site ATMs, while nationalised banks had the largest share in on-site ATMs (Chart III.21).



3.111 The use of electronic payments, both retail and card-based, increased in recent years, reflecting the increased adoption of technology. The electronic payment systems such as electronic clearing service (ECS) – both debit and credit, national electronic funds transfer system (NEFT), card based payment (credit and debit) are becoming increasingly popular as indicated by the increase in transactions through retail electronic payment methods. Both the variants of ECS, i.e., ECS (credit) and ECS (debit) for direct credit such as salary and pension payments and the other for direct debit such as collection of bills, insurance *premia* and equated monthly installment payments of loans are being increasingly preferred. ECS is now available at all bank branches at 70 centers. The volume of electronic transactions increased by 41.4 per cent in 2007-08 as compared with 32.9 per cent in the previous year. Transactions in terms of value increased by almost three and half times during 2007-08 mainly on account of large increase in transactions through ECS-credit (Table III.51).

3.112 The use of ECS (credit) and ECS (debit), in particular, increased sharply during 2007-08 [Chart III.22(a) and III.22(b)]. While the ECS (credit) volumes increased by 13.5 per cent in 2007-08, value increased by more than eight

Table III.51: Transactions through Retail Electronic Payment Methods

Type	Volume of transactions (000's)			Growth in volume (per cent)		Value of transactions (Rs. crore)			Growth in value (per cent)	
	2005-06	2006-07	2007-08	2006-07	2007-08	2005-06	2006-07	2007-08	2006-07	2007-08
1	2	3	4	5	6	7	8	9	10	11
1. ECS-Credit	44,216	69,019	78,365	56.1	13.5	32,324	83,273	7,82,222	157.6	839.3
2. ECS-Debit	35,958	75,202	127,120	109.1	69.0	12,986	25,441	48,937	95.9	92.3
3. EFT/ NEFT	3,067	4,776	13,315	55.7	178.8	61,288	77,446	1,40,326	26.4	81.2
4. Credit Cards	156,086	169,536	228,203	8.6	34.6	33,886	41,361	57,984	22.1	40.2
5. Debit Cards	45,686	60,177	88,306	31.7	46.7	5,897	8,172	12,521	38.6	53.2
Total	285,013	378,710	535,309	32.9	41.4	1,46,381	2,35,693	10,41,990	61.0	342.1

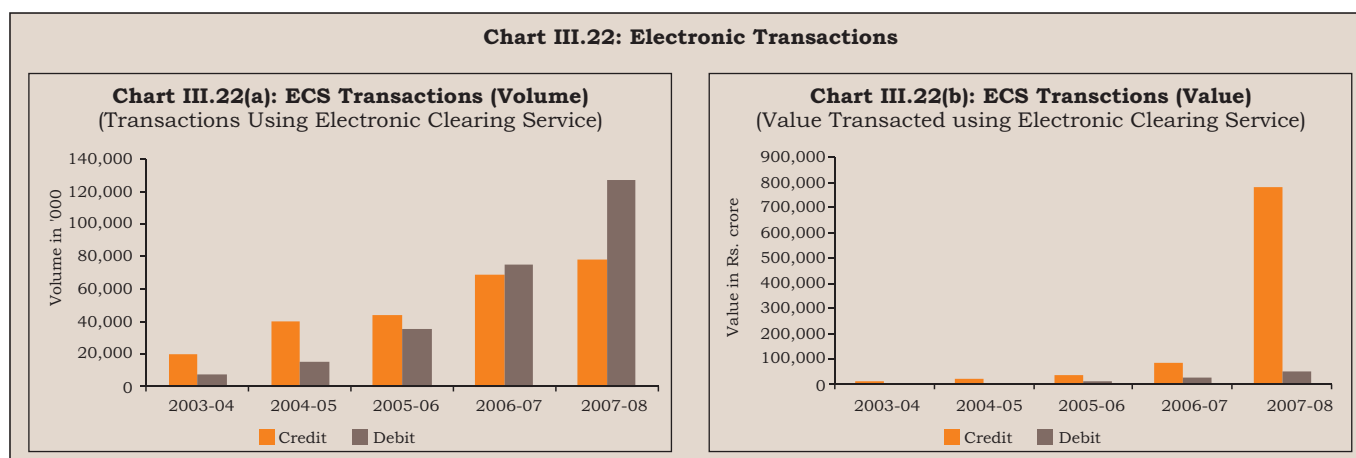
times. The substantial increase was due to the use of ECS for refund of initial public offering (IPOs). The volumes under ECS (Debit), which is mostly used for payment of utility bills and regular *premia*, increased by 69.0 per cent in 2007-08 and by 92.3 per cent in value.

3.113 The large value payment systems include the real time gross settlement (RTGS), Government securities clearing and forex clearing. The RTGS has been working smoothly since its operationalisation in March 2004. As at end-September 2008, 107 participants (99 banks, 8 primary dealers, the Reserve Bank and the Deposit Insurance and Credit Guarantee Corporation) were members of the RTGS system. The reach and utilisation of the RTGS is consistently increasing. The bank/branch network coverage increased to

51,095 branches at more than 10,000 centres leading to increased usage of this mode of funds transfer (Chart III.23). The daily average volume of transactions is 38,000 for about Rs.1,15,600 crore of which 30,900 transactions for about Rs.69,123 crore pertain to customer transactions as at end-September 2008.

8. Regional Spread of Banking

3.114 The role of financial and banking services in the equitable growth process is widely recognised. In this context, the availability of information on regional spread of banking services is a pre-requisite for appropriate policy formulation. It has been the endeavour of the Reserve Bank to enrich information on the progress of banking services and operations across country.

Chart III.22: Electronic Transactions

Accordingly, the Basic Statistical Return (BSR) system, which provides comprehensive information on the banking operations across country, has been suitably modified recently

to take into account the changed requirements (Box III.3).

3.115 The total number of branches of SCBs (including RRBs and LABs) increased from

Box III.3: Basic Statistical Returns (BSR) System

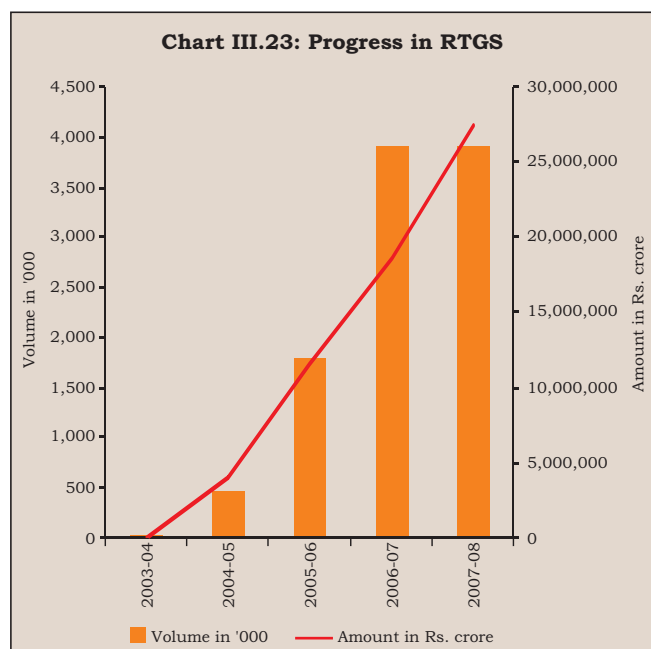
The Basic Statistical Returns System (BSR) was introduced in December 1972 adapting the then existing system of Uniform Balance Book (UBB). The UBB system of reporting, designed to provide a detailed and up-to-date picture of the sectoral and regional flow of bank credit, was introduced in December 1968 in the context of the setting up of the National Credit Council with twin objectives of ensuring a steady flow of information while minimising the reporting load on branches. The UBB proforma collected account-wise information on credit limits sanctioned and advances outstanding according to the type of account, type of borrower, occupation, purpose, security and rate of interest charged on a monthly basis from all the bank offices. After nationalisation of major Indian banks, the need was felt for comprehensive information with a minimum time lag for policy purposes. The Reserve Bank of India constituted a 'Committee on Banking Statistics' in April 1972 to look into various aspects of statistical reporting by banks and make appropriate suggestions. The overall pattern of the statistical reporting system envisaged by the committee, was designated as Basic Statistical Returns (BSR) and was designed to provide a steady flow of information without undue strain on banks. The Reserve Bank accepted the recommendations of the committee and introduced BSR returns, as also constituted a 'Committee of Direction on Banking Statistics' (CDBS) in the Reserve Bank to have overall charge of the Basic Statistical Returns. The BSR system has been improved from time to time, in view of the changes in banking environment and in data requirements.

Currently, the BSR system has seven returns encompassing data on deposits, credit, investment and employment in scheduled commercial banks (SCBs), collected both on census and sample survey basis. Annual BSR-1 return submitted by all the branches of SCBs (in two parts, viz., BSR 1A and 1B) collects comprehensive information on credit. BSR-1A seeks account level data for credit accounts with credit limit above a cut-off level. The cut-off limit is revised periodically. Currently the limit is Rs.2 lakh (since March 2000). It collects information on various attributes of the account, like type of account, organisation, occupation and interest rate, among others, besides information on the district and population group of the place of utilisation of credit. Information on place of utilisation of credit is useful for analysing the migration of credit across different districts/States. The BSR-1B return collects branch level credit data according to broad occupation groups. BSR-2 return, collected annually from all offices of SCBs, pertains to deposits and employment. Data on deposits are collected according to type of deposits, and those on term deposits by size, interest rates and maturity (both original and residual). Employment data are obtained category-wise. Gender-wise statistics on deposits, credit and employment are included in BSR-1 and 2 returns. A Handbook of instructions relating to BSR-1 and 2 returns has been prepared for use by the branches and is revised periodically. The results of BSR-1 and 2 surveys are published annually. BSR-3 is a monthly return on advances against security of selected sensitive commodities. BSR-4 is a sample survey on ownership of

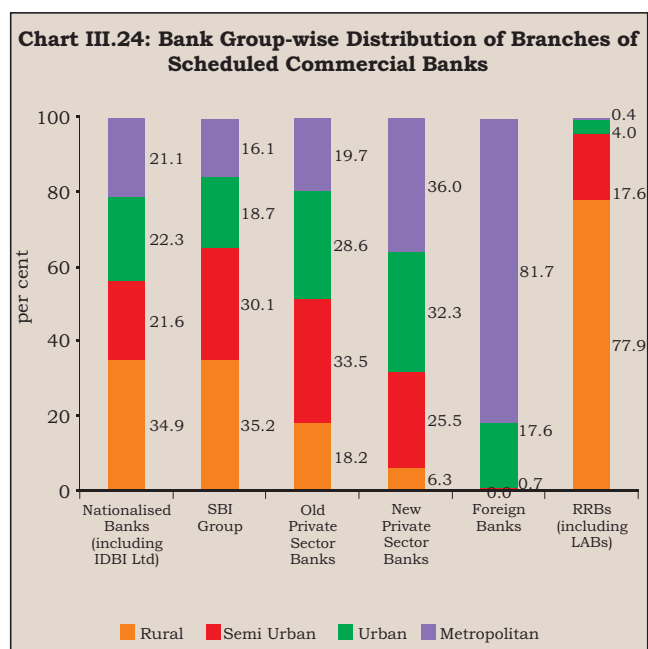
deposits and includes data by type of deposits. The survey is conducted on an annual basis to obtain estimates on ownership pattern of deposits according to different economic sectors. Annual BSR-5 return relates to investment profile of SCBs (excluding regional rural banks) by type of investment (dated securities and others) as also investment in State-level securities. BSR-6 is quinquennial sample survey of debits to deposit and credit accounts and provides data on turnover rates for deposit/credit accounts of SCBs. The results of BSR-4 and 5 surveys are released in the 'Reserve Bank of India Bulletin'. The reference date for BSR-1, 2, 4 and 5 returns is March 31 and for BSR-3, last Friday of the month. BSR-6 survey covers April-March year data. BSR-7 is a quarterly return as on March 31 and on last Friday of June, September and December, on aggregate deposits and gross bank credit and submitted for all the branches of SCBs by the bank's head offices. Detailed tabulations covering geographical and spatial distribution of deposits and credit, by different characteristics, viz., State/District/Centre, population group and bank group, based on this return are published as a quarterly publication titled 'Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks'. A Master Office File on bank offices serves as a repository of location and other details of all branches/offices of banks. The BSR data based publications are accessible through the Reserve Bank's website, including user-friendly 'Data Base on Indian Economy' facility.

Major revisions in BSR-1 Return

The BSR-1 system has been revised with effect from March 2008 to take into consideration the changes in the banking/economic environment as well as to meet the emerging data requirements. The occupation classification has been modified in line with updates in National Industrial Classification (NIC)-2004 and proposed International Standard Industrial classification (ISIC) rev. 4 (draft), 2007. The definition and concept of Small Enterprises (SE), comprising small and micro enterprises engaged in manufacturing and services, have been introduced in place of Small Scale Industries (SSI). The kisan credit cards, general credit cards and other credit cards have been included as the type of accounts along with the existing personal credit cards. The organisation codes of the borrowers have been restructured. Financial and non-financial organisations have been separately defined under public, private and co-operative sectors. Separate codes have been included for self-help groups (SHGs)/micro-finance institutions (MFIs). Loans to non-banking financial companies (NBFCs) have been classified based upon on-lending to agriculture and allied activities, small and micro enterprises, housing sector, educational purposes and other general purposes. A new characteristic 'category of borrowers', based on the size of the borrowing unit, has been introduced in place of 'nature of borrowal account'. A new parameter 'security pledged/guarantee status for loans' has been introduced to capture the secured/unsecured loans. Information on 'fixed/floating rate of interest on loans' has also been included. The occupation/activity codes in BSR-1B return have been modified in line with changes in BSR-1A return.



72,752 at end-June 2007 to 76,518 at end-June 2008, registering a growth of 5.2 per cent during the year. These comprised 31,127 rural branches, 17,858 semi-urban branches and 27,533 urban and metropolitan branches. The share of rural branches declined further to 40.7 per cent at end-June 2008 from 42.1 per cent at end-June 2007, while the shares of all other population groups increased. Nearly half (49.6 per cent) of the total branches of all bank groups are operated by nationalised banks (including IDBI Bank Ltd.), followed by SBI and associates (19.9 per cent) and RRBs (19.3 per cent). The share of branches operated by new private sector banks increased to 4.9 per cent at end-June 2008 from 3.9 per cent at end-June 2007. While the share of branches operated by old private sector banks declined marginally during 2007-08 to 5.9 per cent at end-June 2008, the number of their branches increased across all population groups, reversing the trend observed in the previous year. Foreign bank branches were mostly concentrated in the urban and metropolitan areas with negligible presence in rural and semi-urban areas (Chart III.24 and Appendix Table III.36).



3.116 The top hundred centres arranged according to the size of deposits accounted for 69.7 per cent of total deposits, while the top hundred centres arranged according to the size of bank credit accounted for 77.8 per cent of total bank credit at end-March 2008. The shares of top hundred centres in total deposits and total bank credit have increased in recent years and the increase has been relatively sharper in the case of deposits (Table III.52).

Table III.52: Share of Top Hundred Centres in Aggregate Deposits and Gross Bank Credit

(Per cent)

End-March	Deposits		Credit	
	Offices	Amount	Offices	Amount
1	2	3	4	5
2001	22.3	58.9	21.9	75.3
2002	22.5	59.1	22.1	77.0
2003	22.7	61.0	22.4	75.9
2004	23.1	63.6	22.9	75.5
2005	23.8	65.3	23.7	75.9
2006	24.2	67.0	24.0	76.5
2007	24.9	68.9	24.8	77.4
2008	25.7	69.7	25.6	77.8

Source : Basic Statistical Return-7.

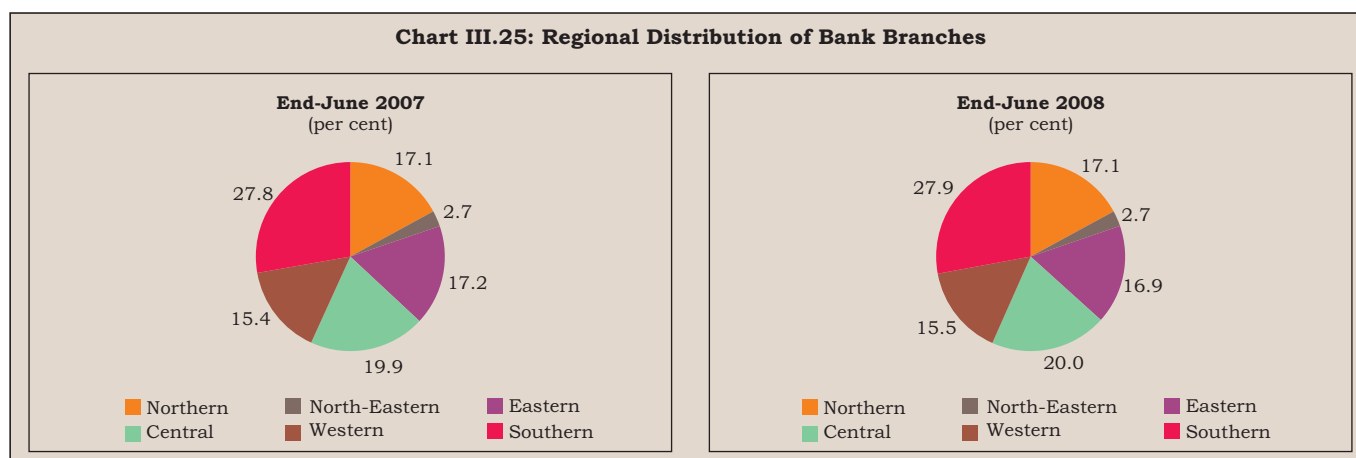
3.117 The Southern region continued to account for the largest percentage of existing bank branches during 2007-08, followed by the Central, Northern, Eastern, and the Western regions (Chart III.25). The share of North-Eastern region remained low at 2.7 per cent at end-June 2008. During July 2007 to June 2008, most of the new branches were opened in the Southern (1,147 or 29.9 per cent of incremental branches) and Central (854 or 22.3 per cent) regions. As the total number of bank branches expanded by 5.2 per cent during the 2007-08, the average population served by a single bank branch declined to about 15,000 at end-March 2008 from about 16,000 at end-March 2007. The decline was observed across all regions, barring Northern and Eastern regions where it remained unchanged (Appendix Table III.37).

3.118 An important factor in the geographical expansion of banking services is the population size of residential settlements. Many small residential settlements spread across country may not be able to sustain the business operations of more than one bank branch in a financially viable manner. These residential settlements/centres are often served by a single bank branch, i.e., single office banked centres (Box III.4). Thus, single

office banked centres have played an important role in the expansion of banking services to a wider population, particularly in the remote areas. The advancement in technology is, however, likely to change the typology of bank branch network in the country.

3.119 The all-India credit-deposit ratio (CDR) declined marginally to 74.2 per cent at the end-March 2008 from 75.0 per cent a year ago, reflecting some deceleration in the overall credit growth. The CDR (as per sanction) as well as investment *plus* credit to deposit ratio of the Southern region remained higher than the all-India level. The CDR (as per sanction) for the Western region was higher than all-India level, but investment *plus* credit to deposit ratio was a shade below than the all-India level. Both the ratios for other regions were below the all-India level (Chart III.26). As at end-March 2008, the CDR (as per sanction) was higher than all-India level in Rajasthan, Chandigarh, Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu. The investment *plus* credit-deposit ratio at end-March 2008 in these States (except Maharashtra) and in Orissa, Gujarat, Dadra and Nagar Haveli, was higher than the all-India level (Appendix Table III.38).

Chart III.25: Regional Distribution of Bank Branches



Box III.4: Single Office Banked Centres

As per the Basic Statistical Return (BSR) system, a centre is defined as a revenue unit classified and delineated by the respective State government, i.e., a revenue village/city/town/municipality/municipal corporation, etc. In general, a district consists of several centres. Accordingly, if a centre has one or more offices of scheduled commercial banks is termed as 'banked centre'. The banked centres are grouped into four population groups based on the population of the centre as per decennial census data. The total number of centres, served by scheduled commercial banks as on March 31, 2008 was 34,426.

An interesting attribute of any banked centre is the number of bank offices located in it. As at end-March 2008, out of the 34,426 banked centres served by SCBs, 28,529 had only one bank office ('single office centres'), while 37 centres had 100 or more bank offices (Table 1).

Table 1: Single Office Centres

Item	(End-March)					
	2003	2004	2005	2006	2007	2008
1	2	3	4	5	6	7
Total number of banked centres	35,257	35,036	34,816	34,511	34,399	34,426
Number of single office centres	29,980	29,696	29,390	29,054	28,812	28,529
Share of single office centres in total banked centres (per cent)	85.0	84.8	84.4	84.2	83.8	82.9

Source: Basic Statistical Return (BSR)-7

The number of single office centres and share of single office centres in total banked centres has shown a decline over the years. As on March 31, 2008 single office centres accounted for 38.3 per cent of bank offices, but accounted for 8.1 per cent of deposits and 7.0 per cent of credit outstanding. Classification of banked centres according to population size indicated that 91.5 per cent of single office centres belonged to the rural population group. In rural areas, 84.9 per cent of the banked centres were single office centres and collectively such centres accounted for 74.2 per cent of deposits and 79.6 per cent of credit outstanding in rural areas. The 28,529 single-office centres are spread across all 35 States/UTs. Among the States/UTs, the highest number (4,283) of such centres was in

Uttar Pradesh at end-March 2008. In Bihar, Andhra Pradesh, West Bengal and Maharashtra, single office centres were in the range of 2,027-2,309, while Karnataka, Tamil Nadu and Rajasthan each had more than of 1,500 such centres. Delhi and Chandigarh had 61 and 12 single-office centres, respectively, out of 69 and 14 banked centres, respectively. At end-March 2008, 615 districts out of the 621 districts in the country had 'single-office centres'. The 28,529 single-office centres showed a large variability, both in terms of their outstanding deposits and outstanding credit as on March 31, 2008 (Tables 2). While some of the recently opened branches are having low amount of business, others are functioning at highly specialised centres or for special purposes. Typical examples are project sites, food credit disbursing branches, etc.

Table 2: Distribution of Single Office Centres by Deposit/Credit Size

Deposit/Credit size class	(Number of branches)		
	Rural	Semi-urban	Total
Deposits			
Less than Rs.2 crore	1,483	45	1,528
Rs.2 crore to Rs.4 crore	6,322	203	6,525
Rs.4 crore to Rs.5 crore	3,143	139	3,282
Rs.5 crore to Rs.7.5 crore	5,594	373	5,967
Rs.7.5 crore to Rs.10 crore	3,237	333	3,570
Rs.10 crore to Rs.12.5 crore	1,891	292	2,183
Rs.12.5 crore to Rs.15 crore	1,176	208	1,384
Rs.15 crore to Rs.20 crore	1,388	285	1,673
Above Rs.20 crore	1,865	552	2,417
Total	26,099	2,430	28,529
Credit			
Less than Rs.2 crore	5,875	237	6,112
Rs.2 crore to Rs.4 crore	8,071	447	8,518
Rs.4 crore to Rs.5 crore	2,632	197	2,829
Rs.5 crore to Rs.7.5 crore	4,310	376	4,686
Rs.7.5 crore to Rs.10 crore	2,169	338	2,507
Rs.10 crore to Rs.12.5 crore	1,268	266	1,534
Rs.12.5 crore to Rs.15 crore	678	186	864
Rs.15 crore to Rs.20 crore	608	202	810
Above Rs.20 crore	488	181	669
Total	26,099	2,430	28,529

Source: Basic Statistical Return (BSR)-7

Foreign Banks' Operations in India

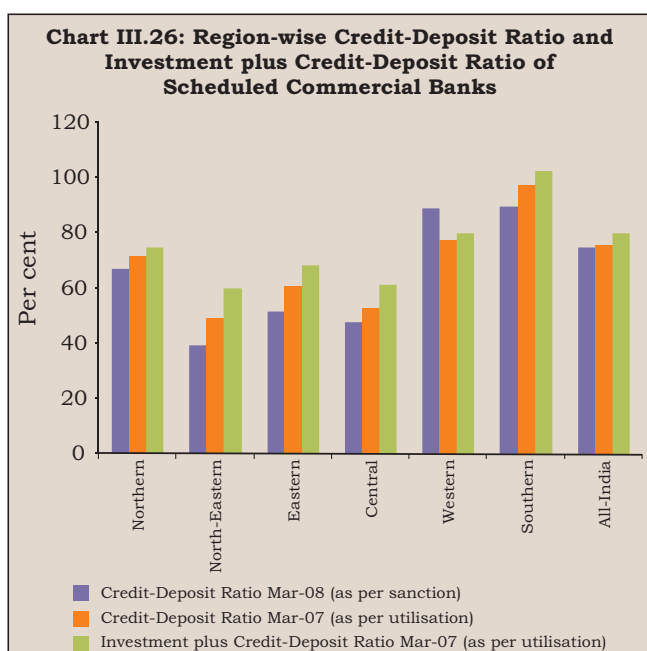
3.120 At end-June 2008, 30 foreign banks were operating in India with 279 branches (Table III.53). These banks originated from 21 countries. In addition, 41 foreign banks operated in India through representative offices. During the period from July 2007 to June 2008, approvals were given to 3 existing foreign banks to open 18 branches and to 11 foreign banks to open representative offices in India. Besides, an approval was also given to one new foreign bank viz., JSC VTB Bank to open its maiden branch in India.

3.121 Five foreign banks viz., Deutsche Bank AG, Standard Chartered Bank, Barclays Bank

PLC, Citibank N.A. and JSC VTB Bank together set up 7 branches during July 2007 to June 2008. Besides, seven foreign banks, viz., Woori Bank, First Rand Bank Ltd., Royal Bank of Canada, Skandinaviska Enskilda Banken AG, Bayerische Landesbank AG, Westpac Banking Corporation and HSH Nordbank AG opened seven representative offices in India during the same period.

Indian Banks' Operations Abroad

3.122 Indian banks continued to expand their presence overseas. Seventeen Indian banks (12 from public sector and 5 from private sector) operated a network of 203 offices (131



branches, 22 subsidiaries, 7 joint venture banks and 43 representative offices) abroad

at end-June 2008. During the period between July 1, 2007 to June 30, 2008, Indian banks opened 8 branches, 3 subsidiaries and 6 representative offices abroad. Bank of Baroda continued to have largest overseas presence, followed by State Bank of India and Bank of India (Table III.54).

9. Customer Service and Financial Inclusion

3.123 In recent years, the Reserve Bank has placed special emphasis on improving the customer service and expanding the banking outreach to wider sections of the society. Accordingly, it initiated several measures, including enhancing customer protection and disclosure, code of ethics and grievance redressal, among others. During 2007-08, the Reserve Bank further fine-tuned its guidelines

Table III.53: List of Foreign Bank Branches Operating in India - Country-wise

(As at end-June 2008)

Sr. No	Name of Bank	Country of Incorporation	No. of Branches in India
1	2	3	4
1	ABN -AMRO Bank N.V.	Netherlands	28
2	Abu Dhabi Commercial Bank Ltd.	UAE	2
3	AB Bank Ltd.	Bangladesh	1
4	American Express Banking Corporation	USA	1
5	Antwerp Diamond Bank N.V.	Belgium	1
6	Bank Internasional Indonesia	Indonesia	1
7	Bank of America	USA	5
8	Bank of Bahrain & Kuwait BSC	Bahrain	2
9	Bank of Nova Scotia	Canada	5
10	The Bank of Tokyo- Mitsubishi UFJ Ltd.	Japan	3
11	BNP Paribas	France	8
12	Bank of Ceylon	Sri Lanka	1
13	Barclays Bank PLC.	United Kingdom	5
14	Calyon Bank	France	5
15	Citibank N.A.	USA	40
16	Chinatrust Commercial Bank	Taiwan	1
17	Deutsche Bank	Germany	11
18	DBS Bank Ltd.	Singapore	2
19	HSBC Ltd	Hong Kong	47
20	J.P. Morgan Chase Bank N.A.	USA	1
21	JSC VTB Bank	Russia	1
22	Krung Thai Bank Public Co. Ltd.	Thailand	1
23	Mizuho Corporate Bank Ltd.	Japan	2
24	Mashreq Bank PSC.	UAE	2
25	Oman International Bank SAOG	Sultanate of Oman	2
26	Shinhan Bank	South Korea	2
27	Standard Chartered Bank	United Kingdom	92
28	Sonali Bank Ltd.	Bangladesh	2
29	Societe Generale	France	2
30	State Bank of Mauritius	Mauritius	3
	Total		279

Note : The JSC VTB Bank began its operation in India on April 25, 2008 and American Express Banking Corporation was issued banking licence dated February 27, 2008.

Table III.54: Overseas Operations of Indian Banks

(Actually Operational)

Name of the Bank	Branch		Subsidiary		Representative Office		Joint Venture Bank		Total	
	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08
	1	2	3	4	5	6	7	8	9	10
I. Public Sector Banks	116	121	19	19	26	28	7	7	168	175
1 Allahabad Bank	1	1	-	-	1	1	-	-	2	2
2 Andhra Bank	-	-	-	-	1	1	-	-	1	1
3 Bank of Baroda	43	45	8	8	4	4	1	1	56	58
4 Bank of India	22	23	2	3	3	4	1	1	28	31
5 Canara Bank	2	2	1	-	1	1	-	-	4	3
6 Indian Bank	3	3	-	-	-	-	-	-	3	3
7 Indian Overseas Bank	6	6	1	1	2	3	-	-	9	10
8 Punjab National Bank	1	2	1	1	4	3	1	1	7	7
9 State Bank of India	33	33	6	6	7	7	4	4	50	50
10 Syndicate Bank	1	1	-	-	-	-	-	-	1	1
11 UCO Bank	4	4	-	-	2	2	-	-	6	6
12 Union Bank	0	1	-	-	1	2	-	-	1	3
II. New Private Sector Banks	9	10	3	3	13	15	-	-	25	28
13 Axis Bank	3	3	-	-	1	2	-	-	4	5
14 Centurion Bank of Punjab Ltd.	-	-	-	-	1	-	-	-	1	-
15 HDFC Bank Ltd.	-	-	-	-	1	2	-	-	1	2
16 ICICI Bank Ltd.	6	7	3	3	8	8	-	-	17	18
17 IndusInd Bank Ltd.	-	-	-	-	2	2	-	-	2	2
18 Federal Bank Ltd.	-	-	-	-	-	1	-	-	-	1
Total	125	131	22	22	39	43	7	7	193	203

-: Nil

Note: Data for 2006-07 relate to end-August 2007 while that for 2007-08 relate to end-June 2008.

for improving customer service and expanding financial inclusion.

3.124 The Reserve Bank has institutionalised the offices of Banking Ombudsman (BO) at 15 centres across the country. BO offices receive the complaints relating to grievances against commercial banks, regional rural banks and scheduled primary co-operative banks. Complainants have the facility to send the complaints by email, online or by post. The complaints are tracked by BO offices by means of a complaint tracking software. During 2007-08, 47,887 complaints were received by 15 BO offices as against 38,638 complaints received during 2006-07. All the complaints were collated and categorised into ten broad heads, viz., deposit accounts, remittances, credit cards, loans/advances (general and housing loan), charges without prior notice, pension, failure on commitments

made, direct selling agents (DSAs), notes and coins and others. The maximum complaints were received in respect of credit cards across all bank groups, barring nationalised and old private sector banks. This was followed by complaints relating to failure on commitments made, deposit accounts, remittances and loans and advances (general). A significant number of complaints also related to pension (especially for public sector banks) and direct selling agents (especially for new private sector banks). The number of complaints per office was low for all bank groups barring foreign banks group (Table III.55 and Appendix Table III.39).

3.125 Region-wise, the maximum complaints during 2007-08 were received at New Delhi, thereby surpassing Mumbai as the centre with the largest number of complaints. The number

Table III.55: Bank-Group-wise Complaints received at Banking Ombudsman Offices - 2007-08[@]

Nature of complaint	Scheduled Commercial Banks@ (3+6+9)	Public Sector Banks (4+5)	Nationalised Banks	State Bank Group	Private Sector Banks (7+8)	Old Private Sector Banks	New Private Sector Banks	Foreign Banks
1	2	3	4	5	6	7	8	9
Total Complaints Received (1 to 10)	45,772	25,694	12,163	13,531	13,950	929	13,021	6,128
1) Deposit Accounts	5,500	2,866	1,685	1,181	2,113	140	1,973	521
2) Remittances	5,077	3,422	1,713	1,719	1,330	97	1,233	315
3) Credit Cards	10,107	3,936	697	3,239	3,084	49	3,035	3,087
4) Loans/Advances (a+b)	5,773	3,740	2,147	1,593	1,550	154	1,396	483
a) General	5,042	3,348	1,929	1,419	1,290	131	1,159	404
b) Housing Loans	731	392	218	174	260	23	237	79
5) Charges without Prior Notice	3,700	1,659	815	844	1,618	111	1,507	423
6) Pension	1,573	1,519	599	920	45	3	42	9
7) Failure on Commitments Made	6,222	3,521	1,805	1,716	2,145	193	1,952	556
8) Direct Selling Agents	3,044	1,902	979	923	801	37	764	341
9) Notes and Coins	133	91	47	44	30	5	25	12
10) Others	4,643	3,028	1,676	1,352	1,234	140	1,094	381
<i>Memo :</i>								
Complaints per Branch*	0.7	0.5	0.3	0.9	1.7	0.2	3.7	22.1

@ : Excluding RRBs and scheduled primary co-operative banks.

* : As per number of branches excluding administrative offices as at end-March 2008.

of complaints received in Chennai, Guwahati, Bhubaneswar, Kolkata and Ahmedabad also increased sharply during 2007-08 (Table III.56).

3.126 In terms of the Banking Ombudsman Scheme 2006 (as amended up to May 2007), bank customers and banks can appeal to the Appellate Authority against the decisions given by Banking Ombudsman. During 2007-

Table III.56: Region-wise Complaints received at Banking Ombudsman Offices

Sr.no.	Office	No. of complaints received	
		2006-07	2007-08
1	2	3	4
1	Ahmedabad	2,107	2,855
2	Bangalore	2,406	2,975
3	Bhopal	2,731	3,405
4	Bhubaneswar	689	998
5	Chandigarh	2,006	2,331
6	Chennai	2,387	4,545
7	Guwahati	170	282
8	Hyderabad	2,767	2,843
9	Jaipur	2,976	3,369
10	Kanpur	4,321	5,340
11	Kolkata	2,011	2,815
12	Mumbai	5,525	6,070
13	New Delhi	5,481	6,742
14	Patna	1,481	1,480
15	Thiruvananthapuram	1,580	1,840
	Total	38,638	47,890

08, 186 such appeals were received which include 17 appeals against awards and 169 appeals against decisions of BO. The Reserve Bank has evaluated the progress for improvement of customer services by various bank groups in some centres (Box III.5)

3.127 Financial Inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low-income groups who tend to be excluded from the formal banking channel. The Reserve Bank has made concerted efforts, particularly in recent years, to promote financial inclusion. In November 2005, banks were advised to make available a basic 'no-frills' account with low or nil minimum balances as well as charges. In order to ensure that persons belonging to low income group, both in urban and rural areas, do not encounter difficulties in opening bank accounts, the know your customer (KYC) procedure for opening accounts were simplified for those accounts with balances not exceeding Rs. 50,000 and

Box III.5: Customer Satisfaction Survey

In view of the importance given by the Reserve Bank on customer services of banks and the recent initiatives in this respect, the Local Board (Southern Region) desired that a survey should be conducted to evaluate the satisfaction level of customer on various services rendered by the banks. Accordingly, Department of Statistics and Information Management (DSIM), Chennai Regional Office conducted a Customer Satisfaction Survey at four major districts of Tamilnadu, viz., Chennai, Coimbatore, Madurai and Tiruchirapalli, covering 2,800 customers from 149 bank branches selected using systematic sampling method (Table 1). Care was taken to adequately cover different types of customers across different population groups. A detailed questionnaire used for the survey covered various aspects such as: (a) demographic details of the respondents; (b) common factors influencing satisfaction level such as branch infrastructure, working hours, number of employees, etc.; and (c) specific banking services influencing satisfaction level such as: (i) basic services like deposit and withdrawal; (ii) loan facilities; (iii) payment and other similar services, etc. To measure the satisfaction level, respondents were asked to rate their satisfaction level with various services on a five-point scale from 'Highly Dissatisfied' to 'Highly Satisfied'.

Branch-wise analysis showed that only 68.5 per cent bank branches were under Core Banking Solution (CBS) and the remaining were either under total branch automation or partial computerisation. The overall average staff strength per branch is 15 and about 80 per cent of selected branches' staff strength was below the overall average. In all, nine bank branches had received ISO 9000 certification, of which two branches were from rural centre.

Table 1: Sample of the Survey

District	Rural	Semi-Urban	Urban	Metro-Politian	Total
1	2	3	4	5	6
Number of Branches					
Chennai	-	-	-	28	28
Coimbatore	17	27	18	-	62
Madurai	12	7	9	-	28
Tiruchirapalli	13	9	9	-	31
Total	42	43	36	28	149
Number of Respondents					
Chennai	-	-	-	597	597
Coimbatore	280	425	382	-	1,087
Madurai	249	141	180	-	570
Tiruchirapalli	199	161	186	-	546
Total	728	727	748	597	2,800

Analysis of the survey showed that courtesy and friendliness extended by bank staffs in rural centres were rated better compared to semi-urban, urban and metro centres. It was observed that bank staff knowledge on various banking services and willingness to help customers was comparatively low in semi-urban centres. Most of the respondents (87.5 per cent) were satisfied with the way bank's staff treat them and agreed that there was no discrimination based on caste, gender, status, etc. Complaint handling and redressal mechanism were rated better for private sector banks compared to other bank groups. Around 40 per cent respondents were dissatisfied

with services charges levied by banks. This factor showed the least average satisfaction score. Respondents were, in general, satisfied with bank's responses to their telephonic queries and confidentiality and privacy of their bank accounts maintained by the banks.

Survey showed that infrastructure facility had the third lowest average rating among the common factors and around 40 per cent of the rural respondents were dissatisfied with infrastructure facilities. Furthermore, nationalised banks were rated low on infrastructure facilities. In general, respondents were satisfied with the overall operating of savings bank accounts, while most of the respondents from public sector banks were satisfied with the minimum balance requirement, around 25 per cent of respondents from private sector banks and foreign banks were dissatisfied. The analysis indicated that compared to public sector and foreign banks, private sector banks provide quick and fast services to savings bank account holders. With regard to cheque collection, most of the banks have introduced the drop box facility for depositing cheques to avoid any time delay to their customers. Analysis showed that more than 75 per cent of urban and metropolitan respondents were satisfied with the drop box facility. However, satisfaction was comparatively low in rural and semi-urban centres. Few respondents were dissatisfied with commission/charges and processing time taken for issuing a demand draft.

More than 75 per cent of the respondents were satisfied with the credit card facility, but for interest rates. Around 44 per cent of the respondents, mostly from private sector and foreign banks, were dissatisfied with interest rate applicable to credit cards. The Survey showed that more than 85 per cent of the respondents were satisfied with ATM facility, of which 35 per cent were highly satisfied. There were, however, many suggestions from rural customers regarding the extension of ATM facility to them.

Regarding the loan facilities offered by the banks, respondents of SBI and associates and private sector banks showed higher satisfaction level compared to nationalised and foreign banks. It was observed that the proportion of respondents highly satisfied with loan facilities from SBI and associates and private sector banks were 31 per cent and 43.9 per cent, respectively. In general, respondents had no complaints against the procedural formalities followed in sanctioning and disbursement of loans. Furthermore, 75.5 per cent of the respondents were satisfied with settlement and recovery procedures followed by the banks.

Even though 88.1 per cent of respondents had indicated that overall they were satisfied/highly satisfied with banking services, in specific areas, respondents had expressed their dissatisfaction. Furthermore, it was observed that respondents who took neutral stance (neither satisfied nor dissatisfied) for all factors can be converted to a satisfied group with some efforts. In general, the satisfaction level of rural customers was high, which may be due to their lower expectations and awareness. Despite the fact that advancements in IT and communication have enabled banks to offer better customer services, such advancements have not reached all segments of customers, as there are still some bank branches yet to be fully computerised.

credits thereto not exceeding Rs. 1,00,000 in a year. The simplified procedure allows introduction by a customer on whom full KYC drill has been followed. Significant progress has been made in opening of 'no-frills' accounts by banks. Between end-March 2007 and end-March 2008, more than 9 million new 'no-frills' bank accounts were opened by SCBs. Public sectors banks accounted for bulk of these new 'no-frills' accounts due to their vast branch network in rural and semi-urban areas (Table III.57).

10. Regional Rural Banks

3.128 The regional rural banks (RRBs) were established to combine the local feel and familiarity enjoyed by the co-operatives with the degree of business organisation as well as the ability to mobilise deposits characteristic of commercial banks. After the commencement of consolidation and amalgamation process of RRBs initiated by the Government in September 2005, in terms of Section 23A of the Regional Rural Banks Act, 1976, the number of RRBs declined to 91 as on March 31, 2008, (196 at end-March 2005) operating in 25 States across 586 districts with a network of 14,790 branches. Consequent upon the amalgamation of 151 RRBs, 46 new amalgamated RRBs were formed besides 45 stand-alone RRBs. With

further amalgamation, and formation of a new RRB in the Union Territory of Puducherry, the total number of RRBs, all over India, declined to 88 as on August 31, 2008 (including 45 amalgamated and 43 stand-alone).

3.129 A number of policy initiatives were taken by the Reserve Bank and NABARD to facilitate diversification of their business operation into new areas (refer Chapter II). In order to facilitate RRBs in becoming an important arm for financial inclusion in rural areas, the Government reviewed the performance of RRBs on February 7, 2008. RRBs have been encouraged to enhance their deposit base and increase credit-deposit ratio from the level of 56 per cent at end-March 2006 by exploiting the emerging potential under both priority and non-priority sector. Accordingly, the CD ratio of RRBs improved to 60.3 per cent at end-March 2008.

Recapitalisation of RRBs

3.130 It was announced in the Union Budget 2007-08 that the RRBs with negative net worth would be recapitalised in a phased manner. The performance review of all RRBs undertaken in July 2007 revealed that out of 96 RRBs (46 amalgamated and 50 stand-alone), 29 (11 amalgamated and 18 stand-alone) had negative net worth amounting to Rs.1,857 crore including the share capital as on March 31, 2007. After July 2007, two RRBs with negative net worth were merged with two other RRBs of the same State and sponsored by same banks, thus, resulting in formation of two new entities with no negative net worth. As a result, the number of RRBs having negative net worth declined to 27. The amount required for

Table III.57: Number of No-frills Accounts Opened by SCBs

Bank Group	End-March 2006	End-March 2007	End-March 2008
1	2	3	4
Public Sector Banks	332,878	5,865,419	13,909,935
Private Sector Banks	156,388	860,997	1,845,869
Foreign Banks	231	5,919	33,115
Total	489,497	6,732,335	15,788,919

Note : Data are provisional.

recapitalisation was at Rs.1,796 crore. Of this, Rs.269 crore (15 per cent share), Rs.629 crore (35 per cent share) and Rs.898 crore (50 per cent share) was to be contributed by the State Governments, sponsor banks, and by Government of India, respectively. Five State Governments contributed their share in 10 RRBs in 2007-08, of which 7 RRBs got full share from all the three shareholders and 3 RRBs received contribution partially by March 31, 2008. The rest of the RRBs are expected to get the recapitalisation fund in 2008-09.

Financial Performance of RRBs

3.131 The consolidated balance sheet of RRBs showed an increase of 16.8 per cent during 2007-08 as compared with 18.0 per cent in 2006-07 (Table III.58). On the assets side, net advances of RRBs increased by 21.7 per cent during the period, a more or less same growth as in the previous year. Among the major items on the liabilities side, both deposits and borrowings increased by 19.2 per cent each during the year. Reflecting a relatively higher growth in advances, credit-deposit ratio of RRBs increased to 60.3 per

Table III.58: Regional Rural Banks: Consolidated Balance Sheet

(Amount in Rs. crore)

Item	March 31 2007	March 31 2008P	Percentage Variation	
			2006-07 over 2005-06	2007-08 over 2006-07
1	2	3	4	5
Liabilities	1,05,768	1,23,541	18.0	16.8
Share Capital	196	196	-	-
Reserves	4,902	5,687	14.8	16.1
Share Capital Deposits	2,188	2,833	0.4	29.5
Deposits	83,144	99,095	16.6	19.2
Current	4,785	5,689	21.0	18.9
Savings	46,112	53,370	20.6	15.7
Term	32,247	40,036	10.7	24.2
Borrowings	9,776	11,649	33.8	19.2
NABARD	7,567	8,350	20.1	10.4
Sponsor Bank	2,030	3,250	116.8	60.1
Others	179	49	316.3	-72.6
Other Liabilities	5,562	4,081	27.4	-26.6
Assets	1,05,768	1,23,541	18.0	16.8
Cash in Hand	1,216	1,412	17.7	16.1
Balances with RBI	4,886	7,164	38.8	46.6
Other Bank Balances	19,314	23,493	18.8	21.6
Other Investments	26,352	25,073	5.6	-4.8
Loans and Advances (net)	47,326	57,601	22.7	21.7
Fixed Assets	196	214	10.1	9.2
Other Assets#	6,478	8,584	24.2	32.5
<i>Memorandum Items:</i>				
a. Credit-Deposit Ratio	58.3	60.3		
b. Investment-Deposit Ratio	54.9	45.2		
c. (Credit+Investment)- Deposit Ratio	104.3	106.4		
P: Provisional.	-: Nil/Negligible	#: includes accumulated loss.		
Source : NABARD				

cent at end-March 2008 from 58.3 per cent a year ago.

3.132 During 2007-08, 90 RRBs extended new loans (issued) to the extent of Rs.38,464 crore to 9.3 million borrowers as against Rs.33,043 crore during 2006-07 to 8.9 million borrowers. Of this, the share of priority sector loans issued was 82.1 per cent. In terms of number of borrowers' coverage, the share of priority sector was 86.0 per cent to total loans issued during 2007-08. As at end-March 2008, the outstanding advances of RRBs were Rs.59,751 crore and the share of priority sector was 83.1 per cent (Table III.59). The share of agricultural loans declined marginally to 55.4 per cent at end-March 2008 from 56.6 per cent a year ago.

3.133 Aggregate income of RRBs during 2007-08 grew by 20.0 per cent on account of higher interest as well as non-interest income. Growth in expenditure during the year was relatively subdued on account of

Table III.59: Purpose-wise Outstanding Advances by RRBs

(Amount in Rs. crore)

Purpose/End-March	2006	2007	2008P
1	2	3	4
I. Agriculture (i to iii)	21,509	27,452	33,112
Per cent to total loans outstanding	54.2	56.6	55.4
i. Short-term loans (crop loans)	13,877	18,707	22,644
ii. Term loans (for agriculture and allied activities)	7,632	8,745	10,468
iii. Indirect Advances	-	-	-
II. Non-agriculture (iv to vii)	18,204	21,041	26,639
Per cent to total loans outstanding	45.8	43.4	44.6
i. Rural Artisans, etc.	748	736	671
ii. Other Industries	757	880	1276
iii. Retail Trade, etc.	3,452	3,677	5,016
iv. Other purposes	13,246	15,748	19,676
Total (I+II)	39,712	48,493	59,751
<i>Memo item:</i>			
a) Priority Sector	32,177	39,852	49,650
b) Non-priority Sector	7,535	8,641	10,101
c) Share of Priority Sector (per cent to Total)	81.0	82.2	83.1
P : Provisional.	- : Nil/Negligible.		
Source : NABARD.			

lower increase in interest expenditure and wage bill. As a result, profitability of RRBs improved significantly during 2007-08. Out of 90 RRBs, 82 RRBs earned a combined profit of Rs. 1,429 crore, whereas 8 RRBs incurred a combined loss of Rs. 55 crore in 2007-08. Thus, RRBs, as a group, earned net profits of Rs. 1,374 crore during 2007-08 as compared with Rs. 625 crore in the previous year. The improvement in the financial performance of RRBs is also reflected in the decline in NPAs ratios (both gross and net) during 2007-08. While gross NPAs to total assets ratio declined to 5.9 per cent at end-March 2008 from 6.6 per cent a year ago, the net NPAs to assets ratio declined to 3.0 per cent from 3.5 per cent a year ago (Table III.60).

3.134 The productivity of RRBs, both in terms of per branch and per employee, showed further improvement during 2007-08 (Table III.61). Most of the other financial ratios also showed improvement during the year.

11. Local Area Banks

3.135 There were four local area banks (LABs) in the country at end-March 2008. During 2007-08, aggregate assets of LABs increased by 32.2 per cent and deposits and gross advances by 32.4 per cent and 35.5 per cent, respectively. More or less similar growth rate was observed across all LABs barring *Krishna Bhima Samruddhi* Local Area Bank Ltd. that showed a significantly higher growth (Table III.62).

3.136 During 2007-08, the income of the LABs showed a large increase on account of both interest and non-interest income. Growth

Table III.60: Financial Performance of Regional Rural Banks

(Amount in Rs. crore)

Particulars	2006-07			2007-08(P)			Variation	
	Loss Making	Profit Making	Total RRBs	Loss Making	Profit Making	Total RRBs	Col. (7) over Col. (4)	
	[15]	[81]	[96]	[8]	[82]	[90]	Amount	Per cent
1	2	3	4	5	6	7	8	9
A. Income (i+ii)	997	6,666	7,663	316	8,879	9,195	1,532	20.0
i) Interest income	932	6,191	7,123	286	8,106	8,392	1,269	17.8
ii) Other income	65	475	540	30	773	803	263	48.7
B. Expenditure (i+ii+iii)	1,298	5,740	7,038	365	7,401	7,766	728	10.3
i) Interest expended	589	3,127	3,716	191	3,873	4,064	348	9.4
ii) Provisions and contingencies	192	425	617	50	675	725	108	17.5
iii) Operating expenses of which : Wage Bill	464 391	2,241 1,660	2,705 2,051	130 113	2,847 2,102	2,977 2,215	272 164	10.1 8.0
C. Profit								
i) Operating Profit/Loss	-56	1,298	1242	-5	2,159	2,154	912	73.4
ii) Net Profit/Loss	-301	926	625	-55	1429	1374	749	119.8
D. Total Assets	16,148	89,620	1,05,768	4,440	1,19,101	1,23,541	17,773	16.8
E. Financial Ratios @								
i) Operating Profit	-0.35	1.45	1.17	-0.11	1.81	1.74	-	-
ii) Net Profit	-1.86	1.03	0.59	-1.24	1.2	1.11	-	-
iii) Income	6.17	7.44	7.25	7.12	7.46	7.44	-	-
a) Interest income	5.77	6.91	6.73	6.44	6.81	6.79	-	-
b) Other Income	0.4	0.53	0.51	0.68	0.65	0.65	-	-
iv) Expenditure	8.04	6.4	6.65	8.22	6.21	6.29	-	-
a) Interest expended	3.65	3.49	3.51	4.3	3.25	3.29	-	-
b) Operating expenses of which: Wage Bill	2.87 2.42	2.5 1.85	2.56 1.94	2.93 2.55	2.39 1.76	2.41 1.79	-	-
v) Provisions and contingencies	1.19	0.47	0.58	1.13	0.57	0.59	-	-
vi) Gross NPAs			6.55			5.88	-	-
vii) Net NPAs			3.46			3.02	-	-

P : Provisional. @: Ratios to total assets. *: Before tax.

Note : Figures in brackets represent number of RRBs. Financial performance analysis relates to 90 RRBs (excluding the new RRB).**Source** : NABARD.

rate in expenditure was also significant as interest expenditure grew sharply. On the whole, the rise in income was more than the rise in expenditure, resulting in higher

Table III.61: Business and Financial Indicators of RRBs

Indicator	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 (p)
1	2	3	4	5	6	7	8
No. of RRBs	196	196	196	196	133 #	96 #	91#
Net profit (Rs crore)*	608	519	769	748	617	625	1374
Per Branch Productivity ¹ (Rs. crore)	4.4	5.0	5.7	6.6	7.7	9.1	10.7
Per Employee Productivity ² (Rs. crore)	0.9	1.0	1.2	1.4	1.6	1.9	2.3
Accumulated loss as percentage to assets	4.7	4.4	3.9	3.5	2.9	2.5	2.1
Salary as percentage to Assets	2.2	2.3	2.6	2.0	2.3	2.2	1.8
Financial Return ³ (per cent)	10.6	9.6	8.9	8.2	7.7	7.7	7.9
Financial Cost ⁴ (per cent)	6.8	6.1	5.4	4.6	4.1	4.0	4.2
Financial margin ⁵ (per cent)	3.8	3.5	3.5	3.6	3.6	3.7	3.6
Risk, operational and other cost (per cent)	2.6	2.6	2.2	2.3	2.8	3.0	3.1
Net margin ⁶ (per cent)	1.2	0.9	1.3	1.3	0.8	0.7	0.6

* : Before Tax

: Reduction in number of RRBs was due to amalgamation, which began in September 2005. Financial performance analysis relates to 90 RRBs (excluding the new RRB).

- Note** :
1. Average level of business (in terms of total deposits and gross advances) per branch during the reporting year.
 2. Average level of business (in terms of total deposits and gross advances) per employee of RRBs during the year.
 3. Percentage of total income from both advances and investments against average working funds during the year.
 4. Percentage of total interest expended for deposits, borrowings etc. against average working funds during the year.
 5. Difference between the financial return and financial cost.
 6. Difference between the financial margin and risk, operational and other costs, plus miscellaneous income.
 7. Data for 2007-08 are provisional.

Source : NABARD.

Table III.62: Profile of Local Area Banks

(Amount in Rs. crore)

Bank	Assets		Deposits		Gross Advances	
	2007	2008	2007	2008	2007	2008
1	2	3	4	5	6	7
Capital Local Area Bank Ltd.	362	466	301	393	186	243
Coastal Local Area Bank Ltd.	63	76	45	56	32	43
Krishna Bhima Samruddhi Local Area Bank Ltd.	49	81	27	43	30	52
Subhadra Local Area Bank Ltd.	23	31	15	22	14	17
Total	497	654	388	514	262	355

Source: Based on off-site returns.

operating and net profit during 2007-08. The ratio of net profit to total assets was higher at 1.5 per cent as compared with 1.2 per cent in

the previous year even as the net interest margin remained at the previous year's level (Table III.63).

Table III.63: Financial Performance of Local Area Banks

(As at end-March)

(Rs. crore)

Particulars	2006-07	2007-08	Variation of Col.(3) over Col. (2)	
			Absolute	Percentage
1	2	3	4	5
A. Income (i+ii)	46.3	68.2	21.8	47.1
i) Interest income	37.4	54.9	17.5	46.7
ii) Other income	8.9	13.3	4.4	49.0
B. Expenditure (i+ii+iii)	40.5	58.3	17.8	43.9
i) Interest expended	18.3	29.9	11.6	63.0
ii) Provisions and contingencies	4.3	6.1	1.8	41.0
iii) Operating expenses	17.8	22.3	4.5	25.1
of which : Wage Bill	7.0	9.9	2.9	40.5
C. Profit				
i) Operating Profit/Loss	10.2	15.6	5.4	53.1
ii) Net Profit/Loss	5.9	9.5	3.6	62.1
D. Spread (Net Interest Income)	19.1	25.0	5.6	31.0
E. Total Assets	496.4	653.5	157.1	31.7
F. Financial Ratios@				
i) Operating Profit	2.1	2.4		
ii) Net Profit	1.2	1.5		
iii) Income	9.3	10.4		
iv) Interest income	7.5	8.4		
v) Other Income	1.8	2.0		
vi) Expenditure	8.2	8.9		
vii) Interest expended	3.7	4.6		
viii) Operating expenses	3.6	3.4		
ix) Wage Bill	1.4	1.5		
x) Provisions and Contingencies	0.9	0.9		
xi) Spread (Net Interest Income)	3.8	3.8		

Note : @ Ratios to Total Assets.**Source** : Based on Off-site returns.