REPORT ON
TRENDS AND PROGRESS OF
BANKING IN INDIA
2022-23

Reserve Bank of India

Report on Trend and Progress of Banking in India for the year ended March 31, 2023 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 2022-23

RESERVE BANK OF INDIA

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December 27, 2023
6 Pausha 1945 (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, 2023.

Sincerely,

Shaktikanta Das

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List of Select Abbreviations

AA	Account Aggregator
AD	Authorised Dealer
AEs	Advanced Economies
AFS	Available for Sale
AGR	Alternate Grievance Redressal
AI	Artificial Intelligence
AIC	Akaike Information Criterion
AID	All-Inclusive Directions
AIFIs	All-India Financial Institutions
AMA	Advanced Measurement Approach
ANBC	Adjusted Net Bank Credit
API	Application Programming Interface
ARC	Asset Reconstruction Company
ARDL	Autoregressive Distributed Lag
ASA	Alternative Standardised Approach
ATM	Automated Teller Machine
BBPOUs	Bharat Bill Payment Operating Units
BBPS	Bharat Bill Payment System
BCs	Business Correspondents
BCBS	Basel Committee on Banking Supervision
BIA	Basic Indicator Approach
BIC	Business Indicator Component
BIS	Bank for International Settlements
bps	Basis Points
BR	Banking Regulation
CADs	Current Account Deficits
CAGR	Compound Annual Growth Rate
CASA	Current Account and Savings Account
CBDC	Central Bank Digital Currency
CBS	Core Banking Solution
CBUAE	Central Bank of the UAE
C-D	Credit-Deposit
CDs	Certificates of Deposits
CDS	Credit Default Swap
CEOBE	Credit Equivalent of Off Balance-sheet Exposure
CERT-In	Indian Computer Emergency Response Team
CET	Common Equity Tier
CIBIL	Credit Information Bureau (India) Limited
CIC	Core Investment Company
CLM	Co-Lending Model
CMBs	Cash Management Bills
CME	Capital Market Exposure
CoF	Card-on-File
CoR	Certificate of Registration
CRAR	Capital to Risk-Weighted Assets Ratio
CRE	Commercial Real Estate
CRE-RH	Commercial Real Estate-Residential Housing
CRILC	Central Repository of Information on Large Credits
CRPC	Centralised Receipt and Processing Centre
CRR	Cash Reserve Ratio
C-SOC	Cyber Security Operations Centre

CUG	Closed User Group
CVA	Credit Valuation Adjustment
DAY-NRLM	Deendayal Antyodaya Yojana - National Rural Livelihoods Mission
DBU	Digital Banking Unit
DCCBs	District Central Co-operative Banks
DICGC	Deposit Insurance and Credit Guarantee Corporation
DIF	Deposit Insurance Fund
DLA	Digital Lending Application
DLG	Default Loss Guarantee
DP	Discussion Paper
DPAW	Digital Payments Awareness Week
DPI	Digital Payments Index
DPI	Digital Public Infrastructure
D-SIBs	Domestic Systemically Important Banks
e-KYC	Electronic Know Your Customer
e₹-R	e₹ Retail
e₹-W	e₹ Wholesale
ECB	External Commercial Borrowing
EBPT	Earnings before Provisions and Taxes
ECL	Expected Credit Loss
ECLGS	Emergency Credit Line Guarantee Scheme
EMDEs	Emerging Market and Developing Economies
EMEs	Emerging Market Economies
EU	European Union
EXIM Bank	Export-Import Bank of India
FAR	Fully Accessible Route
FB	Foreign Bank
FCNR(B)	Foreign Currency Non-Resident (Bank)
FDI	Foreign Direct Investment
FIs	Financial Institutions
FII/ FI-Index	Financial Inclusion Index
FIP	Financial Inclusion Plan
FLW	Financial Literacy Week
FPC	Fair Practices Code
FPS	Fast Payment Systems
FRRR	Fixed Rate Reverse Repo
FSB	Financial Stability Board
FSWM	Financially Sound and Well-Managed
FVTPL	Fair Value through Profit and Loss
GCC	General Credit Card
GDP	Gross Domestic Product
GE	Government Effectiveness
GFC	Global Financial Crisis
G-NBFCs	Government-owned NBFCs
GNPA	Gross Non-Performing Assets
GSCs	Global Stablecoins
G-Secs	Government securities
G-SIBs	Global Systemically Important Banks
HFC	Housing Finance Company
HFSF	Hellenic Financial Stability Fund
HFT	Held for Trading
HQLAs	High Quality Liquid Assets
HTM	Held to Maturity

IBUs	IFSC Banking Units
ICAAP	Internal Capital Adequacy Assessment Process
ICCW	Interoperable Card-less Cash Withdrawal
ICD	Incremental Credit Deposit
I-CRR	Incremental Cash Reserve Ratio
I-D	Investment-Deposit
IDF-MF	Infrastructure Debt Fund-Mutual Fund
IDF-NBFCs	Infrastructure Debt Fund-NBFCs
IFC	International Finance Corporation
IFSC	International Financial Services Centre
IFRS	International Financial Reporting Standards
IGR	Internal Grievance Redressal
IIP	Index of Industrial Production
IIS	Investment in Securities
ILM	Internal Loss Multiplier
IME	Informal Micro Enterprises
IMF	International Monetary Fund
IO	Internal Ombudsman
IOs	International Organisations
IOSCO	International Organisation of Securities Commissions
IoT	Internet of Things
IPP	Instant Payment Platform
IRACP	Income Recognition, Asset Classification and Provisioning
IRB	Internal Rating-based
IRRBB	Interest Rate Risk in the Banking Book
ISSB	International Sustainability Standards Board
IT	Information Technology
JLGs	Joint Liability Groups
KCC	Kisan Credit Card
KYC	Know Your Customer
LABs	Local Area Banks
LAF	Liquidity Adjustment Facility
LCR	Liquidity Coverage Ratio
LEF	Large Exposure Framework
LEX	Large Exposures
LIBOR	London Interbank Offered Rate
LSP	Lending Service Provider
LR	Leverage Ratio
MAS	Monetary Authority of Singapore
MFs	Mutual Funds
MFIs	Micro Finance Institutions
MGC	Mortgage Guarantee Company
MIFOR	Mumbai Interbank Forward Outright Rate
MIS	Management Information Systems
ML	Machine Learning
MMFs	Money Market Funds
MMIFOR	Modified MIFOR
MoRD	Ministry of Rural Development
MoSPI	Ministry of Statistics and Program Implementation
MPC	Monetary Policy Committee
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
NARCL	National Asset Reconstruction Company Limited
NBFCs	Non-Banking Financial Companies
NBFC-AA	NBFC-Account Aggregator
NBFC-BL	NBFC-Base Layer
NBFC-D	Deposit-taking NBFCs
NBFC-ICC	NBFC-Investment and Credit Company
NBFC-IFC	NBFC-Infrastructure Finance Company
NBFC-MGC	NBFC-Mortgage Guarantee Company
NBFC-MFI	NBFC-Micro Finance Institution
NBFC-ML	NBFC-Middle Layer
NBFCs-ND	Non-Deposit taking NBFCs
NBFCs-ND-SI	Non-Deposit taking Systemically Important NBFCs
NBFC-NOFHC	NBFC-Non-Operative Financial Holding Company
NBFC-P2P	NBFC-Peer to Peer Lending Platform
NBFC-TL	NBFC-Top Layer
NBFC-UL	NBFC-Upper Layer
NBFI	Non-Bank Financial Intermediation
NBFIs	Non-Banking Financial Institutions
NCCDs	Non-Centrally Cleared Derivatives
NCD	Non-Convertible Debenture
NCMC	National Common Mobility Card
NDDC	Non-deliverable Derivative Contract
NDTL	Net Demand and Time Liabilities
NED	Non-executive Director
NFB	Non-fund based
NFC	Near Field Communication
NGFS	Network for Greening the Financial System
NHB	National Housing Bank
NII	Net Interest Income
NIM	Net Interest Margin
NLP	Natural Language Processing
NNPA	Net Non-Performing Asset
NOF	Net Owned Funds
NPA	Non-Performing Asset
NPCI	National Payment Corporation of India
NPL	Non-Performing Loan
NRC	Nomination and Remuneration Committee
NRI	Non-Resident Indian
NSUCBs	Non-scheduled Urban Co-operative Banks
NSFI	National Strategy for Financial Inclusion
NSFR	Net Stable Funding Ratio
OEF	Open Ended Funds
OEIF	Online Export-Import Facilitators
OFIs	Other Financial Intermediaries
OPEC	Organization of the Petroleum Exporting Countries

OPGSPs	Online Payment Gateway Service Providers
ORBIOs	Offices of Reserve Bank of India Ombudsmen
ORC	Operational Risk Capital
OTC	Over-the-Counter
OTPs	One-time passwords
P2P	Person-to-Person/ Peer-to-Peer
P2M	Person-to-Merchant
PA	Payment Aggregator
PACS	Primary Agricultural Credit Societies
PAN	Permanent Account Number
PBs	Payments Banks
PCA	Prompt Corrective Action
PCARDBs	Primary Co-operative Agriculture and Rural Development Banks
PCR	Provision Coverage Ratio
PDs	Primary Dealers
PIDF	Payments Infrastructure Development Fund
PLIs	Prime Lending Institutions
PMJDY	Pradhan Mantri Jan Dhan Yojana
PoS	Point-of-Sale
PSBs	Public Sector Banks
PSL	Priority Sector Lending
PSLCs	Priority Sector Lending Certificates
PVBs	Private Sector Banks
RBI	Reserve Bank of India
RBIH	Reserve Bank Innovation Hub
RB-IOS	Reserve Bank – Integrated Ombudsman Scheme
RCs	Reconstruction Companies
RCBs	Rural Co-operative Banks
RCCs	Rural Credit Co-operatives
RDA	Rupee Drawing Arrangement
REs	Regulated Entities
RIDF	Rural Infrastructure Development Fund
RMCB	Risk Management Committee of the Board
RoA	Return on Assets
RoE	Return on Equity
RPA	Robotic Process Automation
RR	Reserve Ratio
RRBs	Regional Rural Banks
RSA	Restructured Standard Advances
RTGS	Real Time Gross Settlement
RWAs	Risk Weighted Assets
SARFAESI Act	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act
SBR	Scale Based Regulation
SCs	Securitisation Companies
SCARDBs	State Co-operative Agriculture and Rural Development Banks
SCBs	Scheduled Commercial Banks
SDF	Standing Deposit Facility
SEBI	Securities and Exchange Board of India
SFBs	Small Finance Banks
SFT	Securities Financing Transactions
SGDP	State Gross Domestic Product

SGrBs	Sovereign Green Bonds
SHG – BLP	Self-Help Groups – 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
SMA	Special Mention Accounts
SMFs	Small and Marginal Farmers
SPDs	Standalone Primary Dealers
SRs	Security Receipts
SRO	Self-Regulatory Organisation
SSBs	Standard-Setting Bodies
SSOC	Sectoral Security Operations Centre
StCBs	State Co-operative Banks
SUCBs	Scheduled UCBs
TAT	Turnaround Time
TOT	Toll Operate Transfer
TR	Total Remuneration
TReDS	Trade Receivables Discounting System
TSA	The Standardised Approach
UAC	Udyam Assist Certificates
UAP	Udyam Assist Portal
UCBs	Urban Co-operative Banks
UPI	Unified Payments Interface
URC	Udyam Registration Certificate
URN	Udyam Registration Numbers
USD	U.S. Dollar
VP	Variable Pay
VRR	Variable Rate Repo
VRRR	Variable Rate Reverse Repo
WACR	Weighted Average Call Rate
WAPs	Weighted Average Premiums
WEO	World Economic Outlook
WG	Working Group
WGDL	Working Group on Digital Lending
WLAs	White Label ATMs
WOS	Wholly Owned Subsidiary

I PERSPECTIVES

The Indian banking system and non-banking financial companies (NBFCs) remain sound and resilient, backed by high capital ratios, improved asset quality and robust earnings growth. This is supporting a double digit credit growth and domestic economic activity. Sustaining this improvement requires further strengthening of governance and risk management practices and building up of additional buffers.

Introduction

I.1 Looking ahead in 2024, major central banks have indicated that monetary policy would remain watchful as inflation, despite easing, rules above target. In this environment, banks need to guard against credit losses although higher capital buffers and provision coverage ratio (PCR) provide cushions. In addition to regulatory capital and liquidity requirements, qualitative metrics such as enhanced disclosures, strong code of conduct and clear governance structures would contribute towards financial stability.

I.2 While the outlook for the global environment remains highly uncertain, the prospects for domestic economic activity appear bright. The Indian banking system is well positioned to improve further, with better asset quality, high capital adequacy and robust profitability. The financial indicators of NBFCs are also set to strengthen further, underpinned by adequate capital, increased provisions and improved asset quality. Financial stability is being underpinned by corporates' stronger financials and deleveraging of their balance sheets. Against this backdrop, this chapter outlines a broad-brush view of the challenges facing banking and non-banking sectors, and the way forward.

Unsecured Lending in Banks and Non-Banks

I.3 In the recent period, the rate of growth of the unsecured retail segment has outpaced total bank credit growth. The asset quality of the unsecured retail loans has not shown any deterioration so far. The calibrated and targeted macroprudential measures announced in November 2023 in respect of select categories of consumer credit loans and bank lending to NBFCs are pre-emptive in nature and in the interest of financial stability.

Review of Income Recognition, Asset Classification and Provisioning (IRACP) Norms

I.4 To keep pace with the dynamic developments in the financial system, the Reserve Bank has been striving to transform its regulatory approach to activity-based from entity-based. With this aim, a comprehensive review of the extant IRACP norms is underway to harmonise instructions across all regulated entities (REs) of the Reserve Bank.

Review of Prudential Framework for Resolution of Stressed Assets

I.5 The prudential framework for resolution of stressed assets operationalised since June 7, 2019, provides a principle-based steady-state approach to a majority of lending institutions. Based on the experience gained and to rationalise and harmonise the instructions across all REs, a comprehensive review of the framework is underway. This will provide further impetus to the resolution of stressed assets.

Review of Guidelines on Interest Rate on Advances and Export Credit

I.6 The extant regulations on interest rates on advances vary across REs. To harmonise the regulatory framework for banks and other REs, a comprehensive review of the extant regulatory instructions has been undertaken. Further, a review of the instructions on export credit is also currently underway, keeping in view the evolving requirements of stakeholders.

Migration to Expected Credit Loss (ECL) Based Framework.

I.7 A discussion paper (DP) on introduction of ECL framework for provisioning by banks was issued on January 16, 2023, soliciting inputs from stakeholders. While the inputs on the DP are being examined, an external working group – comprising of domain experts from academia, industry and select major banks – has been constituted to holistically examine and provide independent inputs on some of the technical aspects. The recommendations of the working group would be duly factored in while framing the draft guidelines.

Non-Fund Based Facilities

I.8 Non-fund based (NFB) facilities like guarantees, letters of credit, and co-acceptances play a significant role in facilitating domestic and international trade. There is a need to lay down a comprehensive and self-contained set of regulatory guidelines governing the NFB facilities applicable to all REs to ensure an orderly and sustainable growth of this segment. Accordingly, a review of guidelines on NFB facilities is underway.

Securitisation of Stressed Assets

I.9 In January 2023, the Reserve Bank had released a discussion paper on securitisation of stressed assets to seek comments from market participants. Given the novelty and complexity of the structure, detailed examination of various stakeholders' comments is currently underway with a view to issue the final guidelines shortly.

Framework for Connected Lending

I.10 Connected lending or lending to persons who are in a position to control or influence the decision of a lender can be a concern, as it involves moral hazard issues leading to compromise in pricing and credit management. The extant guidelines on the issue are limited in scope and are not applicable uniformly to all REs. To address this issue, a draft circular proposing a unified regulatory framework on connected lending will be issued shortly for public comments.

Regulatory Framework for Web-Aggregation of Loan Products

I.11 A web-aggregator of loan products (WALPs) entails aggregation of loan offers from multiple lenders on an electronic platform which enables borrowers to compare and choose the best available option to avail a loan. Accepting the recommendation of the Working Group on Digital Lending (WGDL), it has been decided to bring loan aggregation services offered by the Lending Service Providers (LSPs) under a comprehensive regulatory framework. The framework will focus on enhancing the transparency in the operations of WALPs, increase customer centricity and enable the borrowers to make informed choices.

Urban Co-operative Banks (UCBs)

I.12 The amendments to the Banking Regulation (BR) Act, 1949 as applicable to co-operative societies empowered the Reserve Bank to improve the regulation and supervision of UCBs. The Reserve Bank has undertaken several initiatives to bolster sound governance practices in UCBs, including the appointment of Chief Compliance Officer, Chief Risk Officer, and Head of Internal Audit. To have better functioning of UCBs where governance issues were observed, the Reserve Bank has appointed additional directors on the Boards.

I.13 Harmonisation of guidelines on presentation and disclosures in financial statements issued in October 2022 has, to some extent, addressed the problem of divergence in audited financial statements and assessment made by the Reserve Bank. Guidelines on transfer to/appropriation from reserve funds and disclosures on concentration of deposits, advances, exposures and non-performing assets (NPAs) has brought transparency in financial statements published by UCBs. The aim of the Reserve Bank's regulatory actions is to quickly nurse back weak UCBs to health, and if such efforts do not yield the desired outcomes, then resolve them in a manner as non-disruptive as possible. These actions will instil and deepen public confidence in UCBs as efficient and dependable financial intermediaries.

I.14 Guidelines on issue and regulation of share capital and securities were issued for UCBs in March 2022. Subsequently, a working group (WG), comprising officials of the Reserve Bank and representative from the Securities and Exchange Board of India (SEBI), was constituted to examine the issuance of the second leg of guidelines on raising capital funds for co-operative banks. The WG has submitted its report, and its recommendations are under examination.

I.15 Notwithstanding the progress made so far, the co-operative sector continues to face certain inherent challenges. UCBs need to discourage very long and continuous tenures of their directors, in accordance with the provisions of the BR Act, to avoid vested interests exercising undue influence over the functioning of the board and to facilitate infusion of fresh ideas and perspectives in the Board by induction of new directors. The absence of a comprehensive risk management policy makes certain UCBs vulnerable to external and internal risks. Deficient compliance culture is prevalent among certain UCBs and is reflected in persisting irregularities in some areas of their functions. Availability of skilled personnel to manage the core banking solution (CBS) and other critical information technology (IT) and database functions is usually constrained in UCBs. As a result, these crucial functions are often outsourced, exposing them to outsourcing risk. These banks are less prepared to prevent, detect, respond to and recover from cyber-attacks. Non-integration of various modules, like treasury, letter of credit, forex and anti-money laundering solutions, with CBS has been a source of supervisory concern and needs a comprehensive review.

Non-Banking Financial Companies (NBFCs)

I.16 The performance of the NBFC sector witnessed significant revival in the post-pandemic period. Notwithstanding the overall robust health of the sector, certain concerns remain.

Interconnectedness of Banks and NBFCs

I.17 Given the strategic importance of NBFCs in the financial system, the high level of interconnectedness between banks and non-banks merits close attention. NBFCs are large net borrowers of funds from the financial system, with the highest exposure to banks. Several NBFCs maintain borrowing relationships with multiple banks simultaneously. Banks are also key subscribers to their debentures and commercial papers. Such concentrated linkages may create contagion risk. Although banks are well-capitalised, they need to constantly evaluate their exposure to NBFCs as well as the exposure of individual NBFCs to multiple banks. NBFCs on their part should focus on broad-basing their funding sources and reduce over-dependence on bank funding.

Government-owned NBFCs (G-NBFCs)

I.18 Owing to their increasing size and funding to large infrastructure projects of the government, G-NBFCs form an important part of the sector. Top 50 exposures of G-NBFCs, amounting to ₹7.8 lakh crore, constituted about 40 per cent of total corporate credit of the NBFC sector, pointing towards concentration risk. Also, all these 50 exposures were to the power sector, which faces multiple inherent issues.

I.19 Given their growing systemic significance, the prompt corrective action (PCA) framework for NBFCs has been extended to G-NBFCs (except those in the base layer). The framework will be effective October 1, 2024, based on audited financials as on March 31, 2024, or thereafter. This is expected to strengthen supervision of these entities and ensure timely course correction by them.

Microfinance NBFCs (NBFCs-MFIs)

I.20 As microfinance institutions (MFIs) cater to marginalised clientele, the repayment capacity of borrowers needs to be considered while extending loans. With the deregulation of interest rates, certain NBFCs-MFIs appear to be enjoying relatively higher net interest margins. Microfinance lenders, therefore, need to ensure that the flexibility provided to them is used judiciously through transparent interest rate setting processes.

Small Finance Banks (SFBs)

I.21 SFBs serve a critical role in delivering credit to under-banked segments. However, many SFBs have low current account and savings account (CASA) deposits and a greater reliance on bulk term deposits, often acquired at higher rates, especially from co-operative banks. This suggests a high degree of interconnectedness of SFBs with co-operative banks, with the possibility of any shock to the latter sector spilling over to the former.

I.22 Some entities, which were NBFC-MFIs earlier and subsequently converted to SFBs, retained their earlier business models. Consequently, the share of unsecured lending in their portfolios, especially to microfinance and joint liability group (JLG) borrowers, is high. This lack of asset diversification is also often coupled with geographical concentration, implying significant concentration risk.

I.23 A capital adequacy framework, that properly accounts for the various risks that SFBs are exposed to, is essential to ensure their financial soundness and continuation of the role played by them in the real economy. The capital adequacy framework specified in the operating guidelines for SFBs, issued in October 2016, stated that the prudential frameworks for market risk and operational risk were being examined and related instructions would be issued separately. Against this background, a comprehensive review of the regulatory capital framework for SFBs is under consideration.

Customer Service

I.24 A key element of protecting customers is to provide them an efficient, prompt and cost-effective grievance redressal mechanism. However, the efforts of banks to provide timely solutions to customer grievances have not kept pace with the explosion in technology and products. Bank Boards and top executives need to focus on quality of grievance redressal instead of just monitoring turnaround time (TAT) and management information systems (MIS) on complaints. REs need to bring in greater empathy into their services, products and operations. There is a need for greater effort to provide safe and friendly tech-banking to senior citizens, people with special needs and those who are technologically challenged. Banks must ensure that their access points – branches, websites, and apps – are user-friendly and convenient for customers with special needs.

Payment and Settlement Systems

I.25 In line with the Payments Vision 2025, necessary stakeholder consultations are ongoing on various aspects of payment systems, including alternate authentication mechanisms, facilitating framework for internet of things (IoT) and context-based payments, and creating a payment system for processing online merchant payments using internet/mobile banking. Separately, instructions to regulate offline payment aggregators are planned to be issued.

Offline Transaction using Near Field Communication (NFC) Technology

I.26 The Reserve Bank had issued instructions permitting small value digital payments in offline mode in January 2022. Based on this framework, the National Common Mobility Card (NCMC) and Unified Payment Interface (UPI) Lite were developed. Further, UPI Lite X has also been launched which uses NFC technology for transfer of funds through the UPI system. This feature will enable retail digital payments in situations where internet/telecom connectivity is weak or not available. It will also ensure speed, with minimal transaction declines. Further, NCMC, which also utilises the NFC technology, is being used by various transit operators.

Conversational Payments

I.27 As conversational instructions hold immense potential for enhancing ease of use and reach of the UPI system, the Reserve Bank, in September 2023 permitted the National Payments Corporation of India (NPCI) to introduce them. Conversational payments in UPI will enable users to engage in a conversation with an artificial intelligence (AI) powered system to initiate and complete transactions in a safe and secure environment. This channel will be made available in both smartphones and feature phones-based UPI channels. The facility will initially be available in Hindi and English and will subsequently be made available in more Indian languages.

Processing Mandates with Single-Block-and-Multiple-Debits

I.28 The capabilities in UPI have been enhanced to enable customers to create payment mandates against merchants by blocking funds in their bank accounts for specific purposes which can be debited, whenever needed. This would be helpful for purchase of securities in the secondary capital market as also purchase of government securities using the Reserve Bank's Retail Direct Scheme and various e-commerce transactions. This will build a higher degree of trust in transactions as merchants will be assured of timely payments, while the funds remain in the customer's account till actual delivery of goods or services.

Opportunities and Challenges of New Technology Adoption

I.29 New technology adoption helps banks and non-banks generate additional revenue, reduce expenses, and manage risk exposure better. It enables banks to offer more convenient and personalised services to their customers.

Further, new technologies enhance the efficiency and effectiveness of banking operations. With this, however, the risks of fraud and data breaches have also increased. Concerted efforts by all stakeholders including regulators, banks and customers are required to protect the system from these threats. On its part, the Reserve Bank has been striving to update the regulations to protect customers while ensuring that innovations are not stifled.

Cyber Resilience and Digital Payment Security Controls

I.30 Given their systemic importance, it is imperative to keep the payment systems resilient against existing as well as upcoming threats. Towards this end, the Reserve Bank in June 2023 invited comments on the draft master directions on cyber resilience and digital payment security controls for payment system operators. The draft directions cover governance mechanisms for identification, assessment, monitoring, and management of cybersecurity risks, and specify baseline security measures.

Model-based Lending

I.31 The increased collaboration of banks and NBFCs with FinTechs has facilitated introduction of model-based lending. However, banks and NBFCs need to be careful in relying solely on pre-set algorithms on which the models operate. These models should be robust and their resilience should be tested periodically. It is necessary to be watchful of any undue risk build-up in the system due to information gaps, which may cause dilution of underwriting standards.

Artificial Intelligence and Machine Learning (AI/ML)

I.32 Rapid deployment of AI/ML in finance is promoting efficiency gains, redefining client interfaces, augmenting forecasting accuracy, and improving risk management and compliance. These advances, however, carry potential risks arising out of embedded biases in AI/ML systems and the lack of transparency in their outcomes. Furthermore, the technology potentially embodies new sources and transmission channels of systemic risks capable of undermining financial stability. It is, therefore, imperative to strike a balance between benefits and risks by strengthening the capacity of REs and surveillance by oversight authorities, formulating/updating relevant legal and regulatory frameworks, proactively engaging stakeholders to identify possible risks, and expanding consumer education.

I.33 The Reserve Bank has emphasised that the algorithm used for underwriting should be based on extensive, accurate and diverse data to rule out any prejudices. Algorithm should be auditable to point out minimum underwriting standards and potential discrimination factors. Further, lenders should adopt ethical AI which focuses on protecting customer interest, promotes transparency, inclusion, impartiality, responsibility, reliability, security and privacy.

Setting up of Fintech Repository

I.34 To ensure a resilient FinTech sector and to promote best practices, regulators and stakeholders need to have relevant and timely information on FinTech entities, including the nature of their activities. It is therefore proposed to set-up a repository capturing essential information about FinTechs, including range of their activities, products, technology stack, and financial information. FinTechs would be encouraged to provide relevant information voluntarily to the repository which will aid in designing appropriate policy approaches. The repository will be operationalised by the Reserve Bank Innovation Hub in April 2024 or earlier.

Planned Supervisory Policies

I.35 In view of the evolving technology and cyber risks, supervisory policies are being proactively designed to fortify the financial sector.

I.36 The extant guidelines require all scheduled commercial banks (SCBs) as well as UCBs with digital depth of level IV to set-up Cyber Security Operations Centre (C-SOC) to ensure continuous surveillance of cyber risks. However, being organisation specific, they may overlook sector-wide common threats. A Sectoral SOC (SSOC) is envisaged to address these potential sector-specific risks. Through correlation of events/logs/incidents sourced from multiple SOCs of supervised entities, the SSOC will provide actionable intelligence for better accuracy and consistency in the overall ecosystem. By centralising the monitoring and analysis of cyber threats, the sector can swiftly adapt to evolving attack vectors.

I.37 Systemic risks may arise when various REs rely on a small number of third parties to provide services. In order to assess the concentration risk, a comprehensive exercise was undertaken to map the IT service providers with SCBs. Based on this exercise, joint audits of IT service providers by banks are being proposed under the aegis of the Indian Banks' Association (IBA). These audits will ensure a comprehensive and standardised evaluation of the vendors.

I.38 A large number of small UCBs have faced increasingly sophisticated cyber-attacks targeting their payment channels. An exercise was conducted to assess the gap in implementation of supervisory instructions in select UCBs through empanelled auditors of Indian Computer Emergency Response Team (CERT-In). The exercise will be extended to all UCBs with payment system interfaces in a phased manner. Identifying and rectifying gaps in the cybersecurity preparedness ensures that UCBs maintain robust security measures in handling payment systems.

Overall Assessment

I.39 The Indian banking system and NBFCs remain sound and resilient, backed by high capital ratios, strengthening asset quality and robust earnings growth. Looking ahead, given the increasing interconnectedness between banks and NBFCs, the latter should focus on broad-basing their funding sources and reduce over-dependence on bank funding. Banks and non-banks both, need to bring in greater empathy in their customer services. Concerted efforts by all stakeholders are required to protect the banking system and the payments system from the risks of fraud and data breaches emanating from cyber threats. Overall, banks and NBFCs need to further strengthen their balance sheets through robust governance and risk management practices to meet the growing aspirations of the Indian economy.

II GLOBAL BANKING DEVELOPMENTS

After aggressive rate hikes during 2022 to restore price stability, central banks moderated the pace of monetary tightening in 2023 or paused. Banking stress in the US and Europe in early 2023 was addressed through swift policy actions, which helped contain spillover impact on global financial stability. Amidst macroeconomic uncertainty, the health of the global banking sector has remained robust, as reflected by the capital buffers and leverage ratio. The medium-term challenges include effective regulation to mitigate risks emanating from technological innovations and climate change.

1. Introduction

II.1 As the global economy grapples with tighter financial conditions and geopolitical tensions, financial stability concerns associated with disinflationary monetary policy are turning out to be challenging. This was reflected in the collapse of five mid-sized US banks and failure of a major bank in the European Union (EU). While the potential contagion from these bank failures was contained through prompt and sizeable regulatory and liquidity actions, the outlook is fraught with uncertainty, especially in the context of volatility in bond yields and equity and exchange markets.

II.2 Against this backdrop, the rest of the chapter is organised into six sections. The next section provides a brief overview of global macroeconomic and monetary conditions. In Section 3, recent global banking policy developments are reviewed. The financial performance of the global banking sector is discussed in Section 4 with Section 5 focusing on an analysis of the world's top 100 banks ranked by Tier I capital positions. Section 6 concludes with some perspectives on the outlook.

2. Global Macroeconomic Conditions

II.3 Global growth is faltering under the impact of tightening financial conditions, geopolitical tensions and geoeconomic fragmentation. According to the October 2023 update of the International Monetary Fund's (IMF's) World Economic Outlook (WEO), global growth is projected to fall from 3.5 per cent in 2022 to 3.0 per cent in 2023 and 2.9 per cent in 2024, which is weak by historical standards (Chart II.1a)[1]. Concomitantly, the growth in global goods and services trade is expected to decelerate to 0.9 per cent in 2023 from 5.1 per cent a year ago, reflecting services-led growth, rising trade barriers and the lagged effects of US dollar appreciation on terms of trade.

II.4 Inflation is ebbing gradually in response to monetary policy actions and correction in food and energy prices. Global inflation is projected to fall from 8.7 per cent in 2022 to 6.9 per cent in 2023 and 5.8 per cent in 2024, but would be well-above the pre-pandemic average of 3.5 per cent during 2017-19, and is likely to rule above target in major economies amidst elevated core inflation pressures (Chart II.1b). Global energy and non-energy commodity prices

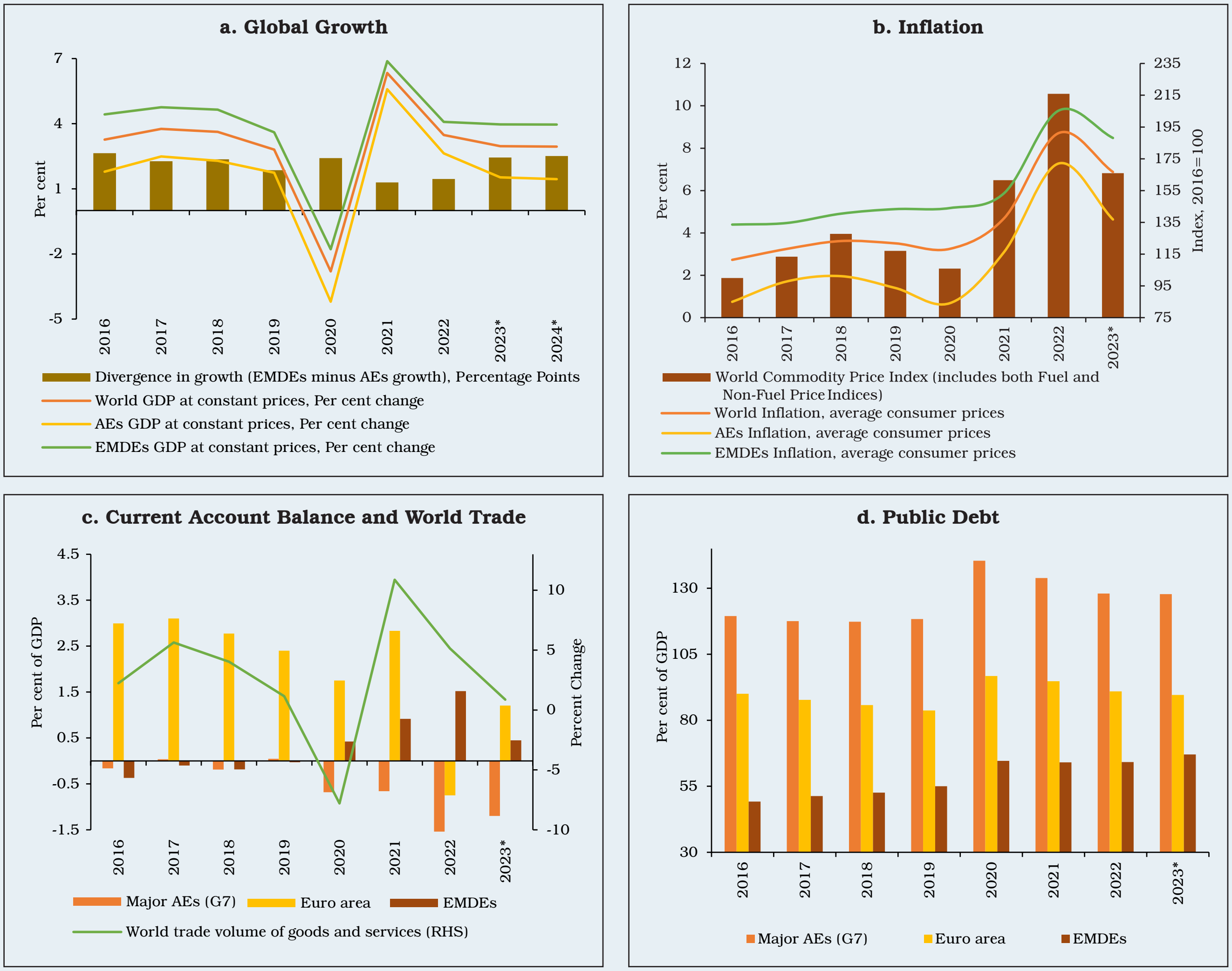
[1] Following global practice, throughout this chapter, year pertains to the calendar year *viz*. January to December.

are exhibiting high volatility and pose risks to the disinflation path going ahead, along with the rising intensity and frequency of climate shocks. Crude oil prices crossed US Dollar (USD) 95 per barrel in September 2023 on production cuts by Organization of the Petroleum Exporting Countries (OPEC) *plus*, but corrected subsequently.

II.5 The current account deficits (CADs) of major advanced economies (AEs) remain wider than before the pandemic (Chart II.1c). While government debt moderated from a post-pandemic peak in 2020 in major AEs, it is on a rising trajectory in emerging market and developing economies (EMDEs), posing downside risks to their growth prospects, given the sharp tightening of external financing conditions (Chart II.1d).

II.6 After aggressive rate hikes during 2022 to restore price stability, major AE central banks moderated the pace of monetary tightening over the course of 2023 or paused. They have also indicated that the tightening cycle is at or close to

Chart II.1: Macroeconomic Background



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

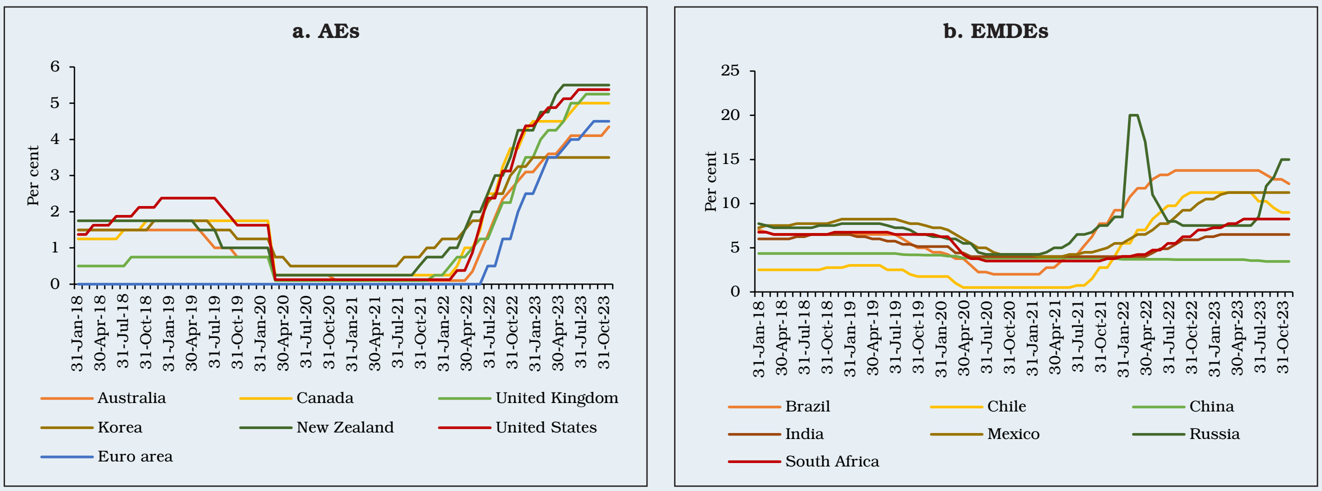
its peak. Monetary policy is expected to remain in restrictive territory in view of higher than target inflation, relatively sticky core inflation and strong labour markets. Amongst the major AEs, the US federal funds rate was raised by 525 basis points (bps) to 5.25-5.50 per cent since March 2022 while the European Central Bank (ECB) raised its policy rate (Main Refinancing Operation rate) by 450 bps to 4.5 per cent since July 2022. The EMDEs, which had started the hiking cycle earlier than AEs in 2021, are exhibiting diverging monetary policy paths. For instance, while Brazil started a rate cutting cycle in August 2023 after being amongst the earliest to start the tightening cycle, Russia and Turkey have reverted to monetary tightening in recent months due to inflationary pressures. China is pursuing an accommodative monetary policy – it cut its key policy rate for the first time in 10 months in June 2023 – to support economic growth. Indonesia raised its benchmark rate by 25 bps to 6 per cent in October 2023 after keeping it unchanged for eight consecutive meetings and kept it unchanged in November 2023 (Chart II.2b).

II.7 Reflecting monetary policy actions, elevated inflation trajectories and higher for longer scenario, sovereign bond yields hardened significantly. In October 2023 the US benchmark 10-year treasury yield touched its highest level since 2007 but moderated during November-December 2023. Similarly, yields on 10-year UK and German government bonds reached their highest levels since 2008 and 2011, respectively before correcting in November-December 2023.

3. Global Banking Policy Developments

II.8 The confidence in the banking sector in the AEs was jolted significantly in 2023 by the failure of Silicon Valley Bank and other US regional banks in March 2023, and collapse of Credit Suisse prior to its merger with UBS in June 2023. These failures called into question the business models and strategies of banks predicated upon the continuation of the decade-long low interest rate regime. They also exposed the weaknesses in their risk management strategies as well as their regulatory and supervisory architecture. Furthermore, the banking turmoil raised issues related to proportionality in application of

Chart II.2: Monetary Policy Rates



Source: Bank for International Settlements.

prudential regulations, risks of concentration in funding sources, risk management practices and governance arrangements, interactions between interest rate risk and liquidity risk across the financial system, the role of technology and social media in deposit runs, and the lack of effective international resolution frameworks[2].

Building Resilient Financial Institutions[3]

II.9 The Basel Committee on Banking Supervision (BCBS) member jurisdictions have made further progress in implementing the Basel III post-crisis reforms effective from January 1, 2023. Since end-September 2022, almost two-third of the new adoptions in member jurisdictions related to these standards[4]. In two jurisdictions, all standards are in force *i.e.*, final rules are published and implemented by banks. The implementation of the global systemically important banks (G-SIBs) leverage ratio buffer has been completed in all relevant jurisdictions. Between end-September 2022 and end-September 2023, one additional member jurisdiction issued final rules for the revised standardised approach for credit risk and output floor, and two others issued final rules for the revised internal ratings-based (IRB) approach for credit risk and the revised operational risk framework. 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 revised disclosure requirements. Moreover, most member jurisdictions have published draft rules for consultation.

II.10 For standards that have been past due for longer, five more implementations for disclosure standards and three on the interest rate risk in the banking book (IRRBB) have been completed. Final rules have been issued for each of the large exposures framework (LEX), the capital standards for securitisations, the net stable funding ratio (NSFR) and the margin requirements for non-centrally cleared derivatives (NCCDs).

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

II.11 Implementation of higher loss absorbency as well as of the related reporting and disclosure requirements for G-SIBs is proceeding on a timely basis. At end-September 2023, all relevant G-SIBs had met the final 2022 minimum external total loss absorbing capacity (TLAC) requirements and work is continuing to build up the same for four EME G-SIBs that are due to comply with the TLAC standard by January 2025. Almost all G-SIB home and key host jurisdictions have in place comprehensive bank resolution regimes that align with the Financial Stability Board's (FSB's) key attributes. However, implementation of the key attributes is still incomplete in some FSB jurisdictions, and no new bank resolution powers were fully implemented since last year[6]. The powers most often lacking are bail-in and imposing a temporary stay on the exercise of early termination rights. The 2022–23 resolvability assessment process (RAP) identified that further

2 https://www.federalreserve.gov/publications/files/svb-review-20230428.pdf

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/P111023.pdf

6 The resolution power is a composite indicator of the extent to which jurisdictions have transfer, bail-in and temporary stay powers in their regimes.

work to enhance G-SIB resolvability is necessary in most crisis management groups (CMGs), focusing on liquidity and funding in resolution, unallocated TLAC, capabilities to support a bail-in execution, trading book wind-down and valuation, as well as testing and assurance of capabilities.

Making Derivatives Markets Safer[7]

II.12 Overall implementation of the G20 over-the-counter (OTC) derivatives reforms is well-advanced but progress has slowed in recent years. There has been no increase in the number of FSB member jurisdictions with comprehensive trade reporting requirements over the past four years. Final capital requirements for NCCDs are in place in 18 FSB jurisdictions, unchanged from last year. However, jurisdictions that have not yet implemented these reforms account for a very low proportion of global OTC derivatives market activity.

Enhancing Resilience of Non-Bank Financial Intermediation (NBFI)[8]

II.13 Implementation of Basel III reforms to mitigate spillovers between banks and non-bank financial entities is still ongoing. Three jurisdictions are yet to implement applicable risk-based capital requirements for banks' investments in the equity of funds. Three jurisdictions (one fewer than last year) are yet to fully implement the supervisory framework for measuring and controlling banks' large exposures.

II.14 The FSB, in collaboration with International Organization of Securities Commissions (IOSCO) published policy proposals to enhance money market fund (MMF) resilience in 2021[9]. A number of FSB member authorities have already published proposals or adopted policy reforms on MMFs. Further, adoption of the IOSCO recommendations on incentive alignment approaches for securitisation has been completed by 17 FSB jurisdictions, unchanged from last year. Three FSB jurisdictions are yet to implement the revised BCBS securitisation framework, compared to four jurisdictions the year before. In this context, the FSB has launched an evaluation of the effects of securitisation reforms agreed by the G20 in the aftermath of the 2008 global financial crisis (GFC), which is aimed to be completed around mid-2024.

II.15 Progress continues at a slow pace on global securities financing data collection and aggregation. Only seven FSB jurisdictions are submitting data; in most cases the coverage is restricted to only a subset of market segments and granularity is limited. Moreover, implementation of the FSB recommendations for dampening procyclicality and other financial stability risks associated with securities financing transactions (SFTs) is incomplete and continues to face significant delays in most jurisdictions, with generally little progress over the past year.

II.16 In September 2023, the FSB issued a progress report on enhancing resilience of NBFI[10], documenting their progress over the past year and work planned by the FSB, other standard setting bodies (SSBs), and other international organisations. The report presents the findings of FSB's analytical work on key amplifiers of liquidity stress, especially those associated with non-bank leverage. It also sets forth policy proposals being developed by the FSB and SSBs

7 https://www.fsb.org/wp-content/uploads/P111023.pdf
8 https://www.fsb.org/wp-content/uploads/P111023.pdf
9 https://www.fsb.org/wp-content/uploads/P111021-2.pdf
10 https://www.fsb.org/2023/09/enhancing-the-resilience-of-non-bank-financial-intermediation-progress-report-3/

to reduce excessive spikes in liquidity demand related to: (i) structural liquidity mismatch in open-ended funds (OEFs); and (ii) margining practices.

II.17 In September 2023, the FSB published a report on the financial stability implications of leverage in NBFI[11]. The report forms a part of FSB's comprehensive NBFI work programme, which started after the March 2020 turmoil. The report provides an overview of aggregate NBFI leverage trends across FSB jurisdictions and discusses the vulnerabilities associated with them, including propagation and amplification mechanisms.

Climate Related Financial Disclosures

II.18 A significant milestone in strengthening the comparability, consistency and decision-usefulness of climate-related financial disclosures is the publication of the final standards of the International Sustainability Standards Board (ISSB) on June 26, 2023. These standards consisted of International Financial Reporting Standards (IFRS) S1 on general sustainability-related disclosures and IFRS S2 on specific climate-related disclosures. These standards require an entity to disclose information about its sustainability-related and climate-related risks and opportunities, to investors, covering areas of governance, strategy, risk management, and metrics and targets.

II.19 Welcoming the ISSB disclosure standards, the FSB stated in July 2023 that there was a continuing need for enhancing climate data and improving its accuracy, consistency, and quality to support climate risk assessment and scenario analysis exercises[12]. The FSB has also stated that further work is needed to embed climate scenarios for monitoring of financial vulnerabilities and for understanding of the cross-border and cross-sectoral transmission of climate shocks for financial stability insights. The FSB has set up a Transition Plans Working Group that will, as an initial task, develop a conceptual understanding on the relevance of transition plans.

II.20 In October 2022, the FSB's recommendations on climate-related risks focussed on (i) supervisory and regulatory reporting and collection of climate-related data from financial institutions; (ii) system-wide perspectives and the extent to which supervisory and regulatory tools and policies address climate-related risks; and (iii) early consideration of other potential macroprudential policies and tools[13]. The linking of climate related objectives to the compensation of individuals and/or group of executives or senior management is also being explored[14].

II.21 Given limited fiscal policy space and high debt levels in many EMDEs after the pandemic, blended finance has a critical role to play in scaling up private climate financing[15]. Blended finance involves deploying public and donor capital to de-risk private capital investments in order to mobilise financing for climate adaptation and mitigation projects. While EMDEs are more vulnerable to climate risks than AEs, their financial markets are typically underdeveloped and relatively unattractive for private investors, especially for green bond issuances (Box II.1).

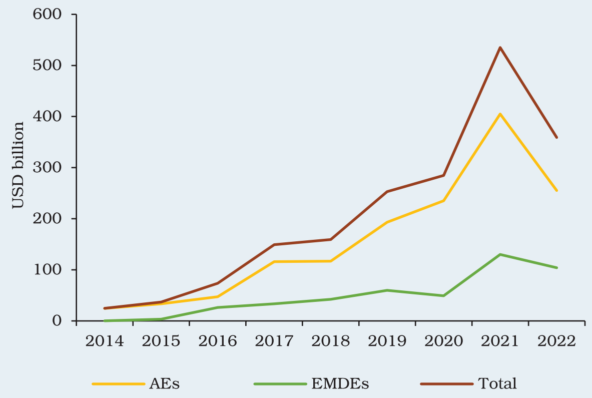
[11] https://www.fsb.org/2023/09/the-financial-stability-implications-of-leverage-in-non-bank-financial-intermediation/
[12] https://www.fsb.org/2023/07/fsb-roadmap-for-addressing-financial-risks-from-climate-change-2023-progress-report/
[13] https://www.fsb.org/2022/10/supervisory-and-regulatory-approaches-to-climate-related-risks-final-report/
[14] https://www.fsb.org/2023/04/climate-related-financial-risk-factors-in-compensation-frameworks/
[15] Conceptual note published in June 2023 by Network for Greening the Financial System (NGFS).

Box II.1: Determinants of Green Bond Issuance: A Cross-Country Analysis

In recent years, issuances of green bonds have grown exponentially, especially in AEs, while EMDEs lag behind (Chart II.1.1), despite being more vulnerable to climate change.

Panel regressions for 40 countries using annual data for the period 2013-2022 with the amounts of green bond issuances as the dependent variable and potential explanatory variables like IMF's Financial Development Index (FDI), INFORM's Vulnerability Index (VI) and World Bank's Government Effectiveness (GE) indicator along with GDP as the control variable show that financial development of a country is the most dominant factor which attracts green bond issuances. The climate vulnerability of an economy does not appear to be a significant factor. The positive relationship between GDP and green bond issuances suggests that, *ceteris paribus*, larger economies on an average tend to raise more funds through issue of these bonds (Table II.1.1).

Chart II.1.1: Green Bond Issuances



Source: CEIC database.

Table II.1.1: Random Effect Model Regression Results

Dependent Variable: Green Bond Issuances	(1)	(2)	(3)	(4)	(5)
L.FDI	1.50*** (0.41)		1.08** (0.45)		1.03** (0.49)
L.VI		-0.22 (0.33)	-0.19 (0.30)		
L.GE				0.32** (0.14)	0.19 (0.14)
Country_Dummy	-0.68** (0.30)	-1.28*** (0.29)	-0.86*** (0.30)	-0.61* (0.32)	-0.43 (0.30)
Covid_Dummy	1.04*** (0.13)	0.85*** (0.11)	0.94*** (0.12)	0.954*** (0.13)	0.10*** (0.14)
L.GDP	0.56*** (0.11)	0.84*** (0.12)	0.70*** (0.14)	0.76*** (0.09)	0.64*** (0.12)
Constant	-7.35** (2.93)	-15.08*** (3.10)	-11.05*** (3.68)	-13.36*** (2.56)	-9.59*** (3.27)
Observations	238	257	219	253	219
Number of countries	41	40	40	40	40
R-squared	0.27	0.24	0.25	0.25	0.25

Notes: 1. Robust standard errors in parentheses.
2. *** p<0.01, ** p<0.05, * p<0.1
3. Log values of dependent as well as independent variables are used in the analysis.

Source: RBI staff estimates.

The results thus suggest that consistent efforts to develop financial markets will benefit countries in raising more resources to mitigate climate change.

References

Dan, A. and A. Tiron-Tudor (2021), "The Determinants of Green Bond Issuance in the European Union," *Journal of Risk and Financial Management*, MDPI, 14(9): 1-15, September.

Barua, S. and M. Chiesa (2019), "Sustainable Financing Practices through Green Bonds: What Affects the Funding Size?", *Business Strategy and the Environment*, Wiley Blackwell, 28(6) : 1131-1147, September.

II.22 The Network for Greening the Financial System (NGFS) has been developing climate scenarios to help public and private sector players carry out detailed analyses of the financial risks posed by climate change. In September 2022, NGFS published its third iteration of scenarios for central banks and supervisors[16], exploring orderly, disorderly and hot-house world scenarios, covering various ranges of physical and transition risks. The scenarios include projections of potential losses from extreme weather events (in particular, cyclones and river floods) to complement the specific impacts of chronic climate changes on the economic activity.

[16] https://www.ngfs.net/sites/default/files/medias/documents/ngfs_climate_scenarios_for_central_banks_and_supervisors_.pdf.pdf

Regulation of Crypto-Assets

II.23 Crypto-assets have been in existence for more than a decade. They are defined as a type of private sector digital asset primarily based on cryptography and distributed ledger or similar technology[17]. They have witnessed dramatic fluctuations in their values – sharp appreciation and subsequent steep price reversion. As observed by FSB (2022), financial stability risks may emerge as crypto-assets become increasingly interconnected with the wider financial system[18]. This highlights the necessity of coordination among national regulators and International Organisations (IOs) to develop effective and flexible comprehensive policy framework for crypto-assets[19].

II.24 In July 2023, the FSB published a regulatory framework for crypto-asset activities[20]. Based on the principle of 'same activity, same risk, same regulation', the framework provides a basis for consistent and comprehensive regulation of crypto-assets and stablecoins commensurate with the risks they pose, while supporting responsible innovations that can potentially be brought in by technological change[21, 22]. The framework covers aspects like oversight, governance, risk management, access to data, recovery and resolution, disclosures, redemption rights and stabilisation mechanisms of global stablecoins (GSCs). The significance of these recommendations was recently acknowledged and endorsed during the third G20 Finance Ministers and Central Bank Governors Meeting convened in July 2023 in Gujarat, India. The G20 leaders' summit held in September 2023 at New Delhi welcomed the IMF-FSB synthesis paper which suggests a roadmap to support a coordinated and comprehensive policy framework, taking into account the full range of risks (including those specific to the EMDEs) and ongoing global implementation of Financial Action Task Force (FATF) standards to address money laundering and terrorism financing risks[23].

II.25 In December 2022, the BCBS finalised prudential standards on treatment of banks' exposures to crypto-assets to be implemented by January 1, 2025[24]. These final standards identify Group 1 crypto-assets, which include tokenised traditional assets and crypto-assets with effective stabilisation mechanisms and subject to capital requirements, based on the risk weights of underlying exposures as set out in the existing Basel Framework. Group 2 crypto-assets include unbacked crypto-assets that are subject them to a newly prescribed conservative capital treatment. Additional key elements of the standards include an infrastructure risk add-on, a Group 2 exposure limit, a redemption risk test and a supervision/regulation requirement.

II.26 The Bank for International Settlements (BIS) report on "The crypto ecosystem: key elements and risks", submitted to the G20 in July

[17] As defined by the Financial Stability Board.

[18] https://www.fsb.org/wp-content/uploads/P160222.pdf

[19] IMF Policy Paper Elements of Effective Policies for Crypto Assets, February 2023.

[20] https://www.fsb.org/2023/07/fsb-global-regulatory-framework-for-crypto-asset-activities/

[21] https://www.fsb.org/2023/07/high-level-recommendations-for-the-regulation-supervision-and-oversight-of-crypto-asset-activities-and-markets-final-report/

[22] https://www.fsb.org/2023/07/high-level-recommendations-for-the-regulation-supervision-and-oversight-of-global-stablecoin-arrangements-final-report/

[23] https://www.g20.in/content/dam/gtwenty/gtwenty_new/document/G20-New-Delhi-Leaders-Declaration.pdf

[24] https://www.bis.org/bcbs/publ/d545.pdf

2023, noted that crypto offers some elements of innovation, while highlighting several structural flaws. These include congestion and high fees leading to fragmentation, substantial *de-facto* centralisation, and the potential to amplify risks. These flaws emanate from the underlying economics of incentives, and can exacerbate known vulnerabilities. The report concludes that crypto has so far failed to harness innovation to the benefit of society, remains largely self-referential, suffers from inherent shortcomings related to stability, efficiency, accountability, and integrity, making it unsuitable to play a significant role in the monetary system[25].

II.27 In the face of these global developments and the rising financial stability concerns, the Reserve Bank continues to maintain that cryptos are fundamentally designed to bypass the established financial system. The recurring volatility in the crypto-asset markets further strengthens the view that they have no intrinsic value and they cannot serve as an efficient medium of exchange or store of value. They have the potential to disturb the established currency and banking system, while undermining the efficacy of macroeconomic and financial policies.

II.28 FATF[26] finds that jurisdictions continue to struggle with fundamental requirements such as undertaking risk assessments, enacting legislation to regulate virtual asset service providers (VASPs), and conducting supervisory inspections. The FATF's recommendation15 and its interpretative note (R.15/INR.15) requires countries to identify and assess money laundering and terrorist financing (ML/TF) risks relating to the development of new products and business practices. Analysis of 98 FATF mutual evaluations and follow-up reports since the adoption of R.15/INR.15, suggests that 75 per cent of jurisdictions are not compliant or only partially compliant with the FATF's requirements. In addition, the FATF update states that jurisdictions have made insufficient progress in implementing FATF's travel rule[27], which is a serious concern as the risks posed by virtual assets (VAs) and VASPs continue to increase and the lack of regulation creates significant loopholes for criminals to exploit the lacunae.

Artificial Intelligence

II.29 The rise of artificial intelligence (AI) embodies the potential to revolutionise various aspects of banking, non-banking and financial markets. Some AI technologies have been around for more than five decades. Advances in computing power, availability of enormous quantities of data and new algorithms have led to major AI breakthroughs in recent years. AI is increasingly being used in areas such as asset management, algorithmic trading, credit underwriting, and blockchain-based financial services. AI is expected to transform financial services segment by spurring the creation of new products and services, opening up new markets and industries, and paving the way for innovation. Fraud detection, optimisation of information technology (IT) operations and digital marketing are some other areas where widespread adoption and heavy use of AI tools has been reported. Banks can reap the benefits of such applications through more efficient use of resources enabling better customer experience. Machine learning (ML) techniques allow real-time

[25] https://www.bis.org/publ/othp72.pdf

[26] https://www.fatf-gafi.org/content/fatf-gafi/en/publications/Fatfrecommendations/targeted-update-virtual-assets-vasps-2023.html

[27] FATF's travel rule, as applied to virtual assets, requires obtaining, holding and transmitting originator and beneficiary information relating to virtual assets transactions

analysis of customer transactions to improve estimates of default risks which strengthens their risk management strategy. According to a recent survey, about one-third of the respondent financial services companies expect 51 to 75 per cent of their workload to be supported by AI technologies in five years[28].

II.30 Scheduled commercial banks (SCBs) in India, too, are leveraging AI for data analytics, fraud detection and other predictive analyses. Banks have also deployed chatbots or virtual assistants to improve customer experience (Box II.2).

II.31 The use of AI in finance could, however, amplify risks already present in the financial sector and induce new overriding risks, including potential financial consumer and investor protection considerations. The black

Box II.2: Adoption of Artificial Intelligence in Indian Banks

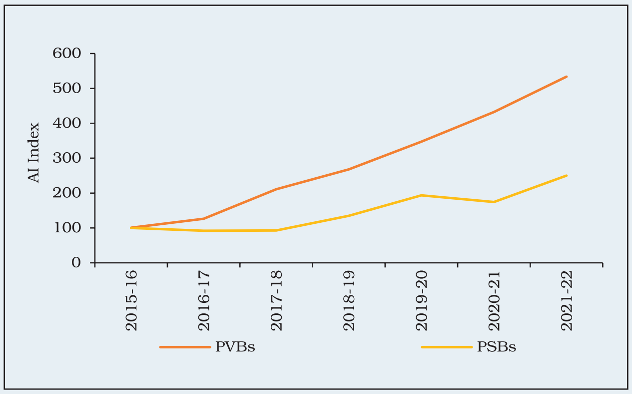
Globally, banking and financial services are leading the adoption of AI (McKinsey, 2017). To measure AI awareness and potential adoption by Indian banks, a textual analysis is performed on the annual reports of Indian banks from 2015-16 to 2021-22, using a combination of related keyword matching and named entity recognition approaches while leveraging popular dictionaries/glossaries related to AI and ML such as Google Vertex AI, Google Developers, IBM, NHS AI Lab, the Council of Europe and Large Language Models like ChatGPT and Bard.

The analysis indicates that the usage of AI related keywords in Indian banks has increased sizeably, especially in PVBs (Chart II.2.1). In PSBs, the adoption has been relatively muted but has still risen around 2.5 times over the sample period. A word cloud analysis reveals banks' focus on automation, which may be driven by the objective of reaping efficiency gains and strengthening fraud detection and other predictive analytics (Chart II.2.2). The awareness or possible adoption of relatively newer technologies like Robotic Process Automation (RPA), the Internet of Things (IoT) and Natural Language Processing (NLP) is noteworthy.

One of the prominent usages of AI across service industries is chatbots that can converse — either through text or through voice — with human users in natural languages. A survey shows that at end June-2023, 11 out of 12 PSBs and 15 out of 21 PVBs already had some form of chatbot and virtual assistant by using AI and ML technologies (Chart II.2.3 a and b). In most of the cases, the chatbots are accessible through the banks' websites.

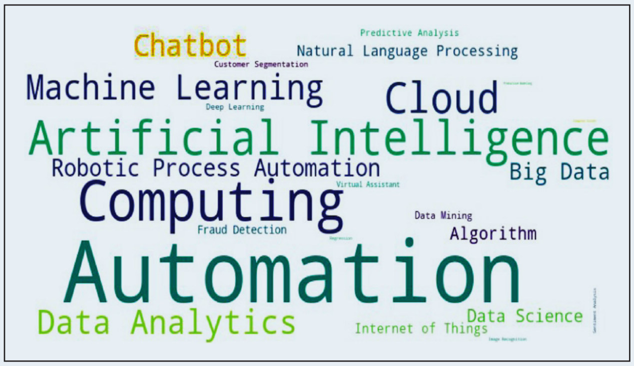
In case of PSBs, mega mergers seem to have given a boost to adoption of chatbots, with merged entities adopting the technology of acquirers (Chart II.2.4 a and b)[29]. NBFCs are also introducing chatbots for customer services.

Chart II.2.1: Bank-group Wise AI Adoption Index



Source: RBI staff compilation using annual reports of banks.

Chart II.2.2: AI-related Keyword Mentions in Annual Reports



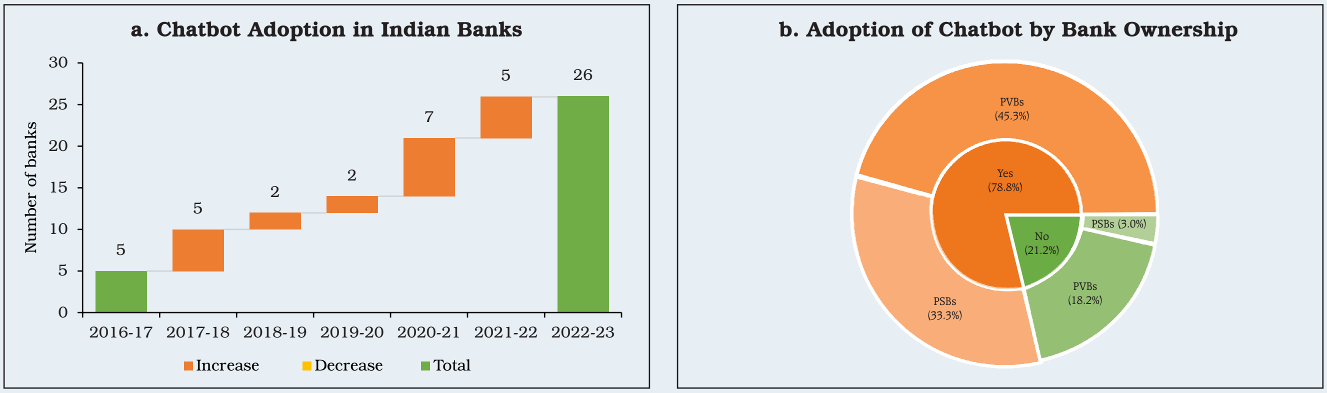
Source: RBI staff compilation using annual reports of banks.

(Contd.)

[28] The Road Ahead: Artificial Intelligence and the Future of Financial Services, Economist Intelligence Unit report, commissioned by ThoughtSpot. Available at https://go.thoughtspot.com/white-paper-economist-ai-future-of-financial-services.html

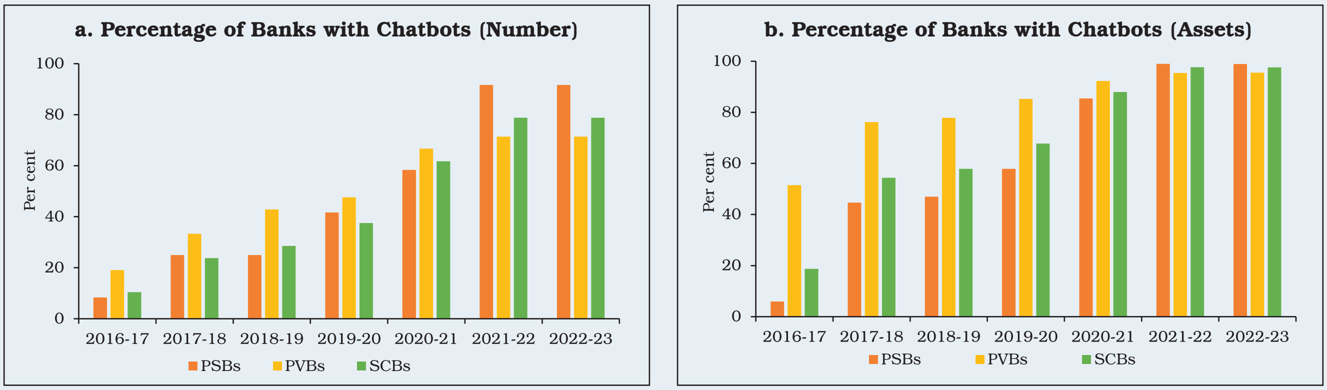
[29] Ten public sector banks were merged into four banks with effect from April 1, 2020.

Chart II.2.3: Distribution of Usage of Chatbots in Indian Banks



Source: RBI staff compilation using annual reports of banks.

Chart II.2.4: Evolution of Chatbots in Indian Banks



Source: RBI staff compilation using annual reports of banks.

Reference:

McKinsey (2017,) Artificial Intelligence: The Next Digital Frontier?, available at https://www.mckinsey.com/~/media/mckinsey/industries/advanced%20electronics/our%20insights/how%20artificial%20intelligence%20can%20deliver%20real%20value%20to%20companies/mgi-artificial-intelligence-discussion-paper.ashx

box nature of AI models makes it difficult to understand how they generate results which may be incompatible not only with existing laws and regulations, but also with internal governance, risk management and control frameworks of financial service providers. These models may contribute to market shocks and can intensify systemic risks related to pro-cyclicality[30]. Although ML, including generative AI technologies, could improve cyber security automation in intrusion detection and data loss prevention, they could also be used to automate cyber reconnaissance and attacks. Thus, as the use of AI in the sector grows, so does the need for governance frameworks and regulations to ensure that ethical practices are implemented to keep pace with the rapidly changing landscape. To address these concerns, a new AI act is proposed in the EU, which requires that all such high-risk applications must undergo rigorous testing and

[30] OECD (2021), Artificial Intelligence, Machine Learning and Big Data in Finance: Opportunities, Challenges, and Implications for Policy Makers, available at https://www.oecd.org/finance/financial-markets/Artificial-intelligence-machine-learning-big-data-in-finance.pdf

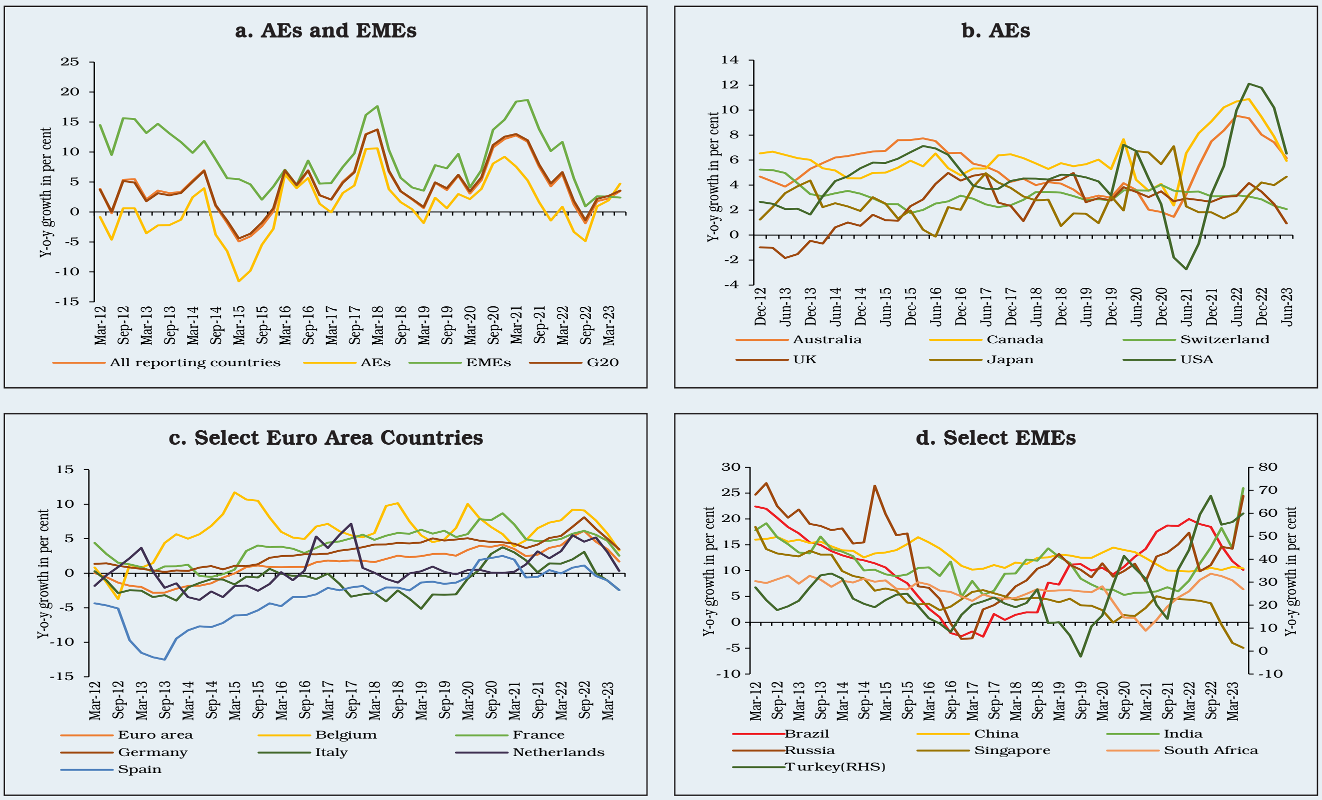
certification processes before they can be used[31]. Financial institutions using AI algorithms need to create an inventory of their technology systems to identify potential areas of model risk. They will also have to establish frameworks for managing these risks and implement appropriate measures to mitigate them.

II.32 A global summit held in the UK[32] in November 2023 focused on multifaceted risks associated with AI and strategies to mitigate these risks effectively. Twenty-eight major countries including the US, China, Japan, the UK, France, India, and the EU agreed to sign a declaration, emphasising the role of global action to tackle the potential risks of AI. Named after the hosting venue, the Bletchley Park Declaration incorporates an acknowledgment of the substantial risks from potential intentional misuse or unintended issues of control of frontier AI – especially cybersecurity, biotechnology, and disinformation risks.

4. Performance of the Global Banking Sector

II.33 In most AEs, credit growth moderated from the second half of 2022 under the weight of rising lending rates (Chart II.3). Lower loans

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



Source: Total Credit Statistics, BIS.

[31] A European Approach to Artificial Intelligence, European Commission, available at https://digital-strategy.ec.europa.eu/en/policies/european-approach-artificial-intelligence#:~:text=The%20EU's%20approach%20to%20artificial,ensuring%20safety%20and%20fundamental%20rights

[32] https://www.gov.uk/government/publications/ai-safety-summit-2023-the-bletchley-declaration/the-bletchley-declaration-by-countries-attending-the-ai-safety-summit-1-2-november-2023

to households drove the credit deceleration in Canada while anaemic unsecured credit to households led the credit downturn in the UK[33]. Bank lending surveys in the US and Europe indicated further tightening of credit standards in the face of heightened risk perceptions from the second quarter of 2023. The slowdown became especially evident in corporate loans and commercial real estate (CRE) lending[34]. Credit growth remained robust in India and Russia, while it slowed down in other EMDEs.

Asset Quality

II.34 In Q2:2023, the asset quality of banks — measured by the ratio of non-performing loans to total gross loans (NPL ratio) — remained robust across AEs (Table II.1). In the EU banks, delinquencies reached their lowest levels since the GFC, for the entire loan book as well as for loans to the non-financial private sector[35]. In Greece, government and institution-specific interventions led to significant improvement in banks' asset quality[36]. Across EMDEs (except

Table II.1: Asset Quality
(NPL ratio)

Country	2015	2016	2017	2018	2019	2020	2021	2022	Q1:2023	Q2:2023
Advanced Economies										
Australia	0.89	0.95	0.86	0.90	0.96	1.11	0.91	0.72	0.75	N.A.
Canada	0.52	0.60	0.45	0.51	0.50	0.53	0.38	0.34	0.36	0.39
Denmark	3.28	2.66	1.74	1.76	1.37	1.41	1.24	1.07	1.01	0.97
UK	1.01	1.69	1.36	1.10	1.02	0.98	0.97	0.95	0.93	0.76
US	1.47	1.32	1.13	0.91	0.86	1.07	0.81	0.72	0.73	0.74
Euro Area										
Country	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Q1:2023**	**Q2:2023**
Belgium	3.85	3.48	2.96	2.27	2.09	2.07	2.03	1.84	1.82	1.79
France	3.52	3.50	2.85	2.75	2.51	2.38	2.17	2.08	1.99	2.06
Greece	35.71	37.36	45.97	43.37	38.07	30.81	11.88	8.17	8.13	7.54
Netherlands	2.71	2.54	2.31	1.96	1.84	1.88	1.73	1.61	1.56	1.56
Spain	5.09	4.72	4.46	3.69	3.15	2.85	2.92	3.06	3.02	3.02
Emerging Markets and Developing Economies										
Country	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Q1:2023**	**Q2:2023**
Argentina	1.57	1.70	1.73	2.96	5.70	4.15	4.29	3.09	3.15	2.98
Brazil	2.85	3.08	2.88	2.60	2.66	1.87	2.08	2.64	2.91	N.A.
China	1.67	1.74	1.74	1.83	1.86	1.84	1.73	N.A.	N.A.	N.A.
India	5.88	9.19	9.98	9.46	9.23	7.94	6.54	4.81	4.25	4.09
Russia	8.38	9.24	9.66	9.75	8.83	8.16	6.10	5.51	5.41	5.33
South Africa	3.12	2.86	2.84	3.73	3.89	5.18	4.45	N.A.	N.A.	N.A.

Note: The heat map tracks the trend in the NPL ratio for that country over a period of time.
Source: Financial Soundness Indicators, IMF.

[33] Credit Conditions Survey - 2023 Q1, 13 April 2023.

[34] World Economic Outlook Update, July 2023.

[35] Financial Stability Review, European Central Bank, May 2023.

[36] These measures included, *inter alia*, initiation of the Hellenic Asset Protection Scheme (HAPS) in 2019, a significant overhaul of the insolvency law in 2020, strengthening the Hellenic Financial Stability Fund law (HFSF), operationalisation of frameworks to ease loan resolution, building new digital platforms and processes, and subsidising loan repayments to distressed debtors. HAPS, renamed as Hercules scheme, is designed to assist banks in securitising non-performing loans (NPLs) and moving them out of their balance-sheets. (Greece: Selected Issues, International Monetary Fund, June 2022).

South Africa), asset quality has been improving since 2019, though the NPL ratio remained relatively elevated in Russia.

II.35 Banks are better placed now to manage NPLs than in the aftermath of the GFC, owing to higher capital buffers and stricter supervisory standards. Going forward, higher interest rates could dampen economic growth and put stress on asset quality in sectors such as CRE. For instance, the office-vacancy rates, especially in the US, are higher now than after the GFC, reflecting entrenched work-from-home habits[37].

Provision Coverage Ratio

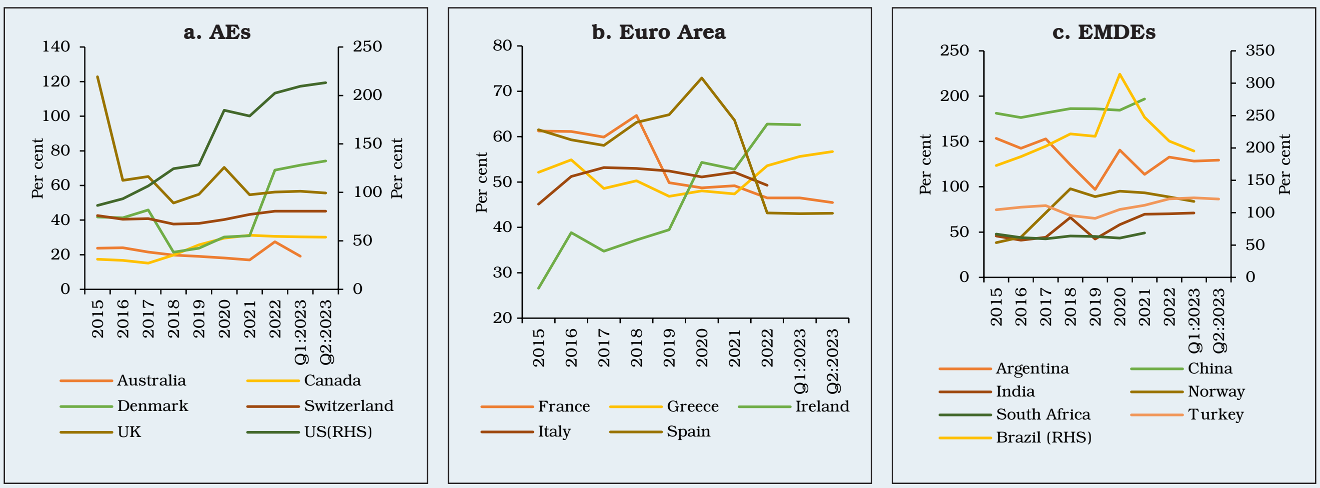
II.36 Provisioning buffers are designed to provide a cushion against possible credit impairment. The provision coverage ratio (PCR) for the US, which has been the highest among major AEs, improved further in Q2:2023, indicating greater resilience to stress in the banking book (Chart II.4a). The ratio has, however, remained low—in the range of 15 to 35 per cent—in other economies like Australia and Canada. In a few Euro Area countries like Italy, Spain and France, the PCR declined in 2022 (Chart II.4b). For the EMDEs, there was some moderation in 2022. Brazil recorded the highest PCR (Chart II.4c).

Bank Profitability

II.37 Bank profitability, measured by the return on assets (RoA), improved in Q1:2023 as rising policy rates were accompanied by a faster pace of transmission to lending rates relative to deposit rates, which boosted net interest margins (NIM) across AEs and EMEs (Chart II.5a). Profitability faces headwinds from subdued economic growth prospects, tighter credit standards and the lagged pass-through to deposit rates (Chart II.5b). Amongst EMEs, bank profitability in Brazil reduced in Q1:2023 due to an increase in loan loss provisions, mainly reflecting the filing of bankruptcy protection and restructuring by a major retail chain, as well as a slight worsening in operational efficiency[38]

Chart II.4: Provision Coverage Ratio

(NPL provisions as a per cent of nonperforming loans)

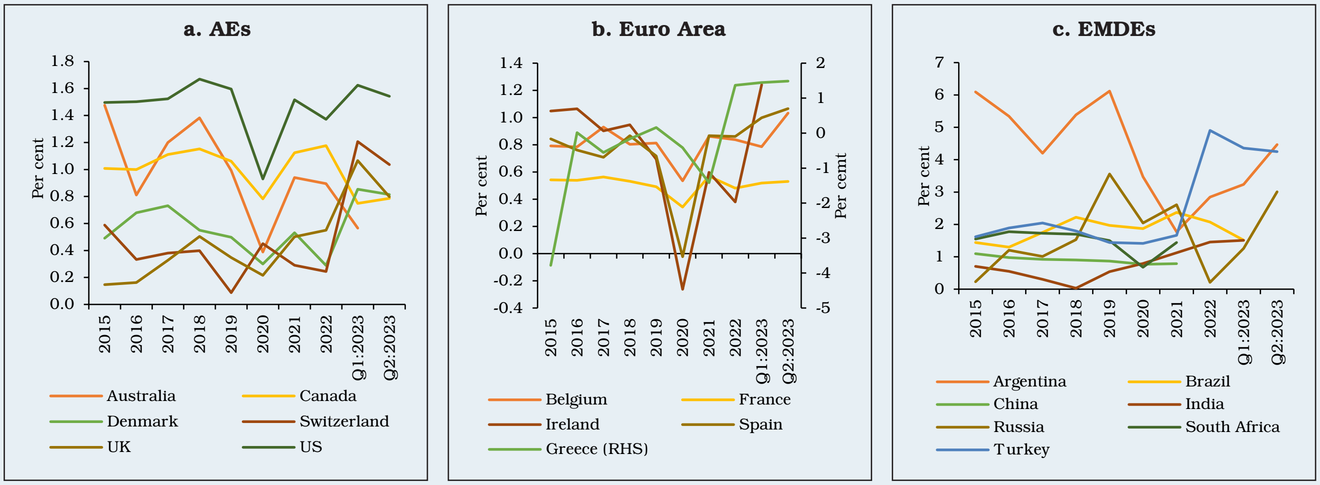


Source: Financial Soundness Indicators, IMF.

[37] The Economist, August 29, 2023.

[38] Financial Stability Report, Volume 22, July 2023, Banco Central do Brasil.

Chart II.5: Return on Assets



Source: Financial Soundness Indicators, IMF.

(Chart II.5c). In China, increased policy support for the property sector was delivered *via* banks, asset management companies, trust companies and other non-banking financial institutions (NBFIs). Stress in the property segment imposed burden on financial entities' balance sheets, first through their own exposure to the sector and second, through their exposure to local government finances[39]. This, combined with the overhang of the impact of stringent pandemic-containment measures, exacerbated asset quality risks for the banking system. While large Chinese banks have strong capital positions, smaller banks are more exposed to the property sector and small to medium-sized enterprises, with much higher NPL ratios, weaker provision coverage, lower capital adequacy, and are more closely linked to shadow banks[40].

Capital Adequacy

II.38 The capital adequacy ratio, measured by regulatory capital to risk weighted assets (CRAR), remains above the Basel III norms. Amongst the AEs, the Scandinavian countries such as Norway and Denmark maintain higher capital buffers while the US banks maintain the lowest CRAR (Table II.2). The capital ratios of the Euro Area banks (except Greece and Ireland) declined in 2022, reflecting the increase in risk-weighted assets (RWAs) stemming mainly from robust lending growth to non-financial corporations, which continued until the third quarter[41]. Among EMDEs, capital ratios improved in 2022 for almost all of them, except Brazil. In Brazil, the capital ratio moderated on account of lower net income and higher remuneration distribution to shareholders[42].

Leverage Ratio

II.39 Leverage ratio, defined as regulatory Tier I capital divided by total assets, aims to ascertain the extent to which banks have financed their assets with equity and acts a backstop to CRAR to constrain banks' risk-taking behaviour. Banks

[39] Global Financial Stability Report, April 2023, IMF.

[40] Financial Stability Review, Reserve Bank of Australia, April 2023.

[41] Financial Stability Review, European Central Bank, May 2023.

[42] Financial Stability Report, Volume 22, July 2023, Banco Central do Brasil.

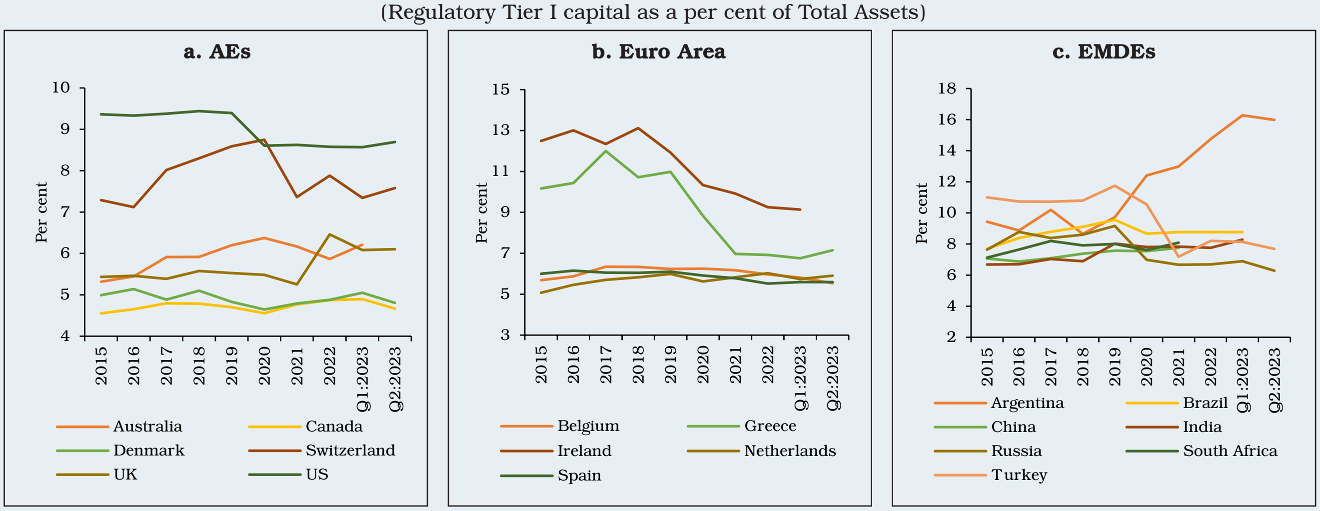
Table II.2: Regulatory Capital to Risk-Weighted Assets Ratio

Country	2015	2016	2017	2018	2019	2020	2021	2022	Q1:2023	Q2:2023
Advanced Economies										
Australia	13.80	13.70	14.61	14.80	15.70	17.56	17.87	17.80	19.56	N.A.
Canada	14.20	14.76	14.81	15.25	15.34	16.10	17.13	17.32	17.45	16.99
Denmark	19.19	20.75	22.15	21.68	22.47	23.29	22.87	22.56	22.73	22.84
Norway	18.94	22.07	22.02	22.33	24.19	24.80	25.02	25.88	25.63	N.A.
UK	19.61	20.64	20.69	21.39	21.25	21.61	22.05	21.44	21.17	21.10
US	14.14	14.19	14.53	14.77	14.65	16.28	16.39	15.54	15.71	15.82
Euro Area										
Country	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Q1:2023**	**Q2:2023**
Belgium	18.69	18.81	18.96	18.76	18.75	20.34	20.44	20.05	19.94	20.21
Greece	16.52	16.95	17.02	15.99	17.02	16.66	15.23	17.46	16.53	17.26
Ireland	27.49	27.31	25.34	25.39	24.97	25.47	25.53	27.80	26.85	26.65
Netherlands	20.11	22.38	22.03	22.30	22.87	22.82	22.37	20.97	20.92	21.22
Spain	14.66	14.85	15.55	15.58	15.91	16.98	17.43	16.68	16.82	16.98
Emerging Markets and Developing Economies										
Country	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Q1:2023**	**Q2:2023**
Argentina	13.28	16.66	15.57	15.96	17.49	24.19	26.20	29.86	31.16	29.55
Brazil	16.44	18.11	19.55	19.55	19.42	19.09	18.42	17.47	17.43	N.A.
China	13.45	13.28	13.65	14.20	14.64	14.70	15.13	N.A.	N.A.	N.A.
India	12.68	12.97	12.82	12.92	15.42	15.59	14.79	15.82	16.97	16.60
Russia	12.70	13.07	12.07	12.15	12.33	12.55	12.35	N.A.	N.A.	N.A.
South Africa	14.20	15.93	16.27	16.09	16.58	16.58	18.11	N.A.	N.A.	N.A.

Source: Financial Soundness Indicators, IMF.

maintained leverage ratios more than twice the minimum of 3 per cent required under the Basel III norms. Although the ratio for the US banks declined, it remained higher than their peers (Chart II.6a). Among Euro Area countries, a reversion in the declining trend was observed in

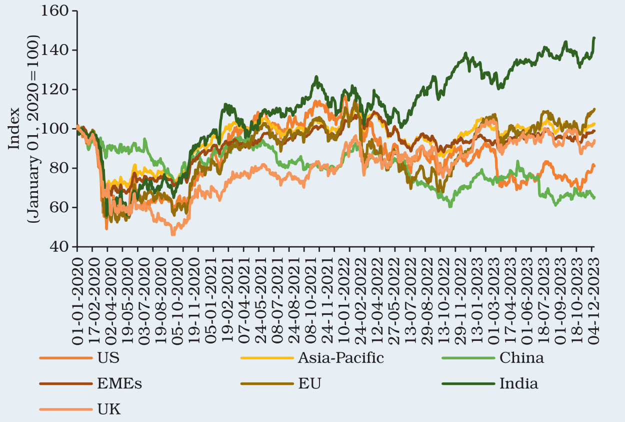
Chart II.6: Leverage Ratio
(Regulatory Tier I capital as a per cent of Total Assets)



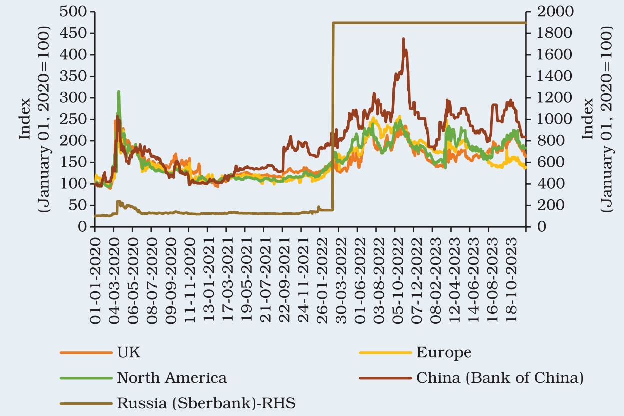
Source: Financial Soundness Indicators, IMF.

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

a. Bank Equity Price Indices



b. Five-Year Bank CDS Spread



Source: Refinitiv Datastream.

Greece (Chart II.6b). Among EMDEs, the leverage ratio in Argentina and Turkey improved, whereas it moderated for others (Chart II.6c).

Financial Market Indicators

II.40 Bank failures in the US in early 2023 adversely affected market sentiments. The US bank equity prices were the hardest hit. The decline in the UK and the European bank equity prices was relatively smaller (Chart II.7a). There was a material increase in financial market risk premia and volatility, reflected in the increase in spreads on high-yield and investment-grade corporate bonds and leveraged loans. Credit default swap (CDS) spreads also widened (Chart II.7b). While market risk sentiment has stabilised in recent months, global financial markets remain nervous, given large uncertainties about the outlook for inflation and interest rates.

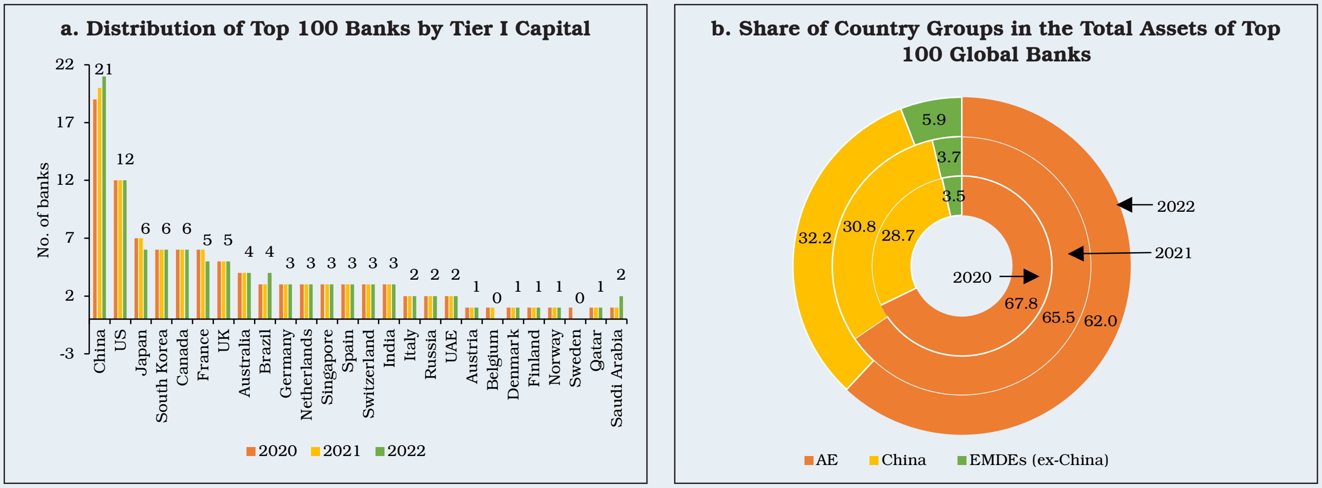
5. World's Largest Banks

II.41 In the aftermath of the GFC, the largest global banks, especially in the AEs, reduced the scale and scope of their trading activities to control risk exposures. These banks also curtailed their international business, preferring to focus on local business instead. More specifically, they have either shut down or restricted their correspondent relationships with banks in EMDE jurisdictions as they were perceived as riskier and prone to regulatory complexities[43]. On the other hand, the huge economic stimulus package announced by the Chinese government in the wake of the GFC to pump prime the economy was mainly channelised through the banking sector[44]. As a result, the share of AE banks in the top 100 banks worldwide has been shrinking in the post-GFC period while that of Chinese banks has been growing (Chart II.8a and 8b).

[43] https://www.mckinsey.com/industries/financial-services/our-insights/a-decade-after-the-global-financial-crisis-what-has-and-hasnt-changed.

[44] Eugene Nivorozhkin, Ilias Chondrogiannis (2022), Shifting Balances of Systemic Risk in the Chinese Banking Sector: Determinants and Trends, *Journal of International Financial Markets*, Institutions and Money, Volume 76.

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

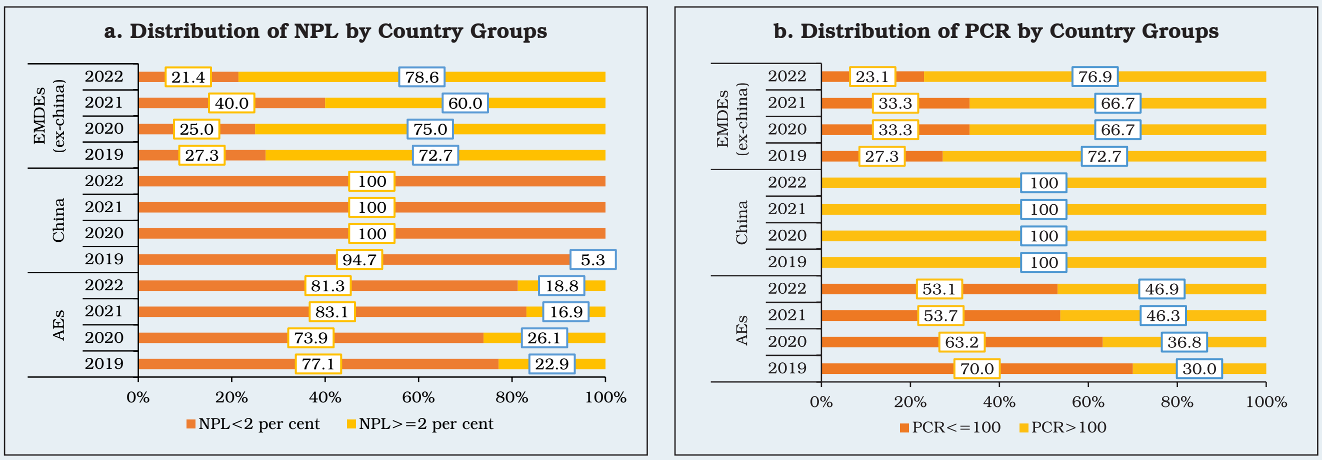


Source: Bankers database, Financial Times.

II.42 The asset quality of large global banks in AEs and EMDEs (excluding China) came under pressure in 2022. There was an increase in the number of AE and EMDE banks with NPL ratios crossing 2 per cent in 2022 (Chart II.9a). In contrast, all Chinese banks in the top 100 had their NPL ratios below 2 per cent. Moreover, the PCR of large Chinese banks, an indicator of loss absorbing capacity, was above 100 per cent at end-December 2022. In contrast, roughly half of the banks in AEs had PCRs below 100 per cent. Provisioning in EMDE banks improved significantly in 2022, with nearly three-fourth of them maintaining PCR greater than 100 per cent (Chart II.9b).

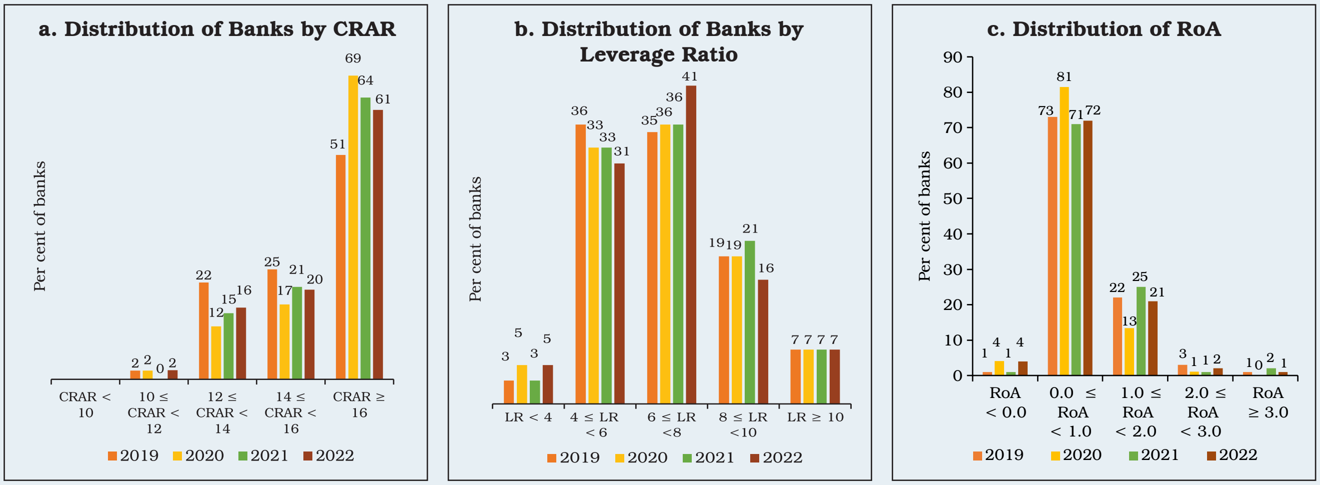
II.43 The distribution of capital measured by CRAR shifted leftward in 2022, as there was an increase in the number of banks maintaining CRAR below 14 per cent (Chart II.10a). In case of leverage ratio, the 6 to 8 per cent category

Chart II.9: Asset Quality of Top 100 Banks



Note: Data in legends indicate per cent share of banks in total.
Source: Bankers database, Financial Times.

Chart II.10 Soundness of the Top 100 Banks



Source: Bankers Database, Financial Times.

has remained the modal class, although the peakedness of the distribution increased with decline in the number of banks in the 4 to 6 per cent and 8 to 10 per cent categories (Chart II.10b).

II.44 The profitability of top 100 banks, which had shown marked improvement in 2021, moderated in 2022. The number of banks with RoA above 1 per cent fell in 2022 (Chart II.10c). This is in sharp contrast to the overall trend of banks enjoying higher profits in 2022. Mid-sized banks, especially in EMDEs (including China), seem to have reaped the benefits of higher interest rates as the monetary policy transmission to their lending rates was faster than to borrowing costs[45].

6. Overall Assessment

II.45 With inflation remaining above target, monetary policy could stay in restrictive territory for longer. Global growth is expected to weaken in 2024. Under these circumstances, credit growth is likely to remain subdued, bank profitability could dampen and asset quality could see some stress, although banks across jurisdictions are well-capitalised. EMDE banking systems are expected to build on the strong resilience exhibited in 2023. Going forward, therefore, the regulators and supervisors need to remain mindful of the emerging risks to the banking sector in a challenging environment.

[45] Top 1000 World Banks 2023, Barbara Pianese, July 5, The Banker, available at https://www.thebanker.com/Top-1000-World-Banks-2023-1688511684.

III POLICY ENVIRONMENT

During 2022-23 and 2023-24 so far, the Reserve Bank's policy focused on withdrawal of accommodation while supporting growth amidst high domestic inflation. The Reserve Bank made concerted efforts to encourage innovation while retaining focus on consumer convenience and protection. The regulatory and supervisory policies of the Reserve Bank aimed at enhancing ease of doing business for regulated entities and ensuring financial stability.

1. Introduction

III.1 The Indian financial system has exhibited resilience, supported by strong macroeconomic fundamentals, and effective regulatory and supervisory oversight that primarily focused on creating a level playing field for all regulated entities (REs), improving governance practices, expanding the reach and quality of financial services and enhancing the adoption of digital banking while ensuring that customer interests are protected and the financial sector is well-cushioned with capital and liquidity buffers.

III.2 Against this backdrop, the chapter begins with Section 2, which delineates key policy developments that had a bearing on financial conditions in the economy. Regulatory and supervisory initiatives undertaken by the Reserve Bank during the period under review are presented in Section 3. Policies pertaining to green initiatives are discussed in Section 4, while those related to the various technological innovations are covered in Section 5. Sections 6, 7 and 8 review the policies related to financial markets and foreign exchange, credit delivery and financial inclusion, and consumer protection, respectively. 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. The Macroeconomic Policy Setting

III.3 The policy environment in India in 2022-23 was dominated by unrelenting inflationary pressures induced by the conflict in Ukraine, the consequent surge in global commodity prices and the volatility in global financial markets. Accordingly, alongside ongoing fiscal consolidation and the deployment of supply-side measures to address food and fuel price shocks, monetary policy moved into tightening mode. The Monetary Policy Committee (MPC) raised the policy repo rate cumulatively by 250 basis points (bps) from 4 per cent to 6.5 per cent during the year[1]. The policy stance shifted in a calibrated manner from the pandemic-phase 'accommodation' to 'withdrawal of accommodation to ensure that inflation progressively aligns to the target while supporting growth'.

III.4 During 2022-23, the cash reserve ratio (CRR) was increased by 50 bps to 4.50 per cent (effective fortnight beginning May 21, 2022), withdrawing about ₹87,000 crore of primary liquidity from the banking system. To strengthen liquidity management, a standing deposit facility

[1] 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, 35 bps in December 2022, and 25 bps in February 2023.

(SDF) was instituted in April 2022 as the floor of the liquidity adjustment facility (LAF) corridor, replacing the fixed rate reverse repo (FRRR). The SDF rate, which is applicable on uncollateralised overnight deposits, was set at 25 bps below the policy repo rate, which restored the pre-pandemic symmetry of the LAF corridor. By removing the binding collateral constraint, the SDF strengthened the operating framework of monetary policy, besides acting as a financial stability tool.

III.5 In the second half of 2022-23, transient liquidity pressures surfaced, in response to which the Reserve Bank conducted one fine-tuning variable rate repo (VRR) auction along with two 14-day VRR auctions. An additional amount of ₹5,000 crore was made available to standalone primary dealers (SPDs) under the standing liquidity facility (SLF) on March 31, 2023 at the prevailing repo rate to assuage year-end tightness in liquidity.

III.6 During 2023-24 (up to December 2023), the MPC kept the policy repo rate unchanged at 6.5 per cent in all its meetings, taking into consideration the policy transmission lags. In its December 2023 meeting, the MPC observed that recurring food price shocks are impeding the disinflation process and headline inflation remains volatile, with possible implications for the anchoring of expectations. The MPC also indicated preparedness to undertake appropriate and timely policy actions, should the situation so warrant. The MPC noted that it will remain resolute in its commitment to aligning inflation to the target.

III.7 Liquidity conditions eased in May-June 2023 due to the withdrawal of ₹2,000 banknotes from circulation, higher Government spending and the Reserve Bank's market operations. To ensure liquidity conditions are in sync with the monetary policy stance, the Reserve Bank – as a temporary measure – imposed an incremental cash reserve ratio (I-CRR) of 10 per cent on the increase in scheduled commercial banks' (SCBs') net demand and time liabilities (NDTL) between May 19, 2023 and July 28, 2023, with effect from the fortnight beginning August 12, 2023. This impounded about ₹1.1 lakh crore from the banking system. The I-CRR was reviewed on September 8, 2023 and was discontinued in a phased manner, ending October 7, 2023. The borrowings by banks under the MSF increased from an average of ₹6,702 crore in July 2023 to ₹1,27,355 crore in November 2023 but moderated to ₹85,697 crore in December 2023 (up to December 19). At the same time, substantial funds were deposited under the SDF, symptomatic of skewed liquidity distribution in the banking system. The weighted average call rate (WACR) firmed up from 6.48 per cent in July 2023 to 6.65 per cent in September 2023. It was 6.74 per cent in December 2023 (up to December 19).

III.8 In order to enable better fund management by banks, it was decided to allow reversal of liquidity facilities under both the SDF and the MSF, even during weekends and holidays, with effect from December 30, 2023. A review of this measure will be undertaken after six months or earlier, if required.

III.9 The Reserve Bank enhanced the held to maturity (HTM) limit for government securities from 22 per cent to 23 per cent of NDTL during 2022-23 to enable banks to better manage their investment portfolio. Banks were allowed to include eligible statutory liquidity ratio (SLR) securities acquired between September 1, 2020 and March 31, 2024 under this enhanced limit. The HTM limits are set to be restored from 23 per cent to 19.5 per cent in a phased manner starting from the quarter ending June 30, 2024. As part of the calibrated move towards normal liquidity operations, market hours, which were truncated during the pandemic, were restored for the call/notice/term money, commercial paper, certificates of deposit, repo in corporate bond segments of the money market as well as for rupee interest rate derivatives in December 2022, and for the government securities market in February 2023.

3. Regulatory and Supervisory Policies

3.1 Scheduled Commercial Banks

Regulatory Measures towards Consumer Credit and Bank Credit to NBFCs

III.10 Post-COVID, consumer credit, especially the unsecured portfolio, has accelerated substantially. Further, increasing dependency of non-banking finance companies (NBFCs) on bank borrowings was leading to regulatory concerns. Although their asset quality did not exhibit any major signs of stress, the consistent high credit growth in these two segments warranted a prudential intervention. Accordingly, the Reserve Bank on November 16, 2023 announced various measures, including increasing the risk weights of bank loans to NBFCs and commercial banks' and NBFCs' exposure to consumer credit and credit card receivables. These guidelines came into effect immediately. Furthermore, REs were advised to review their exposure limits for consumer credit and put in place Board-approved limits for its various sub-segments, specifically unsecured consumer credit exposures, by February 29, 2024.

Framework for Compromise Settlements and Technical Write-offs

III.11 The Reserve Bank issued a framework for compromise settlements and technical write-offs on June 8, 2023 to provide further impetus to the resolution of stressed assets in the system. The framework tightens some of the extant regulatory provisions, ensures greater transparency, and is applicable to all REs, including NBFCs and co-operative banks. Under the framework, REs are required to put in place a Board-approved policy that comprehensively lays down the process to be followed. It vests the power for approval of settlements with an authority which is at least one level higher in hierarchy than the credit-sanctioning authority. For compromise settlements with borrowers classified as fraud or wilful defaulters, the penal measures currently applicable would continue.

Minimum Capital Requirements for Operational Risk

III.12 On June 26, 2023 the Reserve Bank prescribed a new methodology for determining the minimum capital requirement for operational risk in order to secure greater convergence with the revised Basel standards. The new standardised approach is slated to replace all the approaches used presently *viz.*, the basic indicator approach (BIA), the standardised approach (TSA)/ alternative standardised approach (ASA), and the advanced measurement approach (AMA), for measuring minimum operational risk capital requirements. Under the new standardised approach, banks are required to consider a financial statement-based business indicator component (BIC), along with loss data-based internal loss multiplier (ILM) (for larger banks) in their operational risk regulatory capital calculation. The effective date of implementation would be communicated separately.

Master Direction and Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies

III.13 On January 16, 2023 the Reserve Bank issued the Master Direction and Guidelines

Table III.1: Limits on Shareholding

	Type of Shareholder	Shareholding Limit (percentage of paid-up share capital or voting rights of the banking company)
Non-promoter	Natural persons, non-financial institutions, financial institutions directly or indirectly connected with large industrial houses, and financial institutions that are owned to the extent of 50 per cent or more or controlled by individuals (including the relatives and persons acting in concert)	10 per cent
	Other financial institutions, supranational institutions, public sector undertakings and central/ state governments	15 per cent
Promoter	After completion of 15 years from commencement of business of the banking company	26 per cent
	Before completion of 15 years from commencement of business of the banking company	May be allowed to hold a higher percentage as part of the licensing conditions or the approved shareholding dilution plan.

Source: RBI.

on shareholding and voting rights in banking companies to ensure that their ownership and control are well-diversified, and that the major shareholders are continuously monitored for a change in 'fit and proper' status. Limits on permissible shareholding by different categories of shareholders have been updated (Table III.1).

Internet Banking Facility by Regional Rural Banks (RRBs)

III.14 On November 01, 2022 the Reserve Bank revised the eligibility criteria applicable to RRBs for offering internet banking with transactional facility to their customers to promote spread of digital banking in rural areas. The rationalised criteria provide various relaxations in the financial conditions while maintaining the extant non-financial conditions (Table III.2).

Table III.2: Eligibility Criteria for Offering Internet Banking Facility by RRBs

	Previous Financial Criteria	Revised Financial Criteria
Minimum CRAR	10 per cent	Minimum prescribed CRAR (currently 9 per cent)
Minimum net worth	₹100 crore or more as on March 31 of the previous financial year	₹50 crore or more as on March 31 of the previous financial year
Asset quality	GNPA ratio less than 7 per cent and NNPA ratio not more than 3 per cent	NNPA ratio not more than 5 per cent as on March 31 of the previous financial year
Profitability	Net profit in the immediately preceding financial year and net profit in at least three out of four preceding financial years	Net profit in two immediately preceding financial years
Accumulated losses	The bank should not have accumulated losses	–

Source: RBI.

Classification, Valuation and Operation of Investment Portfolio

III.15 In September 2023 the Reserve Bank revised the norms on classification and operation of investments, taking into account significant developments in global standards, linkages with the capital adequacy framework as well as the state of development of domestic financial markets. The revised framework updates the regulatory guidelines while introducing a principle-based classification of investment portfolios and a symmetric treatment of fair value gains and losses. The revised guidelines specify the criterion for identifying the trading book under held for trading (HFT), and remove the 90-day ceiling on holding period under HFT and the ceilings on the HTM category. Banks will be required to formulate a Board-approved policy to classify their investment under HTM, available for sale (AFS), and fair value through profit and loss (FVTPL) (with HFT as a sub-category of FVTPL) and provide more detailed disclosures on the investment portfolios. The FVTPL category will comprise securities that do not qualify for inclusion in HTM or AFS, including, *inter alia,* convertible instruments, those that have loss-absorbency features such as Additional Tier 1 and Tier 2 bonds, preference and equity shares, mutual fund investments, and securitisation notes representing the equity tranche. The guidelines will be applicable from April 1, 2024.

Interest Rate Risk in Banking Book (IRRBB)

III.16 IRRBB refers to the current or prospective risk to banks' capital and earnings arising from adverse movements in interest rates. In February 2023 the Reserve Bank issued guidelines requiring banks to measure, monitor, and disclose exposure to IRRBB[2]. The guidelines place the responsibility for understanding the nature and level of banks' IRRBB exposure on the banks' Boards, which have to approve broad business strategies as well as overall policies in this regard, set appropriate limits, and put in place comprehensive IRRBB reporting and review processes. Banks are also expected to develop and implement an effective stress testing framework for IRRBB as part of their broader risk management and governance frameworks commensurate with the nature, size and complexity of business activities and overall risk profile.

Outsourcing of Information Technology (IT) Services

III.17 REs often outsource a substantial portion of their IT activities to third parties, which exposes them to significant financial, operational and reputational risks. In April 2023, the Reserve Bank issued Master Directions to REs to ensure that such outsourcing-related risks are managed through adequate checks and oversight. The Directions, *inter alia*, provide definition of outsourcing and an indicative list of IT services thereof; necessary principles, standards, controls, and procedures for IT related outsourcing to ensure appropriate governance structures and risk management framework; due diligence requirements to assess the capability of the service provider; provisions to allow the RE to retain adequate control over the outsourced activity; and the right to intervene with appropriate measures to meet legal and regulatory obligations.

3.2 Non-Banking Finance Companies

III.18 Under the scale based regulatory (SBR) framework, the threshold asset size for being classified in the middle layer (NBFC-ML) is specified at ₹1,000 crore. In October 2022, the Reserve Bank advised that if the consolidated asset size of a group is ₹1,000 crore and above, then each NBFC in the group will be classified as an NBFC-ML, irrespective of individual asset size, and consequently, regulations as applicable to the middle layer shall be applicable to it.

Credit Concentration Norms - NBFC-ML and NBFC-Base Layer (NBFC-BL)

III.19 Extant guidelines on the large exposure framework (LEF) for NBFC-upper layer (NBFC-UL) permit exposures to the original counterparty to be offset with certain credit risk transfer instruments. To harmonise regulations across NBFCs, on October 6, 2023 the Reserve Bank announced that NBFCs in the ML and BL may offset their exposures with eligible credit risk transfer instruments.

[2] The date of implementation is yet to be communicated.

Regulatory Framework for Infrastructure Debt Fund-NBFCs (IDF-NBFCs)

III.20 A review of the extant regulatory framework for IDF-NBFCs was undertaken in August 2023 to enable them to play a greater role in financing the infrastructure sector and to move towards greater harmonisation of regulations applicable to various categories of NBFCs (Box III.1).

Operations of Indian Banks and AIFIs in Foreign Jurisdictions and IFSCs

III.21 In December 2022, the Reserve Bank permitted branches and subsidiaries of Indian banks and all-India financial institutions (AIFIs) operating in foreign jurisdictions and international financial services centres (IFSCs) to deal in financial products that are not available or are not permitted by the Reserve Bank in the domestic market without its prior approval.

Box III.1: Review of Regulatory Framework for IDF-NBFCs

The Union Budget 2011-12 had announced the setting up of Infrastructure Debt Funds (IDFs). Subsequently, a broad structure of IDFs was issued by the Government of India. A trust-based IDF is registered as an IDF-mutual fund (IDF-MF) and is regulated by the Securities and Exchange Board of India (SEBI), whereas a company-based IDF is registered as an IDF-NBFC and is regulated by the Reserve Bank. Currently, there are two categories of NBFCs catering specifically to the infrastructure sector *viz.*, NBFC-Infrastructure Finance Companies (NBFC-IFCs) and IDF-NBFCs. While the former was created in February 2010 and is required to deploy a minimum of 75 per cent of its total assets in the infrastructure sector, the latter was created in November 2011 as low-risk entities dealing in brown-field infrastructure refinancing projects.

The regulatory framework for IDF-NBFCs was revised in August 2023 to induce efficient utilisation of their resources while preserving their low-risk character. The salient aspects of the revised framework are as follows:

- Under the earlier guidelines, an IDF-NBFC was required to be sponsored either by a bank or by an NBFC-IFC; this requirement was withdrawn and the shareholders of IDF-NBFCs are now subjected to scrutiny as applicable to other NBFCs.
- The toll operate transfer (TOT) projects, being operational in nature, do not have the construction risk associated with green-field ventures; in view of their low-risk nature, IDF-NBFCs are allowed to be direct lenders for such projects.
- Earlier, IDF-NBFCs were permitted to raise funds through the bond route only, both domestically as well as under external commercial borrowings (ECBs); the revised framework allows them to raise funds through the loan route under ECBs, subject to a minimum tenor of five years, excluding loans sourced from foreign branches of Indian banks.
- IDF-NBFCs were earlier required to enter into a tripartite agreement with the concessionaire and the project authority for investments in the public-private partnership infrastructure projects; this requirement has been made optional.
- The Tier I capital requirement of IDF-NBFCs was increased to 10 per cent from 7.5 per cent, within the overall regulatory capital requirement of 15 per cent, aligning their capital requirements with NBFC-IFCs and NBFC-Investment and Credit Companies (NBFC-ICCs) in the middle layer.
- Under the SBR framework, IDF-NBFCs are in the middle layer, with their exposure limits harmonised with those prescribed for NBFC-IFCs in the middle layer and infrastructure exposures of NBFC-ICCs — 30 per cent and 50 per cent of Tier I capital for single borrower and single group of borrowers, respectively.

These regulatory measures are expected to enable the IDF-NBFCs to diversify avenues for raising capital, funding resources and deployment of funds. Besides achieving the regulatory objective of harmonisation of regulations applicable to various categories of NBFCs, strengthening of prudential norms shall further mitigate risks associated with IDF-NBFCs.

Revised Regulatory Framework for AIFIs

III.22 On September 21, 2023 the Reserve Bank issued a revised regulatory framework for AIFIs to strengthen their prudential regulations and make their risk management systems more robust, while aligning it with banks[3]. The revised framework makes Basel III capital regulations applicable to AIFIs, replacing the currently applicable Basel I capital regulations, which includes, *inter alia*, raising capital standards, improving recognition of credit risk based on external ratings, applicability of LEF, and efficient capturing of their off-balance sheet exposures under the leverage ratio framework. The revised guidelines will be applicable latest with effect from April 1, 2024.

Regulatory Framework for Asset Reconstruction Companies (ARCs)

III.23 In April 2021, an external committee was set up by the Reserve Bank to review the existing legal and regulatory framework applicable to ARCs and recommend measures to enhance their efficacy. Based on the committee's recommendations and feedback from the stakeholders, the Reserve Bank reviewed the prescribed regulatory framework for ARCs on October 11, 2022 to (i) strengthen corporate governance framework by ensuring separation of ownership and management, requiring ARCs to constitute audit committees and nomination and remuneration committees of the Board; (ii) enhance transparency by increasing disclosure requirements; (iii) strengthen prudential guidelines by, *inter alia*, increasing the minimum net owned fund requirement; and (iv) facilitate their role in resolution of stressed assets by suitable regulatory enablement.

Diversification of Activities of Standalone Primary Dealers (SPDs)

III.24 On October 11, 2022 the Reserve Bank permitted SPDs to offer all foreign exchange market-making facilities as currently permitted to category-I authorised dealers (AD-1) to strengthen the role of SPDs as market makers. This will provide a broader spectrum of market makers to forex customers for managing currency risk, and a wider market presence will improve the ability of SPDs to support their core activities.

3.3 Co-operative Banks

III.25 Given the heterogeneity in the co-operative banking sector, a four-tiered regulatory framework was adopted for urban co-operative banks (UCBs) to balance the spirit of mutuality and co-operation of smaller UCBs *vis-à-vis* the growth ambitions of large-sized UCBs. The corresponding framework for net worth and capital adequacy came into effect from March 31, 2023[4]. Additionally, revaluation reserves were permitted for inclusion in Tier I capital subject to certain conditions. The guidelines are designed to bolster the capital structure and resilience of UCBs, enabling them to effectively address risks in proportion to their scale.

3 At end-November 2023, there were five AIFIs in India *viz.*, Export-Import Bank of India (EXIM Bank), National Bank for Agriculture and Rural Development (NABARD), National Bank for Financing Infrastructure and Development (NaBFID), National Housing Bank (NHB) and Small Industries Development Bank of India (SIDBI).

4 Tier 1 UCBs operating in a single district and all other UCBs (of all tiers) should maintain a minimum net worth of ₹2 crore and ₹5 crore, respectively. Tier 1 UCBs should maintain, as hitherto, a minimum CRAR of 9 per cent while Tier 2 to 4 UCBs should maintain a minimum CRAR of 12 per cent. UCBs are provided with glide paths till March 31, 2026 and March 31, 2028 to meet the minimum CRAR and net worth requirements, respectively.

Classification of UCBs as Financially Sound and Well Managed (FSWM)

III.26 The criteria for declaring a UCB as FSWM was first introduced in 2010. Over the years, the Reserve Bank has been fine-tuning them while also imparting operational autonomy to UCBs. The norms for determining the FSWM status of a UCB were revised on December 01, 2022 which emphasised on, *inter alia*, higher capital buffers, better asset quality as well as profitability of the entity. UCB Boards were empowered to decide their eligibility to be treated as FSWM, based on assessed financials and findings of the Reserve Bank inspection reports or audited financial statements, whichever is latest. This process is subject to supervisory review. UCBs may review the compliance with FSWM criteria every year at their Board levels.

Priority Sector Lending (PSL) by UCBs

III.27 PSL targets and sub-targets for UCBs were revised in 2020. With a view to ease the implementation challenges faced by them, the phase-in time for achievement of the PSL target and sub-target for weaker sections was extended on June 08, 2023 by two years, *i.e.*, up to March 31, 2026 (Table III.3).

Table III.3: Priority Sector Lending Targets and Sub-targets for UCBs

Financial Year ended	Overall PSL Target (as a percentage of ANBC or CEOBE, whichever is higher) *	Sub-target for Advances to Weaker Sections (as a percentage of ANBC or CEOBE, whichever is higher) *
March 31, 2024	60	11.5
March 31, 2025	65	11.75
March 31, 2026	75	12

Notes: 1. The targets for March 31, 2023 (60 per cent for overall PSL and 11.5 per cent for weaker sections) shall continue till March 31, 2024.
2. *: ANBC refers to adjusted net bank credit, while CEOBE refers to credit equivalent amount of off-balance sheet exposure.

Source: RBI.

III.28 UCBs are now required to contribute to the rural infrastructure development fund (RIDF) or other eligible funds in lieu of shortfalls in PSL targets/ sub-targets with effect from March 31, 2023 instead of March 31, 2021. Contribution made by a UCB for shortfalls during 2020-21 and/ or 2021-22 can be used to offset shortfalls that may have occurred during 2022-23 and excess deposits, if any, after offsetting the shortfall, will be refunded.

III.29 To incentivise UCBs to meet PSL targets, the Reserve Bank increased the monetary ceiling of gold loans that can be granted under the bullet repayment scheme from ₹2 lakh to ₹4 lakh on October 6, 2023 for UCBs that met the overall PSL target and sub-targets as on March 31, 2023 and continue to meet the same as per the revised schedule.

Provisioning for Standard Assets

III.30 On April 24, 2023 the Reserve Bank harmonised the provisioning norms for 'standard' assets applicable to all categories of UCBs, irrespective of their tier in the revised framework. Direct advances to agriculture and small and medium enterprise (SME) sectors will attract a uniform provisioning requirement of 0.25 per cent, while the provisioning requirement for advances to the commercial real estate (CRE) sector, commercial real estate - residential housing (CRE-RH), and 'all other standard advances' will be 1 per cent, 0.75 per cent and 0.4 per cent, respectively. Tier 1 UCBs, which were maintaining 0.25 per cent provisions on 'all other standard advances', were permitted to achieve the requirement of 0.40 per cent in a staggered manner by March 31, 2025.

Permission to Rural Co-operative Banks (RCBs) to Lend to CRE-RH Sector

III.31 RCBs, *i.e.*, state co-operative banks (StCBs) and district central co-operative banks

(DCCBs), were hitherto not allowed to finance CRE. Considering the growing need for affordable housing and to realise their potential in providing credit facilities to the housing sector, the Reserve Bank on June 8, 2022 permitted RCBs to extend finance to CRE-RH sector within the existing aggregate housing finance limit of five per cent of their total assets. RCBs are required to have a Board-approved policy for financing the CRE-RH sector. The performance of the CRE-RH portfolio should be reviewed by the Board at least on a half-yearly basis.

Individual Housing Loans - Enhancement in Limits for UCBs and RCBs

III.32 Taking into account the rise in housing prices and considering the customer needs, the Reserve Bank increased the limits on individual housing loans on June 08, 2022 for RCBs and UCBs. For RCBs with assessed net worth less than ₹100 crore, the limit was increased from ₹20 lakh to ₹50 lakh, while for other RCBs, it was raised from ₹30 lakh to ₹75 lakh. For Tier 1 UCBs, the limit was increased from ₹30 lakh to ₹60 lakh and for Tier 2 UCBs, it was raised from ₹70 lakh to ₹140 lakh. Consequent upon categorisation of UCBs under four tiers in the revised regulatory framework, the limits on housing loans sanctioned by UCBs to individual borrowers were respecified as ₹60 lakh for Tier 1 UCBs and ₹140 lakh for UCBs categorised in Tiers 2 to 4, with effect from December 30, 2022.

Issue and Regulation of Share Capital and Securities for RCBs

III.33 The extant instructions on issue and regulation of capital funds for StCBs and DCCBs were reviewed in April 2022 in light of the Banking Regulation (Amendment) Act, 2020. The new guidelines allow RCBs to issue preference shares, establish a minimum maturity period of 10 years for all regulatory capital instruments, and permit them to refund the share capital to their members (or nominees), subject to the CRAR remaining above 9 per cent.

4. Green Initiatives

III.34 With climate change being recognised as the most critical challenge, the Reserve Bank has been playing a key role in nudging banks towards mobilising green resources for green activities and projects.

Acceptance of Green Deposits

III.35 The Reserve Bank issued a framework for acceptance of green deposits on April 11, 2023 to encourage REs to offer green deposits to customers, protect depositors' interest, address greenwashing risks and help augment the flow of credit to green activities/ projects. Eligible REs[5] will have to allocate the funds raised from green deposits to (i) renewable energy sector; (ii) energy efficiency; (iii) clean transportation; (iv) climate change adaptation; (v) sustainable water and waste management; (vi) pollution prevention and control; (vii) green buildings; (viii) sustainable management of living natural resources and land use; or (ix) terrestrial and aquatic biodiversity conservation. The allocation of funds raised through green deposits will also be subject to annual independent third-party verification/assurance. This would not, however, absolve the RE of its responsibility regarding the end-use of funds, for which internal checks and balances will have to be followed.

[5] The framework is applicable to all scheduled commercial banks, including small finance banks (excluding regional rural banks, local area banks and payments banks) and all deposit taking non-banking financial companies, including housing finance companies.

Sovereign Green Bonds

III.36 During 2022-23, sovereign green bonds (SGrBs) spread over two tranches of ₹8,000 crore each were issued on January 25, 2023 and February 9, 2023. They comprised 5-year and 10-year bonds of ₹4,000 crore in each tranche. During 2023-24, 5-year and 10-year SGrBs of ₹5,000 crore in each tranche were issued on November 10, 2023 and December 8, 2023, respectively. Auctions of 30-year SGrBs (two tranches of ₹5,000 crore each) are scheduled to be held in January-February 2024. SGrBs issued during 2022-23 and 2023-24 were notified as 'specified securities' under the fully accessible route (FAR) on January 23, 2023 and November 08, 2023, respectively, and non-residents were allowed to invest in these securities without any restrictions.

5. Technological Innovations

III.37 To keep pace with the dynamically changing landscape, the Reserve Bank continued with conscious efforts to facilitate innovations in the FinTech sector.

Digitalisation of Kisan Credit Cards (KCC)

III.38 In September 2022, the Reserve Bank, in association with the Reserve Bank Innovation Hub (RBIH), conceptualised an end-to-end digitalisation of the KCC process to reduce the turnaround time for loan processing from more than two-three weeks to a few minutes so as to contain operational expenses and opportunity costs by obviating the need for multiple visits to bank branches. A pilot of Digital KCC was launched in select districts of Madhya Pradesh and Tamil Nadu and was further scaled to other states *viz.*, Maharashtra, Karnataka, and Uttar Pradesh. Digitalisation was also extended to dairy entrepreneurs in Gujarat, where the quantum of finance is instantly decided on the basis of the milk pouring data obtained from milk co-operatives/societies.

Public Tech Platform for Frictionless Credit

III.39 Based on the learnings from the KCC and dairy pilots, the Reserve Bank, in association with the RBIH, launched a pilot of the Public Tech Platform on August 17, 2023. The open application programming interfaces (APIs) and standards embedded in the platform enable linkage with services such as Aadhaar electronic know your customer (e-KYC), land records from onboarded State Governments, milk pouring data, bank account verification, property search data, satellite data, permanent account number (PAN) validation, and account aggregation. It is expected to increase efficiency in the lending process by reducing costs and aiding quicker disbursement and scalability. Apart from KCC loans up to ₹1.6 lakh per borrower and dairy loans, the platform focuses on micro, small and medium enterprise (MSME) loans (without collateral), personal loans and home loans through participating banks. The scope and coverage of the platform will be expanded to include more products, data/ service providers and lenders based on the learnings and response from stakeholders.

Operationalisation of Central Bank Digital Currency

III.40 The e₹ is a tokenised version of the Indian rupee. The Reserve Bank commenced the pilot for the wholesale segment (e₹-W) on November 1, 2022, for settlement of secondary market transactions in government securities with the participation of select banks. It is expected to reduce transaction costs by pre-empting the need for settlement guarantee infrastructure or for collateral to mitigate settlement risk. The scope of e₹-W was subsequently expanded to include inter-bank lending and borrowing transactions.

III.41 The pilot for the retail segment (e₹-R) was launched on December 01, 2022, covering select locations in a closed user group (CUG), comprising participating customers and merchants. Users can make both person-to-person (P2P) and person-to-merchant (P2M) transactions with e₹-R through a digital wallet offered by participating banks and stored on mobile phones. It offers trust, safety, and settlement finality, does not earn any interest and can be converted to other forms of money. The pilot started with four banks and four cities and is currently operational through thirteen banks. It is being expanded to cover more banks and locations across the country. Based on the learnings from the pilot, the Reserve Bank made Unified Payments Interface (UPI) and CBDC interoperable to leverage the almost universal UPI acceptance infrastructure. The scope of the pilots is gradually being expanded to cover various use cases, designs, and technological considerations.

Digital Lending

III.42 Based on the inputs received from various stakeholders on the recommendations of the Working Group on Digital Lending (WGDL), the Reserve Bank released a regulatory framework on August 10, 2022. It is based on the principle that lending business can be carried out either by entities that are regulated by the Reserve Bank or entities permitted to do so under any other law. The detailed guidelines were issued on September 2, 2022 and focus on addressing concerns arising out of unchecked engagement of lending service providers (LSPs) in various lending activities, mis-selling, breach of data privacy, customer grievance redressal, unfair business conduct and unethical recovery practices. The guidelines support orderly growth of credit delivery through digital lending methods while making the lending process transparent and fair by mandating several upfront disclosures to the borrowers.

Default Loss Guarantee (DLG) in Digital Lending

III.43 DLG arrangements involve a contractual arrangement between an RE and an LSP operating within an outsourcing arrangement under which the latter guarantees to compensate the former upfront specified loss due to default up to a certain percentage of the loan portfolio of the RE. Considering the need to strike a balance between prudence and innovation, on June 08, 2023, the Reserve Bank permitted DLG arrangements with suitable regulatory guardrails. REs need to ensure that the total amount of DLG cover does not exceed five per cent of the loan portfolio, and is offered only in the form of cash, fixed deposit or bank guarantee. The recognition of non-performing assets (NPAs) and consequent provisioning is the responsibility of the RE to ensure that credit appraisal standards are not diluted. Also, REs are required to ensure disclosure of DLG on the website of LSPs to promote transparency.

6. Financial Markets and Foreign Exchange Policies

LIBOR Transition

III.44 In view of the planned phase out of the London Interbank Offered Rate (LIBOR) and the cessation of its publication after June 30, 2023, the Reserve Bank had been sensitising REs about the need to completely transition away from it to other benchmarks from July 1, 2023. On May 12, 2023, the Reserve Bank advised REs to (i) ensure that no new transaction undertaken by them or their customers rely on the USD LIBOR or its linked domestic benchmark, the Mumbai Interbank Forward Outright Rate (MIFOR); and (ii) ensure insertion of fallbacks in all remaining legacy financial contracts that reference USD LIBOR or MIFOR, at the earliest. The list of 'significant benchmarks' was accordingly updated to include the modified MIFOR (MMIFOR) and exclude MIFOR.

Non-Deliverable Derivative Contracts (NDDCs)

III.45 With a view to develop the onshore INR NDDC market and to provide residents with the flexibility to efficiently design their hedging programmes, the Reserve Bank on June 6, 2023 permitted banks with IFSC Banking Units (IBUs) to offer INR NDDCs to resident non-retail users in the onshore market for hedging foreign exchange risk. These banks were provided with the flexibility of settling their NDDC transactions with non-residents and with each other in foreign currency or in INR, while transactions with residents were to be mandatorily settled in INR.

Limits in Call and Notice Money Markets

III.46 On June 8, 2023 the Reserve Bank permitted SCBs (excluding small finance banks (SFBs) and payments banks) to set their own internal Board-approved limits for borrowing in the call and notice money markets within the prudential limits for inter-bank liabilities prescribed by the Reserve Bank to provide greater flexibility for managing their money market borrowings. Earlier, borrowings by SCBs in the call and notice money markets were subject to prudential limits.

7. Credit Delivery and Financial Inclusion

III.47 The vision for financial inclusion in India has been set by the National Strategy for Financial Inclusion (NSFI) 2019-24. In consonance, significant strides were made during the year under review to further strengthen the financial inclusion landscape, leveraging digital infrastructure.

New Interest Subvention Scheme for Women SHGs under DAY-NRLM

III.48 The Government of India introduced a new interest subvention scheme for women self-help groups (SHGs) under the *Deendayal Antyodaya Yojana* - National Rural Livelihoods Mission (DAY-NRLM) in July 2022 (Table III.4).

Table III.4: Interest Subvention Scheme for Women SHGs

Loan Amount	Interest Rate	Interest Subvention
Up to ₹3 lakh	7 per cent	4.5 per cent
₹3 lakh to ₹5 lakh	One-year marginal cost of funds-based lending rate, any other external benchmark-based lending rate or 10 per cent per annum, whichever is lower	5 per cent

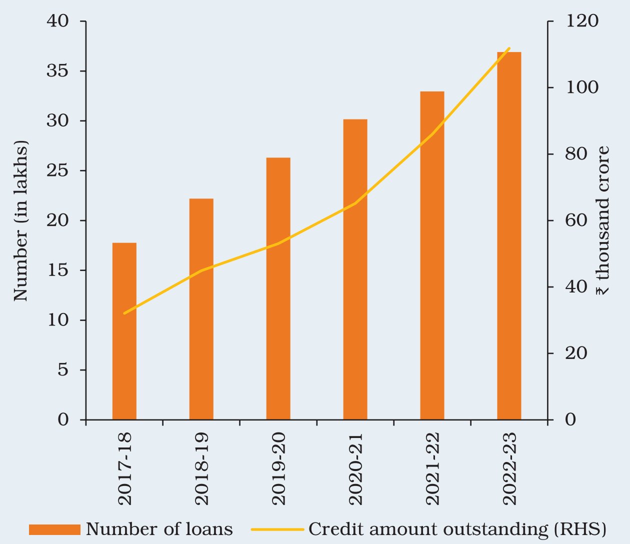
Source: RBI.

III.49 Women SHGs promoted by other agencies following the DAY-NRLM protocols are also eligible for the subvention scheme. The scheme is being implemented through a nodal bank selected by the Ministry of Rural Development (MoRD). During 2022-23, the number of loans and amount outstanding to women SHGs under DAY-NRLM increased by 12.0 per cent and 30.1 per cent, respectively (Chart III.1).

Modified Interest Subvention Scheme for Short-Term KCC Loans

III.50 The interest subvention scheme for short-term loans for agriculture and allied activities

Chart III.1: Women SHGs under DAY-NRLM



Source: RBI.

availed through KCC was extended for 2021-22 on April 28, 2022, and for 2022-23 and 2023-24 on November 23, 2022, with some modifications (Table III.5). The scheme, which earlier covered only public sector banks (PSBs) and private sector banks (PVBs) (in respect of loans given by their rural and semi-urban branches only), was extended to SFBs and computerised primary agricultural co-operative societies (PACS) which have been ceded with SCBs on use of their own resources. The benefit of concessional credit for agricultural and allied activities was, thus, sought to be made available to a larger set of borrowers.

Formalisation of Informal Micro Enterprises (IMEs) on Udyam Assist Platform

III.51 As per the new criteria for defining MSMEs, all lenders were advised to obtain *Udyam* Registration Certificates (URCs) from entrepreneurs. However, many enterprises were facing difficulties in registering on the portal due to the compulsory requirement of PAN/ goods and services tax (GST) documents, leading to a significant decline in the number of MSME accounts. The Ministry of MSMEs introduced the *Udyam* Assist Portal (UAP) to streamline the formalisation process for IMEs, and assist in their registration and issuance of *Udyam* Registration Numbers (URN) and *Udyam* Assist Certificates (UAC). On May 9, 2023 the Reserve Bank notified that UACs will be considered equivalent to URCs, and IMEs that possess a UAC will be recognised as micro enterprises for the purpose of PSL classification.

Table III.5: Modified Interest Subvention Scheme for Short Term KCC Loans

(Per cent)

Financial Year	Lending Rate to Farmers	Rate of Interest Subvention to Lending Institutions	Prompt Repayment Incentive for farmers
2021-22	7	2	3
2022-23	7	1.5	3
2023-24	7	1.5	3

Source: RBI.

8. Consumer Protection

III.52 The Reserve Bank has been undertaking various policy measures to strengthen the complaint redressal mechanism *viz.*, the internal grievance redressal (IGR) for REs and the alternate grievance redressal (AGR) framework by leveraging technology to enhance efficiency[6]. In addition, focused customer awareness programmes like Ombudsman Speak, Talkathon and Nationwide Intensive Awareness Program were conducted during 2022-23 across the country to educate customers on safe banking practices using innovative ways.

Committee for Review of Customer Service Standards

III.53 In recent years, the financial landscape in India has been witnessing a rapid transformation in terms of a rising customer base and number of service providers, advent of new technology and digital products and an increase in volume of digital transactions emerging from innovations in payment systems. Against this backdrop, the Reserve Bank set up the 'Committee for Review of Customer Service Standards in RBI Regulated Entities (REs)' on May 23, 2022. The Committee submitted its report on April 24, 2023 (Box III.2).

[6] The Reserve Bank in its statement on developmental and regulatory policies on October 6, 2023 announced that it will issue a consolidated master direction to harmonise the guidelines on internal ombudsman (IO) framework across various categories of REs.

Box III.2: Review of Customer Service Standards

The Committee for review of customer service standards was formed under the Chairmanship of Shri B.P. Kanungo to evaluate and review the quality of customer service, examine evolving needs, identify best practices, and suggest measures for bringing about improvements in quality of customer service and grievance redressal mechanism in REs.

The committee conducted a survey of 5,016 customers of REs in July 2022 to identify lacunae in services extended to them (Chart III.2.1). A survey of 861 employees of REs was also conducted to identify the issues hindering better customer service at branches (Chart III.2.2).

The key recommendations made by the Committee included:

Strengthening Regulation by the Reserve Bank

- Developing and publishing a system-level index to capture the standards and quality of customer service/ protection in a single score.
- Empowering the RBI Ombudsmen (RBIOs) to issue directions to REs based on complaint/s received.

Enhancing Regulatory Compliance by REs

- Putting in place a suitable structure of incentives and disincentives aimed at enterprise-wide improvements in customer service.
- Creating a fund for direct compensation to the Internal Ombudsmen (IOs) appointed in REs to address conflicts of interest.

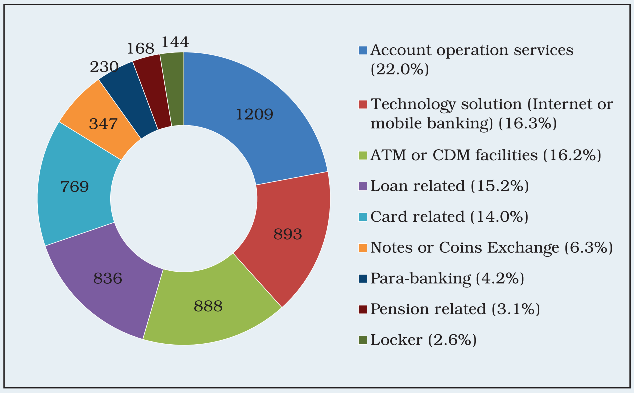
Leveraging Technology

- REs may leverage contextual data and artificial intelligence (AI) to integrate and personalise their interfaces for the benefit of customers.
- Designing and deploying safer means of second factor authentication mechanisms by REs to counter the misuse of one-time passwords (OTPs).
- Standardisation of automated teller machine (ATM) interface and ensuring minimum set of functionalities for all ATMs.

Improving Customer Service in REs

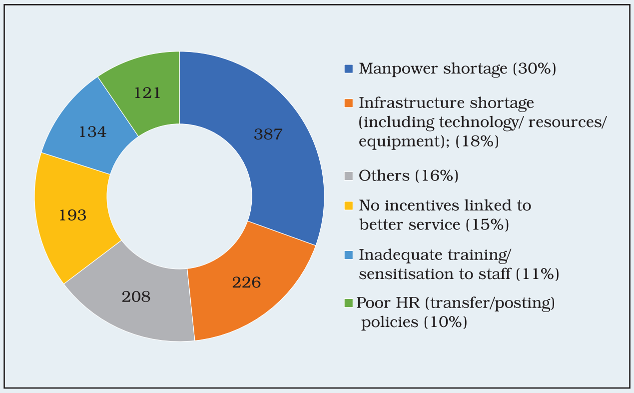
- Ensuring hassle-free and speedy settlement of claims through online portals in cases of deceased account holders to obviate the need for physical visits by nominees.
- Establishing a centralised database of KYC documents of all customers of REs linked to customer information files to avoid repeated submissions for each new facility availed.
- Ensuring timely return of property documents to borrowers and suitable compensation for delays / losses.

Chart III.2.1: Areas of Concern: Customer Survey



Note: Sum may not add up to 5,016 as multiple options were allowed.

Chart III.2.2: Issues Hindering Better Customer Service



Note: Sum may not add up to 861 as multiple options were allowed.

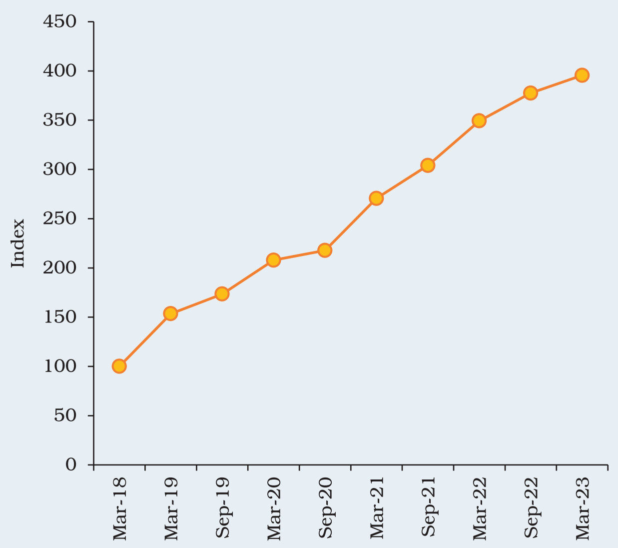
9. Payments and Settlement Systems

III.54 In the recent years, India's digital payments ecosystem has emerged as a role model not only for other emerging market economies (EMEs), but also for many advanced economies (AEs). The inherent safety features, robust infrastructure and supportive policy initiatives have led to a transformation and a shift away from cash-based transactions. The progression in Reserve Bank's Digital Payments Index (RBI-DPI) bears a testimony to this phenomenon (Chart III.2).

Bharat Bill Payment System (BBPS)

III.55 BBPS, an interoperable platform for bill payments, has witnessed a quantum leap, both in the volume of transactions as well as the number of onboarded billers. To enhance the participation of non-bank Bharat Bill Payment Operating Units (BBPOUs), the Reserve Bank reduced the net worth requirement for their authorisation from ₹100 crore to ₹25 crore on May 26, 2022.

Chart III.2: RBI-Digital Payments Index



Source: RBI.

III.56 Since September 2022, BBPS has been enabled to process foreign inward remittances received under the Rupee Drawing Arrangement (RDA)[7]. Such payments can now be transferred to the KYC compliant bank account of the biller (beneficiary). In December 2022, the scope of BBPS was further extended to include all categories of payments and collections, both recurring and non-recurring, to enable more billers to be onboarded on BBPS.

Storage and Tokenisation of Actual Card Data

III.57 On June 24, 2022 the Reserve Bank extended the timeline for storing Card-on-File (CoF) data by three months, *i.e.*, till September 30, 2022. This was done to resolve outstanding issues around storage of actual card data in the digital payments ecosystem. With effect from October 1, 2022, no entity in the payment chain other than the card issuer or card network is allowed to store CoF data. Any such data previously stored has to be purged. On July 28, 2022 the merchant or its payment aggregator (PA) involved has been allowed to save the CoF data for a maximum period of T+4 days ('T' being the transaction date) or till the settlement date, whichever is earlier, for transactions where cardholders decide to enter the card details manually (commonly referred to as 'guest checkout transactions'). As per the guidelines, these data shall be used only for the settlement of such transactions and must be purged thereafter. The acquiring banks have been allowed to continue to store guest check-out transaction data until January 31, 2024 for

[7] RDA is a channel to receive cross-border remittances from overseas jurisdictions wherein the authorised category-I banks enter into tie-ups with the non-resident exchange houses in the financial action task force (FATF) compliant countries to open and maintain their vostro account.

handling other post-transaction activities. All previously stored CoF data has to be purged after 180 days of the transaction.

III.58 So far, over 64 crore tokens have been created on which transactions with value of over ₹6 lakh crore have been undertaken. Tokenisation has improved transaction security and transaction approval rates. Earlier, CoF tokens could only be created through merchants' applications or webpages. In October 2023 the Reserve Bank proposed to introduce CoF token creation facilities directly at the issuer bank - level to enhance convenience for cardholders.

Expanding the Scope of Trade Receivables Discounting System (TReDS)

III.59 Guidelines on the TReDS were issued in December 2014 to help MSMEs convert their trade receivables into liquid funds. Recognising that financiers are generally not inclined to bid for payables of low-rated buyers, the Reserve Bank permitted insurance facility for TReDS transactions in June 2023. The permission for insurance companies to enter the ecosystem consisting of MSME sellers, buyers and financiers would aid financiers to hedge default risk. The Reserve Bank also took measures to expand the pool of financiers and to enable a secondary market for factoring units.

Extending UPI to Inbound Travellers to India

III.60 Till recently, foreign nationals and non-resident Indians (NRIs) visiting India had to rely on cash or foreign exchange payment instruments that required availability of point-of-sale (PoS) terminals to meet their payment needs. Recognising that UPI QR codes are widely used in India, the Reserve Bank on February 10, 2023 allowed them to make local payments using UPI while they are in India. The facility involves issuance of prepaid payment instruments (PPIs) in the form of wallets that could be linked to UPI and loaded with INR by converting foreign currency. The facility, first made available to delegates from G-20 countries on select airports to begin with, will be extended to other entry points and visitors from other countries in due course.

Enhancements to UPI

III.61 On May 19, 2022 the Reserve Bank mandated banks, ATM networks and white label ATM operators to provide an interoperable card-less cash withdrawal (ICCW) facility. The use of UPI has been permitted for customer authorisation in such transactions, with settlement of transactions through the ATM network. In June 2022 the Reserve Bank expanded the scope of UPI by allowing linking of credit cards to the UPI network, with the initial facilitation planned for RuPay credit cards. On September 3, 2023 the Reserve Bank enabled UPI transactions from pre-sanctioned credit lines with prior consent of the individual customer.

Regulation of Payment Aggregator – Cross Border (PA - Cross Border)

III.62 On October 31, 2023 the Reserve Bank issued guidelines on regulation of PA - Cross Border with the aim of bringing all entities, including online export-import facilitators (OEIFs), online payment gateway service providers (OPGSPs), and Reserve Bank approved collection agent arrangements, that facilitate processing and settlement of cross-border payment transactions for import and export of goods and services under direct regulation of the Reserve Bank.

Internationalisation of Payment Systems

III.63 The Reserve Bank has been working towards expanding the global footprint of UPI and RuPay cards through collaboration with various countries. In February 2023, the Reserve Bank and the Monetary Authority of Singapore (MAS) operationalised linkage of their respective fast payment systems (FPS), *i.e.* UPI and PayNow. The linkage has enabled users of the two systems to make instant and low-cost cross-border peer-to-peer (P2P) payments on a reciprocal basis. In July 2023, the Reserve Bank and the Central Bank of the UAE (CBUAE) signed an MoU for linking UPI with the Instant Payment Platform (IPP) of the UAE; and linking their respective card switches (RuPay switch and UAESWITCH). Acceptance of UPI through QR codes has been enabled in Bhutan, Singapore, and the UAE. Indian tourists travelling to these countries can use their UPI apps to make payments at merchant locations. Arrangements have been made with Bhutan, Nepal, Singapore, and the UAE to accept RuPay cards without co-branding with other international card schemes. Issuance of RuPay cards in other countries is also being examined.

Extension of Payments Infrastructure Development Fund (PIDF) Scheme

III.64 The PIDF scheme was operationalised by the Reserve Bank in January 2021 for three years to incentivise the deployment of payment acceptance infrastructure in Tier 3 to Tier 6 centres, north-eastern states and union territories of Jammu & Kashmir and Ladakh. In October 2023, the Reserve Bank extended the PIDF Scheme by two years, *i.e.,* up to December 31, 2025. To provide a fillip to efforts towards promoting digital transactions at the grassroot level, the beneficiaries of PM *Vishwakarma* Scheme were also included under the PIDF Scheme.

10. Overall Assessment

III.65 During 2022-23 and 2023-24, the Reserve Bank created an enabling environment for REs to improve ease of doing business, while maintaining their focus on customer protection. The strides taken in digital finance infrastructure have made finance more inclusive, competitive, and robust, while setting a global benchmark. In the highly uncertain geopolitical environment, REs will have to keep their focus on identifying and mitigating incipient stress, maintaining soundness and public confidence, and meeting the financing requirements of the country's developmental aspirations. The Reserve Bank remains committed to preserving financial stability while enhancing efficiency in the financial system.

IV OPERATIONS AND PERFORMANCE OF COMMERCIAL BANKS

The Indian banking sector's asset quality improved during 2022-23 and 2023-24, with the gross non-performing assets (GNPA) ratio declining to its lowest in a decade. The combined balance sheet of scheduled commercial banks (SCBs) expanded at an accelerated pace, driven by credit to retail and services sectors, with higher net interest income and lower provisioning requirements boosting profitability.

1. Introduction

IV.1 During 2022-23, the combined balance sheet of commercial banks expanded in double digits, driven by sustained credit growth. Lower slippages helped improve asset quality across all bank groups, with GNPA to total advances ratio of SCBs dropping to a 10-year low. Higher lending rates and lower provisioning requirements helped to improve the profitability of banks and shored up their capital positions.

IV.2 Against this background, this chapter discusses the operations and performance of commercial banks during 2022-23 and H1:2023-24. An analysis of the consolidated balance sheet of SCBs is presented in Section 2, followed by an assessment of their financial performance in Section 3. The financial soundness of banks and the pattern of sectoral deployment of credit are discussed in Sections 4 and 5, respectively. Sections 6 and 7 deal with ownership patterns and corporate governance, respectively. Foreign banks' operations in India and overseas operation of Indian banks are covered in Section 8, followed by developments in payments systems (Section 9) and consumer protection (Section 10) and financial inclusion (Section 11). Developments related to regional rural banks (RRBs), local area banks (LABs), small finance banks (SFBs) and payments banks (PBs) are examined in Sections 12 to 15. Section 16 concludes the chapter and offers a way forward.

2. Balance Sheet Analysis of SCBs

IV.3 At end-March 2023, the Indian commercial banking space comprised 12 public sector banks (PSBs), 21 private sector banks (PVBs), 44 foreign banks (FBs), 12 SFBs, six PBs, 43 RRBs and two LABs. Of these 140 commercial banks, 136 were classified as scheduled while four banks were non-scheduled[1]. The consolidated balance sheet of SCBs (excluding RRBs) grew by 12.2 per cent in 2022-23, the highest in nine years. The main driver of this growth on the asset side was bank credit, which recorded its fastest pace of expansion in more than a decade (Chart IV.1 a). Deposit growth also picked up, although it trailed credit growth, resulting in higher recourse to borrowings (Chart IV.1b). This was particularly evident in the case of PSBs, for which the deposits to liabilities ratio moderated (Chart IV.1c).

[1] SCBs are classified into scheduled and non-scheduled based on their inclusion or otherwise in the second schedule of the RBI Act, 1934. Two PBs, *viz*., Jio Payments Bank Ltd. and NSDL Payments Bank Ltd and two LABs *viz*., Coastal Local Area Bank Ltd. and Krishna Bhima Samruddhi LAB Ltd. are non-scheduled commercial banks.

Chart IV.1: Select Aggregates of SCBs

(At end-March)

Source: Annual accounts of respective banks.

IV.4 The share of PSBs in the consolidated balance sheet of SCBs declined from 58.6 per cent at end-March 2022 to 57.6 per cent at end-March 2023, while PVBs gained share from 34.0 per cent to 34.7 per cent. At end-March 2023, PSBs accounted for 61.4 per cent of total deposits of SCBs and 57.9 per cent of total advances (Table IV.1).

2.1 Liabilities

IV.5 The aggregate deposits of SCBs picked up pace during 2022-23, led by term deposits of PVBs, benefitting from higher term deposit rates spurred by policy rate hikes during May 2022 – February 2023 and moderation of surplus liquidity (Chart IV.2). Interest rates on savings bank deposits — which account

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

(Amount in ₹ crore)

	Public Sector Banks		Private Sector Banks		Foreign Banks		Small Finance Banks #		Payments Banks		All SCBs	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Capital	71,176	71,176	31,243	32,468	1,01,933	1,11,612	5,800	7,811	4,287	4,512	2,14,439	2,27,580
2. Reserves and Surplus	7,27,852	8,24,250	8,08,595	9,34,742	1,39,569	1,60,607	16,548	23,563	(2,533)	(2,404)	16,90,031	19,40,759
3. Deposits	1,07,17,362	1,17,09,581	54,64,241	62,99,332	8,45,482	8,55,825	1,45,731	1,91,372	7,829	12,174	1,71,80,645	1,90,68,284
3.1. Demand Deposits	7,23,258	7,48,951	7,84,134	8,85,497	2,78,677	2,89,545	5,767	7,456	30	393	17,91,866	19,31,842
3.2. Savings Bank Deposits	38,20,486	39,79,202	17,47,958	18,89,846	92,120	56,931	43,576	54,668	7,799	11,781	57,11,939	59,92,427
3.3. Term Deposits	61,73,618	69,81,428	29,32,149	35,23,990	4,74,685	5,09,349	96,388	1,29,248	-	-	96,76,840	1,11,44,014
4. Borrowings	7,51,301	9,03,824	7,57,261	8,12,969	1,27,467	2,08,739	27,011	31,171	307	519	16,63,348	19,57,222
5. Other Liabilities and Provisions	4,39,952	5,05,961	3,10,461	3,65,692	1,60,161	2,30,921	7,989	13,600	7,662	8,156	9,26,225	11,24,330
Total Liabilities/Assets	**1,27,07,643 (58.6)**	**1,40,14,793 (57.6)**	**73,71,801 (34.0)**	**84,45,203 (34.7)**	**13,74,612 (6.3)**	**15,67,704 (6.4)**	**2,03,080 (0.9)**	**2,67,517 (1.1)**	**17,552 (0.1)**	**22,957 (0.1)**	**2,16,74,688 (100)**	**2,43,18,174 (100)**
1. Cash and Balances with RBI	7,68,668	6,41,731	5,76,127	4,13,201	1,44,544	93,411	16,414	17,840	1,529	2,295	15,07,282	11,68,479
2. Balances with Banks and Money at Call and Short Notice	4,96,434	4,23,343	1,60,149	2,36,221	1,16,468	1,19,332	2,531	4,538	3,228	4,963	7,78,810	7,88,397
3. Investments	35,95,647	38,17,201	16,26,884	18,75,137	5,05,001	6,74,077	41,661	58,062	9,937	12,064	57,79,131	64,36,540
3.1 In Government Securities (a+b)	29,93,865	32,22,899	13,68,853	15,87,677	4,68,711	6,31,129	36,683	52,137	9,924	12,049	48,78,036	55,05,891
a) In India	29,50,409	31,65,076	13,51,118	15,73,022	3,98,009	5,88,166	36,683	52,137	9,924	12,049	47,46,144	53,90,449
b) Outside India	43,456	57,824	17,735	14,655	70,702	42,963	-	-	-	-	1,31,892	1,15,442
3.2 Other Approved Securities	5	5	-	-	-	-	-	-	-	-	5	5
3.3 Non-approved Securities	6,01,777	5,94,296	2,58,031	2,87,460	36,290	42,948	4,978	5,925	13	15	9,01,090	9,30,644
4. Loans and Advances	70,43,940	82,83,763	45,53,541	53,66,675	4,65,484	4,91,029	1,35,802	1,77,887	2	0	1,21,98,769	1,43,19,355
4.1 Bills Purchased and Discounted	2,33,191	2,84,882	1,50,866	1,34,816	63,161	65,594	611	872	-	-	4,47,828	4,86,164
4.2 Cash Credits, Overdrafts, *etc.*	26,23,878	30,14,583	13,68,315	16,98,682	2,02,940	2,08,634	12,585	18,352	-	-	42,07,717	49,40,252
4.3 Term Loans	41,86,872	49,84,298	30,34,360	35,33,177	1,99,383	2,16,801	1,22,607	1,58,663	2	0	75,43,224	88,92,940
5. Fixed Assets	1,09,784	1,15,288	44,456	49,347	4,964	5,624	2,001	2,735	370	564	1,61,575	1,73,558
6. Other Assets	6,93,170	7,33,468	4,10,644	5,04,622	1,38,151	1,84,230	4,670	6,456	2,485	3,069	12,49,121	14,31,845

Notes: 1. -: Nil/negligible.
2. #: Data pertain to 11 scheduled SFBs at end-March 2022 and 12 scheduled SFBs at end-March 2023.
3. Detailed bank-wise data on annual accounts are collated and published in Statistical Tables Relating to Banks in India, available at https://www.dbie.rbi.org.in.
4. Figures in parentheses are shares in total assets/liabilities of different bank groups in all SCBs.

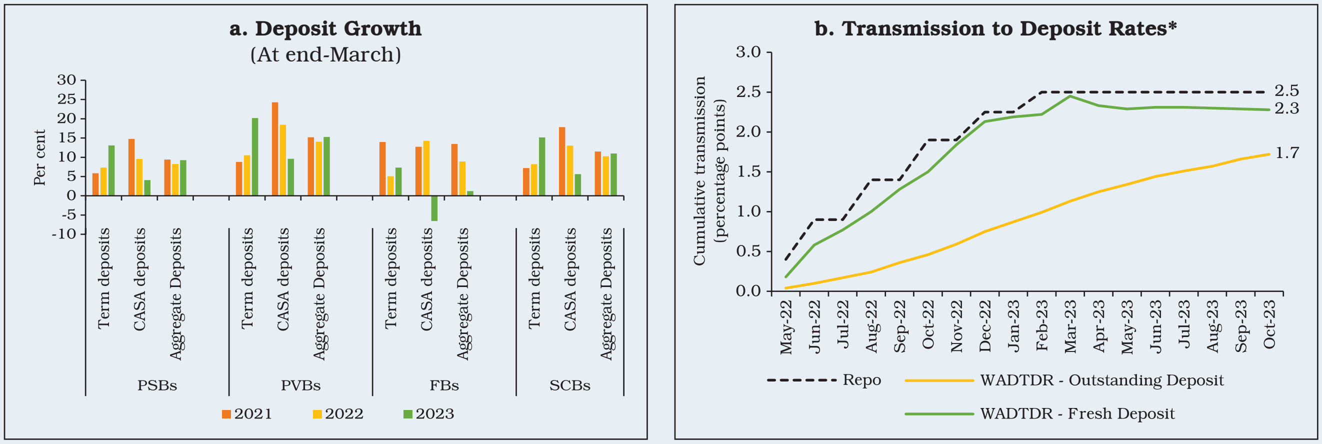
Source: Annual accounts of respective banks.

for around 31.4 per cent of total deposits — remained largely unchanged, which helped banks to post higher net interest margins (NIMs).

2.2 Assets

IV.6 Bank credit growth remained buoyant during 2022-23 and 2023-24. The year-on-year (y-o-y) credit growth at end-November 2023

Chart IV.2: Deposit Growth



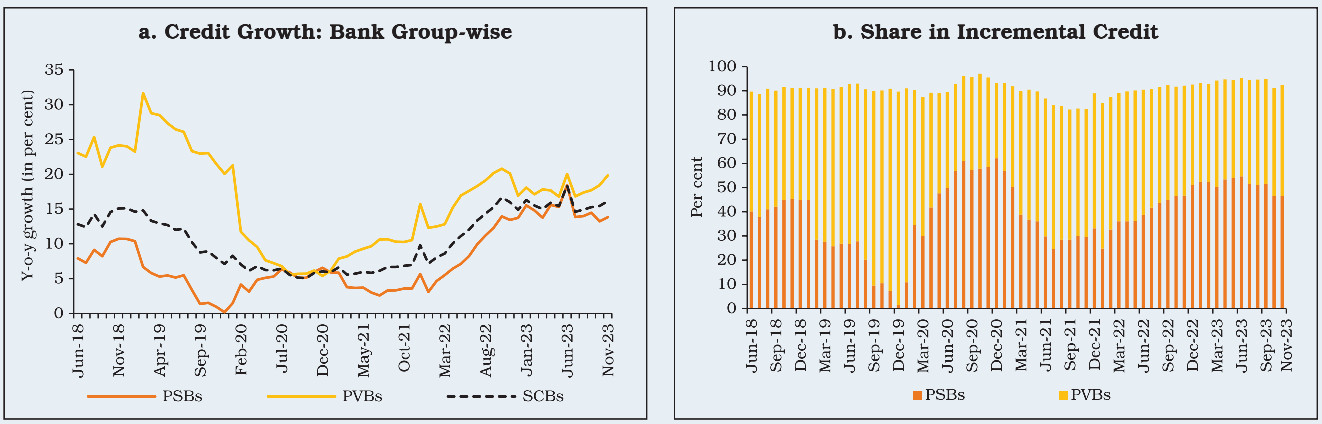
Notes: 1. WADTDR: Weighted average domestic term deposit rates.
2. * : Data exclude the impact of the merger of a non-bank with a bank effective July 2023.

Source: Annual accounts of banks and RBI.

was 16.2 per cent[2] (Chart IV.3a). PSBs' share in incremental credit increased during 2022-23 to reach 46.5 per cent at end-November 2023 (Chart IV.3b).

IV.7 At end-March 2023, 81.2 per cent of SCBs' investments were in government securities (G-secs) (Table IV.2). SLR investments of SCBs rose by 14.2 per cent in 2022-23 as compared with the growth of 9.0 per cent in the previous year, which pulled up the incremental investment-deposit (I-D) ratio (Chart IV.4). The held to maturity (HTM) limit of 23 per cent for SLR eligible securities was extended up to March

Chart IV.3: Credit Growth and Incremental Credit



Notes: 1. Data from October 2023 onwards are provisional.
2. Data correspond to the last reporting Friday of the month.
3. Data exclude the impact of the merger of a non-bank with a bank effective July 2023.

Source: Section 42 returns of the RBI.

[2] Data exclude the impact of the merger of a non-bank with a bank effective July 2023.

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

(Amount in ₹ crore)

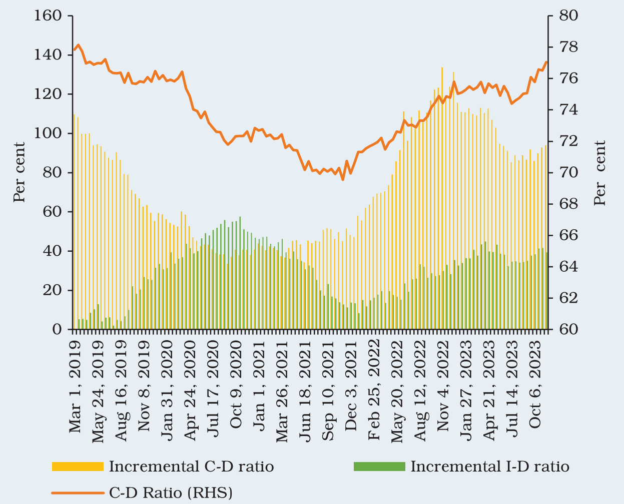
	PSBs		PVBs		FBs		SFBs		SCBs	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
1	2	3	4	5	6	7	8	9	10	11
Total Investments (A+B)	36,03,007	38,33,030	16,32,570	18,81,756	4,77,085	6,55,830	41,695	58,244	57,54,358	64,28,860
A. SLR Investments (I+ II+III)	27,87,114	30,07,757	13,40,152	15,62,365	4,06,226	5,99,061	36,711	52,151	45,70,203	52,21,335
I. Central Government Securities	16,58,556	17,45,055	11,00,902	13,10,477	4,03,539	5,93,438	28,223	40,013	31,91,220	36,88,982
II. State Government Securities	11,26,852	12,60,787	2,39,249	2,51,889	2,687	5,623	8,487	12,139	13,77,276	15,30,437
III. Other Approved Securities	1,707	1,916	-	-	-	-	-	-	1,707	1,916
B. Non-SLR Investments (I+II)	8,15,893	8,25,273	2,92,419	3,19,390	70,858	56,769	4,985	6,093	11,84,154	12,07,525
I. Debt Securities	7,61,390	7,68,545	2,75,903	3,03,474	70,482	56,404	4,922	6,016	11,12,698	11,34,439
II. Equities	54,503	56,728	16,515	15,916	376	365	62	77	71,456	73,087

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

31, 2024 and banks were allowed to include securities acquired between September 1, 2020 and March 31, 2024 within the enhanced HTM limit[3].

IV.8 The credit to deposit (C-D) ratio of banks increased from 74.9 per cent at end-November 2022 to 77.0 per cent at end-November 2023, on account of robust credit growth (Chart IV.4).

Chart IV.4: Credit-Deposit and Investment-Deposit Ratios



Note: Data exclude the impact of the merger of a non-bank with a bank effective July 2023.

Source: Weekly Statistical Supplement, RBI.

2.3 Maturity Profile of Assets and Liabilities

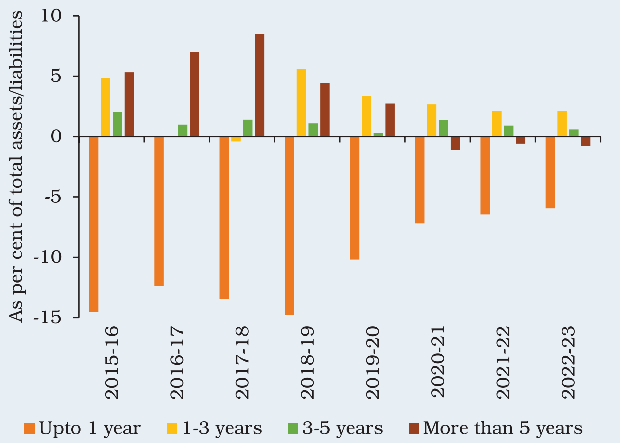
IV.9 Mismatches in the maturity of assets and liabilities are intrinsic to the banking sector as deposits – their primary source of funds – have short- to medium-term maturities, while the repayment schedule of their loans typically stretches across the medium-term. As asset-liability mismatches expose them to interest rate risk and liquidity risk, careful monitoring and management assumes importance. During 2022-23, the maturity mismatch moderated in the short-term bucket[4]. The gap between assets and liabilities in the maturity bucket of over five years increased as banks took recourse to long-term borrowings (Chart IV.5).

IV.10 All bank groups exhibited higher reliance on short-term borrowings relative to medium- to long-term borrowings, except SFBs. PVBs increased the share of their medium-

[3] Commercial banks were granted initial special dispensation of enhanced HTM limit of 22 per cent of NDTL for SLR eligible securities acquired between September 1, 2020 and March 31, 2021. The limit was further extended to 23 per cent in April 2022 and was made available till March 31, 2024.

[4] Short-term is defined as up to 1 year, medium-term is 1-5 years and long-term is defined as more than 5 years.

Chart IV.5: Maturity Brackets-wise Assets and Liabilities Gap



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.

and long-term borrowings during 2022-23. PSBs' investments are typically in long-term instruments, while private sector counterparts prefer short-term exposures (Table IV.3).

2.4 International Liabilities and Assets

IV.11 In 2022-23, international liabilities of Indian banks expanded in double digits on the back of 28.5 per cent y-o-y growth in the foreign currency non-resident (Bank) (FCNR(B)) deposits, reversing the fall of (-) 21.2 per cent in the previous year. With effect from July 07, 2022, the Reserve Bank temporarily withdrew the interest rate ceiling on incremental FCNR (B) deposits until October 31, 2022, which made FCNR(B) deposits relatively attractive.

IV.12 Another factor which influenced the growth in international liabilities was a 20.0 per cent y-o-y growth in equities of banks held by non-residents, up from 8.7 per cent in the previous year. Based on the latest BIS guidelines, mark-to-market (MTM) derivatives have also been included in the international liabilities from September 2022, which constituted 3.4 per cent of their liabilities at end-March 2023 (Appendix Table IV.2).

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

(Per cent)

Liabilities/Assets	PSBs		PVBs		FBs		SFBs		PBs		All SCBs	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
1	2	3	4	5	6	7	8	9	10	11	12	13
I. Deposits												
a) Up to 1 year	35.0	36.4	32.3	33.0	62.8	65.8	50.2	42.2	11.8	15.5	35.6	36.7
b) Over 1 year and up to 3 years	21.9	21.1	30.2	31.2	29.2	26.1	46.0	54.9	88.2	84.5	25.2	25.0
c) Over 3 years and up to 5 years	12.7	12.8	9.7	9.1	8.0	8.1	1.6	1.8	0.0	0.0	11.4	11.2
d) Over 5 years	30.5	29.7	27.8	26.7	0.0	0.0	2.2	1.1	0.0	0.0	27.9	27.1
II. Borrowings												
a) Up to 1 year	54.3	62.2	50.0	45.9	80.5	90.5	37.1	38.8	100.0	100.0	54.1	58.1
b) Over 1 year and up to 3 years	22.9	16.7	29.2	32.6	16.3	7.6	49.5	50.6	0.0	0.0	25.7	22.9
c) Over 3 years and up to 5 years	14.0	8.5	11.5	10.3	1.6	0.7	9.2	5.4	0.0	0.0	11.8	8.3
d) Over 5 years	8.8	12.6	9.3	11.2	1.6	1.2	4.2	5.2	0.0	0.0	8.4	10.7
III. Loans and Advances												
a) Up to 1 year	25.2	28.3	30.4	28.4	53.3	56.1	38.2	36.5	100.0	100.0	28.3	29.4
b) Over 1 year and up to 3 years	35.4	34.2	33.8	36.7	24.4	24.0	35.8	36.0	0.0	0.0	34.4	34.8
c) Over 3 years and up to 5 years	15.1	14.1	13.4	12.5	10.3	10.0	11.1	10.5	0.0	0.0	14.2	13.3
d) Over 5 years	24.4	23.4	22.3	22.4	12.1	9.9	14.9	17.1	0.0	0.0	23.0	22.5
IV. Investment												
a) Up to 1 year	25.2	26.1	48.8	55.3	84.6	86.4	53.8	61.6	98.7	99.5	37.4	41.4
b) Over 1 year and up to 3 years	16.4	14.7	22.4	19.1	10.3	8.2	25.6	27.0	0.8	0.1	17.6	15.4
c) Over 3 years and up to 5 years	13.2	12.9	7.8	7.1	1.7	1.3	4.9	5.5	0.1	0.0	10.6	9.9
d) Over 5 years	45.2	46.3	21.0	18.5	3.4	4.2	15.7	5.9	0.3	0.4	34.4	33.4

Note: Figures denote share of each maturity bucket in each component of the balance sheet.
Source: Annual accounts of banks.

IV.13 On the other hand, international assets of banks in India contracted by 13.1 per cent in 2022-23 as compared with a growth of 9.0 per cent a year ago. The fall in assets in 2022-23 was on account of a reduction in overseas loans and holdings of international debt securities as banks deployed resources to fund domestic credit (Appendix Table IV.3). Consequently, the international assets to liabilities ratio of banks in India reduced at end-March 2023, after increasing for three consecutive years (Chart IV.6).

IV.14 Banks' consolidated international claims decelerated for all major economies, except Singapore (Appendix Table IV.4). At end-March 2023, their claims shifted away from banks towards non-financial private sectors (Chart IV.7a). The proportion of longer maturity claims increased, although short-term claims remained the dominant category (Appendix Table IV.5 and Chart IV.7b).

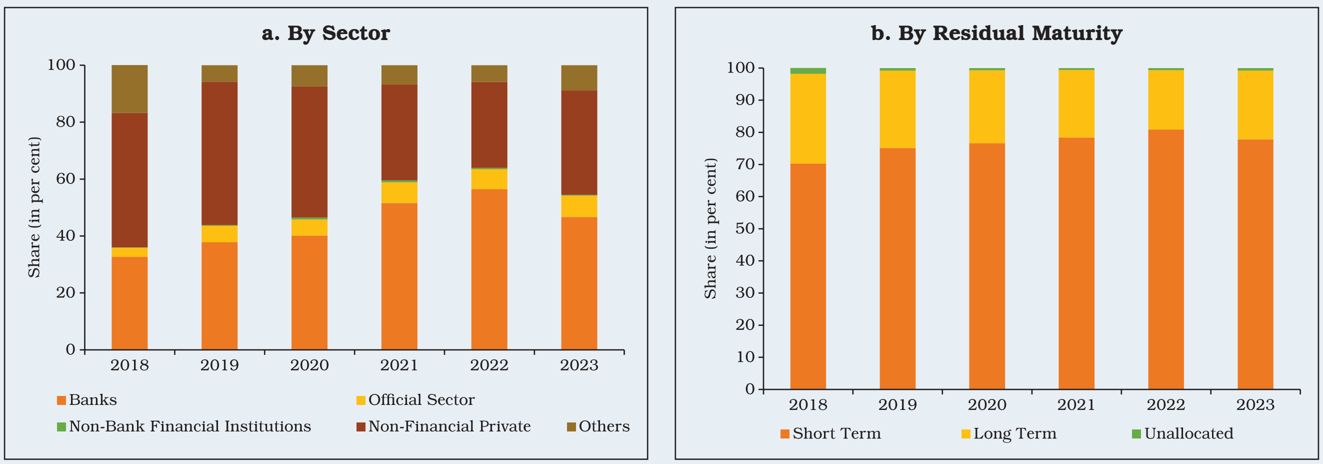
2.5 Off-Balance Sheet Operations

IV.15 Contingent liabilities of SCBs grew by 22.4 per cent in 2022-23, led by growth in forward exchange contracts (Chart IV.8a). As a proportion to balance sheet size, contingent liabilities of SCBs increased from 132.8 per cent at end-March 2022 to 144.8 per cent at end-March 2023, with those of PSBs decreasing in 2022-23 to 36.5 per cent from 41.5 per cent in 2021-22 (Appendix Table IV.6). FBs' contingent liabilities are more than 12 times their balance

Chart IV.6: International Assets and Liabilities of Banks

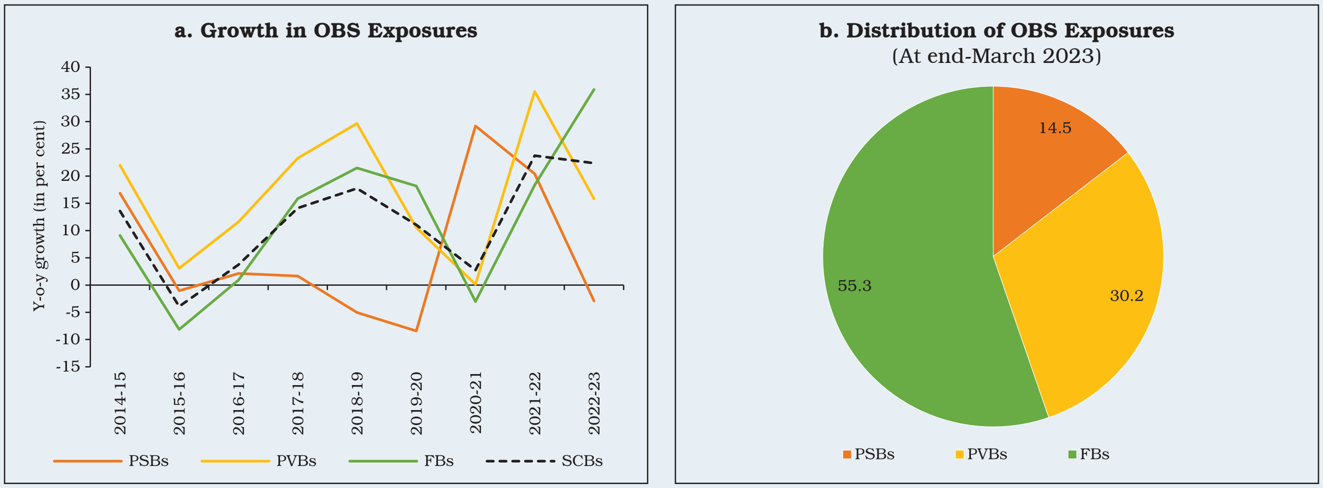
Source: Annual accounts of banks and DBIE.

Chart IV.7: Consolidated International Claims of Indian Banks
(At end-March)



Source: Annual accounts of banks and DBIE.

Chart IV.8: Off-Balance Sheet Liabilities of Banks



Source: Annual accounts of banks.

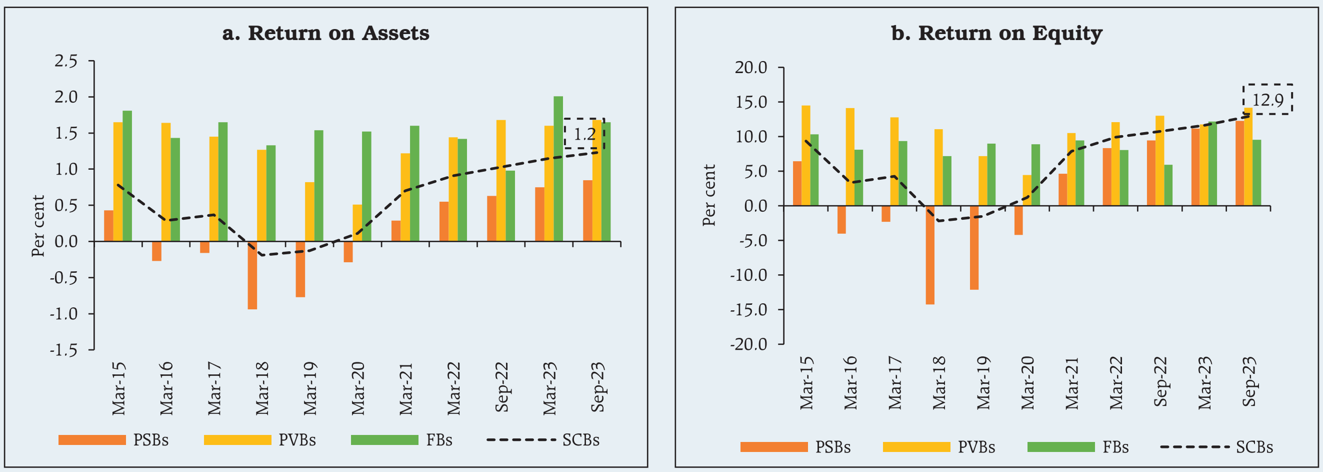
sheet size and constituted 55.3 per cent of the banking system's total off-balance sheet (OBS) exposures (Chart IV.8b).

3. Financial Performance

IV.16 The trend of improvement in the profitability of SCBs, which began in 2019-20, continued for the fourth consecutive year in 2022-23, aided by higher income and lower provisions and contingencies. Both return on assets (RoA) and return on equities (RoE) improved in 2022-23. (Chart IV.9).

IV.17 Interest expended by SCBs had contracted for two consecutive years (2020-21 and 2021-22) reflecting the accommodative monetary policy stance. With a turn in the interest rate cycle, both interest income and interest outgo rose in 2022-23; as the expansion in interest income exceeded interest outgo, net

Chart IV.9: Profitability Ratios



Note: Data of SCBs for September 2023 quarter is not comparable with earlier period due to the merger of a non-bank with a bank effective July 2023.
Source: Off-site (domestic operations) returns, RBI.

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

(Amount in ₹ crore)

	Public Sector Banks		Private Sector Banks		Foreign Banks		Small Finance Banks #		Payments Banks		All SCBs	
	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Income	8,31,900	9,71,421	5,72,284	6,90,557	79,484	1,08,268	25,107	33,806	4,952	5,965	15,13,725	18,10,018
	(0.2)	(16.8)	(5.6)	(20.7)	(-1.1)	(36.2)	(12.0)	(34.6)	(393.2)	(20.5)	(2.5)	(19.6)
a) Interest Income	7,09,132	8,51,078	4,70,940	5,81,732	65,842	83,425	22,120	29,806	446	860	12,68,480	15,46,901
	(0.3)	(20.0)	(4.3)	(23.5)	(3.4)	(26.7)	(13.3)	(34.7)	(343.3)	(92.7)	(2.1)	(21.9)
b) Other Income	1,22,768	1,20,343	1,01,344	1,08,825	13,642	24,843	2,986	4,000	4,505	5,105	2,45,245	2,63,117
	(-0.3)	(-2.0)	(11.9)	(7.4)	(-18.2)	(82.1)	(3.2)	(34.0)	(398.7)	(13.3)	(4.7)	(7.3)
2. Expenditure	7,65,360	8,66,772	4,76,060	5,66,421	61,099	78,123	24,133	29,644	5,041	5,844	13,31,693	15,46,804
	(-4.2)	(13.3)	(0.7)	(19.0)	(-0.5)	(27.9)	(18.4)	(22.8)	(286.6)	(15.9)	(-1.7)	(16.2)
a) Interest Expended	4,11,181	4,87,690	2,24,231	2,75,391	21,482	31,814	9,513	12,140	156	246	6,66,563	8,07,280
	(-4.7)	(18.6)	(-3.5)	(22.8)	(-0.4)	(48.1)	(4.3)	(27.6)	(181.4)	(57.5)	(-4.1)	(21.1)
b) Operating Expenses	2,20,091	2,44,064	1,56,614	2,02,616	24,972	27,958	9,813	13,152	4,882	5,579	4,16,372	4,93,369
	(8.0)	(10.9)	(20.1)	(29.4)	(11.8)	(12.0)	(30.0)	(34.0)	(290.3)	(14.3)	(13.9)	(18.5)
of which: Wage Bill	1,32,772	1,44,686	58,849	70,610	9,180	10,028	5,305	6,707	788	914	2,06,895	2,32,944
	(6.5)	(9.0)	(17.0)	(20.0)	(16.3)	(9.2)	(23.3)	(26.4)	(98.1)	(15.9)	(10.4)	(12.6)
c) Provision and Contingencies	1,34,088	1,35,018	95,216	88,415	14,645	18,351	4,807	4,352	3	20	2,48,758	2,46,155
	(-17.8)	(0.7)	(-13.2)	(-7.1)	(-16.3)	(25.3)	(29.6)	(-9.5)	(-228.9)	(556.9)	(-15.4)	(-1.1)
3. Operating Profit	2,00,628	2,39,667	1,91,439	2,12,551	33,030	48,496	5,781	8,514	(87)	141	4,30,791	5,09,369
	(3.0)	(19.5)	(6.8)	(11.0)	(-9.4)	(46.8)	(0.6)	(47.3)	(-71.4)	(-263.0)	(3.6)	(18.2)
4. Net Profit	66,540	1,04,649	96,223	1,24,136	18,385	30,145	974	4,162	(90)	121	1,82,032	2,63,214
	(109.1)	(57.3)	(38.5)	(29.0)	(-3.1)	(64.0)	(-52.2)	(327.6)	(-70.2)	(-235.6)	(49.2)	(44.6)
5. Net Interest Income (NII)	2,97,950	3,63,388	2,46,708	3,06,341	44,360	51,611	12,608	17,666	290	615	6,01,917	7,39,621
	(8.1)	(22.0)	(12.6)	(24.2)	(5.3)	(16.3)	(21.2)	(40.1)	(541.7)	(111.7)	(10.0)	(22.9)
6. Net Interest Margin (NIM) (per cent)	2.4	2.7	3.6	3.9	3.4	3.5	6.9	7.5	2.7	3.0	2.9	3.2

Notes: 1. #: Data pertain to 11 scheduled SFBs at end-March 2022 and 12 scheduled SFBs at end-March 2023.
2. NIM has been defined as NII as percentage of average assets.
3. Figures in parentheses refer to per cent variation over the previous year.

Source: Annual accounts of respective banks.

interest income in 2022-23 was higher than in the previous year (Table IV.4).

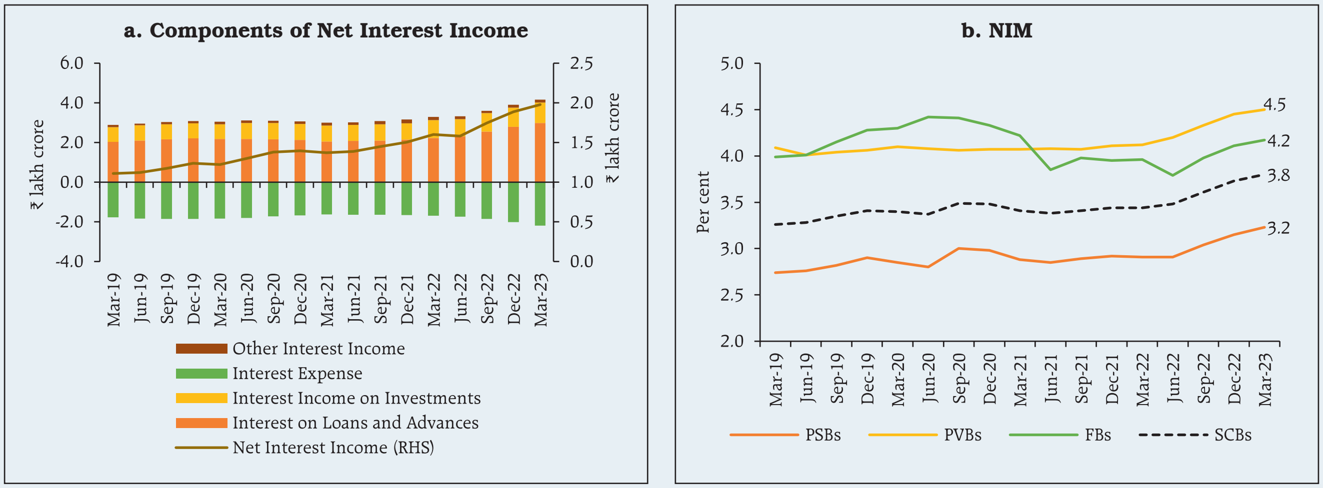
IV.18 Supervisory data indicate that interest income from loans and advances grew by 24.0 per cent during 2022-23 and by 14.6 per cent from investments. On other hand, the interest expended rose by 18.1 per cent[5]. On balance, the NIM of banks increased by 36 bps to reach 3.8 per cent in 2022-23 (Chart IV.10).

IV.19 During 2022-23, risk provisions of SCBs declined on account of lower slippages as also higher write-offs, upgradations and recoveries. This boosted banks' net profits[6], along with support from higher earnings

[5] Based on supervisory OSMOS data, which may not match with annual accounts data in Table IV.4.

[6] Net profit = Earnings before provisions and taxes (EBPT) – Provisions – write-offs.

Chart IV.10: Net Interest Income and NIM

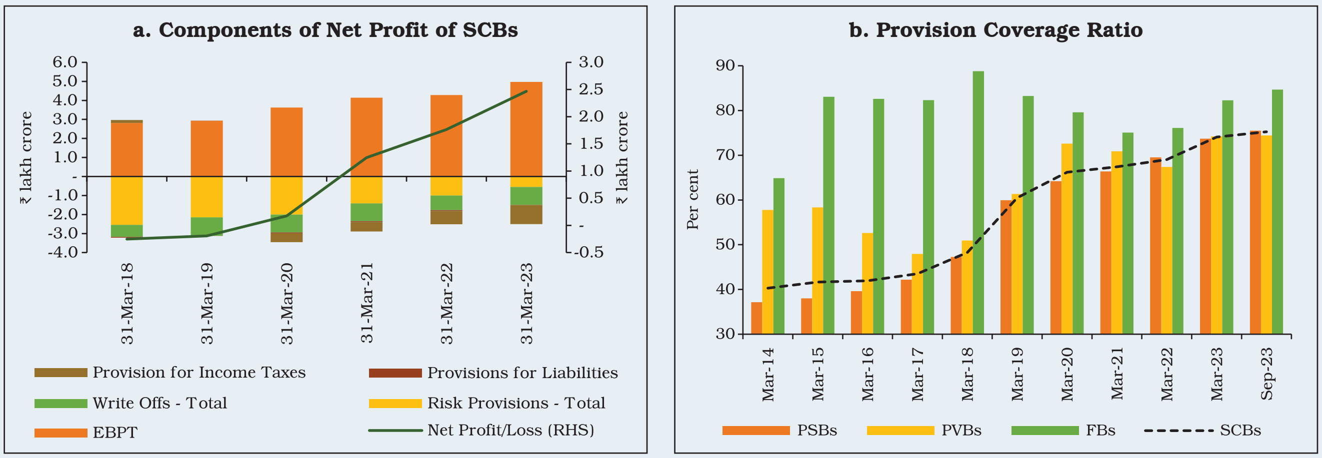


Source: Off-site (domestic operations) returns, RBI.

(Chart IV.11a). Moreover, as asset quality improved, the provision coverage ratio (PCR) (without write-off adjusted) rose to 75.3 per cent by end-September 2023 (Chart IV.11b).

IV.20 The spread between return on funds and cost of funds increased for SCBs. SFBs had wider spreads relative to other bank groups, reflecting relatively higher interest rates on advances (Table IV.5).

Chart IV.11: Profitability and Provisions



Note: Provision coverage ratio is without write-off adjusted.
Source: Off-site (domestic operations) returns, RBI.

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

(Per cent)

Bank Group / Year		Cost of Deposits	Cost of Borrowings	Cost of Funds	Return on Advances	Return on Investments	Return on Funds	Spread (Column 8 – Column 5)
1	2	3	4	5	6	7	8	9
PSBs	2021-22	3.7	4.2	3.7	6.9	6.1	6.6	2.9
	2022-23	3.9	6.2	4.1	7.6	6.3	7.2	3.1
PVBs	2021-22	3.7	5.2	3.9	8.5	5.8	7.7	3.9
	2022-23	3.8	6.4	4.1	9.2	6.3	8.4	4.3
FBs	2021-22	2.1	3.6	2.3	7.0	5.7	6.3	4.0
	2022-23	2.9	4.1	3.1	8.2	5.8	6.9	3.7
SFBs	2021-22	5.9	7.1	6.1	15.9	5.9	13.6	7.5
	2022-23	5.9	7.3	6.1	16.5	6.7	14.2	8.0
PBs	2021-22	2.9	2.8	2.9	5.2	5.1	5.1	2.2
	2022-23	2.1	7.8	2.4	6.0	5.6	5.6	3.3
All SCBs	2021-22	3.6	4.6	3.7	7.6	6.0	7.0	3.3
	2022-23	3.8	6.1	4.0	8.3	6.3	7.7	3.6

Notes: 1. Cost of deposits = Interest paid on deposits/Average of current and previous year's deposits.
2. Cost of borrowings = (Interest expended - Interest on deposits)/Average of current and previous year's borrowings.
3. Cost of funds = Interest expended / (Average of current and previous year's deposits plus borrowings)
4. Return on advances = Interest earned on advances /Average of current and previous year's advances.
5. Return on investments = Interest earned on investments /Average of current and previous year's investments.
6. Return on funds = (Interest earned on advances + Interest earned on investments) / (Average of current and previous year's advances plus investments).

Source: Calculated from balance sheets of respective banks.

4. Soundness Indicators

IV.21 During 2022-23, SCBs strengthened their capital buffers, improved asset quality and maintained sufficient liquid assets. At end-March 2023, there was no bank under the prompt corrective action (PCA) framework as compared to one at end-March 2022.

4.1 Capital Adequacy

IV.22 The capital to risk-weighted assets ratio (CRAR) as well as Tier I capital ratio of SCBs has been rising gradually over time. Although all bank groups remained well-capitalised, the CRAR of PVBs declined marginally due to a higher increase in their risk-weighted assets (RWAs) *vis-à-vis* their capital funds (Table IV.6).

Table IV.6: Component-wise Capital Adequacy of SCBs

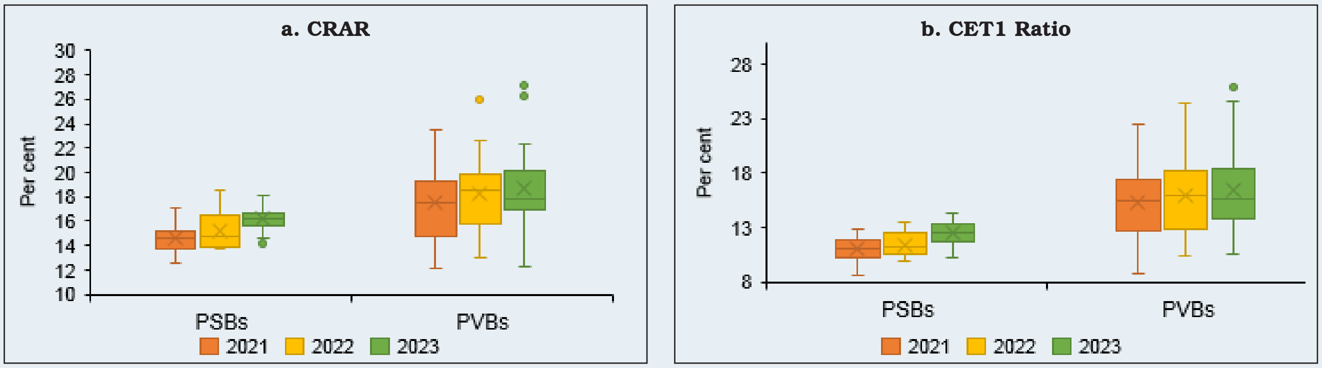
(At end-March)

(Amount in ₹ crore)

	PSBs		PVBs		FBs		SCBs	
	2022	2023	2022	2023	2022	2023	2022	2023
1	2	3	4	5	6	7	8	9
1. Capital Funds	**8,67,386**	**10,16,789**	**8,80,664**	**10,20,953**	**2,19,852**	**2,43,109**	**19,93,133**	**23,13,517**
i) Tier I Capital	7,12,071	8,47,783	8,06,269	9,11,271	2,01,206	2,20,750	17,41,694	20,08,618
ii) Tier II Capital	1,55,315	1,69,006	74,395	1,09,681	18,647	22,359	2,51,440	3,04,899
2. Risk Weighted Assets	**59,32,875**	**65,48,771**	**46,90,393**	**54,85,172**	**11,09,550**	**12,26,073**	**1,18,43,786**	**1,34,00,008**
3. CRAR (1 as % of 2)	**14.6**	**15.5**	**18.8**	**18.6**	**19.8**	**19.8**	**16.8**	**17.3**
Of which: Tier I	12	13	17.2	16.6	18.1	18	14.7	15.0
Tier II	2.6	2.6	1.6	2	1.7	1.8	2.1	2.3

Source: Off-site returns, RBI.

Chart IV.12: Bank Group-wise CRAR and CET1 Ratio
(At end-March)



Notes: 1. In the box plots, the boxes show the distance between the first and the third quartiles (interquartile range). The whiskers indicate the maximum and minimum values (excluding outliers). Observations that are more than 1.5 times the interquartile range lie beyond the whiskers and are considered outliers. The horizontal line inside each box shows the median, while 'X' shows the mean.
2. For better representation, one outlier in 2020-21 has been dropped from PVBs.
Source: Off-site returns (domestic operations), RBI.

Supervisory data indicate that the CRAR of SCBs reached 16.8 per cent at end-September 2023.

IV.23 At end-March 2023, all bank groups met the regulatory requirement of CRAR and common equity tier 1 (CET1) ratio. Although the divergence in capital positions of banks narrowed for bank groups, PVBs continued to have higher dispersion than PSBs. The first quartiles of PVBs' CRAR and CET1 ratios were higher than PSBs' third quartiles, mirroring stronger capital buffers of the former (Chart IV.12 a and b).

IV.24 The resources raised by banks through private placements of debt, qualified institutional placements and preferential allotments of equity accelerated for the second consecutive year during 2022-23. Although the number of issues by PSBs declined during 2022-23, the total amount raised increased (Table IV.7).

Table IV.7: Resources Raised by Banks

(Amount in ₹ crore)

	2020-21		2021-22		2022-23		2023-24 (Up to October)	
	No. of issues	Amount raised	No. of issues	Amount raised	No. of issues	Amount raised	No. of issues	Amount raised
1	2	3	4	5	6	7	8	9
PSBs	37	59,528	33	69,069	27	70,260	11	44,206
PVBs	9	41,232	17	41,684	14	52,903	7	16,590
Foreign Banks	-	-	-	-	2	224	-	-
Total	**46**	**1,00,760**	**50**	**1,10,753**	**43**	**1,23,387**	**18**	**60,796**

Notes: 1. Includes private placement of debt, qualified institutional placement and preferential allotment.
2. Data for 2023-24 are provisional.
Source: SEBI, BSE and NSE.

Table IV.8: Leverage Ratio and Liquidity Coverage Ratio

(in per cent)

	Leverage Ratio				Liquidity Coverage Ratio			
	Mar-21	Mar-22	Mar-23	Sep-23	Mar-21	Mar-22	Mar-23	Sep-23
1	2	3	4	5	6	7	8	9
PSBs	5.0	5.1	5.6	5.5	169.8	155.8	153.5	141.3
PVBs	9.7	9.7	9.6	9.5	136.1	127.7	127.9	122.9
FBs	10.7	11.0	10.8	10.3	178.8	171.0	154.6	144.9
All SCBs	7.0	7.2	7.4	7.4	158.9	147.1	144.6	135.4

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

4.2 Leverage and Liquidity

IV.25 The leverage ratio (LR) — Tier 1 capital as a proportion of total exposures — is a non-risk based backstop measure which complements the Basel III risk-based capital framework. Domestic systemically important banks (D-SIBs) in India are required to maintain it at 4 per cent and other banks at 3.5 per cent *vis-à-vis* the Basel III recommendation of 3 per cent. At end-March 2023, all bank groups met the minimum requirement (Table IV.8).

IV.26 The liquidity coverage ratio (LCR) is designed to ensure that banks hold a sufficient reserve of high-quality liquid assets (HQLAs) to enable them to survive a period of significant liquidity stress lasting 30 calendar days. At end-March 2023, all bank groups held significantly higher HQLAs than the stipulated requirement of 100 per cent of 30 days' net cash outflows (Table IV.8).

IV.27 The net stable funding ratio (NSFR) – the ratio of available stable funding to the required stable funding – limits overreliance of banks on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability. In line with international standards, banks in India are required to maintain NSFR at a minimum of 100 per cent. At end-March 2023, all bank groups met this target (Table IV.9).

4.3 Non-Performing Assets

IV.28 The improvement in asset quality of banks, measured by their GNPA ratios, that began in 2018-19 continued during 2022-23. The GNPA ratio of SCBs fell to a decadal low of 3.9 per cent at end-March 2023 and further to 3.2 per cent at end-September 2023. During 2022-23, around 45 per cent of reduction in GNPAs of SCBs was contributed by recoveries and upgradations (Table IV.10).

Table IV.9: Net Stable Funding Ratio
(At end-March 2023)

(Amount in ₹ crore)

	Available Stable Funding	Required Stable Funding	NSFR (per cent)
1	2	3	4
Public Sector Banks	1,05,60,943	81,99,214	128.8
Private Sector Banks	61,38,281	47,68,581	128.7
Foreign Banks	6,54,059	5,12,992	127.5
Small Finance Banks	1,96,403	1,49,046	131.8
Scheduled Commercial Banks	**1,75,49,686**	**1,36,29,833**	**128.8**

Source: Off-site returns, RBI.

Table IV.10: Movements in Non-Performing Assets by Bank Group

(Amount in ₹ crore)

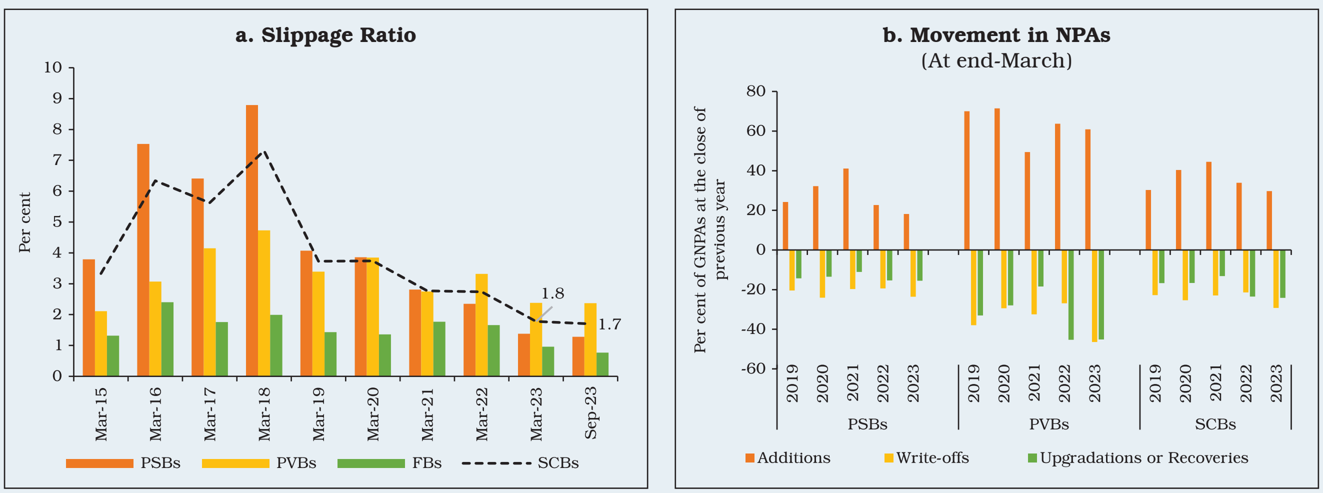
	PSBs	PVBs	FBs	SFBs#	All SCBs
1	2	3	4	5	6
Gross NPAs					
Closing Balance for 2021-22	5,42,174	1,80,769	13,786	6,911	7,43,640
Opening Balance for 2022-23	5,42,174	1,80,769	13,786	10,684	7,47,413
Addition during the year 2022-23	98,291	1,10,064	5,971	6,901	2,21,228
Reduction during the year 2022-23	2,12,268	1,65,619	10,231	8,977	3,97,095
i. Recovered	61,195	40,447	5,844	2,368	1,09,853
ii. Upgradations	23,084	41,225	3,102	2,639	70,049
iii. Written-off	1,27,990	83,947	1,286	3,970	2,17,193
Closing Balance for 2022-23	4,28,197	1,25,214	9,526	8,608	5,71,546
Gross NPAs as per cent of Gross Advances*					
Closing Balance for 2021-22	7.3	3.8	2.9	4.9	5.8
Closing Balance for 2022-23	5.0	2.3	1.9	4.7	3.9
Net NPAs					
Closing Balance for 2021-22	1,54,745	43,738	3,023	2,725	2,04,231
Closing Balance for 2022-23	1,02,532	29,507	1,672	1,622	1,35,333
Net NPAs as per cent of Net Advances					
2021-22	2.2	1.0	0.6	2.0	1.7
2022-23	1.2	0.5	0.3	0.9	0.9

Notes: 1. #: Data include scheduled SFBs.
2. *: Calculated by taking gross NPAs from annual accounts of respective banks and gross advances from off-site returns (global operations).
3. The difference in the closing balance for 2021-22 and opening balance for 2022-23 in GNPAs for SFBs is due to the inclusion of a new SFB in the second schedule of the Reserve Bank of India Act, 1934 on July 06, 2022 with an opening balance for 2022-23.

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

IV.29 The slippage ratio — which measures new accretions to NPAs as a share of standard advances at the beginning of the year — moderated during 2022-23 and further in H1:2023-24 (Chart IV.13a). A mix of write-offs, upgradations and recoveries contributed to reduction in NPAs (Chart IV.13b).

Chart IV.13: Reduction in GNPAs



Source: Off-site returns (global operations) and annual accounts of banks.

Table IV.11: Classification of Loan Assets by Bank Group

(Amount in ₹ crore)

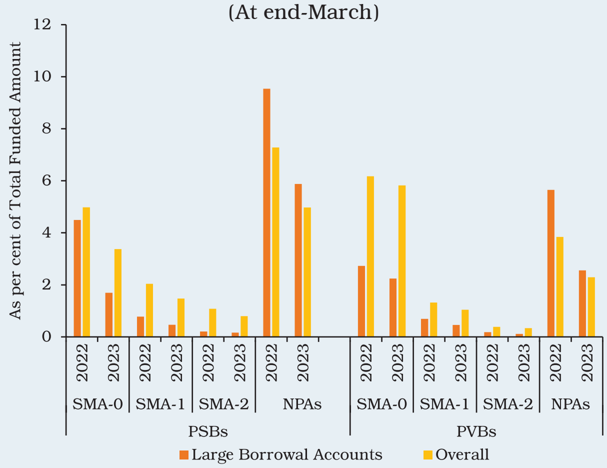
Bank Group	End-March	Standard Assets		Sub-Standard Assets		Doubtful Assets		Loss Assets	
		Amount	Per cent*	Amount	Per cent*	Amount	Per cent*	Amount	Per cent*
PSBs	2022	61,96,644	92.4	75,855	1.1	3,29,369	4.9	1,02,403	1.5
	2023	72,86,427	94.8	62,444	0.8	2,28,806	3.0	1,10,054	1.4
PVBs	2022	43,63,690	96.3	41,251	0.9	77,394	1.7	50,619	1.1
	2023	51,99,732	97.8	34,288	0.6	52,469	1.0	29,033	0.5
FBs	2022	4,62,299	97.1	3,649	0.8	7,953	1.7	2,184	0.5
	2023	4,89,212	98.1	1,697	0.3	6,648	1.3	1,182	0.2
SFBs**	2022	1,33,092	95.1	5,039	3.6	1,833	1.3	39	0.0
	2023	1,76,199	95.3	3,035	1.6	2,491	1.3	3,082	1.7
All SCBs	2022	1,11,55,725	94.1	1,25,793	1.1	4,16,550	3.5	1,55,245	1.3
	2023	1,31,51,571	96.1	1,01,465	0.7	2,90,414	2.1	1,43,351	1.0

Notes: 1. *: As per cent of gross advances.
2. **: Refers to scheduled SFBs.
Source: Off-site returns (domestic operations), RBI.

IV.30 The increase in the proportion of standard assets to total advances was sustained for all bank groups during 2022-23. The amount of NPAs decreased for all bank groups, except SFBs (Table IV.11).

IV.31 The share of large borrowal accounts (accounts with total exposure of ₹5 crore and above) in total advances declined to 46.4 per cent at end-March 2023 from 47.8 per cent a year ago. Their contribution to total NPAs also fell during the year to 53.9 per cent from 64.0 per cent. The SMA-1 and SMA-2 ratios, which indicate potential stress, declined across bank groups for overall as well as large borrowal accounts (Chart IV.14).

Chart IV.14: Overall Stress *vis-à-vis* Stress in Large Borrowal Accounts
(At end-March)



Note: The ratios for large borrowal accounts and overall accounts are calculated as percentage of their respective amounts outstanding.
Source: CRILC database and off-site returns.

IV.32 In retrospect, the pandemic's impact was less than initially feared for larger and industrial sector firms. Moreover, the impact across firms and sectors was transient (Box IV.1).

Box IV.1: COVID-19 Scarring Impact on Borrowers

Borrower default probabilities are influenced by firm-specific characteristics, such as leverage, profitability, liquidity, recent sales performance, investment policy as well as default history (Bonfim, 2008 and Fukuda *et al.*, 2008). A major macroeconomic shock such as COVID-19 with large output losses and disruptions can have a sizeable impact on loan repayments. Bank-borrower-level data available in Central Repository of Information on Large Credits (CRILC) were matched with firm-level data on a quarterly basis for the period June 2018 to

(Contd.)

March 2022[7]. Using this bank-firm-time level database, the following panel fixed effects linear probability model was estimated:

$$Y_{ibt} = \alpha + \beta_1 Covid_t + \beta_2 FirmChar_{it} + \beta_3 Covid_t * FirmChar_{it} + \beta_4 ACS_t + \beta_5 X_{it} + \mu_i + \epsilon_{it}$$

where the dependent variable (Y_{ibt}) is a dummy variable taking the value of 1 in case of an asset classification downgrade, *i.e.*, if a firm *i's* loan from bank *b* in quarter *t is downgraded*, and 0 otherwise. Thus, any downward transition in period t from t-1, including from standard to special mention accounts, is considered a downgrade. $Covid_t$ is a dummy variable which takes the value of 1 in the post-pandemic period, *i.e.*, March 2020 onwards, and 0 otherwise. $FirmChar_{it}$ represents firm characteristics, *viz.*, its sector[8] and size (log of total assets), which are used alternately in the regression. ACS_t, representing the asset classification standstill, takes the value of 1 for March 2020 and June 2020[9]. X_{it} represents other firm-level controls, including profitability (profit-after-tax to income ratio), liquidity (current ratio) and leverage (debt to assets ratio).

The empirical analysis suggests that the likelihood of downgrade of a typical firm was muted during the asset classification standstill period, but it edged up after the dispensation was withdrawn. The baseline specification suggests that larger, more profitable, highly liquid and less leveraged firms had lower likelihood of downgrades (Model 1). Interacting the COVID-19 dummy with firm specific characteristics reveals that larger firms could sustain the negative impact of the pandemic better and had a relatively lower likelihood of downgrades in the post-pandemic period (Model 2). Industrial sector firms had relatively lower likelihood of downgrades post-COVID, as compared with firms in the services sector, reflecting the outsize impact of the pandemic on services relative to industrial sector (Model 3).

Table IV.1.1: Regression Results

	Dependent variable (Y) = downgrade likelihood		
	(1)	(2)	(3)
COVID	0.0103*** (0.0028)	0.0202*** (0.0074)	0.0160*** (0.0031)
ACS	-0.0180*** (0.0048)	-0.0182*** (0.0049)	-0.0181*** (0.0049)
PAT-income ratio	-0.0132*** (0.0018)	-0.0132*** (0.0018)	-0.0136*** (0.0018)
Current Ratio	-0.0024*** (0.0008)	-0.0025*** (0.0008)	-0.0019** (0.0007)
Debt-Asset Ratio	0.0553*** (0.0070)	0.0552*** (0.0069)	0.0530*** (0.0070)
Log Assets	-0.0093*** (0.0024)	-0.0086*** (0.0025)	-0.0091*** (0.0025)
COVID*Log Assets		-0.0011* (0.0006)	
COVID*Sector			-0.0075*** (0.0017)
Constant	0.1010*** (0.0215)	0.0946*** (0.0225)	0.0987*** (0.0215)
Firm Fixed Effects	Yes	Yes	Yes
Observations	396,984	396,984	388,923
R-squared	0.129	0.129	0.129

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Note: Standard errors are clustered at the bank level and adjusted for heteroscedasticity.

To sum up, although the likelihood of downgrades increased in the immediate aftermath of COVID-19, the impact was relatively less on larger firms and industrial sector firms. Thus, the pandemic's scarring was transitory, facilitated by proactive monetary, regulatory and fiscal support.

References

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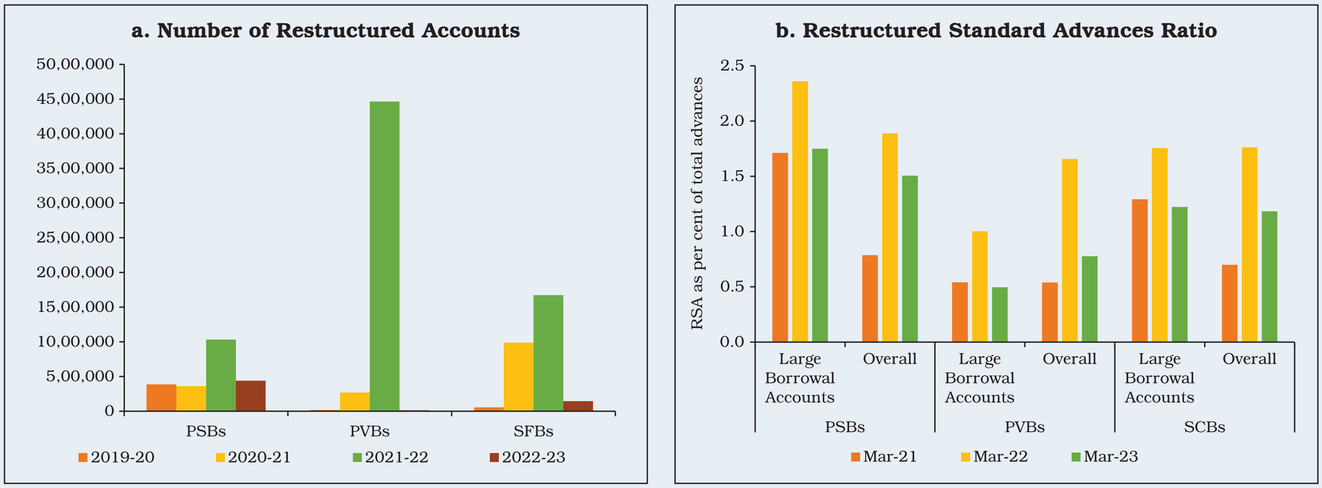
IV.33 Following the Reserve Bank's resolution frameworks 1.0 and 2.0 announced in response to COVID-19 related disruptions, the number of restructured accounts peaked in 2021-22. With this special dispensation coming to an end, they moderated in 2022-23 (Chart IV.15a). The share of restructured standard advances (RSA) in gross loans and advances decreased from 1.8 per cent at end-March 2022 to 1.2 per cent at end-March 2023, led by PVBs (Chart IV.15b).

7 Firm level data are available in CMIE Prowess database. For matching quarterly CRILC data with annual Prowess data, the annual values were repeated for all quarters in a financial year.

8 Sector is a dummy variable taking value 1 for industry and 0 for services.

9 The Reserve Bank implemented a 6-month asset classification standstill from March 2020 for accounts that were granted moratorium or deferment and were standard as on March 1, 2020.

Chart IV.15: Restructuring



Source: CRILC database and off-site returns.

4.4 Recoveries

IV.34 Amongst the multiple channels through which banks resolve their stressed assets, debt recovery tribunals (DRTs) witnessed the highest growth rate in the number of referred cases as also the amount involved during 2022-23. After a sharp increase in the previous year, referred cases as well as amount involved contracted for cases under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act. The Insolvency and Bankruptcy Code (IBC) remained the dominant mode of recovery, with a share of 43.0 per cent in the total amount recovered in 2022-23 and the recovery rate also improved (Table IV.12).

IV.35 Apart from recovery through various resolution mechanisms, banks also clean up their balance sheets through sale of NPAs to asset reconstruction companies (ARCs). Sales to ARCs shot up in 2022-23, partly reflecting

Table IV.12: NPAs of SCBs Recovered through Various Channels

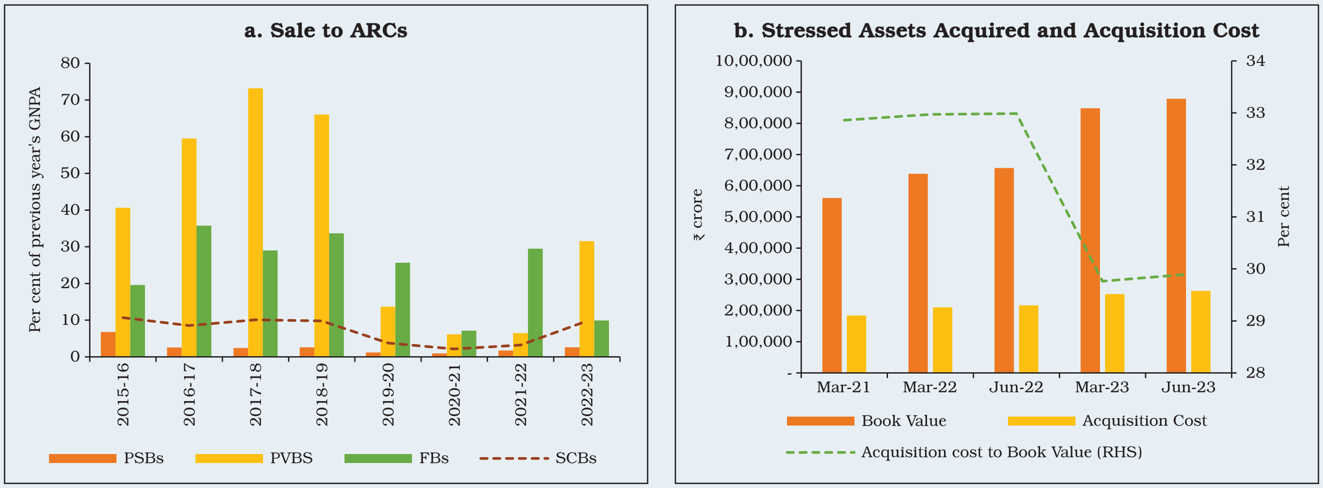
(Amount in ₹ crore)

Recovery Channel	2021-22				2022-23 (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	85,06,741	1,19,006	2,778	2.3	1,42,49,462	1,88,527	3,831	2.0
DRTs	30,651	68,956	12,035	17.5	58,073	4,02,636	36,924	9.2
SARFAESI Act	2,49,645	1,21,718	27,349	22.5	1,85,397	1,11,805	30,864	27.6
IBC @#	891	1,97,959	47,409	23.9	1,261	1,33,930	53,968	40.3
Total	**87,87,928**	**5,07,639**	**89,571**	**17.6**	**1,44,94,193**	**8,36,898**	**1,25,587**	**15.0**

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. @: Data in columns 2 and 6 are the cases admitted by National Company Law Tribunals (NCLTs) under IBC.
4. #: Data in columns 3 to 5 and 7 to 9 pertain to financial creditors. It covers 147 and 184 resolution plans approved during 2021-22 and 2022-23, respectively.

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

Chart IV.16: Stressed Asset Sales to ARCs



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

assets sold to the newly operationalised National Assets Reconstruction Company Ltd (NARCL). During 2022-23, 9.7 per cent of the previous year's stock of SCBs' GNPAs was sold to ARCs as compared with only 3.2 per cent in 2021-22 (Chart IV.16a). On the other hand, the acquisition cost of ARCs as a proportion to book values of assets declined from 33 per cent at end-March 2022 to 29.8 per cent at end-March 2023 (Chart IV.16b).

IV.36 The share of SRs subscribed by banks and FIs has steadily declined from 65.4 per cent at end-March 2021 to 60.6 per cent at end-March 2023. The amount of SRs completely redeemed, an indicator of recovery through this mode, increased further during the year (Table IV.13).

4.5 Frauds in the Banking Sector

IV.37 Frauds lead to reputational, operational and business risk for banks and undermine customers' trust in the banking system with financial stability implications. During 2022-23, the total amount of frauds reported by banks declined to a six-year low while the average amount involved in frauds was the lowest in a decade (Appendix Table IV.7). In H1:2023-24, although the number of frauds reported rose over the corresponding period a year ago, the amount involved was only 14.9 per cent of the previous year's amount (Table IV.14).

Table IV.13: Details of Financial Assets Securitised by ARCs
(At end-March)

(Amount in ₹ crore)

	2021	2022	2023
1	2	3	4
Number of reporting ARCs	28	29	28
1. Book Value of Assets Acquired	5,60,492	6,38,008	8,48,119
2. Security Receipt Issued by SCs/ RCs	1,79,560	2,04,844	2,46,290
3. Security Receipts Subscribed to by			
(a) Selling Banks/FIs	1,17,551	1,28,007	1,49,253
(b) SCs/RCs	35,522	41,353	49,519
(c) FIIs	11,427	15,069	19,383
(d) Others (Qualified Institutional Buyers)	15,060	20,415	28,135
4. Amount of Security Receipts Completely Redeemed	25,223	31,331	41,058
5. Security Receipts Outstanding	1,19,413	1,25,373	1,39,423

Note: 1. Total as at the end of quarter (Cumulative/stock figures).
2. SCs- Securitisation Companies and RCs – Reconstruction Companies.

Source: Quarterly statements submitted by ARCs.

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

(Amount in ₹ crore)

Area of Operation	2020-21		2021-22		2022-23		2022-23 (April-Sep)		2023-24 (April-Sep)	
	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
1	2	3	4	5	6	7	8	9	10	11
Advances	3,401	1,17,018	3,789	43,512	4,101	25,177	1,998	16,968	1,139	1,765
Off-balance Sheet	23	535	21	1,077	15	298	5	283	4	73
Forex Transactions	4	129	7	7	13	12	10	3	5	5
Card/Internet	2,545	119	3,596	155	6,699	277	2,321	87	12,069	630
Deposits	504	434	471	493	652	258	270	135	915	103
Inter-Branch Accounts	2	0	3	2	3	0	2	0	0	0
Cash	329	39	649	93	1,485	159	589	81	210	31
Cheques/DDs, etc.	163	85	201	158	118	25	73	12	60	14
Clearing Accounts, etc.	14	4	16	1	18	3	11	2	2	0
Others	278	54	300	100	472	423	117	114	79	21
Total	**7,263**	**1,18,417**	**9,053**	**45,598**	**13,576**	**26,632**	**5,396**	**17,685**	**14,483**	**2,642**

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

Source: RBI.

IV.38 Based on the date of occurrence of frauds, the average amount involved declined during 2022-23, with the number of cases concentrated in card or internet related frauds (Table IV.15).

IV.39 The number of fraud cases reported by PVBs accounted for 66.2 per cent of the total (Chart IV.17a). In terms of amount involved, PSBs had a higher share (Chart IV.17b). While

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

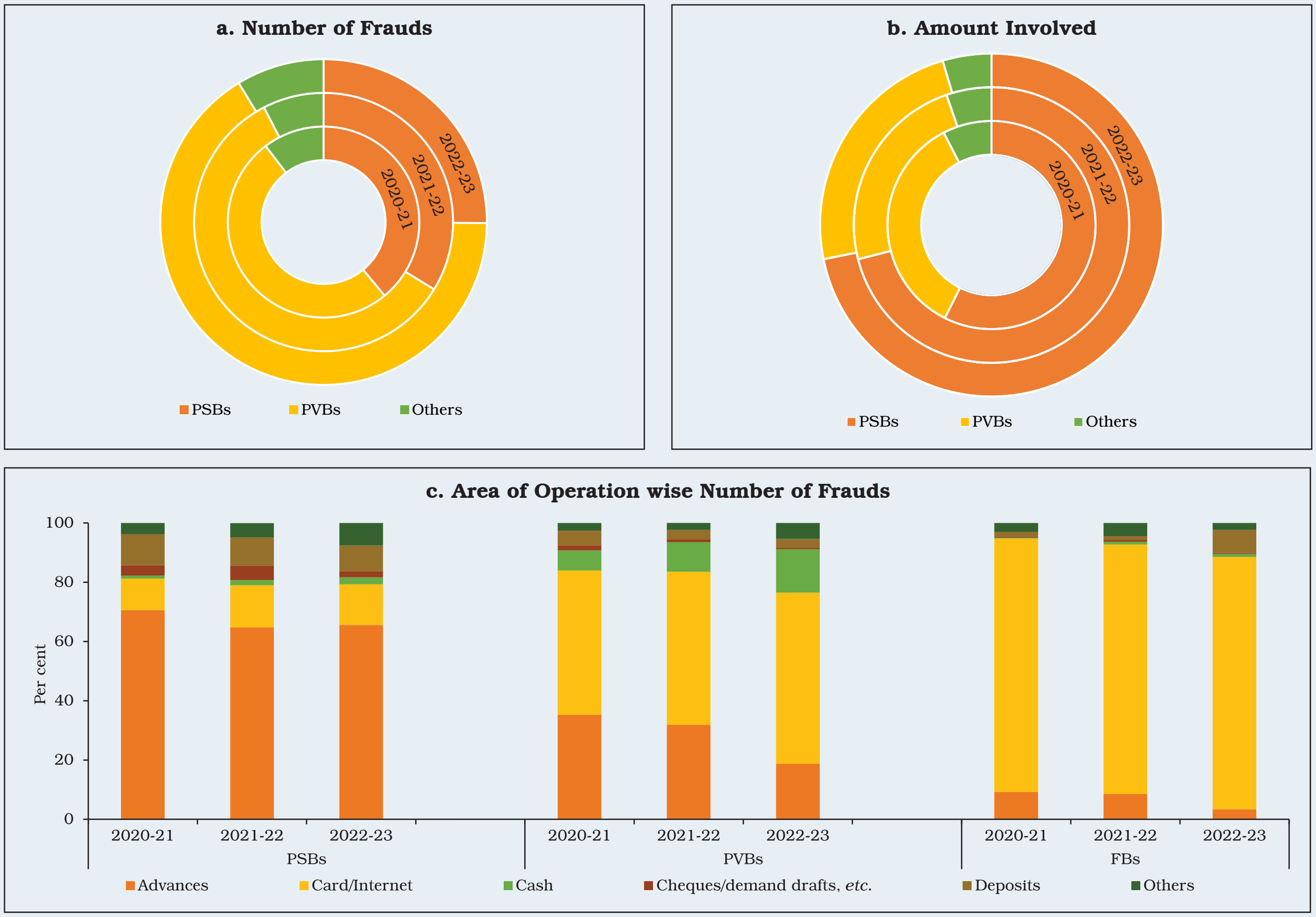
(Amount in ₹ crore)

Area of Operation	Prior to 2020-21		2020-21		2021-22		2022-23		2023-24 (April - Sep)	
	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
1	2	3	4	5	6	7	8	9	10	11
Advances	7,530	1,69,225	1,710	10,660	1,688	6,469	1,303	1,094	199	26
Off-balance Sheet	47	1,848	11	109	2	27	3	0	0	0
Forex Transactions	3	128	4	2	9	8	11	16	2	0
Card/Internet	981	100	2,504	134	4,230	143	9,812	520	7382	285
Deposits	533	456	430	569	422	106	551	124	606	34
Inter-Branch Accounts	3	0	3	2	1	0	1	0	0	0
Cash	128	27	479	61	931	101	1011	112	124	19
Cheques/DDs, etc.	98	62	165	164	167	29	88	19	24	7
Clearing Accounts, etc.	13	1	9	3	17	4	10	0	1	0
Others	285	138	275	124	192	66	352	261	25	6
Total	**9,621**	**1,71,985**	**5,590**	**11,828**	**7,659**	**6,953**	**13,142**	**2,146**	**8,363**	**377**

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.

Source: RBI.

Chart IV.17: Bank Group-wise Frauds



Notes: 1. Frauds based on date of reporting.
2. Others include clearing accounts, foreign exchange transactions, inter-branch accounts, non-resident accounts, off balance sheet.

Source: RBI.

the majority of the frauds in PSBs were related to advances, PVBs accounted for a majority of card/ internet and cash-related cases (Chart IV.17c).

4.6 Enforcement Actions

IV.40 The increase in instances of penalties imposed on regulated entities (REs) during 2022-23 was led by co-operative banks. For both PSBs and PVBs, they declined during the year. The average penalty per instance was the highest for PVBs (Table IV.16).

5. Sectoral Bank Credit and NPAs

IV.41 The acceleration in gross bank credit during 2022-23 was led by personal loans and

Table IV.16: Enforcement Actions

Regulated Entity	2021-22		2022-23	
	Instances of Imposition of Penalty	Total Penalty (₹ crore)	Instances of Imposition of Penalty	Total Penalty (₹ crore)
1	2	3	4	5
Public Sector Banks	13	17.6	7	3.7
Private Sector Banks	16	29.4	7	12.2
Co-operative Banks	145	12.1	176	14.0
Foreign Banks	4	4.3	5	4.7
Payments Banks	-	-	-	-
Small Finance Banks	1	1.0	2	1.0
Regional Rural Banks	-	-	1	0.4
NBFCs	10	1.0	11	4.4
HFCs	-	-	2	0.1
Total	**189**	**65.3**	**211**	**40.4**

Source: RBI.

credit extended to the services sector. Within personal loans, the growth in credit card receivables, which are a form of unsecured lending, rose sharply. Services sector credit was driven by lending to NBFCs (Table IV.17).

IV.42 The GNPA ratio remained the highest for the agricultural sector and the lowest for retail loans as at end-September 2023. The asset quality of the industrial sector improved further, with its GNPA ratio at 4.2 per cent at end-September 2023. The variation of asset quality between bank groups has narrowed over the years (Chart IV. 18).

IV.43 The improvement in asset quality during 2022-23 was broad-based across industries, with notable gains in mining and quarrying, construction, engineering and basic metals. The gems and jewellery industry has the highest GNPA ratio due to legacy issues (Chart IV.19).

5.1 Credit to the MSME Sector

IV.44 Credit to micro and small enterprises had accelerated during 2020-21 and 2021-22, reflecting benefits under the Emergency Credit Line Guarantee Scheme (ECLGS) launched in May 2020. Although the growth rate decelerated

Table IV.17: Sectoral Deployment of Gross Bank Credit by SCBs

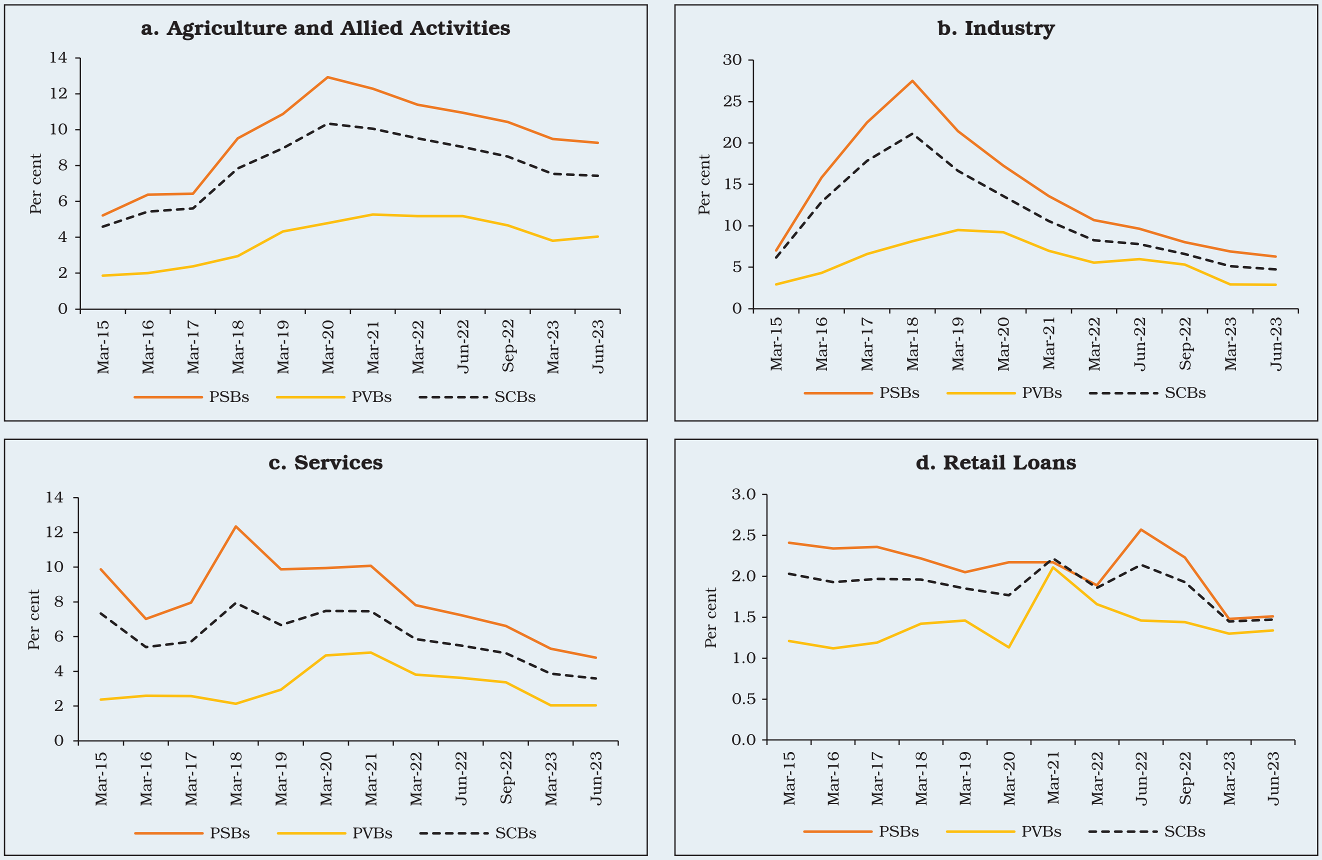
(Amount in ₹ crore)

		Outstanding			Per cent variation (y-o-y)	
		Mar-2021	Mar-2022	Mar-2023	2021-22	2022-23
1		2	3	4	5	6
1	**Agriculture and Allied Activities**	**13,29,618**	**14,61,719**	**16,87,191**	**9.9**	**15.4**
2	**Industry (Micro and Small, Medium and Large)**	**29,34,689**	**31,56,067**	**33,36,722**	**7.5**	**5.7**
	2.1 Micro and Small	4,33,192	5,32,179	5,98,390	22.9	12.4
	2.2 Medium	1,45,209	2,25,885	2,53,384	55.6	12.2
	2.3 Large	23,56,288	23,98,004	24,84,949	1.8	3.6
3	**Services**, *of which*	**27,70,713**	**30,11,975**	**36,08,574**	**8.7**	**19.8**
	3.1 Computer Software	19,816	20,899	21,559	5.5	3.2
	3.2 Tourism, Hotels and Restaurants	59,525	64,378	66,466	8.2	3.2
	3.3 Trade	6,28,249	6,96,301	8,19,921	10.8	17.8
	3.4 Commercial Real Estate	2,89,474	2,91,168	3,14,604	0.6	8.0
	3.5 Non-Banking Financial Companies (NBFCs)#	9,48,568	10,22,399	13,31,097	7.8	30.2
4	**Personal Loans**, *of which*	**30,09,013**	**33,86,982**	**40,85,168**	**12.6**	**20.6**
	4.1 Consumer Durables	17,265	17,088	20,044	-1.0	17.3
	4.2 Housing (including Priority Sector Housing)	14,92,302	16,84,424	19,36,428	12.9	15.0
	4.3 Advances against Fixed Deposits (including FCNR (B), NRNR Deposits, *etc.*)	77,928	83,379	1,21,897	7.0	46.2
	4.4 Advances to Individuals against Share, Bonds, *etc.*	5,400	6,261	6,778	15.9	8.3
	4.5 Credit Card Outstanding	1,31,704	1,48,416	1,94,282	12.7	30.9
	4.6 Education	78,131	82,723	96,847	5.9	17.1
	4.7 Vehicle Loans	3,68,412	4,00,968	5,00,299	8.8	24.8
	4.8 Loans against Gold Jewellery	75,049	73,960	88,428	-1.5	19.6
5	**Non-food Credit**	**1,08,88,255**	**1,18,36,304**	**1,36,55,330**	**9.7**	**15.4**
6	**Bank Credit**	**1,09,49,509**	**1,18,91,314**	**1,36,75,235**	**9.6**	**15.0**

Notes: 1. Bank credit and non-food credit data are based on Section-42 return, which covers all SCBs, while sectoral non-food credit data are based on sector-wise and industry-wise bank credit (SIBC) return, which covers select banks accounting for about 93 per cent of total non-food credit extended by all SCBs.
2. Data are provisional.
3. Data pertains to the last reporting Friday of the month.
4. Credit data are adjusted for past reporting errors by select SCBs from December 2021 onwards.
5. #: NBFCs include HFCs, PFIs, Microfinance Institutions (MFIs), NBFCs engaged in gold loan and others.

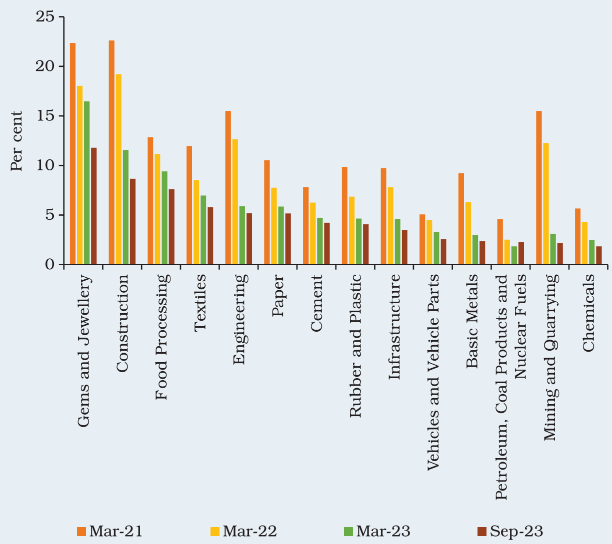
Source: RBI.

Chart IV.18: Sectoral GNPA Ratios



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

Chart IV.19: GNPA Ratio in Various Industries

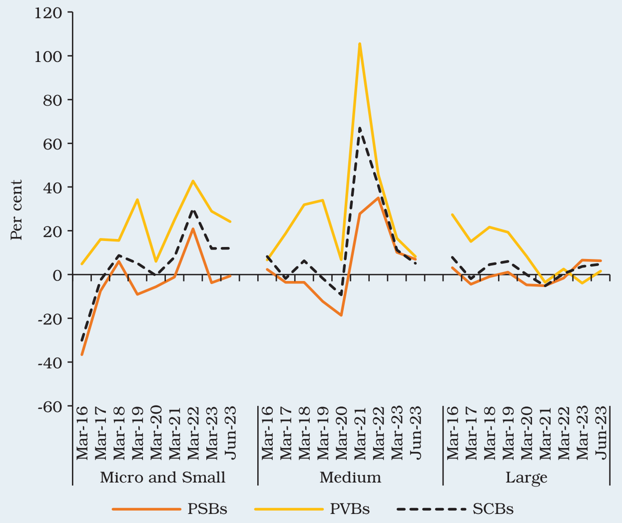


Source: Off-site returns (domestic operations), RBI.

subsequently, it remained higher than the credit growth to large industries (Chart IV.20). Within industry, the reduction in the GNPA ratio of large industries from 22.9 per cent at end-March 2018 to 4.6 per cent at end-June 2023 was noteworthy (Chart IV.21).

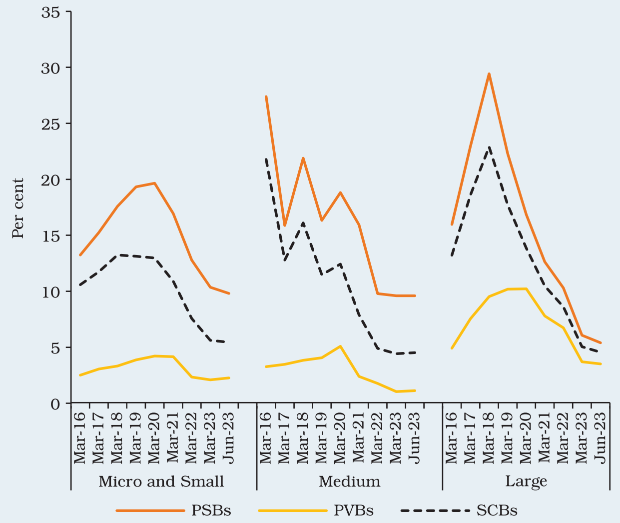
IV.45 Reversing the movements over the previous four consecutive years, PSBs' credit growth to the MSME sector in 2022-23 exceeded that of PVBs. This led to an increase in the former's share in total MSME credit from 47.5 per cent in 2021-22 to 48.0 per cent in 2022-23. The average amount of loans extended by PVBs was almost double that of PSBs (Table IV.18).

Chart IV.20: Credit Growth of Micro, Small, Medium and Large Industries



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

Chart IV.21: GNPA Ratio of Micro, Small, Medium and Large Industries



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

5.2 Priority Sector Credit

IV.46 In recent years, PVBs' overall credit growth was higher than that of PSBs. As a result, PVBs were required to accelerate their priority sector lending to meet regulatory requirements. During 2022-23, total priority sector advances grew by 10.8 per cent, led by PVBs (growth rate of 15.7 per cent). In comparison, the priority sector lending of PSBs grew by 7.1 per cent.

Table IV.18: 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	2022-23
1	2	3	4	5	6	7
Public Sector Banks	No. of Accounts	113	111	151	150	139
		(1.8)	(-1.9)	(36.1)	(-0.7)	(-7.4)
	Amount Outstanding	8,80,033	8,93,315	9,08,659	9,55,860	10,84,953
		(1.8)	(1.5)	(1.7)	(5.2)	(13.5)
Private Sector Banks	No. of Accounts	205	271	267	113	73
		(38.4)	(31.8)	(-1.4)	(-57.7)	(-35.2)
	Amount Outstanding	5,63,678	6,46,988	7,92,042	9,69,844	10,89,833
		(37.2)	(14.8)	(22.4)	(22.4)	(12.4)
Foreign Banks	No. of Accounts	2	3	3	2	2
		(9.3)	(14.1)	(-5.1)	(-19.0)	(-26.3)
	Amount Outstanding	66,939	73,279	83,224	85,352	85,349
		(36.9)	(9.5)	(13.6)	(2.6)	(0.0)
All SCBs	No. of Accounts	321	384	420	265	213
		(22.6)	(19.8)	(9.4)	(-37.0)	(-19.4)
	Amount Outstanding	15,10,651	16,13,582	17,83,925	20,11,057	22,60,135
		(14.1)	(6.8)	(10.6)	(12.7)	(12.4)

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

Table IV.19: Priority Sector Lending by Banks
(At end-March 2023)

(Amount in ₹ crore)

	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***	**28,36,168**	**43.7**	**19,51,075**	**45.3**	**2,30,976**	**42.8**	**94,999.3**	**88.2**	**51,13,218**	**44.7**
of which											
Total Agriculture	18	12,77,359	19.7	7,53,591	17.5	57,998	18.2	29,261	27.2	21,18,210	18.9
Small and Marginal Farmers	9.5	7,39,768	11.4	3,64,356	8.5	35,029	11.0	20,779	19.3	11,59,932	10.3
Non-corporate Individual Farmers#	13.78	9,98,667	15.4	5,52,916	12.8	42,228	13.2	28,437	26.4	16,22,248	14.5
Micro Enterprises	7.5	5,03,933	7.8	3,81,720	8.9	24,150	7.6	30,798	28.6	9,40,601	8.4
Weaker Sections	11.5	9,33,799	14.4	4,96,360	11.5	37,878	11.9	46,980	43.6	15,15,016	13.5

Notes: 1. Amount outstanding and achievement percentages are based on the average achievement of banks for all the quarters of the financial year.
2. *: Total priority sector lending target for SFBs is 75 per cent.
3. #: Target for non-corporate farmers is based on the system-wide average of the last three years' achievement. For FY 2022-23, the applicable system wide average figure is 13.78 per cent.
4. For FBs having less than 20 branches, only the total PSL target of 40 per cent is applicable.
5. Data are provisional.

Source: RBI.

IV.47 All bank groups managed to achieve their overall priority sector lending targets. However, shortfall was found in non-corporate individual farmers sub-category by FBs[10], and PVBs fulfilled their target only for micro enterprises (Table IV.19). Growth in the amount outstanding under operative *kisan* credit cards (KCC) decelerated in 2022-23 to 8.8 per cent. The slowdown was mainly contributed by northern and eastern regions (Appendix Table IV.8).

IV.48 Growth in the total trading volume of priority sector lending certificates (PSLCs) decelerated during 2022-23. Except for the general category, the trading volume of PSLCs increased for all segments and was the highest in the small and marginal farmers (SMF) category (Table IV. 20).

Table IV.20: Trading Volume of PSLCs

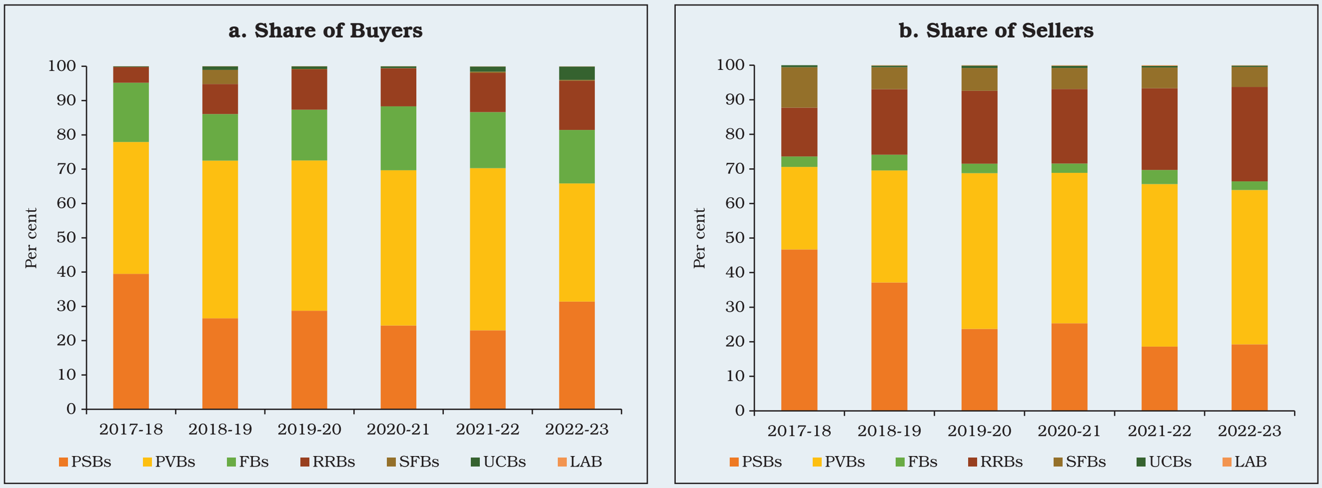
(in ₹ crore)

	PSLC-Agriculture (PSLC-A)	PSLC-Micro Enterprises (PSLC-ME)	PSLC-Small and Marginal Farmers (PSLC-SMF)	PSLC-General (PSLC-G)	Total
1	2	3	4	5	6
2016-17	4,101	2,693	22,986	20,017	49,797
2017-18	15,936	19,100	69,622	79,672	1,84,330
2018-19	37,067	45,373	1,12,505	1,32,486	3,27,431
2019-20	54,102	97,623	1,45,801	1,70,263	4,67,789
2020-21	60,823	1,03,576	1,98,231	2,26,534	5,89,164
2021-22	59,274	1,04,276	2,28,709	2,70,131	6,62,390
2022-23	88,100	1,24,777	3,21,759	1,78,690	7,13,326

Source: RBI.

[10] NCF target is applicable only for FBs having more than 20 branches.

Chart IV.22: Buyers and Sellers in PSLC Market



Source: RBI.

IV.49 In the last four years, PVBs have outpaced PSBs as sellers of PSLCs (Chart IV.22).

IV.50 During 2022-23 and H1:2023-24, the weighted average premium (WAP) decreased for all categories of PSLCs, with PSLC-SMF commanding the highest premium (Table IV.21).

IV.51 The GNPA ratio related to priority sector lending declined from 7.4 per cent at end-March 2022 to 5.6 per cent by end-March 2023. Nonetheless, the share of the priority sector in total GNPA of SCBs increased from 43.2 per cent at end-March-2022 to 51.2 per cent at end-March 2023 as NPAs in the non-priority sector declined more sharply. NPAs in the priority sector were led by agricultural defaults.

IV.52 While PSBs extended 43.7 per cent of their ANBC/CEOBE to the priority sector, this portfolio contributed to 56.2 per cent of their total NPAs. Priority sector comprises of 88.2 per cent of SFBs' ANBC/CEOBE, but its share in total NPAs has fallen significantly to 43.2 per cent in 2022-23 from 89.9 per cent in the previous year (Table IV.22).

5.3 Credit to Sensitive Sectors

IV.53 SCBs' exposure to sensitive sectors – real estate and capital markets – rose at a faster pace during 2022-23 and accounted for 24.3 per cent of their total loans and advances. Lending to the real estate sector picked up for both PSBs and PVBs (Chart IV.23a). On the other hand,

Table IV.21: Weighted Average Premium on Various Categories of PSLCs

(Per cent)

	2019-20	2020-21	2021-22	2022-23	2022-23 (Apr-Sep)	2023-24 (Apr-Sep)
1	2	3	4	5	6	7
PSLC-A	1.17	1.55	1.37	0.62	0.88	0.27
PSLC-ME	0.44	0.88	0.95	0.16	0.60	0.09
PSLC-SMF	1.58	1.74	2.01	1.68	1.97	1.93
PSLC-G	0.35	0.46	0.6	0.19	0.22	0.02

Source: RBI.

Table IV.22: 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
1	2	3	4	5	6	7	8	9	10	11	12	13
PSBs												
2022	2,43,655	48.0	1,10,845	21.8	96,374	19.0	36,436	7.2	2,63,973	52.0	5,07,628	100
2023	2,25,638	56.2	1,14,409	28.5	80,577	20.1	30,652	7.6	1,75,666	43.8	4,01,304	100
PVBs												
2022	48,588	28.7	20,863	12.3	17,799	10.5	9,926	5.9	1,20,431	71.3	1,69,019	100
2023	42,293	36.7	19,999	17.3	14,569	12.6	7,724	6.7	73,052	63.3	1,15,345	100
FBs												
2022	2,555	18.5	481	3.5	1,638	11.9	436	3.2	11,231	81.5	13,786	100
2023	2,149	22.5	221	2.3	1,542	16.2	386	4.0	7,395	77.5	9,544	100
SFBs												
2022	6,037	89.9	1,961	29.2	2,002	29.8	2,074	30.9	682	10.1	6,719	100
2023	3,832	43.2	1,549	17.5	1,065	12.0	1,217	13.7	5,038	56.8	8,869	100
All SCBs												
2022	3,00,835	43.2	1,34,151	19.2	1,17,813	16.9	48,871	7.0	3,96,316	56.8	6,97,151	100
2023	2,73,911	51.2	1,36,178	25.5	97,753	18.3	39,980	7.5	2,61,151	48.8	5,35,062	100

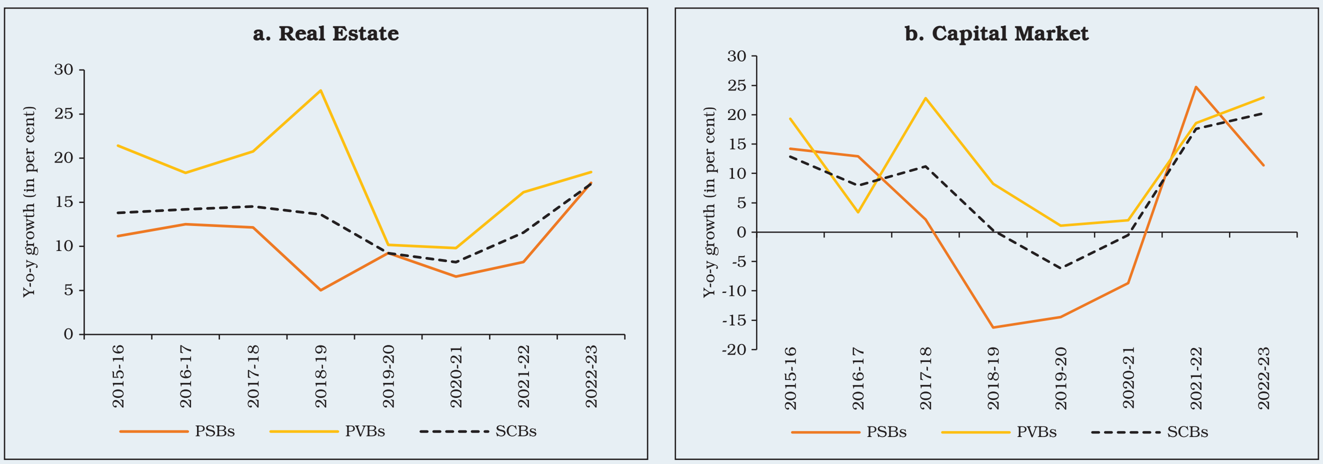
Notes: 1. Per cent: Per cent of total NPAs.
2. Constituent items may not add up to the total due to rounding off.
Source: Off-site returns (domestic operations), RBI.

capital market exposure of PSBs decelerated (Chart IV.23b and Appendix Table IV.9).

5.4 Unsecured Lending

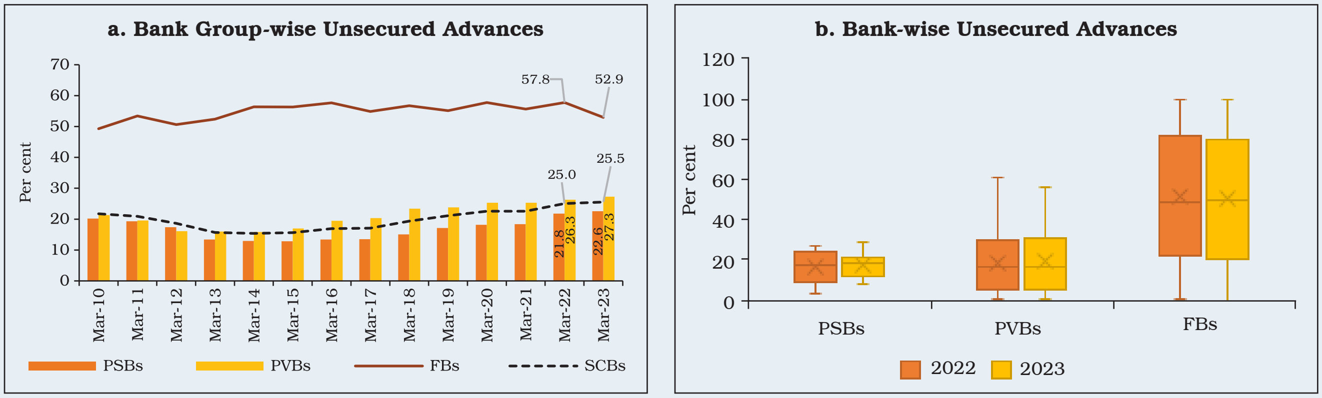
IV.54 Unsecured loans – characterised by absence or inadequacy of collateral – present a higher credit risk for banks in the event of defaults. The share of unsecured advances in total credit of SCBs has been increasing since end-March 2015, reaching 25.5 per cent by end-March 2023. More than 50 per cent of loans by FBs are unsecured, while the share is lower at

Chart IV.23: Exposure to Sensitive Sectors
(At end-March)



Source: Annual accounts of banks.

Chart IV.24: Share of Unsecured Advances in Total Advances



Notes: 1 Data exclude regional rural banks.
2. In the box plots, the boxes show the distance between the first and the third quartiles (interquartile range). The whiskers indicate the maximum and minimum values (excluding outliers). Observations that are more than 1.5 times the interquartile range lie beyond the whiskers and are considered outliers. The horizontal line inside each box shows the median, while 'X' shows the mean.

Source: Annual accounts of banks.

27.3 per cent and 22.6 per cent for PVBs and PSBs, respectively (Chart IV.24). The Reserve Bank's November 2023 measures to increase risk weights on select categories of consumer credit exposure need to be seen in this evolving milieu.

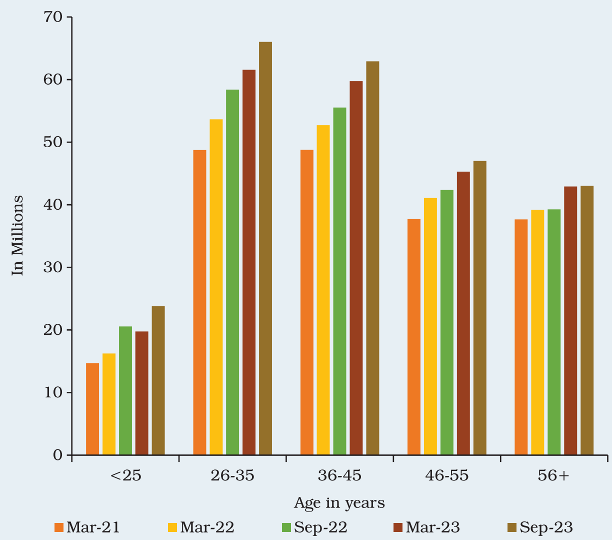
5.5 Borrower Age Profile

IV.55 Data sourced from the TransUnion Credit Information Bureau (India) Limited (CIBIL) suggest that 53.1 per cent of retail borrowers were in the 25-45 years age bracket at end-September 2023 (Chart IV.25).

6. Ownership Patterns in Commercial Banks

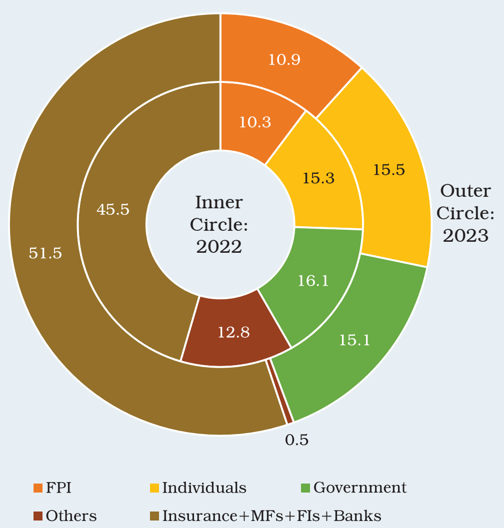
IV.56 The ownership pattern of PVBs underwent a change during 2022-23, with a decline in government ownership particularly in Jammu & Kashmir Bank and an increase

Chart IV.25: Distribution of Retail Borrowers by Age



Source: TransUnion CIBIL.

Chart IV.26: Ownership Pattern of PVBs
(At end-March)



Source: RBI.

in the share of institutional investors such as insurance companies, mutual funds, banks and financial institutions, notably in Karur Vysya Bank and in Yes Bank (Chart IV.26 and Appendix Table IV.10). In the case of PSBs, government ownership remained unchanged at 90.5 per cent of paid-up equity share capital.

IV.57 As the asset quality of PSBs has improved, the requirement of capital infusion by the government has declined (Chart IV.27).

7. Corporate Governance

IV.58 In the aftermath of the global financial crisis of 2007-09, regulatory reforms in corporate governance have focused on, *inter alia*, effective board oversight, rigorous risk management, strong internal controls, and compliance. On April 26, 2021 the Reserve Bank issued instructions aimed at achieving robust and transparent risk management and decision-making in banks, thereby promoting

Chart IV.27: Capital Infusion in PSBs

Source: RBI.

public confidence and upholding the safety and soundness of the financial system[11].

7.1 Composition of Boards

IV.59 Apart from providing checks and balances, independent directors often bring unbiased views, diverse experiences, and expertise to the board and contribute to effective risk management. In the case of PVBs and SFBs, the share of independent directors in the Board and its committees (except for Nomination and Remuneration Committee (NRC) in PVBs) improved in 2022-23 (Table IV.23).

IV.60 As per the Reserve Bank's directions, banks are required to constitute a Risk Management Committee of the Board (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 decreased from 39 per cent at end-March 2022 to 38 per cent at end-March 2023. For SFBs, the proportion decreased from 50 per cent to 42 per cent during the same period.

Table IV.23: Independent Directors on the Board and its Committees
(At end-March)

(Share in per cent)

	Board		RMCB		NRC		Audit Committee of the Board (ACB)	
	2022	2023	2022	2023	2022	2023	2022	2023
1	2	3	4	5	6	7	8	9
PVBs	63	65	65	67	80	78	76	83
SFBs	68	68	74	76	83	83	83	85

Source: Annual reports and websites of the banks.

7.2 Executive Compensation

IV.61 Linking the variable component of management compensation to annual performance indicators may inadvertently shift focus to short-term gains at the expense of long-term stability. In order to maintain a balance between such myopia and an incentive-based compensation structure, the Reserve Bank's revised guidelines require that at least 50 per cent of the total compensation should be variable[12]. The share of variable pay (VP) in total remuneration (TR) for PVBs increased from 31 per cent at end-March 2021 to 39 per cent at end-March 2022[13]. For SFBs, it increased marginally from 25 per cent to 26 per cent during the same period. At end-March 2022, the share of non-cash component in the VP for PVBs and SFBs decreased to 57 per cent and 34 per cent, from 78 per cent and 41 per cent in the previous year, respectively[14].

IV.62 The disparity in remuneration between top executives and average employees may induce risk-taking behaviour and can be detrimental to the long-term objectives of the institution. In the context of Indian banks, the gap is the widest in the case of SFBs (Table IV.24).

[11] These instructions were made applicable to all PVBs (including SFBs) and wholly owned subsidiaries of FBs. In respect of State Bank of India and Nationalised Banks, these guidelines were specified to apply only to the extent that they are not inconsistent with provisions of specific statutes applicable to them, or instructions issued under the statutes.

[12] The 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.

[13] VP is the actual amount paid by the bank.

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

Table IV.24: Managing Director and Chief Executive Officer's Remuneration *vis-à-vis* Average Employee Pay
(At end-March)

	PVBs	SFBs	PSBs
1	2	3	4
2021	25.1	58.9	2.3
2022	26.1	58.1	2.4

Note: For each bank, a ratio of their MD & CEO's remuneration to the average employee pay is calculated. The numbers in the table represent a median of such ratios for the particular bank group.
Source: RBI.

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

IV.63 After a steady rising trend from March 2006 to reach 46 at end-March 2020, the number of FBs in India declined to 44 at end-March 2023. The number of FBs' branches also declined for the second consecutive year during 2022-23, reflecting rationalisation for cost optimisation (Table IV.25).

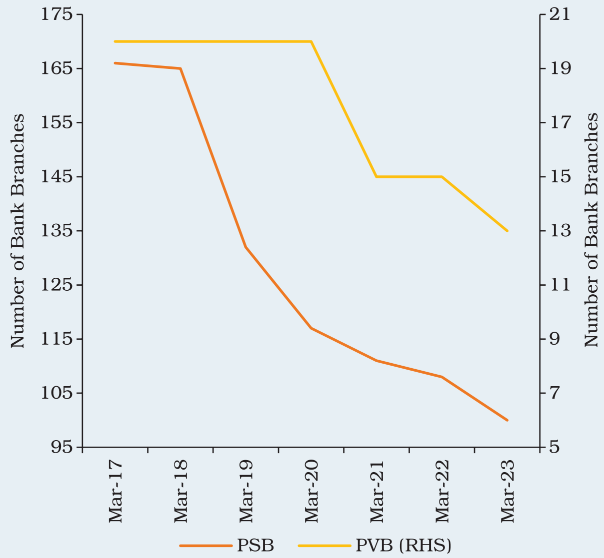
IV.64 Rationalisation of PSBs' overseas presence by closing non-viable branches and consolidating operations in the same geography has gathered focus since 2018 to improve cost efficiencies and synergies[15]. Accordingly, PSBs have shutdown 65 overseas bank branches during the last five years (March 2018 to March 2023). During the same period, PVBs have also reduced their overseas bank branches from 20 to 13 (Chart IV.28 and Appendix Table IV.11).

Table IV.25: Operations of Foreign Banks in India

	Foreign Banks Operating Through Branches		Foreign Banks Having Representative Offices
	No. of Banks	Branches	
1	2	3	4
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
Mar-23	44#	782*	33

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.

Chart IV.28: Overseas Branches of Indian Banks



Source: RBI.

9. Payment Systems and Scheduled Commercial Banks

IV.65 In recent years, India has emerged as a world leader in developing and adopting new technologies in the digital payments landscape. This has been evident not only in terms of growth in digital payments but also in availability of a bouquet of safe, secure, innovative and efficient payment systems. India's Digital Public Infrastructure (DPI) and its unique open model

[15] Government of India (2018), "Responsive and Responsible PSBs — Banking Reforms Roadmap for a New India", January 26, available at https://static.pib.gov.in/WriteReadData/userfiles/Final%2023.01.18-min.pdf

has been a cornerstone of this transformation. The recognition of the importance of DPI as a priority under India's G20 presidency at the multilateral forum is expected to further aid its development and deployment.

IV.66 In order to enhance the ease of transactions, the upper limit for small value digital payments in offline mode was increased from ₹200 to ₹500 in August 2023. Additionally, 'Har Payment Digital' mission was launched during the Digital Payments Awareness Week (DPAW), March 2023 to reinforce the Reserve Bank's commitment to deepen penetration of digitalisation in the country.

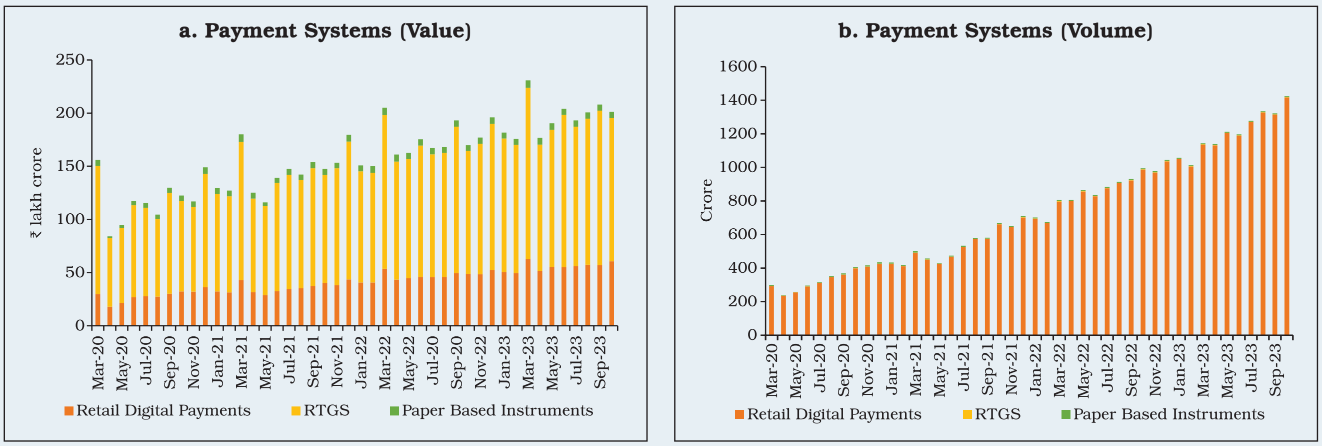
9.1 Digital Payments

IV.67 Digital modes of payments are increasingly replacing conventional paper-based instruments such as cheques and demand drafts, with the latter now constituting a negligible share in total payments. In October 2023, 99.6 per cent of total payments in terms of volume and 97.1 per cent in terms of value were made *via* digital modes (Chart IV.29).

IV.68 The growth in volume of total payments decelerated to 57.8 per cent (19.2 per cent in terms of value) during 2022-23 from 63.8 per cent (23.1 per cent in terms of value) during 2021-22 as the post-COVID-19 base effect waned (Table IV.26). Amongst the various options available, the Unified Payments Interface (UPI) has the majority share in volume of transactions, while RTGS, which facilitates high-value transactions on real time basis, accounted for the largest share in terms of value.

IV.69 The Reserve Bank launched a composite Digital Payments Index in January 2021 to capture the extent of digitalisation of payments across the country. The index is based on five broad parameters, *viz.*, payment enablers; payment performance; consumer centricity; and demand and supply side factors of payment infrastructure. It is computed semi-annually with March 2018 as the base. At end-March 2023, the index stood at 395.6 as compared to 377.5 at end September 2022, driven by enhanced payment infrastructure and performance.

Chart IV.29: 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.26: Payment Systems Indicators

	Volume (Lakh)			Value (₹ crore)		
	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23
1	2	3	4	5	6	7
1. Large Value Credit Transfers – RTGS	1,592	2,078	2,426	10,55,99,849	12,86,57,516	14,99,46,286
2. Credit Transfers	3,17,868	5,77,935	9,83,621	3,35,04,226	4,27,28,006	5,50,09,620
2.1 AePS (Fund Transfers)	11	10	6	623	575	356
2.2 APBS	14,373	12,573	17,834	1,11,001	1,33,345	2,47,535
2.3 ECS	-	-	-	-	-	-
2.4 IMPS	32,783	46,625	56,533	29,41,500	41,71,037	55,85,441
2.5 NACH	16,465	18,758	19,257	12,16,535	12,81,685	15,41,815
2.6 NEFT	30,928	40,407	52,847	2,51,30,910	2,87,25,463	3,37,19,541
2.7 UPI	2,23,307	4,59,561	8,37,144	41,03,658	84,15,900	1,39,14,932
3. Debit Transfers and Direct Debits	10,457	12,189	15,343	8,65,520	10,34,444	12,89,611
3.1 BHIM Aadhaar Pay	161	228	214	2,580	6,113	6,791
3.2 ECS Dr	-	-	-	-	-	-
3.3 NACH	9,646	10,755	13,503	8,62,027	10,26,641	12,80,219
3.4 NETC (linked to bank account)	650	1,207	1,626	913	1,689	2,601
4. Card Payments	57,787	61,783	63,325	12,91,799	17,01,851	21,52,245
4.1 Credit Cards	17,641	22,399	29,145	6,30,414	9,71,638	14,32,255
4.2 Debit Cards	40,146	39,384	34,179	6,61,385	7,30,213	7,19,989
5. Prepaid Payment Instruments	49,366	65,783	74,667	1,97,095	2,79,416	2,87,111
6. Paper-based Instruments	6,704	6,999	7,109	56,27,108	66,50,333	71,72,904
Total Digital Payments (1+2+3+4+5)	**4,37,068**	**7,19,768**	**11,39,382**	**14,14,58,488**	**17,44,01,233**	**20,86,84,872**
Total Retail Payments (2+3+4+5+6)	**4,42,180**	**7,24,689**	**11,44,065**	**4,14,85,747**	**5,23,94,049**	**6,59,11,490**
Total Payments (1+2+3+4+5+6)	**4,43,772**	**7,26,767**	**11,46,491**	**14,70,85,596**	**18,10,51,565**	**21,58,57,776**

Source: RBI.

9.2 ATMs

IV.70 During 2022-23, the total number of Automated Teller Machines (ATMs) (on-site and off-site) grew by 3.5 per cent, primarily driven by increase in the number of white-label ATMs (WLAs). Amongst the ATMs operated by SCBs at end-March 2023, the share of PSBs and PVBs was 63 per cent and 35 per cent, respectively (Table IV.27 and Appendix Table IV.12).

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

Sr. No.	Bank Group	On-Site ATMs		Off-site ATMs		Total Number of ATMs	
		2022	2023	2022	2023	2022 (3+5)	2023 (4+6)
1	2	3	4	5	6	7	8
I	PSBs	75,653	78,777	59,804	59,646	1,35,457	1,38,423
II	PVBs	38,254	41,426	37,289	35,549	75,543	76,975
III	FBs	701	619	1,082	612	1,783	1,231
IV	SFBs*	2,185	2,797	22	24	2,207	2,821
V	PBs**	1	1	70	62	71	63
VI	WLAs	0	0	31,499	35,791	31,499	35,791
VII	All SCBs (I to V)	1,16,794	1,23,620	98,267	95,893	2,15,061	2,19,513
VIII	Total (VI+VII)	1,16,794	1,23,620	1,29,766	1,31,684	2,46,560	2,55,304

Notes: 1. *: 11 scheduled SFBs at end-March 2023.
2. **: 4 scheduled PBs at end-March 2023.
Source: RBI.

Table IV.28: Geographical Distribution of ATMs: Bank Group Wise@
(At end-March 2023)

Bank group	Rural	Semi - Urban	Urban	Metro-politan	Total
1	2	3	4	5	6
Public Sector Banks	29,293 (80.2)	40,334 (65.4)	35,218 (63.6)	33,578 (50.9)	1,38,423 (63.1)
Private Sector Banks	6,881 (18.8)	20,101 (32.6)	18,990 (34.3)	31,003 (47)	76,975 (35.1)
Foreign Banks	109 (0.3)	329 (0.5)	343 (0.6)	450 (0.7)	1231 (0.6)
Small Finance Banks*	239 (0.7)	875 (1.4)	837 (1.5)	870 (1.3)	2,821 (1.3)
Payments Banks**	8 (0.02)	12 (0.02)	26 (0.05)	17 (0.03)	63 (0.03)
All SCBs	36,530 (100)	61,651 (100)	55,414 (100)	65,918 (100)	2,19,513 (100)
All SCBs (y-o-y growth)	1.39	2.30	0.39	-0.47	0.82
WLAs	18,346	11,583	3,813	2,049	35,791
WLAs (y-o-y growth)	11.8	13.2	21.0	20.2	13.6

Notes: 1. Figures in parentheses indicate percentage share of total ATMs in each geographical region.
2. *: 11 scheduled SFBs at end-March 2023.
3. **: 4 scheduled PBs at end-March 2023.
4. @: Data include ATMs and Cash Recycling Machines (CRMs).

Source: RBI.

IV.71 At end-March 2023, ATMs of PSBs were more evenly distributed across geographies than other bank groups whose ATMs were skewed towards urban and metropolitan areas. In contrast, a majority (51 per cent) of WLAs were concentrated in rural areas (Table IV.28).

10. Consumer Protection

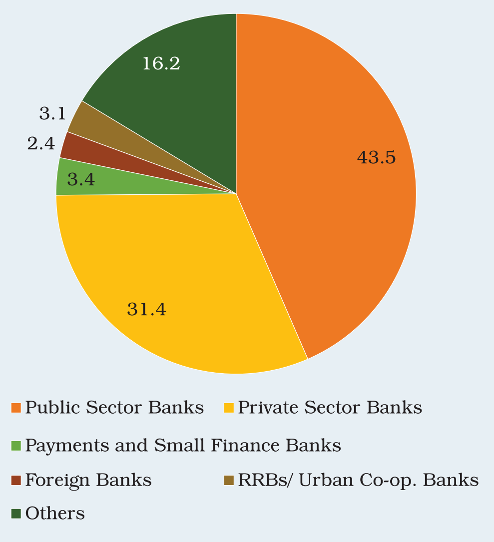
IV.72 Consumer education and protection is an integral component of the Reserve Bank's full-service central banking function. Towards this end, technology is being extensively leveraged to enhance efficiencies in the grievance redressal mechanism.

10.1 Grievance Redressal

IV.73 During 2022-23, the number of complaints received under the Reserve Bank - Integrated Ombudsman Scheme (RB-IOS) increased by 68.2 per cent, partly due to simplification of procedures for lodging of complaints. Of the 7,03,544 complaints received against REs, 33.4 per cent were handled by the Office of Reserve Bank of India Ombudsmen (ORBIOs) and the rest were disposed at the Centralised Receipt and Processing Centre (CRPC). The number of complaints against REs dealt at the ORBIOs declined y-o-y by 22.9 per cent in 2022-23 due to structural changes in the Ombudsman framework which led to filtering out of non-maintainable complaints at the level of CRPC and on the Complaint Management Portal. Majority of the complaints received at the ORBIOs during the year pertained to banks (83.8 per cent) (Chart IV.30).

IV.74 Under the RB-IOS, effective November 2021, complaint categories were rationalised to make deficiency in service the sole ground for lodging a complaint. Consequently, data on nature of complaints are not strictly comparable across the financial years. During 2022-23,

Chart IV.30: Entity Type-wise Complaints Received at ORBIOs



Source: RBI.

grievances related to loans and advances against banks, NBFCs and other REs accounted for more than one-fourth of the overall complaints received. The share of the top five categories, consisting of complaints received for loans and advances, mobile/ electronic banking, deposit accounts, credit cards and ATM/ debit cards, increased from 54.7 per cent during 2021-22 to 85.8 per cent during 2022-23 (Table IV.29).

IV.75 The share of complaints from urban, semi-urban and rural areas saw an uptick during the year, partly reflecting intensive public awareness programmes conducted across the country (Chart IV.31a). For both PSBs and PVBs, complaints related to ATM/ debit cards/ credit cards constituted the highest share during 2022-23, followed by mobile/ electronic banking related grievances in case of PSBs and complaints concerning loans and advances in case of PVBs (Chart IV.31b and Appendix Table IV.13).

10.2 Deposit Insurance

IV.76 Deposit insurance extended by the Deposit Insurance and Credit Guarantee Corporation (DICGC) is an important financial safety net which helps preserve public confidence, especially of small depositors. The scheme covers all commercial banks, including LABs, PBs, SFBs, RRBs and co-operative banks with an insurance cover limit of ₹5 lakh per deposit account. As on March 31, 2023 depositors of

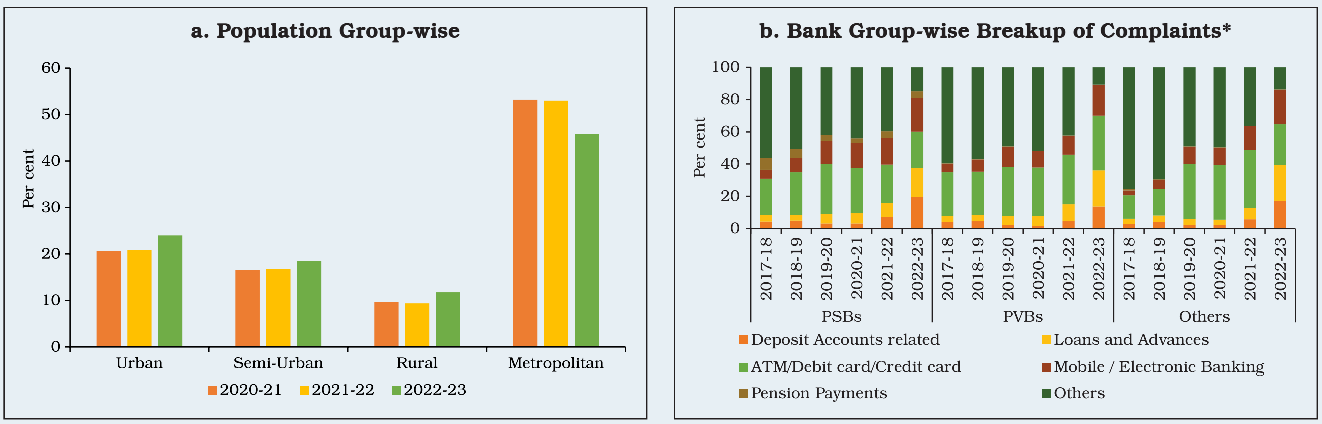
Table IV.29: Nature of Complaints at RBIOs

	2020-21	2021-22#	2022-23#
1	2	3	4
Loans and Advances	20,218	30,734	59,762
Mobile / Electronic Banking	44,385	42,271	43,167
Deposit Accounts	8,580	16,989	34,481
Credit Cards	40,721	34,828	34,151
ATM/ Debit Cards	60,203	41,849	29,929
Others	39,686	36,607	22,551
Pension Payments	4,966	6,206	4,380
Remittances	3,394	3,443	2,940
Para-Banking	1,236	1,608	2,782
Notes and Coins	332	302	511
Non-observance of Fair Practice Code $	33,898	37,880	20
Levy of Charges without Prior Notice $	20,949	14,519	3
DSAs and Recovery Agents $	2,440	1,640	7
Failure to Meet Commitments $	35,999	22,420	5
Non-adherence to BCSBI Codes $	14,490	5,069	1
Out of Purview of BO Scheme $	10,250	8,131	-
Total	**3,41,747**	**3,04,496***	**2,34,690^**

Notes: 1. # : Data pertain to commercial banks, NBFCs and other REs.
2. * : Excludes 1,13,688 complaints handled at CRPC.
3. ^ : Excludes 4,68,854 complaints handled at CRPC.
4. $: Decline is due to recategorisation of complaints and structural changes in the Ombudsman framework under RB-IOS, 2021.

Source: RBI.

Chart IV.31: Distribution of Complaints



Notes: 1. *: Data for 2021-22 and 2022-23 may not be exactly comparable with previous years due to rationalisation of complaint categories under RBI-OS, 2021.
2. Data pertain to commercial banks.

Source: Banking Ombudsman.

Table IV.30: Bank Group-wise Insured Deposits
(At end-March 2023)

(Amount in ₹ crore)

Bank Groups	No. of Insured Banks	Insured Deposits (ID)	Assessable Deposits (AD)*	ID / AD (per cent)
1	2	3	4	5
I. Commercial Banks	139	79,22,120	1,83,48,838	43.2
i) Public Sector Banks	12	52,20,324	1,05,07,639	49.7
ii) Private Sector Banks	21	21,20,937	62,37,833	34.0
iii) Foreign Banks	43	50,037	8,62,909	5.8
iv) Small Finance Banks	12	66,745	1,63,183	40.9
v) Payments Banks	6	12,533	12,694	98.7
vi) Regional Rural Banks	43	4,50,675	5,63,377	80.0
vii) Local Area Banks	2	869	1,204	72.2
II. Co-operative Banks	1,887	7,09,139	11,10,076	63.9
i) Urban Co-operative Banks	1,502	3,62,991	5,34,413	67.9
ii) State Co-operative Banks	33	64,041	1,46,931	43.6
iii) District Central Co-operative Banks	352	2,82,107	4,28,733	65.8
Total	**2,026**	**86,31,259**	**1,94,58,915**	**44.4**

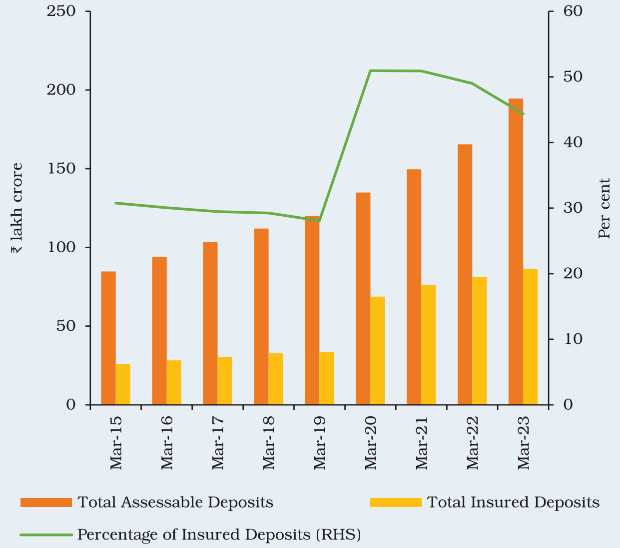
Note: *: Assessable deposits mean overall deposits, including portions which are not provided insurance cover. Inter-bank deposits and government deposits are excluded from the total deposits to get assessable deposits.
Source: Deposit Insurance and Credit Guarantee Corporation.

2,026 banks (139 commercial banks and 1,887 co-operative banks) were insured under the scheme (Table IV.30).

IV.77 Under the extant coverage limit, 98.1 per cent of the total number of accounts were fully insured at end-March 2023. The share of insured deposits in total assessable deposits increased at end-March 2020 as the insurance cover limit per account was raised from ₹1 lakh to ₹5 lakh. The share of insured deposits moderated during 2022-23 due to an increasing share of deposits with outstanding balance of more than ₹5 lakh (Chart IV.32).

IV.78 The Deposit Insurance Fund (DIF) is utilised to settle the claims of the insured depositors of banks in the event of imposition of all-inclusive directions (AID)/liquidation/merger/amalgamation[16]. DIF balance stood at ₹1,69,602 crore at end-March 2023, recording a y-o-y growth of 15.5 per cent. The reserve ratio (RR) increased from 1.80 per cent at end-March 2022 to 2.0 per cent at end-March 2023[17]. The DICGC has the mandate to recover insurance pay-outs

Chart IV.32: Insured Deposits



Source: Deposit Insurance and Credit Guarantee Corporation.

[16] DIF is built through transfer of surplus each year. The surplus consists of 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), net of taxes.

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

under Section 21 of DICGC Act, 1961 and rules framed thereunder. During the year, the DICGC made a total recovery of claims amounting to ₹883 crore from 83 banks, of which ₹233 crore was recovered from six UCBs placed under AID as against ₹399 crore recovered during 2021-22.

11. Financial Inclusion

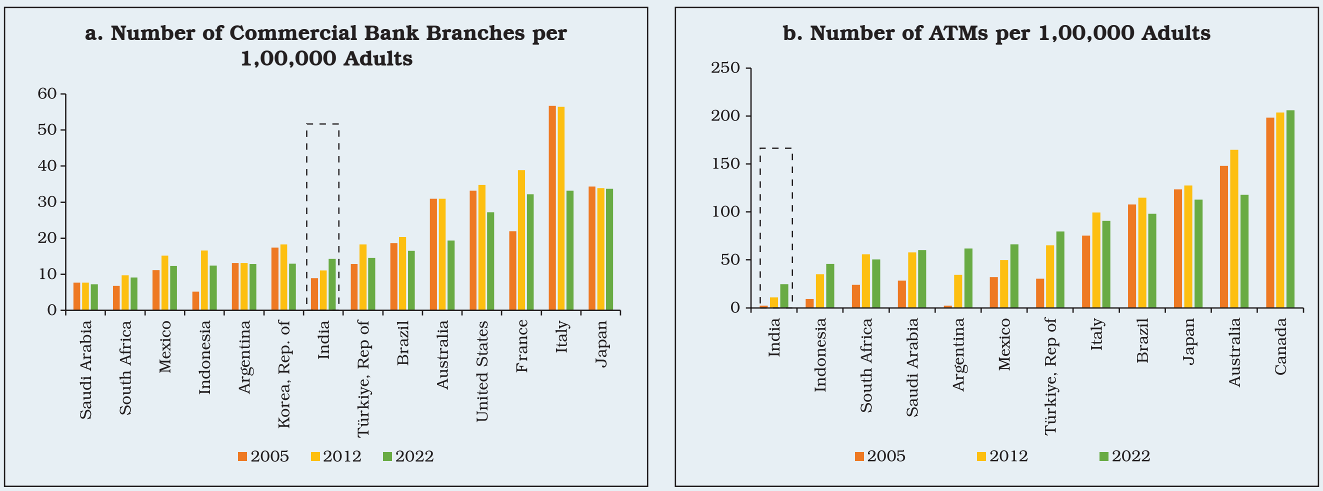
IV.79 Financial inclusion is a catalyst of balanced growth. The Reserve Bank's recent initiatives have been aimed at ensuring that the benefits of financial inclusion reach every stratum of society. The Reserve Bank continued to conduct Financial Literacy Week (FLW) to deepen financial education and awareness, with stress upon 'Good Financial Behaviour - Your Saviour' in 2022-23.

IV.80 The consistent progress in financial inclusion in the country is evident in the increase in bank branches per 1,00,000 adults. This was complemented by rapid digitalisation in banking services and an expanding network of business correspondents (BCs). This was in contrast to G20 peers where an increase in digitalisation has not been accompanied by more bank branches (Chart IV.33a). The per capita ATM deployment has more than doubled in the last decade (Chart IV.33b).

IV.81 Since the introduction of the *Pradhan Mantri Jan Dhan Yojana* (PMJDY) in 2014, the number of accounts held by both men and women in the household sector – especially loan accounts – has been steadily increasing. Although there are fewer women-owned loan and deposit accounts in comparison with their male counterparts, the former have been increasing at a much faster pace. Between 2015 and 2023, women-owned deposit and loan accounts registered a compound annual growth rate (CAGR) of 10.3 per cent and 18.1 per cent, respectively, while men-owned deposit and loan accounts grew by 6.9 per cent and 9.2 per cent, respectively (Chart IV.34a and b).

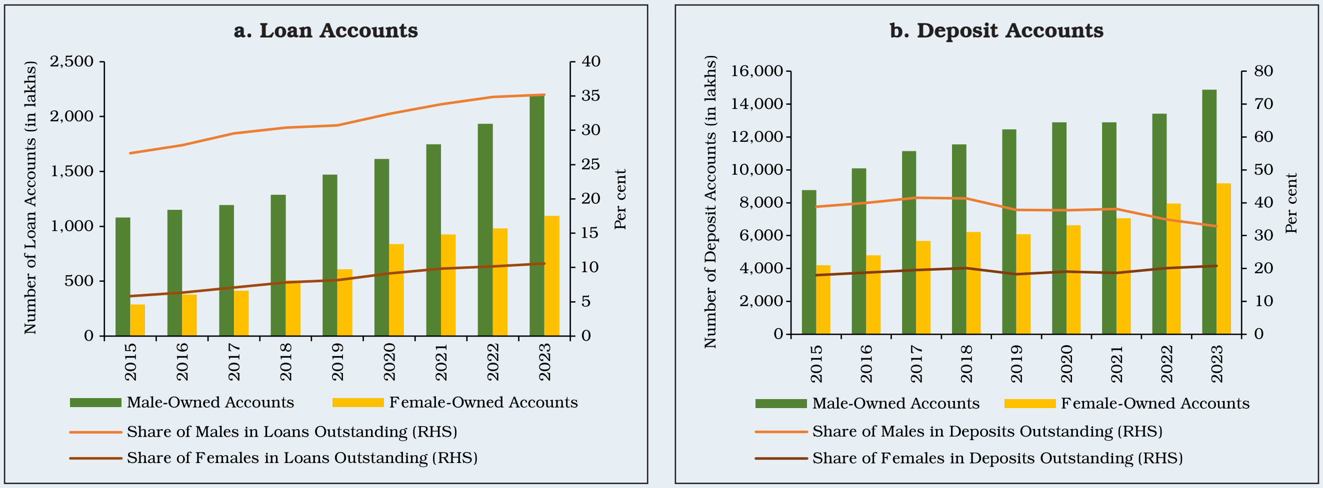
IV.82 To extend the benefit of financial services and literacy to more citizens, the Reserve Bank initiated setting up of 75 Digital Banking Units (DBUs) in 75 districts, especially in villages and small towns in April 2022. DBUs are brick-and-mortar outlets equipped with infrastructure to

Chart IV.33: Progress of Financial Inclusion in G20 Countries



Source: Financial Access Survey, IMF.

Chart IV.34: Demographic Progress in Financial Inclusion



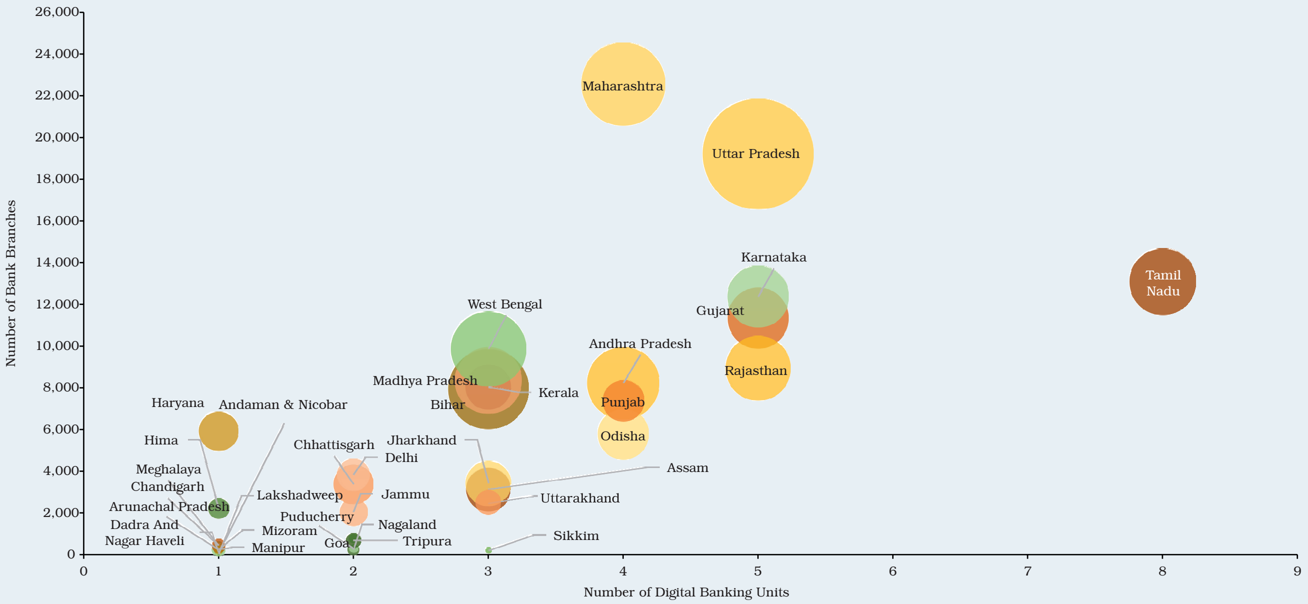
Source: Basic Statistical Return I and II (Annual), RBI.

execute banking functions such as opening of accounts, accessing government schemes, and making transactions digitally. By mid-December 2023, there were 96 DBUs in the country with the largest presence in Tamil Nadu (Chart IV.35).

11.1 Financial Inclusion Plans

IV.83 Financial Inclusion Plans (FIPs) introduced by the Reserve Bank in 2010 serve as an important yardstick for measuring the progress of banks with respect to financial inclusion. The BC model has been crucial in

Chart IV.35: State-wise Distribution of Bank Branches and Digital Banking Units
(At mid-December 2023)



Notes: 1. The size of the bubbles is indicative of state population.
2. The number of bank branches includes branches of both commercial and co-operative banks.

Source: RBI and Office of the Registrar General & Census Commissioner, India Ministry of Home Affairs.

expanding financial inclusion at the grassroots level. This is evident from the higher share of basic saving bank deposit accounts (BSBDAs) continuing to be channelised through the BCs. Similarly, the value of transactions through the Business Correspondents – Information and Communication Technology (BC-ICT) model grew by 26 per cent during 2022-23, up from 6.5 per cent during 2021-22 (Table IV.31).

11.2 Financial Inclusion Index

IV.84 The Reserve Bank has constructed a multi-dimensional composite Financial Inclusion Index (FI-Index) based on 97 indicators, including availability, ease of access, usage, distribution and efficiency in services, financial literacy, and consumer protection to effectively monitor and quantify the progress of policy initiatives undertaken to promote financial inclusion. On a scale of 0 to 100, the annual FI-Index with three sub-indices, *viz.*, 'FI-access', 'FI-usage', and 'FI-quality', stood at 60.1 in March 2023 *vis-à-vis* 56.4 in March 2022, with growth witnessed across all sub-indices, especially in usage and quality.

Table IV.31: Progress in Financial Inclusion Plan
(At end-March)

	2010	2015	2020	2021	2022	2023*
1	2	3	4	5	6	7
Banking Outreach						
Banking Outlets in Villages- Branches	33,378	49,571	54,561	55,112	53,287	53,802
Banking Outlets in Villages>2000-BCs	8,390	90,877	1,49,106	8,50,406	18,92,462	13,48,038^
Banking Outlets in Villages<2000-BCs	25,784	4,08,713	3,92,069	3,40,019	3,26,008	2,77,844
Total Banking Outlets in Villages – BCs	34,174	4,99,590	5,41,175	11,90,425	22,18,470	16,25,882
Banking Outlets in Villages – Other Modes	142	4,552	3,481	2,542	2,479	2,273
Banking Outlets in Villages –Total	67,694	5,53,713	5,99,217	12,48,079	22,74,236	16,81,957
Urban Locations Covered Through BCs	447	96,847	6,35,046	4,26,745	12,95,307	4,15,218
Basic Saving Bank Deposits Account (BSBDA)						
BSBDA - Through Branches (No. in Lakh)	600	2,103	2,616	2,659	2,661	2,750
BSBDA - Through Branches (Amt. in ₹ crore)	4,400	36,498	95,831	1,18,392	1,20,464	1,33,661
BSBDA - Through BCs (No. in Lakh)	130	1,878	3,388	3,796	4,015	4,105
BSBDA - Through BCs (Amt. in ₹ crore)	1,100	7,457	72,581	87,623	1,07,415	1,29,531
BSBDA - Total (No. in Lakh)	735	3,981	6,004	6,455	6,677	6,856
BSBDA - Total (Amt. in ₹ crore)	5,500	43,955	1,68,412	2,06,015	2,27,879	2,63,192
OD Facility Availed in BSBDAs (No. in Lakh)	2	76	64	60	68	51
OD Facility Availed in BSBDAs (Amt. in ₹ crore)	10	1,991	529	534	516	572
KCC and General Credit card (GCC)						
KCC – Total (No. in Lakh)	240	426	475	466	473	493
KCC – Total (Amt. in ₹ crore)	1,24,000	4,38,229	6,39,069	6,72,624	7,10,715	7,68,339
GCC - Total (No. in Lakh)	10	92	202	202	96	66
GCC - Total (Amt. in ₹ crore)	3,500	1,31,160	1,94,048	1,55,826	1,70,203	1,90,568
Business Correspondents						
ICT-A/Cs-BC-Total Transactions (No. in Lakh) #	270	4,770	32,318	30,551	28,533	34,055
ICT-A/Cs-BC-Total Transactions (Amt. in ₹ crore) #	700	85,980	8,70,643	8,49,771	9,05,252	11,39,521

Notes: 1. *: Provisional.
2. #: Transactions during the financial year.
3. ^: Significant decrease is on account of select private sector banks.
Source: FIP returns submitted by PSBs, PVBs and RRBs.

11.3 Pradhan Mantri Jan Dhan Yojana (PMJDY)

IV.85 The PMJDY envisages universal access to banking facilities, credit, insurance, pension and financial literacy. At end-August 2023, there were 50.3 crore PMJDY accounts. The decelerating trend in the growth of new PMJDY accounts witnessed since August 2019 was reversed in August 2023. Close to two-thirds of PMJDY accounts were in rural and semi-urban areas, with the majority maintained by PSBs and RRBs.

11.4 New Bank Branches by SCBs

IV.86 New bank branches opened by SCBs increased to 5,308 in 2022-23 from 3,254 in 2021-22, primarily due to PVBs expanding their reach in smaller cities (Table IV.32). PSBs' new branch additions were led by openings in rural areas (Chart IV.36).

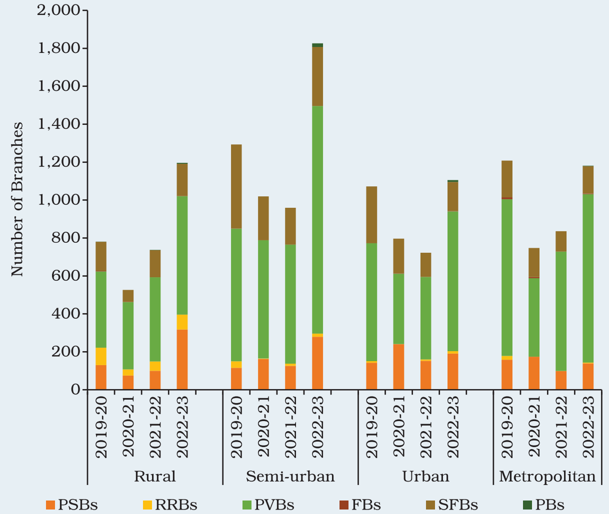
Table IV.32: Tier-wise Break-up of Newly Opened Bank Branches by SCBs

Centre	2019-20	2020-21	2021-22	2022-23
1	2	3	4	5
Tier 1	2,281 (52.4)	1,544 (50.0)	1,558 (47.9)	2,286 (43.1)
Tier 2	368 (8.5)	278 (9.0)	238 (7.3)	469 (8.8)
Tier 3	568 (13.0)	478 (15.5)	428 (13.2)	811 (15.3)
Tier 4	357 (8.2)	263 (8.5)	293 (9.0)	546 (10.3)
Tier 5	282 (6.5)	178 (5.8)	228 (7.0)	422 (8.0)
Tier 6	499 (11.5)	348 (11.3)	509 (15.6)	774 (14.6)
Total	**4,355** **(100)**	**3,089** **(100)**	**3,254** **(100)**	**5,308** **(100)**

Notes: 1. Tier-wise classification of centres is as follows: 'Tier 1' includes centres with population of 1,00,000 and above, 'Tier 2' includes centres with population of 50,000 to 99,999, 'Tier 3' includes centres with population of 20,000 to 49,999, 'Tier 4' includes centres with population of 10,000 to 19,999, 'Tier 5' includes centres with population of 5,000 to 9,999, and 'Tier 6' includes centres with population of less than 5000.
2. Data exclude 'Administrative Offices' and 'Digital Banking Units'.
3. All population figures are as per census 2011.
4. Figures in parentheses represent shares in the total.
5. Banks scheduled as on December 01, 2023 are considered for collating the data from 2019-20 onwards.

Source: Central Information System for Banking Infrastructure database (CISBI), RBI. CISBI data are dynamic in nature and are updated based on information as received from banks and processed at our end.

Chart IV.36: Distribution of Newly Opened Bank Branches of SCBs



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

11.5 Microfinance Programme

IV.87 Microfinance involves extension of financial services, including small loans and savings accounts, to individuals or groups, often in underserved or economically disadvantaged areas. The Self-Help Group – Bank Linkage Programme (SHG-BLP) provides savings, credit and other facilities to the financially excluded poor. At end-March 2023, 16.2 crore rural households were covered under the SHG-BLP. During 2022-23, close to 43 lakh SHGs availed loans from banks as compared with 34 lakh SHGs in 2021-22, with outstanding loans growing at 25 per cent during the year (Appendix Table IV.14). In terms of savings-linked SHGs, all regions witnessed growth during 2022-23, barring the southern region due to programme saturation as it had the highest share of savings linked SHGs during 2022-23 (31 per cent). This was followed by the eastern region (29.3 per cent) and the western region (14.4 per cent). The NPA ratio of bank loans to SHGs declined to 2.8

per cent at end-March 2023 from 3.8 per cent at end-March 2022[18].

IV.88 Joint Liability Groups (JLGs) are informal credit groups of small borrowers formed for availing bank loans on an individual basis or through group mechanisms against mutual guarantees. It serves as a substitute for collateral for loans to be provided to the target group. During 2022-23, banks extended loans to 70 lakh JLGs as compared with 54.1 lakh JLGs during 2021-22. During 2022-23, the amount of loans disbursed by banks to JLGs increased by 18.3 per cent as against 93.4 per cent a year ago (Appendix Table IV.14).

11.6 Trade Receivables Discounting System (TReDS)

IV.89 TReDS, an initiative undertaken by the Reserve Bank in 2014, is an online platform that allows MSME suppliers to discount their invoices and receive payments before their due date by ensuring the conversion of their trade receivables into liquid funds in a short period. During 2022-23, the number of registered MSME sellers increased by nearly 51 per cent, while the number of buyers (corporates/other buyers, including government departments/ public sector undertakings) increased by 35 per cent, pointing towards improving participation on the platform. The number of invoices uploaded and financed on TReDS grew by more than 56 per cent during 2022-23, with the success rate remaining steady at 94 per cent[19] (Table IV.33).

Table IV.33: Progress in MSME Financing through TReDS

(Amount in ₹ crore)

Financial Year	Invoices Uploaded		Invoices Financed	
	Number	Amount	Number	Amount
1	2	3	4	5
2018-19	2,51,695	6,699	2,32,098	5,854
2019-20	5,30,077	13,088	4,77,969	11,165
2020-21	8,61,560	19,669	7,86,555	17,080
2021-22	17,33,553	44,111	16,40,824	40,308
2022-23	27,24,872	83,955	25,58,531	76,645

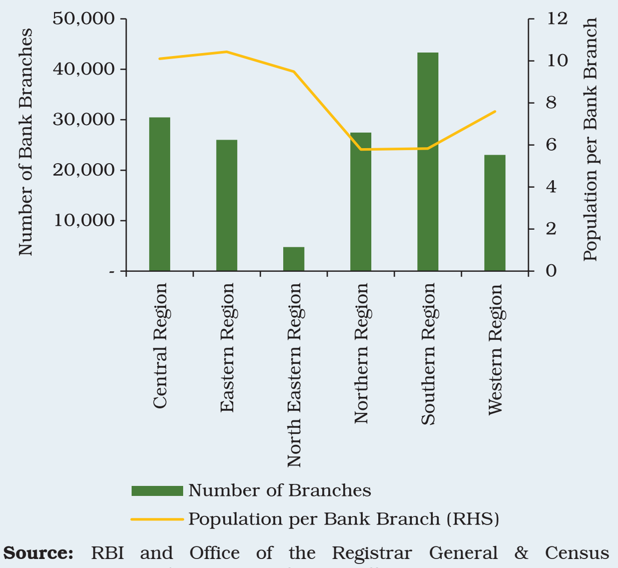
Source: RBI.

11.7 Regional Banking Penetration

IV.90 At end-March 2023, the southern region had the highest number of bank branches, followed by the central region. The population per bank branch was the highest for the eastern and central regions (Chart IV.37).

IV.91 States with lower financial inclusion records have seen faster progress, narrowing the inter-regional inequalities (Box IV.2).

Chart IV.37: Regional Penetration of Banks



Source: RBI and Office of the Registrar General & Census Commissioner, India Ministry of Home Affairs.

[18] "Status of Microfinance in India, 2022-23", available at status-of-microfinance-in-india-2022-23.pdf (nabard.org)

[19] Success rate is defined as per cent of invoices uploaded that get financed.

Box IV.2: Is Financial Inclusion Across Indian States Converging?

Several steps were undertaken during the 2010s to make financial services available across the country. This has reduced inter-regional disparities. An annual financial inclusion index (FII) for 20 states was constructed to evaluate these outcomes, using methodology of Sarma (2008). Data on four metrics, *viz*., number of bank offices per 10 lakh people; number of credit accounts per 1,000 people; deposits as a proportion to state gross domestic product (SGDP); and credit as a proportion to SGDP are used for construction of the index, employing data from the Database on Indian Economy of the Reserve Bank. A scatter plot of growth against the initial values of the index suggests that states with lower (higher) financial inclusion in 2010 have had higher (lower) growth in FII during 2010-20, which is indicative of absolute or unconditional convergence (Chart IV.2.1).

As financial inclusion may be impacted by several state-specific social and economic factors, conditional convergence is also evaluated using the following equation:

$$\ln\left(\frac{FII_{i,2020}}{FII_{i,2010}}\right) = \alpha + \beta \ln\left(FII_{i,2010}\right) + \gamma X_{i,2020} + \mu \qquad \ldots(1)$$

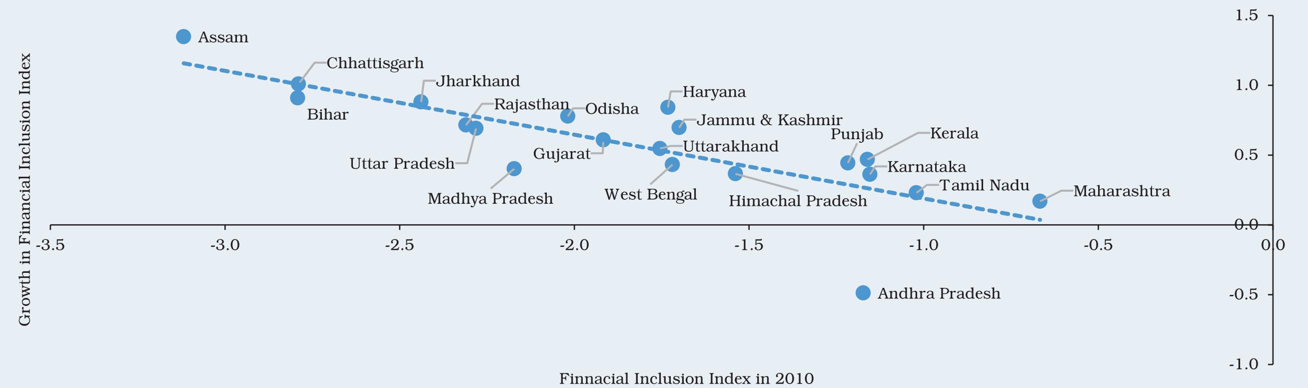
in which the dependent variable is growth in FII, while the independent variables consist of the value of FII in 2010 and X, a vector of control variables, *viz*., literacy rate, population, capital expenditure, females per 1,000 males ratio and per capita power availability (PCPA) in the state in 2020. Regression estimations suggest that the base value, *i.e*., the FII in 2010, had a negative and significant impact on the growth rate of financial inclusion. This implies that, even after accounting for various control variables, states with relatively lower FII in 2010 experienced higher growth in the index (Table IV.2.1).

Table IV.2.1: Regression Results

Variable	(1)	(2)	(3)
	Absolute Convergence	Conditional Convergence	Conditional Convergence
Log(FII_{2010})	-0.457*** (0.0795)	-0.576*** (0.0986)	-0.654*** (0.173)
Literacy $Rate_{2020}$		0.0268** (0.0127)	0.0289 (0.0167)
Log($Population_{2020}$)			-0.209* (0.111)
Log(Capital $Expenditure_{2020}$)			0.258* (0.145)
Log(Gender Ratio)			-1.499 (1.238)
Log(PCPA)			-0.0373 (0.113)
Constant	-0.268 (0.182)	-2.691** (1.231)	10.32 (8.269)
Observations	20	20	20
R-squared	0.636	0.768	0.804

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

Chart IV.2.1: Convergence in Indian States during 2010-2020



Note: The growth in a state's financial inclusion index is calculated as the log difference of the index between 2020 and 2010.
Source: RBI staff estimates.

This empirical analysis thus suggests that the lagging states are catching up.

References

Pal, R. and Vaidya, R. R. (2011),"Outreach of Banking Services Across Indian States, 1981-2007", *India Development Report 2011*, 116-129.

Sarma, M. (2008), "Index of Financial Inclusion", *Indian Council for Research on International Economic Relations, Working Paper No. 215.*

12. Regional Rural Banks

IV.92 At end-March 2023, there were 43 RRBs sponsored by 12 SCBs with 21,995 branches, 30.6 crore deposit accounts and 2.9 crore loan accounts in 26 States and 3 Union Territories (Puducherry, Jammu and Kashmir and Ladakh). These banks offer a wide range of banking and financial products tailored to the unique needs of rural communities. 92 per cent of RRB branches are in rural/semi-urban areas. The southern region has the highest number of RRBs, followed by the eastern region (Appendix Table IV.15). RRBs' total business size, *i.e.*, deposits plus credit stood at ₹10.2 lakh crore as on 31 March 2023 with a y-o-y growth of 10.1 per cent.

12.1 Balance Sheet Analysis

IV.93 The growth in the consolidated balance sheet of RRBs accelerated during 2022-23. With the expansion in loans and advances outpacing deposit growth, the RRBs raised more resources through borrowings, largely from the National Bank for Agriculture and Rural Development (NABARD) and sponsor banks. During 2022-23, the share of NABARD and sponsor banks in their total borrowings was 90.3 per cent (96.0 per cent in the preceding year).

IV.94 The total recapitalisation assistance to RRBs sanctioned during 2021-22 and 2022-23 was ₹10,890 crore, which was more than the total capital infusion of ₹8,393 crore by all stakeholders over a period of 45 years[20] (1975 to 2021). The recapitalisation included proportionate share capital contributions by state governments (15 per cent) and sponsor banks (35 per cent) which helped shore up the share capital of RRBs. Their reserves also grew due to internal accruals from profits (Table IV.34).

Table IV.34: Consolidated Balance Sheet of Regional Rural Banks

(Amount in ₹ crore)

Sr. No.		At end-March		Y-o-y growth (in per cent)	
		2022	2023	2021-22	2022-23
1	2	3	4	5	6
1	Share Capital	14,880	17,232	77.3	15.8
2	Reserves	34,359	40,123	13.2	16.8
3	Deposits	5,62,538	6,08,509	7.1	8.2
	3.1 Current	12,042	11,945	4.7	-0.8
	3.2 Savings	2,94,438	3,19,572	8.4	8.5
	3.3 Term	2,56,057	2,76,992	5.7	8.2
4	Borrowings	73,881	84,712	8.9	14.7
	4.1 from NABARD	67,054	73,119	8.9	9.0
	4.2 Sponsor Bank	3,879	3,408	12.6	-12.1
	4.3 Others	2,948	8,185	4.1	177.7
5	Other Liabilities	19,742	20,885	-0.1	5.8
	Total liabilities/Assets	**7,05,400**	**7,71,462**	**8.3**	**9.4**
6	Cash in Hand	3,119	2,888	5.6	-7.4
7	Balances with RBI	22,174	29,332	17.0	32.3
8	Balances in Current Account	8,127	7,150	35.8	-12.0
9	Investments	2,95,665	3,13,401	7.3	6.0
10	Loans and Advances (net)	3,42,479	3,86,951	8.7	13.0
11	Fixed Assets	1,256	1,406	2.2	12.0
12	Other Assets #	32,580	30,333	3.0	-6.9
	12.1 Accumulated Losses	9,062	9,841	9.7	8.6

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.

IV.95 Amongst all the categories of SCBs, RRBs had the highest share of low-cost CASA deposits, constituting 54.5 per cent of their total deposits at end-March 2023. RRBs' C-D ratio reached

[20] In 2021-22, ₹8,168 crore was sanctioned for 22 RRBs and the entire amount was disbursed by end-March 2023. In 2022-23, ₹2,722 crore was sanctioned for 22 RRBs, of which, at end-March 2023, 10 RRBs had received the sponsor banks' share amounting to ₹651 crore.

a 15-year high of 67.5 per cent at end-March 2023 from 64.5 per cent a year ago as growth in loans exceeded that of deposits. During 2022-23, RRBs accounted for 2.9 per cent in the total loan amount of all SCBs, while their share in the number of loan accounts was 8 per cent, indicating a greater reach to smaller customers.

12.2 Performance of RRBs

IV.96 The number of loss making RRBs steadily declined from 13 in 2020-21 to six in 2022-23. After many years of losses, four RRBs turned profitable during 2022-23. The sector as a whole posted its highest ever net profit during 2022-23. An amount of ₹2,204 crore was deducted from other income towards depreciation in their investment portfolios on account of mark to market (MTM) losses during 2022-23, which was earlier reported under provisions and contingencies. This change in guidelines led to a decline in other income and provisions and contingencies, as well as deceleration in operating profit.

IV.97 Reflective of the capital infusion, the CRAR of RRBs has increased significantly in recent years. The number of RRBs with CRARs less than the regulatory minimum of 9 per cent declined from 16 at end-March 2021 to nine at end-March 2023. The improvement in capital buffers, coupled with decline in GNPA ratios, has strengthened the financial position of RRBs (Table IV.35).

Table IV.35: Financial Performance of Regional Rural Banks

(Amount in ₹ crore)

Sr. No.		Amount		Y-o-y Change (in per cent)	
		2021-22	2022-23	2021-22	2022-23
1	2	3	4	5	6
A	**Income (i + ii)**	**56,585**	**59,427**	**5.1**	**5.0**
i	Interest Income	48,048	53,640	2.7	11.6
ii	Other Income	8,537	5,787	21.0	-32.2
B	**Expenditure (i+ii+iii)**	**53,367**	**54,454**	**2.3**	**2.0**
i	Interest Expended	24,817	26,704	-3.0	7.6
ii	Operating Expenses	21,295	21,878	5.4	2.7
	of which, Wage bill	16,338	16,683	3.4	2.1
iii	Provisions and Contingencies	7,254	5,872	13.6	-19.1
	of which, Income Tax	1,278	1,424	-0.1	11.4
C	**Profit**				
i	Operating Profit	10,337	10,845	31.3	4.9
ii	Net Profit	3,219	4,974	91.3	54.5
D	**Total Average Assets**	**6,66,532**	**7,16,796**	**8.0**	**7.5**
E	**Financial Ratios #**				
i	Operating Profit	1.6	1.5		
ii	Net Profit	0.5	0.7		
iii	Income (a + b)	8.5	8.3		
	a) Interest Income	7.2	7.5		
	b) Other Income	1.3	0.8		
iv	Expenditure (a+b+c)	8.0	7.6		
	a) Interest Expended	3.7	3.7		
	b) Operating Expenses	3.2	3.1		
	of which, Wage bill	2.5	2.3		
	c) Provisions and Contingencies	1.1	0.8		
F	**Analytical Ratios (in per cent)**				
	Gross NPA Ratio	9.2	7.3		
	CRAR	12.7	13.4		

Notes: 1: # Financial ratios are percentages with respect to average total assets.
2. Totals may not tally on account of rounding off of figures to ₹ crore. Percentage variations could be slightly different as absolute numbers have been rounded off to ₹ crore.
3. Provisions & Contingencies include Provision for Income Tax/ Income Tax paid.

Source: NABARD.

IV.98 During 2022-23, all RRBs achieved their PSL targets, with the largest shares going to agriculture and MSMEs (Table IV.36 and Appendix IV.16).

Table IV.36 Purpose-wise Outstanding Advances by RRBs

(Amount in ₹ crore)

Sr. No.	Purpose/end-March	2022	2023
1	2	3	4
I	**Priority (i to v)**	**3,24,207**	**3,62,503**
	Per cent of total loans outstanding	89.4	88.3
	i Agriculture	2,52,890	2,81,971
	ii Micro, small and medium enterprises	41,609	49,323
	iii Education	1,896	1,744
	vi Housing	22,020	24,503
	v Others	5,791	4,963
II	**Non-priority (i to vi)**	**38,631**	**48,236**
	Per cent of total loans outstanding	10.6	11.7
	i Agriculture	0	16
	ii Micro, Small and Medium Enterprises	35	84
	iii Education	139	218
	iv Housing	6,187	9,100
	v Personal Loans	10,088	12,985
	vi Others	22,181	25,833
Total (I+II)		**3,62,838**	**4,10,738**

Source: NABARD.

13. Local Area Banks

IV.99 LABs serve specific or local regions by bridging the gap in credit availability and enhancing the institutional credit framework in the rural and semi-urban areas. At end-June 2023, two LABs with 79 bank branches were operational across three states, with the majority of branches in Andhra Pradesh, followed by Telangana and Karnataka. More than half (51.9 per cent) of the LABs operate in semi-urban areas. Both deposits and advances recorded an acceleration in growth in 2022-23 (Table IV.37).

Table IV.37: Profile of Local Area Banks
(At end-March)

(Amount in ₹ crore)

	2022	2023
1	2	3
Assets	1,273 (9.2)	1,471 (15.6)
Deposits	1,020 (7.1)	1,189 (16.6)
Gross Advances	838 (8.9)	957 (14.3)

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

13.1 Financial Performance of LABs

IV.100 The profitability indicators of LABs improved during 2022-23 as growth in interest income outpaced that in interest expended. Contraction in provisions and contingencies boosted profits further (Table IV.38).

Table IV.38: Financial Performance of Local Area Banks

	Amount (in ₹ crore)		Y-o-y growth (in per cent)	
	2021-22	2022-23	2021-22	2022-23
1	2	3	4	5
A. Income (i+ii)	**159**	**179**	**7.1**	**12.6**
i. Interest Income	130	153	6.2	17.1
ii. Other Income	28	26	11.7	-7.6
B. Expenditure(i+ii+iii)	**132**	**143**	**9.0**	**7.7**
i. Interest Expended	58	63	4.7	8.8
ii. Provisions and Contingencies	22	21	11.9	-6.8
iii. Operating Expenses	53	59	12.8	12.5
of which, Wage Bill	25	29	13.0	14.6
C. Profit				
i. Operating Profit/Loss	49	57	4.3	17.3
ii. Net Profit/Loss	26	36	-1.4	37.7
D. Net Interest Income	**73**	**90**	**7.4**	**23.6**
E. Total Assets	**1,273**	**1,471**	**9.2**	**15.6**
F. Financial Ratios				
i. Operating Profit	3.8	3.9		
ii. Net Profit	2.1	2.5		
iii. Income	12.5	12.2		
iv. Interest Income	10.2	10.4		
v. Other Income	2.2	1.8		
vi. Expenditure	10.4	9.7		
vii. Interest Expended	4.5	4.3		
viii. Operating Expenses	4.1	4.0		
ix. Wage Bill	2.0	2.0		
x. Provisions and Contingencies	1.7	1.4		
xi. Net Interest Income	5.7	6.1		

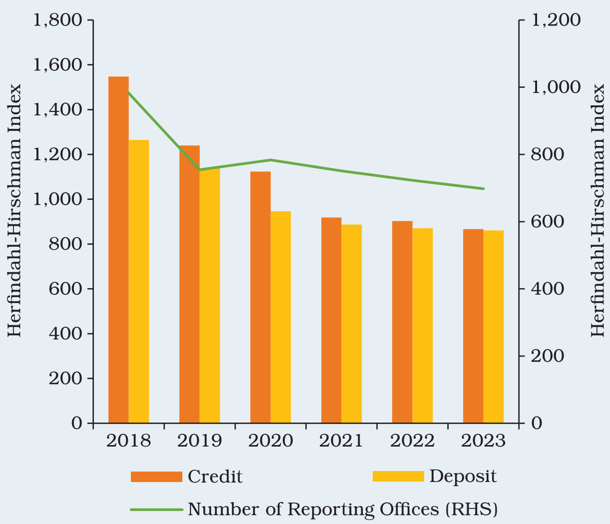
Notes: 1. Financial ratios for 2021-22 and 2022-23 are calculated based on the assets of current year only.
2. 'Wage Bill' is taken as payments to and provisions for employees.

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

14. Small Finance Banks

IV.101 SFBs were set up in 2016 to meet the financial needs of the marginalised sections of society. They are differentiated or niche banks with minimum net worth of ₹200 crore, lower than other SCBs. Considering their focus on financial inclusion, SFBs are required to lend at least 75 per cent of their ANBC to priority sectors, as compared with 40 per cent in the case of other SCBs (excluding RRBs). At end-June 2023, twelve SFBs with 6,589 domestic branches across the country were operational. The geographical concentration of SFBs – measured by the Herfindahl-Hirschman Index (HHI) – has been coming down in terms of both number of reporting offices as well as credit and deposits[21]. This indicates progressive diversification and increasing outreach of SFBs in line with their mandate of serving the marginalised sections (Chart IV.38).

Chart IV.38: Concentration of Small Finance Banks
(At end-March)



Source: RBI.

14.1 Balance Sheet

IV.102 Consistent with the trend observed since their establishment in 2016, the consolidated balance sheet of SFBs grew at a pace faster than SCBs during 2022-23, notwithstanding some moderation during the year. With deposit growth slowing down during the year, SFBs resorted to higher borrowings to fuel credit growth. On balance, their credit-deposit ratio remained flat at around 92 per cent, higher than that of SCBs (Table IV.39).

Table IV.39: Consolidated Balance Sheet of Small Finance Banks
(At end-March)

(Amount in ₹ crore)

Sr. No.		Amount		Y-o-y growth (in per cent)	
		2021-22	2022-23	2021-22	2022-23
1	2	3	4	5	6
1	Share Capital	7,192	7,811	33.8	8.6
2	Reserves & Surplus	17,074	23,557	15.4	38.0
3	Tier 2 Bonds and Tier 2 Debt	2,285	1,926	-7.4	-15.7
4	Deposits	1,49,552	1,91,372	36.6	28.0
	4.1 Current Demand Deposits	6,074	7,456	53.2	22.7
	4.2 Savings	47,063	54,667	112.0	16.2
	4.3 Term	96,414	1,29,248	15.7	34.1
5	Borrowings (Including Tier-II Bonds)	28,139	31,170	1.1	10.8
	5.1 Bank	4,528	4,241	231.4	-6.3
	5.2 Others	23,611	26,929	-10.8	14.1
6	Other Liabilities and provisions	11,926	13,606	96.3	14.1
	Total liabilities/Assets	**2,13,887**	**2,67,517**	**30.8**	**25.1**
7	Cash in Hand	1,235	1,371	17.4	11.1
8	Balances with RBI	7,490	16,468	27.6	119.9
9	Other Bank Balances/ Balances with Financial Institutions	14,460	4,484	17.5	-69.0
10	Investments	44,432	58,115	44.9	30.8
11	Loans and Advances	1,38,221	1,77,887	27.3	28.7
12	Fixed Assets	2,303	2,734	37.4	18.7
13	Other Assets	5,744	6,455	70.3	12.4

Note: Data pertain to 12 SFBs.
Source: Off-site returns (global operations), RBI.

21 HHI is calculated by squaring the market share of each entity in the given time period and then summing the resulting numbers. The lower the value of HHI, the lesser is the market concentration.

14.2 Priority Sector Lending

IV.103 The share of priority sector in total lending of SFBs declined further at end-March 2023 to its lowest level since their inception. Within the priority sector, MSMEs and agriculture remained their main focus, although the share of both declined (Table IV.40). SFBs have exceeded their priority sector lending targets for agriculture and allied activities and MSMEs and have also been net sellers of PSLCs. This suggests that they have been developing niches in priority sector lending areas.

14.3 Financial Performance

IV.104 During 2022-23, SFBs' net interest income was buoyed by a sharp increase in interest income relative to interest expended. Their GNPA ratio, which had surged in 2020-21 under the impact of COVID-19, has been moderating since then. In line with the asset quality improvement, the provisions and contingencies contracted during 2022-23 (Table IV.41).

Table IV.40: Purpose- wise Outstanding Advances by Small Finance Banks
(At end-March)

(Per cent to total advances)

Purpose	2022	2023
1	2	3
I Priority (i to v)	**75.6**	**61.3**
i. Agriculture and Allied Activities	26.1	23.9
ii. Micro, Small and Medium Enterprises	28.8	24.3
iii. Education	0.1	0.0
iv. Housing	5.5	4.3
v. Others	15.1	8.8
II Non-priority	**24.4**	**38.7**
Total (I+II)	**100**	**100**

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

Table IV.41: Financial Performance of Small Finance Banks

(Amount in ₹ crore)

Sr. No.		Amount		Y-o-y growth (in per cent)	
		2021-22	2022-23	2021-22	2022-23
1	2	3	4	5	6
A	**Income (i + ii)**	**25,033**	**33,827**	**11.3**	**35.1**
i	Interest Income	22,120	29,805	13.3	34.7
ii	Other Income	2,913	4,021	-2.1	38.0
B	**Expenditure (i+ii+iii)**	**24,053**	**29,665**	**17.6**	**23.3**
i	Interest Expended	9,510	12,138	4.3	27.6
ii	Operating Expenses	9,814	13,154	30.0	34.0
	of which, Staff Expenses	5,304	6,706	23.3	26.4
iii	Provisions and Contingencies	4,729	4,371	24.7	-7.6
C	**Profit (Before Tax)**	**1,283**	**5,417**	**-50.3**	**321.9**
i	Operating Profit (EBPT)	5,702	8,533	-2.2	49.6
ii	Net Profit (PAT)	973	4,162	-52.2	327.5
D	**Total Assets**	**2,02,923**	**2,67,499**	**24.07**	**31.8**
E	**Financial Ratios#**				
i	Operating Profit	2.8	3.2		
ii	Net Profit	0.5	1.6		
iii	Income (a + b)	12.3	12.6		
	a. Interest Income	10.9	11.1		
	b. Other Income	1.4	1.5		
iv	Expenditure (a+b+c)	11.9	11.1		
	a. Interest Expended	4.7	4.5		
	b. Operating Expenses	4.8	4.9		
	of which Staff Expenses	2.6	2.5		
	c. Provisions and Contingencies	2.3	1.6		
F	**Analytical Ratios (%)**				
	Gross NPA Ratio	4.9	4.8		
	CRAR	23.1	24.1		
	Core CRAR	20.3	20.5		

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

15. Payments Banks

IV.105 PBs aim at providing payments and remittance services to migrant labour workforce, low-income households, small businesses, other unorganised sector entities and other users. At end-June 2023, six PBs were operational in the country, with 88 branches, the majority of which were in semi-urban regions. Out of the

Table IV.42: Consolidated Balance Sheet of Payments Banks
(At end-March)

Sr. No.		Amount (in ₹ crore)			Y-o-y growth (in per cent)	
		2020-21	2021-22	2022-23	2021-22	2022-23
1	2	3	4	5	6	7
1.	Total Capital and Reserves	1,761	2,485	2,932	41.1	18.0
2.	Deposits	4,625	7,859	12,222	69.9	55.5
3.	Other Liabilities and Provisions	6,083	7,771	8,407	27.8	8.2
	Total Liabilities/ Assets	**12,469**	**18,115**	**23,561**	**45.3**	**30.1**
1.	Cash and Balances with RBI	1,255	1,560	2,427	24.3	55.6
2.	Balances with Banks and Money Market	2,393	3,322	5,003	38.8	50.6
3.	Investments	7,116	10,178	12,414	43.0	22.0
4	Fixed Assets	355	372	565	4.7	52.1
5	Other Assets	1,350	2,683	3,153	98.8	17.5

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

six operational PBs, five PBs were profitable in 2022-23.

15.1 Balance Sheet

IV.106 The consolidated balance sheet of PBs recorded a strong growth, notwithstanding a deceleration from 45.3 per cent in 2021-22 to 30.1 per cent in 2022-23. Their growth still outpaced that of SCBs and SFBs. On the liabilities side, the balance sheet expansion was led by deposits, which constituted 51.9 per cent of liabilities. On the assets side, more than 50 per cent increase in balances with RBI and other banks was dragged down by deceleration in investments (Table IV.42).

15.2 Financial Performance

IV.107 PBs turned profitable during 2022-23, the first time since their inception, as growth in interest income exceeded that in interest expenses (Table IV.43).

Table IV.43: Financial Performance of Payments Banks

Sr. No.		Amount (in ₹ crore)			Y-o-y growth (in per cent)	
		2020-21	2021-22	2022-23	2021-22	2022-23
1	2	3	4	5	6	7
A	**Income (i + ii)**					
	i. Interest Income	360	459	877	27.5	91.1
	ii. Non-Interest Income	3,562	4,802	5,644	34.8	17.5
B	**Expenditure**					
	i. Interest Expenses	100	156	246	56.0	57.7
	ii. Operating Expenses	4,585	5,216	6,168	13.8	18.3
	Provisions and Contingencies	36	20	20	-44.4	0.0
	of which,					
	Risk Provisions	9	21	3	133.3	-85.7
	Tax Provisions	23	-3	14		
C	**Net Interest Income**	261	302	629	15.7	108.3
D	**Profit**					
	i. Operating Profit (EBPT)	-762	-111	107		
	ii. Net Profit/Loss	-798	-131	87		

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

IV.108 In line with operating profits, key profitability indicators of PBs - RoA and RoE - turned positive at end-March 2023. Furthermore, NIM of PBs increased from 2.3 per cent at end-March 2022 to 3.7 per cent at end-March 2023 after declining for three consecutive years. Over the years, the cost to income ratio of PBs has been declining, suggesting improved efficiency in their operations (Table IV.44).

Table IV.44: Select Financial Ratios of Payments Banks
(At end-March)

Sr. No.		2021	2022	2023
1	2	3	4	5
1	Return on Assets	-6.4	-0.7	0.4
2	Return on Equity	-45.3	-5.3	3.0
3	Investments to Total Assets	57.1	56.2	52.7
4	Net Interest Margin	2.8	2.3	3.7
5	Efficiency (Cost-Income Ratio)	116.9	99.1	94.6
6	Operating profit to working funds	-6.1	-0.6	0.5
7	Profit Margin	-20.3	-2.5	1.3

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

16. Overall Assessment

IV.109 During 2022-23, banks' balance sheets grew at a healthy pace, with both deposits and credit growth accelerating. Retail and services sector loans drove credit growth. Banks' financial conditions improved as they posted higher net interest margins and profits. Lower slippages and higher write-offs by banks improved asset quality across the board. With the increase in deposit rates catching up with that in lending rates, the profitability of banks may moderate going forward, while remaining robust. The share of unsecured advances in total advances has increased. In this context, the Reserve Bank's targeted macro prudential measures of November 2023 are aimed at ensuring sustained financial stability while supporting growth.

IV.110 Technology in the banking system has helped create a more inclusive and efficient financial ecosystem. Indian banks are increasingly leveraging it to enhance customer experience and address last mile issues. With the adoption of new technology, the risks of cyber-attacks, data breaches and operational failures have also increased. Going forward, banks need to better recognise and address these technology and cyber security risks to minimise potential vulnerabilities. The evolving nature of risks faced by the banking system necessitates building resilience through good governance and robust risk management practices.

V DEVELOPMENTS IN CO-OPERATIVE BANKING

Urban co-operative banks (UCBs) expanded their combined balance sheet in 2022-23, driven by loans and advances, along with a strengthening of asset quality. For state co-operative banks (StCBs) and district central co-operative banks (DCCBs), growth in loans and advances was accompanied by robust profitability and soundness indicators in 2021-22.

1. Introduction

V.1 Co-operative banks play an important role in the Indian financial system, leveraging on their wide network, especially in rural areas. Concerted efforts by the government and the Reserve Bank led to improvements in the regulatory architecture and greater freedom to raise capital even as reforms in deposit insurance facilitated a restoration of depositor confidence in these banks. During the year under review, calibrated efforts were made to bring the regulation of the co-operative banking sector[1] at par with other regulated entities (REs), including the prudential framework for stressed assets. REs within the co-operative banking sector were allowed to enter into outsourcing arrangements with lending service providers (LSPs) and digital lending platforms to imbue more flexibility into their business operations.

V.2 Against this background, the rest of the chapter analyses the performance of urban and rural co-operative banks during 2022-23 and 2021-22, respectively[2]. Section 2 discusses the evolving structure of the co-operative banking sector. Section 3 evaluates the business and financial performance of UCBs in 2022-23, while Section 4 examines the financial performance of short-term and long-term rural co-operatives. Section 5 concludes the chapter with an overall assessment.

2. Structure of the Co-operative Banking Sector

V.3 Credit co-operatives, comprising urban co-operative banks (UCBs) and rural co-operative credit institutions, trace their history to pre-independence India. They were formed to meet the developmental aspirations of the economy through extension of formal financial services to villages and small towns in India. UCBs are classified as scheduled or non-scheduled, based on whether they are included in the second schedule of the Reserve Bank of India Act, 1934[3], and their geographical outreach (single-state or multi-state). Rural credit co-operatives (RCCs) are classified into short-term and long-term institutions. As per latest data available, there were 1,502 UCBs and 1,05,268 RCCs. More than 97 per cent of RCCs are primary agricultural credit societies (PACS) (Chart V.1).

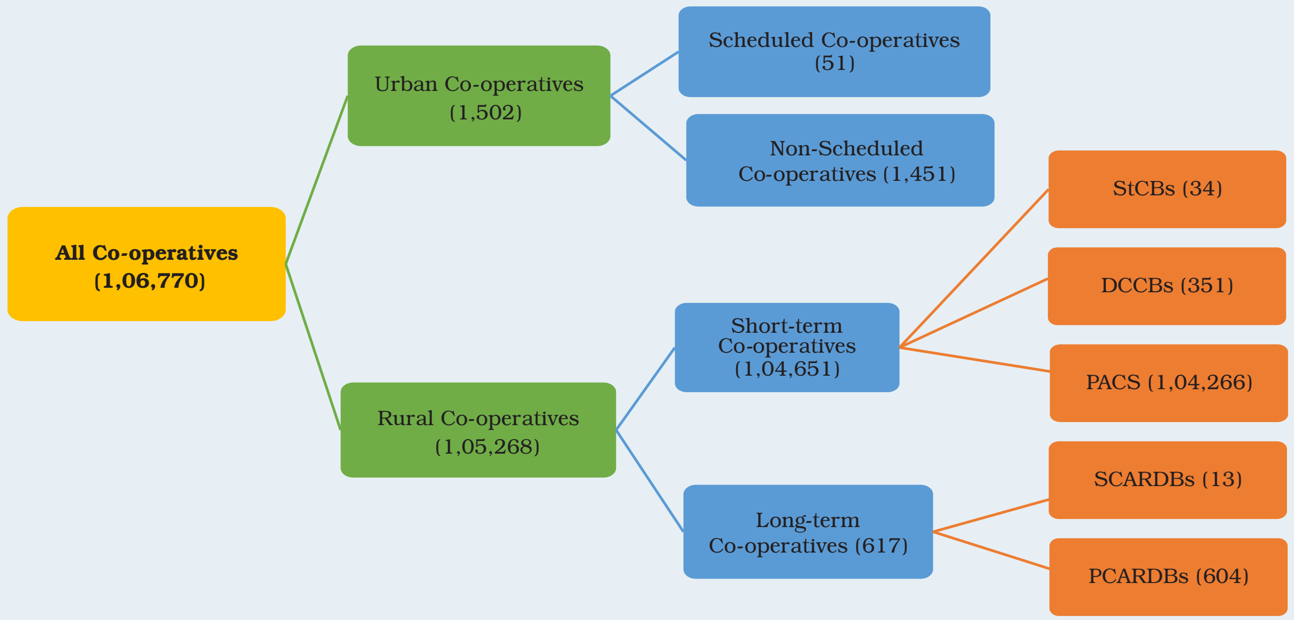
V.4 The consolidated assets of the co-operative banking sector at end-March 2022 were ₹21.6 lakh crore, around 10 per cent of that

[1] Although primary agricultural credit societies (PACS) and long-term rural credit co-operatives are outside the regulatory purview of the Reserve Bank, a brief description of their activities and performance is given in this chapter for providing completeness of analysis.

[2] Data on rural co-operatives are available with a lag of one year *i.e.*, they relate to 2021-22.

[3] Apart from scheduled co-operative banks, scheduled commercial banks are also included in the same schedule of the Act.

Chart V.1: Structure of Credit Co-operatives

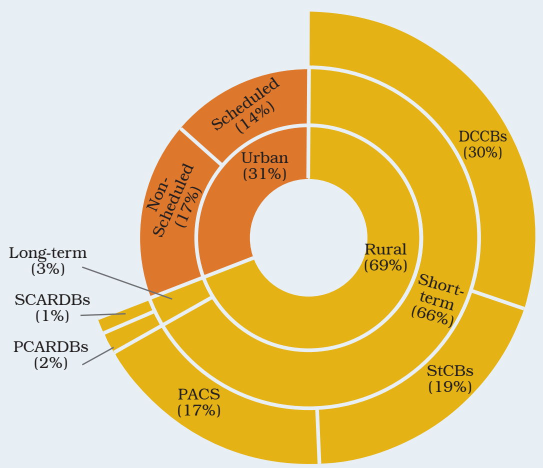


Notes: 1. StCBs: State Co-operative Banks; DCCBs: District Central Co-operative Banks; PACS: Primary Agricultural Credit Societies; SCARDBs: State Co-operative Agriculture and Rural Development Banks; PCARDBs: Primary Co-operative Agriculture and Rural Development Banks.
2. Figures in parentheses indicate the number of institutions at end-March 2023 for UCBs and at end-March 2022 for RCCs.

Source: RBI, NABARD and NAFSCOB.

of scheduled commercial banks (SCBs). Rural co-operatives comprise more than two-thirds of the sector (Chart V.2).

Chart V.2: Distribution of Credit Co-operatives by Asset Size
(At end-March 2022)



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.

V.5 Grassroot lending has been the niche of the co-operative banking sector. Increasingly, however, as other financial institutions, including SCBs and non-banking financial institutions (NBFIs), leverage technology to serve the same clientele, RCCs face formidable competition. Their share in direct credit flow to agriculture has been declining over the years (Table V.1).

Table V.1: Share in Credit Flow to Agriculture

(Per cent)

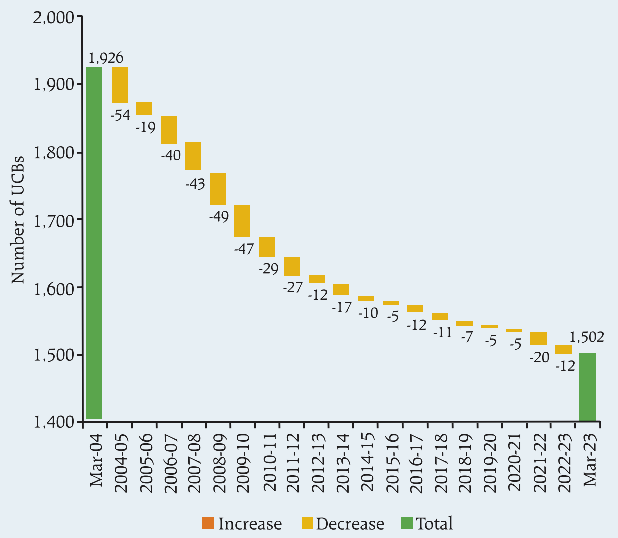
	Rural Credit Co-operatives	Regional Rural Banks	Commercial Banks
1	2	3	4
2016-17	13.4	11.6	75.0
2017-18	12.9	12.1	74.9
2018-19	12.1	11.9	76.0
2019-20	11.3	11.9	76.8
2020-21	12.1	12.1	75.8
2021-22	13.0	11.0	76.0
2022-23	11.0	11.2	77.8

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

3. Urban Co-operative Banks

V.6 The liberal licensing policy adopted in the 1990s resulted in the mushrooming of a large number of UCBs. Nearly a third of the newly licensed banks subsequently turned financially unsound[4]. Starting 2004-05, the Reserve Bank initiated a process of consolidation, including mergers of unviable UCBs with viable counterparts, cancelling licences of non-viable entities and suspension of new licence issuances. As a result, the number of UCBs declined steadily between March 2004 and March 2023 (Chart V.3).

Chart V.3: Number of UCBs

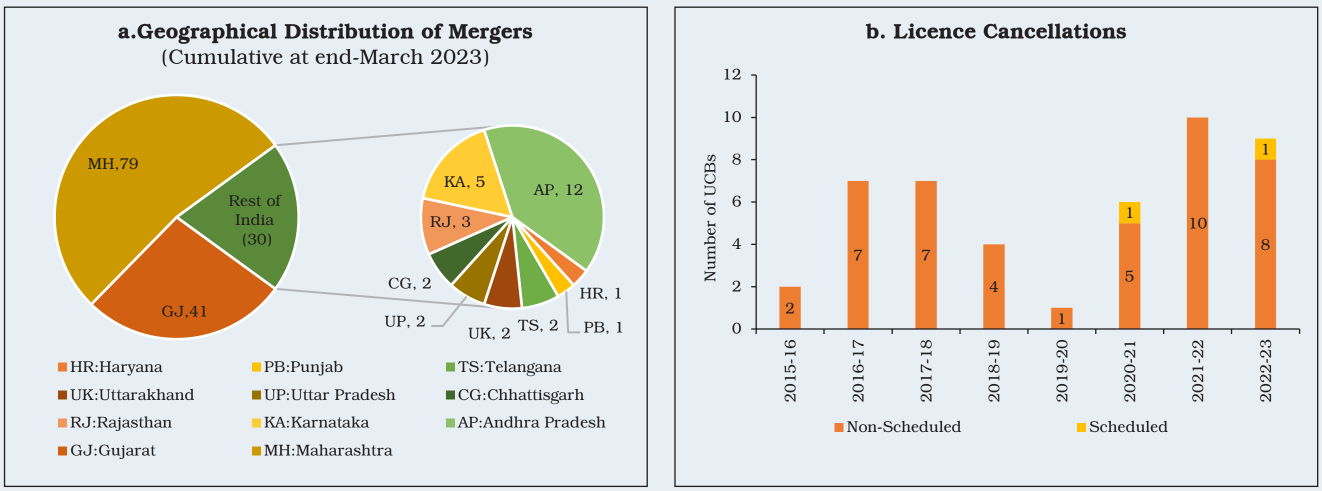


Source: Off-site surveillance returns, RBI.

V.7 Cumulatively, the UCB sector has undergone 150 mergers since 2004-05, including 3 in 2022-23. Maharashtra and Gujarat accounted for 80 per cent of the total mergers (Chart V.4a). Licence cancellations have also been high during this period, with the total number of cancellations being 46 since 2015-16. Most of the mergers and cancellations took place in the non-scheduled category (Chart V.4b).

V.8 During 2022-23, the Reserve Bank adopted a four-tiered regulatory framework for UCBs in line with the recommendations of the Expert Committee on Urban Co-operative Banks (Chairman: Shri. N. S. Vishwanathan, August 2021). UCBs with deposits up to ₹100 crore have

Chart V.4: Consolidation Drive in UCBs



Source: RBI.

[4] Gandhi, R.(2014), "New-Gen Urban Co-operative Banks – Some Musings", available at https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=898.

Table V.2: Tier-wise Distribution of Urban Co-operative Banks
(At end-March 2023)

(Amount in ₹ crore)

Tier Type	No. of Banks		Deposits		Advances		Total Assets	
	Number	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
1	2	3	4	5	6	7	8	9
1	898	59.8	67,130	12.6	42,652	12.9	89,579	13.2
2	520	34.6	1,62,180	30.4	95,916	29.0	2,04,966	30.1
3	78	5.2	1,86,761	35.0	1,12,853	34.2	2,35,356	34.6
4	6	0.4	1,17,184	22.0	78,904	23.9	1,50,399	22.1
All UCBs	**1,502**	**100.0**	**5,33,255**	**100.0**	**3,30,325**	**100.0**	**6,80,301**	**100.0**

Notes: 1. Data are provisional.
2. The list of tier-wise UCBs is prepared based on the deposits of UCBs as on March 31, 2022, as per the "Revised Regulatory Framework for Categorisation of Urban Co-operative Banks" dated December 1, 2022.

Source: Off-site surveillance returns, RBI.

been classified as Tier 1; those with more than ₹100 crore and up to ₹1,000 crore as Tier 2; those with deposits more than ₹1,000 crore and up to ₹10,000 crore as Tier 3, and those above ₹10,000 crore are placed in Tier 4. At end-March 2023, an overwhelming majority of UCBs were in the Tier 1 category. Six UCBs residing in Tier 4 contributed more than a fifth of the sector's deposits (Table V.2).

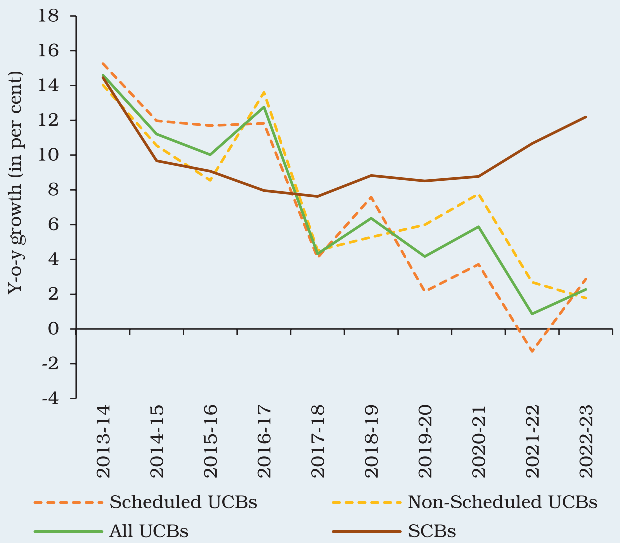
3.1. Balance Sheet

V.9 Following the consolidation drive in 2004-05, UCBs' assets registered double digit compound annual growth (CAGR) over the following decade. Since then, their growth has moderated, trailing that of SCBs. As a result, the balance sheet size of UCBs fell to a decadal low of 2.8 per cent of that of SCBs at end-March 2023. Within the sector, growth in assets of non-scheduled urban co-operative banks (NSUCBs) decelerated for the second consecutive year, while scheduled urban co-operative banks' (SUCBs') balance sheet expansion picked up (Chart V.5).

V.10 The expansion in the consolidated balance sheet of all UCBs during 2022-23 was attributable to net worth (capital plus reserves) and deposits on the liabilities side, and loans and advances on the assets side. Higher profits during the year were ploughed back into reserves to comply with enhanced regulatory requirements for net worth. Cash and bank balances were drawn down to fund credit and investment expansion (Table V.3).

V.11 Reversing the contraction in 2021-22, UCBs' deposit growth – especially that of SUCBs – rebounded in 2022-23 (Chart V.6a). Although the revival was sustained during Q1:2023-24 with 1.8 per cent growth in their deposits, it was much slower than SCBs. The low deposit accretion over the years has altered the funding

Chart V.5: Asset Growth



Source: Off-site surveillance returns, RBI.

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

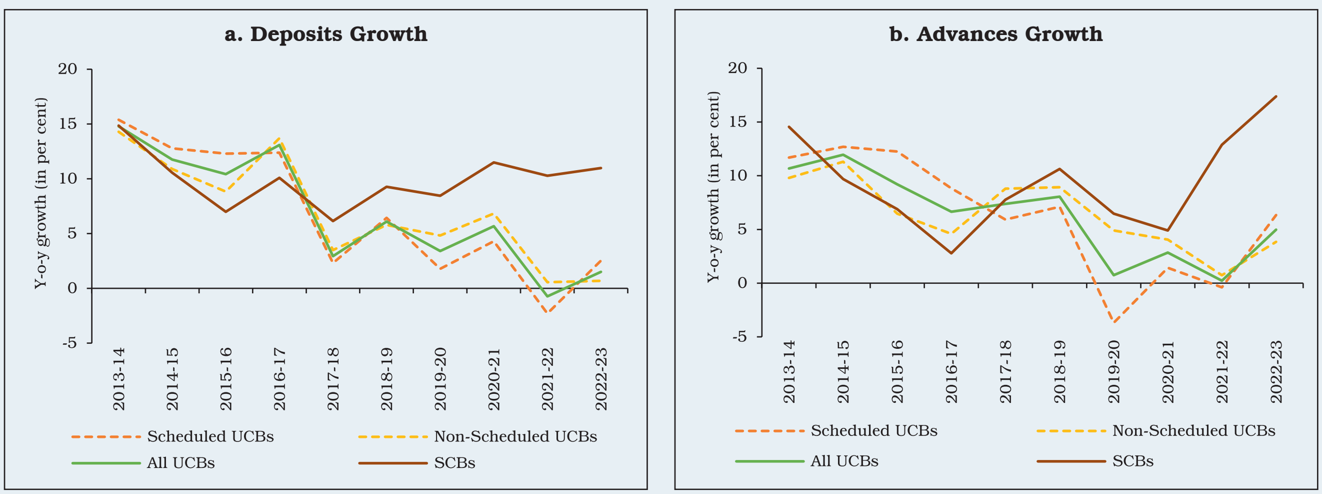
(Amount in ₹ crore)

	Scheduled UCBs		Non-Scheduled UCBs		All UCBs		All UCBs Growth (%)	
	2022	2023	2022	2023	2022	2023	2021-22	2022-23
1	2	3	4	5	6	7	8	9
Liabilities								
1) Capital	4,193	4,256	10,063	10,447	14,255	14,703	-0.4	3.1
	(1.4)	(1.4)	(2.7)	(2.8)	(2.1)	(2.2)		
2) Reserves and Surplus	19,414	22,289	23,384	25,966	42,798	48,255	11.5	12.7
	(6.5)	(7.3)	(6.4)	(6.9)	(6.4)	(7.1)		
3) Deposits	2,34,080	2,39,982	2,91,270	2,93,273	5,25,351	5,33,255	-0.7	1.5
	(78.5)	(78.3)	(79.3)	(78.5)	(79.0)	(78.4)		
4) Borrowings	5,418	5,776	243	464	5,661	6,240	11.2	10.2
	(1.8)	(1.9)	(0.1)	(0.1)	(0.9)	(0.9)		
5) Other Liabilities and Provisions	34,920	34,281	42,228	43,568	77,148	77,848	4.6	0.9
	(11.7)	(11.2)	(11.5)	(11.7)	(11.6)	(11.4)		
Assets								
1) Cash in Hand	1,855	1,660	4,429	4,222	6,284	5,882	6.4	-6.4
	(0.6)	(0.5)	(1.2)	(1.1)	(0.9)	(0.9)		
2) Balances with RBI	12,414	12,770	4,018	3,593	16,432	16,363	13.2	-0.4
	(4.2)	(4.2)	(1.1)	(1.0)	(2.5)	(2.4)		
3) Balances with Banks	23,137	21,011	47,021	45,591	70,157	66,603	0.1	-5.1
	(7.8)	(6.9)	(12.8)	(12.2)	(10.5)	(9.8)		
4) Money at Call and Short Notice	3,505	2,554	1,486	1,064	4,991	3,618	-28.7	-27.5
	(1.2)	(0.8)	(0.4)	(0.3)	(0.8)	(0.5)		
5) Investments	81,151	83,254	1,06,460	1,07,373	1,87,610	1,90,627	3.6	1.6
	(27.2)	(27.2)	(29.0)	(28.7)	(28.2)	(28.0)		
6) Loans and Advances	1,42,625	1,51,663	1,72,047	1,78,662	3,14,673	3,30,325	0.2	5.0
	(47.9)	(49.5)	(46.9)	(47.8)	(47.3)	(48.6)		
7) Other Assets	33,339	33,670	31,727	33,213	65,066	66,884	-4.7	2.8
	(11.2)	(11.0)	(8.6)	(8.9)	(9.8)	(9.8)		
Total Liabilities/ Assets	2,98,025	3,06,583	3,67,188	3,73,718	6,65,213	6,80,301	0.7	2.3
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**		

Notes: 1. Data for 2023 are provisional.
2. Figures in parentheses are proportions to total liabilities / assets (in per cent).
Source: Off-site surveillance returns, RBI.

structure of UCBs, with the share of deposits falling from 82 per cent of their total liabilities at end-March 2017 to 78.4 per cent at end-March 2023.

Chart V.6: Deposits and Advances



Source: Off-site surveillance returns, RBI.

Box V.1: Deceleration in Co-operative Bank Credit

Determinants of SUCBs' credit growth are analysed in an autoregressive distributed lag (ARDL) regression framework for the period 2013 to 2022[5]. Explanatory variables include bank specific factors such as the gross non-performing assets (GNPA) ratio and return on assets (RoA). Index of industrial production (IIP) growth has been included as a control variable. The results suggest that the deterioration in SUCBs' asset quality, as indicated by the GNPA ratio, has an adverse impact on their credit growth (Eq. 1). Although profitability has a positive impact on credit growth, the role of this channel is subdued during the period under consideration.

$$\begin{aligned} SUCB\ credit\ growth_t = {} & 2.01 + 0.43\ SUCB\ credit\ growth^{**}_{t-1} + \\ & 0.39\ SUCB\ credit\ growth^{**}_{t-2} + \\ & 0.20\ GNPA\ ratio_t - \\ & 0.38\ GNPA\ ratio^{**}_{t-1} + \\ & 4.85\ RoA^{***}_t + \\ & 0.04\ IIP\ growth_t + \varepsilon_t \end{aligned} \qquad \text{...(Eq.1)}$$

Adjusted $R^2 = 0.92$, Observations $= 34$, $^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Overall, the credit deceleration in SUCBs in the recent decade appears to have been due to their own financial weaknesses.

References

Awdeh, A. (2017), "The Determinants of Credit Growth in Lebanon", *International Business Research*, 10(2).

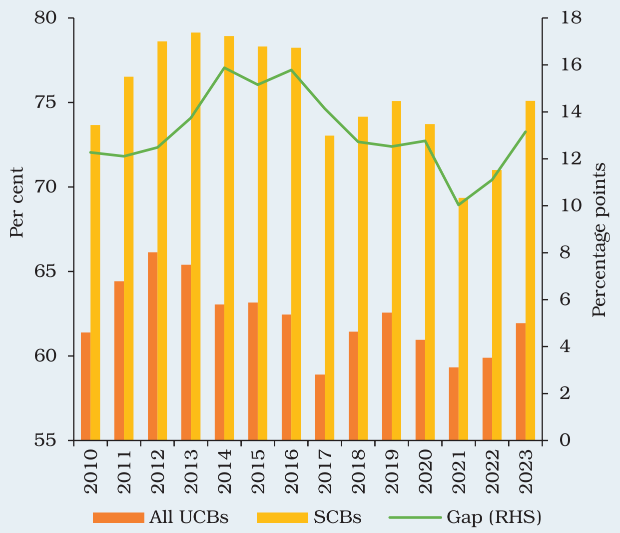
Rabab'ah, M. (2015), "Factors Affecting the Bank Credit: An Empirical Study on the Jordanian Commerical Banks", *International Journal of Economics and Finance*, 7(5).

V.12 The growth of advances of UCBs during 2022-23 was the highest in 4 years (Chart V.6b). During Q1:2023-24, it accelerated further to 5.9 per cent, but remained lower than that of SCBs. In the case of SUCBs, financial constraints such as elevated NPA ratios and low profitability may have led to this sustained deceleration over more than a decade (Box V.1).

V.13 The credit-deposit (C-D) ratio of UCBs rose for the third consecutive year in 2022-23. It, however, remained below that of SCBs and the wedge has been widening (Chart V.7).

V.14 The distribution of the number of UCBs in terms of assets and deposits has been shifting rightwards over the years. At end-March 2016, the modal class of deposits was ₹25 crore to ₹50 crore, which had moved upwards to ₹100 crore to ₹250 crore by end-March 2023. For advances, the distribution was bimodal at end-March 2022 with ₹10 to ₹25 crore and ₹25 to ₹50 crore buckets as modes. At end-March 2023, however, the advances' modal class gravitated

Chart V.7: Credit-Deposit Ratio: UCBs *versus* SCBs
(At end-March)



Source: Off-site surveillance returns, RBI.

5 The results of Augmented Dickey-Fuller unit root tests suggested that while some variables in the model were I(0), others were I(1). As the conventional time series regression is not applicable in such cases, the ARDL model was employed. Akaike Information Criterion (AIC) was used to determine the length of lags in the model.

Table V.4: Distribution of UCBs by Deposits, Advances and Assets
(At end-March 2023)

(Amount in ₹ crore)

	Deposits		Advances		Assets	
	No. of UCBs	Amount	No. of UCBs	Amount	No. of UCBs	Amount
1	2	3	4	5	6	7
0 ≤ X < 10	85	494	203	1,153	45	263
10 ≤ X < 25	183	3,138	271	4,676	143	2,515
25 ≤ X < 50	264	9,893	283	10,021	211	7,866
50 ≤ X < 100	288	20,863	267	19,284	316	22,957
100 ≤ X < 250	323	51,917	236	36,952	355	58,598
250 ≤ X < 500	159	56,557	133	46,628	187	66,660
500 ≤ X < 1000	110	75,157	63	46,284	130	91,478
1000 ≤ X	90	3,15,237	46	1,65,327	115	4,29,964
Total	**1,502**	**5,33,255**	**1,502**	**3,30,325**	**1,502**	**6,80,301**

Notes: 1. Data are provisional.
2. 'X' indicates amount of deposits, advances, and assets.
Source: Off-site surveillance returns, RBI.

towards the ₹25 to ₹50 crore bucket. More than two-thirds of UCBs' advances are concentrated in the smaller range of less than ₹100 crore (Table V.4).

V.15 During 2022-23, UCBs' investments decelerated in sharp contrast to SCBs (Chart V.8a). Over time, the share of state government securities has increased in UCBs' statutory liquidity ratio (SLR) investments (Table V.5).

V.16 SUCBs have 85 per cent of their total investments in SLR, while the ratio is higher at 94 per cent for NSUCBs (Chart V.8b).

3.2. Financial Performance and Profitability

V.17 Net profits of UCBs expanded for the third consecutive year in 2022-23, *albeit* at a slower pace than in previous years. Profitability (before as well as after taxes) of UCBs is yet to fully recuperate from the stress during 2019-

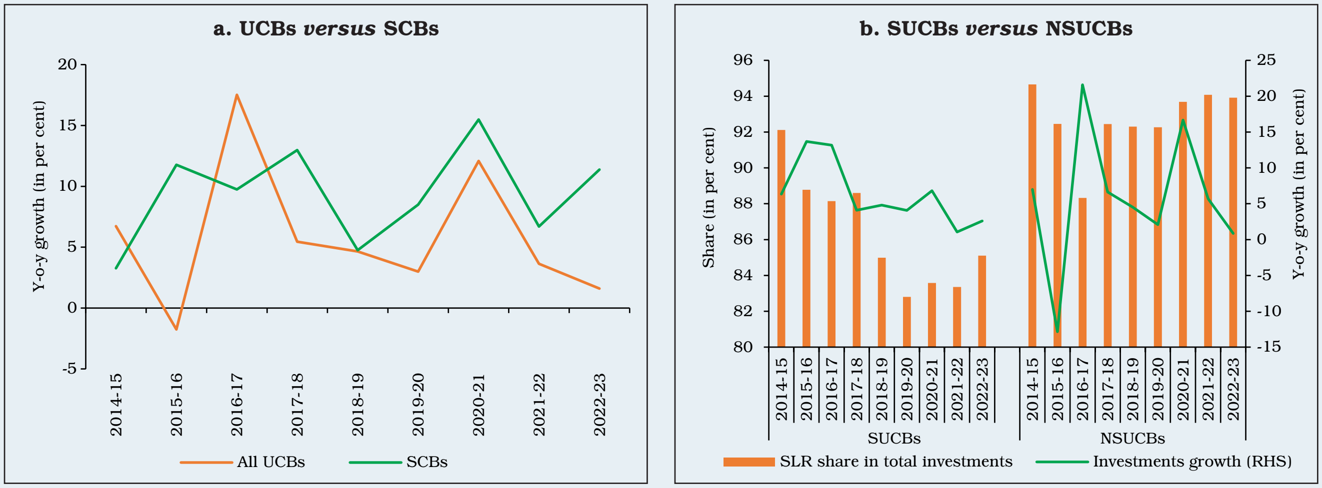
Table V.5: Investments by UCBs

(Amount in ₹ crore)

	Amount outstanding (At end-March)			Variation (%)	
	2021	2022	2023	2021-22	2022-23
1	2	3	4	5	6
Total Investments (A + B)	**1,81,025**	**1,87,610**	**1,90,627**	**3.6**	**1.6**
	(100.0)	**(100.0)**	**(100.0)**		
A. SLR Investments (i to iii)	**1,61,477**	**1,67,800**	**1,71,690**	**3.9**	**2.3**
	(89.2)	**(89.4)**	**(90.1)**		
(i) Central Govt. Securities	1,02,033	1,04,764	1,06,736	2.7	1.9
	(56.4)	(55.8)	(56.0)		
(ii) State Govt. Securities	58,951	62,609	64,649	6.2	3.3
	(32.6)	(33.4)	(33.9)		
(iii) Other approved Securities	492	427	305	-13.3	-28.5
	(0.3)	(0.2)	(0.2)		
B. Non-SLR Investments	**19,549**	**19,810**	**18,937**	**1.3**	**-4.4**
	(10.8)	**(10.6)**	**(9.9)**		

Notes: 1. Data for 2023 are provisional.
2. Figures in parentheses are proportions to total investments (in per cent).
Source: Off-site surveillance returns, RBI.

Chart V.8: Investments of UCBs



Source: Off-site surveillance returns, RBI.

20. The uptick in net profits during 2022-23 was due to a revival in total income and a contraction in total expenditure. A pick up in loans and advances led to higher interest income. On the other hand, interest expenses continued to decline. The decline in non-interest income of NSUCBs led to a reduction in non-interest income of the sector, whereas non-interest expenditure expanded for the second consecutive year (Table V.6).

Table V.6: Financial Performance of Scheduled and Non-scheduled UCBs

(Amount in ₹ crore)

	Scheduled UCBs		Non-scheduled UCBs		All UCBs		All UCBs variation (%)
	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2022-23
1	2	3	4	5	6	7	8
A. Total Income [i+ii]	**21,389 (100.0)**	**22,449 (100.0)**	**30,060 (100.0)**	**29,885 (100.0)**	**51,448 (100.0)**	**52,334 (100.0)**	**1.7**
i. Interest Income	18,565 (86.8)	19,473 (86.7)	28,060 (93.3)	28,093 (94.0)	46,625 (90.6)	47,566 (90.9)	2.0
ii. Non-interest Income	2,824 (13.2)	2,976 (13.3)	2,000 (6.7)	1,792 (6.0)	4,823 (9.4)	4,768 (9.1)	-1.1
B. Total Expenditure [i+ii]	**17,586 (100.0)**	**17,817 (100.0)**	**25,033 (100.0)**	**24,568 (100.0)**	**42,619 (100.0)**	**42,384 (100.0)**	**-0.6**
i. Interest Expenditure	11,398 (64.8)	11,093 (62.3)	17,321 (69.2)	16,364 (66.6)	28,719 (67.4)	27,457 (64.8)	-4.4
ii. Non-interest Expenditure	6,188 (35.2)	6,724 (37.7)	7,712 (30.8)	8,203 (33.4)	13,900 (32.6)	14,927 (35.2)	7.4
of which: Staff Expenses	2,879	2,954	4,143	4,255	7,021	7,208	2.7
C. Profits							
i. Operating Profits	3,803	4,632	5,027	5,318	8,829	9,950	12.7
ii. Provisions and Contingencies	1,971	2,893	2,833	2,658	4,804	5,551	15.5
iii. Provision for taxes	299	464	830	845	1,129	1,309	16.0
iv. Net Profit before Taxes	1,832	1,739	2,193	2,659	4,025	4,399	9.3
v. Net Profit after Taxes	1,533	1,275	1,364	1,815	2,896	3,090	6.7

Notes: 1. Data for 2022-23 are provisional.
2. Figures in parentheses are proportions to total income/expenditure (in per cent).

Source: Off-site surveillance returns, RBI.

Table V.7: Select Profitability Indicators of UCBs

(Per cent)

Indicators	Scheduled UCBs		Non-Scheduled UCBs		All UCBs	
	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23
1	2	3	4	5	6	7
Return on Assets	0.52	0.42	0.38	0.49	0.44	0.46
Return on Equity	6.54	5.09	4.09	5.20	5.10	5.15
Net Interest Margin	2.44	2.77	2.97	3.17	2.73	2.99

Note: Data for 2022-23 are provisional.
Source: Off-site surveillance returns, RBI.

V.18 During 2022-23, the key indicators of profitability *viz.*, return on assets (RoA), return on equity (RoE) and net interest margin (NIM), improved for UCBs, despite an increase in provisions and contingencies (Table V.7). During Q1:2023-24, UCBs' profitability improved further.

3.3. Soundness

V.19 The claims settled by the Deposit Insurance and Credit Guarantee Corporation (DICGC) during 2022-23 amounted to ₹752 crore and pertained entirely to co-operative banks placed under liquidation/ all-inclusive directions (AID). These included: (a) claims settled under Section 18(A) amounting to ₹646 crore pertaining to UCBs placed under AID, within the statutory timeline of 90 days after imposition of the directions; (b) supplementary claims in respect of 10 UCBs amounting to ₹46 crore under Section 17(1); and (c) an amount of ₹59 crore provided to Unity Small Finance Bank (USFB) for making payment to the depositors of erstwhile Punjab and Maharashtra Co-operative Bank Ltd. (PMCBL) pursuant to the latter's merger with USFB with effect from January 25, 2022 under Section 16(2).

Table V.8: CRAR-wise Distribution of UCBs
(At end-March 2023)

(Number of banks)

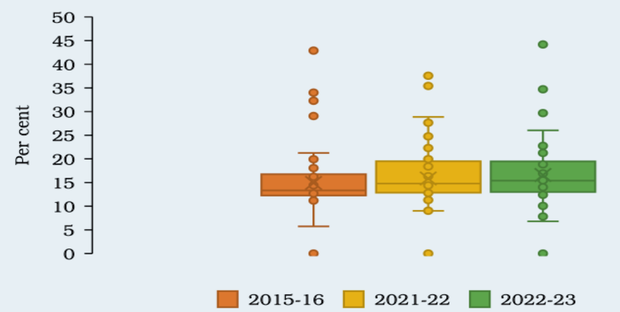
CRAR (in per cent)	Scheduled UCBs	Non-Scheduled UCBs	All UCBs
1	2	3	4
CRAR < 3	2	48	50
3 <= CRAR < 6	0	8	8
6 <= CRAR < 9	3	18	21
9 <= CRAR < 12	1	101	102
12 <= CRAR	45	1,276	1,321
Total	**51**	**1,451**	**1,502**

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

3.4. Capital Adequacy

V.20 The revised regulatory framework introduced in July 2022 increased the minimum regulatory capital requirements for Tier 2 to Tier 4 UCBs to 12 per cent, while keeping it at 9 per cent for Tier 1 UCBs. At end-March 2023, while 40 per cent of UCBs belonged to the upper tiers (Tiers 2 to 4), 88 per cent maintained CRARs above 12 per cent (Table V.8).

Chart V.9: SUCBs' CRAR Distribution
(At end-March)



Notes: 1. In the box plots, the boxes show the distance between the first and the third quartiles (interquartile range). The whiskers indicate the maximum and minimum values (excluding outliers). Observations that are more than 1.5 times the interquartile range lie beyond the whiskers and are considered outliers. The horizontal line inside each box shows the median, while 'X' shows the mean.
2. Observations with negative CRAR have been dropped for better representation.

Source: Off-site surveillance returns, RBI.

Table V.9: Component-wise Capital Adequacy of UCBs
(At end-March)

(Amount in ₹ crore)

		Scheduled UCBs		Non-Scheduled UCBs		All UCBs	
		2022	2023	2022	2023	2022	2023
1	2	3	4	5	6	7	8
1	**Capital Funds**	**20,908**	**23,038**	**27,902**	**30,422**	**48,811**	**53,461**
	i) Tier I Capital	14,956	17,667	24,005	26,454	38,960	44,120
	ii) Tier II Capital	5,953	5,371	3,898	3,969	9,850	9,340
2	**Risk-Weighted Assets**	**1,46,900**	**1,51,128**	**1,67,050**	**1,71,383**	**3,13,950**	**3,22,511**
3	**CRAR (1 as % of 2)**	**14.2**	**15.2**	**16.7**	**17.8**	**15.5**	**16.6**
	Of which:						
	Tier I	10.2	11.7	14.4	15.4	12.4	13.7
	Tier II	4.1	3.6	2.3	2.3	3.1	2.9

Note: Data for 2023 are provisional.
Source: Off-site surveillance returns, RBI.

V.21 In terms of the CRAR distribution of SUCBs, an improvement was observed in 2022-23, although 2 SUCBs recorded negative CRARs at end-March 2023 (Chart V.9).

V.22 During 2022-23, the consolidated CRAR of all UCBs improved on the back of higher profit accretion and capital raised through long-term subordinated bonds. Moreover, the revaluation reserves, which were earlier reckoned in Tier II capital, have been allowed as Tier I capital from end-March 2023, subject to certain conditions. This helped strengthen their Tier I capital during the year (Table V.9). At end-June 2023, UCBs further shored up their CRAR on the back of lower provisioning and improving profitability.

3.5. Asset Quality

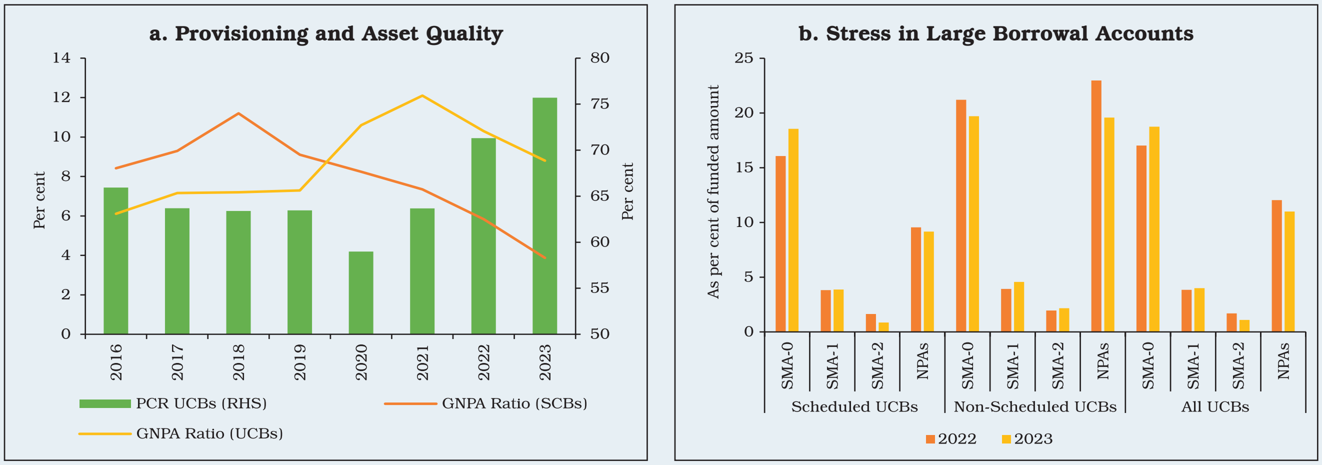
V.23 UCBs' asset quality improved further in 2022-23, partly reflecting lower slippages and stronger loan recovery. The GNPA ratio has declined from a peak in 2020-21, although an uptick was evident during Q1:2023-24. Among UCBs, while NSUCBs have higher GNPA ratios, improvement during 2022-23 was sharp. A significant decline in outstanding GNPAs led to an increase in their provision coverage ratio (PCR) (Table V.10 and Chart V.10a). Going forward, with the harmonisation of UCBs' provisioning norms for standard advances, effective April 2023, their PCR is likely to rise further.

Table V.10: Non-Performing Assets of UCBs
(At end-March)

		Scheduled UCBs		Non-Scheduled UCBs		All UCBs	
		2022	2023	2022	2023	2022	2023
1	2	3	4	5	6	7	8
1	Gross NPAs (₹ crore)	10,686	10,014	21,621	19,196	32,307	29,210
2	Gross NPA Ratio (%)	7.5	6.6	12.6	10.7	10.3	8.8
3	Net NPAs (₹ crore)	3,542	2,197	5,719	4,891	9,261	7,088
4	Net NPA Ratio (%)	2.5	1.4	3.3	2.7	2.9	2.1
5	Provisioning (₹ crore)	7,144	7,817	15,902	14,305	23,046	22,122
6	Provision Coverage Ratio (%)	66.9	78.1	73.5	74.5	71.3	75.7

Note: Data for 2023 are provisional.
Source: Off-site surveillance returns, RBI.

Chart V.10: Asset Quality
(At end-March)



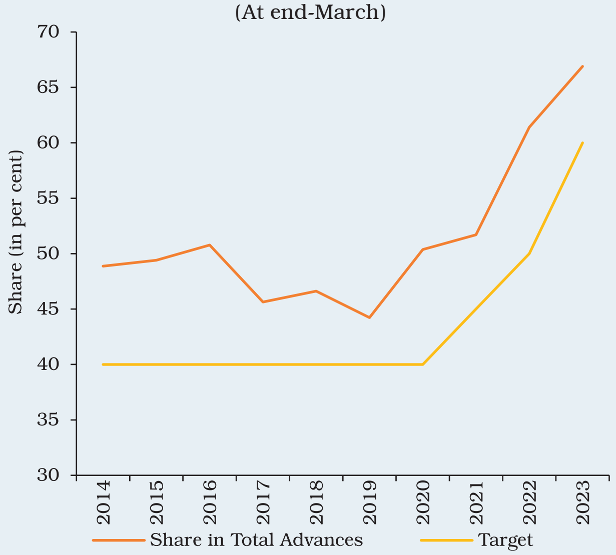
Source: Off-site surveillance returns, RBI.

V.24 Large borrowal accounts, *i.e.*, accounts with exposures of ₹5 crore and above, constituted 25 per cent of UCBs' total lending and 31 per cent of their total GNPAs at end-March 2023. Among UCBs, a large disparity exists in exposure to these accounts, with 45 per cent of SUCBs' total lending concentrated in large borrowers, as against NSUCBs' 8 per cent. Although NSUCBs' GNPA ratio stemming from large borrowal accounts is much higher than SUCBs, it declined during the year, leading to an overall reduction in UCBs' GNPA from such accounts. For the sector as a whole, SMA-0 and SMA-1 ratios registered an uptick during the year, but the SMA-2 ratio declined (Chart V.10b).

3.6. Priority Sector Lending

V.25 The revised priority sector lending norms for UCBs set higher targets for them to be achieved in a phased manner[6]. The priority sector lending of UCBs was 67 per cent at end-March 2023. The sector has, thus, already achieved the target set for end-March 2025 (Chart V.11).

Chart V.11: Priority Sector Lending
(At end-March)



Source: Off-site surveillance returns, RBI.

[6] The guidelines were initially issued in March 2020 and were subsequently revised in July 2023. The revised guidelines require UCBs to meet the target of 60 per cent, 65 per cent and 75 per cent of the higher of their ANBC or CEOBE by end-March 2023, 2025, and 2026, respectively.

V.26 The increase in priority sector lending by UCBs during 2022-23 was led by credit to MSMEs — particularly micro enterprises — constituting 41 per cent of their total lending. Like SCBs, UCBs are required to lend a minimum of 7.5 per cent of their adjusted net bank credit (ANBC) / credit equivalent amount of off-balance sheet exposures (CEOBE) to micro enterprises. In addition, the target for UCBs for 2022-23 for lending to weaker sections was 11.5 per cent of their ANBC/CEOBE. UCBs met both these targets at end-March 2023 (Table V.11). Housing loans, which comprised close to 10 per cent of UCBs' total lending at end-March 2023, contracted during the year despite increased housing lending limits (see Chapter III, para III.32).

Table V.11 : Composition of Credit to Priority Sectors by UCBs
(At end-March)

(Amount in ₹ crore)

	2022		2023	
	Amount	Share in Total Advances (%)	Amount	Share in Total Advances (%)
1	2	3	4	5
1. Agriculture [(i)+(ii)+(iii)]	13,259	4.2	16,550	5.0
(i) Farm Credit	9,851	3.1	12,306	3.7
(ii) Agriculture Infrastructure	660	0.2	971	0.3
(iii) Ancillary Activities	2,755	0.9	3,273	1.0
2. Micro and Small Enterprises [(i) + (ii) +(iii) + (iv)]	1,08,958	34.6	1,34,320	40.7
(i) Micro Enterprises	42,896	13.6	56,917	17.2
(ii) Small Enterprises	44,740	14.2	52,710	16.0
(iii) Medium Enterprises	20,832	6.6	24,018	7.3
(iv) Advances to KVI (Including 'Other Finance to MSMEs')	490	0.2	674	0.2
3. Export Credit	245	0.1	345	0.1
4. Education	2,375	0.8	3,431	1.0
5. Housing	32,141	10.2	31,502	9.5
6. Social Infrastructure	1,374	0.4	1,242	0.4
7. Renewable Energy	694	0.2	1,050	0.3
8. 'Others' category under Priority Sector	34,183	10.9	32,492	9.8
9. Total (1 to 8)	1,93,229	61.4	2,20,932	66.9
of which, Loans to Weaker Sections under Priority Sector	36,141	11.5	49,006	14.8

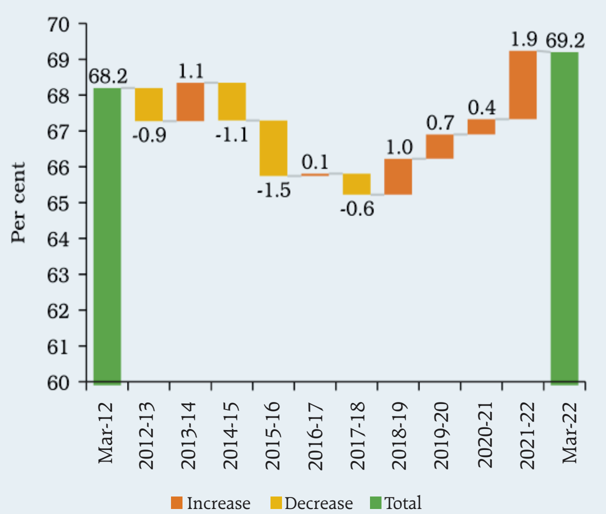
Note: Data for 2023 are provisional.
Source: Off-site surveillance returns, RBI.

4. Rural Co-operatives

V.27 Rural credit co-operatives, with a history of more than a century in India, were set up to address the concerns of inadequate access to formal and affordable credit in rural areas. They have since carved out a niche for themselves in the rural credit delivery system, owing to their wide reach at the grassroots level. The sector, consisting of short-term and long-term institutions, expanded its operations further in 2021-22. Its share in the total assets of the co-operative sector increased to 69.2 per cent from a recent low of 65.2 per cent at end-March 2018 (Chart V.12).

V.28 RCCs differ from their urban counterparts in terms of their geographical reach, balance sheet composition, profitability indicators as well as asset quality. Gauging by the metric of number

Chart V.12: Share of Rural Credit Co-operatives in Total Co-operative Sector



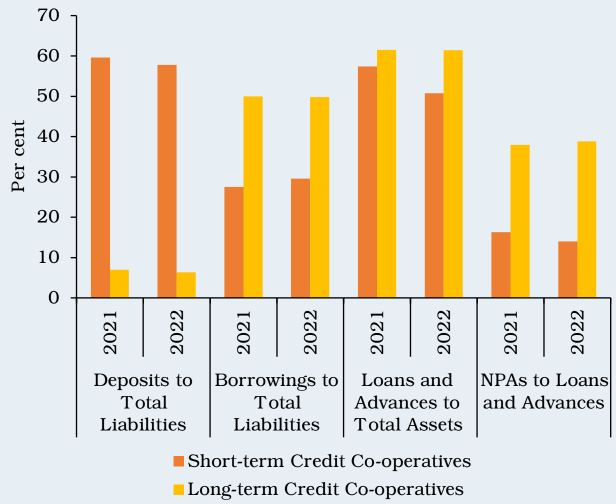
Source: RBI, NABARD and NAFSCOB.

of branches, RCCs have a larger geographic presence. However, their deposit pool is smaller, increasing their dependence on relatively costlier borrowings which, in turn, has an adverse impact on their profitability.

V.29 Within RCCs, the financial performance of short-term rural co-operatives has consistently been better than their long-term counterparts (Chart V.13). The latter provide term finance for capital formation and rural non-farm projects. Such longer maturity loans are exposed to the risk of a fast-evolving external environment. Repeated debt waivers have also created a moral hazard problem, impacting loan recovery. While the share of long-term rural co-operatives in total RCC assets is miniscule at 4 per cent, they have disproportionately higher NPAs, losses and lower recovery-to-demand ratios.

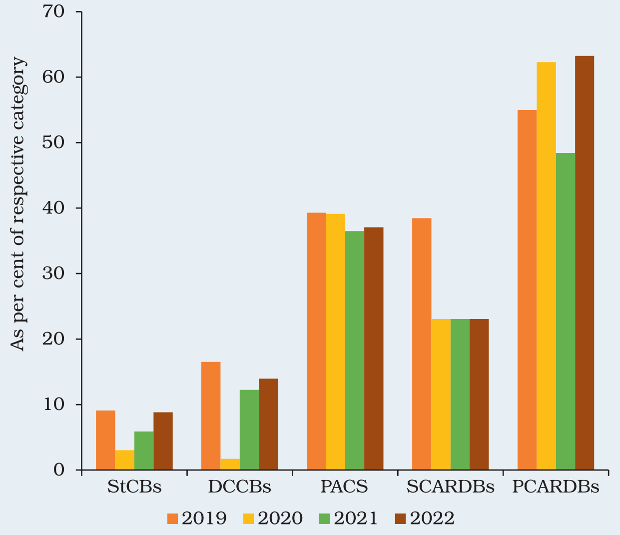
V.30 The challenges faced by RCCs are primarily structural, emanating from a non-diversified lending portfolio focussed on agriculture, burgeoning NPAs, low recoveries and high operating costs. The increasing number of loss-making RCCs, particularly PCARDBs, remains a cause of concern (Chart V.14). Low profitability and high NPAs have contributed to capital shortfalls in many of these institutions (Table V.12).

Chart V.13: Long-term *versus* Short-term RCCs
(At end-March)



Source: NABARD and NAFSCOB.

Chart V.14: Loss-Making Co-operatives
(At end-March)



Source: NABARD and NAFSCOB.

4.1. Short-term Rural Credit Co-operatives

V.31 Short-term RCCs have a three-tier structure *viz.*, state co-operative banks (StCBs); district central co-operative banks (DCCBs); and primary agricultural credit societies (PACS). Apart from short-term crop loans to farmers, the scope of their operations has widened over time to cover the non-farm sector, with term lending to allied sectors, and microfinance. At end-March 2022, the short-term rural co-operative sector consisted of 34 StCBs[7], 351 DCCBs[8], and 1,04,266 PACS spread across 34 States/UTs.

[7] Including Daman & Diu StCB, which is yet to be licensed.
[8] Excluding Tamil Nadu Industrial Co-operative Bank Ltd.

Table V.12: A Profile of Rural Credit Co-operatives
(At end-March 2022)

(Amount in ₹ crore)

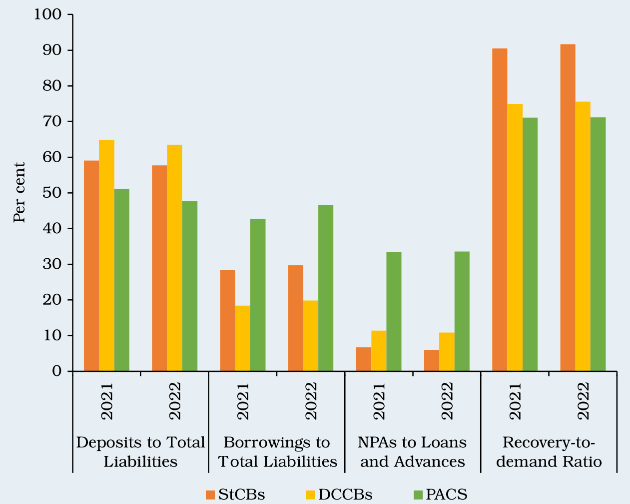
		Short-term			Long-term		Rural Credit Co-operatives
		StCBs	DCCBs	PACS	SCARDBs (P)	PCARDBs (P)	
1		2	3	4	5	6	7
A.	**Number of Co-operatives**	34	351	1,04,266	13	604	1,05,268
B.	**Balance Sheet Indicators**						
	i. Owned Funds (Capital + Reserves)	27,234	50,946	42,754	6,315	8,211	1,35,460
	ii. Deposits	2,40,953	4,12,573	1,76,390	2,253	1,675	8,33,844
	iii. Borrowings	1,23,785	1,28,524	1,72,374	13,409	17,282	4,55,373
	iv. Loans and Advances	2,38,919	3,36,546	1,53,137	21,261	16,607	7,66,470
	v. Total Liabilities/Assets	4,17,233	6,49,546	3,69,896 +	28,097	33,520	14,98,292
C.	**Financial Performance**						
	i. Institutions in Profits						
	a. No.	31	302	47,896	10	222	48,461
	b. Amount of Profit	2,338	2,354	1,810	151	102	6,754
	ii. Institutions in Loss						
	a. No.	3	49	38,644	3	382	39,081
	b. Amount of Loss	50	996	3,747	72	641	5,506
	iii. Overall Profits (+)/Loss (-)	2,288	1,358	-1,937	78	-539	1,248
D.	**Non-performing Assets**						
	i. Amount	14,332	36,330	51,363 ++	7,522	7,172	1,16,718
	ii. As percentage of Loans Outstanding	6.0	10.8	32.16	35.4	43.2	-
E.	**Recovery of Loans to Demand Ratio* (Per cent)**	91.7	75.6	71.2	43.5	39.8	-

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. *: This ratio captures the share of outstanding NPAs that have been recovered at end-June 2021.
4. +: Working capital.
5. ++: Total overdues.

Source: NABARD and NAFSCOB (PACS data).

V.32 Among short-term RCCs, StCBs have consistently outperformed the other two, with lower NPA ratios, higher RoAs, and higher recovery-to-demand ratios (Chart V.15). PACS are the weakest link, with high dependency on borrowings and higher losses incurred during 2021-22.

Chart V.15: Short-term Rural Co-operatives: Balance Sheet and Soundness Indicators
(At end-March)



Source: NABARD and NAFSCOB.

4.1.1. State Co-operative Banks

V.33 State co-operative banks (StCBs) operate in a two-tier/three-tier/mixed-tier structure. In a two-tier structure, mostly located in the north-eastern part of India, StCBs operate through their own branches, whereas in case of a three-tier structure, StCBs work as the apex bank for all DCCBs. At end-March 2022, StCBs had 2,089 branches, providing more than 45 per cent of their total credit towards agriculture.

Balance Sheet Operations

V.34 Owned funds of StCBs, which comprise share capital and reserves, grew by 11.5 per cent during 2021-22, and were 6.5 per cent of their total liabilities at end-March 2022. The growth in owned funds was driven by accretion to share capital and improvement in profitability. Although deposits accelerated in 2021-22, they were outpaced by growth in loans and advances (Table V.13).

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

(Amount in ₹ crore)

	At end-March		Variation (%)	
	2021	2022	2020-21	2021-22
1	2	3	4	5
Liabilities				
1. Capital	8,577	9,263	15.0	8.0
	(2.3)	(2.2)		
2. Reserves	15,848	17,971	9.7	13.4
	(4.2)	(4.3)		
3. Deposits	2,23,057	2,40,953	6.0	8.0
	(59.1)	(57.8)		
4. Borrowings	1,07,207	1,23,785	25.1	15.5
	(28.4)	(29.7)		
5. Other Liabilities	22,648	25,260	1.6	11.5
	(6.0)	(6.1)		
Assets				
1. Cash and Bank Balances	14,360	18,864	40.4	31.4
	(3.8)	(4.5)		
2. Investments	1,29,329	1,40,966	14.6	9.0
	(34.3)	(33.8)		
3. Loans and Advances	2,11,794	2,38,919	5.9	12.8
	(56.1)	(57.3)		
4. Accumulated Losses	1,405	1,353	14.0	-3.7
	(0.4)	(0.3)		
5. Other Assets	20,451	17,130	27.5	-16.2
	(5.4)	(4.1)		
Total Liabilities/Assets	**3,77,338**	**4,17,233**	**10.9**	**10.6**
	(100.00)	**(100.00)**		

Note: Figures in parentheses are proportions to total liabilities/assets (in per cent).

Source: NABARD.

V.35 Credit growth of StCBs remained robust in 2022-23 and they liquidated their SLR investments to bridge the C-D gap due to contraction in deposits (Table V.14).

Profitability

V.36 Reflecting the accommodative monetary policy stance and the reduction in deposit and lending rates, growth in the interest income of StCBs decelerated in 2021-22 while there was a contraction in interest expended. On balance, net interest income rose by 30.3 per cent, faster than 13.9 per cent in the previous year, which led to higher profits. However, the contraction in non-interest income adversely affected their profitability (Table V.15).

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

(At end-March)

(Amount in ₹crore)

	2019	2020	2021	2022	2023
1	2	3	4	5	6
Deposits	1,10,559	1,87,456	1,97,751	2,11,784	2,04,432
	(11.9)	(69.6)	(5.5)	(7.1)	(-3.5)
Credit	1,31,399	1,94,310	2,06,322	2,28,194	2,55,750
	(11.4)	(47.9)	(6.2)	(10.6)	(12.1)
SLR Investments	33,130	54,181	67,788	77,677	74,721
	-(0.8)	(63.5)	(25.1)	(14.6)	(-3.8)
Credit plus SLR Investments	1,64,529	2,48,492	2,74,110	3,05,871	3,30,471
	(8.7)	(51.0)	(10.3)	(11.6)	(8.0)

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

Source: Form B under Section 42 of RBI Act.

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

(Amount in ₹ crore)

				Percentage Variation	
		2020-21	2021-22	2020-21	2021-22
1		2	3	4	5
A.	**Income (i+ii)**	**24,318** **(100.00)**	**24,954** **(100.00)**	**10.9**	**2.6**
i.	Interest Income	23,177 (95.3)	24,171 (96.9)	15.8	4.3
ii.	Other Income	1,141 (4.7)	784 (3.1)	-40.2	-31.3
B.	**Expenditure (i+ii+iii)**	**22,916** **(100.00)**	**22,666** **(100.00)**	**13.5**	**-1.1**
i.	Interest Expended	17,318 (75.6)	16,538 (73)	16.5	-4.5
ii.	Provisions and Contingencies	2,181 (9.5)	2,378 (10.5)	-17.6	9.0
iii.	Operating Expenses	3,418 (14.9)	3,751 (16.5)	27.5	9.7
	Of which, Wage Bill	1,926 (8.4)	2,064 (9.1)	29.1	7.2
C.	**Profits**				
i.	Operating Profits	2,947	4,476	-0.9	51.9
ii.	Net Profits	1,402	2,288	-18.7	63.2

Note: Figures in parentheses are proportions to total income/expenditure (in per cent).
Source: NABARD.

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

(Amount in ₹ crore)

	At end-March		Percentage Variation	
	2021	2022	2020-21	2021-22
1	2	3	4	5
A. Total NPAs (i+ii+iii)	14,113	14,332	4.7	1.5
i. Sub-standard	7,379 (52.3)	5,387 (37.6)	-6.4	-27.0
ii. Doubtful	5,294 (37.5)	7,541 (52.6)	20.3	42.4
iii. Loss	1,440 (10.2)	1,404 (9.8)	20.5	-2.5
B. NPAs to Loans Ratio (%)	**6.7**	**6.0**	-	-
C. Recovery to Demand Ratio (%)	**90.5**	**91.7**	-	-

Notes: 1. Figures in parentheses are shares in total NPA (in per cent).
2. Recovery-to-demand ratio captures the share of outstanding NPAs that have been recovered at end-June 2020 and 2021 for 2020-21 and 2021-22, respectively.

Source: NABARD.

V.37 The western region, especially Maharashtra, contributes the major share in StCBs' net profits. 31 StCBs posted a profit of ₹2,338 crore while 3 StCBs (*viz*. Arunachal Pradesh, Puducherry and Jammu and Kashmir StCB) incurred losses of ₹50 crore (Appendix Table V.3).

Asset Quality

V.38 Asset quality of StCBs improved during 2021-22 on lower slippages. Within NPAs, sub-standard and loss category loans contracted (Table V.16). However, the doubtful category — which constitutes nearly half of the outstanding NPAs — grew for the fifth consecutive year. While a majority of the 34 StCBs reported lower GNPA ratios at end-March 2022 than a year ago, two StCBs reported GNPA ratios greater than 50 per cent. The improvement in GNPA ratios and recovery-to-demand ratios was led by southern and western states (Appendix Table V.3).

4.1.2. District Central Co-operative Banks

V.39 DCCBs constitute the second tier in the short-term rural co-operative structure and operated with a network of 13,670 branches at end-March 2022. 20 States/UTs have one or more DCCBs (having either a three-tier or a mix of three-tier and two-tier structure). In 14 States/UTs, there are no DCCBs and only a two-tier structure exists. They have a larger presence in the central region. Deposits form the major source of funding for DCCBs, followed by borrowings from StCBs and refinance from NABARD. More than 50 per cent of DCCBs' total lending is directed towards agriculture and more than 75 per cent of their total lending is conducted through PACS. DCCBs function with lower C-D ratios than StCBs, owing to their higher deposit base.

Balance Sheet Operations

V.40 The acceleration in the consolidated balance sheet of DCCBs during 2021-22 was led by borrowings on the liabilities side, which offset the deceleration in deposits. On the assets side, their loan growth accelerated, while investments decelerated (Table V.17).

Profitability

V.41 DCCBs' total expenditure rose during 2021-22, driven by operational expenses and higher provisions and contingencies even as interest expenditure declined. With expenditure growth exceeding income growth, net profits contracted during 2021-22 (Table V.18).

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

(Amount in ₹ crore)

	At end-March		Percentage Variation	
	2021	2022	2020-21	2021-22
1	2	3	4	5
Liabilities				
1. Capital	22,391 (3.8)	24,472 (3.8)	7.1	9.3
2. Reserves	24,381 (4.1)	26,474 (4.1)	9.2	8.6
3. Deposits	3,81,825 (64.8)	4,12,573 (63.5)	10.5	8.1
4. Borrowings	1,08,077 (18.4)	1,28,524 (19.8)	10.9	18.9
5. Other Liabilities	52,239 (8.9)	57,504 (8.9)	5.3	10.1
Assets				
1. Cash and Bank Balances	26,973 (4.6)	32,107 (4.9)	15.2	19.0
2. Investments	2,11,380 (35.9)	2,35,913 (36.3)	13.2	11.6
3. Loans and Advances	3,04,990 (51.8)	3,36,546 (51.8)	9.2	10.3
4. Accumulated Losses	7,046 (1.2)	7,753 (1.2)	4.8	10.0
5. Other Assets	38,525 (6.5)	37,226 (5.7)	-3.3	-3.4
Total Liabilities/Assets	**5,88,914 (100.00)**	**6,49,546 (100.00)**	**9.9**	**10.3**

Note: Figures in parentheses are proportions to total liabilities/assets (in per cent).
Source: NABARD.

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

(Amount in ₹ crore)

			Percentage Variation	
	2020-21	2021-22	2020-21	2021-22
1	2	3	4	5
A. Income (i+ii)	**39,982 (100.00)**	**41,685 (100.00)**	**4.1**	**4.3**
i. Interest Income	38,089 (95.3)	39,698 (95.2)	4.4	4.2
ii. Other Income	1,893 (4.7)	1,986 (4.8)	-1.6	4.9
B. Expenditure (i+ii+iii)	**38,560 (100.00)**	**40,327 (100.00)**	**2.7**	**4.6**
i. Interest Expended	25,480 (66.1)	25,408 (63)	2.6	-0.3
ii. Provisions and Contingencies	3,720 (9.6)	4,889 (12.1)	-4.3	31.4
iii. Operating Expenses	9,361 (24.3)	10,030 (24.9)	5.9	7.1
Of which, Wage Bill	5,864 (15.2)	6,329 (15.7)	3.6	7.9
C. Profits				
i. Operating Profits	4,723	5,897	11.7	24.8
ii. Net Profits	1,422	1,358	68.1	-4.5

Note: Figures in parentheses are proportions to total liabilities/assets (in per cent).
Source: NABARD.

V.42 The number of loss-making DCCBs and their losses increased during the year. The western and southern states contributed the most towards DCCBs' profits, while the central region added the highest to losses (Appendix Table V.4).

Asset Quality

V.43 The GNPA ratio of DCCBs moderated during 2021-22 but remains elevated. Although the accretion to NPAs was higher during the year, the GNPA ratio declined on the back of robust credit growth (Table V.19). Their GNPA ratios declined in 16 of 20 states during 2021-22. The central and southern states — particularly, Kerala, Madhya Pradesh, and Tamil Nadu — experienced an increase in their GNPA ratios. The southern region continued to have the lowest NPA ratio and the highest recovery-to-demand ratio across regions (Appendix Table V.4).

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

(Amount in ₹ crore)

	At end-March		Percentage Variation	
	2021	2022	2020-21	2021-22
1	2	3	4	5
A. Total NPAs (i+ ii + iii)	**34,761**	**36,330**	**-1.5**	**4.5**
i) Sub-standard	13,940 (40.1)	13,418 (36.9)	-12.2	-3.7
ii) Doubtful	18,367 (52.8)	20,292 (55.9)	8.1	10.5
iii) Loss	2,455 (7.1)	2,620 (7.2)	1.3	6.7
B. NPAs to Loans Ratio (%)	**11.4**	**10.8**	**-**	**-**
C. Recovery to Demand Ratio (%)	**74.9**	**75.6**	**-**	**-**

Notes: 1. Figures in parentheses are proportions to total NPAs (in per cent).
2. Recovery-to-demand ratio captures the share of outstanding NPAs that have been recovered at end-June 2020 and 2021 for 2020-21 and 2021-22, respectively.

Source: NABARD.

4.1.3. Primary Agricultural Credit Societies

V.44 Primary agricultural credit societies (PACS) form the lowest tier in the rural co-operative ladder and have individuals — mostly farmers — as member shareholders, with 80 per cent of PACS' total lending going towards agriculture. Apart from extending short-term and medium-term agricultural finance, they play a role in the supply of agricultural inputs, distribution of consumer articles, and marketing of their members' produce. In some states, PACS have their own branch network.

V.45 To strengthen and promote the co-operative ecosystem, the Ministry of Co-operation, Government of India has undertaken several initiatives in recent years. These include, *inter alia*, computerisation of PACS, preparation of model by-laws to enable them to undertake business activities like dairy and fishery, setting up of godowns, and rationalisation of taxes on them. Furthermore, a plan has been approved by the Government to set up 2 lakh new multi-purpose PACS, and dairy and fisheries co-operatives covering every Panchayat/village in the next five years.

V.46 At end-March 2022, PACS served 16.9 crore members and 4.8 crore borrowers, with a dominating presence in the western region. However, in terms of business, *i.e.*, deposits, working capital and loans and advances, the southern region dominated. The borrower-to-member ratio – a metric to gauge credit penetration of PACS – declined in 2021-22 to 28.6 per cent from 39.1 per cent in 2020-21, due to an increase in the number of members and a large decline in the number of borrowers. During the year, small farmers replaced others and marginal farmers as the largest category of borrowers (Appendix Table V.5).

V.47 The growth in the total resources of PACS accelerated during 2021-22, led by borrowings. However, a sharp reduction in their short-term lending activities resulted in a contraction in outstanding loans and advances (Appendix Table V.6).

V.48 46 per cent of total PACS are profit making, although their consolidated profits contracted by 65.8 per cent in 2021-22. The consolidated losses of 38,644 PACS fell by 13.3 per cent. For the sector as a whole, the consolidated losses were nearly double the profits. The western region was the sole region posting net profits. In aggregate terms, the highest amounts of profits as well as losses originated from the southern region (Appendix Table V.7).

4.2. Long-term Rural Credit Co-operatives

V.49 Long-term RCCs were set up with the objective of providing term finance for capital formation and to finance rural non-farm projects. Their structure differs across states, with state co-operative agriculture and rural development banks (SCARDBs) operating at the state level and primary co-operative agriculture and rural development banks (PCARDBs) functioning at the district/block level. Currently, five states/ UTs *viz.,* Gujarat, Jammu and Kashmir, Uttar Pradesh, Tripura and Puducherry follow a unitary structure, *i.e.,* they function directly out of their own branches without separate PCARDBs. Six states (Haryana, Karnataka, Kerala, Punjab, Rajasthan and Tamil Nadu) have a federal structure, *i.e.,* they lend through PCARDBs. Two states *viz.,* Himachal Pradesh and West Bengal, operate through their own branches as well as through PCARDBs.

V.50 The southern region has the largest network of long-term RCCs. The business models of both categories of long-term RCCs are borrowings-based, where SCARDBs borrow primarily from NABARD, and PCARDBs get requisite financial assistance from SCARDBs.

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

V.51 SCARDBs act as the apex institution in the long-term rural co-operative sector, both for providing finance and for co-ordinating the functions of PCARDBs and their branches. At end-March 2022, SCARDBs operated in 13 states with 794 branches. Their consolidated balance sheet expanded for the second year in a row during 2021-22, led by loans and advances. On the liabilities side, borrowings rebounded even as deposits contracted (Appendix Table V.8).

V.52 With the expansion in expenditure outpacing that in income, net profits contracted during 2021-22 (Appendix Table V.9). The asset quality of SCARDBs worsened, with rising NPA ratios as well as declining recovery-to-demand ratios. The central region outperformed the other regions with a significant decrease in the NPA ratio as well as increased recovery-to-demand ratio. All states in the southern region recorded profits (Appendix Tables V.10 and V.11).

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

V.53 At end-March 2022, there were 604 PCARDBs across 8 states. Their consolidated balance sheet growth decelerated during 2021-22, led by a slowdown in borrowings on the liabilities side and a reduction in investments on the assets side (Appendix Table V.12).

V.54 During 2021-22, both income and expenditure of PCARDBs contracted, with steeper fall in the former leading to net losses. Although interest expenses and provisioning requirements reduced, operating expenses — particularly, the wage bill — pulled up total expenditure (Appendix Table V.13). The NPA ratio deteriorated, driven by the doubtful assets category (Appendix Table V.14). The highest NPA ratios and the lowest recovery-to-demand ratios were observed in the northern region (Appendix Table V.15).

5. Overall Assessment

V.55 The health of UCBs improved further in 2022-23, which was reflected in stronger capital buffers and higher profitability. While there has been a sustained reduction in their GNPA ratio, it remains elevated. A further strengthening of the quality of governance, based on the three pillars of compliance, risk management, and internal audit, warrants priority. The introduction of the four-tiered regulatory framework is a step forward in this direction. The flexibility allowed to financially sound and well managed UCBs in opening branches will open new vistas of growth. The establishment of the National Urban Co-operative Finance and Development Corporation (NUCFDC) as an umbrella organisation is also expected to further support the UCB sector, *inter alia,* by extending loans, refinance facilities and liquidity support to UCBs. Among rural credit co-operatives, StCBs reported better performance during 2021-22 on improved asset quality and profitability. The financial health of other segments of the rural credit co-operatives, however, needs improvement. Going forward, robust internal governance practices and continuous technological upgradation and innovations will help co-operative banks to expand their operations and improve their financial health.

VI NON-BANKING FINANCIAL INSTITUTIONS

The balance sheet of non-banking financial companies (NBFCs) expanded at a fast pace in 2022-23, led by double digit credit growth. Housing finance companies (HFCs) exhibited resilience in 2022-23, with enhanced asset quality, improved profitability and robust growth in credit disbursement. The consolidated balance sheet of all India financial institutions (AIFIs) expanded in 2022-23 on the back of growth in loans and advances. With the implementation of scale based regulation (SBR), the Reserve Bank has further strengthened regulation and supervision of the NBFC sector.

1. Introduction

VI.1 During 2022-23, non-banking financial institutions (NBFIs) exhibited robust balance sheet growth, accompanied by improved asset quality and enhanced capital buffers. This chapter reviews the operations and financial performance of NBFIs regulated by the Reserve Bank[1], comprising of non-banking financial companies (NBFCs), housing finance companies (HFCs), all India financial institutions (AIFIs) and primary dealers (PDs) (Chart VI.1). NBFCs[2] encompass diverse entities, both government and private, and play an important role in credit intermediation, including niche activities like micro-finance, factoring and FinTech. HFCs[3] extend housing finance to individuals, co-operative societies and corporate bodies. 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 Housing Bank (NHB); and National Bank for Financing Infrastructure and Development (NaBFID)[4] are the apex financial institutions (FIs) which provide long-term funding to agriculture, foreign trade, small industries, housing finance companies and infrastructure, respectively. PDs are, *inter alia,* market makers in the government securities (G-secs) market.

VI.2 The rest of the chapter is ordered into four sections. An overview of the regulatory and balance sheet developments of NBFCs and HFCs during 2022-23 is provided in Section 2. Sections 3 and 4 assess the performance of AIFIs and PDs, respectively, with concluding observations in Section 5.

2. Non-Banking Financial Companies (NBFCs)[5]

VI.3 NBFCs are an integral part of the Indian financial system. They have consolidated their position in recent years, as reflected in a gradual

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.

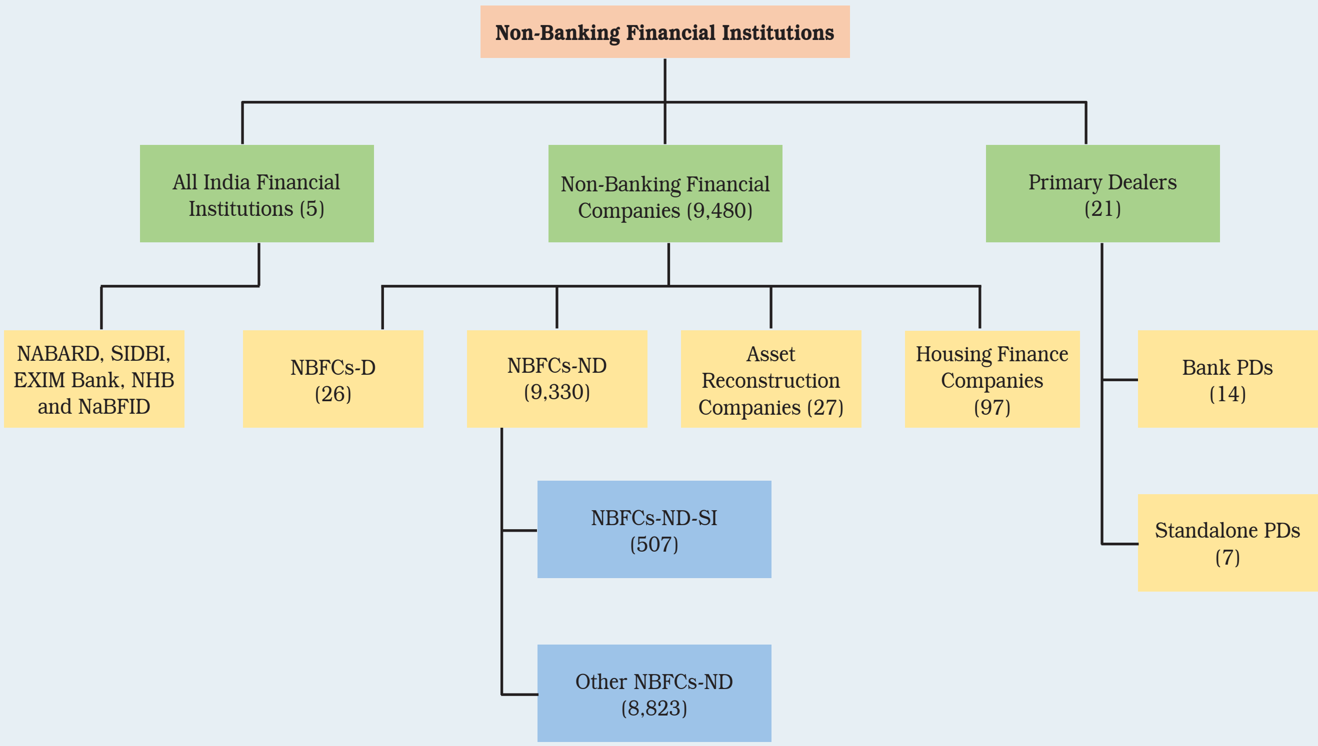
2 In this chapter, usage of the term 'category' refers to NBFC-D and NBFC-ND, while the term 'classification' refers to grouping of NBFCs according to activity, *i.e.*, NBFC-ICC, NBFC-MFI, NBFC-IDF *etc*.

3 The Finance (No.2) Act, 2019 (23 of 2019) amended the National Housing Bank Act, 1987, conferring certain powers for regulation of HFCs with the Reserve Bank of India. HFCs are now treated as NBFCs for regulatory purposes.

4 NaBFID has been set up as a Development Financial Institution (DFI) under the NaBFID Act, 2021, and shall be regulated and supervised as an AIFI by the Reserve Bank under Sections 45L and 45N of the RBI Act, 1934.

5 This section focuses only on NBFCs-D and NBFCs-ND-SI, excluding CICs and PDs.

Chart VI.1: Structure of NBFIs under the Reserve Bank's Regulation



Notes: 1. Figures in parentheses indicate the number of institutions (Provisional).
2. The number of NBFCs is at end-September 2023 and the number of HFCs is at end-March 2023.
3. Based on asset/liability structure, NBFCs are categorised into deposit-taking NBFCs (NBFCs-D) and non-deposit taking NBFCs (NBFCs-ND). Within NBFCs-ND, NBFCs with asset size of ₹500 crore or more are called non-deposit taking systemically important NBFCs (NBFCs-ND-SI) and the remaining are other NBFCs-ND. Under scale based regulation (SBR), a layer-wise regulatory structure is envisaged for NBFCs. Accordingly, all references to NBFC-ND, NBFC-ND-SI and NBFC-D shall mean NBFC-BL,NBFC-ML or NBFC-UL, as laid out in the SBR framework.
4. 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.
5. NBFCs-ND includes 53 CICs.

Source: RBI.

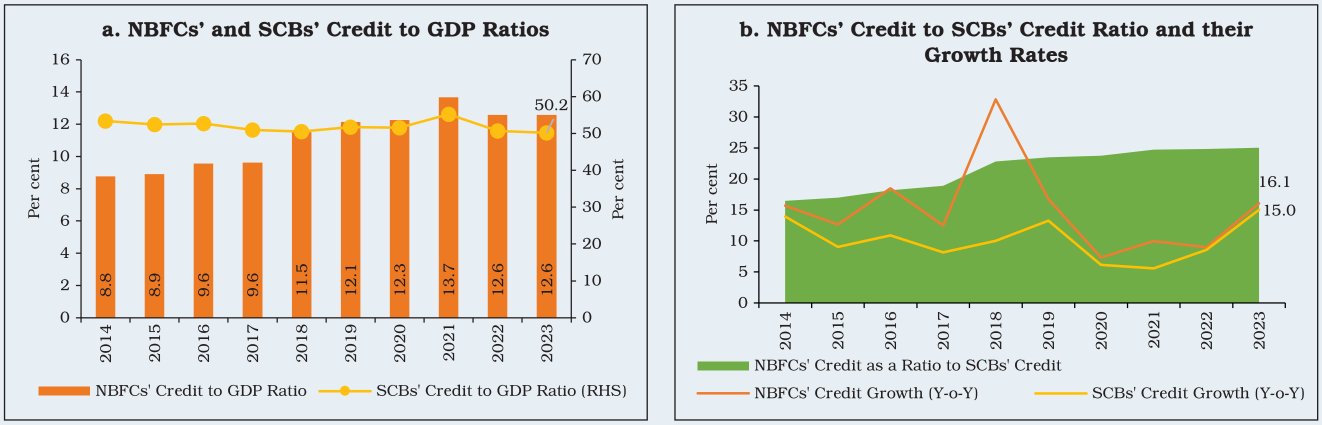
rise in their credit intensity (credit to Gross Domestic Product (GDP) ratio) as well as the relative importance in credit provision *vis-à-vis* scheduled commercial banks (SCBs) (Charts VI.2a and b).

VI.4 With the implementation of Scale Based Regulation (SBR) from October 2022, NBFCs have been segregated into four layers, namely, a Base Layer (NBFC-BL), a Middle Layer (NBFC-ML), an Upper Layer (NBFC-UL) and a Top Layer (NBFC-TL), based on size, activity, and the perceived level of riskiness (Chart VI.3). The top ten eligible NBFCs in terms of asset size shall always reside in the upper layer, along with other NBFCs that are identified on the basis of a set of parameters and scoring methodology. Accordingly, 15 NBFCs[6] (including five HFCs) have been placed in the upper layer and are subjected to enhanced regulatory oversight. The top layer will ideally remain empty unless the Reserve Bank identifies a considerable rise in potential systemic risk from any NBFC in the upper layer, which will be moved to the top layer.

[6] As per the Reserve Bank's press release dated September 14, 2023.

Chart VI.2: NBFCs' Credit *vis-à-vis* SCBs' Credit and GDP

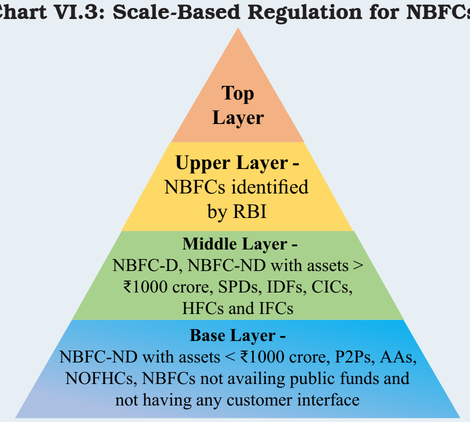
(At end-March)



Sources: 1. Report on Trend and Progress of Banking in India, various issues.
2. Handbook of Statistics on the Indian Economy, various issues.

VI.5 To ensure adequate capital to mitigate risks and strengthen internal risk management techniques, NBFC-ML and NBFC-UL are required to make internal capital assessments on lines similar to the Internal Capital Adequacy Assessment Process (ICAAP) prescribed for commercial banks under Pillar 2 of Basel-III norms. While Pillar 2 capital has not been made mandatory, NBFCs are expected to factor in credit risk, market risk, operational risk, and all other residual risks to decide the level of capital, as per an internally determined methodology. A large exposure framework has also been prescribed for NBFC-UL to limit concentration risks arising from exposure to a single counterparty or a group of connected counterparties. The Prompt Corrective Action (PCA) framework for NBFCs in the upper and middle layer, which became operational from October 2022, will also be extended to government NBFCs (except those in the base layer) from October 2024. The extant regulations prescribe that companies intending to commence NBFC activities must have at least ₹10 crore as net owned funds (NOF)[7]. The NOF requirement for existing NBFC-ICC, NBFC-MFI and NBFC-Factors will be raised to ₹10 crores by March 2027 following a glide-path. Apart from scale, the new regulatory framework retains activity-based regulation (Table VI.1).

Chart VI.3: Scale-Based Regulation for NBFCs



Notes: 1. NBFCs-D, CICs, NBFC-IFCs and HFCs will be included in the middle or the upper layer.
2. The remaining NBFCs, *viz*., NBFC-ICC, NBFC-MFI, NBFC-Factors and NBFC-MGC could lie in any of the layers depending on the parameters of SBR.
3. Government owned NBFCs shall be placed in the Base Layer or Middle Layer, as the case may be.

Source: RBI.

[7] For NBFC-P2P, NBFC-AA, and NBFCs with no public funds and no customer interface, the NOF remains at ₹2 crore. Further, there is no change in the existing regulatory minimum NOF for IDFs, IFCs, MGCs, HFCs, and SPDs.

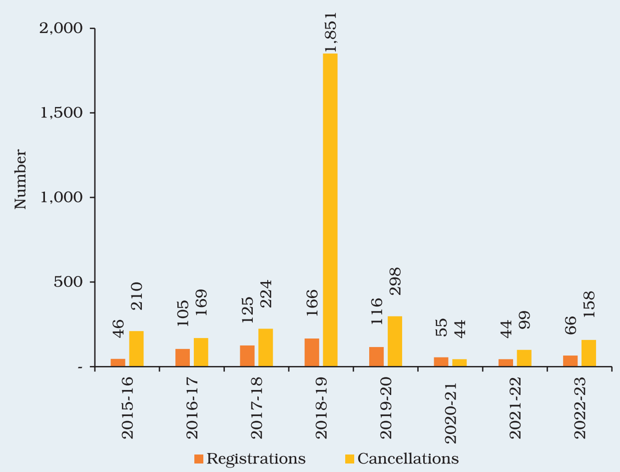
Table VI.1: Classification of NBFCs by Activity under the New Regulatory Framework

	Classification	Activity	Layer
	1	2	3
1.	Investment and Credit Company (NBFC-ICC)	Lending which supports productive/economic activities and acquisition of securities for investment.	Any layer, depending on the parameters of the scale based regulatory framework.
2.	NBFC-Infrastructure Finance Company (NBFC-IFC)	Infrastructure loans.	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 post commencement operations date (COD) infrastructure projects which have completed at least one year of satisfactory performance and finance toll operate transfer project as the direct lender.	Middle layer
5.	NBFC-Micro Finance Institution (NBFC-MFI)	Providing collateral free small ticket loans to economically disadvantaged groups.	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.	Mortgage Guarantee Company (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 information about a customer's financial assets 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.

VI.6 The number of registrations and cancellations of Certificate of Registrations (CoR) of NBFCs rose in 2022-23 (Chart VI.4). Apart from cancellation of CoR by the Reserve Bank, many NBFCs surrendered their licences for business reasons or other considerations. Violations of extant regulations and guidelines on outsourcing and Fair Practices Code (FPC) by some NBFCs had led to cancellation of their licenses. To address concerns relating to unbridled engagement of third parties, mis-selling, breach of data privacy, unfair business conduct, charging of exorbitant interest rates, and unethical recovery practices, the Reserve Bank released guidelines on digital lending in September 2022 to support orderly growth of credit delivery through digital lending methods.

Chart VI.4: Registrations and Cancellations of Certificate of Registrations of NBFCs



Notes: 1. NBFCs here refer to NBFCs-D and NBFCs-ND.
2. Data are provisional.
Source: Supervisory Returns, RBI.

2.1 Ownership Pattern

VI.7 The NBFC sector is dominated by non-deposit taking systemically important NBFCs (NBFCs-ND-SI), with a share of 85.4 per cent in the total assets of the sector at end-March 2023. This category mainly consists of non-government companies, although a few large government companies have a significant share in assets (Table VI.2).

VI.8 Deposit taking NBFCs (NBFCs-D) accounted for 14.6 per cent of the total assets of the NBFCs at end-March 2023. This category is dominated by non-government public limited companies, comprising 88 per cent of total assets of NBFCs-D (Table VI.2). As deposits accepted by NBFCs-D are not insured by the Deposit Insurance and Credit Guarantee Corporation (DICGC), the Reserve Bank has adopted a cautionary approach, mandating that NBFCs-D with minimum investment grade rating for their fixed deposits 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. In May 2022, it was mandated that minimum investment grade credit rating of 'BBB-' from any of the SEBI-registered credit rating agencies would be necessary for deposits of NBFCs.

2.2 Balance Sheet

VI.9 The pace of expansion in the balance sheet of NBFCs accelerated in 2022-23 (Table VI.3). This was led by double digit credit growth, mainly on account of unsecured loans. Growth in investments decelerated while cash and bank balances contracted. NBFCs improved their capital positions to cater to the rise in credit demand. Amidst tightening liquidity conditions and increasing competition from banks in segments like vehicle loans and loans against gold, NBFCs focused on lending to segments such as unsecured loans, micro-finance loans and MSMEs. The growth of unsecured loans (28.1 per cent) was more than twice that of secured loans (11.5 per cent). As a result, the share of secured loans in total NBFCs credit fell from 72.4 per cent at end-March 2022 to 69.5 per cent at end-March 2023, while that of unsecured loans inched up from 27.6 per cent to 30.5 per cent over the same period. NBFCs-D have a relatively higher share of secured loans in their lending portfolio, in contrast to NBFCs-ND-SI (Chart VI.5). Credit growth accelerated further at end-September 2023, while investments declined (Appendix Tables VI.1, VI.2 and VI.3).

VI.10 Maturity-wise, there has been a gradual shift towards shorter tenure loans (receivable

Table VI.2: Ownership Pattern of NBFCs

(At end-March 2023)

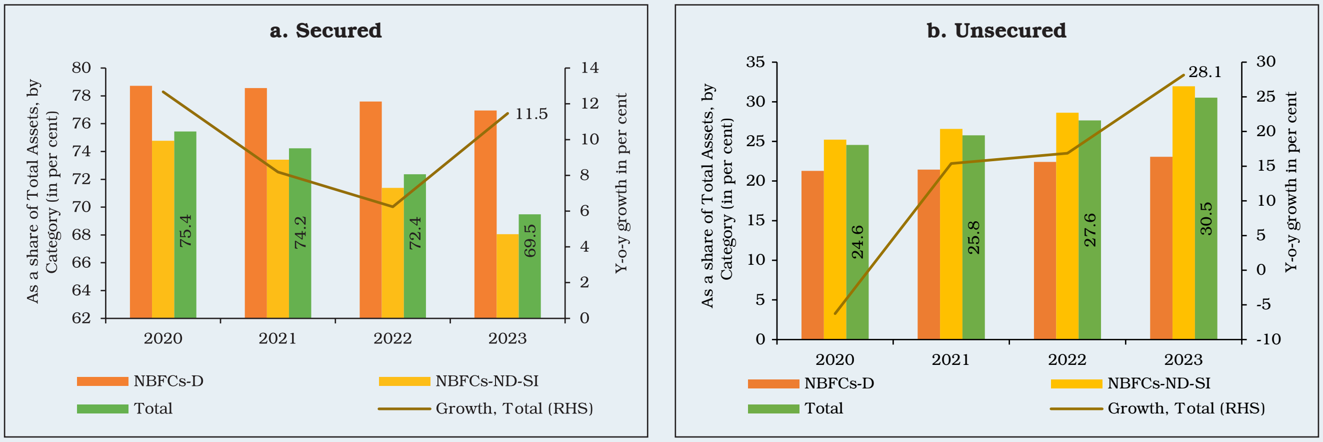
(Amount in ₹ crore)

Type	NBFC-ND-SI			NBFC-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**	**16,66,326**	**43.0**	**5**	**74,335**	**11.2**
B. Non-government Companies (1+2)	**473**	**22,09,876**	**57.0**	**31**	**5,86,602**	**88.8**
1. Public Limited Companies	54	5,12,337	13.2	10	5,81,466	88.0
2. Private Limited Companies	419	16,97,539	43.8	21	5,136	0.8
Total (A+B)	**492**	**38,76,202**	**100.0**	**36**	**6,60,937**	**100.0**

Notes: 1. The number of NBFCs-D registered with RBI at end-March 2023 was 39. The data in the table pertain to the reporting entities.
2. Data are provisional.

Source: Supervisory Returns, RBI.

Chart VI.5: Nature of NBFCs' Loans and Advances, by Category
(At end-March)



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

within 12 months) in credit extended by NBFCs. The longer tenure loans (receivable after 12 months) remained the predominant category (more than two-thirds of the loan book), *albeit* with a declining share (Chart VI.6a). NBFCs have maximum exposures to corporates, followed by

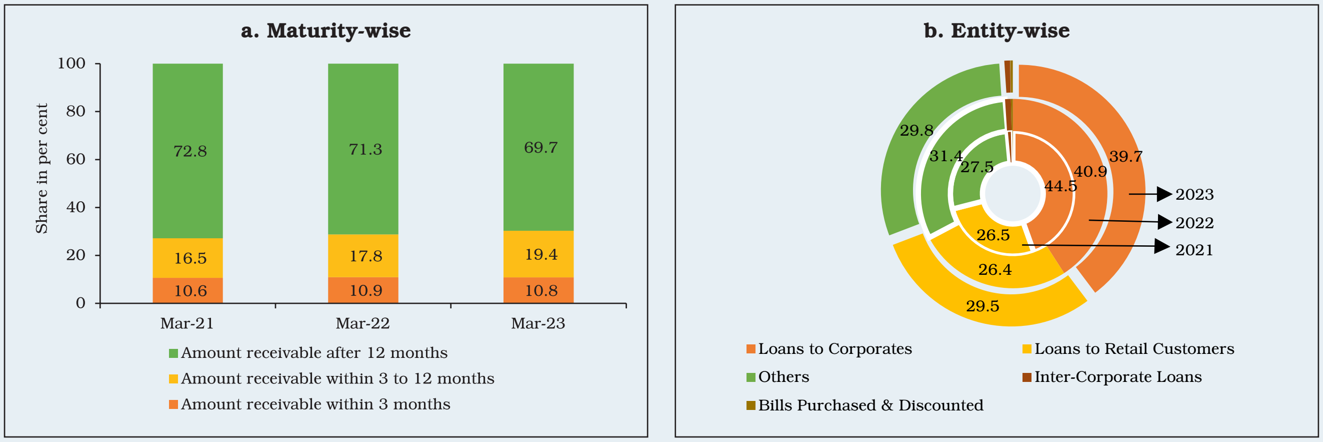
Table VI.3: Abridged Balance Sheet of NBFCs

(Amount in ₹ crore)

Items	At end-March 2022			At end-March 2023			At end-September 2023		
	NBFCs	NBFCs-ND-SI	NBFCs-D	NBFCs	NBFCs-ND-SI	NBFCs-D	NBFCs	NBFCs-ND-SI	NBFCs-D
1	2 (3+4)	3	4	5 (6+7)	6	7	8 (9+10)	9	10
1. Share Capital and Reserves	9,77,245 (19.3)	8,65,235 (20.5)	1,12,011 (10.6)	11,06,643 (13.2)	9,70,241 (12.1)	1,36,402 (21.8)	10,72,556 (3.6)	9,32,744 (1.8)	1,39,812 (17.0)
2. Public Deposits	70,539 (13.3)	- -	70,539 (13.3)	85,254 (20.9)	- -	85,254 (20.9)	96,156 (23.2)	- -	96,156 (23.2)
3. Debentures	10,14,611 (3.3)	9,05,609 (2.4)	1,09,003 (11.3)	11,10,234 (9.4)	9,93,194 (9.7)	1,17,039 (7.4)	11,45,536 (10.6)	10,22,363 (10.6)	1,23,173 (10.6)
4. Bank Borrowings	9,20,555 (18.8)	8,00,735 (21.2)	1,19,820 (4.6)	11,33,221 (23.1)	10,01,960 (25.1)	1,31,260 (9.5)	11,97,626 (22.3)	10,50,013 (25.1)	1,47,612 (5.5)
5. Commercial Paper	70,266 (-3.2)	62,366 (-2.7)	7,899 (-7.3)	84,366 (20.1)	67,778 (8.7)	16,589 (110.0)	1,14,109 (47.1)	85,671 (36.5)	28,438 (92.4)
6. Others	8,99,347 (10.1)	7,63,893 (11.8)	1,35,453 (1.4)	10,17,422 (13.1)	8,43,029 (10.4)	1,74,393 (28.7)	10,84,158 (13.4)	9,02,478 (10.7)	1,81,680 (29.1)
Total Liabilities/Assets	**39,52,564** **(12.0)**	**33,97,838** **(12.9)**	**5,54,726** **(7.0)**	**45,37,139** **(14.8)**	**38,76,202** **(14.1)**	**6,60,937** **(19.1)**	**47,10,141** **(13.2)**	**39,93,270** **(12.2)**	**7,16,871** **(18.6)**
1. Loans and Advances	29,52,442 (9.0)	24,88,611 (9.0)	4,63,831 (8.9)	34,26,970 (16.1)	28,74,066 (15.5)	5,52,904 (19.2)	36,93,921 (20.0)	30,73,905 (19.3)	6,20,016 (23.6)
2. Investments	5,88,527 (27.2)	5,42,574 (30.4)	45,953 (-1.4)	6,57,723 (11.8)	5,97,851 (10.2)	59,872 (30.3)	5,79,903 (-8.3)	5,26,114 (-8.9)	53,790 (-1.6)
3. Cash and Bank Balances	1,79,031 (12.6)	1,46,282 (17.4)	32,750 (-4.7)	1,74,972 (-2.3)	1,45,649 (-0.4)	29,323 (-10.5)	1,86,057 (-2.0)	1,63,093 (3.4)	22,964 (-28.5)
4. Other Assets	2,32,564 (17.6)	2,20,371 (18.3)	12,192 (7.1)	2,77,474 (19.3)	2,58,637 (17.4)	18,838 (54.5)	2,50,260 (-4.2)	2,30,158 (-6.1)	20,102 (25.8)

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

Chart VI.6: NBFCs' Loans and Advances
(At end-March)

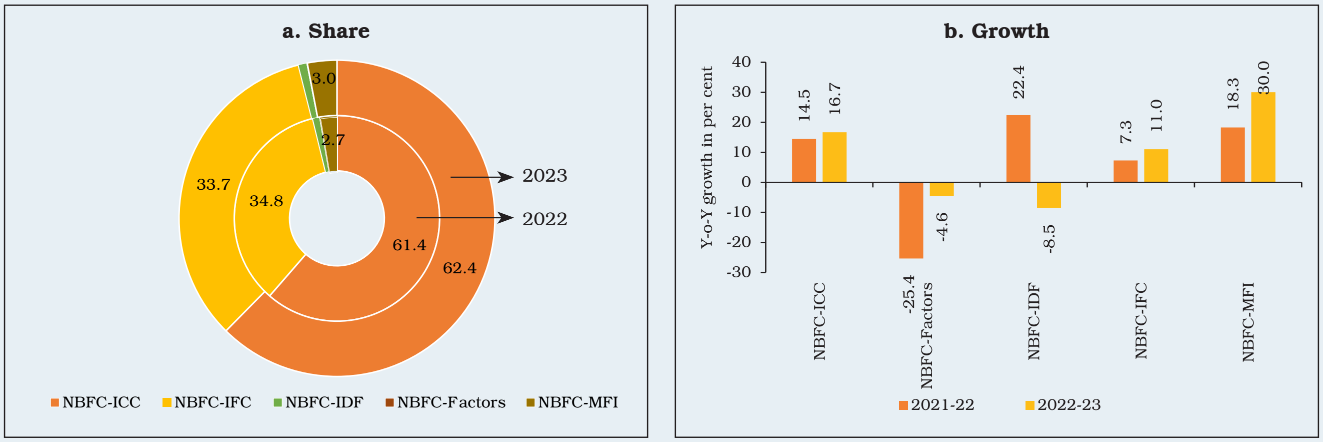


Note: Data are provisional.
Source: Supervisory Returns, RBI.

retail customers, which together account for almost 69 per cent of their loan book (Chart VI.6b). In 2022-23, retail loans grew twice as fast as loans to corporates.

VI.11 Taken together, NBFC-ICCs and IFCs accounted for more than 95 per cent of the assets of the sector at end-March 2023 (Chart VI.7a). ICCs mainly operate in the retail space, while IFCs provide infrastructure loans. Some large government NBFCs are registered as NBFC-IFCs and work in the infrastructure space. Two government IFCs with focus on the power sector saw higher credit growth in 2022-23. In line with the government's *Panchamrit* agenda which aims for non-fossil energy capacity of 500 GW by 2030, their renewable portfolio is expected to get a push in the coming years. The Ministry of Power has also allowed these NBFCs to lend to non-power infrastructure and to the logistics sector.

Chart VI.7: Total Assets of NBFCs, by Classification
(At end-March)



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

Table VI.4: Major Components of Liabilities and Assets of NBFCs by Classification

(Amount in ₹ crore)

Liabilities	As at end-March 2022		As at end-March 2023		As at end-September 2023		Percentage Variation	
	Borrowings	Total Liabilities	Borrowings	Total Liabilities	Borrowings	Total Liabilities	Borrowings	
							March 2022 over March 2021	March 2023 over March 2022
1	2	3	4	5	6	7	8	9
NBFC-ICC	13,61,713	24,26,544	16,28,268	28,31,352	17,38,838	29,08,844	12.0	19.6
NBFC-Factors	1,477	2,895	1,361	2,762	1,231	2,253	-19.7	-7.8
NBFC-IDF	34,641	42,644	31,985	39,023	37,157	44,755	21.8	-7.7
NBFC-IFC	11,10,763	13,75,340	12,39,073	15,27,270	12,91,860	16,18,457	6.6	11.6
NBFC-MFI	75,907	1,05,142	1,01,552	1,36,731	1,00,873	1,35,831	20.0	33.8
Total	**25,84,500**	**39,52,564**	**30,02,239**	**45,37,139**	**31,69,959**	**47,10,141**	**9.9**	**16.2**
Assets	Loans and Advances	Total Assets	Loans and Advances	Total Assets	Loans and Advances	Total Assets	Loans and advances	
							March 2022 over March 2021	March 2023 over March 2022
NBFC-ICC	15,91,476	24,26,544	18,97,266	28,31,352	20,60,590	29,08,844	10.7	19.2
NBFC-Factors	2,296	2,895	2,116	2,762	1,800	2,253	-22.5	-7.8
NBFC-IDF	34,475	42,644	36,506	39,023	42,589	44,755	13.4	5.9
NBFC-IFC	12,41,520	13,75,340	13,78,969	15,27,270	14,78,976	16,18,457	6.2	11.1
NBFC-MFI	82,676	1,05,142	1,12,113	1,36,731	1,09,966	1,35,831	20.1	35.6
Total	**29,52,442**	**39,52,564**	**34,26,970**	**45,37,139**	**36,93,921**	**47,10,141**	**9.0**	**16.1**

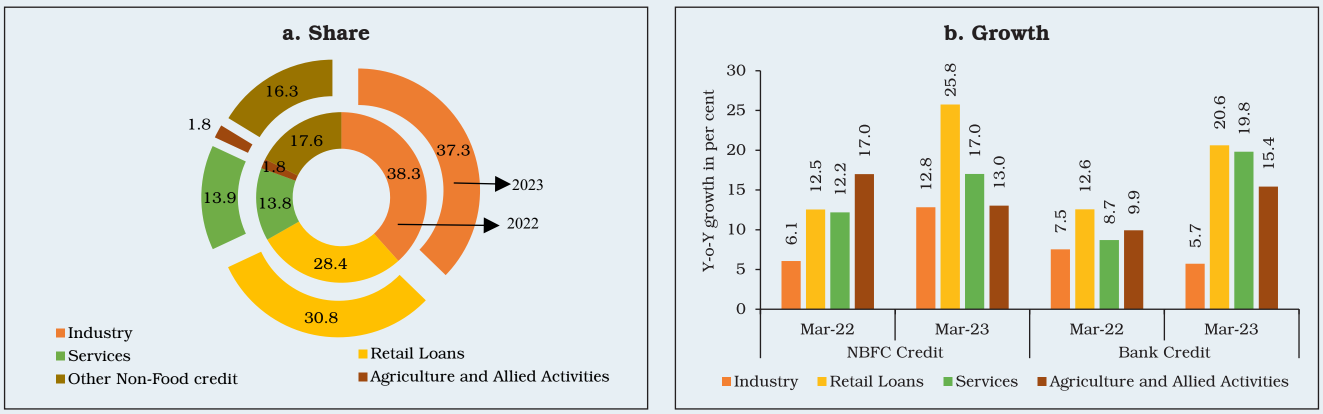
Note: Data are provisional.
Source: Supervisory Returns, RBI.

VI.12 NBFC-MFIs, an important segment in the NBFC universe, have been growing their share in total assets in recent years. In 2022-23, MFIs registered the highest growth in assets (30.0 per cent), followed by ICCs (16.7 per cent). The assets of IDFs, however, contracted in 2022-23 after growing at a healthy pace a year ago (Chart VI.7b). NBFC-Factors registered a contraction in credit in 2022-23 (Table VI.4).

2.3 Sectoral Credit of NBFCs

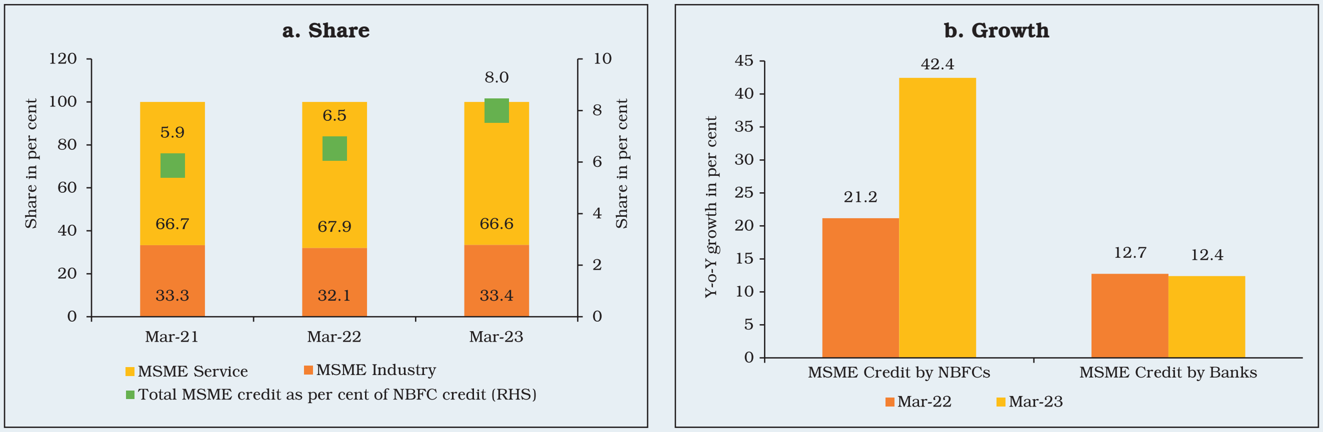
VI.13 In the sectoral distribution of NBFC credit, industry accounted for around two-fifth of the overall lending portfolio at end-March 2023, attributable to infrastructure lending by large government-owned NBFCs, followed by retail lending with a share of around 31 per cent (Chart VI.8a). In 2022-23, growth in credit to industry

Chart VI.8: Distribution of NBFC Credit
(At end-March)



Note: Data are provisional.
Sources: 1. Handbook of Statistics on the Indian Economy, RBI.
2. Supervisory Returns, RBI.

Chart VI.9: NBFCs' Credit to MSME Sector
(At end-March)



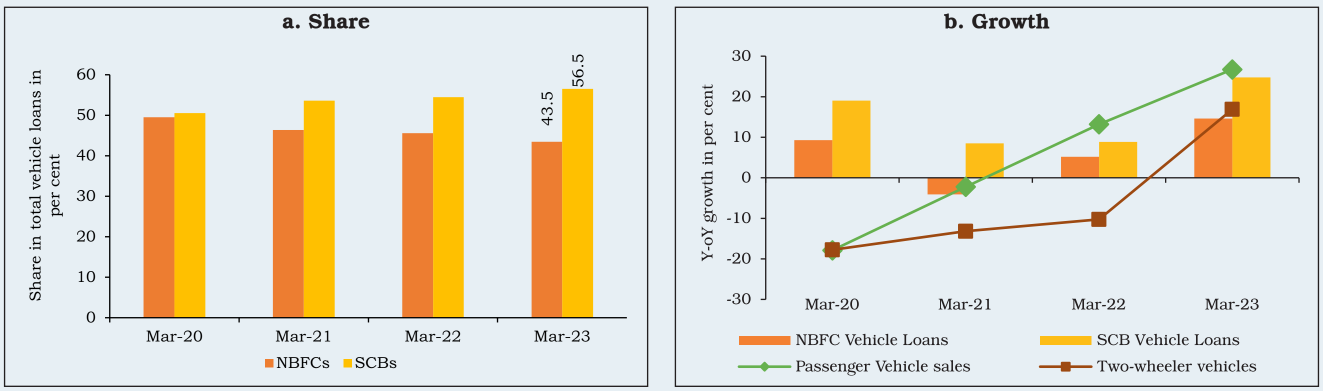
Note: Data are provisional.
Source: Supervisory Returns, RBI.

by NBFCs (12.8 per cent) was above that of the banking system (5.7 per cent). Credit to the retail segment by both NBFCs and banks grew at over 20 per cent. Credit by NBFCs to the services sector rose at a robust rate, *albeit* marginally lower than that of banks (Chart VI.8b).

VI.14 NBFCs have steadily expanded their micro, small and medium enterprises (MSMEs) portfolio, addressing the credit needs of the sector and contributing to overall financial inclusion and economic growth. MSMEs engaged in services account for a preponderant share of NBFC credit to the sector (Chart VI.9a). Credit growth by NBFCs to the MSME sector was more than three times that of banks, benefitting from their ability to offer customised financing solutions (Chart VI.9b). The co-lending framework for priority sector lending has also facilitated flow of credit by NBFCs to the MSME sector, leveraging on the low cost of funds of banks and greater reach of NBFCs.

VI.15 In 2022-23, NBFC credit to the vehicles segment rose by double digits as it emerged from the challenges of the COVID-19 pandemic (Chart VI.10).

Chart VI.10: Vehicle Loans- NBFCs *vis-à-vis* SCBs



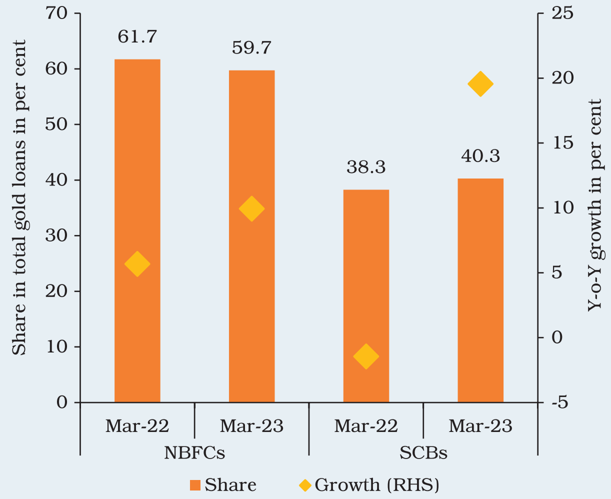
Note: Data are provisional.
Sources: 1. Supervisory Returns, RBI.
2. Handbook of Statistics on the Indian Economy, RBI.
3. Society of Indian Automobile Manufacturers (SIAM).

VI.16 NBFCs remain the dominant provider of gold loans although their growth trailed banks (Chart VI.11). In this space as well, banks and NBFCs are increasingly partnering with each other to realise the synergies from collaboration.

VI.17 NBFC credit to the services sector expanded, driven by transport operators and retail trade, in 2022-23 (Appendix VI.4). Credit to agriculture and allied activities also grew steadily (Table VI.5). Credit growth to major sectors remained in double digits on a year-on-year basis at end- September 2023.

VI.18 Amongst the various classifications of NBFCs, the lending portfolio of ICCs is

Chart VI.11: Advances against Gold by NBFCs and SCBs



Note: Data are provisional.
Sources: 1. Supervisory Returns, RBI.
2. Handbook of Statistics on the Indian Economy, RBI.

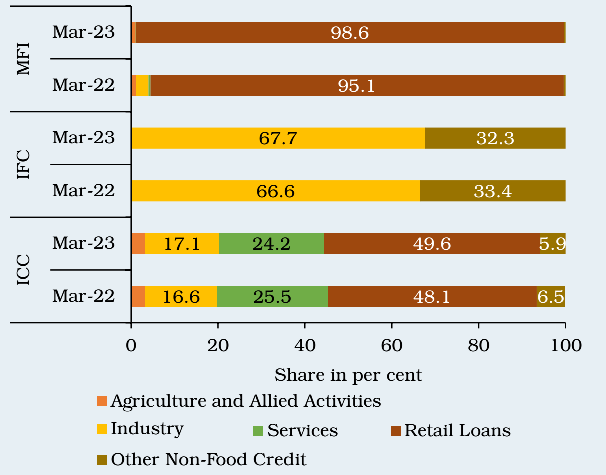
Table VI.5: Sectoral Credit Deployment by NBFCs

(Amount in ₹ crore)

Items	End- March 2022	End- March 2023	End- September 2023	Percentage Variation	
				2021-22	2022-23
1	2	3	4	5	6
I. Gross Advances (II + III)	**29,52,442**	**34,26,970**	**36,93,921**	**9.0**	**16.1**
II. Food Credit	**1,739**	**-**	**-**	**-**	**-**
III. Non-Food Credit (1 to 5)	**29,50,703**	**34,26,970**	**36,93,921**	**8.9**	**16.1**
1. Agriculture and Allied Activities	**53,759**	**60,760**	**70,603**	**17.0**	**13.0**
2. Industry (2.1 to 2.4)	**11,31,558**	**12,76,666**	**13,45,347**	**6.1**	**12.8**
2.1 Micro and Small	44,329	71,638	83,879	16.5	61.6
2.2 Medium	17,411	20,068	18,546	16.7	15.3
2.3 Large	8,94,541	10,20,441	10,98,821	4.6	14.1
2.4 Others	1,75,277	1,64,519	1,44,101	10.2	-6.1
3. Services	**4,07,367**	**4,76,728**	**4,90,536**	**12.2**	**17.0**
Of which					
3.1 Retail Trade	41,190	59,470	68,001	52.5	44.4
3.2 Commercial Real Estate	87,566	84,666	83,325	6.8	-3.3
4. Retail Loans (4.1 to 4.10)	**8,38,528**	**10,54,530**	**11,96,757**	**12.5**	**25.8**
4.1 Housing Loans (incl. priority sector Housing)	23,280	32,425	39,223	8.9	39.3
4.2 Consumer Durables	24,789	31,543	38,484	33.9	27.2
4.3 Credit Card Receivables	32,710	44,007	49,231	25.8	34.5
4.4 Vehicle/Auto Loans	3,35,460	3,84,475	4,33,653	5.2	14.6
4.5 Education Loans	14,162	25,352	36,330	52.7	79.0
4.6 Advances against Fixed Deposits (incl. FCNR(B), *etc.*)	43	215	247	37.0	406.9
4.7 Advances to Individuals against Shares, Bonds, *etc.*	13,023	14,053	18,532	56.8	7.9
4.8 Advances to Individuals against Gold	1,19,311	1,31,165	1,40,901	5.7	9.9
4.9 Micro Finance Loan/SHG Loan	81,599	1,18,752	1,16,908	22.6	45.5
4.10 Other Retail Loans	1,94,153	2,72,543	3,23,248	19.0	40.4
5. Other Non-Food Credit	**5,19,491**	**5,58,287**	**5,90,677**	**6.4**	**7.5**

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

Chart VI.12: Sectoral Distribution of Credit, by Classification (At end-March)



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

dominated by retail lending, while NBFC-MFIs are leading providers of small, collateral-free loans to unserved and underserved groups who have little or no access to traditional financial services. In contrast, IFCs lend primarily to the infrastructure segment of industry, mostly power and railways (Chart VI.12).

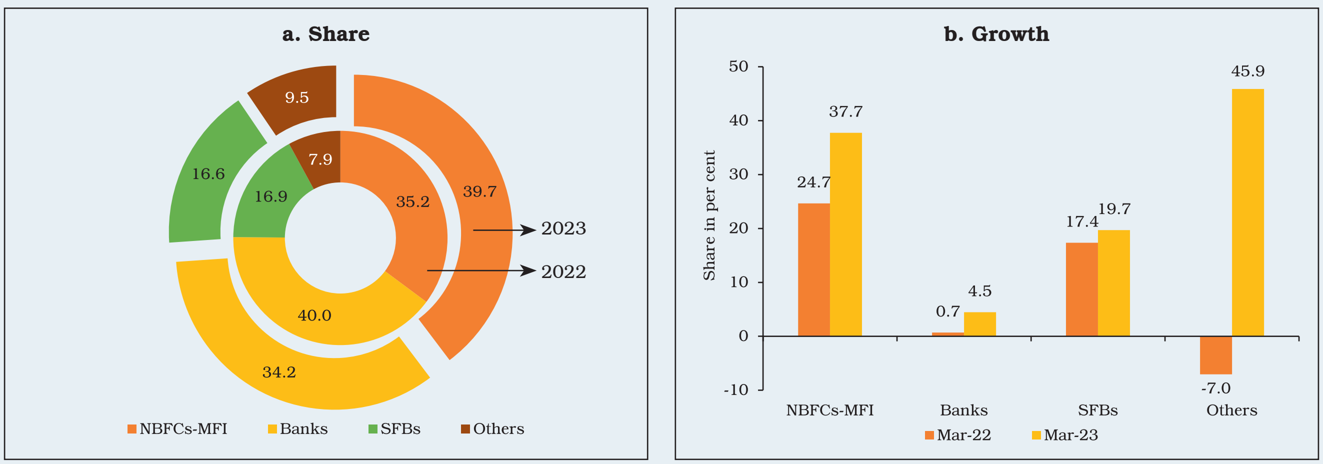
VI.19 In 2022-23, NBFC-MFIs outpaced banks in micro-credit disbursements, emerging as the largest provider of credit with nearly 40 per cent share in the microfinance segment aided, *inter alia*, by regulatory changes (Chart VI.13).

2.4 Resource Mobilisation

VI.20 NBFCs rely on borrowings, primarily from markets and banks, to finance their operations. At end-March 2023, bank borrowings displaced debentures as the largest source of funds for NBFCs (Table VI.6). Borrowings from banks continued to exhibit high growth at end-September 2023. Around two-third of NBFCs' borrowings is payable in more than 12 months. At end-March 2023, there was a marginal uptick in short-term borrowings which are payable in three months or less (Chart VI.14).

VI.21 More than 80 per cent of non-convertible debentures (NCDs) issued by private NBFCs were rated either AAA or AA. NCD issuances increased in 2022-23 (Chart VI.15a). In Q1:2023-24, NCDs of 2-3 year tenor constituted

Chart VI.13: Micro-credit Outstanding across Regulated Entities
(At end-March)



Source: Microfinance Institutions Network (MFIN).

Table VI.6: Sources of Borrowings of NBFCs

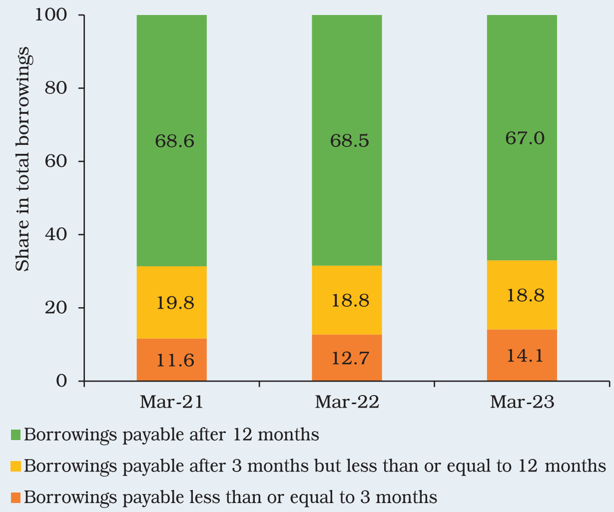
(Amount in ₹ crore)

Items	At end-March -2022	At end-March -2023	At end-September -2023	Percentage Variation 2021-22	Percentage Variation 2022-23
1	2	3	4	5	6
1. Debentures	10,14,611 (39.3)	11,10,234 (37.0)	11,45,536 (36.1)	3.3	9.4
2. Bank borrowings	9,20,555 (35.6)	11,33,221 (37.7)	11,97,626 (37.8)	18.8	23.1
3. Borrowings from FIs	69,078 (2.7)	89,982 (3.0)	99,844 (3.1)	21.3	30.3
4. Inter-corporate borrowings	89,896 (3.5)	1,05,184 (3.5)	1,04,148 (3.3)	15.5	17.0
5. Commercial paper	70,266 (2.7)	84,366 (2.8)	1,14,109 (3.6)	-3.2	20.1
6. Borrowings from Government	18,562 (0.7)	18,750 (0.6)	18,758 (0.6)	-3.0	1.0
7. Subordinated debts	72,349 (2.8)	72,510 (2.4)	68,285 (2.2)	4.5	0.2
8. Other borrowings	3,29,182 (12.7)	3,87,991 (12.9)	4,21,653 (13.3)	10.6	17.9
9. Total borrowings	**25,84,500**	**30,02,239**	**31,69,959**	**9.9**	**16.2**

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

Source: Supervisory Returns, RBI.

Chart VI.14: Repayment of NBFCs' Borrowings



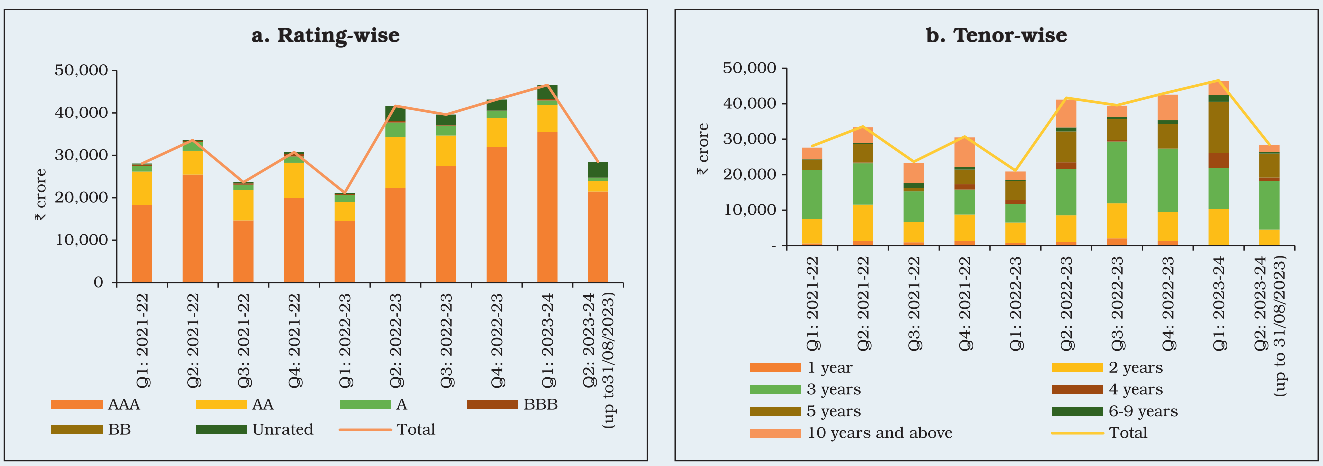
Note: Data are provisional.
Source: Supervisory Returns, RBI.

about 50 per cent of the total NCDs issued while longer tenor issuances (greater than 10 years) had a share of around 20 per cent (Chart VI.15 b).

VI.22 The spreads on bonds issued by NBFCs remained below their levels in the pre-pandemic period, reflecting an improvement in activity and market confidence (Chart VI.16a and b).

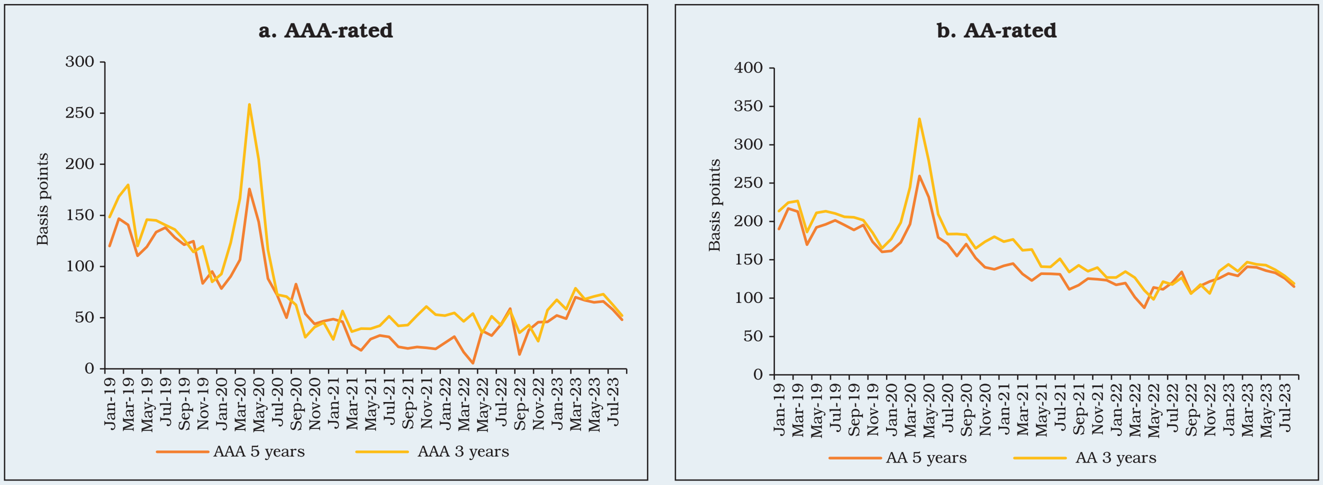
VI.23 The interconnectedness of NBFCs' with banks has increased in recent years in view of their growing reliance on banks for funding needs (Box VI.1).

Chart VI.15: NCD Private Placements of Private NBFCs



Sources: 1. RBI staff estimates.
2. PRIME database.

Chart VI.16: Spread of NBFC Bonds over G-Sec of Corresponding Maturity



Source: FIMMDA, Bloomberg.

2.5 NBFCs-D: Deposits

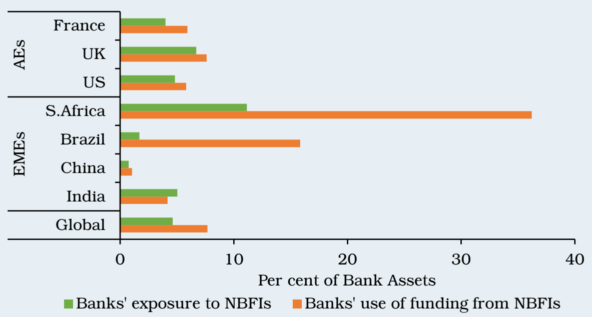
VI.24 The share of public deposits in the total borrowings of NBFCs-D has increased steadily due to competitive interest rates offered and robust credit ratings. The number of NBFCs permitted to accept deposits has been declining,

Box VI.1: Rising Interconnectedness of NBFCs with Banks in India

The rapid growth experienced by NBFCs is associated with growing interconnectedness with other FIs, including banks. While allowing surplus savings to move to sectors which are credit deficient, growing interconnectedness can also amplify systemic risks during periods of stress. Direct interconnectedness occurs when two entities are direct counterparties through debt instruments, shares or other contractual relationships. Indirect interconnectedness can arise when FIs hold common exposures to certain sectors, markets or instruments or a part of the same collateral chains, same corporate groups, or are exposed to reputational risk owing to financial support provided to subsidiaries or similar entities (José Alonso, 2019).

While indirect interconnectedness is difficult to ascertain due to data limitations, the FSB (Financial Stability Board, 2022) provides an intertemporal cross-country perspective of direct interconnectedness between banks and NBFIs[8]. Two facets emerge in this regard. First, banks remain globally net borrowers from NBFIs. Second, the interconnectedness between them has continued to fall. The opposite holds true for India, however, where banks are net lenders to NBFIs (Chart VI.1.1). Furthermore, the interconnectedness between them has increased. The main interconnectedness in India is between banks and

Chart VI.1.1: Banks Exposure and Funding from NBFIs
(At end-December 2021)

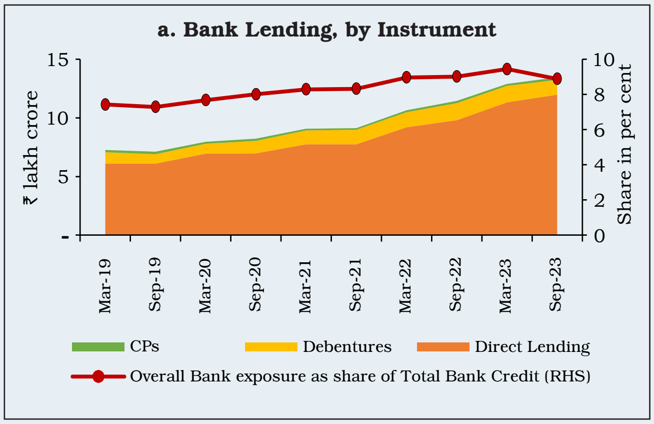


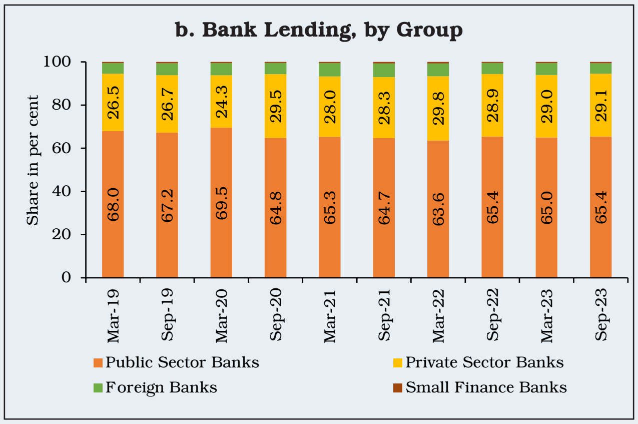
Note: Global refers to group of 21 individual non-Euro area jurisdictions and 19-member Euro area as a whole.
Source: Calculated from Global Monitoring Report on Non-Bank Financial Intermediation, 2022 published by Financial Stability Board.

(Contd...)

[8] NBFI is a broad term which includes insurance corporations, pension funds, other financial intermediaries and financial auxiliaries.

Chart VI.1.2: Bank Lending to NBFCs





Sources: 1. Supervisory Returns, RBI.
2. Handbook of Statistics on the Indian Economy, RBI.

Other Financial Intermediaries[9] (OFIs). Within OFIs, the exposure of banks is concentrated in finance companies (mainly NBFCs and HFCs), accounting around 89 per cent of exposure of banks to NBFIs at end-December 2021. They are also the largest borrowers from the financial system (RBI, 2023a).

The direct interconnectedness of NBFCs with banks has been rising in India due to higher borrowings from banks (Chart VI.1.2a). Banks' exposure to NBFCs is primarily through direct lending (around 88 per cent of their exposure to the sector at end-March 2023). They also subscribe to debentures and commercial paper issued by NBFCs. Bank-group-wise, public sector banks remain the largest lenders to NBFCs, although their share has been declining with a rise in that of private sector banks (Chart VI.1.2b).

Around 90 per cent of bank lending is to NBFCs rated A and above (RBI, 2023b). The implementation of SBR has brought in stronger regulatory oversight, based on size, activity, and riskiness. Further, effective November 16, 2023, the Reserve Bank increased the risk weights on loans by SCBs to NBFCs by 25 percentage points (over and above the risk weight associated with the given external rating) in all cases where the extant risk weight as per external rating of NBFCs is below 100 per cent. Going forward, NBFCs need to diversify and look beyond banks for their funding requirements.

References

Financial Stability Board (2022), *Global Monitoring Report on Non-Bank Financial Intermediation.*

José Alonso, P. S. (2019), "Financial System Interconnectedness". *Financial Stability Review, Issue 37*, 181.

RBI (2023a), *Financial Stability Report, Issue No. 27.*

RBI (2023b), "India's Financial Sector - From Exuberance to Resilience", Speech delivered by Dr. Michael Debabrata Patra, Deputy Governor, Reserve Bank of India- at the 16th SEACEN-BIS High Level Seminar.

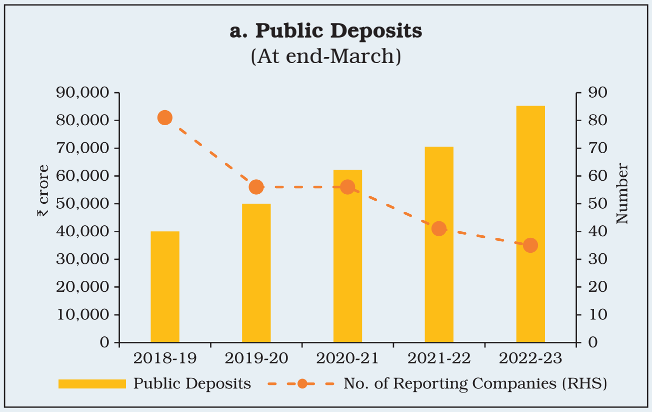
however (Chart VI.17a). At end-March 2023, four NBFCs-D accounted for nearly 90 per cent of the public deposit corpus of NBFCs, with each of them having aggregate deposits of over ₹5,000 crores (Chart VI.17b).

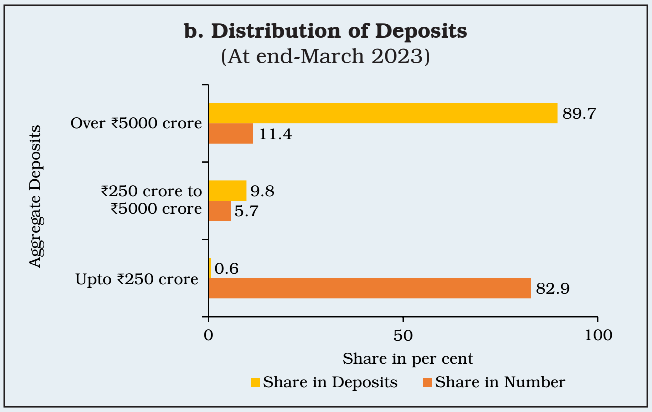
2.6 Loan Sales and Securitisation

VI.25 Loan sales are resorted to by lending institutions for reasons ranging from liquidity management, rebalancing their exposures or strategic sales. Loan sales grew swiftly in 2022-

[9] OFIs include money market funds, hedge funds, other investment funds, captive financial institutions and money lenders, central counterparties, broker-dealers, finance companies, trust companies, and structured finance vehicles.

Chart VI.17: Public Deposits with NBFCs- D





Note: 1. NBFCs-D have been grouped into different buckets on the basis of size of their aggregate public deposits. No NBFCs-D had deposits in the bucket of ₹250-500 crore and ₹500-1,000 crore.
2. Data are provisional.

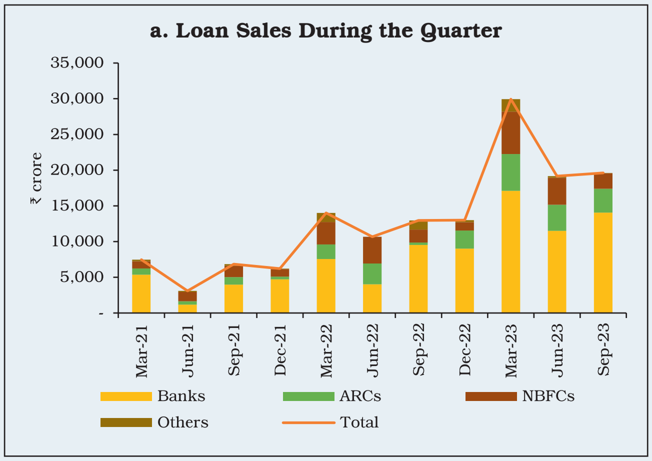
Source: Supervisory Returns, RBI.

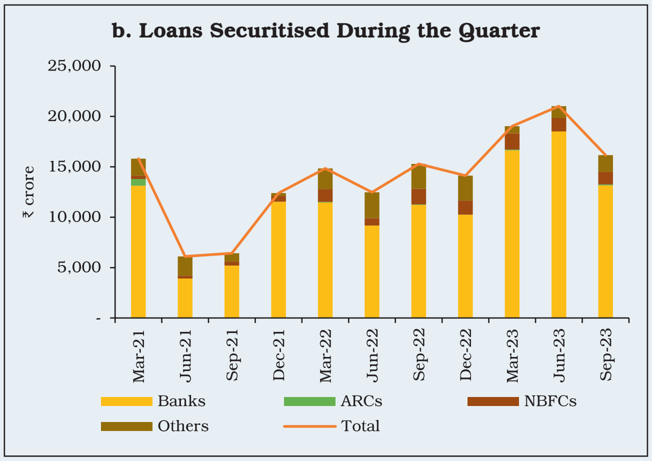
23, mainly due to one NBFC (Chart VI.18a). In securitisation, FIs sells its assets to a special purpose entity which funds the acquisition by issuing debt securities. It allows efficient distribution of credit risk amongst FIs in line with their risk appetite. Securitisation has emerged as a major source of funding for NBFCs and crossed pre-COVID levels in March 2023 (Chart VI.18b). Banks have been a major participant in both the above segments.

2.7 Asset Liability Profile of NBFCs

VI.26 Short-term structural liquidity position in the 1-30/31 days bucket is critical for liquidity risk management[10]. NBFCs maintained a comfortable liquidity position in this bucket at

Chart VI.18: Loan Sales and Securitisation by NBFCs-ND-SI



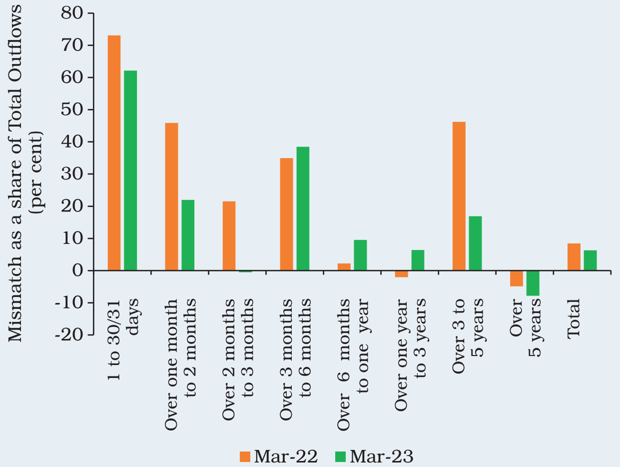


Note: Data are provisional.

Source: Supervisory Returns, RBI.

[10] Structural liquidity position is arrived at by deducting cash outflows from cash inflows across various time buckets. A positive mismatch highlights a comfortable structural liquidity position which can be attributed to either an increase in cash inflows or a decrease in cash outflows in the corresponding time bucket, whereas a negative mismatch points towards shortage of cash inflows against cash outflows in the corresponding time bucket.

Chart VI.19: Structural Liquidity Statement of NBFCs
(At end- March)



Notes: 1. Data are provisional.
2. Mismatch is defined as inflows minus outflows.
Source: Supervisory Returns, RBI.

end-March 2023, *albeit* at a lower level than a year ago. Furthermore, NBFCs also had a net positive position across all buckets at end-March 2023, except for 2-3 months and over five years (Chart VI.19).

2.8 Financial Performance of NBFCs

VI.27 Aggregate income of NBFCs grew steeply in 2022-23, led by interest income. About 90 per cent of the total income accruing to NBFCs in 2022-23 was from fund-based resources, even as the share of fee-based income has seen a gradual rise in recent years. Expenditure was driven by interest expenses (around one-third of their total expenditure during 2022-23) and operating costs (around one-fourth of the total) (Appendix VI.5 and VI.6). On the other hand, provisions maintained against NPAs came down during the year. With expenditure increasing at a slower pace than total income, net profit of NBFCs grew significantly. The cost to income ratio declined, indicating improvement in operational efficiency. In H1:2023-24, net profit growth remained robust (Table VI.7).

VI.28 Key profitability indicators *i.e.*, return on assets (RoA), return on equity (RoE) and net interest margin (NIM) improved during

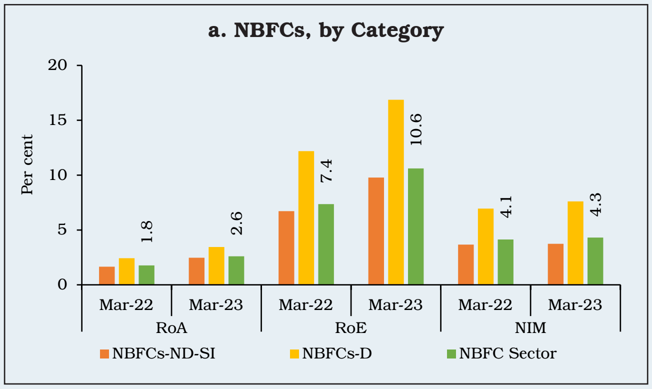
Table VI.7: Financial Parameters of the NBFC Sector

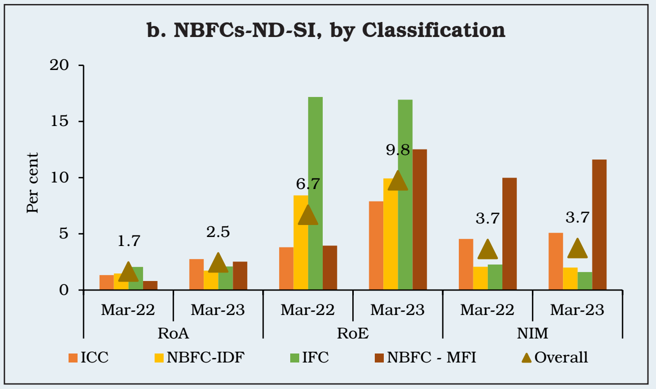
(Amount in ₹ crore)

Items	2021-22			2022-23			H1:2023-24		
	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	3,91,017 (8.5)	3,17,992 (9.7)	73,025 (3.8)	4,75,216 (21.5)	3,88,011 (22.0)	87,205 (19.4)	2,55,124 (15.6)	2,05,541 (13.8)	49,583 (23.6)
B. Expenditure	3,03,445 (-0.1)	2,47,713 (0.9)	55,732 (-4.4)	3,37,665 (11.3)	2,78,321 (12.4)	59,344 (6.5)	1,77,352 (8.3)	1,43,068 (5.1)	34,284 (24.3)
C. Net Profit	66,139 (57.3)	53,151 (60.9)	12,988 (44.4)	1,10,625 (67.3)	89,680 (68.7)	20,946 (61.3)	61,208 (33.8)	49,639 (37.0)	11,569 (21.7)
D. Total Assets	39,52,564 (12.0)	33,97,838 (12.9)	5,54,726 (7.0)	45,37,139 (14.8)	38,76,202 (14.1)	6,60,937 (19.1)	47,10,141 (13.2)	39,93,270 (12.2)	7,16,871 (18.6)
E. Financial Ratios (as per cent of Total Assets)									
(i) Income	9.9	9.4	13.2	10.5	10.0	13.2	10.8	10.3	13.8
(ii) Expenditure	7.7	7.3	10.0	7.4	7.2	9.0	7.5	7.2	9.6
(iii) Net Profit	1.7	1.6	2.3	2.4	2.3	3.2	2.6	2.5	3.2
F. Cost to Income Ratio (Per cent)*	77.6	77.9	76.3	71.1	71.7	68.1	69.5	69.6	69.1

*: Cost to Income Ratio = Total Expenditure / Total Income.
Notes: 1. Data are provisional.
2. Figures in parentheses indicate Y-o-Y growth in per cent.
Source: Supervisory Returns, RBI.

Chart VI.20: Profitability Ratios of NBFCs





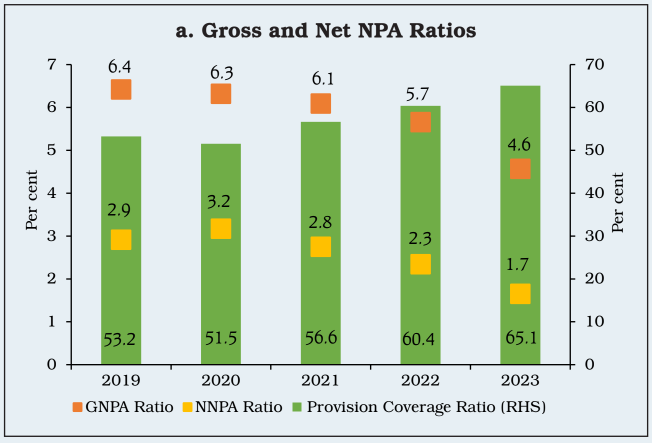
Return on Assets (RoA) = Net Profit/ Average Total Assets
Return on Equity (RoE) = Net Profit/ Average Total Equity
Net Interest Margin (NIM) = Net Interest Income/Average Total Assets
Note: Data are provisional.
Source: Supervisory Returns, RBI.

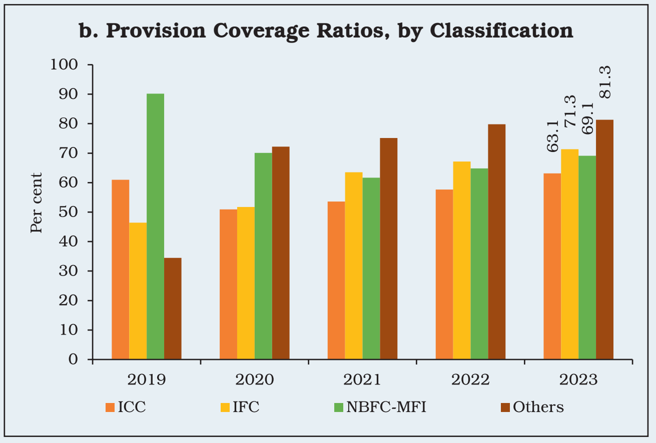
2022-23 (Chart VI.20a). All classifications of NBFCs-ND-SI, except IFCs, registered increase in profitability ratios at end-March 2023 (Chart VI.20b).

2.9 Asset Quality

VI.29 The Reserve Bank allowed NBFCs time till September 30, 2022 to follow NPA upgradation norms, which clarified that loan accounts classified as NPAs may be upgraded as standard asset only if entire arrears of interest and principal are paid by the borrower. In 2022-23, the asset quality of NBFCs improved. Lower slippages also contributed to a reduction in the GNPA ratio to a five-year low in 2022-23. The provision coverage ratio (PCR) increased from 51.5 per cent at end-March 2020 to 65.1 per cent at end-March 2023 for NBFCs (Chart VI.21). As at end-September 2023, asset quality of the sector showed further improvement as the GNPA and NNPA ratios fell to 4.1 per cent and 1.5 per cent, respectively.

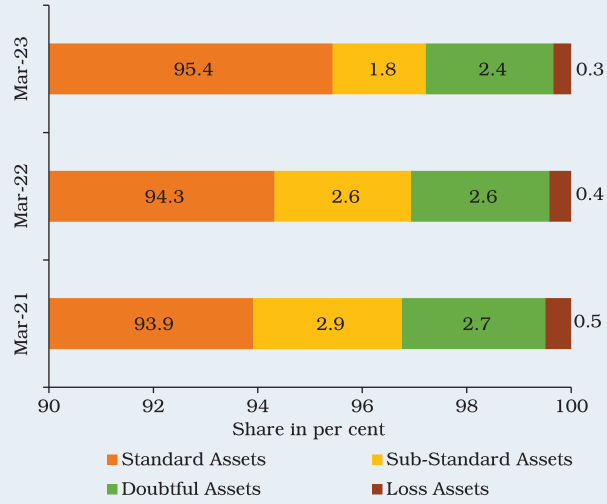
Chart VI.21: Asset Quality of NBFCs
(At end-March)





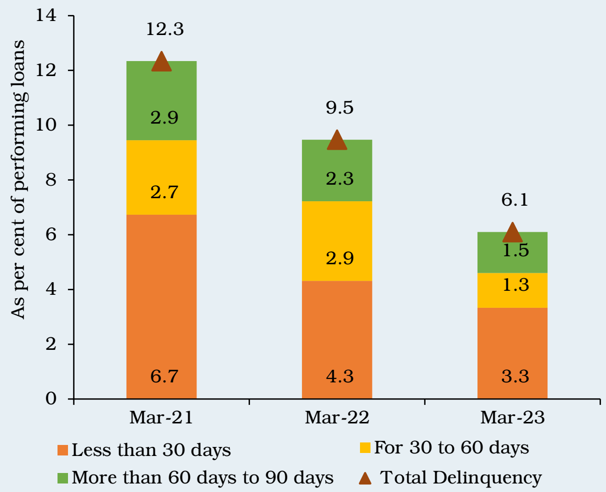
Note: Data are provisional.
Source: Supervisory Returns, RBI.

Chart VI.22: Classification of NBFCs' Assets
(At end-March)



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

Chart VI.23: Delinquency in Performing Assets
(At end-March)



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

VI.30 In 2022-23 and H1:2023-24, the proportion of standard assets improved. All three categories of NPAs also moderated[11] (Chart VI.22).

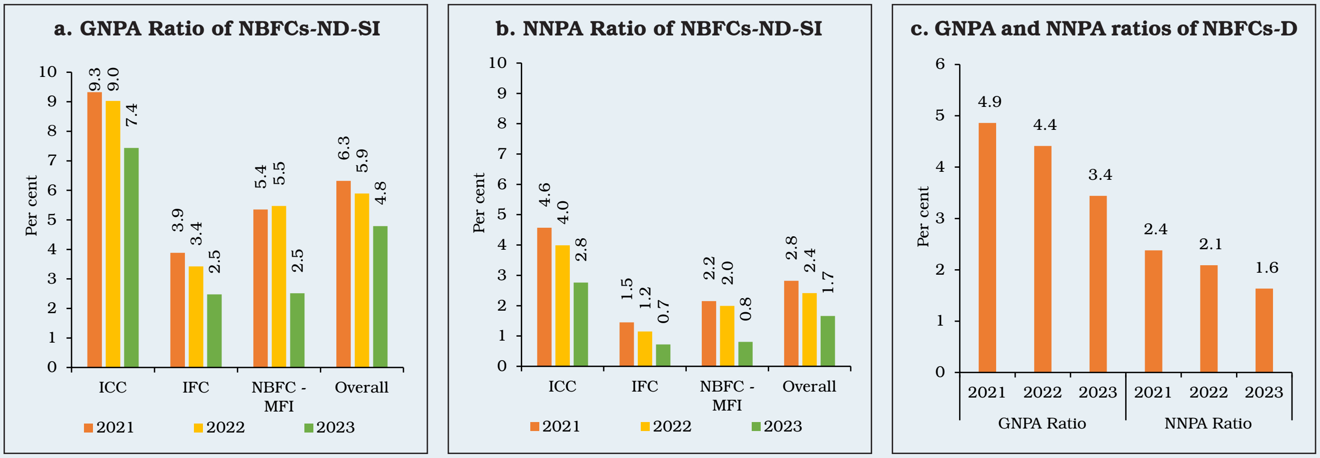
VI.31 As the impact of the pandemic waned and economic activity gained traction, the overall delinquency in performing loans almost halved from 12.3 per cent at end-March 2021 to 6.1 per cent at end-March 2023. The delinquency ratios in all buckets came down during 2022-23, with the maximum delinquency in the less than 30 days bucket (Chart VI.23). The proportion of standard assets with no overdues increased from 87.7 per cent at end-March 2021 to 93.9 per cent at end-March 2023.

VI.32 GNPA and NNPA ratios of ICCs, IFCs and NBFC-MFIs moderated as at end-March 2023, mirroring the overall improvement in asset quality of the segment (Chart VI.24 a and b). Similar trends were also exhibited by NBFCs-D, with lower fresh accretion to NPAs and robust growth in credit (Chart VI.24c). Asset quality of both NBFCs-ND-SI and NBFCs-D improved further at end-September 2023.

VI.33 Sector-wise, the GNPA ratio for agriculture and allied activities, industry and services at end-March 2023 remained above the overall GNPA ratio of NBFCs, while for the retail sector, it was below the overall average. MSMEs registered high GNPA ratios, although they were lower than a year ago. Within the services sector, commercial real estate showed a deterioration in asset quality. In retail loans, the vehicle loan segment registered an improvement during the period under review (Chart VI.25). Asset quality improved further across major sectors by end-September 2023.

[11] Based on their performance, assets can be classified into standard or non-performing, with the latter further categorised into sub-standard (non-performing for a period not exceeding 12 months), doubtful (asset remains sub-standard for a period exceeding 12 months) and loss assets (adjudged non-recoverable by the NBFC).

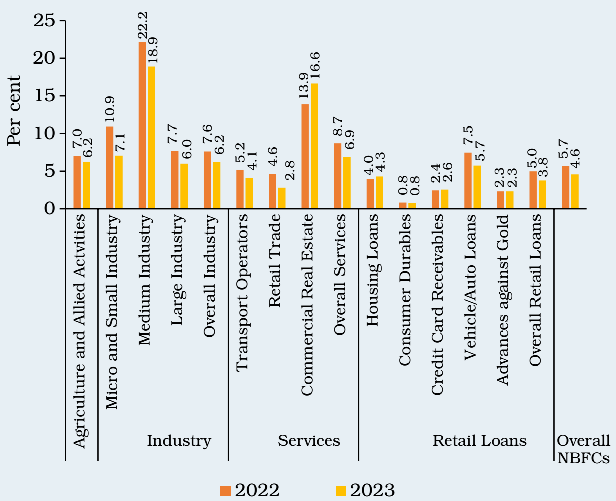
Chart VI.24: NPA Ratios, by Category
(At end-March)



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

VI.34 The share of large borrowal accounts (exposure of ₹5 crore and above) in gross advances extended by NBFCs declined marginally at end-March 2023. The large borrowal accounts accounted for over two-thirds of the total NPAs of the sector (Chart VI.26a). Special mention accounts (SMAs) classification enables a timely identification of incipient stress and remedial actions to prevent potential slippage into NPAs. At end-March 2023, while SMA-0 witnessed an uptick, SMA-1 and SMA-2 declined year-on-year. The restructured books of these accounts also expanded during the same period. The relatively higher delinquency in large borrowal accounts is reflected in a rise in their GNPA ratio to 7.2 per cent at end-March 2023 against 4.6 per cent for the NBFC sector as a whole (Chart VI.26b).

Chart VI.25: Sectoral GNPA Ratios of NBFC Sector
(At end-March)

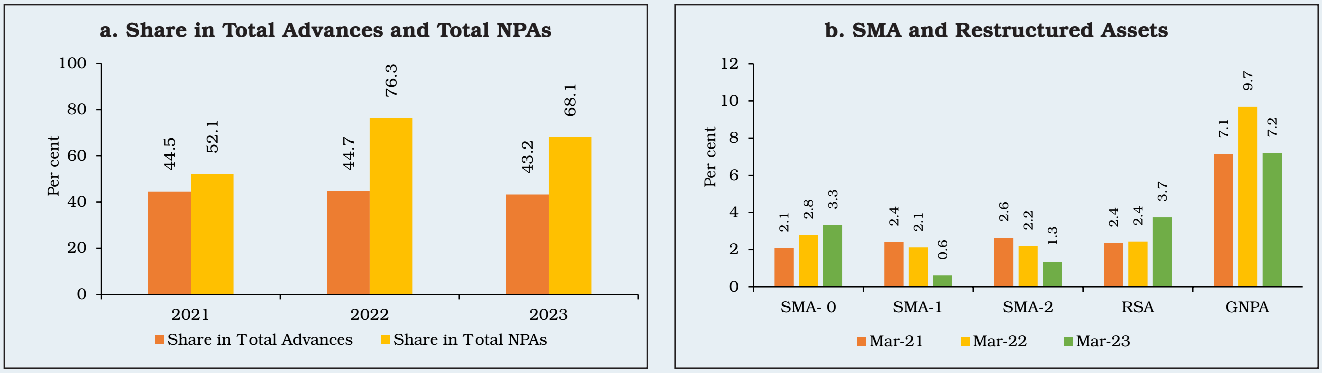


Note: Data are provisional.
Source: Supervisory Returns, RBI.

2.10 Capital Adequacy

VI.35 At end-March 2023, NBFCs were adequately capitalised, with capital to risk-weighted assets ratios (CRARs) well above the regulatory requirement (not less than 15 per cent of aggregate risk-weighted assets, including both on and off-balance sheet items) (Chart VI.27a). Detailed guidelines on elements of common equity Tier 1 (CET-1) capital applicable to all NBFC-UL (except core investment companies) were issued on April 19, 2022 as a follow-up to the SBR framework. The CRAR of NBFCs-ND-SI, barring NBFC-IDF, improved during 2022-23 on the back of higher Tier I capital than a year ago (Chart VI. 27b). CRAR of the sector stood

Chart VI.26: 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.

at a comfortable level of 27.6 per cent at end-September 2023.

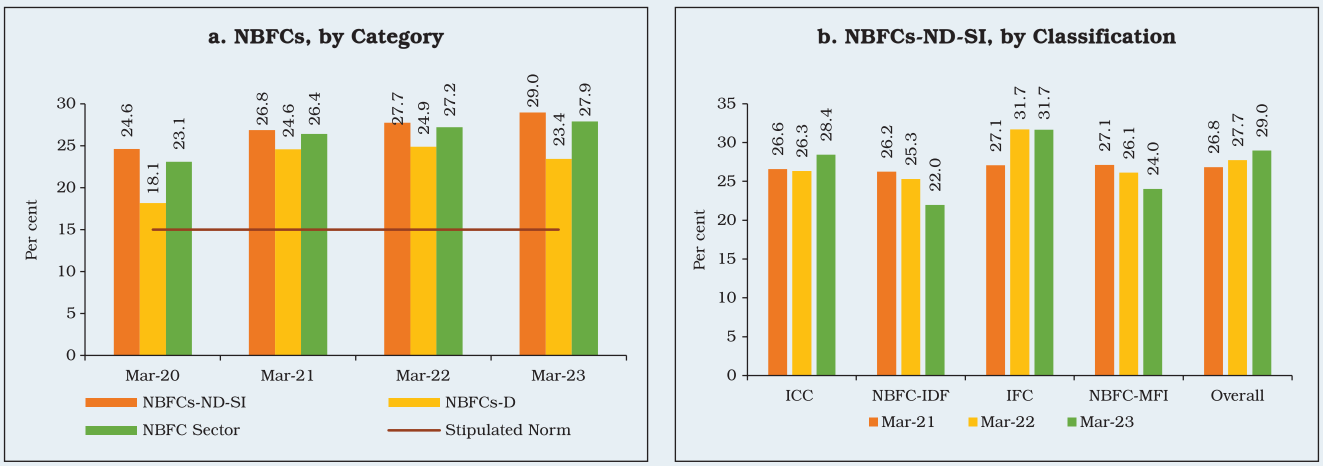
2.11 Exposure to Sensitive Sectors

VI.36 Sensitive sectors constitute capital markets, real estate, investment in securities (IIS) and advances against commodities (AAC). Capital market exposure (CME) includes advances to and investment in the capital market, while IIS includes investment in quoted and un-quoted securities and equities. By end-March 2023, the exposure of NBFCs to sensitive sectors grew by around 15 per cent year-on-year although both CME and IIS recorded marginal declines in their shares (Chart VI.28).

2.12 Housing Finance Companies (HFCs)

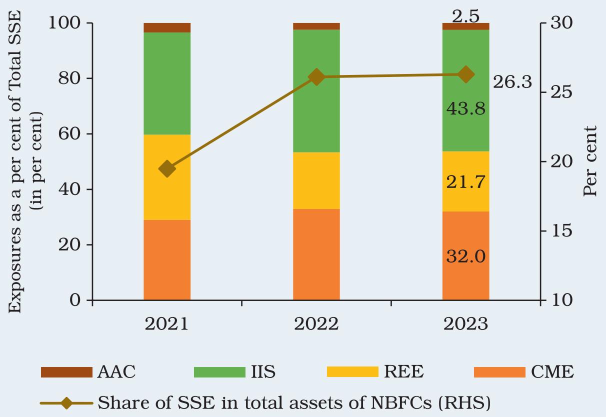
VI.37 In India, housing finance companies (HFCs) have about one-third of the market share in housing finance (second only to SCBs). After

Chart VI.27: CRAR of NBFCs



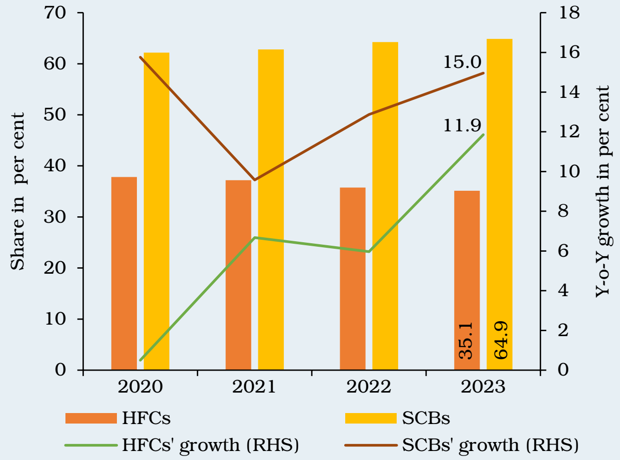
Note: Data are provisional.
Source: Supervisory Returns, RBI.

Chart VI.28: Exposure to Sensitive Sectors
(At end-March)



CME: Capital Market Exposure; REE: Real Estate Exposure; IIS: Investment in Securities; AAC: Advances against Commodities; SSE: Sensitive Eector Exposure.
Note: Data are provisional.
Source: Supervisory Returns, RBI.

Chart VI.29: Credit to Housing Sector by HFCs and SCBs
(At end-March)



Note: Data are provisional.
Sources: 1. NHB
2. Handbook of Statistics on the Indian Economy, RBI.

the Reserve Bank assumed the role of regulator of HFCs effective from August 2019, initiatives have been undertaken to harmonise regulations between HFCs and NBFCs, with glide paths provided for existing HFCs to comply with the principal business criteria[12], net owned fund (NOF) requirements, and maintenance of liquidity coverage ratio (LCR) and capital adequacy ratio (CRAR).

VI.38 At end-March 2023, 72 per cent of HFCs' outstanding credit was in the form of housing loans. HFCs' credit growth to the housing sector accelerated in 2022-23 due to the post-COVID shift in preference for homeownership, government initiatives to promote affordable housing, and attractive tax incentives (Chart VI.29).

VI.39 At end-March 2023, 97 HFCs held CoRs under section 29A of the NHB Act, 1987 of which 15 were deposit taking entities. Six of the latter need to obtain prior written permission from the NHB before accepting public deposits. Non-government public limited companies dominate the segment, with a share of around 95 per cent (Table VI.8).

Table VI.8: Ownership Pattern of HFCs
(At end- March)

(₹ crore)

Type	2022		2023	
	Number	Asset Size	Number	Asset Size
1	2	3	4	5
A. **Government Companies**	**1**	**80,939**	**1**	**83,054**
B. **Non-Government Companies (1+2)**	**94**	**14,46,022**	**96**	**16,04,245**
1. Public Ltd. Companies	73	14,39,592	74	15,95,917
2. Private Ltd. Companies	21	6,430	22	8,328
Total (A+B)	**95**	**15,26,961**	**97**	**16,87,300**

Notes: Data are provisional.
Source: NHB.

[12] HFCs are required to gradually attain minimum percentages of total assets towards housing finance and total assets towards housing finance for individuals of 60 per cent and 50 per cent, respectively, by March 31, 2024.

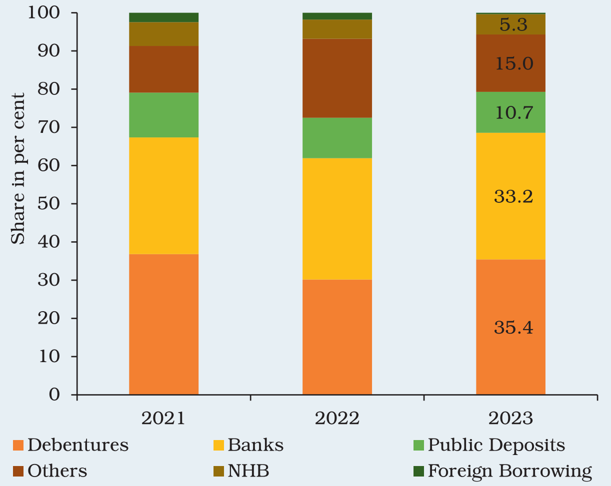
2.12.1. *Balance Sheet*

VI.40 The consolidated balance sheet of HFCs expanded by 10.5 per cent in 2022-23, reflecting growth in loans and advances and investments. On the liabilities side, debentures and bank borrowings contributed to balance sheet growth. The rise in share capital and reserves and surplus also reflected the requirement for HFCs to maintain ₹20 crore as minimum NOF by March 31, 2023 (Table VI.9).

2.12.2. *Resource Profile of HFCs*

VI.41 Debentures and borrowings from banks together constituted 69 per cent of the total resources mobilised by HFCs at end-March 2023. Their shares rose during the year (Chart VI.30).

Chart VI.30: Resources Mobilised by HFCs
(At end-March)



Note: Data are provisional.
Source: NHB.

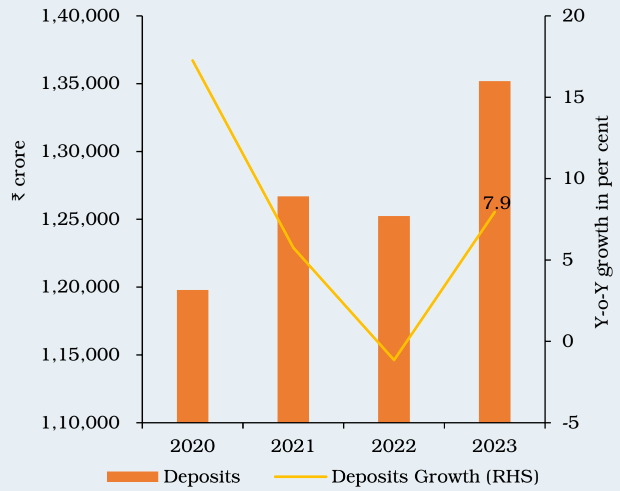
Table VI.9: Consolidated Balance Sheet of HFCs
(At end- March)

(Amount in ₹ crore)

Items		2021	2022	2023	Percentage variation	
					2022	2023
1		2	3	4	5	6
1	Share Capital	37,696	40,357	42,773	7.1	6.0
2	Reserves and Surplus	1,70,359	2,24,698	2,55,168	31.9	13.6
3	Public Deposits	1,26,691	1,25,236	1,35,183	-1.1	7.9
4	Debentures	3,97,816	3,56,320	4,47,163	-10.4	25.5
5	Bank Borrowings	3,29,835	3,74,803	4,18,501	13.6	11.7
6	Borrowings from NHB	67,341	59,551	67,267	-11.6	13.0
7	Inter-Corporate Borrowings	19,182	1,24,969	76,516	551.5	-38.8
8	Commercial Paper	54,554	50,216	61,847	-8.0	23.2
9	Borrowings from Government***	19,313	2,587	431	-86.6	-83.3
10	Subordinated Debts	19,168	15,363	14,401	-19.9	-6.3
11	Other Borrowings	1,31,818	71,410	40,565	-45.8	-43.2
12	Current Liabilities	8,100	28,922	28,439	257.0	-1.7
13	Provisions	64,303	33,793	30,794	-47.4	-8.9
14	Other*	36,686	18,738	68,253	-48.9	264.3
15	**Total Liabilities/Assets**	**14,82,863**	**15,26,961**	**16,87,300**	**3.0**	**10.5**
16	Loans and Advances	12,77,653	13,28,070	14,57,842	3.9	9.8
17	Hire Purchase and Lease Assets	10	20	-	106.5	-100.0
18	Investments	1,29,961	1,04,625	1,41,089	-19.5	34.9
19	Cash and Bank Balances	36,864	39,968	27,695	8.4	-30.7
20	Other Assets**	38,375	54,277	60,673	41.4	11.8

*Includes deferred tax liabilities and other liabilities.
**Includes tangible & intangible assets, other assets, and deferred tax asset.
*** Includes borrowings from Foreign Government also.
Note: Data are provisional.
Source: NHB.

Chart VI.31: Public Deposits with HFCs
(At end-March)



Note: Data are provisional.
Source: NHB.

VI.42 Public deposits, another important source of funding, turned around in 2022-23 after declining in the previous year (Chart VI.31).

VI.43 Deposits with HFCs in 2022-23 were concentrated in the 6-9 per cent interest rate bracket, with moderation in the share of deposits below 6 per cent (Chart VI.32a). Maturity-wise, the maximum share of deposits was in the tenure of 1 to 5 years (Chart VI.32b).

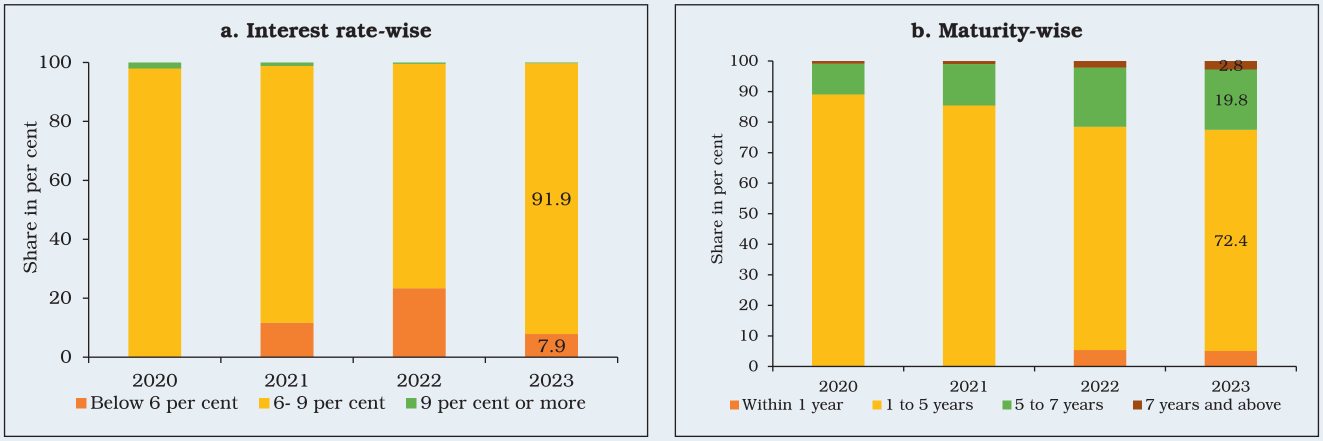
2.12.3. *Financial Performance*

VI.44 The consolidated income of HFCs grew in 2022-23 on account of both fund income and fee income. Expenditure growth trailed income expansion, resulting in a decline in the cost to income ratio. The overall profitability of the sector rose above pre-COVID level[13] (Table VI.10).

2.12.4. *Soundness Indicators*

VI.45 The asset quality of HFCs improved considerably in 2022-23. Both GNPA and NNPA ratios declined by end-March 2023 with higher collections under the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest (SARFAESI) Act and better recovery more generally (Chart VI.33).

Chart VI.32: Distribution of HFCs' Public Deposits
(At end-March)



Note: Data are provisional.
Source: NHB.

[13] For FY 2018-19.

Table VI.10: Financial Parameters of HFCs
(At end-March)

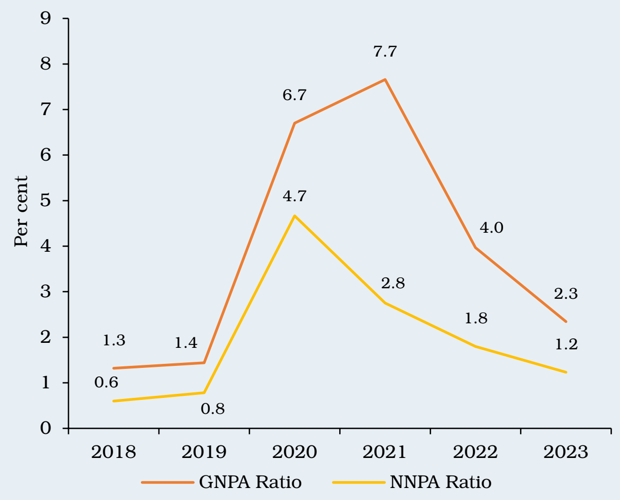
(₹ crore)

	2020-21	2021-22	2022-23	Percentage Variation	
				2021-22	2022-23
1	2	3	4	5	6
Total Income*	**1,29,472**	**1,25,425**	**1,55,197**	**-3.1**	**23.7**
1. Fund Income	1,27,924	1,22,998	1,45,086	-3.9	18.0
2. Fee Income	1,537	1,376	1,950	-10.5	41.8
Total Expenditure**	**98,965**	**1,00,264**	**1,14,841**	**1.3**	**14.5**
1. Financial Expenditure	79,392	74,467	87,425	-6.2	17.4
2. Operating Expenditure	19,199	10,638	13,963	-44.6	31.3
Tax Provision	13,135	4,766	1,798	-63.7	-62.3
Net Profit (PAT)	**210**	**20,395**	**28,692**	**-**	**40.7**
Total Assets	14,82,863	15,26,961	16,87,300	3.0	10.5
Cost to Income Ratio (Total Exp./Total Income)	76.4	79.9	74.0		
Return on Assets (RoA) (PAT/Total Assets)	0.0	1.3	1.7		

* Total income also comprises income from non-financial business.
** Total expenditure also comprises depreciation/provisions.
Note: Data are provisional.
Source: NHB.

VI.46 To sum up, HFCs recorded improved asset quality, better profitability and high growth in credit disbursement in 2022-23. Going forward, the government's emphasis on affordable housing, favourable demographics and rising urbanisation are expected to support housing demand. HFCs are likely to play a significant role in this regard. Some HFCs have successfully operationalised co-lending models (CLM) with banks for housing as well as MSME loans. The inclusion of five HFCs in the upper layer by the Reserve Bank for the year 2023-24 in its scale -based regulatory framework highlights the systemic importance of HFCs in the Indian financial landscape.

Chart VI.33: HFCs' GNPA and NNPA Ratios
(At end-March)



Note: Data are provisional.
Source: NHB.

3. All India Financial Institutions

VI.47 At end-March 2023, five AIFIs namely, 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 Housing Bank (NHB); and National Bank for Financing Infrastructure and Development (NaBFID) were registered with the Reserve Bank. These FIs facilitate long-term financing for a range of sectors and activities. NABARD is a development bank which aims to promote sustainable and equitable agriculture and rural development. SIDBI acts as the principal FI for promotion, financing and development of MSMEs as well as of institutions engaged in similar activities. NHB operates as the primary FI for promoting housing finance institutions at local and regional levels while providing financial and other support to such institutions. EXIM Bank provides financial assistance to exporters and importers with a view of promoting the country's international trade. NaBFID is a specialised FI focused on addressing the long-term financing needs of the infrastructure sector in India.

3.1. AIFIs' Operations[14]

VI.48 Financial assistance sanctioned and disbursed by AIFIs saw healthy growth during 2022-23 primarily on account of SIDBI, which scaled up its operation to support the credit needs of the MSME sector. Total disbursements of AIFIs as a proportion of sanctions declined in 2022-23, however (Table VI.11 and Appendix VI.7).

Table VI.11: Financial Assistance Sanctioned and Disbursed by AIFIs

(₹ crore)

Institutions	Sanctions		Disbursements	
	2021-22	2022-23	2021-22	2022-23
1	2	3	4	5
EXIM Bank	68,863	79,765	56,189	68,787
NABARD	3,80,396	3,84,319	3,78,387	3,64,832
NHB	30,507	36,137	25,990	30,372
SIDBI	1,48,550	2,88,137	1,46,402	2,80,787
NaBFID	-	18,561	-	10,045
Total	**6,28,316**	**8,06,919**	**6,06,968**	**7,54,823**

Note: Data are provisional.
Source: Respective Financial Institutions.

3.2. Balance Sheet

VI.49 The growth in the consolidated balance sheet of AIFIs accelerated from 15.9 per cent in 2021-22 to 19.8 per cent in 2022-23. On the assets side, this was driven by loans and advances. More than half of this expansion was due to loans by SIDBI, followed by NABARD. Aggregate investments by AIFIs declined due to lower investments by NABARD. On the liabilities side, borrowings grew sharply (58.5 per cent) in 2022-23, despite a high base. More than 80 per cent of this expansion was on account of SIDBI due to the enhancement in its borrowing limit (Table VI.12).

Table VI.12: AIFIs' Balance Sheet
(At end-March)

(₹ crore)

	2021	2022	2023	Percentage variation	
				2021-22	2022-23
1	2	3	4	5	6
1. Capital	32,221	55,008	55,008	70.7	0.0
2. Reserves	71,025	86,658	99,638	22.0	15.0
3. Bonds & Debentures	3,10,340	3,40,616	3,62,319	9.8	6.4
4. Deposits	4,12,001	4,36,057	4,94,762	5.8	13.5
5. Borrowings	1,87,907	2,59,406	4,11,114	38.0	58.5
6. Other Liabilities	62,023	68,615	70,229	10.6	2.4
Total Liabilities / Assets	**10,75,517**	**12,46,359**	**14,93,070**	**15.9**	**19.8**
1. Cash & Bank Balances	34,595	43,370	46,041	25.4	6.2
2. Investments	79,275	1,16,334	1,00,427	46.7	-13.7
3. Loans & Advances	9,44,318	10,69,116	13,17,700	13.2	23.3
4. Bills Discounted /Rediscounted	1,410	3,058	5,290	116.9	73.0
5. Fixed Assets	1,273	1,268	1,260	-0.4	-0.6
6. Other Assets	14,646	13,212	22,353	-9.8	69.2

Notes: 1. NaBFID started submitting supervisory data from 2022 onwards.
2. End-June for NHB.
3. Data are provisional.
Source: Respective Financial Institutions.

[14] The financial year for EXIM Bank, SIDBI, NABARD and NaBFID runs from April to March, while for NHB, it is from July to June.

Table VI.13: Resources Mobilised by AIFIs in 2022-23

(₹ crore)

Institution	Total Resources Raised				Total Outstand-ing
	Long-Term	Short-Term	Foreign Currency	Total	
1	2	3	4	5	6
EXIM Bank	6,630	39,397	28,479	74,506	1,28,423
NABARD	1,16,606	2,11,774	0	3,28,380	6,70,971
NHB*	22,478	7,684	0	30,162	84,422
SIDBI**	1,10,179	1,49,148	0	2,59,327	3,65,694
NaBFID	-	-	0	-	-
Total	**2,55,893**	**4,08,003**	**28,479**	**6,92,375**	**12,49,510**

* Short-term resources figure represents the borrowing through transactions in the overnight triparty repo dealing and settlement (TREPS) on a roll-over basis (gross amount on roll-over basis).

** Short-Term under Total Resources Raised also include Short Term Loans from Banks.

Notes: Long-term rupee resources comprise borrowings by way of bonds/debentures; while short-term resources comprise CPs, term deposits, ICDs, CDs and borrowings from the term money market. Foreign currency resources largely comprise of borrowings by issuing of bonds in the international market.

Source: Respective Financial Institutions.

VI.50 Total resources raised by all the AIFIs, except NABARD, increased in 2022-23. Nonetheless, NABARD, the largest AIFI by asset size, accounted for almost half of the total resources raised, followed by SIDBI. AIFIs' reliance on short-term funds has been gradually inching upwards, constituting about 59 per cent of the total resources mobilised by end-March 2023.The share of long-term funds is declining. EXIM Bank was the lone AIFIs to raise foreign currency resources (Table VI.13).

VI.51 Resources raised by AIFIs from the money market recorded rapid growth, driven by CP issuances by SIDBI. NABARD and SIDBI together accounted for around 90 per cent of the total resources raised by AIFIs from the money market. AIFIs can mobilise resources within the overall umbrella limit linked to their net owned funds (NOF). As per their latest audited balance sheet, the utilisation under this limit declined in 2022-23 (Table VI.14).

Table VI.14: Resources Raised by AIFIs from the Money Market

(₹ crore)

	2021-22	2022-23	Percentage Variation
1	2	3	4
A. Total	**1,01,099**	**1,53,255**	**51.6**
i) Term Deposits	8,648	8,709	0.7
ii) Term Money	1,987	1,942	-2.3
iii) Inter-corporate Deposits	-	-	-
iv) Certificate of Deposits	38,170	49,560	29.8
v) Commercial Paper	52,294	93,044	77.9
Memo:			
B. Umbrella Limit^	1,32,241	2,15,631	63.1
C. Utilisation of Umbrella limit (A as percentage of B)	76.5	71.1	-

^: post adoption of accounts by the Board

Notes: 1. The umbrella limit is applicable for five instruments– term deposits; term money borrowings; certificates of deposits (CDs); commercial paper (CPs); and inter-corporate deposits.
2. End-June for NHB.

Source: Respective Financial Institutions.

3.3. Sources and Uses of Funds

VI.52 Funds raised and deployed by AIFIs declined in 2022-23. Internal funds, the dominant source, fell in 2022-23 while external funds grew strongly, led by SIDBI. Fresh deployment by AIFIs almost doubled from the levels a year ago, driven by SIDBI (Table VI.15).

Table VI.15: AIFIs' Sources and Deployment of Funds

(₹ crore)

Items	2021-22	2022-23	Percentage variation
1	2	3	4
A. Sources of Funds (i+ii+iii)	**59,10,950**	**57,92,482**	**-2.0**
i. Internal	46,08,972	34,74,360	-24.6
ii. External	12,31,854	22,48,393	82.5
iii. Others@	70,125	69,729	-0.6
B. Deployment of Funds (i+ii+iii)	**59,05,271**	**57,80,057**	**-2.1**
i. Fresh Deployment	8,60,062	15,33,678	78.3
ii. Repayment of Past Borrowings	34,42,379	35,62,866	3.5
iii. Other Deployment	16,02,830	6,83,512	-57.4
of which: Interest Payments	39,590	52,845	33.5

@: Includes cash and balances with banks and the Reserve Bank of India

Note: Data are provisional.

Source: Respective Financial Institutions.

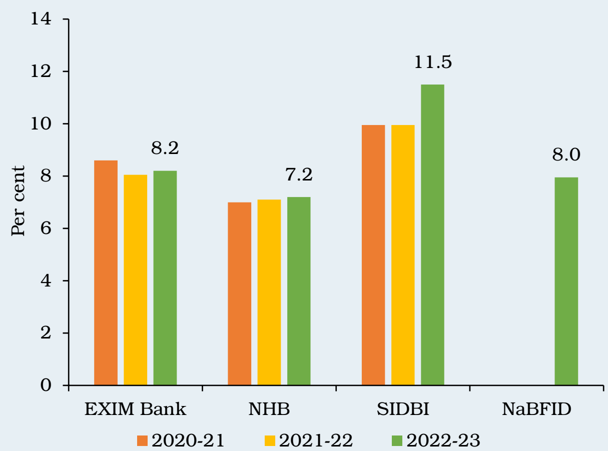
Chart VI.34: Weighted Average Cost and Maturity of Rupee Resources Raised by AIFIs

Note: Data are provisional.
Source: Respective Financial Institutions.

3.4. Maturity Profile and Cost of Borrowings

VI.53 The gradual tightening of financial conditions led to a rise in the weighted average cost (WAC) of rupee resources raised by all AIFIs, except for NHB, which had the highest weighted average maturity of rupee resources (Chart VI.34). Long-term prime lending rates (PLR) increased for all AIFIs (Chart VI.35).

Chart VI.35: Long-term PLR Structure of Select AIFIs



Note: 1. EXIM Bank is using long-term minimum lending rate based on the base rate.
2. Not applicable for NABARD.
3. Data are provisional.
Source: Respective Financial Institutions.

3.5. Financial Performance

VI.54 Income of AIFIs rebounded in 2022-23, driven up by interest income. Non-interest income of AIFIs, however, declined further due to contraction on account of NHB. Interest expenditure grew at a strong pace, mainly owing to SIDBI. Operating expenses, however, contracted on account of NABARD. Both operating profit and net profit of AIFIs recorded strong growth during 2022-23 (Table VI.16).

VI.55 During 2022-23, interest income and operating profit as a per cent of average working funds improved for all AIFIs, except for NABARD (Table VI.17).

VI.56 Profitability as indicated by return on assets (RoA) improved for EXIM Bank and SIDBI in 2022-23. Capital adequacy (CRAR) moderated for all AIFIs, except for NABARD. However, all AIFIs continue to maintain CRAR above the regulatory requirement (Chart VI.36).

3.6. Soundness Indicators

VI.57 All AIFIs, barring EXIM Bank, reported zero net NPA (NNPA) ratios in 2022-23 on account of provisioning. Almost all assets of AIFIs were

Table VI.16: Financial Performance of AIFIs

(₹ crore)

	2020-21	2021-22	2022-23	Percentage Variation	
				2021-22	2022-23
1	2	3	4	5	6
A) Income	**59,291**	**59,144**	**75,411**	**-0.2**	**27.5**
a) Interest Income	57,597	57,665	73,982	0.1	28.3
b) Non-Interest Income	1,694	1,479	1,429	-12.7	-3.4
B) Expenditure	**42,913**	**43,674**	**56,679**	**1.8**	**29.8**
a) Interest Expenditure	39,829	40,281	53,353	1.1	32.5
b) Operating Expenses	3,084	3,393	3,326	10.0	-2.0
of which Wage Bill	2,203	2,269	1,997	3.0	-12.0
C) Provisions for Taxation	**2,410**	**4,064**	**3,230**	**68.7**	**-20.5**
D) Profit					
Operating Profit (PBT)	16,378	15,471	18,732	-5.5	21.1
Net Profit (PAT)	7,635	9,817	12,568	28.6	28.0

Note: Data are provisional.
Source: Respective Financial Institutions.

standard assets, except for EXIM Bank, for which the ratio of standard assets stood at 96 per cent of total advances (Chart VI.37).

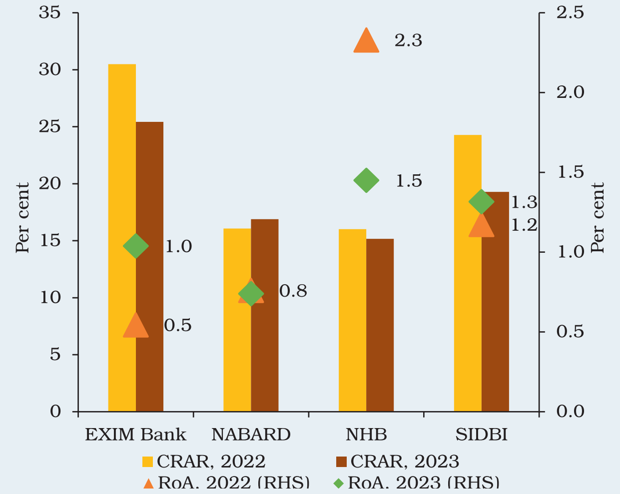
VI.58 The Reserve Bank issued master directions for prudential regulation of AIFIs, extending the application of Basel III capital framework to them. These directions also consolidate and modify exposure norms, significant investments, classification, valuation and operation of investment portfolio norms and resource raising norms. These directions were issued in September 2023 and will become applicable from April 1, 2024.

Table VI.17: AIFIs' Select Financial Parameters

	As a per cent of Average Working Funds						Net Profit per Employee (₹ crore)	
	Interest Income		Non-interest Income		Operating Profit			
	2022	2023	2022	2023	2022	2023	2022	2023
1	2	3	4	5	6	7	8	9
EXIM Bank	6.3	7.8	0.3	0.4	2.5	2.6	2.2	4.3
NABARD	5.5	5.4	0.02	0.03	1.2	1.0	1.6	1.7
NHB	5.1	5.6	0.6	0.2	1.9	2.0	11.9	6.3
SIDBI	4.3	5.4	0.2	0.2	1.3	1.6	2.0	3.2
NaBFID	-	5.3	-	0.02	-	5.2	-	23.3

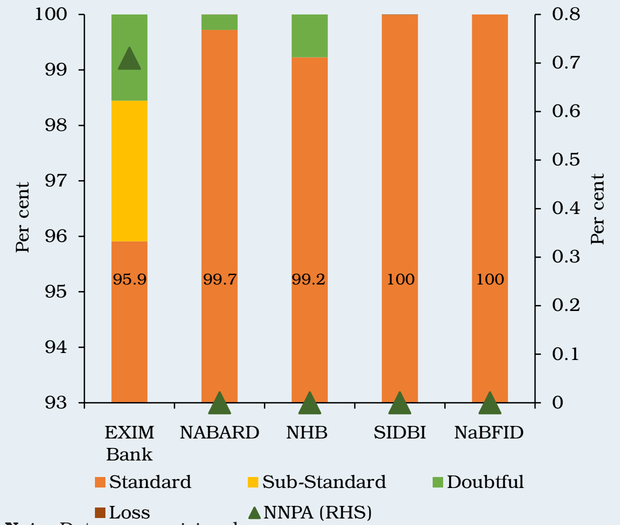
Note: Data are provisional.
Source: Respective Financial Institutions.

Chart VI.36:Select Financial Parameters of AIFIs



Note: 1. RoA refers to Return on Average Assets.
2. Data are provisional.
Source: Respective Financial Institutions.

Chart VI.37: Asset Classification and NNPA Ratio of AIFIs
(At end-March 2023)



Note: Data are provisional.
Source: Respective Financial Institutions.

4. Primary Dealers

VI.59 As on March 31, 2023, there were 21 Primary Dealers (PDs) – of which 14 function departmentally as bank PDs and 7 as Standalone PDs (SPDs), registered as NBFCs under Section 45 IA of the RBI Act, 1934.

4.1 Operations and Performance of PDs

VI.60 PDs are mandated to underwrite issuances of government-dated securities and participate in primary auctions. They are also mandated to achieve a minimum success ratio (bids accepted as a proportion to bidding commitments) of 40 per cent in primary auctions of T-bills and Cash Management Bills (CMBs), assessed on a half-yearly basis. In 2022-23, all PDs achieved their minimum bidding commitments, subscribing to 68.9 per cent of the total quantum of T-Bills issued during the year, as compared with 76.9 per cent achieved in the previous year. In 2023-24 (till September 2023), the share of PDs stood at 67.9 per cent in the total allotment in T-Bills. PDs' share of allotment in the primary issuance of dated securities rose to 56.6 per cent in 2022-23 from 47.3 per cent in the previous year. This increased further to 60.9 per cent of the notified amount in H1:2023-24 (Table VI.18).

VI.61 Partial devolvement on PDs took place on eight instances amounting to ₹23,053 crore during 2022-23 as against 17 instances amounting to ₹97,938 crore in 2021-22. No devolvement has taken place in 2023-24 (up to September 30, 2023). The underwriting commission paid to PDs (exclusive of GST) during 2022-23 fell to ₹91.1 crore from ₹412.7 crore in the previous year; it was ₹23.8 crore in H1:2023-24. The average rate of underwriting commission decreased from ₹3.89 paise/₹100 in 2021-22 to ₹0.76 paise in 2022-23, and to ₹0.32 paise in 2023-24 (up to September 2023) (Chart VI.38).

Table VI.18: Performance of PDs in the Primary Market

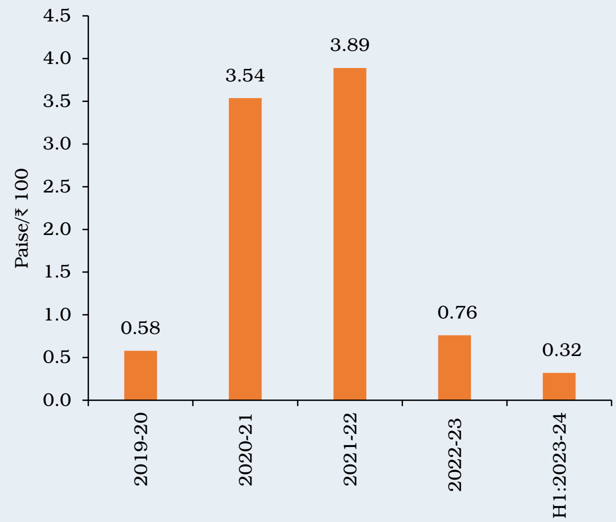
(Amount in ₹ crore)

Items	2020-21	2021-22	2022-23	H1:2023-24
1	2	3	4	5
Treasury Bills and CMBs				
(a) Bidding Commitment	17,35,783	15,37,735	16,27,045	8,33,560
(b) Actual Bids Submitted	49,05,302	37,21,906	36,47,564	18,21,010
(c) Bids Accepted	10,24,732	9,59,380	9,74,028	4,94,558
(d) Success Ratio (c) / (a) (in Per cent)	59.0	62.4	59.9	59.3
(e) Share of PDs in Total Allotment (in Per cent)	68.9	76.9	68.9	67.9
Central Government Dated Securities				
(f) Notified Amount	12,85,000	10,80,000	14,37,000	8,88,000
(g) Actual Bids Submitted	24,54,253	22,22,924	25,55,668	16,71,715
(h) Bids of PDs Accepted	6,80,763	5,33,201	8,03,600	5,40,804
(i) Share of PDs (h)/(f) (in per cent) *	49.7	47.3	56.6	60.9

*Calculated with respect to the total issued amount
Source: Returns filed by PDs.

VI.62 The guidelines on minimum turnover to be achieved by PDs in the secondary market

Chart VI 38: Average Rate of Underwriting Commission of PDs



Source: Returns submitted by PDs.

were reviewed during the year. With effect from April 01, 2022 the turnover targets have been fixed as a specific percentage of the average of the previous 3 years' overall outright market turnover in G-secs and T-bills, taken on an aggregate basis. The targets for 2022-23 were fixed at one per cent. All the PDs individually achieved the minimum stipulated annual turnover ratio. The targets for 2023-24 have been fixed at 1.5 per cent.

4.2 Performance of Standalone PDs

VI.63 The turnover of SPDs increased in both outright and repo segments, resulting in an increase of their overall share in secondary market turnover (Table VI.19).

4.3 Sources and Application of SPDs' Funds

VI.64 Funds mobilised by SPDs rose by 44.4 per cent on a year-on-year basis in 2022-23. Borrowings remained the major source of their funding, accounting for 90.3 per cent of the total sources of funds. Both secured and unsecured loans increased during this period. The largest share of assets for SPDs was in the form of current assets which increased by 46.3 per cent during the year under review (Table VI.20).

Table VI.19: Performance of SPDs in the G-secs Secondary Market

(Amount in ₹ crore)

Items	2020-21	2021-22	2022-23	H1:2023-24
1	2	3	4	5
Outright				
Turnover of SPDs	24,71,523	25,91,788	36,02,796	28,30,564
Market Turnover	1,00,32,187	87,98,428	1,01,21,207	72,53,900
Share of SPDs (Per cent)	24.6	29.5	35.6	39.0
Repo				
Turnover of SPDs	90,75,360	95,60,700	1,32,57,623	97,02,961
Market Turnover	2,27,70,547	2,55,25,641	3,40,48,195	2,01,24,528
Share of SPDs (Per cent)	39.9	37.5	38.9	48.2
Total (Outright + Repo)				
Turnover of SPDs	1,15,46,883	1,21,52,488	1,68,60,419	1,25,33,525
Market Turnover	3,28,02,734	3,43,24,069	4,41,69,402	2,73,78,427
Share of SPDs (Per cent)	35.2	35.4	38.2	45.8

Note: Total Turnover for Market Participants / Standalone PDs includes Outright and Repo 1st Leg settlement volumes.
Source: CCIL.

Table VI.20: Sources and Application of SPDs Funds

(Amount in ₹ crore)

Items	2020-21	2021-22	2022-23	H1:2023-24	Percentage variation 2022-23 over 2021-22
1	2	3	4	5	6
Sources of Funds	**71,986**	**86,669**	**1,25,158**	**1,22,800**	**44.4**
1. Capital	1,849	1,849	2,368	2,368	28.0
2. Reserves and Surplus	7,011	7,425	9,716	10,443	30.9
3. Loans (a+b)*	63,127	77,394	1,13,074	1,09,990	46.1
(a) Secured	50,374	61,188	96,432	88,524	57.6
(b) Unsecured	12,752	16,207	16,643	21,465	2.7
Application of Funds	**71,986**	**86,669**	**1,25,158**	**1,22,800**	**44.4**
1. Fixed Assets	44	71	91	111	29.1
2. HTM Investments (a+b)	154	2,870	6,273	6,086	118.5
(a) Government Securities	0	2,688	6,082	5,895	126.3
(b) Others	154	182	191	191	4.7
3. Current Assets	72,389	80,841	1,18,283	1,12,198	46.3
4. Loans and Advances	1,986	7,048	4,935	11,071	-29.9
5. Current Liabilities	2,616	4,118	4,367	6,517	6.06
6. Deferred Tax	33	-35	-50	-142	43.7

Note: *Outstanding borrowing of SPDs.
Source: Returns submitted by SPDs.

Table VI.21: Financial Performance of SPDs

(Amount in ₹ crore)

Items	2020-21	2021-22	2022-23	H1: 2023-24	Variation 2022-23 over 2021-22	
					Amount	Per cent
1	2	3	4	5	6	7
A. Income (i to iii)	**5,386**	**4,002**	**5,379**	**4,901**	**1,377**	**34.4**
(i) Interest and Discount	4,173	4,139	5,816	4,451	1,677	40.5
(ii) Trading Profits	1,008	-244	-497	429	-254	104.1
(iii) Other Income	205	107	61	21	-46	-43.2
B. Expenses (i to ii)	**2,493**	**2,622**	**5,070**	**4,067**	**2,448**	**93.4**
(i) Interest	2,130	2,238	4,664	3,822	2,425	108.4
(ii) Other Expenses including Establishment and Administrative Costs	364	384	407	245	23	6.0
C. Profit Before Tax	**2,582**	**1,253**	**476**	**1,082**	**-777**	**-62.0**
D. Profit After Tax	**1,938**	**937**	**333**	**800**	**-604**	**-64.4**

Note: Figures may not add up due to rounding-off.
Source: Returns submitted by PDs

4.4 Financial Performance of SPDs

VI.65 SPDs' profit after tax decreased in 2022-23 on account of lower trading profits and an increase in interest expenses (Table VI.21). As a result, SPDs' return on net worth fell during the year. Their profit after tax and return on net worth, however, increased in H1: 2023-24 (Table VI 22 and Appendix Table VI.8).

VI.66 The combined CRAR for all SPDs remained above the mandated 15 per cent, although it fell slightly in 2022-23 on account of an increase in their risk weighted assets *vis-à-vis* their net capital funds (Chart VI.39 and Appendix Table VI.9).

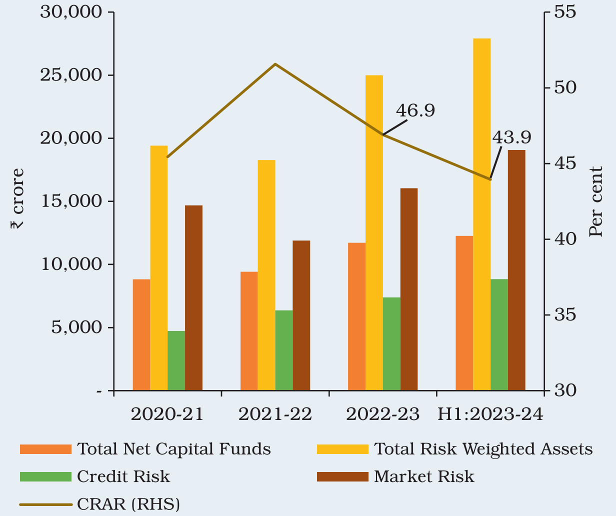
Table VI.22: SPDs' Financial Indicators

(Amount in ₹ crore)

Indicators	2020-21	2021-22	2022-23	H1:2023-24
1	2	3	4	5
(i) Net Profit	1,938	937	333	800
(ii) Average Assets	77,357	79,085	1,01,641	1,37,851
(iii) Return on Average Assets (Per cent)	2.6	1.2	0.2	0.50
(iv) Return on Net Worth (Per cent)	26.0	11.6	3.5	6.4
(v) Cost to Income Ratio (Per cent)	11.2	21.8	56.8	22.7

Source: Returns submitted by PDs

Chart VI.39: Capital and Risk Weighted Asset Position of SPDs



Source: Returns submitted by PDs.

5. Overall Assessment

VI.67 Over the years, NBFCs have consolidated their position in the Indian financial sector by delivering credit and financial products to unbanked and underserved areas. NBFCs are steadily expanding their MSMEs portfolio, thereby addressing the credit requirements of the sector more actively and contributing to overall financial inclusion and economic growth. NBFCs' double digit credit growth was driven by unsecured loans which grew more than twice as fast as secured loans. In this regard, the Reserve Bank, as part of a calibrated and targeted macroprudential measure, has increased the risk weights on select retail loans by NBFCs and on SCBs' credit to NBFCs, which is pre-emptive in nature and in the interest of overall sustainability. NBFCs remain well capitalised with CRAR well above the regulatory requirement. With the implementation of SBR, there is a need for further enhancing governance and internal audit standards of NBFCs.

VI.68 HFCs' credit accelerated in 2022-23 mainly due to a post-pandemic shift in preference for home ownership. AIFIs recorded strong growth in loans and advances. In line with the Reserve Bank's endeavour to ensure smooth completion of the government borrowing programme, all PDs achieved more than their minimum bidding commitments in 2022-23 and individually achieved the minimum stipulated annual secondary market turnover ratios.

Appendix Table IV.1: Indian Banking Sector at a Glance

(Amount in ₹ crore)

Sr. No		Amount Outstanding (At end-March)		Percentage Variation	
		2022	2023*	2021-22	2022-23*
1	2	3	4	5	6
1	**Balance Sheet Operations**				
	1.1 Total Liabilities/assets	2,16,74,688	2,43,18,174	10.7	12.2
	1.2 Deposits	1,71,80,645	1,90,68,284	10.3	11.0
	1.3 Borrowings	16,63,348	19,57,222	12.9	17.7
	1.4 Loans and advances	1,21,98,769	1,43,19,355	12.9	17.4
	1.5 Investments	57,79,131	64,36,540	6.7	11.4
	1.6 Off-balance sheet exposure (as percentage of on-balance sheet liabilities)	132.8	144.8		
	1.7 Total consolidated international claims	7,29,114	6,65,899	18.8	-8.7
2.0	**Profitability**				
	2.1 Net profit	1,82,032	2,63,214		
	2.2 Return on Asset (RoA) (Per cent) **	0.9	1.2		
	2.3 Return on Equity (RoE) (Per cent) **	9.9	11.6		
	2.4 Net Interest Margin (NIM) (Per cent) **	3.4	3.8		
3.0	**Capital Adequacy**				
	3.1 Capital to risk weighted assets ratio (CRAR) @	16.8	17.3		
	3.2 Tier I capital (as percentage of total capital) @	87.4	86.8		
	3.3 CRAR (Tier I) (Per cent) @	14.7	15.0		
4.0	**Asset Quality**				
	4.1 Gross NPAs	7,43,640	5,71,546	-11.0	-23.1
	4.2 Net NPAs	2,04,231	1,35,333	-20.9	-33.7
	4.3 Gross NPA ratio (Gross NPAs as percentage of gross advances)	5.8	3.9		
	4.4 Net NPA ratio (Net NPAs as percentage of net advances)	1.7	0.9		
	4.5 Provision Coverage Ratio (Per cent)**	69.0	74.1		
	4.6 Slippage ratio (Per cent)	2.7	1.8		
5.0	**Sectoral Deployment of Bank Credit**				
	5.1 Bank credit@@	1,18,91,314	1,36,75,235	9.6	15.0
	5.2 Agriculture	14,61,719	16,87,191	9.9	15.4
	5.3 Industry	31,56,067	33,36,722	7.5	5.7
	5.4 Services	30,11,975	36,08,574	8.7	19.8
	5.5 Personal loans	33,86,982	40,85,168	12.6	20.6
6.0	**Technological Development**				
	6.1 Total number of credit cards (in lakhs)	736	853	18.7	15.9
	6.2 Total number of debit cards (in lakhs)	9,177	9,613	2.2	4.8
	6.3 Number of ATMs and CRMs	2,51,740	2,58,534	5.5	2.7
7.0	**Customer Services*** **				
	7.1 Total number of complaints received during the year	3,04,496^	2,34,690^^	0.5	-22.9
	7.2 Total number of complaints handled during the year ##	3,17,514	2,45,391	-5.2	-22.7
	Of 7.2, Total number of complaints addressed/ disposed during the year	3,11,067	2,40,453	-3.9	-22.7
	Of 7.2, Percentage of complaints addressed/ disposed during the year	98.0	98.0		
8.0	**Financial Inclusion**				
	8.1 Credit-deposit ratio (Per cent)	71	75.1		
	8.2 Number of new bank branches opened	3,254	5,308	5.3	63.1
	8.3 Number of banking outlets in villages (Total)	22,74,236	16,81,957#	82.2	-25.5

Notes: 1. * : Provisional.
2. ** : Based on off-site returns.
3. *** : The percentage variation is not strictly comparable as the data for the year 2020-21 pertain to July 2020 to March 2021 whereas the data for 2021-22 pertain to April 2021 to March 2022.
4. ^ : Excludes 1,13,688 complaints handled at CRPC.
5. ^^ : Excludes 4,68,854 complaints handled at CRPC.
6. ## : Complaints handled includes complaints received during the year and complaints brought forward from previous year
7. # : Significant decrease is on account of select private sector banks.
8. @ : Figures are as per the Basel III framework.
9. @@ : Credit data are adjusted for past reporting errors by sclect SCBs from December 2021 onwards.
10. Percentage variation could be slightly different as figures have been rounded off to lakh/crore.

Appendix Table IV.2: International Liabilities and Assets of Banks in India – By Type of Instruments

(Amount in ₹ crore)

Liability Type	Amount Outstanding (At end-March)		Percentage Variation	
	2022 (PR)	2023 (P)	2021-22	2022-23
1	2	3	4	5
1. Loans and Deposits	**12,05,274 (67.6)**	**12,96,066 (63.0)**	**5.5**	**7.5**
a) Foreign Currency Non-resident (Bank) [FCNR (B)] Scheme	1,05,587 (5.9)	1,35,725 (6.6)	-21.2	28.5
b) Foreign Currency Borrowings*	81,575 (4.6)	96,587 (4.7)	48.3	18.4
c) Non-resident External Rupee (NRE) Accounts	7,49,061 (42.0)	7,64,751 (37.2)	3.9	2.1
d) Non-resident Ordinary (NRO) Rupee Accounts	1,41,240 (7.9)	1,64,786 (8.0)	20.2	16.7
2. Own Issues of Securities/ Bonds	**3,039 (0.2)**	**3,039 (0.1)**	**23.1**	**0.0**
3. Other liabilities	**5,74,436 (32.2)**	**6,87,171 (33.4)**	**11.6**	**19.6**
Of which:				
a) ADRs/GDRs	92,255 (5.2)	1,18,681 (5.8)	6.2	28.6
b) Equities of Banks Held by Non-residents	3,22,215 (18.1)	3,86,776 (18.8)	8.7	20.0
c) Capital / Remittable Profits of Foreign Banks in India and Other Unclassified International Liabilities	1,59,966 (9.0)	1,81,714 (8.8)	21.6	13.6
4. Negative MTM Derivatives		**69,873 (3.4)**		
Total International Liabilities	**17,82,749 (100.0)**	**20,56,148 (100.0)**	**7.4**	**15.3**

Notes: 1. PR: Partially Revised; P: Provisional.
2. *: Inter-bank borrowings in India and from abroad and external commercial borrowings of banks.
3. Figures in parentheses are percentages to total.
4. Percentage variation could be slightly different as absolute numbers have been rounded off to ₹ crore.
5. Based on the latest BIS guidelines, MTM derivatives have been introduced in this statement from September 2022 quarter.

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	
	2022 (PR)	**2023 (P)**	**2021-22**	**2022-23**
1	2	3	4	5
1. Loans and Deposits	**6,79,018** **(88.6)**	**5,52,425** **(83.0)**	**3.4**	**-18.6**
Of which:				
(a) Loans to Non-residents	1,40,708 (18.4)	1,33,070 (20.0)	-6.1	-5.4
(b) Foreign Currency Loan to Residents	1,34,290 (17.5)	1,08,304 (16.3)	5.0	-19.4
(c) Outstanding Export Bills	53,191 (6.9)	34,225 (5.1)	-7.1	-35.7
(d) Foreign Currency in hand, Travellers Cheques, *etc.*	342 (0.0)	743 (0.1)	-94.0	117.5
(e) NOSTRO Balances and Placements Abroad	3,50,487 (45.7)	2,76,083 (41.5)	10.9	-21.2
2. Holdings of Debt Securities	**71,331** **(9.3)**	**44,632** **(6.7)**	**82.8**	**-37.4**
3. Other International Assets	**15,924** **(2.1)**	**21,165** **(3.2)**	**118.4**	**32.9**
4. Positive MTM Derivative		**47,448** **(7.1)**		
Total International Assets*	**7,66,273** **(100.0)**	**6,65,669** **(100.0)**	**9.0**	**-13.1**

Notes: 1. *: In view of the incomplete data coverage from all the branches, the data reported under the locational banking statistics (LBS) are not strictly comparable with those capturing data from all the branches.
2. PR: Partially Revised; P: Provisional.
3. The sum of components may not add up due to rounding off.
4. Figures in parantheses are percentage to total.
5. Based on the latest BIS guidelines, MTM derivatives have been introduced in this statement from September 2022 quarter.

Source: International Banking Statistics, RBI.

Appendix Table IV.4: Consolidated International Claims of Banks on Countries other than India

(Amount in ₹ crore)

Country	Amount Outstanding (At end-March)		Percentage Variation	
	2022 (PR)	2023 (P)	2021-22	2022-23
1	2	3	4	5
Total Consolidated International Claims	**7,29,114**	**6,65,899**	**18.8**	**-8.7**
Of which				
1. United States of America	2,46,092	2,29,016	26.8	-6.9
	(33.8)	(34.4)		
2. United Kingdom	89,813	66,094	32.8	-26.4
	(12.3)	(9.9)		
3. Hong Kong	30,054	20,468	-16.1	-31.9
	(4.1)	(3.1)		
4. Singapore	41,744	46,424	-7.3	11.2
	(5.7)	(7.0)		
5. United Arab Emirates	89,522	85,841	12.7	-4.1
	(12.3)	(12.9)		
6. Germany	31,090	16,734	14.7	-46.2
	(4.3)	(2.5)		

Notes: 1. PR: Partially Revised; P: Provisional.
2. Figures in parentheses are percentages to total.
3. Percentage variation could be slightly different as absolute numbers have been rounded off to ₹ crore.

Source : International Banking Statistics, RBI.

Appendix Table IV.5: Consolidated International Claims of Banks: Residual Maturity and Sector

(Amount in ₹ crore)

Residual Maturity/Sector	Amount Outstanding (At end-March)		Percentage Variation	
	2022 (PR)	2023 (P)	2021-22	2022-23
1	2	3	4	5
Total Consolidated International Claims	**7,29,114**	**6,65,899**	**18.8**	**-8.7**
	(100)	**(100)**		
Residual Maturity				
Short Term	5,89,366	5,17,959	22.4	-12.1
	(80.8)	(77.8)		
Long Term	1,34,978	1,42,515	4.9	5.6
	(18.5)	(21.4)		
Unallocated	4,771	5,425	26.4	13.7
	(0.7)	(0.8)		
Sector				
Banks	4,11,443	3,10,972	29.9	-24.4
	(56.4)	(46.7)		
Official Sector	51,320	49,733	15.0	-3.1
	(7.0)	(7.5)		
Non-Bank Financial Institutions	3,083	1,837	-27.4	-40.4
	(0.4)	(0.3)		
Non-Financial Private	2,20,398	2,44,717	6.8	11.0
	(30.2)	(36.7)		
Others	42,871	58,640	2.4	36.8
	(5.9)	(8.8)		

Notes: 1. PR: Partially Revised; P: Provisional.
2. Figures in parentheses are percentages to total.
3. The sum of components may not add up due to rounding off.
4. Residual Maturity 'Unallocated' comprises maturity not applicable (for example, for equities) and maturity information not available.
5. The official sector includes official monetary authorities, general government and multilateral agencies.
6. Non-financial private sector includes non-financial corporations and households, including non-profit institutions serving households (NPISHs).
7. Others include non-financial public sector undertakings and the unallocated sector.
8. Percentage variation could be slightly different as absolute numbers have been rounded off to ₹ crore.

Source : International Banking Statistics, RBI.

Appendix Table IV.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		Payments Banks		Scheduled Commercial Banks	
	2022-23	Percentage Variation	2022-23	Percentage Variation	2022-23	Percentage Variation	2022-23	Percentage Variation	2022-23	Percentage Variation	2022-23	Percentage Variation
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Forward exchange contracts@	36,01,191 (25.7)	-4.0	95,86,495 (113.5)	16.0	1,87,10,361 (1,193.5)	37.5	-	-	-	-	3,18,98,047 (131.2)	24.5
2. Guarantees given	5,93,572 (4.2)	5.8	5,56,109 (6.6)	17.5	1,93,069 (12.3)	0.5	2,694 (1.0)	75.1	-	-	13,45,444 (5.5)	9.5
3. Acceptances, endorsements, *etc.*	9,27,583 (6.6)	-3.8	4,81,035 (5.7)	9.9	5,64,789 (36.0)	8.0	2,242 (0.8)	145.6	71 (0.3)	121.6	19,75,720 (8.1)	2.6
Contingent Liabilities	51,22,347 (36.5)	-2.9	1,06,23,639 (125.8)	15.8	1,94,68,219 (1,241.8)	35.9	4,935 (1.8)	101.3	71 (0.3)	121.6	3,52,19,211 (144.8)	22.4

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.

Source: Annual accounts of respective banks.

Appendix Table IV.7: 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	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	2	3	4	5	6	7	8	9	10	11	12	13
Advances	1,564	672	1,525	1,162	1,734	1,055	1,750	721	1,976	1,388	2,190	1,263
Card/Internet	26	3	144	6	491	11	679	15	1,036	37	1,215	35
Deposits	374	28	325	28	384	49	458	79	599	66	666	195
Off-balance sheet	6	33	7	25	4	4	6	8	9	22	10	370
Foreign exchange transactions	16	14	10	30	28	7	25	30	15	14	16	28
Cash	75	4	89	16	87	7	99	5	141	36	143	14
Cheques/demand drafts, *etc.*	108	15	110	9	141	10	192	17	234	15	202	17
Inter-branch accounts	31	6	36	7	18	1	22	3	16	5	18	2
Clearing, etc accounts	20	2	23	4	35	12	30	9	52	45	51	7
Non-resident accounts	11	2	9	0	17	1	9	4	26	2	13	2
Others	204	16	148	29	88	51	97	26	146	39	146	64
Grand Total	**2,435**	**795**	**2,426**	**1,316**	**3,027**	**1,208**	**3,367**	**917**	**4,250**	**1,669**	**4,670**	**1,997**

Appendix Table IV.7: Frauds in Various Banking Operations Based on Date of Reporting *(Continued)*

(Amount in ₹ crore)

Area of Operation	2010-11		2011-12		2012-13		2013-14		2014-15		2015-16	
	No.	**Amount**	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**
1	14	15	16	17	18	19	20	21	22	23	24	25
Advances	2,382	2,740	1,953	3,552	2,087	6,530	1,984	7,949	2,254	16,924	2,116	17,181
Card/Internet	763	21	629	23	793	49	978	54	845	52	1,191	40
Deposits	790	583	857	219	791	291	774	331	875	437	759	809
Off-balance sheet	10	212	5	373	18	1,527	15	1,088	10	699	4	132
Foreign exchange transactions	19	148	22	130	10	98	9	144	16	899	16	30
Cash	154	21	173	20	140	23	145	24	153	43	160	22
Cheques/demand drafts, *etc.*	184	27	172	40	141	22	180	19	254	26	234	25
Inter-branch accounts	10	1	24	8	6	3	7	1	4	0	4	10
Clearing, etc accounts	34	11	38	31	36	7	36	24	29	7	17	87
Non-resident accounts	9	2	11	3	17	3	38	10	23	8	8	9
Others	179	56	207	98	197	112	135	64	179	162	176	146
Grand Total	**4,534**	**3,822**	**4,091**	**4,497**	**4,236**	**8,665**	**4,301**	**9,708**	**4,642**	**19,257**	**4,685**	**18,491**

Appendix Table IV.7: Frauds in Various Banking Operations Based on Date of Reporting *(Concluded)*

(Amount in ₹ crore)

Area of Operation	2016-17		2017-18		2018-19		2019-20		2020-21		2021-22	
	No.	**Amount**	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**
1	26	27	28	29	30	31	32	33	34	35	36	37
Advances	2,316	20,339	2,525	22,558	3,571	55,844	4,497	1,63,178	3,401	1,17,018	3,789	43,512
Card/Internet	1,372	42	2,058	103	1,866	71	2,677	129	2,545	119	3,596	155
Deposits	693	903	691	457	593	148	530	616	504	434	471	493
Off-balance sheet	5	63	20	16288	28	5299	31	2317	23	535	21	1,077
Foreign exchange transactions	16	2,201	9	1426	13	695	8	54	4	129	7	7
Cash	239	37	218	40	274	56	371	63	329	39	649	93
Cheques/demand drafts, *etc.*	235	40	207	34	189	34	201	39	163	85	201	158
Inter-branch accounts	1	0	6	1	3	0	2	0	2	0	3	2
Clearing, etc accounts	27	6	37	6	24	209	22	7	14	4	16	1
Non-resident accounts	10	3	6	5	3	0	8	1	1	0	1	2
Others	153	77	138	242	197	244	242	172	277	54	299	98
Grand Total	**5,067**	**23,711**	**5,915**	**41,160**	**6,761**	**62,600**	**8,589**	**1,66,576**	**7,263**	**1,18,417**	**9,053**	**45,598**

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 IV.8: Kisan Credit Card Scheme: State-wise Progress *(Continued)*

(At end-March 2023)

(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	
		2022	2023	2022	2023	2022	2023	2022	2023
1	2	3	4	5	6	7	8	9	10
	Northern Region	**5,318**	**5,423**	**37,211**	**35,431**	**1,417**	**1,492**	**34,814**	**37,304**
1	Haryana	1,169	1,155	12,059	12,300	287	297	8,271	8,302
2	Himachal Pradesh	115	118	1,870	2,062	69	83	932	1,281
3	Jammu & Kashmir	8	7	62	62	124	126	989	1,068
4	Ladakh	0	0	0	0	0	0	0	0
5	New Delhi	0	0	2	1	0	0	0	0
6	Punjab	976	940	7,470	7,194	157	158	5,779	6,100
7	Rajasthan	3,050	3,204	15,748	13,811	780	828	18,843	20,553
8	Chandigarh	0	0	0	0	0	0	0	0
	North-Eastern Region	**114**	**72**	**169**	**157**	**454**	**460**	**1,926**	**2,174**
9	Assam	1	1	18	21	282	287	1,295	1,485
10	Arunachal Pradesh	1	1	7	7	3	3	23	22
11	Meghalaya	16	16	32	32	31	35	175	201
12	Mizoram	1	1	6	7	19	21	221	243
13	Manipur	2	3	10	16	10	10	40	44
14	Nagaland	4	4	20	22	1	1	2	2
15	Tripura	88	44	73	43	109	105	169	178
16	Sikkim	1	2	3	8	0	0	0	0
	Western Region	**4,516**	**4,571**	**34,779**	**38,860**	**1,088**	**1,184**	**13,302**	**15,358**
17	Gujarat	965	993	13,098	14,810	414	453	7,392	8,426
18	Maharashtra	3,550	3,576	21,664	24,031	674	731	5,910	6,931
19	Goa	1	2	16	19	0	0	0	0
20	Dadar & Nagar Haveli & Daman & Diu	0	0	0	0	0	0	0	0
	Central Region	**8,227**	**8,371**	**34,262**	**38,195**	**4,118**	**4,325**	**52,243**	**55,978**
21	Uttar Pradesh	2,682	2,727	7,375	9,070	3,517	3,677	44,986	46,843
22	Uttarakhand	295	289	1,549	1,750	39	28	287	199
23	Madhya Pradesh	3,849	3,865	21,318	23,146	425	452	5,978	7,577
24	Chhattisgarh	1,401	1,491	4,021	4,229	136	168	993	1,358
	Southern Region	**7,998**	**8,016**	**51,337**	**57,830**	**3,483**	**3,770**	**42,040**	**49,446**
25	Karnataka	3,125	3,003	19,863	20,888	668	757	11,701	13,364
26	Kerala	660	705	5,234	5,832	365	480	5,561	8,097
27	Andhra Pradesh	1,535	1,477	12,136	12,925	946	951	11,569	11,826
28	Tamil Nadu	1,744	1,904	9,124	12,889	39	80	502	1,420
29	Telangana	928	926	4,969	5,297	1,465	1,502	12,696	14,724
30	Lakshdweep	0	0	0	0	0	0	0	0
31	Puducherry	6	0	11	0	1	1	11	14
	Eastern Region	**4,958**	**4,935**	**17,856**	**18,963**	**2,788**	**2,636**	**17,734**	**17,739**
32	Odisha	2,899	2,939	12,837	13,475	433	436	2,403	2,575
33	West Bengal	1,787	1,727	4,501	4,970	401	417	1,916	2,085
34	Andaman and Nicobar Island	7	7	18	18	0	0	0	0
35	Bihar	251	246	464	452	1,572	1,405	11,261	10,684
36	Jharkhand	13	16	36	49	382	378	2,154	2,396
	Total	**31,131**	**31,389**	**1,75,615**	**1,89,436**	**13,348**	**13,868**	**1,62,060**	**1,77,999**

Appendix Table IV.8: Kisan Credit Card Scheme: State-wise Progress *(Concluded)*

(At end-March 2023)

(Amount in ₹ crore and number of issued cards in '000)

Sr. No.	State/UT	Scheduled Commercial Banks (excluding RRBs)				Total			
		Number of Operative KCCs		Amount outstanding under Operative KCCs		Number of Operative KCCs		Amount outstanding under Operative KCCs	
		2022	2023	2022	2023	2022	2023	2022	2023
1	2	11	12	13	14	15	16	17	18
	Northern Region	**5,455**	**5,511**	**1,44,351**	**1,47,046**	**12,190**	**12,426**	**2,16,376**	**2,19,780**
1	Haryana	796	835	27,719	29,440	2,253	2,287	48,049	50,042
2	Himachal Pradesh	240	257	4,507	4,666	424	458	7,309	8,009
3	Jammu & Kashmir	802	778	5,241	5,233	934	911	6,292	6,363
4	Ladakh	190	28	4,226	258	190	28	4,226	258
5	New Delhi	3	3	53	43	3	3	55	44
6	Punjab	1,036	1,100	42,505	42,129	2,169	2,198	55,754	55,423
7	Rajasthan	2,387	2,508	59,992	65,178	6,216	6,540	94,583	99,543
8	Chandigarh	1	1	107	99	1	1	107	99
	North-Eastern Region	**491**	**530**	**3,289**	**3,450**	**1,058**	**1,063**	**5,384**	**5,781**
9	Assam	375	400	2,583	2,612	658	688	3,896	4,119
10	Arunachal Pradesh	6	6	45	52	10	10	76	81
11	Meghalaya	19	21	113	127	66	72	320	360
12	Mizoram	8	14	42	64	27	35	269	315
13	Manipur	6	7	60	106	18	20	111	165
14	Nagaland	22	25	132	155	26	30	153	179
15	Tripura	49	50	271	286	246	199	513	507
16	Sikkim	6	7	44	49	7	9	46	56
	Western Region	**4,205**	**4,450**	**71,644**	**78,634**	**9,809**	**10,205**	**1,19,724**	**1,32,851**
17	Gujarat	1,500	1,572	36,450	39,137	2,879	3,018	56,941	62,373
18	Maharashtra	2,696	2,868	35,069	39,366	6,921	7,175	62,643	70,329
19	Goa	7	8	94	91	8	9	110	109
20	Dadar & Nagar Haveli & Daman & Diu	1	2	30	40	1	2	30	40
	Central Region	**6,524**	**6,701**	**1,22,147**	**1,29,155**	**18,868**	**19,398**	**2,08,653**	**2,23,328**
21	Uttar Pradesh	4,272	4,302	70,673	72,202	10,471	10,705	123,034	1,28,115
22	Uttarakhand	212	191	4,852	4,417	547	509	6,688	6,365
23	Madhya Pradesh	1,794	1,950	41,837	47,369	6,068	6,267	69,133	78,092
24	Chhattisgarh	246	258	4,785	5,168	1,782	1,917	9,798	10,756
	Southern Region	**7,133**	**8,013**	**1,14,023**	**1,38,002**	**18,614**	**19,799**	**2,07,400**	**2,45,279**
25	Karnataka	944	961	19,014	19,908	4,737	4,720	50,578	54,161
26	Kerala	905	1,409	17,069	29,472	1,929	2,594	27,864	43,401
27	Andhra Pradesh	2,096	2,124	32,420	36,129	4,577	4,552	56,125	60,879
28	Tamil Nadu	1,273	1,596	21,983	27,823	3,055	3,580	31,609	42,132
29	Telangana	1,880	1,910	22,947	24,384	4,273	4,337	40,611	44,405
30	Lakshdweep	25	2	376	15	25	2	376	15
31	Puducherry	10	12	216	272	18	13	237	286
	Eastern Region	**3,063**	**3,085**	**20,816**	**22,198**	**10,809**	**10,657**	**56,407**	**58,901**
32	Odisha	666	596	5,109	5,694	3,999	3,971	20,349	21,744
33	West Bengal	1,034	988	7,367	7,477	3,222	3,132	13,784	14,531
34	Andaman and Nicobar Island	2	2	28	20	9	9	45	38
35	Bihar	834	926	5,855	6,251	2,657	2,577	17,581	17,388
36	Jharkhand	527	574	2,458	2,755	922	968	4,648	5,200
	Total	**26,870**	**28,290**	**4,76,271**	**5,18,485**	**71,348**	**73,547**	**8,13,945**	**8,85,921**

Source: NABARD/Returns from Scheduled Commercial Banks (excluding RRBs).

Appendix Table IV.9: 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*	
	2022-23	Percentage Variation	2022-23	Percentage Variation	2022-23	Percentage Variation	2022-23	Percentage Variation	2022-23	Percentage Variation
1	2	3	4	5	6	7	8	9	10	11
1. Capital Market #	54,107 (0.7)	11.4	1,18,276 (2.2)	22.9	12,520 (2.5)	37.9	441 (0.2)	36.7	1,85,346 (1.3)	20.2
2. Real Estate @	17,44,848 (21.1)	17.2	13,75,673 (25.6)	18.4	1,40,978 (28.7)	-0.8	36,883 (20.7)	49.2	32,98,382 (23.0)	17.1
3. Commodities	-	-	-	-	-	-	-	-	-	-
Total Advances to Sensitive Sectors	**17,98,954 (21.7)**	**17.0**	**14,93,949 (27.8)**	**18.8**	**1,53,497 (31.3)**	**1.5**	**37,325 (21.0)**	**49.1**	**34,83,728 (24.3)**	**17.2**

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.10: Shareholding Pattern of Domestic Scheduled Commercial Banks *(Continued)*

(At end-March 2023)

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	64.0	10.2	0.0	7.4	10.9	7.1	0.4	88.7	11.3
2	Bank of India	81.4	10.4	2.7	0.6	0.0	4.9	0.1	97.2	2.8
3	Bank of Maharashtra	91.0	3.3	0.3	0.3	0.0	5.1	0.1	99.6	0.4
4	Canara Bank	62.9	16.2	0.0	1.4	9.0	10.3	0.2	90.8	9.2
5	Central Bank of India	93.1	2.9	0.2	0.2	0.0	3.6	0.1	99.7	0.3
6	Indian Bank	79.9	11.6	0.0	0.3	4.2	4.0	0.1	95.7	4.3
7	Indian Overseas Bank	96.4	1.4	0.1	0.1	0.0	1.9	0.0	99.8	0.2
8	Punjab and Sind Bank	98.3	0.7	0.0	0.1	0.0	0.9	0.0	100.0	0.0
9	Punjab National Bank	73.2	13.5	1.7	0.8	0.0	10.6	0.3	98.1	2.0
10	State Bank of India	56.9	25.0	9.8	0.6	1.0	6.4	0.3	89.0	11.1
11	UCO Bank	95.4	1.4	0.0	0.2	0.2	2.8	0.1	99.8	0.2
12	Union Bank of India	83.5	2.4	1.7	6.3	0.0	6.2	0.0	98.3	1.7

Appendix Table IV.10: Shareholding Pattern of Domestic Scheduled Commercial Banks *(Continued)*

(At end-March 2023)

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.	0.0	37.1	50.2	3.5	2.9	6.0	0.3	46.6	53.5
2	Bandhan Bank Ltd.	0.1	13.2	27.9	46.5	4.1	7.9	0.4	67.7	32.3
3	Catholic Syrian Bank Ltd.	0.0	9.2	0.0	9.0	55.9	18.7	7.2	36.9	63.1
4	City Union Bank Ltd.	0.0	33.8	25.0	5.7	0.0	34.7	0.9	74.1	25.9
5	DCB Bank Ltd.	0.2	37.6	0.0	8.8	26.3	25.6	1.5	72.2	27.8
6	Federal Bank Ltd.	0.0	43.0	27.8	3.2	0.0	21.4	4.7	67.5	32.5
7	HDFC Bank Ltd.	0.00	23.05	65.60	1.63	0.00	9.58	0.14	34.26	65.74
8	ICICI Bank Ltd.	0.2	25.8	55.0	12.0	0.0	6.6	0.4	44.7	55.4
9	IDBI Bank Ltd.	45.5	49.4	0.2	0.7	0.0	4.1	0.1	99.7	0.3
10	IDFC Bank Ltd.	4.0	7.7	12.2	41.5	7.1	26.0	1.6	79.1	20.9
11	IndusInd Bank Ltd.	0.0	23.8	38.7	5.1	24.2	7.7	0.6	36.5	63.5
12	Jammu & Kashmir Bank Ltd.	63.4	2.9	2.3	2.7	0.0	27.2	1.6	96.2	3.8
13	Karnataka Bank Ltd.	0.0	5.6	0.0	5.2	20.3	66.4	2.6	77.1	22.9
14	Karur Vysya Bank Ltd.	0.0	29.4	0.0	4.0	17.9	47.6	1.1	81.0	19.0
15	Kotak Mahindra Bank Ltd.	0.0	20.1	39.4	3.3	1.3	35.4	0.5	58.8	41.2
16	Nainital Bank Ltd.	0.0	98.6	0.0	0.0	0.0	1.4	0.0	100.0	0.0
17	RBL Bank Ltd.	0.0	6.6	2.4	9.7	32.6	47.9	0.8	64.2	35.8
18	South Indian Bank Ltd.	0.0	0.0	0.0	15.2	14.6	63.1	7.1	78.3	21.7
19	Tamilnad Mercantile Bank Ltd.	0.0	5.8	0.2	5.7	22.4	64.7	1.2	76.2	23.8
20	The Dhanalakshmi Bank Ltd.	0.0	0.7	0.0	10.1	10.9	59.2	19.1	70.0	30.0
21	Yes Bank Ltd.	0.0	38.0	13.1	6.7	10.0	30.8	1.3	75.6	24.5

Appendix Table IV.10: Shareholding Pattern of Domestic Scheduled Commercial Banks *(Concluded)*

(At end-March 2023)

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 Ltd.	0.0	11.5	36.7	14.4	3.0	34.1	0.3	60.0	40.0
2	Capital Small Finance Bank Ltd.	0.0	21.9	9.8	0.2	0.0	50.8	17.3	72.9	27.1
3	Equitas Small Finance Bank Ltd.	0.0	43.0	3.0	25.5	0.0	27.6	1.0	96.0	4.0
4	Esaf Small Finance Bank Ltd.	0.0	66.6	0.0	17.2	0.0	7.4	8.7	91.3	8.7
5	Fincare Small Finance Bank Ltd.	0.0	84.3	8.3	5.1	0.0	2.3	0.0	91.7	8.3
6	Jana Small Finance Bank Ltd.	0.0	5.9	47.2	46.0	0.0	1.0	0.0	52.8	47.2
7	North East Small Finance Bank Ltd.	0.0	3.0	0.0	94.0	3.0	0.1	0.0	97.0	3.0
8	Shivalik Small Finance Bank Ltd.	0.0	1.1	0.0	7.1	9.4	82.1	0.3	90.3	9.7
9	Suryoday Small Finance Bank Ltd.	0.0	13.2	0.0	14.0	23.2	49.3	0.4	76.5	23.5
10	Ujjivan Small Finance Bank Ltd.	0.0	8.4	0.0	74.2	2.0	14.6	0.9	97.2	2.9
11	Unity Small Finance Bank Ltd.	0.0	51.0	0.0	49.0	0.0	0.0	0.0	100.0	0.0
12	Utkarsh Small Finance Bank Ltd.	0.0	0.0	0.0	89.3	10.2	0.4	0.0	89.8	10.2
	Local Area Banks									
1	Coastal Local Area Bank Ltd.	0.0	0.0	0.0	25.0	0.0	47.9	27.1	72.9	27.1
2	Krishna Bhima Samruddhi Lab Ltd.	0.0	0.0	0.0	24.7	0.0	75.3	0.0	100.0	0.0

Note: -: Nil/ Negligible.
Source: Off-site returns (domestic), RBI.

Appendix Table IV.11: Overseas Operations of Indian Banks

(At end-March)

Sr. No.	Name of the Bank	Branch		Subsidiary		Representative Office		Joint Venture Bank		Other Offices *		Total	
		2022	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**
1	2	3	4	5	6	7	8	9	10	11	12	13	14
I.	**Public Sector Banks**	**108**	**100**	**21**	**22**	**13**	**11**	**7**	**6**	**35**	**31**	**184**	**170**
1	Bank of Baroda	30	29	7	7	0	0	2	2	10	10	49	48
2	Bank of India	23	21	4	4	1	1	0	0	0	0	28	26
3	Canara Bank	6	3	1	1	1	1	0	0	0	0	8	5
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	0	6	4
6	Punjab National Bank	2	1	2	2	2	2	2	2	0	0	8	7
7	State Bank of India	35	34	6	7	7	6	3	2	23	21	74	70
8	UCO Bank	2	2	0	0	1	1	0	0	0	0	3	3
9	Union Bank of India	3	3	1	1	1	0	0	0	0	0	5	4
II	**Private Sector Bank**	**15**	**13**	**3**	**3**	**25**	**25**	**0**	**0**	**1**	**2**	**44**	**43**
10	Axis Bank Ltd.	2	2	1	1	4	4	0	0	0	0	7	7
11	HDFC Bank Ltd.	3	3	0	0	3	3	0	0	0	0	6	6
12	ICICI Bank Ltd.	8	6	2	2	10	10	0	0	1	2	21	20
13	IDBI Bank Ltd.	1	1	0	0	0	0	0	0	0	0	1	1
14	IndusInd Bank Ltd.	0	0	0	0	3	3	0	0	0	0	3	3
15	Federal Bank Ltd.	0	0	0	0	2	2	0	0	0	0	2	2
16	Kotak Mahindra Bank Ltd.	1	1	0	0	1	1	0	0	0	0	2	2
17	Yes Bank Ltd.	0	0	0	0	1	1	0	0	0	0	1	1
18	South Indian Bank Ltd.	0	0	0	0	1	1	0	0	0	0	1	1
	All Banks	**123**	**113**	**24**	**25**	**38**	**36**	**7**	**6**	**36**	**33**	**228**	**213**

Notes: * Other Offices include marketing/sub-office, remittance centres, etc.
Source: RBI.

Appendix Table IV.12: Branches and ATMs of Scheduled Commercial Banks *(Continued)*

(At end-March 2023)

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	**29,006**	**23,232**	**16,114**	**16,052**	**84,404**	**78,777**	**59,646**	**1,38,423**
1	Bank of Baroda	2,868	2,067	1,473	1,780	8,188	8,786	2,615	11,401
2	Bank of India	1,857	1,457	822	932	5,068	5,325	2,889	8,214
3	Bank of Maharashtra	606	598	478	519	2,200	1,902	423	2,325
4	Canara Bank	3,051	2,737	1,989	1,923	9,700	8,098	4,032	12,130
5	Central Bank of India	1,596	1,330	772	795	4,493	2,609	326	2,935
6	Indian Bank	1,962	1,517	1,165	1,140	5,784	4,338	591	4,929
7	Indian Overseas Bank	904	961	653	684	3,202	2,783	693	3,476
8	Punjab and Sind Bank	573	281	362	321	1,537	814	21	835
9	Punjab National Bank	3,891	2,449	1,998	1,728	10,066	8,196	4,702	12,898
10	State Bank of India	8,041	6,516	4,022	3,827	22,406	25,682	39,945	65,627
11	UCO Bank	1,115	859	629	587	3,190	2,202	219	2,421
12	Union Bank of India	2,542	2,460	1,751	1,817	8,570	8,042	3,190	11,232

Notes: 1. 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 lakh, and 'Metropolitan' includes centres with population of 10 lakh and above. All population figures are as per census 2011.
2. Data on branches exclude 'Administrative Offices'.
3. -: 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: Branches and ATMs of Scheduled Commercial Banks *(Continued)*

(At end-March 2023)

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 Bank	**8,417**	**13,160**	**8,712**	**10,969**	**41,258**	**41,426**	**35,549**	**76,975**
1	Axis Bank Ltd	804	1,457	1,166	1,599	5,026	5,800	10,127	15,927
2	Bandhan Bank Ltd	2,081	2,248	1,080	590	5,999	433	5	438
3	Catholic Syrian Bank Ltd.	58	351	144	153	706	476	52	528
4	City Union Bank	150	279	148	171	748	1,124	554	1,678
5	DCB Bank Ltd.	79	108	123	117	427	391	5	396
6	Dhanalakshmi Bank Ltd.	19	110	66	58	253	228	42	270
7	Federal Bank Ltd.	184	704	252	231	1,371	1,565	349	1,914
8	HDFC Bank Ltd.	1,414	2,676	1,564	2,158	7,812	10,301	9,426	19,727
9	ICICI Bank Ltd.	1,219	1,691	1,158	1,709	5,777	9,003	7,639	16,642
10	IDBI Ltd	421	600	471	434	1,926	2,244	1,090	3,334
11	IDFC Bank Ltd.	53	247	341	425	1,066	656	269	925
12	Indusind Bank Ltd.	297	543	657	799	2,296	1,675	1,205	2,880
13	Jammu and Kashmir Bank	535	176	107	166	984	882	619	1,501
14	Karnataka Bank Ltd	209	210	232	248	899	888	586	1,474
15	Karur Vysya Bank Ltd.	134	311	163	233	841	1,400	840	2,240
16	Kotak Mahindra Bank Ltd.	283	306	386	803	1,778	1,532	1,431	2,963
17	Nainital Bank Ltd.	54	34	45	34	167	-	-	-
18	RBL Bank Ltd.	68	72	75	301	516	375	39	414
19	South Indian Bank Ltd.	110	457	178	200	945	872	417	1,289
20	Tamilnad Mercantile Bank Ltd.	109	255	85	81	530	482	668	1,150
21	Yes Bank Ltd.	136	325	271	459	1,191	1,099	186	1,285

Notes: 1. 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 lakh, and 'Metropolitan' includes centres with population of 10 lakh and above. All population figures are as per census 2011.

2. Data on branches exclude 'Administrative Offices'.

3. -: 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: Branches and ATMs of Scheduled Commercial Banks *(Concluded)*

(At end-March 2023)

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**	**142**	**159**	**358**	**783**	**619**	**612**	**1,231**
1	AB Bank Ltd	-	-	-	1	1	-	-	-
2	Abu Dhabi Commercial Bank (P.J.S.C)	-	-	-	-	-	-	-	-
3	American Express Banking Corp.	-	-	-	1	1	-	-	-
4	Australia and New Zealand Banking Group Ltd.	1	-	1	1	3	-	-	-
5	Bank of America, National Association	-	-	-	4	4	-	-	-
6	Bank of Bahrain & Kuwait B.S.C.	-	1	-	3	4	2	0	2
7	Bank of Ceylon	-	-	-	1	1	-	-	-
8	Bank of China Ltd.	-	-	-	1	1	-	-	-
9	Bank of Nova Scotia	-	-	-	1	1	-	-	-
10	Barclays Bank Plc	-	1	-	2	3	-	-	-
11	BNP Paribas	-	-	-	5	5	-	-	-
12	Citibank N.A.	-	-	4	10	14	-	-	-
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 Ltd.	115	136	118	161	530	451	497	948
18	Deutsche Bank AG	1	-	5	11	17	13	18	31
19	DOHA BANK Q.P.S.C.	-	-	1	2	3	3	0	3
20	Emirates NDB Bank (P.J.S.C.)	-	-	1	2	3	-	-	-
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	0	1
29	Kookmin Bank	-	-	1	-	1	1	0	1
30	Krung Thai Bank Public Company Ltd.	-	-	-	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	2	-	1	9	12	-	-	-
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	102	69	171
43	Sumitomo Mitsui Banking Corporation	-	-	-	3	3	-	-	-
44	United Overseas Bank Ltd	-	-	-	1	1	-	-	-
45	Woori Bank	-	-	1	2	3	-	-	-

Notes: 1. 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 lakh, and 'Metropolitan' includes centres with population of 10 lakh and above. All population figures are as per census 2011.

2. Data on branches exclude 'Administrative Offices'.
3. -: 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.13: Statement of Complaints Received at RBI Ombudsman Office *(Continued)*
(April to March 2022-23)

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	Pension		
1	2	3	4	5	6	7	8	9
	Public Sector Banks	**19,944**	**18,554**	**22,817**	**21,328**	**4,237**	**15,264**	**1,02,144**
1	State Bank of India	7,516	6,599	8,875	10,202	1,517	5,636	40,345
2	Bank of Baroda	2,052	1,736	2,369	2,045	224	1,518	9,944
3	Bank of India	1,205	1,082	1,490	1,011	187	983	5,958
4	Bank of Maharashtra	294	309	568	357	46	346	1,920
5	Canara Bank	1,774	1,975	1,419	1,217	261	1,279	7,925
6	Central Bank of India	860	787	1,062	685	322	696	4,412
7	Indian Bank	1,087	1,197	1,183	770	293	802	5,332
8	Indian Overseas Bank	415	612	335	309	64	345	2,080
9	Punjab and Sind Bank	105	140	127	75	12	93	552
10	Punjab National Bank	2,724	2,170	2,980	2,157	934	1,885	12,850
11	UCO Bank	430	447	368	894	100	390	2,629
12	Union Bank of India	1,482	1,500	2,041	1,606	277	1,291	8,197

Note: -: Nil/negligible.
Source: RBI.

Appendix Table IV.13: Statement of Complaints Received at RBI Ombudsman Office *(Continued)*
(April to March 2022-23)

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	Pension		
1	2	3	4	5	6	7	8	9
	Private Sector Banks	**10,133**	**16,436**	**25,085**	**14,073**	**91**	**7,946**	**73,764**
1	Axis Bank Limited	2,295	2,417	5,847	1,668	24	1,462	13,713
2	Bandhan Bank Limited	113	220	98	125	-	110	666
3	City Union Bank Limited	51	79	22	43	1	41	237
4	CSB Bank Limited	39	66	11	8	1	20	145
5	DCB Bank Limited	78	244	22	18	-	26	388
6	Dhanlaxmi Bank Limited	21	16	8	4	-	6	55
7	Federal Bank Limited	310	243	351	422	1	141	1,468
8	HDFC Bank Limited	1,909	3,124	5,006	3,273	13	1,654	14,979
9	ICICI Bank Limited	2,254	3,189	6,096	3,096	27	1,940	16,602
10	IDBI Bank Limited	322	491	244	313	5	283	1,658
11	IDFC First Bank Limited	441	2,003	656	680	1	377	4,158
12	Indusind Bank Limited	587	1,046	1,385	493	1	442	3,954
13	Jammu & Kashmir Bank Limited	53	83	147	128	6	66	483
14	Karnataka Bank Limited	59	112	97	112	-	60	440
15	Karur Vysya Bank Limited	89	203	44	101	-	93	530
16	Kotak Mahindra Bank Limited	808	1,438	1,698	2,845	7	618	7,414
17	Nainital Bank Limited	13	18	11	10	-	9	61
18	RBL Bank Limited	227	471	2,472	149	1	166	3,486
19	South Indian Bank Limited	78	122	79	100	1	47	427
20	Tamilnad Mercantile Bank Limited	51	104	64	45	-	38	302
21	Yes Bank Limited	335	747	727	440	2	347	2,598

Note: -: Nil/negligible.
Source: RBI.

Appendix Table IV.13: Statement of Complaints Received at RBI Ombudsman Office *(Continued)*
(April to March 2022-23)

Sr. No.	Name of the Bank	Number of complaints in major categories for Foreign Banks					Others	Total
		Deposit Account	Loans and advances	ATM/ Debit card/ Credit card	Mobile Banking/ Electronic Banking	Pension		
1	2	3	4	5	6	7	8	9
	Foreign Banks	**610**	**921**	**3,182**	**493**	**2**	**431**	**5,639**
1	AB Bank Limited	1	-	1	-	-	-	2
2	Abu Dhabi Commercial Bank PJSC	-	-	-	2	-	1	3
3	American Express Banking Corporation	5	15	265	4	-	22	311
4	Barclays Bank Plc	4	5	7	-	-	2	18
5	Bank of America National Association	1	1	-	2	-	2	6
6	Bank of China Limited	1	-	-	-	-	-	1
7	BNP Paribas	-	-	-	-	-	2	2
8	Citibank N.A.	111	113	964	134	-	87	1,409
9	DBS Bank India Limited	107	69	53	96	2	55	382
10	Deutsche Bank A.G.	15	73	3	4	-	10	105
11	Doha Bank Q.P.S.C.	-	-	-	-	-	1	1
12	Emirates NBD Bank (P.J.S.C.)	-	-	-	-	-	1	1
13	First Abu Dhabi Bank P.J.S.C	-	-	1	-	-	1	2
14	FirstRand Bank Limited	-	2	-	-	-	-	2
15	Hong Kong and Shanghai Banking Corporation Limited	38	66	192	24	-	26	346
16	JP Morgan Chase Bank National Association	-	-	-	-	-	2	2
17	MUFG Bank Limited	-	1	-	-	-	-	1
18	NatWest Markets Plc	2	-	-	-	-	2	4
19	Qatar National Bank	-	1	-	-		-	1
20	Sberbank	-	-	-	-	-	1	1
21	SBM Bank (India) Limited	134	180	579	82	-	79	1,054
22	Shinhan Bank	-	-	-	2	-	-	2
23	Sonali Bank	-	1	-	-	-	1	2
24	Standard Chartered Bank	189	389	1,117	143	-	134	1,972
25	United Overseas Bank Ltd	1	-	-	-	-	1	2
26	Woori Bank	1	5	-	-	-	1	7

Note: -: Nil/negligible.
Source: RBI.

Appendix Table IV.13: Statement of Complaints Received at RBI Ombudsman Office *(Concluded)*

(April to March 2022-23)

Sr. No.	Name of the Bank	Number of complaints in major categories for Small Finance Banks and Payments Banks					Others	Total
		Deposit Account	Loans and advances	ATM/ Debit card/ Credit card	Mobile Banking/ Electronic Banking	Pension		
1	2	3	4	5	6	7	8	9
	Small Finance Banks	**461**	**879**	**407**	**270**	**-**	**248**	**2,265**
1	AU Small Finance Bank Limited	112	340	263	103	-	81	899
2	Capital Small Finance Bank Limited	7	10	1	8	-	6	32
3	Equitas Small Finance Bank Limited	72	173	40	55	-	35	375
4	ESAF Small Finance Bank Limited	9	14	15	14	-	11	63
5	Fincare Small Finance Bank Limited	42	46	5	12	-	17	122
6	Jana Small Finance Bank Limited	97	127	30	28	-	28	310
7	North East Small Finance Bank Limited	1	1	2	-	-	2	6
8	Shivalik Small Finance Bank Limited	5	17	5	6	-	9	42
9	Suryoday Small Finance Bank Limited	29	25	4	4	-	9	71
10	Ujjivan Small Finance Bank Limited	60	81	29	29	-	30	229
11	Unity Small Finance Bank Limited	9	13	1	-	-	10	33
12	Utkarsh Small Finance Bank Limited	18	32	12	11	-	10	83
	Payments Banks	**1,001**	**350**	**550**	**2,913**	**4**	**805**	**5,623**
1	Airtel Payments Bank Limited	309	8	77	801	2	173	1,370
2	Fino Payments Bank Limited	63	4	52	68	-	39	226
3	India Post Payments Bank Limited	106	11	58	131	1	57	364
4	Jio Payments Bank Limited	4	-	4	26	-	9	43
5	NSDL Payments Bank Limited	32	16	4	36	-	19	107
6	Paytm Payments Bank Limited	487	311	355	1,851	1	508	3,513
	OTHERS (Primary Urban Cooperative Banks + RRBs + Others)	**1,463**	**2,439**	**1,143**	**778**	**43**	**1,334**	**7,200**
	GRAND TOTAL	**34,481**	**59,762**	**64,080**	**43,172**	**4,380**	**26,028**	**1,96,635**

Note: -: Nil/negligible.
Source: RBI.

Appendix Table IV.14: Progress of Microfinance Programmes

(At end-March)

Item	Self Help Groups											
	Number (lakhs)						Amount (in ₹ crores)					
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
1	2	3	4	5	6	7	8	9	10	11	12	13
Loans Disbursed by Banks (During FY)	23 (14)	27 (18)	31 (22)	29 (17)	34 (25)	43 (37)	47,186 (27,479)	58,318 (36,818)	77,659 (55,590)	58,071 (31,755)	99,729 (68,917)	1,45,200 (1,25,106)
Loans Outstanding with Banks	50 (31)	51 (35)	57 (40)	58 (36)	67 (48)	70 (59)	75,598 (43,576)	87,098 (58,432)	1,08,075 (73,184)	1,03,289 (61,393)	1,51,051 (1,01,840)	1,88,079 (1,61,584)
Savings with Banks	87 (46)	100 (60)	102 (63)	112 (70)	119 (78)	134 (89)	19,592 (11,785)	23,324 (14,482)	26,152 (15,836)	37,477 (21,308)	47,240 (31,077)	58,893 (40,972)
	Microfinance Institutions											
	Number (lakhs)						Amount (in ₹ crores)					
1	2	3	4	5	6	7	8	9	10	11	12	13
Loans Disbursed by Banks	0.02	0.02	0.05	0.29	0.25	0.8	22,228	13,721	19,133	12,120	23,173	36,757
Loans Outstanding with Banks	0.05	0.05	0.15	0.61	0.59	1.06	26,172	16,045	27,256	21,063	34,865	44,120
	Joint Liability Groups											
	Number (lakhs)						Amount (in ₹ crores)					
1	2	3	4	5	6	7	8	9	10	11	12	13
Loans Disbursed by Banks (During the FY)	10	16	42	41	54	70	13,955	30,947	83,103	58,312	1,12,773	1,33,373

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, 2021-22 and 2022-23 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.15: Major Financial Indicators of Regional Rural Banks - State Wise *(Continued)*

(Amount in ₹ crore)

Region/State	2021-22						2022-23					
	No. of RRBs	Profit Earning		Loss Incurring		Net Profit/ Loss	No. of RRBs	Profit Earning		Loss Incurring		Net Profit/ Loss
	Mar-22	No.	Amount	No.	Amount		Mar-23	No.	Amount	No.	Amount	
1	2	3	4	5	6	7	8	9	10	11	12	13
Central Region	**7**	**6**	**253.0**	**1**	**125.3**	**127.8**	**7**	**7**	**1,039.2**	**0**	**0**	**1,039.2**
Chhattisgarh	1	1	27.5	0	0.0	27.5	1	1	167.2	0	0	167.2
Madhya Pradesh	2	1	32.7	1	125.3	-92.6	2	2	236.5	0	0	236.5
Uttar Pradesh	3	3	186.0	0	0.0	186.0	3	3	591.6	0	0	591.6
Uttarakhand	1	1	6.8	0	0.0	6.8	1	1	43.8	0	0	43.8
Eastern Region	**8**	**5**	**154.2**	**3**	**485.8**	**-331.6**	**8**	**6**	**283.2**	**2**	**973**	**-690.2**
Bihar	2	0	-	2	386.3	-386.3	2	1	32.4	1	918	-886.0
Jharkhand	1	1	73.3	0	0.0	73.3	1	1	94.3	0	0	94.3
Odisha	2	2	7.2	0	0.0	7.2	2	2	84.9	0	0	84.9
West Bengal	3	2	73.6	1	99.6	-25.9	3	2	71.6	1	55	16.6
North Eastern Region	**7**	**5**	**227.6**	**2**	**4.5**	**223.1**	**7**	**5**	**127.6**	**2**	**138**	**-10.6**
Arunachal Pradesh	1	1	12.3	0	0.0	12.3	1	1	20.6	0	0	20.6
Assam	1	1	0.0	0	0.0	0.0	1	-	0.0	1	138	-138.0
Manipur	1	0	-	1	3.5	-3.5	1	-	0.0	1	0	-0.2
Meghalaya	1	1	22.6	0	0.0	22.6	1	1	37.8	0	0	37.8
Mizoram	1	1	49.4	0	0.0	49.4	1	1	65.2	0	0	65.2
Nagaland	1	0	-	1	1.0	-1.0	1	1	0.4	0	0	0.4
Tripura	1	1	143.1	0	0.0	143.1	1	1	3.6	0	0	3.6
Northern Region	**7**	**5**	**851.3**	**2**	**61.3**	**789.9**	**7**	**5**	**1,091.2**	**2**	**93**	**998.1**
Haryana	1	1	140.7	0	0.0	140.7	1	1	275.5	0	0	275.5
Himachal Pradesh	1	1	4.6	0	0.0	4.6	1	1	2.2	0	0	2.2
Jammu & Kashmir	2	0	-	2	61.3	-61.3	2	-	0.0	2	93	-93.1
Punjab	1	1	108.6	0	0.0	108.6	1	1	152.7	0	0	152.7
Rajasthan	2	2	597.4	0	0.0	597.4	2	2	660.8	0	0	660.8
Southern Region	**10**	**10**	**2,410.3**	**0**	**0.0**	**2,410.3**	**10**	**10**	**3,392.6**	**0**	**0**	**3,392.6**
Andhra Pradesh	3	3	780.2	0	0.0	780.2	3	3	1,091.5	0	0	1,091.5
Karnataka	2	2	79.4	0	0.0	79.4	2	2	47.8	0	0	47.8
Kerala	1	1	124.1	0	0.0	124.1	1	1	324.6	0	0	324.6
Puducherry	1	1	10.3	0	0.0	10.3	1	1	14.3	0	0	14.3
Tamil Nadu	1	1	229.3	0	0.0	229.3	1	1	418.3	0	0	418.3
Telangana	2	2	1,187.0	0	0.0	1,187.0	2	2	1,496.0	0	0	1,496.0
Western Region	**4**	**3**	**219.4**	**1**	**220.3**	**-1.0**	**4**	**4**	**244.6**	**0**	**0**	**244.6**
Gujarat	2	2	214.3	0	0.0	214.3	2	2	219.3	0	0	219.3
Maharashtra	2	1	5.1	1	220.3	-215.2	2	2	25.3	0	0	25.3
All India	**43**	**34**	**4,115.8**	**9**	**897.3**	**3,218.5**	**43**	**37**	**6,178.3**	**6**	**1,205**	**4,973.6**

Appendix Table IV.15: Major Financial Indicators of Regional Rural Banks - State Wise *(Concluded)*

Region/State	Gross NPA (%)		CRAR (%)	
	Mar-22	Mar-23	Mar-22	Mar-23
1	14	15	16	17
Central Region	**9.6**	**7.8**	**11.8**	**12.5**
Chhattisgarh	2.6	2.3	19.3	18.5
Madhya Pradesh	13.0	8.5	9.2	11.2
Uttar Pradesh	9.5	8.3	11.9	12.3
Uttarakhand	7.2	5.5	11.0	11.5
Eastern Region	**25.1**	**19.5**	**7.8**	**8.0**
Bihar	38.4	30.6	7.8	4.8
Jharkhand	6.4	4.8	11.7	11.3
Odisha	22.1	14.7	4.8	9.8
West Bengal	12.2	10.7	8.4	10.7
North Eastern Region	**15.6**	**11.6**	**15.7**	**15.2**
Arunachal Pradesh	3.9	2.8	12.2	13.4
Assam	27.7	19.7	7.6	7.8
Manipur	17.5	10.9	7.2	6.9
Meghalaya	7.6	6.4	12.7	13.7
Mizoram	5.3	5.4	11.5	13.3
Nagaland	1.9	1.2	8.2	8.4
Tripura	6.8	5.1	29.2	26.8
Northern Region	**4.7**	**3.8**	**12.1**	**12.7**
Haryana	7.2	4.3	14.1	14.2
Himachal Pradesh	5.7	4.8	9.5	8.2
Jammu & Kashmir	6.8	5.9	-2.1	4.1
Punjab	6.6	5.9	15.6	15.6
Rajasthan	2.8	2.6	11.9	12.4
Southern Region	**5.2**	**4.1**	**15.4**	**16.4**
Andhra Pradesh	1.3	1.1	17.8	19.6
Karnataka	14.5	10.7	11.1	10.2
Kerala	3.1	2.3	11.4	13.1
Puducherry	2.1	2.0	10.6	10.5
Tamil Nadu	1.9	1.4	13.0	13.6
Telangana	1.9	2.4	20.6	22.7
Western Region	**5.8**	**5.3**	**9.6**	**11.2**
Gujarat	2.9	2.8	13.1	13.6
Maharashtra	8.7	7.7	6.2	9.0
All India	**9.1**	**7.3**	**12.7**	**13.4**

Notes: 1. Components may not add up to the exact total due to rounding off.
2. J & K Grameen Bankwith, Head Office at Jammu, has 2 branches in Union Territory of Ladakh.
3. Andhra Pradesh Grameena Vikas Bank, with Head Office at Warangal, Telangana, operates in 21 Districts of Telangana and 7 Districts of Andhra pradesh. Since its Head Office is in Telangana, it has been included under Telangana in the above table.
4. Prathama U.P Gramin Bank with its Head Office in Moradabad, Uttar Pradesh has one branch in Uttarakhand.

Source: NABARD.

Appendix Table IV.16: RRBs - PSL Target and Achievement - 2022-23

Sector/Sub Sector	Target (in per cent)	Achievement (in per cent)	RRBs not Meeting Target/Sub-target
1	2	3	4
Overall Priority Sector	75	97.5	All RRBs have met all the targets/sub-targets for 2022-23
Agriculture	18	41.7	
Small and Marginal Farmers	9.5	21.4	
Non-Corporate Farmers	13.8	96.6	
Micro Enterprises	7.5	14	
Weaker Sections	15	85.6	

Note: Target and Achievement for FY 2022-23 are computed on an average basis of achievement for all 4 quarters. ANBC is as on corresponding date of the previous year.
Source: NABARD.

Appendix Table V.1: Select Financial Parameters: Scheduled UCBs *(Continued)*

(At end-March 2023)

(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	4.43	8.46	2.21	2.25	0.81	-1.77	6.81	6.37	-0.09
2	Ahmedabad Mercantile Co-operative Bank Limited	5.09	8.51	3.37	3.20	0.60	1.60	30.95	11.94	0.15
3	Akola Janata Commercial Co-operative Bank Limited, Akola	3.88	10.49	3.93	3.63	0.91	1.18	21.43	5.41	0.04
4	Akola Urban Co-operative Bank Limited, Akola	4.14	9.44	3.18	3.02	3.43	0.36	15.40	4.64	0.01
5	Amanath Co-operative Bank Limited, Bangalore	3.71	1.83	1.64	1.46	3.21	-1.61	63.17	1.73	-0.02
6	Andhra Pradesh Mahesh Co-operative Urban Bank Limited	5.64	11.02	2.82	2.82	0.52	0.62	34.71	6.25	0.04
7	Apna Sahakari Bank Limited	4.61	8.76	2.43	2.71	1.18	-1.40	7.84	8.17	-0.09
8	Bassein Catholic Co-operative Bank Limited	5.01	8.71	2.80	2.78	0.22	0.75	18.21	18.19	0.11
9	Bharat Co-operative Bank (Mumbai) Limited, Mumbai	4.90	9.41	2.80	2.62	0.70	-1.15	12.59	13.06	-0.11
10	Bharati Sahakari Bank Limited	4.07	8.91	2.99	2.96	0.29	0.61	20.09	9.22	0.04
11	Bombay Mercantile Co-operative Bank Limited	2.95	9.91	3.11	3.87	2.11	0.15	15.14	3.70	0.01
12	Citizen Credit Co-operative Bank Limited, Mumbai	3.88	8.31	2.97	3.39	0.29	0.54	22.75	9.94	0.05
13	Cosmos Co-operative Bank Limited	4.49	9.13	3.27	3.31	3.66	0.73	13.54	11.35	0.06
14	Dombivli Nagari Sahakari Bank Limited	3.83	9.52	3.27	3.45	3.09	0.49	15.60	8.08	0.03
15	Goa Urban Co-operative Bank Limited	5.14	8.77	2.82	2.81	0.30	0.60	19.47	5.69	0.03
16	Gopinath Patil Parsik Janata Sahakari Bank Limited, Thane	3.95	8.90	2.31	3.49	0.58	0.48	21.25	7.41	0.04
17	Greater Bombay Co-operative Bank Limited	4.64	8.73	2.72	2.92	0.76	0.22	17.67	9.25	0.02
18	Indian Mercantile Co-operative Bank Limited, Lucknow	2.27	5.72	4.09	5.07	0.04	1.51	44.18	1.58	0.03
19	Jalgaon Janata Sahakari Bank Limited	4.38	9.99	3.47	3.48	0.65	0.92	15.17	9.13	0.06
20	Jalgaon People's Co-operative Bank Limited	4.09	9.78	3.20	2.98	1.44	0.32	13.27	7.95	0.02
21	Janakalyan Sahakari Bank Limited, Mumbai	4.45	7.48	2.19	2.61	0.45	0.08	12.83	8.88	0.01
22	Janalaxmi Co-operative Bank Limited, Nashik	5.08	8.22	1.52	2.42	1.53	-0.55	29.69	1.53	-0.01
23	Janata Sahakari Bank Limited, Pune	4.54	8.91	2.91	2.65	1.11	0.09	13.72	11.80	0.01
24	Kallappanna Awade Ichalkaranji Janata Sahakari Bank Limited	5.28	10.11	3.23	3.18	0.56	0.49	12.99	7.62	0.03
25	Kalupur Commercial Co-operative Bank Limited	4.67	8.56	3.20	3.01	0.61	1.51	18.85	17.59	0.19
26	Kalyan Janata Sahakari Bank Limited, Kalyan	4.55	9.12	2.71	2.64	0.98	-0.59	10.06	11.56	-0.04
27	Kapol Co-operative Bank Limited, Mumbai	3.18	1.14	0.25	0.27	0.20	-1.35	-359.81	2.22	-0.06

Appendix Table V.1: Select Financial Parameters: Scheduled UCBs *(Concluded)*

(At end-March 2023)

(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	5.07	9.94	3.35	3.40	0.56	0.55	17.11	6.37	0.03
29	Khamgaon Urban Co-operative Bank Limited, Khamgaon	3.65	10.45	3.97	3.89	0.77	0.60	21.80	5.14	0.02
30	Mahanagar Co-operative Bank Limited, Mumbai	4.55	9.45	3.27	3.49	0.34	0.55	15.34	7.55	0.03
31	Mehsana Urban Co-operative Bank Limited	5.42	9.83	3.64	3.24	0.80	1.36	15.59	22.17	0.19
32	Nagar Urban Co-operative Bank Limited, Ahmednagar	4.19	5.22	2.41	3.86	0.28	-4.05	-82.76	2.42	-0.17
33	Nagpur Nagrik Sahakari Bank Limited	4.00	9.35	3.39	3.24	1.37	0.26	13.68	7.27	0.01
34	Nasik Merchant's Co-operative Bank Limited	4.29	9.76	4.01	3.98	1.18	1.47	34.99	4.29	0.05
35	New India Co-operative Bank Limited, Mumbai	4.52	9.64	2.15	2.26	0.96	-0.98	7.83	12.93	-0.11
36	NKGSB Co-operative Bank Limited, Mumbai	4.71	9.03	2.80	2.93	0.92	0.25	12.66	12.40	0.02
37	Nutan Nagarik Sahakari Bank Limited, Ahmedabad	5.20	8.23	2.09	1.98	0.96	0.56	15.79	14.25	0.05
38	Pravara Sahakari Bank Limited	5.10	10.90	3.60	3.53	0.87	0.49	14.76	5.86	0.02
39	Rajarambapu Sahakari Bank Limited	5.59	9.82	3.01	3.01	0.81	0.56	14.03	9.74	0.04
40	Rajkot Nagrik Sahakari Bank Limited	4.91	9.74	3.33	3.13	0.36	1.39	19.30	9.20	0.09
41	Sangli Urban Co-operative Bank Limited, Sangli	5.20	8.67	2.23	2.44	0.34	0.04	12.97	6.73	0.00
42	Saraswat Co-operative Bank Limited, Bombay	4.49	8.67	2.72	2.59	1.03	0.69	16.01	16.25	0.08
43	SBPP Co-operative Bank Limited, Killa Pardi	4.08	9.16	3.66	3.57	0.36	0.63	19.93	9.06	0.04
44	Shamrao Vithal Co-operative Bank Limited	4.70	9.19	3.80	3.49	0.80	0.93	14.70	14.54	0.08
45	Shikshak Sahakari Bank Limited, Nagpur	4.32	7.91	1.93	2.36	1.94	0.11	12.42	5.33	0.01
46	Solapur Janata Sahakari Bank Limited	5.05	10.54	3.10	3.35	0.97	1.11	16.36	7.49	0.07
47	Surat Peoples Co-operative Bank Limited	5.49	8.92	2.86	2.67	0.26	1.15	14.10	26.11	0.19
48	Thane Bharat Sahakari Bank Limited	4.15	9.51	3.21	3.28	1.20	0.32	14.21	7.54	0.02
49	TJSB Sahakari Bank	4.55	9.65	3.47	3.27	0.61	1.16	16.93	13.15	0.11
50	Vasai Vikas Sahakari Bank Limited	4.98	9.42	2.33	2.42	0.40	0.20	15.46	10.16	0.02
51	Zoroastrian Co-operative Bank Limited, Bombay	4.29	9.13	2.82	3.13	0.63	0.18	26.03	7.29	0.01

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

Appendix Table V.2: Indicators of Financial Performance: Scheduled UCBs *(Continued)*

(As per cent of total assets)

Sr. No.	Name of the Banks	Interest Income		Operating Profit		Net Profit after Taxes	
		2021-22	2022-23	2021-22	2022-23	2021-22	2022-23
1	2	3	4	5	6	7	8
1	Abhyudaya Co-operative Bank Limited, Mumbai	5.8	6.0	-0.4	0.2	0.0	-1.8
2	Ahmedabad Mercantile Co-operative Bank Limited	7.0	6.7	3.3	2.3	2.4	1.5
3	Akola Janata Commercial Co-operative Bank Limited, Akola	6.4	6.4	1.0	1.8	0.5	1.1
4	Akola Urban Co-operative Bank Limited, Akola	6.8	6.1	1.4	3.2	0.5	0.3
5	Amanath Co-operative Bank Limited, Bangalore	0.4	0.4	0.1	-0.2	0.1	-0.2
6	Andhra Pradesh Mahesh Co-operative Urban Bank Limited	8.2	7.9	1.8	1.0	1.0	0.7
7	Apna Sahakari Bank Limited	6.9	6.5	0.7	0.5	0.2	-1.5
8	Bassein Catholic Co-operative Bank Limited	6.7	6.5	1.6	1.5	0.7	0.7
9	Bharat Co-operative Bank (Mumbai) Limited, Mumbai	7.1	6.6	0.9	1.2	0.3	-1.1
10	Bharati Sahakari Bank Limited	6.0	6.1	0.8	1.5	0.0	0.6
11	Bombay Mercantile Co-operative Bank Limited	4.5	4.7	0.6	1.0	0.1	0.1
12	Citizen Credit Co-operative Bank Limited, Mumbai	6.5	6.7	1.2	1.2	0.7	0.6
13	Cosmos Co-operative Bank Limited	6.8	6.8	2.0	2.4	0.4	0.7
14	Dombivli Nagari Sahakari Bank Limited	6.6	6.4	1.7	2.4	0.5	0.5
15	Goa Urban Co-operative Bank Limited	7.1	6.7	1.5	0.8	0.7	0.6
16	GP Parsik Sahakari Bank Ltd, Kalwa, Thane	6.9	6.8	1.4	1.4	1.0	0.7
17	Greater Bombay Co-operative Bank Limited	6.8	7.1	1.5	0.7	0.2	0.2
18	Indian Mercantile Co-operative Bank Limited, Lucknow	5.3	4.9	0.8	1.4	0.4	1.4
19	Jalgaon Janata Sahakari Bank Limited	7.2	7.0	2.3	1.8	0.8	0.9
20	Jalgaon People's Co-operative Bank Limited	6.7	6.2	0.9	2.0	0.0	0.3
21	Janakalyan Sahakari Bank Limited, Mumbai	6.5	5.5	1.2	0.1	0.0	0.1
22	Janalaxmi Co-operative Bank Limited, Nashik	5.8	3.8	1.6	-0.6	1.6	-0.6
23	Janata Sahakari Bank Limited, Pune	6.4	6.2	1.4	1.8	0.0	0.1
24	Kallappanna Awade Ichalkaranji Janata Sahakari Bank Limited	7.1	7.1	1.4	1.8	0.1	0.5
25	Kalupur Commercial Co-operative Bank Limited	5.7	6.1	2.1	2.3	1.3	1.3
26	Kalyan Janata Sahakari Bank Limited, Kalyan	6.9	6.5	0.8	1.0	0.5	-0.6
27	Kapol Co-operative Bank Limited, Mumbai	2.2	1.2	-1.5	-2.0	-4.0	-1.4
28	Karad Urban Co-operative Bank Limited	7.0	7.0	1.2	1.5	0.3	0.5
29	Khamgaon Urban Co-operative Bank Limited, Khamgaon	6.8	6.5	1.6	2.2	0.5	0.6
30	Mahanagar Co-operative Bank Limited, Mumbai	7.1	6.9	1.3	1.1	0.5	0.6
31	Mehsana Urban Co-operative Bank Limited	7.6	7.2	2.7	3.0	1.3	1.2
32	Nagar Urban Co-operative Bank Limited, Ahmednagar	4.9	3.7	1.1	0.9	-5.0	-4.2
33	Nagpur Nagrik Sahakari Bank Limited	6.4	6.6	1.7	1.8	0.1	0.2
34	Nasik Merchant's Co-operative Bank Limited	7.3	7.8	2.1	2.7	1.2	1.5
35	New India Co-operative Bank Limited, Mumbai	5.4	6.7	0.3	0.5	0.1	-1.0
36	NKGSB Co-operative Bank Limited, Mumbai	6.7	6.8	0.9	0.7	0.2	0.3
37	Nutan Nagarik Sahakari Bank Limited, Ahmedabad	6.1	6.2	0.9	1.3	0.5	0.5
38	Pravara Sahakari Bank Limited	7.8	7.9	1.7	1.9	0.4	0.5
39	Rajarambapu Sahakari Bank Limited	7.8	7.3	1.5	1.7	0.4	0.5
40	Rajkot Nagrik Sahakari Bank Limited	7.0	6.8	2.1	2.1	1.3	1.3
41	Rupee Co-operative Bank Limited	2.3	-	0.4	-	0.1	-
42	Sangli Urban Co-operative Bank Limited, Sangli	6.5	6.1	0.5	0.1	-0.7	0.0
43	Saraswat Co-operative Bank Limited, Bombay	5.2	5.6	1.1	1.4	0.5	0.6
44	SBPP Co-operative Bank Limited, Killa Pardi	6.4	6.2	1.4	1.7	0.8	0.6
45	Shamrao Vithal Co-operative Bank Limited	6.3	6.8	1.1	1.2	0.6	0.7
46	Shikshak Sahakari Bank Limited, Nagpur	5.8	5.0	0.4	1.0	0.0	0.1
47	Solapur Janata Sahakari Bank Limited	7.2	6.9	1.9	2.1	0.6	1.1
48	Surat Peoples Co-operative Bank Limited	6.7	7.1	0.9	1.8	0.7	1.1
49	Thane Bharat Sahakari Bank Limited	8.3	6.9	1.6	1.0	0.5	0.3
50	TJSB Sahakari Bank	6.3	6.8	1.5	1.8	0.9	1.0
51	Vasai Vikas Sahakari Bank Limited	6.8	6.8	0.8	0.9	0.3	0.2
52	Zoroastrian Co-operative Bank Limited, Bombay	5.7	6.8	0.5	0.7	0.3	0.2

Notes: 1. Data for 2022-23 are provisional.
2. -: Nil / negligible.

Source: Off-site surveillance returns, RBI.

Appendix Table V.2: Indicators of Financial Performance: Scheduled UCBs *(Concluded)*

(As per cent of total assets)

Sr. No.	Name of the Banks	Interest Expended		Non-Interest Expenses		Provisions and Contingencies	
		2021-22	2022-23	2021-22	2022-23	2021-22	2022-23
1	2	9	10	11	12	13	14
1	Abhyudaya Co-operative Bank Limited, Mumbai	4.1	3.8	2.7	2.8	1.0	2.8
2	Ahmedabad Mercantile Co-operative Bank Limited	3.8	3.5	1.4	1.4	0.4	0.8
3	Akola Janata Commercial Co-operative Bank Limited, Akola	3.4	2.9	2.8	2.6	0.3	0.4
4	Akola Urban Co-operative Bank Limited, Akola	3.4	3.3	2.9	2.9	0.9	2.5
5	Amanath Co-operative Bank Limited, Bangalore	0.2	0.2	0.5	0.7	0.0	0.0
6	Andhra Pradesh Mahesh Co-operative Urban Bank Limited	5.3	4.9	1.9	2.5	0.5	0.2
7	Apna Sahakari Bank Limited	4.3	3.9	3.0	3.2	0.4	2.4
8	Bassein Catholic Co-operative Bank Limited	4.2	3.8	1.3	1.4	0.6	0.5
9	Bharat Co-operative Bank (Mumbai) Limited, Mumbai	4.8	4.0	2.2	2.1	0.8	2.6
10	Bharati Sahakari Bank Limited	3.8	3.3	1.9	1.6	0.8	0.8
11	Bombay Mercantile Co-operative Bank Limited	1.9	1.8	3.2	3.4	0.8	0.9
12	Citizen Credit Co-operative Bank Limited, Mumbai	3.5	3.4	2.3	2.4	0.2	0.4
13	Cosmos Co-operative Bank Limited	3.9	3.7	3.4	4.2	1.6	1.4
14	Dombivli Nagari Sahakari Bank Limited	4.0	3.2	4.4	3.6	1.0	1.7
15	Goa Urban Co-operative Bank Limited	4.1	4.0	1.9	2.3	0.5	0.0
16	GP Parsik Sahakari Bank Ltd, Kalwa, Thane	3.7	3.3	2.3	2.6	0.1	0.5
17	Greater Bombay Co-operative Bank Limited	4.0	4.3	2.5	2.8	1.1	0.5
18	Indian Mercantile Co-operative Bank Limited, Lucknow	2.1	1.2	2.8	2.4	0.4	-0.1
19	Jalgaon Janata Sahakari Bank Limited	3.9	3.6	2.1	2.1	1.0	0.6
20	Jalgaon People's Co-operative Bank Limited	3.6	3.3	2.9	2.3	0.9	1.9
21	Janakalyan Sahakari Bank Limited, Mumbai	3.6	3.3	2.2	2.5	1.4	-0.3
22	Janalaxmi Co-operative Bank Limited, Nashik	2.3	2.3	5.4	3.0	0.0	0.0
23	Janata Sahakari Bank Limited, Pune	4.3	3.7	2.1	1.6	1.4	1.7
24	Kallappanna Awade Ichalkaranji Janata Sahakari Bank Limited	4.4	4.1	1.7	1.7	1.0	1.1
25	Kalupur Commercial Co-operative Bank Limited	3.3	3.3	1.1	1.1	0.3	0.4
26	Kalyan Janata Sahakari Bank Limited, Kalyan	4.4	4.0	2.8	2.5	0.2	1.5
27	Kapol Co-operative Bank Limited, Mumbai	1.6	1.0	2.4	2.5	2.5	-0.7
28	Karad Urban Co-operative Bank Limited	4.3	4.0	2.1	2.1	0.8	0.9
29	Khamgaon Urban Co-operative Bank Limited, Khamgaon	3.0	2.7	2.8	2.3	0.9	1.3
30	Mahanagar Co-operative Bank Limited, Mumbai	3.9	3.6	2.3	2.5	0.6	0.4
31	Mehsana Urban Co-operative Bank Limited	4.3	4.0	1.2	1.0	0.9	1.3
32	Nagar Urban Co-operative Bank Limited, Ahmednagar	3.0	1.2	1.8	1.8	6.1	4.8
33	Nagpur Nagrik Sahakari Bank Limited	3.9	3.3	3.1	2.8	1.3	1.4
34	Nasik Merchant's Co-operative Bank Limited	3.6	3.8	3.8	2.4	0.3	0.7
35	New India Co-operative Bank Limited, Mumbai	3.6	4.4	2.2	2.7	0.2	2.1
36	NKGSB Co-operative Bank Limited, Mumbai	4.2	4.0	2.3	2.9	0.6	0.3
37	Nutan Nagarik Sahakari Bank Limited, Ahmedabad	4.4	4.3	1.7	1.6	0.2	0.6
38	Pravara Sahakari Bank Limited	4.6	4.4	2.5	2.4	1.3	1.3
39	Rajarambapu Sahakari Bank Limited	5.2	4.5	1.4	1.8	1.0	1.2
40	Rajkot Nagrik Sahakari Bank Limited	4.1	3.8	1.4	1.3	0.4	0.4
41	Rupee Co-operative Bank Limited	1.0	-	0.9	-	0.3	-
42	Sangli Urban Co-operative Bank Limited, Sangli	4.3	4.0	2.2	2.4	1.1	0.0
43	Saraswat Co-operative Bank Limited, Bombay	3.4	3.3	1.6	1.8	0.5	0.6
44	SBPP Co-operative Bank Limited, Killa Pardi	3.3	3.0	1.9	1.9	0.3	0.7
45	Shamrao Vithal Co-operative Bank Limited	3.8	3.8	2.2	2.5	0.3	0.2
46	Shikshak Sahakari Bank Limited, Nagpur	3.4	3.1	2.6	2.5	0.4	0.8
47	Solapur Janata Sahakari Bank Limited	4.2	3.8	1.8	1.9	1.1	1.0
48	Surat Peoples Co-operative Bank Limited	4.9	4.5	1.3	1.2	0.2	0.3
49	Thane Bharat Sahakari Bank Limited	4.2	3.7	3.4	3.3	0.9	0.6
50	TJSB Sahakari Bank	3.6	3.7	1.8	1.9	0.2	0.4
51	Vasai Vikas Sahakari Bank Limited	4.8	4.4	1.9	1.9	0.4	0.7
52	Zoroastrian Co-operative Bank Limited, Bombay	3.5	3.7	2.1	3.0	0.3	0.4

Notes: 1. Data for 2022-23 are provisional.
2. -: Nil / negligible.

Source: Off-site surveillance returns, RBI.

Appendix Table V.3: Salient Indicators of Financial Health of State Co-operative Banks

(Amount in ₹ lakh)

Sr. No	Region/State/UT	Amount of Profit/Loss		NPAs as Percentage of Loans Outstanding		Recovery to Demand (%)	
		2020-21	2021-22	31-Mar-21	31-Mar-22	30-Jun-20	30-Jun-21
1	2	3	4	5	6	7	8
	Northern Region	**1,275**	**30,027**	**3.3**	**3.4**	**98.3**	**96.4**
1	Chandigarh	259	138	6.8	4.3	74.5	77.5
2	Delhi	2,653	1,969	1.3	1.3	97.7	97.6
3	Haryana	6,136	6,784	0.1	0.1	100.0	100.0
4	Himachal Pradesh	7,934	12,162	9.0	8.9	38.8	57.4
5	Jammu & Kashmir	-24,751	-1,064	50.1	52.5	73.4	13.7
6	Punjab	2,463	2,951	1.0	1.0	99.4	99.3
7	Rajasthan	6,581	7,087	0.2	0.2	98.9	99.3
	North-Eastern Region	**6,022**	**6,087**	**8.7**	**8.9**	**69.7**	**47.5**
8	Arunachal Pradesh	-2,006	-3,876	48.5	50.8	9.1	10.9
9	Assam	1,045	1,151	7.4	8.4	67.8	63.4
10	Manipur	201	459	35.3	31.2	45.4	50.7
11	Meghalaya	1,204	1,328	7.2	7.3	22.1	24.5
12	Mizoram	2,032	2,842	4.4	3.5	60.6	68.5
13	Nagaland	816	775	14.6	15.4	58.4	58.0
14	Sikkim	764	1,335	3.8	4.0	17.3	19.6
15	Tripura	1,967	2,073	4.8	5.0	95.4	74.9
	Eastern Region	**25,949**	**34,520**	**3.7**	**3.8**	**88.9**	**86.9**
16	Andaman & Nicobar Islands	720	281	39.7	38.7	43.0	58.2
17	Bihar	7,677	7,797	1.9	2.3	54.9	65.4
18	Jharkhand	518	2,049	38.9	18.5	76.2	50.7
19	Odisha	6,850	14,313	1.3	1.1	98.4	95.9
20	West Bengal	10,184	10,080	4.1	4.7	91.3	89.5
	Central Region	**15,742**	**11,990**	**5.2**	**4.6**	**90.7**	**91.5**
21	Chhattisgarh	2,712	3,181	2.9	2.1	83.5	86.2
22	Madhya Pradesh	7,387	2,306	5.2	4.7	92.1	92.3
23	Uttar Pradesh	4,547	5,070	5.4	4.5	85.3	88.0
24	Uttarakhand	1,095	1,433	7.6	7.3	96.9	97.2
	Western Region	**44,228**	**80,503**	**9.6**	**8.7**	**84.5**	**85.5**
25	Dadra and Nagar Haveli and Daman and Diu	1,222	733	5.9	5.8	84.9	68.1
26	Goa	1,124	796	11.2	11.4	82.9	80.9
27	Gujarat	5,441	10,517	1.5	1.0	96.8	96.8
28	Maharashtra	36,441	68,457	11.6	11.0	82.1	83.6
	Southern Region	**46,962**	**65,655**	**7.9**	**6.5**	**90.9**	**93.9**
29	Andhra Pradesh	14,768	18,557	0.9	1.5	99.7	99.4
30	Karnataka	6,000	9,000	4.5	3.9	95.1	97.9
31	Kerala	6,199	7,724	14.5	13.3	85.6	81.1
32	Puducherry	567	-85	17.1	15.6	85.7	78.0
33	Tamil Nadu	14,795	23,131	4.1	2.8	99.4	99.5
34	Telangana	4,634	7,328	0.1	0.1	98.0	98.3
	All India	**140,178**	**228,783**	**6.7**	**6.0**	**90.5**	**91.7**

Notes: 1. Components may not add up to total due to rounding off.
2. Recovery for a financial year is as on 30th June.

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	2020-21					2021-22					2021		2022	
		No. of DCCBs	Profit		Loss		No. of DCCBs	Profit		Loss		NPA to loans ratio (%)	Recovery to Demand (%)	NPA to loans ratio (%)	Recovery to Demand (%)
			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**	**64**	**16,238**	**9**	**11,195**	**73**	**67**	**27,385**	**6**	**4,432**	**11.3**	**74.7**	**9.7**	**76.5**
1	Haryana	19	19	6,053	0	-	19	19	6,319	0	-	7.1	68.2	5.8	68.8
2	Himachal Pradesh	2	2	1,140	0	-	2	2	9,386	0	-	27.8	61.3	27.2	61.3
3	Jammu & Kashmir	3	0	-	3	4,145	3	0	-	3	3,052	38.4	30.9	36.5	18.4
4	Punjab	20	15	2,843	5	5,243	20	18	5,067	2	203	11.1	75.8	10.3	74.4
5	Rajasthan	29	28	6,201	1	1,807	29	28	6,613	1	1,177	8.4	85.1	6.0	90.4
	Eastern region	**58**	**53**	**20,612**	**5**	**2,909**	**58**	**52**	**23,387**	**6**	**3,581**	**8.9**	**77.5**	**8.5**	**74.0**
6	Bihar	23	20	1,651	3	2,013	23	18	2,228	5	3,494	9.2	27.9	8.7	37.4
7	Jharkhand	1	1	212	0	-	1	1	313	0	-	17.4	28.6	9.2	96.3
8	Odisha	17	17	9,988	0	-	17	17	10,951	0	-	7.8	82.3	7.7	76.7
9	West Bengal	17	15	8,761	2	896	17	16	9,895	1	87	10.4	75.8	9.9	76.6
	Central region	**104**	**76**	**30,108**	**28**	**48,300**	**104**	**70**	**32,589**	**34**	**84,178**	**19.7**	**61.8**	**20.1**	**63.4**
10	Chattisgarh	6	6	6,277	0	-	6	6	5,538	0	-	13.6	82.0	12.4	77.7
11	Madhya Pradesh	38	24	9,799	14	41,130	38	22	12,665	16	76,564	25.8	53.6	26.7	57.2
12	Uttar Pradesh	50	36	9,325	14	7,169	50	32	9,309	18	7,614	12.8	67.5	12.5	69.2
13	Uttarakhand	10	10	4,707	0	-	10	10	5,077	0	-	9.3	67.9	9.5	70.0
	Western region	**49**	**48**	**83,914**	**1**	**4,480**	**49**	**46**	**83,877**	**3**	**7,426**	**13.4**	**71.6**	**12.5**	**71.4**
14	Gujarat	18	18	20,869	0	-	18	17	29,712	1	284	4.6	92.4	4.4	92.5
15	Maharashtra	31	30	63,044	1	4,480	31	29	54,165	2	7,142	16.4	62.6	15.6	61.0
	Southern region	**67**	**67**	**58,196**	**0**	**-**	**67**	**67**	**68,189**	**0**	**-**	**6.8**	**87.7**	**7.1**	**88.5**
16	Andhra Pradesh	13	13	9,938	0	-	13	13	11,969	0	-	5.2	85.8	4.0	87.1
17	Karnataka	21	21	16,303	0	-	21	21	22,751	0	-	5.3	90.6	5.0	91.7
18	Kerala	1	1	326	0	-	1	1	201	0	-	13.7	64.3	15.7	51.4
19	Tamil Nadu	23	23	26,688	0	-	23	23	27,015	0	-	8.9	89.3	11.0	88.8
20	Telangana	9	9	4,940	0	-	9	9	6,254	0	-	6.1	81.8	4.8	84.7
	All India	**351**	**308**	**209,067**	**43**	**66,884**	**351**	**302**	**235,426**	**49**	**99,617**	**11.4**	**74.9**	**10.8**	**75.6**

Notes: 1. Components may not add up to the total /s due to rounding off.
2. Recovery for a financial year is as on 30th June.

Source: NABARD.

Appendix Table V.5: Details of Members and Borrowers of Primary Agricultural Credit Societies

(Numbers in thousands)

All India	**Members**		**Borrowers**	
	2021	**2022**	**2021**	**2022**
1	2	3	4	5
Scheduled Castes	14,183	17,919	4,390	5,856
Scheduled Tribes	8,482	19,527	2,666	3,745
Small Farmers	35,507	70,217	12,559	27,518
Rural Artisans	3,231	7,189	820	1,454
Others and Marginal Farmers	75,767	54,318	33,217	9,775

Source: NAFSCOB.

Appendix Table V.6: Primary Agricultural Credit Societies

(Amount in ₹ crore)

Item	At end-March		Percentage Variation	
	2021	2022	2020-21	2021-22
1	2	3	4	5
Liabilities				
1. Total Resources (2+3+4)	3,56,277	3,91,518	2.44	9.89
2. Owned Funds (a+b)	42,311	42,754	-3.27	1.05
a. Paid-up Capital	19,115	19,792	-16.87	3.54
of which Government Contribution	900	866	38.67	-3.78
b. Total Reserves	23,196	22,962	11.80	-1.01
3. Deposits	1,70,922	1,76,390	3.29	3.20
4. Borrowings	1,43,044	1,72,374	3.23	20.50
5. Working Capital	3,34,718	3,69,896	2.89	10.51
Assets				
1. Total Loans Outstanding (a+b)	2,16,862	1,59,700	2.12	-26.36
a) Short-Term	1,90,111	1,29,171	2.07	-32.05
b) Medium-Term	26,751	30,529	2.45	14.12

Note: Y-o-y variations could be slightly different because absolute numbers have been rounded off to ₹ crore.
Source: NAFSCOB.

Appendix Table V.7: Select Indicators of Primary Agricultural Credit Societies-State-wise *(Continued)*

(At end-March 2022)

(Amount in ₹ lakh)

Sr. No.	State	Number of PACS	Deposits	Working Capital	Loans and Advances Outstanding		Societies in Profit	
					Agriculture	Non-Agriculture	Number	Amount
1	2	3	4	5	6	7	8	9
	Northern region	**14,591**	**1,702,492**	**5,624,735**	**1,421,667**	**101,311**	**9,649**	**50,161**
1	Chandigarh	17	6	5	0	0	10	1
2	Haryana	750	50,343	1,629,778	587,031	59,981	29	329
3	Himachal Pradesh*	2,178	599,288	757,818	116,989	18,610	1,903	6,625
4	Jammu & Kashmir*	620	323	3,772	4,659	670	484	58
5	Punjab*	3,998	772,226	1,328,203	712,988	22,050	2,062	22,908
6	Rajasthan	7,028	280,305	1,905,160	N.A.	N.A.	5,161	20,241
	North-Eastern region	**9,449**	**103,112**	**158,155**	**183,574**	**48,602**	**822**	**9,261**
7	Arunachal Pradesh*	35	43	4,772	0	0	18	16
8	Assam*	766	0	11,123	575	20	309	7,639
9	Manipur*	261	162	682	48	31	131	26
10	Meghalaya	179	N.A.	5,297	150,392	16,148	60	49
11	Mizoram	161	1,904	532	741	630	33	723
12	Nagaland	7,601	97,313	117,058	30,245	31,586	N.A.	N.A.
13	Sikkim	178	227	119	1,135	176	153	269
14	Tripura	268	3,463	18,572	438	11	118	539
	Eastern region	**18,625**	**380,959**	**1,626,693**	**745,341**	**43,252**	**4,340**	**8,506**
15	Andaman & Nicobar Islands	56	114	2,061	1,742	699	17	20
16	Bihar*	8,463	17,533	50,816	0	0	1,180	604
17	Jharkhand*	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
18	Odisha	2,701	152,712	1,070,176	594,324	13,039	751	4,418
19	West Bengal	7,405	210,601	503,639	149,275	29,514	2,392	3,465
	Central region	**16,174**	**253,462**	**1,651,819**	**715,637**	**52,374**	**8,408**	**24,819**
20	Chhattisgarh	2,058	35,229	540,091	155,344	1,553	1,191	7,609
21	Madhya Pradesh*	4,457	81,731	645,546	339,959	11,892	2,153	13,124
22	Uttarakhand	730	129,682	340,255	140,304	38,929	528	2,313
23	Uttar Pradesh*	8,929	6,820	125,927	80,031	0	4,536	1,774
	Western region	**29,402**	**106,598**	**3,780,420**	**2,521,413**	**334,708**	**15,486**	**13,959**
24	Goa	93	10,418	17,593	1,849	5,264	54	747
25	Gujarat	9,158	73,123	1,679,259	1,511,837	59,383	6,693	12,606
26	Maharashtra*	20,151	23,057	2,083,568	1,007,727	270,061	8,739	607
	Southern region	**16,025**	**15,092,335**	**24,147,746**	**5,654,114**	**2,216,623**	**9,191**	**74,331**
27	Andhra Pradesh	2,045	267,677	2,415,959	1,533,744	218,050	1,198	24,745
28	Telangana	823	40,254	705,820	579,231	21,218	579	5,994
29	Karnataka	6,964	1,565,874	4,343,964	2,031,457	827,240	4,328	6,773
30	Kerala	1,620	12,169,710	13,532,893	446,114	228,188	927	14,150
31	Puducherry	53	21,366	30,093	37	20,959	16	199
32	Tamil Nadu	4,520	1,027,454	3,119,017	1,063,530	900,968	2,143	22,470
	All India	**104,266**	**17,638,959**	**36,989,568**	**11,241,746**	**2,796,870**	**47,896**	**181,038**

Notes: 1. *: Data relate to previous year.
2. Components may not add up to the total due to rounding off.
3. n.a. : not applicable. N.A.: Not Available.

Source: NAFSCOB.

Appendix Table V.7: Select Indicators of Primary Agricultural Credit Societies-State-wise *(Concluded)*
(At end-March 2022)

(Amount in ₹ lakh)

Sr. No.	State	Societies in Loss		Viable	Potentially viable	Dormant	Defunct	Others
		Number	Amount					
1	2	10	11	12	13	14	15	16
	Northern Region	**4,352**	**81,395**	**12,202**	**1,640**	**309**	**237**	**203**
1	Chandigarh	5	0	4	0	13	0	0
2	Haryana	721	62,884	750	0	0	0	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	1,811	11,198	6,938	0	27	8	55
	North-Eastern Region	**828**	**11,332**	**9,043**	**164**	**127**	**115**	**0**
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	119	124	149	0	0	30	0
11	Mizoram	5	4	38	6	89	28	0
12	Nagaland	N.A.	N.A.	7,601	0	0	0	0
13	Sikkim	22	12	146	10	15	7	0
14	Tripura	150	1,236	248	20	0	0	0
	Eastern Region	**9,846**	**28,220**	**14,172**	**2,866**	**586**	**411**	**590**
15	Andaman & Nicobar Island	29	349	41	12	3	0	0
16	Bihar*	3,962	94	8,463	0	0	0	0
17	Jharkhand*	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
18	Odisha	1,854	26,305	1,717	608	10	1	365
19	West Bengal	4,001	1,472	3,951	2,246	573	410	225
	Central Region	**5,118**	**43,572**	**13,383**	**2,095**	**396**	**167**	**133**
20	Chhattisgarh	867	24,293	2,018	40	0	0	0
21	Madhya Pradesh*	2,129	17,824	3,663	720	4	0	70
22	Uttarakhand	154	1,302	587	66	10	4	63
23	Uttar Pradesh*	1,968	153	7,115	1,269	382	163	0
	Western Region	**13,315**	**9,121**	**21,055**	**7,506**	**523**	**189**	**129**
24	Goa	9	156	62	5	9	17	0
25	Gujarat	1,637	8,222	5,574	2,837	460	158	129
26	Maharashtra*	11,669	743	15,419	4,664	54	14	0
	Southern Region	**5,185**	**201,067**	**10,434**	**4,332**	**384**	**100**	**775**
27	Andhra Pradesh	838	83,757	1,198	828	19	0	0
28	Telangana	242	2,827	702	112	1	0	8
29	Karnataka	1,602	6,397	4,441	2,096	142	75	210
30	Kerala	658	68,110	1,580	0	15	25	0
31	Puducherry	37	3,196	16	37	0	0	0
32	Tamil Nadu	1,808	36,782	2,497	1,259	207	0	557
	All India	**38,644**	**374,707**	**80,289**	**18,603**	**2,325**	**1,219**	**1,830**

Notes: 1. *: Data relate to previous year.
2. Components may not add up to the total due to rounding off.
3. n.a. : not applicable. N.A.: Not Available.

Source: NAFSCOB.

Appendix Table V.8: Liabilities and Assets of State Co-operative Agriculture and Rural Development Banks

(Amount in ₹ crore)

Item	At end-March		Percentage Variation	
	2021	2022P	2020-21	2021-22
1	2	3	4	5
Liabilities				
1. Capital	949	967	1.2	1.9
	(3.5)	(3.4)		
2. Reserves	5,115	5,347	3.8	4.5
	(18.8)	(19)		
3. Deposits	2,530	2,253	5.0	-10.9
	(9.3)	(8)		
4. Borrowings	13,293	13,409	-3.3	0.9
	(48.7)	(47.7)		
5. Other Liabilities	5,386	6,120	5.8	13.6
	(19.7)	(21.8)		
Assets				
1. Cash and Bank Balances	234	241	34.1	3.2
	(0.9)	(0.9)		
2. Investments	2,272	2,357	-9.0	3.7
	(8.3)	(8.4)		
3. Loans and Advances	20,948	21,261	1.2	1.5
	(76.8)	(75.7)		
4.Accumulated Losses	518	586	-15.2	13.2
	(1.9)	(2.1)		
5. Other Assets	3,301	3,651	5.8	10.6
	(12.1)	(13)		
Total Liabilities/Assets	**27,274**	**28,097**	**0.6**	**3.0**
	(100.00)	**(100.00)**		

Notes: 1. Figures in parentheses are proportions 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. 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	
		2020-21	2021-22P	2020-21	2021-22
1	2	3	4	5	6
A	**Income (i+ii)**	**2,344**	**2,457**	**-9.3**	**4.8**
		(100.00)	**(100.00)**		
	i Interest Income	2,158	2,070	-9.2	-4.1
		(92)	(84.2)		
	ii Other Income	187	387	-10.1	107.7
		(8)	(15.8)		
B	**Expenditure (i+ii+iii)**	**2,180**	**2,379**	**-6.6**	**9.1**
		(100.00)	**(100.00)**		
	i Interest Expended	1,177	1,052	-9.2	-10.6
		(54)	(44.2)		
	ii Provisions and Contingencies	464	782	2.5	68.5
		(21.3)	(32.9)		
	iii Operating Expenses	539	544	-7.7	1.0
		(24.7)	(22.9)		
	Of which, Wage Bill	348	362	-0.4	4.1
		(16)	(15.2)		
C	**Profits**				
	i Operating Profits	628	860	-10.6	37.0
	ii Net Profits/Loss	164	78	-34.5	-52.3

Notes: 1. Figures in parentheses are proportions 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. P- Provisional

Source: NABARD.

Appendix Table V.10: Asset Quality of State Co-operative Agriculture and Rural Development Banks

(Amount in ₹ crore)

Item	At end-March		Percentage Variation	
	2021	2022P	2020-21	2021-22
1	2	3	4	5
A. Total NPAs (i+ii+iii)	**6,942**	**7,522**	**1.5**	**8.4**
i) Sub-standard	2,337	2,786	-7.2	19.2
	(33.7)	(37)		
ii) Doubtful	4,570	4,701	6.6	2.9
	(65.8)	(62.5)		
iii) Loss	35	35	4.5	-1.3
	(0.5)	(0.5)		
B. NPAs to Loans Ratio (%)	**33.1**	**35.4**		
C. Recovery to Demand Ratio (%)	**47.1**	**43.5**		

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.
4. P- Provisional

Source: NABARD.

Appendix Table V.11: Financial Indicators of State Co-operative Agriculture and Rural Development Banks

(At end-March)

(Amount in ₹ lakh)

Sr. No.	Region/State/UT	Branches	Profit / Loss		NPAs to Loans ratio (%)		Recovery Ratio (At end-June) (%)	
		2022	2021	2022P	2021	2022P	2020	2021P
1	2	3	4	5	6	7	8	9
	Northern region	**212**	**2,945**	**-6,055**	**51.2**	**56.2**	**23.3**	**20.1**
1	Haryana @	19	2,381	-4,897	76.1	77.6	12.5	11.6
2	Himachal Pradesh #	51	101	185	36.4	34.3	46.7	42.6
3	Jammu & Kashmir*	51	-1,462	-2,283	41.5	49.4	30.6	30.7
4	Punjab @	89	247	273	32.3	45.3	41.6	32.9
5	Rajasthan @	2	1,679	667	52.9	53.8	20.8	18.2
	North-eastern region	**5**	**-63**	**-38**	**99.4**	**100.0**	**8.0**	**12.1**
6	Assam*	-	-	-	-	-	-	-
7	Tripura*	5	-63	-38	99.4	100.0	8.0	12.1
	Eastern region	**11**	**1,060**	**615**	**23.5**	**24.5**	**32.9**	**41.3**
8	Bihar*	-	-	-	-	-	-	-
9	Odisha @	-	-	-	-	-	-	-
10	West Bengal #	11	1,060	615	23.5	24.5	32.9	41.3
	Central region	**323**	**2,323**	**491**	**83.7**	**70.5**	**25.5**	**29.1**
11	Chhattisgarh @	-	-	-	-	-	-	-
12	Madhya Pradesh @	-	-	-	-	-	-	-
13	Uttar Pradesh*	323	2,323	491	83.7	70.5	25.5	29.1
	Western region	**176**	**1,150**	**2,929**	**61.4**	**58.5**	**32.0**	**32.5**
14	Gujarat*	176	1,150	2,929	61.4	58.5	32.0	32.5
15	Maharashtra @	-	-	-	-	-	-	-
	Southern region	**67**	**8,991**	**9,892**	**10.3**	**15.9**	**80.0**	**70.7**
16	Karnataka @	25	2,411	2,930	27.1	33.0	44.0	32.2
17	Kerala @	16	2,646	2,930	6.1	11.1	100.0	84.0
18	Puducherry*	1	-15	15	13.2	8.1	89.7	67.8
19	Tamil Nadu @	25	3,948	4,018	11.9	22.0	80.7	81.2
	All India	**794**	**16,407**	**7,834**	**33.1**	**35.4**	**47.1**	**43.5**

@ : 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 co-operative credit structure merged with long-term during 2014-15. Also, Assam, Bihar, Odisha, Madhya Pradesh and Maharashtra are no longer functional SCARDBs.

3. Recovery for the financial year is taken as on 30th June.

4. P- Provisional.

Source: NABARD.

Appendix Table V.12: Liabilities and Assets of Primary Co-operative Agriculture and Rural Development Banks

(Amount in ₹ crore)

Item	At end-March		Percentage Variation	
	2021	2022P	2020-21	2021-22
1	2	3	4	5
Liabilities				
1. Capital	4,362	4,370	0.1	0.2
	(13.3)	(13)		
2. Reserves	3,045	3,841	17.0	26.1
	(9.3)	(11.5)		
3. Deposits	1,571	1,675	14.5	6.6
	(4.8)	(5)		
4. Borrowings	17,046	17,282	2.4	1.4
	(52.1)	(51.6)		
5. Other Liabilities	6,710	6,353	4.6	-5.3
	(20.5)	(19)		
Assets				
1. Cash and Bank Balances	514	556	35.8	8.3
	(1.6)	(1.7)		
2. Investments	2,668	2,300	29.2	-13.8
	(8.2)	(6.9)		
3. Loans and Advances	16,117	16,607	1.9	3.0
	(49.2)	(49.5)		
4. Accumulated Losses	5,941	6,542	8.4	10.1
	(18.1)	(19.5)		
5. Other Assets	7,494	7,514	-1.5	0.3
	(22.9)	(22.4)		
Total Liabilities/Assets	**32,734**	**33,520**	**4.5**	**2.4**
	(100.00)	**(100.00)**		

Notes: 1. Figures in parentheses are proportions 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. P - Provisional Data.

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	
	2020-21	2021-22P	2020-21	2021-22
1	2	3	4	5
A. Income (i+ii)	**2,977**	**2,872**	**12.3**	**-3.5**
	(100.00)	**(100.00)**		
i. Interest Income	2,025	1,835	0.9	-9.4
	(68)	(63.9)		
ii. Other Income	951	1,036	48.0	8.9
	(32)	(36.1)		
B. Expenditure (i+ii+iii)	**3,461**	**3,411**	**7.2**	**-1.4**
	(100.00)	**(100.00)**		
i. Interest Expended	1,817	1,684	4.9	-7.3
	(52.5)	(49.4)		
ii. Provisions and Contingencies	1,081	1,064	6.7	-1.6
	(31.2)	(31.2)		
iii. Operating Expenses	562	663	16.2	18.0
	(16.3)	(19.4)		
Of which, Wage Bill	335	444	22.1	32.6
	(9.7)	(13)		
C. Profits				
i. Operating Profit	597	524	37.3	-12.2
ii. Net Profit	-484	-539		

Notes: 1. Figures in parentheses are proportions 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.
3. Components may not add up to the total due to rounding off.
4. P - Provisional Data.

Source: NABARD.

Appendix Table V.14: Asset Quality of Primary Co-operative Agriculture and Rural Development Banks

(Amount in ₹ crore)

Item	At end-March		Percentage Variation	
	2021	2022P	2020-21	2021-22
1	2	3	4	5
A. Total NPAs (i+ii+iii)	**6,818**	**7,172**	**0.7**	**5.2**
i) Sub-standard	3,247	3,250	-7.1	0.1
	(47.6)	(45.3)		
ii) Doubtful	3,553	3,894	9.0	9.6
	(52.1)	(54.3)		
iii) Loss	19	28	-11.1	49.0
	(0.3)	(0.4)		
B. NPAs to Loans Ratio (%)	**42.3**	**43.2**	**-**	**-**
C. Recovery to Demand Ratio (%)	**41.4**	**39.8**	**-**	**-**

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. P - Provisional
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	2020-21				2021-22P				NPAs to Loans ratio (%)		Recovery Ratio (At end-June) (%)	
	Profit		Loss		Profit		Loss					
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	2021	2022P	2020	2021P
1	2	3	4	5	6	7	8	9	10	11	12	13
Northern Region	**25**	**1,105**	**120**	**41,718**	**18**	**985**	**127**	**40,689**	**72**	**70**	**18**	**16**
Haryana	0	0	19	18,598	0	0	19	17,266	84	85	10	10
Himachal Pradesh	0	0	1	158	0	0	1	144	37	35	55	52
Punjab	7	406	82	16,758	5	355	84	16,642	80	79	18	14
Rajasthan	18	699	18	6,205	13	630	23	6,638	45	40	29	33
Central Region	-	-	-	-	-	-	-	-	-	-	-	-
Chhattisgarh	-	-	-	-	-	-	-	-	-	-	-	-
Madhya Pradesh	-	-	-	-	-	-	-	-	-	-	-	-
Eastern Region	**10**	**1,226**	**14**	**4,278**	**12**	**1,995**	**12**	**2,535**	**35**	**35**	**39**	**38**
Odisha	-	-	-	-	-	-	-	-	-	-	-	-
West Bengal	10	1,226	14	4,278	12	1,995	12	2,535	35	35	39	38
Western Region	-	-	-	-	-	-	-	-	-	-	-	-
Maharashtra	-	-	-	-	-	-	-	-	-	-	-	-
Southern Region	**272**	**14,188**	**162**	**18,958**	**192**	**7,178**	**243**	**20,874**	**31**	**34**	**65**	**64**
Karnataka	127	9,703	51	1,715	48	2,620	131	8,097	21	20	70	58
Kerala	20	2,044	56	16,622	30	2,434	46	11,946	36	38	56	58
Tamil Nadu	125	2,441	55	620	114	2,125	66	832	9	29	81	86
All India	**307**	**16,520**	**296**	**64,954**	**222**	**10,159**	**382**	**64,099**	**42**	**43**	**41**	**40**

Notes: 1. Components may not add up to the 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. P - Provisional Data.

Source: NABARD.

Appendix Table VI.1: Consolidated Balance Sheet of NBFCs

(Amount in ₹ crore)

Item	End-March 2019	End-March 2020	End-March 2021	End-March 2022	End-March 2023	End-September 2023	Percentage variation 2022-23
1	2	3	4	5	6	7	8
1. Share Capital	1,03,244	1,25,801	1,26,687	1,35,662	1,43,336	1,46,115	5.7
2. Reserves & Surplus	4,45,614	5,05,865	6,92,514	8,41,583	9,63,307	9,26,442	14.5
3. Public Deposits	40,057	50,022	62,262	70,539	85,254	96,156	20.9
4. Total Borrowings (A+B)	20,02,808	22,35,336	23,51,008	25,84,500	30,02,239	31,69,959	16.2
A. Secured Borrowings	11,06,917	13,05,214	13,30,259	14,87,621	17,64,649	18,44,331	18.6
A.1. Debentures	5,21,003	5,13,108	5,53,770	5,76,001	6,24,602	6,33,907	8.4
A.2. Borrowings from Banks	4,89,732	5,72,253	6,19,680	7,39,466	9,14,713	9,70,950	23.7
A.3. Borrowings from FIs	29,027	57,610	45,863	59,420	76,747	82,645	29.2
A.4. Interest Accrued	16,958	17,732	17,933	19,746	17,211	14,832	-12.8
A.5. Others	50,196	1,44,510	93,012	92,988	1,31,375	1,41,997	41.3
B. Un-Secured Borrowings	8,95,891	9,30,122	10,20,750	10,96,879	12,37,590	13,25,627	12.8
B.1. Debentures	3,40,905	3,93,392	4,28,833	4,38,610	4,85,632	5,11,629	10.7
B.2. Borrowings from Banks	1,19,964	1,22,657	1,55,409	1,81,089	2,18,507	2,26,676	20.7
B.3. Borrowings from FIs	9,700	5,906	11,076	9,658	13,235	17,198	37.0
B.4. Borrowings from Relatives	1,994	2,642	4,189	3,000	2,805	2,277	-6.5
B.5. Inter-Corporate Borrowings	72,103	78,279	77,856	89,896	1,05,184	1,04,148	17.0
B.6. Commercial Paper	1,42,966	66,865	72,597	70,266	84,366	1,14,109	20.1
B.7. Interest Accrued	17,598	19,000	19,477	17,882	18,690	21,347	4.5
B.8. Others	1,90,661	2,41,381	2,51,313	2,86,477	3,09,170	3,28,243	7.9
5. Current Liabilities & Provisions	2,33,415	2,52,111	2,96,233	3,20,279	3,43,004	3,71,470	7.1
Total Liabilities/ Total Assets	**28,25,139**	**31,69,135**	**35,28,704**	**39,52,564**	**45,37,139**	**47,10,141**	**14.8**
1. Loans & Advances	22,95,371	24,63,943	27,09,196	29,52,442	34,26,970	36,93,921	16.1
1.1. Secured	16,49,728	18,58,735	20,10,912	21,36,416	23,81,311	25,22,137	11.5
1.2. Un-Secured	6,45,643	6,05,208	6,98,284	8,16,026	10,45,660	11,71,784	28.1
2. Investments	2,59,008	3,47,875	4,62,843	5,88,527	6,57,723	5,79,903	11.8
2.1. Govt. Securities	17,328	68,777	47,426	65,542	92,767	93,426	41.5
2.2. Equity Shares	1,35,395	1,44,453	2,81,480	3,69,459	3,96,665	3,13,412	7.4
2.3. Preference Shares	6,644	6,439	6,106	7,007	5,814	14,458	-17.0
2.4. Debentures & Bonds	35,446	34,696	27,088	35,154	35,158	32,387	0.0
2.5. Units of Mutual Funds	44,421	65,106	67,015	68,284	70,422	69,764	3.1
2.6. Commercial Paper	1,390	1,275	1,450	1,714	1,177	2,467	-31.4
2.7. Other Investments	18,384	27,129	32,279	41,367	55,720	53,990	34.7
3. Cash & Bank Balances	96,030	1,31,459	1,58,937	1,79,031	1,74,972	1,86,057	-2.3
3.1. Cash in Hand	6,770	6,260	3,575	5,372	6,513	17,099	21.2
3.2. Deposits with Banks	89,260	1,25,199	1,55,361	1,73,659	1,68,459	1,68,958	-3.0
4. Others	1,74,730	2,25,858	1,97,728	2,32,564	2,77,474	2,50,260	19.3
Memo Items							
1. Capital Market Exposure	1,39,965	1,62,749	1,99,368	3,39,916	3,82,292	3,23,018	12.5
of which: Equity Shares	70,611	89,565	1,25,618	2,56,105	2,85,472	2,11,050	11.5
2. CME as per cent to Total Assets	5.0	5.1	5.6	8.6	8.4	6.9	
3. Leverage Ratio	4.1	4.9	4.4	4.3	4.0	4.2	

Notes: 1. Data are provisional.
2. Percentage figures are rounded-off.
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 2019	End-March 2020	End-March 2021	End-March 2022	End-March 2023	End-September 2023	Percentage variation 2022-23
1	2	3	4	5	6	7	8
1. Share Capital	98,041	1,18,610	1,18,224	1,28,614	1,35,157	1,38,167	5.1
2. Reserves & Surplus	3,83,655	4,27,288	5,99,694	7,36,621	8,35,083	7,94,577	13.4
3. Public Deposits	-	-	-	-	-	-	-
4. Total Borrowings (A+B)	17,32,680	19,40,954	20,67,246	22,83,483	26,36,596	27,64,915	15.5
A. Secured Borrowings	8,85,800	10,51,652	10,85,106	12,27,350	14,57,964	15,12,492	18.8
A.1. Debentures	4,23,738	4,13,555	4,60,995	4,73,092	5,15,116	5,18,642	8.9
A.2. Borrowings from Banks	3,83,654	4,48,215	5,05,404	6,19,731	7,84,358	8,24,067	26.6
A.3. Borrowings from FIs	24,051	49,542	33,194	48,050	67,000	72,178	39.4
A.4. Interest Accrued	13,839	14,404	14,784	16,089	14,533	11,741	-9.7
A.5. Others	40,518	1,25,935	70,730	70,388	76,957	85,863	9.3
B. Un-Secured Borrowings	8,46,880	8,89,302	9,82,140	10,56,133	11,78,632	12,52,423	11.6
B.1. Debentures	3,39,013	3,89,607	4,23,710	4,32,516	4,78,079	5,03,721	10.5
B.2. Borrowings from Banks	1,19,813	1,22,307	1,55,093	1,81,004	2,17,602	2,25,946	20.2
B.3. Borrowings from FIs	9,700	5,906	11,076	9,658	13,235	17,198	37.0
B.4. Borrowings from Relatives	1,909	2,561	4,127	2,952	2,753	2,252	-6.8
B.5. Inter-Corporate Borrowings	64,713	69,750	69,950	78,790	86,968	83,343	10.4
B.6. Commercial Paper	1,24,854	59,386	64,074	62,366	67,778	85,671	8.7
B.7. Interest Accrued	13,953	15,509	18,523	16,817	17,213	19,848	2.4
B.8. Others	1,72,926	2,24,277	2,35,586	2,72,029	2,95,004	3,14,444	8.4
5. Current Liabilities & Provisions	1,88,933	1,95,461	2,25,342	2,49,120	2,69,365	2,95,611	8.1
Total Liabilities/ Total Assets	**24,03,310**	**26,82,313**	**30,10,505**	**33,97,838**	**38,76,202**	**39,93,270**	**14.1**
1. Loans & Advances	19,16,352	20,46,134	22,83,377	24,88,611	28,74,066	30,73,905	15.5
1.1. Secured	13,42,155	15,29,828	16,76,370	17,76,520	19,55,873	20,49,687	10.1
1.2. Un-Secured	5,74,197	5,16,306	6,07,007	7,12,092	9,18,193	10,24,218	28.9
2. Investments	2,35,117	3,08,724	4,16,216	5,42,574	5,97,851	5,26,114	10.2
2.1. Govt. Securities	11,790	59,659	29,706	39,887	62,384	61,522	56.4
2.2. Equity Shares	1,28,494	1,34,110	2,71,082	3,57,180	3,81,771	2,99,389	6.9
2.3. Preference Shares	6,419	6,174	5,821	7,004	5,747	14,391	-18.0
2.4. Debentures & Bonds	34,091	34,199	26,781	34,837	34,271	31,864	-1.6
2.5. Units of Mutual Funds	39,615	49,803	55,817	63,761	63,578	67,130	-0.3
2.6. Commercial Paper	533	423	939	1,614	472	1,638	-70.8
2.7. Other Investments	14,175	24,356	26,070	38,291	49,628	50,182	29.6
3. Cash & Bank Balances	86,244	1,14,184	1,24,572	1,46,282	1,45,649	1,63,093	-0.4
3.1. Cash in Hand	6,323	6,120	3,198	4,735	5,901	16,507	24.6
3.2. Deposits with Banks	79,920	1,08,063	1,21,374	1,41,547	1,39,748	1,46,586	-1.3
4. Others	1,65,597	2,13,271	1,86,340	2,20,371	2,58,637	2,30,158	17.4
Memo Items							
1. Capital Market Exposure	1,30,334	1,52,724	1,87,133	3,24,119	3,54,749	2,91,655	9.5
of which: Equity Shares	70,095	84,051	1,19,876	2,55,511	2,83,064	2,08,751	10.8
2. CME as per cent to Total Assets	5.4	5.7	6.2	9.5	9.2	7.3	
3. Leverage Ratio	4.0	4.9	4.4	4.3	4.0	4.1	

Notes: 1. Data are provisional.
2. Percentage figures are rounded-off.
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 2019	End-March 2020	End-March 2021	End-March 2022	End-March 2023	End-September 2023	Percentage variation 2022-23
1	2	3	4	5	6	7	8
1. Share Capital	5,202	7,191	8,463	7,048	8,178	7,948	16.0
2. Reserves & Surplus	61,959	78,577	92,820	1,04,963	1,28,224	1,31,864	22.2
3. Public Deposits	40,057	50,022	62,262	70,539	85,254	96,156	20.9
4. Total Borrowings (A+B)	2,70,128	2,94,382	2,83,762	3,01,017	3,65,642	4,05,044	21.5
A. Secured Borrowings	2,21,117	2,53,562	2,45,153	2,60,271	3,06,685	3,31,840	17.8
A.1. Debentures	97,265	99,553	92,775	1,02,909	1,09,487	1,15,265	6.4
A.2. Borrowings from Banks	1,06,079	1,24,038	1,14,277	1,19,735	1,30,355	1,46,882	8.9
A.3. Borrowings from FIs	4,976	8,068	12,670	11,370	9,748	10,468	-14.3
A.4. Interest Accrued	3,119	3,328	3,149	3,657	2,678	3,091	-26.8
A.5. Others	9,678	18,576	22,282	22,600	54,418	56,134	140.8
B. Un-Secured Borrowings	49,010	40,820	38,610	40,746	58,957	73,204	44.7
B.1. Debentures	1,892	3,785	5,122	6,094	7,553	7,909	23.9
B.2. Borrowings from Banks	151	350	315	85	905	730	961.5
B.3. Borrowings from FIs	-	-	-	-	-	-	-
B.4. Borrowings from Relatives	86	82	62	48	52	25	9.4
B.5. Inter-Corporate Borrowings	7,390	8,529	7,906	11,106	18,216	20,805	64.0
B.6. Commercial Paper	18,112	7,478	8,523	7,899	16,589	28,438	110.0
B.7. Interest Accrued	3,645	3,491	955	1,066	1,476	1,498	38.5
B.8. Others	17,736	17,104	15,727	14,448	14,166	13,800	-1.9
5. Current Liabilities & Provisions	44,482	56,653	70,892	71,159	73,639	75,859	3.5
Total Liabilities/ Total Assets	**4,21,829**	**4,86,825**	**5,18,199**	**5,54,726**	**6,60,937**	**7,16,871**	**19.1**
1. Loans & Advances	3,79,019	4,17,807	4,25,819	4,63,831	5,52,904	6,20,016	19.2
1.1. Secured	3,07,573	3,28,907	3,34,543	3,59,896	4,25,438	4,72,450	18.2
1.2. Un-Secured	71,446	88,899	91,276	1,03,935	1,27,467	1,47,565	22.6
2. Investments	23,891	39,151	46,627	45,953	59,872	53,790	30.3
2.1. Govt. Securities	5,538	9,118	17,720	25,655	30,383	31,904	18.4
2.2. Equity Shares	6,901	10,343	10,397	12,279	14,894	14,023	21.3
2.3. Preference Shares	225	265	284	3	67	67	2,046.2
2.4. Debentures & Bonds	1,355	496	308	317	888	523	180.4
2.5. Units of Mutual Funds	4,807	15,302	11,198	4,523	6,844	2,635	51.3
2.6. Commercial Paper	857	852	511	100	705	829	604.7
2.7. Other Investments	5,272	2,773	6,209	3,077	6,092	3,808	98.0
3. Cash & Bank Balances	9,786	17,275	34,364	32,750	29,323	22,964	-10.5
3.1. Cash in Hand	447	139	377	637	612	593	-3.9
3.2. Deposits with Banks	9,339	17,136	33,987	32,112	28,711	22,372	-10.6
4. Others	9,132	12,592	11,388	12,192	18,838	20,102	54.5
Memo Items							
1. Capital Market Exposure	9,630	10,025	12,236	15,798	27,544	31,363	74.4
of which: Equity Shares	516	5,514	5,742	595	2,407	2,299	304.5
2. CME as per cent to Total Assets	2.3	2.1	2.4	2.8	4.2	4.4	
3. Leverage Ratio	5.7	5.0	4.5	4.2	4.2	4.5	

Notes: 1. Data are provisional.
2. Percentage figures are rounded-off.

Source: Quarterly returns of NBFCs-D, RBI.

Appendix Table VI.4: Credit to Various Sectors by NBFCs

(Amount in ₹ crore)

Items	End- March 2021	End- March 2022	End- March 2023	End- September 2023	Percentage variation 2022-23
1	2	3	4	5	6
I. Gross Advances (II + III)	**27,09,196**	**29,52,442**	**34,26,970**	**36,93,921**	**16.1**
II. Food Credit	**-**	**1,739**	**-**	**-**	**-100.0**
III. Non-Food Credit (1 to 5)	**27,09,196**	**29,50,703**	**34,26,970**	**36,93,921**	**16.1**
1. Agriculture and Allied Activities	**45,951**	**53,759**	**60,760**	70,603	**13.0**
2. Industry (2.1 to 2.4)	**10,66,849**	**11,31,558**	**12,76,666**	**13,45,347**	**12.8**
2.1 Micro and Small	38,055	44,329	71,638	83,879	61.6
2.2 Medium	14,921	17,411	20,068	18,546	15.3
2.3 Large	8,54,867	8,94,541	10,20,441	10,98,821	14.1
2.4 Others	1,59,006	1,75,277	1,64,519	1,44,101	-6.1
3. Services (3.1 to 3.10 equals 3.a to 3.d)	**3,63,136**	**4,07,367**	**4,76,728**	**4,90,536**	**17.0**
3.1 Transport Operators	94,544	1,03,311	1,20,945	1,09,550	17.1
3.2 Computer Software	1,706	1,662	2,108	2,193	26.8
3.3 Tourism, Hotel and Restaurants	8,814	8,052	7,561	7,332	-6.1
3.4 Shipping	140	173	185	267	7.4
3.5 Professional Services	16,396	20,354	23,776	27,137	16.8
3.6 Trade	33,881	50,755	70,135	81,525	38.2
3.6.1 Wholesale Trade (other than Food Procurement)	6,875	9,564	10,665	13,524	11.5
3.6.2 Retail Trade	27,006	41,190	59,470	68,001	44.4
3.7 Commercial Real Estate	81,987	87,566	84,666	83,325	-3.3
3.8 NBFCs	28,719	35,003	48,406	53,029	38.3
3.9 Aviation	948	1,143	826	819	-27.7
3.10 Other Services	96,001	99,349	1,18,119	1,25,359	18.9
Total 3.a to 3.d	**3,63,136**	**4,07,367**	**4,76,728**	**4,90,536**	**17.0**
3.a Micro and Small	89,126	1,12,503	1,61,504	1,71,343	43.6
3.b Medium	16,763	18,244	20,971	23,697	14.9
3.c Large	73,914	78,114	81,960	79,013	4.9
3.d Others	1,83,333	1,98,506	2,12,293	2,16,483	6.9
4. Retail Loans (4.1 to 4.10)	**7,45,038**	**8,38,528**	**10,54,530**	**11,96,757**	**25.8**
4.1 Housing Loans (incl. priority sector Housing)	21,385	23,280	32,425	39,223	39.3
4.2 Consumer Durables	18,519	24,789	31,543	38,484	27.2
4.3 Credit Card Receivables	25,991	32,710	44,007	49,231	34.5
4.4 Vehicle/Auto Loans	3,18,884	3,35,460	3,84,475	4,33,653	14.6
4.5 Education Loans	9,277	14,162	25,352	36,330	79.0
4.6 Advances against Fixed Deposits (incl. FCNR(B), etc.)	31	43	215	247	406.9
4.7 Advances to Individuals against Shares, Bonds, etc.	8,304	13,023	14,053	18,532	7.9
4.8 Advances to Individuals against Gold	1,12,898	1,19,311	1,31,165	1,40,901	9.9
4.9 Micro finance loan/SHG Loan	66,573	81,599	1,18,752	1,16,908	45.5
4.10 Other Retail Loans	1,63,175	1,94,153	2,72,543	3,23,248	40.4
5. Other Non-food Credit, if any	**4,88,222**	**5,19,491**	**5,58,287**	**5,90,677**	**7.5**

Notes: 1. Data are provisional.
2. Percentage figures are rounded-off.
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	2020-21	2021-22	2022-23	H1: 2023-24
1	2	3	4	5
A. Total Income	**2,89,927**	**3,17,992**	**3,88,011**	**2,05,541**
(i) Fund Based Income	2,70,820 (93.4)	2,94,329 (92.6)	3,42,197 (88.2)	1,87,249 (91.1)
(ii) Fee Based Income	8,245 (2.8)	12,111 (3.8)	16,848 (4.3)	9,572 (4.7)
B. Expenditure	**2,45,441**	**2,47,713**	**2,78,321**	**1,43,068**
(i) Financial Expenditure	1,40,934 (57.4)	1,43,061 (57.8)	1,63,272 (58.7)	88,614 (61.9)
of which, Interest payment	68,767 (28.0)	67,285 (27.2)	85,011 (30.5)	48,489 (33.9)
(ii) Operating Expenditure	39,419 (16.1)	50,230 (20.3)	63,648 (22.9)	33,802 (23.6)
(iii) Others	65,088 (26.5)	54,422 (22.0)	51,401 (18.5)	20,651 (14.4)
C. Tax Provisions	**11,446**	**17,128**	**20,010**	**12,834**
D. Profit Before Tax	**44,486**	**70,279**	**1,09,690**	**62,473**
E. Net Profit	**33,040**	**53,151**	**89,680**	**49,639**
F. Total Assets	**30,10,505**	**33,97,838**	**38,76,202**	**39,93,270**
G. Financial Ratios (as Per cent of Total Assets)				
(i) Income	9.6	9.4	10.0	10.3
(ii) Fund Income	9.0	8.7	8.8	9.4
(iii) Fee Income	0.3	0.4	0.4	0.5
(iv) Expenditure	8.2	7.3	7.2	7.2
(v) Financial Expenditure	4.7	4.2	4.2	4.4
(vi) Operating Expenditure	1.3	1.5	1.6	1.7
(vii) Tax Provision	0.4	0.5	0.5	0.6
(viii) Net Profit	1.1	1.6	2.3	2.5
H. Cost to Income (percentage)*	**84.7**	**77.9**	**71.7**	**69.6**

*: Cost to Income Ratio = Total Expenditure / Total Income.

Notes: 1. Data are provisional.
2. Total income includes non-financial income as well, which is not reported in the table.
3. Excluding Core Investment Companies (CICs).
4. Figures in parentheses are share (in per cent) to respective total.
5. Percentage figures are rounded-off.

Source: Quarterly returns of NBFCs-ND-SI, RBI.

Appendix Table VI.6: Financial Performance of NBFCs-D

(Amount in ₹ crore)

Items	2020-21	2021-22	2022-23	H1: 2023-24
1	2	3	4	5
A. Total Income	**70,327**	**73,025**	**87,205**	**49,583**
(i) Fund Based Income	68,777	70,708	83,795	47,584
	(97.8)	(96.8)	(96.1)	(96)
(ii) Fee Based Income	104	349	537	294
	(0.1)	(0.5)	(0.6)	(0.6)
B. Expenditure	**58,306**	**55,732**	**59,344**	**34,284**
(i) Financial Expenditure	30,560	29,028	32,485	18,825
	(52.4)	(52.1)	(54.7)	(54.9)
of which, Interest payment	16,036	15,654	17,844	9,949
	(27.5)	(28.1)	(30.1)	(29.0)
(ii) Operating Expenditure	11,406	13,227	16,687	9,283
	(19.6)	(23.7)	(28.1)	(27.1)
(iii) Others	16,340	13,478	10,173	6,177
	(28.0)	(24.2)	(17.1)	(18.0)
C. Tax Provisions	**3,026**	**4,305**	**6,916**	**3,729**
D. Profit Before Tax	**12,020**	**17,293**	**27,861**	**15,298**
E. Net Profit	**8,994**	**12,988**	**20,946**	**11,569**
F. Total Assets	**5,18,199**	**5,54,726**	**6,60,937**	**7,16,871**
G. Financial Ratios (as Per cent of Total Assets)				
(i) Income	13.6	13.2	13.2	13.8
(ii) Fund Income	13.3	12.7	12.7	13.3
(iii) Fee Income	0.0	0.1	0.1	0.1
(iv) Expenditure	11.3	10.0	9.0	9.6
(v) Financial Expenditure	5.9	5.2	4.9	5.3
(vi) Operating Expenditure	2.2	2.4	2.5	2.6
(vii) Tax Provision	0.6	0.8	1.0	1.0
(viii) Net Profit	1.7	2.3	3.2	3.2
H. Cost to Income (percentage)*	**82.9**	**76.3**	**68.1**	**69.1**

*: Cost to Income Ratio = Total Expenditure / Total Income.

Notes: 1. Data are provisional.
2. Total income includes non-financial income as well, which is not reported in the table.
3. Excluding Core Investment Companies (CICs).
4. Figures in parentheses are share (in per cent) to respective total.
5. Percentage figures are rounded-off.

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*							
	2021-22		2022-23		Apr-Sep 2022		Apr-Sep 2023	
	S	D	S	D	S	D	S	D
1	2	3	4	5	6	7	8	9
A. All India financial institutions (1 to 5)	**6,11,600**	**6,01,320**	**7,91,479**	**7,48,849**	**2,65,691**	**2,66,596**	**4,41,257**	**3,13,949**
1. NABARD	3,79,618	3,77,748	3,83,494	3,64,248	86,717	90,270	1,67,846	96,819
2. SIDBI	1,46,668	1,45,311	2,86,318	2,79,309	1,44,940	1,42,478	1,71,763	1,65,598
3. EXIM Bank	54,808	52,271	66,969	64,875	20,263	23,561	52,153	30,650
4. NHB@	30,507	25,990	36,137	30,372	13,770	10,286	23,243	15,260
5. NaBFID	-	-	18,561	10,045	-	-	26,252	5,622
B. Specialised financial institutions (6, 7 and 8)	**237**	**277**	**750**	**561**	**142**	**111**	**642**	**264**
6. IVCF	-	-	-	-	-	-	-	-
7. ICICI venture	-	-	-	-	-	-	-	-
8. TFCI	237	277	750	561	142	111	642	264
C. Investment institutions (9 and 10)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9. LIC	-	-	-	-	-	-	-	-
10. GIC	-	-	-	-	-	-	-	-
D. Financial Institutions (A+B+C)	**6,11,838**	**6,01,598**	**7,92,229**	**7,49,410**	**2,65,833**	**2,66,706**	**4,41,899**	**3,14,213**
E. State level institutions (11 and 12)	**5,673**	**4,438**	**6,727**	**6,291**	**..**	**..**	**..**	**..**
11. SFCs^	5,673	4,438	6,727	6,291	..	..	..	..
12. SIDCs	..	..	..	..	..	..	..	..
F. Total assistance by all financial institutions (D+E)	**6,17,511**	**6,06,036**	**7,98,956**	**7,55,701**	**2,65,833**	**2,66,706**	**4,41,899**	**3,14,213**

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 seven 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							
	2021-22		2022-23		Apr-Sep 2022		Apr-Sep 2023	
	S	D	S	D	S	D	S	D
1	10	11	12	13	14	15	16	17
A. All India financial institutions (1 to 5)	**1,871**	**1,091**	**1,806**	**1,476**	**160**	**579**	**-**	**9**
1. NABARD	-	-	-	-	-	-	-	-
2. SIDBI	1,871	1,091	1,806	1,476	160	579	-	9
3. EXIM Bank	-	-	-	-	-	-	-	-
4. NHB@	-	-	-	-	-	-	-	-
5. NaBFID	-	-	-	-	-	-	-	-
B. Specialised financial institutions (6, 7 and 8)	**-**	**-**	**-**	**-**	**-**	**-**	**90**	**90**
6. IVCF	-	-	-	-	-	-	-	-
7. ICICI venture	-	-	-	-	-	-	-	-
8. TFCI	-	-	-	-	-	-	90	90
C. Investment institutions (9 and 10)	**95,527**	**38,163**	**1,00,516**	**52,919**	**43,337**	**22,666**	**62,950**	**11,934**
9. LIC	95,527	38,163	1,00,516	52,919	43,337	22,666	62,950	11,934
10. GIC	-	-	-	-	-	-	-	-
D. Financial Institutions (A+B+C)	**97,398**	**39,254**	**1,02,322**	**54,395**	**43,497**	**23,245**	**63,040**	**12,033**
E. State level institutions (11 and 12)	**-**	**-**	**-**	**-**	**..**	**..**	**..**	**..**
11. SFCs^	-	-	-	-	..	..	..	..
12. SIDCs	..	..	..	..	..	..	..	..
F. Total assistance by all financial institutions (D+E)	**97,398**	**39,254**	**1,02,322**	**54,395**	**43,497**	**23,245**	**63,040**	**12,033**

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 seven 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#							
	2021-22		2022-23		Apr-Sep 2022		Apr-Sep 2023	
	S	D	S	D	S	D	S	D
1	18	19	20	21	22	23	24	25
A. All India financial institutions (1 to 5)	**14,844**	**4,557**	**13,633**	**4,498**	**8,530**	**1,328**	**11,209**	**2,991**
1. NABARD	778	639	825	584	248	152	386	142
2. SIDBI	11	-	13	2	3	-	3	-
3. EXIM Bank	14,055	3,918	12,796	3,912	8,279	1,176	10,729	2,749
4. NHB@	-	-	-	-	-	-	-	-
5. NaBFID	-	-	-	-	-	-	91	100
B. Specialised financial institutions (6, 7 and 8)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
6. IVCF	-	-	-	-	-	-	-	-
7. ICICI venture	-	-	-	-	-	-	-	-
8. TFCI	-	-	-	-	-	-	-	-
C. Investment institutions (9 and 10)	**1,829**	**370**	**605**	**306**	**250**	**118**	**-**	**128**
9. LIC	1,829	370	605	306	250	118	-	128
10. GIC	-	-	-	-	-	-	-	-
D. Financial Institutions (A+B+C)	**16,673**	**4,927**	**14,238**	**4,804**	**8,780**	**1,446**	**11,209**	**3,120**
E. State level institutions (11 and 12)	**-**	**-**	**-**	**-**	**..**	**..**	**..**	**..**
11. SFCs^	-	-	-	-	..	..	..	..
12. SIDCs	..	..	..	..	..	..	..	..
F. Total assistance by all financial institutions (D+E)	**16,673**	**4,927**	**14,238**	**4,804**	**8,780**	**1,446**	**11,209**	**3,120**

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 seven 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			
	2021-22		2022-23		Apr-Sep 2022		Apr-Sep 2023		2022-23		Apr-Sep 2023	
	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 5)	**6,28,316**	**6,06,968**	**8,06,919**	**7,54,823**	**2,74,381**	**2,68,503**	**4,52,466**	**3,16,949**	28.4	24.4	64.9	18.0
1. NABARD	3,80,396	3,78,387	3,84,319	3,64,832	86,965	90,423	1,68,232	96,961	1.0	-3.6	93.4	7.2
2. SIDBI	1,48,550	1,46,402	2,88,137	2,80,787	1,45,104	1,43,057	1,71,765	1,65,607	94.0	91.8	18.4	15.8
3. EXIM Bank	68,863	56,189	79,765	68,787	28,542	24,736	62,882	33,399	15.8	22.4	120.3	35.0
4. NHB@	30,507	25,990	36,137	30,372	13,770	10,286	23,243	15,260	18.5	16.9	68.8	48.4
5. NaBFID	-	-	18,561	10,045	-	-	26,343	5,722	-	-	-	-
B. Specialised financial institutions (6, 7 and 8)	**237**	**277**	**750**	**561**	**142**	**111**	**732**	**354**	216.3	102.0	413.6	219.4
6. IVCF	-	-	-	-	-	-	-	-	n.m.	n.m.	n.m.	n.m.
7. ICICI venture	-	-	-	-	-	-	-	-	-	-	-	-
8. TFCI	237	277	750	561	142	111	732	354	216.3	102.0	413.6	219.4
C. Investment institutions (9 and 10)	**97,356**	**38,533**	**1,01,121**	**53,225**	**43,587**	**22,784**	**62,950**	**12,062**	3.9	38.1	44.4	-47.1
9. LIC	97,356	38,533	1,01,121	53,225	43,587	22,784	62,950	12,062	3.9	38.1	44.4	-47.1
10. GIC	-	-	-	-	-	-	-	-	n.m.	n.m.	n.m.	n.m.
D. Financial Institutions (A+B+C)	**7,25,909**	**6,45,778**	**9,08,790**	**8,08,609**	**3,18,110**	**2,91,398**	**5,16,147**	**3,29,365**	25.2	25.2	62.3	13.0
E. State level institutions (11 and 12)	**5,673**	**4,438**	**6,727**	**6,291**	**..**	**..**	**..**	**..**	18.6	41.8	..	..
11. SFCs^	5,673	4,438	6,727	6,291	..	..	..	..	18.6	41.8	..	..
12. SIDCs	..	..	..	..	..	..	..	..	..	..	..	..
F. Total assistance by all financial institutions (D+E)	**7,31,582**	**6,50,216**	**9,15,516**	**8,14,900**	**3,18,110**	**2,91,398**	**5,16,147**	**3,29,365**	25.1	25.3	62.3	13.0

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 seven 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.	2021-22	600	27	-48	579
		2022-23	846	-49	2	799
		H1:2023-24	521	54	0	576
2	SBI DFHI Ltd.	2021-22	631	29	16	676
		2022-23	952	-12	6	946
		H1:2023-24	650	7	4	661
3	ICICI Securities Primary Dealership Ltd.	2021-22	846	109	64	1,019
		2022-23	1,249	45	27	1,322
		H1:2023-24	1,046	81	10	1,137
4	PNB Gilts Ltd.	2021-22	971	-137	21	855
		2022-23	1,222	-237	16	1,001
		H1:2023-24	719	-12	4	711
5	Morgan Stanley India Primary Dealer Pvt. Ltd.	2021-22	648	-157	19	511
		2022-23	803	-56	3	750
		H1:2023-24	684	130	1	814
6	Nomura Fixed Income Securities Pvt. Ltd.	2021-22	288	-83	11	216
		2022-23	353	-139	2	216
		H1:2023-24	270	96	1	366
7	Goldman Sachs (India) Capital markets Pvt. Ltd.	2021-22	155	-31	24	147
		2022-23	391	-50	5	346
		H1:2023-24	562	73	1	636
8	**Total**	**2021-22**	**4,139**	**-244**	**107**	**4,002**
		2022-23	**5,816**	**-497**	**61**	**5,379**
		H1:2023-24	**4,451**	**429**	**21**	**4,901**

Note: 1. Deutsche securities had surrendered its PD license w.e.f. March 28, 2014.
2. All amounts are rounded off to the nearest crore.

Source: Returns submitted by the Primary Dealers.

Appendix Table VI.8: 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.	2021-22	415	27	442	137	100	13.3
		2022-23	712	30	741	47	34	4.4
		H1:2023-24	469	18	487	151	112	13.3
2	SBI DFHI Ltd.	2021-22	336	43	378	191	142	11.5
		2022-23	786	42	828	29	20	1.7
		H1:2023-24	570	22	592	107	79	6.0
3	ICICI Securities Primary Dealership Ltd.	2021-22	472	132	603	444	330	21.4
		2022-23	1,063	136	1,199	175	128	8.3
		H1:2023-24	918	79	997	269	201	11.8
4	PNB Gilts Ltd.	2021-22	510	37	547	210	166	11.9
		2022-23	973	47	1,020	-85	-77	-6.3
		H1:2023-24	679	35	714	23	19	1.5
5	Morgan Stanley India Primary Dealer Pvt. Ltd.	2021-22	306	55	361	237	178	8.1
		2022-23	570	55	626	187	136	5.4
		H1:2023-24	520	29	548	379	283	7.8
6	Nomura Fixed Income Securities Pvt. Ltd.	2021-22	133	52	184	-4	-4	-0.3
		2022-23	260	47	308	94	70	6.2
		H1:2023-24	223	33	257	-35	-35	-3.0
7	Goldman Sachs (India) Capital markets Pvt. Ltd.	2021-22	67	39	105	37	25	3.8
		2022-23	299	50	349	30	22	1.7
		H1:2023-24	443	29	472	189	141	5.5
8	**Total**	**2021-22**	**2,238**	**384**	**2,622**	**1,253**	**937**	**10.5**
		2022-23	**4,664**	**407**	**5,070**	**476**	**333**	**3.5**
		H1:2023-24	**3,822**	**245**	**4,067**	**1,082**	**800**	**42.9**

Note: 1. Deutsche securities had surrendered its PD license w.e.f. March 28, 2014.
2. All amounts are rounded off to the nearest crore.

Source: Returns submitted by the Primary Dealers.

Appendix Table VI.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	2022-23	H1: 2023-24	2018-19	2019-20	2020-21	2021-22	2022-23	H1: 2023-24
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	STCI Primary Dealer Ltd.	493	493*	731*	777	790	840	23	23*	29	32	22	26
2	SBI DFHI Ltd.	954	1,054*	1,245*	1,311	1,248	1,327	67	35*	33	42	46	40
3	ICICI Securities Primary Dealership Ltd.	1,453	1,456	1,723*	1,899	1,772	1,801	28	39	44	48	31	29
4	PNB Gilts Ltd.	886	1,043*	1,316*	1,427	1,238	1,258	37	34*	46	66	32	29
5	Morgan Stanley India Primary Dealer Pvt. Ltd	919	1,118	2,105	2,290	3,384	3,549	62	81	52	59	89	61
6	Nomura Fixed Income Securities Pvt. Ltd.	797	919	1,077	1,068	924	1,102	40	41	60	49	42	48
7	Goldman Sachs (India) Capital Markets Pvt. Ltd.	547	582*	625	648	2,363	2,388	133	170	109	116	76	87
	Total	**6,049**	**3,493**	**3,807**	**9,420**	**11,719**	**12,266**	**40**	**42***	**45***	**52***	**47**	**44**

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	2022-23	H1: 2023-24	2018-19	2019-20	2020-21	2021-22	2022-23	H1: 2023-24
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	STCI Primary Dealer Ltd.	8,219	7,151	11,230	13,616	14,664	11,822	9,361	8,187	11,423	12,024	12,286	12,156
2	SBI DFHI Ltd.	4,955	7,892	6,840	12,390	16,645	20,062	7,152	11,328	9,958	12,659	16,953	20,488
3	ICICI Securities Primary Dealership Ltd.	7,723	14,748	14,044	15,864	24,784	27,531	11,431	15,815	18,099	17,534	31,873	30,164
4	PNB Gilts Ltd.	6,584	10,664	9,316	15,273	18,518	17,991	9,141	13,207	11,190	14,887	16,948	20,014
5	Morgan Stanley India Primary Dealer Pvt. Ltd	9,891	10,821	10,564	13,646	12,683	13,761	10,264	11,655	13,029	15,078	15,450	15,495
6	Nomura Fixed Income Securities Pvt. Ltd.	3,938	3,997	2,737	4,849	6,474	4,700	5,248	5,704	4,452	5,629	7,396	7,796
7	Goldman Sachs (India) Capital Markets Pvt. Ltd.	2,411	2,616	3,457	3,468	15,491	8,571	2,535	3,675	3,836	4,723	17,946	10,639
	Total	**43,722**	**57,888**	**58,187**	**79,106**	**1,09,258**	**1,04,438**	**55,133**	**69,573**	**71,986**	**82,535**	**1,18,851**	**1,16,753**

Notes: All amounts are rounded off to the nearest crore.
Source: Returns submitted by the Primary Dealers.

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