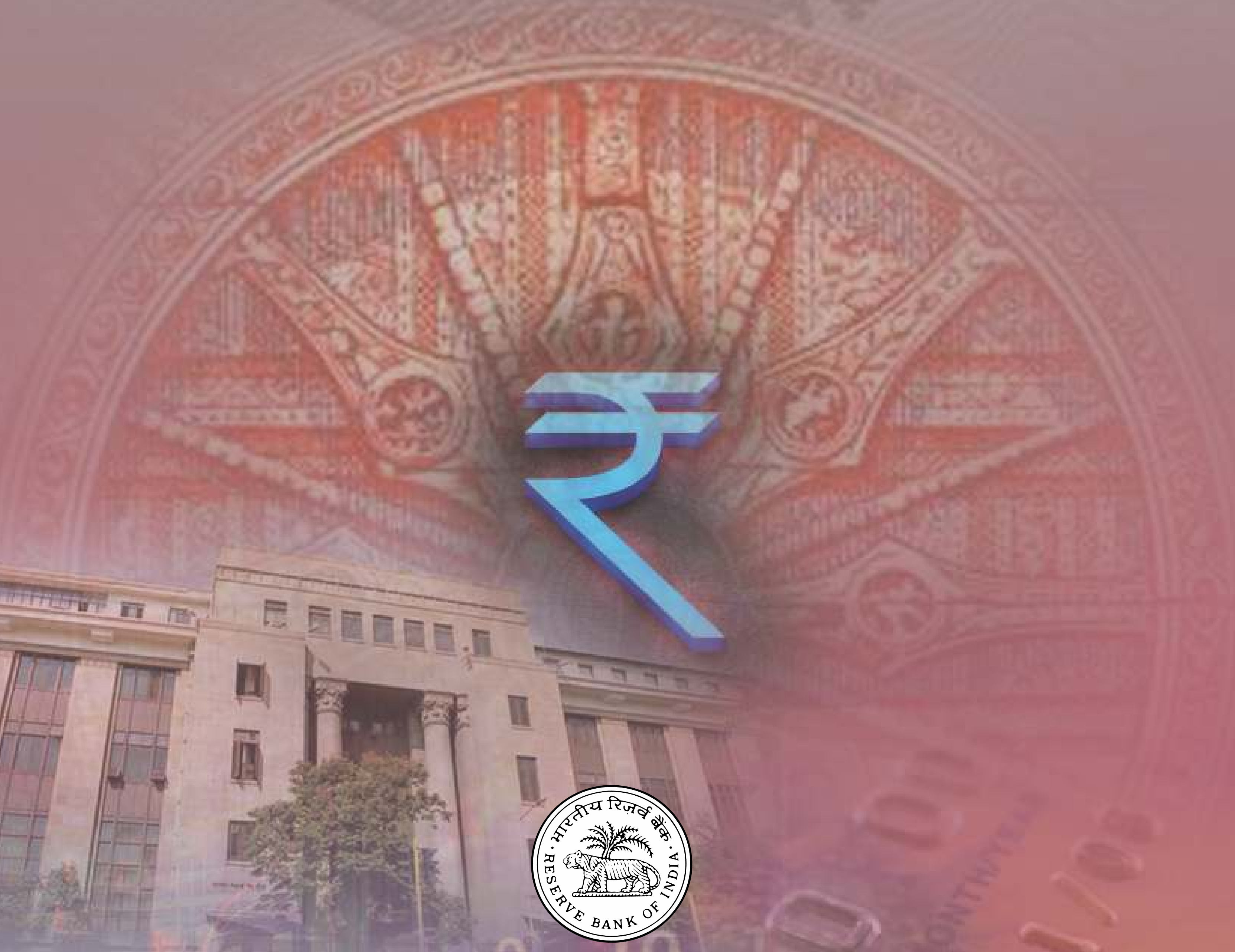
भारत में बैंकिंग की प्रवृत्ति एवं प्रगति संबंधी रिपोर्ट

2018-19

REPORT ON TREND AND PROGRESS OF BANKING IN INDIA

2018-19



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

Report on Trend and Progress of Banking in India for the year ended June 30, 2019 submitted to the Central Government in terms of Section 36(2) of the Banking Regulation Act, 1949

REPORT ON TREND AND PROGRESS OF BANKING IN INDIA 2018-19

RESERVE BANK OF INDIA

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LETTER OF TRANSMITTAL

DEPR.BRD. 1665/13.01.01/2019-20

December 24, 2019
3 Pausha 1941 (Saka)

The Finance Secretary
Government of India
Ministry of Finance
New Delhi – 110 001

Dear Sir,

In pursuance of the provisions of Section 36(2) of the Banking Regulation Act, 1949, I have pleasure in transmitting herewith two copies of the 'Report on Trend and Progress of Banking in India' for the year ended June 30, 2019.

Sincerely,

Shaktikanta Das

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Contents

List of Boxes

List of Tables

List of Charts

List of Appendix Tables

List of Select Abbreviations

AE	Advanced Economy
AFA	Additional Factor of Authentication
AFC	Asset Finance Company
AIFI	All India Financial Institution
ALM	Asset Liability Management
AML/CFT	Anti-Money Laundering / Combatting the Financing of Terrorism
ANBC	Adjusted Net Bank Credit
AQR	Asset Quality Review
ARC	Asset Reconstruction Company
ASF	Available Stable Funding
BBPOU	Bharat Bill Payment Operating Unit
BBPS	Bharat Bill Payment System
BC	Business Correspondent
BCBS	Basel Committee on Banking Supervision
BFS	Board for Financial Supervision
BIS	Bank for International Settlements
BO	Banking Ombudsman
BPLR	Benchmark Prime Lending Rate
bps	Basis Points
BSBDA	Basic Savings Bank Deposit Account
CAGR	Compound Annual Growth Rate
CAMELS	Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Systems and Control
CASA	Current Account and Savings Account
CCB	Capital Conservation Buffer
CCIL	Clearing Corporation of India Limited
CDDP	Committee on Deepening of Digital Payments
CDS	Credit Default Swap
CET	Common Equity Tier
CIC	Core Investment Company
CIC-ND-SI	Non-Deposit taking Systemically Important - Core Investment Company
CIRP	Corporate Insolvency Resolution Process
CISBI	Central Information System for Banking Infrastructure
CMB	Cash Management Bill
CMS	Complaint Management System
CoR	Certificate of Registration
CRAR	Capital to Risk-weighted Assets Ratio
CRCS	Central Registrar of Co-operative Societies
CRO	Chief Risk Officer
DCCB	District Central Co-operative Bank
DDB	Demand Deposit Balance
DICGC	Deposit Insurance and Credit Guarantee Corporation
DIDF	Dairy Processing and Infrastructure Development Fund
DRR	Debenture Redemption Reserve
D-SIB	Domestic Systemically Important Bank
DTH	Direct-to-Home

ECB	External Commercial Borrowing
EME	Emerging Market Economy
EWS	Early Warning Signal
EXIM Bank	Export Import Bank of India
FALLCR	Facility to Avail Liquidity for Liquidity Coverage Ratio
FATF	Financial Action Task Force
FBIL	Financial Benchmarks India Private Ltd.
FC	Financial Co-operative
FCCB	Foreign Currency Convertible Bond
FCNR(B)	Foreign Currency Non-Resident Bank Deposits
FDI	Foreign Direct Investment
FIAC	Financial Inclusion Advisory Committee
FIP	Financial Inclusion Plan
FRA	Forward Rate Agreement
FSB	Financial Stability Board
FSP	Financial Service Provider
GCF	Green Climate Fund
GFC	Global Financial Crisis
GMM	Generalized Method of Moments
GNPA	Gross Non-performing Asset
G-secs	Government Securities
G-SIB	Global Systemically Important Bank
HFC	Housing Finance Company
HQLA	High Quality Liquid Asset
IBC	Insolvency and Bankruptcy Code
IC	Investment Company
ICA	Inter-Creditor Agreement
ICT	Information and Communication Technology
IFC	International Finance Corporation
IFR	Investment Fluctuation Reserve
IGAAP	Indian Generally Accepted Accounting Principles
IMF	International Monetary Fund
Ind-AS	Indian Accounting Standard
INDC	Intended Nationally Determined Contribution
IOSCO	International Organisation of Securities Commission
IRS	Interest Rate Swap
ISG	Internal Study Group
KCC	Kisan Credit Card
KYC	Know Your Customer
LAB	Local Area Bank
LC	Loan Company
LCR	Liquidity Coverage Ratio
LEF	Large Exposure Framework
LEI	Legal Entity Identifier
LIC	Life Insurance Corporation of India
LR	Leverage Ratio
MAMP	Minimum Average Maturity Period
MGC	Mortgage Guarantee Company
MHP	Minimum Holding Period
MMF	Money Market Fund
MOF	Master Office File
MPC	Monetary Policy Committee

MSME	Micro, Small and Medium Enterprise
MUNFI	Monitoring Universe of Non-Bank Financial Intermediation
NABARD	National Bank for Agriculture and Rural Development
NAFCUB	National Federation of Urban Cooperative Banks and Credit Societies Ltd.
NAV	Net Asset Value
NBFC	Non-Banking Financial Company
NBFC-AA	Non-Banking Financial Company - Account Aggregator
NBFC-D	Deposit-taking Non-Banking Financial Company
NBFC-ICC	Non-Banking Financial Company - Investment and Credit Company
NBFC-IFC	Non-Banking Financial Company - Infrastructure Finance Company
NBFC-MFI	Non-Banking Financial Company - Micro Finance Institutions
NBFC-ND	Non-Deposit taking - Non-Banking Financial Company
NBFC-ND-SI	Non-Deposit taking Systemically Important Non-Banking Financial Company
NBFC-P2P	Non-Banking Financial Company - Peer to Peer Lending Platform
NBFI	Non-Banking Financial Institution
NCCD	Non-centrally Cleared Derivative
NCLT	National Company Law Tribunal
NCMC	National Common Mobility Card
NCUA	National Credit Union Administration
NDTL	Net Demand and Time Liabilities
NEFT	National Electronic Fund Transfer
NETC	National Electronic Toll Collection
NHB	National Housing Bank
NIM	Net Interest Margin
NNPA	Net Non-performing Asset
NOF	Net Owned Fund
NOFHC	Non-Operative Financial Holding Company
NPA	Non-performing Asset
NPCI	National Payments Corporation of India
NPL	Non-performing Loan
NRE	Non-resident External Rupee
NSFI	National Strategy for Financial Inclusion
NSFR	Net Stable Funding Ratio
NSUCB	Non-scheduled Urban Co-operative Bank
OFI	Other Financial Intermediary
OTC	Over-the-Counter
PACS	Primary Agricultural Credit Societies
PAT	Profit After Tax
PB	Payments Bank
PCA	Prompt Corrective Action
PCARDB	Primary Co-operative Agriculture and Rural Development Bank
PCE	Partial Credit Enhancement
PCR	Provision Coverage Ratio
PD	Primary Dealer
PLR	Prime Lending Rate

PMAY-G	Pradhan Mantri Awas Yojana Gramin
PMJDY	Pradhan Mantri Jan Dhan Yojana
PoS	Point of Sale
PPI	Pre-paid Payment Instrument
PSB	Public Sector Bank
PSL	Priority Sector Lending
PSLC	Priority Sector Lending Certificate
PVB	Private Sector Bank
RCAP	Regulatory Consistency Assessment Program
RCS	Registrar of Co-operative Society
RDB	Rupee Denominated Bond
RE	Regulated Entity
ReBIT	Reserve Bank Information Technology Private Limited
RoA	Return on Asset
RoE	Return on Equity
RP	Resolution Plan
RRB	Regional Rural Bank
RS	Regulatory Sandbox
RSF	Required Stable Funding
RSP	Remittance Service Provider
RTGS	Real Time Gross Settlement
RWA	Risk-weighted Asset
SARFAESI	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interests
SBLP	Self-Help Group - Bank Linkage Programme
SBM-G	Swachh Bharat Mission Gramin
SCARDB	State Co-operative Agriculture and Rural Development Bank
SCB	Scheduled Commercial Bank
SEBI	Securities and Exchange Board of India
SFB	Small Finance Bank
SFV	Structured Finance Vehicle
SHG	Self-Help Group
SIDBI	Small Industries Development Bank of India
SLBC	State Level Bankers' Committee
SLR	Statutory Liquidity Ratio
SME	Small and Medium Enterprise
SPD	Standalone Primary Dealer
SR	Security Receipt
StCB	State Co-operative Bank
SUCB	Scheduled Urban Co-operative Bank
TAT	Turn Around Time
T-Bill	Treasury Bill
TBTF	Too-big-to-fail
TLAC	Total Loss Absorbing Capacity
TReDS	Trade Receivables Discounting System
UCB	Urban Co-operative Bank
UIDAI	Unique Identification Authority of India
UPI	Unified Payments Interface
UTLBC	Union Territory Level Bankers' Committee
WAC	Weighted Average Cost
WAM	Weighted Average Maturity
WTO	World Trade Organisation

I PERSPECTIVES

The slowdown in global and domestic growth impulses in the recent past impinged on credit demand. The asset quality, capital adequacy and profitability of scheduled commercial banks improved after a long period of stress, although challenges emerged from other areas like non-banking financial companies and co-operative banks. Going forward, issues such as resolution of stressed assets, weak corporate governance, and frauds need to be addressed to reaffirm a robust financial sector that minimises systemic risks.

I.1 The ongoing implementation of international regulatory reforms is building up capital and liquidity buffers. The global growth slowdown has impacted bank lending world-wide even as heightened financial fragilities, including elevated debt levels, have mutated into pervasive risk aversion. Among emerging market economies (EMEs), profitability of banks has been dented by weak loan growth and high delinquencies.

I.2 Domestically too, the weakening of growth impulses and subdued credit off-take are playing out, with sporadic credit default events and incidents of frauds exacerbating the reluctance to lend. This is starkly evident in the slowdown of flow of resources, both from banks and non-banks to the commercial sector in the first half of 2019-20. In turn, this waning of confidence is weighing on overall economic activity. This is worrisome as it is taking hold at a time when the recent improvements in asset quality and profitability of the banking sector are at a nascent stage and capital ratios of public sector banks (PSBs) are shored up due to recapitalisation by the government. Notwithstanding the enhanced resolutions through the Insolvency and Bankruptcy Code (IBC), the overhang of NPAs remains. The health of the banking sector hinges around a turnaround in macroeconomic conditions.

I.3 Default and rating downgrades of a non-banking financial company (NBFC) and a housing finance company (HFC) recently led to liquidity constraints and interruptions in their niche-centric financial intermediation. The silver lining is that although the lending activities of non-deposit taking systemically important NBFCs (NBFCs-ND-SI) and HFCs have somewhat moderated, their loan-loss provisions remain at comfortable levels. It is important to recognise that challenges faced by some of the NBFCs were reflective of inherent fragilities rather than merely a liquidity crunch. Consequently, financial markets have been discriminating between strong NBFCs and those having perceptible weaknesses. Recent developments in the sector have brought greater market discipline and better performing companies continue to raise funds at reasonable costs, while those with asset-liability mismatches or asset quality concerns face constraints on market access and/ or higher borrowing costs. Concerted policy initiatives by the Reserve Bank and the government are expected to alleviate the liquidity constraints faced by these entities, as they gradually regain the confidence of the financial markets and continue with normal activity.

I.4 Against this backdrop, the rest of the chapter lays out perspectives on forces that are likely to shape the financial sector's ecosystem in the period ahead.

Resolution of Stressed Assets

I.5 Effective mechanisms for faster resolution of stressed assets remain key to the revival of the banking system. The recently announced prudential framework for stressed assets serves as a multi-pronged strategy in this regard, expanding degrees of freedom for lenders while prescribing disincentives for delayed implementation of resolution plans. It is expected that this framework will sustain improvements in credit culture that are in motion, in conjunction with the IBC. Under the latter, traction is gathering, with an increase in total recoveries in the recent period, although there has been some increase in haircuts.

I.6 The applicability of IBC has been expanded to cover certain categories of financial service providers (FSPs) as well, which would help in making the law comprehensive and more effective. Although the time limit for resolution under IBC has been recently extended to 330 days, some cases are delayed beyond the limit, partly reflecting repeated litigations. At the same time, improvement in supportive infrastructure is a *sine qua non* for expediting the resolution process. Even though two new benches of National Company Law Tribunal (NCLT) are being set up, more benches and members are required.

Sectoral Stress

I.7 Against the backdrop of subdued profitability of corporates, their low interest coverage ratio and deleveraging coupled with risk aversion of banks, lenders have been shifting their focus away from large industrial loans towards retail loans, as the non performing assets (NPA) ratios of the latter have traditionally been low. This diversification strategy, while helpful as a risk mitigation tool, has its own limitations: the slowdown in consumption and overall economic growth may affect the demand for and the quality of retail loans. Moreover, household leverage and indebtedness need to be kept in focus in the context of overall financial stability. The need of the hour is to kick-start industrial credit and use the impetus therefrom to regenerate a virtuous cycle of capex, investment and growth.

I.8 Some sector specific pockets of stress will need policy attention. Proper risk pricing in lending is of prime importance so that the health of the banking sector is not compromised while ensuring adequate credit to the productive sectors of the economy.

Recapitalisation of PSBs

I.9 The government has been infusing capital in some PSBs, which has been just enough to meet the regulatory minimum including capital conservation buffer (CCB). The deferment of the implementation of the last tranche of the CCB till March 31, 2020 has offered some breathing space to these banks. Their capacity to sustain credit growth in consonance with the financing requirements of the economy will, however, warrant that capital is maintained well above the regulatory minimum, providing these banks confidence to assume risk and to lend. In this sense, recapitalisation would be a continuous process. On the other hand, raising resources through public issues or private placements has been constrained, partly due to volatile market conditions. Going forward, the financial health of PSBs should increasingly be assessed by their ability to access capital markets rather than looking at the government as a recapitaliser of the first and last resort.

Mechanism for Early Fraud Detection

I.10 Frauds can occur on account of overlooking regulatory guidelines and/ or on lapses in internal risk governance, compliance, and audit functions. A number of initiatives such as dedicated market intelligence units and increased use of data analytics are being taken up, following the recommendations of the Expert Committee set up by the Reserve Bank (Chairman: Shri Y H Malegam). In addition, banks have been advised to monitor unconventional sources of information on a continuous basis confined not only to the borrowing entity but to the group as a whole. While supervisory and regulatory measures are designed to strengthen the early warning signals (EWS), the prime responsibility of identifying and managing fraud risks rests with the respective financial institution.

Corporate Governance in Regulated Entities

I.11 The growing size and complexity of the Indian financial system underscores the significance of strengthening corporate governance standards in regulated entities. The recent governance failures in some financial entities have brought to the fore the impact of the quality of corporate governance on efficiency in allocation of resources as well as on financial stability. In response, the Reserve Bank is in the process of issuing draft guidelines on corporate governance for regulated entities; the objective is to align the current regulatory framework with global best practices while being mindful of the context of the domestic financial system.

Strengthening the NBFC Sector

I.12 In order to strengthen the liquidity framework for NBFCs, a liquidity coverage ratio (LCR) has been introduced for all deposit-taking NBFCs (NBFCs-D) and non-deposit taking NBFCs (NBFCs-ND) with an asset size of ₹5,000 crore and above. This measure—covering almost 87 per cent of the total NBFC sector by asset size—will be implemented along a glide path spanning over four years, commencing from December 2020. The complex business structure of the core investment companies (CICs)—which were at the heart of the recent NBFC sector challenges—is under review. Several other measures have also been initiated to improve the resilience of the sector (Box VI.1).

I.13 Apart from strengthening the existing four pillars of supervision *viz.*, on-site examination, off-site surveillance, market intelligence and reports received from statutory auditors, a fifth pillar—periodic interaction with stakeholders like statutory auditors, credit rating agencies, and banks that have large exposures to NBFCs—is getting institutionalised as part of the supervisory process for monitoring the incipient build-up of risks so as to be able to take pre-emptive actions.

I.14 The entry of non-traditional and digital players in the non-banking space has added further complexity to the existing web of inter-linkages between sectors. While it is necessary to encourage innovation in delivery of financial services, especially to the unbanked strata of the society, a close watch on potential fault lines is also important to ensure timely mitigation of risks to financial stability. The Reserve Bank endeavours to ensure an optimal level of regulation and supervision in this sector so that it is financially resilient and robust.

Regulatory Issues in Housing Finance Companies

I.15 Consequent upon the transfer of regulation of HFCs to the Reserve Bank, a review of the regulatory framework applicable to them is being undertaken with a view to aligning the regulatory regime for HFCs and NBFCs. The focus areas are capital requirements, public deposit regulations and other prudential norms. This augurs well for ensuring a sound and resilient housing finance sector. The Reserve Bank has also undertaken swift measures to address governance concerns and payment defaults by a prominent HFC, thereby facilitating faster resolution of stress in the HFC and instill confidence in stakeholders.

Co-operative Banking

I.16 Co-operative banks in India, which play a crucial role in credit delivery and extending other financial services through their geographic and demographic outreach, have been facing daunting challenges in the recent period. As dual control of the Reserve Bank and respective state governments or central government (in the case of multi-state cooperative banks) constrains timely regulatory action against weak banks, necessary legislative amendments are being discussed with the government. Concomitantly, the existing architecture of regulation and supervision of urban co-operative banks (UCBs) is also being revamped while being mindful of the evolving requirements.

I.17 Furthermore, with a view to reducing concentration risk in UCBs, strengthening their resilience and sustainability, and protecting the interest of depositors, relevant regulatory guidelines are being amended. Additionally, to strengthen off-site supervision and early recognition of financial distress, UCBs with assets of ₹500 crores and above will be brought under the Central Repository of Information on Large Credits (CRILC) reporting framework.

I.18 While the Boards of Directors of these banks oversee their functioning as a co-operative credit society, modern practices of banking are often lacking, necessitating a clearer separation of these roles. In particular, lack of prudent internal control mechanisms and surveillance systems is limiting their ability to prevent frauds. There is a need for an independent and efficacious audit system to ensure sound health of co-operative banks.

I.19 The emergence of new players such as payments banks (PBs) and small finance banks (SFBs) poses competition to UCBs. There is an imperative need to adopt technology, which will enable UCBs to provide banking services at lower costs so that they remain competitive. However, adoption of technology also considerably increases operational risks such as cyber security and UCBs need to have a robust information technology (IT) risk management infrastructure to mitigate the same. A comprehensive cyber security framework following a graded approach is being developed for UCBs based on their digital depth and interconnectedness with the payment systems landscape, digital products offered by them and assessment of cyber security risks.

I.20 The number of financially weak UCBs in the co-operative sector has declined over the years due to the measures taken by the Reserve Bank. The procedure of finding least disruptive exit routes for weak UCBs that do not come up with voluntary merger plans often become lengthy and prolonged. Such merger plans are, therefore, strongly encouraged to safeguard the interest of depositors.

I.21 UCBs cannot raise capital through public issues, limiting their ability to comply with the regulatory requirements, even under Basel I. In view of the pressing need for an umbrella organisation for the sector, which can provide liquidity and capital support to member banks, the Reserve Bank has given approval for its formation. This organisation is also expected to provide IT infrastructure and capacity building facilities to UCBs, and would contribute to their strength and vibrancy.

I.22 Looking ahead, vital financial indicators of the banking sector are gradually improving, but concerns relating to speedier resolution of stressed assets, corporate governance, and frauds remain. Elevated stress in other segments of the financial system such as NBFCs and co-operatives—although not large enough to have systemic implications—affects the confidence of investors. In view of the crucial role that the financial sector plays in revitalising the economy, it is important to build robust banking structures, backed by sound balance sheets that minimise systemic risks.

II GLOBAL BANKING DEVELOPMENTS

The global economy has been shedding momentum in a downturn that commenced from the first quarter of 2018 in an environment vitiated by escalation in trade tensions, elevated financial vulnerabilities, geo-political risks and associated policy uncertainties. The implementation of global regulatory reforms after the global financial crisis (GFC) has led to an increase in banks' capital and liquidity buffers. Their efforts to reduce bad loans and strengthen balance sheets have, however, been hindered in the environment of low growth and low interest rates. Globally, policy makers have been fortifying the regulatory framework and implementing internationally accepted norms for banks. These policies may not show immediate results, but they should pay back in the medium to long run by enhancing the soundness and resilience of the global banking system.

1. Introduction

II.1 The global economy has been shedding momentum in a downturn that commenced from the first quarter of 2018 in an environment vitiated by escalation in trade tensions, elevated financial vulnerabilities, geo-political risks and associated policy uncertainties. Across the world and across advanced and emerging market economies (EMEs) alike, monetary policy has turned accommodative in order to counter the slowdown and prevent it from deepening. Available fiscal space is being used to support demand, but with the stark recognition that policy space is either limited or exhausted.

II.2 Bank lending to the non-financial sector has moderated since the latter half of 2018 across advanced economies (AEs) and EMEs as heightened financial fragilities, including elevated and rising debt levels, have purveyed risk aversion alongside the weakening of demand. Although banks and financial institutions remained well capitalised, their profitability remains muted.

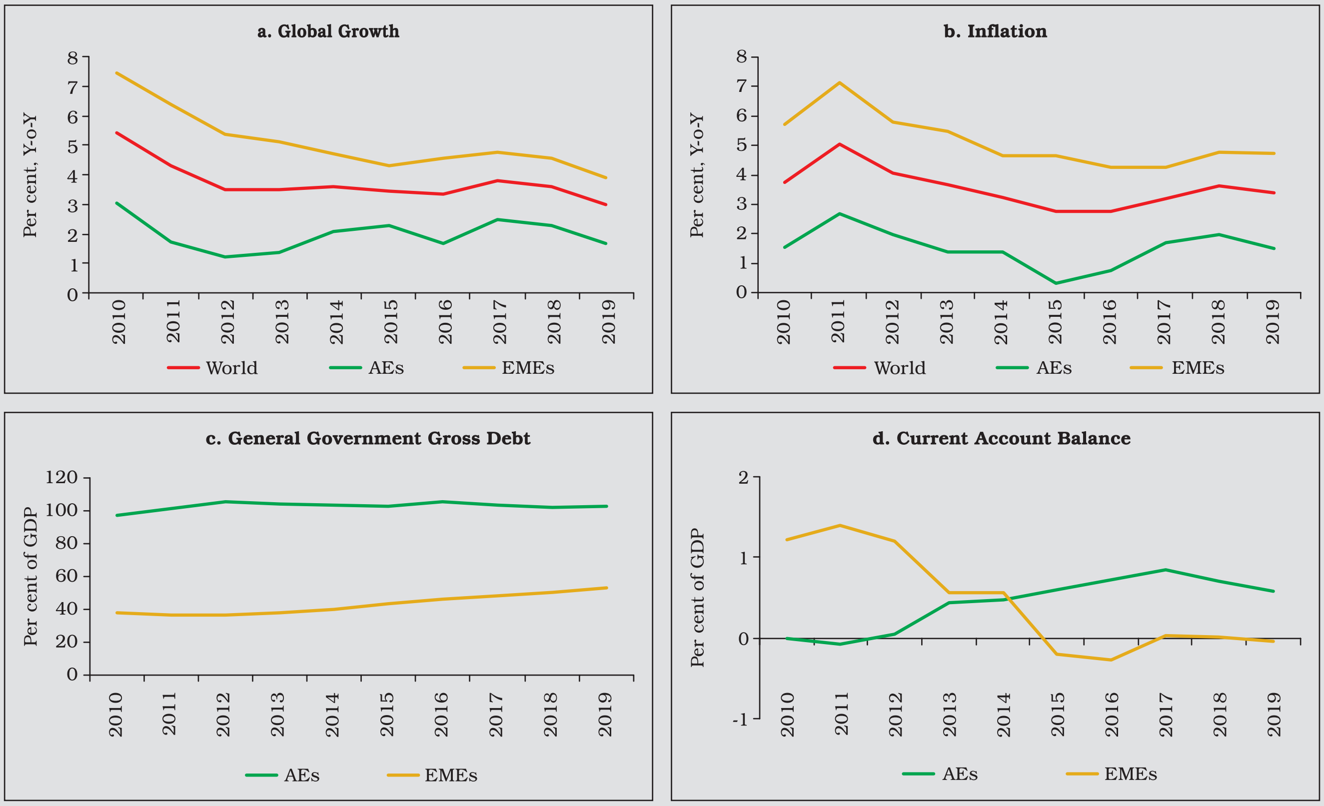
II.3 Against this backdrop, Section 2 reviews the macro-financial setting in which global banking system is dealing with these testing challenges. The performance of the global banking system is analysed in Section 3 followed by a focus on the performance of the world's 100 largest banks in Section 4. The path travelled on the global policy reforms agenda is discussed in Section 5. Section 6 concludes the chapter.

2. The Macro-Financial Environment

II.4 Although the growth slowdown is synchronised across more than 90 per cent of the global economy, it is turning out to be more pronounced in AEs[1] (Chart II.1a). Structural weaknesses in systemic economies, natural disasters, and country-specific factors have exacerbated the growing slack. In EMEs, heightened volatility in capital flows, exchange rates and asset prices have marred macro-

[1] International Monetary Fund (2019), 'Transcript of International Monetary Fund Managing Director Kristalina Georgieva's Opening Press Conference, 2019 Annual Meetings', October 17, available at https://www.imf.org/en/News/Articles/2019/10/17/tr101719-transcript-managing-director-kristalina-georgieva-press-conference-2019-annual-meetings.

Chart II.1: The Macro Backdrop



Note: Data for 2019 are estimates of the IMF.
Source: World Economic Outlook Database.

economic prospects as global spillovers have interacted with country-specific factors in some of them, including unsustainable macro-balances, high levels of government debt and inflation pressures stemming from currency depreciations despite weakening of commodity prices (Chart II.1b, c and d).

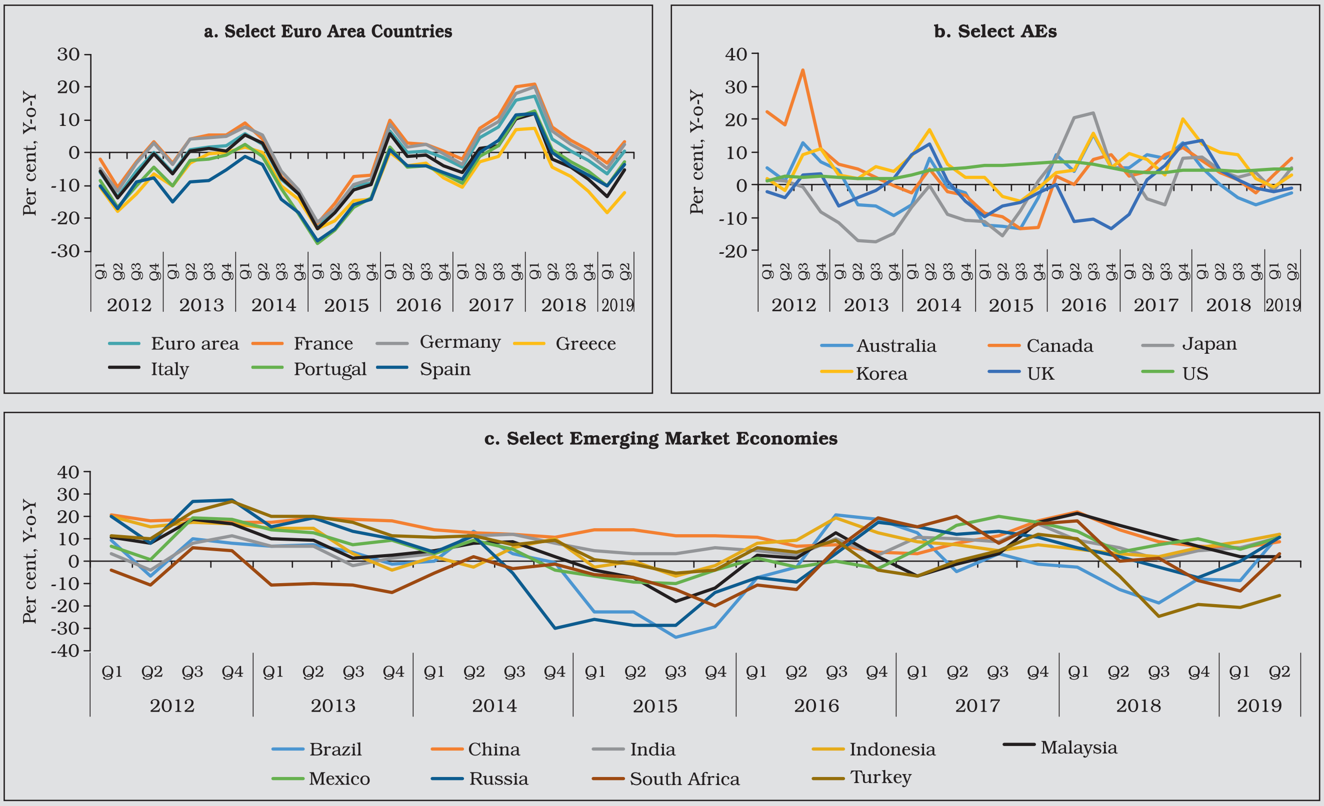
II.5 Taking into account these factors, the International Monetary Fund (IMF) downgraded its forecast of global growth for 2019 to 3 per cent in October 2019, the slowest pace since the global financial crisis (GFC)[2]. The World Trade Organisation (WTO) also lowered its projection of world merchandise trade volume for 2019 to 1.2 per cent from 2.6 per cent projected earlier[3].

II.6 Though bank credit growth moderated through H2:2018 and Q1:2019, some recovery was witnessed in Q2:2019. However, the pace has varied on country-specific factors, such as financial conditions and the health of bank balance sheets. In some AEs, notably the US, pro-cyclical fiscal expansion, accommodative monetary policy and supportive financial conditions have shored up credit expansion. By contrast, credit growth in the Euro area was anaemic, reflecting deceleration in demand and fragilities in the banking sector. The large exposure of Euro area banks to sovereign bonds remained a major risk, although considerable cross-country heterogeneity was evident within it (Chart II.2).

[2] International Monetary Fund (2019), 'World Economic Outlook - Global Manufacturing Downturn, Rising Trade Barriers', October.

[3] World Trade Organisation (2019): 'Trade Statistics and Outlook', October 1, available at https://www.wto.org/english/news_e/pres19_e/pr840_e.htm.

Chart II.2: Growth in Bank Credit to the Private Non-financial Sector



Note: Growth rate is calculated using US dollar values.
Source: Bank for International Settlements.

II.7 Among EMEs, wide variations are evident, with one end of the spectrum experiencing credit contraction as in Brazil on account of deleveraging of subsidised credit, high intermediation margins and weak demand. In some other EMEs such as Russia and India, elevated loan delinquencies operated as a drag on credit growth, whereas in China, policy-induced rebalancing, regulatory tightening and deleveraging efforts are acting as inhibiting factors.

3. Performance of the Global Banking Sector

II.8 Progress was made *albeit* at varying speeds across jurisdictions in the application of Basel III norms. In this context, a core set of indicators measuring profitability, asset quality, capital adequacy and leverage are reviewed in this sub-section.

3.1 Return on Assets

II.9 In an overall environment of low profitability, US banks performed considerably better than those in the Euro area and Japan. In the Euro area, bank profitability was impacted by weak growth and high NPLs, although in peripheral economies such as Portugal and Spain, there was a modest recovery due to lower loan loss provisioning. For the region as a whole, though, structural weaknesses such as low cost-efficiency, limited revenue diversification and high stocks of legacy assets in some jurisdictions remain as headwinds to a fuller revival. Australian and Canadian banks maintained better profitability than their peers in other AEs.

II.10 Among EMEs, the profitability of Indian banks remained muted, though recent quarters indicate improvement. The profitability of Chinese banks also came under pressure in 2018 from asset quality issues, ongoing deleveraging, decelerating loan growth and weak balance sheets of small and medium-sized banks. In 2019 so far, Chinese banks showed resilience as their profits bounced back. This was backed by reduction in provisioning and was led by large banks. Profitability of Russian banks improved despite high loan delinquencies, as non-performing loans (NPLs) were well provisioned for, and both net interest income, and fee and commission income also increased. Indonesian banks turned out to be among the most profitable among EMEs on the strength of high interest margins and robust credit growth. Banks in Mexico, South Africa and Brazil posted robust RoAs (Table II.1).

3.2 *Capital Adequacy*

II.11 Capital positions have improved consistently across major AE banks on the back of implementation of Basel III norms, including

Table II.1: Return on Assets (Per cent)

Advanced Economies										
	2011	2012	2013	2014	2015	2016	2017	2018	2019:Q1	2019:Q2
Australia	1.19	1.18	1.38	1.20	1.42	0.78	1.15	1.33	0.87	-
Canada	1.13	1.11	1.10	1.11	1.04	1.02	1.11	1.15	1.03	1.07
France	0.39	0.31	0.49	0.23	0.40	0.40	0.42	0.42	0.31	0.38
Greece	-9.52	-1.79	1.44	-0.97	-2.55	0.09	-0.17	-0.04	0.18	0.30
Germany	0.53	0.45	0.36	0.37	0.40	0.37	0.37	0.32	-	-
Italy	-0.87	-0.06	-0.77	-0.20	0.26	-0.53	0.61	0.46	-	0.30
Japan	0.33	0.27	0.39	0.40	0.37	0.34	0.33	0.30	0.09	-
Portugal	-0.38	-0.33	-0.76	-1.34	0.16	-0.59	0.31	0.66	0.98	0.84
Spain	0.09	-1.39	0.38	0.43	0.48	0.39	0.52	0.61	0.62	0.57
United Kingdom	0.29	0.17	0.22	0.33	0.28	0.25	0.49	0.50	-	-
United States	0.28	0.33	0.38	0.33	0.36	0.37	0.34	0.39	0.41	0.42
Emerging Economies										
	2011	2012	2013	2014	2015	2016	2017	2018	2019:Q1	2019:Q2
Brazil	1.73	1.41	1.38	1.35	1.49	1.12	1.47	1.58	1.66	1.73
China, P.R.: Mainland	1.28	1.28	1.27	1.23	1.10	0.98	0.92	0.90	1.02	1.00
India	0.89	0.95	0.74	0.67	0.45	0.37	0.33	-0.01	-0.18	0.43
Indonesia	2.89	3.10	3.05	2.74	2.25	2.12	2.41	2.51	2.56	2.50
Malaysia	1.51	1.58	1.49	1.49	1.24	1.35	1.44	1.42	1.35	1.51
Mexico	1.54	1.83	2.08	1.66	1.63	1.69	2.05	2.20	2.41	2.26
Philippines	1.60	1.81	1.88	1.57	1.38	1.35	1.34	1.32	1.40	1.49
Russian Federation	2.47	2.39	1.87	0.95	0.23	1.20	1.01	1.59	-	-
South Africa	1.54	1.52	1.45	1.43	1.51	1.71	1.70	1.68	1.64	1.60
Turkey	2.23	2.35	2.02	1.69	1.48	1.89	2.04	1.78	1.53	1.44

Note: 1. - Not available.
2. Data pertain to end-December. Data for Japan are for end-September.
3. Deep red depicts the lowest RoA whereas deep green reflects the highest RoA for a particular country during 2011-2019.

Source: Financial Soundness Indicators, IMF and Supervisory Returns (global operations), RBI.

additional capital buffers for systemically important entities. In countries such as Greece and Italy, however, the improvement in capital position was halted by elevated levels of non-performing loans.

II.12 Banks in major EMEs managed to build up capital buffers, with Indonesian banks maintaining the highest CRARs. Chinese banks strengthened their capital positions, particularly the small and medium sized ones. Although stressed assets remained elevated, the capital position of Russian banks improved during 2018 but were lower than in other major EMEs. CRARs of banks in India improved on the back of capital infusion in public sector banks by the Government and capital raising efforts by private sector banks (Table II.2).

3.3 Asset Quality

II.13 NPLs eased in most of the peripheral economies of the Euro-zone as the process of deleveraging continued, mainly through institutional and government intervention. Impaired loan ratios of Greek banks remained

Table II.2: Capital to Risk-Weighted Assets Ratio (Per cent)

	Advanced Economies									
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019:Q1**	**2019:Q2**
Australia	11.6	11.9	11.6	12.2	13.8	13.6	14.5	14.8	14.7	-
Canada	15.9	16.2	14.3	14.2	14.2	14.8	14.8	15.2	15.2	15.2
France	12.3	14.5	15.4	16.3	17.1	17.8	18.9	18.7	18.9	19
Germany	16.4	17.9	19.2	18	18.3	18.8	19.4	18.9	18.7	18.8
Greece	10.3#	9.6	13.5	14.1	16.5	16.9	17	16	15.6	16.5
Italy	12.7	13.4	13.7	14.3	14.8	13.8	16.7	16.1	-	16.5
Japan	14.2	14.2	15.9	15.3	15.9	16.2	16.7	17	17.2	-
Portugal	9.8	12.6	13.3	12.3	13.3	12.3	15.1	15.2	16	16.1
Spain	12.1	11.6	13.3	13.7	14.7	14.8	15.6	15.6	15.4	15.6
United Kingdom	15.7	17.1	19.6	17.3	19.6	20.8	20.5	21.4	-	-
United States	14.7	14.5	14.4	14.4	14.1	14.2	14.5	14.8	14.9	14.9
	Emerging Economies									
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019:Q1**	**2019:Q2**
Brazil	16.3	16.4	16.1	16.7	16.4	17.2	18.1	18	17.8	18
China, P.R.: Mainland	12.7	13.3	12.2	13.2	13.5	13.3	13.6	14.2	14.2	14.1
India	14.2	14.2	13.9	13	13	13.3	13.7	13.8	14.3	14.1
Indonesia	16.1	17.3	19.8	18.7	21.3	22.7	23	22.9	23.3	22.5
Malaysia	17.7	17.6	14.6	15.4	16.3	16.5	17.1	17.4	18	17.4
Mexico	15.7	15.9	15.6	15.8	15	14.9	15.6	15.9	16	15.7
Philippines	17.1	17.8	17	16.1	15.3	14.5	14.4	14.9	15.2	15.3
Russian Federation	14.7	13.7	13.5	12.5	12.7	13.1	12.1	12.2	-	-
South Africa	15.1	15.9	15.6	14.8	14.2	15.9	16.3	16.1	16.3	16.8
Turkey	16.6	17.9	15.3	16.3	15.6	15.6	16.8	17.3	16.4	17.7

Note: 1. - : Not available.
2. Data pertain to end-December. Data for Japan are for end-September.
3. # : Data pertain to end-September.
4. Data relating to India pertain to end-March and are based on Indian supervisory returns.
5. Deep red depicts the lowest CRAR whereas deep green reflects the highest CRAR for a particular country during 2011-2019.

Source: Financial Soundness Indicators, IMF and Supervisory Returns (domestic operations), RBI.

the highest in Europe despite asset sales and write-offs. The search for yields in a low-interest rate and low growth environment is pushing banks across the Euro area to increase their holdings of government securities, although it could also be inducing some degree of adverse selection in loan books. NPA ratio in core Euro area economies, such as France and Germany, remained at a much lower level with declining trend.

II.14 The asset quality of EME banks showed a mixed picture, improving in Brazil and India but deteriorating in Russia, South Africa and Turkey. In particular, NPL ratios of Russian banks worsened further due to fragile economic conditions and sanctions. Banks in South Africa and Turkey also experienced deterioration in asset quality as financial conditions weakened. Various sector specific issues continued to weigh on the asset quality of banks in India. However, progress in resolution of impaired assets and various measures to clean up balance sheets *albeit* slow, is imparting a stabilising influence (Table II.3).

3.4 Leverage Ratio

II.15 Leverage ratio, defined as supervisory Tier 1 capital divided by total exposure, aims

Table II.3: Non-performing Loans Ratio (per cent)

	2011	2012	2013	2014	2015	2016	2017	2018	2019:Q1	2019:Q2
Advanced Economies										
Australia	2	1.7	1.4	1	0.9	1	0.9	0.9	1	-
Canada	0.8	0.7	0.6	0.5	0.5	0.6	0.4	-	-	-
France	4.3	4.3	4.5	4.2	4	3.6	3.1	2.7	2.7	2.6
Germany	3	2.9	2.7	2.3	2	1.7	1.5	1.2	-	-
Greece	14.4	23.3	31.9	33.8	36.6	36.3	45.6	42	42.2	40.3
Italy	11.7	13.7	16.5	18	18.1	17.1	14.4	8.4	-	8.1
Japan	2.4	2.4	2.1	1.7	1.5	1.4	1.2	1.1	1.1	-
Portugal	7.5	9.7	10.6	11.9	17.5	17.2	13.3	9.4	8.9	8.3
Spain	6	7.5	9.4	8.5	6.2	5.6	4.5	3.7	3.6	3.4
United Kingdom	4	3.6	3.1	1.7	1	0.9	0.7	1.1	-	-
United States	3.8	3.3	2.5	1.9	1.5	1.3	1.1	0.9	0.9	0.9
Emerging Economies										
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019:Q1**	**2019:Q2**
Brazil	3.5	3.4	2.9	2.9	3.3	3.9	3.6	3.1	3.1	3.1
China, P.R.: Mainland	1	1	1	1.2	1.7	1.7	1.7	1.8	1.8	1.8
India	2.7	3.4	4	4.3	5.9	9.2	10	9.5	8.9	9.2
Indonesia	2.1	1.8	1.7	2.1	2.4	2.9	2.6	2.3	2.4	2.4
Malaysia	2.7	2	1.8	1.6	1.6	1.6	1.5	1.5	1.5	1.6
Mexico	2.1	2.4	3.2	3	2.5	2.1	2.1	2.1	2	2.1
Philippines	2.6	2.2	2.4	2	1.9	1.7	1.6	1.7	2	2
Russian Federation	6.6	6	6	6.7	8.3	9.4	10	10.1	-	-
South Africa	4.7	4	3.6	3.2	3.1	2.9	2.8	3.7	3.8	3.7
Turkey	2.6	2.7	2.6	2.7	3	3.1	2.8	3.7	3.8	4.1

Note: 1. - Not available.
2. Data pertain to end-December. Data for Japan are for end-September.
3. Deep red depicts the highest NPL ratio whereas deep green reflects the lowest NPL ratio a particular country during 2011-2019.

Source: Financial Soundness Indicators, IMF and Supervisory Returns (global operations), RBI.

to counteract pro-cyclicality embedded in risk-based capital requirements. Basel III norms require a minimum leverage ratio of 3 per cent. Since 2010 a general improvement in the leverage ratio has occurred across both AEs and EMEs due to Basel III regulatory requirements. Uptick in the leverage ratio of banks in countries such as Mexico and the Philippines reflected the implementation of the minimum leverage ratio (Table II.4).

3.5 Financial Market Indicators

II.16 Stock indices relating to US banks declined by around 18.3 per cent during 2018 followed by robust recovery of 29.4 per cent in 2019 (up to December 9). The volatility in US bank stock prices partly reflects ebbs and flows attributed to trade tensions and temporary truces and uncertainty about the global economic outlook[4]. In the Eurozone, negative interest rates, subdued economic growth

Table II.4: Leverage Ratio (per cent)

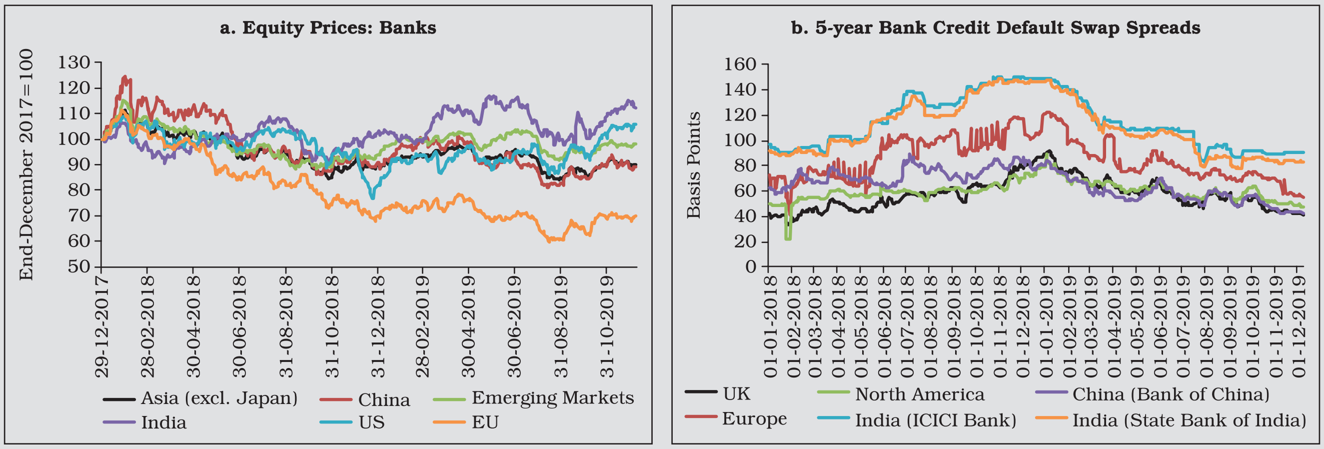
Advanced Economies										
	2011	2012	2013	2014	2015	2016	2017	2018	2019:Q1	2019:Q2
Australia	5.3	5.1	5.1	5.2	6	6.6	6.9	6.9	6.8	-
Canada	4.9	4.9	5	4.9	5.1	5.2	5.2	5.2	5.2	5.3
France	4.8	5.2	5.8	5.3	5.8	5.9	6.6	6.5	6.3	6.2
Germany	4.4	4.7	5.5	5.6	5.9	6	6.3	6.5	6.3	6.2
Greece	5.7#	5.8	7.5	8.1	10	10.7	12	10.7	10.5	11
Italy	5.4	5.4	5.4	5.9	6.2	5.5	6.6	6.3	-	6.5
Japan	-	-	5.6	5.5	5.6	5.5	5.4	5.5	5.4	-
Portugal	5.1	6.7	6.8	6.4	7.2	6.5	7.7	7	7.5	7.4
Spain	5.9	5.8	6.8	7.2	7.4	7.8	7.6	7.6	7.5	7.5
United Kingdom	5.1	5.5	6.3	5.6	6.8	7	6.8	6.8	-	-
United States	12.2	12	11.8	11.7	11.7	11.6	11.7	11.7	11.8	11.9
Emerging Economies										
	2011	2012	2013	2014	2015	2016	2017	2018	2019:Q1	2019:Q2
Brazil	10.1	10.1	9.3	9	8.5	9.3	10	10.1	10.2	10.3
China, P.R.: Mainland	-	-	-	7.2	8.4	8.1	8.6	9.1	9	8.9
India	6.7	7	6.9	7.1	7.2	7.2	7.4	7.5	7.5	-
Indonesia	11	12.2	12.5	12.8	13.6	14.4	15.2	15.1	15.5	15.2
Malaysia	8.9	9.4	9.6	10	10.5	11	11.2	11.2	11.4	11.6
Mexico	9.9	10.6	10.4	10.8	10.4	9.9	10.4	10.7	11.1	10.7
Philippines	11.1	11.7	9.7	9.9	10	9.7	10	10.7	11	11.1
Russian Federation	11.8	11.8	11.5	8.5	8.9	10.4	10.5	10	-	-
South Africa	7.2	7.8	7.9	7.6	7	8.2	8.8	8.4	8.3	8.4
Turkey	11.7	12.1	10.9	11.6	11	10.7	10.7	10.8	10.4	11.3

Note: 1. - : Not available.
2. Data pertain to end-December. Data for Japan are for end-September.
3. # : Data pertain to end-September.
4. Deep red depicts the lowest leverage ratio whereas deep green reflects the highest leverage ratio for a particular country during 2011-2019.

Source: Financial Soundness Indicators, IMF.

[4] International Monetary Fund (2019), 'Global Financial Stability Report', October.

Chart II.3: Market-based Indicators of Bank Health



Source: Thomson Reuters.

outlook, various structural issues and political uncertainty weighed on bank stock indices, which lost about 30 per cent of their levels since the end of 2017. Returns on bank stocks in EMEs were held down by poor performance. Sell-offs by portfolio investors also pulled down prices (Chart II.3a).

II.17 Credit default swap (CDS) spreads indicate the perceived solvency of banks and their ability to refinance. Banks with lower and more stable CDS spreads pay lower risk premia which in turn enables cheaper and easier financing terms for their customers. CDS spread of banks has ebbed after increasing in H2:2018. The lowest CDS spreads were reported by banks located in the UK and North America. In recent months, CDS spreads of Bank of China closely tracked those of UK and North American banks. Euro zone bank spreads remained higher than those in the US and the UK due to lower sovereign credit rating and poorer loan quality. The sensitivity of CDS spreads to political uncertainty in Euro area has remained high due to the sovereign-financial sector nexus in many of the peripheral economies (Chart II.3b).

4. World's Largest Banks[5]

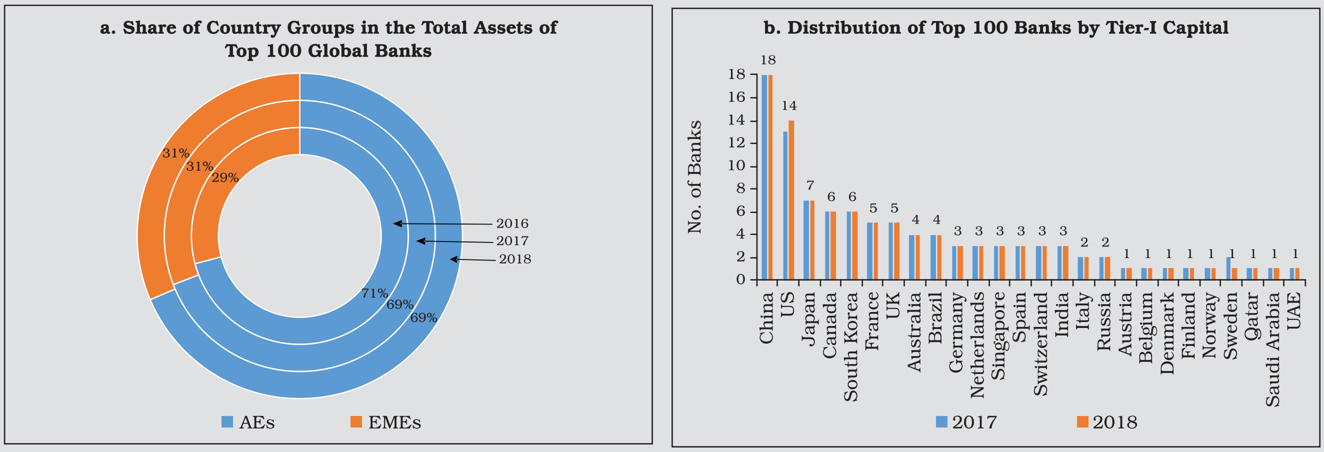
II.18 The number of banks in the top 100 category, ranked by Tier-I capital, remained the same across 2017 and 2018 in the AEs and EMEs (Chart II.4a). An increase in the share of assets held by banks in EMEs in 2018 was driven by China, which had 18 banks in the top 100 list. The US increased its share in the top 100 banks at the cost of Sweden (Chart II.4b). However, the total assets of the top 100 banks witnessed a marginal decline in 2018 across AEs and EMEs from a year ago. One bank each in Germany, UK, Japan and Brazil recorded declines in assets of more than 10 per cent.

II.19 The median RoA of the top 100 banks declined in 2018 due to a fall in both net interest income and net non-interest income. Provisioning requirements declined, however, on a marginal improvement in asset quality (Chart II.5a and b).

II.20 The capital positions of the top 100 banks remained strong, with 48 banks recording CRARs of more than 16 per cent in 2018. At the

[5] Data are drawn from the Banker Database of the Financial Times.

Chart II.4: Distribution of Top 100 Banks by Tier-I Capital



Source: The Banker Database – Financial Times.

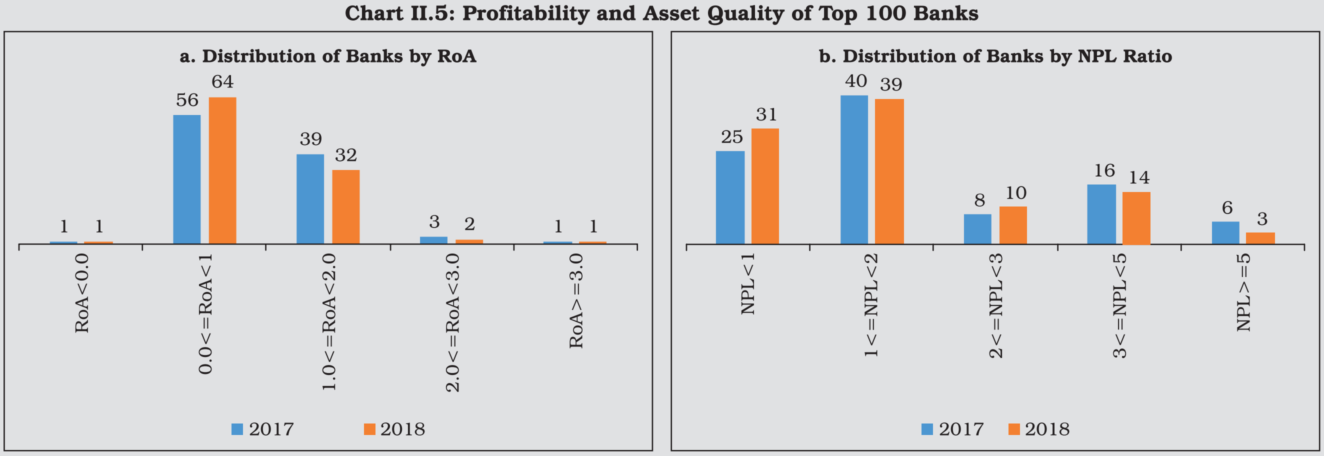
other end of the spectrum, banks with CRARs less than 12 per cent declined. Another area of improvement was the leverage ratio, with only three banks - one each in France, Germany and Japan - going below 4 per cent but remaining above 3 per cent as prescribed under Basel III regulations (Chart II.6a and b).

5. Global Banking Policy Developments

II.21 The implementation of global regulatory reforms after the GFC has led to an increase in banks' capital and liquidity buffers. Their efforts to reduce bad loans and strengthen balance sheets have, however, been hindered in the environment of low growth and low interest rates.

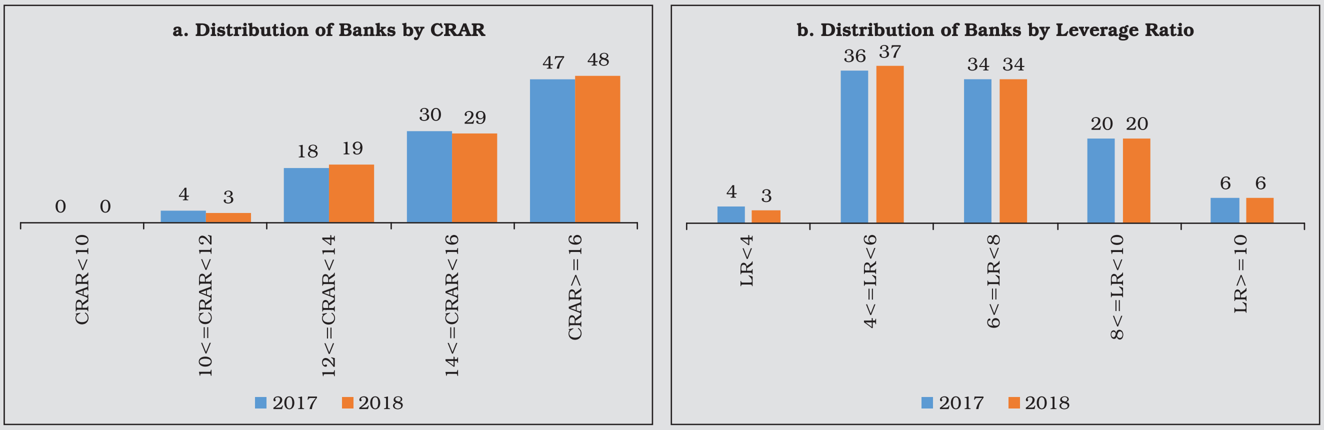
II.22 Post-GFC global financial sector reforms initiatives consist of four key elements: (i) making financial institutions more resilient; (ii) ending the too-big-to-fail (TBTF) phenomenon; (iii) making derivatives markets safer; and (iv) promoting resilient non-bank financial intermediation. The reforms are at various stages of implementation. The Financial Stability Board (FSB) evaluates their

Chart II.5: Profitability and Asset Quality of Top 100 Banks



Note: The number of banks may not add up to 100 due to some missing values.
Source: The Banker Database – Financial Times.

Chart II.6: Bank Soundness of Top 100 Banks



Note: Number of banks may not add up to 100 due to some missing values.
Source: The Banker Database – Financial Times.

effectiveness, and simultaneously develops new policies to address emerging risks to financial stability. Work is also underway to strengthen governance standards to reduce misconduct risks and to assess and address the decline in correspondent banking.

5.1 Building Resilient Financial Institutions

II.23 Most FSB members have adopted the core elements of the Basel III risk-based capital rules and the leverage ratio. Significant progress has been made in the implementation of the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR)[6]. However, the latest progress report of the Basel Committee on Banking Supervision (BCBS)[7] points out three areas where adoption of Basel standards is lagging across jurisdictions, *viz*., i) securitisation framework; ii) capital requirements for equity investments in funds; and iii) margin requirements for non-centrally cleared derivatives (NCCDs)[8].

5.2 Too-Big-To-Fail

II.24 Implementation of the policy framework for too-big-to-fail banks has advanced the most for global systemically important banks (G-SIBs). However, substantial work remains to be done for achieving effective resolution regimes and operationalising plans for systemically important banks and non-bank financial institutions. Almost all G-SIB home and key host jurisdictions have in place comprehensive bank resolution regimes that align with the FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions. However, implementation of resolution powers and of resolution planning requirements is still incomplete in several jurisdictions. External total loss-absorbing capacity (TLAC) requirements have now been finalised in all the AE G-SIB home jurisdictions (six more since 2018). However, implementation of internal TLAC is less advanced and only a few jurisdictions have introduced the BCBS

[6] Final guidelines on the NSFR for banks in India were published in May 2018 and the banks have to implement it from April 1, 2020.

[7] Basel Committee on Banking Supervision (2018), 'Fifteenth progress report on adoption of the Basel regulatory framework', October 26, available at https://www.bis.org/bcbs/publ/d452.htm.

[8] The adoption of securitisation framework is yet to commence in India, while the implementation of margin requirement for NCCDs is in progress.

requirements on TLAC cross-holdings or disclosures.

5.3 Making Derivatives Markets Safer

II.25 Significant progress has been made in the over-the-counter (OTC) derivatives market reforms. Comprehensive trade reporting requirements have been implemented in 23 jurisdictions (one more since 2018), although internationally, trade reporting remains less than truly effective. Implementation of frameworks for central clearing (18 jurisdictions), platform trading (13 jurisdictions) and margin requirements for non-centrally cleared derivatives (16 jurisdictions) are still underway. India has implemented trade reporting and interim capital requirements, while it has shown positive changes in margin requirements and platform trading in respect of OTC derivatives. Currently, India is fully compliant with the G-20 commitment on trade reporting requirements. All OTC derivative trades—both inter-bank and client trades relating to interest rate, forex and credit (Rupee Interest Rate Swap (IRS)/ Forward Rate Agreement (FRA), Forex forwards, Forex options, CDS *etc.*)—are reported to the Reserve Bank's approved trade repository, *i.e.*, the Clearing Corporation of India Ltd. (CCIL). India has also mandated the use of Legal Entity Identifier (LEI) for all non-individual OTC derivative trades in interest rate, forex and credit markets.

5.4 Promoting Resilient Non-bank Financial Intermediation

II.26 Non-bank financial intermediation provides a valuable alternative to bank financing in greasing the wheels of real economic activity. However, maturity/liquidity transformations inherent in such intermediation inevitably involve leveraging, and liquidity mismatches which can become a source of systemic risk. Interconnectedness *vis a vis* the banking system is an additional source of risk. Globally, the total financial assets of the monitoring universe of non-bank financial intermediation (MUNFI) grew by 7.0 per cent to US$184.3 trillion in 2017[9]. The assets of other financial intermediaries (OFIs) grew by 7.6 per cent to $116.6 trillion. Structured finance vehicles (SFVs) expanded their balance sheets for the first time since the GFC.

II.27 The implementation of FSB policy reforms for non-bank financial intermediaries are at an early stage[10]. Out of 24 member jurisdictions, nine have not implemented measures for valuation, liquidity management and stable net asset value (NAV) for Money Market Funds (MMFs); similarly, 9 out of 24 jurisdictions have also not implemented measures for securitisation framework. India, on the other hand, has both the implementation measures in place.

5.5 Climate-related Financial Disclosures

II.28 The FSB published the second status report on adoption of the recommendations of the Task Force for Climate-related Financial Disclosures on June 5, 2019. The report observed that disclosure of climate-related financial information has increased since 2016, but is still insufficient for investors, especially on the financial impact of climate-related issues on companies.

[9] Financial Stability Board (2019), 'Global Monitoring Report on Non-Bank Financial Intermediation 2018', February 4, available at https://www.fsb.org/2019/02/global-monitoring-report-on-non-bank-financial-intermediation-2018/.

[10] Financial Stability Board (2018), 'Implementation and Effects of the G20 Financial Regulatory Reforms: Fourth Annual Report', November 28, available at https://www.fsb.org/2018/11/implementation-and-effects-of-the-g20-financial-regulatory-reforms-fourth-annual-report/.

II.29 In this regard, green finance offers new opportunities for diversification of financial assets and enhances the ability of the financial system to mobilise private capital for a more sustainable low-carbon economy (Box II.1).

5.6 Misconduct Risks

II.30 In November 2018, the FSB introduced a toolkit of measures which supervisors and firms can use to strengthen the governance frameworks of financial institutions by

Box II.1: Opportunities and Challenges of Green Finance

The impact of climate change on the financial system manifests through various risks, *inter alia*, loss or damage to tangible assets arising from frequent natural disasters and financial stability implications emanating from volatility in food prices due to erratic weather trends, elevated credit spreads and greater precautionary saving. Enormous amounts of investments are required to combat climate change and bring about a transformation towards sustainable and low carbon development. As public funding alone cannot finance the necessary transformation required to address climate change, green finance is required to be harnessed for financing environment-friendly sustainable development. The green finance ecosystem seeks to raise financial flows from banking, micro-credit and insurance sectors as well as from public, private and not-for-profit sectors.

Central banks can use several policy tools for climate change mitigation including disclosure requirements relating to all climate-related financial risks, green macro-prudential regulation such as higher risk-weights for carbon-intensive sectors; differentiated capital and reserve requirements for banks with higher green lending; and green credit policy instruments in the form of subsidized loan rates for priority sectors (UN Environment, 2017). European Central Bank has formally identified climate-related risk as one of the key risks facing the banking sector. It computes the impact of climate-related changes on banks' capital positions, and, ultimately, on the supply of funds to the economy. People's Bank of China considers environmental factors in its monetary policy framework and financial stability assessments. The Central Bank of Brazil requires banks to factor in environmental risks while computing capital requirements. Similarly, upon ascertaining the energy saving potential of the financed project, the Central Bank of Lebanon gives exemption to commercial banks in the form of lower required reserves for financing such projects.

Green bonds, carbon market instruments, and FinTech-based green funds are now at the forefront of climate change financing. The market for green bonds has issuers from more than 50 countries, including multilateral institutions like the World Bank. During 2007-2018, cumulative issuances of green bonds worldwide has been US$ 521 billion, with India ranking second among EMEs in these issuances (Climate Bonds Initiative, 2019). Green loans are another vibrant instrument, with issuances amounting to US$ 60 billion in 2018, with an average maturity of over 15 years. Over 75 per cent of outstanding green loans were directed to renewable energy and power generation companies (Institute of International Finance, 2019).

Supranational institutions have been increasingly contributing to these efforts, with the International Monetary Fund (IMF) already incorporating the same into its multilateral and bilateral surveillance. In September 2019, the Bank for International Settlements (BIS) launched an open-ended US dollar denominated fund for central bank investments in green bonds aimed at management of their forex reserves and to support the deepening of the green-bond market.

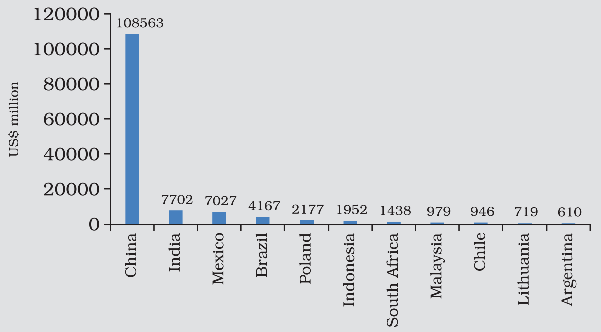
Notwithstanding its advantages, literature provides no irrefutable evidence that sustainable funds out-or-underperform conventional funds. There is also little evidence that costs of issuance of green bonds are lower than those of conventional bonds (IMF, 2019). Studies suggest that developing universally accepted standard and definition will improve the pricing of green bonds and foster the development of green bond markets (World Bank, 2018).

In the Indian context, preliminary estimates conducted for Paris Agreement suggest that at least US$ 2.5 trillion (at 2014-15 prices) will be required for meeting its climate change actions between 2015 and 2030 (Government of India, 2015). India's ambition of generating 175 gigawatts of renewable energy by 2022 also entails massive funding.

As early as 2007, the Reserve Bank emphasised the need for non-financial reporting and urged financial institutions to adhere to sustainable development

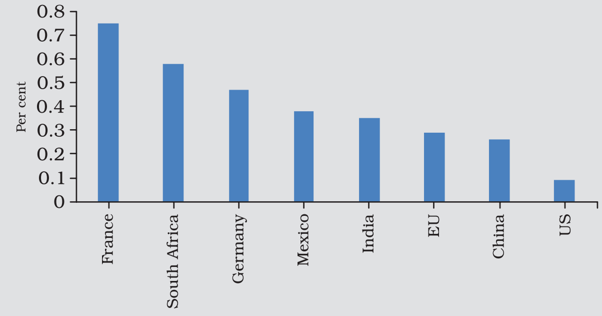
(Contd....)

Chart 1: Emerging Market Green Bond Issuance, 2012-18



Source: Emerging Market Green Bonds Report, 2018, International Finance Corporation.

Chart 2: Green Bonds' Share in Overall Debt (As of 2017)



Source: Climate Transparency Group, G20 Brown to Green Report, 2017

practices. Banks in India have been sensitized to the various international initiatives including the Equator principles[11]. In 2015, the Reserve Bank included lending to social infrastructure and small renewable energy projects within priority sector lending targets, thereby giving a further fillip to green financing. India figures prominently *vis-à-vis* its EME peers in green bonds issuances (Chart 1).

As a proportion to the total bond market too, Indian issuances of green bonds compare favourably with its peers (Chart 2). With the green bond issuances gaining momentum—totalling about US$ 7.7 billion during 2012-2018—SEBI set out disclosure requirements for the issuance and listing of green debt securities in India in May 2017.

Notwithstanding this progress, the development of green finance faces many challenges, such as "greenwashing" or false claims of environmental compliance, plurality of green loan definitions, and maturity mismatches between long-term green investment and relatively short-term interests of investors. Policy action is needed to establish an enabling framework that promotes the green finance eco-system in India by fostering awareness through coordinated efforts. Deepening of corporate bond market, standardisation of green investment terminology, consistent corporate reporting, and removing information asymmetry between investors and recipients can make a significant contribution in addressing some of the shortcomings of the green finance market.

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increasing the accountability of senior management for misconduct within their firms. The recommendations identify a core set of data for the effective supervision of compensation practices. The toolkit complements other elements of the FSB's Misconduct Action Plan, including compensation recommendations that align risk and reward better, as part of broader measures to restore public trust in the financial system.

[11] The Equator Principles is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making. They are based on the International Finance Corporation's (IFC) Performance Standards on Environmental and Social Sustainability.

5.7 Correspondent Banking and Remittances

II.31 Recent years have witnessed a decline in correspondent banking[12] due to de-risking, a development impinging on the access to the international financial system. As the reduction in correspondent banking relationships has a significant impact on the ability of the remittance service providers (RSPs) to access banking services, this in turn may drive some payment flows underground. In 2018, the number of correspondent banking relationships and active corridors[13] declined further by 3.5 per cent and 2.0 per cent, respectively[14], after having declined by about 20 per cent and 10 per cent, respectively, during 2012-2018. For EMEs in which remittance flows are a key source of funds for households, this could have potentially adverse consequences on growth, financial inclusion and international trade. In March 2018, the FSB recommended a set of measures to address problems faced by RSPs in obtaining access to banking services and identified a variety of intertwined drivers underlying the termination of banking services to RSPs, including low profitability, the perceived high risk of the remittance sector from the point of view of anti-money laundering / combatting the financing of terrorism (AML/CFT), supervision of RSPs and compliance with international standards.

6. Summing up

II.32 Hand in hand with the growth slowdown that began in 2018, credit growth, being procyclical, has slowed down across major economies, which, in turn, has adversely affected bank profitability. Despite distinct improvement in asset quality, structural weaknesses remain in the banking systems in various economies across the world, although capital position has been strengthened. Banks are facing increasing competition from non-traditional players, such as FinTech and BigTech firms, which are taking advantage of digital innovation. They too pose a challenge to banking regulators in achieving a balance between promoting innovation and applying a uniform supervisory and regulatory framework. Globally, policy makers have been fortifying the regulatory framework and implementing internationally accepted norms for banks. These policies may not show immediate results, but they should pay back in the medium to long run by enhancing the soundness and resilience of the global banking system.

[12] FSB defines correspondent banking as the provision of banking services by one bank (the “correspondent bank”) to another bank (the “respondent bank”).

[13] Defined as country pairs that processed at least one transaction.

[14] Bank for International Settlements, ‘New correspondent banking data - the decline continues’, accessible at https://www.bis.org/cpmi/paysysinfo/corr_bank_data/corr_bank_data_commentary_1905.htm.

III POLICY ENVIRONMENT

During 2018-19, the Reserve Bank introduced a prudential framework for resolution of stressed assets, which aimed at ring-fencing and protecting the banking sector from the build-up of non-performing assets. The macroprudential framework was further aligned to the best international practices, while monetary policy responded to the emerging macroeconomic developments. The Reserve Bank improved governance and reporting practices of banks. Concerted efforts were undertaken to strengthen the liquidity and regulatory framework governing non-banking financial companies and also to remove the regulatory arbitrage, while catalysing liquidity flows to the sector. Modernisation of payment and settlement systems was a concomitant pursuit.

1. Introduction

III.1 The setting and conduct of policies for the financial sector in India in 2018-19 and 2019-20 so far confronted testing challenges against the backdrop of slowing global and domestic activity. In addition, heightened uncertainty triggered by global spillovers, geopolitical and trade tensions, and bouts of turbulence in financial markets clouded the outlook. In this environment, the policy focus turned to strengthening the prudential framework for resolution of stressed assets, incentivising resolution under the Insolvency and Bankruptcy Code (IBC), regulatory harmonisation across banks and non-banking financial companies (NBFCs), improving their financials, including through lowering the cost of capital and recapitalisation of public sector bank (PSBs), and calibrating macroprudential regulations to the best international norms. Modernisation of payment and settlement systems was a concomitant pursuit.

III.2 Against this backdrop, the rest of the chapter gives an overview of policy initiatives in the banking and non-banking spheres in 2018-19 and 2019-20 so far. Section 2 comprises developments in monetary policy and liquidity management. Policies for the resolution of stressed assets within the overarching macroprudential framework are covered in Section 3. Regulatory measures undertaken during the year are presented in Section 4. Initiatives of the Reserve Bank relating to banks in the supervisory realm are summarised in Section 5, while those for NBFCs are covered in Section 6. Measures for promoting financial inclusion, credit delivery, and improving customer protection are covered in Sections 7 and 8, respectively. The Reserve Bank's initiatives for improving access to new age payment products in a safe and secure environment are set out in Section 9. The chapter concludes with an overall assessment in Section 10.

2. Monetary Policy and Liquidity Management

III.3 The monetary policy committee (MPC) of the Reserve Bank met six times during 2018-19 and five times during 2019-20 so far (April-December 2019) in accordance with its bi-monthly schedule. During this period, the policy repo rate was initially increased by 25 basis points each in June and August 2018 to head off the hardening of underlying inflation pressures. The stance of monetary policy shifted from neutral to calibrated tightening in October 2018 as elevated levels of oil prices exacerbated risks to the inflation outlook. Subsequently, with inflation outcomes surprising on the downside, the focus turned to slowing growth. Accordingly, the policy rate was reduced successively in the next five meetings of the MPC in February, April, June, August, and October 2019 as inflation ebbed and households' expectations remained anchored. In its August 2019 meeting, the MPC voted to reduce the policy rate by an unconventional 35 basis points, taking into consideration weak domestic economic activity amidst a deepening global slowdown. In its December 2019 meeting, the MPC kept the policy rate unchanged. The policy stance was altered in February 2019 from calibrated tightening to neutral and to accommodative from June 2019 onwards.

Liquidity Management

III.4 Systemic liquidity underwent sizeable shifts during the period under review. While the Reserve Bank's forex operations and currency expansion were the primary drivers of durable liquidity during the year, government spending shaped frictional liquidity movements. Consistent with the stance of monetary policy, therefore, the Reserve Bank employed various instruments at its disposal *viz*. fixed and variable rate repo and reverse repo under the liquidity adjustment facility (LAF) and outright open market operations (OMOs), to align the weighted average call rate (WACR) – the operating target – with the policy repo rate. In March 2019, the Reserve Bank expanded its liquidity management toolkit with the introduction of a foreign exchange buy-sell swap of US$ 5 billion (₹34,561 crore), followed up by another one of a similar amount in April 2019.

III.5 During 2018-19, the WACR generally traded below the policy repo rate till January 2019 but hardened intermittently thereafter and spiked at the year-end. Overall, the WACR remained 8 basis points (bps) below the policy rate in 2018-19 (10 bps in H1 *vis-a-vis* 6 bps in H2).

III.6 Fine-tuning operations through variable rate auctions were the key instrument to manage frictional liquidity. During 2018-19, while liquidity amounting to ₹6,39,900 crore was injected through variable rate repos of maturities ranging from overnight to 56 days in addition to the regular 14-day repos, liquidity of ₹42,54,800 crore was absorbed through reverse repos of maturities ranging from overnight to 14 days.

III.7 The Reserve Bank injected daily average liquidity of ₹51,403 crore during April and May 2019. Subsequently, however, as surplus liquidity set in during June-December 2019 (up to December 15, 2019), the variable rate reverse repos were conducted in addition to the regular fixed rate reverse repos, on an average absorbing ₹1,58,893 crore daily. In view of the build-up of large surplus liquidity which is expected to continue for some time, it was decided to conduct longer term variable rate reverse repo auctions starting from November 4, 2019.

III.8 In order to meet durable liquidity requirements, the Reserve Bank also conducted 27 OMO purchase operations aggregating ₹2,98,500 crore during 2018-19. Durable liquidity amounting to ₹52,500 crore was injected during April-December 2019 (up to

December 15, 2019) through the conduct of four OMO purchase auctions.

Facility to Avail Liquidity for Liquidity Coverage Ratio

III.9 Earlier, the assets allowed as Level 1 High Quality Liquid Assets (HQLAs)[1] for the purpose of computing the liquidity coverage ratio (LCR) of banks included, *inter alia*, government securities to the extent of 11 per cent of the bank's net demand and time liabilities (NDTL) under Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR). To enable banks to meet the LCR requirements prescribed under Basel III, the Reserve Bank decided to permit banks with effect from October 1, 2018 to reckon government securities held by them up to another 2 per cent of their NDTL, under FALLCR, as Level 1 HQLA, thus increasing the FALLCR to 13 per cent.

III.10 It was decided with effect from April 4, 2019, to permit banks to reckon an additional 2 per cent (in four increments of 50 bps) government securities held by them under FALLCR within the mandatory SLR requirement as Level 1 HQLA for the purpose of computing LCR, in a phased manner, taking it to 15 per cent of bank's NDTL by April 1, 2020. The second and third increases in FALLCR by 50 bps each took effect on August 1 and December 1, 2019, respectively. On July 5, 2019, banks were permitted to reckon this one per cent increase in FALLCR for computing LCR, to the extent of incremental outstanding credit to NBFCs and Housing Finance Companies (HFCs) over and above the credit already on their books. This frontloading of FALLCR of one per cent will form part of general FALLCR as and when the increase in FALLCR takes place as per the original schedule. Furthermore, it was decided to reduce the statutory liquidity ratio (SLR) by 25 bps every calendar quarter commencing January 2019 until it reaches 18 per cent of NDTL so as to align the SLR with the LCR requirement[2] .

External Benchmarking of Lending Rates

III.11 Drawing on the recommendations of an Internal Study Group (ISG) and after due consultation with stakeholders, the Reserve Bank decided to link all new floating rate retail loans and floating rate loans to micro and small enterprises extended by banks with effect from October 01, 2019 to one of the specified external benchmarks. These benchmarks consist of the policy repo rate, Government of India 3-months or 6-months Treasury Bill yields, or any other benchmark indicated by the Financial Benchmarks India Private Ltd (FBIL). Banks have been given the freedom to decide the spread over the external benchmark; however, the credit risk premium may be altered only when borrower's credit assessment undergoes a substantial change. Furthermore, other components of the spread, including operating cost, can be changed only once in three years. Interest rates are required to be reset at least once in three months. Existing loans and credit limits linked to the MCLR, the base rate or the Benchmark Prime Lending Rate (BPLR) may continue till repayment or renewal.

[1] The assets allowed as Level 1 High Quality Liquid Assets (HQLAs) for the purpose of computing LCR of banks include, *inter alia*, government securities in excess of the minimum SLR requirement and, within the mandatory SLR requirement, government securities to the extent allowed by the Reserve Bank under the Marginal Standing Facility (MSF) [presently 2 per cent of the bank's NDTL] and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR).

[2] From the quarter commencing October 2019, the fourth round of reduction became effective, which brought down the SLR to 18.50 per cent of NDTL.

3. Prudential Policies

III.12 The Reserve Bank introduced a prudential framework for resolution of stressed assets, which aimed at ring-fencing and protecting the banking sector from build-up of non-performing assets (NPAs) stress. It also undertook several measures to unclog bank lending to NBFCs.

3.1 Prudential Framework for Resolution of Stressed Assets

III.13 The instructions pertaining to the prudential framework for resolution of stressed assets were revised on June 7, 2019 with a view to provide a pre-IBC window for banks to resolve stressed accounts. The modified framework aims at providing early recognition, reporting and time bound resolution of stressed assets, while providing strong disincentives in the form of additional provisioning for delays in initiation of resolution or insolvency proceedings. Under the modified framework, the lenders will get 30 days review period to decide on resolution strategy once there is a default in the account. In cases in which a resolution plan (RP) is to be implemented, an inter-creditor agreement (ICA) is required to be executed by all lenders within the review period. The ICA will provide, *inter alia*, that any decision agreed by lenders representing 75 per cent by value of outstanding credit facilities and 60 per cent of lenders by number will be binding upon all lenders. The RP is required to be implemented within 180 days from the end of the review period.

III.14 In case a viable RP in respect of a borrower is not implemented within 180 days, lenders are required to make additional provisions over and above the provisions already held or the provisions required to be made as per the asset classification status of the borrower's account. After the first 180 days from the end of review period, the asset would attract 20 per cent additional provisioning, which will be increased by another 15 per cent (*i.e.*, total additional provisioning of 35 per cent) after 365 days from the commencement of the review period. The framework provides incentives for application of the Insolvency and Bankruptcy Code (IBC) by allowing half the additional provisions to be reversed on filing an insolvency application. The remaining additional provisions may be reversed upon admission of the borrower into the IBC's insolvency resolution process. The new framework is applicable to SCBs, Small Finance Banks (SFBs), Systemically Important Non-Deposit taking NBFCs (NBFC-ND-SI) and Deposit taking NBFCs (NBFC-D) and All India Term Financial Institutions.

III.15 Going ahead, this framework is expected to induce timely recognition of stressed assets, thus helping in strengthening the financial health of the banks. Empirical evidence suggests that the profitability of banks which delay recognition and adequate provisioning for impaired assets is adversely affected as compared to those that act in a timely manner (Box III.1).

3.2 Deferment of Increase in Capital Conservation Buffer

III.16 The capital conservation buffer (CCB) is designed to ensure that banks build up capital buffers during normal times, which can be drawn down as losses are incurred during a stressed period. Currently, the CCB of banks stands at 1.875 per cent of the risk-weighted assets, which was scheduled to increase to 2.5 per cent as on March 31, 2019. In view of the macroeconomic conditions and persisting overhang of stress in the banking sector, the implementation of the last tranche of 0.625 per cent of the CCB has been deferred to March 31, 2020.

Box III.1: Asset Quality and Profitability: Does Prudence Pay?

As the NPA stress started building up from 2012, some banks were *prudent* in early recognition and provisioning while others walked the *imprudent* path of ever-greening. It took a supervisory intervention in the form of the asset quality review (AQR) to jolt the latter into more prudent behaviour. In order to assess whether the profitability of imprudent banks suffered more than their prudent counterparts due to the adoption of differential policies, *ceteris paribus*, the analytical framework of difference-in-difference (diff-in-diff) regressions is used, treating the AQR as an exogenous shock. Any bank that experienced an above-the-median change in the GNPA ratio after the AQR is classified as an *imprudent bank*, and others are classified as *prudent banks*[3]. In diff-in-diff parlance, the imprudent banks are *the treatment group* and the prudent ones are *the control group* (Chart 1a). The profitability of these groups is observed to have diverged sharply after 2015 (Chart 1b).

Using annual panel data of 45 banks in private and public sectors for the period 2011-18, the following equation is estimated:

$$y_{it} = \alpha_i + \gamma_t + \eta \times D_{post} \times D_{treatment} + \beta \times (i \times t) + \varepsilon_{it}$$

Where i indexes banks, t indexes time, α_i and γ_t are bank and year fixed effects, $D_{post} = 1$ for years when the AQR's impact is expected to persist (2016-2018), $D_{treatment} = 1$ for imprudent banks, and is y_{it} the dependent variable. An interaction term (Bank (i) × Year (t)) treating t (*Year*) as a continuous variable is included in the model, to control for all the bank-specific factors which vary over time. A statistically significant η would suggest that post-AQR, profitability differed across the two groups of banks.

The results suggest that the decline in the profitability of imprudent banks *relative* to prudent banks in the period after the policy shock is significant and varies between 0.53 per cent and 1.04 per cent[4]. Another implication is that the decline in aggregate profitability of the Indian banking sector in the post-AQR period was essentially

Table 1: Panel Fixed Effects (FE) Regression Model

Dependent variable	RoA	
Interaction Imprudent Bank *Post	-1.037*** (0.147)	-0.527*** (0.166)
Bank*Year	No	Yes
Bank FE	Yes	Yes
Year FE	Yes	Yes
Observations	350	350
Adjusted R^2	0.575	0.690

Standard errors are clustered at the bank level.
Standard errors in parentheses
$^{*}p < 0.10$, $^{**}p < 0.05$, $^{***}p < 0.01$

Chart 1 a: GNPA Ratio – Prudent *vs* Imprudent

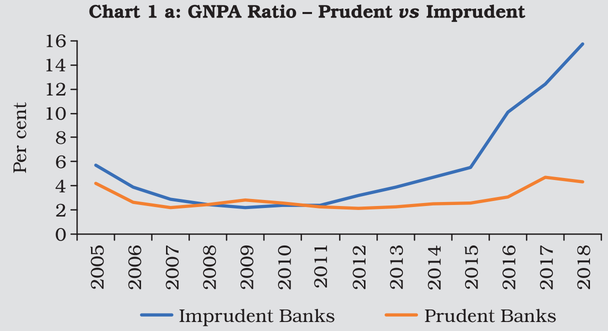
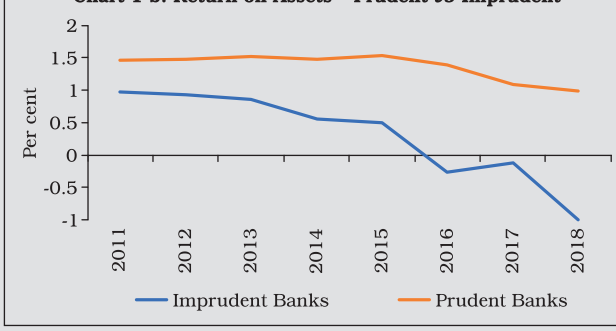


Chart 1 b: Return on Assets – Prudent *vs* Imprudent



Source: Author's calculations based on supervisory data.

(Contd....)

[3] It is possible that some banks did not immediately recognise NPAs but did so in later years, which would imply that this classification is prone to some exclusion errors – banks which are actually imprudent are getting labelled as prudent. However, such a mis-classification will only underestimate the true impact of this NPA shock, not overestimate it.

[4] The Reserve Bank revised the Prompt Corrective Action (PCA) framework in April 2017. Subsequently, five banks were placed under PCA as at end-June 2017, and another five as at end-December 2017, which restricted some of their activities. This may have had an impact on their profitability for the year 2017-18. To take into account this fact, the same regression specification for the period 2011-2017 is run which confirmed the robustness of the results.

due to the performance of the imprudent banks. From a policy perspective, these results highlight the importance of correctly recognising and providing for the credit risk embedded in loan transactions.

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3.3 Leverage Ratio

III.17 In order to mitigate risks of excessive leverage, the Basel Committee on Banking Supervision (BCBS) designed the Basel III Leverage Ratio (LR) as a simple, transparent, and non-risk-based measure to supplement existing risk-based capital adequacy requirements. LR is defined as the ratio of Tier I capital to the bank's exposure. The Reserve Bank has been monitoring banks against an indicative LR of 4.5 per cent for the purpose of disclosures and also as the basis for parallel run by banks. The final guidelines issued by the BCBS in December 2017 prescribe a minimum of 3 per cent LR requirement at all times. Keeping in mind financial stability and with a view to moving further towards harmonisation with Basel III standards, the minimum LR was set at 4 per cent for Domestic Systemically Important Banks (DSIBs) and 3.5 per cent for other banks with effect from quarter commencing October 1, 2019.

3.4 Large Exposures Framework (LEF)

III.18 Guidelines for banks' large exposures were revised on June 03, 2019, subsuming and superseding certain earlier provisions. In order to capture exposures and concentration risk more accurately and to align the framework with international norm, the revised LEF excludes entities connected with the sovereign from the definition of the group of connected counterparties, provided they are otherwise not connected. It also introduces economic interdependence as a criterion in the definition of connected counterparties with effect from April 1, 2020 for entities where a bank has an exposure greater than 5 per cent of its eligible capital base in respect of each entity, and mandates a look-through approach in the determination of relevant counterparties in case of collective investment undertakings, securitisation vehicles and other structures. Further, as a transition measure, non-centrally cleared derivatives have been kept outside the purview of LEF till March 31, 2020. Also, for the purpose of LEF, Indian branches of foreign Global Systemically Important Banks (G-SIBs) shall not be treated as G-SIBs. Furthermore, on September 12, 2019 it was decided that a bank's exposure limit to any single NBFC (excluding gold loan companies) would be raised to 20 per cent of the eligible capital base as against the earlier 15 per cent. Bank lending to NBFCs that are predominantly engaged in extending loans against gold—which is presently capped at 7.5 per cent of the former's capital funds—is allowed to go up to 12.5 per cent if it is for on-lending to the infrastructure sector.

3.5 Risk Weights for Exposures to NBFCs

III.19 Exposures to all NBFCs, excluding Core Investment Companies (CICs), will be risk-weighted as per the ratings assigned by the rating agencies registered with SEBI and accredited by the Reserve Bank. This is intended to facilitate the flow of credit to well-rated NBFCs and to harmonise risk weights applicable to banks' exposure to various categories of NBFCs under the standardised approach for credit risk management in a manner similar to that of corporates under the extant regulations. Exposures to CICs, rated as well as unrated, will continue to be risk-weighted at 100 per cent.

3.6 Risk Weights for Consumer Credit

III.20 Consumer credit, including personal loans and credit card receivables but excluding educational loans, attract a higher risk weight of 125 per cent or higher. On a review, the risk weight was reduced to 100 per cent. The relaxation is not applicable to credit card receivables.

4. Regulatory Policies

III.21 As the regulator of the banking sector, the Reserve Bank emphasised improving governance and reporting practices of banks. The Reserve Bank's regulatory ambit also extends to niche-centric lending institutions, including NBFCs, HFCs, Payments Banks (PBs), SFBs and RRBs. In order to encourage further competition, the Reserve Bank recently issued final guidelines for 'on-tap' licensing of SFBs, in the private sector.

4.1 Corporate Governance in Banks

III.22 Guidelines on 'fit and proper' criteria for shareholder directors in the PSBs were reviewed comprehensively in August 2019. The revised guidelines enhance the due diligence required and align the eligibility requirements with that required for other directors.

III.23 The Reserve Bank issued compensation guidelines for whole time directors, CEOs, material risk takers and control function staff of all private sector banks (PVBs) on November 04, 2019 to be effective from April 1, 2020. The revised guidelines align the remuneration standards of PVBs with the principles of Financial Stability Board (FSB) for sound compensation practices, while not restricting overall compensation.

4.2 Central Information System for Banking Infrastructure

III.24 The Reserve Bank maintains a directory of all Banking Outlets (BOs)/offices in India. Consistent with the needs of branch licensing and financial inclusion, a new reporting system, the Central Information System for Banking Infrastructure (CISBI), has been web-deployed to replace the legacy Master Office File (MOF) system. The CISBI has provision to maintain complete details of banks and All India Financial Institutions (AIFIs) and a history of all the changes with a time stamp. Banks/AIFIs can also use the facility to access/ download data relating to them. All the information reported by banks in the past has been migrated to the CISBI.

4.3 Amendments to the Know Your Customer (KYC) Framework

III.25 KYC instructions were amended on May 29, 2019 to align with the amendments dated February 13, 2019 in the Aadhaar and money laundering related laws. Banks have been allowed to use Aadhaar authentication or offline-verification only for individuals who volunteer and give specific consent for the same. Any proof of possession of Aadhaar number is now added to the list of officially valid documents. Regulated entities (REs) are required to ensure that the customers, who are not beneficiaries of any benefit or subsidy, redact or blackout their Aadhaar number while submitting it for customer due diligence. However, banks are required to obtain the Aadhaar number from an individual and carry out its authentication using e-KYC authentication facility of Unique Identification Authority of India (UIDAI), in case the individual is desirous of receiving any benefit or subsidy under any scheme notified under Section 7 of the Aadhaar Act, 2016.

4.4 Branch Authorisation Policy for Regional Rural Banks

III.26 On May 31, 2019 the Reserve Bank introduced the concept of banking outlet (BO) for RRBs. A BO is a fixed-point service delivery unit, manned by either the bank's staff or its business correspondent where services of acceptance of deposits, encashment of cheques/ cash withdrawal or lending of money are provided for a minimum of four hours per day for at least five days a week. For Tier 5 and 6 centres, RRBs have general permission for opening BO with *post facto* reporting. However, RRBs would be required to obtain prior approval of the Reserve Bank for opening brick and mortar branches in Tier 1 to 4 centres (as per Census 2011) subject to conditions. Furthermore, they would also be required to open at least 25 per cent of the new BOs in unbanked rural centres every year.

4.5 Basic Savings Bank Deposit Accounts

III.27 In the interest of improving customer service, the Reserve Bank advised all SCBs, PBs, SFBs, LABs and co-operative banks to offer some basic minimum facilities in the Basic Savings Bank Deposit (BSBD) account free of charge and without any requirement of minimum balance. These facilities include, *inter alia*, deposit of cash at bank branches as well as ATMs/CDMs, receipt of money through any electronic channel or by means of cheques drawn by central/state government and agencies, providing ATM/debit cards, and a minimum of four withdrawals in a month, including ATM withdrawals.

4.6 Credit Discipline

III.28 On December 5, 2018 the Reserve Bank issued guidelines on loan system for delivery of bank credit, in order to improve credit discipline among large borrowers who are beneficiaries of working capital facility from the banking system. Borrowers with aggregate fund based working capital facility of ₹150 crore and above are subject to a minimum level of 'loan component' of 40 per cent from April 1, 2019, which further increased to 60 per cent effective from July 1, 2019. Furthermore, a credit conversion factor of 20 per cent is applied to the undrawn portion of cash credit or overdraft limits of these large borrowers from April 1, 2019.

4.7 Bulk Deposits

III.29 On February 22, 2019 the definition of 'bulk deposits' was revised to provide operational freedom to banks to raise these deposits. Under the amended definition, single rupee term deposits of ₹2 crore and above for SCBs (excluding RRBs) and SFBs have been classified as bulk deposits.

5. Supervisory Policies

III.30 The Board for Financial Supervision (BFS), constituted in November 1994, acts as an integrated supervisor for the financial system covering SCBs, SFBs, PBs, CICs, AIFIs, co-operative banks, NBFCs and ARCs. During July 2018 to June 2019, 10 meetings of the

BFS were held. Besides prescribing the course of action to be pursued in respect of institution-specific supervisory concerns, the BFS provided guidance on several regulatory and supervisory policy issues and the framework for enforcement action against regulated entities.

III.31 Some of the major issues deliberated upon by the BFS, *inter alia*, included restrictions imposed on banks under the prompt corrective action (PCA) framework, harmonisation of bank licensing guidelines, review of extant instructions on ownership and governance in PVBs, and recommendations made by expert committee on NPAs and frauds (Chairman: Shri Y.H. Malegam).

5.1 Prompt Corrective Action (PCA) framework

III.32 Prior to January 2019, there were eleven PSBs and one PVB under the PCA framework. Consequent upon infusion of fresh capital by the central government in some of the PSBs from November 2018, accompanied by improved compliance with the PCA parameters and various systemic and structural improvements achieved by these banks, it was decided to remove five PSBs out of the PCA framework.

III.33 On January 31, 2019 Bank of India and Bank of Maharashtra were taken out of this framework as they met the regulatory norms including Capital Conservation Buffer (CCB) and had net NPAs of less than 6 per cent. In the case of Oriental Bank of Commerce, the Government infused sufficient capital to bring the net NPA to less than 6 per cent.

III.34 Allahabad Bank and Corporation Bank received capital infusion to the tune of ₹ 6,896 crore and ₹ 9,086 crore, respectively. This shored up their capital funds and also increased their loan loss provision to ensure that the PCA parameters were complied with. Noting that the CRAR, CET1, net NPA and leverage ratios of these banks are no longer in breach of the PCA thresholds, these banks were taken out of the PCA framework on February 26, 2019.

III.35 Additionally, Dhanlaxmi Bank was also taken out of the framework as it did not breach any of the PCA thresholds. Further, one of the PSBs under PCA *viz*. Dena Bank was merged with a non-PCA PSB *viz*. Bank of Baroda.

III.36 Currently, there are six banks (4 PSBs and 2 PVBs) under the PCA framework. The performance of these six banks, and the banks (five PSBs and one PVB) which have been taken out of the PCA framework, are being continuously monitored by the Reserve Bank through various financial indicators. Periodic meetings with the top management of these banks are also being held.

5.2 Merger of PSBs

III.37 Various committees[5] have recommended consolidation of PSBs, given underlying benefits/synergies. Keeping in view the potential benefits of consolidation and to take advantage of the resulting synergies, Vijaya Bank and Dena Bank were merged with the Bank of Baroda with effect from April 1, 2019 without any discrimination among customers.

III.38 Furthermore, the government has proposed an amalgamation of 10 PSBs to form 4 merged entities with a view to creating next generation banks with strong national and

[5] Narasimham Committee (1998), Leeladhar Committee (2008) and Nayak Committee (2014).

global presence. Oriental Bank of Commerce and United Bank of India are proposed to merge with Punjab National Bank to form the country's second-largest lender. Syndicate Bank and Canara Bank will merge to create the fourth largest PSB. Andhra Bank and Corporation Bank will be merged into the Union Bank of India, and will form the country's fifth largest PSB. The merger of Allahabad Bank with Indian Bank will result in strong branch networks in the south, north and east of the country.

5.3 Change of Ownership of IDBI Bank

III.39 The Life Insurance Corporation of India (LIC) acquired 51 per cent of the total paid-up equity share capital of the IDBI Bank during 2018-19. Consequently, the Reserve Bank re-categorised IDBI Bank as a private sector bank for regulatory purposes with effect from January 21, 2019.

5.4 Audit-related Developments

III.40 The Reserve Bank has put in place a framework to take enforcement action against audit firms by way of not approving their appointments for a specific period to undertake statutory audit assignments for past lapses. This is expected to serve as a deterrent to audit firms from committing similar or other lapses and help in improving the quality of statutory audit.

6. Non-Banking Financial Companies

III.41 NBFCs have faced challenges relating to asset liability mismatches and overleveraging in the recent period. In view of the important role of the sector in complementing credit delivery by the banking sector, especially in last mile financial intermediation and in financial inclusion, the Reserve Bank and the Government undertook concerted efforts to strengthen the liquidity and regulatory framework governing NBFCs and also to remove the regulatory arbitrage, while catalysing liquidity flows to the sector.

III.42 The NBFC sector has been at the forefront of adopting digital innovation and fintech services through digital platforms such as peer-to-peer (P2P) lending. The proposed enhancement of exposure limit of lenders is expected to give a further fillip to these platforms.

6.1 Strengthening Supervision over NBFCs

III.43 The RBI Act, 1934 was amended through the Finance (No. 2) Act, 2019 to enhance the regulatory and supervisory powers of the Reserve Bank over NBFCs. The amendments empowered the Reserve Bank to remove the directors; supersede the board and appoint administrators for NBFCs (other than government-owned NBFCs) in order to protect the interests of depositors and creditors; increase the quantum of penalties in case of non-compliance with various requirements; and enabled the Reserve Bank to resolve NBFCs by amalgamation, reconstruction or splitting into different units or institutions.

6.2 Regulation of Housing Finance Companies (HFCs)

III.44 Under the provisions of the National Housing Bank (NHB) Act, 1987, the HFCs were regulated and supervised by the NHB. Over time, the mandate of the NHB has been widened and it assumed the role of refinancer and lender to the sector. Recognising the conflicting aspects of the mandate, the Union Budget 2019-20 proposed to return the regulatory authority over the housing finance sector from NHB to the Reserve Bank. Henceforth, the certificate of registration to HFCs will be issued by the Reserve Bank, which has also been empowered to direct inspections of HFCs by the NHB and to impose penalties on the former.

III.45 On November 11, 2019 the exemptions granted to HFCs from the provisions of Chapter IIIB (except Section 45-IA) of the RBI Act, 1934 were withdrawn.

6.3 Harmonisation of various NBFC Categories

III.46 The evolution of the NBFC sector over the years has resulted in several categories of NBFCs, based on specific asset classes/ sectors with different sets of regulatory prescriptions. Regulations for deposit acceptance were harmonised in November 2014. On February 22, 2019 the regulations governing Asset Finance Companies (AFCs), Loan Companies (LCs) and Investment Companies (ICs) were harmonised and they were merged into a new category called NBFC – Investment and Credit Companies (NBFC-ICCs). With this harmonisation, there are now 11 categories of NBFCs (Section 2, Chapter VI)

6.4 Liquidity Risk Management Framework

III.47 In order to strengthen and raise the standard of asset-liability management (ALM) framework of NBFCs, including CICs, the Reserve Bank has revised the extant guidelines on liquidity risk management on November 4, 2019. The revised guidelines build upon the existing framework by specifying more granular maturity buckets and tolerance limits, and adoption of liquidity risk monitoring tools. The guidelines recommend monitoring of liquidity by using a stock approach in addition to the measurement of structural and dynamic liquidity. They also extend the principles of sound liquidity risk management to various aspects, including stress testing and diversification of funding. The framework requires maintenance of a liquidity buffer in terms of a LCR starting at 50 per cent for all NBFCs-D and all NBFCs-ND with an asset size of ₹10,000 crore and above and 30 per cent for all NBFCs-ND with an asset size of ₹5,000 crore and above, but less than ₹ 10,000 crore, from December 1, 2020 to reach 100 per cent on December 1, 2024.

6.5 Partial Credit Guarantee Scheme

III.48 In pursuance of the announcement made in the Union Budget 2019-20, the Government of India has rolled out a scheme offering to provide a one-time partial credit guarantee for first loss up to 10 percent to public sector banks (PSBs) for purchase of high-rated pooled assets amounting to ₹1,00,000 crore from financially sound NBFCs and HFCs. On its part, the Reserve Bank will provide required liquidity backstop to the banks against their excess G-sec holdings.

6.6 Temporary Relaxation of Minimum Holding Period

III.49 With several NBFCs facing difficulties in availing funds in the aftermath of default by a systemic NBFC, the Reserve Bank took several measures to ameliorate the situation. In order to encourage NBFCs to securitise/assign their eligible assets, the minimum holding period (MHP) requirement for originating NBFCs was relaxed in November 2018 in respect of loans of original maturity above 5 years, subject to certain conditions. The relaxation, initially given for a period of six months *i.e.* up to May 2019, was subsequently extended till December 31, 2019.

6.7 Priority Sector Lending by NBFCs

III.50 On August 13, 2019 the Reserve Bank allowed bank credit to registered NBFCs (other than micro finance institutions (MFIs)) for on-lending to agriculture and micro and small enterprises (MSEs) to be treated as priority sector lending, subject to certain restrictions. Only fresh loans sanctioned by NBFCs can be classified as priority sector lending by the banks. Furthermore, on-lending by NBFCs for term-lending component under agriculture will be allowed up to ₹10 lakh per borrower and up to ₹20 lakh per borrower to micro and small enterprises. To qualify for priority sector lending, the limit for onlending to HFCs for housing loans was enhanced to ₹20 lakh per borrower as against the earlier limit of ₹10 lakh.

6.8 Chief Risk Officer for Large NBFCs

III.51 NBFCs have significant inter-linkages with the rest of the financial sector in terms of their access to public funds and participation in credit intermediation. It was decided to augment their risk management practices in order to mitigate potential systemic risks arising out of this interconnectedness. Accordingly, Investment and Credit Companies, Infrastructure Finance Companies, Micro Finance Institutions, Factors and Infrastructure Debt Funds with an asset size of more than ₹ 5,000 crore were required to appoint a functionally independent Chief Risk Officer (CRO) with clearly specified role and responsibilities.

6.9 Licensing as Authorised Dealer

III.52 In order to increase accessibility and efficiency of the services extended to the members of the public for their day-to-day non-trade current account transactions, the Reserve Bank allowed systemically important non-deposit taking Investment and Credit Companies to apply for AD - Category II license, effective April 16, 2019.

6.10 Review of Household Income and Lending Limits for Non-Banking Financial Companies-Micro Finance Institutions (NBFC-MFIs)

III.53 Taking into consideration the important role played by NBFC-MFIs in delivering credit to those in the bottom of the economic pyramid and to enable them to play their assigned role in a growing economy, the household income limits for borrowers of NBFC-MFIs have been raised from the current level of ₹1,00,000 for rural areas and ₹1,60,000 for urban/semi urban areas to ₹1,25,000 and ₹2,00,000, respectively along with increase in lending limit from ₹1,00,000 to ₹1,25,000 per eligible borrower effective November 8, 2019.

6.11 Technical Specifications for all participants of the Account Aggregator (AA) ecosystem

III.54 NBFC-Account Aggregator (NBFC-AA) consolidates financial information of a customer held with different financial entities, spread across financial sector regulators having different IT systems and interfaces. In order to ensure secured, duly authorized, and seamless movement of data, a set of core technical specifications (framed by Reserve Bank Information Technology Private Limited (ReBIT)) have been prescribed for the participants of the AA ecosystem namely NBFC-AA, Financial Information Providers, and Financial Information Users.

6.12 Fit and Proper Criterion for Asset Reconstruction Companies (ARC) Sponsors

III.55 The Reserve Bank issued directions on fit and proper criteria for ARC sponsors on October 25, 2018, in accordance with the amendment to the SARFAESI Act (Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002) in 2016. The directions seek to ensure that sources of funds are legitimate and sustainable and that the integrity of management of the ARC is beyond reasonable doubt. Furthermore, the directions mandate continuous monitoring of the fit and proper status of sponsors.

III.56 The amendment also brought ARCs under the definition of 'financial institution' and thereby enabled one ARC to acquire financial assets from other ARCs, which was hitherto allowed only for the purpose of debt aggregation.

III.57 During the year, three companies were given Certificate of Registration (CoR) to function as ARC, and one company's CoR was cancelled.

6.13 Acquisition of financial assets by ARCs from sponsors and lenders

III.58 To address the concerns relating to transparency and price discovery in bilateral transactions, ARCs have been advised to acquire financial assets from their lenders, sponsors or group entities through auctions which are conducted in a transparent manner, on arm's length basis and at prices determined by market forces.

7. Credit Delivery and Financial Inclusion

III.59 Creation and strengthening of efficient credit delivery mechanisms that ensure adequate and timely delivery of financial resources to the productive sectors of the economy has remained a policy priority. Several initiatives were aimed at the priority sector, including MSMEs, agriculture and minorities. Furthermore, a national strategy for financial inclusion was designed to secure greater inclusion in a time bound and co-ordinated manner.

7.1 Interest Subvention Scheme for Micro, Small and Medium Enterprises (MSMEs)

III.60 An interest subvention scheme for MSMEs in both manufacturing and services sector was introduced by the Government in 2018. This scheme is aimed at increasing productivity and providing incentives for onboarding the GST platform, thereby helping in greater formalisation of the sector, while reducing the cost of credit. Interest subvention of 2 per cent was made available for GST-registered MSMEs with valid Udyog Aadhaar Number, for two years starting from 2018-19. The scheme was made available on fresh or incremental loans up to ₹100 lakh for loans issued by SCBs and NBFCs-ND-SIs.

7.2 Interest Subsidy on Export Credit

III.61 The Government of India increased the interest subsidy on post and pre-shipment export credit from 3 per cent to 5 per cent to provide a boost to MSME sector exports effective from November 2, 2018. All SCBs (excluding RRBs), SFBs and Primary Co-operative banks were directed by the Reserve Bank to implement the scheme effectively.

7.3 Restructuring of Advances to MSME

III.62 In order to facilitate meaningful restructuring of MSME accounts that have become stressed, a one-time restructuring of existing loans to MSMEs that were in default but 'standard' as on January 1, 2019, was permitted without an asset classification downgrade. The restructuring has to be implemented by March 31, 2020. The scheme was made available to MSMEs that qualify in terms of certain criteria, including a cap of ₹25 crore on total borrowings from banks and NBFCs, and being GST-registered before implementation of the restructuring package. Additional provisioning of 5 per cent is required for accounts restructured under the scheme.

7.4 Kisan Credit Card

III.63 The Kisan Credit Card (KCC) scheme aims at providing adequate and timely bank credit support under a single window with flexible and simplified procedure to the farmers for short-term crop loans. In the Union Budget 2018-19, this facility was extended, along with interest subvention, to farmers engaged in animal husbandry and fisheries for loans up to ₹ 2 lakh. The interest subvention is allowed for short-term loans and is being implemented for two years, starting from 2018-19.

III.64 Keeping in view the overall increase in agriculture input costs, it was decided on February 7, 2019 to raise the limit for collateral free agricultural loan from ₹1 lakh to ₹1.60 lakh.

7.5 New Framework for External Commercial Borrowings (ECBs)

III.65 In January 2019, the Reserve Bank rationalised the frameworks for ECBs and rupee denominated bonds (RDBs) to improve the ease of doing business. Tracks I and II have been merged under "foreign currency denominated ECB", and track III and RDBs have been merged under "rupee denominated ECB" under a single new ECB framework. The list of eligible borrowers has been expanded to include all entities eligible to receive foreign direct investment (FDI), apart from other specified entities. Additionally, recognised lenders' list was expanded to any resident of Financial Action Task Force (FATF) or International Organisation of Securities Commission (IOSCO) compliant country, subject to certain conditions. Furthermore, ECBs upto USD 750 million, irrespective of the sector, which are compliant with the parameters and conditions set out in the new ECB framework, have been made eligible for automatic route, not requiring the prior approval of the Reserve Bank. The general minimum average maturity period (MAMP) has been specified at 3 years for all ECBs, irrespective of the amount, subject to certain utilisation criterion. Also, permitted end-uses criterion have been changed from a positive list to a negative list, thereby expanding the scope of utilisation of ECB proceeds.

7.6 ECB Facility for Resolution Applicants under Corporate Insolvency Resolution Process

III.66 Resolution applicants under the Corporate Insolvency Resolution Process (CIRP) were allowed to raise ECBs from recognised lenders (except branches/ overseas subsidiaries of Indian banks), for repayment of rupee term loans of the target company under the approval route.

7.7 Rationalisation of End-use Provisions

III.67 On July 30, 2019 end-use restrictions relating to ECBs were relaxed for working capital requirements, general corporate purposes and repayment of rupee loans. Eligible borrowers were permitted to raise ECBs with an MAMP of 10 years for working capital purposes and general corporate purposes, and 7 years for repayment of rupee loans availed domestically for capital expenditure. Borrowing by NBFCs for on-lending for these purposes was also permitted.

III.68 ECBs can be raised for repayment of rupee loans availed domestically for capital expenditure in manufacturing and infrastructure sectors if classified as SMA-2 or NPA, under any one-time settlement with lenders. Lender banks are also permitted to sell, through assignment, such loans to eligible ECB lenders, except foreign branches/ overseas subsidiaries of Indian banks, provided the resultant ECB complies with all-in-cost, MAMP and other relevant norms of the ECB framework.

7.8 National Strategy for Financial Inclusion

III.69 A national strategy for financial inclusion (NSFI) for India 2019-2024 was prepared under the aegis of the Financial Inclusion Advisory Committee. It specifies financial inclusion goals, an action plan to reach the goals and the mechanism to measure progress. The strategy envisages making formal financial services available, accessible, and affordable to all the citizens in a safe and transparent manner to support inclusive and resilient multi-stakeholder led growth.

7.9 Classification of Exports under Priority Sector

III.70 In order to boost credit to the export sector, on September 20, 2019, the Reserve Bank enhanced the sanctioned limit to be eligible under priority sector norms. The limit was raised from ₹25 crore to ₹40 crore per borrower. Furthermore, the existing criterion of 'units having turnover of up to ₹100 crore' was removed.

8. Consumer Protection

III.71 The Reserve Bank has been proactive in ensuring that consumers served by its regulated entities receive fair treatment and consumer rights are adequately protected. In view of the increasing number of transactions undertaken using the digital modes, especially using payment systems operated by non-banks, the Reserve Bank extended the customer protection schemes to these areas as well.

8.1 Limiting Customer Liability for Non-Bank Authorised PPI Issuers

III.72 Customers using pre-paid payment instruments (PPIs) issued by banks are protected by limiting their liability towards unauthorised electronic transactions. With effect from March 01, 2019, this facility was extended to customers using non-bank issued PPIs as well. An enhanced customer grievance redressal framework was also implemented, prescribing the limits up to which a customer may bear liability under various scenarios like contributory frauds, negligence or deficiency on part of non-bank PPI issuer, third party breach where the deficiency lies neither with the issuer nor with the customer, and scenarios in which the loss is due to negligence of the customer.

8.2 Harmonisation of Turn Around Time (TAT) for failed transactions

III.73 A large number of customer complaints originate on account of unsuccessful or 'failed' transactions due to, *inter alia*, disruption of communication links, non-availability of cash in ATMs and time-out of sessions, which may not be directly assignable to the customer. Moreover, the process of rectification and amount of compensation to the customer for these 'failed' transactions was not uniform.

III.74 Accordingly, the Reserve Bank introduced a framework on Turn Around Time (TAT) for resolution of customer complaints and compensation across all authorised payment systems on September 20, 2019. This framework aims to provide prompt and efficient customer service in all the electronic payment systems. Under the framework, the TAT for failed transactions and compensation were finalised to improve consumer confidence and bring consistency in processing of the failed transactions.

8.3 Ombudsman Scheme for Digital Transactions

III.75 With the digital mode for financial transactions gaining traction in the country, a need was felt for a dedicated, cost-free and expeditious grievance redressal mechanism for strengthening consumer confidence in this channel. Accordingly, an ombudsman scheme for digital transactions was implemented with effect from January 31, 2019. The purpose of the scheme is to serve as a complaint redressal mechanism relating to deficiency in customer service in digital transactions conducted through non-bank entities that are regulated by the Reserve Bank.

8.4 Internal Ombudsman for Non-Bank Pre-paid Payment Instruments

III.76 To further strengthen the grievance redressal mechanism at the entity level itself, large non-bank PPI issuers were mandated to institutionalise an internal ombudsman scheme in October 2019.

8.5 Ombudsman Scheme for NBFCs

III.77 The ombudsman scheme for NBFCs was initially operationalised for all NBFCs-D. In April 2019, the scheme was further extended to NBFCs-ND having customer interface, with asset size of ₹ 100 crore or above.

9. Payment and Settlement Systems

III.78 Efficient payment systems reduce the cost of exchanging goods and services and are indispensable for the functioning of financial markets. The Reserve Bank constituted a high-level committee on Deepening of Digital Payments (CDDP) (Chairman: Shri Nandan Nilekani) in January 2019. The Committee recommended various actions to be taken by the Reserve Bank, Government and other industry participants for promoting and increasing the use of electronic payments. The recommendations of the committee are in line with the 'Payment and Settlement Systems in India: Vision 2019–2021' released by the Reserve Bank. The core theme of the vision document is 'Empowering Exceptional (E)payment Experience' and aims at empowering every Indian with access to a bouquet of e-payment options that is secure, convenient, quick and affordable.

9.1 Tokenisation of Card Transactions

III.79 In January 2019, the Reserve Bank authorised card payment networks to offer tokenisation services, irrespective of the app provider, use case and token storage mechanism. There is no relaxation in the additional factor of authentication (AFA) or PIN entry requirement for authenticating the tokenised card transactions. Furthermore, registration for tokenisation service is purely voluntary for customers and they need not pay any charges for availing this service. At present, this facility is being offered through mobile phones and tablets.

9.2 Processing of e-mandate on cards and PPIs for recurring transactions

III.80 To balance convenience with safety and protection in card transactions, the Reserve Bank issued a framework that facilitates cardholders (credit card, debit card, prepaid cards or wallets) to register their e-mandates with their bank or non-bank for recurring small value transactions up to ₹ 2,000. An additional authentication aimed at validation by the issuer is mandatory during registration, modification and revocation of e-mandate, as well as during the first transaction. Card issuers are required to send alerts to cardholders before and after the transaction is effected, giving the cardholder the option to withdraw the e-mandate before the transaction or at any other point of time. Furthermore, a new PPI instrument which can be used only for purchase of goods and services upto a limit of ₹10,000 is proposed to be introduced.

9.3 National Electronic Toll Collection

III.81 National Electronic Toll Collection (NETC) is an interoperable *i.e.* multiple issuers-multiple acquirers electronic toll collection system which allows customers to pay the toll fare using passive tags linked to their bank accounts. The Reserve Bank granted final approval to the National Payments Corporation of India (NPCI) for operating the NETC system.

9.4 National Common Mobility Card

III.82 The Reserve Bank allowed relaxation in the requirement of additional factor of authentication for the National Common Mobility Card (NCMC) for contactless offline transit payments in December 2018. This was done on account of the nature of fast checkout time for transit payments, to enhance the use of electronic payments and facilitate interoperability across all public transport operators.

9.5 Real Time Gross Settlement System

III.83 In view of increasing customer demand, the timings for customer transactions in the Real Time Gross Settlement (RTGS) System have been extended and the RTGS system is now available from 7:00 am to 6:00 pm. The final cut-off timings for the RTGS system however, remained unchanged at 7:45 pm.

III.84 The sending of positive confirmations to remitters regarding the completion of the funds transfer was implemented for customers of the RTGS system, and banks were advised to ensure its operationalisation by January 15, 2019. This system, which was already available in the National Electronic Funds Transfer (NEFT) system, provides an assurance to the remitter that the funds have been successfully credited to the beneficiary account.

9.6 Waiver of Charges levied by the Reserve Bank in RTGS and NEFT systems

III.85 With effect from July 01, 2019 the Reserve Bank waived off the processing charges and time varying charges, levied by it on banks, for outward transactions undertaken using the RTGS system as also the processing charges levied by it for transactions processed in the NEFT system in order to provide an impetus to the digital funds movement. Banks were advised to pass on this benefit to their customers.

9.7 Deepening Digital Payments Ecosystem

III.86 The Reserve Bank directed all State and UT Level Bankers Committees (SLBCs and UTLBCs) to identify one district in their respective states and UTs, to make it 100 per cent digitally enabled within one year. It is envisaged that a bank with a significant footprint in the selected district will be engaged to enable every individual to make or receive payments digitally in a safe and convenient manner.

9.8 Regulatory Sandbox for Financial Service Providers

III.87 Based on the recommendations of an inter-regulatory working group and after a consultative process with stakeholders, an enabling framework for a regulatory sandbox (RS) was introduced in August 2019. The RS envisages live testing of new products or services in a controlled/test regulatory environment for which regulators may (or may not) permit certain regulatory relaxations for the limited purpose of testing. Areas that can potentially get a thrust from the RS include microfinance, innovative small savings and micro-insurance products, remittances, mobile banking and other digital payments.

III.88 On November 4, 2019 the Reserve Bank announced the opening of the first cohort under the RS, with 'retail payments' as its theme. This is expected to spur innovation in digital payments space and help in offering payment services to the unserved and underserved segment of the population. Mobile payments, including feature phone-based payment services; offline payment solutions; and contactless payments are among the innovative products and services to be considered for inclusion under RS.

9.9 Bharat Bill Payment System (BBPS)

III.89 BBPS is an interoperable platform for repetitive bill payments, which covered bills of five segments *viz*. Direct to Home (DTH), electricity, gas, telecom and water. During the year, the Reserve Bank expanded the scope and coverage of BBPS to include all categories of billers who raise recurring bills (except prepaid recharges) as eligible participants, on a voluntary basis.

9.10 'On-tap' Authorisation of Payment Systems

III.90 In order to diversify risk and to encourage innovation and competition, the Reserve Bank issued instructions for providing 'on tap' authorisation to desirous entities. The authorisation is subject to criteria such as merits of the proposal, capital and KYC requirements, and the interoperability among different retail payment systems. So far, Bharat Bill Payment Operating Unit (BBPOU), Trade Receivables Discounting System (TReDS), and White Label ATMs (WLAs) have been offered on-tap authorisation.

10. Overall Assessment

III.91 The banking and non-banking sectors are emerging from a turbulent and stressful period which has hampered their functioning and impeded financial intermediation more generally. The decision regarding mergers of the PSBs announced by the government is likely to transform the face of the banking sector. With the emergence of stronger, well-capitalised banks aided by cutting-edge technology and state-of-the-art payment systems, Indian banks have the potential to become global banking leaders. As current liquidity strains recede and solvency is shored up, NBFCs are expected to regain their niche in the financial system and expand the reach of the credit market to include all productive agents of the economy. The government and the Reserve Bank have played an active role in this revival of both categories of intermediaries. Going forward, the need of the hour is to continue the policy co-ordination with a view to developing a vibrant and secure banking system and a competitive and resilient NBFC sector.

IV OPERATIONS AND PERFORMANCE OF COMMERCIAL BANKS

During 2018-19, the asset quality of scheduled commercial banks turned around after a gap of seven years. With a concomitant reduction in provisioning requirements, the banking sector returned to profitability in the first half of 2019-20, while recapitalisation helped public sector banks in shoring up their capital ratios. The Insolvency and Bankruptcy Code gained traction, enhancing resolutions. Furthermore, credit growth revival that began in 2017-18 maintained momentum into 2018-19, led by private sector banks. Notwithstanding these gains, credit growth has turned anaemic in 2019-20 while the overhang of NPAs remains high; further improvements in banking sector hinge around a reversal in macroeconomic conditions.

1. Introduction

IV.1 The year 2018-19 marked a turnaround taking shape in the financial performance of India's commercial banking sector. After seven years of deterioration, the overhang of stressed assets declined, and fresh slippages were arrested. With the concomitant reduction in provisioning requirements, bottom lines improved modestly after prolonged stress and the banking sector returned to profitability after a gap of two years in the first half of 2019-20. Meanwhile, recapitalisation of public sector banks (PSBs) strengthened their capital base and the Insolvency and Bankruptcy Code (IBC) began to gain traction in enhancing resolutions.

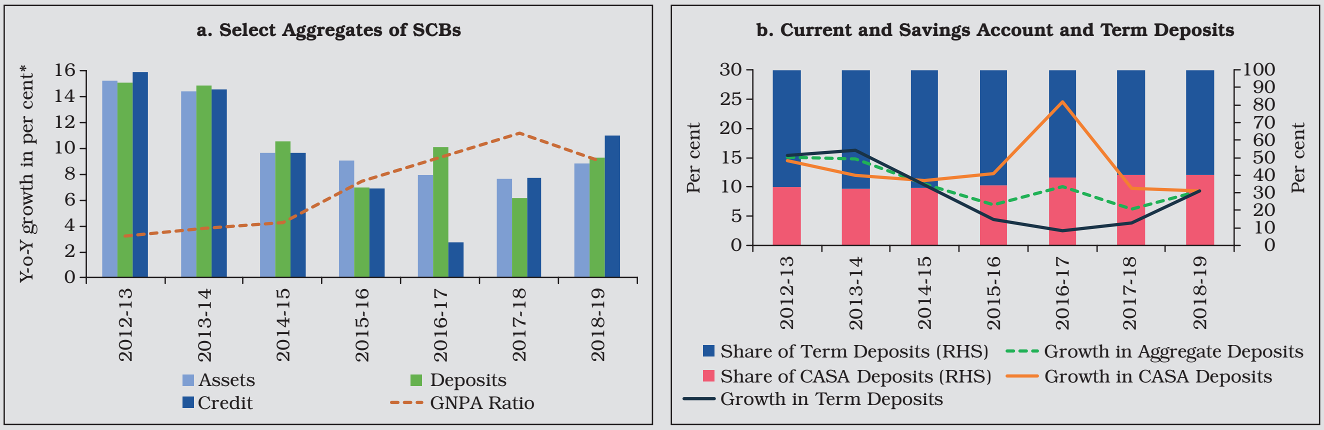
IV.2 Against this backdrop, this chapter analyses the audited balance sheets of the Indian banking sector during 2018-19 and 2019-20 so far, backed by information received through off-site supervisory returns in Section 2. On this basis, an evaluation of the financial performance of 94 SCBs and their soundness is presented in Sections 3 and 4. Sections 5 to 11 address specific themes that assumed importance during the period under review such as the sectoral deployment of credit, capital market interface, ownership patterns, foreign banks in India and overseas operations of Indian banks, payment system developments, consumer protection and financial inclusion. Developments related to regional rural banks (RRBs), local area banks (LABs), small finance banks (SFBs) and payments banks (PBs) are also analysed in Sections 12 to 15. Section 16 concludes the chapter by bringing together the major issues that emerge from the analysis.

2. Balance Sheet Analysis

IV.3 In 2018-19, the consolidated balance sheet of SCBs expanded at an accelerated pace for the first time since 2010-11, buoyed by a pick-up in deposits on the liabilities side and loans and advances on the assets side (Chart IV.1a and b).

IV.4 Although private sector banks (PVBs) account for less than a third of assets of SCBs, they led the expansion in the consolidated balance sheet of SCBs, offsetting the deceleration posted by PSBs (Table IV.1). Furthermore, despite the overall improvement in banking performance continuing during the first half of 2019-20, a slowing down of bank credit growth has emerged as an area of concern.

Chart IV.1: Balance Sheet of SCBs



***:** Except GNPA ratio which is in per cent.
Source: Annual accounts of banks and off-site returns (Global operations), RBI

Table IV.1: Consolidated Balance Sheet of Scheduled Commercial Banks
(At end-March)

(Amount in ₹crore)

Item	Public Sector Banks		Private Sector Banks		Foreign Banks		Small Finance Banks#		All SCBs	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
1. Capital	33,154	51,060	11,592	21,344	67,883	77,809	3,498	4,213	1,16,127	1,54,427
2. Reserves and Surplus	5,55,840	5,46,066	4,31,966	5,27,665	88,305	96,979	3,659	5,821	10,79,770	11,76,531
3. Deposits	82,62,322	84,86,215	30,13,688	37,70,013	4,94,901	5,81,857	23,094	49,178	1,17,94,005	1,28,87,262
3.1 Demand Deposits	5,43,630	5,52,461	4,37,408	5,17,356	1,43,538	1,71,907	966	1,955	11,25,543	12,43,679
3.2 Savings Bank Deposits	26,56,496	27,99,445	8,73,671	10,45,648	57,297	59,459	4,283	7,245	35,91,747	39,11,797
3.3 Term Deposits	50,62,196	51,34,309	17,02,609	22,07,008	2,94,066	3,50,491	17,845	39,978	70,76,715	77,31,786
4. Borrowings	8,47,034	7,61,612	6,88,188	7,75,324	1,27,690	1,51,367	19,398	21,367	16,82,309	17,09,670
5. Other Liabilities and Provisions	3,36,551	3,17,985	1,53,488	2,03,591	90,777	1,48,801	2,006	2,957	5,82,822	6,73,335
Total Liabilities/Assets	**1,00,34,901**	**1,01,62,938**	**42,98,921**	**52,97,937**	**8,69,556**	**10,56,813**	**51,655**	**83,537**	**1,52,55,033**	**1,66,01,224**
1. Cash and Balances with RBI	4,48,477	4,55,974	2,40,318	2,06,654	40,017	33,657	1,519	2,328	7,30,330	6,98,613
2. Balances with Banks and Money at Call and Short Notice	3,92,213	3,59,507	1,26,056	1,75,076	73,275	91,098	3,254	4,054	5,94,797	6,29,733
3. Investments	27,91,858	27,02,386	10,11,814	12,19,517	3,12,582	3,83,415	9,983	14,952	41,26,237	43,20,270
3.1 In Government Securities (a+b)	23,19,205	21,98,041	7,57,400	9,48,803	2,59,876	3,19,575	8,031	11,632	33,44,513	34,78,051
a) In India	22,89,822	21,67,070	7,51,458	9,30,104	2,52,063	3,05,772	8,031	11,632	33,01,375	34,14,578
b) Outside India	29,383	30,970	5,942	18,699	7,813	13,803	-	-	43,138	63,473
3.2 Other Approved Securities	244	157	-	-	-	-	-	-	244	157
3.3 Non-approved Securities	4,72,409	5,04,188	2,54,414	2,70,714	52,706	63,840	1,952	3,320	7,81,480	8,42,062
4. Loans and Advances	56,97,350	59,26,286	26,62,753	33,27,328	3,51,016	3,96,724	34,879	59,491	87,45,997	97,09,829
4.1 Bills Purchased and Discounted	2,34,188	1,66,381	95,125	1,17,234	74,201	76,557	0	4	4,03,515	3,60,177
4.2 Cash Credits, Overdrafts, *etc.*	24,14,793	24,89,272	7,86,825	9,45,461	1,44,602	1,66,037	4,022	5,948	33,50,242	36,06,719
4.3 Term Loans	30,48,368	32,70,633	17,80,803	22,64,633	1,32,212	1,54,129	30,856	53,538	49,92,240	57,42,934
5. Fixed Assets	1,10,041	1,07,318	26,293	36,142	4,509	4,426	1,031	1,251	1,41,874	1,49,137
6. Other Assets	5,94,962	6,11,466	2,31,688	3,33,221	88,157	1,47,493	990	1,461	9,15,797	10,93,641

Notes: 1. -: Nil/negligible.
2. IDBI Bank Limited has been categorised as a PVB for regulatory purposes by Reserve Bank with effect from January 21, 2019. As such, in this chapter, it has been classified as a PSB in 2017-18 and as a PVB in 2018-19, unless otherwise specified.
3. #: Data pertain to six scheduled SFBs at end-March 2018 and seven scheduled SFBs at end-March 2019.
4. Components may not add up to their respective totals due to rounding-off numbers to ₹crore.
5. Detailed bank-wise data on annual accounts are collated and published in Statistical Tables Relating to Banks in India, available at https://www.dbie.rbi.org.in

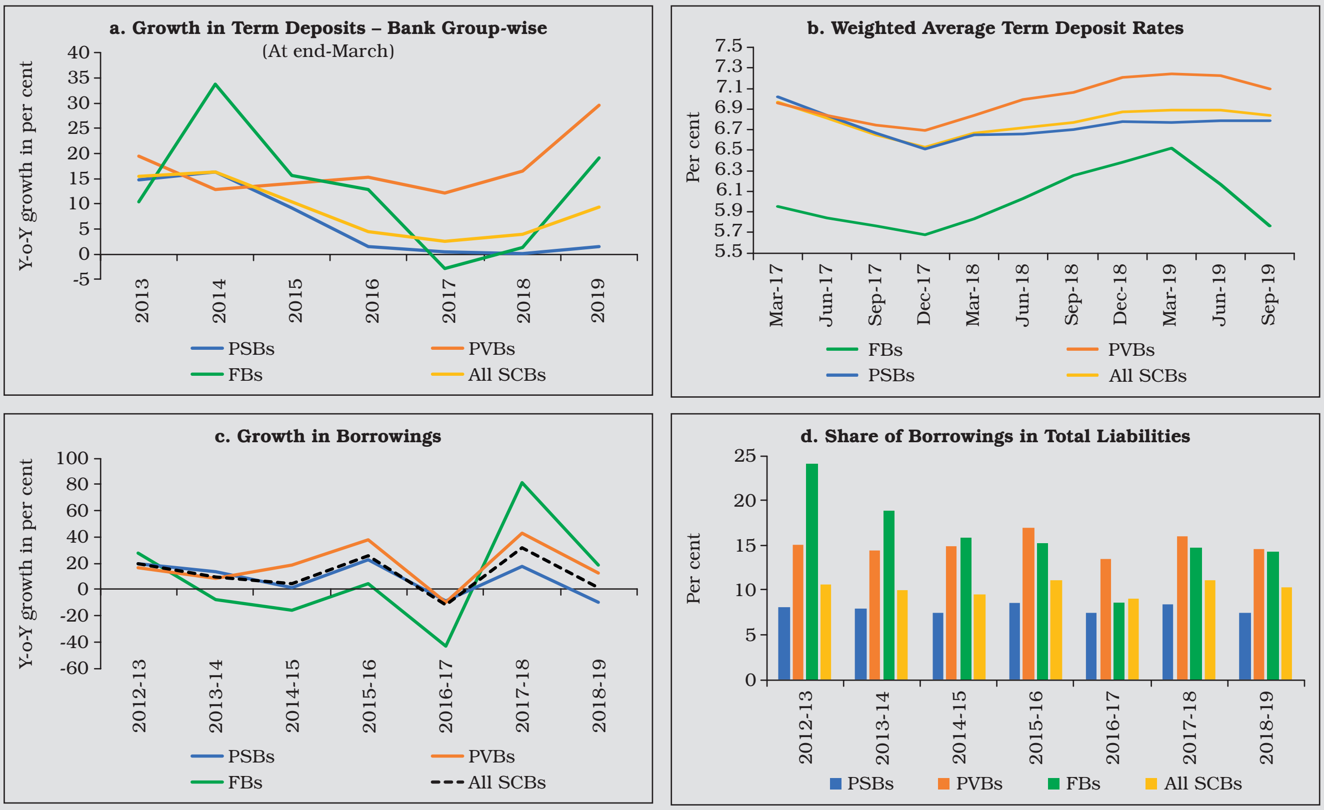
Source: Annual accounts of respective banks, *2.1 Liabilities*

IV.5 Deposits, which constituted 77.6 per cent of the total liabilities of SCBs at end-March 2019, recovered from a secular deceleration that set in from 2009-10, barring the demonetisation-induced spike in 2016-17. This turnaround overcame unfavourable base effects and was mainly driven by a pick-up in term deposits (Chart IV.2 a). PVBs attracted a significant portion – 77 per cent – of this increase in term deposits[1], primarily reflecting the higher interest rates offered by them (Chart IV.2 b). Current and savings account (CASA) deposits kept pace with term deposits and maintained their share in total deposits at 40 per cent. The expansion in deposit mobilisation tempered banks' borrowing requirements, especially those of PSBs (Chart IV.2 c and d).

2.2 Assets

IV.6 The revival in the growth of loans and advances – the most significant component in the asset side of the SCBs' balance sheet – that began in 2017-18, maintained momentum into 2018-19 (Chart IV.3). The recognition of non-performing assets (NPAs) nearing completion, recapitalisation of PSBs, and the ongoing resolution process under the Insolvency and Bankruptcy Code (IBC) helped in improving the credit environment.

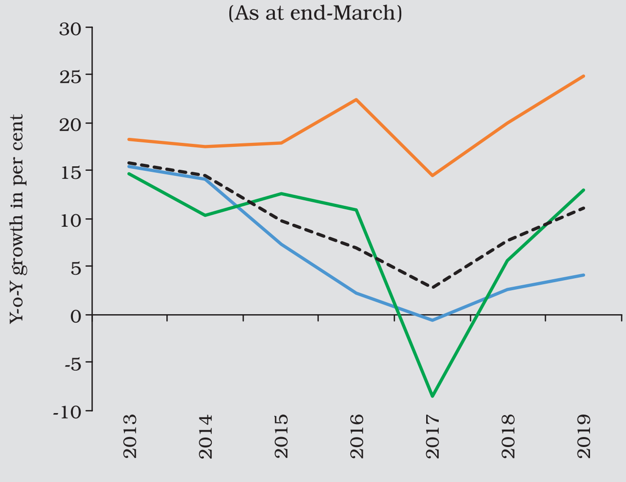
Chart IV.2: Deposits and Borrowings of SCBs



Note: IDBI Bank Ltd has been classified as a PVB in 2018-19 and as a PSB in 2017-18. Therefore, the growth rates may not be strictly comparable.
Source: Annual accounts of banks and RBI

[1] The average share of PVBs in the incremental term deposits during 2016-19 was 81 per cent *vis-à-vis* a 19 per cent in 2011-2015. Corresponding numbers for PSBs were 13 per cent and 77 per cent, respectively.

Chart IV.3: Bank Group-wise Growth in Advances
(As at end-March)



Note: IDBI Bank Ltd has been classified as a PVB in 2018-19 and as a PSB in 2017-18. Therefore, the growth rates may not be strictly comparable.
Source: Annual accounts of banks

IV.7 PVBs led the upturn in credit growth. Their share in incremental loans was 69 per cent in 2018-19 (Chart IV.4a), commensurate with their share in incremental deposits[2]. Consequently, their share in outstanding credit increased (Chart IV.4b). In H1:2019-20, however, credit growth has decelerated across all bank groups.

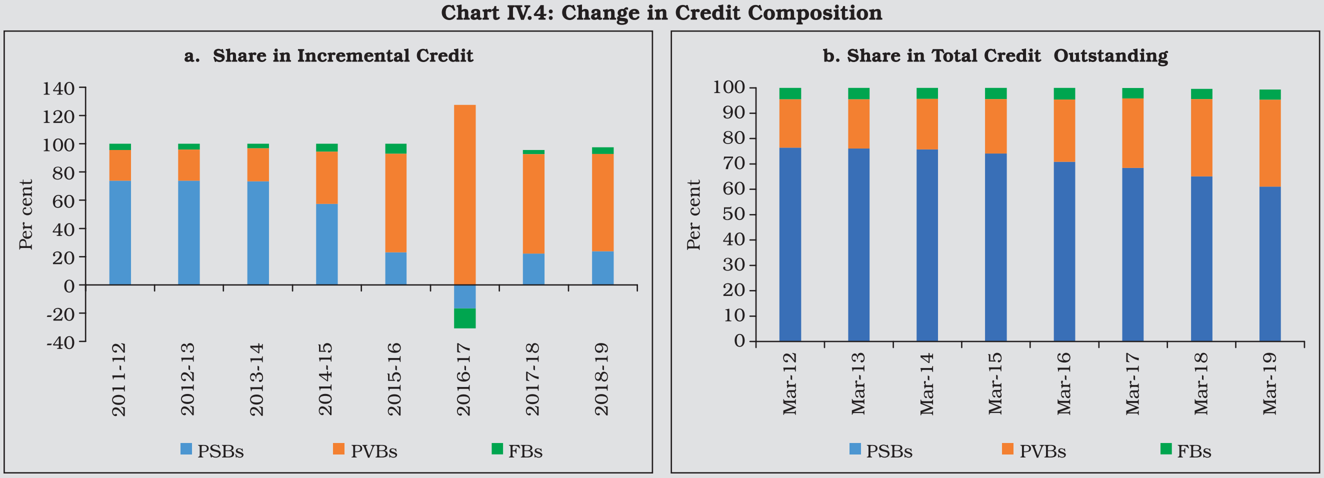
IV.8 India's credit to GDP ratio is lower than that of its emerging market peers[3]. The incremental credit to GDP ratio has been increasing since 2016-17 (Chart IV.5a), though the credit-GDP gap remains negative[4], indicative of the potential for further financial penetration. The outstanding C-D ratio increased marginally for the second consecutive year in 2018-19. The ratio was highest for PVBs as they led the credit expansion in 2018-19 (Chart IV.5b).

IV.9 Investments—the second largest component in the asset side of SCBs' balance sheet—decelerated in 2018-19, as PSBs economised on their investments in government securities and other approved securities, reflecting the shedding of excess statutory liquidity ratio (SLR) investments by them to accommodate the uptick in credit growth.

2.3 Flow of Funds to the Commercial Sector

IV.10 During 2018-19, credit flow from Housing Finance Companies (HFCs), Systemically Important Non-Deposit taking (NBFC-ND-SI)

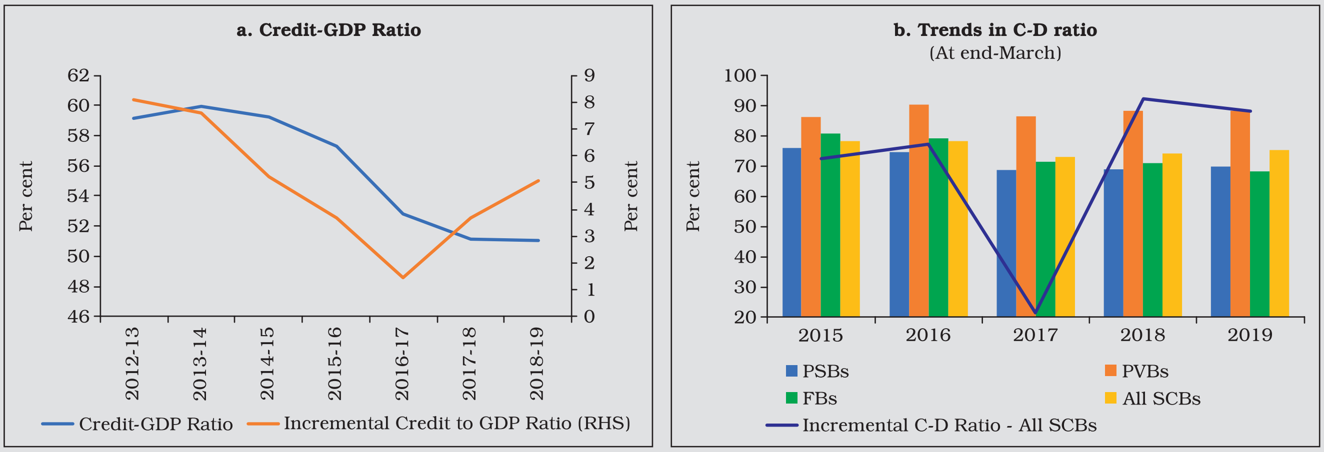
Chart IV.4: Change in Credit Composition



Source: Annual accounts of banks

2 The sharp growth is partly due to the base effect, emnating from the reclassification of IDBI Ltd. as a PVB as on January 21, 2019. However, even after accounting for this reclassification, the credit growth was led by PVBs.
3 Source: Bank for International Settlements (BIS), 2019 available at www.bis.org
4 Source: BIS, available at www.bis.org

Chart IV.5: Trends in Credit Ratios



Source: Annual accounts of banks and DBIE, RBI

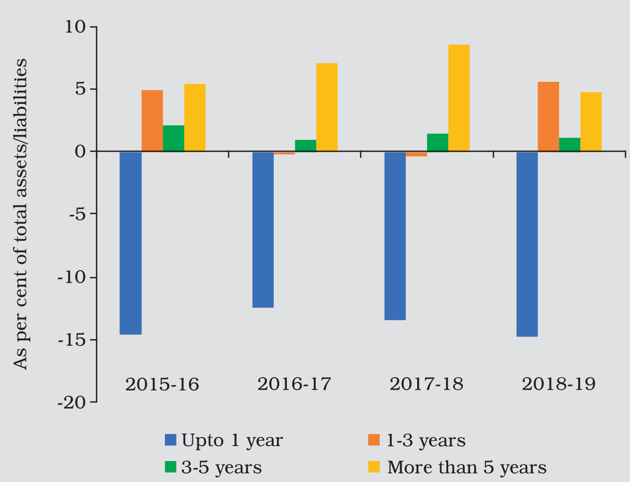
and Deposit taking NBFCs (NBFC-D) declined. Public issuances of debt and equity by non-financial entities and net investment in corporate debt by LIC also exhibited a similar pattern. On the contrary, a sharp rise in commercial paper issuances, higher accommodation provided by All India Financial Institutions (AIFIs) regulated by the Reserve Bank, and a pick-up in net flows from foreign sources partly compensated for the decline in non-bank flows. External commercial borrowings (ECB)/ foreign currency convertible bonds (FCCB) registered net inflows for the first time in four years, partly reflecting the new ECB framework introduced by the Reserve Bank to simplify overseas borrowing norms. Foreign direct investment (FDI) flows grew at 18.9 per cent in 2018-19 (Table IV.2).

IV.11 The scenario appears to have altered in the first half of 2019-20 as the total flow of resources to the commercial sector declined by 60 per cent on a year-on-year basis, largely driven by a contraction in adjusted non-food bank credit. Flows from foreign sources, in contrast, accelerated in the first half of 2019-20 as ECB norms were eased further in July 2019 (Table IV.2).

2.4 Maturity Profile of Assets and Liabilities

IV.12 As regards the maturity profile of SCBs' balance sheet, the asset-liability gap in the 1-3 years category increased sizeably, while it declined in the more than 5 years category (Chart IV.6). Although the maturity structure of liabilities for all the buckets remained broadly similar to a year ago, the share of loans with maturity above five years declined, whereas those with maturity between 1-3 years

Chart IV.6: Asset-Liability Gaps by Maturity Buckets



Notes: 1. Short-term is up to 1 years while long-term is more than 3 years.
2. Assets consists of loans and advances and investment. Liabilities consists of deposits and borrowings.

Source: Annual accounts of banks

Table IV.2: Flow of Financial Resources to Commercial Sector

(₹crore)

Source	April to March				April - September	
	2015-16	2016-17	2017-18	2018-19	2018-19	2019-20
A. Adjusted non-food Bank Credit (NFC)	**7,75,419**	**4,95,224**	**9,16,109**	**12,29,977**	**3,65,647**	**-52,971**
	(51.5)	**(33.6)**	**(42.8)**	**(52.4)**	**(36.8)**	**-(13.4)**
i) Non-Food Credit	7,02,358	3,88,247	7,95,897	11,46,677	3,50,565	-23,344*
of which: petroleum and fertilizer credit	-1,831	13,283	2,724	7,462	-6,774	-12,768
ii) Non-SLR Investment by SCBs	73,060	1,06,977	1,20,212	83,301	15,082	-29,627*
B. Flow from Non-banks (B1+B2)	**7,30,838**	**9,79,207**	**12,24,006**	**11,19,328**	**6,27,666**	**4,47,006**
	(48.5)	**(66.4)**	**(57.2)**	**(47.6)**	**(63.2)**	**(113.4)**
B1. Domestic Sources	**4,84,981**	**7,03,377**	**8,85,552**	**7,32,582**	**4,88,591**	**1,97,556**
	(32.2)	**(47.7)**	**(41.4)**	**(31.2)**	**(49.2)**	**(50.1)**
1. Public issues by non-financial entities	37,783	15,503	43,826	10,565	7,029	58,462
2. Gross private placements by non-financial entities	1,13,516	2,00,243	1,46,176	1,50,451	52,961	81,505
3. Net issuance of CPs subscribed to by non-banks	31,974	86,894	-25,377	1,36,089	1,79,232	-26,809
4. Net Credit by housing finance companies	1,18,803	1,37,390	2,19,840	1,65,893	99,780	5,874
5. Total accommodation by four RBI-regulated AIFIs - NABARD, NHB, SIDBI & EXIM Bank	47,153	46,939	95,048	1,13,568	61,881	-7,989
6. Systemically important non-deposit taking NBFCs and Deposit taking NBFCs (Net of bank credit)	98,851	1,88,748	3,68,243	1,26,006	77,547	53,862
7. LIC's net investment in corporate debt, infrastructure and social sector	36,900	27,661	37,797	30,011	10,162	32,651
B2. Foreign Sources	**2,45,858**	**2,75,829**	**3,38,454**	**3,86,746**	**1,39,075**	**2,49,450**
	(16.3)	**(18.7)**	**(15.8)**	**(16.5)**	**(14.0)**	**(63.3)**
1. External Commercial Borrowings / FCCB	-38,793	-50,928	-5,129	69,629	4,070	52,119
2. ADR/GDR Issues excluding banks and financial institutions	0	0	0	0	0	0
3. Short-term Credit from abroad	-9,607	43,465	89,606	15,184	-23,381	13,841$
4. Foreign Direct Investment to India	2,94,258	2,83,292	2,53,977	3,01,932	1,58,386	1,83,490
C. Total Flow of Resources (A+B)	**15,06,257**	**14,74,431**	**21,40,115**	**23,49,305**	**9,93,312**	**3,94,035**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**

Notes: $: Up to June 2019 *: Data pertain to the period April-September 27, 2019. Figures in the parentheses represent share in total flows.
Source: RBI, SEBI, BSE, NSE, Merchant Banks, LIC and NHB

increased sharply (Table IV.3). This indicates that the SCBs, especially PSBs, have shifted their lending strategy.

2.5 International Liabilities and Assets

IV.13 The total international liabilities and assets of banks located in India expanded further in 2018-19. The ratio of claims to liabilities declined marginally, as the latter outpaced the former. The ratio of international liabilities of banks to India's total external debt edged up during the year (Chart IV.7). On the liability side, accretions to Foreign Currency Non-resident Bank deposits [FCNR(B)] and Non-resident External Rupee (NRE) accounts picked-up while a build-up of NOSTRO balances, export bills and debt securities was primarily responsible for the enlargement in assets (Appendix Tables IV.9 and IV.10). India's share in global cross-border aggregates remained small – less than one per cent, as at end-March 2019[5].

[5] As per BIS data, available at https://stats.bis.org/statx/srs/table/a1?m=S.

Table IV.3: Bank Group-wise Maturity Profile of Select Liabilities/Assets
(As at end-March)

(Per cent to total under each item)

Liabilities/Assets	PSBs		PVBs		FBs		All SCBs#	
	2018	2019	2018	2019	2018	2019	2018	2019
1	2	3	4	5	6	7	8	9
I. Deposits								
a) Up to 1 year	44.8	43.6	42.4	42.9	63.0	64.2	45.0	44.4
b) Over 1 year and up to 3 years	23.2	22.4	25.3	26.8	28.9	28.6	24.0	24.0
c) Over 3 years and up to 5 years	10.0	10.7	10.7	9.5	8.0	7.2	10.0	10.2
d) Over 5 years	22.0	23.3	21.6	20.9	0.1	0.0	20.9	21.5
II. Borrowings								
a) Up to 1 year	60.2	61.6	45.7	47.9	89.1	87.5	56.3	57.4
b) Over 1 year and up to 3 years	13.4	14.1	22.2	19.8	5.8	8.1	16.8	16.5
c) Over 3 years and up to 5 years	8.4	8.3	12.9	14.0	2.2	1.8	9.8	10.3
d) Over 5 years	18.0	16.0	19.2	18.3	2.8	2.6	17.1	15.7
III. Loans and Advances								
a) Up to 1 year	32.8	26.0	31.9	31.3	59.1	57.8	33.6	29.2
b) Over 1 year and up to 3 years	26.3	41.2	33.8	34.1	20.9	21.0	28.4	37.9
c) Over 3 years and up to 5 years	12.7	12.4	12.8	12.9	8.0	7.9	12.5	12.4
d) Over 5 years	28.2	20.3	21.4	21.7	12.0	13.4	25.5	20.4
IV. Investment								
a) Up to 1 year	17.6	17.9	50.7	49.6	81.2	82.6	30.6	32.7
b) Over 1 year and up to 3 years	13.0	13.5	16.9	16.1	12.1	10.9	13.9	14.1
c) Over 3 years and up to 5 years	13.3	13.5	8.6	8.2	2.3	2.2	11.3	11.0
d) Over 5 years	56.2	55.1	23.7	26.1	4.4	4.2	44.2	42.2

Notes: 1. The sum of components may not add up to 100 due to rounding off.
2. #: Data includes SFBs.
Source: Annual accounts of banks

IV.14 The concentration of claims of short-term maturity in the total consolidated international claims of banks increased in 2018-19 (Appendix Table IV.11). The country-composition of international claims remained broadly stable, with the United States (US) increasing its share further (Appendix Table IV.12).

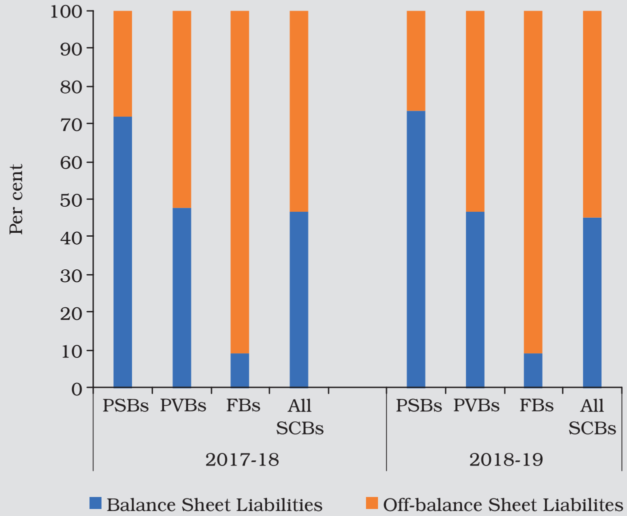
Chart IV.7: International Liabilities and Assets of Banks

Source: Annual accounts of banks and DBIE

2.6 Off-balance Sheet Operations

IV.15 The size of contingent liabilities of all SCBs in India increased to 1.2 times of their on-balance sheet as at end-March 2019, driven primarily by an expansion in forward exchange contracts, including derivative products (Appendix Table IV.2). The composition of on and off-balance sheet liabilities across bank groups has remained stable, with FBs and PVBs having significantly higher off-balance sheet exposures than PSBs (Chart IV.8).

Chart IV.8: On and Off-balance Sheet Liabilities of Banks



Source: Annual accounts of banks

3. Financial Performance

IV.16 The financial performance of SCBs in the period under review was marked by PSBs reporting positive net profits after 3 years in H1:2019-20. As provisioning requirements slackened and credit growth revived modestly, interest income increased, even though interest expenses picked up on account of the increase in deposit growth (Table IV.4). The net interest margin as well as the spread improved (Table IV.5)

IV.17 On the other hand, SCBs' income from non-interest sources declined, contributed by spreading of mark-to-market losses in government security portfolios and transfer of funds to the investment fluctuation reserve (IFR). Apart from these factors, the muted growth in off-balance sheet exposures, mainly guarantees, and a fall in income from trading and forex transactions adversely affected the PSBs. In H1:2019-20, however, the non-interest income of SCBs has revived.

Table IV.4: Trends in Income and Expenditure of Scheduled Commercial Banks

(Amount in ₹crore)

Item	2017-18		2018-19	
	Amount	Percentage Variation	Amount	Percentage Variation
1. Income	12,17,567	1.0	13,23,680	8.7
a) Interest Income	10,21,968	1.0	11,40,727	11.6
b) Other Income	1,95,598	1.2	1,82,953	-6.5
2. Expenditure	12,50,004	7.6	13,47,077	7.8
a) Interest Expended	6,53,510	-2.3	7,10,890	8.8
b) Operating Expenses	2,71,470	9.3	3,07,457	13.2
of which: Wage Bill	1,32,479	3.9	1,48,989	12.5
c) Provisions and Contingencies	3,25,024	33.3	3,28,731	1.1
3. Operating Profit	2,92,587	1.7	3,05,333	4.4
4. Net Profit	-32,438	-	-23,397	-
5. Net Interest Income (NII) (1a-2a)	3,68,458	7.5	4,29,837	16.7
6. Net Interest Margin (NII as Percentage of Average Assets)	2.5	-	2.7	-

Notes: 1. Data include SFBs.
2. Percentage variations could be slightly different as absolute numbers have been rounded off to ₹crore.

Source: Annual accounts of respective banks

IV.18 While the quantum of provisions declined for PSBs, it increased for PVBs in 2018-19, due to a rise in the latter's NPAs[6] (Chart IV.9). Similar movements were discernible in H1:2019-20.

IV.19 The provision coverage ratio (PCR) of all SCBs improved to 61 per cent by end-September 2019, as PSBs' gross NPAs declined faster than the decline in their provisions and PVBs' provisioning went up markedly (Chart IV.10).

IV.20 In the case of profitability ratios as well, differentials in performance of PSBs *vis-a-vis* PVBs were evident. For PVBs, both Return on Assets (RoA) and Return on Equity (RoE) worsened in 2018-19 from the previous year, although they were considerably better than those of PSBs (Table IV.6)[7]. In contrast, the latter

[6] After accounting for the reclassification of IDBI Bank Ltd as a PVB in 2018-19.

[7] Return on assets = Return on assets for the bank groups are obtained as weighted average of return on assets of individual banks in the group, weights being the proportion of total assets of the bank as percentage to total assets of all banks in the corresponding bank group and Return on equity = Net profit/Average total equity.

Table IV.5: Cost of Funds and Return on Funds - Bank Group-wise

(Per cent)

Bank Group / Year		Cost of Deposits	Cost of Borrowings	Cost of Funds	Return on Advances	Return on Investments	Return on Funds	Spread
1	2	3	4	5	6	7	8	9 = 8-5
PSBs	2017-18	5.1	4.7	5.1	7.8	7.1	7.5	2.5
	2018-19	5.0	4.8	5.0	8.1	7.2	7.8	2.8
PVBs	2017-18	4.9	6.2	5.2	9.5	6.9	8.8	3.6
	2018-19	5.1	6.6	5.4	9.8	7.0	9.0	3.6
FBs	2017-18	3.9	3.0	3.7	8.1	6.6	7.4	3.7
	2018-19	3.8	2.9	3.6	8.2	6.2	7.2	3.6
All SCBs	2017-18	5.0	5.3	5.1	8.3	7.0	7.9	2.8
	2018-19	5.0	5.5	5.1	8.7	7.1	8.2	3.1

Notes: 1. Cost of deposits = Interest paid on deposits/Average of current and previous year's deposits.
2. Cost of borrowings = (Interest expended - Interest on deposits)/Average of current and previous year's borrowings.
3. Cost of funds = Interest expended / (Average of current and previous year's deposits plus borrowings)
4. Return on advances = Interest earned on advances /Average of current and previous year's advances.
5. Return on investments = Interest earned on investments /Average of current and previous year's investments.
6. Return on funds = (Interest earned on advances + Interest earned on investments) / (Average of current and previous year's advances plus investments).
7. Data include SFBs. For PSBs and PVBs, data adjusted for reclassification of IDBI Bank Ltd.

Source: Calculated from balance sheets of respective banks

were more successful in reducing their losses, building on the improvement in their asset quality. There was an overall increase in profitability in H1:2019-20 as interest income accelerated and non-interest income revived. Supervisory data suggest that RoA of SCBs improved to 0.35 per cent at end-September 2019.

Table IV.6: Return on Assets and Return on Equity of SCBs – Bank Group-wise
(At end-March)

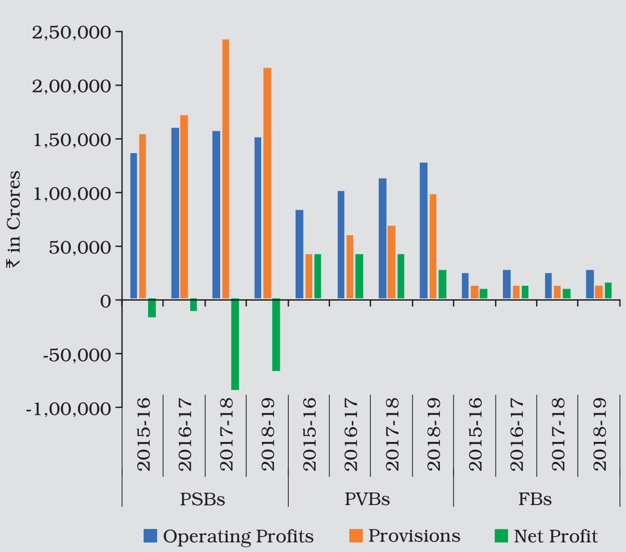
(Per cent)

Bank Group	Public Sector Banks		Private Sector Banks		Foreign Banks		All Scheduled Commercial Banks	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
RoA	-0.84	-0.65	1.14	0.63	1.34	1.56	-0.15	-0.09
RoE	-14.62	-11.44	10.12	5.45	7.16	8.77	-2.81	-1.85

Note: For PSBs and PVBs, data adjusted for reclassification of IDBI Bank Ltd.

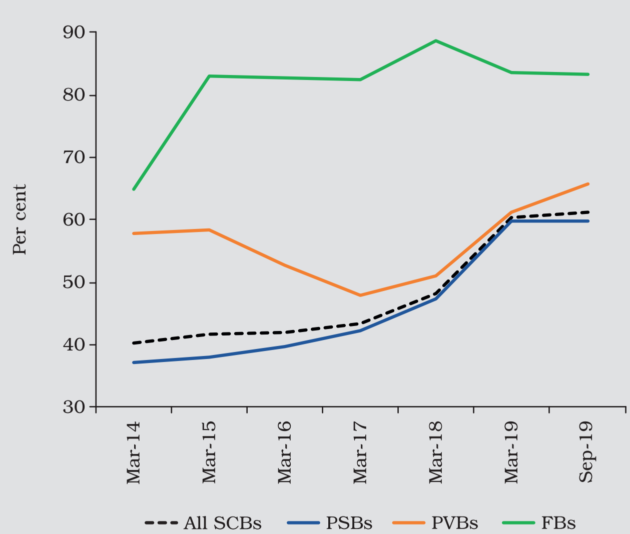
Source: Annual Accounts of Banks.

Chart IV.9: Provisioning and Profitability



Source: Annual Accounts of Banks

Chart IV.10: Provision Coverage Ratio



Note: Provision coverage ratio not adjusted for write-offs.

Source: Off-site returns (domestic operations), RBI

4. Soundness Indicators

IV.21 Soundness indicators are matrices that enable a comparison of financial health across banks and time. During 2018-19 and 2019-20 so far, there has been a gradual improvement in capital adequacy, liquidity and asset quality.

4.1 Capital Adequacy

IV.22 The capital to risk-weighted assets ratio (CRAR) of SCBs has been improving from the low of 13 per cent reached in 2014-15. Evidence suggests that strengthening the capital base of banks facilitates credit expansion in a non-linear fashion (Box IV.1)

Box IV.1: Threshold Bank Capital and Lending

Well-capitalised banks are able to withstand shocks without shrinking their balance sheets, especially their loans portfolio, while capital constrained banks are more likely to reduce lending (Cohen, 2013; Armstrong and Ebell, 2014). High capital cost and risk aversion act as additional impediments to lending activity. Recent empirical evidence points to a non-linear relationship between capital and lending, *i.e.*, loan books may pick up only after bank capital exceeds a critical threshold (Brei *et al.*, 2013).

A fixed effect panel threshold regression using annual data on 40 public and private sector banks for the period 2012-13 to 2018-19 suggests that the threshold CRAR – endogeneously determined in the model – is 13.2 per cent. This is higher than the minimum regulatory CRAR (including capital conservation buffer) of 10.875 per cent at end-March 2019. Testing whether this non-linear relationship has more than one threshold, the hypotheses of two and higher number of thresholds were rejected as bootstrap p-values were not found to be significant.

The relationship between CRAR and loan growth was found to be positive and significant below the threshold as well as above the threshold, although the size of β coefficients were larger below the threshold, *i.e.*, $\beta_1 > \beta_2$ (Table 1). Thus, additions to bank capital beyond the threshold have positive but declining marginal effects on lending, which is in line with empirical evidence elsewhere (Catalán *et al.*, 2017). These results remain robust even after controlling for banks' net interest margin (NIM), the share of liquid assets in total assets, deposit to loan ratio, stressed assets ratio and GDP. These results suggest that for banks in India, a 13.2 per cent CRAR would be optimal (Verma and Herwadkar, 2019).

Table 1: Estimates of Panel Threshold Regression Models with Two Regimes

Model	1	2	3
Dependent variable = Loan growth			
Threshold	13.17 p value= 0.022	13.17 p value= 0.034	13.13 p value= 0.044
CRAR			
β_1 (below the threshold)	1.495*** (-0.546)	1.395*** (0.56)	1.67*** (0.562)
β_2 (above the threshold)	0.861* (-0.476)	0.816* (0.49)	1.115** (0.485)
Control variables			
NIM	6.652*** (1.933)	6.467*** (1.835)	
Stress (-1)	-0.527** (0.266)	-0.784*** (0.268)	-0.52** (0.273)
Deposit to loan ratio (-1)		0.130** (0.059)	
Liquid assets to total assets (-1)	0.439** (0.192)		
Nominal GDP growth	0.78 (0.909)	0.992 (0.749)	1.659* (0.902)
Demonetisation dummy	Yes	No	Yes
Merger dummy	Yes	No	Yes
AQR dummy	Yes	No	Yes
Constant	-0.331*** (0.129)	-0.439*** (0.146)	-0.208 (0.129)
R^2	0.427	0.327	0.316
No. of observations	240	240	240
No. of bootstraps	500	500	500
Prob > F	0	0	0

Note: 1. Figures in parentheses refer to standard errors.
2. *p < 0.10, ** p < 0.05, *** p < 0.01

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Table IV.7: Component-wise Capital Adequacy of SCBs
(As at end-March)

(Amount in ₹crore)

	PSBs		PVBs		FBs		SCBs	
	2018	2019	2018	2019	2018	2019	2018	2019
1. Capital Funds	**6,57,750**	**6,38,553**	**5,15,690**	**6,01,046**	**1,48,701**	**1,69,620**	**13,22,141**	**14,09,220**
i) Tier I Capital	5,26,997	5,18,963	4,47,009	5,27,007	1,40,698	1,59,211	11,14,704	12,05,181
ii) Tier II Capital	1,30,753	1,19,590	68,681	74,039	8,003	10,409	2,07,438	2,04,038
2. Risk Weighted Assets	**56,41,360**	**52,32,524**	**31,38,270**	**37,39,838**	**7,79,937**	**8,74,407**	**95,59,566**	**98,46,768**
3. CRAR (1 as % of 2)	**11.7**	**12.2**	**16.4**	**16.1**	**19.1**	**19.4**	**13.8**	**14.3**
Of which: Tier I	9.3	9.9	14.2	14.1	18.0	18.2	11.7	12.2
Tier II	2.3	2.3	2.2	2.0	1.1	1.2	2.2	2.1

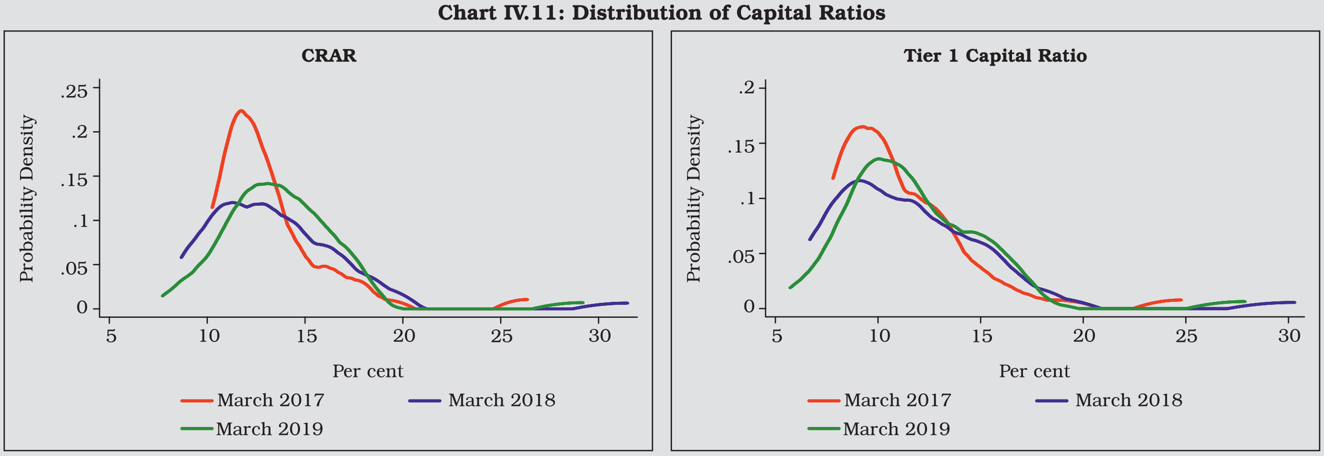
Source: Off-site returns (domestic operations), RBI

IV.23 PSBs led the recovery in capital ratios in 2018-19. Recapitalisation to the tune of ₹90,000 crores in 2017-18 and ₹1,06,000 crores in 2018-19 bolstered their capital position, even as they battled with the overhang of impaired assets. PVBs and FBs remained well capitalised and above the regulatory minimum of 10.875 per cent for March 2019, though the former experienced a marginal decline in CRAR[8] in 2018-19 (Table IV.7).

IV.24 Notably, PSBs' risk-weighted assets (RWAs) have contracted in the past two years, reflective of a change in their risk profile in favour of less risky borrowers with high credit ratings. Furthermore, all bank groups maintained robust Tier 1 capital ratios to comply with the capital conservation buffer (CCB) requirement under the Basel III norms. This improvement was broad-based as evident in the rightward shift in the distributions of capital ratios (Chart IV.11).

IV.25 In H1: 2019-20, SCBs' CRAR and the Tier 1 capital ratio improved further to 15.1 per cent and 13.0 per cent respectively, led by PSBs and PVBs. The Government has announced another tranche of recapitalisation of ₹70,000 crores in PSBs in 2019-20, which is expected to better their capital position, going forward.

Chart IV.11: Distribution of Capital Ratios



Note: The chart pertains to SCBs excluding foreign banks.
Source: Off-site returns (domestic operations), RBI

[8] Even after accounting for the reclassification of IDBI Bank Ltd as a PVB.

4.2 Leverage Ratio

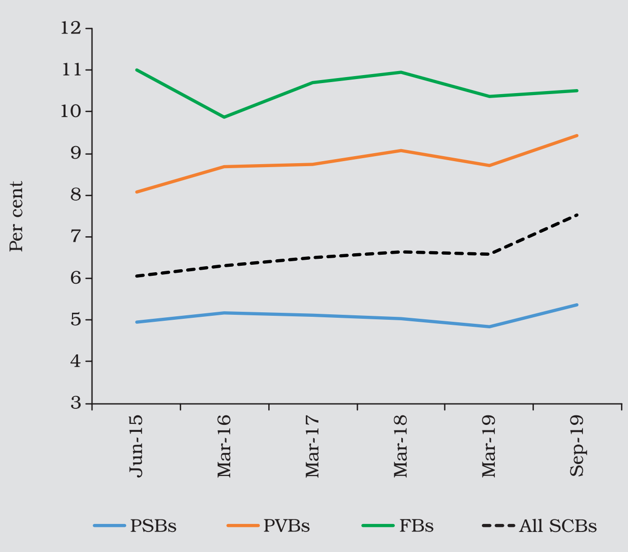
IV.26 The leverage ratio (LR), defined as the ratio of Tier 1 capital to total exposure (including off-balance sheet exposure), is calibrated to act as a supplementary measure to the CRAR under Basel III to constrain the build-up of leverage. At end-March 2019, the leverage ratio of SCBs was at 6.6 per cent, above the Pillar I prescription of 3 per cent by the Basel Committee on Banking Supervision (BCBS). All bank groups experienced a slight decrease in their LRs in 2018-19, mostly due to growth in total exposures during the year; however, this trend has been reversed in H1: 2019-20 (Chart IV.12). The Reserve Bank revised the minimum leverage ratio requirements for banks, effective October 1, 2019[9].

4.3 Liquidity Standards

IV.27 The Basel III framework prescribes two minimum liquidity standards, *viz.*, the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). While the LCR promotes short-term resilience of banks in dealing with potential liquidity disruptions lasting for 30 days, the NSFR requires banks to fund their activities with stable sources of funding over the time horizon extending to one year. The former has been implemented in India since January 1, 2015 and the latter – defined as the ratio of available stable funding (ASF) to required stable funding (RSF) – will be effective from April 1, 2020.

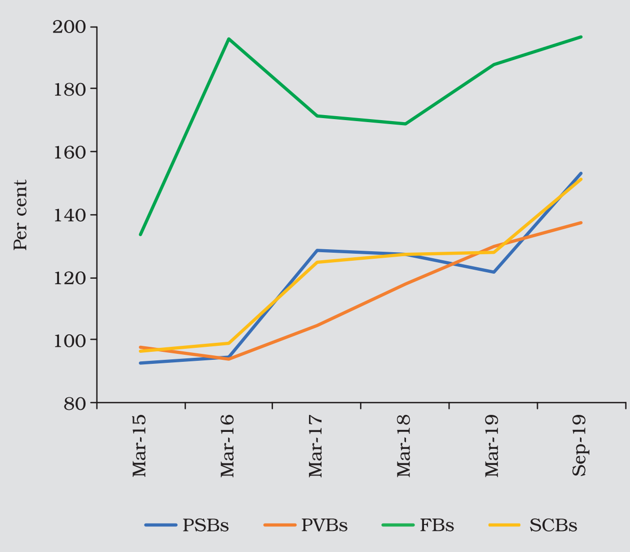
IV.28 Banks have been allowed to carve out Level 1 high quality liquid assets (HQLAs) from within the statutory liquidity ratio (SLR) for computing LCR, the limit for which is presently set at 16.5 per cent of net demand and time liabilities (NDTL). To encourage credit flow to the NBFC sector, additional carve-outs were also prescribed. The LCR of SCBs improved further in 2018-19 and in H1: 2019-20 and remained well above the Basel III requirement of 100 per cent (Chart IV.13).

Chart IV.12: Leverage Ratio



Source: Off-site returns (global operations), RBI

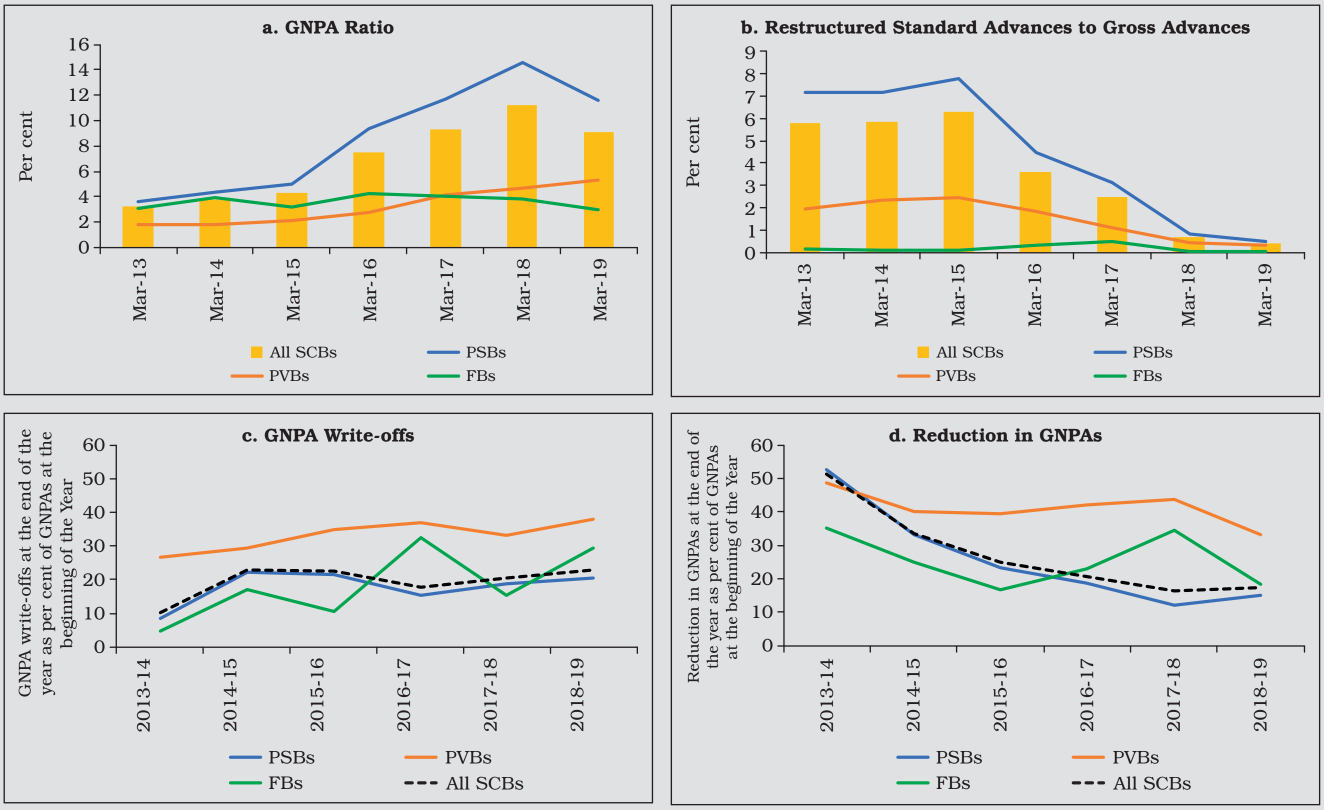
Chart IV.13: Liquidity Coverage Ratio



Source: Off-site returns (global operations), RBI

[9] Please refer Chapter III for details.

Chart IV.14: Asset Quality of Banks



Note: GNPA ratio is calculated using annual accounts of banks and off-site returns (global operations).
Source: Annual accounts of banks and Off-site returns.

4.4 Non-performing Assets

IV.29 The GNPA ratio of all SCBs declined in 2018-19 after rising for seven consecutive years (Chart IV.14 a), as recognition of bad loans neared completion. Decline in the slippage ratio[10] as well as a reduction in outstanding GNPAs helped in improving the GNPA ratio (Chart IV.14 c and d). While a part of the write-offs was due to ageing of the loans, recovery efforts received a boost from the IBC. The restructured standard advances to gross advances ratio began declining after the asset quality review (AQR) in 2015 and reached 0.55 per cent at end-March 2019 (Chart IV.14 b).

IV.30 All bank groups recorded an improvement in asset quality, with PSBs experiencing a drop both in the GNPA and in the net NPA ratios (Table IV.8). The deteriorating asset quality of PVBs in terms of the GNPA ratio is due to the reclassification of IDBI Bank Ltd as a private bank effective January 21, 2019; however, after excluding IDBI Bank Ltd, PVBs' GNPA ratio declined. Supervisory data suggest that the GNPA ratio of SCBs remained stable at 9.1 per cent at end-September 2019.

IV.31 Consistent with these developments, the proportion of standard assets in total advances of SCBs increased in 2018-19, largely because of the improved performance of PSBs. The corresponding improvement in sub-standard and doubtful assets was partly reversed by an increase in the loss account (Table IV.9).

[10] Slippage ratio is defined as (Fresh accretion of NPAs during the year/Total standard assets at the beginning of the year) *100

Table IV.8: Trends in Non-performing Assets - Bank Group-wise

(Amount in ₹crore)

Item	PSBs*	PVBs^	FBs	All SCBs#
Gross NPAs				
Closing Balance for 2017-18	8,95,601	1,29,335	13,849	10,39,679
Opening Balance for 2018-19	8,95,601	1,29,335	12,733	10,38,684
Addition during the year 2018-19	2,16,763	90,526	6,114	3,14,449
Reduction during the year 2018-19	1,33,844	42,748	2,557	1,79,711
Written-off during the year 2018-19	1,83,391	49,098	4,048	2,36,948
Closing Balance for 2018-19	7,39,541	1,83,604	12,242	9,36,474
Gross NPAs as per cent of Gross Advances**				
2017-18	14.6	4.7	3.8	11.2
2018-19	11.6	5.3	3.0	9.1
Net NPAs				
Closing Balance for 2017-18	4,54,473	64,380	1,548	5,20,838
Closing Balance for 2018-19	2,85,123	67,309	2,050	3,55,076
Net NPAs as per cent of Net Advances				
2017-18	8.0	2.4	0.4	6.0
2018-19	4.8	2.0	0.5	3.7

Notes: 1. *: Includes IDBI Bank Ltd for closing balance for 2017-18 and opening balance for 2018-19.
2. ^: Includes IDBI Bank Ltd for addition, recovery, writing off and closing balance for 2018-19.
3. #: Data include six scheduled SFBs at end-March 2018 and seven scheduled SFBs at end-March 2019.
4. **: Calculated by taking gross NPAs from annual accounts of respective banks and gross advances from off-site returns (global operations).

Source: Annual accounts of banks and off-site returns (global operations), RBI

IV.32 NPAs in the larger borrowal accounts (exposure of ₹5 crore or more) had contributed 91 per cent of total GNPAs in 2017-18 after the Reserve Bank withdrew various restructuring schemes. In 2018-19, however, SCBs recorded a synchronised decline in all the special mention accounts (SMA-0, SMA-1 and SMA-2), restructured standard advances (RSA) and GNPAs, attesting to the broad-based improvement in asset quality. Yet, these accounts – which constituted 53 per cent of gross loans and advances – contributed 82 per cent of GNPAs at end-March 2019. Furthermore, stress in large borrowal accounts has been on the rise for both PVBs and PSBs in H1: 2019-20 (Chart IV.15).

4.5 Recoveries

IV.33 Recovery of stressed assets improved during 2018-19 propelled by resolutions under the IBC, which contributed more than half of the total amount recovered. However, recovery rates[11] yielded by major resolution mechanisms (except Lok Adalats) declined in 2018-19, especially through the SARFAESI mechanism (Table IV.10). Cases referred for recovery under various mechanisms grew over 27 per cent in volume and tripled in value during the year,

Table IV.9: Classification of Loan Assets - Bank Group-wise

(Amount in ₹crore)

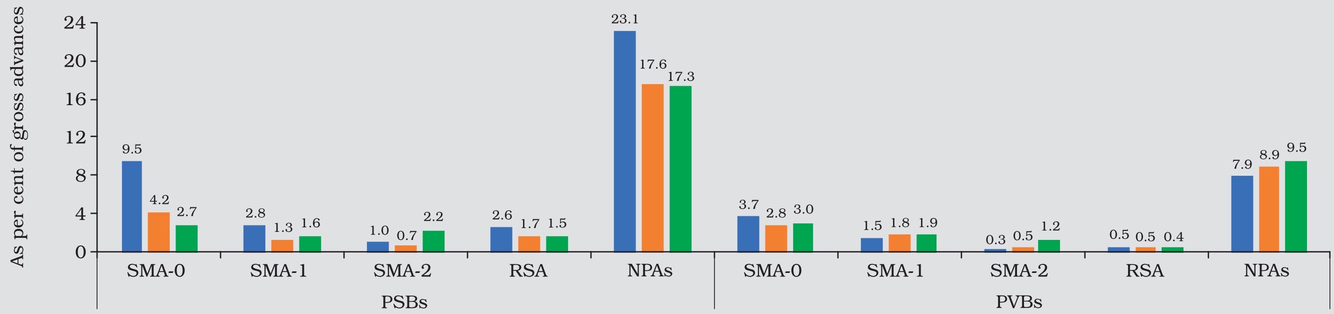
Bank Group	End-March	Standard Assets		Sub-Standard Assets		Doubtful Assets		Loss Assets	
		Amount	Per cent*	Amount	Per cent*	Amount	Per cent*	Amount	Per cent*
PSBs#	2018	46,02,125	84.5	2,05,340	3.8	5,93,615	10.9	46,521	0.9
	2019	50,86,874	87.8	1,37,377	2.4	5,06,492	8.7	66,239	1.1
PVBs^	2018	24,50,552	96.0	27,203	1.1	69,978	2.7	5,243	0.2
	2019	31,03,581	95.2	42,440	1.3	1,04,696	3.2	9,576	0.3
FBs	2018	3,49,475	96.2	3,831	1.1	8,364	2.3	1,635	0.5
	2019	3,94,699	97.0	3,163	0.8	7,985	2.0	1,034	0.3
All SCBs**	2018	74,02,152	88.1	2,36,374	2.8	6,71,957	8.0	53,398	0.6
	2019	85,85,154	90.2	1,82,980	1.9	6,19,173	6.5	76,849	0.8

Notes: 1. Constituent items may not add up to the total due to rounding off.
2. *: As per cent to gross advances.
3. #: Includes IDBI Bank Ltd for 2018.
4. ^: Includes IDBI Bank Ltd for 2019.
5. **: Excludes SFBs.

Source: Off-site returns (domestic operations), RBI

[11] Defined as the amount recovered as a per cent of amount involved.

Chart IV.15: Stress in Large Borrowal Accounts



Note: RSA: Restructured standard advances.
SMA-0: where principal or interest payment was not overdue for more than 30 days but the account showed signs of incipient stress;
SMA-1: where principal or interest payment was overdue for 31-60 days;
SMA-2: where principal or interest payment was overdue for 61-90 days.
Source: Central Repository of Information on Large Credits (CRILC) database, RBI

leading to a pile-up of bankruptcy proceedings. This highlights the need to strengthen and expand the supportive infrastructure.

IV.34 As cases referred for recovery through legal mechanisms shot up, cleaning up of balance sheets *via* sale of stressed assets to asset reconstruction companies (ARCs) decelerated on a y-o-y basis and declined as a proportion to GNPAs at the beginning of 2018-19 (Chart IV.16). However, the acquisition cost of ARCs as a proportion to the book value of assets increased further, indicating that banks had to incur lesser haircuts on account of these sales.

IV.35 The share of subscriptions by banks to security receipts (SRs) issued by ARCs declined to 69.5 per cent by end-June 2019 from 79.8 per cent a year ago, in line with the agenda to reduce their investments in SRs and to diversify investor base in SRs (Table IV.11).

4.6 Frauds in the Banking Sector

IV.36 Frauds, especially the larger ones, tend to get reported with a lag. Thus, even though

Table IV.10: NPAs of SCBs Recovered through Various Channels

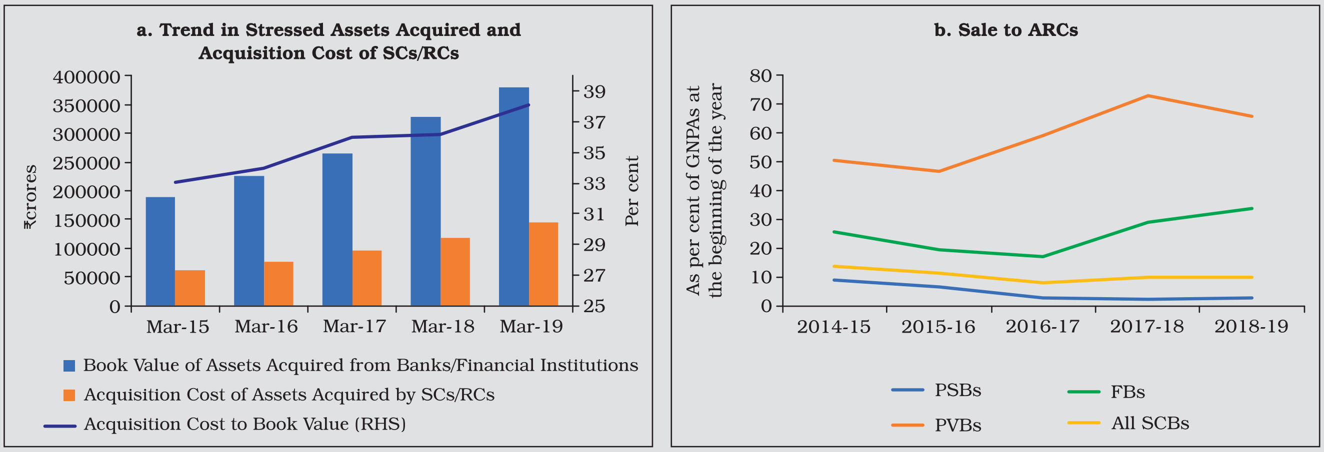
(Amount in ₹crore)

Recovery Channel	2017-18				2018-19 (P)			
	No. of cases referred	Amount involved	Amount recovered*	Col. (4) as per cent of Col. (3)	No. of cases referred	Amount involved	Amount recovered*	Col. (8) as per cent of Col. (7)
1	2	3	4	5	6	7	8	9
Lok Adalats	33,17,897	45,728	1,811	4.0	40,80,947	53,506	2,816	5.3
DRTs	29,345	1,33,095	7,235	5.4	52,175	3,06,499	10,574	3.5
SARFAESI Act	91,330	81,879	26,380	32.2	2,48,312	2,89,073	41,876	14.5
IBC	704@	9,929	4,926	49.6	1,135@	1,66,600	70,819	42.5
Total	**34,39,276**	**2,70,631**	**40,352**	**14.9**	**43,82,569**	**8,15,678**	**1,26,085**	**15.5**

Notes: 1. P: Provisional.
2. *: Refers to the amount recovered during the given year, which could be with reference to the cases referred during the given year as well as during the earlier years.
3. DRTs: Debt Recovery Tribunals; SARFAESI Act: The Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002.
4. @: Cases admitted by National Company Law Tribunals (NCLTs).
5. Figures relating to IBC for 2017-18 and 2018-19 are calculated by adding quarterly numbers from IBBI newsletters.

Source: Off-site returns, RBI and IBBI.

Chart IV.16: Stressed Asset Sales to ARCs



Source: Quarterly statements submitted by ARCs and off-site returns (domestic operations), RBI

the number of cases of fraud reported by banks as well as the amount involved spiked during 2018-19, both would be trending lower if analysed on the basis of the date of occurrence (Table IV.12 and Table IV.13). In February 2018, the government issued a framework for timely detection, reporting and investigation relating to frauds in PSBs, which required them to evaluate NPA accounts exceeding ₹50 crores from the angle of possible frauds, to supplement the earlier efforts to unearth fraudulent transactions. This appears to have caused the sharp jump in reported frauds in 2018-19.

Table IV.11: Details of Financial Assets Securitised by ARCs

(Amount in ₹crore)

Item	Jun-16	Jun-17	Jun-18	Jun-19
1. Book Value of Assets Acquired	2,37,653	2,62,733	3,30,563	3,88,069
2. Security Receipt issued by SCs/RCs	79,020	93,918	1,20,308	1,46,409
3. Security Receipts Subscribed to by				
(a) Banks	65,119	77,653	95,951	1,01,733
(b) SCs/RCs	11,406	14,159	20,165	27,480
(c) FIIs	326	326	505	1,735
(d) Others (Qualified Institutional Buyers)	2,170	1,779	3,686	15,521
4. Amount of Security Receipts Completely Redeemed	7,200	7,355	8,830	12,906
5. Security Receipts Outstanding	64,117	78,312	98,118	1,14,615

Source: Quarterly statements submitted by ARCs

IV.37 Frauds have been predominantly occurring in the loan portfolio, both in terms of number and value. Incidents relating to other areas of banking *viz.*, card/internet, off-balance sheet and forex transactions, in terms of value, have reduced (in terms of date of reporting) in 2018-19 *vis-à-vis* the previous year. The *modus operandi* of large value frauds[12] – that account for 86.4 per cent of all frauds reported during the year in terms of value – involved, *inter alia*, diversion of funds by borrowers through various means, mainly *via* associated or shell companies; accounting irregularities; manipulating financial or stock statements; opening current accounts with banks outside the lending consortium without a no-objection certificate from lenders; and devolving of Letter of Credits (LCs).

IV.38 PSBs accounted for a bulk of frauds reported in 2018-19 – 55.4 per cent of the

[12] Involving ₹50 crore or above

Table IV.12: Frauds in Various Banking Operations Based on the Date of Reporting

(At end-March)

(Cases in number and amount in ₹crore)

	2014-15		2015-16		2016-17		2017-18		2018-19	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Advances	2,251	17,122	2,125	17,368	2,322	20,561	2,525	22,558	3,606	64,548
Card/Internet	845	52	1,191	40	1,372	42	2,059	110	1,866	71
Deposits	876	437	757	809	695	903	691	457	593	148
Cash	153	43	160	22	239	37	218	40	274	56
Others	179	162	176	146	153	77	138	242	197	244
Cheques/demand drafts	254	26	234	25	235	40	207	34	189	34
Off-balance sheet	10	699	4	132	5	63	20	16,288	33	5,538
Clearing, etc accounts	29	7	17	87	27	6	37	6	24	209
Foreign exchange transactions	16	899	17	51	16	2,201	9	1,426	13	695
Non-resident accounts	22	8	8	9	11	3	6	5	3	0
Inter-branch accounts	4	0	4	10	1	1	6	1	3	0
Total	**4,639**	**19,455**	**4,693**	**18,699**	**5,076**	**23,934**	**5,916**	**41,167**	**6,801**	**71,543**

Notes: 1. Refers to frauds of ₹1 lakh and above.
2. The figures reported by banks & FIs are subject to change based on revisions filed by them.
3. Frauds reported in a year could have occurred several years prior to year of reporting.
4. Amounts involved reported do not reflect the amount of loss incurred. Depending on recoveries, the loss incurred gets reduced. Further, the entire amount involved is not necessarily diverted.

Source: RBI

number of cases reported and 90.2 per cent of the amount involved – mainly reflecting the lack of adequate internal processes, people and systems to tackle operational risks. PVBs' and FBs' shares in the former stood at 30.7 per cent and 11.2 per cent, whereas their shares in the latter were 7.7 per cent and 1.3 per cent, respectively. PSBs' share in the value of large frauds was even higher at 91.6 per cent in 2018-19.

Table IV.13: Frauds in Various Banking Operations Based on the Date of Occurrence

(At end-March)

(Cases in number and amount in ₹crore)

	Prior to 2014-15		2014-15		2015-16		2016-17		2017-18		2018-19	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Advances	6,268	87,374	1,897	18,168	1,743	14,570	1,265	9,550	1,024	8,863	632	3,634
Card/Internet	271	16	918	58	1,173	43	1,367	40	2,127	101	1,477	58
Deposits	657	935	790	214	719	600	602	665	524	294	320	45
Cash	54	21	159	36	155	20	276	41	207	38	193	40
Others	236	450	161	33	133	165	132	50	98	146	83	27
Cheques/demand drafts, etc.	92	26	272	23	235	31	217	33	199	34	104	12
Off-balance sheet	23	1,980	13	1,720	11	1,132	13	15,023	4	298	8	2,569
Clearing, etc accounts	17	15	23	79	19	4	29	7	33	5	13	205
Foreign exchange transactions	20	1,004	18	3,361	9	205	15	473	5	83	4	145
Non-resident accounts	15	16	16	3	6	0	7	1	5	4	1	0
Inter-branch accounts	5	2	2	0	4	9	4	1	2	0	1	-
Total	**7,658**	**91,839**	**4,269**	**23,695**	**4,207**	**16,779**	**3,927**	**25,884**	**4,228**	**9,866**	**2,836**	**6,735**

Notes: 1. Refers to frauds of ₹1 lakh and above.
2. The figures reported by banks & FIs are subject to change based on revisions filed by them.
3. Data based on 'date of occurrence' may change for a period of time as frauds reported late but having occurred earlier would get added. For example, for frauds occurring in 2016-17, the data generated as on April 1, 2018 would be different from the one generated on April 1, 2019 because the frauds reported between April 1, 2018 and March 31, 2019 but occurred in the year 2016-17 get added in latter report.

Source: RBI

5. Sectoral Bank Credit: Distribution and NPAs

IV.39 In response to the mounting NPAs of the industrial sector since 2012-13, banks diversified their portfolios towards services and retail loans (Chart IV.17 a). Within retail loans, the dominant share of housing has increased (Chart IV.17 b).

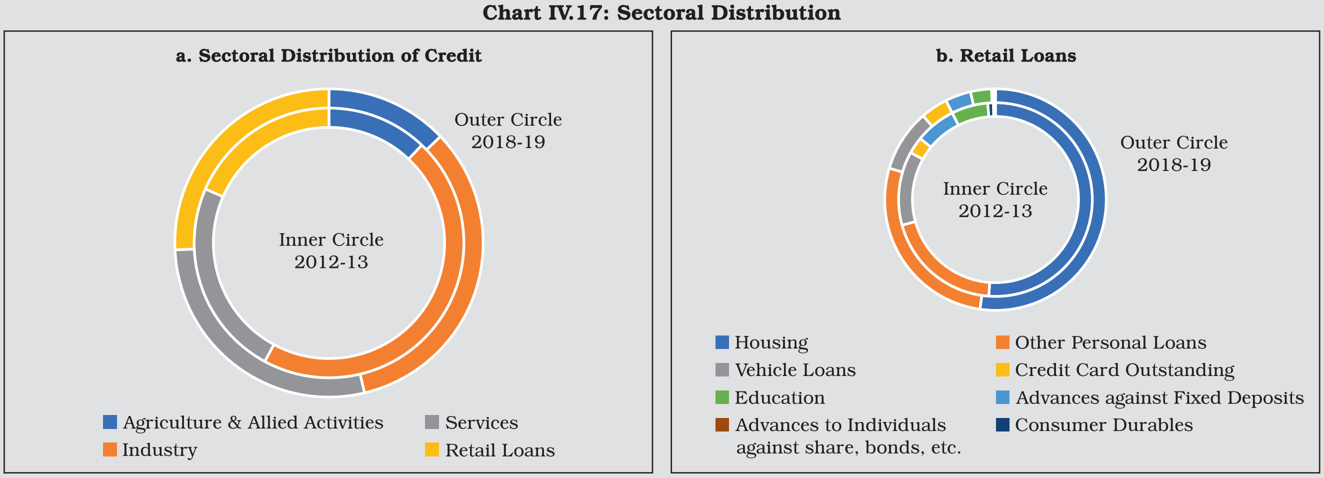
IV.40 During 2018-19, bank credit to agriculture accelerated, mainly on the back of expanding the ambit of the interest subvention scheme provided by the Government for ensuring availability of credit to the sector at a reasonable cost and enhancement of the limit for collateral free agricultural loan by the Reserve Bank; however, it has declined significantly in H1: 2019-20 (Table IV.14). Disconcertingly, the GNPA ratio in bank lending to the agriculture sector increased in 2018-19 as well as in H1: 2019-20 (Chart IV.18 a). In fact, analysis by the Internal Working Group (Chairman: Shri M. K. Jain) constituted by the Reserve Bank to review agricultural credit indicates that NPA levels have increased for those states that announced farm loan waiver programmes in 2017-18 and in 2018-19.

IV.41 Bank credit to industry decelerated in 2018-19 and in 2019-20 so far, partly tracking the slowdown in industrial production (Table IV.14). In 2018-19, out of the 19 industry sub-groups, credit accelerated only to 8 as compared with 12 in the previous year. Other sub-sectors such as food processing, textiles, paper and paper products, petroleum and coal products, gems and jewellery, and basic metals also experienced a decline in credit flows.

IV.42 The quality of banks' industrial assets improved in 2018-19 and in H1:2019-20, helped by a decline in fresh slippages and increase in recoveries through the IBC. Large industries posted the best progress in this regard (Chart IV.18 b). Notwithstanding, industrial GNPA ratio remained high at 17.4 per cent, constituting about two-thirds of total NPAs at the end of September 2019.

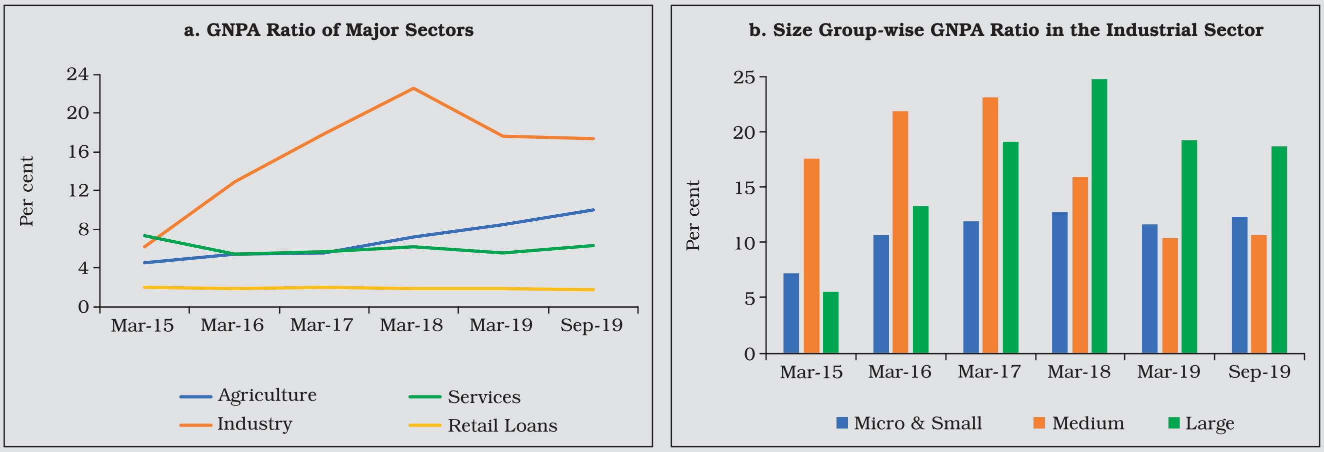
IV.43 Services sector credit growth accelerated on enhanced flows to shipping, trade, commercial real estate and NBFCs. Of the incremental non-food credit expansion, NBFCs accounted for 14.6 per cent – the highest amongst the services sub-sectors – reflecting the recent initiatives taken by the Reserve Bank and the Government

Chart IV.17: Sectoral Distribution



Source: RBI

Chart IV.18: Sectoral NPAs of SCBs



Source: Off-site returns (domestic operations), RBI

to revive the sector. Notwithstanding some moderation, retail loans grew in double digits, extending the expansion that has been underway over the past eight years. In H1: 2019-20, credit growth to both these sectors decelerated (Table IV.14).

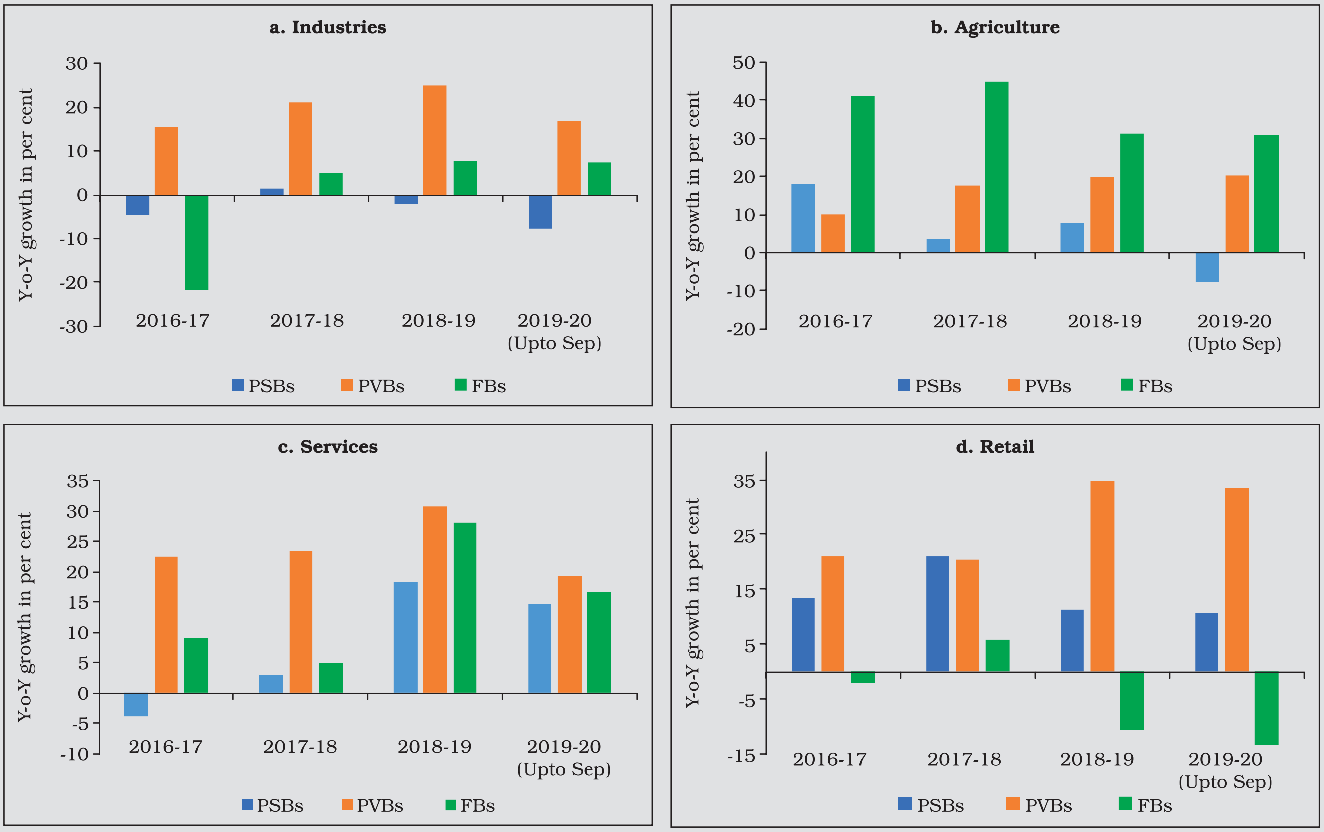
Table IV.14: Sectoral Deployment of Gross Bank Credit

(Amount in ₹crore)

Sr. No & Item	Outstanding as on			Per cent variation (y-o-y)		
	Mar-18	Mar-19	Sep-19	2017-18*	2018-19**	2019-20 (up to September)^
1. Agriculture & Allied Activities	**11,93,400**	**13,25,824**	**12,06,850**	**7.2**	**11.1**	**-0.6**
2. Industry, *of which*	**31,29,512**	**33,04,940**	**31,74,214**	**6.2**	**5.6**	**0.2**
2.1 Micro & Small Industries	4,18,225	4,38,392	4,33,908	8.8	4.8	-0.4
2.2 Medium	1,25,960	1,23,843	1,18,261	6.3	-1.7	-6.6
2.3 Large	24,62,576	26,24,288	25,30,553	4.6	6.6	1.8
3. Services, *of which*	**19,98,817**	**24,77,517**	**25,77,530**	**10.6**	**23.9**	**16.9**
3.1 Trade	5,19,398	5,83,613	5,83,264	7.5	12.4	12.7
3.2 Commercial Real Estate	2,04,414	2,43,122	2,57,959	3.4	18.9	12.4
3.3 Tourism, Hotels & Restaurants	52,095	56,194	56,766	9.9	7.9	3.2
3.4 Computer Software	22,299	22,236	22,576	14.9	-0.3	-0.7
3.5 Non-Banking Financial Companies	4,53,123	6,14,922	7,09,833	31.7	35.7	30.5
4. Retail Loans, *of which*	**19,42,501**	**23,02,173**	**24,64,985**	**20.5**	**18.5**	**18.1**
4.1 Housing Loans	10,08,013	12,04,332	13,03,629	18	19.5	**18.5**
4.2 Consumer Durables	19,036	9,195	8,902	-11.6	-51.7	**110.2**
4.3 Credit Card Receivables	82,827	1,11,361	1,21,708	27.7	34.5	30.5
4.4 Auto Loans	2,38,787	2,69,672	2,75,500	27.9	12.9	8.6
4.5 Education Loans	74,883	76,210	78,237	2.7	1.8	2.4
4.6 Advances against Fixed Deposits (incl. FCNR (B), etc.)	77,175	77,080	63,215	13.5	-0.1	**-4.8**
4.7 Advances to Individuals against Shares, Bonds, etc.	6,385	9,339	8,655	26.1	46.3	33.4
4.8 Other Retail Loans	4,35,396	5,44,983	6,05,139	28.2	25.2	24.2
5. Non-food Credit (1- 4)	**83,61,294**	**94,71,480**	**36,71,836**	**10.5**	**13.3**	8.6
6. Gross Bank Credit	**83,99,196**	**95,19,554**	**95,57,487**	**10.4**	**13.3**	8.9

*: March 2018 over March 2017. **: March 2019 over March 2018. ^: September 2019 over September 2018.
Source: Off-site returns (domestic operations), RBI

Chart IV.19: Sectoral Loans: PSBs vs. PVBs



Source: Off-site returns (domestic operations), RBI

IV.44 PVBs maintained double-digit credit growth in respect of all the major sectors. Their lending to the relatively stress-free retail and services sectors grew by over 30 per cent in 2018-19 (Chart IV.19). PSBs' credit to the services sector grew at 18.4 per cent, pulled up primarily by NBFCs, followed by commercial real estate. In contrast, PVBs exposure to services was more broad-based, even as credit to NBFCs accelerated.

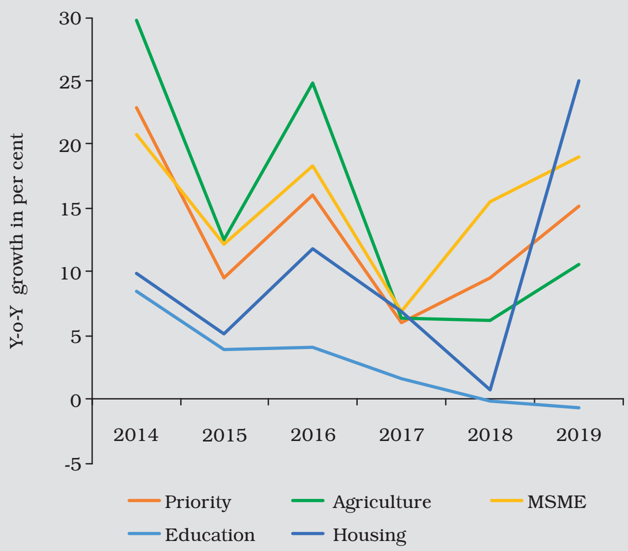
IV.45 In relation to preceding years, banks' retail loans moderated in 2018-19 as exposures to auto and consumer durables sectors were scaled back. Besides, PSBs experienced a substantial deceleration in the housing loans category, which accounts for more than half of their total retail credit. PVBs, on the other hand, compensated for the tepid growth in auto and consumer durables segments by stepping up disbursements of housing loans, which grew at over 40 per cent on a y-o-y basis in 2018-19.

IV.46 Supervisory data suggest that in H1:2019-20, PSBs' loan growth to services and retail sectors moderated, and their agricultural and industrial lending declined. PVBs' credit growth decelerated to all sectors barring agriculture but remained higher than that of PSBs (Chart IV.19). Prevalence of weak consumer demand and slowdown in economic activity seem to have impinged on the overall loan growth.

5.1 Priority Sector Credit

IV.47 Priority sector credit accelerated in 2018-19, largely driven by a recovery in credit to agriculture and housing. The steadfast drive to promote affordable housing under the ambit

Chart IV.20: Credit to Priority Sectors – All SCBs



Source: RBI.

of the Pradhan Mantri Awas Yojana (PMAY), coupled with the Reserve Bank's June 2018 initiative to expand the eligibility of housing loan limits for priority sector lending enabled a sharp jump in housing loan growth from 0.7 per cent in 2017-18 to 24.9 per cent in 2018-19 (Chart IV.20). Both PVBs and PSBs contributed to this revival.

IV.48 All bank groups managed to achieve the overall priority sector lending (PSL) target. However, shortfalls were found in certain sub-targets: PSBs in micro enterprises; PVBs in small and marginal farmers; and both PVBs and FBs in non-corporate individual farmers (Table IV.15). The total trading volume of the Priority Sector Lending Certificates (PSLC) platform – introduced in April 2016 to allow market mechanism to drive priority sector lending by leveraging the comparative strength of different banks – grew by 78 per cent to ₹3,27,429 crores as on March 31, 2019. Among the four PSLC categories, the highest trading was recorded in the case of PSLC-General and PSLC-small and marginal farmer, with transaction volumes of ₹1,32,485 crores and ₹1,12,504 crores, respectively.

Table IV.15: Priority Sector Lending by Banks
(As on March 31, 2019)

(Amount in ₹crore)

Item	Target/ sub-target (per cent of ANBC/OBE)	Public Sector Banks		Private Sector Banks		Foreign Banks	
		Amount outstanding	Per cent of ANBC/OBE	Amount outstanding	Per cent of ANBC/OBE	Amount outstanding	Per cent of ANBC/OBE
1	2	3	4	5	6	7	8
Total Priority Sector Advances	**40**	**23,05,977**	**42.55**	**10,18,993**	**42.49**	**1,54,336**	**43.41**
of which							
Total Agriculture	18	9,82,117	18.12	3,91,015	16.31	36,820	20.13
Small and Marginal Farmers	8	4,78,705	8.83	1,66,359	6.94	16,457	9.00
Non-corporate Individual Farmers#	11.99	6,80,417	12.56	2,66,883	11.13	19,394	10.61
Micro Enterprises	7.5	3,96,832	7.32	1,89,958	7.92	15,398	8.42
Weaker Sections	10	6,35,424	11.73	2,54,847	10.63	21,141	11.56

Notes: 1. #: Domestic SCBs were directed to ensure that the overall lending to non-corporate farmers does not fall below the system-wide average of the last three years' achievement. All efforts should be maintained to reach the level of 13.5 percent direct lending to the beneficiaries who earlier constituted the direct agriculture sector. The applicable system wide average figure for computing achievement under priority sector lending will be notified every year. For FY 2018-19, the applicable system wide average figure is 11.99 percent.

2. For foreign banks having less than 20 branches, the target of 40 per cent of Adjusted Net Bank Credit (ANBC) or credit equivalent amount of off-balance sheet exposure (OBE), whichever is higher, as on March 31 of the preceding year is to be achieved in a phased manner by March 2020.

Source: Financial Inclusion and Development Department (FIDD), RBI

Table IV.16: Sector-wise GNPAs of Banks
(As at end-March)

(Amount in ₹crore)

Bank Group	Priority Sector		Of which						Non-priority Sector		Total NPAs	
			Agriculture		Micro and Small Enterprises		Others					
	Amt.	Per cent#	Amt.	Per cent#	Amt.	Per cent#	Amt.	Per cent#	Amt.	Per cent#	Amt.	Per cent#
PSBs*												
2018	1,87,511	22.2	75,274	8.9	82,094	9.7	30,143	3.6	6,57,964	77.8	8,45,475	100
2019	1,97,334	27.8	95,938	13.5	73,381	10.3	28,016	3.9	5,12,774	72.2	7,10,109	100
PVBs^												
2018	18,426	18.0	7,789	7.6	8,013	7.8	2,624	2.6	83,998	82.0	1,02,424	100
2019	29,721	19.0	12,679	8.1	12,796	8.2	4,246	2.7	1,26,991	81.0	1,56,712	100
FBs												
2018	1,184	8.6	78	0.6	552	4.0	554	4.0	12,645	91.4	13,830	100
2019	1,101	9.0	105	0.9	616	5.1	379	3.1	11,082	91.0	12,183	100
All SCBs**												
2018	2,07,120	21.5	83,141	8.6	90,659	9.4	33,321	3.5	7,54,608	78.5	9,61,728	100
2019	2,28,156	26.0	1,08,722	12.4	86,792	9.9	32,642	3.7	6,50,847	74.0	8,79,003	100

Notes: 1. Amt.: – Amount; Per cent: Per cent of total NPAs.
2. *: Includes IDBI Bank Ltd for 2018.
3. ^: Includes IDBI Bank Ltd for 2019.
3. Constituent items may not add up to the total due to rounding off.
4. # Share in total NPAs.
5. **: Does not include SFBs.

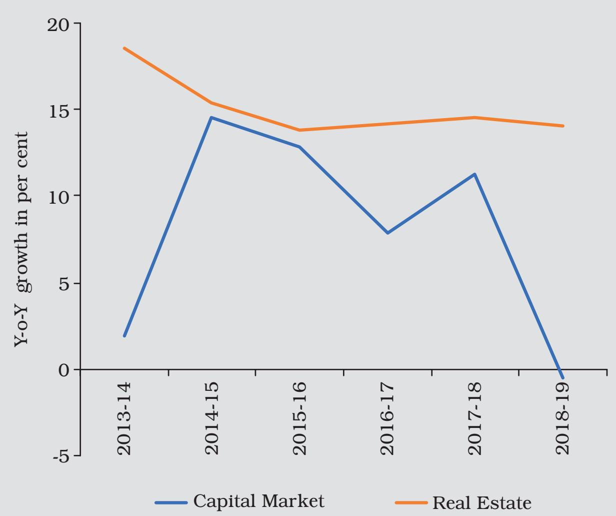
Source: Off-site returns (domestic operations), RBI

IV.49 While the priority sector accounts for approximately 36 per cent of total bank lending[13], its share in total GNPAs is 26 per cent of the total. Although the GNPA ratio of the priority sector declined marginally from 7.1 per cent at end-March 2018 to 6.8 per cent at end-March 2019, its share in total GNPAs increased during the year, mainly owing to the comparatively better performance of the non-priority sector (Table IV.16).

5.2 Credit to Sensitive Sectors

IV.50 Banks' exposure to sensitive sectors[14] edged up to 23.5 per cent of total loans and advances during 2018-19. Lending to the capital markets declined in 2018-19, as banks attempted to safeguard their balance sheets against volatile market movements (Chart IV.21 and Appendix Table IV.4).

Chart IV.21: Growth in Lending to Sensitive Sectors



Source: Annual accounts of banks.

[13] Corresponds to 43 per cent of ANBC.
[14] Sensitive sectors include capital market, real estate and commodities.

6. Operations of SCBs in the Capital Market

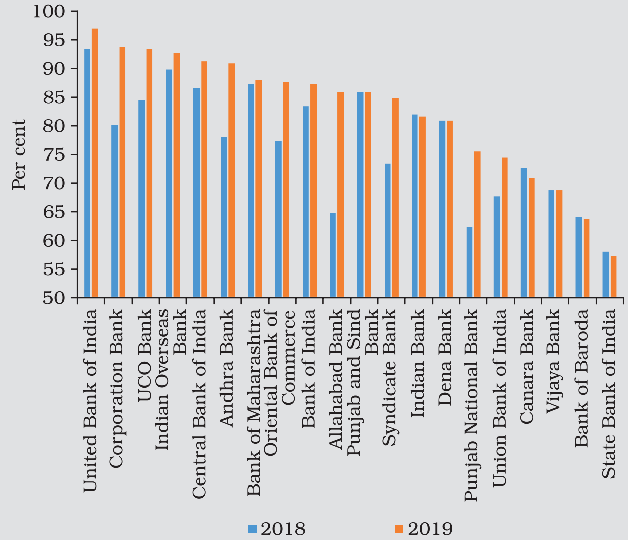
IV.51 Against the backdrop of volatile market conditions and other uncertainties which were not conducive to raising resources from the equity market, banks did not venture into public issues. Given their financial condition, the high interest cost on debt deterred the banks from raising funds from the bond markets. There were, thus, no public issues either by PSBs or by PVBs during 2018-19 and 2019-20 (up to September 2019). Resource mobilisation through private placement of bonds too declined, both in terms of the number of issues and the amount raised. As in the previous two years, PVBs raised resources through large-sized private placements during 2018-19 (Chart IV.22 a and b).

7. Ownership Pattern in Scheduled Commercial Banks

IV.52 At end-March 2019, the government's shareholding in 13 PSBs increased due to recapitalisation, whereas it reduced in four banks *albeit* marginally, and remained constant in three (Chart IV.23). Capital infusions and mergers planned for PSBs in 2019-20 are likely to change the ownership structure further. Furthermore, IDBI Bank Ltd was privatised with effect from January 21, 2019, consequent upon the Life Insurance Corporation of India (LIC) attaining 51 per cent of the paid-up equity share capital of the bank. While the maximum foreign shareholding in PSBs was 11.3 per cent, four PVBs had foreign shareholding in excess of 50 per cent at end-March 2019 (Appendix Table IV.5).

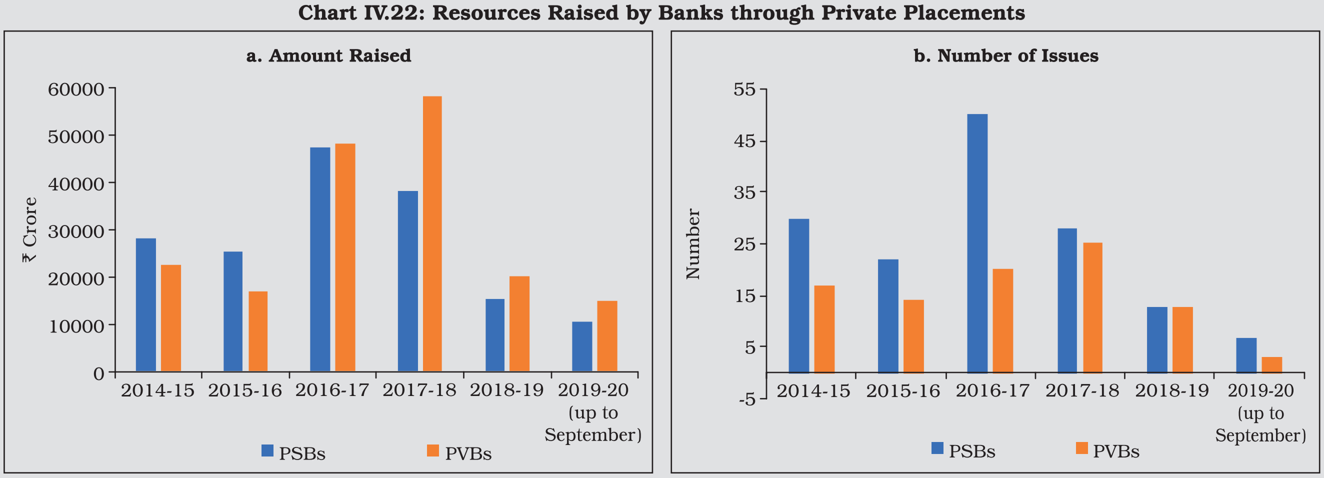
Chart IV.23: Government Shareholding in Select PSBs

(At end-March)



Source: Off-site returns (domestic operations), RBI.

Chart IV.22: Resources Raised by Banks through Private Placements



Source: BSE, NSE and Merchant Bankers.

8. Foreign Banks' Operations in India and Overseas Operations of Indian Banks

IV.53 During 2018-19, the number of branches operated by FBs in India increased, contrary to the trend in recent years (Table IV.17). This was mainly on account of opening of additional branches by DBS Bank post its conversion from branch to wholly owned subsidiary (WOS) mode. Indian PSBs, on the other hand, substantially reduced their overseas presence in terms of branches, representative offices and other offices with the objective of cost efficiency through shutting down of unviable foreign operations and rationalisation of multiple branches in same cities or nearby places. The presence of Indian PVBs remained stable in aggregate terms (Appendix Table IV.6).

9. Payment Systems and Scheduled Commercial Banks

IV.54 The core vision for the payment and settlement systems in India is that of a *less-cash* society, with an emphasis on empowering every Indian with access to a bouquet of e-payment options. In pursuit of this, the focus is on making digital payments safe, secure, accessible, and affordable through enhancing competition, optimising costs, improving convenience, and raising consumer confidence.

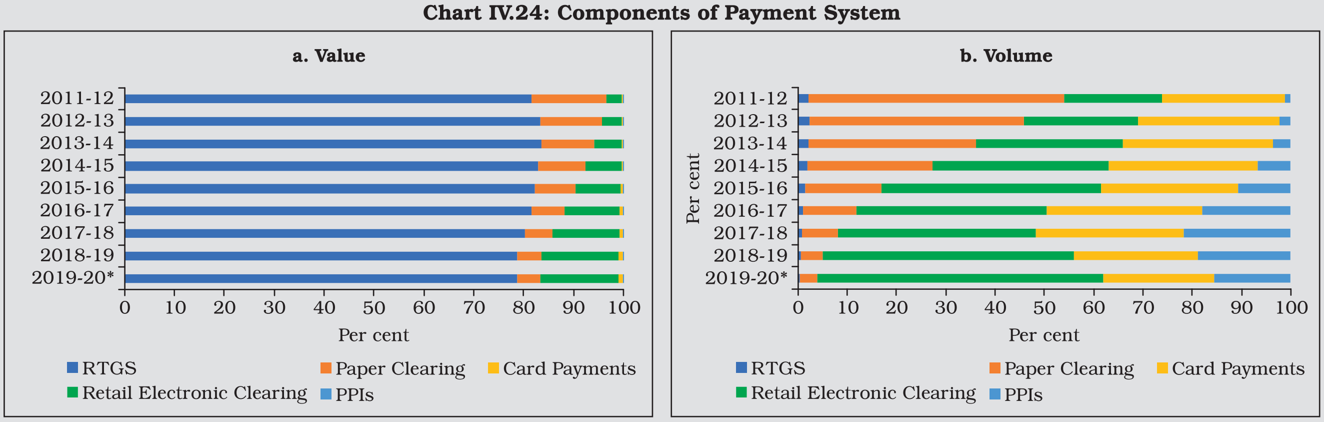
Table IV.17: Operations of Foreign Banks in India

Period	Number of Foreign Banks	Number of Branches
March 2015	45	321
March 2016	46	325
March 2017	44	295
March 2018	45	286
March 2019	45	299

Note: Two foreign banks, namely SBM Bank (India) Ltd. which is a subsidiary of SBM Group and DBS Bank India Ltd., a subsidiary of DBS Bank are operating through wholly owned subsidiary (WOS) mode. They have been issued licence on December 6, 2017 and October 4, 2018, respectively and commenced operations as WOS *w.e.f.* from December 1, 2018 and March 1, 2019, respectively.
Source: RBI

IV.55 The real time gross settlement (RTGS) system continued to dominate the payment system transactions[15] in terms of value. While the share of retail electronic clearing has been increasing in terms of value and volume, card payments (debit and credit cards) witnessed a moderation in the latter. The paper clearing segment declined both in value and volume terms, as has been the trend in recent years (Chart IV.24).

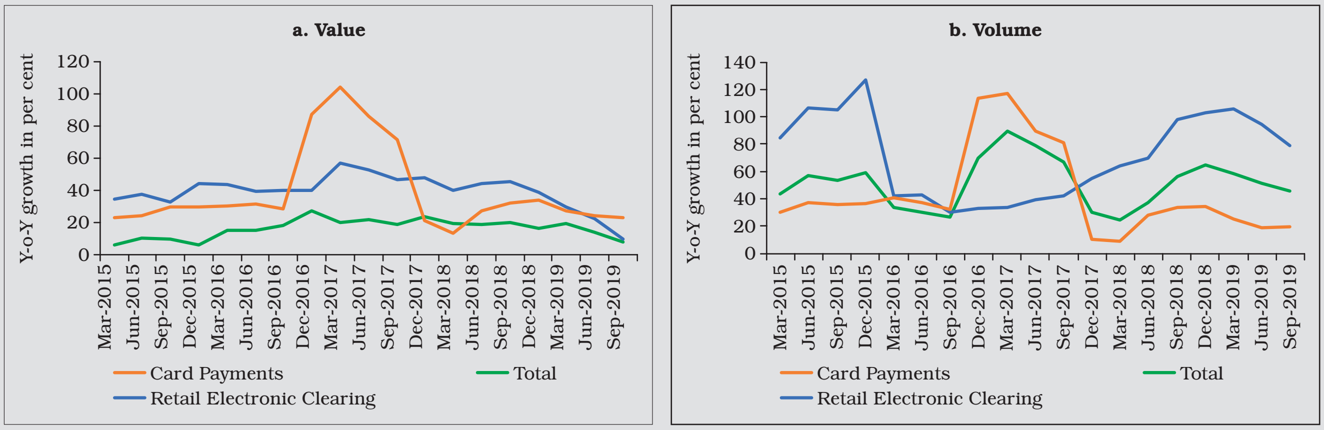
Chart IV.24: Components of Payment System



***:** Till September 2019
Note: RTGS includes customer transactions and inter-bank transactions. Card payments include credit and debit card payments at point of sale (PoS) terminals and online.
Source: RBI.

[15] Includes RTGS, paper clearing, retail electronic clearing, card payments and pre-paid payment instruments (PPIs).

Chart IV.25: Payment System Transactions: Growth



Note: Card payments include credit and debit card payments at point of sale (PoS) terminals and online.
Source: RBI.

IV.56 Card payments – which had decelerated in 2017-18 after the demonetisation-induced spike of the previous year – recovered in 2018-19; however, volumes remain lower than that of retail electronic payments, indicative of the changing dynamics in the payments landscape and consumer preferences (Chart IV.25)

10. Consumer Protection

IV.57 The Reserve Bank has been striving to create an enabling environment for developing a customer-centric financial system by instituting mechanisms for addressing information asymmetries between providers and consumers of financial services, enhancing standards of disclosures and ensuring better alignment of product design *vis-à-vis* customer requirements, while providing an efficient and effective grievance redressal mechanism[16]. Recent initiatives include the Complaint Management System (CMS) which is a technology-enabled platform to effectively support the Ombudsman framework and consumer education and protection cells (CEPCs).

IV.58 The increasing trend in complaints received over the years is indicative of greater awareness among consumers, especially against the backdrop of the Reserve Bank's campaigns such as '*RBI Kehta Hai Jankar Baniye Satark Rahiye*', and 'Is Your Banking Complaint Unresolved?'. In spite of complaints increasing by 32,311 over the previous year, 94.03 per cent of the complaints filed were disposed of by Banking Ombudsman (BO) offices in 2018-19 as against 96.46 per cent in the previous year. Even though non-adherence to the fair practices code remained the main grievance against banks, complaints relating to ATM/debit/credit cards and mobile/electronic banking grew at a fast pace, in step with the increasing usage of these payment media (Table IV.18).

IV.59 The share of complaints emanating from urban and metropolitan areas account for more than three fourth of the total, indicating the higher level of awareness regarding grievance redressal mechanisms among the customers in these population groups (Chart IV.26). A disproportionately large share of complaints

[16] Consumer Protection in a Digital Financial World – Initiatives and Beyond, Shri M K Jain, Deputy Governor, Reserve Bank of India. Speech delivered at the Annual Conference of Banking Ombudsman – 2019, Mumbai on June 21, 2019.

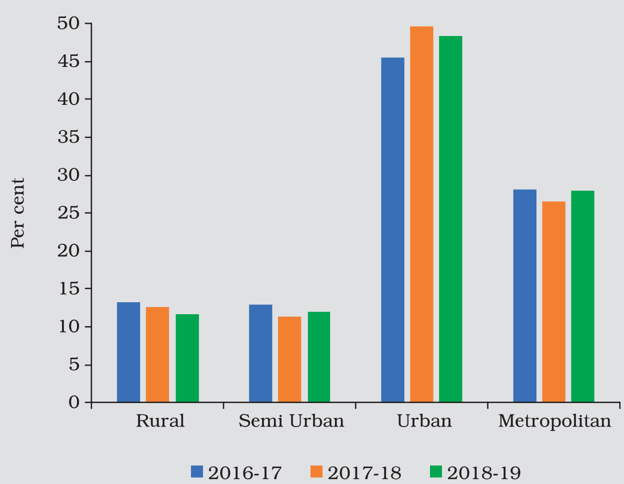
Table IV.18: Nature of Complaints at BOs

	2016-17	2017-18	2018-19
Non-observance of Fair Practice Code	31,769	36,146	37,557
ATM/ Debit Cards	16,434	24,672	36,539
Mobile / Electronic Banking*	-	8,487	14,794
Failure to Meet Commitments	8,911	11,044	13,332
Credit Cards	8,297	12,647	13,274
Deposit Accounts	7,190	6,719	10,844
Levy of Charges without Prior Notice	7,273	8,209	8,391
Loans and Advances	5,559	6,226	7,610
Pension Payments	8,506	7,833	7,066
Non-adherence to BCSBI Codes	3,699	3,962	5,981
Remittances	3,287	3,330	3,451
Para-Banking*	-	579	1,115
DSAs and Recovery Agents	330	554	629
Notes and Coins	333	1,282	480
Others	23,169	26,219	28,330
Out of Purview of BO Scheme	6,230	5,681	6,508
Total	**1,30,987**	**1,63,590**	**1,95,901**

Notes: 1. *: Fresh grounds included from July 1, 2017.
2. Data pertain to July-June.
Source: Various offices of Banking Ombudsman

relating to levy of charges without prior notice were filed against PVBs (45 per cent given that their share in total assets of the banking sector is 32 per cent). Similarly, almost all complaints relating to pensions were against PSBs (Chart IV.27).

Chart IV.26: Population Group-wise Complaints Received at BOs

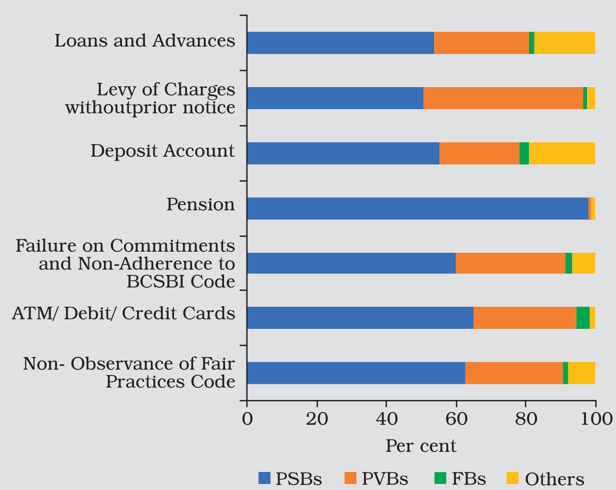


Note: Data pertains to July-June.
Source: Various offices of Banking Ombudsman.

11. Financial Inclusion

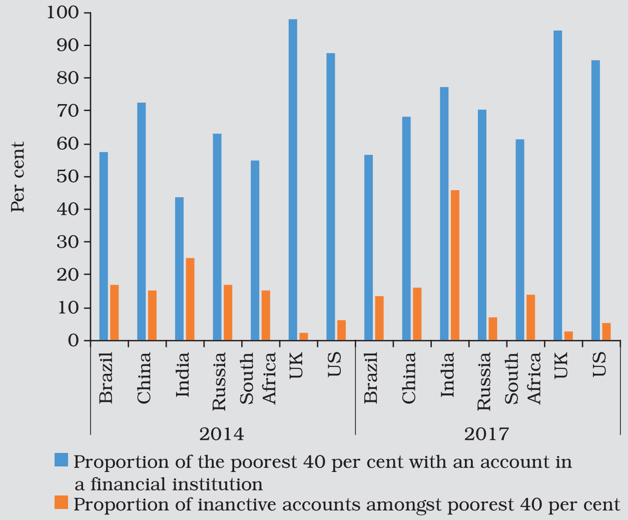
IV.60 Since the introduction of the Pradhan Mantri Jan Dhan Yojana (PMJDY) in August 2014, the national financial inclusion agenda has taken long strides across the country in pursuit of its aim of expanding access to basic financial services to the most vulnerable sections of the population. By 2017, 77 per cent of the poorest 40 per cent in India had an account with a financial institution, the highest amongst BRICS countries. Yet, engagement of the people with the financial system remains low, as reflected in a high proportion of inactive accounts (Chart IV.28). Against this backdrop, the National Strategy for Financial Inclusion for India 2019-24, prepared under the aegis of the Financial Inclusion Advisory Committee (FIAC), incorporates the views of a range of stakeholders and market players in renewing the drive to make formal financial services accessible and affordable in a safe and transparent manner.

Chart IV.27: Bank Group-wise Break-up of Major Complaint Types: 2018-19



Note: Data pertains to July-June.
Source: Various offices of Banking Ombudsman.

Chart IV.28: Financial Inclusion amongst Poorest 40 per cent



Source: Global Findex Database, World Bank.

IV.61 Under financial inclusion plans (FIPs) of SCBs, the number of brick-and-mortar branches and banking outlets through the business correspondent (BC) model in rural areas increased in 2018-19, reversing the decline in 2017-18. Moreover, the share of BCs in total banking outlets in rural areas remained around 91 per cent and the number of urban locations covered through BCs recorded more than a three-fold rise. Furthermore, accelerated growth in the number of Basic Savings Bank Deposit Accounts (BSBDAs) opened *via* BCs and the healthy expansion of Information and Communication Technology (ICT) based transactions driven by BCs point to their rising popularity. Going forward, capacity building and skill-upgradation programmes, such as the 'Train the Trainers' initiative by the Reserve Bank, are expected to boost this momentum further (Table IV.19).

11.1 Pradhan Mantri Jan Dhan Yojana

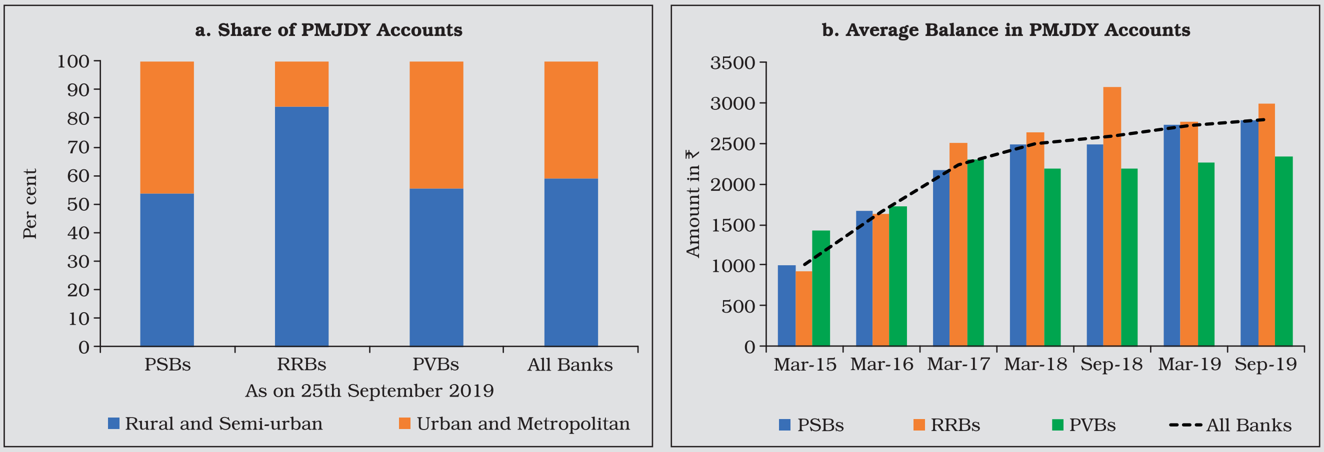
IV.62 As stated earlier, the PMJDY has contributed significantly to the cause of financial inclusion in the country. The total number of

Table IV.19: Progress under Financial Inclusion Plans, All SCBs (including RRBs)

Sr. No.	Particulars	Year ended Mar-10	Year ended Mar-18	Year ended Mar-19	Y-o-Y growth in per cent (2017-18)	Y-o-Y growth in per cent (2018-19)
1	Banking Outlets in Rural location - Branches	33,378	50,805	52,489	-0.1	3.3
2	Banking Outlets in Rural location - Branchless mode	34,316	5,18,742	5,44,666	-5.2	5
3	Banking outlets in Rural locations - Total	67,694	5,69,547	5,97,155	-4.8	4.8
4	Urban locations covered through BCs ($)	447	1,42,959	4,47,170	39	212.8
5	BSBDA - Through branches (No. in Lakh)	600	2,474	2,547	-2.6	3
6	BSBDA - Through branches (Amt. in Crore)	4,400	73,085	87,765	5.8	20.1
7	BSBDA - Through BCs (No. in Lakh)	130	2,888	3,195	3.1	10.6
8	BSBDA - Through BCs (Amt. in Crore)	1,100	39,056	53,195	37	36.2
9	BSBDA - Total (No. in lakh)	735	5,362	5,742	0.6	7.1
10	BSBDA - Total (Amt. in Crore)	5,500	1,12,141	1,40,960	14.8	25.7
11	OD facility availed in BSBDAs (No. in lakh)	2	58	59	-35.6	1.7
12	OD facility availed in BSBDAs (Amt. in Crore)	10	408	443	-76	8.6
13	KCC - Total (No. in Lakh)	240	464	491	0.9	5.8
14	KCC - Total (Amt. in Crore)	1,24,000	6,09,587	6,68,044	5	9.6
15	GCC - Total (No. in Lakh)	10	118	120	-9.2	1.7
16	GCC - Total (Amt. in Crore)	3,500	1,49,792	1,74,514	-29.2	16.5
17	ICT-A/Cs-BC-Total number of transactions (in Lakh)	270	14,886	21,019	28.4	41.2
18	ICT-A/Cs-BC-Total number of transactions (in Crore)	700	4,29,238	5,91,347	61.9	37.8

Note: Sr. No. 1-16 consist of cumulative data from the inception. Sr. No. 17-18 consist of data from the start of corresponding financial year.
$: Out of 4, 47,170 outlets, it is reported that 3, 88,868 outlets provide limited services only like remittance, or sourcing of loans, *etc*.
Source: FIP returns submitted by banks

Chart IV 29: PMJDY Accounts: Distribution and Average Balance



Source: Pradhan Mantri Jan Dhan Yojana, Government of India.

accounts opened under PMJDY increased to 37.1 crores, with ₹1.02 lakh crore of deposits as on September 25, 2019. Of these accounts, 59 per cent are operational in rural and semi-urban areas (Chart IV.29 a). Since September 2018, more than 70 per cent of the new PMJDY accounts have been opened with PSBs. The usage of these accounts, however, has stagnated in the last two years as evident from the deceleration in average balances (Chart IV.29 b). There has been a steady increase in the number of RuPay cards issued, driven by both PSBs and PVBs.

11.2 New Bank Branches

IV.63 The pace of opening of new bank branches, which had moderated in the previous three consecutive years, reversed in 2018-19. More than 50 per cent of the new branches were opened in Tier-1 and Tier-2 centres; on the other hand, the shares of Tier-5 and Tier-6 centres declined (Table IV.20). This is consistent with the banks' policy of opening branches in high population density areas where they are likely to be more commercially viable, while relying on BCs to enhance their outreach in other centres. The revised guidelines on rationalisation of branch authorisation policy introduced in May 2017 has provided banks the autonomy to decide their business strategy in facilitating financial inclusion.

Table IV.20: Tier-wise Break-up of Newly Opened Bank Branches by SCBs

Centre	2015-16	2016-17	2017-18	2018-19
Tier 1	3,247	2,336	1,581	2,114
	(35.7)	(43.6)	(40.1)	(46.7)
Tier 2	694	363	336	515
	(7.6)	(6.8)	(8.5)	(11.3)
Tier 3	1,192	639	567	700
	(13.1)	(11.9)	(14.4)	(15.4)
Tier 4	790	429	333	359
	(8.7)	(8.0)	(8.4)	(7.9)
Tier 5	934	665	455	379
	(10.3)	(12.4)	(11.5)	(8.3)
Tier 6	2,223	925	666	451
	(24.5)	(17.2)	(16.9)	(10.0)
Total	**9,080**	**5,357**	**3,938**	**4,518**
	(100)	**(100)**	**(100)**	**(100)**

Notes: 1. Tier-wise classification of centres is as follows: 'Tier 1' includes centres with population of 1, 00,000 and above, 'Tier 2' includes centres with population of 50,000 to 99,999, 'Tier 3' includes centres with population of 20,000 to 49,999, 'Tier 4' includes centres with population of 10,000 to 19,999, 'Tier 5' includes centres with population of 5,000 to 9,999, and 'Tier 6' includes centres with population of Less than 5000.
2. Data exclude 'Administrative Offices'.
3. All population figures are as per census 2011.
4. Central Information System for Banking Infrastructure data are dynamic in nature. The data are updated based on information received from banks.
5. Figures in the parentheses represent proportion of the branches opened in a particular area *vis-à-vis* the total.

Source: Central Information System for Banking Infrastructure (erstwhile Master Office File system) database, RBI

11.3 ATMs

IV.64 The total number of ATMs (on-site and off-site) operated by banks decreased during the year. This was partly compensated by growth in white label ATMs (WLAs) (Chart IV.30), boosted by policy changes introduced on March 7, 2019, to enhance the financial viability of WLAs, such as allowing their operators to source cash directly from the Reserve Bank, offer non-bank services, and advertise non-financial products in their premises.

Chart IV.30: SCBs' ATMs *Vs* White-label ATMs

Source: RBI.

IV.65 While PVBs recorded an increase in their on-site and off-site ATMs, PSBs reduced both, with a higher rate of decline in the latter[17]. Notably, scheduled SFBs operated more ATMs than FBs by end-March 2019 (Table IV.21). Despite transactions at ATMs decelerating both in volume and value terms, they still serve as a common medium for people to access cash[18].

V.66 The distributional pattern of ATMs of SCBs remained broadly similar in 2018-19 to the previous year. However, rural and semi-urban areas, which had recorded marginal growth in the number of ATMs in 2017-18, experienced a decline in 2018-19. PVBs and FBs continue to have more ATMs concentrated in urban and metropolitan centres, causing the skew (Table IV.22).

11.4 Microfinance Programme

IV.67 The self-help group (SHG)-bank linkage programme (SBLP) run by the National Bank for Agriculture and Rural Development (NABARD)

Table IV.21: ATMs

Sr. No.	Bank Group	On-site ATMs		Off-site ATMs		Total Number of ATMs	
		2018	2019	2018	2019	2018 (3+5)	2019 (4+6)
1	2	3	4	5	6	7	8
I	PSBs	82,733	78,419	63,235	57,679	1,45,968	1,36,098
II	PVBs	23,829	26,197	36,316	37,143	60,145	63,340
III	FBs	214	221	725	693	939	914
IV	SFBs*	-	1,422	-	298	-	1,720
V	WLAs	-	-	-	-	15,195	19,507
VI	All SCBs (I to IV)	1,06,776	1,06,259	1,00,276	95,813	**2,07,052**	**2,02,072**
VII	Total (V+VI)	-	-	-	-	**2,22,247**	**2,21,579**

*: 8 scheduled SFBs as at end-March 2019.
Source: RBI

[17] This is partly due to the reclassification of IDBI Bank as a private bank. Adjusted for IDBI bank, the PVBs showed a reduction in off-site ATMs and in the total number of ATMs, with no change among PSBs.
[18] During 2018-19, the value of transactions that occurred at ATMs is 2.8 times that of PoS.

Table IV.22: Number of ATMs of SCBs at Various Centres

(At end-March 2019)

Bank Group	Rural	Semi-urban	Urban	Metropolitan	Total
1	2	3	4	5	6
Public Sector Banks	27,683	40,183	38,498	29,734	1,36,098
	(20.3)	(29.5)	(28.3)	(21.8)	(100.0)
Private Sector Banks	5,339	15,388	16,683	25930	63,340
	(8.4)	(24.3)	(26.3)	(40.9)	(100.0)
Foreign Banks	21	18	166	709	914
	(2.3)	(2.0)	(18.2)	(77.6)	(100.0)
Small Finance Banks*	372	460	482	406	1,720
	(21.6)	(26.7)	(28.0)	(23.6)	(100.0)
Total	**33,415**	**56,049**	**55,829**	**56,779**	**2,02,072**
	(16.5)	**(27.7)**	**(27.6)**	**(28.1)**	**(100.0)**
Growth over Previous Year	**-3.1**	**-1.4**	**-2.4**	**-2.7**	**-2.3**

Notes: 1. Figures in parentheses indicate percentage share of total ATMs under each bank group.
2. *: 8 scheduled SFBs as at end-March 2019.

Source: RBI

has emerged as the world's largest micro finance movement through which credit facilities are extended to the poor by organising them into groups and connecting them to the formal financial sector. SHGs' outstanding loans with banks are approximately five times larger than those of their closest alternative model *viz.*, Micro Finance Institutions (MFIs). The NPA ratio of the former reduced to 5.2 per cent from 6.1 per cent in the previous year[19] (Appendix Table IV.13).

11.5 Credit to Micro, Small and Medium Enterprises (MSMEs)

IV.68 Credit growth to micro, small and medium enterprises (MSMEs) accelerated in 2018-19 from the anaemic conditions that prevailed during 2017-18, owing to the aggressive credit expansion by PVBs. PSBs' share in total credit to MSMEs decreased from 65 per cent in 2017-18 to 58 per cent in 2018-19. Although the number of accounts of PVBs was nearly double that of PSBs, the average amount of loans extended by PVBs was ₹2.75 lakhs – much lower than ₹7.79 lakhs by PSBs – indicative of the scale of businesses served by the two (Table IV.23).

11.6 Regional Banking Penetration

IV.69 Banking outreach in India at the sub-national level remains heterogeneous and tilted

Table IV.23: Credit Flow to the MSME Sector by SCBs

(No. of accounts in lakh, amount outstanding in ₹crore)

		2015-16	2016-17	2017-18	2018-19
Public Sector Banks	No. of Accounts	106.82	111.97	111.01	112.97
		(24.1)	(4.8)	(-0.9)	(1.8)
	Amount Outstanding	8,20,548	8,28,933	8,64,598	8,80,033
		(-3.8)	(1.0)	(4.3)	(1.8)
Private Sector Banks	No. of Accounts	96.42	119.59	148.33	205.31
		(92.0)	(24.0)	(24.0)	(38.4)
	Amount Outstanding	3,59,085	4,30,963	4,10,760	5,63,678
		(27.5)	(20.0)	(-4.7)	(37.2)
Foreign Banks	No. of Accounts	1.86	2.07	2.20	2.40
		(-34.4)	(11.1)	(6.2)	(9.3)
	Amount Outstanding	36,374	36,503	48,881	66,939
		(-1.1)	(0.4)	(33.9)	(36.9)
All Scheduled Commercial banks	No. of Accounts	205.10	233.63	261.54	320.68
		(47.4)	(13.9)	(12.0)	(22.6)
	Amount Outstanding	12,16,007	12,96,399	13,24,239	15,10,651
		(3.8)	(6.6)	(2.2)	(14.1)

Note: Figures in the parentheses indicate y-o-y growth rates.

Source: Financial Inclusion and Development Department, RBI

[19] NABARD Annual Report 2018-19.

towards the western and southern regions even after concerted efforts to further financial inclusion in hitherto unbanked areas (Chart IV.31). Concomitantly, the average population served per bank branch continues to be much higher in eastern, central and north-eastern regions than in other parts (Chart IV.32). Lower per capita income level and industrial activity, coupled with inadequate availability of infrastructural facilities are some of the factors, which are correlated with insufficient regional banking penetration in the country. However, empirical evidence suggests that regions, which historically lagged behind are catching-up (Box IV.2).

12. Regional Rural Banks

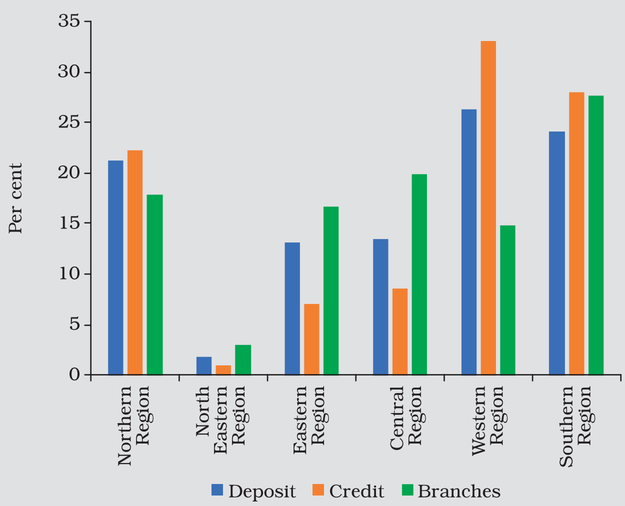
IV.70 Regional Rural Banks (RRBs) were formed under the RRB Act, 1976 with the objective of providing credit and related banking facilities to small farmers, agricultural labourers, artisans, and other rural poor. In the union budget of 2019-20, ₹235 crores were allocated for recapitalisation of RRBs to enable them to comply with regulatory requirements and to empower them to channelise a larger volume of resources for financial inclusion. From 196 in 2005, the number of RRBs has come down to 45 as at April 1, 2019. The target is to further consolidate them into 38 RRBs to minimise overhead expenses, enhance capital, and expand their area of operation.

12.1 Balance Sheet Analysis

IV.71 The consolidated balance sheet of RRBs expanded during the year, fuelled by growth in deposits and share capital on the liabilities side and loans and advances on the assets side. Furthermore, deposits – which had decelerated sharply in the previous year from a high demonetisation induced base – rebounded. Borrowings decelerated, mainly on account of a dip in funds from sponsor banks, although lending by other sources saw a sharp increase (Table IV.24).

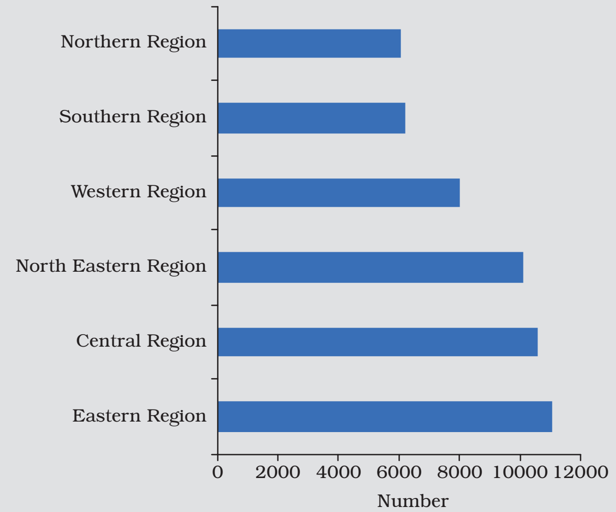
IV.72 In line with their mandate, the emphasis of RRBs' lending remained on the priority

Chart IV.31: Regional Shares in Deposits, Credit and Branches
At end-June 2019



Source: RBI

Chart IV.32: Population per Branch
At end-June 2019



Source: RBI and Ministry of Statistics and Programme Implementation, Government of India.

Box IV.2: Is Regional Banking Penetration in India Converging?

Over the period 2005-16, there has been narrowing down of inter-regional inequalities in banking outreach. Although the north-eastern region had a lower base than other regions for both deposit and credit accounts, it is fast catching up with other regions (Charts 1a and 1b).

A fixed effects panel model with regions as panel entities and coefficient of variation within the regions as the dependent variable suggests a decline in intra-regional variation in banking penetration (Table 1). Conditional β-convergence has been estimated by using annual data for 32 states/ UTs for the period from 2005 to 2018 in a generalised method of moments (GMM) framework of the following form:

$$\Delta(\ln B_{i,t}) = \alpha + \beta\,(\ln B_{i,t-1}) + \rho\, X_{i,t} + \gamma\, Z_{i,t} + \varepsilon_{i,t}$$

where B is the number of credit and deposit accounts per '000 population; X and Z represent the conditioning variables - lagged values of per capita income (post log-transformation) and number of factories per thousand population - that control for differences in economic characteristics varying levels of economic development across states. A negative and significant β implies conditional convergence.

The β is found, on an average, to be negative and significant for both the equations suggesting convergence (Table 2). States with lower base in the initial period are catching-up.

Table 1: Convergence within Regions

Dependent Variable: Within Region Coefficient of Variation

	Deposit Accounts (2005 to 2017)	Credit Accounts (2012-17)
Time	-2.57***	-1.98**
Constant	5222.9***	4039.8**
No. of obs.	78	36
Adjusted R^2	0.92	0.97

Note: * : $p < 0.05$, ** : $p < 0.01$, *** : $p < 0.001$.

Table 2: Conditional β-convergence across India

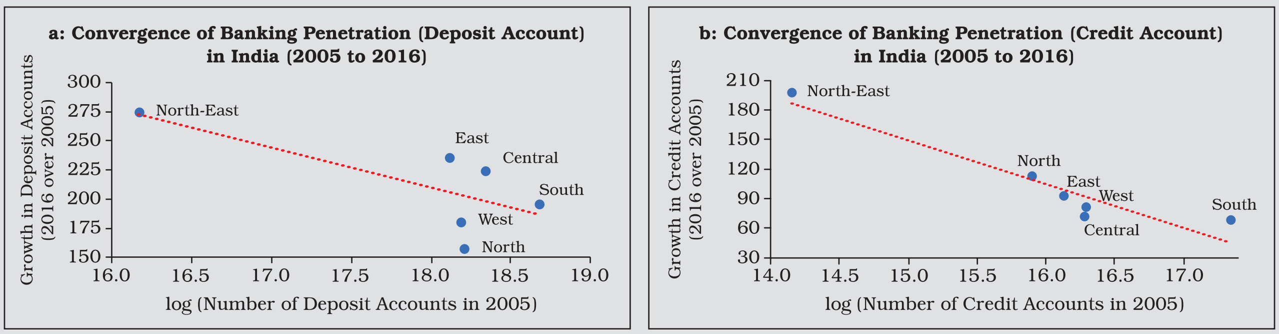
	Model 1 (Credit Accounts)	**Model 2** (Deposit Accounts)
β	-0.32***	-0.15***
ρ	0.19***	0.26***
γ	1.34***	0.10^
α	-0.72***	-1.63***
No. of obs.	310	334
AR (2) (p-value)	0.17	0.06
Sargan (p-value)	0.21	0.64

Note: ^: p<0.10; * : p<0.05; **: p<0.01; *** : p<0.001.

Source: Staff calculations.

These results also highlight the crucial role of conditioning factors such as rise in income level of populace and industrialisation in fostering convergence amongst states.

Chart 1: Scatter Plot of Convergence of Banking Penetration in India (2005 to 2016)



Source: Staff calculations.

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Table IV.24: Consolidated Balance Sheet of Regional Rural Banks

(Amount in ₹crore)

		At end-March		Y-o-Y Growth in Percent	
Sr. No.	Item	2018	2019P	2017-18	2018-19P
1	Share Capital	6,437	6,721	0.6	4.4
2	Reserves	25,185	26,109	9.1	3.7
3	Deposits	4,00,459	4,34,445	7.7	8.5
3.1	Current	10,223	11,124	-3.7	8.8
3.2	Savings	2,01,038	2,24,095	6.9	11.5
3.3	Term	1,89,198	1,99,226	9.3	5.3
4	Borrowings	57,647	58,890	11.6	2.2
4.1	from NABARD	45,939	46,898	13.3	2.1
4.2	Sponsor Bank	9,316	5,784	-1.1	-37.9
4.3	Others	2,392	6,209	41.2	159.6
5	Other Liabilities	15,234	29,633	18.8	94.5
	Total liabilities/Assets	**5,04,962**	**5,55,798**	**8.3**	**10.1**
6	Cash in Hand	2,789	2,913	0	4.4
7	Balances with RBI	15,806	17,447	5.3	10.4
8	Other Bank Balances	5,607	5,469	-13.8	-2.5
9	Investments	2,22,266	2,24,818	5.3	1.1
10	Loans and Advances (net)	2,37,011	2,69,372	12.1	13.7
11	Fixed Assets	1,223	1,264	9.1	3.4
12	Other Assets #	20,259	34,515	12.2	70.4

Notes: 1. #: Includes accumulated losses.
2. P Provisional.
3. Totals may not tally on account of rounding-off of figures into ₹crore. Percentage variations could be slightly different as absolute numbers have been rounded off to ₹crore.

Source: NABARD

Table IV.25: Purpose-wise Outstanding Advances by RRBs

(Amount in ₹crore)

Sr. No.	Purpose/End-March	2018	2019P
1	2	3	4
I	**Priority (i to v)**	**2,27,941**	**2,55,156**
	Per cent of total loans outstanding	90.4	90.9
	i Agriculture	1,73,726	1,96,632
	ii Micro, small and medium enterprises	31,549	33,435
	iii Education	2,801	2,656
	vi Housing	15,477	18,304
	v Others	4,389	4,130
II	**Non-priority (i to vi)**	**24,278**	**25,670**
	Per cent of total loans outstanding	9.6	9.1
	i Agriculture	18.3	1.2
	ii Micro, small and medium enterprises	261	306
	iii Education	46	72
	iv Housing	2,286	2,549
	v Personal Loans	6,454	6,502
	vi Others	15,213	16,239
Total (I+II)		**2,52,219**	**2,80,826**

Notes: 1. P: Provisional
2. Totals may not tally on account of rounding-off of figures into ₹crore.

Source: NABARD

sector. Within the priority sector, agriculture garnered the lion's share – 77.1 per cent. While the balance sheet of RRBs is 3.3 per cent that of SCBs, their agriculture lending constitutes 14.8 per cent of SCB's lending to the sector (Table IV.25).

12.2 Financial Performance

IV.73 The operating profits of RRBs declined in 2018-19, after two consecutive years of acceleration. The increase in interest income was lacklustre *vis-à-vis* the acceleration in operating expenses, of which the wage bill was the major contributor. The asset quality of RRBs has been worsening since 2015-16, leading to capital erosion (Table IV.26).

13. Local Area Banks

IV.74 The consolidated assets of the three local area banks (LABs) grew at 13 per cent in 2018-19 up from 4.5 per cent in 2017-18. The credit-deposit ratio, on the other hand, fell from 79 per cent in the previous year to 75 per cent in 2018-19 as deposits accelerated at a significantly higher pace than gross advances (Table IV.27).

Financial Performance

IV.75 Non-interest income of LABs declined in 2018-19, causing the growth in overall income to decelerate in comparison to 2017-18. Expenditure, however, accelerated, leading to a deterioration in profitability (Table IV.28).

14. Small Finance Banks

IV.76 Small Finance Banks (SFBs) were set up in 2016 to offer basic banking services such as accepting deposits and lending to the unserved and the under-served sections, including small

Table IV.26: Financial Performance of Regional Rural Banks

(Amount in ₹crore)

Sr. No.	Item	Amount		Y-o-Y growth in per cent	
		2017-18	2018-19P	2017-18	2018-19P
1	2	3	4	5	6
A	**Income (i + ii)**	**41,819**	**43,180**	**6.6**	**3.3**
	i. Interest income	38,337	38,953	6.7	1.6
	ii. Other income	3,481	4,228	6.1	21.4
B	**Expenditure (i+ii+iii)**	**40,317**	**42,893**	**8.9**	**6.4**
	i. Interest expended	23,868	23,684	2.1	-0.8
	ii. Operating expenses	11,019	13,510	5.8	22.6
	of which, Wage bill	7,044	9,457	2.9	34.2
	iii. Provisions and contingencies	5,431	5,698	68.8	4.9
C	**Profit**				
	i. Operating profit	7,543	5,619	25	-25.5
	ii. Net profit	1,501	-548	-31.8	-136.5
D	**Total Average Assets**	**4,76,813**	**5,16,263**	9.8	8.3
E	**Financial Ratios #**				
	i. Operating profit	1.6	1.1		
	ii. Net profit	0.3	-0.1		
	iii. Income (a + b)	8.8	8.4		
	a) Interest income	8.0	7.6		
	b) Other income	0.7	0.8		
	iv. Expenditure (a+b+c)	8.5	8.3		
	a) Interest expended	5.0	4.6		
	b) Operating expenses	2.3	2.6		
	of which, Wage bill	1.5	1.8		
	c) Provisions and contingencies	1.1	1.1		
F	**Analytical Ratios (%)**				
	Gross NPA Ratio	9.5	10.7		
	CRAR	12.1	11.5		

Notes: 1. P- Provisional.
2: # Financial ratios are percentages with respect to average total assets.
3. Totals may not tally on account of rounding-off of figures in ₹crore. Percentage variations could be slightly different as absolute numbers have been rounded off to ₹crore.

Source: NABARD

businesses, marginal farmers, micro and small industries, and the unorganised sector. At end-March 2019, ten SFBs were operational.

Table IV.27: Profile of Local Area Banks
(At end- March)

(Amount in ₹crore)

	2017-18	2018-19
1. Assets	819.5	926.4
2. Deposits	651.1	746.9
3. Gross Advances	514.1	559.7

Source: Off-site returns, global operations, RBI

Table IV.28: Financial Performance of Local Area Banks
(At end- March)

	Amount in ₹crore		Y-o-Y growth in per cent	
	2017-18	2018-19	2017-18	2018-19
1. Income (i+ii)	**116**	**118**	**9.2**	**1.7**
i. Interest income	90	97	2.9	7.6
ii. Other income	26	21	38.8	-19
2. Expenditure (i+ii+iii)	**98**	**107**	**4.7**	**8.6**
i. Interest expended	42	45	-8.2	7.3
ii. Provisions and contingencies	9	9	11.9	-6.4
iii. Operating expenses	47	53	18.1	12.6
of which, wage bill	20	24	11.8	22.2
3. Profit				
i. Operating profit/loss	27	20	30.9	-26.3
ii. Net profit/loss	18	11	43.7	-36.7
4. Net Interest Income	**48**	**52**	**15.1**	**7.9**
5. Total Assets	**820**	**926**	**4.5**	**13**
6. Financial Ratios @				
i. Operating Profit	3.3	2.1		
ii. Net Profit	2.2	1.2		
iii. Income	14.1	12.7		
iv. Interest Income	11	10.4		
v. Other Income	3.2	2.3		
vi. Expenditure	12	11.5		
vii. Interest Expended	5.1	4.9		
viii. Operating Expenses	5.7	5.7		
ix. Wage Bill	2.4	2.6		
x. Provisions and contingencies	1.1	0.9		
xi. Net Interest Income	5.8	5.6		

Note: Financial ratios for 2018-19 are calculated based on the asset of current year only.
@ Ratios as per cent of average assets of last two years.
'Wage Bill' is taken as payments to and provisions for employees.
Source: Off-site returns, global operations, RBI

14.1 Balance Sheet

IV.77 The consolidated balance sheet of SFBs expanded in 2018-19. Their deposit base more than doubled as they shed their legacy dependence on bank borrowings. While loans and advances grew strongly during the year and constituted 70.6 per cent of total assets, investments also registered a robust growth (Table IV.29).

14.2 Priority Sector Lending

IV.78 SFBs' share in advances to the priority sector declined for the second year in a row in

Table IV.29: Consolidated Balance Sheet of Small Finance Banks

(Amount in ₹crore)

Sr. No.	Item	2018	2019	Y-o-Y growth in per cent
1	2	3	4	
1.	Share Capital	4,178.8	4,759.6	13.9
2.	Reserves & Surplus	5,502.6	6,967.1	26.6
3.	Tier II Bonds Tier II Debt	1,604.0	2,109.0	31.5
4.	Deposits	26,470.7	55,686.3	110.4
	4.1 Current Demand Deposits	1,014.3	2,155.0	112.5
	4.2 Savings	4,528.7	7,669.1	69.3
	4.3 Term	20,927.6	45,862.1	119.1
5.	Borrowings (Including Tier II Bonds)	30,884.6	27,838.9	-9.9
	5.1 Bank	7,723.3	3,466.3	-55.1
	5.2 Others	23,161.2	24,372.4	5.2
6.	Other Liabilities & Provisions	2,914.9	3,672.5	26
	Total Liabilities/Assets	**69,952.5**	**98,924.0**	**41.4**
7.	Cash in Hand	320.4	461.3	44
8.	Balances with RBI	1,859.2	3,162.1	70.1
9.	Other Bank Balances/ Balances with Financial Institutions	4,917.4	4,601.8	-6.4
10	Investments	13,154.1	17,287.0	31.4
11	Loans and Advances	46,754.7	69,856.8	49.4
12	Fixed Assets	1,523.7	1,642.7	7.8
13	Other Assets	1,427.1	1,913.3	34.1

Source: Off-site returns (domestic operations), RBI

2018-19. Their focus remained on micro, small, and medium enterprises, followed by agriculture (Table IV.30).

14.3 Financial Performance

IV.79 During 2018-19, the asset quality of SFBs improved significantly, leading to a contraction in provisions and contingencies even as their CRAR remained stable. Total income also grew, although one SFB reported exceptionally high losses which wiped out the net profit of other SFBs taken together in their combined finances (Table IV.31).

Table IV. 30: Purpose-wise Outstanding Advances by Small Finance Banks

(Share in percentage)

Sr. No.	Purpose	31-Mar-18	31-Mar-19
I	**Priority (i to v)**	**76.7**	**74.6**
	Per cent to total loans outstanding		
	i. Agriculture and allied activities	20.1	23.7
	ii. Micro, small and medium enterprises	31.0	36.7
	iii. Education	0.0	0.0
	iv. Housing	2.1	2.7
	v. Others	23.4	11.5
II	**Non-priority (i to vi)**	23.3	25.4
Total (I+II)		**100**	**100**

Source: Off-site returns (domestic operations), RBI

Table IV.31: Financial Performance of Small Finance Banks

(Amount in ₹crore)

Sr. No.	Item	2017-18	2018-19	Y-o-Y growth
1	2	3	4	5
A	**Income (i + ii)**	**9450.4**	**13239.0**	**40.1**
	i. Interest Income	8415.6	11818.8	40.4
	ii. Other Income	1034.8	1420.2	37.2
B	**Expenditure (i+ii+iii)**	**11566.2**	**13630.6**	**17.8**
	i. Interest Expended	4308.0	5710.3	32.5
	ii. Operating Expenses	4712.0	5728.4	21.6
	of which staff expenses	2409.2	2961.1	22.9
	iii. Provisions and Contingencies	2546.1	2191.9	-13.9
C	**Profit**	**-2021.2**	**-391.6**	
	i. Operating Profit (EBPT)	393.8	1800.3	357.2
	ii. Net Profit (PAT)	-2250.3	-932.3	
D	**Total Assets**	**69952.5**	**98923.7**	**41.4**
E	**Financial Ratios #**			
	i. Operating Profit	0.6	1.8	
	ii. Net Profit	-3.2	-0.9	
	iii. Income (a + b)	13.5	13.4	
	(a) Interest Income	12.0	12.0	
	(b) Other Income	1.5	1.4	
	iv. Expenditure (a+b+c)	16.5	13.8	
	(a) Interest Expended	6.2	5.8	
	(b) Operating Expenses	6.7	5.8	
	of which staff expenses	3.4	3.0	
	(c) Provisions and Contingencies	3.6	2.2	
F	**Analytical Ratios (%)**			
	Gross NPA Ratio	8.7	2.4	
	CRAR	22.9	21.5	
	Core CRAR	19.5	18.5	

Notes: # As per cent to total assets.
Source: Off-site returns (domestic operations), RBI

15. Payments Banks

IV.80 Payments Banks (PBs) were set up on the basis of the recommendations of the Committee on Comprehensive Financial Services for Small Businesses and Low-Income Households (Chairman: Shri Nachiket Mor) with the objective of improving financial inclusion by harnessing technology services *via* mobile telephony. PBs cannot undertake lending activities and their design is functionally equivalent to that of pre-paid instrument (PPI) providers which are permitted to receive cash payments from customers, store them in a digital wallet, and allow customers to pay for goods and services from this wallet. Consequently, credit and market risks involved in PBs' activities are limited, though they are subject to operational and liquidity risks. The evolution of PBs since their inception suggests that they are yet to achieve the optimal scale to break-even or attain profitability.

15.1 Balance Sheet

IV.81 At end-March 2019, there were seven PBs operational in India as compared with five as at end-March 2018. The consolidated balance sheet of PBs expanded in 2018-19 as their deposits more than doubled during the year. The share of deposits in total liabilities increased from 9 per cent to 12.4 per cent during the same period, although they can accept deposits only up to ₹1 lakh per customer. While total capital and reserves witnessed a marginal increase, other liabilities (such as unspent balances in PPIs) accounted for 61.3 per cent of total liabilities at end-March 2019 (Table IV.32).

IV.82 PBs' asset composition reflected the regulatory structure under which they operate; they are required to maintain a minimum investment of 75 per cent of demand deposit balances (DDBs) in Government securities for maintenance of SLR and hold a maximum 25 per cent with other SCBs. Furthermore, balances outstanding under PPIs issued should be flexibly deployed between SLR-eligible Government securities and bank deposits in such a manner that they are able to comply with the requirements of CRR and SLR on overall outside liabilities. During 2018-19, the share of investments declined to 43.9 per cent from 50 per cent in the previous year (Table IV.32).

Table IV.32: Consolidated Balance Sheet of Payments Banks

(Amount in ₹crore)

	Item	Mar-18	Mar-19
1.	Total Capital and Reserves	1,849	1,868
2.	Deposits	438	883
3.	Other Liabilities and Provisions	2,608	4,363
	Total Liabilities/Assets	4,895	7,114
1.	Cash and Balances with RBI	377	729
2.	Balances with Banks and Money Market	1,249	1,376
3.	Investments	2,449	3,126
4.	Fixed Assets	235	547
5.	Other Assets	586	1,335

Note: Data for end-March 2018 and end-March 2019 pertain to five and seven PBs, respectively. Hence, the data for these two years are not comparable.
Source: Off-site returns (domestic operations), RBI

15.2 Financial Performance

IV.83 Despite improvement in net interest income and non-interest income, increases in operating expenses resulted in overall negative profits for PBs in 2018-19. The limited operational space available to them and the large initial costs involved in setting up of the infrastructure imply that it may take time for PBs to break even as they expand their customer base (Table IV.33).

IV.84 Net interest margin (NIM) and efficiency (cost-to income) improved during the year even

Table IV.33: Financial Performance of Payments Banks

(Amount in ₹crore)

Sr. No.	Item	Mar-18	Mar-19
A	Income (i+ii)		
	i. Interest Income	175.9	255.2
	ii. Other Income	1,003.6	2,093.7
B	Expenditure		
	i. Interest Expended	26.2	35.8
	ii. Operating Expenses	1,677.1	2,925.9
	iii. Provisions and Contingencies	-7.4	14.0
	of which Risk Provisions	-8.4	0.9
	Tax Provisions	1.0	13.0
C	Net Interest Income	151.5	219.4
D	Profit		
	i. Operating Profit (EBPT)	-523.0	-612.8
	ii. Net Profit/Loss	-515.6	-626.8

Note: Data for end-March 2018 and end-March 2019 pertain to five and seven PBs, respectively. Hence, the data for these two years are not comparable.
Source: Off-site returns (domestic operations), RBI

Table IV.34: Select Financial Ratios of Payments Banks

	Item	Mar-18	Mar-19
1.	Return on Assets	-10.6	-8.9
2.	Return on Equity	-27.9	-34.0
3.	Investments to Total Assets	50.0	44.0
4.	Net Interest Margin	4.5	5.2
5.	Efficiency (Cost-Income ratio)	142.2	124.6
6.	Operating Profit to Working Funds	-10.7	-8.6
7.	Profit Margin	-43.8	-27.0

Note: Data for end-March 2018 and end-March 2019 pertain to five and seven PBs, respectively. Hence, the data for these two years are not comparable.
Source: Off-site returns (domestic operations), RBI

as losses as reflected in RoA, RoE and profit margins continued (Table IV.34).

15.3 Inward and Outward Remittances

IV.85 In 2018-19, transactions through UPI took over from E-wallets as the most prominent channel for inward and outward remittances in terms of both value and volume (Table IV.35).

Table IV.35: Remittances through Payments Banks during 2018-19

(Number in Units, Amount in ₹crore)

Channel	Inward Remittances		Outward Remittances	
	Number	Amount	Number	Amount
1. NEFT	12,67,081 (0.2)	4,722 (5.3)	24,28,320 (0.3)	10,711 (9.7)
i) Bill Payments	1,81,542 -	2,956 (3.3)	9,88,431 (0.1)	7,174 (6.5)
ii) Other than Bill Payments	10,85,539 (0.2)	1,766 (2)	14,39,889 (0.2)	3,537 (3.2)
2. RTGS	18,341 -	11,184 (12.5)	6,390 -	7,015 (6.3)
3. IMPS	4,22,78,372 (6.4)	6,705 (7.5)	6,18,69,631 (8.7)	18,953 (17.1)
4. UPI	49,11,05,418 (74.3)	56,543 (63.1)	49,40,90,598 (69.7)	57,219 (51.8)
5. E - Wallets	11,00,94,745 (16.7)	5,659 (6.3)	13,20,65,753 (18.6)	11,562 (10.5)
6. Micro ATM (POS)	43,87,591 (0.7)	1,698 (1.9)	83,303 -	26 -
7. ATM	- -	- -	5,07,495 (0.1)	153 (0.1)
8. Others	1,17,57,286 (1.8)	3,142 (3.5)	1,81,92,884 (2.6)	4,911 (4.4)
Total	66,09,08,834	89,653	70,92,44,374	1,10,549

Notes: 1. -: Nil/ Negligible
2. Figures in the parentheses are percentage to total.
Source: Off-site returns (domestic operations), RBI

16. Overall Assessment

IV.86 The banking sector is slowly turning around on the back of improvement in asset quality, strengthening capital base, and a return to profitability. At this cusp, however, the evolving macroeconomic scenario, and particularly, the ongoing loss of pace in domestic economic activity, presents daunting challenges as widespread risk aversion has turned credit demand anaemic even as corporations deleverage their own stressed balance sheets. Notwithstanding the improvement in 2018-19, the overhang of NPAs remains high. Further reduction in NPAs through recoveries hinges around a reversal of the downturn in the economy.

IV.87 While banks have oriented their lending towards the relatively stress-free retail, the slowdown in private consumption spending has imposed limits to this growth strategy even as the possibility of defaults among retail segments rises as growth slows down.

IV.88 The recapitalisation of PSBs remains an unfinished agenda. Apart from meeting the regulatory minimum, commercial banks need to augment their capital base to guard against future balance sheet stress. Moreover, they also need to improve their valuation methodologies, credit monitoring and risk management strategies in order to build resilience.

IV.89 Over the last couple of years, the space vacated by risk-averse PSBs was taken up by PVBs; more recently, however, fault lines are becoming evident in the latter's corporate governance. This is occurring at a time when the balance sheets of PSBs have not yet regained their strength.

IV.90 Banks' lending to NBFCs has remained strong, reflecting the policy initiatives to alleviate liquidity stress in that sector. Nonetheless, appropriate risk pricing is warranted so that excessive risk-build up does not occur.

IV.91 Going forward, optimal bank capital, stringent corporate governance practices, and effective risk management strategies will help in strengthening the robustness of the banking system in an increasingly dynamic economic environment. Emergence of niche players is expected to augment innovation in financial technology and provide further impetus to the agenda of financial inclusion.

V DEVELOPMENTS IN CO-OPERATIVE BANKING

The consolidated balance sheet of urban co-operative banks expanded moderately in 2018-19 on the back of robust deposit growth which financed the pick-up in lending. Although their asset quality and provisions improved, a fall in interest income adversely affected profitability. Among short-term rural co-operatives, the financial health of state co-operative banks and district central co-operative banks weakened on account of an increase in the non-performing assets and slowdown in profitability. The soundness indicators of long-term co-operatives remained fragile.

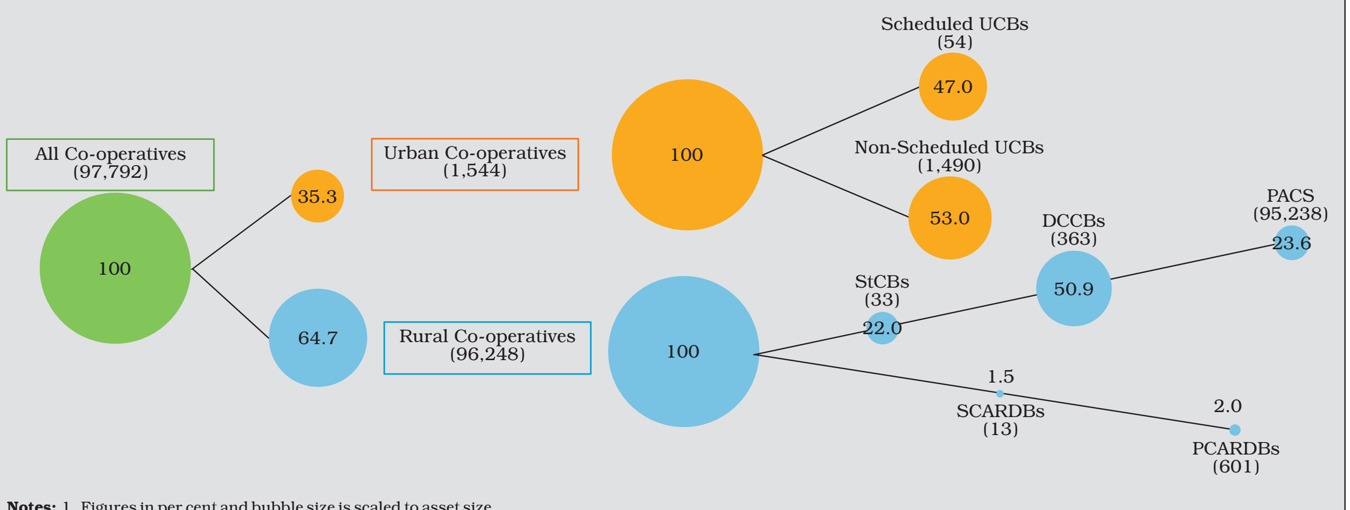
1. Introduction

V.1 In keeping with their 'grassroots' integration into the life and ethos of the widest sections of society, co-operative banks in India are invested with developmental goals among which financial inclusion has assumed crucial importance. These institutions play a critical role in last-mile credit delivery and in extending financial services across the length and breadth of the country through their geographic and demographic outreach.

V.2 At the end of March 2019, credit co-operatives comprised 1,544 urban co-operative banks (UCBs) and 96,248 rural co-operative banks (end-March 2018[1]), with the latter accounting for 64.7 per cent of the total assets of co-operatives (Chart V.1).

V.3 UCBs and among the rural co-operatives, the State Co-operative Banks (StCBs) and the District Central Co-operative Banks (DCCBs) are registered either under the Co-operative Societies Act of the state concerned or under

Chart V.1: The Structure of Co-operatives by Asset Size



Notes: 1. Figures in per cent and bubble size is scaled to asset size.
2. StCBs: State Co-operative Banks; DCCBs: District Central Co-operative Banks; PACS: Primary Agricultural Credit Societies; SCARDBs: State Co-operative Agriculture and Rural Development Banks; PCARDBs: Primary Co-operative Agriculture and Rural Development Banks
3. Figures in parentheses indicate the number of institutions at end-March 2019 for UCBs and at end-March 2018 for rural co-operatives. Out of 54 scheduled UCBs- 34 are multi-state and 20 are single-state. Out of 1,490 non-scheduled UCBs – 24 are multi-state and 1,466 are single state.

[1] Data on rural co-operatives are available with a lag of one year, the latest being for 2017-18.

the Multi State Co-operative Societies Act, 2002. Banking laws were made applicable to co-operative societies since March 1, 1966. Currently, there is duality of control over StCBs/DCCBs/UCBs between the Registrar of Cooperative Societies (RCS) or the Central Registrar of Cooperative Societies (CRCS) and the Reserve Bank. While the mandates of the RCS/CRCS encompass incorporation, registration, management, recovery, audit, supersession of Board of Directors and liquidation, the Reserve Bank is invested with regulatory functions. The Reserve Bank is also entrusted with the responsibility of supervision of UCBs, entailing prescription of prudential norms for capital adequacy, income recognition, asset classification and provisioning, liquidity requirements and single/group exposure norms. In addition, it also helps in capacity building of employees and assist in implementation of IT infrastructure in UCBs.

V.4 Primary Agricultural Credit Societies (PACS) and long-term co-operatives are outside the purview of the Banking Regulation Act, 1949. The NABARD has been given power under Section 35 (6) of the Banking Regulation Act to conduct inspections of StCBs and DCCBs. The NABARD also conducts voluntary inspections of State Co-operative Agriculture and Rural Development Banks (SCARDBs).

V.5 The growth of these co-operative institutions has not been commensurate with that of other constituents of the banking sector in India. At the end of March 2018, the combined assets of urban and rural co-operatives were 10.6 per cent of the total assets of scheduled commercial banks (SCBs), down from 19.4 per cent in 2004-05. Several operational and governance-based impediments have operated as drags on their performance, stunting their growth.

V.6 In this milieu, this chapter examines the performance of the urban co-operatives and rural credit co-operatives in the remaining five sections. Section 2 addresses the activities of UCBs from the point of view of their financial performance and asset quality. Section 3 reviews the performance of State Co-operative Banks (StCBs), District Central Co-operative Banks (DCCBs) and PACS. A brief description of long-term co-operatives is provided in section 4, notwithstanding the fact that they are outside the purview of the Reserve Bank's regulation. Section 5 concludes with some overall perspectives. Detailed tables on balance sheets, financial performance indicators, asset quality and other salient indicators are presented in the appendix.

2. Urban Co-operative Banks

V.7 Despite their large number, UCBs account for 3.6 per cent of the total assets of SCBs. Most of them are single branch entities, with limited avenues to raise capital. Successful international co-operative models highlights the role of umbrella organisation in strengthening the performance of co-operatives by providing a range of services like liquidity and capital support (Box V.1).

V.8 Enabled by a liberal licensing policy, the period 1991-2004 saw phenomenal growth in UCBs' number and asset size. Subsequently, this expansion turned unsustainable and some of them became weak and unviable over time. The Reserve Bank's Vision Document 2005, adopted a multi-layered approach for bolstering the UCBs, including merger of weak UCBs with

Box V.1: Co-operative Banks: A Cross-Country Comparison

The financial co-operative (FC) institutions, which trace back their origins to the 19th century, were established across jurisdictions with the objective of extending loans at affordable prices to the unbanked population. Amongst the FCs, the services of credit unions are exclusive for their members, who share a common profession, entrepreneurship interests, or in some cases, just their location. In contrast, co-operative banks offer services to non-members as well (Birchall, 2013).

While there are co-operatives based on a simple business model of deposit-taking and lending, others, such as those in Europe, form federations by pooling their resources resembling large banking groups and provide a large array of services (for example, Rabobank Group in Netherlands, Credit Agricole Group in France and Op-Pohjola Group in Finland).

Regulation and Supervision

The supervisory framework of FCs has evolved over time and differs across boundaries. In France, their regulation and supervision are at par with commercial banks which includes, *inter alia*, removal of board members and power to appoint temporary administrators. In the US, central co-operative banks are regulated by the National Credit Union Administration (NCUA) and it has the power to merge FCs if there are risks of insolvency. Indian co-operatives, on the other hand, are faced with a problem of dual regulation where their banking-related functions are regulated by the Reserve Bank and management-related functions are controlled by the concerned state/central Government. Further, unlike France, the control over co-operative banks is not at par with commercial banks. This system impedes effective regulatory control of the Reserve Bank over co-operative banks.

Market Share and Role in Credit Delivery

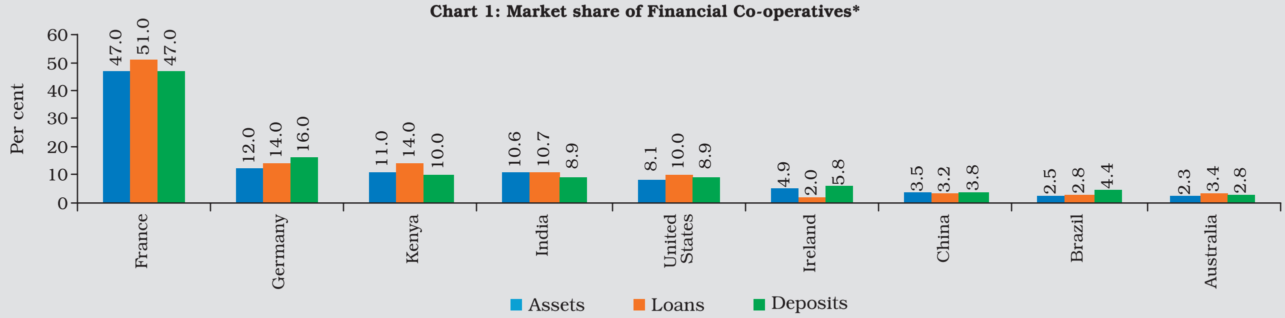
The market share of FCs in terms of asset size varies significantly ranging from 0.03 per cent in Brazil to 47 per cent in France. In India, credit co-operatives (including urban and rural co-operatives) accounted for about one-tenth of the total assets of scheduled commercial banks in 2017-18. Further, loans and advances by three major co-operative banking groups in France accounted for 51 per cent of the total loans of the financial system[2] (Chart 1).

In AEs, such as the United States (US), France and the Netherlands, FCs compete with commercial banks in retail banking and lending to small and medium enterprises (SMEs)[3]. The market share of loans to SMEs of Rabobank in the Netherlands is 39.6 per cent and of the Credit Agricole Group in France is 34 per cent[4]. In comparison, the lending of Indian urban co-operative banks (UCBs) to micro, small and medium enterprises (MSMEs) is 14.5 per cent of the total commercial bank lending in 2018-19. FCs showed considerable resilience during the global financial crisis of 2007-08 as they outperformed commercial banks and continued lending to SMEs (Birchall, 2013).

Umbrella Organisations

Co-operative banks have limited ability to raise capital given their business model, wherein they can raise resources only from member shares and retained earnings. Also, FCs find themselves unable to adopt latest banking technology due to their limited size. To some extent, these limitations faced by the FCs are overcome by the presence of umbrella organisations, which can exist either in the form of an apex level entity or as a distinct entity where the credit unions are its members.

Chart 1: Market share of Financial Co-operatives*



Notes: *Data are for June 2017 for Australia, September 2017 for Ireland, December 2017 for Brazil, China, France, Germany and Kenya, February 2018 for South Africa and March 2018 for the United States. For India, data comprises urban and rural co-operatives for end-March 2018.
Source: Coelho, R., J.A. Mazzillo, J.P. Sovornos & T. Yu (2019). Regulation and supervision of financial cooperatives, Bank for International Settlements (BIS) and RBI.

2 Source: FSI Insights on policy implementation No 15.
3 The definition of small and medium enterprises varies across jurisdictions.
4 Source: European Association of Co-operative Banks: Key Statistics – Financial Indicators 2018.

In some countries, the apex central body (umbrella organisation) provides services to its member banks and regulates their activities. All local co-operative banks are members of this apex entity and are provided with voting rights based on 'one member one vote' system. These apex entities provide access to resources/capital to financial co-operatives at the base level through their ability of tapping into the capital market, while maintaining the co-operative character. Member co-operatives within an apex bank also agree to provide mutual support to each other in times of financial difficulty.

This system also enables self-regulation and good corporate governance in the sector. The Credit Agricole Group in France has an internal audit mechanism that covers all member co-operative banks and also has power to issue instructions and merge two or more entities affiliated to them. Similarly, the Rabobank Group in the Netherlands is responsible for supervising the financial health and professionalism of local co-operative banks.

International experience suggests that existence of an umbrella model (for instance, European model of co-operatives) provides mutual support system, *viz.*, legally binding cross guarantees, liquidity support, among others and therefore adds to the strength of the system. Based on this important role, various committees[5] of the Reserve Bank have recommended setting up of such a structure. Accordingly, regulatory approval to the National Federation of Urban Cooperative Banks and Credit Societies Ltd. (NAFCUB) has been accorded by the Reserve Bank for setting up an umbrella organisation as a non-deposit taking NBFC (NBFC-ND) on June 06, 2019.

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Coelho, R., J.A. Mazzillo, J.P. Sovornos & T. Yu (2019). Regulation and supervision of financial cooperatives, *Bank for International Settlements* (BIS).

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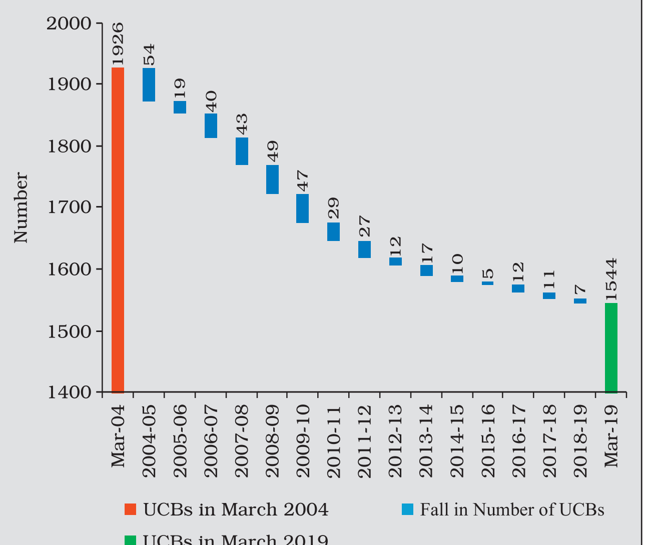
stronger ones and exit of unviable ones that has resulted in the state of consolidation that exists today (Chart V.2).

V.9 Maharashtra—which has the largest number of UCBs across states—accounted for the highest number of mergers (Chart V.3)

V.10 Notwithstanding the fall in the number of UCBs, however, their combined asset size has continuously increased (Chart V.4).

V.11 UCBs are classified for regulatory purposes into Tier-I and Tier-II categories, based on their depositor base[6]. Tier II UCBs have larger depositor bases and wider geographical presence than their Tier I counterparts. During

Chart V.2: Number of UCBs

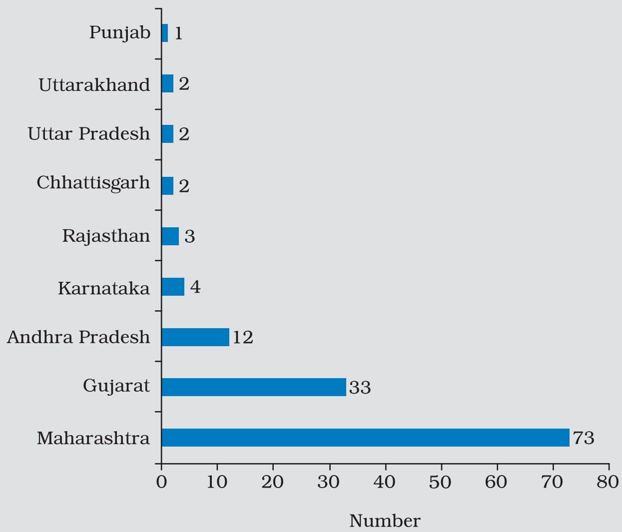


Source: Off-site surveillance returns, RBI.

5 See Working Group to Examine Issues Relating to Augmenting Capital of UCBs, 2006 (Chairman: N.S. Vishwanathan); Working Group on Umbrella Organization and Constitution of Revival Fund for Urban Co-operative Banks, 2008 (Chairman: V.S. Das); Expert Committee on Licensing of New Urban Co-Operative Banks, 2011 (Chairman: Y.H. Malegam); High Powered Committee on Urban Co-operative Banks, 2015 (Chairman: R. Gandhi).

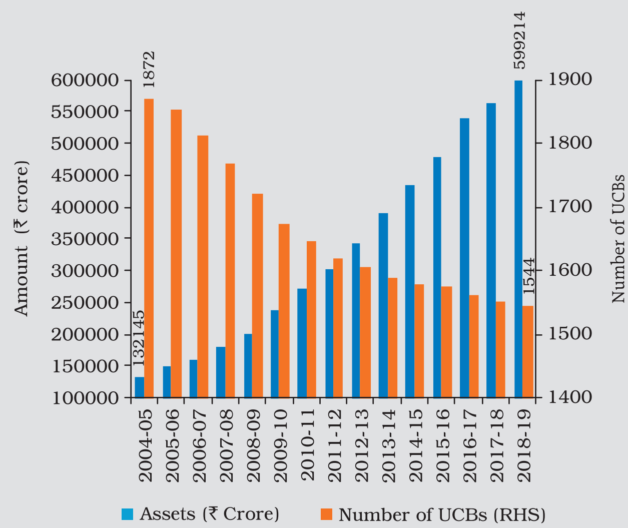
6 Tier-I UCBs are defined as: a) deposit base below ₹100 crore operating in a single district, or deposit base below ₹100 crore operating in more than one district, provided that the branches of the bank are in contiguous districts, and deposits and advances of branches in one district separately constitute at least 95 per cent of the total deposits and advances, respectively; b) deposit base below ₹100 crore, with branches originally in a single district which subsequently became multi-district in their operations due to a re-organisation of the district. All other UCBs are defined as Tier-II UCBs.

Chart V.3: UCB Mergers
(Cumulative: 2004 to 2019)



Source: RBI.

Chart V.4: UCBs: Consolidation and Asset Size



Note: 2018-19 asset size data are provisional.
Source: Off-site surveillance returns, RBI.

2018-19, the number of Tier II UCBs increased sharply (Table V.1).

2.1 Balance Sheet

V.12 The combined balance sheet of UCBs witnessed robust expansion underscoring the effectiveness of measures taken to strengthen their financials. However, in the recent years, UCBs' assets growth has moderated (Chart V.5).

V.13 In 2014-15, the distribution of UCBs became bi-modal, with concentration in two asset brackets *viz*., ₹25 crore to ₹50 crore and ₹100 crore to ₹250 crore. Since 2016-17, however, the distribution has become uni-modal, with the largest frequency concentrated at the ₹100 crore to ₹250 crore asset bracket. Moreover, there has been a rightward shift in the distribution, with the share of UCBs with assets greater than ₹1,000 crore increasing to 6.5 per cent in 2018-19 from 4.6 per cent in 2014-15 (Chart V.6).

V.14 Deposits—which accounted for 89.5 per cent of the resource base[7] of UCBs—revived during

Table V.1: Tier-wise Distribution of Urban Co-operative Banks
(At end-March 2019)

(Amount in ₹ crore)

Tier Type	Number of Banks		Deposits		Advances		Total Assets	
	Number	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total
Tier I UCBs	917	59.4	43,588	9.0	25,076	8.3	54,591	9.1
Tier II UCBs	627	40.6	4,40,728	91.0	2,77,942	91.7	5,44,622	90.9
All UCBs	**1,544**	**100.0**	**4,84,316**	**100.0**	**3,03,018**	**100.0**	**5,99,214**	**100.0**

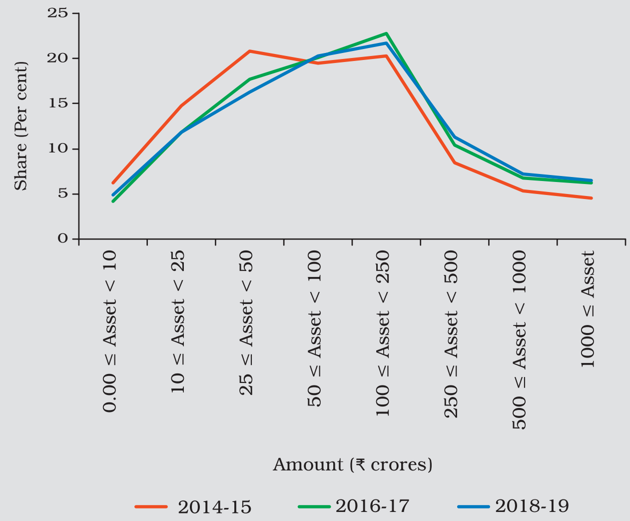
Note: Data are provisional.
Source: Off-site surveillance returns, RBI.

7 Resource base comprises capital, reserves, deposits and borrowings.

Chart V.5: Asset Growth of UCBs

Source: Off-site surveillance returns, RBI.

Chart V.6: Distribution of UCBs by Asset size
(End-March)

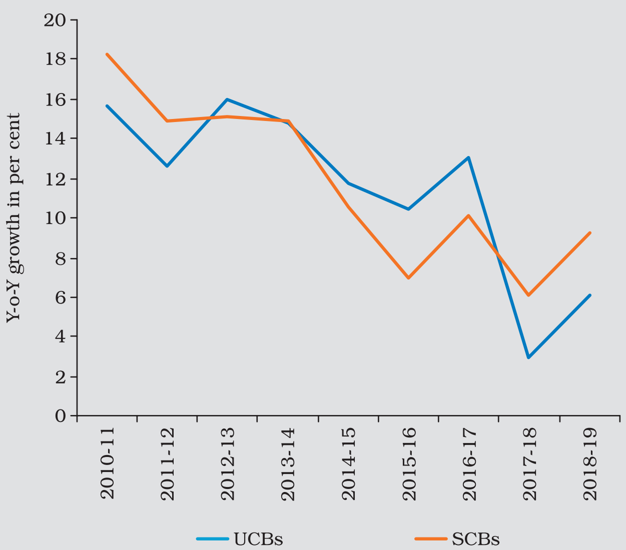


Source: Off-site surveillance returns, RBI.

2018-19 after a deceleration in the previous year (Chart V.7). Nonetheless, UCBs' deposit growth remains well-below the average of 13.9 per cent achieved during 2007-08 to 2016-17.

V.15 As deposit growth moderated during 2017-18, lending had to be financed by a steep increase in borrowings. This growth in borrowings reversed during 2018-19 as pick-up in deposit growth financed the increase in loans and advances (Table V.2).

Chart V.7: Deposits: UCBs *versus* SCBs



Source: Off-site surveillance returns, RBI.

V.16 While UCBs with deposit bases upto ₹10 crore formed the modal class at the end of March 2008, the ₹100 crore to ₹250 crore bracket became the modal class at the end of March 2019 (Table V.3 and Chart V.8a). This suggests an increase in average deposit per account as well as an expansion of the customer base of UCBs.

V.17 In contrast, UCBs with advances in the range of ₹10 crore to ₹25 crore formed the modal class during 2018-19 (Chart V.8b).

V.18 Since 2015, the SLR requirements of UCBs are being reduced progressively in line with the prescription applicable to SCBs. Furthermore, since UCBs are governed by Basel I regulatory norms, the liquidity coverage ratio (LCR) requirement is not applicable to them. As SLR investments – constituting 88.9 per cent of total investments, primarily in central government securities – moderated over the

Table V.2: Liabilities and Assets of Urban Co-operative Banks
(At end-March)

(Amount in ₹ crore)

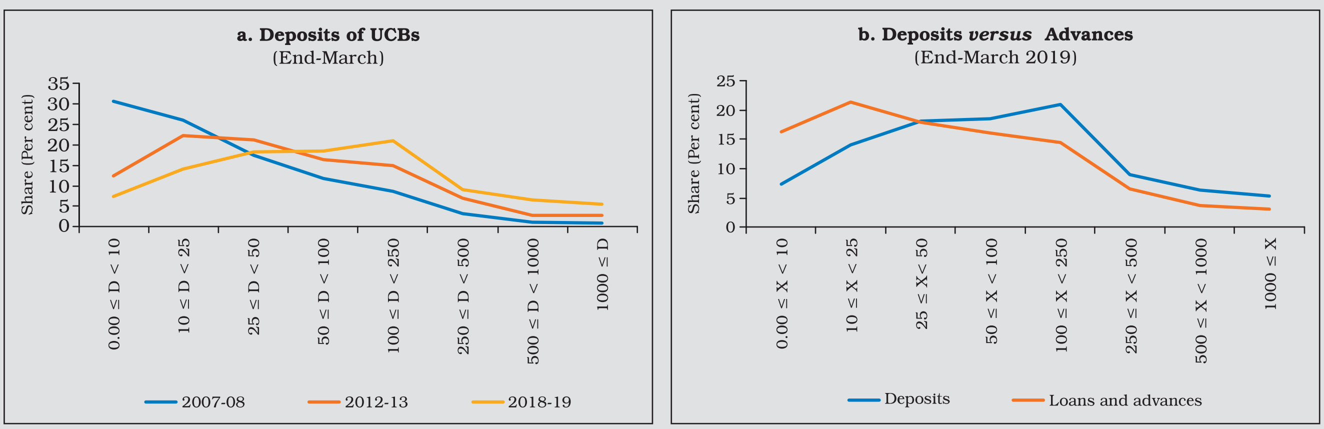
Assets/Liabilities	Scheduled UCBs		Non-scheduled UCBs		All UCBs		Rate of Growth (%) All UCBs	
	2018	2019	2018	2019	2018	2019	2017-18	2018-19
1	2	3	4	5	6	7	8	9
Liabilities								
1. Capital	4,118	4,348	8,852	9,235	12,970	13,583	7.1	4.7
	(1.6)	(1.5)	(3.0)	(2.9)	(2.3)	(2.3)		
2. Reserves	16,663	18,447	18,626	19,342	35,288	37,789	5.5	7.1
	(6.3)	(6.5)	(6.2)	(6.2)	(6.3)	(6.3)		
3. Deposits	2,12,041	2,25,688	2,44,466	2,58,628	4,56,507	4,84,316	2.9	6.1
	(80.1)	(79.2)	(81.9)	(82.3)	(81.0)	(80.8)		
4. Borrowings	4,628	4,908	367	333	4,995	5,241	41.6	4.9
	(1.7)	(1.7)	(0.1)	(0.1)	(0.9)	(0.9)		
5. Other Liabilities	27,308	31,538	26,183	26,747	53,491	58,285	12.8	9.0
	(10.3)	(11.1)	(8.8)	(8.5)	(9.5)	(9.7)		
Assets								
1. Cash in Hand	1,482	1,342	3,982	4,046	5,464	5,388	21.7	-1.4
	(0.6)	(0.5)	(1.3)	(1.3)	(1.0)	(0.9)		
2. Balances with RBI	10,360	11,080	2,144	2,699	12,503	13,779	8.9	10.2
	(3.9)	(3.9)	(0.7)	(0.9)	(2.2)	(2.3)		
3. Balances with Banks	16,155	17,065	46,813	43,780	62,968	60,845	3.6	-3.4
	(6.1)	(6.0)	(15.7)	(13.9)	(11.2)	(10.2)		
4. Money at Call and Short Notice	3,081	4,291	1,381	1,580	4,462	5,871	-11.0	31.6
	(1.2)	(1.5)	(0.5)	(0.5)	(0.8)	(1.0)		
5. Investments	68,928	72,305	80,906	84,638	1,49,834	1,56,943	5.4	4.7
	(26.0)	(25.4)	(27.1)	(26.9)	(26.6)	(26.2)		
6. Loans and Advances	1,36,822	1,46,572	1,43,637	1,56,446	2,80,460	3,03,018	7.4	8.0
	(51.7)	(51.4)	(48.1)	(49.8)	(49.8)	(50.6)		
7. Other Assets	27,930	32,274	19,631	21,096	47,561	53,370	-13.3	12.2
	(10.5)	(11.3)	(6.6)	(6.7)	(8.4)	(8.9)		
Total Liabilities/ Assets	**2,64,758**	**2,84,929**	**2,98,494**	**3,14,285**	**5,63,252**	**5,99,214**	**4.3**	**6.4**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**		

Notes: 1. Data for March 2019 are provisional.
2. Figures in brackets are proportion to total liabilities / assets (in per cent).
3. Components may not add up to the total due to rounding off.

Source: Off-site surveillance returns, RBI.

last two years, overall investments also followed suit (Table V.4). However, non-SLR investments expanded by a faster pace. Incidentally, in August 2018, the list of eligible counterparties for trading in secondary market for this type of investment was widened.

Chart V.8: Distribution of UCBs



Note: 'D': amount of deposits in ₹ crores, and 'X': amount of deposits/loans and advances in ₹ crores.

Source: Off-site surveillance returns, RBI.

Table V.3: Distribution of UCBs by Size of Deposits and Advances
(At end-March 2019)

(Amount in ₹ crore)

Deposit	Number of UCBs		Amount of Deposits		Advances	Number of UCBs		Amount of Advances	
	Number	% Share	Amount	% Share		Number	% Share	Amount	% Share
1	2	3	4	5	6	7	8	9	10
0.00 ≤ D < 10	115	7.4	651	0.1	0.00 ≤ Ad < 10	253	16.4	1,349	0.4
10 ≤ D < 25	216	14.0	3,661	0.8	10 ≤ Ad < 25	331	21.4	5,601	1.8
25 ≤ D < 50	281	18.2	10,101	2.1	25 ≤ Ad < 50	278	18.0	9,911	3.3
50 ≤ D < 100	285	18.5	19,997	4.1	50 ≤ Ad < 100	248	16.1	17,992	5.9
100 ≤ D < 250	323	20.9	50,755	10.5	100 ≤ Ad < 250	225	14.6	35,270	11.6
250 ≤ D < 500	140	9.1	47,216	9.7	250 ≤ Ad < 500	101	6.5	35,141	11.6
500 ≤ D < 1000	100	6.5	67,362	13.9	500 ≤ Ad < 1000	59	3.8	39,853	13.2
1000 ≤ D	84	5.4	2,84,574	58.8	1000 ≤ Ad	49	3.2	1,57,902	52.1
Total	1,544	100.0	4,84,316	100.0	Total	1,544	100.0	3,03,018	100.0

Note: 1. Data are provisional.
2. 'D' and 'Ad' indicates amount of deposits and advances respectively.
3. Components may not add up to the whole due to rounding off.
Source: Off-site surveillance returns, RBI.

V.19 During 2016-17 and 2017-18, the incremental credit-to-deposit ratio of UCBs rose above those of SCBs, owing to the impact of high deposit growth on account of demonetisation in 2016-17 and lower credit growth of SCBs in the next year. This upturn was, however, reversed in 2018-19 with a pick-up in credit growth of SCBs (Chart V.9a).

V.20 Since April 1, 2015 the balances of UCBs with DCCBs and StCBs ceased to be treated as SLR investments. Consequently, the investment-to-deposit ratio of UCBs fell below that of SCBs for the first time and remained so in subsequent years as well (Chart V.9b).

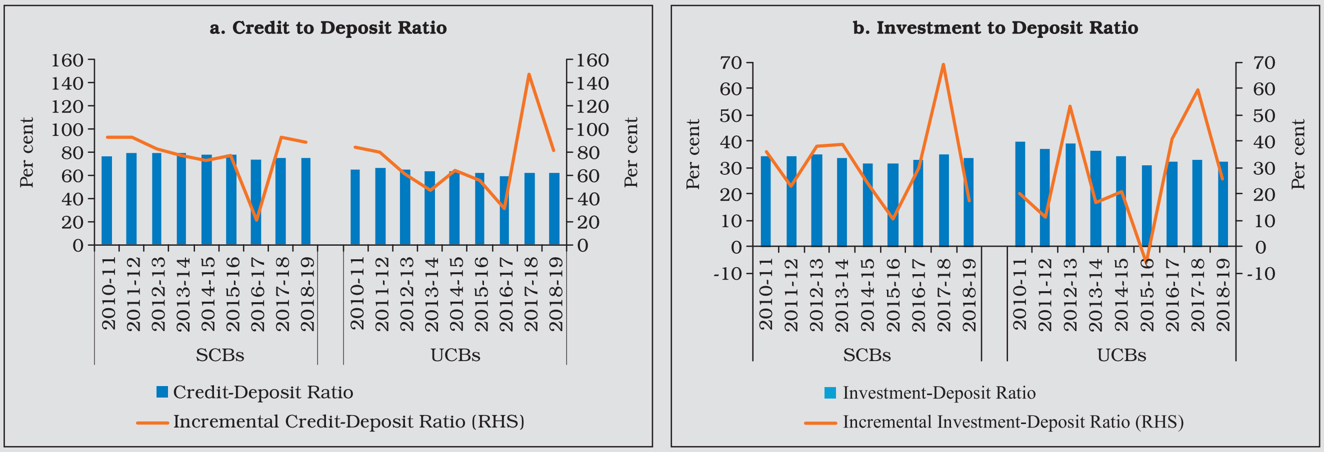
Table V.4: Investments by Urban Co-operative Banks

(Amount in ₹ crore)

Item	At end-March			Variation (%)	
	2017	2018	2019	2017-18	2018-19
1	2	3	4	5	6
Total Investments (A + B)	**1,42,091**	**1,49,834**	**1,56,943**	**5.45**	**4.74**
	(100.0)	**(100.0)**	**(100.0)**		
A. SLR Investments (i to iii)	**1,25,378**	**1,35,863**	**1,39,450**	**8.36**	**2.64**
	(88.2)	**(90.7)**	**(88.9)**		
(i) Central Govt. Securities	95,471	98,433	98,215	3.10	-0.22
	(67.2)	(65.7)	(62.6)		
(ii) State Govt. Securities	29,356	37,227	40,566	26.81	8.97
	(20.7)	(24.9)	(25.9)		
(iii) Other approved Securities	551	204	669	-63.04	228.45
	(0.4)	(0.1)	(0.4)		
B. Non-SLR Investments	**16,713**	**13,971**	**17,493**	**-16.41**	**25.22**
	(11.8)	**(9.3)**	**(11.2)**		

Notes: 1. Data for 2019 are provisional.
2. Figures in parentheses are percentages to total investments.
Source: Off-site surveillance returns, RBI.

Chart V.9: Credit-Deposit and Investment-Deposit Ratio: UCBs *versus* SCBs



Source: Off-site surveillance returns, RBI.

2.2 *Soundness*

V.21 A CAMELS (capital adequacy; asset quality; management; earnings; liquidity; and systems and control) rating model is used to classify UCBs for regulatory and supervisory purposes[8]. UCBs in the top-ranking categories—with ratings A and B—accounted for 78 per cent of the sector (Table V.5). The share of UCBs in category A has, however declined in the last five years with a concomitant increase in category B banks. The share of UCBs in category D has remained in the range of 4 to 5 per cent in the last five years (Chart V.10).

Table V.5: Rating-wise Distribution of UCBs
(At end-March 2019)

(Amount in ₹ crore)

Ratings	Number		Deposits		Advances	
	Banks	% share in Total	Amount	% share in Total	Amount	% share in Total
1	2	3	4	5	6	7
A	286	18.52	1,39,696	28.84	88,640	29.25
B	913	59.13	2,71,573	56.07	1,71,129	56.47
C	275	17.81	63,488	13.11	38,620	12.75
D	70	4.53	9,559	1.97	4,628	1.53
Total	**1,544**	**100.00**	**4,84,316**	**100.00**	**3,03,018**	**100.00**

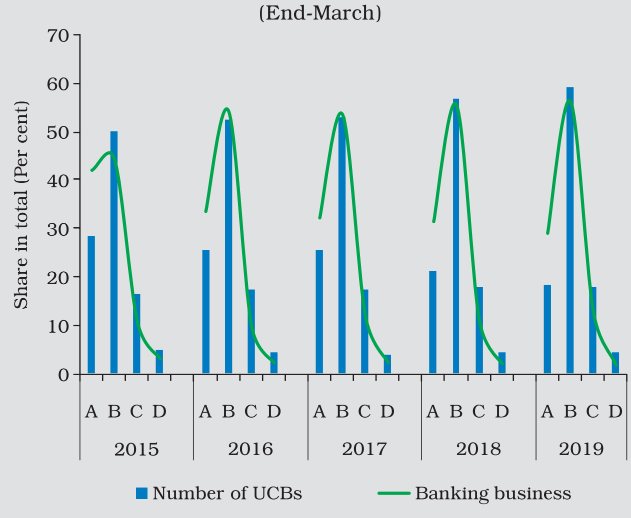
Notes: 1. Data are provisional.
2. Components may not add up to the total due to rounding off.
3. Ratings are based on the inspection conducted during the financial years 2017-18 and 2018-19.

Source: Off-site surveillance returns, RBI.

2.3 *Capital Adequacy*

V.22 Under the Basel I norms, UCBs are required to maintain a minimum statutory capital to risk weighted assets ratio (CRAR) of 9 per cent, with no additional requirements like capital conservation buffer and high common equity tier 1 (CET 1)

Chart V.10: Distribution of Number and Business of UCBs - by Rating Categories
(End-March)



Note: Banking Business = Deposits + Advances.
Source: Off-site surveillance returns, RBI.

8 CAMELS rating model gives a composite rating of A/B/C/D (in decreasing order of performance) to UCBs, based on the weighted average rating of the individual components of CAMELS.

Table V.6: CRAR-wise Distribution of UCBs
(At end-March 2019)

CRAR (in Per cent)	Scheduled UCBs	Non-scheduled UCBs	All UCBs
1	2	3	4
CRAR < 3	4	34	38
3 <= CRAR < 6	0	7	7
6 <= CRAR < 9	0	14	14
9 <= CRAR < 12	6	150	156
12 <= CRAR	44	1,285	1,329
Total	**54**	**1,490**	**1,544**

Note: Data are provisional.
Source: Off-site surveillance returns, RBI.

capital ratio. As of end-March 2019, more than 96 per cent of UCBs maintained CRAR of 9 per cent and above (Table V.6).

V.23 At a disaggregated level, non-scheduled UCBs (NSUCBs) that are characterised by lower asset size have better capital positions than scheduled UCBs (SUCBs). During 2018-19, the share of NSUCBs maintaining CRAR of 9 per cent and above was 96 per cent *vis-a-vis* 92 per cent for SUCBs. On the downside, however, four SUCBs had negative CRAR in that year (Chart V.11). Latest supervisory returns suggest deterioration in CRAR of SUCBs to 9.8 per cent in H1:2019-20 from 13.5 per cent in H1:2018-19.

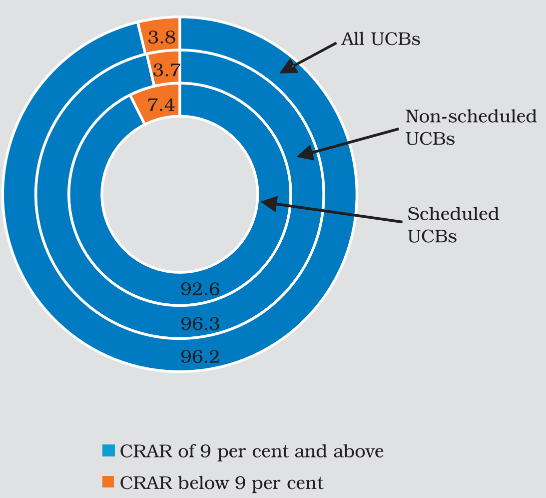
2.4 Asset Quality

V.24 While UCBs had higher NPA ratio than SCBs till 2014-15, this was reversed on account of two distinct factors. First, the asset quality review (AQR), which resulted in better asset recognition of SCBs led to their NPA ratio rising to its true level. Second, the asset quality of UCBs has been gradually improving over time (Chart V.12).

V.25 During 2018-19, UCBs registered moderate improvement in their asset quality, driven by the decline in the GNPA ratio of NSUCBs. Notwithstanding this improvement, the NSUCBs continue to have higher NPAs than SUCBs (Table V.7). SUCBs' GNPA ratio deteriorated to 10.5 per cent in H1: 2019-20 reflecting large delinquencies in one of the fraud hit banks.

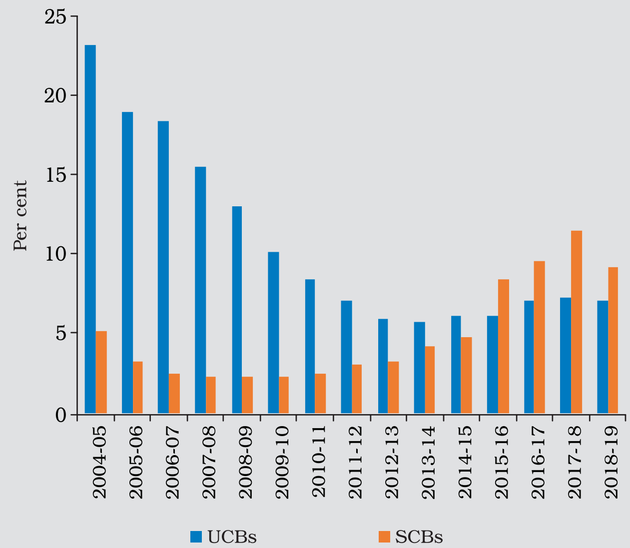
V.26 Larger increase in provisions *vis-à-vis* GNPA enabled an improvement in UCBs' provisioning coverage ratio (PCR) (Chart V.13). Given the elevated level of GNPA ratio in NSUCBs

Chart V.11: Distribution of UCBs by CRAR (End-March 2019)



Source: Off-site surveillance returns, RBI.

Chart V.12: Non-performing Assets: UCBs *versus* SCBs



Source: Off-site surveillance returns, RBI.

Table V.7: Non-performing Assets of UCBs

Sr. No.	Items	Scheduled UCBs		Non-Scheduled UCBs		All UCBs	
		2018	2019	2018	2019	2018	2019
1	2	3	4	5	6	7	8
1	Gross NPAs (₹ crore)	8,687	9,435	11,390	12,124	20,077	21,559
2	Gross NPA Ratio (%)	6.3	6.4	7.9	7.7	7.2	7.1
3	Net NPAs (₹ crore)	3,428	3,669	3,926	3,751	7,355	7,421
4	Net NPA Ratio (%)	2.6	2.6	2.9	2.5	2.8	2.6
5	Provisioning (₹ crore)	5,259	5,766	7,464	8,373	12,723	14,139
6	Provisioning Coverage Ratio (%)	60.5	61.1	65.5	69.1	63.4	65.6

Note: Data for 2019 are provisional.
Source: Off-site surveillance returns, RBI.

in comparison to SUCBs, the provisioning requirements of the former are correspondingly higher (Chart V.13). During H1: 2019-20, PCR of SUCBs reduced to 40.9 per cent from 48.4 per cent in H1:2018-19.

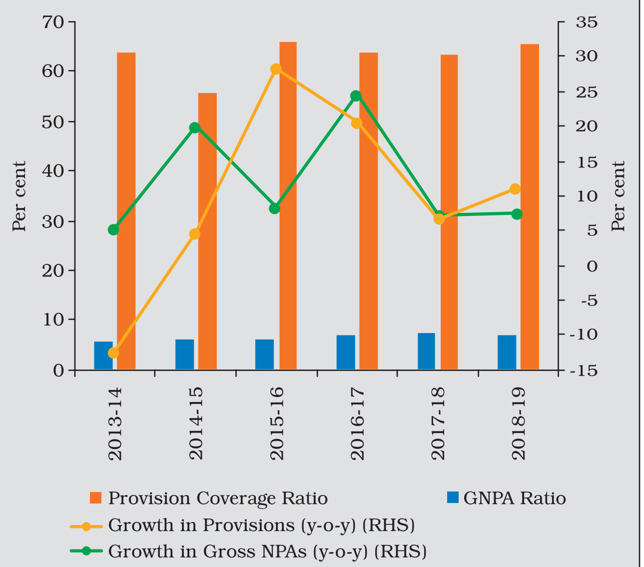
2.5 Financial Performance and Profitability

V.27 UCBs recorded a decline in net profit after taxes in 2018-19. Interest expenses declined for the second consecutive year, notwithstanding a revival in deposit growth. The decline in interest income and interest expenses of all UCBs was driven by the NSUCBs whereas SUCBs registered a moderate growth in both. Non-interest income declined for both SUCBs and NSUCBs reflective of a decline in income from a host of fee-earning activities and loss on sale and trading of securities (Table V.8).

V.28 The profitability of UCBs, measured in terms of return on equity (RoE), deteriorated marginally, mainly on account of below par performance of NSUCBs (Table V.9). During H1:2019-20, SUCBs posted losses.

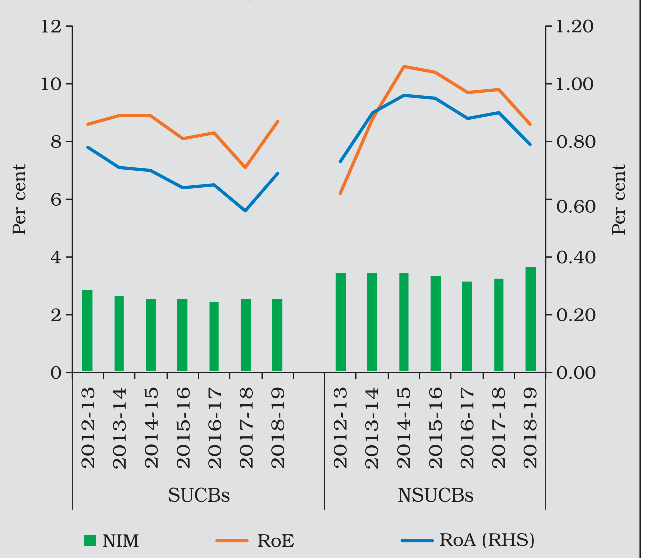
V.29 Notwithstanding this decline, the profitability indicators of NSUCBs, except RoE, remained higher than those of their scheduled counterparts (Chart V.14).

Chart V.13: NPAs and PCR – UCBs



Source: Off-site surveillance returns, RBI.

Chart V.14: Profitability Indicators- SUCBs *versus* NSUCBs



Source: Off-site surveillance returns, RBI.

Table V.8: Financial Performance of Scheduled and Non-scheduled Urban Co-operative Banks

(Amount in ₹ crore)

Item	Scheduled UCBs		Non-scheduled UCBs		All UCBs		All UCBs Variation (%)	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
1	2	3	4	5	6	7	8	9
A. Total Income [i+ii]	**23,222**	**23,360**	**30,200**	**28,744**	**53,422**	**52,103**	**1.5**	**-2.5**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**		
i. Interest Income	20,237	20,794	28,332	27,226	48,569	48,020	2.1	-1.1
	(87.1)	(89.0)	(93.8)	(94.7)	(90.9)	(92.2)		
ii. Non-interest Income	2,986	2,566	1,867	1,517	4,853	4,084	-4.1	-15.9
	(12.9)	(11.0)	(6.2)	(5.3)	(9.1)	(7.8)		
B. Total Expenditure [i+ii]	**19,330**	**19,453**	**25,642**	**24,460**	**44,972**	**43,912**	**0.7**	**-2.4**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**		
i. Interest Expenditure	13,595	13,719	18,837	17,508	32,432	31,227	-2.6	-3.7
	(70.3)	(70.5)	(73.5)	(71.6)	(72.1)	(71.1)		
ii. Non-interest Expenditure	5,735	5,733	6,805	6,952	12,540	12,685	10.4	1.2
	(29.7)	(29.5)	(26.5)	(28.4)	(27.9)	(28.9)		
of which: Staff Expenses	2,486	2,591	3,631	3,609	6,117	6,199	4.7	1.3
C. Profits								
i. Amount of Operating Profits	3,893	3,907	4,558	4,284	8,450	8,191	6.3	-3.1
ii. Provision, Contingencies	1,706	1,239	1,155	1,241	2,861	2,480	8.6	-13.3
iii. Provision for taxes	742	771	765	932	1,508	1,702	10.0	12.9
iv. Amount of Net Profit before Taxes	2,187	2,669	3,403	3,043	5,589	5,711	5.2	2.2
v. Amount of Net Profit after Taxes	1,445	1,898	2,637	2,111	4,082	4,009	3.5	-1.8

Notes: 1. Data for 2018-19 are provisional.
2. Components may not add up to the total due to rounding off.
3. Percentage variation could be slightly different because absolute numbers have been rounded off to ₹ crores.

Source: Off-site surveillance returns, RBI.

V.30 Bank-specific factors like credit risk, interest and non-interest income and the overall macroeconomic environment weigh in as the key determinants of UCBs' profitability (Box V.2).

Table V.9: Select Profitability Indicators of UCBs

(Per cent)

Indicators	Scheduled UCBs		Non-scheduled UCBs		All UCBs	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
1	2	3	4	5	6	7
Return on Assets	0.56	0.69	0.90	0.79	0.74	0.74
Return on Equity	7.14	8.71	9.88	8.62	8.70	8.66
Net Interest Margin	2.56	2.57	3.25	3.62	2.93	3.12

Note: Data for 2018-19 are provisional.

Source: Off-site surveillance returns, RBI.

2.6 Priority Sector Advances

V.31 The Reserve Bank revised guidelines on lending by UCBs to the priority sector[9] effective May 10, 2018. New categories like credit to food and agro-processing units, medium enterprises, social infrastructure and renewable energy formed part of the priority sector. The distinction between direct and indirect credit was dispensed with and micro-credit ceased to be a separate category under the priority sector.

V.32 Historically, UCBs' lending to the priority sector has been higher than their prescribed priority sector targets. Despite inclusion of new categories in the priority sector targets, UCBs

[9] UCBs are required to meet the target for lending to the total priority sector of 40 per cent of Adjusted Net Bank Credit (ANBC) or credit equivalent of off-balance sheet exposure, whichever is higher. Within the priority sector, the target of 10 per cent and 7.5 per cent of ANBC or credit equivalent of off-balance sheet exposure, whichever is higher, has been prescribed for weaker sections and micro enterprises.

Box V.2: Drivers of Profitability of Scheduled Urban Co-operative Banks (SUCBs)

Balance sheet dynamics suggest that key determinants impacting profitability of Urban Co-operative Banks (UCBs) are credit risk and non-interest income. In the context of Indian scheduled commercial banks (SCBs), efficiency of fund management—defined as the ratio of interest expenses to interest income—is found to be a prominent determinant of their profitability (Rakhe, 2010). Economic literature points to macroeconomic factors driving profitability of banks besides bank-specific factors (Athanasoglou *et.al* 2005, Kohlscheen *et. al* 2018).

A fixed effects panel framework using annual balance sheet data for 52 SUCBs[10] and macroeconomic data for the period 2012-2019 is employed, with the return on assets (RoA) defined as ratio of net profits to total assets as the dependent variable.

Among bank-specific factors, non-interest income ratio emerges as the most important determinant of profitability of SUCBs (Table 1). Credit risk (proxied by ratio of provisions and contingencies to loans and advances) adversely affects the profitability of SUCBs as additional provisions in times of stress leaves lesser resources for lending or investment. Other bank-specific factors like interest expenses to interest income negatively impact profitability of SUCBs.

In the case of macroeconomic control variables, real GDP growth positively impacts the RoA, implying pro-cyclicality of bank profitability–high growth is usually fuelled by high credit demand, which propels bank profitability. The WALR of SCBs, taken as a proxy for lending rate is positively related to the same.

Table 1: Dependent Variable – Return on Assets

	(1)	(2)	(3)	(4)
Credit Risk	-0.119^{***} (0.0217)	-0.113^{***} (0.0239)	-0.118^{***} (0.0216)	-0.115^{***} (0.0209)
Interest expenses to interest income	-0.0396^{***} (0.00714)	-0.0383^{***} (0.00634)	-0.0404^{***} (0.00737)	-0.0402^{***} (0.00697)
Non-interest income to working fund		0.197^{**} (0.0829)		
Non-interest expenses to total assets			-0.0950 (0.0585)	
Real GDP Growth				0.0895^{*} (0.0496)
Inflation				-0.136 (0.0832)
WALR				0.389^{***} (0.128)
cons	3.684^{***} (0.470)	3.472^{***} (0.435)	3.942^{***} (0.514)	-0.849 (0.928)
Bank fixed effects	Yes	Yes	Yes	Yes
Time fixed effects	Yes	Yes	Yes	No
N	388	388	388	388
R^2	0.336	0.362	0.341	0.322

Robust standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

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Athanasoglou, P. P., Brissimis, S. N., & Delis, M. D. (2008). Bank-specific, industry-specific and macroeconomic determinants of bank profitability. *Journal of international financial Markets, Institutions and Money*, *18*(2), 121-136.

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recorded a dip in the share of priority sector advances in total advances during 2018-19 but maintained it above the overall priority target of 40 per cent (Table V.10).

V.33 The composition of credit to the priority sector by UCBs shows that lending to micro, small and medium enterprises (MSMEs) accounted for 60.7 per cent of the total priority sector advances, followed by advances to housing. Given the urban focus of UCBs, their share of agricultural lending under the priority sector is low.

V.34 UCBs are mandated to provide 10 per cent of adjusted net bank credit (ANBC) to weaker sections[11]. During 2018-19, credit to weaker sections fell below the minimum target

10 SUCBs account for 47 per cent of the assets of UCB sector as at end-March 2019.

11 Priority sector loans to the following borrowers will be considered under the weaker sections category: artisans; village and cottage industries where individual credit limits do not exceed ₹1 lakh; scheduled castes and scheduled tribes; self help groups; distressed farmers indebted to non-institutional lenders; distressed persons other than farmers, with loan amount not exceeding ₹1 lakh per borrower to prepay their debt to non-institutional lenders; women; persons with disabilities; overdrafts upto ₹5,000 under Pradhan Mantri Jan-Dhan Yojana (PMJDY) accounts, provided the borrowers' household annual income does not exceed ₹100,000 for rural areas and ₹1,60,000 for non-rural areas.

Table V.10: Composition of Credit to Priority Sectors by UCBs
(As on March 31, 2019)

(Amount in ₹ crore)

Item	Priority Sector Advances	
	Amount	Share in Total Advances (%)
1	2	3
1. Agriculture [(i)+(ii)+(iii)]	**9,803**	**3.2**
(i) Farm Credit	7,209	2.4
(ii) Agriculture Infrastructure	589	0.2
(iii) Ancillary Activities	2,005	0.7
2. Micro, Small and Medium Enterprises [(i) + (ii)+(iii)+(iv)]	**81,387**	**26.9**
(i) Micro Enterprises	27,789	9.2
(ii) Small Enterprises	42,232	13.9
(iii) Medium Enterprises	11,013	3.6
(iv) Advances to KVI (Including 'Other Finance to MSMEs')	353	0.1
3. Export Credit	**218**	**0.1**
4. Education	**1,910**	**0.6**
5. Housing	**22,721**	**7.5**
6. Social Infrastructure	**831**	**0.3**
7. Renewable Energy	**241**	**0.1**
8. 'Others' category under Priority Sector	**16,916**	**5.6**
9. Total (1 to 8)	**1,34,028**	**44.2**
of which, Loans to Weaker Sections under Priority Sector	**28,143**	**9.3**

Notes: 1. Data for 2019 are provisional. Component-wise comparable data for previous years are not available due to changes in priority sector norms.
2. Components may not add up to the total due to rounding off.

Source: Off-site surveillance returns, RBI.

of 10 per cent of ANBC and their share in overall lending to the priority sector also fell to 21 per cent.

3. Rural Co-operatives

V.35 Rural co-operatives play an important role in delivering affordable institutional credit and promoting financial inclusion in underbanked areas through their geographical outreach. Short-term co-operatives primarily meet crop loan requirements whereas long-term co-operatives make credit available for capital formation in agriculture, rural industries and housing. Although the focus of rural co-operative lending is agriculture, the share of rural co-operatives to this category of loans —which was as high as

Table V.11: Share in Credit Flow – Rural Co-operatives

(Figures in Per cent)

	Share in Credit Flow to Agriculture		
	Co-operative Banks	Regional Rural Banks	SCBs
2014-15	16.4	12.1	71.5
2015-16	16.7	13.0	70.2
2016-17	13.4	11.6	75.0
2017-18	12.9	12.1	74.9
2018-19	12.1	11.9	76.0

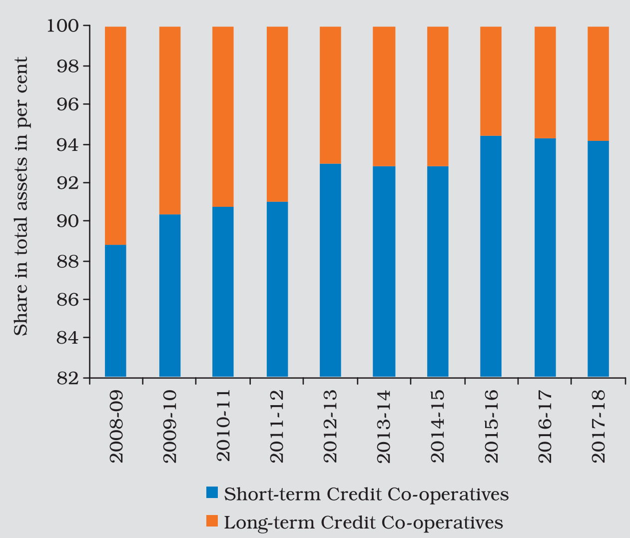
Source: NABARD.

64 per cent in 1992-93—has fallen dramatically over the years while commercial banks have acquired a dominant position (Table V.11).

V.36 As of March 2018, short-term co-operatives comprising StCBs, DCCBs and PACS accounted for 94.2 per cent of the total assets of rural co-operatives (Chart V.15).

V.37 Long-term co-operatives comprise State Co-operative Agriculture and Rural Development Banks (SCARDBs) and Primary Co-operative Agriculture and Rural Development Banks (PCARDBs). Due to the limited range of credit products and relatively lower outreach, their share in the total assets of

Chart V.15: Relative Contribution of Short-term *versus* Long-term Co-operatives



Source: NABARD.

rural co-operatives has been declining over the years.

V.38 The structure of short-term rural co-operatives is largely federal – with StCBs acting as the apex body – whereas that of long-term co-operatives varies significantly across states. Presently, out of the thirteen fully functional SCARDBs, five (Gujarat, Jammu & Kashmir, Puducherry, Tripura and Uttar Pradesh) are unitary, *i.e.*, they operate through their branches with no separate PCARDBs, six (Haryana, Karnataka, Kerala, Punjab, Rajasthan and Tamil Nadu) are federal where they operate through PCARDBs, and two (Himachal Pradesh and West Bengal) have mixed structure with SCARDBs operating through PCARDBs as well as through their branches.

3.1 Short-term Co-operatives

V.39 Short-term co-operatives are arranged in a three-tier structure in most of the states, StCBs at the apex level, DCCBs at the intermediate level and PACS at the grassroots level. Deposits are the dominant component of the liability structure of StCBs, and especially of DCCBs whose extensive branch network enables higher deposit mobilisation. In the case of PACS, however, borrowings from StCBs and DCCBs are the key sources of funds[12] (Chart V.16).

3.1.1 State Co-operative Banks

V.40 StCBs are established in each state to mobilise deposits, provide liquidity support and offer technical assistance to DCCBs and PACS.

Table V.12: A Profile of Rural Co-operatives
(At end-March 2018)

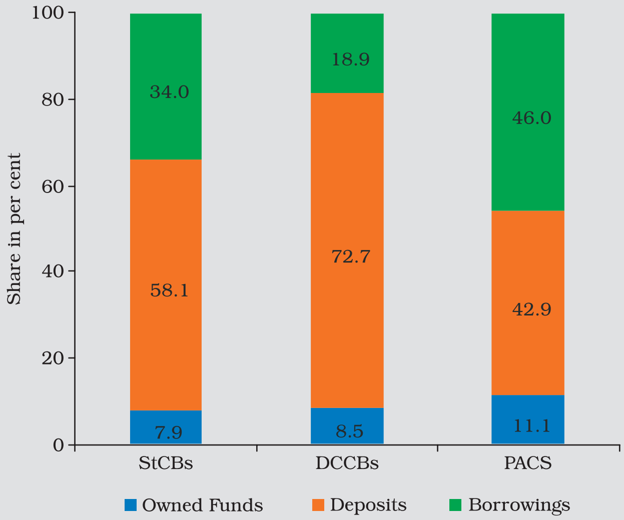
(Amount in ₹ crore)

Item	Short-term			Long-term	
	StCBs	DCCBs	PACS	SCARDBs	PCARDBs
1	2	3	4	5	6
A. Number of Co-operatives	**33**	**363**	**95,238**	**13**	**601**
B. Balance Sheet Indicators					
i. Owned Funds (Capital + Reserves)	16,782	40,624	30,942	4,305	3,288
ii. Deposits	1,23,534	3,47,967	1,19,632	2,341	1,306
iii. Borrowings	72,170	90,312	1,28,333	15,400	16,349
iv. Loans and Advances	1,31,934	2,77,079	2,07,322	20,788	15,821
v. Total Liabilities/Assets	2,26,841	5,25,157	2,43,563*	28,994	30,550
C. Financial Performance					
i. Institutions in Profits					
a. No.	32	311	46,405	9	257
b. Amount of Profit	1,037	1,744	4,134	74	127
ii. Institutions in Loss					
a. No.	1	52	37,838	4	344
b. Amount of Loss	7	893	7,316	83	638
iii. Overall Profits (+)/Loss (-)	1,030	851	-3,182	-9	-511
D. Non-performing Assets					
i. Amount	6,223	30,894	47,915**	5,206	6,058
ii. As percentage of Loans Outstanding	4.7	11.2	28.2	25.0	38.4
E. Recovery of Loans to Demand Ratio# (Per cent)	**94.2**	**71.1**	**75.6**	**48.4**	**41.1**

Notes: StCBs: State Co-operative Banks; DCCBs: District Central Co-operative Banks; PACS: Primary Agricultural Credit Societies; SCARDBs: State Co-operative Agriculture and Rural Development Banks; PCARDBs: Primary Co-operative Agriculture and Rural Development Banks.
*: Working Capital. **: Total overdues. #: This ratio captures the share of outstanding non-performing loan amounts that have been recovered.
Source: NABARD and NAFSCOB.

[12] The source of funds of rural co-operatives comprises owned funds (capital and reserves), deposits and borrowings.

Chart V.16: Resource Composition: Short-term Co-operatives
(At end-March 2018)



Source: NABARD and NAFSCOB.

In terms of size, StCBs account for 23 per cent of assets of short-term rural co-operatives and rely on the NABARD refinance facility as the major source of borrowings.

Balance Sheet Operations

V.41 The consolidated balance sheet of StCBs contracted in 2017-18 on account of a decline in investments and cash and bank balances on the asset side. On the liability side, borrowings declined due to a fall in the short-term refinance support provided by NABARD. Deposits, which account for more than half of the liability side, decelerated during 2017-18, from a high base in the previous year when StCBs were allowed to garner deposits in the form of specified bank notes in the post-demonetisation period. On the assets side, StCBs unwound their investments to extend loans and advances especially against the backdrop of lower refinance support and muted deposits growth (Table V.13).

V.42 The latest data available for scheduled StCBs show acceleration in both deposit and credit growth in 2018-19 (Table V.14).

Table V.13: Liabilities and Assets of State Co-operative Banks

(At end-March 2018)

(Amount in ₹ crore)

Item	At end-March		Percentage Variation	
	2017	2018	2016-17	2017-18
1	2	3	4	5
Liabilities				
1. Capital	5,161	5,542	-7.1	7.4
	(2.2)	(2.4)		
2. Reserves	10,294	11,240	9.6	9.2
	(4.4)	(4.9)		
3. Deposits	1,22,039	1,23,534	11.6	1.2
	(52.3)	(54.4)		
4. Borrowings	80,892	72,170	17.6	-10.8
	(34.7)	(31.8)		
5. Other Liabilities	14,515	14,355	6.6	-1.1
	(6.2)	(6.3)		
Assets				
1. Cash and Bank Balances	9,660	9,288	51.6	-3.9
	(4.1)	(4.0)		
2. Investments	84,613	74,398	22.6	-12.1
	(36.3)	(32.7)		
3. Loans and Advances	1,27,048	1,31,934	3.4	3.9
	(54.5)	(58.1)		
4. Other Assets	11,580	11,221	36.2	-3.1
	(4.9)	(4.9)		
Total Liabilities/Assets	**2,32,901**	**2,26,841**	**12.7**	**-2.6**
	(100.00)	**(100.00)**		

Notes: 1. Figures in parentheses are proportion to total liabilities/assets
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹1 crore in the table.
3. Components may not add up to the total due to rounding off.

Source: NABARD.

Profitability

V.43 Net profits of StCBs decelerated during 2017-18 after a significant increase in the previous year. The slowdown mainly reflected a sharp increase in provisions and contingencies in consonance with deteriorating asset quality during the year. On the positive side, however, net interest income rose; although interest income decelerated, it was outweighed by the contraction in the interest expenses. Another positive factor was the slowdown in operating expenses, notwithstanding the acceleration in the wage bill. Consequently, operating profits

Table V.14: Select Balance Sheet Indicators of Scheduled State Co-operative Banks

(Amount in ₹ crore)

Item	2014-15	2015-16	2016-17	2017-18	2018-19
1	2	3	4	5	6
Deposits	77,233 (-0.6)	79,564 (3.0)	90,277 (13.5)	98,768 (9.4)	1,10,559 (11.9)
Credit	1,03,798 (10.6)	1,07,360 (3.4)	1,10,934 (3.3)	1,17,989 (6.4)	1,31,399 (11.4)
SLR Investments	23,294 (-3.1)	24,220 (4.0)	26,225 (8.3)	33,411 (27.4)	33,130 (-0.8)
Credit plus SLR Investments	1,27,092 (7.8)	1,31,580 (3.5)	1,37,159 (4.2)	1,51,400 (10.4)	1,64,529 (8.7)

Notes: 1. Data pertains to last reporting Friday of March of the corresponding year.
2. Figures in brackets are growth rates in per cent over previous year.

Source: Form B under Section 42 of RBI Act (as submitted by scheduled StCBs).

of the StCBs reversed the contraction of the previous two years and grew in double digits (Table V.15).

Table V.15: Financial Performance of State Co-operative Banks

(Amount in ₹ crore)

Item	As during		Variation (%)	
	2016-17	2017-18	2016-17	2017-18
1	2	3	4	5
A. Income (i+ii)	**15,247** **(100.0)**	**15,477** **(100.0)**	**-0.7**	**1.5**
i. Interest Income	14,691 (97.8)	14,798 (95.6)	1.3	0.7
ii. Other Income	556 (1.9)	679 (4.5)	-30.0	22.1
B. Expenditure (i+ii+iii)	**14,295** **(100.0)**	**14,447** **(100.0)**	**-2.7**	**1.1**
i. Interest Expended	11,520 (80.5)	11,450 (79.2)	-3.5	-0.6
ii. Provisions and Contingencies	860 (6.0)	1,078 (7.4)	-33.3	25.3
iii. Operating Expenses	1,915 (13.3)	1,919 (13.2)	15.8	0.2
Of which : Wage Bill	1,148 (8.0)	1,212 (10.5)	0.0	5.6
C. Profitability				
Operating Profits	1,482	1,818	-16.7	22.7
Net Profits	952	1,030	66.7	8.2

Notes: 1. Figures in parentheses are proportion to total income/expenditure (in per cent).
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹1 crore in the table..
3. Components may not add up to the total due to rounding off.

Source: NABARD.

Asset Quality

V.44 The asset quality of StCBs—as reflected in the NPA ratio—had been improving continuously since 2012-13, but it deteriorated during 2017-18. Alongside significant accretions to NPAs, both the doubtful and loss component of NPAs also increased, notwithstanding an increase in the recovery-to-demand ratio (Table V.16).

V.45 This deterioration is stark against the backdrop of improvement in asset quality of UCBs and SCBs (Chart V.17).

V.46 From a regional perspective, there has been an increase in the NPA ratio in 2017-18 across all regions except in the north-eastern region (Chart V.18a). The all-India recovery-to-demand ratio improved for StCBs, driven by the northern, eastern and southern regions. (Chart V.18b).

3.1.2 District Central Co-operative Banks

V.47 DCCBs—the intermediate tier in the short-term rural co-operatives structure—mobilise deposits from the public and provide credit

Table V.16: Soundness Indicators: State Co-operative Banks

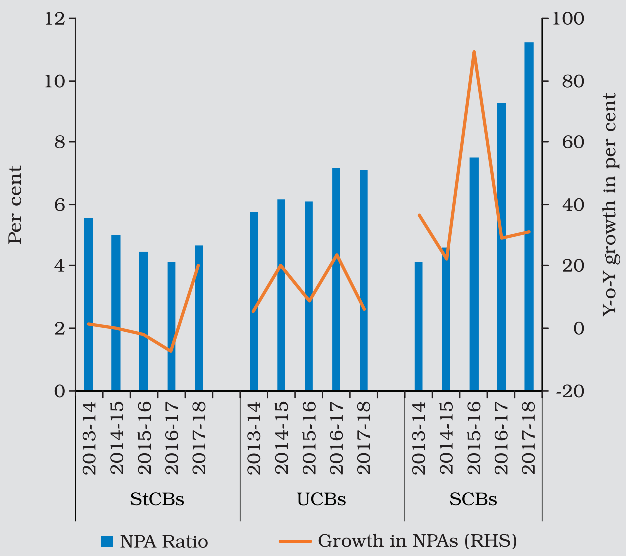
(Amount in ₹ crore)

Item	At end-March		Variation (%)	
	2017	2018	2016-17	2017-18
1	2	3	4	5
A. Total NPAs (i+ii+iii)	**5,180**	**6,223**	**-7.1**	**20.1**
i. Sub-standard	1,592 (30.8)	2,293 (36.8)	-15.8	44.0
ii. Doubtful	2,419 (46.2)	2,539 (40.7)	-4.0	4.9
iii. Loss	1,168 (23.1)	1,397 (22.4)	0.0	19.6
B. NPAs to Loans Ratio (%)	**4.1**	**4.7**	-	-
C. Recovery to Demand Ratio (%)	**93.5**	**94.2**	-	-

Notes: 1. Figures in parentheses are shares in total NPA (%).
2. Absolute numbers have been rounded off, leading to slight variations in per cent.
3. Components may not add-up to the total due to rounding off.

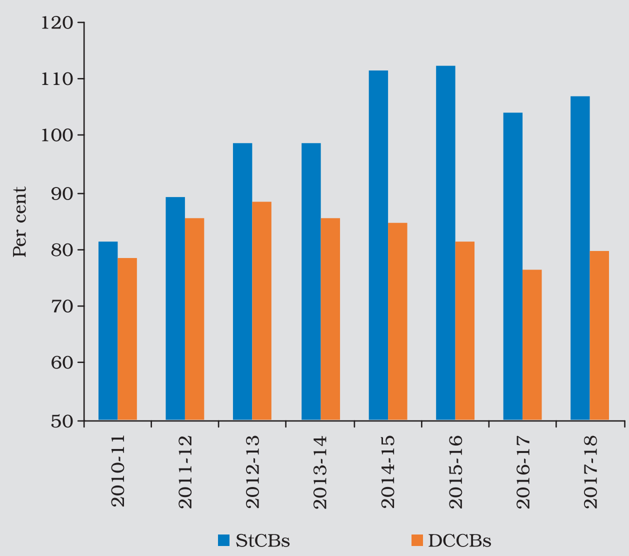
Source: NABARD.

Chart V.17: NPA Ratio: A Comparison



Source: NABARD.

Chart V. 19: Credit-Deposit Ratio: StCBs and DCCBs



Source: NABARD.

to the public and PACS. DCCBs' borrowings comprise of loans and advances from StCBs and direct refinancing from the NABARD. They have a large number of depositors, given their branch network. This also results in a lower credit-to-deposit ratio than StCBs (Chart V.19).

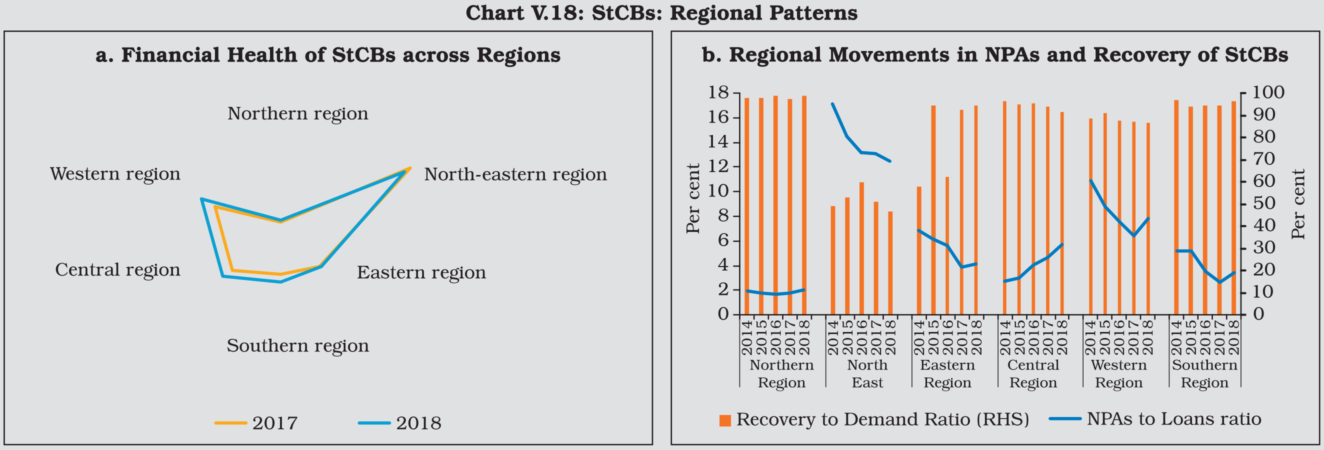
Balance Sheet Operations

V.48 During 2017-18, the balance sheet of DCCBs decelerated on slowdown in deposits on the liabilities side, and in investments on the asset side. Loans and advances, which revived after a deceleration in the previous year, were funded mainly through reduction in cash and bank balances (Table V.17).

Profitability

V.49 The net profit of DCCBs declined for the second consecutive year, though the pace of reduction slowed. This was mainly on account

Chart V.18: StCBs: Regional Patterns



Note: Expansion of the ring indicates deterioration in the financial health of StCBs. Financial health is represented by NPA ratio.
Source: NABARD.

Table V.17: Liabilities and Assets of District Central Co-operative Banks

(Amount in ₹ crore)

Item	At end-March		Variation (%)	
	2017	2018	2016-17	2017-18
1	2	3	4	5
Liabilities				
1. Capital	18,674	19,693	13.3	5.5
	(3.6)	(3.7)		
2. Reserves	19,766	20,931	13.1	5.9
	(3.9)	(3.9)		
3. Deposits	3,30,904	3,47,967	11.0	5.2
	(65.4)	(66.2)		
4. Borrowings	91,438	90,312	9.3	-1.2
	(18.0)	(17.1)		
5. Other Liabilities	44,698	46,254	5.4	3.5
	(8.8)	(8.8)		
Assets				
1. Cash and Bank Balances	32,874	27,230	41.2	-17.2
	(6.5)	(5.1)		
2. Investments	1,84,634	1,84,883	14.5	0.1
	(36.5)	(35.2)		
3. Loans and Advances	2,52,655	2,77,079	4.1	9.7
	(49.9)	(52.7)		
4. Other Assets	35,317	35,965	15.0	1.8
	(6.9)	(6.8)		
Total Liabilities/Assets	**5,05,480**	**5,25,157**	**10.3**	**3.9**
	(100.00)	**(100.00)**		

Notes: 1. Figures in parentheses are proportion to total liabilities/assets
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹1 crore in the table.
3. Components may not add up to the total due to rounding off.

Source: NABARD.

of higher provision requirements and slower growth in interest income (Table V.18).

Asset Quality

V.50 The asset quality of DCCBs deteriorated in 2017-18. Although there was a marginal deceleration in the growth of sub-standard and doubtful assets, they remained at elevated levels (Table V.19). The decline in the asset quality is attributable to farm loan waivers announced by various state governments[13]. *Pari passu*, the recovery to demand ratio of DCCBs declined during this period across all regions with the exception of the southern region (Chart V.20).

Table V.18: Financial Performance of District Central Co-operative Banks

(Amount in ₹ crore)

Item	As during		Variation (%)	
	2016-17	2017-18	2016-17	2017-18
1	2	3	4	5
A. Income (i+ii)	**38,546**	**39,437**	**4.9**	**2.3**
	(100.0)	**(100.0)**		
i. Interest Income	36,592	37,669	5.5	2.9
	(94.9)	(95.5)		
ii. Other Income	1,954	1,768	2.8	-9.5
	(5.0)	(4.6)		
B. Expenditure (i+ii+iii)	**37,636**	**38,587**	**5.9**	**2.5**
	(100.0)	**(100.0)**		
i. Interest Expended	26,849	26,788	7.2	-0.2
	(71.3)	(69.4)		
ii. Provisions and Contingencies	3,020	3,476	3.4	15.1
	(8.0)	(9.0)		
iii. Operating Expenses	7,767	8,323	2.6	7.2
	(20.6)	(21.5)		
Of which : Wage Bill	4,980	5,222	4.2	4.9
	(13.2)	(13.5)		
C. Profits				
i. Operating Profits	3,331	3,812	-17.5	14.4
ii. Net Profits	910	850	-18.2	-6.6

Notes: 1. Figures in parentheses are proportion to total liabilities/assets.
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹ 1 crore in the table.
3. Components may not add up to the total due to rounding off.

Source: NABARD.

V.51 DCCBs have persistently higher NPA ratios and lower recovery to demand ratio than StCBs (Chart V.21a). The share of agricultural lending in the portfolio of DCCBs is higher than that of StCBs; as such, their balance sheets are exposed to the volatility in agricultural prices and output. DCCBs also have a higher share of operating expenses in overall expenses than StCBs due to their district level presence, which requires larger staff costs (Chart V.21b).

3.1.3 Primary Agricultural Credit Societies (PACS)

V.52 PACS form the third tier of short-term co-operatives. Apart from providing agricultural loans, they also arrange for the supply of

[13] During 2017-18, Government of Maharashtra, Karnataka, Uttar Pradesh and Punjab announced debt waiver for farmers.

Table V.19: Soundness Indicators: District Central Co-operative Banks

(Amount in ₹ crore)

Item	At end-March		Variation (%)	
	2017	2018	2016-17	2017-18
1	2	3	4	5
A. Total NPAs (i+ii+iii)	**26,414**	**30,894**	**16.3**	**17.0**
i. Sub-standard	11,982	15,094	26.3	26.0
	(45.3)	(48.8)		
ii. Doubtful	12,040	13,232	10.1	9.9
	(45.5)	(42.8)		
iii. Loss	2,392	2,568	4.3	7.4
	(9.0)	(8.3)		
B. NPAs to Loans Ratio (%)	**10.5**	**11.2**	-	-
C. Recovery to Demand Ratio (%)	**78.9**	**71.1**	-	-

Notes: 1. Figures in parentheses are proportion to total NPAs.
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹1 crore in the table.
3. Components may not add up to the total due to rounding off.

Source: NABARD.

agricultural inputs, distribution of consumer articles and marketing of produce for their members.

V.53 The liabilities side of the consolidated balance sheet of PACS – both deposits and borrowings – decelerated sharply in 2017-18 (Appendix Table V.5). On the asset side, credit declined mainly on the back of contraction in short-term loans and deceleration in long-term advances. The share of agriculture in total lending of PACS is 54.9 per cent. (Appendix Table V.6).

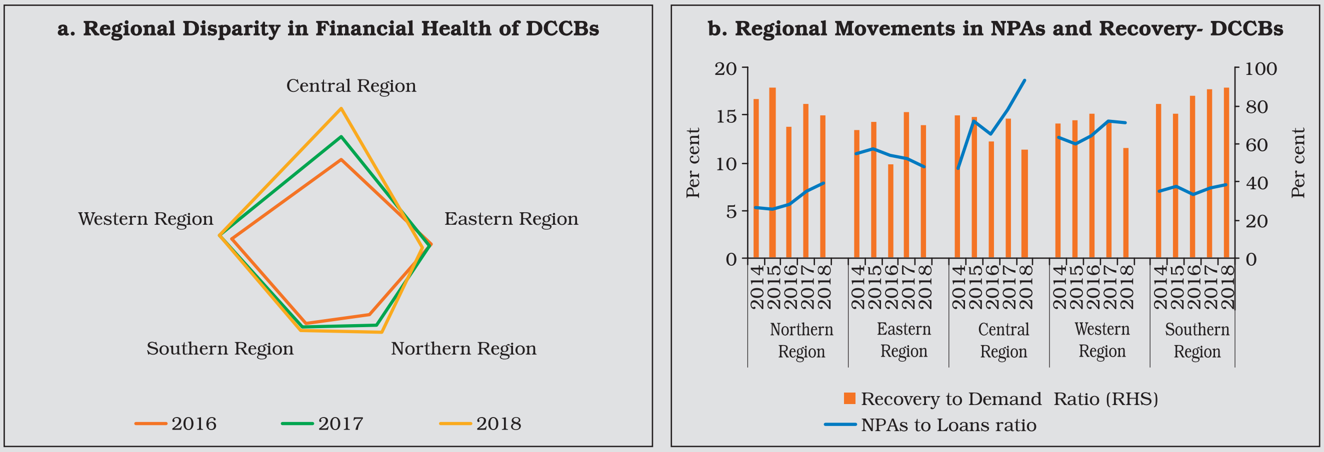
V.54 The losses of PACS outweighed their profits in 2017-18. The Southern region contributed around two-third of the total losses (Appendix Table V.6).

V.55 PACS extend loans only to their members and therefore, borrower to member ratio is a useful indicator for access to and demand for credit. During 2017-18, the ratio declined to 38.8 per cent from 39.6 per cent in 2016-17. The decline in the ratio was particularly striking in the case of ST members (Appendix Table V.7).

4. Long-term Rural Co-operatives

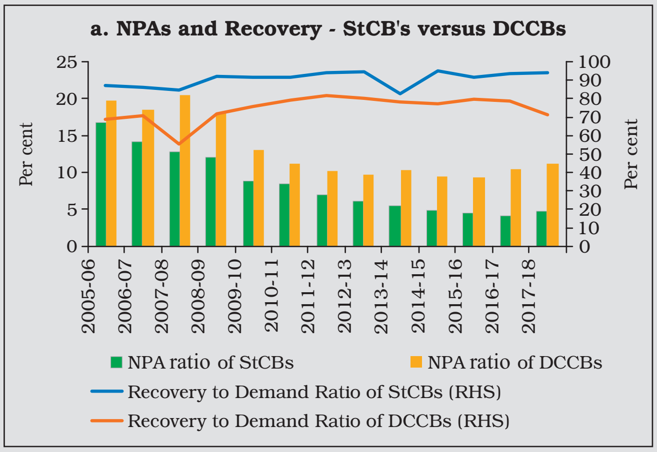
V.56 Long-term rural co-operatives consist of State Co-operative Agriculture and Rural Development Banks (SCARDBs) operating at the state level and Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) operating at the district/block level. These institutions play an important role in agricultural development by purveying long-term credit for capital. As of end-March 2018, there were 13 SCARDBs and 601 PCARDBs across the country.

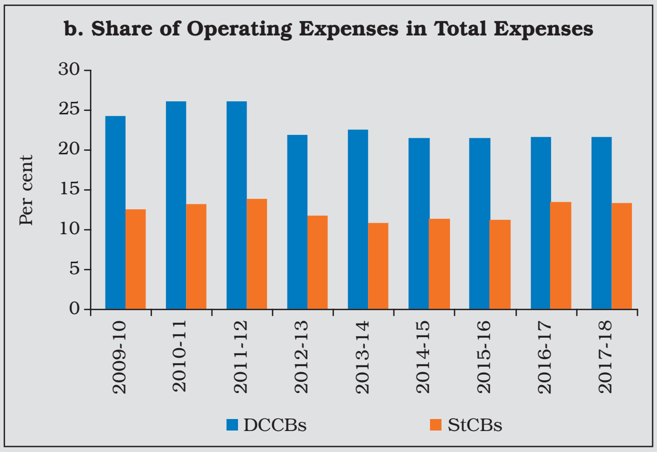
Chart V.20: DCCBs: Regional Patterns



Source: NABARD.

Chart V.21: StCBs *versus* DCCBs





Source: NABARD.

4.1 State Co-operative Agriculture and Rural Development Banks (SCARDBs)

V.57 The consolidated balance sheet of SCARDBs contracted during 2017-18 in contrast to an expansion in the previous year (Appendix Table V.8). SCARDBs continued to report net losses for the second consecutive year (Appendix Table V.9). Asset quality, measured in terms of the NPA ratio, also deteriorated (Appendix Table V.10). Among the states, Kerala maintained the highest recovery rate and the lowest NPA ratio, while Haryana had the highest NPA ratio (Appendix Table V.11)

4.2 Primary Co-operative Agriculture and Rural Development Banks (PCARDBs)

V.58 The balance sheet of PCARDBs, which showed signs of revival in 2016-17, deteriorated in 2017-18 (Appendix Table V.12). PCARDBs posted operating profits due to moderation in operating expenses reversing the operating losses of the previous year (Appendix Table V.13). Like the SCARDBs, the NPA ratio of PCARDBs also deteriorated (Appendix Table V.14).

5. Overall Assessment

V.59 The year 2018-19 turned out to be one of consolidation and expansion in balance sheets for UCBs, along with an improvement in asset quality and provision coverage ratio. Driving this improvement were various measures taken by the government and the Reserve Bank to strengthen this sector's performance and financial health. Recently, the unearthing of irregularities in one of the UCBs has brought to the forefront issues relating to low capital base, weak corporate governance, inability to prevent frauds, slower adoption of new technology and inadequate system of checks and balances. Going forward, UCBs need to break out of these drags. The highest priority needs to be assigned to the establishment of a uniform regulatory and supervisory structure and an umbrella organisation in the architecture, which will provide liquidity and capital support and galvanise the spread of and leveraging on IT infrastructure and other capacity and skill building facilities.

V.60 Looking ahead, the co-operative sector faces dual challenges: first, increasing competition from not only SCBs but also from small finance banks and payments banks; and second, vulnerability stemming from internal weaknesses including the inability to prevent frauds. Although this sector accounts for just 10.6 per cent of the commercial banking sector, the need to strengthen it from the financial stability point of view cannot be overemphasised, given its predominant domestic orientation, its massive financial inclusion quotient and its sheer presence across the country, especially in lower tier towns and villages. In view of this important role, there is a need to undertake reforms aimed at upgrading corporate governance and strengthening their financials.

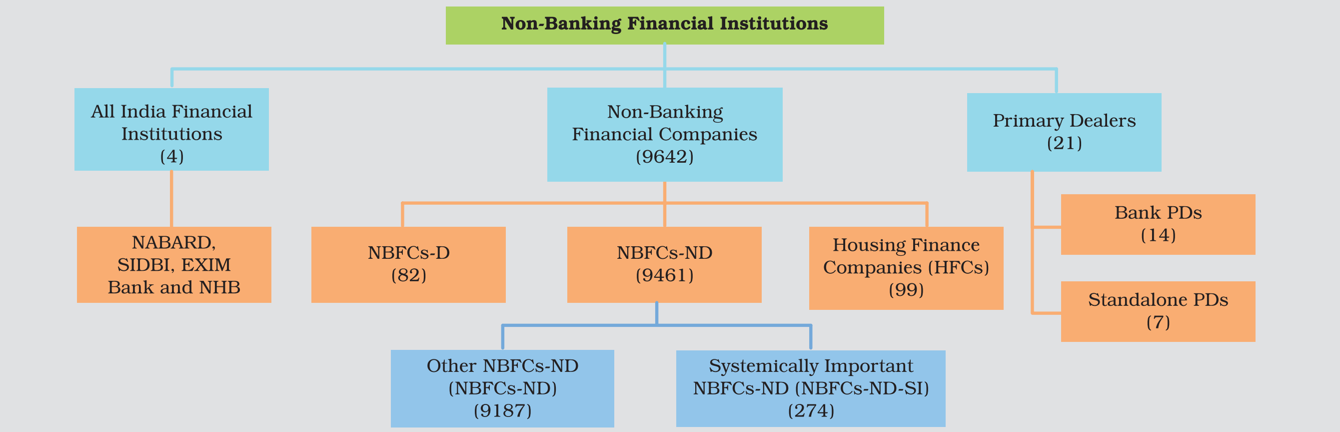
VI NON-BANKING FINANCIAL INSTITUTIONS

The consolidated balance sheet of the NBFCs expanded at a slower pace in 2018-19 and in the first half of 2019-20 in the aftermath of IL&FS default and rating downgrades of a few companies. NBFCs credit growth continued, supported by bank borrowings. Although GNPA ratio showed an uptick, their capital position remained stable. HFCs experienced deceleration in credit growth and muted profitability as market confidence in the sector waned. The Reserve Bank and the government have taken several measures to address these challenges by enhancing systemic liquidity and strengthening the governance and risk-management framework of NBFCs, including HFCs. The consolidated balance sheet of AIFIs expanded on the back of robust credit growth, particularly due to augmentation of line of credit by NABARD.

1. Introduction

VI.1 Non-banking financial institutions (NBFIs) are a group of diverse financial intermediaries which, in a bank-dominated financial system like India, serve as an alternative channel of credit flow to the commercial sector. Among the various institutions that perform this function[1], those regulated by the Reserve Bank are all-India financial institutions (AIFIs), non-banking financial companies (NBFCs), primary dealers (PDs) and the most recent addition, housing finance companies[2] (HFCs) (Chart VI.1).

Chart VI.1: Structure of NBFIs under the Reserve Bank's Regulation
(At end-September 2019)



Notes: 1. Data are provisional.
2. Figures in parentheses indicate the number of institutions.
Source: RBI.

1 Although merchant banking companies, stock exchanges, companies engaged in the business of stock-broking/sub-broking, venture capital fund companies, nidhi companies, insurance companies and chit fund companies are NBFCs, they have been exempted from the requirement of registration with the Reserve Bank under Section 45-IA of the RBI Act, 1934.

2 The Finance (No.2) Act, 2019 (23 of 2019) has amended the National Housing Bank Act, 1987, conferring certain powers for regulation of housing finance companies (HFCs) with the Reserve Bank of India. HFCs are henceforth treated as a category of NBFCs for regulatory purposes.

AIFIs are apex financial institutions established during the development planning period to ensure adequate flow of long-term financial resources to crucial sectors, *i.e.,* agriculture, rural development, small industries and so on. NBFCs are government/public/private limited companies, which specialise in delivering credit to a wide variety of niche segments, ranging from infrastructure to consumer durables. PDs came into existence in 1995 and act as market makers in the government securities (G-secs) market, besides ensuring that primary issuances of G-secs are subscribed. HFCs extend housing finance to individuals, co-operative societies and corporate bodies and lease commercial and residential premises to support housing activity in the country.

VI.2 This chapter presents an analysis of the financial performance of NBFIs in 2018-19 and April-September 2019. The rest of the chapter is organised into four sections. Section 2 provides an overview of the NBFC sector–both non-deposit taking systemically important NBFCs (NBFCs-ND-SI) and deposit-taking NBFCs (NBFCs-D). The activities of HFCs are also covered in this section. An assessment of the performance of AIFIs is made in Section 3. Section 4 evaluates the performance of PDs. Section 5 concludes and offers some policy perspectives.

2. Non-Banking Financial Companies

VI.3 NBFCs can be classified on the basis of a) their asset/liability structures; b) their systemic importance; and c) the activities they undertake. In terms of liability structures, NBFCs are subdivided into deposit-taking NBFCs (NBFCs-D) - which accept and hold public deposits - and non-deposit taking NBFCs (NBFCs-ND) - which rely on markets and banks to raise money. Among NBFCs-ND, those with an asset size of ₹500 crore or more are classified as non-deposit taking systemically important NBFCs (NBFCs-ND-SI). At the end of September 2019, there were 82 NBFCs-D and 274 NBFCs-ND-SI as compared to 88 and 263, respectively at the end of March 2019.

VI.4 Since NBFCs cater to niche areas, they are also categorised on the basis of activities they undertake. Till February 21, 2019, NBFCs were divided into 12 categories. Thereafter, these categories were harmonised in order to provide NBFCs with greater operational flexibility. As a result, asset finance companies (AFCs), loan companies (LCs) and investment companies (ICs) were merged into a new category called Investment and Credit Company (NBFC-ICC). At present, there are 11 categories of NBFCs in the activity- based classification (Table VI.1).

VI.5 As per the regulatory guidelines, only those NBFCs with a minimum net owned fund (NOF) of ₹2 crore are allowed to operate. As a result, 2018-19 saw a record number of cancellations of registration (Chart VI.2). The number of NBFCs registered with the Reserve Bank declined from 9,856 at the end of March 2019 to 9,642 at the end of September 2019.

2.1 Ownership Pattern

VI.6 The NBFC sector is dominated by NBFCs-ND-SI, which constitute 86.3 per cent of the total asset size of the sector. Within this segment, government owned NBFCs (particularly the two largest NBFCs i.e., Power Finance Corporation Limited and REC Limited) hold around two-fifth of the total assets (Table VI.2).

VI.7 The strategy adopted by the Reserve Bank of limiting the operations and growth of NBFCs-D is driven by the need to secure depositors'

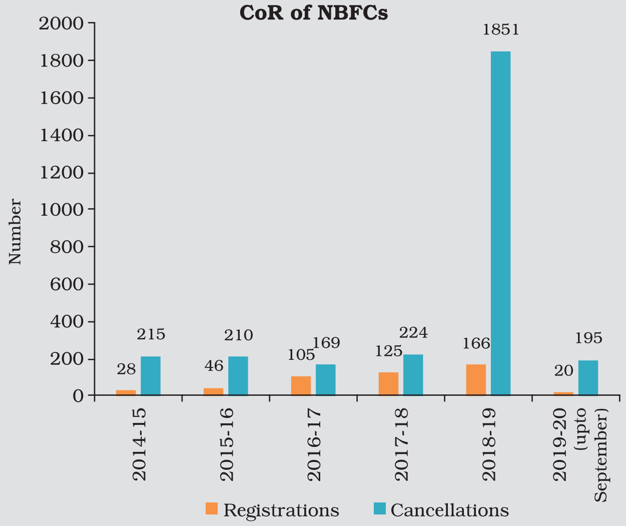
Table V1.1: Classification of NBFCs by Activity

	Type of NBFC	Activity
1.	Investment and Credit Company (ICC)	Lending and investment.
2.	NBFC-Infrastructure Finance Company (NBFC-IFC)	Provision of infrastructure loans.
3.	NBFC-Systemically Important Core Investment Company (CIC-ND-SI)	Investment in equity shares, preference shares, debt or loans of group companies.
4.	Infrastructure Debt Fund-NBFC (IDF-NBFC)	Facilitation of flow of long-term debt into infrastructure projects.
5.	NBFC-Micro Finance Institution (NBFC-MFI)	Credit to economically disadvantaged groups.
6.	NBFC-Factor	Acquisition of receivables of an assignor or extending loans against the security interest of the receivables at a discount.
7.	NBFC-Non-Operative Financial Holding Company (NOFHC)	Facilitation of promoters/ promoter groups in setting up new banks.
8.	Mortgage Guarantee Company (MGC)	Undertaking of mortgage guarantee business.
9.	NBFC-Account Aggregator (NBFC-AA)	Collecting and providing information about a customer's financial assets in a consolidated, organised and retrievable manner to the customer or others as specified by the customer.
10.	NBFC–Peer to Peer Lending Platform (NBFC-P2P)	Providing an online platform to bring lenders and borrowers together to help mobilise funds.
11.	Housing Finance Companies (HFC)	Financing for housing.

Source: RBI.

interest, given that deposits of NBFCs-D are not covered by the Deposit Insurance and Credit Guarantee Corporation (DICGC). The Reserve Bank has mandated that only investment grade NBFCs-D shall accept fixed deposits from the public, up to a limit of 1.5 times of their NOF and for a tenure of 12 to 60 months only, with interest rates capped at 12.5 per cent.

Chart VI.2: Registrations and Cancellations of CoR of NBFCs



CoR: Certificate of Registration
Note: Data are provisional.
Source: Supervisory Returns, RBI.

VI.8 As a consequence, NBFCs-D accounted for only 13.7 per cent of the total assets of the NBFC sector at the end of March 2019, with 89.7 per cent of all NBFCs-D assets held by non-government companies. Public non-government companies are the dominant sub-group among the deposit taking NBFCs (Table VI.2).

2.2 Balance Sheet

VI.9 Although the NBFC sector grew in size from ₹ 26.2 lakh crore in 2017-18 to ₹ 30.9 lakh crore in 2018-19, the pace of expansion was lower than in 2017-18 mainly due to rating downgrades and liquidity stress in a few large NBFCs in the aftermath of the IL&FS event. This slowdown was witnessed mainly in the NBFCs-ND-SI category, whereas, NBFCs-D broadly maintained their pace of growth. However, in 2019-20 (up to September) growth in balance-sheet size of NBFCs-ND-SI as well as NBFCs-D moderated due to a sharp deceleration in credit growth (Table VI.3, Appendix Tables VI.1 and VI.2).

Table VI.2: Ownership Pattern of NBFCs
(At end-March 2019)

(Amount in ₹ crore)

Type	NBFCs-ND-SI				NBFCs-D			
	Number of companies	Asset Size	Share in per cent		Number of companies	Asset Size	Share in per cent	
			Number	Asset Size			Number	Asset Size
1	2	3	4	5	6	7	8	9
A. Government Companies	29	10,59,336	10.7	39.8	8	43,358	9.8	10.3
B. Non-government Companies (1+2)	234	16,04,252	89.3	60.2	80	3,78,534	90.2	89.7
1. Public Limited Companies	120	12,03,189	46.0	45.2	78	2,83,900	87.8	67.3
2. Private Limited Companies	114	4,01,063	43.4	15.1	2	94,634	2.4	22.4
Total (A+B)	**263**	**26,63,588**	**100.0**	**100.0**	**88**	**4,21,892**	**100.0**	**100.0**

Note: Data are provisional.
Source: Supervisory Returns, RBI.

VI.10 Amongst NBFCs-ND-SI, ICCs and IFCs together account for 85.6 per cent of the total asset size of the segment at end-March 2019. Despite liquidity stress faced by the sector, there was expansion in asset size of IFCs. Balance sheets of micro finance institutions or

Table VI.3: Abridged Balance Sheet of NBFCs

(Amount in ₹ crore)

Items	At end-March 2018			At end-March 2019			At end-September 2019		
	NBFCs	NBFCs-ND-SI	NBFCs-D	NBFCs	NBFCs-ND-SI	NBFCs-D	NBFCs	NBFCs-ND-SI	NBFCs-D
1	2	3	4	5	6	7	8	9	10
1. Share Capital and Reserves	6,10,383	5,56,043	54,339	6,95,807	6,28,603	67,204	7,73,163	6,99,301	73,862
	(21.6)	(20.6)	(32.4)	(14.0)	(13.0)	(23.7)	(21.7)	(21.5)	(24.2)
2. Public Deposits	30,439	0	30,439	40,058	0	40,058	47,710	0	47,710
	(-0.6)		(-0.6)	(31.6)	(0)	(31.6)	(40.3)	(0)	(40.3)
3. Debentures	8,90,105	8,06,667	83,437	9,05,833	8,06,663	99,170	9,27,557	8,32,048	95,509
	(33.1)	(33.9)	(25.5)	(1.8)	(0)	(18.9)	(7.7)	(7.6)	(8.4)
4. Bank Borrowings	4,18,902	3,47,546	71,356	6,07,037	5,00,803	1,06,235	6,30,786	5,13,205	1,17,581
	(33.4)	(37.4)	(16.7)	(44.9)	(44.1)	(48.9)	(21.2)	(21.9)	(18.3)
5. Commercial Paper	1,47,742	1,29,569	18,173	1,54,469	1,36,357	18,112	1,23,440	1,04,477	18,964
	(13.4)	(12.2)	(22.8)	(4.6)	(5.2)	(-0.3)	(-31.2)	(-30.6)	(-34.7)
6. Others	5,20,219	4,36,806	83,414	6,82,276	5,91,162	91,114	7,54,986	6,54,606	1,00,380
	(24.5)	(22.2)	(37.8)	(31.2)	(35.3)	(9.2)	(16.8)	(17.2)	(14.4)
Total Liabilities/Assets	**26,17,790**	**22,76,631**	**3,41,159**	**30,85,480**	**26,63,588**	**4,21,892**	**32,57,642**	**28,03,637**	**4,54,006**
	(26.8)	**(27.2)**	**(24.2)**	**(17.9)**	**(17.0)**	**(23.7)**	**(13.2)**	**(13.1)**	**(14.1)**
1. Loans and Advances	19,62,459	16,53,217	3,09,242	22,76,600	18,97,527	3,79,072	23,54,211	19,49,198	4,05,013
	(31.8)	(32.7)	(26.7)	(16.0)	(14.8)	(22.6)	(9.9)	(9.5)	(12.2)
2. Investments	4,16,609	4,04,651	11,958	5,12,443	4,88,550	23,893	5,87,685	5,62,943	24,742
	(21.2)	(22.2)	(-5.9)	(23.0)	(20.7)	(99.8)	(30.1)	(29.4)	(49.2)
3. Cash and Bank Balances	76,182	67,386	8,796	98,776	88,984	9,792	1,13,156	1,01,150	12,006
	(-7.4)	(-8.4)	(1.2)	(29.7)	(32.1)	(11.3)	(23.8)	(23.5)	(26.0)
4. Other Current Assets	1,30,457	1,21,023	9,433	1,53,842	1,46,310	7,532	1,60,162	1,49,682	10,480
	(8.7)	(7.7)	(22.6)	(17.9)	(20.9)	(-20.2)	(2.6)	(1.9)	(13.6)
5. Other Assets	32,084	30,354	1,729	43,820	42,216	1,603	42,429	40,664	1,765
	(13.6)	(13.4)	(17.3)	(36.6)	(39.1)	(-7.3)	(18.5)	(18.1)	(28.2)

Notes: 1. Data are provisional. Data for 2017-18 have been updated, while data at end-September 2019 exclude data of two large NBFCs merged with banks.
2. Figures in parentheses indicate y-o-y growth in per cent.
Source: Supervisory Returns, RBI.

NBFCs-MFI also expanded on the back of strong growth in their loans and advances, especially to the agriculture sector. For other categories of NBFCs, excluding CICs, however, the growth of loans and advances moderated during 2018-19 (Table VI.4).

VI.11 NBFCs-D largely comprise AFCs and LCs; since merged into a new category called ICC. In both these categories, moderation in credit expansion led to the share of investments in total assets rising from 3.5 per cent in 2017-18 to 5.7 per cent 2018-19. On the liabilities side, LCs and AFCs witnessed a spurt in deposit growth in 2018-19 and 2019-20 (up to September), augmenting their resource base (Table VI.5).

2.3 Sectoral Credit of NBFCs

VI.12 Credit extended by NBFCs continued to grow in 2018-19. Industry is the largest recipient of credit provided by the NBFC sector, followed by retail loans and services (Chart VI.3). Credit to industry and services was subdued in relation to the previous year. However, growth in retail loans continued its momentum (Table VI.6 and Appendix Table VI.3).

VI.13 Over 40 per cent of the retail portfolio of NBFCs are vehicle and auto loans. The slowdown

Table VI.4: Major Components of Liabilities and Assets of NBFCs-ND-SI by Activity

(Amount in ₹ crore)

Category/ Liability	At end-March 2018			At end-March 2019			At end-September 2019			Percentage Variation in Total Liabilities	
	Borrowings	Other Liabilities	Total Liabilities	Borrowings	Other Liabilities	Total Liabilities	Borrowings	Other Liabilities	Total Liabilities	2017-18	2018-19
1	2	3	4	5	6	7	8	9	10	11	12
Investment and Credit Company	7,96,131	3,66,623	11,62,754	8,67,420	4,20,127	1,28,7547	8,99,660	4,36,934	13,36,594	22.3	10.7
Core Investment Company	85,104	1,40,222	2,25,326	1,06,647	1,82,441	2,89,088	1,13,969	2,36,753	3,50,723	19.8	28.3
Factoring – NBFC	1,828	1,969	3,797	2,087	2,087	4,174	1,906	2,074	3,981	37.7	9.9
IDF-NBFC	17,457	3,164	20,620	20,487	4,169	24,656	22,337	4,438	26,776	72.0	19.6
Infrastructure Finance Company	6,63,621	1,49,364	8,12,985	8,01,996	1,90,288	9,92,284	8,24,946	1,99,216	10,24,162	39.5	22.1
NBFC-MFI	35,912	15,237	51,149	43,212	22,627	65,839	41,866	19,535	61,401	-4.0	28.7
Total	**16,00,053**	**6,76,578**	**22,76,631**	**18,41,850**	**8,21,739**	**26,63,588**	**19,04,685**	**8,98,951**	**28,03,637**	**27.2**	**17.0**
Category/ Asset	At end-March 2018			At end-March 2019			At end-September 2019			Percentage Variation in Total Assets	
	Loans and Advances	Other Assets	Total Assets	Loans and Advances	Other Assets	Total Assets	Loans and Advances	Other Assets	Total Assets	2017-18	2018-19
Investment and Credit Company	8,10,754	3,52,000	11,62,754	9,02,377	3,85,170	12,87,547	9,15,106	4,21,489	13,36,594	22.3	10.7
Core Investment Company	22,601	2,02,725	2,25,326	29,333	2,59,755	2,89,088	36,498	3,14,225	3,50,723	19.8	28.3
Factoring - NBFC	3,003	794	3,797	3,393	781	4,174	3,208	773	3,981	37.7	9.9
IDF-NBFC	15,175	5,445	20,620	18,843	5,813	24,656	20,364	6,412	26,776	72.0	19.6
Infrastructure Finance Company	7,60,240	52,745	8,12,985	8,91,659	1,00,625	9,92,284	9,25,588	98,575	10,24,162	39.5	22.1
NBFC-MFI	41,444	9,705	51,149	51,923	13,917	65,839	48,435	12,966	61,401	-4.0	28.7
Total	**16,53,217**	**6,23,414**	**22,76,631**	**18,97,527**	**7,66,061**	**26,63,588**	**19,49,198**	**8,54,439**	**28,03,637**	**27.2**	**17.0**

Note: Data are provisional.
Source: Supervisory Returns, RBI.

Table VI.5: Major Components of Liabilities and Assets of NBFCs-D by Activity

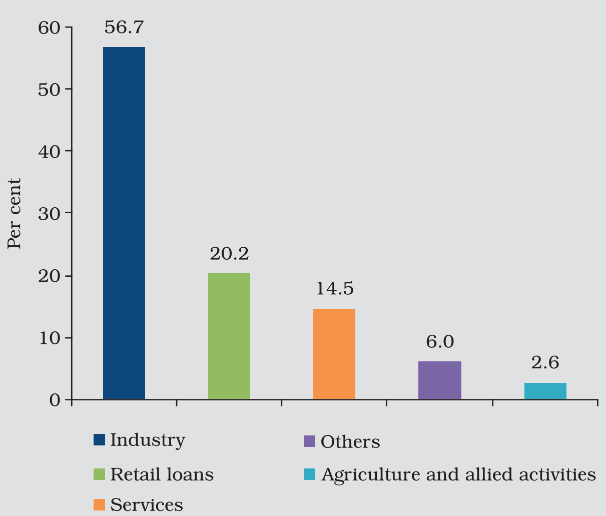
(Amount in ₹ crore)

Items	Asset Finance Companies			Loan Companies			Total NBFCs- D		
	At end March 2018	At end March 2019	At end September 2019	At end March 2018	At end March 2019	At end September 2019	At end March 2018	At end March 2019	At end September 2019
1	2	3	4	5	6	7	8	9	10
Deposits	10,562	14,516	17,457	19,878	25,541	30,253	30,439	40,058	47,710
Borrowings	56,065	68,480	69,704	1,55,584	2,01,674	2,14,183	2,11,649	2,70,154	2,83,886
Total Liabilities/Assets	**86,983**	**1,06,081**	**1,11,581**	**2,54,177**	**3,15,810**	**3,42,425**	**3,41,159**	**4,21,892**	**4,54,006**
Loans and Advances	77,431	93,862	96,050	2,31,811	2,85,211	3,08,963	3,09,242	3,79,072	4,05,013
Investments	4,367	5,854	8,009	7,592	18,039	16,733	11,958	23,893	24,742

Note: Data are provisional.
Source: Supervisory Returns, RBI.

in auto loans in 2018-19 could be attributed to a slump in aggregate demand, exacerbated by postponement of vehicle purchases in anticipation of the implementation of BS-VI norms, the sharp increase in insurance costs in case of passenger vehicles and two wheelers, and sizeable enhancement in permissible axle load for commercial vehicles. In the consumer durables segment, a decline in credit extended was observed, reflecting muted consumer demand. NBFCs' credit to commercial real

Chart VI.3: Distribution of NBFC Credit
(At end-September 2019)



Note: Data are provisional.
Source: Supervisory Returns, RBI.

Table VI.6: Sectoral Credit Deployment by NBFCs

(Amount in ₹ crore)

Items	At end-March 2018	At end-March 2019	At end-September 2019	Percentage Variation	
				2017-18	2018-19
1	2	3	4	5	6
I. Gross Advances	19,62,459	22,76,600	23,54,211	31.8	16.0
II. Food Credit	241	230	93	1856.9	-4.7
III. Non-food Credit (1 to 5)	19,62,217	22,76,370	23,54,118	31.7	16.0
1. Agriculture and Allied Activities	46,821	70,189	61,967	18.4	49.9
2. Industry (2.1 to 2.4)	11,22,496	12,55,317	13,33,811	30.8	11.8
2.1 Micro and Small	64,455	54,597	59,713	32.0	-15.3
2.2 Medium	28,311	22,979	19,981	62.7	-18.8
2.3 Large	5,46,041	6,32,795	6,37,698	29.2	15.9
2.4 Others	4,83,689	5,44,946	6,16,420	31.1	12.7
3. Services	3,16,872	3,67,167	3,42,481	35.9	15.9
Of which,					
3.1 Commercial Real Estate	1,25,178	1,48,501	1,29,359	30.1	18.6
3.2 Retail Trade	27,057	28,976	27,850	31.2	7.1
4. Retail Loans	3,59,583	4,47,496	4,74,899	29.3	24.4
Of which,					
4.1 Housing Loans	13,263	15,491	17,862	-16.4	16.8
4.2 Consumer Durables	8,626	5,094	4,917	59.7	-40.9
4.3 Vehicle/Auto Loans	1,64,471	1,99,926	2,08,527	31.3	21.6
5. Other Non-food Credit	1,16,445	1,36,201	1,40,959	44.2	17.0

Note: Data are provisional.
Source: Supervisory Returns, RBI.

estate decelerated in 2018-19, reflecting their risk aversion in light of the slowdown in real estate sector despite expansion of bank credit to the sector. On the other hand, credit to agriculture and allied activities saw a significant increase in 2018-19, partly attributable to the policy measure of September 2018 enabling co-origination of loans for lending to priority sector by banks and NBFCs.

2.4 Resource Mobilisation

VI.14 NBFCs-ND-SI mobilise around 70 per cent of their resources through bank borrowings and debentures. As investor confidence in the sector waned in 2018-19 and raising money through debentures became costlier, the reliance on bank borrowings increased. In fact, debenture issuances remained stagnant in 2018-19 whereas bank borrowings grew at a robust pace. The share of CPs declined marginally and CP issuances also decelerated in 2018-19 (Table VI.7). This happened even as the 3-month CP rates of NBFCs have been declining in the post IL&FS period barring occasional spikes (Chart VI.4). In spite of the low borrowing costs, the attractiveness of CPs as a source of borrowing for NBFCs diminished, owing to NBFCs preference for term-borrowings for better asset-liability management.

VI.15 A slew of measures have been taken by the Government of India and the Reserve Bank to alleviate the liquidity stress and strengthen confidence in the sector (Box VI.1). Amidst generalised risk aversion affecting various categories of investors, banks had emerged as a stable funding alternative for NBFCs in

Table VI.7: Sources of Borrowings of NBFCs-ND-SI

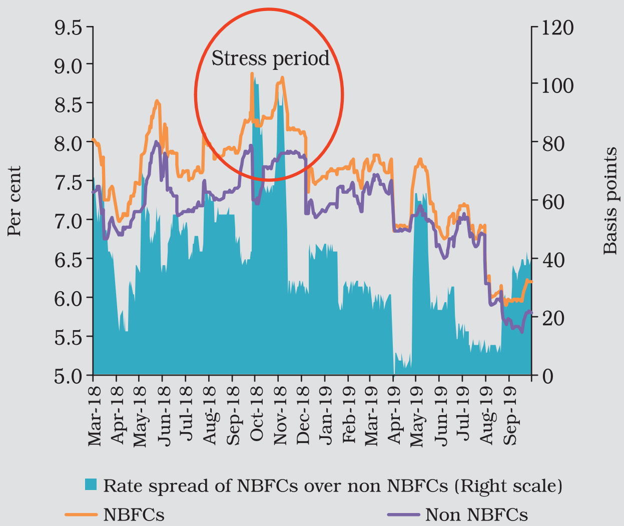
(Amount in ₹ crore)

Items	At end-March 2018	At end-March 2019	At end-September 2019	Percentage Variation	
				2017-18	2018-19
1	2	3	4	5	6
1. Debentures	8,06,667	8,06,663	8,32,048	18.6	0.0
	(50.4)	(43.8)	(43.7)		
2. Bank borrowings	3,47,546	5,00,803	5,13,205	37.4	44.1
	(21.7)	(27.2)	(26.9)		
3. Borrowings from FIs	28,589	35,629	33,608	7.6	24.6
	(1.8)	(1.9)	(1.8)		
4. Inter-corporate borrowings	51,828	69,000	79,072	27.6	33.1
	(3.2)	(3.7)	(4.2)		
5. Commercial paper	1,29,569	1,36,357	1,04,477	10.3	5.2
	(8.1)	(7.4)	(5.5)		
6. Borrowings from Government	1,170	15,445	15,297	-3.1	1219.9
	(0.1)	(0.8)	(0.8)		
7. Subordinated debts	35,493	45,459	46,115	6.1	28.1
	(2.2)	(2.5)	(2.4)		
8. Other borrowings	1,99,190	2,32,493	2,80,864	24.1	16.7
	(12.4)	(12.6)	(14.7)		
9. Total borrowings	16,00,053	18,41,850	19,04,685	21.9	15.1
	(100)	(100)	100.0		

Notes: 1. Data are provisional.
2. Figures in parentheses indicate share in total borrowings.

Source: Supervisory Returns, RBI.

Chart VI.4: 3-month CP rates: NBFCs and non-NBFCs



Source: Bloomberg.

2018-19. In 2019-20 (up to September), bank lending to NBFCs decelerated in light of defaults by and rating downgrades of a prominent HFC and a NBFC. However, share of bank borrowings in total borrowings of NBFCs-ND-SI increased to 26.9 per cent at end-September 2019 from 24.7 per cent a year ago (Chart VI.5).

VI.16 While banks lend to NBFCs directly, they also subscribe to the debentures and CPs issued by NBFCs. However, given the prevailing risk-aversion, bank subscription to debentures and CPs issued by NBFCs-ND-SI has fallen in 2018-19 (Chart VI.6). In 2019-20 (up to September), direct lending by banks grew at 21.9 per cent.

Box VI.1: Policy Measures for NBFC Sector

NBFCs are meshed into a web of inter-linkages with banks and financial markets. Consequently, asset quality concerns relating to NBFCs constrain them to access liquidity with spill overs to financial markets. In the aftermath of the IL&FS episode in September 2018 sudden changes in sentiment, risk perceptions and asset liability mismatches surfaced. In order to restore confidence and maintain stability, the Reserve Bank and the government responded with several measures as set out below:

- The Finance Bill 2019 through amendments in the RBI Act, 1934 conferred powers on the Reserve Bank to strengthen governance of NBFCs so as to protect depositors'/creditors' interest and secure financial stability. The amendments empowered the Reserve Bank to remove the directors of NBFCs; supersede their board and appoint administrators in order to improve governance and protect the interests of depositors and creditors; impose penalties in case of non-compliance with various requirements; and to resolve an NBFC by amalgamation, reconstruction or splitting an NBFC into different units or institutions.
- Pursuant to Budget announcements, the government amended the Companies (Share Capital and Debentures) Rules by removing Debenture Redemption Reserve (DRR) requirement for NBFCs and HFCs. The requirement of a DRR of 25 per cent of the value of outstanding debentures through public issues has been removed, which would reduce the cost of raising funds and deepen the corporate bond market.
- A Working Group constituted by the Reserve Bank to review regulatory and supervisory framework for Core Investment Companies has submitted report and recommended that the number of layers of CICs in a group should be restricted to two along with measures to strengthen the governance practice by constituting board level committees, appointing independent directors and a Group Risk Management Committee.
- End-use restrictions relating to external commercial borrowings were relaxed with eligible borrowers allowed to raise ECBs from recognised lenders (except foreign branches / overseas subsidiaries of Indian banks) of (i) a minimum average maturity period of 10 years for working capital purposes, general corporate purposes and repayment of rupee loans availed domestically for purposes of on-lending (other than capital expenditure) by NBFCs. (ii) a minimum average maturity period of 7 years for repayment of rupee loans availed domestically for capital expenditure.
- Banks were allowed to provide partial credit enhancement (PCE) to bonds issued by NBFCs-ND-SI registered with the Reserve Bank and HFCs registered with National Housing Bank, provided the tenor of the bonds is not less than three years, proceeds from such bonds shall only be utilised for refinancing existing debt of the NBFCs-ND-SI/HFCs.

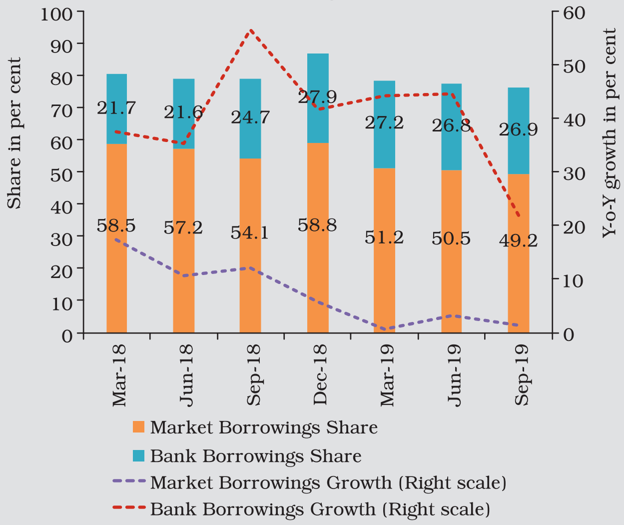
(Contd....)

- In order to encourage NBFCs to securitise/assign their eligible assets, the Reserve Bank has relaxed the minimum holding period (MHP) requirement till December 31, 2019 for originating NBFCs in respect of loans of original maturity above 5 years, subject to certain conditions.
- All scheduled commercial banks (excluding Regional Rural Banks and Small Finance Banks) were allowed to co-originate loans with NBFCs-ND-SI for the creation of eligible priority sector assets, facilitating sharing of risks and rewards.
- Asset Finance Companies, Loan Companies, and Investment Companies were merged into a new category called NBFC- Investment and Credit Company (NBFC-ICC), reducing the complexities arising from multiple categories and also providing the NBFCs greater flexibility in their operations.
- Exposures to all NBFCs excluding CICs would be risk weighted as per the ratings assigned by the rating agencies registered with the SEBI and accredited by the Reserve Bank in a manner similar to that of corporates under the existing regulations; exposure to CICs, rated as well as unrated, will continue to be risk-weighted at 100 per cent.
- Large NBFCs, with asset size of more than ₹5000 crore were required to appoint a functionally independent Chief Risk Officer (CRO) with clearly specified role and responsibilities, with involvement in the process of identification, measurement and mitigation of risks.
- The Reserve Bank has revised guidelines to raise the standard of asset-liability management (ALM) framework of NBFCs including Core Investment Companies (CICs). The revised guidelines stipulates more granular maturity buckets and tolerance limits along with adoption of liquidity risk monitoring tools, including stress testing and diversification of funding. The framework requires maintenance of a liquidity buffer in terms of a liquidity coverage ratio (LCR) starting at 50 per cent for all deposit taking NBFCs and all non-deposit taking NBFCs (NBFCs-ND) with an asset size of ₹10,000 crore and above and 30 per cent for all NBFCs-ND with an asset size of ₹5,000 crore and above but less than ₹ 10,000 crore, from December 1, 2020 to reach 100 per cent on December1, 2024.
- All NBFCs-ND-SI were advised to take appropriate action as envisaged under the interest subvention scheme for micro, small and medium enterprises (MSMEs) announced by Government of India on November 02, 2018, in which 2 per cent interest subvention for all GST registered MSMEs, on fresh or incremental loans will be given (This scheme will continue over 2018-19 and 2019-20 with SIDBI designated as the nodal agency for the purpose of channelising of interest subvention to the various lending institutions). In January 2019, a one-time restructuring of existing loans to MSMEs that were in default but 'standard' as on January 1, 2019 was permitted without an asset classification downgrade.
- NBFCs-ND-SI in the category of ICCs would be eligible to apply for grant of Authorised Dealer Category II licence.
- All government-owned NBFCs-ND-SI and government-owned NBFCs-D have been brought under the Reserve Bank's on-site inspection framework and off-site surveillance commencing from the inspection cycle 2018-19.
- The Ombudsman Scheme for NBFCs-D was extended to eligible NBFCs-ND, with an asset size of ₹100 crore or above with customer interface.
- The Reserve Bank front-loaded the increase in the facility to avail liquidity for liquidity coverage ratio (FALLCR) of 0.5 per cent each of banks' NDTL scheduled for August 1 and December 1, 2019, respectively, for incremental credit given to NBFCs and HFCs, over and above credit outstanding to NBFCs and HFCs as on July 5, 2019.

Other Measures announced in the Budget

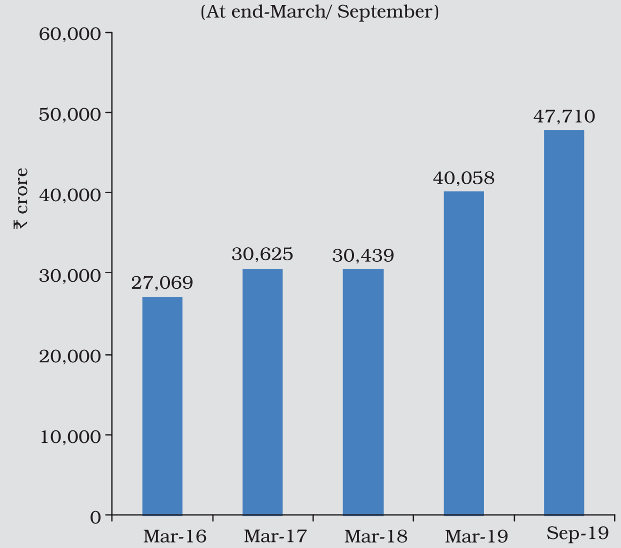
- The Government of India has rolled out the scheme to provide a one-time partial credit guarantee for the first loss up to 10 per cent to public sector banks (PSBs) for purchase of high-rated pooled assets amounting to ₹1 lakh crore from financially sound NBFCs/HFCs.
- FIIs/FPIs to be permitted to make investments in debt securities issued by Infrastructure Debt Fund–Non-Bank Finance Companies (IDF-NBFCs) to be transferred/sold to any domestic investor within the specified lock-in period.
- NBFCs, not registered as NBFCs-Factor, will be brought on the Trade Receivables Discounting System (TReDS) platform, through amendment in the Factoring Regulation Act, 2011. All NBFCs would directly participate on the TReDS platform.
- Interest on bad or doubtful debts to be taxed in the year in which the interest is actually received by NBFCs-ND-SI.

Chart VI.5: Borrowings of NBFCs-ND-SI



Notes: 1. Data are provisional.
2. Market borrowings comprise debentures and commercial paper.
Source: Supervisory Returns, RBI.

Chart VI.7: Public Deposits of NBFCs-D
(At end-March/ September)



Note: Data are provisional.
Source: Supervisory Returns, RBI.

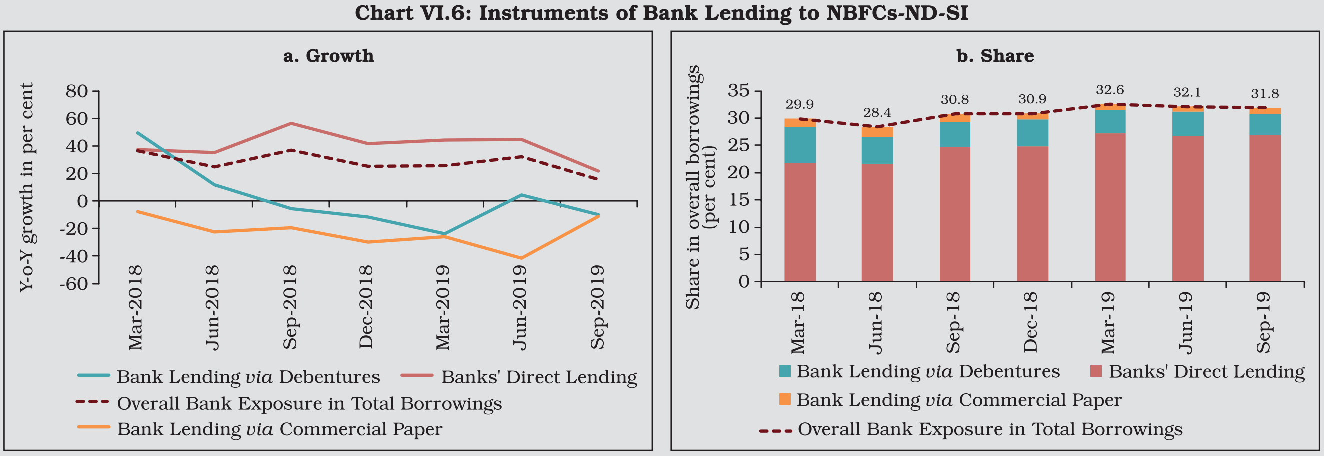
2.5 NBFCs-D: Deposits

VI.17 Deposit mobilisation by NBFCs progressed at a robust pace of 31.6 per cent in 2018-19 even though the number of companies authorised to accept deposits came down from 168 in 2017-18 to 88 in 2018-19 and 82 at end-September 2019 (Chart VI.7).

2.6 Financial Performance of NBFCs

VI.18 NBFCs' profitability deteriorated in 2018-19, attributable to the NBFCs-ND-SI segment. Their operating expenditures and interest payments grew significantly, as reflected in their higher cost-to-income ratio. With growth in expenditure outpacing income growth, net profit remained stagnant. For NBFCs-D on the other hand, profit grew robustly in 2018-19, on the back of fund-based income, with substantial decrease in operating expenditure (Table VI.8, Appendix VI.4 and VI.5).

Chart VI.6: Instruments of Bank Lending to NBFCs-ND-SI



Note: Data are provisional.
Source: Supervisory Returns, RBI.

Table VI.8: Financial Parameters of the NBFC Sector

(Amount in ₹ crore)

Items	2017-18			2018-19			H1 :2019-20		
	NBFCs	NBFCs-ND-SI	NBFCs-D	NBFCs	NBFCs-ND-SI	NBFCs-D	NBFCs	NBFCs-ND-SI	NBFCs-D
1	2	3	4	5	6	7	8	9	10
A. Income	3,00,262	2,52,583	47,679	3,36,842	2,75,365	61,478	1,90,387	1,55,819	34,569
	(20.1)	(20.2)	(19.5)	(12.2)	(9.0)	(28.9)	(11.1)	(9.6)	(18.8)
B. Expenditure	2,40,222	2,03,129	37,092	2,68,968	2,24,288	44,680	1,52,380	1,26,536	25,844
	(20.6)	(21.7)	(14.8)	(12.0)	(10.4)	(20.5)	(11.8)	(10.0)	(21.8)
C. Net Profit	41,989	35,023	6,966	46,265	35,035	11,230	26,539	20,394	6,145
	(29.8)	(28.0)	(39.4)	(10.2)	(0.0)	(61.2)	(7.1)	(4.1)	(18.4)
D. Total Assets	26,17,790	22,76,631	3,41,159	30,85,480	26,63,588	4,21,892	32,57,642	28,03,637	4,54,006
	(19.7)	(19.0)	(24.2)	(17.9)	(17.0)	(23.7)	(13.2)	(13.1)	(14.1)
E. Financial Ratios (as per cent of Total Assets)									
(i) Income	11.5	11.1	14.0	10.9	10.3	14.6	5.8	5.6	7.6
(ii) Expenditure	9.2	8.9	10.9	8.7	8.4	10.6	4.7	4.5	5.7
(iii) Net Profit	1.6	1.5	2.0	1.5	1.3	2.7	0.8	0.7	1.4
F. Cost to Income Ratio (Per cent)	80.0	80.4	77.8	79.8	81.5	72.7	80.0	81.2	74.8

Notes: 1. Data are provisional.
2. Figures in parenthesis indicate Y-o-Y growth in per cent.
Source: Supervisory Returns, RBI.

2.7 Profitability

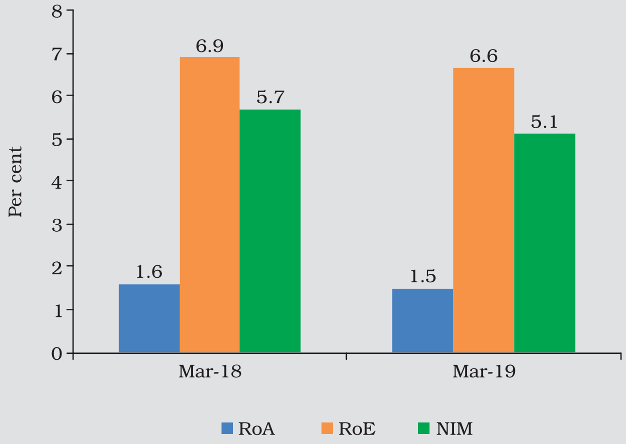
VI.19 The profitability indicators of NBFCs– return on assets (RoA), return on equity (RoE) and net interest margin (NIM) decreased in 2018-19, reflecting the stress in the sector (Chart VI.8). The overall decrease in profitability was driven by NBFCs- ND-SI for almost all categories. For NBFCs-MFI, profitability improved considerably (Chart VI.9). However, NBFCs-ND-SI posted an improvement in profitability indicators in the current financial year till September 2019, on the back of decline in other expenses.

VI.20 In the case of NBFCs-D, there was improvement in RoA and RoE in 2018-19 on account of robust growth in business. Their NIM also improved, reflecting faster expansion in interest income than that of expenses (Chart VI.10). In 2019-20 so far (up to September), profitability indicators of NBFCs-D showed overall improvements.

2.8 Asset Quality

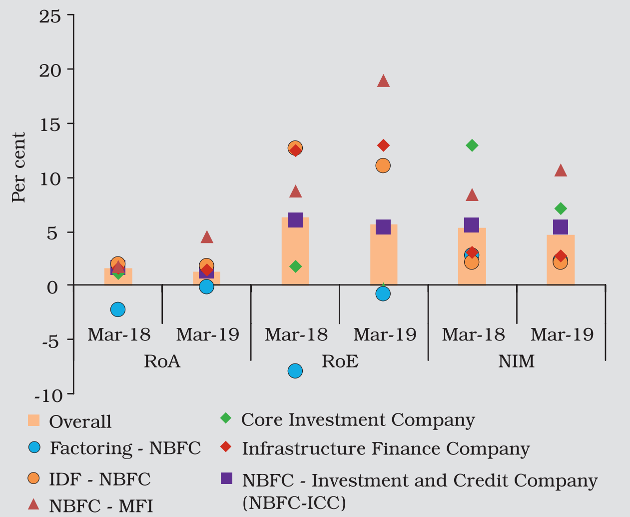
VI.21 In 2018-19, NBFCs registered a deterioration of asset quality. While the gross non-performing assets (GNPAs) ratio increased, net non-performing assets (NNPAs) ratio edged

Chart VI.8: Profitability Ratios of NBFCs
(at end-March)



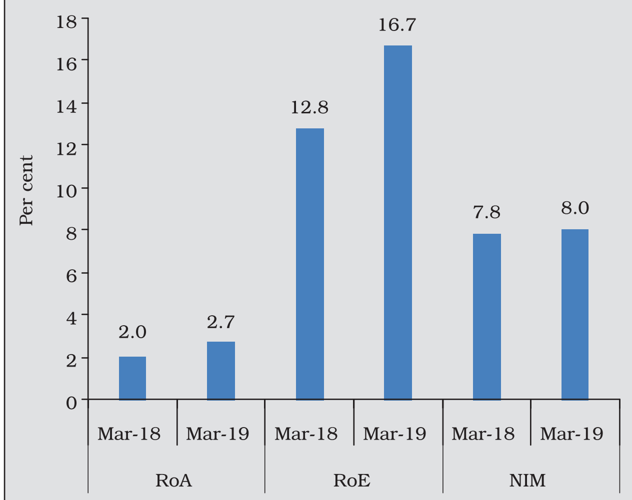
Return on Assets (RoA) = Net Profit by Total Assets
Return on Equity (RoE) = Net Profit by Shareholders' equity
Net Interest Margin (NIM) =Net interest income by total average assets
Note: Data are provisional.
Source: Supervisory Returns, RBI.

Chart VI.9: Profitability Indicators of NBFCs-ND-SI
(At end-March)



Note: Data are provisional.
Source: Supervisory Returns, RBI.

Chart VI.10: Profitability Indicators of NBFCs-D
(At end-March)



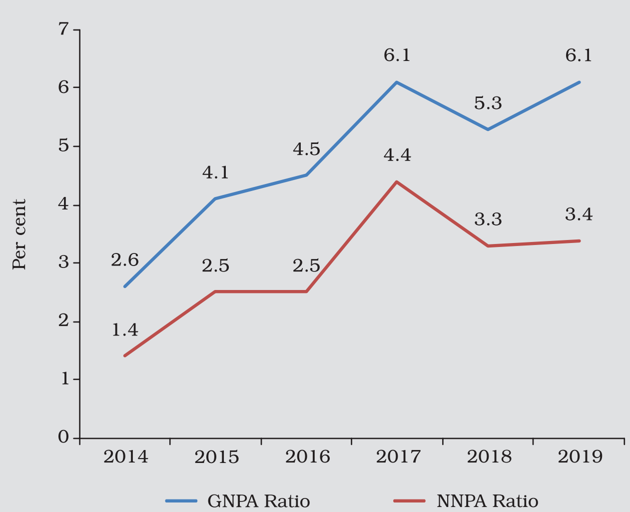
Note: Data are provisional.
Source: Supervisory Returns, RBI.

up marginally, reflecting sufficient provisioning (Chart VI.11). In 2019-20 (up to September), asset quality of the sector showed deterioration with a slight increase in GNPA ratio.

VI.22 In terms of asset composition, the proportion of standard assets declined, part of it being downgraded to the substandard category in 2018-19. In H1:2019-20, while the proportion of sub-standard assets remained unchanged, an increase in proportion of doubtful assets was observed in the period under review (Chart VI.12).

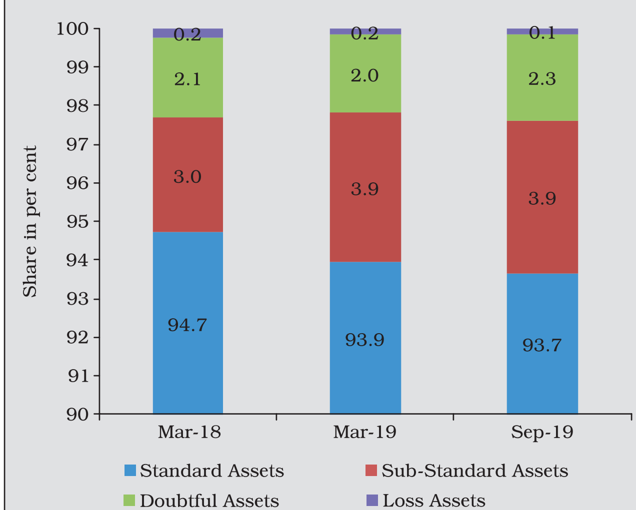
VI.23 In 2018-19, GNPA ratio of NBFCs-ND-SI deteriorated across all categories, except

Chart VI.11: Asset Quality of NBFCs
(At end-March)



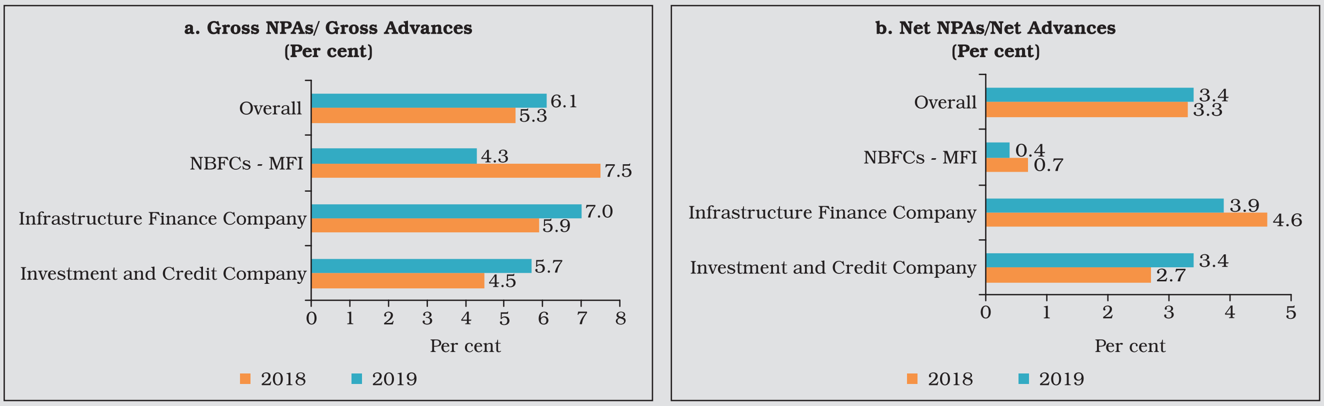
Note: Data are provisional.
Source: Supervisory Returns, RBI.

Chart VI.12: Classification of NBFCs' Assets
(At end March/September)



Note: Data are provisional.
Source: Supervisory Returns, RBI.

Chart VI.13: NPAs of NBFCs-ND-SI
(At end-March)



Notes: 1. Data are provisional.
2. IDF-NBFCs reported nil NPA.
Source: Supervisory Returns, RBI.

NBFCs-MFI, which reported significant improvement in the GNPA ratio. The improvement in the GNPA ratio of the NBFCs-MFI may be attributed to write offs of aging loans (Chart VI.13a). The NNPA ratio for NBFCs-ND-SI edged up marginally, reflecting the maintenance of adequate buffers, especially by MFIs and IFCs. On the other hand, there was a small increase in the NNPA ratio of ICCs (Chart VI.13b). In 2019-20 (up to September), the GNPA ratio of NBFCs-ND-SI exhibited an increase, while, the NNPA ratio registered no change.

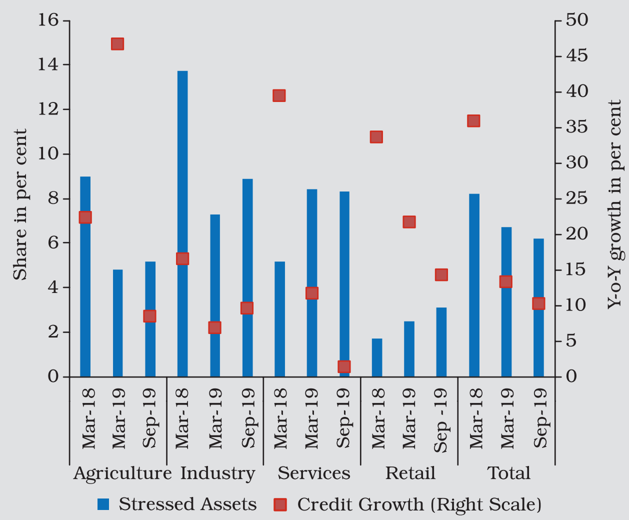
VI.24 The risk aversion among NBFCs-ND -SI coupled with their inability to mobilise adequate resources was reflected in the decrease in credit growth in spite of a fall in stressed assets ratio[3]. However, for the services sector, stressed assets rose, reflecting the built-up stress in the real estate segment, where NBFC exposures are significant. (Chart VI.14).

VI.25 In the case of NBFCs-D, decline in the GNPA was aided by buoyant growth in assets. On the other hand, the NNPA ratio showed a deterioration, pointing to inadequate provisioning (Chart VI.15).

2.9 Capital Adequacy

VI.26 NBFCs are generally well capitalised, with the system level capital to risk-weighted assets ratio (CRAR) remaining well above the stipulated norm of 15 per cent, including in

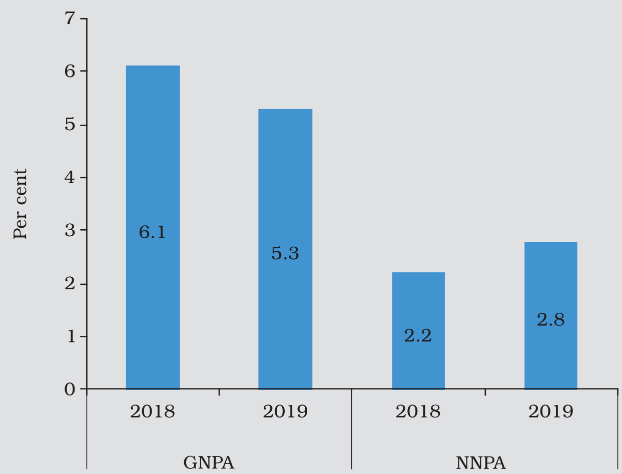
Chart VI.14: NBFCs-ND-SI:
Stressed Assets and Credit Growth by Sector



Note: Data are provisional.
Source: Supervisory Returns, RBI.

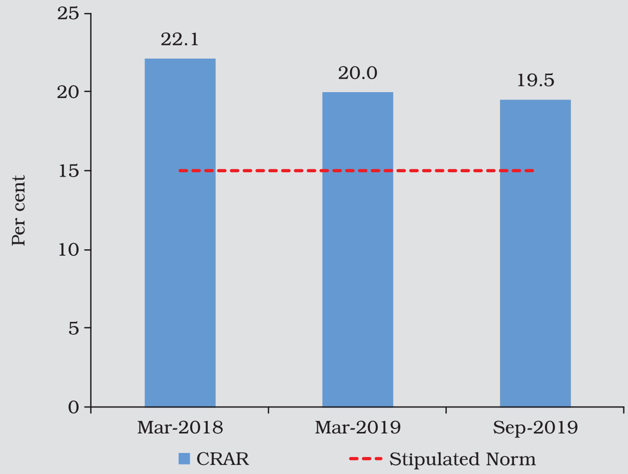
[3] Stressed assets = NPAs+ restructured loans

Chart VI.15: Gross and Net NPA Ratios of NBFCs- D
(At end-March)



Note: Data are provisional.
Source: Supervisory Returns, RBI.

Chart VI.16: Capital Position of NBFCs
(At end-March/September)



Capital to Risk-weighted Assets Ratio (CRAR) = Tier I plus Tier II Capital by Risk- weighted assets
Note: Data are provisional.
Source: Supervisory Returns, RBI.

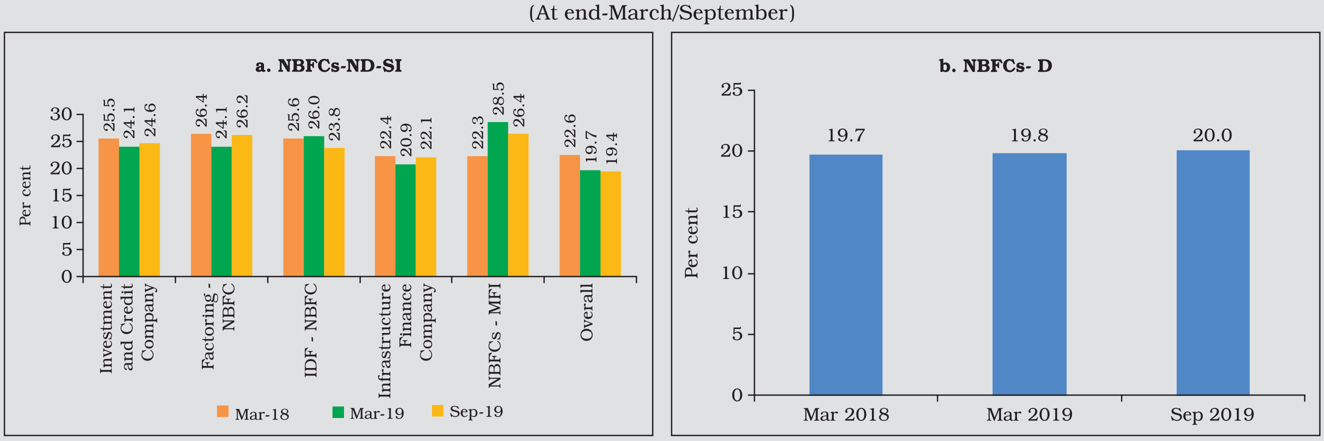
2018-19 when they experienced an increase in non-performing assets (Chart VI.16). At the end of September 2019, the sector maintained the capital position although there was a deterioration in asset quality.

VI.27 The CRAR for all categories of NBFCs-ND-SI except NBFCs-MFI and IDF-NBFCs, decreased from 2017-18 levels, but it remained above the regulatory norm. For NBFCs-MFI, the CRAR improved with rising profitability. The CRAR for NBFCs-D registered a marginal improvement as growth in own funds outpaced expansion in loans and advances (Chart VI.17a and b). At end-September 2019, CRAR of NBFCs-ND-SI and NBFCs-D remained above the stipulated norm despite divergent trends.

2.10 Exposure to Sensitive Sectors

VI.28 Capital market, real estate and commodities have been categorised as sensitive

Chart VI.17: CRAR of NBFCs by Category
(At end-March/September)



Note: Data are provisional.
Source: Supervisory Returns, RBI.

sectors by the Reserve Bank as prices of these assets are prone to fluctuations that may pose a risk to financial stability. By the end of March 2019, the capital market exposure of NBFCs had decreased compared to March 2018, even as real estate exposure edged down. As a result, an overall decrease in sensitive sector exposure was registered (Chart VI.18).

2.11 Residuary Non-Banking Companies (RNBCs)

VI.29 RNBCs are primarily engaged in collecting deposits and deploying them in specific securities, as directed by the Reserve Bank. At present, there is only one RNBC, which is not accepting any new deposits and is solely engaged in repaying old deposits.

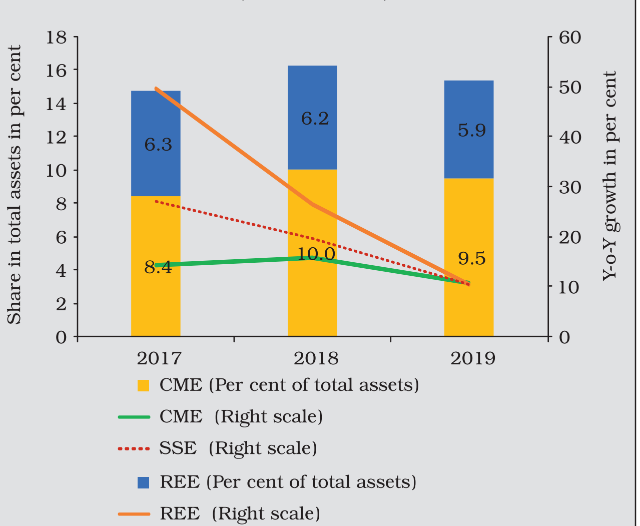
VI.30 In sum, growth in the balance sheet of the NBFC sector decelerated in 2018-19, attributable to muted credit growth in a risk- averse climate. On the liabilities side, while market borrowings slowed down, bank borrowings continued to support the NBFC sector. Deposit mobilisation by NBFCs-D also showed an uptick. NBFCs continued to remain well-capitalised above the regulatory norm. Asset quality deteriorated across all NBFCs-ND-SI categories except that of NBFCs-MFI. Profitability of NBFCs-ND-SI waned while that of NBFCs-D registered an improvement.

2.12 Housing Finance Companies (HFCs)

VI.31 Housing finance companies (HFCs) are specialised lending institutions which, along with SCBs, are the main providers of housing finance. The liquidity stress faced by the NBFC sector led to a sharp deceleration in the growth of credit extended by HFCs. On the other hand, bank credit to the housing sector picked up and grew at a robust pace in 2018-19, partially making up for the slowdown in HFC credit (Chart VI.19).

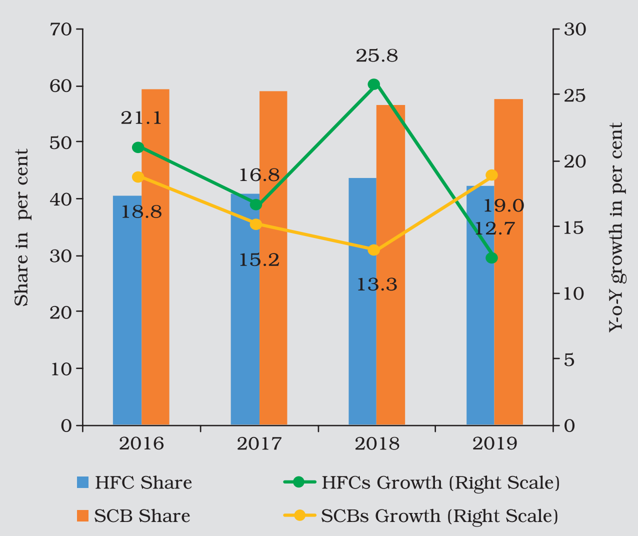
VI.32 At the end of March 2019, there were 99 HFCs, of which only 18 were deposit taking entities. Non-government owned public limited companies dominate the segment with 94.4 per cent of total assets and grew at 14.5 per cent

Chart VI.18: Exposure to Sensitive Sectors
(At end-March)



Note: Data are provisional.
Source: Supervisory Returns, RBI.

Chart VI.19: Credit to Housing Sector by HFCs and SCBs
(At end-March)



Source: RBI and NHB.

Table VI.9: Ownership Pattern of HFCs
(At end-March)

(Amount in ₹ crore)

Type	2018		2019	
	Number of HFCs	Assets Size	Number of HFCs	Assets Size
1	2	3	4	5
A. Government Companies	1	48,930	1	72,839
B. Non-Government Companies (1+2)	90	11,10,837	98	12,72,300
1. Public Ltd. Companies	72	11,09,324	78	12,69,634
2. Private Ltd. Companies	18	1,513	20	2,667
Total (A+B)	**91**	**11,59,767**	**99**	**13,45,139**

Note: 1. Data are provisional,
2. In 2019, asset size pertains to 96 HFCs only.
Source: NHB.

in 2018-19. The sole government HFC, with a share of 5.4 per cent in total assets, grew by an impressive 49 per cent in the same period (Table VI.9).

2.12.1 Balance Sheet

VI.33 The consolidated balance sheet of HFCs showed reasonable expansion in 2018-19, although considerably lower than in the previous year on account of moderation in credit and investment growth. On the liabilities side, bank borrowings grew at a robust pace but borrowings via market instruments like debentures and commercial paper decelerated significantly, reflecting the waning of market confidence (Table VI.10 and Chart VI.20).

2.12.2 Resource Profile of HFCs

VI.34 The sources of funds for HFCs include public deposits, external commercial borrowings, commercial papers and refinance support provided by NHB, though they primarily rely on debentures and bank borrowings (Chart VI.20). The dependence of HFCs on external sources grew as domestic markets remained risk averse.

Table VI.10: Consolidated Balance sheet of HFCs
(At end- March)

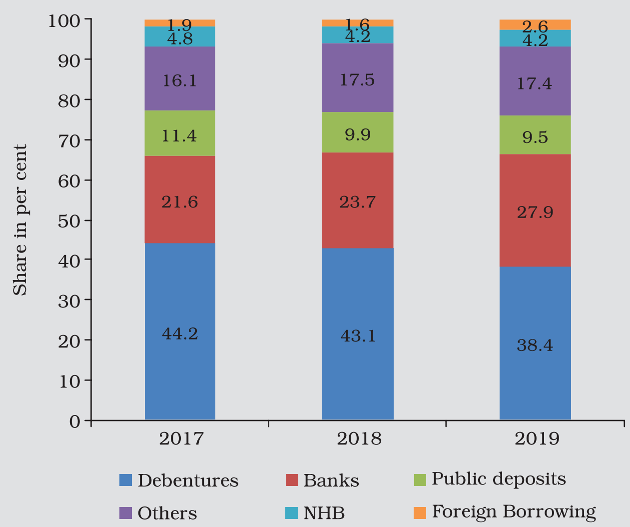
(Amount in ₹ crore)

Items	2017	2018	2019	Percentage variation	
				2017-18	2018-19
1	2	3	4	5	6
1. Share capital	9,352	30,548	34,360	226.6	12.5
2. Reserves and surplus	94,283	1,25,922	1,54,807	33.6	22.9
3. Public deposits*	1,12,099	1,21,886	1,07,389	8.7	-11.9
4. Debentures	3,37,199	4,11,317	4,76,297	22.0	15.8
5. Bank borrowings	1,77,877	2,35,958	3,27,500	32.7	38.8
6. Borrowings from NHB	22,732	28,870	28,287	27.0	-2.0
7. Inter-corporate borrowings	2,008	4,013	35,627	99.9	787.8
8. Commercial papers	68,587	98,324	80,646	43.4	-18.0
9. Borrowings from Government	-	-	-	-	-
10. Subordinated debts	16,279	20,200	18,595	24.1	-7.9
11. Other borrowings	18,599	21,146	25,103	13.7	18.7
12. Current liabilities	24,673	32,052	14,003	29.9	-56.3
13. Provisions	8,425	12,812	8,578	52.1	-33.0
14. Other**	17,101	18,410	40,397	7.7	119.4
15. **Total Liabilities/ Assets**	**9,09,215**	**11,61,459**	**13,51,590**	**27.7**	**16.4**
16. Loans and advances	7,37,461	9,45,149	11,91,727	28.2	26.1
17. Hire purchase and lease assets	2	4	0	121.5	-94.6
18. Investments	55,151	73,877	90,406	34.0	22.4
19. Cash and bank balances	22,729	19,578	34,376	-13.9	75.6
20. Other assets***	93,871	1,22,851	35,082	30.9	-71.4

*Public deposits given in the table include corporate deposits of a major HFC.
**includes deferred tax liabilities and other liabilities.
***includes fixed assets, tangible and intangible assets, other assets and deferred tax asset.
Notes: 1. Data are provisional, based on Ind AS as per Annual Reports of reporting companies.
2. Information submitted by 84 out of 91 HFCs as on 31-03-2018.
3. Information submitted by 83 out of 99 HFCs as on 31-03-2019.

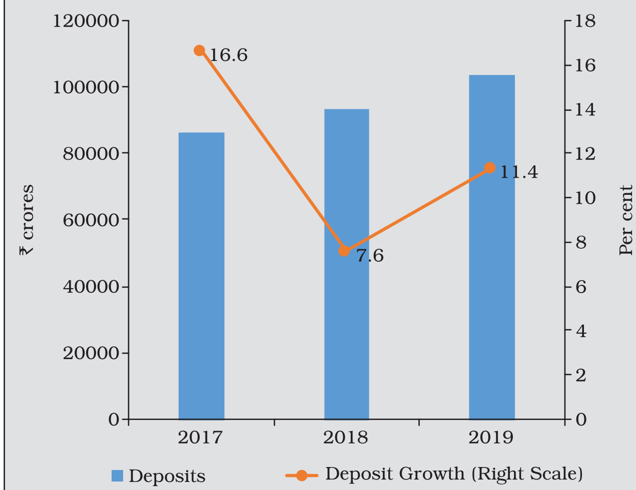
VI.35 Public deposits are another important source of funding for HFCs. Deposit growth accelerated in 2018-19 (Chart VI.21); however, the share of deposits in total liabilities of HFCs has been steadily declining since 2014-15. The distribution of HFC deposits shows that almost 95 per cent of the deposits is concentrated in the 6-9 per cent interest rate bracket (Chart VI.22). Furthermore, a maturity-wise analysis shows that depositors' preference is largely for the maturity period between 24 to 48 months,

Chart VI.20: Resources mobilised by HFCs
(At end-March)



Source : NHB.

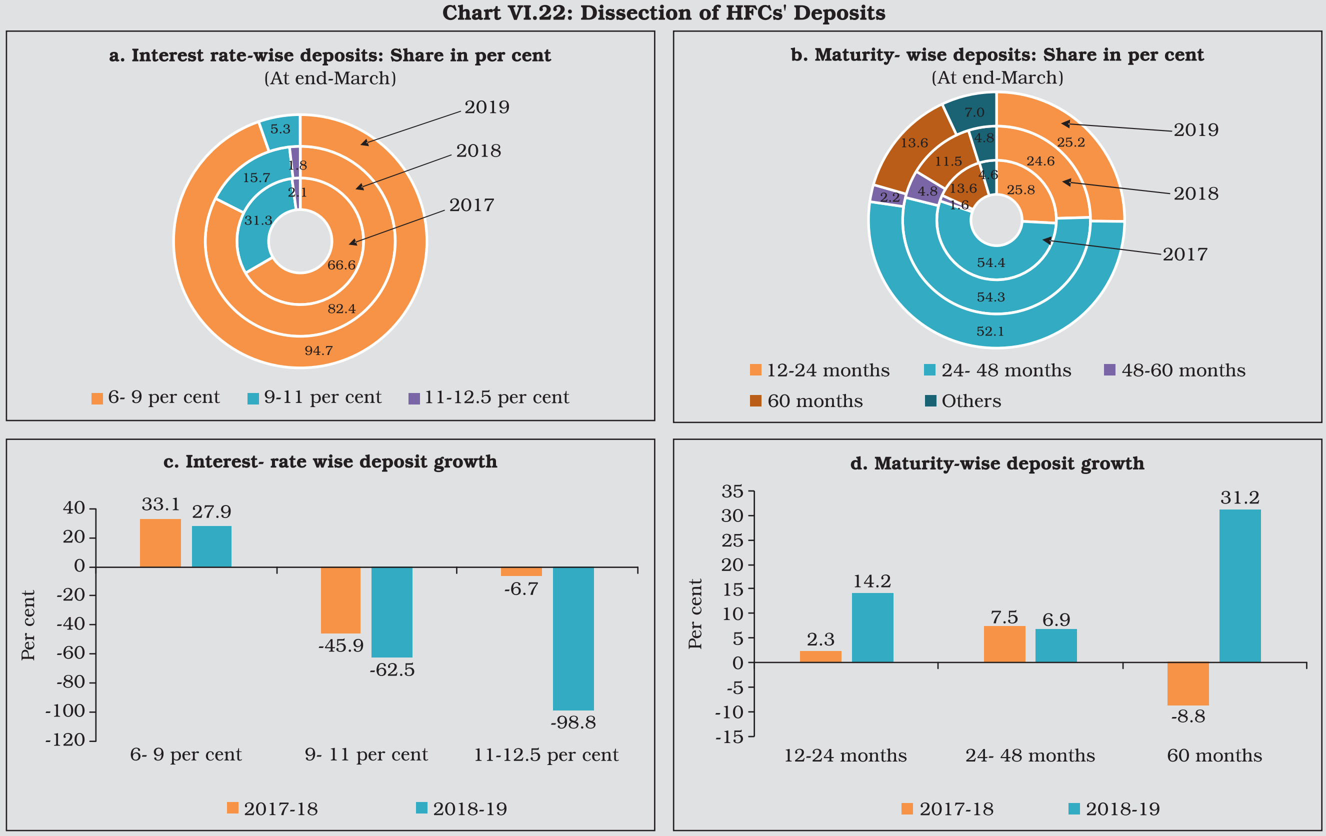
Chart VI.21: Deposits of HFCs
(At end- March)



Note: Data are provisional, based on Annual Return in Schedule-I submitted by 96 HFCs which is based on IGAAP.
Source: NHB.

though deposit mobilisation slowed for this slab in 2018-19. The acceleration in deposit growth was seen for the 12-24 months and 60 months maturities.

Chart VI.22: Dissection of HFCs' Deposits



Note: Data are provisional.
Source: NHB.

2.12.3 Financial Performance

VI.36 Income and expenditure of HFCs grew at a faster rate in 2018-19 than a year ago. However, expenditure grew at a relatively faster pace, leading to an absolute decline in net profit (Chart VI.23). Income as a proportion to total assets grew on account of increase in fund-based earnings, while expenditure increased on account of higher financial and operating expenses. As a result, there was a significant jump in the cost to income ratio of HFCs in 2018-19. Meanwhile, the RoA deteriorated due to the decline in profits (Table VI.11).

2.12.4 Soundness Indicators

VI.37 GNPA and NNPA ratios increased in 2017-18. While the GNPA ratio stabilised in 2018-19, the NNPA ratio crept up further during the year, reflecting a decrease in provisions maintained by HFCs (Chart VI.24). However compared to other NBFCs, HFCs presented better asset quality.

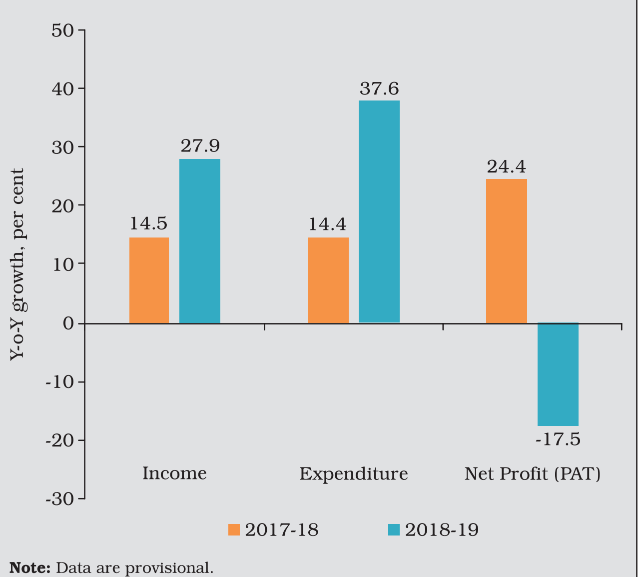
VI.38 To sum up, in 2018-19, the liquidity stress faced by the NBFC sector also spilled over to the domain of housing finance, leading to a deceleration in credit extended by HFCs and adversely affecting their profitability. Since August 2019, HFCs have been brought under the regulatory purview of the Reserve Bank, which has taken swift measures to address governance concerns and payment defaults by a prominent HFC, thereby facilitating resolution of stress in the company and securing investors' interest.

Table VI.11: Financial Ratios of HFCs
(As per cent of Total Assets)
(At end-March)

Particulars	2015	2016	2017	2018	2019
1	2	3	4	5	6
Total Income	**10.8**	**10.5**	**10.0**	**9.0**	**10.0**
1. Fund Income	10.6	10.3	9.8	8.8	9.8
2. Fee Income	0.2	0.2	0.2	0.2	0.2
Total Expenditure	**7.8**	**7.5**	**7.4**	**6.6**	**7.9**
1. Financial Expenditure	7.1	6.8	6.4	5.7	6.4
2. Operating Expenditure	0.7	0.7	0.9	1.0	1.5
Tax Provision	0.9	0.9	0.8	0.7	0.7
Cost to Income Ratio (Total Exp./Total Income)	72.6	71.6	73.6	73.6	79.1
Return on Assets (RoA) (PAT/Total Assets)	2.0	2.0	2.1	2.0	1.4

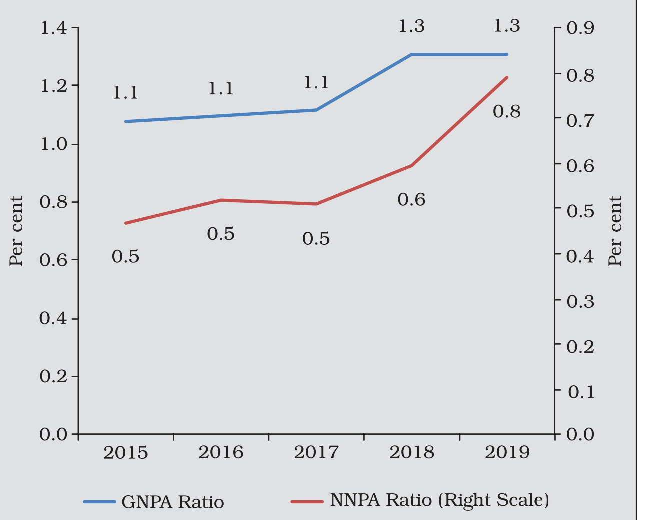
Note: Data are provisional.
Source: NHB.

Chart VI.23: Financial Parameters of HFCs



Note: Data are provisional.
Source: NHB

Chart VI.24: NPA Ratios of HFCs
(At end-March)



Note: Data are provisional.
Source: NHB.

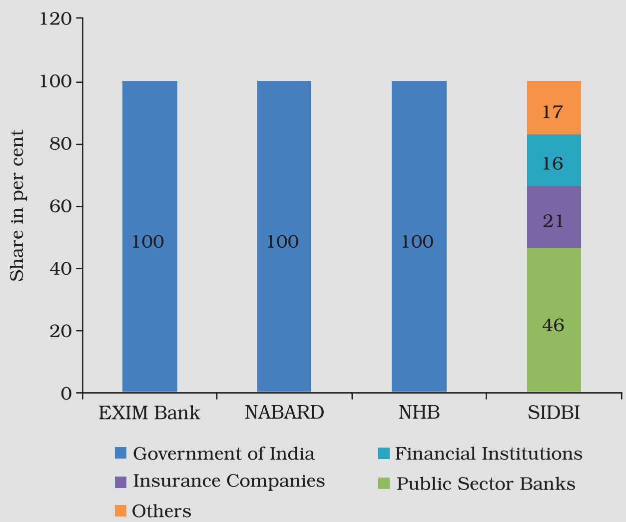
3. All India Financial Institutions

VI.39 The Reserve Bank regulates and supervises four all India financial institutions (AIFIs), *viz.*, Export Import Bank of India (EXIM Bank), National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI) and the National Housing Bank (NHB). Consequent to the Reserve Bank's divestment of its entire shareholding in NHB on March 19, 2019, it has become an entirely government-owned institution (Chart VI.25).

3.1 AIFIs' Operations[4]

VI.40 Financial assistance sanctioned by AIFIs during 2018-19 increased by 7.6 per cent, whereas disbursement growth rate recorded a deceleration at 6.9 per cent in 2018-19 on the top of 21.1 per cent in 2017-18. Barring EXIM Bank, disbursement by other AIFIs expanded during the year, with the largest expansion recorded by NABARD by augmenting its line of credit under refinance and direct loans. Further, NABARD has also sanctioned and disbursed under Pradhan Mantri Awas Yojana Gramin (PMAY-G), Swachh Bharat Mission Gramin (SBM-G), Dairy Processing and Infrastructure Development Fund (DIDF) and Green Climate Fund (GCF) during the year (Table VI.12 and Appendix Table VI.6).

Chart VI.25: Ownership Pattern of AIFIs
(At end- March 2019)



Source: SIDBI, NABARD, NHB and EXIM Bank.

Table VI.12: Financial Assistance Sanctioned and Disbursed by AIFIs

(Amount in ₹ crore)

Category	2017-18		2018-19	
	S	D	S	D
1	2	3	4	5
1. SIDBI	59,452	75,386	59,046	76,011
2. NABARD	2,00,847	2,23,754	3,03,870	2,81,947
3. NHB	44,934	24,921	32,753	25,177
4. EXIM BANK	97,826	68,535	38,001	36,660
Total	**4,03,059**	**3,92,595**	**4,33,670**	**4,19,795**

S: Sanction D: Disbursement
Source: SIDBI, NABARD, NHB and EXIM Bank.

3.2 Balance Sheet

VI.41 The AIFIs' consolidated balance sheet grew at a faster pace in 2018-19 on the back of robust expansion in loans and advances (Table VI.13). Loans and advances constituted the largest share of assets followed by investments. On the liabilities side, AIFIs' reliance on borrowings accelerated in order to finance enhanced credit disbursements and investment activities, while their borrowings through bonds and debentures moderated. Borrowings by EXIM Bank declined in 2018-19 due to erosion in its net owned fund (NOF) in 2017-18, resulting in the EXIM Bank's aggregate borrowings to NOF ratio exceeding the stipulated ceiling. With government's infusion of fresh capital on March 22, 2019, the EXIM bank's NOF has improved.

VI.42 NHB accounted for more than half of the total resources raised in 2018-19, followed by NABARD and SIDBI, while the share of the EXIM Bank constituted the least. AIFIs largely rely on short-term funds for financing their

[4] The financial year for EXIM Bank, SIDBI and NABARD runs from April to March and for NHB, it is from July to June.

Table VI.13: AIFIs' Balance Sheet

(Amount in ₹ crore)

Items	2018	2019	Percentage Variation
1	2	3	4
Liabilities			
1. Capital	19,921 (2.8)	26,921 (3.2)	35.1
2. Reserves	51,076 (7.3)	57,042 (6.8)	11.7
3. Bonds and Debentures	1,85,011 (26.3)	2,09,059 (25.1)	13.0
4. Deposits	2,91,301 (41.5)	3,36,914 (40.4)	15.7
5. Borrowings	1,00,547 (14.3)	1,49,319 (17.9)	48.5
6. Other Liabilities	54,447 (7.8)	54,300 (6.5)	-0.3
Total Liabilities/Assets	**7,02,302**	**8,33,554**	18.7
Assets			
1. Cash and Bank Balances	23,740 (3.4)	23,437 (2.8)	-1.3
2. Investments	49,529 (7.1)	61,256 (7.3)	23.7
3. Loans and Advances	6,09,741 (86.8)	7,29,226 (87.5)	19.6
4. Other Assets	15,542 (2.2)	17,882 (2.1)	15.1

Note: Figures in parentheses are percentages of total liabilities/assets.
Source: Audited OSMOS returns.

activities, particularly NHB which raises over 97 per cent of its resources via this medium. However, in the case of NABARD, there was a perceptible shift towards long-term funds, while SIDBI's reliance on short term funds increased (Table VI.14).

Table VI.14: Resources Mobilised by AIFIs in 2018-19

(Amount in ₹ crore)

Institution	Total Resources Raised				Total Outstanding
	Long-Term	Short-Term	Foreign Currency	Total	
1	2	3	4	5	6
1. SIDBI	53,670	47,865	205	1,01,740	1,31,622
2. NABARD	84,419	1,91,259	344	2,76,022	1,28,493
3. NHB	13,487	5,37,138	905	5,51,530	63,500
4. EXIM BANK	-	8,487	7,054	15,541	92,304
Total	**1,51,576**	**7,84,750**	**8,508**	**9,44,833**	**4,15,919**

Note: Long-term rupee resources comprise borrowings by way of bonds/debentures; while short-term resources comprise CPs, term deposits, ICDs, CDs and borrowings from the term money market . Foreign currency resources largely comprise of borrowings by way of bonds, etc. in the international market.
Source: SIDBI, NABARD, NHB and EXIM Bank.

Table VI.15: Resources Raised by AIFIs from the Money Market
(At end-March)#

(Amount in ₹ crore)

Instrument	2017-18	2018-19
1	2	3
A. Total	**1,17,049**	**1,36,577**
i) Term Deposits	3,931	5,420
ii) Term Money	3,228	4,067
iii) Inter-corporate Deposits	7,850	7,431
iv) Certificate of Deposits	18,448	32,436
v) Commercial Paper	83,593	69,363
Memo Items;		
B. Umbrella Limit	**66,925**	**1,03,887**
C. Utilisation of Umbrella Limit* (A as percentage of B)	**175**	**131**

#: End-June for NHB. *: Resources raised under A.
Note: AIFIs are allowed to mobilise resources within the overall 'umbrella limit', which is linked to the net owned funds (NOF) of the FI concerned as per its latest audited balance sheet. The umbrella limit is applicable for five instruments– term deposits; term money borrowings; certificates of deposits (CDs); commercial paper (CPs); and inter-corporate deposits.
Source: SIDBI, NABARD, NHB and EXIM Bank.

VI.43 Resource mobilisation by the AIFIs through money market instruments like certificate of deposits, term deposits and term money increased during 2018-19. Issuances of commercial paper declined across all AIFIs. The utilisation of borrowing limits remained high (Table VI.15). The NABARD and the SIDBI together constituted around 80 per cent of resources raised by the AIFIs from the money market.

3.3 Sources and Uses of Funds

VI.44 Funds raised and deployed by the AIFIs grew by 13.4 per cent in 2018-19 compared with a doubling of resources raised in the previous year. Repayment of past borrowings constituted 64.3 per cent of the resources mobilised which were essentially through internal sources (Table VI.16).

3.4 Maturity and Cost of Borrowings and Lending

VI.45 The weighted average cost (WAC) of rupee resources raised by NABARD and SIDBI

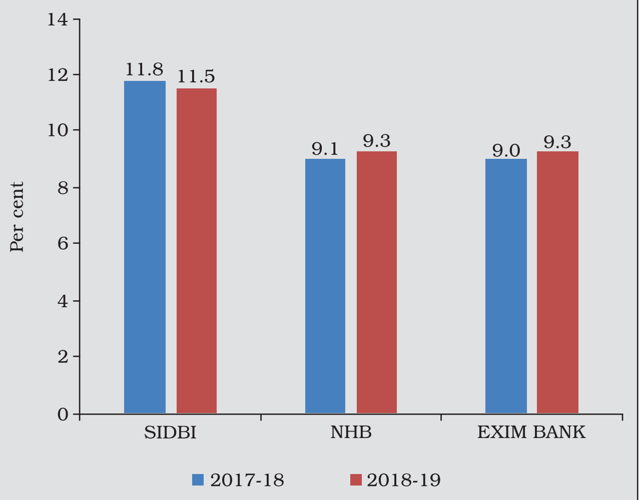
Table VI.16: Pattern of AIFIs' Sources and Deployment of Funds

(Amount in ₹ crore)

Items	2017-18	2018-19	Percentage Variation
1	2	3	4
A. Sources of funds			
(i) Internal	12,88,774	31,32,555	143.1
	(38.2)	(82.0)	
(ii) External	19,48,028	5,99,920	-69.2
	(57.8)	(15.7)	
(iii) Others*	1,32,572	87,930	-33.7
	(3.9)	(2.3)	
Total (i+ii+iii)	**33,69,374**	**38,20,405**	**13.4**
	(100)	(100)	
B. Deployment of Funds			
(i) Fresh Deployment	6,85,147	7,77,016	13.4
	(20.3)	(20.3)	
(ii) Repayment of Past Borrowings	20,98,207	24,58,210	17.2
	(62.3)	(64.3)	
(iii) Other Deployment	5,86,020	5,85,179	-0.1
	(17.4)	(15.3)	
Of which: Interest Payments	32,248	42,007	30.3
	(1.0)	(1.1)	
Total (i+ii+iii)	**33,69,374**	**38,20,405**	**13.4**
	(100)	(100)	

*: Includes cash and balances with banks and the RBI.
Note: Figures in parentheses are percentages of total.
Source: SIDBI, NABARD, NHB and EXIM Bank.

Chart VI.27: Long-term PLR Structure of Select AIFIs

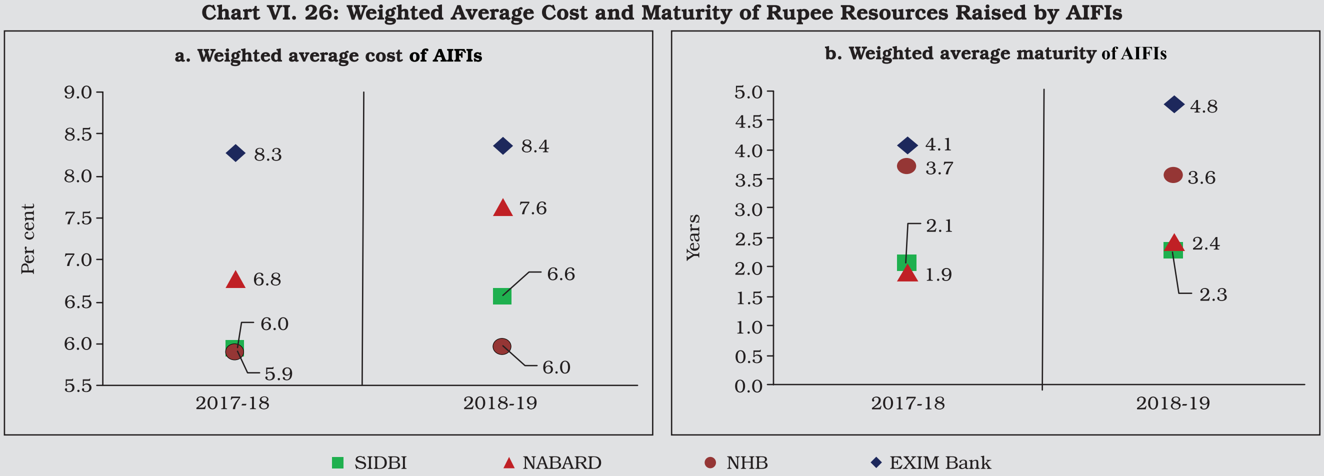


Note: EXIM Bank is using long- term minimum lending rate based on the base rate.
Source: EXIM Bank, NHB, and SIDBI.

increased in 2018-19, while the other two financial institutions were able to borrow at similar rates (Chart VI.26a). The weighted average maturity (WAM) of rupee resources increased for all the institutions except NHB (Chart VI.26b). Thus the AIFIs elongated their average maturity period accompanied by rising long-term costs.

VI.46 The long-term prime lending rate (PLR) in 2018-19 marginally increased for EXIM Bank and NHB and decreased for SIDBI, reflecting that the monetary easing cycle did not lead to a reduction in the cost of funds for the former institutions (Chart VI.27).

Chart VI. 26: Weighted Average Cost and Maturity of Rupee Resources Raised by AIFIs



Source: SIDBI, NABARD, NHB and EXIM Bank.

3.5 Financial Performance

VI.47 AIFIs posted robust growth in income during 2018-19, driven by substantial increase in interest income. However, expenditure expanded at a faster pace, primarily on account of interest expenses. Operating expenses decreased due to a reduction in the wage bill and as a result, net profits of AIFIs posted a robust growth during 2018-19 (Table VI.17). All financial ratios, except operating profit increased or remained unchanged in 2018-19 as compared to previous year (Chart VI.28).

VI.48 During 2018-19, there was an increase in net profit per employee for all AIFIs on account of increase in interest income. This increase was more prominent for EXIM Bank. Except the SIDBI, the operating profits of all the AIFIs improved, indicating efficient utilisation of working capital (Table VI.18).

VI.49 The return on assets (RoA) for all AIFI's remained stagnant or moderated in 2018-19, except for EXIM Bank, which posted a turnaround from negative RoA to marginally positive one. However, the CRAR for all AIFIs remained higher than the stipulated norm of 9 per cent (Chart VI.29).

Table VI.17 Financial Performance of AIFIs

(Amount in ₹ crore)

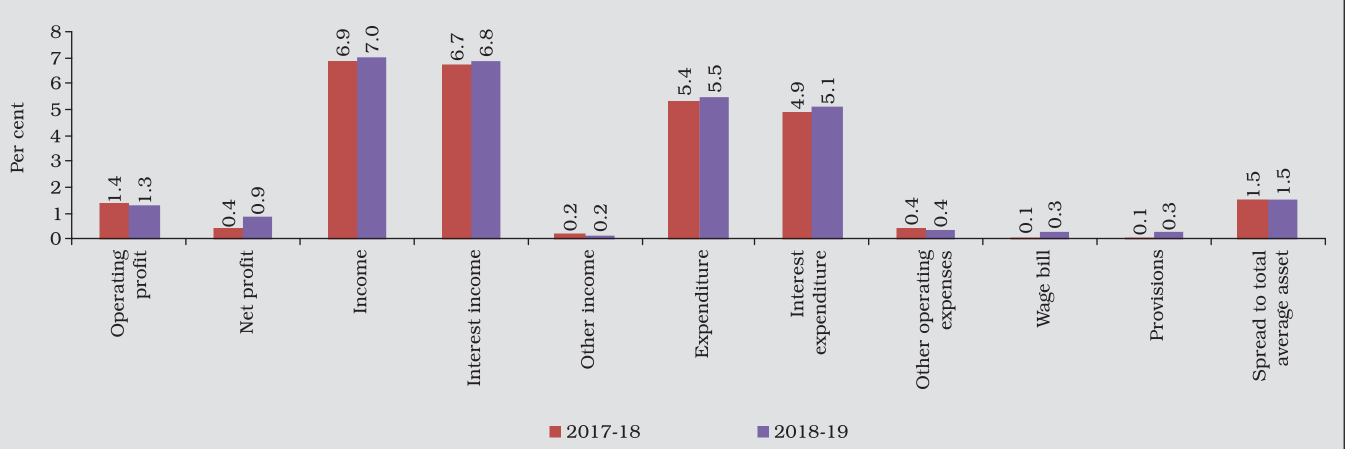
Items	2017-18	2018-19	Percentage Variation	
			2017-18	2018-19
1	2	3	4	5
A) Income	**44,195**	**53,957**	**4.2**	**22.1**
a) Interest Income	42,988 (97.3)	52,699 (97.7)	5.1	22.6
b) Non Interest Income	1,207 (2.7)	1,258 (2.3)	-19.6	4.2
B) Expenditure	**34,468**	**42,109**	**6.3**	**22.2**
a) Interest Expenditure	31,646 (91.8)	39,321 (93.4)	6.2	24.3
b) Operating Expenses	2,822 (8.2)	2,789 (6.6)	7.3	-1.2
of which Wage Bill	2,068	1,987	-22.2	-3.9
C) Provisions for Taxation	503	2,283	-62.4	**354.2**
D) Profit				
Operating Profit (PBT)	8,882	10,294	29.0	15.9
Net Profit (PAT)	2,752	6,683	-52.8	142.9

Note: Figures in parentheses are percentages of total income/expenditure.
Source: Audited OSMOS returns.

3.6 Soundness Indicators

VI.50 The total amount of the AIFIs' net NPAs as well as their net NPA ratio declined during 2018-19. There was substantial decrease in NPAs of EXIM Bank but SIDBI reported a marginal increase in its NPAs (Chart VI.30). The sharp decline in net NPA of EXIM bank was partly reflective of higher provisioning.

Chart VI.28: AIFIs' Financial Ratios



Source: Audited OSMOS returns.

Table VI.18: AIFIs' Select Financial Parameters

Institution	Interest Income/ Average Working Funds (per cent)		Non-interest Income/ Average Working Funds (per cent)		Operating Profit/ Average Working Funds (per cent)		Net Profit per Employee (₹ lakh)	
	2018	2019	2018	2019	2018	2019	2018	2019
1	2	3	4	5	6	7	8	9
EXIM	7.2	7.8	0.5	0.3	1.7	1.9	-860	23
NABARD	6.5	6.6	0.1	0.0	1.2	1.2	74	89
NHB	7.1	7.1	0.1	0.4	2.0	2.6	648	672
SIDBI	6.9	6.9	0.5	0.3	2.2	1.8	126	176

Source: SIDBI, NABARD, NHB and EXIM Bank.

VI.51 AIFIs experienced turnaround in asset quality as some portion of sub-standard assets moved to standard assets, whereas a portion of assets experienced aging of NPAs as sub-standard assets moved to the doubtful category in 2018-19 (Chart VI.31). This was particularly true for EXIM Bank, which accounted for around 95 per cent of the doubtful assets of AIFIs.

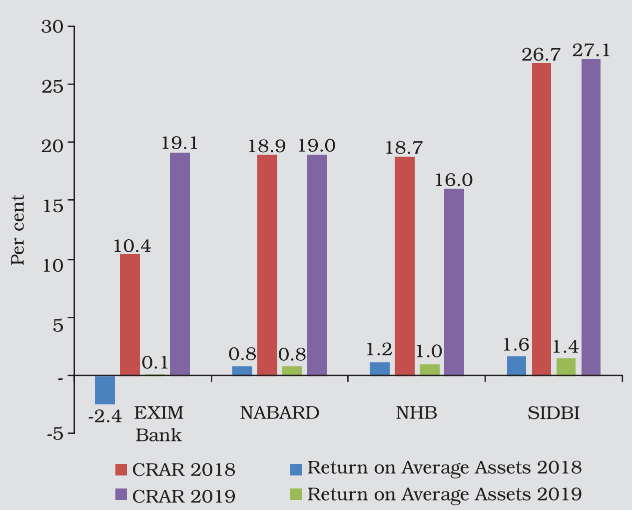
4. Primary Dealers

VI.52 As on September 30, 2019, there were 21 primary dealers (PDs) – 14 run as bank departments and 7 standalone PDs (SPDs)-registered as NBFCs under Section 45-IA of the RBI Act, 1934.

4.1 Operations and Performance of PDs

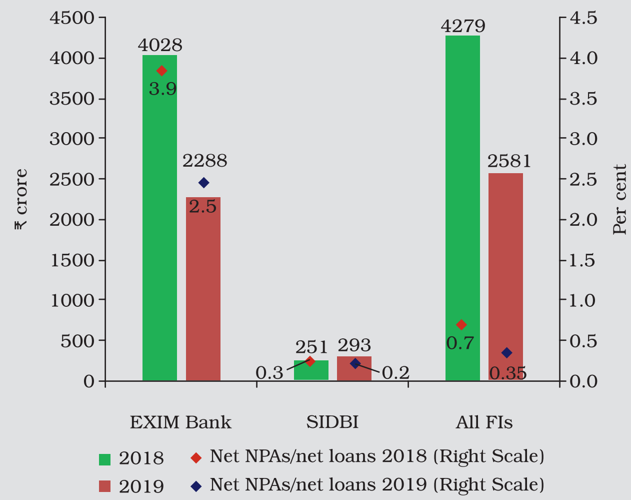
VI.53 PDs are mandated to underwrite issuances of government dated securities and participate in primary auctions. They are also mandated to achieve a minimum success ratio (bids accepted as a proportion to bidding commitment) of 40 per cent in primary auctions of T-bills and Cash Management Bills (CMBs), assessed on a half-yearly basis. In 2018-19, all PDs outperformed their minimum bidding commitments. They achieved a share of 71.4 per cent in total issuance of T-Bills and CMBs during the year, higher than 66.5 per cent achieved in the previous year. In H1: 2019-20, PDs achieved a share of 73.2 per cent in total issuance of

Chart VI.29: Select Financial Parameters of AIFIs



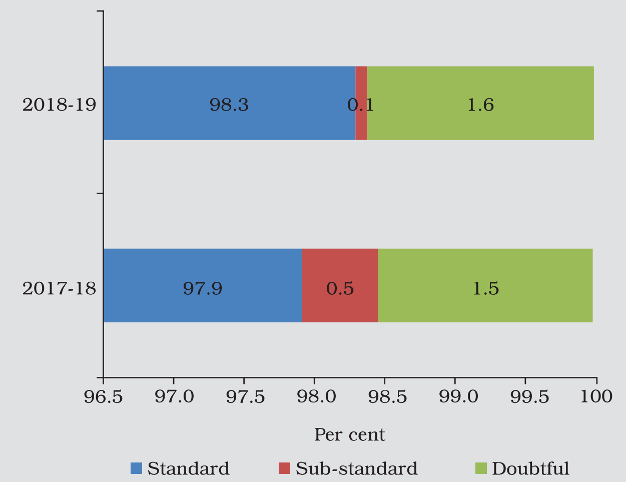
Note: Data relate to end-March for EXIM Bank, NABARD and SIDBI, and end-June for NHB.
Source: SIDBI, NABARD, NHB and EXIM Bank.

Chart VI.30: AIFIs' Net NPAs



Notes: 1. Data relate to end-March for EXIM Bank, NABARD and SIDBI, and end-June for NHB.
2. NABARD and NHB reported nil NPA.
Source: SIDBI, NABARD, NHB and EXIM Bank.

Chart VI.31: AIFIs' Assets Classification



Note: Data relate to end- March for EXIM Bank, NABARD and SIDBI and end- June for NHB.
Source: Exim Bank, NHB, and SIDBI.

T-Bills and CMBs. The government issued dated securities with face value of ₹5,71,000 crore through auctions, as against ₹5,88,000 crore issued during the previous year. PDs' share of allotment in the primary issuances of dated securities reduced to 50.6 per cent in 2018-19, compared to 53.7 per cent in the previous year. During H1: 2019-20, against total issuance of ₹4,42,000 crore, allotment to PDs stood at 44.8 per cent as against 46.9 per cent during H1: 2018-19 (Table VI.19).

VI.54 Partial devolvement on PDs took place on seven instances amounting to ₹14,600 crore during 2018-19 as against three instances for ₹10,297 crore in 2017-18. The underwriting commission paid to PDs during 2018-19 was considerably higher at ₹139.9 crore when compared to ₹61.3 crore in the previous year, which can be attributed to higher devolvement during the year. As a result, the average rate of underwriting commission rose in 2018-19 (Chart VI.32). The total devolvement during H1: 2019-20 aggregated to ₹3,606 crore. The underwriting commission paid to PDs during the same period amounted to ₹24.4 crore, which works out to 0.55p/₹100.

Table VI.19: Performance of PDs in the Primary Market

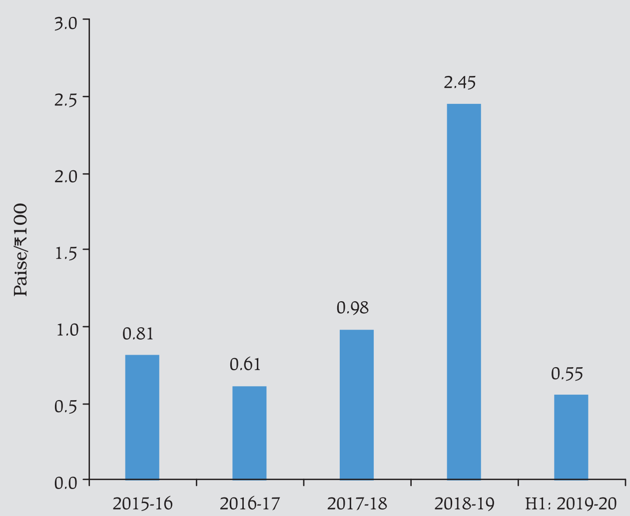
(Amount in ₹ crore)

Items	2017-18	2018-19	H1:2019-20
1	2	3	4
Treasury Bills and CMBs			
(a) Bidding commitment	10,13,580	9,99,551	6,00,229
(b) Actual bids submitted	49,35,246	37,32,398	21,18,241
(c) Bid to cover ratio	4.9	3.7	3.5
(d) Bids accepted	5,77,232	6,70,849	3,79,138
(e) Success ratio (d) / (a) (in Per cent)	56.9	67.1	63.2
Central Government Dated Securities			
(f) Notified amount	5,88,000	5,71,000	4,42,000
(g) Actual bids submitted	13,96,471	12,60,201	9,16,590
(h) Bid to cover ratio	2.4	2.2	2.1
(i) Bids of PDs accepted	3,15,641	2,88,748	1,97,967
(j) Share of PDs (i)/(f) (in per cent)	53.7	50.6	44.8

Source: Returns filed by PDs.

VI.55 In the secondary market, all PDs individually achieved the required minimum annual total turnover ratio (both in outright and repo transactions). The minimum turnover

Chart VI.32: Average Rate of Underwriting Commission of PDs



Source: Returns submitted by PDs.

targets combining repo transactions and outright transactions for G-secs is set at 5 times the average month-end stock of securities held, of which the minimum ratio to be achieved through outright transactions exclusively is 3 times. For T-Bills, the corresponding minimum targets are 10 times and 6 times, respectively.

4.2 Performance of Standalone PDs

VI.56 In the secondary market, the turnover of SPDs decreased in the outright segment while it increased in the repo segment during 2018-19. The SPDs' share in total market turnover grew marginally on account of their improved share in market repo turnover. For the period H1: 2019-20, the share of SPDs in the secondary market in the outright and repo segment was 15.0 per cent and 24.0 per cent, respectively. Total market share across both segments was 19.3 per cent (Table VI.20).

Table VI.20: Performance of SPDs in the G-secs Secondary Market

(Amount in ₹ crore)

Items	2017-18	2018-19	H1:2019-20
1	2	3	4
Outright			
Turnover of SPDs	37,34,289	27,74,591	22,09,109
Market turnover	1,13,99,881	93,55,007	1,46,85,037
Share of SPDs (Per cent)	32.8	29.7	15.0
Repo			
Turnover of SPDs	40,45,407	47,57,405	32,00,951
Market turnover	1,27,80,289	1,35,66,142	1,33,47,579
Share of SPDs (Per cent)	31.7	35.1	24.0
Total (Outright + Repo)			
Turnover of SPDs	77,79,696	75,31,996	54,10,060
Market turnover	2,41,80,170	2,29,21,149	2,80,32,615
Share of SPDs (Per cent)	32.2	32.9	19.3

Notes: 1. Total turnover under outright trades is total of buy and sell.
2. Total turnover for standalone PDs for outright and repo trades includes both sides quantity that is, buy+sell.
3. In case of repo, only 1st leg is considered for SPDs' turnover.
4. Total market turnover includes standalone PDs turnover for both outright and repo volume.

Source: Clearing Corporation of India Limited.

4.3 Sources and Application of SPDs' Funds

VI.57 Funds mobilised by SPDs rose moderately on a year-on-year basis in 2018-19. Borrowings remained the major source of SPDs' funding, accounting for 89.7 per cent of the total sources of funds. The quantum of unsecured loans declined marginally, while secured borrowing increased. For the period H1:2019-20 also, borrowings continued remain the major source of funds amounting to 90 per cent of the total funding. Secured loans was the major component of total borrowings during the period (Table VI.21).

VI.58 The holdings in HTM by the SPDs decreased steeply in 2018-19 due to adoption of Indian Accounting Standard (Ind-AS) in place of Indian Generally Accepted Accounting Principles (IGAAP). The largest share of SPDs funds are held in the form of current assets which increased during the year (Table VI.21).

Table VI.21: Sources and Applications of SPDs' Funds

(Amount in ₹ crore)

Items	2017-18	2018-19	H1:2019-20	Percentage Variation 2018-19 over 2017-18
1	2	3	4	5
Sources of Funds	**47,870**	**55,133**	**68,155**	**15.2**
1. Capital	1,447	1,609	1,609	11.2
2. Reserves and surplus	3,673	4,052	4,679	10.3
3. Loans (a+b)	42,749	49,472	61,867	15.7
(a) Secured	31,581	38,696	49,108	22.5
(b) Unsecured	11,169	10,776	12,759	-3.5
Application of Funds	**47,870**	**55,133**	**68,155**	**15.2**
1. Fixed assets	31	30	46	-2.6
2. HTM investments (a+b)	2,099	454	581	-78.4
(a) Government securities	2,091	447	444	-78.6
(b) Others	7	7	136	0.0
3. Current assets	46,835	55,608	68,418	18.7
4. Loans and advances	848	640	2,619	-24.6
5. Current liabilities	1,934	1,601	3,522	-17.2
6. Deferred tax	-6.6	7.5	17.9	-214.1
7. Others	-1.5	-5.6	-4.7	270.9

Source: Returns submitted by PDs.

Table VI.22: Financial Performance of SPDs

(Amount in ₹ crore)

Items	2017-18	2018-19	H1: 2019-20	Variation 2018-19 over 2017-18	
				Amount	Per cent
1	2	3	4	5	6
A. Income (i to iii)	**3,042**	**3,518**	**2,924**	**476**	**15.6**
(i) Interest and discount	2,966	3,799	2,282	833	28.1
(ii) Trading profits	-2	-344	619	-342	-
(iii) Other income	78	63	24	-15	-19.2
B. Expenses (i to ii)	**2,590**	**3,402**	**1,898**	**812**	**31.4**
(i) Interest	2,306	3,038	1,668	732	31.7
(ii) Other expenses including establishment and administrative costs	285	363	230	78	27.4
C. Profit before tax	452	444	874	-8	-1.8
D. Profit after tax	292	304	667	12	4.1

Note: Figures may not add up due to rounding-off.
Source: Returns submitted by PDs.

4.4 Financial Performance of SPDs

VI.59 SPDs' profit after tax (PAT) increased marginally in 2018-19 over a year ago (Appendix Table VI.7). A significant increase was observed in the interest and discount income due to increased holdings of treasury bills and G-secs, whereas trading profits were pulled down in a volatile yield scenario during the year. Overall, expenditure outpaced income due to an increase in interest expenses. During H1: 2019-20, PAT increased to ₹ 667 crore (Table VI.22).

VI.60 Corresponding to the marginal increase in PAT, SPDs' return on net worth also

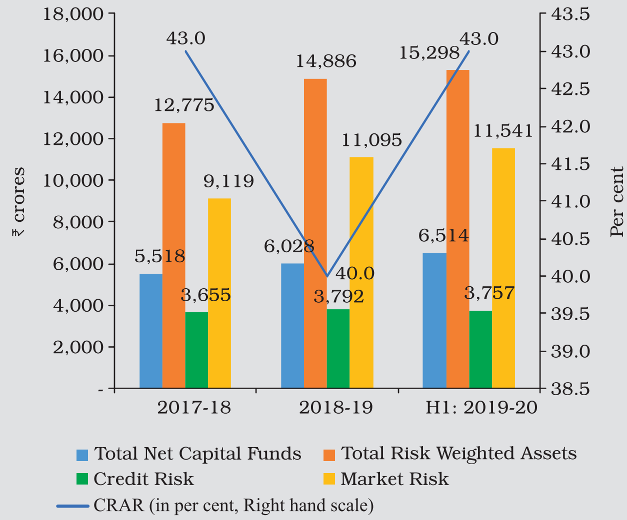
Table VI.23: SPDs' Financial Indicators

(Amount in ₹ crore)

Indicators	2017-18	2018-19	H1:2019-20
1	2	3	4
(i) Net profit	292	304	667
(ii) Average assets	48,206	54,487	67,686
(iii) Return on average assets (Per cent)	0.6	0.6	1.0
(iv) Return on net worth (Per cent)	5.7	5.8	12.3
(v) Cost to income ratio (Per cent)	37.7	75.7	18.3

Source: Returns submitted by PDs.

Chart VI.33: Capital and Risk Weighted Asset Position of SPDs



Source: Returns submitted by PDs.

increased in 2018-19. Pulled down by decline in trading profits, however, the cost-income ratio of these SPDs deteriorated sharply in relation to the preceding year. During H1: 2019-20 however, trading profits rose sharply due to favourable market conditions for the SPDs, thereby resulting in improved cost to income ratio (Table VI.23).

VI.61 The combined CRAR for all SPDs dipped marginally in 2018-19, though remained comfortably above the mandated 15 per cent. Capital buffer position of SPDs improved in H1: 2019-20 (Chart VI.33 and Appendix Table VI.8).

5. Overall Assessment

VI.62 Although the balance sheet size of the NBFCs constitutes 18.6 per cent of SCBs, it has emerged as an important pillar of the Indian financial system. The sector, which had witnessed a robust expansion in 2017-18, experienced headwinds in 2018-19 and 2019-20 (up to September) as market sentiments turned negative post-IL&FS event and recent defaults by some companies. The Reserve Bank and the government have taken several measures to restore stability in the NBFC space. The Reserve Bank took measures to augment systemic liquidity, buttress standards of asset-liability management framework, ease flow of funds by relaxing ECB guidelines and strengthen governance and risk-management structures. The government provided additional support through the partial credit guarantee scheme, encouraging PSBs to acquire high-rated pooled assets of NBFCs. Furthermore, the Finance Bill 2019 through amendments in the RBI Act, 1934 conferred powers on the Reserve Bank to bolster governance of NBFCs. These measures are geared toward allaying investors' apprehensions and aiding NBFCs in performing their role better. Going forward, the Reserve bank will continue to maintain constant vigil over NBFCs and take necessary steps to ensure overall financial stability.

Appendix Table IV.1: Indian Banking Sector at a Glance

(Amount in ₹ crore)

Sr. No	Items	Amount Outstanding / Ratio / Number (At end-March)		Per cent Variation	
		2018	2019*	2017-18	2018-19*
1	2	3	4	5	6
1	**Balance Sheet Operations**				
1.1	Total Liabilities/assets	1,52,55,033	1,66,01,224	7.6	8.8
1.2	Deposits	1,17,94,005	1,28,87,262	6.1	9.3
1.3	Borrowings	16,82,309	17,09,670	31.4	1.6
1.4	Loans and advances	87,45,997	97,09,829	7.8	11.0
1.5	Investments	41,26,237	43,20,270	13.0	4.7
1.6	Off-balance sheet exposure (as percentage of on-balance sheet liabilities)	113.5	122.7	-	-
1.7	Total consolidated international claims	6,38,094	7,42,338	-11.0	16.3
2	**Profitability**				
2.1	Net profit	-32,438	-23,397	-	-
2.2	Return on Asset (RoA) (Per cent)	-0.15	-0.09	-	-
2.3	Return on Equity (RoE) (Per cent)	-2.81	-1.85	-	-
2.4	Net Interest Margin (NIM) (Per cent)	2.5	2.7	-	-
3	**Capital Adequacy**				
3.1	Capital to risk weighted assets ratio (CRAR) @**	13.8	14.3	-	-
3.2	Tier I capital (as percentage of total capital) @**	84.3	85.5	-	-
3.3	CRAR (tier I) (Per cent) @**	11.7	12.2	-	-
4	**Asset Quality**				
4.1	Gross NPAs	10,39,679	9,36,474	31.3	-9.9
4.2	Net NPAs	5,20,838	3,55,076	20.3	-31.8
4.3	Gross NPA ratio (Gross NPAs as percentage of gross advances)	11.2	9.1	-	-
4.4	Net NPA ratio (Net NPAs as percentage of net advances)	6.0	3.7	-	-
4.5	Provision Coverage Ratio (Per cent)**	48.3	60.5	-	-
4.6	Slippage ratio (Per cent)**	7.6	4.0	-	-
5	**Sectoral Deployment of Bank Credit**				
5.1	Gross bank credit**	83,99,196	95,19,554	10.4	13.3
5.2	Agriculture**	11,93,400	13,25,824	7.2	11.1
5.3	Industry**	31,29,512	33,04,940	6.2	5.6
5.4	Services**	19,98,817	24,77,517	10.6	23.9
5.5	Retail loans**	19,42,501	23,02,173	20.5	18.5
6	**Technological Development#**				
6.1	Total number of credit cards (in lakhs)	375	471	25.6	25.6
6.2	Total number of debit cards (in lakhs)	8,611	8,582	11.6	-0.3
6.3	Number of ATMs	2,07,052	2,02,072	-0.6	-2.4
7	**Customer Services**				
7.1	Total number of complaints received during the year	1,63,590	1,95,901	24.9	19.8
7.2	Total number of complaints addressed	1,74,805	2,02,083	28.1	15.6
7.3	Percentage of complaints addressed	96.5	94.0	-	-
8	**Financial Inclusion**				
8.1	Credit-deposit ratio (Per cent)	74.2	75.3	-	-
8.2	Number of new bank branches opened	3,938	4,518	-26.5	14.7
8.3	Number of banking outlets in villages (Total)	5,69,547	5,97,155	-4.8	4.8

Notes : 1. * : Provisional.
2. ** : Based on off-site returns (Domestic Operations). @Figures are as per the Basel III framework.
3. Percentage variation could be slightly different as figures have been rounded off to lakh/crore.
4. # : Data on credit cards, debit cards and ATMs for March 2019 include 8 scheduled SFBs as at end-March 2019.

Appendix Table IV.2: Off-Balance Sheet Exposure of Scheduled Commercial Banks in India

(Amount in ₹ crore)

Item	Public Sector Banks		Private Sector Banks		Foreign Banks		Small Finance Banks		Scheduled Commercial Banks	
	2018-19	Percentage Variation	2018-19	Percentage Variation	2018-19	Percentage Variation	2018-19	Percentage Variation	2018-19	Percentage Variation
1	2	3	4	5	6	7	8	9	10	11
1. Forward exchange contracts@	26,47,228 (26.0)	-3.0	53,53,564 (101.0)	32.5	1,03,08,250 (975.4)	21.8	0 (0.0)	-	1,83,09,043 (110.3)	20.2
2. Guarantees given	5,34,176 (5.3)	-14.7	4,48,420 (8.5)	16.8	1,59,935 (15.1)	15.7	236 (0.3)	40.4	11,42,768 (6.9)	-0.5
3. Acceptances, endorsements, *etc.*	5,21,828 (5.1)	-4.2	3,10,809 (5.9)	7.3	92,888 (8.8)	4.8	476 (0.6)	4.4	9,26,000 (5.6)	0.3
Contingent Liabilities	**37,03,232 (36.4)**	**-5.0**	**61,12,793 (115.4)**	**29.6**	**1,05,61,073 (999.3)**	**21.5**	**713 (0.9)**	**14.1**	**2,03,77,811 (122.7)**	**17.7**

- : Nil/Negligible. @ : Figures are as per Basel III framework.

Notes: 1. Figures in brackets are percentages to total liabilities of the concerned bank-group.
2. @: includes all derivative products (including interest rate swaps) as admissible.
3. Due to rounding off of figures, the constituent items may not add up to totals.

Source: Annual accounts of respective banks.

Appendix Table IV.3: Kisan Credit Card Scheme: State-wise Progress *(Continued)*

(As at end-March 2019)

(Amount in ₹ Crore and number of operative KCCs issued in '000)

Sr. No.	State/UT	Co-operative Banks				Regional Rural Banks			
		Number of Operative KCCs		Amount outstanding under Operative KCCs		Number of Operative KCCs		Amount outstanding under Operative KCCs	
		2018	2019	2018	2019	2018	2019	2018	2019
1	2	3	4	5	6	7	8	9	10
	Northern Region	**5,709**	**5,274**	**29,674.3**	**27,151.2**	**1,107**	**1,177**	**24,613.1**	**27,410.9**
1	Haryana	1,196	1,193	9,335.4	10,014.4	241	257	6,157.7	6,866.6
2	Himachal Pradesh	92	96	1,329.9	1,477.8	41	48	524.2	614.6
3	Jammu & Kashmir	11	10	58.9	58.0	65	68	607.9	669.6
4	New Delhi #$	1	1	12.5	10.9	-	-	-	-
5	Punjab	953	969	7,172.8	6,421.1	138	144	4,591.3	4,833.0
6	Rajasthan	3,455	3,005	11,764.7	9,169.0	623	661	12,732.0	14,427.1
7	Chandigarh #$	-	-	-	-	-	-	-	-
	North-Eastern Region	**114**	**77**	**137.5**	**139.1**	**442**	**427**	**1,404.6**	**1,424.7**
8	Assam	3	1	11.3	10.9	284	279	1,036.4	1,053.8
9	Arunachal Pradesh #	1	1	2.0	4.0	3	3	13.2	26.4
10	Meghalaya #	17	16	31.4	32.0	19	21	98.5	110.6
11	Mizoram #	1	1	6.8	9.0	13	11	70.3	58.6
12	Manipur #	-	1	0.7	1.6	8	9	26.0	28.0
13	Nagaland #	4	3	13.6	15.9	1	1	1.7	1.5
14	Tripura #	79	45	60.7	57.7	113	104	158.5	145.8
15	Sikkim #$	8	9	11.1	8.0	-	-	-	-
	Western Region	**4,773**	**4,184**	**27,793.8**	**25,825.3**	**653**	**801**	**6,705.4**	**8,758.7**
16	Gujarat	1,067	1,005	8,559.0	9,380.8	305	329	4,289.3	5,081.0
17	Maharashtra	3,704	3,177	19,214.9	16,425.9	348	472	2,416.0	3,677.7
18	Goa $	2	2	19.9	18.5	-	-	-	-
19	Daman and Diu @#$	-	-	-	-	-	-	-	-
20	Dadra and Nagar Haveli @$	-	-	-	-	-	-	-	-
	Central Region	**11,501**	**9,052**	**23,162.3**	**26,383.6**	**3,992**	**4,115**	**37,918.7**	**43,561.4**
21	Uttar Pradesh	4,468	3,202	5,664.0	6,354.6	3,266	3,436	29,677.5	35,501.0
22	Uttarakhand	269	234	971.2	987.1	47	43	300.6	306.1
23	Madhya Pradesh	5,774	4,614	14,970.8	16,758.6	501	467	6,910.0	6,896.2
24	Chhattisgarh	990	1,001	1,556.3	2,283.4	179	168	1,030.7	858.1
	Southern Region	**6,821**	**7,216**	**30,707.6**	**33,609.9**	**3,356**	**3,162**	**29,522.4**	**31,110.8**
25	Karnataka	2,447	2,509	11,663.8	11,515.5	719	631	9,134.7	9,130.3
26	Kerala	629	836	2,989.8	3,274.3	149	146	1,274.7	1,309.9
27	Andhra Pradesh **	1,545	1,563	7,334.3	8,146.3	843	1,015	8,132.0	10,152.4
28	Tamil Nadu	1,364	1,479	5,681.9	7,203.5	432	35	2,760.5	279.1
29	Telangana	830	822	3,033.6	3,462.0	1,211	1,333	8,209.7	10,226.5
30	Lakshdweep @$	-	-	-	-	-	-	-	-
31	Puducherry #	6	6	4.2	8.4	1	1	10.9	12.6
	Eastern Region	**4,578**	**4,612**	**13,009.3**	**14,326.9**	**2,643**	**2,572**	**13,199.7**	**14,805.2**
32	Odisha	2,873	2,795	9,090.2	10,573.3	581	490	2,470.8	2,380.9
33	West Bengal	1,540	1,538	3,543.7	3,276.7	332	324	1,356.9	1,515.1
34	Andaman and Nicobar Island@$	5	5	13.4	13.8	-	-	-	-
35	Bihar	141	253	328.9	425.5	1,361	1,390	7,958.6	9,300.7
36	Jharkhand**	20	21	33.1	37.6	369	367	1,413.4	1,608.6
	Total	**33,495**	**30,414**	**1,24,484.8**	**1,27,436.0**	**12,193**	**12,253**	**1,13,363.9**	**1,27,071.8**

Appendix Table IV.3: Kisan Credit Card Scheme: State-wise Progress *(Concluded)*

(As at end-March 2019)

(Amount in ₹ Crore and number of operative KCCs issued in '000)

Sr. No.	State/UT	Commercial Banks				Total			
		Number of Operative KCCs		Amount outstanding under Operative KCCs		Number of Operative KCCs		Amount outstanding under Operative KCCs	
		2018	2019	2018	2019	2018	2019	2018	2019
1	2	11	12	13	14	15	16	17	18
	Northern Region	**4,073**	**4,084**	**1,36,349.4**	**1,39,418.4**	**10,889**	**10,535**	**1,90,636.8**	**1,93,980.5**
1	Haryana	660	655	27,171.7	27,635.0	2,097	2,104	42,664.8	44,515.9
2	Himachal Pradesh	214	214	3,711.2	3,924.8	347	357	5,565.3	6,017.1
3	Jammu & Kashmir	300	316	3,816.6	4,128.1	376	394	4,483.4	4,855.7
4	New Delhi #$	3	3	98.4	91.0	4	4	110.9	101.9
5	Punjab	861	833	48,112.7	45,819.7	1,952	1,946	59,876.8	57,073.8
6	Rajasthan	2,031	2,060	53,152.4	57,474.5	6,109	5,726	77,649.1	81,070.6
7	Chandigarh #$	4	3	286.4	345.5	4	3	286.4	345.5
	North-Eastern Region	**784**	**762**	**5,038.1**	**5,286.6**	**1,340**	**1,266**	**6,580.3**	**6,850.5**
8	Assam	583	559	3,807.0	3,928.7	870	839	4,854.6	4,993.4
9	Arunachal Pradesh #	9	8	58.5	59.4	13	12	73.7	89.9
10	Meghalaya #	54	51	377.5	337.4	90	88	507.4	479.9
11	Mizoram #	11	9	76.8	75.5	25	21	153.9	143.1
12	Manipur #	16	15	117.6	119.5	24	24	144.2	149.0
13	Nagaland #	28	26	140.6	140.4	33	31	155.8	157.8
14	Tripura #	79	89	426.2	593.3	271	238	645.4	796.8
15	Sikkim #$	5	4	34.1	32.5	13	13	45.2	40.6
	Western Region	**3,292**	**3,240**	**62,878.8**	**66,576.4**	**8,718**	**8,225**	**97,378.0**	**1,01,160.4**
16	Gujarat	1,081	1,086	29,096.2	30,536.9	2,453	2,420	41,944.5	44,998.7
17	Maharashtra	2,203	2,146	33,591.9	35,831.2	6,255	5,795	55,222.8	55,934.8
18	Goa $	7	8	172.9	190.5	9	10	192.7	209.0
19	Daman and Diu @#$	0	0	8.6	9.6	0	0	8.6	9.6
20	Dadra and Nagar Haveli @$	1	0	9.4	8.3	1	0	9.4	8.3
	Central Region	**6,349**	**6,579**	**1,06,467.7**	**1,18,548.3**	**21,842**	**19,746**	**1,67,548.7**	**1,88,493.4**
21	Uttar Pradesh	4,271	4,499	59,594.7	68,090.8	12,005	11,137	94,936.1	1,09,946.3
22	Uttarakhand	216	204	4,431.4	4,503.4	532	481	5,703.2	5,796.5
23	Madhya Pradesh	1,634	1,651	37,863.7	41,070.4	7,909	6,732	59,744.5	64,725.2
24	Chhattisgarh	228	226	4,577.9	4,883.7	1,396	1,396	7,164.9	8,025.3
	Southern Region	**5,445**	**5,459**	**94,101.7**	**99,277.2**	**15,621**	**15,837**	**1,54,331.8**	**1,63,998.0**
25	Karnataka	925	852	24,170.6	23,332.6	4,092	3,992	44,969.1	43,978.4
26	Kerala	310	313	12,210.9	13,118.8	1,087	1,296	16,475.4	17,702.9
27	Andhra Pradesh **	1,873	1,964	24,400.3	27,175.2	4,261	4,543	39,866.6	45,474.0
28	Tamil Nadu	537	550	15,956.0	16,810.7	2,333	2,065	24,398.4	24,293.3
29	Telangana	1,795	1,775	17,211.6	18,678.4	3,836	3,930	28,454.9	32,366.9
30	Lakshdweep @$	0	0	2.4	2.5	0	0	2.4	2.5
31	Puducherry #	4	5	149.9	159.0	12	12	165.0	180.0
	Eastern Region	**3,578**	**3,507**	**25,638.2**	**25,972.0**	**10,800**	**10,690**	**51,847.1**	**55,104.1**
32	Odisha	654	655	4,806.7	5,099.8	4,108	3,940	16,367.8	18,053.9
33	West Bengal	1,004	1,003	7,399.2	7,402.9	2,875	2,866	12,299.8	12,194.6
34	Andaman and Nicobar Island@$	0	0	2.8	2.2	5	5	16.1	16.0
35	Bihar	1,321	1,240	10,553.9	10,397.8	2,823	2,883	18,841.4	20,124.1
36	Jharkhand**	599	608	2,875.4	3,069.2	988	996	4,322.0	4,715.5
	Total	**23,521**	**23,632**	**4,30,473.9**	**4,55,079.1**	**69,210**	**66,300**	**6,68,322.6**	**7,09,586.9**

-: Nil / Negligible.
#: StCB functions as Central Financing Agencies.
@: No Co-operative Banks in these UTs.
$: No RRBs in these States/UTs.
na: Not Available.

Notes: Components may not add up to their respective totals due to rounding off.

Source: NABARD/Returns from Commercial Banks.

Appendix Table IV.4: Bank Group-wise Lending to the Sensitive Sectors

(Amount in ₹ crore)

Sector	Public Sector Banks		Private Sector Banks		Foreign Banks		Small Finance Banks		Scheduled Commercial Banks	
	2018-19	Percentage Variation	2018-19	Percentage Variation	2018-19	Percentage Variation	2018-19	Percentage Variation	2018-19	Percentage Variation
1	2	3	4	5	6	7	8	9	10	11
1. Capital Market#	48,821 (0.8)	-18.0	78,694 (2.4)	8.2	11,771 (2.97)	51.5	114 (0.2)	150.0	1,39,400 (1.4)	-0.5
2. Real Estate@	11,93,558 (20.1)	6.0	8,26,942 (24.9)	27.7	1,20,202 (30.3)	14.9	4,877 (8.2)	51.3	21,45,580 (22.1)	14.1
3. Commodities	-	-	-	-	-	-	-	-	-	-
Total Advances to Sensitive Sectors	**12,42,379 (21.0)**	**4.8**	**9,05,637 (27.2)**	**25.7**	**1,31,973 (33.3)**	**17.4**	**4,991 (8.4)**	**52.7**	**22,84,980 (23.5)**	**13.1**

Notes: 1. Figures in brackets are percentages to total loans and advances of the concerned bank-group.
2. - : Nil/negligible.
3. #: Exposure to capital market is inclusive of both investments and advances.
4. @: Exposure to real estate sector is inclusive of both direct and indirect lending.

Appendix Table IV.5: Shareholding Pattern of Domestic Scheduled Commercial Banks *(Continued)*

(As at end-March 2019)

(Per cent)

Sr. No	Bank Name	Total Government & RBI - Resident	Financial Institutions - Resident	Financial Institutions- Non Resident	Other Corporates - Resident	Other Corporates - Non Resident	Total Individual - Resident	Total Individual - Non Resident	Total - Resident	Total- Non Resident
1	2	3	4	5	6	7	8	9	10	11
	Public Sector Banks									
1	Allahabad Bank	85.8	6.5	1.7	0.6	-	5.4	0.1	98.3	1.7
2	Andhra Bank	90.9	3.5	1.0	0.6	-	3.9	0.1	98.9	1.1
3	Bank of Baroda	63.7	18.9	9.4	1.7	-	5.8	0.5	90.2	9.9
4	Bank of India	87.1	7.1	1.0	0.4	-	4.4	0.1	98.9	1.1
5	Bank of Maharashtra	87.7	8.5	0.2	0.3	-	3.2	0.2	99.7	0.3
6	Canara Bank	70.6	17.7	4.3	1.0	-	6.3	0.1	95.6	4.4
7	Central Bank of India	91.2	6.5	0.3	0.7	-	1.3	-	99.7	0.3
8	Corporation Bank	93.5	4.2	0.3	0.1	-	1.8	0.1	99.7	0.4
9	Dena Bank	80.7	1.6	-	9.3	1.6	6.6	0.2	98.1	1.9
10	Indian Bank	81.5	8.1	-	0.3	5.1	4.9	0.1	94.8	5.2
11	Indian Overseas Bank	92.5	3.0	-	0.5	0.3	3.7	0.1	99.7	0.4
12	Oriental Bank of Commerce	87.6	6.2	1.9	0.4	-	3.9	0.1	98.0	2.0
13	Punjab and Sind Bank	85.6	7.6	-	0.7	1.1	4.8	0.2	98.7	1.3
14	Punjab National Bank	75.4	13.1	3.4	0.8	-	7.1	0.1	96.5	3.6
15	State Bank of India	57.1	24.2	11.1	2.3	-	5.1	0.2	88.7	11.3
16	Syndicate Bank	84.7	9.1	1.7	0.8	-	3.8	-	98.3	1.7
17	UCO Bank	93.3	4.2	-	0.2	0.3	1.9	0.1	99.7	0.4
18	Union Bank of India	74.3	6.0	-	8.2	3.2	8.4	0.1	96.8	3.2
19	United Bank of India	96.8	1.5	-	0.2	-	1.4	-	100.0	-
20	Vijaya Bank	68.8	6.7	-	9.2	5.8	9.6	-	94.2	5.8

Appendix Table IV.5: Shareholding Pattern of Domestic Scheduled Commercial Banks *(Concluded)*

(As at end-March 2019)

(Per cent)

Sr. No	Bank Name	Total Government & RBI - Resident	Financial Institutions- Resident	Financial Institutions- Non Resident	Other Corporates- Resident	Other Corporates- Non Resident	Total Individual- Resident	Total Individual- Non Resident	Total Resident	Total Non- Resident
1	2	3	4	5	6	7	8	9	10	11
	Private Sector Banks									
1	Axis Bank Ltd.	-	33.4	51.0	5.8	3.4	6.2	0.2	45.4	54.6
2	Bandhan Bank Ltd.	-	2.7	5.6	82.6	7.3	1.7	0.1	87.1	13.0
3	Catholic Syrian Bank Ltd.	-	2.8	-	27.3	28.2	30.6	11.2	60.7	39.3
4	City Union Bank Ltd.	-	26.7	24.4	8.2	-	39.7	1.0	74.6	25.4
5	DCB Bank Ltd.	-	24.2	-	8.2	40.1	26.0	1.6	58.3	41.7
6	Dhanalakshmi Bank Ltd.	0.54	2.5	-	16.8	11.4	49.5	19.3	69.3	30.7
7	Federal Bank Ltd.	-	27.0	39.5	5.5	-	22.7	5.3	55.2	44.8
8	HDFC Bank Ltd.	0.2	13.3	71.9	5.5	-	9.1	0.1	28.0	72.0
9	ICICI Bank Ltd.	0.3	31.2	57.2	5.3	-	5.8	0.3	42.5	57.5
10	IDBI Bank Ltd.	46.5	51.3	-	0.3	0.1	1.8	0.1	99.8	0.2
11	IDFC Bank Ltd.	5.5	3.0	13.5	44.3	11.3	21.1	1.4	73.9	26.1
12	IndusInd Bank Ltd.	-	9.9	58.5	8.4	15.2	7.3	0.8	25.6	74.4
13	Jammu & Kashmir Bank Ltd.	59.2	8.1	15.8	1.2	-	14.7	1.1	83.2	16.8
14	Karnataka Bank Ltd.	-	15.4	14.6	8.1	-	59.6	2.3	83.1	16.9
15	Karur Vysya Bank Ltd.	-	22.7	-	5.1	18.1	52.9	1.1	80.8	19.2
16	Kotak Mahindra Bank Ltd.	-	11.6	42.0	4.4	1.8	39.8	0.4	55.8	44.2
17	Lakshmi Vilas Bank Ltd.	0.2	2.9	-	41.9	16.8	36.9	1.5	81.8	18.2
18	Nainital Bank Ltd.	-	98.6	-	-	-	1.4	-	100.0	-
19	RBL Bank Ltd.	0.2	20.9	3.4	8.2	38.4	27.7	1.4	56.9	43.1
20	South Indian Bank Ltd.	-	13.0	-	8.6	24.1	45.6	8.6	67.2	32.8
21	Tamilnad Mercantile Bank Ltd.	1.2	-	-	4.8	24.9	68.2	1.0	74.1	25.9
22	Yes Bank Ltd.	-	20.8	-	11.8	40.3	26.2	0.9	58.8	41.2

-: Nil / Negligible.

Source: Off-site returns (domestic).

Appendix Table IV.6: Overseas Operations of Indian Banks

(At end-March)

Sr. No.	Name of the Bank	Branch		Subsidiary		Representative Office		Joint Venture Bank		Other Offices*		Total	
		2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
1	2	3	4	5	6	7	8	9	10	11	12	13	14
I.	**Public Sector Banks**	**165**	**128**	**23**	**25**	**29**	**17**	**8**	**7**	**35**	**34**	**260**	**211**
1	Allahabad Bank	1	1	-	-	-	-	-	-	-	-	1	1
2	Andhra Bank	-	-	-	-	2	-	-	-	-	-	2	-
3	Bank of Baroda	50	36	9	9	-	-	2	2	9	9	70	56
4	Bank of India	29	26	5	5	3	2	-	-	-	-	37	33
5	Canara Bank	8	6	1	1	1	1	-	-	-	-	10	8
6	Central Bank Of India	-	-	-	-	-	-	-	-	-	-	-	-
7	Corporation Bank	-	-	-	-	2	1	-	-	-	-	2	1
8	Indian Bank	4	3	-	-	-	-	-	-	-	-	4	3
9	Indian Overseas Bank	8	6	-	-	1	1	-	-	3	2	12	9
10	IDBI Bank Ltd.	1	1	-	-	-	-	-	-	-	-	1	1
11	Punjab National Bank	3	2	2	2	4	-	2	2	-	-	11	6
12	State Bank of India	52	40	5	7	8	7	4	3	23	23	92	80
13	Syndicate Bank	1	1	-	-	-	-	-	-	-	-	1	1
14	UCO Bank	4	2	-	-	1	1	-	-	-	-	5	3
15	Union Bank	4	4	1	1	3	1	-	-	-	-	8	6
16	United Bank of India	-	-	-	-	2	2	-	-	-	-	2	2
17	Oriental Bank of Commerce	-	-	-	-	1	1	-	-	-	-	1	1
18	Dena Bank	-	-	-	-	1	-	-	-	-	-	1	-
II	**Private Sector Bank**	**20**	**19**	**3**	**3**	**19**	**20**	**-**	**-**	**-**	**-**	**42**	**42**
19	Axis Bank	5	5	1	1	4	4	-	-	-	-	10	10
20	HDFC Bank Ltd.	3	3	-	-	3	3	-	-	-	-	6	6
21	ICICI Bank Ltd.	12	11	2	2	5	5	-	-	-	-	19	18
22	IndusInd Bank Ltd.	-	-	-	-	3	3	-	-	-	-	3	3
23	Federal Bank Ltd.	-	-	-	-	2	2	-	-	-	-	2	2
24	Kotak Mahindra Bank Ltd.	-	-	-	-	1	1	-	-	-	-	1	1
25	Yes bank	-	-	-	-	1	1	-	-	-	-	1	1
26	South Indian Bank	-	-	-	-	-	1	-	-	-	-	-	1
	All Banks	**185**	**147**	**26**	**28**	**48**	**37**	**8**	**7**	**35**	**34**	**302**	**253**

Notes: 1. *: Other Offices include marketing/sub-office, remittance centres, *etc*.
Source: RBI.

Appendix Table IV.7: Branches and ATMs of Scheduled Commercial Banks *(Continued)*

(At end-March 2019)

Sr. No.	Name of the Bank	Branches					ATMs		
		Rural	Semi - Urban	Urban	Metro-politan	Total	On-site	Off-site	Total
1	2	3	4	5	6	7	8	9	10
	Public Sector Banks	**28,800**	**24,599**	**16,975**	**17,486**	**87,860**	**78,419**	**57,679**	**1,36,098**
1	Allahabad Bank	1,204	758	649	618	3,229	636	200	836
2	Andhra Bank	752	764	655	710	2,881	3,027	771	3,798
3	Bank of Baroda	1,845	1,546	960	1,201	5,552	6,329	3,243	9,572
4	Bank of India	1,829	1,456	793	947	5,025	2,615	3,539	6,154
5	Bank of Maharashtra	615	424	327	466	1,832	1,306	552	1,858
6	Canara Bank	1,821	2,003	1,205	1,282	6,311	4,756	4,095	8,851
7	Central Bank of India	1,601	1,345	830	883	4,659	2,958	1,008	3,966
8	Corporation Bank	588	795	521	545	2,449	2,365	650	3,015
9	Dena Bank	575	437	360	399	1,771	1,225	288	1,513
10	Indian Bank	737	824	624	640	2,825	3,191	701	3,892
11	Indian Overseas Bank	915	964	669	732	3,280	2,966	484	3,450
12	Oriental Bank of Commerce	561	626	601	586	2,374	2,341	284	2,625
13	Punjab and Sind Bank	563	279	351	325	1,518	1,153	48	1,201
14	Punjab National Bank	2,590	1,697	1,199	1,093	6,579	5,318	3,937	9,255
15	State Bank of India	7,743	6,480	3,964	3,858	22,045	25,555	32,860	58,415
16	Syndicate Bank	1,246	1,139	816	843	4,044	4,104	405	4,509
17	UCO Bank	1,075	821	603	580	3,079	2,030	328	2,358
18	Union Bank of India	1,249	1,288	847	904	4,288	3,864	2,786	6,650
19	United Bank of India	780	408	470	349	2,007	993	1,024	2,017
20	Vijaya Bank	511	545	531	525	2,112	1,687	476	2,163

Appendix Table IV.7: Branches and ATMs of Scheduled Commercial Banks *(Continued)*

(At end-March 2019)

Sr. No.	Name of the Bank	Branches					ATMs		
		Rural	Semi - Urban	Urban	Metro-politan	Total	On-site	Off-site	Total
1	2	3	4	5	6	7	8	9	10
	Private Sector Banks	**6,836**	**10,306**	**6,760**	**8,473**	**32,375**	**26,197**	**37,143**	**63,340**
1	Axis Bank Ltd.	668	1,257	939	1,209	4,073	2,006	9,795	11,801
2	Bandhan Bank Ltd.	1,442	1,403	752	403	4,000	481	-	481
3	City Union Bank Ltd.	86	254	124	165	629	999	686	1,685
4	CSB Bank Ltd.	45	221	85	66	417	231	46	277
5	DCB Bank Ltd.	66	84	82	101	333	285	219	504
6	Dhanlaxmi Bank Ltd.	20	106	65	58	249	208	138	346
7	Federal Bank Ltd.	154	687	217	196	1,254	1,179	490	1,669
8	HDFC Bank Ltd.	998	1,573	966	1,430	4,967	6,036	7,124	13,160
9	ICICI Bank Ltd.	991	1,453	992	1,437	4,873	5,237	9,750	14,987
10	IDBI Bank Ltd.	412	585	504	495	1,996	2,203	1,497	3,700
11	IDFC First Bank Ltd.	32	61	93	160	346	107	6	113
12	IndusInd Bank Ltd.	281	375	429	517	1,602	1,084	1,461	2,545
13	Jammu & Kashmir Bank Ltd.	497	166	106	170	939	731	560	1,291
14	Karnataka Bank Ltd.	185	197	224	230	836	734	806	1,540
15	Karur Vysya Bank Ltd.	126	296	155	202	779	729	916	1,645
16	Kotak Mahindra Bank Ltd.	228	292	323	657	1,500	1,184	1,168	2,352
17	Lakshmi Vilas Bank Ltd.	107	175	125	161	568	448	600	1,048
18	Nainital Bank Ltd.	37	31	36	32	136	-	-	-
19	RBL Bank Ltd.	55	77	52	140	324	208	133	341
20	South Indian Bank Ltd.	104	461	170	188	923	795	608	1,403
21	Tamilnad Mercantile Bank Ltd.	106	247	80	77	510	472	680	1,152
22	Yes Bank Ltd.	196	305	241	379	1,121	840	460	1,300

Appendix Table IV.7: Branches and ATMs of Scheduled Commercial Banks *(Concluded)*

(At end-March 2019)

Sr. No.	Name of the Bank	Branches					ATMs		
		Rural	Semi - Urban	Urban	Metro-politan	Total	On-site	Off-site	Total
1	2	3	4	5	6	7	8	9	10
	Foreign Banks	**13**	**10**	**39**	**238**	**300**	**221**	**693**	**914**
1	AB Bank Limited	-	-	-	1	1	-	-	-
2	Abu Dhabi Commercial Bank PJSC	-	-	-	2	2	-	-	-
3	American Express Banking Corp.	-	-	-	1	1	-	-	-
4	Australia and New Zealand Banking Group Ltd.	1	-	1	1	3	-	-	-
5	Bank of America, National Association	-	-	-	4	4	-	-	-
6	Bank of Bahrain & Kuwait B.S.C.	-	1	-	3	4	-	-	-
7	Bank of Ceylon	-	-	-	1	1	-	-	-
8	Bank of Nova Scotia	-	-	-	3	3	-	-	-
9	Barclays Bank Plc	-	1	1	4	6	-	-	-
10	BNP Paribas	-	-	-	8	8	-	-	-
11	Citibank N.A	-	-	4	31	35	47	484	531
12	Co-operative Rabobank U.A.	-	-	-	1	1	-	-	-
13	Credit Agricole Corporate and Investment Bank	-	-	-	5	5	-	-	-
14	Credit Suisse AG	-	-	-	1	1	-	-	-
15	CTBC Bank Co., Ltd.	-	1	-	1	2	-	-	-
16	DBS Bank India Limited	6	4	2	13	25	16	27	43
17	Deutsche Bank AG	1	-	5	11	17	13	19	32
18	Doha Bank Q.P.S.C.	-	-	1	2	3	-	-	-
19	Emirates NBD Bank (P.J.S.C.)	-	-	-	1	1	-	-	-
20	First Abu Dhabi Bank PJSC	-	-	-	1	1	-	-	-
21	Firstrand Bank Ltd.	-	-	-	1	1	-	-	-
22	Hongkong and Shanghai Banking Corpn.Ltd.	-	-	4	22	26	45	43	88
23	Industrial and Commercial Bank of China	-	-	-	1	1	-	-	-
24	Industrial Bank of Korea	-	-	-	1	1	-	-	-
25	JP Morgan Chase Bank National Association	2	-	-	2	4	-	-	-
26	JSC VTB Bank	-	-	-	1	1	-	-	-
27	KEB Hana Bank	-	-	-	1	1	-	-	-
28	Kookmin Bank	-	-	1	-	1	-	-	-
29	Krung Thai Bank Public Company Ltd.	-	-	-	1	1	-	-	-
30	Mashreq Bank Psc	-	-	-	1	1	-	-	-
31	Mizuho Bank Ltd.	-	1	-	4	5	-	-	-
32	MUFG Bank, Ltd.	1	-	-	4	5	-	-	-
33	National Australia Bank	-	-	-	1	1	-	-	-
34	Natwest Markets Plc	-	-	-	1	1	-	-	-
35	PT Bank Maybank Indonesia Tbk	-	-	-	1	1	-	-	-
36	Qatar National Bank (Q.P.S.C)	-	-	-	1	1	-	-	-
37	Sberbank	-	-	-	1	1	-	-	-
38	SBM Bank (India) Ltd.	-	-	-	4	4	-	-	-
39	Shinhan Bank	1	-	-	5	6	-	-	-
40	Societe Generale	-	2	-	2	4	-	-	-
41	Sonali Bank	-	-	1	1	2	-	-	-
42	Standard Chartered Bank	1	-	18	81	100	100	120	220
43	Sumitomo Mitsui Banking Corporation	-	-	-	2	2	-	-	-
44	United Overseas Bank Ltd.	-	-	-	1	1	-	-	-
45	Westpac Banking Corporation	-	-	-	1	1	-	-	-
46	Woori Bank	-	-	1	2	3	-	-	-

Notes: (a) 'Scheduled Commercial Banks' are banks included in second schedule of the RBI Act. It comprises of Public Sector Banks, Regional Rural Banks, Private Sector Banks, Small Finance Banks (SFBs), Scheduled Payments Banks and Foreign Banks.

(b) Public Sector banks' comprises of State Bank of India (including erstwhile associate banks and Bharatiya Mahila Bank of period prior to April 1, 2017) and Nationalized banks.

(c) IDBI Bank Limited which was classified as "Public Sector Banks" before January 21, 2019, is now classified as "Private Sector Banks".

(d) Population groups are defined as follows: 'Rural' includes centres with population of less than 10,000, 'Semi-Urban' includes centres with population of 10,000 and above but less than of one lakh, 'Urban' includes centres with population of one lakh and above but less than of ten lakhs, and 'Metropolitan' includes centres with population of 10 lakhs and above. All population figures are as per census 2011.

(e) Data exclude 'Administrative Offices'.

(f) Blank cell indicate nil.

Source: Central Information System for Banking Infrastructure (erstwhile Master Office File system) database, Department of Statistics and Information Management, Reserve Bank of India. Central Information System for Banking Infrastructure data are dynamic in nature. The data are updated based on information as received from banks and processed at our end.

Appendix Table IV.8: Statement of Complaints Received at Banking Ombudsman Office *(Continued)*

(For the Period July-June 2018-2019)

Sr. No.	Name of the Bank	Number of Complaints in Major Categories for Public Sector Banks							Total Number of Complaints*
		Non-Observance of Fair Practices Code	ATM/ Debit/ Credit Cards	Failure on Commitments and Non-Adherence to BCSBI Code	Pension	Deposit Account	Levy of Charges without Prior Notice	Loans and Advances	
1	2	3	4	5	6	7	8	9	10
	Public Sector Banks	**23,518**	**32,291**	**11,559**	**6,927**	**6,004**	**4,260**	**4,097**	**1,21,277**
1	Allahabad Bank	540	648	221	113	115	47	97	2,429
2	Andhra Bank	314	507	326	55	72	42	60	1,943
3	Bank of Baroda	1,911	2,162	1,068	302	515	399	396	9,385
4	Bank of India	1,080	1,255	603	312	241	184	163	5,226
5	Bank of Maharashtra	501	210	69	16	37	34	29	1,128
6	Canara Bank	1,215	1,207	774	347	498	218	187	5,997
7	Central Bank of India	618	909	347	508	124	111	201	3,865
8	Corporation Bank	608	895	229	18	171	84	122	2,924
9	Indian Bank	596	637	217	74	99	49	119	2,334
10	Indian Overseas Bank	711	606	215	78	92	95	103	2,491
11	Oriental Bank of Commerce	279	751	259	41	131	127	86	2,396
12	Punjab and Sind Bank	98	157	103	41	37	26	39	761
13	Punjab National Bank	1,633	2,954	1,015	772	485	328	315	10,791
14	State Bank of India	11,185	16,815	5,173	3,747	2,925	2,245	1,801	59,522
15	Syndicate Bank	426	354	193	194	92	75	111	1,989
16	UCO Bank	399	540	229	151	123	50	93	2,252
17	Union Bank of India	998	1,377	404	83	196	119	127	4,523
18	United Bank of India	406	307	114	75	51	27	48	1,321

*: Inclusive of complaints registered under other categories not listed at column 3 to 9.

Appendix Table IV.8: Statement of Complaints Received at Banking Ombudsman Office *(Continued)*

(For the Period July-June 2018-2019)

Sr. No.	Name of the Bank	Number of Complaints in Major Categories for Private Sector Banks							Total Number of Complaints*
		Non-Observance of Fair Practices Code	ATM/ Debit/ Credit Cards	Failure on Commit-ments and Non-Adherence to BCSBI Code	Pension	Deposit Account	Levy of Charges without Prior Notice	Loans and Advances	
1	2	3	4	5	6	7	8	9	10
	Private Sector Banks	**10,525**	**14,787**	**6,070**	**53**	**2,487**	**3,812**	**2,067**	**54,922**
1	Axis Bank Limited	1,816	2,415	1,160	14	559	903	341	10,010
2	Bandhan Bank Limited	71	67	28	-	20	8	11	300
3	Catholic Syrian Bank Ltd	19	23	17	-	3	17	2	109
4	City Union Bank Limited	68	43	17	1	8	14	12	221
5	DCB Limited	168	41	60	-	17	30	32	443
6	Dhanalakshmi Bank Limited	26	9	5	-	3	8	3	69
7	Federal Bank Limited	134	208	75	-	19	53	31	680
8	HDFC Bank Limited	2,763	4,519	1,861	14	499	989	545	15,105
9	ICICI Bank Limited	1,985	2,897	1,082	11	601	650	427	11,257
10	IDBI Bank Limited	699	491	227	2	116	202	102	2,484
11	IDFC Bank Limited	112	75	62	1	28	31	60	524
12	IndusInd Bank Limited	654	677	267	2	88	146	84	2,521
13	Jammu & Kashmir Bank Ltd.	43	203	19	1	18	12	10	439
14	Karnataka Bank Limited	52	127	50	-	14	43	13	407
15	Karur Vysya Bank Limited	114	90	50	-	22	39	14	451
16	Kotak Mahindra Bank Limited	915	1,173	573	4	295	376	222	4,951
17	Lakshmi Vilas Bank Limited	61	37	19	-	11	7	12	184
18	Nainital Bank Limited	10	14	5	-	5	4	1	55
19	Ratnakar Bank Limited	321	1,215	157	1	46	69	23	2,255
20	South Indian Bank Limited	49	65	49	-	9	32	13	306
21	Tamilnad Mercantile Bank Ltd.	69	23	23	1	5	14	11	181
22	Yes Bank Limited	376	375	264	1	101	165	98	1,970

*: Inclusive of complaints registered under other categories not listed at column 3 to 9.

Appendix Table IV.8: Statement of Complaints Received at Banking Ombudsman Office *(Concluded)*

(For the Period July-June 2018-2019)

Sr. No.	Name of the Bank	Number of Complaints in Major Categories for Foreign Banks							Total Number of Complaints*
		Non- Observance of Fair Practices Code	ATM/ Debit/ Credit Cards	Failure on Commitments and Non-Adherence to BCSBI Code	Pension	Deposit Account	Levy of Charges without Prior Notice	Loans and Advances	
1	2	3	4	5	6	7	8	9	10
	Foreign Banks	**601**	**1,820**	**382**	**2**	**269**	**129**	**108**	**4,196**
1	AB Bank Limited	3	5	1	-	-	-	-	9
2	American Express Banking Corp.	20	107	18	-	6	4	1	175
3	Australia and New Zealand Banking Group Limited	2	-	-	-	-	-	-	2
4	Bank of America N.T. and S.A.	3	-	-	-	1	-	-	8
5	Bank of Bahrain And Kuwait B.S.C.	1	-	-	-	1	-	-	4
6	Barclays Bank PLC	10	23	3	-	3	2	3	54
7	BNP Paribas	1	-	1	-	-	1	-	4
8	Chinatrust Commercial Bank	-	1	-	-	-	-	-	1
9	Citibank N.A	148	532	102	-	82	28	16	1,200
10	DBS Bank Ltd.	28	56	24	-	18	3	1	171
11	Deutsche Bank AG	27	5	14	-	6	7	10	94
12	Doha Bank QSC	1	-	-	-	1	-	-	3
13	Emirates NBD Bank (P.J.S.C.)	-	1	-	-	-	-	-	1
14	Hongkong and Shanghai Banking Corpn.Ltd.	80	232	67	-	38	13	17	534
15	JP Morgan Chase Bank National Association	-	-	-	-	-	-	-	1
16	Mashreq Bank PSC	-	-	-	-	-	-	-	1
17	Qatar National Bank SAQ	-	-	1	-	-	-	-	1
18	Royal Bank of Scotland	10	34	4	-	3	2	2	63
19	Shinhan Bank	-	-	-	-	-	-	-	1
20	Standard Chartered Bank	267	824	147	2	110	69	58	1,867
21	Sumitomo Mitsui Banking Corporation	-	-	-	-	-	-	-	1
22	The Bank of Tokyo-Mitsubishi UFJ Ltd	-	-	-	-	-	-	-	1

Note: -: Nil/negligible.
Source: Inclusive of complaints registered under other categories not listed at column 3 to 9.

Appendix Table IV.9: International Liabilities of Banks in India – By Type of Instruments

(Amount in ₹ crore)

Liability Type	Amount Outstanding (At end-March)		Percentage Variation	
	2018 (PR)	2019 (P)	2017-18	2018-19
1	2	3	4	5
1. Loans and Deposits	**10,02,046**	**11,40,461**	**11.0**	**13.8**
	(77.7)	**(74.3)**		
a) Foreign Currency Non-resident (Bank)	1,43,622	1,55,667	6.9	8.4
[FCNR (B)] Scheme	(11.1)	(10.1)		
b) Foreign Currency Borrowings*	1,50,380	1,61,098	22.3	7.1
	(11.7)	(10.5)		
c) Non-resident External Rupee (NRE) Accounts	5,51,664	6,13,559	8.2	11.2
	(42.8)	(40.0)		
d) Non-resident Ordinary (NRO) Rupee Accounts	78,973	91,247	17.2	15.5
	(6.1)	(5.9)		
2. Own Issues of Securities/ Bonds	**1,159**	**792**	**-85.1**	**-31.7**
	(0.1)	**(0.1)**		
3. Other liabilities	**2,86,314**	**3,93,730**	**18.8**	**37.5**
	(22.2)	**(25.7)**		
of which:				
a) ADRs/GDRs	45,246	69,242	9.1	53.0
	(3.5)	(4.5)		
b) Equities of Banks held by non-residents	1,39,583	2,02,224	43.3	44.9
	(10.8)	(13.2)		
c) Capital / Remittable Profits of Foreign Banks in India and Other Unclassified International Liabilities	1,01,485	1,22,265	-0.6	20.5
	(7.9)	(8.0)		
Total International Liabilities	**12,89,520**	**15,34,983**	**12.0**	**19.0**
	(100.0)	**(100.0)**		

Notes: 1. PR:Partially Revised; P:Provisional.
2. *: Inter-bank borrowings in India and from abroad and external commercial borrowings of banks.
3. Figures in parentheses are percentages to total.
4. Percentage variation could be slightly different as absolute numbers have been rounded off to ₹ crore.

Source: International Banking Statistics, RBI.

Appendix Table IV.10: International Assets of Banks in India - By Type of Instruments*

(Amount in ₹ crore)

Asset Type	Amount Outstanding (At end-March)		Percentage Variation	
	2018 (PR)	2019 (P)	2017-18	2018-19
1	2	3	4	5
1. Loans and Deposits	**5,84,768**	**6,49,616**	**6.9**	**11.1**
	(97.6)	**(93.7)**		
of which:				
(a) Loans to Non-residents	1,97,484	2,17,317	18.4	10.0
	(33.0)	(31.3)		
(b) Foreign Currency Loan to Residents	1,53,706	1,41,865	-0.6	-7.7
	(25.7)	(20.5)		
(c) Outstanding Export Bills	89,263	1,01,782	4.4	14.0
	(14.9)	(14.7)		
(d) Foreign Currency in hand, Travellers Cheques, *etc.*	981	3,042	180.6	210.0
	(0.2)	(0.4)		
(e) NOSTRO Balances and Placements Abroad	1,43,334	1,85,611	2.4	29.5
	(23.9)	(26.8)		
2. Holdings of Debt Securities	**9,232**	**27,373**	**39.6**	**196.5**
	(1.5)	**(3.9)**		
3. Other International Assets	**5,011**	**16,414**	**5.5**	**227.6**
	(0.8)	**(2.4)**		
Total International Assets*	**5,99,011**	**6,93,404**	**7.2**	**15.8**
	(100.0)	**(100.0)**		

Notes: 1. *: In view of the incomplete data coverage from all the branches, the data reported under the locational banking statistics (LBS) are not strictly comparable with those capturing data from all the branches.
2. PR:Partially Revised; P:Provisional.
3. The sum of components may not add up due to rounding off.

Source: International Banking Statistics, RBI.

Table IV.11: Consolidated International Claims of Banks: Residual Maturity and Sector

(Amount in ₹ crore)

Residual Maturity/Sector	Amount Outstanding (At end-March)		Percentage Variation	
	2018 (PR)	2019 (P)	2017-18	2018-19
1	2	3	4	5
Total Consolidated International Claims	**6,38,094**	**7,42,338**	**-11.0**	**16.3**
	(100.0)	**(100.0)**		
Residual Maturity				
Short Term	4,48,243	6,07,802	-1.0	35.6
	(70.3)	(81.8)		
Long Term	1,77,569	1,29,671	-31.8	-27.0
	(27.9)	(17.5)		
Unallocated	12,282	4,865	260.0	-60.4
	(2.0)	(0.7)		
Sector				
Banks	2,08,383	2,40,893	13.2	15.6
	(32.7)	(32.4)		
Official Sector	20,238	38,860	-69.2	92.0
	(3.2)	(5.3)		
Non-Bank Financial Institutions	550	1,269	91.5	130.9
	(0.1)	(0.2)		
Non-Financial Private	3,01,033	3,42,533	-22.4	13.8
	(47.2)	(46.1)		
Others	1,07,890	1,18,782	37.2	10.1
	(17.0)	(16.0)		

Notes:
1. PR: Partially Revised; P: Provisional.
2. Figures in parentheses are percentages to total.
3. The sum of components may not add up due to rounding off.
4. Residual Maturity 'Unallocated' comprises maturity not applicable (for example, for equities) and maturity information not available.
5. The official sector includes official monetary authorities, general government and multilateral agencies.
6. Non-financial private sector includes non-financial corporations and households including non-profit institutions serving households (NPISHs).
7. Others include non-financial public sector undertakings and the unallocated sector.
8. Percentage variation could be slightly different as absolute numbers have been rounded off to ₹ crore.

Source: International Banking Statistics, RBI.

Appendix Table IV.12: Consolidated International Claims of Banks on Countries other than India

(Amount in ₹ crore)

Country	Amount Outstanding (At end-March)		Percentage Variation	
	2018 (PR)	2019 (P)	2017-18	2018-19
1	2	3	4	5
Total Consolidated	**6,38,094**	**7,42,338**	**-11.0**	**16.3**
International Claims	**(100.0)**	**(100.0)**		
of which				
1. United States of America	2,62,808	3,15,587	40.5	20.1
	(41.2)	(42.5)		
2. United Kingdom	40,153	63,390	-5.9	57.9
	(6.3)	(8.6)		
3. Hong Kong	32,339	31,087	-18.5	-3.9
	(5.1)	(4.2)		
4. Singapore	43,247	33,149	7.1	-23.3
	(6.8)	(4.5)		
5. United Arab Emirates	64,016	67,591	-28.0	5.6
	(10.1)	(9.1)		
6. Germany	7,718	13,116	-36.3	69.9
	(1.3)	(1.8)		

Notes: 1. PR:Partially Revised; P:Provisional.
2. Figures in parentheses are percentages to total.
3. Percentage variation could be slightly different as absolute numbers have been rounded off to ₹ crore.

Source: International Banking Statistics, RBI.

Appendix Table IV.13: Progress of Microfinance Programmes

(At end-March)

Item	Self Help Groups							
	Number (in lakhs)				Amount (₹ crores)			
	2015-16	2016-17	2017-18	2018-19	2015-16	2016-17	2017-18	2018-19
Loans Disbursed by Banks	18.3	19.0	22.6	27.0	37,287	38,781	47,186	58,318
	(9.3)	(9.9)	(13.8)	(17.8)	(19406.0)	(20012.0)	(27479.0)	(36818.0)
Loans Outstanding with Banks	46.7	48.5	50.2	50.8	57,119	61,581	75,598	87,098
	(25.0)	(28.1)	(30.8)	(35.1)	(30589.0)	(34127.0)	(43575.0)	(58431.0)
Savings with Banks	79	85.8	87.4	100.1	13,691	16,114	19,592	23,324
	(39.0)	(42.9)	(46.1)	(60.2)	(7251.0)	(8679.0)	(11784.0)	(14481.0)
	Microfinance Institutions							
	Number				**Amount (₹ crores)**			
Loans disbursed by Banks	647	2,314	1,922	1,933	20,796	19,304	25,515	14,626
Loans Outstanding with Banks	2,020	5,357	5,073	5,488	25,581	29,225	32,306	17,761
	Joint Liability Groups							
	Number (in lakhs)				**Amount (₹ crores)**			
Loans Disbursed by Banks	5.7	7.0	10.2	16.0	6161	9511	13955	30947

Notes: 1. Figures in brackets give the details of SHGs covered under the National Rural Livelihoods Mission (NRLM) and the National Urban Livelihoods Mission (NULM) for 2015-16, 2016-17 and 2017-18 and 2018-19, respectively.

2. Actual number of MFIs availing loans from banks would be less than the number of accounts, as most of MFIs avail loans several times from the same bank and also from more than one bank.

Source: NABARD.

Appendix Table V.1: Select Financial Parameters: Scheduled UCBs
(As on March 31, 2019)

(Per cent)

Sr. No.	Bank Name	CRAR	Net Interest Income to Total Assets	Net Interest Income to Working Funds	Non Interest Income to Working Funds	Return on Assets	Average Cost of Deposits	Average Yield on Advances	Business per Employee (₹ crore)	Profit per Employee (₹ crore)
1	2	3	4	5	6	7	8	9	10	11
1	Abhyudaya Co-operative Bank Limited, Mumbai	13.2	2.4	2.4	1.4	0.2	5.8	10.0	6.3	0.0
2	Ahmedabad Mercantile Co-operative Bank Limited	29.0	3.5	3.4	0.4	1.4	6.1	10.0	8.2	0.1
3	Akola Janata Commercial Co-operative Bank Limited, Akola	19.1	3.3	3.2	1.4	1.1	5.7	11.8	4.3	0.0
4	Akola Urban Co-operative Bank Limited, Akola	12.5	3.5	3.4	2.0	1.6	5.5	11.3	4.0	0.0
5	Amanath Co-operative Bank Limited, Bangalore	-54.0	1.9	1.8	-0.4	-4.9	2.7	0.8	1.6	-0.1
6	Andhra Pradesh Mahesh Co-operative Urban Bank Limited	17.7	3.7	3.6	0.4	1.5	6.5	12.3	5.9	0.1
7	Apna Sahakari Bank Limited	11.9	2.7	2.7	1.0	0.5	6.1	10.9	8.2	0.0
8	Bassein Catholic Co-operative Bank Limited	17.7	2.9	2.7	0.5	2.2	6.4	10.6	18.6	0.3
9	Bharat Co-operative Bank (Mumbai) Limited, Mumbai	14.2	2.8	2.7	0.7	0.7	7.0	10.8	14.3	0.1
10	Bharati Sahakari Bank Limited	16.1	2.4	2.5	0.4	0.2	5.8	9.7	8.3	0.0
11	Bombay Mercantile Co-operative Bank Limited	15.7	3.3	3.1	2.7	0.4	3.9	10.4	3.1	0.0
12	Citizen Credit Co-operative Bank Limited, Mumbai	19.6	2.4	2.6	0.7	0.3	5.9	10.0	9.2	0.0
13	Cosmos Co-operative Bank Limited	12.9	2.1	2.2	2.2	0.4	6.3	9.9	9.5	0.0
14	Dombivli Nagari Sahakari Bank Limited	12.5	2.7	2.9	1.5	0.7	6.2	9.7	8.7	0.0
15	Goa Urban Co-operative Bank Limited	15.4	3.3	3.3	0.2	0.3	5.9	9.9	7.8	0.0
16	Gopinath Patil Parsik Janata Sahakari Bank Limited, Thane	18.4	4.3	3.4	1.0	2.2	5.9	11.0	7.4	0.1
17	Greater Bombay Co-operative Bank Limited	10.2	3.5	3.5	1.5	0.5	5.9	11.5	9.1	0.0
18	Indian Mercantile Co-operative Bank Limited, Lucknow	112.1	3.6	3.6	1.3	3.7	4.1	14.9	1.5	0.1
19	Jalgaon Janata Sahakari Bank Limited	12.6	3.4	3.2	0.7	0.7	5.8	11.2	7.1	0.0
20	Jalgaon People's Co-operative Bank Limited	12.3	2.8	2.7	0.9	0.3	5.3	10.4	7.8	0.0
21	Janakalyan Sahakari Bank Limited, Mumbai	10.3	3.3	3.3	0.4	0.8	5.9	11.2	8.5	0.1
22	Janalaxmi Co-operative Bank Limited, Nashik	48.4	1.0	1.9	1.2	0.1	6.2	6.1	1.1	0.0
23	Janata Sahakari Bank Limited, Pune	13.8	2.6	2.4	0.9	0.3	6.5	10.2	11.0	0.0
24	Kallappanna Awade Ichalkaranji Janata Sahakari Bank Limited	12.4	2.4	2.3	0.9	0.5	6.9	11.1	6.2	0.0
25	Kalupur Commercial Co-operative Bank Limited	16.7	3.3	3.1	0.7	1.5	6.0	9.7	14.2	0.2
26	Kalyan Janata Sahakari Bank Limited, Kalyan	12.5	2.9	2.7	1.2	0.7	6.3	10.7	9.8	0.0
27	Kapol Co-operative Bank Limited, Mumbai	-139.4	-1.4	-0.8	0.3	-9.9	4.6	3.1	3.3	-0.2
28	Karad Urban Co-operative Bank Limited	15.6	3.0	2.9	1.3	0.7	6.8	11.1	5.4	0.0
29	Khamgaon Urban Co-operative Bank Limited, Khamgaon	15.5	4.0	4.4	0.6	1.3	5.7	12.1	4.2	0.0
30	Mahanagar Co-operative Bank Limited, Mumbai	14.3	3.8	4.1	0.6	0.8	6.0	11.5	6.0	0.0
31	Mapusa Urban Co-operative Bank of Goa Limited, Mapusa	-66.5	0.7	1.2	0.1	-2.6	5.5	10.2	2.2	-0.1
32	Mehsana Urban Co-operative Bank Limited	13.6	3.4	3.0	0.4	1.2	6.8	11.2	17.8	0.1
33	Nagar Urban Co-operative Bank Limited, Ahmednagar	13.2	2.9	3.1	0.7	0.7	6.7	11.6	4.7	0.0
34	Nagpur Nagrik Sahakari Bank Limited	14.0	3.5	3.3	1.9	0.4	2.6	5.4	5.6	0.0
35	Nasik Merchant's Co-operative Bank Limited	42.1	3.8	4.0	0.5	0.8	5.6	10.0	4.7	0.0
36	New India Co-operative Bank Limited, Mumbai	11.3	1.5	1.4	1.1	0.2	6.4	10.9	13.4	0.0
37	NKGSB Co-operative Bank Limited, Mumbai	12.9	2.7	2.2	0.9	0.5	6.5	10.4	11.1	0.0
38	Nutan Nagarik Sahakari Bank Limited, Ahmedabad	13.2	2.6	2.5	0.9	0.8	6.2	9.6	9.7	0.0
39	Pravara Sahakari Bank Limited	13.5	6.5	3.9	0.4	0.9	6.2	13.1	4.2	0.0
40	Punjab & Maharashtra Co-operative Bank Limited	12.3	3.9	3.6	0.7	1.0	7.0	12.8	11.0	0.1
41	Rajarambapu Sahakari Bank Limited	13.2	2.6	2.3	0.6	0.7	7.2	11.0	8.9	0.0
42	Rajkot Nagrik Sahakari Bank Limited	17.5	2.9	2.8	0.9	1.5	6.4	11.1	7.0	0.1
43	Rupee Co-operative Bank Limited	-671.1	1.1	2.6	0.3	0.4	2.0	2.9	5.0	0.0
44	Sangli Urban Co-operative Bank Limited, Sangli	13.3	2.5	2.6	0.5	0.2	7.0	10.6	4.9	0.0
45	Saraswat Co-operative Bank Limited, Bombay	13.2	2.3	2.0	0.9	0.7	5.9	9.4	14.2	0.1
46	SBPP Co-operative Bank Limited, Killa Pardi	19.3	3.8	3.6	0.3	0.7	5.2	10.2	9.4	0.0
47	Shamrao Vithal Co-operative Bank Limited	12.9	2.4	2.5	0.9	0.8	6.3	10.1	10.8	0.1
48	Shikshak Sahakari Bank Limited, Nagpur	10.7	2.5	3.0	1.1	-0.9	6.0	10.4	4.1	0.0
49	Solapur Janata Sahakari Bank Limited	11.2	2.8	3.0	0.6	0.2	7.3	12.0	7.8	0.0
50	Surat Peoples Co-operative Bank Limited	15.5	2.3	2.2	0.3	0.6	7.2	10.0	18.5	0.1
51	Thane Bharat Sahakari Bank Limited	12.6	3.1	3.2	0.7	0.3	5.9	11.4	8.3	0.0
52	TJSB Sahakari Bank	15.2	3.3	3.1	0.8	1.2	6.0	11.0	11.5	0.1
53	Vasai Vikas Sahakari Bank Limited	12.5	3.3	3.1	0.4	0.6	6.3	11.4	9.8	0.0
54	Zoroastrian Co-operative Bank Limited, Bombay	17.6	3.2	3.1	0.4	0.9	6.1	10.5	8.1	0.1

Note: Data are provisional.

Appendix Table V.2: Indicators of Financial Performance: Scheduled UCBs *(Continued)*

(As per cent to total assets)

Sr. No.	Name of the Banks	Operating Profit		Net Profit after Taxes		Interest Income	
		2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
1	2	3	4	5	6	7	8
1	Abhyudaya Co-operative Bank Limited, Mumbai	1.1	0.4	0.1	0.2	7.8	7.5
2	Ahmedabad Mercantile Co-operative Bank Limited	2.2	2.2	1.4	1.3	8.0	7.7
3	Akola Janata Commercial Co-operative Bank Limited, Akola	1.8	1.8	0.9	1.0	8.0	7.5
4	Akola Urban Co-operative Bank Limited, Akola	1.2	1.6	0.5	1.4	7.5	7.4
5	Amanath Co-operative Bank Limited, Bangalore	2.0	-0.9	2.0	-0.9	1.7	0.6
6	Andhra Pradesh Mahesh Co-operative Urban Bank Limited	2.1	2.2	1.1	1.5	9.2	8.8
7	Apna Sahakari Bank Limited	0.8	0.9	0.5	0.4	8.5	7.4
8	Bassein Catholic Co-operative Bank Limited	2.6	2.0	1.1	2.0	8.2	7.5
9	Bharat Co-operative Bank (Mumbai) Limited, Mumbai	1.9	1.4	0.9	0.7	8.5	8.2
10	Bharati Sahakari Bank Limited	1.5	1.0	0.5	0.2	8.8	7.2
11	Bombay Mercantile Co-operative Bank Limited	0.6	0.3	-0.3	0.2	5.0	4.6
12	Citizen Credit Co-operative Bank Limited, Mumbai	1.0	0.9	0.5	0.3	7.7	7.5
13	Cosmos Co-operative Bank Limited	1.2	1.3	-0.4	0.4	7.8	7.4
14	Dombivli Nagari Sahakari Bank Limited	2.8	2.3	0.7	0.7	7.9	8.3
15	Goa Urban Co-operative Bank Limited	1.7	1.8	0.1	0.3	8.0	7.9
16	Gopinath Patil Parsik Janata Sahakari Bank Limited, Thane	2.3	1.7	1.0	1.7	8.0	8.1
17	Greater Bombay Co-operative Bank Limited	1.2	1.8	0.4	0.4	8.9	8.7
18	Indian Mercantile Co-operative Bank Limited, Lucknow	-0.7	2.3	1.7	3.5	6.5	6.1
19	Jalgaon Janata Sahakari Bank Limited	1.6	1.2	0.7	0.6	7.9	7.4
20	Jalgaon People's Co-operative Bank Limited	1.7	1.6	0.5	0.2	8.2	7.4
21	Janakalyan Sahakari Bank Limited, Mumbai	0.9	1.2	0.2	0.8	7.1	8.6
22	Janalaxmi Co-operative Bank Limited, Nashik	1.7	0.1	1.7	0.1	3.1	3.0
23	Janata Sahakari Bank Limited, Pune	1.2	1.4	0.4	0.3	8.1	7.9
24	Kallappanna Awade Ichalkaranji Janata Sahakari Bank Limited	1.0	1.0	0.5	0.4	7.3	7.1
25	Kalupur Commercial Co-operative Bank Limited	2.2	2.3	1.3	1.3	7.4	6.9
26	Kalyan Janata Sahakari Bank Limited, Kalyan	1.4	1.1	0.9	0.6	8.2	8.1
27	Kapol Co-operative Bank Limited, Mumbai	-6.3	-4.6	-7.7	-6.3	3.9	2.9
28	Karad Urban Co-operative Bank Limited	1.4	1.7	-0.9	0.6	8.8	8.5
29	Khamgaon Urban Co-operative Bank Limited, Khamgaon	2.3	2.5	1.5	1.4	8.6	8.3
30	Mahanagar Co-operative Bank Limited, Mumbai	1.6	1.8	0.7	0.8	9.1	8.6
31	Mapusa Urban Co-operative Bank of Goa Limited, Mapusa	-1.2	-2.4	-1.9	-2.6	6.8	4.3
32	Mehsana Urban Co-operative Bank Limited	2.5	2.4	1.0	1.1	8.6	8.3
33	Nagar Urban Co-operative Bank Limited, Ahmednagar	3.0	1.3	0.7	0.7	9.2	8.0
34	Nagpur Nagrik Sahakari Bank Limited	2.3	1.3	0.3	0.3	7.3	6.9
35	Nasik Merchant's Co-operative Bank Limited	2.9	2.3	1.2	0.8	8.5	7.4
36	New India Co-operative Bank Limited, Mumbai	0.7	0.5	0.2	0.2	8.4	7.0
37	NKGSB Co-operative Bank Limited, Mumbai	1.3	1.0	0.6	0.5	8.6	7.9
38	Nutan Nagarik Sahakari Bank Limited, Ahmedabad	1.4	1.4	0.7	0.7	7.7	7.5
39	Pravara Sahakari Bank Limited	0.5	0.8	0.5	0.5	8.5	7.7
40	Punjab & Maharashtra Co-operative Bank Limited	1.8	1.9	0.9	0.9	9.4	9.1
41	Rajarambapu Sahakari Bank Limited	1.6	1.3	0.7	0.6	8.3	7.9
42	Rajkot Nagrik Sahakari Bank Limited	1.6	1.6	0.9	1.0	5.8	5.5
43	Rupee Co-operative Bank Limited	0.0	0.4	0.3	0.6	2.7	2.8
44	Sangli Urban Co-operative Bank Limited, Sangli	0.9	0.3	0.3	0.2	8.2	7.5
45	Saraswat Co-operative Bank Limited, Bombay	1.1	1.3	0.5	0.6	6.4	6.0
46	SBPP Co-operative Bank Limited, Killa Pardi	1.7	1.8	0.5	0.7	7.7	7.2
47	Shamrao Vithal Co-operative Bank Limited	1.2	1.2	0.7	0.7	7.7	7.4
48	Shikshak Sahakari Bank Limited, Nagpur	0.9	0.5	-0.6	-0.9	7.1	6.4
49	Solapur Janata Sahakari Bank Limited	1.3	1.3	0.1	0.2	8.6	8.4
50	Surat Peoples Co-operative Bank Limited	1.6	1.2	0.8	0.5	7.8	7.9
51	Thane Bharat Sahakari Bank Limited	1.1	1.3	0.1	0.3	7.9	8.8
52	TJSB Sahakari Bank	1.6	1.7	1.0	1.0	7.9	7.5
53	Vasai Vikas Sahakari Bank Limited	1.6	1.8	0.5	0.6	8.4	8.3
54	Zoroastrian Co-operative Bank Limited, Bombay	1.5	1.5	0.8	0.9	8.3	8.0

-: Nil / negligible.

Notes: 1. Data for 2018-19 are provisional.

2. The "Jalgaon People's Co-operative Bank Limited" and "Rajarambapu Sahakari Bank Limited" were included in the second schedule of RBI Act, 1934 during the financial year 2016-17.

Appendix Table V.2: Indicators of Financial Performance: Scheduled UCBs *(Concluded)*

(As per cent to total assets)

Sr. No.	Name of the Banks	Interest Expended		Non-Interest Expenses		Provisions and Contingencies	
		2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
1	2	9	10	11	12	13	14
1	Abhyudaya Co-operative Bank Limited, Mumbai	5.5	5.1	6.5	3.4	0.4	0.1
2	Ahmedabad Mercantile Co-operative Bank Limited	4.7	4.3	1.6	1.6	0.2	0.2
3	Akola Janata Commercial Co-operative Bank Limited, Akola	4.9	4.5	2.4	2.6	0.3	0.2
4	Akola Urban Co-operative Bank Limited, Akola	4.8	4.3	2.3	3.3	0.7	0.2
5	Amanath Co-operative Bank Limited, Bangalore	0.3	0.3	0.8	1.1	0.0	0.0
6	Andhra Pradesh Mahesh Co-operative Urban Bank Limited	5.6	5.2	1.9	1.8	0.6	0.3
7	Apna Sahakari Bank Limited	5.2	4.8	3.2	2.6	0.5	0.2
8	Bassein Catholic Co-operative Bank Limited	5.0	4.8	1.3	1.2	1.5	0.0
9	Bharat Co-operative Bank (Mumbai) Limited, Mumbai	5.7	5.6	2.1	1.9	0.6	0.3
10	Bharati Sahakari Bank Limited	5.7	4.8	1.9	1.8	0.8	0.6
11	Bombay Mercantile Co-operative Bank Limited	2.7	2.5	3.0	3.7	0.8	0.0
12	Citizen Credit Co-operative Bank Limited, Mumbai	5.1	4.9	2.3	2.4	0.2	0.4
13	Cosmos Co-operative Bank Limited	5.9	5.3	3.0	2.9	1.7	0.8
14	Dombivli Nagari Sahakari Bank Limited	5.1	5.5	1.6	2.0	2.1	1.3
15	Goa Urban Co-operative Bank Limited	5.0	4.7	1.6	1.6	1.1	1.1
16	Gopinath Patil Parsik Janata Sahakari Bank Limited, Thane	4.3	4.7	2.3	2.7	0.8	0.0
17	Greater Bombay Co-operative Bank Limited	5.9	5.3	2.6	2.9	0.7	1.0
18	Indian Mercantile Co-operative Bank Limited, Lucknow	5.3	2.6	2.8	2.5	-3.0	-2.2
19	Jalgaon Janata Sahakari Bank Limited	4.6	4.5	2.5	2.3	0.5	0.2
20	Jalgaon People's Co-operative Bank Limited	5.3	4.8	1.9	1.8	0.8	1.3
21	Janakalyan Sahakari Bank Limited, Mumbai	4.7	5.3	2.1	2.5	0.6	0.1
22	Janalaxmi Co-operative Bank Limited, Nashik	1.8	2.0	1.4	1.5	0.0	0.0
23	Janata Sahakari Bank Limited, Pune	5.6	5.6	2.0	1.7	0.8	0.7
24	Kallappanna Awade Ichalkaranji Janata Sahakari Bank Limited	5.1	5.0	1.8	1.9	0.3	0.3
25	Kalupur Commercial Co-operative Bank Limited	4.6	4.1	1.2	1.2	0.3	0.3
26	Kalyan Janata Sahakari Bank Limited, Kalyan	5.5	5.4	2.3	2.8	0.2	0.3
27	Kapol Co-operative Bank Limited, Mumbai	4.5	3.8	6.1	4.1	1.4	1.7
28	Karad Urban Co-operative Bank Limited	6.0	5.7	2.0	2.3	2.2	1.1
29	Khamgaon Urban Co-operative Bank Limited, Khamgaon	4.6	4.1	2.4	2.3	0.1	0.5
30	Mahanagar Co-operative Bank Limited, Mumbai	5.2	4.8	2.8	2.6	0.4	0.5
31	Mapusa Urban Co-operative Bank of Goa Limited, Mapusa	4.8	3.6	3.2	3.2	0.8	0.2
32	Mehsana Urban Co-operative Bank Limited	5.5	5.2	1.0	1.0	0.8	0.7
33	Nagar Urban Co-operative Bank Limited, Ahmednagar	5.2	5.1	2.1	2.2	1.8	0.1
34	Nagpur Nagrik Sahakari Bank Limited	4.1	3.6	2.5	3.8	1.6	1.0
35	Nasik Merchant's Co-operative Bank Limited	4.5	3.8	1.7	1.9	0.8	0.8
36	New India Co-operative Bank Limited, Mumbai	6.0	5.6	2.1	2.0	0.5	0.2
37	NKGSB Co-operative Bank Limited, Mumbai	5.7	5.5	2.3	2.4	0.4	0.4
38	Nutan Nagarik Sahakari Bank Limited, Ahmedabad	5.3	5.1	2.1	1.9	0.4	0.3
39	Pravara Sahakari Bank Limited	5.7	4.4	2.8	2.8	0.0	0.3
40	Punjab & Maharashtra Co-operative Bank Limited	5.8	5.6	2.4	2.2	0.4	0.6
41	Rajarambapu Sahakari Bank Limited	5.6	5.6	1.6	1.5	0.9	0.7
42	Rajkot Nagrik Sahakari Bank Limited	4.0	3.6	1.0	0.9	0.3	0.4
43	Rupee Co-operative Bank Limited	1.2	1.3	1.5	1.3	-0.2	-0.2
44	Sangli Urban Co-operative Bank Limited, Sangli	5.4	5.2	2.4	2.5	0.5	0.0
45	Saraswat Co-operative Bank Limited, Bombay	4.7	4.2	1.4	1.4	0.4	0.5
46	SBPP Co-operative Bank Limited, Killa Pardi	4.3	3.8	1.9	1.9	0.7	0.6
47	Shamrao Vithal Co-operative Bank Limited	5.4	5.1	2.0	2.0	0.3	0.2
48	Shikshak Sahakari Bank Limited, Nagpur	4.8	4.0	2.3	2.8	1.4	1.3
49	Solapur Janata Sahakari Bank Limited	6.1	5.7	1.9	1.9	0.8	0.9
50	Surat Peoples Co-operative Bank Limited	5.7	5.7	1.4	1.3	0.5	0.3
51	Thane Bharat Sahakari Bank Limited	5.0	5.6	2.4	2.6	0.7	0.7
52	TJSB Sahakari Bank	5.1	4.7	2.0	2.0	0.1	0.1
53	Vasai Vikas Sahakari Bank Limited	5.4	5.2	1.7	1.7	0.6	0.8
54	Zoroastrian Co-operative Bank Limited, Bombay	5.1	4.8	2.1	2.0	0.2	0.2

-: Nil/negligible.

Notes: 1. Data for 2018-19 are provisional.

2. The "Jalgaon People's Co-operative Bank Limited" and "Rajarambapu Sahakari Bank Limited" were included in the second schedule of RBI Act, 1934 during the financial year 2016-17.

Appendix Table V.3: Indicators of Financial Health: State Co-operative Banks

(At end-March)

(Amount in ₹ lakh)

Sr. No	Region/State	Amount of Profit/Loss		NPAs as Percentage of Loans Outstanding		Recovery to Demand (Per cent as at end-June)	
		2017	2018	2017	2018	2017	2018
1	2	3	4	5	6	7	8
	Northern Region	**22,557**	**16,772**	**1.8**	**2.0**	**97.5**	**99.1**
1	Chandigarh	295	557	4.4	5.7	82.7	81.9
2	Delhi	1,994	2,214	2.9	1.8	95.5	95.7
3	Haryana	3,196	3,565	0.1	0.1	94.0	100.0
4	Himachal Pradesh	9,321	4,979	5.7	8.0	60.3	48.8
5	Jammu & Kashmir	426	376	10.0	4.8	64.8	72.5
6	Punjab	3,146	2,518	0.9	1.0	99.7	99.7
7	Rajasthan	4,180	2,563	1.1	0.2	99.7	99.8
	North-Eastern Region	**5,329**	**3,598**	**13.1**	**12.5**	**50.9**	**46.7**
8	Arunachal Pradesh	23	28	50.2	55.8	22.2	7.7
9	Assam	1,549	-735	10.7	10.4	51.4	41.4
10	Manipur	19	1	91.6	83.3	7.3	3.9
11	Meghalaya	807	945	9.3	9.2	28.1	19.3
12	Mizoram	670	631	9.8	9.7	52.9	62.3
13	Nagaland	837	860	15.5	14.4	66.9	58.6
14	Sikkim	223	483	6.1	5.0	79.0	38.1
15	Tripura	1,200	1,385	3.2	3.2	81.5	81.6
	Eastern Region	**5,583**	**6,566**	**3.9**	**4.1**	**92.5**	**94.7**
16	Andaman & Nicobar Islands	390	449	18.3	18.4	61.2	67.2
17	Bihar	3,620	3,963	4.5	3.9	76.1	93.3
18	Jharkhand	-315	47	24.4	41.5	20.5	82.5
19	Odisha	1,770	1,984	2.1	1.7	97.9	98.1
20	West Bengal	119	124	5.1	5.2	84.5	86.9
	Central Region	**8,457**	**16,179**	**4.7**	**5.7**	**94.0**	**91.7**
21	Chhattisgarh	1,489	4,466	3.2	3.1	80.6	77.2
22	Madhya Pradesh	2,980	6,352	4.8	4.9	93.9	89.7
23	Uttar Pradesh	3,282	4,091	5.7	8.5	95.5	95.7
24	Uttarakhand	706	1,270	2.5	4.9	97.4	96.4
	Western Region	**27,102**	**25,789**	**6.4**	**7.8**	**87.2**	**86.9**
25	Goa	-1,485	1,089	9.0	8.0	83.2	88.6
26	Gujarat	4,060	4,554	2.0	2.2	97.8	97.0
27	Maharashtra	24,527	20,146	8.0	9.9	79.2	83.6
	Southern Region	**26,211**	**34,090**	**2.6**	**3.4**	**94.4**	**96.5**
28	Andhra Pradesh	6,860	8,203	1.8	1.6	98.7	98.4
29	Karnataka	3,300	3,425	2.2	4.4	97.4	96.8
30	Kerala	8,947	10,035	8.4	5.9	83.5	93.0
31	Puducherry	79	52	5.4	17.8	36.7	93.2
32	Tamil Nadu	4,370	8,277	1.3	3.4	99.6	98.8
33	Telgangana	2,655	4,099	0.4	0.2	77.1	99.8
	All India	**95,240**	**1,02,994**	**4.1**	**4.7**	**93.5**	**94.2**

Notes: 1. Components may not add up to total due to rounding off.
2. Recovery for the year 2017-18 is taken as on 30th June 2017.

Source: NABARD.

Appendix Table V.4: Indicators of Financial Health: District Central Co-operative Banks

(At end-March)

(Amount in ₹ lakh)

Sr. No.	Region/State	2016-2017					2017-2018					2017		2018	
		No. of DCCBs	Profit		Loss		No. of DCCBs	Profit		Loss		NPA to Loans ratio (per cent)	Recovery to Demand (per cent) (At end-June)	NPA to Loans ratio (per cent)	Recovery to Demand (per cent) (At end-June)*
			No. of DCCBs	Amt.	No. of DCCBs	Amt.		No. of DCCBs	Amt.	No. of DCCBs	Amt.				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Northern Region	**73**	**56**	**10,096**	**17**	**12,727**	**73**	**60**	**11,463**	**13**	**12,114**	**7.0**	**80.9**	**7.9**	**74.7**
1	Haryana	19	18	1,965	1	975	19	19	3,517	0	0	5.7	69.2	6.3	67.7
2	Himachal Pradesh	2	2	2,971	0	0	2	2	585	0	0	16.2	74.4	19.2	69.7
3	Jammu & Kashmir	3	0	0	3	5,123	3	0	0	3	7,971	20.6	62.1	27.8	53.3
4	Punjab	20	10	1,478	10	4,902	20	10	1,402	10	4,143	6.8	89.8	8.6	72.3
5	Rajasthan	29	26	3,683	3	1,727	29	29	5,959	0	0	4.5	83.1	4.2	82.3
	Eastern Region	**64**	**53**	**15,052**	**11**	**7,259**	**57**	**52**	**20,164**	**5**	**1,142**	**10.4**	**76.6**	**9.7**	**69.6**
6	Bihar	22	17	1,009	5	4,728	22	18	1,605	4	747	21.4	40.2	23.8	36.8
7	Jharkhand	8	5	1,058	3	1,475	1	1	299	0	0	51.9	35.4	75.3	13.9
8	Odisha	17	17	8,008	0	0	17	17	14,220	0	0	7.3	79.8	7.2	69.8
9	West Bengal	17	14	4,977	3	1,056	17	16	4,040	1	395	10.4	81.2	9.6	77.9
	Central Region	**104**	**85**	**29,790**	**19**	**19,108**	**104**	**78**	**28,239**	**26**	**28,526**	**15.5**	**73.1**	**18.6**	**56.8**
10	Chattisgarh	6	6	8,999	0	0	6	6	9,590	0	0	15.5	76.2	12.3	71.1
11	Madhya Pradesh	38	33	9,827	5	7,099	38	29	10,512	9	19,970	18.4	72.8	21.8	63.1
12	Uttar Pradesh	50	37	8,175	13	11,663	50	34	4,490	16	8,313	12.8	70.6	16.5	31.9
13	Uttarakhand	10	9	2,788	1	346	10	9	3,648	1	242	8.8	82.9	8.8	70.9
	Western Region	**49**	**43**	**59,721**	**6**	**23,479**	**49**	**43**	**53,586**	**6**	**10,950**	**14.3**	**71.2**	**14.3**	**57.9**
14	Gujarat	18	17	14,970	1	94	18	17	16,405	1	89	6.1	92	5.6	87.9
15	Maharashtra	31	26	44,751	5	23,386	31	26	37,181	5	10,861	16.9	61.7	17.2	45.0
	Southern Region	**80**	**78**	**52,053**	**2**	**13,182**	**80**	**78**	**60,907**	**2**	**36,587**	**7.3**	**88.5**	**7.8**	**89.3**
16	Andhra Pradesh	13	12	4,197	1	47	13	12	4,620	1	351	5.1	90.3	4.9	90.3
17	Telangana	21	21	10,382	0	0	21	21	13,858	0	0	4.5	94.7	6.4	92.4
18	Karnataka	14	13	11,520	1	13,135	14	13	13,391	1	36,236	9.5	88.9	10.2	88.1
19	Kerala	23	23	23,450	0	0	23	23	25,913	0	0	8.2	76.8	7.8	86.6
20	Tamil Nadu	9	9	2,505	0	0	9	9	3,125	0	0	5.5	89.8	5.3	89.3
	All India	**370**	**315**	**1,66,712**	**55**	**75,754**	**363**	**311**	**1,74,360**	**52**	**89,318**	**10.5**	**78.9**	**11.1**	**71.1**

Notes: 1. Components may not add up to the total /s due to rounding off.
2. * Recovery for the year 2017-18 is taken as on 30th June 2017.

Source: NABARD.

Appendix Table V.5: Primary Agricultural Credit Societies

(Amount in ₹ crore)

Item	As at end-March		Variation (%)	
	2017	2018	2016-17	2017-18
1	2	3	4	5
A. Liabilities				
1. Total Resources (2+3+4)	2,73,697	2,78,907	14.9	1.9
2. Owned Funds (a+b)	32,982	30,942	34.9	-6.2
a. Paid-up Capital	14,122	14,142	15.0	0.1
of which				
Government Contribution	829	807	3.9	-2.7
b. Total Reserves	18,860	16,800	55.1	-10.9
3. Deposits	1,15,884	1,19,632	14.7	3.2
4. Borrowings	1,24,831	1,28,333	10.8	2.8
5. Working Capital	2,39,967	2,43,563	19.2	1.5
B. Assets				
1. Total Loans Outstanding (a+b)	1,70,459	1,69,629	7.6	-0.5
a) Short-Term	1,22,194	1,20,823	4.4	-1.1
b) Medium-Term	48,265	48,806	16.5	1.1

Note: Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹ crore.
Source: NAFSCOB.

Appendix Table V.6: Indicators of Primary Agricultural Credit Societies-State-wise *(Continued)*

(At end-March 2018)

(Amount in ₹ lakh)

Sr. No.	State	Number of PACS	Deposits	Working Capital	Loans and Advances Outstanding		Societies in Profit	
					Agriculture	Non-Agriculture	Number	Amount
1	2	3	4	5	6	7	8	9
	Northern Region	**13,431**	**11,08,565**	**45,63,405**	**14,62,832**	**1,19,908**	**9,467**	**1,38,957**
1	Chandigarh	17	0	7	0.13	0.18	10	0.04
2	Haryana	613	1,26,652	11,31,093	4,84,003	1,19,238	52	24
3	Himachal Pradesh	2,166	4,92,033	6,01,469	1,28,982	0	1,855	5
4	Jammu & Kashmir	620	323	3,772	4,659	670	484	58
5	Punjab*	3,543	2,41,242	12,26,106	8,45,188	0	2,140	N.A.
6	Rajasthan	6,472	2,48,315	16,00,959	N.A	N.A.	4,926	1,38,870
	North-Eastern Region	**3,396**	**8,464**	**80,775**	**6,519**	**1,160**	**739**	**8,806**
7	Arunachal Pradesh*	34	0	1,940	0	0	13	452
8	Assam*	766	0	11,123	575	20	309	7,639
9	Manipur	90	43	446	23	33	46	73
10	Meghalaya*	179	684	3,166	2,579	54	57	81
11	Mizoram	164	907	35,048	605	98	22	0.90
12	Nagaland*	1,719	6,419	11,246	197	357	N.A.	N.A.
13	Sikkim	176	411	2,254	1,324	78	112	52
14	Tripura	268	N.A.	15,552	1,216	521	180	508
	Eastern Region	**18,620**	**3,75,968**	**11,50,855**	**6,86,585**	**46,112**	**4,290**	**9,156**
15	Andaman & Nicobar Islands	51	113	975	1,570	0	18	19
16	Bihar*	8,463	17,533	50,816	0	0	1,180	604
17	Jharkhand	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
18	Odisha	2,701	1,50,286	6,05,486	5,39,112	16,636	745	5,167
19	West Bengal	7,405	2,08,036	4,93,578	1,45,903	29,476	2,347	3,366
	Central Region	**15,478**	**2,32,607**	**14,55,769**	**7,51,149**	**27,283**	**8,082**	**28,500**
20	Chhattisgarh	1,333	41,615	4,46,070	2,40,516	1,121	802	10,415
21	Madhya Pradesh*	4,457	81,731	6,45,546	3,39,959	11,892	2,153	13,124
22	Uttarakhand	759	1,02,441	2,38,226	90,643	14,271	591	3,188
23	Uttar Pradesh*	8,929	6,820	1,25,927	80,031	0	4,536	1,774
	Western Region	**29,797**	**1,05,485**	**33,12,774**	**19,38,111**	**3,28,082**	**14,773**	**9,685**
24	Goa	81	5,631	7,076	1,346	1,200	51	116
25	Gujarat	8,535	78,723	13,67,886	9,76,106	25,525	5,931	8,986
26	Maharashtra	21,181	21,131	19,37,811	9,60,659	3,01,358	8,791	582
	Southern Region	**14,516**	**1,01,32,144**	**1,37,92,674**	**35,38,565**	**63,54,783**	**9,054**	**2,18,255**
27	Andhra Pradesh	1,818	1,77,898	9,90,193	6,84,246	1,21,284	1,261	99,356
28	Telangana	799	43,334	4,87,909	3,91,584	9,836	541	15,797
29	Karnataka*	5,679	7,49,701	23,16,084	11,21,312	3,89,929	3,858	6,316
30	Kerala*	1,647	83,19,351	79,37,600	6,90,044	48,81,386	1,020	78,842
31	Puducherry	53	14,825	21,056	531	2,784	16	96
32	Tamil Nadu	4,520	8,27,036	20,39,833	6,50,846	9,49,563	2,358	17,848
	All India	**95,238**	**1,19,63,233**	**2,43,56,251**	**83,83,761**	**68,77,328**	**46,405**	**4,13,359**

n.a. = not applicable, N.A. = Not Available.

Notes: 1. *: Data relate to previous year.

2. Components may not add up to the exact total /s due to rounding off.

Source: NAFSCOB.

Appendix Table V.6: Indicators of Primary Agricultural Credit Societies-State-wise *(Concluded)*
(At end-March 2018)

(Amount in ₹ lakh)

Sr. No.	State	Societies in Loss		Viable	Potentially viable	Dormant	Defunct	Others
		Number	Amount					
1	2	10	11	12	13	14	15	16
	Northern Region	**3,777**	**52,381**	**4,768**	**1,889**	**113**	**96**	**6,565**
1	Chandigarh	2	0.0004	12	0	0	5	0
2	Haryana	496	368	531	35	0	0	47
3	Himachal Pradesh	225	5	563	1,467	101	0	35
4	Jammu & Kashmir	105	2	458	48	12	91	11
5	Punjab*	1,403	N.A.	3,204	339	0	0	0
6	Rajasthan	1,546	52,006	N.A.	N.A.	N.A.	N.A.	6,472
	North-Eastern Region	**703**	**11,452**	**1,763**	**463**	**680**	**395**	**95**
7	Arunachal Pradesh*	19	717	20	5	4	5	0
8	Assam*	419	9,909	709	57	0	0	0
9	Manipur	24	25	46	20	13	11	0
10	Meghalaya*	122	713	116	55	8	0	0
11	Mizoram	7	1	29	40	0	0	95
12	Nagaland*	N.A.	N.A.	457	228	655	379	0
13	Sikkim	24	9	136	40	0	0	0
14	Tripura	88	79	250	18	0	0	0
	Eastern Region	**9,826**	**28,565**	**14,161**	**2,867**	**591**	**411**	**590**
15	Andaman & Nicobar Island	26	77	39	5	7	0	0
16	Bihar*	3,962	94	8,463	0	0	0	0
17	Jharkhand	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
18	Odisha	1,860	26,966	1,711	614	10	1	365
19	West Bengal	3,978	1,429	3,948	2,248	574	410	225
	Central Region	**4,790**	**36,314**	**12,318**	**2,055**	**390**	**175**	**540**
20	Chhattisgarh	531	17,905	863	0	0	0	470
21	Madhya Pradesh*	2,129	17,824	3,663	720	4	0	70
22	Uttarakhand	162	433	677	66	4	12	0
23	Uttar Pradesh*	1,968	153	7,115	1,269	382	163	0
	Western Region	**14,029**	**5,619**	**21,312**	**7,448**	**559**	**340**	**138**
24	Goa	27	233	70	9	1	1	0
25	Gujarat	1,901	4,653	4,951	2,663	473	310	138
26	Maharashtra	12,101	733	16,291	4,776	85	29	0
	Southern Region	**4,713**	**5,97,226**	**10,060**	**3,243**	**376**	**125**	**712**
27	Andhra Pradesh	555	4,85,413	1,200	508	26	3	81
28	Telangana	257	18,179	690	79	1	0	29
29	Karnataka*	1,457	3,409	4,004	1,303	165	35	172
30	Kerala*	558	67,138	1,462	136	33	10	6
31	Puducherry	37	2,551	16	37	0	0	0
32	Tamil Nadu	1,849	20,536	2,688	1,180	151	77	424
	All India	**37,838**	**7,31,557**	**64,382**	**17,965**	**2,709**	**1,542**	**8,640**

n.a. = not applicable, N.A. = Not Available.

Notes: 1. *: Data relate to previous year.

2. Components may not add up to the exact total /s due to rounding off.

Source: NAFSCOB.

Appendix Table V.7: Details of Members and Borrowers of Primary Agricultural Credit Societies

(Number in thousands)

All India	Members		Borrowers	
	2017	2018	2017	2018
1	2	3	4	5
Scheduled Caste	14,998	14,883	5,413	5,233
Scheduled Tribes	9,316	9,443	3,453	3,135
Small Farmers	40,246	43,698	19,616	19,821
Rural Artisans	7,600	7,255	2,502	2,361
Others & Marginal Farmers	59,075	55,269	21,032	20,141

Source: NAFSCOB.

Appendix Table V.8: Liabilities and Assets of State Co-operative Agriculture and Rural Development Banks

(Amount in ₹ crore)

Item	As at end-March		Variation (%)	
	2017	2018	2016-17	2017-18
1	2	3	4	5
Liabilities				
1. Capital	939	945	0.0	0.6
	(3.0)	(3.2)		
2. Reserves	3,365	3,360	-7.1	-0.2
	(11.2)	(11.5)		
3. Deposits	2,423	2,341	0.0	-3.4
	(7.9)	(8.0)		
4. Borrowings	15,500	15,400	6.2	-0.6
	(51.0)	(53.1)		
5. Other Liabilities	8,130	6,948	49.1	-14.5
	(26.7)	(23.9)		
Assets				
1. Cash and Bank Balances	453	275	25.0	-39.3
	(1.4)	(0.9)		
2. Investments	3,240	3,537	6.7	9.2
	(10.6)	(12.1)		
3. Loans and Advances	21,208	20,788	3.9	-2.0
	(69.8)	(71.6)		
4. Other Assets	5,456	4,394	48.6	-19.5
	(17.9)	(15.1)		
Total Liabilities/Assets	**30,357**	**28,994**	**10.5**	**-4.5**
	(100.0)	**(100.0)**		

Notes: 1. Figures in parentheses are percentages to total liabilities/assets.
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹ 1 crore in the table.
3. Components may not add up to the total due to rounding off.

Source: NABARD.

Appendix Table V.9: Financial Performance of State Co-operative Agriculture and Rural Development Banks

(Amount in ₹ crore)

Item	As during		Percentage Variation	
	2017	2018	2016-17	2017-18
1	2	3	4	5
A. Income (i+ii)	**2,198**	**2,384**	**-0.1**	**8.5**
	(100.0)	**(100.0)**		
i. Interest Income	2,070	2,287	-5.9	10.5
	(94.5)	(95.9)		
ii. Other Income	128	97	113.0	-24.2
	(5.5)	(4.1)		
B. Expenditure (i+ii+iii)	**2,381**	**2,394**	**9.1**	**0.5**
	(100.0)	**(100.0)**		
i. Interest Expended	1,485	1,502	7.1	1.2
	(62.3)	(62.7)		
ii. Provisions and Contingencies	486	452	25.0	-7.0
	(20.4)	(18.8)		
iii. Operating Expenses	410	402	0.0	-2.0
	(17.2)	(16.7)		
of which : Wage Bill	338	344	-	1.7
	(14.1)	(14.3)		
C. Profits				
i. Operating Profits	303	442	-	45.9
ii. Net Profits	-183	-9.4	-	-

Notes: 1. Figures in parentheses are percentages to total income/expenditure.
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹ 1 crore in the table.
3. Components may not add up to the total due to rounding off.

Source: NABARD.

Appendix Table V.10: Asset Quality of State Co-operative Agriculture and Rural Development Banks

(Amount in ₹ crore)

Item	As at end- March		Percentage Variation	
	2017	2018	2016-17	2017-18
1	2	3	4	5
A. Total NPAs (i+ii+iii)	**5,013**	**5,206**	**47.1**	**3.8**
i) Sub-standard	1,953	1,944	5.3	-0.5
	(38.9)	(37.3)		
ii) Doubtful	3,050	3,252	100.0	6.6
	(60.8)	(62.4)		
iii) Loss	10	9	-90.0	-6.4
	(0.2)	(0.1)		
B. NPAs to Loans Ratio (%)	**23.6**	**25.0**	**-**	**-**
C. Recovery to Demand Ratio (%)	**50.8**	**48.4**	**-**	**-**

Notes: 1. Figures in parentheses are percentages to total NPAs.
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹1 crore.
3. Components may not add up to the total due to rounding off.

Source: NABARD.

Appendix Table V.11: Financial Indicators: State Co-operative Agriculture and Rural Development Banks

(At end-March)

(Amount in ₹ lakh)

Sr. No.	Region/State	Branches	Profit / Loss		NPAs to Loans ratio (per cent)		Recovery Ratio (per cent) * (at End-June)	
		2018	2017	2018	2017	2018	2017	2018
1	2	3	4	5	6	7	8	9
	Northern Region							
1	Haryana @	19	-21,810	-3,188	79.0	83.1	17.9	18.7
2	Himachal Pradesh #	51	360	127	19.4	23.8	54.7	52.4
3	Jammu & Kashmir*	51	-623	-693	11.4	20.2	50.6	46.2
4	Punjab @	89	1,081	829	6.1	11.2	61.3	61.3
5	Rajasthan @	7	561	-4,392	40.5	44.2	30.0	25.9
	North-Eastern Region							
6	Assam*	-	-	-	-	-	-	-
7	Tripura*	5	-63	20	49.5	47.0	39.0	18.3
	Eastern Region							
8	Bihar*	-	-	-	-	-	-	-
9	Odisha @	-	-	-	-	-	-	-
10	West Bengal #	2	59	244	23.7	23.3	40.1	40.6
	Central Region							
11	Chhattisgarh @	-	-	-	-	-	-	-
12	Madhya Pradesh @		-	-	-	-	-	-
13	Uttar Pradesh*	323	-2,696	192	39.6	44.1	14.0	30.5
	Western Region							
14	Gujarat*	176	1,805	2,100	53.7	55.0	34.2	37.1
15	Maharashtra @	-	-	-	-	-	-	-
	Southern Region							
16	Karnataka @	25	15	69	21.6	22.7	42.6	36.8
17	Kerala @	14	2,331	2,753	0.4	0.5	98.8	99.0
18	Puducherry*	1	-24	-42	3.6	2.6	95.6	-
19	Tamil Nadu @	26	658	1,044	8.4	18.9	86.8	-
	All India	**789**	**-18,345**	**-937**	**23.6**	**25.0**	**50.8**	**48.4**

@ : Federal structure. # : Mixed structure. * : Unitary structure. -: Not applicable.

Notes: 1. Components may not add up to the exact total/s due to rounding off.

2. In Chhattisgarh the Short-term co-operative credit structure merged with Long-term during 2014-15. Also, Assam,Bihar, Odisha, Madhya Pradesh and Maharashtra are no longer functional SCARDBs.

3. *Recovery for the financial year is taken as on 30th June.

Source: NABARD.

Appendix Table V.12: Liabilities and Assets of Primary Co-operative Agriculture and Rural Development Banks

(Amount in ₹ crore)

Item	As at end-March		Variation (%)	
	2017	2018	2016-17	2017-18
1	2	3	4	5
Liabilities				
1. Capital	1,006	1,054	-8.5	4.8
	(3.4)	(3.4)		
2. Reserves	1,688	2,234	-32.5	32.3
	(5.8)	(7.3)		
3. Deposits	1,252	1,306	-7.1	4.3
	(4.3)	(4.2)		
4. Borrowings	15,530	16,349	8.4	5.3
	(53.4)	(53.5)		
5. Other Liabilities	9,591	9,607	96.0	0.2
	(32.9)	(31.4)		
Assets				
1. Cash and Bank Balances	392	436	8.3	11.2
	(1.3)	(1.4)		
2. Investments	2,222	2,286	48.7	2.9
	(7.6)	(7.4)		
3. Loans and Advances	15,064	15,821	18.9	5.0
	(51.8)	(51.7)		
4. Other Assets	11,389	12,007	20.0	5.4
	(39.1)	(39.3)		
Total Liabilities/Assets	**29,067**	**30,550**	**20.7**	**5.1**
	(100.0)	**(100.0)**		

Notes: 1. Figures in parentheses are percentages to total liabilities/assets.
2. Y-o-Y variations could be slightly different because absolute numbers have been off to ₹1 crore in the table.
3. Components may not add up to the total due to rounding off.

Source: NABARD.

Appendix Table V.13: Financial Performance of Primary Co-operative Agriculture and Rural Development Banks

(Amount in ₹ crore)

Item	As during		Variation (%)	
	2017	2018	2016-17	2017-18
1	2	3	4	5
A. Income (i+ii)	**2,219**	**2,464**	**4.8**	**11.0**
	(100.0)	**(100.0)**		
i. Interest Income	1,629	1,992	-11.1	22.3
	(73.4)	(80.8)		
ii. Other Income	560	472	100.0	-15.7
	(25.2)	(19.1)		
B. Expenditure (i+ii+iii)	**2,824**	**2,975**	**12.0**	**5.3**
i. Interest Expended	1,690	1,786	13.3	5.7
	(59.8)	(60.0)		
ii. Provisions and Contingencies	596	748	20.0	25.5
	(21.1)	(25.1)		
iii. Operating Expenses	538	441	-2.0	-18.0
	(19.1)	(14.8)		
of which : Wage Bill	313	330		
	(11.1)	(11.1)		
C. Profits				
i. Operating Profits	-9	237	-	-
ii. Net Profits	-605	-511	-	-

Notes: 1. Figures in parentheses are percentages to total income/expenditure.
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹1 crore in the table.
3. Components may not add up to the total due to rounding off.

Source: NABARD.

Appendix Table V.14: Asset Quality of Primary Co-operative Agriculture and Rural Development Banks

(Amount in ₹ crore)

Item	As at end- March		Variation (%)	
	2017	2018	2016-17	2017-18
1	2	3	4	5
A. Total NPAs (i+ii+iii)	**4,949**	**6,058**	**4.3**	**22.4**
i) Sub-standard	2,576	3,367	4.0	30.7
	(52.0)	(55.5)		
ii) Doubtful	2,345	2,662	4.5	13.5
	(47.3)	(43.9)		
iii) Loss	28	29	3.4	2.4
	(0.5)	(0.4)		
B. NPAs to Loans Ratio (%)	**33.0**	**38.0**	**-**	**-**
C. Recovery to Demand Ratio (%)	**44.3**	**41.1**	**-**	**-**

Notes: 1. Figures in parentheses are percentages to total NPAs.
2. Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹ 1 crore in the table.
3. Components may not add up to the total due to rounding off.

Source: NABARD.

Appendix Table V.15: Financial Indicators: Primary Co-operative Agriculture and Rural Developments Banks

(Amount in ₹ lakh)

State	2016-17				2017-18				NPAs to Loans ratio (per cent)		Recovery ratio (per cent) (At end-June)	
	Profit		Loss		Profit		Loss					
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	2017	2018	2017	2018
1	2	3	4	5	6	7	8	9	10	11	12	13
Northern Region	**23**	**1,058**	**122**	**46,163**	**20**	**853**	**125**	**50,635**	**50.3**	**57.0**	**22.1**	**21.4**
Haryana	0	0	19	16,509	0	0	19	23,401	68.6	74.8	15.5	16.4
Himachal Pradesh	0	0	1	972	0	0	1	253	29.9	37.3	58.7	51.6
Punjab	5	194	84	23,914	6	459	83	20,833	45.0	56.3	19.6	19.6
Rajasthan	18	864	18	4,768	14	395	22	6,147	42.5	40.4	33.9	30.1
Central Region	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Chhattisgarh	-	-	-	-	-	-	-	-	-	-	-	-
Madhya Pradesh	-	-	-	-	-	-	-	-	-	-	-	-
Eastern Region	**8**	**894**	**16**	**2,563**	**7**	**965**	**17**	**3,960**	**40.6**	**32.9**	**36.7**	**40.0**
Odisha	-	-	-	-	-	-	-	-	-	-	-	-
West Bengal	8	894	16	2,563	7	965	17	3,960	40.6	32.9	36.7	40.0
Western Region	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Maharashtra	-	-	-	-	-	-	-	-	-	-	-	-
Southern Region	**205**	**4,789**	**227**	**18,532**	**230**	**10,925**	**202**	**9,252**	**19.7**	**27.3**	**74.2**	**66.1**
Karnataka	23	644	154	8,370	38	1,064	139	6,877	13.3	19.3	50.9	48.9
Kerala	22	914	53	9,898	32	6,630	43	2,111	22.6	31.1	76.3	62.2
Tamil Nadu	160	3,231	20	264	160	3,231	20	264	14.6	14.6	85.3	-
All India	**236**	**6,741**	**365**	**67,258**	**257**	**12,743**	**344**	**63,846**	**33.0**	**38.4**	**44.3**	**41.1**

Notes: 1. Components may not add up to the exact total due to rounding off.
2. In Chhattisgarh the Short-term co-operative credit structure merged with Long-term during 2014-15 Also Maharashtra, Madhya Pradesh and Odisha structures are no longer functional.
3. Recovery for the financial year is taken as 30th June.
4. Data for 2016-17 are provisional in respect of Kerala, Karnataka & Tamil Nadu.
5. Data for 2017-18 are provisional in respect of 8 PCARDBs.

Appendix VI.1: Consolidated Balance Sheet of NBFCs-ND-SI

(Amount in ₹ crore)

Item	End- March 2017	End- March 2018	End- March 2019	End- September 2019	Percentage variation 2018-19
1	2	3	4	5	6
1. Share Capital	**98,125**	**1,08,630**	**1,21,054**	**1,26,275**	**11.4**
2. Reserves & Surplus	**3,62,769**	**4,47,413**	**5,07,549**	**5,73,026**	**13.4**
3. Public Deposits	**-**	**-**	**-**	**-**	**-**
4. Total Borrowings (A+B)	**12,20,328**	**16,00,053**	**18,41,850**	**19,04,685**	**15.1**
A. Secured Borrowings	**5,89,283**	**8,30,689**	**9,38,234**	**9,72,403**	**12.9**
A.1. Debentures	2,99,681	4,47,083	4,42,677	4,37,616	-1.0
A.2. Borrowings from Banks	2,14,155	2,86,881	3,74,836	3,92,313	30.7
A.3. Borrowings from FIs	18,946	19,947	25,574	28,116	28.2
A.4. Interest Accrued	15,937	17,285	15,730	16,692	-9.0
A.5. Others	40,564	59,494	79,417	97,665	33.5
B. Un-Secured Borrowings	**6,31,045**	**7,69,364**	**9,03,616**	**9,32,283**	**17.4**
B.1. Debentures	3,02,717	3,59,584	3,63,986	3,94,432	1.2
B.2. Borrowings from Banks	38,833	60,665	1,25,967	1,20,892	107.6
B.3. Borrowings from FIs	7,632	8,643	10,055	5,492	16.3
B.4. Borrowings from Relatives	1,647	2,379	3,192	2,631	34.2
B.5. Inter-Corporate Borrowings	40,625	51,828	69,000	79,072	33.1
B.6. Commercial Paper	1,15,510	1,29,569	1,36,357	1,04,477	5.2
B.7. Interest Accrued	16,818	18,743	16,396	19,329	-12.5
B.8. Others	1,07,265	1,37,953	1,78,661	2,05,959	29.5
5. Current Liabilities & Provisions	**1,07,905**	**1,20,535**	**1,93,136**	**1,99,650**	**60.2**
Total Liabilities/ Total Assets	**17,89,127**	**22,76,631**	**26,63,588**	**28,03,637**	**17.0**
1. Loans & Advances	**12,45,373**	**16,53,217**	**18,97,527**	**19,49,198**	**14.8**
1.1. Secured	9,46,915	12,65,582	14,82,651	15,23,298	17.2
1.2. Un-Secured	2,98,458	3,87,635	4,14,877	4,25,900	7.0
2. Investments	**3,31,008**	**4,04,651**	**4,88,550**	**5,62,943**	**20.7**
2.1. Govt. Securities	17,244	26,069	39,827	45,204	52.8
2.2. Equity Shares	2,08,686	2,47,723	3,28,395	3,88,722	32.6
2.3. Preference Shares	11,365	11,816	12,753	12,211	7.9
2.4. Debentures & Bonds	40,016	55,677	45,869	37,402	-17.6
2.5. Units of Mutual Funds	36,880	42,104	43,379	53,999	3.0
2.6. Commercial Paper	1,414	2,666	782	960	-70.6
2.7. Other Investments	15,404	18,596	17,546	24,444	-5.6
3. Cash & Bank Balances	**73,600**	**67,386**	**88,984**	**1,01,150**	**32.1**
3.1. Cash in Hand	2,091	3,120	6,292	5,235	101.6
3.2. Deposits with Banks	71,509	64,266	82,692	95,915	28.7
4. Other Current Assets	**1,12,372**	**1,21,023**	**1,46,310**	**1,49,682**	**20.9**
5. Other Assets	**26,773**	**30,354**	**42,216**	**40,664**	**39.1**
Memo Items					
1. Capital Market Exposure	2,22,464	2,54,337	2,85,827	3,38,892	12.4
of which: Equity Shares	1,24,942	1,37,512	1,80,261	2,46,129	31.1
2. CME as per cent to Total Assets	12.4	11.2	10.7	12.1	
3. Leverage Ratio	2.9	3.1	3.2	3.0	

Notes: 1. Data are provisional.
2. Percentage figures are rounded-off.

Source: Quarterly returns of NBFCs-ND-SI (₹ 500 crore and above), RBI.

Appendix Table VI.2: Consolidated Balance Sheet of NBFCs-D

(Amount in ₹ crore)

Item	End- March 2017	End- March 2018	End- March 2019	End- September 2019	Percentage variation 2018-19
1	2	3	4	5	6
1. Share Capital	**3,132**	**3,278**	**5,222**	**6,897**	**59.3**
2. Reserves & Surplus	**37,904**	**51,061**	**61,982**	**66,965**	**21.4**
3. Public Deposits	**30,625**	**30,439**	**40,058**	**47,710**	**31.6**
4. Total Borrowings (A+B)	**1,69,248**	**2,11,649**	**2,70,154**	**2,83,886**	**27.6**
A. Secured Borrowings	**1,35,246**	**1,67,052**	**2,21,138**	**2,32,289**	**32.4**
A.1. Debentures	66,340	82,964	97,278	92,612	17.3
A.2. Borrowings from Banks	59,278	70,029	1,06,083	1,17,280	51.5
A.3. Borrowings from FIs	3,071	3,455	4,976	4,984	44.0
A.4. Interest Accrued	4,219	5,193	3,119	2,967	-39.9
A.5. Others	2,337	5,410	9,682	14,446	79.0
B. Un-Secured Borrowings	**34,002**	**44,597**	**49,016**	**51,597**	**9.9**
B.1. Debentures	153	473	1,892	2,896	300.0
B.2. Borrowings from Banks	1,859	1,327	151	300	-88.6
B.3. Borrowings from FIs	-	-	-	-	
B.4. Borrowings from Relatives	102	105	90	97	-14.4
B.5. Inter-Corporate Borrowings	1,374	5,195	7,390	7,868	42.3
B.6. Commercial Paper	14,796	18,173	18,112	18,964	-0.3
B.7. Interest Accrued	4,172	4,197	3,645	3,598	-13.1
B.8. Others	11,547	15,126	17,736	17,873	17.3
5. Current Liabilities & Provisions	**33,730**	**44,732**	**44,476**	**48,547**	**-0.6**
Total Liabilities/ Total Assets	**2,74,638**	**3,41,159**	**4,21,892**	**4,54,006**	**23.7**
1. Loans and Advances	**2,44,065**	**3,09,242**	**3,79,072**	**4,05,013**	**22.6**
1.1. Secured	1,90,213	2,44,308	3,07,151	3,28,060	25.7
1.2. Un-Secured	53,852	64,933	71,922	76,952	10.8
2. Investments	**12,712**	**11,958**	**23,893**	**24,742**	**99.8**
2.1. Govt. Securities	3,783	3,610	4,476	5,766	24.0
2.2. Equity Shares	2,892	4,440	6,902	8,511	55.5
2.3. Preference Shares	3	695	225	240	-67.6
2.4. Debentures & Bonds	1,161	1,668	1,355	410	-18.8
2.5. Units of Mutual Funds	3,566	336	4,806	7,778	1,330.3
2.6. Commercial Paper	380	494	857	24	73.4
2.7. Other Investments	927	715	5,272	2,013	637.5
3. Cash & Bank Balances	**8,693**	**8,796**	**9,792**	**12,006**	**11.3**
3.1. Cash in Hand	337	326	447	350	37.1
3.2. Deposits with Banks	8,356	8,470	9,344	11,656	10.3
4. Other Current Assets	**7,694**	**9,433**	**7,532**	**10,480**	**-20.2**
5. Other Assets	**1,474**	**1,729**	**1,603**	**1,765**	**-7.3**
Memo Items					
1. Capital Market Exposure	4,417	8,331	6,605	7,322	-20.7
of which: Equity Shares	140	437	503	501	15.2
2. CME as per cent to Total Assets	1.6	2.4	1.6	1.6	
3. Leverage Ratio	5.7	5.3	5.3	5.1	

Notes: 1. Data are provisional.
2. Percentage figures are rounded-off.

Source: Quarterly returns of NBFCs-D, RBI.

Appendix Table VI.3: Credit to Various Sectors by NBFCs

(Amount in ₹ crore)

Items	End- March 2018	End- March 2019	End- September 2019	Percentage Variation 2018-19
1	2	3	4	5
I. Gross Advances (II + III)	**19,62,459**	**22,76,600**	**23,54,211**	**16.0**
II. Food Credit	**241**	**230**	**93**	**-4.7**
III. Non-Food Credit (1 to 5)	**19,62,217**	**22,76,370**	**23,54,118**	**16.0**
1. Agriculture and Allied Activities	**46,821**	**70,189**	**61,967**	**49.9**
2. Industry (2.1 to 2.4)	**11,22,496**	**12,55,317**	**13,33,811**	**11.8**
2.1 Micro and Small	64,455	54,597	59,713	-15.3
2.2 Medium	28,311	22,979	19,981	-18.8
2.3 Large	5,46,041	6,32,795	6,37,698	15.9
2.4 Others, if any, Please specify	4,83,689	5,44,946	6,16,420	12.7
3. Services (3.1 to 3.10)	**3,16,872**	**3,67,167**	**3,42,481**	**15.9**
3.1 Transport Operators	19,346	17,994	19,414	-7.0
3.2 Computer Software	1,262	1,552	1,111	23.0
3.3 Tourism, Hotel and Restaurants	5,893	8,969	8,743	52.2
3.4 Shipping	582	498	191	-14.5
3.5 Professional Services	7,779	8,535	7,360	9.7
3.6 Trade	34,318	37,547	36,747	9.4
3.6.1 Wholesale Trade (other than Food Procurement)	7,261	8,571	8,898	18.0
3.6.2 Retail Trade	27,057	28,976	27,850	7.1
3.7 Commercial Real Estate	1,25,178	1,48,501	1,29,359	18.6
3.8 NBFCs	24,074	29,988	27,421	24.6
3.9 Aviation	690	1,153	715	67.1
3.10 Other Services	97,750	1,12,430	1,11,420	15.0
4. Retail Loans (4.1 to 4.8)	**3,59,583**	**4,47,496**	**4,74,899**	**24.4**
4.1 Housing Loans (incl. priority sector Housing)	13,263	15,491	17,862	16.8
4.2 Consumer Durables	8,626	5,094	4,917	-40.9
4.3 Credit Card Receivables	17,436	22,789	28,571	30.7
4.4 Vehicle/Auto Loans	1,64,471	1,99,926	2,08,527	21.6
4.5 Education Loans	7,202	8,777	10,032	21.9
4.6 Advances against Fixed Deposits (incl. FCNR(B), etc.)	-	-	-	
4.7 Advances to Individuals against Shares, Bonds, etc.	16,101	16,356	13,029	1.6
4.8 Other Retail Loans	1,32,483	1,79,063	1,91,963	35.2
5. Other Non-food Credit	**1,16,445**	**1,36,201**	**1,40,959**	**17.0**

Notes: 1. Data are provisional.
2. This format of reporting of credit to various sectors was introduced from March 31, 2017. Hence, the comparable data for previous years are not available.

Source: Supervisory Returns, RBI.

Appendix Table VI.4: Financial Performance of NBFCs - ND-SI

(Amount in ₹ crore)

Items	2017-18	2018-19	H1: 2019-20
1	2	3	4
A. Total Income (i + ii)	**2,52,583**	**2,75,365**	**1,55,819**
(i) Fund Based Income	2,35,868	2,57,381	1,45,976
	(93.4)	(93.5)	(93.7)
(ii) Fee Based Income	16,715	17,984	9,842
	(6.6)	(6.5)	(6.3)
B. Expenditure (i + ii + iii)	**2,03,129**	**2,24,288**	**1,26,536**
(i) Financial Expenditure	1,13,727	1,33,480	78,468
	(56.0)	(59.5)	(62.0)
of which Interest payment	45,464	64,955	40,263
	(22.4)	(29.0)	(31.8)
(ii) Operating Expenditure	33,973	39,369	22,973
	(16.7)	(17.6)	(18.2)
(iii) Others	55,429	51,439	25,095
	(27.3)	(22.9)	(19.8)
C. Tax Provisions	**14,430**	**16,041**	**8,843**
D. Profit Before Tax	**49,454**	**51,076**	**29,236**
E. Net Profit	**35,023**	**35,035**	**20,394**
F. Total Assets	**22,76,631**	**26,63,588**	**28,03,637**
G. Financial Ratios (as Per cent of Total Assets)			
(i) Income	11.1	10.3	5.6
(ii) Fund Income	10.4	9.7	5.2
(iii) Fee Income	0.4	0.3	0.2
(iv) Expenditure	8.9	8.4	4.5
(v) Financial Expenditure	5.0	5.0	2.8
(vi) Operating Expenditure	1.5	1.5	0.8
(vii) Tax Provision	0.6	0.6	0.3
(viii) Net Profit	1.5	1.3	0.7
H. Cost to Income Ratio	**80.4**	**81.5**	**81.2**

Notes: 1. Data are provisional.
2. Figures in parentheses are share (in per cent) to respective total.

Source: Quarterly Returns of NBFCs-ND-SI, RBI.

Appendix Table VI.5: Financial Performance of NBFCs - Deposit Taking

(Amount in ₹ crore)

Items	2017-18	2018-19	H1: 2019-20
1	2	3	4
A. Total Income (i + ii)	**47,679**	**61,478**	**34,569**
i. Fund Based Income	46,814	59,935	33,485
	(98.2)	(97.5)	(96.9)
ii. Fee Based Income	864	1,542	1,084
	(1.8)	(2.5)	(3.1)
B. Expenditure (i + ii + iii)	**37,092**	**44,680**	**25,844**
i. Financial Expenditure	20,142	26,235	14,918
	(54.3)	(58.7)	(57.7)
of which Interest payment	4,854	5,527	3,015
	(13.1)	(12.4)	(11.7)
ii. Operating Expenditure	11,187	11,598	7,995
	(30.2)	(26.0)	(30.9)
iii. Others	5,763	6,847	2,932
	(15.5)	(15.3)	(11.3)
C. Tax Provisions	**3,621**	**5,568**	**2,580**
D. Profit Before Tax	**10,587**	**16,798**	**8,725**
E. Net Profit	**6,966**	**11,230**	**6,145**
F. Total Assets	**3,41,159**	**4,21,892**	**4,54,006**
G. Financial Ratios (as Per cent of Total Assets)			
(i) Income	14.0	14.6	7.6
(ii) Fund Income	13.7	14.2	7.4
(iii) Fee Income	0.3	0.4	0.2
(iv) Expenditure	10.9	10.6	5.7
(v) Financial Expenditure	5.9	6.2	3.3
(vi) Operating Expenditure	3.3	2.7	1.8
(vii) Tax Provision	1.1	1.3	0.6
(viii) Net Profit	2.0	2.7	1.4
H. Cost to Income Ratio	**77.8**	**72.7**	**74.8**

Notes: 1. Data are provisional.
2. Figures in parentheses are share (in per cent) to respective total.

Source: Quarterly Returns of NBFCs-D, RBI.

Appendix Table VI.6: Financial Assistance Sanctioned and Disbursed by Financial Institutions *(Continued)*

(Amount in ₹ crore)

Institutions	Loans*								Underwriting and Direct Subscription							
	2017-18		2018-19		Apr-Sep 2018		Apr-Sep 2019		2017-18		2018-19		Apr-Sep 2018		Apr-Sep 2019	
	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 financial institutions (1 to 4)	**4,23,572**	**3,82,487**	**4,50,732**	**4,15,085**	**2,32,327**	**1,95,305**	**1,65,836**	**1,63,093**	**672**	**344**	**1,434**	**542**	**1,130**	**514**	**858**	**231**
1. NABARD	2,18,739	2,23,415	3,03,535	2,81,754	1,47,054	1,14,519	89,088	83,097	0	0	0	0	0	0	0	0
2. SIDBI@	58,768	58,690	73,946	75,463	53,143	54,234	55,978	56,701	672	344	1,434	542	1,130	514	858	231
3. EXIM Bank	97,826	68,535	38,001	36,660	21,364	22,803	16,487	16,426	0	0	0	0	0	0	0	0
4. NHB	48,239	31,847	35,250	21,207	10,765	3,749	4,283	6,869	0	0	0	0	0	0	0	0
B. Specialised financial institutions (5, 6 and 7)	**1,329**	**750**	**1,075**	**501**	**523**	**121**	**237**	**303**	**178**	**178**	**53**	**53**	**53**	**53**	**0**	**0**
5. IVCF	57	57	10	10	10	9	0	1	0	0	0	0	0	0	0	0
6. ICICI venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7. TFCI	1,272	693	1,065	490	513	111	237	301	178	178	53	53	53	53	0	0
C. Investment institutions (8 and 9)	**818**	**499**	**85**	**68**	**0**	**47**	**4,000**	**11**	**84,850**	**63,207**	**68,253**	**51,773**	**14,700**	**12,566**	**42,915**	**38,426**
8. LIC	818	499	85	68	0	47	4,000	11	84,850	63,207	68,253	51,773	14,700	12,566	42,915	38,426
9. GIC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
D. Financial Institutions (A+B+C)	**4,25,719**	**3,83,736**	**4,51,892**	**4,15,653**	**2,32,850**	**1,95,473**	**1,70,073**	**1,63,406**	**85,700**	**63,729**	**69,740**	**52,368**	**15,883**	**13,132**	**43,773**	**38,657**
E. State level institutions (10 and 11)	**3,776**	**2,918**	**4,404**	**2,811**	**..**	**..**	**..**	**..**	**0**	**0**	**0**	**0**	**..**	**..**	**..**	**..**
10. SFCs^	3,776	2,918	4,404	2,811	..	..	..	..	0	0	0	0	..	..	..	..
11. SIDCs	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
F. Total assistance by all financial institutions (D+E)	**4,29,495**	**3,86,654**	**4,56,296**	**4,18,464**	**2,32,850**	**1,95,473**	**1,70,073**	**1,63,406**	**85,700**	**63,729**	**69,740**	**52,368**	**15,883**	**13,132**	**43,773**	**38,657**

S : Sanctions. D: Disbursements. _: Nil .. : Not Available. n.m.: Not Meaningful.

* : Loans include rupee loans and foreign currency loans.

@ : In case of underwriting and direct subscription, the commitments/sanctions to AIFs during FY 2019 and FY 2020 are exclusively from Fund of Funds for Startups (FFS) and ASPIRE Fund. These are Govt schemes where SIDBI is the Fund Manager. These commitments are off-balance items which does not fall under RBI exposure norms. The disbursements pertains to all schemes operated by VCF Operations Vertical. During FY 2019, the disbursed amount of ₹ 513.63 crore comprises of disbursement of ₹ 302.72 crore under FFS and ASPIRE. Similarly, during FY 2020, the disbursed amount of ₹ 230.80 crore comprises of disbursement of ₹ 173.02 crore under FFS and ASPIRE.

\# : Others include guarantees.

^ : Data pertains to nine SFCs.

Notes: 1. Data are provisional.

2. Components may not add up to the total due to rounding off.

Source: The respective financial institutions.

Appendix Table VI.6: Financial Assistance Sanctioned and Disbursed by Financial Institutions *(Continued)*

(Amount in ₹ crore)

Institutions	Others#							
	2017-18		2018-19		Apr-Sep 2018		Apr-Sep 2019	
	S	D	S	D	S	D	S	D
1	18	19	20	21	22	23	24	25
A. All India financial institutions (1 to 4)	**5,877**	**13,125**	**4,840**	**15,970**	**3,250**	**15,461**	**5,625**	**18,568**
1. NABARD	584	172	335	192	95	66	87	70
2. SIDBI@	25	25	6	6	0	0	0	0
3. EXIM Bank	5,268	12,262	4,499	13,912	3,155	13,535	5,538	15,364
4. NHB**	0	667	0	1,860	0	1,859	0	3,133
B. Specialised financial institutions (5, 6 and 7)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
5. IVCF	0	0	0	0	0	0	0	0
6. ICICI venture	-	-	-	-	-	-	-	-
7. TFCI	0	0	0	0	0	0	0	0
C. Investment institutions (8 and 9)	**515**	**86**	**961**	**64**	**30**	**41**	**0**	**26**
8. LIC	515	86	961	64	30	41	0	26
9. GIC	0	0	0	0	0	0	0	0
D. Financial institutions (A+B+C)	**6,392**	**13,212**	**5,801**	**16,034**	**3,280**	**15,501**	**5,625**	**18,594**
E. State level institutions (10 and 11)	**2**	**2**	**12**	**12**	**..**	**..**	**..**	**..**
10. SFCs^	2	2	12	12	..	..	..	..
11. SIDCs	..	..	..	..	..	..	..	..
F. Total assistance by All financial institutions (D+E)	**6,394**	**13,213**	**5,813**	**16,046**	**3,280**	**15,501**	**5,625**	**18,594**

S : Sanctions. D: Disbursements. _: Nil .. : Not Available. n.m.: Not Meaningful.
* : Loans include rupee loans and foreign currency loans.
@ : In case of underwriting and direct subscription, the commitments/sanctions to AIFs during FY 2019 and FY 2020 are exclusively from Fund of Funds for Startups (FFS) and ASPIRE Fund. These are Govt schemes where SIDBI is the Fund Manager. These commitments are off-balance items which does not fall under RBI exposure norms. The disbursements pertains to all schemes operated by VCF Operations Vertical. During FY 2019, the disbursed amount of ₹ 513.63 crore comprises of disbursement of ₹ 302.72 crore under FFS and ASPIRE. Similarly, during FY 2020, the disbursed amount of ₹ 230.80 crore comprises of disbursement of ₹ 173.02 crore under FFS and ASPIRE.
# : Others include guarantees.
^ : Data pertains to nine SFCs.

Notes: 1. Data are provisional.
2. Components may not add up to the total due to rounding off.

Source: The respective financial institutions.

Appendix Table VI.6: Financial Assistance Sanctioned and Disbursed by Financial Institutions *(Concluded)*

(Amount in ₹ crore)

Institutions	Total								Percentage variation			
	2017-18		2018-19		Apr-Sep 2018		Apr-Sep 2019		2018-19		Apr-Sep 2019	
	S	D	S	D	S	D	S	D	S	D	S	D
1	26	27	28	29	30	31	32	33	34	35	36	37
A. All India financial institutions (1 to 4)	**4,30,121**	**3,95,956**	**4,57,006**	**4,31,596**	**2,36,707**	**2,11,279**	**1,72,319**	**1,81,891**	**6.3**	**9.0**	**-27.2**	**-13.9**
1. NABARD	2,19,323	2,23,587	3,03,870	2,81,947	1,47,149	1,14,585	89,174	83,167	38.5	26.1	-39.4	-27.4
2. SIDBI@	59,465	59,059	75,386	76,011	54,273	54,748	56,835	56,932	26.8	28.7	4.7	4.0
3. EXIM Bank	1,03,095	80,796	42,500	50,572	24,519	36,338	22,026	31,790	-58.8	-37.4	-10.2	-12.5
4. NHB**	48,239	32,514	35,250	23,067	10,765	5,609	4,283	10,002	-26.9	-29.1	-60.2	78.3
B. Specialised financial institutions(5, 6 and 7)	**1,507**	**929**	**1,127**	**553**	**576**	**173**	**237**	**303**	**-25.2**	**-40.4**	**-58.8**	**74.6**
5. IVCF	57	57	10	10	10	9	0	1	-82.3	-82.3	-100.0	-85.5
6. ICICI venture	-	-	-	-	-	-	-	-	-	-	-	-
7. TFCI	1,451	871	1,117	543	566	164	237	301	-23.0	-37.7	-58.1	83.8
C. Investment institutions (8 and 9)	86,184	63,793	69,300	51,905	14,730	12,654	46,915	38,463	-19.6	-18.6	218.5	204.0
8. LIC	86,184	63,793	69,300	51,905	14,730	12,654	46,915	38,463	-19.6	-18.6	218.5	204.0
9. GIC	0	0	0	0	0	0	0	0	n.m.	n.m.	n.m.	n.m.
D. Financial institutions (A+B+C)	**5,17,812**	**4,60,677**	**5,27,433**	**4,84,055**	**2,52,013**	**2,24,106**	**2,19,471**	**2,20,657**	**1.9**	**5.1**	**-12.9**	**-1.5**
E. State level institutions (10 and 11)	**3,778**	**2,919**	**4,417**	**2,824**	**..**	**..**	**..**	**..**	**16.9**	**-3.3**	**..**	**..**
10. SFCs^	3,778	2,919	4,417	2,824	..	..	..	..	16.9	-3.3	..	..
11. SIDCs	..	..	..	..	..	..	..	..	..	..	..	..
F. Total assistance by All financial institutions (D+E)	**5,21,590**	**4,63,597**	**5,31,850**	**4,86,878**	**2,52,013**	**2,24,106**	**2,19,471**	**2,20,657**	**2.0**	**5.0**	**-12.9**	**-1.5**

S : Sanctions. D: Disbursements. _: Nil .. : Not Available. n.m.: Not Meaningful.

* : Loans include rupee loans and foreign currency loans.

@ : In case of underwriting and direct subscription, the commitments/sanctions to AIFs during FY 2019 and FY 2020 are exclusively from Fund of Funds for Startups (FFS) and ASPIRE Fund. These are Govt schemes where SIDBI is the Fund Manager. These commitments are off-balance items which does not fall under RBI exposure norms. The disbursements pertains to all schemes operated by VCF Operations Vertical. During FY 2019, the disbursed amount of ₹ 513.63 crore comprises of disbursement of ₹ 302.72 crore under FFS and ASPIRE. Similarly, during FY 2020, the disbursed amount of ₹ 230.80 crore comprises of disbursement of ₹ 173.02 crore under FFS and ASPIRE.

: Others include guarantees.

^ : Data pertains to nine SFCs.

Notes: 1. Data are provisional.

2. Components may not add up to the total due to rounding off.

Source: The respective financial institutions.

Appendix Table VI.7 Financial Performance of Primary Dealers *(Continued)*

(Amount in ₹ crore)

Sr. No.	Name of the primary dealers	Year	Income			
			Interest income (including discount income)	Trading profit	Other income	Total income
1	2	3	4	5	6	7
1	STCI Primary Dealer Ltd.	2017-18	448	2	2	452
		2018-19	582	63	8	653
		H1:2019-20	310	121	18	449
2	SBI DFHI Ltd.	2017-18	351	-8	5	348
		2018-19	457	41	4	502
		H1:2019-20	304	41	2	347
3	ICICI Securities Primary Dealership Ltd.	2017-18	1,034	7	68	1,109
		2018-19	1,086	-307	39	819
		H1:2019-20	619	370	6	995
4	PNB Gilts Ltd.	2017-18	402	10	-2	410
		2018-19	496	-47	2	451
		H1:2019-20	351	29	-5	375
5	Morgan Stanley India Primary Dealer Pvt. Ltd.	2017-18	306	10	2	319
		2018-19	654	-46	5	613
		H1:2019-20	374	4	1	379
6	Nomura Fixed Income Securities Pvt. Ltd.	2017-18	332	-19	1	314
		2018-19	391	-17	3	376
		H1:2019-20	230	43	0	274
7	Goldman Sachs (India) Capital markets Pvt. Ltd.	2017-18	93	-5	1	89
		2018-19	133	-31	3	104
		H1:2019-20	95	11	0	106
	Total	**2017-18**	**2,966**	**-2**	**78**	**3,042**
		2018-19	**3,799**	**-344**	**63**	**3,518**
		H1:2019-20	**2,282**	**619**	**24**	**2,924**

Notes: 1. Deutsche securities had surrendered its PD license ***w.e.f.*** March 28, 2014.
2. All amounts are rounded off to the nearest crore.

Source: Returns submitted by the Primary Dealers.

Appendix Table VI.7 Financial Performance of Primary Dealers *(Concluded)*

(Amount in ₹ crore)

Sr. No.	Name of the primary dealers	Year	Expenditure			Profit before tax	Profit after tax	Return on net worth (per cent)
			Interest expenses	Other expenses	Total expenditure			
1	2	3	8	9	10	11	12	13
1	STCI Primary Dealer Ltd.	2017-18	366	27	393	59	38	7.7
		2018-19	505	122	627	26	17	3.5
		H1:2019-20	248	16	264	184	148	27.5
2	SBI DFHI Ltd.	2017-18	261	37	298	50	32	3.6
		2018-19	369	33	401	96	63	6.9
		H1:2019-20	224	29	253	131	98	9.5
3	ICICI Securities Primary Dealership Ltd.	2017-18	824	115	939	170	110	11.2
		2018-19	868	106	974	122	78	8.3
		H1:2019-20	455	60	516	272	210	19.2
4	PNB Gilts Ltd.	2017-18	331	24	355	55	37	4.1
		2018-19	403	22	426	82	72	8.2
		H1:2019-20	247	82	329	60	43	4.5
5	Morgan Stanley India Primary Dealer Pvt. Ltd.	2017-18	230	20	249	70	45	7.2
		2018-19	513	25	538	-49	-34	-4.6
		H1:2019-20	269	12	281	103	78	7.6
6	Nomura Fixed Income Securities Pvt. Ltd.	2017-18	238	38	276	38	24	3.6
		2018-19	295	33	328	150	98	13.5
		H1:2019-20	162	19	181	100	71	8.5
7	Goldman Sachs (India) Capital markets Pvt. Ltd.	2017-18	56	24	80	10	6	1.1
		2018-19	85	23	108	16	10	1.9
		H1:2019-20	62	12	74	23	18	3.3
8	**Total**	**2017-18**	**2,306**	**285**	**2,590**	**452**	**292**	**5.7**
		2018-19	**3,038**	**363**	**3,402**	**444**	**304**	**5.8**
		H1:2019-20	**1,668**	**230**	**1,898**	**874**	**667**	**12.3**

Notes: 1. Deutsche securities had surrendered its PD license w.e.f. March 28, 2014.
2. All amounts are rounded off to the nearest crore.

Source: Returns submitted by the Primary Dealers.

Appendix Table VI.8: Select Financial Indicators of Primary Dealers *(Continued)*

(Amount in ₹ crore)

Sr. No.	Name of the primary dealers	Capital funds (Tier I + Tier II+ Eligible Tier III)					CRAR (Per cent)				
		2015-16	2016-17	2017-18	2018-19	H1:2019-20	2015-16	2016-17	2017-18	2018-19	H1:2019-20
1	2	3	4	5	6	7	8	9	10	11	12
1	STCI Primary Dealer Ltd.	367	456	500	493	601	24	39	34	23	38
2	SBI DFHI Ltd.	1,001	1,046	900	954	1,041	38	91	69	67	40
3	ICICI Securities Primary Dealership Ltd.	1,223	1,338	1,400	1,453	1,514	25	26	24	28	45
4	PNB Gilts Ltd.	700	842	900	886	897	70	51	67	37	24
5	Morgan Stanley India Primary Dealer Pvt. Ltd	528	589	600	919	1,041	143	82	51	62	71
6	Nomura Fixed Income Securities Pvt. Ltd.	575	666	700	797	855	53	52	58	40	35
7	Goldman Sachs (India) Capital Markets Pvt. Ltd.	466	532	500	547	566	164	155	144	133	313
	Total	**4,859**	**5,469**	**5,500**	**6,049**	**6,514**	**42**	**47**	**43**	**40**	**43**

Note: All amounts are rounded off to the nearest crore.
Source: Returns submitted by the Primary Dealers.

Appendix Table VI.8: Select Financial Indicators of Primary Dealers *(Concluded)*

(Amount in ₹ crore)

Sr. No.	Name of the primary dealers	Stock of government securities and treasury bills (Market value)					Total assets (Net of current liabilities and provisions)				
		2015-16	2016-17	2017-18	2018-19	H1:2019-20	2015-16	2016-17	2017-18	2018-19	H1:2019-20
1	2	13	14	15	16	17	18	19	20	21	22
1	STCI Primary Dealer Ltd.	4,208	3,551	3,600	8,219	7,427	372	5,340	7,700	9,361	9,112
2	SBI DFHI Ltd.	4,166	1,974	2,000	4,955	6,627	1,002	3,025	5,600	7,152	9,887
3	ICICI Securities Primary Dealership Ltd.	12,279	6,590	6,600	7,723	13,690	14,461	10,827	16,500	11,431	16,304
4	PNB Gilts Ltd.	3,382	3,227	3,200	6,584	10,416	732	4,357	5,200	9,141	12,038
5	Morgan Stanley India Primary Dealer Pvt. Ltd	1,905	1,967	2,000	9,891	10,529	2,027	3,383	7,600	10,264	10,711
6	Nomura Fixed Income Securities Pvt. Ltd.	1,873	1,202	1,200	3,938	4,639	575	2,718	3,500	5,248	7,142
7	Goldman Sachs (India) Capital Markets Pvt. Ltd.	2,264	1,075	1,100	2,411	2,449	2,391	1,508	1,700	2,535	2,960
	Total	**30,077**	**19,585**	**19,700**	**43,722**	**55,777**	**21,560**	**31,157**	**47,800**	**55,133**	**68,155**

Note: All amounts are rounded off to the nearest crore.
Source: Returns submitted by the Primary Dealers.

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