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Report on Trend and Progress of Banking in India 2019-20

Today, the Reserve Bank of India released the [Report on Trend and Progress of Banking in India 2019-20](#), a statutory publication in compliance with Section 36 (2) of the Banking Regulation Act, 1949. This Report presents the performance of the banking sector, including co-operative banks, and non-banking financial institutions during 2019-20 and 2020-21 so far.

The broad theme of this year's report is the impact of COVID-19 on banking and non-banking sectors, and the way forward. The highlights of the Report are set out below:

- During 2019-20 and first half of 2020-21, scheduled commercial banks (SCBs) consolidated the gains achieved after the turnaround in 2018-19.
- SCBs' gross non-performing assets (GNPA) ratio declined from 9.1 per cent at end-March 2019 to 8.2 per cent at end-March 2020 and further to 7.5 per cent at end-September 2020.
- Capital to risk weighted assets (CRAR) ratio of SCBs strengthened from 14.3 per cent at end-March 2019 to 14.7 per cent at end-March 2020 and further to 15.8 per cent at end-September 2020, partly aided by recapitalisation of public sector banks and capital raising from the market by both public and private sector banks.
- Net profits of SCBs turned around in 2019-20 after losses in the previous two years; in H1:2020-21, their financial performance was shored up by the moratorium, standstill in asset classification and ploughing back of dividends.
- The Reserve Bank undertook an array of policy measures to mitigate the effects of COVID-19; its regulatory ambit was reinforced by legislative amendments, giving it greater powers over co-operative banks, non-banking financial companies (NBFCs), and housing finance companies (HFCs); and it also undertook a series of initiatives to bolster its supervisory framework.
- The recovery process gained traction with the resolution of large accounts through the Insolvency and Bankruptcy Code (IBC); the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 (SARFAESI) channel also aided the process of recovery.
- The balance sheet growth of Urban Co-operative Banks (UCBs) moderated in 2019-20 on lower deposit accretion and muted expansion in credit; while their asset quality deteriorated, increased provisioning resulted in net losses.

- The performance of state co-operative banks improved, both in terms of profitability and asset quality.
- The consolidated balance sheet of NBFCs decelerated in 2019-20 due to near stagnant growth in loans and advances although some improvement became visible in H1:2020-21; notwithstanding a marginal deterioration in asset quality, the NBFC sector remains resilient with strong capital buffers.
- The Report also offers some perspectives on the evolving outlook for India's financial sector.

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