Report on Trend and Progress of Banking in India for the year ended June 30, 1995 submitted to the Central Government in terms of Section 36(2) of the Banking Regulation Act, 1949

RESERVE BANK OF INDIA

REPORT ON TREND AND PROGRESS OF BANKING IN INDIA 1994-95 (JULY-JUNE)

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GOVERNOR

RESERVE BANK OF INDIA
CENTRAL OFFICE
MUMBAI

LETTER OF TRANSMITTAL

May 23, 1996
Jyestha 2, 1918 (Saka)

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

Dear Finance Secretary,

In pursuance of the provisions of Section 36(2) of the Banking Regulation Act, 1949, I transmit herewith two copies of the Report on Trend and Progress of Banking in India for the year ended June 30, 1995.

Yours faithfully,

(C. Rangarajan)

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CHAPTER I

BANKING DEVELOPMENTS AND POLICY PERSPECTIVES

The year 1994-95 marks the completion of the third year of banking reform, undertaken as a critical part of the financial sector reform. The reforms were directed at the gradual reduction in statutory pre-emption of resources of banks, rationalisation of the interest rate structure and the prescription of prudential norms. These measures were in pursuit of the objective of reforming the Indian financial sector, in order to improve the allocative and financial efficiency of the banking system, and to put in place a diversified and competitive system which would support the development and growth of the real sector.

1.2 The policy initiatives relating to the banks *per se* were directed towards rebuilding the balance sheet of banks so as to enhance their competitive efficiency in a deregulated environment. As part of the reform process, banks were required to make full provisioning for bulk of their non-performing assets (NPAs) by the end of March 1994. The Government had embarked on a massive recapitalisation programme of the nationalised banks so as to enable them to attain the prescribed capital adequacy ratio of eight per cent by the end of March 1996. The nationalised banks on their part were required to give a commitment to improve their performance by entering into performance obligations with the Reserve Bank. The reform process has placed commercial banks under increasing pressure to improve their performance including the quality and content of their banking business.

1.3 Banks have demonstrated considerable resilience in adjusting to the new operating environment and acquiring higher levels of business strength. The operating results of banks have been encouraging with an improvement in the spread between interest earned and paid as a proportion of working funds and the turn around has been facilitated by the focus on recovery and reduction of non-performing assets, which will lower provisioning requirement, and the growth of non-fund business. As such, the stage is now set for the second stage of the banking reform. Against this backdrop, this chapter highlights the major policy initiatives during the year while critically evaluating the performance of banks, and an attempt is made to provide a medium-term perspective. Detailed developments in commercial banking, co-operative banking and financial institutions are set out in the subsequent chapters.

Interest Rate Structure

1.4 The ongoing process of rationalising the interest rate structure received a major impetus with the abolition of the minimum lending rate (MLR) for credit limits of over Rs.2 lakh, effective October 18, 1994. Scheduled commercial banks are now free to fix their prime lending rate (PLR) which is the minimum rate charged by banks for prime borrowers for such credit limits. A fixed lending rate of 13.5 per cent has been stipulated for all advances with credit limits of over Rs.25,000 and upto Rs.2 lakh with a concessional rate of 12 per cent for loans upto Rs.25,000. Lending and deposit rates of all cooperative banks, excluding Primary Cooperative Banks (PCBs), were totally deregulated in October 1994 subject to an MLR of 12 per cent. In the case of PCBs the maximum deposit rate was subject to a ceiling of 12 per cent as in the case of commercial banks, for term deposits of maturities from 46 days and upto 2 years. For term deposits of over 2 years effective October 1, 1995 both scheduled commercial banks and PCBs have been given freedom to fix their own interest rates, subject to the approval of their respective Boards. The lending rate of PCBs was deregulated in June 1995 subject to an MLR of 13 per cent.

Prime Lending Rate

1.5 Each bank is required to declare a PLR which would be uniformly applicable at all its branches. The rationale behind such a move was to provide the banks with the necessary freedom to quote different rates commensurate with their competitive strengths and cost structures. Banks are expected to review and adjust their PLRs from time to time subject to the approval of their Boards. Soon after the announcement however, the PLRs of a large majority of the banks had settled around 14 per cent. Subsequently, when the maximum domestic deposit rate was raised to 'not exceeding 11 per cent per annum', effective February 10, 1995 and 'not exceeding

Box I.1

Prime Lending Rate (PLR)

The Prime Lending Rate (PLR), initially introduced in 1934 by large US banks as the minimum lending rate for the best corporate customers - the 'prime' borrowers - has evolved as a benchmark or index for the actual rates. Loans by banks are typically priced at a spread over the PLR which also serves as the basis for pricing revolving loan commitments, consumer and construction loans, and syndicated Eurocurrency loans. Generally, the PLRs across the banks are closely aligned and sticky to small variations in market rates. Such stickiness is attributable to banks' perception that they face a kinked demand curve. Alternatively, absence of any external standard for rating the heterogeneous group of prime loan customers *per se*, could be behind the slow dissemination of information in the market and the resulting stickiness. Moreover, the potential costs of eliminating excess supply or demand through adjustment in the PLR seem to be greater than for auction markets, given the uncertain course of future interest rates and many floating rate loans tied to the PLR. The asymmetric relation of the PLR to market rates is evident in the former's faster adjustment to increases than decreases in the latter, especially since the mid 1970s with the growth of alternatives to domestic bank lending for major corporate borrowers. Indeed, a definitive and empirically supported explanation of the pricing of the PLR remains elusive.

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12 per cent per annum', effective April 18, 1995, the prime lending rate of a large majority of banks was revised in February and April 1995 to 15 per cent and 15.5 per cent per annum respectively.

1.6 Consequent upon the deregulation of interest rates on domestic term deposits with a maturity over 2 years effective October 1, 1995, the majority of banks revised the interest rates for domestic term deposits with a maturity over 2 years to 12.5 per cent and 13.0 per cent, in October and November 1995 respectively. The prime lending rate of a large majority of banks was also raised to 16.5 per cent in November 1995. The experience of closely aligned and somewhat sticky PLRs has its striking similarity with that in other countries which have undergone a process of deregulation (See Box I.1).

Deposit Rates

1.7 As regards deposit rates, scheduled commercial banks had earlier been allowed to fix the maturities and rates for term deposits subject to a ceiling. The maximum term deposit rate during the year was 10 per cent till February 10, 1995 when it was raised to 'not exceeding 11 per cent'; the rate was further increased to 12 per cent effective April 18, 1995. To make the present structure of interest rates on deposits more flexible, with effect from October 1, 1995, scheduled commercial banks were given freedom to fix their own interest rates on domestic term deposits with a maturity of over 2 years and on domestic term deposits of 46 days and upto 2 years, the interest rate was prescribed at the rate of 'not exceeding 12 per cent per annum'.

1.8 Banks were advised to use utmost caution in offering interest rates on various maturities of term deposits and to ensure that they should not get locked into excessively long deposit maturities and in this connection, banks were also advised to undertake a careful review to ensure against overall asset-liability maturity mismatches. It was also stipulated that at any point of time, individual banks were to adopt uniform rates for all their branches and for all their customers. Banks are required to obtain the approval of their Boards for the deposit rates they will be offering on deposits with a maturity over 2 years. Consequent upon this, a large majority of banks had fixed the interest rate on domestic term deposits with a maturity over 2 years at 12.5 per cent in October 1995 and the same was further raised to 13 per cent in November 1995.

1.9 The savings deposit rate, including the amounts under Non-Resident (External) Rupee Accounts (NRE Accounts) was reduced to 4.5 per cent from 5 per cent with effect from November 1, 1994. In the context of a stable dollar-rupee rate, effective October 18, 1994 the term deposit rates for NRE accounts for maturity of 6 months to 3 years and above were lowered from 'not exceeding 10 per cent' to 'not exceeding 8 per cent'. With a view to maintaining the differential between the interest rates on domestic term deposits, the interest rate on NRE term deposits for maturity over 6 months to 3 years and over was raised from 'not exceeding 8 per cent per annum' to 'not exceeding 10 per cent per annum' with effect from October 1, 1995 and further to 'not exceeding 12 per cent per annum' with effect from October 31, 1995. This brought about a better alignment of interest rates on domestic term deposits and term deposits under NRE Accounts.

Reserve Requirements

1.10 In order to sterilise the expansionary effect of the increase in net foreign exchange assets, the Cash Reserve Ratio (CRR) was raised by one percentage point from 14.0 per cent to 15.0 per cent in three stages - 14.50 per cent, 14.75 per cent and 15.0 per cent from the fortnights beginning June 11, July 9, and August 6, 1994, respectively. In the context of the inflows from abroad and the low forward premia, in the second half of 1994-95, non-resident deposits were subject to a 15.0 per cent CRR on FCNR(B) and a 7.5 per cent CRR on NRNR.

1.11 In keeping with the medium-term objective of reducing the Statutory Liquidity Ratio (SLR) to 25 per cent of net demand and time liabilities (NDTL), the base SLR was reduced from 34.75 per cent in two phases of 0.50 percentage point each from the fortnights beginning August 20, 1994 and September 17, 1994 to 33.75 per cent of domestic NDTL upto the level as on September 17, 1993 and for any increase in domestic NDTL over the September 17, 1993 level, the ratio continued to be prescribed at 25 per cent. Effective from the fortnight beginning October 29, 1994 the base date for SLR on domestic NDTL was brought forward from September 17, 1993 to September 30, 1994 and the base SLR was fixed at 31.5 per cent. For any increase in domestic NDTL over the level as on September 30, 1994, the SLR continued to be prescribed at 25 per cent. Since the stipulation of SLR on incremental domestic NDTL is lower than that for the base and zero SLR is prescribed on certain specific external liabilities, the overall effective SLR which was around 37.4 per cent at the end of March 1992 is estimated to further decline to 28.2 per cent by the end of March 1996 on the basis of the existing stipulations.

1.12 With effect from October 14, 1995, all scheduled commercial banks (excluding regional rural banks) are required to adopt for the purpose of SLR, the same system of valuation of securities as for the balance sheet.

1.13 To reduce volatility in the maintenance of cash balances by banks with the Reserve Bank and to facilitate more orderly conditions in the call/notice money market, from the fortnight beginning January 7, 1995, banks are required to maintain at least 85 per cent of the required CRR balances on each of the first 13 days of the reporting fortnight, failing which they would not be paid interest for that/those day/days even though there was no shortfall in the maintenance of CRR on average basis during the fortnight. On the 14th day of the reporting fortnight, banks were allowed to maintain less than 85 per cent of the required cash balances to adjust the average of daily balances to the required level. From the fortnight beginning September 30, 1995, banks were required to maintain a minimum level of 85 per cent of the CRR requirement only from the first working day of the reporting fortnight. This stipulation would not be required to be maintained on the last working day of the reporting fortnight. For this purpose, banks should reckon the holidays with reference to the Centre where they have their principal account for maintenance of CRR.

1.14 Call money rates which ruled steady upto the middle of October 1995, rose sharply from end-October 1995 and touched a peak level of 85 per cent by November 3, 1995, largely due to asset-liability mismatches of banks, a step up in demand for bank credit as also withdrawal of the Reserve Bank support to the money market in the context of the Bank's intervention in the forex market. In the context of the changes in the forex markets and the need to provide incentives to attract non-resident deposits, in the second half of 1995-96, the CRR was reduced to zero on FCNR(B) and NRNR schemes and the CRR was reduced on NRE deposits. With a view to increasing the lendable resources to enable credit demand to be met, in the second half of 1995-96, the average CRR was reduced from 15.0 per cent to 14.5 per cent from the fortnight beginning November 11, 1995 and further to 14.0 per cent from the fortnight beginning December 9, 1995. The total resources released by all these CRR reductions in the second half of 1995-96 amounted to Rs.7,525 crore. The refinance limit of scheduled commercial banks against Government and other approved securities was also raised from 0.5 percentage point to 1.0 percentage point effective from the fortnight beginning

September 30, 1995. The base year for determining the refinance limit was also brought forward from 1991-92 (April - March) to 1994-95 (April - March). As a result, refinance limit under this facility rose from Rs. 1,025 crore to Rs.3,385 crore.

Prudential Accounting Standards

Recapitalisation

1.15 In order to enable the nationalised banks to meet the prescribed capital to risk assets ratio (CRAR) and the gap created by the application of prudential accounting norms, the Government of India has been contributing to the capital of banks, subject to their undertaking certain performance obligations and commitments. During 1993-94, the Government provided an amount of Rs.5,700 crore towards recapitalisation of 19 nationalised banks. During 1994-95, a further amount of Rs.5,292.37 crore was released as additional capital to 13 nationalised banks, of which an amount of Rs.924.58 crore was given in cash, against the promissory notes issued by six recipient banks,[1] under the World Bank assistance for the financial sector development loan, as Tier II capital on March 31, 1995. During 1995-96 the Government further released a sum of Rs.850 crore towards recapitalisation of nationalised banks.

Capital Adequacy and Provisioning Norms

1.16 The overall performance of the 27 public sector banks during 1994-95 towards attaining the minimum capital to risk assets ratio (CRAR) of eight per cent by the end of March 1996 has been encouraging. As at the end of March 1995, 13 banks attained the minimum CRAR of eight per cent, 11 banks between four and eight per cent, and the remaining three banks less than four per cent. All the foreign banks operating in India attained the stipulated minimum eight per cent norm at the end of March 1993. As at the end of March 1994, 21 Indian private sector banks complied with the four per cent norm.

1.17 On a review of the norm on revaluation reserves, banks were advised in August 1994 to treat, from the financial year 1994-95, revaluation reserves as part of Tier II capital at a discount of 55 per cent instead of a discount of 25 per cent hitherto.

1.18 In order to enable the nationalised banks to raise capital from the market for meeting the stipulated capital adequacy norm, the Government provided Rs. 1,506.21 crore during 1995-96 towards writing down of the capital base of the Bank of India and Dena Bank by Rs.1,369.92 crore and Rs.136.29 crore, respectively for adjustment of their losses. A further provision of Rs. 1,532 crore[2] has been made for three more banks in the Union Budget (Interim) of 1996-97.

1.19 During 1994-95, the prudential accounting norms were further tightened. A credit facility was required to be treated as non-performing asset (NPA) during the year ending March 1995 and onwards if interest or instalment of principal was in arrears for any two quarters as against the earlier stipulation of consecutive two quarters ending with the accounting year. Provisioning requirement in respect of advances with balances of less than Rs.25,000 was enhanced from 5 per cent of the aggregate amount outstanding to 7.5 per cent for the year ended March 1995 and further to 10 per cent for the year ended March 1996. Commencing the accounting year 1996-97, banks are required to classify advances with

1. The amounts released to each of the six banks were as under: Allahabad Bank (Rs. 101.61 crore), Bank of India (Rs. 348.22 crore), Dena Bank (Rs. 72.28 crore), Indian Bank (Rs. 180.94 crore), Indian Overseas Bank (Rs. 132.74 crore) and Syndicate Bank (Rs. 88.79 crore).

2. The bank-wise provisions are as under: Indian Bank (Rs. 376 crore), Vijaya Bank (Rs. 62 crore) and Indian Overseas Bank (Rs. 1,094 crore).

balances below Rs.25,000 also into the usual four categories and make appropriate provisions. On valuation of investment, the marked to market proportion of the approved securities was prescribed at 40 per cent for the year ending March 1996 as against 30 per cent hitherto. The marked to market proportion has been further raised to 50 per cent for the year 1996-97.

Performance Obligations and Commitments

1.20 The performance position of 18 nationalised banks as on March 31, 1994 and the projections for 1994-95 under different parameters were discussed with the Chief Executives of the banks with reference to the Performance Obligations and Commitments undertaken by them as a part of the Government's recapitalisation programme.

1.21 The nationalised banks were required to prepare Action Plan under certain key areas of their working, *viz.*, reduction in non-performing assets (NPAs), profit planning, upgradation of technology and increase in staff productivity. Although additional capital contribution was not made by the Government of India in 1994-95 to the six profit making nationalised banks, commitments were also obtained from these banks, since this exercise was found to be useful in monitoring the performance of banks. Banks have been advised to fix branch-wise targets for recovery of NPAs and also targets for recovery/reduction of NPAs for each bank.

Profitability of Banks

1.22 The financial results of 27 public sector banks (excluding RRBs) indicated a net profit of Rs.1,116 crore during 1994-95 in contrast to a huge net loss of Rs.4,349 crore in 1993-94. The operating profits of these banks increased from 0.99 per cent of working funds during 1993-94 to 1.26 per cent in 1994-95. There was, however, a turn around in return on assets (ROA)[1] from (-) 1.15 per cent in 1993-94 to 0.25 per cent in 1994-95 following a fall in provisions and contingencies from 2.14 per cent of working funds to 1 per cent during the period. Total income as a percentage of working funds registered a small decline from 9.85 per cent in 1993-94 to 9.79 per cent during 1994-95 largely due to a fall in other income from 1.28 per cent to 1.16 per cent during the period. Despite other operating expenses increasing from 2.65 per cent of working funds during 1993-94 to 2.83 per cent during 1994-95, there was a decline in total expenditure as expenses on account of interest payments declined from 6.21 per cent to 5.70 per cent during the period. Consequently, total expenditure as a percentage of working funds showed a perceptible decline from 11 per cent in 1993-94 to 9.53 per cent in 1994-95 (Appendix Table II.11).

1.23 The performance of nationalised banks was particularly significant as they registered a net profit of Rs.270 crore during 1994-95 as compared with a net loss of Rs.4,705 crore in 1993-94. The State Bank group more than doubled its net profit from Rs.356 crore in 1993-94 to Rs.846 crore in 1994-95. Among the nationalised banks, the number of banks making net profit increased from seven in 1993-94 to 11 in 1994-95. The remaining eight banks which still incurred net losses, however, drastically reduced their losses by as much as Rs.2,554 crore from Rs.3,179 crore in 1993-94 to Rs.625 crore in 1994-95. Thus, among the 19 nationalised banks all excepting one made operating profits with 11 banks making net profits in 1994-95.

Turnaround in the Performance of Banks

1.24 With the phased application of prudential accounting standards, the ROA of nationalised banks showed a sharp deterioration to (-) 1.72 per cent in 1992-93 reflecting the poor quality of their assets. In the subsequent year, i.e., in 1993-94,

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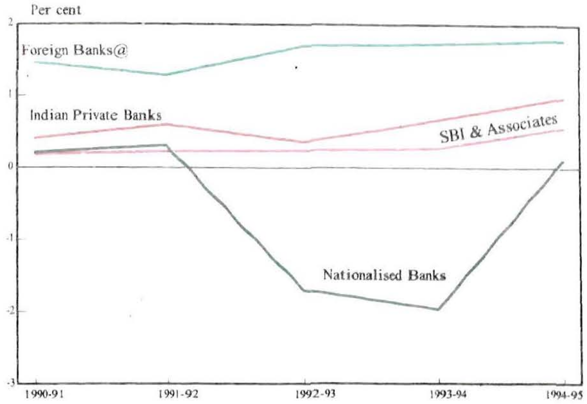
1. Net profit as a percentage of Working Funds/Total Assets.

while all other bank groups registered gains in their ROA, that of nationalised banks deteriorated further. In 1994-95, the ROA of Indian private banks improved significantly. The SBI group doubled its ROA, and the nationalised banks as a group bounced back into profit from a ROA of (-)1.98 per cent in 1993-94 to 0.10 in 1994-95 reflecting the completion of the process of cleaning up of their balance sheets (Chart I.1).

Chart I.1
Return on Assets (ROA)
(Bank group-wise)



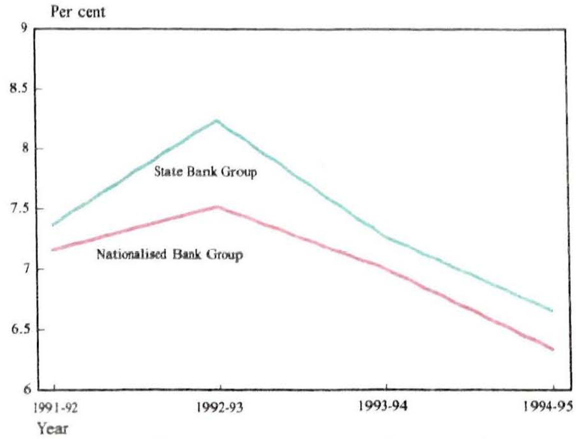
@ Excludes Standard Chartered Bank for the Year 1992-93

1.25 The nationalised bank group is not a homogeneous one in terms of profitability. Even after the application of prudential accounting norms, seven nationalised banks showed positive ROA comparable with that of the State Bank group. The negative ROA of the loss-making banks was so large that the overall ROA of the nationalised bank group turned out to be negative in 1993-94. During 1994-95, not only did the number of profit making banks increased from seven to 11, but their overall ROA also improved and combined with the fact that the loss making banks reduced their total losses, the overall effect has been a positive ROA of 0.10 per cent for the nationalised bank group (Chart I.2).

Chart I.2
Nationalised Banks
(ROA of Profitable & Loss Making Banks)

1.26 The improved profitability of public sector banks was partly due to a reduction in the effective average cost of deposits[1] both for the SBI group and nationalised bank group (Chart I.3). The reduced cost of deposit can be attributable to the reduction in the regulated deposit rate ceiling and also a change in the composition of deposits in favour of savings and demand deposits (Chart I.4).

Chart I.3
Deposits Rate
(Public Sector Banks)

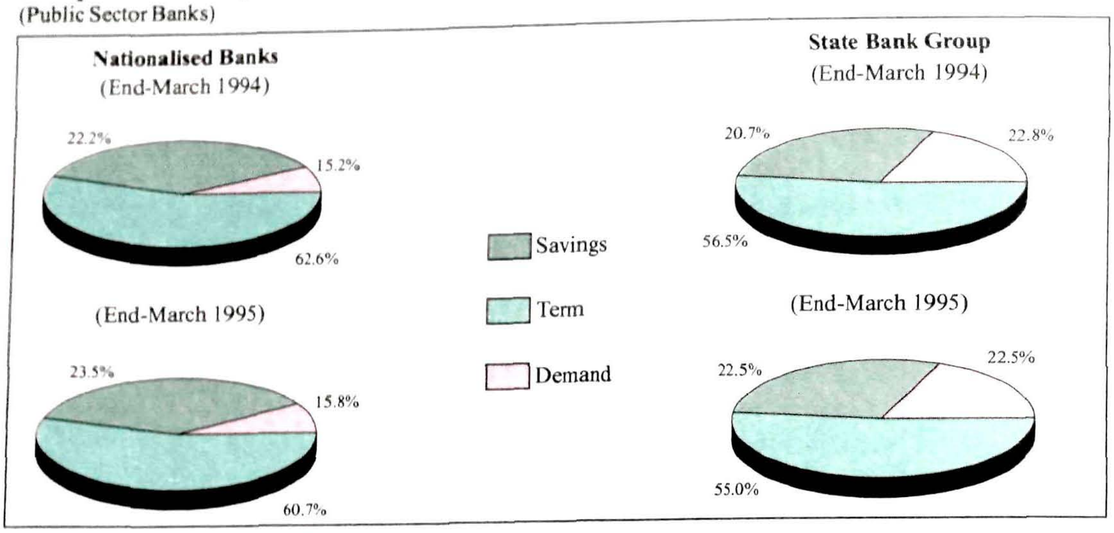


1.27 The most significant aspect of the turnaround in public sector banks' performance during 1994-95 was the reduction in the wedge between the return on advances and the return on investments[2] for both the SBI group and the nationalised bank group. The wedge between these two parameters narrowed in 1994-95 for the

1. Worked out as the ratio of interest paid out on deposits to total deposits (in per cent).

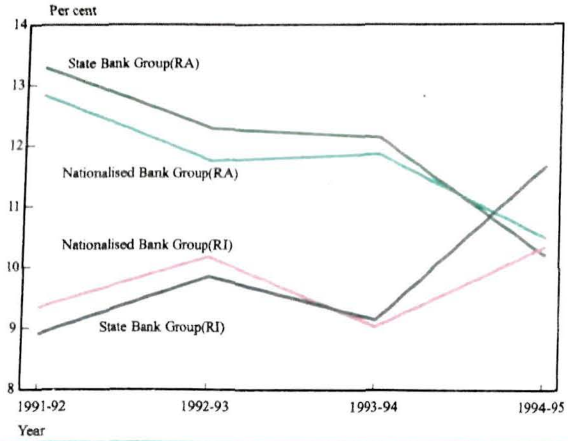
2. Worked out as the ratio of interest received on advances and investment to advances and investment, respectively.

Chart I.4
Composition of Deposits
(Public Sector Banks)



nationalised bank group. In the case of the SBI group, the wedge declined because of the return on investments being much higher than the return on advances (Chart I.5). Though the public sector

Chart I.5
Return on Advances and Investments(RA&RI)
(Public Sector Banks)

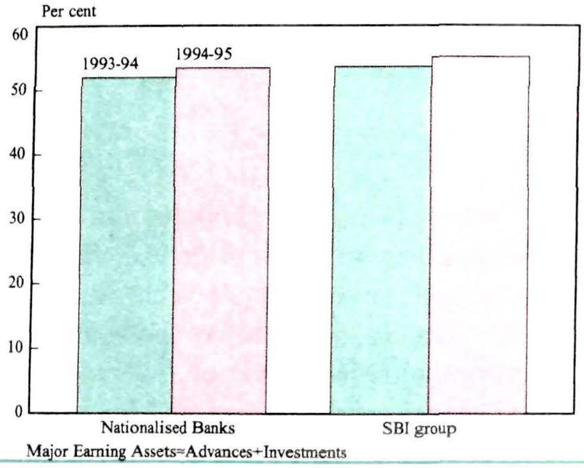


banks showed their preference for advances as evident in the shift in composition of assets in favour of advances, the average return on investment in 1994-95 was high as compared with the average return on advances (Chart I.6).

Board for Financial Supervision (BFS)

1.28 With the increasing interpenetration of financial markets and the blurring of the traditional

Chart I.6
Advances as % to Major Earning Assets
(Public Sector Banks)



distinctions between the financial intermediaries, the need for an integrated supervision of the financial system was recognised by the Narasimham Committee on the Financial System. Accordingly, the BFS and its Advisory Council were constituted on November 16, 1994 under the Reserve Bank of India (BFS) Regulations, 1994 as detailed in the previous year's Report. Effective April 1995, the supervisory responsibility for all India financial institutions and registered financial companies has also been assumed by the BFS. Steps have also been taken to set up a formal offsite monitoring system. On a pilot basis, a reporting system comprising quarterly prudential returns, has been introduced.

1.29 The BFS is also considering to set up an 'Early Warning System' in respect of the supervised institutions. The audit functions - both internal and external - are also being strengthened while the system of concurrent audit, covering a large part of operations in banks has been mandated. An audit sub-committee, comprising the Vice Chairman and two members of the BFS is currently examining the present system of empanelment, appointment of auditors and the quality and coverage of audit report for banks, financial institutions and non-banking financial companies. Efforts are also on to develop specific approaches for supervision of banking groups, including subsidiaries and financial conglomerates even if consolidated supervision may take some time to be formally established. In order to reorient and dovetail the existing system of on-site inspection of banks with the recently set up off-site monitoring, an Expert Group headed by Shri S.Padmanabhan, Member, Advisory Council of the BFS was constituted in January 1995 to undertake a further review of the on-site supervision function. The report was submitted in November 1995 and is under examination.

1.30 Annual inspections are now being undertaken for public sector banks, foreign banks and weak private sector banks. As against 67 banks inspected during 1994-95, 77 banks, which include 27 public sector banks, 24 private sector banks and 26 foreign banks, were being inspected during 1995-96. Private sector banks whose financial position is not found to be a cause for concern will be inspected at an interval of 18 months. In respect of new private sector banks, quick scrutiny of their operations on a quarterly basis has already been introduced; full-fledged inspection of these banks will be undertaken after they complete one year of their operations. The BFS has taken the view that the entire cycle of inspection including discussions with bank management on the inspection report should be completed within a period of one year. The BFS, in its monthly meeting held upto June 1995, discussed the summaries of inspection reports of 14 nationalised banks, nine private sector banks and 10 foreign banks and issued directions whenever necessary.

Private Sector Banks

1.31 In all, 10 private sector banks have started banking business out of 12 'in principle' approvals. The Development Cooperative Bank Ltd., Mumbai which was granted an 'in principle' approval in January 1995, for its conversion into a joint stock banking company, has since started its operations as Development Credit Bank Ltd.

1.32 The functioning of new private banks are being closely monitored. They are subjected to quarterly on-site supervisory visits during the first year of operations till their operations are stabilised when the regular financial inspections could be taken up. The visits focus on the management of the bank, its methods of operations, internal policies in regard to various areas of the working of the bank, compliance with regulatory requirement, adherence to the terms and conditions under which the licence was issued to the bank, etc. Irregularities, if any, observed during the visits are immediately brought to the notice of the Chief Executives of banks and followed up for compliance/rectification. The important financial indicators of the six new private sector banks[1] which were in operation as on March 31, 1995 are given in Table I.1. In the very first year of their operation all the banks have posted net profit with a total net profit of Rs.42.30 crore as at the end of March 1995.

Disclosure on Defaulting Borrowers

1.33 As mentioned in detail in the previous year's Report, a scheme for disclosure of information on defaulting borrowers of banks and financial institutions (FIs) with outstanding

1. These banks are: (1) UTI Bank Ltd., (2) IndusInd Bank Ltd., (3) ICICI Banking Corporation Ltd., (4) Global Trust Bank Ltd., (5) HDFC Bank Ltd., and (6) Centurion Bank Ltd.

Table I.1 : New Private Sector Banks : Important Financial Indicators

(Amount in Rs.crore)

Sr. No.	Items	As on March 31, 1995	As on Sept.30, 1995+
	1	2	3
1.	No. of branches	30	47
2.	Paid-up capital	675.25	995.25
3.	Deposits *	2,654.91	4,191.28
4.	Advances	1,780.03	3,125.27
5.	Investments	839.00	1,678.75
6.	Net Profit	42.30	144.05@

* Excluding inter-bank deposits.
\+ Position of eight banks in operation inclusive of Times Bank Ltd. and Bank of Punjab Ltd.
@ Profit during April-September 1995.

aggregating Rs.1 crore and above (both funded and nonfunded) and whose accounts were classified as 'Doubtful' or 'Loss' or against whom suits were filed, as on March 31 and September 30 every year was announced in April 1994. Accordingly, a list of suit-filed accounts as on March 31, 1994 has been published and lists of defaulting borrowers as on March 31, September 30, 1994 and March 31, 1995 have been circulated among the banks and FIs by the Reserve Bank.

Debt Recovery Tribunals

1.34 As mentioned in the previous year's Report, consequent upon the passing of the 'Recovery of Debts Due to Banks and Financial Institutions Bill, 1993' in August 1993, Debt Recovery Tribunals (DRTs) were set up at Calcutta, New Delhi, Jaipur, Ahmedabad and Bangalore with the Appellate Tribunal at Mumbai for expeditious adjudication and recovery of debt. Proposals for setting up the DRTs one each at Mumbai, Madras, Jabalpur, Guwahati and Patna are under consideration of the Government of India. As on December 31, 1995, 4,136 cases involving an amount of Rs. 1,720.64 crore have been transferred from the public sector banks (excluding the Punjab National Bank) to the DRTs for adjudication and 103 cases involving a sum of Rs. 51.22 crore have been settled. The constitutional validity of the Act and the establishment of the Tribunals thereunder were however challenged in certain High Courts, and the notification constituting the Tribunal for Delhi region was quashed by the Delhi High Court in March 1995. However, the Supreme Court has stayed the operation of Delhi High Court judgement. The Supreme Court has also admitted a Special Leave Petition filed by the Government of India in this regard.

Non-Performing Assets

1.35 The non-performing assets (NPAs) of banks reflect the quality of their loan portfolio. At the end of March 1994, NPAs of public sector banks at Rs.41,041 crore formed 24.8 per cent of their total advances. During 1994-95, there has been a net reduction in NPAs of public sector banks which are placed at Rs. 38,385.18 crore constituting 19.45 per cent of their total advances (Table I.2).

1.36 There has also been an increase in the number of banks which have reduced their NPAs below 20 per cent, from 11 banks as at the end of March 1994 to 17 banks as at the end of March 1995 (Table I.3).

Financial Sector Development Project

1.37 In an endeavour to assist the Government of India in sustaining the transformation process of the public sector banks into competitive, efficient, sound and modernised financial intermediates through institutional development, the International Bank for Reconstruction and Development (IBRD) approved in March 1995 a Financial Sector Development loan of US $ 700 mn comprising (i) capital restructuring loan (CRL) of US $ 350 mn, (ii) modernisation and institutional development loan (MIDL) of US $ 150 mn and (iii) back-stop facility loan (BFL) of US $ 200 mn. The capital restructuring loan would help six select nationalised banks to achieve the

Table I.2 : Classification of Loan Assets (As on March 31, 1995)

(Amount in Rs.crore)

	Nationalised Banks	SBI and its Associates	Total
1	2	3	4
1. Standard Assets	1,00,554.58 (80.02)	58,462.83 (81.50)	1,59,017.41 (80.55)
2. Sub-standard Assets	4,876.44 (3.88)	2,881.06 (4.02)	7,757.50 (3.93)
3. Doubtful Assets	14,428.75 (11.48)	8,484.59 (11.83)	22,913.34 (11.61)
4. Loss Assets	2,221.55 (1.77)	1,510.54 (2.10)	3,732.09 (1.89)
5. Advances with balance less than Rs.25,000 classified as NPAs	3,587.76 (2.85)	394.49 (0.55)	3,982.25 (2.02)
6. Total NPAs (2 to 5)	25,114.50 (19.98)	13,270.68 (18.50)	38,385.18 (19.45)
7. Total Advances (1+6)	1,25,669.08 (100.00)	71,733.51 (100.00)	1,97,402.59 (100.00)

Note: Figures in brackets are percentages to total.

Table I.3 : Frequency Distribution of NPAs: Public Sector Banks

(No. of Banks)

NPAs	End March 1994	End March 1995
1	2	3
1. Below 10 per cent	2	2
2. Between 10 and 20 per cent	9	15
3. Above 20 per cent	16	10

prescribed CRAR. The modernisation and institutional development loan would enable the participating banks to improve their efficiency and profitability by extending automation and by computerisation of banking operations. The back-stop facility would assist the eligible financial institutions and banks to source private funds to meet the increasing demand for foreign currency term loans.

1.38 Against the CRL of US $ 350 million, the Government provided an aggregate amount of Rs.924.58 crore towards Tier II capital to the six nationalised banks as sub-ordinated loans in March 1995 and obtained retroactive finance of US $ 70 mn from the World Bank under the CRL. As regards MIDL, five nationalised banks have firmed up arrangements for drawing down the loan amount while the BFL is under consideration of the Reserve Bank and the Government.

Revival Package for Weak Public Sector Banks

1.39 The Reserve Bank, in consultation with the Government, appointed Study Groups consisting of outside experts to go into the problems of four weak nationalised banks, and to suggest strategies for their turn around. The reports have been received and are being examined by the respective banks with a view to drawing up concrete action plans. The four banks are Central Bank of India, Bank of Maharashtra, UCO Bank and United Bank of India.[1]

Rural Credit

1.40 Provision of adequate flow of institutional rural credit continues to be a major policy concern. The ability of NABARD to provide larger refinance for short-term credit has been facilitated as the Reserve Bank increased its line of credit to NABARD by Rs.1,900 crore from Rs.3,350 crore as at the end of January 1993 to Rs.5,250 crore as at the end of January 1996. The capital base of NABARD has also been strengthened during this period by increasing its share capital from Rs. 120 crore to Rs. 500 crore, one half of the increase was contributed by the Government of India and the other half by the Reserve Bank.

1. KPMG Peat Marwick India Pvt. Ltd. was entrusted to study the Central Bank of India while the study of Bank of Maharashtra was assigned to Shri W.S. Tambe, former Executive Director of the Reserve Bank of India in collaboration with National Institute of Bank Management. The studies on UCO Bank and United Bank of India were done by the ICRA Ltd.

1.41 In October 1994, the cash credit facility, hitherto provided to a limited number of farmers was extended to farmers with irrigation facilities and also to other farmers undertaking farm/allied activities. Besides, commercial banks were allowed to consider on merits proposals for term finance/loans in the form of lines of credit to State Industrial Development Corporations and State Financial Corporations. The extent of such loans to SSIs would be treated as part of priority sector lending. The relaxation of the norm of minimum 40 per cent recovery of the demand for the previous years to be eligible for refinance from NABARD on the part of the State Cooperative Banks and RRBs, was decided to be continued for a further period of one year, i.e., upto June 30, 1996. The priority sector target has been set at 40 per cent even for the newly set-up private sector banks.

1.42 The Union Budget for 1995-96 took further initiatives to improve the credit flow to rural and small scale industries (SSIs) with the announcement of several schemes, *viz.,* a Rural Infrastructural Development Fund (RIDF) with a corpus of Rs.2,000 crore, the scheme of loans to Scheduled Tribes, a seven point action plan for improving the flow of credit to SSI sector, bank finance for primary weavers' cooperative societies and weavers in the handloom sector, a technology development and modernisation fund, and bank credit to Khadi and Village Industries Boards (KVIBs). The banking system is expected to provide Rs.1,000 crore on a consortium basis to the Khadi and Village Industries Commission (KVIC) which in turn would lend to viable khadi and village industry units either directly or through KVIBs. A consortium of 20 public sector banks has since been formed under the leadership of the State Bank of India which has issued a line of credit sanction letter as on September 29, 1995. For the scheme of loans to Scheduled Tribes, a sum of Rs.400 crore has been earmarked during 1995-96. NABARD has also earmarked Rs.150 crore for providing refinance to commercial and cooperative banks for the development of Scheduled Castes and Tribes. Besides, the refinance limit has been raised to 100 per cent from the earlier limit of 90-95 per cent.

1.43 The poor health of the rural credit delivery agencies, particularly the RRBs has been a cause for concern for sometime. As per the revised estimates for the Union Budget 1994-95, an amount of Rs.151 crore was provided for restructuring of 49 RRBs as identified by the Bhandari Committee on Restructuring of RRBs, of which 48 RRBs already entered into an agreement with their respective sponsor banks.

1.44 During 1995-96, further measures were initiated to strengthen and improve the rural credit system. For capital restructuring of the selected RRBs, the Government provided an amount of Rs.244.57 crore during 1995-96. A further provision of Rs.200 crore has been made for the same in the Union Budget (Interim) for 1996-97. The recipient RRBs on their part have to fulfill time-bound performance obligations and commitments on a number of key areas of banking business. In July 1995, the Reserve Bank constituted an Expert Group (Chairman: Dr. N.K.Thingalaya) to examine the major policy issues concerning the managerial and financial restructuring of RRBs taken up during 1994-95 and to monitor the progress of this exercise. Another Committee (Chairman: Shri K.Basu) set up by NABARD for revamping the RRBs has also submitted its report in December 1995, recommending selection of 68 RRBs for comprehensive restructuring under Phase II. The report is under examination.

1.45 With a view to providing durability to the restructuring process, the RRBs were advised to adopt income recognition, asset classification and exposure norms from 1995-96 and provisioning norms from 1996-97 onwards.

Expert Committee on Integrated Rural Development Programme

1.46 The Expert Committee on Integrated Rural Development Programme (IRDP), in its Interim Report submitted in November 1994 has made a number of recommendations, detailed in the previous year's Report, most of which are being implemented. Further, the Committee's recommendation regarding switchover from front-end subsidy to back-end system of subsidy has been accepted by the Government of India. The important measures undertaken in pursuance of the recommendations include *inter alia* the following:

i) Banks would provide loans to IRDP beneficiaries for acquisition of land together with short-term credit for meeting current farm expenditure.
ii) Working capital requirements would be fully taken into account while sanctioning loans to the IRDP beneficiaries and suitable cash credit limits would be sanctioned together with term loans.
iii) The cash disbursement system is being extended throughout the country. The purchase committees wherever cash disbursement system is in vogue, are being dispensed with.
iv) The repayment schedule has been made realistic after giving due weightage to the level of income generation and economic life of the assets and the minimum repayment period for IRDP loan has been raised to five years from three years. Initial moratorium is also being provided wherever required.
v) The banks would provide group loans for various activities under IRDP including assistance required for infrastructure. The security required to be provided and the rate of interest on such loans would, however, be related to per capita quantum of loan. Further, the Government has recently decided to allow subsidy upto Rs.1.25 lakh or 50 per cent of the project cost whichever is lower to a group of minimum of 5 members belonging to the Below Poverty Line (BPL) families.
vi) The banks would provide a second dose of assistance to IRDP beneficiaries who could not cross the poverty line in the first instance and have not been in default.

Banking Ombudsman Scheme

1.47 For expeditious and inexpensive resolution of customer complaints against deficiency in banking services, including non-observance of the Reserve Bank directives on loans and advances and other specified matters, the Reserve Bank announced in June 1995 the Banking Ombudsman Scheme, 1995, under the provisions of the Banking Regulation Act, 1949. The Scheme covers all scheduled commercial banks having business in India, except RRBs and scheduled primary cooperative banks. Any person whose grievance pertaining to any of the matters specified in the Scheme is not resolved to his satisfaction by the bank within a period of two months can approach the Banking Ombudsman within a period of one year. The Banking Ombudsman will first endeavour to reach an amicable settlement between the parties, failing which he will make a recommendation which will become binding once accepted by both the parties. In case the recommendation is not accepted, the Ombudsman will proceed to make an award. The Banking Ombudsman shall send to the Governor, Reserve Bank, in May every year, an annual report of the activities of the office of the Ombudsman and shall furnish such other information as the Reserve Bank may direct.

1.48 The Scheme has become operational from June 14, 1995 with the appointment of the Banking Ombudsman on a full time basis in three centres, *viz.*, Mumbai, New Delhi and Bhopal. Subsequently five more Ombudsmen were appointed, one each at Bangalore, Chandigarh, Hyderabad, Patna and Jaipur.

Committee on Technology Issues in the Banking Industry

1.49 As mentioned in the previous year's Report, the Committee on Technology Issues in the Banking Industry (Chairman: Shri W.S. Saraf), in its report submitted in December 1994, suggested far reaching changes relating to payments system, cheque clearing, settlement of securities transaction, adoption/expansion of communication technology and training in information technology for the banking industry. The major recommendations of the Committee are:

i) An Electronic Funds Transfer (EFT) system, covering all important centres in a phased manner, may be set up, starting with the four metros.
ii) A Delivery Versus Payment (DVP) system in Subsidiary General Ledger (SGL) accounts for settlement of transactions in Government securities may be introduced in the Public Debt Office (PDO) of the Reserve Bank of India at Mumbai. This may be later extended to other major centres.
iii) The feasibility of using National Informatics Centre Network (NICNET) for electronic reporting of currency chest transactions may be explored.
iv) Reporting to the Reserve Bank for fund settlement in respect of Government transactions and forwarding of scrolls to the Pay and Accounts Offices (PAOs) of Government departments may take place simultaneously.
v) MICR clearing should be put in place at all centres with more than 100 bank branches and at the earliest at Ahmedabad, Bangalore, Hyderabad, Pune, Baroda and Surat.
vi) All banks and financial institutions authorised to deal in foreign exchange business may join SWIFT.
vii) An autonomous institute on banking technology should be set up for imparting high level technology training to the bankers and for offering professional level courses. In-house training institutions should also be strengthened by banks.

1.50 The Reserve Bank has accepted all the recommendations of the Committee and worked out a schedule for implementation under the oversight of a Steering Committee (Chairman: Shri W.S. Saraf) which makes periodic review of the status of technology in the banking industry. The DVP system for transactions in Government securities has been introduced at Mumbai with effect from July 17, 1995. Electronic Clearing Service for repetitive payment transactions like interest/dividend payments has been formally launched in April 1995. MICR cheque processing facilities are being set up at 13 centres in the first phase by some of the public sector banks, out of the 26 centres identified for introducing such facility. Electronic reporting of currency chest transactions by banks to the Reserve Bank is being introduced soon at three identified Issue Circles. The Reserve Bank has accepted the Committee's suggestion to set up an Institute for Information Technology for Banking Industry at Hyderabad.

Committee for Legislation on EFT

1.51 Following the recommendation of the Saraf Committee on Technology Issues, the Reserve Bank had in August 1995 set up a Committee (Chairperson: Smt. K.S. Shere) for proposing a legislation on EFT and other electronic payments systems. This committee submitted its report on January 18, 1996.

1.52 In its Report, the Shere Committee has recommended that a nationwide EFT system for interbank and intrabank funds transfers can be implemented through a judicious combination of statutory regulations to be made under the Reserve Bank of India Act, 1934 (RBI Act) and contract between banks and their customers on the lines of a Model EFT Agreement. The Committee has also recommended amendment to the RBI Act to pave the way for development of multiple EFT systems in different segments like ATMs, EFTPoS and other consumer payment systems. An amendment to the Bankers' Books Evidence Act to accord the status of admissible evidence to computer print-outs and other electronic records is also recommended. As a long term measure, the Committee has recommended a comprehensive EFT legislation to be enacted after gaining some experience. Such a legislation, according to the Committee, should provide for a regulatory framework for establishing and operating an EFT system and include provisions defining rights and obligations of various participants, consumer protection, a dispute resolution mechanism, evidence and data protection and criminal liability for frauds.

PERSPECTIVES

1.53 Over the past three years, banks have undertaken vigorous efforts at strengthening their operations to cope with the challenges of a competitive market environment being sought to be created by the financial sector reforms. The positive trends, that have emerged in the process, are reflected in the financial results of the banks for 1994-95

1.54 The public sector banks achieved a turnaround during 1994-95 registering net profit in contrast to huge net losses in the previous two years. The increase in profitability has been accompanied by a qualitative improvement in performance as the banks have made complete provisioning for their non-performing assets (NPAs). The application of prudential accounting norms which imparted a great degree of transparency on the functioning of banks brought to the fore a great degree of performance variability that existed among the public sector banks by distinguishing the strong banks from weak banks. Notwithstanding the profitability at the system level, eight nationalised banks still posted net losses during 1994-95.

1.55 At the system level, the difficult adjustment process has thrown up two interrelated issues having a crucial bearing on the health of the banking sector: how to ensure that the turnaround is real and durable and what approach to adopt in relation to weak banks?

1.56 The Government's recapitalisation programme during 1995-96 provided for an allocation of Rs.850.50 crore for select nationalised banks. The Union Budget (Interim) for 1996-97 provided for a sum of Rs.1,506.21 crore for the year 1995-96 towards writing down the losses of two nationalised banks with an additional provision of Rs.1,532.0 crore for the year 1996-97 for three more banks. There could still be some banks which are unable to meet the stipulated minimum 8 per cent CRAR norm by end of March 1996. The ability of banks to expand their operations would critically hinge on the capital structure of the banks.

1.57 The NPAs of the public sector banks came down from about 24.8 per cent of their total advances as at the end of March 1994 to a little below 20 per cent as at the end of March 1995. There has, however, not been any precipitous reduction in the volume of NPAs which remained close to Rs.40,000 crore over the past three years. Though the banks have made vigorous efforts towards recovery and upgradation of loans, the volume of NPAs has not declined. This would imply that the banks are incurring NPAs from a part of their incremental lending.

1.58 Since high NPAs reflect weakness in credit management system, banks have to pay greater attention towards management of credit risk. It is in this context the unprecedented credit expansion during 1994-95 and 1995-96 is of great concern. It needs to be stressed that it is precisely during the cycle of excessive credit expansion that the seeds of NPAs are sown. It is, therefore, desirable that banks with high NPAs should keep down their credit expansion to a level well below that of the system. The effort at reducing NPAs must continue; the endeavour should be to bring down the banking system's average NPAs to about 10 per cent in the next couple of years. While bringing down the NPAs, it needs to be ensured that the reduction is largely because of recovery rather than mere write-offs.

1.59 Banks must recognise that as their asset portfolios diversify, greater specialisation in the technical aspects of lending and credit evaluation is necessary. Attention needs to be given not merely to the size of the assets but also to the composition of assets. Simultaneously, loan recoveries have to be substantial and speedy. Specialised branches dedicated to sector-specific lending also need to be set up.

1.60 As regards weak banks, the consultants' reports on these banks have been submitted to each bank and the Reserve Bank for examination. The diagnosis of the problems of weak banks carry several similarities: large complement of staff; unviable branches; low productivity per employee; high level of non-performing assets ranging between 20 to 27 per cent of total advances, and several critical institutional weaknesses. While clearly, there is no single remedy for these banks, a sound and viable strategy oriented to the over-riding objective of reducing and wiping out losses, needs to be formulated.

1.61 While strengthening the financial system care needs to be taken to ensure that the social content of bank lending is not reduced; while doing so, however, banks and financial institutions need to ensure that societal concerns are met in a manner consistent with viability of the lending institutions. In the current policy ambience, it is not only the management of the credit portfolio but the portfolio choice by banks between loans and investment which poses a major challenge. The banks have to manage their portfolio so as to maximise their profit in the face of competing demands from the Government and commercial sector. Weak banks which have endemic problems of credit management would find that a policy of damage containment would warrant that they keep their incremental credit-deposit ratio to as low a level as possible to minimise the problem of fresh NPAs.

1.62 While various efforts are being made to develop the secondary market in Government securities, banks continue to be by far the largest holders of these securities. While there is considerable debate on how to improve the liquidity of Government securities, ultimately banks will be able to ensure adequate liquidity only by developing a retail network in securities.

1.63 Though the loan portfolio of banks has been cleansed, the valuation norms for Government securities in the banks' portfolio have still to be fully embeded. For the year ended March 31, 1996, banks were required to mark to market only 40 per cent of their portfolio. As part of a gradual move towards standard valuation norms, banks are now required to mark to market 50 per cent of their investments in Government and other approved securities. Over time the banks will have to brace up to marking to market 100 per cent of their security portfolio. In this context, the upward movement of yield rates has a cost to the banks in terms of higher depreciation and opportunity in terms of higher income and banks need to clearly see where the balance of advantage lies. It is essential that banks develop their treasury management skills; treasury operations are one of the weakest elements in the banking system and banks will be well advised to put in their best personnel into treasury management. The advantage here is that the number of skilled personnel required in treasury management is much less than in credit management and banks can quickly develop the skills.

1.64 Two areas where weaknesses have been glaring and common both to weak and well performing banks are: inter-branch reconciliation of accounts and occurrence of frauds in banks. The progress in reconciliation has been reviewed and Chairmen of public sector banks have been given a revised time-frame within which arrears in reconciliation should be cleared. Likewise, banks have been advised to create a separate Cell to regularly monitor the recovery and staff accountability in respect of old cases of frauds and devise strategies and controls on an on-going basis for preventing incidence of frauds. In this context, it is necessary to have a fresh review of the efficacy and adequacy of the internal control systems in banks. A Working Group is currently reviewing the internal controls, inspection and audit system in banks.

1.65 The rationalisation in the structure of interest rates culminated in the Reserve Bank abolishing the minimum lending rate and letting banks to fix their own deposit rates for term deposits of maturity of more than two years. While the co-operative banks' lending and deposit rates have been deregulated, the maximum deposit rate for term deposits upto two years and two concessional lending rates for commercial banks have still remained with the Reserve Bank. The first phase of deregulation of interest rate has been successful. The next logical step should be to further deregulate lending rate by linking the concessional rates to banks' prime rate and then move towards complete deregulation of deposits rate. In this context, banks need to strengthen their own expertise to manage interest rate risk.

1.66 Internal management agenda is clearly common to all banks. Computerisation and upgradation of technologies, at least in critical branch offices with large business turnover, should be immediately implemented. Reduction of costs, rationalisation of branch structure and staffing, and strengthening of risk management and corporate management strategies should form some essential elements of a sustainable turnaround strategy. While it would be the endeavour of the Reserve Bank to progressively move towards the objectives of financial sector reform and in the conduct of monetary policy there should be a reduction in statutory preemption of banks' resources, freeing of interest rates and application of indirect methods of monetary control, the pace of reform would depend crucially on how effectively the commercial banks adapt themselves to the changing environment.

1.67 As the banking system enters the second stage of reforms, it is necessary to ensure that banks not only attain but strictly maintain the required capital adequacy levels, increase the pace of technology adoption, retrain staff in tune with changes in the operating environment, widen the scope of product and service range and improve the delivery system and customer service. While endeavouring to achieve these objectives banks need to ensure that there is a significant and enduring reduction in non-performing assets both in percentage as well as in absolute terms; this is vital to reducing the fragility of the banking system.

CHAPTER II

DEVELOPMENTS IN COMMERCIAL BANKING

Overview

The scheduled commercial banks' operations during the year[1] 1994-95 was marked by an unprecedented expansion in bank credit, particularly non-food credit, as also a significantly large accretion to deposits. The scheduled commercial banks' deposits as a percentage of GDP (at factor cost at current prices) increased from 43.6 per cent as on the last reporting Friday of March 1994 to 45.3 per cent as on the last reporting Friday of March 1995 while credit as a percentage of GDP increased from 22.7 per cent to 24.8 per cent during the period.

2.2 The expansion of credit during 1994-95, however, needs to be viewed against a modest increase in non-food credit in the previous year, and the increase in credit demand due to pick up in industrial activity in 1994-95. When assessing the banking trends in 1994-95 it is necessary to take into account the fact that there were 27 reporting fortnights as against the normal 26 reporting fortnights during a financial year, and furthermore, the last reporting fortnight of March coincided with the balance sheet date giving rise to an explosive year-end surge in both credit and deposits. Because of the sharp bulge in both deposits and credit in the last fortnight of the year 1994-95, comparison of developments in 1994-95 with those in 1993-94 as also the subsequent comparison of 1995-96 with 1994-95 are greatly vitiated. For a more meaningful comparison, the variations in important banking indicators for the year 1994-95 and the subsequent quarter ending June 23, 1995 have been worked out both on the basis of March 17, 1995 as well as March 31, 1995 (Table II.1).

2. Trends in Deposits and Credit

Trends in Deposits

2.3 During the year 1994-95 (on the basis of March 17, 1995), aggregate deposits of all scheduled commercial banks increased by Rs.51,566 crore or 16.4 per cent as compared with an expansion of Rs.46,560 crore or 17.3 per cent in 1993-94. The growth of demand deposits was lower at Rs.9,306 crore or 16.4 per cent as compared with Rs.10,111 crore or 21.8 per cent during the previous year. On the basis of March 31, 1995 the growth in aggregate deposits during 1994-95 was higher at Rs.71,726 crore (22.8 per cent).

2.4 During the first quarter of 1995-96 (on the basis of March 17, 1995), aggregate deposits registered a lower growth of Rs.9,446 crore or 2.6 per cent as compared with a rise of Rs.12,553 crore or 4.0 per cent during the corresponding period of the previous year. On March 31, 1995 basis, there was sharp fall of Rs.10,715 crore or (-)2.8 per cent in aggregate deposits during the first quarter of 1995-96 reflecting the year-end bulge.

Trends in Bank Credit

2.5 During 1994-95 (on the basis of March 17, 1995), the expansion of bank credit was

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1. Pertains to financial year (April-March) unless otherwise stated.

TABLE II.1 : Important Banking Indicators - Scheduled Commercial Banks

(Amount in Rs.crore)

Item	Outstanding as on						Variations during the financial year			Variations during the quarter (April-June)		
	March 19 1993	March 18 1994	March 17 1995	March 31 1995	June 24 1994	June 23 1995	1993-94	1994-95	1994-95#	1994-95	1995-96	1995-96#
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Total Demand and Time Liabilities@	**2,97,708**	**3,48,894**	**4,05,482**	**4,28,254**	**3,63,182**	**4,15,724**	**51,184**	**56,588**	**79,360**	**14,288**	**10,242**	**-12,530**
2. Aggregate Deposits (a+b)	**2,68,572**	**3,15,132**	**3,66,698**	**3,86,859**	**3,27,686**	**3,76,144**	**46,560**	**51,566**	**71,726**	**12,553**	**9,446**	**-10,715**
							(17.3)	**(16.4)**	**(22.8)**	**(4.0)**	**(2.6)**	**(-2.8)**
a) Demand Deposits	46,461	56,572	65,878	76,903	59,087	65,260	10,111	9,306	20,330	2,514	-618	-11,643
							(21.8)	(16.4)	(35.9)	(4.4)	(-0.9)	(-15.1)
b) Time Deposits	2,22,111	2,58,560	3,00,820	3,09,956	2,68,599	3,10,884	36,449	42,260	51,396	10,039	10,064	928
							(16.4)	(16.3)	(19.9)	(3.9)	(3.9)	(0.3)
3. Borrowings from RBI	1,619	1,813	6,575	7,415	1,875	6,885	194	4,762	5,601	62	310	-530
							(12.0)	(62.6)	(308.9)	(3.4)	(4.7)	(-7.1)
4. Liability to Banks	11,148	11,283	13,451	15,327	12,315	14,199	135	2,168	4,044	1,032	748	-1,128
							(1.2)	(19.2)	(35.8)	(9.1)	(5.6)	(-7.4)
5. Bank Credit (a+b)	**1,51,982**	**1,64,417**	**2,02,693**	**2,11,560**	**1,64,714**	**2,08,688**	**12,436**	**38,276**	**47,143**	**297**	**5,995**	**-2,872**
							(8.2)	**(23.3)**	**(28.7)**	**(0.2)**	**(3.0)**	**(-1.4)**
a) Food Credit	6,743	10,907	13,154	12,275	12,146	15,472	4,164	2,247	1,367	1,239	2,318	3,197
							(61.8)	(20.6)	(12.5)	(11.4)	(17.6)	(26.1)
b) Non-food Credit	1,45,239	1,53,510	1,89,540	1,99,285	1,52,568	1,93,216	8,272	36,030	45,776	-942	3,676	-6,069
							(5.7)	(23.5)	(29.8)	(-0.6)	(1.9)	(-3.0)
6. Investments (a+b)	**1,05,656**	**1,32,523**	**1,47,864**	**1,49,254**	**1,45,424**	**1,51,865**	**26,866**	**15,341**	**16,731**	**12,901**	**4,001**	**2,611**
							(25.4)	**(11.6)**	**(12.6)**	**(9.7)**	**(2.7)**	**(1.7)**
a) Government Securities	75,945	1,01,201	1,16,461	1,17,685	1,14,603	1,18,526	25,256	15,260	16,484	13,401	2,065	841
							(33.3)	(11.6)	(16.3)	(13.2)	(1.7)	(0.7)
b) Other Approved Securities	29,711	31,321	31,403	31,568	30,821	33,340	1,610	82	247	-500	1,937	1,772
							(5.4)	(0.3)	(0.8)	(-1.6)	(6.2)	(5.6)
7. Cash in hand	2,293	2,283	2,622	2,972	2,641	2,913	-10	339	689	358	291	-59
							(-0.4)	(14.9)	(30.2)	(15.7)	(11.1)	(-2.0)
8. Balances with RBI	28,535	47,760	58,190	60,029	48,148	55,555	19,225	10,430	12,269	388	-2,635	-4,474
							(67.4)	(21.8)	(25.7)	(0.8)	(-4.5)	(-7.5)

@ : Excluding borrowings from RBI/IDBI/NABARD

\# : Variations worked out on the basis of March 31, 1995.

Notes: 1. Figures in brackets are percentage variations.

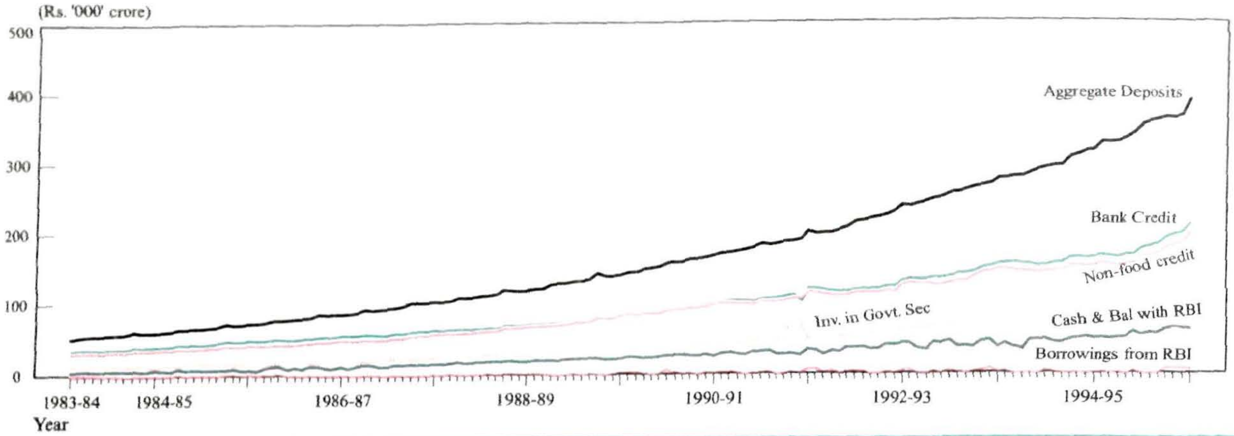
2. Constituent items may not add up to the totals due to rounding off.

3. No sign is indicated for positive variations.

Chart II.1

Scheduled Commercial Banks : Selected Items

As on Last Friday of Each Month



Rs.38,276 crore, with non-food credit accounting for Rs.36,030 crore (Table II.1). The distinct pick-up in non-food credit was evident in September 1994. Food credit showed a moderate increase of Rs.2,247 crore or 20.6 per cent in 1994-95 as against a substantial increase of Rs.4,164 crore or 61.8 per cent during the corresponding previous year. On March 31, 1995 basis, credit expansion during 1994-95 was much higher at Rs.47,143 crore or 28.7 per cent.

2.6 The rising trend in bank credit continued through the first quarter of 1995-96 as between March 17, 1995 and June 23, 1995, bank credit expanded by Rs.5,995 crore or 3.0 per cent compared with an increase of only Rs.297 crore or 0.2 per cent in the comparable period of the previous year. Non- food credit showed a substantial increase of Rs.3,676 crore, while food credit increased by Rs.2,318 crore. However, on March 31, 1995 basis, there was decline of Rs.2,872 crore or (-)1.4 per cent in bank credit during the first quarter of 1995-96.

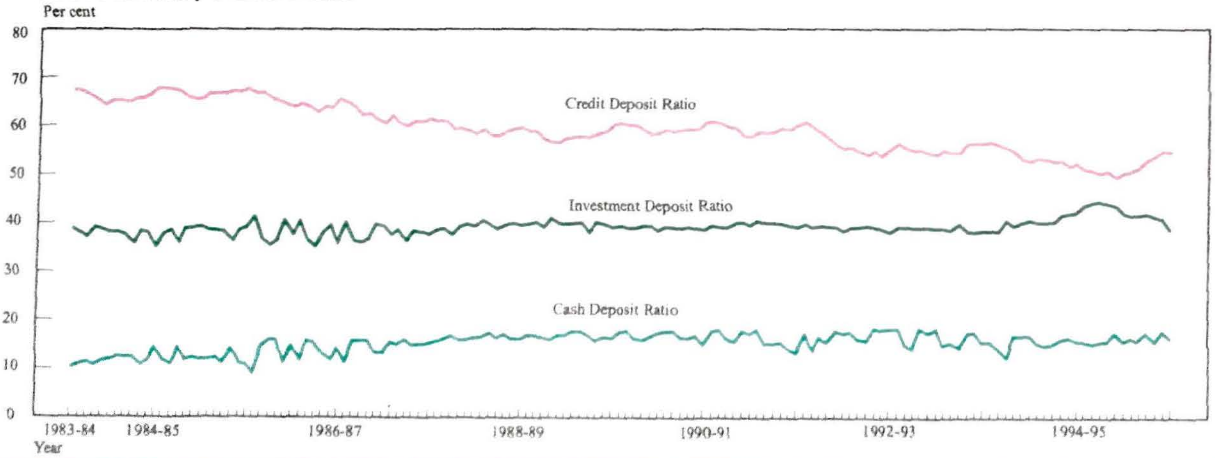
Investment and Cash Balances

2.7 With the sharp increase in bank credit, scheduled commercial banks could invest in government and other approved securities in net terms only to the extent of Rs.15,341 crore or an increase of 11.6 per cent during 1994-95 (on

Chart II.2

Scheduled Commercial Banks : Important Ratios

As on Last Friday of Each Month



the basis of March 17, 1995) as compared with Rs.26,866 crore or 25.4 per cent during the previous year. The deceleration was in evidence during the first quarter of 1995-96 as well, as investments increased by Rs.4,001 crore or 2.7 per cent as against Rs.12,901 crore or 9.7 per cent during the comparable period of 1994-95.

2.8 During the year under review, scheduled commercial banks' cash balances with the Reserve Bank registered a lower increase of Rs.10,430 crore or 21.8 per cent as against Rs.19,225 crore or 67.4 per cent during the previous year (Charts II.1 and II.2).

Sectoral Deployment of Credit

2.9 The credit to priority sector increased by Rs.10,261 crore during 1994-95 compared with Rs.4,048 crore in 1993-94. Gross bank credit to Industry showed a quantum jump of Rs.22,471 crore or 27.9 per cent during 1994-95 as against a modest increase of Rs.1,820 crore or 2.3 per cent in the previous year (Table II.2). Industry-wise, the increases were seen in respect of 'iron & steel', 'all engineering', 'chemicals, dyes, paints, etc.', 'other textiles', 'sugar', 'electricity' and 'cotton textiles' (Appendix Table II.1) (Chart II.3).

3. Export Credit

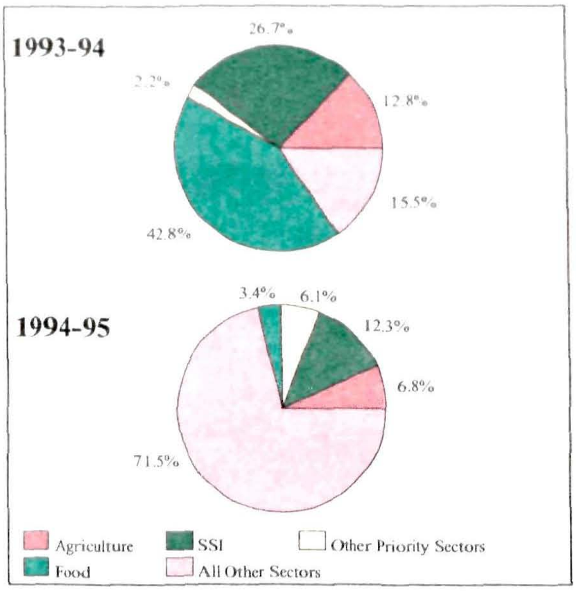
2.10 The outstanding export credit eligible for refinance amounted to Rs.19,592 crore as on March 31, 1995 as compared with Rs.16,986 crore as on March 18, 1994; it was Rs.22,375 crore on June 23, 1995.

2.11 The level of export credit provided by scheduled commercial banks under the Scheme of Pre-shipment Export Credit in Foreign Currency (PCFC) and under the Scheme of Rediscounting of Export Bills Abroad increased from Rs.646 crore and Rs.49 crore as on March 18, 1994 to Rs.3,566 crore and Rs.1,661 crore, respectively, as on March 31, 1995. As on June 23, 1995, the outstanding export credit under both these schemes was Rs.2,835 crore and Rs.1,143 crore, respectively.

Chart II.3

Sectoral Deployment of Gross Bank Credit

Variations during the Financial Year



Export Credit Refinance

2.12 During 1994-95, the total export credit refinance limits of scheduled commercial banks increased by Rs.682 crore or 7.8 per cent to Rs.9,395 crore as on March 31, 1995 from Rs.8,713 crore as on March 18, 1994 (Appendix Table II.2). At these levels, export credit refinance limits were 48.0 per cent of outstanding export credit eligible for refinance as on March 31, 1995 as against 51.3 per cent as on March 18, 1994. While the export credit (Rupee) refinance limit of banks increased marginally by Rs.49 crore, the refinance limits against Post-shipment Export Credit in Foreign Currency (PSCFC) increased by Rs.633 crore or 10.5 per cent. The fortnightly average utilisation of export credit refinance was significantly higher at Rs.4,628 crore for 1994-95 as compared with Rs.3,073 crore for the previous year. The peak level of utilisation at Rs.9,154 crore was reached during the fortnight ended March 31, 1995.

Table II.2 : Sectoral Deployment of Gross Bank Credit by Major Sectors #

(Amount in Rs. crore)

Sectors	Outstanding as on			Variations during	
	Mar.19, 1993	Mar.18, 1994	Mar.31, 1995	Financial Year 1993-94	1994-95
1	2	3	4	5	6
(I) Gross Bank Credit(1+2)	**1,47,139**	**1,56,857**	**1,97,603**	**9,718**	**40,746**
1. Public Food Procurement Credit	6,743	10,907	12,275	4,164	1,368
2. Non-Food Gross Bank Credit	1,40,396	1,45,950	1,85,328	5,554 (100.0)	39,378 (100.0)
(A) Priority Sectors $	**49,832**	**53,880**	**64,141**	**4,048 (72.9)**	**10,261 (26.1)**
(1) Agriculture	19,963	21,208	23,980	1,245 (22.4)	2,772 (7.0)
(2) Small Scale Industries	20,026	22,617	27,612	2,591 (46.7)	4,995 (12.7)
(3) Other Priority Sectors	9,843	10,055	12,549	212 (3.8)	2,494 (6.3)
(B) Industry (Medium & Large)	**58,636**	**57,865**	**75,341**	**-771 (-13.9)**	**17,476 (44.4)**
(C) Wholesale Trade (Other than food procurement)	**6,969**	**7,330**	**9,749**	**361 (6.5)**	**2,419 (6.1)**
I. Cotton Corporation of India	224	50	354	-174 (-3.1)	304 (0.8)
II. Food Corporation of India (for fertiliser distribution)	24 @	13 @	13 @	-11 (-0.2)	0 (-)
III. Jute Corporation of India	122	8	0	-114 (-2.1)	-8 (-)
IV. Other Trade	6,599	7,259	9,382	660 (11.9)	2,123 (5.4)
(D) Other Sectors	**24,959**	**26,875**	**36,097**	**1,916 (34.5)**	**9,222 (23.4)**
(II) Export Credit (included under item I(2)	**15,356**	**17,086**	**25,382**	**1,730 (31.1)**	**8,296 (21.1)**
(III) Net Bank Credit (including inter-bank participations)	**1,41,800**	**1,52,501**	**1,93,357**	**10,701**	**40,856**

\# : Data are Provisional.

@ : Represents penal interest charged by banks pending waiver.

$: The data on priority sector differ from the final data on priority sector as presented in Appendix Table II.3.

Notes : 1. Data relate to 48 (47 since September 1993 due to merger) scheduled commercial banks 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 incremental non-food gross bank credit.

Policy Changes in respect of Export Credit

2.13 Indian banks having no presence abroad have been permitted to charge interest rate not exceeding 2.5 per cent (as against 2.0 per cent for Indian banks with branches overseas) over LIBOR effective September 3, 1994 under both the Schemes of Export Credit in foreign currency, *viz.*, Pre-shipment Credit in Foreign Currency and Export Bills Re-discounting. In the case of discounting on 'without recourse' basis, effective September 3, 1995, the spread was increased from 2.5 per cent to 3 per cent in respect of banks having no presence abroad.

2.14 The interest rate in respect of PSCFC, i.e., the US Dollar denominated facility, was raised from 6.5 per cent to 7.5 per cent effective April 18, 1995. Furthermore, the export credit limits eligible for refinance under PSCFC scheme was reduced from 80 per cent to 70 per cent of the outstanding export credit effective April 29, 1995.

2.15 Export Credit under PCFC Scheme was extended for supply made by EOU/EPZ units to another EOU/EPZ unit subject to the conditions that such credit be liquidated out of foreign exchange made available to the receiving unit under PCFC.

2.16 A system of extending packing credits in Rupees to sub-suppliers of an export order has been introduced effective November 10, 1994. The Scheme provides the benefit of lower rate of interest to sub-suppliers. This facility is available only during the first stage of the production cycle and on the basis of the export order or letter of credit.

2.17 With the introduction of prime lending rates for credit limits exceeding Rs.2 lakh, banks were given the discretion, effective October 18, 1994, to fix their own rate of interest for two categories of export credit, *viz.*, (a) Post Shipment Credit for periods beyond six months from the date of shipment and (b) Export Credit not otherwise specified.

4. Credit Targets and Achievements

2.18 The overall credit target and the sub-targets relating to advances of priority sector for the Indian scheduled commercial banks remained unchanged during 1994-95.

2.19 Some changes in scope and coverage of priority sector advances were announced in the Union Budget 1995-96. Contribution to Rural Infrastructure Development Fund with NABARD equivalent to a bank's shortfall in achieving priority sector target for agriculture lending, subject to a maximum of 1.5 per cent of the bank's net credit, was treated as priority sector advance. Lending to Khadi and Village Industries Commission (KVIC) through the consortium of public sector banks formed for this purpose and also advances made to primary weavers' co-operatives were reckoned as their indirect lending to small scale industries under the priority sector.

Priority Sector Advances by Public Sector Banks

2.20 The public sector banks increased their lending under priority sector by Rs.8,597 crore or 16.2 per cent from Rs.53,197 crore as on the last Friday of March 1994 to Rs.61,794 crore as on the last Friday of March 1995. As a share of net bank credit, it declined from 37.8 per cent to 36.6 per cent during the period; these data have to be viewed with some caution as the explosive credit increase on March 31, 1995 distorts the priority sector proportion. Agricultural advances of public sector banks increased by Rs.2,309 crore from Rs.21,204 crore to Rs.23,513 crore during the same period, and formed 13.9 per cent of the net bank credit. Direct lending to agriculture has increased from Rs.19,255 crore to Rs.20,812 crore during the same period, with its share in net bank credit declining from 13.7 per cent to 12.3 per cent.

The share of credit to SSI units and the share of other priority sector in overall net bank credit remained unchanged at 15.3 per cent and 7.4 per cent, respectively during the period under review (Appendix Table II.3).

Priority Sector Advances by Private Sector Banks

2.21 The priority sector advances of private sector banks amounted to Rs.4,064 crore as at the end of March 1995 accounting for 30.0 per cent of their net bank credit as against Rs.2,886 crore or 30.2 per cent in March 1994. Direct credit to agriculture, as a share of net bank credit, was 5.3 per cent in March 1995 as against 5.4 per cent in March 1994 while credit to SSI units was 15.9 per cent and 16.4 per cent respectively (Appendix Table II.4).

Priority Sector Advances by New Private Sector Banks

2.22 The overall target of 40 per cent in respect of priority sector lending stipulated for Indian scheduled commercial banks has been extended to newly started private sector banks. Since these banks are yet to establish their branches in rural areas, the shortfall, if any, in achieving the 18 per cent sub-target for agriculture has to be set off by placing deposits with NABARD and/or SIDBI. This relaxation, however, has been provided for only three years from the inception of the bank.

Priority Sector Advances by Foreign Banks

2.23 The existing overall target of priority sector lending in respect of foreign banks at 32 per cent and the sub-targets of 10 per cent each in respect of credit for exports and small scale industries remained unchanged. The shortfall, if any, in the overall target as well as sub-targets has to be made good by placing deposits with Small Industries Development Bank of India (SIDBI) at a rate of interest of 8 per cent per annum with effect from March 1995 as against a rate of 10 per cent earlier. As at the end of March 1995, the total credit extended under the priority sector by foreign banks at Rs.4,058 crore constituted 38.5 per cent of net bank credit, well above the target of 32 per cent with credit to export and SSI constituting 28.5 per cent and 11 per cent respectively, of the net bank credit. Eight foreign banks, however, deposited a total amount of Rs.123.6 crore with SIDBI due to non attainment of the stipulated target of 32 per cent as at the end of March 1995.

Recovery of Direct Agricultural Advances

2.24 The recovery performance of public sector banks in respect of direct agricultural advances has shown some improvement over the years (Table II.3). The recovery as a percentage to demand rose from 55.9 per cent at the end of June 1993 to 57.6 per cent as at the end of June 1994 and further to 59.6 per cent as at the end of June 1995.

Table II.3 : Recovery of Direct Agricultural Advances

(Rs. crore)

Year ended June	Total Demand	Recovery	Recovery as percentage of demand
1	2	3	4
1993	10,217	5,709	55.9
1994	10,972	6,320	57.6
1995*	11,965	7,126	59.6

* Provisional.

Advances to Weaker Sections and Special Assistance Programmes

2.25 The total advances to weaker sections by the public sector banks as on the last Friday of March 1995 aggregated to Rs.13,918 crore constituting 8.2 per cent of net bank credit as against the stipulated target of 10 per cent.

2.26 The Scheme of Preparing Ex-Servicemen for Self-Employment (PEXSEM) introduced in 1983-84 was operative in 45 districts in 11 States during 1994-95 as against 43 districts of 11 States in 1993-94.

2.27 As at the end of March 1995, credit to minority communities by the public sector banks in 41 identified districts amounted to Rs.1,130 crore in 12.61 lakh borrowal accounts as against Rs.1,070 crore in 12.8 lakh borrowal accounts as at the end of March 1994.

2.28 Advances to SCs/STs under priority sector by public sector banks increased from Rs.4,737 crore in about 97.5 lakh borrowal accounts as at the end of March 1994 to Rs.5,428 crore in 99.1 lakh borrowal accounts as at the end of March 1995.

Differential Rate of Interest Scheme (DRI)

2.29 The DRI Scheme was introduced in 1972 to provide credit at a very concessional rate of interest of 4 per cent per annum to specified categories of borrowers. Under the Scheme, the public sector banks extended advances aggregating to Rs.701.8 crore in 23.0 lakh borrowal accounts as at the end of March 1995 as against Rs.694 crore in 26.1 lakh borrowal accounts as at the end of March 1994. The DRI advances were 0.50 per cent as against the stipulated target of one per cent of the total advances outstanding as at the end of previous year. Credit to SCs/STs borrowers amounted to Rs.420.8 crore in 11.6 lakh borrowal accounts constituting 59.96 per cent of the total DRI advances as at the end of March 1995 against the target of 40 per cent.

Integrated Rural Development Programme (IRDP)

2.30 During 1994-95, banks assisted 21.82 lakh beneficiaries, of which 10.80 lakh beneficiaries belonged to SCs/STs and 7.34 lakh were women beneficiaries. The recovery performance of public sector banks in respect of IRDP loans has been deteriorating over the years. The recovery rate which had declined from 30.3 per cent in June 1993 to 28.8 per cent in June 1994, however, showed an increase to 29.9 per cent in June 1995 (Table II.4).

Table II.4 : Recovery of IRDP Loans

(Amount in Rs. crore)

Year ended June	Demand	Recovery	Recovery as percentage of demand
1	2	3	4
1993	1,657.0	502.6	30.3
1994	1,729.0	497.3	28.8
1995*	1,867.9	557.7	29.9

* Provisional

Agricultural and Rural Debt Relief Scheme (ARDRS)

2.31 Under ARDR Scheme 1990, an amount of Rs.7,259 crore has been provided for meeting the claims of implementing agencies. The amounts disbursed up to the five year period ending March 1995 were of the order of Rs.2,545.94 crore for public sector banks, Rs.719.15 crore for RRBs and Rs.1,996.75 crore for co-operatives. The Reserve Bank has provided a loan of Rs.1,996.75 crore through NABARD to State Governments to enable them to meet financial commitments of 50 per cent in respect of borrowers from co-operatives.

Scheme of Urban Micro-Enterprises (SUME)

2.32 The scheme is implemented by selected branches of public sector banks. Under the scheme, there was steady increase in the amount of loan sanctioned during 1991-92 to 1993-94 while the provisional figures for 1994-95 showed a decline (Table II.5).

Table II.5 : Loans under SUME

Year (July-June)	No. of Accounts	Loans (Rs.lakh)	
		Sanctioned	Disbursed
1	2	3	4
1991-92	1,51,033	8,139	5,908
1992-93	1,60,506	10,246	7,932
1993-94	1,76,076	12,673	7,054
1994-95	1,43,619	11,010	8,497

5. Lead Bank Scheme and Service Area Approach

Lead Bank Scheme

2.33 The lead bank scheme was introduced with the main objective of ensuring flow of bank credit to priority sector and also to coordinate the activities of the various agencies, such as banks and developmental agencies of Government at various levels. As at the end of June 1995, 504 districts were covered under this Scheme. The weak banks were not assigned any fresh lead responsibilities. The Members of Parliament, ASSOCHAM, FICCI would attend the District Level Review Committee meetings on invitation from lead banks.

Service Area Approach (SAA)

2.34 The SAA was introduced in 1989 in order to improve the quality of delivery system in rural lending. With a view to making the approach more effective, certain specific steps were taken during 1994-95: (i) the commercial banks' designated branches are required to extend financial assistance to beneficiaries under IRDP and priority sector upto March 31, 1996 wherever RRBs are unable to meet their obligations; (ii) whether a particular RRB is capable or otherwise to meet the obligation in disbursal of credit is to be decided by the concerned District Consultative Committee; (iii) those RRBs having branches in more than one district, should convey the decisions relating to their inability in meeting the credit obligation to the Reserve Bank which in turn would identify designated branches of the commercial bank to meet the requirements; (iv) the unachievable IRDP targets of such RRBs which are unable to meet their disbursal obligations should be included in the annual credit plans of the designated branches of the commercial bank.

2.35 Under the SAA, annual credit plans are prepared by the concerned commercial banks. The all-India sectorwise targets *vis-a-vis* achievement for the financial year 1993-94 and 1994-95 are set out in Table II.6.

Table II.6 : Annual Credit Plans

(Amount in Rs.crore)

Sector	1993-94 (July-June)		1994-95 (July-June)	
	Target	Achievement	Target	Achievement
1	2	3	4	5
1. Agriculture and allied activities	13,983.6	14,120.1 (101.0)	16,468.5	16,884.7 (102.5)
2. SSI	3,567.7	3,843.4 (107.7)	4,914.1	5,605.0 (114.1)
3. Services	2,919.5	2,677.7 (91.7)	3,672.5	4,080.9 (111.1)
Total	20,470.8	20,641.2 (100.8)	25,055.1	26,570.7 (106.0)

Note: Figures in brackets represent percentages of achievement to target.

Prime Minister Rozgar Yojana for Educated Unemployed Youth (PMRY)

2.36 The objective of PMRY is to provide self employment in micro-enterprises to educated unemployed urban youth with family income not exceeding Rs.24,000 per annum and resident of the area for more than three years.

The scheme has been subsequently implemented all over the country including rural areas since April 1994 and the erstwhile Self Employment Scheme for Educated Unemployed Youth (SEEUY) has been subsumed in this Scheme. During 1994-95, banks sanctioned 1,80,000 applicants as against the target of 2,39,215. The target for 1995-96 is fixed at 3,19,360 beneficiaries.

Twenty Point Programme - 1986

2.37 Under the 20 point programme of 1986, public sector banks extended credit to the tune of Rs.15,560.3 crore in 276.45 lakh borrowal accounts as at the end of March 1995 as against Rs.15,448.2 crore as at the end of March 1994.

6. Regional Dispersal of Credit

2.38 The all India credit-deposit (CD) ratio of scheduled commercial banks as per sanction showed an improvement to 59.2 per cent at the end of March 1995 from 56.6 per cent in the preceding year (Appendix Table II.5). The unprecedented surge in non-food credit in 1994-95 following the revival of the real sector of the economy was reflected in an improvement in the CD ratio for all the regions barring the north-eastern and central regions.

2.39 The utilisation data in regard to the CD ratio, provide a better indicator of regional dispersal of credit as it takes into account the inter-State migration of credit. The latest data available for CD ratio as per utilisation pertain to March 1993. The all India CD ratio stood at 58.9 per cent at the end of March 1993 as against 57.7 per cent a year earlier. As in the preceding year, southern region maintained its high position at 72.3 per cent with Tamil Nadu at 86.2 per cent. A ratio of 49.7 per cent was observed in the central region. While the north-eastern region registered a decline from 66.3 per cent to 64.0 per cent, three States of the same region, *viz.* Manipur, Mizoram and Tripura experienced an improvement.

2.40 Yet another indicator of regional deployment of bank funds is the investment plus credit (as per utilisation) to deposits (ICD) ratio which at the all India level rose to 70.1 per cent at the end of March 1993 from 69.2 per cent in the preceding year (Appendix Table II.5). Among the regions, the north-eastern region witnessed a high ratio of 90.8 per cent in terms of ICD ratio (as per utilisation) while a low ratio of 63.9 per cent was observed in the northern region.

Task Forces on CD Ratio

2.41 As mentioned in the previous year's Report, the Task Forces on CD ratio for Uttar Pradesh, Bihar, West Bengal and Rajasthan had submitted their reports. The Task Forces for Kerala and Pondicherry also submitted their reports. In Kerala, the State Government has constituted a committee to monitor the progress in implementation of the recommendations. The respective State Level Bankers' Committee (SLBCs) have, on their part, been making efforts to identify sectors and sub-sectors which could absorb bank finance on a large scale.

7. Industrial Sickness

2.42 The Reserve Bank continued to place emphasis on a systematic approach to the formulation of rehabilitation packages in respect of potentially viable SSI and non-SSI sick/weak units. The Bank monitors the performance of individual banks through half yearly returns and ensures that the banks are effectively implementing rehabilitation packages.

2.43 The number of both SSI and non-SSI sick units and the credit outstandings in respect of them, have increased during the year ended March 1994 (Appendix Table II.6). Although the number of non-SSI weak units declined, the credit outstanding against them has gone up.

2.44 The total bank funds locked up in sick industries increased to Rs.13,695 crore as at the end of March 1994, from Rs.13,134 crore a year ago. The funds so locked up constituted 8.5 per cent of the total bank credit and 17 per cent of the total advances to industry.

Rehabilitation Package

2.45 The Public Sector Undertakings were brought under the purview of the Board for Industrial and Financial Reconstruction (BIFR) in December 1991, with the amendment of the Sick Industrial Companies (Special Provisions) Act, 1985. As there are certain features distinguishing public sector undertakings from joint/private sector non-SSI industrial units, it was realised that certain additional guidelines would have to be followed by banks/financial institutions in the revival of sick but potentially viable public sector undertakings. Accordingly, the Reserve Bank issued detailed guidelines in the matter in October 1994.

2.46 Consequent on freeing the lending rates for credit limits above Rs.2 lakh, the parameters for extending interest rate reliefs/concessions by banks to potentially viable non-SSI sick/ weak units was linked with the prime lending rate of banks.

8. Bank Finance for Working Capital

2.47 Regarding working capital limits of borrowers enjoying aggregate fund-based working capital credit limits of less than Rs.one crore, the Reserve Bank advised commercial banks to fix a minimum credit limit of 20 per cent of the projected annual turnover after being satisfied with the sales projections, and allow actual drawals based on drawing power.

2.48 Banks have been allowed the freedom to decide the levels of holding of individual items of inventory and of receivables to be supported by bank finance based on the industry-specific production processing cycle as also other relevant factors.

Group Approach

2.49 The 'Standing Co-ordination Committee' on the Group Approach under the Chairmanship of Dr. C. Rangarajan, Governor, Reserve Bank of India has been entrusted with the task of identifying the 'Groups' involved in defrauding the banks/ financial institutions and the promoters who have siphoned off funds. Furthermore, the reporting system on matters relating to the 'Group Approach' has been made more broad based and transparent to serve as an effective instrument of Management Information System (MIS).

Loan System for Delivery of Bank Credit

2.50 Under the existing cash credit system the onus of cash management of the corporate borrowers is borne entirely by the lending banks and there is attenuation in the credit discipline among the large borrowers. The need for introducing the "Loan System" to bring about improved discipline in credit utilisation and better control over the credit flow had been recognised for many years but this discipline had not been implimented. Accordingly, a historic step was taken with the introduction of the 'Loan System' in April 1995. The salient features of the system are presented in Box II.1.

2.51 Banks/consortia/syndicates were required to complete the bifurcation of the existing cash credit limits into a 'cash credit component' and a 'loan component' in all cases, where the MPBF was Rs.20 crore or above, before July 21, 1995, or at the next quarterly review of the borrowal account whichever is earlier. With a view to further discipline the utilisation of bank credit, the 'cash credit component' was reduced from 75 per cent to 60 per cent and the 'loan component' increased from 25 per cent to 40 per cent.

Box II.1

Loan System for Delivery of Bank Credit

(i) For borrowers with assessed maximum permissible bank finance (MPBF) of Rs.20 crore and above, it is mandatory for banks/consortia/syndicates to restrict the cash credit component to 75 per cent of the MPBF. Commercial paper and the sub-limit for bills are now required to be carved out of the 'cash credit component' of the MPBF.

(ii) The balance of 25 per cent of the MPBF, or any part thereof, may be sanctioned by way of a short-term loan for working capital purposes by the banks/consortia/ syndicates,in conformity with the existing lending discipline/ guidelines for approval and monitoring, availability of security/ drawing power, etc.

(iii) Such short-term loans for working capital purposes must be sanctioned as demand loans for a minimum period of one year though in the case of seasonal industries, the minimum period can be six months. Banks/consortia/syndicates also have the right to recall such short-term loans for working capital purposes, if the performance of the borrowing unit was not satisfactory, or where the borrowing unit was found to have used the amount for purposes other than for which the short-term loan was sanctioned.

(iv) Banks/consortia/syndicates are required to review the loan account and renew the same in time so as to ensure smooth availability of working capital funds to borrowing units, whose performance is satisfactory and where diversion and/or misuse of funds by borrowers has not taken place.

(v) Banks are free to charge interest rates on the 'cash credit component' and the 'loan component' subject to the observance of the prime lending rate fixed by banks.

(vi) In the case of consortium lending arrangement, member-banks must share the 'cash credit component' and the 'loan component' on a *pro rata* basis. While in the case of loan syndication and/or multiple banking arrangement, each member-bank or each individual bank must restrict sanction of 'cash credit component' to 75 per cent of its share of the MPBF.

Bridge Loans/Interim Finance

2.52 Prior to May 15, 1992, commercial banks were not permitted to sanction bridge loans/interim finance without obtaining prior approval of the Reserve Bank. This restriction was removed as a part of the on-going process of economic liberalisation and structural reforms in the financial sector. Monitoring of the performance of banks in this regard revealed instances of violation of guidelines issued by the Reserve Bank.

2.53 There were also instances of misuse of funds borrowed as bridge loans. In some cases bridge loans remained outstanding even after a lapse of more than one year, and some promoters had used these funds for rigging share prices. In view of the shortcomings in the system and the potential risk associated with it, the Bridge Loans/Interim Finance scheme has been withdrawn since April 17, 1995. In respect of all categories of non-banking finance companies, banks granting bridge loans or interim finance against capital/debenture issue and/or in the form of loans of a bridging nature was withdrawn earlier effective September 1994.

Term Finance by Commercial Banks

2.54 The participation of commercial banks in term lending has been linked to the quantum of loans as against the earlier policy linked to the cost of project. Furthermore, the limit on total term finance for each project from the banking system as a whole has been enhanced to Rs.500 crore from Rs.200 crore, subject to compliance with guidelines on its exposure limits.

Bank Finance for Creation/Expansion/ Modernisation of Infrastructural Facilities

2.55 During 1994-95, banks were permitted to extend finance to public sector undertakings (PSUs) for creation of infrastructural facilities on the same terms and conditions as are applicable for the private sector. The main conditions in this regard are : (i) the PSUs should be registered under the Companies Act, 1956 or be established as a corporation under the relevant Act; (ii) projects should not have been funded out of budgetary support; (iii) PSUs ought to be run on commercial lines; and (iv) the repayment of the term finance shall be out of the income generated by the project.

9. Insurance Cover for Deposits

2.56 As at the end of March 1995, the Deposit Insurance scheme covered commercial banks (including RRBs), and co-operative banks. During 1994-95 the provisions of the DICGC Act, 1961 were extended to the State of Sikkim. The limit of insurance cover[1] remained unchanged during 1994-95. As at the end of June 1995, the Deposit Insurance Scheme covered 2064 banks comprising 92 commercial banks, 196 RRBs, 1776 co-operative banks in 21 States and 2 Union Territories. The DICGC Act has been extended to the State of Punjab effective April 1995. The amount of assessable deposits increased from Rs.2,49,034 crore as at the end of June 1993 to Rs.3,64,058 crore as at the end of June 1994. Consequently, the insured deposits also rose from Rs.1,68,405 crore to Rs.2,66,747 crore during the same period constituting 73.3 per cent of the total assessable deposits in June 1994. As at the end of June 1994, fully protected accounts at 4,956 lakhs formed 99.2 per cent of total number of deposits accounts at 4,994 lakhs.

10. Money/Government Securities Market

Primary Dealers

2.57 In order to bring about an improvement in secondary market trading, liquidity and turnover in Government securities, the Reserve Bank announced in March 1995 guidelines and procedure for enlistment of Primary Dealers in the Government securities market. Subsidiaries of scheduled commercial banks, all India financial institutions and companies having net owned fund of a minimum of Rs.50 crore are eligible to apply for Primary Dealership. The Reserve Bank would extend to Primary Dealers facilities like current account/SGL account, liquidity support linked to bidding commitments, etc. They would be subject to Reserve Bank regulation. Apart from strengthening the securities market infrastructure, the Primary Dealers are expected to lend further support to the development of indirect instruments of monetary control. Six institutions have been given 'in principle' approval as Primary Delears.

Government Securities Refinance

2.58 Banks have been granted an aggregate limit of Rs.1,028 crore under the Scheme of Government Securities Refinance. The peak level of outstanding refinance under the Scheme in 1994-95 was at Rs.789 crore during the fortnight ended January 6, 1995.

1. The limit is Rs. 1,00,000 per depositor per bank and the premium payable by insured banks on their assessable deposits is at 5 paise per Rs. 100 per annum.

Certificate of Deposits (CDs)

2.59 The stringent call money market conditions made the banks depend more on CDs for mobilisation of funds during the year. Thus, the outstanding amount of CDs issued by 51 scheduled commercial banks stood at Rs.8,017 crore (2.3 per cent of aggregate deposits) as on March 31, 1995 as compared with Rs.5,571 crore (1.9 per cent of aggregate deposits) mobilised by 48 banks as on March 18, 1994. The outstanding amount of CDs increased to Rs.11,842 crore (3.4 per cent of aggregate deposits) during the fortnight ended June 23, 1995.

2.60 The tight conditions in the money market are reflected also in the levels of interest rates for CDs. The typical interest rates for CDs with a maturity of three months which were in the range of 8.5 per cent to 9.5 per cent per annum during March 1994 increased to a range of 12.5 - 13.5 per cent during March 1995 and remained at that level during the fortnight ended June 23, 1995. The rates on CDs with a maturity of one year have increased from a range of 11.0 - 12.0 per cent per annum in March 1994 to 12.0 - 14.0 per cent in March 1995 and further to a range of 13.5 - 14.5 per cent during the fortnight ended June 23, 1995.

Commercial Paper (CP)

2.61 Activity in the CP market was lower during 1994-95. The outstanding amount of CPs as on March 31, 1995 at Rs.604 crore showed a sharp decline of Rs.2,660 crore as against a rise of Rs.2,687 crore during 1993-94. The outstanding amount peaked to Rs.4,511 crore on August 31, 1994, and thereafter declined. The outstandings were Rs.663 crore as on June 30, 1995.

2.62 The sharp decline in the outstanding amount of CP during 1994-95 was partly attributable to the withdrawal of standby facility by banks in October 1994 and partly to the tighter conditions in the money market during the second half of 1994-95.

2.63 Consequent on the introduction of a Loan System for Delivery of Bank Credit in April 1995, the maximum amount of issue of CPs was restricted to 75 per cent of the cash credit component of the maximum permissible bank finance (MPBF). The cash credit limits will continue to be reduced *pro tanto* on issuance of CP.

2.64 The scheduled commercial banks are the major investors in CP, accounting for 76.3 per cent of the total outstanding of Rs.604 crore as on March 31, 1995. Banks' investment in CP registered a decline from Rs.2,680 crore as on March 18, 1994 to Rs.460 crore as on March 31, 1995 and further to Rs.384 crore as on June 23, 1995.

2.65 Reflecting the tight conditions in the money market, the typical interest rates on CP which were in the range of 11.0 - 12.5 per cent per annum during the last fortnight of June 1994 sharply increased to a range of 15.0 - 15.5 per cent per annum in the last fortnight of June 1995.

Commercial Bills

2.66 With a view to ensuring that banks resort to rediscounting of commercial bills in accordance with the spirit of this facility and to avoid the use of this facility for very short periods, effective April 29, 1995, rediscounting of commercial bills and derivative usance promissory notes is required to be for a minimum period of 15 days.

Call/Notice Money

2.67 So far only mutual funds set up by the public sector banks were allowed to operate as lender in the call/notice money/rediscounting market. In order to bring about a level playing field, mutual funds set up in the private sector and approved by the Securities and Exchange Board of India (SEBI) are now allowed to operate as lenders on obtaining specific permission from the Reserve Bank. They would continue to observe SEBI regulations regarding investment in the money market. With permission given to 11 such private sector mutual funds, the number of institutions, besides the scheduled commercial banks, co-operative banks, Discount and Finance House of India Ltd. (DFHI) and Securities Trading Corporation of India Ltd. (STCI) allowed to participate in the call/notice money market stood at 22. In respect of the bills rediscounting scheme, there were 22 institutions apart from the scheduled commercial banks, select co-operative banks, DFHI and STCI.

11. Regional Spread of Banking

2.68 During the period under review while the core of the branch licensing policy, 1990-95, was left unaltered, and as such banks had freedom to rationalise their branch network, the freedom given to banks to open new branches or to upgrade existing extension counters was subjected to attaining the following preconditions:

i) eight per cent CRAR norm with auditor's certificate to that effect;
ii) net profit for three consecutive years;
iii) proportion of NPAs to total outstanding loans being not more than 15 per cent with auditor's certificate to that effect;
iv) minimum owned funds of Rs.100 crore;
v) prior advice of the plan to enable the Reserve Bank to advise the concerned Regional Offices for issue of licences.

2.69 As mentioned in the previous year's Report, the conveners of State Level Bankers' Committee (SLBCs) were required to draw a suitable plan for opening at least one Specialised Agricultural Finance Branch (SAFB) in each State to adequately deal with high-tech agricultural financing. As on June 30, 1995 there were 735 specialised branches, of which 70 were SAFB (Table II.7).

Table II.7 : Number of Specialised Branches (As on June 30, 1995)

Sr. No.	Specialisation Category	Public Sector Banks	Private Sector Banks	Total
1	2	3	4	5
1.	Industrial Finance Branch	85	10	95
2.	Agricultural Finance Branch	69	1	70
3.	S.S.I. Branch	164	17	181
4.	Capital Market Services Branch	15	-	15
5.	Corporate Finance Branch	5	-	5
6.	Overseas Branch	87	7	94
7.	N.R.I. Branch	49	15	64
8.	Housing Finance Branch	2	-	2
9.	Leasing Finance Branch	1	-	1
10.	Others	204	4	208
	Total	681	54	735

2.70 In the light of the recommendations of the Committee on Restructuring of Regional Rural Banks. (Chairman: Shri M.C. Bhandari), the branch licensing policy for RRBs has been modified in June 1995.

2.71 The 70 RRBs, freed from the Service Area obligations, may relocate their loss-making branches at taluka/block headquarters, village markets, *mandis* and agricultural produce centres or similar centres, preferably within the same block. Alternatively, they may convert their loss-making branches into satellite/mobile offices. In case, two loss-making branches of a Regional Rural Bank are within a close proximity of five kms, merging the two branches may be considered.

2.72 RRBs which have to adhere to Service Area Approach (SAA) may relocate their loss-making branches at 'specified centres' within their Service Area. The already relocated branches may continue to function from the relocated centres. Such RRBs may also consider converting their loss-making branches into satellite/mobile offices, provided the conversion does not impair the performance of SAA obligations. In case another branch of the same RRB is operating within a distance of about five kms in a geographically contiguous Service Area, merging the two branches may be considered. These RRBs may also consider opening of new branches at 'specified centres' on a very selective basis within their area of operation.

2.73 The number of scheduled commercial bank branches (including RRBs) has increased from 61,742 at the end of June 1994 to 62,346 as at the end of June 1995, of which 34,949 (56.1 per cent) are in rural areas, 12,362 (19.8 per cent) in semi-urban areas, 8,531 (13.7 per cent) in urban areas and 6,504 (10.4 per cent) in metropolitan/port town areas (Appendix Tables II.7 and II.8) (Chart II.4).

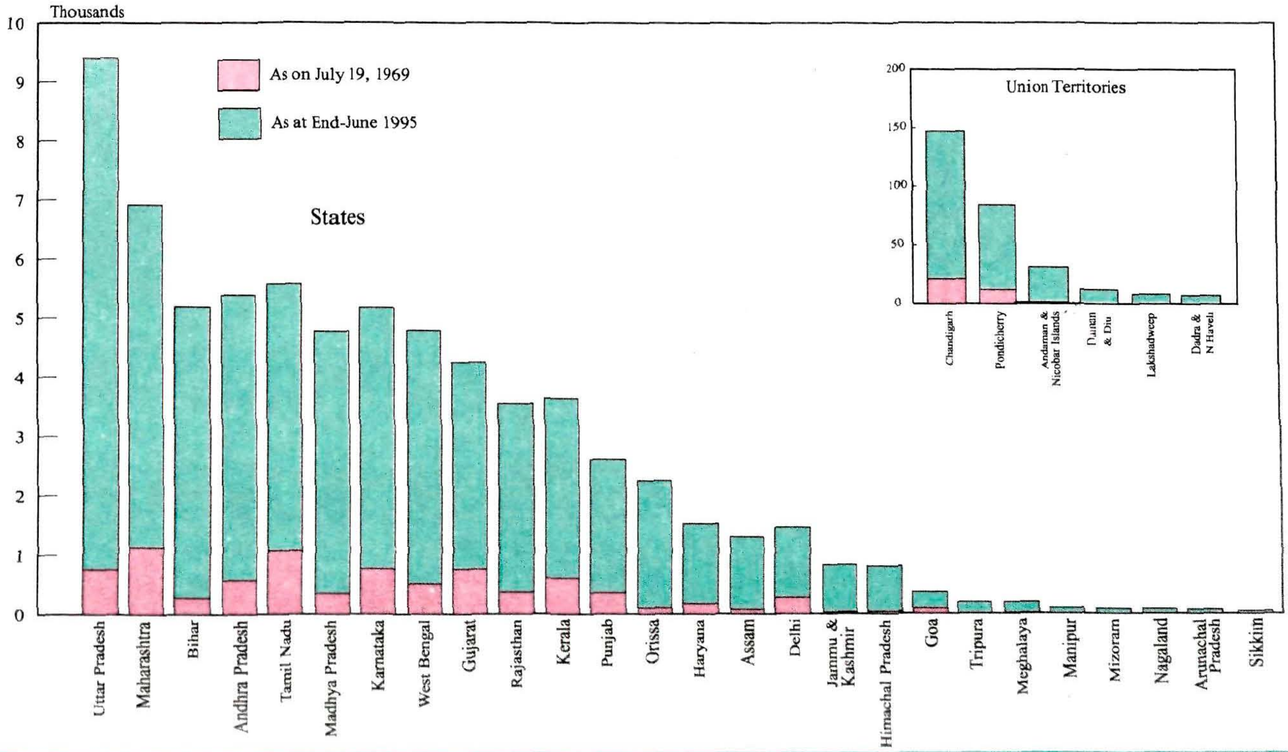
2.74 The average population served per bank branch has declined from 64,000 in 1969 to 14,000 as at the end of June 1995 (Appendix Table II.7). The northern region has the lowest per branch population of 11,000 while the north-eastern region has the highest number of 17,000. Among the States and Union Territories, Goa has the lowest population per branch of 4,000 while Manipur continues to have the highest number of 22,000 (Chart II.5).

12. Diversification in Banking

Stockinvest Scheme

2.75 As detailed in the previous year's Report, in view of the irregularities in the operations of stockinvest scheme, the scheme was restricted to individual investors and mutual funds only. Certain modifications for issue of

Chart II.4
Number of Branches of Commercial Banks



stockinvests, such as, the issuance of stockinvest only against balances available in savings bank, current and term deposit accounts, and a prohibition on the issue of blank stockinvest were also introduced.

2.76 During the period under review, with permission given to five more banks, viz., Global Trust Bank, Centurion Bank, UTI Bank, HDFC Bank and Citibank, the total number of banks allowed to introduce stockinvest scheme stood at 55.

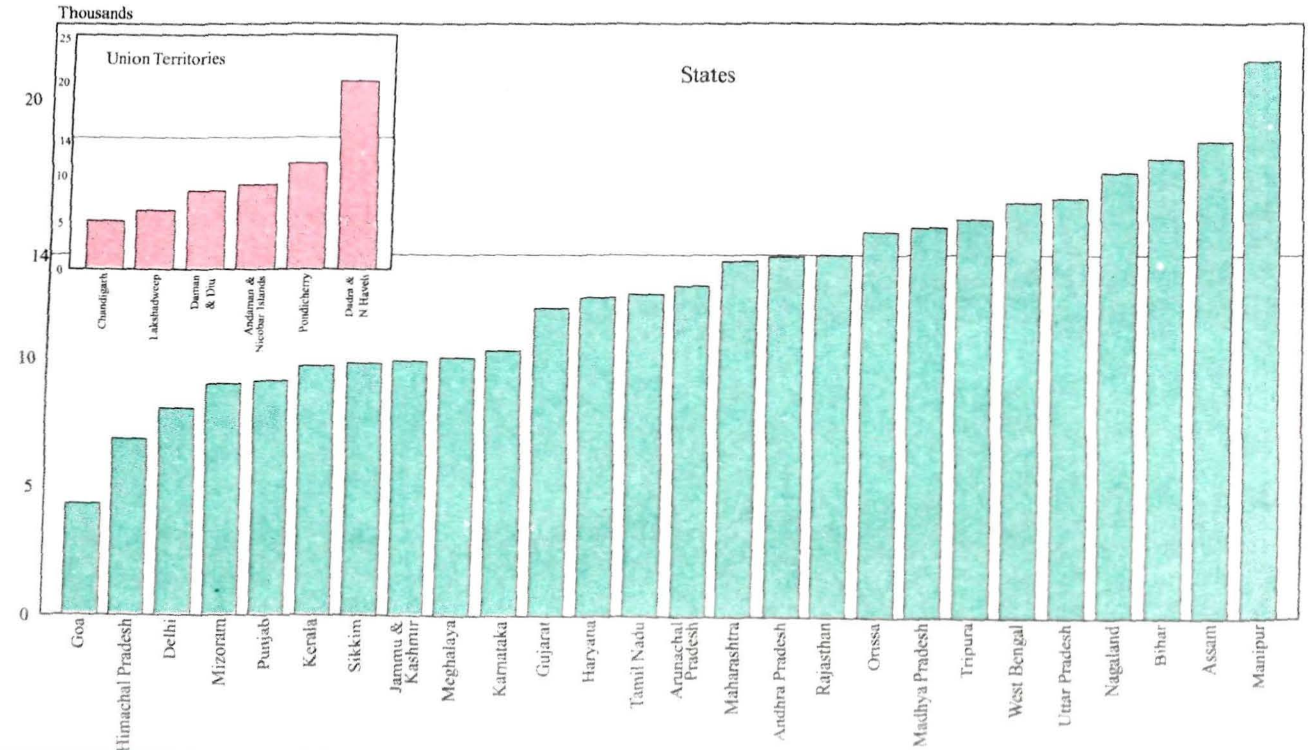
Computer Services Subsidiaries

2.77 For undertaking computer related service, final approval to Canara Bank and 'in principle' approval to Indian Overseas Bank were given during 1994-95 to float their respective subsidiaries.

Equity Participation

2.78 During the year under review, permission was given to four banks, viz., the Bank of Baroda, Lakshmi Vilas Bank, Vysya Bank and Vijaya Bank, to participate in the equity share capital of Canbank Computer Services Ltd. Three banks, viz., the Canara Bank, Indian Bank and Indian Overseas Bank were permitted to participate in the equity share capital of the India Clearing and Depository Services Ltd. (ICDS), promoted by six Southern Stock Exchanges. In January 1995, the United Bank of India was allowed to offer clearing and settlement services to Calcutta Stock Exchange subject to certain conditions. The Punjab & Sind Bank was permitted to invest in the proposed Punjab Venture Capital Fund. While the South Indian Bank was allowed to contribute to the equity share capital of TAIB Capital Corporation Ltd., subject to approval from the Government of India/Exchange Control Department of Reserve Bank, the Federal Bank Ltd. was permitted to participate in the equity of Weizmann Homes Ltd., on private placement basis subject to certain conditions.

Chart II.5
Average Population Per Commercial Bank Branch
As at the End of June 1995



Other Subsidiaries

2.79 During 1994-95 (July-June) with permission given to two more banks, viz., the Bank of Baroda and Federal Bank Ltd., to set up subsidiaries for undertaking merchant banking/equipment leasing and activities incidental thereto, the total number of merchant banking subsidiaries stood at 11, of which eight were set up by public sector banks and three by private sector banks. The six public sector banks which floated their mutual funds have also set up their respective Asset Management Companies to manage the mutual fund business. With 'in principle' approval given to Allahabad Bank, the total number of housing finance subsidiaries has gone up to seven, of which six have been set up by public sector banks and one by a private sector bank. As regards credit card and factoring subsidiaries, no new bank has been given permission to set up such subsidiaries. Accordingly, the number of credit card and factoring subsidiaries have respectively remained at one and two at the end of the period under review.

13. Organisational Matters

Installation of ATMs

2.80 In keeping with the liberalisation process in the financial sector, it was decided in December 1994 that henceforth, banks need not obtain Reserve Bank's prior permission for installation of Automated Teller Machines (ATMs) at licensed branches and extension counters. They should, however, report such installation if any, to the Reserve Bank. Banks were also given the freedom to install ATMs at other places, in which case they should obtain a licence from the concerned regional office of the Reserve Bank on a *post facto* basis.

Moratorium, Liquidation & Amalgamation

2.81 The Kashinath Seth Bank Ltd., whose functioning was brought under the specific directions of the Reserve Bank on expiry of moratorium on December 19, 1994 was again placed under moratorium from July 1, 1995 for a period of three months. As on December 31, 1994, 106 commercial banks were under liquidation. All the branches of the liquidated Bank of Karad Ltd., which were finally taken over by Bank of India in terms of the orders dated July 20, 1994 passed by the Mumbai High Court are now functioning as branches of Bank of India. No bank was taken up for amalgamation during the year under review.

Indian Banks' Overseas Operations

2.82 With no new branches opened abroad, the total number of foreign branches of Indian banks (eight public sector and one private sector) and that of representative offices remained at 101 and 13, respectively, during 1994-95. The number of wholly owned subsidiaries (including three deposit taking companies) and joint venture banks/affiliates remained at 11 and seven, respectively.

Foreign Banks in India

2.83 During the year under review, while three new foreign banks, *viz.*, Chase Manhattan Bank, State Bank of Mauritius and Development Bank of Singapore opened their maiden branches at Mumbai, three existing foreign banks, *viz.*, Bank of Nova Scotia, Credit Lyonnais and Bank of Bahrain and Kuwait opened additional branches at New Delhi, Ahmedabad and Hyderabad, respectively. Thus, the number of foreign banks operating in India increased to 27 and that of branches to 153. With upgradation of the representative office of Chase Manhattan Bank to a branch in September 1994 and opening of representative office of Union Bank of Switzerland and Barclays de Zoete Wedd Ltd. at Mumbai in November 1994 and in January 1995, respectively, the number of representative offices in India increased to 23 from 22.

14. Technology in Banking

2.84 As mentioned in the previous year's Report, about 4,000 branches of public sector banks are eligible for full computerisation under the agreement between the Indian Banks' Association (IBA) and the employees' unions signed in October 1993. Already about 1,000 branches have been identified for full computerisation in the first phase and year-wise action plan has been drawn up for implementation of the programme. As at the end of June 1995, 362 branches were fully computerised. The IBA has signed a memorandum of understanding with vendors for setting up the shared network of ATM at Mumbai.

2.85 As at the end of June 1995, public sector banks installed 12,052 Advanced Ledger Posting Machines (ALPMs) at 3,651 branches, of which 11,753 ALPMs started functioning with 11,338 on 'live' run. At their regional/zonal offices, 454 mini-computers were so far installed, of which 447 were operationalised. Mainframes were installed in the head offices of 15 public sector banks. So far 85,835 staff members of public sector banks were trained in computerisation.

Cheque Clearance

2.86 With Bhubaneswar connected to the four MICR centres, the number of centres under the one way inter-city clearing has gone up to seven. Shortly, three centres, *viz.*, Jaipur, Guwahati and Surat would be connected, respectively, with Delhi, Calcutta and Mumbai for one way inter-city clearing.

Electronic Clearing Service

2.87 On successful pilot testing, the scheme for electronic clearing of repetitive payment transactions has been made operational at Mumbai and Madras. Several corporate bodies are using the scheme to effect payment of dividend/interest to their shareholders/customers. The scheme would be shortly extended to Delhi and Calcutta.

Telecommunication Network

2.88 At present seven offices of the Reserve Bank are connected under the dedicated (leased) network and 252 ports at seven centres, *viz.*, Mumbai, Delhi, Madras, Calcutta, Hyderabad, Bangalaore and Nagpur are brought under BANKNET. Utilising the transmission RBINET has been commissioned in December 1994 and since then most of the offices and the Central Office departments of the Bank have been connected thereon. Apart from its present extensive use for transmitting messages, it is also being used for transmitting files relating to clearing position. Eight public sector banks have already installed this software in their network system.

2.89 National Informatics Centre's NICNET has been established in various Issue Department Offices of the Bank as also in certain Central Office departments by installing PC Box software. The same is planned to be used for currency chest transactions between the currency chests and Issue Departments.

2.90 The total number of live users of the Society for Worldwide Inter-bank Financial Telecommunications (SWIFT) network at present stands at 52. With the upcountry branches connected to the computer based terminals at Mumbai by several banks, there has been 90 per cent increase in Outward Message Traffic during 1994-95.

15. Customer Service in Banks

2.91 Ensuring qualitative customer services in banks assumes critical importance in the emerging competitive financial sector. The Reserve Bank has already implemented a number of measures as recommended by the Goiporia Committee on Customer Service in Banks. During the year, the Bank has initiated further follow-up measures : (i) In response to the observations of the Rajya Sabha Committee on Government Assurance on wearing of identity badges by employees as recommended by the Goiporia Committee, banks have been advised to implement this recommendation in letter and spirit, (ii) Banks have been advised in December 1994 to undertake the exercise on manpower redistribution/redeployment of employees among the branches in consultation with the Indian Banks' Association, (iii) In view of the hardships faced by small depositors, especially in rural and semi urban areas, banks have been advised not to insist upon photographs of the depositors/account holders in the case of new savings bank accounts without cheque facility and fixed and other term deposits upto a maximum amount of Rs.10,000.

2.92 With a view to ensuring timely credit to customers against instruments, the Reserve Bank has prescribed a time frame in May 1995: (i) For local as well as outstation cheques upto Rs.5,000, banks are required to provide immediate credit without waiting for customer's request for the facility, subject to the satisfactory operation of the customer's account, (ii) For cheques upto Rs.10,000 outstationed but within four metros, proceeds of the cheque presented for collection on a week day are required to be credited latest by the same day in the following week even if the collection advices are not received, (iii) For outstation cheques upto Rs.10,000 at State capital and other centres with more than 100 bank offices, credit to the customer's account should be given within 10 days with full freedom for withdrawal even if the collection advices are not received, (iv) In the case of local cheques, the customers should be allowed to use the credited funds latest by the third working day from the date of acceptance of the cheques at the counters.

2.93 The Reserve Bank has asked all commercial banks to urgently constitute a committee under a General Manager to identify the areas and factors responsible for the delays in collection of outstation instruments. The committee should suggest and put in place new systems and procedures, and infrastructural arrangements to ensure quick collection of the instruments.

16. Regional Rural Banks (RRBs)

Progress of RRBs

2.94 As at the end of March 1995, there were 196 RRBs with 14,536 branches, spread across 417 districts. State-wise data reveal that Uttar Pradesh with 3,051 branches continued to have the largest number of branches followed by Bihar with 1,886 and Madhya Pradesh with 1,603 branches. Their aggregate deposits moved up by Rs.2,127 crore or 24.1 per cent from Rs.8,831 crore as at the end of March 1994 to Rs.10,958 crore as at the end of March 1995, while advances rose by Rs.973 crore or 18.5 per cent from Rs.5,253 crore to Rs.6,226 crore during the same period (Appendix Table II.9). The purpose-wise break-up of advances outstanding are set out in Table II.8.

2.95 The credit-deposit ratio of RRBs continued to decline from 67 per cent as at the end of March 1993 to 59 per cent as at the end of March 1994 and further to 56 per cent as at the end of March 1995. Overdues as a percentage to advances outstanding however, declined from 34.9 per cent as at the end of March 1994 to 29.7 per cent in March 1995.

Borrowings

2.96 Borrowings of RRBs from sponsor banks, NABARD, IDBI, SIDBI and other financial institutions aggregated Rs.2,312 crore as at the end of March 1995, of which Rs.1,839 crore forming 79.5 per cent was from NABARD. The borrowings constituted 37.1 per cent of total advances outstanding as at the end of March 1995.

Table II.8 : Purpose-wise Advances of RRBs (As at the end of March 1995)

(Rs. crore)

Purpose	Amount
1	2
1. *Short Term (Crop loan)*	1,154
2. Term Loan for Agriculture	988
3. Allied activities	814
4. Rural artisans, village and *cottage industries*	585
5. Retail trade and Self-employed etc.	1,601
6. Consumption Loans	124
7. Other purposes	925
8. *Indirect advances*	35
Total	6,226

Source : NABARD

Re-structuring of RRBs

2.97 The Committee on Restructuring of RRBs has since submitted its two *interim* reports and a final Report. Action has already been initiated on the managerial, operational and organisational restructuring of RRBs and cleansing up of their balance sheets. Most of the select 49 RRBs have drawn up their Development Action Plans in consultation with NABARD and sponsor banks. MoUs have been entered into between the sponsor banks and RRBs. Government of India, has since released Rs.180 crore as their share of 50 per cent while, the remaining equal amount will be provided by the sponsor banks and the respective State Governments in the ratio of 35 per cent and 15 per cent, respectively.

2.98 The Union Budget for 1995-96 has provided Rs.300 crore for taking up some more RRBs for restructuring during 1995-96 in the second phase. At the instance of Government of India, NABARD has constituted another committee consisting of members from Government of India, Reserve Bank, NABARD, Sponsor banks and select State Governments, to look into the norms afresh and identify another batch of RRBs to be taken up for restructuring in the second phase during 1995-96.

Refinance from NABARD

2.99 During the financial year 1994-95, NABARD sanctioned total credit limits of Rs.570 crore for short-term purposes, which includes credit limits for seasonal agricultural operations (SAO) aggregating Rs.518 crore to 122 RRBs. During 1994-95, other short-term credit limits aggregating Rs.147 crore was sanctioned to 47 RRBs and medium-term credit limits (non-schematic) aggregating Rs.80 crore was sanctioned to 79 RRBs besides medium-term (conversion) loans amounting Rs.4.4 crore to one RRB.

2.100 NABARD continued to provide long-term refinance to RRBs. Up to March 1995, 6,149 schemes involving NABARD's commitments of Rs.3,468 crore was sanctioned to RRBs and drawals against these commitments amounted to Rs.3,113 crore as against 5,547 schemes involving commitments of Rs.2,962 crore and disbursements of Rs.2,672 crore up to March 1994.

Refinance from Sponsor Banks and other Institutions

2.101 The amount of refinance availed of by RRBs from their respective sponsor banks stood at Rs.379 crore as at the end of March 1995 as against Rs.303 crore a year ago. RRBs had also availed of refinance to the tune of Rs.6.3 crore from IDBI/SIDBI and Rs.10.95 crore from other institutions/sources.

Increase in Share Capital

2.102 As recommended by the Working Group on RRBs, the Government of India has since raised the issued share capital in respect of 27 RRBs from Rs.50 lakh to Rs.75 lakh and for 42 RRBs from Rs.75 lakh to Rs.one crore during

1994-95. This raises the total number of RRBs having issued share capital of Rs.one crore to 62 and those having issued share capital of Rs.75 lakh to 122.

Committee on SSI

2.103 The implementation of recommendations of the Committee on Financing Small Scale Industry (Chairman : Shri P.R. Nayak) is monitored by the Reserve Bank by conducting sample studies. Besides, the banks themselves are carrying out special studies on annual basis and the Reserve Bank is being kept informed on the findings and the steps taken to rectify the deficiencies.

17. Banking Reforms

Capital Adequacy Norms

2.104 The overall performance of the 27 public sector banks during 1994-95 in attaining the minimum CRAR of eight per cent progressively has been encouraging. As at the end of March 1995, 13 banks attained a CRAR of minimum eight per cent, 11 banks between four and eight per cent, and the remaining three less than four per cent. All the foreign banks operating in India had attained the norm of minimum eight per cent at the end of March 1993 as stipulated. As at the end of March 1994, 21 Indian private sector banks complied with the four per cent norm. On a review of the norm on revaluation reserves for capital adequacy purposes, banks were advised in August 1994 to treat revaluation reserves at a discount of 55 per cent instead of 25 per cent for inclusion in Tier II capital from the financial year 1994-95.

Issue of Shares, etc. by Banks

2.105 For attaining the minimum CRAR of eight per cent by the stipulated deadline, quite a few banks have proposed several steps including issue of fresh equity shares to the public.

2.106 From among the public sector banks, State Bank of India was the first to tap the capital market with an equity cum bond issue of Rs.2,532 crore in December 1993. With the amendment to the Banking Companies (Acquisition and Transfer of Undertakings) Acts 1970/80, allowing the nationalised banks to offer equity to the public to the extent of 49 per cent, Oriental Bank of Commerce was the first nationalised bank to access the capital market. It raised a sum of Rs.387.24 crore in October 1994, reducing the Government shareholding to 66.5 per cent. As mentioned in the previous year's Report, in view of the oversized equity base, as against the projected stream of earnings coming in the way of tapping the capital market by quite a few nationalised banks, the Government of India promulgated an Ordinance in January 1995 amending the Banking Companies (Acquisition and Transfer of Undertakings) Acts, 1970/80 for enabling the banks to reduce the paid-up capital. The paid-up capital can, in no case, be reduced below 25 per cent of the paid-up capital of the nationalised bank as on the date of the amendment.

Declaration of Dividends by Banks

2.107 Hitherto the public sector banks were not required to obtain any prior approval of the Reserve Bank for payment of dividend unlike the private sector banks. In the context of the capital restructuring of public sector banks consequent upon the issue of shares to the public, prior approval was made necessary in May 1995 for payment of interim dividend, dividend higher than 25 per cent and in cases of non-fulfilment of any of the following conditions : (i) compliance with the provisions of Section 15 of the Banking Regulation Act, 1949, (ii) proposed dividend out of current year's profit being not more than 25 per cent, (iii) compliance with the extant regulations on transfer of profits to statutory reserves and setting up of required provisions and (iv) observance of prudential norms on income recognition, asset classification and loan loss provisioning and the stipulated level of capital adequacy. If these four conditions are satisfied, no prior approval would be necessary.

Prudential Accounting Standards

Advances

2.108 The prudential accounting norms introduced from the financial year 1992-93 were tightened during 1994-95 (July-June) including the definition of non-performing assets (NPAs). These are as follows:

i) A credit facility should be treated as NPA during the year ending March 1995 and onwards if interest or instalment of principal is in arrears for any two quarters as against the earlier instruction of consecutive two quarters ending with the accounting year.
ii) Interest accrued and credited to income account during the year ending March 1994 in respect of all accounts including government guaranteed accounts, identified as NPA for the first time as on March 31, 1995 should be reversed or provided for as on that date.
iii) Provisioning requirement in respect of advances with balances of less than Rs.25,000 has been enhanced from 7.5 per cent of the aggregate outstanding for the year ending March 1995 to 10 per cent in 1995-96.
iv) In respect of advances guaranteed by ECGC/DICGC, realisable value of the securities should be deducted first from the outstanding balance, followed by ECGC/DICGC guarantee.
v) Provision need not be made for a period of one year from the date of disbursement in respect of additional facilities sanctioned under the rehabilitation package approved by BIFR/term lending institutions.

Investment

2.109 In keeping with the medium term objective of bringing down the proportion of 'permanent' investment to 50 per cent, the ratio of 'permanent' and 'current' investments in approved securities has been prescribed in the ratio of 60 to 40 prospectively for the year ending March 1996 as against the earlier norm of 70 to 30. Banks with more than 40 per cent of the approved securities in 'current' category should however continue to maintain the higher ratio.

2.110 On a review of the method for valuation of investment in consultation with the IBA and the Institute of Chartered Accountants of India (ICAI), the Reserve Bank introduced major changes to be adopted by banks while finalising the balance sheet for the year 1994-95 as under :

i) 'Permanent' investments should be valued at cost. In case the cost price is higher than the face value, the premium should be amortised over the remaining period of maturity of the security. If, however, the cost price is less than the face value, the difference should not be amortised or taken to income account since the amount represents unrealised gain.
ii) Valuation of Government securities in the 'current' category should be done as per market quotation on March 31, 1995. For unquoted Central government securities on the Reserve Bank list for sale, their prices and yields should be taken from the list. In respect of other unquoted Central/State Government and government guaranteed securities, detailed yields to maturity were prescribed for application as on March 31, 1995.
iii) Debentures should be valued as per stock exchange quotation. Unquoted debentures or debentures for which current quotations

are not available should be valued at carrying cost if interest is serviced regularly; otherwise such debentures should be valued applying the NPA norms for 'classified advances'.

iv) Stock exchange quotations should be adopted for valuing Mutual Fund Units. If such quotations are not available, the same should be valued based on latest NAV declared by the Mutual Fund in respect of each scheme.

v) Investment in subsidiaries and sponsored institutions should be valued at carrying cost on a consistent basis.

vi) Treasury Bills and commercial papers should be valued at carrying cost.

vii) Depreciation on recapitalisation bonds, not forming part of 'permanent' or 'current' investment, need not be provided since these represent capital. In case such bonds are acquired from the market for investment purposes, depreciation, if any, needs to be provided for.

viii) If depreciation provided on 'current' investment in the previous year turns out to be in excess during the current year, the excess could be taken to the profit and loss account and thereafter appropriated to capital reserve account.

ix) Any gain on sale of 'permanent' securities should first be taken to profit and loss account and thereafter appropriated to capital reserve account.

x) Investment should be shown in the balance sheet net of depreciation. 'Current' investment should be carried at lower of cost or market value on a consistent and quarterly basis.

18. Treasury Operations

Inter-bank Ready Forward Deals

2.111 While the extant prohibition against undertaking inter-bank ready forward transactions continues, banks are permitted to undertake ready forward transaction in select Government of India dated securities and Treasury Bills provided such transactions are put through the Subsidiary General Ledger (SGL) Accounts in Mumbai.

Investment in Shares/Debentures

2.112 Banks were allowed in August 1994 to invest in equity issues of other banks within the overall ceiling of five per cent of the incremental deposits of the previous year for subscribing to shares and debentures of corporate bodies, subject to compliance with the provisions of Section 19(2) of the Banking Regulation Act, 1949. Subsequently, investment by banks in equities/bonds of 17 all India financial institutions and that of Discount and Finance House of India Ltd. (DFHI) and Securities Trading Corporation of India Ltd. (STCI) by the share holder public sector banks were deemed to be outside the above ceiling of five per cent which, however, would be inclusive of investment in mutual funds. Investment in shares and debentures of companies would be reckoned for arriving at the single borrower/group of borrowers exposure limit as per norms. In April 1995, banks were advised to desist from trading in secondary market as they had been allowed only to directly subscribe, including private placements, to shares and debentures. Furthermore, it was clarified in June 1995 that banks should adhere to the ceiling of five per cent on an on-going basis. Banks and their subsidiaries were advised in August 1995 not to extend revolving underwriting facility to short-term floating rate notes/bonds or debentures issued by corporate entities.

Bank Receipts (BRs)

2.113 On a review of the use of BRs in securities transactions in November 1994, it was decided that BRs should be redeemed only by actual delivery of scrips within the reduced validity period of 15 days as against 30 days earlier. Otherwise, the BRs should be deemed as dishonoured and the issuer bank should refer the case with explanation to the Reserve Bank. Any violation of instructions on BRs would invite penal action.

Role of Brokers

2.114 On examining the need for continuance of the services of brokers by banks for transactions in securities it was decided in November 1994 that the inter-bank securities transactions should be undertaken directly between banks without engaging any broker. Banks may, however, undertake transactions in securities (excluding corporate shares) among themselves or with non-bank clients through members of the National Stock Exchange (NSE), wherein the transactions are transparent.

Penalties on Banks for Securities Irregularities

2.115 As detailed in the previous year's Report, 21 banks were issued show cause notices and imposed penalty for the irregularities committed by them in respect of Portfolio Management Scheme (PMS)/Ready Forward (RF) transactions. Between February and April 1995, the Reserve Bank issued second show cause notice to two foreign banks (included in the above 21 banks), for levying an aggregate penalty of Rs.1.15 crore for violation of the instructions of the Bank on PMS/RF transactions. Both the banks have paid the penalty.

2.116 The exemption given in April 1992 under Section 42(7) of the Reserve Bank of India Act, 1934 from maintenance of 10 per cent incremental cash reserve ratio was withdrawn in the case of 37 scheduled commercial banks as a penalty measure for securities irregularities. Subsequently, the exemption has been restored for 31 banks on different dates between November 1994 and May 1995; the cash balances impounded under this stipulation would, however, continue to remain impounded.

19. Miscellaneous Issues

Customer Grievances

2.117 During the year under review, as many as 5,856 references relating to complaints were received in the Grievances Cell of the Department of Supervision of the Bank. The complaints related mainly to irregularities in grant of advances, credit limits, non-payment of invoked bank guarantees, clearing house transactions, unsatisfactory customer service, misbehaviour of bank staff, non-acceptance of small denomination notes, delay/refusal for allotment of lockers, issue of drafts to non-account holders, deviations from the set norms for recruitment, promotion, posting of staff, etc. Complaints of serious nature were investigated by the concerned Regional offices of the Reserve Bank while others were taken up with the concerned banks for necessary remedial action. The complainants were also advised suitably in appropriate cases.

Frauds

2.118 In view of irregularities in the opening of deposit accounts and collection of cheques/ pay orders, etc., banks have been advised in September 1994 to examine the purpose, nature of the business handled by the parties, the financial position of the prospective account holders and other relevant aspects while opening joint accounts. Account Payee cheques payable to third parties should not be collected and cheques 'crossed generally' and payable to 'order' should be collected only on proper endorsement by the payee. The transactions put through the joint accounts should be periodically scrutinised to avoid any *benami* transactions. Banks have also been asked to tighten the internal control and vigilance machinery for the above purpose.

2.119 In order to further tighten the monitoring system relating to opening and operations in deposit and other accounts, banks have been advised to take up the following further steps: (i) A system of close monitoring of new deposit accounts at least for the first three months should be introduced so as to guard against any fraudulent or doubtful transactions, (ii) A system of close monitoring of cash deposits and withdrawals for Rs.10 lakh and above should be put in place not only for deposit accounts but also in all other accounts like cash credit/overdraft. The branches should also maintain a separate register to record details of individual cash deposits and withdrawals for Rs.10 lakh and above.

2.120 During 1994-95, the public sector banks reported 1,974 cases of fraud involving a total amount of Rs.130 crore against 2,100 cases involving a total amount of Rs.410.9 crore in 1993-94. There were only a few cases of frauds reported by foreign banks and Indian private sector banks.

2.121 The incidence of frauds committed by banks' staff either with or without the collusion of outsiders continued to be high although its proportion to total frauds declined from 58 per cent in 1993-94 to 52 per cent in 1994-95. The bulk of fraud cases are mainly due to delinquency/non-observance of the established systems and procedures by the staff members. The Reserve Bank continued to impress upon the banks to establish separate cells within their inspection/ vigilance departments to oversee the strict compliance of the established norms, systems/procedures. Furthermore, a study group comprising senior officials of the Department of Supervision within Reserve Bank has been constituted to closely look into the existing guidelines on reporting and monitoring systems.

Vigilance System

2.122 Banks were advised to take steps to decentralise the vigilance function with deputies of Chief Vigilance Officers functioning at Zonal/Regional offices and that Boards of banks should pay special attention to the half-yearly reviews required to be put up to them on the functioning of the vigilance machinery in their banks. Banks were also advised that they should take effective steps for expeditious disposal of vigilance enquiries and that in respect of cases taken up for investigation by CBI, departmental proceedings should not be held up until the CBI findings are known.

Local Advisory Boards of Foreign Banks

2.123 In pursuance of the policy of social control over banks, foreign banks were asked to constitute Local Advisory Boards. Accordingly, the Local Advisory Boards have been constituted by 24 out of the 28 foreign banks operating in India. The remaining four banks viz. International Nederlanden Bank, Chase Manhattan Bank, Dresdner Bank and the Development Bank of Singapore which were issued licences only recently have been advised to constitute Local Advisory Boards.

Appointment of Chairmen of Banks

2.124 The post of Chairman and Managing Director in Indian Overseas Bank and the posts of Executive Directors in seven banks viz., Bank of Baroda, Bank of Maharashtra, Canara Bank, Punjab National Bank, Syndicate Bank, Union Bank of India and United Bank of India were lying vacant as on June 30, 1995. The matter regarding the filling up of the vacancies was under consideration of the Government of India.

Appointment of Auditors of Banks

2.125 All the banks in public sector as well as in private sector (including foreign banks) have adhered to the legal provisions regarding appointment of statutory auditors. During 1994-95 (April-March), 27,354 branches of 27 public sector banks constituting about 64.2 per cent of the total branches of these banks were taken up for annual audit.

Use of Hindi

2.126 During the year under review electronic machines with Hindi/bilingual facilities were installed in a number of banks. Programmes on managerial and administrative skills were organised by the banks for their Rajbhasha Officers. Banks continued to focus their attention on the use of Hindi in various areas of innovative banking. Most of the banks complied with the provisions of the Official Language Act and the Rules framed thereunder. The official language conference of public sector banks was organised in October 1994 at Thiruvananthapuram.

20. Working Results of Commercial Banks

2.127 The financial results of public sector banks for 1994-95 are of particular significance as the banks as a group have been posting huge net losses during the previous two years, following the implementation of prudential accounting norms which, *inter alia,* required substantial provisioning to be made against bad debt. Though the provisioning against the advances less than Rs.25,000 was enhanced from 5 per cent in 1993-94 to 7.5 per cent during 1994-95, the majority of banks have already complied with the requirement of provisioning for bulk of their non performing assets (NPAs) during the previous two years. Consequently, there was a demonstrable decline in the amount of provisioning made during 1994-95 and the public sector banks as a group reported a net profit of Rs.1,115.8 crore in 1994-95.

Scheduled Commercial Banks

2.128 The working results of scheduled commercial banks (excluding RRBs) indicate that operating profit registered a substantial increase of Rs.2,243 crore or 41.2 per cent from Rs.5,451.3 crore during 1993-94 to Rs.7,694.3 crore in 1994-95. Their operating profits as a percentage of total assets moved up from 1.25 per cent during 1993-94 to 1.50 per cent in 1994-95. Significantly, the provisions and contingencies declined substantially from Rs.9,076.7 crore to Rs.5,539.9 crore registering a decline of Rs.3,536.8 or (-)39 per cent during the period under review. The scheduled commercial banks registered a net profit of Rs.2,154.4 crore during 1994-95 as against a net loss of Rs.3,625.4 crore in the previous year reflecting a turnaround in the profitability of public sector banks, particularly the nationalised banks. Consequently, their return on assets (ROA) improved from (-)0.8 per cent in 1993-94 to 0.4 per cent during 1994-95 (Appendix Table II.10). The turnaround was mainly due to substantial decline in provisions.

Public Sector Banks

2.129 The public sector banks as a group showed an impressive performance during 1994-95. Their operating profit increased by Rs.1,765.7 crore or 47 per cent from Rs.3,754.9 crore in 1993-94 to Rs.5,520.5 crore during 1994-95. Significantly, as against a massive net loss of Rs.4,349 crore during 1993-94 public sector banks reported a net profit of Rs.1,115.8 crore during 1994-95. Their operating profit as a percentage of total assets moved up from 0.99 per cent in 1993-94 to 1.26 per cent in 1994-95. The ROA improved significantly from (-)1.15 per cent in 1993-94 to 0.25 per cent in 1994-95. The turnaround was mainly due to a sharp decline in provisions and contingencies from 2.1 per cent of total assets in 1993-94 to 1.0 per cent in 1994-95, despite other operating expenditure having increased by 0.18 per cent of total assets (Appendix Table II.11).

2.130 The State Bank group continued its good performance both in terms of operating and net profits. The operating profit improved by Rs.547.8 crore or 26.9 per cent from Rs.2,035.4 crore in 1993-94 to Rs.2,583.2 crore during 1994-95. The net profit more than doubled from Rs.356 crore in 1993-94 to

Rs.846.5 crore during 1994-95. As a percentage to total assets, operating profit increased from 1.44 per cent to 1.65 per cent while ROA increased significantly from 0.25 per cent to 0.54 per cent during the period. The marked improvement in the performance of the State Bank group was due to a significant increase in total income and relatively lower expansion in the total expenditure (Appendix Table II.12).

2.131 The most significant performance in terms of both operating and net profit during the year 1994-95 was by the nationalised banks. The nationalised banks posted a net profit of Rs.269.3 crore during 1994-95 as against a huge net loss of Rs.4,705 crore during the previous year. Their operating profit rose by Rs.1,217.9 crore or 70.8 per cent to Rs.2,937.4 crore in 1994-95. While the operating profit improved from 0.72 per cent of total assets in 1993-94 to 1.04 per cent in 1994-95, ROA jumped from (-) 1.98 per cent to 0.10 per cent (Appendix Table II.13).

2.132 Significantly, all the nationalised banks excepting one showed operating profit during the year 1994-95, as against only 13 banks during the previous year. During 1994-95, 11 banks posted net profit as against only seven banks in 1993-94.

Foreign Banks

2.133 Foreign banks continued to demonstrate a strong performance during 1994-95. While operating profit increased by Rs.169.8 crore or 13.5 per cent from Rs.1,261.6 crore in 1993-94 to Rs.1,431.4 crore in 1994-95, the net profit increased by Rs.98.3 crore or 17.1 per cent, from Rs.573.8 crore in 1993-94 to Rs.672.1 crore in 1994-95. Accordingly, operating profit as a percentage of total assets, increased from 3.78 per cent in 1993-94 to 3.80 per cent in 1994-95, and the ROA rose from 1.72 per cent to 1.78 per cent during the period (Appendix Table II.14).

Indian Private Sector Banks

2.134 The Indian private sector banks registered substantial improvement in their profitability during 1994-95. Their operating profit increased from Rs.434.9 crore during 1993-94 to Rs.742.3 crore in 1994-95, while the net profit more than doubled from Rs.149.8 crore to Rs.366.6 crore during the same period. As a percentage to total assets the operating profit increased from 1.89 per cent in 1993-94 to 1.95 per cent during 1994-95 while ROA moved up from 0.65 per cent to 0.96 per cent during the period.

CHAPTER III

DEVELOPMENTS IN CO-OPERATIVE BANKING

Overview

During 1994-95, there was a turnaround in the resource position of NABARD with a net accretion of Rs.2,297 crore, as against a depletion of Rs.93 crore in the previous year. This was made possible due to enhanced financial support from the Reserve Bank and a sharp increase in NABARD's capital and reserves. Consequently, NABARD's refinance support for extension of rural credit showed a quantum jump. The State Co-operative Banks (SCBs) were given the freedom to fix their own deposits and lending rates subject to a minimum lending rate (MLR) of 12 per cent per annum. Similarly, the interest rates structure of Primary Co-operative Banks (PCBs) have been deregulated for all categories of loans effective June 21, 1995 subject to an MLR of 13 per cent per annum. Furthermore, effective October 1, 1995, PCBs are free to fix their own interest rate for term deposits of over two years.

3.2 With a view to improving the commercial viability of co-operative institutions and to strengthening the credit delivery system, the co-operative institutions have been advised by NABARD to prepare Development Action Plans (DAPs), sign Memorandum of Understandings (MoUs) with NABARD and respective State Governments for their effective implementation.

3.3 The co-operative credit sector consists of State Co-operative Banks (SCBs), State Land Development Banks (SLDBs), Central Co-operative Banks (CCBs), Primary Agricultural Credit Societies (PACS), Primary Land Development Banks (PLDBs) and Primary Co-operative Banks (PCBs). Total deposits of these institutions increased by 24.0 per cent from Rs.37,715 crore during 1992-93 to Rs.46,772 crore during 1993-94 and loans outstanding increased by 19.1 per cent from Rs.47,748 crore to Rs.56,852 crore during the period (Table III.1).

Table III.1 : Co-operative Sector: Deposits and Credit

(Rs.crore)

	1992-93	1993-94	Variation	
	(April-March)		Actual	Per cent
1	2	3	4	5
Deposits	37,715	46,772	9,057	24.0
Borrowings*	27,506	28,387	881	3.2
Loans outstanding	47,748	56,852	9,104	19.1

* from RBI/NABARD/Apex Banks.
Source : NABARD and the Reserve Bank.

3.4 Poor recovery of loans continued to plague the co-operative credit institutions. Overdue loans as a percentage of demand declined from 40.0 per cent in 1992-93 to 33.0 per cent in 1993-94 for CCBs, from 53.0 per cent to 52.0 per cent in respect of SLDBs and from 43.0 per cent to 40.0 per cent for PACS during the period.

2. Progress of Credit Co-operatives

Primary Co-operative Banks

3.5 The number of PCBs stands at 1,431 as at the end of March 1995, which includes 91 salary earners' banks and 45 Mahila banks; 51 of the total PCBs were under liquidation. The aggregate deposits of PCBs increased by Rs.2,942 crore from Rs.16,769 crore as at the end of March 1994 to Rs.19,711 crore as at the end of March 1995. The loans outstanding increased from Rs.12,172 crore to Rs.14,520 crore during the same period. The owned funds of PCBs rose by 18.9 per cent from Rs.2,723 crore as at the end of March 1994 to Rs.3,239 crore as at the end of March 1995 (Table III.2).

Table III.2 : Primary Co-operative Banks (April - March)

(Rs.crore)

Item	1992-93	1993-94	1994-95
1	2	3	4
Number	1,399	1,400	1,431
Owned funds	2,224	2,723	3,239
Deposits	13,531	16,769	19,711
Borrowings	565	496	563
Loans outstanding	10,132	12,172	14,520

Licensing and Inspection

3.6 The total number of licensed PCBs increased to 1,107 as at the end of March 1995 from 1,045 a year ago. The proposal for setting up of PCBs for women (Mahila banks) and weaker sections continued to be given due consideration.

3.7 During 1994-95, the Reserve Bank carried out statutory inspections in respect of 486 PCBs, under Section 35 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies).

Refinance Facilities

3.8 The Reserve Bank continued to extend refinance facilities to eligible PCBs against advances to small and tiny industrial units at the Bank Rate. During 1994-95, short-term credit limits aggregating Rs.5.6 crore were sanctioned to SCBs on behalf of eight PCBs. The outstandings against such limits was Rs.4.0 crore as at the end of March 1995 as against Rs.3.9 crore a year ago.

Priority Sector Lending

3.9 As at the end of March 1995, out of 574 reporting PCBs, 493 PCBs achieved the stipulated target of 60 per cent of their total advances for priority sector including the sub-target of 25 per cent of total advances for weaker sections.

Weak and Non-viable Banks

3.10 The number of weak and non-viable PCBs increased to 233 as at the end of March 1994 from 224 a year ago. During the year under review, the Reserve Bank issued directions to one PCB placing restrictions on making payment to depositors, sanctioning fresh advances and incurring expenditure beyond specified amounts. There were 14 PCBs under such directions as at the end of March 1995. Due to precarious financial position, two PCBs were merged with stronger Units and six PCBs were liquidated.

Policy Measures

3.11 Some of the credit policy measures prescribed for commercial banks were made applicable to PCBs with suitable modifications. They *inter alia* are :

i) PCBs are allowed to offer at their discretion higher rate of interest, not exceeding one-half of one percentage point per annum on term deposits (of 46 days and above) and one percentage point per annum on savings deposits, than those prescribed for scheduled commercial banks.

ii) The maximum term deposit rate was raised effective April 18, 1995, by one percentage point from 'not exceeding 11 per cent' to 'not exceeding 12 per cent' per annum as in the case of scheduled commercial banks.

iii) In a significant move the interest rate structure of PCBs have been deregulated for all categories of loans effective June 21, 1995 subject to the minimum lending rate (MLR) of 13 per cent per annum (Table III.3).

Table III.3 : Interest Rate Structure for Advances of Primary Co-operative Banks

(per cent per annum)

Size of Loans	All advances including term loans	
	October 18, 1994	June 21, 1995
1	2	3
(a) Upto Rs.25,000	13.0)	
(b) Over Rs.25,000 and upto Rs. two lakh	13.5)	Free, subject to MLR of 13 per cent per annum
(c) Over Rs. two lakh	Free)	

iv) Effective May 1, 1995, the maximum limit on advances to a 'single party' or a 'connected group' has been raised from Rs.75 lakh to Rs.100 lakh for non-scheduled PCBs whose total time and demand liabilities are equivalent of Rs.50 crore and above, and from Rs.150 lakh to Rs.250 lakh for all scheduled PCBs. However, credit proposals exceeding the prescribed maximum limit on advances to a single party or a group or to a director (including relatives) would continue to be referred to the Reserve Bank for prior approval.

v) As a prudential measure aimed at better risk management, non-funded limits shall be included for the purpose of computing maximum limit on advances. However, in respect of on-funded limits only 50 per cent of such limits or outstanding, whichever is higher, needs to be taken into account while arriving at the maximum limit on advances.

vi) The Board of Directors of the PCBs have been authorised, effective December 10, 1994, to clear proposals for limits against sensitive commodities upto Rs.10 lakh. This is, however, subject to observance of maximum limit on advances and other instructions contained in selective credit control directives.

Assessment of Working Capital

3.12 In line with the directives issued to commercial banks, PCBs have been issued guidelines for assessment of working capital requirements, bestowing greater flexibilities without diluting the prudential norms for lending. These include : (i) greater freedom to decide levels of holding of individual items of inventory and receivables which need to be supported by bank finance, (ii) assessment of fund-based working capital requirements of all borrowers with working capital limits upto Rs.one crore on the basis of 20 per cent of their sales turnover, (iii) raising the floor level to Rs.one crore for subjecting the borrowers to second method of lending and (iv) application of quarterly information system, etc.

3.13 Analogous to commercial banks, PCBs have been advised that in the case of borrowers enjoying working capital limits above Rs.one crore, they should levy a minimum commitment charge of one per cent per annum on the unutilised portion of credit limit sanctioned.

Lending to Non-Banking Financial Companies

3.14 PCBs have been advised that they should not admit investment/finance companies or chit fund companies as members. In the case of admitting leasing/hire purchase companies which are not engaged exclusively in leasing/hire purchase business as members, PCBs will need to obtain prior approval of the Registrar of Co-operative Societies (RCS) concerned.

Subject to these stipulations, the overall limits of borrowings by equipment leasing/hire purchase companies from PCBs were revised during the year on the lines of credit policy measures set out for commercial banks.

Bridge Loan/Interim Finance

3.15 In line with the directives to commercial banks, PCBs have been advised not to entertain any proposal for bridge loan/interim finance for any purpose.

Income Recognition and Provisioning

3.16 Similar to commercial banks, PCBs have been advised that advances secured against term deposits, National Savings Certificates, *Indira Vikas Patras* and *Kisan Vikas Patras* are exempted from the provisioning requirements envisaged in the guidelines issued. Furthermore, PCBs are permitted to take into account the amount of interest on the above types of advances on accrual basis, provided adequate margin is available in the accounts.

Customer Service

3.17 As in the case of commercial banks, PCBs have been advised to give immediate credit in respect of local cheques upto Rs.5,000 deposited by the customers whose accounts are satisfactory and within the stipulated time in respect of outstation cheques upto Rs.10,000 drawn on a bank located at metropolitan and other big centres.

State Co-operative Banks

3.18 During 1993-94, deposits of SCBs registered a significant increase of Rs.2,604 crore or 29.9 per cent from Rs.8,701 crore as at the end of March 1993 to Rs.11,305 crore as at the end of March 1994. Loans outstanding, however, increased by 17.0 per cent during the same period. The overdues rate also increased from 15.0 per cent to 17.0 per cent during the period under review (Appendix Table III.1).

Central Co-operative Banks

3.19 Deposits of CCBs registered a growth of 19.9 per cent from Rs.13,555 crore as at the end of March 1993 to Rs.16,251 crore as at the end of March 1994. The loans outstanding showed an increase of 18.9 per cent to Rs.17,758 crore. The loans overdue as a per cent to demand declined from 40.0 per cent as at the end of March 1993 to 33.0 per cent as at the end of March 1994 (Appendix Table III.1).

State/Central Land Development Banks

3.20 Loans outstanding in respect of SLDBs went up sharply by 14.5 per cent from Rs.4,719 crore as at the end of March 1993 to Rs.5,405 crore as at the end of March 1994. The proportion of overdues to demand marginally declined from 53.0 per cent to 52.0 per cent during the period under review (Appendix Table III.1).

Primary Land Development Banks

3.21 The number of PLDBs has gone up by one to 727 as at the end of March 1994 from 726 a year ago while the membership rose sharply to 72.21 lakh from 65.03 lakh. Loans outstanding increased only marginally by Rs.64 crore or 4.4 per cent to Rs.1,527 crore as at end-June 1994. Overdues as a percentage of demand has marginally gone up during the year to 45 per cent (Appendix Table III.1).

Primary Agricultural Credit Societies

3.22 The number of PACS increased to 0.91 lakh in 1993-94 from 0.84 lakh a year earlier, while the membership expanded substantially to 8.91 crore. Their deposits increased by Rs.504 crore or 27.1 per cent to Rs.2,367 crore as at the end of March 1994. Loans outstanding showed a significant increase of Rs.2,074 crore or 25.6 per cent to Rs.10,190 crore as at the end of June 1994 from Rs.8,116 crore a year ago. The overdues as a percentage to demand decreased from 43.0 per cent to 41.0 per cent over the previous year (Appendix Table III.1).

3. NABARD and the Co-operative Sector

Resources of NABARD

3.23 The resources of NABARD consist mainly of the General Line of Credit (GLC) from the Reserve Bank, National Rural Credit (NRC) Funds, capital, reserves and surplus, deposits, and borrowings. In addition, the Union Government provides funds received from the World Bank and other international agencies under various credit projects supported by these agencies. During 1994-95 a turnaround was observed in regard to resource mobilisation by NABARD. The total financial resources of NABARD showed a net accretion of Rs.2,297 crore in contrast to a depletion of Rs.93 crore in the preceding year. With the contribution of Rs.105 crore each by the Government of India and the Reserve Bank, there was a net accretion to NABARD's capital by Rs.210 crore. The net addition of resources emanated to a large extent from borrowings from the Reserve Bank under the General Line of Credit and a marked increase in reserves and surplus. Besides, the Reserve Bank also sanctioned a short-term credit facility as a temporary measure against the pledge of Government securities; the balance outstanding as at the end of March 1995 amounted to Rs.117 crore. NABARD could also mobilise Rs.90 crore through its market borrowing programme by the issue of "14th Series of NABARD Bonds" (at par) having a maturity period of ten years carrying an interest rate of 12.5 per cent per annum (Table III.4).

3.24 NABARD transferred Rs.251 crore to the NRC (Long-Term Operations) Fund and Rs.two crore to NRC (Stabilisation) Fund, in 1994-95 as against Rs.556 crore and Rs.3 crore respectively, in the previous year.

Table III.4 : Resources (net) Mobilised by NABARD

(Rs.crore)

Resources	1993-94 (April-March)	1994-95 (April-March)
1	2	3
Capital	20	210
Reserves and Surplus	113	465
NRC (LTO) Fund	556	251
NRC (Stabilisation) Fund	3	2
Deposits	(-)11	-
Open Market Borrowings	78	90
Borrowings from Central Government	(-)172	(-)62
General Line of Credit from RBI	(-)12	918
Borrowings from RBI under ARDR Scheme, 1990	(-)532	69
Government Securities Refinance Scheme (GSRS)	-	117
Short-term Borrowings	-	86
Others	(-)136	151
Total	(-)93	2,297

Source : NABARD

Refinance from NABARD

3.25 The aggregate credit limits sanctioned by NABARD for SCBs and State Governments were raised to Rs.5,152.1 crore during the financial year 1994-95 from Rs.4,133.3 crore a year ago. The amount outstanding against the sanctioned limits increased from Rs.3,342.9 crore in 1993-94 to Rs.4,115.8 crore in 1994-95 (Table III.5).

3.26 NABARD revised the rates of interest charged on its refinance facilities with effect from October 18, 1994, the details of which are furnished in Table III.6.

Table III.5 : NABARD's Credit to State Co-operative Banks and State Governments

(Rs. crore)

Category	1993-94 (April-March)				1994-95 (April-March)			
	Limits	Drawals	Repay-ments	Out-standing	Limits	Drawals	Repay-ments	Out-standing
1	2	3	4	5	6	7	8	9
1. State Co-operative Banks								
a. Short-term	4,060.2	5,281.4	5,339.6	2,961.5	4,910.7	6,347.0	5,594.8	3,691.0
b. Medium-term	33.3	57.4	137.1	151.6	168.4	98.7	104.7	143.0
Total	4,093.5	5,338.8	5,476.7	3,113.1	5,079.1	6,445.7	5,699.5	3,834.0
2. State Governments								
Long-term	39.8	30.5	29.2	229.8	73.0	74.9	29.6	281.8
Grand Total(1+2)	4,133.3	5,369.3	5,505.9	3,342.9	5,152.1	6,520.6	5,729.1	4,115.8

Note: Limits and Outstanding are as on March 31 of respective years.
Source: NABARD.

Table III.6 : NABARD's Structure of Interest Rates for Term Loans

Size of Unit	Rate of interest to ultimate beneficiaries	Rate of interest on refinance (per cent per annum)		
		SCBs	CBs	RRBs
1	2	3	4	5
Up to and inclusive of Rs.25,000	12.0	6.5	7.5	6.5
Over Rs.25,000 and up to Rs.2 lakh	13.5	9.5	10.5	9.0
Over Rs.2 lakh	Free	@	@	11.0

@ 4.0 per cent and 4.5 per cent, respectively, lower than the rate charged to ultimate borrowers by SCBs and CBs.
Note: CBs=Commercial Banks, SCBs= State Cooperative Banks, RRBs= Regional Rural Banks.

Development Action Plans (DAPs) and Memorandum of Understandings (MoUs)

3.27 With a view to improving the viability of co-operative credit institutions as also to strengthening the credit delivery systems, the co-operative credit institutions were advised to prepare DAPs and enter into MoUs with the NABARD and concerned State Governments for their effective implementation. Accordingly, during the year under review, 18 out of 28 SCBs and 13 out of 20 SLDBs had entered into MoU, on the basis of State specific DAPs.

3.28 To ensure effective implementation of DAPs, Review and Monitoring Committees headed by the Agricultural Production Commissioner/ Secretary, Co-operation at the State level and the representatives of Registrar of Co-operative Societies as Chairmen at the district level were being set up.

4. Other Measures

3.29 Pursuant to the Union Finance Minister's announcement to ensure effective flow of credit to tribals, NABARD has decided to sanction a separate Short Term (Seasonal Agricultural Operations) [ST(SAO)] Credit limit, commencing the year 1995-96, to each of the SCBs/RRBs operating in the 114 identified districts in the country. Furthermore, to step up credit flow to weaker sections including SCs/ STs, NABARD has earmarked a sum of Rs.150 crore for refinance under the 'SC/ST Action Plan' which has been allocated amongst commercial and co-operative banks. The level of refinance has also been raised to a uniform 100 per cent from 90 and 95 per cent, respectively.

3.30 With a view to promoting self-reliance among SCBs and CCBs, and reducing their dependence on concessional refinance, the SCBs and CCBs have been required to meet production credit for agriculture to a minimum of 25 per cent and 40 per cent, respectively, of their net lendable resources to avail of the refinance facility under SAO loans.

3.31 With the extension of the Prime Minister's Rozgar Yojana (PMRY) for the educated unemployed youth in rural areas, NABARD has decided to provide refinance to commercial banks for loans extended by them under the scheme. A wide spectrum of activities covering agriculture and allied activities, industries, services and business that are bankable and viable would be eligible for refinance.

3.32 NABARD has decided to undertake, on a modest scale, co-financing/direct financing of hi-tech and other special projects during 1995-96.

3.33 Decision was taken to constitute an advisory committee on handloom finance, headed by the NABARD Chairman, to periodically review the progress of the co-operative handloom sector, covering the problems relating to flow of credit, marketing, etc., and advise the respective State Governments on the necessary measures to be undertaken.

3.34 As proposed in the Union Budget for 1995-96, NABARD has created a Rural Infrastructure Development Fund (RIDF) for quicker completion of ongoing projects relating to various forms of rural infrastructure. NABARD has already called for details of the specific projects to be financed under RIDF from the State Governments.

CHAPTER IV

FINANCIAL INSTITUTIONS

Overview

With increasing competition, deregulation and technology, the functional barriers among different types of financial intermediaries are being attenuated. This chapter focuses on a range of institutions including development banks and non-bank companies.

4.2 During the financial year 1994-95, financial assistance sanctioned by all the term lending and investment institutions registered an increase of 46.8 per cent as compared with 23.7 per cent in the preceding year. The share of financial institutions in total financial assets showed a marginal decline to 36.4 per cent at the end of March 1994 from 36.7 per cent a year ago. Mutual funds mobilised resources aggregating Rs.11,273.9 crore (provisional) during the financial year 1994-95 as against Rs.11,243 crore in the preceding year. The regulated deposits of non-banking financial companies were equivalent to 6.3 per cent of the aggregate deposits of all scheduled commercial banks (excluding RRBs) at the end of March 1994 as compared with 2.3 per cent a year ago.

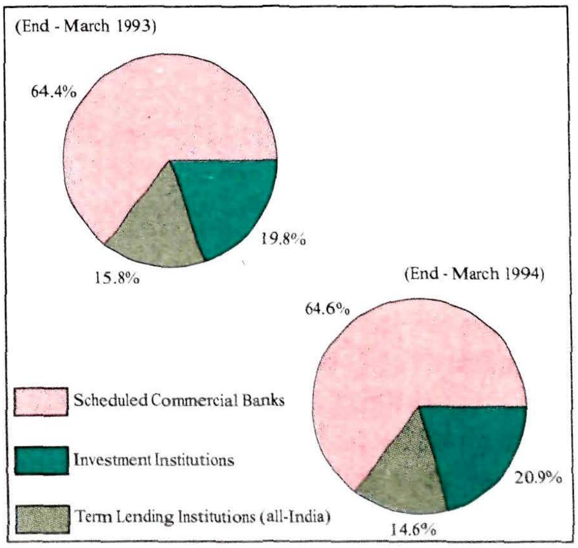
2. Assets of Financial Institutions

4.3 The growth of financial assets of financial institutions (FIs) was higher at 18.0 per cent during 1993-94 as against a growth of 14.9 per cent in the preceding year (Appendix Table IV.1). A higher growth of financial assets of the banks at 19.3 per cent in 1993-94 compared with 15.1 per cent a year ago led to a marginal decline in the share of FIs to 36.4 per cent in total financial assets during 1993-94 (Chart IV.1). Among the FIs, growth in financial assets of the all India term lending institutions at 10.0 per cent was lower than in the preceding year mainly due to a negative growth in the assets of NABARD and a lower growth of Industrial Finance Corporation of India (IFCI), Industrial Reconstruction Bank of India (IRBI) and National Housing Bank (NHB) (Appendix Table IV.2). State level institutions also showed a lower growth of 5.7 per cent during 1993-94. In contrast, investment and other institutions posted impressive growth of 25.6 per cent and 32.2 per cent, respectively. Among the investment institutions, Unit Trust of India (UTI) posted a high growth of 32.0 per cent followed by Life Insurance Corporation of India Ltd. (LIC) at 21.8 per cent.

3. Reserve Bank Assistance to Financial Institutions

4.4 The aggregate amount of long-term and

Chart IV.1
Assets of Financial Institutions



medium/short-term assistance sanctioned by the Reserve Bank to eligible financial institutions, increased by 6.9 per cent to Rs.299.4 crore during 1994-95 (July-June) (Appendix Table IV.3). Small Industries Development Bank of India (SIDBI) was sanctioned a long-term credit of Rs.200 crore at an interest rate of 8.5 per cent per annum for a period of 15 years out of the repayments by Industrial Development Bank of India (IDBI) to the NIC (LTO) Fund while State Financial Corporations (SFCs) were sanctioned a medium/short-term credit of Rs.99.4 crore during the year.

4.5 The outstanding long-term borrowings of IDBI, SIDBI, Exim Bank and IRBI under the NIC (LTO) Fund facility stood at Rs.5,461 crore at the end of June 1995. The outstanding borrowings by NHB from the NHC (LTO) Fund were Rs.175 crore and that for IDBI from the special medium-term refinance facility of Rs.400 crore sanctioned during 1992-93 stood at Rs.280 crore. Under Section 17(4A)/(4BB) of the Reserve Bank of India Act, 1934, the Bank sanctioned borrowing limits of Rs.99.4 crore to 14 SFCs against bonds guaranteed by respective State Governments/Union Territories valid up to June 25, 1995. The outstanding in respect of these borrowings by SFCs as at the end of June 1995 amounted to Rs.6.9 crore.

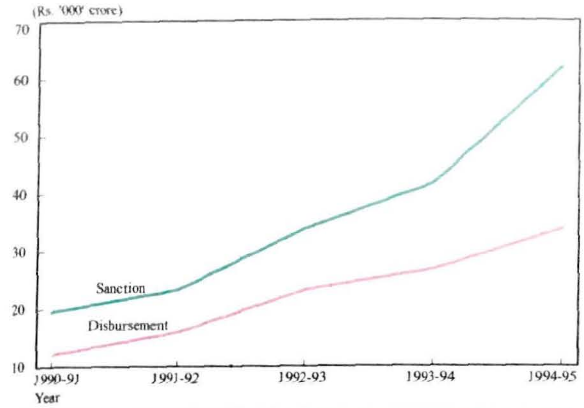
4. Term Lending and Investment Institutions

Financial Assistance

4.6 During the financial year 1994-95, financial assistance (net of inter-institutional flows) as per sanction and disbursement by all financial institutions aggregated Rs.61,554.8 crore and Rs.33,560.2 crore, respectively, indicating an increase of 49.0 per cent (in sanction) and 26.2 per cent (in disbursement) over the preceding year (Chart IV.2). The all-India development banks, viz., IDBI, IFCI, Industrial Credit and Investment Corporation of India Ltd. (ICICI), SIDBI, IRBI and SCICI Ltd. (SCICI), recorded substantial improvement in

Chart IV.2

Financial Assistance
(All Financial Institutions)



their sanction and disbursement by 64.9 per cent and 38.1 per cent, respectively, during 1994-95 (Appendix Table IV.4). The specialised financial institutions also experienced substantial increase in their sanction (84.2 per cent) and disbursement (125.3 per cent). The financial assistance as per sanction and disbursement in the case of investment institutions registered a decline of 6.1 per cent and 17.3 per cent, respectively. In the case of the State-level institutions, sanction and disbursement increased by 51.1 per cent and 32.0 per cent, respectively.

Policy and Other Developments

4.7 The interest rate structure of development banks was revised twice during the fiscal year 1994-95. The minimum lending rate in 1994-95 was 15 per cent with effect from February 20, 1995.

4.8 The capital adequacy ratios of the all-India term lending institutions, viz., IDBI, IFCI, ICICI and IRBI at the end of March 1995 were well above the stipulated norm of 8 per cent.

4.9 During 1994-95, the IDBI set up an asset management company and floated mutual fund schemes. The IFCI set up three financial services, viz., IFCI Financial Services Ltd., IFCI

Investors Services Ltd., and IFCI Custodial Services. In order to offer stock broking services to institutional investors, the SCICI established SCICI Securities Ltd.

5. Mutual Funds

4.10 With the launching of eight new mutual funds (six in the private sector and one each by IDBI and Bank of Baroda), 21 mutual funds (including UTI) were operating at the end of June 1995. With a view to facilitating a level playing field, the Reserve Bank permitted in 1994-95 the private sector mutual funds, approved by the SEBI, to participate only as lender in the call/notice money market and bill rediscounting scheme.

4.11 During the financial year 1994-95, mutual funds mobilised resources aggregating Rs.11,273.9 crore (provisional) under various schemes as against Rs.11,243 crore in the preceding year (Appendix Table IV.5).

6. Non-banking Companies

4.12 The aggregate regulated deposits[1] of non-banking companies (NBCs) in terms of provisional data as reported by 11,294 companies showed a sharp increase of 131.1 per cent to Rs.26,115.5 crore at the end of March 1994 as against Rs.11,302.2 crore reported by 11,145 companies in the preceding year (Appendix Table IV.6). The financial companies and miscellaneous and residuary non-banking companies, respectively, accounted for Rs.17,419.2 crore and Rs.2,883.4 crore in March 1994 as against Rs.4,287.2 crore and Rs.2,124.9 crore in March 1993. The regulated deposits of non-banking financial companies (NBFCs) were equivalent to 6.3 per cent of the aggregate deposits of all scheduled commercial banks (excluding RRBs) at the end of March 1994 as compared with 2.3 per cent in the preceding year.

Working Group and Follow-up Action

4.13 As mentioned in the previous year's Report, the Reserve Bank initiated action on the recommendations of the Working Group on Financial Companies (Chairman : Dr. A.C. Shah). As per the requirement for registration with the Bank, 689 NBFCs with net owned funds of Rs.50 lakh and above were registered as of July 31, 1995. The time limit for submission of the first half yearly return on compliance with the prudential norms and credit rating by the registered companies having net owned funds of Rs.2 crore and above was extended to June 30, 1995.

4.14 The Board for Financial Supervision (BFS) with the assistance of the Bank's Department of Supervision has started supervising the financial companies from July 1995. An expert group has been constituted by the Bank in May 1995 under the Chairmanship of Shri P.R. Khanna, a member of the Advisory Council to the Board for Financial Supervision, for recommending a framework for on-site inspection and off-site supervision of the financial companies. In order to regulate the financial companies more effectively, certain legislative measures are under consideration.

Maintenance of Liquid Assets and the Chit Funds Act

4.15 Effective from June 30, 1995 all the equipment leasing and hire purchase finance companies and other NBFCs registered with the Bank are required to maintain liquid assets to the extent of 15 per cent (as against 10 per cent

1. Regulated deposits include deposits from the shareholders of the public limited companies, unsecured debentures, deposits guranteed by directors in their personal capacity, fixed deposits, etc., received from the public. For the year 1993-94, the inter-corporate deposits, money received from directors and shareholders of private limited companies and money received by issue of non-convertible debentures/bonds are included in regulated deposits.

hitherto) of their deposit liabilities, of which at least two-thirds or 10 per cent are to be maintained in the form of Government securities and/or Government guaranteed bonds. In the case of NBFCs not registered with the Bank, the liquidity requirement has been raised from 5 per cent to 7.5 per cent of the deposit liabilities, of which at least two-thirds or 5 per cent of the deposit liabilities are to be maintained in the form of Government securities and/or Government guaranteed bonds.

4.16 The Chit Funds Act, 1982 has so far been brought into force in 21 States/Union Territories.

ANNEXURE : PROGRESS OF FINANCIAL SECTOR REFORMS

Issues / Year	1994-95	1995-96
I.Overall Monetary Policy		
1. Reserve Requirements		
a) Cash Reserve Ratio (CRR) on domestic net demand and time liabilities (NDTL)	i) CRR was increased from 14 per cent to 15 per cent in three phases: 14.5 per cent, 14.75 per cent and 15 per cent from the fortnights beginning June 11, July 9, and August 6, 1994 respectively.	i) CRR was reduced from 15.0 per cent to 14.5 per cent from the fortnight beginning November 11, 1995 and further to 14 per cent from the fortnight beginning December 9, 1995.
	ii) From the fortnight beginning January 7, 1995 banks were required to maintain a minimum level of 85 per cent of the CRR balances required to be maintained on each of the first 13 days of the reporting fortnight, failing which they would not be paid interest for that/those day/days eventhough there was no shortfall in the maintenance of CRR on the average basis for the fortnight. On the 14th day of the reporting fortnight banks were allowed to maintain less than 85 per cent of the required cash balances to adjust the average of daily balances to the required level.	ii) From the fortnight beginning September 30, 1995 banks were required to maintain a minimum level of 85 per cent of the CRR requirement only from the first working day of the reporting fortnight. However, this stipulation would not be required to be maintained on the last working day of the reporting fortnight. For this purpose, banks should reckon the holidays with reference to the Centre where they have their principal account for maintenance of CRR.
b) Statutory Liquidity Ratio (SLR)	i) SLR on the level of domestic NDTL as on September 17, 1993 was reduced from 34.75 per cent to 34.25 per cent effective August 20, 1994 and further to 33.75 per cent effective September 17, 1994.	i) With a lower stipulation of SLR on incremental NDTL and zero SLR on certain specific external liabilities, the overall effective SLR was estimated to have declined to 28.2 per cent by the end of March 1996.
	ii) The base date for SLR on domestic NDTL was brought forward from September 17, 1993 to September 30, 1994 and SLR was fixed at 31.5 per cent effective October 29, 1994 and for any increase in domestic NDTL over the level as on September 30, 1994 the SLR would be 25 per cent.	ii) With effect from October 14, 1995 all scheduled commercial banks (excluding regional rural banks) were required to adopt for purpose of SLR, the same system of valuation of securities as for the balance sheet.

Issues / Year	1994-95	1995-96
c) Inclusion/Exemption of certain liabilities from Reserve Requirements	i) From the fortnight beginning October 29, 1994 a CRR of 7.5 per cent was prescribed on liabilities under the Foreign Currency Non-Resident Accounts (Banks) [FCNR(B)] Scheme. This was raised to 15 per cent from the fortnight beginning January 21, 1995. However,liability under FCNR(B) Scheme was exempted from SLR requirement. ii) A CRR of 7.5 per cent on liability under Non-Resident Non-Repatriable (NRNR) Scheme was prescribed from the fortnight beginning January 21, 1995.	i) The increase in liabilities under Non-Resident External (Rupee) (NRE) Accounts over the level outstanding as on October 27, 1995 was exempted for maintenance of average CRR with effect from the fortnight beginning October 28, 1995 and average CRR on outstanding liabilities as on October 27, 1995 was reduced to 10 per cent with effect from the fortnight beginning January 6, 1996. ii) The increase in liabilities under NRNR accounts over the level outstanding as on October 27, 1995 was exempted from maintenance of CRR with effect from the fortnight beginning October 28, 1995 and with effect from fortnight beginning January 6, 1996 all liabilities under NRNR Scheme were exempted from CRR. iii) The increase in liabilities under Foreign Currency Non-Resident Accounts (Banks) [FCNR(B)] Scheme over the level outstanding as on Novemnber 24, 1995 was exempted from CRR with effect from the fortnight beginning November 25, 1995. Average CRR on the outstanding liabilities as on November 24, 1995 was reduced to 7.5 per cent with effect from December 9, 1995. With effect from January 6, 1996 all liabilities under FCNR(B) Scheme were exempted from CRR.
2. Interest Rates		
a) Lending Rate	i) Effective October 18, 1994 Minimum Lending Rate (MLR) for credit limits of over Rs.2 lakh was abolished and banks were free to fix their own Prime Lending Rates (PLR) subject to the approval of their Board of Directors. ii) Effective October 18, 1994 the lending rate for credit limits of over Rs.25,000 and up to Rs.2 lakh for all advances including term loans was fixed at 13.5 per cent.	i) Effective October 1, 1995 banks were allowed to fix their own interest rate on advances over Rs. 2 lakh against term deposits. ii) Effective October 31, 1995 interest rate on Post-Shipment Export Credit denominated in US Dollars(PSCFC) in respect of usance bills for periods beyond 90 days and up to six months from the date of shipment was enhanced from 7.5 per cent to 9.5 per cent per annum before PSCFC's termination on February 8, 1996; interest rate on export credit not otherwise specified for PSCFC,

Issues / Year	1994-95	1995-96
a) Lending Rate	iii) The stipulation of effective interest rate on bill discounting of over Rs.2 lakh which was at one percentage point below the lending rate under this category was withdrawn from October 18, 1994.	which was 9.5 per cent per annum, was freed. iii) Effective from January 16, 1996, a rate of interest of 9.5 per cent per annum was prescribed on PSCFC for a total period of upto 90 days as against 7.5 per cent per annum earlier. On credit over 90 days and on export credit not otherwise specified for PSCFC, banks were free to fix their own interest rates. iv) Effective February 8, 1996 the interest rate on Post-Shipment Export Rupee Credit for over 90 days and up to 180 days was deregulated.
b) Deposit Rate	i) Effective October 18, 1994 term deposit rate for NRE accounts for maturity of 6 months to 3 years and above was reduced from 'not exceeding 10 per cent' to 'not exceeding 8 per cent'. ii) Effective November 1, 1994 the savings deposit rate for deposits including under NRE accounts was reduced to 4.5 per cent from 5 per cent earlier. iii) Effective February 10, 1995 banks' maximum term deposit rate was increased to 'not exceeding 11 per cent' from 'not exceeding 10 per cent' earlier.	i) Effective April 18, 1995 the maximum term deposit rate was increased to 'not exceeding 12 per cent' from 'not exceeding 11 per cent' earlier. ii) Effective October 1, 1995 banks were given freedom to fix their own interest rates on domestic term deposits with a maturity of over two years. iii) Effective October 1, 1995 the maximum term deposit rate for NRE accounts for maturity of 6 months to 3 years and above was increased from 8 per cent to 10 per cent and further to 12 per cent effective October 31, 1995.
3. **Institutional/ Other Developments**		i) Private sector mutual funds, approved by SEBI, were allowed to operate only as lenders in the call/notice money/bill rediscounting market. ii) Effective September 30, 1995 the minimum period for Repos in Treasury Bills and Government dated securities was stipulated to be 3 days. iii) The private sector was allowed to set up Money Market Mutual Funds (MMMFs) in November 1995. The size of MMMFs and limits on investments by MMMFs were deregulated.

Issues / Year	1994-95	1995-96
3. Institutional/ Other Developments		iv) Banks were free to decide their own foreign exchange overnight open position limits subject to the approval by the Reserve Bank as against the earlier uniform limit of Rs.15 crore for each bank.
4. Internal Debt Management Policies	i) A historic agreement was signed on September 9,1994 between RBI and the Government of India on the net issue of ad hoc Treasury Bills. As per the agreement, the net issue of ad hoc Treasury Bills for the year 1994-95 was not to exceed Rs.6000 crore; if the net issue of ad hoc Treasury Bills exceeded Rs.9000 crore for more than ten consecutive working days at any time during the financial year 1994-95, the Reserve Bank was to automatically reduce only the excess beyond the prescribed level of ad hoc Treasury Bills by auctioning Treasury Bills or selling fresh Government of India dated securities in the market. Similar ceilings for the net issue of ad hoc Treasury Bills would be stipulated for the years 1995-96 and 1996-97. From 1997-98 the system of ad hoc Treasury Bills would be totally discontinued. ii) The Securities Trading Corporation of India Ltd. (STCI) commenced operations from June 27, 1994. iii) From the fiscal year 1994-95 the allocations of open market borrowings was made only to State Governments and not to State guaranteed institutions. iv) From August 1994, State Governments and non-Government provident funds were allowed to participate in 91 day Treasury Bills auctions on a non-competitive basis with allotment at weighted average price.	i) Net issue of ad hoc Treasury Bills was decided not to exceed Rs 5000 crore at the end of the financial year 1995-96 and not to exceed Rs 9000 crore for more than ten continuous working days at any time during the year 1995-96. ii) An auction system for conversion of Treasury Bills into dated Government of India securities was introduced in April 1995. iii) For the first time, Government of India converted a maturing two-year dated Government security into another dated security of the same maturity on July 14, 1995. iv) A system of Delivery versus Payment (DvP) in Government securities was introduced in Mumbai from July 17, 1995 to synchronise the transfer of securities with the cash payment thereby reducing the settlement risk in securities transaction and also preventing diversion of funds in the case of transactions through Subsidiary General Ledger (SGL). v) New instrument of Floating Rate Bonds was introduced on September 20, 1995. vi) With effect from February 29, 1996 Discount and Finance House of India Ltd. (DFHI), and STCI have started functioning as primary dealer in Government Securities Market out of the six 'in principle' approvals granted in November 1995.

Issues / Year	1994-95	1995-96
4. **Internal Debt Management Policies**	v) Government of India, for the first time, issued securities on a tap basis on July 29, 1994. vi) Particulars of transactions in Government securities including Treasury Bills put through SGL accounts at Public Debt Office at Mumbai were being released to the Press daily beginning September 1, 1994. vii) Government of India issued, for the first time, on November 14, 1994, Government Stock (Securities) for which payment was made in instalments. viii) Repo facility with RBI in Government dated securities was extended to STCI and DFHI to provide liquidity support to their operations. ix) To strengthen Government securities market, guidelines and procedure for enlistment of Primary Dealers in Government securities market were issued on March 29, 1995. x) A scheme for auction sale of Central Government securities held in RBI's portfolio was introduced. xi) RBI decided to delink its role of investment management on behalf of Provident Funds.	
II. In-House Issues		
a) Capital Adequacy Norms	i) As against the budgetary provision of Rs.5,600 crore towards recapitalisation of nationalised banks the revised estimates are placed at Rs. 5292.37 crore out of which a sum of Rs. 4362.54 crore was allocated to 13 nationalised banks and Rs. 924.58 crore was passed on as Tier II capital to six nationalised banks against the World Bank assistance.	i) The Government released a sum of Rs.850 crore towards recapitalisation of nationalised banks during 1995-96. ii) Banks were required to maintain Tier I capital funds of 5 per cent of the foreign exchange open position limit besides the existing capital adequacy requirements.

Issues / Year	1994-95	1995-96
b) Capital Restructuring	i) Banking Companies (Acquisition and Transfer of Undertakings) Acts, 1970/1980 were amended with effect from July 15, 1994 permitting the banks to raise capital up to 49 per cent from the public. ii) Oriental Bank of Commerce was the first nationalised bank to access the capital market with an equity issue of Rs. 360 crore in October 1994. iii) The Government of India promulgated an Ordinance in January 1995 to amend the Banking Companies (Acquisition and Transfer of Undertakings)Acts, 1970/80 for enabling the banks to reduce their paid-up capital.	i) The Government of India provided Rs.1,506.21 crore during 1995-96 towards writing down of the capital base of two banks for adjustment of their losses. A further provision of Rs.1,532 crore was made in the Union Budget (Interim) of 1996-97 for similar writing down of investments in three banks.
c) Income Recognition and Provisioning	i) The provisioning requirement for non-performing assets (NPAs) with balances of less than Rs.25,000 was increased from 5 per cent of the aggregate amount outstanding to 7.5 per cent for the year ending March 31, 1995 and further to 10 per cent for the year ending March 31, 1996.	i) The ratio of 'permanent' and 'current' investments in approved securities was prescribed to be 60:40 for the year ending March 1996 as against 70:30 earlier. ii) Banks were advised on April 3, 1995 that interest accrued and credited to income account during the year ended March 1994 in respect of accounts identified as NPA for the first time during the year ended March 31, 1995 should be reversed or provided for as on that date. iii) Banks were advised that provision need not be made for a period of one year from the date of disbursement in respect of additional facilities sanctioned under the rehabilitation package approved by BIFR/term lending institutions. iv) Banks were advised that from 1995-96 onwards, for arriving at the provision required to be made in respect of doubtful assets, the realisable value of the securities should be deducted from the outstanding balance in respect of advances guaranteed by ECGC/DICGC.

Issues / Year	1994-95	1995-96
d) Recovery of Bank Loans	i) Debt Recovery Tribunals at Calcutta, Delhi, Bangalore, Jaipur and Ahmedabad and Appellate Tribunal at Mumbai were set up. However, Delhi High Court quashed the notification constituting the Tribunal for Delhi region in March 1995.	i) Banks were required to have loan recovery policy delineating, *inter alia*, norms for write-off. ii) The Supreme Court stayed the operation of the Delhi High Court judgement in April 1995 and admitted special leave petition filed on behalf of the Government.
e) Lending Norms	i) Banks were advised to extend cash credit facilities to farmers with irrigation facilities in October 1994 and also to other farmers undertaking off farm/allied activities. ii) In October 1994, the ceiling for term loans for any project of Rs. 50 crore for each bank was abolished and the limit of Rs.200 crore for the banking system as a whole was raised to Rs.500 crore for any project. Sanction of such term loans, however, continued to be subject to compliance with prudential exposure norms. iii) The stipulated margin of not less than 25 per cent for advances granted against deposits was withdrawn; banks were free to determine the margin on a case by case basis. iv) Banks/financial institutions were permitted to extend bridge loans/interim finance to all companies ,including finance companies, against public issues/market borrowing (domestic) up to 75 per cent of the amount called up on each occasion (as against 50 per cent earlier by banks). In September 1994, however, banks were advised not to extend bridge loans/interim finance loans in the form of bridging nature to all non-banking financial companies. v) The overall limits of bank credit to loan and investment companies and residuary non-banking financial companies	i) A 'Loan System' for Delivery of Bank Credit for working capital purpose was introduced effective April 17, 1995 to bring about greater discipline in credit utilisation and better control over credit flow. The cash credit component was fixed at 75 per cent of the Maximum Permissible Bank Finance (MPBF), while loan component was fixed at 25 per cent. ii) Banks were advised to reduce the cash credit component from 75 per cent to 60 per cent of the MPBF and to increase the loan component from 25 per cent to 40 per cent effective October 5, 1995. iii) Effective April 17, 1995 bridge loan by banks/financial institutions to all companies was banned. In October 1995, subject to the compliance of certain conditions, banks were allowed to sanction bridge loans against the commitment of financial institutions and/or other banks where the lending institution was faced with temporary liquidity constraint. iv) Bank credit limit to loan and investment companies and residuary non-banking companies was reduced to the NOF from twice the NOF of the company. For companies having not less than 75 per cent of their assets in equipment leasing and hire purchase and 75 per cent of their gross income from these two types of activities as per their last audited balance sheets, the limit was brought down to thrice the NOF; for other equipment leasing/hire purchase companies the limit was prescribed to twice the NOF.

Issues / Year	1994-95	1995-96
e) Lending Norms	were reduced to twice the net owned fund(NOF) as against three times the NOF as hitherto. In respect of credit to equipment leasing and hire purchase companies, the limit of four times the NOF was to continue provided such borrowers were predominantly engaged in equipment leasing/ hire purchase business; otherwise, bank credit should be restricted to three times the NOF. vi) Banks were permitted to extend finance to public sector undertakings (registered under the Companies Act, 1956 or as a corporation under the relevant Act) for projects involving creation of infrastructure facilities subject to the same terms and conditions as applicable to the private sector. Additionally, banks were asked to ensure that such PSUs were run on commercial lines and repayment was made out of income generated by the project and not out of Government subsidies.	v) Effective April 21, 1995 the extent of Commercial Paper was restricted to 75 per cent of the cash credit component of the working capital limit instead of 75 per cent of the working capital (fund based) limit as hitherto. vi) Effective July 25, 1995, banks were advised to scrupulously follow the guidelines in the Accounting Standard (AS7) prescribed/issued by the Institute of Chartered Accountants of India (ICAI) for the construction companies. vii) Effective December 22, 1995, banks were allowed to sanction term finance up to Rs. 1,000 crore for each power generation project, subject to certain terms and conditions.
f) Investment Norm	i) Standby facility for Commercial Paper (CP) was abolished; after issuance of CP, the bank would effect a 'pro tanto' reduction in the cash credit limit.	i) Banks were advised to desist from acquiring shares/debentures etc. in the secondary market.
g) Computerisation	i) A High Powered Committee headed by Shri W.S. Saraf set up to study the technology issues relating to payment and settlement system in the banking industry submitted its report.	i) The recommendations of the Saraf Committee were at various stages of implementation. ii) The Committee (Chairperson: Ms.K.S. Shere) set up by the Reserve Bank to study all aspects of Electronic Funds Transfer (EFT) for instituting an EFT system in India, submitted its report in January 1996. iii) Under the World Bank's Financial Sector Development Project, the participating banks would obtain a modernisation and institutional development loan of US $ 150 mn for extending *inter alia*

Issues / Year	1994-95	1995-96
g) Computerisation		automation and computerisation of banking operations.
III. Other Issues		
a) Supervision System	i) To enable the Board for Financial Supervision (BFS) to perform some of the functions of the Central Board of the Reserve Bank of India, the Reserve Bank of India (BFS) Regulations, 1994 framed under Section 58 of the RBI Act, 1934 came into effect from July 28, 1994. ii) BFS under the Chairmanship of Governor of the Reserve Bank became functional from November 16, 1994 with a Deputy Governor as Vice Chairman and six other members. BFS and the Advisory Council constituted under the RBI (BFS) Regulations, 1994 would each have a term of two years.	i) Effective April 1995,the BFS started supervising the all-India financial institutions and non-banking financial companies from July 1995. ii) An audit sub-committee, comprising the Vice Chairman and two members of the BFS was examining the system of auditing of banks, financial institutions and non-banking financial companies. iii) The Expert group headed by Shri S.Padmanabhan, constituted to review the on-site supervision function, submitted its report in November 1995.
b) Bank Branch License		i) In line with the Bhandari Committee's recommendation, the branch licensing policy for RRBs was modified: (a) 70 RRBs, freed from the Service Area obligations, were given freedom to relocate their loss making branches preferably within the same block or convert them into satellite/mobile offices. Two loss making branches of the same RRB within five kms were permitted to merge. (b) RRBs with Service Area obligations were free to relocate loss-making branches at 'specified centres' within their Service Area. Their loss making branches could be converted into satellite/mobile offices, provided such conversion would not impair the performance of SAA obligations. Two branches of the same RRB within five kms in a geographically contiguous Service Area could be merged. New branches at 'specified centres' were allowed to be opened within their area of operation.

Issues / Year	1994-95	1995-96
b) Bank Branch License		ii) Banks were asked to set up 100 specialised branches in 85 identified districts to meet the requirements of Small Scale Industries.
c) Private Sector Banks	i) Six private banks, viz., UTI Bank Ltd., IndusInd Bank Ltd., ICICI Banking Corporation Ltd, Global Trust Bank Ltd,Centurion Bank Ltd., and HDFC Bank Ltd., commenced banking business out of 'in principle' approval given for setting up ten private banks.	i) With four more private banks viz., Times Bank Ltd., Bank of Punjab Ltd., Development Credit Bank Ltd., and IDBI Bank Ltd., ten private sector banks became operational out of 12 'in principle' approvals.
d) Priority Sector Lending	i) Banks were advised to consider on merits proposals for term finance/loans in the form of lines of credit to State Industrial Development Corporations and State Financial Corporations subject to the observance of terms and conditions advised to banks from time to time. The extent of such loans to SSI units would be treated as a part of priority sector lending.	i) Banks were required to contribute to the Rural Infrastructural Development Fund, newly set up within NABARD, an amount equivalent to shortfall in the priority sector target for agricultural lending, subject to a maximum of 1.5 per cent of the bank's net credit. Such contributions, expected to provide Rs. 2,000 crore during 1995-96, would also be treated as priority sector lending. ii) Banks, falling short of the priority sector target, were required to provide Rs. 1,000 crore on a consortium basis to the Khadi and Village Industries Commission on top of lending to the Handloom co-operatives which would be reckoned as priority sector lending. iii) Entire amount of refinance granted by sponsor banks to the RRBs would be reckoned as priority sector lending.
e) Customer Services		i) For expeditious and inexpensive resolution of customer complaints against deficiency in banking services, the Banking Ombudsman Scheme, 1995 was introduced in June 1995. So far 8 ombudsmen were appointed, one each at New Delhi, Mumbai, Bhopal, Bangalore, Chandigarh, Hyderabad, Patna and Jaipur. ii) a) For local and outstation cheques upto Rs. 5000, banks were required to provide immediate credit. b) For local cheques, customers were allowed to use the credited funds latest by the third

Issues / Year	1994-95	1995-96
		working day from the date of acceptance of the cheque. c) Banks were advised to constitute a committee under a General Manager to identify the areas and factors for delays in collection of outstation instruments.
f) Frauds and Malpractices in Banks		i) Banks were required to devise a system of close watch on new deposit accounts, and cash deposits and withdrawals for Rs.10 lakh and above.
g) Export/Import Credit	i) Sub-suppliers of export orders would be provided credit within the overall permissible Pre-Shipment Export Credit wherever letters of credit were opened by the export order holder.	i) Effective October 31, 1995, outstandings under the import credit sublimit of the cash credit would be subject to a 15 per cent interest rate surcharge which was raised to 25 per cent effective February 8, 1996. ii) Effective February 8, 1996 the scheme of Post-Shipment Export Credit denominated in US Dollars (PSCFC) was terminated.
h) Dividend Declaration by commercial banks		i) Public sector banks were made subject to prior approval for payment of interim dividend, dividend higher than 25 per cent and in cases of non-fulfillment of four stipulated conditions; fulfillment of the latter would obviate the need for prior approval.
i) Bank Restructuring		i) The Kashinath Seth Bank Ltd., was amalgamated with the State Bank of India on January 1, 1996.
j) RRBs	i) As recommended by the Bhandari Committee 49 RRBs were taken up for restructuring and revival. ii) RRBs were allowed to deploy a part of their surplus non-SLR funds in credit portfolios of their sponsor banks and in specified investment avenues like UTI listed schemes, etc.	i) The Basu Committee set up by NABARD recommended in December 1995 for selection of 68 RRBs for comprehensive restructuring under phase II. ii) The Government provided a sum of Rs.244.57 crore during 1995-96 for capital restructuring of the selected RRBs. A further provision of Rs.200 crore was made in the Union Budget (Interim) for 1996-97. iii) An Expert Group under the chairmanship of Dr. N.K. Thingalaya was set up to examine the issues concerning the managerial and financial restructuring of RRBs taken up during 1994-95 and continued in 1995-96 and to monitor the progress in this regard.

Issues / Year	1994-95	1995-96
		iv) RRBs were advised to adopt income recognition and asset classification norms from 1995-96 and provisioning norms from 1996-97 onwards.
IV. *Reforms in Co-operative Banking*		
a) Co-operative Banks	i) Co-operative credit structure was set to be strengthened through state specific development action plans, and through MoU between NABARD, State Governments, SCBs and CCBs. ii) Lending and deposit rates of all co-operative banks, excluding urban co-operative banks, were deregulated in October 1994 subject to an MLR of 12 per cent. iii) Effective October 18, 1994 MLR for credit limits of over Rs.2 lakh was abolished and urban co-operative banks were free to fix their lending rates for such credit limits.	i) Effective June 21, 1995 urban co-operative banks were free to fix their lending rates for all categories of loans subject to an MLR of 13 per cent. ii) Urban co-operative banks were allowed in April 1995 to invest their surplus funds in equity/bonds of all India Financial Institutions, in addition to their investment in PSU bonds, within the ceiling of 10 per cent of their deposits. iii) For term deposits of over two years, urban co-operative banks were given freedom to fix their own interest rate, effective October 1, 1995.
V. Reforms in Non-bank Financial Sector		
a) Non-bank Financial Companies (NBFCs)	i) Detailed prudential guidelines to NBFCs were issued in June 1994. The registered NBFCs were required to achieve a minimum capital adequacy norm of 6 per cent by March 31, 1995 and 8 per cent by March 31, 1996 and also obtain a minimum credit rating from any one of the three credit rating agencies.	i) As at the end of December 1995, 745 NBFCs having net owned fund of Rs.50 lakh and above have got themselves registered with the Bank. ii) Board for Financial Supervision with the assistance of the Bank's Department of Supervision started supervising the NBFCs w.e.f., July 1995. iii) An expert group (Chairman: Shri P.R. Khanna) was set up for recommending a framework for supervision of the financial companies. iv) Maintenance of liquid assets was increased from 10 per cent to 15 per cent of deposit liabilities for the equipment leasing and hire purchase finance companies and other NBFCs registered with the Reserve Bank. For other NBFCs not registered with RBI, the requirement was raised from 5 per cent to 7.5 per cent of the deposit liabilities. v) For better and effective regulation of the NBFCs, certain legislative changes were being considered.
b) Insurance Sector		i) As announced in the Union Budget for 1995-96, a three member board for the interim Insurance Regulatory Authority (IRA) was constituted in January 1996.

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II. DEVELOPMENTS IN COMMERCIAL BANKING

III. DEVELOPMENTS IN CO-OPERATIVE BANKING

IV. FINANCIAL INSTITUTIONS

Appendix Table II.1 : Industry-wise Deployment of Gross Bank Credit @

(Rs. crore)

Industry	Outstanding as on			Variations During	
	Mar.19, 1993	Mar.18, 1994	Mar.31, 1995	Financial Year 1993-94	Financial Year 1994-95
1	2	3	4	5	6
Industry (Total of Small, Medium and Large Scale)	**78,662**	**80,482**	**1,02,953**	**1,820**	**22,471**
1. Coal	340	457	475	117	18
2. Iron and Steel	5,710	4,528	6,774	-1,182	2,246
3. Other Metals and Metal Products	2,679	3,199	3,544	520	345
4. All Engineering	17,094	17,127	21,470	33	4,343
Of which: Electronics	(2,327)	(2,512)	(3,817)	(185)	(1,305)
5. Electricity (Gen. and Trans.)	1,404	1,425	1,984	21	559
6. Cotton Textiles	4,645	4,802	5,916	157	1,114
7. Jute Textiles	348	410	502	62	92
8. Other Textiles	4,653	4,916	6,665	263	1,749
9. Sugar	1,256	1,370	3,007	114	1,637
10. Tea	782	922	1,173	140	251
11. Food Processing	1,423	1,601	2,470	178	869
12. Vegetable Oils (including Vanaspati)	1,017	1,075	1,219	58	144
13. Tobacco and Tobacco Products	739	623	854	-116	231
14. Paper and Paper Products	1,595	1,735	2,245	140	510
15. Rubber and Rubber Products	1,186	1,196	1,590	10	394
16. Chemicals, Dyes, Paints, etc.	10,117	10,034	12,795	-83	2,761
Of which:					
i) Fertilisers	(1,713)	(1,540)	(1,988)	(-173)	(448)
ii) Petro-chemicals	(945)	(747)	(747)	(-198)	(0)
iii) Drugs and Pharmaceuticals	(1,309)	(1,439)	(1,834)	(130)	(395)
17. Cement	1,103	1,217	1,524	114	307
18. Leather and Leather Products	1,095	1,279	1,848	184	569
19. Gems and Jewellery	1,624	1,975	2,361	351	386
20. Construction	1,567	1,670	2,032	103	362
21. Petroleum	436	227	222	-209	-5
22. SAFAUNS*	46	30	10	-16	-20
23. Other Industries	17,803	18,664	22,273	861	3,609

@ Data are Provisional.

* Ships acquired from abroad under new scheme.

Notes : 1. No sign is indicated for positive variations.

2. Data relate to 47 scheduled commercial banks which account for about 90-95 per cent of bank credit of all scheduled commercial banks.

Appendix Table II.2 : RBI Accommodation to Scheduled Commercial Banks *

(Rs. crore)

As on the last reporting Friday of	Export Credit (Rupee denominated) Refinance		Export Credit (Dollar denominated) Refinance		Total Export Credit Refinance		Government Securities Refinance		Total Refinance	
	Limit	Outstanding	Limit	Outstanding	Limit	Outstanding	Limit	Outstanding	Limit	Outstanding
1	2	3	4	5	6	7	8	9	10	11
1994										
March	2,675.36	60.40	6,037.46	1,723.19	8,712.82	1,783.59	1,027.79	–	9,740.61	1,783.59
April	2,615.83	45.53	6,653.92	1,916.97	9,269.75	1,962.50	1,027.79	–	10,297.54	1,962.50
May	2,374.97	14.68	6,620.48	1,047.83	8,995.45	1,062.51	1,027.79	–	10,023.24	1,062.51
June	1,420.89	141.62	6,008.63	1,713.31	7,429.52	1,854.93	1,027.79	–	8,457.31	1,854.93
September	1,332.64	71.78	5,484.26	850.04	6,816.90	921.82	1,027.79	7.72	7,844.69	929.54
December	1,543.28	143.58	5,554.34	2,342.05	7,097.62	2,485.63	1,027.79	–	8,125.41	2,485.63
1995										
March	2,725.57	1,391.76	6,669.71	5,973.09	9,395.28	7,364.85	1,027.79	33.46	10,423.07	7,398.31
April	3,674.89	311.45	7,290.60	3,201.63	10,965.49	3,513.08	1,027.79	4.82	11,993.28	3,517.90
May	2,464.11	405.06	6,606.40	4,245.45	9,070.51	4,650.51	1,027.79	33.46	10,098.30	4,683.97
June	2,917.46	1,271.81	6,450.81	5,444.16	9,368.27	6,715.97	1,027.79	159.29	10,396.06	6,875.26

* Excluding special refinance against shipping loans, duty drawback, etc.

Appendix Table II.3 : Advances to the Priority Sectors by Public Sector Banks
(As on the last Friday)

Sector	No. of Accounts (in lakh)					Amount Outstanding (Rs. crore)				
	June 1969	June 1993@	March 1994@	June 1994@	March 1995@	June 1969	June 1993@	March 1994@	June 1994@	March 1995@
1	2	3	4	5	6	7	8	9	10	11
I. Agriculture	1.7	212.1	217.9	215.8	213.0	162 (5.4)	19,774 (14.8)	21,204 (15.0)	20,739 (15.3)	23,513 (13.9)
i) Direct	1.6	207.8	212.9	210.7	207.1	40 (1.3)	18,332 (13.8)	19,255 (13.7)	18,765 (13.8)	20,812 (12.3)
ii) Indirect	0.1	4.3	5.0	5.1	5.9	122 (4.0)	1,442 (1.1)	1,949 (1.4)	1,974 (1.5)	2,701 (1.6)
II. Small-scale industries	0.5	29.1	30.2	29.6	32.3	257 (8.5)	18,841 (14.1)	21,561 (15.3)	21,309 (15.6)	25,843 (15.3)
III. Other priority sector advances*	0.4	115.6	116.9	114.5	116.4	22 (0.7)	9,234 (6.9)	10,432 (7.4)	10,477 (7.7)	12,439 (7.4)
IV. Total priority sector advances	2.6	356.8	365.1	359.9	361.7	441 (14.6)	47,848 (35.9)	53,197 (37.8)	52,525 (38.6)	61,794 (36.6)
V. Net Bank Credit	–	–	–	–	–	3,016	1,33,231	1,40,914	1,36,003	1,69,038

@ Data are provisional.
* Include small transport operators, self-employed persons, rural artisans, etc.
Note: Figures in brackets represent percentages to net bank credit.

Appendix Table II.4 :Advances to the Priority Sectors By Indian Private Sector Banks
(As on the last Friday of March 1995)

Sector	Amount (Rs.crore)	Percentage to	
		Total priority sector advances	Net bank credit
1	2	3	4
I. Agriculture	816	20.1	6.0
i) Direct advances	722	17.8	5.3
ii) Indirect advances	94	2.3	0.7
II. Small-scale industries	2,150	52.9	15.9
III. Other priority sectors	1,098	27.0	8.1
Total (I+II+III)	4,064	100.0	30.0

Appendix Table II.5 : Region/State-wise Credit Deposit Ratio and Investment + Credit Deposit Ratio of Scheduled Commercial Banks

(As at the end of)

(Per cent)

Region/State/ Union Territory	Credit Deposit Ratio						Investment + Credit @ Deposit Ratio			
	March 1992		March 1993		March 1994	March 1995	March 1992		March 1993	
	As per Sanction	As per Utilisation	As per Sanction	As per Utilisation	As per Sanction	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
NORTHERN REGION	**51.1**	**49.3**	**58.0**	**56.7**	**59.4**	**60.3**	**58.5**	**56.8**	**65.2**	**63.9**
Haryana	55.3	69.1	55.3	69.0	50.3	46.7	69.3	83.1	68.8	82.5
Himachal Pradesh	34.9	37.8	31.8	34.5	28.6	26.3	50.1	53.0	45.0	47.7
Jammu & Kashmir	50.6	51.1	46.0	46.7	45.7	42.8	67.1	67.6	61.6	62.3
Punjab	42.7	46.4	41.8	44.1	42.0	41.4	49.0	52.7	47.9	50.2
Rajasthan	55.6	59.3	55.4	60.2	49.2	46.0	79.9	83.6	79.3	84.1
Chandigarh	74.2	55.3	49.5	42.0	83.8	115.8	74.2	55.3	49.8	42.3
Delhi	52.7	44.1	72.0	63.7	73.8	74.6	53.6	44.9	72.7	64.4
NORTH-EASTERN REGION	**46.7**	**66.3**	**44.7**	**64.0**	**39.3**	**34.6**	**74.2**	**93.8**	**71.5**	**90.8**
Arunachal Pradesh	22.3	39.2	18.0	35.5	13.1	11.3	29.4	46.3	25.2	42.7
Assam	50.3	79.0	49.3	75.9	42.8	38.0	79.1	107.8	76.2	102.8
Manipur	67.4	66.9	75.6	75.1	72.1	55.6	121.9	121.5	140.6	140.1
Meghalaya	21.2	23.0	17.8	21.3	15.7	15.8	48.2	50.0	44.0	47.5
Mizoram	25.3	28.8	24.8	37.6	20.5	15.4	25.3	28.8	24.8	37.6
Nagaland	43.4	49.4	40.1	46.3	41.5	35.4	81.5	87.6	82.7	88.9
Tripura	65.5	60.6	60.1	61.8	55.2	45.7	86.0	81.1	83.6	85.3
EASTERN REGION	**49.5**	**49.1**	**50.5**	**50.4**	**44.7**	**47.6**	**66.4**	**65.9**	**67.0**	**66.9**
Bihar	36.9	38.5	37.4	40.9	36.1	33.2	61.5	63.1	60.9	64.5
Orissa	69.0	71.1	67.0	69.5	61.0	54.1	105.9	108.0	104.6	107.1
Sikkim	23.9	24.6	30.5	31.2	22.0	24.3	40.0	40.6	50.5	51.1
West Bengal	52.8	51.0	54.3	52.1	46.5	54.4	63.0	61.2	64.5	62.3
Andaman & Nicobar Islands	32.8	35.7	29.6	29.9	18.6	17.8	32.8	35.7	29.6	29.9
CENTRAL REGION	**47.6**	**50.2**	**46.7**	**49.7**	**42.3**	**40.0**	**65.3**	**67.9**	**64.5**	**67.4**
Madhya Pradesh	61.0	63.2	60.9	63.4	56.0	53.3	82.2	84.4	82.6	85.1
Uttar Pradesh	42.5	45.3	41.5	44.6	37.2	35.0	58.9	61.7	57.8	60.9
WESTERN REGION	**58.2**	**56.5**	**60.5**	**58.5**	**57.7**	**63.9**	**64.9**	**63.2**	**66.9**	**65.0**
Goa	28.9	29.9	23.6	24.4	25.5	26.5	30.5	31.6	25.3	26.1
Gujarat	52.4	57.3	53.0	57.9	46.3	46.6	64.4	69.3	64.5	69.3
Maharashtra	60.7	57.1	63.7	59.7	61.9	70.3	66.2	62.6	69.0	65.1
Dadra & Nagar Haveli	41.9	157.2	28.6	175.7	20.5	15.5	41.9	157.2	28.6	175.7
Daman & Diu	21.5	59.8	16.9	45.3	15.4	14.5	21.5	59.8	16.9	45.3
SOUTHERN REGION	**76.5**	**77.7**	**71.5**	**72.3**	**70.0**	**71.9**	**90.0**	**91.2**	**84.1**	**84.9**
Andhra Pradesh	80.1	81.1	79.5	80.8	71.5	75.7	96.3	97.3	95.4	96.7
Karnataka	76.8	80.5	65.8	67.3	70.1	67.8	89.2	92.8	77.2	78.7
Kerala	51.7	52.2	46.5	47.1	44.3	44.9	65.3	65.8	58.6	59.2
Tamil Nadu	89.0	89.1	86.2	86.2	86.8	91.2	101.5	101.5	97.8	97.7
Lakshadweep	13.1	13.4	9.2	9.4	9.3	9.9	13.1	13.4	9.2	9.4
Pondicherry	47.9	54.2	42.5	48.7	42.2	44.0	47.9	54.2	42.5	48.7
ALL INDIA	**57.7**	**57.7**	**58.9**	**58.9**	**56.6**	**59.2**	**69.2**	**69.2**	**70.1**	**70.1**

Notes : 1) Deposits and credit (sanction and utilisation) data are based on BSR-1 and 2 surveys.

2) The investment figures are estimated, based on BSR-5 Survey for March 1992 and March 1993.

3) Credit-Deposit Ratio for March 1994 and March 1995 are based on Banking Statistics - Quarterly Handout data.

@ State-wise investment figures pertain to investments by scheduled commercial banks in the respective States only. All India ICD ratio is the sum total of all State level ICD ratios excluding investment in Central Government and other approved securities.

Appendix Table II.6: 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 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. Potentially viable units	21649 (9.1)	16580 (6.5)	799 (23.2)	686 (18.6)	661 (35.4)	676 (35.4)	3582 (45.3)	3899 (47.8)	274 (41.7)	253 (42.8)	876 (48.9)	820 (44.0)	22584 (9.4)	17509 (6.7)	5257 (40.0)	5405 (39.5)
2. Non-viable units	213804 (89.8)	234265 (91.3)	2507 (72.8)	2842 (77.2)	828 (44.3)	868 (45.5)	2168 (27.4)	2290 (28.1)	234 (35.6)	194 (32.8)	372 (20.8)	322 (17.3)	214866 (89.3)	235327 (90.9)	5047 (38.4)	5454 (39.8)
3. Viability not decided	2723 (1.1)	5607 (2.2)	137 (4.0)	152 (4.2)	378 (20.3)	365 (19.1)	2151 (27.3)	1962 (24.1)	149 (22.7)	144 (24.4)	542 (30.3)	722 (38.7)	3250 (1.3)	6116 (2.4)	2830 (21.5)	2836 (20.7)
4. **Total**	**238176**	**256452**	**3443**	**3680**	**1867**	**1909**	**7901**	**8151**	**657**	**591**	**1790**	**1864**	**240700**	**258952**	**13134**	**13695**
5. Units under nursing Programme	12218	11376	582	522	453	454	2584	2591	156	131	486	459	12827	11961	3652	3572
5 as percentage of 1	56.4	68.6	72.8	76.1	68.5	67.2	72.1	66.5	56.9	51.8	55.5	56.0	56.8	68.3	69.5	66.1

Note : Figures in brackets are percentages to total.

Appendix Table II.7 : Region/State/Union Territory-wise Distribution of Commercial Bank Branches

Region/State/ Union Territory	Number of Branchces as at the end of			Number of branches opened during				Average population (in '000) per bank branch as at the end of		
	June 1969	June 1994	June 1995	July 93 to June 94	of which: at un-banked centres	July 94 to June 95	of which: at un-banked centres	June 1969	June 1994	June 1995
1	2	3	4	5	6	7	8	9	10	11
NORTHERN REGION	**1,253**	**9,475**	**9,624**	**116**	**5**	**116**	**2**	**46**	**11**	**11**
Haryana	172	1,314	1,344	14	1	24	-	56	13	12
Himachal Pradesh	42	753	761	6	-	5	1	80	7	7
Jammu & Kashmir	35	787	788	2	1	2	1	124	10	10
Punjab	346	2,208	2,248	28	1	28	-	38	9	9
Rajasthan	364	3,143	3,169	44	2	23	-	68	14	14
Chandigarh	20	115	126	3	-	9	-	7	6	5
Delhi	274	1,155	1,188	19	-	25	-	10	8	8
NORTH-EASTERN REGION	**90**	**1,883**	**1,890**	**8**	**1**	**3**	**-**	**203**	**17**	**17**
Arunachal Pradesh	-	68	68	-	-	-	-	-	13	13
Assam	74	1,223	1,227	4	1	2	-	193	18	18
Manipur	2	85	86	-	-	1	-	510	22	22
Meghalaya	7	179	179	1	-	-	-	137	10	10
Mizoram	-	76	78	2	-	-	-	-	9	9
Nagaland	2	71	71	-	-	-	-	250	17	17
Tripura	5	181	181	1	-	-	-	300	15	15
EASTERN REGION	**878**	**11,365**	**11,398**	**50**	**3**	**26**	**-**	**135**	**17**	**16**
Bihar	273	4,905	4,911	21	1	8	-	200	18	18
Orissa	100	2,137	2,143	11	-	3	-	211	15	15
Sikkim	-	40	42	2	-	-	-	-	10	10
West Bengal	504	4,253	4,272	16	2	15	-	85	16	16
Andaman & Nicobar Islands	1	30	30	-	-	-	-	82	9	9
CENTRAL REGION	**1,090**	**13,025**	**13,069**	**59**	**2**	**39**	**-**	**115**	**16**	**16**
Madhya Pradesh	343	4,418	4,423	20	-	9	-	116	15	15
Uttar Pradesh	747	8,607	8,646	39	2	30	-	114	16	16
WESTERN REGION	**1,955**	**9,433**	**9,556**	**104**	**2**	**95**	**2**	**38**	**13**	**13**
Goa +	85	263	273	8	-	6	-	8	4	4
Gujarat	752	3,450	3,482	46	1	31	-	34	12	12
Maharashtra	1,118	5,703	5,782	50	1	56	2	43	14	14
Dadra & Nagar Haveli	-	7	7	-	-	-	-	-	20	20
Daman & Diu	-	10	12	-	-	2	-	-	10	8
SOUTHERN REGION	**2,996**	**16,561**	**16,809**	**234**	**18**	**165**	**4**	**44**	**12**	**12**
Andhra Pradesh	567	4,750	4,806	71	7	32	1	74	14	14
Karnataka	756	4,350	4,401	32	-	39	1	37	10	10
Kerala	601	2,955	3,024	72	5	39	1	34	10	10
Tamil Nadu	1,060	4,426	4,498	59	6	55	1	37	13	12
Lakshadweep	-	8	8	-	-	-	-	-	6	6
Pondicherry	12	72	72	-	-	-	-	31	11	11
ALL INDIA	**8,262**	**61,742**	**62,346**	**571**	**31**	**444***	**8**	**64**	**14**	**14**

+ Includes 'Daman and Diu' for 1969 data.

* The difference between the increase in the number of branches as on June 30, 1994 and June 30, 1995 as against number of branches opened is due to late receipt of information of branches opened prior to June 30, 1994.

Note : Average population per bank branch for June 1969 is based on 1969 mid-year population; the same for June 1994 and June 1995 is based on 1991 mid-year population.

Appendix Table II.8 : Bank Group-wise/Population Group-wise Distribution of Commercial Bank Branches in India

Bank Group	No. of Banks#	No. of Branches as on									
		June 30,1994@					June 30, 1995 @				
		Rural	Semi-urban	Urban	Metropolitan/ Port-town	Total	Rural	Semi-urban	Urban	Metropolitan/ Port-town	Total
1	2	3	4	5	6	7	8	9	10	11	12
State Bank of India	1	4,460 (51.1)	2,194 (25.2)	1,235 (14.2)	833 (9.5)	8,722 (100.0)	4,466 (51.0)	2,204 (25.2)	1,248 (14.2)	837 (9.6)	8,755 (100.0)
Associate Banks of SBI	7	1,529 (39.2)	1,243 (31.8)	684 (17.5)	448 (11.5)	3,904 (100.0)	1,531 (38.1)	1,314 (32.7)	710 (17.7)	460 (11.5)	4,015 (100.0)
Nationalised Banks	19	14,709 (48.4)	5,971 (19.6)	5,388 (17.7)	4,337 (14.3)	30,405 (100.0)	14,711 (47.8)	6,101 (19.8)	5,536 (18.0)	4,445 (14.4)	30,793 (100.0)
Private Banks	33	1,271 (31.8)	1,330 (33.4)	816 (20.5)	570 (14.3)	3,987 (100.0)	1,270 (31.1)	1,383 (33.8)	821 (20.1)	615 (15.0)	4,089 (100.0)
Foreign Banks	29	-	2 (1.4)	11 (7.5)	133 (91.1)	146 (100.0)	- -	3 (1.9)	10 (6.4)	143 (91.7)	156 (100.0)
Non-Scheduled Banks	2	20 (41.7)	16 (33.3)	12 (25.0)	- -	48 (100.0)	11 (34.4)	12 (37.5)	9 (28.1)	- -	32 (100.0)
Regional Rural Banks	196	13,415 (92.3)	960 (6.6)	151 (1.1)	4 (..)	14,530 (100.0)	12,960 (89.3)	1,345 (9.3)	197 (1.4)	4 (..)	14,506 (100.0)
Total	**287**	**35,404 (57.3)**	**11,716 (19.0)**	**8,297 (13.4)**	**6,325 (10.3)**	**61,742 (100.0)**	**34,949 (56.1)**	**12,362 (19.8)**	**8,531 (13.7)**	**6,504 (10.4)**	**62,346 (100.0)**

\# As on June 30, 1995.

@ Population group-wise classification of branches as per 1981 Census.

.. Negligible

Note : Figures in brackets indicate percentage to total in each group.

APPENDIX TABLE II.9 : Region/State-wise Number of RRBs, their Branches, Deposits, Advances, etc.
(As at the end of March 1995*)

(Amount in Rs. lakh)

Name of the State/ Region	No.of RRBs	No.of Dists. covered	No.of branches	Deposits	Advances Amount (Outstanding): Agricultural Advances	Advances Amount (Outstanding): Non-Agricultural Advances	Advances Amount (Outstanding): Total Advances	Overdue Advances	CD Ratio (%)	NABARD Refinance Amount (Outstanding): Schematic	NABARD Refinance Amount (Outstanding): Non-Schematic	NABARD Refinance Amount (Outstanding): Total
1.	2	3	4	5	6	7	8	9	10	11	12	13
NORTHERN REGION	**28**	**74**	**1,959**	**1,55,837.99**	**34,068.22**	**32,019.83**	**66,088.05**	**21,655.63**	**42**	**9,047.76**	**7,811.96**	**6,859.72**
Haryana	4	15	291	38,279.42	8,499.72	9,709.40	18,209.12	8,336.02	48	1,650.00	2,373.61	4,023.61
Himachal Pradesh	2	4	129	13,973.79	684.31	3,277.09	3,961.40	744.72	28	216.94	819.91	1,036.85
Jammu & Kashmir	3	12	268	15,306.10	1,639.30	2,943.02	4,582.32	1,572.03	30	282.80	490.22	773.02
Punjab	5	12	201	18,501.79	5,750.70	4,214.11	9,964.81	2,583.42	54	1,790.67	1,287.55	3,078.22
Rajasthan	14	31	1,070	69,776.89	17,494.19	11,876.21	29,370.40	8,419.44	42	5,107.35	2,840.67	7,948.02
NORTH-EASTERN REGION	**11**	**53**	**656**	**46,091.02**	**8,720.90**	**17,215.78**	**25,936.68**	**15,619.69**	**56**	**3,435.25**	**3,756.86**	**7,192.11**
Arunachal Pradesh	1	5	19	887.69	169.32	95.87	265.19	57.83	30	295.06	0.00	295.06
Assam	5	23	405	27,318.02	5,455.46	9,612.27	15,067.73	7,564.10	55	462.32	2,619.00	3,081.32
Manipur	1	8	29	495.16	106.31	265.34	371.65	312.57	75	446.71	0.00	446.71
Meghalaya	1	4	51	4,474.00	679.00	270.00	949.00	381.00	21	113.00	158.00	271.00
Mizoram	1	3	54	2,632.13	211.39	396.12	607.51	156.44	23	630.59	0.00	630.59
Nagaland	1	7	8	158.19	23.41	48.74	72.15	60.62	46	11.95	20.57	32.52
Tripura	1	3	90	10,125.83	2,076.01	6,527.44	8,603.45	7,087.13	85	1,475.62	959.29	2,434.91
EASTERN REGION	**40**	**92**	**3,569**	**2,52,452.28**	**44,939.27**	**84,550.18**	**1,29,489.45**	**42,072.61**	**51**	**12,901.33**	**15,308.57**	**28,209.90**
Bihar	22	50	1,886	1,31,241.34	19,391.42	41,733.88	61,125.30	24,002.67	47	4,245.57	4,804.92	9,050.49
Orissa	9	23	819	48,280.88	15,116.72	16,747.86	31,864.58	6,040.90	66	4,777.18	6,142.34	10,919.52
West Bengal	9	19	864	72,930.06	10,431.13	26,068.44	36,499.57	12,029.04	50	3,878.58	4,361.31	8,239.89
CENTRAL REGION	**64**	**107**	**4,654**	**3,76,328.61**	**80,700.96**	**93,374.36**	**1,74,075.32**	**42,027.89**	**46**	**25,350.57**	**23,998.00**	**49,348.57**
Madhya Pradesh	24	44	1,603	89,235.13	22,278.43	20,728.47	43,006.90	13,775.19	48	5,677.34	3,292.95	8,970.29
Uttar Pradesh	40	63	3,051	2,87,093.48	58,422.53	72,645.89	131,068.42	28,252.70	46	19,673.23	20,705.05	40,378.28
WESTERN REGION	**19**	**34**	**1,019**	**55,852.73**	**21,190.51**	**12,646.09**	**33,836.60**	**10,481.87**	**61**	**3,599.20**	**7,685.00**	**11,284.20**
Gujarat	9	17	428	22,524.17	9,342.84	4,373.25	13,716.09	2,960.16	61	2,397.70	3,708.98	6,106.68
Maharashtra	10	17	591	33,328.56	11,847.67	8,272.84	20,120.51	7,521.71	60	1,201.50	3,976.02	5,177.52
SOUTHERN REGION	**34**	**57**	**2,679**	**2,09,200.00**	**1,03,437.88**	**89,734.16**	**1,93,172.04**	**52,936.50**	**92**	**20,524.06**	**50,219.56**	**70,743.62**
Andhra Pradesh	16	23	1,128	93,963.22	42,099.65	37,298.12	79,397.77	21,607.96	84	6,855.37	19,681.49	26,536.86
Karnataka	13	20	1,074	76,796.85	42,988.90	28,698.71	71,687.61	21,988.91	93	10,303.93	18,867.93	29,171.86
Kerala	2	6	269	26,076.00	13,572.00	17,808.00	31,380.00	6,517.00	120	3,062.00	8,882.00	11,944.00
Tamil Nadu	3	8	208	12,363.93	4,777.33	5,929.33	10,706.66	2,822.63	87	302.76	2,788.14	3,090.90
ALL INDIA	**196**	**417**	**14,536**	**10,95,762.63**	**2,93,057.74**	**3,29,540.40**	**6,22,598.14**	**1,84,794.19**	**57**	**74,858.17**	**1,08,779.95**	**1,83,638.12**

* Data are provisional

Source : NABARD

Appendix Table II.10 : Working Results of All Scheduled Commercial Banks, 1994-95

(Rs.crore)

Particulars	1993-94	1994-95	Variation of Column(3) over (2)	
			Actual	Percentage
1	2	3	4	5
A. Income (i+ii)	**43,737.11 (100.00)**	**50,960.59 (100.00)**	**7,223.48**	**16.52**
i) Interest Income	37,847.78 (86.53)	44,564.26 (87.45)	6,716.48	17.75
ii) Other Income	5,889.33 (13.47)	6,396.33 (12.55)	507.00	8.61
B. Expenditure (i+ii+iii)	**47,362.48 (100.00)**	**48,806.16 (100.00)**	**1,443.68**	**3.05**
i) Interest Expended	26,800.44 (56.59)	29,039.33 (59.50)	2,238.89	8.35
ii) Other Operating Expenses	11,485.35 (24.25)	14,226.97 (29.15)	2,741.62	23.87
iii) Provisions and Contingencies	9,076.69 (19.16)	5,539.86 (11.35)	-3,536.83	-38.97
C. Profit				
i) Operating Profit	5,451.32	7,694.29	2,242.97	41.15
ii) Net Profit/Loss	-3,625.37	2,154.43	5,779.80	159.43
D. Total Assets	**4,35,101.09**	**5,14,609.90**	**79,508.81**	**18.27**
E. Financial Ratios $				
i) Operating Profit	1.25	1.50	0.24	-
ii) Net Profit	-0.83	0.42	1.25	-
iii) Income	10.05	9.90	-0.15	-
iv) Interest Income	8.70	8.66	-0.04	-
v) Other Income	1.35	1.24	-0.11	-
vi) Expenditure	10.89	9.48	-1.40	-
vii) Interest Expended	6.16	5.64	-0.52	-
viii) Other Operating Expenses	2.64	2.76	0.12	-
ix) Provisions and Contingencies	2.09	1.08	-1.01	-

$ Ratios to Total Assets.

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

Appendix Table II.11 : Working Results of Public Sector Banks , 1994-95

(Rs.crore)

Particulars	1993-94	1994-95	Variation of Column(3) over (2)	
			Actual	Percentage
1	2	3	4	5
A. Income (i+ii)	**37,299.50 (100.00)**	**42,947.39 (100.00)**	**5,647.89**	**15.14**
i) Interest Income	32,455.04 (87.01)	37,846.16 (88.12)	5,391.12	16.61
ii) Other Income	4,844.46 (12.99)	5,101.23 (11.88)	256.77	5.30
B. Expenditure (i+ii+iii)	**41,648.47 (100.00)**	**41,831.60 (100.00)**	**183.13**	**0.44**
i) Interest Expended	23,507.43 (56.44)	25,011.17 (59.79)	1,503.74	6.40
ii) Other Operating Expenses	10,037.19 (24.10)	12,415.68 (29.68)	2,378.49	23.70
iii) Provisions and Contingencies	8,103.85 (19.46)	4,404.75 (10.53)	–3,699.10	–45.65
C. Profit				
i) Operating Profit	3,754.88	5,520.54	1,765.66	47.02
ii) Net Profit/Loss	–4,348.97	1,115.79	5,464.76	125.66
D. Total Assets	**3,78,706.86**	**4,38,829.62**	**60,122.76**	**15.88**
E. Financial Ratios $				
i) Operating Profit	0.99	1.26	0.27	–
ii) Net Profit	-1.15	0.25	1.40	–
iii) Income	9.85	9.79	–0.06	–
iv) Interest Income	8.57	8.62	0.05	–
v) Other Income	1.28	1.16	–0.12	–
vi) Expenditure	11.00	9.53	–1.47	–
vii) Interest Expended	6.21	5.70	–0.51	–
viii) Other Operating expenses	2.65	2.83	0.18	–
ix) Provisions and Contingencies	2.14	1.00	–1.14	–

$ Ratios to Total Assets.

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

Appendix Table II.12 : Working Results of State Bank of India and its Associates, 1994-95

(Rs.crore)

Particulars	1993-94	1994-95	Variation of Column(3) over (2)	
			Actual	Percentage
1	2	3	4	5
A. Income (i+ii)	**13,908.56 (100.00)**	**15,947.71 (100.00)**	**2,039.15**	**14.66**
i) Interest Income	11,900.85 (85.56)	13,862.07 (86.92)	1,961.22	16.48
ii) Other Income	2,007.71 (14.44)	2,085.64 (13.08)	77.93	3.88
B. Expenditure (i+ii+iii)	**13,552.53 (100.00)**	**15,101.24 (100.00)**	**1,548.71**	**11.43**
i) Interest Expended	8,119.27 (59.91)	8,751.17 (57.95)	631.90	7.78
ii) Other Operating Expenses	3,753.90 (27.70)	4,613.35 (30.55)	859.45	22.89
iii) Provisions and Contingencies	1,679.36 (12.39)	1,736.72 (11.50)	57.36	3.42
C. Profit				
i) Operating Profit	2,035.39	2,583.19	547.80	26.91
ii) Net Profit	356.03	846.47	490.44	137.75
D. Total Assets	**1,40,917.26**	**1,56,294.64**	**15,377.38**	**10.91**
E. Financial Ratios $				
i) Operating Profit	1.44	1.65	0.21	-
ii) Net Profit	0.25	0.54	0.29	-
iii) Income	9.87	10.20	0.33	-
iv) Interest Income	8.45	8.87	0.42	-
v) Other Income	1.42	1.33	-0.09	-
vi) Expenditure	9.62	9.66	0.04	-
vii) Interest Expended	5.76	5.60	-0.16	-
viii) Other Operating Expenses	2.66	2.95	0.29	-
ix) Provisions and Contingencies	1.19	1.11	-0.08	-

$ Ratios to Total Assets.

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

Appendix Table II.13 : Working Results of Nationalised Banks, 1994-95

(Rs.crore)

Particulars	1993-94	1994-95	Variation of Column(3) over (2)	
			Actual	Percentage
1	2	3	4	5
A. Income (i+ii)	**23,390.94 (100.00)**	**26,999.68 (100.00)**	**3,608.74**	**15.43**
i) Interest Income	20,554.19 (87.87)	23,984.09 (88.83)	3,429.90	16.69
ii) Other Income	2,836.75 (12.13)	3,015.59 (11.17)	178.84	6.30
B. Expenditure (i+ii+iii)	**28,095.94 (100.00)**	**26,730.36 (100.00)**	**–1,365.58**	**–4.86**
i) Interest Expended	15,388.16 (54.77)	16,260.00 (60.83)	871.84	5.67
ii) Other Operating Expenses	6,283.29 (22.36)	7,802.33 (29.19)	1,519.04	24.18
iii) Provisions and Contingencies	6,424.49 (22.87)	2,668.03 (9.98)	–3,756.46	–58.47
C. Profit				
i) Operating Profit	1,719.49	2,937.35	1,217.86	70.83
ii) Net Profit/Loss	–4,705.00	269.32	4,974.32	105.72
D. Total Assets	**2,37,789.60**	**2,82,534.98**	**44,745.38**	**18.82**
E. Financial Ratios $				
i) Operating Profit	0.72	1.04	0.32	–
ii) Net Profit	-1.98	0.10	2.07	–
iii) Income	9.84	9.56	–0.28	–
iv) Interest Income	8.64	8.49	–0.15	–
v) Other Income	1.19	1.07	–0.13	–
vi) Expenditure	11.82	9.46	–2.35	–
vii) Interest Expended	6.47	5.76	–0.72	–
viii) Other Operating Expenses	2.64	2.76	0.12	–
ix) Provisions and Contingencies	2.70	0.94	–1.76	–

$ Ratios to Total Assets.

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

Appendix Table II.14 : Working Results of Foreign Banks, 1994-95

(Rs.crore)

Particulars	1993-94	1994-95*	Variation of Column(3) over (2)	
			Actual	Percentage
1	2	3	4	5
A. Income (i+ii)	**4,084.75 (100.00)**	**4,560.40 (100.00)**	**475.65**	**11.64**
i) Interest Income	3,341.42 (81.80)	3,747.90 (82.18)	406.48	12.16
ii) Other Income	743.33 (18.20)	812.50 (17.82)	69.17	9.31
B. Expenditure (i+ii+iii)	**3,510.94 (100.00)**	**3,888.32 (100.00)**	**377.38**	**10.75**
i) Interest Expended	1,938.62 (55.22)	2,097.47 (53.94)	158.85	8.19
ii) Other Operating Expenses	884.55 (25.20)	1,031.51 (26.53)	146.96	16.61
iii) Provisions and Contingencies	687.77 (19.58)	759.34 (19.53)	71.57	10.41
C. Profit				
i) Operating Profit	1,261.58	1,431.42	169.84	13.46
ii) Net Profit	573.81	672.08	98.27	17.13
D. Total Assets	**33,418.17**	**37,679.32**	**4,261.15**	**12.75**
E. Financial Ratios $				
i) Operating Profit	3.78	3.80	0.02	-
ii) Net Profit	1.72	1.78	0.07	-
iii) Income	12.22	12.10	-0.12	-
iv) Interest Income	10.00	9.95	-0.05	-
v) Other Income	2.22	2.16	-0.07	-
vi) Expenditure	10.51	10.32	-0.19	-
vii) Interest Expended	5.80	5.57	-0.23	-
viii) Other Operating Expenses	2.65	2.74	0.09	-
ix) Provisions and Contingencies	2.06	2.02	-0.04	-

$ Ratios to Total Assets.

* Number of Banks = 25 (Excluding State Bank of Mauritius).

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

Appendix Table II.15 : Working Results of Indian Private Sector Banks, 1994-95

(Rs.crore)

Particulars	1993-94	1994-95	Variation of Column(3) over (2)	
			Actual	Percentage
1	2	3	4	5
A. Income (i+ii)	**2,352.86 (100.00)**	**3,452.80 (100.00)**	**1,099.94**	**46.75**
i) Interest Income	2,051.32 (87.18)	2,970.20 (86.02)	918.88	44.79
ii) Other Income	301.54 (12.82)	482.60 (13.98)	181.06	60.05
B. Expenditure (i+ii+iii)	**2,203.07 (100.00)**	**3,086.24 (100.00)**	**883.17**	**40.09**
i) Interest Expended	1,354.39 (61.48)	1,930.69 (62.56)	576.30	42.55
ii) Other Operating Expenses	563.61 (25.58)	779.78 (25.27)	216.17	38.35
iii) Provisions and Contingencies	285.07 (12.94)	375.77 (12.17)	90.70	31.82
C. Profit				
i) Operating Profit	434.86	742.33	307.47	70.71
ii) Net Profit	149.79	366.56	216.77	144.72
D. Total Assets	**22,976.06**	**38,100.96**	**15,124.90**	**65.83**
E. Financial Ratios $				
i) Operating Profit	1.89	1.95	0.06	-
ii) Net Profit	0.65	0.96	0.31	-
iii) Income	10.24	9.06	–1.18	-
iv) Interest Income	8.93	7.80	–1.13	-
v) Other Income	1.31	1.27	–0.05	-
vi) Expenditure	9.59	8.10	–1.49	-
vii) Interest Expended	5.89	5.07	–0.83	-
viii) Other Operating Expenses	2.45	2.05	–0.41	-
ix) Provisions and Contingencies	1.24	0.99	–0.25	-

$ *Ratios to Total Assets.*

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

Appendix Table III.1 : Progress of Co-operative Credit Movement in India

(Amount in Rs. crore)

Type of Institution	Items	1992-93@@ (April - March)	1993-94# (April - March)
1	2	3	4
(a) State Co-operative Banks (SCBs)*	Number	28	28
		(25)	(25)
	Owned Funds	1,348	1,528
	Deposits	8,701	11,305
	Borrowings from RBI/NABARD	4,513	4,749
	Working capital	15,560	18,919
	Loans issued	10,123	14,107
	Loans outstanding	8,378	9,801
	Loans overdue ++	926	1,520
	% of overdues to :		
	(i) Loans Outstanding	11.1	15.5
	(ii) Demand	15.0	17.0
(b) Central Co-operative Banks (CCBs)	Number	352	361
		(351)	(340)
	Owned Funds	2345	2,559
	Deposits	13,555	16,251
	Borrowings from RBI/NABARD		
	Apex Banks **	6,777	7,223
	Working capital	23,719	27,586
	Loans issued	14,155	17,744
	Loans outstanding	14,940	17,758
	Loans overdue ++	3,738	3,874
	% of overdues to :		
	(i) Loans outstanding	25.0	21.8
	(ii) Demand	40.0	33.0
(c) State/Central Land Development Banks (SLDBs)	Number	19	20
		(18)	(18)
	Owned Funds	727	857
	Deposits	65	80
	Borrowings	5,373	4,811
	Working Capital	6,265	7,888
	Loans issued+	1,231	1,352
	Loans outstanding+	4,719	5,405
	Loans overdue @ ++	923	1,014
	% of overdues to :		
	(i) Loans outstanding	19.6	18.8
	(ii) Demand	53.0	52.0

(Contd.,)

Appendix Table III.1 : Progress of Co-operative Credit Movement in India (Contd.)

(Amount in Rs. crore)

Type of Institution	Items	1992-93@@ (April - March)	1993-94# (April - March)
1	2	3	4
(d) Primary Agricultural Credit Societies (PACS)##	Number (000's)	84	91
	Membership (000's)	88,539	89,067
	Owned Funds	2,032	2,462
	Deposits	1,863	2,367
	Borrowings	7,896	8,487
	Working capital	12,666	15,207
	Total Loans issued	6,793	7,301
	Total Loans outstanding ++	8,116	10,190
	Total Loans overdue ++	3,256	3,874
	% of overdues to :		
	(i) Loans outstanding	40.1	38.0
	(ii) Demand	43.0	41.0
(e) Primary Land Development Banks (PLDBs)	Number	726	727
	Membership (000's)	6,503	7,221
	Owned Funds	308	349
	Borrowings	2,382	2,621
	Working capital	2,958	3,379
	Loans issued	435	664
	Loans outstanding ++	1,463	1,527
	Loans overdue ++	382	397
	% of overdues to :		
	(i) Loans outstanding	26.1	26.0
	(ii) Demand	44.2	45.0
(f) Primary Co-operative Banks (PCBs)	Number	1,399	1,400
	Owned Funds	2,224	2,723
	Deposits	13,531	16,769
	Borrowings	565	496
	Loans outstanding	10,132	12,172

@@ Revised.
# Provisional.
+ Long- term Loans.
++ As on June 30.
@ Include interest overdue.
* Include three CCBs in J & K, related data for which are not available.
** Include borrowings from commercial banks and others.
Include Large-Size Adivasi Multi-Purpose Societies (LAMPS) and Farmers' Service Societies (FSS).
Note : Figures in brackets are reporting banks/societies.
Source : NABARD and Reserve Bank of India.

Appendix Table IV.1 : Financial Assets of Banks and Financial Institutions
(As at the end of March)

(Rs.crore)

Institutions	1981	1989	1990	1991	1992	1993	1994
1	2	3	4	5	6	7	8
I. Banks(1+2+3)*	**46,987**	**1,76,461**	**2,05,513**	**2,32,786**	**2,71,915**	**3,12,983**	**3,73,511**
1. All Scheduled Commercial Banks**	44,622	1,68,480	1,96,377	2,22,613	2,59,902	2,99,509	3,58,407
2. Non-Scheduled Commercial Banks***	9	53	60	77	86	91	93
All Commercial Banks (1+2)	**44,631**	**1,68,533**	**1,96,437**	**2,22,690**	**2,59,988**	**2,99,600**	**3,58,500**
3. State Co-operative Banks+	2,356	7,928	9,076	10,096	11,927	13,383	15,011
II. Financial Institutions++	**16,650**	**83,651**	**1,02,179**	**1,22,655**	**1,57,761**	**1,81,271**	**2,13,877P**
4. Term-lending Institutions# (All-India)	6,143	37,874	44,942	52,054	65,185	73,650	80,995P
5. State Level Institutions@	1,733	7,204	7,893	10,048	11,523	12,576	13,287P
6. Investment Institutions$	8,534	36,980	47,694	58,566	78,699	92,146	1,15,762P
7. Other Institutions+++	240	1593	1650	1987	2354	2899	3,833P
III. Aggregate(I+II)	**63,637**	**2,60,112**	**3,07,692**	**3,55,441**	**4,29,676**	**4,94,254**	**5,87,388P**
IV. Percentage Share:							
a) I to III	73.8	67.8	66.8	65.5	63.3	63.3	63.6
b) II to III	26.2	32.2	33.2	34.5	36.7	36.7	36.4

* Include the following items: (i)cash in hand and balances with the Reserve Bank,(ii)assets with the banking sector,(iii)investments,(iv)bank credit(all 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.The data upto 1988 relate to last Friday of March. The data since 1989 are in respect of last reporting Friday of March.

*** As per returns under Section 27 of the Banking Regulation Act,1949. The data are in respect of last Friday of March.

\+ As per returns received by Rural Planning and Credit Department,RBI from State Co-operative Banks. The data upto 1988 relate to last Friday of March. The data since 1989 are in respect of last reporting Friday of March.

++ Figures pertain to the accounting year of the respective financial institution.

\# Term-lending institutions include IFCI, ICICI, IDBI, Exim Bank, NABARD, IRBI and NHB. The NHB position (as at end June) is included since 1989.

@ State-level institutions include SFCs and SIDCs.

$ Investment institutions include UTI, LIC and GIC and its subsidiaries.

+++ Other institutions include DICGC and ECGC.

P Provisional

Appendix Table IV.2: Total Financial Assets of Financial Institutions

(Rs. crore)

Institutions	As at the end of						
	1980-81	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94P
1	2	3	4	5	6	7	8
A. All-India Term Lending Institutions							
1. IDBI	3,099	17,054	20,318	22,701	27,968	30,919	34,330
2. NABARD	1,635	10,364	11,772	12,664	14,466	15,680	15,586
3. ICICI	728	4,500	5,604	7084	9,135	11,185	13,715
4. IFCI	589	3,707	4,478	5835	7,515	9,108	9,869
5. Exim Bank	-	1,478	1,716	1984	2,458	2,685	3,099
6. IRBI	92	590	694	818	985	1,070	1,128
7. NHB	-	181	360	969	2,659	3,003	3,268
Total of A(1 to 7)	**6,143**	**37,874**	**44,941**	**52,054**	**65,185**	**73,650**	**80,995**
B. State Level Institutions							
8. SFCs	1,074	4,657	5,488	6,412	7,383	7,943	8,489
9. SIDCs	660	2,547	2,405	3,637	4,140	4,633	4,798
Total of B(8 + 9)	**1,733**	**7,204**	**7,893**	**10,048**	**11,523**	**12,576**	**13,287**
C. Investment Institutions							
10.LIC	6,815	20,118	23,988	29,040	35,411	41,837	50,964
11.GIC and its subsidiaries	1,199	4,419	5,285	6,362	7,953	8,731	9,916
12.UTI	521	12,443	18,421	23,164	35,336	41,578	54,882
Total of C(10 to 12)	**8,534**	**36,980**	**47,694**	**58,565**	**78,700**	**92,146**	**1,15,762**
D. Other Institutions							
13.DICGC	200	1,378	1,423	1,744	2,038	2,520	3,497
14.ECGC	40	215	227	244	315	380	336
Total of D(13 + 14)	**240**	**1,593**	**1,650**	**1,987**	**2,354**	**2,899**	**3,833**
Grand Total(A+B+C+D)	**16,650**	**83,651**	**1,02,179**	**1,22,655**	**1,57,761**	**1,81,271**	**2,13,877**

P : Provisional

Notes : 1) Data for 1980-81 pertain to ARDC as NABARD was formed only during 1982.

2) As far as IFCI is concerned, the stock of financial assets for years up to 1992-93 are as at end-June and for 1993-94 the figures are as at end-March due to change in IFCI's accounting year.

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

Appendix Table IV.3 : RBI Assistance to Financial Institutions (July-June)

(Amount in Rs. crore)

Type of Assistance	1993-94		1994-95		Period (Years)	Rate of Interest (per cent per annum)	Amount Outstanding as on June 30, 1995
	S	U	S	U			
1	2	3	4	5	6	7	8
A. Long Term Credit [NIC(LTO)Fund]							
1. IDBI	–	–	–	–	15	–	3,033.2
2. SIDBI	185.8	185.8	200.0	200.0	15	8.5	1,380.8
3. Exim Bank	–	–	–	–	15	9	877.0
4. IRBI	–	–	–	–	15	8	170.0
B. Long Term Credit [NHC(LTO)Fund]							
1. NHB	–	–	–	–	20	8	175.0
C. Medium/Short Term Credit							
1. IDBI	–	–	–	–	5	14	280.0
2. SFCs	94.2	*	99.4	*	1	Bank Rate	6.9

* Ad hoc borrowing limits utilised from time to time as per requirements.
S = Sanctioned. U = Utilised.

Appendix Table IV.4 : Financial Assistance Sanctioned and Disbursed by All Financial Institutions
(Year:April-March)

(Rs. crore)

Institutions	Loans*				Underwriting and Direct Subscription				Others				Total			
	1993-94		1994-95		1993-94		1994-95		1993-94		1994-95		1993-94		1994-95	
	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
A. All India @ Development Banks	**24,940.7**	**16,372.6**	**40,638.8**	**21,806.7**	**4,140.6**	**1,395.4**	**7,623.2**	**2,956.0**	**1,125.5**	**745.4**	**1,552.9**	**800.2**	**30,206.8**	**18,513.4**	**49,814.9 (64.9)**	**25,562.9 (38.1)**
(1 to 6) @@	**23,118.5**	**15,086.8**	**38,738.2**	**20,527.5**	**4,140.6**	**1,395.4**	**7,623.2**	**2,956.0**	**1,125.5**	**745.4**	**1,552.9**	**800.2**	**28,384.6**	**17,227.6**	**47,914.3 (68.8)**	**24,283.7 (41.0)**
1. IDBI	10,787.8	7,381.5	16,673.8	9,386.4	1,538.2	585.2	2,723.5	1,071.6	165.3	103.9	435.7	163.3	12,491.3	8,070.6	19,833.0 (58.8)	10,621.3 (31.6)
@	10,787.8	7,381.5	16,673.8	9,386.4	1,538.2	585.2	2,723.5	1,071.6	165.3	103.9	435.7	163.3	12,491.3	8,070.6	19,833.0 (58.8)	10,621.3 (31.6)
@@	10,258.7	6,988.3	16,157.8	9,014.1	1,538.2	585.2	2,723.5	1,071.6	165.3	103.9	435.7	163.3	11,962.2	7,677.4	19,317.0 (61.5)	10,249.0 (33.5)
2. IFCI	3,003.3	1,986.6	4,941.2	2,504.6	691.9	157.7	768.4	324.2	50.7	16.8	9.9	9.9	3,745.9	2,163.1	5,719.5 (52.7)	2,838.7 (31.2)
3. ICICI	6,342.0	3,451.3	11,215.4	5,406.4	1,515.4	561.0	3,461.6	1,298.6	634.0	400.9	388.4	174.3	8,491.4	4,413.2	15,065.4 (77.4)	6,879.3 (55.9)
4. SIDBI @	3,111.1	2,460.5	4,152.4	2,949.0	6.0	5.2	11.4	9.3	237.0	205.6	535.5	427.0	3,354.1	2,671.3	4,699.3 (40.1)	3,385.3 (26.7)
@@	1,818.0	1,567.9	2,767.8	2,042.1	6.0	5.2	11.4	9.3	237.0	205.6	535.5	427.0	2,061.0	1,778.7	3,314.7 (60.8)	2,478.4 (39.3)
5. IRBI	341.6	175.0	624.2	331.6	63.7	7.0	131.6	45.0	20.5	6.6	22.1	21.0	425.8	188.6	777.9 (82.7)	397.6 (110.8)
6. SCICI	1,354.9	917.7	3,031.8	1,228.7	325.4	79.3	526.7	207.3	18.0	9.6	161.3	4.7	1,698.3	1,006.6	3,719.8 (119.0)	1,440.7 (43.1)
B. Specialised Financial Institutions (7 to 9)	**141.1**	**83.5**	**208.6**	**129.5**	**53.1**	**24.7**	**147.8**	**116.5**	**3.1**	**1.9**	**7.1**	**2.1**	**197.3**	**110.1**	**363.5 (84.2)**	**248.1 (125.3)**
7. RCTC	3.6	3.3	1.1	2.8	4.9	5.6	12.8	10.2	–	–	–	–	8.5	8.9	13.9 (63.5)	13.0 (46.1)
8. TDICI	4.5	3.6	6.0	6.3	25.2	18.8	114.3	91.6	–	–	–	–	29.7	22.4	120.3 (305.1)	97.9 (337.1)
9. TFCI	133.0	76.6	201.5	120.4	23.0	0.3	20.7	14.7	3.1	1.9	7.1	2.1	159.1	78.8	229.3 (44.1)	137.2 (74.1)
C. Investment Institutions (10+11+12)	**4,244.7**	**3,817.4**	**3,232.4**	**1,674.3**	**5,818.6**	**3,071.4**	**6,486.4**	**4,647.5**	**757.3**	**987.9**	**436.7**	**191.8**	**10,820.6**	**7,876.7**	**10,155.5 (-6.1)**	**6,513.6 (-17.3)**
@	3,339.1	2,938.1	2,082.4	1,199.3	5,818.6	3,071.4	6,486.4	4,647.5	757.3	987.9	436.7	191.8	9,915.0	6,997.4	9,005.5 (-9.2)	6,038.6 (-13.7)
@@	3,339.1	2,938.1	2,082.4	1,199.3	5,818.6	3,071.4	6,486.4	4,647.5	757.3	987.9	436.7	191.8	9,915.0	6,997.4	9,005.5 (9.2)	6,038.6 (-13.7)

(Contd.)

Appendix Table IV.4 : Financial Assistance Sanctioned and Disbursed by All Financial Institutions (Year:April-March) *(Concld.)*

(Rs. crore)

Institutions	Loans*				Underwriting and Direct Subscription				Others.				Total			
	1993-94		1994-95		1993-94		1994-95		1993-94		1994-95		1993-94		1994-95	
	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
10. UTI	3,723.9	3,234.0	2,102.0	1,070.5	3,851.4	2,390.5	5,138.3	3,528.8	757.3	987.9	436.7	191.8	8,332.6	6,612.4	7,677.0 (-7.9)	4,791.1 (-27.5)
@	3,018.3	2,554.7	1,202.0	795.5	3,851.4	2,390.5	5,138.3	3,528.8	757.3	987.9	436.7	191.8	7,627.0	5,933.1	6,777.0 (-11.1)	4,516.1 (-23.9)
@@	3,018.3	2,554.7	1,202.0	795.5	3,851.4	2,390.5	5,138.3	3,528.8	757.3	987.9	436.7	191.8	7,627.0	5,933.1	6,777.0 (-11.1)	4,516.1 (23.9)
11. LIC	366.0	346.0	812.1	405.7	1,298.0	448.0	977.9	937.6	–	–	–	–	1,664.0	794.0	1,790.0 (7.6)	1,343.3 (69.2)
@	166.0	146.0	562.1	205.7	1,298.0	448.0	977.9	937.6	–	–	–	–	1,464.0	594.0	1,540.0 (5.2)	1,143.3 (92.5)
12. GIC	154.8	237.4	318.3	198.1	669.2	232.9	370.2	181.1	–	–	–	–	824.0	470.3	688.5 (-16.4)	379.2 (-19.4)
D. Total Assistance by All-India Financial Institutions (A@+B+C@)	28,420.9	19,394.2	42,929.8	23,135.5	10,012.3	4,491.5	14,257.4	7,720.0	1,885.9	1,735.2	1,996.7	994.1	40,319.1	25,620.9	59,183.9 (46.8)	31,849.6 (24.3)
E. State-level Institutions (13 and 14)	2,728.3	2,169.7	3,947.6	2,814.5	98.4	94.5	323.9	175.3	–	–	–	–	2,826.7	2,264.2	4,271.5 (51.1)	2,989.8 (32.0)
13. SFCs	1,908.8	1,562.0	2,760.2	2,001.1	-	1.4	-	4.3	–	–	–	–	1,908.8	1,563.4	2,760.2 (44.6)	2,005.4 (28.3)
14. SIDCs	819.5	607.7	1,187.4	813.4	98.4	93.1	323.9	171.0	–	–	–	–	917.9	700.8	1,511.3 (64.6)	984.4 (40.5)
F. Total Assistance by All Financial Institutions(A@@+B+C@@+E)	29,327.0	20,278.1	44,976.8	24,670.8	10,110.7	4,586.0	14,581.3	7,895.3	1,885.9	1,735.2	1,996.7	994.1	41,323.6	26,599.3	61,554.8 (49.0)	33,560.2 (26.2)

S Sanctions D. : Disbursements. # : Break-up not available.

* Loans include rupee loans, foreign currency loans and guarantees.

@ Data are adjusted for inter-institutional (all India) flows.

@@ Data are adjusted for inter-institutional (all India and State level) flows.

Notes: 1 Data for 1994-95 are provisional for all institutions and estimated for SFCs and SIDCs.

2. Data have been adjusted for inter-institutional flows. This involves adjustemnt in regard to loans and subscriptions to shares and bonds of financial institutions by IDBI, IDBI/SIDBI's refinance assistance to SFCs and SIDCs and seed capital assistance, term loans given by LIC and special deposits of UTI to IDBI, IFCI and ICICI.

3. Others include leasing in case of IDBI, IFCI, ICICI, SIDBI, TFCI and SCICI; leasing, hire purchase assistance and equipment finance in case of IRBI; and special deposits by UTI.

4. Figures in brackets indicate percentage variation over the preceding year.

Source: IDBI and Respective Financial Institutions.

Appendix Table IV.5 : Resource Mobilisation by Mutual Funds

(Amount in Rs. crore)

Year (April-March)	Public Sector Mutual Funds					Private Sector Mutual Funds	Grand Total (6+7)
	Subsidiaries of Banks	Subsidiaries of Financial Institutions	Sub-Total (2+3)	Unit Trust of India	Total (4+5)		
1	2	3	4	5	6	7	8
1987-88	250.3	–	250.3	1,767.6	**2,017.9**	–	**2,017.9**
1988-89	319.7	–	319.7	3,464.0	**3,783.7**	–	**3,783.7**
1989-90	888.1	315.2	1,203.3	5,490.9	**6,694.2**	–	**6,694.2**
1990-91	2,351.9	603.6	2,955.5	3,198.8	**6,154.3**	–	**6,154.3**
1991-92	2,140.4	427.1	2,567.5	8,685.4	**11,252.9**	–	**11,252.9**
1992-93	1,204.0	760.0	1,964.0	11,057.0	**13,021.0**	–	**13,021.0**
1993-94	148.1	238.6	386.7	9,297.0	**9,683.7**	1,559.6	**11,243.3**
1994-95*	760.4	575.7	1,336.1	8,611.0	**9,947.1**	1,326.8	**11,273.9**

* Provisional.

Note : Data for UTI are net sales with premium for the period July-June; 1987-88 and 1988-89 data represent net sales at face value. In respect of data for 1992-93 and 1993-94, the period is April-March.

Source : Respective Mutual Fund.

Appendix Table IV.6 : Deposits with Non-Banking Companies
(As at the end of March)

(Amount in Rs. crore)

Category	1992-93				1993-94*			
	No. of Reporting Companies	Regulated Deposits	Exempted Deposits #	Total Deposits (3 + 4)	No. of Reporting Companies	Regulated Deposits	Exempted Deposits #	Total Deposits (7 + 8)
1	2	3	4	5	6	7	8	9
Aggregate Deposits	**11,145** **(100.0)**	**11,302.2** **(100.0)**	**1,38,924.4** **(100.0)**	**1,50,226.6** **(100.0)**	**11,294** **(100.0)**	**26,115.5** **(100.0)**	**1,64,988.2** **(100.0)**	**1,91,103.7** **(100.0)**
Of which : held by								
1. Non-Financial Companies	2,376 (21.3)	4,890.1 (43.3)	98,250.9 (70.7)	1,03,141.0 (68.7)	2,218 (19.6)	5,812.9 (22.3)	1,25,861.8 (76.3)	1,31,674.7 (68.9)
2. Financial Companies **	7,310 (65.6)	4,287.2 (37.9)	39,159.3 (28.2)	43,446.5 (28.9)	7,627 (67.6)	17,419.2@ (66.7)	38,148.9 (23.1)	55,568.1 (29.1)
3. Misc. Non-Banking and Residuary Non-Banking Companies	1,459 (13.1)	2,124.9 (18.8)	1,514.2 (1.1)	3,639.1 (2.4)	1,449 (12.8)	2,883.4 (11.0)	977.5 (0.6)	3,860.9 (2.0)

* Provisional data.

** Inclusive of Housing Finance Companies.

@ For the year 1993-94, the inter corporate deposits and deposits from shareholders in the case of private limited companies are included in regulated deposits.

Include money received from i) Central and State Government/Local Authorities, ii) Foreign Government/Authorities, iii) Shareholders by a Nidhi company, iv) Employees as security, v) Purchasing/selling/other agents, vi) Convertible debentures, vii) Subscription to any share, convertible debentures/bonds pending allotment, viii) Trust or in transit, ix) Conventional Chit Fund/Kuri transactions. Borrowings from banks and other financial institutions are also included. For the year 1992-93, inter corporate deposits in case of financial companies are included in this category.

Notes : 1. Figures for 1992-93 have been revised. The exempted deposits figures have substantially gone up due to inclusion therein of borrowings from banks and financial institutions and money raised by way of secured or convertible debentures.

2. Figures in parenthesis are percentages to the totals in the respective columns.