

## **Investments of Scheduled Commercial Banks (End-March 1997) \*** **(Part 1 of 2)**

The results of the recently completed annual survey of investments of Indian Commercial Banks as at the end of March 1997 are presented in this article. The survey covers investments in Indian and Foreign Securities of all Scheduled Commercial Banks (other than Regional Rural Banks) operating in India and abroad and Foreign Banks operating in India. The types of investments covered in the survey are (i) Central and State Government Securities, (ii) other Trustee Securities, (iii) shares, bonds and debentures of Indian Joint Stock Companies, (iv) fixed deposits with banks, (v) other domestic securities including initial contribution to the share capital of Unit Trust of India and (vi) Foreign Securities and other foreign investments. Investments in real estate, bullion and securities held by banks as collateral are excluded from the survey.

2. The results of the survey are presented in three sections. Section I presents the pattern of investments of banks as a whole and certain general observations on the banks' investment pattern during the post reform period. Section II presents the bank group-wise analysis of investments and Section III presents the investments of Scheduled Commercial Banks in States that include State Government Securities, shares of Regional Rural Banks, debentures of Co-operative Institutions, Municipalities, bonds of State Electricity Boards, State Financial Institutions, Road Transport Corporations, Industrial Development Corporations & other State level bodies as at the end of March 1997. In this article, the investments will be generally referred to by their face values, though in certain cases in addition to the face values the market values also will be indicated.

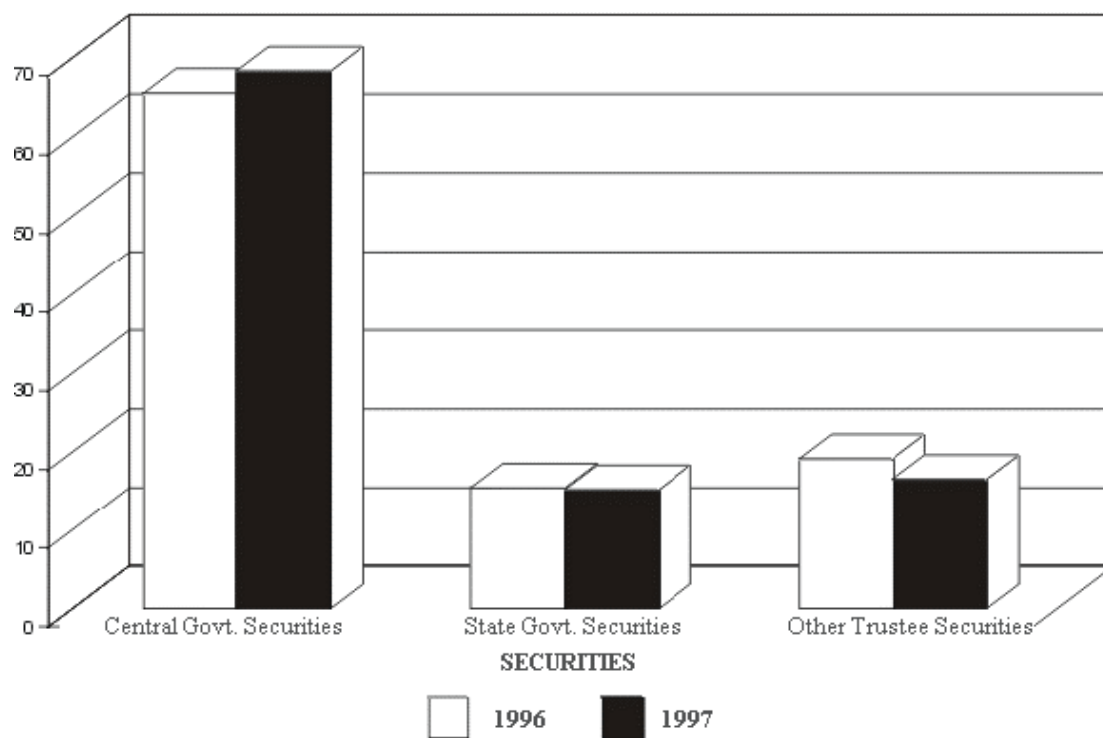
### **Section I :** **Pattern of Investments of Banks**

3. There are a varying degree of growth of deposits, credit and investments of the Scheduled Commercial Banks during 1996-97. While the aggregate deposits of the Scheduled Commercial Banks (other than the Regional Rural Banks) increased by 16.2 per cent during the year 1996-97 (11.8 per cent in 1995-96) and bank credit increased by 9.4 per cent (20.1 per cent in 1995-96), investments of these banks had a much faster growth of 23.6 per cent during 1996-97 (as against 9.5 per cent during 1995-96). As a result, while the credit-deposit ratio decreased from 58.7 per cent in 1995-96 to 55.2 per cent in 1996-97, the investment-deposit ratio increased from 45.9 per cent in 1995-96 to 48.9 per cent in 1996-97.

4. The total investments of Scheduled Commercial Banks increased from Rs.1,93,170 crore

as at end-March 1996 to Rs.2,38,779 crore as at end-March 1997, indicating a growth of 23.6 per cent in 1996-97 (Statement 1). As at end-March 1997, the investments in Indian Government Securities constituted 70.1 per cent (70.4 per cent in 1996) while those in 'other domestic securities' accounted for 27.1 per cent of the total investments of banks (28.0 per cent in 1996). The share of investments of banks in Foreign Securities to their total investments has been insignificant, which increased from 0.1 per cent in 1996 to 0.4 per cent in 1997. The share of investments made by foreign offices of Indian banks constituted 2.4 per cent of their total investments as at end-March 1997, as against 1.5 per cent in the previous year. The overall pattern of investments in March 1997 remained, by and large, the same as in the previous year. Out of the total investments of Rs.1,90,464 crore in Government and other Trustee Securities, investments in Central Government Securities constituted 68.3 per cent (65.5 per cent in 1996). The shares of State Government Securities and other Trustee Securities decreased from 15.4 per cent to 15.2 per cent and from 19.1 per cent to 16.5 per cent respectively as at end-March 1997 (Graph 1).

**Graph No. 1**  
**Percentage of share of Banks' Investments in Central, State & Other Trustee Securities**




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\* This article is prepared in the Banking Statistics Division of Department of Statistical Analysis and Computer Services.  
 The previous article reporting the results of the survey as at the end of March 1996 was published in the April 1998 issue of the Reserve Bank Bulletin.

**5. BANKS' INVESTMENTS IN GOVERNMENT SECURITIES :** The total investments

in Government Securities increased by 23.2 per cent from Rs.1,35,980 crore as at end-March 1996 to Rs.1,67,495 crore as at end-March 1997. In the total outstanding interest bearing Central Government loans excluding Treasury Bills and special securities of Rs.1,84,882 crore and State Government loans of Rs.43,582 crore as at the end of March 1997, the holdings by banks was Rs.1,13,970 crore of Central Government loans and Rs.28,892 crore of State Government loans. Accordingly, the share of holdings of Government Securities (face value) by banks as at the end of March 1997 was 62.5 per cent (compared to 59.7 per cent as at the end of March 1996). The share of banks' holdings in total outstanding Central Government loans increased from 57.5 per cent in March 1996 to 61.6 per cent in March 1997. The share of banks in State Government loans decreased from 69.2 to 66.3 per cent (Table 1).

**Table 1 : Holdings of Interest Bearing Loans of Central and State Governments by Banks  
(As at end-March)**

Category	1996	1997	Variations	
			1996 over 1995	1997 over 1996
1	2	3	4	5
I. Outstanding Interest bearing loans of:				
(i) Central Government @	1,63,826	1,84,882	+32,011 (24.3)	+21,056 (12.9)
(ii) State Governments	37,084	43,582	+5,876 (18.8)	+6,498 (17.5)
II. Banks' Holdings of Interest bearing loans of				
(i) Central Government @	94,235	1,13,970	+13,945 (17.4)	+19,735 (20.9)
(ii) State Governments	25,661	28,892	+2,864 (12.6)	+3,231 (12.6)
III. Share of Banks' holdings to the total outstanding (Percentage of II to I)				
(i) Central Government @	57.5	61.6	43.6	93.7
(ii) State Governments	69.2	66.3	48.7	49.7

Notes : Figures in brackets indicate percentage variations over the year.

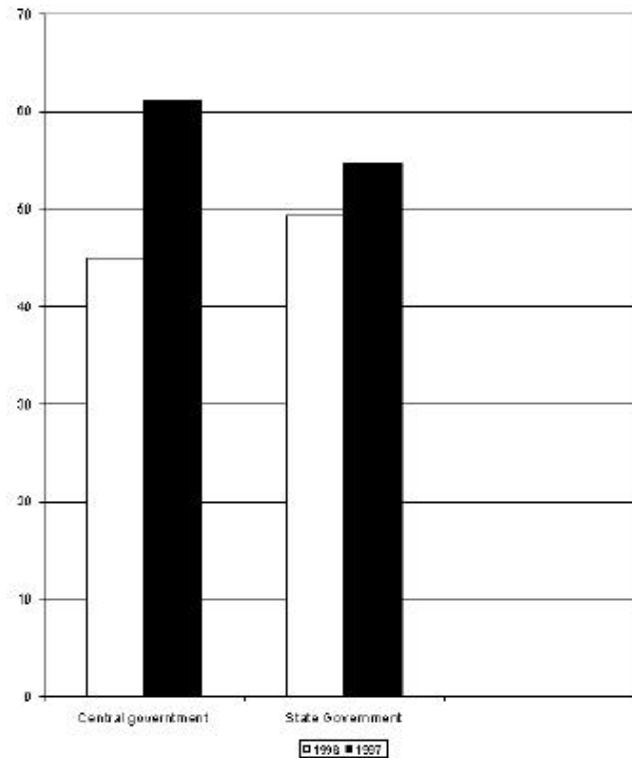
@ Excluding Treasury Bills and 7.75% Government of India special securities, 11% special securities issued in favour of Nationalised Banks, 10% Government of India Nationalised Banks Recapitalisation Bonds 2006 and 10% Nationalised Banks (Non transferable) Special Securities.

**6. BANKS' INVESTMENTS IN OTHER DOMESTIC SECURITIES :** The total

investments of banks in 'other domestic securities' increased from Rs.54,109 crore as at end-March 1996 to Rs.64,634 crore as at end-March 1997 registering an increase of 19.5 per cent (ref. Table 3). The share of other domestic securities in the total investments of banks has marginally declined from 28.0 per cent to 27.1 per cent between end-March 1996 and 1997. Trustee Securities constituted the next important component of the investment portfolio of Scheduled Commercial Banks. In 1996, these securities accounted for 16.5 per cent of the total investments of banks which dropped to 13.1 per cent in 1997. In absolute terms, the total investments in Trustee Securities by Scheduled Commercial Banks decreased from Rs.31,792 crore as at end-March 1996 to Rs.31,363 crore, registering a negative growth rate of 1.3 per cent (Rs.429 crore in absolute terms). The investments in Trustee Securities counting for SLR purposes decreased from Rs.31,267 crore in 1996 to Rs.30,918 crore in 1997, their share in total investments having declined from 16.2 per cent as at end of March 1996 to 12.9 per cent as at end of March 1997. Scheduled Commercial Banks also invested in other types of securities like shares and debentures of Joint Stock Companies and other domestic securities, which are not counted for SLR purposes. Investments by banks in such types of securities accounted for 14.0 per cent (Rs.33,271 crore) of the total investments registering a growth rate of 49.1 per cent. In the investments of banks in other types of securities, investments in shares and debentures of Joint Stock Companies accounted for the maximum. In absolute terms, banks increased their investments in shares and debentures of Joint Stock Companies from Rs.19,973 crore as at the end of March 1996 to Rs.27,367 crore as at the end of March 1997.

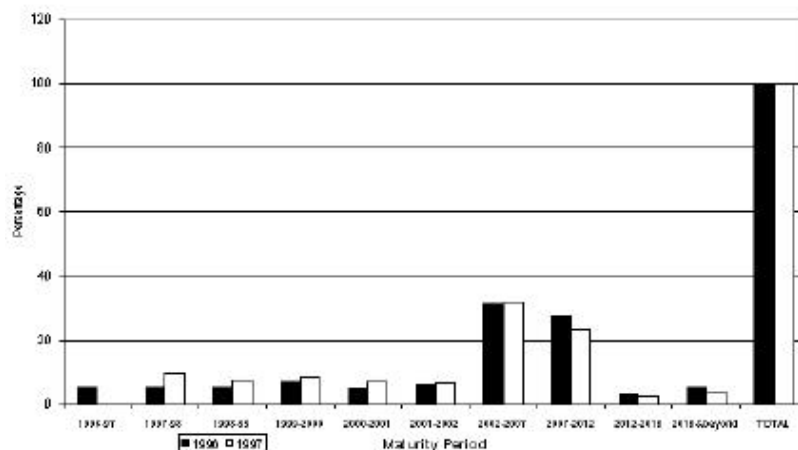
**7. INVESTMENTS BY BANKS IN NEWLY FLOATED LOANS :** The new loans floated by the Central Government decreased from Rs.37,560 crore during 1995-96 to Rs. 27,904 crore during 1996-97. However, the new loans floated by State Governments marginally increased from Rs.6,216 crore in 1995-96 to Rs. 6,442 crore in 1996-97. Out of the total new loans floated by the Central Government, banks absorbed Rs.17,050 crore (61.1 per cent) during 1996-97 as compared to Rs.16,916 crore (45.0 per cent) during the previous year, i.e. 1995-96. As regards State Government loans, the banks contributed Rs.3,528 crore (54.8 per cent) during 1996-97 as against Rs. 3,073 crore (49.4 per cent) in 1995-96 (Graph 2).

**Graph No. 2**  
**Absorption Rate of Newly Floated Loans**



**8. MATURITY PROFILE OF GOVERNMENT SECURITIES HELD BY BANKS :** The aggregate face value of Government Securities (excluding Postal Savings and other obligations) held by banks stood at Rs.1,67,166 crore as at the end of March 1997. It is observed from the survey that the banks preferred to invest in long dated Government Securities. As at the end of March 1996, the extent of this preference was 31.5 per cent for the loans maturing between 2002 to 2007 and 27.4 per cent in respect of loans maturing during the period 2007 to 2012. Similar preference was observed as at the end of March 1997, for the loans maturing during 2002 to 2007 (31.8 per cent) followed by loans maturing during 2007 to 2012 (23.2 per cent) (Graph 3). The survey has indicated that out of the total holdings of Government Securities by banks, those maturing within a year had a share of 5.0 per cent as at end-March 1996 and 9.5 per cent as at end-March 1997. Break-ups of maturity profile of Government loans held by the Scheduled Commercial Banks by old loans (i.e. those issued prior to the reference year) and new loans (i.e. those issued during the reference year) are outlined below.

**Graph No. 3**  
**Maturity Profile of Government Securities held by Banks**



i) *Maturity profile of old government loans held by banks* : The Scheduled Commercial Banks held Rs.1,45,079 crore of old Government Securities as at end-March 1997. In the banks' portfolio of Government Securities, the securities maturing between 2002 and 2007 had the largest proportion (31.1 per cent). This was followed by the Government Securities maturing between 2007 and 2012 (25.7 per cent), those maturing between 1998 and 2002 had a share of 24.9 per cent. Government Securities maturing in the following year, i.e. 1997-98 accounted for 10.9 per cent of the Government Securities held by banks, while those maturing in 2015 and beyond constituted 4.5 per cent. As regards the banks investments in old loans, their share of holding was reduced in the maturity categories 2001- 2002 (from 7.0 per cent to 5.8 per cent), 2007 to 2012 (from 31.6 per cent to 25.7 per cent), 2012 to 2015 (from 3.8 per cent to 2.9 per cent) and 2015 and above (from 6.1 per cent to 4.5 per cent).

ii) *Maturity profile of new Government loans held by banks* :During the year 1995-96, of the total investments made by the banks in the new loans, 34.9 per cent were invested in the loans maturing between the years 2002 to 2007 and 12.0 per cent in the loans maturing in 1998-99. Out of the total investments of Rs. 22,087 crore in new loans by banks during 1996-97, 36.2 per cent will mature between 2002 and 2007 and 20.8 per cent will mature in 1998-99.

**Table 2 : Investments of Scheduled Commercial Banks  
(As at end-March)**

(Rupees crore)

Category	1991	1992	1993	1994	1995	1996	1997
1	2	3	4	5	6	7	8
<b>I Investments by offices in India</b>	<b>79,453</b>	<b>98,916</b>	<b>1,19,742</b>	<b>1,55,812</b>	<b>1,74,146</b>	<b>1,90,233</b>	<b>2,32,970</b>
	(98.9)	(99.0)	(99.1)	(99.3)	(98.8)	(98.5)	(97.6)
A) Indian Govt. securities	51,582	64,418	78,764	1,08,589	1,20,861	1,35,980	1,67,495
	(64.2)	(64.5)	(65.2)	(69.2)	(68.5)	(70.4)	(70.1)
i) Central Govt. Securities	39,294	49,408	61,585	89,084	98,064	1,10,319	1,38,603
	(48.9)	(49.5)	(51.0)	(56.8)	(55.6)	(57.1)	(58.0)
ii) State Govt. Securities	12,288	15,010	17,179	19,505	22,797	25,661	28,892
	(15.3)	(15.0)	(14.2)	(12.4)	(12.9)	(13.3)	(12.1)
B) Other Domestic Securities	27,820	34,419	40,896	47,140	53,202	54,109	64,634

	(34.6)	(34.4)	(33.8)	(30.0)	(30.2)	(28.0)	(27.1)
a) Other Trustee Securities	25,245	29,122	30,464	32,154	32,123	31,792	31,363
	(31.5)	(29.1)	(25.2)	(20.5)	(18.2)	(16.5)	(13.1)
i) Securities counting for SLR	25,032	28,115	29,992	31,426	31,330	31,267	30,918
	(31.2)	(28.1)	(24.8)	(20.0)	(17.8)	(16.2)	(12.9)
ii) Units of UTI	213	1,007	472	728	793	525	445
	(0.3)	(1.0)	(0.4)	(0.5)	(0.4)	(0.3)	(0.2)
b) Others (not counting for SLR)	2,575	5,297	10,432	14,986	21,079	22,317	33,271
	(3.1)	(5.3)	(8.6)	(9.5)	(12.0)	(11.5)	(14.0)
i) Shares & Debentures of Joint Stock Companies	2,364	4,997	9,229	12,468	17,678	19,973	27,367
	(2.9)	(5.0)	(7.6)	(7.9)	(10.0)	(10.3)	(11.5)
ii) Fixed Deposits	30	22	77	203	311	378	1,377
	(-)	(-)	(0.1)	(0.1)	(0.2)	(0.2)	(0.6)
iii) Certificates of Deposits & Commercial Papers	-	-	-	-	2,096	830	2,723
					(1.2)	(0.4)	(1.1)
iv) Mutual Funds	-	-	-	-	514	532	594
					(0.3)	(0.3)	(0.3)
v) Others	181	278	1,126	2,315	480	604	1,210
	(0.2)	(0.3)	(0.9)	(1.5)	(0.3)	(0.3)	(0.5)
C) Foreign Securities	51	79	82	83	83	144	841
	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)
<b>II Investments by Foreign offices of Indian Banks</b>	<b>902</b>	<b>1022</b>	<b>1,080</b>	<b>1,102</b>	<b>2,185</b>	<b>2,937</b>	<b>5,809</b>
	<b>(1.1)</b>	<b>(1.0)</b>	<b>(0.9)</b>	<b>(0.7)</b>	<b>(1.2)</b>	<b>(1.5)</b>	<b>(2.4)</b>
<b>TOTAL INVESTMENTS</b>	<b>80,355</b>	<b>99,938</b>	<b>1,20,822</b>	<b>1,56,914</b>	<b>1,76,331</b>	<b>1,93,170</b>	<b>2,38,779</b>
	<b>(100.0)</b>	<b>(100.0)</b>	<b>(100.0)</b>	<b>(100.0)</b>	<b>(100.0)</b>	<b>(100.0)</b>	<b>(100.0)</b>

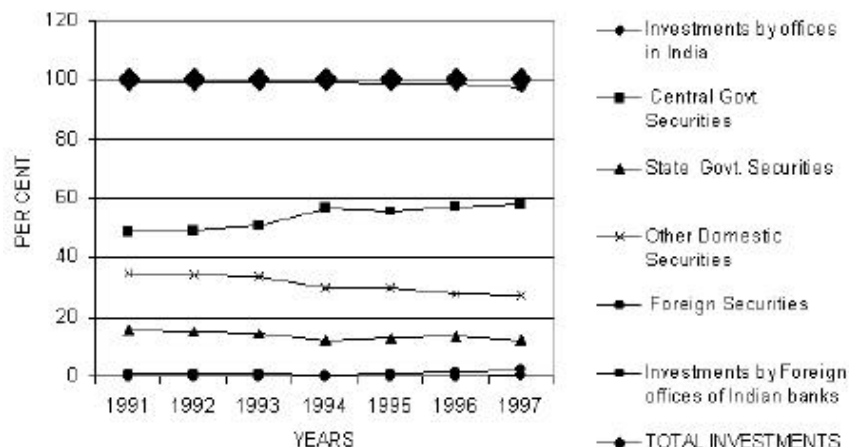
Note : Figures in brackets indicate percentages to total.

**9. INVESTMENT PATTERN DURING THE POST REFORM PERIOD :** The year-wise

investment pattern of Scheduled Commercial Banks during the post reform period is presented in Table 2. While there has been significant growth in the investments of Scheduled Commercial Banks, including foreign offices of Indian banks and Foreign Banks operating in India, the relative shares of various types of investments or the composition in the banks' portfolio have undergone shifts, over the years. The total investments of Scheduled Commercial Banks have grown significantly from Rs.80,355 crore to Rs.2,38,779 crore in a period of six years from March 1991 to March 1997. It is observed that the Indian Government Securities accounted for 64.2 per cent of the total investments of the scheduled commercial banks as at the end of March 1991. Banks' investments in Indian Government Securities have been progressively increasing and by the end of March 1997 the percentage share of the Indian Government Securities in the banks' portfolio accounted for 70.1 per cent of their total investments. Of the Indian Government Securities held by the banks, the Central Government Securities have the largest share. As at the end of March 1991, the Central Government Securities accounted for little less than 50 per cent, which by the end of March 1997 progressively increased to account for 58 per cent of the banks' total investments. The increasing share of investments of banks in the Central Government Securities has been offset by the progressive decline of investments in State Government Securities. Percentage share of State Government Securities in the total investments of banks fell from 15.3 per cent as at the end of March 1991 to 12.1 per cent as at the end of March 1997. Further, it is observed that banks' investments in other Trustee Securities have been also receding over the years. Investments of banks in other Trustee Securities accounted for 31.5 per cent of their total investments as at the end of March 1991, which gradually came down to a low at 13.1 per cent by March 1997. The same declining trend is observed in the investments of other Trustee Securities approved for SLR purposes. Their total share as in March 1991 was 31.2 per cent, which progressively declined to 12.9 per cent by March 1997. In the post reform period, it is observed that there is a gradual increase in investment of Scheduled Commercial Banks in shares and debentures of Joint Stock Companies. Banks' investments in these avenues have progressively increased from a share of 2.9 per cent of their total investments in March 1991 to 11.5 per cent in 1997. The new money market instruments like CPs and CDs and mutual funds are insignificant in the commercial banks' portfolio. The investments of foreign offices of Indian banks have grown beyond six times in six years, from Rs.902 crore in March 1991 to Rs. 5809 crore in March 1997. The growth appears to be highly significant perhaps because of the low base. Going by the percentage share, investments of foreign offices of Indian banks have been insignificant. Percentage share of investments of foreign offices of Indian banks was to the extent of 1.1 per cent in 1991, which hovered around 1 per cent till 1996 and rose to 2.4 per cent in 1997.

**Graph No.4**  
**Investment of Scheduled Commercial Banks (As at end-March)**





## Section II : Bank Group-Wise Analysis of Investments

**10. BANK GROUP-WISE INVESTMENTS :** The bank group-wise pattern of investments in various categories of securities is presented in Table 3. The share of nationalised banks in the total investments of Scheduled Commercial Banks increased from 57.1 per cent as at the end of March 1996 to 57.5 per cent as at the end of March 1997. During the same period, the share of State Bank group in the total investments of Scheduled Commercial Banks decreased from 30.6 to 27.8 per cent. However, the share of 'other Scheduled Commercial Banks' in the total investments of Scheduled Commercial Banks increased from 6.3 per cent to 8.3 per cent and the share of Foreign Banks operating in India from 6.0 per cent to 6.4 per cent, during the same period.

**11. BANK GROUP-WISE INVESTMENTS IN INDIAN GOVERNMENT SECURITIES :** In the investments of Scheduled Commercial Banks in Indian Government Securities, the share of State Bank group decreased from 32.0 per cent as at the end of March 1996 to 29.9 per cent as at the end of March 1997. The share, in the case of other Scheduled Commercial Banks, increased from 6.4 per cent as at the end of March 1996 to 8.0 per cent as at the end of March 1997 and that of Foreign Banks increased from 6.8 per cent to 7.3 per cent. The share of nationalised banks in the Scheduled Commercial Banks' investments in Indian Government Securities, however, remained unchanged at 54.8 per cent as on the two reference dates (i.e. end of March 1996 and end of March 1997).

**Table 3 : Bank Group-Wise Investments of Scheduled Commercial Banks  
(As at end-March)**

(Rupees crore)

Category	Year	SBI and Asso- ciates	Nationa- lised Banks	Other Indian Scheduled Commercial Banks	Foreign Banks	All Sched- uled Commer- cial Banks
(1)	(2)	(3)	(4)	(5)	(6)	(7)

**A. Indian Government Securities**

1. Central Government Securities	1996	35,522	58,003	7,374	9,176	1,10,075
	1997	41,078	73,058	11,994	12,144	1,38,274
2. State Governments' Securities	1996	7,933	16,369	1,217	142	25,661
	1997	8,964	18,486	1,342	100	28,892
3. Others @	1996	33	164	47	-	244
	1997	48	169	97	15	329
<b>Total</b>	<b>1996</b>	<b>43,488</b>	<b>74,536</b>	<b>8,638</b>	<b>9,318</b>	<b>1,35,980</b>
		<b>(32.0)</b>	<b>(54.8)</b>	<b>(6.4)</b>	<b>(6.8)</b>	<b>(100.0)</b>
	<b>1997</b>	<b>50,090</b>	<b>91,713</b>	<b>13,433</b>	<b>12,259</b>	<b>1,67,495</b>
		<b>(29.9)</b>	<b>(54.8)</b>	<b>(8.0)</b>	<b>(7.3)</b>	<b>(100.0)</b>

**B. Other Domestic Securities**

1. Other Trustee Securities	1996	9,817	19,838	1,530	606	31,791
	1997	9,506	19,295	1,852	710	31,363
2. Shares and Debentures of Corporate Sector	1996	5,019	12,054	1,504	1,396	19,973
	1997	5,679	17,138	3,014	1,536	27,367
3. Others +	1996	258	1,281	469	337	2,345
	1997	297	3,307	1,543	757	5,904
<b>Total</b>	<b>1996</b>	<b>15,094</b>	<b>33,173</b>	<b>3,503</b>	<b>2,339</b>	<b>54,109</b>
		<b>(27.9)</b>	<b>(61.3)</b>	<b>(6.5)</b>	<b>(4.3)</b>	<b>(100.0)</b>
	<b>1997</b>	<b>15,482</b>	<b>39,740</b>	<b>6,409</b>	<b>3,003</b>	<b>64,634</b>
		<b>(24.0)</b>	<b>(61.5)</b>	<b>(9.9)</b>	<b>(4.6)</b>	<b>(100.0)</b>

**C. Foreign Securities**

<b>1996</b>	-	144	-	-	144
		<b>(100.0)</b>			<b>(100.0)</b>
<b>1997</b>	-	781	60	-	841
		<b>(92.9)</b>	<b>(7.1)</b>		<b>(100.0)</b>

**D. Investments of Foreign Offices**

<b>1996</b>	565	2,351	21	-	2,937
	<b>(19.2)</b>	<b>(80.1)</b>	<b>(0.7)</b>		<b>(100.0)</b>
<b>1997</b>	813	4,971	25	-	5,809
	<b>(14.0)</b>	<b>(85.6)</b>	<b>(0.4)</b>		<b>(100.0)</b>

**Total (A + B + C + D)**

<b>1996</b>	<b>59,147</b>	<b>1,10,204</b>	<b>12,162</b>	<b>11,657</b>	<b>1,93,170</b>
	<b>(30.6)</b>	<b>(57.1)</b>	<b>(6.3)</b>	<b>(6.0)</b>	<b>(100.0)</b>
<b>1997</b>	<b>66,385</b>	<b>1,37,205</b>	<b>19,927</b>	<b>15,262</b>	<b>2,38,779</b>
	<b>(27.8)</b>	<b>(57.5)</b>	<b>(8.3)</b>	<b>(6.4)</b>	<b>(100.0)</b>

Note : Figures in brackets indicate percentages to col. No.(7).

@ Include Postal Savings Deposits Certificates and other Postal Obligations.

+ Include Investments in Fixed Deposits, Initial contribution to share capital of Unit Trust of India, Debentures and bonds of quasi Government bodies (Municipalities, Housing boards etc.), Mutual Funds, Venture Capital Funds, Certificate of Deposits and Commercial Papers.

- Nil.

**12. BANK GROUP-WISE INVESTMENTS IN THE NEWLY FLOATED LOANS OF CENTRAL AND STATE GOVERNMENTS :**

i) **NEWLY FLOATED CENTRAL GOVERNMENT LOANS :** Out of the newly floated Central Government loans of Rs.27,904 crore (face value) during the year 1996-97, the Scheduled Commercial Banks held in their portfolio, loans of Rs.17,050 crore (face value) as at the end of March 1997. That is, Scheduled Commercial Banks accounted for 61.1 per cent of the new loans. Among the bank groups, the largest share was held by the nationalised banks (45.0 per cent), followed by State Bank group (22.0 per cent), 'other Indian Scheduled Commercial Banks' (18.9 per cent) and Foreign Banks (14.1 per cent).

ii) **NEWLY FLOATED STATE GOVERNMENT LOANS :** As regards State loans, out of Rs. 6,442 crore floated during the year under reference, Rs.3, 528 crore (or 54.8 per cent) was held by all Scheduled Commercial Banks. The bank group-wise holdings were: State Bank group 31.4 per cent, nationalised banks 65.1 per cent, other Indian Scheduled Commercial Banks 3.3 per cent and Foreign Banks 0.2 per cent (Table 4).

**Table 4 : Bank Group-Wise Investments and Percentage Share in the Newly Floated Governments' Loans (As at end-March)**

Category	(Rupees crore)			
	1996		1997	
	Investments	Percentage Share	Investments	Percentage Share
1	2	3	4	5
A) Central Government @	16,916		17,050	
1. State Bank of India and Associates	5,690	(33.7)	3,751	(22.0)
2. Nationalised Banks	8,427	(49.8)	7,665	(45.0)
3. Other Indian Scheduled Commercial Banks	1,253	(7.4)	3,231	(18.9)
4. Foreign Banks	1,546	(9.1)	2,403	(14.1)
<b>B) State Governments</b>	<b>3,073</b>		<b>3,528</b>	
1. State Bank of India and Associates	923	(30.0)	1,108	(31.4)
2. Nationalised Banks	1,993	(64.9)	2,295	(65.1)
3. Other Indian Scheduled Commercial Banks	152	(5.0)	117	(3.3)
4. Foreign Banks	5	(0.1)	8	(0.2)

@ Exclude 10% Nationalised Banks (Non-Transferable) Special Securities.

**13. BANK GROUP-WISE INVESTMENTS IN 'OTHER DOMESTIC SECURITIES' : In**

the investments of Scheduled Commercial Banks in 'other domestic securities', the share of State Bank group decreased from 27.9 per cent as at the end of March 1996 to 24.0 per cent as at the end of March 1997. The share of nationalised banks increased marginally from 61.3 per cent to 61.5 per cent and that of Foreign Banks from 4.3 per cent to 4.6 per cent between end of March 1996 and 1997. In the case of 'other Indian Scheduled Commercial Banks', such share increased from 6.5 per cent to 9.9 per cent. In the investments made by foreign offices of Indian banks, the share of State Bank group decreased from 19.2 per cent to 14.0 per cent. In the case of nationalised banks, the share of investments by their foreign offices increased from 80.1 per cent to 85.6 per cent. The share of investments by the foreign offices of 'other Indian Scheduled Commercial Banks' has been small, which decreased from 0.7 per cent to 0.4 per cent between the two reference dates (i.e. end of March 1996 and 1997).

**14. BANK GROUP-WISE INVESTMENTS IN VARIOUS TRUSTEE SECURITIES :** The nationalised banks held 61.5 per cent of these securities, followed by State Bank group with a share of 30.3 per cent in 1997. These shares of the nationalised banks and the State Bank group were 62.4 per cent and 30.9 per cent respectively in 1996. There were substantial disinvestments (Rs.543 crore) in Trustee Securities by the nationalised banks group. Disinvestments by the State Bank group were Rs.311 crore. The other Indian Scheduled Commercial Banks and foreign Banks, however, increased their investments in Trustee Securities from Rs.1,530 crore in 1996 to Rs.1,852 crore in 1997 and from Rs.606 crore in 1996 to Rs.710 crore in 1997 respectively (Statement 2). In the investment portfolio of the banks in other Trustee Securities, the bonds floated by Industrial Development Bank of India (IDBI) accounted for the largest share of 23.0 per cent followed by bonds of State Electricity Boards (20.7 per cent). Out of the total holdings of Trustee Securities held by banks, securities of State Financial Corporations, Industrial Finance Corporation of India and Industrial Credit and Investment Corporation of India accounted for 7 to 11 per cent each. Banks invested 3.3 per cent of their Trustee Security investments in the bonds of Local Authorities and 2.5 per cent in Housing and Urban Development Corporation of India. Investments of 1.7, 2.2 and 1.9 per cent were made in Industrial Reconstruction Bank of India, National Co-operative Development Corporation and Rural Electrification Corporation respectively. Banks invested 1.4 per cent of their Trustee Security investments in the units of Unit Trust of India (Statement 3).

**15. BANK GROUP-WISE INVESTMENTS IN OTHER DOMESTIC SECURITIES AND SHARES & DEBENTURES OF JOINT STOCK COMPANIES, UNITS OF UTI etc. :** The shares of nationalised banks, State Bank group, Foreign Banks and other Indian Scheduled Commercial Banks in other types of securities like shares, debentures and bonds of Joint Stock Companies & other domestic securities were 61.4, 18.0, 6.9 and 13.7 per cent respectively. During the year under review, all the bank groups recorded substantial growth in such securities. Group of 'other Indian Scheduled Commercial Banks' registered highest growth rate of 131.0 per cent ( from Rs.1, 973 crore to Rs.4, 557 crore). The growth rates in respect of other groups were 53.3 per cent (nationalised banks), 32.3 per cent (Foreign Banks) and 13.3 per cent (State Bank group) (Statement 2). The bank group-wise investments in shares & debentures of Joint Stock Companies, units of UTI and other domestic securities i.e. securities not counted for SLR purpose are presented in Statement 4. Percentage share of nationalised banks in such securities was highest (61.5 per cent) followed by State bank group (17.8 per cent), other Indian Scheduled Commercial Banks (13.7 per cent) and Foreign Banks (7.0 per cent).

**16. BANK GROUP-WISE INVESTMENTS IN PUBLIC SECTOR ENTERPRISES :**

Investments of banks in public sector bonds increased from Rs.10, 258 crore as at end-March 1996 to Rs. 11,448 crore as at end-March 1997, registering an increase of 11.6 per cent (Statement 5). As regards investments in the various public sector enterprises, banks' investments were the highest in Railway Bonds (25.2 per cent) followed by Mahanagar Telephone Nigam Ltd.(MTNL) (18.7 per cent), Housing and Urban Development Corporation (HUDCO) (16.9 per cent), Rural Electrification Corporation bonds (9.4 per cent), Power Finance Corporation (8.4 per cent), Nuclear Power Corporation (7.6 per cent), National Hydro-electric Power Corporation (NHPC) bonds (6.1 per cent) and National Thermal Power Corporation (5.8 per cent). The investments made in public sector bonds by nationalised banks and other Indian Scheduled Commercial Banks groups registered an increase as at end-March 1997 compared to their levels in the previous year. In percentage terms, the share of nationalised banks' holding in such securities increased from 57.3 per cent as at end-March 1996 to 59.8 per cent as at end-March 1997. In the case of other Indian Scheduled Commercial Banks, this percentage increased from 9.1 per cent to 12.9 per cent. In the case of State Bank group this percentage decreased from 21.4 per cent to 18.0 per cent. The share of Foreign Banks declined further from 12.2 per cent to 9.3 per cent.

**17. MATURITY PROFILE OF INVESTMENTS IN GOVERNMENT SECURITIES BY BANK GROUPS :** The maturity profile of investments in Government Securities by bank groups is presented in Statement 6. Maturity profile of investments in Government Securities by bank groups, separately for new loans and old loans are stated below.

i) *New Loans* : In the new loans maturing between 2002 and 2007, the share of nationalised banks was 58.2 per cent followed by State Bank group (29.1 per cent), other Indian Scheduled Commercial Banks (11.4 per cent) and Foreign Banks (1.3 per cent). As regards the banks' investments in new loans maturing in 1998-99, the share of Foreign Banks was the maximum at 39.0 per cent followed by nationalised banks (27.4 per cent), State Bank group (19.5 per cent) and 'other Indian Scheduled Commercial Banks' (14.1 per cent). As regards the investments in new loans, the share of holdings of all banks was increased in all the maturity groups except 1997-98 and 2000-2001 as compared to their holdings in previous year. For the maturity category 2002-2007 this increase was substantial for State Bank group (from 32.1 per cent to 47.8 per cent) followed by nationalised banks (from 38.6 per cent to 40.5 per cent). However, in the case of other Indian Scheduled Commercial Banks and Foreign Banks there was a sharp decline (from 42.3 per cent to 27.3 per cent and from 12.9 per cent to 4.2 per cent respectively). For the maturity category 1998-99 there was increase in the holdings of all bank groups except other Indian Scheduled Commercial Banks. The increase was substantial in case of Foreign Banks (from 24.9 per cent to 74.5 per cent).

ii) *Old Loans* : Bank group-wise analysis shows that out of the total old loans maturing

during 1997-98, the share of nationalised banks at 44.8 per cent was the highest. In the case of maturity category 2002 to 2007 there was a marginal increase in respect of nationalised banks and other Indian Scheduled Commercial Banks but small reduction in case of State Bank group and Foreign Banks. There was a substantial increase in old loans pertaining to the maturity category 1997-98. This increase was highest in case of Foreign Banks (from 4.4 per cent to 39.7 per cent) followed by nationalised banks (from 1.0 per cent to 8.9 per cent), State Bank group (from 2.0 per cent to 9.0 per cent) and other Indian Scheduled Commercial Banks (from 3.0 per cent to 7.9 per cent).

**18. BANK GROUP-WISE ANALYSIS OF INVESTMENTS IN GOVERNMENT SECURITIES ACCORDING TO COUPON INTEREST RANGE :** Bank group-wise investments in Central and State Government Securities by coupon interest range are set out in Statement 7. The banks' investments in Central Government Securities sharply increased from Rs.1,09,050 crore as at end-March 1996 to Rs.1,30,209 crore as at end-March 1997, registering a growth rate of 19.4 per cent. The amount invested by scheduled commercial banks in State Governments' Securities as at end-March 1997 amounted to Rs.28,892 crore, (Rs.25,661 crore as at end-March 1996) thereby registering a growth rate of 12.6 per cent over the previous year. The percentage composition of investments by banks in Central and State Government Securities as per different coupon interest ranges as at the end of March 1997 was as under :

(i) The State Bank group increased the share of investment in Central Government Securities having the coupon interest rate at 13 per cent and above. In this coupon range the share of investments of the State Bank group increased from 13.2 per cent to 23.5 per cent from end-March 1996 to end March 1997. However, the share of this group of banks in the Central Government Securities of other coupon interest ranges viz. less than 6 per cent (excluding zero coupon bond), 6 to 8 per cent, 8 to 10 per cent, 10 to 11 per cent, 11 to 12 per cent and 12 to 13 per cent reduced from 0.9 per cent to 0.8 per cent, 5.5 per cent to 4.8 per cent, 2.6 per cent to 2.3 per cent, 3.7 per cent to 3.3 per cent, 43.9 per cent to 39.1 per cent and 24.5 per cent to 18.4 per cent respectively between the two reference dates namely end-March 1996 and end-March 1997. During this period the zero coupon bonds had an increased share in the portfolio of State Bank group from 5.7 per cent to 7.8 per cent. As regards State Bank group's investments in State Government Securities, the share decreased from 4.1 per cent to 3.7 per cent, 41.4 per cent to 36.6 per cent and 19.8 per cent to 17.4 per cent in the interest ranges of 8 to 10 per cent, 11 to 12 per cent and 12 to 13 per cent respectively. This share increased from 34.6 per cent to 42.2 per cent in the interest range of 13 per cent and above. The share remains unchanged (0.1 per cent) for the range 6 to 8 per cent.

(ii) The share of nationalised banks' investments in Central Government Securities in the

coupon interest ranges of 6 to 8 per cent and 8 to 10 per cent decreased from 11.1 per cent to 8.9 per cent and from 4.4 per cent to 3.7 per cent respectively. This share also decreased in the interest ranges of 10 to 11 per cent, 11 to 12 per cent and 12 to 13 per cent from 22.7 per cent to 21.9 per cent, from 29.5 per cent to 26.1 per cent and from 14.3 per cent to 8.8 per cent respectively during the reference years. This share, however, increased from 13.6 per cent to 23.6 per cent in the interest range of 13 per cent and above. The share of nationalised banks in the investment of zero coupon bonds increased from 3.9 per cent to 6.5 per cent. The share of nationalised banks' investments in State Government Securities decreased from 2.9 per cent to 2.4 per cent in the interest range of 6 to 8 per cent, 11.7 per cent to 10.4 per cent in the interest range of 8 to 10 per cent, 36.9 per cent to 32.5 per cent in the interest range of 11 to 12 per cent and from 19.2 per cent to 17.0 per cent in the interest range of 12 to 13 per cent. This share increased from 29.2 per cent to 37.7 per cent in the case of securities with interest range of 13 per cent and above.

(iii) The holdings of other Indian Scheduled Commercial Banks' investments in Central Government Securities decreased substantially in respect of the interest ranges of 11 to 12 per cent and 12 to 13 per cent from 29.1 per cent to 19.4 per cent and from 40.2 per cent to 19.6 per cent. Such share decreased in other interest ranges viz., 6 to 8 per cent (from 2.7 per cent to 1.7 per cent), 8 to 10 per cent (from 1.4 per cent to 1.0 per cent), 10 to 11 per cent (from 4.1 per cent to 2.5 per cent). However, this share increased for the interest range of 13 per cent and above (from 20.1 per cent to 46.9 per cent). In the case of zero coupon bonds the share increased from 2.3 per cent to 8.8 per cent. Regarding investments by other Indian Scheduled Commercial Banks in State Governments' Securities, the share increased from 28.2 per cent to 35.1 per cent in the interest range of 13 per cent and above. Such shares decreased from 2.1 per cent to 1.8 per cent for the interest range of 6 to 8 per cent, 8.6 per cent to 7.4 per cent for the interest range of 8 to 10 per cent, 24.8 per cent to 22.8 per cent for the interest range of 11 to 12 per cent and 36.3 per cent to 32.9 per cent in the interest range of 12 to 13 per cent.

(iv) The holdings of Foreign Banks in Central Government Securities in the interest ranges of 6 to 8 per cent, 8 to 10 per cent, 10 to 11 per cent and 12 to 13 per cent decreased from 4.2 per cent to 3.4 per cent, 1.1 per cent to 0.6 per cent, 8.1 per cent to 1.9 per cent and 44.8 per cent to 17.2 per cent respectively. Such investments in securities in the interest range 11 to 12 per cent increased marginally from 11.2 per cent to 12.8 per cent. However, in the interest range of 13 per cent and above, the share increased substantially from 16.6 per cent to 47.6 per cent. The share of holdings of zero coupon bonds increased from 13.1 per cent to 15.8 per cent. In the case of State Governments' Securities, the holdings of this bank group in the securities falling in the interest range of 13 per cent and above increased from 18.0 per cent to 20.8 per cent. This share also went up in the interest range of 8 to 10 per cent from 32.0 per cent to 46.3 per cent. However, it decreased from 32.3 per cent to 27.5 per cent and 17.7 per cent to 5.4 per cent in the case of securities in the interest ranges of 11 to 12 per cent and 12 to 13 per cent respectively.

### **Section III :**

#### **The Investments of Scheduled Commercial Banks in State Level Securities as at end-March 1997**

**19. STATE LEVEL SECURITIES :** The State-wise investments of Scheduled commercial

Banks in State level securities as at end March 1997 are presented in Statement 8. The total holdings by banks in State Government Securities amounted to Rs.28,892 crore (face value) as at end-March 1997 (Rs.25,661 crore at end-March 1996). The investments of banks in securities of State Governments and State level bodies were to the extent of Rs.42,753 crore. Of the banks' investments in the securities of State level bodies, the investments in State Electricity Boards were the highest at Rs.6, 880 crore (16.1 per cent), followed by State Financial Corporations at Rs.3, 442 crore (8.1 per cent). The share of investments by banks in securities of 'other State level bodies' such as Municipalities and Port Trusts, Housing Board and State Industrial Development Corporations were below 2 per cent.

**20.** The Scheduled Commercial Banks continued to be the most important contributors to the State Governments' loans as at end-March 1997 (Statement 9). Of the total outstanding State Governments' loans of Rs.43,582 crore as at end-March 1997, 66.3 per cent was held by banks (69.2 per cent in the previous year). State-wise figures of loans showed that the share of Uttar Pradesh was the highest (18.4 per cent) followed by Bihar (9.9 per cent) and Andhra Pradesh (9.8 per cent). The shares of States of West Bengal, Rajasthan, Tamil Nadu, and Orissa ranged between 6 and 8 per cent and those of Kerala, Karnataka, Madhya Pradesh and Maharashtra were in the range of 4 to 6 per cent. The share of State loans in the remaining states was less than 4 per cent each.

**21.** State-wise and Bank group-wise investments in State level securities as at end-March 1997 are presented in Statement 10. There was no perceptible variation in the share of holdings of the State level securities by various bank groups between 1996 and 1997(end-March). The State Bank group continued to be a major investor of state level securities in North Eastern States except Assam. The share of this group was highest in Sikkim (70.3 per cent) followed by Arunachal Pradesh (69.4 per cent), Mizoram (63.7 per cent), Nagaland (56.5 per cent), Tripura (55.8 per cent) and Manipur (52.3 per cent). The share of nationalised banks in the investment of State level securities was large in States of Delhi (76.3 per cent), West Bengal (72.6 per cent), Punjab (72.2 per cent), Uttar Pradesh (69.4 per cent), Goa (66.7 per cent), Gujarat (64.2 per cent), Maharashtra (63.1 per cent) and Assam (50.1 per cent). In Southern Region also nationalised banks continued to be a major investor accounting for highest share in Karnataka (62.4 per cent) followed by Tamil Nadu (61.7 per cent), Andhra Pradesh (58.8 per cent) and Kerala (52.5 per cent). The share of Foreign Banks and other Indian scheduled commercial banks in the investment of State level securities was negligible, accounting for 0.7 per cent and 4.5 per cent respectively.