REPORT ON TREND AND PROGRESS OF BANKING IN INDIA

2021-22

Reserve Bank of India

Report on Trend and Progress of Banking in India for the year ended March 31, 2022 submitted to the Central Government in terms of Section 36(2) of the Banking Regulation Act, 1949

REPORT ON TREND AND PROGRESS OF BANKING IN INDIA 2021-22

RESERVE BANK OF INDIA

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December 27, 2022
6 Pausha 1944 (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 March 31, 2022.

Sincerely,

27.12.22

Shaktikanta Das

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List of Select Abbreviations

AD-1	Authorized Dealers Category-I
AEs	Advanced Economies
AePS	Aadhaar Enabled Payment Systems
AFA	Additional Factor of Authentication
AFS	Available for Sale
AI/ML	Artificial Intelligence and Machine Learning
AID	All Inclusive Directions
AIFIs	All India Financial Institutions
AML	Anti-Money Laundering
ANBC	Adjusted Net Bank Credit
APR	Annual Percentage Rate
AQR	Asset Quality Review
ARCs	Asset Reconstruction Companies
ARDL-EC	Autoregressive Distributed Lag Model with Error Correction
ASISO	Automated Sweep-In and Sweep-Out
BBPOUs	Bharat Bill Payment Operating Units
BBPS	Bharat Bill Payment System
BCBS	Basel Committee on Banking Supervision
BC-ICT	Business Correspondents - Information and Communication Technology
BCs	Business Correspondents
BEI	Banking Expectations Index
BFSCI	Bloomberg U.S. Financial Conditions Index
BIS	Bank for International Settlements
BISIH	BIS Innovation Hub
BOS	Banking Ombudsman Scheme
bps	Basis Points
BSBDAs	Basic Savings Bank Deposit Accounts
CADs	Current Account Deficits
CAGR	Compound Annual Growth Rate
CASA	Current Account and Savings Account
CBDC	Central Bank Digital Currency
CBS	Core Banking Solution
CC	Contact Centre
CCB	Capital Conservation Buffer
CCO	Chief Compliance Officer
CCPs	Central Counterparties
C-D	Credit-Deposit
CDS	Credit Default Swap
CDs	Certificates of Deposits
CEPCs	Consumer Education and Protection Cells
CET	Common Equity Tier
CFLs	Centres for Financial Literacy
CFSS	Core Financial Services Solution
CGFMU	Credit Guarantee Fund for Micro Units
CI	Confidence Interval
CICERO	Centre for International Climate Research
CICs	Core Investment Companies
CICs	Credit Information Companies
CIMS	Centralised Information and Management System
CIRP	Corporate Insolvency Resolution Process
CISBI	Central Information System for Banking Infrastructure
CMBs	Cash Management Bills
CME	Capital Market Exposure

CoR	Certificate of Registration
CoVaR	Conditional Value at Risk
CPI	Consumer Price Index
CPMI	Committee on Payments and Market Infrastructures
CPs	Commercial Papers
CRAR	Capital to Risk-Weighted Assets Ratio
CRAs	Credit Rating Agencies
CRE	Commercial Real Estate
CRE-RH	Commercial Real Estate – Residential Housing
CRILC	Central Repository of Information on Large Credits
CRM	Credit Risk Mitigation
CRMs	Cash Recycling Machines
CRO	Chief Risk Officer
CRR	Cash Reserve Ratio
CSRD	Corporate Sustainability Reporting Directive
CVA	Credit Valuation Adjustment
DAY-NRLM	Deendayal Antyodaya Yojana-National Rural Livelihood Mission
DBTs	Direct Benefit Transfers
DBUs	Digital Banking Units
DCCBs	District Central Co-operative Banks
DFI	Development Financial Institution
DICGC	Deposit Insurance and Credit Guarantee Corporation
DIF	Deposit Insurance Fund
DLAs	Digital Lending Applications
DP	Discussion Paper
DPI	Digital Payments Index
D-SIBs	Domestic Systemically Important Banks
DTH	Direct-To-Home
EBLRs	External Benchmark Linked Lending Rates
ECB	European Central Bank
ECBs	External Commercial Borrowings
ECL	Expected Credit Loss
ECLGS	Emergency Credit Line Guarantee Scheme
EGARCH	Exponential Generalized Autoregressive Conditional Heteroskedasticity
EMDEs	Emerging Market and Developing Economies
EMEs	Emerging Market Economies
eNWRs	Electronic Negotiable Warehouse Receipts
ESG	Environmental, Social And Governance
EXIM Bank	Export Import Bank of India
FADA	Federation of Automobile Dealers' Associations
FAS	Financial Access Survey
FBCs	Fixed-point Business Correspondents
FBs	Foreign Banks
FCI	Financial Conditions Index
FCNR(B)	Foreign Currency (Non-Resident) Accounts (Banks)
FCS-OIS	Foreign Currency Settled Overnight Indexed Swap
FIs	Financial Institutions
FI-Index	Financial Inclusion Index
FIPs	Financial Inclusion Plans
FLCs	Financial Literacy Centres

FMIs	Financial Market Infrastructures
FPC	Fair Practices Code
FRRR	Fixed Rate Reverse Repo
FSB	Financial Stability Board
FSWM	Financially Sound and Well Managed
GCCs	General Credit Cards
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GNPA	Gross Non-Performing Assets
G-SAP	Government Securities Acquisition Programme
G-Secs	Government Securities
HFCs	Housing Finance Companies
HFT	Held for Trade
HO	Head Office
HQLAs	High Quality Liquid Assets
HTM	Held to Maturity
IAC	Independent Advisory Committee
IBBI	Insolvency and Bankruptcy Board of India
IBC	Insolvency and Bankruptcy Code
ICCW	Interoperable Card-less Cash Withdrawal
ICMA	International Capital Market Association's
I-D	Investment-Deposit
IFR	Investment Fluctuation Reserve
IFSC	International Financial Services Centre
IIS	Investment In Securities
IMF	International Monetary Fund
INR	Indian Rupees
IO	Internal Ombudsman
IPOs	Initial Public Offerings
IRB	Internal Ratings-Based
IRRBB	Interest Rate Risk in the Banking Book
ISSB	International Sustainability Standards Board
IVR	Interactive Voice Response
JLGs	Joint Liability Groups
KCC	Kisan Credit Card
KFS	Key Fact Statement
KMP	Key Managerial Personnel
KPIs	Key Performance Indicators
KYC	Know Your Customer
KUA	KYC User Agency
LABs	Local Area Banks
LAF	Liquidity Adjustment Facility
LCR	Liquidity Coverage Ratio
LEF	Large Exposure Framework
LEs	Legal Entities
LIBOR	London Interbank Offered Rate
LR	Leverage Ratio
LSPs	Lending Service Providers
LTV	Loan-to-Value
mCBDC	Multi-CBDC
MD	Master Direction
MIBOR	Mumbai Interbank Offered Rate
MIGR	Minimum Investment Grade Credit Ratings
MMF	Money Market Fund
MPC	Monetary Policy Committee
MoSPI	Ministry of Statistics and Program Implementation
MSF	Marginal Standing Facility
MSMEs	Micro, Small and Medium Enterprises

MtM	Mark-to-Market
NABARD	National Bank for Agriculture and Rural Development
NaBFID	National Bank for Financing Infrastructure and Development
NACH	National Automated Clearing House
NBFC-AA	NBFC-Account Aggregator
NBFC-BL	NBFC-Base Layer
NBFC-ICCs	NBFC-Investment And Credit Companies
NBFC-IDF	NBFC-Infrastructure Debt Fund
NBFC-IFC	NBFC-Infrastructure Finance Company
NBFC-MFIs	NBFC-Micro Finance Institutions
NBFC-ML	NBFC-Middle Layer
NBFC-NOFHC	NBFC-Non-Operative Financial Holding Company
NBFC-P2P	NBFC–Peer to Peer Lending Platform
NBFCs	Non-Banking Financial Companies
NBFCs-D	Deposit-Taking NBFCs
NBFCs-ND	Non-Deposit Taking NBFCs
NBFCs-ND-SI	Non-Deposit Taking Systemically Important NBFCs
NBFC-TL	NBFC-Top Layer
NBFC-UL	NBFC-Upper Layer
NBFI	Non-Bank Financial Intermediation
NBFIs	Non-Bank Financial Intermediaries
NBFIs	Non-Banking Financial Institutions
NCCDs	Non-Centrally Cleared Derivatives
NCDs	Non-Convertible Debentures
NCLTs	National Company Law Tribunals
NDS-OM	Negotiated Dealing System-Order Matching
NDTL	Net Demand and Time Liabilities
NED	Non-Executive Directors
NGFS	Network for Greening the Financial System
NHB	National Housing Bank
NII	Net Interest Income
NIM	Net Interest Margin
NNPA	Net Non-Performing Assets
NOF	Net Owned Fund
NPAs	Non-Performing Assets
NPCI	National Payments Corporation of India
NPLs	Non-Performing Loans
NRC	Nomination and Remuneration Committee
NRO	Non-Resident Ordinary
NSFI	National Strategy for Financial Inclusion
NSFR	Net Stable Funding Ratio
NSUCBs	Non-Scheduled Urban Co-operative Banks
NWRs	Negotiable Warehouse Receipts
O-ARR	Overnight Alternative Reference Rate
OD	Overdraft
OEFs	Open-Ended Funds
OFCBs	Overseas Foreign Currency Borrowings
OIS	Overnight Indexed Swap
OMO	Open Market Operation
OSDT	Ombudsman Scheme for Digital Transactions

OSNBFC	Ombudsman Scheme for Non-Banking Financial Companies
OTC	Over-the-Counter
OTS	One-Time Settlement
PACS	Primary Agricultural Credit Societies
PBs	Payments Banks
PCA	Prompt Corrective Action
PCARDBs	Primary Co-operative Agriculture and Rural Development Banks
PCR	Provision Coverage Ratio
PDs	Primary Dealers
PLI	Production Linked Incentive
PLR	Prime Lending Rate
PMAY-G	Pradhan Mantri Awaas Yojana-Gramin
PMAY-U	Pradhan Mantri Aawas Yojna-Urban
PMCBL	Punjab and Maharashtra Co-operative Bank Ltd
PMJDY	Pradhan Mantri Jan Dhan Yojana
PML	Prevention of Money Laundering
PSBs	Public Sector Banks
PSL	Priority Sector Lending
PSLCs	Priority Sector Lending Certificates
PSUs	Public Sector Undertakings
PVBs	Private Sector Banks
QBs	Qualified Buyers
RBIH	Reserve Bank Innovation Hub
RB-IOS	Reserve Bank - Integrated Ombudsman Scheme
RDG	Retail Direct Gilt
REE	Real Estate Exposures
REs	Regulated Entities
RMCB	Risk Management Committee of the Board
RoA	Return on Assets
RoE	Return on Equity
RR	Reserve Ratio
RRBs	Regional Rural Banks
RS	Regulatory Sandbox
RSA	Restructured Standard Advances
RT	Risk Thresholds
RTGS	Real Time Gross Settlement
RWAs	Risk-Weighted Assets
SARFAESI Act	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act
SBM-G	Swachh Bharat Mission-Gramin
SBR	Scale Based Regulation
SCARDBs	State Co-operative Agriculture and Rural Development Banks
SCBs	Scheduled Commercial Banks
SDF	Standing Deposit Facility
SEs	Supervised Entities
SF/MF	Small and Marginal Farmers
SFBs	Small Finance Banks
SFG	Sustainable Finance Group
SGBs	Sovereign Gold Bonds
SHG-BLP	Self-Help Group - Bank Linkage Programme
SHGs	Self Help Groups
SIAM	Society of Indian Automobile Manufacturers
SIDBI	Small Industries Development Bank of India
SLF	Special Liquidity Facility
SLR	Statutory Liquidity Ratio

SLTRO	Special Long-Term Repo Operations
SMA	Special Mention Accounts
SMEs	Small and Micro Enterprises
SMFs	Small and Marginal Farmers
SPDs	Standalone Primary Dealers
SPO	Second Party Opinion
SRs	Security Receipts
SSBs	Standard Setting Bodies
SSE	Sensitive Sector Exposure
StCBs	State Co-operative Banks
SUCBs	Scheduled Urban Co-operative Banks
TBTF	Too-Big-To-Fail
TCFD	Task Force on Climate-Related Financial Disclosures
TLAC	Total Loss-Absorbing Capacity
TLTRO	Targeted Long-Term Repo Operations
TR	Trade Repository
TR	Total Remuneration
TReDS	Trade Receivables Discounting System
TREPS	Triparty Repo Dealing and Settlement
UCBs	Urban Co-operative Banks
UIDAI	Unique Identification Authority Of India
UPI	Unified Payments Interface
U.K.	United Kingdom
U.S.	United States
USFB	Unity Small Finance Bank
UTs	Union Territories
VAR	Vector Auto Regression
VaR	Value at Risk
VP	Variable Pay
VRR	Variable Rate Repo
VRRR	Variable Rate Reverse Repo
WAC	Weighted Average Cost
WAPs	Weighted Average Premiums
WEO	World Economic Outlook
WGDL	Working Group on Digital Lending
WOS	Wholly-Owned Subsidiary

I PERSPECTIVES

The banking and non-banking sectors globally are facing headwinds emanating from globalisation of inflation, synchronised monetary policy tightening and continuing geopolitical risks to growth. Although presently the Indian banking sector remains robust and resilient with improved asset quality and strong capital buffers, the policymakers remain mindful of dynamically evolving macroeconomic conditions that may impinge on the health of regulated entities. Going forward, the focus of the Reserve Bank will remain on encouraging use of technology and innovation in this space, while containing the possible systemic risks.

I.1 In 2022, with the globalisation of inflation, energy and food shortages and synchronised tightening of monetary policy worldwide, the outlook for global growth and trade is deteriorating. The combination of capital outflows, currency depreciations and reserve losses has exacerbated the prospects for emerging market economies (EMEs), exposing their financial systems to greater uncertainties and downside risks. Financial conditions have tightened, though sentiment has improved recently on expectations of inflation peaking. Although global banks appear robust, asset quality may come under strain in a rising interest rate environment with weak growth impulses. As yields rise, banks may incur mark-to-market (MTM) losses on their investment portfolios and higher provisioning requirements can dent their profitability.

I.2 In this highly uncertain global environment, the Indian economy is exhibiting signs of a gradual strengthening of the growth momentum, drawing from macroeconomic fundamentals. In 2021-22 as also in 2022-23 so far, the balance sheets of scheduled commercial banks (SCBs) in India have expanded strongly, fuelled by robust credit demand. Their asset quality and profitability have improved, while low slippages and high capital buffers are reinforcing investor confidence in banks.

I.3 The bottom lines of the non-banking financial company (NBFC) sector improved in 2021-22 with the waning of COVID-19. With strong capital buffers, adequate provisions, and sufficient liquidity, NBFCs are poised for expansion. Nevertheless, going forward, NBFCs need to be wary of rising borrowing costs as financial conditions tighten. On the regulatory front, scale-based regulation is expected to strengthen the NBFCs in step with the growing scope for organic consolidation in the sector.

I.4 Against this backdrop, this chapter presents a bird's eye view of the challenges faced by banking and non-banking sectors and the way forward.

Impact of Rising Interest Rates on Bank Profitability

I.5 In an environment of rising interest rates, an increase in banks' net interest income (NII) can be expected in the near term, reflecting better transmission to lending rates. On the other hand, higher yields expose banks to MTM losses on their treasury investments, decreasing their non-interest income. The impact of rising yields on SCBs' profitability has been mitigated to some extent by the increase in the limit of SLR securities under the held to maturity (HTM) portfolio[1]. The investment fluctuation reserve (IFR), that was introduced in 2018, is another mitigating factor. Data on modified duration gathered at end-September 2022 from select banks showed that, *ceteris paribus,* banks would remain adequately capitalised even after making necessary provisions for MTM losses due to a rise in yield.

Resolution of Stressed Assets

I.6 The enactment of the Insolvency and Bankruptcy Code (IBC) in 2016 was a paradigm shift in the ethos for resolution of stressed assets in India. In recent years, however, declining rates of recovery in comparison to their claims admitted through this mechanism has raised concerns[2]. The rate of recovery is contingent on several factors, including the overall macroeconomic environment, perceived growth prospects of the entity and its sector, and the extent of erosion in the intrinsic value of the entity. As a broad-based recovery gains traction, these factors are likely to turn favourable for financial resolution.

I.7 In a public auction-based resolution model such as the IBC, the extent of haircut represents the discount the market demands for acquiring the stressed entity as a going concern. Since significant value destruction may have already happened in these assets, a comparison of realised value with admitted claims may not be a reasonable indicator of the effectiveness of the resolution process. Rather, the resolution value may be compared with the liquidation value of stressed assets. Data indicate that at end-September 2022, in cases where the corporate insolvency resolution processes (CIRPs) were initiated by financial creditors (FCs), the realisation through the IBC was close to 201 per cent of the liquidation value.

I.8 Within the IBC framework, the time taken for admission of resolution application as well as the final resolution and liquidation has steadily increased. The Insolvency and Bankruptcy Board of India (IBBI) recently amended the CIRP regulations aimed at improving realised value, reducing delays in the process, enhancing efficiency of available time, and improving information availability. Through another amendment to IBC regulations, performance-linked incentives have been introduced for insolvency professionals, which should help in maximising the realised value of stressed assets beyond their liquidation value, and in their timely resolution.

I.9 The pre-packaged insolvency resolution process combines the best of the out-of-court resolution efforts and the judicial finality of a resolution plan. This mechanism, which is allowed only for micro, small and medium enterprise (MSME) borrowers, may effectively complement the prudential framework of the Reserve Bank, if extended to all borrowers. In India, credit contracts are often embedded with cross obligations and credit risk mitigation covers provided by parent and group companies of the borrower. In such a system, a default by one borrower is likely to spur cross defaults by

[1] In October 2020, banks were permitted to exceed the HTM ceiling up to an overall limit of 22 per cent of NDTL (instead of 19.5 per cent earlier), creating greater headroom for banks to invest in SLR securities. The limit was further extended to 23 per cent in April 2022. The dispensation was made available up to March 31, 2023, which was further extended up to March 31, 2024. The HTM limits will be restored to 19.5 per cent in a phased manner starting from the quarter ending June 30, 2024.

[2] As on September 30, 2022 the realisation was 33 per cent of total claims in cases where CIRPs were initiated by FCs.

group companies, thereby increasing the overall credit risk to the financial system. A group resolution framework, in which the resolution of borrowers belonging to the same corporate group if undertaken together, could help in improving the efficacy of the IBC.

Securitisation of Stressed Assets

I.10 In September 2021, the Reserve Bank issued the revised framework for securitisation of standard assets, which simplified requirements on minimum holding period and minimum retention requirement, while the capital requirements for securitisation exposures were converged with Basel III norms. Securitisation of non-performing assets (NPAs) are currently allowed to be undertaken by licensed asset reconstruction companies (ARCs), under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002. In addition to the ARC route, the Reserve Bank proposes to introduce a framework for securitisation of stressed assets similar to the revised framework for standard assets. As announced in September 2022, a discussion paper (DP) will be issued soon to solicit comments from market participants.

Prudential Norms for Investment Portfolio

I.11 The extant guidelines for valuation of investments were issued nearly two decades ago. Since then, domestic financial markets have grown manifold in size and complexity, necessitating a comprehensive review. The Reserve Bank released a DP on the prudential norms for classification, valuation, and operations of the investment portfolio of commercial banks in January 2022. The proposed framework aims at providing greater flexibility to banks in the management of their investment portfolio while addressing transparency concerns through enhanced disclosures. Its proposals include *inter alia* symmetric recognition of fair value gains and losses, removal of various restrictions on investment portfolio such as the ceilings on investments in HTM and allowing non-SLR securities to be included under the HTM book. The proposed guidelines, which are being examined in view of the feedback received from stakeholders, will promote transparency and entrench market discipline while increasing banks' freedom.

Framework on Expected Credit Loss

I.12 Currently, banks operating in India are required to make loan loss provisions based on an incurred loss model wherein provisions are made after the occurrence of a default. A revised approach, termed as expected credit loss (ECL) model, requires a credit institution to make provisions based on forward-looking estimations of credit losses. In India, some NBFCs[3] follow the ECL approach, in contrast to their banking peers. The Reserve Bank's proposed DP on the ECL framework for banks will help in formulating principle-based guidelines, supplemented by regulatory backstops wherever necessary.

Bank Ownership

I.13 The Government of India has been facilitating consolidation of public sector banks (PSBs) through mergers over the last few years. In the Union Budget for 2021-22, the government announced its intent to take up the privatisation of two PSBs. Convergence is required between PSBs and private sector

[3] NBFCs covered by Rule 4 of the Companies (Indian Accounting Standards) Rules, 2015.

banks (PVBs) on corporate governance practices as well as managerial and operational flexibility. Going forward, this will generate the requisite space for both PSBs as well as PVBs to expand their business and thrive.

Regulatory Sandbox

I.14 The Reserve Bank conceptualised the regulatory sandbox (RS) in 2019 to enable entities to test innovative products, services or business models, usually in a live but controlled environment with certain safeguards and oversight. The themes of the RS cohort announced so far include 'retail payments', 'cross-border payments', 'MSME lending' and 'prevention and mitigation of financial frauds'. So far, six entities have successfully exited the first cohort and four entities have successfully exited the second cohort. The entities selected under the third cohort are currently undergoing testing and the applications received under the fourth cohort are being evaluated for shortlisting of entities for the test phase. The fifth cohort under the RS has been announced to be theme neutral for innovative products/ services/ technologies cutting across various functions of the Reserve Bank. Based on experience gained so far, the enabling framework for the RS has undergone changes to make it more broad-based and innovation friendly. Further, 'on tap' application facility has been introduced in RS for themes of closed cohorts to ensure continuous innovation.

Strengthening Off-site Monitoring System

I.15 The Reserve Bank has been actively engaged in making its off-site surveillance systems sharper, more comprehensive and in tune with the international best practices. A major initiative in this regard was the commissioning of the advanced supervisory monitoring system—DAKSH, which is a fully functional platform for further digitalisation of supervisory work processes. Other major initiatives in the pipeline include (a) implementation of the Centralised Information and Management System (CIMS) for automatic data reporting by regulated entities (REs) and monitoring tools; (b) supplementing supervisory intelligence with big data; (c) implementation of Cyber Range—a virtual controlled environment and tool used for cyber security drills; (d) development of a fraud vulnerability index[4] dashboard using artificial intelligence and machine learning (AI/ML); and (e) standardisation / optimisation of a risk based approach for know-your-customer (KYC) and anti-money laundering (AML) framework of all supervised entities (SEs). Emphasis is also being placed on capacity building, development of specialised workforce and use of modern technology.

Differential Banking

I.16 While small finance banks (SFBs) and payments banks (PBs) have played an important role in financial inclusion, some PBs are yet to break even. Moreover, technology-oriented business models are no longer the niche of these banks alone; almost all banks are leveraging technology to improve and expand delivery of financial services and products. These efforts have received a boost with the establishment of Digital Banking Units (DBUs). Against this backdrop, concerns are being raised in some quarters about viability and sustainability of differentiated banking models. It needs to be ensured that their

[4] Presently the fraud vulnerability index is designed to track vulnerabilities in banks. Going forward, the scope of the index may be enhanced to cover other SEs.

business models are sufficiently robust and good governance and technological standards are adhered to, so that they survive in a competitive environment.

Payment and Settlement Systems

I.17 Recent pro-active measures undertaken by the Reserve Bank have revolutionised the payment and settlement ecosystem, enhancing consumer experience, deepening digital reach and aiding financial inclusion. The introduction of UPI123Pay has facilitated access to unified payments interface (UPI) to more than 40 crore feature phone subscribers in the country. In addition, UPI Lite has facilitated low value transactions in offline mode through on-device wallet. The eligible subsidy amount from the Payment Infrastructure Development Fund (PIDF) was enhanced and the subsidy claim process was simplified to provide further impetus to deployment of payment acceptance touchpoints. The Reserve Bank allowed foreign inward remittances received under the Rupee drawing arrangement (RDA) to be transferred to the KYC compliant bank account of the biller (beneficiary) through Bharat Bill Payment System (BBPS) subject to certain conditions. This is expected to facilitate payment of utility, education and other bills by non-resident Indians (NRIs) on behalf of their families in India. Quick response (QR) based person-to-merchant (P2M) payments, leveraging UPI, have been enabled in Bhutan, Singapore and UAE. The DigiSaathi Helpline was established to enhance awareness about payment systems. Card tokenisation and enhancement of e-mandate limit for recurring transactions further bolstered the safety of digital transactions.

I.18 An efficient payment system requires that the fees are appropriately determined to ensure optimal cost to users and returns to operators. In August 2022, the Reserve Bank published a discussion paper (DP) which outlined existing rules for charges in payment systems, while also presenting other options through which such charges could be levied. Based on the feedback received, the Reserve Bank endeavours to structure its policies and streamline the framework of charges for different payment services and activities in the country. This will ensure that India has a state-of-the-art payment and settlement system that is not just safe, secure, efficient and fast but also affordable.

FinTechs

I.19 In India, one of the most transformative roles that can be played by FinTechs is credit delivery in partnership with traditional lenders, especially in rural and semi-urban areas. The current credit delivery systems are largely paper-based, with high turnaround time and requiring multiple visits to bank branches. It entails high operational costs for lenders and opportunity cost for borrowers. Considering these challenges, digitalisation of agri-finance was conceptualised jointly by the Reserve Bank and the Reserve Bank Innovation Hub (RBIH). This will enable delivery of Kisan Credit Card (KCC) loans in a fully digital and hassle-free manner. A pilot project based on this innovation was launched in Madhya Pradesh and Tamil Nadu in partnership with Union Bank of India and Federal Bank, respectively, for new KCC loans as well as renewal of such loans. Going forward, the vision of the Reserve Bank is to develop and operationalise an integrated and standardised technological platform to facilitate frictionless flow of credit to all segments of the society, with a special emphasis on rural and agricultural credit.

Cyber Security Risks

I.20 With the exponential growth of digital payments and expanding digitalisation of the financial ecosystem, cyber security risks for financial institutions are also increasing. These warrant building of strong defences against cyber-attacks and constant upskilling of personnel. Continuous knowledge acquisition and staying ahead of the curve will be crucial.

I.21 The Reserve Bank has been undertaking pro-active steps to keep the supervised entities (SEs) abreast of new security challenges and cyber threats. A draft master direction (MD) on outsourcing of IT services, which was issued in June 2022 for public comments, is being revised based on feedback received. Moreover, a draft MD providing a consolidated and updated IT governance and risk management framework for regulated entities (REs) has been placed on the Reserve Bank's website in October 2022 for public comments.

Climate Change and Green Finance

I.22 Climate change may result in both physical and transition risks that could have implications for sustainability and financial soundness of individual REs as well as systemic financial stability. There is a need for REs to develop and implement processes for understanding and assessing the potential impact of climate-related financial risks in their business strategies and operations. This will require *inter alia* appropriate governance structures and strategic frameworks to effectively manage and address these risks. REs will also need to focus on appropriate capacity building of their staff. Accordingly, the Reserve Bank released a DP on climate risk and sustainable finance in July 2022. The DP recommended REs to incorporate climate-related and environmental risks in their business strategies as also in their governance and risk management frameworks. In line with the international best practices, REs were guided to adopt a forward-looking, comprehensive, and strategic approach to deal with climate-related risks.

I.23 Sustainable finance taxonomies are tools intended to help investors decipher whether an economic activity is environmentally sustainable, and to navigate the transition to a low-carbon economy. Such a taxonomy can play a key role in channelising and scaling up sustainable finance funds to India. It will also make the tracking of sustainable finance flows easier. Development of the taxonomy will require concerted efforts from stakeholders, led by the government.

I.24 Mobilising resources for green projects or refinancing them through issuance of green bonds provides a strong signal of the country's commitment to a low-carbon economy. Pursuant to an announcement made by Hon'ble Finance Minister in her budget speech on February 1, 2022, the Government has decided to issue ₹16,000 crore of sovereign green bonds in the domestic market during 2022-23. These borrowings will be part of Government of India's overall market borrowing for the year 2022-23 and proceeds will be deployed in green public sector projects. The sovereign green bond framework has been published by Government of India on November 09, 2022. Further, Centre for International Climate Research (CICERO), an independent and globally renowned Norway-based second party opinion (SPO) provider was appointed to evaluate the framework and certify its alignment with International Capital Market Association's (ICMA) green bond principles and international best practices. It rated the framework as 'medium green' with a 'good' governance score.

I.25 Overall, the Indian banking and non-banking financial sectors have displayed resilience to several shocks, facilitated effective delivery of post-pandemic public policy measures to targeted sectors of the economy, and preserved financial soundness while supporting a broad-based recovery of the Indian economy. While the current wave of technological innovations in the field of finance and new growth opportunities arising from global rebalancing of supply chains and domestic support to fourteen industries under the production linked incentive (PLI) scheme opens new business avenues, it is important to be mindful of emerging risks from tech-led complex networks, alternative finance options and geopolitical developments. The financial sector also needs to remain alert to risks and uncertainties associated with climate change. The regulatory and supervisory policies of the Reserve Bank will endeavour to promote a dynamic, robust, resilient, and competitive financial system, while preserving financial stability.

II GLOBAL BANKING DEVELOPMENTS

The global banking sector remained financially sound in 2021 and 2022 so far on the back of implementation of various regulatory and macro-prudential reforms post-global financial crisis (GFC). The top 100 banks maintained healthy capital buffers while their profitability improved. The aggressive tightening of monetary policy in the recent period, however, has led to more austere financial conditions, posing risks to the global banking system. The medium-term challenges include effective regulation of technological innovations in the financial sector and risks emanating from climate change.

1. Introduction

II.1 The prospects for sustaining the global recovery that characterised the year 2021 on the back of unprecedented policy stimulus and rapid pace of vaccinations have been dimmed by the war in Europe and synchronized and front-loaded monetary policy tightening in the face of surging global inflation. With persisting concerns about the near-term inflation outlook, amplified market volatility is raising financial stability risks. Higher capital and liquidity buffers have helped banks and financial institutions to remain resilient and stable. Nonetheless, fears of a hard landing have increased worldwide. For emerging market economies, these factors have translated into surges in capital outflows, sharp depreciation of exchange rates, loss of reserves and darkening macroeconomic prospects.

II.2 The global banking sector weathered the pandemic shock well, gaining strength from capital buffers built since the global financial crisis (GFC) and supported by various regulatory concessions to mitigate the impact of the pandemic. In the fast-changing global macroeconomic environment, fraught with geopolitical and pandemic-related concerns, however, the banking sector faces new challenges emanating from rising interest rates and the likely increase in debt servicing burdens. Credit demand—which is largely procyclical—is likely to remain subdued in response to the weakening economic outlook, with depressed treasury income, the likelihood of increasing delinquencies and dents to profitability.

II.3 Against this backdrop, this chapter is organised into five sections. An overview of global macro-financial conditions is presented in Section 2. In Section 3, recent global banking policy developments are tracked. Section 4 evaluates the financial performance of the global banking sector with Section 5 focusing on an analysis of the world's largest banks. Section 6 concludes the chapter with the way forward.

2. Global Macroeconomic Conditions

II.4 In its October update of the World Economic Outlook (WEO), the International Monetary Fund (IMF) kept the global GDP growth forecast for 2022 at 3.2 per cent after three successive downward revisions since January 2022. It highlighted growing risks to a darkening outlook and an increased divergence in the growth trajectories of advanced economies (AEs) and emerging market and developing economies (EMDEs) (Chart II.1a).

II.5 The projection for global inflation has been revised upwards to 8.8 per cent in 2022 from 4.7 per cent in the previous year, led by a sharp increase in food and energy prices, lingering demand-supply imbalances and continuation of some supply chain disruptions (Chart II.1b).

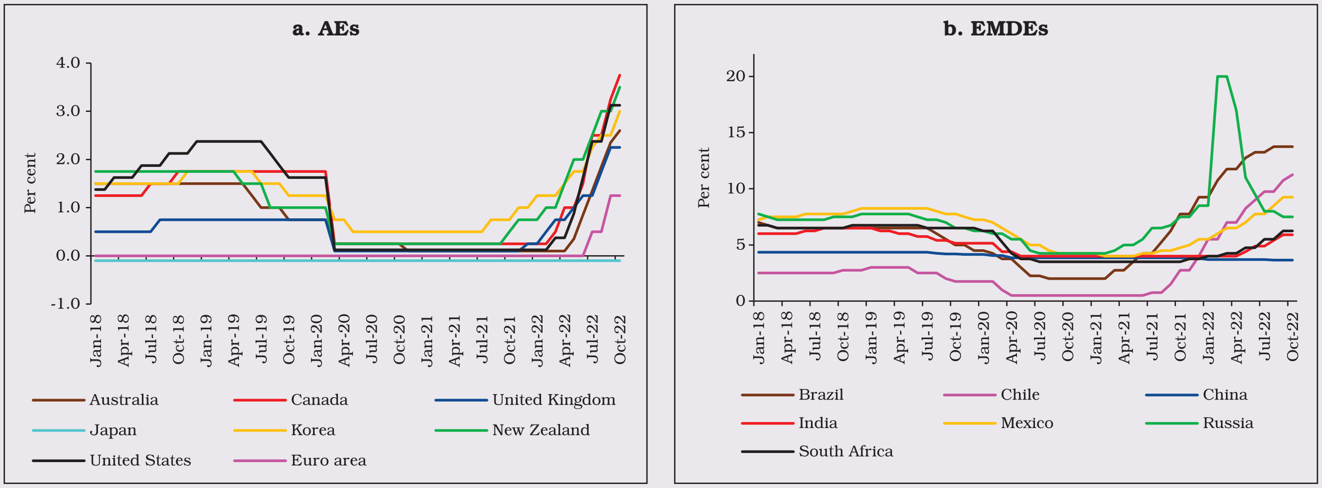
II.6 The growth in global goods and services trade is projected to moderate to 4.3 per cent in 2022 from 10.1 per cent a year ago. The current account deficits (CADs) of major AEs are likely to widen further, reaching the highest level after the GFC of 2008 (Chart II.1c). While government debt has moderated from a post-pandemic peak in 2020, it still remains elevated relative to historical averages (Chart II.1d).

II.7 Central banks across the world have front loaded monetary policy tightening to restore price stability. Among the EMDEs, Brazil, Chile, Mexico and Russia have already raised policy rates several times through 2021.

Chart II.1: Macroeconomic Background

Note: *: Projections.
Source: World Economic Outlook, IMF.

Chart II.2: Monetary Policy Rates



Source: Bank for International Settlements.

Other EME central banks have also started retracting accommodative stances by early 2022 (Chart II.2b).

II.8 AEs, on the other hand, started policy normalisation more slowly, with a majority of central banks starting their rate hike cycle only in early 2022. In the United States, the Federal Reserve started policy tightening in March 2022 and has raised the federal funds rate to 4.25-4.50 per cent up to December 2022 (Chart II.2a).

II.9 The outlook for 2023 remains uncertain, with little clarity on how quickly energy and food security could be restored globally. Consequently, the trajectory of inflation is expected to remain elevated going ahead, with diminishing confidence in the effectiveness of monetary policy to ensure a soft landing. The synchronised and aggressive tightening of monetary policy has led to more austere financial conditions, posing risks to the global banking system (Box II.1).

Box II.1: Impact of Financial Conditions on Banking Sector Risk

Historical data suggests that banking sector risk increases during periods of economic distress, such as the GFC and the COVID-19 pandemic (Chart 1).

The following four-variable vector autoregression (VAR) model for G20 economies was estimated using quarterly aggregate data from 2000Q1 to 2022Q1 :

$$Y_t = C + A_i \cdot Y_{t-i} + \varepsilon_t \qquad \text{...(Eq.1)}$$

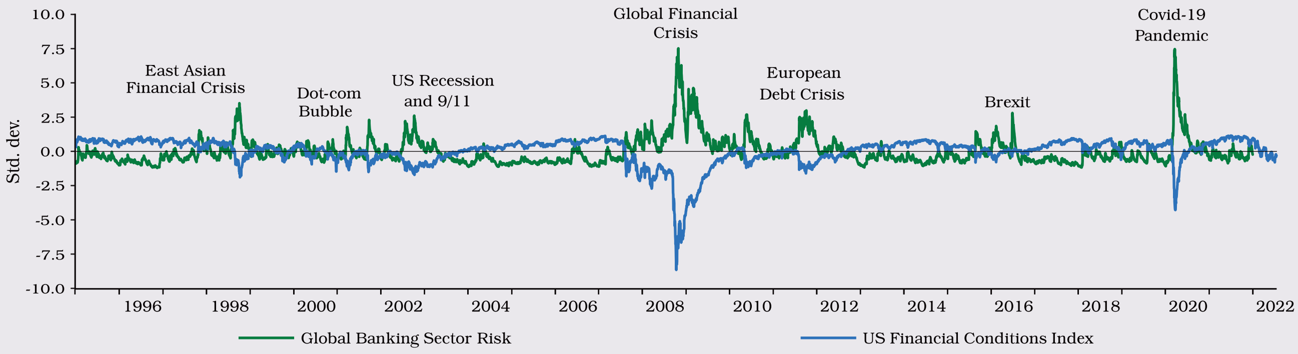
In equation 1, Y_t represents a vector of endogenous variables comprising of year-on-year growth (%) in consumer price index (CPI) and real gross domestic product (GDP) of G20 countries along with US financial conditions index (FCI)[1,2]. Y_t also includes a proxy

(Contd.)

1 The Bloomberg U.S. Financial Conditions Index (BFSCI) tracks the overall level of financial stress in the U.S. money, bond, and equity markets and helps assess the availability and cost of credit. The Index has a weight of 33.3 per cent each for money market, bond market and equity market. A positive value indicates accommodative financial conditions, while a negative value indicates tighter financial conditions relative to pre-2008 crisis period.

2 Data source: Bloomberg.

Chart 1: Global Banking System Risk Indicator

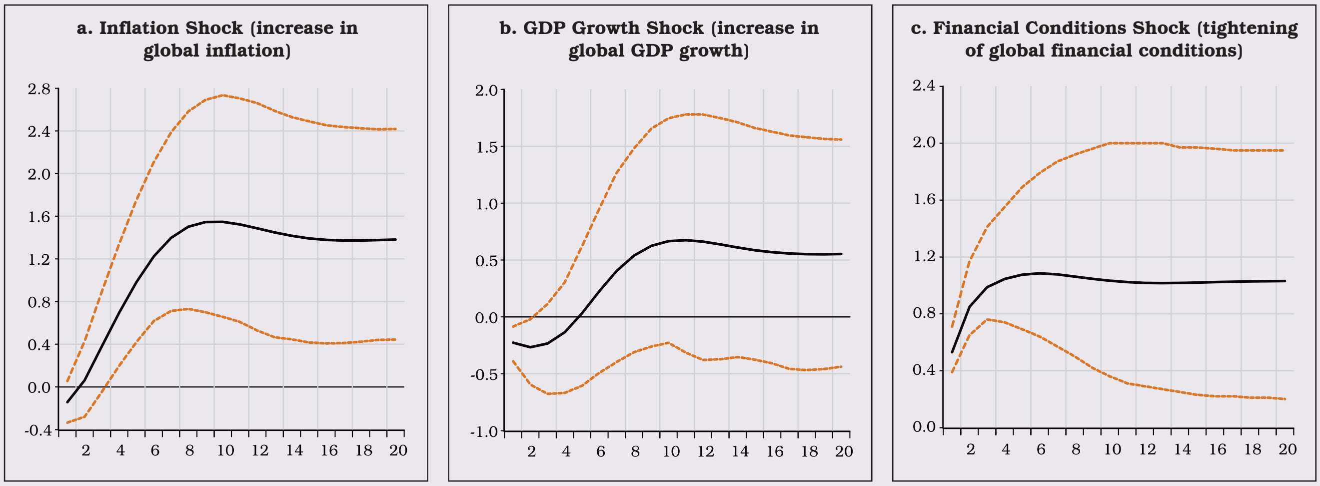


Note: Time-varying standard deviation of the MSCI AWCI Bank Equity Index – consisting of large and mid-cap banking stocks from 23 AEs and 24 EMDEs – is taken as a proxy for international banking sector risk (green line). US financial conditions index is used as a proxy for global financial conditions (blue line). Data has been normalised to have a zero mean and unit standard deviation.
Source: Bloomberg; RBI Staff Estimates.

indicator of banking sector risk embodied in time-varying volatility of the MSCI AWCI Bank Index estimated from an Exponential Generalized Autoregressive Conditional Heteroskedasticity (EGARCH) model (Bollerslev, 1986; Nelson, 1991). The results suggest that one standard deviation increase in global inflation increases banking sector risk by 1.5 points over the medium term (Chart 2a).

On the other hand, an unanticipated increase in GDP growth lowers banking sector risk in the short-term, which may, however, increase over the medium term in response to a credit boom that often accompanies a post-crisis recovery in growth (Chart 2b). A shock to FCI, signifying a tightening of financial conditions, increases global banking sector risk by 1.1 points, which persists over the medium term (Chart 2c).

Chart 2: Impulse Responses of Banking Sector Risk to Global Shocks



Note: The above chart shows the accumulated response of global banking system risk to generalized one std. deviation innovations in global inflation, global growth and financial conditions. The y-axis measures the impact in std. deviation terms while x-axis displays the horizon in quarters. Point estimates along with 95% confidence interval bands are shown in solid black line and dotted orange lines, respectively. Standard errors were computed using Hall's percentile bootstrap with 1000 bootstrap iterations.
Source: RBI Staff Estimates.

References

Bollerslev, T. (1986). Generalized autoregressive conditional heteroskedasticity. *Journal of Econometrics*, *31*(3), 307-327.

Nelson, D. B. (1991). Conditional heteroskedasticity in asset returns: A new approach. *Econometrica: Journal of the Econometric Society*, 347-370.

3. Global Banking Policy Developments

II.10 Following the disruptions caused by the GFC in 2008, the G20 in coordination with the Financial Stability Board (FSB) launched a comprehensive programme of financial reforms with the aim of fixing the fault lines that led to the GFC. It has four core elements: (i) building resilient financial institutions; (ii) too-big-to-fail (TBTF) reforms; (iii) making derivatives markets safer; and (iv) enhancing the resilience of non-bank financial intermediation (NBFI). Recent policy developments in the areas of technological innovations and climate change risks also present opportunities as well as challenges.

Building Resilient Financial Institutions[3]

II.11 As the deadline for adoption and implementation of the outstanding Basel III standards — set at January 2023[4] — draws closer, further progress is made in that direction. Since September 2021, six additional member jurisdictions have adopted the revised standardised approach for credit risk and four additional member jurisdictions each have adopted the revised internal ratings-based (IRB) approach, the revised operational risk framework and the output floor. Furthermore, three additional member jurisdictions have adopted the revised credit valuation adjustment (CVA) framework, the revised minimum requirements for market risk, the revised leverage ratio (2017 exposure definition) and the global systemically important banks (G-SIB) leverage ratio buffer.

For standards that are past due, seven more capital standard implementations have been completed, including capital requirements for bank exposures to central counterparties (CCPs) and the total loss-absorption capacity (TLAC) holdings standard. For the disclosure standards, five more adoptions are observed, mainly for net stable funding ratio (NSFR) and interest rate risk in the banking book (IRRBB). One more adoption each in the implementation of the framework for domestic systemically important banks (D-SIBs) and the large exposures framework has happened during the period.

Too-Big-To-Fail (TBTF) Reforms[5]

II.12 The focus of G-SIB resolution planning is shifting to fine-tuning and testing resolution preparedness. In 2022, unwinding of COVID-19 support measures by governments and central banks across countries, along with heightened geopolitical risks added to the macroeconomic and financial uncertainties. Some banks lost access to key services due to sanctions, while loss of market confidence led to a liquidity run in some others. Authorities had to step in to resolve or liquidate a few (non-systemic) banks. As four G-SIBs from EMEs are due to comply with the TLAC standard by January 2025, work is continuing to build up external TLAC. All other G-SIBs currently meet or exceed the final TLAC requirement, according to self-reporting.

Making Derivatives Markets Safer

II.13 The FSB[6] has found that 18 out of 24 FSB member jurisdictions have implemented final higher capital requirements for non-centrally cleared derivatives (NCCDs). Margin requirements for NCCDs are in force in 16

[3] https://www.bis.org/bcbs/implementation/rcap_reports.htm

[4] A jurisdiction is considered as having adopted a standard if a final rule is published and as having implemented a standard if a final rule has been published and is implemented by banks.

[5] https://www.fsb.org/wp-content/uploads/P081222.pdf

[6] https://www.fsb.org/2022/11/otc-derivatives-market-reforms-implementation-progress-in-2022/

jurisdictions; two jurisdictions have published final standards and three jurisdictions expect to implement the requirements in 2023. Trade reporting requirements for over-the-counter (OTC) derivatives transactions are in force in 23 FSB member jurisdictions and in the remaining jurisdiction[7], preparations for authorising a trade repository (TR) and implementing the jurisdiction's requirements are ongoing. Central clearing requirements are in force in 17 FSB member jurisdictions and platform trading requirements are in force in 13 FSB member jurisdictions.

Enhancing Resilience of Non-Bank Financial Intermediaries (NBFI)

II.14 The FSB, together with standard setting bodies (SSBs) and other international organisations, has been working towards enhancing the resilience of the NBFI sector. It also focuses on reducing the systemic risks in the sector by strengthening their ongoing monitoring and, where appropriate, developing policies to address such risks.

II.15 In November 2022, the FSB issued a progress report on enhancing resilience of Non-Bank Financial Intermediation[8], which describes progress over the past year and planned work by the FSB, as well as by SSBs and other international organisations, to enhance the resilience of NBFI under the FSB's NBFI work programme. The main focus of the NBFI work programme includes: policy work to enhance money market fund (MMF) resilience[9]; assessing liquidity risk and its management in open-ended funds (OEFs); examining the structure and drivers of liquidity in core government[10] and corporate bond[11] markets during stress; an examination of the frameworks and dynamics of margin calls[12] in centrally and non-centrally cleared markets; an assessment of the fragilities in USD cross-border funding and their interaction with vulnerabilities in EMEs[13].

Climate-Related Financial Disclosures

II.16 Increasingly, central banks and policymakers around the world are considering climate change as a potential source of systemic risk to the financial system. These risks, including physical, transition and liability risks[14], may be transmitted across the financial system, including across borders and across sectors[15].

II.17 In recent years, efforts to address climate change risks have been growing across jurisdictions and a large and increasing number of central banks are either contemplating or have put in place plans for addressing financial sector risks from climate change. The lack of sufficiently consistent, comparable, granular and reliable climate data remains a major challenge in measuring exposures to climate-related risks.

[7] South Africa

[8] https://www.fsb.org/wp-content/uploads/P101122.pdf

[9] https://www.fsb.org/wp-content/uploads/P111021-2.pdf

[10] https://www.fsb.org/2022/10/liquidity-in-core-government-bond-markets/

[11] https://www.iosco.org/library/pubdocs/pdf/IOSCOPD700.pdf

[12] https://www.bis.org/bcbs/publ/d537.htm

[13] https://www.fsb.org/wp-content/uploads/P260422.pdf

[14] Liability risks arise when people or businesses seek compensation for losses that they may have suffered from the physical or transition risks from climate change.

[15] https://www.fsb.org/2022/10/supervisory-and-regulatory-approaches-to-climate-related-risks-final-report/

II.18 General sustainability- related disclosure requirements and climate-related disclosure requirements are the two areas where the International Sustainability Standards Board (ISSB) has recently proposed standards[16]. They are built on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and industry-based disclosure standards. The objective is to develop a global baseline standard of sustainability disclosures with consistent, complete, comparable, and verifiable information.

II.19 In June 2022, the BCBS issued 18 principles for effective management and supervision of climate-related financial risks[17]. These principles cover diverse areas such as corporate governance, internal controls, risk assessment, management and reporting. The objective of these principles is to achieve a balance in improving practices and providing a common baseline for internationally active banks and supervisors, while retaining sufficient flexibility, given the degree of heterogeneity and evolving practices in this area. These principles are designed in a manner that enables their adoption by a diverse range of banking systems in a proportional manner, depending on the size, complexity and risk profile of the bank or banking sector.

II.20 In July 2022, the FSB, assessed the progress made by SSBs and other international organisations for addressing climate related financial risks[18] for the first time. All the four blocks of the roadmap *viz.*, firm-level disclosures, data, vulnerabilities analysis and regulatory and supervisory tools were assessed. The report highlighted the need to establish common metrics for climate-related financial risks, including forward-looking metrics and establish data repositories for open access to climate-risk related data in a consistent form.

II.21 In the same month, the European Central Bank (ECB) announced that it will incorporate climate change considerations into the Eurosystem's monetary policy framework[19]. The related measures include: (i) tilting ECB's corporate bond holdings towards issuers with lower greenhouse gas emissions, more ambitious carbon reduction targets and better climate-related disclosures; (ii) limiting the share of assets issued by entities with a high carbon footprint that can be pledged as collateral by individual counterparties when borrowing from the Eurosystem; (iii) accepting marketable assets and credit claims from companies and debtors that comply with the Corporate Sustainability Reporting Directive (CSRD) as collateral in Eurosystem credit operations; and (iv) further enhancing the ECB's risk assessment tools and capabilities to capture climate-related risks better.

II.22 In November 2022, the FSB published a joint report[20] with the Network for Greening the Financial System (NGFS) providing a synthesis of the findings of climate scenario analysis undertaken by various financial authorities.

[16] https://www.ifrs.org/news-and-events/news/2022/03/issb-delivers-proposals-that-create-comprehensive-global-baseline-of-sustainability-disclosures/

[17] https://www.bis.org/press/p220615.htm

[18] https://www.fsb.org/2022/07/fsb-outlines-progress-made-on-addressing-financial-risks-from-climate-change/

[19] https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.pr220704~4f48a72462.en.html

[20] https://www.fsb.org/wp-content/uploads/P151122.pdf

Enhancing Cross-Border Payments

II.23 The major challenges in achieving the goal of faster and more efficient cross-border payments include high costs, low speed, limited access and inadequate transparency. In 2021, the FSB sought to address these issues by setting 11 global level quantitative targets for three segments – wholesale cross-border payments; retail cross-border payments; and remittances[21]. Furthermore, in July 2022, the FSB proposed key performance indicators (KPIs) to monitor progress toward the targets and identified existing and potential sources of data for calculating these KPIs[22]. A more detailed discussion of the KPIs and main data sources underlying their calculation, including material gaps, the approach to operationalising the monitoring exercise were discussed in the final report published in November 2022[23].

II.24 In May 2022, the Committee on Payments and Market Infrastructures (CPMI) published best practices to self-assess the access arrangements of key payment systems, especially real time gross settlement (RTGS) systems[24]. The CPMI is also working towards extending the operating hours of RTGS systems across jurisdictions to increase the speed of cross-border payments while reducing liquidity costs and settlement risks[25].

II.25 In a paper published in August 2022[26], the ECB compared six[27] potential avenues for cross-border payments systems that could pass the test of being immediate, cheap, universal and settled in a secure settlement medium. The report found that central bank digital currency (CBDC) and instant domestic payment systems, both interlinked through an FX conversion layer, could be the 'holy grail' of cross-border payments.

Central Bank Digital Currency (CBDC)

II.26 Globally, a consensus is emerging that CBDCs, if implemented correctly, can promote diversity in payment options, make cross-border payments faster and cheaper, increase financial inclusion and possibly facilitate crisis time –such as a pandemic – fiscal transfers to targeted beneficiaries. Many central banks and governments are stepping up their efforts towards exploring a digital version of fiat currency. The COVID-19 pandemic created conditions to support exponential growth in digital payments and the proliferation of private cryptocurrencies as an alternative to financial assets fetching low returns. This experience prompted central banks to accelerate work on CBDCs. The results of the 2021 Bank for International Settlements (BIS) survey on CBDCs[28] revealed that 90 per cent of central banks were actively researching the potential

[21] https://www.fsb.org/wp-content/uploads/P131021-2.pdf

[22] https://www.fsb.org/wp-content/uploads/P060722.pdf

[23] https://www.fsb.org/2022/11/developing-the-implementation-approach-for-the-cross-border-payments-targets-final-report/

[24] https://www.bis.org/cpmi/publ/d202.htm

[25] https://www.bis.org/cpmi/publ/d203.htm

[26] Towards the holy grail of cross-border payments. Available at https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2693~8d4e580438.en.pdf?972bbc119868c193467dc86f4a7cf706

[27] These include (i) modernized correspondent banking; (ii) emerging cross-border FinTech solutions; (iii) Bitcoin; (iv) global stablecoins; (v) interlinked instant payment systems with FX conversion layer; (vi) interlinked CBDC with FX conversion layer.

[28] This report presents the results of a survey of 81 central banks about their engagement in CBDC work, as well as their motivations and their intentions regarding CBDC issuance. Available at https://www.bis.org/publ/bppdf/bispap125.pdf

for CBDCs, 62 per cent were experimenting with the technology and 26 per cent were deploying pilot projects.

II.27 In October 2021[29], the ECB launched an investigation phase of the digital euro project with the aim of addressing key issues regarding design and distribution, based on users' preferences and technical advice by merchants and intermediaries. The investigation phase will last for 24 months and would assess the possible impact of a digital euro on the market, identifying the design options to ensure privacy and avoid risks for euro area citizens, intermediaries and the overall economy. It will also define a business model for supervised intermediaries within the digital euro ecosystem.

II.28 The BIS Innovation Hub (BISIH), along with the central banks of Australia, Malaysia, Singapore and South Africa, designed and developed a multi-CBDC (mCBDC) shared platform called "Project Dunbar" that could enable international settlements using digital currencies issued by multiple central banks. Unlike the correspondent banking model in which banks hold foreign currency accounts with each other, a multi-currency common settlement platform could enable transacting parties to pay each other in different currencies directly without the need for intermediaries and thus reduce the time, effort, cost and settlement risk for cross-border payments. The results of the initial phase of the project, published in March 2022, confirm the technical viability of mCBDCs based on two prototypes developed on blockchain based distributed ledger technology.

II.29 The BISIH is also developing a prototype for retail CBDCs, based on a two-tier distribution model (central bank at the foundation of the retail CBDC system and customer-facing activities carried out by the private sector) that can enable a central bank ledger to interact with private sector service providers in a safe environment for retail payments[30].

Regulation of Crypto-Assets

II.30 Following the aggressive tightening of monetary policy by the US Fed, crypto markets[31] have witnessed high volatility. Even StableCoins[32] were not spared. The crypto-sector's market capitalisation fell from a peak of around $3 trillion in November 2021 to less than $1 trillion in December 2022[33]. Some major crypto lending and trading platforms suspended withdrawals from their platforms or announced bankruptcy[34]. The crypto market faced another episode of turmoil in November 2022 following the collapse of a major crypto exchange[35]. These episodes have once again brought the issue of financial stability risks posed by these assets to the fore. Policy makers and SSBs across the world are working towards the development of risk-based and technology-neutral policies for

[29] https://www.ecb.europa.eu/paym/digital_euro/investigation/governance/shared/files/ecb.degov220929.en.pdf

[30] https://www.bis.org/about/bisih/topics/cbdc/rosalind.htm

[31] https://fortune.com/crypto/2022/05/05/bitcoin-plummets-alongside-stocks-federal-reserve-decision/

[32] Stablecoins are special category of crypto assets that aim to maintain a stable value relative to a specified asset (typically US dollars), or a pool or basket of assets, in contrast to the unbacked crypto-assets.

[33] https://coinmarketcap.com/charts/

[34] Celsius Network Ltd, Babel Finance, CoinFlex, Voyager Digital, Vauld and Zipmex announced pause of withdrawal on June 12, 2022, June 17, 2022, June 23, 2022, July 01, 2022, July 04, 2022 and July 20, 2022, respectively. Celsius Network, Three Arrows Capital and Voyager Digital have since filed for bankruptcy. Source: https://www.bloomberg.com/news/articles/2022-07-21/crypto-woes-spread-as-celsius-babel-links-hit-another-exchange?sref=QF6yuiF0

[35] https://www.nytimes.com/2022/11/10/technology/ftx-binance-crypto-explained.html

effective regulation and supervision of crypto-assets, commensurate with risks that these assets pose.

II.31 The FSB identified the following vulnerabilities related to the crypto-sector that may have financial stability implications: increasing linkages between crypto-asset markets and the regulated financial system; liquidity mismatch, credit and operational risks that make stablecoins susceptible to sudden and disruptive runs on their reserves, with the potential to spill over to short term funding markets; the increased use of leverage in investment strategies; concentration risk of trading platforms; opacity and lack of regulatory oversight of the sector; low levels of investor and consumer understanding of crypto-assets; money laundering; cyber-crime and ransomware[36].

II.32 The FSB also highlighted four transmission channels through which such vulnerabilities may have financial stability implications: (i) the financial sector's direct exposures to crypto-assets, related financial products and entities that are financially impacted by these assets; (ii) wealth effects, *i.e.*, the degree to which changes in the value of crypto-assets might impact their investors with subsequent knock-on effects on the financial system; (iii) confidence effects through which developments concerning crypto-assets could impact investor confidence in crypto-asset markets, and potentially the broader financial system; and (iv) extent of crypto-assets' usage in payments and settlements.

II.33 The BCBS divides crypto-assets into Group-1 crypto-assets, which fully meet a set of classification conditions, and Group-2 crypto-assets that do not meet such conditions. Group-1 assets were further divided into Group 1a assets, which include tokenised traditional assets and Group 1b assets, which include crypto-assets with effective stabilisation mechanisms. Group 1 crypto-assets are proposed to be subject to at least equivalent risk-based capital requirements, based on the risk weights on underlying exposures as set out in the existing Basel capital framework and Group 2 crypto-assets would be subject to further conservative capital treatment[37].

II.34 In June 2022, BCBS suggested some additions/changes to the framework which include: (i) development of standards text for inclusion in the Basel Framework; (ii) refinement of the classification conditions; (iii) introduction of an add-on to risk-weighted assets (RWA) to cover infrastructure risk for all Group 1 crypto-assets; (iv) recognition of hedging for certain Group 2 crypto-assets; and (v) introduction of an exposure limit, which will initially limit a bank's total exposures to Group 2 crypto-assets to one per cent of Tier 1 capital[38].

II.35 In July 2022, the FSB prescribed the international stance on the way forward regarding the regulation and supervision of the crypto sector. Their recommendations include[39]: (i) crypto-assets and markets must be subject to effective regulation and oversight commensurate with the risks they pose both at the domestic

[36] https://www.fsb.org/wp-content/uploads/P160222.pdf
[37] https://www.bis.org/bcbs/publ/d519.htm
[38] https://www.bis.org/bcbs/publ/d533.pdf
[39] https://www.fsb.org/wp-content/uploads/P110722.pdf

and international level; (ii) crypto-asset service providers must at all times ensure compliance with existing legal obligations in the jurisdictions in which they operate; (iii) the recent turmoil in crypto-asset markets highlights the importance of progress in ongoing areas of work of the FSB and the international standard-setting bodies to address the potential financial stability risks posed by crypto-assets, including the so-called stablecoins; (iv) stablecoins should be subjected to robust regulations and supervision of relevant authorities if they are to play an important role in the financial system. The statement further declares that FSB members support the full and timely implementation of existing international standards and that the FSB is working to ensure that crypto-assets are subject to robust regulation and supervision.

II.36 In October 2022, the FSB made recommendations for the regulation, supervision and oversight of crypto-asset activities and markets and reviewed previous recommendations for the regulation, supervision and oversight of 'Global Stablecoin' arrangements. These proposals seek to promote the comprehensiveness and international consistency of regulatory and supervisory approaches to crypto-asset activities and markets[40, 41].

4. Performance of the Global Banking Sector

II.37 The global banking sector was on a strong footing when the pandemic struck and has continued since then to remain financially sound throughout 2021 and 2022 so far, largely due to the implementation of various regulatory and macro-prudential reforms. Moreover, regulatory dispensations and extraordinary monetary and fiscal support helped banks to play a key role in ensuring availability of credit to the real sector.

Bank Credit Growth

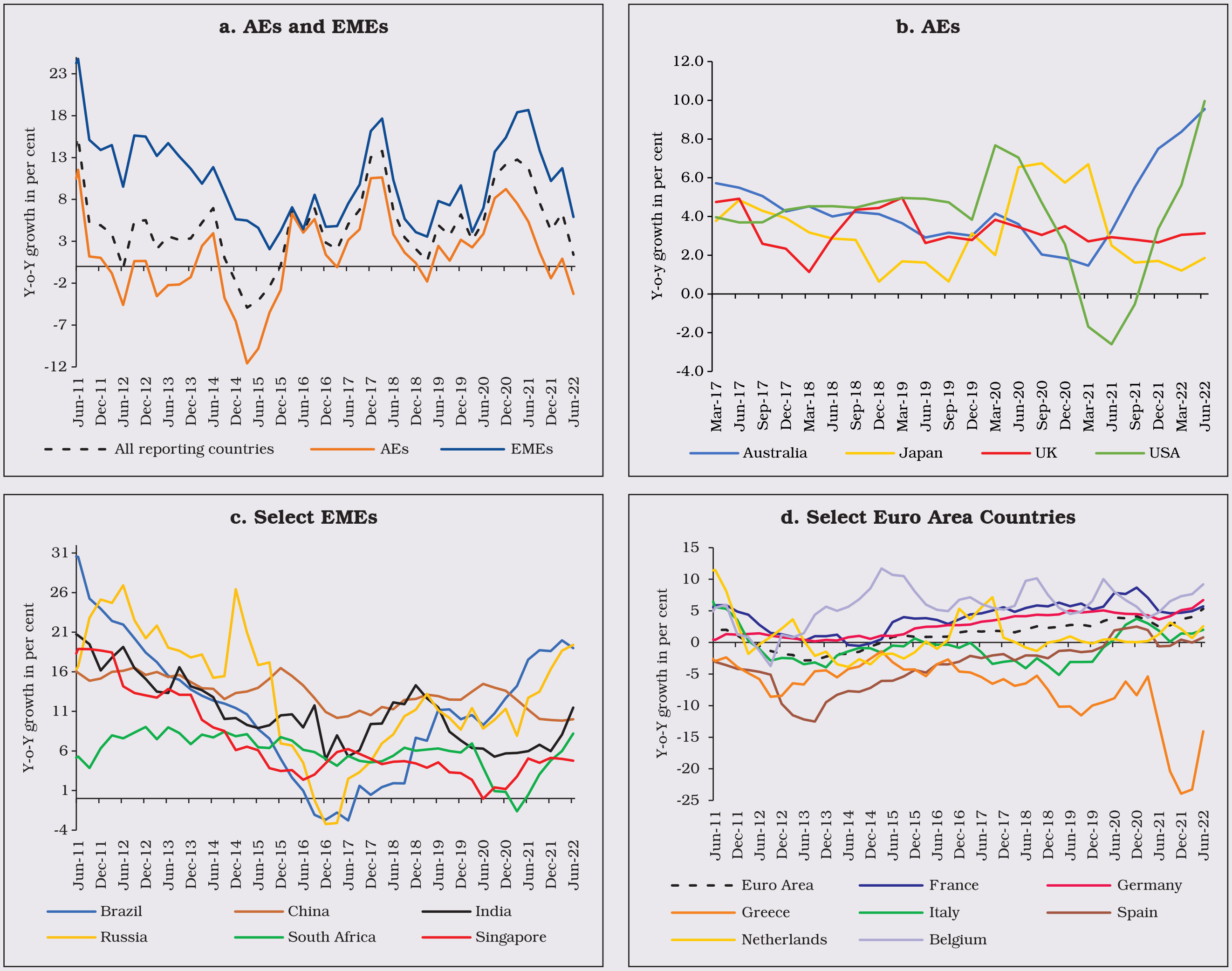
II.38 At the onset of COVID-19 pandemic, credit growth slumped in the first half of 2020 on the back of contraction in global growth and restrictions on mobility. The revival of credit growth in the second half of 2020 proved short-lived—lasting only till the first half of 2021—and a sharp downturn has taken hold since then across AEs and EMDEs on weak demand drivers (Chart II.3a). While credit growth moderated in most of the AEs, USA and Australia have exhibited signs of recovery since the second half of 2021 (Chart II.3b). A similar revival is observed for most of the EMEs with the notable exception of China (Chart II.3c). In contrast, credit growth was dismal across the Euro area. Contraction in bank credit growth in Greece continued for the eleventh consecutive year in 2021 (Chart II.3d).

Asset Quality

II.39 Asset quality, as measured by the ratio of non-performing loans to total gross loans (NPL ratio), continued to improve across AEs (Chart II.4a). In the Euro area, government and institution-specific interventions in Greece led to significant improvement in its banks' asset quality (Chart II.4b). Among the EMEs it has been improving since 2019, though the NPL

[40] https://www.fsb.org/wp-content/uploads/P111022-3.pdf
[41] https://www.fsb.org/wp-content/uploads/P111022-4.pdf

Chart II.3: Bank Credit to the Private Non-Financial Sector



Source: Total Credit Statistics, BIS.

ratio remained elevated in Russia and India *vis-à-vis* other countries (Chart II.4c).

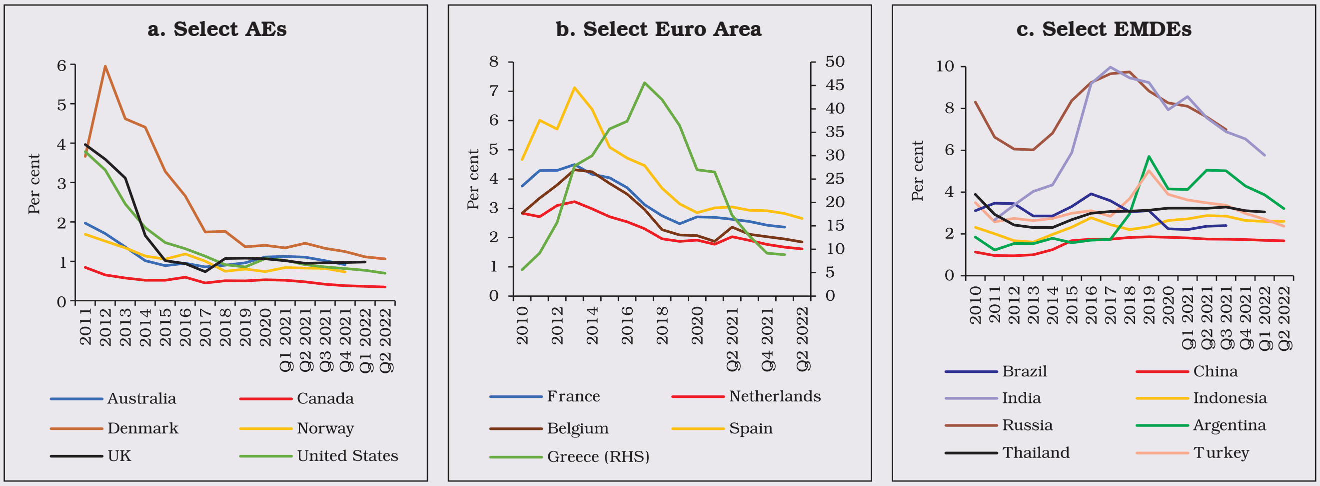
Provision Coverage Ratio

II.40 The provision coverage ratio (PCR) has been high in some AEs like the USA and Norway, indicating greater resilience to stress in the banking book (Chart II.5a). The ratio has, however, remained low—in the range of 15 per cent to 35 per cent—in other economies like Australia, Canada and UK. PCR moderated slightly in few Euro area countries in 2021 (Chart II.5b). For the EMDEs, PCR remained stable, except for Brazil and Argentina where it declined but remained well above 100 per cent (Chart II.5c).

Bank Profitability

II.41 Despite lower interest rates, bank profitability, measured in terms of return on total assets (RoA), continued to improve for most AEs. In the USA and Denmark, however, profitability declined on account of higher loan loss provisioning (Chart II.6a). In the Euro

Chart II.4: Asset Quality
(NPL as a per cent of Total Gross Loans)



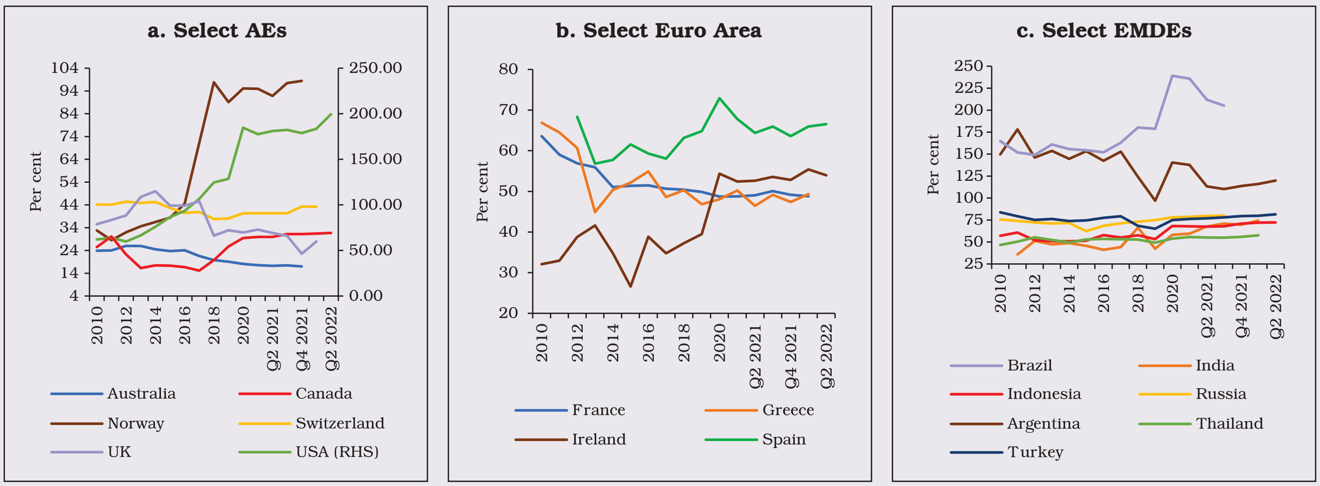
Source: Financial Soundness Indicators, IMF.

area, RoA increased, except in Spain. Although profitability was in the negative territory for Greece, it improved from the second quarter of 2021 (Chart II.6b). Among EMDEs, RoA remained robust on account of lower provisioning requirements for non-performing loans (Chart II.6c).

Capital Adequacy

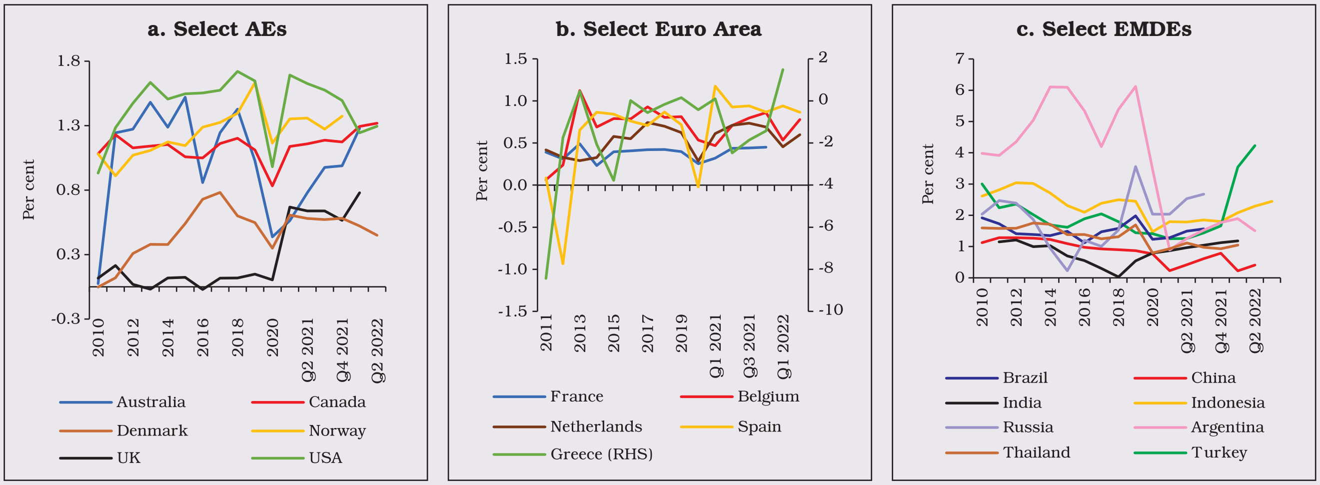
II.42 The capital to risk weighted assets ratio (CRAR) of banks remained well above the Basel III prescribed levels across jurisdictions, although marginal moderation is observed for AEs like Denmark and US

Chart II.5: Provision Coverage Ratio
(NPL Provisions as a per cent of Total Gross Loans)



Source: Financial Soundness Indicators, IMF.

Chart II.6: Return on Assets



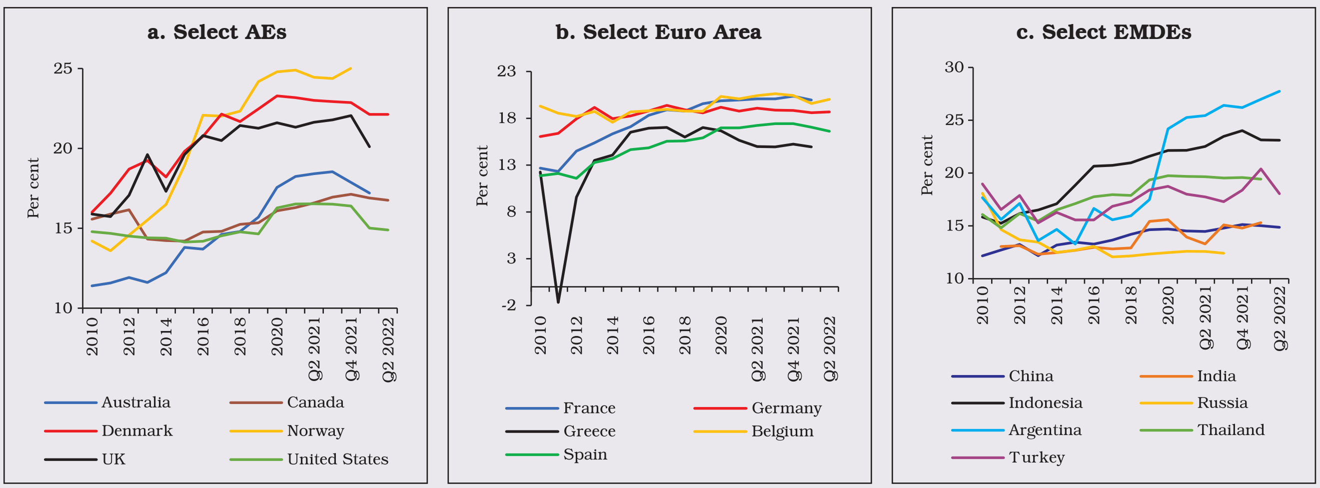
Source: Financial Soundness Indicators, IMF.

in recent quarters. Among the Euro area countries and EMDEs, capital positions either remained stable or improved (Chart II.7).

Leverage Ratio

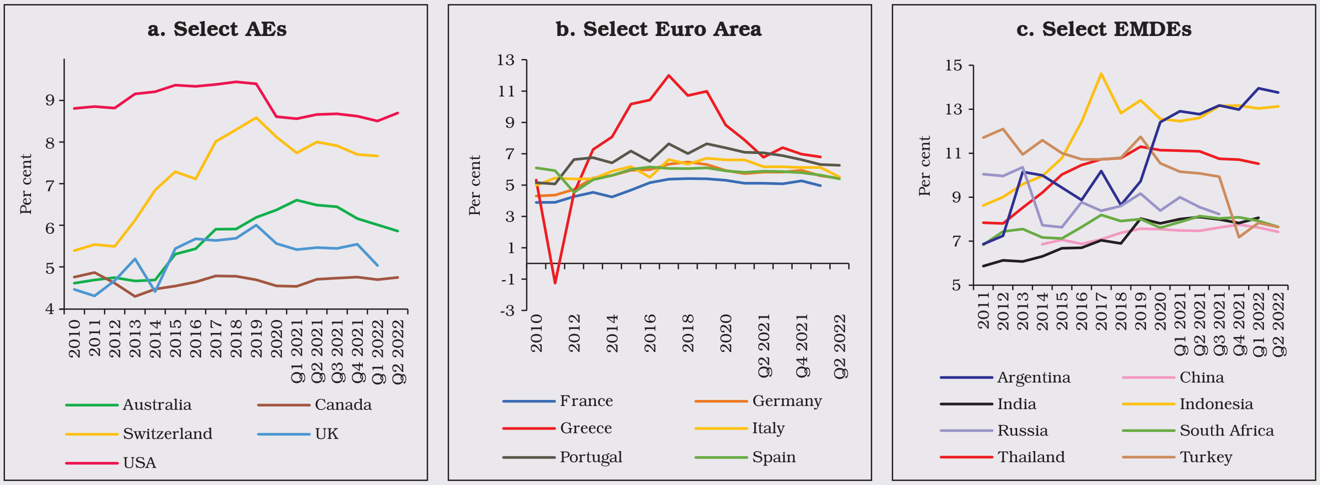
II.43 The leverage ratio *i.e.*, regulatory Tier I capital as a proportion to total assets, remained well above the minimum of 3 per cent under Basel III norms. Within the AEs, the USA, Switzerland and Australia maintained a leverage ratio of more than twice the prescribed levels, although marginal decline was observed in recent quarters. Germany, France and Portugal lead the Euro Area banks in maintaining high leverage ratios. Among the EMDEs, Argentina and Indonesia maintained healthy leverage ratios (Chart II.8).

Chart II.7: Regulatory Capital to Risk-Weighted Asset



Source: Financial Soundness Indicators, IMF.

Chart II.8: Leverage Ratio
(Regulatory Tier I Capital as a percent of Total Assets)



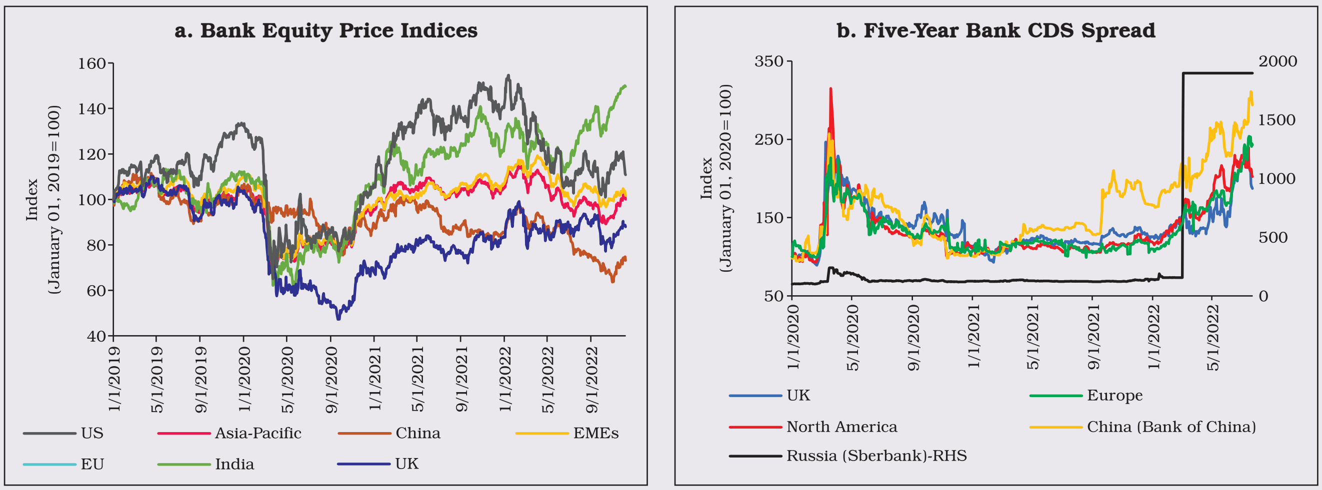
Source: Financial Soundness Indicators, IMF.

Financial Market Indicators

II.44 Banking stocks plummeted globally in 2020 but recovered during 2021 on liquidity infusions by central banks, turnaround in economic activity and a positive growth outlook. This reversed in early March 2022 as the war in Europe ushered in a new wave of uncertainty. Since then, the equity prices of Indian banks have revived, mainly reflecting their robust capital positions and improvement in profitability and asset quality. Equity prices in other AEs and EMEs have also recovered in recent months, but are still trading below previous highs (Chart II.9a).

II.45 After declining from their peaks in March 2020, credit default swap (CDS) spreads

Chart II.9: Market-based Indicators of Bank Health



Source: Refinitiv Datastream.

of banks have increased significantly from the beginning of 2022. Global sanctions and rating downgrades following the Russia-Ukraine war have led to a dramatic rise in CDS spreads in Russia. The CDS spreads of banks in other markets also followed suit; however, spreads have moderated in recent months (Chart II.9b).

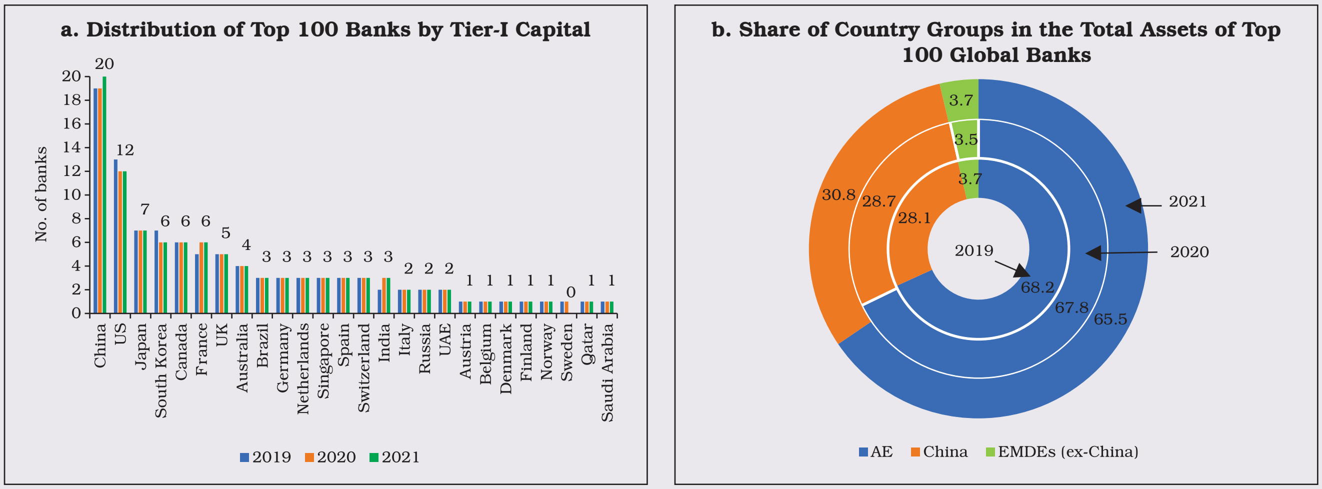
5. World's Largest Banks

II.46 The country-wise distribution of the top 100 banks ranked by Tier-1 capital remained largely similar in 2021 to that a year ago[42] (Chart II.10a). Moreover, out of 20 Chinese banks in the list, the ranking of 18 banks either improved or remained same as previous year on higher accumulation of Tier-1 capital relative to other banks. Consequently, the share of total assets held by China-based banks increased year-on-year in 2021 while that of banks in AEs declined during the same period (Chart II.10b).

II.47 In terms of asset quality, the share of Chinese banks in non-performing loans (NPLs) of top 100 banks increased in 2021 while the share of AE banks declined (Chart II.11a). However, the provision coverage ratio (PCR) was more than 100 per cent for all the Chinese banks in the list, indicating higher loss absorbing capacity in case of distress. In contrast, roughly half of banks in AEs and EMDEs (excluding China) had PCRs greater than 100 per cent (Chart II.11b).

II.48 Banks further shored up their capital in 2021, with all banks maintaining capital to risk weighted assets ratio (CRAR) at or greater than 12 per cent and 64 banks with CRAR higher than 16 per cent (Chart II.12a). The distribution of banks as per their leverage ratios (capital to assets ratio) remained similar in 2021 as in 2020 and only two banks had leverage ratio at or below three per cent. 64 banks had leverage ratio greater than 6 per cent indicating their comfortable capital position (Chart II.12b). The profitability of banks improved, with higher number of banks registering RoA in the range of 1 to 2 per cent and greater than 3 per cent as compared with the previous year (Chart II.12c).

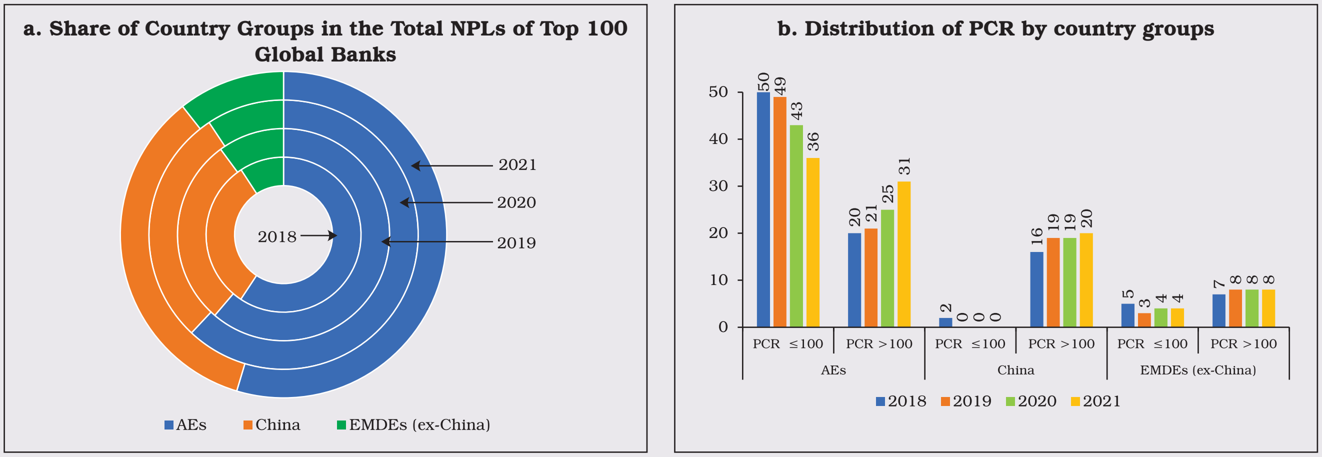
Chart II.10: Distribution of Top 100 Banks by Tier-I Capital



Source: Bankers Database, Financial Times.

42 The only change was that a Chinese bank was added to the list and a Swedish bank was dropped.

Chart II.11: Asset Quality of the Top 100 banks

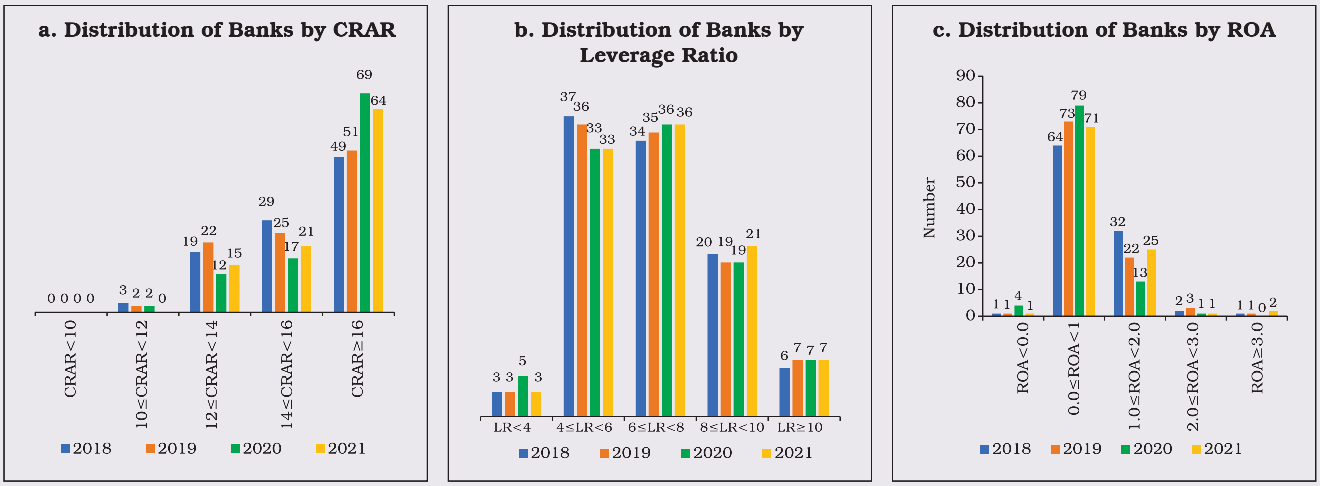


Note: The number of banks may not add up to 100 due to some missing values.
Source: Bankers Database, Financial Times.

6. Conclusion

II.49 With global growth set to deteriorate in 2022 and with rising prospects of a recession in 2023, credit growth, could procyclically decelerate across major economies which, in turn, could shrink bank profitability. While banks weathered the pandemic with high capital buffers and improved asset quality, going forward, they face a highly uncertain outlook, with the possibility of continuing geopolitical tensions, tighter monetary and liquidity conditions and potential adverse spillover effects on profitability and asset quality. Moreover, wider adoption of technology in the financial system amidst a new wave of innovations and climate change risks pose new challenges for financial stability that would require risk mitigating regulatory and supervisory actions.

Chart II.12: Soundness of the Top 100 Banks



Source: Bankers Database, Financial Times.

III POLICY ENVIRONMENT

The Reserve Bank's policies in 2021-22 aimed at assuaging the impact of the pandemic and nurturing economic recovery. During 2022-23 so far, the policy focus has shifted to securing price stability characterised by policy rate action and gradual withdrawal of accommodation. The regulatory and supervisory policy measures of the Reserve Bank were undertaken to ensure level playing field across regulated entities, enhance consumers' convenience and expand the reach and quality of financial services.

1. Introduction

III.1 During 2021-22, the Reserve Bank sustained its policy focus on mitigating the adverse impact of the pandemic on the economy while supporting the nascent economic recovery. In the second half of the year, there was a gradual shift towards a calibrated withdrawal of liquidity by allowing pandemic-related measures to lapse on due dates and cessation of unconventional measures with a view to safeguarding financial stability and ensuring that inflation remains within the target going forward. During 2022-23 so far, the policy focus has shifted to securing price stability in view of the inflationary pressures. Accordingly, policy rate hikes and the gradual withdrawal of accommodation have commenced. Simultaneously, the Reserve Bank has also ushered in major regulatory and supervisory reforms, with a focus on containing potential vulnerabilities, ensuring orderly functioning of financial markets, strengthening consumer protection, expanding the reach and quality of financial services, improving the payments ecosystem and enhancing the adoption of digital banking.

III.2 Against this backdrop, this chapter begins with an account of monetary and liquidity measures in Section 2. This is followed by an overview of the regulatory policy developments relating to scheduled commercial banks (SCBs), non-banking finance companies (NBFCs) and credit co-operatives in Section 3. Supervisory strategies for banks and NBFCs are discussed in Section 4, while policies pertaining to technological innovations are covered in Section 5. Policies relating to financial markets and foreign exchange, and credit delivery and financial inclusion are covered in Sections 6 and 7, respectively. Section 8 reviews initiatives related to consumer protection and retail participation, while the Reserve Bank's initiatives for enhancing the scope and reach of the payments ecosystem are set out in Section 9. The chapter concludes with an overall assessment in Section 10.

2. Monetary Policy and Liquidity Management

III.3 The monetary policy committee (MPC) kept the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4 per cent during 2021-22 with a view to supporting a tenuous recovery that was taking hold after the severe impact of the second wave of COVID-19. Inflationary pressures, which had built up in Q4:2021-22 due to rising international crude oil and other commodity prices, were expected to moderate in H1:2022-23. Accordingly, the MPC decided to continue with an accommodative monetary policy stance during 2021-22.

III.4 Within a fortnight from the sixth and final meeting of MPC for the year 2021-22, the conflict in Ukraine broke out amidst escalated geopolitical tensions and the global and domestic outlook was drastically altered. Surging prices of international crude oil and other commodities and food and energy shortages imposed upside risks to domestic inflation and downside risks to the growth outlook. In its April 2022 resolution, the MPC decided to keep the policy rate on hold. The Reserve Bank, however, started the process of withdrawal of accommodation by restoration of the liquidity management framework. The institution of a standing deposit facility (SDF), replacing the fixed rate reverse repo (FRRR) as the floor of the LAF at a rate 40 basis points (bps) above the latter, effectively tightened monetary conditions as money market rates rose from their pandemic lows and the liquidity overhang was pulled in through variable reverse repo (VRR) auctions of varying maturities. With the shock of the war causing commodity prices to scale new highs and upside risks to the inflation outlook, the MPC raised the policy repo rate by 40 bps in an off-cycle meeting in May 2022, followed by increases of 50 bps each in June 2022, August 2022 and September 2022, and 35 bps in December 2022. Since May 2022, the Reserve Bank has thus cumulatively raised the policy repo rate by 225 bps to anchor inflation expectations and contain second-round effects of repetitive shocks. Empirical estimates for India indicate that high and volatile inflation is detrimental to the functioning of the credit market (Box III.1).

Liquidity Management during 2021-22

III.5 The Reserve Bank announced a secondary market government securities acquisition programme (G-SAP) 1.0 in April 2021 to assuage market sentiments in view of the large market borrowing programme of the central government, followed by G-SAP 2.0 in June 2021, with a commitment to cumulatively purchase ₹2.2 lakh crore of government securities (G-secs) in H1:2021-22. Under the G-SAP, the Reserve Bank purchased both on the run (liquid) and off the run (illiquid) securities across the maturity spectrum, with more than 68 per cent of the purchases concentrated in the 5 to 10-year maturity segment, thus imparting liquidity to maturities across the mid-segment of the term structure. G-SAP also facilitated monetary transmission by containing volatility in G-sec yields that serve as the benchmark for the pricing of other financial market instruments. In October 2021, given the overhang of surplus liquidity, the Reserve Bank discontinued G-SAP.

III.6 Apart from G-SAP, the Reserve Bank provided special refinance facilities of ₹66,000 crore to all-India financial institutions (AIFIs); a term liquidity facility of ₹50,000 crore to ramp up COVID-related healthcare infrastructure and services in the country; special long-term repo operations (SLTRO) for small finance banks (SFBs) of which ₹10,000 crore had to be deployed in fresh lending of up to ₹10 lakh per borrower; and an on-tap liquidity window of ₹15,000 crore in order to mitigate the adverse impact of the second wave of the pandemic on certain contact-intensive sectors. The deadlines of key targeted liquidity facilities were also extended, given the needs of the stressed sectors: the SLTRO facility for SFBs was made available till December 31, 2021, while also making it available on tap; the liquidity facility of ₹50,000 crore to ease access to emergency health services and ₹15,000 crore for contact-intensive sectors were extended up to June 30, 2022.

III.7 Recognising that the large liquidity overhang from the pandemic-induced measures

Box III.1: Inflation Volatility and Credit Growth

Monthly data from January 2009 till March 2022 were analysed in an autoregressive distributed lag model with error correction (ARDL-EC)[1 and 2]. The results indicate that both inflation and inflation volatility drag down credit growth by creating uncertainty around future cash flows, delaying investment planning decisions (Friedman, 1977 and Fischer, Sahay, & Végh, 2002). While higher interest rates have a negative impact on credit growth, business expectations embodied in the Reserve Bank's index (BEI)[3] are positively correlated with credit growth. A disturbance to the long-run equilibrium is corrected at a moderate speed. This suggests that credible, front-loaded actions to contain inflation can help a quicker normalisation of the credit market after a shock (Table 1).

Table 1: ARDL Regression Results

Credit Growth	Coefficient	Std. Err.	t-statistic	P>t
ADJ				
Credit Growth (L1).	-0.1399	0.0395	-3.54	0.001***
LR				
Δ Interest (L1).	-0.4377	0.2492	-1.76	0.081*
Inflation (L1).	-2.4329	1.2256	-1.99	0.049**
Inflation volatility (L1).	2.4396	2.6719	0.91	0.363
BEI (L1).	0.6967	0.1985	3.51	0.001***
GDP growth (L1).	0.1123	0.1655	0.68	0.499
Constant	-73.7918	22.6043	-3.26	0.001***
SR				
Credit Growth				
LD.	-0.1647	0.0846	-1.95	0.054*
L2D.	-0.1022	0.0803	-1.27	0.205
L3D.	0.2086	0.0772	2.70	0.008***
Δ Interest				
D1.	-0.0254	0.0277	-0.92	0.361
LD.	0.0814	0.0282	2.89	0.004***
L2D.	0.0848	0.0275	3.09	0.002***
Inflation (quarterly)				
D1.	-0.7663	0.1550	-4.95	0.000***
Inflation volatility				
D1.	-2.8310	1.0854	-2.61	0.010**
BEI				
D1.	0.0710	0.0407	1.75	0.083*
LD.	-0.1675	0.0449	-3.73	0.000***
L2D.	-0.0698	0.0446	-1.57	0.119
L3D.	-0.1035	0.0439	-2.36	0.020**
GDP growth				
D1.	0.0157	0.0228	0.69	0.491

Number of observations = 155
R-squared = 0.3607
Adjusted R-squared = 0.2761

Notes: 1. BEI is Business Expectations Index.
2. L1, L2, L3 refer to relevant lags.
3. D refers to difference.
4. LD refers to lag difference.
5. The ARDL bounds test suggest that the findings are robust.
6. ***p<0.01, **p<0.05, *p<0.1

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could engender mispricing of risks and pose financial stability challenges, the Reserve Bank started normalisation of liquidity conditions during 2021-22 to align them with the evolving macroeconomic developments. As a part of this process, the cash reserve ratio (CRR) was restored to its pre-pandemic level of 4.0 per cent of net demand and time liabilities (NDTL) in two phases with an increase of 0.5 percentage point each, effective from the fortnights beginning March 27, 2021 and May 22, 2021.

[1] Since the variables under consideration are of different orders of integration, Engle Granger and Johansen tests of cointegration cannot be applied. To circumvent this problem, the ARDL method was chosen.

[2] Inflation volatility was calculated using an exponential generalised auto regressive conditional heteroskedastic (EGARCH (1,1)) model as it does not impose non-negativity constraints on parameters and is able to capture asymmetry in the responsiveness of inflation volatility to shocks to inflation (Katusiime, 2018).

[3] Business expectations index (BEI) combines nine parameters- (1) overall business situation, (2) production, (3) order books, (4) inventory of raw material, (5) inventory of finished goods, (6) profit margin, (7) employment, (8) exports and (9) capacity utilisation. A value above 100 indicates an expansion of the overall business activity and a value below 100 indicates contraction.

III.8 In order to re-establish the 14-day variable rate reverse repo (VRRR) as the main liquidity management tool as part of the restoration of the revised liquidity management framework, an upscaling of the size of VRRR auctions was undertaken through a pre-announced schedule from ₹2.0 lakh crore during April-July 2021 to ₹7.5 lakh crore by end-December 2021. As a result, surplus liquidity absorption was seamlessly rebalanced from the overnight FRRR window to longer tenor 14-day VRRR auctions. These operations were complemented by the 28-day VRRRs and fine-tuning operations of 3-8 days maturities. Reflecting these developments, the amount absorbed under the FRRR reduced significantly, averaging ₹2.0 lakh crore during H2:2021-22 from ₹4.6 lakh crore during H1:2021-22.

III.9 As an additional step towards absorbing the liquidity surplus, banks were provided one more option in December 2021 to prepay the outstanding amount of funds availed under the targeted long-term repo operations (TLTRO 1.0 and 2.0) conducted during March-April 2020. Accordingly, banks returned ₹2,434 crore in December 2021 over and above ₹37,348 crore paid earlier in November 2020.

III.10 Given the limited recourse to the marginal standing facility (MSF) by banks due to surplus liquidity conditions in the post-pandemic period, the normal dispensation of allowing banks to dip up to 2 per cent (instead of 3 per cent during the pandemic) of their NDTL was reinstated effective January 1, 2022.

III.11 With the progressive return of normalcy, the Reserve Bank announced on February 10, 2022 that (i) the VRR operations of varying tenors would be conducted as and when warranted as fine-tuning operations to tide over any unanticipated liquidity changes during the reserve maintenance period, while auctions of longer maturity will also be conducted, if required; and (ii) the windows for FRRR and the MSF operations would be available during 17.30-23.59 hours on all days effective March 1, 2022 (as against 09.00-23.59 hours since March 30, 2020). Market participants were advised to shift their balances out of the FRRR into VRRR auctions and avail the automated sweep-in and sweep-out (ASISO) facility in the e-Kuber portal for operational convenience[4].

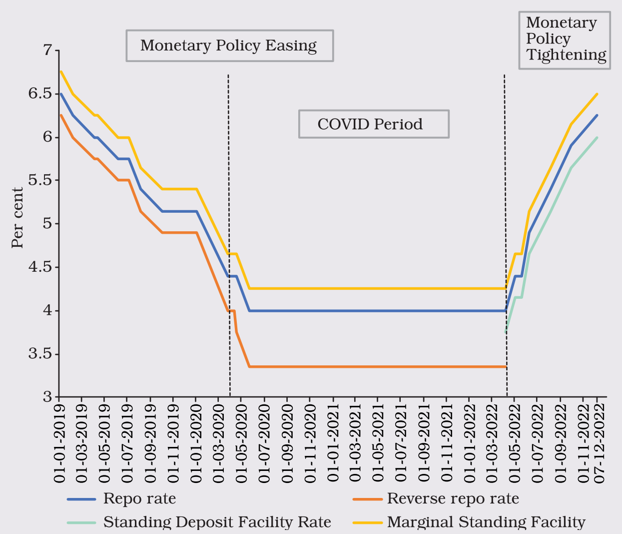
Liquidity Management during 2022-23

III.12 Against the backdrop of the economic recovery gaining traction and the persistence of inflation above the upper tolerance band of the target, the focus of liquidity management during 2022-23 moved to withdrawal of accommodation in a non-disruptive manner.

III.13 In April 2022, as alluded to earlier, SDF at 3.75 per cent was introduced as the floor of the LAF corridor, replacing the FRRR. Thus, the SDF rate was placed 25 bps below the then prevailing policy rate (4.00 per cent) and was applicable on overnight deposits; however, the SDF window retained the flexibility to absorb liquidity of longer tenors, if necessary, with appropriate pricing. The MSF rate was retained at 4.25 per cent – 25 bps above the policy repo rate. Thus, the width of the LAF corridor was restored to its pre-pandemic configuration of +/- 25 bps symmetrically around the policy repo rate (Chart III.1). With the institution of the SDF,

[4] ASISO was introduced in August 2020 to provide greater flexibility to banks in managing their day-end CRR balances under which banks pre-set a specific (or range of) amount that they wish to maintain at the end of the day. Any shortfall or excess balances maintained automatically trigger MSF or reverse repo bids, as the case may be, under the ASISO facility.

Chart III.1: Major Monetary Policy Rates



Source: Database on Indian Economy, RBI.

the FRRR rate was retained at 3.35 per cent and was delinked from the policy repo rate. It remains a part of the toolkit and will be used at the Reserve Bank's discretion for purposes specified from time to time. Akin to the MSF, access to the SDF is at the discretion of banks, unlike repo/reverse repo, open market operation (OMO) and CRR which are at the discretion of the Reserve Bank. By removing the binding collateral constraint on the central bank, the SDF strengthens the operating framework of monetary policy. Moreover, it is a financial stability tool in addition to its role in liquidity management.

III.14 Along with the policy repo rate hike in an off-cycle meeting on May 4, 2022, the Reserve Bank increased the CRR by 50 bps to 4.50 per cent (effective fortnight beginning May 21, 2022), withdrawing primary liquidity to the tune of ₹87,000 crore from the banking system. In sync with the stance of withdrawal of accommodation, surplus liquidity as indicated by the daily average absorption under the LAF moderated from ₹7.5 lakh crore during March 2022 to ₹2.6 lakh crore in December 2022 (up to December 11). Cumulatively, these actions gradually lifted overnight money market rates closer to the policy repo rate. To assuage the temporary liquidity tightness from transient liquidity frictions due to tax outflows, the Reserve Bank conducted two VRR auctions on July 26 and September 21, 2022 of 3 days and 1 day maturity, respectively. Going forward, the Reserve Bank would be nimble and flexible in its liquidity management operations to meet the requirements of the productive sectors of the economy.

3. Regulatory Policies

III.15 The Reserve Bank complemented the post-COVID monetary and liquidity measures with regulatory policy changes to assuage the impact of the pandemic while containing associated risks to financial stability. During the second half of 2021-22 and 2022-23 so far, the focus of the Reserve Bank has been on gradual and non-disruptive withdrawal of post-COVID policy support and regulations, keeping in mind the needs of regulated entities (REs) and their customers.

3.1 Scheduled Commercial Banks

Regulatory Framework for Microfinance Loans

III.16 The regulatory framework for NBFC - Micro Finance Institutions (NBFC-MFIs) was reviewed. With effect from April 1, 2022 a uniform regulatory framework for microfinance lending by all REs was introduced. Apart from introducing a common definition of a microfinance loan and withdrawal of exemption for 'not for profit' companies engaged in these activities, the guidelines also required REs to put in place Board-approved policies on assessment of household income and indebtedness, pricing of microfinance loans, conduct of employees and flexibility in repayment periodicity of microfinance loans as per borrowers' requirements. Besides introducing activity-based regulation in the microfinance sector, this framework is intended to deleverage microfinance borrowers, strengthen customer protection measures, enable competitive forces to bring down interest rates, and provide flexibility to the REs to meet credit needs of the microfinance borrowers in a comprehensive manner.

Foreign Currency (Non-resident) Accounts (Banks) [FCNR(B)] Scheme – Revised Benchmark Rate

III.17 In view of the discontinuance of London interbank offered rate (LIBOR) as a benchmark rate, it was decided in November 2021 to permit banks to offer interest rates on FCNR(B) deposits using the widely accepted overnight alternative reference rate (O-ARR) for the respective currency. Accordingly, the interest rate ceiling for FCNR(B) deposits with a maturity period of 1 year to less than 3 years was revised as O-ARR or swap plus 250 bps. For deposits of 3 years and above up to and including 5 years, it was revised to O-ARR or swap plus 350 bps. On July 6, 2022, the ceiling was temporarily withdrawn for incremental FCNR (B) deposits mobilized by banks for the period until October 31, 2022 as a measure for attracting capital inflows in the face of heightened volatility in financial markets globally and ensuing spillovers.

Provisioning Requirement for Investment in Security Receipts (SRs)

III.18 REs are permitted to sell their stressed assets, irrespective of their ageing criteria, to asset reconstruction companies (ARCs) against *inter alia* the SRs issued by the latter. In cases where stressed assets are sold against SRs, the risks of the underlying exposures do not effectively get separated from the sellers' books. With a view to mitigating this concern and ensuring 'true sale' of such assets, in 2016, the Reserve Bank had prescribed higher provisioning with a floor when investments in such SRs constituted more than 50 per cent (later reduced to 10 per cent) of the total SRs issued under that specific securitization. These instructions were made applicable to all lenders on September 24, 2021. In order to ensure smooth implementation, REs other than SCBs were advised on June 28, 2022, that the additional provisions could be spread over a five-year period starting with the financial year ending March 31, 2022, *i.e.*, from 2021-22 till 2025-26. Moreover, additional provisions made in every financial year should not be less than one fifth of the total required provisions.

Large Exposure Framework (LEF)

III.19 In the absence of a formal cross-border resolution regime, a large exposure framework (LEF) was made applicable to foreign banks' (FBs') exposures on their head office (HO) to ring-fence the operations of their branches in India. Considering that this will place additional capital burdens on such banks, a new credit risk mitigation (CRM) mechanism was issued on September 9, 2021. The CRM can comprise cash/unencumbered approved securities, the sources of which should be interest-free funds from HO, or remittable surplus retained in the Indian books (reserves). The gross exposure of foreign bank branches to HO (including overseas branches) was allowed to be offset with the CRM while reckoning LEF limits, subject to certain conditions. Foreign bank branches were permitted to exclude all derivative contracts executed prior to April 1, 2019 (grandfathering), while computing derivative exposure on the HO.

Limit on Loans to Directors

III.20 The threshold of loans to directors of other banks and relatives of directors (of own banks as also other banks) requiring sanction of the Board or Management Committee of banks was fixed at ₹25 lakh in 1996. The limit needed an upward revision to reflect the increase in general prices, to encourage expert professionals to join the Boards and reduce the number of cases requiring approval of the Board or Management Committee. Accordingly, on July 23, 2021, the Reserve Bank revised the threshold to ₹5 crore for sanction of personal loans to directors of other banks and all loans to relatives of directors (of own banks as also other banks) and associated entities.

Fair Valuation of Banks' Investment in Re-capitalisation Bonds

III.21 On March 31, 2022, the Reserve Bank clarified that banks' investment in special securities received from the Government towards banks' recapitalisation from 2021-22 onwards shall be recognised at their fair value or market value on initial recognition in the held to maturity (HTM) category. Any difference between the acquisition cost and fair value based on the criteria specified shall be immediately recognised in the profit and loss account.

Implementation of Net Stable Funding Ratio

III.22 The final guidelines regarding the Basel III net stable funding ratio (NSFR) were issued on May 17, 2018 and were scheduled to come into effect from April 1, 2020. Due to the uncertainty on account of COVID-19, the implementation of these guidelines was deferred progressively till September 30, 2021 and came into effect from October 1, 2021.

Review of Definition of Small Business Customers for LCR and NSFR

III.23 For maintenance of liquidity coverage ratio (LCR) and NSFR, the extant guidelines consider deposits and other extensions of funds made by non-financial small business customers as having similar liquidity risk characteristics as retail accounts. To be eligible, a threshold of ₹5 crore (on a consolidated basis where applicable) was prescribed on the aggregated funding from each customer. To better align the Reserve Bank's guidelines with the Basel Committee on Banking Supervision (BCBS) standards and enable banks to manage liquidity risk more effectively, the threshold was increased to ₹7.5 crore with effect from January 06, 2022.

Periodic Updation of KYC

III.24 In order to avoid inconvenience to customers during the pandemic, REs were advised on May 5, 2021 that in cases where know-your-customer (KYC) updation was due and pending, no restrictions on operations of their accounts may be placed till December 31, 2021. This relaxation was extended till March 31, 2022.

III.25 REs are required to periodically update the KYC (re-KYC) at least once in 2 years, 8 years and 10 years for high-risk, medium-risk and low-risk customers, respectively. On May 10, 2021, the Reserve Bank simplified this process. In case of no change in KYC details, a self-declaration can be furnished by the customer using various channels, including digital. This provision was also introduced in respect of legal entities (LEs). In case of a change only in the address of the individual customer, a self-declaration of the new address has been allowed, subject to verification by REs through a 'positive confirmation' within two months. These simplified measures are expected to provide convenience to customers and enable REs to update KYC records on time.

Regulatory Response to Climate Risks

III.26 The Reserve Bank joined the Network for Greening the Financial System (NGFS) as a Member on April 23, 2021 and published its 'Statement of Commitment to Support Greening India's Financial System' on November 3, 2021. In view of the increasing significance of climate-related financial risks, the Reserve Bank set up a Sustainable Finance Group (SFG) in May 2021 to lead the regulatory initiatives in the area of climate risk and sustainable finance, including appropriate climate-related disclosures for banks and other REs, propagate sustainable practices and mitigate climate-related risks in the Indian context. The Reserve Bank conducted a survey on climate risk and sustainable finance in January 2022 (Box III.2).

Box III.2: Survey on Climate Risk and Sustainable Finance

On July 27, 2022 the Reserve Bank released the results of the survey on climate risk and sustainable finance, covering 12 PSBs, 16 PVBs and 6 FBs in India. The objective was to assess the approach, level of preparedness and progress made by leading SCBs in managing climate risk. The key observations from the survey are as follows:

- **Board-level engagement and responsibility:** Board-level engagement on climate risk and sustainable finance is inadequate. In about a third of the banks that were surveyed, responsibility for overseeing initiatives related to climate risk and sustainability was yet to be assigned. Furthermore, only a few banks have included climate risk / sustainability / environmental, social and governance (ESG) related key performance indicators (KPIs) in the performance evaluation of their top management.
- **Strategy:** A majority of banks did not have a separate business unit or vertical for sustainability and ESG-related initiatives. Only a few banks had a strategy for embedding ESG principles in their business, scaling up their sustainable finance portfolio and incorporating climate change risks into their existing risk management framework.
- **Risk management:** Almost all the surveyed banks recognised the urgency of the issue, and most of them considered climate-related financial risks to be a material threat to their business. Physical and transition risks were seen as the main sources of climate-related risks. Some banks are focusing on social and governance aspects, apart from climate and environment-related risks while evaluating credit proposals above a certain amount, while a few others are also attempting to quantify the amount of their loan and investment portfolio that is susceptible to such risks.
- **Transition to low-carbon exposure:** Most of the surveyed banks have decided to gradually reduce their exposure to high-carbon emitting/polluting businesses in the coming years. A few banks have either mobilised new capital to scale up green lending and investment or set a target for incremental lending and investment for sustainable finance. Most banks have launched a few loan products to tap the opportunities from climate change, while a few have also launched green deposits to scale up lending to environment-friendly businesses.
- **Climate-related financial disclosures:** A majority of banks have not aligned their climate-related financial disclosures with any internationally accepted framework.
- **Moving towards a low-carbon environment in banking operations:** Most banks have either taken some measures or have plans to decrease the absolute carbon emissions arising from their operations and increase the proportion of renewable energy in their total sourced electricity. A few banks have either announced time-bound plans or intend to come up with a roadmap over the next 12 months to become carbon-neutral.
- **Capacity building and data gaps:** Most banks are looking at capacity building to better understand the financial implications of climate risk. Most banks also felt that the available data were insufficient for an appropriate assessment of climate-related financial risks and the processes and methodologies to measure and monitor these risks were also not sufficiently developed.

The responses to the survey indicate that although banks have begun taking steps in the area of climate risk and sustainable finance, there is a need for concerted effort and further action in this regard. The insights from this exercise are expected to help in shaping the regulatory and supervisory approach of the Reserve Bank to climate risk and sustainable finance.

3.2 Non-Banking Finance Companies

III.27 The contribution of NBFCs towards supporting real economic activity and acting as an additional channel of credit intermediation supplementing the banks is well recognised. In recent years, this sector has grown in size, complexity and interconnectedness, making some of the entities systemically significant. This necessitated adoption of a scale-based regulatory (SBR) approach, effective October 1, 2022. The framework divides NBFCs into a base layer (NBFC-BL), middle layer (NBFC-ML), upper layer (NBFC-UL) and top layer, with a progressive increase in the intensity of regulation. Glide paths were provided to ensure that the implementation of SBR is smooth and gradual. In particular, the glide paths for NPA classification norms and minimum net owned funds requirement norms extend up to March 31, 2026 and March 31, 2027, respectively.

Large Exposure Framework for NBFC-UL

III.28 The upper layer of NBFCs as per the SBR comprises those that are specifically identified by the Reserve Bank as warranting enhanced regulatory attention, based on a set of parameters. Detailed guidelines on regulatory restrictions on lending and large exposures framework (LEF) for NBFC-UL were issued on April 19, 2022 (Table III.1).

Table III.1: Large Exposure Framework for NBFC – Upper Layer

Sum of all exposure value to	Large exposure limit as per cent of eligible capital base	
	Other than Infrastructure Finance Companies	Infrastructure Finance Companies
Single counterparty	• 20 per cent • additional 5 per cent with Board approval • additional 5 per cent if exposure towards infrastructure loan/ investment • (Single counterparty limit shall not exceed 25 per cent in any case)	• 25 per cent • additional 5 per cent with Board approval
Group of connected counterparties	• 25 per cent • additional 10 per cent if exposure towards infrastructure loan/ investment	• 35 per cent

Source: RBI.

Capital Requirements for NBFC-UL

III.29 In order to enhance the quality of regulatory capital, NBFCs-UL are required to maintain common equity tier (CET)-1 capital of at least 9 per cent of risk weighted assets. On April 19, 2022, the Reserve Bank issued guidelines providing detailed instructions on components as well as regulatory adjustments and deductions from CET-1 capital, applicable to all NBFCs identified as NBFC-UL, except Core Investment Companies (CICs)[5].

Provisioning for Standard Assets for NBFC-UL

III.30 With a view to harmonising the provisioning norms for outstanding funded assets of NBFCs-UL with those of the commercial banks, standard asset provisioning norms for the former were issued on June 6, 2022. The guidelines became effective from October 1, 2022 and the provisioning rates range from 0.25 per cent for individual housing loans and loans to small and micro enterprises (SMEs) to 2.00 per cent for teaser housing loans (Table III.2).

Registration of Factors

III.31 Subsequent to the amendment to the Factoring Regulation Act, 2011, on January 14,

[5] CICs will continue to maintain, on an on-going basis, adjusted net worth in terms of their extant directions.

Table III.2: Provisioning for Standard Assets by NBFCs-UL

Category of Assets	Rate of Provision as per cent of funded amount outstanding
Individual housing loans and loans to SMEs	0.25 per cent
Housing loans extended at teaser rates	2.00 per cent, which will decrease to 0.40 per cent after one year from the date on which the rates are reset to higher rates (if the accounts remain 'standard')
Advances to commercial real estate – residential housing (CRE - RH) sector	0.75 per cent
Advances to commercial real estate (CRE) sector (other than CRE-RH)	1.00 per cent
Restructured advances	As stipulated in the applicable prudential norms for restructuring of advances
All other loans and advances not included above, including loans to medium enterprises	0.40 per cent

Source: RBI.

2022 the Reserve Bank specified criteria for granting certificates of registration to NBFCs which propose to undertake factoring business. In addition to NBFC-Factors, all non-deposit taking NBFC-investment and credit companies (NBFC-ICCs) with asset size of ₹1,000 crore and above were permitted to undertake factoring business, subject to meeting specified conditions. Any other NBFC-ICC intending to undertake factoring business has to approach the Reserve Bank for conversion to NBFC-Factor.

Housing Finance Companies (HFCs) as Financial Institutions (FIs) under SARFAESI Act

III.32 Earlier, HFCs had to satisfy certain prescribed norms[6] to be notified as an FI under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) for the purpose of enforcement of security interest in secured debts and were required to apply on an individual entity basis. In order to simplify the process and improve the enforceability of the objectives of the SARFAESI Act, the Government of India notified on June 17, 2021 that HFCs registered under Section 29A of National Housing Bank Act, 1987, which have assets worth ₹100 crore and above, may be treated as 'FI' under Section 2(1)(m)(iv) of the SARFAESI Act, 2002. Accordingly, the previously prescribed criteria for notification of HFCs were withdrawn by the Reserve Bank on August 25, 2021.

Review of Minimum Investment Grade Credit Ratings (MIGR) for Deposits of HFCs and NBFCs

III.33 Extant guidelines relating to acceptance of public deposits by NBFCs and HFCs lay down a list of approved credit rating agencies (CRAs) and their corresponding MIGR. On May 02, 2022 the approved rating was uniformly standardized to 'BBB-' for any of the SEBI-registered CRAs, resulting in better comparability with other long-term debt instruments and across CRAs.

Aadhaar e-KYC Authentication for Non-Bank Entities

III.34 In terms of Section 11A of the prevention of money laundering (PML) Act, 2002, entities other than banking companies may be permitted through a notification of the central government to carry out authentication of clients' Aadhaar number using e-KYC facility provided by the Unique Identification Authority of India (UIDAI). Such notification is to be issued only after consultation with UIDAI and the appropriate regulator. Accordingly, on September 13,

[6] such as compliance with minimum supervisory rating and no adverse report from other authorities.

2021, the Reserve Bank enabled all NBFCs, payment system providers and payment system participants desirous of obtaining Aadhaar Authentication Licence—KYC User Agency (KUA) Licence or sub-KUA Licence (to perform authentication through a KUA)—to submit their applications to the Reserve Bank for examination and recommending to UIDAI after necessary due diligence.

Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs

III.35 On April 29, 2022, the Reserve Bank issued a set of principles for fixing compensation of key managerial personnel (KMP) and senior management of NBFCs. As per the guidelines, NBFCs are required to constitute a Nomination and Remuneration Committee (NRC), which will be responsible for framing, reviewing and implementing the compensation policy. The NRC is also required to ensure 'fit and proper' status of the proposed as well as existing directors and that there is no conflict of interest in appointment of directors on Board of the company, KMPs and senior management. The guidelines *inter alia* prescribe that the compensation package comprising fixed and variable pay may be adjusted for all types of risks. A certain portion of variable pay may have a deferral arrangement and the deferral pay may be subjected to malus/ clawback arrangement.

Diversification of Activities by Standalone Primary Dealers (SPDs)

III.36 On October 11, 2022, the Reserve Bank allowed SPDs to offer all foreign exchange market-making facilities to users as a part of their non-core activities, as currently permitted to Authorized Dealers Category-I (AD-1), to strengthen their role as market makers at par with banks operating primary dealer business. Effective January 01, 2023, all financial transactions involving the Rupee undertaken globally by related entities of the SPD are required to be reported to Clearing Corporation of India's trade repository before 12 noon of the business day following the date of transaction.

Revised Regulatory Framework for Asset Reconstruction Companies

III.37 In April 2021, the Reserve Bank had set up a Committee to undertake a comprehensive review of the working of ARCs and recommend suitable measures to enable them to fully utilise their potential for resolving stressed assets and function in a more transparent and efficient manner. Accordingly, the extant regulatory framework for ARCs was amended on the basis of recommendations of the Committee and feedback from the stakeholders (Box III.3).

3.3 Co-operative Banks

Appointment of Chief Risk Officer in Primary (Urban) Co-operative Banks

III.38 On June 25, 2021, the Reserve Bank advised all UCBs having asset size of ₹5,000 crore or above to appoint a Chief Risk Officer (CRO) in view of the increasing size and scope of their business. The Board of the UCB is required to clearly define the CRO's role and responsibilities and ensure that they function independently.

Revised Regulatory Framework for UCBs

III.39 On July 19, 2022, the Reserve Bank issued a revised regulatory framework for UCBs under which a simple four-tiered approach was adopted with differentiated regulatory

Box III.3: Review of Regulatory Framework for ARCs

The revised regulatory framework for ARCs issued on October 11, 2022 was intended to strengthen the corporate governance at ARCs, enhance transparency of their functioning, strengthen prudential norms and facilitate their role in resolution of stressed assets.

Strengthening corporate governance

Every ARC is required to appoint an independent director as the Chair of the Board and at least half of the directors in a Board meeting should be independent directors. Maximum continuous tenure for an incumbent Managing Director/ Chief Executive Officer or Whole-time Director has been capped at fifteen years to promote a robust culture of sound governance practices, professional management of ARCs and to adopt the principle of separating ownership from management. ARCs are also required to constitute two committees of the Board *viz.*, Audit Committee and Nomination and Remuneration Committee which are expected to enhance the efficacy of the Board and improve its focus on specific areas.

Enhancing transparency and disclosures

The revised framework has introduced a gamut of measures to enhance transparency in the functioning of ARCs. These measures include providing disclosures in the offer document about the track record of (i) returns generated for the SR investors, (ii) recovery rating migration and (iii) engagement with rating agency of schemes floated in last eight years. In addition, disclosure period for the past performance of ARCs has been increased from three years to five years and ARCs are required to disclose the assumptions and rationale behind ratings of SRs to SR holders. These measures are expected to facilitate investments from a broader set of qualified buyers (QBs), address information asymmetry between the ARCs and SR holders, foster healthy competition among ARCs and nudge ARCs to focus on resolution of assets to achieve better returns for investors. ARCs are also required to retain a CRA for at least 6 rating cycles (of half year each) to ensure continuous engagement with them.

Strengthening of prudential norms

The revised mechanism for one-time settlement (OTS) requires ARCs to get the OTS proposals evaluated by an independent advisory committee (IAC) of professional experts, followed by review of the IAC's recommendations by the Board. Under the new framework, ARCs are mandated to charge any management fee or incentive only from the recovery effected from the underlying financial assets. Minimum net owned fund (NOF) requirement for ARCs has also been increased from ₹100 crore to ₹300 crore following a glide path in order to strengthen the balance sheet of ARCs adequately so as to hasten the debt-aggregation process.

Facilitating ARCs' role in resolution of stressed assets

The guidelines permit ARCs to invest in the SRs at a minimum of either 15 per cent of transferors' investment in the SRs or 2.5 per cent of the total SRs issued, whichever is higher, *vis-à-vis* the previous requirement of 15 per cent of total SRs issued in all cases. This is expected to result in efficient utilisation of capital, thus enabling ARCs to participate in more and bigger deals. ARCs have also been permitted to invest surplus funds in certain additional short-term instruments *viz.*, money market mutual funds, certificates of deposits and AA- or above rated corporate bonds/ commercial papers. Moreover, ARCs with minimum NOF of ₹1000 crore have been permitted to act as resolution applicants under IBC. On the other hand, lenders have been permitted to transfer all stressed loans to ARCs *vis-à-vis* earlier stipulation of transfer of only those stressed loans which were in default for more than 60 days. This is expected to facilitate debt aggregation as well as better reconstruction and recovery from stressed assets.

prescriptions aimed at strengthening their financial soundness[7]. It stipulated a minimum net worth of ₹2 crore for Tier 1 UCBs operating in single district and ₹5 crore for all other UCBs (of all tiers) to strengthen their resilience and ability to fund their growth. Recent guidelines on the matter stipulate that UCBs which do not meet the requirement are provided a glide path till March 31, 2028 with an intermediate target to achieve at least 50 per cent of the applicable

[7] Tier 1 - All unit UCBs and salary earners' UCBs (irrespective of deposit size), and all other UCBs having deposits up to ₹100 crore; Tier 2 - UCBs with deposits more than ₹100 crore and up to ₹1,000 crore; Tier 3 - UCBs with deposits more than ₹1,000 crore and up to ₹10,000 crore; Tier 4 - UCBs with deposits more than ₹10,000 crore.

minimum net worth on or before March 31, 2026 to facilitate smooth transition.

III.40 The minimum CRAR requirement for Tier 1 banks was retained at 9 per cent, while that for Tier 2, Tier 3 and Tier 4 UCBs was revised to 12 per cent to strengthen their capital structure. Banks that did not meet the revised CRAR were provided a glide path of three years with a target of achieving CRAR of 10 per cent by March 31, 2024, 11 per cent by March 31, 2025 and 12 per cent by March 31, 2026.

Automatic Route for Branch Expansion

III.41 Under the revised regulatory framework, the Reserve Bank decided to introduce an automatic route for branch expansion of UCBs that meet the revised financially sound and well managed (FSWM) criteria[8], permitting them to open new branches up to 10 per cent of the number of branches as at end of the previous financial year subject to a minimum of one branch and a maximum of five branches. While the branch expansion proposals under the prior approval route will continue to be examined as hitherto, the process of granting approval will be simplified.

4. Supervisory Policies

III.42 In line with international best practices, the Reserve Bank has evolved its supervision to be more risk focused and forward looking. Ongoing activities and proposed projects are expected to further augment the scope and capacity of off-site as well as on-site supervision, monitoring and surveillance. To ensure that the supervisory intensity and effectiveness remain contemporaneous with the fast-changing financial system, efforts are channelised towards making the surveillance systems sharper, more comprehensive and in tune with the international best practices.

Chief Compliance Officer (CCO) in NBFCs

III.43 To strengthen the compliance function in NBFCs, the Reserve Bank prescribed certain principles, standards, and procedures on April 11, 2022. The guidelines, made applicable to NBFCs in the upper and middle layer, envisage putting in place a board approved policy and a compliance function, including the appointment of a Chief Compliance Officer (CCO), latest by April 1, 2023 and October 1, 2023, respectively. The instructions *inter alia* specify the responsibilities of the Board and senior management, conditions for appointment and tenure of CCO, and minimum expectations from, independence of and dual hatting of compliance function.

Core Financial Services Solution for NBFCs

III.44 NBFCs in the middle and upper layer with ten and more fixed point service delivery units as on October 1, 2022 are mandated to implement core financial services solution (CFSS) by September 30, 2025 in a phased manner akin to the core banking solution (CBS) adopted by banks. NBFCs in the base layer and those in middle and upper layers with less than ten fixed point service delivery units were advised to consider implementation of a CFSS for their own benefit.

[8] The revised criteria for determining the FSWM status include: CRAR to be at least 1 percentage point above the minimum CRAR applicable; net NPA of not more than 3 per cent; net profit for at least three out of preceding four years and no net loss in the immediate preceding year; no default in the maintenance of CRR / SLR during the preceding financial year; sound internal control system with at least two professional directors on the Board; core banking solution (CBS) fully implemented; and no monetary penalty imposed on the bank on account of violation of the Reserve Bank directives/ guidelines during the last two financial years.

5. Technological Innovations

Establishment of Digital Banking Units

III.45 A Committee on establishment of digital banking units (DBUs) was set up by the Reserve Bank, which gave its recommendations on a digital banking unit model, facilities to be offered in DBUs, monitoring of functioning of DBUs, cyber security and other IT related aspects, and the role of DBUs in spreading digital banking awareness. Based on the recommendations of the Committee, the guidelines on establishment of DBUs were issued on April 7, 2022.

III.46 The guidelines provided clarity on definitions of digital banking and DBUs, the infrastructure and resources required by DBUs, products and services to be offered, reporting requirements, role of Board of Directors and customer grievance redressal mechanism. As per the guidelines, DBUs are required to create awareness among their customers by offering hands-on customer education on safe digital banking practices. They will facilitate customers in embarking on the digital journey through digital modes in a paperless, efficient, safe and secured environment. This is expected to enhance financial inclusion and make available the full array of financial products to the public in a seamless and efficient manner. In the process, digital banking has also been recognised as a distinct business segment under retail banking.

III.47 On October 16, 2022 75 DBUs were set up in 75 districts of the country to commemorate 75 years of India's independence. The financial services to be provided by the DBUs include savings, credit, investment and insurance. On the credit delivery front, to start with, the DBUs will provide end-to-end digital processing of small ticket retail and MSME loans, starting from online applications to disbursals. The DBUs will also provide services related to certain identified government sponsored schemes. The products and services in these units will be provided in two modes, namely, self-service and assisted modes, with self-service mode being available on 24*7*365 basis.

Digital Lending

III.48 In the recent period, technological innovations have led to marked improvements in efficiency, productivity, quality, inclusion and competitiveness in extension of financial services, especially in the area of digital lending. Against the backdrop of business conduct and customer protection concerns arising out of the spurt in digital lending activities, the Reserve Bank had set up a Working Group on 'Digital Lending including Lending through Online Platforms and Mobile Applications' (WGDL), which placed its report in the public domain on November 18, 2021. On August 10, 2022, the Reserve Bank released a regulatory framework for its REs, lending service providers (LSPs) engaged by them and their respective digital lending applications (DLAs) to support orderly growth of credit delivery through digital lending methods based on the inputs received from various stakeholders.

III.49 The recommendations of WGDL accepted for immediate implementation on September 2, 2022 focus on enhancing customer protection and making the digital lending ecosystem safe and sound while encouraging innovation. These include: (i) all loan disbursals and repayments to be executed only between the bank accounts of borrower and the RE without any pass-through/ pool account of the LSP or any third party; (ii) any fees or charges payable to LSPs in the credit intermediation process to be paid directly by the RE and not by the borrower; (iii) a standardized key fact statement (KFS), including annual percentage rate (APR), to be provided to the borrower before executing the loan contract; (iv) a cooling-off period during which the borrowers can exit digital loans by paying the principal and the proportionate APR without any penalty to be provided as part of the loan contract; (v) REs to ensure that they and the LSPs engaged by them have a suitable nodal grievance redressal officer to deal with FinTech/ digital lending related complaints; (vi) data collected by DLAs to be need based, have clear audit trails and only collected with prior explicit consent of the borrower, wherein the borrower may accept or deny consent for use of specific data; and (vii) any lending sourced through DLAs and all new digital lending products extended by REs over merchant platforms involving short term credit or deferred payments are required to be reported to credit information companies (CICs) by REs. The guidelines were made applicable to new customers getting onboarded as well as to the existing customers availing fresh loans effective September 2, 2022, while the existing digital loans had to comply with the guidelines by November 30, 2022.

6. Financial Markets and Foreign Exchange

III.50 The Reserve Bank introduced market reforms and regulatory policy changes in coordination with the Government and other stakeholders with a view to developing safe and stable financial markets which facilitate efficient price discovery. The policy aim is to increase the depth and width of financial markets and provide appropriate products for trading and risk management. As a part of this approach, it also aims at easing access, enhancing participation, facilitating innovation, protecting users and promoting fair conduct of businesses.

Foreign Currency Lending by Authorised Dealer Category I (AD-I) Banks

III.51 With a view to facilitating foreign currency borrowings by a larger set of borrowers who may find it difficult to directly access overseas markets, the Reserve Bank permitted AD-I banks on July 07, 2022 to utilise overseas foreign currency borrowings (OFCBs) for lending in foreign currency to constituents in India for a wider set of end-use purposes. This is, however, subject to the negative list set out for external commercial borrowings (ECBs). The dispensation for raising such borrowings was available till October 31, 2022.

Permitting Banks and SPDs to Deal in Off-shore Foreign Currency Settled Rupee Derivatives Market

III.52 To provide a fillip to the interest rate derivatives market, remove the segmentation between on-shore and off-shore markets and improve the efficiency of price discovery, the Reserve Bank on February 10, 2022 and August 8, 2022 allowed AD-I banks and SPDs authorized under section 10(1) of FEMA, 1999, respectively, to undertake transactions in the off-shore foreign currency settled overnight indexed swap (FCS-OIS) market based on the overnight Mumbai interbank offered rate (MIBOR) benchmark with non-residents and other market-makers. AD-1 banks can undertake these transactions through their branches in India, foreign branches or International Financial Services Centre (IFSC) banking units.

International Trade Settlement in Indian Rupees (INR)

III.53 In order to boost export growth and to support the increasing interest of the global trading community in the Indian rupee, on July 11, 2022 the Reserve Bank put in place an additional arrangement for invoicing, payment and settlement of exports and imports in INR. Accordingly, AD banks in India were allowed to open special rupee vostro accounts of correspondent banks of the partner trading country for settlement of trade transactions with the prior approval of Reserve Bank.

Liberalisation of External Commercial Borrowing (ECB) Policy

III.54 On August 1, 2022, the Reserve Bank, in consultation with the Central Government, increased the automatic route limit for ECBs from USD 750 million or equivalent to USD 1.5 billion or equivalent and the all-in-cost ceiling for ECBs by 100 bps for eligible borrowers with an investment grade rating from Indian CRAs. The above dispensations will be available up to December 31, 2022.

Operationalisation of New Overseas Investment Regime

III.55 On August 22, 2022, the Reserve Bank issued directions operationalising a new overseas investment regime. The new regime, simplifying the existing framework for such investment by persons resident in India, covered a wider range of economic activities and significantly reduced the need for seeking specific approvals. The directions, brought through the Overseas Investment Rules and Regulations, 2022, are expected to promote ease of doing business and reduce compliance burden and associated compliance costs. The directions include, *inter alia,* the introduction of the concept of 'strategic sector', flexibility in pricing guidelines for investment/ disinvestment, and investment in financial service sector by non-financial sector (except insurance and banking) entities under the automatic route subject to certain conditions. Additionally, a mechanism of a 'late submission fee (LSF)' was introduced for taking on record delayed reporting.

7. Credit Delivery and Financial Inclusion

III.56 The Reserve Bank has put in place several policies to improve access to an array of basic formal financial services and products and to scale up financial awareness. The National Strategy for Financial Inclusion (NSFI) 2019-24 sets forth the vision and key objectives of financial inclusion policies in India, with an emphasis on enhancing digital financial inclusion, promoting financial literacy and strengthening the grievance redressal mechanism in the country.

Initiatives in Priority Sector Lending (PSL)

III.57 To ensure continuation of the synergies that have been developed between banks and NBFCs in delivering credit to the specified priority sectors, the facility of PSL classification for loans to NBFCs by commercial banks and loans to NBFC-MFIs by SFBs for the purpose of on-lending to certain priority sectors has been allowed on an on-going basis. The PSL limit for loans against negotiable warehouse receipts (NWRs) or electronic NWRs (eNWRs)[9] was increased from ₹50 lakh to ₹75 lakh per borrower to encourage their use and to ensure greater flow of credit to the farmers against pledge or hypothecation of agricultural produce.

Enhancement of Collateral Free Loans to Self Help Groups (SHGs) under Deendayal Antyodaya Yojana

III.58 Following amendments in the Credit Guarantee Fund for Micro Units (CGFMU) scheme carried out by the Government in July 2021, the amount of collateral free loan to SHGs under the Deendayal Antyodaya Yojana-National Rural Livelihood Mission (DAY-NRLM) has been enhanced from ₹10 lakh to ₹20 lakh. The guidelines of the Reserve Bank have been

[9] NWRs and eNWRs are issued by warehouses registered and regulated by Warehouse Development and Regulatory Authority.

revised to stipulate that for loans to SHGs above ₹10 lakh and up to ₹20 lakh, no collateral should be charged and no lien should be marked against their savings bank account. The entire loan (irrespective of the loan outstanding, even if it subsequently goes below ₹10 lakh) would be eligible for coverage under CGFMU. This is expected to enable women SHGs to access higher quantum of loans.

8. Consumer Protection and Retail Participation

III.59 Consumer education and protection have been the prime focus of the Reserve Bank. It continued to take initiatives at various levels—covering REs, customers and the Reserve Bank ombudsmen—to improve customer satisfaction. During 2021-22, the Reserve Bank also initiated steps to increase retail participation in G-secs.

Reserve Bank - Integrated Ombudsman Scheme (RB-IOS), 2021

III.60 To make the Ombudsman mechanism simpler, efficient and more responsive, the Reserve Bank rolled out the RB-IOS on November 12, 2021 by integrating the three erstwhile ombudsman schemes, namely the Banking Ombudsman Scheme (BOS), 2006; the Ombudsman Scheme for Non-Banking Financial Companies (OSNBFC), 2018 and the Ombudsman Scheme for Digital Transactions (OSDT), 2019. The scheme defines 'deficiency in service' as the ground for filing a complaint with a specified list of exclusions. This implies that no complaints will be rejected on account of not being covered under the grounds listed in the scheme. The system is designed on the 'One Nation, One Ombudsman' principle and has done away with the jurisdictions assigned to each of the 22 ombudsman offices. To address credit information related issues, credit information companies (CICs) were also brought under the ambit of RB-IOS with effect from September 01, 2022.

Internal Ombudsman (IO) Scheme for NBFCs and CICs

III.61 The objective of the IO scheme is to enable satisfactory resolution of complaints at the REs' level itself so as to minimise the need for escalation of complaints at other fora. Accordingly, deposit-taking NBFCs (NBFCs-D) with 10 or more branches and non-deposit taking NBFCs (NBFCs-ND) with an asset size of ₹5,000 crore and above having a public customer interface were directed on November 15, 2021 to appoint an IO at the apex of their internal grievance redressal mechanisms. On October 6, 2022, the directions were extended to CICs and will come into effect from April 1, 2023. The directions cover *inter alia* the appointment and tenure, roles and responsibilities, procedural guidelines, and oversight mechanism for the IO. All complaints that are wholly or partially rejected by the internal grievance mechanism of the RE, except on aspects related to frauds, and complaints involving commercial decisions, internal administration, pay and emoluments of staff and sub-judice matters, are required to be reviewed by the IO before a final decision is conveyed to the complainant.

Introduction of the Reserve Bank Retail Direct Scheme

III.62 The Reserve Bank as the debt manager of the Government of India has been proactively engaged in the development of the G-secs market, including broadening of the investor base. As a part of the continuing efforts to increase retail participation in G-secs, the 'RBI Retail Direct Scheme' was announced on July 12, 2021. The online portal, which was launched on November 12, 2021 makes it convenient for the retail investors to invest in central government securities, state government securities and sovereign gold bonds (SGBs) by opening a retail direct gilt (RDG) account with the Reserve Bank and to participate in both primary issuances of these securities as well as their secondary markets in a safe, simple, secured and direct manner.

III.63 Further, the Reserve Bank on January 04, 2022 also notified Retail Direct Market Making Scheme mandating primary dealers to be present on the Negotiated Dealing System-Order Matching (NDS-OM) platform (odd lots and request for quotes segments) throughout market hours and respond to buy/sell requests from RDG account holders.

9. Payments and Settlement Systems

III.64 The accelerated development of the payments ecosystem in India, facilitated by increased adoption of technology and innovation, has established the country as a force to reckon with in the global payments arena not only in terms of growth in digital payments but also through the availability of a bouquet of safe, secure, innovative and efficient payment systems. The recent initiatives taken by the Reserve Bank have focused on technology-based solutions for the improvement of the payments ecosystem and are built upon the five pillars of integrity, inclusion, innovation, institutionalisation and internationalisation, as envisaged in the Payments Vision 2025.

Enhancements to Unified Payments Interface (UPI)

III.65 UPI123Pay was launched in March 2022 to enable feature phone users to make UPI payments. It can be accessed through four options *viz.*, (i) app-based functionality, (ii) missed call, (iii) interactive voice response (IVR), and (iv) proximity sound-based payments. It has facilitated access to UPI for more than 40 crore feature phone subscribers in the country. In September 2022, UPI Lite was introduced to facilitate low value transactions in offline mode through an on-device wallet feature. The Reserve Bank also allowed linking of credit cards to the UPI network in June 2022, with the initial facilitation planned for RuPay credit cards. This arrangement is expected to enhance convenience by providing more avenues to customers for making payments through the UPI platform.

Interoperable Card-less Cash Withdrawal (ICCW) at ATMs

III.66 To encourage a card-less cash withdrawal facility across all banks and ATM networks in an interoperable manner, the Reserve bank permitted customer authorisation using UPI with settlement of transactions through the ATM network in May 2022. The facility of card-less cash withdrawal will help contain frauds like skimming, card cloning and device tampering.

Offline Payments

III.67 Absence of or erratic internet connectivity, especially in remote areas, is a major impediment for adoption of digital payments. A pilot to test innovative technologies that enable offline digital payments was undertaken in different parts of the country from September 2020 to July 2021. The experience of pilot programmes and the feedback received indicated a scope for introduction of such offline payment solutions, particularly in semi-urban and rural areas. Accordingly, the Reserve Bank released a framework for facilitating small value digital payments in offline mode on January 03, 2022. Under this framework, offline transactions do not require an additional factor of authentication (AFA) and are subject to a limit of ₹200 per transaction with an overall limit of ₹2,000 for all transactions until the balance in the account is replenished. Replenishment of used limit is permitted only in online mode with AFA.

e-Mandates for Recurring Payments – Limit Enhancement

III.68 Keeping in view the dynamic payment requirements and the need to balance safety and security of card transactions with customer convenience, the Reserve Bank had permitted processing of e-mandates on all types of cards for recurring transactions on August 21, 2019. The instructions were subsequently extended on January 10, 2020 to cover UPI transactions. Based on requests received from stakeholders and keeping in mind the sufficient protection available to customers, the limit for such transactions was increased from ₹2,000 to ₹15,000 per transaction on June 16, 2022.

Availability of National Automated Clearing House (NACH) on All Days of the Week

III.69 The NACH system is a web-based solution operated by National Payments Corporation of India to facilitate inter-bank, high volume, electronic transactions which are repetitive and periodic in nature. In 2021-22, the NACH processed 421 crore transactions that included 313 crore credit transactions, of which 247 crore involved direct benefit transfers (DBT).

III.70 To cater to the demand from Government and billers and the rising need to ensure availability of all channels facilitating electronic payments throughout the year, the Reserve Bank made NACH operational on all days of the week, including weekends and other holidays, with effect from August 1, 2021. Thereafter, more settlement cycles have been introduced in NACH to further enhance efficiency of the ecosystem. This initiative provided many advantages including *inter alia* faster credit and utilisation of DBT, allowing corporates and other stakeholders to pay dividend and interest on all days, and enabling recovery of recurring amounts like loan instalments, insurance premiums and SIPs on due dates.

Enhancements to Indo-Nepal Remittance Facility Scheme

III.71 The ceiling per transaction under the Indo-Nepal Remittance Facility Scheme was enhanced from ₹50,000 to ₹2 lakh with effect from October 1, 2021 and the cap on the number of remittances in a year was removed to boost trade payments between India and Nepal and facilitate person-to-person remittances electronically to Nepal. The enhancements are expected to facilitate payments including *inter alia* retirement and pension to ex-servicemen who have settled in or relocated to Nepal.

10. Overall Assessment

III.72 The Reserve Bank's policy responses in 2021-22 and 2022-23 so far have been conditioned by the fast changing macro-financial environment hit by multiple shocks as also the overriding goal of promoting a robust, resilient and efficient financial system. Even as storm clouds gather over the global economy, the strength and resilience of the Indian financial system has been a key factor in supporting its comparatively superior overall macro outlook. Banks and non-banking financial institutions will have to remain prepared to face new challenges and reap emerging opportunities in this dynamic environment, keeping their focus on appropriate business models, adoption of new technologies, sustainability, stability, consumer protection and financial inclusion. The Reserve Bank's forthcoming initiatives are expected to guide the progress of regulated entities in this direction, secure and preserve financial stability and enhance efficient functioning of markets.

IV OPERATIONS AND PERFORMANCE OF COMMERCIAL BANKS

The Indian banking sector remained resilient in 2021-22 and 2022-23 so far, as banks witnessed healthy balance sheet growth on broad-based acceleration in credit. Deposit growth moderated from the COVID-19 induced precautionary surge. Augmented capital buffers, better asset quality and enhanced profitability indicators reflected their robustness. Going forward, fuller transmission of increased policy interest rate to deposit rates may augment deposit growth to meet credit demand. Slippages in restructured assets need to be monitored closely.

1. Introduction

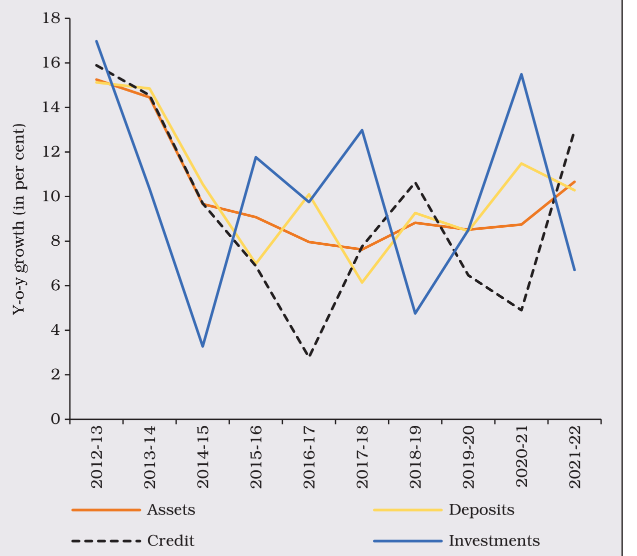
IV.1 During 2021-22, the balance sheet of commercial banks expanded at a multi-year high pace. Timely policy support cushioned the impact of the pandemic on banks' financial performance and soundness indicators. The legacy challenge of non-performing assets (NPAs) is easing, and profitability has been improving sequentially to levels last observed in 2014-15. This has been accompanied by lower slippages and the bolstering of capital buffers.

IV.2 Against this backdrop, this chapter addresses the operations and performance of commercial banks during 2021-22 and H1:2022-23. An analysis of balance sheet developments and financial performance is presented in Sections 2 and 3, respectively. A discussion of their financial soundness is set out in Section 4, followed by an evaluation of the pattern of sectoral deployment of credit in Section 5. Sections 6 to 11 deal with themes relating to ownership patterns, corporate governance and compensation practices, foreign banks' operations in India and overseas operations of Indian banks, developments in payments systems, consumer protection and financial inclusion. Specific issues pertaining to regional rural banks (RRBs), local area banks (LABs), small finance banks (SFBs) and payments banks (PBs) are examined in Sections 12 to 15 individually. Section 16 concludes the chapter by highlighting major issues emerging from the analysis and provides some perspectives on the way forward.

2. Balance Sheet Analysis

IV.3 The consolidated balance sheet of scheduled commercial banks (SCBs) registered double digit growth in 2021-22, after a gap of seven years (Chart IV.1). Deposit growth

Chart IV.1: Select Aggregates of SCBs



Source: Annual accounts of respective banks.

moderated from the COVID-19-induced precautionary surge a year ago. A rebound in borrowings after a two year hiatus shored up the liabilities side. On the asset side, the main development was the strengthening of the credit pick-up through the year. Concomitantly, investments moderated.

IV.4 Despite some recent moderation, public sector banks (PSBs) still have the lion's share in the consolidated balance sheet. At end-March 2022, they accounted for 62 per cent of total outstanding deposits and 58 per cent of total loans and advances extended by SCBs (Table IV.1).

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

(At end-March)

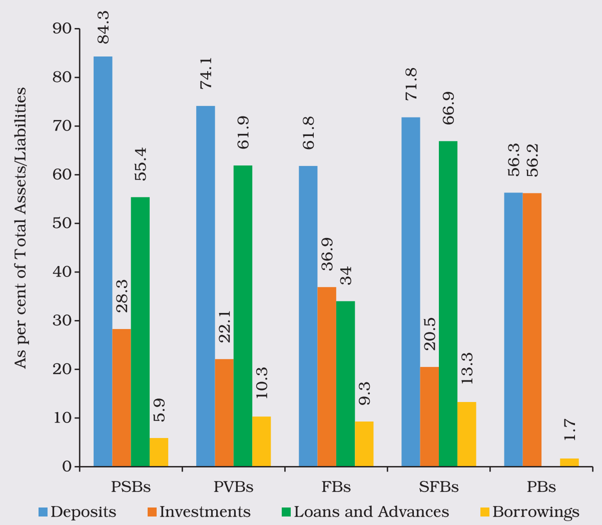
(Amount in ₹ crore)

Item	Public Sector Banks		Private Sector Banks		Foreign Banks		Small Finance Banks		Payments Banks		All SCBs	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
1. Capital	59,328	71,176	30,641	31,243	91,465	1,01,933	5,375	5,800	1,300	4,287	1,88,109	2,14,439
2. Reserves and Surplus	6,49,142	7,27,852	7,07,346	8,08,446	1,24,693	1,39,569	14,800	16,543	-704	-2,533	14,95,278	16,89,877
3. Deposits	99,00,766	1,07,17,362	47,91,279	54,64,181	7,76,266	8,45,482	1,09,472	1,45,731	2,543	9,954	1,55,80,325	1,71,82,709
3.1. Demand Deposits	6,84,451	7,23,259	6,82,092	7,83,883	2,37,412	2,78,677	3,964	5,770	19	2,155	16,07,938	17,93,745
3.2. Savings Bank Deposits	34,62,923	38,20,484	14,55,976	17,47,958	87,032	92,120	22,198	43,577	2,524	7,799	50,30,653	57,11,938
3.3. Term Deposits	57,53,392	61,73,618	26,53,211	29,32,339	4,51,821	4,74,685	83,310	96,384	-	-	89,41,734	96,77,026
4. Borrowings	7,17,410	7,51,236	6,25,683	7,57,261	1,02,331	1,27,467	27,828	27,011	198	307	14,73,450	16,63,283
5. Other Liabilities and Provisions	4,02,154	4,39,034	2,66,835	3,10,584	1,65,928	1,54,070	6,081	7,991	737	5,666	8,41,734	9,17,346
Total Liabilities/Assets	**1,17,28,799**	**1,27,06,661**	**64,21,784**	**73,71,715**	**12,60,682**	**13,68,521**	**1,63,557**	**2,03,076**	**4,072**	**17,681**	**1,95,78,895**	**2,16,67,655**
	(59.9)	**(58.6)**	**(32.8)**	**(34.0)**	**(6.4)**	**(6.3)**	**(0.8)**	**(0.9)**	**(0.0)**	**(0.1)**	**(100.0)**	**(100.0)**
1. Cash and balances with RBI	5,39,149	6,22,619	2,90,509	3,93,531	1,10,723	1,43,273	6,921	8,725	196	1,484	9,47,498	11,69,632
2. Balances with banks and money at call and short-notice	5,91,125	6,42,484	2,75,256	3,33,745	1,02,108	1,17,739	12,309	10,212	790	3,273	9,81,588	11,07,452
3. Investments	34,00,895	35,95,647	15,12,480	16,26,725	4,69,712	5,05,001	30,660	41,661	2,413	9,937	54,16,159	57,78,971
3.1 In Government Securities (a+b)	28,07,934	29,75,938	12,57,135	13,68,694	4,20,141	4,47,584	27,142	36,683	2,412	9,924	45,14,765	48,38,822
a) In India	27,70,643	29,32,482	12,36,660	13,50,959	3,86,490	3,98,009	27,142	36,683	2,412	9,924	44,23,347	47,28,057
b) Outside India	37,292	43,456	20,476	17,735	33,651	49,575	-	-	-	-	91,418	1,10,765
3.2 In Other Approved Securities	12	5	-	-	-	-	-	-	-	-	12	5
3.3 In Non-Approved Securities	5,92,949	6,19,704	2,55,345	2,58,031	49,570	57,417	3,517	4,978	1	13	9,01,382	9,40,144
4. Loans and Advances	63,47,417	70,43,940	39,29,572	45,62,780	4,20,780	4,65,484	1,08,613	1,35,802	0	2	1,08,06,381	1,22,08,009
4.1 Bills purchased and discounted	1,45,894	2,33,191	1,19,295	1,50,703	60,380	64,595	124	585	-	-	3,25,694	4,49,074
4.2 Cash Credits, Overdrafts, *etc.*	24,90,604	26,61,563	11,46,858	13,62,842	1,79,873	2,01,228	8,929	12,582	-	-	38,26,263	42,38,214
4.3 Term Loans	37,10,919	41,49,187	26,63,419	30,49,235	1,80,527	1,99,661	99,560	1,22,636	0	2	66,54,424	75,20,720
5. Fixed Assets	1,06,826	1,09,784	39,714	44,456	4,457	4,964	1,676	2,001	222	370	1,52,895	1,61,575
6. Other Assets	7,43,389	6,92,188	3,74,253	4,10,478	1,52,903	1,32,061	3,378	4,674	452	2,615	12,74,374	12,42,015

Notes: 1. -: Nil/negligible.
2. Components may not add up to their respective totals due to rounding-off number to ₹ crore.
3. Detailed bank-wise data on annual accounts are collated and published in Statistical Tables Relating to Banking in India, available at https://www.dbie.rbi.org.in.
4. Figures in parentheses are shares in total assets/liabilities of different bank groups in all SCBs.

Source: Annual accounts of respective banks.

Chart IV.2: Balance Sheet Composition
(At end-March 2022)



Source: Annual accounts of banks.

private sector banks (PVBs). This suggests that the latter resort to borrowings to fuel credit growth. Furthermore, while the loans-to-assets ratio of PSBs has historically remained lower than PVBs, the investments-to-assets ratio of the former has remained higher, reflective of high investments in risk-free government securities (Chart IV.2).

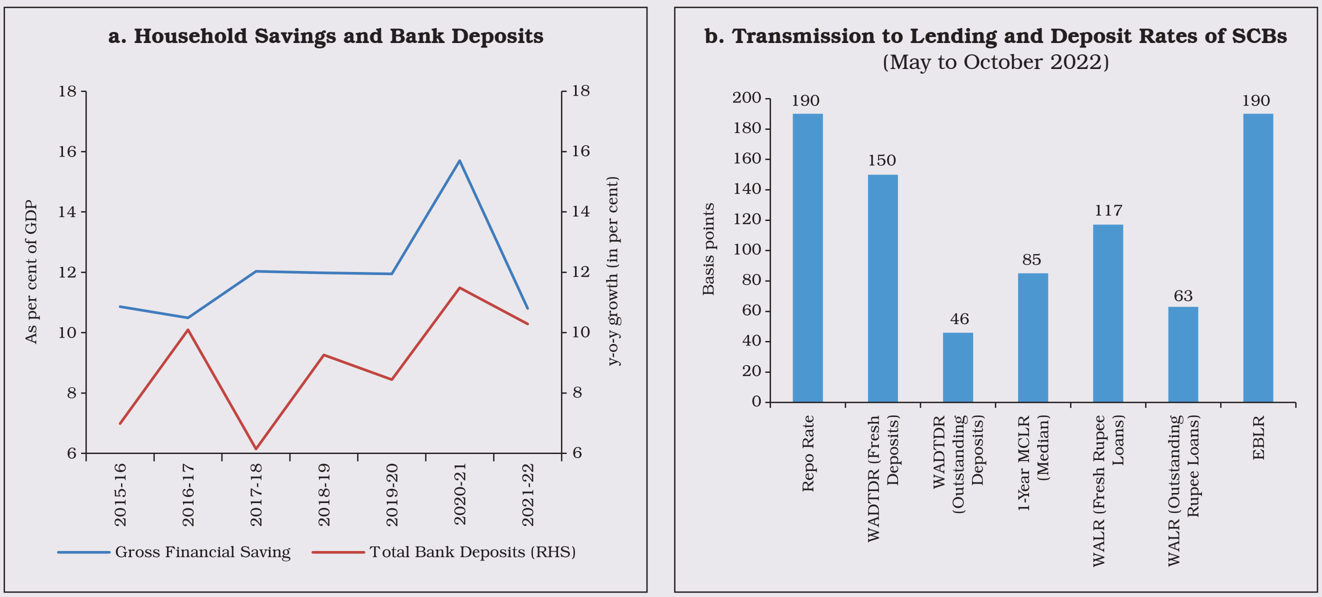
IV.5 A closer look into the balance sheet composition across bank groups highlights their operational idiosyncracies. The deposit funding ratio, defined as the share of deposits in total liabilities, is higher for PSBs than for

2.1. Liabilities

IV.6 Household financial saving rates declined to a 5-year low in 2021-22, which was also reflected in subdued deposit growth (Chart IV.3a). The transmission of the 190 basis points (bps) increase in the repo rate during May-October 2022 to deposit rates is likely to provide a fillip to deposit growth rates (Chart IV.3b).

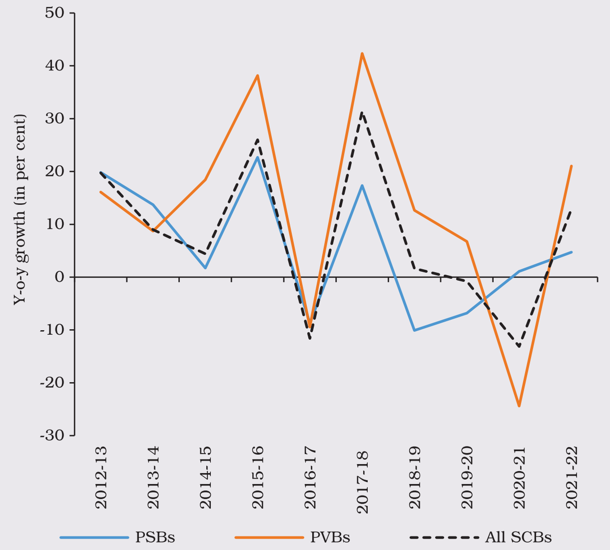
IV.7 Borrowings of SCBs accelerated in 2021-22, as deposit growth did not keep pace with credit offtake (Chart IV.4). This, combined

Chart IV.3: Savings and Deposits



Note: WALR: Weighted Average Lending Rate; WADTDR: Weighted Average Domestic Term Deposit Rate; MCLR: Marginal Cost of Funds-based Lending Rate; EBLR: External Benchmark-based Lending Rate.
Source: NSO, Annual accounts of banks and RBI.

Chart IV.4: Growth in Borrowings



Source: Annual accounts of banks.

with the higher statutory reserve requirements[1] that involved withdrawal of durable liquidity from the system, propelled borrowings by PVBs and foreign banks (FBs).

2.2. Assets

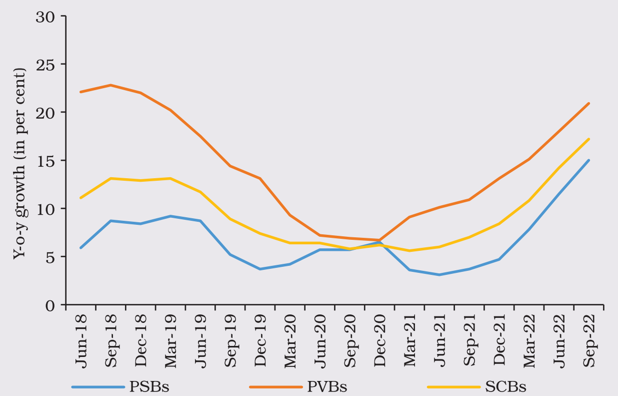
IV.8 Credit growth accelerated to a ten-year high at end-September 2022, led by PVBs (Chart IV.5a). Both working capital and term loans, which were decelerating since Q4:2018-19, showed steady growth during 2021-22. Around 75 per cent of incremental credit during the year was in the form of term lending, which grew at a 10-quarter high pace (Chart IV.5b).

IV.9 Historically, metropolitan areas have garnered the largest share of incremental credit. In the aftermath of the COVID-19 lockdowns, however, their share declined to 20 per cent by end-March 2021 on higher credit flows to rural and semi-urban areas. Subsequently, as credit flows revived, metropolitan areas regained their share (Chart IV.6).

IV.10 Around 80 per cent of SCBs' investments are in government securities (G-secs) and the overall G-sec holdings of banks are impacted

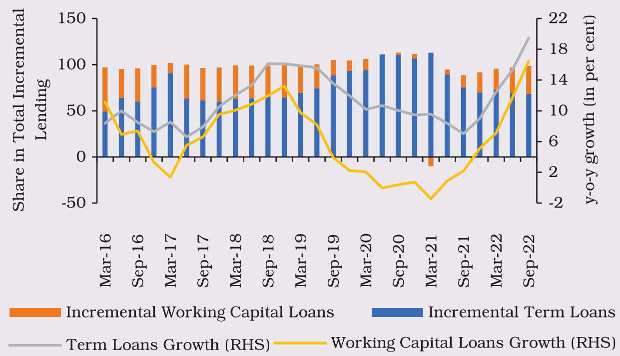
Chart IV.5: Growth in Advances

a. Bank Group-wise[2]



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

b. Account Type-wise

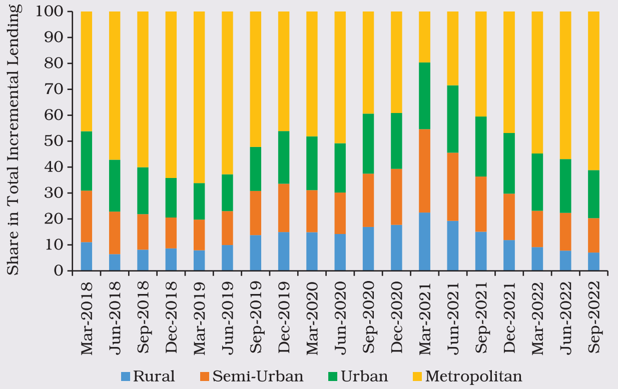


Note: Working capital is defined as the sum of cash credit, overdraft and demand loans. Term loan is defined as the sum of medium and long-term loans.
Source: Basic Statistical Returns I, RBI.

[1] The cash reserve ratio (CRR) was increased from 3.5 per cent to 4 per cent of net demand and time liabilities (NDTL) effective from the fortnight beginning May 22, 2021. Subsequently, it has been further increased to 4.5 per cent of NDTL effective from the reporting fortnight beginning May 21, 2022.

[2] 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 Lakshmi Vilas Bank Ltd.' (a Private Sector Bank) was amalgamated with 'DBS Bank India Ltd.' (a Foreign Bank) with effect from November 27, 2020.

Chart IV.6: Incremental Credit- Population Group-wise



Note: All the centres are classified into following four population groups based on their population size as per Census 2011: a) 'Rural' group includes centres with population of less than 10,000. b) 'Semi-urban' group includes centres with population of 10,000 and above but less than 100,000. c) 'Urban' group includes centres with population of 100,000 and above but less than ten lakhs. d) 'Metropolitan' group includes all centres with population of one million and above.

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

by factors such as credit demand conditions, demand-supply dynamics of G-secs and interest rate cycle. Special dispensation of enhanced HTM limits for statutory liquidity ratio (SLR) eligible securities has ensured greater headroom for banks to invest in such securities[3]. Reflecting a confluence of these factors, SLR investments of SCBs increased across all bank groups (Table IV.2).

IV.11 During 2021-22, as credit growth picked up and deposit growth moderated, the incremental credit-deposit (C-D) ratio reached a four-year high. As investments decelerated, the incremental investment-deposit (I-D) ratio declined (Chart IV.7). Going forward, fuller transmission of increased policy interest rate to deposit rates is likely to augment deposit flows to meet credit demand.

2.3. Maturity Profile of Assets and Liabilities

IV.12 Maturity transformation is the essence of banking business, and asset-liability maturity mismatches are inevitable as banks extend longer-term loans against short-term deposits. During 2021-22, however, the maturity mismatch moderated across all durations in comparison with the previous year, reflecting improvements in asset-liability management (Chart IV.8).

IV.13 Banks, especially from the private sector, ramped up short-term borrowings[4] in

Table IV.2: Investments of SCBs
(At end-March)

(Amount in ₹ crore)

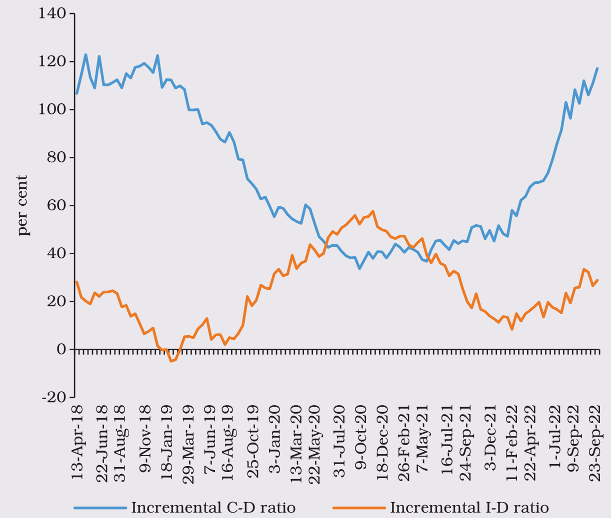
	PSBs		PVBs		FBs		SFBs		SCBs	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
1	2	3	4	5	6	7	8	9	10	11
Total Investments (A+B)	34,09,289	36,03,007	15,21,942	16,32,570	4,49,403	4,77,085	30,709	41,695	54,11,343	57,54,358
A. SLR Investments (I+ II+III)	26,05,240	27,87,114	12,28,288	13,40,152	3,87,308	4,06,226	27,192	36,711	42,48,027	45,70,203
I. Central Government Securities	16,06,247	16,58,556	10,22,461	11,00,902	3,84,439	4,03,539	20,484	28,223	30,33,632	31,91,220
II. State Government Securities	9,96,676	11,26,852	2,05,826	2,39,249	2,869	2,687	6,708	8,487	12,12,080	13,77,276
III. Other Approved Securities	2,316	1,707	0	0	0	0	0	0	2,316	1,707
B. Non-SLR Investments (I+II)	8,04,049	8,15,893	2,93,654	2,92,419	62,095	70,858	3,517	4,985	11,63,316	11,84,154
I. Debt Securities	7,56,313	7,61,390	2,76,043	2,75,903	61,645	70,482	3,498	4,922	10,97,499	11,12,698
II. Equities	47,736	54,503	17,610	16,515	450	376	20	62	65,817	71,456

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

3 Commercial banks were granted initial special dispensation of enhanced Held to Maturity (HTM) limit of 22 per cent of Net Demand and Time Liabilities (NDTL), for Statutory Liquidity Ratio (SLR) eligible securities acquired between September 1, 2020 and March 31, 2021. The limit was further extended to 23 per cent in April 2022, which is scheduled to be phased out gradually beginning from end June 2023.

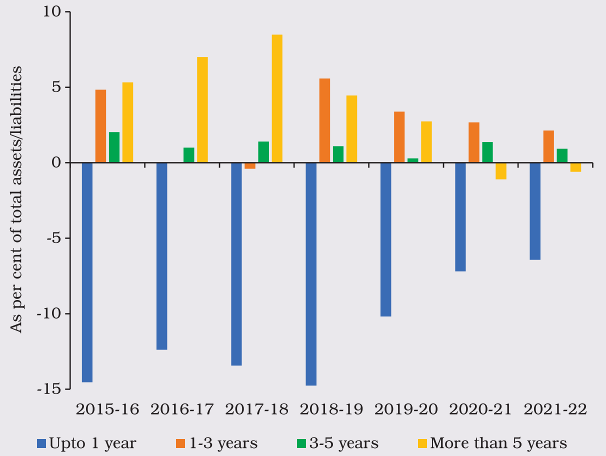
4 Short-term is defined as up to 1 year while long-term is more than 3 years.

Chart IV.7: Credit-Deposit and Investment-Deposit Ratios



Source: Weekly Statistical Supplement, RBI.

Chart IV.8: Gap between Proportion of Assets and Liabilities in Various Maturity Brackets



Notes: 1. Assets consist of loans and advances and investments. Liabilities consist of deposits and borrowings.
2. Gap is calculated as assets *minus* liabilities.

Source: Annual accounts of banks.

2021-22, taking advantage of low interest rates in that year. The investment portfolio of PVBs and FBs is concentrated in the short-term category, indicative of active investment risk management by these banks (Table IV.3).

Table IV.3: Bank Group-wise Maturity Profile of Select Liabilities /Assets

(At end-March)

(Per cent)

Assets/Liabilities	PSBs		PVBs		FBs		SFBs		PBs		All SCBs	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
1	2	3	4	5	6	7	8	9	10	11	12	13
I. Deposits												
a) Up to 1 year	36.2	35.0	34.2	32.3	62.4	62.8	53.6	50.2	13.0	10.3	37.0	35.6
b) Over 1 year and up to 3 years	21.9	21.9	28.9	30.2	30.8	29.2	42.1	46.0	87.0	89.7	24.7	25.2
c) Over 3 years and up to 5 years	11.3	12.7	9.2	9.7	6.7	8.0	1.7	1.6	0.0	0.0	10.3	11.4
d) Over 5 years	30.6	30.5	27.7	27.8	0.05	0.05	2.6	2.2	0.0	0.0	28.0	27.9
II. Borrowings												
a) Up to 1year	54.5	53.9	41.4	50.0	83.8	80.5	46.9	37.1	100.0	100.0	50.8	53.9
b) Over 1 year and up to 3 years	20.9	22.9	34.0	29.2	11.8	16.3	37.3	49.5	0.0	0.0	26.1	25.7
c) Over 3 years and up to 5 years	12.7	14.0	13.9	11.5	1.9	1.6	13.8	9.2	0.0	0.0	12.5	11.8
d) Over 5 years	11.9	9.2	10.6	9.3	2.4	1.6	2.1	4.2	0.0	0.0	10.5	8.6
III. Loans and Advances												
a) Up to 1 year	24.8	25.2	32.1	30.6	55.8	53.3	41.8	38.2	100.0	100.0	28.8	28.4
b) Over 1 year and up to 3 years	36.9	35.4	34.2	33.8	22.2	24.3	34.0	35.8	0.0	0.0	35.3	34.4
c) Over 3 years and up to 5 years	14.9	15.1	12.8	13.4	9.1	10.3	11.0	11.1	0.0	0.0	13.9	14.2
d) Over 5 years	23.4	24.4	20.9	22.3	12.9	12.1	13.2	14.9	0.0	0.0	22.0	23.0
IV Investments												
a) Up to 1 year	23.7	25.2	50.7	48.8	84.9	83.2	58.1	53.8	97.4	98.7	36.8	37.3
b) Over 1 year and up to 3 years	16.7	16.4	20.7	22.4	10.5	10.8	25.4	25.6	1.9	0.8	17.3	17.6
c) Over 3 years and up to 5 years	13.2	13.2	6.5	7.8	2.3	2.5	2.9	4.9	0.4	0.1	10.3	10.7
d) Over 5 years	46.4	45.2	22.2	20.9	2.4	3.5	13.6	15.7	0.2	0.3	35.6	34.4

Note: Figures denote share of each maturity bucket in each component of the balance sheet. The sum of components may not add up to 100 due to rounding off.

Source: Annual Accounts of banks.

2.4. International Liabilities and Assets

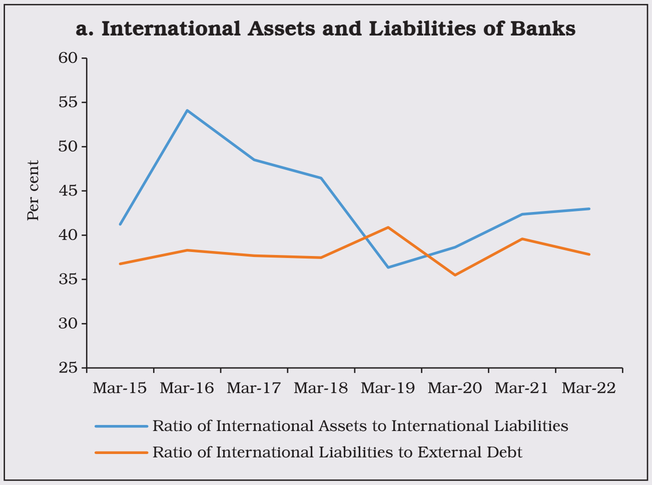
IV.14 During 2021-22, international liabilities of Indian banks, especially non-resident ordinary (NRO) rupee accounts and foreign currency borrowings, rose substantially, encouraged by interest rate differentials in favour of India (Appendix Table IV.2). On the other hand, an increase in international assets was led by loans and deposits and holding of debt securities. Loans to non-residents declined relative to a year ago, while foreign currency loans to residents and NOSTRO balances increased (Appendix Table IV.3). Reflecting these factors, the international assets to liabilities ratio of Indian banks has been increasing for three consecutive years (Chart IV.9a).

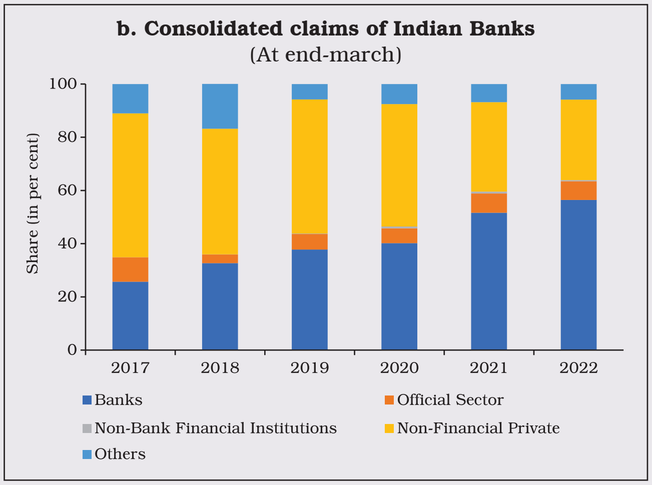
IV.15 During the period under review, the share of international claims of Indian banks *i.e.*, assets held abroad by domestic as well as foreign branches of Indian banks, excluding FBs, shifted towards short-term maturities and moved away from non-financial private institutions towards banks (Appendix Table IV.4 and Chart IV.9b). Banks' country composition of international claims underwent geographical changes favouring the United States (U.S.) and the United Kingdom (U.K.) (Appendix Table IV.5).

2.5. Off-Balance Sheet Operations

IV.16 Contingent liabilities' growth of all SCBs crossed 23 per cent – the highest in 11 years – led by growth in forward exchange contracts, and acceptances and endorsements (Chart IV.10a). As a proportion of balance sheet size, contingent liabilities increased from 119 per cent in 2020-21 to 133 per cent in 2021-22 (Appendix Table IV.6). FBs' contingent liabilities are more than 10 times their balance sheet size and constitute about half of the banking system's total off-balance sheet exposures (Chart IV.10b). Their non-interest income, however, has not increased commensurately.

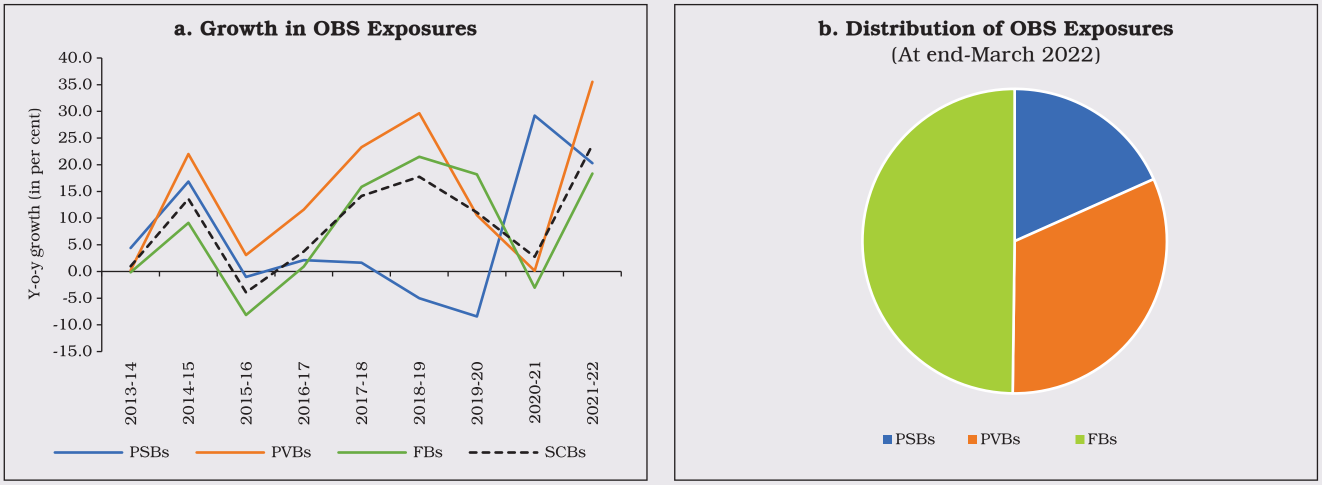
Chart IV.9: International Liabilities and Assets of Indian banks





Source: Annual accounts of banks and DBIE.

Chart IV.10: Off-Balance Sheet Liabilities of Banks



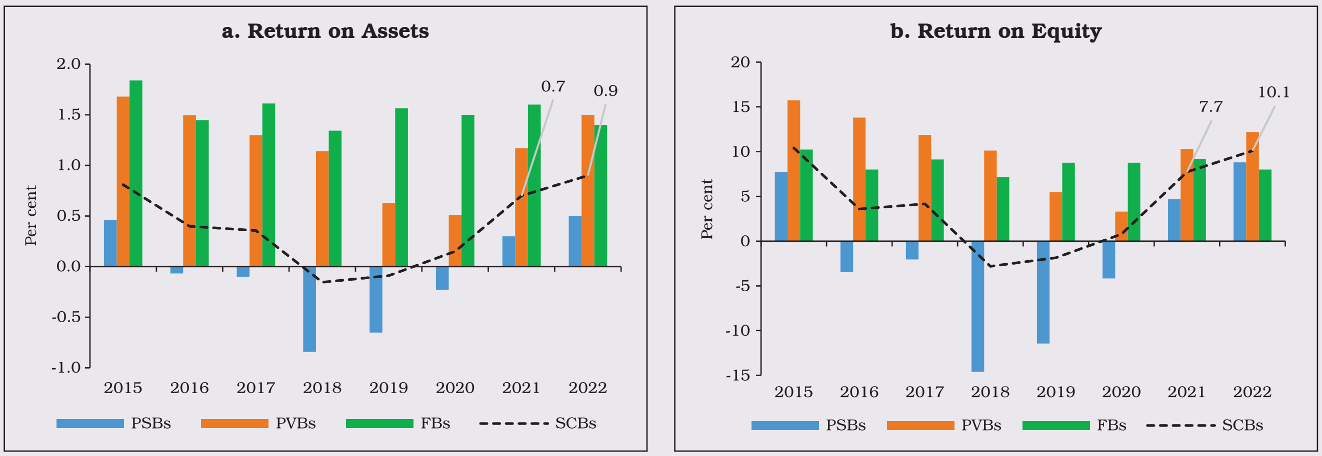
Source: Annual accounts of banks.

3. Financial Performance

IV.17 With greater transparency in asset recognition and stronger capital and provision buffers, banks faced the pandemic on a stronger footing. Enhanced credit monitoring processes, coupled with portfolio diversification, helped arrest slippages and strengthened their balance sheets. Accordingly, the profitability of SCBs, measured in terms of return on equity and return on assets (RoA), improved to levels last observed in 2014-15 (Chart IV.11).

IV.18 Robust bank profitability is an indicator of a healthy financial system, which augurs well for financial stability. An alternative view is that high profitability could loosen leverage constraints and lead to more risk-taking[5]. Empirical estimates

Chart IV.11: Profitability Ratios
(At end-March)



Source: Annual accounts of banks and DBIE, RBI.

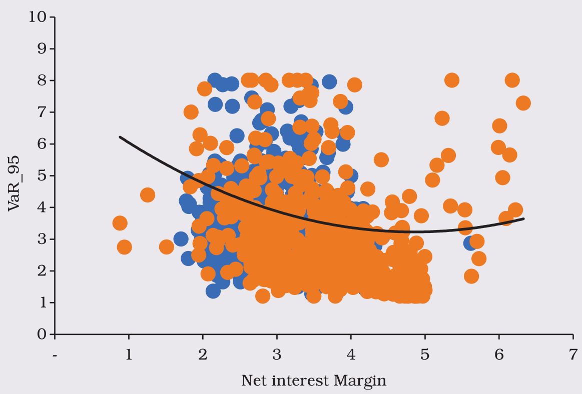
[5] Xu, TengTeng & Hu, Kun & Das, Udaibir. (2019). Bank Profitability and Financial Stability. IMF Working Papers. 19. 1. 10.5089/9781484390078.001.

for India suggest the existence of a threshold beyond which higher bank profitability may be detrimental to financial stability (Box IV.1). The net interest margin (NIM) of SCBs at 2.9 per cent at end-March 2022 remained much below the threshold.

Box IV.1: Impact of Bank Profitability on Financial Stability

Following literature, financial stability is captured by idiosyncratic risk measured by historical value at risk (VaR) of equity prices (Xu, Hu and Das,2019). Quarterly stock returns data of 24 banks for the period 2008-2019[6] is used for the purpose. The threshold value of NIM above which higher profits can pose risks to financial stability is assessed through a fixed effect panel threshold regression. The results suggest a non-linear relationship between NIM and financial stability (Chart 1). This implies that an NIM higher than a threshold has a negative impact on financial stability. The endogenously determined threshold value of NIM works out to around 5 per cent[7]. This result remains robust even after controlling for banks' CRAR, GNPA, size measured by log of total assets, short term interest rate (call rate) and GDP (Table 1).

Chart 1: Bank Net Interest Margin and VaR_95: 2008-2019



Note: Blue dots represent PSBs and orange dots represent PVBs.
Source: RBI Staff Calculations.

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

Model	(1)	(2)
Dependent Variable	VAR_H	VAR_95
Threshold	5.0011 (p value = 0.00)	5.0011 (p value = 0.00)
NIM		
β_1	-0.130* (0.0756)	-0.213*** (0.0811)
β_2	0.153** (0.0729)	0.0568 (0.0782)
Control Variables		
CRAR	-0.0371 (0.0227)	-0.0667*** (0.0244)
GNPA	0.0275*** (0.00813)	0.0541*** (0.00872)
Log total assets	-0.358*** (0.117)	-0.313** (0.125)
FC (Dummy variable)	1.757*** (0.133)	2.020*** (0.143)
Call rate	0.222*** (0.0198)	0.198*** (0.0213)
GDP Growth	-0.0332*** (0.0102)	-0.0276** (0.0109)
Constant	6.983*** (1.555)	7.484*** (1.667)
Observations	1,152	1,152
R-squared	0.430	0.430
Number of banks	24	24
No. of Bootstraps	500	500
Prob>F	0	0

Notes: 1. Standard errors in parentheses.
2. *** $p<0.01$, ** $p<0.05$, * $p<0.1$.
3. FC refers to a crisis dummy, which takes value 1 for years 2008 and 2009, and 0 otherwise.

References:

Claudiu Tiberiu Albulescu, Banks' Profitability and Financial Soundness Indicators: A Macro-level Investigation in Emerging Countries, *Procedia Economics and Finance*, Volume 23,2015,Pages 203-209,ISSN 2212-5671, https://doi.org/10.1016/S2212-5671(15)00551-1.

Zicchino, Lea & Tsomocos, Dimitrios & Segoviano, Miguel & Goodhart, Charles & Bracon, Oriol. (2006). Searching for a Metric for Financial Stability. *Financial Markets Group, FMG Special Paper*s.

[6] In the post 2019 period several bank mergers took place, constraining the availability of consistent time series data. In view of this, the analysis is limited to the period 2008-2019.

[7] The 95 per cent confidence interval for optimal NIM is (4.9733, 5.2333). Testing whether this non-linear relationship has more than one threshold, the hypotheses of two and higher number of thresholds were rejected as bootstrap p-values were not found to be significant.

IV.19 Higher profits during 2021-22 were contributed by acceleration in income and contraction in expenditure (Table IV.4). Interest income, which forms 84 per cent of SCBs' total income, reversed the contraction experienced a year ago. Higher lending and investment volumes led to higher interest income from these channels, notwithstanding then prevailing lower interest rates. Expenditure contracted, aided by decline in interest expended and lower provisions and contingencies.

IV.20 Typically, an inverse relationship between G-sec yields and the non-interest income of banks is observed in India (Chart IV.12). The other income of PSBs and FBs declined during the year, partly reflecting trading losses on their investment portfolios. In contrast, the increase in other income of PVBs was mainly contributed by acceleration in commission and brokerage income that forms more than 60 per cent of non-interest income.

IV.21 Ongoing synchronised monetary policy actions across the world may have an asymmetric impact on various components of bank profitability *viz*, net interest income, non-interest income and loan loss provisions. An increase in interest rate can lead to a rise in net interest income. On the other hand, as banks suffer trading losses on their treasury investments when yields go up, their non-interest income may suffer. Increased provisioning on these losses as well as for NPAs could further erode profitability. The net impact of monetary

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

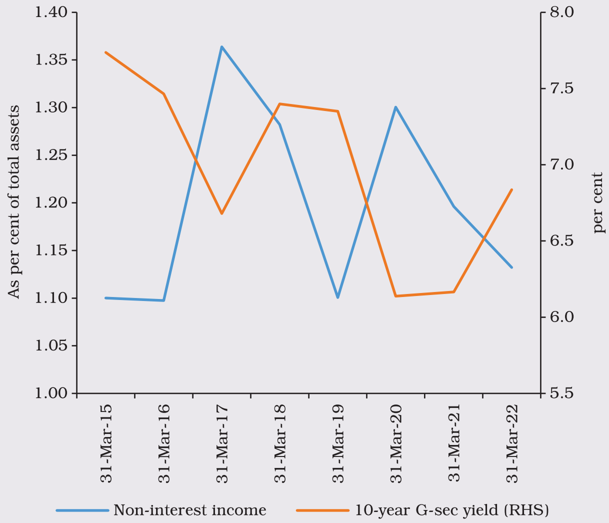
(Amount in ₹ crore)

Items	Public Sector Banks		Private Sector Banks		Foreign Banks		Small Finance Banks		Payments Banks		All SCBs	
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
1. Income	8,30,345 (-0.5)	8,31,900 (0.2)	5,42,035 (-0.8)	5,72,397 (5.6)	80,356 (-3.4)	79,498 (-1.1)	22,418 (16.6)	25,060 (11.8)	1,004 (1733.5)	4,952 (393.2)	14,76,159 (-0.5)	15,13,806 (2.6)
a) Interest Income	7,07,201 (-1.3)	7,09,132 (0.3)	4,51,439 (0.5)	4,70,943 (4.3)	63,688 (-4.5)	65,837 (3.4)	19,523 (15.2)	22,120 (13.3)	101 (120.1)	446 (343.3)	12,41,953 (-0.6)	12,68,479 (2.1)
b) Other Income	1,23,144 (4.3)	1,22,768 (-0.3)	90,596 (-6.9)	1,01,454 (12.0)	16,669 (0.7)	13,660 (-18.0)	2,894 (27.4)	2,940 (1.6)	903 (9931.3)	4,505 (398.7)	2,34,206 (-0.03)	2,45,327 (4.7)
2. Expenditure	7,98,527 (-7.2)	7,65,360 (-4.2)	4,72,559 (-10.4)	4,76,174 (0.8)	61,391 (-8.4)	61,113 (-0.5)	20,380 (18.1)	24,087 (18.2)	1,304 (235.4)	5,041 (286.6)	13,54,161 (-8.0)	13,31,774 (-1.7)
a) Interest Expended	4,31,627 (-7.8)	4,11,181 (-4.7)	2,32,370 (-9.9)	2,24,235 (-3.5)	21,560 (-25.2)	21,482 (-0.4)	9,122 (15.1)	9,513 (4.3)	55 (307.7)	156 (181.4)	6,94,735 (-8.9)	6,66,566 (-4.1)
b) Operating Expenses	2,03,855 (5.8)	2,20,091 (8.0)	1,30,451 (3.0)	1,56,613 (20.1)	22,334 (3.5)	24,969 (11.8)	7,549 (5.6)	9,816 (30.0)	1,251 (156.6)	4,882 (290.3)	3,65,440 (4.8)	4,16,371 (13.9)
Of which : Wage Bill	1,24,612 (7.6)	1,32,747 (6.5)	50,280 (6.2)	58,851 (17.0)	7,891 (0.2)	9,178 (16.3)	4,304 (12.9)	5,305 (23.3)	398 (50.6)	788 (98.1)	1,87,485 (7.0)	2,06,870 (10.3)
c) Provision and Contingencies	1,63,045 (-18.3)	1,34,088 (-17.8)	1,09,737 (-23.0)	95,326 (-13.1)	17,498 (5.1)	14,662 (-16.2)	3,709 (70.8)	4,758 (28.3)	-2	3	2,93,987 (-18.5)	2,48,837 (-15.4)
3. Operating Profit	1,94,863 (12.3)	2,00,628 (3.0)	1,79,214 (10.9)	1,91,549 (6.9)	36,463 (11.1)	33,047 (-9.4)	5,747 (38.8)	5,732 (-0.3)	-302	-87	4,15,985 (11.9)	4,30,869 (3.6)
4. Net Profit	31,818 -	66,540 (109.1)	69,477 (263.5)	96,223 (38.5)	18,965 (17.2)	18,385 (-3.1)	2,038 (3.5)	974 (-52.2)	-300	-90	1,21,998 (1018.1)	1,82,032 (49.2)
5. Spread (NII)	2,75,574 (11.0)	2,97,950 (8.1)	2,19,069 (14.7)	2,46,708 (12.6)	42,128 (11.3)	44,356 (5.3)	10,401 (15.3)	12,608 (21.2)	45 (40.7)	290 (541.7)	5,47,218 (12.6)	6,01,912 (10.0)
6. Net Interest Margin	2.45	2.44	3.58	3.58	3.30	3.37	7.02	6.88	1.58	2.67	2.91	2.92

Notes: 1. Figures in parentheses refer to per cent variations over the previous year.
2. Percentage variations could be slightly different as absolute numbers have been rounded off to ₹ crore.
3. NIM has been defined as NII as percentage of average assets.

Source: Annual accounts of respective banks.

Chart IV.12: G-Sec Yield and Non-interest income of SCBs



Source: Bloomberg and Annual Accounts of Banks.

policy on banks' profitability is thus an empirical issue (Box IV.2).

IV.22 The contraction in total expenditure of SCBs was led by interest expenditure, which declined due to low deposit rates. As deposits form a relatively small portion of FBs' balance sheet, their interest outgo as per cent of total assets is lower than that of the other two bank groups (Chart IV.13 a). On the other hand, the cost-to-income ratio, which is the ratio of operating expenses to operating income, was the highest for PSBs, owing to their high wage expenditure (Chart IV.13 b).

IV.23 As banks were required to maintain higher provisions on loans which were

Box IV.2: Impact of Monetary Policy on Bank Profitability

An annual dataset on 234 banks from BRICS countries for the period 2010- 2021, along with various macroeconomic factors such as short-term interest rates, yield, GDP and inflation was constructed to evaluate the relationship between monetary policy and bank profitability[8]. In line with Goodhart (2019), the short-term interest rates were proxied by overnight indexed swaps (OIS)[9]. The slope of the yield curve—calculated as the difference between the 10-year and the two-year government bond yields—is used to account for expectations about interest rate movements.

The results from a fixed effects panel regression suggest a concave relationship between banks' RoA and short-term interest rates. Similar relationship is also observed between RoA and slope of the yield curve. This implies that upto a threshold, the negative impact of increase in policy rates on non-interest income and provisions is more than offset by the positive effect on net interest income. Beyond the threshold, however, the negative impact dominates. Bank-specific factors are also found to significantly affect profitability. A higher equity-to-total assets ratio and a larger asset size are associated with higher profitability. The impact of GDP growth rate on bank profitability is found to be positive and statistically significant (Table 1).

Cross-country evidence, thus, suggests that banks' RoA is non-linearly related to short term rates as well as to the slope of the yield curve.

Table 1: Regression Results

Variables	Dependent variable: Return on Assets		
	(1)	(2)	(3)
Dependent variable (-1)	0.244***	0.235***	0.148**
	(0.0599)	(0.0609)	(0.0598)
OIS	0.168***	0.108**	0.158**
	(0.0402)	(0.0438)	(0.0692)
OIS^2	-0.00705**	-0.00415	-0.00539
	(0.00301)	(0.00304)	(0.00396)
Yield curve Slope	0.168***	0.255***	0.307***
	(0.0571)	(0.0663)	(0.0816)
Yield curve Slope^2	-0.0642***	-0.0753***	-0.0816***
	(0.0135)	(0.0127)	(0.0139)
Equity-to-total assets Ratio			0.110***
			(0.0220)
Cost-to-Income Ratio			-0.00103
			(0.00120)
Log of total assets			0.256*
			(0.140)
GDP growth		0.0266***	0.0207**
		(0.00805)	(0.00912)
Inflation		0.0378	0.0399
		(0.0249)	(0.0309)
Constant	0.127	0.0202	-3.757**
	(0.131)	(0.118)	(1.778)
Observations	2,986	2,986	2,014
R-squared	0.411	0.414	0.452

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

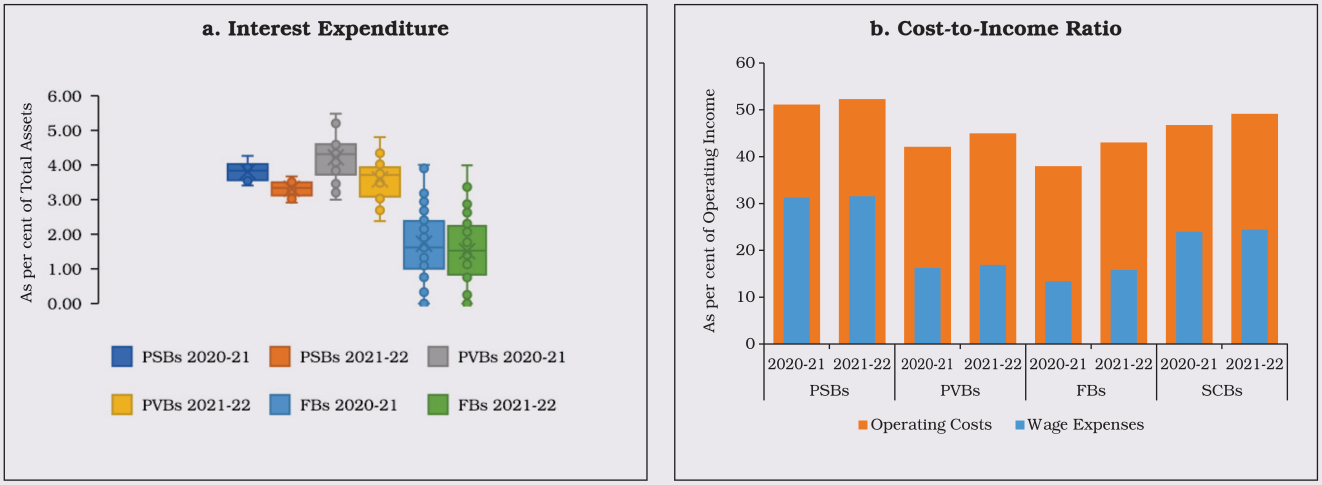
Reference:

Goodhart, C. A., & Kabiri, A. (2019). *Monetary Policy and Bank Profitability in a Low Interest Rate Environment: A Follow-up and a Rejoinder* . Centre for Economic Policy Research.

[8] Banking data has been sourced from the Banker Database, while financial and macroeconomic data has been taken from Bloomberg and CEIC.

[9] Refers to three-month OIS except for Brazil, where it pertains to the one-year OIS.

Chart IV.13: Expenditure of SCBs

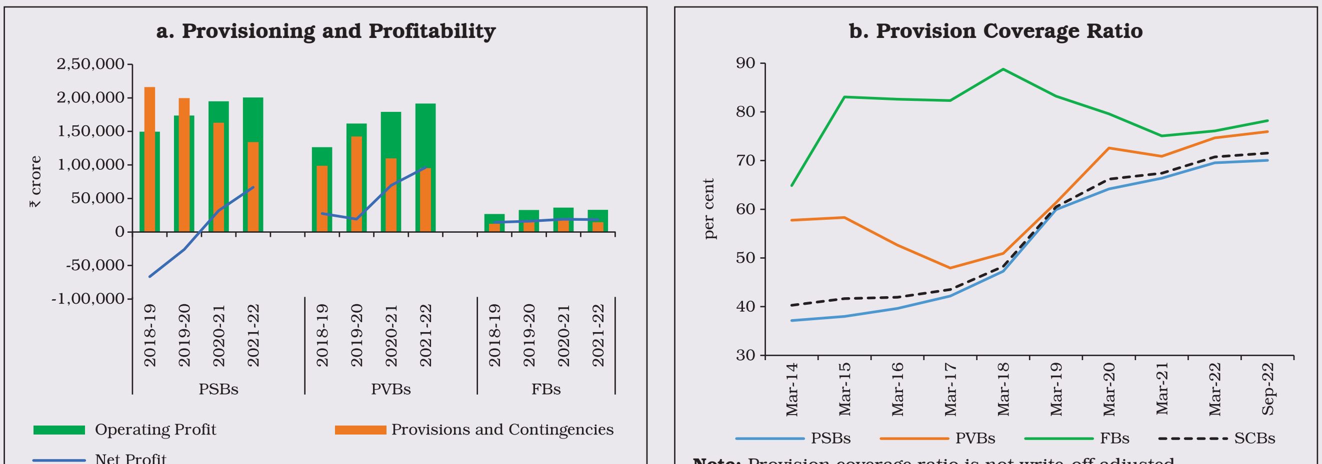


Source: Annual accounts of respective banks.

granted moratorium during the pandemic, their net profits were adversely affected in 2019-20 and 2020-21. During 2021-22, a reduction in provisions, *inter alia*, boosted banks' net profits (Chart IV.14 a). Moreover, as the GNPAs declined, the provision coverage ratio surged (Chart IV.14 b).

IV.24 As the reduction in return on funds was slightly higher than the reduction in cost of funds, the spread declined marginally. The cost of deposits went down across the board as the share of current and savings account (CASA) deposits in total deposits increased. At end-March 2022, 44 per cent of SCBs' outstanding floating rate rupee loans were at external benchmark linked lending rates (EBLRs). The comparable positions for PSBs and PVBs were 33 per cent and 62 per cent, respectively. The return on advances decreased, primarily due to re-pricing of existing floating rate loans at the

Chart IV.14: Impact of Provisioning on Profitability



Source: Annual accounts of banks.

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

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

(Per cent)

Bank Group/ Variable	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	(8-5)
PSBs	2020-21	4.2	4.3	4.2	7.5	6.6	7.2	3.0
	2021-22	3.7	4.2	3.7	6.9	6.1	6.6	2.9
PVBs	2020-21	4.3	5.6	4.5	9.1	6.2	8.3	3.9
	2021-22	3.7	5.2	3.9	8.5	5.8	7.7	3.9
FBs	2020-21	2.4	3.3	2.5	7.1	6.0	6.5	4.0
	2021-22	2.1	3.6	2.3	7.0	5.7	6.3	4.0
SFBs	2020-21	6.8	8.8	7.3	17.1	6.8	14.9	7.6
	2021-22	5.9	7.1	6.1	15.8	5.9	13.6	7.4
PBs	2020-21	3.0	5.3	3.1	9.3	4.0	4.0	0.9
	2021-22	2.4	2.8	2.4	5.2	5.1	5.1	2.7
SCBs	2020-21	4.2	4.9	4.2	8.1	6.4	7.6	3.4
	2021-22	3.6	4.6	3.7	7.6	6.0	7.0	3.3

Notes: 1. Cost of Deposits = Interest Paid on Deposits / Average of Current and Previous Years' Deposits.
2. Cost of Borrowings = (Interest Expended - Interest on Deposits) / Average of Current and Previous Years' Borrowings.
3. Cost of Funds = (Interest Expended) / Average of Current and Previous Years' (Deposits + Borrowings).
4. Return on Advances = Interest Earned on Advances / Average of Current and Previous Years' Advances.
5. Return on Investments = Interest Earned on Investments / Average of Current and Previous Years' Investments.
6. Return on Funds = (Interest Earned on Advances + Interest Earned on Investments)/ Average of Current and Previous Years' (Advances + Investments).

Source: Calculated from balance sheets of respective banks.

then prevailing lower rates as also incremental lending at lower rates (Table IV.5).

4. Soundness Indicators

IV.25 During 2021-22, SCBs' capital position, asset quality and leverage ratios improved, and liquidity position remained robust. The number of banks under the Reserve Bank's prompt corrective action (PCA) framework reduced from three at end-March 2021 to one at end-March 2022. At end-September 2022, there was no bank under the PCA framework.

4.1. Capital Adequacy

IV.26 The capital to risk-weighted assets ratio (CRAR) of SCBs has been rising sequentially in the post-asset quality review (AQR) period (Table IV.6). This increase kept pace during 2021-22, despite growth in risk-weighted

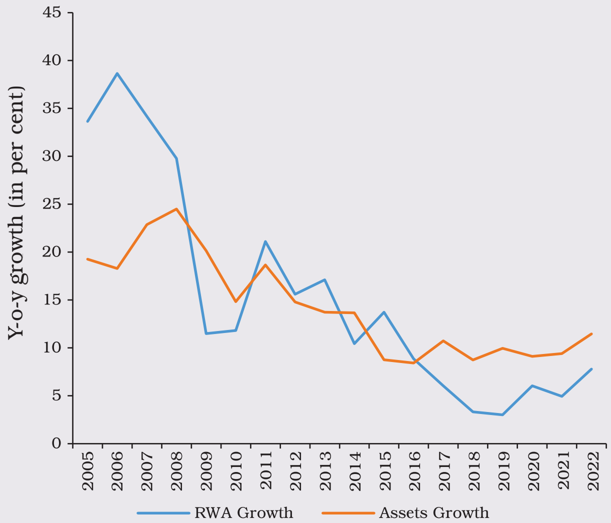
Table IV.6: Component-wise Capital Adequacy of SCBs
(At end-March)

(Amount in ₹ crore)

	PSBs		PVBs		FBs		SCBs	
	2021	2022	2021	2022	2021	2022	2021	2022
1. Capital Funds	**7,93,971**	**8,93,870**	**7,72,389**	**8,80,664**	**2,04,433**	**2,19,844**	**17,90,330**	**20,15,443**
i) Tier I Capital	6,49,082	7,35,753	7,01,622	8,06,457	1,86,369	2,01,196	15,54,796	17,62,613
ii) Tier II Capital	1,44,889	1,58,117	70,767	74,207	18,064	18,648	2,35,535	2,52,830
2. Risk Weighted Assets	**56,56,060**	**60,84,930**	**41,92,303**	**46,92,169**	**10,49,878**	**11,09,568**	**1,08,98,241**	**1,18,86,667**
3. CRAR (1 as % of 2)	**14.0**	**14.7**	**18.4**	**18.8**	**19.5**	**19.8**	**16.3**	**16.8**
Of which: Tier I	11.7	12.7	16.9	17.1	17.7	18.2	14.1	15.7
Tier II	2.5	2.7	1.7	1.3	1.6	1.6	2.2	1.8

Source: Off-site returns, RBI.

Chart IV.15: RWAs and Assets Growth of SCBs
(At end-March)



Source: RBI.

assets (RWAs). Since 2016, the growth in RWAs has remained lower than the overall assets growth, signifying a move towards safer assets (Chart IV.15). Around 92 per cent of increase in the capital funds was contributed by increase in Tier-I capital of banks, indicative of robustness of capital buffers. At end-September 2022, the CRAR of SCBs stood at 16 per cent.

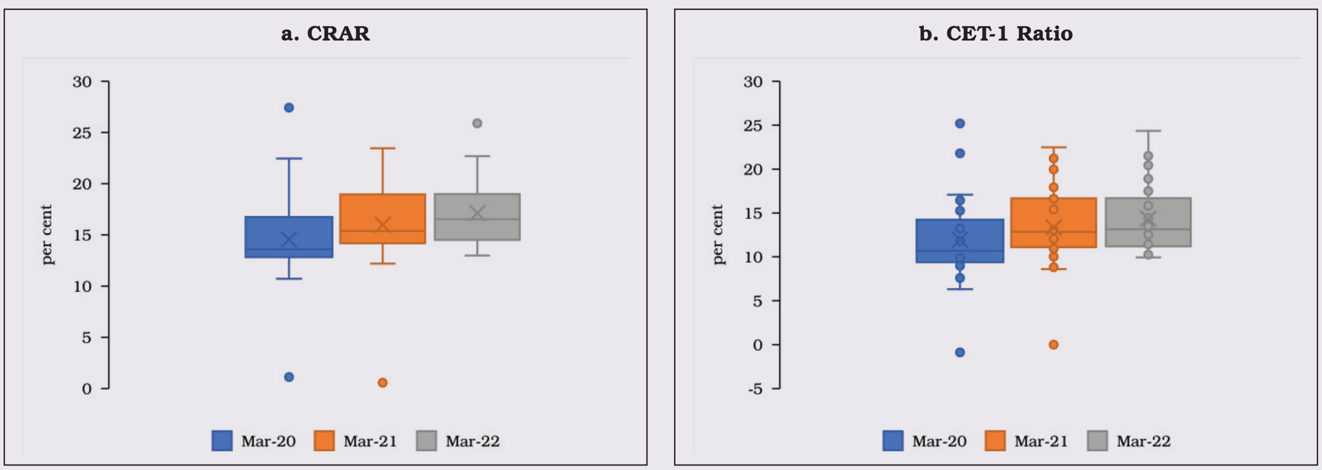
IV.27 With activation of the last tranche in October 2021, the total capital conservation buffer (CCB) to be maintained by banks increased to 2.5 per cent, thereby raising the total minimum capital requirement to 11.5 per cent. At end-March 2022, all banks met this regulatory minimum as also the CET-1 ratio requirement of 8 per cent (Chart IV.16).

IV.28 Resource mobilisation by banks through private placements, which had accelerated in 2020-21, slowed during 2021-22. Although the number of issues tripled for PVBs in 2021-22, the total amount raised increased by only 5 per cent. The majority of the resources mobilised by PVBs through private placements in 2021-22 were *via* bonds/debentures, while during 2020-21, it was entirely *via* equity issuances (Table IV.7).

4.2. Leverage and Liquidity

IV.29 The leverage ratio (LR), calculated as the ratio of tier-I capital to total exposures, serves as a backstop to risk-weighted capital requirements. It is required to be maintained at a minimum of 4 per cent and 3.5 per cent for domestic

Chart IV.16: Capital Adequacy



Note: Based on public and private sector banks.
Source: Off-site returns, RBI.

Table IV.7: Resources Raised by Banks through Private Placements

(Amount in ₹ crore)

	2019-20		2020-21		2021-22		2022-23 (Up to November 2022)	
	No. of issues	Amount raised	No. of issues	Amount raised	No. of issues	Amount raised	No. of issues	Amount raised
PSBs	20	29,573	36	58,697	29	50,719	13	27,234
PVBs	8	23,121	4	33,878	12	35,682	3	5,194
Foreign Banks	-	-	-	-	-	-	1	125

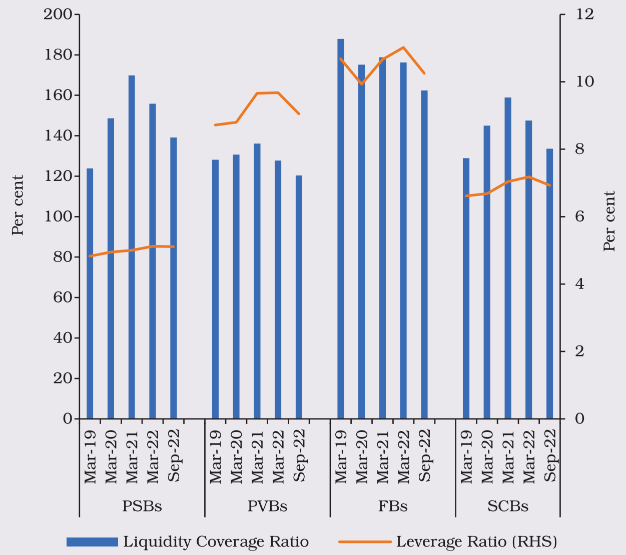
Notes: 1. Includes private placement of debt and Qualified institutional placement. Data for 2022-23 are provisional
2. -: Nil/Negligible.

Source: BSE, NSE, Merchant Bankers and Prime Database.

systemically important banks and other banks, respectively. At end-March 2022, all bank groups met the stipulated minimum requirement ratio. PVBs and FBs maintained LR much above the required levels.

IV.30 The liquidity coverage ratio (LCR) stipulates that banks should maintain high quality liquid assets (HQLAs) to meet 30 days' net cash outflows under stressed conditions. Although all the bank groups met the Basel requirement of 100 per cent LCR at end-March 2022, the ratio was lower than a year ago (Chart IV.17).

Chart IV.17: Leverage and Liquidity



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

IV.31 The net stable funding ratio (NSFR) – the ratio of available stable funding to the required stable funding – is a measure of a sustainable finance structure. Implementation of the NSFR, which was halted during the COVID-19 pandemic, was made effective October 1, 2021. With this, banks are required to maintain NSFR at a minimum of 100 per cent, which was met by all bank groups at end-March 2022 (Table IV.8).

4.3. Non-Performing Assets

IV.32 NPAs adversely affect credit deployment, banks' profitability through increased provisioning, and impinge on their capital, apart from entailing recovery costs. From its peak in 2017-18, the GNPA ratio of SCBs has been declining sequentially to reach 5 per cent at end-September 2022. This decrease was led by lower slippages as well as reduction in outstanding

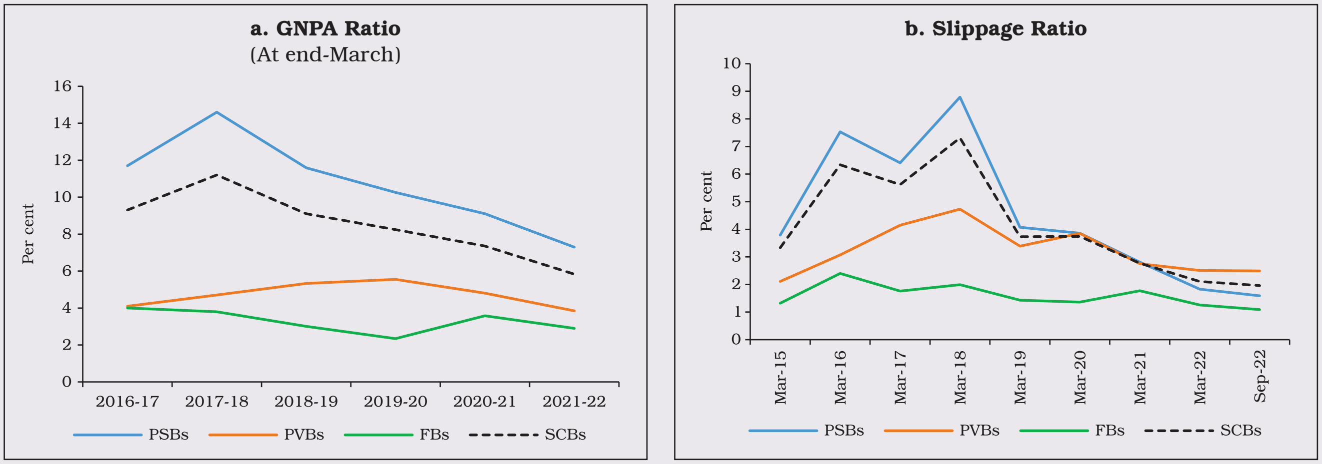
Table IV.8: Net Stable Funding Ratio
(At end-March 2022)

(Amount in ₹ crore)

	Available Stable Funding	Required Stable Funding	NSFR (per cent)
Public Sector Banks	93,46,181	69,40,125	134.7
Private Sector Banks	51,12,372	39,01,260	131.0
Foreign Banks	5,71,172	4,15,495	137.5
Small Finance Banks	1,39,917	1,10,157	127.0
Scheduled Commercial Banks	**1,51,69,642**	**1,13,67,038**	**133.5**

Source: Off-site returns, RBI.

Chart IV.18: Asset Quality of Banks

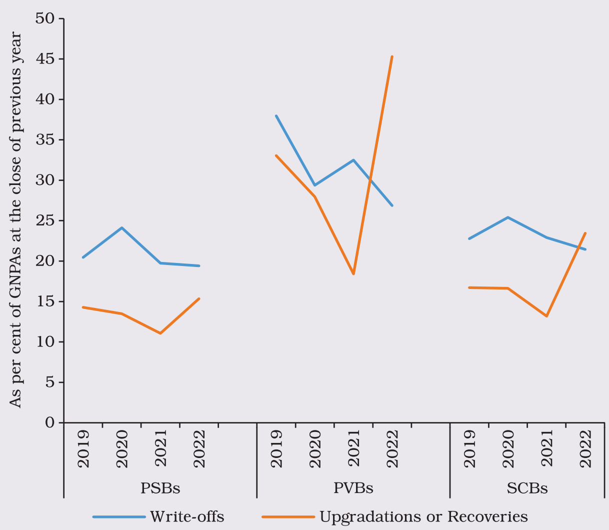


Note: GNPA ratio is calculated using annual accounts of banks and off-site returns (global operations).
Source: Annual accounts of banks and off-site returns (global operations).

GNPAs through recoveries, upgradations and write-offs (Chart IV.18).

IV.33 In 2021-22, the reduction in NPAs was mainly contributed by written-off loans in the case of PSBs, while upgradation of loans was the primary driver for asset quality improvement for PVBs (Chart IV.19).

Chart IV.19: Reduction in GNPAs
(At end-March)



Source: Annual accounts of banks.

IV.34 Taking into account the global operations of banks, asset quality improved across the board for all bank groups. Lower GNPAs, combined with high provisions accumulated in recent years, contributed to a decline in net NPAs (Table IV.9).

IV.35 As far as banks' domestic operations are concerned, the proportion of standard assets to total advances increased and there was an overall reduction in GNPAs for all bank groups, except in case of FBs, during 2021-22 (Table IV.10).

IV.36 Large borrowal accounts *i.e.*, accounts with a total exposure of ₹5 crore and above, comprised 47.8 per cent of total advances in 2021-22, down from 48.4 per cent in 2020-21. Their share in total NPAs declined during the year to 63.4 per cent from 66.4 per cent in 2020-21. The special mention accounts-0 (SMA-0) ratio, which is the proportion of loan accounts that were overdue for 0-30 days, shot up for overall as well as large borrowal accounts for both bank groups (PSBs and PVBs) at end-March

Table IV.9: Movement in Non-Performing Assets

(Amount in ₹ crore)

Item	PSBs	PVBs	FBs	SFBs	All SCBs
Gross NPAs					
Closing Balance for 2020-21	6,16,616	1,97,508	15,044	5,971	8,35,138
Opening Balance for 2021-22	6,16,616	1,97,508	15,044	5,971	8,35,138
Addition during the year 2021-22	1,39,905	1,25,834	8,320	9,381	2,83,441
Reduction during the year 2021-22 (i+ii+iii)	2,14,347	1,42,559	9,578	8,441	3,74,926
i. Recovered	56,959	34,139	2,722	1,758	95,579
ii. Upgradations	37,675	55,333	3,390	3,785	1,00,184
iii. Written-off #	1,19,713	53,087	3,466	2,898	1,79,163
Closing Balance for 2021-22	5,42,174	1,80,782	13,786	6,911	7,43,653
Gross NPAs as per cent of Gross Advances*					
2020-21	9.1	4.8	3.6	5.4	7.3
2021-22	7.3	3.8	2.9	4.9	5.8
Net NPAs					
Closing Balance for 2020-21	1,96,451	55,377	3,241	2,981	2,58,050
Closing Balance for 2021-22	1,54,745	43,733	3,023	2,725	2,04,226
Net NPAs as per cent of Net Advances					
2020-21	3.1	1.4	0.8	2.7	2.4
2021-22	2.2	1.0	0.6	2.0	1.7

Notes: 1. #: Includes prudential as well as actual write-offs.
2.*: Calculated by taking gross NPAs from annual accounts of respective banks and gross advances from off-site returns (global operations).
Source: Annual accounts of respective banks and Off-site returns (Global Operations), RBI.

2022 pointing towards temporary stress among borrowers (Chart IV.20). SMA-1 and SMA-2, which indicate impending stress for longer time buckets, declined to their lowest levels since end-March 2016 for all accounts.

IV.37 In response to COVID-19, the Reserve Bank announced *inter alia* two restructuring schemes. In August 2020, the Reserve Bank announced resolution framework 1.0, which was largely aimed at corporate exposures and

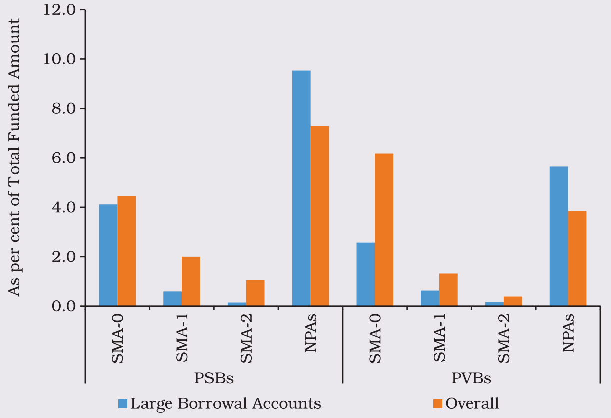
Table IV.10: Classification of Loan Assets by Bank Group

(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	2021	55,87,450	90.6	1,03,744	1.7	3,51,014	5.7	1,22,217	2.0
	2022	61,96,768	92.4	75,843	1.1	3,29,264	4.9	1,02,400	1.5
PVBs	2021	37,57,240	95.3	65,363	1.7	90,228	2.3	31,350	0.8
	2022	43,63,690	96.3	41,251	0.9	77,394	1.7	50,619	1.1
FBs	2021	4,10,418	97.6	3,648	0.9	5,566	1.3	986	0.2
	2022	4,62,299	97.1	3,649	0.8	7,953	1.7	2,184	0.5
SFBs**	2021	1,05,619	94.6	4,965	4.4	841	0.8	165	0.1
	2022	1,33,093	95.0	5,039	3.6	1,908	1.4	39	0.0
All SCBs	2021	98,60,726	92.7	1,77,720	1.7	4,47,648	4.2	1,54,717	1.5
	2022	1,11,55,849	94.1	1,25,782	1.1	4,16,519	3.5	1,55,243	1.3

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.20: Overall Stress *vis-à-vis* Stress in Large Borrowal Accounts
(At end-March 2022)



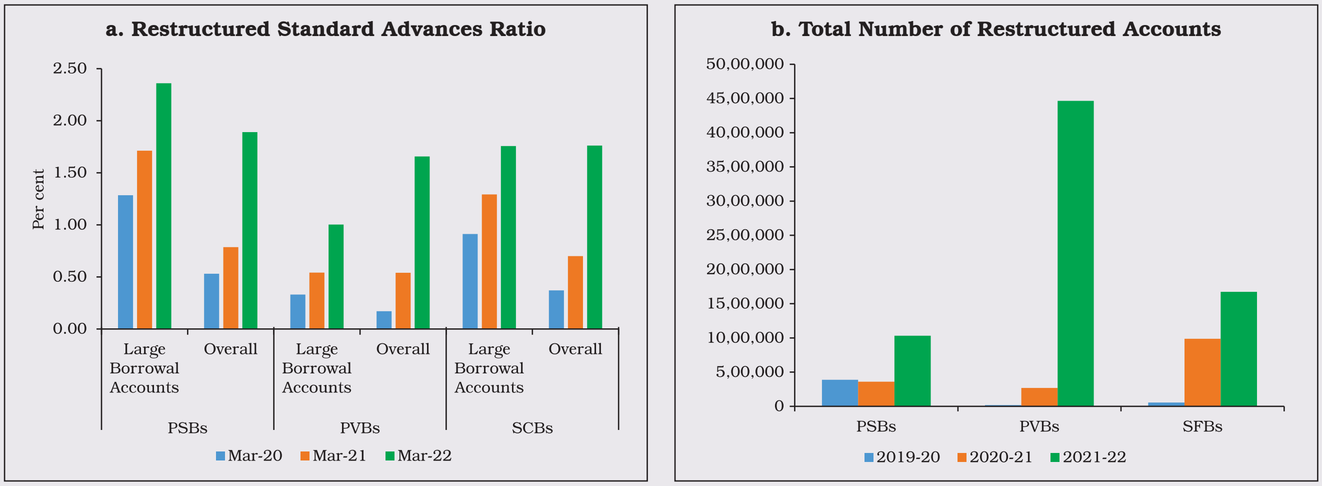
Note: The ratios for large borrowal accounts and overall accounts are calculated as percentage of their respective amounts outstanding.
Source: Central Repository of Information on Large Credits (CRILC) database and Off-site Returns.

personal loans facing COVID-19 related stress. The framework had a deadline of December 31, 2020 for invocation. A scheme for resolution of micro, small and medium enterprises (MSMEs) was already operational since 2019. Resolution framework 2.0 announced in May 2021 and subsequently revised in June 2021, was aimed specifically at MSMEs, individual borrowers and small businesses which had a deadline of September 30, 2021 for invocation. These frameworks were designed with sufficient safeguards, which helped in avoiding restructuring of inherently weak accounts.

IV.38 The impact of these schemes could be gauged through the restructured standard advances (RSA) ratio, which is the share of RSA in total gross loans and advances. During 2020-21, the RSA ratio increased by 0.3 percentage points for all the borrowers taken together, while the comparative increase for large borrowers was 0.4 percentage points. In contrast, during 2021-22, the ratio increased by 1.1 percentage points for all the borrowers and by 0.5 percentage points for large borrowers (Chart IV.21a). The higher order of increase in the RSA ratio of all borrowers in 2021-22 may indicate that the objective of the Reserve Bank's resolution framework 2.0, *i.e.*, of aiding retail loans and MSMEs in dealing with COVID-related stress, was largely successful.

IV.39 The number of accounts restructured by PVBs through both resolution frameworks 1.0 as well as 2.0 grew multi-fold, *albeit* on a low base. In contrast, PSBs had restructured fewer accounts under resolution framework 1.0 but they picked

Chart IV.21: Restructuring



Source: Central Repository of Information on Large Credits (CRILC) database and Off-site Returns.

up steam in resolution framework 2.0 (Chart IV.21b). The differential behaviour of PSBs *vis-à-vis* PVBs may be reflective of the former's legacy of stress in large borrowal accounts.

4.4. Recoveries

IV.40 Banks have multiple channels through which stressed assets can be resolved. As fresh insolvency cases could be admitted after the one-year suspension during COVID-19, admissions under the IBC increased by 65 per cent during 2021-22. Although the number of cases referred under Lok Adalats and SARFAESI Act increased by 336 per cent and 335 per cent, respectively, the IBC mechanism was the leader in terms of amount involved (Table IV.11). Defying the lull in the interim years, SARFAESI and DRTs yielded recovery rates comparable to the IBC mechanism. The pre-pack insolvency resolution process, introduced for MSMEs in April 2021, is yet to gain traction and only two cases have been admitted under the channel so far (up to September 2022).

IV.41 Sales of stressed assets to asset reconstruction companies (ARCs) is another mode of their resolution. However, sales to ARCs have gradually decreased over the years, and in 2021-22, only 3.2 per cent of the previous year's GNPAs were sold to ARCs (Chart IV.22a). The ratio of acquisition cost to book value increased marginally, denoting slightly higher recovery rates for the selling banks (Chart IV.22b).

IV.42 Although the Reserve Bank has been disincentivising banks from holding excess security receipts (SRs) through increased provisioning, the share of SRs subscribed by banks in total SRs issued increased to 68 per cent in 2021-22. Further, the share of ARCs also increased to 18.1 per cent from 17.5 per cent a year ago. Redemption of SRs issued by ARCs, which is an indicator of recovery through this mode, increased during the year, resulting in a decline in the total SRs outstanding (Table IV.12).

Table IV.11: NPAs of SCBs Recovered through Various Channels

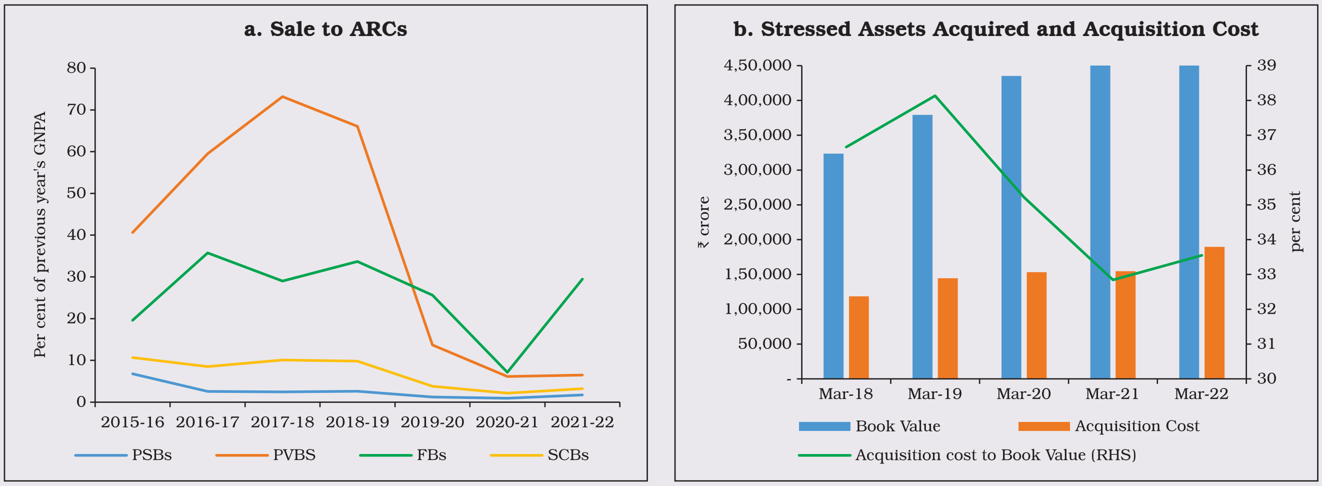
(Amount in ₹ crore)

Recovery Channel	2020-21				2021-22 (P)			
	No. of cases referred	Amount involved	Amount recovered*	Col. (4) as per cent of Col. (3)	No. of cases referred	Amount involved	Amount recovered*	Col. (8) as per cent of Col. (7)
1	2	3	4	5	6	7	8	9
Lok Adalats	19,49,249	28,084	1,119	4	85,06,648	1,19,005	2,777	2.3
DRTs	28,182	2,25,361	8,113	3.6	29,487	47,165	12,114	25.7
SARFAESI Act	57,331	67,510	27,686	41	2,49,475	1,21,642	27,349	22.5
IBC @ #	536	1,35,319	27,311	20.2	885	1,99,250	47,421	23.8
Total	**20,35,298**	**4,56,274**	**64,229**	**14**	**87,86,495**	**4,87,062**	**89,661**	**18.4**

Notes: 1. P: Provisional.
2. *: Refers to the amount recovered during the given year, which could be with reference to the cases referred. during the given year as well as during the earlier years.
3. DRTs: Debt Recovery Tribunals.
4. @: Data in column no. 2 and 6 are the cases admitted by National Company Law Tribunals (NCLTs) under IBC.
5. #: Data in column no. 3, 4 and 5 are with respect to 121 cases, and in column no. 7, 8 and 9 are with respect to 143 cases, where in resolution plans were approved during 2020-21 and 2021-22, respectively.

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

Chart IV.22: Stressed Asset sales to ARCs



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

4.5. Frauds in the Banking Sector

IV.43 Banking frauds have implications for financial stability as they are a source of reputational, operational and business risk, along with endangering customers' trust in the system. During 2021-22, the average amount of fraud[10] decreased substantially (Table IV.13).

Table IV.12: Details of Financial Assets Securitised by ARCs

(Amount in ₹ crore)

Item	Mar-20	Mar-21	Mar-22
Number of Reporting ARCs	28	24	28
1. Book Value of Assets Acquired	4,35,122	4,71,204	5,65,683
2. Security Receipt issued by SCs/ RCs	1,53,239	1,33,755	1,22,130
3. Security Receipts Subscribed to by			
(a) Banks	1,02,005	87,897	83,190
(b) SCs/RCs	30,167	23,359	22,105
(c) FIIs	10,367	10,156	4,548
(d) Others (Qualified Institutional Buyers)	10,700	12,343	12,288
4. Amount of Security Receipts Completely Redeemed	18,213	23,131	23,396
5. Security Receipts Outstanding	1,09,168	85,298	69,219

Source: Quarterly statements submitted by ARCs.

IV.44 Based on the date of occurrence of frauds, advances-related frauds formed the biggest category prior to 2019-20. Subsequently, however, in terms of number of frauds, the *modus operandi* shifted to card or internet-based transactions. Additionally, cash frauds are also on the rise (Table IV.14).

IV.45 The number of fraud cases reported by PVBs outnumbered those by PSBs for the second consecutive year in 2021-22. In terms of the amount involved, however, the share of PSBs was 66.7 per cent in 2021-22, as compared with 59.4 per cent in the previous year (Chart IV.23).

[10] Defined as total amount involved in frauds divided by number of frauds.

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

(Cases in number and amount in ₹crore)

Area of Operation	2019-20		2020-21		2021-22		2021-22 (April-September)		2022-23 (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	4,607	1,81,865	3,496	1,36,429	3,838	58,303	1,800	35,034	2006	18,746
Off-balance Sheet	34	2,445	23	535	21	1077	10	612	5	283
Forex Transactions	8	54	4	129	7	7	1	0	10	3
Card/Internet	2,677	129	2,545	119	3,596	155	1532	60	2321	87
Deposits	530	616	504	434	471	493	208	362	270	135
Inter-Branch Accounts	2	0	2	0	3	2	0	0	2	0
Cash	371	63	329	39	649	93	245	51	589	81
Cheques/DDs, *etc.*	201	39	163	85	201	158	107	149	73	12
Clearing Accounts, *etc.*	22	7	14	4	16	1	9	1	11	2
Others	250	173	278	54	300	100	157	47	119	136
Total	**8,702**	**1,85,391**	**7,358**	**1,37,828**	**9,102**	**60,389**	**4,069**	**36,316**	**5,406**	**19,485**

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.

4.6. Enforcement Actions

IV.46 During 2021-22, the major reasons for imposition of monetary penalties on regulated entities (REs) included, *inter alia,* non-compliance with exposure and IRAC norms, frauds classification and reporting, and violation of cyber security framework guidelines. During the year, the average per instance penalty was the highest for PVBs and was the lowest for co-operative banks (Table IV.15).

Table IV.14: Frauds in Various Banking Operations Based on the Date of Occurrence

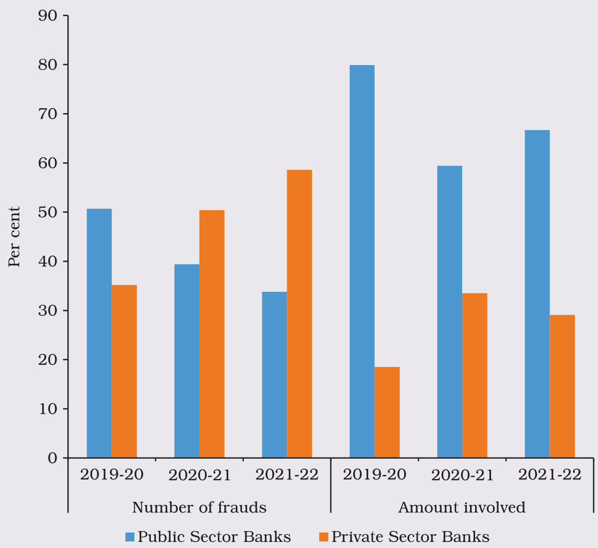
(Cases in number and amount in ₹ crore)

Area of Operation	Prior to 2019-20		2019-20		2020-21		2021-22		2022-23(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	9,230	3,41,768	1,947	32,386	1,477	14,973	1112	6,042	181	174
Off-balance Sheet	66	3,860	8	423	8	31	1	26	0	0
Forex Transactions	3	47	8	135	4	2	9	8	5	2
Card/Internet	766	55	2,717	144	2,435	124	3849	120	1372	46
Deposits	508	651	495	402	387	524	328	82	57	20
Inter-Branch Accounts	3	0	2	0	3	2	1	0	0	0
Cash	99	48	392	38	457	58	745	82	245	49
Cheques/DDs, *etc.*	90	29	205	70	156	164	160	25	27	6
Clearing Accounts, *etc.*	19	7	16	2	9	3	14	2	5	0
Others	331	115	178	163	255	117	160	60	23	8
Total	**11,115**	**3,46,580**	**5,968**	**33,763**	**5,191**	**15,998**	**6379**	**6,447**	**1915**	**305**

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. Data based on 'date of occurrence' may change for a period of time as frauds reported late but having occurred earlier would get added.
4. Data in the table pertain to cases reported from 2019-20 till September 30, 2022.
5. 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.

Chart IV.23: Bank Group-wise Frauds



Source: RBI.

Table IV.15: Enforcement Actions

Regulated Entity	April 2020 to March 2021		April 2021 to March 2022	
	Instances of imposition of penalty	Total Penalty (₹ crore)	Instances of imposition of penalty	Total Penalty (₹ crore)
1	2	3	4	5
Public Sector Banks	4	9.50	13	17.55
Private Sector Bank	3	5.92	16	29.39
Cooperative Banks	43	3.89	145	12.10
Foreign Banks	3	8.00	4	4.25
Payments Banks	1	1.00	-	-
Small Finance Banks	-	-	1	1.00
NBFCs	7	3.05	10	1.03
Total	**61**	**31.36**	**189**	**65.32**

Source: RBI.

5. Sectoral Bank Credit: Distribution and NPAs

IV.47 The sharp acceleration in credit growth during 2021-22 was led by services and retail loans, especially housing. Credit flows to the services sector revived from a contraction in the previous year. The recovery was broad-based, encompassing contact-intensive segments as well as commercial real estate and computer software (Table IV.16).

Table IV.16: Sectoral Deployment of Gross Bank Credit by SCBs

(Amount in ₹ crore)

Sr. No.	Item	Outstanding at end			Per cent variation (y-o-y)		
		Mar-20	Mar-21	Mar-22	2019-20	2020-21	2021-22
1	**Agriculture & Allied Activities**	**12,39,575**	**13,84,815**	**15,16,303**	**1.8**	**11.7**	**9.5**
2	**Industry,** *of which*	**32,52,801**	**32,53,636**	**35,08,744**	**-1.2**	**0.0**	**7.8**
	2.1 Micro & Small Industries	4,37,658	4,72,529	6,14,037	-0.5	8.0	29.9
	2.2 Medium	1,12,367	1,87,599	2,63,959	-9.3	67.0	40.7
	2.3 Large	26,11,377	24,76,702	24,88,228	0.0	-5.2	0.5
3	**Services,** *of which*	**27,54,823**	**27,45,324**	**31,48,321**	**5.9**	**-0.3**	**14.7**
	3.1 Trade	6,28,142	7,14,210	7,76,737	8.8	13.7	8.8
	3.2 Commercial Real Estate	2,66,357	2,52,696	2,90,623	9.6	-5.1	15.0
	3.3 Tourism, Hotels & Restaurants	60,039	62,722	69,846	6.8	4.5	11.4
	3.4 Computer Software	24,404	23,742	24,993	9.8	-2.7	5.3
	3.5 Non-Banking Financial Companies	7,36,447	7,98,241	9,27,520	17.4	8.4	16.2
4	**Retail Loans,** *of which*	**26,59,249**	**29,86,457**	**33,94,028**	**15.4**	**12.3**	**13.6**
	4.1 Housing Loans	13,96,444	15,61,913	17,54,298	15.9	11.8	12.3
	4.2 Consumer Durables	11,154	21,569	37,349	21.3	93.4	73.2
	4.3 Credit Card Receivables	1,32,076	1,38,560	1,63,626	18.6	4.9	18.1
	4.4 Auto Loans	2,89,366	3,29,522	3,79,139	7.3	13.9	15.1
	4.5 Education Loans	79,056	78,823	84,677	3.7	-0.3	7.4
	4.6 Advances against Fixed Deposits (incl. FCNR (B), *etc.*)	80,753	74,013	78,965	4.7	-8.3	6.7
	4.7 Advances to Individuals against Shares, Bonds, *etc.*	5,619	5,619	16,259	-39.8	0.0	189.4
	4.8 Other Retail Loans	6,64,781	7,76,437	8,79,716	21.5	16.8	13.3
5	**Other Non-Food Credit**	**1,38,439**	**2,09,869**	**2,27,268**	**126.9**	**51.6**	**8.3**
6	**Non-food Credit (1- 5)**	**1,00,44,887**	**1,05,80,100**	**1,17,94,665**	**6.0**	**5.3**	**11.5**
7	**Gross Bank Credit**	**1,00,98,420**	**1,06,40,808**	**1,18,53,392**	**6.0**	**5.4**	**11.4**

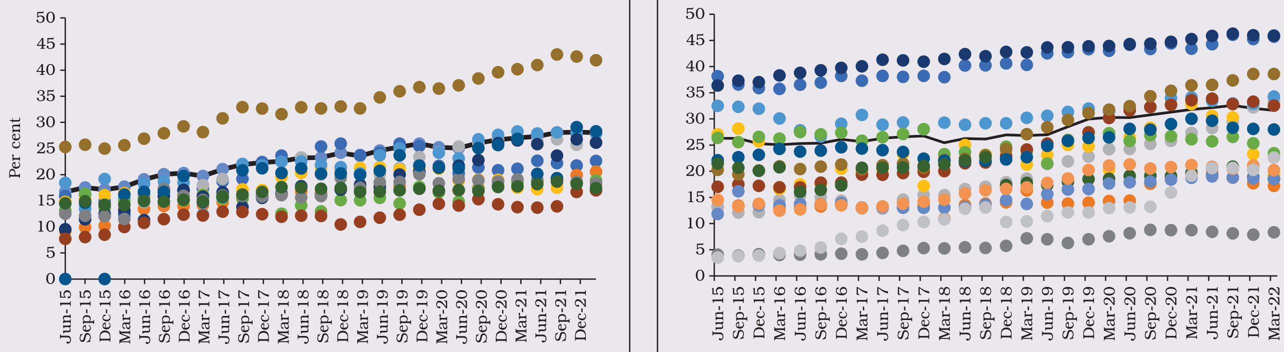
Notes: 1. Figures in the table may not tally with the figures released by RBI in 'Sectoral Deployment of Bank Credit' every month due to difference in coverage of banks.
2. Per cent variations are March over March.

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

Chart IV.24: Retail Lending

a. Share of Retail Loans in Total Loans for PSBs

b. Share of Retail Loans in Total Loans for PVBs



Notes: 1. Each dot represents a PSB's share of retail loans in total loans at the end of the said quarter.
2. Line represents the share of retail loans in total loans for PSBs.

Notes: 1. Each dot represents a PVB's share of retail loans in total loans at the end of the said quarter
2. Line represent the Share of retail loans in total loans for PVBs.

Source: OSMOS.

IV.48 Credit to industry grew at the highest rate in 8 years. In incremental terms, 21 per cent of the credit went to the industrial sector during the year as against 0.2 per cent in 2020-21.

5.1. Retail Credit

IV.49 In recent years, Indian banks appear to have displayed 'herding behaviour' in diverting lending away from the industrial sector towards retail loans (Chart IV.24 a and b). The decline was evident across banks groups.

IV.50 Empirical evidence suggests that a build-up of concentration in retail loans may become a source of systemic risk. The Reserve Bank is equipped with its policy toolkit to handle any systemic risk that may arise (Box IV.3).

Box IV.3: Bank Herding and Systemic Risk

"Systemic as a herd" refers to a phenomenon when institutions which are not individually systemically important behave in a way similar to the market leaders and, as a result, get exposed to common risks. This could amplify systemic risk through higher co-movement of performance of banks, even though individually they may focus on reducing their standalone bank risk through portfolio diversification.

To estimate conditional value at risk (CoVaR) as a proxy for systemic risk, (Adrian and Brunnermeier, 2016), daily stock market returns of all listed banks (15 PVBs and 12 PSBs) between 2015-2022[11] were used. The quarterly CoVaR measure was regressed on lagged values of the share of retail sector loans, along with some bank-specific and macro economic control variables (Hirakata *et. al*, 2017). The results indicate a positive and statistically significant impact of bank herding in retail sector loans on systemic risk (Table 1). There is no difference between the risk posed by PSBs and PVBs as the co-efficient of the bank group dummy is 0. Additionally, systemic risk

(Contd...)

[11] The specific time period was chosen in accordance with data availability for bank-wise sectoral credit. Also, the data has been adjusted for M&As during this period.

Table 1: Impact of Herding in Retail Sector Loans on Systemic Risk

	ΔCoVaR (95)	ΔCoVaR (99)	ΔCoVaR (90)
Share of Retail Sector Loans	.0052***	.0037	.0034**
	(.0019)	(.0031)	(.0014)
Log of Total Assets	.1592***	.295***	.1087***
	(.0352)	(.0573)	(.0256)
Deposit to Total Assets	.0035	.0026	.0005
	(.0031)	(.0051)	(.0023)
Stressed Advances	.0473***	.0415	.0265**
	(.0173)	(.0281)	(.0125)
NPA Provisions to Gross Loans	-.0079**	-.0022	-.0038
	(.0035)	(.0057)	(.0025)
Nominal GDP Growth	-.0117***	-.0184***	-.0083***
	(.0012)	(.0019)	(.0009)
Constant	-1.197**	-2.8125***	-.9427***
	(.4707)	(.7674)	(.3423)
Bank Group Dummy	.0000	.0000	.0000
Observations	756	756	756
R-squared	.2046	.1871	.1848

Notes: 1. *** p<.01, ** p<.05, *p<.1
2. Figures in the parentheses represent standard errors.
3. All the covariates are winsorized at the 95th percentile.

increases with increase in stressed assets and size of the bank, while higher NPA provisions ratio and higher GDP growth are associated with lower systemic risk. The results are consistent across various measures of CoVaR.

References:

Adrian, Tobias, and Markus K. Brunnermeier. "CoVaR." The American Economic Review, vol. 106, no. 7, 2016, pp. 1705–41. JSTOR, available at http://www.jstor.org/stable/43861110. Accessed 28 Nov. 2022.

Hirakata, Naohisa, Yosuke Kido and Jie Liang Thum, "Empirical Evidence on "Systemic as a Herd" (2017): The Case of Japanese Regional Banks", Bank of Japan Working Paper Series, No.17-E-1, 2017, available at https://www.boj.or.jp/en/research/wps_rev/wps_2017/data/wp17e01.pdf.

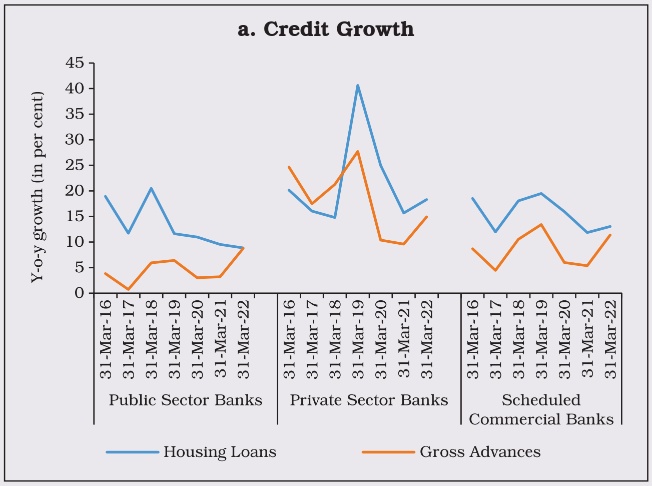
IV.51 During 2021-22, credit to the housing sector accelerated, led by PVBs (Chart IV.25a), amid low and declining GNPA ratios (Chart IV.25b).

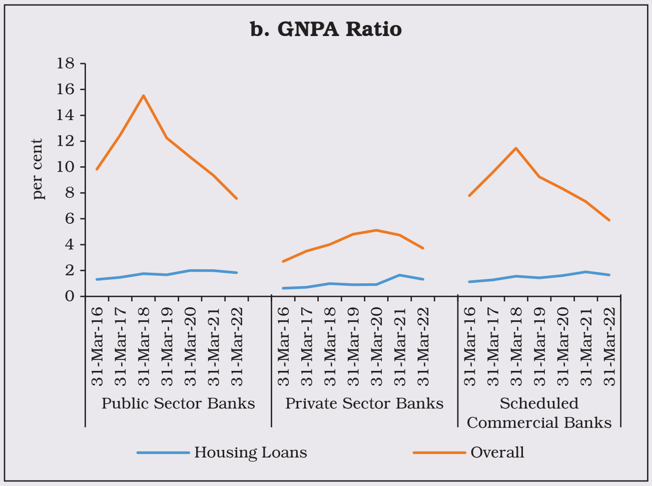
IV.52 The education loans of SCBs had been decelerating since March 2016 against the backdrop of high NPAs in this sector. The share of education loans in total retail lending has fallen. In 2021-22, however, credit to this sector revived, *albeit* on a low base. In the case of PVBs, credit growth reflected declining GNPA ratios (Chart IV.26).

5.2. Credit to the MSME Sector

IV.53 In the post-COVID period, credit growth to MSMEs in the industrial sector was distinctly higher on a year-on-year basis, as well as in comparison with credit growth to large industries (Chart IV.27a). Incentives provided by

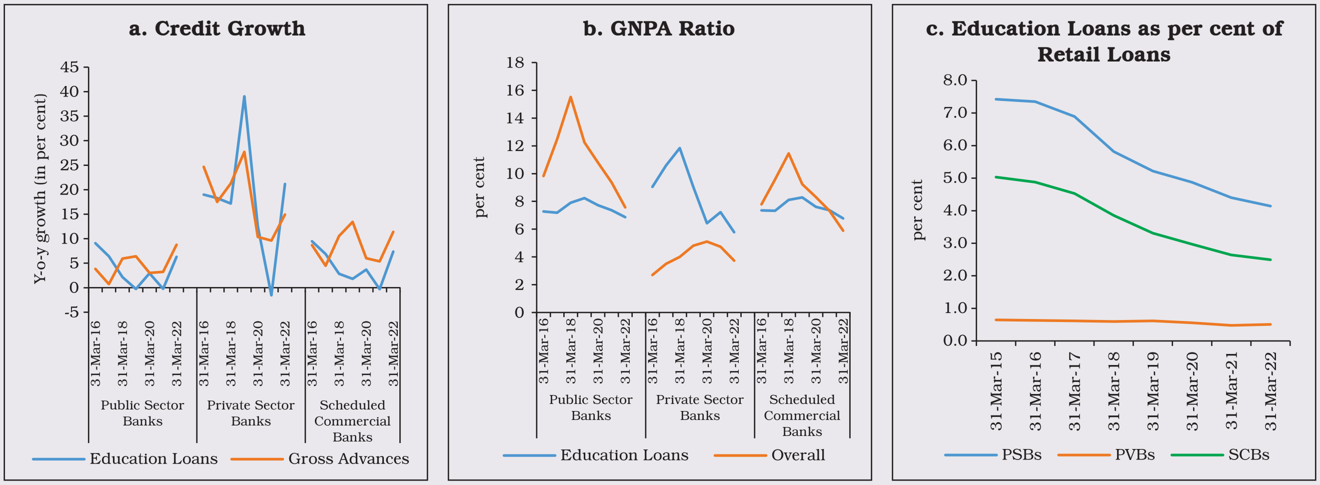
Chart IV.25: Housing Credit





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

Chart IV.26: Education Loans



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

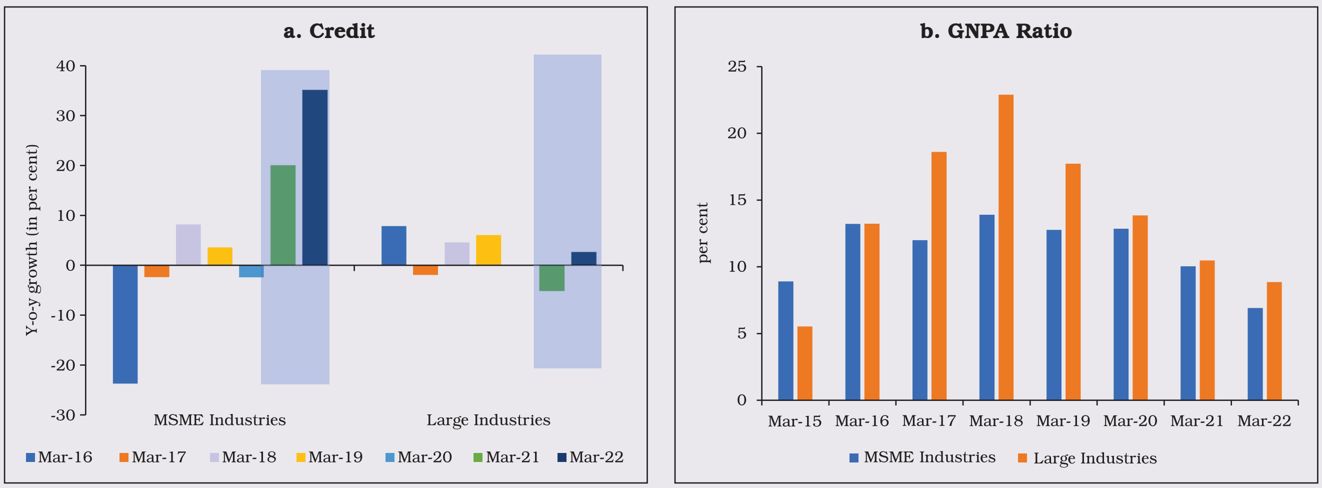
the Emergency Credit Line Guarantee Scheme (ECLGS), coupled with lower GNPA ratios, helped in boosting credit to MSMEs (Chart IV.27b). At the same time, addition of wholesale and retail trade in the MSME category since July 2021 also helped boost the overall credit to the MSME sector.

IV.54 Since 2018-19, MSME credit growth by PVBs has far exceeded that by PSBs. As a result, the share of the former in outstanding credit increased in 2021-22 as well (Table IV.17).

5.3. Priority Sector Credit

IV.55 During 2021-22, outstanding priority sector advances grew at 12.34 per cent. All bank groups managed to meet their overall priority sector lending targets, while FBs and SFBs

Chart IV.27: MSMEs *versus* Large Industries



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

Table IV.17: Credit Flow to the MSME Sector by SCBs

(Number of accounts in lakh, amount outstanding in ₹ crore)

Bank Groups	Items	2018-19	2019-20	2020-21	2021-22*
PSBs	No. of accounts	112.97	110.82	150.77	149.70
		(1.76)	(-1.90)	(36.05)	(-0.71)
	Amount Outstanding	8,80,032.90	8,93,314.83	9,08,659.06	9,55,860.38
		(1.79)	(1.51)	(1.72)	(5.19)
PVBs	No. of accounts	205.31	270.62	266.81	112.86
		(38.42)	(31.81)	(-1.41)	(-57.70)
	Amount Outstanding	5,63,678.47	6,46,988.27	7,92,041.95	9,69,844.22
		(37.23)	(14.78)	(22.42)	(22.45)
FBs	No. of accounts	2.40	2.74	2.60	2.11
		(9.14)	(14.17)	(-5.11)	(-18.84)
	Amount Outstanding	66,939.14	73,279.06	83,223.79	85,352.38
		(36.94)	(9.47)	(13.57)	(2.56)
All SCBs	No. of accounts	320.68	384.18	420.19	264.67
		(22.61)	(19.80)	(9.37)	(-37.01)
	Amount Outstanding	15,10,650.52	16,13,582.17	17,83,924.80	20,11,056.98
		(14.08)	(6.81)	(10.56)	(12.73)

Notes: 1. *- The reduction in the number of accounts partly reflects the mandatory registration requirement on Udyam portal under the new MSME definition implemented by GoI.
2. Figures in the parentheses indicate y-o-y growth rates.

Source: Financial Inclusion and Development Department, RBI.

also achieved all the sectoral targets. PSBs fell short of achieving their target only in the micro enterprises category. PVBs, on the other hand, fulfilled their target only for micro enterprises (Table IV.18). After growing at only 1.3 per cent in 2020-21, the amount outstanding under

Table IV.18: Priority Sector Lending by Banks

(As on March 31, 2022)

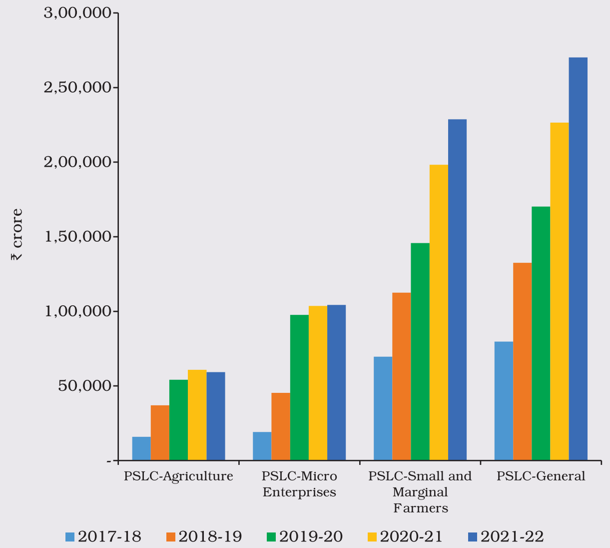
(Amount in ₹ crore)

Item	Target/ sub-target (per cent of ANBC/ CEOBE)	Public Sector Banks		Private Sector Banks		Foreign Banks^		Small Finance Banks		Scheduled Commercial 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	Amount outstanding	Per cent of ANBC/ CEOBE
1	2	3	4	5	6	7	8	9	10	11	12
Total Priority Sector Advances	**40/75***	**2649179.95**	**42.90**	**1685805.56**	**43.71**	**208106.50**	**42.65**	**73505.52**	**85.08**	**4616597.54**	**43.52**
of which											
Total Agriculture	18.00	1182377.52	19.15	622339.14	16.14	48876.88	19.27	21361.96	24.73	1874955.50	18.07
Small and marginal farmers	9.00	648227.14	10.50	286829.08	7.44	26336.73	10.38	17274.46	20.00	978667.40	9.43
Non-corporate Individual Farmers#	12.73	924640.55	14.97	415711.15	10.78	33116.26	13.05	27619.46	31.97	1401087.42	13.51
Micro Enterprises	7.50	442596.73	7.17	318688.90	8.26	20524.93	8.09	23813.65	27.56	805624.21	7.77
Weaker Sections	11.00	827895.58	13.41	386742.30	10.03	30411.53	11.99	38345.20	44.38	1283394.62	12.37

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 was 75 per cent.
3. #: Target for non-corporate farmers is based on the system-wide average of the last three years' achievement. For FY 2021-22, the applicable system wide average figure was 12.73 percent.
4. ^: For foreign banks having less than 20 branches, only the total PSL target of 40 per cent is applicable.

Source: Priority Sector Returns submitted by banks.

Chart IV.28: Trading Volumes of PSLCs



Source: RBI.

operative kisan credit cards (KCCs) grew by 24.5 per cent during 2021-22, mainly contributed by the southern region – especially, Karnataka (Appendix Table IV.7).

IV.56 The total trading volume of the priority sector lending certificates (PSLCs) registered a growth of 12.43 per cent and stood at ₹6,62,389 crore in 2021-22. Amongst the four PSLC categories, the highest trading was observed in PSLC-General and PSLC-Small and Marginal Farmers (SF/MF) (Chart IV.28).

IV.57 In 2021-22, weighted average premiums (WAPs) increased across the board for all categories of PSLCs, except PSLC-A, with PSLC-SF/MF commanding the highest premium (Table IV.19).

IV.58 Although the share of priority sector loans in total loans increased marginally from 35.3 per cent in 2020-21 to 35.8 per cent in 2021-22, their share in total GNPAs increased from 40.4 per cent to 43.1 per cent, led by defaults in the agricultural sector. While SFBs extend 76 per cent of their loans to the priority sector, close to 88 per cent of their NPAs originate from this portfolio. On the other hand, a disproportionately lower share of NPAs resulted from the priority sector for PVBs (Table IV.20).

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

(Per cent)

PSLC Category	2018-19	2019-20	2020-21	2021-22	2021-22 (Apr-Sep)	2022-23 (Apr-Sep)
PSLC-Agriculture	0.79	1.17	1.55	1.37	2.00	0.88
PSLC-Micro Enterprises	0.57	0.44	0.88	0.95	2.03	0.60
PSLC-SF/MF	1.15	1.58	1.74	2.01	2.38	1.97
PSLC-General	0.31	0.35	0.46	0.6	0.85	0.22

Source: RBI.

5.4. Credit to Sensitive Sectors

IV.59 The real estate sector constituted 95 per cent of SCBs' lending to sensitive sectors at end-March 2022. As real estate market activity gained traction after a lull during the COVID period, lending to it also picked up, led by PVBs (Chart IV.29a). PSBs' lending to capital market, which was subdued since 2017-18, picked up during the year, partly reflecting the buoyant equity market (Chart IV.29b and Appendix Table IV.8).

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

(Amount in ₹ crore)

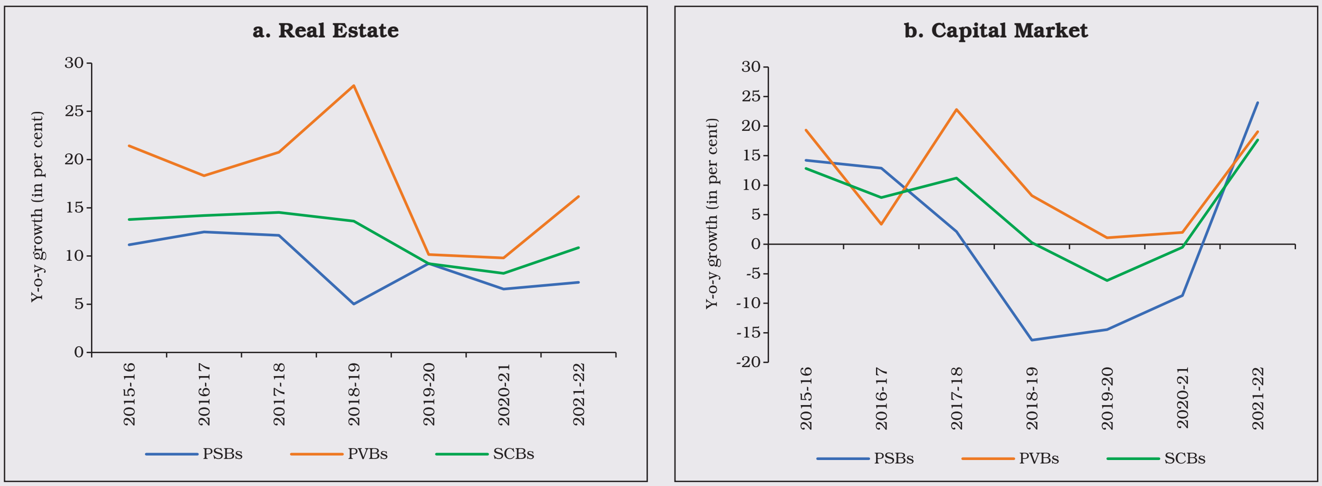
Bank Group	Priority Sector		*Of which*						Non-priority Sector		Total NPAs	
			Agriculture		Micro and Small Enterprises		Others					
	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
PSBs												
2021	2,57,858	44.69	1,14,911	19.92	1,01,786	17.64	41,161	7.13	3,19,116	55.31	5,76,974	100.00
2022	2,43,283	47.94	1,10,649	21.80	96,231	18.96	36,403	7.17	2,64,225	52.06	5,07,508	100.00
PVBs												
2021	50,557	27.04	18,900	10.11	23,473	12.56	8,184	4.38	1,36,384	72.96	1,86,941	100.00
2022	48,588	28.71	20,863	12.33	17,799	10.52	9,926	5.86	1,20,676	71.29	1,69,264	100.00
FBs												
2021	1,802	17.67	329	3.23	1,194	11.70	279	2.74	8,397	82.33	10,199	100.00
2022	2,555	18.53	481	3.49	1,638	11.88	436	3.16	11,231	81.47	13,786	100.00
SFBs												
2021	4,974	83.31	1,510	25.28	2,049	34.32	1,415	23.70	996	16.69	5,971	100.00
2022	6,111	87.48	1,999	28.62	2,024	28.98	2,087	29.88	874	12.52	6,985	100.00
All SCBs												
2021	3,15,192	40.40	1,35,650	17.39	1,28,502	16.47	51,039	6.54	4,64,893	59.60	7,80,085	100.00
2022	3,00,537	43.09	1,33,993	19.21	1,17,692	16.87	48,852	7.00	3,97,006	56.91	6,97,543	100.00

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

5.5. Unsecured lending

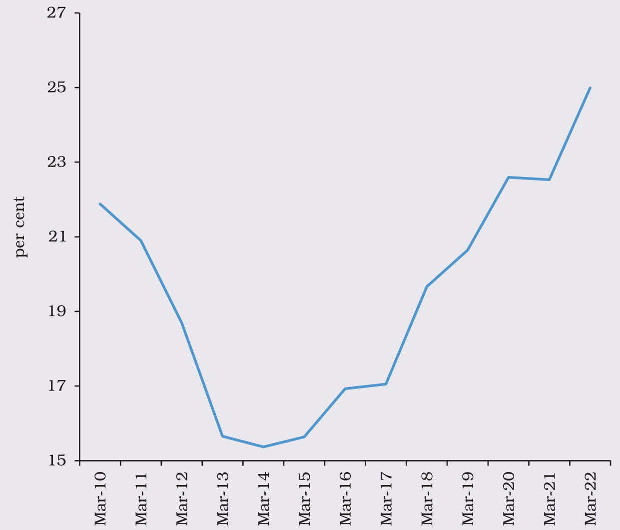
IV.60 Unsecured lending — characterised by lack of collateral — presents a higher credit risk for banks, attracting greater provisions and risk weights. The share of unsecured credit in total credit has been increasing since 2015, largely

Chart IV.29: Exposure to Sensitive Sectors



Source: Annual accounts of respective banks.

Chart IV.30: Share of Unsecured Advances



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

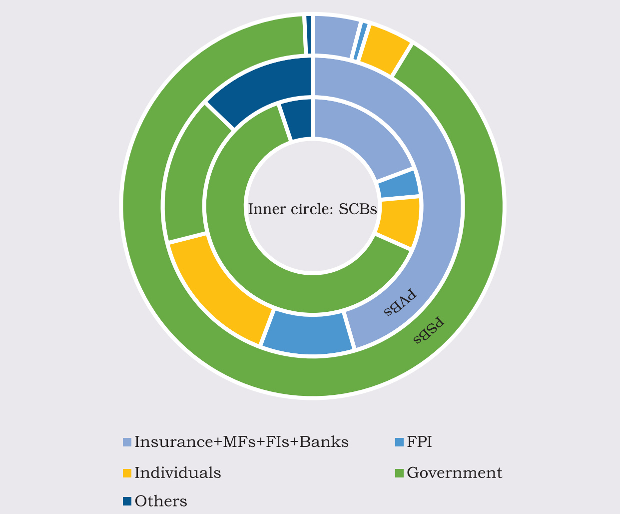
due to the higher interest earnings of banks from such loans (Chart IV.30).

6. Ownership Pattern in Commercial Banks[12]

IV.61 The ownership pattern of PSBs and PVBs has been documented as an important idiosyncratic factor influencing their operations (Chavan and Gambacorta, 2016)[13]. PVBs have a more diversified ownership as compared with their public sector counterparts (Chart IV.31).

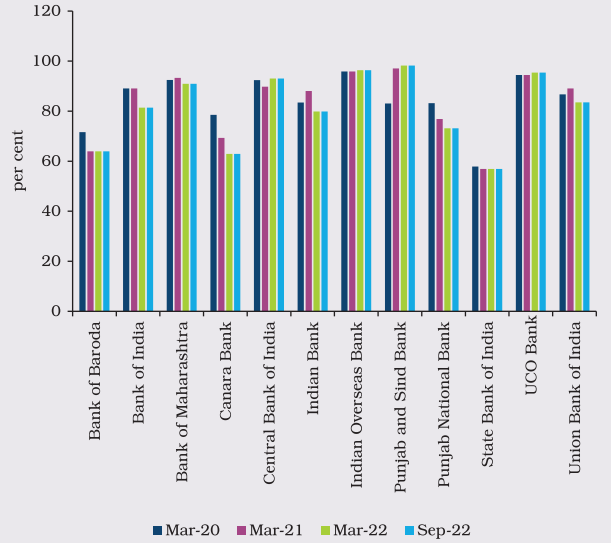
IV.62 The government's shareholding in PSBs declined during 2021-22 due to fresh equity issuances by Bank of India, Bank of Maharashtra, Canara Bank, Indian Bank, Punjab National Bank and Union Bank of India (Chart IV.32). Non-residents' shareholding was within the limits of 74 per cent for PVBs, LABs and SFBs, and 20 per cent for PSBs (Appendix Table IV.9).

Chart IV.31: Bank Group-wise Ownership pattern
(At end-March 2022)



Source: RBI.

Chart IV.32: Government's Shareholding in PSBs



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

12 Source: The shareholding data have been sourced from the NSE website as on March 31, 2022.

13 Chavan, Pallavi & Gambacorta, Leonardo. (2016). Bank lending and loan quality: The case of India. BIS Working Paper.

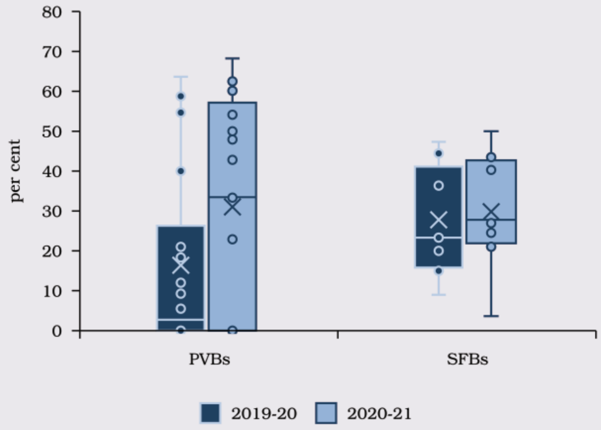
7. Corporate Governance

IV.63 Failures and weaknesses in corporate governance, especially in large financial institutions, was one of the important factors that contributed to the global financial crisis. Employees were often rewarded for increasing short-term profit without adequate recognition of the risks and long-term consequences. Compensation has, therefore, been at the centre stage of regulatory reforms.

7.1. Executive Compensation

IV.64 The revised guidelines[14] on compensation require the target variable pay (VP) component of the total pay to be in the range of 50 per cent to 75 per cent and the cash component of target VP to be between 33 per cent and 50 per cent[15]. Incidentally, actual VP[16] for PVBs increased from 16 per cent of total remuneration (TR) at end-March 2020 to 31 per cent at end-March 2021. For SFBs, on the other hand, it has remained constant at around 25 per cent during the same period (Chart IV.33). For PVBs, the share of the cash component of VP reduced from 31 per cent at end-March 2020 to 22 per cent at end-March 2021 and for SFBs from 65 per cent to 59 per cent during the same period. The guidelines also require that a minimum of 60 per cent of the total VP must invariably be under deferral arrangements. In line with these revised guidelines, the deferred component of the performance linked pay of the MD and CEO increased from 41 per cent to 82 per cent for PVBs and from 22 per cent to 65 per cent for SFBs.

Chart IV.33: Share of Variable Pay in Total Remuneration



Note: The whiskers of the boxplots are indicative of maximum and minimum share of variable pay in total remuneration. The coloured box shows distance between first quantile and third quantile. Horizontal line in each box shows the median while 'X' shows the mean.
Source: RBI.

IV.65 The remuneration paid to the MD and CEO of a bank in comparison to the average employee pay varies across bank groups. At end-March 2021, for PVBs, on an average, CEOs earned 73 times the average employee remuneration, while in SFBs, CEOs earned 76 times the average employee. This was much higher than any of the PSBs, where on an average, CEOs earned 2.2 times the average employee remuneration (Chart IV.34).

7.2. Composition of Boards

IV.66 The presence of independent directors on the board is considered necessary for objective decision making and for protecting interests of minority shareholders. Instructions on corporate governance issued by the Reserve Bank on April 26, 2021[17] mandate *inter alia* that at least half of the directors attending the meetings of the board

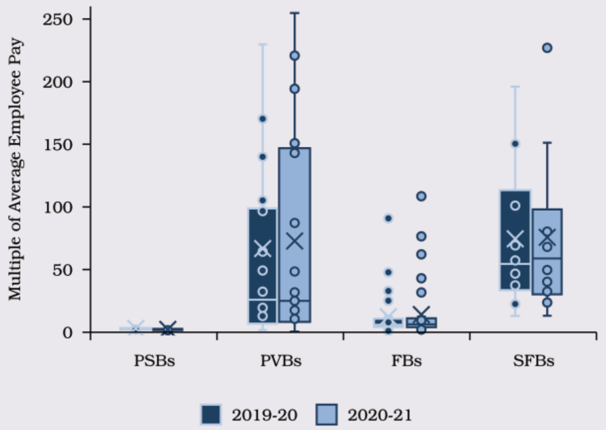
[14] Guidelines on compensation of whole time directors/ chief executive officers/material risk takers and control function staff issued on November 4, 2019, became effective for the pay cycles beginning from/after April 01, 2020.

[15] In case the VP is up to 200 per cent of the fixed pay, a minimum of 50 per cent of the VP should be *via* non-cash instruments and in case the VP is above 200 per cent, the same should be a minimum of 67 per cent of the VP.

[16] VP used here is the actual amount paid by the bank.

[17] Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board

Chart IV.34: CEO Pay *vis-à-vis* Average Employee Pay



Note: The whiskers of the boxplots are indicative of maximum and minimum share of variable pay in total remuneration. The coloured box shows distance between first quantile and third quantile. Horizontal line in each box shows the median while 'X' shows the mean. The points outside the whiskers represent outliers.
Source: RBI.

shall be independent directors. The proportion of independent directors on the board of PVBs increased from 59 per cent at end-March 2021 to 63 per cent at end-March 2022. Similarly, the proportion of independent directors in the Risk Management Committee of the Board (RMCB) and Nomination and Remuneration Committee (NRC) also increased (Table IV.21).

IV.67 As per the Reserve Bank's directions, the board is required to constitute an RMCB with a majority of non-executive directors (NED). The chair of the board may be a member of the RMCB only if he / she has the requisite risk management expertise. The proportion of PVBs where the chair is not a member of the RMCB increased from 29 per cent at end-March 2021 to 39 per cent at end-March 2022. In SFBs, the proportion increased from 40 per cent to 50 per cent during the same period. Around 10 per cent of the PVBs at end-March 2021 did not have any management presence[18] in the RMCB and the proportion remained unchanged at end-March 2022. For SFBs, however, there was a marginal increase from 30 per cent to 33 per cent.

Table IV.21: Independent Directors on Various Committees of the Board
(At end-March)

(Share in per cent)

	RMCB		NRC		Audit Committee of the Board (ACB)	
	2021	2022	2021	2022	2021	2022
PVBs	58	65	76	80	79	76
SFBs	69	74	77	83	80	83

Source: RBI.

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

IV.68 During 2021-22, the number of foreign banks (FBs) operating in the country remained unchanged; however, the number of branches decreased (Table IV.22). PSBs reduced their overseas presence so as to rationalise their operations and improve cost efficiency by shutting down less profitable operations. Indian PVBs, however, increased their overseas presence by opening more representative offices during the year (Appendix Table IV.10).

Table IV.22: Operations of Foreign Banks in India

	Foreign banks operating through branches		Foreign banks having representative offices
	No. of Banks	Branches	
Mar-17	44	295	39
Mar-18	45	286	40
Mar-19	45#	299*	37
Mar-20	46#	308*	37
Mar-21	45#	874*	36
Mar-22	45#	861*	34

Notes: 1. #: Includes two foreign banks, namely SBM Bank (India) Limited and DBS Bank India Limited, which are operating through Wholly Owned Subsidiary (WOS) mode.
2. *: Includes branches of SBM Bank (India) Limited and DBS Bank India Limited (including branches of amalgamated entity *i.e.*, Lakshmi Vilas Bank as on March 2021) operating through Wholly Owned Subsidiary (WOS) mode.
Source: RBI.

[18] Presence of whole time directors (WTDs) including MD & CEO.

9. Payment Systems and Scheduled Commercial Banks

IV.69 The payments landscape across the world is evolving at a rapid pace, with the introduction of various innovative payment systems and instruments. The Indian payments ecosystem has emerged as a world leader with the availability of a plethora of payment systems, platforms, payment products and services catering to the various needs of consumers. This has been supported by the launch and acceptance of new modes of payment in the retail payment segment.

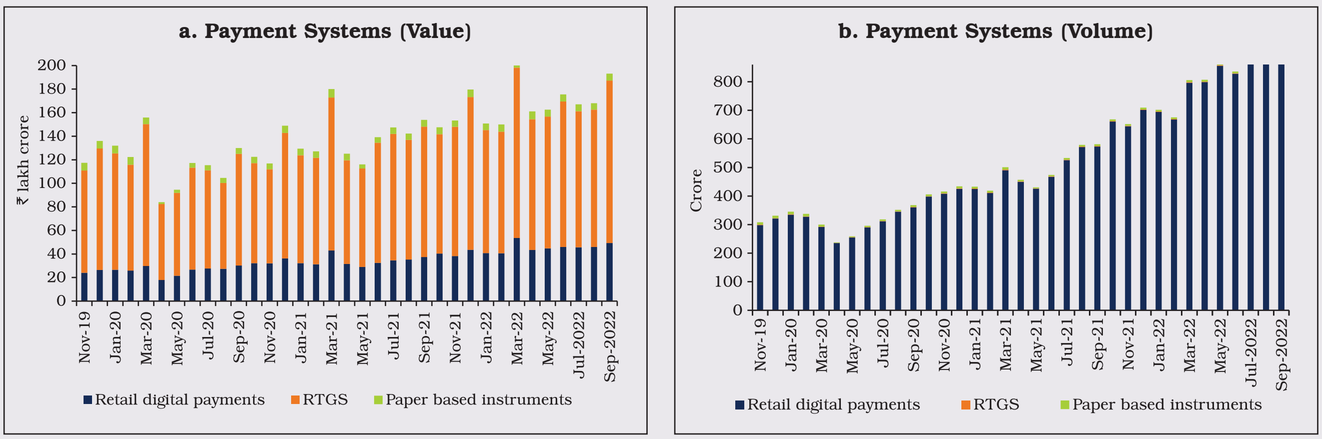
IV.70 An exercise to benchmark India's payment systems was undertaken in 2019 to ascertain its strengths and shortcomings and a follow-on exercise was conducted in 2022. The latest assessment showed that despite some challenges, the growth of Indian payment systems remained robust during the COVID-19 pandemic. India was categorised as 'leader' in 16 out of 40 indicators when compared with 20 other jurisdictions. Since the last exercise, India demonstrated progress in large value payment systems, fast payment systems, digital payment options available for bill payments, available channels for cross-border remittances and decline in cheque usage. The exercise highlighted that there is a scope for improvement in acceptance infrastructure *i.e.* ATMs and point of sale (PoS) terminals. The Payment Infrastructure Development Fund scheme was operationalised in 2021 to enhance the acceptance infrastructure and bridge the gap.

9.1. Digital Payments

IV.71 Digital modes of payments have grown by leaps and bounds over the last few years. As a result, conventional paper-based instruments such as cheques and demand drafts now constitute a negligible share in both volume and value of payments (Chart IV.35).

IV.72 The COVID-19 related lockdowns and restrictions on public movement, coupled with the sharp contraction in GDP, had an adverse impact on the growth of both value and volume of payment instruments in 2020-21. The volume of total payments accelerated by 63.8 per cent during 2021-22 from 26.6 per cent in 2020-21,

Chart IV.35: Components of Payment Systems



Note: Retail digital payments include NEFT, IMPS, UPI, NACH, BHIM Aadhar Pay, AePS fund transfer, NETC, card payments and prepaid payment instruments.
Source: RBI.

Table IV.23: Payment Systems Indicators

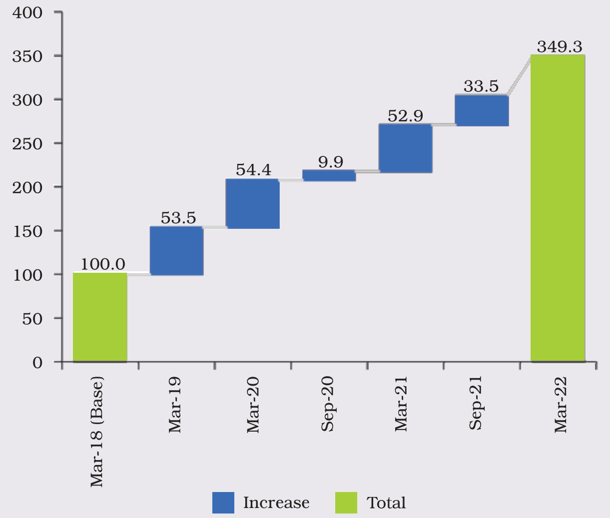
Item	Volume (Lakh)			Value (₹ Crore)		
	2019-20	2020-21	2021-22	2019-20	2020-21	2021-22
1. Large Value Credit Transfers – RTGS	1,507	1,592	2,078	13,11,56,475	10,55,99,849	12,86,57,516
2. Credit Transfers	2,06,297	3,17,868	5,77,935	2,85,56,593	3,35,04,226	4,27,28,006
2.1 AePS (Fund Transfers)	10	11	10	469	623	575
2.2 APBS	16,747	14,373	12,573	99,048	1,11,001	1,33,345
2.3 ECS Cr	18.3	0	0	5,146	0	0
2.4 IMPS	25,792	32,783	46,625	23,37,541	29,41,500	41,71,037
2.5 NACH	11,100	16,465	18,758	10,37,079	12,16,535	12,81,685
2.6 NEFT	27,445	30,928	40,407	2,29,45,580	2,51,30,910	2,87,25,463
2.7 UPI	1,25,186	2,23,307	4,59,561	21,31,730	41,03,658	84,15,900
3. Debit Transfers and Direct Debits	6,027	10,457	12,189	6,05,939	8,65,520	10,34,444
3.1 BHIM Aadhaar Pay	91	161	228	1,303	2,580	6,113
3.2 ECS Dr	1.14	0	0	38.607	0	0
3.3 NACH	5,842	9,646	10,755	6,04,397	8,62,027	10,26,641
3.4 NETC	93	650	1,207	200	913	1,689
4. Card Payments	72,384	57,787	61,783	14,34,813	12,91,799	17,01,851
4.1 Credit Cards	21,773	17,641	22,399	7,30,894	6,30,414	9,71,638
4.2 Debit Cards	50,611	40,146	39,384	7,03,920	6,61,385	7,30,213
5. Prepaid Payment Instruments	53,941	49,366	65,783	2,14,860	1,97,095	2,79,416
6. Paper-based Instruments	10,414	6,704	6,999	78,24,822	56,27,108	66,50,333
Total Digital Payments (1+2+3+4+5)	**3,40,155**	**4,37,068**	**7,19,768**	**16,19,68,681**	**14,14,58,488**	**17,44,01,233**
Total Retail Payments (2+3+4+5+6)	**3,49,063**	**4,42,180**	**7,24,689**	**3,86,37,028**	**4,14,85,747**	**5,23,94,049**
Total Payments (1+2+3+4+5+6)	**3,50,570**	**4,43,772**	**7,26,767**	**16,97,93,503**	**14,70,85,596**	**18,10,51,565**

Source: RBI.

with 99 per cent of total payments being done through digital modes. In terms of value, total payments grew by 23.1 per cent, reflecting a pickup in economic activity (Table IV.23). Almost all the digital instruments have surpassed the levels seen at end-March 2020, however, RTGS transactions still lag behind.

IV.73 The Reserve Bank launched a composite Digital Payments Index (DPI) in January 2021 to effectively capture the extent of digitisation of payments across the country. The index is based on five broad parameters – payment enablers; payment infrastructure - demand side factors; payment infrastructure - supply side factors; payment performance; and consumer centricity, and is computed semi-annually with March 2018 as the base. The RBI-DPI score has demonstrated significant growth representing the rapid adoption and deepening of various digital payments modes across the country in recent years. The index grew by 29.1 per cent in March 2022 over the previous year (Chart IV.36).

Chart IV.36: RBI – Digital Payments Index



Source: RBI.

IV.74 The Bharat Bill Payment System (BBPS) is an interoperable platform for bill payments operated by National Payments Corporation of India Bharat Bill Pay Limited, guidelines for which were issued by the Reserve Bank in 2014. Users of BBPS enjoy benefits like standardised bill payment experience, centralised customer grievance redressal mechanism and prescribed customer convenience fee. The scope and coverage of BBPS initially covered five categories of billers *viz.*, direct to home (DTH), electricity, gas, telecom, and water. The scope was expanded subsequently to include all categories of billers that raise recurring bills as eligible participants on a voluntary basis. The BBPS ecosystem has grown from 168 billers and processing of 1.10 crore transactions for value ₹1,900 crore in September 2019 to 20,519 billers and processing of 9.49 crore transactions for value ₹16,585 crore in November 2022.

IV.75 At end-November 2022, 43 banks and 10 non-banks participated as Bharat Bill Payment Operating Units (BBPOUs). In May 2022, the minimum net worth requirement for non-bank BBPOUs was reduced from ₹100 crore to ₹25 crore to increase their participation and to align their net worth requirement with that of other non–bank participants in payment systems that handle customer funds and have a similar risk profile.

9.2. ATMs

IV.76 At end-March 2022, PSBs and PVBs accounted for 63 per cent and 35 per cent share, respectively, in total ATMs deployed by all SCBs. PVBs as also WLAs spurred the growth of on-site as well as off-site ATMs (Table IV.24 and Appendix Table IV.11).

IV.77 At end-March 2022, the share of ATMs in rural areas lagged behind other geographies. While ATMs of PSBs are more evenly distributed, those of other bank groups are skewed towards urban and metropolitan areas (Table IV.25).

Table IV.24: Number of ATMs
(At end-March)

Sr. No.	Bank Group	On-Site ATMs		Off-site ATMs		Total Number of ATMs	
		2021	2022	2021	2022	2021 (3+5)	2022 (4+6)
1	2	3	4	5	6	7	8
I	PSBs	78,007	78,540	59,106	59,516	1,37,113	1,38,056
II	PVBs	35,282	38,254	38,087	37,289	73,369	75,543
III	FBs	236	716	614	1,081	850	1,797
IV	SFBs*	2,079	2,237	52	25	2,131	2,262
V	PBs#	1	1	111	70	112	71
VI	WLAs	0	0	25,013	31,499	25,013	31,499
VII	All SCBs (I to V)	1,15,605	1,19,748	97,970	97,981	2,13,575	2,17,729
VIII	Total (VI+VII)	1,15,605	1,19,748	1,22,983	1,29,480	2,38,588	2,49,228

Notes: 1. *: 10 scheduled SFBs at end-March 2021 and 12 at end-March 2022.
2. #: 6 scheduled PBs at end-March 2021 and at end-March 2022.
Source: RBI.

Table IV.25: Geographical Distribution of ATMs: Bank Group-wise@
(At end-March 2022)

Bank group	Rural	Semi - Urban	Urban	Metro-politan	Total
1	2	3	4	5	6
I. Public Sector Banks	29,252 (21.19)	39,812 (28.84)	35,103 (25.43)	33,889 (24.55)	1,38,056 (100)
II. Private Sector Banks	6,415 (8.49)	19,328 (25.58)	18,897 (25.01)	30,903 (40.90)	75,543 (100)
III. Foreign Banks	136 (7.57)	373 (20.76)	450 (25.04)	838 (46.63)	1,797 (100)
IV. Small Finance Banks*	217 (9.59)	740 (32.71)	722 (31.92)	583 (25.77)	2,262 (100)
V. Payments Banks#	9 (12.68)	14 (19.72)	27 (38.03)	21 (29.58)	71 (100)
All SCBs (I to V)	36,029 (16.55)	60,267 (27.68)	55,199 (25.35)	66,234 (30.42)	2,17,729 (100)
All SCBs (y-o-y growth)	4.39	2.83	-7.59	9.50	1.94
WLAs	16,410 (52.09)	10,234 (32.48)	3,150 (10.00)	1,705 (5.41)	31,499 (100)
WLAs (y-o-y growth)	24.44	25.38	37.19	24.63	25.93

Notes: 1. Figures in parentheses indicate percentage share of total ATMs under each bank group.
2. *: 10 scheduled SFBs at end-March 2021 and 12 at end-March 2022.
3. #: 6 scheduled PBs at end-March 2021 and at end-March 2022.
4. @: Data includes number of ATMs and Cash Recycling Machines (CRMs).

Source: RBI.

10. Consumer Protection

IV.78 The Reserve Bank has been taking various policy initiatives to improve the grievance redressal mechanism for resolving customer complaints against its REs. With effect from November 12, 2021, the Reserve Bank's Ombudsman framework was restructured with a 'One Nation One Ombudsman' approach and provides cost free centralised redressal of customer complaints while doing away with jurisdictional limitations. This is supplemented by Centralised Receipt and Processing Centre (CRPC) and Contact Centre (CC).

IV.79 During the year 2021-22, 4,18,184 complaints were received by the Reserve Bank's Ombudsmen, an increase of 9.4 per cent[19] year-on-year. Close to 98 per cent of complaints were redressed/ disposed and closed as on March 31, 2022. Complaints against REs not covered under the RB-IOS are dealt with by Consumer Education and Protection Cells (CEPCs) across 30 offices of the Reserve Bank. 45,106 complaints were received at CEPCs during the year. The disposal rate[20] of CEPCs stood at 98.5 per cent as on March 31, 2022.

IV.80 In order to gauge the effectiveness of the functioning of the RB-IOS, including CRPC and CC, the Reserve Bank conducted a pan-India customer satisfaction survey through telephonic interviews. The survey covered more than 4,000 respondents from across the country. More than 60 per cent respondents who had lodged a complaint under both mechanisms *viz.*, one of the erstwhile ombudsman schemes and the current RB-IOS, felt that the overall process under the latter had improved in the first six months of the operationalisation of the scheme.

IV.81 The structural changes in the Ombudsman framework make the year-on-year trend in inflow and disposal of complaints at RBIOs non-comparable. However, grievances pertaining to ATM/debit cards, mobile/electronic banking, non-observance of fair practices code and credit cards were the highest in 2021-22 and contributed 51.5 per cent of the total complaints (Table IV.26).

[19] 3,82,292 complaints received in 2020-21 including complaints received under Banking Ombudsman Scheme, Ombudsman Scheme for NBFCs and Ombudsman Scheme for Digital Transactions.

[20] The disposal rate is computed as: [(complaints disposed during the year) ÷ (opening complaints +receipt of complaints during the year)].

Table IV.26: Nature of Complaints at RBIOs

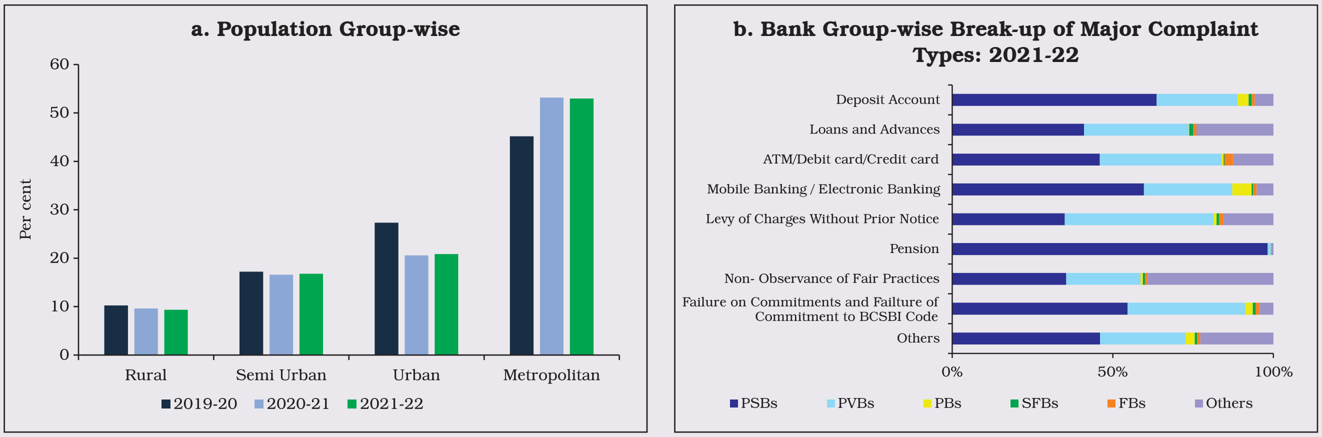
Categories	2019-20	2020-21	2021-22#
ATM/ Debit Cards	69,205	60,203	41,375
Mobile / Electronic Banking	39,627	44,385	40,597
Non-observance of Fair Practice Code	40,124	33,898	37,880
Credit Cards	26,616	40,721	34,828
Loans and Advances	14,731	20,218	30,734
Failure to Meet Commitments	22,758	35,999	22,031
Deposit Accounts	10,188	8,580	16,707
Levy of Charges without Prior Notice	17,268	20,949	14,516
Pension Payments	6,884	4,966	6,179
Non-adherence to BCSBI Codes	11,758	14,490	4,816
Remittances	4,130	3,394	3,235
DSAs and Recovery Agents	1,474	2,440	1,604
Para-Banking	1,134	1,236	1,480
Notes and Coins	551	332	296
Out of Purview of e-Ombudsman Schemes	9,412	10,250	7,363
Others	30,844	39,686	40,855
Total	**3,06,704**	**3,41,747**	**3,04,496***

Notes: 1. Year pertains to April to March of the respective year;
2. #: Out of the complaints assigned to ORBIOs;
3.*: Excludes 1,13,688 complaints handled at CRPC.
Source: RBI.

IV.82 The share of complaints emanating from urban and metropolitan areas accounted for 73.8 per cent of the total complaints received during 2021-22, indicating higher awareness levels in these areas regarding grievance redressal mechanism of the Reserve Bank (Chart IV.37a). 46 per cent of complaints related to levy of charges without prior notice were filed against PVBs, while 98.2 per cent of complaints related to pension were filed against PSBs – the traditional preference for pensioners (Chart IV.37b and Appendix Table IV.12).

IV.83 The deposit insurance system plays an important role in maintaining the stability of the financial system, particularly by safeguarding the interests of small depositors, thereby preserving public confidence. The deposit insurance extended by the Deposit Insurance and Credit Guarantee Corporation (DICGC) covers all commercial banks including LABs, PBs, SFBs, RRBs and co-operative banks. With the current limit of deposit insurance in India at ₹5 lakh, 97.9 per cent of total accounts were fully protected at end-March 2022, as against the international benchmark of 80 per cent. In terms of amount, 49.0 per cent of assessable deposits were covered by insurance, as against

Chart IV.37: Distribution of Complaints



Notes: 1. Data pertain to April to March.
2. Data on population group was not available for 162,126 complaints during 2021-22, *i.e.*, for 53 per cent of complaints. Hence, the available data has been extrapolated to all the complaints retaining the proportions from the available data.
Source: Various Offices of Banking Ombudsman.

Table IV.27: Bank Group-wise Insured Deposits
(At end-March 2022)

(Amount in ₹ crore)

Bank Group	No. of Insured Banks	Total Assessable Deposits (AD)*	Total Insured Deposits (ID)*	ID as percentage of AD
1	2	3	4	5
Public Sector Banks	12	92,53,975	50,05,209	54.1
Private Sector Banks**	39	49,66,447	19,20,359	38.7
Foreign Banks	45	8,00,107	86,728	10.8
Regional Rural Banks	43	4,92,966	4,08,744	82.9
Local Area Banks	2	981	750	76.4
Co-operative Banks	1,899	10,35,154	6,88,642	66.5
Total	**2,040**	**1,65,49,630**	**81,10,431**	**49.0**

Notes: 1. *: Based on deposit base of September 2021 *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.

the international benchmark[21] of 20 to 30 per cent (Table IV.27).

IV.84 The DICGC builds up its Deposit Insurance Fund (DIF) through transfer of its surplus, *i.e.*, excess of income (mainly comprising premium received from insured banks, interest income from investments and cash recovery out of assets of failed banks) over expenditure (payment of claims of depositors and related expenses) each year, net of taxes. The fund is available for settlement of claims of depositors of banks taken into liquidation/amalgamation and stood at ₹1,46,842 crore as on March 31, 2022, yielding a reserve ratio (RR)[22] of 1.81 per cent.

IV.85 During 2021-22, the corporation settled aggregate claims of ₹8,516.6 crore[23] under different channels. This includes the main claims and supplementary claims in respect of 15 urban co-operative banks (UCBs) amounting to ₹1,225.0 crore under Section 17 (1) of the DICGC Act, 1961 and an amount of ₹3,791.6 crore provided to Unity Small Finance Bank (USFB) for making payment to the depositors of the erstwhile Punjab and Maharashtra Co-operative Bank Ltd (PMCBL). This also includes the claims settled of 22 UCBs under All Inclusive Directions (AID) amounting to ₹3,457.4 crore as on March 31, 2022.

IV.86 During 2021-22, the DICGC Act, 1961 was amended which facilitated disbursal of depositors' insured money for the banks placed under AID. The DICGC is now empowered to disburse to depositors of these banks a sum of up to ₹5 lakh each, within a period of 90 days. An insured bank is required to submit its claim within 45 days of imposition of AID after which the DICGC is required to get the claims verified within 30 days and pay the depositors within the next 15 days. There is no provision in the DICGC Act to extend the timelines fixed by the statute either for the insured bank or the DICGC. However, there have been instances of non-submission of depositors claim list by some UCBs within the statutory timeline of 45 days, thereby constraining the DICGC from making pay-outs to eligible depositors of such banks.

11. Financial Inclusion

IV.87 Financial inclusion has been an important policy endeavour with a view to promoting economic development and social well-being. While the implementation of the

[21] IADI (2013), Enhanced Guidance for Effective Deposit Insurance Systems: Deposit Insurance Coverage, Guidance Paper, March, available at www.iadi.org.

[22] Ratio of deposit insurance fund to insured deposits.

[23] Inclusive of main claims settled under the expeditious claims settlement policy of the Corporation for an amount of ₹42.6 crore in case of three co-operative banks.

Business Correspondent (BC) model and the Pradhan Mantri Jan Dhan Yojana (PMJDY) gave a strategic boost to these efforts, the National Strategy for Financial Inclusion (NSFI) 2019-2024 defines the vision and key objectives to help expand its reach and sustain the progress. The overarching goal is to provide access to formal financial services in an affordable manner, while promoting financial literacy and consumer protection.

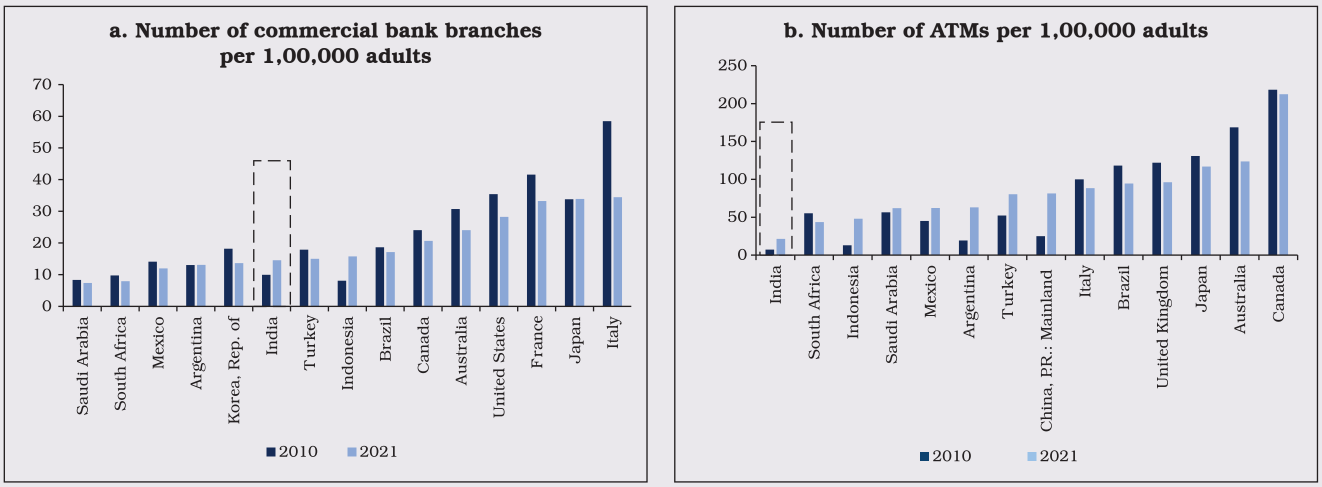
IV.88 In January 2020, the Reserve Bank set the target of having a banking outlet within a 5 km radius of every village or hamlet of 500 households in hilly areas. As on September 30, 2022 the milestone was fully achieved in 26 states and 7 union territories (UTs). The coverage of identified villages and hamlets across the country reached 99.97 per cent and only 40 villages were left to be covered in 2 states *viz.*, Chhattisgarh and Odisha and 1 UT *viz.*, Ladakh.

IV.89 The latest Financial Access Survey (FAS) of the IMF shows that the per capita availability of bank branches in India has increased in the last decade, despite fast paced digitisation. In contrast, digitisation has led to fewer bank branches all over the world (Chart IV.38a).

IV.90 Although India has the second largest number of ATMs deployed, the per capita availability remains low (Chart IV.38b). Facilities such as PoS terminals and micro-ATMs using Aadhaar enabled payment systems (AePS) help in bridging the gap.

IV.91 According to the World Bank's Global Findex Database, 78 per cent of Indian adults (population with 15 years or more of age) had a bank account in 2021, comparable to the world average. In 2021, while the gender gap[24] in account ownership across the world fell to 4 percentage points from 7 percentage points in 2014, this gender gap has been eliminated in India. On the other hand, the proportion of the adult population receiving wages in cash in India is still higher at 43 per cent than the developing

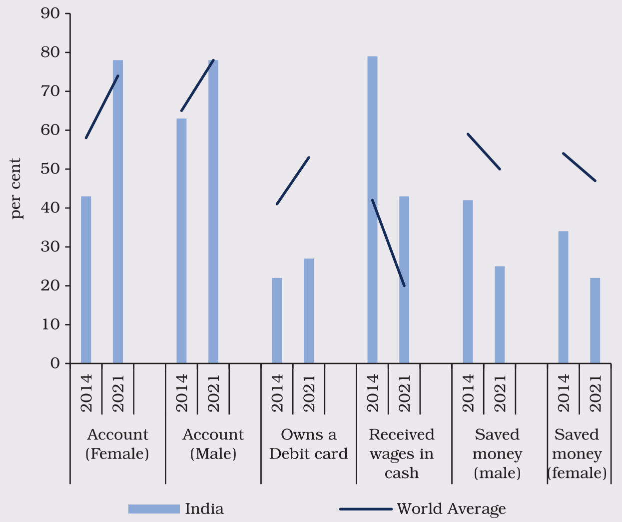
Chart IV.38: Progress in Financial Inclusion in G-20 countries



Source: Financial Access Survey, IMF.

[24] Gender gap relates to per cent of males holding a bank account minus per cent of females holding a bank account.

Chart IV.39: Financial Inclusion Indicators



Note: Data as per cent of population above 15 years of age.
Source: Global Findex Database, World Bank.

countries' average of 26 per cent and the world average of 20 per cent (Chart IV.39).

IV.92 Centres for Financial Literacy (CFLs) support financial education efforts in the country through innovative interventions and community participation. As on July 1, 2022 1,112 CFLs had been established, and 500 more centres are planned to be set up by December 2022.

IV.93 In addition, Financial Literacy Centres (FLCs) undertook 1,07,564 financial literacy programs during 2021-22 to disseminate financial education. A Financial Literacy Week was observed during February 14-18, 2022 on the theme "Go Digital, Go Secure".

11.1. Financial Inclusion Plans

IV.94 Banks have been advised to put in place Financial Inclusion Plans (FIPs) to ensure a systematic approach towards increasing the level of financial inclusion in a sustainable manner. The FIPs capture banks' achievements on various parameters like the number of banking outlets [branches and BCs], basic savings bank deposit accounts (BSBDAs), overdraft (OD) facilities availed in these accounts, transactions in Kisan Credit Cards (KCC) and General Credit Cards (GCCs) and transactions through Business Correspondents - Information and Communication Technology (BC-ICT) channel.

IV.95 The BCs model has gained traction in solving the last mile problem and reaching the grassroots at a faster rate and lower cost than traditional brick-and-mortar branches. BC outlets constitute 97.5 per cent of the total banking outlets in villages in 2021-22 even as branches have decreased. The BC-ICT model has gained popularity even in rural areas as evident from its increasing usage (Table IV.28).

IV.96 The state-wise distribution of fixed-point business correspondents (FBCs), however, remains uneven - more than 50 per cent of FBCs are located in Uttar Pradesh, Bihar, Maharashtra, West Bengal and Madhya Pradesh (Chart IV.40). Since March 2018, PBs have a dominant share in the total number of FBCs, with PVBs having a negligible presence (Chart IV.41).

11.2. Financial Inclusion Index

IV.97 The Reserve Bank has constructed a composite Financial Inclusion Index (FI-Index) to capture the extent of financial inclusion across the country. It has three sub-indices, *viz*. FI-access, FI-usage and FI-quality. The index incorporates granular data on banking, investments, insurance, postal as well as the pension sector collated from the government and sectoral regulators. The value of FI Index for March 2022 was 56.4 *vis-à-vis* 53.9 in March 2021, with growth across all sub-indices.

Table IV.28: Progress in Financial Inclusion Plan
(At end-March)

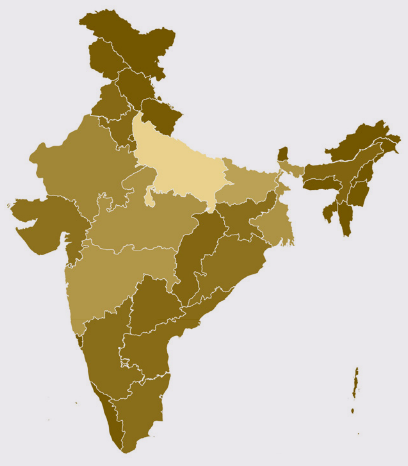
Sr No.	Particulars	2010	2015	2020	2021	2022*
1	Banking Outlets in Villages- Branches	33,378	49,571	54,561	55,112	53,287
2	Banking Outlets in Villages>2000-BCs	8,390	90,877	1,49,106	8,50,406	18,92,462^
3	Banking Outlets in Villages<2000-BCs	25,784	4,08,713	3,92,069	3,40,019	3,26,008
4	Total Banking Outlets in Villages – BCs	34,174	4,99,590	5,41,175	11,90,425	22,18,470^
5	Banking Outlets in Villages – Other Modes	142	4,552	3,481	2,542	2,479
6	Banking Outlets in Villages –Total	67,694	5,53,713	5,99,217	12,48,079	22,74,236^
7	Urban Locations Covered Through BCs	447	96,847	6,35,046	4,26,745	12,95,307^
8	BSBDA - Through Branches (No. in Lakh)	600	2,103	2,616	2,659	2,661
9	BSBDA - Through Branches (Amt. in Crore)	4,400	36,498	95,831	1,18,392	1,20,464
10	BSBDA - Through BCs (No. in Lakh)	130	1,878	3,388	3,796	4,015
11	BSBDA - Through BCs (Amt. in Crore)	1,100	7,457	72,581	87,623	1,07,415
12	BSBDA - Total (No. in Lakh)	735	3,981	6,004	6,455	6,677
13	BSBDA - Total (Amt. in Crore)	5,500	43,955	1,68,412	2,06,015	2,27,879
14	OD Facility Availed in BSBDAs (No. in Lakh)	2	76	64	60	68
15	OD Facility Availed in BSBDAs (Amt. in Crore)	10	1,991	529	534	731
16	KCC - Total (No. in Lakh)	240	426	475	466	473
17	KCC - Total (Amt. in Crore)	1,24,000	4,38,229	6,39,069	6,72,624	7,10,715
18	GCC - Total (No. in Lakh)	10	92	202	202	96
19	GCC - Total (Amt. in Crore)	3,500	131,160	1,94,048	1,55,826	1,70,203
20	ICT-A/Cs-BC-Total Transactions (No. in Lakh) #	270	4,770	32,318	30,551	28,533
21	ICT-A/Cs-BC-Total Transactions (Amt. in Crore) #	700	85,980	8,70,643	8,49,771	9,05,252

Notes: 1.*: Provisional.
2. #: Transactions during the financial year.
3. ^: There is a significant increase in data reported by few private sector banks.
Source: FIP returns submitted by public sector banks, private sector banks and regional rural banks.

11.3. Pradhan Mantri Jan Dhan Yojana

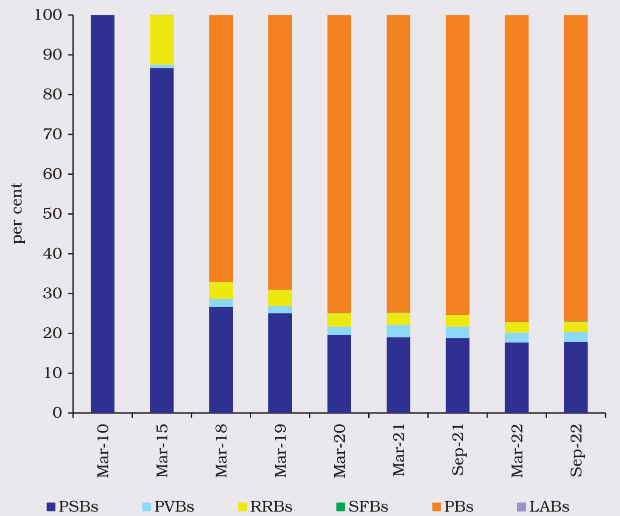
IV.98 The flagship financial inclusion program PMJDY aims at ensuring access to various financial services like availability of basic savings bank accounts, access to need-based credit, remittances, insurance and pension to

Chart IV.40: State-wise distribution of FBCs



Note: Lighter shades are associated with higher number of FBCs.
Source: Central Information System for Banking Infrastructure (CISBI), RBI.

Chart IV.41:Bank Group-wise Distribution of FBCs

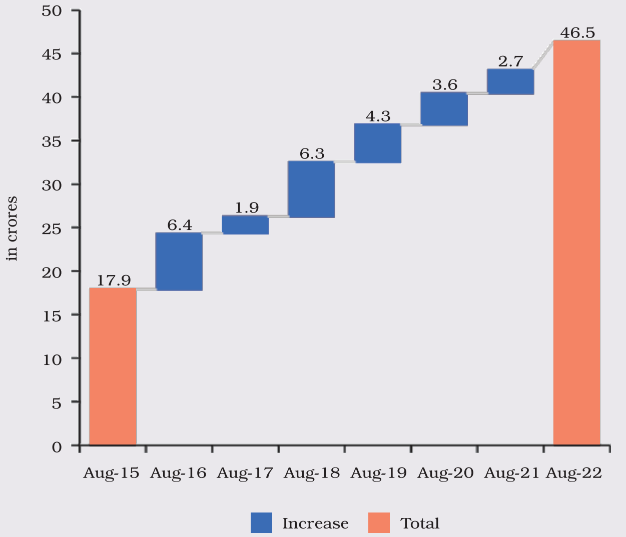


Source: Central Information System for Banking Infrastructure (CISBI), RBI.

the unbanked weaker sections and low-income groups through effective usage of technology. After a high growth phase in the initial years, the rate of accretion of new PMJDY accounts has slowed in recent years. This is an indication that the programme is nearing its intended aim of universal access to financial services (Chart IV.42).

IV.99 Over eight years of its operations, the total deposit balances under PMJDY have increased, with the average deposit per account having also grown (Chart IV.43a). At end-August 2022, 56 per cent of account holders were women and 67 per cent PMJDY accounts were in rural and semi urban areas (Chart IV.43b). As per extant guidelines, a PMJDY account is treated as inoperative if there are no customer-induced transactions in it for two years. By August 2022, out of a total of 46.25 crore PMJDY accounts, 81.2 per cent were operative, up from 76 per cent in 2017[25]. Only 8.2 per cent of PMJDY accounts were zero balance accounts.

Chart IV.42: Number of PMJDY Accounts



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

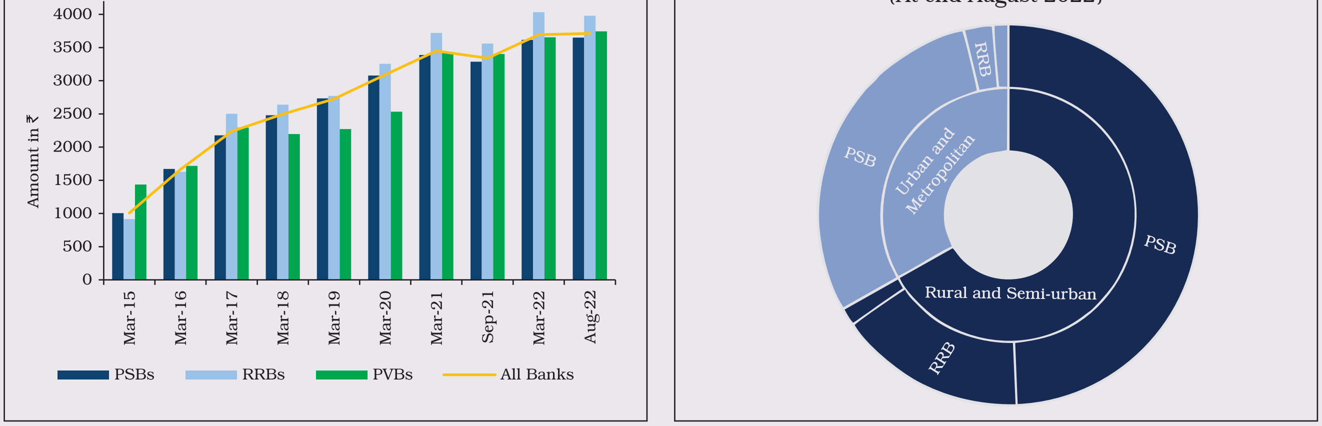
11.4. New Bank Branches by SCBs

IV.100 After declining for two consecutive years, new bank branches opened by SCBs increased by 4.6 per cent during 2021-22. The growth was led by new branches opened in Tier 4, Tier 5 and Tier 6 centres. Although the share of Tier 2 and

Chart IV.43: PMJDY Accounts Distribution and Average Balance

a. Average Balance in PMJDY Accounts

b. Distribution of PMJDY Accounts
(At end-August 2022)



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

[25] Source: https://pib.gov.in/PressReleasePage.aspx?PRID=1854909

Table IV.29: Tier-wise Break-up of Newly Opened Bank Branches by SCBs

Centre	2018-19	2019-20	2020-21	2021-22
Tier 1	2,194 (47.4)	2,279 (52.4)	1,541 (49.9)	1,543 (47.7)
Tier 2	519 (11.2)	367 (8.4)	279 (9.0)	235 (7.3)
Tier 3	712 (15.4)	570 (13.1)	481 (15.6)	426 (13.2)
Tier 4	363 (7.8)	355 (8.1)	262 (8.5)	293 (9.1)
Tier 5	373 (8.1)	282 (6.5)	178 (5.7)	226 (7.0)
Tier 6	465 (10.1)	500 (11.5)	348 (11.3)	509 (15.7)
Total	**4,626 (100.0)**	**4,353 (100.0)**	**3,089 (100.0)**	**3,232 (100.0)**

Notes: 1. Figures in the parentheses represent proportion of the branches opened in a particular area *vis-à-vis* the total.

2. 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.

3. Data exclude 'Administrative Offices'.

4. All population figures are as per census 2011.

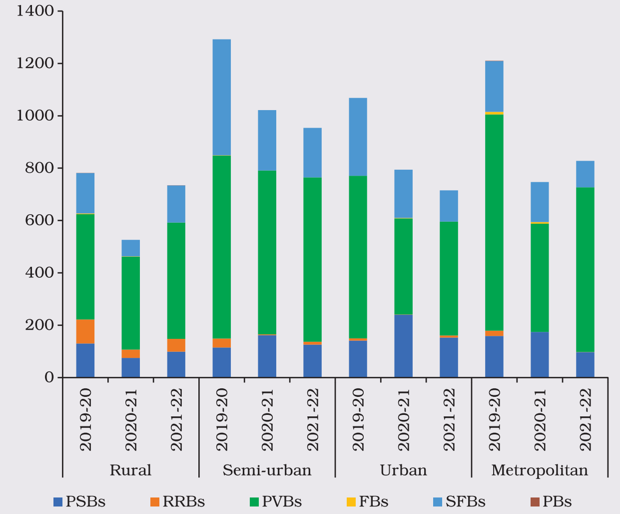
5. All the scheduled banks as on December 01, 2022, are considered for collating the data from 2018-19 onwards.

Source: CISBI, RBI. CISBI data is dynamic in nature and is updated based on information received from banks.

Tier 3 centres in new branches declined in 2021-22 from a year ago, more than half of the new branches opened during the year were in Tier 1 and Tier 3 centres (Table IV.29).

IV.101 During 2021-22, new branches opened by PVBs increased by 21.2 per cent as compared to a decline of 30.8 per cent in the previous year. Although PVBs opened new branches across all population groups, the increase was the sharpest in metropolitan areas. PSBs, on the other hand, opened fewer new branches in 2021-22. The share of rural areas in newly opened bank branches by PSBs, however, increased to 20.8 per cent in 2021-22 from 11.5 per cent in 2020-21, while the combined share of urban and metropolitan areas declined from 63.6 per cent to 52.6 per cent in the same period (Chart IV.44).

Chart IV.44: Distribution of Newly Opened Bank Branches of SCBs

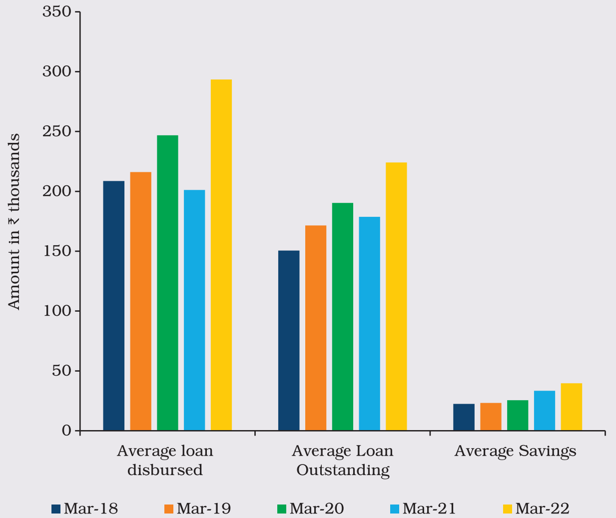


Source: CISBI, RBI.

11.5. *Microfinance Programme*

IV.102 The Self-Help Group - Bank linkage programme (SHG-BLP), which aims at extending formal credit facilities to the poor, has emerged as the world's largest micro-finance movement. During 2021-22, close to 34 lakh SHGs availed loans from banks. The average size of loan disbursed during the year as well as that of loan outstanding had declined at end-March 2021 reflecting COVID-19 related disturbances. This revived by end-March 2022 and surpassed end-March 2019 levels (Chart IV.45). The southern region (36 per cent) had the highest share of savings linked SHGs during 2021-22, followed by the eastern region (27.4 per cent) and the western region (11.4 per cent) (Appendix Table IV.13). The NPA ratio of SHGs decreased to 3.80 per cent in 2021-22 from 4.73 per cent in 2020-21.

Chart IV.45: SHGs - Average Loan Disbursed, Average Loan Outstanding and Average Savings of SHGs



Source: NABARD.

IV.103 Joint Liability Groups (JLGs) are a vehicle of strategic intervention for augmenting the flow of collateral free credit to landless farmers cultivating land as tenant farmers, oral lessees, sharecroppers and small/marginal farmers and other poor individuals taking up farm, off farm and non-farm activities. To boost JLG financing by banks, NABARD introduced a business model in 2017, whereby banks (PSBs, RRBs and co-operative banks) execute an MoU with NABARD for financing JLGs on terms and conditions as specified in the MoU. During 2021-22, keeping in view the increased participation under JLG financing, grant assistance under the Business Model Scheme was extended to SFBs and scheduled PVBs. Under the scheme, grant support towards JLG formation and linkage is assured from NABARD. During 2021-22, loans disbursed by banks to JLGs increased by 93.4 per cent as compared to a decline of 29.8 per cent a year ago. In terms of cumulative JLGs promoted as on 31 March 2022, the southern states recorded the highest growth of 49 per cent, followed by the western states at 48 per cent.

11.6. *Trade Receivables Discounting System (TReDS)*

IV.104 TReDS is an electronic platform to help MSMEs in managing their working capital needs by facilitating the financing / discounting of trade receivables through multiple financiers. These receivables can be due from corporates and other buyers, including government departments and public sector undertakings (PSUs). TReDS was introduced by the Reserve Bank in 2014, and three platforms were granted licenses to operate in 2017. During 2021-22, the number of invoices uploaded and financed through the platform more than doubled and the success rate[26] improved to 94.7 per cent from 91.3 per cent a year earlier (Table IV.30).

11.7. Regional Banking Penetration

IV.105 At end-March 2022, due to concentration of bank branches in the western, southern and northern regions, the population served by each branch in other regions was comparatively higher. There was less variation across southern states than eastern and north-eastern states (Chart IV.46).

Table IV.30: Progress in MSME Financing through TReDS

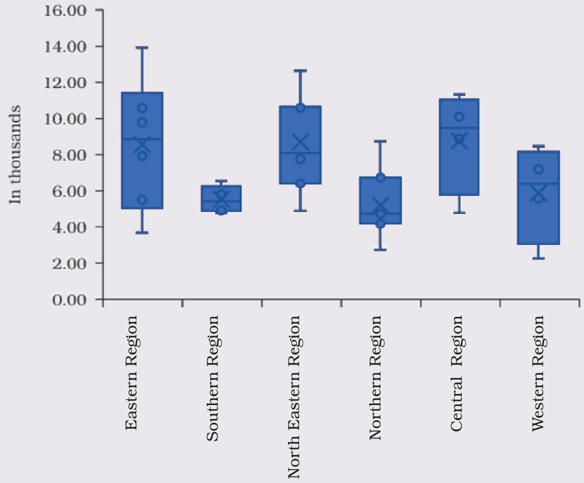
(Invoices in number, amount in ₹ crore)

Financial Year	Invoices Uploaded		Invoices Financed	
	Invoices	Amount	Invoices	Amount
2018-19	251,695	6,699.57	232,098	5,854.48
2019-20	530,077	13,088.27	477,969	11,165.86
2020-21	861,560	19,669.84	786,555	17,080.14
2021-22	1,733,553	44,111.80	1,640,824	40,308.59

Source: RBI.

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

Chart IV.46: Region-wise Average Population Per Bank Branch
(At end-March 2022)



Source: RBI and Ministry of Statistics and Program Implementation (MoSPI).

12. Regional Rural Banks

IV.106 At end-March 2022, there were 43 RRBs sponsored by 12 SCBs, with 21,892 branches, and operations extending to 29.7 crore deposit accounts and 2.7 crore loan accounts in 26 States and 3 Union Territories (Puducherry, Jammu & Kashmir, Ladakh). 92 per cent of their branches were in rural/semi-urban areas. The southern region had the highest number of RRBs, followed by the eastern region (Appendix Table IV.14).

12.1. Balance Sheet Analysis

IV.107 During the past 46 years, all the stakeholders taken together (such as central government, state governments and sponsor banks) have infused capital of ₹8,393 crore in RRBs. In contrast, ₹10,890 crore is budgeted to be infused in RRBs during 2021-22 and 2022-23, with 50 per cent contribution from central government, 15 per cent from state governments and the rest from sponsor banks. The capital infusion is expected to help RRBs in greater adoption of technology, accompanied by operational and governance reforms. To this end, a Sustainable Viability Plan has been drawn up, aimed at credit expansion, business diversification, NPA reduction and cost rationalisation.

IV.108 For 2021-22, ₹8,168 crore was sanctioned as recapitalisation assistance for 22 RRBs. At end-March 2022, NABARD had released the central government's share of ₹3,197.29 crores to 21 RRBs after proportionate release of equivalent amount by sponsor banks and state governments.

IV.109 During the year, the growth in consolidated balance sheet of RRBs moderated on account of slowdown in the growth of loans and advances as well as investments on the asset side, and deposits and borrowings on the liabilities side. The deposit growth of RRBs was lower than that of SCBs. At end-March 2022, RRBs had the highest share of low cost CASA deposits (54.5 per cent of total deposits) amongst all categories of SCBs[27] (Table IV.31).

IV.110 RRBs are mandated to lend 75 per cent of their adjusted net bank credit (ANBC) of the previous year to the priority sector. During 2021-22, all except 2 RRBs overachieved their targets by lending over 90 per cent to the priority sector, of which close to 70 per cent

[27] PSBs had 43.8 per cent CASA share in total deposits, PVBs 47 per cent, SFBs 40.5 per cent and Foreign Banks 43.8 per cent.

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

(Amount in ₹ Crore)

Sr. No.	Item	At end-March 2021	At end-March 2022	Y-o-Y Growth (in per cent) 2020-21	Y-o-Y Growth (in per cent) 2021-22
1	2	3	4	5	6
1	Share Capital	8,393	14,880	6.9	77.3
2	Reserves	30,348	34,359	13.2	13.2
3	Deposits	5,25,226	5,62,538	9.7	7.1
	3.1 Current	11,499	12,042	7.0	4.7
	3.2 Savings	2,71,516	2,94,438	11.1	8.4
	3.3 Term	2,42,211	2,56,057	8.3	5.7
4	Borrowings	67,864	73,881	24.8	8.9
	4.1 from NABARD	61,588	67,054	33.5	8.9
	4.2 Sponsor Bank	3,444	3,879	-23.8	12.6
	4.3 Others	2,832	2,948	-24.6	4.1
5	Other Liabilities	19,754	19,742	-2.3	-0.1
	Total liabilities/Assets	**6,51,585**	**7,05,400**	**10.8**	**8.3**
6	Cash in Hand	2,954	3,119	3.3	5.6
7	Balances with RBI	18,947	22,174	13.2	17.0
8	Balances in current account	5,987	8,127	-21.4	35.8
9	Investments	2,75,658	2,95,665	9.9	7.3
10	Loans and Advances (net)	3,15,181	3,42,479	12.5	8.7
11	Fixed Assets	1,229	1,256	-0.5	2.2
12	Other Assets #	31,629	32,580	11.0	3.0
	12.1 Accumulated Losses	8,264	9,062	27.8	9.7

Notes: 1. #: Includes accumulated losses.
2. 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.

was to agriculture and 11.5 per cent to MSMEs (Table IV.32 and Appendix Table IV.15).

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

(Amount in ₹ Crore)

Sr. No.	Purpose/End-March	2021	2022
1	2	3	4
I	**Priority (i to v)**	**3,00,962**	**3,24,207**
	Per cent of total loans outstanding	90.1	89.4
	i Agriculture	2,33,145	2,52,890
	ii Micro small and medium enterprises	39,543	41,609
	iii Education	2,132	1,896
	vi Housing	21,127	22,020
	v Others	5,016	5,791
II	**Non-priority (i to vi)**	**33,209**	**38,631**
	Per cent of total loans outstanding	9.9	10.6
	i Agriculture	29	0
	ii Micro small and medium enterprises	434	35
	iii Education	92	139
	iv Housing	4,347	6,187
	v Personal Loans	8,311	10,088
	vi Others	19,996	22,181
Total (I+II)		**3,34,171**	**3,62,838**

Note: Totals may not tally on account of rounding off of figures in ₹ Crore.

Source: NABARD.

12.2. Financial Performance

IV.111 After two consecutive years of reporting losses in 2018-19 and 2019-20, RRBs turned around in 2020-21 and posted net profits, which improved further in 2021-22. Their CRAR also increased significantly (Table IV.33). During the year, the number of RRBs with CRAR less than the regulatory requirement of 9 per cent declined from 16 to 13 and those with negative CRAR declined from 8 to 3.

Table IV.33: Financial Performance of Regional Rural Banks

(Amount in ₹ crore)

Sr. No.	Item	Amount 2020-21	Amount 2021-22	Y-o-Y Change (in per cent) 2020-21	Y-o-Y Change (in per cent) 2021-22
1	2	3	4	5	6
A	**Income (i + ii)**	**53,858**	**56,585**	**8.9**	**5.1**
	i Interest income	46,803	48,048	7.1	2.7
	ii Other income	7,055	8,537	22.6	21.0
B	**Expenditure (i+ii+iii)**	**52,176**	**53,367**	**1.0**	**2.3**
	i Interest expended	25,588	24,817	-1.5	-3.0
	ii Operating expenses	20,201	21,295	0.6	5.4
	of which, Wage bill	15,799	16,338	7.8	3.4
	iii Provisions and contingencies	6,386	7,254	14.1	13.6
	of which, Income Tax	1,279	1,278	37.5	-0.1
C	**Profit**				
	i Operating profit	7,872	10,337	164.9	31.3
	ii Net profit	1,682	3,219	--	91.3
D	**Total Average Assets**	**6,17,305**	**6,66,532**	**11.1**	**8.0**
E	**Financial ratios #**				
	i Operating profit	1.3	1.6		
	ii Net profit	0.3	0.5		
	iii Income (a + b)	8.7	8.5		
	a) Interest income	7.6	7.2		
	b) Other income	1.1	1.3		
	iv Expenditure (a+b+c)	8.5	8.0		
	a) Interest expended	4.1	3.7		
	b) Operating expenses	3.3	3.2		
	of which Wage bill	2.6	2.5		
	c) Provisions and contingencies	1.0	1.1		
F	**Analytical Ratios (%)**				
	Gross NPA Ratio	9.4	9.1		
	CRAR	10.2	12.7		

Notes: 1. # Financial ratios are percentages with respect to average total assets.
2. --: RRBs turned profitable in 2020-21 from losses during the previous year.
3. Totals may not tally on account of rounding off of figures in ₹ Crore.
4. Provisions & Contingencies include Provision for Income Tax/ Income Tax paid.

Source: NABARD.

IV.112 During the year, interest income grew at a modest rate, but interest expenditure contracted, resulting in higher net interest income as well as net interest margin. The number of profit earning RRBs increased to 34 in 2021-22 from 30 in 2020-21 (Appendix Table IV.14).

12.3. Priority Sector Lending

IV.113 Since RRBs lend around 48 per cent of their total loans to small and marginal farmers (SF/MF), they are the major sellers in the PSLC-SF/MF category. As PSLC-SF/MF are traded at a premium in comparison to the PSLC-general category, RRBs oversell PSLCs under the former category and compensate for the same by purchasing PSLCs under the latter category to meet the overall PSL target of 75 per cent (Table IV.34)

IV.114 PSLCs have helped RRBs leverage their high PSL portfolio to augment miscellaneous income (Chart IV.47). Though RRBs account for just 3 per cent of the total bank credit of all SCBs, their share in total PSLC traded volume (issue and purchase) was 35 per cent during 2021-22.

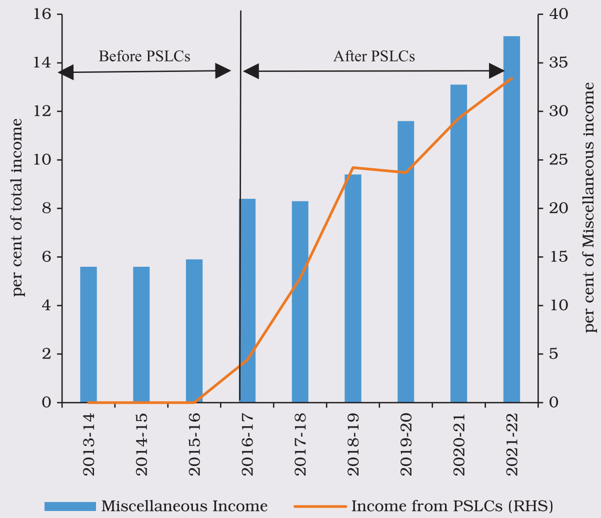
Table IV.34: PSLC Transactions of RRBs

(Amount in ₹ crore)

PSLC Category	Value of PSLCs Issued		Value of PSLCs Purchased	
	2020-21	2021-22	2020-21	2021-22
PSLC Agriculture	40,731	29,850	735	1,150
PSLC General	4,004	1,750	52,628	67,771
PSLC Micro Enterprises	3,580	7,644	7,125	6,223
PSLC SF/MF	78,837	1,17,163	4,953	865
Total	**1,27,151**	**1,56,407**	**65,440**	**76,009**

Source: OSS Returns, Ensure Portal, NABARD.

Chart IV.47: Contribution of PSLCs to Miscellaneous Income



Source: NABARD.

13. Local Area Banks

IV.115 LABs were established in 1996 for mobilising rural savings and making them available for investments in the local areas. As of March 2022, two LABs with 79 branches[28] were operational in the country. In 2021-22, the consolidated balance sheet of LABs decelerated. As the deceleration in credit was lower than that in deposits, the credit-deposit ratio increased to 82 per cent in 2021-22 from 80.7 per cent in 2020-21 (Table IV.35).

Table IV.35: Profile of Local Area Banks

(At end-March)

(Amount in ₹ crore)

	2020-21	2021-22
1. Assets	1,166.2 (14.1)	1,273.2 (9.18)
2. Deposits	952.5 (17.05)	1,020.3 (7.11)
3. Gross Advances	769.2 (16.46)	838.0 (8.95)

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

[28] Source: Central Information System for Banking Infrastructure (CISBI).

13.1. Financial Performance of LABs

IV.116 During the year, both interest expended as well as interest income earned decelerated, keeping net profits stable. Operating profits witnessed subdued growth as compared to previous year, owing to a sharp acceleration in operating expenses, especially the wage bill (Table IV.36).

Table IV.36: Financial Performance of Local Area Banks

	Amount (in ₹ crore)		Y-o-Y growth (in per cent)	
	2020-21	2021-22	2020-21	2021-22
A. Income (i+ii)	**148**	**159**	**9.5**	**7.1**
i. Interest income	123	130	14.8	6.2
ii. Other income	25	28	-10.4	11.7
B. Expenditure (i+ii+iii)	**122**	**132**	**0.0**	**9.0**
i. Interest expended	55	58	6.5	4.7
ii. Provisions and contingencies	20	22	42.8	11.9
iii. Operating expenses	47	53	-16.7	12.8
of which, wage bill	22	25	5.1	12.5
C. Profit				
i. Operating profit/loss	47	49	68.4	4.3
ii. Net profit/loss	27	26	94.3	-1.4
D. Net Interest Income	**68**	**73**	**22.7**	**7.4**
E. Total Assets	**1,166**	**1,273**	**14.1**	**9.2**
F. Financial Ratios				
i. Operating Profit	4.0	3.8		
ii. Net Profit	2.3	2.1		
iii. Income	12.7	12.5		
iv. Interest Income	10.5	10.2		
v. Other Income	2.2	2.2		
vi. Expenditure	10.4	10.4		
vii. Interest Expended	4.7	4.5		
viii. Operating Expenses	4.0	4.1		
ix. Wage Bill	1.9	1.9		
x. Provisions and contingencies	1.7	1.7		
xi. Net Interest Income	5.8	5.7		

Notes: 1. Financial ratios for 2020-21 and 2021-22 are calculated based on the assets of current year only.
2. 'Wage Bill' is taken as Payments to and provisions for employees.

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

14. Small Finance Banks

IV.117 The SFBs were set up in 2016 to further financial inclusion through tailored deposit products and for providing credit to small business units, small and marginal farmers, micro and small industries and other unorganized sector entities through technology led low-cost operations. At end-March 2022, twelve SFBs with 5,677 domestic branches across the country were operational, including Shivalik Small Finance Bank Ltd. and Unity Small Finance Bank Ltd., that were licensed in 2021-22.

14.1. Balance Sheet

IV.118 During 2021-22, the consolidated balance sheet of SFBs grew at a pace faster than that of SCBs. Deposit growth as well as that of loans and advances accelerated year-on-year. On balance, the credit-deposit ratio of SFBs decreased to 93.2 per cent in 2021-22 from 99 per cent a year ago, though it remained higher than that of SCBs (Table IV.37).

14.2. Priority Sector Lending

IV.119 The share of the priority sector in SFBs' total lending increased during 2021-22 after declining over three consecutive years. After a break in the previous year, the SFBs met their priority sector lending target of 75 per cent in 2022. Within the priority sector, the focus remained on MSMEs, followed by agriculture and allied activities (Table IV.38).

14.3. Financial Performance

IV.120 During 2021-22, the net profits and operating profits of SFBs contracted. The slowdown was on account of higher operating expenses and provisioning for bad loans. The

Table IV.37: Consolidated Balance Sheet of Small Finance Banks
(At end-March)

(Amount in ₹ crore)

Sr. No.	Item	Amount		Y-o-Y growth (in per cent)
		2021	2022	2021-22
1		3	4	5
1	Share Capital	5,375.4	5,800.2	7.9
2	Reserves & Surplus	14,800.3	16,543.5	11.8
3	Tier II Bonds	2,468.0	1,687.7	-31.6
4	Deposits	1,09,472.5	1,45,730.5	33.1
	4.1 Current Demand Deposits	3,964.2	5,770.0	45.6
	4.2 Savings	22,198.3	43,576.8	96.3
	4.3 Term	83,310.0	96,383.7	15.7
5	Borrowings (Including Tier II Bonds)	27,828.2	27,011.3	-2.9
	5.1 Bank	1,366.4	4,303.7	215.0
	5.2 Others	26,461.8	22,707.6	-14.2
6	Other Liabilities & provisions	6,076.3	7,990.8	31.5
	Total liabilities/Assets	**1,63,552.5**	**2,03,076.2**	**24.2**
7	Cash in Hand	1,052.2	1,235.0	17.4
8	Balances with RBI	5,869.2	7,490.1	27.6
9	Other Bank Balances/ Balances with Financial Institutions	12,309.1	10,212.3	-17.0
10	Investments	30,659.8	41,661.5	35.9
11	Loans and Advances	1,08,612.6	1,35,802.4	25.0
12	Fixed Assets	1,676.3	2,001.0	19.4
13	Other Assets	3,373.2	4,674.0	38.6

Note: Data pertains to 10 scheduled SFBs at end-March 2021 and 12 at end-March 2022.
Source: Off-site returns (domestic operations), RBI.

asset quality of SFBs improved marginally during the year (Table IV.39).

Table IV.38: Purpose-wise Outstanding Advances by Small Finance Banks
(At end-March)

Purpose	2021	2022
I Priority (i to v)	**70.5**	**75.6**
i. Agriculture and allied activities	22.8	26.1
ii. Micro, small and medium enterprises	27.1	28.8
iii. Education	0.1	0.1
iv. Housing	4.5	5.5
v. Others	16.0	15.1
II Non-priority (i to vi)	**29.5**	**24.4**
Total (I+II)	**100.0**	**100.0**

Note: Share in total advances.
Source: Off-site returns (domestic operations), RBI.

Table IV.39: Financial Performance of Small Finance Banks

(Amount in ₹ crore)

Sr. No.	Item	Amount		Y-o-Y growth (in per cent)
		2020-21	2021-22	2021-22
1	2	3	4	5
A	**Income (i + ii)**	**22,499.9**	**25,060.0**	**11.4**
	i Interest Income	19,523.4	22,120.4	13.3
	ii Other Income	2,976.4	2,939.6	-1.2
B	**Expenditure (i+ii+iii)**	**20,462.2**	**24,086.5**	**17.7**
	i Interest Expended	9,122.2	9,512.6	4.3
	ii Operating Expenses	7,549.0	9,815.9	30.0
	of which, Staff Expenses	4,301.8	5,304.5	23.3
	iii Provisions and contingencies	3,791.0	4,758.0	25.5
C	**Profit (Before Tax)**	**2,580.9**	**1,283.8**	**-50.3**
	i Operating Profit (EBPT)	5,828.7	5,731.5	-1.7
	ii Net Profit (PAT)	2,037.7	973.5	-52.2
D	**Total Assets**	**1,63,552.5**	**2,03,076.2**	**24.2**
E	**Financial Ratios#**			
	i Operating Profit	3.6	2.8	
	ii Net Profit	1.2	0.5	
	iii Income (a + b)	13.8	12.3	
	a. Interest Income	11.9	10.9	
	b. Other Income	1.8	1.4	
	iv Expenditure (a+b+c)	12.5	11.9	
	a. Interest Expended	5.6	4.7	
	b. Operating Expenses	4.6	4.8	
	of which Staff Expenses	2.6	2.6	
	c. Provisions and contingencies	2.3	2.3	
F	**Analytical Ratios (%)**			
	Gross NPA Ratio	5.4	4.9	
	CRAR	22.1	19.3	
	Core CRAR	20.1	17.6	

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

15. Payments Banks

IV.121 PBs were set up as niche entities to facilitate small savings and to provide payments and remittance services to migrant labour, low-income households, small businesses and other unorganised sector entities. At end-March 2022, six PBs were operational, of which only three managed to become profitable in their operations.

Table IV.40: Consolidated Balance Sheet of Payments Banks
(At end-March)

(Amount in ₹ crore)

Sr. No.	Item	2020	2021	2022
1	Total Capital and Reserves	1,868	1,761	2,494
2	Deposits	2,306	4,625	7,854
3	Other Liabilities and Provisions	4,254	6,083	8,172
	Total Liabilities/Assets	**8,429**	**12,469**	**18,520**
1	Cash and Balances with RBI	785	1,255	1,560
2	Balances with Banks and Money Market	2,101	2,393	3,322
3	Investments	4,077	7,116	10,178
4	Fixed Assets	351	355	372
5	Other Assets	1,115	1,350	3,088

Note: Data pertains to six PBs.
Source: Off-site returns (domestic operations), RBI.

Table IV.41: Financial Performance of Payments Banks

(Amount in ₹ crore)

Sr. No.	Item	2019-20	2020-21	2021-22
A	**Income (i + ii)**			
	i. Interest Income	348	360	460
	ii. Non-Interest Income	3,115	3,562	5,416
B	**Expenditure**			
	i. Interest Expenses	62	100	157
	ii. Operating Expenses	4,324	4,584	5,826
	Provisions and Contingencies	-96	36	24
	of which,			
	Risk Provisions	3	9	17
	Tax Provisions	-100	22	5
C	**Net Interest Income**	286	260	303
D	**Profit**			
	i. Operating Profit (EBPT)	-923	-762	-107
	ii. Net Profit/Loss	-827	-798	-130

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

15.1. Balance Sheet

IV.122 In line with their mandate, the asset side of PBs' balance sheet is concentrated in SLR investments and money placed at call and short notice with other banks. Deposits form 42.4 per cent of their liabilities, the majority of which are on demand. At end-March 2022, all PBs complied with the regulatory minimum CRAR of 15 per cent (Table IV.40).

15.2. Financial Performance

IV.123 Notwithstanding the increase in both interest and non-interest income, PBs ended 2021-22 with losses due to high operating expenses (Table IV.41). PBs earn their revenues primarily from six income streams *viz.*, (i) earnings from micro-ATMs for providing remittances and cash withdrawal services to customers; (ii) providing BC services to other banks; (iii) transaction charges on utility bill payments and other small transactions; (iv) cash management/ collection services; (v) commissions on transactions through PoS terminals and MDR charges; and (vi) para-banking activities. Since PBs are barred from offering credit as a product, their interest earnings are low.

IV.124 Although efficiency, measured by the cost-to-income ratio, improved for the fourth consecutive year, margins were thin even for the profitable PBs. NIM declined for the third consecutive year. Other performance metrics, such as RoA, RoE, operating profit to working funds ratio and profit margins remained negative during the year, but the extent of losses reduced considerably (Table IV.42).

15.3. Inward and Outward Remittances

IV.125 Income from remittance operations formed a major part of income of PBs, especially for those with a good network and reach. PBs' transactions in centralised payment systems (RTGS and NEFT) increased by around 19 times from March 2020 to June 2022, while the amount involved in the transactions also increased by more than 4 times (Chart IV.48).

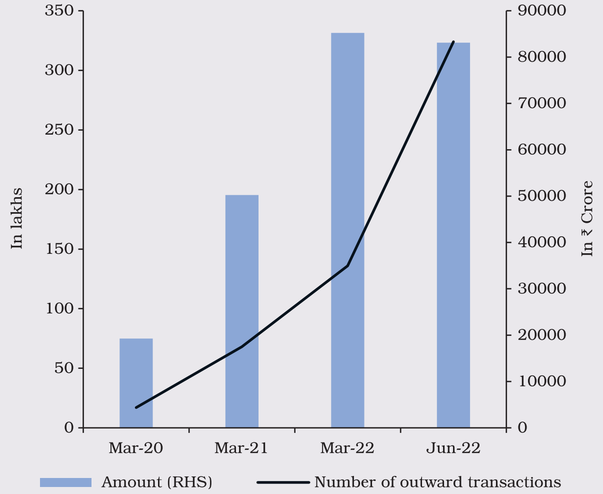
IV.126 In 2021-22, the volume of inward and outward remittances by PBs increased by 76.3

Table IV.42: Select Financial Ratios of Payments Banks
(At end-March)

Sr. No.	Item	2020	2021	2022
1	Return on Assets	-9.8	-6.4	-0.7
2	Return on Equity	-44.3	-45.3	-5.2
3	Investments to Total Assets	48.4	57.1	55.0
4	Net Interest Margin	4.8	2.8	2.3
5	Efficiency (Cost-Income Ratio)	124.8	116.9	99.1
6	Operating profit to working funds	-10.9	-6.1	-0.6
7	Profit Margin	-23.9	-20.3	-2.2

Note: Data pertains to 6 PBs.
Source: Off-site returns (domestic operations), RBI.

Chart IV.48: Payment System Transactions of PBs



Note: Includes NEFT and RTGS transactions.
Source: Monthly data release by RBI on bank-wise volumes in NEFT/RTGS.

per cent and 84.5 per cent, respectively, and the value of both inward and outward remittances increased by more than 100 per cent as against a 20 per cent decline recorded in the previous year in both value and volume terms. UPI had the highest share in the number of inward and outward remittances and it also occupied the first place in terms of share in the value of inward flows. In terms of the value of outward remittances, however, IMPS had the largest share (Table IV.43).

Table IV.43: Remittances through Payments Banks

(Number in thousand, amount in ₹ crore)

Channel	2020-21				2021-22			
	Inward Remittances		Outward Remittances		Inward Remittances		Outward Remittances	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1. NEFT	13,893	26,295	8,259	60,649	37,036	37,999	7,238	64,610
	(0.9)	(9.8)	(0.5)	(19.8)	(1.3)	(6.7)	(0.2)	(7.1)
i) Bill Payments	94	17	233	28	472	82	391	34
	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
ii) Other than Bill Payments	13,799	26,278	8,026	60,621	36,564	37,918	6,847	64,576
	(0.8)	(9.8)	(0.5)	(19.8)	(1.3)	(6.6)	(0.2)	(7.1)
2. RTGS	190	56,460	17	35,107	382	1,28,030	41	1,00,370
	(0.0)	(21.0)	(0.0)	(11.4)	(0.0)	(22.4)	(0.0)	(11.1)
3. IMPS	1,36,274	37,466	1,89,879	65,866	1,95,781	60,838	1,99,386	4,01,203
	(8.3)	(14.0)	(11.1)	(21.5)	(6.8)	(10.7)	(6.3)	(44.3)
4. UPI	11,72,699	1,13,289	12,00,688	1,03,908	21,70,638	2,68,887	25,10,470	2,65,610
	(71.8)	(42.2)	(70.3)	(33.9)	(75.4)	(47.1)	(79.7)	(29.3)
5. E - Wallets	2,31,624	20,406	3,01,499	38,317	2,61,540	33,202	3,85,949	66,899
	(14.2)	(7.6)	(17.7)	(12.5)	(9.1)	(5.8)	(12.2)	(7.4)
6. Micro ATM (POS)	32	20	144	45	1,361	499	57	27
	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)
7. ATM	-	-	9	3	-	-	24	9
	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
8. Others	78,208	14,384	7,185	2,866	2,12,792	41,322	48,237	7,266
	(4.8)	(5.4)	(0.4)	(0.9)	(7.4)	(7.2)	(1.5)	(0.8)
Total	**16,32,920**	**2,68,321**	**17,07,680**	**3,06,761**	**28,79,529**	**5,70,777**	**31,51,403**	**9,05,994**

Notes: 1. Figures in the parentheses are percentage to total.
2. Data pertains to 6 PBs.
Source: Off-site returns (domestic operations), RBI.

16. Overall Assessment

IV.127 The Indian banking sector has weathered the pandemic, emerging more resilient and robust. Owing to timely policy support, banks have reported improved profitability, asset quality and capital buffers. More recently, banks' balance sheets have witnessed healthy acceleration with broad-based credit growth driving the flow of resources to the productive sectors of the economy. Credit to MSMEs received a boost from the government's guarantee cover under the ECLGS.

IV.128 Going forward, it is imperative that banks ensure due diligence and robust credit appraisal to limit credit risk. The uncertainties characterising fast-changing macroeconomic scenario amidst formidable global headwinds during 2022-23 can pose new challenges to the banking sector. If downside risks materialise, asset quality could be affected. Hence, slippages in restructured assets need to be monitored closely. Timely resolution of stressed assets is essential to prevent asset value depletion.

IV.129 The push provided by the JAM trinity has resulted in increased access to banking services to the unserved and the underserved sections of the population. With the success of UPI and mass adoption of digital banking services, various concerns such as unbridled engagement of third parties, mis-selling, breach of data privacy, unfair business conduct, exorbitant interest rates, and unethical recovery practices have emerged. Banks need to develop appropriate business strategies, strengthen their governance framework and implement cybersecurity measures to mitigate these concerns.

V DEVELOPMENTS IN CO-OPERATIVE BANKING

The financial performance of urban co-operative banks (UCBs) improved in 2021-22 characterised by augmented capital buffers, lower gross non-performing assets (GNPA) ratio and higher profitability. Among the short-term rural co-operatives, balance sheets of both, state co-operative banks (StCBs) and district central co-operative banks (DCCBs) accelerated in 2020-21 after a slowdown in the previous year. Notably, the profitability of the latter improved.

1. Introduction

V.1 Co-operative banks function as intermediaries for last mile credit delivery and promote financial inclusion. In the recent period, however, this sector has faced challenges emanating from ownership structure, deficient corporate governance practices, and rising incidence of frauds besides issues arising from dual regulation of the Reserve Bank and government. Mobilisation of additional capital is constrained by shareholding patterns and constitutional provisions. Legal impediments and idiosyncratic factors tend to hinder their expeditious resolution.

V.2 Over the years, the Reserve Bank has been initiating reforms to strengthen the co-operative banking structure. Its two-pronged strategy consists of statutory reforms and regulatory support. The amendment to the Banking Regulation Act, 2020 has eased capital raising constraints of urban co-operative banks (UCBs). The Reserve Bank has been empowered to reconstruct or amalgamate them. The Reserve Bank also revised the regulatory framework governing UCBs on July 19, 2022. The vision guiding the framework is to consolidate their position as friendly neighborhood banks by catering to the heterogeneity in the customer base, while offering more operational flexibility to strong UCBs in order to enhance their contribution to credit intermediation.

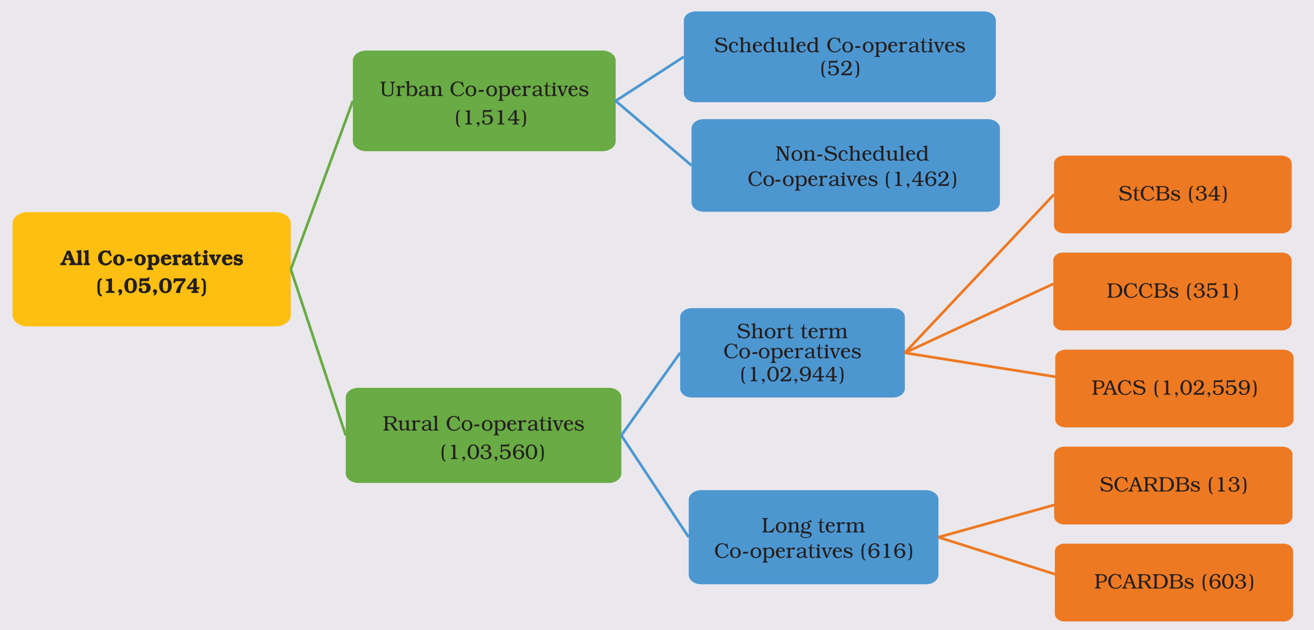
V.3 Against this backdrop, the rest of the chapter focuses on the performance of urban and rural co-operative banks during the period under review. Section 2 sets out the structure of the co-operative banking sector and its regulation, followed by evaluation of financial viability of UCBs in terms of profitability, asset quality and capital adequacy in section 3. Section 4 examines the financial performance of short-term rural co-operatives and long-term rural co-operatives. This is followed by an overall assessment in section 5[1].

2. Structure of the Co-operative Banking Sector

V.4 The co-operative banking structure in India was developed to complement and supplement the commercial banking structure, with a specific focus on serving the requirements of marginalised borrowers and meeting the development needs of rural as well as urban areas. UCBs are classified as scheduled and non-scheduled, based on their inclusion or otherwise

[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 completeness of analysis.

Chart V.1: Structure of Co-operative Banks



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. Figures in parentheses indicate the number of institutions at end-March 2022 for UCBs and at end-March 2021 for rural co-operatives.
3. DCCBs excluding Tamil Nadu Industrial Co-operative Bank Ltd.

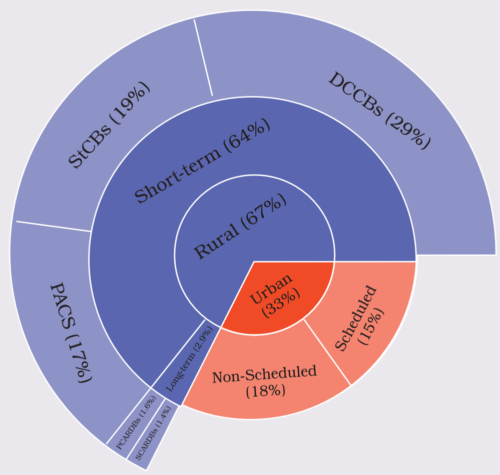
Source: RBI, NABARD and NAFSCOB.

in the second schedule of the Reserve Bank of India Act, 1934[2], and their geographical outreach (single-state or multi-state). Rural co-operatives are segregated by activity, *i.e.*, into short term *vis-à-vis* long-term lending. At end-March 2022, the sector consisted of 1,514 UCBs and 1,03,560 rural co-operatives[3] (Chart V.1).

V.5 In terms of number of banks as well as asset size, short-term rural co-operatives dominate the sector (Chart V.2).

V.6 Increasingly, the distinction between scheduled commercial banks (SCBs), rural co-operatives and urban co-operatives is getting blurred, with all of them competing to serve the same set of clients. Even short-

Chart V.2: Distribution of Co-operative Banks by Asset Size
(At end-March 2021)



Note: The sunburst chart represents layers in the co-operative banking sector. Size of each segment is proportional to its share (mentioned in parentheses) in total assets of the sector.

Source: RBI, NABARD and NAFSCOB.

[2] Apart from Scheduled Co-operative Banks, Scheduled Commercial Banks are also included in the same schedule of the Act.

[3] Data on rural co-operatives are available with a lag of one year, *i.e.*, they relate to 2020-21.

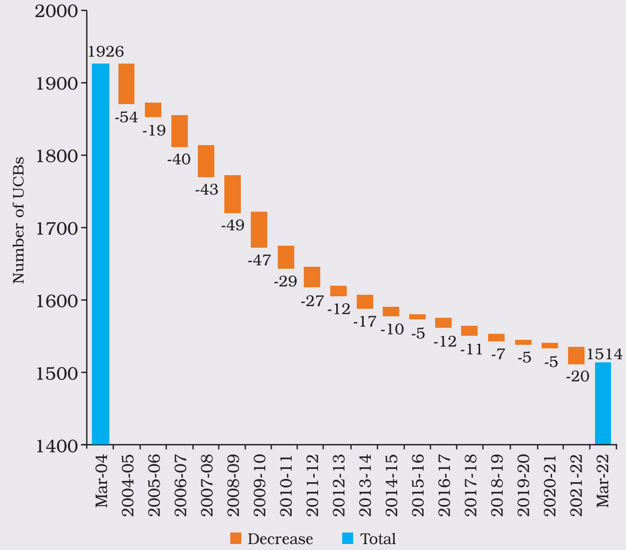
Table V.1 Share in Credit Flow to Agriculture

(per cent)

	Co-operative Banks	Regional Rural Banks	Commercial Banks
1	2	3	4
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	11.3	11.9	76.8
2020-21	12.1	12.1	75.8
2021-22	13.0	11.0	76.0

Source: Data submitted by Banks on ENSURE portal of NABARD.

Chart V.3: Number of UCBs



Source: Off-site surveillance returns, RBI.

term credit co-operatives like the State Co-operative Banks (StCBs) are diversifying their portfolios, with long term lending to housing and education. Apart from traditional brick-and-mortar models, SCBs have been relying on business correspondents and harnessing benefits of FinTech to solve the problem of last mile connectivity. With growing penetration of commercial banks in the hinterland, the relative size and influence of co-operatives is shrinking. At end-March 2021, the aggregate balance sheet size of the co-operative banking sector at ₹20 lakh crore was 10.3 per cent of the SCBs' consolidated balance sheet, down from 19.4 per cent at end-March 2005.

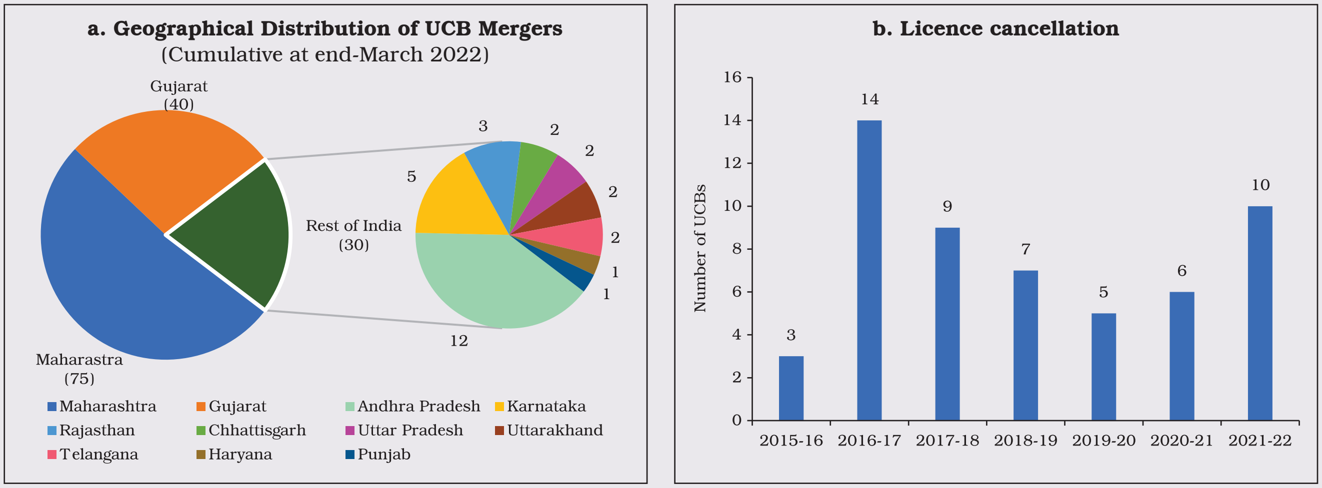
V.7 Although the rural co-operatives were established with the objective of lending to agriculture, their share in total lending to the sector declined since 2015-16 until 2019-20, but improved marginally thereafter (Table V.1).

3. Urban Co-operative Banks

V.8 The liberal licensing policy adopted in the 1990s led to a surge in the number of UCBs. Over the years the inherent fragility in their structures coupled with financial weaknesses, resulted in nearly one-third of the newly licensed UCBs becoming unsound. Since 2004-05, the Reserve Bank initiated a process of consolidation in the sector, including amalgamation of unviable UCBs with their viable counterparts, closure of non-viable entities and suspension of issuance of new licenses. As a result, the number of UCBs progressively declined (Chart V.3).

V.9 Nine non-scheduled UCBs (NSUCBs) were voluntarily merged with financially stronger banks during 2021-22. Since 2004-05, the sector has witnessed 145 mergers, with the majority in Maharashtra, followed by Gujarat and Andhra Pradesh. During 2021-22, licenses of 10 UCBs were cancelled, raising the cumulative tally since 2015-16 to 54. Except one amalgamation relating to a scheduled UCB (SUCB), other mergers and cancellation of licenses took place in case of NSUCBs, leading to a fall in their number from 1,481 in 2020-21 to 1,462 in 2021-22 (Chart V.4).

Chart V.4: Consolidation Drive in UCBs



Source: RBI.

V.10 Based mainly on deposit size, UCBs are segregated into Tier I and Tier II categories[4,5]. Tier II banks remain the dominant players in the segment, with their share in total assets increasing from 86.2 per cent in 2016-17 to 93.3 per cent in 2020-21, before dipping marginally in 2021-22 (Table V.2). Nonetheless, the asset size of Tier II UCBs, on an average, is 13 times larger than their Tier I counterparts. Their lending ticket size is also larger by around 14 times.

3.1 Balance Sheet

V.11 The consolidation of the UCB sector since 2004-05 initially resulted in large gains. Their combined balance sheet size grew by a compound annual growth rate (CAGR) of 11.4 per cent during the decade following the drive, as compared with 15.9 per cent for SCBs. Subsequently, however, the balance sheet growth of both segments moderated; while UCBs grew

Table V.2: Tier-wise Distribution of Urban Co-operative Banks
(At end-March 2022)

(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	813	53.7	40,019	7.6	23,174	7.4	53,551	8.0
Tier II	701	46.3	4,86,001	92.4	2,91,566	92.6	6,12,935	92.0
All UCBs	**1,514**	**100.0**	**5,26,021**	**100.0**	**3,14,741**	**100.0**	**6,66,486**	**100.0**

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

4 (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 will be treated as Tier I 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 may also be treated as Tier I UCBs.

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

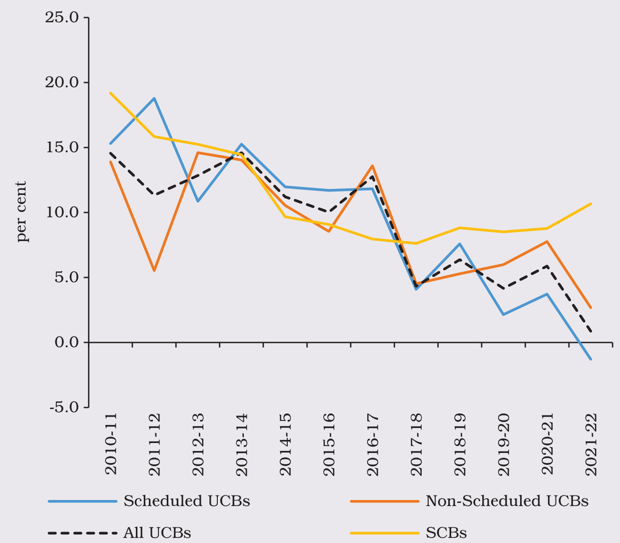
5 In July 2022, the Reserve Bank announced adoption of a four-tier structure for UCBs.

by a CAGR of 4.8 per cent during 2015-16 to 2021-22, SCBs grew by 7.4 per cent (Chart V.5). Apart from the cyclical downturn during the period, this deceleration in balance sheet growth can be ascribed to competition from other niche players like FinTech, small finance banks (SFBs) and non-banking financial companies (NBFCs).

V.12 In contrast with the acceleration in SCBs' balance sheet, the asset size of UCBs decelerated during 2021-22, led by contraction in the balance sheet of SUCBs (Table V.3).

V.13 Deposits contracted during 2021-22 for the first time in nearly two decades, leading to a deceleration in UCBs' balance sheet. The high deposits base of 2020-21 was a reflection of

Chart V.5: Asset Growth



Source: Off-site Surveillance returns, RBI.

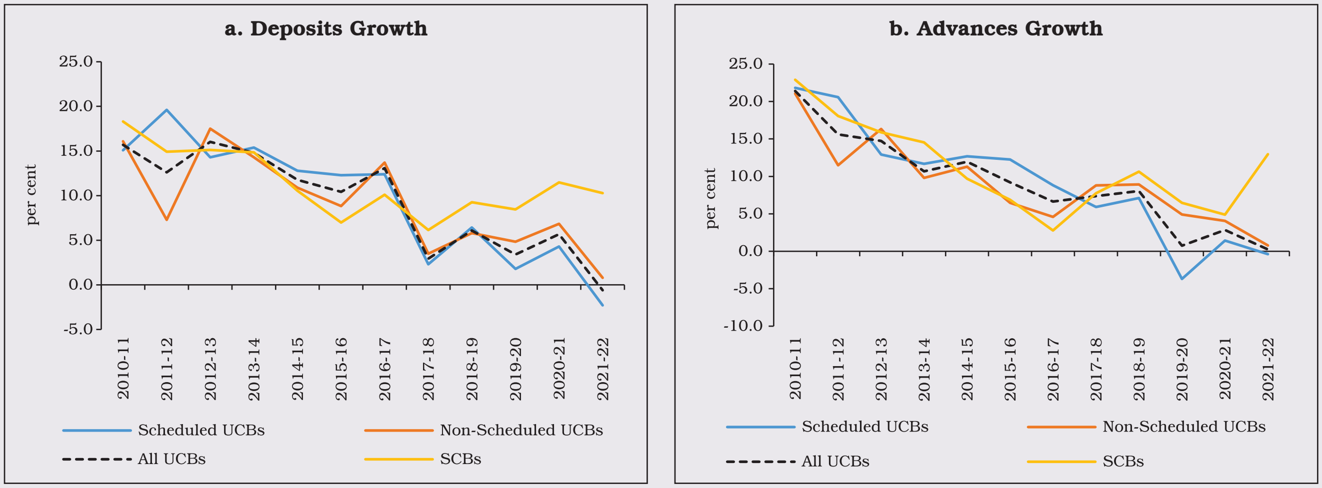
Table V.3: Balance Sheet of Urban Co-operative Banks
(At end-March)

(Amount in ₹Crore)

Items	Scheduled UCBs		Non-Scheduled UCBs		All UCBs		Rate of Growth (%) All UCBs	
	2021	2022	2021	2022	2021	2022	2020-21	2021-22
1	2	3	4	5	6	7	8	9
Liabilities								
1) Capital	4,467	4,193	9,844	10,065	14,311	14,258	1.4	-0.4
	(1.5)	(1.4)	(2.7)	(2.7)	(2.2)	(2.1)		
2) Reserves and Surplus	15,536	19,405	22,848	22,947	38,384	42,352	15.2	10.3
	(5.1)	(6.5)	(6.4)	(6.2)	(5.8)	(6.4)		
3) Deposits	2,39,579	2,34,080	2,89,650	2,91,940	5,29,229	5,26,021	5.7	-0.6
	(79.4)	(78.6)	(80.7)	(79.2)	(80.1)	(78.9)		
4) Borrowings	4,755	5,418	333	242	5,089	5,660	-4.7	11.2
	(1.6)	(1.8)	(0.1)	(0.1)	(0.8)	(0.8)		
5) Other Liabilities and Provisions	37,455	34,810	36,280	43,385	73,736	78,196	4.6	6.0
	(12.4)	(11.7)	(10.1)	(11.8)	(11.2)	(11.7)		
Assets								
1) Cash in Hand	1,676	1,855	4,230	4,426	5,906	6,281	1.2	6.3
	(0.6)	(0.6)	(1.2)	(1.2)	(0.9)	(0.9)		
2) Balances with RBI	11,131	12,404	3,382	4,039	14,514	16,443	15.2	13.3
	(3.7)	(4.2)	(0.9)	(1.1)	(2.2)	(2.5)		
3) Balances with Banks	21,888	23,176	48,189	47,330	70,077	70,506	5.8	0.6
	(7.3)	(7.8)	(13.4)	(12.8)	(10.6)	(10.6)		
4) Money at Call and Short Notice	5,087	3,505	1,910	1,488	6,998	4,993	-16.6	-28.6
	(1.7)	(1.2)	(0.5)	(0.4)	(1.1)	(0.7)		
5) Investments	80,297	81,128	1,00,728	1,06,574	1,81,025	1,87,702	12.1	3.7
	(26.6)	(27.2)	(28.1)	(28.9)	(27.4)	(28.2)		
6) Loans and Advances	1,43,175	1,42,627	1,70,786	1,72,114	3,13,961	3,14,741	2.8	0.2
	(47.4)	(47.9)	(47.6)	(46.7)	(47.5)	(47.2)		
7) Other Assets	38,538	33,211	29,729	32,608	68,267	65,819	6.3	-3.6
	(12.8)	(11.1)	(8.3)	(8.8)	(10.3)	(9.9)		
Total Liabilities/ Assets	3,01,793	2,97,906	3,58,955	3,68,580	6,60,748	6,66,486	5.9	0.9
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**		

Notes: 1. Data for March 2022 are provisional.
2. Figures in parentheses are proportion to total liabilities / assets (in per cent).
3. Components may not add up to the whole due to rounding off.
Source: Off-Site surveillance returns, RBI.

Chart V.6: Deposits and Advances: UCBs



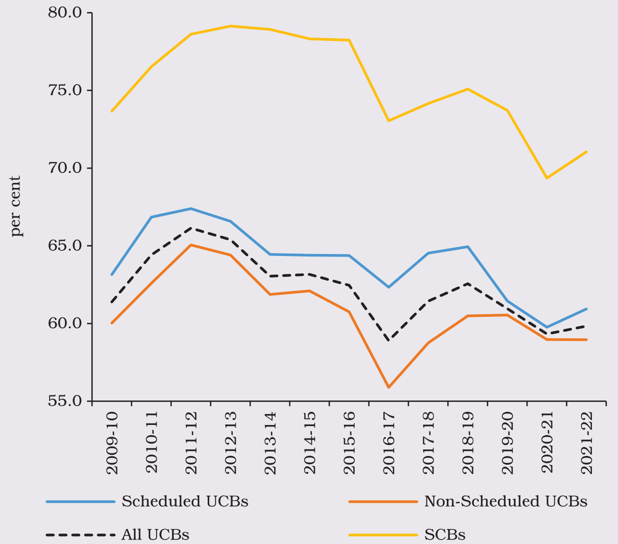
Source: Off-site surveillance returns, RBI.

pandemic-driven precautionary savings, which normalised during 2021-22. On the asset side, both loans and advances and investments decelerated (Chart V.6).

V.14 In comparison to SCBs, the credit-deposit (C-D) ratio of UCBs has always been significantly lower, particularly NSUCBs, due to higher reliance on deposits and lower credit disbursal. After declining for three consecutive years, however, the C-D ratio of UCBs rose in 2021-22. This was mainly on account of contraction in deposits of SUCBs (Chart V.7).

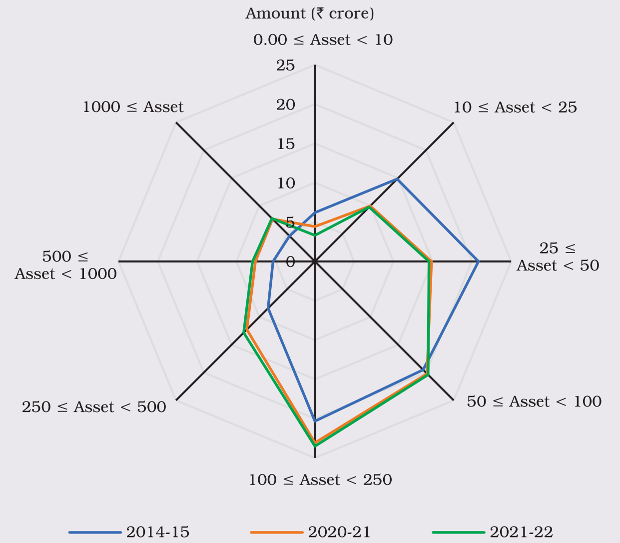
V.15 Before the consolidation drive was initiated, in terms of number of UCBs, the asset size was bimodal: ₹25 crore to ₹50 crore and ₹100 crore to ₹250 crore. Since then, however, the distribution has shifted rightward, indicating asset concentration at higher levels (Chart V.8).

Chart V.7: Credit-Deposit Ratio: UCBs *versus* SCBs



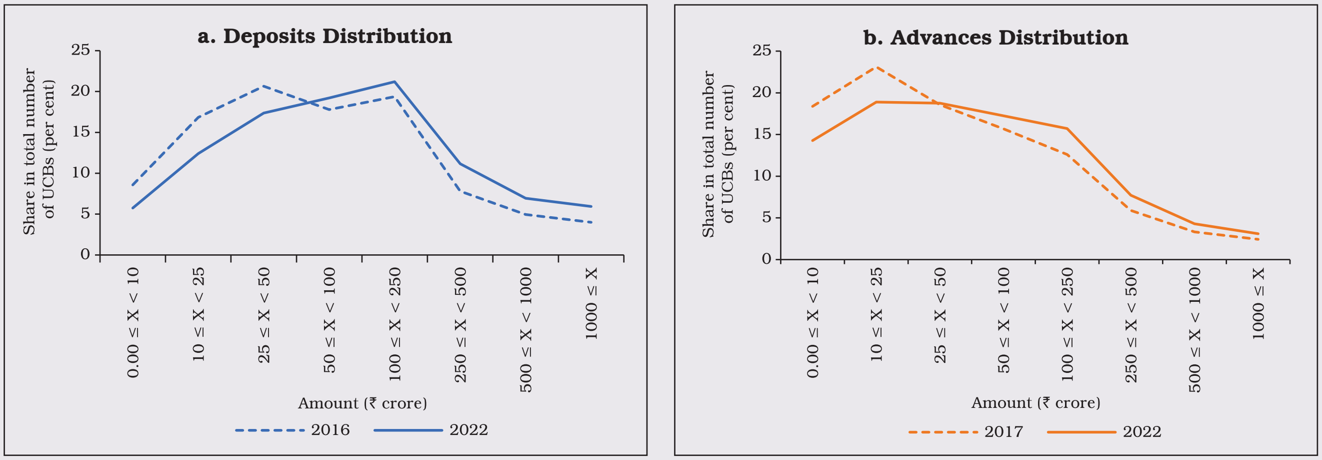
Source: Off-site surveillance returns, RBI.

Chart V.8 Distribution of UCBs by Asset Size



Source: Off-site surveillance returns, RBI.

Chart V.9: Distribution of UCBs' Deposits and Advances
(At end-March)



Source: Off-site surveillance returns, RBI.

V.16 In terms of number of UCBs, the modal class for deposits in 2015-16 was ₹25 crore to ₹50 crore. Over the years, it has shifted upwards to reach ₹100 crore to ₹250 crore at end-March 2022 (Chart V.9a).

V.17 For advances, the modal class in 2016-17 was ₹10 crore to ₹25 crore, which has evolved to become bi-modal, with ₹10 crore to ₹25 crore and ₹25 crore to ₹50 crore classes registering the highest shares at end-March 2022 (Table V.4 and Chart V.9b).

Table V.4: Distribution of UCBs by size of Deposits and Advances
(At end-March 2022)

(Amount in ₹crore)

Deposits	No. of UCBs		Amount of Deposits		Advances	No. 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	87	5.7	532	0.1	0.00 ≤ Ad < 10	216	14.3	1,241	0.4
10 ≤ D < 25	188	12.4	3,257	0.6	10 ≤ Ad < 25	286	18.9	4,895	1.6
25 ≤ D < 50	263	17.4	9,793	1.9	25 ≤ Ad < 50	284	18.8	10,081	3.2
50 ≤ D < 100	291	19.2	20,799	4.0	50 ≤ Ad < 100	261	17.2	18,892	6.0
100 ≤ D < 250	321	21.2	51,128	9.7	100 ≤ Ad < 250	238	15.7	37,807	12.0
250 ≤ D < 500	169	11.2	59,480	11.3	250 ≤ Ad < 500	117	7.7	40,226	12.8
500 ≤ D < 1000	105	6.9	72,351	13.8	500 ≤ Ad < 1000	65	4.3	44,863	14.3
1000 ≤ D	90	5.9	3,08,681	58.7	1000 ≤ Ad	47	3.1	1,56,736	49.8
Total	**1,514**	**100.0**	**5,26,021**	**100.0**	**Total**	**1,514**	**100.0**	**3,14,741**	**100.0**

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

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

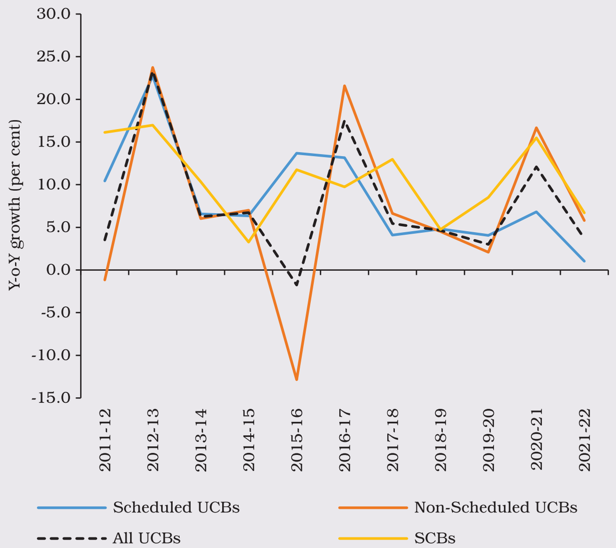
(Amount in ₹ Crore)

Item	Amount outstanding (At end-March)			Variation (%)	
	2020	2021	2022	2020-21	2021-22
1	2	3	4	5	6
Total Investments (A + B)	**1,61,696**	**1,81,025**	**1,87,702**	**12.0**	**3.7**
	(100.0)	**(100.0)**	**(100.0)**		
A. SLR Investments (i to iii)	**1,42,093**	**1,61,477**	**1,67,893**	**13.6**	**4.0**
	(87.9)	**(89.2)**	**(89.4)**		
(i) Central Govt. Securities	96,471	1,02,033	1,04,728	5.8	2.6
	(59.7)	(56.4)	(55.8)		
(ii) State Govt. Securities	44,428	58,951	62,643	32.7	6.3
	(27.5)	(32.6)	(33.4)		
(iii) Other approved Securities	1,194	492	522	-58.7	6.0
	(0.7)	(0.3)	(0.3)		
B. Non-SLR Investments	**19,603**	**19,549**	**19,809**	**-0.3**	**1.3**
	(12.1)	**(10.8)**	**(10.6)**		

Notes: 1. Data for 2022 are provisional.
2. Figures in parentheses are proportion to total investments (in per cent).
Source: Off-site surveillance returns, RBI.

V.18 The moderation in investments of UCBs was on account of SLR investments, especially those in state government securities (Table V.5). Relative to NSUCBs, the sharper moderation in investments of SUCBs was reflective of contraction in the latter's deposit base (Chart V.10).

Chart V.10: Investments of UCBs



Source: Off-site surveillance returns, RBI.

3.2 Soundness

V.19 The penalty imposition instances for UCBs increased to 145 during 2021-22 from 43 in the previous year. Correspondingly, the penalty amount increased by 211 per cent as compared with a decline in the previous year (Refer to Table IV.15). Claims settled by the Deposit Insurance and Credit Guarantee Corporation (DICGC) during 2021-22 pertained entirely to co-operative banks and increased by over eight times as compared with the previous year. This mainly reflects the amendment to DICGC Act 1961, which facilitated time bound disbursal of depositors' insured money (Refer to Para IV.86).

V.20 The CAMELS-based rating system[6] was revised in 2019, under which ratings of A/B+/B/

[6] The CAMELS (capital adequacy, asset quality, management, earnings, liquidity, and systems and control) rating model in its present form became applicable to UCBs from April 2008.

Table V.6: Rating-wise Distribution of UCBs
(End-March 2022)

(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	10.1	30,240	5.7	17,190	5.5
B+	203	13.4	83,152	15.8	49,642	15.8
B	740	48.9	2,50,292	47.6	1,52,571	48.5
C	345	22.8	1,48,925	28.3	85,794	27.3
D	73	4.8	13,411	2.5	9,545	3.0
Total	1,514	100.0	5,26,021	100.0	3,14,741	100.0

Notes: 1. Data is provisional.
2. Components may not add up to the whole due to rounding off.
3. Ratings are based on the latest available data reported in offsite returns and collected from UCBs.
4. Percentage variation could be slightly different because absolute numbers have been rounded off to rupees Crores.

Source: Off-site surveillance returns, RBI.

C/D (in decreasing order of performance) have been assigned to UCBs. At end-March 2022, the 'B' category was the modal class in terms of number as well as business (sum of deposits and advances). As compared to the previous year, however, its share in total decreased (Table V.6). Over the years, the distribution has shifted rightwards with higher share of 'C' category in total business (Chart V.11).

Table V.7: CRAR-wise Distribution of UCBs
(End-March 2022)

(Number of banks)

CRAR (in Per cent)	Scheduled UCBs	Non-Scheduled UCBs	All UCBs
1	2	3	4
CRAR < 3	4	58	62
3 <= CRAR < 6	0	12	12
6 <= CRAR < 9	0	16	16
9 <= CRAR < 12	7	115	122
12 <= CRAR	41	1,261	1,302
Total	**52**	**1,462**	**1,514**

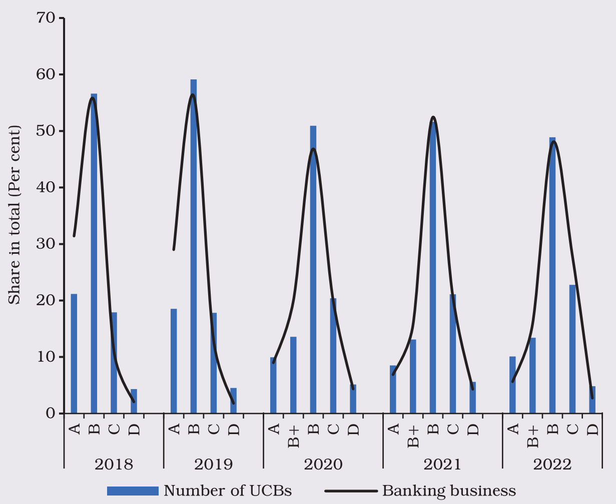
Note: Data are provisional.

Source: Off-site surveillance returns, RBI.

3.3 Capital Adequacy

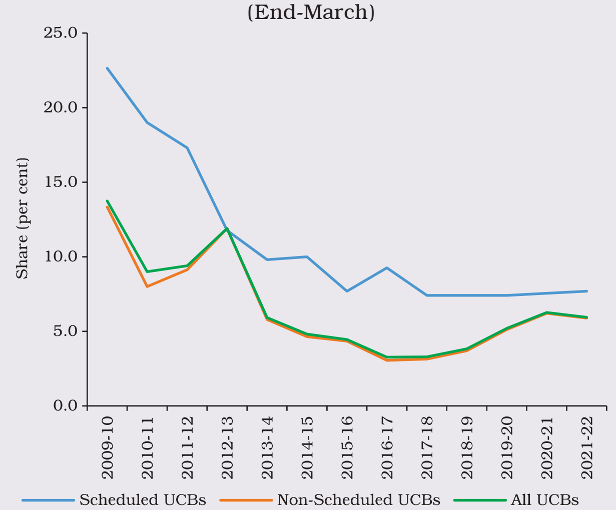
V.21 At end-March 2022, 94 per cent of UCBs maintained capital to risk-weighted assets ratio (CRAR) above the regulatory minimum of 9 per cent (Table V.7). Over the last decade, the capital buffers of UCBs have improved, with fewer banks defaulting on regulatory requirements (Chart V.12).

Chart V.11: Distribution of Number and Business of UCBs-by Rating Categories
(End-March)



Source: Off-site surveillance returns, RBI.

Chart V.12: Share of UCBs with CRAR less than 9 per cent
(End-March)



Source: Off-site surveillance returns, RBI.

Table V.8: Component-wise Capital Adequacy of UCBs
(At end-March)

(Amount in ₹crore)

	Scheduled UCBs		Non-Scheduled UCBs		All UCBs	
	2021	2022	2021	2022	2021	2022
1 **Capital Funds**	**13,520**	**20,955**	**25,543**	**27,916**	**39,063**	**48,871**
i) Tier I Capital	7,758	15,019	22,010	24,006	29,768	39,025
ii) Tier II Capital	5,762	5,935	3,533	3,910	9,295	9,845
2 **Risk-Weighted Assets**	**1,45,352**	**1,46,925**	**1,67,243**	**1,65,940**	**3,12,594**	**3,12,865**
3 **CRAR (1 as % of 2)**	**9.3**	**14.3**	**15.3**	**16.8**	**12.5**	**15.6**
Of which:						
Tier I	5.3	10.2	13.2	14.5	9.5	12.5
Tier II	4.0	4.0	2.1	2.4	3.0	3.1

Note: Data for 2022 are provisional.
Source: Off-site returns, RBI.

V.22 SUCBs improved their capital positions substantially during the year ended March 2022 with additions to Tier I capital. Although the CRAR of the UCB sector still remains lower than SCBs, the sector is poised to meet the revised regulatory requirements of higher CRAR for Tier II to Tier IV banks[7] (Table V.8).

3.4 Asset Quality

V.23 Asset quality of UCBs, measured by the gross non-performing assets (GNPA) ratio, continuously deteriorated during 2015-16 to 2020-21 before improving in 2021-22 when a decline in the amount of gross non-performing assets occurred for the first time since 2012-13. Provisioning requirements have also reduced for both SUCBs and NSUCBs. UCBs, however, showed prudence and their provision coverage ratio increased year-on-year, although it still remains below that of SCBs (Table V.9).

V.24 At end-March 2022, 26 per cent of UCBs' total funded loans and 32 per cent of their NPAs originated from large borrowal accounts *i.e.*, exposure of ₹5 crore and above. NSUCBs'

Table V.9: Non-Performing Assets of UCBs
(At end-March)

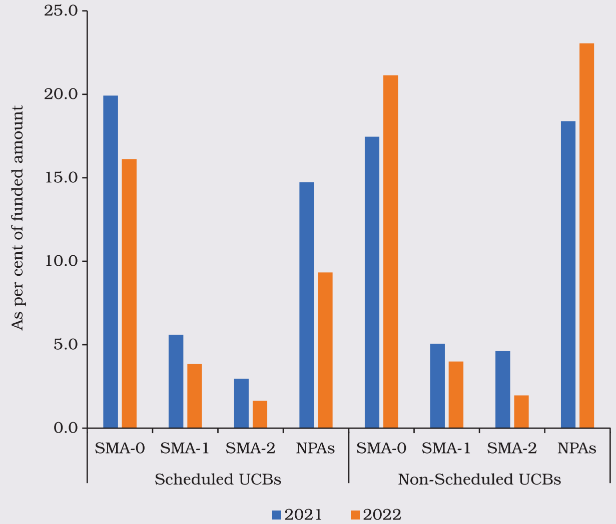
Sr. No.	Items	Scheduled UCBs		Non-Scheduled UCBs		All UCBs	
		2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
1	2	3	4	5	6	7	8
1	Gross NPAs (₹ crore)	15,047	10,678	22,950	19,794	37,996	30,473
2	Gross NPA Ratio (%)	10.5	7.5	13.4	11.6	12.1	9.7
3	Net NPAs (₹ crore)	5,746	4,116	11,037	8,798	16,783	12,914
4	Net NPA Ratio (%)	4.3	3.0	7.0	5.6	5.8	4.4
5	Provisioning (₹ crore)	9,537	6,983	12,848	12,179	22,385	19,162
6	Provisioning Coverage Ratio (%)	63.4	65.4	56.0	61.5	58.9	62.9

Note: Data for 2021-22 are provisional.
Source: Off- site surveillance returns, RBI.

[7] On July 19, 2022, the Reserve Bank announced a revised regulatory framework for UCBs. Accordingly, the CRAR requirement for all UCBs – except Tier I UCBs – was revised from 9 per cent to 12 per cent. While the Reserve Bank acknowledged that most of the banks already meet this criterion, for banks which do not have adequate capital buffers presently, a glide path winding upto end-March 2026 has been prescribed.

exposure to these borrowers was less than 10 per cent of their total loans at end-March 2022 as compared with 47 per cent share for SUCBs. The GNPA ratio of UCBs emanating from large borrowal accounts declined, mainly on the back of decline for SUCBs. In the case of NSUCBs, however, the ratio has remained high and has deteriorated further recently (Chart V.13).

Chart V.13: Stress in Large Borrowal Accounts



Source: Central Repository of Information on Large Credits (CRILC) database.

3.5 Financial Performance and Profitability

V.25 Anaemic credit growth in a low interest rate regime, pulled down the interest income of UCBs in 2021-22. The contraction in interest expenditure was, however, even sharper leading to improvement in their profitability. Amalgamation of a large debt-ridden and stressed SUCB with a small finance bank also helped in improving profitability. On the other hand, the increase in non-interest expenditure, especially staff costs, coupled with a sharp reduction in non-interest income, had a moderating influence (Table V.10).

Table V.10: 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 (%)
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2021-22
1	2	3	4	5	6	7	8
A. Total Income [i+ii]	**22,301 (100.0)**	**20,743 (100.0)**	**30,148 (100.0)**	**29,879 (100.0)**	**52,449 (100.0)**	**50,622 (100.0)**	**-3.5**
i. Interest Income	19,463 (87.3)	18,551 (89.4)	27,837 (92.3)	28,022 (93.8)	47,300 (90.2)	46,573 (92.0)	-1.5
ii. Non-interest Income	2,838 (12.7)	2,192 (10.6)	2,311 (7.7)	1,857 (6.2)	5,149 (9.8)	4,049 (8.0)	-21.4
B. Total Expenditure [i+ii]	**18,884 (100.0)**	**17,017 (100.0)**	**25,773 (100.0)**	**24,875 (100.0)**	**44,657 (100.0)**	**41,892 (100.0)**	**-6.2**
i. Interest Expenditure	13,503 (71.5)	11,398 (67.0)	18,613 (72.2)	17,311 (69.6)	32,116 (71.9)	28,709 (68.5)	-10.6
ii. Non-interest Expenditure	5,381 (28.5)	5,619 (33.0)	7,160 (27.8)	7,565 (30.4)	12,541 (28.1)	13,183 (31.5)	5.1
of which: Staff Expenses	2,745	2,876	3,923	4,144	6,668	7,020	5.3
C. Profits							
i. Amount of Operating Profits	3,417	3,727	4,375	5,004	7,792	8,730	12.0
ii. Provision, Contingencies	2,242	1,921	2,584	2,805	4,826	4,726	-2.1
iii. Provision for taxes	597	306	811	817	1,408	1,124	-20.2
iv. Amount of Net Profit before Taxes	1,175	1,805	1,791	2,199	2,966	4,004	35.0
v. Amount of Net Profit after Taxes	578	1,499	980	1,382	1,558	2,881	85.0

Notes: 1. Data for 2021-22 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 ₹crore.
4. Figures in parentheses are proportion to total income/expenditure (in per cent).

Source: Off-site surveillance returns, RBI.

Table V.11: Select Profitability Indicators of UCBs

(Per cent)

Indicators	Scheduled UCBs		Non-Scheduled UCBs		All UCBs	
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
1	2	3	4	5	6	7
Return on Assets	0.19	0.50	0.28	0.38	0.24	0.43
Return on Equity	2.94	6.88	3.22	4.21	3.11	5.27
Net Interest Margin	2.01	2.39	2.67	2.94	2.36	2.69

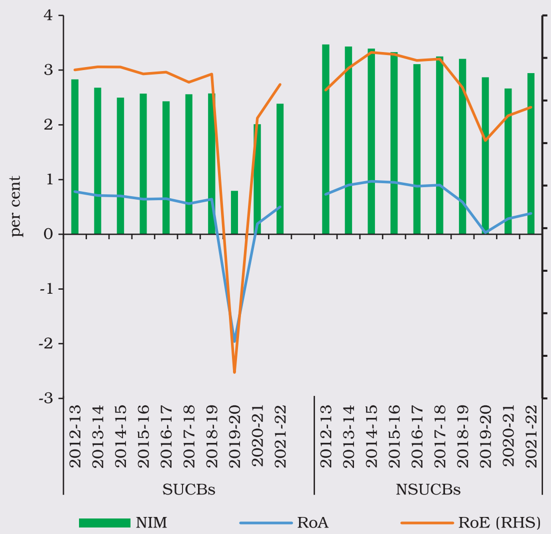
Note: Data for 2021-22 are provisional.
Source: Off-site surveillance returns, RBI.

V.26 Key measures of UCBs' profitability — return on assets (RoA) and net return on equity (RoE) — improved for the second consecutive year (Table V.11 and Chart V.14). The fall in average cost of deposits, coupled with hardening of average return on advances, led to improvement in profitability of SUCBs (Appendix Table V.1).

3.6 *Priority sector lending*

V.27 The strong grassroot level presence of co-operative banks facilitates their pivotal role in furthering financial inclusion. The priority sector lending norms for UCBs were revised on March 13, 2020 — requiring them to meet the target of 45 per cent, 50 per cent, 60 per cent and 75 per cent of adjusted net bank credit by end-March 2021, 2022, 2023 and 2024, respectively.

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



Source: Off-site surveillance returns, RBI.

V.28 Priority sector lending of UCBs has always exceeded the stipulated target over the last decade. This trend continued even with the higher regulatory target, 55 per cent of UCBs' lending during 2021-22 was directed towards the sector. MSMEs received a lion's share in lending (Table V.12). In June 2022, the Reserve Bank increased individual housing loan limits for UCBs, StCBs and DCCBs. Going forward, this may give a fillip to their credit to the housing sector.

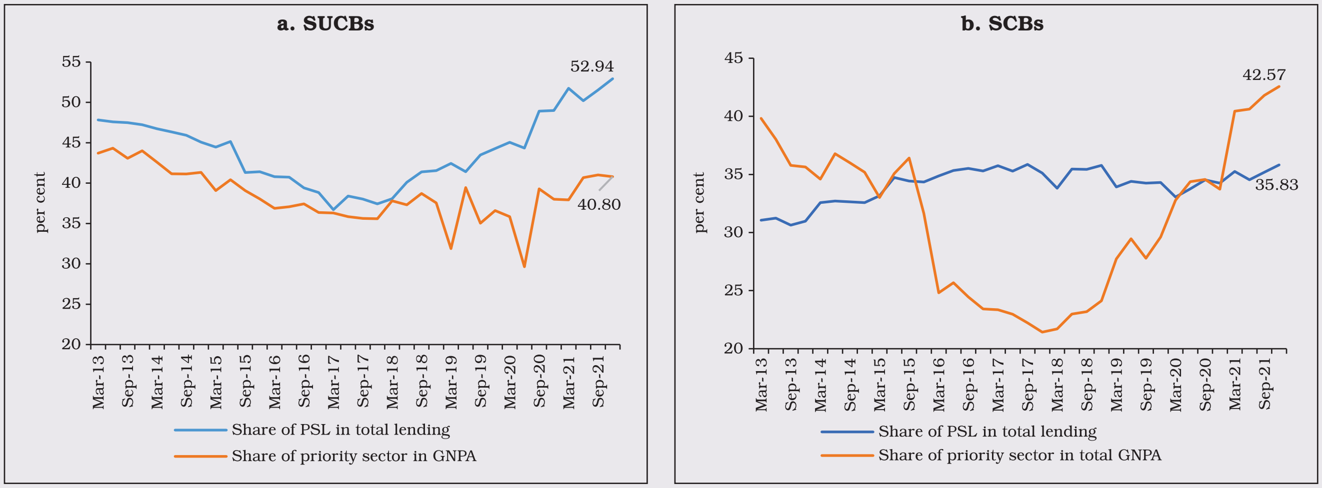
Table V.12: Composition of Credit to Priority Sectors by UCBs
(As at end-March)

(Amount in ₹ Crore)

Item	2021		2022	
	Amount	Share in Total Advances (%)	Amount	Share in Total Advances (%)
1. Agriculture [(i)+(ii)+(iii)]	12,245	3.9	13,213	4.2
(i) Farm Credit	8,913	2.8	9,841	3.1
(ii) Agriculture Infrastructure	676	0.2	915	0.3
(iii) Ancillary Activities	2,701	0.9	2,457	0.8
2. Micro and Small Enterprises [(i) + (ii) +(iii) + (iv)]	1,01,340	32.3	1,07,847	34.3
(i) Micro Enterprises	34,301	10.9	37,681	12.0
(ii) Small Enterprises	46,128	14.7	46,733	14.8
(iii) Medium Enterprises	20,547	6.5	22,894	7.3
(iv) Advances to KVI (Including 'Other Finance to MSMEs')	365	0.1	539	0.2
3. Export Credit	368	0.1	284	0.1
4. Education	2,374	0.8	2,629	0.8
5. Housing	25,211	8.0	26,803	8.5
6. Social Infrastructure	1,185	0.4	1,114	0.4
7. Renewable Energy	1,291	0.4	1,380	0.4
8. 'Others' category under Priority Sector	17,694	5.6	20,012	6.4
9. Total (1 to 8)	1,61,708	51.5	1,73,282	55.1
of which, Loans to Weaker Sections under Priority Sector	33,590	10.7	34,844	11.1

Notes: 1. Data for 2022 are provisional.
2. Percentage share 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.

Chart V.15: Priority Sector Lending



Source: Staff calculations based on supervisory data.

V.29 Despite the increasing share of the priority sector in total lending of SUCBs, their GNPAs have remained low, especially when compared with the SCBs (Chart V.15a and 15b).

V.30 Empirical evidence suggests that while asset quality and capital buffers are significant determinants of SUCBs' profitability, priority sector lending does not weaken it (Box V.1).

Box V.1: Determinants of Profitability of Scheduled Urban Co-operative Banks

For scheduled urban co-operative banks (SUCBs), quarterly panel data of 54 entities for the period March 2013 to December 2021 were used in a fixed effects panel regression framework. The dependent variable *viz.* profitability of banks is proxied by return on assets (RoA) and alternately by net interest margin (NIM). Explanatory

Table 1a: Impact of Priority Sector Lending on Profitability of SUCBs
Model I: Bank Specific Factors

	(1)	(2)	(3)	(4)
VARIABLES	Return on Assets	NIM	Return on Assets	NIM
PSL	-0.00331 (0.00453)	0.000879 (0.00208)	-0.00466 (0.00473)	0.000587 (0.00210)
TOTAL GNPA	-0.0284*** (0.00586)	-0.0220*** (0.00389)		
Total Assets	-0.0501 (0.367)	-0.587** (0.275)	0.0330 (0.351)	-0.466 (0.302)
CRAR	0.0256*** (0.00515)	-0.00455 (0.00348)	0.0298*** (0.00730)	-0.000873 (0.00582)
Priority GNPA			-0.0209*** (0.00687)	-0.0139** (0.00557)
Constant	1.466 (6.221)	12.19** (4.655)	0.0164 (5.878)	10.06* (5.066)
Bank Fixed Effects	Yes	Yes	Yes	Yes
Time Fixed Effects	Yes	Yes	Yes	Yes
Observations	1,938	1,938	1,938	1,938
R-squared	0.254	0.764	0.206	0.740
Number of Banks	55	55	55	55

Robust standard errors in parentheses
*** $p<0.01$, ** $p<0.05$, * $p<0.1$

(Contd...)

variables include bank specific factors such as ratio of priority sector lending to total lending (PSL ratio) of SUCBs, gross non-performing assets (GNPA) ratio, total assets, CRAR and GNPA of priority sector in Model I. The same relationship is examined by controlling for macroeconomic variables like real GDP growth and inflation in Model II.

The findings suggest that asset quality, measured by total GNPA ratio and GNPA ratio of priority sector lending, is inversely related to profitability of SUCBs, while capital buffers have a positive impact. Priority sector lending is not a significant determinant of profitability. The results are consistent across different specifications of the model (Table 1a).

The results remain consistent even after controlling for macroeconomic variables *viz*. real GDP growth and inflation (Table 1b), suggesting pro-cyclicality of bank profitability, while high inflation seems to erode profit margins. The ratio of non-interest income to operating income, representing income diversification, has a significant and positive impact on RoA.

Table 1b: Impact of Priority Sector Lending on Profitability of SUCBs

Model II: Bank Specific Factors and Macroeconomic Controls

Variables	(1)	(2)
	Return on Assets	Return on Assets
PSL	-0.00302 (0.00452)	-0.00317 (0.00427)
TOTAL GNPA	-0.0278*** (0.00600)	-0.0281*** (0.00577)
CRAR	0.0254*** (0.00481)	0.0258*** (0.00506)
Non-Interest Income to Operating Income		1.165** (0.498)
Total Assets	-0.0535 (0.339)	-0.00229 (0.340)
Real GDP	0.00555** (0.00245)	
Inflation	-0.0138 (0.0106)	
WALR	0.0478 (0.0621)	
Constant	1.017 (6.560)	0.526 (5.733)
Bank Fixed Effects	Yes	Yes
Time Fixed Effects	No	Yes
Observations	1,938	1,937
R-squared	0.209	0.265
Number of Banks	55	55

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

4. Rural Co-operatives

V.31 Rural credit co-operatives came into existence as an institutional mechanism to dispense credit to marginalised areas and activities at affordable cost to address the twin problem of rural indebtedness and poverty. The share of rural co-operatives has been growing — their share in total assets increased from 66.9 per cent at end March 2020 to 67.3 per cent at end March 2021.

V.32 Rural co-operative banks' network of short and long-term institutions has nurtured a distinctive place in the rural credit delivery system due to outreach and volume of business. Deposits are the major sources of funds for short-term credit co-operatives while long-term credit co-operatives rely heavily on borrowings. The financial performance of short-term rural co-operatives is relatively better, with a proportionally higher share in net profits, a lower share in NPAs and higher recovery of loans to demand ratio. (Table V.13 and Chart V.16).

V.33 At the same time, the sector is also riddled with both structural and transient challenges. While a broad depositor base enables UCBs to raise funds at relatively low cost, rural co-operatives are heavily dependent on borrowings for their operations. At end-March 2021, borrowings constituted around 1 per cent of UCBs' liabilities, as against as high as 29 per cent for rural co-operatives. Despite recent moderation, the number of loss-making rural co-operatives has remained high, largely reflecting asset quality concerns. Adequacy of capital is also a weak spot for many institutions.

Table V.13: A Profile of Rural Co-operatives
(At end-March 2021)

(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	34*	351	102,559	13	603
B. Balance Sheet Indicators					
i. Owned Funds (Capital + Reserves)	24,425	46,773	42,311	6,142	4,227
ii. Deposits	2,23,057	3,81,825	1,70,922	2,546	1,551
iii. Borrowings	1,07,207	1,08,077	1,43,044	13,293	16,144
iv. Loans and Advances	2,11,794	3,04,990	2,29,443	20,918	15,325
v. Total Liabilities/Assets	3,77,338	5,88,914	3,34,718	27,275	31,677
C. Financial Performance					
i. Institutions in Profits					
a. No.	32	308	47,297	10	311
b. Amount of Profit	1,669	2,091	5,298	180	193
ii. Institutions in Loss					
a. No.	2	43	37,419	3	292
b. Amount of Loss	268	669	4,320	17	665
iii. Overall Profits (+)/Loss (-)	1,402	1,422	978	163	-473
D. Non-performing Assets					
i. Amount	14,113	34,761	72,550	6,942	6,818
ii. As percentage of Loans Outstanding	6.7	11.4	33.5	33.2	44.5
E. Recovery of Loans to Demand Ratio (Per cent)**	90.5	74.9	71.1	46.5	41.8

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. (P)- Data are provisional.
3. *: Till FY 2019-20, data of Daman & Diu StCB was reported as a part of Goa StCB. Audit of Goa StCB and Daman & Diu StCB was undertaken separately for the position as on 31 Mar 2021.
4.** : This ratio captures the share of outstanding non-performing loan amounts that have been recovered and is as on 30 June of FY

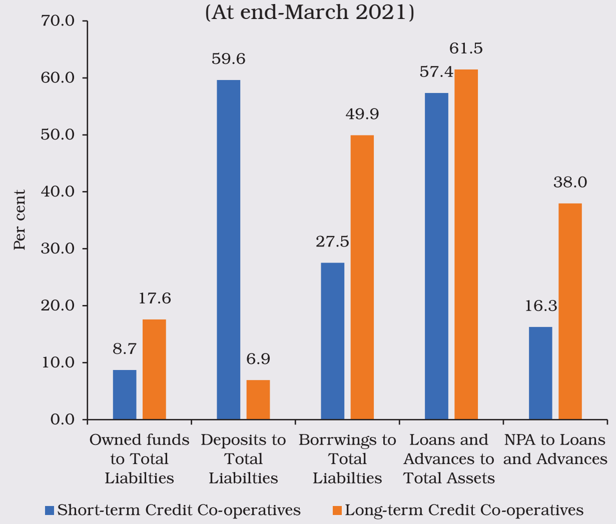
Source: NABARD & NAFCOB (PACS Data).

4.1 Short-term Rural Co-operatives

V.34 Short-term credit co-operatives, *viz*. state co-operative banks (StCBs), district central co-operative banks (DCCBs) and Primary Agricultural Credit Societies (PACS) that operate at the grass root level, cater to the credit requirements of the members through provision of crop loans / working capital. They also provide several non-financial services like input supply, storage and marketing of produce as well as supply of consumer goods.

V.35 A major part of profits earned by StCBs in 2021 was sourced from the southern and western regions (Appendix table V.3). DCCBs, which have a stronger presence in the central

Chart V.16: Long-term *versus* Short-term Rural Co-operatives
(At end-March 2021)



Source: NABARD and NAFSCOB.

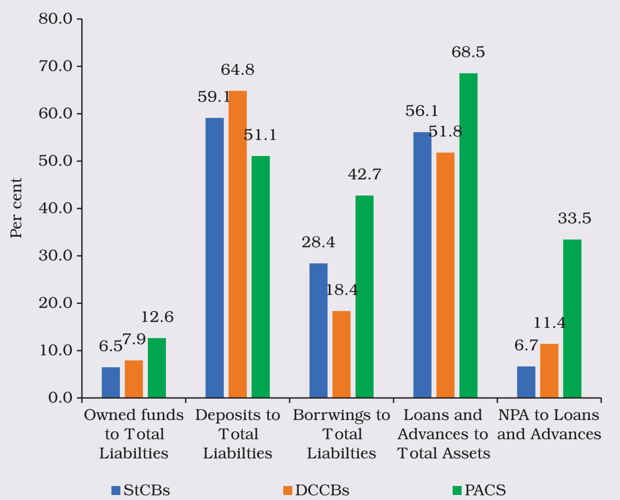
region, earn the highest share of their profits from the western region (Appendix Table V.4). On the other hand, although PACS are more concentrated in the Western region, they depend heavily on the northern region for profits (Appendix Table V.6).

V.36 A comparison of financial performance suggests that PACS are the weakest link in the short-term rural co-operative segment. Their high dependency on borrowings, coupled with higher NPA ratios and low recovery ratios point to underlying vulnerabilities (Chart V.17).

4.1.1 State Co-operative Banks

V.37 State co-operative banks (StCBs) are the apex institutions in the rural co-operative structure, providing liquidity and technical assistance to the Tier II and Tier III institutions, apart from customer lending on their own. At end-March 2021, they had 2,078 branches across 35 states and UTs[8], providing credit for a range of agricultural and non-agricultural purposes. Agricultural loans constituted 43 per cent of the total loan portfolio of StCBs.

Chart V.17: Comparison of Short-term Rural Co-operatives (Balance sheet and Financial Performance)
(At end-March 2021)



Source: NABARD and NAFSCOB.

Balance Sheet Operations

V.38 State co-operative banks' (StCBs) balance sheet grew by over 7 per cent for the third consecutive year in 2020-21. Like in previous years, deposits remain the mainstay of their liabilities. The sharp increase in borrowing also highlights their dynamic resource mobilisation strategy — taking advantage of lower cost of borrowing available in 2020-21. However, the higher incremental resources mobilised could not be utilised for extending loans and advances in the face of anaemic credit demand that prevailed then. Instead, these resources were deployed as investments and cash holdings (Table V.14).

V.39 Supervisory data available for 2021-22 show a reversal, with robust credit pick-up and corresponding slowdown in SLR investments (Table V.15).

Profitability

V.40 During 2019-20, both interest income and interest expended had contracted, but the latter more than compensated for the former. As a result, it turned out to be a profitable year for StCBs. This was reversed in 2020-21 and as the increase in interest expenditure outpaced that of interest earnings, the sector witnessed erosion in profitability. Increase in operating expenditure, mainly on account of wage bills,

[8] Though there are 34 StCBs, the Jammu and Kashmir State Co-operative Bank Limited has 7 branches in the Union Territory of Ladakh.

Table V.14: Liabilities and Assets of State Co-operative Banks

(Amount in ₹ Crore)

Item	At end-March		Variation (%)	
	2020	2021	2019-20	2020-21
1	2	3	4	5
Liabilities				
1. Capital	7,459	8,577	0.4	15.0
	(2.2)	(2.3)		
2. Reserves	14,441	15,848	4.7	9.7
	(4.2)	(4.2)		
3. Deposits	2,10,342	2,23,057	9.2	6.0
	(61.8)	(59.1)		
4. Borrowings	85,723	1,07,207	2.0	25.1
	(25.2)	(28.4)		
5. Other Liabilities	22,301	22,648	16.9	1.6
	(6.6)	(6.0)		
Assets				
1. Cash and Bank Balances	10,229	14,360	-32.6	40.4
	(3.0)	(3.8)		
2. Investments	1,12,828	1,29,329	9.4	14.6
	(33.2)	(34.3)		
3. Loans and Advances	1,99,943	2,11,794	8.9	5.9
	(58.8)	(56.1)		
4. Accumulated Losses	1,232	1,405	25.0	14.0
	(0.4)	(0.4)		
5. Other Assets	16,035	20,451	13.3	27.5
	(4.7)	(5.4)		
Total Liabilities/Assets	**3,40,267**	**3,77,338**	**7.3**	**10.9**
	(100.0)	**(100.0)**		

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.
4. During 2019-20, 13 DCCBs (except Mallapuram DCCB) in Kerala were amalgamated with Kerala StCB. The data of 13 DCCBs have been added to the StCB totals for previous years to facilitate comparison and compute growth rates.

Source: NABARD.

further accentuated the contraction in profits (Table V.16).

V.41 The contraction in profits was sharpest in the northern region, mainly contributed by the StCB in Jammu and Kashmir, which reported a loss of ₹24,751 lakhs. Combined with profit deceleration in the southern region, this dragged down gains registered across the country (Appendix Table V.3).

Asset Quality

V.42 After a deterioration in 2019-20, the NPA accretion of StCBs slowed down in 2020-21. A sharp increase in doubtful and loss accounts acted as a countervailing force to improvement in sub-standard assets, resulting in the NPAs to loan ratio remaining unchanged at 6.7 per cent, as in the previous year. The improvement in the NPA ratio in the eastern, central and southern regions was counterbalanced by deterioration in the other regions (Appendix Table V.3). A decline in the recovery ratio highlights the underlying weakness in the sector (Table V.17).

4.1.2 District Central Co-operative Banks

V.43 District central co-operative banks (DCCBs), which constitute the second tier in

Table V.15: Select Balance Sheet Indicators of Scheduled State Co-operative Banks

(Amount in ₹crore)

Item	2016-17	2017-18	2018-19	2019-20*	2020-21	2021-22
1	2	3	4	5	6	7
Deposits	90,277	98,768	1,10,559	1,87,456	1,97,751	2,11,784
	(13.5)	(9.4)	(11.9)	(69.6)	(5.5)	(7.1)
Credit	1,10,934	1,17,989	1,31,399	1,94,310	2,06,322	2,28,194
	(3.3)	(6.4)	(11.4)	(47.9)	(6.2)	(10.6)
SLR Investments	26,225	33,411	33,130	54,181	67,788	77,677
	(8.3)	(27.4)	-(0.8)	(63.5)	(25.1)	(14.6)
Credit plus SLR Investments	1,37,159	1,51,400	1,64,529	2,48,492	2,74,110	3,05,871
	(4.2)	(10.4)	(8.7)	(51.0)	(10.3)	(11.6)

Notes: 1. Data pertains to last reporting Friday of March of the corresponding year.
2. Figures in brackets are growth rates in per cent over previous year.
3. *: The high growth is mainly due to amalgamation of 13 District Central Co-operative Banks with Kerala State Co-operative Bank.

Source: Form B under Section 42 of RBI Act.

Table V.16: Financial Performance of State Co-operative Banks

(Amount in ₹ Crore)

Item	As during		Percentage Variation	
	2019-20	2020-21	2019-20	2020-21
1	2	3	4	5
A. Income (i+ii)	**21,922**	**24,318**	**-1.6**	**10.9**
	(100.0)	**(100.0)**		
i. Interest Income	20,014 (91.3)	23,177 (95.3)	-6.4	15.8
ii. Other Income	1,908 (8.7)	1,141 (4.7)	111.9	-40.2
B. Expenditure (i+ii+iii)	**20,198 (100.0)**	**22,916 (100.0)**	**-4.1**	**13.5**
i. Interest Expended	14,871 (73.6)	17,318 (75.6)	-8.6	16.5
ii. Provisions and Contingencies	2,646 (13.1)	2,181 (9.5)	67.6	-17.6
iii. Operating Expenses	2,681 (13.3)	3,418 (14.9)	-16.4	27.5
Of which, Wage Bill	1,491	1,926	-14.3	29.1
	(7.4)	(8.4)		
C. Profits				
i. Operating Profits	2,974	2,947	26.0	-0.9
ii. Net Profits	1,724	1,402	41.3	-18.7

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.
4. During 2019-20, 13 DCCBs (except Mallapuram DCCB) in Kerala were amalgamated with Kerala StCB. The data of 13 DCCBs have been added to the StCB totals for previous years to Facilitate comparison and compute growth rates.

Source: NABARD.

Table V.17: Soundness Indicators of State Co-operative Banks

(Amount in ₹ Crore)

Item	At end-March		Percentage Variation	
	2020	2021	2019-20	2020-21
1	2	3	4	5
A. Total NPAs (i+ii+iii)	13,477	14,113	35.2	4.7
i. Sub-standard	7,883	7,379	67.3	-6.4
	(58.5)	(52.3)		
ii. Doubtful	4,400	5,294	9.7	20.3
	(32.6)	(37.5)		
iii. Loss	1,195	1,440	-4.1	20.5
	(8.9)	(10.2)		
B. NPAs to Loans Ratio (%)	**6.7**	**6.7**	-	-
C. Recovery to Demand Ratio (%)	**94.4**	**90.5**	-	-

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.
4. During 2019-20, 13 DCCBs (except Mallapuram DCCB) in Kerala were amalgamated with Kerala StCB. The data of 13 DCCBs have been added to the StCB totals for previous years to facilitate comparison and compute growth rates.
5. Recovery position as on 30th June of the financial year.

Source: NABARD.

the short-term rural co-operative structure, are operating in 20 states/ UTs with a network of 13,610 branches that are largely concentrated in the central region. They mobilise funds through public deposits, borrowing from StCBs and refinance from NABARD to lend to individual borrowers and third tier institutions, *viz*. PACS. Almost 60 per cent of the lending of DCCBs is through PACS. Being able to leverage their extensive branch network to garner deposits, DCCBs are less dependent on borrowings in comparison with StCBs. This also translates to lower C-D ratios than StCBs, although the outstanding credit of DCCBs is larger.

Balance Sheet Operations

V.44 After a deceleration in 2019-20, the revival in the consolidated balance sheet growth of DCCBs in 2020-21 was led by deposits and borrowings on the liabilities side. This was matched by acceleration in loans and advances and investments on the asset side. The deceleration in accumulated losses for the second consecutive year is a sign of a strengthening balance sheet (Table V.18).

Profitability

V.45 Although both income and expenditure of DCCBs decelerated, the growth slowdown in the former was less severe than in the latter, resulting in higher profit growth (Table V.19). In particular, interest income growth outweighed interest expenses growth, boosting net interest income.

Table V.18: Liabilities and Assets of District Central Co-operative Banks

(Amount in ₹ Crore)

Item	At end-March		Percentage Variation	
	2020	2021	2019-20	2020-21
1	2	3	4	5
Liabilities				
1. Capital	20,913 (3.9)	22,391 (3.8)	3.9	7.1
2. Reserves	22,332 (4.2)	24,381 (4.1)	7.5	9.2
3. Deposits	3,45,682 (64.5)	3,81,825 (64.8)	7.7	10.5
4. Borrowings	97,448 (18.2)	1,08,077 (18.4)	4.8	10.9
5. Other Liabilities	49,602 (9.3)	52,239 (8.9)	6.1	5.3
Assets				
1. Cash and Bank Balances	23,409 (4.4)	26,973 (4.6)	-8.7	15.2
2. Investments	1,86,745 (34.8)	2,11,380 (35.9)	10.1	13.2
3. Loans and Advances	2,79,272 (52.1)	3,04,990 (51.8)	5.4	9.2
4. Accumulated Losses	6,721 (1.3)	7,046 (1.2)	9.5	4.8
5. Other Assets	39,830 (7.4)	38,525 (6.5)	13.1	-3.3
Total Liabilities/Assets	**5,35,977 (100.0)**	**5,88,914 (100.0)**	**6.9**	**9.9**

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.
4. During 2019-20, 13 DCCBs (except Mallapuram DCCB) in Kerala were amalgamated with Kerala StCB. The data of 13 DCCBs have been deducted from the DCCB totals for previous years to facilitate comparison and compute growth rates.

Source: NABARD.

Table V.19: Financial Performance of District Central Co-operative Banks

(Amount in ₹Crore)

Item	As during		Percentage Variation	
	2019-20	2020-21	2019-20	2020-21
1	2	3	4	5
A. Income (i+ii)	**38,398 (100.0)**	**39,982 (100.0)**	**7.3**	**4.1**
i. Interest Income	36,473 (95)	38,089 (95.3)	7.3	4.4
ii. Other Income	1,924 (5)	1,893 (4.7)	8.0	-1.6
B. Expenditure (i+ii+iii)	**37,552 (100.0)**	**38,560 (100.0)**	**6.9**	**2.7**
i. Interest Expended	24,830 (66.1)	25,480 (66.1)	7.9	2.6
ii. Provisions and Contingencies	3,886 (10.3)	3,720 (9.6)	8.0	-4.3
iii. Operating Expenses	8,836 (23.5)	9,361 (24.3)	3.9	5.9
Of which, Wage Bill	5,663 (15.1)	5,864 (15.2)	5.4	3.6
C. Profits				
i. Operating Profits	4,229	4,723	11.8	11.7
ii. Net Profits	846	1,422	28.4	68.1

Notes: 1. Figures in parentheses are in 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.
4. During 2019-20, 13 DCCBs (except Mallapuram DCCB) in Kerala were amalgamated with Kerala StCB. The data of 13 DCCBs have been deducted from the DCCB totals for previous years to facilitate comparison and compute growth rates.

Source: NABARD.

V.46 The share of profit making entities increased across all regions. DCCBs in the southern and western regions contributed the lion's share of all-India net profits. The acceleration in profits during 2020-21 within the western region was mainly contributed by Maharashtra, while in the southern region, Andhra Pradesh was the biggest contributor. (Appendix Table V.4).

Asset Quality

V.47 The asset quality of DCCBs has been worsening since 2016-17, when a number of states announced farm debt waiver schemes. In 2020-21, asset quality improved on the back of a fall in sub-standard assets and deceleration in doubtful assets. Concomitantly, their recovery to demand ratio was at its highest since 2016-17. The improvement in asset quality and recovery ratio was contributed by all the regions, except for the northern region. The southern region has the lowest NPA ratio and the highest recovery ratio (Table V.20 and Appendix Table V.4).

4.1.3 Primary Agricultural Credit Societies

V.48 Primary Agricultural Credit Societies (PACS) are the grass root level institutions in the short-term rural co-operative structure.

Table V.20: Soundness Indicators of District Central Co-operative Banks

(Amount in ₹ Crore)

Item	At end-March		Percentage Variation	
	2020	2021	2019-20	2020-21
1	2	3	4	5
A. Total NPAs (i+ ii + iii)	**35,298**	**34,761**	**10.3**	**-1.5**
i) Sub- standard	15,885 (45)	13,940 (40.1)	1.6	-12.2
ii) Doubtful	16,990 (48.1)	18,367 (52.8)	22.1	8.1
iii) Loss	2,423 (6.9)	2,455 (7.1)	-0.6	1.3
B. NPAs to Loans Ratio (%)	**12.6**	**11.4**	-	-
C. Recovery to Demand Ratio (%)	**70.2**	**74.9**	-	-

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.
4. During 2019-20, 13 DCCBs (except Mallapuram DCCB) in Kerala were amalgamated with Kerala StCB. The data of 13 DCCBs have been deducted from the DCCB totals for previous years to facilitate comparison and compute growth rates.
5. Recovery Position as on 30th June of corresponding FY.

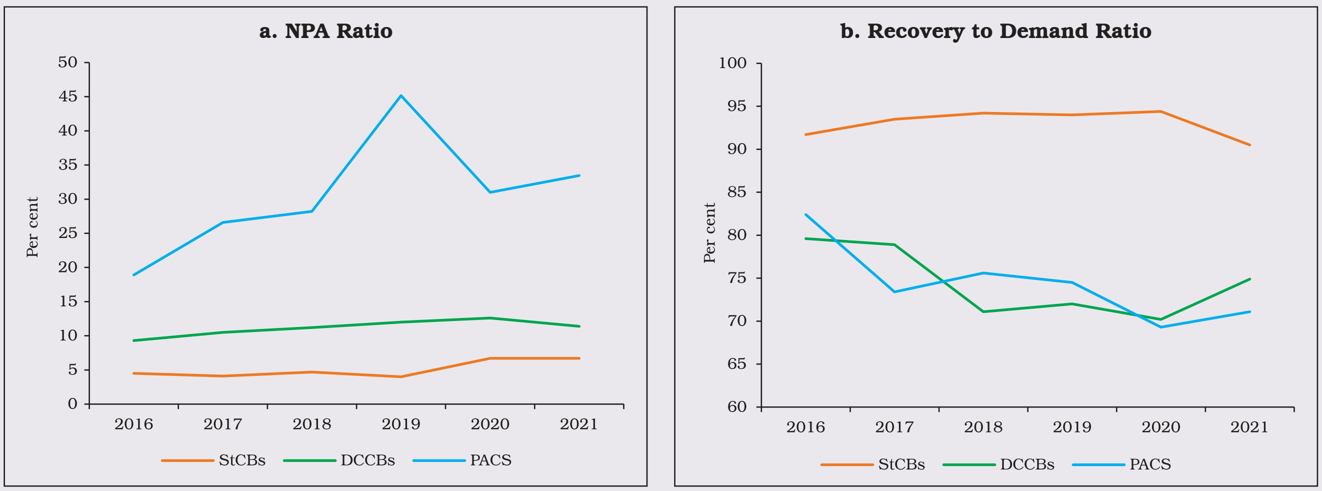
Source: NABARD.

Historically, they have raised resources through both borrowings and deposits for providing short-term and medium-term agricultural credit, especially to marginal farmers. They also undertake a gamut of other activities, including supply of agricultural inputs, distribution of consumer articles and marketing of produce for their members.

V.49 At end-March 2021, PACS served 13.7 crore members and 5.4 crore borrowers. They have a dominant presence in the western region (mainly Maharashtra), followed by the eastern region. The borrower-to-member ratio — a metric to gauge credit penetration of PACS — was progressively declining from 39.6 per cent in 2016-17 to 38 per cent in 2019-20. During 2020-2021 however, the ratio increased to 39.1 per cent, mainly reflecting a fall in total membership and a rise in total number of borrowers[9]. Rural artisans' and 'other and marginal farmers' share rose in the membership (Appendix Table V.7).

V.50 The asset quality measured in terms of the NPA ratio of StCBs and DCCBs has historically been better than PACS. Additionally their recovery ratio has also remained at its lowest level for two consecutive years (Table V.13 and Chart V.18).

Chart V.18: Asset Quality of Shot-term Co-operatives: A comparison



Source: NABARD and NAFSCOB.

[9] NABARD Annual Report 2021-22 available at https://www.nabard.org/nabard-annual-report-2021-22.aspx

V.51 The total resources of PACS decelerated during 2020-21. Notwithstanding significant increase in the government's contribution, owned funds contracted in 2020-21, reflective of erosion in membership base, and leading to a negative growth in paid up capital (Appendix Table V.5). In line with their mandate, PACS extend proportionately more short-term loans than medium-term loans. During the year under review, both short-and medium-term loans grew at around 2 per cent, thus maintaining the share of short-term loans in the total at 88 per cent.

V.52 The business model of PACS is largely tilted towards lending to agriculture. At end-March 2021, its share in total lending was high at 80 per cent. On y-o-y growth basis, however, their agriculture lending decelerated to 3.9 per cent as compared with 6.8 per cent in the preceding year.

V.53 More than half of the PACS were profitable during the year, outweighing the losses incurred by the other half. Region-wise aggregation reveals that only the northern region was profitable with more than 70 per cent societies in profit, contributed mainly by Haryana and Rajasthan. The losses were the highest in the southern region, mainly contributed by Kerala and Tamil Nadu (Appendix Table V.6).

4.2 Long-term Rural Co-operatives

V.54 Long-term rural co-operatives were established for providing funds for investment in agriculture — including land development, farm mechanisation and minor irrigation — rural industries and housing. This structure consists of 13 state co-operative agriculture and rural development banks (SCARDBs) operating at the state level and 603 primary co-operative agriculture and rural development banks (PCARDBs) operating at the district/block level. The structure of long-term rural co-operatives differs across states. States like Jammu and Kashmir, Tripura, Uttar Pradesh, Gujarat and Puducherry follow a unitary structure *i.e.*, SCARDBs operate through their own branches with no separate PCARDBs. On the other hand, states like Haryana, Punjab, Rajasthan, Karnataka, Kerala, and Tamil Nadu follow a federal structure wherein SCARDBs lend through PCARDBs. In two states *viz*. Himachal Pradesh and West Bengal, SCARDBs operate through PCARDBs as well as through their own branches.

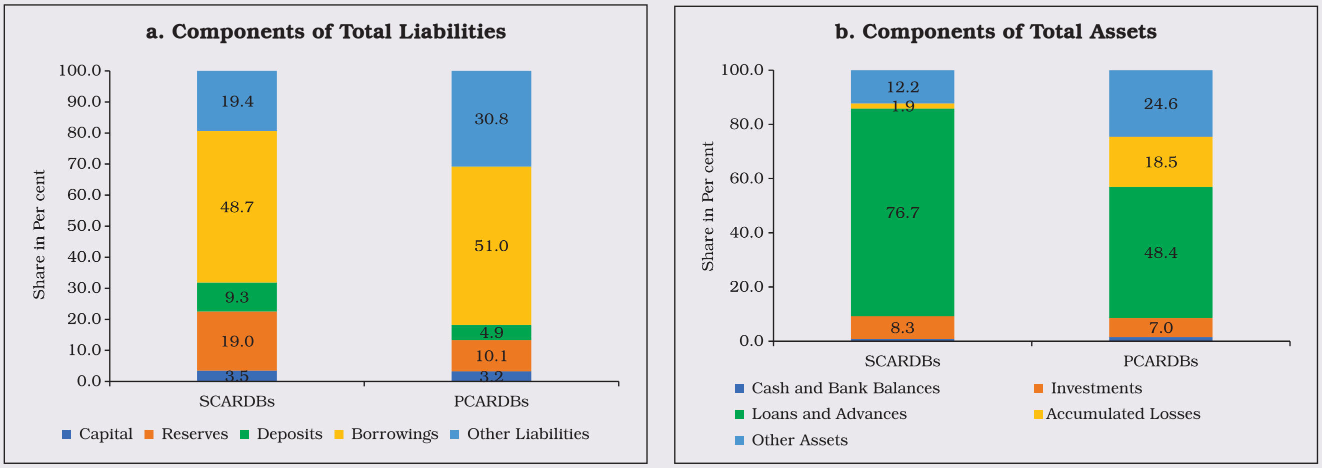
V.55 The business model of SCARDBs and PCARDBs depends heavily on borrowings; the former borrow from institutions such as NABARD for direct lending as well as lending through PCARDBs. The financial health of PCARDBs is, however, more fragile than SCARDBs, given the high share of accumulated losses on their balance sheets (Chart V.19).

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

V.56 SCARDBs are operating in 13 states, with 794 branches of which the maximum number of branches are in Uttar Pradesh. The consolidated balance sheet of SCARDBs expanded in 2020-21, *albeit* marginally, after witnessing contraction for three consecutive years. The expansion was led by a turnaround in deposits on liabilities side and continuing acceleration in loans and advances on the assets side (Appendix V.8).

V.57 Although both income — interest as well as non-interest — and expenditure contracted as compared with the previous year, the fall in the former outweighed that of the latter, leading to a deterioration in profitability (Appendix Table V.9).

Chart V.19: Liabilities and Assets of Long-Term Rural Co-operatives: A Comparison
(At end-March 2021)



Source: NABARD.

V.58 NPAs of SCARDBs decelerated in 2020-21 on account of a contraction in sub-standard assets. The recovery to demand ratio improved in 2020-21 in comparison to 2019-20, largely contributed by Himachal Pradesh, West Bengal, Karnataka, and Kerala (Appendix Table V.10 and V.11).

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

V.59 The consolidated balance sheet of PCARDBs decelerated during 2020-21 on the back of a contraction in loans and advances on the asset side as well as borrowings on the liabilities side (Appendix Table V.12).

V.60 The operating profit of PCARDBs accelerated as their income growth surpassed growth in expenditure. However, as their provision requirements remained high, the historical trend of net losses continued (Appendix Table V.13). On the positive side, NPA accretion has slowed down in 2020-21 on a fall in sub-standard assets (Appendix Table V.14). The recovery to demand ratio has fallen for all states, except Himachal Pradesh and West Bengal (Appendix Table V.15).

5. Overall Assessment

V.61 During 2021-22, the performance of UCBs improved on all parameters — capital buffers, asset quality and profitability. The amalgamation of a large stressed UCB helped in shoring up the performance of the sector, however, a close monitoring is needed to ensure viability of other stressed and weak UCBs. The performance of some segments of the rural co-operatives also needs improvement. Recent legal and regulatory measures initiated by the Reserve Bank are likely to bolster the financial health of the sector, enabling it to perform the role as conduit of financial inclusion more effectively.

VI NON-BANKING FINANCIAL INSTITUTIONS

During 2021-22, NBFCs' balance sheet grew at a subdued pace driven by deceleration in their loans and advances. The sector, however, continued to show resilience in terms of sound capital position, improved asset quality, adequate provisioning and higher profitability. HFCs' balance sheet expanded moderately in 2021-22 on the back of consolidation. AIFIs' balance sheet exhibited double digit growth mainly on account of growth in investments and loans and advances.

1. Introduction

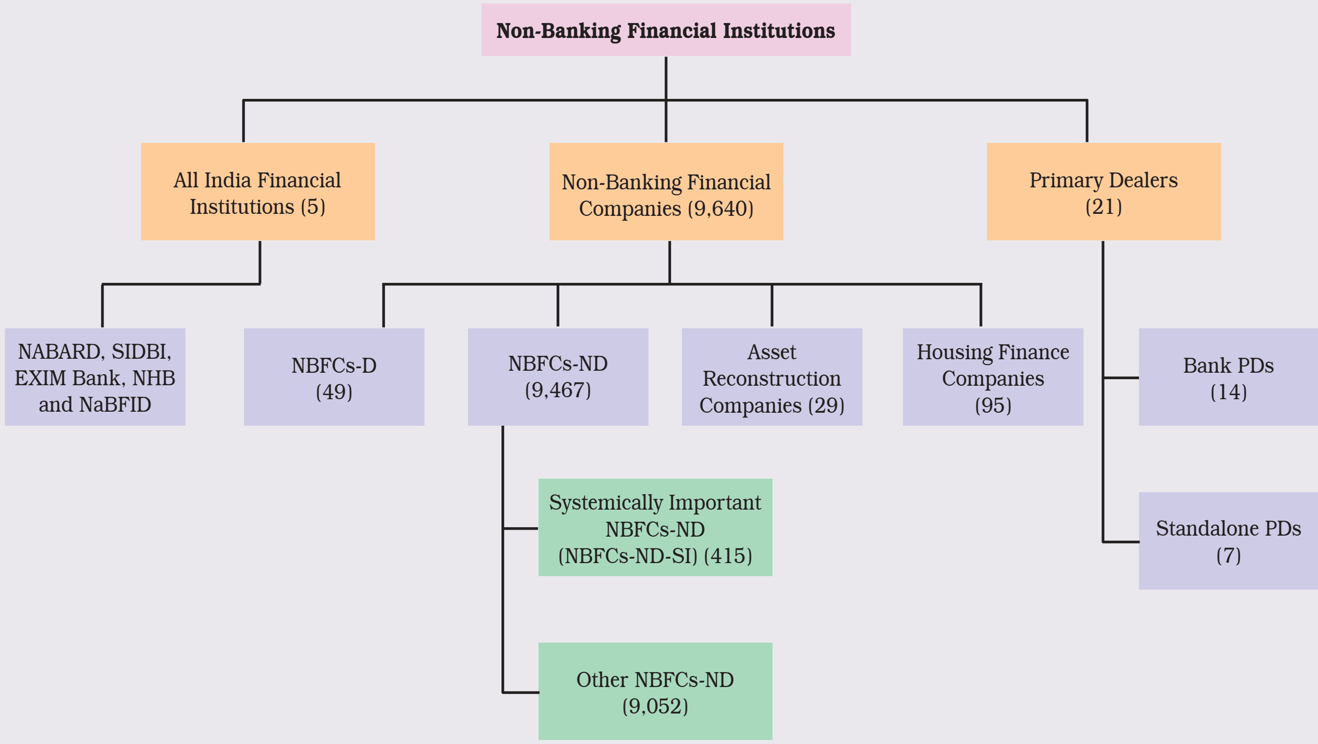
VI.1 Non-banking financial companies (NBFCs) weathered the pandemic supported by various policy initiatives. They built up financial soundness during 2021-22, marked by balance sheet consolidation, improvement in asset quality, augmented capital buffers and profitability. In the second wave of the pandemic during H1: 2021-22, the disruption to economic activity was limited due to adoption of localised and region-specific containment policies and the steady pace of vaccination. Contact-intensive segments and smaller businesses in the NBFC sector were however, hit hard and faced asset quality and liquidity stress. As the impact of the second wave waned and the third wave turned out to be short-lived, the NBFC sector regained momentum, cushioned by pro-active policy measures announced by the Reserve Bank and the government. Housing finance companies (HFCs) remained resilient as property sales picked up, driven by pent up demand, low interest rates, reduction in stamp duties and the shift in labour market conditions with a preference to work from home. All India financial institutions (AIFIs) also realigned their business strategies to contribute to economic recovery, buoyed by the refinance support from the Reserve Bank.

VI.2 This chapter analyses the operations and performance of non-banking financial institutions (NBFIs) regulated by the Reserve Bank[1], comprising NBFCs, HFCs, AIFIs and primary dealers (PDs) (Chart VI.1). NBFCs comprise government/ public/ private limited companies which provide niche financing to various sectors of the economy, ranging from real estate and infrastructure to agriculture and micro loans, thereby supplementing bank credit. HFCs specialise in providing housing finance to individuals, co-operative societies and corporate bodies to support housing activity in the country[2]. AIFIs, *i.e.*, the National Bank for Agriculture and Rural Development (NABARD), the Export Import Bank of India (EXIM Bank), the Small Industries Development Bank of India (SIDBI), the National

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

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

Chart VI.1: Structure of NBFIs under the Reserve Bank's Regulation
(As on July 31, 2022)



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 also been kept under PDs in this chart.
3. NBFCs-ND include 62 CICs.

Source: RBI.

Housing Bank (NHB) and the recently established National Bank for Financing Infrastructure and Development (NaBFID)[3], are the apex financial institutions which provide long-term funding to agriculture, foreign trade, small industries, housing finance companies and infrastructure, respectively. PDs ensure subscription to primary issuances of government securities (G-secs), besides acting as market makers in the G-sec market. The rest of the chapter is organised into four sections. Section 2 provides an overview of the NBFC sector, covering in detail 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 and PDs is provided in Section 3 and Section 4, respectively. Section 5 concludes with an overall assessment and offers perspectives for the way forward.

[3] NaBFID has been set up as a Development Financial Institution (DFI) and shall be regulated and supervised as an AIFI by the Reserve Bank under Sections 45L and 45N of the RBI Act, 1934.

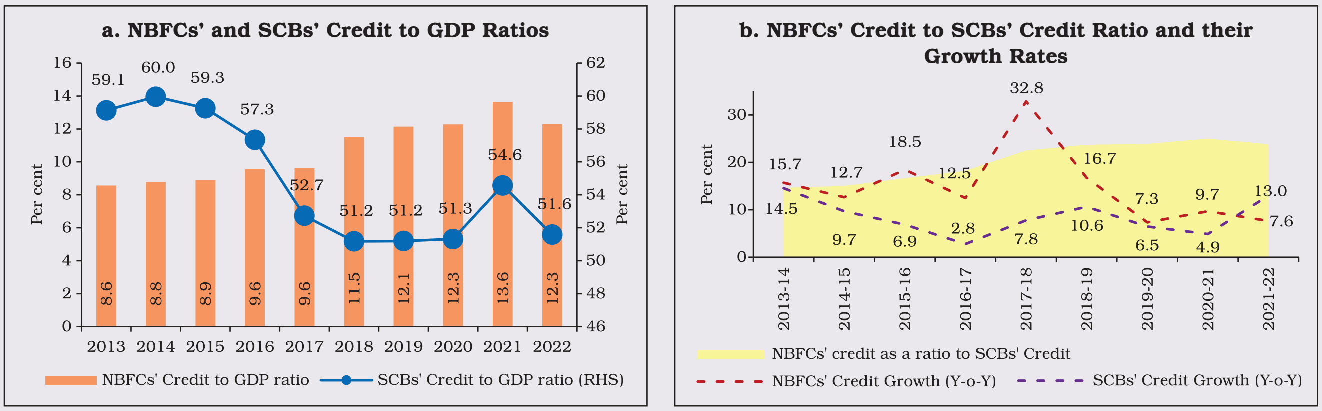
2. Non-Banking Financial Companies (NBFCs)[4]

VI.3 The growing importance of the NBFC sector in the Indian financial system is reflected in the consistent rise of NBFCs' credit as a proportion to GDP as well as in relation to credit extended by scheduled commercial banks (SCBs) (Charts VI.2a and b).

VI.4 In terms of asset/liability structures, NBFCs are subdivided into deposit-taking NBFCs (NBFCs-D) - which accept and hold public deposits - and non-deposit taking NBFCs (NBFCs-ND). 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).

VI.5 After the regulatory overhaul in October 2022, NBFCs are segregated into four layers, namely, Base Layer (NBFC-BL), Middle Layer (NBFC-ML), Upper Layer (NBFC-UL) and Top Layer (NBFC-TL), based on their size, activity, and perceived level of riskiness. In terms of size, NBFC-BL comprises all NBFCs-ND with asset size below ₹1,000 crore. NBFCs-ND with asset size above ₹1,000 crore and NBFCs-D are put in NBFC-ML. NBFC-UL comprises those NBFCs (including NBFCs-D) which are specifically monitored by the Reserve Bank on the basis of a set of parameters and scoring methodology. The framework also envisages that top ten eligible NBFCs in terms of their asset size shall always reside in NBFC-UL. Accordingly, the Reserve Bank has identified and placed 16 NBFCs (including HFCs) in NBFC-UL. NBFC-TL shall ideally remain empty and will be populated if the Reserve Bank perceives a substantial increase in the potential systemic risk from specific NBFCs in NBFC-UL. Apart from scale, the new regulatory framework also prescribes activity-based regulation for NBFCs (Table VI.1). The Reserve Bank also specified a Prompt Corrective Action (PCA) framework for

Chart VI.2: NBFCs' Credit *vis-à-vis* SCBs' Credit and GDP
(At end- March)



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.

[4] This section focuses only on NBFCs-D and NBFCs-ND-SI, excluding CICs and PDs.

Table VI.1: Classification of NBFCs by Activity under the New Regulatory Framework

	Type of NBFC	Activity	Layer
1.	NBFC-Investment and Credit Company (NBFC-ICC)	Lending and investment.	Any layer, depending on the parameters of the scale based regulatory framework.
2.	NBFC-Infrastructure Finance Company (NBFC-IFC)	Financing of infrastructure sector.	Middle layer or Upper layer, as the case may be.
3.	Core Investment Company (CIC)	Investment in equity shares, preference shares, debt, or loans of group companies.	Middle layer or Upper layer, as the case may be.
4.	NBFC-Infrastructure Debt Fund (NBFC-IDF)	Facilitation of flow of long-term debt only into post commencement operations in infrastructure projects which have completed at least one year of satisfactory performance.	Middle layer
5.	NBFC-Micro Finance Institution (NBFC-MFI)	Providing collateral free small ticket loans to low income households.	Any layer, depending on the parameters of the scale based regulatory framework.
6.	NBFC-Factors	Acquisition of receivables of an assignor or extending loans against the security interest of the receivables at a discount.	Any layer, depending on the parameters of the scale based regulatory framework.
7.	NBFC-Non-Operative Financial Holding Company (NBFC-NOFHC)	Facilitation of promoters/ promoter groups in setting up new banks.	Base layer
8.	NBFC-Mortgage Guarantee Company (NBFC-MGC)	Undertaking of mortgage guarantee business.	Any layer, depending on the parameters of the scale based regulatory framework.
9.	NBFC-Account Aggregator (NBFC-AA)	Collecting and providing a customer's financial information in a consolidated, organised, and retrievable manner to the customer or others as specified by the customer.	Base layer
10.	NBFC–Peer to Peer Lending Platform (NBFC-P2P)	Providing an online platform to bring lenders and borrowers together to help mobilise funds.	Base layer
11.	Housing Finance Company (HFC)	Financing for purchase/ construction/ reconstruction/ renovation/ repairs of residential dwelling units.	Middle layer or Upper layer, as the case may be.

Notes: 1. Standalone Primary Dealers (SPDs) lie in the middle layer.
2. Government NBFCs lie in either base or middle layer.
Source: RBI.

NBFCs in the middle and upper layers to further strengthen its oversight over these segments (Box VI.1).

VI.6 The current regulatory guidelines mandate that only those companies with minimum net owned funds (NOF) of ₹10 crore can commence

Box VI.1: New Regulatory Framework for NBFCs

Over the years, the NBFC sector in India has made rapid strides, furthering financial inclusion by offering tailored financial products to segments underserved by banks. In recent years, however, many NBFCs have assumed systemic significance with inter-linkages across the financial system. In keeping with the principle of proportionality, the Reserve Bank recently introduced scale-based regulation (SBR) for NBFCs, thereby narrowing the regulatory arbitrage between banks and large NBFCs while preserving operational flexibility.

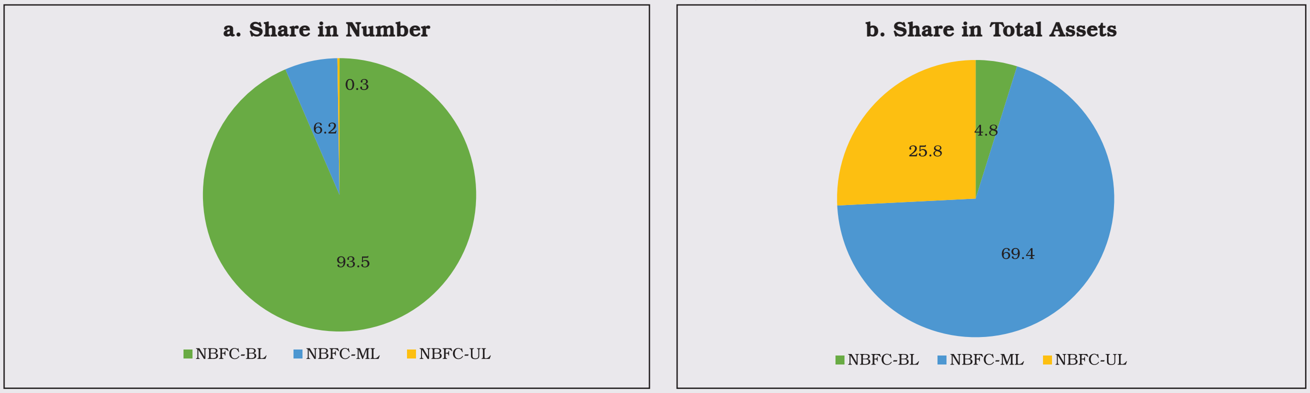
An analysis of supervisory data reveals that NBFCs residing in the middle and upper layers account for almost 95 per cent of the total assets and may pose systemic risks (Charts 1a and b). As a result, the Reserve Bank has prescribed progressively stringent regulatory regimes for NBFCs in these two layers.

The Reserve Bank has also extended its Prompt Corrective Action (PCA) framework, akin to that applicable to banks, to NBFCs in the middle and upper layers[5] so as to undertake remedial measures in a timely manner if vital financial parameters breach the prescribed thresholds. In case of NBFCs-ND-SI and NBFCs-D, capital adequacy ratio (CRAR), Tier- I capital ratio and net non-performing assets

(Contd...)

[5] PCA framework is also applicable to NBFCs in the top layer (NBFC-TL). However, the top layer is currently empty. PCA framework is not applicable to government NBFCs, Standalone Primary Dealers (SPDs), Housing Finance Companies (HFCs) and NBFCs not accepting/not intending to accept public funds.

Chart 1: NBFC Sector under Scale- based Regulation
(At end-March 2022)



Notes: 1. Data are provisional.
2. Including CICs, PDs and HFCs
Source: Staff calculations based on available supervisory data.

Table 1: Risk Thresholds defined under PCA Framework for NBFCs-ND-SI and NBFCs-D.

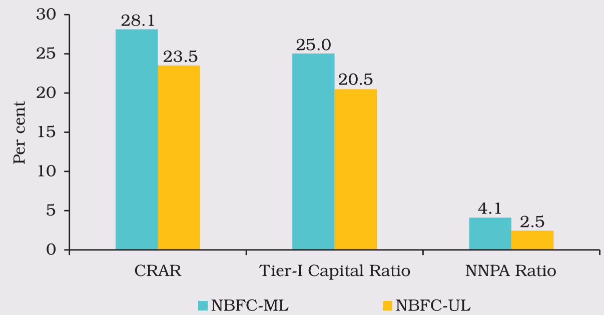
Indicator	RT-1	RT-2	RT-3
CRAR	Less than the regulatory minimum of 15 per cent but greater than or equal to 12 per cent.	Less than 12 per cent but greater than or equal to 9 per cent.	Less than 9 per cent.
Tier-I Capital Ratio	Less than the regulatory minimum of 10 per cent but greater than or equal to 8 per cent.	Less than 8 per cent but greater than or equal to 6 per cent.	Less than 6 per cent.
NNPA Ratio	Greater than 6 per cent but less than or equal to 9 per cent.	Greater than 9 but less than or equal to 12 per cent.	Greater than 12 per cent.

(NNPA) ratio are the key indicators used to demarcate various risk thresholds (RT)[6] (Table 1).

Supervisory data suggest that at the aggregate level, NBFC-ML and NBFC-UL are adequately capitalised, with low delinquency ratios (Chart 2). A granular analysis of NBFCs populating various risk thresholds reveals that the 10 NBFC-UL[7], which include three NBFCs-D and seven NBFCs-ND-SI, fulfil the regulatory norms in all the three parameters. The Reserve Bank engages in continuous monitoring of these companies to maintain system-level resilience.

In case of NBFC-ML, around 90 per cent of the NBFCs considered in the analysis meet the regulatory norms in all three parameters. Some companies, however, are currently undergoing arbitration and resolution under the Insolvency and Bankruptcy Code (IBC) and Prudential Framework for Resolution of Stressed Assets, 2019 and are in breach of the prescribed risk thresholds. Going forward, it is expected that once the companies successfully undergo resolution, they will be able to maintain healthy prudential ratios.

Chart 2: Average values of parameters for NBFC-ML and NBFC-UL
(At end- March 2022)



Note: Data are provisional.
Source: Staff calculations based on available supervisory data.

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Prompt Corrective Action (PCA) Framework for Non-Banking Financial Companies (NBFCs), RBI, December 14, 2021. https://rbidocs.rbi.org.in/rdocs/notification/PDFs/139PCANBFCSC3389782516C440DAF56D30473BF005B.PDF

6 For CICs, the monitorable criteria are Adjusted Net Worth/Aggregate Risk Weighted Assets, Leverage Ratio and NNPA.

7 The remaining six NBFC-UL include five HFCs and one CIC.

the activities of NBFCs[8].The existing NBFCs-ICC, NBFCs-MFI and NBFC-Factors are required to attain NOF of ₹10 crore by March 2027 following a glide-path.

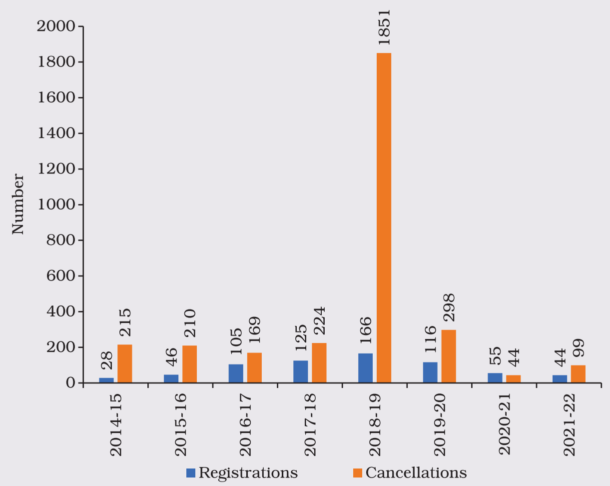
VI.7 During 2021-22, the number of registrations of NBFCs dipped marginally and the number of cancellations increased year-on-year (Chart VI.3). The pandemic led to a mushrooming of digital lenders as customers increasingly resorted to digital platforms for quick short-term loans. Several such NBFCs violated extant regulations and guidelines on outsourcing and Fair Practices Code (FPC) and faced cancellation of licenses.

2.1 Ownership Pattern

VI.8 The NBFCs-ND-SI category accounted for around 86 per cent of the total assets of the NBFC sector at end-March 2022. Although the category is largely populated by non-government companies, a few large government-owned NBFCs hold a substantial share of the assets of the NBFCs-ND-SI sub-sector (Table VI.2).

VI.9 The deposits of NBFCs-D are not insured by the Deposit Insurance and Credit Guarantee Corporation (DICGC). Hence, 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, keeping depositors' interest in view. In May 2022, it was mandated that the deposits of NBFCs shall have a minimum investment grade credit rating of 'BBB–' from any of the SEBI-registered credit rating agencies.

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



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

Table VI.2: Ownership Pattern of NBFCs
(At end-March 2022)

(Amount in ₹ crore)

Type	NBFCs-ND-SI			NBFCs-D		
	Number	Asset Size	Asset share in per cent	Number	Asset Size	Asset share in per cent
1	2	3	4	5	6	7
A. Government Companies	**19**	**14,91,617**	**45.4**	**4**	**64,729**	**11.7**
B. Non-government Companies (1+2)	**403**	**17,96,727**	**54.6**	**45**	**4,87,848**	**88.3**
1. Public Limited Companies	234	13,96,233	42.5	41	4,87,839	88.3
2. Private Limited Companies	169	4,00,494	12.2	4	9	0
Total (A+B)	**422**	**32,88,344**	**100.0**	**49**	**5,52,577**	**100.0**

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

[8] For NBFCs-P2P, NBFCs-AA, and NBFCs with no public funds and no customer interface, the NOF continues to be ₹2 crore. Further, there is no change in the existing regulatory minimum NOF for NBFCs-IDF, NBFCs-IFC, NBFCs-MGC, HFCs, and SPDs.

VI.10 At end-March 2022, NBFCs-D accounted for 14.4 per cent of the total assets of the NBFC sector. Non-government public limited companies dominate this category, with a share of 88.3 per cent of the total assets of NBFCs-D (Table VI.2).

2.2 Balance Sheet

VI.11 The balance sheet size of NBFCs grew at a subdued pace in 2021-22, reflecting both weak demand and risk aversion amid disruptions caused by the second wave of COVID-19. NBFCs also faced headwinds as competition from banks intensified, particularly in the retail space. The sector nevertheless maintained comfortable liquidity buffers, adequate provisioning, and a strong capital position.

VI.12 The deceleration in loans and advances of the sector was driven by an absolute decline in unsecured loans by NBFCs-ND-SI, highlighting their preference for safe assets in an atmosphere of economic uncertainty. NBFCs-ND-SI also continued to shore up their liquidity, with their cash and bank balances exhibiting double digit growth. At end- September 2022, balance sheet growth of NBFCs moderated on the back of a decline in investments of NBFCs-ND-SI. Credit, however, grew in double digits for both NBFCs-ND-SI and NBFCs-D (Appendix Tables VI.1, VI.2 and VI.3).

VI.13 The allure of higher interest rates offered by NBFCs-D ensured a steady growth in their public deposits in 2021-22. While their credit books exhibited a robust expansion, their investments, cash and bank balances declined (Table VI.3).

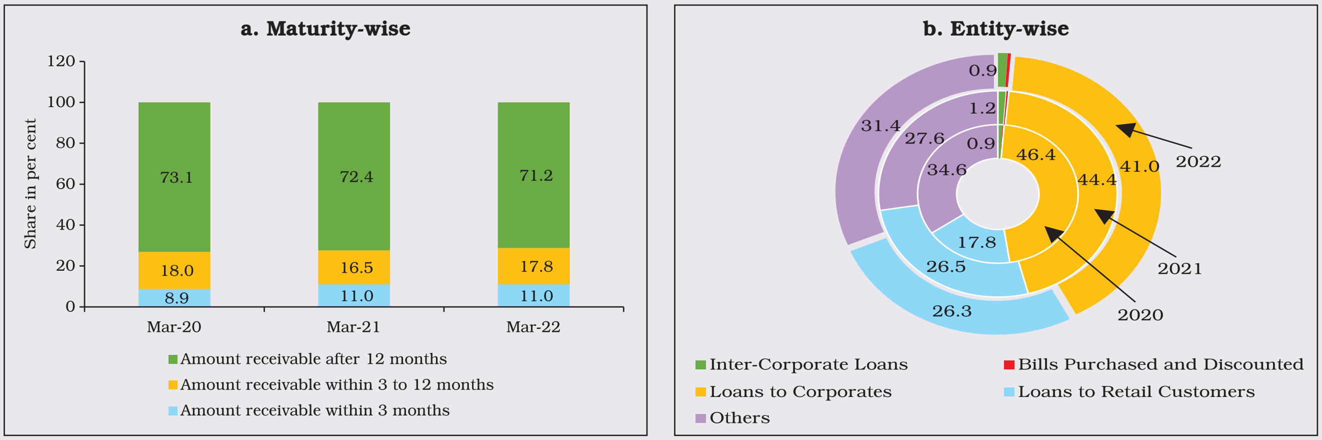
Table VI.3: Abridged Balance Sheet of NBFCs

(Amount in ₹ crore)

Items	At end-March 2021			At end-March 2022			At end-September 2022		
	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	7,97,627	6,96,742	1,00,884	9,01,449	7,89,909	1,11,541	8,40,345	7,25,704	1,14,641
	(26.3)	(27.6)	(17.6)	(13.0)	(13.4)	(10.6)	(3.4)	(2.7)	(8.5)
2. Public Deposits	62,262	-	62,262	70,754	-	70,754	71,640	-	71,640
	(24.5)		(24.5)	(13.6)		(13.6)	(7.8)	-	(7.8)
3. Debentures	9,82,576	8,83,895	98,681	10,06,496	8,97,508	1,08,988	10,09,804	8,98,490	1,11,314
	(8.4)	(10.1)	(-4.5)	(2.4)	(1.5)	(10.4)	(2.2)	(1.5)	(8.1)
4. Bank Borrowings	7,75,099	6,60,285	1,14,815	9,04,715	7,85,089	1,19,625	9,23,732	7,88,646	1,35,086
	(11.5)	(15.7)	(-7.7)	(16.7)	(18.9)	(4.2)	(26.4)	(26.1)	(28.0)
5. Commercial Paper	72,597	64,074	8,523	70,117	62,218	7,899	72,340	57,560	14,780
	(8.6)	(7.9)	(14.0)	(-3.4)	(-2.9)	(-7.3)	(0.5)	(-4.7)	(27.2)
6. Others	8,14,174	6,80,946	1,33,228	8,87,389	7,53,619	1,33,770	9,00,311	7,64,012	1,36,298
	(-0.6)	(-3.2)	(15.0)	(9.0)	(10.7)	(0.4)	(7.1)	(9.1)	(-3.0)
Total Liabilities/Assets	**35,04,335**	**29,85,943**	**5,18,392**	**38,40,921**	**32,88,344**	**5,52,577**	**38,18,173**	**32,34,413**	**5,83,760**
	(10.6)	**(11.3)**	**(6.5)**	**(9.6)**	**(10.1)**	**(6.6)**	**(8.8)**	**(8.6)**	**(9.6)**
1. Loans and Advances	27,02,618	22,78,224	4,24,394	29,08,743	24,47,059	4,61,684	29,37,051	24,51,024	4,86,028
	(9.7)	(11.3)	(1.6)	(7.6)	(7.4)	(8.8)	(10.3)	(10.3)	(10.7)
2. Investments	4,44,837	3,98,236	46,601	5,13,891	4,68,413	45,479	4,50,462	3,98,252	52,210
	(27.9)	(29.0)	(19.0)	(15.5)	(17.6)	(-2.4)	(-4.1)	(-5.9)	(11.5)
3. Cash and Bank Balances	1,57,708	1,23,474	34,235	1,80,341	1,48,174	32,167	1,80,066	1,48,793	31,272
	(20.0)	(8.1)	(98.2)	(14.4)	(20.0)	(-6.0)	(11.1)	(14.8)	(-3.4)
4. Other Current Assets	1,59,543	1,46,988	12,555	1,65,364	1,52,703	12,661	1,75,179	1,63,808	11,371
	(-11.5)	(-12.8)	(32.2)	(3.6)	(3.9)	(0.8)	(8.9)	(8.7)	(12.3)
5. Other Assets	39,629	39,021	608	72,581	71,994	587	75,414	72,536	2,878
	(-13.1)	(-12.9)	(-80.3)	(83.2)	(84.5)	(-3.4)	(34.5)	(39.7)	(-30.6)

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

Chart VI.4: Classification of NBFCs' Loans and Advances
(At end- March)



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

VI.14 The maturity profile of NBFCs' credit indicates that over two- thirds of their loans are receivable after 12 months, although the pandemic did induce a marginal shift toward shorter-tenure loans (Chart VI.4a). Corporates and retail customers are the largest beneficiaries of NBFC credit. The share of wholesale loans in NBFCs' loan book declined between 2020 and 2022 amidst muted demand. The share of retail loans, on the other hand, grew strongly, as discretionary spending picked up (Chart VI.4b).

VI.15 Amongst NBFCs-ND-SI, balance sheets of ICCs and IDFs continued to grow in 2021-22, while the performance of IFCs moderated. In case of NBFCs-MFI, growth decelerated as collection efficiency and disbursals moderated in the aftermath of the second wave of COVID-19 (Table VI.4).

VI.16 ICCs and IFCs accounted for around 95 per cent of total assets of NBFCs-ND-SI in 2021-22 (Chart VI.5a). While the former largely lend to services and retail sectors, the latter mainly comprises large Government NBFCs which operate in the infrastructure space. Lending by ICCs grew on the back of a rebound in the services sector. In particular, the commercial real estate (CRE) segment has been on the upswing since H2: 2021-22, driven by a resumption in economic activity, low interest rates on home loans and stamp duty cuts in a few states. Loans and advances extended by NBFCs-MFI also grew in double digits, *albeit* at a slower pace than last year.

VI.17 To mitigate the adverse effects of the pandemic on the power sector finances, the Union government had directed two government IFCs in the power sector to lend to eligible DISCOMS under the Atmanirbhar Bharat Abhiyan (ABA). As a result, both these IFCs had made large disbursements in 2020-21. While disbursements under ABA continued in 2021-22, the pace slowed. Disbursements by another government IFC lending to railways fell from over ₹1 lakh crore in 2020-21 to around ₹60,000 crore in 2021-22. With these three government IFCs accounting for around 40 per cent of total assets of NBFCs-ND-SI, IFC credit grew at a slower pace in 2021-22. NBFC-

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

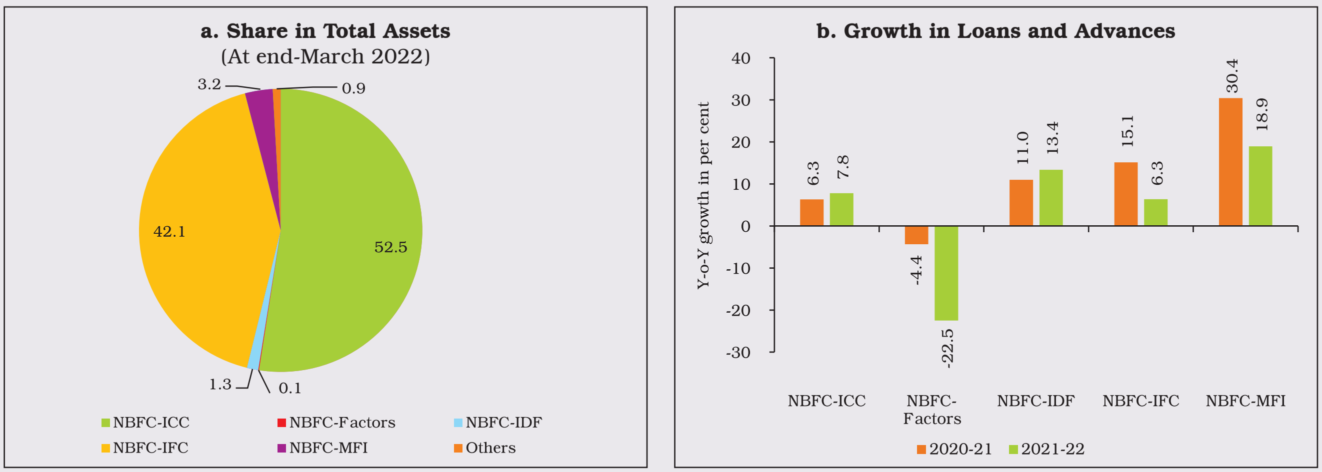
(Amount in ₹ crore)

Category / Liability	As at end-March 2021			As at end-March 2022			As at end-September 2022			Percentage Variation of Total Liabilities	
	Borrowings	Other Liabilities	Total Liabilities	Borrowings	Other Liabilities	Total Liabilities	Borrowings	Other Liabilities	Total Liabilities	March 2021 over March 2020	March 2022 over March 2021
1	2	3	4	5	6	7	8	9	10	11	12
NBFC-ICC	9,30,742	6,28,683	15,59,426	10,25,201	6,99,637	17,24,838	10,31,564	6,28,668	16,60,232	8.1	10.6
NBFC-Factors	1,839	2,039	3,878	1,477	1,418	2,895	1,203	659	1,862	-0.4	-25.4
NBFC-IDF	28,429	6,415	34,844	34,641	8,003	42,644	29,386	6,601	35,988	16.9	22.4
NBFC-IFC	10,41,895	2,39,515	12,81,409	11,12,015	2,72,543	13,84,558	11,26,612	2,89,536	14,16,149	13.9	8.0
NBFC-MFI	62,585	25,830	88,415	75,127	28,712	1,03,840	66,779	24,210	90,989	33.6	17.4
Others	77	17,893	17,970	1,900	27,670	29,569	2,086	27,108	29,194	26.8	64.6
Total	**20,65,567**	**9,20,376**	**29,85,943**	**22,50,360**	**10,37,984**	**32,88,344**	**22,57,631**	**9,76,782**	**32,34,413**	**11.3**	**10.1**
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	
										March 2021 over March 2020	March 2022 over March 2021
NBFC-ICC	10,07,142	5,52,283	15,59,426	10,85,372	6,39,466	17,24,838	10,82,404	5,77,828	16,60,232	8.1	10.6
NBFC-Factors	2,961	917	3,878	2,296	599	2,895	1,767	96	1,862	-0.4	-25.4
NBFC-IDF	30,414	4,430	34,844	34,475	8,169	42,644	32,902	3,086	35,988	16.9	22.4
NBFC-IFC	11,69,244	1,12,165	12,81,409	12,43,485	1,41,073	13,84,558	12,60,866	1,55,283	14,16,149	13.9	8.0
NBFC-MFI	68,462	19,954	88,415	81,430	22,410	1,03,840	73,086	17,903	90,989	33.6	17.4
Others	-	17,970	17,970	1	29,569	29,569	-	29,194	29,194	26.8	64.6
Total	**22,78,224**	**7,07,719**	**29,85,943**	**24,47,059**	**8,41,285**	**32,88,344**	**24,51,024**	**7,83,389**	**32,34,413**	**11.3**	**10.1**

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

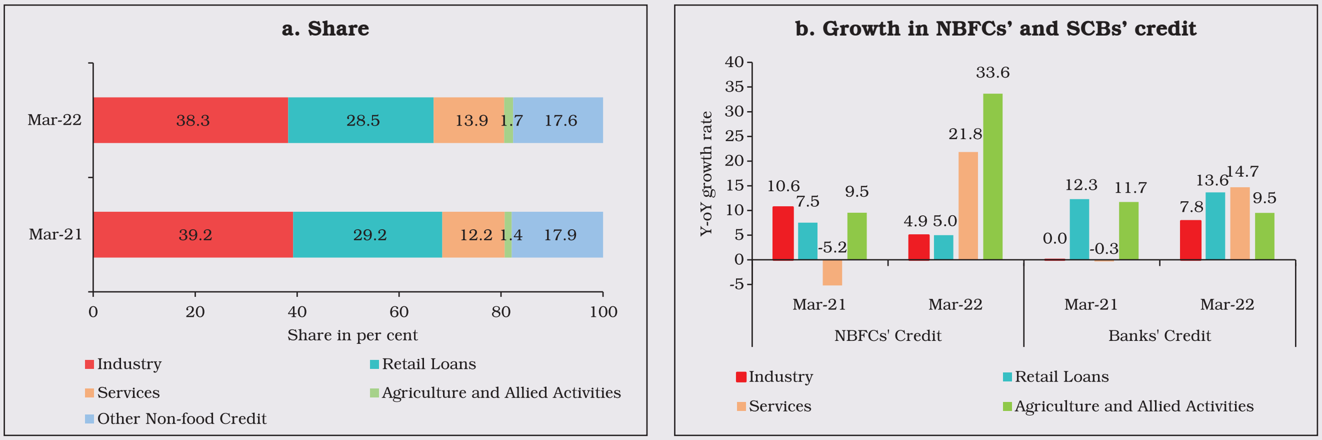
Factors was the only category which registered a decline in credit growth, reflecting the cash flow disruptions faced by the MSME sector (Chart VI.5b).

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



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

Chart VI.6: Distribution of NBFC Credit
(At end-March)



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

2.3 Sectoral Credit of NBFCs

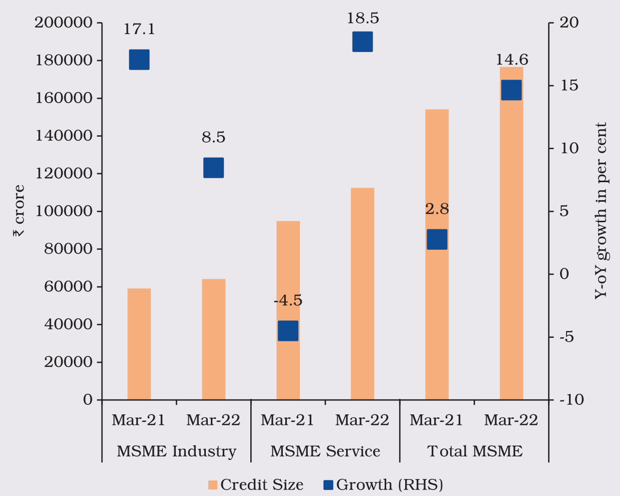
VI.18 Industry has traditionally remained the largest recipient of credit from the NBFC sector, followed by retail, services and agriculture (Chart VI.6 a and Appendix Table VI.4). In 2021-22, credit growth to industry and retail sectors was subdued relative to the previous year, while credit to the service sector exhibited double digit growth.

VI.19 During 2021-22, while banks' credit to industry and services sector benefitted from a favourable base effect, it is the retail segment in which banks outperformed NBFCs (Chart VI.6 b).

VI.20 Within industry, about 86 per cent of industrial credit goes to infrastructure, which grew at just 1.6 per cent in 2021-22 dragging down the overall credit growth.

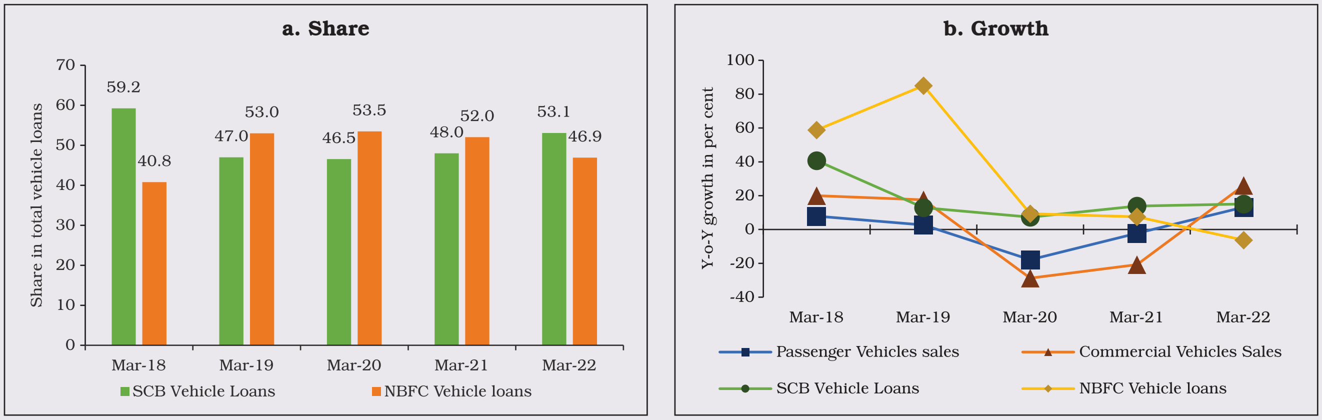
VI.21 NBFCs also play a crucial role in bridging the credit needs of micro, small and medium enterprises (MSMEs), primarily those engaged in services (Chart VI.7). The emergency credit line guarantee scheme (ECLGS) launched by the government in May 2020 helped MSMEs to access enhanced credit. The co-lending model introduced by the Reserve Bank in November 2020 also improved the flow of credit to the MSME sector. Subsequently, the Union Budget 2022-23 has extended the ECLGS up to March 2023, with the guarantee cover raised by ₹50,000 crores to a total of ₹ 5 lakh crores.

Chart VI.7: NBFCs' Credit to MSME Sector
(At end-March)



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

Chart VI.8: Vehicle Loans- NBFCs *vis-a-vis* SCBs



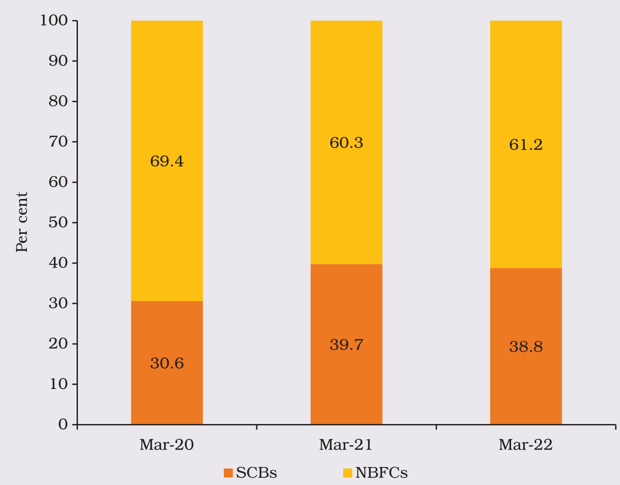
Note: Data are provisional.
Sources: 1. Supervisory Returns, RBI.
2. Society of Indian Automobile Manufacturers (SIAM).
3. Federation of Automobile Dealers' Associations (FADA)

VI.22 Vehicle loans, which traditionally form the biggest component of NBFCs' retail portfolio, declined during 2021-22. Accordingly, the share of vehicle and auto loans, which accounted for about 45 per cent of NBFCs' retail portfolio at the end of March 2021, dropped to around 40 per cent at end-March 2022. In recent years, banks had ceded ground to NBFCs in the vehicle loan space. This reversed in 2021-22, with the share of banks surpassing that of NBFCs (Chart VI.8a). In 2021-22, retail sales of vehicles improved after witnessing a contraction in the previous year (Chart VI.8b).

VI.23 Advances against gold is a niche segment in which NBFCs have a robust market presence. However, the relaxation in loan-to-value (LTV) requirements given to banks gave a fillip to their gold loan business during the pandemic period. As a result, the share of NBFCs in the gold loan segment moderated in 2020-21. Subsequently, unwinding of the relaxation restored the competitive edge of NBFCs during 2021-22, with a modest improvement in their share (Chart VI.9).

VI.24 Credit to transport operators, retail trade, and commercial real estate (CRE) segments expanded strongly by end-March 2022. Renewed

Chart VI.9: Distribution of Advances against Gold: NBFCs and SCBs



Note: Data are provisional.
Sources: 1. Supervisory Returns, RBI.
2. Handbook of Statistics, RBI.

Table VI.5: Sectoral Credit Deployment by NBFCs

(Amount in ₹ crore)

Items	At end-March 2021	At end-March 2022	At end-September 2022	Percentage Variation	
				2020-2021	2021-2022
1	2	3	4	5	6
I. Gross Advances (II + III)	**27,02,618**	**29,08,743**	**29,37,051**	**9.7**	**7.6**
II. Food Credit	**-**	**-**	**1,752**		
III. Non-Food Credit (1 to 5)	**27,02,618**	**29,08,743**	**29,35,299**	**9.7**	**7.6**
1. Agriculture and Allied Activities	**37,728**	**50,422**	**46,464**	**9.5**	**33.6**
2. Industry	**10,60,411**	**11,12,852**	**11,15,749**	**10.6**	**4.9**
2.1 Micro and Small	44,235	46,967	49,966	21.4	6.2
2.2 Medium	14,910	17,186	15,103	5.9	15.3
2.3 Large	8,54,546	8,94,102	8,99,619	7.5	4.6
2.4 Others	1,46,720	1,54,598	1,51,061	30.1	5.4
3. Services	**3,30,758**	**4,02,935**	**3,81,485**	**-5.2**	**21.8**
of which,					
3.1 Transport Operators	65,313	1,02,742	90,059	2.1	57.3
3.2 Retail Trade	26,719	40,390	45,066	0.0	51.2
3.3 Commercial Real Estate	80,480	88,123	79,754	-20.7	9.5
4. Retail Loans	**7,90,073**	**8,29,485**	**8,79,571**	**7.5**	**5.0**
of which,					
4.1 Housing Loans	21,484	23,329	24,680	52.7	8.6
4.2 Consumer Durables	18,519	24,802	27,464	-3.4	33.9
4.3 Vehicle/Auto Loans	3,57,338	3,34,947	3,54,966	7.5	-6.3
4.4 Advances to Individuals Against Gold	1,12,899	1,18,918	1,18,723	49.6	5.3
4.5 Micro Finance Loan/SHG Loan	59,635	74,826	77,567	32.2	25.5
5. Other Non-food Credit	**4,83,648**	**5,13,050**	**5,12,031**	**24.9**	**6.1**

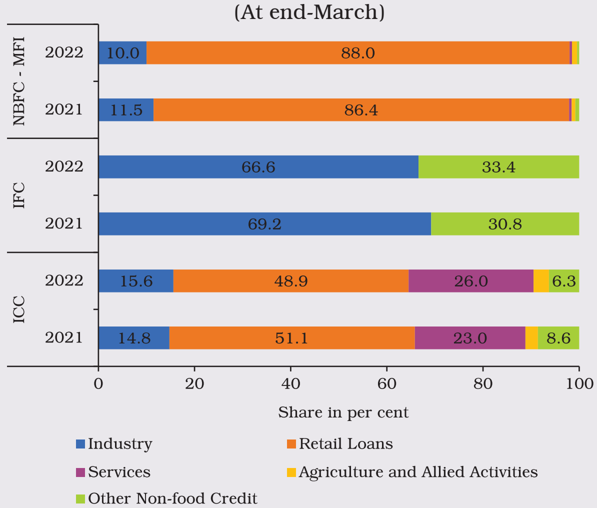
Note: Data are provisional.
Source: Supervisory Returns, RBI.

demand for office and retail spaces, along with a favourable base effect, aided this recovery. A normal monsoon supported credit to agriculture and allied sectors (Table VI.5).

VI.25 Unlike IFCs, which deploy their credit primarily in industries, ICCs extend credit across all sectors, with the highest allocation made to the retail sector (Chart VI.10). NBFC-MFIs, which provide collateral-free small ticket loans showed a pick-up in credit disbursement at end-March 2022.

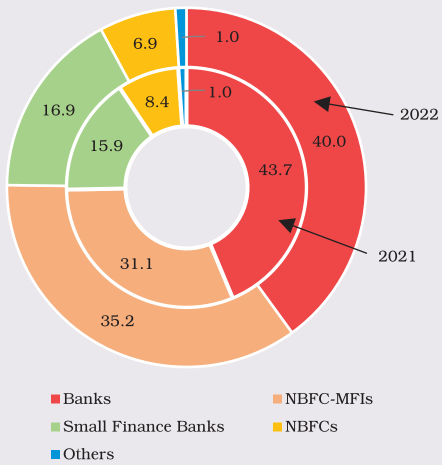
VI.26 There was a substantial increase in the share of microfinance loans extended by NBFC-MFIs in 2021-22 (Chart VI.11). The Reserve Bank set out a common regulatory framework

Chart VI.10: Classification-wise Sectoral Distribution of Credit
(At end-March)



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

Chart VI.11: Micro-credit Loan Outstanding across Regulated Entities
(At end- March)



Source: Microfinance Institutions Network (MFIN).

for microfinance loans that is applicable across the regulated entities (REs) in March 2022. Provisions like revision in the income limit to ₹ 3 lakh and removal of the interest rate cap should help facilitate expansion in credit flows to this segment.

2.4 Resource Mobilization

VI.27 NBFCs other than NBFCs-D rely heavily on borrowings to fund their activities. Borrowing from the markets and from banks constituted around 75 per cent of total borrowings at end-March 2022. A benign interest rate environment contributed to the increase in borrowings from banks. In H1:2022-23, total borrowings accelerated mainly due to increase in borrowings from banks (Table VI.6).

VI.28 While NBFCs have been gradually relying more on long-term borrowings, the share of borrowings payable in three months or less increased marginally in 2021-22 (Chart VI.12).

VI.29 Non-convertible debentures (NCDs) with AAA and AA ratings have an overwhelming share in the total private placements of private NBFCs (Chart VI.13a).

VI.30 NCDs of two years and three years tenor together constitute about half of the total NCDs

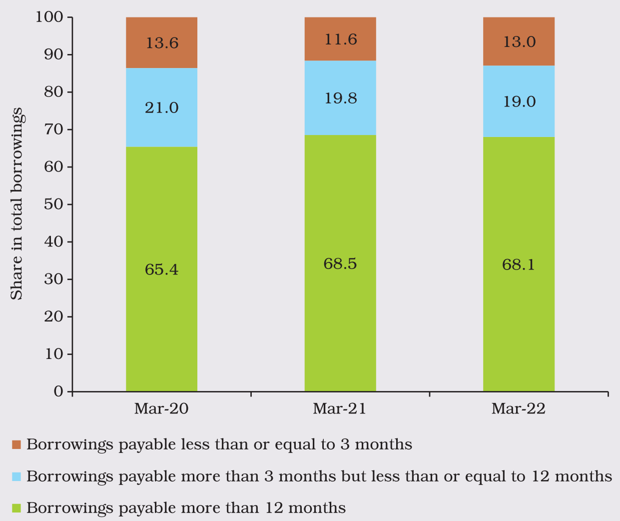
Table VI.6: Sources of Borrowings of NBFCs

(Amount in ₹ crore)

Items	At end-March 2021	At end-March 2022	At end-September 2022	Percentage Variation	
				2020-21	2021-22
1	2	3	4	5	6
1. Debentures	9,82,576 (41.8)	10,06,496 (39.5)	10,09,804 (39.1)	8.4	2.4
2. Bank Borrowings	7,75,099 (33.0)	9,04,715 (35.5)	9,23,732 (35.7)	11.5	16.7
3. Borrowings from FIs	57,355 (2.4)	66,418 (2.6)	70,875 (2.7)	-9.7	15.8
4. Inter-corporate Borrowings	77,840 (3.3)	86,663 (3.4)	95,573 (3.7)	-0.6	11.3
5. Commercial Paper	72,597 (3.1)	70,117 (2.7)	72,340 (2.8)	8.6	-3.4
6. Borrowings from Government	19,129 (0.8)	18,804 (0.7)	18,857 (0.7)	2.0	-1.7
7. Subordinated Debts	68,984 (2.9)	70,863 (2.8)	67,640 (2.6)	-6.9	2.7
8. Other Borrowings	2,98,099 (12.7)	3,27,015 (12.8)	3,25,874 (12.6)	-10.3	9.7
9. Total Borrowings	**23,51,679**	**25,51,092**	**25,84,696**	**5.2**	**8.5**

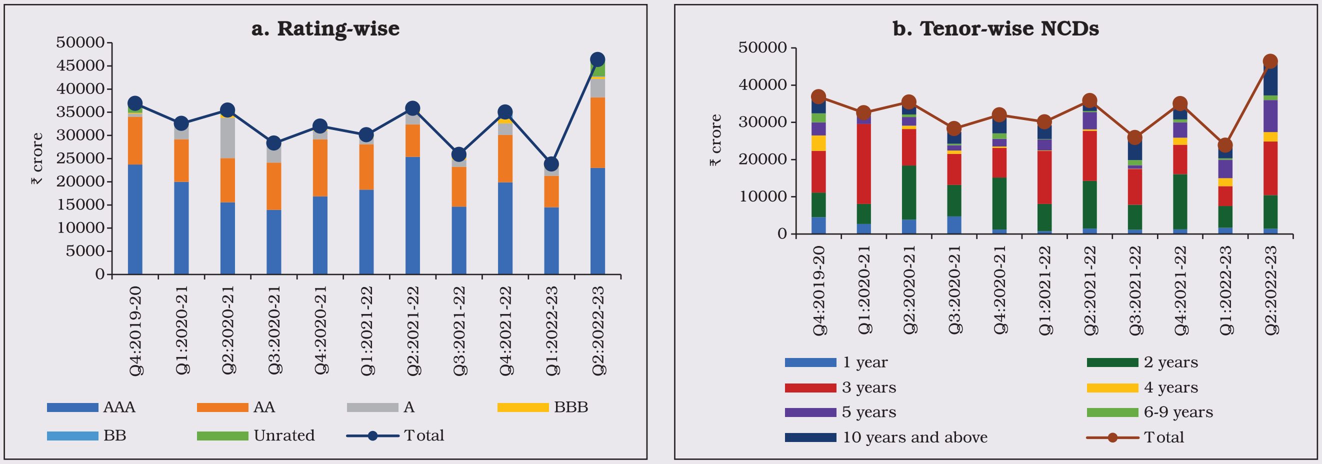
Notes: 1. Data are provisional.
2. Figures in parentheses indicate share in total borrowings.
Source: Supervisory Returns, RBI.

Chart VI.12: Repayment of NBFCs' Borrowings



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

Chart VI.13: NCD Private Placements of Private NBFCs



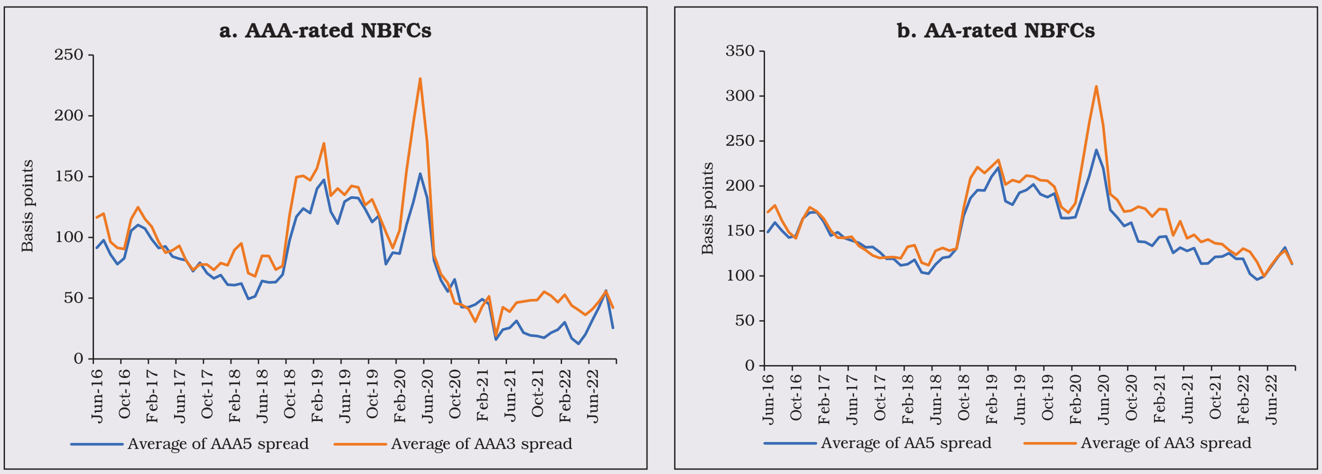
Sources: 1. Staff calculations.
2. PRIME database.

issued in Q2:2022-23. NCDs of long tenor (greater than 10 years) were mainly raised by prominent private NBFCs (Chart VI.13 b).

VI.31 The spike in spreads, which was observed during the pandemic period, moderated owing to the liquidity enhancing measures announced by the Reserve Bank. In recent months, however, the spread of NBFC bonds yields over G-sec yields of corresponding maturity has widened marginally with the normalisation of monetary policy, elevated oil prices and rising global yields (Chart VI.14a and b).

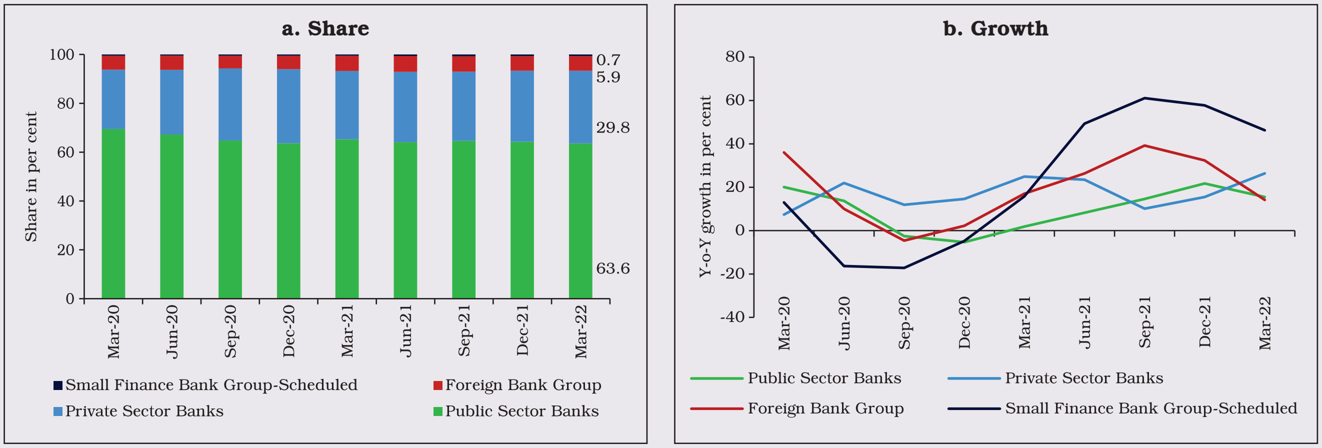
VI.32 As alluded to earlier, NBFCs rely heavily on SCBs for their funds. Public sector banks (PSBs) are the foremost lenders, followed by private sector banks (PVBs) and foreign banks (FBs) (Chart VI.15a and b).

Chart VI.14: Yield of NBFC Bonds: Spread over G-Sec of Corresponding Maturity



Sources: 1. FIMMDA.
2. Bloomberg.

Chart VI.15: Bank Lending to NBFCs, Group-wise



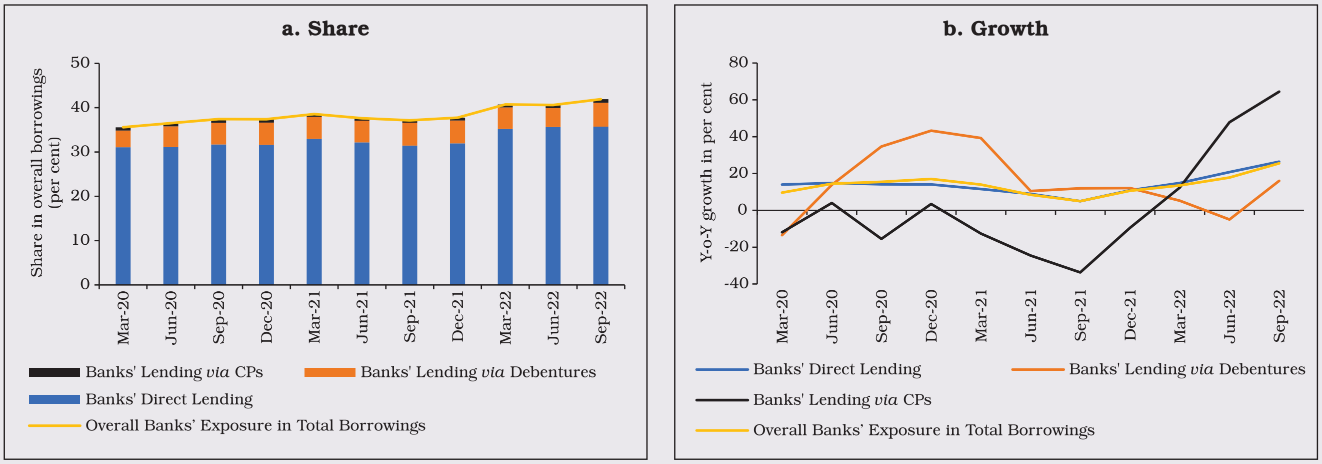
Note: Data are provisional.
Source: Supervisory Returns, RBI.

VI.33 The exposure of banks to NBFCs grew mainly due to increase in direct lending which amounted to 86.5 per cent of the total bank funding to the NBFC sector (Chart VI.16a). Banks also subscribe to debentures and commercial papers (CPs) issued by NBFCs. The growth of banks' subscription to CP issuances by NBFCs has turned around since Q3:2021-22 (Chart VI.16b).

2.5 NBFCs-D: Deposits

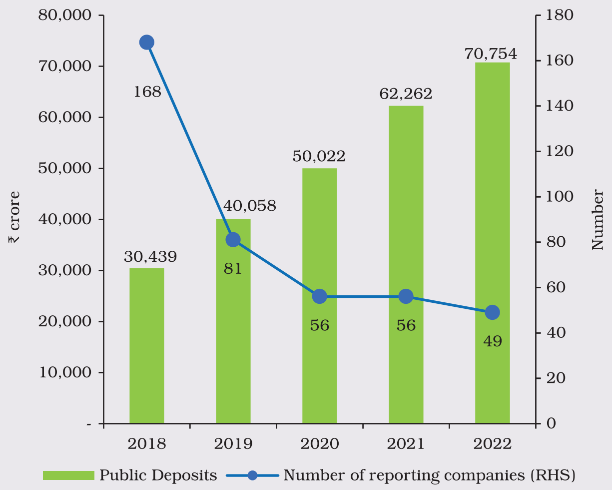
VI.34 Public deposits constituted 12.8 per cent of total liabilities of NBFCs-D at end-March 2022. Competitive interest rates offered along with robust credit ratings contributed to their steady growth. The number of companies authorized to accept such deposits, however, has been gradually declining (Chart VI.17).

Chart VI.16: Instruments of Bank Lending to NBFCs



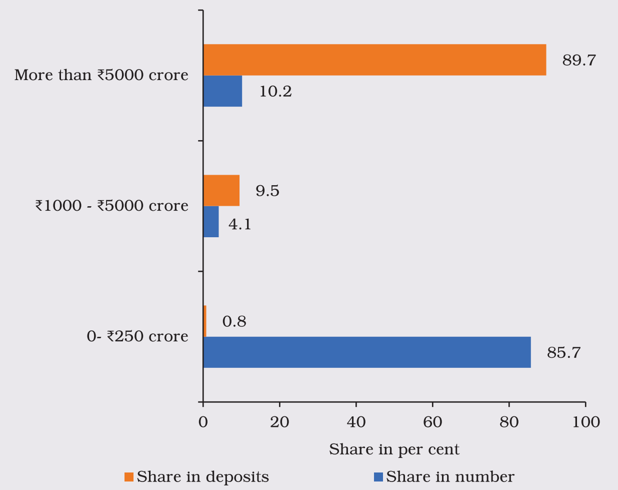
Note: Data are provisional.
Source: Supervisory Returns, RBI.

Chart VI.17: Public Deposits with NBFCs- D
(At end-March)



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

Chart VI.18: Distribution of Deposits with NBFCs-D
(At end-March 2022)



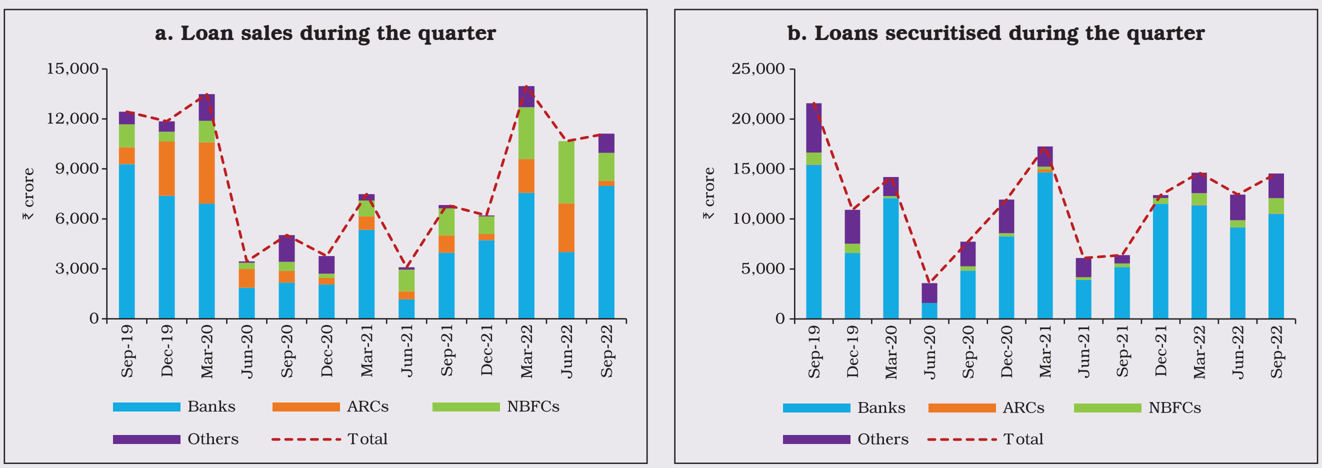
Note: Data are provisional.
Source: Supervisory Returns, RBI.

VI.35 Public deposits allow these companies to diversify their sources of funds rather than relying exclusively on banks and capital markets. Almost 90 per cent of deposits were held by 5 NBFCs-D, with all of them having total deposits of greater than ₹5,000 crores (Chart VI.18).

2.6 Asset Sales and Securitisation

VI.36 Asset sales allow NBFCs to strengthen their balance sheets by rebalancing their exposures and enhancing liquidity. Asset sales picked up after dipping marginally in December 2021 and volumes crossed pre-COVID levels in March 2022 (Chart VI.19a). Securitisation, unlike strategic asset sales, helps NBFCs in spreading out credit risk to a wider investor base comprising banks, insurance companies and asset reconstruction companies. It also provides them an additional source of funding. Securitized assets have been gathering pace on a

Chart VI.19: Loan Sales and Securitisation of NBFCs-ND-SI



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

sequential basis since June 2021 (Chart VI.19b). Nevertheless, securitisation volumes are yet to reach pre-COVID levels. In both asset sales and securitisation undertaken by NBFCs, banks are the main counterparties, utilising these arrangements to meet their commitments under priority sector lending requirements.

2.7 Asset Liability Profile of NBFCs

VI.37 The liquidity position of NBFCs is assessed by monitoring the liquidity mismatch, which is the difference between inflows and outflows for a given time bucket. An improvement in mismatch indicates a comfortable liquidity position which can be attributed to either an increase in inflows or a decrease in outflows. Short-term mismatches *viz*., in the 1-30/31 days bucket is critical for liquidity risk management. Due to fall in outflows, an improvement in the cumulative mismatch was observed in this bucket at end-March 2022 *vis-à-vis* end-March 2021. All time buckets except that of over six months to one year and over five years, recorded improvement at end-March 2022, with no cumulative negative mismatches in the less than one-year buckets (Chart VI.20).

2.8 Financial Performance of NBFCs

VI.38 NBFCs' income grew at a higher rate in 2021-22 than a year ago, primarily driven by fund-based income of NBFCs-ND-SI and NBFCs-D. During H1:2022-23, net profits of NBFCs improved mainly by a turnaround in fund-based income (Appendix Tables VI.5 and VI.6).

VI.39 On the expenditure side, there was a steep growth in the operating expenses of NBFCs. Provisions against NPAs, on the other

Chart VI.20: Structural Liquidity Statement of NBFCs

(At end- March/ September)

Notes: 1. Data are provisional.
2. Mismatch is defined as inflows minus outflows.

Source: Supervisory Returns, RBI.

hand, declined reflecting easing of asset quality concerns. Overall, expenditure of the sector declined due to lower provisions and decrease in interest expenses on bank loans and inter-corporate deposits. The result was a sizable growth in net profit. The decline in cost to income ratio for the NBFC sector, across all categories, indicates efficiency gains in their operations (Table VI.7). In 2022-23 (up to end-September), there was a turnaround in total income surpassing the growth in total expenditure.

2.9 Profitability Indicators

VI.40 Profitability indicators - return on assets (RoA), return on equity (RoE) and net interest margin (NIM) - increased in 2021-22. NBFCs-ND-SI and NBFCs-D experienced bottom line growth at end-March 2022 (Chart VI.21). All profitability indicators showed an improvement in H1:2022-23 over the corresponding period in the previous year.

Table VI.7: Financial Parameters of the NBFC Sector

(Amount in ₹ crore)

Items	2020-21			2021-22			H1:2022-23		
	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	3,56,252 (3.9)	2,89,157 (4.7)	67,095 (0.8)	3,76,563 (5.7)	3,03,831 (5.1)	72,732 (8.4)	2,09,589 (20.0)	1,69,696 (21.7)	39,893 (13.2)
B. Expenditure	3,00,373 (4.8)	2,44,869 (4.2)	55,504 (7.9)	2,94,928 (-1.8)	2,39,645 (-2.1)	55,282 (-0.4)	1,53,366 (10.9)	1,25,955 (16.4)	27,411 (-8.9)
C. Net Profit	41,578 (6.5)	32,901 (16.2)	8,677 (-19)	61,843 (48.7)	48,523 (47.5)	13,319 (53.5)	45,204 (55.9)	35,766 (44.7)	9,437 (120.7)
D. Total Assets	35,04,335 (10.6)	29,85,943 (11.3)	5,18,392 (6.5)	38,40,921 (9.6)	32,88,344 (10.1)	5,52,577 (6.6)	38,18,173 (8.8)	32,34,413 (8.6)	5,83,760 (9.6)
E. Financial Ratios (as per cent of Total Assets)									
(i) Income	10.2	9.7	12.9	9.8	9.2	13.2	11.0	10.5	13.7
(ii) Expenditure	8.6	8.2	10.7	7.7	7.3	10.0	8.0	7.8	9.4
(iii) Net Profit	1.2	1.1	1.7	1.6	1.5	2.4	2.4	2.2	3.2
F. Cost to Income Ratio (Per cent)	84.3	84.7	82.7	78.3	78.9	76.0	73.2	74.2	68.7

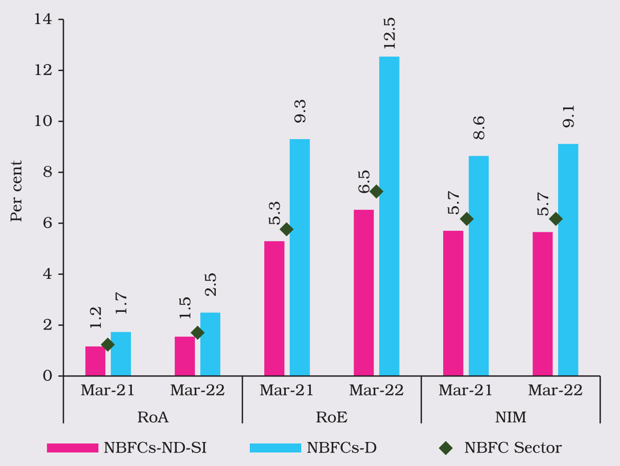
Notes: 1. Data are provisional.
2.Figures in parentheses indicate y-o-y growth in per cent.
Source: Supervisory Returns, RBI.

VI.41 Among NBFCs-ND-SI, all segments except NBFC-IDF registered an improvement in RoA and RoE at end-March 2022 (Chart VI.22).

2.10 Asset Quality

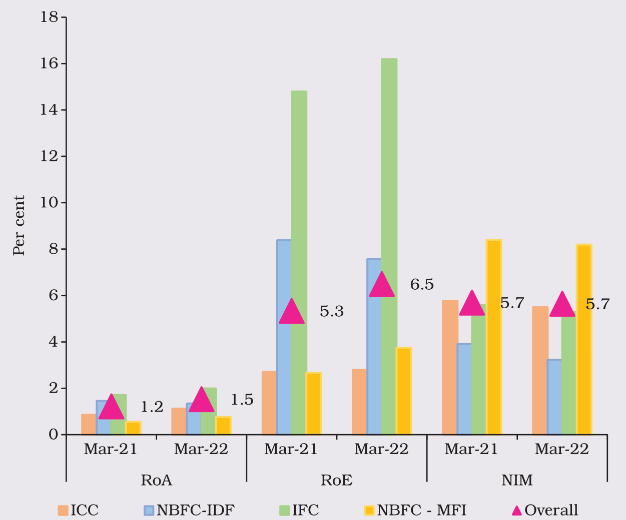
VI.42 In 2021-22, asset quality of the sector improved as evident from the decline in both GNPA and NNPA ratios. While business

Chart VI.21: Profitability Ratios of NBFCs



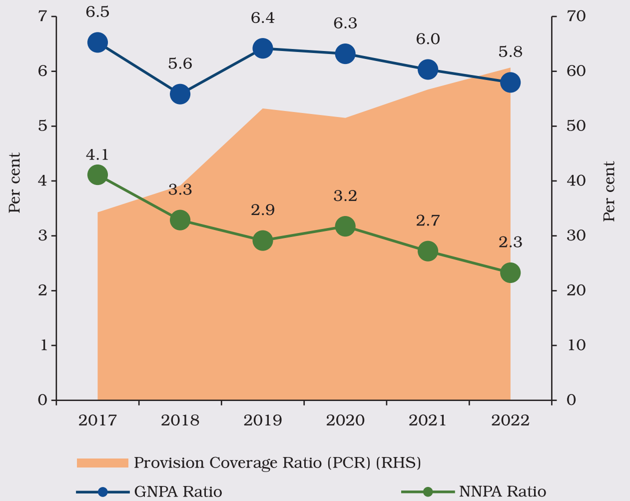
Return on Assets (RoA) = Net Profit by Average Total Assets
Return on Equity (RoE) = Net Profit by Average Total equity
Net Interest Margin (NIM) = Net Interest Income by Average Total Assets
Note: Data are provisional.
Source: Supervisory Returns, RBI.

Chart VI.22: Profitability Ratios of NBFCs-ND-SI



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

Chart VI.23: Asset Quality of NBFCs
(At end-March)



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

Chart VI.24: Provision Coverage Ratio of NBFCs
(At end-March)

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

conditions improved, the deferment in the NPA upgradation norms[9] by the Reserve Bank, better recovery and lower fresh accretions facilitated the decline in NPAs during the period. An increase in provision coverage ratio (PCR) from 56.7 per cent at end March 2021 to 60.7 per cent at end March 2022 suggests enhanced resilience (Chart VI.23). In 2022-23 (up to end-September), asset quality of the sector witnessed an improvement.

VI.43 At end-March 2022, all categories of NBFCs-ND-SI maintained a higher PCR than in the previous year, indicating that they are cushioned to deal with credit impairment risk (Chart VI.24).

VI.44 Based on the duration for which an asset remains non-performing, NPAs can be categorised into sub-standard, doubtful and loss assets. In 2021-22, there was a marginal improvement in the proportion of standard assets (Chart VI.25).

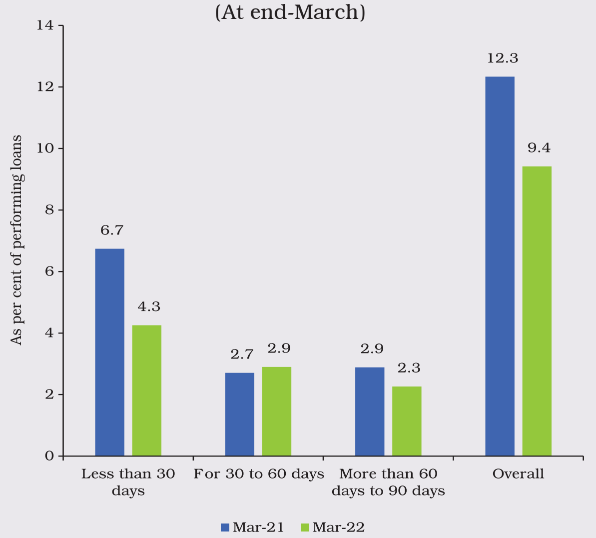
Chart VI.25: Classification of NBFCs' Assets
(At end-March)

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

[9] https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12230&Mode=0

VI.45 Among performing loans, the overall delinquency ratios came down year-on-year by end-March 2022. Loans overdue in the first bucket *viz*., less than 30 days were the largest, but the position improved in 2021-22 *vis-à-vis* the previous year, resulting in an overall reduction in the overdues of performing loans (Chart VI.26). The share of standard assets with no overdues in total performing loans increased from 87.7 per cent in 2020-21 to 90.6 per cent in 2021-22.

Chart VI.26: Delinquency in Performing Assets
(At end-March)



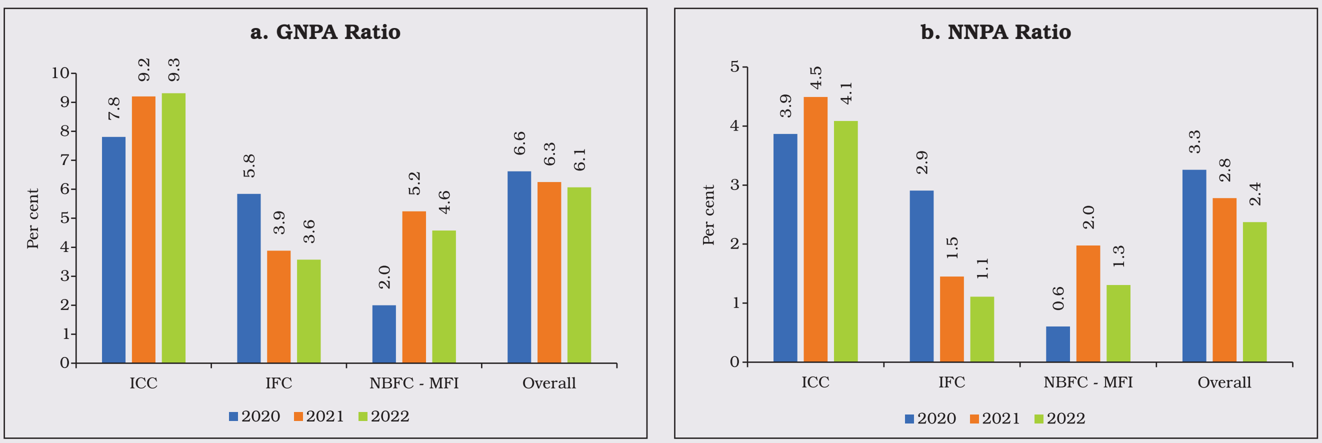
Note: Data are provisional.
Source: Supervisory Returns, RBI.

VI.46 Overall, GNPA and NNPA ratios of NBFCs-ND-SI showed an improvement in 2021-22 as the quality of assets improved in all the segments, with the exception of ICC (Chart VI.27 a and b). In H1: 2022-23, GNPA and NNPA ratios continued to decline.

VI.47 A sectoral distribution of delinquent assets of NBFCs shows that industry, which is traditionally the largest recipient of credit from NBFCs, also had the dominant share of NPAs at end-March 2022, with large industries accounting for the major portion. Vehicle/auto loans and commercial real estate segments have the largest share of impaired assets in retail and service sector loans, respectively (Chart VI.28). At end-September 2022, NPA ratio broadly declined across the sectors.

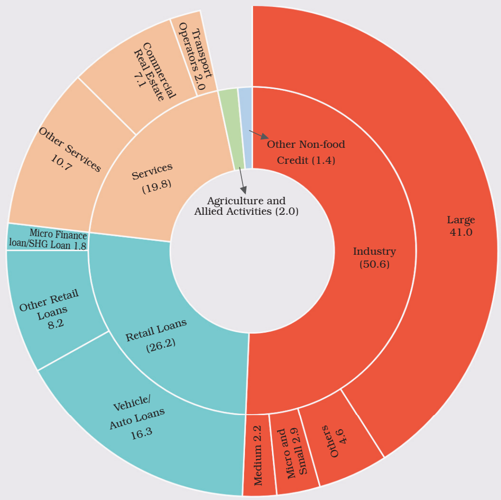
VI.48 In the case of NBFCs-D, the decline in the GNPA ratio was aided by buoyant growth in loans and advances. The NNPA ratio also registered

Chart VI.27: NPAs of NBFCs-ND-SI
(At end-March)



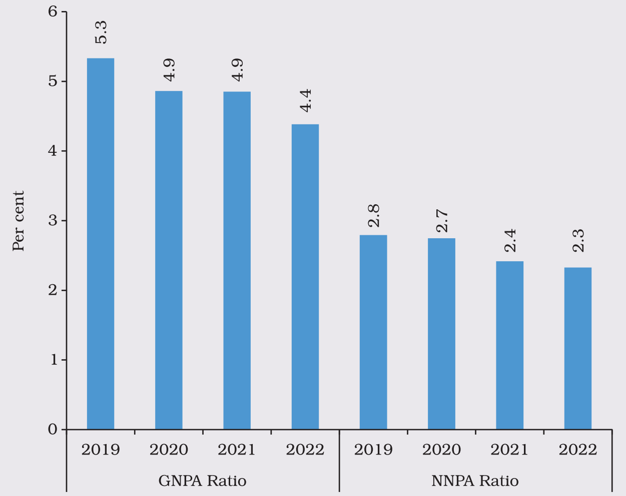
Note: Data are provisional.
Source: Supervisory Returns, RBI.

Chart VI.28: Sectoral Distribution of NPAs of NBFCs
(At end-March 2022)



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

Chart VI.29: Gross and Net NPA Ratios of NBFCs- D
(At end-March)

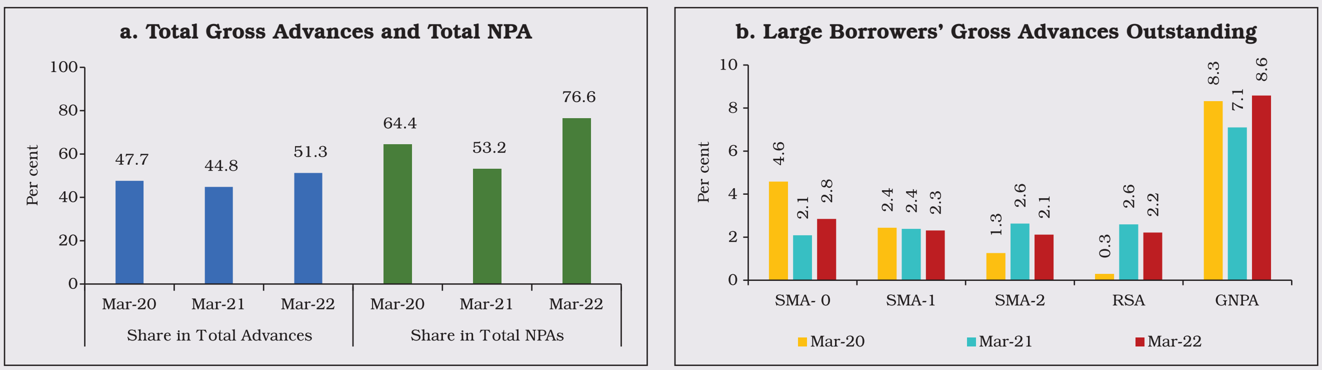


Note: Data are provisional.
Source: Supervisory Returns, RBI.

a marginal reduction in the same period (Chart VI.29). In 2022-23 so far (up to September), asset quality improved further.

VI.49 Large borrowal accounts (exposure of ₹5 crore and above) constituted 51.3 per cent of gross advances extended by NBFCs. They, however, contributed around 76.6 per cent of total NPAs at end-March 2022 (Chart VI.30a). Special mention accounts (SMA) give a sense of incipient stress in performing assets. While SMA-0 increased, SMA-2, which comprises loans on the brink of being classified as NPAs, declined during the year. The increase in GNPA ratio in large borrowal accounts indicates build-up of stress in this segment even as GNPA and NNPA at the aggregate level declined (Chart VI.30b).

Chart VI.30: Stress in Large Borrowal Accounts



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.
Note: Data are provisional.
Source: Central Repository of Information on Large Credits (CRILC) database.

2.11 Capital to Risk Weighted Assets Ratio (CRAR)

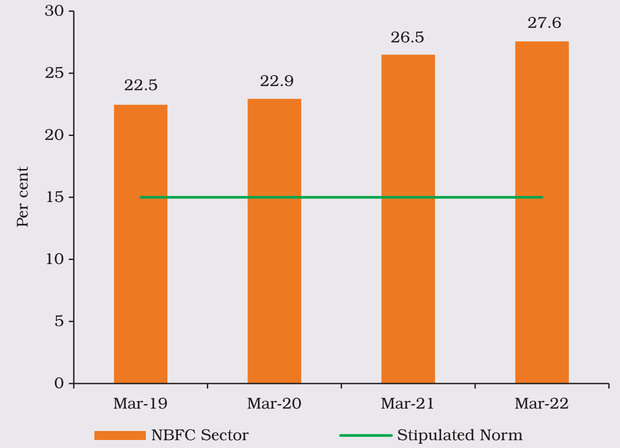
VI.50 As per the extant regulation, NBFCs are required to maintain a minimum capital ratio of not less than 15 per cent of aggregate risk-weighted assets (including both on and off-balance sheet exposures). The NBFC sector is comfortably placed, with CRAR well above the regulatory requirement (Chart VI.31).

VI.51 In 2021-22, amongst NBFCs-ND-SI, IFCs registered a significant improvement in their CRAR, buoyed by an increase in Tier I capital. Among other categories, ICCs recorded marginal improvement, while CRAR of NBFCs-IDF and NBFCs-MFI deteriorated (Chart VI.32a). NBFCs-D continued to maintain adequate capital, considerably higher than the stipulated norm (Chart VI.32b).

2.12 Exposure to Sensitive Sectors

VI.52 Assets in sensitive sectors are susceptible to fluctuations in value, which makes them important from the viewpoint of financial stability. Capital market exposure (CME) includes advances to and investment in capital market and advances to individuals for investment in Initial Public Offerings (IPOs). CME's share in total sensitive sector exposure (SSE) has remained almost invariant since end-March 2020. Real estate exposures (REE), which include credit and investments in real estate, have been declining in terms of share in total SSE. Investment in securities (IIS), which

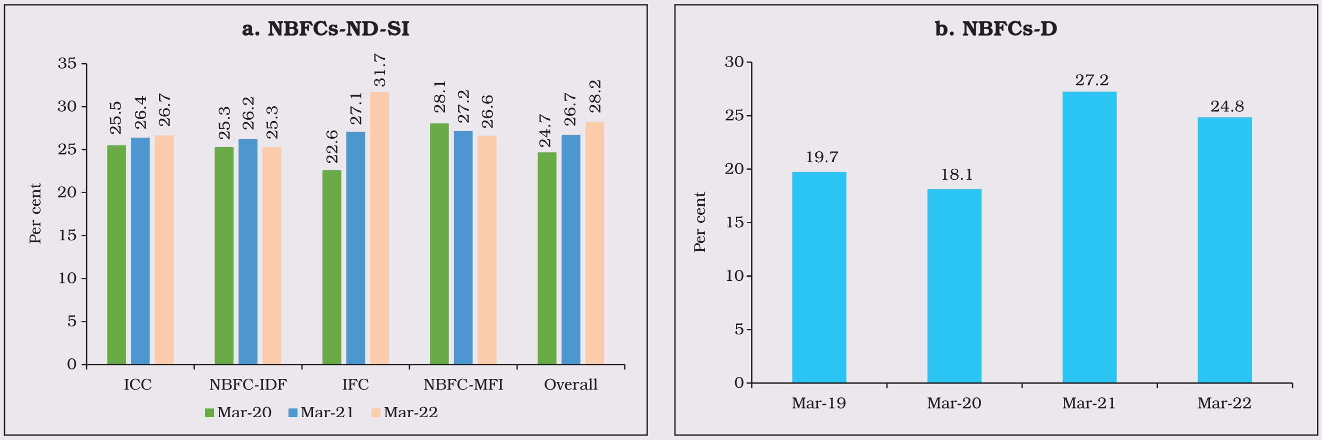
Chart VI.31: Capital Position of NBFC Sector
(At end-March)



Notes: 1. Capital to Risk-weighted Assets Ratio (CRAR)= Tier I plus Tier II Capital by Risk- weighted Assets.
2. Data are provisional.

Source: Supervisory Returns, RBI.

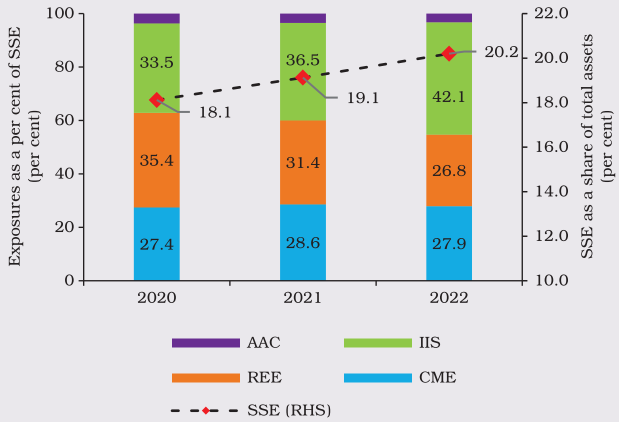
Chart VI.32: CRAR of NBFCs by Category
(At end-March)



Note: Data are provisional.

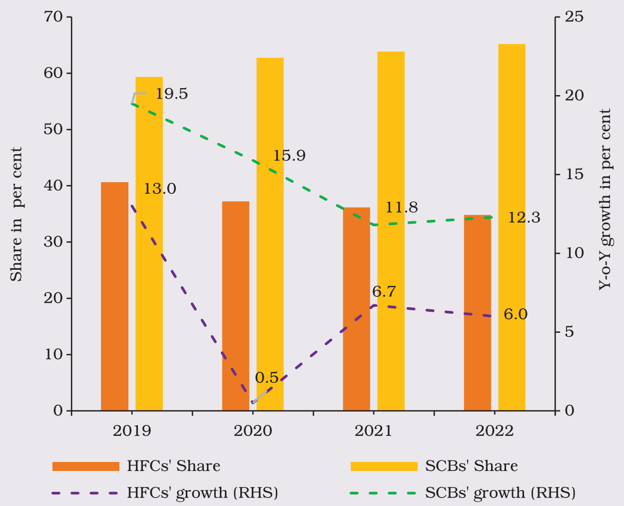
Source: Supervisory Returns, RBI.

Chart VI.33: Exposure to Sensitive Sectors
(At end-March)



AAC: Advances against commodities; IIS: Investment in securities; REE: Real estate exposure; CME: Capital market exposure; SSE: Sensitive sector exposure.
Note: Data are provisional.
Source: Supervisory Returns, RBI.

Chart VI.34: Credit to Housing sector by HFCs and SCBs
(At end- March)



Note: Data are provisional.
Source: NHB and supervisory returns, RBI.

includes investment in quoted and un-quoted securities and equities, has been gaining share at the expense of REE. SSE of NBFCs recorded an increase in 2021-22, as a share of total assets, mostly on account of growth in investment in securities (Chart VI.33).

2.13 Housing Finance Companies (HFCs)

VI.53 In India, housing finance companies (HFCs) are specialised institutions which extend housing credit, along with SCBs. Effective August 9, 2019 HFCs are being regulated as a category of NBFCs, after the transfer of regulation of HFCs to the Reserve Bank by amendment of the NHB Act, 1987. Furthermore, with a view of harmonising the regulations between HFCs and NBFCs in a phased manner, HFCs have undergone several legislative/regulatory changes. Based on a review, the Reserve Bank issued the revised regulatory framework for HFCs on October 22, 2020, and subsequently the extant regulations applicable to HFCs were compiled under Master Directions issued on February 17, 2021.

VI.54 HFCs' credit to the housing sector decelerated in 2021-22 mainly due to change in valuation of loan assets of a distressed HFC pursuant to its amalgamation with another HFC. However, HFCs continued to maintain a sizable share in the housing credit market. SCBs' credit to the housing segment accelerated in 2021-22, buoyed by surplus liquidity and various policy measures, such as reduction in stamp duties, easing of interest rates and fiscal incentives to households (Chart VI.34).

VI.55 At the end of March 2022, there were 95 HFCs, of which only 15 were deposit taking entities. Six of the latter need prior permission from the regulator before accepting public deposits. Non-government public limited companies dominate the segment, comprising 94.3 per cent of total assets. The combined balance sheet of these entities grew, *albeit* at a slower pace during

TableVI.8: Ownership Pattern of HFCs
(At end- March)

(₹ crore)

Type	2021		2022	
	Number	Asset Size	Number	Asset Size
1	2	3	4	5
A. **Government Companies**	**1**	**76,959**	**1**	**80,939**
B. **Non-Government Companies (1+2)**	**99**	**14,05,904**	**94**	**14,46,022**
1. Public Ltd. Companies	78	14,01,522	73	14,39,592
2. Private Ltd. Companies	21	4,382	21	6,430
Total (A+B)	**100**	**14,82,863**	**95**	**15,26,961**

Notes: 1. Two companies whose Certificate of Registration (CoR) has been cancelled and did not submit the data have not been included in the list above for the position as on March 31, 2022.
2. Data are provisional.
Source: NHB.

2021-22 than in the previous year. The asset size of the lone government HFC expanded in 2021-22 (Table VI.8).

2.13.1. Balance Sheet

VI.56 The consolidated balance sheet of HFCs decelerated in 2021-22 due to resolution of a stressed HFC and merger of another HFC with its parent NBFC resulting in tepid growth of loans and advances, along with contraction of investments. On the liabilities side, inter-corporate borrowings recorded a steep rise as funds availed from other sources, such as, debentures, borrowings from NHB, commercial papers, borrowings from the government and other borrowings declined (Table VI.9).

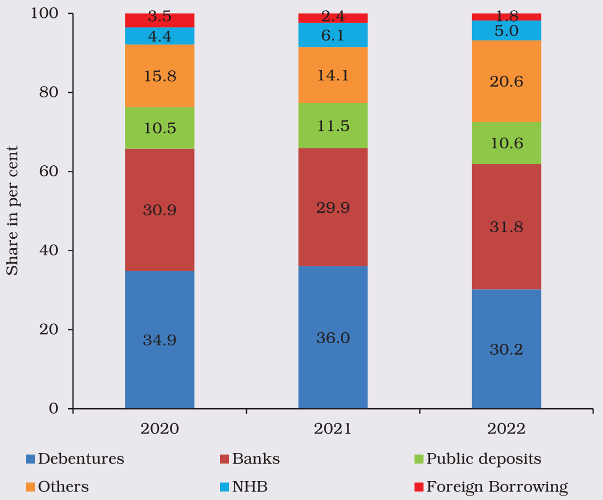
Table VI.9: Consolidated Balance Sheet of HFCs
(At end- March)

(₹ crore)

Items		2020	2021	2022	Percentage variation	
					2021	2022
1		2	3	4	5	6
1	Share capital	36,858	37,696	40,357	2.3	7.1
2	Reserves and surplus	1,45,053	1,70,359	2,24,698	17.4	31.9
3	Public deposits	1,19,795	1,26,691	1,25,236	5.8	-1.1
4	Debentures	3,97,949	3,97,816	3,56,320	0.0	-10.4
5	Bank borrowings	3,53,214	3,29,835	3,74,803	-6.6	13.6
6	Borrowings from NHB	49,673	67,341	59,551	35.6	-11.6
7	Inter-Corporate Borrowings	6,206	19,182	1,24,969	209.1	551.5
8	Commercial papers	46,631	54,554	50,216	17.0	-8.0
9	Borrowings from Government*	1,282	19,313	2,587	1406.9	-86.6
10	Subordinated debts	17,348	19,168	15,363	10.5	-19.9
11	Other borrowings	1,49,404	1,31,818	71,410	-11.8	-45.8
12	Current liabilities	20,446	8,100	28,922	-60.4	257.0
13	Provisions^	7,499	64,303	33,793	757.5	-47.4
14	Other**	42,508	36,686	18,738	-13.7	-48.9
15	**Total Liabilities / Assets**	**13,93,865**	**14,82,863**	**15,26,961**	**6.4**	**3.0**
16	Loans and advances	11,83,561	12,77,653	13,28,070	7.9	3.9
17	Hire purchase and lease assets	33	10	20	-70.4	106.5
18	Investments	97,931	1,29,961	1,04,625	32.7	-19.5
19	Cash and bank balances	56,955	36,864	39,968	-35.3	8.4
20	Other assets***	55,384	38,375	54,277	-30.7	41.4

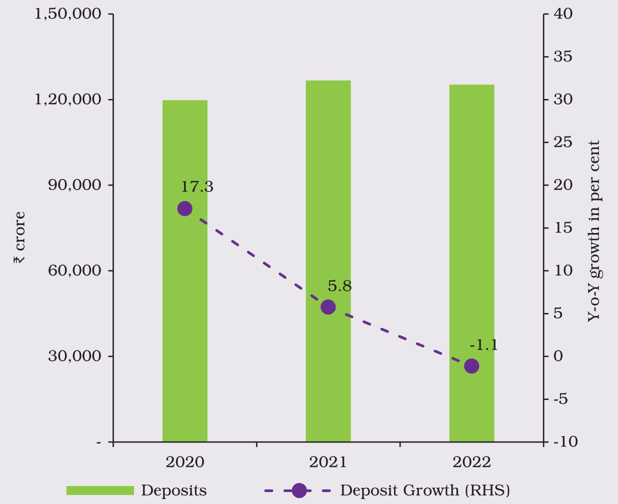
^The sudden increase in provisions at end-March 2021, is due to high provision reported by one major HFC.
* includes borrowings from foreign government also.
**includes deferred tax liabilities and other liabilities.
***includes tangible & intangible assets, other assets, and deferred tax asset.
Note: Data are provisional.
Source: NHB.

Chart VI.35: Resources Mobilised by HFCs
(At end-March)



Note: Data are provisional.
Source: NHB.

Chart VI.36: Public Deposits with HFCs
(At end- March)



Note: Data are provisional.
Source: NHB.

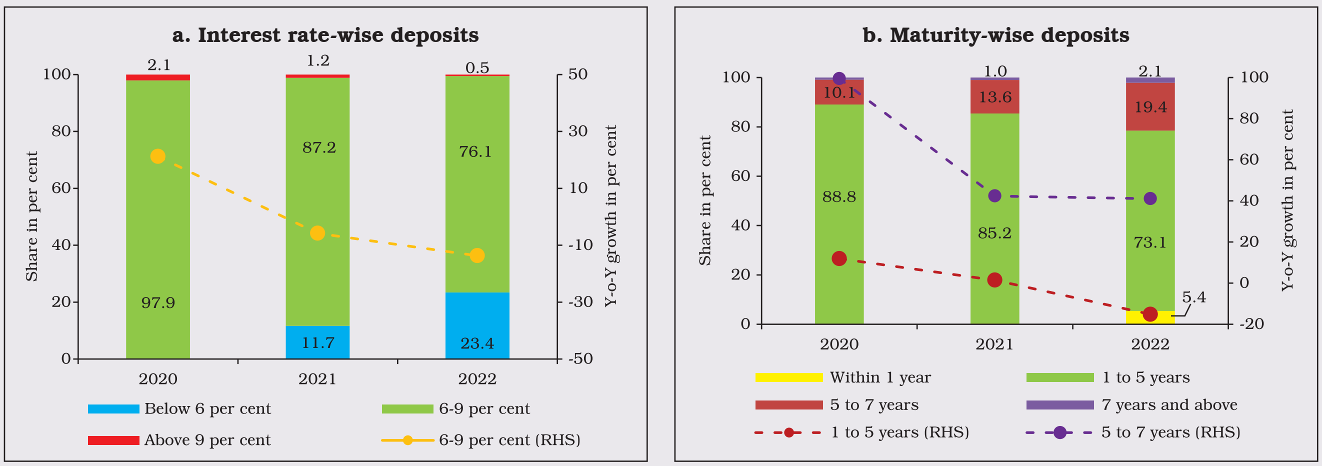
2.13.2. Resource Profile of HFCs

VI.57 HFCs essentially rely on debentures and borrowings from banks to perform the credit intermediation function. Together these two sources constituted around 62 per cent of total resources mobilised at end-March 2022. The share of debentures moderated in 2021-22, while HFCs' dependence on banks increased (Chart VI.35).

VI.58 Public deposits, which constitute another important source of funding, declined in 2021-22 (Chart VI.36). Furthermore, the share of deposits in total liabilities of HFCs has been steadily declining since 2016-17, except in 2019-20.

VI.59 The distribution of deposits with HFCs in 2021-22 shows that there is a concentration in the 6-9 per cent interest rate bracket. Growth was observed in deposits in the below 6 per cent

Chart VI.37: Distribution of Public Deposits with HFCs (At end-March)



Note: Data are provisional.
Source: NHB.

interest rate bracket on account of the overall soft interest rate regime (Chart VI.37a). Maturity wise, the maximum share of deposits was in the tenure of 1 to 5 years (Chart VI.37b).

2.13.3. Financial Performance

VI.60 The consolidated income of HFCs contracted in 2021-22 on account of a decline in both fund income and fee income. Expenditure, however, increased marginally due to rise in provisions/depreciations. Consequently, there was an increase in the cost to income ratio in 2021-22. Net profit of HFCs improved, mainly due to resolution of one major HFC. The RoA also improved and became positive (Table VI.10).

2.13.4. Soundness Indicators

VI.61 Asset quality of the sector improved in 2021-22 compared to the previous year, when there was a spike in GNPA ratio of two major HFCs. However, both GNPA and NNPA ratios declined at end-March 2022 due to resolution of a major HFC (Chart VI.38).

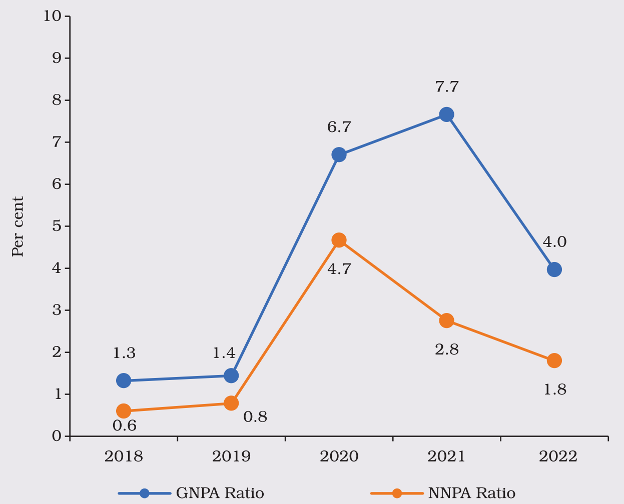
Table VI.10: Financial Parameters of HFCs
(At end-March)

(₹ crore)

	2019-20	2020-21	2021-22	Percentage Variation	
				2020-21	2021-22
1	2	3	4	5	6
Total Income*	**1,41,692**	**1,29,476**	**1,25,425**	**-8.6**	**-3.1**
1. Fund Income	1,39,683	1,27,924	1,22,998	-8.4	-3.9
2. Fee Income	2,009	1,537	1,376	-23.5	-10.5
Total Expenditure**	**1,22,128**	**98,965**	**1,00,264**	**-19.0**	**1.3**
1. Financial Expenditure	89,041	79,392	74,467	-10.8	-6.2
2. Operating Expenditure	33,087	19,199	10,638	-42.0	-44.6
Tax Provision	8,561	13,135	4,766	53.4	-63.7
Net Profit (PAT)	**-2,669**	**210**	**20,395**	**-107.9**	**9624.1**
Total Assets	13,93,865	14,82,863	15,26,961	6.4	3.0
Cost to Income Ratio#	86.2	76.4	79.9		
Return on Assets@ (RoA)	-0.2	0.0	1.3		

* Total income also comprises income from non-financial business.
** Total expenditure also comprises depreciation/provisions.
# Total Exp./Total Income
@ PAT/Total Assets
Note: Data are provisional.
Source: NHB.

Chart VI.38: HFCs' GNPA and NNPA Ratios
(At end-March)



Note: Data are provisional.
Source: NHB.

VI.62 To sum up, in 2021-22, HFCs showed resilience as macroeconomic conditions improved. Timely regulatory and liquidity measures by the Reserve Bank, along with the announcement of the additional outlay for Prandhan Mantri Aawas Yojna-Urban (PMAY-U) by the government, assisted in enhancing liquidity. The low interest rate environment improved affordability and contributed to the resurgence in demand for housing loans.

VI.63 Going forward, HFCs are expected to improve their credit disbursements. They need to be cautious, however, about rising borrowing costs and competition from SCBs. With the implementation of scale-based regulation, a few HFCs have been included in the upper layer, which highlights their systemic importance in the Indian financial landscape. The regulatory arbitrage between NBFCs and banks has been gradually narrowing, as reflected in the recent application filed by a major HFC to merge with its parent entity.

3. All India Financial Institutions

VI.64 All-India financial institutions (AIFIs) facilitate sector-specific long-term financing to agriculture and the rural sector, small industries, housing finance companies, NBFCs, MFIs and international trade. At end-March 2021, four AIFIs, *viz*. the National Bank for Agriculture and Rural Development (NABARD), the Small Industries Development Bank of India (SIDBI), the National Housing Bank (NHB) and the Export Import Bank of India (EXIM Bank) were registered with the Reserve Bank. Since the enactment of the NaBFID Act 2021, effective April 19, 2021, NaBFID[10] has been established as the fifth AIFI, which will cater to long term financing needs of India's infrastructure sector. It shall be regulated and supervised as an AIFI by the Reserve Bank under Sections 45L and 45N of the Reserve Bank of India Act, 1934.

3.1. AIFIs' Operations[11]

VI.65 Financial assistance sanctioned by AIFIs declined during 2021-22, primarily on account of contraction in sanctions by NABARD as no fresh loans were sanctioned under Pradhan Mantri Awaas Yojana-Gramin (PMAY-G) and Swachh Bharat Mission-Gramin (SBM-G). Further, no new projects were sanctioned in 2021-22, while disbursements of instalments were made against ongoing projects sanctioned in earlier years. Disbursements by EXIM Bank and SIDBI gained traction during 2021-22, reflecting the thrust on promoting trade and on MSMEs and manufacturing. Total disbursements of AIFIs improved in 2021-22 as a share of total sanctions (Table VI.11 and Appendix Table VI.7).

Table VI.11: Financial Assistance Sanctioned & Disbursed by AIFIs

(₹ crore)

Institutions	Sanctions		Disbursements	
	2020-21	2021-22	2020-21	2021-22
1	2	3	4	5
EXIM BANK	36,521	54,807	34,122	52,271
NABARD	4,59,849	3,80,396	3,50,022	3,78,387
NHB	37,791	22,330	34,230	19,313
SIDBI	98,354	1,48,550	98,115	1,46,402
Total	**6,32,515**	**6,06,083**	**5,16,489**	**5,96,373**

Note: Data are provisional.
Source: Respective Financial Institutions.

3.2. Balance Sheet

VI.66 In 2021-22, the consolidated balance sheet of AIFIs' continued to grow at a double digit rate. This was mainly on account of growth in investments and loans and advances,

Table VI.12: AIFIs' Balance Sheet

(₹ crore)

	2021	2022	Percentage variation
			2021-22
1	2	3	4
1. Capital	32,221 (3.0)	35,008 (2.9)	8.6
2. Reserves	71,025 (6.6)	81,538 (6.7)	14.8
3. Bonds & Debentures	3,27,427 (30.4)	3,56,901 (29.2)	9.0
4. Deposits	4,12,001 (38.3)	4,36,057 (35.7)	5.8
5. Borrowings	1,70,820 (15.9)	2,43,121 (19.9)	42.3
6. Other Liabilities	62,023 (5.8)	68,612 (5.6)	10.6
Total Liabilities / Assets	**10,75,517**	**12,21,236**	**13.5**
1. Cash & Bank Balances	34,595 (3.2)	28,379 (2.3)	-18.0
2. Investments	79,275 (7.4)	1,06,329 (8.7)	34.1
3. Loans & Advances	9,44,318 (87.8)	10,69,116 (87.5)	13.2
4. Bills Discounted / Rediscounted	1,410 (0.1)	3,058 (0.3)	116.9
5. Fixed Assets	1,273 (0.1)	1,268 (0.1)	-0.4
6. Other Assets	14,646 (1.4)	13,087 (1.1)	-10.6

Notes: 1. Figures in parentheses are percentages of total liabilities/assets.
2. Data are provisional.
Source: Respective Financial Institutions.

[10] NaBFID has not yet started submitting supervisory data to the RBI. Therefore, this section analyses financial performance of four AIFIs *viz*, EXIM Bank, NABARD, NHB and SIDBI.

[11] The financial year for EXIM Bank, SIDBI and NABARD runs from April to March and for NHB, it is from July to June.

primarily by NABARD and SIDBI. Loans and advances constituted the largest share in the total assets of AIFIs, followed by investments. On the liabilities side, AIFIs' borrowings increased steeply followed by moderate growth in bonds and debentures (Table VI.12). The former was mainly due to steep increase in borrowings by SIDBI to facilitate revival and growth of MSMEs.

VI.67 The Reserve Bank announced a number of measures for AIFIs during the COVID-19 pandemic, which included a special refinance facility of ₹75,000 crore in 2020-21. In continuation with the objective of supporting nascent growth, the Reserve Bank extended fresh support of ₹50,000 crore to three AIFIs for new lending in 2021-22. This included a special liquidity facility (SLF) of ₹25,000 crore to NABARD, an SLF of ₹10,000 crore to NHB to support the housing sector and ₹15,000 crore to the SIDBI to meet the funding requirements of micro, small and medium enterprises (MSMEs). NABARD, NHB and SIDBI utilised the full amount under the SLF. Additionally, in order to meet MSMEs' short and medium-term credit needs, with a special focus on smaller MSMEs and businesses including those in credit deficient and aspirational districts, SIDBI was provided SLF of ₹16,000 crore during 2021-22.

VI.68 Total resources mobilised by all AIFIs, except NHB, increased in 2021-22. NABARD mobilised the highest share, followed by SIDBI, EXIM Bank and NHB. NABARD and SIDBI together accounted for 87 per cent of the total resources. AIFIs' reliance on short-term funds increased in 2021-22 *vis-à-vis* the previous year. EXIM Bank remains the lone AIFI to raise resources from foreign sources (Table VI.13).

Table VI.13: Resources Mobilised by AIFIs in 2021-22

(₹ crore)

Institution	Total Resources Raised				Total Outstanding
	Long-Term	Short-Term	Foreign Currency	Total	
1	2	3	4	5	6
EXIM BANK	0	39,123	18,302	57,425	1,07,477
NABARD	1,34,919	2,11,051	0	3,45,970	6,29,586
NHB	8,576	2,605	0	11,182	65,641
SIDBI	62,780	53,211	0	1,15,991	2,14,024
Total	2,06,275	3,05,990	18,302	5,30,567	10,16,728

Note: Long-term rupee resources comprise borrowings by way of bonds/debentures, term loans, PSL deposits of LT nature; while short-term resources comprise CPs, term deposits, ICDs, CDs, SLF from RBI, borrowings from the term money market and ST loans. Foreign currency resources largely comprise of borrowings by issuing of bonds in the international market.
Source: Respective Financial Institutions.

VI.69 NABARD and SIDBI together constituted around 81 per cent of total resources raised by AIFIs from the money market. While resources raised through certificate of deposits increased, commercial paper issuances declined during the year. The utilisation of umbrella limit increased in 2021-22 (Table VI.14).

Table VI.14: Resources Raised by AIFIs from the Money Market
(At end-March) #

(₹ crore)

Instrument	2020-21	2021-22
1	2	3
A. Total	94,604	97,709
i) Term Deposits	3,396	5,258
ii) Term Money	3,602	1,987
iii) Inter-corporate Deposits	-	-
iv) Certificate of Deposits	21,275	38,170
v) Commercial Paper	66,331	52,294
Memo:		
B. Umbrella Limit^ ^	1,34,662	1,32,240
C. Utilization of Umbrella limit* (A as percentage of B)	70.3	73.9

#: End-June for NHB. *: Resources raised under A.
^ ^: post adoption of accounts by the Board
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.

3.3. Sources and Uses of Funds

VI.70 Funds raised and deployed by the AIFIs decelerated in 2021-22. Though internal funds remained as the major source, external funds increased sharply. The share of repayment of past borrowings in mobilised resources decreased marginally (Table VI.15).

3.4. Maturity profile and Cost of Borrowings and Lending

VI.71 AIFIs, except SIDBI, were able to borrow at lower rates as the weighted average cost (WAC) of rupee resources decreased in 2021-22 *vis-à-vis* the previous year due to monetary policy support. The weighted average maturity of rupee resources of all AIFIs, except NHB, decreased (Chart VI.39a and b). Long-term prime lending rate (PLR) of EXIM Bank decreased marginally, while it remained stagnant for NHB and SIDBI in 2021-22 (Chart VI.40).

3.5. Financial Performance

VI.72 AIFIs registered a marginal decline in income during 2021-22, primarily on account of decline in non-interest income. Interest income, which constitutes around 97 per cent of total income, remained stagnant. Expenditure, on the other hand, increased marginally during

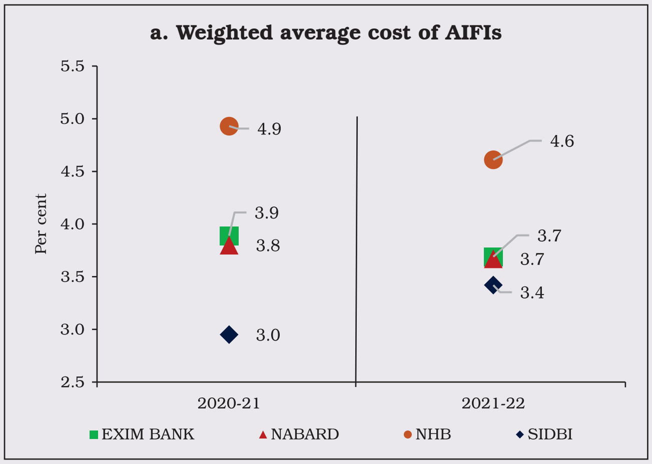
Table VI.15: Pattern of AIFIs' Sources and Deployment of Funds

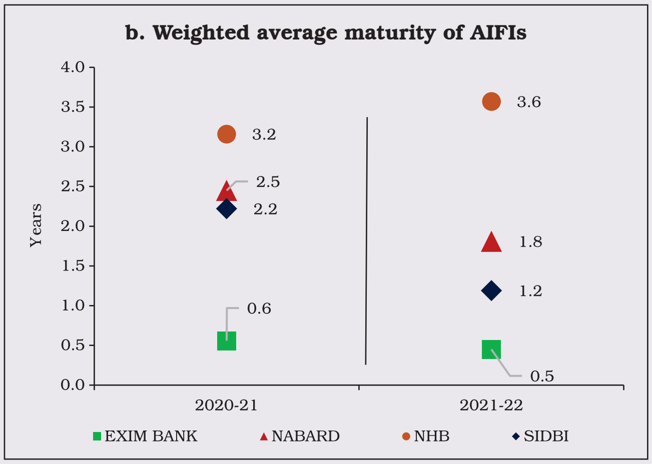
(₹ crore)

Items	2020-21	2021-22	Percentage variation
1	2	3	4
A. Sources of Funds (i+ii+iii)			
i. Internal	43,78,840	45,88,852	4.8
	(82.3)	(78.0)	
ii. External	8,82,814	12,31,852	39.5
	(16.6)	(20.9)	
iii. Others@	60,018	65,124	8.5
	(1.1)	(1.1)	
Total (i+ii+iii)	**53,21,672**	**58,85,828**	**10.6**
	(100)	**(100)**	
B. Deployment of Funds (i+ii+iii)			
i. Fresh Deployment	8,03,936	8,60,062	7.0
	(15.1)	(14.6)	
ii. Repayment of Past Borrowings	31,36,755	34,42,379	9.7
	(59.0)	(58.5)	
iii. Other Deployment	13,74,471	15,77,707	14.8
	(25.9)	(26.8)	
of which: Interest Payments	39,344	39,590	0.6
	(0.7)	(0.7)	
Total (i+ii+iii)	**53,15,161**	**58,80,149**	**10.6**
	(100)	**(100)**	

@: Includes cash and balances with banks and the Reserve Bank of India
Notes: 1. Figures in parentheses are percentages of total.
2. Data are provisional.
Source: Respective Financial Institutions.

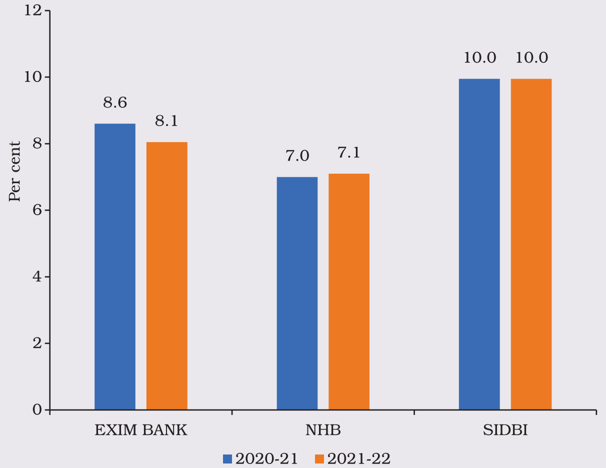
Chart VI.39: Weighted Average Cost and Maturity of Rupee Resources Raised by AIFIs





Note: Data are provisional.
Source: Respective Financial Institutions.

Chart VI.40: Long-term PLR Structure of Select AIFIs



Notes: 1. EXIM Bank is using long-term minimum lending rate based on the base rate.
2. Data are provisional.
Source: Respective Financial Institutions.

2021-22, mainly on account of increase in interest expenditure and operating expenses. The net profits of AIFIs recorded an impressive growth during 2021-22 (Table VI.16).

Table VI.16: Financial Performance of AIFIs

(₹ crore)

	2020-21	2021-22	Percentage Variation	
			2020-21	2021-22
1	2	3	4	5
A) Income	**59,291**	**59,022**	**1.4**	**-0.5**
a) Interest Income	57,597 (97.1)	57,543 (97.5)	1.3	-0.1
b) Non-Interest Income	1,694 (2.9)	1,479 (2.5)	6.1	-12.7
B) Expenditure	**42,913**	**43,671**	**-3.6**	**1.8**
a) Interest Expenditure	39,829 (92.8)	40,280 (92.2)	-3.4	1.1
b) Operating Expenses	3,084 (7.2)	3,390 (7.8)	-5.5	9.9
of which Wage Bill	2,203	2,270	-5.2	3.0
C) Provisions for Taxation	**2,409**	**4,064**	**7.4**	**68.7**
D) Profit				
Operating Profit (PBT)	16,378	15,351	17.3	-6.3
Net Profit (PAT)	7,635	9,698	17.6	27.0

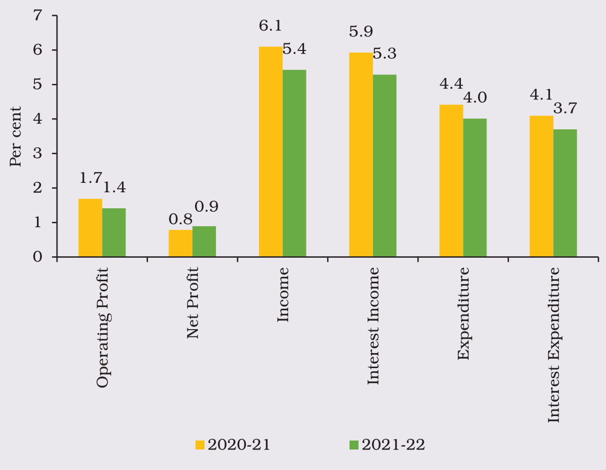
Notes: 1. Figures in parentheses are percentages of total income/expenditure.
2. Data are provisional.
Source: Respective Financial Institutions.

VI.73 The financial ratios of AIFIs reveal that operating profit as a ratio of total average assets declined during 2021-22, whereas net profit increased slightly during the year. However, all other financial ratios, decreased year on year (Chart VI.41).

VI.74 During 2021-22, interest income as a ratio of average working funds declined for all AIFIs which may be attributed to the low interest rate environment. Operating profits as a ratio of average working funds improved for EXIM Bank and NHB indicating efficient utilization of working funds; however, for SIDBI and NABARD, it decreased during the year (Table VI.17).

VI.75 The RoA for all AIFIs improved marginally in 2021-22, except for SIDBI (Chart VI.42). AIFIs continued to maintain CRAR above the regulatory requirement, which indicates a comfortable capital position. The CRAR for EXIM Bank and NHB improved in 2021-22, while that of NABARD and SIDBI moderated.

Chart VI.41: AIFIs' Financial Ratios



Notes: 1. As percentage of total average assets.
2. Data are provisional.
Source: Respective Financial Institutions.

Table VI.17: AIFIs' Select Financial Parameters

	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)	
	2021	2022	2021	2022	2021	2022	2021	2022
1	2	3	4	5	6	7	8	9
EXIM	6.4	6.3	0.5	0.3	2.3	2.5	73	216
NABARD	6.1	5.5	0.0	0.0	1.5	1.2	127	160
NHB	5.5	5.1	0.1	0.6	1.3	1.9	436	1192
SIDBI	5.7	4.3	0.5	0.2	2.3	1.3	237	199

Note: Data are provisional.
Source: Respective Financial Institutions.

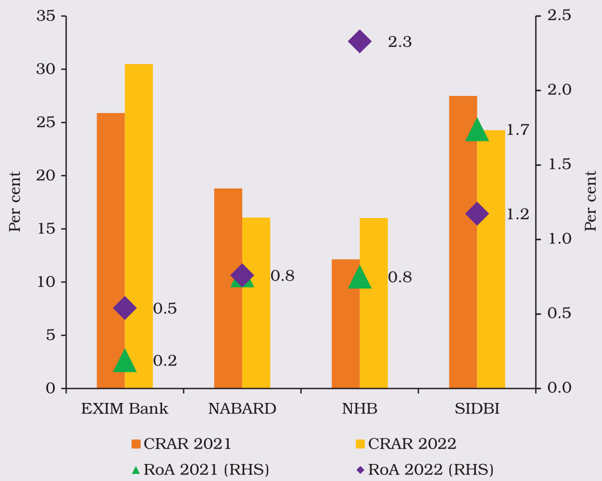
3.6. Soundness Indicators

VI.76 The net NPAs (NNPA) ratios of all AIFIs decreased during 2021-22. All AIFIs except SIDBI reported zero per cent NNPAs on account of full provisioning for NPA (Chart VI.43).

VI.77 Overall, the proportion of standard assets increased while that of doubtful assets declined. This indicates an improvement in asset quality (Chart VI.44).

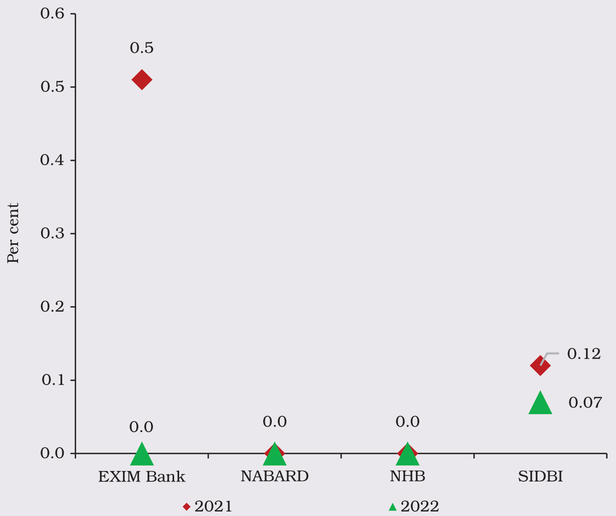
VI.78 As AIFIs play a critical role in facilitating credit to important sectors of the economy with significant backward and forward linkages, it is imperative to ensure the financial resilience of these institutions. To this end, the Reserve Bank released the draft Master Direction on Prudential Regulation for AIFIs on October 22, 2021 in order to extend the Basel III capital framework to the AIFIs.

Chart VI.42: Select Financial Parameters of AIFIs



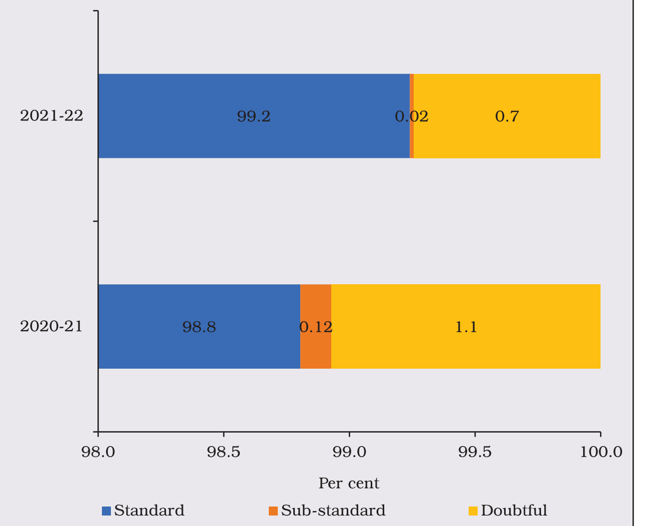
Notes: 1. RoA refers to Return on Average Assets.
2. Data are provisional.
Source: Respective Financial Institutions.

Chart VI.43: AIFIs' NNPA Ratios



Note: Data are provisional
Source: Respective Financial Institutions.

Chart VI.44: AIFIs' Assets Classification



Note: Data are provisional
Source: Respective Financial Institutions.

4. Primary Dealers

VI.79 As on March 31, 2022 there were 21 primary dealers (PDs), of which 14 function as bank departments and 7 as Standalone PDs (SPDs). The latter are registered as NBFCs under Section 45-IA of the RBI Act, 1934.

4.1. Operations and Performance of PDs[12]

VI.80 PDs are financial intermediaries mandated to take part in the all-round development of the primary and secondary government securities market, 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 of bidding commitment) of 40 per cent in primary auctions of T-bills and Cash Management Bills (CMBs), assessed on a half-yearly basis. In 2021-22, all PDs achieved more than their minimum bidding commitments and subscribed to 76.9 per cent of the total quantum of T-Bills issued during the year, as compared with 68.9 per cent in 2020-21. The actual quantum of bids accepted from PDs was, however, less than in the previous year. During H1:2022-23, PDs subscribed to 69.3 per cent of the total quantum of T-Bills issued. PDs' share of allotment in the primary issuance of dated securities decreased in 2021-22 *vis-à-vis* the previous year, but increased during H1:2022-23 (Table VI.18).

VI.81 Partial devolvement on PDs took place on 17 instances amounting to ₹97,938 crore during 2021-22 as against 15 instances amounting to ₹1,30,562 crore in the previous year. During H1:2022-23, there were 7 instances of partial devolvement on PDs aggregating to ₹14,799 crore. While the total underwriting commission paid to PDs decreased from ₹455 crore in

Table VI.18: Performance of PDs in the Primary Market

(₹ crore)

Items	2020-21	2021-22	H1:2022-23
1	2	3	4
Treasury Bills and CMBs			
(a) Bidding commitment	17,35,783	15,37,735	8,07,225
(b) Actual bids submitted	49,05,302	37,21,906	18,00,182
(c) Bids accepted	10,24,732	9,59,380	4,88,867
(d) Success ratio (c) / (a) (in Per cent)	59.0	62.4	60.6
(e) Share of PDs in total allotment (in Per cent)	68.9	76.9	69.3
Central Government Dated Securities			
(f) Notified amount	12,85,000	10,80,000	8,12,000
(g) Actual bids submitted	24,54,253	22,22,924	14,13,444
(h) Bids accepted	6,80,763	5,33,201	4,38,580
(i) Share of PDs (h)/(f) (in per cent)	49.7*	47.3**	55.1***

* Calculated with respect to the total accepted amount of ₹13,70,324 crore.
** Calculated with respect to the total accepted amount of ₹11,27,382 crore.
*** Calculated with respect to the total accepted amount of ₹ 7,96,000 crore.
Source: Returns filed by PDs.

[12] This section analyses all 21 PDs.

2020-21 to ₹413 crore in 2021-22, the average rate of underwriting commission increased in the same period (Chart VI.45). In 2022-23 (up to end-September), the underwriting commission paid to the PDs was ₹88 crore.

VI.82 In the secondary market, all PDs individually achieved the required minimum annual total turnover ratio. In Government dated securities, the minimum turnover ratio is set at 5 times for repo and outright taken together and 3 times for outright transactions of the average month-end stock of securities held by them. For T-Bills, the corresponding minimum targets are set at 10 times and 6 times respectively.

4.2. Performance of Standalone PDs[13]

VI.83 In the secondary market outright segment, the turnover of SPDs increased during 2021-22 as compared with the previous year, notwithstanding a decrease in the overall market turnover during the same period. In the repo segment, the turnover by SPDs increased over the previous year. The share of SPDs in total market turnover increased marginally during the year (Table VI.19).

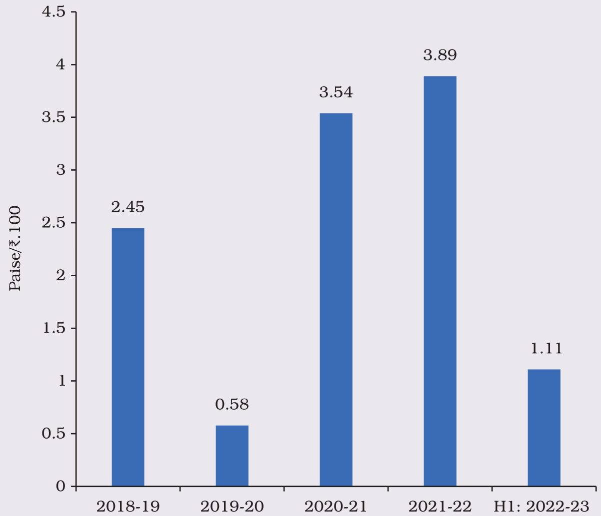
4.3. Sources and Application of SPDs' Funds

VI.84 Funds mobilized by SPDs rose on a year-on-year basis in 2021-22. Borrowings remained the major source of their funding. The total quantum of secured and unsecured loans increased during this period. The largest share of their investments was held in the form of current assets (Table VI.20).

4.4. Financial Performance of SPDs

VI.85 SPDs recorded a substantial decrease in profit after tax in 2021-22 *vis-a-vis* the previous

Chart VI.45: Average Rate of Underwriting Commission of PDs



Source: Returns submitted by PDs.

Table VI.19: Performance of SPDs in the G-secs Secondary Market

(₹ crore)

Items	2020-21	2021-22	H1:2022-23
1	2	3	4
Outright			
Turnover of SPDs	24,71,523	25,91,788	18,09,980
Market turnover	1,00,32,187	87,98,428	53,35,981
Share of SPDs (Per cent)	24.6	29.5	33.9
Repo			
Turnover of SPDs	90,75,360	95,60,700	57,89,793
Market turnover	2,27,70,547	2,55,25,641	1,59,61,220
Share of SPDs (Per cent)	39.9	37.5	36.3
Total (Outright + Repo)			
Turnover of SPDs	1,15,46,883	1,21,52,488	75,99,774
Market turnover	3,28,02,734	3,43,24,069	2,12,97,200
Share of SPDs (Per cent)	35.2	35.4	35.7

Note: Total Turnover for Market Participants / Standalone PDs includes Outright and Repo 1st Leg settlement volumes.
Source: Clearing Corporation of India Ltd.

[13] Seven standalone PDs are registered as NBFCs with the Reserve Bank.

Table VI.20: Sources and Applications of SPDs' Funds

(₹ crore)

Items	2020-21	2021-22	H1: 2022-23	Percentage Variation 2021-22 over 2020-21
1	2	3	4	5
Sources of Funds	**71,986**	**86,669**	**79,157**	**20.4**
1. Capital	1,849	1,849	1849	0.0
2. Reserves and surplus	7,011	7,425	7,199	5.9
3. Loans (a+b)	63,127	77,394	70,109	22.6
(a) Secured	50,374	61,188	55,262	21.5
(b) Unsecured	12,752	16,207	14,847	27.1
Application of Funds	**71,986**	**86,669**	**79,157**	**20.4**
1. Fixed assets	44	71	82	58.8
2. HTM investments (a+b)	154	2,870	5,704	1767.2
(a) Government securities	0	2,688	5,522	0.0
(b) Others	154	182	182	18.7
3. Current assets	72,389	80,841	75,836	11.7
4. Loans and advances	1,986	7,048	4,861	254.8
5. Current liabilities	2,616	4,118	7,280	57.4
6. Deferred tax	33	-35	-38	-206.7
7. Others	-3	-8	-8	153.1

Source: Returns submitted by PDs.

year on account of decrease in trading profit and a marginal decrease in the interest and discount income (Table VI.21 and Appendix Table VI.8). Consequently, SPDs' return on net worth also decreased during the year (Table VI 22).

Table VI.21: Financial Performance of SPDs

(₹ crore)

Items	2020-21	2021-22	H1: 2022-23	Percentage Variation 2021-22 over 2020-21
1	2	3	4	5
A. Income (i to iii)	**5,386**	**4,002**	**2,055**	**-25.7**
(i) Interest and discount	4,173	4,139	2441	-0.8
(ii) Trading profits	1,008	-244	-396	-124.2
(iii) Other income	205	107	10	-47.9
B. Expenses (i to ii)	**2,493**	**2,622**	**1995**	**5.1**
(i) Interest	2,130	2,238	1794	5.1
(ii) Other expenses #	364	384	201	5.5
C. Profit before tax	**2,582**	**1,253**	**153**	**-51.4**
D. Profit after tax	**1,938**	**937**	**102**	**-51.6**

#: Includes establishment and administrative costs
Note: Figures may not add up due to rounding-off.
Source: Returns submitted by PDs.

Table VI.22: SPDs' Financial Indicators

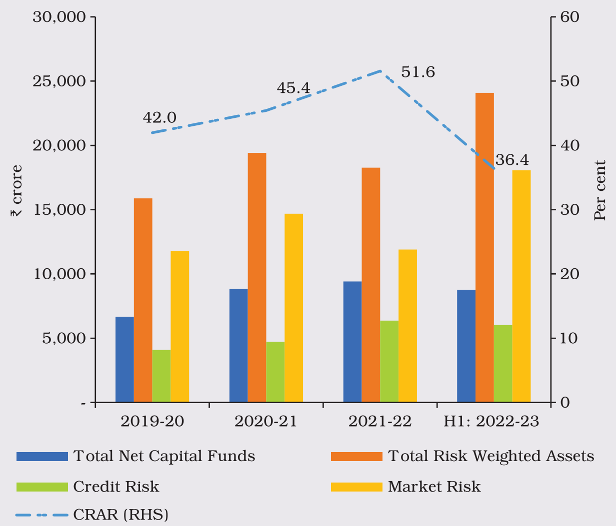
(₹ crore)

Indicators	2020-21	2021-22	H1: 2022-23
1	2	3	4
(i) Net profit	1,938	937	102
(ii) Average assets	77,357	79,085	91,155
(iii) Return on average assets (Per cent)	2.6	1.2	0.1
(iv) Return on net worth (Per cent)	26.0	11.6	0.9
(v) Cost to income ratio (Per cent)	11.2	21.8	76.8

Source: Returns submitted by PDs

VI.86 The combined CRAR for all SPDs increased in 2021-22 and remained above the mandated 15 per cent, largely on account of improvement in capital buffers. During H1:2022-23, the combined CRAR however, decreased primarily due to increase in their risk weighted assets (Chart VI.46 and Appendix Table VI.9).

Chart VI.46: Capital and Risk Weighted Asset Position of SPDs



Source: Returns submitted by PDs.

5. Overall Assessment

VI.87 NBFIs exhibited remarkable resilience in the face of the COVID-19 shock. During 2021-22, their operations gained traction notwithstanding the divergent speed of recovery in different sectors of the economy and cash flow disruptions faced by borrowers. Strong capital buffers and adequate provisioning in this unsettling environment are reassuring. The asset quality of NBFCs is expected to further improve in the near term, aided by strengthening economic activity. Sharper regulatory oversight, realignment in asset quality classification and prompt corrective action norms will further entrench stability.

VI.88 NBFCs need to be mindful of the rising interest rate cycle and persisting uncertainties due to global shocks. They also face intensifying competition from banks, particularly in segments that were NBFC strongholds like vehicle and gold loans. The fast growing digital lending ecosystem poses novel challenges, and regulated entities need to be cautious about unethical recovery practices and data privacy issues. These entities also need to strengthen their oversight of outsourced activities to prevent undue harassment of their customers by third party applications. The Reserve Bank, on its part, has endeavoured to address these issues proactively and has provided timely regulatory guidance.

VI.89 HFCs came out of the pandemic with moderate expansion in their balance sheet. HFCs, however, have been increasingly facing competition from SCBs which have access to funds at cheaper rates. AIFIs growth has been impressive, with improvement in disbursements and rise in profitability. PDs achieved the minimum success ratio and fulfilled the minimum bidding commitments in primary market and turnover ratio in the secondary market, thus aiding in borrowing programme of the Government. With robust pick-up in bank credit raising demand on the available pool of resources in the economy, and ongoing global spill-overs on the domestic financial system and markets, the role of PDs in ensuring orderly conditions in the market would be critical.

Appendix Table IV.1: Indian Banking Sector at a Glance

(Amount in ₹ crore)

Sr. No	Items	Amount Outstanding (At end-March)		Percentage Variation	
		2021	2022*	2020-21	2021-22*
1	2	3	4	5	6
1	**Balance Sheet Operations**				
	1.1 Total Liabilities/assets	1,95,78,895	2,16,67,655	8.7	10.7
	1.2 Deposits	1,55,80,325	1,71,82,709	11.5	10.3
	1.3 Borrowings	14,73,450	16,63,283	-13.1	12.9
	1.4 Net Loans and advances	1,08,06,381	1,22,08,009	4.9	13.0
	1.5 Investments	54,16,159	57,78,971	15.5	6.7
	1.6 Off-balance sheet exposure (as percentage of on-balance sheet liabilities)	118.8	132.8	-	-
	1.7 Total consolidated international claims	6,13,794	7,29,114	6.1	18.8
2.0	**Profitability**				
	2.1 Net profit	1,21,998	1,82,032	-	-
	2.2 Return on Asset (RoA) (Per cent)	0.7	0.9	-	-
	2.3 Return on Equity (RoE) (Per cent)	7.7	10.1	-	-
	2.4 Net Interest Margin (NIM) (Per cent)	2.9	2.9	-	-
3.0	**Capital Adequacy**				
	3.1 Capital to risk weighted assets ratio (CRAR)@	16.3	16.8	-	-
	3.2 Tier I capital (as percentage of total capital)@	86.8	87.5	-	-
	3.3 CRAR (tier I) (Per cent)@	14.1	15.7	-	-
4.0	**Asset Quality**				
	4.1 Gross NPAs	8,35,138	7,43,653	-7.2	-11.0
	4.2 Net NPAs	2,58,050	2,04,226	-10.8	-20.9
	4.3 Gross NPA ratio (Gross NPAs as percentage of gross advances)	7.3	5.8	-	-
	4.4 Net NPA ratio (Net NPAs as percentage of net advances)	2.4	1.7	-	-
	4.5 Provision Coverage Ratio (Per cent)**	67.4	70.8	-	-
	4.6 Slippage ratio (Per cent) **	2.8	2.1	-	-
5.0	**Sectoral Deployment of Bank Credit**				
	5.1 Gross bank credit	1,06,40,808	1,18,53,392	5.4	11.4
	5.2 Agriculture	13,84,815	15,16,303	11.7	9.5
	5.3 Industry	32,53,636	35,08,744	0.0	7.8
	5.4 Services	27,45,324	31,48,321	-0.3	14.7
	5.5 Personal loans	29,86,457	33,94,028	12.3	13.6
6.0	**Technological Development**				
	6.1 Total number of credit cards (in lakhs)	620	736	7.5	18.7
	6.2 Total number of debit cards (in lakhs)	8,982	9,177	8.4	2.2
	6.3 Number of ATMs and CRMs	2,38,588	2,49,228	1.8	4.5
7.0	**Customer Services**				
	7.1 Total number of complaints received against banks during the year	3,41,747	2,68,085#	11.4	-21.6
	7.2 Total number of complaints handled## during the year	3,81,473	2,79,422^	16.0	-26.8
	7.3 Total number of complaints addressed	3,71,395	2,74,116***	21.5	-26.2
	7.3 Percentage of complaints addressed	97.4	98.1	-	-
8.0	**Financial Inclusion**				
	8.1 Credit-deposit ratio (Per cent)	69.4	71.1	-	-
	8.2 Number of new bank branches opened	3,089	3,232	-29.0	4.6
	8.3 Number of banking outlets in villages (Total)	12,48,079	22,74,236^^	108.3	82.2

Notes: 1. * : 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.
5. # : Excludes complaints handled at CRPC.
6. ## : Complaints handled includes complaints received and complaints brought forward from previous year.
7. ^ : Includes complaints brought forward from previous year received by email before March 31, 2022 but registered on or after April 01, 2022.
8. *** : The status of complaints addressed is as on March 31, 2022. The complaints pending as on March 31, 2022 have since been addressed.
9. ^^ : There is a significant increase in data reported by few private sector banks.

Appendix Table IV.2: International Liabilities of Banks in India – By Type of Instruments

(Amount in ₹ Crore)

Liability Type	Amount Outstanding (At end-March)		Percentage Variation	
	2021(PR)	2022(PR)	2020-21	2021-22
1	2	3	4	5
1. Loans and Deposits	**11,42,402 (68.8)**	**12,05,274 (67.6)**	**-2.2**	**5.5**
a) Foreign Currency Non-resident (Bank) [FCNR (B)] Scheme	1,33,986 (8.1)	1,05,587 (5.9)	-20.8	-21.2
b) Foreign Currency Borrowings*	54,998 (3.3)	81,575 (4.6)	-53.4	48.3
c) Non-resident External (NRE) Rupee Accounts	7,20,626 (43.4)	7,49,061 (42.0)	8.6	3.9
d) Non-resident Ordinary (NRO) Rupee Accounts	1,17,500 (7.1)	1,41,240 (7.9)	14.2	20.2
2. Own Issues of Securities/ Bonds	**2,468 (0.1)**	**3,039 (0.2)**	**-59.7**	**23.1**
3. Other liabilities	**5,14,748 (31.0)**	**5,74,436 (32.2)**	**63.0**	**11.6**
Of which:				
a) ADRs/GDRs	86,860 (5.2)	92,255 (5.2)	79.6	6.2
b) Equities of Banks Held by Non-residents	2,96,355 (17.9)	3,22,215 (18.1)	122.6	8.7
c) Capital / Remittable Profits of Foreign Banks in India and Other Unclassified International Liabilities	1,31,534 (7.9)	1,59,966 (9.0)	-2.1	21.6
Total International Liabilities	**16,59,618 (100.0)**	**17,82,749 (100.0)**	**11.4**	**7.4**

Notes: 1. PR : Partially Revised.
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.3: International Assets of Banks in India - By Type of Instruments

(Amount in ₹ Crore)

Asset Type	Amount Outstanding (At end-March)		Percentage Variation	
	2021 (PR)	2022 (PR)	2020-21	2021-22
1	2	3	4	5
1. Loans and Deposits	**6,56,688**	**6,79,018**	**22.3**	**3.4**
	(93.4)	**(88.6)**		
Of which:				
(a) Loans to Non-residents	1,49,800	1,40,708	75.3	-6.1
	(21.3)	(18.4)		
(b) Foreign Currency Loan to Residents	1,27,869	1,34,290	-16.9	5.0
	(18.2)	(17.5)		
(c) Outstanding Export Bills	57,283	53,191	-21.8	-7.1
	(8.1)	(6.9)		
(d) Foreign Currency in hand, Travellers Cheques, *etc.*	5,663	342	82.8	-94.0
	(0.8)	(0.0)		
(e) NOSTRO Balances and Placements Abroad	3,16,074	3,50,487	43.0	10.9
	(45.0)	(45.7)		
2. Holdings of Debt Securities	**39,024**	**71,331**	**67.7**	**82.8**
	(5.6)	**(9.3)**		
3. Other International Assets	**7,293**	**15,924**	**-52.7**	**118.4**
	(1.0)	**(2.1)**		
Total International Assets*	**7,03,005**	**7,66,273**	**22.1**	**9.0**
	(100.0)	**(100.0)**		

Notes: 1. * : In view of the incomplete data coverage from all the branches, the data reported under the locational banking statistics (LBS) are not strictly comparable with those capturing data from all the branches.
2. PR: Partially Revised.
3. The sum of components may not add up due to rounding off.
4. Figures in parentheses are percentages to total.

Source: International Banking Statistics, RBI.

Appendix Table IV.4: Consolidated International Claims of Banks: Residual Maturity and Sector

(Amount in ₹ Crore)

Residual Maturity/Sector	Amount Outstanding (At end-March)		Percentage Variation	
	2021 (PR)	2022 (PR)	2020-21	2021-22
1	2	3	4	5
Total Consolidated International Claims	**6,13,794** **(100)**	**7,29,114** **(100)**	**6.1**	**18.8**
Residual Maturity				
Short Term	4,81,320 (78.4)	5,89,366 (80.8)	8.7	22.4
Long Term	1,28,699 (21.0)	1,34,978 (18.5)	-2.0	4.9
Unallocated	3,774 (0.6)	4,771 (0.7)	-8.4	26.4
Sector				
Banks	3,16,642 (51.6)	4,11,443 (56.4)	36.2	29.9
Official Sector	44,611 (7.3)	51,320 (7.0)	37.4	15.0
Non-Bank Financial Institutions	4,248 (0.7)	3,083 (0.4)	12.8	-27.4
Non-Financial Private	2,06,419 (33.6)	2,20,398 (30.2)	-22.5	6.8
Others	41,873 (6.8)	42,871 (5.9)	-3.7	2.4

Notes: 1. PR: Partially Revised.
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.5: Consolidated International Claims of Banks on Countries other than India

(Amount in ₹ Crore)

Country	Amount Outstanding (At end-March)		Percentage Variation	
	2021 (PR)	2022 (PR)	2020-21	2021-22
1	2	3	4	5
Total Consolidated International Claims	**6,13,794**	**7,29,114**	**6.1**	**18.8**
Of which				
1. United States of America	1,94,023	2,46,092	24.7	26.8
	(31.6)	(33.8)		
2. United Kingdom	67,652	89,813	19.0	32.8
	(11.0)	(12.3)		
3. Hong Kong	35,828	30,054	67.5	-16.1
	(5.8)	(4.1)		
4. Singapore	45,049	41,744	10.0	-7.3
	(7.3)	(5.7)		
5. United Arab Emirates	79,446	89,522	-5.0	12.7
	(12.9)	(12.3)		
6. Germany	27,116	31,090	76.6	14.7
	(4.4)	(4.3)		

Notes: 1. PR: Partially Revised.
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.6: Off-Balance Sheet Exposure of Scheduled Commercial Banks in India

(Amount in ₹ Crore)

Item	Public Sector Banks		Private Sector Banks		Foreign Banks		Small Finance Banks		Scheduled Commercial Banks*	
	2021-22	Percentage Variation	2021-22	Percentage Variation	2021-22	Percentage Variation	2021-22	Percentage Variation	2021-22	Percentage Variation
1	2	3	4	5	6	7	8	9	10	11
1. Forward exchange contracts@	39,18,689 (30.8)	21.0	83,54,591 (113.3)	38.6	1,31,87,671 (963.6)	17.7	-	-	2,54,60,950 (117.5)	24.4
2. Guarantees given	5,58,797 (4.4)	3.1	4,73,427 (6.4)	2.2	1,92,320 (14.1)	10.2	1,539 (0.8)	107.9	12,26,083 (5.7)	3.9
3. Acceptances, endorsements, *etc.*	7,93,145 (6.2)	32.1	3,44,959 (4.7)	25.3	9,45,228 (69.1)	30.1	879 (0.4)	27.1	20,84,242 (9.6)	30.0
Contingent Liabilities	52,70,631 (41.5)	20.3	91,72,977 (124.4)	35.5	1,43,25,220 (1046.8)	18.4	2,417 (1.2)	68.9	2,87,71,276 (132.8)	23.7

Notes: 1. -: Nil/Negligible.
2. Figures in brackets are percentages to total liabilities of the concerned bank-group.
3. Due to rounding off of figures, the constituent items may not add up to totals.
4. @: Includes all derivative products (including interest rate swaps) as admissible.
5. *: inclusive of Payments Banks.

Source: Annual accounts of respective banks.

Appendix Table IV.7: Kisan Credit Card Scheme*: State-wise Progress *(Continued)*

(At end-March 2022)

(Amount in ₹ Crore and number of issued cards 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	
		2021	2022	2021	2022	2021	2022	2021	2022
1	2	3	4	5	6	7	8	9	10
	Northern Region	**5,409**	**5,318**	**30,415.00**	**37,239.93**	**1,372**	**1,417**	**31,809.30**	**34,814.48**
1	Haryana	1,179	1,169	11,436.20	12,059.26	276	287	7,697.00	8,270.90
2	Himachal Pradesh	111	115	1,742.00	1,869.99	63	69	829.70	932.00
3	Jammu & Kashmir	8	8	58.60	61.56	118	124	883.50	988.89
4	Ladakh	0	0	0.00	0.00	0	0	0	0.00
5	New Delhi #$%	0	0	4.50	2.01	0	0	0.00	0.00
6	Punjab	961	976	7,162.70	7,495.56	155	157	5,306.90	5,779.20
7	Rajasthan	3,150	3,050	10,011.00	15,751.55	760	780	17,092.20	18,843.49
8	Chandigarh #$	0	0	0.00	0.00	0	0	0.00	0.00
	North-Eastern Region	**114**	**114**	**174.20**	**169.49**	**442**	**454**	**1,748.50**	**1,925.69**
9	Assam	1	1	19.30	17.95	280	282	1,218.70	1,295.40
10	Arunachal Pradesh #	1	1	4.90	7.40	3	3	24.30	23.41
11	Meghalaya #	16	16	32.00	32.02	25	31	144.30	175.29
12	Mizoram #	1	1	5.70	5.74	14	19	153.10	220.99
13	Manipur #	2	2	17.00	10.18	10	10	38.00	40.45
14	Nagaland #	4	4	20.20	20.23	1	1	1.60	1.61
15	Tripura #	88	88	73.30	73.27	109	109	168.50	168.53
16	Sikkim #$	1	1	1.80	2.70	0	0	0.00	0.00
	Western Region	**4,348**	**4,505**	**30,411.30**	**34,226.52**	**975**	**1,088**	**11,206.40**	**13,301.52**
17	Gujarat	954	965	11,589.70	13,098.40	384	414	6,621.50	7,391.86
18	Maharashtra	3,392	3,539	18,806.00	21,111.68	591	674	4,584.90	5,909.66
19	Goa $	2	1	15.60	16.44	0	0	0.00	0.00
20	Dadar & Nagar Haveli & Daman & Diu @#$	0	0	0.00	0.00	0	0	0.00	0.00
	Central Region	**8,076**	**8,229**	**30,752.00**	**33,742.79**	**4,155**	**4,118**	**50,443.90**	**52,243.40**
21	Uttar Pradesh	2,661	2,682	6,759.50	7,375.41	3,541	3,517	41,838.90	44,985.55
22	Uttarakhand	279	295	1,191.20	1,548.66	41	39	295.50	286.76
23	Madhya Pradesh	3,792	3,851	19,375.50	20,798.16	439	425	7,484.50	5,978.01
24	Chhattisgarh	1,344	1,401	3,425.80	4,020.57	134	136	825.00	993.08
	Southern Region	**7,245**	**8,006**	**38,185.90**	**1,76,075.24**	**3,318**	**3,483**	**38,160.20**	**42,040.12**
25	Karnataka	2,925	3,125	17,172.70	1,44,511.43	606	668	9,777.20	11,701.01
26	Kerala	584	667	4,017.30	5,324.11	298	365	3,961.80	5,561.23
27	Andhra Pradesh	1,463	1,535	10,879.20	12,136.26	931	946	10,823.20	11,569.01
28	Tamil Nadu	1,373	1,744	1,360.20	9,124.19	34	39	311.00	502.40
29	Telangana	894	928	4,746.20	4,968.60	1,448	1,465	13,274.30	12,695.94
30	Lakshdweep @$	0	0	0.00	0.00	0	0	0.00	0.00
31	Puducherry #	6	6	10.30	10.64	1	1	12.70	10.51
	Eastern Region	**4,989**	**4,959**	**17,042.60**	**17,828.11**	**2,630**	**2,788**	**16,047.70**	**17,734.38**
32	Odisha	3,000	2,901	12,216.60	12,809.27	440	433	2,298.70	2,402.98
33	West Bengal	1,732	1,787	4,355.10	4,501.22	391	401	1,751.10	1,916.02
34	Andaman and Nicobar Island$	6	7	16.30	17.50	0	0	0.00	0.00
35	Bihar	238	251	417.60	464.47	1,420	1,572	10,035.40	11,261.49
36	Jharkhand	13	13	37.00	35.65	379	382	1,962.50	2,153.89
	Total	**30,181**	**31,131**	**1,46,981.00**	**2,99,282.08**	**12,892**	**13,348**	**1,49,416.00**	**1,62,059.58**

Appendix Table IV.7: Kisan Credit Card Scheme*: State-wise Progress *(Concluded)*

(At end-March 2022)

(Amount in ₹ Crore and number of issued cards 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	
		2021	2022*	2021	2022*	2021	2022	2021	2022
1	2	11	12	13	14	15	16	17	18
	Northern Region	**5,847**	**5,455.26**	**1,36,112.69**	**1,44,350.74**	**12,628**	**12,190**	**1,98,336.99**	**2,16,405.15**
1	Haryana	809	796	26,222.75	27,719.06	2,264	2,253	45,355.95	48,049.22
2	Himachal Pradesh	218	240	4,054.50	4,507.33	392	424	6,626.20	7,309.32
3	Jammu & Kashmir	883	802	5,575.98	5,241.42	1,009	934	6,518.08	6,291.87
4	Ladakh	30	190	281.02	4,225.76	30	190	281.02	4,225.76
5	New Delhi #$%	4	3	90.87	53.39	4	3	95.37	55.39
6	Punjab	1,128	1,036	42,056.38	42,504.87	2,244	2,169	54,525.98	55,779.63
7	Rajasthan	2,705	2,387	57,533.94	59,991.67	6,615	6,216	84,637.14	94,586.72
8	Chandigarh #$	71	1	297.26	107.24	71	1	297.26	107.24
	North-Eastern Region	**585**	**491**	**3,176.83**	**3,289.28**	**1,141**	**1,058**	**5,099.53**	**5,384.46**
9	Assam	456	375	2,517.09	2,582.70	737	658	3,755.09	3,896.06
10	Arunachal Pradesh #	5	6	32.82	45.42	9	10	62.02	76.23
11	Meghalaya #	20	19	113.99	112.70	61	66	290.29	320.02
12	Mizoram #	10	8	32.61	41.91	25	27	191.41	268.64
13	Manipur #	6	6	46.39	60.28	18	18	101.39	110.91
14	Nagaland #	23	22	125.22	131.60	28	26	147.02	153.44
15	Tripura #	59	49	276.58	270.94	256	246	518.38	512.74
16	Sikkim #$	6	6	32.13	43.72	7	7	33.93	46.43
	Western Region	**4,453**	**4,205**	**66,274.16**	**71,643.99**	**9,776**	**9,798**	**1,07,891.86**	**1,19,172.03**
17	Gujarat	1,554	1,500	33,909.45	36,450.35	2,892	2,879	52,120.65	56,940.61
18	Maharashtra	2,885	2,696	32,244.34	35,069.20	6,868	6,910	55,635.24	62,090.54
19	Goa $	12	7	98.39	93.96	14	8	113.99	110.40
20	Dadar & Nagar Haveli & Daman & Diu @#$	1	1	21.98	30.48	1	1	21.98	30.48
	Central Region	**7,697**	**6,524**	**1,20,761.57**	**1,22,146.69**	**19,928**	**18,870**	**2,01,957.47**	**2,08,132.89**
21	Uttar Pradesh	5,079	4,272	69,467.22	70,672.67	11,281	10,471	1,18,065.62	1,23,033.63
22	Uttarakhand	286	212	5,624.07	4,852.19	606	547	7,110.77	6,687.61
23	Madhya Pradesh	2,043	1,794	41,367.31	41,837.06	6,274	6,070	68,227.31	68,613.22
24	Chhattisgarh	288	246	4,302.97	4,784.77	1,766	1,782	8,553.77	9,798.43
	Southern Region	**7,979**	**7,133**	**1,08,631.27**	**1,14,023.45**	**18,542**	**18,622**	**1,84,977.37**	**3,32,138.81**
25	Karnataka	1,292	944	19,139.79	19,013.66	4,823	4,737	46,089.69	1,75,226.10
26	Kerala	981	905	18,766.03	17,068.52	1,863	1,937	26,745.13	27,953.85
27	Andhra Pradesh	2,211	2,096	30,576.42	32,420.05	4,605	4,577	52,278.82	56,125.33
28	Tamil Nadu	1,566	1,273	18,193.36	21,982.65	2,973	3,055	19,864.56	31,609.25
29	Telangana	1,918	1,880	21,800.90	22,946.79	4,260	4,273	39,821.40	40,611.34
30	Lakshdweep @$	0	25	2.65	376.03	0	25	2.65	376.03
31	Puducherry #	9	10	152.12	215.75	16	18	175.12	236.91
	Eastern Region	**4,136**	**3,063**	**21,779.82**	**20,816.50**	**11,755**	**10,810**	**54,870.12**	**56,378.98**
32	Odisha	898	666	4,804.77	5,108.97	4,338	4,000	19,320.07	20,321.21
33	West Bengal	1,589	1,034	7,536.68	7,366.58	3,712	3,222	13,642.88	13,783.82
34	Andaman and Nicobar Island$	2	2	17.70	27.96	8	9	34.00	45.46
35	Bihar	1,113	834	6,931.67	5,854.90	2,771	2,657	17,384.67	17,580.87
36	Jharkhand	533	527	2,488.99	2,458.09	925	922	4,488.49	4,647.62
	Total	**30,696**	**26,870**	**4,56,736.33**	**4,76,270.65**	**73,769**	**71,349**	**7,53,133.33**	**9,37,612.31**

Notes: 1. %: Negligible.
2. #: StCBs function as Central Financing Agencies.
3. @: No Co-operative Banks in these UTs.
4. $: No RRBs in these States/UTs.
5. *: Data is provisional.
6. Components may not add up to their respective totals due to rounding off.

Source: Returns from Scheduled Commercial Banks.

Appendix Table IV.8: 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*	
	2021-22	Percentage Variation	2021-22	Percentage Variation	2021-22	Percentage Variation	2021-22	Percentage Variation	2021-22	Percentage Variation
1	2	3	4	5	6	7	8	9	10	11
1. Capital Market #	48,278 (0.7)	24.0	96,618 (2.1)	19.1	9,079 (2.0)	-17.0	323 (0.2)	187.2	1,54,311 (1.3)	17.7
2. Real Estate @	14,75,735 (21.0)	7.3	11,62,001 (25.5)	16.2	1,39,153 (29.9)	6.3	23,056 (17.0)	24.0	27,99,945 (22.9)	10.9
3. Commodities	-	-	-	-	-	-	-	-	-	-
Total Advances to Sensitive Sectors	**15,24,013 (21.6)**	**7.7**	**12,58,619 (27.6)**	**16.4**	**1,48,233 (31.8)**	**4.5**	**23,379 (17.2)**	**24.9**	**29,54,256 (24.2)**	**11.2**

Notes: 1. #: Exposure to capital market is inclusive of both investments and advances.
2. @: Exposure to real estate sector is inclusive of both direct and indirect lending.
3. Figures in brackets are percentages to total loans and advances of the concerned bank-group.
4. *: Inclusive of Payments Banks.
5. - : Nil/Negligible.

Source: Annual accounts of respective banks.

Appendix Table IV.9: Shareholding Pattern of Domestic Scheduled Commercial Banks *(Continued)*

(At end-March 2022)

Sr. 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	Bank of Baroda	64	15	9.2	3.5	0	8	0.4	90.5	9.5
2	Bank of India	81.4	10.8	0.9	6.6	0.1	0	0	98.9	1.1
3	Bank of Maharashtra	91	3.7	0.1	0.4	0	4.7	0.1	99.7	0.3
4	Canara Bank	62.9	12.6	0	4	8.5	10.8	1.2	90.3	9.7
5	Central Bank of India	93.1	2.8	0.1	0.3	0	3.7	0.1	99.8	0.2
6	Indian Bank	79.9	11.1	0	0.7	1.7	6.5	0.2	98.1	1.9
7	Indian Overseas Bank	96.4	1.3	0.1	0.2	0	2	0.1	99.9	0.1
8	Punjab and Sind Bank	98.3	0.6	0	0.1	0	1	0	100	0
9	Punjab National Bank	73.2	11.6	1.4	1	0	12.6	0.3	98.4	1.6
10	State Bank of India	56.9	24.4	9.9	0.9	1.2	6.5	0.3	88.7	11.3
11	UCO Bank	95.4	1.3	0	0.1	0	3.1	0.1	99.9	0.1
12	Union Bank of India	83.5	1	1.2	6.8	0	7.4	0.1	98.7	1.3

Appendix Table IV.9: Shareholding Pattern of Domestic Scheduled Commercial Banks *(Continued)*

(At end-March 2022)

Sr. 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.	-	37.5	48.1	3.2	4.4	6.6	0.3	47.3	52.8
2	Bandhan Bank Ltd.	-	8.5	30.3	50.5	4.1	6.3	0.4	65.3	34.7
3	Catholic Syrian Bank Ltd.	-	8.4	-	12.7	55.3	16.6	7	37.7	62.3
4	City Union Bank Ltd.	-	41.2	18.1	3.2	-	36.6	0.9	81	19
5	DCB Bank Ltd.	0.2	37.5	-	7.8	22.9	30.1	1.5	75.6	24.4
6	Federal Bank Ltd.	-	42.7	27	2.5	-	22.9	4.8	68.1	31.9
7	HDFC Bank Ltd.	0.1	20	68.6	1.7	-	9.5	0.1	31.3	68.7
8	ICICI Bank Ltd.	0.2	25.3	54.7	12.5	-	7	0.4	44.9	55.1
9	IDBI Bank Ltd.	45.5	49.6	-	0.7	-	3.9	0.4	99.6	0.4
10	IDFC Bank Ltd.	4.2	3.9	13.5	44.2	7.6	25.3	1.3	77.6	22.4
11	IndusInd Bank Ltd.	-	20.1	50.7	4.3	16	8.3	0.6	32.7	67.3
12	Jammu & Kashmir Bank Ltd.	70.1	2.1	0.7	2.5	-	23.8	0.8	98.5	1.5
13	Karnataka Bank Ltd.	-	5.3	-	4.6	11.9	75.3	2.9	85.2	14.8
14	Karur Vysya Bank Ltd.	-	21.9	-	4.6	15.4	57	1.2	83.5	16.5
15	Kotak Mahindra Bank Ltd.	-	16.6	42.5	3	1.6	35.8	0.5	55.4	44.6
16	Nainital Bank Ltd.	-	98.6	-	-	-	1.4	-	100	-
17	RBL Bank Ltd.	0.4	18.9	2.4	7.4	38.8	30.7	1.5	57.3	42.7
18	South Indian Bank Ltd.	-	-	-	21.8	7.4	63.2	7.7	85	15
19	Tamilnad Mercantile Bank Ltd.	-	-	-	13.5	24.9	61.5	0.1	75	25
20	The Dhanalakshmi Bank Ltd.	0.5	0.4	-	10.7	11.5	57.8	19.1	69.4	30.6
21	Yes Bank Ltd.	-	44	-	8	11	35.5	1.6	87.5	12.5

Appendix Table IV.9: Shareholding Pattern of Domestic Scheduled Commercial Banks *(Concluded)*

(At end-March 2022)

Sr. 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
	Small Finance Banks									
1	Au Small Finance Bank Limited	-	11.22	34.31	13.59	3.21	36.85	0.82	61.66	38.34
2	Capital Small Finance Bank Limited		21.86	9.83	0.22	-	50.79	17.3	72.87	27.13
3	Equitas Small Finance Bank Limited	-	16.68	3.62	74.68	-	4.86	0.16	96.22	3.78
4	Esaf Small Finance Bank Limited	-	66.63	-	17.21	-	7.43	8.73	91.27	8.73
5	Fincare Small Finance Bank Limited	-	80.29	-	6.67	10.72	2.31	0.01	89.27	10.73
6	Jana Small Finance Bank Limited	-	5.67	47.59	45.87	-	0.87	-	52.41	47.59
7	North East Small Finance Bank Limited	-	-	-	100	-	-	-	100	-
8	Shivalik Small Finance Bank Limited	-	-	-	7.69	-	92.31	-	100	-
9	Suryoday Small Finance Bank Limited	-	21.27	-	7.16	28.46	42.98	0.13	71.41	28.59
10	Ujjivan Small Finance Bank Limited	-	-	-	84.51	0.15	14.69	0.65	99.2	0.8
11	Utkarsh Small Finance Bank Limited	-	-	-	89.36	10.25	0.39	-	89.75	10.25
	Local Area Banks									
1	Coastal Local Area Bank Ltd.	-	-	-	25	-	47.91	27.09	72.91	27.09
2	Krishna Bhima Samruddhi Lab Ltd.	-	-	-	24.67	-	75.33	-	100	-

Note: -: Nil/ Negligible.
Source: Off-site returns (domestic operations), RBI.

Appendix Table IV.10: Overseas Operations of Indian Banks
(At end-March)

Sr. No.	Name of the Bank	Branch		Subsidiary		Representative Office		Joint Venture Bank		Other Offices*		Total	
		2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
1	2	3	4	5	6	7	8	9	10	11	12	13	14
I.	**Public Sector Banks**	**111**	**108**	**22**	**21**	**13**	**13**	**7**	**7**	**35**	**35**	**188**	**184**
1	Bank of Baroda	33	30	7	7	0	0	2	2	10	10	52	49
2	Bank of India	23	23	4	4	1	1	0	0	0	0	28	28
3	Canara Bank	5+1#	6	1	1	1	1	0	0	0	0	8	8
4	Indian Bank	3	3	0	0	0	0	0	0	0	0	3	3
5	Indian Overseas Bank	4	4	0	0	0	0	0	0	2	2	6	6
6	Punjab National Bank	2	2	2	2	2#	2	2	2	0	0	8	8
7	State Bank of India	35	35	7	6	7	7	3	3	23	23	75	74
8	Syndicate Bank	0	0	0	0	0	0	0	0	0	0	0	0
9	UCO Bank	2	2	0	0	1	1	0	0	0	0	3	3
10	Union Bank of India	3	3	1	1	1	1	0	0	0	0	6	5
11	United Bank of India	0	0	0	0	0	0	0	0	0	0	0	0
12	Oriental Bank of Commerce	0	0	0	0	0	0	0	0	0	0	0	0
II	**Private Sector Banks**	**15**	**15**	**3**	**3**	**21**	**25**	**0**	**0**	**1**	**1**	**40**	**44**
13	Axis Bank Ltd.	2	2	1	1	4	4	0	0	0	0	7	7
14	HDFC Bank Ltd.	3	3	0	0	3	3	0	0	0	0	6	6
15	ICICI Bank Ltd.	8	8	2	2	6	10	0	0	1	1	17	21
16	IDBI Bank Ltd.	1	1	0	0	0	0	0	0	0	0	1	1
17	IndusInd Bank Ltd.	0	0	0	0	3	3	0	0	0	0	3	3
18	Federal Bank Ltd.	0	0	0	0	2	2	0	0	0	0	2	2
19	Kotak Mahindra Bank Ltd.	1	1	0	0	1	1	0	0	0	0	2	2
20	Yes Bank Ltd.	0	0	0	0	1	1	0	0	0	0	1	1
21	South Indian Bank Ltd.	0	0	0	0	1	1	0	0	0	0	1	1
	All Banks	**126**	**123**	**25**	**24**	**34**	**38**	**7**	**7**	**36**	**36**	**228**	**228**

Notes: 1. *: Other Offices include marketing/sub-office, remittance centres, *etc.*

2. #: Syndicate Bank merged with Canara Bank, Andhra Bank and Corporation bank merged with Union Bank of India, United Bank of India and Oriental Bank of Commerce merged with Punjab National Bank w.e.f. April 01, 2020.

Source: Reserve Bank of India.

Appendix Table IV.11: Branches and ATMs of Scheduled Commercial Banks *(Continued)*
(At end-March 2022)

Sr. No.	Name of the Bank	Branches					ATMs and CRMs		
		Rural	Semi-urban	Urban	Metropolitan	Total	On-site	Off-site	Total
1	2	3	4	5	6	7	8	9	10
	Public Sector Banks	**28,762**	**23,157**	**16,134**	**16,203**	**84,256**	**78,540**	**59,516**	**1,38,056**
1	Bank of Baroda	2,840	2,071	1,480	1,777	8,168	8,756	2,730	11,486
2	Bank of India	1,844	1,455	813	934	5,046	5,197	2,751	7,948
3	Bank of Maharashtra	611	507	414	490	2,022	1,693	435	2,128
4	Canara Bank	3,041	2,754	1,981	1,958	9,734	8,073	4,135	12,208
5	Central Bank of India	1,602	1,328	786	812	4,528	2,389	587	2,976
6	Indian Bank	1,940	1,494	1,159	1,139	5,732	4,304	625	4,929
7	Indian Overseas Bank	902	960	653	684	3,199	2,738	616	3,354
8	Punjab And Sind Bank	570	278	357	325	1,530	657	19	676
9	Punjab National Bank	3,853	2,453	2,036	1,757	10,099	8,233	5,117	13,350
10	State Bank of India	7,948	6,500	3,997	3,826	22,271	26,364	39,088	65,452
11	UCO Bank	1,076	815	610	558	3,059	2,094	223	2,317
12	Union Bank of India	2,535	2,542	1,848	1,943	8,868	8,042	3,190	11,232

Appendix Table IV.11: Branches and ATMs of Scheduled Commercial Banks *(Continued)*

(At end-March 2022)

Sr. No.	Name of the Bank	Branches					ATMs and CRMs		
		Rural	**Semi-urban**	**Urban**	**Metropolitan**	**Total**	**On-site**	**Off-site**	**Total**
1	2	3	4	5	6	**7**	8	9	10
	Private Sector Banks	**7,856**	**11,971**	**7,976**	**10,069**	**37,872**	**38,254**	**37,289**	**75,543**
1	Axis Bank Ltd	800	1,424	1,128	1,521	4,873	5,748	11,174	16,922
2	Bandhan Bank Ltd	1,996	2,088	1,024	531	5,639	466	5	471
3	Catholic Syrian Bank Ltd	126	277	148	170	721	1,110	622	1,732
4	City Union Bank	47	316	119	124	606	407	52	459
5	DCB BANK LTD	72	105	111	112	400	341	8	349
6	Dhanalakshmi Bank Ltd	19	106	62	58	245	214	44	258
7	Federal Bank Ltd	164	687	237	212	1,300	1,505	380	1,885
8	HDFC BANK LTD	1,148	2,038	1,307	1,845	6,338	8,703	9,427	18,130
9	ICICI BANK LTD	1,127	1,581	1,074	1,575	5,357	8,402	8,175	16,577
10	IDBI LTD	405	582	469	428	1,884	2,221	1,182	3,403
11	IDFC BANK LIMITED	51	201	254	346	852	505	214	719
12	Indusind Bank Ltd	294	453	565	731	2,043	1,492	1,275	2,767
13	Jammu And Kashmir Bank	527	176	107	166	976	840	613	1,453
14	Karnataka Bank Ltd	201	204	230	242	877	822	626	1,448
15	Karur Vysya Bank Ltd	134	305	161	230	830	1,362	861	2,223
16	Kotak Mahindra Bank Ltd	265	304	365	766	1,700	1,385	1,314	2,699
17	Nainital Bank Ltd	53	34	44	33	164	-	-	-
18	RBL Bank Limited	64	75	72	290	501	373	41	414
19	South Indian Bank	109	457	172	197	935	852	418	1,270
20	Tamilnad Mercantile Bank Ltd	106	245	80	78	509	475	668	1,143
21	Yes Bank Ltd	148	313	247	414	1,122	1,031	190	1,221

Appendix Table IV.11: Branches and ATMs of Scheduled Commercial Banks *(Concluded)*

(At end-March 2022)

Sr. No.	Name of the Bank	Branches					ATMs and CRMs		
		Rural	Semi-urban	Urban	Metropolitan	Total	On-site	Off-site	Total
1	2	3	4	5	6	7	8	9	10
	Foreign Banks	**124**	**183**	**166**	**388**	**861**	**716**	**1,081**	**1,797**
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	4	0	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	-	2	3	-	-	-
11	BNP Paribas	-	-	-	5	5	-	-	-
12	Citibank N.A	-	-	4	31	35	47	441	488
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*	116	177	127	171	591	500	521	1021
18	Deutsche Bank AG	1	-	5	11	17	13	19	32
19	Doha Bank Q.P.S.C.	-	-	1	2	3	3		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	28	74
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	1		1
29	Kookmin Bank	-	-	1	-	1	1		1
30	Krung Thai Bank Public Company Limited	-	-	-	1	1	-	-	-
31	Mashreq Bank PSC	-	-	-	1	1	-	-	-
32	Mizuho Bank Ltd	-	1	1	3	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	1	-	-	7	8	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	20	78	100	95	72	167
43	Sumitomo Mitsui Banking Corporation	-	-	-	3	3	-	-	-
44	United Overseas Bank Ltd	-	-	-	1	1	-	-	-
45	Woori Bank	-	-	1	2	3	-	-	-

Notes: (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 of one lakh, 'Urban' includes centres with population of one lakh and above but less than of ten lakhs, and 'Metropolitan' includes centres with population of 10 lakhs and above. All population figures are as per census 2011.

(b) Data on branches exclude 'Administrative Offices'.

(c) -: nil.

Source: Central Information System for Banking Infrastructure (erstwhile Master Office File system) database, RBI. Central Information System for Banking Infrastructure data are dynamic in nature and are updated based on information as received from banks and processed at our end.

Appendix Table IV.12: Statement of complaints received at RBI Ombudsman Office *(Continued)*

(April to March 2021-22)

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	**10,632**	**12,609**	**35,037**	**24,226**	**5,087**	**6,070**	**13,445**	**14,669**	**25,250**	**147,025**
1	State Bank of India (excluding SBI card)	3,858	4,889	13,003	12,275	1,862	2,710	5,047	5,390	9,610	58,644
2	Bank of Baroda	1,080	1,283	3,214	1,734	630	256	1,549	1,259	2,369	13,374
3	Bank of India	452	602	2,923	966	215	217	608	530	1,319	7,832
4	Bank of Maharashtra	123	145	624	320	92	30	110	111	398	1,953
5	Canara Bank	980	1,202	1,992	1,111	581	343	1,256	1,463	2,042	10,970
6	Central Bank of India	417	527	2,346	904	140	373	585	513	1,033	6,838
7	Indian Bank	757	792	1,940	1,168	275	429	777	741	1,361	8,240
8	Indian Overseas Bank	201	351	492	290	98	46	265	251	400	2,394
9	Punjab and Sind Bank	61	82	207	134	31	7	60	210	156	948
10	Punjab National Bank	1,600	1,430	4,492	2,909	645	1,192	1,785	2,789	3,776	20,618
11	UCO Bank	206	236	464	384	84	76	221	262	498	2,431
12	Union Bank of India	897	1,070	3,340	2,031	434	391	1,182	1,150	2,288	12,783

Appendix Table IV.12: Statement of complaints received at RBI Ombudsman Office *(Continued)*
(April to March 2021-22)

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	**4,215**	**10,025**	**28,903**	**11,180**	**6,727**	**62**	**8,762**	**9,805**	**14,596**	**94,275**
1	Axis Bank Limited	856	1,499	5,685	1,694	1,730	7	1,424	1,779	2,318	16,992
2	Bandhan Bank Limited	48	134	184	106	21	1	83	54	138	769
3	Catholic Syrian Bank Limited	7	19	15	7	10	-	24	12	25	119
4	City Union Bank Limited	18	54	49	60	19	-	34	20	53	307
5	DCB Bank Limited	31	188	35	26	50	1	90	108	119	648
6	Dhanlaxmi Bank Limited	6	16	6	5	4	-	7	7	13	64
7	Federal Bank Limited	77	119	241	207	38	-	118	66	175	1,041
8	HDFC Bank Limited	834	2,077	5,950	2,673	1,248	18	1,849	2,305	3,090	20,044
9	ICICI Bank Limited	1,050	2,529	5,815	3,158	1,698	21	2,102	2,298	3,372	22,043
10	IDBI Bank Limited	179	392	383	301	217	5	250	252	521	2,500
11	IDFC First Bank Limited	136	790	406	289	232	1	527	493	913	3,787
12	Indusind Bank Limited	221	467	1,960	515	298	-	488	614	860	5,423
13	Jammu & Kashmir Bank Limited	28	59	190	143	31	2	52	29	123	657
14	Karnataka Bank Limited	36	76	98	106	45	-	55	89	87	592
15	Karur Vysya Bank Limited	48	103	69	79	27	1	83	57	69	536
16	Kotak Mahindra Bank Limited	326	765	2,152	1,048	503	5	706	785	1,451	7,741
17	Nainital Bank Limited	6	8	11	12	3	-	9	5	7	61
18	RBL Bank Limited	114	234	4,856	294	297	-	433	417	657	7,302
19	South Indian Bank Limited	32	89	88	77	31	-	67	36	80	500
20	Tamilnad Mercantile Bank Limited	30	43	49	51	28	-	69	17	43	330
21	Yes Bank Limited	132	364	661	329	197	-	292	362	482	2,819

Appendix Table IV.12: Statement of complaints received at RBI Ombudsman Office *(Continued)*
(April to March 2021-22)

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 Bankin/ 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	**163**	**318**	**2,085**	**458**	**203**	**6**	**355**	**326**	**550**	**4,464**
1	AB Bank Limited	-	-	2	-	-	-	-	-	1	3
2	Abu Dhabi Commercial Bank PJSC	-	1	-	-	-	-	-	-	-	1
3	American Express Banking Corporation	1	2	233	4	26	-	14	19	10	309
4	Barclays Bank Plc	2	1	6	1	1	-	-	2	6	19
5	Bank of America National Association	-	-	-	2	-	-	2	-	4	8
6	Bank of Bahrain and Kuwait B.S.C	-	-	-	-	-	-	1	-	-	1
7	BNP Paribas	-	1	-	-	-	-	1	-	-	2
8	Citibank N.A.	33	34	777	136	41	-	98	80	162	1,361
9	DBS Bank India Limited	54	27	56	105	20	2	48	40	81	433
10	Deutsche Bank A.G.,	7	38	4	3	5	-	15	18	34	124
11	Doha Bank QSC	-	-	-	-	-	-	1	-	-	1
12	Emirates NBD BANK (P.J.S.C.)	1	-	-	-	-	-	-	-	-	1
13	FirstRand Bank Limited	-	-	-	1	-	-	-	-	-	1
14	Hong Kong and Shanghai Banking Corporation Limited	14	26	217	27	11	-	32	21	31	379
15	Industrial & Commercial Bank of China Limited	-	-	-	-	-	-	-	1	-	1
16	JP Morgan Chase Bank N.A.	-	-	-	-	-	-	-	-	1	1
17	Mizuho Bank Limited	-	-	-	-	-	-	-	-	2	2
18	MUFG Bank, Ltd.	-	-	-	-	-	-	1	-	-	1
19	Natwest Markets PLC (Erstwhile The Royal Bank of Scotland PLC)	-	-	4	-	-	-	2	4	1	11
20	SBM Bank (India) Limited	10	6	66	11	1	-	2	9	10	115
21	Shinhan Bank	-	1	-	-	-	-	-	1	1	3
22	Sonali Bank	-	-	-	-	-	1	-	-	-	1
23	Standard Chartered Bank	41	177	720	168	98	3	138	129	206	1,680
24	United Overseas Bank Limited	-	1	-	-	-	-	-	-	-	1
25	Woori Bank	-	3	-	-	-	-	-	2	-	5

Appendix Table IV.12: Statement of complaints received at RBI Ombudsman Office *(Concluded)*
(April to March 2021-22)

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	**155**	**388**	**196**	**189**	**115**	**1**	**243**	**263**	**389**	**1,939**
1	AU Small Finance Bank Limited	39	160	62	60	45	-	88	103	172	729
2	Capital Small Finance Bank Limited	1	10	2	4	1	-	-	16	7	41
3	Equitas Small Finance Bank Limited	28	85	24	35	19	-	49	39	61	340
4	ESAF Small Finance Bank Limited	3	9	13	8	4	-	10	7	14	68
5	Fincare Small Finance Bank Limited	26	22	21	20	10	-	17	19	27	162
6	Jana Small Finance Bank Limited	16	42	31	5	12	-	36	33	38	213
7	North East Small Finance Bank Limited	1	1	2	-	-	-	1	-	-	5
8	Suryoday Small Finance Bank Limited	6	4	1	-	2	-	10	1	9	33
9	Ujjivan Small Finance Bank Limited	23	49	33	43	19	1	24	33	49	274
10	Utkarsh Small Finance Bank Limited	12	6	7	14	3	-	8	12	12	74
	Payments Banks	**578**	**44**	**461**	**2,433**	**133**	**1**	**278**	**645**	**1,564**	**6,137**
1	Airtel Payments Bank Limited	346	5	102	1,167	92	1	131	397	821	3,062
2	Fino Payments Bank Limited	15	3	50	34	3	-	15	23	62	205
3	India Post Payments Bank Limited	32	2	53	84	7	-	15	33	61	287
4	Jio Payments Bank Limited	1	-	1	9	-	-	1	1	1	14
5	NSDL Payments Bank Limited	17	2	2	10	7	-	8	15	28	89
6	Paytm Payments Bank Limited	167	32	253	1,129	24	-	108	176	591	2,480
	Others (SBI Cards+Primary Urban Cooperative Banks+RRBs+Others)	964	7,350	9,521	2,111	2,251	39	14,797	1,139	12,484	50,656

Note: Nil/negligible.
Source: RBI.

Appendix Table IV.13: Progress of Microfinance Programmes
(At end-March)

Item	Self Help Groups									
	Number					Amount (in ₹ crores)				
	2017-18	2018-19	2019-20	2020-21	2021-22	2017-18	2018-19	2019-20	2020-21	2021-22
Loans Disbursed by Banks (During the FY)	2,261,132 (1,377,278)	2,698,400 (1,777,763)	3,146,002 (2,208,182)	2,887,394 (1,696,299)	3,398,267 (2,474,719)	47,186 (27,479)	58,318 (36,819)	77,659 (55,590)	58,071 (31,755)	99,729 (68,917)
Loans Outstanding with Banks	5,020,358 (3,083,143)	5,077,332 (3,510,238)	5,677,071 (3,956,504)	5,780,244 (3,601,395)	6,739,957 (4,781,201)	75,598 (43,576)	87,098 (58,432)	108,075 (73,184)	103,289 (61,393)	151,051 (101,840)
Savings with Banks	8,744,437 (4,608,745)	10,014,243 (6,019,185)	10,243,323 (6,258,085)	11,223,400 (3,601,395)	11,893,053 (7,764,906)	19,592 (11,785)	23,324 (14,482)	26,152 (15,836)	37,477 (21,308)	47,240 (31,077)
	Microfinance Institutions									
	Number					Amount (in ₹ crores)				
Loans Disbursed by Banks	1,902	1,913	4,746	28,542	24,628	22,228	13,721	19,133	12,120	23,173
Loans Outstanding with Banks	4,973	5,404	15,141	61,111	58,753	26,172	16,045	27,256	21,063	34,865
	Joint Liability Groups									
	Number (lakhs)					Amount (in ₹ crores)				
Loans Disbursed by Banks (During the FY)	10.2	16	41.8	41.3	54.1	13,955	30,947	83,103	58,312	112,773

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 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22, 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	2020-21						2021-22					
	No. of RRBs	Profit Earning		Loss Incurring		Net Profit/ Loss	No. of RRBs	Profit Earning		Loss Incurring		Net Profit/ Loss
	Mar-21	No.	Amount	No.	Amount		Mar-22	No.	Amount	No.	Amount	
1	2	3	4	5	6	7	8	9	10	11	12	13
Central Region	**7**	**5**	**468**	**2**	**224**	**245**	**7**	**6**	**253**	**1**	**125**	**128**
Chhattisgarh	1	1	12	0	-	12	1	1	27	0	-	27
Madhya Pradesh	2	0	-	2	224	-224	2	1	33	1	125	-93
Uttar Pradesh	3	3	454	0	-	454	3	3	186	0	-	186
Uttarakhand	1	1	2	0	-	2	1	1	7	0	-	7
Eastern Region	**8**	**3**	**112**	**5**	**1,116**	**-1,004**	**8**	**5**	**154**	**3**	**486**	**-332**
Bihar	2	0	-	2	432	-432	2	0	-	2	386	-386
Jharkhand	1	1	32	0	-	32	1	1	73	0	-	73
Odisha	2	0	-	2	623	-623	2	2	7	0	-	7
West Bengal	3	2	80	1	61	19	3	2	74	1	100	-26
North Eastern Region	**7**	**4**	**246**	**3**	**121**	**124**	**7**	**5**	**228**	**2**	**5**	**223**
Arunachal Pradesh	1	1	6	0	-	6	1	1	12	0	-	12
Assam	1	0	-	1	114	-114	1	1	0	0	-	0
Manipur	1	0	-	1	5	-5	1	0	-	1	4	-4
Meghalaya	1	1	1	0	-	1	1	1	23	0	-	23
Mizoram	1	1	39	0	-	39	1	1	49	0	-	49
Nagaland	1	0	-	1	2	-2	1	0	-	1	1	-1
Tripura	1	1	200	0	-	200	1	1	143	0	-	143
Northern Region	**7**	**5**	**435**	**2**	**49**	**386**	**7**	**5**	**851**	**2**	**61**	**790**
Haryana	1	1	18	0	-	18	1	1	141	0	-	141
Himachal Pradesh	1	1	9	0	-	9	1	1	5	0	-	5
Jammu & Kashmir	2	0	-	2	49	-49	2	0	-	2	61	-61
Punjab	1	1	53	0	-	53	1	1	109	0	-	109
Rajasthan	2	2	355	0	-	355	2	2	597	0	-	597
Southern Region	**10**	**10**	**2,117**	**0**	**-**	**2,117**	**10**	**10**	**2,410**	**0**	**-**	**2,410**
Andhra Pradesh	3	3	565	0	-	565	3	3	780	0	-	780
Karnataka	2	2	21	0	-	21	2	2	79	0	-	79
Kerala	1	1	33	0	-	33	1	1	124	0	-	124
Puducherry	1	1	9	0	-	9	1	1	10	0	-	10
Tamil Nadu	1	1	185	0	-	185	1	1	229	0	-	229
Telangana	2	2	1,304	0	-	1,304	2	2	1,187	0	-	1,187
Western Region	**4**	**3**	**172**	**1**	**357**	**-185**	**4**	**3**	**219**	**1**	**220**	**-1**
Gujarat	2	2	119	0	-	119	2	2	214	0	-	214
Maharashtra	2	1	54	1	357	-304	2	1	5	1	220	-215
All India	**43**	**30**	**3,550**	**13**	**1,867**	**1,682**	**43**	**34**	**4,116**	**9**	**897**	**3,219**

Appendix Table IV.14: Major Financial Indicators of Regional Rural Banks- State Wise *(Concluded)*

Region/State	Gross NPA (%)		CRAR (%)	
	Mar-21	Mar-22	Mar-21	Mar-22
1	14	15	16	17
Central Region	**10.4**	**9.6**	**9.9**	**11.8**
Chhattisgarh	3.1	2.6	20.4	19.3
Madhya Pradesh	19.7	13.0	-0.1	9.2
Uttar Pradesh	8.8	9.5	11.4	11.9
Uttarakhand	7.9	7.2	6.2	11.0
Eastern Region	**23.1**	**25.1**	**0.6**	**7.8**
Bihar	29.3	38.4	1.9	7.8
Jharkhand	9.2	6.4	10.9	11.7
Odisha	26.5	22.1	-10.8	4.8
West Bengal	14.7	12.2	1.7	8.4
North Eastern Region	**19.0**	**15.6**	**13.1**	**15.7**
Arunachal Pradesh	5.6	3.9	10.6	12.2
Assam	33.5	27.7	1.8	7.6
Manipur	28.7	17.5	2.4	7.2
Meghalaya	11.0	7.6	13.9	12.7
Mizoram	6.1	5.3	9.5	11.5
Nagaland	4.1	1.9	-2.9	8.2
Tripura	8.3	6.8	26.8	29.2
Northern Region	**5.6**	**4.7**	**11.4**	**12.1**
Haryana	9.3	7.2	13.6	14.1
Himachal Pradesh	5.4	5.7	10.1	9.5
Jammu & Kashmir	8.9	6.8	-1.7	-2.1
Punjab	7.5	6.6	15.5	15.6
Rajasthan	3.1	2.8	10.8	11.9
Southern Region	**5.2**	**5.2**	**13.4**	**15.4**
Andhra Pradesh	1.5	1.3	15.4	17.8
Karnataka	14.0	14.5	11.2	11.1
Kerala	3.6	3.1	6.6	11.4
Puducherry	2.0	2.1	12.0	10.6
Tamil Nadu	2.2	1.9	12.2	13.0
Telangana	1.4	1.9	17.2	20.6
Western Region	**7.3**	**5.8**	**5.9**	**9.6**
Gujarat	3.5	2.9	10.8	13.1
Maharashtra	11.4	8.7	0.6	6.2
All India	**9.4**	**9.1**	**10.2**	**12.7**

Note: Components may not add up to the exact total due to rounding off.
Source: NABARD.

Appendix Table IV.15: RRBs - PSL Target and Achievement - 2021-22

Sector/Sub Sector	Target (%)	Achievement (%)	RRBs not Meeting Target/Sub-target
Overall Priority Sector	75	90.1	Meghalaya Rural Bank (71.5%) Nagaland Rural Bank (69.3%)
Agriculture	18	46.4	-
Small and Marginal Farmers	9	26.8	-
Non-Corporate Farmers	12.73	89.6	-
Micro Enterprises	7.5	12.0	-
Weaker Sections	15	78.9	-

Note: Target and Achievement are as a percentage of ANBC as on corresponding date of previous year.
Source: NABARD.

Appendix Table IV.16: 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	1,976	1,388	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**	**4,250**	**1,669**	**4,670**	**1,997**	**4,534**	**3,822**

Appendix Table IV.16: Frauds in Various Banking Operations Based on Date of Reporting *(Continued)*

(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**

Appendix Table IV.16: Frauds in Various Banking Operations Based on Date of Reporting *(Concluded)*

(Amount in ₹ crore)

Area of Operation	2017-18		2018-19		2019-20		2020-21	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Advances	2,525	22,558	3,602	64,508	4,607	1,81,865	3,496	1,36,429
Card/Internet	2,059	110	1,866	71	2,677	129	2,545	119
Deposits	691	457	593	148	530	616	504	434
Off-balance sheet	20	16288	33	5538	34	2445	23	535
Foreign exchange transactions	9	1426	13	695	8	54	4	129
Cash	218	40	274	56	371	63	329	39
Cheques/demand drafts, *etc.*	207	34	189	34	201	39	163	85
Inter-branch accounts	6	1	3	0	2	0	2	0
Clearing, etc accounts	37	6	24	209	22	7	14	4
Non-resident accounts	6	5	3	0	8	1	1	0
Others	138	242	197	244	242	172	277	54
Grand Total	**5,916**	**41,167**	**6,797**	**71,503**	**8,702**	**1,85,391**	**7,358**	**1,37,828**

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 *(Continued)*

(As on March 31, 2022)

(Per cent)

Sr. No.	Bank Name	Average Cost of Deposits	Average Yield on Advances	Net Interest Income to Total Assets (Spread)	Net Interest Income to Working Funds	Non-Interest Income to Working Funds	Return on Assets (RoA)	CRAR	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	4.84	8.48	1.73	1.72	0.66	0.02	9.02	6.23	0.00
2	Ahmedabad Mercantile Co-operative Bank Limited	5.36	8.62	3.23	3.15	1.61	2.48	28.86	10.34	0.21
3	Akola Janata Commercial Co-operative Bank Limited, Akola	4.17	10.06	3.13	3.09	0.91	0.56	22.97	4.87	0.02
4	Akola Urban Co-operative Bank Limited, Akola	4.18	10.18	3.68	3.49	0.99	0.58	14.80	4.23	0.02
5	Amanath Co-operative Bank Limited, Bangalore	2.68	1.54	1.78	1.78	3.88	1.30	1.26	1.67	0.02
6	Andhra Pradesh Mahesh Co-operative Urban Bank Limited	6.03	11.42	2.77	2.77	0.78	0.97	28.49	7.08	0.06
7	Apna Sahakari Bank Limited	5.05	9.51	2.56	2.79	1.21	0.35	9.43	8.39	0.02
8	Bassein Catholic Co-operative Bank Limited	5.46	9.47	2.59	2.54	0.52	0.76	17.38	19.85	0.12
9	Bharat Co-operative Bank (Mumbai) Limited, Mumbai	5.51	9.73	2.40	2.36	0.84	0.29	13.98	13.10	0.03
10	Bharati Sahakari Bank Limited	4.51	8.94	2.37	2.41	0.47	0.02	19.72	8.67	0.00
11	Bombay Mercantile Co-operative Bank Limited	3.17	9.75	4.06	3.62	1.64	0.10	17.22	3.58	0.00
12	Citizen Credit Co-operative Bank Limited, Mumbai	4.07	8.99	2.67	3.05	0.48	0.63	24.76	9.60	0.06
13	Cosmos Co-operative Bank Limited	4.73	9.13	2.90	3.07	2.71	0.38	13.19	10.85	0.03
14	Dombivli Nagari Sahakari Bank Limited	4.38	9.57	2.44	2.59	3.44	0.49	14.99	7.89	0.03
15	Goa Urban Co-operative Bank Limited	5.35	9.23	3.00	3.00	0.51	0.72	19.96	5.31	0.03
16	Gopinath Patil Parsik Janata Sahakari Bank Limited, Thane	4.49	9.73	3.30	3.25	0.48	1.02	22.31	6.92	0.06
17	Greater Bombay Co-operative Bank Limited	4.96	9.51	2.52	2.43	1.74	0.29	16.33	9.50	0.02
18	Indian Mercantile Co-operative Bank Limited, Lucknow	3.50	5.68	3.41	4.05	0.45	0.44	23.16	1.46	0.01
19	Jalgaon Janata Sahakari Bank Limited	4.59	10.56	3.47	3.50	1.07	0.83	14.37	8.58	0.05
20	Jalgaon People's Co-operative Bank Limited	4.10	9.98	3.12	3.15	0.70	0.04	13.49	6.78	0.00
21	Janakalyan Sahakari Bank Limited, Mumbai	4.87	10.40	3.08	2.99	0.43	0.05	10.08	8.91	0.00
22	Janalaxmi Co-operative Bank Limited, Nashik	5.32	18.78	2.95	5.57	5.59	1.32	35.41	1.31	0.03
23	Janata Sahakari Bank Limited, Pune	5.00	8.90	2.31	2.15	1.48	0.01	15.06	10.82	0.00
24	Kallappanna Awade Ichalkaranji Janata Sahakari Bank Limited	5.63	10.41	2.94	2.94	0.48	0.44	13.88	7.13	0.02
25	Kalupur Commercial Co-operative Bank Limited	4.80	8.40	2.80	2.64	0.80	1.46	18.87	16.89	0.18
26	Kalyan Janata Sahakari Bank Limited, Kalyan	4.88	9.85	2.57	2.54	1.20	0.56	11.70	10.53	0.04
27	Kapol Co-operative Bank Limited, Mumbai	2.59	5.18	0.61	0.59	0.26	-3.98	-347.90	2.19	-0.16

Appendix Table V.1: Select Financial Parameters: Scheduled UCBs *(Continued)*

(As on March 31, 2022)

(Per cent)

Sr. No.	Bank Name	Average Cost of Deposits	Average Yield on Advances	Net Interest Income to Total Assets (Spread)	Net Interest Income to Working Funds	Non-Interest Income to Working Funds	Return on Assets (RoA)	CRAR	Business per Employee (₹ crore)	Profit per Employee (₹ crore)
1	2	3	4	5	6	7	8	9	10	11
28	Karad Urban Co-operative Bank Limited	5.37	9.74	2.94	2.89	0.57	0.28	16.91	5.96	0.01
29	Khamgaon Urban Co-operative Bank Limited, Khamgaon	3.81	9.73	3.71	3.88	0.63	0.46	20.75	4.76	0.02
30	Mahanagar Co-operative Bank Limited, Mumbai	4.99	9.94	3.30	3.39	0.51	0.56	15.51	7.28	0.03
31	Mehsana Urban Co-operative Bank Limited	5.65	10.23	3.66	3.31	0.52	1.42	14.77	21.82	0.19
32	Nagar Urban Co-operative Bank Limited, Ahmednagar	5.39	7.35	1.89	2.57	1.35	-2.88	-8.81	3.08	-0.11
33	Nagpur Nagrik Sahakari Bank Limited	2.70	5.45	2.20	2.55	2.26	0.12	12.30	6.62	0.01
34	Nasik Merchant's Co-operative Bank Limited	4.25	10.04	3.95	3.95	2.26	1.30	37.58	3.81	0.04
35	New India Co-operative Bank Limited, Mumbai	4.70	9.76	2.05	2.07	0.81	0.08	9.03	13.38	0.01
36	NKGSB Co-operative Bank Limited, Mumbai	4.95	11.24	2.38	2.51	0.77	0.20	13.07	10.84	0.02
37	Nutan Nagarik Sahakari Bank Limited, Ahmedabad	5.88	8.39	1.86	1.66	0.90	0.61	16.68	12.65	0.05
38	Pravara Sahakari Bank Limited	5.57	10.96	3.37	3.23	1.01	0.42	14.42	5.67	0.02
39	Rajarambapu Sahakari Bank Limited	6.13	10.01	2.68	2.68	0.27	0.46	12.80	9.06	0.03
40	Rajkot Nagrik Sahakari Bank Limited	5.04	9.92	3.16	3.04	0.50	1.37	18.41	8.43	0.08
41	Rupee Co-operative Bank Limited	1.76	1.30	1.03	2.60	0.14	0.08	-749.39	4.11	0.01
42	Sangli Urban Co-operative Bank Limited, Sangli	5.41	8.82	2.16	2.40	0.52	-0.65	11.29	6.14	-0.03
43	Saraswat Co-operative Bank Limited, Bombay	4.63	8.52	2.12	2.04	1.03	0.56	13.94	15.28	0.06
44	SBPP Co-operative Bank Limited, Killa Pardi	4.54	9.82	3.44	3.31	0.32	0.89	20.89	8.40	0.06
45	Shamrao Vithal Co-operative Bank Limited	4.85	8.76	2.50	2.93	0.90	0.71	13.32	13.60	0.07
46	Shikshak Sahakari Bank Limited, Nagpur	4.71	11.06	2.36	2.94	0.80	0.04	11.71	4.82	0.00
47	Solapur Janata Sahakari Bank Limited	5.22	10.65	2.93	3.41	0.83	0.55	14.70	7.54	0.04
48	Surat Peoples Co-operative Bank Limited	5.79	8.60	1.90	1.84	0.37	0.75	13.73	24.48	0.12
49	Thane Bharat Sahakari Bank Limited	4.37	11.08	4.07	4.29	0.90	0.46	13.70	7.52	0.03
50	TJSB Sahakari Bank	4.72	9.72	3.23	2.94	0.59	1.12	15.28	12.54	0.10
51	Vasai Vikas Sahakari Bank Limited	5.54	9.23	1.91	1.93	0.60	0.34	14.84	10.05	0.03
52	Zoroastrian Co-operative Bank Limited, Bombay	4.58	9.33	2.22	2.38	0.52	0.30	27.65	7.18	0.02

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

Appendix Table V.2: Indicators of Financial Performance: Scheduled UCBs *(Continued)*

(As per cent to total assets)

Sr. No.	Name of the Banks	Interest Income		Operating Profit		Net Profit after Taxes	
		2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
1	2	3	4	5	6	7	8
1	Abhyudaya Co-operative Bank Limited, Mumbai	6.5	5.8	0.3	-0.4	0.0	0.0
2	Ahmedabad Mercantile Co-operative Bank Limited	7.4	7.0	2.3	2.2	1.5	1.3
3	Akola Janata Commercial Co-operative Bank Limited, Akola	6.2	6.4	0.5	1.0	0.3	0.5
4	Akola Urban Co-operative Bank Limited, Akola	7.1	6.8	1.4	1.4	0.3	0.5
5	Amanath Co-operative Bank Limited, Bangalore	-0.1	0.4	-0.3	0.1	-0.3	0.1
6	Andhra Pradesh Mahesh Co-operative Urban Bank Limited	8.2	8.2	1.6	1.8	1.0	1.0
7	Apna Sahakari Bank Limited	7.2	7.0	0.7	0.7	-1.7	0.3
8	Bassein Catholic Co-operative Bank Limited	7.4	6.7	1.9	1.6	0.6	0.7
9	Bharat Co-operative Bank (Mumbai) Limited, Mumbai	7.3	7.1	0.7	0.9	0.0	0.2
10	Bharati Sahakari Bank Limited	6.4	6.0	0.9	0.7	0.4	-0.1
11	Bombay Mercantile Co-operative Bank Limited	4.9	4.5	0.4	0.6	0.0	0.1
12	Citizen Credit Co-operative Bank Limited, Mumbai	6.6	6.5	0.9	1.2	0.3	0.7
13	Cosmos Co-operative Bank Limited	6.6	6.8	2.3	1.8	0.2	0.1
14	Dombivli Nagari Sahakari Bank Limited	6.9	6.6	2.4	3.3	0.8	2.1
15	Goa Urban Co-operative Bank Limited	7.1	7.1	1.3	1.5	0.8	0.7
16	Gopinath Patil Parsik Janata Sahakari Bank Limited, Thane	7.3	6.9	1.2	1.3	0.4	1.0
17	Greater Bombay Co-operative Bank Limited	7.1	6.5	1.6	1.7	0.1	0.3
18	Indian Mercantile Co-operative Bank Limited, Lucknow	6.2	5.3	1.4	0.8	-7.7	0.4
19	Jalgaon Janata Sahakari Bank Limited	7.5	7.2	2.1	2.1	0.5	0.6
20	Jalgaon People's Co-operative Bank Limited	6.9	6.7	0.9	1.1	0.0	0.2
21	Janakalyan Sahakari Bank Limited, Mumbai	7.2	6.5	0.8	1.2	0.0	0.0
22	Janalaxmi Co-operative Bank Limited, Nashik	3.2	5.8	-1.1	1.6	-1.1	1.6
23	Janata Sahakari Bank Limited, Pune	6.6	6.4	1.3	1.1	-1.2	-0.3
24	Kallappanna Awade Ichalkaranji Janata Sahakari Bank Limited	7.4	7.1	1.3	1.5	0.4	0.4
25	Kalupur Commercial Co-operative Bank Limited	6.5	5.7	2.2	2.1	1.3	1.3
26	Kalyan Janata Sahakari Bank Limited, Kalyan	7.2	6.9	0.8	0.8	0.5	0.5
27	Kapol Co-operative Bank Limited, Mumbai	1.8	2.2	-3.3	-1.7	-4.5	-4.2
28	Karad Urban Co-operative Bank Limited	7.8	7.0	1.8	1.2	0.6	0.3
29	Khamgaon Urban Co-operative Bank Limited, Khamgaon	7.1	6.8	2.0	1.6	0.6	0.5
30	Mahanagar Co-operative Bank Limited, Mumbai	7.7	7.1	1.7	1.4	0.6	0.6
31	Mehsana Urban Co-operative Bank Limited	7.9	7.6	2.6	2.7	1.2	1.3
32	Nagar Urban Co-operative Bank Limited, Ahmednagar	5.7	5.0	-0.2	0.5	-6.8	-3.5
33	Nagpur Nagrik Sahakari Bank Limited	6.6	6.4	0.4	1.1	0.0	-0.4
34	Nasik Merchant's Co-operative Bank Limited	7.3	7.3	2.3	3.5	0.7	2.7
35	New India Co-operative Bank Limited, Mumbai	6.0	5.4	0.3	0.4	-0.2	0.2
36	NKGSB Co-operative Bank Limited, Mumbai	7.6	6.7	1.0	0.9	0.3	0.2
37	Nutan Nagarik Sahakari Bank Limited, Ahmedabad	6.2	6.1	0.7	0.5	0.3	0.1
38	Pravara Sahakari Bank Limited	8.1	7.8	2.0	1.7	0.2	0.4
39	Punjab & Maharashtra Co-operative Bank Limited	2.3	NA	-3.0	NA	-3.0	NA
40	Rajarambapu Sahakari Bank Limited	7.8	7.8	1.2	1.5	0.4	0.4
41	Rajkot Nagrik Sahakari Bank Limited	6.9	7.0	2.1	2.1	1.2	1.3
42	Rupee Co-operative Bank Limited	2.2	2.3	1.2	0.4	0.9	0.1
43	Sangli Urban Co-operative Bank Limited, Sangli	7.1	6.5	1.1	0.5	-0.1	-0.6
44	Saraswat Co-operative Bank Limited, Bombay	5.7	5.2	1.2	1.0	0.4	0.4
45	SBPP Co-operative Bank Limited, Killa Pardi	6.6	6.4	1.3	1.4	-0.9	0.8
46	Shamrao Vithal Co-operative Bank Limited	6.7	6.3	1.2	1.2	0.8	0.8
47	Shikshak Sahakari Bank Limited, Nagpur	5.5	5.8	-0.6	0.2	-0.8	-0.1
48	Solapur Janata Sahakari Bank Limited	7.8	7.2	1.1	1.9	-0.4	0.6
49	Surat Peoples Co-operative Bank Limited	6.9	6.7	0.7	0.9	0.5	0.7
50	Thane Bharat Sahakari Bank Limited	7.6	8.3	1.5	1.7	0.2	0.6
51	TJSB Sahakari Bank	7.0	6.3	1.5	1.4	1.0	0.9
52	Vasai Vikas Sahakari Bank Limited	7.2	6.7	1.1	0.3	0.3	0.3
53	Zoroastrian Co-operative Bank Limited, Bombay	6.9	5.7	0.5	0.5	-0.3	0.3

Note: Data for 2021-22 are provisional.

Source: Off-site surveillance returns, RBI.

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	
		2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
1	2	9	10	11	12	13	14
1	Abhyudaya Co-operative Bank Limited, Mumbai	4.7	4.1	2.5	2.7	0.3	1.0
2	Ahmedabad Mercantile Co-operative Bank Limited	4.1	3.8	1.5	1.4	0.3	0.4
3	Akola Janata Commercial Co-operative Bank Limited, Akola	4.1	3.4	2.7	2.8	0.2	0.3
4	Akola Urban Co-operative Bank Limited, Akola	3.8	3.4	2.4	2.9	1.2	0.9
5	Amanath Co-operative Bank Limited, Bangalore	0.2	0.2	0.6	0.5	0.0	0.0
6	Andhra Pradesh Mahesh Co-operative Urban Bank Limited	5.1	5.3	1.8	1.9	0.4	0.5
7	Apna Sahakari Bank Limited	5.1	4.3	2.4	2.5	2.8	0.2
8	Bassein Catholic Co-operative Bank Limited	4.8	4.2	1.2	1.3	1.0	0.6
9	Bharat Co-operative Bank (Mumbai) Limited, Mumbai	5.4	4.8	1.9	2.1	0.6	0.8
10	Bharati Sahakari Bank Limited	4.3	3.8	1.6	1.9	0.4	0.8
11	Bombay Mercantile Co-operative Bank Limited	2.2	1.9	3.4	3.2	0.4	0.8
12	Citizen Credit Co-operative Bank Limited, Mumbai	4.2	3.5	2.1	2.3	0.3	0.2
13	Cosmos Co-operative Bank Limited	4.8	3.9	1.9	2.0	1.8	1.6
14	Dombivli Nagari Sahakari Bank Limited	4.7	4.0	2.2	2.8	1.7	1.0
15	Goa Urban Co-operative Bank Limited	4.2	4.1	2.0	1.9	0.1	0.5
16	Gopinath Patil Parsik Janata Sahakari Bank Limited, Thane	4.2	3.7	2.3	2.3	0.7	0.1
17	Greater Bombay Co-operative Bank Limited	4.5	4.1	2.2	2.3	1.4	1.2
18	Indian Mercantile Co-operative Bank Limited, Lucknow	3.4	2.1	2.7	2.8	9.0	0.4
19	Jalgaon Janata Sahakari Bank Limited	4.4	3.9	2.0	2.1	1.2	1.0
20	Jalgaon People's Co-operative Bank Limited	4.2	3.6	2.4	2.6	0.9	0.9
21	Janakalyan Sahakari Bank Limited, Mumbai	4.6	3.6	2.4	2.2	0.8	1.4
22	Janalaxmi Co-operative Bank Limited, Nashik	2.1	2.3	2.6	5.4	0.0	0.0
23	Janata Sahakari Bank Limited, Pune	4.7	4.3	1.5	1.7	2.5	1.4
24	Kallappanna Awade Ichalkaranji Janata Sahakari Bank Limited	5.1	4.4	1.5	1.5	0.7	0.8
25	Kalupur Commercial Co-operative Bank Limited	3.8	3.3	1.3	1.1	0.4	0.3
26	Kalyan Janata Sahakari Bank Limited, Kalyan	5.0	4.4	2.1	2.3	0.2	0.2
27	Kapol Co-operative Bank Limited, Mumbai	2.5	1.6	3.0	2.5	1.2	2.5
28	Karad Urban Co-operative Bank Limited	5.0	4.3	2.2	2.1	0.9	0.8
29	Khamgaon Urban Co-operative Bank Limited, Khamgaon	3.7	3.0	2.1	2.8	0.8	0.9
30	Mahanagar Co-operative Bank Limited, Mumbai	4.5	3.9	2.1	2.3	1.0	0.6
31	Mehsana Urban Co-operative Bank Limited	4.9	4.3	1.0	1.1	0.9	0.9
32	Nagar Urban Co-operative Bank Limited, Ahmednagar	4.1	3.0	2.5	1.9	6.7	4.1
33	Nagpur Nagrik Sahakari Bank Limited	4.4	3.9	2.4	2.3	0.3	1.3
34	Nasik Merchant's Co-operative Bank Limited	4.2	3.6	1.9	2.4	1.1	0.3
35	New India Co-operative Bank Limited, Mumbai	4.4	3.6	2.3	2.0	0.5	0.2
36	NKGSB Co-operative Bank Limited, Mumbai	5.5	4.2	2.1	2.3	0.5	0.6
37	Nutan Nagarik Sahakari Bank Limited, Ahmedabad	4.8	4.4	1.7	1.7	0.3	0.2
38	Pravara Sahakari Bank Limited	5.3	4.6	2.4	2.5	1.8	1.3
39	Punjab & Maharashtra Co-operative Bank Limited	4.4	NA	1.2	NA	0.0	NA
40	Rajarambapu Sahakari Bank Limited	5.6	5.2	1.5	1.4	0.8	1.0
41	Rajkot Nagrik Sahakari Bank Limited	4.6	4.1	1.3	1.4	0.5	0.4
42	Rupee Co-operative Bank Limited	1.1	1.0	1.0	0.9	0.3	0.3
43	Sangli Urban Co-operative Bank Limited, Sangli	5.0	4.3	2.1	2.2	1.1	1.1
44	Saraswat Co-operative Bank Limited, Bombay	4.1	3.4	1.5	1.6	0.5	0.5
45	SBPP Co-operative Bank Limited, Killa Pardi	3.4	3.3	2.3	1.9	1.9	0.3
46	Shamrao Vithal Co-operative Bank Limited	4.4	3.8	1.9	2.0	0.2	0.3
47	Shikshak Sahakari Bank Limited, Nagpur	4.2	3.4	2.6	2.6	0.3	0.4
48	Solapur Janata Sahakari Bank Limited	5.3	4.2	1.8	1.8	1.3	1.1
49	Surat Peoples Co-operative Bank Limited	5.7	4.9	1.9	1.3	0.2	0.2
50	Thane Bharat Sahakari Bank Limited	4.4	4.2	2.6	3.3	1.1	0.9
51	TJSB Sahakari Bank	4.3	3.6	1.8	1.8	0.1	0.2
52	Vasai Vikas Sahakari Bank Limited	4.9	4.8	1.6	2.2	0.7	0.0
53	Zoroastrian Co-operative Bank Limited, Bombay	4.7	3.5	2.1	2.1	0.6	0.3

Note: Data for 2021-22 are provisional.
Source: Off-site surveillance returns, RBI.

Appendix Table V.3: Salient Indicators of Financial Health of 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 (%)	
		2019-20	2020-21	31-Mar-20	31-Mar-21	30-Jun-19	30-Jun-20
1	2	3	4	5	6	7	8
	Northern Region	**22,210**	**1,275**	**2.1**	**3.3**	**98.8**	**98.3**
1	Chandigarh	341	259	6.2	6.8	80.7	74.5
2	Delhi	2,072	2,653	1.4	1.3	97.0	97.7
3	Haryana	5,150	6,136	0.1	0.1	100.0	100.0
4	Himachal Pradesh	5,049	7,934	8.0	9.0	51.2	38.8
5	Jammu & Kashmir	1,489	-24,751	5.1	50.1	79.5	73.4
6	Punjab	2,269	2,463	1.0	1.0	99.6	99.4
7	Rajasthan	5,840	6,581	0.2	0.2	98.8	98.9
	North-Eastern Region	**5,956**	**6,022**	**8.6**	**8.7**	**46.9**	**69.7**
8	Arunachal Pradesh	-1,550	-2,006	54.2	48.5	1.8	9.1
9	Assam	736	1,045	6.8	7.4	25.9	67.8
10	Manipur	200	201	29.5	35.3	44.7	45.4
11	Meghalaya	1,128	1,204	7.4	7.2	22.1	22.1
12	Mizoram	1,262	2,032	5.6	4.4	67.8	60.6
13	Nagaland	1,272	816	13.7	14.6	62.0	58.4
14	Sikkim	1,132	764	4.2	3.8	38.9	17.3
15	Tripura	1,775	1,967	3.8	4.8	86.9	95.4
	Eastern Region	**17,051**	**25,949**	**4.7**	**3.7**	**93.2**	**88.9**
16	Andaman & Nicobar Islands	367	720	48.1	39.7	38.4	43.0
17	Bihar	4,885	7,677	4.9	1.9	77.7	54.9
18	Jharkhand	264	518	51.6	38.9	64.3	76.2
19	Odisha	8,181	6,850	1.4	1.3	98.3	98.4
20	West Bengal	3,354	10,184	4.2	4.1	91.6	91.3
	Central Region	**19,918**	**15,742**	**5.6**	**5.2**	**91.3**	**90.7**
21	Chhattisgarh	2,576	2,712	3.0	2.9	93.9	83.5
22	Madhya Pradesh	12,789	7,387	5.4	5.2	92.9	92.1
23	Uttar Pradesh	4,328	4,547	5.9	5.4	83.3	85.3
24	Uttarakhand	225	1,095	9.3	7.6	97.2	96.9
	Western Region	**40,115**	**44,228**	**8.6**	**9.6**	**82.8**	**84.5**
25	Daman & Diu	-	1,222	-	5.9	-	84.9
26	Goa	4,442	1,124	10.4	11.2	85.9	82.9
27	Gujarat	3,173	5,441	1.3	1.5	94.8	96.8
28	Maharashtra	32,500	36,441	10.8	11.6	79.3	82.1
	Southern Region	**67,152**	**46,962**	**8.6**	**7.9**	**98.5**	**90.9**
29	Andhra Pradesh	9,991	14,768	1.2	0.9	99.7	99.7
30	Karnataka	5,100	6,000	3.7	4.5	97.2	95.1
31	Kerala	37,475	6,199	15.3	14.5	98.4	85.6
32	Puducherry	2,343	567	16.3	17.1	87.1	85.7
33	Tamil Nadu	9,017	14,795	2.7	4.1	99.6	99.4
34	Telangana	3,226	4,634	0.2	0.1	98.6	98.0
	All India	**1,72,401**	**1,40,178**	**6.7**	**6.7**	**94.4**	**90.5**

Notes: 1. Components may not add up to total due to rounding off.
2. Recovery for a financial year is as on 30th June.
3. During FY 2019-20, 13 of 14 DCCBs in Kerala (except Mallapuram DCCB) amalgamated with Kerala StCB.
4. Till FY 2019-20, data of Daman & Diu StCB was reported as a part of Goa StCB. Audit of Goa StCB and Daman & Diu StCB was undertaken separately for the position as on 31 Mar 2021.

Source : NABARD.

Appendix Table V.4: Salient Indicators of Financial Health of District Central Co-operative Banks

(At end-March)

(Amount in ₹ Lakh)

Sr. No.	Region/State	2019-20					2020-21					2020		2021	
		No. of DCCBs	Profit		Loss		No. of DCCBs	Profit		Loss		NPA to loans ratio (%)	Recovery to Demand (%) (At end-June) *	NPA to loans ratio (%)	Recovery to Demand (%) (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**	**58**	**15,599**	**15**	**16,950**	**73**	**64**	**16,238**	**9**	**11,195**	**10.8**	**75.1**	**11.3**	**74.7**
1	Haryana	19	17	5,289	2	867	19	19	6,053	0	-	6.3	65.2	7.1	68.2
2	Himachal Pradesh	2	1	712	1	4,033	2	2	1,140	0	-	25.2	74.2	27.8	61.3
3	Jammu & Kashmir	3	0	-	3	4,276	3	0	-	3	4,145	37.2	39.2	38.4	30.9
4	Punjab	20	12	2,185	8	7,563	20	15	2,843	5	5,243	10.3	76.7	11.1	75.8
5	Rajasthan	29	28	7,412	1	211	29	28	6,201	1	1,807	8.9	83.5	8.4	85.1
	Eastern region	**58**	**51**	**24,682**	**7**	**5,711**	**58**	**53**	**20,612**	**5**	**2,909**	**9.3**	**67.3**	**8.9**	**77.5**
6	Bihar	23	16	1,415	7	5,711	23	20	1,651	3	2,013	17.7	29.7	9.2	27.9
7	Jharkhand	1	1	219	0	-	1	1	212	0	-	63.4	17.2	17.4	28.6
8	Odisha	17	17	14,791	0	-	17	17	9,988	0	-	7.3	67.1	7.8	82.3
9	West Bengal	17	17	8,258	0	-	17	15	8,761	2	896	9.8	76.9	10.4	75.8
	Central region	**104**	**73**	**25,754**	**31**	**29,547**	**104**	**76**	**30,108**	**28**	**48,300**	**21.2**	**55.4**	**19.7**	**61.8**
10	Chattisgarh	6	6	6,465	0	-	6	6	6,277	0	-	14.5	70.2	13.6	82.0
11	Madhya Pradesh	38	25	6,699	13	19,686	38	24	9,799	14	41,130	26.7	47.7	25.8	53.6
12	Uttar Pradesh	50	32	8,289	18	9,861	50	36	9,325	14	7,169	13.9	62.6	12.8	67.5
13	Uttarakhand	10	10	4,301	0	-	10	10	4,707	0	-	12.1	75.0	9.3	67.9
	Western region	**49**	**45**	**75,883**	**4**	**47,935**	**49**	**48**	**83,914**	**1**	**4,480**	**16.2**	**61.9**	**13.4**	**71.6**
14	Gujarat	18	18	18,093	0	-	18	18	20,869	0	-	5.4	90.5	4.6	92.4
15	Maharashtra	31	27	57,790	4	47,935	31	30	63,044	1	4,480	20.1	49.7	16.4	62.6
	Southern region	**67**	**64**	**46,738**	**3**	**3,922**	**67**	**67**	**58,196**	**0**	**-**	**6.9**	**87.7**	**6.8**	**87.7**
16	Andhra Pradesh	13	12	4,773	1	1,411	13	13	9,938	0	-	5.8	90.8	5.2	85.8
17	Karnataka	21	20	14,152	1	1,788	21	21	16,303	0	-	6.1	88.1	5.3	90.6
18	Kerala	1	1	315	0	-	1	1	326	0	-	15.5	77.8	13.7	64.3
19	Tamil Nadu	23	23	24,641	0	-	23	23	26,688	0	-	7.1	85.6	8.9	89.3
20	Telangana	9	8	2,857	1	723	9	9	4,940	0	-	7.5	87.0	6.1	81.8
	All India	**351**	**291**	**1,88,656**	**60**	**1,04,066**	**351**	**308**	**2,09,067**	**43**	**66,884**	**12.6**	**70.2**	**11.4**	**74.9**

Notes: 1. Components may not add up to the total /s due to rounding off.

2. Recovery for a FY is taken as on 30th June.

3. During FY 2019-20, 13 of 14 DCCBs in Kerala (except Mallapuram DCCB) amalgamated with Kerala StCB and Supaul DCCB was formed in Bihar.

Source: NABARD.

Appendix table V.5: Primary Agricultural Credit Societies

(Amount in ₹ Crore)

Item	As at end-March		Percentage Variation	
	2020	2021	2019-20	2020-21
1	2	3	4	5
Liabilities				
1. Total Resources (2+3+4)	3,47,788	3,56,277	10.7	2.4
2. Owned Funds (a+b)	43,741	42,311	3.7	-3.3
a. Paid-up Capital	2,2,994	19,115	0.8	-16.9
of which Government Contribution	649	900	-50.9	38.7
b. Total Reserves	20,747	23,196	7.1	11.8
3. Deposits	1,65,476	1,70,922	24.4	3.3
4. Borrowings	1,38,571	1,43,044	-0.3	3.2
5. Working Capital	3,25,322	3,34,718	9.7	2.9
Assets				
1. Total Loans Outstanding (a+b)	2,12,360	2,16,862	84.6	2.1
a) Short-Term	1,86,249	1,90,111	98.3	2.1
b) Medium-Term	26,111	26,751	23.6	2.5

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 March 31, 2021)

(Amount in ₹ lakhs)

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	**14,112**	**16,74,999**	**48,55,498**	**14,30,282**	**67,077**	**9,613**	**3,07,165**
1	Chandigarh	17	-	5	0	-	13	0
2	Haryana	730	49,956	13,41,057	5,95,645	25,747	49	1,06,743
3	Himachal Pradesh	2,178	5,99,288	7,57,818	1,16,989	18,610	1,903	6,625
4	Jammu & Kashmir*	620	323	3,772	4,659	670	484	58
5	Punjab	3,998	7,72,226	13,28,203	7,12,988	22,050	2,062	22,908
6	Rajasthan*	6,569	2,53,206	14,24,642	N.A.	N.A.	5,102	1,70,832
	North-Eastern region	**9,440**	**1,04,856**	**1,59,398**	**36,682**	**32,016**	**781**	**8,739**
7	Arunachal Pradesh	35	43	4,772	-	-	18	16
8	Assam*	766	-	11,123	575	20	309	7,639
9	Manipur*	261	162	682	48	31	131	26
10	Meghalaya	179	1,569	5,297	3,453	60	65	91
11	Mizoram	154	2,075	485	705	210	30	396
12	Nagaland	7,601	97,313	1,17,058	30,245	31,586	N.A.	N.A.
13	Sikkim	176	452	2,451	1,117	105	114	52
14	Tripura	268	3,241	17,530	539	4	114	519
	Eastern region	**18,627**	**3,80,959**	**16,25,883**	**7,45,225**	**43,121**	**4,342**	**8,504**
15	Andaman & Nicobar Islands	58	114	1,251	1,625	568	19	17
16	Bihar*	8,463	17,533	50,816	-	-	1,180	604
17	Jharkhand*	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
18	Odisha	2,701	1,52,712	10,70,176	5,94,324	13,039	751	4,418
19	West Bengal	7,405	2,10,601	5,03,639	1,49,275	29,514	2,392	3,465
	Central region	**15,708**	**2,67,520**	**16,63,203**	**7,88,169**	**60,220**	**8,077**	**24,326**
20	Chhattisgarh*	1,617	63,145	5,49,825	2,06,713	10,435	842	9,041
21	Madhya Pradesh*	4,457	81,731	6,45,546	3,39,959	11,892	2,153	13,124
22	Uttarakhand	705	1,15,824	3,41,905	1,61,466	37,893	546	387
23	Uttar Pradesh*	8,929	6,820	1,25,927	80,031	-	4,536	1,774
	Western region	**29,273**	**1,32,901**	**36,91,512**	**22,70,689**	**3,10,959**	**15,247**	**17,568**
24	Goa	74	9,478	16,282	2,585	2,876	42	108
25	Gujarat	9,048	1,00,366	15,91,662	12,60,378	38,022	6,466	16,854
26	Maharashtra*	20,151	23,057	20,83,568	10,07,727	2,70,061	8,739	607
	Southern region	**15,399**	**1,45,30,981**	**2,14,76,348**	**39,83,152**	**17,42,973**	**9,237**	**1,63,468**
27	Andhra Pradesh	2,101	3,34,612	19,25,470	12,14,591	1,66,867	1,346	13,718
28	Telangana	852	39,996	5,13,014	4,90,713	50,687	537	6,167
29	Karnataka	6,248	15,33,365	36,25,724	20,76,140	4,15,348	4,140	44,067
30	Kerala*	1,643	1,15,90,200	1,30,12,397	N.A.	N.A.	964	78,897
31	Puducherry	53	19,900	28,494	40	20,308	15	209
32	Tamil Nadu	4,502	10,12,907	23,71,250	2,01,667	10,89,764	2,235	20,409
	All India	**1,02,559**	**1,70,92,217**	**3,34,71,841**	**92,54,198**	**22,56,366**	**47,297**	**5,29,769**

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 March 31, 2021)

(Amount in ₹ lakhs)

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	**3,917**	**88,650**	**5,135**	**1,731**	**295**	**234**	**6,717**
1	Chandigarh	4	0	13	0	0	4	0
2	Haryana	681	29,155	612	91	26	1	0
3	Himachal Pradesh	197	692	547	1,481	107	9	34
4	Jammu & Kashmir*	105	2	458	48	12	91	11
5	Punjab	1,513	6,619	3,505	111	150	129	103
6	Rajasthan*	1,417	52,182	N.A.	N.A.	N.A.	N.A.	6,569
	North-Eastern Region	**816**	**11,887**	**8,995**	**239**	**59**	**57**	**90**
7	Arunachal Pradesh	14	6	30	0	0	5	0
8	Assam*	419	9,909	709	57	0	0	0
9	Manipur*	99	40	122	71	23	45	0
10	Meghalaya	114	771	70	73	36	0	0
11	Mizoram	2	1	32	32	0	0	90
12	Nagaland	N.A.	N.A.	7,601	0	0	0	0
13	Sikkim	14	3	169	0	0	7	0
14	Tripura	154	1,157	262	6	0	0	0
	Eastern Region	**9,844**	**27,991**	**14,172**	**2,866**	**586**	**413**	**590**
15	Andaman &Nicobar Island	27	120	41	12	3	2	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	1,854	26,305	1,717	608	10	1	365
19	West Bengal	4,001	1,472	3,951	2,246	573	410	225
	Central Region	**4,747**	**25,749**	**12,544**	**2,471**	**392**	**168**	**133**
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	159	162	588	43	6	5	63
23	Uttar Pradesh*	1,968	153	7,115	1,269	382	163	0
	Western Region	**13,338**	**17,882**	**20,856**	**7,505**	**651**	**176**	**85**
24	Goa	20	7	67	3	3	1	0
25	Gujarat	1,649	17,132	5,370	2,838	594	161	85
26	Maharashtra*	11,669	743	15,419	4,664	54	14	0
	Southern Region	**4,757**	**2,59,825**	**10,846**	**3,185**	**358**	**62**	**948**
27	Andhra Pradesh	617	9,197	1,667	255	46	12	121
28	Telangana	278	18,749	703	136	1	0	12
29	Karnataka	1,274	11,214	4,303	1,570	106	50	219
30	Kerala*	632	1,86,138	1,643	0	0	0	0
31	Puducherry	38	2,968	15	38	0	0	0
32	Tamil Nadu	1,918	31,560	2,515	1,186	205	0	596
	All India	**37,419**	**4,31,984**	**72,548**	**17,997**	**2,341**	**1,110**	**8,563**

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	
	2020	2021	2020	2021
1	2	3	4	5
Scheduled Castes	15,886	14,183	4,044	4,390
Scheduled Tribes	9,087	8,482	2,572	2,666
Small Farmers	35,959	35,507	12,449	12,559
Rural Artisans	2,996	3,231	762	820
Others and Marginal Farmers	74,230	75,767	32,728	33,217

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		Percentage Variation	
	2020	2021P	2019-20	2020-21
1	2	3	4	5
Liabilities				
1. Capital	939	949	-0.1	1.2
	(3.5)	(3.5)		
2. Reserves	4,928	5,193	38.8	5.4
	(18.2)	(19)		
3. Deposits	2,409	2,546	-1.0	5.7
	(8.9)	(9.3)		
4. Borrowings	13,740	13,293	-9.0	-3.3
	(50.7)	(48.7)		
5. Other Liabilities	5,090	5,293	-14.8	4.0
	(18.8)	(19.4)		
Assets				
1. Cash and Bank Balances	174	234	-32.2	34.4
	(0.6)	(0.9)		
2. Investments	2,498	2,272	-24.4	-9.0
	(9.2)	(8.3)		
3. Loans and Advances	20,704	20,918	0.3	1.0
	(76.4)	(76.7)		
4.Accumulated Losses	611	518	7.5	-15.2
	(2.3)	(1.9)		
5. Other Assets	3,119	3,332	-3.1	6.8
	(11.5)	(12.2)		
Total Liabilities/Assets	**27,106**	**27,275**	**-3.2**	**0.6**
	(100.0)	**(100.0)**		

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.
4. P- Provisional

Source: NABARD.

Appendix Table V.9: Financial Performance of State Co-operative Agriculture and Rural Development Banks

(Amount in ₹ Crore)

Sr. No.	Item	As during		Percentage Variation	
		2019-20	2020-21P	2019-20	2020-21
1	2	3	4	5	6
A	**Income (i+ii)**	**2,584**	**2,343**	**2.9**	**-9.3**
		(100.00)	**(100.00)**		
	i Interest Income	2,376	2,156	-2.1	-9.3
		(92)	(92)		
	ii Other Income	208	187	149.2	-10.1
		(8)	(8)		
B	**Expenditure (i+ii+iii+iv)**	**2,333**	**2,180**	**-8.8**	**-6.6**
	i Interest Expended	1,297	1,175	-5.7	-9.4
		(55.6)	(53.9)		
	ii Provisions and Contingencies	453	465	14.7	2.7
		(19.4)	(21.3)		
	iii Operating Expenses	399	404	-12.1	1.3
		(17.1)	(18.5)		
	Of which, Wage Bill	349	351	-7.4	0.4
		(15)	(16.1)		
	iv Other Expenditure	185	136	-44.8	-26.3
		(7.9)	(6.2)		
C	**Profits**				
	i Operating Profits	703	627	103.7	-10.8
	ii Net Profits/Loss	250	163		

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.
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	
	2020	2021P	2019-20	2020-21
1	2	3	4	5
A. Total NPAs (i+ii+iii)	**6,836**	**6,942**	**24.8**	**1.5**
i) Sub-standard	2,518	2,337	18.9	-7.2
	(36.8)	(33.7)		
ii) Doubtful	4,285	4,570	28.9	6.6
	(62.7)	(65.8)		
iii) Loss	34	35	-0.8	4.5
	(0.5)	(0.5)		
B. NPAs to Loans Ratio (%)	**33.0**	**33.2**		
C. Recovery to Demand Ratio (%)	**43.0**	**46.5**		

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

Source: NABARD.

Appendix Table V.11: Financial Indicators of State Co-operative Agriculture and Rural Development Banks
(At end - March)

(Amount ₹ Lakh)

Sr. No.	Region/State	Branches	Profit / Loss		NPAs to Loans ratio (%)		Recovery Ratio (%) (at End-June)	
		2021	2020	2021P	2020	2021P	2020	2021P
1	2	3	4	5	6	7	8	9
	Northern region							
1	Haryana @	19	6,392	2,381	81.0	76.1	16.7	12.5
2	Himachal Pradesh #	51	-1,210	109	33.0	39.0	33.3	39.7
3	Jammu & Kashmir*	51	-2,237	-1,462	32.1	41.5	33.3	30.6
4	Punjab @	89	227	247	27.7	32.3	41.6	32.9
5	Rajasthan @	2	2,971	1,679	51.1	52.9	28.8	20.8
	North-eastern region							
6	Assam*	-	-	-	-	-	-	-
7	Tripura*	5	-3	-63	98.2	99.4	40.5	NA
	Eastern region							
8	Bihar*	-	-	-	-	-	-	-
9	Odisha @	-	-	-	-	-	-	-
10	West Bengal #	11	358	1,060	24.0	23.5	22.0	32.9
	Central region							
11	Chhattisgarh @	-	-	-	-	-	-	-
12	Madhya Pradesh @	-	-	-	-	-	-	-
13	Uttar Pradesh*	323	9,770	2,323	72.1	83.7	27.1	25.5
	Western region							
14	Gujarat*	176	2,525	1,150	56.3	61.4	34.6	32.0
15	Maharashtra @	-	-	-	-	-	-	-
	Southern region							
16	Karnataka @	25	76	2,411	31.4	27.1	38.1	44.0
17	Kerala @	16	2,868	2,646	5.8	6.1	88.0	100.0
18	Puducherry*	1	-146	-171	7.6	13.2	92.8	89.7
19	Tamil Nadu @	25	3,440	3,948	12.1	11.9	86.2	87.7
	All India	**794**	**25,032**	**16,258**	**33.0**	**33.2**	**43.0**	**46.5**

@ : 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 coop 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. Provisional Data for 2021.

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		Percentage Variation	
	2020	2021P	2019-20	2020-21
1	2	3	4	5
Liabilities				
1. Capital	1,056	1,024	-1.1	-3.1
	(3.4)	(3.2)		
2. Reserves	2,603	3,203	49.5	23.1
	(8.3)	(10.1)		
3. Deposits	1,372	1,551	5.3	13.0
	(4.4)	(4.9)		
4. Borrowings	16,643	16,144	3.4	-3.0
	(53.1)	(51)		
5. Other Liabilities	9,663	9,755	-2.3	1.0
	(30.8)	(30.8)		
Assets				
1. Cash and Bank Balances	378	503	-14.3	33.1
	(1.2)	(1.6)		
2. Investments	2,065	2,213	2.3	7.2
	(6.6)	(7)		
3. Loans and Advances	15,810	15,325	1.4	-3.1
	(50.5)	(48.4)		
4. Accumulated Losses	5,479	5,854	13.1	6.8
	(17.5)	(18.5)		
5. Other Assets	7,605	7,783	5.5	2.3
	(24.3)	(24.6)		
Total Liabilities/Assets	**31,337**	**31,677**	**4.1**	**1.1**
	(100.0)	**(100.0)**		

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.
4. Provisional Data for 2021.

Source: NABARD.

Appendix Table V.13: Financial Performance of Primary Co-operative Agriculture and Rural Development Banks

(Amount in ₹ Crore)

Item	As during		Percentage Variation	
	2019-20	2020-21P	2019-20	2020-21
1	2	3	4	5
A. Income (i+ii)	**2,651**	**3,114**	**5.1**	**17.5**
	(100.0)	**(100.0)**		
i. Interest Income	2,008	1,999	2.9	-0.5
	(75.8)	(64.2)		
ii. Other Income	643	1,115	12.7	73.4
	(24.2)	(35.8)		
B. Expenditure (i+ii+iii)	**3,230**	**3,587**	**8.9**	**11.1**
i. Interest Expended	1,733	1,791	0.5	3.4
	(53.6)	(49.9)		
ii. Provisions and Contingencies	1,013	1,061	31.3	4.8
	(31.4)	(29.6)		
iii. Operating Expenses	484	734	3.3	51.7
	(15.0)	(20.5)		
Of which, Wage Bill	274	304	-13.9	11.0
	(8.5)	(8.5)		
C. Profits				
i. Operating Profit	435	589	31.8	35.4
ii. Net Profit	-578	-473		

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.
4. Provisional Data for 2021.

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		Percentage Variation	
	2020	2021P	2019-20	2020-21
1	2	3	4	5
A. Total NPAs (i+ii+iii)	**6,773**	**6,818**	**10.6**	**0.7**
i) Sub-standard	3,493	3,247	11.3	-7.1
	(51.6)	(47.6)		
ii) Doubtful	3,259	3,553	10.9	9.0
	(48.1)	(52.1)		
iii) Loss	21	19	-52.3	-11.1
	(0.3)	(0.3)		
B. NPAs to Loans Ratio (%)	**43**	**44**	**-**	**-**
C. Recovery to Demand Ratio (%)	**47**	**42**	**-**	**-**

Notes: 1. Figures in parentheses are proportions 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. Provisional Data for 2021.
5. Recovery for the financial year is taken as on 30th June.

Source: NABARD.

Appendix Table V.15: Major Financial Indicators of Primary Co-operative Agriculture and Rural Developments Banks

(Amount in ₹ Lakh)

State	2019-20				2020-21P				NPAs to Loans ratio (%)		Recovery Ratio (%) (at End-June)	
	Profit		Loss		Profit		Loss					
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	2020	2021	2019	2020
1	6	7	8	9	6	7	8	9	10	11	12	13
Northern Region	**42**	**2,815**	**103**	**27,331**	**26**	**1,122**	**119**	**41,560**	**68**	**72**	**25**	**19**
Haryana	4	264	15	9,411	0	0	19	18,598	82	84	22	10
Himachal Pradesh	0	0	1	442	1	16	0	0	51	31	49	53
Punjab	18	1,131	71	12,750	7	406	82	16,758	73	80	25	20
Rajasthan	20	1,419	16	4,728	18	699	18	6,205	45	45	30	29
Central Region	-	-	-	-	-	-	-	-	-	-	-	-
Chhattisgarh	-	-	-	-	-	-	-	-	-	-	-	-
Madhya Pradesh	-	-	-	-	-	-	-	-	-	-	-	-
Eastern Region	**8**	**527**	**16**	**2,089**	**10**	**1,226**	**14**	**4,278**	**34**	**35**	**36**	**39**
Odisha	-	-	-	-	-	-	-	-	-	-	-	-
West Bengal	8	527	16	2,089	10	1,226	14	4,278	34	35	36	39
Western Region	-	-	-	-	-	-	-	-	-	-	-	-
Maharashtra	-	-	-	-	-	-	-	-	-	-	-	-
Southern Region	**177**	**4,471**	**256**	**36,239**	**275**	**16,903**	**159**	**20,694**	**32**	**34**	**73**	**64**
Karnataka	41	1,709	137	10,444	127	9,703	51	1,715	25	21	72	70
Kerala	18	554	57	25,030	23	4,759	53	18,359	36	40	64	56
Tamil Nadu	118	2,208	62	765	125	2,441	55	620	10	9	93	81
All India	**227**	**7,813**	**375**	**65,659**	**311**	**19,251**	**292**	**66,532**	**43**	**44**	**47**	**42**

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 on 30th June.
5. Data for 2020-21 is Provisional.

Source: NABARD.

Appendix Table VI.1 : Consolidated Balance Sheet of NBFCs

(Amount in ₹ crore)

Item	End-March 2018	End-March 2019	End-March 2020	End-March 2021	End-March 2022	End-September 2022	Percentage variation 2021-22
1	2	3	4	5	6	7	8
1. Share Capital	94,807	1,03,244	1,25,801	1,26,474	1,31,241	1,27,088	3.8
2. Reserves & Surplus	3,90,222	4,45,614	5,05,865	6,71,153	7,70,209	7,13,257	14.8
3. Public Deposits	30,129	40,057	50,022	62,262	70,754	71,640	13.6
4. Total Borrowings (A+B)	16,84,663	20,02,808	22,35,336	23,51,679	25,51,092	25,84,696	8.5
A. Secured Borrowings	9,19,538	11,06,917	13,05,214	13,30,129	14,73,253	14,87,012	10.8
A.1. Debentures	4,90,070	5,21,003	5,13,108	5,54,477	5,74,102	5,79,789	3.5
A.2. Borrowings from Banks	3,53,415	4,89,732	5,72,253	6,17,897	7,28,266	7,37,356	17.9
A.3. Borrowings from FIs	22,885	29,027	57,610	46,279	57,305	62,821	23.8
A.4. Interest Accrued	20,692	16,958	17,732	19,264	20,052	14,607	4.1
A.5. Others	32,476	50,196	1,44,510	92,213	93,528	92,438	1.4
B. Un-Secured Borrowings	7,65,125	8,95,891	9,30,122	10,21,549	10,77,838	10,97,684	5.5
B.1. Debentures	3,36,171	3,40,905	3,93,392	4,28,099	4,32,394	4,30,015	1.0
B.2. Borrowings from Banks	59,746	1,19,964	1,22,657	1,57,203	1,76,448	1,86,376	12.2
B.3. Borrowings from FIs	8,318	9,700	5,906	11,076	9,113	8,054	-17.7
B.4. Borrowings from Relatives	2,324	1,994	2,642	4,196	2,824	1,631	-32.7
B.5. Inter-Corporate Borrowings	54,100	72,103	78,279	77,840	86,663	95,573	11.3
B.6. Commercial Paper	1,36,072	1,42,966	66,865	72,597	70,117	72,340	-3.4
B.7. Interest Accrued	21,165	17,598	19,000	19,477	18,207	18,025	-6.5
B.8. Others	1,47,228	1,90,661	2,41,381	2,51,062	2,82,070	2,85,669	12.4
5. Current Liabilities & Provisions	1,55,439	2,33,415	2,52,111	2,92,768	3,17,625	3,21,492	8.5
Total Liabilities/ Total Assets	**23,55,260**	**28,25,139**	**31,69,135**	**35,04,335**	**38,40,921**	**38,18,173**	**9.6**
1. Loans & Advances	19,43,494	22,95,371	24,63,943	27,02,618	29,08,743	29,37,051	7.6
1.1. Secured	15,00,477	16,49,728	18,58,735	19,64,895	22,42,969	22,54,593	14.2
1.2. Un-Secured	4,43,017	6,45,643	6,05,208	7,37,723	6,65,774	6,82,458	-9.8
2. Investments	2,19,795	2,59,008	3,47,875	4,44,837	5,13,891	4,50,462	15.5
2.1. Govt. Securities	10,330	17,328	68,777	47,439	65,287	75,538	37.6
2.2. Equity Shares	1,10,412	1,35,395	1,44,453	2,63,932	2,98,740	2,20,378	13.2
2.3. Preference Shares	7,479	6,644	6,439	6,073	6,681	5,968	10.0
2.4. Debentures & Bonds	40,865	35,446	34,696	26,747	33,757	31,363	26.2
2.5. Units of Mutual Funds	31,608	44,421	65,106	66,936	66,710	68,218	-0.3
2.6. Commercial Paper	2,135	1,390	1,275	1,450	1,714	929	18.2
2.7. Other Investments	16,965	18,384	27,129	32,261	41,003	48,068	27.1
3. Cash & Bank Balances	67,429	96,030	1,31,459	1,57,708	1,80,341	1,80,066	14.4
3.1. Cash in Hand	3,367	6,770	6,260	4,458	7,963	5,094	78.6
3.2. Deposits with Banks	64,062	89,260	1,25,199	1,53,250	1,72,378	1,74,972	12.5
4. Other Current Assets	98,803	1,24,170	1,80,281	1,59,543	1,65,364	1,75,179	3.6
5. Other Assets	25,739	50,560	45,577	39,629	72,581	75,414	83.2
Memo Items							
1. Capital Market Exposure	1,61,874	1,39,965	1,62,749	1,91,616	2,19,054	2,26,992	14.3
of which: Equity Shares	59,876	70,611	89,565	1,10,125	1,42,457	1,39,976	29.4
2. CME as per cent to Total Assets	6.9	5.0	5.1	5.5	5.7	5.9	
3. Leverage Ratio	3.9	4.1	4.9	4.5	4.3	4.6	

Notes: 1. Data are provisional.
2. Percentage figures are rounded-off to one decimal place.
3. Excluding CICs and PDs.

Source: Quarterly returns of NBFCs, RBI.

Appendix Table VI.2 : Consolidated Balance Sheet of NBFCs-ND-SI

(Amount in ₹ crore)

Item	End-March 2018	End-March 2019	End-March 2020	End-March 2021	End-March 2022	End-September 2022	Percentage variation 2021-22
1	2	3	4	5	6	7	8
1. Share Capital	91,545	98,041	1,18,610	1,18,011	1,24,241	1,22,112	5.3
2. Reserves & Surplus	3,39,179	3,83,655	4,27,288	5,78,731	6,65,668	6,03,592	15.0
3. Public Deposits	-	-	-	-		-	-
4. Total Borrowings (A+B)	14,72,716	17,32,680	19,40,954	20,65,567	22,50,360	22,57,631	8.9
A. Secured Borrowings	7,52,488	8,85,800	10,51,652	10,82,638	12,13,224	12,12,569	12.1
A.1. Debentures	4,07,105	4,23,738	4,13,555	4,60,918	4,71,208	4,75,121	2.2
A.2. Borrowings from Banks	2,83,386	3,83,654	4,48,215	5,03,397	6,08,726	6,02,420	20.9
A.3. Borrowings from FIs	19,430	24,051	49,542	33,609	45,946	51,924	36.7
A.4. Interest Accrued	15,499	13,839	14,404	14,782	16,397	12,272	10.9
A.5. Others	27,067	40,518	1,25,935	69,931	70,946	70,832	1.5
B. Un-Secured Borrowings	7,20,228	8,46,880	8,89,302	9,82,930	10,37,136	10,45,062	5.5
B.1. Debentures	3,35,698	3,39,013	3,89,607	4,22,977	4,26,300	4,23,369	0.8
B.2. Borrowings from Banks	58,420	1,19,813	1,22,307	1,56,888	1,76,363	1,86,226	12.4
B.3. Borrowings from FIs	8,318	9,700	5,906	11,076	9,113	8,054	-17.7
B.4. Borrowings from Relatives	2,223	1,909	2,561	4,127	2,779	1,588	-32.7
B.5. Inter-Corporate Borrowings	48,905	64,713	69,750	69,934	75,564	79,994	8.1
B.6. Commercial Paper	1,17,899	1,24,854	59,386	64,074	62,218	57,560	-2.9
B.7. Interest Accrued	16,969	13,953	15,509	18,523	17,142	16,935	-7.5
B.8. Others	1,31,796	1,72,926	2,24,277	2,35,332	2,67,657	2,71,335	13.7
5. Current Liabilities & Provisions	1,10,709	1,88,933	1,95,461	2,23,633	2,48,075	2,51,078	10.9
Total Liabilities/ Total Assets	**20,14,150**	**24,03,310**	**26,82,313**	**29,85,943**	**32,88,344**	**32,34,413**	**10.1**
1. Loans & Advances	16,34,294	19,16,352	20,46,134	22,78,224	24,47,059	24,51,024	7.4
1.1. Secured	12,44,815	13,42,155	15,29,828	16,71,935	18,84,879	18,75,417	12.7
1.2. Un-Secured	3,89,479	5,74,197	5,16,306	6,06,289	5,62,180	5,75,607	-7.3
2. Investments	2,07,838	2,35,117	3,08,724	3,98,236	4,68,413	3,98,252	17.6
2.1. Govt. Securities	5,392	11,790	59,659	29,706	39,613	47,875	33.3
2.2. Equity Shares	1,07,302	1,28,494	1,34,110	2,53,551	2,87,756	2,07,395	13.5
2.3. Preference Shares	6,784	6,419	6,174	5,789	6,678	5,964	15.3
2.4. Debentures & Bonds	39,197	34,091	34,199	26,453	33,443	31,047	26.4
2.5. Units of Mutual Funds	31,272	39,615	49,803	55,738	62,187	63,672	11.6
2.6. Commercial Paper	1,641	533	423	939	1,614	901	72.0
2.7. Other Investments	16,250	14,175	24,356	26,061	37,123	41,398	42.4
3. Cash & Bank Balances	58,634	86,244	1,14,184	1,23,474	1,48,174	1,48,793	20.0
3.1. Cash in Hand	3,041	6,323	6,120	4,081	7,326	4,427	79.5
3.2. Deposits with Banks	55,593	79,920	1,08,063	1,19,393	1,40,848	1,44,366	18.0
4. Other Current Assets	89,371	1,16,638	1,68,481	1,46,988	1,52,703	1,63,808	3.9
5. Other Assets	24,013	48,959	44,790	39,021	71,994	72,536	84.5
Memo Items							
1. Capital Market Exposure	1,53,542	1,30,334	1,52,724	1,79,375	2,03,294	2,14,899	13.3
of which: Equity Shares	59,439	70,095	84,051	1,04,378	1,41,899	1,39,441	35.9
2. CME as per cent to Total Assets	7.6	5.4	5.7	6.0	6.3	6.6	
3. Leverage Ratio	3.7	4.0	4.9	4.4	4.3	4.6	

Notes: 1. Data are provisional.
2. Percentage figures are rounded-off to one decimal place.
3. Excluding CICs and PDs.

Source: Quarterly returns of NBFCs-ND-SI, RBI.

Appendix Table VI.3 : Consolidated Balance Sheet of NBFCs-D

(Amount in ₹ crore)

Item	End-March 2018	End-March 2019	End-March 2020	End-March 2021	End-March 2022	End-September 2022	Percentage variation 2021-22
1	2	3	4	5	6	7	8
1. Share Capital	3,262	5,202	7,191	8,463	7,000	4,976	-17.3
2. Reserves & Surplus	51,043	61,959	78,577	92,422	1,04,541	1,09,665	13.1
3. Public Deposits	30,129	40,057	50,022	62,262	70,754	71,640	13.6
4. Total Borrowings (A+B)	2,11,947	2,70,128	2,94,382	2,86,111	3,00,731	3,27,065	5.1
A. Secured Borrowings	1,67,050	2,21,117	2,53,562	2,47,492	2,60,029	2,74,443	5.1
A.1. Debentures	82,964	97,265	99,553	93,559	1,02,894	1,04,668	10.0
A.2. Borrowings from Banks	70,029	1,06,079	1,24,038	1,14,499	1,19,540	1,34,936	4.4
A.3. Borrowings from FIs	3,455	4,976	8,068	12,670	11,359	10,897	-10.3
A.4. Interest Accrued	5,193	3,119	3,328	4,482	3,655	2,335	-18.5
A.5. Others	5,408	9,678	18,576	22,282	22,581	21,606	1.3
B. Un-Secured Borrowings	44,897	49,010	40,820	38,620	40,702	52,622	5.4
B.1. Debentures	473	1,892	3,785	5,122	6,094	6,646	19.0
B.2. Borrowings from Banks	1,326	151	350	315	85	150	-73.0
B.3. Borrowings from FIs	-	-	-	-	-	-	-
B.4. Borrowings from Relatives	101	86	82	69	45	43	-34.2
B.5. Inter-Corporate Borrowings	5,195	7,390	8,529	7,906	11,099	15,580	40.4
B.6. Commercial Paper	18,173	18,112	7,478	8,523	7,899	14,780	-7.3
B.7. Interest Accrued	4,197	3,645	3,491	955	1,066	1,089	11.6
B.8 Others	15,432	17,736	17,104	15,730	14,414	14,334	-8.4
5. Current Liabilities & Provisions	44,729	44,209	56,653	69,135	69,551	70,414	0.6
Total Liabilities/ Total Assets	**3,41,110**	**4,21,829**	**4,86,825**	**5,18,392**	**5,52,577**	**5,83,760**	**6.6**
1. Loans & Advances	3,09,199	3,79,019	4,17,807	4,24,394	4,61,684	4,86,028	8.8
1.1. Secured	2,55,662	3,07,573	3,28,907	2,92,960	3,58,091	3,79,176	22.2
1.2. Un-Secured	53,538	71,446	88,899	1,31,434	1,03,593	1,06,851	-21.2
2. Investments	11,957	23,891	39,151	46,601	45,479	52,210	-2.4
2.1. Govt. Securities	4,938	5,538	9,118	17,733	25,674	27,664	44.8
2.2. Equity Shares	3,111	6,901	10,343	10,381	10,985	12,984	5.8
2.3. Preference Shares	695	225	265	284	3	3	-98.9
2.4. Debentures & Bonds	1,668	1,355	496	294	314	316	6.9
2.5. Units of Mutual Funds	336	4,807	15,302	11,198	4,523	4,546	-59.6
2.6. Commercial Paper	494	857	852	511	100	28	-80.4
2.7. Other Investments	714	5,272	2,773	6,200	3,880	6,670	-37.4
3. Cash & Bank Balances	8,795	9,786	17,275	34,235	32,167	31,272	-6.0
3.1. Cash in Hand	326	447	139	377	636	666	68.6
3.2. Deposits with Banks	8,469	9,339	17,136	33,857	31,530	30,606	-6.9
4. Other Current Assets	9,432	7,531	9,494	12,555	12,661	11,371	0.8
5. Other Assets	1,727	1,601	3,093	608	587	2,878	-3.4
Memo Items							
1. Capital Market Exposure	8,331	9,630	10,025	12,241	15,761	12,092	28.8
of which: Equity Shares	437	516	5,514	5,747	558	536	-90.3
2. CME as per cent to Total Assets	2.4	2.3	2.1	2.4	2.9	2.1	
3. Leverage Ratio	5.3	5.7	5.0	4.5	4.2	4.4	

Notes: 1. Data are provisional.
2. Percentage figures are rounded-off to one decimal place.

Source: Quarterly returns of NBFCs-D, RBI.

Appendix Table VI.4: Credit to Various Sectors by NBFCs

(Amount in ₹ crore)

Items	End- March 2020	End- March 2021	End- March 2022	End- September 2022	Percentage variation 2021-22
1	2	3	4	5	6
I. Gross Advances (II + III)	**24,63,943**	**27,02,618**	**29,08,743**	**29,37,051**	**7.6**
II. Food Credit	**75**	**-**	**-**	**1,752**	**-**
III. Non-Food Credit (1 to 5)	**24,63,868**	**27,02,618**	**29,08,743**	**29,35,299**	**7.6**
1. Agriculture and Allied Activities	**34,448**	**37,728**	**50,422**	46,464	**33.6**
2. Industry (2.1 to 2.4)	**9,58,468**	**10,60,411**	**11,12,852**	**11,15,749**	**4.9**
2.1 Micro and Small	36,441	44,235	46,967	49,966	6.2
2.2 Medium	14,077	14,910	17,186	15,103	15.3
2.3 Large	7,95,188	8,54,546	8,94,102	8,99,619	4.6
2.4 Others, if any, Please specify	1,12,762	1,46,720	1,54,598	1,51,061	5.4
3. Services (3.1 to 3.10)	**3,48,901**	**3,30,758**	**4,02,935**	**3,81,485**	**21.8**
3.1 Transport Operators	63,963	65,313	1,02,742	90,059	57.3
3.2 Computer Software	1,391	1,706	1,659	1,462	-2.7
3.3 Tourism, Hotel and Restaurants	7,035	8,453	7,673	7,177	-9.2
3.4 Shipping	165	140	172	167	22.9
3.5 Professional Services	14,664	16,396	20,749	21,592	26.5
3.6 Trade	33,864	33,594	49,928	54,951	48.6
3.6.1 Wholesale Trade (other than Food Procurement)	7,142	6,875	9,538	9,885	38.7
3.6.2 Retail Trade	26,722	26,719	40,390	45,066	51.2
3.7 Commercial Real Estate	1,01,454	80,480	88,123	79,754	9.5
3.8 NBFCs	26,647	28,671	34,292	32,757	19.6
3.9 Aviation	801	948	1,143	1,301	20.5
3.10 Other Services	98,917	95,058	96,455	92,265	1.5
4. Retail Loans (4.1 to 4.10)	**7,34,795**	**7,90,073**	**8,29,485**	**8,79,571**	**5.0**
4.1 Housing Loans (incl. priority sector Housing)	14,071	21,484	23,329	24,680	8.6
4.2 Consumer Durables	19,171	18,519	24,802	27,464	33.9
4.3 Credit Card Receivables	24,606	25,991	32,710	40,166	25.8
4.4 Vehicle/Auto Loans	3,32,449	3,57,338	3,34,947	3,54,966	-6.3
4.5 Education Loans	9,049	9,277	14,264	7,879	53.8
4.6 Advances against Fixed Deposits (incl. FCNR(B), *etc.*)	44	31	42	213	36.2
4.7 Advances to Individuals against Shares, Bonds, *etc.*	7,940	8,298	12,998	13,398	56.6
4.8 Advances to Individuals against Gold	75,451	1,12,899	1,18,918	1,18,723	5.3
4.9 Micro finance loan/SHG Loan	45,107	59,635	74,826	77,567	25.5
4.10 Other Retail Loans	2,06,907	1,76,600	1,92,648	2,14,513	9.1
5. Other Non-food Credit	**3,87,256**	**4,83,648**	**5,13,050**	**5,12,031**	**6.1**

Notes: 1. Data are provisional.
2. Percentage figures are rounded-off to one decimal place.
3. Excluding CICs and PDs.

Source: Quarterly returns of NBFCs, RBI.

Appendix Table VI.5 : Financial Performance of NBFCs - ND-SI

(Amount in ₹ crore)

Items	2020	2021	2022 (P)	H1: 2022-23
1	2	3	4	5
A. Total Income	**2,76,203**	**2,89,157**	**3,03,831**	**1,69,696**
(i) Fund Based Income	2,59,320 (93.9)	2,70,172 (93.4)	2,81,508 (92.7)	1,45,440 (85.7)
(ii) Fee Based Income	8,692 (3.1)	8,233 (2.8)	11,340 (3.7)	7,074 (4.2)
B. Expenditure	**2,35,021**	**2,44,869**	**2,39,645**	**1,25,955**
(i) Financial Expenditure	1,47,014 (62.6)	1,44,816 (59.1)	1,42,896 (59.6)	74,449 (59.1)
of which, Interest payment	67,730 (28.8)	68,738 (28.1)	67,450 (28.1)	34,705 (27.6)
(ii) Operating Expenditure	42,258 (18.0)	39,334 (16.1)	48,479 (20.2)	25,046 (19.9)
(iii) Others	45,749 (19.5)	60,719 (24.8)	48,270 (20.1)	26,460 (21.0)
C. Tax Provisions	**12,872**	**11,387**	**15,663**	**7,975**
D. Profit Before Tax	**41,182**	**44,288**	**64,186**	**43,741**
E. Net Profit	**28,310**	**32,901**	**48,523**	**35,766**
F. Total Assets	**26,82,313**	**29,85,943**	**32,88,344**	**32,34,413**
G. Financial Ratios (as Per cent of Total Assets)				
(i) Income	10.3	9.7	9.2	10.5
(ii) Fund Income	9.7	9.0	8.6	9.0
(iii) Fee Income	0.3	0.3	0.3	0.4
(iv) Expenditure	8.8	8.2	7.3	7.8
(v) Financial Expenditure	5.5	4.8	4.3	4.6
(vi) Operating Expenditure	1.6	1.3	1.5	1.5
(vii) Tax Provision	0.5	0.4	0.5	0.5
(viii) Net Profit	1.1	1.1	1.5	2.2
H. Cost to Income (percentage)	**85.1**	**84.7**	**78.9**	**74.2**

Notes: 1. Data are provisional.
2. Total income includes non-financial income as well, which is not reported in the table.
3. Excluding CICs and PDs.
4. Figures in parentheses are share (in per cent) to respective total.
5. Percentage figures are rounded-off to one decimal place.

Source: Quarterly returns of NBFCs-ND-SI, RBI.

Appendix Table VI.6: Financial Performance of NBFCs-D

(Amount in ₹ crore)

Items	2020	2021	2022 (P)	H1: 2022-23
1	2	3	4	5
A. Total Income	**66,574**	**67,095**	**72,732**	**39,893**
(i) Fund Based Income	64,278	65,547	70,478	38,411
	(96.6)	(97.7)	(96.9)	(96.3)
(ii) Fee Based Income	131	107	301	172
	(0.2)	(0.2)	(0.4)	(0.4)
B. Expenditure	**51,461**	**55,504**	**55,282**	**27,411**
(i) Financial Expenditure	27,893	28,386	29,620	14,560
	(54.2)	(51.1)	(53.6)	(53.1)
of which, Interest payment	11,620	13,435	15,653	7,289
	(22.6)	(24.2)	(28.3)	(26.6)
(ii) Operating Expenditure	12,514	11,371	12,983	8,116
	(24.3)	(20.5)	(23.5)	(29.6)
(iii) Others	11,054	15,747	12,680	4,735
	(21.5)	(28.4)	(22.9)	(17.3)
C. Tax Provisions	**4,398**	**2,913**	**4,130**	**3,045**
D. Profit Before Tax	**15,114**	**11,591**	**17,449**	**12,482**
E. Net Profit	**10,716**	**8,677**	**13,319**	**9,437**
F. Total Assets	**4,86,823**	**5,18,392**	**5,52,577**	**5,83,760**
G. Financial Ratios (as Per cent of Total Assets)				
(i) Income	13.7	12.9	13.2	13.7
(ii) Fund Income	13.2	12.6	12.8	13.2
(iii) Fee Income	0.0	0.0	0.1	0.1
(iv) Expenditure	10.6	10.7	10.0	9.4
(v) Financial Expenditure	5.7	5.5	5.4	5.0
(vi) Operating Expenditure	2.6	2.2	2.3	2.8
(vii) Tax Provision	0.9	0.6	0.7	1.0
(viii) Net Profit	2.2	1.7	2.4	3.2
H. Cost to Income (percentage)	**77.3**	**82.7**	**76.0**	**68.7**

Notes: 1. Data are provisional.
2. Total income includes non-financial income as well, which is not reported in the table.
3. Figures in parentheses are share (in per cent) to respective total.
4. Percentage figures are rounded-off to one decimal place.

Source: Quarterly returns of NBFCs-D, RBI.

Appendix Table VI.7: Financial Assistance Sanctioned and Disbursed by Financial Institutions *(Continued)*

(Amount in ₹ crore)

Institutions	Loans*							
	2020-21		2021-22		Apr-Sep 2021		Apr-Sep 2022	
	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)	6,32,385	5,23,958	6,11,600	6,01,320	1,97,937	2,03,381	2,66,391	2,66,596
1. NABARD	4,59,205	3,49,470	3,79,618	3,77,748	1,18,766	1,27,551	86,717	90,270
2. SIDBI	96,718	97,542	1,46,668	1,45,311	43,206	42,530	1,44,940	1,42,478
3. EXIM Bank	36,521	34,122	54,807	52,271	27,603	19,452	20,263	23,561
4. NHB@	39,941	42,824	30,507	25,990	8,362	13,847	14,470	10,286
B. Specialised financial institutions (5, 6 and 7)	469	457	237	277	174	124	142	111
5. IVCF	0	0	0	0	0	0	0	0
6. ICICI venture	-	-	-	-	-	-	-	-
7. TFCI	469	457	237	277	174	124	142	111
C. Investment institutions (8 and 9)	13	0.5	0	0	0	0	0	0
8. LIC	13	0.5	0	0	0	0	0	0
9. GIC	0	0	0	0	0	0	0	0
D. Financial Institutions (A+B+C)	6,32,867	5,24,416	6,11,837	6,01,597	1,98,111	2,03,505	2,66,533	2,66,706
E. State level institutions (10 and 11)	6,473	5,497	5,828	4,578	..	..	..	..
10. SFCs^	6,473	5,497	5,828	4,578	..	..	..	..
11. SIDCs	..	..	..	..	..	..	..	..
F. Total assistance by all financial institutions (D+E)	6,39,340	5,29,913	6,17,665	6,06,176	1,98,111	2,03,505	2,66,533	2,66,706

S: Sanctions. D: Disbursements. _: Nil. .. : Not Available. n.m.: Not Meaningful.
*: Loans include rupee loans and foreign currency loans.
@: The data pertains to April-March while NHB's financial year runs from July-June.
#: Others include guarantees.
^: Data pertains to ten 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 Assistance Sanctioned and Disbursed by Financial Institutions *(Continued)*

(Amount in ₹ crore)

Institutions	Underwriting and Direct Subscription							
	2020-21		2021-22		Apr-Sep 2021		Apr-Sep 2022	
	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)	1,631	573	1,871	1,091	350	456	160	579
1. NABARD	0	0	0	0	0	0	0	0
2. SIDBI	1,631	573	1,871	1,091	350	456	160	579
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)	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)	1,23,128	42,182	95,527	38,163	51,327	13,344	43,731	22,844
8. LIC	1,23,128	42,182	95,527	38,163	51,327	13,344	43,731	22,844
9. GIC	0	0	0	0	0	0	0	0
D. Financial Institutions (A+B+C)	1,24,759	42,755	97,398	39,254	51,677	13,799	43,891	23,423
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)	1,24,759	42,755	97,398	39,254	51,677	13,799	43,891	23,423

S: Sanctions. D: Disbursements. _: Nil. .. : Not Available. n.m.: Not Meaningful.
*: Loans include rupee loans and foreign currency loans.
@: The data pertains to April-March while NHB's financial year runs from July-June.
#: Others include guarantees.
^: Data pertains to ten 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 Assistance Sanctioned and Disbursed by Financial Institutions *(Continued)*

(Amount in ₹ crore)

Institutions	Others#							
	2020-21		2021-22		Apr-Sep 2021		Apr-Sep 2022	
	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)	7,071	3,623	14,844	4,623	4,746	2,117	8,530	1,328
1. NABARD	644	552	778	639	155	160	248	152
2. SIDBI	5	0	11	0	1	0	3	0
3. EXIM Bank	6,422	3,071	14,055	3,984	4,590	1,957	8,279	1,176
4. NHB@	0	0	0	0	0	0	0	0
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)	200	192	1,829	370	1,350	233	250	118
8. LIC	200	192	1,829	370	1,350	233	250	118
9. GIC	0	0	0	0	0	0	0	0
D. Financial Institutions (A+B+C)	7,271	3,815	16,673	4,993	6,096	2,350	8,780	1,446
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)	7,271	3,815	16,673	4,993	6,096	2,350	8,780	1,446

S: Sanctions. D: Disbursements. _: Nil. .. : Not Available. n.m.: Not Meaningful.
*: Loans include rupee loans and foreign currency loans.
@: The data pertains to April-March while NHB's financial year runs from July-June.
#: Others include guarantees.
^: Data pertains to ten 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 Assistance Sanctioned and Disbursed by Financial Institutions *(Concluded)*

(Amount in ₹ crore)

Institutions	Total								Percentage variation			
	2020-21		2021-22		Apr-Sep 2021		Apr-Sep 2022		2021-22		Apr-Sep 2022 (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)	6,41,087	5,28,154	6,28,315	6,07,034	2,03,033	2,05,953	2,75,081	2,68,502	-2.0	14.9	35.5	30.4
1. NABARD	4,59,849	3,50,022	3,80,396	3,78,387	1,18,921	1,27,711	86,965	90,423	-17.3	8.1	-26.9	-29.2
2. SIDBI	98,354	98,115	1,48,550	1,46,402	43,558	42,985	1,45,104	1,43,057	51.0	49.2	233.1	232.8
3. EXIM Bank	42,943	37,193	68,862	56,255	32,193	21,410	28,542	24,737	60.4	51.3	-11.3	15.5
4. NHB@	39,941	42,824	30,507	25,990	8,362	13,847	14,470	10,286	-23.6	-39.3	73.0	-25.7
B. Specialised financial institutions (5, 6 and 7)	469	457	237	277	174	124	142	111	-49.4	-39.3	-18.1	-10.9
5. IVCF	0	0	0	0	0	0	0	0	n.m.	n.m.	n.m.	n.m.
6. ICICI venture	-	-	-	-	-	-	-	-	-	-	-	-
7. TFCI	469	457	237	277	174	124	142	111	-49.4	-39.3	-18.1	-10.9
C. Investment institutions (8 and 9)	1,23,341	42,374	97,356	38,533	52,677	13,577	43,981	22,963	-21.1	-9.1	-16.5	69.1
8. LIC	1,23,341	42,374	97,356	38,533	52,677	13,577	43,981	22,963	-21.1	-9.1	-16.5	69.1
9. GIC	0	0	0	0	0	0	0	0	n.m.	n.m.	n.m.	n.m.
D. Financial Institutions (A+B+C)	7,64,897	5,70,985	7,25,908	6,45,844	2,55,884	2,19,654	3,19,205	2,91,576	-5.1	13.1	24.7	32.7
E. State level institutions (10 and 11)	6,473	5,497	5,828	4,578	..	..	..	..	-10.0	-16.7	..	..
10. SFCs^	6,473	5,497	5,828	4,578	..	..	..	..	-10.0	-16.7	..	..
11. SIDCs	..	..	..	..	..	..	..	..	..	..	..	..
F. Total assistance by all financial institutions (D+E)	7,71,370	5,76,482	7,31,736	6,50,422	2,55,884	2,19,654	3,19,205	2,91,576	-5.1	12.8	24.7	32.7

S: Sanctions. D: Disbursements. _: Nil .. : Not Available. n.m.: Not Meaningful.

*: Loans include rupee loans and foreign currency loans.

@: The data pertains to April-March while NHB's financial year runs from July-June.

#: Others include guarantees.

^: Data pertains to ten 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.8 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.	2020-21	449	173	7	629
		2021-22	600	27	-48	579
		H1: 2022-23	365	-61	-21	282
2	SBI DFHI Ltd.	2020-21	730	32	16	779
		2021-22	631	29	16	676
		H1: 2022-23	400	-22	3	381
3	ICICI Securities Primary Dealership Ltd.	2020-21	999	554	70	1624
		2021-22	846	109	64	1019
		H1: 2022-23	471	-63	16	425
4	PNB Gilts Ltd.	2020-21	779	272	21	1072
		2021-22	971	-137	21	855
		H1: 2022-23	619	-121	5	503
5	Morgan Stanley India Primary Dealer Pvt. Ltd.	2020-21	607	-12	54	650
		2021-22	648	-157	19	511
		H1: 2022-23	345	-66	1	280
6	Nomura Fixed Income Securities Pvt. Ltd.	2020-21	452	-6	17	462
		2021-22	288	-83	11	216
		H1: 2022-23	135	-46	1	91
7	Goldman Sachs (India) Capital Markets Pvt. Ltd.	2020-21	157	-6	19	170
		2021-22	155	-31	24	147
		H1: 2022-23	106	-17	5	93
8	**Total**	**2020-21**	**4,173**	**1,008**	**205**	**5,386**
		2021-22	**4,139**	**-244**	**107**	**4,002**
		H1: 2022-23	**2,441**	**-396**	**10**	**2,055**

Note: All amounts are rounded off to the nearest crore.

Source: Returns submitted by the Primary Dealers.

Appendix Table VI.8 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.	2020-21	294	28	322	307	228	33.4
		2021-22	415	27	442	137	100	13.3
		H1: 2022-23	283	16	299	-17	-13	-1.7
2	SBI DFHI Ltd.	2020-21	379	42	421	346	251	22.5
		2021-22	336	43	378	191	142	11.5
		H1: 2022-23	297	21	319	-74	-56	-4.7
3	ICICI Securities Primary Dealership Ltd.	2020-21	504	118	622	762	569	40.2
		2021-22	472	132	603	444	330	21.4
		H1: 2022-23	372	67	439	153	114	7.5
4	PNB Gilts Ltd.	2020-21	395	41	436	617	464	35.3
		2021-22	510	37	547	210	166	11.9
		H1: 2022-23	441	22	463	-114	-97	-7.3
5	Morgan Stanley India Primary Dealer Pvt. Ltd.	2020-21	291	60	350	278	204	11.5
		2021-22	306	55	361	237	178	8.1
		H1: 2022-23	233	28	261	114	85	3.7
6	Nomura Fixed Income Securities Pvt. Ltd.	2020-21	204	39	243	217	181	17.3
		2021-22	133	52	184	-4	-4	-0.3
		H1: 2022-23	89	22	112	86	64	5.7
7	Goldman Sachs (India) Capital Markets Pvt. Ltd.	2020-21	63	35	98	55	41	6.8
		2021-22	67	39	105	37	25	3.8
		H1: 2022-23	78	23	102	6	5	0.7
8	**Total**	**2020-21**	**2,130**	**364**	**2,493**	**2,582**	**1,938**	**26.0**
		2021-22	**2,238**	**384**	**2,622**	**1,253**	**937**	**11.6**
		H1: 2022-23	**1,794**	**201**	**1,995**	**153**	**102**	**1.2**

Note: All amounts are rounded off to the nearest crore.
Source: Returns submitted by the Primary Dealers.

Appendix Table VI.9: 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)				
		2018-19	2019-20	2020-21	2021-22	H1: 2022-23	2018-19	2019-20	2020-21	2021-22	H1: 2022-23
1	2	3	4	5	6	7	8	9	10	11	12
1	STCI Primary Dealer Ltd.	493	493	731	777	740	23.3	23.0	29.0	32.0	19.5
2	SBI DFHI Ltd.	954	1,054	1,245	1,311	1,172	67.0	35.0	33.0	42.0	32.3
3	ICICI Securities Primary Dealership Ltd.	1,453	1,456	1,723	1,899	1,690	28.0	39.0	44.0	48.0	40.6
4	PNB Gilts Ltd.	886	1,043	1,316	1,427	1,241	37.0	34.0	46.0	66.4	22.0
5	Morgan Stanley India Primary Dealer Pvt. Ltd	919	1,118	2,105	2,290	2,277	62.0	81.0	51.9	58.5	79.7
6	Nomura Fixed Income Securities Pvt. Ltd.	797	919	1,077	1,068	1,021	40.0	41.5	60.2	49.0	32.3
7	Goldman Sachs (India) Capital Markets Pvt. Ltd.	547	582	625	648	630	133.0	170.0	109.2	116.2	74.1
	Total	**6,049**	**6,665***	**8,822***	**9,420**	**8,771**	**40.7**	**41.9***	**45.4***	**51.6**	**36.4**

Notes: 1. All amounts are rounded off to the nearest crore.
2. *: Revised figures.

Source: Returns submitted by the Primary Dealers.

Appendix Table VI.9: 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)				
		2018-19	2019-20	2020-21	2021-22	H1: 2022-23	2018-19	2019-20	2020-21	2021-22	H1: 2022-23
1	2	13	14	15	16	17	18	19	20	21	22
1	STCI Primary Dealer Ltd.	8,219	7,151	11,230	13,616	12,794	9,361	8,187	11,423	12,024	10,408
2	SBI DFHI Ltd.	4,955	7,892	6,840	12,390	15,691	7,152	11,328	9,958	12,659	15,851
3	ICICI Securities Primary Dealership Ltd.	7,723	14,748	14,044	15,864	16,989	11,431	15,815	18,099	17,534	16,031
4	PNB Gilts Ltd.	6,584	10,664	9,316	15,273	15,409	9,141	13,207	11,190	14,887	13,788
5	Morgan Stanley India Primary Dealer Pvt. Ltd	9,891	10,821	10,564	13,646	6,916	10,264	11,655	13,029	15,078	8,844
6	Nomura Fixed Income Securities Pvt. Ltd.	3,938	3,997	2,737	4,849	4,387	5,248	5,704	4,452	5,629	5,568
7	Goldman Sachs (India) Capital Markets Pvt. Ltd.	2,411	2,616	3,457	3,468	2,119	2,535	3,675	3,836	4,723	2,926
	Total	43,722	57,888	58,187	79,106	74,306	55,133	69,573	71,986	82,535	73,416

Note: All amounts are rounded off to the nearest crore.

Source: Returns submitted by the Primary Dealers.

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