REPORT ON TREND AND PROGRESS OF BANKING IN INDIA

2019-20

RESERVE BANK OF INDIA

Report on Trend and Progress of Banking in India for the year ended
June 30, 2020 submitted to the Central Government in terms of
Section 36(2) of the Banking Regulation Act, 1949

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RESERVE BANK OF INDIA

Published by Dr. Snehal S. Herwadkar for the Reserve Bank of India, Mumbai 400 001 and designed and printed by her at ACME Packs & Prints (I) Pvt. Ltd., A Wing, Gala No.73, Virwani Industrial Estate, Goregaon - East, Mumbai - 400 063.

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LETTER OF TRANSMITTAL

DEPR. BRD. 606/ 13.01.01/ 2020-21

December 29, 2020
8 Pausha 1942 (Saka)

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

Dear Finance Secretary,

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, 2020.

Sincerely,

29.12.20

Shaktikanta Das

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हिंदी आसान है, इसका प्रयोग बढ़ाइए

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List of Select Abbreviations

ACU	Asian Clearing Union
ADEPT	Automated Data Extraction Project
ADSCR	Average Debt Service Coverage Ratio
AEs	Advanced Economies
AFCs	Asset Finance Companies
AIFIs	All-India Financial Institutions
ALM	Asset-Liability Management
AML/CFT	Anti-money Laundering / Combatting the Financing of Terrorism
ANBC	Adjusted Net Bank Credit
AQR	Asset Quality Review
ARCs	Assets Reconstruction Companies
ASPs	Application Service Providers
AUM	Assets Under Management
BCBS	Basel Committee on Banking Supervision
BCs	Business Correspondent
BCSBI	Banking Codes and Standards Board of India
BFS	Board for Financial Supervision
BO	Banking Outlet
BSBDAs	Basic Savings Bank Deposit Accounts
CBS	Core Banking Solution
CCB	Capital Conservation Buffer
CDs	Certificates of Deposit
CDS	Credit Default Swap
CEOBSE	Credit Equivalent Amount of Off-Balance Sheet Exposures
CEPCs	Consumer Education and Protection Cells
CEPD	Consumer Education And Protection Department
CET 1	Common Equity Tier 1
CGTMSE	Credit Guarantee Fund Trust for Micro and Small Enterprises
CICs	Core Investment Companies
CIC-SI	Systemically Important Core Investment Company
CIRP	Corporate Insolvency Resolution Process
CLM	Co-Lending Model
CMS	Complaint Management System
CoCR	Charter of Customer Rights
CP	Commercial Paper
CRAR	Capital to Risk-Weighted Assets Ratio
CRCS	Central Registrar of Co-operative Societies
CRE	Commercial Real Estate
CRM	Credit Risk Mitigation
CRR	Cash Reserve Ratio
DBS	Department of Banking Supervision
DCBS	Department of Co-operative Banking Supervision
DCCBs	District Central Co-operative Banks
DCCO	Date of Commencement of Commercial Production
DICGC	Deposit Insurance and Credit Guarantee Corporation
DIF	Deposit Insurance Fund
DNBS	Department of Non-Banking Supervision
DoS	Department of Supervision
DSCR	Debt Service Coverage Ratio
D-SIB	Domestic Systemically Important Bank
DTH	Direct to Home

ECB	External Commercial Borrowing
EEFC	Exchange Earners Foreign Currency
EMDEs	Emerging Market and Developing Economies
EXIM Bank	Export Import Bank of India
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act
FIAC	Financial Inclusion Advisory Committee
FIP	Financial Inclusion Plan
FPC	Fair Practices Code
FPIs	Foreign Portfolio Investors
FSB	Financial Stability Board
FSDC-SC	Financial Stability and Development Council - Sub Committee
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GoI	Government of India
G-secs	Government Securities
G-SIB	Global Systemically Important Bank
HFCs	Housing Finance Companies
HML	Harmonised Master List
HTM	Held to Maturity
IBC	Insolvency and Bankruptcy Code
IBUs	IFSC Banking Units
IC	Investment Companies
ICA	Inter-Creditor Agreement
ICAI	Institute of Chartered Accountants Of India
ICC	Investment and Credit Company
IMF	The International Monetary Fund
Ind-AS	Indian Accounting Standards
InvITs	Infrastructure Investment Funds
IO	Internal Ombudsman
IOSCO	International Organization of Securities Commissions
IRTG	Inter Regulatory Technical Group
IS	Interest Subvention
ISS	Interest Subvention Scheme
IVRS	Interactive Voice Response System
IWG	Internal Working Group
KCC	Kisan Credit Card
KStCB	Kerala State Co-operative Bank
LABs	Local Area Banks
LAF	Liquidity Adjustment Facility
LCR	Liquidity Coverage Ratios
LCs	Loan Companies
LDOs	Lead District Officers
LEF	Large Exposures Framework
LIFt	Liquidity Infusion Facility
LR	Leverage Ratio
LTROs	Long Term Repo Operations
LTV	Loan-to-Value Ratio
MAMP	Minimum Average Maturity Period
ME	Micro Enterprises
MFIs	Micro Finance Institutions
MGC	Mortgage Guarantee Company
ML	Machine Learning
MMFs	Money Market Funds
MPC	Monetary Policy Committee
MPFI	Monitoring Progress of Financial Inclusion
MSF	Marginal Standing Facility
MSMEs	Micro, Small and Medium Enterprises

MTT	Merchanting Trade Transactions
MUDRA	Micro Units Development and Refinance Agency
MUNFI	Monitoring Universe of Non-bank Financial Intermediation
NABARD	National Bank For Agriculture And Rural Development
NAV	Net Asset Value
NBFC-AA	Non-Banking Financial Companies-Account Aggregator
NBFC-D	Deposit Taking NBFC
NBFC-IDF	Non-Banking Financial Companies-Infrastructure Debt Fund
NBFC-IFC	Non-Banking Financial Companies-Infrastructure Finance Company
NBFC-MFI	Non-Banking Financial Companies -Micro Finance Institution
NBFC-ND-SI	Non-Deposit Taking Non-Banking Financial Companies
NBFC-ND-SI-CIC	Non-Banking Financial Companies -Systemically Important Core Investment Company
NBFC-NOFHC	Non-Banking Financial Companies -Non-Operative Financial Holding Company
NBFC-P2P	Non-Banking Financial Companies - Peer To Peer Lending Platform
NBFCs	Non-Banking Financial Companies
NBFCs-D	Deposit-Taking Non-Banking Financial Companies
NBFCs-ND-SI	Non-Deposit Taking Systemically Important Non-banking Financial Companies
NBFI	Non-bank Financial Intermediation
NCD	Non-Convertible Debenture
NCFE	National Centre for Financial Education
NCGTC	National Credit Guarantee Trustee Company
NDDC	Non-Deliverable Derivative Contract
NDTL	Net Demand and Time Liabilities
NEFT	National Electronic Fund Transfer
NETC	National Electronic Toll Collection
NFC	Near Field Communication
NHB	National Housing Bank
NIM	Net Interest Margin
NOF	Net Owned Fund
NOFHC	Non-Operative Financial Holding Company
NSFE	National Strategy for Financial Education
NSFI	National Strategy for Financial Inclusion
NSFR	Net Stable Funding Ratio
NSUCBs	Non-Scheduled Urban Co-operative Banks
OBOs	Offices of Banking Ombudsmen
ODR	Online Dispute Resolution
OFIs	Other Financial Intermediaries
OMOs	Open Market Operations
OTC	Over-the-Counter
PACS	Primary Agricultural Credit Societies
PAs	Payment Aggregators
PBs	Payments Banks
PCA	Prompt Corrective Action
PCARDBs	Primary Co-Operative

	Agriculture and Rural Development Banks
PCR	Provision Coverage Ratio
PDIs	Perpetual Debt Instruments
PDs	Primary Dealers
PGs	Payment Gateways
PLIs	Prime Lending Institutions
PLR	Prime Lending Rate
PMIs	Purchasing Managers
PoS	Point-of-Sale
PPI	Prepaid Payment Instrument
PRI	Prompt Repayment Incentive
PSBs	Public Sector Banks
PSLCs	Priority Sector Lending Certificates
PSOs	Payment System Operators
PSPs	Payment System Participants
PVB	Private Sector Banks
QIP	Qualified Institutional Placement
QR	Quick Response
RBI	Reserve Bank of India
RCA	Root Cause Analysis
RCS	Registrar of Co-operative Societies
ReBIT	Reserve Bank Information Technology Private Limited
REs	Regulated Entities
RFIT	Radio Frequency Identification Technology
RIDF	Rural Infrastructure Development Fund
RoA	Return on Assets
RoE	Return on Equity
RP	Resolution Plan
RRBs	Regional Rural Banks
RS	Regulatory Sandbox
RSAs	Rate Sensitive Assets
RSLs	Rate Sensitive Liabilities
RSPs	Remittance Service Providers
RTGS	Real Time Gross Settlement
RWA	Risk Weighted Assets
SAF	Supervisory Action Framework
SARFAESI	Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act
SAs	Statutory Auditors
SCARDBs	State Co-operative Agriculture and Rural Development Banks
SCBs	Scheduled Commercial Banks
SCs	Securitisation Companies
SEs	Supervised Entities
SFBs	Small Finance Banks
SIDBI	Small Industries Development Bank Of India
SLF	Standing Liquidity Facility
SLF-MF	Special Liquidity Facility for Mutual Funds
SLR	Statutory Liquidity Ratio
SMA	Special Mention Accounts
SMF	Small and Marginal Farmers
SNRR	Scope of Special Non-Resident Rupee
SPDs	Standalone Primary Dealers
SRO	Self-Regulatory Organisation
StCBs	State Co-operative Banks
SUCBs	Scheduled Urban Co-operative Banks
SupTech	Supervisory Technology
T- Bills	Treasury Bills
TAT	Turn Around Time
TBTF	Too-big-to-fail

TCFD	Task Force on Climate-related Financial Disclosures
TDS	Tax Deduction at Source
TLTRO	Targeted Long- Term Repo Operations
TNW	Tangible Net Worth
TOL	Total Outside Liability
TReDS	Trade Receivables Discounting System
UAE	United Arab Emirates
US	United States
UCBs	Urban Co-Operative Banks
UIDAI	Unique Identification Authority of India
UPI	Unified Payment Interface
USSD	Unstructured Supplementary Service Data
VRR	Voluntary Retention Route
WAC	Weighted Average Cost
WAM	Weighted Average Maturity
WCDL	Working Capital Demand Loan
WCTL	Working Capital Term Loan
WG	Working Group
WLA	White Label ATM
WMA/OD	Ways and Means Advances/ Overdraft

I PERSPECTIVES

The banking system all over the world is grappling with challenges of reviving credit growth while maintaining their resilience in the face of the COVID-19 pandemic. In India, although the banking soundness indicators are obscured under the asset quality standstill, banks are raising capital in preparation of the imminent stress. Going forward, the challenging times may usher in new opportunities for the banking sector and the Reserve Bank remains committed to build an enabling environment while preserving financial stability.

I.1 At the time of publication of this Report, financial systems the world over are facing unprecedented challenges as they struggle to restore the flow of credit even while bracing up for large scale delinquencies and balance sheet stress that the ravages of the COVID-19 pandemic leave behind. In addition, they have to resume the stalled implementation of regulatory reforms, re-build and top-up capital and liquidity buffers and re-engage to nurture the economic recovery.

I.2 Domestically, an unprecedented economic contraction has taken its toll on the financials of banks and non-banks and purveyed a generalised risk aversion that has reduced the efficacy of the financial intermediation function. Prompt measures undertaken by the Reserve Bank and the Government have ensured easy monetary and liquidity conditions, orderly markets and a secure and well-functioning payment settlement environment. Although stretched asset valuations are in apparent disconnect with the real economy, life support in the form of adequate credit flows to some of the productive and COVID-19 stressed sectors has been deficient. Going forward, restoration of health of the banking and non-banking sectors depends on how quickly the animal spirits return and the revival of the real economy.

I.3 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.

Impact of COVID-19 on Banks and NBFCs

I.4 The Indian financial system, and banks in particular, displayed resilience in 2019-20, with a strengthening of asset quality, capital positions and profitability. In 2020-21, as policy support is rolled back, the impact of the COVID-19 pandemic may dent the health of the banks and non-banks. As at end-August 2020, around 40 per cent of outstanding loans of the financial system (banks and NBFCs) availed moratorium. The data on gross non-performing assets (GNPA) of banks are yet to reflect the stress, obscured under the asset quality standstill with attendant financial stability implications. An analysis of published quarterly results of a sample of banks indicates that their GNPA ratios would have been higher in the range of 0.10 per cent to 0.66 per cent at end-September 2020. The COVID-19 provisioning and ploughing back of dividends would help shield their balance sheets from emanating stress to a certain extent.

I.5 Preliminary estimates suggested that potential recapitalisation requirements for meeting regulatory purposes as well as for growth capital may be to the extent of 150 basis points (bps) of the common equity tier I (CET I) ratio for the banking system. The Financial Stability Report (FSR), to be released shortly, will present an updated assessment of the GNPA and capital adequacy of SCBs under alternate macro stress test scenarios. While the Government has earmarked ₹20,000 crore in the first supplementary demands for grants for capital infusion in public sector banks (PSBs), they may raise more resources from the market as an optimal capital raising strategy. Prudently, some major private sector banks (PVBs) have already raised capital, and some large PSBs have announced plans to raise resources in a staggered manner, depending on the prevailing market circumstances.

I.6 The impact of the pandemic on *niche* players differed on the basis of the stage of their evolution, financial health at the time of onset of the pandemic, business model and area of operation. Consequently, the risks and uncertainties that they face also have their own characteristics.

Small Finance Banks

I.7 Those small finance banks (SFBs), which were earlier NBFC micro finance institutions (NBFC-MFIs), continue to have significant exposure to unsecured advances even as they strive to diversify their portfolio. Green shoots in the form of revival of agriculture and allied activities may augur well for financials of these banks. The collection efficiency of these banks had dropped substantially during the strict lockdown period but since then there is a strong improvement on a month-to-month basis and a catch-up with pre-pandemic levels may, in fact, be underway.

I.8 These banks have smaller low-cost current and saving account (CASA) deposit bases. While the prevailing easy liquidity conditions facilitate borrowings and refinance on which they rely, SFBs may need to focus on their bottomlines as and when financial conditions tighten. Furthermore, risk absorption cushions in the form of provision coverage ratio (PCR) is low in some SFBs, impacting their ability to withstand adverse shocks.

Payments Banks

I.9 The business model of payment banks entails dependence on transaction and investment income to meet various costs. With elevated levels of unemployment and reverse migration still to be corrected for, these banks' sources of income may come under strain. In the recent period, weighted average G-Sec yields have fallen to their lowest levels in 16 years impacting their interest income. Most of these banks are yet to break even, mainly due to high initial infrastructure costs. Generation of capital funds in the absence of credit products poses a challenge for them.

Co-operative Banks

I.10 The share capital of co-operative banks is contributed by members, each of whom is entitled to one vote irrespective of the extent of shareholding. This, coupled with the absence of a secondary market for share trading, has made mobilisation of share capital by co-operative banks difficult. Although this has been a chronic problem, the recent economic downturn resulting in loan defaults / repayment moratorium, has increased their capital requirements. Raising additional capital at reasonable cost has emerged as a key challenge for them.

Non-Banking Financial Companies (NBFC) Sector

I.11 After the IL&FS episode, the NBFC sector was inching towards normalcy in 2019-

20 when COVID-19 affected their operations. As compared with other segments of the financial system, the impact was relatively higher on NBFCs since they were unable to function during the initial phase of lockdown. On the supply side, sources of funds, especially for small and mid-sized NBFCs, dwindled on reduced risk appetite of banks for low rated and unrated exposures. Financing conditions facing them were further affected by redemption pressures of the mutual fund industry, resulting in widening of spreads. On the demand side, the prevailing economic contraction subdued credit offtake.

I.12 Specific measures taken by the Reserve Bank and the Government enabled these entities to overcome liquidity constraints and restricted market access. The share of NBFCs in total commercial paper (CP) issuances increased sharply in September and October 2020 following a decline in April-August 2020. The share of banks in total borrowings of NBFCs has consistently increased over the past two years. While PSBs dominate the bank lending to NBFCs, their share has declined since March 2020, with the space vacated being taken up by the PVBs. With market confidence restored, NBFCs are striving to augment financing to niche sectors and assist in the economic recovery.

I.13 Housing finance companies (HFCs) faced challenges due to delays in completion of housing projects, cost overruns due to uncertainty around reverse-migration of labourers and delayed investments by buyers in the affordable housing sector as incomes shrank and jobs were lost. Going forward, the sector may need to brace up for large slippages of loan assets and higher provisioning.

I.14 Keeping in view the likely impact of COVID-19 on financial conditions, banks, NBFCs—especially non-deposit taking NBFCs with asset size of ₹5,000 crore and above—and UCBs were advised to assess the impact of COVID-19 under severe but plausible scenarios on their balance sheets, asset quality, liquidity, profitability and capital adequacy for the financial year 2020-21. This proactive assessment should help these entities in estimating likely shortfalls in capital.

Risk Based Supervision for KYC and AML

I.15 With the increasing level of complexity in banking business, the need to assess systemic risks emanating from non-compliance to know your customer (KYC) and anti-money laundering (AML) directions has assumed importance. A dedicated supervisory structure is being created by the Reserve Bank to develop a risk-based approach for KYC/AML supervision of banks, in line with the Basel Committee on Banking Supervision (BCBS) principles and Financial Action Task Force (FATF) requirements for prudential supervision. The goal is to facilitate comprehensive and pre-emptive risk discovery and assessment so as to detect and address money-laundering and terror financing risks in the banking sector.

Co-operative Banking Sector Challenges

I.16 The recent collapse of a large UCB due to fraud and deficient corporate governance has dented public confidence in UCBs. Legal impediments and idiosyncratic factors tend to impede expeditious resolution. Mobilisation of additional capital is constrained by shareholding patterns and legal provisions governing them. The recent amendment to the Banking Regulation Act, 2020 has somewhat eased capital raising constraints. The Reserve Bank has been empowered to reconstruct or amalgamate these banks. Furthermore, the Reserve Bank has revised the supervisory action framework (SAF) for UCBs, which will facilitate quick regulatory/

supervisory responses for financially distressed UCBs.

I.17 UCBs lagged behind their peers in technology adoption. It is in this context that the Reserve Bank has accorded high priority to the implementation of core banking solutions (CBS) in the sector. More than 99 per cent of these banks are now compliant. In case of rural co-operatives, all except one bank is CBS compliant. Notwithstanding this progress, technological upgradation of co-operative banks remains a challenge.

I.18 The Reserve Bank has initiated the process of identifying weak and vulnerable banks, based on a revised stress testing methodology buttressed by findings of the current inspection cycle. An improvement schedule with specific time-bound targets has been finalised and continuous monitoring has been put in place.

I.19 New players in the banking arena are offering competition to co-operative banks. At the same time, emergence of technology driven financial services players has increased the number of options for customers. Co-operative banks with their grass-root level customer base and domain knowledge can attract new customers and retain existing clientele. A change in outlook, processes, business model and strategy are, however, required to achieve goals in a new development strategy that is in sync with the fast changing landscape.

Reducing Regulatory Arbitrage among NBFCs

I.20 Since 2006, the Reserve Bank implemented differential regulation and supervision for various categories of NBFCs to adapt to the heterogeneity of their business models and scale of operations. The recent failure of a large NBFC, with adverse consequences has, however, prompted a re-examination of this regulatory approach. The primary focus will now shift to identifying NBFCs with significant externalities contributing to systemic risks and subject them to a higher degree of regulation A calibrated evaluation of the prevailing regulatory arbitrage between NBFC categories has been undertaken to minimise spillover of risks. Since housing finance companies (HFCs) are treated as a category of NBFCs for regulatory purposes, the Reserve Bank has already harmonised key regulations of HFCs with those of NBFCs and complete harmonisation across the board would be accomplished in a phased manner.

Harnessing RegTech for Efficient Reporting

I.21 Recognizing that cutting-edge technology has enormous potential for preventive compliance, transaction monitoring and automated data flows, the Reserve Bank has accorded priority to adoption of RegTech. Framing of machine-readable regulations is envisaged for facilitating digital reporting to serve greater consistency and improved compliance.

I.22 Entities regulated by the Reserve Bank are already harnessing technological tools like artificial intelligence, machine learning, big data analysis for KYC/ALM purposes, regulatory reporting and management information system, payments and account aggregation as well as to judge the creditworthiness of borrowers. Notwithstanding its many advantages in terms of data and privacy protection, cyber risks are a major challenge in technology adoption. The Reserve Bank plans to undertake a broad-based survey on RegTech adoption and based on the findings, broad principles to encourage adoption of these tools will be developed.

SupTech Adoption for Proactive Monitoring

I.23 The offsite supervision architecture relies heavily on pre-defined templates to collect data, which are susceptible to inaccuracies and incompleteness of reporting. The Reserve Bank is striving to establish mechanisms to securely extract specific data sets directly from source systems for a more proactive risk-based supervision. The use of artificial intelligence and machine learning techniques are being explored to identify anomalies in the regulatory/ supervisory reporting data which can be used for predictive analysis. These techniques should pre-emptively help in micro-prudential supervision, identifying vulnerable branches, stressed exposures, unmitigated operational risks, suspicious transactions and misdemeanors. The Reserve Bank is also using state-of-the-art data visualisation techniques to identify risk areas and entities.

I.24 Looking ahead, the banking and non-banking sectors face both challenging times and new opportunities as the Indian economy returns to full vitality. New vistas of financial intermediation, leveraging on technology will open up to be exploited, and new business models will emerge. The Reserve Bank is positioning itself to provide an enabling environment in which regulated entities are catalysed to exploit these new avenues, while maintaining and preserving financial stability.

II GLOBAL BANKING DEVELOPMENTS

The global banking system, bolstered by the progressive implementation of the Basel III reforms and swift policy measures, successfully withstood the initial impact of COVID-19. The implementation of further reforms was extended by a year to buttress the operational capacity of banks and supervisors to respond to the event. Going forward, the muted credit expansion, the persistence of a low interest rate environment and the impending asset stress on account of the pandemic suggest that profitability of banks is likely to remain subdued.

1. Introduction

II.1 The global economy is going through its testing challenge, unparalleled in recent history, as the COVID-19 pandemic takes its toll and a second wave threatens to stall growth, investment and trade. The International Monetary Fund (IMF) forecasts a steep contraction in global output in 2020 on account of the pandemic (Chart II.1a)[1]. The global financial system, with banks at its core, was acquiring resilience through 2019 primarily driven by the ongoing financial regulatory reforms. Bank credit to the non-financial sector picked up from the second quarter of 2019 in response to the policy measures (Chart II.I b and c). Buffered with higher capital and liquidity ratios, the global banking system successfully withstood the initial impact of the COVID-19 shock, also aided by swift and unprecedented policy actions. With the onset of the COVID-19 pandemic, however, bank credit growth was interrupted abruptly in the first quarter of 2020, particularly in the emerging market economies (EMEs). The policy responses helped to ease financial conditions and bank credit growth to recover in the second quarter.

II.2 The outlook for 2021 remains highly uncertain. The high debt overhang of households, non-financial corporates and the (national and sub-national) governments remains a serious concern. The outlook for the global financial system hinges around the abatement of the health crisis and the pace, sustainability and inclusiveness of the recovery. Further, risks to global financial stability remain elevated.

II.3 The rest of the Chapter is organised as follows. Section 2 traces the evolution of global banking policy reforms and their implementation. Section 3 reviews the performance of the global banking system during these testing times. A quick preview of the 100 largest global banks is presented in Section 4. Section 5 concludes the chapter.

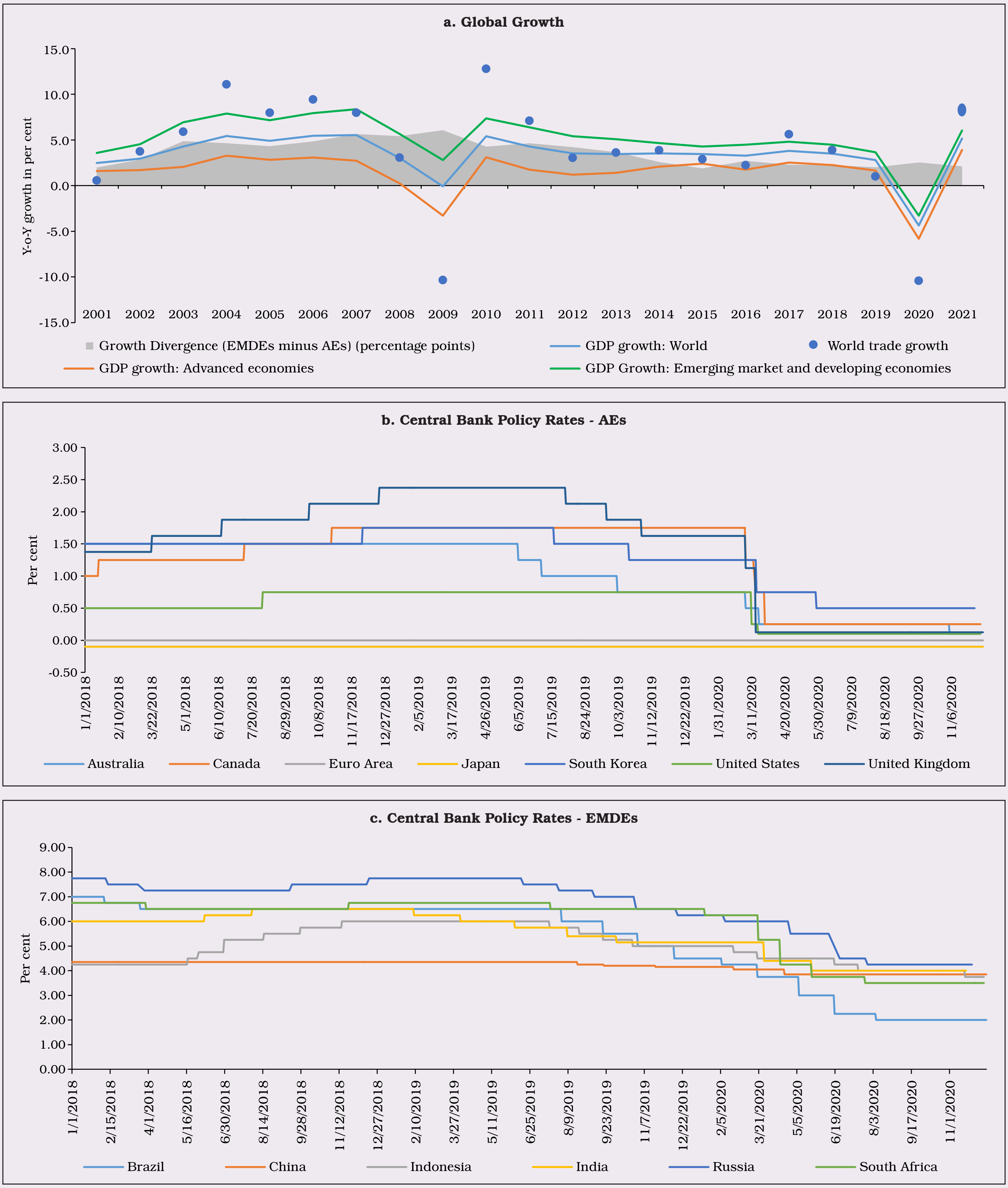
2. Global Banking Policy Developments

II.4 The member jurisdictions of the Basel Committee on Banking Supervision (BCBS) made progress since 2019 in implementing the Basel III standards[2]. As alluded to earlier, banks used this period to build capital and liquidity buffers

[1] International Monetary Fund (2020), '*World Economic Outlook – A Long and Difficult Ascent*', October 7, available at https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020. The October 2020 update of the WEO showed a less severe contraction than the June 2020 update.

[2] Basel Committee on Banking Supervision (2020), *Implementation of Basel Standards: A Report to G20 Leaders on implementation of the Basel III regulatory reforms*, November 3, available at https://www.bis.org/bcbs/publ/d510.pdf.

Chart II.1: The Macro Backdrop



Note: Global growth data for 2020 and 2021 are estimates of the IMF.
Source: IMF, World Economic Outlook Database, October 2020; BIS policy rate statistics, November 19, 2020.

while reducing leverage. Recognising exceptional circumstances brought on by the pandemic, however, the implementation dates of the Basel III standards (finalised in December 2017), the revised Pillar 3 disclosure requirements (finalised in December 2018), and the revised market risk framework (finalised in January 2019) have been deferred by one year to January 1, 2023[3]. Nevertheless, the pandemic is expected to leave scars on the capital of banks.

II.5 The Financial Stability Board (FSB) was established as part of a key institutional reform to monitor the implementation of the financial sector reforms. The four core elements of the reforms are: (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 (NBFI). Work is also underway to strengthen governance standards to reduce misconduct risks; to address the decline in correspondent banking; to analyse implications of FinTech for financial stability; financial innovations; payments systems; cyber resilience; and market fragmentation.

2.1 Building Resilient Financial Institutions

II.6 There has been considerable progress in the implementation of the Basel Framework[4] for capital, liquidity and global systemically important banks (G-SIBs). All 27 BIS member jurisdictions have enforced final rules for risk-based capital, liquidity coverage ratio (LCR) regulations, capital conservation buffers and the countercyclical capital buffers (CCyB). While all members that are home jurisdictions to G-SIBs have final rules in force for the G-SIBs, twenty six members have final rules in force for domestic systemically important banks (D-SIBs). All members have issued final or draft rules for the Net Stable Funding Ratio (NSFR)[5]. Further, majority of the members (ranging between 22 and 26) have either enforced final rules or published draft rules for the leverage ratio, the standardised approach for measuring counterparty credit risk (SA-CCR), the supervisory framework for measuring and controlling large exposures (LEX), the monitoring tools for intra-day liquidity management, margin requirements for non-centrally cleared derivatives (NCCDs), the revised securitisation framework, capital requirements for equity investments in funds and the revised Pillar 3 disclosure requirements[6].

2.2 Making Derivatives Markets Safer[7]

II.7 Significant progress has been made in over-the-counter (OTC) derivatives market reforms. As at end-September 2020, comprehensive trade reporting requirements for OTC derivatives transactions and interim capital requirements for NCCDs have been implemented in 23 jurisdictions of FSB (out of 24), although internationally trade reporting remains less than fully effective. The implementation of frameworks for mandatory central clearing

[3] In March 2020, the Group of Central Bank Governors and Heads of Supervision endorsed a set of measures to provide additional operational capacity for banks and supervisors to respond to the financial stability priorities resulting from the impact of Covid19 on the global banking system.

[4] The Basel Framework is the full set of standards of the Basel Committee on Banking Supervision (BCBS).

[5] Final guidelines on the NSFR for banks in India were published in May 2018. The guidelines which were to be effective from April 1, 2020 have been deferred to April 1, 2021.

[6] The adoption of securitisation framework is yet to commence in India, while the implementation of margin requirement for non-centrally cleared derivatives (NCCDs) is in progress.

[7] FSB (2020), *OTC Derivatives Market Reforms:2020 Note on Implementation Progress*, November 25, available at https://www.fsb.org/2020/11/otc-derivatives-market-reforms-2020-note-on-implementation-progress/.

(17 jurisdictions), platform trading (13 jurisdictions), margin requirements for non-centrally cleared derivatives (16 jurisdictions), and final capital requirements for NCCDs (8 jurisdictions) are underway.

2.3 Promoting Resilient Non-Bank Financial Intermediation

II.8 Over the years, non-bank financial intermediation has been gaining ground in the global financial landscape as an important alternative source of financing. They are also instrumental in fostering competition among financing entities including banks. The total financial assets of the non-bank financial intermediation sector (NBFI)[8] grew by 8.9 per cent to US$ 200.2 trillion in 2019 (as against a marginal decline in the previous year). The growth was broad-based mainly due to higher growth rates in investment funds (reflecting mostly valuation effects), pension funds and insurance corporations.[9] During the year, the total global financial assets and banks' financial assets grew by 6.6 per cent and 5.1 per cent, respectively.

II.9 The NBFI sector thus accounted for nearly half of the total global financial intermediation in 2019, which is also indicative of growing interconnectedness of the sector across the financial system and implications for systemic risks.

II.10 The implementation of policy reforms for non-bank financial intermediaries are progressing, contributing to an open and resilient financial system[10]. While final implementation measures were yet to be put in force by six out of 24 jurisdictions for valuation, liquidity management and stable net asset value (NAV) for Money Market Funds (MMFs), nine jurisdictions had still to adopt measures for an incentive alignment regime and disclosing requirements for securitization. India has both the implementation measures in force.

2.4 Climate-related Financial Disclosures

II.11 The FSB established a Task Force on Climate-related Financial Disclosures (TCFD)[11] in 2015 which finalised its recommendations in 2017. The third Status Report on adoption of the recommendations of the TCFD (October 29, 2020) indicated that disclosure of climate-related financial information has steadily increased. It also highlighted the continued need for improving the level of disclosures for greater consistency and comparability.

2.5 Correspondent Banking[12] and Remittances

II.12 Globally, correspondent banking has been on the decline in recent years due to de-risking. This has adverse consequences on the access to the international financial system, remittances and cross-border payments. Since November

[8] The NBFI sector comprised of all financial institutions that are not central banks, banks or public financial institutions, thus including insurance corporations, pension funds, or financial auxiliaries. The Other Financial Intermediaries (OFIs), a subset of the NBFI sector, comprised of all financial institutions that are not central banks, banks, public financial institutions, insurance corporations, pension funds, or financial auxiliaries.

[9] The FSB undertakes an annual exercise to monitor the size, structure and trends in NBFI activities. The latest information about NBFI pertaining to 2019 is from the 'Global Monitoring Report on Non-Bank Financial Intermediation 2020' published on December 16, 2020, available at https://www.fsb.org/2020/12/global-monitoring-report-on-non-bank-financial-intermediation-2020/.

[10] Financial Stability Board (2020), '*Implementation and Effects of the G20 Financial Regulatory Reforms: Annual Report*', November 13, available at https://www.fsb.org/2020/11/implementation-and-effects-of-the-g20-financial-regulatory-reforms-2020-annual-report/.

[11] The aim of the TCFD was 'to develop a set of voluntary, consistent disclosure recommendations for use by companies in providing information to investors, lenders and insurance underwriters about their climate-related financial risks.'

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

2015, the FSB has undertaken action plans to address the decline in correspondent banking relationships and remittance service providers' (RSPs) access to banking services[13]. In March 2018, the FSB recommended a set of measures to address problems faced by the RSPs in obtaining access to banking services and identified factors underlying the termination of banking services to RSPs such as 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 the RSPs and compliance with international standards.

II.13 Despite various remedial measures, the decline in correspondent banking continued in 2019, though at a slower pace. The number of active correspondent banks worldwide fell by 3 per cent in 2019 and by 22 per cent between 2011 and 2019[14]. Nonetheless, correspondent banking continues to play a pivotal role for cross-border payments.

2.6 Misconduct Risks

II.14 The FSB introduced a toolkit of measures in November 2018, which supervisors and firms can use to strengthen the governance frameworks of financial institutions by increasing 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. From a recent survey of its members, the FSB reports that the use of Supervisory Technology (SupTech) for 'misconduct analysis' and 'microprudential supervision' has increased in recent years, mainly due to the relatively rule-based nature of assessments in these areas. Whereas, the use of traditional market surveillance mechanisms that were prevalent earlier have reduced somewhat. Further, there has been an increase in the use of supervised Machine Learning (ML) tools to detect mis-selling of financial products and identify financial advisers (consultants) with higher risk of committing misconduct[15].

2.7 Central Bank Policy Responses to the COVID-19 Pandemic

II.15 Central banks across the world adopted a multi-pronged strategy to cushion the impact of the pandemic and sustain the flow of credit to households and firms[16]. Capital levels were enhanced either through restrictions on distribution of profits through dividends and share buy-backs or through government loan guarantees, or both. In order to stimulate lending, regulators waived risk weights for loans covered by government guarantees and reduced those on banks' exposures to targeted borrowers, especially smaller firms. Japan, the United Kingdom, and the United States exempted central bank reserves and government bond holdings from banks' leverage exposure measures to facilitate large asset purchase programs and to encourage banks to intermediate in government

[13] FSB (2020), *'Enhancing Cross-border Payments: Stage 1 report to the G20.'* April 8, available at https://www.fsb.org/wp-content/uploads/P090420-1.pdf.

[14] BIS (2020), '*New correspondent banking data - the decline continues at a slower pace*', August 31, available at https://www.bis.org/cpmi/paysysinfo/corr_bank_data/corr_bank_data_commentary_2008.htm.

[15] FSB (2020), *'The Use of Supervisory and Regulatory Technology by Authorities and Regulated Institutions,* October 9, available at https://www.fsb.org/wp-content/uploads/P091020.pdf.

[16] IMF (2020), '*Global Financial Stability Repor*t, October, available at https://www.imf.org/en/Publications/GFSR/Issues/2020/10/13/global-financial-stability-report-october-2020.

bond markets. In many countries, central banks allowed release of countercyclical capital buffers. Some jurisdictions asked their banks to use capital conservation buffers (CCBs)[17] to support lending and gradually rebuild them through retained earnings as conditions improve. Several countries allowed asset quality standstills for loans impacted by the pandemic; this deferment contained provisioning requirements, thus conserving capital. Banks have also been compelled, either by regulation or strong administrative guidance, to cancel capital distributions.

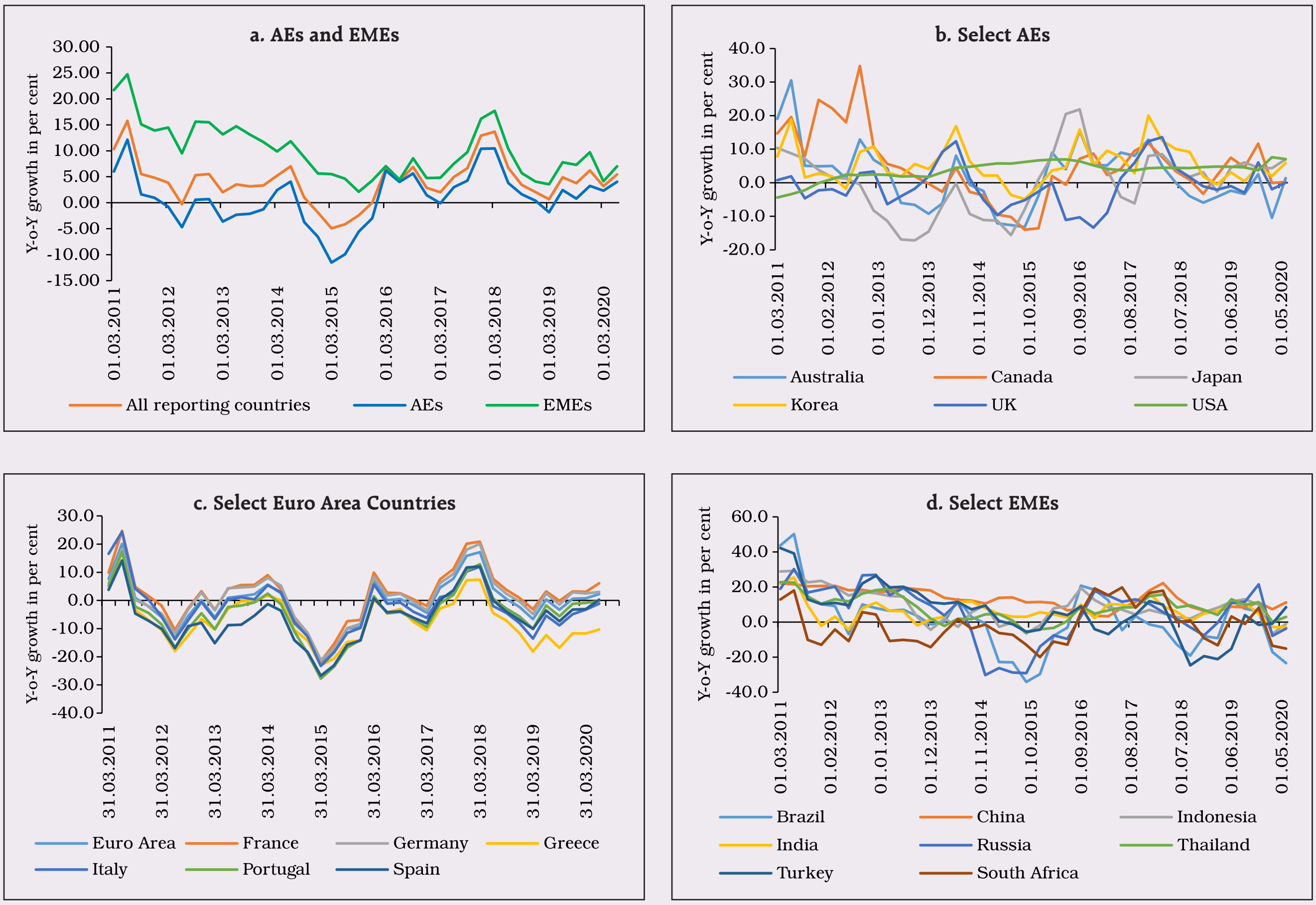
3. Performance of the Global Banking Sector

II.16 Having progressively implemented the regulatory reforms in the last decade through 2019, the global banking system stood on strong grounds when the pandemic hit and sustained credit supply to the real sector.

3.1 Bank Credit Growth [18]

II.17 With the synchronised global slowdown, bank credit growth to the private non-financial sector moderated across most AEs and EMEs through 2018, followed by uneven recovery in 2019 (Chart II.2). In the US, constant credit

Chart II.2: Bank Credit to the Private Non-Financial Sector



Note: Growth rate calculated from outstanding credit in US dollar terms.
Source: Bank for International Settlements, Total Credit Statistics.

[17] A buffer of 2.5 per cent of total capital aimed at preventing banks from breaching the minimum regulatory capital adequacy ratio.

[18] Data sourced from the Bank for International Settlements' (BIS) Total Credit Statistics, updated September 14, 2020, available at https://www.bis.org/statistics/totcredit.htm.

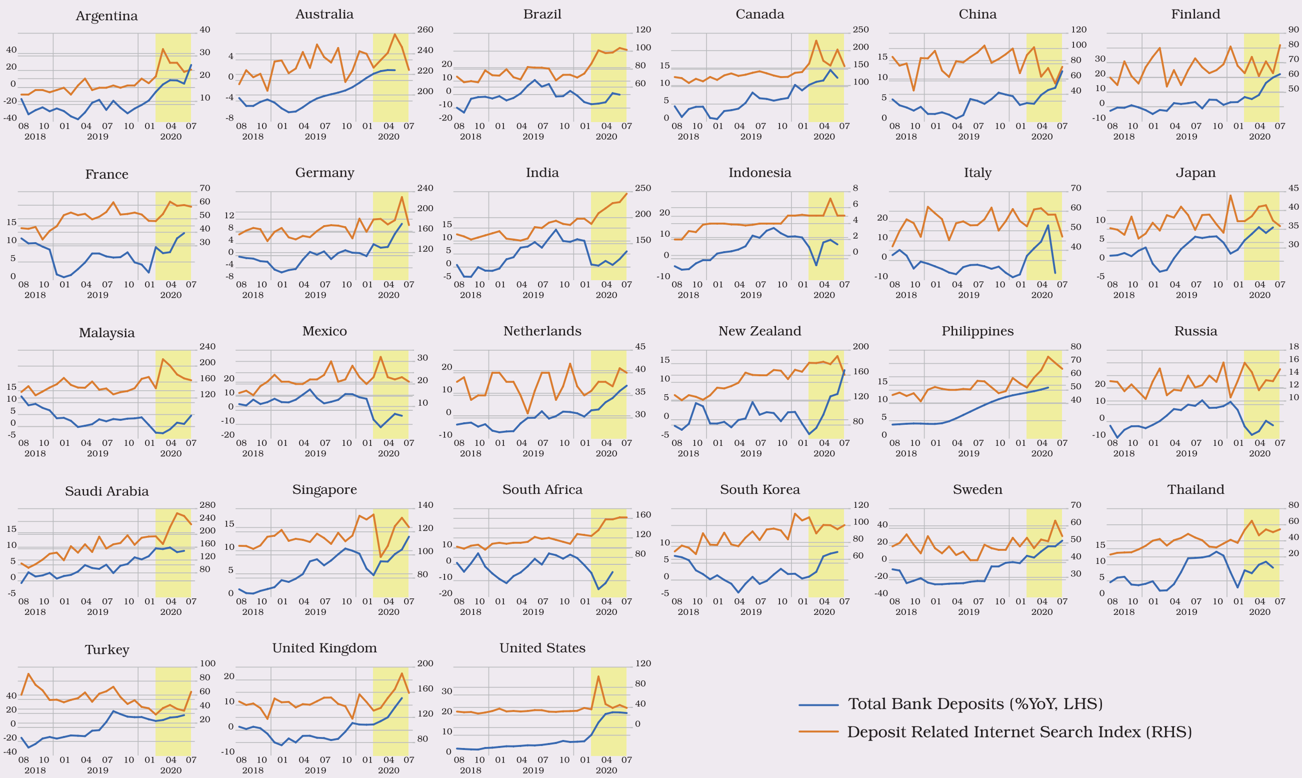
growth was maintained. On the other hand, bank credit consistently contracted in 2019 in Australia, Greece, Italy, Portugal, Spain and Turkey.

II.18 Country-specific factors induced divergence in bank credit growth in 2020. In the first quarter, bank credit growth dipped across AEs (though to a lesser extent in the Euro Area) but the deceleration was sharper in the EMEs, in the wake of the COVID-19 pandemic. There was a partial recovery in the second quarter. Response of bank deposits to COVID-19, however, differed across countries (Box II.1).

Box II.1: Why COVID-19 Affected Bank Deposit Growth Differently Across Countries?

The supply of bank deposits during periods of high uncertainty tends to rise on precautionary considerations, often incentivised by explicit insurance and implicit government guarantees (Gatev and Strahan, 2006; Pennacchi, 2006). The internet search index for bank deposits[19] across most countries increased sharply after the outbreak of the pandemic, as depositors sought more information about the status and safety of their deposits, and were also attracted by comparatively higher interest rates to park their funds (Chart 1).

Chart 1: Country-wise Bank Deposit Growth and Internet Searches



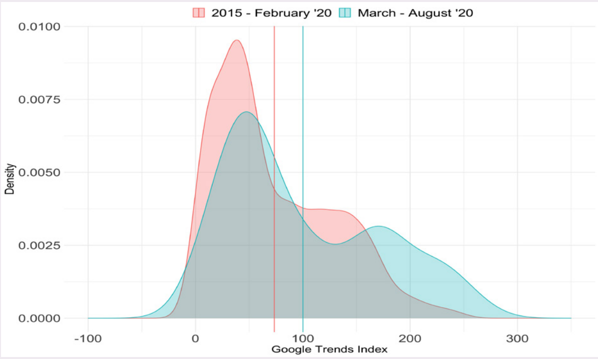
Source: CEIC, Google Trends (https://www.google.com/trends).

(Contd....)

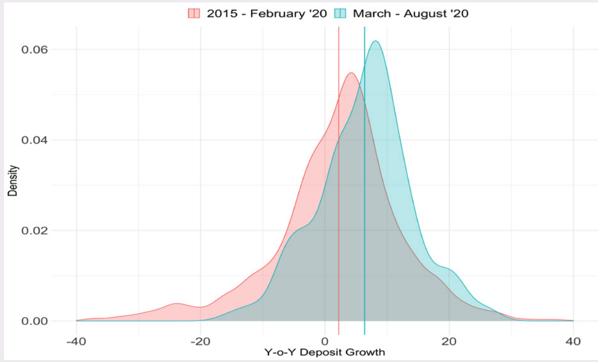
[19] Following the methodology of Castelnuovo and Tran (2017), country-specific indices were constructed for keywords related to deposit *i.e.*, 'bank deposit', 'deposit', 'bank account' and 'deposit insurance' using raw data obtained from *Google Trends*. For countries where English is not an official spoken language, the searches were supplemented with native language translations of the keywords.

Chart 2: Full Sample Bank Deposits and Internet Searches: Pre- and Post-COVID

(a) Deposit-related Internet Searches



(b) Deposit Growth



Source: CEIC, Google Trends, Authors' calculations.

For the entire sample, the surge in deposit-related internet searches is matched by a statistically significant increase in bank deposits compared to the pre-pandemic trend (Chart 2). Country-specific experiences in bank deposit growth, however, reveal almost equal number of sharp accelerations and decelerations.

On an average, countries with higher-than-median[20] deposit-related internet searches during the pandemic also had a statistically significant acceleration in bank deposits (Chart 3a and Table 1). Bank deposits in AEs grew more sharply than in EMEs (Chart 3b).

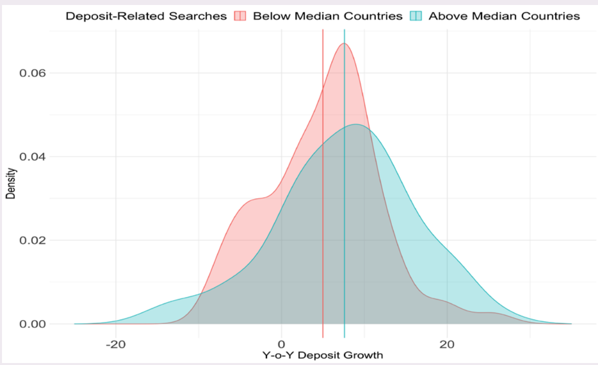
While no significant difference in deposit growth is observed between countries on the basis of their cash intensity, those with better capitalised banking systems observed a higher growth rate of deposits than peers (Chart 4a and b).

No statistical difference is observed in deposit growth in countries which implemented highly stringent lockdown measures *versus* the more lenient ones (Chart 5a). Interestingly, however, countries which provided higher economic support packages in response to COVID-19 observed a statistically significant higher growth rate in bank deposits (Chart 5b).

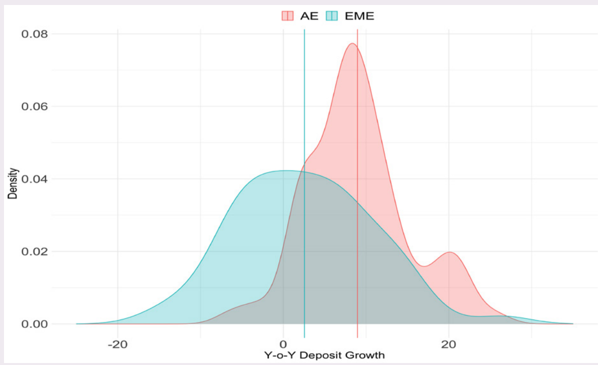
Summing up, these findings may suggest that economies with better social safety nets could help their citizens in saving for precautionary purposes. The findings also underscore the need for stronger and well-capitalised banking systems in the face of black swan events such as the pandemic.

Chart 3: Deposit Growth Rate in Post-COVID-19 Period: by Internet Searches and Country Type

(a) By Internet Search Intensity



(b) By Country Type



Source: CEIC, Google Trends, Authors' calculations.

(Contd....)

[20] Median calculated across countries in the sample.

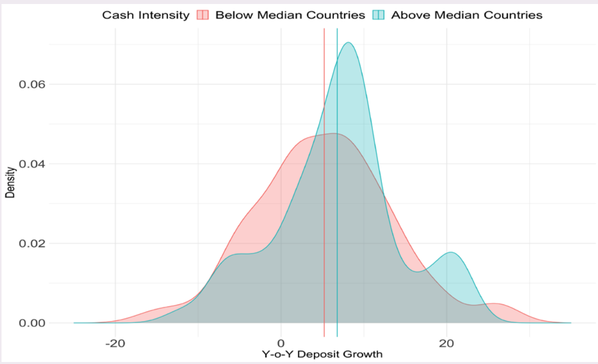
Table 1: Statistical Tests for Differences in Mean

		Mean of deposit growth (Std. Error)				t-stat	p-value
1.	Internet Search	Low	5.0 (0.81)	High	7.6 (1.03)	-1.99	0.04
2.	Country Type	AE	9.0 (0.69)	EME	2.5 (1.08)	4.96	0.00
3.	Cash Intensity	Low	5.2 (1.04)	High	6.8 (0.94)	-1.12	0.27
4.	Financial Soundness	Low	5.3 (0.99)	High	7.4 (0.86)	-1.74	0.08
5.	Stringency	Low	7.2 (0.89)	High	5.4 (0.96)	1.36	0.18
6.	Economic Support	Low	4.7 (1.14)	High	9.1 (0.88)	-3.04	0.00

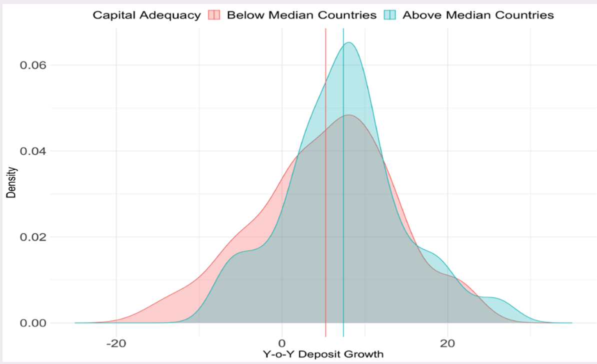
Note: Category low/high were decided on the basis of cross-sectional median.
Data sources: CEIC, BIS, Google Trends, Authors' calculations

Chart 4: Deposit Growth Rate in the Post COVID-19 Period: Country Characteristics

(a) By Cash Intensity (Currency in circulation to GDP ratio)



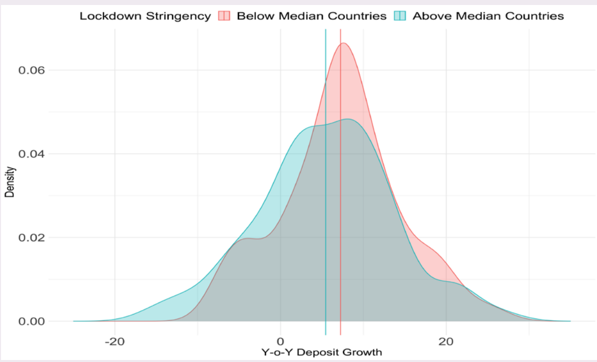
(b) By Financial Soundness (CRAR)



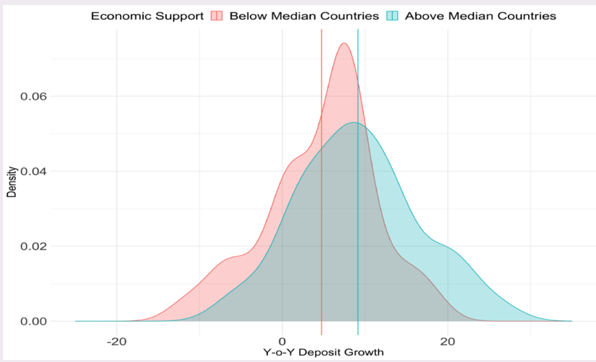
Source: CEIC, BIS, IMF, Authors' calculations.

Chart 5: Deposit Growth Rate in the Post COVID-19 Period: Policy Response to Pandemic

(a) By Lockdown Stringency



(b) By Economic Support



Source: CEIC, Oxford Policy Tracker, Authors' calculations.

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Herwadkar, S., B. Pratap and H. Chakravarthy (2020). 'Response of Bank Deposits to COVID-19: A cross-country analysis', *mimeo*.

Pennacchi, G. (2006). 'Deposit insurance, bank regulation, and financial system risks', *Journal of Monetary Economics*, 53, 1–30.

3.2 Asset Quality [21]

II.19 Asset quality generally improved across banks in major AEs in 2019 (Chart II.3a)[22]. Significantly, the non-performing loans (NPL) ratios eased in the two peripheral economies of the Euro-zone, *viz.*, Greece and Portugal mainly through institutional and government intervention. In the wake of pandemic, asset quality deteriorated in Australia, Canada and the United States in the first half of 2020.

II.20 The asset quality of the EMEs' banking system showed a mixed picture (Chart II.3b). The asset quality of Russian banks, for instance, worsened in 2018 and early 2019 due to fragile economic conditions and sanctions, but has improved subsequently. Banks in South Africa and Turkey, however, experienced deterioration in asset quality as financial conditions weakened. In the first half of 2020, Brazil, India and Turkey improved their asset quality.

II.21 Going forward, the impact of the pandemic on asset quality of the banks is still unclear, given the recognition standstills, still operational in many countries. While the accumulated capital buffers may help banks in facing pandemic related adversities, it is crucial that stress on the banks' balance sheet is transparently recognised.

3.3 Return on Assets

II.22 Bank profitability, measured by the return on assets (ROA), generally declined across AEs and EMEs in 2019. In an overall environment of low profitability, banks in Canada, Australia, Portugal, Spain and the United Kingdom did better than those in the US and Japan (Chart II.4a). In the Euro area, bank profitability in France and Germany was impacted by weak growth and high NPLs, while for banks in peripheral economies such as Greece, Portugal and Spain, there was a recovery due to declining NPL ratios and consequent 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 pose headwinds to a fuller revival.

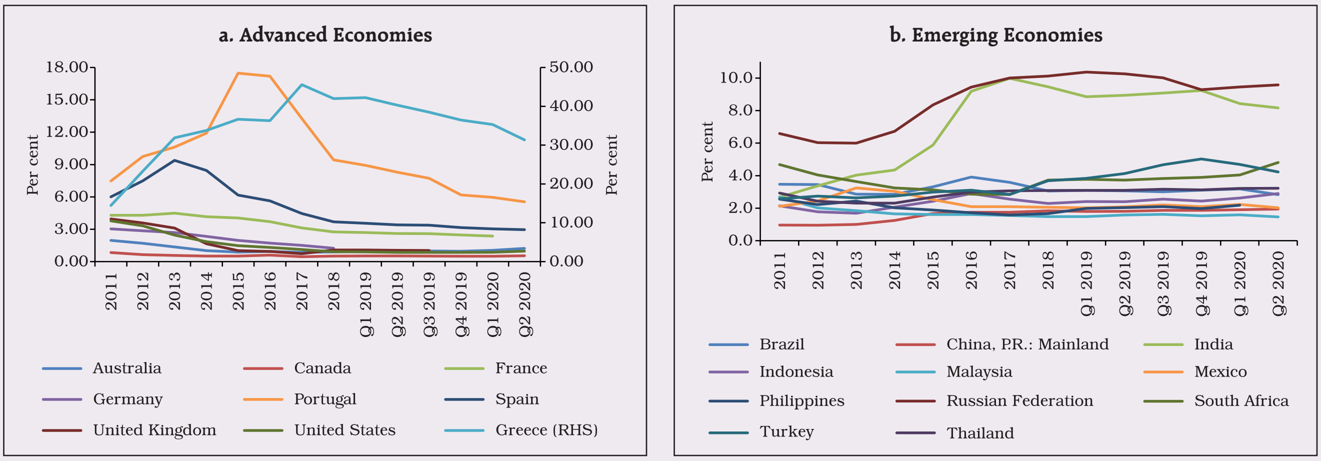
II.23 Among the EMEs too, the profitability of banks was lower in 2019 than in the preceding year. Although the ROA of banks in India continued to be the lowest amongst peers, they turned profitable in 2019 after a recent loss-making streak. Banks in Indonesia continued to sustain improvements in performance through the decade on the strength of high interest margins and robust credit growth, followed by banks in Mexico, Brazil and Thailand (Chart II.4b). The profitability of banks in China came under pressure from asset quality issues, ongoing deleveraging, decelerating loan growth and weak balance sheets, especially of small and medium-sized banks. The profitability of Russian banks improved, despite high loan delinquencies, as NPLs were well provisioned for, and both net interest incomes, and fee and commission income increased.

II.24 The bank profitability was adversely impacted generally across advanced and emerging economies in the first half of 2020. Going forward, the slowing of credit growth, the likely persistence of a low interest rate environment and the impending asset stress due to the pandemic suggest that the profitability of banks is likely to remain subdued.

[21] Data for sub-sections 4.2 to 4.5 are sourced from the IMF's Financial Soundness Indicators (FSI).

[22] Asset quality is measured as the ratio of gross non-performing loans (NPLs) to total gross loans.

Chart II.3: Gross Non-Performing Loans Ratio



Source: Financial Soundness Indicators, IMF.

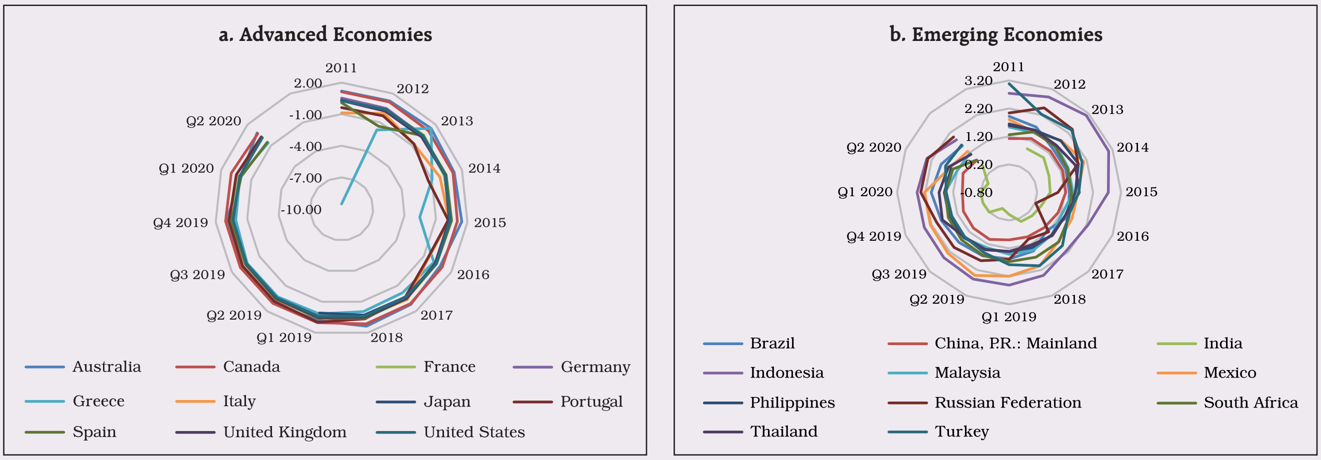
3.4 Capital Adequacy

II.25 There has been steady progress in the implementation of Basel III norms across jurisdictions, *albeit* at varying speeds. Banks across systemic AEs and EMEs remained adequately capitalised (Chart II.5a and b).

II.26 Except for Brazil, banks across major EMEs improved their capital adequacy in 2019. Banks in Indonesia continued to maintain the highest CRAR. Chinese banks strengthened their capital positions, particularly the small and medium sized ones. The capital adequacy of Russian banks improved in 2019, though they remained the lowest among EMEs. The 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.

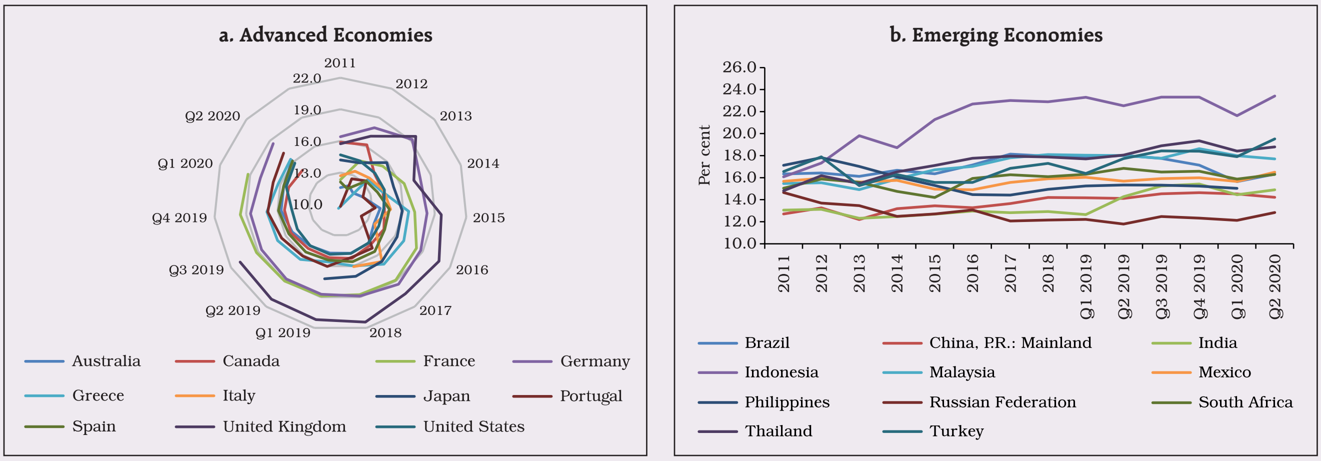
II.27 The global banking system weathered the pandemic on the back of stronger capital and liquidity positions than they had when the global financial crisis hit. Banks across advanced and

Chart II.4: Return on Assets (Per cent)



Source: Financial Soundness Indicators, IMF.

Chart II.5: Capital to Risk-Weighted Assets Ratio (Per cent)



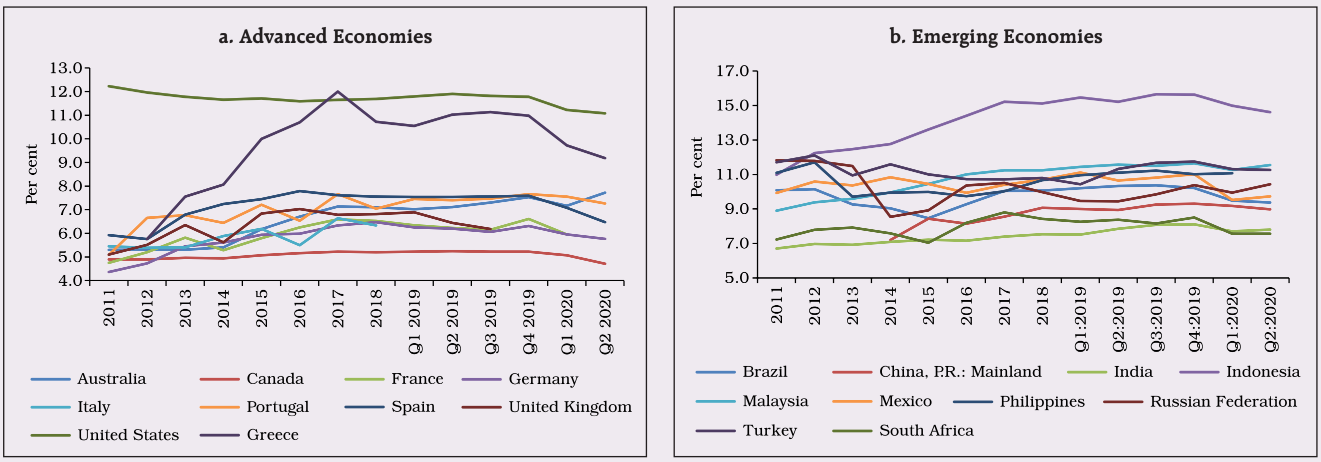
Source: Financial Soundness Indicators, IMF.

emerging economies improved their capital positions in the second quarter of 2020, after a decline in the previous quarter. Going forward, however, the pandemic is expected to pose pressures on the capital and liquidity buffers.

3.5 Leverage Ratio[23]

II.28 The leverage ratio generally improved across the banking system both in AEs and EMEs in 2019, a phenomenon observed since 2010, driven by the Basel III regulatory requirements. Banks have maintained the leverage ratio well-above the minimum of 3 per cent under the Basel III norms. While banks in the US and Greece maintained the leverage ratio above 11 per cent, banks in Indonesia have sustained it above 15 per cent for the past three years (Chart II.6a and b). Banks' leverage ratios generally declined across advanced and emerging economies in the first half of 2020.

Chart II.6: Leverage Ratio



Source: Financial Soundness Indicators, IMF.

[23] Measured as the ratio of capital to total assets.

3.6 Financial Market Indicators

II.29 Despite slowing bank credit growth in a low profitability environment, bank stock indices generally increased in 2019, reflecting improving asset quality and capital adequacy positions. These indices fell sharply in March 2020 as the pandemic hit, but have recovered since then, though the levels remain less than pre-COVID levels (Chart II.7a).

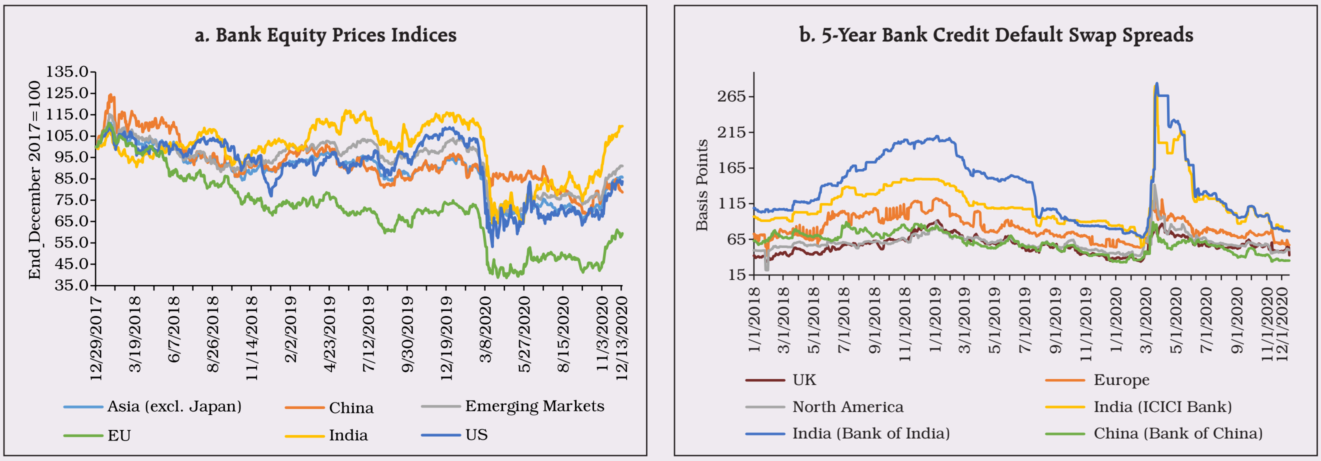
II.30 Credit default swap (CDS) spreads of banks, which began to rise from the second-half of 2018, peaked around the beginning of 2019 and had started to ebb up until March 2020, when the pandemic hit. The CDS spreads of the banks in the UK, North America, and China were low and co-moved closely.[24] The CDS spreads of European banks remained slightly higher, perhaps reflecting lower sovereign credit ratings, poorer loan quality and political uncertainties in peripheral economies. CDS spreads shot up again in March 2020 in the wake of the pandemic, but dropped sharply by the month-end, reflecting the timely and unprecedented policy measures (Chart II.7b).

4. World's Largest Banks[25]

II.31 The balance sheet of the top 100 banks in the world, ranked by tier-I capital, grew by about 5 per cent in 2019 in terms of total assets, with substantial variations among banks. There was also substantial divergence in the growth of pre-tax profits of these banks during 2019. Both the AEs and EMEs held on to their positions in 2019 in terms of the number of banks and the total value of assets (in US dollar terms) among the top 100 banks (Chart II.8a and b).

II.32 There was a marginal improvement in the asset quality amongst the top 100 banks in 2019, with 75 per cent of the banks having NPL ratios less than 2 per cent. However, the median ROAs

Chart II.7: Market-based Indicators of Bank Health

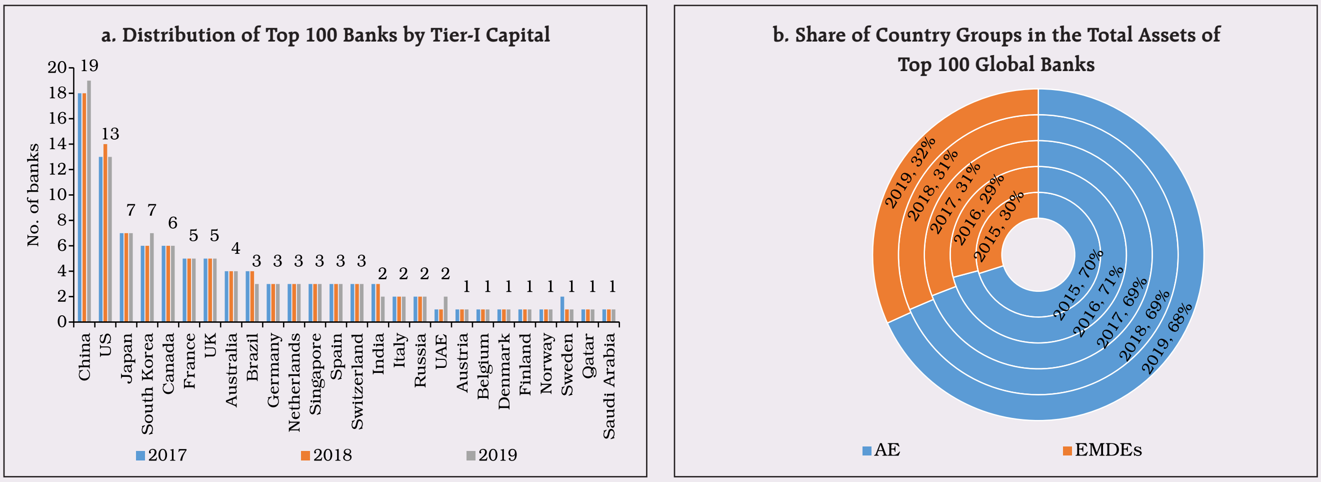


Source: Datastream.

[24] 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.

[25] Data sourced from the Banker Database of the Financial Times.

Chart II.8: Distribution of Top 100 Banks by Tier-I Capital

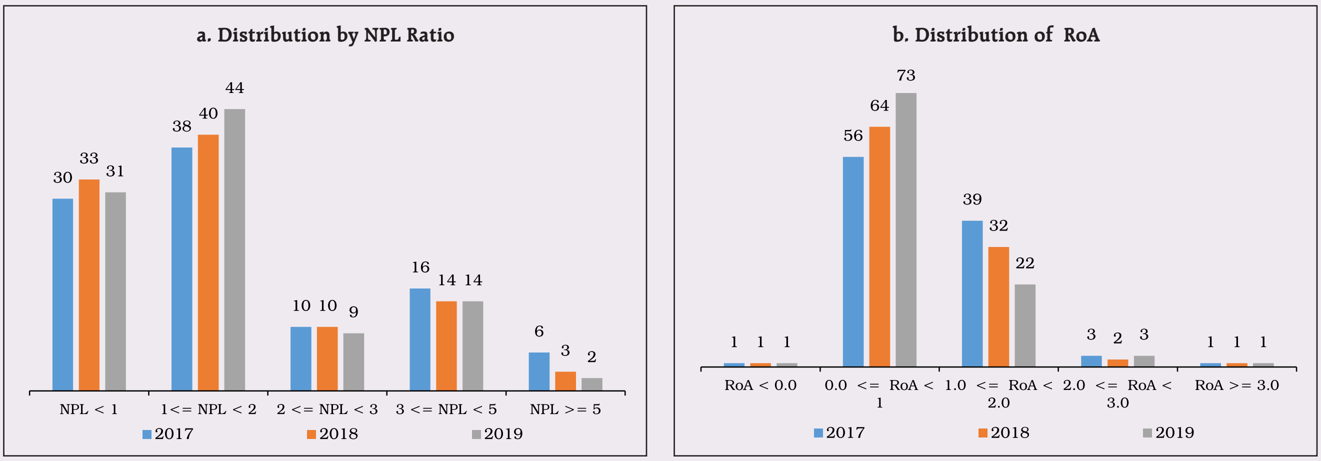


Source: The Banker Database, Financial Times.

of the top 100 banks declined for the second year in succession in 2019 (Chart II.9a and b).

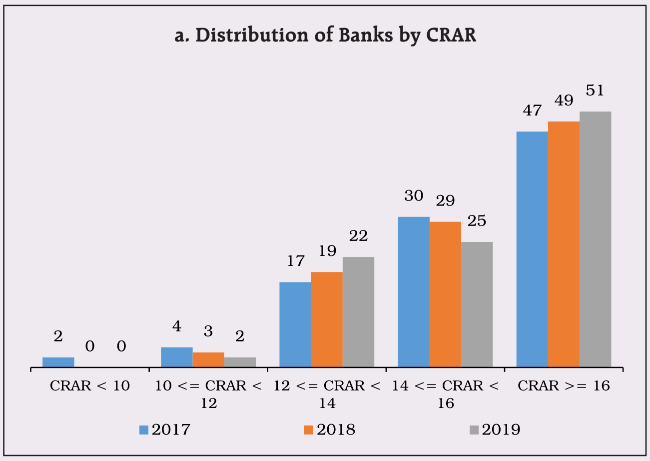
II.33 Capital positions of the top 100 banks remained strong, with more than half of them recording CRARs of more than 16 per cent in 2019. Similarly, there was a marginal improvement in the leverage ratio (capital to assets ratio) with a little over 70 per cent of the banks having leverage ratios in the range of 4 to 8 per cent. Three banks, one each in France, Germany and Japan, had leverage ratios marginally below 4 per cent but above 3 per cent as prescribed under Basel III regulations (Chart II.10a and b).

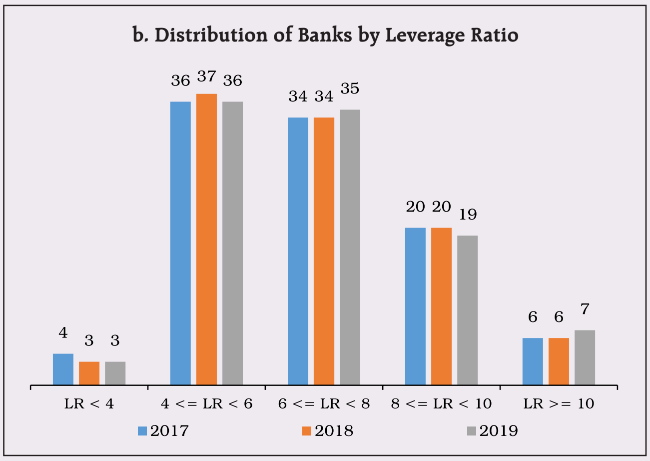
Chart II.9: Asset Quality and Profitability of Top 100 Banks



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

Chart II.10: 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.

5. Summing up

II.34 With global growth and credit growth slipping in 2019, bank profitability was adversely affected, despite a distinct improvement in asset quality and higher capital and liquidity positions. The restrictions and lockdowns imposed in the wake of COVID-19 pandemic were equivalent to a massive macroeconomic shock that led to an economic downturn unmatched in recent history. Resumption of the implementation of global financial sector reforms initiated after the global financial crisis should stand the global banking system in good stead as they emerge out of the pandemic. Authorities have acted swiftly and decisively to control the pandemic shock. Although, the outlook for the global financial system in 2021 remain uncertain, signs of quicker than anticipated recovery in economic activity in some countries gives hope of return to normalcy in 2021.

III POLICY ENVIRONMENT

Reviving growth and mitigating effects of COVID-19 have assumed centre stage in the Reserve Bank's policy agenda and it acted swiftly with aggressive policy rate cuts, massive system-level and targeted liquidity infusion, moratorium and time-bound resolution for specified sectors. The Reserve Bank's regulatory ambit was reinforced by legislative amendments, giving it greater powers over co-operative banks, non-banking financial companies (NBFCs) and housing finance companies (HFCs) to improve their quality of management and governance.

1. Introduction

III.1 This Report is being issued in an environment in which the Indian economy, the Reserve Bank, and the banking and financial system are confronting the most testing challenge of more than a 100 years. Reviving growth and mitigating the effects of COVID-19 have assumed centre stage in the Reserve Bank's policy agenda in this unprecedented situation. The Reserve Bank responded to the pandemic with aggressive policy rate cuts, massive liquidity infusion, both system-level and targeted to distressed sectors, institutions and instruments, moratorium as a temporary relief to borrowers, and a time bound window for restructuring of assets. Providentially, this period has coincided with the regulatory ambit of the Reserve Bank being reinforced by legislative amendments, giving it greater powers over co-operative banks, non-banking financial companies (NBFCs), and housing finance companies (HFCs).

III.2 Against this backdrop, this chapter begins with an account of monetary policy and liquidity management measures in Section 2. This is followed by an overview of the regulatory policy developments relating commercial banks during the period under review (2019-20 and 2020-21 so far) in Section 3, followed by policy initiatives in respect of regional rural banks (RRBs) and small finance banks (SFBs) in Sections 4 and 5, respectively. Supervisory strategies for commercial banks are summarised in Section 6, followed by policies for co-operative banks and NBFCs in Sections 7 and 8, respectively. Credit delivery and financial inclusion initiatives, and foreign exchange policies are reported in Sections 9 and 10, respectively. Section 11 reviews policies undertaken to ensure customer education and protection, followed by policies for payment and settlement systems in Section 12. Section 13 concludes with an overall assessment and perspectives for the way forward.

2. Monetary Policy and Liquidity Management

III.3 In order to address the challenges posed by the COVID-19 pandemic, the monetary policy committee (MPC) met off-cycle in March and May 2020 and voted for a cumulative policy rate reduction of 115 basis points (bps), bringing the repo rate down to its lowest ever level of 4 per cent. Thus, the policy repo rate under the liquidity adjustment facility (LAF) was reduced cumulatively by 250 bps in the easing cycle that began in February 2019. In order to engender easy financial conditions and to encourage banks to deploy their surplus funds in investments and loans in productive sectors of the economy, the reverse repo rate under the LAF was reduced cumulatively by 155 bps to 3.35 per cent.

III.4 Ahead of the outbreak of the pandemic, the MPC had changed its stance from neutral to accommodative in June 2019 in order to address the cyclical slowdown in growth that commenced in the first quarter of 2018-19. The MPC reduced the policy rate in four consecutive meetings since April 2019. In the fifth and sixth bi-monthly meetings in December 2019 and February 2020, it took note of the elevated trajectory of inflation on account of the supply disruptions caused by COVID-19 and voted to keep the policy repo rate unchanged.

III.5 In its August, October and December 2020 meetings, elevated and persisting price pressures induced the MPC to keep the policy rate unchanged. It noted, however, that supporting the economic recovery remained its priority. Accordingly, its resolutions reflected further accommodation in its stance, which it decided to continue at least during the financial year 2020-21 and into the next financial year to revive growth on a durable basis and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.

Liquidity Management

III.6 During 2019-20, primary liquidity expansion more than offset the leakage of liquidity from the banking system due to higher currency demand. System-level liquidity, which was in deficit mode during April and May 2019, turned into surplus from June and progressively increased during the year.

III.7 Liquidity amounting to ₹1.37 lakh crore was injected through variable rate repos of maturities ranging from overnight to 16 days in addition to the regular 14-day repos. Surplus liquidity of ₹284.4 lakh crore was absorbed through reverse repos of maturities ranging from overnight to 63 days during the year. The Reserve Bank also injected durable liquidity of ₹1.1 lakh crore through purchase of securities under open market operations (OMOs) during the year. Effective from February 14, 2020, a new liquidity management framework was operationalised that refined the Reserve Bank's liquidity management operation, clearly communicated the objectives thereof and set out toolkit for liquidity management with a view to enhancing transparency, informing and stabilising market expectations.

III.8 The Reserve Bank conducted a USD/INR buy/sell swap auction of US$ 5 billion (₹34,874 crore) for a tenor of 3 years in April 2019 and two OMO purchase auctions in May 2019 amounting to ₹25,000 crore in order to inject durable liquidity into the system. In June 2019, the Reserve Bank conducted two OMO purchase auctions amounting to ₹27,500 crore.

III.9 During the year, the Reserve Bank expanded its liquidity management toolkit by conducting four longer term reverse repo auctions in November 2019 – two of 21 days and one each of 42 days and 35 days tenor –absorbing ₹78,934 crore. Four operation twists *i.e.*, simultaneous purchase and sale of securities under special OMOs were also conducted between December 23, 2019 and January 23, 2020.

III.10 At the time of the outbreak of COVID-19, net average daily absorption of surplus liquidity under the LAF reverse repo amounted to ₹4.72 lakh crore in Q1:2020-21. Despite large currency expansion draining liquidity, the various measures undertaken in the wake of COVID-19 kept financial markets and institutions functioning normally, financial conditions easy and supportive and calmed pandemic-induced liquidity stress in various parts of the financial system (Annex III.1).

III.11 These liquidity-augmenting measures, amounting to ₹12.8 lakh crore (6.3 per cent of 2019-20 nominal GDP), resulted in the lowest financial markets borrowing costs in a decade, with yields on instruments like the 3-month Treasury bill, commercial paper (CP) and certificates of deposit (CDs) trading closer to the lower bound of the policy rate corridor in the secondary market. This in turn led to record primary market issuance of corporate bonds of ₹4.4 lakh crore during April-October 2020 as compared to ₹3.5 lakh crore during the same period last year. With illiquidity premia dissipating under the impact of Operation Twist and liquidity enhancing measures, spreads of 3-year AAA, AA+, AA- (AA minus) corporate bonds over government securities (G-secs) of similar tenor have declined by over 200 bps from March 26, 2020 to November 27, 2020. Even for the lowest investment grade corporate bonds (BBB-), spreads have come down by 158 bps as on November 27, 2020. These targeted policy measures also helped stabilise the market financing conditions for NBFCs as spreads for 3-year NBFC bonds across the rating spectrum narrowed in the range of 287 bps for AAA rated and 112 bps for A+ rated bonds over G-secs of similar tenor during the same period. The special liquidity facility for mutual funds (SLF-MF) helped stabilise the sector with assets under management (AUM) of debt MFs recovering and improving to ₹15.1 lakh crore as on November 30, 2020 from ₹12.20 lakh crore as on April 29, 2020.

3. Regulatory Policies for Commercial Banks

III.12 The Reserve Bank complemented monetary and liquidity measures with regulatory policy support. Measures such as moratorium on payment of instalments are aimed at giving respite to businesses and households affected by the lockdown. An option to realign debt was also provided to firms as well as individual borrowers through a resolution framework based on revised cash flow expectations.

III.13 As on August 31, 2020 customers accounting for 40 per cent of outstanding bank loans availed the benefit of moratorium allowed by the Reserve Bank for borrowers affected by the COVID-19 pandemic. Most sectors reported lower outstanding loans under moratorium in August 2020 compared to April 2020[1]; however, Micro, Small and Medium Enterprises (MSMEs) registered a marginal increase and the number of MSMEs customers availing moratorium increased to 78 per cent in August 2020, reflecting the stress in the sector. The distribution of moratorium sought in MSME loans indicate that urban co-operative banks (UCBs) bore the brunt of incipient stress, followed by PSBs and NBFCs. In the case of moratorium availed for individual loans outstanding, the share of SFBs is the highest, followed by UCBs and NBFCs. Nearly two-thirds of the total customers of PSBs and half of the total customers of PVBs exercised the option to defer payments in April 2020. As on August 31, 2020 this reversed, with PVBs accounting for a larger customer base under moratorium than other categories of lenders, mainly due to a four-fold increase in their MSME customers availing the benefit, and with sizeable customer base across categories (majorly individuals) opting out of moratorium in case of PSBs (Table III.1).

3.1 Prudential Framework for Resolution of Stressed Assets

III.14 The prudential framework for resolution of stressed assets was issued on June 7, 2019

[1] Financial Stability Report, issue No. 21, July 2020, Table 1.4, available at https://www.rbi.org.in.

Table III.1: Loan Moratorium
(Availed as on August 31, 2020)

Sector	Corporate		MSME		Individual		Others		Total	
	% of total Customers	% of total outstanding	% of total Customers	% of total outstanding	% of total Customers	% of total outstanding	% of total Customers	% of total outstanding	% of total Customers	% of total outstanding
PSBs*	24.96	36.70	64.11	75.42	36.28	34.51	30.58	39.08	34.80	41.33
PVBs*	16.37	23.19	83.38	62.99	50.25	33.60	47.90	54.00	54.88	33.96
FBs*	27.46	14.81	52.89	47.38	8.66	27.81	9.03	9.28	9.05	20.53
SFBs*	36.94	34.13	80.29	66.90	81.48	69.39	86.34	80.90	82.47	68.18
UCBs*	43.13	90.15	47.08	89.60	47.50	57.64	32.81	46.93	43.45	64.09
NBFCs*	42.65	37.15	68.76	67.01	23.11	56.51	50.21	33.20	26.58	44.94
SCBs	18.02	30.44	77.19	68.07	43.65	33.89	35.62	39.11	43.75	37.91
System	31.31	34.28	77.50	69.29	42.62	41.00	45.40	42.12	45.62	40.43

Note: *Total data of PSBs=12, PVBs=21, FBs=42, UCBs=39, SFBs= 10, and NBFCs=73.
Source: RBI Supervisory Returns.

for banks, All India Financial Institutions (AIFIs), Non-Deposit taking Systemically Important NBFCs (NBFCs-ND-SI) and Deposit taking NBFCs (NBFCs-D) to resolve stressed accounts. The prudential framework aims at entrenching early recognition and reporting as well as time-bound resolution of stressed assets, while providing strong disincentives for delays in implementation of resolution plans (RPs) in the form of additional provisioning. The framework also provides incentives for filing application for corporate insolvency resolution process (CIRP) under the Insolvency and Bankruptcy Code (IBC) by allowing half the additional provisions to be reversed on filing an insolvency application and the remaining additional provisions may be reversed upon admission of the borrower into the IBC's insolvency resolution process. A window was provided under the prudential framework in the wake of COVID-19 pandemic to enable the lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, subject to specified conditions (Box III.1).

3.2 Changes in Risk Weights

III.15 Consumer credit, including personal loans and credit card receivables but excluding educational loans, earlier attracted a risk weight of 125 per cent or higher. This was reduced to 100 per cent effective September 12, 2019 although the relaxation is not applicable to credit card receivables.

III.16 Currently, exposures included in the regulatory retail portfolio of banks are assigned a risk weight of 75 per cent, subject to the fulfilment of criteria including a maximum exposure of ₹5 crore to one counterparty. The threshold limit of ₹5 crore for aggregate retail exposure to a counterparty was increased to ₹7.5 crore for all fresh as well as incremental qualifying exposures on October 12, 2020 in order to reduce the cost of credit for this segment and also to harmonise with the Basel guidelines.

III.17 As a countercyclical measure, on October 16, 2020 risk weights on individual housing loans were rationalised, irrespective of the amount of loan. Henceforth, the risk weights for all new housing loans to be sanctioned upto March 31,

Box: III.1: Resolution of COVID-19 Related Stress

The resolution window for COVID-19 related stress is applicable to those borrowers who are in financial difficulties due to the outbreak of the pandemic but were performing satisfactorily otherwise. Therefore, eligibility for resolution is prescribed as loan accounts which were classified as standard and had not been in default for more than 30 days as on March 1, 2020 to ensure that the benefit of resolution only accrues to borrowers genuinely distressed by COVID-19. The borrowers should continue to be classified as standard till the date of invocation of the resolution framework. Loans to financial service providers, central and state governments and local government bodies are not covered under this framework. As another framework governing resolution of MSMEs where banks and NBFCs have exposure of up to ₹25 crore is already operational, they have also been excluded from the ambit of this framework.

An Expert Committee constituted by the Reserve Bank (Chairman: Shri K V Kamath) recommended five financial parameters *viz,* total outside liability / adjusted tangible net worth; total debt / EBIDTA; current ratio; debt service coverage ratio (DSCR); and average debt service coverage ratio (ADSCR) to be factored into the assumptions underpinning resolution plans implemented under the resolution framework[1]. The Expert Committee also recommended sector-specific thresholds for these ratios to act like floors or ceilings in respect of 26 sectors, identified based on the outstanding and severity of impact of the pandemic, including power, iron and steel, construction, and real estate. For sectors where the specific thresholds have not been specified, lending institutions can make their own internal assessments of solvency. However, the current ratio and DSCR in all cases shall be 1.0 and above, and ADSCR shall be 1.2 and above.

Resolution Process

The lenders have been given time till end December 2020 to invoke the resolution framework. After invocation, lenders have 90 days to implement a resolution plan for personal loans, and 180 days for other loans.

In the case of personal loans, the RP may provide for steps such as rescheduling of payments or granting of a moratorium subject to a maximum of 2 years. For corporate loans with multiple lenders, the resolution process will be treated as invoked if the lenders representing at least 75 per cent by value of the total outstanding credit facilities and 60 per cent by number agree to invoke the resolution process. Once agreed, an inter creditor agreement (ICA) is required to be signed by all the lenders within 30 days from the date of invocation. A RP may involve any action, including but not limited to sale of exposure to other entities; change in ownership and restructuring; extension of the residual tenor of the facility, with or without payment moratorium, by a period of not more than 2 years; conversion of a portion of the debt into equity or other marketable, non-convertible debt securities; and sanctioning of additional loans to the borrower. The requirements for a RP to be treated as implemented have also been clearly specified.

Asset Classification and Provisioning

Accounts which may have become NPA between the period of invocation of the RP and its implementation may be upgraded as standard upon implementation of the RP. If an interim additional loan is granted to a borrower, it may be classified as standard till the implementation of the RP. Post implementation of a RP, lenders must keep a minimum provision of 10 per cent of re-negotiated debt exposure or as required under IRAC norms, whichever is higher. A lender not party to the ICA will be required to keep provisions of at least 20 per cent of the carrying debt on its books or as per IRAC norms, whichever is higher, in case of corporate exposures. For both personal loans and other exposures, half of the provisions may be written back upon the borrower paying at least 20 per cent of the residual debt without slipping into NPA and the remaining half may be written back upon the borrower paying another 10 per cent of the residual debt without slipping into NPA subsequently.

Default by the borrower with any of the ICA signatories during the monitoring period will trigger a review period of 30 days. If the borrower remains in default at the end of the 30-day review period, its asset classification will be downgraded to NPA for all lenders, including the non-ICA signatories.

An independent credit evaluation is required for RPs involving aggregate exposure of ₹100 crore and above by all lenders. Any RP in respect of borrowers to whom the aggregate exposure of lenders is greater than ₹1,500 crore as on the date of invocation needs to be independently verified by the Expert Committee for compliance with the required processes. Lenders are also required to make necessary disclosures in their financial statement of accounts where a RP is implemented.

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[1] In respect of eligible borrowers under Part B of the Annex to the Resolution Framework.

2022 will be 35 per cent for loan to value (LTV) ratio less than or equal to 80 per cent, and 50 per cent for LTV ratio greater than 80 per cent but less than or equal to 90 per cent.

3.3 Large Exposures Framework (LEF)

III.18 Banks were given the option, through revised guidelines on large exposures issued on June 03, 2019, to recognise exposure either on the Credit Risk Mitigation (CRM) instrument provider or the original counterparty depending on the exposure on which the risk weights are used for capital adequacy purpose. On March 23, 2020 the Reserve Bank issued a clarification to the banks that even if the original counterparty was a person resident outside India, exposure can be shifted from the CRM provider to the original counterparty if CRM benefits like shifting of exposure/risk weights are not derived by that bank. Exposures shifted to a person resident outside India will attract a minimum risk weight of 150 per cent. The applicability of LEF on non-centrally cleared derivatives (NCCDs) exposure has been deferred till April 1, 2021.

3.4 Subordinate Debt for Stressed MSMEs

III.19 Under the Distressed Assets Fund Scheme for providing subordinate debt for stressed MSMEs, the Government of India (GoI) announced that banks will provide 15 per cent of the promoter's contribution or ₹75 lakh, whichever is lower, as fresh loans to promoters to be infused as equity/quasi equity. The scheme envisages 90 per cent guarantee coverage of the subordinate debt facility from the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and the remaining 10 per cent guarantee from promoters. The guarantee cover would be uncapped, unconditional and irrevocable. On July 1, 2020 the Reserve Bank permitted banks to reckon the funds infused by the promoters in their MSME units through loans availed under the above scheme as equity/quasi equity from promoters for debt-equity computation.

3.5 Scheme for Grant of Ex-gratia Payment of Difference in Interest

III.20 On October 23, 2020 the GoI announced a scheme for grant of *ex-gratia* payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts for the period between March 1, 2020 to August 31, 2020. On October 26, 2020 the Reserve Bank advised all lending institutions to adhere to the provisions of the scheme within the stipulated timeline.

3.6 Enabling Video-Based KYC

III.21 Video-based Customer Identification Process (V-CIP) for individuals was introduced by the Reserve Bank on January 9, 2020 to facilitate digital on-boarding of customers and improve customer convenience. The use of Aadhaar authentication / offline verification and the mandatory Permanent Account Number (PAN) requirement is expected to mitigate the risks associated with this process of on-boarding customers remotely. Further, the live location capturing of the customer (Geotagging) will ensure that customer is physically present in India.

4. Regional Rural Banks

III.22 RRBs are facing capital adequacy issues due to increasing level of NPAs, while their liquidity position is also weakened. During 2019-20, the Cabinet Committee on Economic Affairs (CCEA) had approved the continuation of the scheme of recapitalisation of RRBs upto 2020-21 for those RRBs which are unable to maintain minimum capital to risk-weighted assets ratio (CRAR) of 9 per cent. An amount of ₹670 crore towards GoI's share of recapitalisation has been sanctioned (*i.e.*, 50 per cent of the total recapitalisation support of ₹1,340 crore).

4.1 Policies for Liquidity Management

III.23 RRBs have been permitted conditional access to the LAF and marginal standing facility (MSF) of the Reserve Bank. Effective December 4, 2020, they were also allowed to participate in the call/notice/term money markets to facilitate more efficient liquidity management. Extension of liquidity facilities to RRBs will be contingent upon meeting certain eligibility criteria, such as implementation of Core Banking Solution and maintaining minimum CRAR of nine per cent.

4.2 Branch Authorisation Policies for RRBs

III.24 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 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. RRBs are 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). For Tier 5 and 6 centres, RRBs have general permission for opening BO with *post facto* reporting. Furthermore, they are also required to open at least 25 per cent of the new BOs in unbanked rural centres every year.

4.3 Capital Raising through Perpetual Debt Instruments (PDI)

III.25 On November 1, 2019 RRBs were allowed to issue PDIs eligible for inclusion as Tier 1 capital. This will serve as an additional option to these banks for augmenting regulatory capital.

4.4 Amortisation of Pension Liabilities

III.26 Following the implementation of Regional Rural Bank (Employees') Pension Scheme 2018, the Reserve Bank permitted RRBs in December 2019 to amortise their total pension liability over a period of five years from 2018-19, subject to a minimum of 20 per cent of the pension liability assessed every year.

4.5 Guidelines on Merchant Acquiring Business

III.27 On February 6, 2020 RRBs were permitted to act as merchant acquiring banks using Aadhaar Pay – BHIM app and POS terminals, by employing digital banking for cost-effective and user-friendly solutions to their customers, subject to adequate IT systems and infrastructure for application development, and customer grievance redressal mechanisms.

5. Small Finance Banks

III.28 The primary objective of setting up of SFBs has been to further financial inclusion by provision of savings vehicles mainly to unserved and underserved sections of the population, through high technology-low cost operations. During the year, the Reserve Bank initiated several measures to expand the reach of these niche banks.

5.1 Guidelines for 'On-tap' Licensing

III.29 On December 5, 2019 the Reserve Bank issued guidelines for on-tap licensing of SFBs, with minimum paid-up voting equity capital / net worth requirement of ₹200 crore. For Primary (Urban) Co-operative Banks desirous of voluntarily transiting into SFBs, the initial requirement of net worth has been set at ₹100 crore, which will have to be increased to ₹200 crore within five years from the date of commencement of business. SFBs will be given scheduled bank status immediately and will have general permission to open banking outlets upon commencement of operations. All eligible payments banks (PBs) can apply for conversion into SFB after five years of operations.

5.2 Harmonisation of Branch Expansion Policy

III.30 The 2014 guidelines on the annual branch expansion plans of SFBs required prior approval of the Reserve Bank for the initial five years. On March 28, 2020 the requirement of prior approval of the Reserve Bank was done away with. Now, the SFBs set up under 2014 guidelines also have general permission to open banking outlets, subject to the condition that at least 25 per cent of their BOs are in unbanked rural centres.

5.3 Non-risk Sharing Financial Services Activities

III.31 On March 28, 2020 all existing SFBs were exempted from seeking prior approval of the Reserve Bank for undertaking non-risk sharing simple financial service activities, which do not require any commitment of own funds after three years of commencement of business.

6. Supervisory Policies

III.32 The thrust of the Reserve Bank's supervisory policies has been on identifying root causes of weaknesses in banks (*viz.*, poor compliance culture, inconsistencies between risk appetite and business strategy, deficiencies in internal assurance functions, among others) and taking suitable measures towards their mitigation. The Board for Financial Supervision (BFS) is the guiding force in these initiatives. In the 13 meetings held during the year (July 2019-November 2020), the Board deliberated on major issues including, *inter alia*, guidelines on compensation to whole time directors/ chief executive officers/ material risk takers and control function staff; review of instructions on opening of current account by banks, and measures taken by the Reserve Bank to ensure continuity of banking operations in an uninterrupted manner due to COVID-19 disruptions. Several supervisory policy measures were also initiated during the year with a focus on ensuring financial stability (Box III.2).

Box III.2: Bolstering the Supervisory Framework of the Reserve Bank

Few entity-related adverse events witnessed since mid-2018 raised some concerns about financial system soundness. Internalising the learnings from these episodes, the Reserve Bank initiated a series of measures to strengthen its supervisory framework over SCBs, UCBs as well as NBFCs, which are broadly outlined below:

Early Identification of Risks and Vulnerabilities

The Reserve Bank has developed a system for early identification of vulnerabilities to take timely and proactive action. It has been deploying advances in data analytics to quarterly offsite returns to provide sharper and more comprehensive inputs to onsite supervisory teams. An early warning framework—which tracks macroeconomic variables, and market and banking indicators—complements the analysis. Bank-wise as well as system-wide supervisory stress testing add a forward-looking dimension for identification of vulnerable areas.

Root Cause Analysis of Vulnerabilities

Effective governance is key to avoiding fragilities and frauds in a financial entity. Therefore, the thrust of the Reserve Bank's supervision is now more on root causes of vulnerabilities rather than dealing with symptoms. Structured frameworks are being put in place to assess the governance standard in Supervised Entities (SEs), robustness of their business model and efficacy of their internal assurance functions such as risk management, compliance and internal audit. This will buttress internal defences of SEs to identify current and emerging risks at an early stage and help in initiating remedial measures by themselves.

Framework for Early, Effective and Consistent Supervisory Action

In line with BCBS recommendations[1], the supervisory assessment framework is complemented by a graded

[1] Basel Committee on Banking Supervision (March 2018), *Frameworks for Early Supervisory Intervention*, available at www.bis.org.

(Contd.)

intervention framework aimed at initiating early and effective corrective actions, that are consistent across all SEs. This will help in influencing the behaviour of SEs in key areas (such as governance, risk appetite, risk and financial management and, where appropriate, strategy) to enhance their own safety and soundness while also contributing to the overall financial stability.

Harmonised and Consolidated Supervision

The supervisory functions pertaining to SCBs, UCBs and NBFCs are now integrated, with the objective of harmonising the supervisory approach based on the activities / size of the SEs. Steps are also being taken to progressively harmonise instructions issued, *albeit* with proper grading, so that supervisory arbitrage is reduced. Like SCBs, senior supervisory managers (SSM) are being appointed in all other SEs for continuous monitoring. Further, entities belonging to a group / conglomerate have a single point of supervision through the SSM, which is expected to reduce any potential supervisory arbitrage.

Specialised Structure for KYC/AML Risk

A risk based supervision framework focussing on KYC/AML risk has been created, in line with the principles of BCBS and Financial Action Task Force (FATF) requirements for prudential supervision.

Leveraging SupTech

Fintech are being embraced in the form of innovative technologies for regulation (RegTech) and supervision (SupTech). An Integrated Compliance Management and Tracking System (ICMTS) and a Centralised Information Management System (CIMS) are two major SupTech initiatives being implemented for seamless reporting between SEs and the Reserve Bank and for enhancing data management and data analytics capabilities, respectively.

Strengthening Cyber Security Resilience

Key cyber risk indicators were introduced for all SCBs since June 2019. A comprehensive cyber security framework on a graded approach for UCBs and instructions on cyber security controls for third party ATM switch providers for all SEs were released in December 2019. Further, a certification / awareness programme on cyber security was made mandatory for members of the Board, senior management and CXOs in August 2018, which has been attended to by more than 2,500 bank officials till date.

Regular Deep-dive into Areas of Concern through Thematic Studies

A number of thematic studies on areas such as unsecured retail credit, aviation sector, loan pricing, CD ratio and liabilities profile of PVBs, business practices of digital lenders, component analysis of income of banks, transmission of policy rates and net interest margin were conducted to provide inputs to top management for proactive policy interventions.

Other initiatives include setting up of a college of supervisors for capacity development and skilling of the Reserve Bank's supervisory staff.

Notwithstanding improvements being made, it is recognised that enhancing the supervisory framework is a continuous process, and the Reserve Bank will strive to continually advance and refine the supervisory approach and methodology to improve the resilience of the SEs.

6.1 Merger of PSBs

III.33 Vijaya Bank and Dena Bank were merged with the Bank of Baroda with effect from April 1, 2019, to reap thebenefits of economies of scale and resulting synergies. With effect from April 1, 2020, 10 PSBs were merged into 4 entities. Oriental Bank of Commerce and United Bank of India have been merged with Punjab National Bank to form the country's second-largest public-sector lender. Syndicate Bank and Canara Bank merged to create the fourth largest PSB. Andhra Bank and Corporation Bank have been merged into the Union Bank of India, forming the country's fifth largest PSB. Allahabad Bank was merged into Indian Bank.

6.2 Prompt Corrective Action (PCA) Framework

III.34 The infusion of capital in banks during 2018-19 by the central government led to five PSBs coming out of the PCA framework. Additionally, the only private sector PCA bank during that period *viz.* Dhanlaxmi Bank, was also allowed to restart normal business activities. The Reserve Bank initiated PCA for Lakshmi Vilas Bank in September 2019 due to the high level of bad loans, lack of sufficient capital and negative return on assets[2]. Currently, there are 3 PSBs[3] and 1 PVB[4] under the PCA framework.

[2] The Lakshmi Vilas Bank was amalgamated with DBS India Pvt. Ltd on November 27, 2020.
[3] Indian Overseas Bank, Central Bank, UCO Bank
[4] IDBI Bank.

6.3 Yes Bank Reconstruction

III.35 On March 5, 2020 the central government, based on the application of the Reserve Bank, placed Yes Bank under moratorium. On March 6, 2020 the Reserve Bank placed a draft 'Yes Bank Ltd. Reconstruction Scheme, 2020' on its website for public comments. Following the sanction and notification of the Scheme by the central government on March 13, 2020, the moratorium was lifted effective March 18, 2020. The resolution plan was characterised by the unique public-private partnership comprising leading financial entities which infused capital into Yes Bank. Since implementation of the Scheme, the financial position and other parameters of the bank have improved.

6.4 Amalgamation of The Lakshmi Vilas Bank

III.36 The Reserve Bank announced the draft scheme of amalgamation of the Lakshmi Vilas Bank Ltd. with DBS Bank India Ltd. on November 17, 2020, along with a month-long order of moratorium on the former. Following the sanction of 'The Lakshmi Vilas Bank Ltd. (Amalgamation with DBS Bank India Ltd.) Scheme, 2020' by the central government, the amalgamation came into force on November 27, 2020, with the moratorium order ceasing to be effective and all branches of the Lakshmi Vilas Bank functioning as branches of DBS Bank.

6.5 Integration of Supervisory Function

III.37 The supervisory function within the Reserve Bank was integrated by merging its Department of Banking Supervision (DBS), the Department of Co-operative Banking Supervision (DCBS) and the Department of Non-Banking Supervision (DNBS) into a Department of Supervision (DoS), with effect from November 1, 2019. This holistic approach to supervision is expected to address growing complexities of size and inter-connectedness, potential systemic risks from supervisory arbitrage and information asymmetry, while establishing a more effective consolidated supervision of financial conglomerates. The supervisory approach is being fine-tuned to focus on root causes of vulnerabilities in the banking system, *viz.*, governance issues, processes, and sub-optimal risk and compliance culture.

7. Co-operative Banking

III.38 The co-operative banking sector plays an important role in financial inclusion at the grass-root level. In a landmark development, the Reserve Bank was given regulatory powers to improve the quality of management and governance in co-operative banks and to ensure more effective regulation and supervision to strengthen the co-operative banking sector. The Reserve Bank is initiating measures to improve standards of corporate governance in UCB sector, even while strengthening cybersecurity and improving reporting standards for UCBs.

7.1 Amendments to the Banking Regulation (BR) Act, 1949

III.39 On June 26, 2020 Banking Regulation (Amendment) Ordinance, 2020 was promulgated amending the BR Act, 1949, bringing additional areas of functioning of cooperative banks under the regulatory purview of the Reserve Bank. The major provisions pertain to areas such as governance and management of co-operative banks, prior approval of the Reserve Bank for appointment or removal of statutory auditors (SAs), time allowed for disposal of non-banking assets, providing additional avenues for raising capital, voluntary/compulsory amalgamation, preparation of scheme of reconstruction and winding up by the concerned High Court at the instance of the Reserve Bank. The Act is not applicable to certain types of credit societies, including Primary Agricultural Credit Societies.

On September 29, 2020 the Banking Regulation (Amendment) Act, 2020, which replaced the Ordinance, was notified by the GoI, and all the provisions of the amended Act came into force for UCBs with effect from June 29, 2020 [Box V.1].

7.2 Board of Management Guidelines

III.40 Under the extant legal framework, the Board of Directors of UCBs perform both executive and supervisory roles, with the responsibility to oversee the functioning of the UCBs as a cooperative society as well as a bank. On December 31, 2019 UCBs with deposits of ₹100 crore and above (except all Salary Earners' Banks) were advised to constitute Board of Management (BoM) comprising members with special knowledge or practical experience in one or more fields, *viz.* accounting, banking, finance, and co-operation, among others. The BoM will facilitate professional management and focussed attention on banking-related activities of UCBs and, thus, protect the interests of depositors.

7.3 Review of Supervisory Action Framework (SAF) for UCBs

III.41 On January 6, 2020 the Reserve Bank issued revised guidelines on SAF for UCBs to initiate corrective action by the banks themselves and/or supervisory action by the Reserve Bank at an early stage on breach of specified thresholds (triggers) in respect of asset quality, profitability and capital position. The guidelines intend to make SAF more effective in bringing about improvement in weak but viable UCBs and resolving non-viable UCBs in an expeditious manner.

7.4 Reporting of Large Exposures to CRILC

III.42 SCBs, SFBs, All India Financial Institutions (AIFIs), NBFCs-ND-SI, NBFCs-D and Non-Banking Financial Company in Factoring Services (NBFC-Factors) were required to report credit exposures of ₹5 crore and above on Central Repository of Information on Large Credits (CRILC). In addition, UCBs with assets of ₹500 crore and above were brought under the CRILC reporting framework from the quarter ending December 31, 2019.

7.5 Prudential Exposure Limits

III.43 On March 13, 2020, the prudential exposure limits for UCBs for a single borrower/ party and a group of connected borrowers/ parties were reduced from the existing 15 per cent and 40 per cent of their capital funds to15 per cent and 25 per cent, respectively, of their tier-I capital. A suitable glide path has been given to UCBs for bringing down their existing exposures within the aforesaid revised limits by March 31, 2023. Moreover, 50 per cent of the loan portfolio of UCBs should comprise loans of upto ₹25 lakh or 0.2 per cent of Tier I capital, whichever is higher, subject to a maximum of ₹1 crore per borrower or party by March 31, 2024.

8. Non-Banking Financial Companies

III.44 The NBFC segment has been struggling to cope with liquidity stress and risk aversion of lenders since issues relating to IL&FS emerged in the second half of 2018. While measures taken by the Reserve Bank and the government helped in containing the systemic implications of this stress event, their credit growth remained anaemic. During 2019-20 and 2020-21 so far, the Reserve Bank continued to take calibrated regulatory measures to make available sufficient liquidity to the sector.

8.1 Special Liquidity Scheme for NBFCs/HFCs

III.45 The GoI announced the Special Liquidity Scheme (SLS) of ₹30,000 crore under which a Special Purpose Vehicle (SPV) will purchase investment grade CPs/ non-convertible debentures (NCDs) of residual maturity upto

90 days issued by NBFCs/HFCs to provide them liquidity support. On July 1, 2020 the Reserve Bank specified the eligibility criteria and other operational details for NBFCs/HFCs under the scheme, which are required to use the proceeds received solely for the purpose of extinguishing existing liabilities. The facility was available for any paper issued on or before September 30, 2020, while the SPV is required to recover all dues by December 31, 2020.

8.2 Review of Guidelines for Core Investment Companies (CICs)

III.46 Based on the recommendations of the Working Group (WG) to Review the Regulatory and Supervisory Framework for CICs (Chairman: Shri Tapan Ray) and inputs received from stakeholders, the guidelines for CICs were revised on August 13, 2020. Under the revisions, any direct or indirect capital contribution made by one CIC in another exceeding 10 per cent of owned funds of the investing CIC has to be deducted while computing the adjusted net worth. The number of layers of CICs within a group have been restricted to two to address the complexity in group structures. The parent CIC in a group has to constitute a Group Risk Management Committee, which will be tasked with risk management. CICs with asset size more than ₹5,000 crore are required to appoint a Chief Risk Officer with clearly specified responsibilities. Corporate governance requirements and consolidation of financial statements have to be done as per provisions of Companies Act, 2013 in order to achieve higher standards of governance and disclosure.

8.3 Review of Regulatory framework for HFCs

III.47 With the intention of transiting to a new framework in a non-disruptive manner, a comprehensive review of the extant regulatory framework applicable to HFCs was undertaken. On October 22, 2020 the Reserve Bank issued a revised regulatory framework for HFCs which defined principal business and housing finance and increased the net owned fund requirement for HFCs to ₹20 crore. Regulations applicable to NBFCs on liquidity risk management framework, LCR, implementation of Ind-AS, securitisation transactions, outsourcing guidelines, lending against shares, and lending against gold jewellery were also extended to HFCs. Further, regulations on lending to group companies engaged in real estate business; and exempting HFCs from the provisions of Sec 45-IB and 45-IC of the RBI Act, 1934 in addition to Section 45-IA were issued.

8.4 Resolution of NBFCs

III.48 The Reserve Bank received additional powers for resolution of erring or insolvent NBFCs (including HFCs) following amendments to the RBI Act. The government notified Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules in November 2019. These rules empowered the Reserve Bank to make application for initiating Corporate Insolvency Resolution Proceedings (CIRP) under IBC for NBFCs (including HFCs) having total assets of ₹500 crore or more, which are in default.

8.5 Fair Practices Code (FPC) for Asset Reconstruction Companies (ARCs)

III.49 The guidelines on FPC for ARCs issued by the Reserve Bank on July 16, 2020 aim to achieve transparency and fairness in dealing with stakeholders. While providing the minimum regulatory expectation, the guidelines also grant freedom to the boards of ARCs to enhance its scope and coverage. Non-discriminatory practices in both acquisition of financial assets and sale of secured assets, ensuring reasonable fees and expenses charged by ARCs, and confidentiality of borrower information are other objectives of the FPC. Matters pertaining to grievance redressal, outsourcing of activities and use of recovery agents by ARCs are also covered.

8.6 Implementation of Indian Accounting Standards (Ind-AS) for NBFCs and ARCs

III.50 In order to promote high quality and consistent implementation of Ind-AS, as also to facilitate comparison, the Reserve Bank issued instructions to NBFCs and ARCs implementing Ind-AS on March 13, 2020. The guidelines cover governance framework, a prudential floor for expected credit losses including impairment reserve and principles for computation of regulatory capital and regulatory ratios.

8.7 Adherence to Fair Practices Code and Outsourcing Guidelines for Loans Sourced Over Digital Lending Platforms

III.51 All SCBs (excluding RRBs) and NBFCs (including HFCs) were advised to adhere to FPC and Outsourcing Guidelines for loans sourced over digital lending platforms either through their own or under an outsourcing arrangement. Lending institutions were mandated to, *inter alia*, disclose names of digital lending platforms engaged as agents on their websites, direct the digital lending platforms to upfront disclose the name of actual lender to borrowers, issue sanction letter to borrowers on their letter head, furnish a copy of agreement to borrowers and take steps towards creating awareness about the grievance redressal mechanism and ensure effective monitoring of digital lending platforms.

8.8 NBFCs as Financial Institutions under SARFAESI Act, 2002

III.52 Earlier, NBFCs with asset size of ₹500 crore and above were treated as Financial Institutions under the SARFAESI Act, 2002 and these could take recourse to the SARFAESI Act for enforcement of security interest in secured debts of ₹100 lakh and above. On February 24, 2020 the GoI notified NBFCs with asset size of ₹100 crore and above as Financial Institutions under the SARFAESI Act, 2002. Eligible NBFCs can now take recourse to the SARFAESI Act for enforcement of security interest in secured debts of ₹50 lakh and above.

9. Foreign Exchange Policies

III.53 The foreign exchange related policies of the Reserve Bank are aimed at facilitating external trade by enhancing the ease and scope of transactions with ease of doing business. During 2019-20 and 2020-21 so far, further measures were taken to rationalise regulations to facilitate external trade and payments.

9.1 Rationalisation of ECB End-use Provisions

III.54 On July 30, 2019 end-use restrictions relating to external commercial borrowings (ECBs) were relaxed for working capital requirements, general corporate purposes and repayment of rupee loans. Eligible borrowers were permitted to raise ECBs with a minimum average maturity period (MAMP) of 10 years for working capital purposes, general corporate purposes, and repayment of Rupee loans availed domestically for purposes other than capital expenditure, 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. ECB as given above can be availed from all recognised lenders, except foreign branches/ overseas subsidiaries of Indian banks.

III.55 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.

9.2 Participation of Banks in Offshore Non-Deliverable Rupee Derivative Markets

III.56 On March 27, 2020 banks in India having an AD Category-1 license under Foreign Exchange Management Act (FEMA) 1999, and operating IFSC Banking Units (IBUs), were made eligible to offer non-deliverable foreign exchange derivative contracts involving the Rupee, or otherwise, to persons not resident in India. Banks can undertake such transactions through their branches in India, through their IBUs or through their foreign branches (in case of foreign banks operating in India, through any branch of the parent bank).

9.3 Review of Trade Guidelines

III.57 On January 23, 2020 the Reserve Bank revised the Merchanting Trade Transactions (MTT) guidelines, which enhanced the limit of the import advance without SBLC/ bank guarantee to USD 0.5 million. Third party payments and issuance of Letter of Undertaking (LoU)/ Letter of Comfort (LoC) for supplier's/ buyer's credit is prohibited. Write-off of unrealised export leg of MTT in certain circumstances and payment of agency commission under exceptional circumstances has been allowed.

9.4 Inclusion of Japanese Yen in the Asian Clearing Union (ACU) Settlement Mechanism

III.58 The Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2016 were amended on March 4, 2020 to include Japanese Yen as the currency of settlement under the ACU mechanism.

9.5 Enhancement of Scope of Special Non-Resident Rupee Account

III.59 The scope of Special Non-resident Rupee (SNRR) account was enhanced in November 2019 to promote the usage of Indian Rupee products by persons residing outside India. Several activities, including ECBs, trade credits, export and import invoicing and business-related transactions outside the International Financial Service Centre, can be now carried out by persons resident outside India in Indian rupees. In June 2020, investment in investment vehicles was also permitted through SNRR Accounts.

10. Credit Delivery and Financial Inclusion

III.60 The Reserve Bank has been playing an active role in financial inclusion by developing policies that ensure availability of affordable banking services to vulnerable sections of society, who have hitherto been left outside the scope of formal financial services. Recognising that education can prove to be a powerful lever for diffusion of financial inclusion, the National Strategy for Financial Education 2020-25 was formulated. Furthermore, the National Strategy for Financial Inclusion 2019-24 laid down the specific action plans for stakeholders that may help in achieving the objective of universal access to financial services.

10.1 Priority Sector Lending (PSL) Guidelines

III.61 The PSL guidelines, which were last reviewed for SCBs in April 2015, were revised by the Reserve Bank on September 4, 2020 to align it with emerging national priorities and bring sharper focus on inclusive development. Credit penetration to credit deficient districts is now encouraged through assignment of higher weightage to identified districts where priority sector credit flow is comparatively low. Along with the introduction of some new categories to be financed under priority sector, the targets for certain existing categories are also being increased in a phased manner. The credit limit for sectors such as renewable energy, health infrastructure and certain categories of farm credit have been increased.

10.2 Co-Lending by Banks and NBFCs to Priority Sector

III.62 The co-lending model (CLM), introduced by the Reserve Bank on November 5, 2020 is a revised version of the co-origination scheme for priority sector lending. The co-origination scheme entailed joint contribution of credit as well as sharing of risks and rewards between banks and NBFCs. While the earlier scheme allowed banks to partner with only NBFCs-ND-SI, the revised scheme allows co-lending with all registered NBFCs (including HFCs), based on a prior agreement. While NBFCs are required to retain a minimum of 20 per cent share of the individual loans on their books, greater operational flexibility has been allowed under the revised model. CLM guidelines permit the banks to claim priority sector status in respect of their share of credit while adhering to the specified conditions. Banks and NBFCs are required to formulate Board-approved policies for entering into the CLM with the objective to make available funds to the ultimate beneficiary at an affordable cost and place the approved policies on their websites.

10.3 Priority Sector Lending by NBFCs

III.63 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 conditions. Only fresh loans sanctioned by NBFCs can be classified as priority sector lending by the banks. Furthermore, on-lending by NBFCs for the term-lending component under agriculture is allowed upto ₹10 lakh per borrower and upto ₹20 lakh per borrower to MSEs. These guidelines, after a review on March 2020, have been made applicable upto March 31, 2021, and will be reviewed thereafter. The limit for on-lending to HFCs for housing loans was enhanced to ₹20 lakh per borrower as against the earlier limit of ₹10 lakh, to qualify for priority sector lending.

10.4 Priority Sector Lending Target for UCBs

III.64 On March 13, 2020 the target for lending to priority sector for UCBs was increased from the existing 40 per cent to 75 per cent of adjusted net bank credit (ANBC) or credit equivalent amount of off-balance sheet exposure (CEOBSE), whichever is higher, to strengthen the role of UCBs in financial inclusion. A suitable glide path has been provided to achieve the target by March 31, 2024. On April 24, 2020 the Reserve Bank mandated that UCBs should contribute to the Rural Infrastructure Development Fund (RIDF) with NABARD and other funds with NABARD/NHB/Small Industries Development Bank of India (SIDBI)/Micro Units Development and Refinance Agency (MUDRA) Ltd. against the shortfall in their achievement of priority sector lending targets with effect from March 31, 2021, thereby harmonising the guidelines in this regard with those for SCBs.

10.5 New Criteria for Classification of MSMEs

III.65 Effective July 1, 2020, the GoI changed the classification criterion of MSMEs. With this, the investment only criterion that was used since 2006 is now based on composite criteria of investment and turnover. In line with the changed criteria, the GoI has defined micro enterprises as those where investment in plant and machinery or equipment does not exceed ₹1 crore and turnover does not exceed ₹5 crore. Similar criteria for small enterprises is investment upto ₹10 crore and turnover upto ₹50 crore while that for medium enterprises is ₹50 crore and ₹250 crore, respectively.

10.6 One-Time Restructuring of Loans to MSMEs

III.66 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 was required to be implemented by March 31, 2020. The scheme was made available to MSMEs that qualify in terms of criteria such as 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 was specified for accounts restructured under the scheme.

III.67 Since then the scheme has been extended twice with the latest restructuring applicable to MSME accounts that were in default but 'standard' as on March 1, 2020. This restructuring is required to be implemented by March 31, 2021.

10.7 Interest Subvention Scheme for MSMEs

III.68 The Interest Subvention Scheme for MSMEs 2018 was announced by the GoI on November 2, 2018 for SCBs for a period of two financial years *viz,* 2018-19 and 2019-20. The scheme, which was later extended to 2020-21, provides for an interest relief of two per cent per annum to eligible MSMEs on their outstanding fresh/incremental term loan/working capital during the period of its validity. The coverage of the Scheme is limited to all term loans / working capital to the extent of ₹100 lakh. With effect from March 3, 2020 the Government made co-operative banks eligible lending institutions under this scheme. The Reserve Bank issued guidelines in this regard on October 7, 2020.

10.8 Classification of Exports under Priority Sector

III.69 On September 20, 2019, the Reserve Bank enhanced the sanctioned limit to be eligible under priority sector norms in order to boost credit to the export sector from ₹25 crore to ₹40 crore per borrower. Furthermore, the existing criterion of units with turnover of upto ₹100 crore was removed.

10.9 Interest Subsidy on Export Credit

III.70 The GoI 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. On May 13, 2020 the scheme, which was valid upto March 31, 2020, was extended with same scope and coverage, for a period of one year, *i.e.,* upto March 31, 2021.

10.10 Guidelines on Doorstep Banking

III.71 The Reserve Bank had issued instructions on providing doorstep banking facility for senior citizens and differently abled persons on November 9, 2017. Reviewing its progress, the Reserve Bank observed that the services as envisaged by the policy were either yet to be offered by banks or were restricted to select branches. To improve effectiveness of the policy, the Reserve Bank on March 31, 2020 advised banks to offer these services on pan-India basis. Banks are also required to develop a Board approved framework for determining the nature of branches where these services will be provided mandatorily and those where it will be provided on a best effort basis. Banks were also advised to update the list of branches offering such services on their website regularly and publicise on the availability of such services in their awareness campaigns.

11. Consumer Protection

III.72 Even before the COVID-19 pandemic started affecting Indian businesses and households, the Reserve Bank's consumer protection initiatives ensured that digital transactions are safe and efficient, and people of the country have trust in the system. These proactive policy measures—including limiting the liability of customers in fraudulent digital transactions, digitisation and strengthening grievance redressal through the roll-out of Complaint Management System (CMS) and ombudsman schemes for digital transactions, and enhancing consumer education, especially about digital banking, through awareness initiatives—came in handy as the lockdown period coincided with greater reliance on and higher spread of digital transactions.

11.1 Enhancement in Deposit Insurance

III.73 Deposit Insurance and Credit Guarantee Corporation (DICGC) raised the limit of insurance cover for depositors in insured banks to ₹5 lakh from the earlier level of ₹1 lakh with effect from February 4, 2020 with the approval of the GoI.[5] With effect from April 1, 2020 the premium was also increased by DICGC from 10 paise to 12 paise per annum per ₹100 of assessable deposits, with the approval of the Reserve Bank, to mitigate the impact of the hike in insurance cover on the Deposit Insurance Fund (DIF) in case of failure of banks. Further, DICGC is also examining the implementation of risk-based premium based on the recommendations of an internal committee (Chairman: Shri V.G. Venkata Chalapathy).

11.2 Dissolution of the Banking Codes and Standards Board of India

III.74 The Banking Codes and Standards Board of India (BCSBI) was set up by the Reserve Bank in February 2006 as an independent and autonomous body to formulate codes of conduct to be adopted by banks voluntarily for ensuring fair treatment of customers and MSEs. Following the setting up of a dedicated department for consumer protection in the Reserve Bank, issue of the Charter of Customer Rights (CoCR) and considerable strengthening of the Ombudsman mechanism to enhance consumer protection, it was decided to dissolve BCSBI in 2019.

11.3 Online Dispute Resolution (ODR) System for Digital Payments

III.75 On August 6, 2020 the Reserve Bank directed all Payment System Operators (PSOs) and Payment System Participants (PSPs) to implement a transparent, rule-based, system-driven, user-friendly and unbiased ODR system for disputes and grievances related to failed transactions in their respective payment systems by January 1, 2021. Any entity setting up a payment system in India or participating therein is required to make available the ODR system at the commencement of its operations. Based on experience gained, ODR arrangement would be extended to cover disputes and grievances other than those related to failed transactions.

11.4 Internal Ombudsman Scheme for Non-Bank Pre-Paid Payment Instruments Issuers

III.76 The Internal ombudsman (IO) scheme envisages creation of an apex independent authority within the regulated entity for strengthening the grievance redressal within the entity or organisation. In October 2019, the scheme was extended to cover non-bank issuers with more than one crore outstanding pre-paid payment instruments (PPIs). Customer complaints that are partly or wholly rejected by

[5] Union Budget Speech 2020-21, available at https://www.indiabudget.gov.in/doc/Budget_Speech.pdf.

the issuer are referred to the IO for a final decision before being conveyed to the complainants.

11.5 Ombudsman 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, with asset size of ₹100 crore or above and having customer interface.

11.6 Harmonisation of Turn Around Time for Failed Transactions

III.78 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 were not uniform.

III.79 Accordingly, the Reserve Bank introduced a framework on Turn Around Time (TAT) for resolution of customer complaints and compensation for failed transactions across all authorised payment systems on September 20, 2019. This framework aims to provide prompt and efficient customer service in all electronic payment systems. Under the framework, TAT for failed transactions and compensation was finalised to improve consumer confidence and bring consistency in processing of the failed transactions.

11.7 IVRS for online support to complainant

III.80 During 2019-20, the Interactive Voice Response System (IVRS) under the aegis of the CMS was established as an on-tap source of information for consumers of financial services. Any person can dial 14440 and obtain basic guidance on a variety of issues, *inter alia*, the ombudsman scheme; consumer protection regulations such as limited liability of customer in fraudulent electronic transactions; and basic savings bank deposit accounts.

12. Payment and Settlement Systems

III.81 India has been at the forefront of new innovations in payment and settlement systems, with the Reserve Bank creating the enabling environment. Aided by cutting edge technology, payment systems have ensured faster, cheaper and more convenient payment transactions. The focus is on adding newer services as well as expanding the reach and spread of existing services to unleash their full potential, rationalising the cost of transactions, and protecting the interests of the customers. Concomitantly, being mindful of the risks involved in unbridled growth of these services, the Reserve Bank has been proactive in effectively regulating them.

12.1 Availability of NEFT on a 24x7x365 Basis

III.82 The National Electronic Funds Transfer (NEFT) is a retail system with half-hourly settlement batches and prescribes no floor or ceiling on the amount that can be transferred. In a milestone achievement, NEFT, which was operating in 23 half-hourly batches earlier, was made available 24x7x365 with effect from December 16, 2019. The system now operates in 48 half-hourly batches with the first batch of the day starting at 00:30 hours and the last batch of the day ending at 24:00 hours.

12.2 Increase in Operating Hours of RTGS

III.83 In view of increasing customer demand, the timings for customer transactions in the Real Time Gross Settlement (RTGS) system had been extended and the RTGS system was made available from 7:00 am to 6:00 pm with effect from August 6, 2019. The Reserve Bank has subsequently made available the RTGS system on 24x7 basis on all days with effect from December 14, 2020. Round the clock availability of RTGS system will facilitate India's efforts to develop international financial centres and provide wider payment flexibility to domestic corporates and institutions.

12.3 Waiver of Charges in RTGS and NEFT systems

III.84 With effect from July 01, 2019 the Reserve Bank waived 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 to provide an impetus to the digital funds movement. Banks were advised to pass on this benefit to their customers.

III.85 Furthermore, member banks were directed to not levy any charges on their savings bank account holders for online-initiated funds transfers (through internet banking and/or mobile apps of the banks) done through NEFT system, effective January 01, 2020.

12.4 Positive Pay System for Cheque Truncation System

III.86 The mechanism of positive pay, which involves reconfirming key details of cheques of value of ₹50,000 and above, was announced on September 25, 2020 to be implemented from January 1, 2021. While the positive pay system is optional for customers, banks may consider making it mandatory for cheques of ₹5,00,000 and above.

12.5 Introduction of PPIs solely for purchase of goods and services

III.87 In December 2019, the Reserve Bank introduced a new type of semi-closed PPI aimed at enhancing ease of small value transactions. Such instruments, which can be loaded or re-loaded only from a bank account and/or a credit card, can be used only for purchase of goods and services and not for funds transfer. Other features of the PPI include issuance only after obtaining minimum details from the customer, limits for amount loaded during any month and the amount outstanding at any point of time, and the option to close the instrument and transfer funds 'back to source'.

12.6 Cash Withdrawal using Point of Sale (PoS) Terminals

III.88 Earlier, banks were required to obtain one-time permission from the Reserve Bank for offering the facility of cash withdrawal at PoS terminals deployed by them. On January 31, 2020 the Reserve Bank dispensed with this requirement and directed banks to provide cash withdrawal facility at PoS terminals, based on the approval of their Board. The designated merchant establishments are required to clearly display the availability of this facility along with the charges, if any, payable by the customer.

12.7 On-tap Authorisation of Payment Systems

III.89 In order to diversify risk and to encourage innovation and competition in payment systems, the Reserve Bank issued instructions for providing on-tap authorisation to desirous entities on October 15, 2019. 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, issuance of PPIs; Bharat Bill Payment Operating Units (BBPOU); Trade Receivables Discounting Systems (TReDS); and White Label ATMs (WLAs) have been offered on-tap authorisation.

12.8 Self-Regulatory Organisation (SRO) for Payment System Operators

III.90 An SRO is a non-governmental organisation that sets and enforces rules and standards relating to the conduct of member entities in the industry, with the aim of protecting the customer and promoting ethical and professional standards. On October 22, 2020 the Reserve Bank put in place a framework for recognition of SRO for PSOs to promote industry-wide smooth operations and ecosystem development. Under the framework, eligibility criteria, management guidelines, functions and responsibilities of the SRO have been laid down.

12.9 Streamlining QR Code Infrastructure

III.91 On October 22, 2020 the Reserve Bank decided to continue with the two interoperable Quick Response (QR) codes in India *viz.* UPI QR and Bharat QR based on the recommendations of the Committee for Analysis of QR Codes (Chairman: Prof Deepak Phatak) and feedback received from stakeholders. PSOs that use proprietary QR codes were advised to shift to one or more interoperable QR codes by March 31, 2022, and the launch of new proprietary QR codes by any PSO was prohibited.

12.10 Pilot Scheme for Offline Retail Payments

III.92 On August 6, 2020 the Reserve Bank announced a pilot scheme to be conducted for a limited period under which authorised PSOs will be able to provide offline payment solutions using cards, wallets or mobile devices for remote or proximity payments till March 31, 2021. A decision regarding formalising such a system will be taken subject to fulfilment of conditions and based on the experience gained.

12.11 Regulatory Sandbox for Financial Service Providers

III.93 On November 4, 2019 the Reserve Bank announced the opening of the first cohort under the regulatory sandbox (RS) for financial service providers, with retail payments as its theme. It is expected to spur innovation in the digital payments space and offer payment services to the unserved and underserved segment of the population. A total of 32 applications were received for the cohort, covering a range of products which included innovative use of Near Field Communication (NFC), Unified Payments Interface (UPI) architecture, offline payments through PPIs and feature phones to effect payments using voice, and Unstructured Supplementary Service Data (USSD) and mobile network. The RS framework provides for a five-stage sandbox process, including preliminary screening, test design, application assessment, testing and evaluation. The test design stage was completed for products of the selected 6 applicants and two entities commenced testing their products from November 16, 2020. Other entities are expected to start the test phase shortly. The Reserve Bank has also subsequently announced the second cohort with cross-border payments as the theme.

12.12 National Electronic Toll Collection (NETC) System

III.94 In December 2019, the Reserve Bank permitted all authorised payment systems and instruments (non-bank PPIs, cards and UPI) to link with FASTags to broad base the NETC system as well as to foster competition among the system participants by allowing a bouquet of payment choices for customers. These passive tags, affixed on a vehicle's windscreen, use radio frequency identification technology (RFIT) to pay toll fares directly from a pre-paid account to the toll plaza, thus saving fuel and time. These instruments can also be enabled for payment of parking fees and filling of fuel.

13. Overall Assessment

III.95 During 2019-20, as the banking system showed distinct signs of resilience with recapitalisation and mergers, the Reserve Bank's regulatory focus was on strengthening the resolution process and aligning the standards with the global benchmarks. In the wake of a severe and unprecedented macroeconomic shock caused by the COVID-19 pandemic, the Reserve Bank's actions veered towards providing a stimulus to the economy while ensuring financial stability. The troika of policy rate cuts and liquidity infusion; regulatory forbearance; and time-bound resolution with additional provisions was employed to ease immediate concerns emanating from the pandemic as well as aid the economic revival going forward. Improvement in the health of the banking sector henceforth hinges around the pace and shape of economic recovery. The challenge is to rewind various relaxations in a timely manner, reining in loan impairment and adequate capital infusion for a healthy banking sector.

Annex III.1: Reserve Bank's Response to the COVID- 19 Disruptions

In the face of COVID-19 related disruptions, the Reserve Bank acted swiftly with several conventional and unconventional policy measures aimed at enabling normal functioning of financial markets and institutions, facilitating and incentivising bank credit flows, supporting monetary transmission and easing of financial stress in specific sectors and markets and increasing the systemic liquidity.

Monetary and liquidity measures

- Infusion of ₹1.25 lakh crore through long-term repo operations (LTROs) to reduce the cost of funds of banks and facilitate monetary transmission;
- Provision of US dollar liquidity of US $ 2.7 billion through two 6-month USD/INR sell/ buy swap auctions;
- Exemption to banks from maintaining CRR on deposits for the amount equivalent of incremental credit disbursed by them as retail loans to automobiles, residential housing, and loans to MSMEs;
- Temporary enhancement in the standing liquidity facility (SLF) available to standalone primary dealers (SPDs) from ₹2,800 crore to ₹10,000 crore;
- Reduction of the cash reserve ratio (CRR) by 100 bps (from 4.0 per cent of net demand and time liabilities (NDTL) to 3.0 per cent), thereby augmenting primary liquidity in the banking system by about ₹1.37 lakh crore;
- Reduction of the minimum daily CRR balance requirement from 90 per cent to 80 per cent of the prescribed CRR (dispensation allowed upto September 25, 2020);
- Enhancement of banks' marginal standing facility (MSF) borrowing limit by dipping into their Statutory Liquidity Ratio (SLR) to 3 per cent of NDTL from 2 per cent earlier, allowing the banking system to potentially avail an additional ₹1.37 lakh crore of liquidity;
- Provision of special refinance facilities for a total amount of ₹60,000 crore at the policy repo rate to NABARD; SIDBI; and NHB to meet sectoral credit requirements (Table III.a); extending a line of credit of ₹15,000 crore to the EXIM Bank for a period of 90 days (with rollover up to one year) to enable it to avail a US dollar swap facility;
- Injection of ₹1.12 lakh crore through targeted long-term repo operations (TLTRO 1.0) for investment in corporate bonds, commercial paper, and non-convertible debentures and through TLTRO 2.0 auctions for investment in investment grade bonds, commercial paper, and non-convertible debentures of NBFCs, with at least 50 per cent of the total amount availed going to small and mid-sized NBFCs and micro finance institutions (MFIs);
- Introduction of a special liquidity facility for mutual funds (SLF-MF) of ₹50,000 crore;
- Injection of durable liquidity of ₹40,000 crore cumulatively through three OMO purchase auctions in March and ₹2.27 lakh crore during 2020-21 so far (up to December 18, 2020);

Table III.a: Institution-wise Loan Availment as on December 4, 2020

(₹ crore)

Loans Extended to	SLF availed By AIFIs	Loan disbursed By AIFIs
Co-operative banks	16,300	16,300
Regional Rural Banks	6,700	6,700
Microfinance Institutions	3,350	4,278
Small Finance Banks	3,587	3,772
MSMEs	6,155	9,806
Housing Finance Companies	9,999	10,425
Total	**46,091**	**51,281**

Source: Weekly report submitted by NHB, NABARD, SIBDI.

Annex III.1: Reserve Bank's Response to the COVID- 19 Disruptions *(Continued)*

- Conduct of eleven auctions of special OMOs for ₹10,000 crore each aimed at reducing the term premium (up to December 18, 2020);
- Announcement of on tap TLTRO of up to 3 years for a total amount of ₹1,00,000 crores at a floating rate for investment in corporate bonds, commercial paper and non-convertible debentures issued by the entities in specific sectors.

Regulatory Measures

- Deferment of the last tranche of 0.625 per cent of the capital conservation buffer (CCB) to April 1, 2021;
- Deferment in the implementation of net stable funding ratio (NSFR) by six months from April 1, 2020 to October 1, 2020 and further to April 1, 2021;
- Six-month moratorium on payment of instalments in respect of all term loans outstanding as on March 1, 2020, without resulting in an asset classification downgrade;
- Lending institutions permitted to allow a deferment of six months on payment of interest in respect of working capital facilities sanctioned in the form of cash credit/overdraft outstanding as on March 1, 2020. Lending institutions were permitted, at their discretion, to convert the accumulated interest on such working capital facilities over the deferment period (up to August 31, 2020) into a funded interest term loan to be repayable not later than March 31, 2021;
- Lending institutions permitted to recalculate drawing power by reducing margins for working capital till August 31, 2020, and to review the sanctioned limits upto March 31, 2021;
- Moratorium or deferment period, in respect of all accounts classified as standard, wherever granted, to be excluded by the lending institutions from the number of days past-due for the purpose of asset classification as well as determination of 'out of order' status in respect of term loans and working capital facilities sanctioned as cash credit/overdraft, respectively;
- In respect of borrowers who were in default as on February 29, 2020 and have availed of moratorium and the consequent asset classification benefit, lenders were required to maintain provisions of not less than 10 per cent. Lenders were allowed to adjust these provisions later on against the provisioning requirements for actual slippages in such account;
- Period between March 1, 2020 and August 31, 2020 was allowed to be excluded from the 30-day Review Period calculation or the 180-day Resolution Period under the Prudential Framework on Resolution of Stressed Assets dated June 7, 2019, if the Review/Resolution Period had not expired as on March 1, 2020;
- Banks were advised to not make any dividend payouts from their profits pertaining to the financial year ended March 31, 2020 to conserve capital;
- Reduction in liquidity coverage ratio (LCR) requirement for SCBs from 100 per cent to 80 per cent which would be gradually restored back in two phases – 90 per cent by October 1, 2020 and 100 per cent by April 1, 2021;
- The limit for bank's exposure to a group of connected counterparties was increased from 25 per cent to 30 per cent of the eligible capital base of the bank up to June 30, 2021;

Annex III.1: Reserve Bank's Response to the COVID- 19 Disruptions *(Concluded)*

- The Reserve Bank permitted member lending institutions (SCBs (including scheduled RRBs), NBFCs (including HFCs as eligible under the scheme) and AIFIs) to apply zero per cent risk weight on the credit facilities to the extent of guarantee coverage under the Emergency Credit Line Guarantee Scheme guaranteed by the National Credit Guarantee Trustee Company (NCGTC) and backed by an unconditional and irrevocable guarantee provided by GoI;
- Foreign portfolio investors (FPIs) under the voluntary retention route (VRR) were allowed additional three months' time to invest 75 per cent of limits allotted;
- Permissible loan-to-value (LTV) for loans against pledge of gold ornaments and jewellery for non-agricultural purposes increased from 75 per cent to 90 per cent till March 31, 2021;
- Special window under the prudential framework provided with the intent to facilitate revival of real sector activity [Refer to Box III.1];
- Increase in the limit of securities held to maturity (HTM) to 22 per cent of NDTL from the earlier limit of 19.5 per cent up to March 31, 2021, which was further extended up to March 31, 2022. Only SLR securities acquired between September 1, 2020 and March 31, 2021 qualify to be included in the increased limit. The limit will be restored to 19.5 per cent in a phased manner, beginning from the quarter ending June 2022.

Supervisory Measures

- All supervised entities (SEs) were directed to implement their operational and business continuity plans for smooth conduct of business processes in the wake of the COVID-19 pandemic.
- Special advisories were issued for management of cyber security risks with a focus on securing sensitive data like customers' data and payment system, among others.
- Reduction of compliance burden for brief period by granting flexibility in audit coverage and in furnishing supervisory data.
- All SEs were also advised to conduct stress tests to quantify and estimate the impact of COVID-19 on their financial projections so as to strengthen their capital adequacy positions accordingly.

Credit Delivery and Financial Inclusion

- Extension in the period of realisation and repatriation of export proceeds to India from nine months to 15 months in respect of exports made up to or on July 31, 2020;
- Extension in the time period for completion of remittances against normal imports into India from six months to twelve months from the date of shipment for such imports made on or before July 31, 2020;
- Increase in the maximum permissible period of pre-shipment and post-shipment export credit sanctioned by banks from one year to 15 months for disbursements made up to July 31, 2020;
- Interest subvention (IS) and prompt repayment incentive (PRI) for short term loans for agriculture including animal husbandry, dairy and fisheries extended during the moratorium period till August 31, 2020.

IV OPERATIONS AND PERFORMANCE OF COMMERCIAL BANKS

During 2019-20, scheduled commercial banks (SCBs) registered a robust performance characterised by improved asset quality, stronger capital and provision buffers, and return to profitability after a gap of two years. These improvements continued in H1:2020-21 even in the face of the pandemic, aided by the moratorium, the standstill in asset classification and restrictions on dividend pay-outs. While the Insolvency and Bankruptcy Code (IBC) remained the dominant mode of recovery, recovery rate of the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 (SARFAESI) channel also improved. Going forward, with gradual rollback of policy measures, deterioration in asset quality may pose challenges, although build-up of buffers like COVID-19 provisions and capital raising from market may help alleviate the stress.

1. Introduction

IV.1 In 2019-20, India's commercial banking sector consolidated the gains achieved after the turnaround in 2018-19. Financial performance was shored up in H1:2020-21 by the moratorium and the standstill in asset classification. The overhang of stressed assets declined, and fresh slippages were reined in. With improvement in margins and recoveries of delinquent loans, the banking system turned profitable after a gap of two years. At the same time, capital buffers were strengthened, partly aided by recapitalisation of public sector banks (PSBs) and capital raising in the market. The immediate impact of lockdowns on the financial performance of commercial banks was mitigated through timely policy actions by the Reserve Bank. Going forward, although the risks to the banking sector remain tilted upwards, much hinges around the pace and spread of the economic recovery that is gradually gaining traction in H2:2020:21.

IV.2 Against this background, this chapter discusses the balance sheet developments in respect of 97 scheduled commercial banks (SCBs) during 2019-20 and H1:2020-21, based on annual accounts[1] of banks and off-site supervisory returns in Section 2. This is followed by an assessment of their financial performance and state of financial soundness in Sections 3 and 4, respectively. Sections 5 to 11 cover issues relating to sectoral deployment of credit, ownership patterns, corporate governance practices, foreign banks' operations 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) have been analysed in Sections 12 to 15 separately. The concluding section highlights the major issues emerging from the analysis and offers suggestions on the way forward.

[1] 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

2. Balance Sheet Analysis

IV.3 The consolidated balance sheet of SCBs has grown in H1:2020-21 after a deceleration in 2019-20 on account of subdued economic activity, deleveraging of corporate balance sheets and muted business sentiment impacting credit supply (Table IV.1). On the liabilities side, slowdown in deposit growth contributed to banks' financial weakness (Chart IV.1). The recovery in 2020-21 (so far) has been driven by investments and deposit growth in spite of the COVID-19 pandemic.

Table IV.1: Consolidated Balance Sheet of Scheduled Commercial Banks

(At end-March)

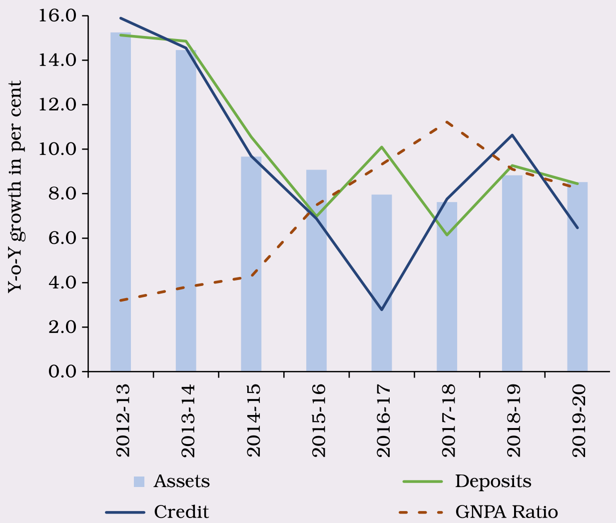
(Amount in ₹ crore)

Item	Public Sector Banks		Private Sector Banks		Foreign Banks		Small Finance Banks #		Payments Banks		All SCBs	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
1. Capital	51,060	72,040	21,344	26,866	77,809	85,710	4,213	5,151	-	1,035	1,54,427	1,90,802
2. Reserves and Surplus	5,46,066	5,80,886	5,27,665	5,82,425	96,979	1,08,987	5,821	11,047	-	-461	11,76,531	12,82,884
3. Deposits	84,86,215	90,48,420	37,70,013	41,59,044	5,81,238	6,84,289	49,178	82,488	-	855	1,28,86,643	1,39,75,095
3.1. Demand Deposits	5,52,461	5,71,383	5,17,356	5,47,521	1,71,907	2,17,874	1,955	2,381	-	8	12,43,679	13,39,167
3.2. Savings Bank Deposits	27,99,445	30,41,902	10,45,648	11,72,739	59,459	70,007	7,245	10,284	-	847	39,11,797	42,95,779
3.3. Term Deposits	51,34,309	54,35,134	22,07,008	24,38,784	3,49,872	3,96,408	39,978	69,823	-	-	77,31,167	83,40,149
4. Borrowings	7,61,612	7,09,780	7,75,324	8,27,575	1,51,367	1,28,687	21,367	30,004	-	-	17,09,670	16,96,046
5. Other Liabilities and Provisions	3,18,274	3,71,893	2,03,591	2,36,229	1,48,982	2,57,632	2,928	4,078	-	216	6,73,775	8,70,048
Total Liabilities/Assets	**1,01,63,226**	**1,07,83,018**	**52,97,937**	**58,32,139**	**10,56,375**	**12,65,304**	**83,508**	**1,32,768**	-	**1,645**	**1,66,01,045**	**1,80,14,875**
1. Cash and Balances with RBI	4,55,974	4,36,736	2,06,654	2,72,616	33,660	55,048	2,328	5,058	-	33	6,98,616	7,69,492
2. Balances with Banks and Money at Call and Short Notice	3,93,270	4,66,615	1,75,076	2,12,324	91,095	95,658	4,054	8,701	-	455	6,63,494	7,83,753
3. Investments	27,02,033	29,40,636	12,22,045	12,93,031	3,83,433	4,31,277	14,953	24,203	-	694	43,22,464	46,89,842
3.1 In Government Securities (a+b)	21,98,041	24,09,182	9,51,273	10,66,313	3,19,567	3,84,109	11,633	20,748	-	694	34,80,513	38,81,046
a) In India	21,67,070	23,71,783	9,32,574	10,57,074	3,05,764	3,62,547	11,633	20,748	-	694	34,17,040	38,12,845
b) Outside India	30,970	37,399	18,699	9,240	13,803	21,562	-	-	-	-	63,473	68,201
3.2 Other Approved Securities	157	102	-	-	-	-	-	-	-	-	157	102
3.3 Non-approved Securities	5,03,835	5,31,352	2,70,772	2,26,718	63,866	47,168	3,320	3,455	-	-	8,41,793	8,08,694
4. Loans and Advances	58,92,667	61,58,112	33,27,328	36,25,154	3,96,726	4,28,072	59,461	90,576	-	-	96,76,183	1,03,01,914
4.1 Bills Purchased and Discounted	1,66,336	1,60,977	1,17,234	1,25,078	76,192	61,864	4	37	-	-	3,59,767	3,47,955
4.2 Cash Credits, Overdrafts, *etc.*	24,71,666	24,16,408	9,45,461	9,83,165	1,79,764	2,05,130	5,433	6,872	-	-	36,02,323	36,11,575
4.3 Term Loans	32,54,665	35,80,727	22,64,633	25,16,912	1,40,770	1,61,078	54,024	83,668	-	-	57,14,093	63,42,385
5. Fixed Assets	1,07,318	1,06,507	36,142	38,243	4,426	4,129	1,251	1,649	-	200	1,49,137	1,50,728
6. Other Assets	6,11,963	6,74,412	3,30,693	3,90,770	1,47,036	2,51,120	1,461	2,580	-	263	10,91,153	13,19,146

Notes: 1. -: Nil/negligible.
2. #: Data pertain to seven scheduled SFBs at end-March 2019 and 10 scheduled SFBs at end-March 2020.
3. Components may not add up to their respective totals due to rounding-off numbers to ₹ crore.
4. 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.

Chart IV.1: Select Aggregates of SCBs



Source: Annual accounts of banks and off-site returns (Global Operations)

2.1 Liabilities

IV.4 SCBs' deposit growth remained elevated throughout the first three quarters of 2019-20 relative to the period since September 2017 (Chart IV.2a). During the last quarter, *i.e.*, January-March 2020, however, deposit growth – especially in private sector banks (PVBs) – decelerated. Currency with public surged in response to the COVID-19 induced dash for cash while solvency issues related to a private sector bank also brought about some reassignment of deposits.

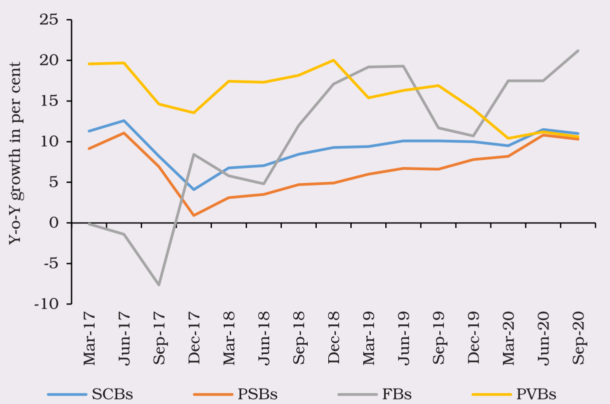
IV.5 During 2020-21 so far, deposits with PSBs grew at a higher pace than usual, partly reflecting perception of their safe haven status (Chart IV.2b).

IV.6 Term deposits – contributing almost 60 per cent of total deposits – moderated, reflecting the easing of interest rates and the lure of returns on competing asset classes. Term deposit growth of PVBs decelerated sharply even as it quadrupled in PSBs (Chart IV.3a). Foreign banks aggressively raised low-cost current and saving account (CASA) deposits, although their share in total deposits is low (Chart IV.3b).

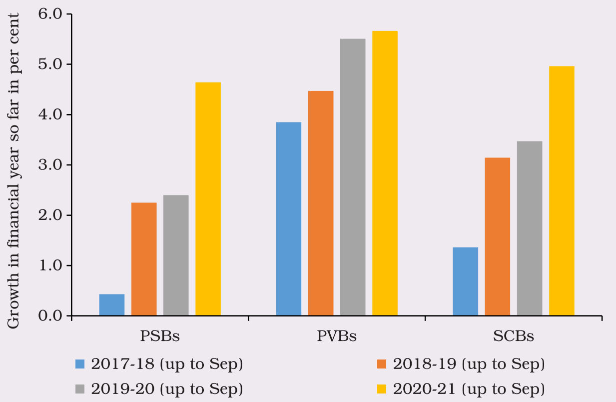
IV.7 Subdued credit growth and relatively robust deposit growth for most part of the year resulted in a decline in borrowing requirements of banks, except for PVBs (Chart IV.4).

Chart IV.2: Deposit Growth of SCBs

a. Quarterly Deposit Growth



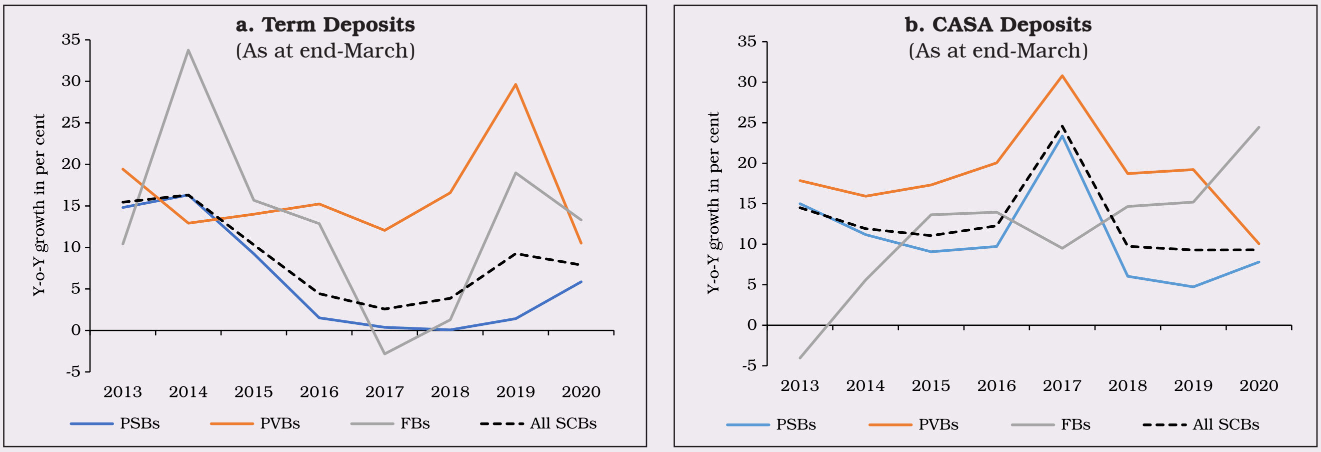
b. Deposit Growth in the Year so far



Note: IDBI Bank Ltd. has been categorized as Private Sector Bank with effect from January 21, 2019. Hence, from March 2019 round onwards IDBI Bank Ltd. is excluded from Public Sector Banks group and included in Private Sector Banks group. The data on bank-group wise growth rate from March 2019 to December 2019 is based on the adjusted bank-group totals.

Source: Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, RBI and off-site returns.

Chart IV.3: Growth in Term Deposits and CASA Deposits



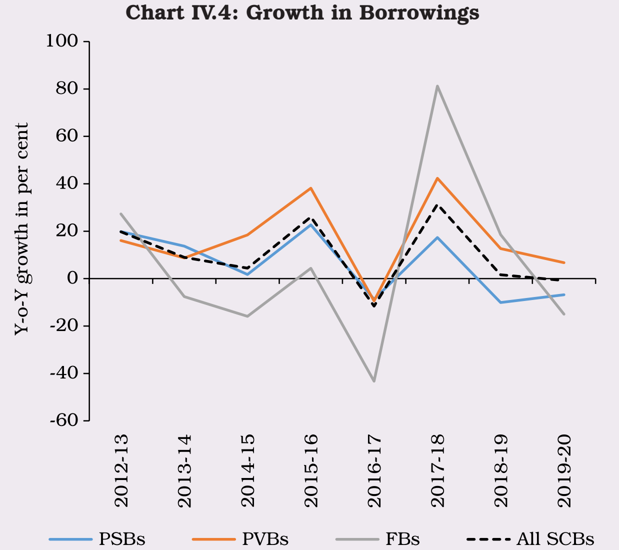
Source: Annual accounts of banks.

2.2 Assets

IV.8 After a gap of two consecutive years, SCBs' loan growth decelerated in 2019-20, reflecting both risk aversion and tepid demand. During the current financial year so far, this was accentuated by the COVID-19 pandemic. The loan book of PVBs was affected disproportionately relative to their counterparts on asset quality concerns and higher provisioning requirements. Credit expansion was at a higher pace among PSBs during March, June and September, 2020 quarters, after three consecutive quarters of deceleration (Chart IV.5).

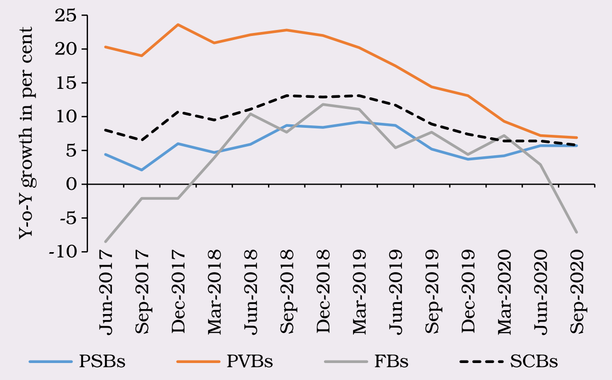
IV.9 Another positive development was the robust credit growth in rural areas. Although the share of rural credit in the total has been hovering between 8 and 9 per cent, its growth surpassed that of other categories in 2019-20, after a gap of four years. While the share of PSBs in rural credit has gradually fallen, PVBs[2] have been making inroads (Chart IV.6a and b).

Chart IV.4: Growth in Borrowings



Source: Annual accounts of banks.

Chart IV.5: Bank Group-wise Growth in Advances

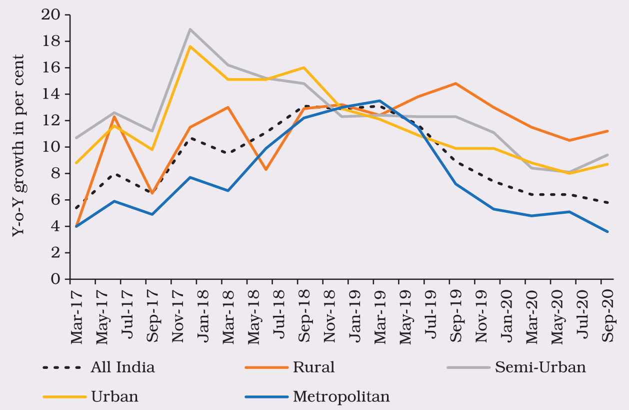


Note: IDBI Bank Ltd. has been categorized as Private Sector Bank with effect from January 21, 2019. Hence, from March 2019 onwards IDBI Bank Ltd. is excluded from Public Sector Banks group and included in Private Sector Banks group. The data on bank-group wise growth rate from March 2019 to December 2019 is based on the adjusted bank-group totals.
Source: Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, RBI.

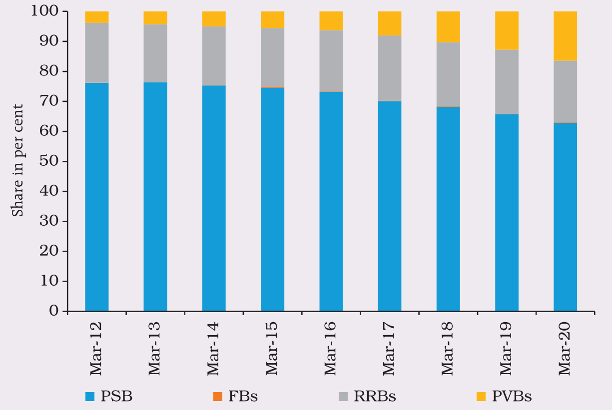
2 In Chart IV.6b, SFBs and PBs have not been considered.

Chart IV.6: Change in Credit Composition

a. SCBs' Lending to Population Groups



b. Share of Bank Groups in Rural Lending



Note: **(a)** 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 one lakh, 'Urban' includes centres with population of one lakh and above but less than ten lakhs, and 'Metropolitan' includes centres with population of 10 lakhs and above. All population figures are as per census 2011. **(b)** IDBI Bank Ltd. has been categorized as Private Sector Bank with effect from January 21, 2019. Hence, from March 2019 onwards IDBI Bank Ltd. is excluded from Public Sector Banks group and included in Private Sector Banks group.

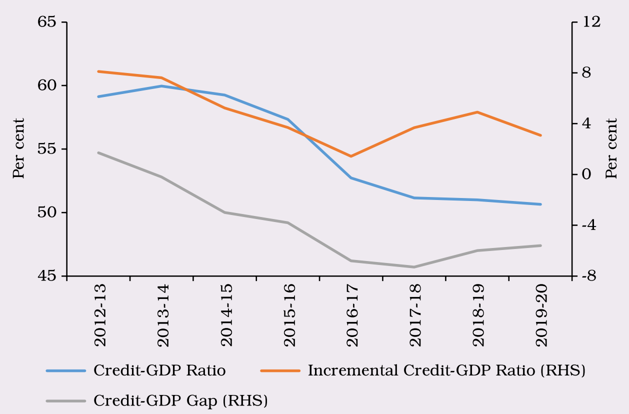
Source: Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, RBI.

IV.10 The credit-GDP ratio declined consistently throughout 2010s, partly reflecting availability of alternate avenues to raise resources. During 2019-20, however, the ratio declined even further and the incremental credit to GDP ratio also ebbed (Chart IV.7a). The outstanding credit-deposit (C-D) ratio declined across all bank groups (Chart IV.7b).

IV.11 Muted credit offtake prompted PSBs to lean in favour of investments. Risk-free liquid statutory liquidity ratio (SLR) securities were their instruments of choice amidst the prevailing uncertainties. On the other hand, investment portfolio of PVBs and FBs decelerated due to profit booking in their trading books as yield on G-Secs softened significantly during the course of the year (Chart IV.8a).

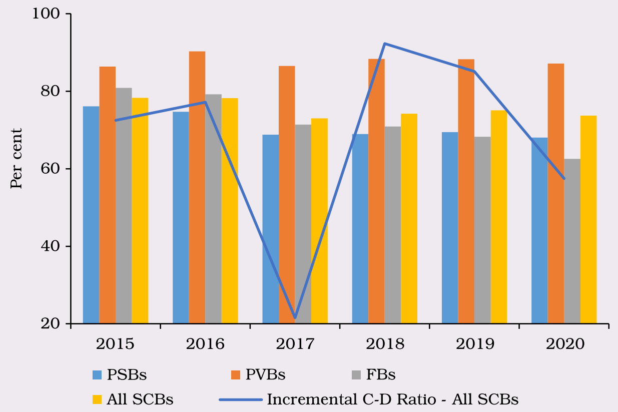
Chart IV.7: Trends in Credit Ratios

a. Credit-GDP Ratio and Credit-GDP Gap



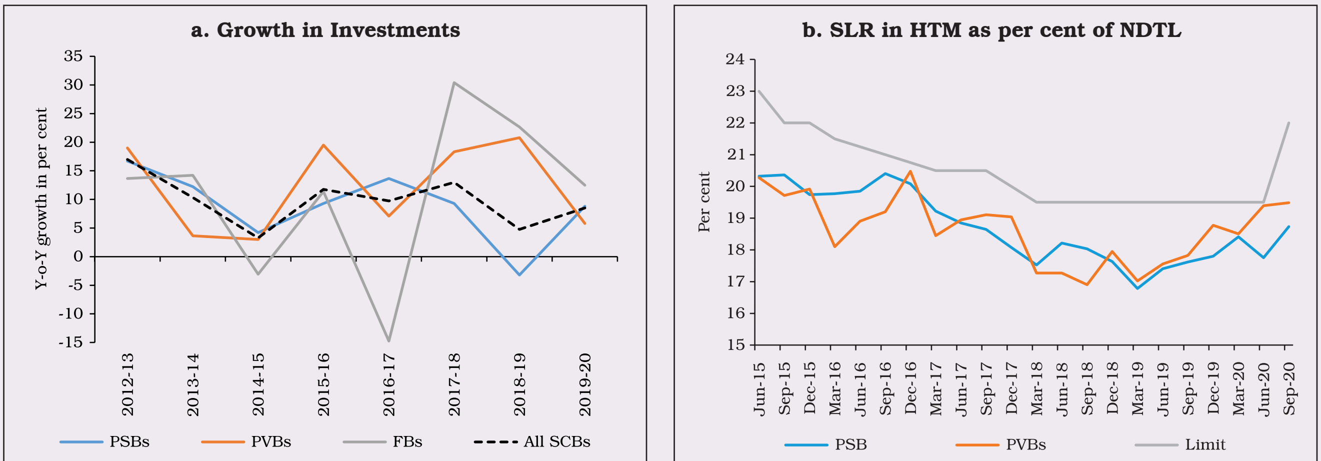
Source: Annual accounts of banks, DBIE, RBI and BIS.

b. Trends in C-D ratio (At end-March)



Source: Annual accounts of banks.

Chart IV.8: Trends in Banks' Investments



Source: Annual accounts of banks

Source: OSMOS Supervisory Returns and Section 42 Returns

IV.12 Till end-August 2020, banks were permitted to exceed the limit of 25 per cent of total investments under the held to maturity (HTM) category, provided the excess comprises only of SLR securities and total SLR securities held in the HTM category are not more than 19.5 per cent of net demand and time liabilities (NDTL). With the headroom available for PSBs and PVBs for further investment in SLR securities under the HTM category getting exhausted (Chart IV.8b) and in view of heavy government borrowing programme for 2020-21, the 19.5 per cent limit was raised to 22 per cent of NDTL up to March 31, 2022, for securities acquired between September 1, 2020 and March 31, 2021.

2.3 Flow of Funds to the Commercial Sector

IV.13 Subdued credit demand conditions were reflected in a sharp moderation in flow of credit to the commercial sector in 2019-20, from both bank and non-bank sources. The moderation in non-bank funding was lower as compared with bank funding. Corporates raised higher resources from foreign sources such as foreign direct investment (FDI), external commercial borrowing (ECB) and foreign currency convertible bonds (FCCBs). Rationalisation of ECB guidelines, prudent and tighter single-group exposure norms, low interest rates in origin countries and the relatively stable exchange rate created an enabling environment to raise more resources from foreign sources. Within domestic non-bank sources, acceleration in resources raised from the capital market – public and rights issues as well as private placements – coupled with the investment of Life Insurance Corporation of India (LIC) in corporate debt provided a silver lining (Table IV.2).

IV.14 The flow of funds to commercial sector has been higher during 2020-21 so far. Flows from banks, domestic non-bank sources – notably private placements; commercial paper (CP) issuances; and credit by housing finance companies (HFCs) – have picked up, compensating for lower flows from foreign sources like ECB/FCCB and short-term credit from abroad (Table IV.2).

2.4 Maturity Profile of Assets and Liabilities

IV.15 Asset-liability management (ALM) profiles have direct implications for liquidity and profitability of banks. Rate Sensitive Assets (RSAs) and Rate Sensitive Liabilities (RSLs) directly impact banks' net interest income. The

Table IV.2: Trends in Flow of Financial Resources to Commercial Sector from Banks and Non-banks

(₹ crore)

	April to March				April 1 to December 4	
	2016-17	2017-18	2018-19	2019-20	2019-20	2020-21
A. Adjusted Non-food Bank Credit (NFC)	**4,95,224 (33.6)**	**9,16,109 (42.8)**	**12,29,977 (52.3)**	**5,81,209 (40.2)**	**73,792 (12.2)**	**89,556 (14.4)**
i) Non-food credit	3,88,247	7,95,897	11,46,677	5,88,985	79,907	89,526
of which: petroleum and fertilizer credit	13,283	2,724	7,463	21,721	-16,622	-27,168@
ii) Non-SLR investment by SCBs	1,06,977	1,20,212	83,301	-7,775	-6,116	30
B. Flow from Non-banks (B1+B2)	**9,79,207 (66.4)**	**12,24,042 (57.2)**	**11,22,424 (47.7)**	**8,64,615 (59.8)**	**5,32,770 (87.8)**	**5,32,957 (85.6)**
B1. Domestic Sources	**7,03,377 (47.7)**	**8,85,589 (41.4)**	**7,35,678 (31.3)**	**3,21,100 (22.2)**	**2,26,811 (37.4)**	**3,26,773 (52.5)**
1 Public & rights issues by non-financial entities	15,503	43,826	10,565	63,689	59,281	27,571 $
2 Gross private placements by non-financial entities	2,00,243	1,46,176	1,55,133	2,37,062	1,19,442	1,79,641 $
3 Net issuance of CPs subscribed to by non-banks	86,894	-25,377	1,36,089	-1,52,722	-33,041	53,759 $
4 Net credit by housing finance companies	1,37,390	2,19,840	1,65,893	8,573	-8,852	51,197 @
5 Total accommodation by four RBI-regulated AIFIs - NABARD, NHB, SIDBI & EXIM Bank	46,939	95,084	1,11,984	82,160	-1,738	-12,725 @
6 Systemically important non-deposit taking NBFCs and deposit taking NBFCs (net of bank credit)	1,88,748	3,68,243	1,26,004	13,572	46,758	2,937 &
7 LIC's net investment in corporate debt, infrastructure and social sector	27,661	37,797	30,011	68,766	44,962	24,393 $
B2. Foreign Sources	**2,75,829 (18.7)**	**3,38,454 (15.8)**	**3,86,746 (16.4)**	**5,43,515 (37.6)**	**3,05,959 (50.4)**	**2,06,185 (33.1)**
1 External commercial borrowings / FCCBs	-50,928	-5,129	69,629	1,54,263	70,820	-37,178 @
2 ADR/GDR issues excluding banks and financial institutions	0	0	0	0	0	0 @
3 Short-term credit from abroad	43,465	89,606	15,184	-7,704	13,841	-1,488 &
4 Foreign direct investment to India	2,83,292	2,53,977	3,01,932	3,96,955	2,21,299	2,44,851 @
C. Total Flow of Resources (A+B)	**14,74,431 (100.0)**	**21,40,151 (100.0)**	**23,52,401 (100.0)**	**14,45,824 (100.0)**	**6,06,562 (100.0)**	**6,22,513 (100.0)**

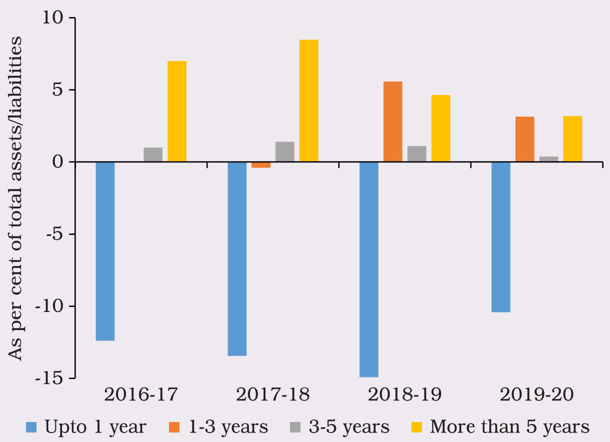
Notes: 1. &: Up to June 2020 @: Up to October 2020 $: Up to November 2020.
2. There was a rights issue of partly paid-up shares of ₹53,124 crore by Reliance Industries Limited in June 2020, of which 25 per cent (₹13,281 crore) has been paid at the time of subscription and the balance 25 per cent and 50 per cent shall be paid in May 2021 and November 2021, respectively.
3. Figures in the parentheses represent share in total flows.

Source: RBI, SEBI, BSE, NSE, Merchant Banks, LIC and NHB.

decision to hold a positive (RSAs > RSLs) or negative gap (RSLs > RSAs) depends on a bank's expectations on interest rates and its overall business strategy. In an environment of declining interest rates during 2019-20, the negative gap in the maturity bucket of up to one year and positive gap in higher maturity buckets moderated (Chart IV.9).

IV.16 While liabilities like deposits and borrowings in the maturity bucket of up to one year declined, assets – specifically, investments – picked up, led by PSBs and PVBs. On the other hand, borrowings and investments in the maturity bucket of over five years dipped. At the same time, deposits and loans and advances

Chart IV.9: Gap between Proportion of Assets and Liabilities in Various Maturity Buckets



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

Source: Annual accounts of banks.

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		SFBs		PBs		All SCBs	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
1	2	3	4	5	6	7	8	9	10	11	12	13
I. Deposits												
a) Up to 1 year	43.6	40.4	42.9	38.1	64.2	63.9	59.6	59.6	-	10.0	44.4	40.9
b) Over 1 year and up to 3 years	22.4	22.8	26.8	28.1	28.6	28.3	36.7	37.5	-	90.0	24.0	24.8
c) Over 3 years and up to 5 years	10.7	10.2	9.5	8.5	7.2	7.7	0.6	0.7	-	-	10.2	9.5
d) Over 5 years	23.3	26.6	20.9	25.3	0.03	0.03	3.1	2.2	-	-	21.5	24.7
II. Borrowings												
a) Up to 1 year	61.6	49.7	47.9	51.5	87.5	83.9	40.0	41.1	-	-	57.4	53.0
b) Over 1 year and up to 3 years	14.1	27.6	19.9	24.4	8.1	9.8	44.9	44.0	-	-	16.5	25.0
c) Over 3 years and up to 5 years	8.3	13.0	14.1	11.2	1.8	2.2	10.9	11.3	-	-	10.4	11.3
d) Over 5 years	16.0	9.7	18.1	12.9	2.6	4.1	4.2	3.6	-	-	15.6	10.7
III. Loans and Advances												
a) Up to 1 year	25.7	25.2	31.4	32.3	57.9	61.4	44.1	38.1	-	-	29.1	29.3
b) Over 1 year and up to 3 years	41.6	40.3	34.0	33.6	22.1	19.3	34.7	42.4	-	-	38.1	37.1
c) Over 3 years and up to 5 years	12.4	11.0	12.9	12.7	7.4	7.1	9.6	9.0	-	-	12.4	11.4
d) Over 5 years	20.4	23.5	21.6	21.5	12.5	12.1	11.6	10.4	-	-	20.4	22.2
IV. Investments												
a) Up to 1 year	17.9	22.3	51.7	54.3	82.6	82.5	66.3	59.0	-	100.0	33.3	36.8
b) Over 1 year and up to 3 years	13.5	12.9	16.5	15.1	10.9	10.9	20.3	26.3	-	-	14.2	13.4
c) Over 3 years and up to 5 years	13.5	10.7	8.2	6.8	2.2	2.2	1.3	3.1	-	-	11.0	8.8
d) Over 5 years	55.1	54.1	23.6	23.8	4.2	4.5	12.1	11.6	-	-	41.5	41.0

Note: The sum of components may not add up to 100 due to rounding off.
Source: Annual accounts of banks.

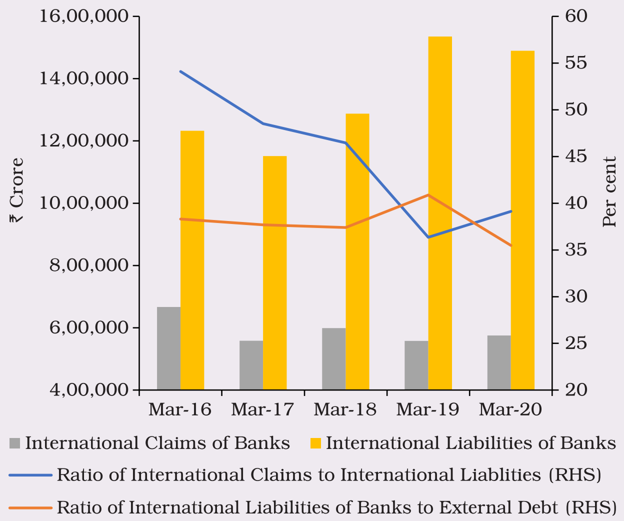
edged up. FBs continued to focus mainly on short-term borrowings and investments (Table IV.3).

2.5 International Liabilities and Assets

IV.17 During 2019-20, total international liabilities of banks located in India declined due to a drop in short-term borrowings from abroad. Divestment by non-residents in banks, particularly PVBs, also contributed to this decline (Appendix Table IV.9). On the other hand, international assets of banks rebounded from a decline in the previous year, largely driven by an upsurge in NOSTRO balances and placements abroad. However, claims arising out of outstanding export bills sharply declined due to slackening of international trade (Appendix Table IV.10). This resulted in an uptick in the ratio of international claims to international liabilities. The ratio of international liabilities of banks to India's total external debt declined due to an increase in external debt during the year (Chart IV.10).

IV.18 The consolidated international claims of banks declined across both short-term and long-term maturities and shifted away from the non-financial private sector and banks towards non-bank financial institutions (NBFIs) (Appendix Table IV.11). Consolidated international claims

Chart IV.10: International Liabilities and Assets of Banks



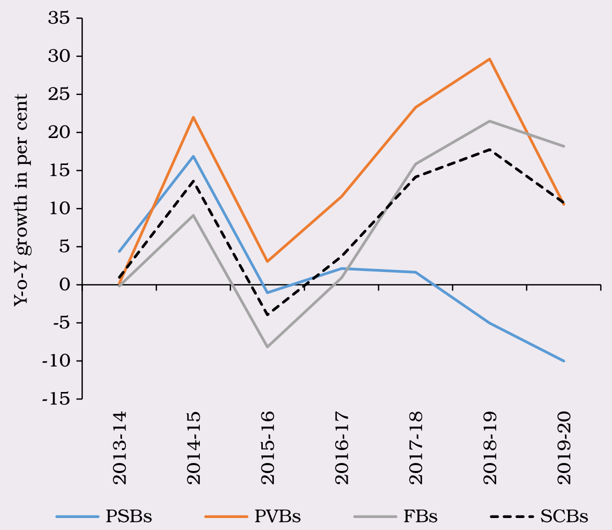
Source: Annual accounts of banks and DBIE.

of banks also underwent geographical changes favouring Germany, Singapore and the United Arab Emirates (U.A.E.) at the cost of Hong Kong, the United Kingdom (U.K.) and the United States (U.S.) (Appendix Table IV.12).

2.6 Off-balance Sheet Operations

IV.19 During 2019-20, off-balance sheet liabilities of PVBs and FBs decelerated, while those of PSBs contracted, suggesting prudent behaviour in the face of elevated credit risk (Chart IV.11; Appendix Table IV.2). At end-March 2020, foreign banks' contingent liabilities were as high as 10 times their balance sheet assets, while PVBs (1.2 times) and PSBs (0.31 times) had relatively lower off-balance sheet exposures.

Chart IV.11: Off-balance Sheet Liabilities of Banks



Source: Annual accounts of banks.

3. Financial Performance

IV.20 Net profits of SCBs turned around in 2019-20 after losses in two consecutive years (Table IV.4). Although PSBs incurred losses for the fifth year in a row, the amount of losses shrank. PBs could not break even as they

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

(Amount in ₹ crore)

Item	Public Sector Banks		Private Sector Banks		Foreign Banks		Small Finance Banks#		Payments Banks		All SCBs	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
1. Income	7,75,331 (0.03)	8,34,320 (7.6)	4,67,058 (25.5)	5,46,041 (16.9)	69,901 (9.8)	83,223 (19.1)	10,898 (62.7)	19,219 (76.4)	-	55	13,23,188 (8.7)	14,82,858 (12.1)
a) Interest Income	6,81,575 (3.2)	7,16,203 (5.1)	3,93,637 (29.0)	4,48,566 (14.0)	55,569 (10.0)	66,673 (20.0)	9,682 (65.4)	16,948 (75.0)	-	46	11,40,463 (11.6)	12,48,435 (9.5)
b) Other Income	93,755 (-18.3)	1,18,117 (26.0)	73,422 (9.9)	97,476 (32.8)	14,332 (8.9)	16,550 (15.5)	1,216 (43.9)	2,271 (86.7)	-	9	1,82,725 (-6.6)	2,34,422 (28.3)
2. Expenditure	8,41,939 (-2.2)	8,60,335 (2.2)	4,39,437 (33.0)	5,26,930 (19.9)	55,393 (4.9)	67,043 (21.0)	9,816 (53.3)	17,251 (75.7)	-	389	13,46,585 (7.7)	14,71,947 (9.3)
a) Interest Expended	4,50,614 (-1.0)	4,68,005 (3.9)	2,31,257 (32.7)	2,58,038 (11.6)	24,476 (14.3)	28,810 (17.7)	4,535 (70.7)	7,928 (74.8)	-	14	7,10,881 (8.8)	7,62,794 (7.3)
b) Operating Expenses	1,75,114 (6.6)	1,91,925 (9.6)	1,09,276 (26.3)	1,26,320 (15.6)	18,697 (3.8)	21,584 (15.4)	4,200 (52.8)	7,152 (70.3)	-	488	3,07,287 (13.2)	3,47,469 (13.1)
Of which : Wage Bill	1,01,503 (10.6)	1,15,044 (13.3)	39,202 (21.5)	47,357 (20.8)	6,720 (-2.3)	7,878 (17.2)	2,127 (36.3)	3,811 (79.2)	-	264	1,49,551 (12.9)	1,74,354 (16.6)
c) Provision and Contingencies	2,16,211 (-10.3)	2,00,405 (-7.3)	98,905 (42.1)	1,42,572 (44.2)	12,220 (- 8.7)	16,648 (36.2)	1,081 (8.4)	2,171 (100.8)	-	-112	3,28,417 (1.0)	3,61,685 (10.1)
3. Operating Profit	1,49,603 (-3.9)	1,74,390 (16.6)	1,26,526 (13.6)	1,61,684 (27.8)	26,728 (10.3)	32,829 (22.8)	2,163 (67.1)	4,139 (91.4)	-	-446	3,05,019 (4.2)	3,72,595 (22.2)
4. Net Profit	-66,608	-26,015	27,621 (- 33.9)	19,111 (- 30.8)	14,508 (33.7)	16,180 (11.5)	1,082 (264.4)	1,968 (81.9)	-	-334	-23,397	10,911
5. Net Interest Income (NII) (1a-2a)	2,30,962 (12.6)	2,48,198 (7.5)	1,62,380 (23.9)	1,90,528 (17.3)	31,093 (6.9)	37,863 (21.8)	5,147 (61.0)	9,020 (75.3)	-	32	4,29,581 (16.6)	4,85,641 (13.0)
6. Net Interest Margin (NIM)	2.33	2.37	3.26	3.42	3.23	3.26	7.62	8.34	-	1.95	2.7	2.8

Notes: 1. #: Data pertain to seven scheduled SFBs at end-March 2019 and 10 scheduled SFBs at end-March 2020.
2. NIM has been defined as NII as percentage of average assets.
3. Figures in parentheses refer to per cent variation over the previous year.
4. Percentage variations could be slightly different as absolute numbers have been rounded off to ₹ crore.

Source: Annual accounts of respective banks.

incurred high initial capital expenditure and wage bills.

IV.21 The improvement in financial performance also reflected an increase in trading income on profit booking in the light of favourable yield movements (Box IV.1).

IV.22 In line with the increasing share of PVBs in banking assets, their share in operating profits also increased to 43.4 per cent in 2019-20 at the cost of PSBs (Chart IV.12a and b).

IV.23 Both interest income and interest expended by banks decelerated; however, banks

Box IV.1: Impact of Movements in G-Sec Yield on Bank Profitability

A decline in G-Sec yields may prompt banks to book profits on their trading books. Higher yields and a steep yield curve are generally associated with higher NIMs (Alessandri and Nelson, 2015; Borio *et al*, 2015; Claessens *et al*, 2018). The level and slope of the yield curve have been found to affect NIM and trading income in the opposite direction, which is consistent with banks hedging interest rate risk through derivatives (Alessandri and Nelson, 2015; Borio *et al*, 2015). The net effect of these countervailing factors is not obvious.

In the Indian context, yield on long-term government securities and short-term rates have sharply fallen in recent quarters, while the slope of the yield curve (*i.e.*, the difference between yield on 10-year G-Sec and three-month T-Bills) has steepened (Chart 1).

Using quarterly panel data of public and private sector banks for the period March 2015 to March 2020 three variations of a fixed effects model were estimated (Table 1). Controlling for bank-specific variables and macro-variables, the yield on 10-year G-Secs and the slope of the yield curve were found to have a significant and negative impact on trading profit (Col.4). This impact was strong enough to pull down total profitability (RoA) of banks (Col. 3), notwithstanding the uncertain impact on interest margins (Col. 2). The negative sign on the slope coefficient points to hedging activity of banks across the maturity spectrum.

Chart 1: Trading Profit and Yield on G-Secs

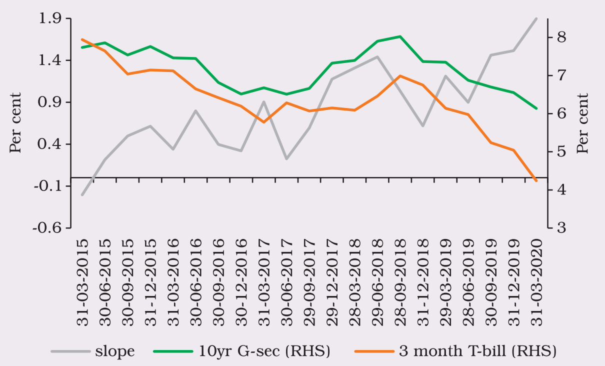


Table 1: Yield and Profitability: Fixed Effects Model

Column (1)	Column (2)	Column (3)	Column (4)
	Dependent Variable: NIM	Dependent Variable: RoA	Dependent Variable: Trading profit to assets ratio
Dependent variable (-1)	0.375*** (0.101)	0.423*** (0.046)	0.122** (0.051)
10-year G-Sec yield	- 0.176 (0.275)	-7.142*** (2.38)	- 0.044*** (.004)
Slope	- 0.009 (0.111)	-3.772*** (1.071)	-0.028*** (0.005)
Slope (-1)	- 0.085 (0.097)	-2.613*** (1.006)	-0.005 (0.006)
GNPA	- 0.016*** (0.005)	-.093*** (0.032)	-
CASA	0.012*** (0.003)	-	-
Cost to Income ratio	-0.005 (0.003)	- 0.028*** (0.006)	-
Spread	0.398*** (0.056)	-	-
Liquid assets to Total Assets	-0.005** (0.002)	-0.002 (0.012)	-
IIP	0.004 (0.003)	0.080*** (0.026)	-
Diversification	-0.001** (0.0005)	0.006*** (0.002)	-
Log (assets)	0.363 (0.282)	0.832 (0.673)	-
Tier I Leverage ratio	-	-	0.0003*** (0.00002)
Constant	4.235*** (3.487)	62.537 (20.94)	0.395*** (0.030)
R^2 (overall)	0.89	0.76	0.34
No. of observations	818	814	656
Bank Fixed Effect	Yes	Yes	Yes
Time Fixed Effect	Yes	Yes	Yes

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

Reference:

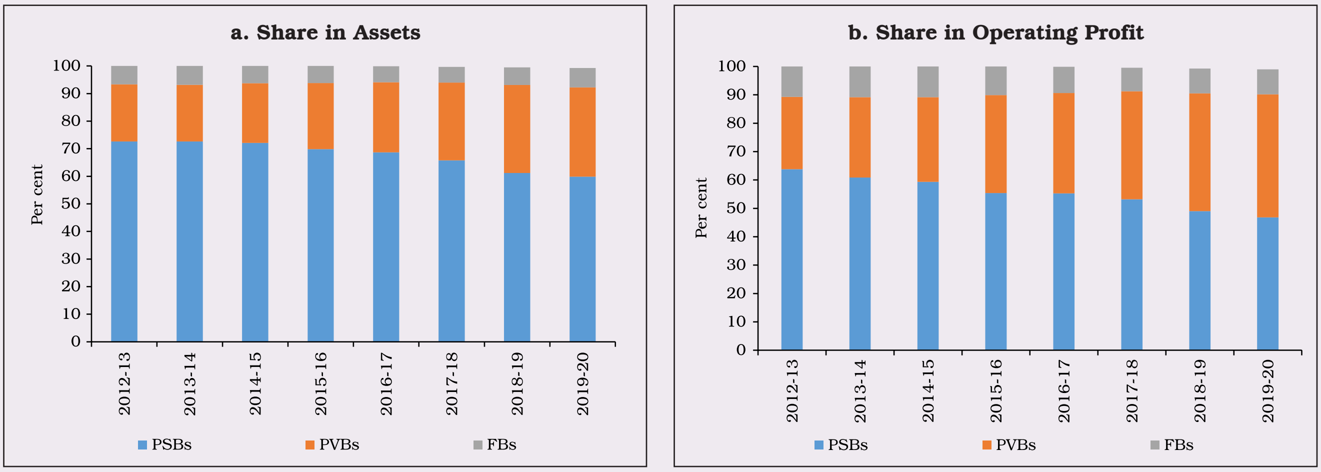
Alessandri, P. and B. D. Nelson (2015). Simple Banking: Profitability and the Yield Curve. *Journal of Money, Credit and Banking*, 47(1), 143–175.

Borio, C., L. Gambacorta, and B. Hofmann (2017). The Influence of Monetary Policy on Bank Profitability. *International Finance*, 20(1):48-63.

Claessens, S, N. Coleman and M. Donnelly (2018). "Low-For-Long" Interest Rates and Banks' Interest Margins and Profitability: Cross-country Evidence. Journal of Financial Intermediation, 35 (2018) 1–16.

Verma, R. and S. Herwadkar (2020). Interest Rate Movements and Bank Profitability: An Indian Experience, *mimeo*.

Chart IV.12: Bank Group-wise Share in Assets and Operating Profit



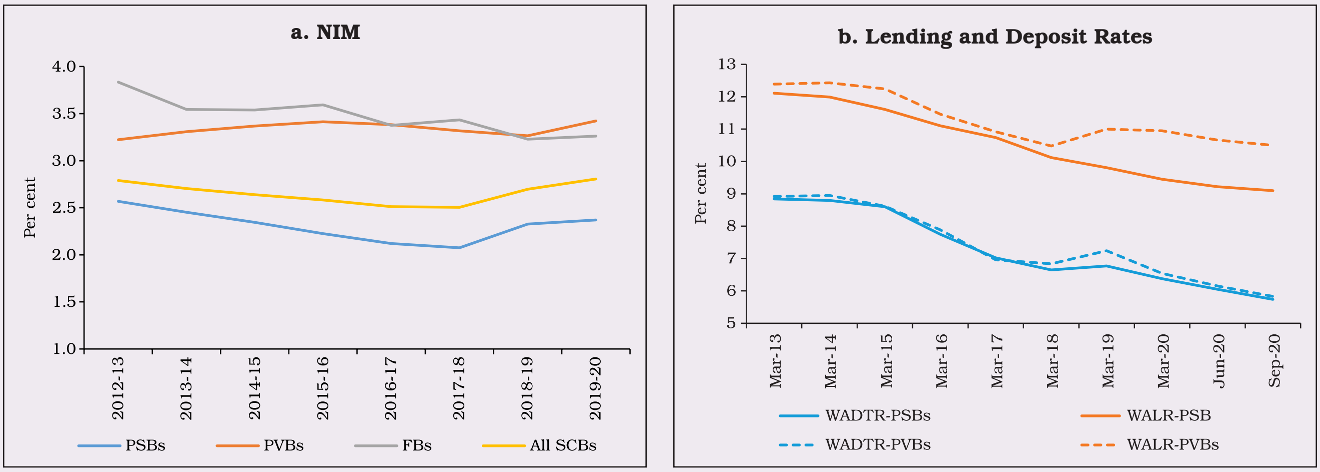
Source: Annual accounts of banks.

managed to register higher net interest margin (NIM) with the growth in interest income. The gap between NIM of PVBs and PSBs enlarged as the former managed to lend at comparatively higher rates while reducing their deposit rates (Chart IV.13a and b).

IV.24 Banks' spreads increased, with SFBs commanding the highest spread followed by FBs, PVBs and PSBs in that order (Table IV.5). SFBs – which characteristically have a larger share of microfinance portfolio than peers – face higher cost of deposits and borrowings. This was, however, more than compensated by higher lending rates.

IV.25 Provisions – especially those of PVBs – accelerated on account of higher NPAs as well as to meet regulatory requirements post-loan moratorium provided as COVID-19 relief measure. Although banks are required to make general provisions of not less than 10 per cent of the total outstanding on accounts that were in default as on February 29, 2020 and where moratorium / interest deferment and the consequent asset classification benefit

Chart IV.13: Lending Rate, Deposit Rate and NIM



Source: Annual accounts of banks and RBI.

Table IV.5: Cost of Funds and Return on Funds by Bank Groups

(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	2018-19	5.01	4.81	4.99	8.07	7.20	7.79	2.80
	2019-20	4.96	4.56	4.92	8.16	6.92	7.76	2.84
PVBs	2018-19	5.14	6.64	5.40	9.78	6.99	9.01	3.61
	2019-20	5.26	6.17	5.41	10.10	6.59	9.17	3.76
FBs	2018-19	3.79	2.93	3.61	8.15	6.23	7.23	3.61
	2019-20	3.65	4.07	3.73	8.45	6.71	7.59	3.86
SFBs	2018-19	7.03	9.79	8.02	17.77	7.55	15.63	7.61
	2019-20	8.20	9.84	8.66	19.87	7.54	17.32	8.66
PBs	2018-19	-	-	-	-	-	-	-
	2019-20	1.58	-	1.59	-	3.49	3.49	1.90
All SCBs	2018-19	5.00	5.54	5.06	8.69	7.06	8.18	3.12
	2019-20	5.00	5.36	5.04	8.94	6.81	8.28	3.23

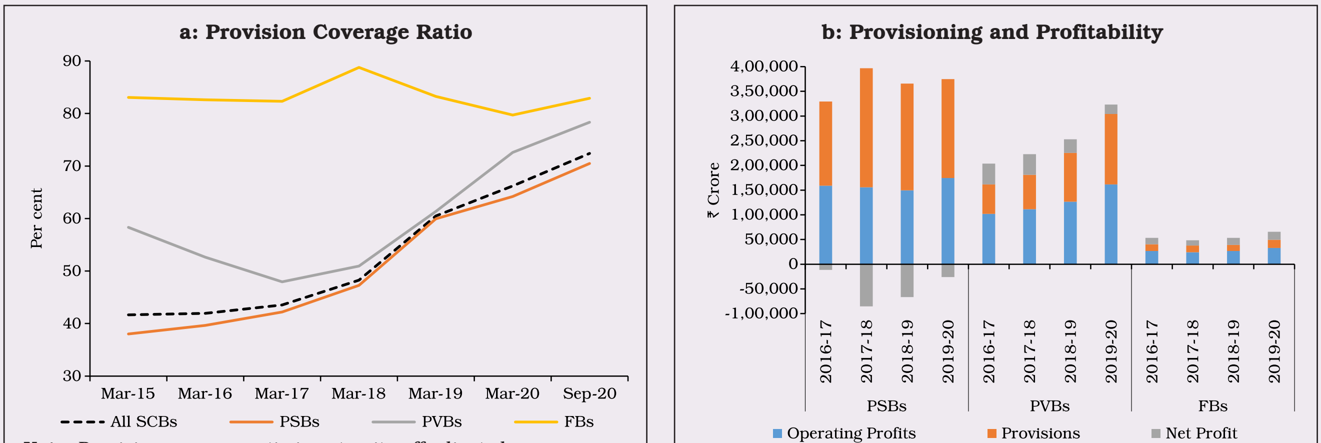
Notes: 1. Cost of deposits = Interest paid on deposits/Average of current and previous year's deposits.
2. Cost of borrowings = (Interest expended - Interest on deposits)/Average of current and previous year's borrowings.
3. Cost of funds = Interest expended / (Average of current and previous year's 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 and PBs.

Source: Calculated from balance sheets of respective banks.

was extended, it was allowed to be spread over Q4:2019-20 and Q1:2020-21. Against the backdrop of a regulatory ban on banks that prevent them from distribution of dividends, many PVBs earmarked the entire required provision – or even more – in the March 2020 quarter itself. As a result, the provision coverage ratio (PCR) of SCBs improved to 66.2 per cent in end-March 2020 and further rose to 72.4 per cent by end-September 2020 (Chart IV.14a). This also impacted profitability of banks in varying degrees (Chart IV.14b).[3]

IV.26 At the system level, SCBs' return on assets (RoA) and return on equity (RoE) turned positive during 2019-20, although PSBs and PBs remained a drag on banking system profitability (Table IV.6).

Chart IV.14: Impact of Provisioning on Profitability



Note: Provision coverage ratio is not write-off adjusted.
Source: Off-site returns (domestic operations), RBI

Source: Annual accounts of banks.

[3] Off-site Returns data used throughout this chapter pertain to all the SCBs *i.e.* inclusive of PSBs, PVBs, FBs and SFBs.

Table IV.6: Return on Assets and Return on Equity of SCBs – Bank Group-wise

(Per cent)

Bank Group	PSBs		PVBs		FBs		SFBs		PBs		All SCBs	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
Return on Assets	-0.65	-0.23	0.63	0.51	1.57	1.55	1.59	1.70	-	-25.39	-0.09	0.15
Return on Equity	-11.44	-4.16	5.45	3.30	8.77	8.76	12.59	15.00	-	-58.19	-1.85	0.78

Source: Annual accounts of banks.

4. Soundness Indicators

IV.27 During 2019-20, SCBs strengthened their capital buffers, improved their asset quality and raised liquidity coverage ratios (LCR), although the leverage ratios marginally declined. Despite the COVID-19 pandemic, these improvements in soundness indictors continued till September 2020 due to moratorium on loans till August 2020 and continuing asset classification standstill. However, an increase in the restructured advances ratio to 0.43 per cent at end-September 2020 from 0.36 in March 2020 may be indicative of incipient stress.

4.1 Capital Adequacy

IV.28 The consistent improvement in the capital to risk-weighted assets ratio (CRAR) of SCBs since March 2015 continued throughout 2019-20 and 2020-21 so far, reaching 15.8 per cent by end-September 2020 (Table IV.7). Although at the system level, the capital position exceeded the regulatory minimum [10.875 per cent inclusive of capital conservation buffer (CCB)], a few banks breached the regulatory minimum. Mergers helped improve the capital position of constituent banks due to pooling of resources for various operations and other scale economies (Box IV.2). Deferred implementation of the last tranche of CCB as a regulatory response to potential impact of COVID-19 on capital position of banks also helped. The decline in GNPAs and fresh slippages, improved profitability and restriction on dividend pay-out by banks contributed to strengthening of capital position of banks.

IV.29 There has been a visible shift in the CRAR distribution of banks between 2008 (onset of the global financial crisis) and 2020 (onset of COVID-19 pandemic). The median CRAR has increased from 12.3 in March 2008

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

(Amount in ₹ crore)

	PSBs		PVBs		FBs		SCBs	
	2019	2020	2019	2020	2019	2020	2019	2020
1. Capital Funds	**6,38,553**	**6,99,872**	**6,01,046**	**6,54,772**	**1,69,598**	**1,88,660**	**14,09,197**	**15,43,304**
i) Tier I Capital	5,18,963	5,65,830	5,27,007	5,80,718	1,59,184	1,72,883	12,05,154	13,19,431
ii) Tier II Capital	1,19,590	1,34,042	74,039	74,054	10,413	15,777	2,04,043	2,23,873
2. Risk Weighted Assets	**52,32,524**	**54,46,253**	**37,39,838**	**39,56,956**	**8,74,432**	**10,65,869**	**98,46,793**	**1,04,69,078**
3. CRAR (1 as % of 2)	**12.2**	**12.9**	**16.1**	**16.5**	**19.4**	**17.7**	**14.3**	**14.7**
Of which: Tier I	9.9	10.4	14.1	14.7	18.2	16.2	12.2	12.6
Tier II	2.3	2.5	2.0	1.9	1.2	1.5	2.1	2.1

Source: Off-site returns, RBI.

Box IV.2: Effects of Merger on Indian Banking System

Ten public sector banks were merged into four banks with effect from April 1, 2020 with the objective of creating next generation banks with strong national and global presence. Notwithstanding some initial hiccups, factors like government ownership, similar pay structure and career progression avenues for staff, and common core banking solutions helped smoothen the operationalisation of the merger (Table 1).

The equity swap ratio between merged entities was another issue that was widely discussed but was settled ahead of the merger (Table 2).

The merged entities can now reap benefits of synergy, especially in the case of branch network presence across regions. For example, United Bank of India, which had a large presence in the eastern region, will now benefit from the more diversified branch network of Punjab National Bank which had vast network in northern and central region before the merger. Similarly, Indian Bank – with concentrated presence in the southern part of the country – can now expand its reach in central and eastern parts due to its alliance with Allahabad Bank (Chart 1).

Merger helped strengthen the capital buffers of banks that were facing challenges in meeting regulatory requirements (Table 3).

Table 1: Core Banking Solutions

Banks	Merged Into	Core Banking Solution
Punjab National Bank (PNB) Oriental bank of Commerce (OBC) United Bank of India	Punjab National Bank	Finacle
Syndicate Bank Canara Bank	Canara Bank	iFLex Cube (OFSS)
Andhra Bank Union Bank of India Corporation Bank	Union Bank of India	Finacle
Allahabad Bank Indian Bank	Indian Bank	BaNCS

Table 2: Share Swap Ratios

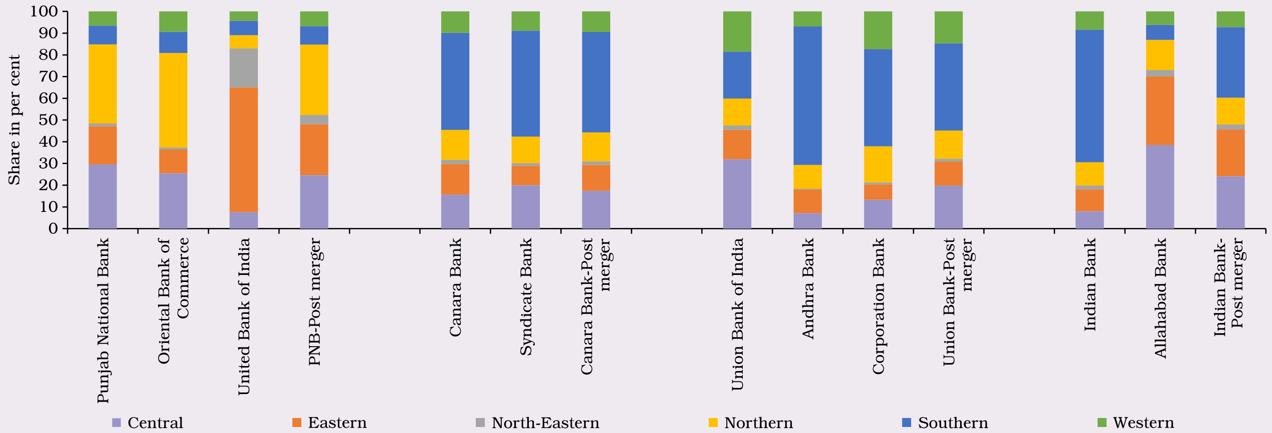
Punjab National Bank	• 1,150 equity shares of ₹2 each of Punjab National Bank for every 1,000 shares of ₹10 each of Oriental Bank of Commerce • 121 equity shares of ₹2 each of Punjab National Bank for every 1,000 equity shares of ₹10 each of United Bank of India
Canara Bank	• 158 equity shares of ₹10 each of Canara Bank for every 1,000 equity shares of ₹10 each of Syndicate Bank
Union Bank of India	• 325 equity shares of ₹10 each of Union Bank of India for every 1,000 equity shares of ₹10 each of Andhra Bank • 330 equity shares of ₹10 each of Union Bank of India for every 1,000 equity shares of ₹2 each of Corporation Bank
Indian Bank	• 115 equity shares of ₹10 each of Indian Bank for every 1,000 equity shares of ₹10 each of Allahabad Bank

Table 3: CRAR of Banks: Pre- and Post-Merger

(Per cent)

	March 31, 2020 (Pre-Merger)	June 30, 2020 (Post-Merger)
Punjab National Bank	14.14	12.63
Oriental Bank of Commerce	11.55	
United Bank	5.56	
Canara Bank	13.65	12.77
Syndicate Bank	11.52	
Union Bank of India	12.81	11.62
Andhra Bank	11.12	
Corporation Bank	11.53	
Indian Bank	14.12	13.45
Allahabad Bank	12.01	

Chart 1: Regional Concentration of Bank Branches



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

(Contd...)

Table 4: NNPA Ratio

(Per cent)

	March 31, 2020 (Pre-Merger)	June 30, 2020 (Post-Merger)
Punjab National Bank	5.80	
Oriental Bank of Commerce	5.00	5.39
United Bank	4.88	
Canara Bank	4.18	4.08
Syndicate Bank	4.61	
Union Bank of India	5.49	
Andhra Bank	4.92	4.75
Corporation Bank	5.14	
Indian Bank	3.13	3.76
Allahabad Bank	5.66	

Table 5: Provision Coverage Ratio

(Without write-off adjusted, in per cent)

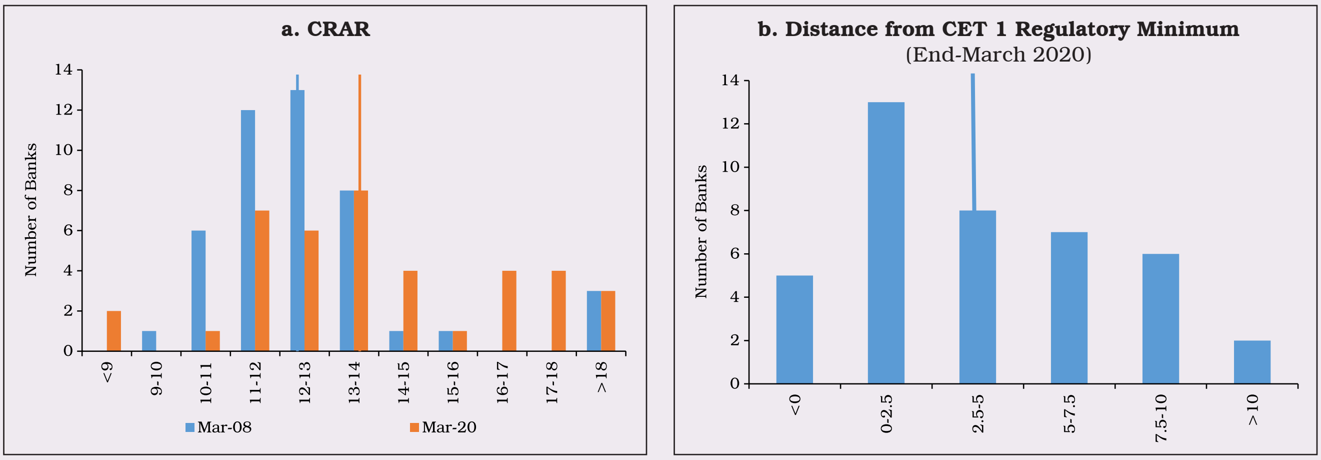
	March 31, 2020 (Pre-Merger)	June 30, 2020 (Post-Merger)
Punjab National Bank	62.39	
Oriental Bank of Commerce	62.84	64.47
United Bank	66.86	
Canara Bank	50.20	56.27
Syndicate Bank	63.44	
Union Bank of India	64.37	
Andhra Bank	72.80	69.61
Corporation Bank	66.26	
Indian Bank	53.11	66.92
Allahabad Bank	70.18	

Although it is difficult to isolate the impact of mergers from other forces acting concomitantly, the improvement in provisions helped in containing the net NPA ratios (Table 4 and 5). The consolidation may have also helped improve the operating profit per employee across banks.

to 13.3 in March 2020 (Chart IV.15a). Although Indian banks had comparatively stronger capital buffers while entering the global financial crisis (GFC), they have significantly weaker capital position in comparison to their global counterparts in the COVID-19 pandemic[4]. In terms of distance from regulatory minimum CET-I ratio (5.5 per cent plus capital conservation buffer of 1.875 per cent *i.e.*, 7.375 per cent) banks are concentrated at the lower end the distribution (Chart IV.15b).

IV.30 With capital infusion by the Government, PSBs improved their CRARs despite the increase in risk weighted assets (RWAs). With the budgeted capital infusion of ₹70,000 crores in 2019-20, the Government has infused ₹3.16 lakh crore in the last five years in these banks. SCBs shored up their capital position to strengthen loss-absorption capacity against imminent COVID-19 induced loan delinquencies. Apart from internal capital generation and recapitalisation (in case of PSBs) by the

Chart IV.15: Capitalisation of Indian Banks



Note: 1. The vertical lines indicate the median for the respective years. 2. Based on 40 public and private sector banks.
Source: Annual accounts of banks and Off-site returns, RBI.

[4] BIS Annual Economic Review, 2020.

Table IV.8: Public and Rights Issues by the Banking Sector

(Amount in ₹ crore)

Year	PSBs		PVBs		Total		Grand Total
	Equity	Debt	Equity	Debt	Equity	Debt	
1	2	3	4	5	6	7	8= (6+7)
2018-19	-	-	-	-	-	-	-
2019-20	-	-	410	-	410	-	410
2020-21*	-	-	15,000	-	15,000	-	15,000

Note: 1. *: Up to November 2020.
2. -: Nil/Negligible.
Source: SEBI.

Table IV.9: Resources Raised by Banks through Private Placements

(Amount in ₹ crore)

	2018-19		2019-20		2020-21 (up to November)	
	No. of Issues	Amount Raised	No. of Issues	Amount Raised	No. of Issues	Amount Raised
PSBs	13	15,190	20	29,573	15	36,439
PVBs	13	19,943	8	23,121	3	32,443

Source: BSE, NSE and Merchant Bankers.

Government, banks raised capital from the market through public issues, preferential allotment, qualified institutional placement (QIP) and by selling non-core assets. PSBs abstained from public issues due to depressed valuations (Table IV.8).

IV.31 Going forward, almost all major banks have announced plans to raise capital in 2020-21 either through debt or through equity or a combination of the two. A few major PVBs have taken a lead in raising capital but smaller lenders, especially the ones with already weak balance sheets, are conspicuous by their absence, partly reflecting uncertainty as to whether or not they will be able to raise resources in prevailing market conditions.

IV.32 During 2019-20, the amount raised by PSBs through QIP and bond issuances on a private placement basis was almost double that of a year ago. Both PSBs and PVBs raised higher capital through private placements during 2020-21 so far (up to November) than a year ago (Table IV.9). Many of these bonds come under the category of Basel III compliant tier II bonds, which help shore up banks' capital positions.

4.2 Leverage and Liquidity

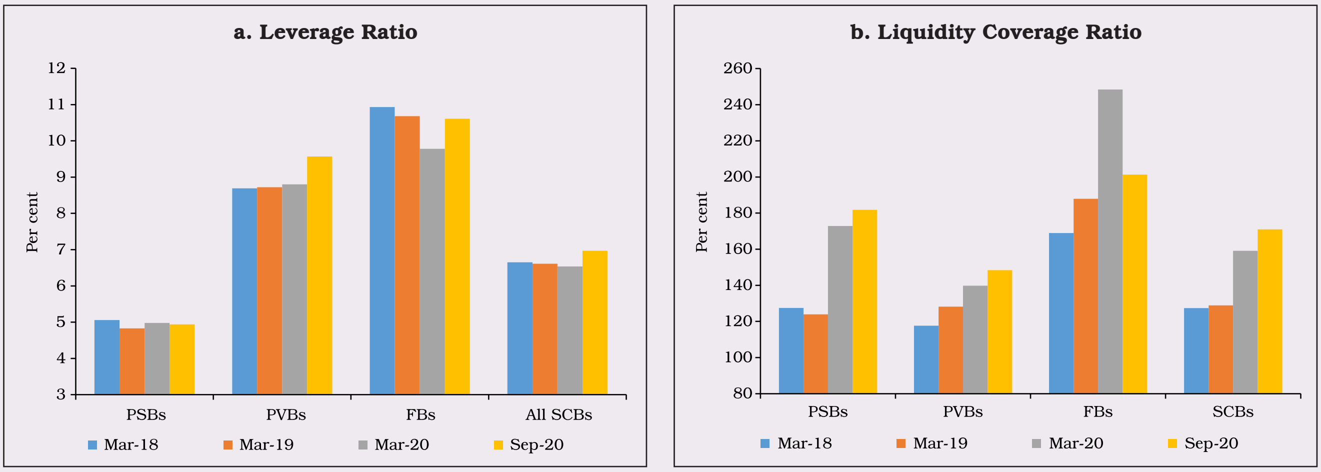
IV.33 The Leverage ratio, defined as the ratio of Tier I capital to total exposure, serves as a supplement to risk-based capital ratios to constrain the build-up of leverage. By end-March 2020, the leverage ratio declined marginally to 6.5 per cent from 6.6 per cent a year ago, driven by foreign banks (FBs) whose derivative exposure rose sharply. However, leverage ratio of SCBs again rose to 7.0 per cent by September 2020. Despite the reduction in regulatory requirements, effective October 2019, the leverage ratio of PSBs and PVBs witnessed a marginal uptick on improvement in capital positions while their total exposure remained stable (Chart IV.16a).

IV.34 Of the two standards for funding liquidity prescribed by the Basel Committee, LCR has been effective in India since January 1, 2015 (the implementation of the net stable funding ratio (NSFR) has been deferred to April 1, 2021). As at end-March 2020, LCRs of SCBs rose to 159.1 per cent from 128.9 per cent in the previous year, given the low credit off-take and risk aversion among banks (Chart IV.16b). Despite the regulatory relaxation given to banks to maintain LCR at a lower rate of 80 per cent since April 17, 2020, the system-wide LCR was maintained at 171 per cent as at end September 2020.

4.3 Non-performing Assets

IV.35 The moderation in the GNPA ratio, which started after the peak in March 2018,

Chart IV.16: Leverage and Liquidity



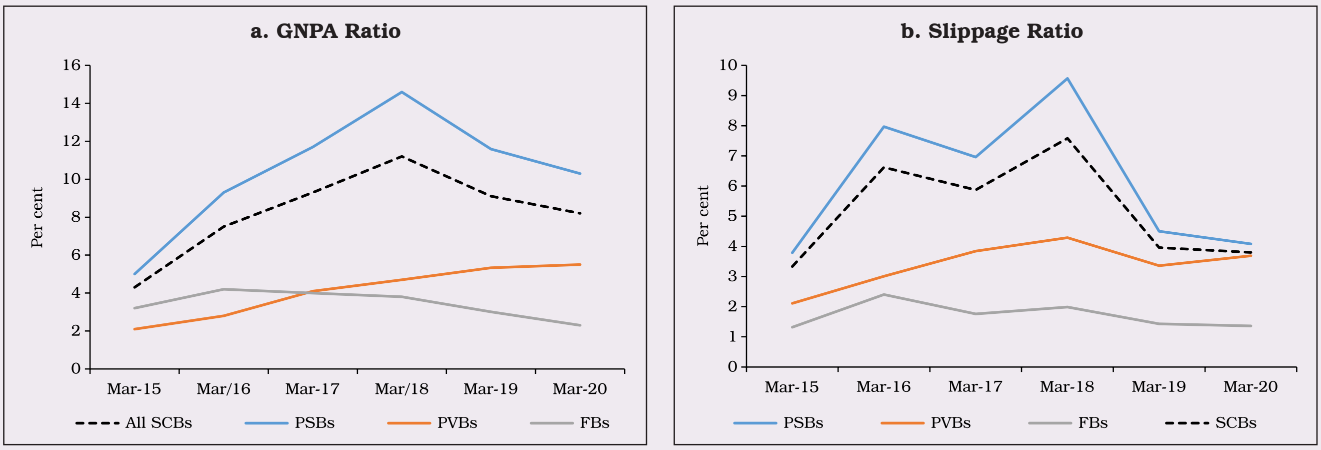
Source: Off-site returns (global operations), RBI.

continued through 2019-20 and 2020-21 so far, to reach 7.5 per cent by end-September 2020. The improvement was driven by lower slippages which declined to 0.74 per cent in September 2020 and resolution of a few large accounts through the Insolvency and Bankruptcy Code (IBC). Fresh slippages remained the highest among PSBs (Chart IV.17a &b).

IV.36 The modest GNPA ratio of 7.5 per cent at end-September 2020 veils the strong undercurrent of slippage. The accretion to NPAs as per the Reserve Bank's Income Recognition and Asset Classification (IRAC) norms would have been higher in the absence of the asset quality standstill provided as a COVID-19 relief measure (Table IV.10). Given the uncertainty induced by COVID-19 and its real economic impact, the asset quality of the banking system may deteriorate sharply, going forward.

IV.37 The rapid credit growth during 2005-12, coupled with absence of strong credit appraisal and monitoring standards and wilful defaults,

Chart IV.17: 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.

Table IV.10: Asset Classification as per IRAC Norms
(As at end-September 2020)

	As Reported (Per Cent)		As per IRAC Norms (Per cent)		Difference (Percentage points)	
	GNPA Ratio	NNPA Ratio	GNPA Ratio	NNPA Ratio	GNPA Ratio	NNPA Ratio
1	2	3	4	5	(4-2)	(5-3)
Bank of Baroda	9.14	2.51	9.33	2.67	0.19	0.16
State Bank of India	5.28	1.59	5.88	2.08	0.60	0.49
Union Bank of India	14.71	4.13	15.37	4.76	0.66	0.63
Axis Bank	3.94	0.98	4.28	1.03	0.10	0.05
Bandhan Bank	1.18	0.36	1.54	0.72	0.36	0.36
HDFC Bank	1.08	0.17	1.37	0.35	0.29	0.18
ICICI Bank	5.63	1.00	5.36	1.12	0.19	0.12
IDFC First Bank	1.62	0.43	1.87	0.60	0.25	0.17
Kotak Mahindra Bank	2.55	0.64	2.70	0.74	0.15	0.10

Source: OSMOS Supervisory Returns.

are responsible for sizeable asset impairments in subsequent years.

IV.38 The quantum of GNPAs of SCBs declined for the second consecutive year. With substantial increase in provisioning, the net NPA ratio of SCBs moderated to 2.8 per cent by end-March 2020 (Table IV.11). According to Supervisory Returns with the Reserve Bank, the net NPA ratio of SCBs further declined to 2.2 per cent by end-September 2020.

IV.39 The reduction in NPAs during the year was largely driven by write-offs (Chart IV.18a and b). NPAs older than four years require 100 per cent provisioning and, therefore, banks may prefer to write them off. In addition, banks voluntarily write-off NPAs in order to clean up their balance-sheets, avail tax benefits and optimise the use of capital. At the same time, borrowers of written-off loans remain liable for repayment.

IV.40 With these developments, the share of standard assets in total advances increased in SCBs except for PVBs and SFBs during 2019-20. Concomitantly, the share of doubtful assets declined while that of loss assets rose (Table IV.12).

Table IV.11: Movements in Non-Performing Assets by Bank Group

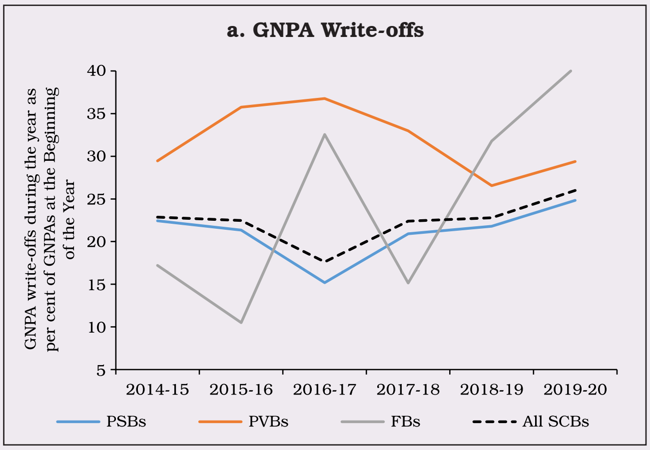
(Amount in ₹ crore)

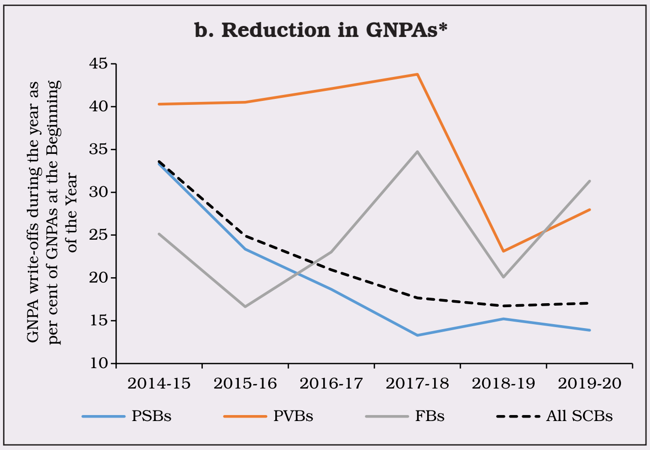
Item	PSBs*	PVBs	FBs	SFBs	All SCBs#
Gross NPAs					
Closing Balance for 2018-19	7,39,541	1,83,604	12,242	1,087	9,36,474
Opening Balance for 2019-20	7,17,850	1,83,604	12,242	1,660	9,15,355
Addition during the year 2019-20	2,38,464	1,31,249	6,751	1,764	3,78,228
Reduction during the year 2019-20	99,692	51,335	3,832	1,046	1,55,905
Written-off during the year 2019-20	1,78,305	53,949	4,953	669	2,37,876
Closing Balance for 2019-20	6,78,317	2,09,568	10,208	1,709	8,99,803
Gross NPAs as per cent of Gross Advances**					
2018-19	11.6	5.3	3.0	1.7	9.1
2019-20	10.3	5.5	2.3	1.9	8.2
Net NPAs					
Closing Balance for 2018-19	2,85,122	67,309	2,051	586	3,55,068
Closing Balance for 2019-20	2,30,918	55,746	2,084	784	2,89,531
Net NPAs as per cent of Net Advances**					
2018-19	4.8	2.0	0.5	1.0	3.7
2019-20	3.7	1.5	0.5	0.9	2.8

Notes: 1. #: Data includes scheduled SFBs.
2. *: Closing balance for 2018-19 and opening balance for 2019-20 do not match due to amalgamation of Dena Bank and Vijaya Bank into Bank of Baroda.
3. **: 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.

Chart IV.18: Write-offs and Reduction in GNPAs





Note: * Includes upgradations into standard assets.
Source: Annual accounts of banks.

IV.41 Large borrowal accounts (exposure of ₹5 crore and above) constituted 79.8 per cent of NPAs and 53.7 per cent of total loans at end-September 2020. During 2019-20, PSBs' GNPA ratio as well as the ratio of restructured standard assets to total funded amounts emanating from larger borrowal accounts trended downwards. On the contrary, PVBs experienced an increasing share of NPAs in respect of such accounts. The share of special mention accounts (SMA-0) witnessed a sharp rise in September 2020. This may be an initial sign of stress after lifting of moratorium on August 31, 2020. However, the share of other categories of SMAs *i.e.*, SMA-1 and SMA-2 remained at a relatively lower level (Chart IV.19).

4.4 Recoveries

IV.42 Insolvency and Bankruptcy Code (IBC), under which recovery is incidental to rescue of companies, remained the dominant mode of recovery. However, the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002

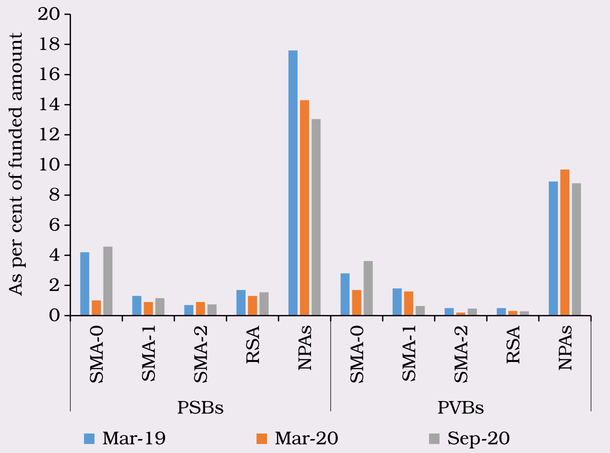
Table IV.12: Classification of Loan Assets by Bank Group

(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	2019	50,86,874	87.8	1,37,377	2.4	5,06,492	8.7	66,239	1.1
	2020	53,27,903	89.2	1,32,530	2.2	4,04,724	6.8	1,07,163	1.8
PVBs	2019	31,03,581	95.2	42,440	1.3	1,04,696	3.2	9,576	0.3
	2020	34,14,554	94.9	56,588	1.6	92,396	2.6	34,986	1.0
FBs	2019	3,94,638	97.0	3,190	0.8	8,019	2.0	1,034	0.3
	2020	4,25,857	97.7	3,273	0.8	5,775	1.3	1,161	0.3
SFBs**	2019	61,652	98.2	719	1.1	360	0.6	44	0.1
	2020	89,800	98.1	1,023	1.1	648	0.7	39	0.0
All SCBs	2019	86,46,745	90.8	1,83,726	1.9	6,19,567	6.5	76,894	0.8
	2020	92,58,114	91.7	1,93,413	1.9	5,03,543	5.0	1,43,349	1.4

Notes: 1. Constituent items may not add up to the total due to rounding off.
2. *: As per cent to gross advances.
3. **: Refers to scheduled SFBs.
Source: Off-site returns (domestic operations), RBI.

Chart IV.19: 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.

(SARFAESI) channel also emerged as a major mode of recovery in terms of the amount recovered as well as the recovery rate (Table IV.13). With the applicability of the SARFAESI Act extended to co-operative banks, recovery through this channel is expected to gain further traction. Going forward, insolvency outcomes will hinge around uncertainties relating to COVID-19. The government has suspended any fresh initiation of insolvency proceedings in respect of defaults arising during one year commencing March 25, 2020 to shield companies impacted by COVID-19.

IV.43 Apart from recovery through various resolution mechanisms, banks also clean up balance sheets through sale of NPAs to assets reconstruction companies (ARCs) for a quick exit. During 2019-20, asset sales by SCBs to ARCs declined which could probably be due to SCBs opting for other resolution channels such as IBC and SARFAESI. The acquisition cost of ARCs as a proportion to the book value of assets declined suggesting lower realisable value of the assets (Chart IV.20).

Table IV.13: NPAs of SCBs Recovered through Various Channels

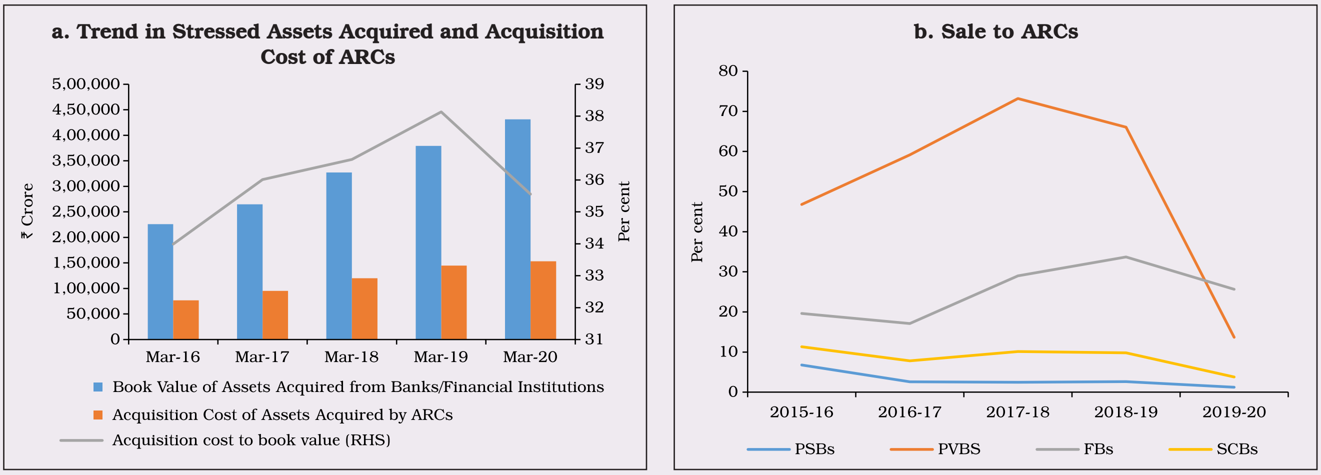
(Amount in ₹ crore)

Recovery Channel	2018-19				2019-20			
	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	40,87,555	53,484	2,750	5.1	59,86,790	67,801	4,211	6.2
DRTs	51,679	2,68,413	10,552	3.9	40,818	2,45,570	10,018	4.1
SARFAESI Act	2,35,437	2,58,642	38,905	15.0	1,05,523	1,96,582	52,563	26.7
IBC	1,152@	1,45,457	66,440	45.7	1,953@	2,32,478	1,05,773	45.5
Total	**43,75,823**	**7,25,996**	**1,18,647**	**16.3**	**61,35,084**	**7,42,431**	**1,72,565**	**23.2**

Notes: 1. Data are provisional.
2. DRTs: Debt Recovery Tribunals
3. *: 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. In the case of IBC, the realisation does not include amount realisable for operational creditors, from guarantors of corporate debtors and disposal of avoidance transactions.
4. @: Cases admitted by National Company Law Tribunals (NCLTs) under IBC. However, figures appearing for amount involved and amount recovered are for cases whose resolution plan was approved during the given financial year *i.e.* 81 cases for 2018-19 and 135 cases in 2019-20. Also, the amount recovered refers to realisables by all financial creditors, not just SCBs.
5. The resolution plan of Essar Steel India Ltd. was approved in 2018-19. However, as apportionment among creditors was settled in 2019-20, the recovery is reflected in the latter year data.

Source: Off-site returns, RBI and Insolvency and Bankruptcy Board of India (IBBI).

Chart IV.20: Stressed Asset Sales to ARCs



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

IV.44 The share of security receipts (SRs) subscribed to by banks steadily declined, reaching 66.7 per cent by end-March 2020 from 80.5 per cent at end-March 2018 as ARCs were incentivised to increase skin-in-the-game and diversify the investor base by bringing in other financial institutions (Table IV.14).

4.5 *Frauds in the Banking Sector*

IV.45 Operational risk has emerged as a major source of risk. Although 98 per cent of frauds in terms of value were related to loans, their occurrence was spread over several previous years (Table IV.15, Appendix Table IV.15). There was a concentration of large value frauds, with the top fifty credit-related frauds constituting 76 per cent of the total amount reported as frauds during 2019-20.

IV.46 Further, the banking relationship and date of sanction of credit facility in many of these accounts were much older. For instance, the majority of frauds reported till September 2020 both in terms of number and amount had occurred in years prior to 2017-18 (Table IV.16).

Table IV.14: Details of Financial Assets Securitised by ARCs

(Amount in ₹ crore)

Item	March-2018	March-2019	March-2020
1. Book Value of Assets Acquired	3,27,400	3,79,383	4,31,339
2. Security Receipt issued by ARCs	1,18,351	1,42,885	1,51,435
3. Security Receipts Subscribed to by			
(a) Banks	95,299	99,840	1,00,934
(b) ARCs	18,924	26,470	29,435
(c) FIIs	505	1,681	10,366
(d) Others (Qualified Institutional Buyers)	3,622	14,895	10,700
4. Amount of Security Receipts Completely Redeemed	8,413	12,240	17,947
5. Security Receipts Outstanding	98,203	1,12,651	1,07,877

Source: Quarterly statements submitted by ARCs.

Table IV.15: Frauds in Various Banking Operations Based on the Date of Reporting

(Cases in number and amount in ₹ crore)

Area of Operation	2017-18		2018-19		2019-20		2019-20 (April-September)		2020-21 (April-September)	
	Number of frauds	Amount involved	Number of frauds	Amount involved	Number of frauds	Amount involved	Number of frauds	Amount involved	Number of frauds	Amount involved
Advances	2,525	22,558	3,604	64,548	4,611	1,82,117	2,441	1,10,639	1,664	63,950
Off-balance Sheet	20	16,288	33	5,538	34	2,445	22	2,059	14	439
Forex Transactions	9	1,426	13	695	8	54	3	52	1	0
Card/Internet	2,059	110	1,866	71	2,677	129	1,234	53	1244	49
Deposits	691	457	593	148	530	616	274	484	245	148
Inter-Branch Accounts	6	1	3	0	2	0	2	0	2	0
Cash	218	40	274	56	371	63	208	24	132	21
Cheques/DDs, *etc.*	207	34	189	34	202	39	98	13	76	48
Clearing Accounts, *etc.*	37	6	24	209	22	7	15	6	4	1
Others	144	247	200	244	250	174	113	44	106	25
Total	**5,916**	**41,167**	**6,799**	**71,543**	**8,707**	**1,85,644**	**4,410**	**1,13,374**	**3,488**	**64,681**

Notes: 1. Refers to frauds of ₹1 lakh and above.
2. The figures reported by banks and financial institutions 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 are as reported and do not reflect the amount of loss incurred. Depending on recoveries, the loss incurred gets reduced. Further, the entire amount involved in loan accounts is not necessarily diverted.

Source: RBI.

IV.47 Although around 80 per cent of the frauds involving amount of 'more than ₹ one lakh' were reported by PSBs, their share in total reporting – both number of cases as well as amounts involved – declined in 2019-20 (Chart IV.21).

Table IV.16: Frauds in Various Banking Operations Based on Date of Occurrence

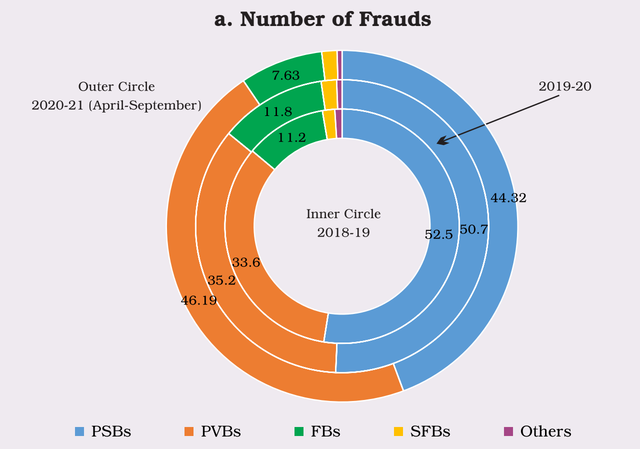
(Cases in number and amount in ₹ crore)

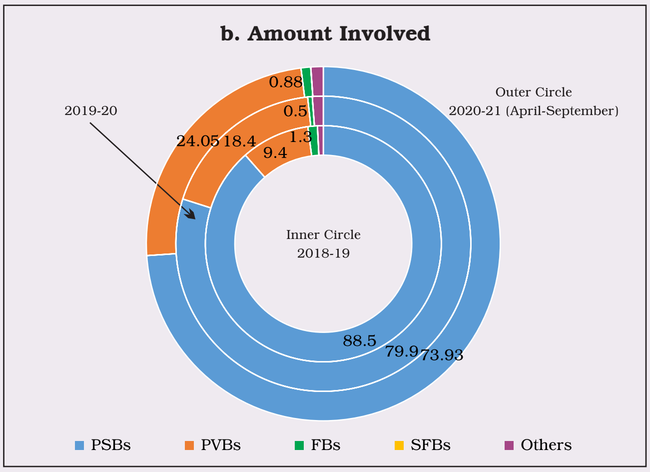
Area of operation	Prior to 2017-18		2017-18		2018-19		2019-20		2020-21 (April-September)	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	2	2	2	3	4	5	6	7	8	9
Advances	7,612	2,58,258	1,944	22,793	1,705	29,565	1,023	21,455	120	1,103
Off-balance sheet	70	20,640	11	1,143	18	2924	1	1	1	0
Foreign Exchange Transactions	15	1,940	5	83	5	145	6	7	-	-
Card/Internet	348	28	2,168	105	2,050	80	2,463	119	817	26
Deposits	527	666	583	345	521	137	361	191	67	30
Inter-branch accounts	6	1	3	0	3	0	-	-	1	0
Cash	99	41	214	39	270	53	342	31	70	16
Cheques/ demand drafts	103	24	210	41	158	26	174	62	29	2
Clearing, *etc* accounts	17	6	36	9	22	206	10	1	2	1
Others	228	347	162	167	172	51	113	123	25	4
Total	**9,025**	**2,81,951**	**5,336**	**24,725**	**4,924**	**33,187**	**4,493**	**21,990**	**1,132**	**1,182**

Notes: 1. Refers to frauds of ₹1 lakh and above
2. The figures reported by banks & select 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 as 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.

Chart IV.21: Share of Fraud Cases: Bank Group-wise





Source: RBI.

5. Sectoral Bank Credit: Distribution and NPAs

IV.48 The deceleration in credit growth during 2019-20 and 2020-21 so far (up to September) was spread across sectors but was pronounced in the case of industry and services partly reflecting elevated levels of sectoral NPAs (Table IV.17 and Chart IV.22a). Low credit demand, coupled

Table IV.17: Sectoral Deployment of Gross Bank Credit

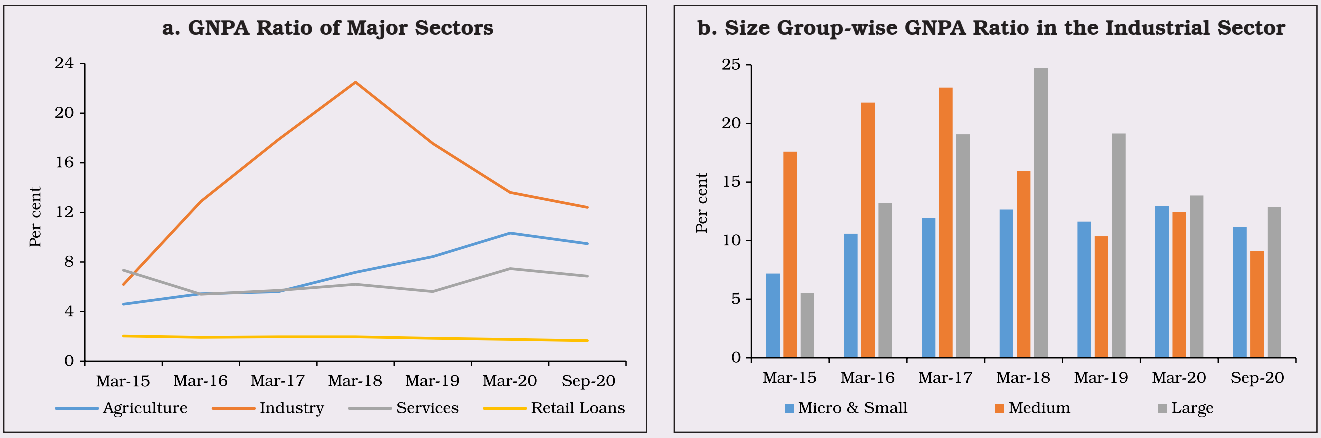
(Amount in ₹ crore)

Sr. No.	Item	Outstanding as on			Per cent variation (y-o-y)		
		Mar-19	Mar-20	Sep-20	2018-19*	2019-20**	2020-21 (up to September)^
1	**Agriculture & Allied Activities**	**12,17,594**	**12,39,575**	**12,91,752**	**10**	**1.8**	**6.6**
2	**Industry,** *of which*	**32,93,638**	**32,52,801**	**31,30,493**	**5.2**	**-1.2**	**-1.4**
	2.1 Micro & Small Industries	4,39,811	4,37,658	4,63,564	5.2	-0.5	6.6
	2.2 Medium	1,23,843	1,12,376	1,40,247	-1.7	-9.3	18.6
	2.3 Large	26,11,567	26,11,369	24,42,320	6.1	-0.01	-3.5
3	**Services,** *of which*	**26,02,287**	**27,54,824**	**26,89,484**	**25.1**	**5.9**	**4.3**
	3.1 Trade	5,83,930	6,28,171	6,51,990	12.4	7.6	11.5
	3.2 Commercial Real Estate	2,43,122	2,66,357	2,54,960	18.9	9.6	-1.1
	3.3 Tourism, Hotels & Restaurants	56,194	60,039	62,313	7.9	6.8	9.6
	3.4 Computer Software	22,236	24,404	22,566	-0.3	9.8	0.0
	3.5 Non-Banking Financial Companies	6,27,089	7,36,447	7,17,778	38.4	17.4	1.1
4	**Retail Loans,** *of which*	**23,04,313**	**26,59,250**	**27,27,946**	**18.6**	**15.4**	**10.4**
	4.1 Housing Loans	12,04,362	13,96,445	14,37,886	19.5	15.9	10.3
	4.2 Consumer Durables	9,195	11,154	16,786	-51.7	21.3	88.6
	4.3 Credit Card Receivables	1,11,361	1,32,076	1,40,824	34.5	18.6	15.7
	4.4 Auto Loans	2,69,677	2,89,366	2,98,672	12.9	7.3	8.4
	4.5 Education Loans	76,233	79,056	80,092	1.8	3.7	2.7
	4.6 Advances against Fixed Deposits (incl. FCNR (B), *etc.*)	77,135	80,753	71,482	-0.1	4.7	13.0
	4.7 Advances to Individuals against Shares, Bonds, *etc.*	9,339	5,619	6,977	46.3	-39.8	-19.4
	4.8 Other Retail Loans	5,47,010	6,64,781	6,75,229	25.6	21.5	10.4
5	**Gross Bank Credit**	**95,26,932**	**1,00,98,420**	**1,00,63,699**	**13.4**	**6**	**5.1**

Note: 1. Figures in the table may not tally with the figures released by RBI in 'Sectoral Deployment of Bank Credit' every month due to difference in coverage of banks.
2. *: March 2019 over March 2018.
3. **: March 2020 over March 2019.
4. ^: September 2020 over September 2019.

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

Chart IV.22: Sectoral NPAs of SCBs



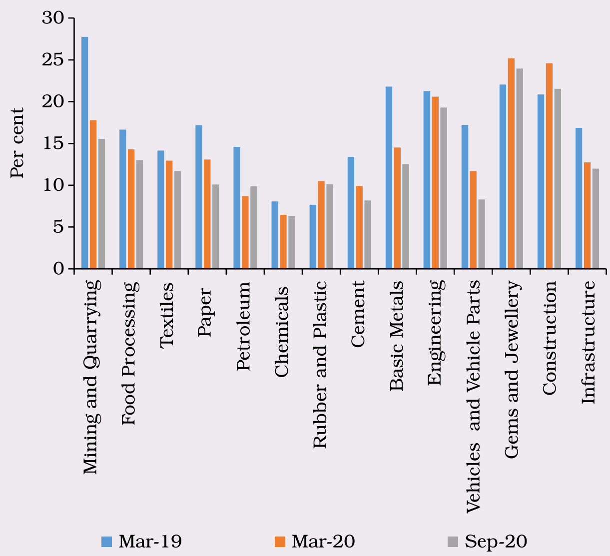
Source: Off-site returns (domestic operations), RBI.

with corporate deleveraging, also played a role. The pick-up in resolution and decline in slippages helped alleviate stress in large accounts. NPAs in the micro, small and medium enterprises (MSME) sector were contained by the facility to restructure their loans[5] (Chart IV.22b). Slowdown in credit to NBFCs was partly offset by banks' investment in their debt papers, incentivised by targeted long-term repo operations (TLTRO) scheme of the Reserve Bank.

IV.49 Construction and power sectors were saddled with problems related to land acquisition, delay in getting various clearances, long gestation periods, contractual issues and cost overruns, and consequently had high NPA levels. In the gems and jewellery sector, NPAs increased with the exports declining during 2019-20 (Chart IV.23).

IV.50 PVBs have been the engine of credit growth during the last few years. In a reversal during 2019-20, however, their loan growth decelerated across sectors. Lending to industry and agriculture sector by PVBs and PSBs also slowed down or declined (Chart IV.24a). The aggressive credit growth of PVBs to services and retail segments in the last few years – which

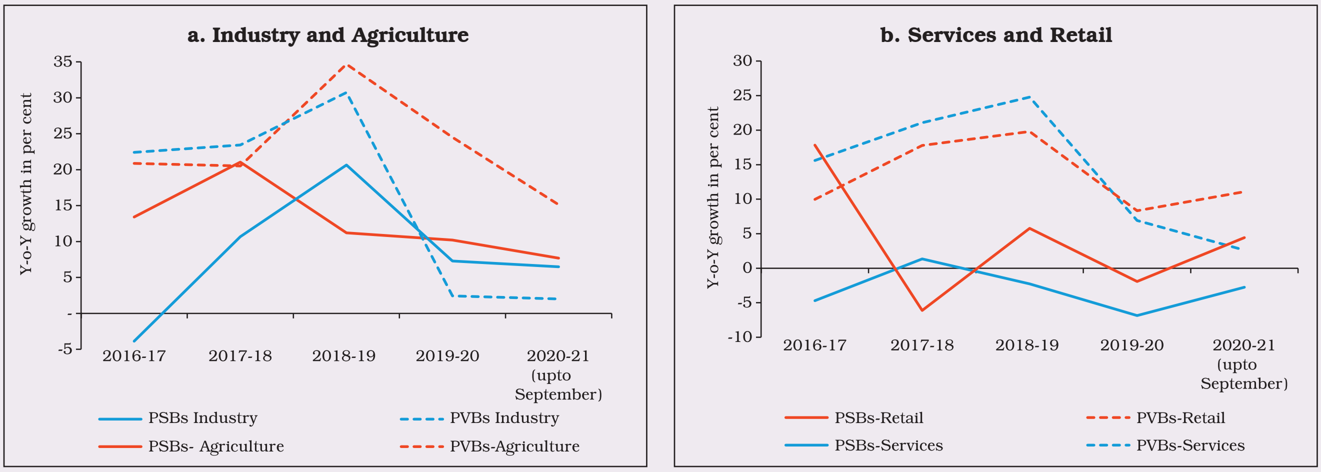
Chart IV.23: GNPA Ratio in Various Industries



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

[5] To create an enabling environment for MSMEs, a one-time restructuring of existing loans that were in default but 'standard' as on January 1, 2019, was permitted without an asset classification downgrade. The restructuring was required to be implemented by March 31, 2020. On February 11, 2020 this scheme was further extended up to December 31, 2020. Refer Chapter III for details.

Chart IV.24: Sectoral Loans: PSBs *vs.* PVBs



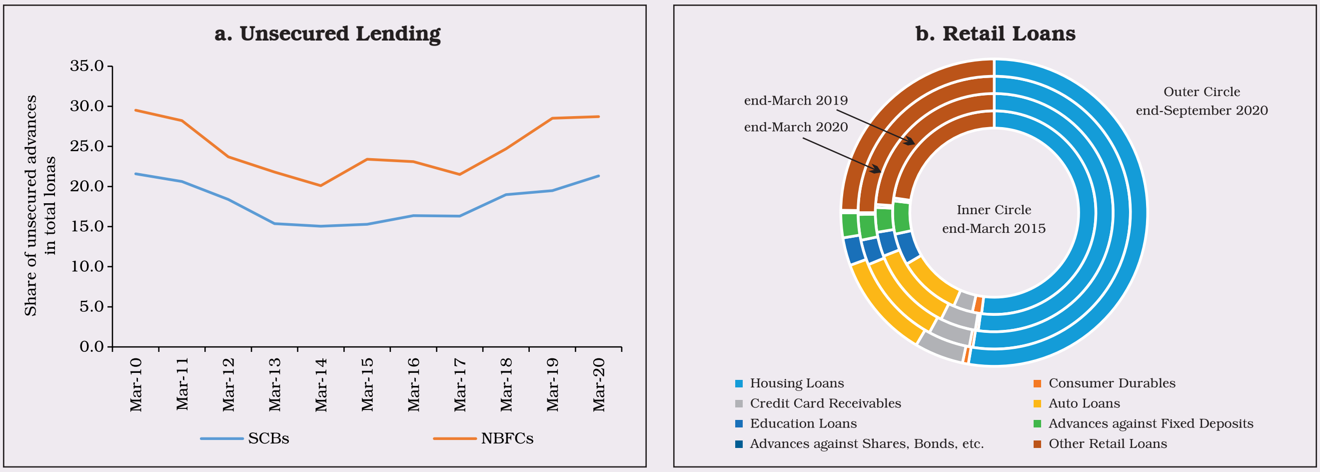
Source: Off-site returns (domestic operations), RBI.

surpassed 30 per cent mark in 2018-19 – came down sharply, even as PSBs managed to hold on to market shares in the retail segment (Chart IV.24b).

5.1 Unsecured Loans

IV.51 The share of unsecured lending in the portfolio of both banks and non-banks has increased sharply over the last three years (Chart IV.25a). In recent years, SCBs have been reorienting their loan book away from the industrial sector and towards retail loans in view of lower delinquency rates of the latter. The growing share of unsecured credit card loans of SCBs – up from 3.1 per cent to 5.2 per cent within a span of five years – does not, however, augur well for their risk profile (Chart IV.25b).

Chart IV.25: Trends in Unsecured Lending and Retail Loans

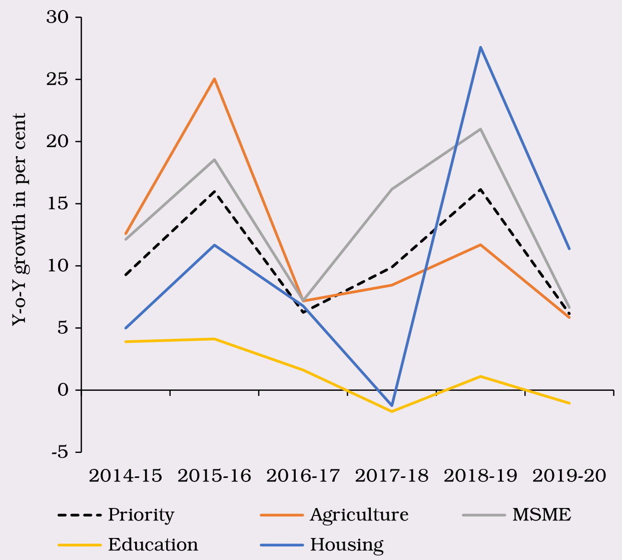


Source: RBI.

5.2 Priority Sector Credit

IV.52 Priority sector credit decelerated across constituent categories as well as across bank groups during 2019-20 (Chart IV.26). The deceleration in agricultural credit was led by Kisan Credit Card loans (Appendix Table IV.3). In the case of priority sector education loans (amount less than ₹10 lakh), the retrenchment, reflecting their high NPAs, is in sharp contrast with non-priority sector education loans, which have continued to grow.

Chart IV.26: Credit to Priority Sectors – All SCBs



Source: RBI.

IV.53 During 2019-20, although all the bank-groups managed to achieve the overall priority sector lending (PSL), several sub-targets like those for agriculture, micro enterprises, small and marginal farmers (SMF) and non-corporate individual farmers were not achieved by some of them (Table IV.18). The revised priority sector lending guidelines issued in September 2020 are expected to increase lending to small and marginal farmers (SMFs) and weaker sections as targets prescribed for these categories are being raised in a phased manner. The guidelines are also expected to boost credit to start-ups, renewable energy, and health infrastructure in line with emerging national priorities.

Table IV.18: Priority Sector Lending by Banks
(As on March 31, 2020)

(Amount in ₹ crore)

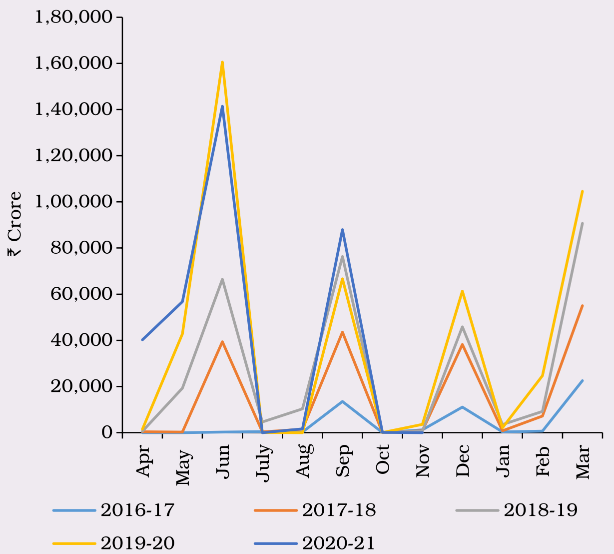
Item	Target/ sub-target (per cent of ANBC/ CEOBE)	Public Sector Banks		Private Sector Banks		Foreign Banks		Small Finance Banks	
		Amount outstanding	Per cent of ANBC/ CEOBE	Amount outstanding	Per cent of ANBC/ CEOBE	Amount outstanding	Per cent of ANBC/ CEOBE	Amount outstanding	Per cent of ANBC/ CEOBE
1	2	3	4	5	6	7	8	9	10
Total Priority Sector Advances	**40/75***	**23,14,242**	**41.05**	**12,72,745**	**40.32**	**1,67,095**	**40.80**	**45,566**	**88.22**
of which									
Total Agriculture	18	9,71,334	17.23	5,03,939	15.96	41,745	18.25	13,917	26.94
Small and marginal farmers	8	5,13,400	9.11	2,29,420	7.27	19,168	8.38	13,052	25.27
Non-corporate Individual Farmers#	12.11	7,11,852	12.63	3,45,305	10.94	23,382	10.22	15,138	29.31
Micro Enterprises	7.5	3,96,159	7.03	2,53,592	8.03	17,477	7.64	15,251	29.53
Weaker Sections	10	6,83,876	12.13	3,40,182	10.78	24,148	10.56	30,260	58.59

Notes: 1. Amount outstanding and achievement percentage are based on the average achievement of banks for four quarters of the financial year
2. *: Total priority sector lending target for Small Finance Banks is 75 per cent.
3. #: Target for non-corporate farmers is based on the system-wide average of the last three years' achievement. For FY 2019-20, the applicable system wide average figure is 12.11 per cent.
4. For foreign banks having less than 20 branches, only the total PSL target of 40 per cent is applicable.

Source: RBI.

IV.54 The Reserve Bank had introduced Priority Sector Lending Certificates (PSLCs) in April 2016 as a market mechanism to incentivize banks to lend to the priority sector. Under this mechanism, over-achievers can issue PSLCs against the surplus in respect of a target/sub-target. Four types of certificates *viz.* PSLC General, PSLC-Agriculture (A), PSLC-Micro Enterprises (ME) and PSLC- Small and Marginal farmer (SMF) can be traded on the Reserve Bank's *e-Kuber* platform. The total trading volume of PSLCs increased by 42.8 per cent to ₹4,67,789 crore during 2019-20 as against 74.6 per cent growth during 2018-19. In H1:2020-21, trading volume increased by 20.7 per cent from a year ago. Trading volumes tend to spike at the end of each quarter as buyers *vie* with each other to meet quarterly priority sector targets (Chart IV.27). Among the four PSLC categories, the highest trading was recorded in PSLC-General and PSLC-SMF.

Chart IV.27: Monthly Trading Volume of PSLCs



Source: RBI.

Table IV.19: Weighted Average Premium on Various Categories of PSLCs

(Per cent)

	2016-17	2017-18	2018-19	2019-20	2019-20 (Apr-Sep)	2020-21 (Apr-Sep)
PSLC-A	1.87	1.29	0.79	1.17	1.32	1.61
PSLC-ME	0.75	0.61	0.57	0.44	0.65	0.54
PSLC-SMF	1.72	1.54	1.15	1.58	1.65	1.87
PSLC-G	0.7	0.59	0.31	0.35	0.54	0.49

Source: RBI.

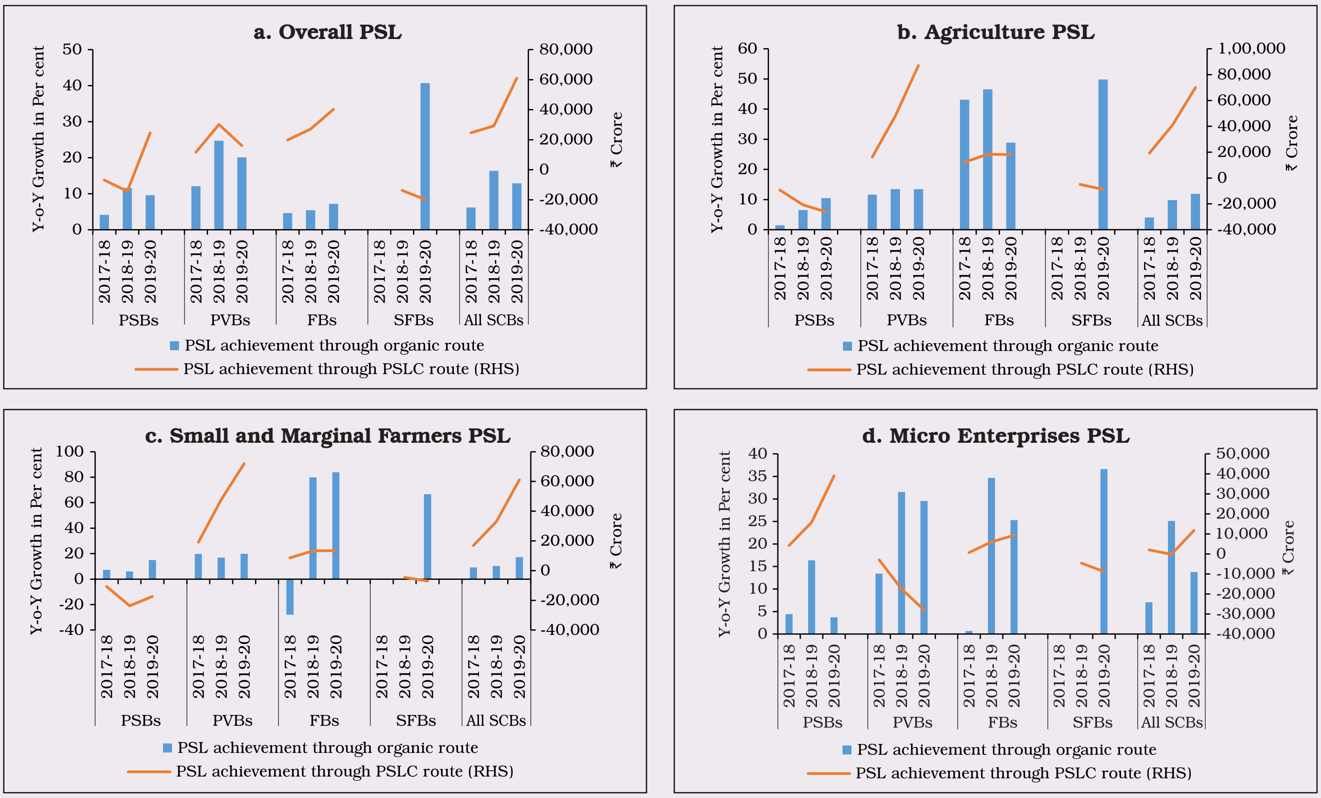
IV.55 During the year, priority sector areas where lending is comparatively more challenging were rewarded by higher premiums for PSLCs, *e.g.*, the PSLC-SMF category commands almost four times higher premium than PSLC-ME and PSLC-General (Table IV.19). Commensurately, the growth in organic lending[6] by banks to the SMF category was highest among all categories.

IV.56 PSBs that carry a strong agriculture lending portfolio, have benefitted from the high premiums in PSLC-A and PSLC-SMF categories. After introduction of PSLCs, PVBs have increased their lending to micro enterprises exceeding their sub-target, although they are net buyers of PSLCs in agriculture and SMF sub-categories (Chart IV.28). FBs are net buyers and SFBs are net sellers across all the sub-categories of PSLCs.

IV.57 PSBs and PVBs are the largest buyers as well as sellers of PSLCs on account of their larger loan books. On a net basis, PSBs which were net sellers till the previous year, turned buyers due to lending shortfalls in respect of overall priority sector and sub-target for lending to micro enterprises (Chart IV.29).

[6] Organic lending refers to priority sector lending without making adjustment for PSLC trading.

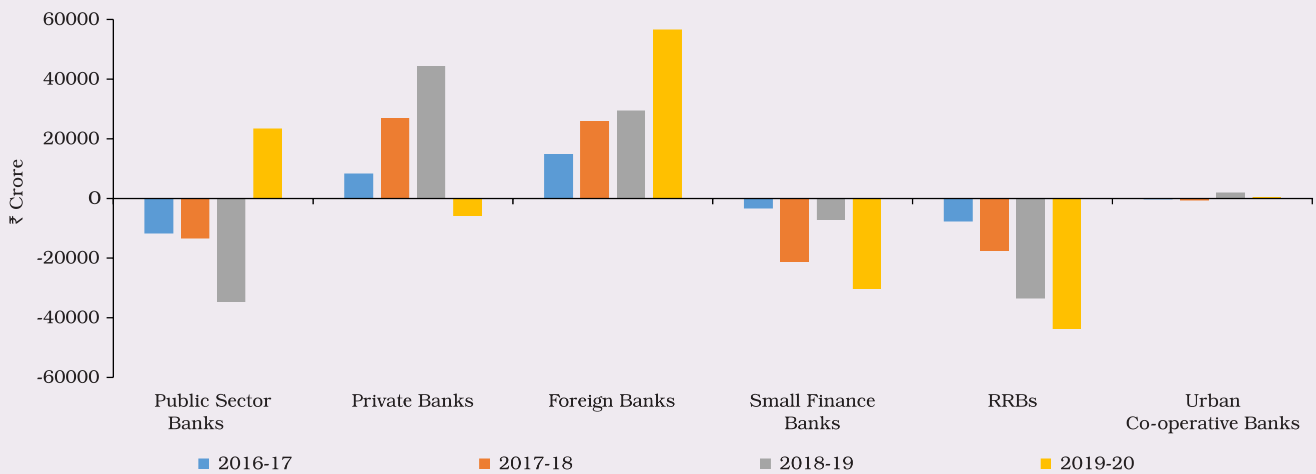
Chart IV.28: Impact of PSLCs on Organic Priority Sector



Note: Negative PSLC trade indicates net selling by the banks.
Source: RBI.

IV.58 At end-March 2020, the GNPA ratio relating to priority sector loans increased to 8.3 per cent from 7.6 per cent in the previous year, driven primarily by delinquencies in agricultural and micro and small enterprises lending (Table IV.20).

Chart IV.29: Net Buyers/Sellers in the PSLC Market



Source: RBI.

Table IV.20: Sector-wise GNPAs of Banks
(As at end-March)

(Amount in ₹ crore)

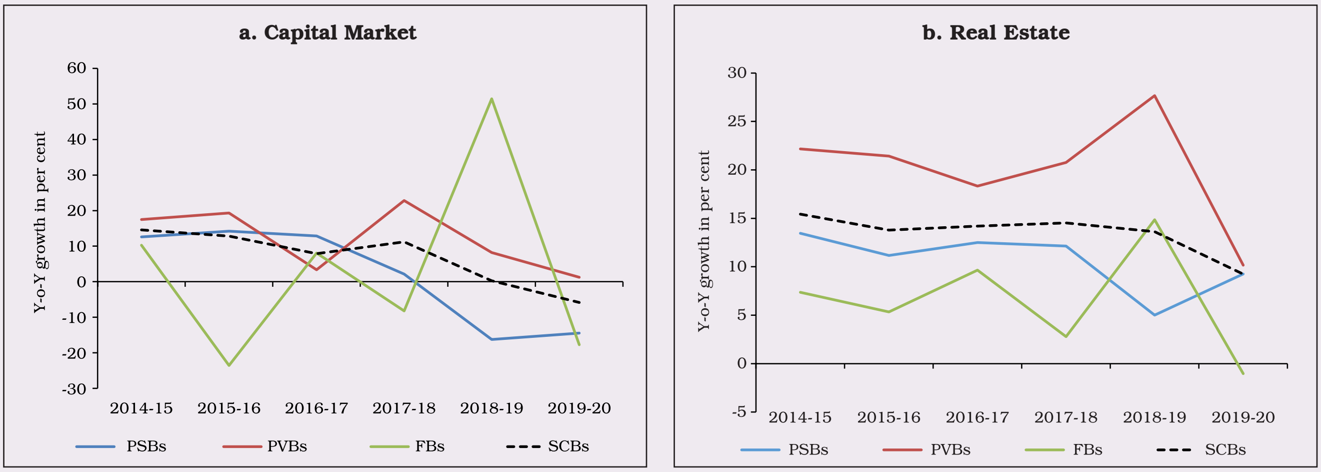
Bank Group	Priority Sector		*Of which*						Non-priority Sector		Total NPAs	
			Agriculture		Micro and Small Enterprises		Others					
	Amt.	Per cent#	Amt.	Per cent#	Amt.	Per cent#	Amt.	Per cent#	Amt.	Per cent#	Amt.	Per cent#
PSBs*												
2019	2,12,315	29.9	93,146	13.1	86,705	12.2	32,464	4.6	4,97,794	70.1	7,10,109	100
2020	2,36,212	36.7	1,11,571	17.3	90,769	14.1	33,872	5.3	4,08,205	63.3	6,44,417	100
PVBs												
2019	29,721	19.0	12,679	8.1	12,796	8.17	4,246	2.7	1,26,991	81.0	1,56,712	100
2020	36,219	19.7	14,462	7.9	16,111	8.76	5,646	3.1	1,47,751	80.3	1,83,970	100
FBs												
2019	1,103	9.0	105	0.9	616	5.0	382	3.1	11,139	91.0	12,243	100
2020	1,692	16.6	376	3.7	1,070	10.5	246	2.4	8,498	83.4	10,189	100
SFBs												
2019	893	79.5	138	12.3	583	51.9	172	15.3	230	20.5	1123	100
2020	1,376	80.5	256	15.0	754	44.1	367	21.4	333	19.5	1709	100
All SCBs												
2019	2,44,033	27.7	1,06,069	12.1	1,00,700	11.4	37,264	4.2	6,36,154	72.3	8,80,186	100
2020	2,75,499	32.8	1,26,664	15.1	1,08,704	12.9	40,131	4.8	5,64,787	67.2	8,40,286	100

Notes: 1. Amt.: – Amount; Per cent: Per cent of total NPAs.
2. Constituent items may not add up to the total due to rounding off.
3. # Share in total NPAs.
Source: Off-site returns (domestic operations), RBI.

5.3 Credit to Sensitive Sectors

IV.59 Banks' exposure to the capital market and real estate is reckoned as sensitive in view of risks inherent in fluctuation in prices. While banks generally slowed down such lending. PSBs, in particular, reduced advances against collateral of shares/debentures as a precautionary measure due to excess leveraging of corporates (Chart IV.30 and Appendix Table IV.4).

Chart IV.30: Exposure to Sensitive Sectors

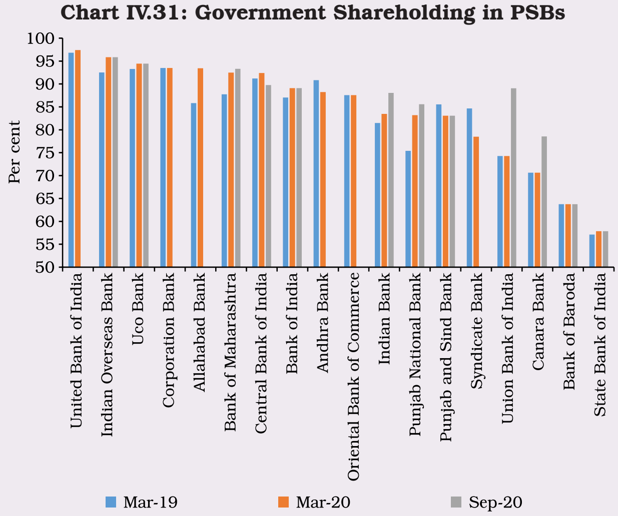


Source: Annual accounts of banks.

6. Ownership Pattern in Scheduled Commercial Banks

IV.60 Except for Andhra Bank, Punjab and Sind Bank and Syndicate Bank, the Government's shareholding in other PSBs during 2019-20 either increased (due to recapitalisation) or remained static (Chart IV.31). Amalgamation of 10 PSBs into four, effective from April 1, 2020 brought about significant changes in ownership structure. Government shareholding in Canara Bank, Punjab National Bank, Indian Bank and Union Bank of India significantly increased due to high government share in the merged entities. Currently, the foreign investment limit in PVBs and PSBs is 74 per cent and 20 per cent, respectively. While the maximum foreign shareholding in PSBs was 9.8 per cent, it was more than 50 per cent in five PVBs at end-March 2020. Out of 22 PVBs, only three attracted higher foreign shareholdings during 2019-20 (Appendix Table IV.5).

Chart IV.31: Government Shareholding in PSBs

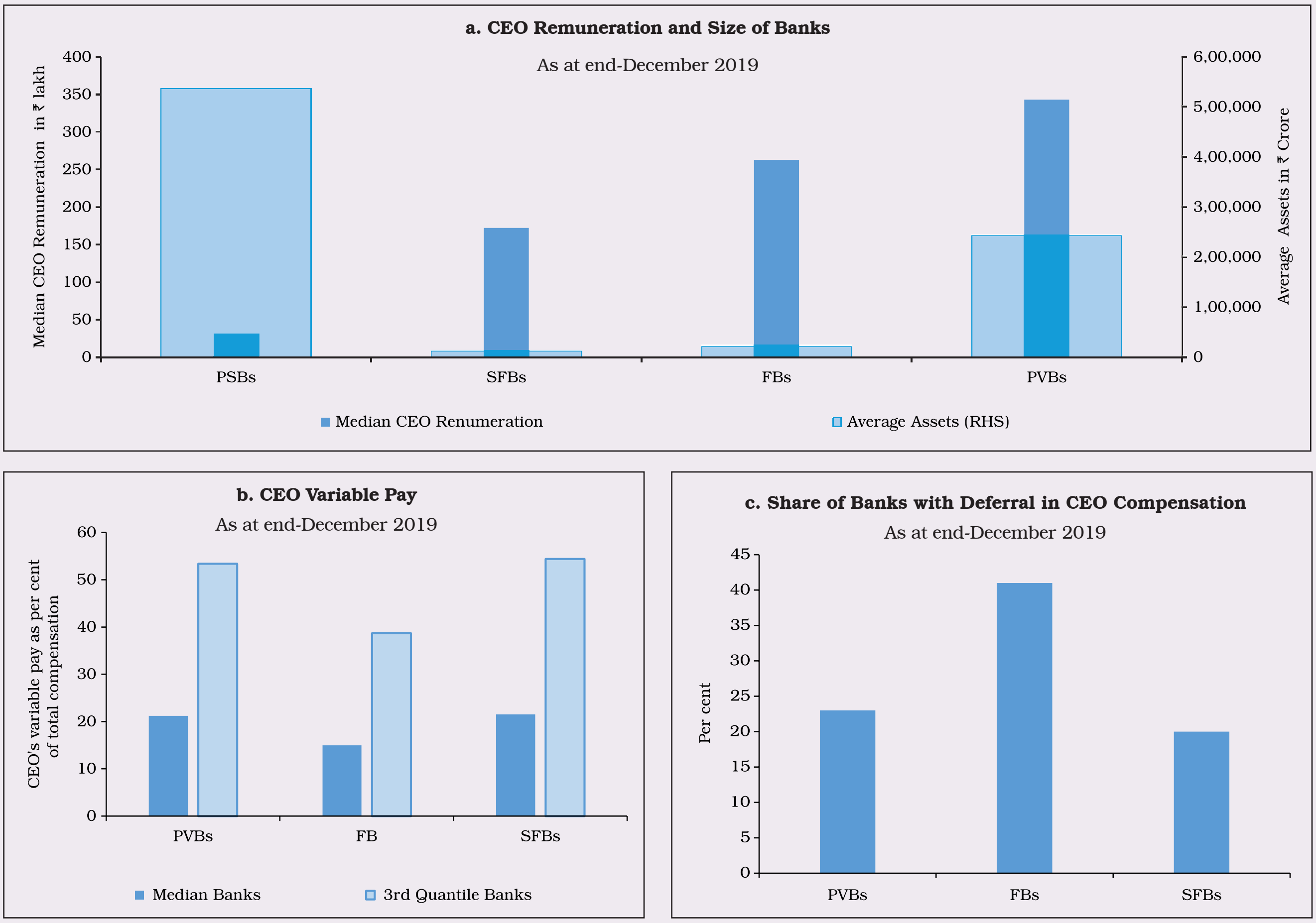


Note: Data for Allahabad Bank, Andhra Bank, Corporation Bank, Oriental Bank of Commerce, Syndicate Bank and United Bank of India for September 2020 not available due to amalgamation.
Source: Off-site returns (domestic operations), RBI.

7. Compensation Practices

IV.61 Perverse incentive structures that reward risk-takers for short-term profits, without adequate recognition of long term risks, jeopardise various stakeholders' interests and have potential to threaten financial stability. Recognising this, especially in the aftermath of the global financial crisis, the Reserve Bank introduced its guidelines on compensation practices in 2012. In India, banks which compete in the same market place have different compensation levels and structures (Chart IV.32a). The median variable pay of CEOs in PVBs and SFBs was much less than 50 per cent of their total compensation (Chart IV.32b). Similarly, deferrals in payment of variable pay were found to be infrequent (Chart IV.32c). Therefore, keeping pace with evolving Financial Stability Board's Principles and Implementation Standards for Sound Compensation Practices, the guidelines were revised in November 2019 and became effective from pay cycles/ performance periods beginning April 1, 2020. These guidelines apply to compensation of Whole Time Directors (WTDs) / Chief Executive Officers (CEOs) / Material Risk Takers (MRTs). The revised guidelines cover, *inter alia*, specification of the minimum variable pay component, deferral of variable pay and clawback arrangements. These key personnel are required to get at least half of their compensation in the form of variable pay which, in turn, is linked to the bank's performance. The total variable pay is capped at a maximum of 300 per cent of the fixed pay. Deferral arrangements are required to be implemented for the variable pay of the top executives, regardless of the quantum of pay.

Chart IV.32: Compensation Practices



Source: RBI

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

IV.62 During 2019-20, the number of branches of FBs increased due to scaling up of operations by two wholly owned subsidiaries of FBs (Table IV.21). On the other hand, Indian PSBs continued to reduce their overseas presence for the third consecutive year with a view to rationalising their overseas operations and increasing cost efficiency by shutting down less profitable operations. On the contrary, Indian PVBs increased their overseas presence marginally (Appendix Table IV.6).

Table IV.21: Operations of Foreign Banks in India

	Foreign banks operating through branches		Foreign banks having representative offices
	No. of Banks	Branches	
March 2016	46	325	39
March 2017	44	295	39
March 2018	45	286	40
March 2019	45#	299#	37
March 2020	46#	308#	37

Note: #: Includes two foreign banks namely SBM Bank (India) Limited and DBS Bank India Limited which are operating through Wholly Owned Subsidiary (WOS) mode and their branches.
Source: RBI.

9. Digital Payments

IV.63 In line with earlier years, large value credit transfers through RTGS dominated the overall digital payments landscape in the year 2019-20, accounting for 80.8 per cent of the total value of digital transactions. In terms of volume

Table IV.22: Digital Payments

Item	Volume (Lakh)			Value (₹ Crore)		
	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20
1. Large Value Credit Transfers – RTGS	1,244	1,366	1,507	11,67,12,478	13,56,88,187	13,11,56,475
2. Credit Transfers	58,793	1,18,750	2,06,661	1,88,14,287	2,60,97,655	2,85,72,100
2.1 AePS (Fund Transfers)	6	11	10	300	501	469
2.2 APBS	12,980	15,032	16,805	55,949	86,734	99,448
2.3 ECS Cr	61	54	18	11,864	13,235	5,145
2.4 IMPS	10,098	17,529	25,792	8,92,498	15,90,257	23,37,541
2.5 NACH Cr	7,031	9,021	11,406	5,20,992	7,36,349	10,52,187
2.6 NEFT	19,464	23,189	27,445	1,72,22,852	2,27,93,608	2,29,45,580
2.7 UPI	9,152	53,915	1,25,186	1,09,832	8,76,971	21,31,730
3. Debit Transfers and Direct Debits	3,788	6,382	8,957	3,99,300	6,56,232	8,26,036
3.1 BHIM Aadhaar Pay	20	68	91	78	815	1,303
3.2 ECS Dr	15	9	1	972	1,260	39
3.3 NACH Dr	3,738	6,299	8,768	3,98,211	6,54,138	8,24,491
3.4 NETC	15	6	97	39	20	203
4. Card Payments	47,486	61,769	73,012	9,19,035	11,96,888	15,35,765
4.1 Credit Cards	14,052	17,626	21,773	4,58,965	6,03,413	7,30,895
4.2 Debit Cards	33,434	44,143	51,239	4,60,070	5,93,475	8,04,870
5. Prepaid Payment Instruments	34,591	46,072	53,318	1,41,634	2,13,323	2,15,558
Total Digital Payments (1+2+3+4+5)	**1,45,902**	**2,34,339**	**3,43,456**	**13,69,86,734**	**16,38,52,286**	**16,23,05,934**

Source: RBI.

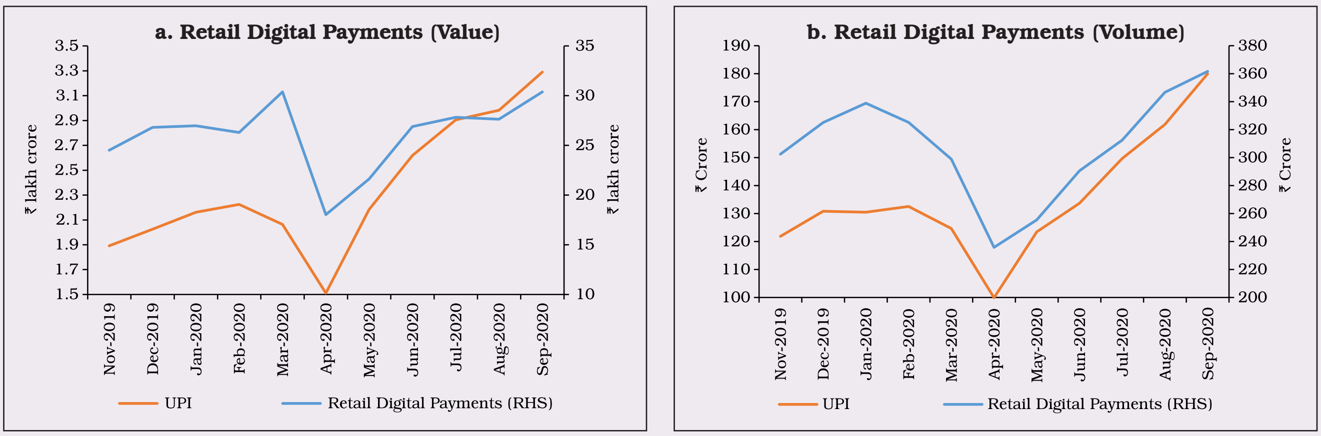
however, credit transfers *via* multiple channels such as the Unified Payments Interface (UPI), National Electronic Funds Transfer (NEFT) and Immediate Payment Service (IMPS) were the leaders. In case of card payments, the value of debit card transactions registered a growth of 35.6 per cent as against 21.1 per cent for credit cards (Table IV.22).

IV.64 The social distancing requirements during the pandemic led to the digital mode of transactions being preferred over cash, although the value and volume of the former were somewhat depressed on account of the slowdown in economic activity ahead of the outbreak. The trajectory of growth in UPI-based transactions as well as overall retail digital transactions has been impressive both in value and volume terms (Chart IV.33a and b).

10. Consumer Protection

IV.65 Fair treatment of customers, transparency, product suitability, privacy and grievance

Chart IV.33: Retail Digital Payments



Source: RBI

redressal are the overarching principles guiding the Reserve Bank in its approach to the protection of bank customers. Awareness has assumed a critical role in view of the widening customer base, introduction of technology-based banking products, and growing usage of these products by vulnerable sections of society. Recent initiatives include launch of the Complaint Management System (CMS) [a technology-enabled platform for end-to-end grievance redressal to effectively support the Ombudsman framework], launch of the Ombudsman Scheme for Non-Banking Financial Companies and Digital transactions, and also the Internal Ombudsman scheme for non-bank system participants. During 2019-20, digitisation of grievance redressal at the Reserve Bank through CMS helped in uninterrupted resolution of complaints filed by customers of regulated entities despite sharp increase in complaints (57.5 per cent) received by the offices of Ombudsman and the nation-wide lockdown imposed on account of pandemic.

IV.66 In terms of numbers of complaints pertaining to ATM/debit cards, mobile/electronic banking and non-adherence to the Fair Practices Code were the highest in 2019-20. In comparison, during the previous year, complaints related to non-adherence to the Fair Practices Code topped the list followed by those pertaining to ATM/debit cards and mobile/electronic banking. Complaints pertaining to mobile/electronic banking, credit cards, loans and advances, non-adherence to BCSBI code, direct selling agents (DSAs) and recovery agents and levy of charges without prior notice more than doubled during the year (Table IV.23 and Appendix Table IV.8). This suggests that the consumer awareness campaigns such as 'RBI *Kehta Hai Jankar Baniye Satark Rahiye*', and 'Is Your Banking Complaint Unresolved?' are helping in bank customer education, awareness and maturity. Root Cause Analysis (RCA) of customer complaints was undertaken to understand the nature of consumer complaints and take appropriate measures (Box IV.3).

Table IV.23: Nature of Complaints at BOs

Categories	2017-18	2018-19	2019-20
ATM/ Debit Cards	24,672	36,539	67,800
Mobile / Electronic Banking	8,487	14,794	41,310
Non-observance of Fair Practice Code	36,146	37,557	36,215
Credit Cards	12,647	13,274	28,713
Failure to Meet Commitments	11,044	13,332	25,036
Levy of Charges without Prior Notice	8,209	8,391	18,558
Loans and Advances	6,226	7,610	16,437
Non-adherence to BCSBI Codes	3,962	5,981	14,194
Deposit Accounts	6,719	10,844	8,778
Pension Payments	7,833	7,066	6,307
Remittances	3,330	3,451	4,045
DSAs and Recovery Agents	554	629	1,406
Para-Banking*	579	1,115	1,117
Notes and Coins	1,282	480	514
Others	26,219	28,330	29,204
Out of Purview of BO Scheme	5,681	6,508	8,996
Total	**1,63,590**	**1,95,901**	**3,08,630**

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

Box IV.3: Root Cause Analysis of Customer Complaints

Root cause analysis (RCA) is aimed at understanding the factors underlying the main grievances of customers to take appropriate measures. The first round of structured RCA was undertaken during May-June 2019, with a follow-up exercise during June 2020. Coordinated by the Consumer Education and Protection Department (CEPD) of the Reserve Bank, the ambit of the analysis covered complaints received by Offices of Banking Ombudsmen, Consumer Education and Protection Cells (CEPCs) and the top five banks whose customers had lodged complaints in the Offices of Banking Ombudsmen (OBOs). Areas of complaints for which RCA was done included ATM / debit cards, credit cards and recovery agents, mobile / online banking / UPI, deposit accounts / loan related, pension related complaints, levy of charges, non-observance of fair practices code, remittance, notes and coin exchange related, tax deduction at source (TDS), para-banking and violations of the Reserve Bank's directives. RCA identified three main areas of complaints; i) lack of awareness ii) gaps in regulation, and iii) external threats such as crimes perpetrated by organised gangs. Banks were advised to take remedial actions on specific areas (Table 1).

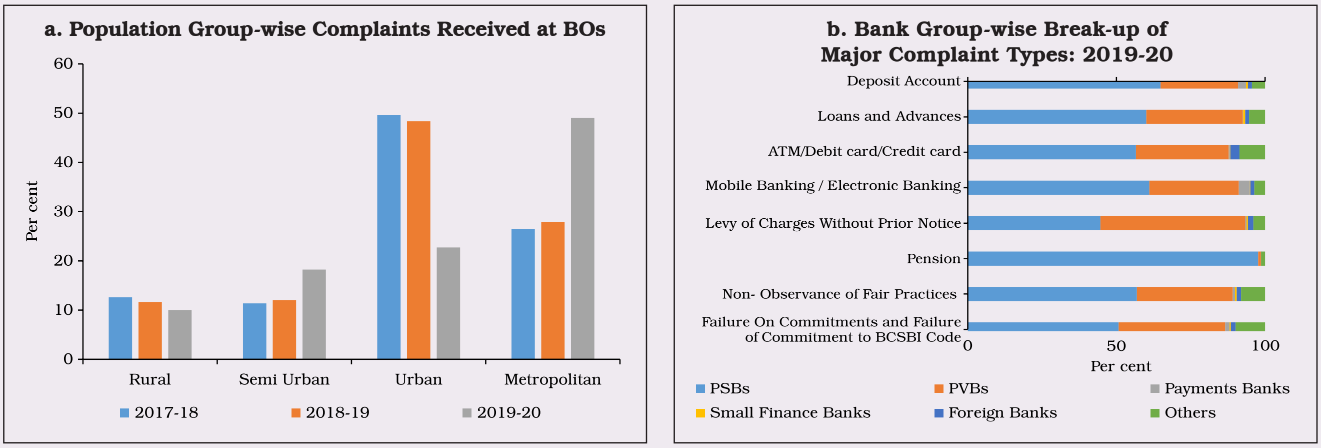
(Contd...)

Table 1: Root Cause Analysis of Customer Complaints: Findings

Sr.	Main Issue	RBI Instruction	Concern	Remedial Action Proposed
1	Digital Transactions	In 2013, the Reserve Bank had advised banks to track the transaction pattern of each card user in coordination with payment networks and to frame personalised breach rules to forewarn the customers for arresting frauds.	Fraudulent transactions were still being carried out by unscrupulous elements who exploited the vulnerabilities in the system.	Invigorate transaction pattern analysis, devise effective velocity checks and forewarn likely victims.
2	Credit Card and Recovery Agents	In 2003, lenders were advised not to resort to undue harassment of customers for recovery of loans. Furthermore, in 2015, banks and NBFCs were advised to take a prudent approach in issuing credit cards and independently assess the credit risk involved, especially if potential card holders are students and others with no independent financial means.	Unsolicited cards being issued to consumers without proper due diligence and consumers being harassed.	Extant instructions were reiterated to the banks.
3	Know Your Customer (KYC) Guidelines	The Reserve Bank's master directions in 2016 clearly specified that the regulated entities are responsible for the identification of customers and due diligence should be carried out while undertaking any transaction with them.	Various loopholes exploited by fraudsters in the KYC practices for movement of siphoned funds.	Extant instructions were reiterated to the banks.
4	Limiting Liability of Customer in Fraudulent Electronic Banking Transactions	In 2017, the Reserve Bank mandated that the liability of customers in fraudulent electronic transactions is limited if it is reported within the prescribed time and customer is not responsible for the fraud. Banks were advised to credit the amount involved (shadow reversal) within 10 days and the resolution needs to be done within 90 days.	Instances of shadow reversal of the amount involved in the unauthorised electronic transaction to the customer's account within 10 working days not being afforded by banks and complaints being rejected in routine manner.	Extant instructions were reiterated to the banks.
5	Misselling/ Para-banking	The Charter of Customer Rights (2014) issued by the Reserve Bank emphasized the right to suitability in an effort to prevent mis-selling of banking products.	Vulnerable customers still suffering due to sale of unintended – in most cases, third-party – products.	Banks were advised to treat their customers fairly, honestly and transparently, with regard to suitability and appropriateness of the financial products
6	Deficiency in services to senior citizens	Detailed instructions to agency banks for ensuring timely payment of pension.	Delay in credit of pension / payments due to lack of coordination between the bank branches and the banks' pension processing centres.	Extant instructions were reiterated to the banks.
7.	Lack of awareness among customers of banks	Banks to provide complete information on their products and the implications thereof should be disclosed to customers to help them take an informed decision.	Customers of banks are susceptible to errors and victimization through malpractices and frauds.	Banks were advised to enhance consumer awareness in the areas of safe digital banking, consumer rights and responsibilities and grievance redressal avenues.

IV.67 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 in these areas (Chart IV.34a). This also highlights the ground that needs to be covered by future awareness and consumer education campaigns. A disproportionately large share of complaints relating to levy of charges without prior notice were filed against PVBs (49 per cent, given that their share in total assets of the banking sector is 32 per cent). Since PSBs are the traditional preference of pensioners, almost all the complaints in this area were against them (close to 98 per cent), (Chart IV.34b).

Chart IV.34: Population Group-wise Distribution of Complaints and Major Complaint Types



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

IV.68 Deposit guarantee schemes around the world have become an important policy tool for protecting savings of small depositors and building trust in the banking sector. The Finance Minister in Union Budget 2020-21 announced an increase in deposit insurance cover to ₹5 lakh from ₹1 lakh earlier [refer to Chapter III: Policy Environment for details]. By March 2020, more than 90 per cent of the total number of accounts were insurance-protected under ₹1 lakh cover, which increased to over 98 per cent when the coverage increased to ₹5 lakh with effect from February 4, 2020[7]. The amount of insured deposits covered was close to 30 per cent (₹1 lakh), which increased to more than 50 per cent under ₹5 lakh insurance cover. The share of insured deposits accordingly increased to more than 70 per cent in the case of co-operative banks, LABs and RRBs (Table IV.24).

Table IV.24: Bank Group-wise Insured Deposits
(As on March 31, 2020)

(Amount in ₹ crore)

Bank Group	No. of Insured Banks	Total Assessable Deposits (AD)	Total Insured Deposits (ID)		ID as percentage of AD	
			₹5 lakh Cover	₹1 lakh Cover	₹5 lakh Cover	₹1 lakh Cover
1	2	3	4	5	6	7
Public Sector Banks	13	77,27,690	44,27,421	23,45,905	57.3	30.4
Private Sector Banks	37	38,24,556	13,94,640	6,96,219	36.5	18.2
Foreign Banks	46	5,86,232	37,360	15,609	6.4	2.7
Regional Rural Banks	45	4,19,317	357,311	2,41,050	85.2	57.5
Co-operative Banks	1,923	9,30,315	654,099	3,96,917	70.3	42.7
Local Area Banks	3	799	654	389	81.9	48.7
TOTAL	**2,067**	**1,34,88,908**	**68,71,484**	**36,96,089**	**50.9**	**27.4**

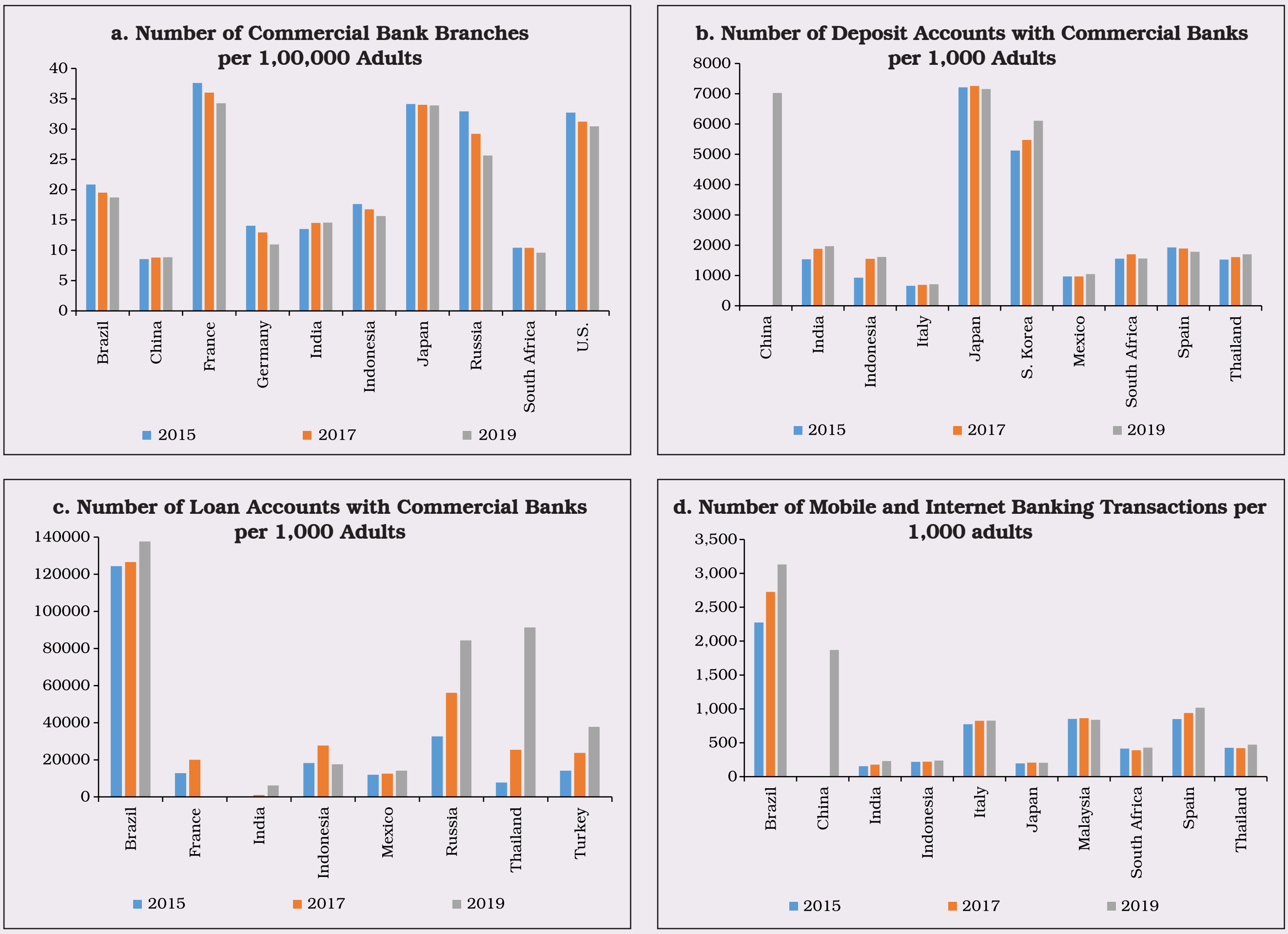
Notes: 1. Based on deposit base of September 2019 *i.e.*, six months prior to the reference date.
2. Data on private sector banks is inclusive of small finance banks and payments banks.
Source: Deposit Insurance and Credit Guarantee Corporation.

[7] As per the Annual Report of Deposit Insurance and Credit Guarantee Corporation (DICGC) for 2019-20.

11. Financial Inclusion

IV.69 Sound financial inclusion policies have a multiplier effect on economic growth reducing poverty and income inequality, while also being conducive for financial stability. The latest Financial Access Survey (FAS) data of the IMF[8] show that various initiatives taken by the Reserve Bank and the Government in the direction of financial inclusion have borne fruit. The number of bank branches per 100,000 adults rose to 14.6 in 2019 from 13.6 in 2015, which is higher than Germany, China and South Africa (Chart IV.35a). With a strong government push to increase bank account among unbanked adults through *Pradhan Mantri Jan Dhan Yojana* (PMJDY), the number of persons with deposit accounts at banks significantly increased, becoming comparable with emerging economy peers and even some of the advanced economies (Chart IV.35b). Even in terms of access to credit, noticeable progress has been made, although, it remains much lower than its peers (Chart IV.35c). In terms of use of digital payments too, India made noteworthy progress due to various Government initiatives

Chart IV.35: Progress in Financial Inclusion in Select Emerging and Advanced Economies



Source: Financial Access Survey, 2020, IMF.

8 Available at https://data.imf.org/?sk=E5DCAB7E-A5CA-4892-A6EA-598B5463A34C.

and promotion of usage of digital medium for payments. Between 2015 and 2019, the number of mobile and internet banking transactions per 1,000 adults has increased to 6,184 in 2019 from 183 in 2015 (Chart IV.35d).

IV.70 In order to systematically accelerate the level of financial inclusion in the country in a sustainable manner, the National Strategy for Financial Inclusion (NSFI) 2019-24 was released in January 2020. Further, with a view to align the Reserve Bank's policies with the vision outlined in the NSFI document, the Financial Inclusion Plan (FIP) template has been revised and rechristened as 'Monitoring Progress of Financial Inclusion (MPFI)' to capture more granular data and qualitative aspects at the ground level.

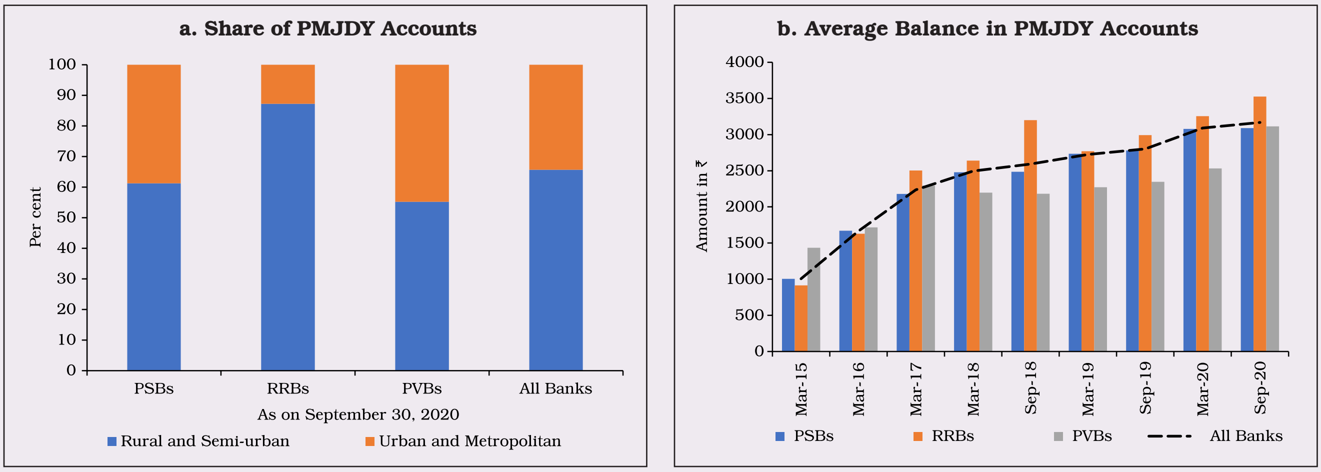
IV.71 The new branch authorisation policy of 2017 – which recognises Business Correspondent (BCs) that provide banking services for a minimum of four hours per day and for at least five days a week as banking outlets – coupled with emphasis on digitisation and modernisation of technological infrastructure has progressively obviated the need to set up brick and mortar branches. As has been observed for the last few years, during 2019-20 also, branch expansion in rural areas remained subdued as BC model made further inroads in villages with population more than 2,000. The BC phenomenon did not remain restricted to rural areas alone and model gained popularity even in urban areas. Further, the growth in the number of Basic Savings Bank Deposit Accounts (BSBDAs) and deposits mobilised through BCs remained higher than BSBDAs in physical bank branches (Table IV.25). Based on experience gained during the COVID-19 pandemic, the BC model is likely to

Table IV.25: Financial Inclusion Plan

Sr. No.	Particulars	End-March 2010	End-March 2019	End-March 2020*	Y-o-Y Growth 2019-20
1.	Banking Outlets in Villages- Branches	33,378	52,489	54,561	3.9
2.	Banking Outlets in Villages>2000-BCs	8,390	1,30,687	1,49,106	14.1
3.	Banking Outlets in Villages<2000-BCs	25,784	4,10,442	3,92,069	-4.5
4.	Total Banking Outlets in Villages – BCs	34,174	5,41,129	5,41,175	0.0
5.	Banking Outlets in Villages – Other Modes	142	3,537	3,481	-1.6
6.	Banking Outlets in Villages –Total	67,694	5,97,155	5,99,217	0.3
7.	Urban Locations Covered Through BCs	447	4,47,170	6,35,046	42.0
8.	BSBDA - Through Branches (No. in Lakh)	600	2,547	2,616	2.7
9.	BSBDA - Through Branches (Amt. in Crore)	4,400	87,765	95,831	9.2
10.	BSBDA - Through BCs (No. in Lakh)	130	3,195	3,388	6.0
11.	BSBDA - Through BCs (Amt. in Crore)	1,100	53,195	72,581	36.4
12.	BSBDA - Total (No. in Lakh)	735	5,742	6,004	4.6
13.	BSBDA - Total (Amt. in Crore)	5,500	1,40,960	1,68,412	19.5
14.	OD Facility Availed in BSBDAs (No. in Lakh)	2	59	64	8.5
15.	OD Facility Availed in BSBDAs (Amt. in Crore)	10	443	529	19.4
16.	KCC - Total (No. in Lakh)	240	491	475	-3.3
17.	KCC - Total (Amt. in Crore)	1,24,000	6,68,044	6,39,069	-4.3
18.	GCC - Total (No. in Lakh)	10	120	202	68.3
19.	GCC - Total (Amt. in Crore)	3,500	1,74,514	1,94,048	11.2
20.	ICT-A/Cs-BC-Total Transactions (No. in Lakh)	270	21,019	32,318	53.8
21.	ICT-A/Cs-BC-Total Transactions (Amt. in Crore)	700	5,91,347	8,70,643	47.2

Notes: 1. *: Provisional.
2. 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.
Source: FIP returns submitted by banks.

Chart IV.36: PMJDY Accounts: Distribution and Average Balance



Source: Pradhan Mantri Jan Dhan Yojana, Government of India

strengthen further as physical access to banks is constrained by social distancing.

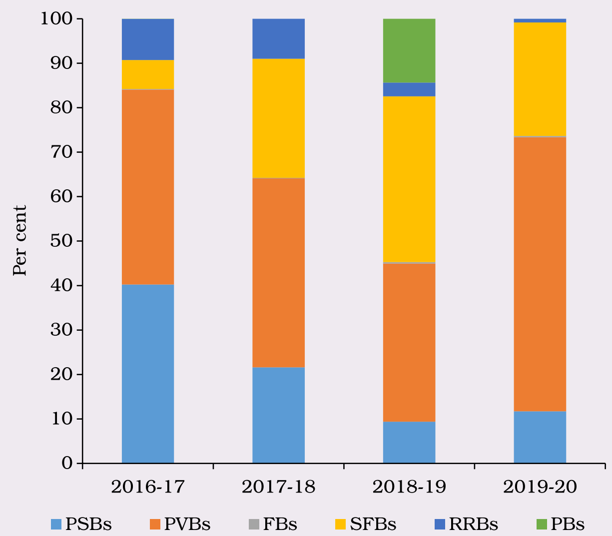
11.1 Pradhan Mantri Jan Dhan Yojana (PMJDY)

IV.72 In six years of its implementation, the total number of accounts opened under PMJDY reached 41.4 crore, with ₹1.30 lakh crore of deposits as on December 2, 2020. Of these accounts, nearly two-third are operational in rural and semi-urban areas. As on September 2020, more than 60 per cent of PMJDY accounts were with PSBs (Chart IV.36a). However, usage of these accounts remains a concern, with lacklustre growth in the average balance in these accounts (Chart IV.36b).

11.2 New Bank Branches by SCBs

IV.73 The decline in the number of new bank branches during 2019-20 was mainly due to SFBs, RRBs and PBs. PVBs and SFBs maintained the lead in opening new branches as part of their business expansion strategy. (Chart IV.37). During the year, more than half of the new branches were opened in Tier I centres, although fewer branches were opened in other higher tier centres (Table IV.26).

Chart IV.37: Bank Group wise share in Newly Opened Branches by SCBs



Source: RBI.

Table IV.26: Tier-wise Break-up of Newly Opened Bank Branches by SCBs

Centre	2016-17	2017-18	2018-19	2019-20
Tier 1	2,328	1,593	2,123	2,184
	(43.6)	(40.4)	(47.0)	(53.1)
Tier 2	363	335	513	363
	(6.8)	(8.5)	(11.4)	(8.8)
Tier 3	638	572	697	550
	(12.0)	(14.5)	(15.4)	(13.4)
Tier 4	422	334	358	329
	(7.9)	(8.5)	(7.9)	(8.0)
Tier 5	654	451	382	247
	(12.3)	(11.4)	(8.5)	(6.0)
Tier 6	930	656	443	443
	(17.4)	(16.6)	(9.8)	(10.8)
Total	**5,335**	**3,941**	**4,516**	**4,116**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**

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.

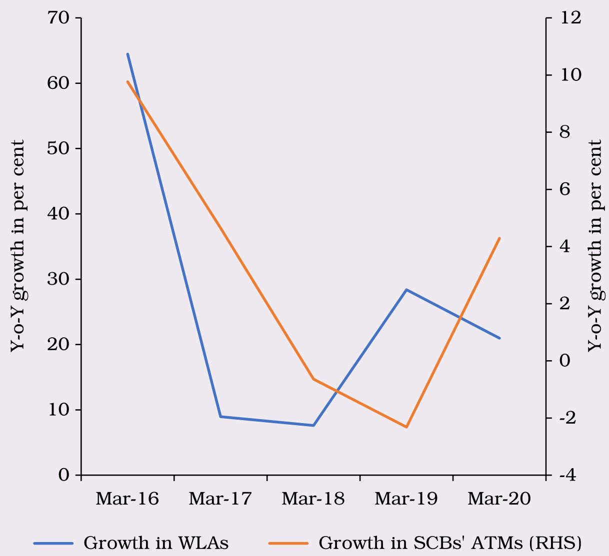
2. Data exclude 'Administrative Offices'.
3. All population figures are as per census 2011.
4. Central Information System for Banking Infrastructure data are dynamic in nature. The data are updated based on information received from banks.
5. Figures in the parentheses represent proportion of the branches 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.74 The deceleration in the total number of ATMs (on-site and off-site) operated by banks reversed during the year, aided by all categories of banks, except PSBs and FBs (Table IV.27 and Appendix Table IV.7). Interestingly, SFBs operated more than twice the number of ATMs operated by FBs as at end-March 2020, despite their smaller balance sheet size. The high growth of white label ATMs (WLAs) for the second consecutive year was fuelled by regulatory support such as permission to source cash directly from the Reserve Bank and permission to offer non-bank services (Chart IV.38). More than 82 per cent of the WLAs are located in rural and semi-urban areas with high unmet demand for ATMs. Data available for 2020-21 so far indicate that the growth in WLAs continued as the rural economy was not as severely impacted as the urban areas due to the lockdown associated with COVID-19.

Chart IV.38: SCBs' ATMs vs White-label ATMs



Source: RBI.

IV.75 The geographical distribution of ATMs across rural and urban areas remained broadly

Table IV.27: ATMs
(At end-March)

Sr. No.	Bank Group	On-site ATMs		Off-site ATMs		Total Number of ATMs	
		2019	2020	2019	2020	2019 (3+5)	2020 (4+6)
I	PSBs	78,419	78,484	57,679	56,379	1,36,098	1,34,863
II	PVBs	26,197	32,690	37,143	40,362	63,340	73,052
III	FBs	221	225	693	678	914	903
IV	SFBs*	1,541	1,870	301	56	1,842	1,926
V	WLAs	-	-	-	-	19,507	23,597
VI	All SCBs (I to IV)	1,06,378	1,13,269	95,816	97,475	2,02,194	2,10,744
VII	Total (V+VI)					2,21,701	2,34,341

Note: *: 10 scheduled SFBs as at end-March 2020.
Source: RBI.

Table IV.28: Number of ATMs of SCBs at Various Centres
(At end-March)

Bank Group	Rural	Semi - Urban	Urban	Metropolitan	Total
Public Sector Banks	27,451	39,551	38,522	29,339	1,34,863
	(20.4)	(29.3)	(28.6)	(21.8)	(100.0)
Private Sector Banks	6,046	17,708	19,138	30,160	73,052
	(8.3)	(24.2)	(26.2)	(41.3)	(100.0)
Foreign Banks	23	18	167	695	903
	(2.5)	(2.0)	(18.5)	(77.0)	(100.0)
Small Finance Banks*	213	579	617	517	1,926
	(11.1)	(30.1)	(32.0)	(26.8)	(100.0)
Total	33,733	57,856	58,444	60,711	2,10,744
	(16.0)	(27.5)	(27.7)	(28.8)	(100.0)
Growth over Previous Year	0.85	3.17	4.64	6.86	4.23

Notes: 1. Figures in parentheses indicate percentage share of total ATMs under each bank group.
2. *: 10 scheduled SFBs as at end-March 2020.
Source: RBI.

similar in 2019-20 to that in the previous year. The concentration of ATMs remains tilted towards urban customers (Table IV.28).

11.4 Microfinance Programme

IV.76 Steady progress was made in the delivery of micro-credit through self-help groups (SHGs) and joint liability groups (JLGs). During 2019-20, 31.5 lakh new SHGs were credit-linked with banks and loans of ₹ 77,659 crore (including repeat loans) were disbursed to these SHGs. During the year, the number of Joint Liability Group (JLG) and loan amounts disbursed by banks grew by 161 per cent and 169 per cent, respectively. The NPA ratio of the SHG loans declined to 4.9 per cent from 5.2 per cent in the previous year[9] (Appendix Table IV.13).

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

IV.77 The number of MSME accounts and credit growth decelerated across PVBs and PSBs in 2019-20. PSBs' share in total credit to MSMEs decreased from 65 per cent in 2017-18 to 55 per cent in 2019-20. Although the number of accounts with PVBs was more than double that with PSBs in 2019-20, the average amount of loans extended by PVBs was ₹2.39 lakh – much lower than ₹8.12 lakh by PSBs (Table IV.29).

Table IV.29: Credit Flow to the MSME sector by SCBs
(Number of accounts in lakh, amount outstanding in ₹ crore)

		2016-17	2017-18	2018-19	2019-20
Public Sector Banks	No. of accounts	111.97 (4.8)	111.01 (-0.9)	112.97 (1.8)	110.82 (-1.9)
	Amount Outstanding	8,28,933 (1.0)	8,64,598 (4.3)	8,80,033 (1.8)	8,93,315 (1.5)
Private Sector Banks	No. of accounts	119.59 (24.0)	148.33 (24.0)	205.31 (38.4)	270.62 (31.8)
	Amount Outstanding	4,30,963 (20.0)	4,10,760 (-4.7)	5,63,678 (37.2)	6,46,988 (14.8)
Foreign Banks	No. of accounts	2.07 (11.1)	2.20 (6.2)	2.40 (9.3)	2.74 (14.1)
	Amount Outstanding	36,503 (0.4)	48,881 (33.9)	66,939 (36.9)	73,279 (9.47)
All SCBs	No. of accounts	233.63 (13.9)	261.54 (12.0)	320.68 (22.6)	384.18 (19.8)
	Amount Outstanding	12,96,399 (6.6)	13,24,239 (2.2)	15,10,651 (14.1)	16,13,582 (6.8)

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

11.6 Trade Receivables Discounting System (TReDS)

IV.78 The Trade Receivables Discounting System (TReDS) conceived by the Reserve Bank in 2014 is an electronic platform on which receivables of MSMEs drawn against buyers (large corporates, PSUs, Government departments) are financed by multiple financiers through a competitive auction process. To widen the scope of TReDS and to incentivise more players to be part of this platform, banks' exposures were brought under priority sector lending in 2016. Three entities [*viz.*, Receivables Exchange of India Ltd. (RXIL), A.TReDS, and Mynd Solutions] licensed by the Reserve Bank have been operating the platform for more than three years. In October 2019, the Reserve Bank had allowed 'on-tap' authorisation to entities

[9] NABARD Annual Report 2019-20.

Table IV.30: Progress in MSME Financing through TReDS

(Invoices in number, amount in ₹ crore)

Financial Year	Invoices Uploaded		Invoices Financed	
	Invoices	Amount	Invoices	Amount
2017-18	22,704	1,094.82	19,890	814.54
2018-19	2,51,695	6,699.57	2,32,098	5,854.48
2019-20	5,30,077	13,088.27	4,77,969	11,165.86

Source: RBI.

desirous of providing platforms for TReDS. During 2019-20, the number and amount of invoices uploaded and financed through the platform almost doubled, however, the success rate[10] was marginally lower (Table IV.30).

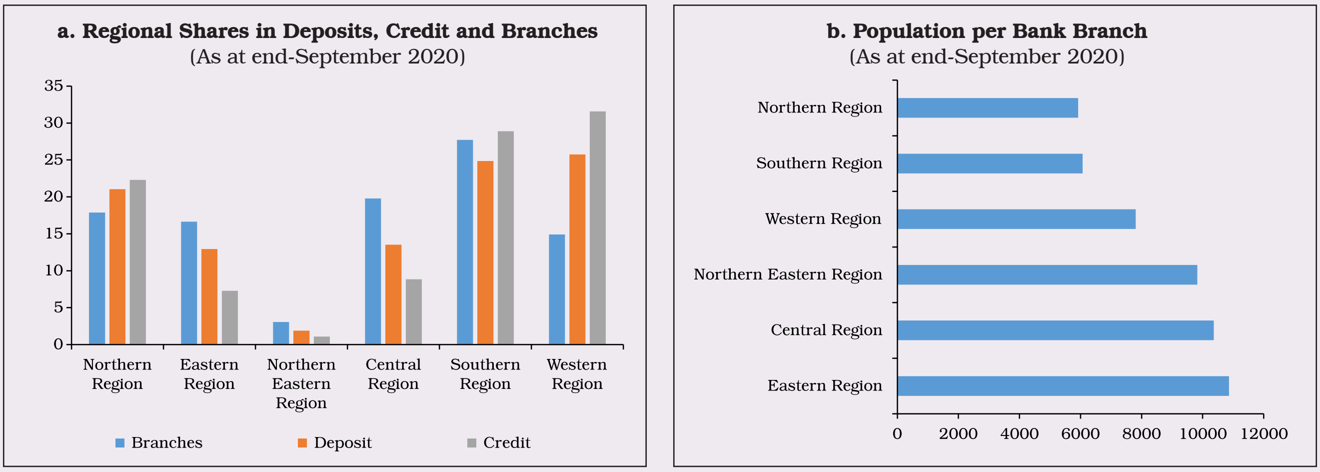
11.7 Regional Banking Penetration

IV.79 Despite recent strides in banking penetration across various geographies, significant inter-regional inequality remains in terms of the share of different regions in credit, deposits and branches (Chart IV.39a). The average population served per bank branch remains substantially higher in eastern, central and north-eastern regions than in other parts (Chart IV.39b).

12. Regional Rural Banks

IV.80 Regional Rural Banks (RRBs) bring together the rural orientation of credit co-operatives and professionalism of commercial banks to address the credit needs of the rural economy. With a view to enabling RRBs to minimize their overhead expenses, optimize the use of technology, enhance the capital base and area of operation, and increase their exposure, the Government has initiated a structural consolidation of RRBs in three phases. In the ongoing third phase of amalgamation based on the principle of 'one state–one RRB' in smaller states and reduction in number of RRBs in larger states, the number of RRBs declined to 45 by end-March 2020. Three RRBs were amalgamated, reducing the total number of RRBs to 43 with effect from April 1, 2020. In order to recapitalise RRBs with CRAR below 9 per cent, the Government extended the process of recapitalisation up to 2020-21 and earmarked ₹670 crore as the central government's share in their recapitalization. This amount is equivalent to 50 per cent of the planned recapitalization

Chart IV.39: Regional Penetration of Banks



Source: RBI

[10] Defined as per cent of invoices uploaded that get financed.

support of ₹1,340 crore, subject to the condition that the sponsor banks release their proportionate shares.

12.1 Balance Sheet Analysis

IV.81 The acceleration in the consolidated balance sheet of RRBs during 2019-20 was driven by capital expansion, fuelled by recapitalisation, as well as expansion of term deposits. On the assets side, RRBs resorted to parking their funds in investments as the loans and advances growth was subdued. Accumulated losses of RRBs more than doubled during 2019-20 (Table IV.31).

IV.82 RRBs are mandated to provide 75 per cent of their total outstanding advances as on the corresponding date of the previous year for priority sector lending. During 2019-20, RRBs overachieved this mandate with 96 per cent. Agriculture lending topped the list of RRB credit portfolio (70 per cent), followed by exposure to MSMEs (12.0 per cent) and housing (7.8 per cent) (Table IV.32).

12.2 Financial Performance of RRBs

IV.83 With acceleration in provisioning due to elevated NPAs and a sharp increase in operating expenses – largely attributed to higher wage bills on account of implementation of pension scheme – RRBs reported net losses for the second consecutive year. Their operating profits also declined, despite robust growth in both interest and non-interest income. Provisioning for pension liability and deteriorating asset quality led to erosion in capital positions of RRBs (Table IV.33). NPAs of RRBs are concentrated in the eastern, north-eastern and central regions which together accounted for 74 per cent of the loss making RRBs (Appendix Table IV.14).

Table IV.31: Consolidated Balance Sheet of Regional Rural Banks

(Amount in ₹ Crore)

Sr. No.	Item	At end-March		Y-o-Y Growth in Percent	
		2019	2020P	2018-19	2019-20
1	2	3	4	5	6
1	Share Capital	6,735	7,849	4.6	16.5
2	Reserves	25,398	26,817	0.8	5.6
3	Deposits	4,34,444	4,78,547	8.5	10.2
	3.1 Current	11,124	10,750	8.8	-3.4
	3.2 Savings	2,24,095	2,44,224	11.5	9.0
	3.3 Term	1,99,226	2,23,573	5.3	12.2
4	Borrowings	53,548	54,393	-7.1	1.6
	4.1 from NABARD	46,894	46,120	2.1	-1.6
	4.2 Sponsor Bank	3,738	4,519	-59.9	20.9
	4.3 Others	2,916	3,754	21.9	28.7
5	Other Liabilities	17,864	25,372	17.3	42.0
	Total liabilities/Assets	5,37,989	5,92,978	6.5	10.2
6	Cash in Hand	2,913	2,860	4.4	-1.8
7	Balances with RBI	17,897	16,744	13.2	-6.4
8	Other Bank Balances	5,469	7,613	-2.5	39.2
9	Investments	2,26,172	2,49,155	1.8	10.2
10	Loans and Advances (net)	2,61,953	2,86,919	10.5	9.5
11	Fixed Assets	1,274	1,226	4.1	-3.8
12	Other Assets #	22,311	28,462	10.1	27.6
	12.1 Accumulated Losses	2,887	6,467	54.7	124.0

Note: 1. #: Includes accumulated losses.
2. P Provisional.
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.

Table IV.32: Purpose-wise Outstanding Advances by RRBs

(Amount in ₹ Crore)

Sr. No.	Purpose/End-March	2019	2020P
1	2	3	4
I	**Priority (i to v)**	**2,55,022**	**2,70,145**
	Per cent of total loans outstanding	90.8	90.6
	i Agriculture	1,96,228	2,08,831
	ii Micro small and medium enterprises	33,723	35,239
	iii Education	2,634	2,351
	vi Housing	18,238	19,750
	v Others	4,199	3,974
II	**Non-priority (i to vi)**	**25,733**	**28,111**
	Per cent of total loans outstanding	9.2	9.4
	i Agriculture	1	**9**
	ii Micro small and medium enterprises	306	495
	iii Education	**72**	**75**
	iv Housing	2,606	3,477
	v Personal Loans	6,392	7,157
	vi Others	16,356	16,898
Total (I+II)		**2,80,755**	**2,98,256**

Notes: 1. P: Provisional
2. Totals may not tally on account of rounding off of figures in ₹ Crore.

Source: NABARD.

Table IV.33: Financial Performance of Regional Rural Banks

(Amount in ₹ Crore)

Sr. No.	Item	Amount		Y-o-Y Change in per cent	
		2018-19	2019-20P	2018-19	2019-20
1	2	3	4	5	6
A	**Income (i + ii)**	**42,988**	**49,452**	**2.8**	**15.0**
	i Interest income	38,931	43,698	1.5	12.2
	ii Other income	4,057	5,754	16.5	41.8
B	**Expenditure (i+ii+iii)**	**43,639**	**51,658**	**8.2**	**18.4**
	i Interest expended	23,716	25,985	-0.6	9.6
	ii Operating expenses	13,803	18,651	25.3	35.1
	of which, Wage bill	9,379	12,842	33.1	36.9
	iii Provisions and contingencies	6,120	7,021	12.7	14.7
C	**Profit**				
	i Operating profit	5,459	4,523	-27.6	-17.2
	ii Net profit	- 652	-2,206	-	-
D	**Total Average Assets**	**5,18,349**	**5,54,200**	**8.7**	**6.9**
E	**Financial ratios #**				
	i Operating profit	1.1	0.8		
	ii Net profit	- 0.1	-0.4		
	iii Income (a + b)	8.3	8.9		
	(a) Interest income	7.5	7.9		
	(b) Other income	0.8	1.0		
	iv Expenditure (a+b+c)	8.4	9.3		
	(a) Interest expended	4.6	4.7		
	(b) Operating expenses	2.7	3.4		
	of which, Wage bill	1.8	2.3		
	(c) Provisions and contingencies	1.2	1.3		
F	**Analytical Ratios (%)**				
	Gross NPA Ratio	10.8	10.4		
	CRAR	11.5	10.3		

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.

13. Local Area Banks

IV.84 In line with SCBs, the consolidated balance sheet of LABs decelerated in 2019-20. Contrary to SCBs, however, the deceleration was led by deposits while gross advances surged (Table IV.34). Reflective of this, the outstanding credit-deposit ratio of LABs increased from 75 per cent in the previous year to 81 per cent in 2019-20, unlike SCBs which experienced decline.

13.1 Financial Performance of LABs

IV.85 In an environment characterised by low interest rates, the acceleration in interest income of LABs was moderate, while non-interest income increased substantially as these banks diversified their business. Slower increase in expenditure as compared to income led to increase in their profitability (Table IV.35).

Table IV.34: Profile of Local Area Banks
(At end-March)

(Amount in ₹ crore)

	2018-19	2019-20
1. Assets	926.4	1026.0
	(13.0)	(10.8)
2. Deposits	746.9	813.8
	(14.7)	(9.0)
3. Gross Advances	559.7	660.5
	(8.9)	(18.0)

Note: Figures in parenthesis represent y-o-y growth in per cent.
Source: Off-site returns, global operations, RBI.

Table IV.35: Financial Performance of Local Area Banks
(At end-March)

		Amount in ₹ crore		Y-o-Y growth in per cent	
		2018-19	2019-20	2018-19	2019-20
1.	**Income (i+ii)**	118	135	1.7	14.9
	i) Interest income	97	107	7.6	10.6
	ii) Other income	21	28	-19.0	35.0
2.	**Expenditure (i+ii+iii)**	107	121	8.6	13.9
	i) Interest expended	45	52	7.3	14.8
	ii) Provisions and contingencies	9	13	-6.4	53.8
	iii) Operating expenses	53	56	12.6	6.7
	of which, wage bill	24	26	22.2	8.1
3.	**Profit**				
	i) Operating profit / loss	20	27	-26.3	37.3
	ii) Net profit / loss	11	14	-36.7	24.6
4.	**Net Interest Income**	52	55	7.9	6.9
5.	**Total Assets**	926	1,026	13.0	10.8
6.	**Financial Ratios @**				
	i. Operating Profit	2.1	2.7		
	ii. Net Profit	1.2	1.4		
	iii. Income	12.7	13.2		
	iv. Interest Income	10.4	10.4		
	v. Other Income	2.3	2.8		
	vi. Expenditure	11.5	11.8		
	vii. Interest Expended	4.9	5.0		
	viii. Operating Expenses	5.7	5.5		
	ix. Wage Bill	2.6	2.6		
	x. Provisions and contingencies	0.9	1.3		
	xi. Net Interest Income	5.6	5.4		

Notes: 1. Financial ratios for 2019-20 are calculated based on the Asset of current year only.
2. @: Ratios as per cent of average assets of last two years.
3. 'Wage Bill' is taken as Payments to and provisions for employees.

Source: Off-site Returns, global operations, RBI.

14. Small Finance Banks

IV.86 Small Finance Banks (SFBs) were set up in 2016 to provide basic banking services such as accepting deposits and lending to the unserved and the under-served sections of society, including small businesses, marginal farmers, micro and small industries, and the unorganised sector. At end-March 2020, ten SFBs were operational.

14.1 Balance Sheet of SFBs

IV.87 In keeping with development over the last couple of years, SFBs' dependence on bank borrowings declined further in 2019-20 with deposits contributing more than 60 per cent of liabilities. On the assets side, however, balance sheet growth was led by investments as loans and advances decelerated (Table IV.36).

Table IV.36: Consolidated Balance Sheet of Small Finance Banks
(At end-March)

(Amount in ₹ crore)

Sr. No.		2019	2020	Y-o-Y growth in per cent
1	Share Capital	4,759.6	5,151.0	8.2
2	Reserves & Surplus	6,967.1	11,047.0	58.6
3	Tier II Bonds	3,831.0	3,795.0	-0.9
4	Deposits	55,686.3	82,488.0	48.1
	4.1 Current Demand Deposits	2,155.0	2,381.0	10.5
	4.2 Savings	7,669.1	10,284.0	34.1
	4.3 Term	45,862.1	69,823.0	52.2
5	Borrowings (Including Tier II Bonds)	27,838.9	30,004.0	7.8
	5.1 Bank	3,466.3	3,784.0	9.2
	5.2 Others	24,372.4	25,948.0	6.5
6	Other Liabilities & provisions	3,672.5	4,078.0	11.0
Total liabilities/Assets		**98,884.0**	**1,32,689.0**	**34.2**
7	Cash in Hand	461.3	976.0	111.6
8	Balances with RBI	3,162.1	4,082.0	29.1
9	Other Bank Balances/ Balances with Financial Institutions	4,601.8	8,701.0	89.1
10	Investments	17,287.0	24,203.0	40.0
11	Loans and Advances	69,856.8	90,576.0	29.7
12	Fixed Assets	1,642.7	1,649.0	0.4
13	Other Assets	1,913.3	2,580.0	34.8

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

14.2 Priority Sector Lending of SFBs

IV.88 The share of SFBs' lending to the priority sector declined for the third year in a row in 2019-20 with a quarter of total advances coming under non-priority sector as at end-March 2020. Within priority sector, their focus remained on MSMEs, followed by agriculture. There was an increase in the share of housing as a proportion to total advances (Table IV.37).

14.3 Financial Performance of SFBs

IV.89 During 2019-20, the asset quality of SFBs improved, leading to a significant contraction in provisions and contingencies requirements even as their CRAR improved (Table IV.38).

15. Payments Banks

IV.90 Payments Banks (PBs) are niche banks that leverage technology for financial inclusion and are aimed at small businesses and low-income households. Their business model focuses on small remittances which are stored in digital wallets that can, in turn, be used for purchases of goods and services. Being a nascent business model that requires heavy overhead costs especially at the beginning, most of these banks are yet to turn profitable.

Table IV.37: Purpose-wise Outstanding Advances by Small Finance Banks
(Share in total advances)

Purpose	end-March 2019	end-March 2020
I Priority (i to v)	**78.1**	**75.0**
Per cent to total loans outstanding		
i. Agriculture and allied activities	24.6	23.0
ii. Micro small and medium enterprises	35.0	35.8
iii. Education	0.0	0.1
iv. Housing	2.7	3.9
v. Others	15.8	12.3
II Non-priority (i to vi)	**21.9**	**25.0**
Total (I+II)	**100**	**100**

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

Table IV.38: Financial Performance of Small Finance Banks
(At end-March)

(Amount in ₹ crore)

Sr. No.	Item	2018-19	2019-20	Y-o-Y growth
1	2	3	4	5
A	**Income (i + ii)**	**13,239.0**	**19,219.0**	**45.2**
	i Interest Income	11,819.0	16,948.0	43.4
	ii Other Income	1,421.0	2,271.0	59.8
B	**Expenditure (i+ii+iii)**	**13,756.0**	**17,251.0**	**25.4**
	i Interest Expended	5,500.0	7,928.0	44.1
	ii Operating Expenses	5,728.0	7,152.0	24.9
	of which, Staff Expenses	2,962.0	3,811.0	28.7
	iii Provisions and contingencies	2,529.0	2,171.0	-14.2
C	**Profit (Before Tax)**	**-188.0**	**2,679.0**	
	i Operating Profit (EBPT)	1,802.0	4,141.0	129.8
	ii Net Profit (PAT)	-727.0	1,968.0	
D	**Total Assets**	**98,884.0**	**1,32,689.0**	**34.2**
E	**Financial Ratios #**			
	i Operating Profit	1.82	3.12	
	ii Net Profit	-0.74	1.48	
	iii Income (a + b)	13.39	14.48	
	(a) Interest Income	11.95	12.77	
	(b) Other Income	1.44	1.71	
	iv Expenditure (a+b+c)	13.91	13.00	
	(a) Interest Expended	5.56	5.97	
	(b) Operating Expenses	5.79	5.39	
	of which, Staff Expenses	3.00	2.87	
	(c) Provisions and contingencies	2.56	1.64	
F	**Analytical Ratios (%)**			
	Gross NPA Ratio	2.35	1.87	
	CRAR	16.7	20.2	
	Core CRAR	13.1	17.2	

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

15.1 Balance Sheet

IV.91 At end-March 2020, the number of operational PBs declined to six as compared with seven in the previous year as one bank surrendered its licence. The consolidated balance sheet of PBs increased in 2019-20 on a hefty increase in deposits with their share in liabilities more than doubling to 27.4 per cent from 12.3 per cent in 2018-19, despite the cap of ₹1 lakh per account. As these banks are not permitted to lend, their asset side growth was due to spurt in investments and balances with banks (Table IV.39).

Table IV.39: Consolidated Balance Sheet of Payments Banks

(Amount in ₹ crore)

Item	March-18	March-19	March-20
1. Total Capital and Reserves	1,848	1,899	1,862
2. Deposits	438	882	2,306
3. Other Liabilities and Provisions	2,606	4,392	4,256
Total Liabilities/Assets	**4,892**	**7,172**	**8,425**
1. Cash and Balances with RBI	358	712	785
2. Balances with Banks and Money Market	1,243	1,375	2,101
3. Investments	2,449	3,136	4,077
4. Fixed Assets	236	638	353
5. Other Assets	606	1,311	1,108

Note: Data for end-March 2018, end-March 2019 and end-March 2020 pertain to five, seven and six PBs, respectively. Hence, the data are not comparable across years.
Source: Off-site returns (domestic operations), RBI.

15.2 Financial Performance

IV.92 Notwithstanding improvement in both interest income and non-interest income, the consolidated balance sheet of PBs ended the financial year 2019-20 with losses due to high operating expenses. The limited operational space of these banks, coupled with high initial costs in setting up of the infrastructure, implied that the initial years would be invested in expanding their customer base and they will take time to break even (Table IV.40).

Table IV.40: Financial Performance of Payments Banks

(Amount in ₹ crore)

		March-18	March-19	March-20
A	**Income (i + ii)**			
	i. Interest Income	175.6	290.8	349.3
	ii. Non-Interest Income	1,003.6	2,099.1	3,115.0
B	**Expenditure**			
	i. Interest Expenses	24.5	35.4	62.3
	ii. Operating Expenses	1,676.8	3,265.3	4,337.4
	Provisions and Contingencies *of which,*			
	Risk Provisions	-6.6	2.3	2.7
	Tax Provisions	1.0	16.1	-107.1
C	**Net Interest Income**	151.2	255.4	287.0
D	**Profit**			
	i. Operating Profit (EBPT)	-522.0	-910.8	-935.3
	ii. Net Profit	-517.2	-937.1	-833.0

Note: Data for end-March 2018, end-March 2019 and end-March 2020 pertain to five, seven and six PBs, respectively. Hence, the data are not comparable across years.
Source: Off-site returns (domestic operations), RBI.

IV.93 Efficiency, measured in terms of cost-to-income ratio, improved while the net interest margin (NIM) declined during the year (Table IV.41).

Table IV.41: Select Financial Ratios of Payments Banks

Item	March-18	March-19	March-20
1. Return on Assets	-10.6	-13.1	-9.9
2. Return on Equity	-28.0	-49.4	-44.7
3. Investments to Total Assets	50.1	43.7	48.4
4. Net Interest Margin	4.5	6.1	4.8
5. Efficiency (Cost-Income Ratio)	142.2	136.6	125.2
6. Operating profit to working funds	-10.7	-12.7	-11.1
7. Profit Margin	-43.9	-39.2	-24.0

Note: Data for end-March 2018, end-March 2019 and end-March 2020 pertain to five, seven and six PBs, respectively. Hence, the data are not comparable across years.
Source: Off-site returns (domestic operations), RBI.

15.3 Inward and Outward Remittances

IV.94 In 2019-20, inward and outward remittances through the UPI occupied the largest share in the total remittance business of payments banks in terms of both value and volume. In fact, more than 46 per cent of inward and 37 per cent of outward remittances in terms of value were made through the UPI channel. The second place was occupied by the IMPS channel, with 9.3 per cent of inward and 24.5 per cent of outward remittances flowing through this channel. The RTGS channel recorded strong growth with its share increasing to 13.2 per cent of outward flow and 22.2 per cent of inflow coming through it (Table IV.42).

Table IV.42: Remittances through Payments Banks

(Number in thousand, amount in ₹ crore)

Channel	2018-19				2019-20			
	Inward Remittances		Outward Remittances		Inward Remittances		Outward Remittances	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1. NEFT	4,763	67,035	6,819	13,16,665	8,980	19,398	14,084	43,593
	(0.3)	(0.4)	(0.3)	(3.5)	(0.4)	(5.3)	(0.6)	(10.1)
i) Bill Payments	182	2,956	1,367	11,29,717	633	6,103	4,214	8,151
	(0.0)	(0.0)	(0.1)	(3.0)	(0.0)	(1.7)	(0.2)	(1.9)
ii) Other than Bill Payments	4,581	64,079	5,452	1,86,949	8,348	13,296	9,870	35,442
	(0.2)	(0.4)	(0.3)	(0.5)	(0.4)	(3.6)	(0.4)	(8.2)
2. RTGS	34	33,204	7	17,629	198	81,411	73	56,794
	(0.0)	(0.2)	(0.0)	(0.0)	(0.0)	(22.2)	(0.0)	(13.2)
3. IMPS	1,04,045	11,69,970	1,84,482	1,55,55,000	1,40,688	34,309	3,45,218	1,05,366
	(5.6)	(6.7)	(8.9)	(41.8)	(6.8)	(9.3)	(15.0)	(24.5)
4. UPI	13,02,082	1,60,94,995	13,17,627	2,02,64,339	14,42,274	1,70,998	14,53,701	1,60,976
	(69.8)	(92.5)	(63.6)	(54.4)	(69.4)	(46.6)	(63.2)	(37.4)
5. E - Wallets	3,98,339	24,186	5,04,639	52,249	3,39,601	23,427	4,03,157	41,274
	(21.4)	(0.1)	(24.4)	(0.1)	(16.3)	(6.4)	(17.5)	(9.6)
6. Micro ATM (POS)	8,905	3,576	165	57	47,362	16,746	694	229
	(0.5)	(0.0)	(0.0)	(0.0)	(2.3)	(4.6)	(0.0)	(0.1)
7. ATM	_	_	1,772	505	_	_	3,749	1,169
	_	_	(0.1)	(0.0)	_	_	(0.2)	(0.3)
8. Others	45,979	12,657	56,530	16,931	1,00,450	20,740	78,402	21,515
	(2.5)	(0.1)	(2.7)	(0.0)	(4.8)	(5.7)	(3.4)	(5.0)
Total	18,64,148	1,74,05,623	20,72,041	3,72,23,375	20,79,551	3,67,030	22,99,078	4,30,916

Note: 1. Figures in the parentheses are percentage to total; -: Nil/Negligible.
2. Data for 2018-19 and 2019-20 are not comparable as there were seven and six PBs, respectively.
Source: Off-site returns (domestic operations), RBI.

16. Overall Assessment

IV.95 The macroeconomic and financial environment, as it were characterised by a sharp deceleration in economic activity and weakening investment demand was suddenly exacerbated by COVID-19. Although, banks' financial conditions improved on lower slippages and higher capital buffers and provisions, subdued economic conditions amplified risk aversion and dragged down credit off-take. During 2020-21 so far, the safe haven appeal of banks led to a sharp accretion to deposits. With credit demand remaining anaemic, as the deleterious effects of COVID-19 played out on the economy, banks preferred to park funds in safer G-Secs to partially offset the impact of low lending. In anticipation of higher loan delinquencies, banks have announced ambitious plans to shore up their capital bases to adhere to regulatory requirements and to be lending-ready as and when credit demand bounces back.

IV.96 The Reserve Bank initiated timely measures to relieve stress on bank balance sheets, corporates and households in the wake of the pandemic. With the moratorium coming to an end, the deadline for restructuring proposals is fast approaching and with the possible lifting of the asset quality standstill, banks' financials are likely to be impacted in terms of asset quality and future income. Going forward, banks will have to adapt and adjust to the rapidly evolving economic landscape due to these challenges and also the entry of niche players and emerging financial technologies.

V DEVELOPMENTS IN CO-OPERATIVE BANKING

The balance sheet growth of urban co-operative banks (UCBs) moderated in 2019-20 on the back of lower deposit accretion on the liabilities side, and muted growth in loans and advances on the assets side. While UCBs posted net losses due to heightened provisioning requirement, their asset quality deteriorated. Within the short-term rural co-operatives arena, the performance of state co-operative banks improved in terms of GNPA ratio and profitability, whereas performance of district central co-operative banks continued to deteriorate.

1. Introduction

V.1 Co-operative institutions provide an alternative approach to financial inclusion in India through their geographic and demographic outreach to the urban and rural populace. During 2019-20, the co-operative sector, however, faced certain financial challenges. Episodes of frauds during the year affected the asset quality and profitability of urban co-operative banks (UCBs). During 2020-21 so far, uncertainties related to COVID-19 have affected the operations of this sector, as they did for the other financial institutions. Despite these weaknesses, this period also witnessed steering of reforms in the form of setting up of an umbrella organisation that will ease funding constraints to these banks, and amendment to the Banking Regulation Act which addressed the vexing issue of dual regulatory control.

V.2 Against this backdrop, this chapter analyses the performance of urban and rural co-operative banks during the period under review. Section 2 reviews the structure and regulation of the co-operative sector. Section 3 sheds light on the balance sheet developments, financial performance, and asset quality of UCBs. Section 4 examines the short-term and long-term rural co-operative banks from the point of view of their financials and viability[1]. Section 5 concludes with an overall assessment of the sector and some policy perspectives.

2. Structure and Regulation of the Co-operative Sector

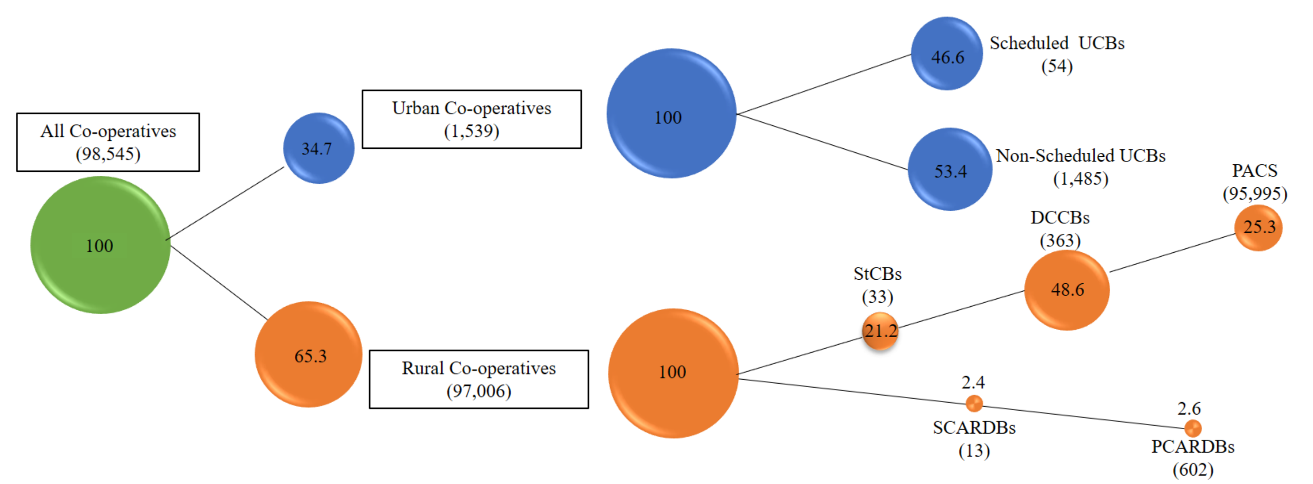
V.3 At end-March 2020, the sector consisted of 1,539 UCBs and 97,006 rural co-operative banks[2]. Rural co-operatives make up 65 per cent of the total asset size of all co-operatives taken together (Chart V.1).

V.4 Despite the crucial role played by the sector, its asset size was only around 10 per cent compared to that of SCBs at end March-2020. Although the focus of rural co-operative lending is on agriculture, its share in total agricultural lending has diminished considerably over the years, from as high as 64 per cent in 1992-93 to 11.3 per cent in 2019-20 (Table V.1).

[1] Although primary agricultural credit societies (PACS) and long-term co-operatives are outside the regulatory purview of the Reserve Bank, data and a brief description of their activities are covered in this chapter for providing a complete outline of the sector.

[2] Data on rural co-operatives are available with a lag of one year, *i.e.*, they relate to 2018-19.

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 2020 for UCBs and at end-March 2019 for rural co-operatives. Out of 54 scheduled UCBs- 36 are multi-state and 18 are single-state. Out of 1,485 non-scheduled UCBs–25 are multi-state and 1,460 are single state.

V.5 The financial soundness of this sector has been of concern over the last few years. Since April 1, 2015, 52 UCBs have been placed under All Inclusive Directions by the Reserve Bank.[3] Out of the total claims settled by the Deposit Insurance and Credit Guarantee Corporation (DICGC) since inception, around 94.3 per cent of claims pertained to co-operative banks that were liquidated, amalgamated, or restructured.

Table V.1: Share in Credit Flow to Agriculture

(Per cent)

	Share in Credit Flow to Agriculture		
	Co-operative Banks	RRBs	Commercial Banks
1	2	3	4
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
2019-20(P)	11.3	11.9	76.8

Note: (P) Data are provisional
Source: Data submitted by Banks on ENSURE portal of NABARD.

V.6 Over the years, the Reserve Bank has undertaken several steps to strengthen the sector, including entering into Memoranda of Understanding with State and Central Governments to facilitate coordination of regulatory policies, formation of Task Force for Urban Co-operative Banks, a comprehensive set of capacity building initiatives, and measures to bring in efficiency through adoption of technology. The Graded Supervisory Action introduced in 2003 was replaced by a Supervisory Action Framework in 2012 based on various trigger points, which was further amended in 2014 and 2020. These initiatives notwithstanding, several structural issues confront the sector such as dual regulation by the Reserve Bank and the Central/ State governments, inability to combine the principles of co-operation with professionalism, lack of avenues to raise additional capital, the need of technological upgradation and more recently, incidences of frauds. The enactment of

[3] As on December 11, 2020.

the Banking Regulation (Amendment) Act, 2020 is expected to address some of these problems (Box V.1).

3. Urban Co-operative Banks

V.7 The Reserve Bank liberalised the licensing policy for UCBs in 1993, resulting in proliferation in their number in the country. Nearly one-third

Box V.1: Dual Control of Co-operative Banks and BR Amendment Act

Under the Indian Constitution, co-operation is a state subject covered under the seventh schedule. During the mid-1960s, as demands for extension of the deposit insurance scheme to co-operative banks became more vocal and pressing, banking laws were made applicable to these banks so that the Reserve Bank may be able to exercise some control over them. This led to the dual control of the sector in which the Registrar of Co-operative Societies (RCS) or the Central Registrar of Co-operative Societies (CRCS)[4] were empowered to look after their incorporation, registration, management, recovery, audit, supersession of Board of Directors and liquidation. The Reserve Bank was vested with regulatory oversight on banking activities of UCBs, State Co-operative Banks (StCBs) and District Central Co-operative Banks (DCCBs). The Reserve Bank was also entrusted with the supervision of UCBs.

The Reserve Bank's regulatory and supervisory powers were, however, limited in many ways, which affected its ability to take prompt corrective actions in case of irregularities. The amendment to the BR Act, 1949 seeks to protect the interests of depositors and strengthen co-operative banks by improving governance and oversight by the Reserve Bank, while enabling better access to capital. The amendment, which was notified on September 29, 2020 came into force for UCBs with retrospective effect *i.e.* from June 29, 2020. The provisions amended by the Act include Section 3, Section 45 and Section 56 of the principal Act.

The amendment to Section 56 is the crux of this change; it narrows the regulatory arbitrage between commercial banks and co-operative banks by aligning many provisions applicable to them, *albeit* with some modifications. These provisions include, *inter ali*a, norms for qualification of board members, appointment and removal of Chairman/ Managing Director (MD)/ Chief Executive Officer (CEO) / additional directors, and supersession of the Board. Through the amendment, restrictions are also placed on loans or advances to directors, on whole-time directors having substantial interest or employment in other firms, prohibition on common directorship across banks, and approval of appointment or removal of statutory auditors. The time limit granted to UCBs for submission of their audited balance sheet and profit and loss statement to the Reserve Bank has been shortened from six months to three months, thus aligning it with commercial banks. In a major step towards granting more autonomy to these banks to raise capital, urban co-operative banks are allowed to issue debentures or bonds with maturity of not less than ten years, equity shares, preference shares, or special shares on face value or at a premium, with certain conditions.

The amendment of Section 45 of the Act enables the Reserve Bank to reconstruct or amalgamate a bank, with or without implementing a moratorium, with the approval of the Central Government. The word "reconstruction" has been given wider connotation to include mergers, acquisitions and takeovers or demergers. The amendment also provides the Reserve Bank extensive powers to supersede the management of the urban co-operative bank in consultation with the state government concerned. These measures are intended to protect the interest of the depositors while ensuring proper management and without causing any disruption to the financial system.

The amended Section 3 makes the provisions of the Act inapplicable to Primary Agricultural Credit Societies (PACS) or co-operative societies whose primary object and principal business is long-term finance for agricultural development, if such societies do not use the word "bank" or "banker" or "banking" and do not act as drawees of cheques. This provision seeks ease of operational services to farmers and allied role players.

These amendments are likely to improve the management and financial performance of co-operative banks and enable the Reserve Bank to regulate them more effectively.

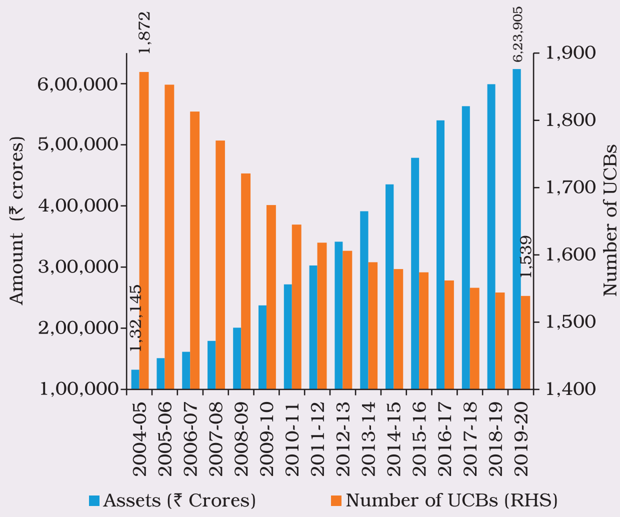
[4] For multi-state co-operative banks

of the newly licensed UCBs, however, became financially unsound within a short period. The Reserve Bank's Vision Document 2005 reversed the liberal licensing policy while envisaging a multi-layered regulatory and supervisory strategy aimed at shoring up their viability. This included merger or amalgamation of weak but viable UCBs with stronger ones and closure of the unviable ones. Since 2003, 385 UCBs have had their licences cancelled or withdrawn, or have been merged with stronger ones (Chart V.2).

V.8 Despite the fall in the number of UCBs, their combined asset size continuously increased, underscoring the improvement in their financial position and effectiveness of the consolidation drive (Chart V.3).

V.9 Beginning in 2004-05, UCBs have undergone 136 mergers till March 2020, with Maharashtra accounting for more than half of them (Chart V.4).

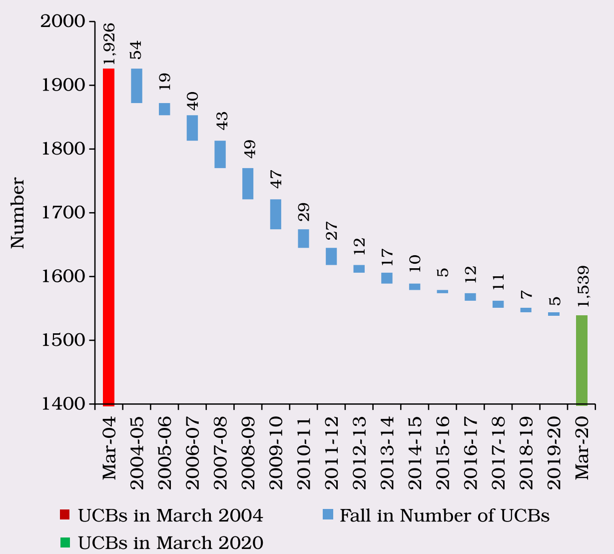
Chart V.3: Consolidation and Asset Size



Note : 2019-20 asset size data are provisional.
Source: Off-site surveillance returns, RBI.

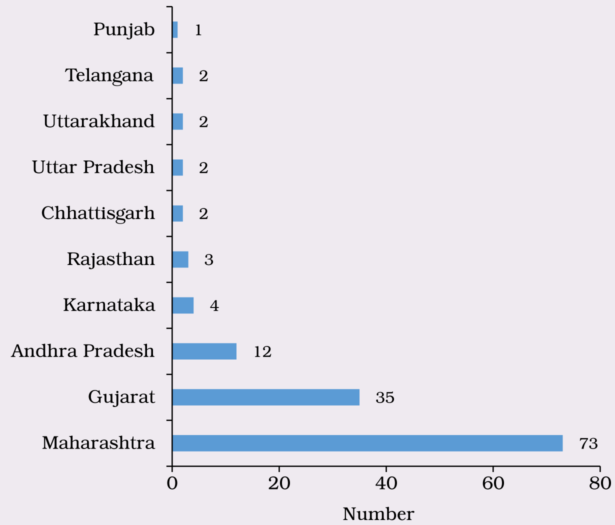
V.10 UCBs are classified into Tier-I and Tier-II categories for regulatory purposes[5]. By definition, Tier II UCBs have a larger depositor base and wider geographical presence than their Tier I

Chart V.2: Number of UCBs



Source: Off-site surveillance returns, RBI.

Chart V.4: UCB Mergers
(Cumulative as at end-March 2020)



Source: RBI.

[5] (a) Tier I UCBs are defined as: i) Banks with deposits below ₹100 crore operating in a single district, ii) Banks with deposits below ₹100 crore operating in more than one district provided the branches 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 of the bank, and iii) Banks with deposits below ₹100 crore, whose branches were originally in a single district but subsequently, became multi-district due to reorganisation of the district.

(b) All other UCBs are defined as Tier-II UCBs.

Table V.2: Tier-wise Distribution of Urban Co-operative Banks
(End-March 2020)

(Amount in ₹ crore)

Tier Type	Number of Banks		Deposits		Advances		Total Assets	
	Number	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total
1	2	3	4	5	6	7	8	9
Tier I UCBs	892	58.0	38,487	7.7	22,349	7.3	49,194	7.9
Tier II UCBs	647	42.0	4,62,722	92.3	2,83,103	92.7	5,74,711	92.1
All UCBs	**1,539**	**100.0**	**5,01,208**	**100.0**	**3,05,453**	**100.0**	**6,23,905**	**100.0**

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

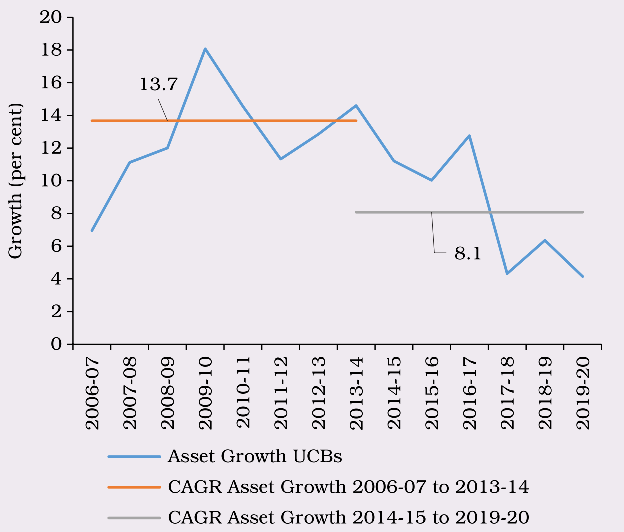
counterparts. Due to the active consolidation drive, there has been a continuous increase in the share of Tier II UCBs in terms of both numbers and asset size (Table V.2).

3.1 Balance Sheet

V.11 The combined balance sheet of UCBs expanded consistently in the decade following the consolidation drive. This was propelled by robust players with strong and profitable financial performance. In recent years, however, as UCBs faced competition from other niche players like small finance banks and non-banking financial companies (NBFCs), and also had to reaffirm their credibility to depositors, their balance sheet growth has moderated (Chart V.5).

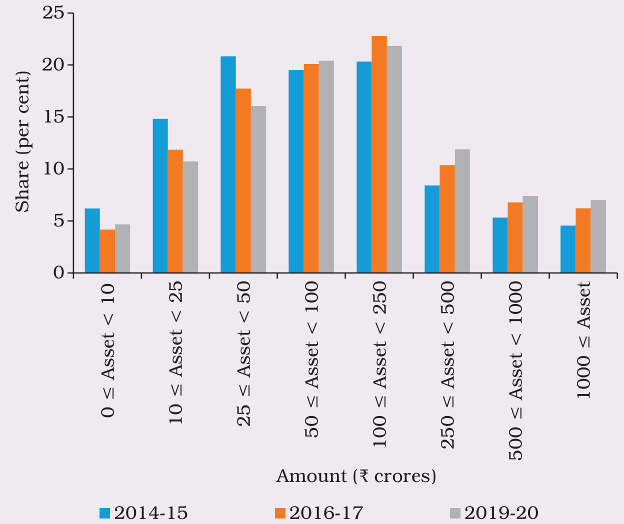
V.12 The distribution of UCBs in terms of asset size used to be bi-modal before 2016-17, with the two peaks in ₹25 crore to ₹50 crore and ₹100 crore to ₹250 crore asset brackets. Subsequently, however, the asset concentration has increased, and distribution has become unimodal, with UCBs with assets worth ₹100 crore to ₹250 crore forming the modal class. In 2019-20, the peak plateaued compared to the previous year. The distribution has, however, continued to move rightwards as an increasing number of UCBs fall in higher asset brackets, and the share of UCBs with assets less than ₹50 crores has consistently decreased from 41.9 per cent in 2014-15 to 31.4 per cent in 2019-20 (Chart V.6).

Chart V.5: Asset Growth



Source: Off-site surveillance returns, RBI.

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

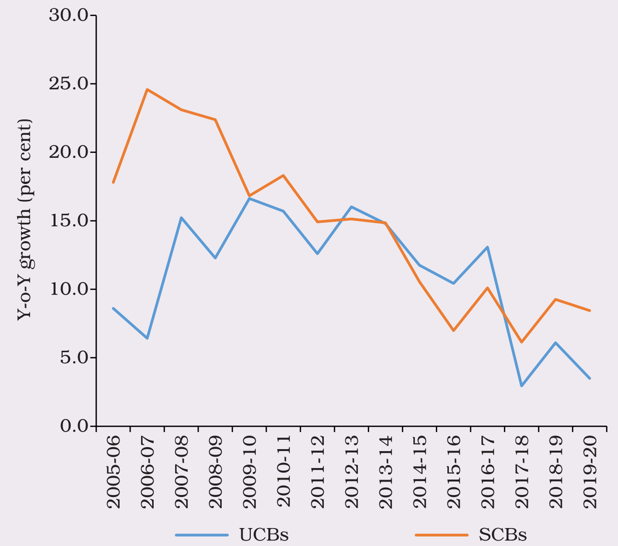


Source: Off-site surveillance returns, RBI.

V.13 Growth in deposits, that constitute 90 per cent of the total resource base[6] of UCBs, decelerated in 2019-20 after a revival in the previous year. The average growth rate of deposits declined from 13.1 per cent in the first decade of the consolidation drive to 8 per cent during 2014-15 to 2019-20, in line with the growth in balance sheet size. Since 2017-18, the deposit deceleration in UCBs was starker than in SCBs, pointing to the difficulties faced by UCBs in raising resources (Chart V.7). The deposit deceleration was led by Scheduled UCBs (SUCBs)[7]. Supervisory data available with the Reserve Bank suggest continuation of deceleration well into 2020-21.

V.14 After growing at an average rate of 7.8 per cent from 2015-16 till the previous year, loans and advances of UCBs almost stagnated in 2019-20, reflecting anaemic credit demand. The marginal credit expansion was mainly driven by non-scheduled UCBs (NSUCBs), while credit from SUCBs contracted. Although deposit growth slumped, low credit demand contained borrowings from market and SCBs (Table V.3).

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



Source: Off-site surveillance returns, RBI.

Table V.3: Balance Sheet of Urban Co-operative Banks

(At end-March)

(Amount in ₹ Crore)

Items	Scheduled UCBs		Non-Scheduled UCBs		All UCBs		Rate of Growth (%) All UCBs	
	2019	2020	2019	2020	2019	2020	2018-19	2019-20
1	2	3	4	5	6	7	8	9
Liabilities								
1) Capital	4,346 (1.5)	4,438 (1.5)	9,234 (2.9)	9,698 (2.9)	13,580 (2.3)	14,136 (2.3)	4.7	4.1
2) Reserves and Surplus	18,261 (6.4)	15,235 (5.2)	19,019 (6.1)	18,624 (5.6)	37,280 (6.2)	33,859 (5.4)	5.6	-9.2
3) Deposits	2,25,688 (79.2)	2,30,058 (79.2)	2,58,602 (82.3)	2,71,151 (81.4)	4,84,290 (80.9)	5,01,208 (80.3)	6.1	3.5
4) Borrowings	6,526 (2.3)	6,861 (2.4)	426 (0.1)	433 (0.1)	6,952 (1.2)	7,294 (1.2)	39.2	4.9
5) Other Liabilities and Provisions	30,016 (10.5)	33,995 (11.7)	26,949 (8.6)	33,412 (10.0)	56,965 (9.5)	67,408 (10.8)	6.5	18.3
Assets								
1) Cash in Hand	1,342 (0.5)	1,797 (0.6)	4,046 (1.3)	4,015 (1.2)	5,388 (0.9)	5,812 (0.9)	-1.4	7.9
2) Balances with RBI	11,064 (3.9)	9,826 (3.4)	2,689 (0.9)	2,801 (0.8)	13,753 (2.3)	12,627 (2.0)	10.0	-8.2
3) Balances with Banks	17,132 (6.0)	18,545 (6.4)	43,846 (14.0)	47,668 (14.3)	60,979 (10.2)	66,212 (10.6)	-3.2	8.6
4) Money at Call and Short Notice	4,421 (1.6)	6,260 (2.2)	1,584 (0.5)	2,129 (0.6)	6,005 (1.0)	8,389 (1.3)	34.6	39.7
5) Investments	72,238 (25.4)	75,400 (26.0)	84,555 (26.9)	86,541 (26.0)	1,56,793 (26.2)	1,61,941 (26.0)	4.6	3.3
6) Loans and Advances	1,46,560 (51.5)	1,41,218 (48.6)	1,56,446 (49.8)	1,64,234 (49.3)	3,03,005 (50.6)	3,05,453 (49.0)	8.0	0.8
7) Other Assets	32,080 (11.3)	37,540 (12.9)	21,064 (6.7)	25,931 (7.8)	53,144 (8.9)	63,472 (10.2)	11.7	19.4
Total Liabilities/Assets	**2,84,838 (100.0)**	**2,90,586 (100.0)**	**3,14,230 (100.0)**	**3,33,319 (100.0)**	**5,99,067 (100.0)**	**6,23,905 (100.0)**	**6.4**	**4.2**

Notes: 1. Data for March 2020 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.

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

7 All banks which are included in the Second Schedule to the Reserve Bank of India Act, 1934 are Scheduled Banks. These banks comprise Scheduled Commercial Banks and Scheduled Co-operative Banks.

Table V.4: Distribution of UCBs by size of Deposits and Advances
(At end-March 2020)

(Amount in ₹ Crore)

Deposits	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	109	7.1	629	0.1	0.00 ≤ Ad < 10	235	15.3	1,284	0.4
10 ≤ D < 25	206	13.4	3,478	0.7	10 ≤ Ad < 25	324	21.1	5,512	1.8
25 ≤ D < 50	282	18.3	10,196	2.0	25 ≤ Ad < 50	276	17.9	9,903	3.2
50 ≤ D < 100	279	18.1	19,777	3.9	50 ≤ Ad < 100	257	16.7	18,707	6.1
100 ≤ D < 250	326	21.2	51,572	10.3	100 ≤ Ad < 250	230	14.9	36,655	12.0
250 ≤ D < 500	149	9.7	51,383	10.3	250 ≤ Ad < 500	104	6.8	36,078	11.8
500 ≤ D < 1000	100	6.5	67,729	13.5	500 ≤ Ad < 1000	63	4.1	41,910	13.7
1000 ≤ D	88	5.7	2,96,444	59.1	1000 ≤ Ad	50	3.2	1,55,404	50.9
Total	**1,539**	**100.0**	**5,01,208**	**100.0**	**Total**	**1,539**	**100.0**	**3,05,453**	**100.0**

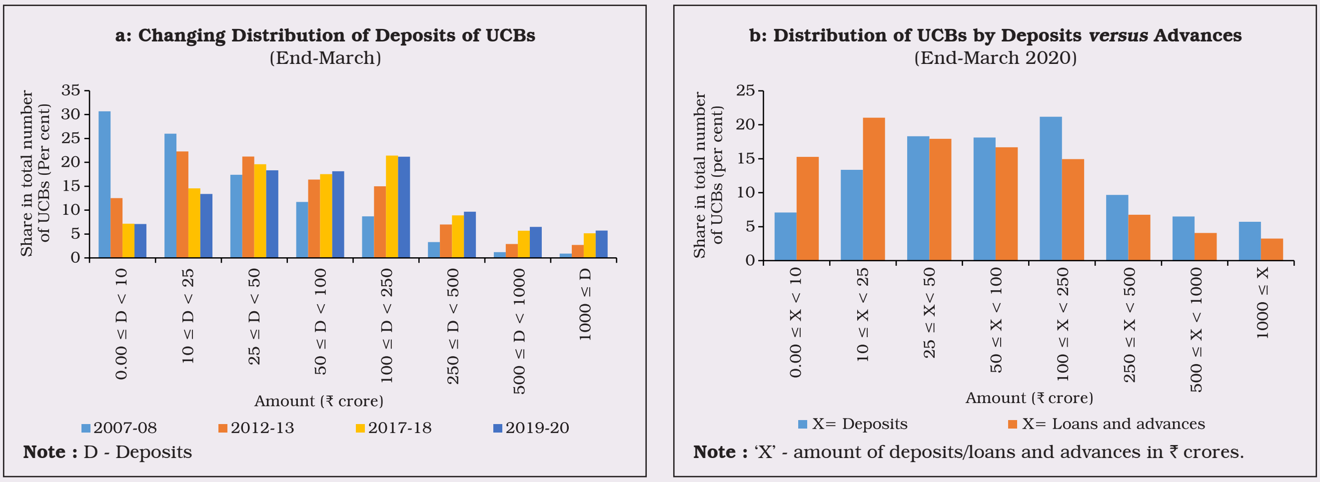
Notes: 1. Data are provisional.
2. 'D' and 'Ad' indicate amount of deposits and advances respectively.
3. Components may not add up to the whole due to rounding off.

Source: Off-site surveillance returns, RBI.

V.15 Consolidation has also catalysed a shift in the distribution of UCBs in terms of deposits. The modal class has consistently shifted rightwards, with an expansion of the customer base of UCBs and increase in average deposit per customer. As a result, the share of number of UCBs with deposits below ₹25 crore decreased from 56.7 per cent in 2007-08 to 20.5 per cent in 2019-20, while the share of number of UCBs with deposits between ₹25 crore and ₹250 crore increased from 37.8 per cent to 57.6 per cent in the same period (Table V.4 and Chart V.8a).

V.16 In line with the trend of the past several years, UCBs with advances in the range of ₹10 crore to ₹25 crore formed the modal class during 2019-20 as well, contrary to the trend in deposits (Chart V.8b). Concomitantly, however, a gradual shift towards higher advances is also discernible

Chart V.8: Distribution of UCBs



Source: Off-site surveillance returns, RBI.

Table V.5: Investments by Urban Co-operative Banks

(Amount in ₹ Crore)

Item	Amount outstanding (At end-March)			Variation (%)	
	2018	2019	2020	2018-19	2019-20
1	2	3	4	5	6
Total Investments (A + B)	**1,48,285 (100.0)**	**1,56,793 (100.0)**	**1,61,941 (100.0)**	**5.7**	**3.3**
A. SLR Investments (i to iii)	**1,34,479 (90.7)**	**1,39,442 (88.9)**	**1,42,118 (87.8)**	**3.7**	**1.9**
(i) Central Govt. Securities	97,386 (65.7)	98,170 (62.6)	96,926 (59.9)	0.8	-1.3
(ii) State Govt. Securities	36,885 (24.9)	40,594 (25.9)	44,010 (27.2)	10.1	8.4
(iii) Other approved Securities	208 (0.1)	678 (0.4)	1183 (0.7)	226.4	74.5
B. Non-SLR Investments	**13,806 (9.3)**	**17,351 (11.1)**	**19,822 (12.2)**	**25.7**	**14.2**

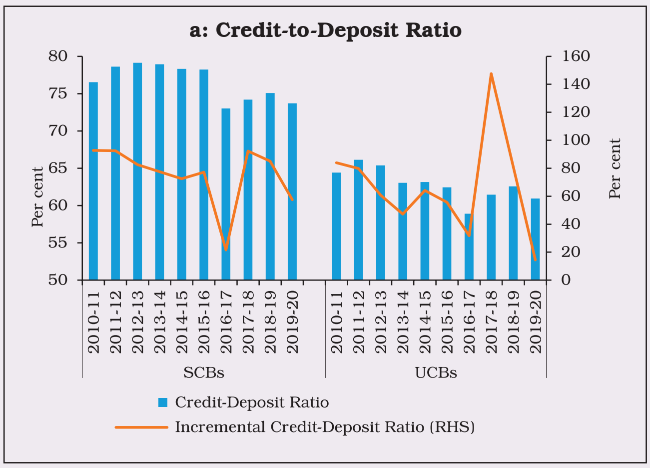
Note: 1. Data for 2020 are provisional.
2. Figures in parentheses are percentages to total investments.
Source: Off-site surveillance returns, RBI.

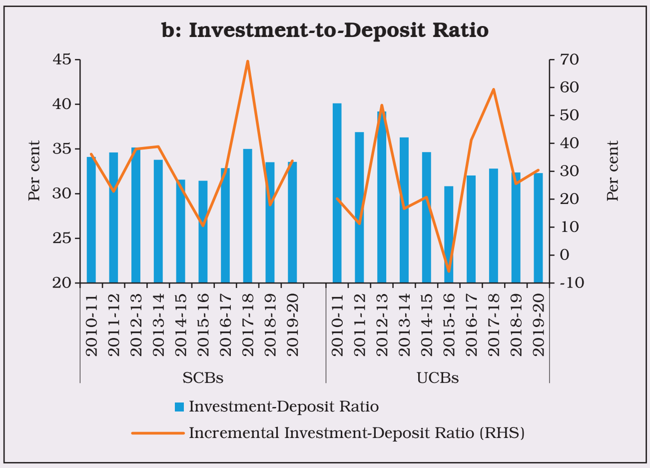
through the years. In 2016-17, there were 38 UCBs with loan books of more than ₹1,000 crore; in 2019-20, their number increased to 50.

V.17 Usually, in times of low credit growth, banks increase investments in a bid to maintain their profitability. During 2019-20, however, UCBs' investments in Central Government securities contracted as they booked trading profits on softening yields. The progressive reduction in statutory liquidity ratio (SLR) requirements for UCBs – even though liquidity coverage ratio (LCR) requirements are not applicable to them – further facilitated this reduction (Table V.5).

V.18 The credit-to-deposit ratio of UCBs has always been lower than that of SCBs due to higher reliance on deposits as a source of funds, and a relatively lower share of assets disbursed as loans and advances. A similar pattern is observed in the case of the incremental credit-to-deposit ratio, except in the two years immediately after demonetisation (Chart V.9 a).

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





Source: Off-site surveillance returns, RBI.

V.19 The investment-to-deposit ratio of UCBs fell below that of SCBs for the first time in 2015-16, as the balances of UCBs with DCCBs and StCBs ceased to be treated as SLR investments since April 1, 2015. The ratio continues to be lower for UCBs, despite a comparable incremental investment-to-deposit ratio (Chart V.9 b).

3.2 Soundness

V.20 Based on the directions received from the Board for Financial Supervision (BFS), the extant CAMELS-based rating model for UCBs was reviewed. The revised CAMELS rating model implemented from April 1, 2019 gives a composite rating of A/B+/B/C/D (in decreasing order of performance) to UCBs, wherein capital adequacy, asset quality, earnings and liquidity are assessed through objective indicators, and management and systems and controls are assessed subjectively.

V.21 Analysed on the new scale, UCBs in the top-ranking categories with ratings of A, B+, and B formed the majority of the sector. The number of UCBs with the lowest rating (*viz.* D rating) increased marginally over the previous year, although with a *caveat* that the scale of the earlier approach is not strictly comparable with the new scale (Table V.6).

V.22 A majority of UCBs fall under 'B' rating (Chart V.10).

3.3 Capital Adequacy

V.23 Under the Basel I norms, UCBs are required to maintain a minimum capital to risk-weighted assets ratio (CRAR) of 9 per cent, at par with the SCBs. However, additional requirements like a capital conservation buffer and common equity tier 1 (CET-1) capital ratio are not applicable to UCBs. At end-March 2020, more than 95 per cent of UCBs maintained CRAR above the statutory requirement (Chart V.11).

Table V.6: Rating-wise Distribution of UCBs
(End-March 2020)

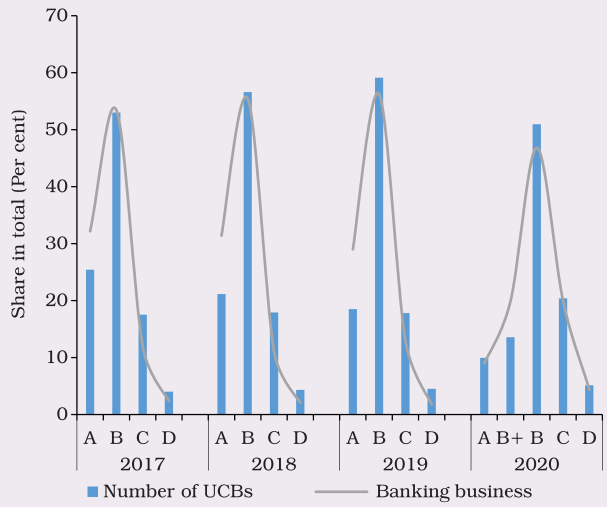
(Amount in ₹ Crore)

Ratings	Number		Deposits		Advances	
	Banks	% Share in Total	Amount	% Share in Total	Amount	% Share in Total
1	2	3	4	5	6	7
A	153	9.9	45,024	9.0	27,463	9.0
B+	209	13.6	99,545	19.9	60,859	19.9
B	784	50.9	2,32,912	46.5	1,44,851	47.4
C	314	20.4	1,00,236	20.0	60,749	19.9
D	79	5.1	23,492	4.7	11,530	3.8
Total	**1,539**	**100.0**	**5,01,208**	**100.0**	**3,05,453**	**100.0**

Notes: 1. Data are provisional.
2. Components may not add up to the whole due to rounding off.
3. Ratings are based on the inspection conducted during the financial years 2018-19 and 2019-20.
4. Percentage variation could be slightly different because absolute numbers have been rounded off to ₹ Crores.

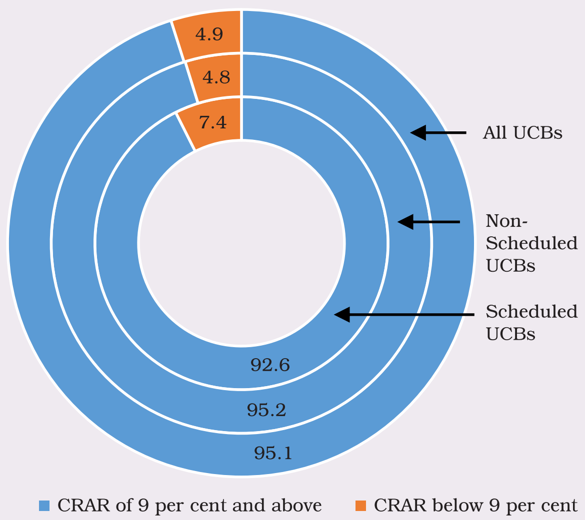
Source: Off-site surveillance returns, RBI.

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



Source: Off-site surveillance returns, RBI.

Chart V.11: Distribution of UCBs by CRAR
(End-March 2020)



Source: Off-site surveillance returns, RBI.

V.24 NSUCBs, that are characterised by a smaller business size, have stronger capital positions than SUCBs. During 2019-20, 4.8 per cent of NSUCBs had CRARs less than 9 per cent as opposed to 3.7 per cent in the previous year, while the corresponding figure for SUCBs remained around 7.4 per cent. On the upside, however, around 84 per cent of UCBs in each category maintained CRARs greater than 12 per cent during the year (Table V.7).

Table V.7: CRAR-wise Distribution of UCBs
(End-March 2020)

(Number)

CRAR (in Per cent)	Scheduled UCBs	Non-scheduled UCBs	All UCBs
1	2	3	4
CRAR < 3	4	41	45
3 <= CRAR < 6	0	12	12
6 <= CRAR < 9	0	18	18
9 <= CRAR < 12	5	163	168
12 <= CRAR	45	1,251	1,296
Total	**54**	**1,485**	**1,539**

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

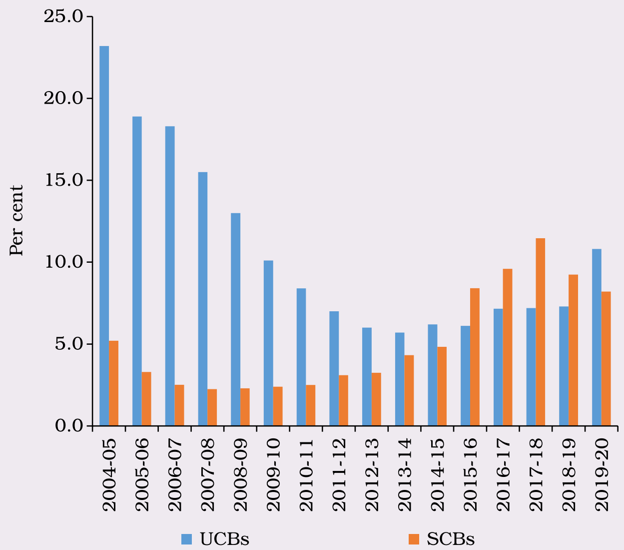
3.4 Asset Quality

V.25 Historically, UCBs have had higher level of NPAs than SCBs. Since 2015-16, however, this position reversed, with the asset quality review (AQR) resulting in greater NPA recognition in SCBs, while the asset impairment of UCBs inched up gradually over time. In 2019-20, the GNPA ratio of UCBs again surpassed that of SCBs. The change was driven by improvement in the asset quality of SCBs for two consecutive years while the slippages of UCBs increased (Chart V.12).

V.26 In 2019-20, the asset quality of both SUCBs and NSUCBs deteriorated, with the latter recording a larger increase in the GNPA ratio. The rise in NPAs may partly be attributable to stagnant growth in loans and advances and weak balance sheets (Table V.8).

V.27 While both gross NPAs and provisioning increased during 2019-20, the growth in the latter was not fully commensurate with the

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



Source: Off-site surveillance returns, RBI.

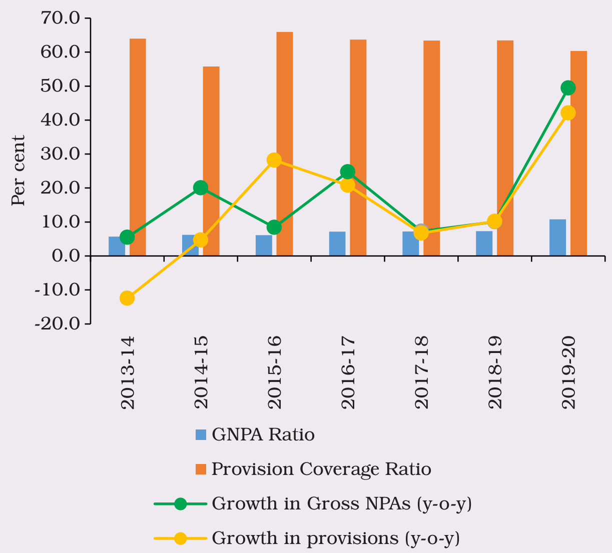
Table V.8: Non-Performing Assets of UCBs
(At end-March)

Sr. No.	Items	Scheduled UCBs		Non-Scheduled UCBs		All UCBs	
		2019	2020	2019	2020	2019	2020
1	2	3	4	5	6	7	8
1	Gross NPAs (₹ crore)	9,610	14,042	12,483	18,968	22,093	33,010
2	Gross NPA Ratio (%)	6.6	9.9	8.0	11.5	7.3	10.8
3	Net NPAs (₹ crore)	4,057	5,695	5,598	8,899	9,656	14,594
4	Net NPA Ratio (%)	2.9	4.3	3.8	5.8	3.3	5.1
5	Provisioning (₹ crore)	5,729	8,573	8,290	11,348	14,020	19,921
6	Provisioning Coverage Ratio (%)	59.6	61.1	66.4	59.8	63.5	60.3

Note: Data for 2020 are provisional.
Source: Off-site surveillance returns, RBI.

growth in the former, resulting in an increase in net NPA ratio (Chart V.13).

Chart V.13: NPAs and PCR - UCBs



Source: Off-site surveillance returns, RBI.

3.5 Financial Performance and Profitability

V.28 The overall operating profit of UCBs took a major hit in 2019-20 as their interest income, that constitutes around 89 per cent of total income, declined for the second consecutive year due to deceleration in investments and high growth of NPAs. This was accompanied by an increase in interest and non-interest expenditure. These factors combined with higher provisioning for contingencies – which more than doubled during the year – resulted in net losses in the consolidated balance sheet. The decline was mainly driven by the SUCBs, although marginal profits of NSUCBs provided a silver lining (Table V.9).

Table V.9: 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 (%)
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2019-20
1	2	3	4	5	6	7	8
A. Total Income [i+ii]	**23,390**	**20,126**	**28,670**	**30,082**	**52,060**	**50,208**	**-3.6**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	
i. Interest Income	20,790	16,955	27,108	27,893	47,898	44,848	-6.4
	(88.9)	(84.2)	(94.6)	(92.7)	(92.0)	(89.3)	
ii. Non-interest Income	2,600	3,170	1,562	2,189	4,162	5,359	28.8
	(11.1)	(15.8)	(5.4)	(7.3)	(8.0)	(10.7)	
B. Total Expenditure [i+ii]	**18,994**	**20,209**	**24,362**	**25,869**	**43,356**	**46,078**	**6.3**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	
i. Interest Expenditure	13,719	14,674	17,411	18,567	31,131	33,241	6.8
	(72.2)	(72.6)	(71.5)	(71.8)	(71.8)	(72.1)	
ii. Non-interest Expenditure	5,274	5,535	6,951	7,302	12,225	12,837	5.0
	(27.8)	(27.4)	(28.5)	(28.2)	(28.2)	(27.9)	
of which: Staff Expenses	2,615	2,841	3,607	3,890	6,223	6,731	8.2
C. Profits							
i. Amount of Operating Profits	3,696	-866	4,141	4,036	7,837	3,170	-59.6
ii. Provision, Contingencies	1,322	4,251	1,447	2,976	2,769	7,227	161.0
iii. Provision for taxes	830	265	988	811	1,818	1,076	-40.8
iv. Amount of Net Profit before Taxes	2,590	-4,921	2,771	1,192	5,362	-3,729	-169.6
v. Amount of Net Profit after Taxes	1,761	-5,186	1,783	381	3,544	-4,806	-235.6

Notes: 1. Data for 2019-20 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.29 The strained profitability of SUCBs was evident in return on assets (RoA) and return on equity (RoE), where the former turned negative after a gap of more than 15 years. The net interest margin (NIM) in 2019-20 was lowest ever recorded as per the data available from 2000-01. The shrinking income drove up the cost-to-income ratio. While the profitability indicators of NSUCBs also deteriorated, they fared better than SUCBs in terms of RoA and RoE, reversing the position of the previous year (Table V.10 and Chart V.14).

Table V.10: Select Profitability Indicators of UCBs

(per cent)

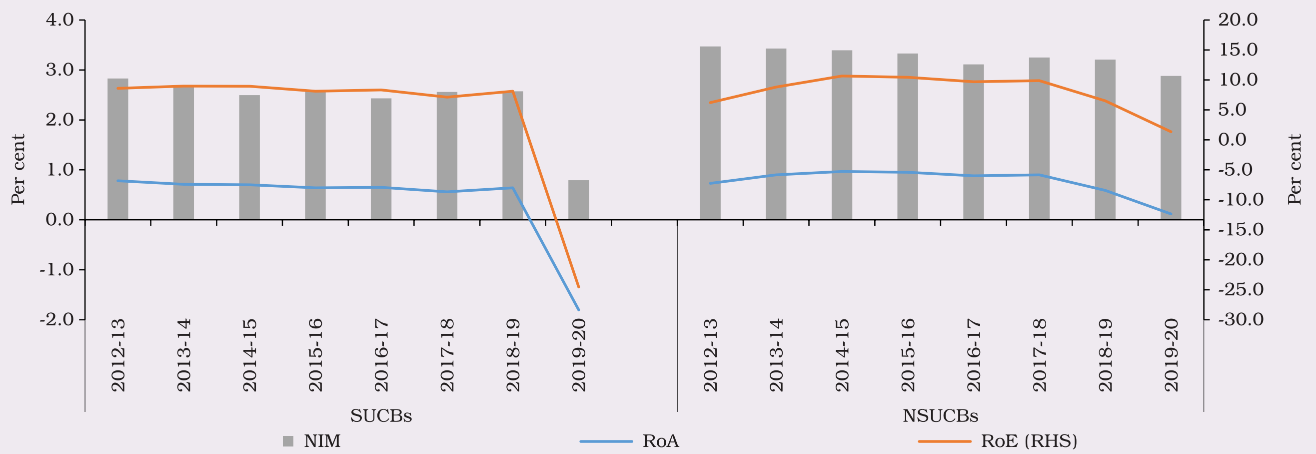
Indicators	Scheduled UCBs		Non-Scheduled UCBs		All UCBs	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
1	2	3	4	5	6	7
Return on Assets	0.64	-1.80	0.59	0.12	0.61	-0.79
Return on Equity	8.12	-24.53	6.52	1.35	7.23	-9.72
Net Interest Margin	2.57	0.79	3.21	2.88	2.91	1.90

Note: Data for 2019-20 are provisional.
Source: Off-site surveillance returns, RBI.

3.6 Priority Sector Advances

V.30 UCBs are required to meet a priority sector lending target of 40 per cent of adjusted net bank credit (ANBC) or credit equivalent amount of off-balance sheet exposures (CEOBSE), whichever is higher. This includes a mandated sub-target of 10 per cent of advances to weaker sections. UCBs' lending to the priority sector has historically been higher than the prescribed targets. During 2019-20, priority sector lending jumped by 14.8 per cent as compared to the level in the previous year, while its share in total lending increased by 6 percentage points (Table V.11). Thus, the UCBs exceeded the priority sector target by ₹31,700 crore or by 10.38 per cent in 2019-20. Incidentally, UCBs' participation in priority sector lending certificates

Chart V.14: Profitability Indicators- SUCBs versus NSUCBs



Source: Off-site surveillance returns, RBI.

(PSLCs) is low due to technical challenges. Going forward, their share of priority sector lending is expected to rise further as per the revised target of 75 per cent of ANBC or CEOBSE, whichever is higher, to be complied with by March 31, 2024, with defined interim milestones[8].

Table V.11: Composition of Credit to Priority Sectors by UCBs
(As on March 31, 2020)

(Amount in ₹ Crore)

Item	Priority Sector Advances	
	Amount	Share in Total Advances (%)
1	2	3
1. Agriculture [(i)+(ii)+(iii)]	11,716	3.8
(i) Farm Credit	8,682	2.8
(ii) Agriculture Infrastructure	500	0.2
(iii) Ancillary Activities	2,534	0.8
2. Micro and Small Enterprises [(i) + (ii) + (iii) + (iv)]	95,102	31.1
(i) Micro Enterprises	31,497	10.3
(ii) Small Enterprises	49,569	16.2
(iii) Medium Enterprises	13,648	4.5
(iv) Advances to KVI	387	0.1
3. Export Credit	378	0.1
4. Education	2,434	0.8
5. Housing	25,359	8.3
6. Social Infrastructure	923	0.3
7. Renewable Energy	1,476	0.5
8. 'Others' category under Priority Sector	16,496	5.4
9. Total (1 to 8)	**1,53,886**	**50.4**
of which, **Loans to Weaker Sections under Priority Sector**	**35,764**	**11.7**

Notes: 1. Data for 2020 are provisional.
2. Percentages are with respect to the total credit of UCBs.
3. Components may not add up to total due to rounding off.
Source: Off-site surveillance returns, RBI.

4. Rural Co-operatives

V.31 Rural co-operatives, which were established to address the 'last mile' problem associated with delivery of affordable credit to farmers, can be broadly classified into short-term and long-term institutions, each with distinct mandates. The former primarily provide short-term crop loans and working capital loans to farmers and rural artisans, while the latter typically provide longer duration loans for making investments in agriculture, including land development, farm mechanisation and minor irrigations, rural industries, and housing.

V.32 At end-March 2019, short-term co-operatives comprising State Co-operative Banks (StCBs), District Central Co-operative Banks (DCCBs) and Primary Agricultural Credit Societies (PACS) accounted for 95 per cent of the total assets of rural co-operatives. This share has consistently increased over the years (Table V.12 and Chart V.15).

4.1 Short-term Rural Co-operatives

V.33 Short-term co-operatives are arranged in a three-tier structure in most of the states, with StCBs at the apex level, DCCBs at the intermediate level and PACS at the grassroots level. In ten states[9] and four union territories however, short-term co-operatives operate through a two-tier structure consisting of StCBs at the apex level and PACS at the field level.

[8] As per the revised guidelines issued on March 13, 2020, priority sector lending targets for UCBs have been revised and increased to 75 per cent of ANBC or CEOBSE, whichever is higher. UCBs shall comply with the above target by March 31, 2024, with 45 per cent, 50 per cent, and 60 per cent of ANBC or CEOBSE, whichever is higher by end-March 2021, 2022 and 2023, respectively.

[9] After the final approval by the Reserve Bank, thirteen out of fourteen DCCBs (except Malappuram DCCB) of Kerala were amalgamated with the Kerala State Co-operative Bank on November 29, 2019.

Table V.12: A Profile of Rural Co-operatives
(At end-March 2019)

(Amount in ₹ Crore)

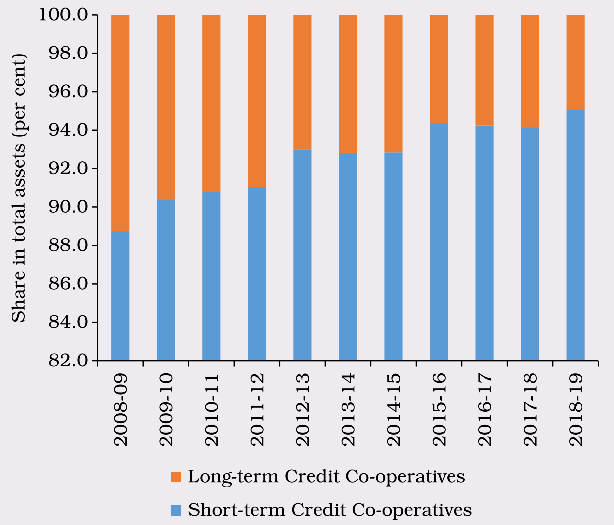
Item	Short-term			Long-term	
	StCBs	DCCBs	PACS	SCARDBs (P)	PCARDBs (P)
1	2	3	4	5	6
A. Number of Co-operatives	33	363	95,995	13	602
B. Balance Sheet Indicators					
i Owned Funds (Capital + Reserves)	18,545	43,583	42,196	4,489	2,810
ii. Deposits	1,35,392	3,78,248	1,33,010	2,434	1,303
iii. Borrowings	79,358	97,678	1,38,922	15,098	16,104
iv. Loans and Advances	1,48,625	3,00,034	2,05,895	20,651	15,594
v. Total Liabilities/Assets	2,48,949	5,69,698	2,96,554	27,997	30,108
C. Financial Performance					
i. Institutions in Profit					
a. No.	30	303	46,930	8	271
b. Amount of Profit	1,313	1,699	5,949	124	103
ii. Institutions in Loss					
a. No.	3	60	37,731	5	331
b. Amount of Loss	147	986	7,666	173	545
iii. Overall Profits (+)/Loss (-)	1,166	713	-1,717	-49	-442
D. Non-performing Assets					
i. Amount	6,420	35,546	51,953#	5,477	6,121
ii. As percentage of Loans Outstanding	4	12	45.16##	27	39
E. Recovery of Loans to Demand Ratio(Per cent)**	94	72	74.5	46	41

Notes: 1. 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.
2. #: Total overdues; ##: percentage of overdues to total outstanding.
3. (P): Data are Provisional
4. **: This ratio captures the share of outstanding non-performing loan amounts that have been recovered.

Source: NABARD and NAFSCOB.

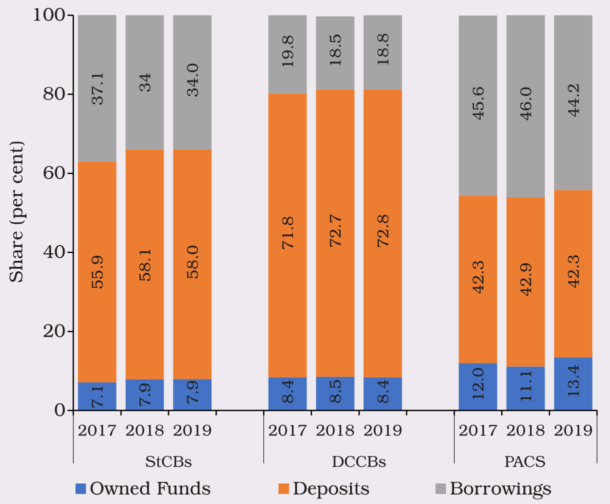
V.34 Historically, deposits are the major sources of funds for StCBs and DCCBs. On the other hand, PACS rely more heavily on borrowings from StCBs and DCCBs and owned funds, even though the share of deposits has inched up over the years (Chart V.16).

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



Source: NABARD.

Chart V.16: Resource Composition: Short-term Co-operatives
(End-March)



Source: NABARD and NAFSCOB.

4.1.1 State Co-operative Banks

V.35 State Co-operative Banks (StCBs), the apex institutions in the short-term rural co-operative structure, mobilise deposits and provide liquidity and technical assistance to DCCBs and PACS. StCBs also mobilise refinance support from higher refinancing institutions like the NABARD for supporting the crop loan needs of affiliated DCCBs and PACS. Over time, StCBs have diversified their operations towards providing medium-term loans for investments in agriculture in particular, and the rural sector, in general.

Balance Sheet Operations

V.36 In 2018-19, the consolidated balance sheet of StCBs expanded on the back of deposits on the liabilities side and advances on the assets side, both of which constitute more than half of the size of the balance sheet (Table V.13).

V.37 During 2019-20, StCBs' balance sheet shift was impacted by the amalgamation of 13 DCCBs with the Kerala State Co-operative Bank in November 2019 (Table V.14).

Profitability

V.38 Net profits of StCBs accelerated during 2018-19 after a deceleration in the previous year. Operating profits, too, accelerated as the increase in income – especially interest earnings – outpaced expenditure, despite a steep rise in provisions and contingencies. The operating expenses of StCB in Kerala increased by 686 per cent, on account of write-off of excess income recognised in respect of some investments, and the implementation of a one-time settlement scheme (Table V.15).

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

(Amount in ₹ Crore)

Item	As at end-March		Variation (%)	
	2018	2019	2017-18	2018-19
1	2	3	4	5
Liabilities				
1. Capital	5,542 (2.4)	6,104 (2.4)	7.4	10.1
2. Reserves	11,240 (4.9)	12,441 (4.9)	9.2	10.7
3. Deposits	1,23,534 (54.4)	1,35,392 (54.3)	1.2	9.6
4. Borrowings	72,170 (31.8)	79,358 (31.8)	-10.8	10.0
5. Other Liabilities	14,355 (6.3)	15,654 (6.2)	-1.1	9.0
Assets				
1. Cash and Bank Balances	9,288 (4.0)	11,602 (4.6)	-3.9	24.9
2. Investments	74,398 (32.7)	76,458 (30.7)	-12.1	2.8
3. Loans and Advances	1,31,934 (58.1)	1,48,625 (59.7)	3.8	12.7
4. Accumulated Losses	527 (0.2)	471 (0.1)	-12.9	-10.6
5. Other Assets	10,694 (4.7)	11,793 (4.7)	-2.6	10.3
Total Liabilities/Assets	**2,26,841** **(100.0)**	**2,48,949** **(100.0)**	**-2.6**	**9.7**

Notes: 1. Figures in parentheses are proportion to total liabilities/assets (in per cent).
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.

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

(Amount in ₹ Crore)

Item	2015-16	2016-17	2017-18	2018-19	2019-20
1	2	3	4	5	6
Deposits	79,564 (3.0)	90,277 (13.5)	98,768 (9.4)	1,10,559 (11.9)	1,87,456 (69.6)
Credit	1,07,360 (3.4)	1,10,934 (3.3)	1,17,989 (6.4)	1,31,399 (11.4)	1,94,310 (47.9)
SLR Investments	24,220 (4.0)	26,225 (8.3)	33,411 (27.4)	33,130 -(0.8)	54,181 (63.5)
Credit plus SLR Investments	1,31,580 (3.5)	1,37,159 (4.2)	1,51,400 (10.4)	1,64,529 (8.7)	2,48,492 (51.0)

Notes: 1. Data pertain 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.

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

(Amount in ₹ Crore)

Item	As During 2017-18	As During 2018-19	Percentage Variation 2017-18	Percentage Variation 2018-19
1	2	3	4	5
A. Income (i+ii)	**15,477 (100.0)**	**16,563 (100.0)**	**1.5**	**7.0**
i. Interest Income	14,798 (95.6)	15,952 (96.3)	0.7	7.8
ii. Other Income	679 (4.5)	611 (3.8)	22.1	-10.0
B. Expenditure (i+ii+iii)	**14,447 100.0**	**15,396 100.0**	**1.1**	**6.6**
i. Interest Expended	11,450 (79.2)	11,729 (76.1)	-0.6	2.4
ii. Provisions and Contingencies	1,078 (7.4)	1,341 (8.7)	25.3	24.4
iii. Operating Expenses	1,919 (13.2)	2,326 (15.1)	0.2	21.2
of which : Wage Bill	1,212 (10.5)	1,303 (11.1)	5.6	7.5
C. Profits				
i. Operating Profits	1,818	2,217	22.7	21.9
ii. Net Profits	1,030	1,166	8.2	13.2

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.39 The asset quality of StCBs improved during 2018-19, *albeit* marginally. Technical write-offs and improvement in recovery, especially from state governments post implementation of loan waiver schemes, helped in containing loss assets (Table V.16).

V.40 The improvement in the asset quality of StCBs during 2018-19, although overshadowed by the large decline in NPAs of SCBs, contrasted with the worsening GNPA ratios of UCBs (Chart V.17).

V.41 From a regional perspective, the all-India decrease in the NPA ratio was driven by the north-eastern, western, and southern states. In the northern region, states continued to report the lowest NPA ratio, while southern states surpassed those in the northern region in reporting the highest recovery-to-demand ratio (Chart V.18a and V.18b).

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

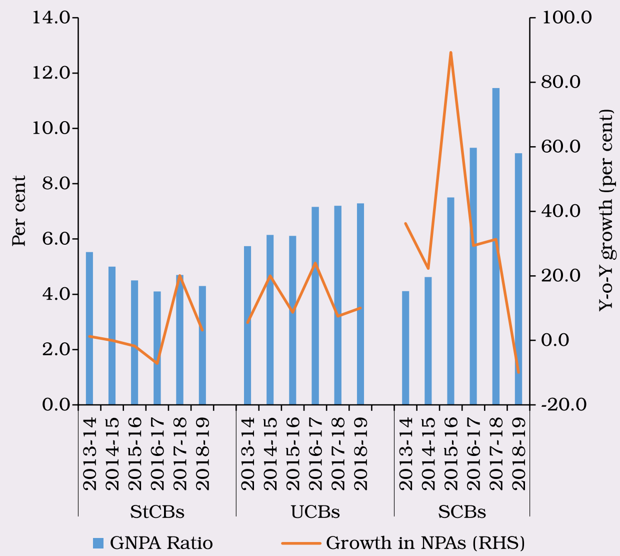
(Amount in ₹ Crore)

Item	As at end-March 2018	As at end-March 2019	Variation (%) 2017-18	Variation (%) 2018-19
1	2	3	4	5
A. Total NPAs (i+ii+iii)	6,223	6,420	20.1	3.2
i. Sub-standard	2,293 (36.8)	2,442 (38.0)	44.0	6.5
ii. Doubtful	2,539 (40.7)	2,786 (43.4)	4.9	9.7
iii. Loss	1,397 (22.4)	1,192 (18.5)	19.6	-14.7
B. NPAs to Loans Ratio (%)	**4.7**	**4.3**	-	-
C. Recovery to Demand Ratio (%)	**94.2**	**93.9**	-	-

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.

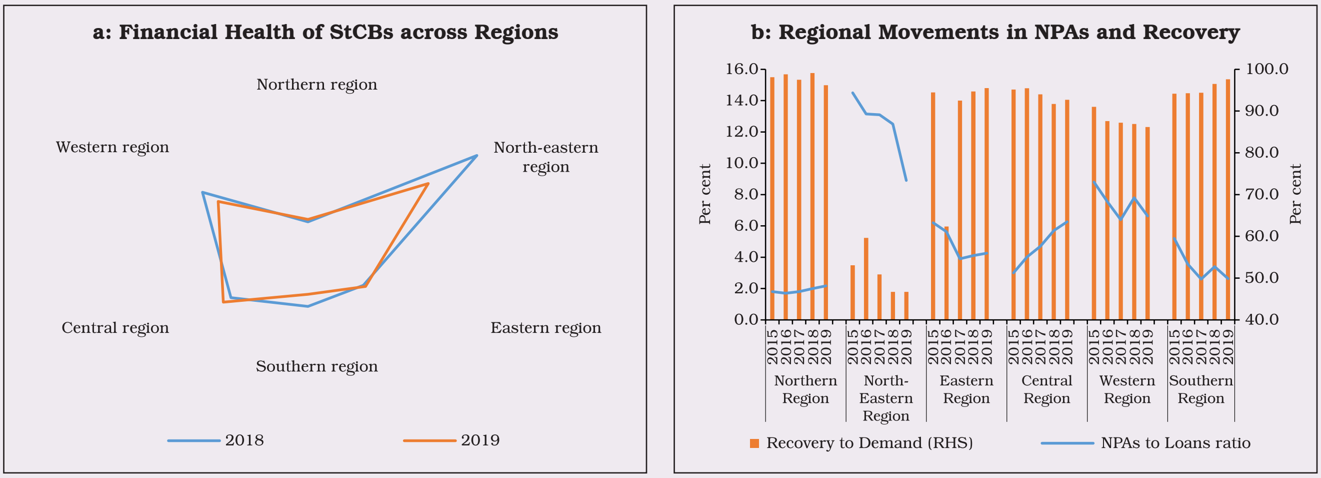
Source: NABARD.

Chart V.17: GNPA Ratio: A Comparison



Source: NABARD.

Chart V.18: StCBs - Regional Patterns
(At end-March)



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

4.1.2 District Central Co-operative Banks

V.42 District central co-operative banks (DCCBs) - the intermediate tier in the short-term rural co-operatives structure-mobilise deposits from the public and provide credit to them as well as to PACS. DCCBs' borrowings comprise of loans and advances from StCBs and direct refinancing from the NABARD. They have a wide depositor base, garnered through an extensive branch network. Accordingly, DCCBs typically have a lower credit-to-deposit ratio than StCBs, despite higher credit disbursal (Chart V.19).

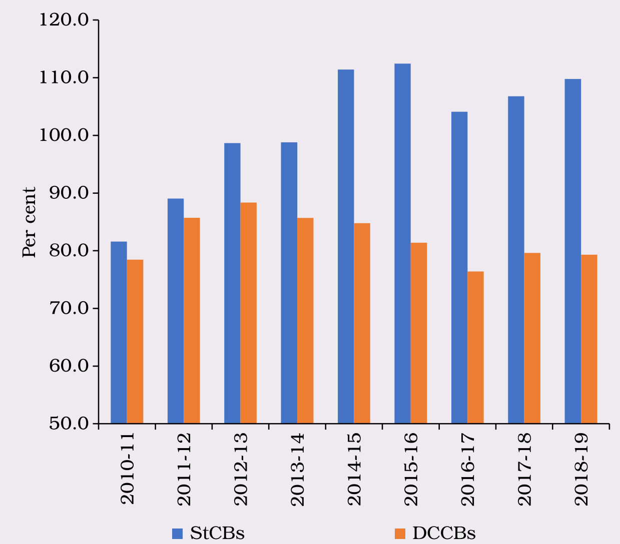
Balance Sheet operations

V.43 The expansion in the consolidated balance sheet of the DCCBs during 2018-19 was fuelled by the growth of deposits, that constitute 66 per cent of liabilities. Deposit growth was matched by acceleration in loans and advances and investments on the assets side (Table V.17).

Profitability

V.44 The net profit of DCCBs diminished for the third consecutive year, with the pace of reduction increasing in 2018-19. Although both

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



Source: NABARD.

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

(Amount in ₹ Crore)

Item	As at end-March		Percentage Variation	
	2018	2019	2017-18	2018-19
1	2	3	4	5
Liabilities				
1. Capital	19,693 (3.7)	21,447 (3.7)	5.5	8.9
2. Reserves	20,931 (3.9)	22,136 (3.8)	5.9	5.8
3. Deposits	3,47,967 (66.2)	3,78,248 (66.3)	5.2	8.7
4. Borrowings	90,312 (17.1)	97,678 (17.1)	-1.2	8.2
5. Other Liabilities	46,254 (8.8)	50,189 (8.8)	3.5	8.5
Assets				
1. Cash and Bank Balances	27,230 (5.1)	29,203 (5.1)	-17.2	7.2
2. Investments	1,84,883 (35.2)	1,96,227 (34.4)	0.1	6.1
3. Loans and Advances	2,77,079 (52.7)	3,00,034 (52.6)	9.7	8.3
4. Accumulated Losses	5807 (1.1)	6,654 (1.1)	10.8	14.6
5. Other Assets	30,158 (5.7)	37,580 (6.5)	0.3	24.6
Total Liabilities/Assets	**5,25,157 (100.0)**	**5,69,698 (100.0)**	**3.9**	**8.5**

Notes: 1. Figures in parentheses are proportion to total liabilities/assets (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.

interest and non-interest income picked up, a jump in provisions and contingencies, and operating expenses, especially the wage bill, overshadowed the former (Table V.18). DCCBs typically have a higher burden of wage bills in comparison to StCBs due to their district level presence (Chart V.20).

Asset Quality

V.45 The asset quality of DCCBs deteriorated marginally in 2018-19, with an increase in sub-standard and doubtful assets. Loss assets, however, declined on receipt of loan waiver

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

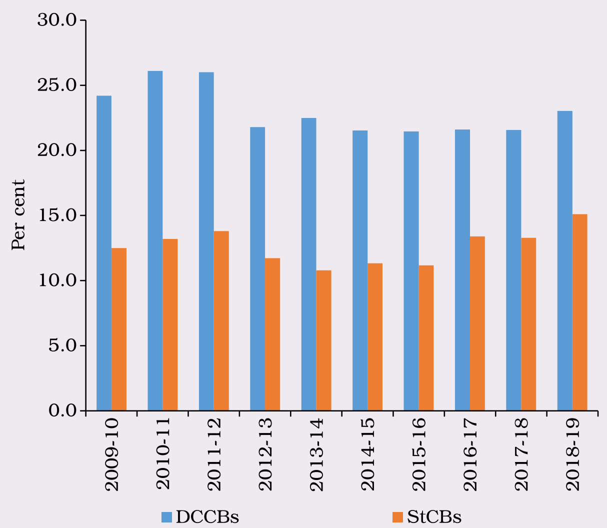
(Amount in ₹ Crore)

Item	As during		Percentage Variation	
	2017-18	2018-19	2017-18	2018-19
1	2	3	4	5
A. Income (i+ii)	**39,437 (100.0)**	**41,498 (100.0)**	**2.3**	**5.2**
i. Interest Income	37,669 (95.5)	39,426 (95.0)	2.9	4.7
ii. Other Income	1,768 (4.6)	2,072 (4.9)	-9.5	17.2
B. Expenditure (i+ii+iii)	**38,587 (100.0)**	**40,785 (100.0)**	**2.5**	**5.7**
i. Interest Expended	26,788 (69.4)	27,561 (67.5)	-0.2	2.9
ii. Provisions and Contingencies	3,476 (9.0)	3,834 (9.4)	15.1	10.3
iii. Operating Expenses	8,323 (21.5)	9,391 (23.0)	7.2	12.8
of which : Wage Bill	5,222 (13.5)	5,811 (14.2)	4.9	11.3
C. Profits				
i. Operating Profits	3,812	3,927	14.4	3.0
ii. Net Profits	850	713	-6.6	-16.1

Notes: 1. Figures in parentheses are proportion to total liabilities/assets (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.

Chart V.20: Share of Operating Expenses in Total Expenses



Source: NABARD.

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

(Amount in ₹ Crore)

Item	As at end-March		Percentage Variation	
	2018	2019	2017-18	2018-19
1	2	3	4	5
A. Total NPAs (i+ii+iii)	**30,894**	**35,546**	**17.0**	**15.1**
i. Sub-standard	15,094 (48.8)	17,911 (50.3)	26.0	18.7
ii. Doubtful	13,232 (42.8)	15,142 (42.5)	9.9	14.4
iii. Loss	2,568 (8.3)	2,493 (7)	7.4	-2.9
B. NPAs to Loans Ratio (%)	**11.2**	**11.8**	-	-
C. Recovery to Demand Ratio (%)	**71.1**	**72.0**	-	-

Notes: 1. Figures in parentheses are proportion to total NPAs (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.

scheme payments from state governments (Table V.19).

V.46 Similar to StCBs, there is considerable variation in the financial health of DCCBs across regions. The central region continued to report the highest NPA ratio, while the western states recorded the largest deterioration in asset quality. The states in the southern region reported the highest recovery-to-demand ratio (Chart V.21a and V.21b).

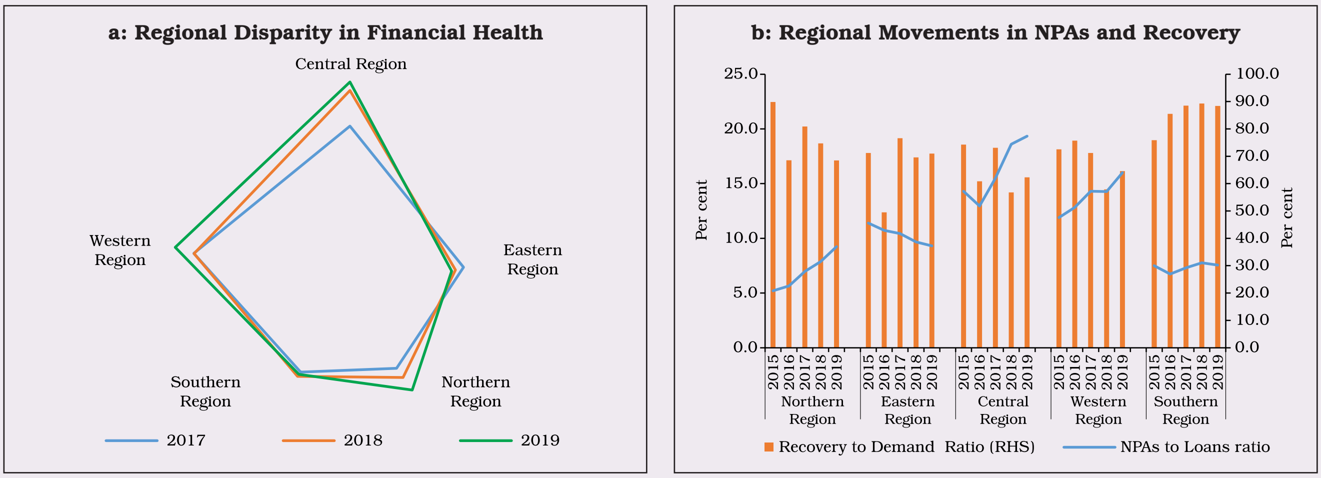
V.47 DCCBs have persistently suffered higher NPA ratios and lower recovery-to-demand ratios than StCBs. The share of agricultural lending in the loans portfolio of DCCBs is higher than that of StCBs; hence, they are relatively more exposed to the vagaries of nature and volatility in agricultural performance (Chart V.22).

4.1.3 Primary Agricultural Credit Societies

V.48 Primary Agricultural Credit Societies (PACS) form the grass-root level tier of the short-term rural co-operative structure that directly interfaces with individual borrowers to provide them short-term and medium-term credit. They also arrange for the supply of agricultural inputs, distribution of consumer articles and marketing of produce for their members.

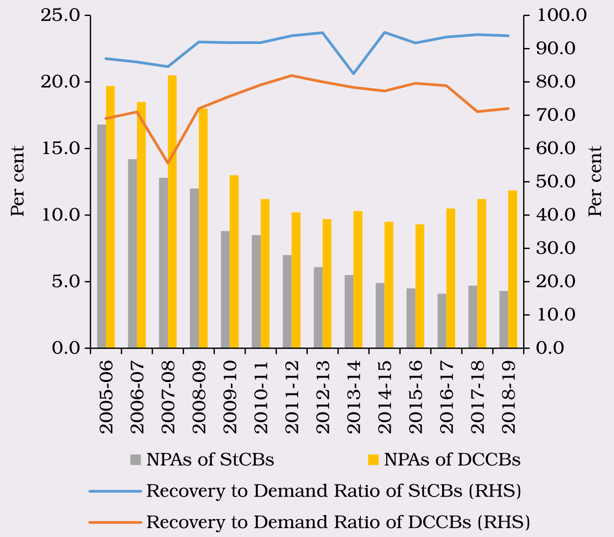
V.49 On the liabilities side of the consolidated balance sheet of PACS, the substantial improvement in owned funds was contributed by

Chart V.21: DCCBs - Regional Patterns
(At end-March)



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

Chart V.22: NPAs and Recovery - StCBs *versus* DCCBs



Source: NABARD.

both paid-up capital and reserves. Both deposits and borrowings grew at a healthy pace (Appendix Table V.5).

V.50 While overall lending contracted, it was sharp in the case of non-agricultural lending (-71.9 per cent) relative to agricultural loans (-0.4 per cent). As a result, the share of agriculture in total lending of PACS increased from 54.9 per cent in 2017-18 to 81.2 per cent in 2018-19. During the year, 48.9 per cent PACS were profitable while 87.1 per cent were deemed viable or potentially viable. In the consolidated balance sheet of PACS however, losses overwhelmed profits for the second consecutive year (Appendix Table V.6).

V.51 Since PACS extend credit only to their members, the borrower-to-member ratio is a useful indicator for evaluating the access to and demand for credit from PACS. The ratio remained low at 38.7 per cent during 2018-19, indicating that slightly more than a third of members benefitted from the credit facility. On the positive side, the share of marginal farmers in total members as well as borrowers increased to constitute a majority, suggesting that the most vulnerable strata of society are benefitting from the PACS network (Appendix Table V.7).

4.2 Long Term Rural Co-operatives

V.52 Long-term co-operatives play an important role in enhancing agricultural productivity and rural development by providing long term finance for capital formation and rural non-farm projects. They 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. While short-term co-operatives in most states have a three-tier structure, the structure of long term co-operative institutions varies across states. At present, five (Gujarat, Jammu & Kashmir, Puducherry, Tripura and Uttar Pradesh) out of the thirteen fully functional SCARDBs, are unitary, *i.e.*, they operate through their branches with no separate PCARDBs. Six (Haryana, Karnataka, Kerala, Punjab, Rajasthan and Tamil Nadu) are federal, operating through PCARDBs, and two (Himachal Pradesh and West Bengal) have mixed structures, with SCARDBs operating through PCARDBs as well as through their own branches.

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

V.53 The consolidated balance sheet of SCARDBs contracted for the second consecutive year in 2018-19, as accumulated losses eroded their equity capital base (Appendix Table V.8). The financial woes of SCARDBs continued as they reported net losses for the third consecutive year. Although operating profits remained positive, they declined year-on-year by 21.9 per cent due to an increase in operating expenses and decline in non-interest income (Appendix Table V.9). Asset quality also deteriorated, and the recovery-to-demand ratio declined marginally (Appendix Table V.10). Among the states, Kerala and Tripura maintained the lowest and highest NPA ratios, respectively (Appendix Table V.11).

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

V.54 After expanding for two consecutive years, the consolidated balance sheet of PCARDBs contracted in 2018-19, dragged down by reserves and borrowings on the liabilities side and loans and advances on the assets side (Appendix Table V.12). PCARDBs registered operating profits in 2018-19, despite a decline in interest income, which was compensated for by the substantial rise in non-interest income (Appendix Table V.13). Like the SCARDBs, both the NPA ratio and the recovery-to-demand ratio of PCARDBs deteriorated (Appendix Table V.14). PCARDBs in the northern states reported the highest NPA ratios, while those in the southern states reported the lowest (Appendix Table V.15).

5. Overall Assessment

V.55 The unearthing of a fraud in a major UCB during 2019-20 affected its asset quality and profitability, with ripple effects on other related banks. Although the spillover was largely contained, this episode brought to the fore the systemic risks stemming from a low capital base, weak corporate governance, slower adoption of new technology and inadequate systems of checks and balances. In this light, the government and the Reserve Bank have undertaken several measures to improve governance and oversight of co-operative banking system, including by an amendment to the BR Act that empowered the Reserve Bank with greater regulatory control over UCBs, StCBs and DCCBs. The formation of an umbrella organisation should help ease funding constraints appreciably.

V.56 The co-operative sector has been facing numerous shocks in recent years. Meanwhile, commercial banks' expansion of reach and presence in rural and remote areas by leveraging on technology and the banking correspondents' network has also intensified competitive pressures on them. Moreover, inherent structural weaknesses alluded to in this chapter constrain the sector and pose persistent and recurring challenges. Given their overwhelming contribution to financial inclusion and massive reach, however, the need to strengthen the sector and render it self-sustaining cannot be overemphasised in the interests of the communities they serve.

VI NON-BANKING FINANCIAL INSTITUTIONS

The consolidated balance sheet of NBFCs decelerated in 2019-20 due to stagnant growth in loans and advances beset with a challenging macroeconomic environment and weak demand compounded by risk aversion. In H1:2020-21, however, balance sheet growth of NBFCs gained traction. Although asset quality deteriorated marginally, the NBFC sector remains resilient with strong capital buffers. HFCs experienced headwinds in 2019-20, with slowdown in credit growth, decline in profitability and deterioration in asset quality. The consolidated balance sheet of AIFIs expanded during 2019-20, buoyed by robust growth in loans and advances.

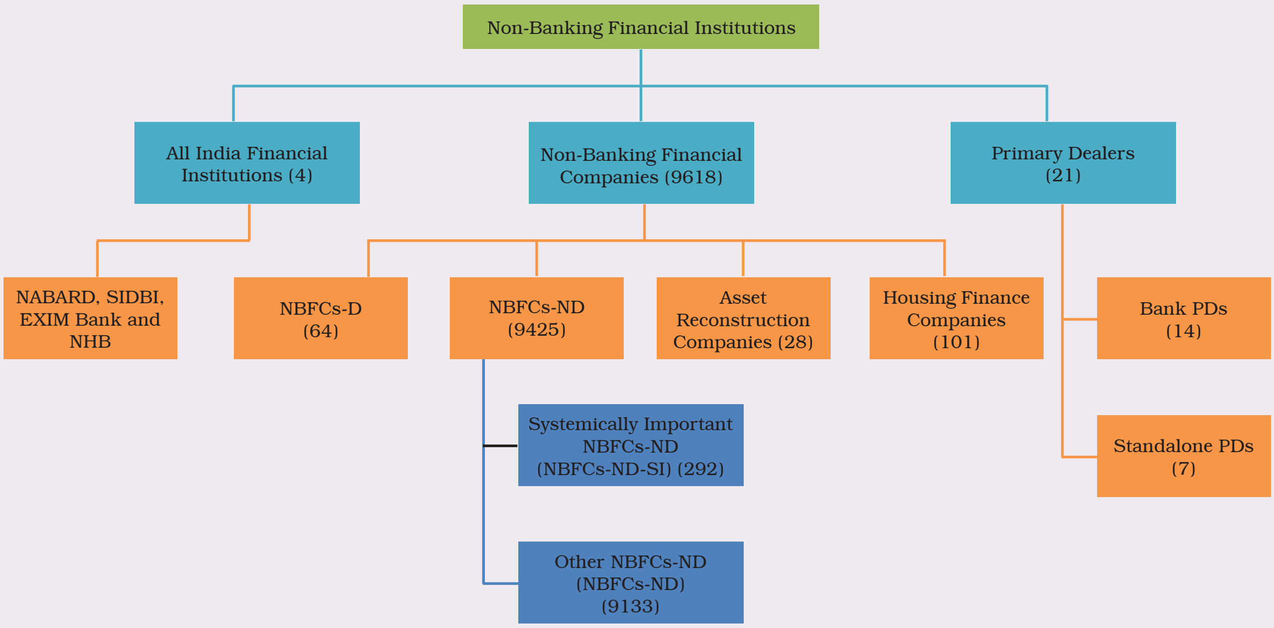
1. Introduction

VI.1 During 2019-20, non-banking finance companies (NBFCs) faced headwinds in the aftermath of the IL&FS episode[1] in the form of an erosion of confidence, rating downgrades and liquidity stress all of which became exacerbated by the COVID-19 pandemic. However, in H1:2020-21 NBFC sector rebounded. Non-banking financial institutions (NBFIs) play an important role in facilitating credit intermediation in India as an alternative to bank financing, in addition to niche financing and last mile outreach. NBFIs regulated by the Reserve Bank[2] comprise non-banking financial companies (NBFCs), housing finance companies (HFCs), all-India financial institutions (AIFIs), and primary dealers (PDs). AIFIs, *i.e.*, the National Bank for Agriculture and Rural Development (NABARD), the EXIM Bank of India, the Small Industries Development Bank of India (SIDBI) and the National Housing Bank (NHB) are apex financial institutions that play an important role in meeting the long-term funding requirements of agriculture and the rural sector, foreign trade, small industries, HFCs, NBFCs, Micro Finance Institutions (MFIs) and other specialised segments and institutions. NBFCs are government/public/private limited companies that play an important role in credit delivery and financial intermediation. They specialise in delivering credit to a wide variety of specific segments, ranging from infrastructure to consumer durables and vehicle financing. HFCs extend housing finance to individuals, co-operative societies, corporate bodies and lease commercial and residential premises to support housing activity in the country (Chart VI.1). PDs came into existence in 1995 and act as market makers in the government securities (G-secs) market, besides ensuring subscription to primary issuances.

[1] Infrastructure Leasing and Financial Services Ltd (IL&FS), a core investment company, defaulted on its debt payment obligations in September 2018.

[2] 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.

Chart VI.1: Structure of NBFIs under the Reserve Bank's Regulation
(As on July 16, 2020)



Notes: 1. Figures in parentheses indicate the number of institutions (Provisional).
2. Although, Standalone PDs are registered as NBFCs under Section 45-IA of RBI Act, 1934, they have been kept under PD.
3. Other NBFCs-ND include 64 CICs.

Source: RBI.

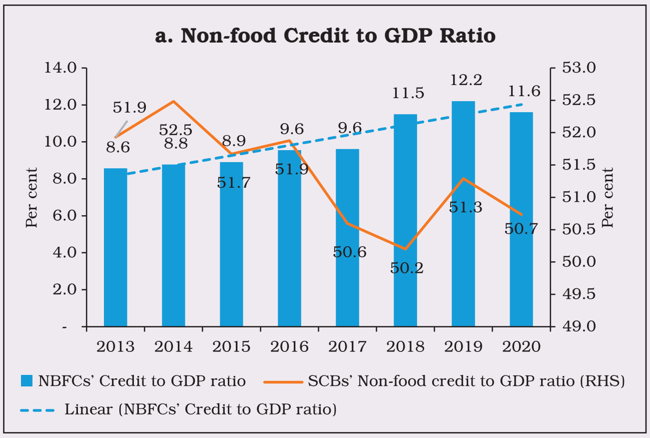
VI.2 This chapter reviews the operations and performance of NBFIs in 2019-20 and April-September 2020. The rest of the chapter is organised into four sections. Section 2 provides an overview of the NBFC sector – both non-deposit taking systemically important NBFCs (NBFCs-ND-SI) and deposit-taking NBFCs (NBFCs-D). The activities and financial performance of HFCs are also covered in this section. An assessment of the performance of AIFIs is made in Section 3. Section 4 evaluates the role and performance of PDs. Section 5 concludes and offers some policy perspectives.

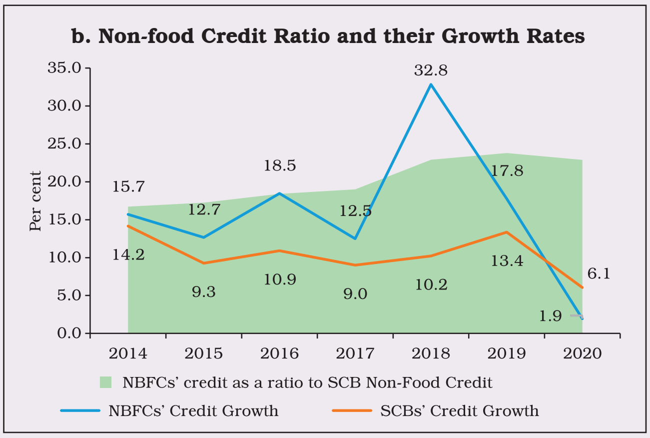
2. Non-Banking Financial Companies (NBFCs)

VI.3 NBFCs have been steadily gaining prominence and visibility in the Indian financial ecosystem. Credit intensity, as measured by NBFCs' credit to Gross Domestic Product (GDP) ratio has been rising consistently, reaching an all-time high in 2018-19 before moderating in 2019-20 in the wake of the pandemic (Chart VI.2 a). NBFCs' credit as proportion of SCBs' non-food credit has risen more sharply, especially during 2014 to 2019 (Chart VI.2 b).

VI.4 NBFCs can be classified on the basis of a) asset/liability structures; b) 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 source their funding from markets and banks. Among non-deposit taking NBFCs, those with asset size of ₹500 crore or more are classified as non-deposit taking systemically important NBFCs (NBFCs-ND-SI). As on July 16, 2020, there were 64 NBFCs-D and 292 NBFCs-ND-SI as compared to 88 and 263, respectively, at end-March 2019.

Chart VI.2: NBFCs and SBCs Credit: Non-food Credit





Note: GDP refers to GDP at Current Market Prices base: 2011-12.
Sources: 1. Report on Trend and Progress of Banking in India, various issues.
2. Handbook of Statistics on the Indian Economy, various issues.

VI.5 Based on activities, there are 11 categories of NBFCs. In 2018-19, three categories of NBFCs namely, asset finance companies (AFCs), loan companies (LCs) and investment companies (ICs) were merged into a new category called investment and credit companies (ICCs) for harmonisation and operational flexibility (Table VI.1).

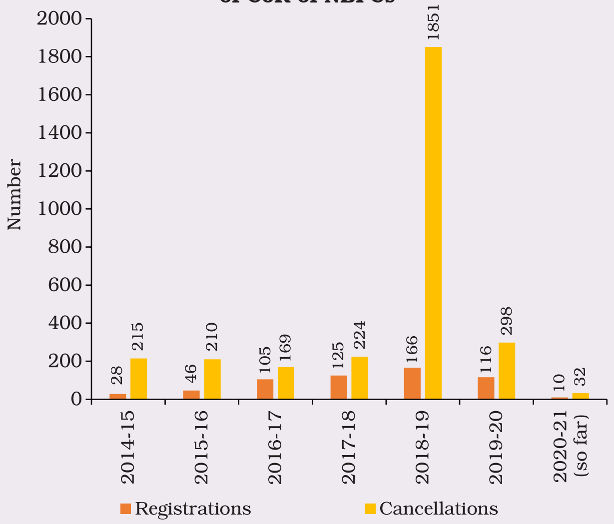
VI.6 Regulatory guidelines mandate that only those NBFCs with minimum net owned funds (NOF) of ₹2 crore can be allowed to operate. Compared to 2018-19, when there was a record number of cancellations/surrender of licenses of non-compliant NBFCs, both registrations and cancellations were lower during 2019-20 (Chart VI.3).

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 in group companies.
4. NBFC-Infrastructure Debt Fund (NBFC-IDF)	Facilitation of flow of long-term debt into infrastructure projects.
5. NBFC-Micro Finance Institution (NBFC-MFI)	Credit to economically dis-advantaged 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 (NBFC-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.

Chart VI.3: Registrations and Cancellations of CoR of NBFCs



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

2.1 Ownership Pattern

VI.7 The NBFC sector is dominated by NBFCs-ND-SI that constitute 85.7 per cent of the total assets of the sector. Few large government-owned NBFCs, mainly catering to the infrastructure space, comprise 43.3 per cent of the total assets of NBFCs-ND-SI (Table VI.2).

VI.8 The Reserve Bank has been monitoring the operations and growth of NBFCs-D in order to secure depositors' 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.

VI.9 NBFCs-D accounted for 14.3 per cent of the total assets of the NBFC sector at end-March 2020. Compared to government-owned NBFCs-ND-SI, government-owned NBFCs-D have a smaller share in terms of number of companies as well as asset size. 89.5 per cent of NBFCs-D' assets were held by non-government companies in 2019-20 (Table VI.2).

2.2 Balance Sheet

VI.10 The year 2019-20 marked a significant moderation in NBFCs' financial performance, after double digit balance sheet growth in the previous three years. A challenging macroeconomic environment, weak demand compounded by risk aversion, liquidity stress and rising borrowing costs in the wake of the IL&FS default resulted in a substantial deceleration in asset growth in 2019-20. The impact was particularly pronounced for NBFCs-ND-SI. On the other hand, NBFCs-D weathered this difficult period and continued to grow at a healthy pace. In view of the pandemic as well as to maintain adequate liquidity, NBFCs increased their cash

Table VI.2: Ownership Pattern of NBFCs
(End-March 2020)

(₹ crore)

Type	NBFC-ND-SI			NBFC-D		
	Number of companies	Asset Size	Asset share in per cent	Number of companies	Asset Size	Asset share in per cent
1	2	3	4	5	6	7
A. Government Companies	21	12,56,164	43.3	8	51,061	10.5
B. Non-government Companies (1+2)	264	16,47,722	56.7	56	4,34,320	89.5
1. Public Limited Companies	152	12,91,898	44.5	54	3,25,739	67.1
2. Private Limited Companies	112	3,55,824	12.3	2	1,08,580	22.4
Total (A+B)	**285**	**29,03,886**	**100.0**	**64**	**4,85,381**	**100.0**

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

and bank balances significantly during the year, which was marked in the case of NBFCs-D. Nevertheless, in 2020-21 (up to September), balance sheet growth of NBFCs, especially that of NBFCs-ND-SI, gained traction due to pick-up in loans and advances and base effect (Table VI.3, Appendix Tables VI.1 and VI.2).

VI.11 With the harmonisation of major NBFC categories, NBFCs-D now comprise only ICCs. Public deposits remained a stable source of funding. On the assets side, investments continue to grow at an accelerated pace, while loans and advances slowed (Table VI.3).

VI.12 As regards distribution of credit extended by NBFCs-ND-SI, nearly one-third, each having a loan book of more than ₹1000 crore, lent nearly 97 per cent of total credit in 2019-20. Those with loan books up to ₹ 500 crore extended merely 1.15 per cent of total NBFCs-ND-SI credit outstanding (Chart VI.4).

VI.13 In order to mitigate the impact of COVID-19, the Reserve Bank allowed lending institutions to grant a moratorium on payment of instalments of term loans due between March 1, 2020, and May 31, 2020, which was later extended till August 31, 2020. NBFCs also extended the benefit to their customers[3]. Amongst the sectors NBFCs lent to, MSMEs availed of the scheme the most. Other categories like individuals witnessed a reduction in the share of customers, while corporates registered

Table VI.3: Abridged Balance Sheet of NBFCs

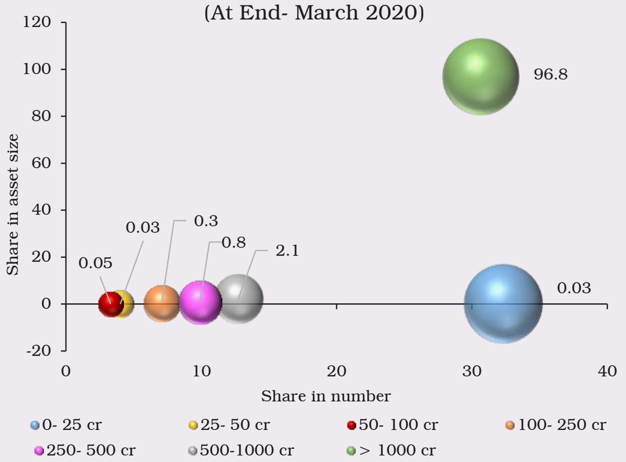
(₹ crore)

Items	At end-March 2019			At end-March 2020			At end-Sept 2020		
	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	7,13,228 (15.5)	6,46,070 (14.7)	67,158 (23.7)	7,88,633 (10.6)	7,02,828 (8.8)	85,805 (27.8)	8,84,138 (14.8)	7,88,623 (13.3)	95,515 (29.4)
2. Public Deposits	40,057 (33.0)	- -	40,057 (33.0)	50,033 (24.9)	- -	50,033 (24.9)	55,665 (16.7)	- -	55,665 (16.7)
3. Debentures	9,19,314 (3.4)	8,20,157 (1.8)	99,157 (18.8)	9,40,499 (2.3)	8,37,373 (2.1)	1,03,126 (4.0)	9,15,293 (-1.2)	8,16,786 (-1.7)	98,507 (3.1)
4. Bank Borrowings	6,26,495 (50.3)	5,20,265 (50.6)	1,06,229 (48.9)	7,08,035 (13.0)	5,83,786 (12.2)	1,24,249 (17.0)	7,34,322 (16.4)	6,09,958 (18.9)	1,24,364 (5.7)
5. Commercial Paper	1,59,158 (9.5)	1,41,046 (10.9)	18,112 (-0.3)	70,066 (-56.0)	62,588 (-55.6)	7,478 (-58.7)	89,065 (-24.4)	80,459 (-18.7)	8,605 (-54.6)
6. Others	6,54,646 (35.7)	5,63,537 (41.4)	91,109 (8.8)	8,32,000 (27.1)	7,17,310 (27.3)	1,14,690 (25.9)	9,07,371 (28.5)	7,91,991 (30.7)	1,15,380 (14.9)
Total Liabilities/Assets	**31,12,899 (20.6)**	**26,91,076 (20.1)**	**4,21,823 (23.7)**	**33,89,267 (8.9)**	**29,03,886 (7.9)**	**4,85,381 (15.1)**	**35,85,854 (12.1)**	**30,87,817 (12.5)**	**4,98,037 (9.7)**
1. Loans and Advances	23,15,608 (17.8)	19,36,593 (16.9)	3,79,015 (22.6)	23,60,504 (1.9)	19,44,889 (0.4)	4,15,615 (9.7)	24,63,279 (5.2)	20,51,581 (5.9)	4,11,698 (1.7)
2. Investments	4,83,759 (21.2)	4,59,868 (18.8)	23,891 (99.8)	5,41,863 (12.0)	5,02,650 (9.3)	39,213 (64.1)	6,14,408 (14.8)	5,63,570 (10.4)	50,838 (105.4)
3. Cash and Bank Balances	99,763 (31.7)	89,978 (34.4)	9,785 (11.3)	1,38,746 (39.1)	1,21,689 (35.2)	17,057 (74.3)	1,50,775 (32.9)	1,27,593 (25.7)	23,181 (93.1)
4. Other Current Assets	1,33,450 (23.5)	1,25,919 (27.7)	7,531 (-20.2)	2,49,345 (86.8)	2,38,344 (89.3)	11,000 (46.1)	2,33,979 (78.7)	2,24,038 (86.2)	9,941 (-6.4)
5. Other Assets	80,317 (150.4)	78,716 (159.4)	1,601 (-7.3)	98,809 (23.0)	96,314 (22.4)	2,495 (55.9)	1,23,414 (59.2)	1,21,035 (59.7)	2,379 (35.0)

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

[3] Refer Chapter III, Annex III.1.

Chart VI.4: Distribution of Credit of NBFCs-ND-SI
(At End- March 2020)



Note: 1. Bubble size corresponds to share of NBFCs-ND-SI in total number.
2. Figures are share of NBFCs-ND-SI in total credit.
3. NBFCs-ND-SI here include group companies also.

Source: Supervisory Returns, RBI.

a fall in amount of loans under moratorium between April[4] and August 2020. Overall, the percentage of customers availing the moratorium has been relatively lower for NBFCs, while loans outstanding under moratorium were higher than those extended by scheduled commercial banks (SCBs) indicative of incipient stress (Table VI.4).

VI.14 Amongst NBFCs-ND-SI, ICCs, IFCs and NBFCs-MFI together accounted for 87.8 per cent of the total asset size of the sub-sector. All categories of NBFCs-ND-SI faced deceleration in balance sheet growth in 2019-20, barring IDF-NBFCs (Table VI.5).

VI.15 ICCs' share contracted due to the subdued overall business environment and slackening demand in the hitherto fast-growing services sector and sectors affected by COVID-19 *viz.*, construction, manufacturing and real estate as well as individuals whose income streams dipped (moratorium availed by individuals on loans from NBFCs stood at 57 per cent at end-August 2020). Many ICCs reported that disbursements, especially vehicle loans, came to a standstill. Balance sheets of micro finance institutions (NBFCs-MFI) expanded, *albeit* at a slower pace than in the past, partly due to merger of a large NBFC-MFI with a bank (Chart VI.5a and b).

VI.16 IFCs' share in total assets of NBFCs-ND-SI increased in 2019-20, driven by expansion in other assets, mainly investments. Their credit disbursements did not contract like those of the ICCs as many of them are government owned, lending to the power sector and railways, and lending by a prominent government owned IFC remained robust. Two large government owned NBFCs operating in the power sector gained from liquidity infusion of ₹90,000 crore for

Table VI.4: Analysis of Loan Moratorium
(Availed as on August 31, 2020)

Sector	Corporate		MSME		Individual		Others		Total	
	% of total Customers	% of total outstanding	% of total Customers	% of total outstanding	% of total Customers	% of total outstanding	% of total Customers	% of total outstanding	% of total Customers	% of total outstanding
1	2	3	4	5	6	7	8	9	10	11
NBFCs	42.7	37.2	68.8	67.0	23.1	56.5	50.2	33.2	26.6	44.9
SCBs	18.0	30.4	77.2	68.1	43.7	33.9	35.6	39.1	43.8	37.9
System	31.3	34.3	77.5	69.3	42.6	41.0	45.4	42.1	45.6	40.4

Source: RBI Supervisory Returns.

[4] Financial Stability Report, issue No. 21, July 2020, Table 1.4, available at https://www.rbi.org.in.

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

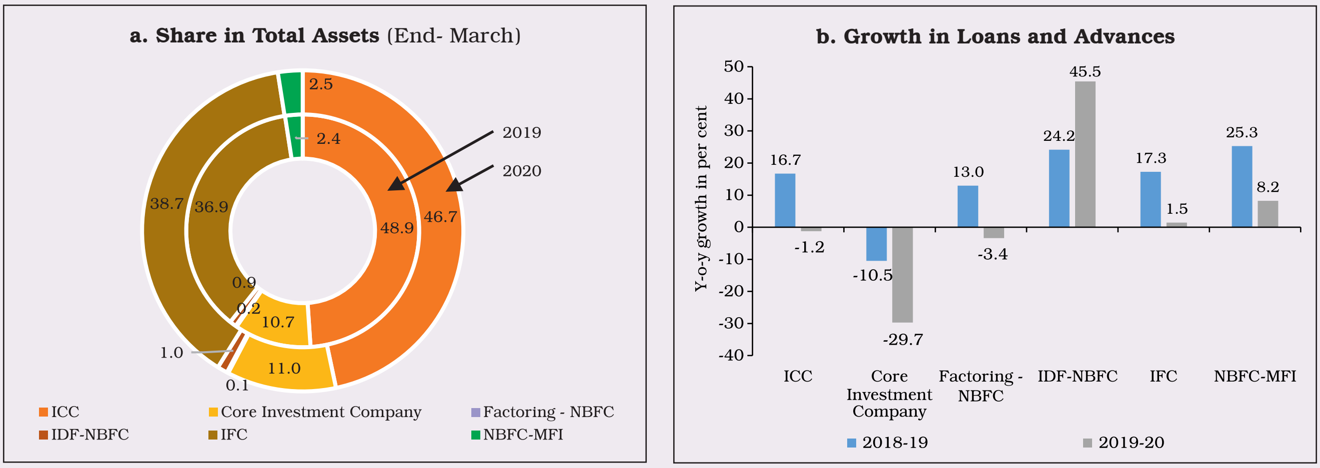
(₹ crore)

Category / Liability	At end-March 2019			At end-March 2020			At end- Sep 2020			Percentage Variation of Total Liabilities	
	Borrow-ings	Other Liabilities	Total Liabilities	Borrow-ings	Other Liabilities	Total Liabilities	Borrow-ings	Other Liabilities	Total Liabilities	Mar 2018 over Mar 2019	Mar 2019 over Mar 2020
1	2	3	4	5	6	7	8	9	10	11	12
Investment and Credit Company	864,891	4,51,814	13,16,705	8,89,277	4,66,188	13,55,466	8,89,119	5,16,762	14,05,882	16.9	2.9
Core Investment Company	1,07,977	1,79,783	2,87,760	99,343	2,20,254	3,19,597	1,15,069	2,52,264	3,69,669	27.4	11.1
Factoring – NBFC	2,087	2,087	4,174	1,943	2,132	4,075	1,584	2,008	3,592	9.9	-2.4
IDF-NBFC	20,487	4,169	24,656	24,868	4,935	29,804	27,756	5,637	33,393	19.6	20.9
Infrastructure Finance Company	8,01,996	1,90,288	9,92,284	9,20,051	2,02,763	11,22,814	9,73,609	2,19,043	11,92,652	22.1	13.2
NBFC-MFI	43,219	22,278	65,497	50,854	21,277	72,131	58,007	24,624	82,631	29.3	10.1
Total	**18,40,657**	**8,50,419**	**26,91,076**	**19,86,337**	**9,17,549**	**29,03,886**	**20,65,144**	**10,20,337**	**30,87,817**	**20.1**	**7.9**
Category / Asset	Loans and Advances	Other Assets	Total Assets	Loans and Advances	Other Assets	Total Assets	Loans and Advances	Other Assets	Total Assets	Percentage Variation of Total Assets	
										Mar 2018 over Mar 2019	Mar 2019 over Mar 2020
Investment and Credit Company	9,50,538	3,66,167	13,16,705	9,39,032	4,16,433	13,55,466	9,67,540	4,38,341	14,05,882	16.9	2.9
Core Investment Company	20,238	2,67,522	2,87,760	14,225	3,05,372	3,19,597	31,347	3,38,322	3,69,669	27.4	11.1
Factoring – NBFC	3,393	781	4,174	3,278	797	4,075	2,688	904	3,592	9.9	-2.4
IDF-NBFC	18,843	5,813	24,656	27,410	2,394	29,804	29,110	4,283	33,393	19.6	20.9
Infrastructure Finance Company	891,659	1,00,625	9,92,284	9,04,743	2,18,072	11,22,814	9,58,519	2,34,132	11,92,652	22.1	13.2
NBFC-MFI	51,922	13,574	65,497	56,201	15,930	72,131	62,377	20,254	82,631	29.3	10.1
Total	**19,36,593**	**7,54,483**	**26,91,076**	**19,44,889**	**9,58,997**	**29,03,886**	**20,51,581**	**10,36,237**	**30,87,817**	**20.1**	**7.9**

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

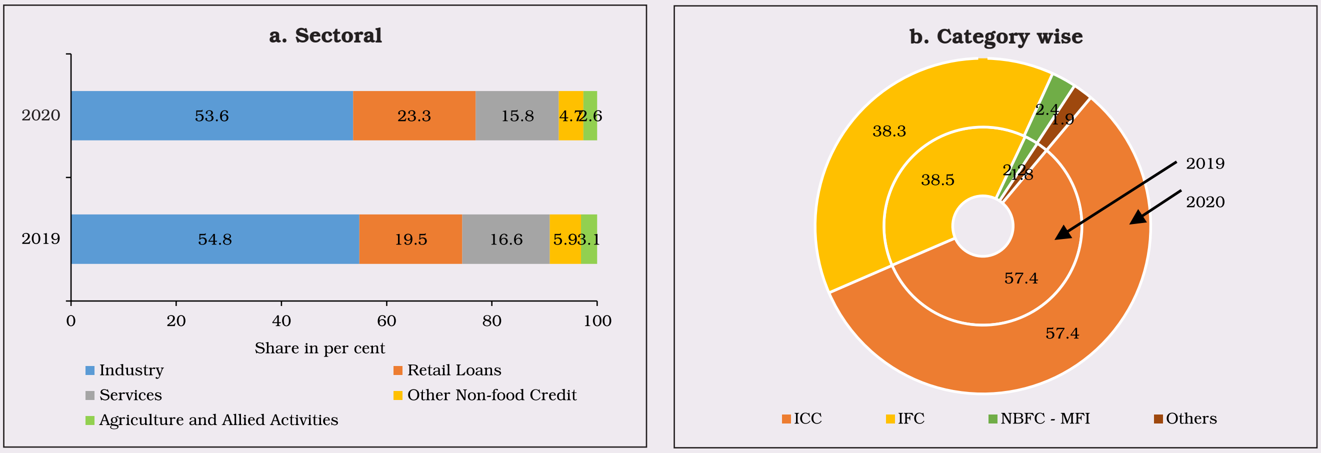
state power distribution utilities (DISCOMs) announced by the Government. In H1:2020-21, NBFCs-MFI, IFCs and ICCs witnessed higher balance sheet growth.

Chart VI.5: Category-wise NBFCs-ND-SI: Select Indicators



Source: Supervisory Returns, RBI.

Chart V1.6: Distribution of NBFC Credit
(End-March position)



Source: Supervisory Returns, RBI.

2.3 Sectoral Credit of NBFCs

VI.17 Industry remained the largest recipient of credit extended by the NBFC sector, followed by retail loans and services. The share of the retail loan portfolio increased in 2019-20 with a corresponding fall in the shares of all other sectors (Chart VI.6 a). ICCs, IFCs and NBFCs-MFI are the main purveyors of credit, in that order. Together, they comprise 98.1 per cent credit extended by NBFCs at end-March 2020 (Chart VI.6 b).

VI.18 In line with the overall credit deceleration, there was sharp reduction in credit growth to all sectors, barring retail. Credit to agriculture, industry and services recorded absolute declines, while the retail sector expanded at a slower pace during 2019-20 (Table VI.6).

VI.19 During 2019-20, retail loans were driven up by housing loans and vehicle loans. There was a contraction in credit to agriculture, mainly due to the shift in lending by NBFCs-MFI to industry. ICCs, the biggest lenders among NBFCs, however, reduced lending to industry and the services sector akin to scheduled commercial banks (Chart VI.7).

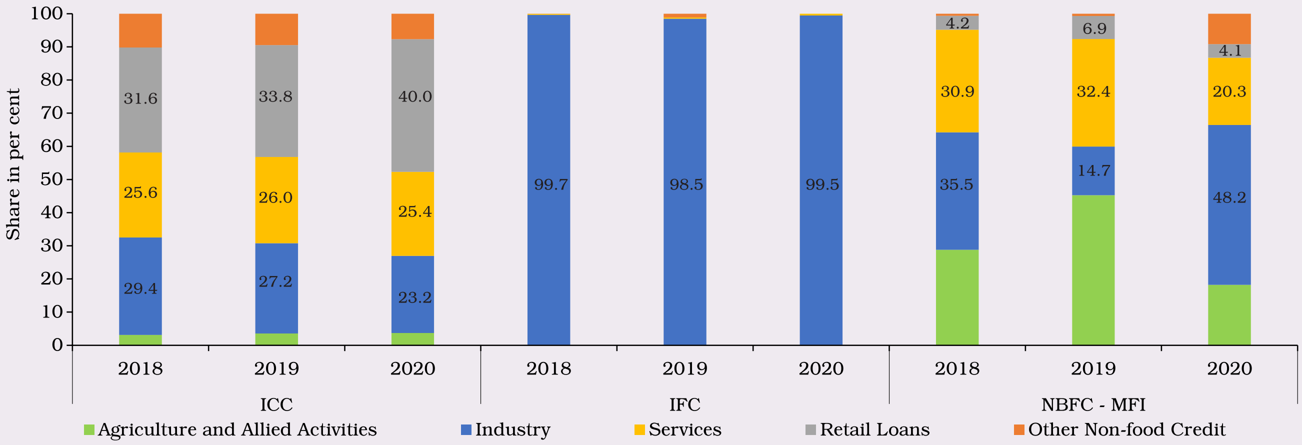
VI.20 Among key sub sectors, credit flow to micro and small industries exhibited revival

Table VI.6: Sectoral Credit Deployment by NBFCs

Type	At end March 2019	At end March 2020	Percentage Variation	
			2018-19	2019-20
1	2	3	4	5
I. Gross Advances	**23,15,608**	**23,60,504**	**17.8**	**1.9**
II. Food Credit	**232**	**310**	**-3.6**	**33.5**
III. Non-food Credit (1 to 5)	**23,15,376**	**23,60,194**	**17.8**	**1.9**
1. Agriculture and Allied Activities	**70965**	**61,759**	**51.7**	**-13.0**
2. Industry (2.1 to 2.4)	**12,69,075**	**12,65,248**	**13.1**	**-0.3**
2.1 Micro and Small	41,985	75,849	-24.2	80.7
2.2 Medium	18,464	17,388	-24.2	-5.8
2.3 Large	7,08,181	5,86,983	13.7	-17.1
2.4 Others	5,00,445	5,85,028	19.4	16.9
3. Services	**3,85,177**	**3,72,596**	**19.8**	**-3.3**
Of which,				
3.1 Commercial Real Estate	1,51,617	1,29,232	21.2	-14.8
3.2 Retail Trade	29,296	37,179	8.3	26.9
4. Retail Loans	**4,52,442**	**5,50,302**	**25.9**	**21.6**
Of which,				
4.1 Housing Loans	15,663	21,468	18.2	37.1
4.2 Consumer Durables	5,151	5,128	-40.3	-0.4
4.3 Vehicle/Auto Loans	2,02,136	2,38,970	23.0	18.2
5. Other Non-food Credit	**1,37,716**	**1,10,289**	**18.4**	**-19.9**

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

Chart VI.7: Category-wise Sectoral Distribution of Credit
(At end-March)

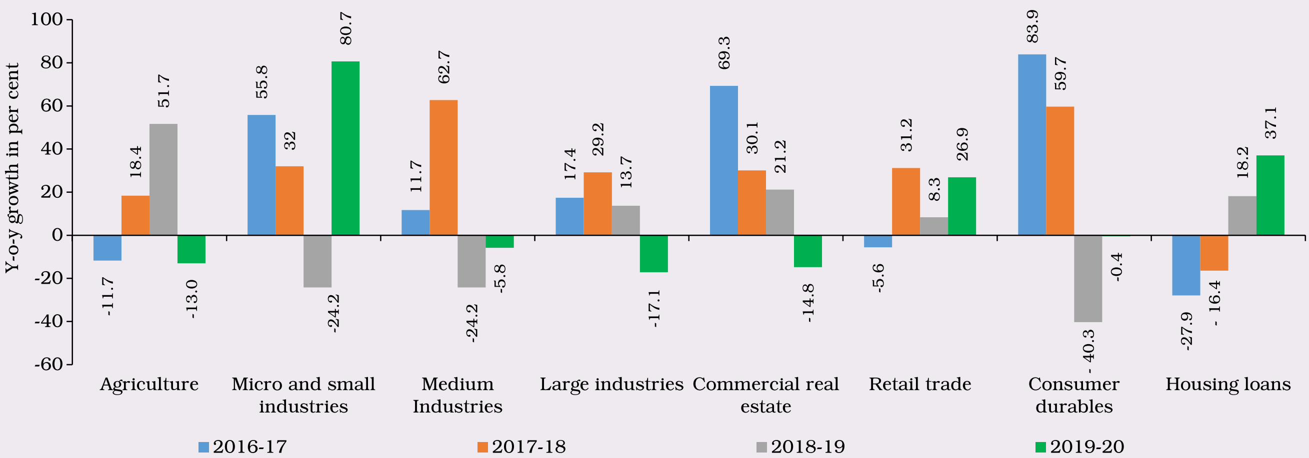


Source: Supervisory Returns, RBI.

in 2019-20, *albeit* from a low base. Credit to commercial real estate, which constitutes around one-third of the credit extended by NBFCs to the services sector, declined sharply under the impact of the pandemic. Many companies shifted to working from home. The exodus of migrant labourers also posed impediments. Policy measures such as extension of the date of commencement of commercial operations (DCCO) to the commercial real estate projects provided relief. Consumer durables credit continued to decline due to tepid demand. Housing, which constitutes a small share in NBFCs' loan books, continued to grow on the back of the government's scheme for affordable housing and the improvement brought about by the Real Estate Regulations and Development Act, 2016 (Chart VI.8).

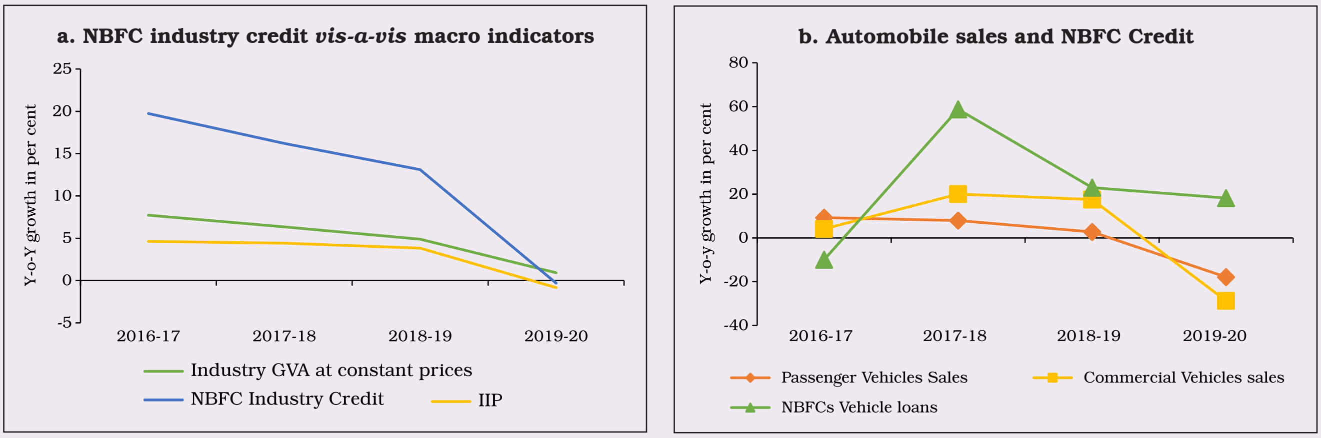
VI.21 During the year, NBFCs' industrial credit growth was impacted by the stress in thermal power projects, lower demand for finance owing to slowdown in construction activities, fall in manufacturing sector output as well as disruptions due to COVID-19 (Chart VI.9a).

Chart VI.8: Sectoral Credit Growth: Key Sub-Sectors



Source: Supervisory Returns, RBI.

Chart VI.9: Sectoral Credit Growth: Industry and Vehicle Loans

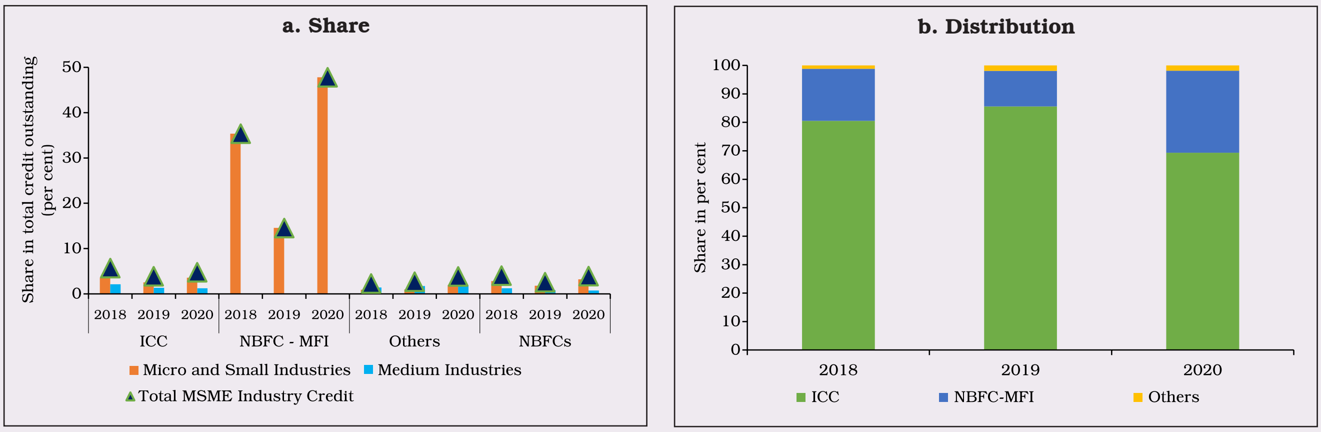


Sources: 1. Supervisory Returns, RBI.
2. Handbook of Statistics on Indian Economy, RBI.
3. Society of Indian Automobile Manufacturers.

However, several NBFCs remained ahead of the curve in retail sector by diversifying into other areas of vehicles financing like used vehicles, two-wheelers and three- wheelers in place of commercial vehicles. This helped in arresting the fall in credit to this sector (Chart VI.9 b).

VI.22 Lending to micro, small and medium enterprises (MSME) by NBFCs picked up in 2019-20, attributable to the increased lending by NBFCs-MFI, especially in the micro and small credit segment. The Government's announcements in the Union Budget as well as other policy measures such as interest subvention scheme for all Goods and Services Tax registered MSMEs on fresh or incremental loans augured well for the sector during the year. The updated credit- linked Capital Subsidy Scheme for MSMEs launched in 2019-20 in which guarantees are provided for extending collateral free lending to MSMEs, incentivised NBFCs' on-lending, *albeit* dented by COVID-19 (Chart VI.10).

Chart VI.10: MSME Credit of NBFCs
(At end-March)



Note: MSME lending to industrial sector only.
Source: Supervisory Returns, RBI.

2.4 Resource Mobilisation

VI.23 NBFCs mobilise resources largely *via* debentures and bank borrowings. With the IL&FS default and the related downgrade cascade, market access shrank and NBFCs' reliance on banks for funds continued to rise. In 2020-21 (up to September), market confidence revived and NBFCs' borrowings from banks and FIs accelerated, buoyed by various policy measures taken by the Reserve Bank and the government to combat COVID-19 impact (Table VI.7).

VI.24 Amidst pervasive risk aversion, bank borrowings by NBFCs continued to grow at a robust pace as compared to market borrowings. As the Reserve Bank required NBFCs to adopt a Liquidity Risk Management Framework from December 2020, NBFCs gradually swapped their short-term borrowings for long-term borrowings with the aim of maintaining adequate liquidity. In 2020-21 (up to September), share of both market and bank borrowings inched up (Chart VI.11).

VI.25 Amongst scheduled commercial banks (SCBs), public sector banks (PSBs) remained the dominant lender to NBFCs, followed by private sector banks (PVBs). The latter expanded lending to NBFCs in H1:2020-21 (Table VI.8; Chart VI.12a).

VI.26 PVB advances to NBFCs between March and September 2020 was spurred by various

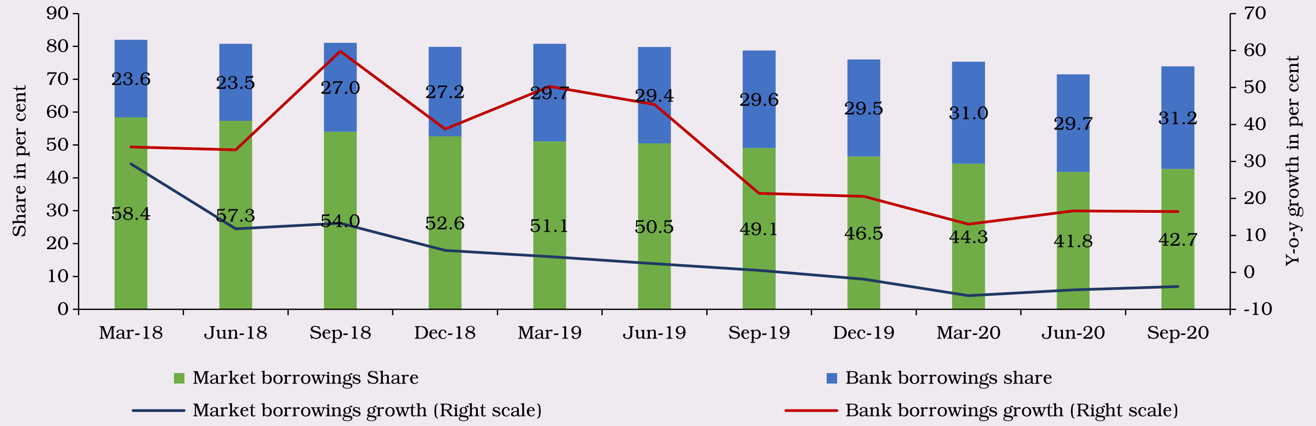
Table VI.7: Sources of Borrowings of NBFCs

(₹ crore)

Items	At end-March 2019	At end-March 2020	At end-September 2020	Percentage variation 2018-19	Percentage variation 2019-20
1	2	3	4	5	6
1. Debentures	9,19,314 (43.6)	9,40,499 (41.2)	9,15,293 (38.9)	3.4	2.3
2. Bank borrowings	6,26,495 (29.7)	7,08,035 (31.0)	7,34,322 (31.2)	50.3	13.0
3. Borrowings from FIs	40,759 (1.9)	73,811 (3.2)	1,16,443 (4.9)	27.2	81.1
4. Inter-corporate borrowings	75,805 (3.6)	78,288 (3.4)	81,044 (3.4)	33.1	3.3
5. Commercial paper	1,59,158 (7.5)	70,066 (3.1)	89,065 (3.8)	9.5	-56.0
6. Other borrowings	2,89,254 (13.7)	4,09,642 (18.0)	4,16,276 (17.7)	25.9	41.6
7. Total borrowings	21,10,785 (100.0)	22,80,341 (100.0)	23,52,444 (100.0)	19.3	8.0

Notes: 1. Data are provisional.
2. Figures in parentheses indicate share in total borrowings.
Source: Supervisory Returns, RBI.

Chart VI.11: Borrowings of NBFCs



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

Table VI.8: Bank Lending to NBFCs (Outstanding)

(₹ crore)

Bank Group	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
1	2	3	4	5	6	7	8	9	10	11	12
Public Sector Banks	3,17,198	2,99,927	3,70,422	3,70,835	4,26,195	4,15,621	4,76,967	4,85,452	5,11,702	4,72,577	4,55,154
Private Sector Banks	1,11,149	1,19,155	1,39,053	1,55,381	1,66,404	1,52,630	1,89,263	1,91,201	1,78,662	1,86,151	2,09,910
Foreign Bank Group	22,921	29,605	31,280	34,427	30,844	36,944	39,094	38,462	41,964	40,638	37,289
Small Finance Bank Group-Scheduled	1,854	2,247	3,028	2,918	3,646	4,327	4,665	4,344	4,120	3,620	3,862
SCBs	**4,53,123**	**4,50,934**	**5,43,783**	**5,63,561**	**6,27,089**	**6,09,523**	**7,09,988**	**7,19,459**	**7,36,447**	**7,02,986**	**7,06,216**

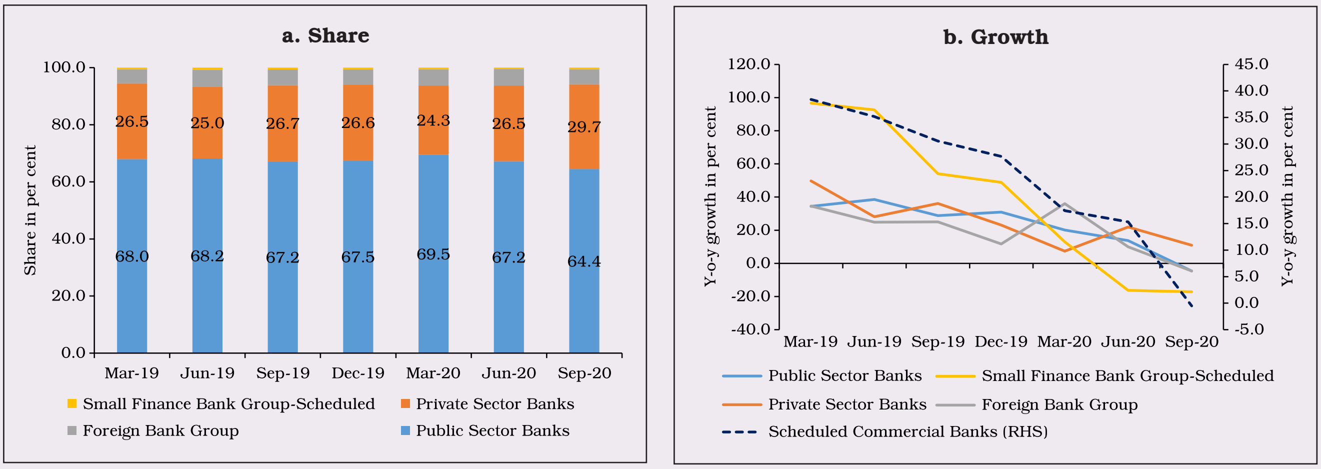
Notes: 1. Data are provisional.
2. Due to difference in returns, the data are not strictly comparable.
Source: Supervisory Returns, RBI.

measures taken by the Reserve Bank and the Government to address the disruptions caused by COVID-19 (Chart VI.12b).

VI.27 Banks lend to NBFCs directly and also subscribe to debentures and commercial paper (CPs) issued by NBFCs. In 2019-20, however, banks' subscription to NBFCs' debentures and CPs declined on risk aversion. In H1:2020-21, overall bank exposure to NBFCs continued to grow due to higher direct lending by banks as well as their investment in debentures, the latter shored up by ample liquidity and return of market confidence with the Partial Credit Guarantee Scheme (PCGS), Targeted Long-Term Repo Operations (TLTRO) and Special Liquidity Scheme (SLS). Growth in lending *via* CPs to NBFCs was in negative territory in September 2020 following a pick-up in Q1:2020-2021 (Chart VI.13 a and b).

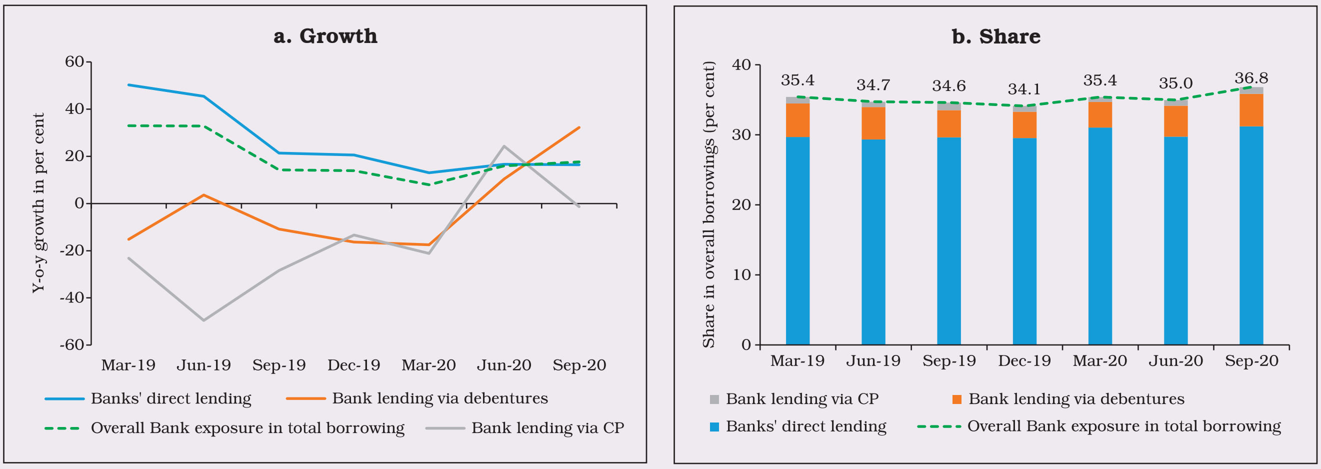
VI.28 Against the backdrop of low investor confidence, resource mobilisation *via* issuance of non-convertible debenture private placements (NCD) declined marginally during Q4:2019-20. This was reversed in Q1:2020-21 with surplus liquidity in the system. This space is largely

Chart VI.12: Bank Lending to NBFCs, Group-wise



Source: Supervisory Returns, RBI.

Chart VI.13: Instruments of Bank Lending to NBFCs



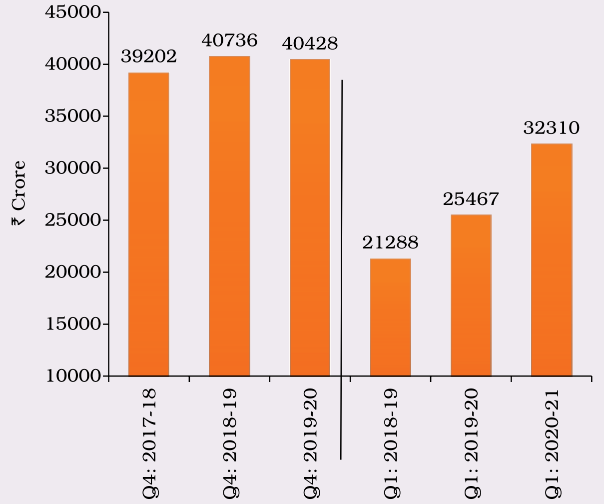
Note: Data are provisional.
Source: Supervisory Returns, RBI.

occupied by highly rated, well-functioning NBFCs (Chart VI.14).

VI.29 Coupon rates of AAA rated NBFCs softened considerably during Q4: 2019-20. With regaining of market confidence in Q1: 2020-21, the coupons and spreads softened as compared to their levels in Q4:2019-20 (Chart VI.15).

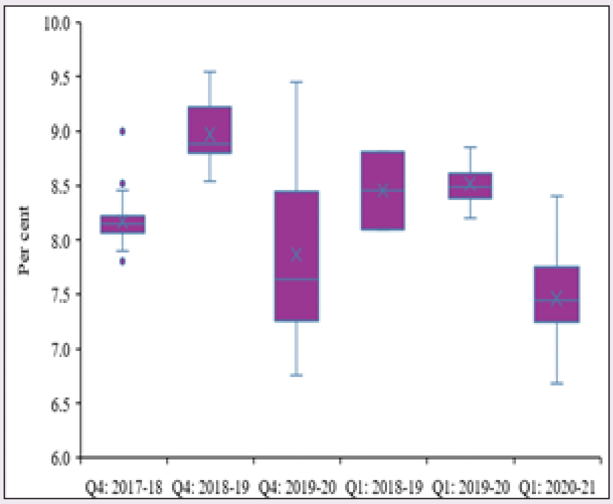
VI.30 While the share of CPs declined in 2019-20 in the borrowing mix of NBFCs, they still formed nearly one-third of the total CP issuances (Chart VI.16a). In the immediate aftermath of the lockdown imposed due to COVID-19, CP issuances by NBFCs fell drastically in April 2020, attributable partially to a few big companies raising lower amounts than in the corresponding period in 2019 but more so to a spike in borrowing rates due to risk aversion. The period April-May 2020 witnessed a widening of spreads between non-government NBFCs' CP rates and

Chart VI.14: NCD Private Placement Issuances of Private NBFCs



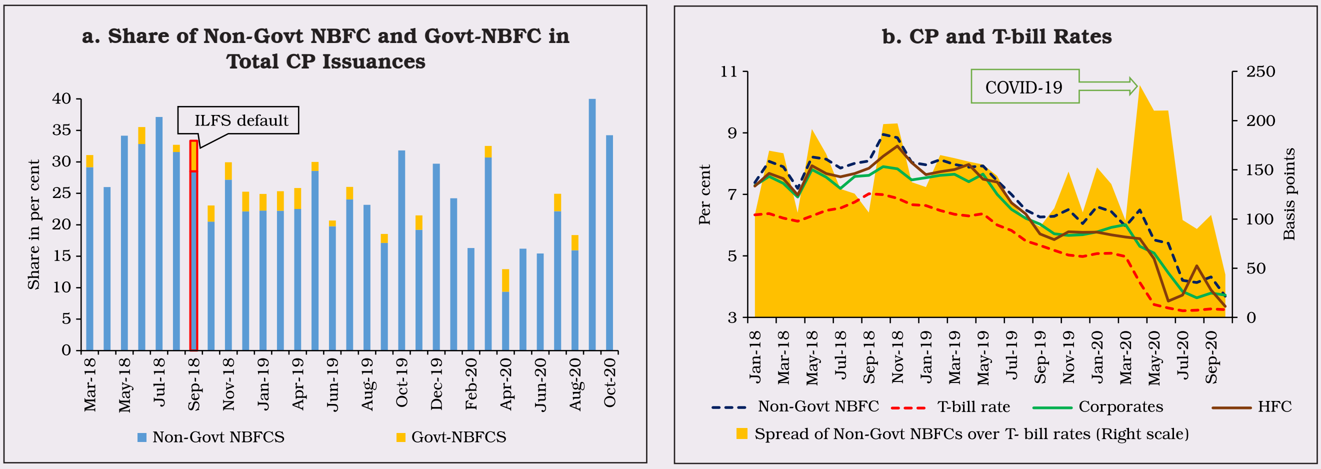
Sources: 1. Staff calculations
2. Prime database.

Chart VI.15: Three-year NCD Coupon Rates of AAA rated Private NBFCs



Sources: 1. Staff calculations.
2. Prime database.

Chart VI.16: CP Issuances and Rates

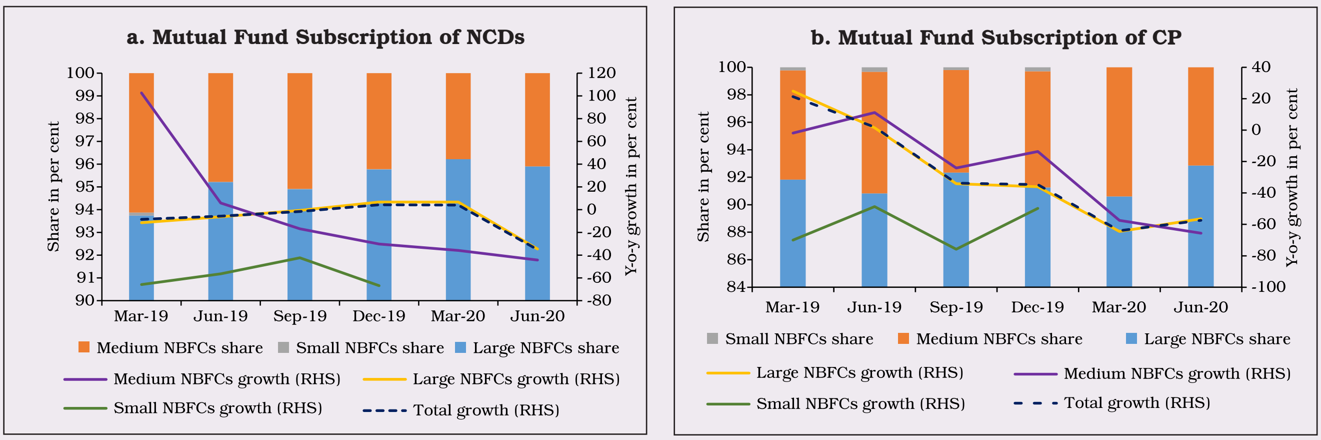


Sources: 1. Supervisory Returns, RBI.
2. Database on Indian Economy, RBI.

Treasury Bills (T- Bills) rates (Chart VI.16b). Subsequently, an easing in rates was observed with concomitant increase in issuances from July 2020 on account of policy interventions by the Reserve Bank as well as the Government to restore normalcy and revive investor confidence in the sector.

VI.31 The waning confidence of mutual funds in NBFCs' papers continued in 2019-20 and 2020-21 (up to June 2020). However, their investment were largely limited to few large and well-rated NBFCs. Growth in mutual funds' subscription to NCDs of medium NBFCs declined from the second half of 2019-20. In the case of CPs, mutual funds' confidence was dampened by prevailing market pessimism and liquidity stress. While mutual funds held only a minuscule share of NCDs and CPs of small NBFCs, they exited in March 2020 and June 2020 due to heightened risk aversion in the aftermath of COVID-19 (Chart VI.17).

Chart VI.17: Mutual Funds Exposure to NBFC Sector



Notes: 1. Based on asset size; large NBFCs having more than ₹5000 crore, medium NBFCs between ₹5,000 and ₹500 crores and small NBFCs less than ₹500 crore.
2. Data are provisional.

Source: Supervisory Returns, RBI.

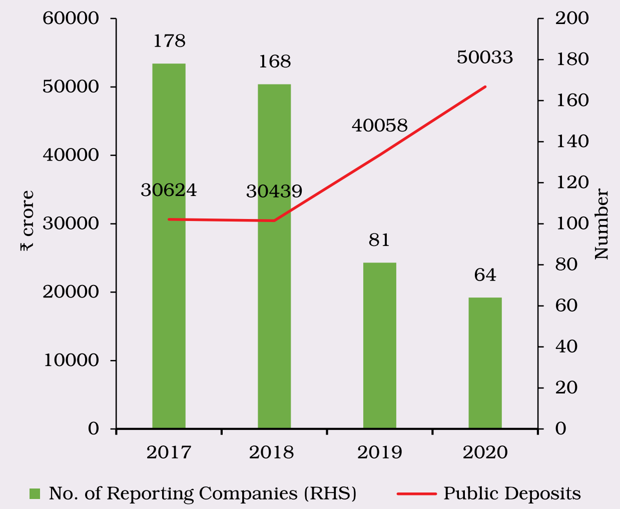
VI.32 Foreign liabilities of the sector continued to rise, especially *via* bonds and debentures. The Reserve Bank's policy of easing external commercial borrowings (ECB) norms also helped NBFCs access funds *via* the ECB route. Foreign investors' interest was spurred by the higher yields offered by NBFCs, while lower overall costs, including for hedging, might have induced NBFCs to utilise this window. In the first half of 2020-21, however, foreign liabilities witnessed a fall partly due to muted appetite for ECBs (Chart VI.18).

2.5 NBFCs-D: Deposits

VI.33 Deposit mobilisation by NBFCs progressed at a robust pace, even though the number of companies authorised to accept deposits came down from 168 in 2017-18 to 81 in 2018-19 and 64 in 2019-20 (Chart VI.19). NBFCs-D largely raised fixed deposits in the 1-3 year maturity buckets, which bodes well for their ALM profiles (Chart VI.19).

VI.34 NBFCs-D space is populated by a few large entities- 87.5 per cent of NBFCs-D raised only 1.2 per cent of total deposits and all these entities were below the ₹ 250 crore deposit threshold (Chart VI.20).

Chart VI.19: Public Deposits of NBFCs- D

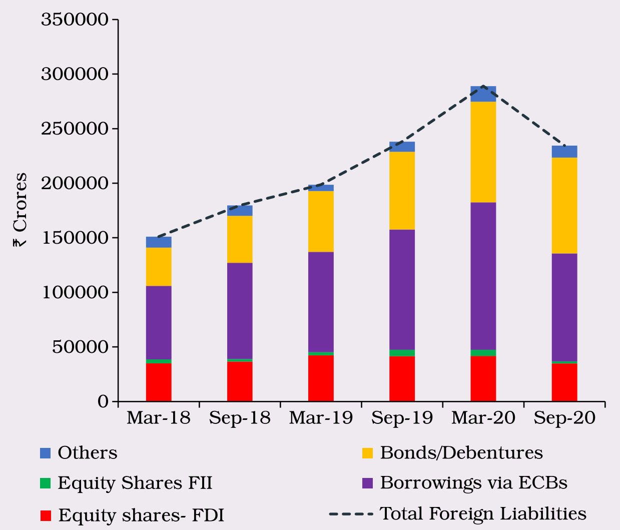


Note: Data are provisional.
Source: Supervisory Returns, RBI.

2.6 Asset Sales and Securitisation

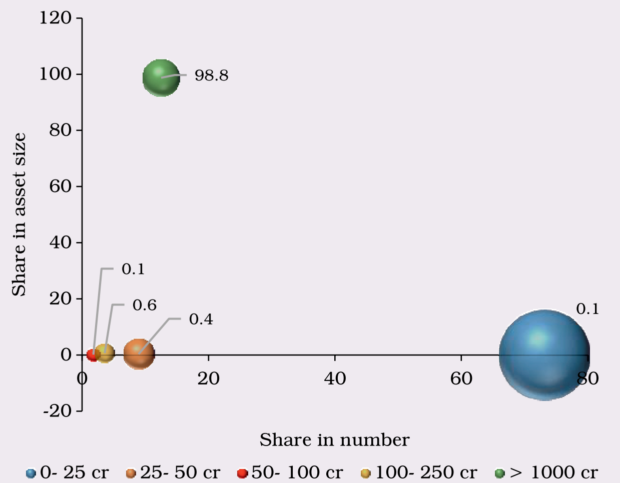
VI.35 Banks are main players in both asset sales and securitisation undertaken by NBFCs. Asset purchases from NBFCs help banks in diversifying their balance sheets while NBFCs

Chart VI.18: Foreign Currency Liabilities of NBFC Sector



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

Chart VI.20: Distribution of Deposits of NBFCs-D
(At End-March 2020)



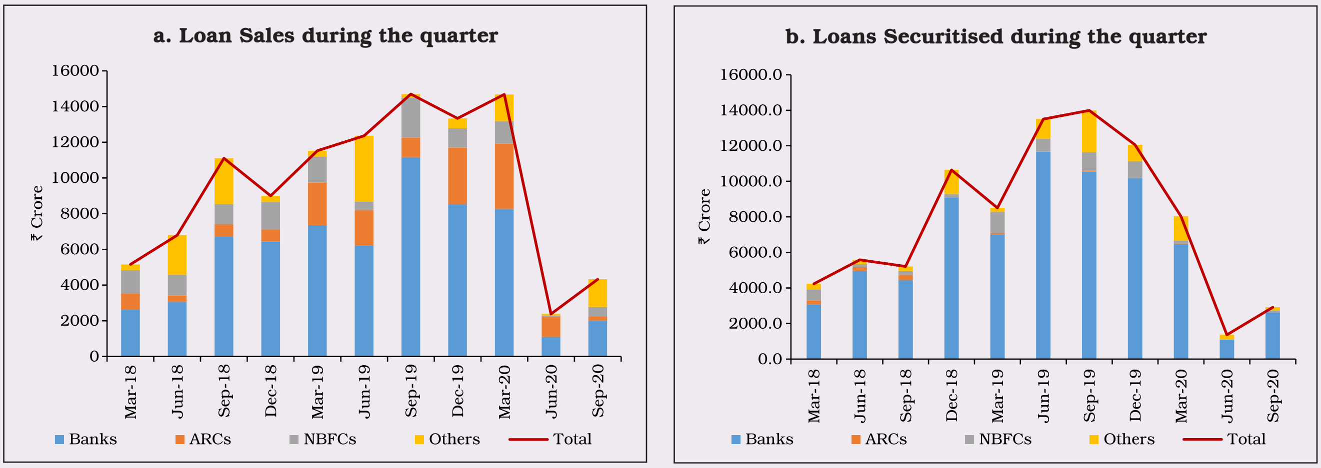
Note: 1. Bubble size corresponds to share of NBFCs in total number.
2. Figures are share of NBFCs-D in total deposits.
Source: Supervisory Returns, RBI.

are benefitted by higher cash flows without further leveraging of their balance sheets. Loan sales volume of NBFCs-ND-SI was higher than securitisation volumes during Q4:2019-20. Asset sales and securitisation dipped in Q1:2020-21 due to subdued demand for pooled assets as repayments were hit on account of loan moratorium; there was a revival in Q2: 2020-21 (Chart VI.21).

2.7 Asset Liability Profile of NBFCs

VI.36 NBFCs have gradually changed their borrowing profile and swapped short-term borrowings for long-term borrowings, as alluded to earlier. In order to mitigate the temporary liquidity mismatches of NBFCs/ HFCs, the Partial Credit Guarantee Scheme (PCGS) was announced in the Union Budget 2019-20. PCGS aimed at providing government guarantee to public sector banks for purchase of pooled assets from financially sound NBFCs/ HFCs limited to first loss of up to 10 per cent of the fair value of assets or ₹10,000 crore, whichever is lower. NBFCs had higher share in purchase of pooled assets by PSBs under PCGS *vis-à-vis* HFCs and mostly assets that had AA rating were purchased while the scheme allows for purchase of pooled assets having a rating up to BBB+. Compared to previous periods, March 2020 witnessed asset-liability mismatches in the short-term maturity windows- between one month and 6 months- attributable to persistent risk aversion and compounded by COVID-19. The Reserve Bank and the Government provided policy support to help NBFCs manage asset liability mismatches. While TLTRO specifically support banks' investment in investment grade paper of NBFCs of one to three year maturity, the ₹30,000 crore liquidity scheme launched by the Government facilitated acquisition of short-term debts through a Special Purpose Vehicle. Large, well rated NBFCs have garnered the bulk of funds *via* the TLTRO route (Box VI.1). Under the Special Liquidity Scheme (SLS), ₹7,126 crore was disbursed, mainly *via* CPs, of which 53 per cent went to NBFCs and rest to HFCs. As in the case of TLTRO, investments *via* the SLS route were also in well-rated CPs and NCDs. Partial Credit Guarantee Scheme (PCGS) 2.0 was launched in May 2020 as part of *Aatmanirbhar Bharat Abhiyan* by the Government to address temporary liquidity mismatches of otherwise solvent NBFCs/HFCs/MFIs to obviate distress sale of their assets while making available additional

Chart VI.21: Loan Sales and Securitisation of NBFCs-ND-SI



Source: Supervisory Returns, RBI.

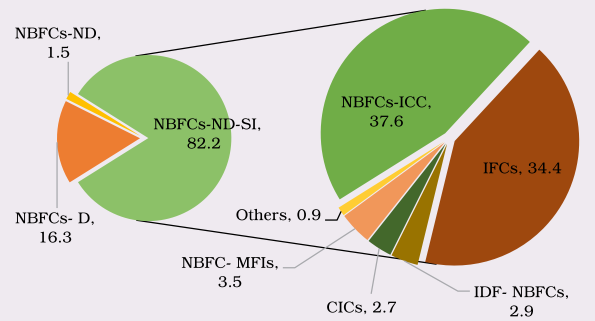
Box VI.1: Distribution of TLTRO Funds

In order to address disruptions caused by COVID-19, the Reserve Bank undertook Targeted long-term repo operations (TLTRO) aimed at providing system level-liquidity as well as targeted liquidity to sectors and entities experiencing liquidity constraints and restricted market access.

A study of the distribution of TLTRO funds reveals that ₹76,843 crores* have been requested by NBFCs and HFCs, four-fifth of which has been disbursed. NBFCs garnered 60 per cent of the total disbursement. Non-deposit taking NBFCs, particularly NBFCs-ND-SI, have been major beneficiaries (Chart 1a). Within NBFCs-ND-SI, Investment and Credit companies (NBFCs-ICC) and Infrastructure Finance Companies (IFCs) cornered 88 per cent of the funds. Furthermore, a rating-wise analysis shows that these firms were also well-rated, with AAA and AA rated firms accessing 88 per cent of disbursements (Chart 1b).

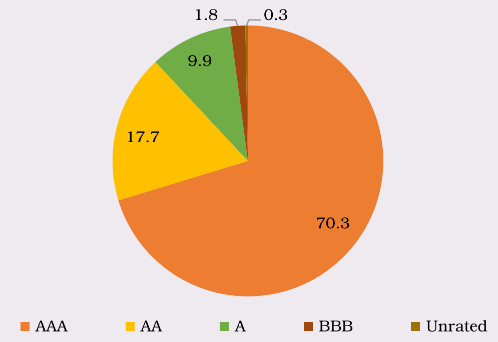
NBFCs-ND-SI, which accessed TLTRO funding, constitute 57.4 per cent of the NBFC universe. These firms also had lower GNPA ratios and were better capitalised than other NBFCs-ND-SI (Chart 2). TLTRO has proved to be a valuable tool in the Reserve Bank's arsenal in tackling the disruptions caused by COVID-19 and improving the resilience of the NBFC sector.

Chart 1a: Distribution of TLTRO Funds amongst Categories of NBFCs (per cent)



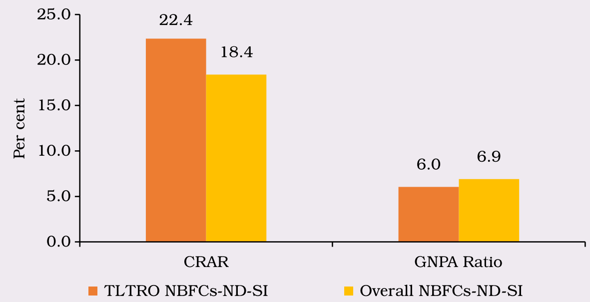
Source: Staff calculations based on supervisory data.

Chart 1b: Rating-wise Share of NBFCs in Total Disbursement
(per cent)



Source: Staff calculations based on supervisory data and Prime Database.

Chart 2: Soundness Indicators of NBFCs-ND-SI
(End-March 2020)



Source: Staff calculations based on supervisory data.

*As on September 4, 2020.

liquidity to them. These schemes greatly aided in ameliorating the liquidity position of NBFCs in September 2020 (Chart VI.22).

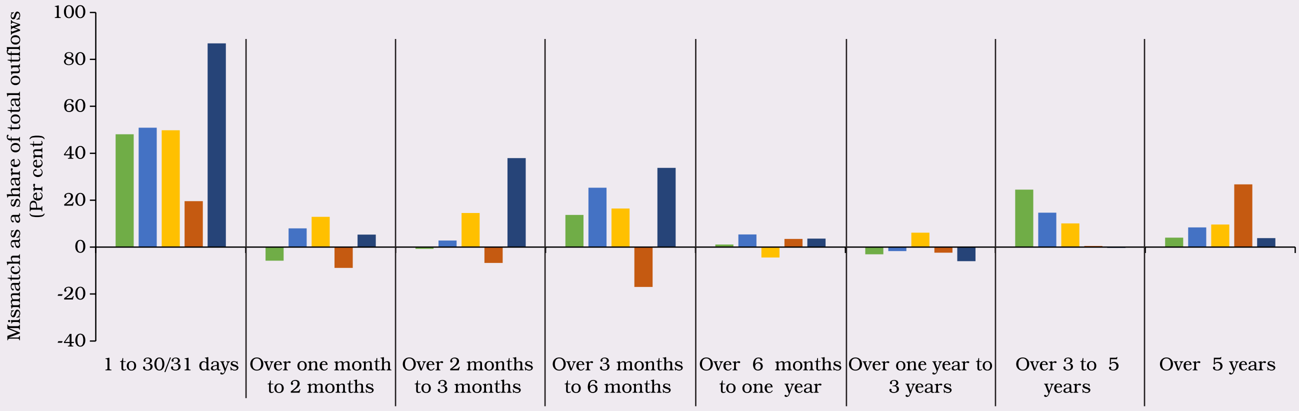
2.8 Financial Performance of NBFCs

VI.37 NBFCs' income growth decelerated in 2019-20, but they continued to grow on the back of fund income of NBFCs-ND-SI. On the other hand, their expenditures plummeted as businesses cut costs to trudge through the slump. Net profits of NBFCs-ND-SI witnessed a sharp revival, attributable to low base effects in the aftermath of the IL&FS crisis and moderation in their cost to income ratio. Conversely, NBFCs-D experienced a moderation in their income, coupled with ballooning interest payments and operating expenditures, which led to a decline in their profits (Table VI.9, Appendix VI.4 and VI.5).

2.9 Profitability

VI.38 The profitability of the NBFC sector can be summarised by three indicators; return on assets (RoA); return on equity (RoE); and

Chart VI.22: Structural Liquidity Statement of NBFCs
(End- March/ September position)



Note: Mismatch is defined as inflows *minus* outflows.
Source: Supervisory Returns, RBI.

net interest margin (NIM). The improvement in RoA and RoE in 2019-20 must be seen in context of the low base of 2018-19 caused by the IL&FS event. In the case of NBFCs-D, RoA and RoE moderated. NIM remained stable for both categories (Chart VI.23). In 2020-21 so far, RoA and RoE of NBFCs-ND-SI registered an improvement while that of NBFCs-D deteriorated. NIM for both categories moderated during this period.

VI.39 Amongst the various categories of NBFCs-ND-SI, profitability indicators of NBFCs-

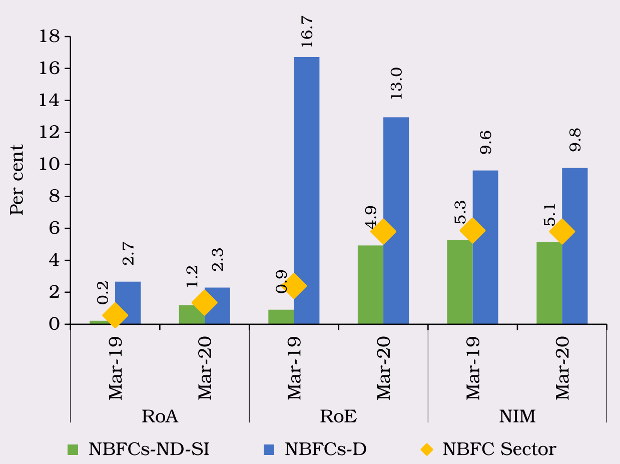
Table VI.9: Financial Parameters of the NBFC Sector

(₹ crore)

Items	2018-19			2019-20			H1: 2020-21		
	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	3,39,057	2,77,589	61,468	3,82,800	3,12,326	70,475	1,88,357	1,56,515	31,842
	(13.9)	(11.0)	(28.9)	(12.9)	(12.5)	(14.7)	(1.7)	(3.9)	(-7.9)
B. Expenditure	2,99,104	2,54,428	44,676	3,19,285	2,64,387	54,898	1,36,943	1,10,857	26,086
	(25.9)	(26.9)	(20.5)	(6.7)	(3.9)	(22.9)	(-3.9)	(-5.0)	(1.0)
C. Net Profit	17,106	5,881	11,226	45,720	34,608	11,113	42,391	38,125	4,266
	(-59.4)	(-83.3)	(61.2)	(167.3)	(488.5)	(-1.0)	(33.9)	(49.3)	(-30.3)
D. Total Assets	31,12,899	26,91,076	4,21,823	33,89,267	29,03,886	4,85,381	35,85,854	30,87,817	4,98,037
	(20.6)	(20.1)	(23.7)	(8.9)	(7.9)	(15.1)	(12.1)	(12.5)	(9.7)
E. Financial Ratios (as per cent of Total Assets)									
(i) Income	10.9	10.3	14.6	11.3	10.8	14.5	5.3	5.1	6.4
(ii) Expenditure	9.6	9.5	10.6	9.4	9.1	11.3	3.8	3.6	5.2
(iii) Net Profit	0.5	0.2	2.7	1.3	1.2	2.3	1.2	1.2	0.9
F. Cost to Income Ratio (Per cent)	88.2	91.7	72.7	83.4	84.7	77.9	72.7	70.8	81.9

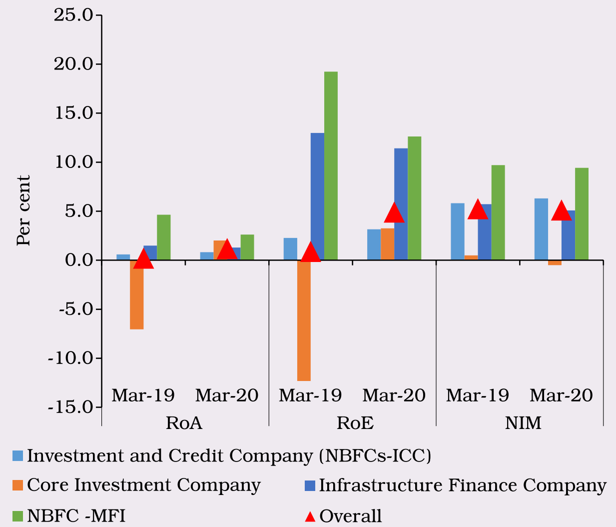
Notes: 1. Data are provisional.
2. Figures in parenthesis indicate Y-o-Y growth in per cent.
Source: Supervisory Returns, RBI.

Chart VI.23: Profitability Ratios of NBFCs



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

Chart VI.24: Profitability Indicators of NBFCs-ND-SI



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

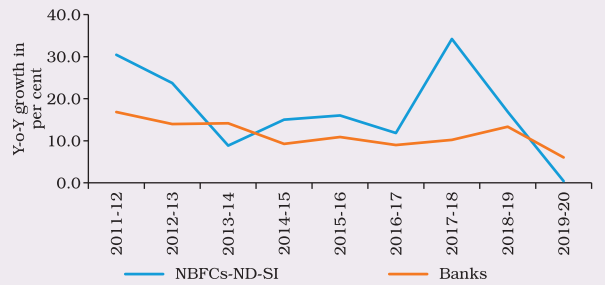
ICC registered an improvement on account of lower expenses. The troubled CIC segment also exhibited signs of recovery, 18 months after the IL&FS episode. On the contrary, profitability of IFCs and MFIs moderated in the period under review, as their expenditures outpaced incomes (Chart VI.24).

VI.40 Income ratio, funding cost, credit risk and efficiency significantly impact profitability of NBFCs-ND-SI (Box VI.2).

Box VI.2: Drivers of Profitability of NBFCs-ND-SI

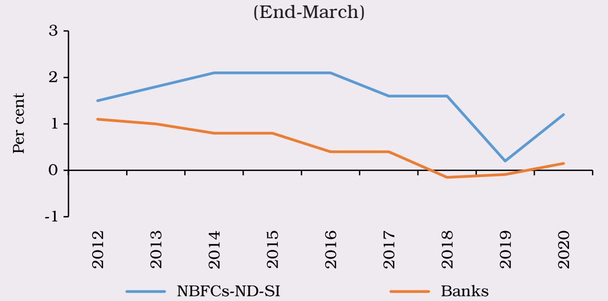
Given their unique business model, NBFCs have been reporting healthy profitability ratios in recent times, despite deteriorating asset quality and heightened risk aversion. NBFCs witnessed robust loan portfolio growth until recently, which contributed to profitability *vis-à-vis* SCBs (Charts 1 and 2) alongside healthy asset quality (*vis-à-vis* that of SCBs).

Chart 1: Credit Growth of NBFCs-ND-SI and Banks



Sources: 1. Report on Trend and Progress of Banking in India, various issues.
2. Handbook of Statistics on Indian Economy, RBI.

Chart 2: Return on assets of NBFCs-ND-SI and Banks
(End-March)



Sources: 1. Report on Trend and Progress of Banking in India, various issues.
2. RBI Bulletin, October 2017.

(Contd..)

Fixed effects panel estimation on unbalanced quarterly data of 149 NBFCs-ND-SI and macroeconomic data for the period 2011Q4- 2019Q4 was undertaken with the following equation:

$$\text{Profitability\_NBFC}_{it} = \beta_1 \text{NBFC\_businessgrowth}_{it} + \beta_2 \text{Ln Assets}_{it} + \beta_3 \text{Income\_ratio}_{it} + \beta_4 \text{Capital\_assets\_ratio}_{it} + \beta_5 \text{Liquidity}_{it} - \beta_6 \text{Credit\_risk}_{it} - \beta_7 \text{Efficiency}_{it} - \beta_8 \text{Funding\_cost}_{it} - \beta_9 \text{Effective\_tax\_rate}_{it} + \beta_{10} \text{HHI}_t + \beta_{11} \text{GDP\_Growth}_{t-1} + \beta_{12} \text{Inflation}_t + \varepsilon_{it}$$

Among NBFC specific factors, income ratio (total income over total assets) and funding cost (interest expenses over total borrowings) were found to play a significant role in determining profitability of NBFCs. Credit risk (loan loss provisions to total credit) and efficiency (ratio of operating cost to total income) were found to have negative effects, as expected- additional provisioning reduces funds availability for on-lending and investment and increased salaries and administrative costs reduce profits. NBFC business (credit plus investment) positively impacted profitability (Table 1). Capital assets ratio and liquidity (cash and bank balances to total assets) were not found to be significant.

Among industry specific factors, the effective tax rate- defined as taxes paid divided by before-tax profits- adversely impacted profits as expected. In the case of macroeconomic control variables, nominal GDP growth taken with a lag to control for reverse causality positively impacted RoE, signifying pro-cyclicality of NBFCs' profitability. The Herfindahl-Hirschman Index (HHI), taken as proxy for market concentration and defined as the sum of squares of market share of each NBFC in a quarter was not found to be significant in affecting NBFCs' profitability.

To sum up, firm-specific factors like income ratio, funding cost, credit risk and efficiency play an important role in determining NBFCs' profitability. Among industry and macro variables, effective tax rate and GDP growth were also key determinants of profitability.

Table 1: Estimation

Explanatory Variables ↓ / Dependent Variable →	(1) ROA	(2) ROA	(3) ROE	(4) ROE
NBFCs business growth	0.000717***	0.000711***	0.00455***	0.00460***
	(0.000)	(0.000)	(0.001)	(0.001)
Assets (log)	-0.0493	-0.0312	0.108	0.120
	(0.031)	(0.028)	(0.128)	(0.114)
Income ratio	0.261***	0.262***	1.082***	1.097***
	(0.021)	(0.022)	(0.081)	(0.084)
Capital to total assets ratio	0.285	0.240	-1.377	-1.402
	(0.270)	(0.274)	(1.108)	(1.145)
Liquidity	0.00187	0.00173	0.000684	-0.00145
	(0.003)	(0.003)	(0.010)	(0.011)
Credit risk	-0.0413***	-0.0444***	-0.172***	-0.189***
	(0.010)	(0.010)	(0.042)	(0.044)
Efficiency	-0.0119***	-0.0119***	-0.0382***	-0.0385***
	(0.001)	(0.001)	(0.005)	(0.005)
Funding cost	-0.185***	-0.183***	-0.722***	-0.738***
	(0.027)	(0.027)	(0.105)	(0.107)
Effective tax rate		-0.00247***		-0.00866***
		(0.001)		(0.003)
HHI		-1.845		-4.564
		(1.148)		(4.518)
Nominal GDP growth (with one lag)		-0.000606		0.0296*
		(0.004)		(0.016)
Inflation rate		0.00140		-0.00243
		(0.004)		(0.015)
Constant	0.883**	0.835**	0.137	0.256
	(0.343)	(0.369)	(1.441)	(1.451)
N	3180	3125	3180	3125
R^2	0.376	0.376	0.361	0.356
Number of groups	149	149	149	149
NBFC fixed effects	Yes	Yes	Yes	Yes
Time fixed effects	Yes	No	Yes	No

Robust standard errors in parentheses
$^{*}p < 0.10$, $^{**}p < 0.05$, $^{***}p < 0.01$

References:

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.

Dietrich, A. & Wanzenried, G. (2014). The determinants of commercial banking profitability in low-,middle-, and high-income countries. The Quarterly Review of Economics and Finance, 54 (3), 337–354.

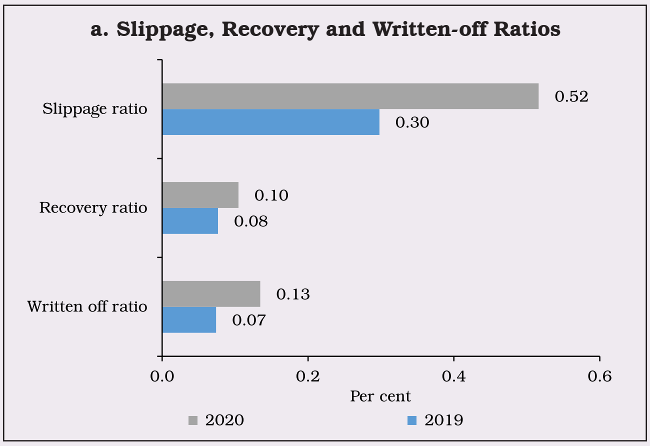
Kohlscheen, E., Murcia Pabón, A., & Contreras, J. (2018). Determinants of bank profitability in emerging markets. BIS Working Papers, No 686.

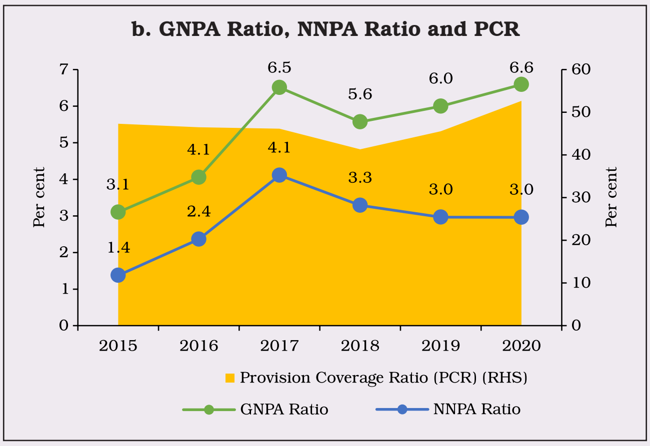
2.10 Asset Quality

VI.41 Asset quality of the NBFC sector deteriorated as slippages rose in 2019-20. However, efforts were made by NBFCs to clean up their balance sheets, as reflected in their written-off and recovery ratios. The NNPA ratio remained stable and the provision coverage ratio (PCR) improved in the period under consideration (Chart VI.25). In 2020-21 (up to September), impairment in asset quality intensified.

VI.42 On the basis of the duration for which an asset remains non-performing, NPAs can be

Chart VI.25: Select Asset Quality Indicators of NBFCs
(At end-March)



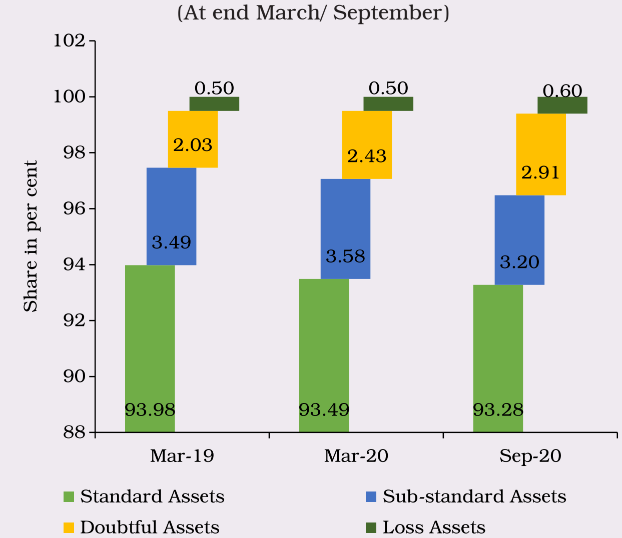


Note: Data are provisional.
Source: Supervisory Returns, RBI.

categorised into sub-standard, doubtful and loss assets. Since 2018-19, the proportion of standard assets has declined, as slippages to sub-standard category increased. In 2019-20, doubtful assets also registered a marginal uptick while the share of loss assets remained constant (Chart VI.26). In H1: 2020-21, standard assets shrunk further even as the proportion of doubtful and loss assets increased.

VI.43 The GNPA ratio of NBFCs-ND-SI deteriorated in 2019-20 on account of worsening asset quality of NBFCs- ICC. IFCs reported an improvement in their GNPA ratio, mirroring resolution in stressed assets of a prominent government NBFC. NBFCs-MFI registered further improvement in asset quality, reflecting the inherently healthy quality of the MFI loan portfolio (Chart VI.27a). The NNPA ratio for NBFCs-ND-SI remained stable, reflecting improved provisions, though there was an increase in the NNPA ratio of ICCs. On the other hand, the NNPA ratio of IFCs and NBFC-MFIs declined, with the latter reporting no NNPAs at end-March 2020

Chart VI.26: Classification of NBFCs' Assets
(At end March/ September)



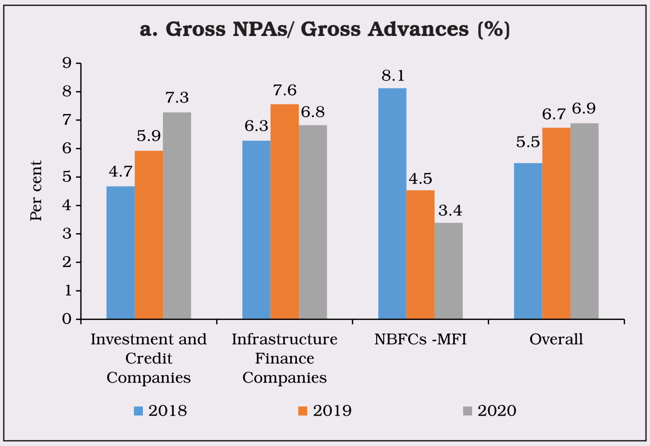
Note: Data are provisional.
Source: Supervisory Returns, RBI.

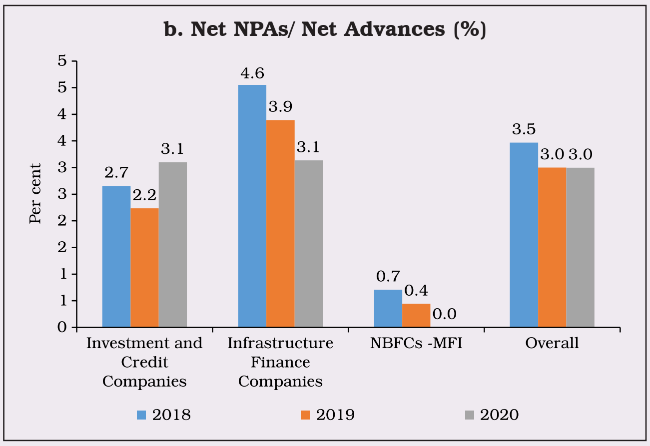
(Chart VI.27b). In H1:2020-21, the GNPA and NNPA ratios of NBFCs-ND-SI inched up.

VI.44 A sectoral snapshot of stressed assets of NBFCs-ND-SI[5] shows that industry, which is the largest recipient of NBFC lending traditionally had the highest share of stressed assets. The

[5] Stressed assets= NPAs+ restructured loans

Chart VI.27: NPAs of NBFCs-ND-SI
(At end-March)

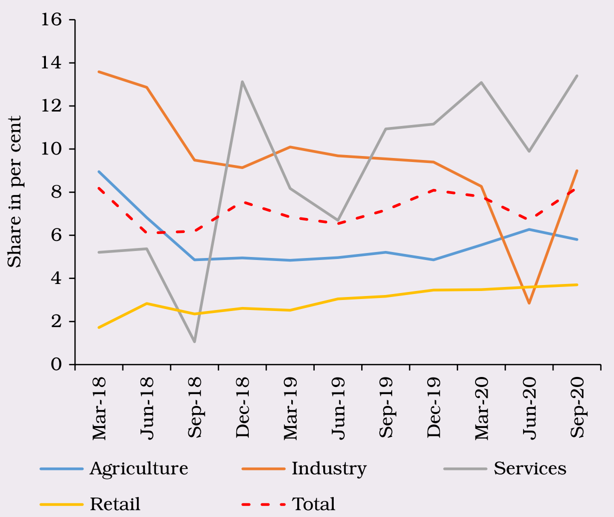




Note: Data are provisional.
Source: Supervisory Returns, RBI.

distress in the services sector, particularly in commercial real estate with 34.7 per cent share in services sector loans and advances, became apparent as it's stressed assets shot up in 2019-20, surpassing those in industry (Chart VI.28). However, in the light of the economic damage inflicted by COVID-19 across segments, the asset quality of NBFCs may worsen even in the retail loans category, which is generally considered a safe haven with the lowest share of stressed assets. In this regard, the Reserve Bank announced a six- month moratorium on loan repayments till August 31, 2020 and subsequently a one-time debt restructuring plan, which are geared to stem a rise in NPAs and cushion the impact of the pandemic on the financial ecosystem.

Chart VI.28: Stressed Assets of NBFCs-ND-SI by Sector



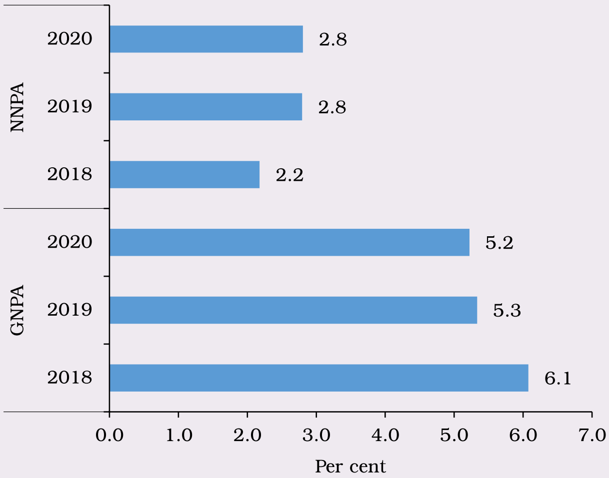
Note: Data are provisional.
Source: Supervisory Returns, RBI.

VI.45 NBFCs-D fared better than NBFCs-ND-SI in terms of asset quality. They exhibited a marginal decline in their GNPA ratio in 2019-20, aided by steady growth in disbursements. Their NNPA ratio also remained stable (Chart VI.29). In 2020-21 (up to September), their asset quality registered further improvement.

2.11 Capital Adequacy

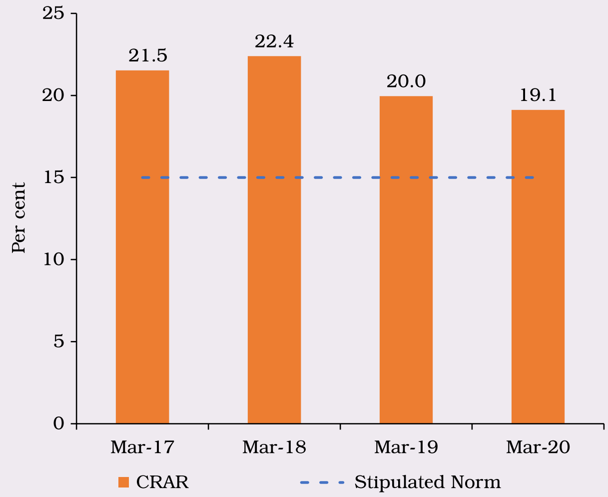
VI.46 The system-level capital to risk-weighted assets ratio (CRAR) of NBFCs dipped marginally due to an uptick in NPAs in 2019-20. However, they remained well-capitalised (Chart VI.30), maintaining Tier-1 capital of 16 per cent at end-March 2020, much higher than the regulatory stipulation of 10 per cent.

Chart VI.29: Gross and Net NPA Ratios of NBFCs-D
(At end-March in per cent)



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

Chart VI.30: Capital Position of NBFC Sector



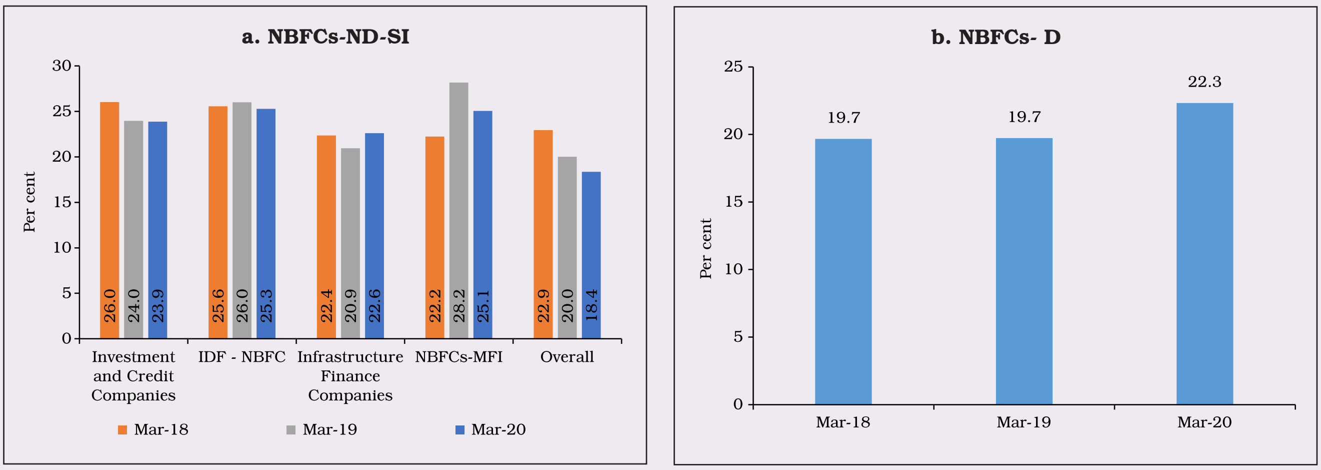
CRAR: Capital to Risk-weighted Assets Ratio= Tier I plus Tier II Capital by Risk- weighted assets
Source: Supervisory Returns, RBI.

VI.47 Amongst NBFCs-ND-SI, IFCs registered an improvement, buoyed by an increase in Tier-1 capital. CRARs of NBFCs-MFI deteriorated due to capital erosion and increase in their risk-weighted assets (Chart VI.31a). On the other hand, NBFCs-D registered an increase in their CRARs on the back of equity infusion, which led to a strengthening of their balance sheets (Chart VI.31b). Both NBFCs-ND-SI and NBFCs-D adhered to capital adequacy norms prescribed by the Reserve Bank.

2.12 Exposure to Sensitive Sectors

VI.48 The Reserve Bank has identified capital markets, real estate and commodities as sensitive sectors in view of the risks that emanate from fluctuations in their prices. NBFCs have been progressively curtailing their exposure to real

Chart VI.31: CRAR of NBFCs by Category



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

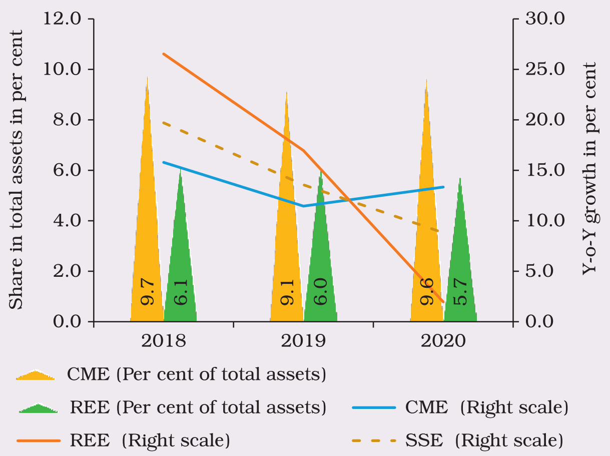
estate due to funding constraints and dissuaded by stress in the sector. There was a steep fall in credit extended to real estate in 2019-20 even as capital market exposure edged up. Consequently, a marginal increase in sensitive sector exposure was registered (Chart VI.32).

2.13 Residuary Non-Banking Companies (RNBCs)

VI.49 The principal business of RNBCs is collecting deposits and deploying them in approved securities, as directed by the Reserve Bank. The number of RNBCs has consistently declined since 1998-99, at end- March 2020, only one RNBC remained in operation which is not accepting any new deposits.

VI.50 In sum, the balance sheet growth of the NBFC sector decelerated considerably in 2019-20, mainly due to the challenges posed by a weak macroeconomic environment and compounded by the after-effects of the IL&FS default and resultant liquidity stress. On the liabilities side, market borrowings decelerated, with bank borrowings filling the funding gap. Deposit mobilisation by NBFCs-D continued to grow. RoA and RoE of NBFCs registered an improvement and they remained well-capitalised. As regards asset quality, the GNPA ratio deteriorated, but NNPA remained stable with PCR registering an improvement, signalling overall resilience of the sector.

Chart VI.32: Exposure to Sensitive Sectors
(At end-March)



CME: Capital Market Exposure; REE: Real Estate Exposure; SSE; Sensitive Sector Exposure.
Note: Data are provisional.
Source: Supervisory Returns, RBI.

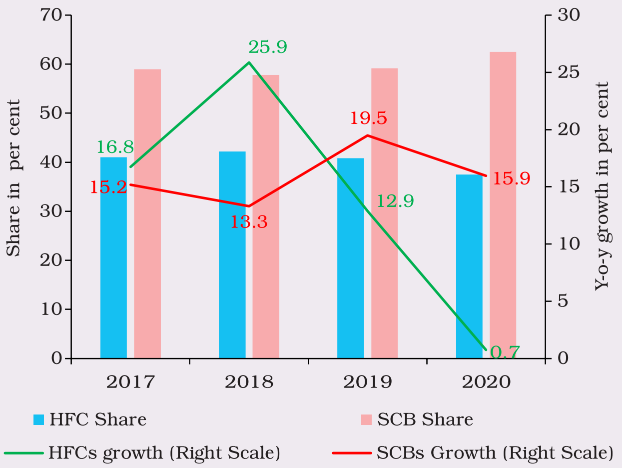
2.14 Housing Finance Companies (HFCs)

VI.51 Housing finance companies (HFCs) are specialized lending institutions which, along with SCBs, are the main purveyor of housing credit. The Finance (No.2) Act, 2019 (23 of 2019) amended the NHB Act, 1987 transferring regulation of HFCs to the Reserve Bank, effective August 9, 2019. HFCs are henceforth treated as a category of NBFCs for regulation purposes.

VI.52 On June 17, 2020, the Reserve Bank placed the draft regulatory framework for HFCs in the public domain seeking comments from stakeholders. Guidelines for HFCs were issued on October 22, 2020 (refer Chapter 3 paragraph III.47), *inter alia*, defining 'housing finance', 'principal business' and 'qualifying assets for HFCs', provision of a glidepath for transition to registered HFCs who do not currently qualify as HFC, minimum net owned funds for HFC and LCR. Harmonising the regulations between HFCs and NBFCs would be carried out in a phased manner over a period of two years; until such time, HFCs will follow the extant norms.

VI.53 HFCs experienced headwinds in 2019-20 due to liquidity stress and constraints on market access post DHFL event. Bank credit to the housing sector decelerated in 2019-20 (Chart VI.33).

Chart VI.33: Credit to Housing sector by HFCs and SCBs
(At end- March)



Note: Data for 2018-19 have been revised due to merger of a HFC with a SCB. Data are provisional.
Source: RBI and NHB.

VI.54 At the end of March 2020, there were 101 HFCs, of which only 17 were deposit taking entities out of which, six HFCs have to take prior permission for accepting deposits. Non-government public limited companies dominate the segment with 94 per cent of total assets. These entities experienced a slowdown in balance sheet growth to 4.5 per cent in 2019-20, from 14.5 per cent in 2018-19. The sole government HFC, with a share of 5.6 per cent in total assets, grew by 9.2 per cent in 2019-20, a deceleration from the expansion of 49 per cent in 2018-19 (Table VI.10).

2.14.1. Balance Sheet

VI.55 The growth of the consolidated balance sheet of HFCs decelerated to 4.3 per cent in 2019-20 *vis-à-vis* 16.4 per cent in 2018-19 on account of a sharp decrease in loans and advances and investments due to weakening of economic activity and risks accentuated by the pandemic. On the liabilities side, bank borrowings maintained a healthy pace *albeit* borrowings *via* market

Table VI.10: Ownership Pattern of HFCs
(At end-March)

(₹ crore)

Type	2019		2020	
	Number	Asset Size	Number	Asset Size
1	2	3	4	5
A. Government Companies	**1**	**72,839**	**1**	**79,535**
B. Non-Government Companies (1+2)	**98**	**12,72,300**	**100**	**13,29,608**
1. Public Ltd. Companies	78	12,69,634	76	13,25,040
2. Private Ltd. Companies	20	2,667	24	4,568
Total (A+B)	**99**	**13,45,139**	**101**	**14,09,143**

Source: NHB.

instruments like debentures and commercial paper contracted significantly, reflecting fading market confidence (Table VI.11).

2.14.2. Resource Profile of HFCs

VI.56 HFCs predominantly rely on debentures and bank borrowings for funds, constituting around 66 per cent of total resources (Chart VI.34). The dependence of HFCs on bank borrowings grew significantly in 2019-20, reflecting rising reliance on long term-resources amidst risk averse market conditions.

VI.57 In order to infuse liquidity into the housing finance system, the NHB opened an additional window called the Liquidity Infusion Facility (LIFt) Scheme for HFCs in August 2019. The objective of this scheme is to support HFCs in creating individual housing loan portfolios that fall under the priority sector. An amount of ₹ 10,000 crore was initially allotted under the scheme. The total refinance disbursed by NHB during the 2019-20 (July-June) was ₹31,258 crore, out of which, ₹27,551 crore was disbursed to HFCs to mitigate the liquidity stress faced by them.

Table VI.11: Consolidated Balance Sheet of HFCs
(At end-March)

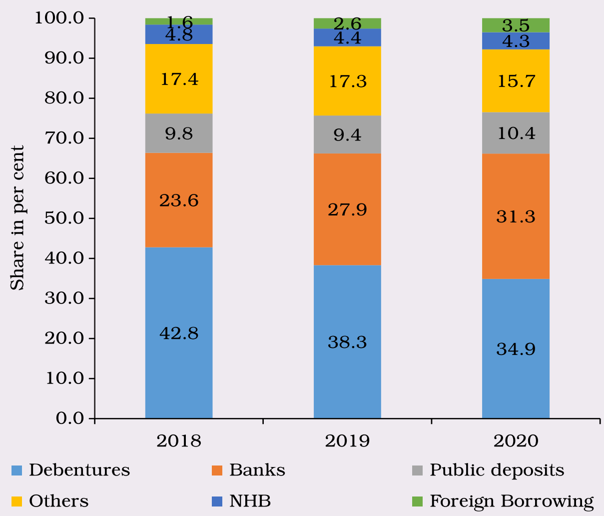
(₹ crore)

Items	2018	2019	2020	Percentage variation	
				2018-19	2019-20
1	2	3	4	5	6
1 Share capital	30,548	34,360	37,023	12.5	7.8
2 Reserves and surplus	1,25,922	1,54,807	1,46,420	22.9	-5.4
3 Public deposits*	1,21,886	1,07,389	1,19,795	-11.9	11.6
4 Debentures	4,11,317	4,76,297	4,02,926	15.8	-15.4
5 Bank borrowings	2,19,003	3,07,426	3,61,416	40.4	17.6
6 Borrowings from NHB$	45,825	48,361	49,673	5.5	2.7
7 Inter-corporate borrowings	4,013	35,627	6,206	787.8	-82.6
8 Commercial papers	98,324	80,646	46,631	-18.0	-42.2
9 Borrowings from Government	0	0	1,282		
10 Subordinated debts	20,200	18,595	17,584	-7.9	-5.4
11 Other borrowings	21,146	25,103	1,49,615	18.7	496.0
12 Current liabilities	32,052	14,003	20,501	-56.3	46.4
13 Provisions	12,812	8,578	7,524	-33.0	-12.3
14 Other**	18,410	40,397	42,548	119.4	5.3
15 Total Liabilities/ Assets	**11,61,459**	**13,51,590**	**14,09,143**	**16.4**	**4.3**
16 Loans and advances	9,45,149	11,91,727	11,97,097	26.1	0.5
17 Hire purchase and lease assets	4	0.2	33	-94.6	14855.9
18 Investments	73,877	90,406	98,062	22.4	8.5
19 Cash and bank balances	19,578	34,376	58,411	75.6	69.9
20 Other assets***	1,22,851	35,082	55,540	-71.4	58.3

*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.
$: Borrowings from NHB has been reconciled, as some of the HFCs, merged the NHB borrowings figures in the "Borrowings from Bank/ FIs.
Notes: Data are provisional, based on Ind AS as per Annual Reports of reporting companies.
Source: NHB

VI.58 Public deposits are another important source of funding for HFCs. Public deposit growth accelerated in 2019-20 (Chart VI.35); however, the share of deposits in total liabilities of HFCs has been steadily declining since 2015-16 till 2018-19, although it increased during 2019-20. The distribution of HFCs' deposits shows that almost 98 per cent of the deposits is concentrated in the 6-9 per cent interest rate bracket, reflecting reducing interest burden as well as the easing monetary policy stances (Chart VI.36). Furthermore, a maturity-wise analysis shows that depositors' preference is largely for the maturity period between 24 to 48 months. The acceleration in deposit growth was also seen in this bucket.

Chart VI.34: Resources Mobilised by HFCs
(At end- March)



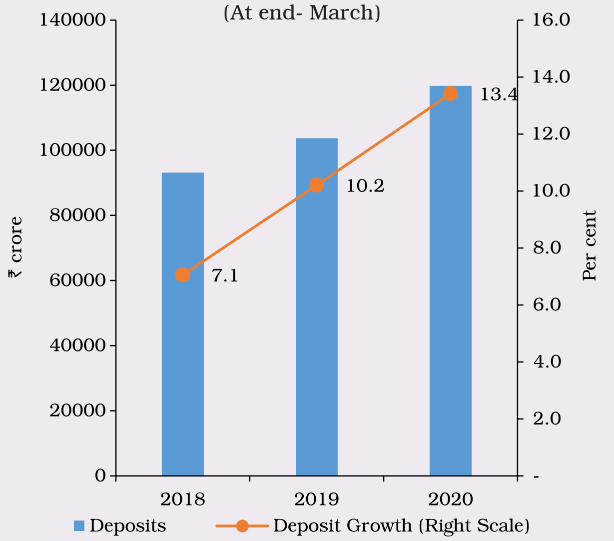
Note: Data are provisional.
Source: NHB.

2.14.3. Financial Performance

VI.59 The consolidated income of HFCs declined in 2019-20 on account of moderation of fund income. Expenditure also increase in

Chart VI.35: Public Deposits of HFCs

(At end- March)



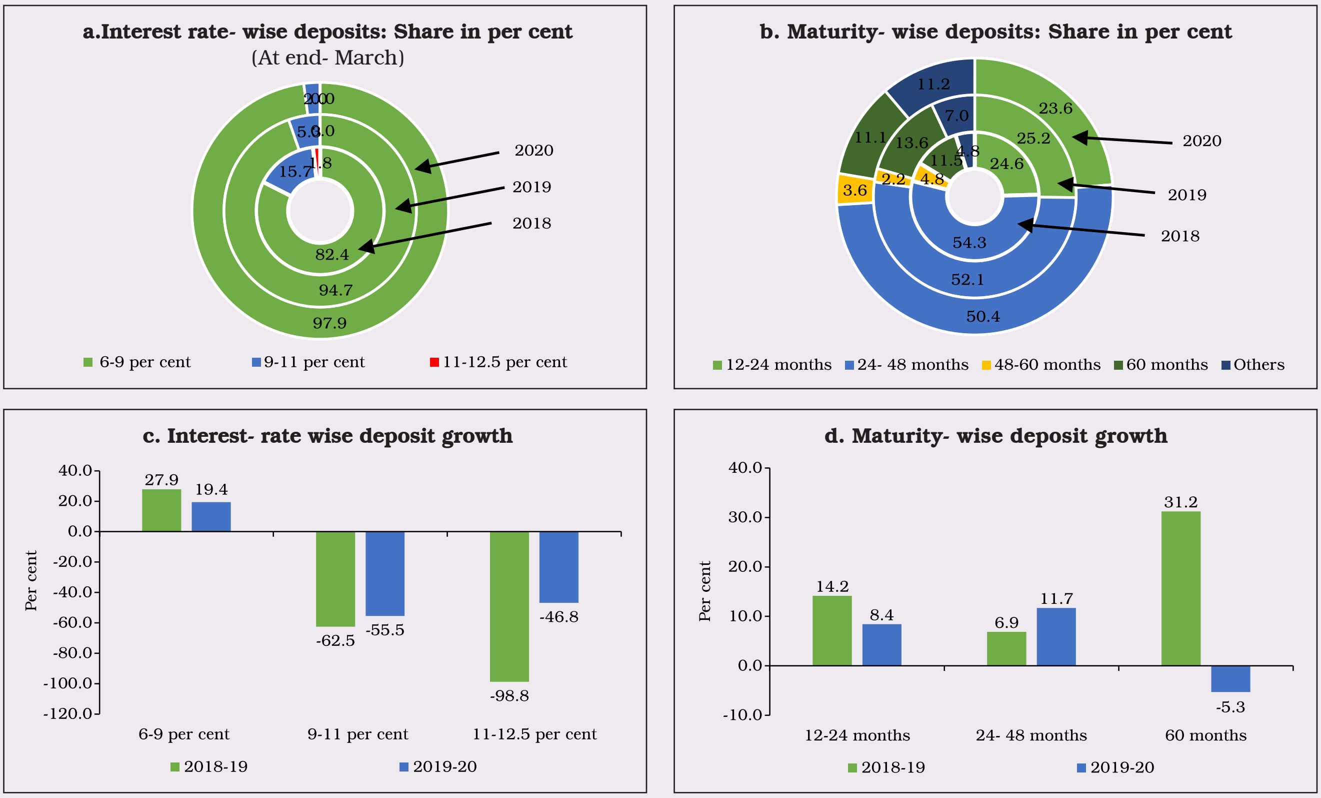
Note: Data are provisional.
Source: NHB.

2019-20 due to rising operating expenditure and substantial losses reported by two HFCs[6] (Chart VI.37). Income as a proportion to total assets stagnated on account of the moderation in total assets, while expenditure increased on account of a spike in operating expenses. As a result, there was a significant rise in the cost to income ratio in 2019-20. Meanwhile, the RoA deteriorated to zero due to a deep plunge in profits (Table VI.12).

2.14.4. Soundness Indicators

VI.60 GNPA and NNPA ratios had increased slightly in 2018-19 but they registered a leap in 2019-20 on account of marked decline

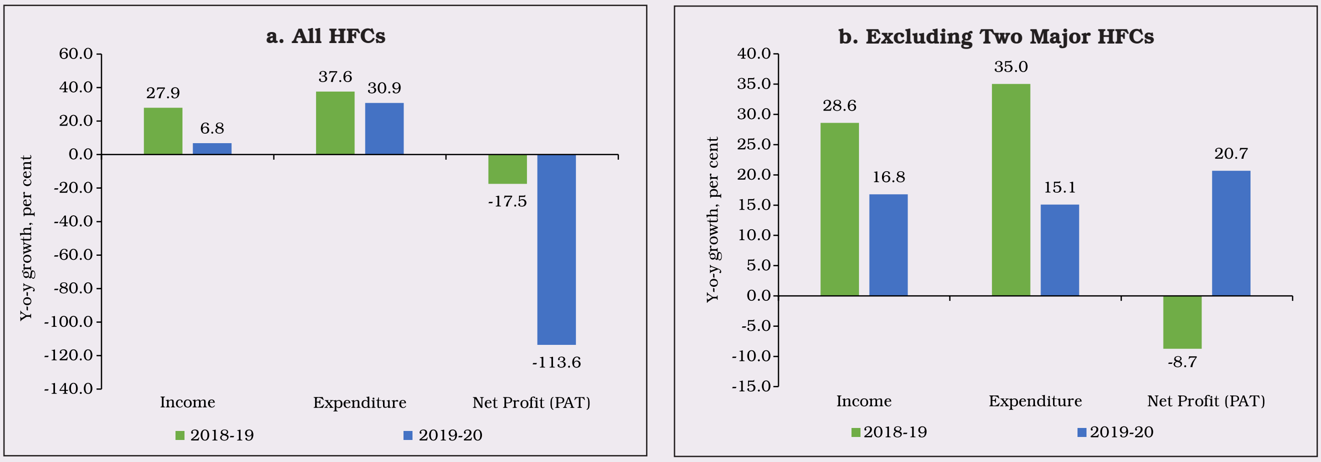
Chart VI.36: Dissection of HFC's Deposits



Note: Data are provisional.
Source: NHB.

[6] Two major HFCs have incurred heavy loss during the year; excluding those, the HFCs would have reported a profit of ₹24,220 crore in 2019-20

Chart VI.37: Financial Parameters of HFCs



Note: Data are provisional.
Source: NHB.

in net profit and provisioning (Chart VI.38). Two major HFCs registered a spurt in its GNPA and NNPA ratios in 2019-20. Without considering two major HFCs, GNPA and NNPA ratios stood at 1.4 per cent and 0.8 per cent, respectively in 2019-20 (Chart VI.39). In comparison to other NBFCs, however, the asset quality of HFCs worsened.

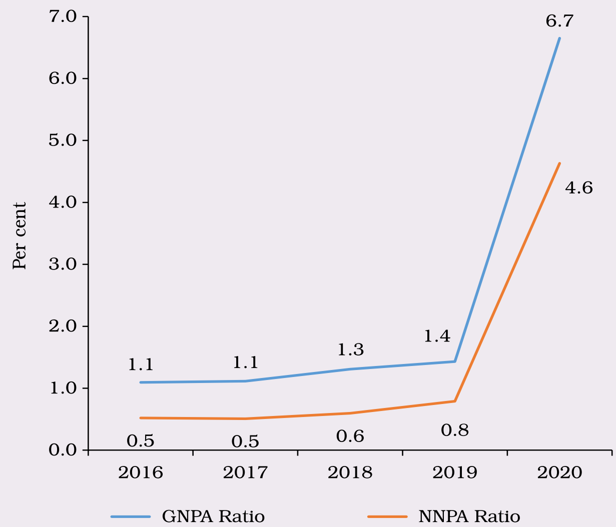
VI.61 To sum up, in 2019-20, generally muted credit demand, DHFL episode and the slowdown in the housing sector led to a sharp deceleration in loans and advances by HFCs. This, in turn, affected their profitability. After the outbreak of COVID-19, several regulatory and liquidity measures were announced by the Reserve Bank, along with the announcement of *Aatmanirbhar Bharat Abhiyan* by the Government, resulted in an improvement in the liquidity position of HFCs. The sounder HFCs were able to raise resources at lower rates from the market. The Liquidity Infusion Facility (LIFt) Scheme and participation in the equity share capital of HFCs by NHB will also help in quick revival of the sector.

Table VI.12: Financial Ratios of HFCs
(As per cent of Total Assets)
(At end-March)

Particulars	2016	2017	2018	2019	2020
1	2	3	4	5	6
Total Income	**10.5**	**10.0**	**9.0**	**10.0**	**10.2**
1. Fund Income	10.3	9.8	8.8	9.8	10.0
2. Fee Income	0.2	0.2	0.2	0.2	0.1
Total Expenditure	**7.5**	**7.4**	**6.6**	**7.9**	**9.9**
1. Financial Expenditure	6.8	6.4	5.7	6.4	6.4
2. Operating Expenditure	0.7	0.9	1.0	1.5	3.5
Tax Provision	0.9	0.8	0.7	0.7	0.6
Cost to Income Ratio (Total Exp./Total Income)	71.6	73.6	73.6	79.1	97.0
Return on Assets (RoA) (PAT/Total Assets)	2.0	2.1	2.0	1.4	0.0

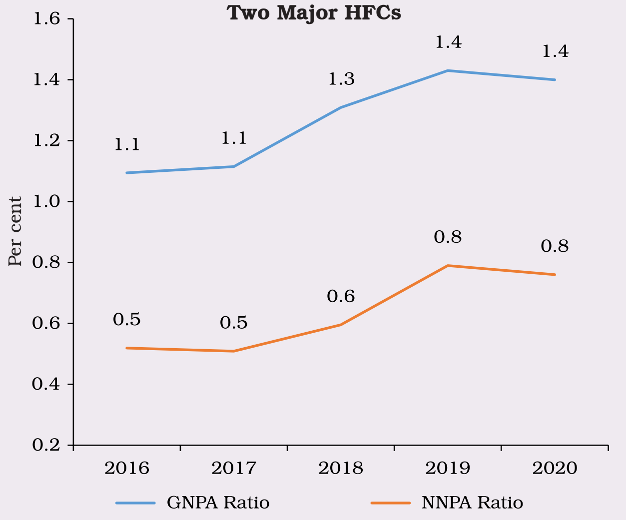
Source: NHB.

Chart VI.38: NPA Ratios of HFCs



Note: Data are provisional.
Source: NHB.

Chart VI.39: NPA Ratios of HFCs Excluding Two Major HFCs



Note: Data are provisional.
Source: NHB.

3. All India Financial Institutions

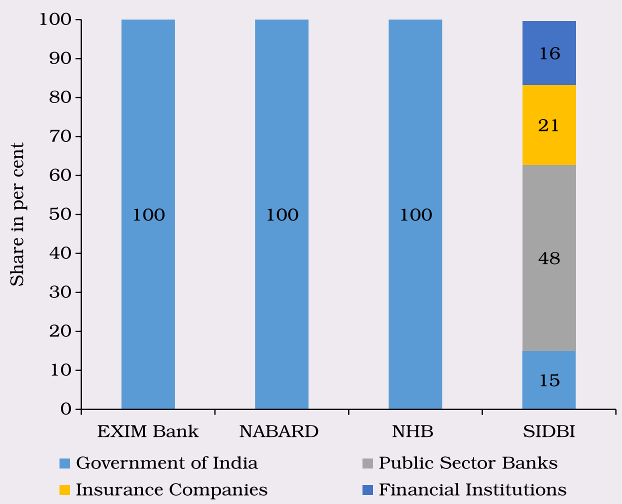
VI.62 All India financial institutions (AIFIs) such as the National Bank for Agriculture and Rural Development (NABARD), the Small Industries Development Bank of India (SIDBI) and the National Housing Bank (NHB) play an important role in meeting the long-term funding requirements of agriculture and the rural sector, small industries, housing finance companies, NBFCs and MFIs. In addition, Export Import Bank of India (EXIM Bank), functions as the principal financial institution promoting the country's international trade and providing financial assistance to exporters and importers.

VI.63 The Reserve Bank regulates and supervises these four all India financial institutions (AIFIs), *viz.*, NABARD, SIDBI, NHB and EXIM Bank. Consequent to the Reserve Bank's divestment of its entire shareholding in NHB on March 19, 2019, NHB has also become a wholly government-owned institution, along with NABARD and EXIM Bank (Chart VI.40).

3.1 AIFIs' Operations[7]

VI.64 Financial assistance sanctioned by AIFIs decelerated by 3.1 per cent during 2019-20, primarily due to decreased sanctions by NABARD. On the other hand, disbursement grew by 7.6 per cent in 2019-20. SIDBI recorded the highest disbursement growth, followed by NHB, reflecting its thrust on "Make in India" and "Vocal for Local" initiatives for MSMEs and "Housing for All by 2022" under the Pradhan Mantri Awas Yojana (Urban) and the Pradhan Mantri Awas Yojana (Gramin) by NHB. Disbursements by NABARD remained stagnant during the year. Financial assistance sanctioned by EXIM Bank increased moderately but disbursement declined on account of slowdown in exports and subdued macroeconomic conditions (Table VI.13 and Appendix Table VI.6).

Chart VI.40: Ownership Pattern of AIFIs
(At end-March 2020)



Note: Data are provisional.
Source: Respective Financial Institutions.

[7] 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: Financial Assistance Sanctioned & Disbursed by AIFIs

(₹ crore)

	2018-19		2019-20	
	S	D	S	D
1	2	3	4	5
EXIM BANK	38,001	36,660	40,255	33,735
NABARD	3,03,870	2,81,947	2,78,883	2,81,811
NHB	32,753	25,177	36,594	31,258
SIDBI	75,386	76,011	1,08,289	1,04,852
Total	**4,50,010**	**4,19,795**	**4,64,021**	**4,51,657**

S: Sanctions; D: Disbursements.
Note: Data are provisional.
Source: Respective Financial Institutions

3.2 Balance Sheet

VI.65 The consolidated balance sheet of AIFIs' expanded at slower pace in 2019-20 relative to a year ago on account of moderate growth in loans and advances, particularly by NABARD, and contraction in investments (Table VI.14). Loans and advances constituted the largest share-87.8 per cent in total assets of AIFIs, followed by investments at six per cent. On the liabilities side, AIFIs' reliance on borrowings contracted driven by a large decline reported by NABARD and SIDBI. NHB resorted to higher borrowings to finance its enhanced credit disbursements and investment activities. On the other hand, borrowings through bonds and debentures were robust across all AIFIs.

VI.66 Total resources raised by AIFIs declined in 2019-20 due to the slow pace of loans and advances and investments by AIFIs, barring EXIM Bank, which resorted to higher foreign currency borrowings. Out of total resources raised in 2019-20, NHB mobilised the highest share, followed by NABARD, SIDBI and EXIM Bank. Putting both together, NHB and NABARD accounted for 84 per cent of the total borrowings. Except SIDBI, AIFIs largely rely on short-term funds for financing their activities, particularly NHB which raises over 94 per cent of its resources *via* short term instruments. A gradual shift towards long term borrowings was observed in 2019-20 (Table VI.15).

Table VI.14: AIFIs' Balance Sheet

(₹ crore)

Liabilities	2019	2020	Percentage variation
			2019-20
1	2	3	4
1. Capital	26921 (3.2)	29921 (3.2)	11.1
2. Reserves	57042 (6.8)	63522 (6.8)	11.4
3. Bonds & Debentures	209059 (25.1)	263425 (28.0)	26.0
4. Deposits	336914 (40.4)	386674 (41.1)	14.8
5. Borrowings	149318 (17.9)	138621 (14.7)	-7.2
6. Other Liabilities	54293 (6.5)	58452 (6.2)	7.7
Total Liabilities / Assets	**833548**	**940615**	**12.8**
Assets			
1. Cash & Bank Balances	23437 (2.8)	35079 (3.7)	49.7
2. Investments	61257 (7.3)	59867 (6.4)	-2.3
3. Loans & Advances	729226 (87.5)	825620 (87.8)	13.2
4. Bills Discounted /Rediscounted	700 (0.1)	1395 (0.1)	99.3
5. Fixed Assets	1052 (0.1)	1220 (0.1)	16.0
6. Other Assets	17876 (2.1)	17433 (1.9)	-2.5

Note: Figures in parentheses are percentages of total liabilities/assets. Data are provisional.
Source: Respective Financial Institutions.

VI.67 The NABARD and the SIDBI together constituted around 77 per cent of resources raised by the AIFIs from the money market. However, resources raised through certificate of deposits increased across all AIFIs. The utilisation of borrowing limits remained narrowly higher (Table VI.16).

Table VI.15: Resources Mobilised by AIFIs in 2019-20

(₹ crore)

Institution	Total Resources Raised				Total Outstanding
	Long-Term	Short-Term	Foreign Currency	Total	
1	2	3	4	5	6
EXIM BANK	990	12,478	14,460	27,928	1,05,166
NABARD	98,115	1,82,090	0	2,80,205	4,42,886
NHB	18,123	2,76,755	0	2,94,877	79,005
SIDBI	52,118	29,115	10	81,244	1,61,200
Total	**1,69,346**	**5,00,438**	**14,470**	**6,84,254**	**7,88,257**

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. Data are provisional.
Source: Respective Financial Institutions.

3.3 Sources and Uses of Funds

VI.68 Funds raised and deployed by the AIFIs grew by 12 per cent in 2019-20 slightly lower in the previous year. Though NHB and SIDBI reported increase in fresh deployment, NABARD reported a marginal decline in fresh deployment. The share of repayment of past borrowings declined to 53.4 per cent from 64.3 per cent of the resources mobilised (Table VI.17).

Table VI.16: Resources Raised by AIFIs from the Money Market
(At end-March)#

(₹ crore)

Instrument	2018-19	2019-20
1	2	3
A. Total	**1,18,717**	**1,20,294**
i) Term Deposits	5,420	1,298
ii) Term Money	4,067	7,211
iii) Inter-corporate Deposits	7,431	8,177
iv) Certificate of Deposits	32,436	46,240
v) Commercial Paper	69,363	57,368
Memo Items:		
B. Umbrella Limit	1,03,887	1,17,538
C. Utilization of Umbrella limit* (A as percentage of B)	**131**	**104**

#: 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: Respective Financial Institutions.

Table VI.17: Pattern of AIFIs' Sources and Deployment of Funds

(₹ crore)

Items	2018-19	2019-20	Percentage variation
1	2	3	4
A. Sources of Funds			
i. Internal	31,32,555 (82.0)	36,18,908 (84.3)	15.5
ii. External	5,99,920 (15.7)	5,50,496 (12.8)	-8.2
iii. Others@	87,930 (2.3)	1,24,634 (2.9)	41.7
Total (i+ii+iii)	**38,20,405 (100)**	**42,94,037 (100)**	**12.4**
B. Deployment of Funds			
i. Fresh Deployment	7,77,016 (20.3)	8,05,091 (18.7)	3.6
ii. Repayment of Past Borrowings	24,58,210 (64.3)	22,93,775 (53.4)	-6.7
iii. Other Deployment	5,85,179 (15.3)	11,95,171 (27.8)	104.2
of which: Interest Payments	42,007 (1.1)	39,408 (0.9)	-6.2
Total (i+ii+iii)	**38,20,405**	**42,94,037**	**12.4**

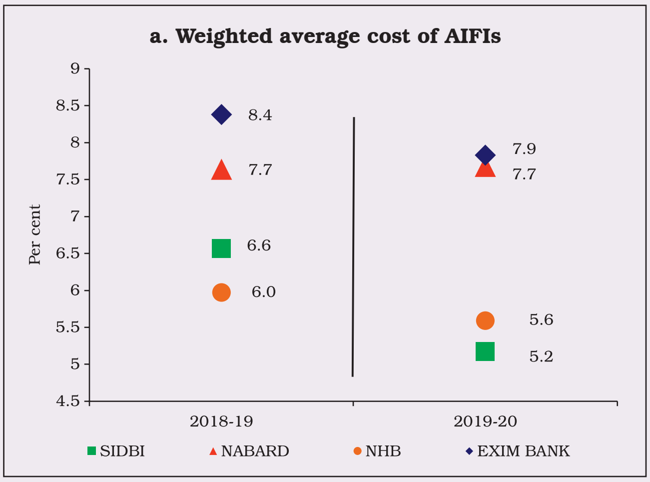
@: Includes cash and balances with banks and the Reserve Bank of India
Note: Figures in parentheses are percentages of total. Data are provisional.
Source: Respective Financial Institutions.

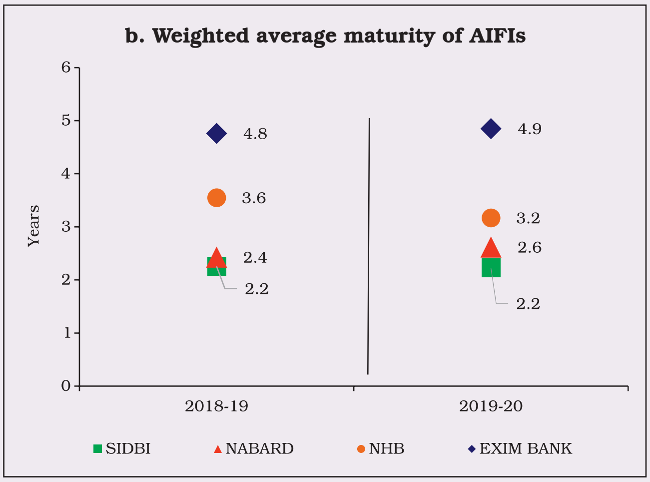
3.4 Maturity and Cost of Borrowings and Lending

VI.69 AIFIs were able to borrow at lower rates as the weighted average cost (WAC) of rupee resources raised by AIFIs decreased in 2019-20 *vis-à-vis* the previous year, except for NABARD (Chart VI.41a). The weighted average maturity (WAM) of rupee resources increased for NABARD and EXIM Bank but shortened for NHB and SIDBI (Chart VI.41b). The WAC of NABARD increased in 2019-20 as NABARD elongated its WAM, accompanied by rising long term costs.

VI.70 The long-term prime lending rate (PLR) marginally decreased across all AIFIs in 2019-20; NHB recorded the highest decline-60

Chart VI.41: Weighted Average Cost and Maturity of Rupee Resources Raised by AIFIs





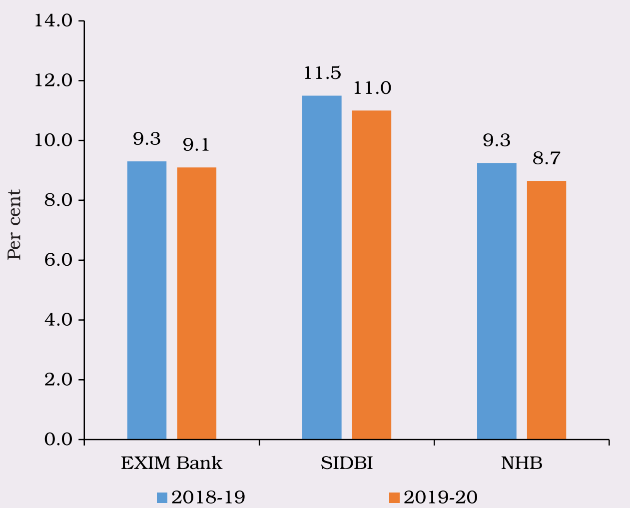
Note: Data are provisional.
Source: Respective Financial Institutions.

bps- followed by SIDBI, reflecting the monetary easing cycle (Chart VI.42).

3.5 Financial Performance

VI.71 AIFIs posted moderate growth in income during 2019-20 on account of deceleration in interest income, which constitutes the largest share in income. Expenditure slowed down at a faster pace, primarily on account of a substantial decrease in interest expenses, the largest element in expenditure. Operating expenses increased noticeably due to a hike in the wage bill and as a result, net profits of AIFIs posted a marginal increase during 2019-20 (Table VI.18).

Chart VI.42: Long-term PLR Structure of Select AIFIs



Note: Exim Bank is using long-term minimum lending rate based on the base rate. Data are provisional.
Source: Respective Financial Institutions.

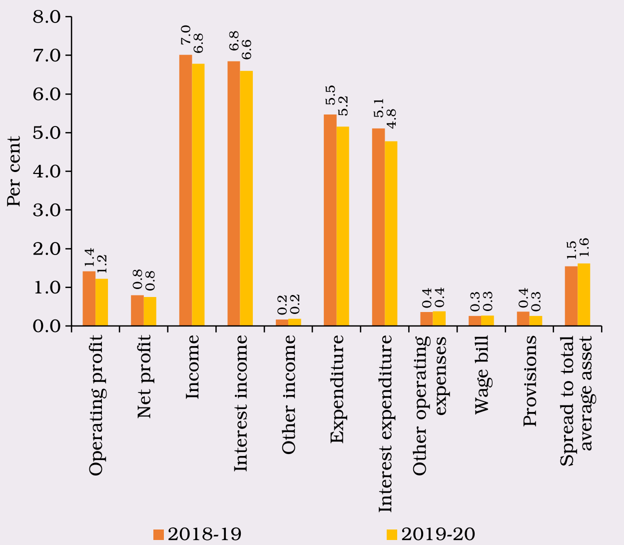
Table VI.18: Financial Performance of AIFIs

(₹ crore)

Type	2018-19	2019-20	Percentage Variation 2018-19	Percentage Variation 2019-20
1	2	3	4	5
A) Income	**53,957**	**58,461**	**22.1**	**8.3**
a) Interest Income	52,699 (97.7)	56,863 (97.3)	22.6	7.9
b) Non Interest Income	1,258 (2.3)	1,597 (2.7)	4.2	27.0
B) Expenditure	**42,109**	**44,500**	**22.2**	**5.7**
a) Interest Expenditure	39,321 (93.4)	41,237 (92.7)	24.3	4.9
b) Operating Expenses	2,789 (6.6)	3,263 (7.3)	-1.2	17.0
of which Wage Bill	1,987	2,323	-3.9	16.9
C) Provisions for taxation	**2,834**	**2,244**	**354.2**	**-20.8**
D) Profit				
Operating Profit (PBT)	10,845	10,525	15.9	-3.0
Net Profit (PAT)	6,132	6,493	142.9	5.9

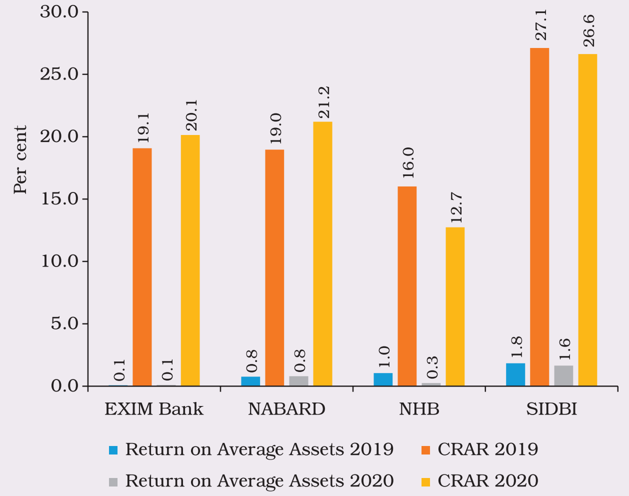
Note: Figures in parentheses are percentages of total income/expenditure. Data are provisional.
Source: Respective Financial Institutions.

Chart VI.43: AIFIs' Financial Ratios



Note: Data are provisional.
Source: Respective Financial Institutions.

Chart VI.44: Select Financial Parameters of Financial Institutions



Note: Data are provisional.
Source: Respective Financial Institutions.

VI.72 Under financial ratios, operating profit as a ratio of total average assets decreased in line with the reduction in interest income. However, other financial ratios, except the ratio of spread to total average assets, decreased or remained unchanged in 2019-20 on a year-on-year basis (Chart VI.43).

VI.73 Interest income remained the major source of income for AIFIs, during 2019-20. Barring NABARD, interest income as a ratio of the average working funds for all AIFIs declined. Operating profits of NABARD and SIDBI improved, indicating efficient utilisation of working funds; however, operating profits of EXIM Bank and NHB moderated during the year in line with ebbing of interest income. (Table VI.19).

VI.74 Except for NABARD, the return on assets (RoA) for all AIFI's remained stagnant or moderated in 2019-20. The RoA of SIDBI remained higher than the average for AIFIs, followed by NABARD and NHB. However, the CRAR for all AIFIs remained higher than the stipulated norm of 9 per cent (Chart VI.44).

3.6 Soundness Indicators

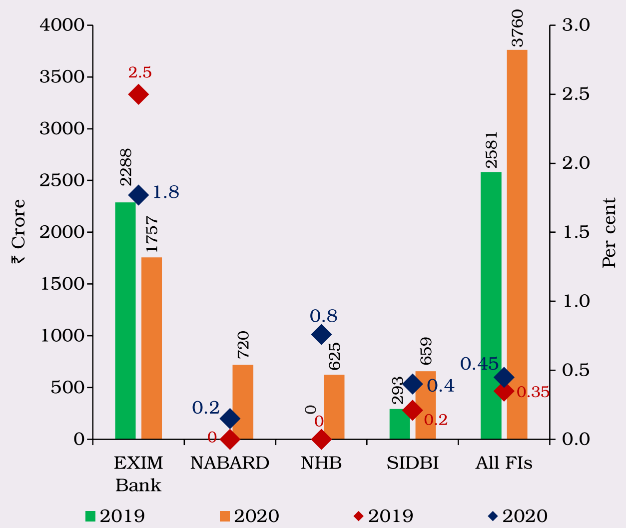
VI.75 AIFIs' net NPAs ratios increased during 2019-20. There was a noticeable decrease in

Table VI.19: AIFIs' Select Financial Parameters

Items	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)	
	2019	2020	2019	2020	2019	2020	2019	2020
EXIM Bank	7.8	7.2	0.3	0.4	1.9	1.8	23	35
NABARD	6.6	6.7	0.0	0.0	1.2	1.4	89	108
NHB	7.1	6.3	0.4	0.1	2.6	1.9	672	153
SIDBI	6.9	6.5	0.3	0.6	1.8	2.2	176	221

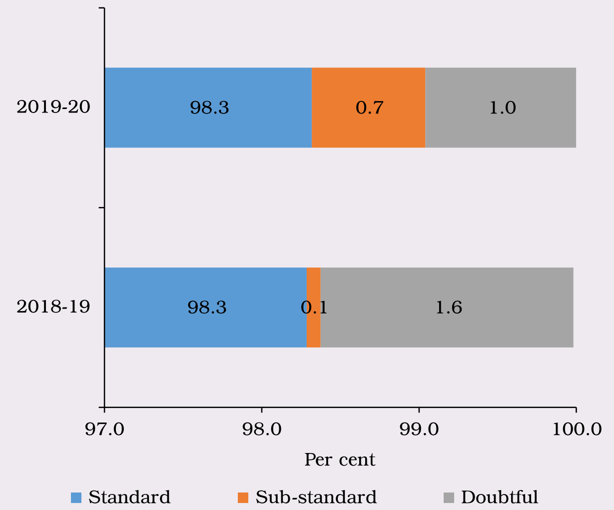
Note: Data are provisional.
Source: Respective Financial Institutions.

Chart VI.45: AIFIs' Net NPAs



Note: Data are provisional.
Source: Respective Financial Institutions.

Chart VI.46: AIFIs' Assets Classification



Note: Data are provisional.
Source: Respective Financial Institutions.

NPAs of EXIM Bank, while SIDBI reported an increase (Chart VI.45). The sharp decline in net NPAs of EXIM bank was partly reflective of higher provisioning.

VI.76 Overall, AIFIs continued to maintain stable asset quality as reflected in the ratio of standard assets in 2019-20 (Chart VI.46). The EXIM Bank still holds a high portion of doubtful assets in its portfolio, which accounted for around 96 per cent of the doubtful assets of all AIFIs taken together.

4. Primary Dealers

VI. 77 At end-March 2020, there were 21 primary dealers (PDs), 14 of which operate as bank departments and 7 as standalone PDs (SPDs) registered as NBFCs under Section 45 IA of the RBI Act, 1934.

4.1 Operations and Performance of PDs

VI. 78 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 2019-20, achievement of all PDs was in excess of their minimum bidding commitments by subscribing to 71.7 per cent of the total quantum of T-Bills / CMBs issued during the year, marginally higher than 71.4 per cent achieved in the previous year. PDs' share of allotment in the primary issuance of dated securities reduced to 48.0 per cent in 2019-20, marginally lower than 50.6 per cent in the previous year (Table VI.20). In H1:2020-21, PDs' achieved a share of 68.05 per cent in total issuance of T-Bills and CMBs. During H1:2020-21, against total issuance of dated Government securities of ₹7,66,000 crore, allotment to PDs stood at 52.4 per cent as against 44.8 per cent during H1: 2019-20.

VI. 79 Partial devolvement on PDs took place on two instances, amounting to ₹3,606 crore during 2019-20 as against seven instances for ₹14,600 crore in 2018-19. The underwriting commission paid to PDs during 2019-20 was considerably

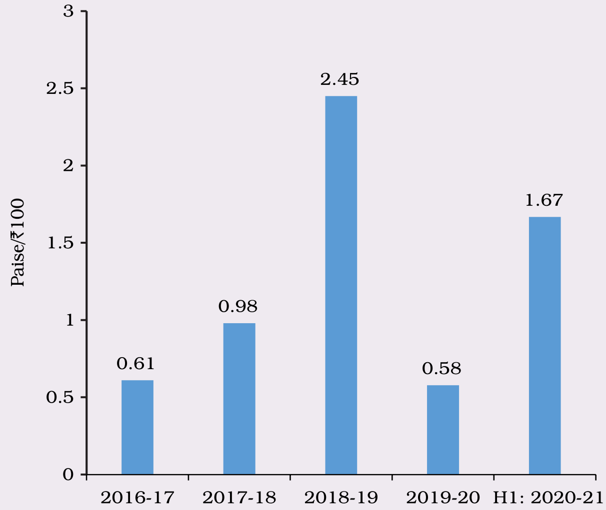
Table VI.20: Performance of PDs in the Primary Market

(₹ crore)

Items	2018-19	2019-20	2020-21 H1
1	2	3	4
Treasury Bills and CMBs			
(a) Bidding commitment	9,99,551	13,83,666	12,05,743
(b) Actual bids submitted	37,32,398	41,92,322	34,05,613
(c) Bid to cover ratio	3.7	3.0	2.8
(d) Bids accepted	6,70,849	8,51,816	7,03,521
(e) Success ratio (d) / (a) (in Per cent)	67.1	61.6	58.3
Central Government Dated Securities			
(f) Notified amount	5,71,000	7,10,000	7,66,000
(g) Actual bids submitted	12,60,201	15,31,570	13,97,830
(h) Bid to cover ratio	2.2	2.2	1.8
(i) Bids of PDs accepted	2,88,748	3,40,610	4,01,701
(j) Share of PDs (i)/(f) (in per cent)	50.6	48.0	52.4

Source: Returns filed by PDs.

Chart VI.47: Average Rate of Underwriting Commission of PDs



Note: Data are provisional.
Source: Returns submitted by PDs.

lower at ₹41.0 crore than ₹139.9 crore in the previous year. The decreased underwriting commission can be attributed to Reserve Banks's operations to ensure sufficient liquidity in the economy and to smoothen volatility, thus resulting in lower devolvement risk for PDs during the year. As a result, the average rate of underwriting commission fell from ₹2.45 paise/₹100 in 2018-19 to ₹0.58 paise/₹100 in 2019-20 (Chart VI.47). There were four instances of devolvement during H1:2020-21 aggregating to ₹58,455 crore. The underwriting commission paid to the PDs during the half year amounted to ₹116.41 crore, which works out to 1.67p/₹100.

VI. 80 In the secondary market, all PDs individually achieved the required minimum annual total turnover ratio. The minimum turnover targets through outright transactions for dated G-secs is set at 5 times the average month-end stock of securities held by PDs. Similarly, the minimum ratio to be achieved through outright transactions exclusively is 3 times for T-bills. The overall turnover target, which include repo transactions, is set at 10 and 6 times of the average month-end stock for dated G-secs and T-bills respectively.

4.2 Performance of Standalone PDs

VI. 81 In the secondary market outright segment, the quantum of turnover of standalone primary dealers (SPDs) increased in comparison with the previous year. Due to comparatively higher growth overall market turnover (42 per cent) *vis-à-vis* SPDs' turnover (32 per cent), a decrease was observed in the share of SPDs in the total market turnover during 2019-20. In the repo segment, the quantum and share of SPDs in total market turnover increased in comparison with the previous year. SPDs' share in cumulative market turnover across both segments for 2019-20 was 37.7 per cent which increased due to the rise in the repo turnover. In H1:2020-21, the share of SPDs in the secondary market in the outright and repo segment was 23.7 per cent and 45.4 per cent respectively. Total market share across both segments was 38.0 per cent (Table VI.21).

Table VI.21: Performance of SPDs in the G-secs Secondary Market

(₹ crore)

Items	2018-19	2019-20	H1:2020-21
1	2	3	4
Outright			
Turnover of SPDs	27,74,591	36,56,472	13,27,615
Market turnover	93,55,007	1,33,08,365	56,13,228
Share of SPDs (Per cent)	29.7	27	23.7
Repo			
Turnover of SPDs	47,57,405	69,29,624	49,71,439
Market turnover	1,35,66,142	1,47,99,714	1,09,56,860
Share of SPDs (Per cent)	35.1	47	45.4
Total (Outright + Repo)			
Turnover of SPDs	75,31,996	1,05,86,096	62,99,054
Market turnover	2,29,21,149	2,81,08,079	1,65,70,088
Share of SPDs (Per cent)	32.9	37.7	38

Notes: 1. Total turnover for standalone PDs for outright and repo trades includes both sides quantity that is, buy+sell.
2. In case of repo, only 1st leg is considered for SPDs' turnover.
3. 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. 82 Funds mobilised by SPDs rose by 26.2 per cent on a year-on-year basis in 2019-20. Borrowings remained the major source of SPDs' funding, accounting for 90.3 per cent of the total sources of funds. The quantum of secured and unsecured loans increased during this period in comparison with the previous year (Table VI.22).

VI. 83 The largest share of investments of SPDs are held in the form of current assets, which also increased by 27.8 per cent on a year-on-year basis (Table VI.22).

4.4 Financial Performance of SPDs

VI. 84 A substantial increase was observed in SPDs' profit after tax in 2019-20 in comparison with 2018-19 (Appendix Table VI.7). Interest and discount income rose due to increased holdings of treasury bills and government securities. Trading profits also witnessed a substantial increase due to lower volatility and the benign interest rate scenario during the period. Overall, income outpaced expenditure, resulting in higher profits for SPDs during 2019-20. During H1: 2020-21, PAT increased significantly compared to corresponding period of previous years due to increase in trading profits (Table VI.23).

Table VI.22: Sources and Applications of SPDs' Funds

(₹ crore)

Items	2018-19	2019-20	H1: 2020-21	Percentage variation 2019-20 over 2018-19
1	2	3	4	5
Sources of Funds	**55,133**	**69,573**	**80,591**	**26.2**
1. Capital	1,609	1,609	1,849	0.0
2. Reserves and surplus	4,052	5,154	6,569	27.2
3. Loans (a+b)	49,472	62,810	72,173	27.0
(a) Secured	38,696	49,181	60,261	27.1
(b) Unsecured	10,776	13,629	11,912	26.5
Application of Funds	**55,133**	**69,573**	**80,591**	**26.2**
1. Fixed assets	30	44	46	42.7
2. HTM investments (a+b)	454	493	144	8.6
(a) Government securities	447	358	-	-19.9
(b) Others	7	135	144	1765.2
3. Current assets	55,608	71,074	81,120	27.8
4. Loans and advances	640	809	2,450	26.5
5. Current liabilities	1,601	2,847	3,254	77.8
6. Deferred tax	7.5	1	90.1	-86.7
7. Others	-5.6	-1	-5.6	-85.6

Source: Returns submitted by PDs

VI. 85 Commensurate with the enhanced increase in PAT, SPDs' returns on net worth also increased in 2019-20. The cost to income ratio decreased during 2019-20 in comparison with the previous year on account of increased interest and discount income as well as trading profits, and expenditure remaining at similar levels. During H1: 2020-21 cost to income ratio of SPDs decreased further *vis-à-vis* corresponding periods of previous year on account of favourable market conditions (Table VI.24).

Table VI.23: Financial Performance of SPDs

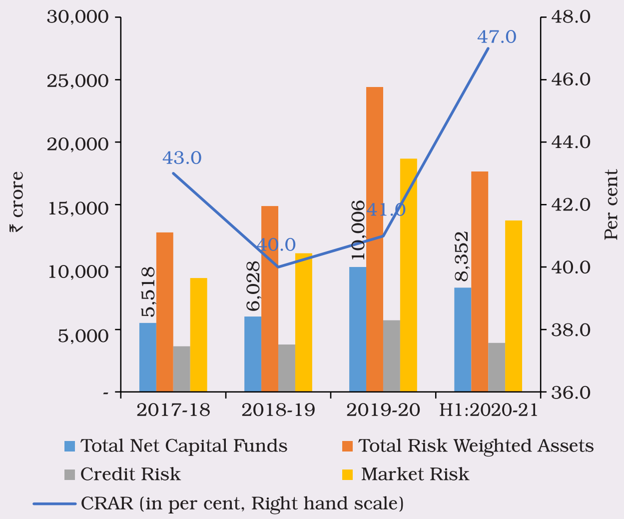
(₹ crore)

Items	2018-19	2019-20	H1: 2020-21	Variation 2019-20 over 2018-19	
				Amount	Per cent
1	2	3	4	5	6
A. Income (i to iii)	**3,518**	**5,367**	**3,412**	**1,849**	**52.6**
(i) Interest and discount	3,799	4,628	2,333	829	21.8
(ii) Trading profits	-344	682	1,082	1,026	298.3
(iii) Other income	63	57	-3	-6	-9.5
B. Expenses (i to ii)	**3,402**	**3,663**	**1,347**	**261**	**7.7**
(i) Interest	3,038	3,209	1,186	171	5.6
(ii) Other expenses including establishment and administrative costs	363	454	161	91	25.1
C. Profit before tax	**444**	**1,687**	**1,673**	**1,243**	**280**
D. Profit after tax	**304**	**1,276**	**1,240**	**972**	**319.7**

Note: Figures may not add up due to rounding-off.
Source: Returns submitted by PDs.

VI. 86 The combined CRAR for all SPDs increased marginally in 2019-20 and remained above the mandated 15 per cent. The capital buffers of the SPDs improved substantially during the year (Appendix Table VI.8). In H1: 2020-21, CRAR for all SPDs improved further (Chart VI.48).

Chart VI.48: Capital and Risk Weighted Asset Position of SPDs



Source: Returns submitted by PDs.

Table VI.24: SPDs' Financial Indicators

(₹ crore)

Indicators	2018-19	2019-20	H1: 2020-21
1	2	3	4
(i) Net profit	304	1276	1240
(ii) Average assets	54,487	69,631	80,855
(iii) Return on average assets (Per cent)	0.56	1.87	1.52
(iv) Return on net worth (Per cent)	5.8	21.31	16.67
(v) Cost to income ratio (Per cent)	75.7	21.05	7.24

Source: Returns submitted by PDs

5. Overall Assessment

VI.87 Growth in NBFCs' balance sheets decelerated considerably in 2019-20; however, NBFCs remained well capitalised with resilient asset quality *vis-à-vis* that of SCBs. In H1:2020-21, green shoots were visible as loans and advances rebounded. Challenges faced by the sector were exacerbated by the COVID-19 pandemic, causing funding constraints and triggering asset-quality concerns. The Reserve Bank and the Government undertook various liquidity and regulatory measures to augment liquidity and restore market confidence.

VI.88 Due to loan moratoria and asset classification standstill, asset quality shored up. However, many NBFCs have made additional provisioning as per expected credit loss (ECL) norm; and bolstered their capital position by ploughing back dividends. Going forward, profitability of NBFCs may be dampened due to loan impairment, lower credit demand and a tendency to preserve cash. Though economic activity is expected to remain muted in FY 2020-21, strong NBFCs maintain a 'cautiously optimistic' view and are expected to perform well as many have reported strong revival, almost to pre-COVID levels, in disbursements and collections. The Reserve Bank, on its part, remains steadfast and resolute in maintaining the sector's long-term resilience and preserving financial stability.

Appendix Table IV.1: Indian Banking Sector at a Glance

(Amount in ₹ crore)

Sr. No	Items	Amount Outstanding (As at end-March)		Percentage Variation	
		2019	2020 (P)	2018-19	2019-20
1	2	3	4	5	6
1	**Balance Sheet Operations**				
	1.1 Total Liabilities/assets	1,66,01,045	1,80,14,875	8.8	8.5
	1.2 Deposits	1,28,86,643	1,39,75,095	9.3	8.4
	1.3 Borrowings	17,09,670	16,96,046	1.6	-0.8
	1.4 Loans and advances	96,76,183	1,03,01,914	10.6	6.5
	1.5 Investments	43,22,464	46,89,842	4.8	8.5
	1.6 Off-balance sheet exposure (as percentage of on-balance sheet liabilities)	122.8	125.3	-	-
	1.7 Total consolidated international claims	6,29,621	5,78,412	-1.3	-8.1
2	**Profitability**				
	2.1 Net profit	-23,397	10,911	-	-
	2.2 Return on Asset (RoA) (Per cent)	-0.09	0.15	-	-
	2.3 Return on Equity (RoE) (Per cent)	-1.9	0.8	-	-
	2.4 Net Interest Margin (NIM) (Per cent)	2.7	2.8	-	-
3	**Capital Adequacy**				
	3.1 Capital to risk weighted assets ratio (CRAR) @	14.3	14.7	-	-
	3.2 Tier I capital (as percentage of total capital) @	85.5	85.5	-	-
	3.3 CRAR (tier I) (Per cent) @	12.2	12.6	-	-
4	**Asset Quality**				
	4.1 Gross NPAs	9,36,474	8,99,803	-9.9	-3.9
	4.2 Net NPAs	3,55,068	2,89,531	-31.8	-18.5
	4.3 Gross NPA ratio (Gross NPAs as percentage of gross advances)	9.1	8.2	-	-
	4.4 Net NPA ratio (Net NPAs as percentage of net advances)	3.7	2.8	-	-
	4.5 Provision Coverage Ratio (not write-off adjusted) (Per cent)**	60.5	66.2	-	-
	4.6 Slippage ratio (Per cent)	4.0	3.8	-	-
5	**Sectoral Deployment of Bank Credit**				
	5.1 Gross bank credit	95,26,932	1,00,98,420	13.4	6.0
	5.2 Agriculture	12,17,594	12,39,575	10.0	1.8
	5.3 Industry	32,93,638	32,52,801	5.2	-1.2
	5.4 Services	26,02,287	27,54,824	25.1	5.9
	5.5 Retail loans	23,04,313	26,59,250	18.6	15.4
6	**Technological Development**				
	6.1 Total number of credit cards (in lakhs)	471	577	25.6	22.5
	6.2 Total number of debit cards (in lakhs)	9,058	8,286	5.2	-8.5
	6.3 Number of ATMs	2,02,196	2,10,760	-2.3	4.2
7	**Customer Services**				
	7.1 Total number of complaints received during the year	1,84,730	3,06,702	22.7	66.0
	7.2 Total number of complaints addressed	1,82,602	3,05,592	23.3	67.4
	7.3 Percentage of complaints addressed	89.1	92.9	-	-
8	**Financial Inclusion**				
	8.1 Credit-deposit ratio (Per cent)	75.1	73.7	-	-
	8.2 Number of new bank branches opened	4,516	4,116	14.6	-8.9
	8.3 Number of banking outlets in villages (Total)	5,97,155	5,99,217	4.8	0.3

Notes: 1. P: Provisional.
2. **: Based on off-site returns.
3. @Figures are as per the Basel III framework.
4. Percentage variation could be slightly different as figures have been rounded off to lakh/crore.

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		Payments Banks		Scheduled Commercial Banks	
	2019-20	Per cent Variation	2019-20	Per cent Variation	2019-20	Per cent Variation	2019-20	Per cent Variation	2019-20	Per cent Variation	2019-20	Per cent Variation
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Forward exchange contract@	21,13,658 (19.6)	-16.4	60,48,238 (103.7)	13.0	1,08,65,646 (858.7)	17.1	0 (0.0)	-	0.0 (0.0)	-	1,90,27,542 (105.6)	10.9
2. Guarantees given	5,03,692 (4.7)	-5.7	4,59,096 (7.9)	2.4	1,61,336 (12.8)	0.9	816 (0.6)	245.1	0.0 (0.0)	-	11,24,940 (6.2)	-1.6
3. Acceptances, endorsements, etc.	7,15,132 (6.6)	11.9	2,51,155 (4.3)	-19.2	14,54,965 (115.0)	29.5	710 (0.5)	49.2	0.3 (0.02)	-	24,21,963 (13.4)	16.8
Contingent Liabilities	33,32,482 (30.9)	-10.0	67,58,489 (115.9)	10.6	1,24,81,948 (986.5)	18.2	1,526 (1.1)	114.2	0.3 (0.02)	-	2,25,74,446 (125.3)	10.8

Notes: 1. - : Nil/Negligible.
2. Figures in brackets are percentages to total liabilities of the concerned bank-group.
3. @: includes all derivative products (including interest rate swaps) as admissible.
4. Due to rounding off of figures, the constituent items may not add up to totals.

Source: Annual accounts of banks.

Appendix Table IV.3: Kisan Credit Card Scheme: State-wise Progress *(Continued)*

(As at end-March 2020)

(Amount in ₹ Crore and number of cards 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	
		2019	2020	2019	2020	2019	2020	2019	2020
1	2	3	4	5	6	7	8	9	10
	Northern Region	**5,274**	**5,253**	**27,151.2**	**27,225.3**	**1,177**	**1,251**	**27,411**	**29434**
1	Haryana	1,193	1,187	10,014.4	10,602.0	257	269	6867	7388
2	Himachal Pradesh	96	103	1,477.8	1,614.1	48	55	615	706.1
3	Jammu & Kashmir	10	9	58.0	61.0	68	89	669.6	779.2
4	New Delhi #$	1	0.41	10.9	7.3	-	-	-	-
5	Punjab	969	958	6,421.1	7,308.2	144	152	4,833.0	5,089.4
6	Rajasthan	3,005	2,995	9,169.0	7,632.7	661	687	14,427.1	15,471.8
7	Chandigarh #$	-	-	-	-	-	-	-	-
	North-Eastern Region	**77**	**110**	**139.1**	**148.6**	**427**	**426**	**1,424.7**	**1,493.0**
8	Assam	1	1	10.9	16.7	279	274	1,053.8	1,104.5
9	Arunachal Pradesh #	1	1	4.0	4.8	3	3	26.4	24.4
10	Meghalaya #	16	16	32.0	32.0	21	22	110.6	124.8
11	Mizoram #	1	1	9.0	5.9	11	10	58.6	56.4
12	Manipur #	1	1	1.6	3.5	9	9	28.0	30.9
13	Nagaland #	3	4	15.9	17.6	1	1	1.5	1.7
14	Tripura #	45	86	57.7	66.3	104	107	145.8	150.3
15	Sikkim #$	9	1	8.0	1.7	-	-	-	-
	Western Region	**4,184**	**4,088**	**25,825.3**	**27,723.6**	**801**	**732**	**8,758.7**	**8,951.8**
16	Gujarat	1,005	933	9,380.8	10,822.5	329	357	5,081.0	5,814.8
17	Maharashtra	3,177	3,153	16,425.9	16,883.3	472	375	3,677.7	3,136.9
18	Goa $	2	2	18.5	17.7	-	-	-	-
19	Daman and Diu @#$	-	-	-	-	-	-	-	-
20	Dadra and Nagar Haveli @$	-	-	-	-	-	-	-	-
	Central Region	**9,052**	**7,776**	**26,383.6**	**27,070.5**	**4,115**	**4,031**	**43,561.4**	**45,175.2**
21	Uttar Pradesh	3,202	2,654	6,354.6	6,401.7	3,436	3,361	35,501.0	36,976.5
22	Uttarakhand	234	260	987.1	1,091.1	43	41	306.1	294.7
23	Madhya Pradesh	4,614	3,711	16,758.6	17,977.3	467	470	6,896.2	7,255.5
24	Chhattisgarh	1,001	1,152	2,283.4	1,600.4	168	158	858.1	648.5
	Southern Region	**7,216**	**6,871**	**33,609.9**	**38,566.7**	**3,162**	**3,204**	**31,110.8**	**35,947.3**
25	Karnataka	2,509	2,742	11,515.5	13,593.4	631	536	9,130.3	11,146.2
26	Kerala	836	538	3,274.3	3,316.5	146	161	1,309.9	1,539.0
27	Andhra Pradesh **	1,563	1,440	8,146.3	9,182.8	1,015	1,059	10,152.4	10,839.3
28	Tamil Nadu	1,479	1,330	7,203.5	8,637.9	35	33	279.1	282.3
29	Telangana	822	814	3,462.0	3,827.3	1,333	1,414	10,226.5	12,128.0
30	Lakshdweep @$	-	-	-	-	-	-	-	-
31	Puducherry #	6	6	8.4	8.8	1	1	12.6	12.7
	Eastern Region	**4,612**	**4,840**	**14,326.9**	**16,000.1**	**2,572**	**2,555**	**14,805.2**	**15,693.5**
32	Odisha	2,795	2,877	10,573.3	11,306.7	490	477	2,380.9	2,441.6
33	West Bengal	1,538	1,703	3,276.7	4,223.0	324	299	1,515.1	1,324.0
34	Andaman and Nicobar Island@$	5	5	13.8	14.1	-	-	-	-
35	Bihar	253	240	425.5	410.9	1,390	1,400	9,300.7	10,118.7
36	Jharkhand**	21	14	37.6	45.4	367	379	1,608.6	1,809.2
	Total	**30,414**	**28,938**	**1,27,436.0**	**1,36,734.7**	**12,253**	**12,197**	**1,27,071.8**	**1,36,695.1**

Appendix Table IV.3: Kisan Credit Card Scheme: State-wise Progress (*Concluded)*

(As at end-March 2020)

(Amount in ₹ Crore and number of cards 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	
		2019	2020	2019	2020	2019	2020	2019	2020
1	2	11	12	13	14	15	16	17	18
	Northern Region	**4,084**	**4,188**	**1,32,445.0**	**1,33,966.8**	**10,549**	**10,692**	**1,87,040.3**	**1,90,626.5**
1	Haryana	655	687	26,293.0	26,792.9	2,107	2,144	43,206.3	44,782.6
2	Himachal Pradesh	214	219	3,682.8	3,861.0	357	377	5,774.1	6,181.3
3	Jammu & Kashmir	316	371	4,009.8	4,296.2	394	468	4,738.0	5,136.4
4	New Delhi #$	3	3	48.8	49.5	4	4	59.7	56.7
5	Punjab	833	860	43,673.4	43,819.8	1,957	1,969	54,958.4	56,217.5
6	Rajasthan	2,060	2045	54,480.2	54,869.5	5,727	5,726	78,047.6	77,974.1
7	Chandigarh #$	3	4	257.0	277.9	3	4	256.2	277.9
	North-Eastern Region	**762**	**614**	**4,807.8**	**3,606.0**	**1,267**	**1,143**	**6,372.8**	**5,182.7**
8	Assam	559	465	3,513.0	2,730.6	840	741	4,578.3	3,851.8
9	Arunachal Pradesh #	8	8	59.2	48.9	12	12	89.6	78.2
10	Meghalaya #	51	26	334.0	156.6	88	64	476.6	313.4
11	Mizoram #	9	7	75.4	47.9	21	18	143.0	110.2
12	Manipur #	15	14	112.2	97.7	24	25	142.3	132.1
13	Nagaland #	26	23	140.0	121.0	31	28	157.5	140.2
14	Tripura #	89	66	548.2	372.2	238	251	751.7	523.9
15	Sikkim #$	4	5	25.9	31.1	13	6	33.9	32.9
	Western Region	**3,240**	**3,423**	**56,572.5**	**55,107.8**	**8,225**	**8,243**	**91,157.1**	**91,783.1**
16	Gujarat	1,086	1,176	26,698.7	29,948.7	2,420	2,466	41,160.6	46,586.1
17	Maharashtra	2,146	2,242	29,706.9	25,089.3	5,795	5,769	49,811.2	45,109.6
18	Goa $	8	5	152.9	56.5	10	7	171.4	74.2
19	Daman and Diu @#$	-	-	8.2	7.6	-	-	8.2	7.6
20	Dadra and Nagar Haveli @$	-	-	5.7	5.6	-	-	5.7	5.6
	Central Region	**6,579**	**6,455**	**1,12,764.0**	**1,15,740.2**	**19,754**	**18,584**	**1,82,749.6**	**1,91,379.2**
21	Uttar Pradesh	4,499	4,315	65,192.2	66,387.3	11,144	10,649	1,07,065.1	1,13,070.2
22	Uttarakhand	204	212	4,344.3	4,532.1	482	516	5,648.1	6,006.5
23	Madhya Pradesh	1651	1,716	38,840.5	41,117.3	6,733	5,897	62,508.2	66,350.1
24	Chhattisgarh	226	212	4,386.9	3,703.5	1,396	1,522	7,528.1	5,952.5
	Southern Region	**5,459**	**5,792**	**85,347.2**	**90,645.0**	**15,837**	**15,752**	**1,50,068.9**	**1,64,684.8**
25	Karnataka	852	831	20,734.6	19,374.9	3,992	7,467	41,380.4	44,114.5
26	Kerala	313	381	9,730.2	11,006.7	1,296	1,080	14,314.4	15,862.1
27	Andhra Pradesh **	1,964	2,024	25,549.1	27,608.7	4,543	4,522	43,848.8	47,630.8
28	Tamil Nadu	550	585	11,865.8	12,226.6	2,065	1,948	19,348.4	21,146.7
29	Telangana	1,775	1,965	17,353.6	20,315.3	3,930	4,079	31,042.0	35,796.4
30	Lakshdweep @$	-	-	2.5	2.4	-	-	2.5	2.4
31	Puducherry #	5	4	111.4	110.5	12	12	132.4	132.0
	Eastern Region	**3,507**	**3,672**	**21,733.9**	**24,522.0**	**10,690**	**10,867**	**50,867.6**	**53,361.3**
32	Odisha	655	650	3,827.8	3,874.6	3,940	4,005	16,782.5	17,622.9
33	West Bengal	1,003	1,232	6,152.5	9,338.1	2,866	3,035	10,944.9	12,030.8
34	Andaman and Nicobar Island@$	-	-	2.2	1.5	5	5	16.0	15.6
35	Bihar	1,240	1,161	9,099.0	8,427.5	2,883	2,801	18,825.5	18,957.1
36	Jharkhand**	608	629	2,652.5	2,880.3	996	1,021	4,298.8	4,734.9
	Total	**23,632**	**24,145**	**4,13,670.4**	**4,23,587.8**	**66,323**	**65,280**	**6,68,256.3**	**6,97,017.6**

Note: 1. -: Nil / Negligible.
2. #: StCB functions as Central Financing Agencies.
3. @: No Co-operative Banks in these UTs.
4. No RRBs in these States/UTs.
5. 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	
	2019-20	Per cent Variation	2019-20	Per cent Variation	2019-20	Per cent Variation	2019-20	Per cent Variation	2019-20	Per cent Variation
1	2	3	4	5	6	7	8	9	10	11
1. Capital Market #	42,656 (0.7)	-14.5	79,672 (2.2)	1.2	9,687 (2.3)	-17.7	231 (0.3)	103.2	1,32,245 (1.3)	-5.8
2. Real Estate @	12,91,294 (21.0)	9.3	9,10,986 (25.1)	10.2	1,18,956 (27.8)	-1.0	13,543 (15.0)	67.9	23,34,779 (22.7)	9.2
3. Commodities	-	-	-	-	-	-	-	-	-	-
Total Advances to Sensitive Sectors	**13,33,949 (21.7)**	**8.3**	**9,90,658 (27.3)**	**9.4**	**1,28,642 (30.1)**	**-2.5**	**13,775 (15.2)**	**68.4**	**24,67,024 (23.9)**	**8.3**

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 both direct and indirect lending.

Source: Annual accounts of banks.

Appendix Table IV.5: Shareholding Pattern of Domestic Scheduled Commercial Banks *(Continued)*

(As at end-March 2020)

S. No	Name of the Bank	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	93.4	2.7	0.6	1.0	-	2.2	-	99.4	0.6
2	Andhra Bank	88.3	3.2	0.6	0.4	-	7.5	0.1	99.3	0.7
3	Bank of Baroda	63.7	18.9	9.4	1.7	-	5.8	0.5	90.2	9.9
4	Bank of India	89.1	5.6	0.6	0.4	-	4.1	0.1	99.3	0.7
5	Bank of Maharashtra	92.5	4.0	0.1	0.1	-	3.3	0.1	99.8	0.2
6	Canara Bank	70.6	16.6	4.5	1.3	-	6.9	0.1	95.4	4.6
7	Central Bank of India	92.4	4.5	0.2	0.4	-	2.5	-	99.8	0.2
8	Corporation Bank	93.5	4.2	0.4	0.1	-	1.9	-	99.6	0.4
9	Indian Bank	83.5	4.8	-	0.6	2.7	8.3	0.2	97.1	2.9
10	Indian Overseas Bank	95.8	1.8	-	0.2	-	2.1	0.1	100.0	-
11	Oriental Bank of Commerce	87.6	5.8	2.0	0.4	-	4.2	0.1	97.9	2.1
12	Punjab and Sind Bank	83.1	6.1	0.8	0.5	-	9.3	0.2	99.1	0.9
13	Punjab National Bank	83.2	7.8	2.2	0.7	-	6.0	0.1	97.7	2.3
14	State Bank of India	57.9	24.4	9.6	1.9	-	6.0	0.2	90.2	9.8
15	Syndicate Bank	78.5	7.5	1.9	0.6	-	11.6	-	98.1	1.9
16	UCO Bank	94.4	2.3	-	-	0.1	3.1	-	99.9	0.2
17	Union Bank of India	74.3	5.9	-	8.0	2.8	9.0	0.1	97.1	2.9
18	United Bank of India	97.4	1.2	-	0.1	-	1.2	-	100.0	-

Appendix Table IV.5: Shareholding Pattern of Domestic Scheduled Commercial Banks *(Concluded)*

(As at end-March 2020)

S. No	Name of the Bank	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.	-	36.3	48.2	3.5	4.8	6.9	0.3	46.7	53.3
2	Bandhan Bank Ltd.	-	13.6	13.1	62.5	5.2	5.1	0.6	81.1	18.9
3	Catholic Syrian Bank Ltd.	-	6.6	-	10.9	55.4	19.6	7.4	37.1	62.9
4	City Union Bank Ltd.	-	31.6	20.8	4.6	0.0	42.1	1.0	78.2	21.8
5	DCB Bank Ltd.	-	34.3	-	4.8	36.9	22.8	1.2	61.9	38.1
6	Federal Bank Ltd.	-	30.5	34.5	2.3	0.1	27.4	5.2	60.3	39.7
7	HDFC Bank Ltd.	0.2	17.7	69.8	2.7	-	9.5	0.1	30.1	69.9
8	ICICI Bank Ltd.	0.3	23.8	54.9	14.4	-	6.3	0.4	44.8	55.3
9	IDBI Bank Ltd.	47.1	51.2	-	0.2	-	1.5	0.1	99.9	0.1
10	IDFC Bank Ltd.	5.4	4.1	13.6	43.1	9.8	22.4	1.6	75.0	25.0
11	IndusInd Bank Ltd.	-	15.4	57.8	3.9	13.5	8.8	0.6	28.1	71.9
12	Jammu & Kashmir Bank Ltd.	68.2	5.2	10.4	1.4	-	13.8	1.1	88.5	11.5
13	Karnataka Bank Ltd.	-	10.7	-	9.6	12.8	63.7	3.3	83.9	16.1
14	Karur Vysya Bank Ltd.	-	21.9	-	3.6	21.6	52.0	1.0	77.4	22.6
15	Kotak Mahindra Bank Ltd.	-	12.7	40.9	4.3	1.8	39.4	1.0	56.4	43.6
16	Lakshmi Vilas Bank Ltd.	0.2	2.1	-	40.8	11.1	44.6	1.2	87.7	12.4
17	Nainital Bank Ltd.	-	98.6	-	-	-	1.4	-	100.0	-
18	RBL Bank Ltd.	0.4	25.4	2.8	10.1	37.3	22.6	1.4	58.6	41.4
19	South Indian Bank Ltd.	-	7.2	-	8.5	19.1	55.6	9.5	71.4	28.7
20	Tamilnad Mercantile Bank Ltd.	1.3	-	-	5.1	24.9	67.8	0.9	74.2	25.8
21	The Dhanalakshmi Bank Ltd.	0.5	1.2	-	13.8	11.4	63.8	9.4	79.2	20.8
22	Yes Bank Ltd.	-	69.2	-	14.0	1.9	14.3	0.7	97.5	2.5

Note: -: Nil / Negligible.
Source: Off-site returns (domestic).

Appendix Table IV.6: Overseas Operations of Indian Banks
(At end-March)

Sr. No	Items	Branch		Subsidiary		Representative Office		Joint Venture Bank		Other Offices *		Total	
		2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
1	2	3	4	5	6	7	8	9	10	11	12	13	14
I	**Public Sector Banks**	**132**	**117**	**24**	**24**	**25**	**16**	**8**	**7**	**34**	**37**	**223**	**201**
1	Allahabad Bank	1	-	-	-	-	-	-	-	-	-	1	-
2	Bank of Baroda	38	36	9	9	-	-	2	2	9	9	58	56
3	Bank of India	26	25	5	4	3	1	-	-	-	-	34	30
4	Canara Bank	6	5	1	1	1	1	-	-	-	-	8	7
5	Corporation Bank	-	-	-	-	2	1	-	-	-	-	2	1
6	Indian Bank	4	3	-	-	-	-	-	-	-	-	4	3
7	Indian Overseas Bank	6	4	-	-	1	-	-	-	2	2	9	6
8	Punjab National Bank	3	2	2	2	3	-	2	2	-	-	10	6
9	State Bank of India	41	36	6	7	7	8	4	3	23	26	81	80
10	Syndicate Bank	1	1	-	-	-	-	-	-	-	-	1	1
11	UCO Bank	2	2	-	-	1	1	-	-	-	-	3	3
12	Union Bank	4	3	1	1	3	1	-	-	-	-	8	5
13	United Bank of India	-	-	-	-	2	2	-	-	-	-	2	2
14	Oriental Bank of Commerce	-	-	-	-	1	1	-	-	-	-	1	1
15	Dena Bank (now Bank of Baroda)	-	-	-	-	1	-	-	-	-	-	1	-
II	**Private Sector Bank**	**20**	**20**	**3**	**3**	**20**	**20**	**-**	**-**	**-**	**1**	**43**	**44**
16	Axis Bank Ltd.	5	5	1	1	4	4	-	-	-	-	10	10
17	HDFC Bank Ltd.	3	3	-	-	3	3	-	-	-	-	6	6
18	ICICI Bank Ltd.	11	10	2	2	5	5	-	-	-	1	18	18
19	IDBI Bank Ltd.$	1	1	-	-	-	-	-	-	-	-	1	1
20	IndusInd Bank Ltd.	-	-	-	-	3	3	-	-	-	-	3	3
21	Federal Bank Ltd.	-	-	-	-	2	2	-	-	-	-	2	2
22	Kotak Mahindra Bank Ltd.	-	1	-	-	1	1	-	-	-	-	1	2
23	Yes Bank Ltd.	-	-	-	-	1	1	-	-	-	-	1	1
24	South Indian Bank Ltd.	-	-	-	-	1	1	-	-	-	-	1	1
	All Banks	**152**	**137**	**27**	**27**	**45**	**36**	**8**	**7**	**34**	**38**	**266**	**245**

Notes: 1. * Other Offices include marketing/sub-office, remittance centres, etc.
2. $ IDBI Bank Ltd has been categorised as Private Sector Bank.

Source: Reserve Bank of India.

Appendix Table IV.7: Branches and ATMs of Scheduled Commercial Banks *(Continued)*

(At end-March 2020)

Sr. No	Name of the Bank	Branches					ATMs		
		Rural	Semi-urban	Urban	Metropolitan	Total	On-site	Off-site	Total
1	2	3	4	5	6	**7**	8	9	10
	Public Sector Banks	**28,921**	**24,586**	**17,030**	**17,355**	**87,892**	**78,484**	**56,379**	**1,34,863**
1	Allahabad Bank	1,198	753	631	590	3,172	869	94	963
2	Andhra Bank	735	759	668	712	2,874	3,027	766	3,793
3	Bank of Baroda	2,933	2,520	1,864	2,165	9,482	9,354	3,839	13,193
4	Bank of India	1,836	1,455	802	931	5,024	2,413	3,337	5,750
5	Bank of Maharashtra	615	429	331	458	1,833	1,381	545	1,926
6	Canara Bank	1,824	2,002	1,231	1,272	6,329	4,734	4,038	8,772
7	Central Bank of India	1,606	1,336	819	890	4,651	2,752	890	3,642
8	Corporation Bank	589	793	519	531	2,432	2,267	356	2,623
9	Indian Bank	741	835	627	628	2,831	3,359	700	4,059
10	Indian Overseas Bank	909	960	671	714	3,254	2,678	354	3,032
11	Oriental Bank of Commerce	559	625	602	584	2,370	2,340	272	2,612
12	Punjab and Sind Bank	569	278	355	324	1,526	1,024	30	1,054
13	Punjab National Bank	2,585	1,720	1,211	1,046	6,562	5,430	3,738	9,168
14	State Bank of India	7,864	6,444	3,949	3,875	22,132	25,634	32,921	58,555
15	Syndicate Bank	1,256	1,157	821	830	4,064	4,172	401	4,573
16	UCO Bank	1,075	818	610	570	3,073	2,050	186	2,236
17	Union Bank of India	1,246	1,297	849	889	4,281	3,979	2,916	6,895
18	United Bank of India	781	405	470	346	2,002	1,021	996	2,017

Appendix Table IV.7: Branches and ATMs of Scheduled Commercial Banks *(Continued)*
(At end-March 2020)

Sr. No	Name of the Bank	Branches					ATMs		
		Rural	Semi-urban	Urban	Metropolitan	Total	On-site	Off-site	Total
1	2	3	4	5	6	7	8	9	10
	Private Sector Banks	**7232**	**10,990**	**7,336**	**9,236**	**34,794**	**32,690**	**40,362**	**73,052**
1	Axis Bank Limited	744	1,392	1,074	1,399	4,609	5,447	12,030	17,477
2	Bandhan Bank Limited	1,569	1,645	879	462	4,555	485	-	485
3	City Union Bank Limited	103	271	137	168	679	1,110	683	1,793
4	CSB Bank Limited	37	223	87	67	414	248	51	299
5	DCB Bank Limited	66	86	82	102	336	299	205	504
6	Dhanlaxmi Bank Limited	20	106	63	58	247	201	53	254
7	Federal Bank Ltd	158	689	226	203	1,276	1,480	457	1,937
8	HDFC Bank Ltd.	1,009	1,639	1,061	1,541	5,250	6,268	7,793	14,061
9	ICICI Bank Limited	1,099	1,546	1,067	1,585	5,297	7,258	10,172	17,430
10	IDBI Bank Limited	407	586	466	428	1,887	2,207	1,476	3,683
11	IDFC First Bank Limited	43	113	167	272	595	336	21	357
12	IndusInd Bank Ltd	287	418	480	577	1,762	1,255	1,505	2,760
13	Jammu & Kashmir Bank Ltd	503	172	107	169	951	590	764	1,354
14	Karnataka Bank Ltd	187	200	226	235	848	348	675	1,023
15	Karur Vysya Bank Ltd	133	300	160	225	818	744	915	1,659
16	Kotak Mahindra Bank Ltd.	253	293	341	713	1,600	1,269	1,250	2,519
17	Lakshmi Vilas Bank Ltd	108	177	124	156	565	445	528	973
18	Nainital Bank Ltd	38	32	38	32	140	-	-	-
19	RBL Bank Ltd	57	76	57	196	386	289	100	389
20	South Indian Bank Ltd	110	466	170	189	935	817	607	1,424
21	Tamilnad Mercantile Bank Ltd	106	247	80	76	509	592	729	1,321
22	Yes Bank Ltd.	195	313	244	383	1,135	1,002	348	1,350

Appendix Table IV.7: Branches and ATMs of Scheduled Commercial Banks *(Concluded)*
(At end-March 2020)

Sr. No	Name of the Bank	Branches					ATMs		
		Rural	Semi-urban	Urban	Metropolitan	Total	On-site	Off-site	Total
1	2	3	4	5	6	7	8	9	10
	Foreign Banks	**15**	**8**	**40**	**245**	**308**	**225**	**678**	**903**
1	AB Bank Limited	-	-	-	1	1	-	-	-
2	Abu Dhabi Commercial Bank (P.J.S.C.)	-	-	-	1	1	-	-	-
3	American Express Banking Corp.	-	-	-	1	1	-	-	-
4	Australia and New Zealand Banking Group Limited	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 China Limited	-	-	-	1	1	-	-	-
9	Bank of Nova Scotia	-	-	-	2	2	-	-	-
10	Barclays Bank Plc	-	1	1	4	6	-	-	-
11	BNP Paribas	-	-	-	8	8	-	-	-
12	Citibank N.A	-	-	4	31	35	47	478	525
13	Co-operative Rabobank U.A.	-	-	-	1	1	-	-	-
14	Credit Agricole Corporate and Investment Bank	-	-	-	5	5	-	-	-
15	Credit Suisse Ag	-	-	-	1	1	-	-	-
16	CTBC Bank Co., Ltd.	-	1	-	1	2	-	-	-
17	DBS Bank India Limited	8	2	3	21	34	20	34	54
18	Deutsche Bank AG	1	-	5	11	17	13	19	32
19	Doha Bank Q.P.S.C.	-	-	1	2	3	-	-	-
20	Emirates NDB Bank (P.J.S.C.)	-	-	-	1	1	-	-	-
21	First Abu Dhabi Bank (P.J.S.C.)	-	-	-	1	1	-	-	-
22	Firstrand Bank Ltd	-	-	-	1	1	-	-	-
23	Hongkong And Shanghai Banking Corpn.Ltd.	-	-	4	22	26	46	38	84
24	Industrial and Commercial Bank of China	-	-	-	1	1	-	-	-
25	Industrial Bank of Korea	-	-	-	1	1	-	-	-
26	JPMorgan Chase Bank National Association	2	-	-	2	4	-	-	-
27	JSC VTB Bank	-	-	-	1	1	-	-	-
28	KEB Hana Bank	-	1	-	1	2	-	-	-
29	Kookmin Bank	-	-	1	-	1	-	-	-
30	Krung Thai Bank Public Company Limited	-	-	-	1	1	-	-	-
31	Mashreq Bank PSC	-	-	-	1	1	-	-	-
32	Mizuho Bank Ltd	-	1	-	4	5	-	-	-
33	MUFG Bank, Ltd.	1	-	-	4	5	-	-	-
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) Limited	-	-	-	6	6	-	-	-
39	Shinhan Bank	1	-	-	5	6	-	-	-
40	Societe Generale	-	-	-	2	2	-	-	-
41	Sonali Bank	-	-	1	1	2	-	-	-
42	Standard Chartered Bank	1	1	18	80	100	99	109	208
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 schdule 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 Nationalised 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 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)*
(July -June 2019-20)

Sr. No	Name of the Bank	Number of Complaints in Major Categories for Public Sector Banks								Others	Total
		Deposit Account	Loans and Advances	ATM/ Debit card/ Credit card	Mobile Banking / Electronic Banking	Levy of Charges Without Prior Notice	Pension	Non-Observance of Fair Practices	Failure On Commitments and Failure of Commitment to BCSBI Code		
	Public Sector Banks	**5,694**	**9,870**	**54,595**	**25,237**	**8,283**	**6,161**	**20,606**	**19,912**	**25,148**	**1,75,506**
1	Allahabad Bank	148	274	1,335	490	182	193	609	423	633	4,287
2	Andhra Bank	80	147	1,089	345	78	18	327	754	297	3,135
3	Bank of Baroda	445	670	2,783	1,551	871	279	1,434	1,051	1,832	10,916
4	Bank of Baroda (Erstwhile Dena Bank)	51	101	406	183	99	58	168	148	264	1,478
5	Bank of Baroda (Erstwhile Vijaya Bank)	45	84	314	221	109	15	192	280	229	1,489
6	Bank of India	262	412	3,448	1,218	381	299	932	754	1,429	9,135
7	Bank of Maharashtra	47	99	797	325	109	18	178	145	418	2,136
8	Canara Bank	265	434	1,715	877	385	198	1,085	1,089	1,126	7,174
9	Central Bank of India	215	345	2,367	1,005	225	549	723	548	938	6,915
10	Corporation Bank	84	189	990	329	139	16	309	406	392	2,854
11	Indian Bank	122	207	1,395	631	103	59	574	391	394	3,876
12	Indian Overseas Bank	112	183	739	338	127	63	539	369	378	2,848
13	Oriental Bank of Commerce	134	209	1,172	506	191	33	367	419	526	3,557
14	Punjab and Sind Bank	29	77	286	151	35	41	145	304	148	1,216
15	Punjab National Bank	520	706	5,111	2,616	507	681	2,041	1,967	2,308	16,457
16	State Bank of India (Excluding SBI Card)	2,623	4,830	25,989	12,306	4,206	3,171	9,020	9,191	11,648	82,984
17	Syndicate Bank	95	223	684	322	131	172	469	571	510	3,177
18	UCO Bank	113	210	941	517	85	118	392	291	431	3,098
19	Union Bank of India	252	350	2,476	1,104	256	121	822	711	1,001	7,093
20	United Bank of India	52	120	558	202	64	59	280	100	246	1,681

Appendix Table IV.8: Statement of Complaints Received at Banking Ombudsman Office *(Continued)*

(July -June 2019-20)

Sr. No	Name of the Bank	Number of Complaints in Major Categories for Private Sector Banks								Others	Total
		Deposit Account	Loans and Advances	ATM/ Debit card/ Credit card	Mobile Banking / Electronic Banking	Levy of Charges Without Prior Notice	Pension	Non-Observance of Fair Practices	Failure On Commitments and Failure of Commitment to BCSBI Code		
	Private Sector Banks	**2,287**	**5,340**	**30,096**	**12,429**	**9,043**	**57**	**11,662**	**14,054**	**13,677**	**98,645**
1	Axis Bank Limited	508	730	5,270	2,349	2,209	11	1,671	2,276	2,100	17,124
2	Bandhan Bank Limited	15	39	107	63	16	-	59	44	90	433
3	Catholic Syrian Bank Ltd	3	5	18	4	14	-	39	15	13	111
4	City Union Bank Limited	11	19	66	41	20	-	52	33	51	293
5	DCB Bank Limited	20	109	55	29	73	-	117	128	101	632
6	Dhanlaxmi Bank Limited	7	11	8	2	7	-	30	18	13	96
7	Federal Bank Ltd	27	54	428	162	93	-	146	123	169	1,202
8	HDFC Bank Ltd.	483	1,352	8,881	3,509	2,187	26	3,223	4,072	3,436	27,169
9	ICICI Bank Limited	536	1,442	5,886	3,027	2,039	12	2,470	2,835	3,125	21,372
10	IDBI Bank Limited	91	321	797	492	294	6	522	458	528	3,509
11	IDFC Bank Limited	35	372	169	179	186	-	509	536	608	2,594
12	IndusInd Bank Ltd	125	177	1,300	387	372	-	560	671	592	4,184
13	Jammu & Kashmir Bank Ltd	7	31	277	51	19	1	118	33	58	595
14	Karnataka Bank Ltd	12	38	174	114	53	-	70	140	82	683
15	Karur Vysya Bank Ltd	19	38	151	86	52	-	122	110	103	681
16	Kotak Mahindra Bank Ltd.	209	309	2,431	1,133	812	-	962	1,193	1,419	8,468
17	Lakshmi Vilas Bank Ltd	19	12	48	21	27	-	81	30	40	278
18	Nainital Bank Ltd	1	3	14	3	-	-	8	3	7	39
19	RBL Bank Ltd	43	75	3,253	268	221	-	330	682	480	5,352
20	South Indian Bank Ltd	12	25	98	54	72	-	52	39	45	397
21	Tamilnad Mercantile Bank Ltd	7	13	47	45	30	-	91	36	35	304
22	Yes Bank Ltd.	97	165	618	410	247	1	430	579	582	3,129

Appendix Table IV.8: Statement of Complaints Received at Banking Ombudsman Office *(Continued)*
(July -June 2019-20)

Sr. No	Name of the Bank	Number of Complaints in Major Categories for Foreign Banks								Others	Total
		Deposit Account	Loans and Advances	ATM/ Debit card/ Credit card	Mobile Banking / Electronic Banking	Levy of Charges Without Prior Notice	Pension	Non-Observance of Fair Practices	Failure On Commitments and Failure of Commitment to BCSBI Code		
	Foreign Banks	**121**	**213**	**2,946**	**567**	**339**	**2**	**527**	**637**	**564**	**5,916**
1	AB Bank Limited	1	1	5	-	-	-	-	-	2	9
2	Abu Dhabi Commercial Bank PJSC	1	-	1	-	-	-	-	-	2	4
3	American Express Banking Corp.	-	-	169	5	19	-	14	27	17	251
4	Bank of America, National Association	-	-	-	-	-	-	1	1	1	3
5	Bank of Bahrain & Kuwait B.S.C.	-	1	-	-	-	-	1	-	-	2
6	Bank of Nova Scotia	1	-	-	-	-	-	-	1	1	3
7	Barclays Bank PLC	-	-	17	-	1	-	3	2	3	26
8	BNP Paribas	1	-	-	-	-	-	-	-	1	2
9	Citibank N.A	35	39	898	209	53	-	131	182	165	1,712
10	Co-operative Rabobank U.A.	-	-	-	-	-	-	-	-	1	1
11	Credit Agricole Corporate and Investment Bank	-	-	-	-	-	-	1	-	-	1
12	DBS Bank Ltd.	17	2	83	99	8	-	23	34	54	320
13	Deutsche Bank AG	9	9	13	9	13	-	24	30	28	135
14	First Abu Dhabi Bank PJSC	-	-	-	-	-	-	-	1	-	1
15	Hongkong and Shanghai Banking Corp Ltd.	10	24	284	45	13	-	42	78	46	542
16	Industrial and Commercial Bank of China	-	-	3	-	-	-	-	1	1	5
17	JPMorgan Chase Bank National Association	-	-	-	-	-	-	-	-	1	1
18	KEB Hana Bank	-	-	-	-	-	-	1	-	-	1
19	Krung Thai Bank Public Company Limited	-	-	1	-	-	-	-	-	-	1
20	Mashreq Bank PSC	-	-	-	-	-	-	2	-	1	3
21	MUFG Bank, Ltd.	1	-	-	-	-	-	-	-	1	2
22	National Australia Bank	-	-	-	-	1	-	-	-	-	1
23	SBM Bank (Mauritius) Ltd.	-	-	1	-	-	-	-	-	-	1
24	Shinhan Bank	-	2	1	-	-	-	-	1	1	5
25	Standard Chartered Bank	45	135	1,461	200	231	2	281	275	235	2,865
26	The Royal Bank of Scotland PLC	-	-	9	-	-	-	3	4	3	19

Appendix Table IV.8: Statement of Complaints Received at Banking Ombudsman Office *(Concluded)*
(July -June 2019-20)

Sr. No	Name of the Bank	Number of complaints in major categories for Small Finance Banks								Others	Total
		Deposit Account	Loans and Advances	ATM/ Debit card/ Credit card	Mobile Banking / Electronic Banking	Levy of Charges Without Prior Notice	Pension	Non-Observance of Fair Practices	Failure On Commitments and Failure of Commitment to BCSBI Code		
	Small Finance Banks	**56**	**114**	**147**	**65**	**95**	**-**	**211**	**171**	**264**	**1,123**
1	AU Small Finance Bank Limited	12	64	20	16	37	-	74	46	122	391
2	Capital Small Finance Bank Limited	2	3	-	2	6	-	5	11	9	38
3	Equitas Small Finance Bank Limited	13	14	6	3	29	-	37	20	36	158
4	ESAF Small Finance Bank Limited	1	3	23	6	1	-	6	2	5	47
5	Fincare Small Finance Bank Limited	12	4	12	13	2	-	11	16	18	88
6	Jana Small Finance Bank Limited	3	11	17	4	13	-	28	31	27	134
7	North East Small Finance Bank Limited	-	1	-	-	-	-	-	-	2	3
8	Suryoday Small Finance Bank Limited	4	2	1	1	-	-	4	-	2	14
9	Ujjivan Small Finance Bank Limited	6	11	57	17	5	-	26	36	29	187
10	Utkarsh Small Finance Bank Limited	3	1	11	3	2	-	20	9	14	63
	Payment Banks	**233**	**12**	**397**	**1,522**	**68**	**2**	**288**	**578**	**1,001**	**4,101**
1	Aditya Birla Idea Payments Bank Limited	5	4	3	1	1	-	6	3	12	35
2	Airtel Payments Bank Limited	104	1	73	497	24	-	99	268	354	1,420
3	Fino Payments Bank Limited	21	1	34	44	2	-	12	20	71	205
4	India Post Payments Bank Limited	15	-	39	20	9	2	14	20	34	153
5	Jio Payments Bank Limited	2	-	-	9	-	-	-	-	5	16
6	Paytm Payments Bank Limited	86	6	248	951	32	-	157	267	525	2,272

Note: Nil/negligible.
Source: RBI.

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	
	2019 (PR)	2020 (P)	2018-19	2019-20
1	2	3	4	5
1. Loans and Deposits	**11,40,461 (74.3)**	**11,67,576 (78.4)**	**13.8**	**2.4**
a) Foreign Currency Non-resident (Bank) [FCNR (B)] Scheme	1,55,667 (10.1)	1,69,103 (11.4)	8.4	8.6
b) Foreign Currency Borrowings*	1,61,098 (10.5)	1,18,113 (7.9)	7.1	-26.7
c) Non-resident External Rupee (NRE) Accounts	6,13,559 (40.0)	6,63,387 (44.5)	11.2	8.1
d) Non-resident Ordinary (NRO) Rupee Accounts	91,247 (5.9)	1,02,870 (6.9)	15.5	12.7
2. Own Issues of Securities/ Bonds	**792 (0.1)**	**6,119 (0.4)**	**-31.7**	**672.7**
3. Other liabilities	**3,93,730 (25.7)**	**3,15,820 (21.2)**	**38.6**	**-19.8**
Of which:				
a) ADRs/GDRs	69,242 (4.5)	48,357 (3.2)	53.0	-30.2
b) Equities of Banks Held by Non-residents	2,02,224 (13.2)	1,33,105 (8.9)	44.9	-34.2
c) Capital / Remittable Profits of Foreign Banks in India and Other Unclassified International Liabilities	1,22,265 (8.0)	1,34,357 (9.0)	23.2	9.9
Total International Liabilities	**15,34,983 (100.0)**	**14,89,515 (100.0)**	**19.2**	**-3.0**

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	
	2019 (PR)	2020 (P)	2018-19	2019-20
1	2	3	4	5
1. Loans and Deposits	**5,14,199 (92.2)**	**5,36,835 (93.3)**	**-12.1**	**4.4**
Of which:				
(a) Loans to Non-residents	83,799 (15.0)	85,464 (14.8)	-57.6	2.0
(b) Foreign Currency Loan to Residents	1,44,859 (26.0)	1,53,905 (26.7)	-5.8	6.2
(c) Outstanding Export Bills	1,03,147 (18.5)	73,289 (12.7)	15.6	-28.9
(d) Foreign Currency in hand, Travellers Cheques, etc.	3,242 (0.6)	3,097 (0.5)	230.4	-4.5
(e) NOSTRO Balances and Placements Abroad	1,79,152 (32.1)	2,21,080 (38.4)	25.0	23.4
2. Holdings of Debt Securities	**27,373 (4.9)**	**23,272 (4.0)**	**196.5**	**-15.0**
3. Other International Assets	**16,414 (2.9)**	**15,421 (2.7)**	**227.6**	**-6.1**
Total International Assets*	**5,57,986 (100.0)**	**5,75,529 (100.0)**	**-6.8**	**3.1**

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	
	2019 (PR)	2020 (P)	2018-19	2019-20
1	2	3	4	5
Total Consolidated International Claims	**6,29,621**	**5,78,412**	**-1.3**	**-8.1**
	(100.0)	**(100.0)**		
Residual Maturity				
Short Term	4,73,068	4,42,971	5.5	-6.4
	(75.1)	(76.6)		
Long Term	1,51,687	1,31,319	-14.6	-13.4
	(24.1)	(22.7)		
Unallocated	4,865	4,122	-60.4	-15.3
	(0.8)	(0.7)		
Sector				
Banks	2,37,761	2,32,459	14.1	-2.2
	(37.8)	(40.2)		
Official Sector	36,742	32,472	81.5	-11.6
	(5.8)	(5.6)		
Non-Bank Financial Institutions	1,287	3,765	134.1	192.5
	(0.2)	(0.7)		
Non-Financial Private	3,17,371	2,66,252	5.4	-16.1
	(50.4)	(46.0)		
Others	36,460	43,463	-66.2	19.2
	(5.8)	(7.5)		

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	
	2019 (PR)	2020 (P)	2018-19	2019-20
1	2	3	4	5
Total Consolidated International Claims	**6,29,621** **(100.0)**	**5,78,412** **(100.0)**	**-1.3**	**-8.1**
of which				
1. United States of America	1,67,969 (26.7)	1,55,634 (26.9)	-36.1	-7.3
2. United Kingdom	63,540 (10.1)	56,836 (9.8)	58.2	-10.6
3. Hong Kong	33,073 (5.3)	21,384 (3.7)	2.3	-35.3
4. Singapore	37,614 (6.0)	40,940 (7.1)	-13.0	8.8
5. United Arab Emirates	79,665 (12.7)	83,661 (14.4)	24.4	5.0
6. Germany	13,064 (2.1)	15,353 (2.6)	69.3	17.5

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 (₹ lakh)					Amount (₹ crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20
Loans Disbursed by Banks	18.3 (9.3)	19.0 (9.9)	22.6 (13.8)	27.0 (17.8)	31.5 (22.1)	37,287 (19,406.0)	38,781 (20,012.0)	47,186 (27,479.0)	58,318 (36,818.0)	77,659 (55,589.95)
Loans Outstanding with Banks	46.7 (25.0)	48.5 (28.1)	50.2 (30.8)	50.8 (35.1)	56.8 (39.6)	57,119 (30,589.0)	61,581 (34,127.0)	75,598 (43,575.0)	87,098 (58,431.0)	1,08,075 (73,183.94)
Savings with Banks	79.0 (39.0)	85.8 (42.9)	87.4 (46.1)	100.1 (60.2)	102.4 (62.6)	13,691 (7,251.0)	16,114 (8,679.0)	19,592 (11,784.0)	23,324 (14,481.0)	26,152 (15,836.27)
	Microfinance Institutions									
	Number					Amount (₹ crores)				
Loans Disbursed by Banks	647.0	2,314.0	1,922.0	1,933.0	4,762.0	20,796	19,304	25,515	14,626	20,226
Loans Outstanding with Banks	2,020.0	5,357.0	5,073.0	5,488.0	15,197.0	25,581	29,225	32,306	17,761	29,289
	Joint Liability Groups									
	Number (₹ in lakhs)					Amount (₹ crores)				
Loans Disbursed by Banks	5.7	7.0	10.2	16.0	41.8	6,161	9,511	13,955	30,947	83,103

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, 2017-18, 2018-19 and 2019-20 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 IV.14: Major Financial Indicators of Regional Rural Banks- State-wise *(Continued)*

(Amount in ₹ Crore)

Region/State	2018-19						2019-20P					
	No. of RRBs	Profit Earning		Loss Incurring		Net Profit/ Loss	No. of RRBs	Profit Earning		Loss Incurring		Net Profit/ Loss
	Mar-19	No.	Amount	No.	Amount		Mar-20	No.	Amount	No.	Amount	
1	2	3	4	5	6	7	8	9	10	11	12	13
Central Region	**12**	**7**	**433**	**5**	**1,157**	**-724**	**9**	**4**	**281**	**5**	**1,294**	**-1,013**
Chhattisgarh	1	1	34	0	-	34	1	1	10	0	-	10
Madhya Pradesh	3	0	-	3	384	-384	2	0	-	2	759	-759
Uttar Pradesh	7	5	384	2	773	-389	5	3	271	2	455	-184
Uttarakhand	1	1	15	0	-	15	1	0	-	1	79	-79
Eastern Region	**9**	**5**	**59**	**4**	**1,101**	**-1,042**	**8**	**2**	**42**	**6**	**1,769**	**-1,727**
Bihar	2	1	17	1	227	-210	2	0	-	2	630	-630
Jharkhand	2	2	25	0	-	25	1	1	42	0	-	42
Odisha	2	0	-	2	597	-597	2	0	-	2	535	-535
West Bengal	3	2	18	1	277	-260	3	1	1	2	604	-603
North Eastern Region	**8**	**5**	**136**	**3**	**52**	**84**	**7**	**4**	**175**	**3**	**191**	**-16**
Arunachal Pradesh	1	1	0	0	-	0	1	1	3	0	-	3
Assam	2	1	2	1	49	-48	1	0	-	1	188	-188
Manipur	1	0	-	1	2	-2	1	0	-	1	3	-3
Meghalaya	1	1	1	0	-	1	1	1	1	0	-	1
Mizoram	1	1	8	0	-	8	1	1	13	0	-	13
Nagaland	1	0	-	1	1	-1	1	0	-	1	1	-1
Tripura	1	1	125	0	-	125	1	1	158	0	-	158
Northern Region	**7**	**5**	**183**	**2**	**100**	**83**	**7**	**5**	**197**	**2**	**166**	**31**
Haryana	1	0	-	1	83	-83	1	1	3	0	-	3
Himachal Pradesh	1	1	5	0	-	5	1	1	1	0	-	1
Jammu & Kashmir	2	1	8	1	17	-9	2	0	-	2	166	-166
Punjab	1	1	1	0	-	1	1	1	51	0	-	51
Rajasthan	2	2	169	0	-	169	2	2	143	0	-	143
Southern Region	**12**	**12**	**855**	**0**	**-**	**855**	**10**	**8**	**1,446**	**2**	**656**	**790**
Andhra Pradesh	3	3	399	0	-	399	3	3	483	0	-	483
Karnataka	3	3	162	0	-	162	2	1	19	1	605	-586
Kerala	1	1	2	0	-	2	1	0	-	1	51	-51
Puducherry	1	1	7	0	-	7	1	1	6	0	-	6
Tamil Nadu	2	2	130	0	-	130	1	1	150	0	-	150
Telangana	2	2	155	0	-	155	2	2	789	0	-	789
Western Region	**5**	**5**	**93**	**0**	**-**	**93**	**4**	**3**	**62**	**1**	**333**	**-271**
Gujarat	3	3	34	0	-	34	2	2	34	0	-	34
Maharashtra	2	2	59	0	-	59	2	1	27	1	333	-305
All India	**53**	**39**	**1,759**	**14**	**2,411**	**-652**	**45**	**26**	**2,203**	**19**	**4,409**	**-2,206**

Appendix Table IV.14: Major Financial Indicators of Regional Rural Banks- State-wise *(Concluded)*

Region/State	Gross NPA (%)		CRAR (%)	
	Mar-19	**Mar-20P**	**Mar-19**	**Mar-20P**
1	14	15	16	17
Central Region	**16.2**	**14.7**	**11.8**	**10.1**
Chhattisgarh	13.7	5.5	21.2	22.0
Madhya Pradesh	23.0	22.7	7.4	1.3
Uttar Pradesh	15.1	13.8	12.0	11.1
Uttarakhand	7.3	7.3	9.5	6.2
Eastern Region	**23.1**	**21.6**	**4.9**	**2.4**
Bihar	26.6	24.2	6.6	4.0
Jharkhand	10.8	9.1	10.8	11.4
Odisha	27.2	26.8	-3.3	-3.5
West Bengal	17.7	17.1	5.2	0.3
North Eastern Region	**23.8**	**20.7**	**12.5**	**11.9**
Arunachal Pradesh	5.0	5.6	10.0	10.5
Assam	41.7	37.1	7.2	4.0
Manipur	20.7	19.8	5.5	5.3
Meghalaya	11.9	11.6	16.8	14.6
Mizoram	5.2	5.2	11.0	9.8
Nagaland	5.2	4.1	6.1	2.0
Tripura	8.9	8.9	18.4	21.4
Northern Region	**8.2**	**7.2**	**12.1**	**11.3**
Haryana	12.7	11.6	14.9	13.6
Himachal Pradesh	6.9	5.8	9.9	9.0
Jammu & Kashmir	10.9	11.3	8.7	0.8
Punjab	9.6	8.5	14.9	15.7
Rajasthan	5.4	4.3	10.1	10.0
Southern Region	**3.5**	**4.7**	**13.7**	**13.4**
Andhra Pradesh	1.7	1.6	15.3	15.7
Karnataka	7.0	11.2	13.1	12.4
Kerala	3.4	4.3	9.7	7.2
Puducherry	1.3	1.9	12.4	12.1
Tamil Nadu	1.8	2.4	15.6	14.2
Telangana	1.5	1.3	14.0	14.6
Western Region	**7.5**	**7.3**	**9.6**	**7.5**
Gujarat	4.0	3.9	10.4	10.1
Maharashtra	11.5	11.4	8.6	4.4
All India	**10.8**	**10.4**	**11.5**	**10.3**

Notes: 1. Components may not add up to the exact total due to rounding off.
2. P: Provisional.

Source: NABARD.

Appendix Table IV.15: Frauds in Various Banking Operations Based on Date of Reporting *(Continued)*

(Amount in ₹ crore)

Area of Operation	2004-05		2005-06		2006-07		2007-08		2008-09		2009-10		2010-11	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Advances	1,564	672	1,525	1,162	1,734	1,055	1,750	721	1,977	1,402	2,190	1,263	2,382	2,740
Card/Internet	26	3	144	6	491	11	679	15	1,036	37	1,215	35	763	21
Deposits	374	28	325	28	384	49	458	79	599	66	666	195	790	583
Off-balance sheet	6	33	7	25	4	4	6	8	9	22	10	370	10	212
Foreign exchange transactions	16	14	10	30	28	7	25	30	15	14	16	28	19	148
Cash	75	4	89	16	87	7	99	5	141	36	143	14	154	21
Cheques/demand drafts, *etc.*	108	15	110	9	141	10	192	17	234	15	202	17	184	27
Inter-branch accounts	31	6	36	7	18	1	22	3	16	5	18	2	10	1
Clearing, etc accounts	20	2	23	4	35	12	30	9	52	45	51	7	34	11
Non-resident accounts	11	2	9	0	17	1	9	4	26	2	13	2	9	2
Others	204	16	148	29	88	51	97	26	146	39	146	64	179	56
Grand Total	**2,435**	**795**	**2,426**	**1,316**	**3,027**	**1,208**	**3,367**	**917**	**4,251**	**1,683**	**4,670**	**1,997**	**4,534**	**3,822**

Appendix Table IV.15: Frauds in Various Banking Operations Based on Date of Reporting *(Concluded)*

(Amount in ₹ crore)

Area of Operation	2011-12		2012-13		2013-14		2014-15		2015-16		2016-17	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Advances	1,953	3,552	2,087	6,530	1,985	8,334	2,256	17,123	2,120	17,367	2,320	20,556
Card/Internet	629	23	793	49	978	54	845	52	1,191	40	1,372	42
Deposits	857	219	791	291	774	331	875	437	759	809	693	903
Off-balance sheet	5	373	18	1,527	15	1,088	10	699	4	132	5	63
Foreign exchange transactions	22	130	10	98	9	144	16	899	17	51	16	2,201
Cash	173	20	140	23	145	24	153	43	160	22	239	37
Cheques/demand drafts, etc.	172	40	141	22	180	19	254	26	234	25	235	40
Inter-branch accounts	24	8	6	3	7	1	4	0	4	10	1	0
Clearing, etc accounts	38	31	36	7	36	24	29	7	17	87	27	6
Non-resident accounts	11	3	17	3	38	10	23	8	8	9	10	3
Others	207	98	197	112	135	64	179	162	176	146	153	77
Grand Total	**4,091**	**4,497**	**4,236**	**8,665**	**4,302**	**10,093**	**4,644**	**19,456**	**4,690**	**18,698**	**5,071**	**23,928**

Notes: 1. Refers to frauds of ₹1 lakh and above.
2. The figures reported by banks and financial institutions 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 are as reported and do not reflect the amount of loss incurred. Depending on recoveries, the loss incurred gets reduced. Further, the entire amount involved in loan accounts is not necessarily diverted.

Source: RBI.

Appendix Table V.1: Select Financial Parameters: Scheduled UCBs
(As on March 31, 2020)

(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	12.6	2.2	2.3	1.1	0.1	5.9	10.4	6.0	0.0
2	Ahmedabad Mercantile Co-operative Bank Limited	28.5	3.5	3.4	0.6	1.3	6.3	10.0	9.2	0.1
3	Akola Janata Commercial Co-operative Bank Limited, Akola	22.7	3.0	2.9	1.3	0.7	5.6	11.5	4.5	0.0
4	Akola Urban Co-operative Bank Limited, Akola	12.7	3.5	3.4	1.4	0.3	5.4	11.0	4.1	0.0
5	Amanath Co-operative Bank Limited, Bangalore	9.0	-	1.2	0.6	-	3.0	15.6	1.2	0.1
6	Andhra Pradesh Mahesh Co-operative Urban Bank Limited	18.1	3.5	3.5	0.5	1.4	6.4	11.9	6.5	0.1
7	Apna Sahakari Bank Limited	10.3	2.2	2.4	0.8	0.0	6.4	10.6	8.7	0.0
8	Bassein Catholic Co-operative Bank Limited	16.7	2.5	2.5	0.6	0.9	6.6	10.5	19.4	0.1
9	Bharat Co-operative Bank (Mumbai) Limited, Mumbai	14.0	2.2	2.3	2.0	0.4	7.0	10.1	13.5	0.0
10	Bharati Sahakari Bank Limited	17.0	1.8	1.9	0.5	0.2	5.6	9.2	8.5	0.0
11	Bombay Mercantile Co-operative Bank Limited	17.2	3.8	3.8	1.5	0.2	4.0	10.2	2.9	0.0
12	Citizen Credit Co-operative Bank Limited, Mumbai	22.5	2.4	2.5	0.5	0.4	5.8	9.6	9.2	0.0
13	Cosmos Co-operative Bank Limited	12.3	2.0	2.0	3.4	-0.2	6.6	9.7	9.5	0.0
14	Dombivli Nagari Sahakari Bank Limited	13.0	2.2	2.4	1.6	0.7	6.1	9.7	8.5	0.0
15	Goa Urban Co-operative Bank Limited	15.1	3.4	3.5	0.4	0.3	5.8	9.7	5.5	0.0
16	Gopinath Patil Parsik Janata Sahakari Bank Limited, Thane	19.1	4.0	3.3	0.6	1.8	5.7	10.8	7.5	0.1
17	Greater Bombay Co-operative Bank Limited	12.7	2.9	3.0	1.2	0.2	6.0	11.1	8.5	0.0
18	Indian Mercantile Co-operative Bank Limited, Lucknow	82.1	3.0	3.2	0.3	2.9	6.3	9.2	1.3	0.0
19	Jalgaon Janata Sahakari Bank Limited	12.8	2.9	3.1	1.4	0.6	5.9	10.9	7.7	0.0
20	Jalgaon People's Co-operative Bank Limited	12.7	3.0	3.2	1.8	0.6	5.9	12.0	6.5	0.0
21	Janakalyan Sahakari Bank Limited, Mumbai	11.7	3.0	3.0	0.5	0.6	5.8	10.1	8.7	0.0
22	Janalaxmi Co-operative Bank Limited, Nashik	25.1	1.0	2.0	0.6	-0.3	6.3	6.1	1.1	0.0
23	Janata Sahakari Bank Limited, Pune	13.1	2.1	2.0	0.9	0.2	6.4	9.8	10.9	0.0
24	Kallappanna Awade Ichalkaranji Janata Sahakari Bank Limited	10.4	2.0	1.9	0.7	0.1	7.2	10.6	6.5	0.0
25	Kalupur Commercial Co-operative Bank Limited	17.6	2.9	2.7	1.3	2.3	6.1	9.6	15.0	0.2
26	Kalyan Janata Sahakari Bank Limited, Kalyan	12.5	2.4	2.4	0.9	0.6	6.2	10.4	9.9	0.0
27	Kapol Co-operative Bank Limited, Mumbai	-213.1	-0.9	-0.4	0.3	-13.3	4.1	3.5	3.2	-0.2
28	Karad Urban Co-operative Bank Limited	16.9	2.8	2.7	1.3	0.7	6.7	10.9	5.5	0.0
29	Khamgaon Urban Co-operative Bank Limited, Khamgaon	16.9	3.4	3.5	0.7	0.5	5.9	11.3	4.4	0.0
30	Mahanagar Co-operative Bank Limited, Mumbai	14.8	3.5	3.6	1.0	0.7	6.1	10.8	6.4	0.0
31	Mapusa Urban Co-operative Bank of Goa Limited, Mapusa	-92.2	0.3	0.6	0.0	-1.9	56.3	492.0	2.2	-0.1
32	Mehsana Urban Co-operative Bank Limited	14.7	3.1	3.0	0.4	1.2	6.8	11.0	19.3	0.2
33	Nagar Urban Co-operative Bank Limited, Ahmednagar	15.7	2.7	3.5	1.1	0.1	6.5	10.3	4.1	0.0
34	Nagpur Nagrik Sahakari Bank Limited	14.4	2.9	2.9	1.3	0.2	3.0	5.7	5.6	0.0
35	Nasik Merchant's Co-operative Bank Limited	36.2	2.9	3.1	2.5	1.5	5.7	8.9	3.9	0.1
36	New India Co-operative Bank Limited, Mumbai	12.1	1.7	1.8	1.1	0.3	6.4	10.9	12.7	0.0
37	NKGSB Co-operative Bank Limited, Mumbai	13.2	1.5	1.4	0.9	0.0	6.8	10.1	11.3	0.0
38	Nutan Nagarik Sahakari Bank Limited, Ahmedabad	15.2	2.1	2.0	1.0	0.8	6.4	9.6	10.0	0.1
39	Pravara Sahakari Bank Limited	15.4	3.6	3.6	0.5	0.2	5.9	11.9	3.9	0.0
40	Punjab & Maharashtra Co-operative Bank Limited	-234.8	-29.9	-47.7	0.8	-50.2	6.9	-47.6	9.0	-3.9
41	Rajarambapu Sahakari Bank Limited	13.4	2.1	2.1	0.6	0.4	7.3	10.5	8.8	0.0
42	Rajkot Nagrik Sahakari Bank Limited	18.0	2.5	2.4	0.6	1.4	6.3	10.4	7.2	0.1
43	Rupee Co-operative Bank Limited	-765.9	0.9	2.4	1.8	0.7	2.1	1.2	5.3	0.1
44	Sangli Urban Co-operative Bank Limited, Sangli	10.6	1.8	1.9	1.0	-1.2	7.0	10.1	5.3	0.0
45	Saraswat Co-operative Bank Limited, Bombay	14.7	2.1	2.1	1.1	0.6	6.0	9.5	14.9	0.1
46	SBPP Co-operative Bank Limited, Killa Pardi	17.6	3.4	3.3	0.3	0.5	5.2	9.9	7.9	0.0
47	Shamrao Vithal Co-operative Bank Limited	13.0	2.4	2.7	1.1	0.7	6.3	10.0	11.5	0.1
48	Shikshak Sahakari Bank Limited, Nagpur	12.2	2.0	2.6	1.2	0.4	6.1	9.9	4.2	0.0
49	Solapur Janata Sahakari Bank Limited	12.1	2.3	2.5	0.6	-0.3	7.2	11.2	8.1	0.0
50	Surat Peoples Co-operative Bank Limited	15.2	1.9	1.8	0.6	0.5	7.2	10.0	21.0	0.1
51	Thane Bharat Sahakari Bank Limited	14.0	3.1	3.1	1.2	0.2	6.0	11.3	7.6	0.0
52	TJSB Sahakari Bank	15.4	3.0	2.9	0.9	1.0	6.1	10.7	11.9	0.1
53	Vasai Vikas Sahakari Bank Limited	14.5	2.5	2.5	0.5	0.4	6.6	10.5	10.3	0.0
54	Zoroastrian Co-operative Bank Limited, Bombay	21.1	2.6	2.6	0.3	0.9	6.4	10.3	7.9	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	
		2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
1	2	3	4	5	6	7	8
1	Abhyudaya Co-operative Bank Limited, Mumbai	0.4	0.4	0.2	0.1	7.5	7.5
2	Ahmedabad Mercantile Co-operative Bank Limited	2.2	2.2	1.3	1.2	7.7	7.9
3	Akola Janata Commercial Co-operative Bank Limited, Akola	1.8	1.3	1.0	0.7	7.5	7.1
4	Akola Urban Co-operative Bank Limited, Akola	2.7	2.1	1.4	0.2	7.4	7.7
5	Amanath Co-operative Bank Limited, Bangalore	-0.9	0.4	-0.9	0.8	0.6	1.4
6	Andhra Pradesh Mahesh Co-operative Urban Bank Limited	2.2	1.9	1.5	1.3	8.8	8.7
7	Apna Sahakari Bank Limited	0.9	0.3	0.4	0.0	7.4	7.6
8	Bassein Catholic Co-operative Bank Limited	1.8	1.8	1.1	0.8	7.5	7.8
9	Bharat Co-operative Bank (Mumbai) Limited, Mumbai	1.2	0.9	0.7	0.4	8.2	8.3
10	Bharati Sahakari Bank Limited	1.0	0.4	0.2	0.2	7.2	6.7
11	Bombay Mercantile Co-operative Bank Limited	-1.1	0.2	0.1	0.1	4.6	5.2
12	Citizen Credit Co-operative Bank Limited, Mumbai	1.2	0.8	0.3	0.4	7.5	7.3
13	Cosmos Co-operative Bank Limited	1.0	1.5	0.4	-0.2	7.4	7.2
14	Dombivli Nagari Sahakari Bank Limited	2.1	1.8	0.7	0.8	8.1	8.3
15	Goa Urban Co-operative Bank Limited	1.8	1.7	0.3	0.3	7.9	8.1
16	Gopinath Patil Parsik Janata Sahakari Bank Limited, Thane	2.2	1.5	0.8	1.5	8.2	8.0
17	Greater Bombay Co-operative Bank Limited	2.3	1.3	0.4	0.2	8.7	8.5
18	Indian Mercantile Co-operative Bank Limited, Lucknow	2.3	0.5	3.5	3.2	6.1	7.8
19	Jalgaon Janata Sahakari Bank Limited	1.2	1.5	0.6	0.6	7.4	7.7
20	Jalgaon People's Co-operative Bank Limited	1.4	1.8	0.2	0.7	7.3	8.5
21	Janakalyan Sahakari Bank Limited, Mumbai	1.2	0.8	0.7	0.6	8.6	8.2
22	Janalaxmi Co-operative Bank Limited, Nashik	0.1	-0.3	0.1	-0.3	3.0	3.1
23	Janata Sahakari Bank Limited, Pune	1.2	0.9	0.3	0.2	7.9	7.4
24	Kallappanna Awade Ichalkaranji Janata Sahakari Bank Limited	0.9	0.6	0.4	0.1	7.0	7.1
25	Kalupur Commercial Co-operative Bank Limited	2.3	1.8	1.3	1.9	6.9	6.6
26	Kalyan Janata Sahakari Bank Limited, Kalyan	1.0	0.8	0.6	0.5	8.1	7.8
27	Kapol Co-operative Bank Limited, Mumbai	-4.6	-4.6	-6.3	-7.8	2.9	3.0
28	Karad Urban Co-operative Bank Limited	1.7	1.7	0.6	0.7	8.5	8.2
29	Khamgaon Urban Co-operative Bank Limited, Khamgaon	2.5	1.4	1.3	0.5	8.3	7.8
30	Mahanagar Co-operative Bank Limited, Mumbai	1.8	1.9	0.8	0.7	8.6	8.3
31	Mapusa Urban Co-operative Bank of Goa Limited, Mapusa	-2.4	-1.9	-2.6	-1.9	4.3	2.7
32	Mehsana Urban Co-operative Bank Limited	2.3	2.2	1.1	1.2	8.3	8.6
33	Nagar Urban Co-operative Bank Limited, Ahmednagar	1.3	1.1	0.7	0.1	8.0	8.3
34	Nagpur Nagrik Sahakari Bank Limited	2.3	1.0	0.3	0.2	6.9	7.3
35	Nasik Merchant's Co-operative Bank Limited	2.3	3.2	0.8	1.5	7.4	8.8
36	New India Co-operative Bank Limited, Mumbai	0.0	0.2	0.2	0.3	7.0	7.8
37	NKGSB Co-operative Bank Limited, Mumbai	1.1	0.9	0.5	0.0	7.9	7.6
38	Nutan Nagarik Sahakari Bank Limited, Ahmedabad	1.0	0.8	0.7	0.7	7.5	7.2
39	Pravara Sahakari Bank Limited	0.9	1.3	0.5	0.2	8.8	8.5
40	Punjab & Maharashtra Co-operative Bank Limited	1.9	-31.8	0.9	-50.9	9.1	-24.2
41	Rajarambapu Sahakari Bank Limited	1.2	0.9	0.6	0.4	7.9	8.3
42	Rajkot Nagrik Sahakari Bank Limited	1.5	1.6	1.0	1.3	5.5	7.5
43	Rupee Co-operative Bank Limited	0.4	0.9	0.6	0.9	2.8	2.5
44	Sangli Urban Co-operative Bank Limited, Sangli	0.3	0.4	0.2	-1.2	7.5	7.4
45	Saraswat Co-operative Bank Limited, Bombay	1.2	1.2	0.6	0.5	6.0	6.3
46	SBPP Co-operative Bank Limited, Killa Pardi	1.8	1.3	0.7	0.5	7.2	7.0
47	Shamrao Vithal Co-operative Bank Limited	1.3	1.1	0.7	0.7	7.4	7.1
48	Shikshak Sahakari Bank Limited, Nagpur	-0.1	-0.1	-0.9	0.4	6.4	6.0
49	Solapur Janata Sahakari Bank Limited	1.2	1.0	0.2	-0.3	8.5	8.2
50	Surat Peoples Co-operative Bank Limited	1.2	1.1	0.5	0.5	7.9	7.8
51	Thane Bharat Sahakari Bank Limited	1.0	1.8	0.3	0.2	9.0	8.8
52	TJSB Sahakari Bank	1.6	1.4	1.0	0.8	7.5	7.5
53	Vasai Vikas Sahakari Bank Limited	1.7	1.1	0.6	0.4	8.3	8.0
54	Zoroastrian Co-operative Bank Limited, Bombay	1.4	0.8	0.9	0.9	8.0	7.8

-: Nil / negligible.

Notes: 1. Data for 2019-20 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.

3. License of "Mapusa Urban Co-operative Bank of Goa Limited, Mapusa" was cancelled with effect from the close of business on April 16, 2020. Latest available data (Dec 2019) is used in the table.

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	
		2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
1	2	9	10	11	12	13	14
1	Abhyudaya Co-operative Bank Limited, Mumbai	5.1	5.2	2.5	2.9	0.1	0.2
2	Ahmedabad Mercantile Co-operative Bank Limited	4.3	4.5	1.6	1.6	0.2	0.3
3	Akola Janata Commercial Co-operative Bank Limited, Akola	4.5	4.4	2.6	2.7	0.2	0.2
4	Akola Urban Co-operative Bank Limited, Akola	4.3	4.5	2.2	2.4	0.2	0.2
5	Amanath Co-operative Bank Limited, Bangalore	0.3	0.3	1.1	0.8	0.0	0.0
6	Andhra Pradesh Mahesh Co-operative Urban Bank Limited	5.2	5.2	1.8	2.0	0.3	0.1
7	Apna Sahakari Bank Limited	4.8	5.3	2.5	2.6	0.2	0.3
8	Bassein Catholic Co-operative Bank Limited	4.8	5.3	1.4	1.2	0.6	0.9
9	Bharat Co-operative Bank (Mumbai) Limited, Mumbai	5.6	6.1	1.9	2.1	0.3	0.6
10	Bharati Sahakari Bank Limited	4.8	4.9	1.7	1.7	0.6	0.3
11	Bombay Mercantile Co-operative Bank Limited	2.5	2.5	3.7	3.1	0.1	0.3
12	Citizen Credit Co-operative Bank Limited, Mumbai	4.9	4.9	2.1	2.1	0.4	0.2
13	Cosmos Co-operative Bank Limited	5.3	5.3	2.1	2.0	0.8	1.9
14	Dombivli Nagari Sahakari Bank Limited	5.3	5.8	2.0	2.4	1.3	1.0
15	Goa Urban Co-operative Bank Limited	4.7	4.7	1.6	2.0	1.1	0.9
16	Gopinath Patil Parsik Janata Sahakari Bank Limited, Thane	4.8	4.8	2.4	2.3	0.7	0.0
17	Greater Bombay Co-operative Bank Limited	5.3	5.6	2.4	2.8	1.0	0.9
18	Indian Mercantile Co-operative Bank Limited, Lucknow	2.6	4.6	2.5	3.0	-2.2	-3.0
19	Jalgaon Janata Sahakari Bank Limited	4.5	4.8	2.3	2.1	0.2	0.6
20	Jalgaon People's Co-operative Bank Limited	4.8	5.4	1.8	2.4	1.3	1.7
21	Janakalyan Sahakari Bank Limited, Mumbai	5.3	5.2	2.4	2.7	0.3	0.0
22	Janalaxmi Co-operative Bank Limited, Nashik	2.0	2.0	1.5	1.6	0.0	0.0
23	Janata Sahakari Bank Limited, Pune	5.6	5.5	1.6	1.6	0.7	0.8
24	Kallappanna Awade Ichalkaranji Janata Sahakari Bank Limited	5.0	5.4	1.7	1.6	0.3	0.5
25	Kalupur Commercial Co-operative Bank Limited	4.1	4.1	1.1	1.3	0.3	0.4
26	Kalyan Janata Sahakari Bank Limited, Kalyan	5.4	5.5	2.2	2.2	0.3	0.0
27	Kapol Co-operative Bank Limited, Mumbai	3.8	3.5	4.1	4.5	1.7	3.1
28	Karad Urban Co-operative Bank Limited	5.7	5.6	2.3	2.1	1.1	0.5
29	Khamgaon Urban Co-operative Bank Limited, Khamgaon	4.1	4.5	2.3	2.6	0.5	0.8
30	Mahanagar Co-operative Bank Limited, Mumbai	4.8	4.9	2.6	2.5	0.5	0.6
31	Mapusa Urban Co-operative Bank of Goa Limited, Mapusa	3.6	2.4	3.2	2.2	0.2	0.0
32	Mehsana Urban Co-operative Bank Limited	5.2	5.6	1.0	1.1	0.7	0.6
33	Nagar Urban Co-operative Bank Limited, Ahmednagar	5.1	5.2	2.2	2.9	0.1	0.6
34	Nagpur Nagrik Sahakari Bank Limited	3.6	4.4	2.7	2.5	1.0	0.5
35	Nasik Merchant's Co-operative Bank Limited	3.8	5.8	1.8	2.4	0.8	1.7
36	New India Co-operative Bank Limited, Mumbai	5.6	5.9	2.0	2.5	0.2	0.2
37	NKGSB Co-operative Bank Limited, Mumbai	5.5	5.9	1.9	1.9	0.4	0.4
38	Nutan Nagarik Sahakari Bank Limited, Ahmedabad	5.1	5.3	1.9	1.8	0.3	0.1
39	Pravara Sahakari Bank Limited	5.0	5.0	3.2	2.7	0.3	1.1
40	Punjab & Maharashtra Co-operative Bank Limited	5.6	6.2	2.2	2.0	0.6	20.5
41	Rajarambapu Sahakari Bank Limited	5.6	6.2	1.5	1.5	0.7	0.7
42	Rajkot Nagrik Sahakari Bank Limited	3.6	5.1	0.9	1.3	0.4	0.2
43	Rupee Co-operative Bank Limited	1.3	1.3	1.2	1.2	-0.2	-0.1
44	Sangli Urban Co-operative Bank Limited, Sangli	5.2	5.7	2.5	2.4	0.0	1.5
45	Saraswat Co-operative Bank Limited, Bombay	4.2	4.5	1.4	1.5	0.5	0.5
46	SBPP Co-operative Bank Limited, Killa Pardi	3.8	3.9	1.9	2.1	0.6	0.4
47	Shamrao Vithal Co-operative Bank Limited	5.1	4.9	1.9	2.0	0.2	0.2
48	Shikshak Sahakari Bank Limited, Nagpur	4.0	4.0	2.8	2.5	1.3	0.0
49	Solapur Janata Sahakari Bank Limited	5.8	5.8	1.9	1.8	0.9	0.9
50	Surat Peoples Co-operative Bank Limited	5.7	6.0	1.3	1.2	0.3	0.4
51	Thane Bharat Sahakari Bank Limited	5.8	5.6	2.7	2.6	0.6	1.5
52	TJSB Sahakari Bank	4.7	4.8	1.9	1.8	0.1	0.1
53	Vasai Vikas Sahakari Bank Limited	5.2	5.5	1.7	1.7	0.8	0.5
54	Zoroastrian Co-operative Bank Limited, Bombay	4.8	5.2	2.0	2.0	0.2	0.0

-: Nil / negligible.

Notes: 1. Data for 2019-20 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.

3. License of "Mapusa Urban Co-operative Bank of Goa Limited, Mapusa" was cancelled with effect from the close of business on April 16, 2020. Latest available data (Dec 2019) is used in the table.

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)	
		2018	2019	2018	2019	2018	2019
1	2	3	4	5	6	7	8
	Northern Region	**16,772**	**17,168**	**2.0**	**2.2**	**99.1**	**96.2**
1	Chandigarh	557	394	5.7	5.7	81.9	81.9
2	Delhi	2,214	2,225	1.8	1.6	95.7	85.8
3	Haryana	3,565	3,188	0.1	0.0	100.0	100.0
4	Himachal Pradesh	4,979	4,109	8.0	9.2	48.8	54.5
5	Jammu & Kashmir	376	138	4.8	4.4	72.5	34.0
6	Punjab	2,518	1,777	1.0	1.1	99.7	99.6
7	Rajasthan	2,563	5,337	0.2	0.2	99.8	90.3
	North-Eastern Region	**3,598**	**6,298**	**12.5**	**8.9**	**46.7**	**46.7**
8	Arunachal Pradesh	28	-39	55.8	49.3	7.7	9.1
9	Assam	-735	1,141	10.4	7.2	41.4	62.4
10	Manipur	1.2	65	83.3	32.6	3.9	6.1
11	Meghalaya	945	1,025	9.2	8.6	19.3	31.6
12	Mizoram	631	960	9.7	8.8	62.3	40.6
13	Nagaland	860	915	14.4	13.1	58.6	57.3
14	Sikkim	483	672	5.0	3.5	38.1	10.1
15	Tripura	1,385	1,559	3.2	3.5	81.6	81.0
	Eastern Region	**6,566**	**6,033**	**4.1**	**4.3**	**94.7**	**95.5**
16	Andaman & Nicobar Islands	449	1,057	18.4	16.7	67.2	73.0
17	Bihar	3,963	4,731	3.9	4.8	93.3	96.0
18	Jharkhand	47	-9,673	41.5	52.4	82.5	40.4
19	Odisha	1,984	9,281	1.7	1.6	98.1	98.1
20	West Bengal	124	638	5.2	5.1	86.9	89.1
	Central Region	**16,179**	**8,534**	**5.7**	**6.3**	**91.7**	**92.7**
21	Chhattisgarh	4,466	899	3.1	3.2	77.2	69.1
22	Madhya Pradesh	6,352	2,124	4.9	6.3	89.7	92.0
23	Uttar Pradesh	4,091	4,202	8.5	8.0	95.7	94.9
24	Uttarakhand	1,270	1,309	4.9	4.0	96.4	98.6
	Western Region	**25,789**	**32,891**	**7.8**	**6.6**	**86.9**	**86.2**
25	Goa	1,089	3,462	8.0	8.6	88.6	86.4
26	Gujarat	4,554	4,294	2.2	2.0	97.0	96.7
27	Maharashtra	20,146	25,135	9.9	8.1	83.6	82.0
	Southern Region	**34,090**	**45,686**	**3.4**	**2.6**	**96.5**	**97.6**
28	Andhra Pradesh	8,203	10,041	1.6	1.3	98.4	98.4
29	Karnataka	3,425	5,000	4.4	4.3	96.8	98.3
30	Kerala	10,035	22,488	5.9	3.2	93.0	96.2
31	Puducherry	52	-4,980	17.8	20.3	93.2	87.1
32	Tamil Nadu	8,277	8,605	3.4	2.1	98.8	99.7
33	Telgangana	4,099	4,532	0.2	0.2	99.8	95.5
	All India	**102,994**	**116,611**	**4.7**	**4.3**	**94.2**	**93.9**

Notes: 1. Components may not add up to total due to rounding off.
2. Recovery for the year 2018-19 is taken as on 30th June 2018.

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	2017-2018					2018-2019					2018		2019	
		No. of reporting DCCBs	Profit		Loss		No. of reporting 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**	**60**	**11,463**	**13**	**12,114**	**73**	**58**	**12,132**	**15**	**14,329**	**7.9**	**74.7**	**9.2**	**68.5**
1	Haryana	19	19	3,517	0	0	19	17	3,302	2	1,485	6.3	67.7	6.3	65.5
2	Himachal Pradesh	2	2	585	0	0	2	1	423	1	4,516	19.2	69.7	22.9	69.0
3	Jammu & Kashmir	3	0	0	3	7,971	3	0	0	3	3,195	27.8	53.3	29.9	43.6
4	Punjab	20	10	1,402	10	4,143	20	11	1,598	9	5,134	8.6	72.3	9.9	73.0
5	Rajasthan	29	29	5,959	0	0	29	29	6,809	0	0	4.2	82.3	5.2	67.8
	Eastern Region	**57**	**52**	**20,164**	**5**	**1,142**	**57**	45	21,607	12	3,679	**9.7**	**69.6**	**9.3**	**71.0**
6	Bihar	22	18	1,605	4	747	22	13	573	9	2,312	23.8	36.8	22.1	39.2
7	Jharkhand	1	1	299	0	0	1	1	4	0	0	75.3	13.9	78.0	14.6
8	Odisha	17	17	14,220	0	0	17	16	13,805	1	78	7.2	69.8	6.6	71.2
9	West Bengal	17	16	4,040	1	395	17	15	7,225	2	1,289	9.6	77.9	10.2	78.8
	Central Region	**104**	**78**	**28,239**	**26**	**28,526**	**104**	81	29,880	23	21,608	**18.6**	**56.8**	**19.3**	**62.3**
10	Chattisgarh	6	6	9,590	0	0	6	6	7,286	0	0	12.3	71.1	11.9	72.1
11	Madhya Pradesh	38	29	10,512	9	19,970	38	28	10,671	10	14,613	21.8	63.1	23.6	59.0
12	Uttar Pradesh	50	34	4,490	16	8,313	50	37	7,201	13	6,995	16.5	31.9	15.8	61.8
13	Uttarakhand	10	9	3,648	1	242	10	10	4,723	0	0	8.8	70.9	8.7	79.6
	Western Region	**49**	**43**	**53,586**	**6**	**10,950**	**49**	41	55,224	8	53,164	**14.3**	**57.9**	**16.0**	**64.6**
14	Gujarat	18	17	16,405	1	89	18	18	18,401	0	0	5.6	87.9	5.4	89.8
15	Maharashtra	31	26	37,181	5	10,861	31	23	36,823	8	53,164	17.2	45.0	19.4	53.9
	Southern Region	**80**	**78**	**60,907**	**2**	**36,587**	**80**	78	51,012	2	5,807	**7.8**	**89.3**	**7.6**	**88.4**
16	Andhra Pradesh	13	12	4,620	1	351	13	13	4,743	0	0	4.9	90.3	4.9	90.9
17	Karnataka	21	21	13,858	0	0	21	20	12,724	1	3,634	6.4	92.4	6.3	90.2
18	Kerala	14	13	13,391	1	36,236	14	13	8,720	1	2,173	10.2	88.1	10.4	87.3
19	Tamil Nadu	23	23	25,913	0	0	23	23	21,149	0	0	7.8	86.6	7.0	86.2
20	Telangana	9	9	3,125	0	0	9	9	3,676	0	0	5.3	89.3	5.3	87.6
	All India	**363**	**311**	**174,360**	**52**	**89,318**	**363**	**303**	**169,856**	**60**	**98,588**	**11.1**	**71.1**	**11.8**	**72.0**

Notes: 1. Components may not add up to the total /s due to rounding off.
2. * Recovery for the year 2018-19 is taken as on 30th June 2018.

Source: NABARD.

Appendix Table V.5: Primary Agricultural Credit Societies

(Amount in ₹ crore)

Item	As at end-March		Variation (%)	
	2018	2019	2017-18	2018-19
1	2	3	4	5
A. Liabilities				
1. Total Resources (2+3+4)	278,907	314,128	1.9	12.6
2. Owned Funds (a+b)	30,942	42,196	-6.2	36.4
a. Paid-up Capital	14,142	22,817	0.1	61.3
Of which, Government Contribution	807	1,323	-2.7	63.9
b. Total Reserves	16,800	19,379	-10.9	15.4
3. Deposits	119,632	133,010	3.2	11.2
4. Borrowings	128,333	138,922	2.8	8.3
5. Working Capital	243,563	296,554	1.5	21.8
B. Assets				
1. Total Loans Outstanding (a+b)	169,629	115,048	-0.5	-32.2
a) Short-Term	120,823	93,919	-1.1	-22.3
b) Medium-Term	48,806	21,129	1.1	-56.7

Note: Y-o-Y variations could be slightly different because absolute numbers have been rounded off to ₹ crore.
Source: NAFSCOB.

Appendix Table V.6: Select Indicators of Primary Agricultural Credit Societies-State-wise (*Continued*)
(At end-March 2019)

(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	**13,512**	**1,124,900**	**4,797,053**	**1,549,857**	**26,246**	**9,435**	**139,398**
1	Chandigarh	17	0	7	0	0.3	13	0.00
2	Haryana	728	94,823	1,294,192	561,861	25,576	32	383
3	Himachal Pradesh	2,132	540,197	672,018	138,149	0	1,840	88
4	Jammu & Kashmir*	620	323	3,772	4,659	670	484	58
5	Punjab*	3,543	241,242	1,226,106	845,188	0	2,140	N.A.
6	Rajasthan*	6,472	248,315	1,600,959	N.A.	N.A.	4,926	138,870
	North-Eastern Region	**3,570**	**9,547**	**46,012**	**6,905**	**1,464**	**811**	**8,654**
7	Arunachal Pradesh*	34	0	1,940	0	0	13	452
8	Assam*	766	0	11,123	575	20	309	7,639
9	Manipur	261	162	682	48	31	131	26
10	Meghalaya	179	1565	4,344	2,636	45	53	93
11	Mizoram	167	1400	420	650	267	27	0.93
12	Nagaland*	1,719	6,419	11,246	197	357	N.A.	N.A.
13	Sikkim	176	N.A.	2,451	1,267	88	91	56
14	Tripura	268	N.A.	13,807	1,530	656	187	387
	Eastern Region	**18,620**	**379,450**	**1,568,679**	**710,871**	**44,148**	**4,272**	**8,409**
15	Andaman & Nicobar Islands	51	112	1206	218	0	18	21
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	153,769	1,023,078	564,749	14,672	727	4,417
19	West Bengal*	7,405	208,036	493,578	145,903	29,476	2,347	3,366
	Central Region	**15,762**	**254,137**	**1,559,524**	**717,346**	**36,598**	**8,122**	**27,127**
20	Chhattisgarh	1,617	63,145	549,825	206,713	10,435	842	9,041
21	Madhya Pradesh*	4,457	81,731	645,546	339,959	11,892	2,153	13,124
22	Uttarakhand*	759	102,441	238,226	90,643	14,271	591	3,188
23	Uttar Pradesh*	8,929	6,820	125,927	80,031	0	4,536	1,774
	Western Region	**29,844**	**121,021**	**3,464,833**	**1,989,290**	**346,811**	**15,093**	**9,763**
24	Goa	81	8,231	12,835	1,462	1,183	59	11
25	Gujarat	8613	86,147	1,387,858	1,009,496	130,811	6,113	9,065
26	Maharashtra	21,150	26,643	2,064,140	978,332	214,817	8,921	688
	Southern region	**14,687**	**11,411,981**	**18,219,261**	**3,373,242**	**1,479,982**	**9,197**	**401,512**
27	Andhra Pradesh	1,992	230,027	1,360,941	868,742	191,062	1,358	305,258
28	Telangana	799	41,850	453,818	452,847	20,048	493	1,498
29	Karnataka*	5,679	749,701	2,316,084	1,121,312	389,929	3,858	6,316
30	Kerala	1,643	9,547,789	11,964,929	N.A.	N.A.	964	70,988
31	Puducherry	53	15,783	22,512	944	2,973	14	109
32	Tamil Nadu	4,521	826,831	2,100,978	929,398	875,970	2,510	17,343
	All India	**95,995**	**13,301,036**	**29,655,362**	**8,347,511**	**1,935,248**	**46,930**	**594,862**

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: Select Indicators of Primary Agricultural Credit Societies-State-wise *(Concluded)*
(At end-March 2019)

(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	**3,985**	**115,416**	**4,922**	**1,862**	**117**	**95**	**6,516**
1	Chandigarh	4	0.004	13	0	0	4	0
2	Haryana	696	63405	725	3	0	0	0
3	Himachal Pradesh	231	3	522	1,472	105	0	33
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	**767**	**11,519**	**1,860**	**496**	**690**	**429**	**95**
7	Arunachal Pradesh*	19	717	20	5	4	5	0
8	Assam*	419	9,909	709	57	0	0	0
9	Manipur	99	40	122	71	23	45	0
10	Meghalaya	126	756	116	55	8	0	0
11	Mizoram	5	0.27	32	40	0	0	95
12	Nagaland*	N.A.	N.A.	457	228	655	379	0
13	Sikkim	18	5	136	40	0	0	0
14	Tripura	81	91	268	0	0	0	0
	Eastern Region	**9,844**	**27,988**	**14,171**	**2,857**	**591**	**411**	**590**
15	Andaman &Nicobar Island	26	107	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	1,878	26,358	1,721	604	10	1	365
19	West Bengal*	3,978	1,429	3,948	2,248	574	410	225
	Central Region	**4,750**	**26,020**	**12,633**	**2,494**	**390**	**175**	**70**
20	Chhattisgarh	491	7,610	1,178	439	0	0	0
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	**13,540**	**5,274**	**21,617**	**7,243**	**519**	**353**	**112**
24	Goa	16	24	67	12	1	1	0
25	Gujarat	1,667	4,302	5,180	2,535	469	317	112
26	Maharashtra	11,857	948	16,370	4,696	49	35	0
	Southern Region	**4,845**	**580,393**	**10,488**	**2,952**	**343**	**49**	**855**
27	Andhra Pradesh	634	363,883	1,498	330	28	3	133
28	Telangana	244	2,351	694	60	1	0	44
29	Karnataka*	1,457	3,409	4,004	1,303	165	35	172
30	Kerala	615	160,188	1,643	0	0	0	0
31	Puducherry	39	2,321	14	39	0	0	0
32	Tamil Nadu	1,856	48,240	2,635	1,220	149	11	506
	All India	**37,731**	**766,609**	**65,691**	**17,904**	**2,650**	**1,512**	**8,238**

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

(Numbers in thousands)

All India	Members		Borrowers	
	2018	2019	2018	2019
1	2	3	4	5
Scheduled Castes	14,883	14,732	5,233	4,255
Scheduled Tribes	9,443	9,080	3,135	2,958
Small Farmers	43,698	37,491	19,821	13,923
Rural Artisans	7,255	3,355	2,361	1,081
Others and Marginal Farmers	55,269	67,371	20,141	28,841

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 (%)	
	2018	2019P	2017-18	2018-19
1	2	3	4	5
Liabilities				
1. Capital	945	939	0.6	-0.6
	(3.2)	(3.3)		
2. Reserves	3,360	3,550	-0.2	5.7
	(11.5)	(12.6)		
3. Deposits	2,341	2,434	-3.4	4.0
	(8.0)	(8.6)		
4. Borrowings	15,400	15,098	-0.6	-2.0
	(53.1)	(53.9)		
5. Other Liabilities	6,948	5,976	-14.5	-14.0
	(23.9)	(21.3)		
Assets				
1. Cash and Bank Balances	275	257	-39.3	-6.5
	(0.9)	(0.9)		
2. Investments	3,537	3,302	9.2	-6.6
	(12.1)	(11.7)		
3. Loans and Advances	20,788	20,651	-2.0	-0.7
	(71.6)	(73.7)		
4. Accumulated Losses	503	568	8.6	13.0
	(1.7)	(2.0)		
5. Other Assets	**3,891**	**3,219**	**-19.5**	**-17.3**
	(13.4)	**(11.4)**		
Total Liabilities/Assets	**28,994**	**27,997**	**-4.5**	**-3.4**
	(100.00)	**(100.00)**		

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.
4. P- Provisional.

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	
	2017-18	2018-19P	2017-18	2018-19
1	2	3	4	5
A. Income (i+ii)	**2,384**	**2,510**	**8.5**	**5.3**
	(100.00)	**(100.00)**		
I. Interest Income	2,287	2,427	10.5	6.1
	(95.9)	(96.6)		
ii. Other Income	97	83	-24.2	-14.2
	(4.0)	(3.3)		
B. Expenditure (i+ii+iii)	**2,394**	**2,559**	**0.5**	**6.9**
i. Interest Expended	1,502	1,376	1.2	-8.4
	(62.7)	(53.7)		
ii. Provisions and Contingencies	452	394	-7.0	-12.8
	(18.8)	(15.4)		
iii. Operating Expenses	402	454	-2.0	13.1
	(16.7)	(17.7)		
Of which : Wage Bill	344	377	1.7	9.8
	(14.3)	(14.7)		
iv. Other Expenditure	38	335		
	(1.5)	(13.0)		
C. Profits				
i. Operating Profits	442	345	45.9	-21.9
ii. Net Profits	-9.4	-49.2		

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.
4. P- Provisional.

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	
	2018	2019P	2017-18	2018-19
1	2	3	4	5
A. Total NPAs (i+ii+iii)	**5,206**	**5,477**	**3.8**	**5.2**
i) Sub-standard	1,944	2,118	-0.5	8.9
	(37.3)	(38.6)		
ii) Doubtful	3,252	3,325	6.6	2.2
	(62.4)	(60.7)		
iii) Loss	9	34	-6.4	279.7
	(0.1)	(0.6)		
B. NPAs to Loans Ratio (%)	**25.0**	**26.5**	**-**	**-**
C. Recovery to Demand Ratio (%)	**48.4**	**46.1**	**-**	**-**

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.
3. Components may not add up to the total due to rounding off.
4. P- Provisional.

Source: NABARD.

Appendix Table V.11: Major Financial Indicators of State Co-operative Agriculture and Rural Development Banks - State-wise

(At end - March)

(Amount ₹ lakh)

Sr. No.	Region/State	Branches	Profit / Loss		NPAs to Loans ratio (per cent)		Recovery Ratio (per cent) * (at End-June)	
		2019	2018	2019P	2018	2019P	2017	2018
1	2	3	4	5	6	7	8	9
	Northern region							
1	Haryana @	19	-3,188	-7,638	83.1	83.5	18.7	10.7
2	Himachal Pradesh #	51	127	23	23.8	25.5	52.4	47.6
3	Jammu & Kashmir*	51	-693	-1,193	20.2	27.0	46.2	30.4
4	Punjab @	89	829	120	11.2	17.1	61.3	67.8
5	Rajasthan @	7	-4,392	4,420	44.2	44.2	25.9	38.4
	North-eastern region							
6	Assam*	-	-	-	-	-	-	-
7	Tripura*	5	20	-12	47.0	99.0	18.3	40.5
	Eastern region							
8	Bihar*	-	-	-	-	-	-	-
9	Odisha @	-	-	-	-	-	-	-
10	West Bengal #	2	244	323	23.3	23.9	40.6	41.3
	Central region							
11	Chhattisgarh @	-	-	-	-	-	-	-
12	Madhya Pradesh @	-	-	-	-	-	-	-
13	Uttar Pradesh*	323	192	-8,451	44.1	38.4	30.5	25.3
	Western region							
14	Gujarat*	176	2,100	2,102	55.0	54.8	37.1	32.7
15	Maharashtra @	-	-	-	-	-	-	-
	Southern region							
16	Karnataka @	25	69	76	22.7	29.3	36.8	32.6
17	Kerala @	14	2,753	2,566	0.5	2.2	99.0	95.4
18	Puducherry*	1	-42	-44	2.6	8.4	-	93.0
19	Tamil Nadu @	26	1,044	2,762	18.9	15.7	-	85.6
	All India	**789**	**-937**	**-4,946**	**25.0**	**26.5**	**48.4**	**46.1**

@: 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.

4. P- Provisional.

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 (%)	
	2018	2019P	2017-18	2018-19
1	2	3	4	5
Liabilities				
1. Capital	1,054	1,068	4.8	1.4
	(3.4)	(3.5)		
2. Reserves	2,234	1,741	32.3	-22.1
	(7.3)	(5.7)		
3. Deposits	1,306	1,303	4.3	-0.2
	(4.2)	(4.3)		
4. Borrowings	16,349	16,101	5.3	-1.5
	(53.5)	(53.4)		
5. Other Liabilities	9,607	9,894	0.2	3.0
	(31.4)	(32.8)		
Assets				
1. Cash and Bank Balances	436	441	11.2	1.2
	(1.4)	(1.4)		
2. Investments	2,286	2,019	2.9	-11.7
	(7.4)	(6.7)		
3. Loans and Advances	15,821	15,594	5.0	-1.4
	(51.7)	(51.7)		
4. Accumulated Losses	4,414	4,844	14.5	9.7
	(14.4)	(16.0)		
5. Other Assets	7,593	7,209	5.4	-5.0
	(24.8)	(23.9)		
Total Liabilities/Assets	**30,550**	**30,108**	**5.1**	**-1.4**
	(100.00)	**(100.00)**		

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.
4. Provisional Data for 2019.

Source: NABARD.

Appendix Table V.13: Financial Performance of Primary Co-operative Agriculture and Rural Development Banks

(Amount in ₹ crore)

Item	As during		Variation (%)	
	2017-18	2018-19P	2017-18	2018-19
1	2	3	4	5
A. Income (i+ii)	**2,464**	**2,523**	**11.0**	**2.4**
	(100.00)	**(100.00)**		
i. Interest Income	1,992	1,953	22.3	-2.0
	(80.8)	(77.3)		
ii. Other Income	472	570	-15.7	20.8
	(19.1)	(22.6)		
B. Expenditure (i+ii+iii)	**2,975**	**2,964**	**5.3**	**-0.4**
i. Interest Expended	1,786	1,725	5.7	-3.4
	(60.0)	(58.1)		
ii. Provisions and Contingencies	748	771	25.5	3.1
	(25.1)	(26.0)		
iii. Operating Expenses	441	469	-18.0	6.2
	(14.8)	(15.8)		
Of which : Wage Bill	330	319		
	(11.0)	(10.7)		
C. Profits				
i. Operating Profits	237	330	-	39.1
ii. Net Profits	-511	-442	-	-

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.
4. Provisional Data for 2019.

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 (%)	
	2018	2019P	2017-18	2018-19
1	2	3	4	5
A. Total NPAs (i+ii+iii)	**6058**	**6121**	**22.4**	**1.0**
i) Sub-standard	3367	3137	30.7	-6.8
	(55.5)	(51.2)		
ii) Doubtful	2662	2940	13.5	10.4
	(43.9)	(48.0)		
iii) Loss	29	44	2.4	52.9
	(0.4)	(0.7)		
B. NPAs to Loans Ratio (%)	**38.4**	**39.3**	-	-
C. Recovery to Demand Ratio (%)	**41.1**	**40.7**	-	-

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.
4. Provisional Data for 2019.

Source: NABARD.

Appendix Table V.15: Major Financial Indicators of Primary Co-operative Agriculture and Rural Developments Banks - State-wise

(Amount in ₹ lakh)

State	2017-18				2018-19P				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	2018	2019	2018	2019
1	2	3	4	5	6	7	8	9	10	11	12	13
Northern Region	**20**	**853**	**125**	**50,635**	**42**	**1893**	**103**	**38,143**	**57.0**	**62.7**	**21.4**	**22.5**
Haryana	0	0	19	23,401	0	0	19	19,885	74.8	79.4	16.4	10.2
Himachal Pradesh	0	0	1	253	0	0	1	231.47	37.3	33.4	51.6	57.6
Punjab	6	459	83	20,833	25	1467	64	11,737	56.3	65.0	19.6	25.3
Rajasthan	14	395	22	6,147	17	426	19	6,289	40.4	41.4	30.1	33.9
Central Region	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-	-
Chhattisgarh	-	-	-	-	-	-	-	-	-	-	-	-
Madhya Pradesh	-	-	-	-	-	-	-	-	-	-	-	-
Eastern Region	**7**	**965**	**17**	**3,960**	**9**	**1551**	**15**	**2,647**	**32.9**	**34.5**	**40.0**	**40.0**
Odisha	-	-	-	-	-	-	-	-	-	-	-	-
West Bengal	7	965	17	3,960	9	1551	15	2,647	32.9	34.5	40.0	40.0
Western Region	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Maharashtra	-	-	-	-	-	-	-	-	-	-	-	-
Southern Region	**230**	**10,925**	**202**	**9,252**	**220**	**6,883**	**213**	**13,703**	**27.3**	**26.4**	**66.1**	**64.9**
Karnataka	38	1064.38	139	6,877	25	696	153	10,890	19.3	25.4	48.9	43.4
Kerala	32	6629.55	43	2,111	52	3,227	23	2,391	31.1	28.1	62.2	64.8
Tamil Nadu	160	3,231	20	264	143	2,960	37	422	14.6	13.9	-	87.0
All India	**257**	**12,743**	**344**	**63,846**	**271**	**10,327**	**331**	**54,493**	**38.4**	**39.4**	**41.1**	**40.7**

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.
3. Also Maharashtra, Madhya Pradesh and Odisha structures are no longer functional.
4. Recovery for the financial year is taken as 30th June.
5. Data for 2018-19 are Provisional.

Source: NABARD.

Appendix VI.1: Consolidated Balance Sheet of NBFCs-ND-SI

(Amount in ₹ crore)

Item	End-March 2018	End-March 2019	End-March 2020	End-September 2020	Percentage Variation 2019-20
1	2	3	4	5	6
1. Share Capital	1,12,671	1,23,333	1,33,059	1,46,713	7.9
2. Reserves & Surplus	4,50,459	5,22,738	5,69,769	6,41,910	9.0
3. Public Deposits	0	0	0	0	
4. Total Borrowings (A+B)	15,57,938	18,40,657	19,86,337	20,65,144	7.9
A. Secured Borrowings	7,99,094	9,29,054	9,99,376	9,28,755	7.6
A.1. Debentures	4,47,083	4,57,035	4,28,762	3,82,216	-6.2
A.2. Borrowings from Banks	2,86,881	3,87,403	4,48,905	4,17,672	15.9
A.3. Borrowings from FIs	19,947	25,927	30,722	36,930	18.5
A.4. Interest Accrued	17,269	16,027	15,813	17,669	-1.3
A.5. Others	27,915	42,662	75,174	74,269	76.2
B. Un-Secured Borrowings	7,58,845	9,11,603	9,86,961	11,36,389	8.3
B.1. Debentures	3,58,479	3,63,122	4,08,611	4,34,570	12.5
B.2. Borrowings from Banks	58,613	1,32,862	1,34,882	1,92,286	1.5
B.3. Borrowings from FIs	8,643	9,855	35,259	72,085	257.8
B.4. Borrowings from Relatives	2,383	3,197	2,963	3,948	-7.3
B.5. Inter-Corporate Borrowings	51,747	68,415	70,265	74,164	2.7
B.6. Commercial Paper	1,27,168	1,41,046	62,588	80,459	-55.6
B.7. Interest Accrued	18,716	15,907	27,025	33,365	69.9
B.8. Others	1,33,097	1,77,197	2,45,369	2,45,512	38.5
5. Current Liabilities & Provisions	1,18,892	2,04,349	2,14,721	2,34,050	5.1
Total Liabilities/ Total Assets	**22,39,960**	**26,91,076**	**29,03,886**	**30,87,817**	**7.9**
1. Loans & Advances	16,56,900	19,36,593	19,44,889	20,51,581	0.4
1.1. Secured	12,56,080	13,88,623	14,05,970	14,60,487	1.2
1.2. Un-Secured	4,00,819	5,47,970	5,38,918	5,91,094	-1.7
2. Investments	3,87,142	4,59,868	5,02,650	5,63,570	9.3
2.1. Govt. Securities	5,392	11,790	18,631	22,764	58.0
2.2. Equity Shares	2,56,243	3,30,728	3,61,424	4,09,135	9.3
2.3. Preference Shares	11,816	12,898	9,712	10,547	-24.7
2.4. Debentures & Bonds	51,602	44,088	31,259	28,758	-29.1
2.5. Units of Mutual Funds	41,897	43,691	55,639	60,279	27.3
2.6. Commercial Paper	1,641	567	484	499	-14.8
2.7. Other Investments	18,551	16,105	25,501	31,587	58.3
3. Cash & Bank Balances	66,966	89,978	1,21,689	1,27,593	35.2
3.1. Cash in Hand	3,053	6,351	6,261	16,308	-1.4
3.2. Deposits with Banks	63,914	83,628	1,15,428	1,11,286	38.0
4. Other Current Assets	98,607	1,25,919	2,38,344	2,24,038	89.3
5. Other Assets	30,346	78,716	96,314	1,21,035	22.4
Memo Items					
1. Capital Market Exposure	2,49,858	7,81,068	3,16,494	3,24,015	-59.5
of which: Equity Shares	1,38,183	1,79,059	2,42,580	2,48,128	35.5
2. CME as per cent to Total Assets	11.2	29.0	10.9	10.5	
3. Leverage Ratio	3.0	3.2	3.1	2.9	

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 2018	End-March 2019	End-March 2020	End-September 2020	Percentage Variation 2019-20
1	2	3	4	5	6
1. Share Capital	3,260	5,200	7,211	7,673	38.7
2. Reserves & Surplus	51,043	61,958	78,594	87,842	26.8
3. Public Deposits	30,128	40,057	50,033	55,665	24.9
4. Total Borrowings (A+B)	2,11,947	2,70,128	2,94,004	2,87,300	8.8
A. Secured Borrowings	1,67,050	2,21,117	2,53,195	2,47,957	14.5
A.1. Debentures	82,964	97,265	99,341	94,275	2.1
A.2. Borrowings from Banks	70,029	1,06,079	1,23,899	1,23,854	16.8
A.3. Borrowings from FIs	3,455	4,976	7,830	7,429	57.3
A.4. Interest Accrued	5,193	3,119	3,341	2,948	7.1
A.5. Others	5,408	9,678	18,784	19,451	94.1
B. Un-Secured Borrowings	44,897	49,010	40,809	39,343	-16.7
B.1. Debentures	473	1,892	3,785	4,232	100.1
B.2. Borrowings from Banks	1,326	151	350	510.442	132.3
B.3. Borrowings from FIs	0	0	0	0	-
B.4. Borrowings from Relatives	101	86	589	74.3142	588.5
B.5. Inter-Corporate Borrowings	5,195	7,390	8,023	6,880	8.6
B.6. Commercial Paper	18,173	18,112	7,478	8,605	-58.7
B.7. Interest Accrued	4,197	3,645	3,492	3,324	-4.2
B.8. Others	15,432	17,736	17,092	15,718	-3.6
5. Current Liabilities & Provisions	44,727	44,480	55,538	59,558	24.9
Total Liabilities/ Total Assets	**3,41,103**	**4,21,823**	**4,85,381**	**4,98,037**	**15.1**
1. Loans & Advances	3,09,195	3,79,015	4,15,615	4,11,698	9.7
1.1. Secured	2,55,658	3,05,751	3,28,260	3,26,791	7.4
1.2. Un-Secured	53,538	73,264	87,355	84,907	19.2
2. Investments	11,956	23,891	39,213	50,838	64.1
2.1. Govt. Securities	4,938	5,538	9,254	13,078	67.1
2.2. Equity Shares	3,110	5,838	8,367	10,238	43.3
2.3. Preference Shares	695	225	267	278	18.6
2.4. Debentures & Bonds	1,668	1,355	2,189	2172	61.6
2.5. Units of Mutual Funds	336	4,806	15,305	19,832	218.4
2.6. Commercial Paper	494	857	852	2104	-0.5
2.7. Other Investments	714	5,272	2,978	3,136	-43.5
3. Cash & Bank Balances	8,794	9,785	17,057	23,181	74.3
3.1. Cash in Hand	326	447	132	795	-70.5
3.2. Deposits with Banks	8,468	9,338	16,926	22,387	81.3
4. Other Current Assets	9,432	7,531	11,000	9,941	46.1
5. Other Assets	1,727	1,601	2,495	2,379	55.9
Memo Items					
1. Capital Market Exposure	8,331	6,605	10,625	12,325	60.9
of which: Equity Shares	437	503	6,105	5,554	1112.8
2. CME as per cent to Total Assets	0.1	0.1	1.3	2.5	
3. Leverage Ratio	5.3	5.3	4.7	4.2	

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- March 2020	Percentage variation 2019- 20
1	2	3	4	5
I. Gross Advances (II + III)	**19,66,095**	**23,15,608**	**23,60,504**	**1.9**
II. Non-Food Credit (1 to 5)	**19,65,854**	**23,15,376**	**23,60,194**	**1.9**
1. Agriculture and Allied Activities	**46,794**	**70,965**	**61,759**	**-13.0**
2. Industry (2.1 to 2.4)	**11,21,951**	**12,69,075**	**12,65,248**	**-0.3**
2.1 Micro and Small	55,408	41,985	75,849	80.7
2.2 Medium	24,349	18,464	17,388	-5.8
2.3 Large	6,23,020	7,08,181	5,86,983	-17.1
2.4 Others	4,19,172	5,00,445	5,85,028	16.9
3. Services (3.1 to 3.10)	**3,21,437**	**3,85,177**	**3,72,596**	**-3.3**
3.1 Transport Operators	19,335	18,193	23,016	26.5
3.2 Computer Software	1,261	1,569	1,691	7.8
3.3 Tourism, Hotel and Restaurants	5,890	9,068	9,364	3.3
3.4 Shipping	582	503	215	-57.3
3.5 Professional Services	7,774	8,629	6,371	-26.2
3.6 Trade	34,299	37,962	44,725	17.8
3.6.1 Wholesale Trade (other than Food Procurement)	7,257	8,666	7,546	-12.9
3.6.2 Retail Trade	27,042	29,296	37,179	26.9
3.7 Commercial Real Estate	1,25,108	1,51,617	1,29,232	-14.8
3.8 NBFCs	24,061	30,326	40,401	33.2
3.9 Aviation	689	1,165	1,070	-8.2
3.10 Other Services	1,02,438	1,26,145	1,16,512	-7.6
4. Retail Loans (4.1 to 4.8)	**3,59,380**	**4,52,442**	**5,50,302**	**21.6**
4.1 Housing Loans (incl. priority sector Housing)	13,256	15,663	21,468	37.1
4.2 Consumer Durables	8,621	5,151	5,128	-0.4
4.3 Credit Card Receivables	17,427	23,041	32,136	39.5
4.4 Vehicle/Auto Loans	1,64,378	2,02,136	2,38,970	18.2
4.5 Education Loans	7,198	8,874	8,653	-2.5
4.6 Advances against Fixed Deposits (incl. FCNR(B), etc.)	-	-	-	-
4.7 Advances to Individuals against Shares, Bonds, etc.	16,092	16,537	9,114	-44.9
4.8 Other Retail Loans	1,32,408	1,81,042	2,34,833	29.7
5. Other Non-food Credit	**1,16,292**	**1,37,716**	**1,10,289**	**-19.9**

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)

	2018	2019	2020	H1:2020-21
A. Total Income	**2,50,004**	**2,77,589**	**3,12,326**	**1,56,515**
(i) Fund Based Income	2,33,346	2,59,703	2,92,270	1,51,560
	(93.3)	(93.6)	(93.6)	(96.8)
(ii) Fee Based Income	8,472	8,968	9,353	4,955
	(3.4)	(3.2)	(3.0)	(3.2)
B. Expenditure	**2,00,469**	**2,54,428**	**2,64,387**	**1,10,857**
(i) Financial Expenditure	1,11,508	1,33,483	1,53,085	71,852
	(55.6)	(52.5)	(57.9)	(64.8)
of which Interest payment	44,712	65,539	78,014	37,683
	(22.3)	(25.8)	(29.5)	(34.0)
(ii) Operating Expenditure	33,755	40,463	46,327	20,157
	(16.8)	(15.9)	(17.5)	(18.2)
(iii) Others	55,206	80,482	64,976	18,848
	(27.5)	(31.6)	(24.6)	(17.0)
C. Tax Provisions	**14,375**	**17,280**	**13,330**	**7,533**
D. Profit Before Tax	**49,535**	**23,160**	**47,938**	**45,658**
E. Net Profit	**35,160**	**5,881**	**34,608**	**38,125**
F. Total Assets	**22,39,960**	**26,91,076**	**29,03,886**	**30,87,817**
G. Financial Ratios (as Per cent of Total Assets)				
(i) Income	11.2	10.3	10.8	5.1
(ii) Fund Income	10.4	9.7	10.1	4.9
(iii) Fee Income	0.4	0.3	0.3	0.2
(iv) Expenditure	8.9	9.5	9.1	3.6
(v) Financial Expenditure	5.0	5.0	5.3	1.2
(vi) Operating Expenditure	1.5	1.5	1.6	0.7
(vii) Tax Provision	0.6	0.6	0.5	0.2
(viii) Net Profit	1.6	0.2	1.2	1.2
H. Cost to Income (percentage)	**80.2**	**91.7**	**84.7**	**70.8**

Notes: 1. Data are provisional.
2. Figures in parentheses are share (in per cent) to respective total.
3. Total income includes non-financial income as well, which is not reported in the table.

Source: Quarterly Returns of NBFCs-ND-SI, RBI.

Appendix Table VI.5: Financial Performance of NBFCs - Deposit Taking

(Amount in ₹ crore)

	2018	2019	2020	H1:2020-21
A. Total Income	**47,671**	**61,468**	**70,475**	**31,842**
(i) Fund Based Income	46,806	59,912	67,985	31,205
	(98.2)	(97.5)	(96.5)	(98.0)
(ii) Fee Based Income	864	1,555	2,490	637
	(1.8)	(2.5)	(3.5)	(2.0)
B. Expenditure	**37,085**	**44,676**	**54,898**	**26,086**
(i) Financial Expenditure	20,140	26,233	30,768	16,677
	(54.3)	(58.7)	(56.0)	(63.9)
of which Interest payment	4,853	5,526	7,020	9,271
	(13.1)	(12.4)	(12.8)	(35.5)
(ii) Operating Expenditure	11,183	11,595	15,526	4,844
	(30.2)	(26.0)	(28.3)	(18.6)
(iii) Others	5,762	6,848	8,604	4,565
	(15.5)	(15.3)	(15.7)	(17.5)
C. Tax Provisions	**3,621**	**5,566**	**4,464**	**1,490**
D. Profit Before Tax	**10,586**	**16,792**	**15,577**	**5,756**
E. Net Profit	**6,966**	**11,226**	**11,113**	**4,266**
F. Total Assets	**3,41,103**	**4,21,823**	**4,85,381**	**4,98,037**
G. Financial Ratios (as Per cent of Total Assets)				
(i) Income	14.0	14.6	14.5	6.4
(ii) Fund Income	13.7	14.2	14.0	6.3
(iii) Fee Income	0.3	0.4	0.5	0.1
(iv) Expenditure	10.9	10.6	11.3	5.2
(v) Financial Expenditure	5.9	6.2	6.3	1.9
(vi) Operating Expenditure	3.3	2.7	3.2	1.0
(vii) Tax Provision	1.1	1.3	0.9	0.3
(viii) Net Profit	2.0	2.7	2.3	0.9
H. Cost to Income (percentage)	**77.8**	**72.7**	**77.9**	**81.9**

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.6: Financial Assistance Sanctioned and Disbursed by Financial Institutions *(Continued)*

(Amount in ₹ crore)

Institutions	Loans*							
	2018-19		2019-20		Apr-Sep 2019		Apr-Sep 2020	
	S	D	S	D	S	D	S	D
1	2	3	4	5	6	7	8	9
A. All India financial institutions (1 to 4)	**4,50,641**	**4,15,100**	**4,55,147**	**4,37,167**	**2,21,461**	**1,64,182**	**2,41,054**	**1,90,484**
1. NABARD	3,03,444	2,81,770	2,78,403	2,81,400	1,44,713	84,062	1,84,001	1,16,647
2. SIDBI@	73,946	75,463	1,08,289	1,04,852	55,978	56,701	33,671	35,063
3. EXIM Bank	38,001	36,660	40,255	33,735	16,487	16,551	9,313	13,828
4. NHB	35,250	21,207	28,200	17,180	4,283	6,869	14,069	24,947
B. Specialised financial institutions (5, 6 and 7)	**1,075**	**501**	**477**	**485**	**382**	**303**	**257**	**177**
5. IVCF	10	10	0	1	0	1	0	0
6. ICICI venture	-	-	-	-	-	-	-	-
7. TFCI	1064.65	490.41	477	483.35	382	301.15	256.79	176.97
C. Investment institutions (8 and 9)	**85**	**68**	**4,000**	**11**	**4,000**	**11**	**0**	**0**
8. LIC	**85**	**68**	**4,000**	**11**	**4,000**	**11**	**0**	**0**
9. GIC	0	0	0	0	0	0	0	0
D. Financial Institutions (A+B+C)	**4,51,800**	**4,15,669**	**4,59,624**	**4,37,663**	**2,25,843**	**1,64,496**	**2,41,311**	**1,90,661**
E. State level institutions (10 and 11)	**2,662**	**1,618**	**2,745**	**2,199**	**..**	**..**	**..**	**..**
10. SFCs^	2,662	1,618	**2,745**	**2,199**	**..**	**..**	**..**	**..**
11. SIDCs	..	..	..	..	..	..	..	..
F. Total assistance by all financial institutions (D+E)	**4,54,463**	**4,17,287**	**4,62,370**	**4,39,861**	**225843**	**164496**	**241311**	**190661**

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 offbalance 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 Rs 513.63 crore comprises of disbursment of Rs 302.72 crore under FFS and ASPIRE. Similarly, during FY 2020, the disbursed amount of Rs 730.80 crore comprises of disbursment of Rs 616.15 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	Underwriting and Direct Subscription							
	2018-19		2019-20		Apr-Sep 2019		Apr-Sep 2020	
	S	D	S	D	S	D	S	D
1	10	11	12	13	14	15	16	17
A. All India financial institutions (1 to 4)	**1,130**	**514**	**1,532**	**731**	**858**	**231**	**299**	**199**
1. NABARD	0	0	0	0	0	0	0	0
2. SIDBI@	1,130	514	1,532	731	858	231	299	199
3. EXIM Bank	0	0	0	0	0	0	0	0
4. NHB	0	0	0	0	0	0	0	0
B. Specialised financial institutions (5, 6 and 7)	**53**	**53**	**0**	**0**	**0**	**0**	**0**	**0**
5. IVCF	0	0	0	0	0	0	0	0
6. ICICI venture	-	-	-	-	-	-	-	-
7. TFCI	52.69	52.69	0	0	0	0	0	0
C. Investment institutions (8 and 9)	**68,253**	**51,773**	**95,622**	**79,024**	**42,915**	**38,426**	**45,098**	**23,120**
8. LIC	**68,253**	**51,773**	**95,622**	**79,024**	**42,915**	**38,426**	**45,098**	**23,120**
9. GIC	0	0	0	0	0	0	0	0
D. Financial Institutions (A+B+C)	**69,436**	**52,340**	**97,154**	**79,755**	**43,773**	**38,657**	**45,396**	**23,319**
E. State level institutions (10 and 11)	**0**	**0**	**0**	**0**	**..**	**..**	**..**	**..**
10. SFCs^	**0**	**0**	**0**	**0**	**..**	**..**	**..**	**..**
11. SIDCs	**..**	**..**	**..**	**..**	**..**	**..**	**..**	**..**
F. Total assistance by all financial institutions (D+E)	**69436**	**52340**	**97154**	**79755**	**43773**	**38657**	**45396**	**23319**

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 offbalance 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 Rs 513.63 crore comprises of disbursment of Rs 302.72 crore under FFS and ASPIRE. Similarly, during FY 2020, the disbursed amount of Rs 730.80 crore comprises of disbursment of Rs 616.15 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#							
	2018-19		2019-20		Apr-Sep 2019		Apr-Sep 2020	
	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)	**5,011**	**13,887**	**7,625**	**15,017**	**6,074**	**5,354**	**1,724**	**6,190**
1. NABARD	506	446	480	411	25	94	21	119
2. SIDBI@	6	6	5	5	7	7	3	3
3. EXIM Bank	4,499	4,065	7,140	6,548	6,043	2,120	1,701	2,486
4. NHB	0	9,370	0	8,053	0	3,133	0	3,582
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)	**961**	**64**	**1,250**	**131**	**0**	**26**	**0**	**42**
8. LIC	**961**	**64**	**1,250**	**131**	**0**	**26**	**0**	**42**
9. GIC	0	0	0	0	0	0	0	0
D. Financial Institutions (A+B+C)	**5,972**	**13,951**	**8,875**	**15,149**	**6,074**	**5,380**	**1,724**	**6,232**
E. State level institutions (10 and 11)	**0**	**0**	**0**	**0**	**..**	**..**	**..**	**..**
10. SFCs^	0	0	**0**	**0**	..	..	..	..
11. SIDCs	..	..	..	..	..	..	..	..
F. Total assistance by all financial institutions (D+E)	**5,972**	**13,951**	**8,875**	**15,149**	**6074.35**	**5379.72**	**1724.44**	**6231.58**

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 offbalance 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 Rs 513.63 crore comprises of disbursment of Rs 302.72 crore under FFS and ASPIRE. Similarly, during FY 2020, the disbursed amount of Rs 730.80 crore comprises of disbursment of Rs 616.15 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			
	2018-19		2019-20		Apr-Sep 2019		Apr-Sep 2020		2019-20		Apr-Sep 2020 (Y-o-Y)	
	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)	**4,56,782**	**4,29,501**	**4,64,304**	**4,52,916**	**2,28,393**	**1,69,767**	**2,43,077**	**1,96,873**	**1.6**	**5.5**	**6.4**	**16.0**
1. NABARD	3,03,950	2,82,216	2,78,883	2,81,811	1,44,738	84,156	1,84,022	1,16,766	-8.2	-0.1	27.1	38.7
2. SIDBI@	75,082	75,983	1,09,826	1,05,588	56,842	56,938	33,973	35,265	46.3	39.0	-40.2	-38.1
3. EXIM Bank	42,500	40,725	47,395	40,283	22,530	18,671	11,014	16,313	11.5	-1.1	-51.1	-12.6
4. NHB	35,250	30,577	28,200	25,233	4,283	10,002	14,069	28,529	-20.0	-17.5	228.5	185.2
B. Specialised financial institutions (5, 6 and 7)	**1,127**	**553**	**477**	**485**	**382**	**303**	**257**	**177**	**-57.7**	**-12.4**	**-32.8**	**-41.5**
5. IVCF	10	10	0	1	0	1	0	0	-100.0	-86.6	n.m.	-100.0
6. ICICI venture	-	-	-	-	-	-	-	-	-	-	-	-
7. TFCI	1,117	543	477	483	382	301	257	177	-57.3	-11.0	-32.8	-41.2
C. Investment institutions (8 and 9)	**69,300**	**51,905**	**1,00,872**	**79,166**	**46,915**	**38,463**	**45,098**	**23,162**	**45.6**	**52.5**	**-3.9**	**-39.8**
8. LIC	**69,300**	**51,905**	**1,00,872**	**79,166**	**46,915**	**38,463**	**45,098**	**23,162**	**45.6**	**52.5**	**-3.9**	**-39.8**
9. GIC	0	0	0	0	0	0	0	0	n.m.	n.m.	n.m.	n.m.
D. Financial Institutions (A+B+C)	**5,27,209**	**4,81,960**	**5,65,653**	**5,32,566**	**2,75,690**	**2,08,532**	**2,88,432**	**2,20,212**	**7.3**	**10.5**	**4.6**	**5.6**
E. State level institutions (10 and 11)	**2,662**	**1,618**	**2,745**	**2,199**	**..**	**..**	**..**	**..**	**3.1**	**35.9**	**..**	**..**
10. SFCs^	2,662	1,618	**2,745**	**2,199**	**..**	**..**	**..**	**..**	**3.1**	**35.9**	**..**	**..**
11. SIDCs	..	..	..	..	..	..	..	..	..	..	..	..
F. Total assistance by all financial institutions (D+E)	**5,29,871**	**4,83,577**	**5,68,399**	**5,34,765**	**275690**	**208532**	**288432**	**220212**	**7.3**	**10.6**	**4.6**	**5.6**

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 offbalance 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 Rs 513.63 crore comprises of disbursment of Rs 302.72 crore under FFS and ASPIRE. Similarly, during FY 2020, the disbursed amount of Rs 730.80 crore comprises of disbursment of Rs 616.15 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)

Sl. 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.	2018-19	582	63	8	653
		2019-20	583	174	30	787
		H1: 2020-21	222	129	-43	308
2	SBI DFHI Ltd.	2018-19	457	41	4	502
		2019-20	661	59	2	723
		H1: 2020-21	385	53	4	443
3	ICICI Securities Primary Dealership Ltd.	2018-19	1,086	-307	39	819
		2019-20	1,214	164	15	1,393
		H1: 2020-21	661	558	18	1,237
4	PNB Gilts Ltd.	2018-19	496	-47	2	451
		2019-20	766	72	4	843
		H1: 2020-21	426	208	5	639
5	Morgan Stanley India Primary Dealer Pvt. Ltd.	2018-19	654	-46	5	613
		2019-20	717	11	3	732
		H1: 2020-21	319	68	7	394
6	Nomura Fixed Income Securities Pvt. Ltd.	2018-19	391	-17	3	376
		2019-20	487	185	1	673
		H1: 2020-21	253	43	2	299
7	Goldman Sachs (India) Capital markets Pvt. Ltd.	2018-19	133	-31	3	104
		2019-20	199	16	1	216
		H1: 2020-21	67	22	3	92
8	**Total**	**2018-19**	**3,799**	**-344**	**63**	**3,518**
		2019-20	**4,628**	**682**	**57**	**5,367**
		H1: 2020-21	**2,333**	**1,082**	**-3**	**3,412**

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)

Sl. No.	Name of the Primary Dealers	Year	Expenditure			Profit before tax	Profit after tax	Return on networth (per cent)
			Interest expenses	Other expenses	Total expenditure			
1	2	3	8	9	10	11	12	13
1	STCI Primary Dealer Ltd.	2018-19	505	122	627	26	17	3.5
		2019-20	454	31	485	303	239	43.0
		H1: 2020-21	134	10	144	164	120	
2	SBI DFHI Ltd.	2018-19	369	33	401	96	63	6.9
		2019-20	459	84	542	231	171	16.5
		H1: 2020-21	206	21	227	245	178	
3	ICICI Securities Primary Dealership Ltd.	2018-19	868	106	974	122	78	8.3
		2019-20	840	120	960	434	331	28.9
		H1: 2020-21	331	58	389	500	373	
4	PNB Gilts Ltd.	2018-19	403	22	426	82	72	8.2
		2019-20	519	114	633	249	186	18.8
		H1: 2020-21	217	16	234	403	301	
5	Morgan Stanley India Primary Dealer Pvt. Ltd.	2018-19	513	25	538	-49	-34	-4.6
		2019-20	493	34	527	246	187	17.2
		H1: 2020-21	151	20	171	183	135	
6	Nomura Fixed Income Securities Pvt. Ltd.	2018-19	295	33	328	150	98	13.5
		2019-20	325	42	366	171	121	14.0
		H1: 2020-21	118	20	138	148	111	
7	Goldman Sachs (India) Capital markets Pvt. Ltd.	2018-19	85	23	108	16	10	1.9
		2019-20	119	30	150	53	40	7.1
		H1: 2020-21	29	16	45	29	22	
8	**Total**	**2018-19**	**3,038**	**363**	**3,402**	**444**	**304**	**5.8**
		2019-20	**3,209**	**454**	**3,663**	**1,687**	**1,276**	**21.3**
		H1: 2020-21	**1,186**	**161**	**1,347**	**1,673**	**1,240**	**16.7**

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)				
		2016-17	2017-18	2018-19	2019-20	H1: 2020-21	2016-17	2017-18	2018-19	2019-20	H1: 2020-21
1	2	3	4	5	6	7	8	9	10	11	12
1	STCI Primary Dealer Ltd.	456	500	493	1,208	705	39	34	23	57	28
2	SBI DFHI Ltd.	1,046	900	954	2,159	1,108	91	69	67	71	34
3	ICICI Securities Primary Dealership Ltd.	1,338	1,400	1,453	1,456	1,664	26	24	28	39	58
4	PNB Gilts Ltd.	842	900	886	2,006	1,290	51	67	37	65	31
5	Morgan Stanley India Primary Dealer Pvt. Ltd	589	600	919	1,118	2,057	82	51	62	81	77
6	Nomura Fixed Income Securities Pvt. Ltd.	666	700	797	919	1,006	52	58	40	41	51
7	Goldman Sachs (India) Capital Markets Pvt. Ltd.	532	500	547	1,164	609	155	144	133	334	155
	Total	**5,469**	**5,500**	**6,049**	**10,029**	**8,439**	**47**	**43**	**40**	**41**	**47**

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)				
		2016-17	2017-18	2018-19	2019-20	H1: 2020-21	2016-17	2017-18	2018-19	2019-20	H1: 2020-21
1	2	13	14	15	16	17	18	19	20	21	22
1	STCI Primary Dealer Ltd.	3,551	3,600	8,219	7,151	10,295	5,340	7,700	9,361	8,187	10,437
2	SBI DFHI Ltd.	1,974	2,000	4,955	7,892	8,656	3,025	5,600	7,152	11,328	12,345
3	ICICI Securities Primary Dealership Ltd.	6,590	6,600	7,723	14,748	13,403	10,827	16,500	11,431	15,815	18,845
4	PNB Gilts Ltd.	3,227	3,200	6,584	10,664	13,468	4,357	5,200	9,141	13,207	15,033
5	Morgan Stanley India Primary Dealer Pvt. Ltd	1,967	2,000	9,891	10,821	11,346	3,383	7,600	10,264	11,655	12,219
6	Nomura Fixed Income Securities Pvt. Ltd.	1,202	1,200	3,938	3,997	4,815	2,718	3,500	5,248	5,704	7,350
7	Goldman Sachs (India) Capital Markets Pvt. Ltd.	1,075	1,100	2,411	2,616	4,213	1,508	1,700	2,535	3,675	4,362
	Total	**19,585**	**19,700**	**43,722**	**57,888**	**66,196**	**31,157**	**47,800**	**55,133**	**69,573**	**80,591**

Note: All amounts are rounded off to the nearest crore.
Source: Returns submitted by the Primary Dealers.

Owner: Reserve Bank of India, Mumbai
Printed and Published by Dr. Snehal S. Herwadkar, on behalf of the Reserve Bank of India, Shahid Bhagat Singh Road, Fort, Mumbai – 400 001 and Printed at ACME Packs & Prints (I) Pvt. Ltd.,
A Wing, Gala No.73, Virwani Industrial Estate, Goregaon - East, Mumbai - 400 063.