

Date: November 9, 2005

The Chairman / Managing Director  
All Scheduled Commercial Banks  
**(including RRBs)**

Dear Sir,

**Credit Deposit Ratio – Implementation of the Recommendations of Expert Group on CD Ratio**

An Expert Group was constituted by Government of India under Chairmanship of Shri Y.S.P. Thorat, M.D., NABARD to go into the nature and magnitude of the problem of low credit deposit (CD) ratio across States / Regions and to suggest steps to overcome the problem. The Expert Group examined the problems and causes of low CD ratio and submitted its report to Government of India. The recommendations of the Group have since been examined and accepted by the Government of India with certain modifications.

Accordingly, it has been decided that the CD Ratio of banks should be monitored at different levels on the basis of the following parameters –

<b><u>Institution / Level</u></b>	<b><u>Indicator</u></b>
Individual banks at Head Office	Cu + RIDF
State Level (SLBC)	Cu + RIDF
District Level	Cs

Note:

Cu = Credit as per place of Utilization

Cs = Credit as per place of Sanction

RIDF = Total Resource support provided to States under RIDF

The Group has further recommended that :

- In the districts having CDR less than 40, Special Sub-Committees (SSCs) of DLCC may be set up to monitor the CDR.
- Districts having CDR between 40 and 60, will be monitored under the existing system by DLCC, and

- The district with CDR of less than 20 need to be treated on a special footing.

2. In view of the above suggestions, it has been decided to set up Special Sub-Committee (SSCs) of DLCC in the districts having CDR less than 40, in order to monitor the CDR and to draw up Monitorable Action Plans (MAPs) to increase the CDR. The Lead District Manager (LDM) of the Lead Bank will be designated as the convenor of the SSC, which in addition to District co-ordinators of banks functioning in the area, will comprise of DDM, NABARD, LDO, RBI, District Planning Officer or a representative of the Collector duly empowered to take decisions on behalf of the district administration.

**The functions of the Special Sub-Committee will be as under:**

- The Special Sub-Committee (SSCs) will draw up Monitorable Action Plans (MAPs) for improving the CDR in their districts on a self-set graduated basis.
- For this purpose the SSC will hold a special meeting immediately after its constitution and on the basis of the various ground level parameters, set for itself a target for increasing the CDR initially for the current year, i.e. upto March 2006. It will also, at the same meeting, set a definite time frame for the CDR beyond 60 in annual increments.
- Consequent on the completion of this process, the target and time frame self-set by the SSC will be placed before the DLCC for approval.
- Take up the plans for implementation and monitor the same assiduously once in two months.
- Report the progress to the DLCC on quarterly basis and through them to the convenor of SLBC.
- On the basis of the feedback received from the DLCC regarding the progress in the implementation of the Monitorable Action Plans (MAPs), consolidated report will be prepared and tabled at all SLBC meetings for discussion / information.

3. As regards the districts with CDR less than 20 they are generally located in hilly, desert, inaccessible terrains and / or those dependent solely on the primary sector and / or characterized by a breakdown of the law and order machinery.

In such areas, conventional methods are not likely to work unless the banking system and the State Government come together in a specially meaningful way.

While the framework for implementation for raising the CDR in these districts will be the same as in the case of districts with CDR below 40 (i.e setting up of SSC etc.), the focus of attention and the level of efforts should be of a much higher scale. For this, the Group has recommended that:

- All such districts should first be placed in a special category.
- Second, the responsibility for increasing their CDR should be taken by banks and State Governments and the districts should be "adopted" by the District Administration and the Lead Bank jointly.
- Thirdly, while banks would be responsible for credit disbursement, the State Government would be required to give an upfront commitment regarding its responsibilities for creation of identified rural infrastructure together with support in creating an enabling environment for banks to lend and to recover their dues. Given a collaborative framework as outlined above, the Group is of the view that meaningful increase in CDR is possible.
- Progress in the special category districts will be monitored at the district level and reported to the corporate offices of the concerned banks.
- CMDs of banks would give special attention to the CDR in such districts.

4. Banks are, therefore, requested to initiate action for constitution of special Sub-Committees (SSCs) of the DLCCs **in the districts having CDR less than 40** and take steps as stated in this circular. The districts having CDR between 40 and 60 will be monitored under the existing system by the DLCC.

Please acknowledge receipt.

Yours faithfully,  
(G. Srinivasan)  
Chief General Manager.