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APPRAISAL OF PRIORITY SECTOR LENDING BY COMMERCIAL BANKS IN INDIA

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Appraisal of Priority Sector Lending by Commercial Banks in India

Abstract

This report provides an overview of the performance of priority sector lending by commercial banks in India. The review captures the changing contours of Reserve Bank of India policy on priority sector advances. The paper analyses the trends in priority sector lending for the period 1995-2011, the burden of non-performing assets of commercial bank in priority sector lending and the extent to which priority sector targets are achieved by individual banks. It is observed that the scheduled commercial banks credit to GDP ratio and the priority sector advances to GDP have been increasing over the years.

The composition of the priority sector advances in the non-food credit of scheduled commercial banks shows that non-food advances account for more than 90 percent of the gross bank credit while food advances account for less than 10 percent. Bulk of the non-food advances is accounted for by priority sector and industry (medium and large). The non-performing assets of the commercial banks used to gauge their profitability and financial health shows vast improvement in the gross and net performing assets of banks and the asset quality of banks has been improving over the years. The performance of banks in priority sector lending has improved in recent years, although substantial variations have been observed in the performance of various bank groups as also in meeting the sub-targets within the priority sector.

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Keywords: *Central Banking, Priority Sector Lending*
JEL Code: *E5, E58*

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INTRODUCTION

1.1 Context

Over the years the scope and extent of priority sector advances has undergone changes with several new areas and sectors being brought within the purview of this sector. There is a view that enlargement of areas has resulted in loss of focus. It is also held that credit growth in housing, venture capital and infrastructure has been strong while it has been sluggish in agriculture and small industries. Further, it is argued that only sectors that impact large population, weaker sections and are employment-intensive such as agriculture, tiny and small industry should be eligible for priority sector. Since several issues began to gain importance this study examines the priority sector prescriptions for banks, public, private and foreign commercial banks in India.

The first chapter reviews the various committees instituted by Reserve Bank of India to examine priority sector advances. The second chapter analyses the trends in priority sector lending by commercial banks in India from 1995-96 to 2010-11. For convenience banks are classified into public sector banks which include nationalised banks and State Bank of India and it associates, private sector banks and foreign banks. The third chapter compares the non-performing assets of commercial bank in priority sector as percentage of gross and net advances, as percentage of total assets. The fourth chapter captures the priority sector targets achieved by individual banks among the Nationalised Banks, State Bank Group, Private Sector Banks and Foreign Sector Banks. The final chapter summaries the findings of the study.

1.2 Review of Committee Reports

Commercial banks play an important role in the delivery of credit to rural and urban areas in the country. The importance of rural credit in national policy began as a result of the recommendations of the All India Rural Credit Review Committee (Venkatappiah Committee, 1969) set up by the Reserve Bank in July 1966. The role of commercial banks gained momentum with the nationalisation of major commercial banks in 1969[1] and

[1] Imperial Bank of India was nationalised (under the SBI Act of 1955) and re-christened as State Bank of India in July 1955. Subsequently on 19th July 1960, its seven subsidiaries viz., State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Indore, State Bank of Mysore, State Bank of Patiala, State Bank of Saurashtra, and State Bank of Travancore were brought under SBI. On August 12, 2008 State Bank of Saurashtra was merged with State Bank of India.

On 19 July, 1969 14 banks were nationalized viz., Allahabad Bank, Bank of Baroda, Bank of India, Bank of Maharashtra, Canara Bank, Central Bank of India, Dena Bank, Indian Bank, Indian Overseas Bank, Punjab National Bank, Syndicate Bank, UCO Bank, Union Bank of India and United Bank of India.

1980[2], and with the introduction of the concept of priority sector advances in 1969[3]. Based on Informal Study Group Report (1971)[4], the RBI prescribed a modified return for reporting priority sector advances and certain guidelines were issued indicating the scope of the items to be included under the various categories of priority sector[5].

Gadgil Committee Report (1969) examined the organizational framework for implementation of social objectives in India. The committee recommended area approach for evolving plans and programmes for the development of banking and credit structure, and suggested that district should form the basic unit for activities. Another committee (Nariman Committee, 1969) was appointed after nationalisation of banks to evolve a coordinated programme for spread of adequate banking facilities in the country. The committee was of the view that for balanced regional development each bank should concentrate on certain districts. Based on the recommendations of these two committees, RBI conceptualised the Lead Bank Scheme. In 1969, commercial banks were assigned with the lead bank responsibilities in particular districts to act as pace setters in providing integral banking facilities. The main objective was to provide collective action by banks and other financial institutions in the implementation of bankable schemes for improvement in the district economy.

Thereafter in March 1980 a meeting was held between the Union Finance Minister and the Chief Executive Officers of public sector banks wherein there was a consensus to raise the proportion of their advances to priority sector to 40 percent by March 1985. Subsequently, on the basis of the recommendations of the Krishnaswamy Committee (1980)[6], all commercial banks were advised to achieve the target of priority

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[2] In 1980 the second round of nationalization was carried out and the following banks were nationalised: Andhra Bank, Corporation Bank, New Bank of India, Oriental Bank of Commerce, Punjab and Sindh Bank, and Vijaya Bank. In 1993, New Bank of India was merged with Punjab National Bank.

Other important banking institutions were set up over the years based on recommendation study groups. Narasimham Committee (1975) recommended the setting up Regional Rural Banks (RRBs) and Sivaraman Committee (1981) recommended setting up of National Bank for Agriculture and Rural Development (NABARD). This was set up in 1982. The entire operation of the Agricultural Refinance and Development Corporation and the refinancing functions of the Reserve Bank in relation to State Co-operatives and RRBs were entrusted to NABARD.

[3] In July 1968 meeting, the National Credit Council decided to enhance the role of commercial banks in financing of priority sectors, viz., agriculture and small scale industries..

[4] The description of the priority sectors was formalised based on the report submitted by the Informal Study Group on Statistics relating to Advances to the Priority Sectors constituted by the Reserve Bank in May 1971.

[5] Initially, there was no specific targets fixed for priority sector lending but in November 1974 the banks were advised to raise the share of these sectors in their aggregate advances to the level of 33 1/3 percent by March 1979.

[6] Working Group on the Modalities of Implementation of Priority Sector Lending and the Twenty Point Economic Programme by Banks.

sector lending at 40 percent of aggregate bank advances by 1985. The same targets were to be applicable to private sector banks. Sub-targets were also specified for lending to agriculture and the weaker sections within the priority sector. The committee further recommended that out of the advances to priority sector, at least 40 percent should be extended to agriculture sector by each bank, and out of the total direct lending under agriculture, at least 50 percent should be to the weaker sections (small and marginal farmers and landless labourers and persons engaged in allied activities with borrowal limits not exceeding Rs 10,000). Further, housing loans (upto Rs 5000 per unit) for construction of houses for SC/ST and weaker sections, and pure consumption loans granted under the Consumption Credit Scheme were recommended for inclusion in priority sector. Since then, there have been several changes in the scope of priority sector lending and the targets and sub-targets applicable to various bank groups.

In March 1982, Ghosh Committee examined the role of banks in implementation of new 20-point programme and recommended that the existing target of 40 percent of total credit to priority sector should continue and suggested that definition of weaker sections should correspond to specific beneficiaries under the 20-Point Programme and also include artisans, village and cottage industries and beneficiaries of integrated rural development programme and differential rate of interest scheme and SCs/STs. The committee recommended that advances to weaker sections should account for 25 percent of priority sector lending by March 1985, and advised banks to achieve direct agriculture lending of 15 percent of total bank credit by March 1985, 16 percent by March 1987, 17 percent by March 1989 and 18 percent by March 1990. The banks are to achieve total agriculture lending of 18 percent of adjusted net bank credit or credit equivalent of off-balance sheet exposure.

In 1991, Narasimham Committee recommended the phasing out of directed credit programmes and proposed that priority sector should be redefined to comprise the small and marginal farmer, the tiny sector of industry, small business and transport operators, village and cottage industries, rural artisans and other weaker sections. The target for this redefined priority sector should be 10 percent of aggregate credit[7].

Gupta Committee (1996)[8] noted that the target of 18 percent for lending to agriculture was fixed when the reserve requirements were 63 percent, thereafter the

[7] The redefined target of 10 percent in aggregate for priority sector was not accepted by the government.

[8] High Level Committee on Agricultural Credit through Commercial Banks.

reserve requirements have come down over the years and the total lendable resources of banks have increased substantially. The committee estimated that the base on which the target of 18 percent was calculated had doubled and as a result banks advances to agriculture had to double to keep in line with agricultural production growth of 2.1 percent per annum. Also observed that there are drawbacks in fixing targets based on outstanding advances, and suggested that banks should set targets for agricultural lending based on the flow of credit. Banks were advised to prepare special agricultural credit plans and RBI was to indicate every year the expected increase in the flow of credit as compared to the previous year. The committee felt that once such plans are in place, the 18 percent target would lose its relevance.

The second Narasimham Committee (1998) which went into banking sector reforms observed that directed credit advances had led to an increase in non-performing loans and had adversely affected the efficiency and viability of banks. 47 percent of all non-performing assets were emanating from the priority sector. The committee recognized that the small and marginal farmers and the tiny sector of industry and small businesses have problems with regard to obtaining credit and some earmarking may be necessary for this sector. The committee was of the view that within the priority sector the target of 10 percent of NBC for lending to weaker sections should continue. The committee observed that the requirements of the employment oriented sectors like food processing and related service activities in agriculture, fisheries, poultry and dairying should also be covered under the scope of priority sector lending. The committee observed that abrupt reduction of priority sector targets would disruption the flow of credit to these sectors. It recommended for the removal of concessional rates of interest on loans up to Rs 2 lakh and a phased move away from overall priority sector targets and sub-sector targets. Debt securitisation concept was suggested within the priority sector. This was intended to enable banks, which are not able to reach the priority sector target, to purchase the debt from other institutions.

The committee observed till such time markets evolve in India where market risks can be covered, the capital adequacy requirements should take into account market risks in addition to the credit risks. The committee advocates higher norms for capital adequacy (minimum capital to risk assets ratio of 10 percent)[9]. As regards nonperformance assets (NPAs) the committees was of the view that for evaluating the quality of asset portfolio, the government guarantees should be treated as part of NPAs.

[9] The government enhanced minimum capital to risk asset ratio (CRAR) for banks to 9 percent from March 31, 2000.

Banks have to take effective steps for reduction of NPAs and also put in place risk management systems and practices to prevent re-emergence of fresh NPAs.

Verma Committee (2000)[10] recommended that the priority sector lending targets could be linked to the previous year's net bank credit (NBC) and appropriately increased keeping in view the estimated growth in credit during the year. The group also recommended withdrawal in a phased manner of the facility of exclusion of foreign currency non-resident banks/ non-resident non-repatriable deposits from NBC for computation of priority sector lending targets.

Expert Committee on Rural Credit (Vyas Committee, 2001), recommended that the mandated rates of 18 percent of credit outstanding for agricultural loans and 40 percent for priority sector loans should be reviewed after five years. The committee suggested reduction in rural infrastructure development fund interest rates to a level so as to cover the interest cost of deposits. The committee suggested retaining the upper limit of 4.5 percent on indirect credit while reckoning the achievement of 18 percent target for agricultural lending.

Mahapatra Committee (2003)[11] went into the introduction of credit derivatives in India. The committee examined the various issues, viz., the benefits, need and scope for the introduction of credit derivatives, the regulatory issues involved and the risk management issues that are likely to surface. The committee recommended that, initially banks, financial institutions, non-banking financial companies, mutual funds, insurance companies and corporates be allowed to participate in credit derivatives market subject adherence to certain conditions regarding risk management systems, documentation, exposure norms, capital adequacy, and accounting.

Vyas Committee (2004)[12] recommended that all public and private sector banks should increase their direct lending to agriculture to 12 percent of NBC in the next two years and to 13.5 percent in the following two years. Those banks who have achieved the level should continue or if possible improve their direct lending. As for indirect lending they should reach 6 percent in the first two years and thereafter, 4.5 percent. The committee observed that there is a need for comprehensive review of the entire

[10]RBI (2000), Technical Group on Computation of Priority Sector Lending Targets.

[11] Report of the Working Group on Introduction of Credit Derivatives in India.

[12] Advisory Committee on Flow of Credit to Agriculture and Related Activities from the Banking System.

issue of fixation of targets for lending to the priority sector including agriculture, until then the existing target of 18 percent of net bank credit for lending to agriculture could continue.

The committee observed that banks' investments in securitised assets comprising wholly of direct advances to agriculture may be treated as direct lending to agriculture under the priority sector[13] and similarly indirect finance to agriculture assets may be treated as indirect finance to agriculture. The committee suggests that RBI may advise banks to waive margin/security requirements for agricultural loans up to Rs 50,000 and agri-business and agri-clinics up to Rs 5 lakh. The committee recommends that the current norm of default for two crop seasons may be continued for classification of loans as non-performing asset, but the stipulation of two half years be removed. Here the crop season would refer to two consecutive crop seasons. For long duration crops, a loan may be treated as non-performing if interest or principal remains unpaid for one crop season (as defined above) after becoming due.

The committee observed that different agencies extending credit to agriculture have differential interest rates and the expectations of the borrowers for uniformly lower interest rates cannot be acceded as it not feasible. However, banks need to find ways to make their lending cost-effective and evolve measures to reduce the borrower expenses for getting loans sanctioned. The committee opined that banks should provide a separate flexible revolving credit limit to small borrowers for production or investment loans to meet temporary shortfalls in family cash flows. Banks should come up with suitable credit products/packages to suit the needs of small borrowers.

Ganguly Committee (2004)[14] examined the flow of credit to small scale industries sector. The committee recommended that industrial cluster approach is needed to provide banking services to small and marginal enterprises (SMEs). This could be achieved by adopting four approaches viz., customer focus, cost control, cross sell and contain risk. These clusters are then linked with large industries. The committee was in favour of banks and financial institutions promoting the corporate-linked SME cluster models. The group suggested that organisations like Small Industries Development Bank of India (SIDBI) and Lead Banks to be encouraged to use some of the successful models

[13] Securitisation of assets, banks have the option of purchasing securitised loans from other banks/companies but these are not reckoned for the purpose of computing their priority sector lending.

[14] Working Group on Flow of Credit to SSI Sector.

in other states and also sponsoring specific projects. The committee was for evolving new instruments for promoting rural industry and to improve the flow of credit to rural artisans, industries and rural entrepreneurs. While formulating credit policy for SMEs banks should take into account the needs of special areas like the hilly terrain and those areas with frequent natural calamities like flood. In these areas, SMEs will have to maintain higher levels of inventory and high working capital requirement.

Khan Committee (2005) examined the issues relating to rural credit and microfinance. The committee recommended measures of providing comprehensive financial services, new models (business facilitator modal and business correspondent model), compensation package and capacity building, redressal mechanism. The committee suggested that a National Microfinance Information Bureau (NMIB) be set up to gather information. Also, NABARD with the help of Credit Information Bureau of India Limited and SIDBI form business correspondents to gather information and NMIB could also facilitate sharing of such information (including information regarding termination of agency arrangements due to negligence and fraud). NABARD could share the data/information on the micro finance institutions (MFIs) and non-governmental organisations associated with the SHG-Bank linkage and MFI-Bank linkage programmes.

Murthy Committee (2005) was set up by Reserve Bank of India to examine, review and recommend changes in the existing policy on priority sector lending (priority sector targets and sub-targets). Based on the comments/suggestions received from banks, financial institutions, public and the Indian Banks' Association, the committee decided to include only those sectors as part of the priority sector, that impact large sections of the population, the weaker sections and the sectors which are employment-intensive such as agriculture, and tiny and small enterprises.

The recommendation of various targets set by the committee for domestic and foreign banks operating in India is shown in Table 1.1.

Table 1.1: Priority Sector Targets

Targets For	Domestic Banks*	Foreign Banks+
Total Priority Sector Advances	40 percent of NBC	32 percent of NBC
Total Agricultural Advances	18 percent of NBC	No target
SSI Advances	No target	10 percent of NBC
Export Credit	Export credit does not form part of priority sector	12 percent of NBC
Advances to Weaker Sections	10 percent of NBC	No target

Source: RBI (2005), Internal Working Group on Priority Sector Lending (Chairman: C S Murthy).
Note: *: Public and Private Sector Banks; +: operating in India; NBC: Net Bank Credit[15].

The small and marginal farmers were facing problems with bank branches for availing agricultural loan. Representations were made to the RBI at various forums. To streamline the process RBI instituted Swarnkar Committee (2007) to examine procedures and processes for agricultural loans. The committee recommended changes in the way the applications are handled and regular update of registers at all banks. The committee observed that inspite of the targets being stipulated[16] a number of problems still continued. The committee recommended simple and uniform application forms across banks and in local languages. NABARD was to oversee the preparation of these uniform applications. The committee stressed on the uniform set of documents required for acquiring loans from the banks. Among other things, the committee insisted on transparent and well-defined accountability policy in respect of credit to agriculture. The committee recommended incentivising rural postings, providing adequate staff and upgradation of staff skills. The committee recommended computerization of land records, sanction of loans through 'single window' system, providing counselling regarding suitability of the crop to be cultivated and other extension services to market produce of the farmers.

Raghuram Committee Report (2009), which went into the financial sector reforms, observed that the level playing field is not the same for the public sector banks, foreign banks and domestic banks. There was a need to assess the practice of bank getting access to low-cost deposits in return for fulfilling social obligation such as priority sector lending. The committee was of the view that priority sector obligations are to be

[15] The net bank credit is reported in the fortnightly return submitted under section 42(2) of the Reserve Bank of India Act, 1934. However, outstanding deposits under the foreign currency non-resident banks and non-resident non-repatriable schemes are excluded from net bank credit for computation of priority sector lending target/ sub-targets.

[16] For example. 18 percent of net bank credit (NBC) within the overall target of 40 percent of NBC for priority sector and sub-targets of 10 percent for the 'weaker sections'.

reduced overtime and priority sector loan certificates (PSLC) issued in its place. This would pave way for competition in banking activities. The PSLC are issued to a registered lender for example microfinance institutions, cooperative banks, banking correspondents for the amount of loans lent to the eligible categories. These certificates would amount to the total loans distributed to the priority sector. The committee was in favour of lowering interest rates to meet the needs of the poor.

On the banking system reforms, the committee's was of the view that government need not have major share in the ownership of banks and recommended sale of underperforming public sector banks. Their idea was that large public sector banks should focus on reforming the governance structure and acquire strategic partners through take overs or/and mergers of banks. The outside shareholders in boards should have more say in the activities of the bank. Domestically incorporated foreign banks are to be treated on par with private and public sector Indian banks from April 2009. Branch expansion of domestic banks and domestically incorporated foreign banks to be permitted until the policy changes the existing policy of branch licensing becomes applicable to domestically incorporated subsidiaries of foreign banks. Central bank should enable banks to set up branches and ATMs anywhere in India. The committee was in favour of allowing holding companies and these supervised by appropriate regulator.

Thorat Committee (2009) reviewed the Lead Bank Scheme[17]. The committee was for continuation of the scheme and a plan to provide banking facility at every Gram Panchayat. The committee favoured reduced norms in the rural areas under the know your customer (KYC) scheme. The committee recommended preparation of state/district level development plan for each state/district on the lines prepared for the north-eastern region[18]. The committee noted that while there are various forums to monitor the implementation of lead bank schemes, most of these bodies are being used for routine review of Government sponsored schemes, credit deposit ratio, recovery performance etc. and the annual credit plans, largely drawn up on the basis of past targets. The committee opined that lending under such schemes constituted around 0.4 percent of the total priority sector lending. The committee observed that priority sector lending targets (including those for grant of weaker section loans) are also applicable to private sector banks and can play a significant role in the lead bank scheme (LBS) by bringing expertise in strategic planning and on information technology. Also, the lead banks would ensure

[17] Sarma Committee (1982) examined the working of lead bank scheme in the initial stages of formulation.

[18] RBI (2006), *Report of the Committee on Financial Sector Plan for North Eastern Region*, July.

that private sector banks are more closely involved in the LBS, both while drawing up and in implementing the annual credit plan (ACP).

Thorat Committee observes that for proper monitoring, implementation and policy making of LBS there is need for a comprehensive information system. Though the system was in place since 1980, it was observed that branches have either not been regular in submission of returns or submitting data which do not match with the banks' internal reporting systems. To correct this committee suggested a revised Priority Sector Monitoring and Information System (PSMIS) initially on a pilot basis in one/two states and thereafter extending to rest of the country with effect from April 1, 2010. As a follow up, the committee suggested for constitution of a small working group by the RBI to formulate the modalities for implementation of the revised framework. The committee was of the view that integration of the proposed PSMIS (revised Service Area Monitoring and Information System) reporting system with the banks' internal reporting system may be ensured to smoothen up the reporting process and avoid any inconsistencies in data.

One of the recommendations of the Malegam Committee (2011)[19] was that the priority sector guidelines needs to be revisited especially when bank finance is routed through other agencies[20]. There was need to examine the issues, understand the viewpoints of diverse stakeholders and recommend appropriate changes in the current policy framework. The Reserve Bank of India constituted Nair Committee (2012), to re-examine the existing classification priority sector lending and related issues and suggest revised guidelines. The committee observed that the target of domestic scheduled commercial banks for lending to priority sector may be retained at 40 percent of adjusted net bank credit (ANBC) or credit equivalent of off-balance sheet exposure (CEOBE), whichever is higher. As for 'agriculture and allied activities' it recommended a composite sector within priority sector, by removing the distinction between direct and indirect agriculture. The targets for agriculture and allied activities are 18 percent of ANBC or CEOBE, whichever is higher. A sub-target for small and marginal farmers within agriculture and allied activities was recommended, equivalent to 9 percent of ANBC or CEOBE, whichever is higher to be achieved in stages by 2015-16. This report suggests that sharper focus needs to be given in directing flow of credit to economically weaker

[19] Constituted to study issues and concerns in the Micro Finance Institutions sector.

[20] Consequently, in paragraph 94 of the Monetary Policy Statement of Reserve Bank of India for 2011-12, the Governor proposed 'to appoint a Committee to re-examine the existing classification and suggest revised guidelines with regard to priority sector lending classification and related issues'.

and vulnerable sections of the society in order to achieve the policy objective of inclusive and equitable growth.

The targets by the Nair Committee (2012) for domestic scheduled commercial banks and foreign banks are shown in Table 1.2.

Table 1.2: Targets for Domestic SCBs and Foreign Banks

Targets For#	Domestic Banks*	Foreign Banks+
Total Priority Sector Advances	40 percent of ANBC	40 percent of ANBC
Total Agricultural Advances	18 percent of ANBC	No target
Of which SFMF	9 percent of ANBC	
Micro and Small Enterprises	No target	15 percent of ANBC
Micro Enterprises	7 percent of ANBC	7 percent of ANBC
Export Credit	Export credit does not form part of priority sector	15 percent of ANBC
Advances to Weaker Sections	10 percent of ANBC	No target

Source: RBI (2012), Nair Committee.

Note: *: Public and Private Sector Banks; +: operating in India; # Target are with reference to ANBC. ANBC denotes Adjusted Net Bank Credit or Credit Equivalent of off-Balance Sheet Exposure (CEOBE), whichever is higher.

The committee was for continuation of Micro and Small enterprises (MSE) sector under priority sector. Within MSE sector, a sub target for micro enterprises is recommended equivalent to 7 percent of ANBC or CEOBE, whichever is higher, to be achieved in stages by 2013-14. Banks are to be encouraged to ensure that the number of outstanding beneficiary accounts under 'small and marginal farmers' and micro enterprises' each register a minimum annual growth rate of 15 percent. The committee was in favour of continuation of loans to housing and education under priority sector and recommended granting of loans for construction/purchase of one dwelling unit per individual upto Rs. 25 lakh, loans upto Rs. 2 lakh in rural and semi urban areas, and upto Rs. 5 lakh in other centres for repair of damaged dwelling units. To encourage construction of dwelling units for economically weaker sections and low income groups, housing loans granted to these individuals may be included in weaker sections category. Also, all loans to women may be counted under loans to weaker sections.

For education loans the limit under priority sector for studies in India to be raised to Rs. 15 lakh from Rs. 10 lakh and for studies abroad to Rs. 25 lakh from Rs. 20 lakh. The priority sector target for foreign banks may be increased to 40 percent of ANBC or CEOBE, whichever is higher with sub-targets of 15 percent for exports and 15 percent for

MSE sector, within which 7 percent may be earmarked for micro enterprises. The committee recommends allowing non-tradable priority sector lending certificates (PSLCs) on pilot basis with domestic scheduled commercial banks, foreign banks and regional rural banks as market players.

Chapter 2

PRIORITY SECTOR ADVANCES: AN ANALYSIS

2.1 An Overview of Scheduled Commercial Banks in India

Commercial banks are a significant part of the Indian financial system. The operations of the commercial banks are regulated by the Reserve Bank of India. Banks are categorised into Schedule Commercial Banks and Non-Scheduled Commercial Banks[21]. Former category is further classified into public sector banks, private sector banks (old and new), and foreign banks. In public sector banks the major stake is with the government, for private sector the major share is held by private individuals (eg. ICICI Bank, HDFC Bank, AXIS Bank etc.), while for foreign banks the major share is with country of origin and their head offices are located in their respective countries (eg. Citi Bank, head office in US). Banks amalgamation since the nationalisation of banks in India and the state-wise list of amalgamation of Regional Rural Banks (RRBs) is shown in Appendices 1 and 2.

Table 2.1 shows the decadal growth of scheduled commercial banks from 1980-81 to 2009-10 and their spread across the regions viz., rural, semi-urban, urban and metropolitan.

Table 2.1: Decadal Growth of Scheduled Commercial Banks in India and their Spread across Regions

(percent)

Decadal Growth Rates	Commercial Banks	Scheduled Commercial Banks	Regional Rural Banks	Non-Scheduled Commercial Banks	Bank Offices				
					Total	Rural	Semi-Urban	Urban	Metropolitan
1980-81/1989-90	4.30	4.37	7.21	0.00	5.78	7.26	3.55	4.40	4.63
1990-91/1999-00	1.20	1.38	0.00		1.41	-0.91	3.30	3.70	6.24
2000-01/2009-10	-7.85	-7.97	-11.43	-1.08	2.87	-0.37	3.78	5.77	7.19
Overall	-0.45	-0.45	-1.00		2.23	0.93	2.67	3.69	4.55

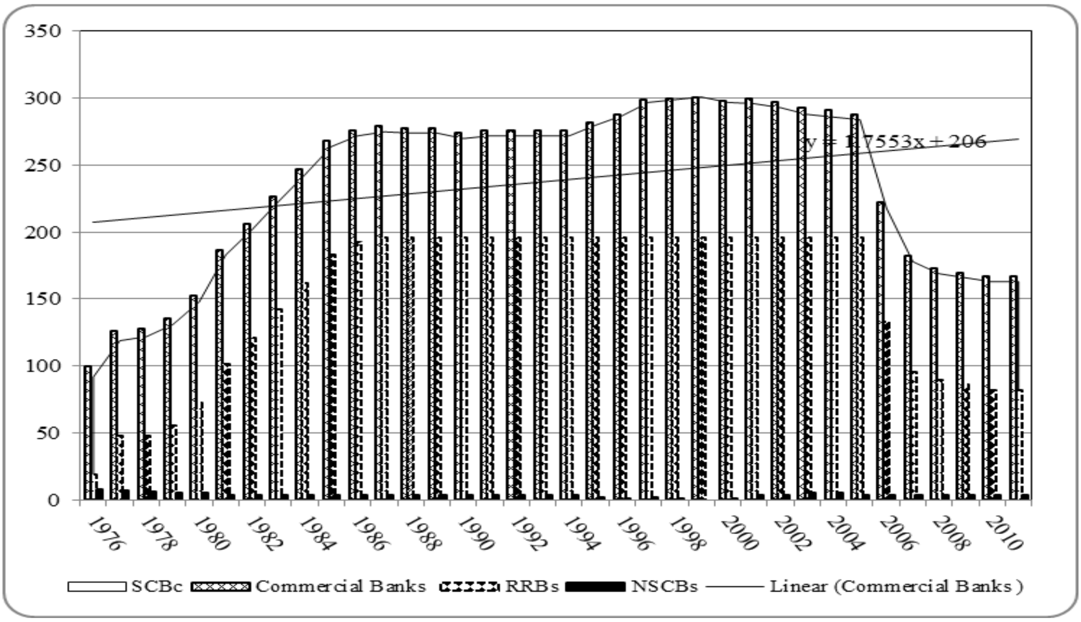
Source (Basic Data): RBI, Statistical Tables Relating to Banks, various years.

An observation of the decadal growth of rates of number of commercial banks, scheduled commercial banks, regional rural banks and non-scheduled commercial banks

21 Banks classified as per the Second Schedule of RBI Act 1934 are termed Scheduled Commercial Banks and the remaining are Non-Scheduled Commercial Banks.

over the three decades show that the banks expansion has come down over the decades. The spread of their bank offices has come down in the 1990-91/1999-00 as compared to 1980-81/1989-90 decade especially for rural, semi-urban and urban areas while metropolitan areas showed a continuous increase. In the next decade there has been improvement in the bank offices expansion except for rural bank offices. There has been an expansion of bank offices in metropolitan areas from 4.6 percent in 1980-81/1989-90 decade to 7.2 percent in 2000-01/2009-10 decade. Chart 2.1 shows the absolute growth in number of scheduled commercial banks, commercial banks, regional rural banks and non-scheduled commercial banks over the years 1975-76 to 2009-10.

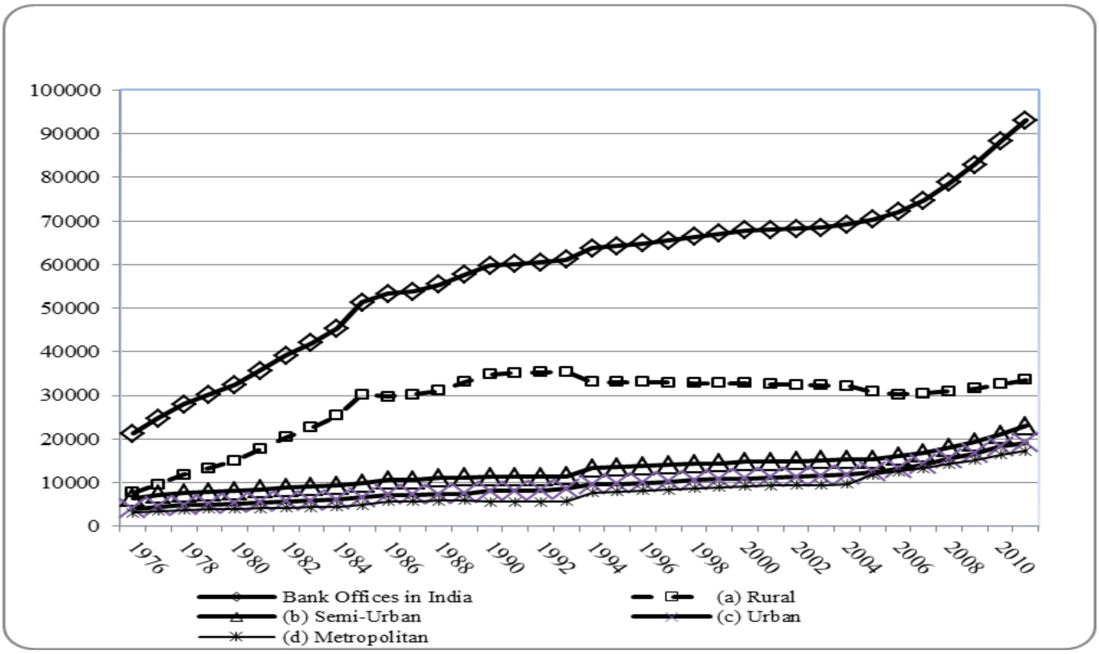
Chart 2.1: Expansion of Commercial Banks in India



Source: RBI, Statistical Tables Relating to Banks, Various Years.

Chart 2.2 captures the expansion of bank branches in India in terms of rural, semi-urban, urban and metropolitan offices. It is observed that expansion of rural offices has slowed down over the years.

Chart 2.2: Branch Expansion of Commercial Banks in India



Source: RBI, Statistical Tables Relating to Banks, Various Years.

The decadal progress of scheduled commercial banks in terms of term deposits (demand and time), credit and investments is shown in Table 2.2.

Table 2.2: Growth of Scheduled Commercial Banks in India in terms of Deposits, Credit and Investment

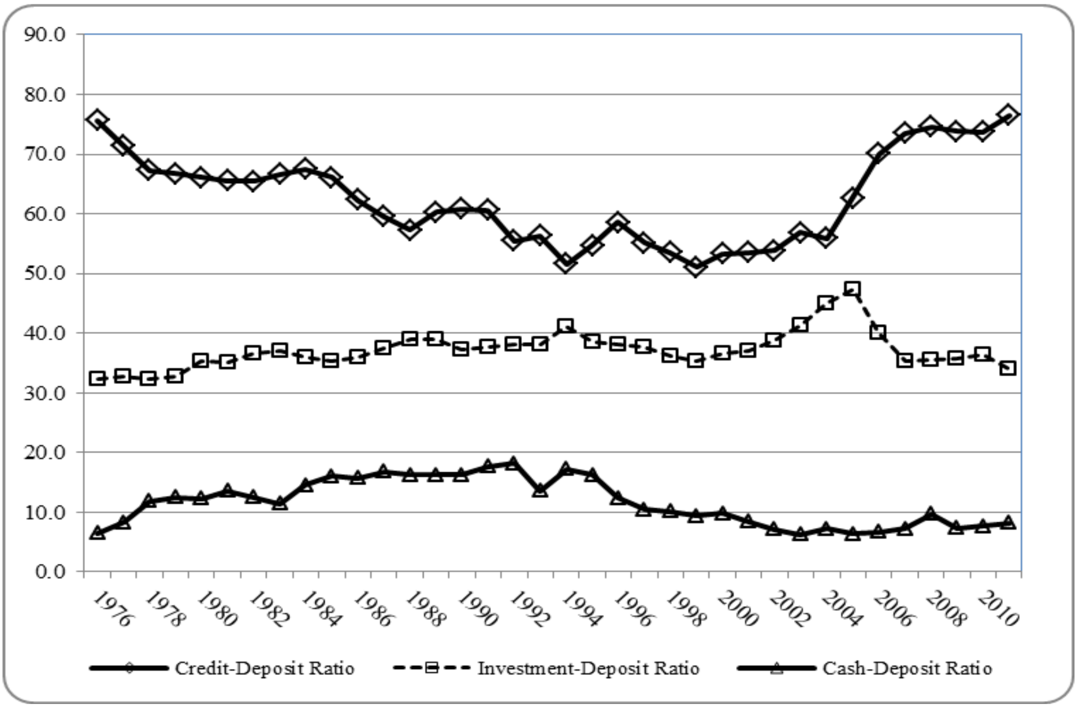
(percent)

Decadal Growth Rates	Deposits of SCBs			Credit of SCBs	Investments of SCBs
	Total	Demand	Time		
1980-81/1989-90	17.92	16.37	18.28	16.19	NA
1990-91/1999-00	17.19	14.97	17.68	15.99	16.24
2000-01/2009-10	18.85	18.46	18.91	24.01	14.34
Overall	17.36	16.15	17.61	17.54	NA

Source (Basic Data): RBI, Statistical Tables Relating to Banks, various years.

Scheduled commercial banks have shown a lower growth in deposits and credit during the decade of nineties. Deposits have grown from 17.9 percent in 1980-81/1989-90 decade to 18.9 percent in the third decade (2000-01/2009-10), while credit of scheduled commercial banks has grown from 16.1 to 24.0 percent during this period. Investments during the third decade (2000-01/2009-10) have declined to 14.3 percent, a fall of two percentage points. Chart 2.3 captures the trend of scheduled commercial banks credit deposit ratio, investment deposit ratio and cash deposit ratio for the years 1975-76 to 2009-10. Credit deposit ratio which was 76 in 1976, came down to 52 in 1994 and remained below 60 till 2004 and thereafter showed an rising trend to 76 in 2011, investment deposit ratio has been ranged between 30 to 40 for the major period except for few years (1994, 2003-06) when it was above 40, cash deposit ratio peaked around 18 in 1992 and thereafter has been less than 10.

Chart 2.3: Growth in Credit, Investment and Cash Deposit Ratios



Source: RBI, Statistical Tables Relating to Banks, Various Years.

The growth of scheduled commercial banks in terms of per capita deposits, deposits per office, per capita credit and credit per office is shown in Table 2.3.

Table 2.3: Growth of Scheduled Commercial Banks in terms of Per Capita and Per Office

(percent)

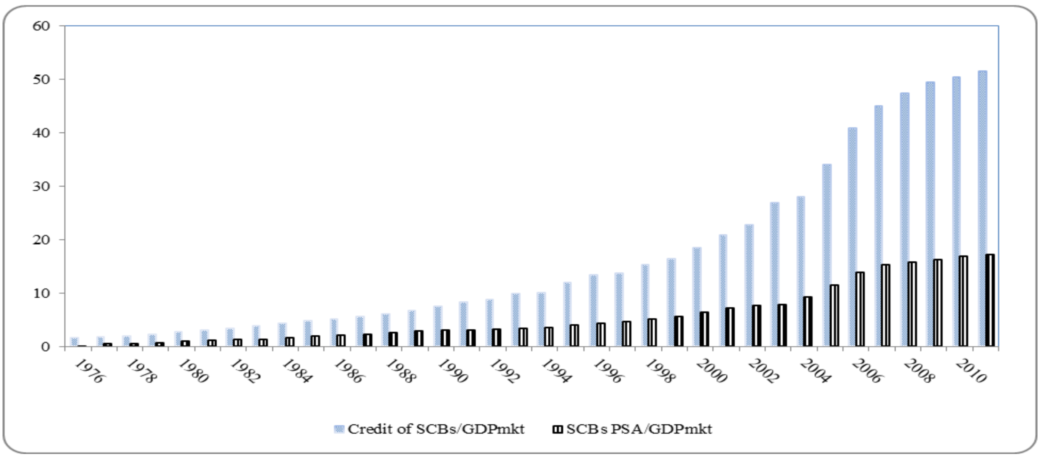
Decadal Growth Rates	Population per Office	Per Capita Deposits of SCBs	Deposits of SCBs per office	Per Capita Credit of SCBs	Credit of SCBs per office
1980-81/1989-90	-3.42	15.57	11.41	13.85	9.83
1990-91/1999-00	0.76	15.12	15.50	13.95	14.33
2000-01/2009-10	-0.69	17.27	16.58	22.19	21.48
Overall	-0.19	15.29	15.04	15.54	15.30

Source (Basic Data): RBI, Statistical Tables Relating to Banks, various years.

The population coverage per office has come down over the years while per capita deposits and credit of scheduled commercial banks has gone up from 15 to 17 percent and 13 to 22 percent, respectively over the three decades. This trend is observed even for deposits and credit per office.

The scheduled commercial banks credit to GDP ratio and the priority sector advances to GDP have been increasing over the years. Chart 2.4 shows there has been continuous rise in both the ratios since 1976. This indicates the increasing financial deepening. This could create problems if the rate of increase is not curtailed.

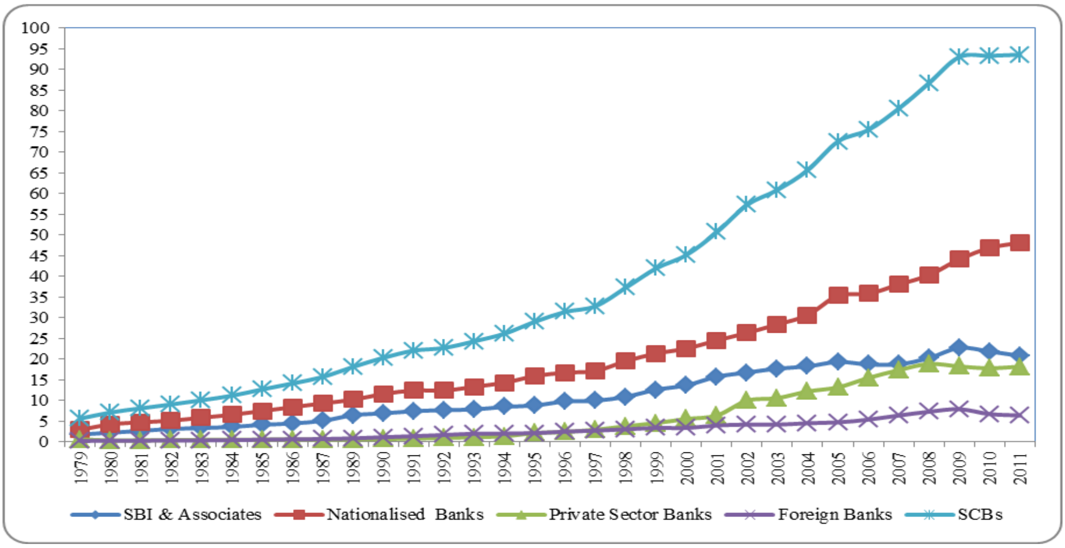
Chart 2.4: Scheduled Commercial Banks Credit to GDP ratio and Priority Sectors Advances to GDP ratio



Source (Basic Data): RBI, Statistical Tables Relating to Banks, Various Years.

Bank group wise assets as proportion to GDP has been growing over the years as can be seen from Chart 2.5. The share of foreign banks has been less than one percent of GDP for the years 1979 to 1999, thereafter rose 6 percent in 2011. The share of private sector banks was below one percent till 1992 thereafter rose sharply to 18 percent by the end of 2011. Nationalised bank assets share rose from about 3 percent in 1979 to 48 percent in 2011 while SBI and its associates rose from below 2 percent to above 20 percent in the corresponding period. All these expansion has been due to progressive de-regulation, supervision of banks, provision of wide range of products and services, and improvement in technology and communication over the years.

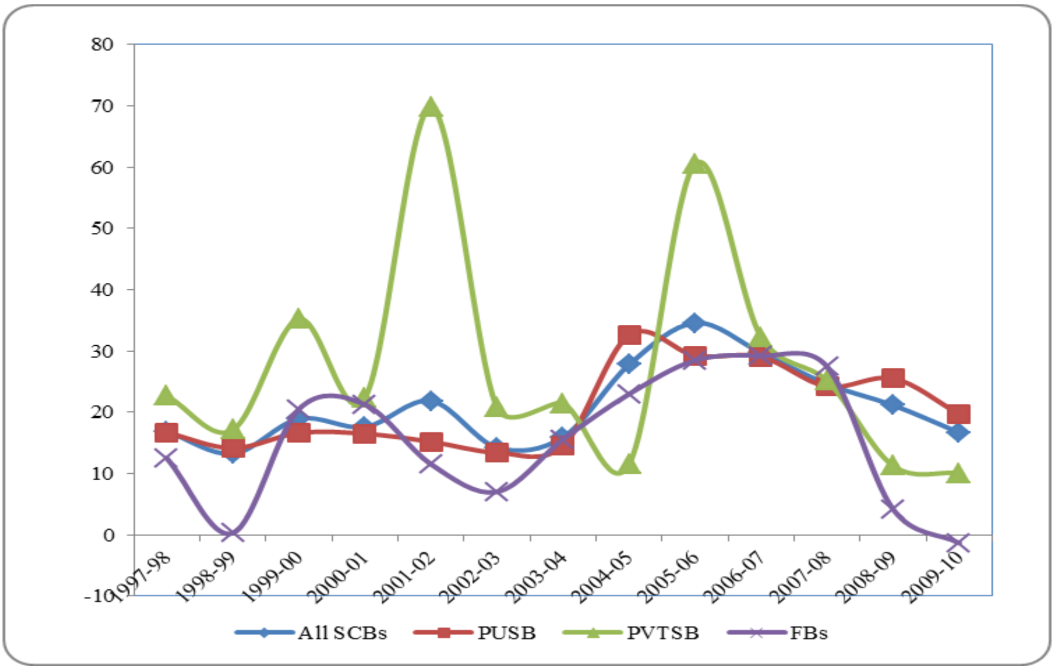
Chart 2.5: Bank Group Wise Assets of Commercial Banks as Percentage of Gross Domestic Product at Current Market Prices



Source (Basic Data): RBI, Statistical Tables Relating to Banks, Various Years.

Bank group wise analysis indicates that credit growth of private sector banks has been generally above the overall growth of the scheduled commercial banks during the period 1997-98 to 2003-04, fell in 2004-05 and then peaked to around 60 percent and thereafter declined. The growth of foreign banks in general has been below the all scheduled commercial bank growth rates (Chart 2.6).

Chart 2.6: Bank Group Wise Growth Rate in Bank Credit



Source (Basic Data): RBI, Statistical Tables Relating to Banks, Various Years.

2.2 The Concept of Priority Sector

Murthy Committee (2005) broadly categorised priority sector to comprise (i) agriculture, (ii) small scale industries (including setting up of industrial estates), (iii) small road and water transport operators, (iv) small business, (v) retail trade, (vi) professional and self-employed persons, (vii) state sponsored organisations for Scheduled Castes/Scheduled Tribes, (viii) educational loans granted to individuals by banks, (ix) housing [both direct and indirect], (x) consumption loans (under the consumption credit scheme for weaker sections), (xii) micro-credit provided by banks either directly or through any intermediary; loans to self-help groups (SHGs) / Non-Governmental Organisations (NGOs) for on-lending to SHGs, (xiii) loans to the software industry, (xiv) loans to specified industries in the food and agro-processing sector having investment in plant and machinery up to Rs 5 crore, and (xv) investment by banks in venture capital (venture capital funds/ companies registered with SEBI).

Agriculture is further classified into direct and indirect advances. Direct agricultural advances refer to advances given directly to farmers for agricultural purposes[22]. Indirect finance is provided by banks to farmers indirectly, i.e., through other agencies[23]. Small scale industrial units are those engaged in the manufacture, processing or preservation of goods and whose investment in plant and machinery (original cost) does not exceed Rs. 1 crore. Tiny enterprises are those units whose investment in plant and machinery is upto Rs. 25 lakhs, irrespective of the location of the unit.

The weaker sections under priority sector are (i) small and marginal farmers with land holding of 5 acres and less and landless labourers, tenant farmers and share croppers, and (ii) artisans, village and cottage industries where individual credit limits do not exceed Rs. 50000. In addition to these there are others who receive benefits under Swarnjayanti Gram Swarojgar Yojana, Scheduled Castes and Scheduled Tribes, Differential Rate of Interest Scheme, Swarna Jayanti Shahari Rojgar Yojana, Scheme for Liberation and Rehabilitation of Scavengers, and Self Help Groups.

In case of non-achievement by domestic banks on priority sector targets will have to contribute to the Rural Infrastructure Development Fund[24] while for foreign

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[22] These include short-term loans for raising crops i.e. for crop loans. In addition, advances upto Rs. 5 lakh to farmers against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months, where the farmers were given crop loans for raising the produce, provided the borrowers draw credit from one bank. Direct finance also includes medium and long-term loans (provided directly to farmers for financing production and development needs) such as purchase of agricultural implements and machinery, development of irrigation potential, reclamation and land development schemes, construction of farm buildings and structures, etc. Other types of direct finance to farmers includes loans to plantations, development of allied activities such as fishery, poultry etc. and also establishment of bio-gas plants, purchase of land for agricultural purposes by small and marginal farmers and loans to agri-clinics and agri-business centres.

[23] Important items included under indirect finance to agriculture are (a) credit for financing the distribution of fertilisers, pesticides, seeds, etc., (b) loans upto Rs. 25 lakhs granted for financing distribution of inputs for the allied activities such as, cattle feed, poultry feed, etc., (c) loans to electricity boards for reimbursing the expenditure already incurred by them for providing low tension connection from step-down point to individual farmers for energising their wells, (d) loans to state electricity boards for systems improvement scheme under special project agriculture, (e) deposits held by the banks in Rural Infrastructure Development Fund (RIDF) maintained with NABARD, (f) subscription to bonds issued by Rural Electrification Corporation (REC) exclusively for financing pump-set energisation programme in rural and semi-urban areas and also for financing system improvement programme (SI-SPA), (g) subscriptions to bonds issued by NABARD with the objective of financing agriculture/allied activities, (h) finance extended to dealers in drip irrigation/sprinkler irrigation system/agricultural machinery, (i) loans to Arthias (commission agents in rural/semi-urban areas) for meeting their working capital requirements on account of credit extended to farmers for supply of inputs, and (j) lending to Non-Banking Financial Companies (NBFCs) for on-lending to agriculture.

[24] The Government created the Rural Infrastructure Development Fund (RIDF) under NABARD in 1995-96 with an initial corpus of Rs. 2000 crore. These deposits where mainly from commercial banks who could not meet the priority sector targets. Banks were required to deposit in RIDF to the extent of shortfalls in lending to agriculture under priority sector. This fund was intended to provide finance to state governments for rural infrastructural development but later in 1999-00, the scope of RIDF was extended to include panchayats raj institutions and self-help group among others. There is annual allocation of funds in the Union Budget by Government of India. For example the Union Budget 2011-12

banks an amount equivalent to the shortfall is required to be deposited with SIDBI for one year at the interest rate of 8 percent per annum. RBI monitors the priority sector lending by commercial banks through periodical returns received from them and their performance is reviewed under various fora set up under the Lead Bank Scheme both at state, district and block levels.

As per the revised priority sector norms in April 2007, the priority sector includes only those sectors that impact large sections of the population, the weaker sections and the sectors that are employment-intensive such as agriculture, and tiny and small enterprises. The broad sectors under the revised norms include agriculture (both direct and indirect), small enterprises (direct and indirect), retail trade in essential commodities and consumer cooperatives stores, micro credit, education loans and housing loans.

The discussion paper (RBI, 2011)[25] has indicated that foreign banks operating in India as locally incorporated and wholly-owned subsidiary of parent bank will have to meet the priority sector lending requirements on par with domestic scheduled commercial banks albeit some differential treatment for achievement of targets for sub-sectors like agriculture.

2.3 Structure of Public Sector Banks: Holdings

The ownership structure of the public sector banks in India (as on March end 2009) is shown in Table 2.4. The banks are categorised into two groups' viz., the Nationalised Banks and the State Bank of India and its associates. Nationalised Banks consist of 19 banks while SBI and its associates are 7. On August 13, 2008 State Bank of Saurashtra was merged with SBI, thereby reducing the number to 6. As can be seen from the Table 2.4 Government of India owns 59.4 percent of the equity in SBI and 40.6 percent are held by others. The equity of State Bank of Hyderabad and State Bank of Patiala is completely held by the Government. In the case of Nationalised Banks in India majority of the equity is held by the RBI. In the case of two banks viz., Punjab and Sind Bank and United Bank of India the entire equity is held by RBI. The share holding pattern of the other groups viz., Old Private Sector and New Private Sector can be seen in Appendix 3.

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announced the set up RIDF XVII (corpus of Rs. 18,000 crore of which Rs. 2,000 crore will be dedicated to creation of warehousing facilities), Short Term Co-operative Rural Credit (STCRC) (Refinance) Fund (corpus of Rs. 10,000 crore), Micro, Small and Medium Enterprise (MSME) (Refinance) Fund (corpus of Rs. 5,000 crore), and Rural Housing Fund (corpus of Rs. 3,000 crore) with NABARD, SIDBI, NHB, respectively during the year (RBI, 2011, Annual Report, p. 81).

[25] RBI discussion paper on 'Presence of Foreign Banks in India' (January 2011).

The capital to risk weighted assets ratio for SBI and its associates is in the range of 12-13 percent while for nationalised banks it is in the range of 11-13 percent[26]. This is one of the indicators to suggest that the banks have been able to face the global financial turmoil by absorbing unexpected losses. Another point to note is the asset quality of banks in India has been improving as per the declining NPA to advances ratio. These two indicators viz., capital and asset quality have exhibited the resilience of the Indian banking sector. The list of commercial banks currently operating in India is shown in Appendix 4.

[26] The minimum stipulated capital adequacy ratio is 9 percent. Basel I framework related to the minimum capital requirements for banks mainly focused on credit risk while Basel II expands further to include risk-adequacy calculation of capital requirements which explicitly includes operational risk in addition to market and credit risk. In the former, lenders calculate a minimum level of capital based on a single risk weight for each of the limited number asset classes while in the latter, the capital requirements are more risk sensitive. So there is a transition from capital adequacy to capital efficiency. The capital is put to dynamic use (RBI, 2009, p. 37).

Table 2.4: Ownership Structure of Public Sector Banks

(percent)

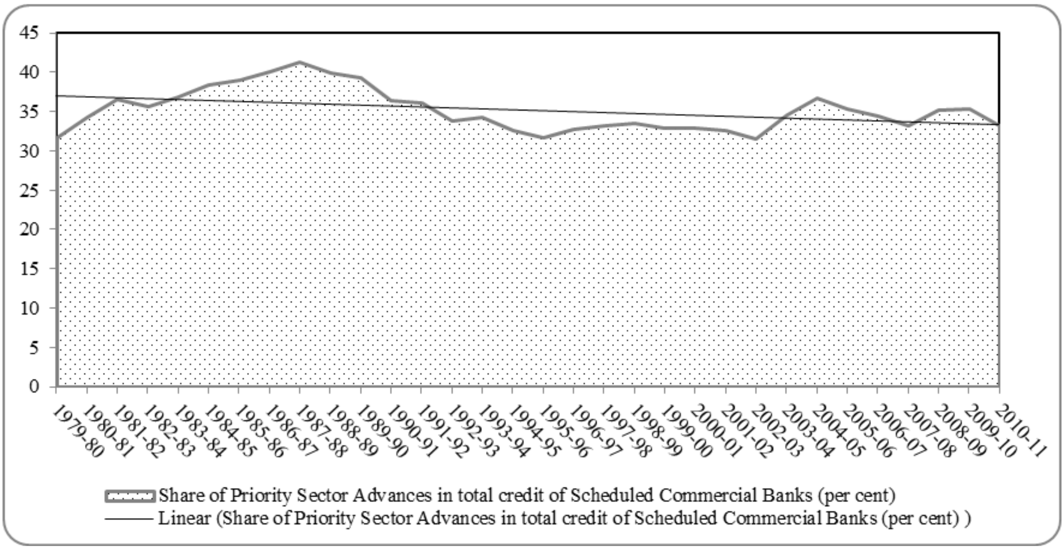
Banks (as at end-March 2009)	Government/ RBI Share	Share of Others#	CRAR (2006-07)
Nationalised Banks			12.4
Allahabad Bank	55.2	44.8	13.0
Andhra Bank	51.6	48.4	11.1
Bank of Baroda	53.8	46.2	12.9
Bank of India	64.5	35.5	12.6
Bank of Maharashtra	76.8	23.2	13.6
Canara Bank	73.2	26.8	13.9
Central Bank of India	80.2	19.8	12.4
Corporation Bank	57.2	42.8	13.8
Dena Bank	51.2	48.8	11.3
Indian Bank	80.0	20.0	13.9
Indian Overseas Bank	61.2	38.8	13.4
Oriental Bank of Commerce	51.1	48.9	13.4
Punjab & Sind Bank	100.0	0.0	13.3
Punjab National Bank	57.8	42.2	13.1
Syndicate Bank	66.5	33.5	12.2
UCO Bank	63.6	25.0	11.5
Union Bank of India	55.4	44.6	11.6
United Bank of India	100.0	0.0	13.8
Vijaya Bank	53.9	46.1	11.3
SBI and its Associates			12.3
State Bank of India*	59.4	40.6	12.9
State Bank of Bikaner and Jaipur	77.5	22.5	13.3
State Bank of Travancore	76.0	24.0	12.9
State Bank of Mysore	94.5	5.5	11.1
State Bank of Indore	98.1	1.9	12.8
State Bank of Hyderabad	100.0	0.0	12.2
State Bank of Patiala	100.0	0.0	12.5

Source: 1. RBI (2008), Report on Currency and Finance 2006-08, vol. I, p. 218.
2. RBI (2009), Report on Trend and Progress of Banking in India 2008-09, pp. 351-352.
*: Equity held by the Reserve Bank in SBI has since been transferred to the Government; CRAR: Capital to Risk-Weighted Assets Ratio; # Resident and non-resident financial institutions, corporate and individuals.

2.4 Priority Sector Lending by Schedule Commercial Banks

The share of priority sector advances in total credit of scheduled commercial banks has come down over the years (trend line in Chart 2.7). It is observed that share was at its peak in 1986-87 at 44 percent thereafter declined to 33 percent in 1995-96 and it rose to 38 percent in 2004-05 and since then it has been in the range of 30-36 percent.

Chart 2.7: Priority Sector Advance as percent of Total Credit of Scheduled Commercial Banks



Source (Basic Data): RBI (2011), Handbook of Statistics on Indian Economy, various years.

2.5 Sectoral Composition of Priority Sector Advances

Table 2.5 shows the composition of the priority sector advances in the non-food credit of scheduled commercial banks. Non-food advances account for more than 90 percent of the gross bank credit while food advances account for less than 10 percent. Bulk of the non-food advances is accounted for by priority sector and industry (medium and large).

Table 2.5: Composition of Priority Sector Advances in Non-food Credit and their share in Total Gross Bank Credit of Scheduled Commercial Banks

(percent)

Year	Priority Sector	Off which Agri-culture	Off which Small Scale Industries	Industry (Medium and Large)	Wholesale Trade (Other than Food Procurement)	Other Sectors	Non-food	Non-food /Gross Bank Credit	Food /Gross Bank Credit	Priority Sector/ Gross Bank Credit
1	2	3	4	5	6	7	8	9	10	11
1980-81/ 1984-85	39.99	16.87	14.65	40.89	7.39	9.49	100	91.05	8.95	36.37
1985-86/ 1989-90	42.02	17.42	15.68	37.42	5.57	14.99	100	95.17	4.83	39.94
1990-91/ 1994-95	36.48	14.29	14.96	39.97	5.11	18.44	100	94.94	5.06	34.64
1995-96/ 1999-00	34.35	12.16	14.55	40.59	4.73	20.32	100	95.47	4.53	32.79
2000-01/ 2004-05	36.16	12.30	10.23	36.15	3.74	23.95	100	93.07	6.93	33.67
2005-06/ 2009-10	35.47	12.87	6.47	33.63	2.71	28.18	100	97.88	2.12	34.72
2010-11	33.80	12.55	6.25	37.95	2.82	25.43	100	98.28	1.72	33.21

Source: RBI (2011), Handbook of Statistics on Indian Economy, various years.
Note: Data include the impact of mergers since May 3, 2002.

The composition of priority sector shows that the importance of both agriculture and small scale industries is coming down over the years (for details refer to Appendix 5). In the case of agriculture there has been a fall of about 5 percentage points over the three decades while the decline was sharper in the case of small scale industries from a share of 15 percent (eighties and nineties) to 6 percent in 2005-06/2009-10. Wholesale trade (other than food procurement has declined from 7 percent in the first half of eighties to about 2 percent in second half of twentieth century. The importance of other sectors[27] has grown manifold over the years. The share of priority sector advances to gross bank credit has declined from an average of 36 percent (1980-81/1984-85) to 34 percent (2005-06/2009-10).

[27] Other sectors includes housing, consumer durables, non-financial banking companies, loans to individuals against shares and debentures/bonds, real estate loans, other non-priority sector personal loans, advances against fixed deposits, tourism and tourism related hotels etc.

2.6 Bank Group Wise Performance in Priority Sector Advances

The scheduled commercial banks in India are classified into broad bank groups to show the relative group performances in distribution of priority sector advances. Table 2.6 captures the share of priority sector advances in the total advances of the respective groups.

Table 2.6: The Share of Priority Sector Advances in Total Advances: Bank Group Wise

(percent)

Average	State Bank of India & Its Associates	Nationalised Banks	Private Sector Banks	Foreign Banks
1992/1995	32.76	36.17	28.96	14.21
1996/2000	32.24	34.80	28.29	20.13
2001/2005	32.68	36.05	23.36	22.72
2006/2010	33.82	35.22	31.90	29.04
2011	32.03	29.91	30.38	32.69
1992/2010	32.88	35.56	28.13	21.52

Source (Basic Data): RBI, *Statistical Tables Relating to Banks in India*, various years.
Note: Refers to advances outstanding 31st March.

Priority sector advances account on an average 32 percent (1992/2010) of the total advances of the SBI and its associates, while nationalised banks account for 35 percent, private sector banks account for 28 percent and foreign banks 21 percent. Viewing the decadal shares it is seen that the private sector banks and the foreign sector banks have improved their shares as compared to the SBI group and Nationalised banks (also see Appendix 6).

Chapter 3

NON-PERFORMING ASSETS OF SCHEDULED COMMERCIAL BANKS

There have been major banking sector reforms in India over the years[28]. The main concerns in 1991-92 were the weak health of the banking sector, low profitability, weak capital base and lack of adequate competition. The reforms focused on strengthening the commercial banking sector by stipulating prudential norms, giving operational flexibility and functional autonomy, and by augmenting the supervisory practices. With the entry of private banks the competition between banks grew and improvement in profits of some banks were observed. Also the asset quality and capital position improved. In 1998-99, the prudential norms were strengthened in line with the international practices where the emphasis was on improving credit delivery, promoting financial inclusion and supplementing corporate governance practices. The risk aversion by the banks was also addressed.

In the process of reforms there was a need to look at the non-performing assets of the banks to gauge their profitability and financial health. The East Asian crisis in June 1997 showed how a weak banking system can constrain the real economy. Various measures taken by the government resulted in recovery of past dues of the banks. The implementation of prudential norms resulted in improvement of asset quality which decelerated between 1996-97 and 2003-04. This was also partly due to risk aversion by the banks. Thereafter the credit growth became all-encompassing agriculture, industry and small scale sector. There was vast improvement in the gross and net performing assets of scheduled commercial banks. In addition the moderation of inflation expectations, decline in real interest rates, rising income of households and the entry of new private banks accelerated the growth process.

3.1 Performance of Public, Private and Foreign Banks in India

The asset quality of banks in India has been improving over the years as can be inferred from the declining NPA to advances (Table 3.1 and Charts 3.1 & 3.2). The first period refers to 1996-97/1999-00, the second period refers to 2000-01/2004-05 and the third period refers to 2005-06/2009-10. This is happening across the bank groups. Notwithstanding the pressures of slowdown in the economy and uncertainty, the net NPA

[28] See RBI (2008), *The Banking Sector in India: Emerging Issues and Challenges*, Report on Currency and Finance 2006-08, vol. 1 &2.

to net advances ratio (average of 2005-06 to 2009-10) has been below average of 2000-01 to 2004-05. In the case of New Private Sector Banks the average ratio of NPA to Gross Advance rose to 6 in the second period as compared to 4 in the first period but in terms of net NPA to Net Advances, the ratio declined from 3 in first period to 2.6 in the second period. There is improvement in the ratio of (gross and net) NPA to assets of the bank groups except in the case of new private sector banks the ratio of gross NPA to gross assets increased from 1.7 in the first period to 2.8 in the second period (for details refer to Appendix 7).

Table 3.1: Gross and Net NPAs of Scheduled Commercial Banks Bank Group Wise

(percent)

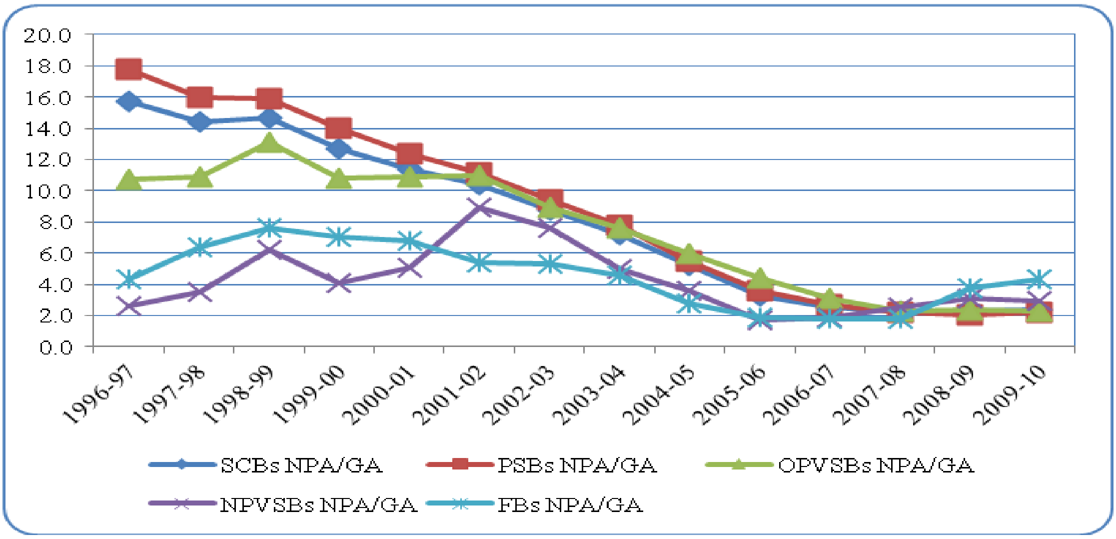
Year (end-March)	Non-Performing Assets (NPAs)			
	Gross		Net	
	As Percentage of Gross Advances	As Percentage of Total Assets	As Percentage of Net Advances	As Percentage of Total Assets
	Scheduled Commercial Banks			
1996-97/1999-00	14.4	6.3	7.5	3.0
2000-01/2004-05	8.6	3.9	4.1	1.7
2005-06/2009-10	2.6	1.5	1.1	0.6
	Public Sector Banks			
1996-97/1999-00	15.9	6.9	8.2	3.2
2000-01/2004-05	9.2	4.1	4.4	1.9
2005-06/2009-10	2.5	1.5	1.1	0.6
	Old Private Sector Banks			
1996-97/1999-00	11.4	5.3	7.3	3.2
2000-01/2004-05	8.9	4.3	5.2	2.4
2005-06/2009-10	2.9	1.7	1.0	0.6
	New Private Sector Banks			
1996-97/1999-00	4.1	1.7	3.0	1.2
2000-01/2004-05	6.0	2.8	2.6	1.1
2005-06/2009-10	2.4	1.4	1.1	0.6
	Foreign Banks In India			
1996-97/1999-00	6.3	2.9	2.4	1.0
2000-01/2004-05	5.0	2.3	1.5	0.7
2005-06/2009-10	2.7	1.2	1.2	0.5

Source (Basic Data): RBI, Handbook of Statistics on the Indian Economy, various years.

Note: 1. Data for 2009-10 are provisional.

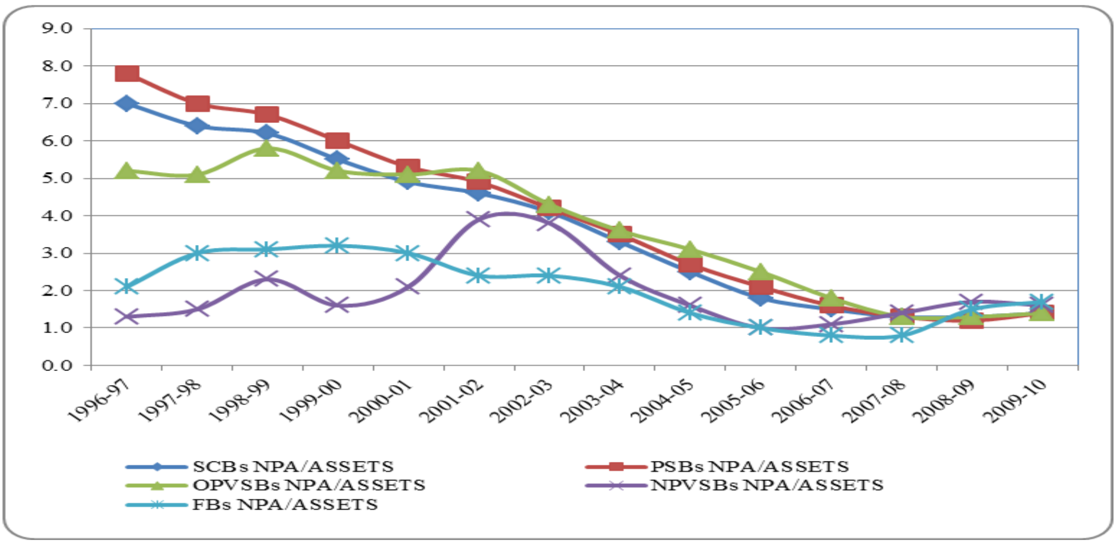
2. Data on scheduled commercial banks & public sector banks for 2004-05 include the impact of conversion of a non-banking entity into a banking entity

Chart 3.1: Bank Group-wise ratio of NPA to Gross Advances



Source (Basic Data): RBI, Handbook of Statistics on the Indian Economy, various years.

Chart 3.2: Bank Group-wise NPA to Assets



Source (Basic Data): RBI, Handbook of Statistics on the Indian Economy, various years.

An Analysis of the composition non-performing assets of Public Sector Banks in terms of priority sector, non-priority sector and public shows (Table 3.2) that in the first period (average of 1995-96/1999-00) and second period (average of 2000-01/2004-05) the non-priority sector accounted for more than 50 percent while in third period public sector banks accounted for 57 percent and in 2011 it was one percent higher. The ratio of NPAs of priority sector to total assets has come down for the nationalised banks while for SBI and its Associates it came down but in 2011 it was above 3. Details are available in Appendix 8.

Table 3.2: Growth of NPAs of Public Sector Banks: 1995 to 2011

(percent)

Bank Groups / Years	Composition of NPAs of Public Sector Banks			NPAs of Priority Sector to Total Assets	NPAs of Total Advances to Total Assets
	Priority	Non-Priority	Public		
A. Nationalised Banks					
1995-96/1999-00	44.94	52.91	2.15	3.31	7.34
2000-01/2004-05	47.32	51.51	1.17	2.02	4.29
2004-05/2009-10	59.56	39.50	0.93	0.84	1.43
2010-11	59.84	39.52	0.64	0.69	1.16
B. State Bank of India & its Associates					
1995-96/1999-00	48.42	47.06	4.52	3.22	6.62
2000-01/2004-05	46.64	50.93	2.43	1.65	3.56
2004-05/2009-10	55.32	44.66	0.02	0.97	1.76
2010-11	48.13	47.61	4.26	3.21	6.67
Public Sector Banks (A+B)					
1995-96/1999-00	46.11	50.93	2.95	3.27	6.90
2000-01/2004-05	47.09	51.29	1.61	1.88	4.02
2004-05/2009-10	57.24	41.79	0.97	0.85	1.48
2010-11	58.05	41.56	0.39	0.78	1.34

Source: Off-site returns (domestic) - Latest updated database, Division of banking Supervision, RBI.

Chapter 4

ACHIEVEMENT OF PRIORITY SECTOR TARGETS BY SCHEDULED COMMERCIAL BANKS

As discussed in the first chapter the revised priority sector norms (April 2007) includes only those sectors that impact large sections of the population, the weaker sections and the sectors that are employment-intensive such as agriculture, and tiny and small enterprises. In this section a bank-wise analysis of targets achieved under the three bank groups' viz., public sector, private sector and foreign banks for the years 2007 to 2011 is presented. The data refers to as on the last Friday of March for the years 2007 to 2011 and is drawn from Reserve Bank of India Trend and Progress of Banking in India. In the case of public and private sector banks the targets achieved are tabulated under three heads viz., overall, agriculture (AGR) , and weaker sections (WS) while for foreign banks the heads are overall, advances to micro and small enterprises (MSE) and export credit. The symbol √ under the respective column indicates that the respective norms for the priority sector has been achieved, otherwise a shortfall (Appendices 7 to 9).

4.1 Norms for Priority Sector Targets

To recapitulate the priority sector norms for the public sector lending was 40 percent of aggregate advances and within these sub-targets for lending to agriculture sector and weaker sections was stipulated at 18 percent and 10 percent, respectively, of their NBC to the agriculture sector and weaker sections of society, respectively. Foreign banks operating in India were also advised to maintain their advances to the priority sector at 32 percent of NBC and within these two sub-targets of 10 percent in respect of SSI and 12 percent for exports. On the basis of the revised guidelines on lending to the priority sector, the priority sector lending target/sub-targets have now been linked to adjusted net bank credit (ANBC) or credit equivalent amount of off-balance sheet exposures, whichever is higher, with effect from April 30, 2007. Nair Committee (2012) has raised the overall target for foreign banks to 40 percent of ANBC and within this sub-target for micro and small enterprises to 15 percent and exports to 15 percent. Foreign banks have no targets for agriculture and weaker sections

4.2 Achievements of Public, Private and Foreign Banks in India

The performance of banks in priority sector lending has improved in recent years, although substantial variations have been observed in the performance of various bank groups as also in meeting the sub-targets within the priority sector. As on last Friday of

March 2007[29] at individual bank-level within public sector, only seventy five percent (twenty one of twenty eight public sector banks) achieved the overall target of lending to the priority.[30] The public sector banks (PSBs) as a group did not achieve the priority sector lending target of 40 percent until March 2000 and thereafter continued to meet the target till 2005-06. But in 2006-07 the group fell short of the target by 0.4 percent due to non-achievement of target by seven banks (Allahabad Bank, Oriental Bank of Commerce, Syndicate Bank, IDBI Ltd., State Bank of India, State Bank of Mysore and State Bank of Patiala). Out of 28 PSBs, only eight banks (Allahabad Bank, Andhra Bank, Bank of India, Indian Bank, Indian Overseas Bank, Punjab National Bank, State Bank of Bikaner and Jaipur and State Bank of Saurashtra) could achieve the agricultural lending target of 18 percent. In the case of lending to weaker sections, only seven PSBs (Bank of India, Indian Bank, Indian Overseas Bank, Punjab National Bank, Syndicate Bank, State Bank of Bikaner and Jaipur and State Bank of Indore) achieved the sub-target of 10 percent.

In the case of private sector banks as a group[31] the overall priority sector lending target of 40 percent was first achieved in 2002-03 but in March 2007, only four banks (Bank of Rajasthan Ltd., Centurian Bank of Punjab Ltd., Jammu and Kashmir Bank Ltd. and Karnataka Bank Ltd.) out of 26 banks did not achieve the target. At the end of March 2007 lending by private sector banks to the agriculture sector was 12.8 percent of NBC[32] and only three banks (Yes Bank, Lakshmi Vilas Bank and Sangli Bank) achieved the 18 percent sub-target. Lending to agriculture by another six banks ranged between 15 to 18 percent. No private sector banks could achieve the 10 percent target for lending to weaker sections.

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[29] The outstanding advances granted by public sector banks to the priority sector were at Rs.521180 crore as on the last reporting Friday of March 2007. The outstanding priority sector advances of public sector banks, which increased by 27.2 percent during 2006-07 as compared with 33.4 percent in 2005-06, constituted 39.6 percent of net bank credit against the target of 40 percent. Advances to agriculture constituted 15.6 percent of NBC as on the last reporting Friday of March 2007.

[30] Credit growth to the priority sector by all scheduled commercial banks decelerated to 24 percent in 2006-07 from 36 percent in 2005-06. Credit to 'other priority sector', which witnessed a sharp growth in previous years also decelerated sharply during 2006-07. However, while credit growth to agriculture decelerated, credit growth to small scale industries accelerated.

[31] The outstanding priority sector advances as on the last reporting Friday of March 2007 was at Rs.143768 crore, constituting 42.7 percent of NBC.

[32] Lending by private sector banks to agriculture improved from 8.3 percent of NBC at end of March 2000 to 13.6 percent at end of March 2006.

Foreign banks as a group have been achieving the overall priority sector lending targets since 1997. At the end of March 2007, they constituted 33.4 percent of NBC[33] while the share of export credit in NBC was 18.3 percent which was significantly above the sub-target of 12 percent. Foreign banks also reached the sub-target of 10 percent in respect of lending to SSI. Out of 29 foreign banks operating in India, five banks (Abu Dhabi Commercial Bank, Bank of Tokyo-Mitsubishi, Citibank, HSBC Ltd. and Mizuho Corporate Bank) could not achieve the priority sector lending target of 32 percent of NBC as on the last reporting Friday of March 2007. Seven foreign banks (Bank of Nova Scotia, Bank of Tokyo-Mitsubishi, Citibank, HSBC Ltd., JP Morgan Chase Bank, Mizuho Corporate Bank and Shinhan Bank) did not achieve the SSI lending targets, while three foreign banks (American Express Bank, Bank International Indonesia and Mizuho Corporate Bank) did not achieve the sub-target of lending for exports.

The PSBs attained the overall target of priority sector lending as on the last Friday of March 2008.[34] Priority sector lending as a percentage of their ANBC/CEOBSE was 44.6 percent as compared with 39.6 percent in 2006-07.[35] The sub-targets in agriculture were met only by 13 out of 28 individual banks, viz., Allahabad Bank, Andhra Bank, Bank of India, Indian Bank, Indian Overseas Bank, Punjab National Bank, Syndicate Bank, State Bank of India, State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Indore, State Bank of Mysore and State Bank Saurashtra. The sub-target in weaker section was met by only 13 individual banks (see Appendix 9).

In the case of private sector banks the overall target was not achieved by only five banks (Bank of Rajasthan Ltd, Bharat Overseas Bank, Jammu and Kashmir Bank, Lord Krishna Bank, Sangli Bank) out of a total of 26 as on last Friday of March 2008 (refer Appendix 10).[36]

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[33] Foreign bank advances increased from Rs.14555 crore in 2002-03 to Rs.37835 crore in 2006-07.

[34] The growth in priority sector lending by banks during 2007-08 decelerated to 16.9 percent in line with the deceleration in overall bank credit. Among bank groups, the outstanding priority sector advances of public sector banks at end-March 2008 increased by 16.8 percent as compared with a growth of 27.2 percent in 2007. Deceleration is mainly due to lower growth in lending to agriculture and other priority sector advances, including micro credit and housing. However, advances to micro and small enterprises sector exhibited a higher growth of 45.0 percent in 2007-08 as compared with an increase of 24.4 percent during 2006-07.

[35] Among the other priority sector advances by PSBs, advances to housing constituted the largest share (10.8 percent ANBC/CEOBSE) followed by retail credit (3.0 percent of ANBC/CEOBSE), education (1.5 percent of ANBC/CEOBSE) and micro-credit (0.2 percent of ANBC/CEOBSE).

[36] Total priority sector advances extended by private sector banks during 2007-08 grew by 12.9 percent as compared with a rise of 35.6 percent in 2006-07. While advances to micro and small enterprises sector by private sector banks increased by two and half times in 2007-08, advances to agriculture registered a lower growth of 10.9 percent as compared with 41.7 percent in 2006-07. Total priority sector advances by private sector banks as on the last reporting Friday of March 2008 was 47.5 percent of ANBC or CEOBSE.

Foreign banks' lending to priority sector as on last Friday of March 2008 was 39.5 percent of their ANBC/CEOBSE as against the target of 32 percent. Of this, credit to the micro and small enterprises (MSE) and export sectors constituted 12.2 percent and 22.8 percent, respectively, of ANBC/CEOBSE. At individual bank-level 17 banks achieved the overall target of lending to priority sector and sub-targets of lending to micro and small enterprises (MSE) and export credit (see Appendix 11). The total number of foreign was 27 as on last Friday of March 2008.

As on the last Friday of March 2009, 24 PSBs attained the overall target of priority sector lending (see Appendix 9).[37] The three banks that failed to attain the overall target are Central Bank of India, State Bank of Mysore, and State Bank of Patiala. At individual bank-level, 13 banks achieved the overall target of lending to the priority sector and sub-targets to agriculture and weaker sections. Off the total PSBs, 14 banks achieved the sub-target in agriculture and 15 banks in weaker section advances. In the case of private sector banks 17 out of a total of 22 banks attained the overall target of priority sector lending.[38] The five banks that did not achieve the targets are Bank of Rajasthan Ltd., Development Credit Bank Ltd., Karur Vysya Bank Ltd., SBI Commercial & International Bank Ltd., and South Indian Bank Ltd. The sub-targets in agriculture were achieved by 8 banks (Catholic Syrian Bank Ltd., Dhanalakshmi Bank Ltd., Yes Bank Ltd., ICICI Bank Ltd., IndusInd Bank Ltd., Lakshmi Vilas Bank Ltd., Nainital Bank Ltd., and Tamilnad Mercantile Bank Ltd.) and in weaker sections by 4 banks (Catholic Syrian Bank Ltd., Dhanalakshmi Bank Ltd., IndusInd Bank Ltd., and Jammu & Kashmir Bank Ltd.).

Foreign banks' lending to priority sector as on last Friday of March 2009 [39] showed that 23 banks out of 27 banks met the overall target of 32 percent. The four banks that did not meet the overall target are Abu Dhabi Commercial Bank., Bank of Baharin and Kuwait, Mashreqbank, and Oman Inter Bank. Six banks did not meet the sub-targets of MSE and export credit (see Appendix 11).

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[37] During 2008-09, the outstanding priority sector advances of public sector banks increased to 18.0 percent from 17.1 percent in 2007-08 and as percent of ANBC was 42.5.

[38] The priority sector advances in private sector banks increased by 15.9 percent during 2008-09 as compared to 13.5 percent during 2007-08 and was 46.8 percent of ANBC. This increase in priority sector lending by banks came against the backdrop of general slowdown in the economy and a decelerating in total bank credit.

[39] At the end of March 2009 foreign banks priority sector advances decelerated to 10.4 percent as compared to 32.8 percent during 2007-08. As percentage to ANBC/CEOBSE, their disbursements came down from 39.5 percent in 2007-08 to 34.3 percent in 2008-09.

As on the last Friday of March 2010, domestic (public and private sector) and foreign banks had more than met their overall priority sector lending targets of 40 and 32 percent, respectively. However, at the disaggregated level, three out of 27 public sector banks (Indian Overseas Bank, IDBI Bank Ltd., and State Bank of Mysore) and 2 out of 22 private sector banks (Bank of Rajasthan Limited and SBI Commercial & International Bank Ltd.) could not meet the overall priority sector target in 2010. In the case of foreign banks three out of 27 (Bank of Nova Scotia, Krung Thai Bank and Oman International Bank) could not meet the overall target.[40]

A large number of domestic banks failed to meet the sub-target (of 18 percent) under agriculture. At the individual bank level more than half of public sector banks (15 out of 27) and exactly half of the private sector banks (11 out of 22) could not meet the agricultural sub-target (see Appendix Tables 9 and 10). Within private sector banks, the performance was relatively poor in the case of old private sector banks, while most new private sector banks were able to meet the sub-target under agriculture. Further, majority of the private sector banks (15 out of 22) could not meet the sub-target of 10 percent under weaker sections. The performance of foreign banks in meeting the sub-targets under exports and Micro, Small and Medium Enterprises (MSME) sectors was significantly better with majority of the foreign banks being able to meet these targets in 2010.

At the end of March 2011[41], seven out of 26 public sector banks were not able to meet the priority sector lending target of 40 percent of ANBC. The seven banks are Andhra Bank, Bank of Maharashtra, Central Bank of India, Corporation Bank, UCO Bank, Vijaya Bank, and IDBI Bank Limited. Further, 18 out of 26 public sector banks could not meet the sub-target set for agriculture. The eight banks that met the target are Allahabad Bank, Canara Bank, Indian Bank, Indian Overseas Bank, Punjab National Bank, Syndicate Bank, State Bank of Bikaner and Jaipur, and State Bank of Hyderabad.

Among the private sector banks, only South Indian Bank Ltd. could not meet the overall priority sector lending target by the end of March 2011, while for sub-target of

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[40] At end-March 2010 the growth in priority sector credit from domestic commercial banks was 18.4 percent. This was primarily due to the growth in agricultural credit of 22.6 percent in 2009-10. Foreign banks, however, posted a much lower growth of 8.8 percent in priority sector credit in 2009-10 than their domestic counterparts.

[41] In 2010-11, priority sector advances grew at 18 percent over 2009-10. However, the growth of agricultural advances decelerated to 9 percent in 2010-11 as compared to 23 percent in 2009-10. At the aggregate level banks have lent more than 40 percent of ANBC and the sub-target for agriculture at 18 percent of ANBC was also achieved.

agriculture, ten banks could not meet the target (see Appendix Table 10). Foreign banks at the aggregate level achieved the target of priority sector lending set at 32 percent of ANBC. At the bank-level, 5 banks (JSC VTB, Mashreqbank PSC, Mizuho Corporate Bank, Oman International Bank S.A.O.G., and Sonali Bank) could not meet the priority sector lending target. In the case of export credit foreign banks achieved the aggregate target of 12 percent but at the bank level only 20 out of 36 met the sub-target.

Non-achievement of agriculture lending target by many public and private sector banks is due to low capital formation in agriculture resulting in poor credit absorption and write-off of non-performing loans leading to reduction in the outstanding advances in the case of some banks.

Chapter 5

SUMMARY

This study presents an overview of the performance of priority sector lending by commercial banks. The review captures the changing contours of Reserve Bank of India policy on priority sector advances. The paper analyses the trends in priority sector lending for the period 1995-96 to 2010-11, the burden of non-performing assets of commercial bank in priority sector lending and the extent to which priority sector targets are achieved by individual banks (2007 to 2011).

The Reserve Bank of India over the years has made several changes in the scope of priority sector lending and the targets and sub-targets applicable to various bank groups. In the eighties with the 20 point-programme and emphasis on weaker sections, the policy was fine tuned to include artisans, village and cottage industries and beneficiaries of integrated rural development programme with differential rate of interest rate schemes for SCs/STs. The targets to be achieved were laid. As the banking system evolved the policies also changed. Trying to meet the ever growing demand for fund the banks nonperforming assets started to grow, there was a need to look at the quality of the asset portfolio. With the ever increase in the importance of markets there was need to look at the market risks faced by the banks and also the development of credit derivatives in India.

Commercial banks are a significant part of the Indian financial system and are regulated by the Reserve Bank of India. In public sector banks the major stake is with the government, for private sector the major share is held by private individuals while for foreign banks the major share is with country of origin and their head offices are located in their respective countries. It is been observed that the spread of bank offices has come down in the nineties as compared to eighties especially for rural, semi-urban and urban areas while metropolitan areas showed a continuous increase. In the twenties there has been improvement in the bank offices expansion except for rural bank offices. There has been an expansion of bank offices in metropolitan areas from 4.6 percent in eighties to 7.2 percent in twenties.

The analysis of scheduled commercial shows that population coverage per office has come down over the years while per capita deposits and credit of scheduled commercial banks has gone up from 15-17 and 13-22 percent, respectively over the three decades. This trend is observed even for deposits and credit per office. The scheduled commercial banks credit to GDP ratio and the priority sector advances to GDP have been increasing over the years.

Bank group-wise analysis indicates that credit growth of private sector banks has been generally above the overall growth of the scheduled commercial banks while the growth of foreign banks in general has been below the all scheduled commercial bank growth rates. The share of priority sector advances in total credit of scheduled commercial banks has come down over the years. The composition of the priority sector advances in the non-food credit of scheduled commercial banks shows that Non-food advances account for more than 90 percent of the gross bank credit while food advances account for less than 10 percent. Bulk of the non-food advances is accounted for by priority sector and industry (medium and large).

The composition of priority sector shows that the importance of both agriculture and small scale industries is coming down over the years. Priority sector advances account on an average 32 percent of the total advances of the SBI and its associates, while nationalised banks account for 35 percent, private sector banks account for 28 percent and foreign banks 21 percent. Viewing the decadal shares it is seen that the private sector banks and the foreign sector banks have improved their shares as compared to the SBI group and Nationalised banks.

The non-performing assets of the banks are used to gauge their profitability and financial health. In India implementation of prudential measures taken by the government resulted in recovery of past dues of the banks. There was vast improvement in the gross and net performing assets of scheduled commercial banks due to the moderation of inflation expectations, decline in real interest rates, rising income of households and the entry of new private banks accelerated the growth process. The asset quality of banks in India has been improving over the years as can be inferred from the declining non-performing assets to advances. This is happening across the bank groups, notwithstanding the pressures of slowdown in the economy and uncertainty.

The performance of banks in priority sector lending has improved in recent years, although substantial variations have been observed in the performance of various bank groups as also in meeting the sub-targets within the priority sector. At the end of March 2011, seven out of 26 public sector banks were not able to meet the priority sector lending target of 40 percent of adjusted net bank credit. Further, 18 out of 26 public sector banks could not meet the sub-target set for agriculture. Among the private sector banks, only South Indian Bank Ltd. could not meet the overall priority sector lending target, while for sub-target of agriculture, ten banks could not meet the target. Foreign banks at the aggregate level achieved the target of priority sector lending set at 32 percent of adjusted net bank credit. In the case of export credit foreign banks achieved the aggregate target of 12 percent but at the bank level only 20 out of 36 met the sub-target.

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Appendix 1

List of Bank Mergers, De-scheduling, Changes in Nomenclature and Winding of Banks

Year	Name of Bank (s) and Details

1969-70

- Bank of Bihar Limited was merged with State Bank of India w.e.f November 8, 1969
- National Bank of Lahore Limited was merged with State Bank of India w.e.f February 20, 1970.

1985-86

- Miraj State Bank Limited was merged with Union Bank of India w.e.f July 29, 1985.
- Lakshmi Commercial Bank Limited was merged with Canara Bank w.e.f August 24, 1985.
- Bank of Cochin Limited was merged with State Bank of India w.e.f August 26, 1985.

1986-87

- Hindustan Commercial Bank Limited was merged with Punjab National Bank w.e.f December 19, 1986.

1988-89

- Traders Bank Limited was merged with Bank of Baroda w.e.f May 13, 1988.

1989-90

- United Industrial Bank Limited was merged with Allahabad Bank w.e.f October 31, 1989.
- Bank of Tamil Nadu Limited was merged with Indian Overseas Bank w.e.f February 20, 1990.
- Bank of Thanjavur Limited was merged with Indian Bank w.e.f February 20, 1990.
- Parur Central Bank Limited was merged with Bank of India w.e.f February 20, 1990.

1990-91

- Purbanchal Bank Limited was merged with Central Bank of India w.e.f August 29, 1990.

Year	Name of Bank (s) and Details

1993-94

- New Bank of India was merged with Punjab National Bank w.e.f September 4, 1993.

1995-96

- Kashi Nath Seth Bank Limited was merged with State Bank of India w.e.f January 1, 1996.

1997-98

- Bari Doab Bank Limited was merged with Oriental Bank of Commerce w.e.f April 8, 1997.
- Punjab Co-operative Bank Limited was merged with Oriental Bank of Commerce w.e.f April 8, 1997.

1999-00

- Bareilly Corporation Bank Limited was merged with Bank of Baroda w.e.f June 3, 1999.
- Sikkim Bank Limited was merged with Union Bank of India w.e.f December 22, 1999.
- Times Bank Limited was merged with HDFC Bank Limited w.e.f February 26, 2000.

2000-01

- Bank of Madura Limited was merged with ICICI Bank Limited w.e.f March 10, 2001.

2001-02

- Chase Manhattan Bank was merged with Morgan Guarantee Trust and was re-named JP Morgan Chase Bank.
- Sakura Bank was merged with Sumitomo Bank and re-named to Sumitomo Mitsui Bank.
- Fuji Bank was re-named as Mizuho Corporate Bank w.e.f. April 1, 2002.
- Sanwa Bank re-named UFJ Bank.

2002-03

- ICICI Limited was merged with ICICI Bank Limited w.e.f May 3, 2002.
- A new bank - Antwerp Diamond Bank started business in India w.e.f June 20, 2002.
- Benares State Bank was merged with Bank of Baroda w.e.f June 20, 2002.
- Standard Chartered Grindlays Bank was merged with Standard Chartered Bank w.e.f. August 31, 2002.
- Nedungadi Bank was merged with Punjab National Bank w.e.f February 1, 2003.

Year	Name of Bank (s) and Details

- Four banks were closed during this years, viz., Dresdner Bank w.e.f. September 21, 2002, Commerz Bank w.e.f. December 18, 2002, KBC Bank w.e.f. January 23, 2003 and Siam Commercial Bank w.e.f. February 27, 2003,

2003-04

Three banks were excluded from the Second Schedule to the RBI Act, 1934

- Toronto Dominion Bank w.e.f. September 4, 2003.
- Overseas Chinese Banking Corporation w.e.f. December 27, 2003.
- Bank Muscat (S.A.O.G.) w.e.f. February 21, 2004.

One bank was included in the Second Schedule to the RBI Act, 1934

- Kotak Mahindra Bank w.e.f. April 12, 2003.
- Development Bank of Singapore Ltd. was re-named to DBS Bank w.e.f. August 9, 2003.

2004-05

Two banks were included in the Second Schedule to the RBI Act, 1934

- Yes Bank w.e.f. August 19, 2004.
- IDBI Limited w.e.f. October 11, 2004 and treated as Public Sector Bank. However, the Bank's data has been included under the bank group, "Nationalised Banks".

Three banks were excluded from the Second Schedule to the RBI Act, 1934

- Credit Lyonnais Bank w.e.f. May 01, 2004.
- Global Trust Bank w.e.f. August 07, 2004.
- Sumitomo Mitsui Bank w.e.f. February 28, 2005.

- South Gujarat Local Area Bank Limited was merged with Bank of Baroda w.e.f June 25, 2004.
- Global Trust Bank Limited was merged with Oriental Bank of Commerce w.e.f August 14, 2004.

2005-06

- IDBI Bank (Private Sector Bank) was merged with IDBI Limited (Public Sector Bank) w.e.f. from April 02, 2005.
- Bank of Punjab Limited was re-named as Centurion Bank of Punjab Limited w.e.f October 17, 2005.
- Bank of Tokyo-Mitsubishi name was re-named as Bank of Tokyo-Mitsubishi-UFJ w.e.f. January 01, 2006.

Three banks were excluded from the Second Schedule to the RBI Act, 1934

- Bank of Punjab w.e.f. October 1, 2005.

Year	Name of Bank (s) and Details
	➢ ING Bank w.e.f. October 28, 2005. ➢ UFJ w.e.f. January 01, 2006.
2006-07	
	➢ Cho Hung Bank name was changed to Shinhan Bank in the Second Schedule to the RBI Act, 1934, w.e.f. August 12, 2006. ➢ Ganesh Bank of Kurundwad Limited was merged with Federal Bank w.e.f. September 02, 2006. ➢ United Western Bank was merged with IDBI Ltd. w.e.f. October 03, 2006. ➢ Bharat Overseas Bank was merged with Indian Overseas Bank w.e.f. March 31, 2007.
2007-08	
	➢ Sangli Bank Limited was merged with ICICI Bank w.e.f. April 19, 2007. ➢ UTI Bank name was changed to Axis Bank w.e.f. July 30, 2007. ➢ Lord Krishna Bank Limited was merged with Centurion Bank of Punjab w.e.f. August 29, 2007. ➢ American Express Bank was merged with Standard Chartered Bank w.e.f. March 05, 2008.
2008-09	
	➢ Arab Bangladesh Bank name was changed to AB Bank. ➢ Centurion Bank of Punjab Limited was merged with HDFC Bank Limited w.e.f May 23, 2008. ➢ State Bank of Saurashtra was merged with State Bank of India w.e.f. August 13, 2008. Three banks were included from the Second Schedule to the RBI Act, 1934 ➢ JSC VTB Bank w.e.f. September 19, 2008. ➢ American Express Banking Corporation w.e.f. December 27, 2008. ➢ UBS AG w.e.f. February 02, 2009. Bank International Indonesia was wound up by March 2009.

Source: RBI, *Report on Trend and Progress of Banking in India*, various issues.

Appendix 2

State Wise List of Amalgamated Regional Rural Banks

(As on March 02, 2010)

Sponsor Bank	Name of New Regional Rural Bank	Names of Amalgamated Regional Rural Banks
Andhra Pradesh		
Andhra Bank	Chaitanya Godavari GB	Chaitanya GB
Indian Bank	Saptagiri GB	Kanakdurga GB; Shri Venkateswara GB
State Bank of Hyderabad	Deccan GB	Golconda GB; Sri Rama GB; Sri Saraswathi GB; Sri Sathavahana GB
State Bank of India	Andhra Pradesh Grameena Vikas Bank	Kakathiya GB; Manjira GB; Nagarjuna GB; Sangameshwara GB; Sri Visakha GB
Syndicate Bank	Andhra Pragathi GB	Pinakini GB; Rayalseema GB; Sree Anantha GB
Assam		
United Bank of India	Assam Gramin Vikash Bank	Cachar GB; Lakhimi Gaonlia GB; Pragjyotish Gaonlia GB; Subansiri Gaonlia GB
Bihar		
Central Bank of India	Uttar Bihar KGB	Champaran KGB; Gopalganj KGB; Madhubani KGB; Mithila KGB; Saran KGB; Siwan KGB; Vaishali KGB
Punjab National Bank	Madhya Bihar GB	Bhojpur Rohtas GB; Magadh GB; Nalanda GB; Patliputra GB
UCO Bank	Bihar KGB	Begusarai KGB; Bhagalpur-Banka KGB; Monghyr KGB
Central Bank of India	Uttar Bihar GB	Kosi KGB; Uttar Bihar KGB
Chhattisgarh		
State Bank of India	Chhattisgarh GB	Bastar KGB; Bilaspur Raipur GB; Raigarh KGB
Gujarat		
Bank of Baroda	Baroda Gujarat GB	Panchmahal Vadodara GB; Surat Bharuch GB; Valsad Dangs GB
Dena Bank	Dena Gujarat GB	Banaskantha-Mehsana GB; Kutch GB; Sabarkantha Gandhinagar GB
State Bank of Saurashtra	Saurashtra GB	Jamnagar Rajkot GB; Junagadh Amreli GB; Surendranagar Bhavnagar GB
Haryana		
Punjab National Bank	Haryana GB	Ambala Kurukshetriya GB; Haryana KGB; Hissar-Sirsa KGB
Jammu & Kashmir		
Jammu & Kashmir Bank	J & K GB	Kamraz Rural Bank; Jammu Rural Bank

State Wise List of Amalgamated Regional Rural Banks (Contd.)

Sponsor Bank	Name of New Regional Rural Bank	Names of Amalgamated Regional Rural Banks
Jharkhand		
Bank of India	Jharkhand GB	Giridih KGB; Hazaribagh KGB; Ranchi KGB; Singhbhum KGB
State Bank of India	Vananchal GB	Palamau KGB; Santhal Paraganas GB
Karnataka		
Canara Bank	Pragathi GB	Chitradurga GB; Kolar GB; Sahyadri GB; Tungbhadra GB
State Bank of Mysore	Cauvery Kalpatharu GB	Cauvery GB; Kalpatharu GB
Syndicate Bank	Karnataka Vikas GB	Bijapur GB; Malaprabha GB; Netravati GB; Varada GB
Sponsor Bank	Name of New Regional Rural Bank	Names of Amalgamated Regional Rural Banks
Bank of India	Narmada Malwa GB	Dewas-Shajapur GB; Indore-Ujjain KGB; Nimar KGB; Rajgarh-Sehore KGB
Central Bank of India	Chambal-Gwalior KGB	Chambal KGB; Gwalior-Datia KGB
Central Bank of India	Satpura KGB	Chhindwara-Seoni KGB; Hoshangabad KGB; Mandla-Balaghat KGB; Shahdol KGB
Central Bank of India	Satpura Narmada KGB	Satpura KGB; Chambal-Gwalior KGB; Ratlam Mandsaur KGB
State Bank of India	Madhya Bharath GB	Bundelkhand KGB; Damoh-Panna Sagar GB; Shivpuri-Guna KGB
Maharashtra		
Central Bank of India	Vidharbha KGB	Akola KGB; Buldhana GB; Yavatmal KGB
Bank of India	Wainganga KGB	Bhandara GB; Chandrapur Gadchiroli GB
Bank of Maharashtra	Maharashtra Godavari GB	Aurangabad Jalna GB; Thane GB
Bank of India	Wainganga Krishna GB	Ratnagiri Sindhudurg GB; Solapur GB; Wainganga GB; Thane GB
Bank of Maharashtra	Maharashtra GB	Marathwada GB; Maharashtra Godavari GB
Orissa		
Indian Overseas Bank	Neelachal Gramya Bank	Puri GB; Dhenkanal GB
UCO Bank	Kalinga Gramya Bank	Balasore GB; Cuttack GB
State Bank of India	Utkal GB	Bolangir Anchalik GB; Kalahandi Anchalik GB; Koraput Panchabati GB

State Wise List of Amalgamated Regional Rural Banks (Contd.)

Sponsor Bank	Name of New Regional Rural Bank	Names of Amalgamated Regional Rural Banks
Punjab		
Punjab National Bank	Punjab GB	Gurdaspur-Amritsar KGB; Kapurthala-Ferozpur KGB; Shivalik KGB
Rajasthan		
Bank of Baroda	Baroda Rajasthan GB	Aravali KGB; Bhilwara-Ajmer KGB; Bundi-Chittorgarh KGB; Dungarpur-Banswara KGB; Marudhar KGB
Punjab National Bank	Rajasthan GB	Alwar Bharatpur Anchalik GB; Shekhawati GB
State Bank of Bikaner & Jaipur	Marwar Ganganagar Bikaner GB	Bikaner KGB; Marwar GB; Sriganganagar KGB
UCO Bank	Jaipur Thar GB	Jaipur Nagaur Anchalik GB; Thar Anchalik GB
Tamil Nadu		
Indian Bank	Puduvai Bharathiar GB	New RRB in Chennai
Indian Bank	Pallavan Grama Bank	Adhiyaman Grama Bank; Vallar Grama Bank
Uttaranchal		
State Bank of India	Uttaranchal GB	Alaknanda GB; Ganga-Yamuna GB; Pithoragarh KGB
Sponsor Bank	Name of New Regional Rural Bank	Names of Amalgamated Regional Rural Banks

State Wise List of Amalgamated Regional Rural Banks (Contd.)

Sponsor Bank	Name of New Regional Rural Bank	Names of Amalgamated Regional Rural Banks
Uttar Pradesh		
Allahabad Bank	Lucknow KGB	Bhagirath GB; Sarayu GB; Shravasti GB
Allahabad Bank	Triveni KGB	Chattrasal GB; Tulsi GB; Vindhyavasini GB
Bank of Baroda	Baroda Eastern Uttar Pradesh GB	Allahabad KGB; Faizabad KGB: Fatehpur KGB; Kanpur KGB; Pratapgarh KGB; Raebareli KGB; Sultanpur KGB
Bank of Baroda	Baroda Western Uttar Pradesh GB	Bareilly KGB; Shahjahanpur KGB
Canara Bank	Shreyas GB	Aligarh GB; Etah GB; Jamuna GB
Punjab National Bank	Uttar Pradesh GB	Hindon GB; Muzaffarnagar KGB; Vidur GB
State Bank of India	Purvanchal GB	Basti GB; Gorakhpur KGB
Union Bank of India	Kashi Gomti Samyut GB	Gomti GB; Kashi GB; Samyut KGB
Punjab National Bank	Sarva U.P. GB	Uttar Pradesh GB; Rani Lakshimibai KGB; Devi Patan KGB; Kisan GB
Bank of India	Aryavart GB	Avadh GB; Barabanki GB; Farrukhabad GB
Bank of Baroda	Baroda Uttar Pradesh GB	Baroda Eastern UP GB; Baroda Western UP GB
Central Bank of India	Ballia - Etawah GB	Ballia KGB; Etawah KGB
Allahabad Bank	Allahabad U.P. GB	Triveni KGB; Lucknow KGB
West Bengal		
UCO Bank	Paschim Banga GB	Howrah GB; Bardhaman GB; Mayurakshi GB
United Bank of India	Bangiya Gramin Vikash Bank	Gaur GB Mallabhum GB Murshidabad GB, Nadia GB; Sagar GB

Source: Rural Planning and Credit Department, RBI.
Notes: GB: Gramin Bank; KGB: Kshetriya Gramin Bank

Appendix 3

Shareholding Pattern of Scheduled Commercial Banks

(As at end March 2009; percent)

Bank	Total Government and 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
Nationalised Banks									
Allahabad Bank	55.2	14.4	10.3	4.1		15.9	0.1	89.7	10.3
Andhra Bank	51.6	16.9	14.6	2.6		14.3	0.1	85.3	14.7
Bank of Baroda	53.8	22.1		3.1	13.5	6.8	0.6	85.8	14.2
Bank of India	64.5	12.8	14.3	1.2	0.1	6.6	0.5	85.1	14.9
Bank of Maharashtra	76.8	4.6	4.3	2.4		11.7	0.2	95.4	4.6
Canara Bank	73.2	8.6	11.2	1.0		5.9	0.1	88.7	11.3
Central Bank of India	80.2	5.0	1.8	4.5		8.4	0.1	98.1	1.9
Corporation Bank	57.2	34.4	3.6	1.9		2.7	0.3	96.1	3.9
Dena Bank	51.2	7.9	9.2	6.7		24.0	1.1	89.7	10.3
IDBI Bank Ltd.	52.7	21.8		9.2		16.3		100.0	
Indian Bank	80.0	3.4	12.2	1.0		3.2	0.1	87.7	12.3
Indian Overseas Bank	61.2	15.3	7.8	1.8		13.2	0.7	91.5	8.5
Oriental Bank of Commerce	51.1	30.9	9.6	2.4		5.9	0.1	90.3	9.7
Punjab & Sind Bank	100.0							100.0	
Punjab National Bank	57.8	21.1	14.9	1.6		4.7		85.1	14.9
Syndicate Bank	66.5	10.6		6.5	3.5	12.9		96.5	3.5
UCO Bank	63.6	8.3		4.2	1.5	21.9	0.5	98.0	2.0
Union Bank of India	55.4	15.9	14.1	3.6		10.9		85.9	14.1
United Bank of India	100.0							100.0	
Vijaya Bank	53.9	1.8	1.2	7.6		34.8	0.7	98.1	1.9
State Bank Group									
State Bank of Bikaner & Jaipur		77.5		4.4	2.4	12.8	3.0	94.7	5.4
State Bank of Hyderabad		100.0						100.0	
State Bank of India	59.4	16.0	12.3	5.5		6.7	0.1	87.7	12.3
State Bank of Indore		98.1		0.7		1.2		100.0	
State Bank of Mysore		94.5		0.3		5.2		100.0	
State Bank of Patiala		100.0		–				100.0	
State Bank of Travancore	1.1	76.0	2.7	3.5		13.2	3.5	93.8	6.2

Shareholding Pattern of Scheduled Commercial Banks (contd.)

(As at end March 2009; percent)

Bank	Total Govern-ment and RBI-Resident	Financial Institu-tions Resident	Financial Institu-tions Non Resident	Other Corpo-rates-Resident	Other Corpo-rates Non Resident	Total Individual Resident	Total Individual-Non Resident	Total Resident	Total Non Resident
Old Private Sector Banks									
Bank of Rajasthan Ltd.		3.8	13.3	67.6		15.0	0.2	86.5	13.5
Catholic Syrian Bank Ltd.				9.5	14.9	46.1	29.5	55.6	44.4
City Union Bank Ltd.		8.2	12.7	18.7	8.6	51.3	0.6	78.2	21.8
Dhanalakshmi Bank Ltd.		6.8	23.0	19.9		44.9	5.4	71.6	28.4
Federal Bank Ltd.		19.3	38.9	10.0	5.0	21.5	5.3	50.8	49.2
ING Vysya Bank Ltd.		13.5	24.7	3.2	43.8	10.3	4.5	27.0	73.0
Jammu & Kashmir Bank Ltd.	53.2	2.8	31.0	2.2		10.3	0.5	68.5	31.5
Karnataka Bank Ltd.		39.8		14.2		45.7	0.3	99.7	0.3
Karur Vysya Bank Ltd.		5.0	21.4	14.1		54.6	4.8	73.7	26.3
Lakshmi Vilas Bank Ltd.		15.9		22.4	2.7	58.9	0.2	97.1	2.9
Nainital Bank Ltd.		98.4				1.6		100.0	
Ratnakar Bank Ltd.		2.1		15.5	19.9	55.0	7.4	72.7	27.3
SBI Commercial & International Bank Ltd		100.0						100.0	
South Indian Bank Ltd.		12.1	35.9	12.2		36.5	3.4	60.7	39.3
Tamilnad Mercantile Bank Ltd.		0.1		9.3	16.5	73.8	0.4	83.1	16.9
New Private Sector Banks									
Axis Bank Ltd.		53.7	31.2	7.5	1.5	6.0	0.2	67.1	32.9
Development Credit Bank Ltd		2.8		18.4	39.8	37.9	1.1	59.1	40.9
HDFC Bank Ltd.		13.9		28.2	46.2	11.2	0.6	53.2	46.8
ICICI Bank Ltd.		19.6	63.2	8.7		8.0	0.5	36.2	63.8
IndusInd Bank Ltd.		3.6	18.7	14.7	44.3	15.7	3.0	34.0	66.0
Kotak Mahindra Bank Ltd.		3.3	28.4	7.2	0.6	59.7	0.7	70.3	29.7
Yes Bank Ltd		2.0	36.5	18.2	13.5	29.3	0.6	49.5	50.5

Source: RBI (2009), *Report on Trend and Progress of Banking in India*, pp. 351-352.

Appendix 4
List of Commercial Banks in India

State Bank of India and its associates viz., State Bank of India, State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Indore, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore

Nationalised Banks viz., Allahabad Bank, Andhra Bank, Bank of Baroda, Bank of India, Bank of Maharashtra, Canara Bank, Central Bank of India, Corporation Bank, Dena Bank, IDBI Bank Ltd., Indian Bank, Indian Overseas Bank, Oriental Bank of Commerce, Punjab & Sind Bank, Punjab National Bank, Syndicate Bank, UCO Bank, Union Bank of India, United Bank of India, and Vijaya Bank.

Foreign Banks viz., ABN Amro Bank, Abu Dhabi Commercial Bank, American Express Banking Corporation, Antwerp Diamond Bank, AB Bank, Bank International Indonesia, Bank of America, Bank of Bahrain & Kuwait, Bank of Ceylon, Bank of Nova Scotia, Bank of Tokyo Mitsubishi UFJ, Barclays Bank, BNP Paribas, Calyon Bank, Chinatrust Commercial Bank, Citibank, DBS Bank, Deutsche Bank, Hongkong & Shanghai Banking Corporation, JP Morgan Chase Bank, JSC VTB Bank, Krung Thai Bank, Mashreq Bank, Mizuho Corporate Bank, Oman International Bank, Shinhan Bank, Societe Generale, Sonali Bank, Standard Chartered Bank, State Bank of Mauritius, and UBS AG.

Other Scheduled Commercial Banks viz., Axis Bank, Bank of Rajasthan, Catholic Syrian Bank, City Union Bank, Development Credit Bank, Dhanalakshmi Bank, Federal Bank, HDFC Bank, ICICI Bank, IndusInd Bank, ING Vysya Bank, Jammu & Kashmir Bank, Karnataka Bank, Karur Vysya Bank, Kotak Mahindra Bank, Lakshmi Vilas Bank, Nainital Bank, Ratnakar Bank, SBI Commercial & International Bank, South Indian Bank, Tamilnad Mercantile Bank, and Yes Bank.

Cooperative Banks in India (other than the banks cited above) viz., Adarsh Co-Operative Bank Ltd., Sadhna Sahakari Bank Ltd., Vishweshwar Sahakari Bank Ltd., Deogiri Nagari Sahakari Bank Ltd., Sanmitra Sahakari Bank Ltd., Ajantha Urban Co Op Bank Ltd., and Shri Chhatrapati Rajashi Shahu Urban Co Op Bank Ltd.

Appendix 5

Composition of Priority Sector Advances in Non-food Credit and their share in Total Gross Bank Credit of Scheduled Commercial Banks

(percent)

Year	Priority Sector	Off which Agri-culture	Small Scale Industries	Others	Industry (Medium and Large)	Wholesale Trade (Other than Food Procure-ment)	Other Sectors	Non-food	Non-food /Gross Bank Credit	Food /Gross Bank Credit	Priority Sector/ Gross Bank Credit
1	2	3	4		5	6	7	8	9	10	11
1979-80	35.17	14.46	13.77	6.94	43.21	10.01	0.00	100	90.11	9.89	31.69
1980-81	36.90	15.55	14.01	7.34	43.22	8.65	0.00	100	92.91	7.09	34.28
1981-82	39.49	17.07	14.43	7.99	41.26	8.13	11.12	100	92.71	7.29	36.61
1982-83	39.08	16.73	14.23	8.12	42.11	7.46	11.34	100	91.40	8.60	35.72
1983-84	40.93	16.88	14.96	9.09	40.17	6.44	12.46	100	90.05	9.95	36.86
1984-85	43.53	18.11	15.63	9.78	37.69	6.26	12.52	100	88.19	11.81	38.39
1985-86	43.41	18.23	15.73	9.44	37.08	6.17	13.33	100	89.98	10.02	39.06
1986-87	43.59	18.39	15.85	9.35	37.16	5.36	13.88	100	91.84	8.16	40.04
1987-88	42.71	17.64	15.90	9.17	36.95	5.29	15.06	100	96.88	3.12	41.37
1988-89	40.28	16.42	15.46	8.40	37.88	5.61	16.23	100	99.10	0.90	39.92
1989-90	40.12	16.42	15.44	8.26	38.01	5.44	16.44	100	98.05	1.95	39.33
1990-91	37.81	14.76	15.14	7.91	39.21	5.21	17.78	100	96.18	3.82	36.36
1991-92	37.44	14.96	14.96	7.51	38.81	5.07	18.68	100	96.29	3.71	36.05
1992-93	35.49	14.22	14.26	7.01	41.76	4.96	17.78	100	95.42	4.58	33.87
1993-94	36.92	14.53	15.50	6.89	39.65	5.02	18.41	100	93.05	6.95	34.35
1994-95	34.74	12.98	14.96	6.79	40.43	5.28	19.56	100	93.77	6.23	32.57
1995-96	33.02	12.18	14.36	6.48	41.90	5.39	19.68	100	95.78	4.22	31.63
1996-97	33.76	12.51	14.30	6.96	40.81	4.91	20.51	100	97.07	2.93	32.77
1997-98	34.58	12.12	15.12	7.34	40.84	4.59	19.99	100	95.84	4.16	33.14
1998-99	35.24	12.19	14.91	8.15	40.13	4.29	20.33	100	95.08	4.92	33.51
1999-00	35.14	11.83	14.08	9.23	39.27	4.48	21.10	100	93.59	6.41	32.89
2000-01	35.98	12.10	13.05	10.83	37.94	4.16	21.92	100	91.48	8.52	32.91
2001-02	36.30	12.59	11.85	11.87	35.70	4.24	23.76	100	89.94	10.06	32.65
2002-03	34.13	11.86	9.74	12.53	37.93	3.64	24.30	100	92.61	7.39	31.61
2003-04	36.22	12.43	9.04	14.75	33.94	3.41	26.43	100	95.30	4.70	34.52
2004-05	38.16	12.53	7.46	18.17	35.24	3.26	23.35	100	96.05	3.95	36.65
2005-06	36.36	12.38	6.49	17.48	32.69	2.83	28.13	100	97.19	2.81	35.33
2006-07	35.31	12.79	6.55	15.97	32.17	2.78	29.74	100	97.48	2.52	34.42
2007-08	33.93	12.49	6.02	15.42	32.91	2.53	30.63	100	98.03	1.97	33.26
2008-09	35.84	13.02	6.50	16.33	34.03	2.59	27.54	100	98.25	1.75	35.21
2009-10	35.93	13.69	6.79	15.45	36.35	2.84	24.88	100	98.43	1.57	35.36
2010-11	33.80	12.55	6.25	15.00	37.95	2.82	25.43	100	98.28	1.72	33.21

Source: RBI (2011), *Handbook of Statistics on Indian Economy*, various years

Note: Data include the impact of mergers since May 3, 2002. Other sectors includes housing, consumer durables, non-financial banking companies, loans to individuals against shares and debentures/bonds, real estate loans, other non-priority sector personal loans, advances against fixed deposits, tourism and tourism related hotels etc.

Appendix 6
The Bank Group Wise Share of Priority Sector Advances in their Total Advances: 1992 to 2011

(percent)

Bank Groups/Years	SBI & its Associates	Nationalised Banks	Private Sector Banks	Foreign Banks	All Scheduled Commercial Banks
1992	36.04	38.36	28.88	7.95	35.02
1993	30.92	35.95	30.35	8.92	32.11
1994	33.01	36.77	29.63	19.30	33.80
1995	31.07	33.60	26.99	20.66	31.28
1996	30.57	34.45	27.22	19.87	31.17
1997	32.04	35.52	31.09	18.84	32.26
1998	32.20	35.20	28.24	18.49	31.89
1999	34.07	34.77	28.31	22.08	32.68
2000	32.34	34.08	26.56	21.38	31.49
2001	32.23	33.92	24.51	21.12	31.04
2002	31.43	34.13	16.87	21.57	29.16
2003	31.24	36.19	22.23	21.91	31.15
2004	33.21	38.61	26.66	23.23	33.67
2005	35.29	37.41	26.52	25.77	33.96
2006	36.27	37.85	31.90	26.87	35.50
2007	35.44	36.51	33.77	27.44	35.07
2008	34.03	35.00	32.61	29.58	33.91
2009	32.47	32.98	34.69	30.62	33.03
2010	29.45	31.56	31.90	33.93	31.22
2011	32.03	29.91	30.38	32.69	30.61

Source (Basic Data): RBI, *Statistical Tables Relating to Banks in India*, various years.

Note: Advances outstanding as on March 31.

Appendix 7
Gross and Net NPAs of Scheduled Commercial Banks Bank Group Wise

(percent)

Year (end-March)	Non-Performing Assets (NPAs)			
	Gross		Net	
	As Percentage of Gross Advances	As Percentage of Total Assets	As Percentage of Net Advances	As Percentage of Total Assets
	Scheduled Commercial Banks			
1996-97	15.7	7.0	8.1	3.3
1997-98	14.4	6.4	7.3	3.0
1998-99	14.7	6.2	7.6	2.9
1999-00	12.7	5.5	6.8	2.7
2000-01	11.4	4.9	6.2	2.5
2001-02	10.4	4.6	5.5	2.3
2002-03	8.8	4.1	4.0	1.8
2003-04	7.2	3.3	2.8	1.2
2004-05	5.2	2.5	2.0	0.9
2005-06	3.3	1.8	1.2	0.7
2006-07	2.5	1.5	1.0	0.6
2007-08	2.3	1.3	1.0	0.6
2008-09	2.3	1.3	1.1	0.6
2009-10	2.4	1.4	1.1	0.7
	Public Sector Banks			
1996-97	17.8	7.8	9.2	3.6
1997-98	16.0	7.0	8.2	3.3
1998-99	15.9	6.7	8.1	3.1
1999-00	14.0	6.0	7.4	2.9
2000-01	12.4	5.3	6.7	2.7
2001-02	11.1	4.9	5.8	2.4
2002-03	9.4	4.2	4.5	1.9
2003-04	7.8	3.5	3.1	1.3
2004-05	5.5	2.7	2.1	1.0
2005-06	3.6	2.1	1.3	0.7
2006-07	2.7	1.6	1.1	0.6
2007-08	2.2	1.3	1.0	0.6
2008-09	2.0	1.2	0.9	0.6
2009-10	2.2	1.4	1.1	0.7

Gross and Net NPAs of Scheduled Commercial Banks Bank Group Wise (contd.)

(percent)

Year (end-March)	Non-Performing Assets (NPAs)			
	Gross		Net	
	As Percentage of Gross Advances	As Percentage of Total Assets	As Percentage of Net Advances	As Percentage of Total Assets
Old Private Sector Banks				
1996-97	10.7	5.2	6.6	3.1
1997-98	10.9	5.1	6.5	2.9
1998-99	13.1	5.8	9.0	3.6
1999-00	10.8	5.2	7.1	3.3
2000-01	10.9	5.1	7.3	3.3
2001-02	11.0	5.2	7.1	3.2
2002-03	8.9	4.3	5.2	2.5
2003-04	7.6	3.6	3.8	1.8
2004-05	6.0	3.1	2.7	1.4
2005-06	4.4	2.5	1.7	0.9
2006-07	3.1	1.8	1.0	0.6
2007-08	2.3	1.3	0.7	0.4
2008-09	2.4	1.3	0.9	0.5
2009-10	2.3	1.4	0.8	0.5
New Private Sector Banks				
1996-97	2.6	1.3	2.0	1.0
1997-98	3.5	1.5	2.6	1.1
1998-99	6.2	2.3	4.5	1.6
1999-00	4.1	1.6	2.9	1.1
2000-01	5.1	2.1	3.1	1.2
2001-02	8.9	3.9	4.9	2.1
2002-03	7.6	3.8	1.5	0.7
2003-04	5.0	2.4	1.7	0.8
2004-05	3.6	1.6	1.9	0.8
2005-06	1.7	1.0	0.8	0.4
2006-07	1.9	1.1	1.0	0.5
2007-08	2.5	1.4	1.2	0.7
2008-09	3.1	1.7	1.4	0.8
2009-10	2.9	1.6	1.1	0.6

Gross and Net NPAs of Scheduled Commercial Banks Bank Group Wise (contd.)

(percent)

Year (end-March)	Non-Performing Assets (NPAs)			
	Gross		Net	
	As Percentage of Gross Advances	As Percentage of Total Assets	As Percentage of Net Advances	As Percentage of Total Assets
	Foreign Banks In India			
1996-97	4.3	2.1	1.9	0.9
1997-98	6.4	3.0	2.2	1.0
1998-99	7.6	3.1	2.9	1.1
1999-00	7.0	3.2	2.4	1.0
2000-01	6.8	3.0	1.8	0.8
2001-02	5.4	2.4	1.9	0.8
2002-03	5.3	2.4	1.7	0.8
2003-04	4.6	2.1	1.5	0.7
2004-05	2.8	1.4	0.8	0.4
2005-06	1.9	1.0	0.8	0.4
2006-07	1.8	0.8	0.7	0.3
2007-08	1.8	0.8	0.8	0.3
2008-09	3.8	1.5	1.8	0.7
2009-10	4.3	1.7	1.8	0.7

Source: RBI, *Handbook of Statistics on the Indian Economy*, various years.

Note: 1. Data for 2009-10 are provisional.

2. Data on scheduled commercial banks & public sector banks for 2004-05 include the impact of conversion of a non-banking entity into a banking entity

Appendix 8

Composition of NPAs as of Public Sector Banks and their Share in Total Assets: 1995 to 2011

(percent)

Bank Groups / Years	Composition of NPAs of Public Sector Banks			NPAs of Priority Sector to Total Assets	NPAs of Total Advances to total Assets
	Priority	Non-Priority	Public		
A. Nationalised Banks					
1995	48.74	49.24	2.02	4.33	8.89
1996	45.59	52.16	2.25	3.78	8.29
1997	46.31	51.53	2.16	3.84	8.30
1998	45.52	52.16	2.32	3.29	7.24
1999	43.21	54.25	2.54	2.95	6.83
2000	44.06	54.47	1.48	2.66	6.04
2001	46.17	52.70	1.14	2.43	5.26
2002	45.78	53.05	1.17	2.29	5.00
2003	47.10	51.33	1.57	2.13	4.53
2004	47.74	51.14	1.12	1.81	3.79
2005	49.81	49.33	0.86	1.43	2.87
2006	53.66	45.58	0.76	1.14	2.13
2007	60.58	38.26	1.16	0.97	1.59
2008	66.80	32.38	0.82	0.81	1.22
2009	60.65	38.22	1.13	0.64	1.05
2010	56.13	43.09	0.79	0.66	1.17
2011	59.84	39.52	0.64	0.69	1.16
B. State Bank of India & its Associates					
1995	52.50	41.41	6.10	4.46	8.49
1996	53.67	40.11	6.22	3.77	7.02
1997	50.44	43.79	5.77	3.55	7.03
1998	48.13	47.61	4.26	3.21	6.67
1999	44.62	51.86	3.51	2.91	6.52
2000	45.25	51.92	2.83	2.66	5.88
2001	44.22	51.87	3.91	2.22	5.01
2002	47.01	50.42	2.56	2.00	4.25
2003	47.49	49.41	3.10	1.63	3.43
2004	47.07	51.48	1.45	1.30	2.76
2005	47.39	51.48	1.13	1.12	2.36
2006	54.95	44.10	0.95	1.05	1.91
2007	57.15	41.36	1.50	0.89	1.56
2008	58.49	40.88	0.63	0.88	1.51
2009	47.26	51.75	0.99	0.66	1.40
2010	50.11	48.77	1.12	0.77	1.55
2011	55.32	44.66	0.02	0.97	1.76

Composition of NPAs as of Public Sector Banks and their Share in Total Assets: 1995 to 2011 (contd.)

(percent)

Bank Groups / Years	Composition of NPAs of Public Sector Banks			NPAs of Priority Sector to Total Assets	NPAs of Total Advances to total Assets
	Priority	Non-Priority	Public		
Public Sector Banks (A+B)					
1995	50.04	46.53	3.43	4.38	8.75
1996	48.27	48.17	3.56	3.78	7.83
1997	47.67	48.97	3.35	3.73	7.83
1998	46.40	50.61	2.98	3.26	7.03
1999	43.72	53.39	2.89	2.93	6.71
2000	44.50	53.52	1.98	2.66	5.98
2001	45.43	52.38	2.19	2.35	5.16
2002	46.21	52.13	1.66	2.18	4.71
2003	47.23	50.72	2.06	1.94	4.11
2004	47.54	51.24	1.22	1.62	3.41
2005	49.05	50.00	0.94	1.32	2.69
2006	54.07	45.11	0.82	1.11	2.05
2007	59.46	39.27	1.27	0.94	1.58
2008	63.62	35.63	0.75	0.84	1.32
2009	55.21	43.71	1.08	0.65	1.17
2010	53.83	45.25	0.91	0.69	1.29
2011	58.05	41.56	0.39	0.78	1.34

Source: Off-site returns (domestic) - Latest updated database, Division of banking Supervision, RBI.

Appendix 9

Targets Achieved by Public Sector Banks under the Priority Sector

Sr. No.	Name of the bank	As on the last reporting Friday of														
		March 2011			March 2010			March 2009			March 2008			March 2007		
		Overall	AGR.	WS	Overall	AGR.	WS	Overall	AGR.	WS	Overall	AGR.	WS	Overall	AGR.	WS
		Public Sector Banks														
	Nationalised Banks*															
1	Allahabad Bank	√	√	√	√	√	√	√	√	√	√	√	√		√	
2	Andhra Bank			√	√	√	√	√	√	√	√	√	√	√	√	
3	Bank of Baroda	√		√	√		√	√			√			√		
4	Bank of India	√		√	√		√	√	√	√	√	√	√	√	√	√
5	Bank of Maharashtra				√			√			√			√		
6	Canara Bank	√	√	√	√	√	√	√	√	√	√			√		
7	Central Bank of India			√	√		√			√	√		√	√		
8	Corporation Bank				√			√			√			√		
9	Dena Bank	√			√			√			√			√		
10	Indian Bank	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
11	Indian Overseas Bank	√	√	√			√	√	√	√	√	√	√	√	√	√
12	Oriental Bank of Commerce	√			√			√			√					
13	Punjab National Bank	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
14	Punjab & Sind Bank	√			√	√		√			√			√		
15	Syndicate Bank	√	√	√	√	√	√	√	√	√	√	√	√			√
16	Union Bank of India	√		√	√			√			√			√		
17	United Bank of India	√		√	√		√	√			√			√		
18	UCO Bank			√	√	√	√	√	√	√	√			√		

Targets Achieved by Public Sector Banks under the Priority Sector (contd.)

Sr. No.	Name of the bank	As on the last reporting Friday of														
		March 2011			March 2010			March 2009			March 2008			March 2007		
		Overall	AGR.	WS	Overall	AGR.	WS	Overall	AGR.	WS	Overall	AGR.	WS	Overall	AGR.	WS
		Public Sector Banks														
19	Vijaya Bank				√			√			√			√		
20	IDBI Bank Ltd.			NA			NA	√	√		√					
	State Bank Group															
21	State Bank of India	√		√	√	√	√	√	√	√	√	√				
22	State Bank of Bikaner & Jaipur	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
23	State Bank of Hyderabad	√	√		√	√	√	√	√	√	√	√	√	√		
24	State Bank of Indore				√		√	√	√	√	√	√	√	√		√
25	State Bank of Mysore	√		√						√	√	√	√			
26	State Bank of Patiala	√		√	√	√	√				√		√			
27	State Bank of Saurashtra										√	√		√	√	
28	State Bank of Travancore	√		√	√		√	√			√			√		

Source: RBI, *Trend and Progress of Banking in India*, various years.

Notes: √: Indicates meeting the respective norm for priority sector, otherwise indicates shortfall in the respective norm for priority sector.

*: Nationalised banks include IDBI Bank Ltd. For IDBI Ltd. concessional priority sector lending and agriculture lending targets have been fixed at 34 percent and 14 percent of ANBC respectively, as on the last reporting Friday of March 2011. NA: Not applicable; AG: Agriculture; WS: Weaker Sections.

Appendix 10

Targets Achieved by Private Sector Banks under the Priority Sector

Sr. No.	Name of the bank	As on the last reporting Friday of														
		March 2011			March 2010			March 2009			March 2008			March 2007		
		Overall	AGR.	WS	Overall	AGR.	WS	Overall	AGR.	WS	Overall	AGR.	WS	Overall	AGR.	WS
	Private Sector Banks															
1	Axis Bank Ltd.	√			√			√			√			√		
2	Bank of Rajasthan Ltd.															
3	Bharat Overseas Bank													√		
4	Catholic Syrian Bank Ltd.	√	√	√	√	√	√	√	√	√	√	√		√		
5	Centurion Bank of Punjab Ltd.										√					
6	City Union Bank Ltd.	√			√			√			√			√		
7	Development Credit Bank Ltd.	√			√	√					√	√		√		
8	Dhanalakshmi Bank Ltd.	√	√	√	√	√	√	√	√	√	√	√		√		
9	Federal Bank Ltd.	√			√			√			√			√		
10	HDFC Bank Ltd.	√			√			√			√			√		
11	ICICI Bank Ltd.	√			√	√		√	√		√			√		
12	IndusInd Bank Ltd.	√			√	√	√	√	√	√	√			√		
13	ING Vysya Bank Ltd.	√			√			√			√			√		
14	Jammu & Kashmir Bank Ltd.	√		√	√		√	√		√						
15	Karnataka Bank Ltd.	√			√			√			√					
16	Karur Vysya Bank Ltd.	√	√	√	√						√			√		
17	Kotak Mahindra Bank Ltd.	√	√		√	√		√			√			√		
18	Lakshmi Vilas Bank Ltd.	√	√	√	√	√	√	√	√		√			√	√	
19	Lord Krishna Bank													√		
20	Nainital Bank Ltd.	√	√		√	√		√	√		√	√		√		
21	Ratnakar Bank Ltd.	√	√	√	√			√			√			√		
22	Sangli Bank													√	√	
23	SBI Coml. & Internl. Bank Ltd.	√	√	√							√			√		
24	South Indian Bank Ltd.		√	√	√	√	√				√			√		
25	Tamilnad Mercantile Bank Ltd.	√	√	√	√	√	√	√	√		√	√		√		
26	Yes Bank Ltd.	√	√	√	√	√		√	√		√	√		√	√	

Source: RBI, *Trend and Progress of Banking in India*, various years.
√: Indicates meeting the respective norm for priority sector, otherwise indicates shortfall in the respective norm for priority sector; AG: Agriculture; WS: Weaker Sections.

Appendix 11

Targets Achieved by Foreign Banks under the Priority Sector

Sr. No.	Name of the bank	As on the last reporting Friday of														
		March 2011			March 2010			March 2009			March 2008			March 2007		
		Overall	Advances to MSE	Export Credit	Overall	Advances to MSE	Export Credit	Overall	Advances to MSE	Export Credit	Overall	Advances to MSE	Export Credit	Overall	Advances to MSE	Export Credit
	Foreign Banks															
1	A B Bank Ltd.	√	√	√	√	√	√	√	√		√					
2	ABN Amro Bank							√	√	√	√	√	√	√	√	√
3	Abu Dhabi Commercial Bank	√	√	√	√	√	√								√	√
4	American Express Banking Corporation	-	-	-										√	√	
5	Antwerp Diamond Bank NV	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
6	Arab Bangladesh Bank													√	√	√
7	Bank International Indonesia	-	-	-										√	√	
8	Bank of America National Association	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
9	Bank of Baharin and Kuwait	√	√		√	√	√		√			√	√	√	√	√
10	Bank of Ceylon	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
11	Bank of Nova Scotia	√	√	√			√	√		√	√	√	√	√		√
12	Barclays Bank PLC	√	√		√	√	√	√	√	√	√	√	√	√	√	√
13	BNP Paribas	√	√		√	√	√	√	√	√	√	√	√	√	√	√
14	Calyon Bank							√	√	√	√	√	√	√	√	√
15	China Trust Commercial Bank		√		√	√		√	√	√	√	√		√	√	√
16	Citi Bank	√	√	√	√	√	√	√	√	√	√	√	√			√
17	Commonwealth Bank of Australia	-	-	-												
18	Credit Agricole	√	√	√	√	√	√									
19	Credit Suisse AG	-	-	-												
20	DBS Bank Ltd.	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√

Targets Achieved by Foreign Banks under the Priority Sector (Contd.)

Sr. No.	Name of the bank	As on the last reporting Friday of														
		March 2011			March 2010			March 2009			March 2008			March 2007		
		Overall	Advances to MSE	Export Credit	Overall	Advances to MSE	Export Credit	Overall	Advances to MSE	Export Credit	Overall	Advances to MSE	Export Credit	Overall	Advances to MSE	Export Credit
	Foreign Banks															
21	Deutsche Bank (Asia)	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
22	First Rand Bank	√	√	√												
23	HSBC Ltd.	√	√	√	√	√	√	√	√	√	√	√	√			√
24	JP Morgan Chase Bank	√	√	√	√	√	√	√	√	√	√	√	√	√		√
25	JSC VTB			√												
26	Krung Thai Bank	√	√			√		√	√		√	√		√	√	√
27	Mashreqbank PSC	√		√	√		√			√	√	√		√	√	√
28	Mizuho Corporate Bank	√			√	√	√				√	√	√			
29	Oman International Bank S.A.O.G.													√	√	√
30	Sber Bank															
31	Shinhan Bank	√	√		√	√	√	√	√	√	√	√	√	√		√
32	Societe Generale	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
33	Sonali Bank	√			√		√	√		√	√			√	√	√
34	Standard Chartered Bank	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
35	State Bank of Mauritius	√	√	√	√	√	√	√	√					√	√	√
36	The Bank of Tokyo-Mitsubishi UFJ	√	√		√	√	√	√		√		√	√			√
37	The Royal Bank of Scotland	√	√	√	√	√	√									
38	UBS AG	√	√	√												
39	United Overseas Bank Ltd.															

Source: RBI, *Trend and Progress of Banking in India*, various years.
√ : Indicates meeting the respective norm for priority sector, otherwise indicates shortfall in the respective norm for priority sector
- : Nil/Negligible/ Not Applicable; MSE: Micro and Small Enterprises

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