

7. Banking

The Indian banking system has undergone a transformation in its objectives, structure, composition and management. The monetary policy of the Reserve Bank of India aims at regulating the quantity of money supply and credit flow e.g. bank rates, open market operations or changes in required reserve ratios besides ensuring a steady rate of growth of the money stock. The monetary policy of the RBI and fiscal policy of GOI aim to complement and supplement each other. The new developments such as globalisation and micro-credit delivery system had necessitated formulating banking policies in consonance with needs of a planned development of the economy. The monetary policy stance of the RBI continued to ensure comfortable liquidity to meet credit growth and support investment demand in the economy under soft and flexible interest rate environment. Apart from this, the credit policy is tailored to lubricate the wheels of production through fine-tuning the interest rate regime.

The mid-term Review of the Annual Policy Statement of the RBI, 2004-05 has expressed concern over the increasing inflationary pressures. It revised its GDP growth projection from a range of 6.5 to 7.0 per cent to 6.0 to 6.5 per cent. The bank rate and CRR have been kept unchanged at 6 per cent while there is a hike in the Repo - rate by 25 basis point to 4.75 per cent (Repo - rate is the rate at which the RBI takes money from banks against securities). The ceiling and interest rates and NRE deposits has been raised by 50 basis points. The risk weight and housing loan rose by 25 per cent points. The policy has rightly increased the limit on the advances under the priority sector for dealers in the agricultural machinery from Rs.20 lakhs to Rs.30 lakhs and for distribution of inputs for all activities from Rs.25 lakhs to Rs.40 lakhs.

In order to encourage securitisation of loans to the SSI, the policy outlined that investments made by banks in such securitised assets will be treated as direct lending to the SSI sector within the priority sector lending. The RBI has enhanced the limit on composite loan for SSI sector from Rs.50 lakhs to Rs.1 crore. For export sector, RBI has set a limit for outstanding forward credit for 50 per cent to 100 per cent. This policy will promote economic growth with stability. Main features of the annual monetary and credit policy and the mid year review of RBI are summarised below.

Box **Monetary and Credit Policy - 2004-05**

A : Annual Policy Statement

- Bank rate kept unchanged at 6.0 per cent.
- Repo rate kept unchanged at 4.5 per cent.
- Revised LAF scheme operationalised.
- The entire amount of export credit refinance to banks and liquidity support to primary dealers made available at the reverse repo rate.
- Almost all commercial banks have adopted the new system of BPLR and the rates are lower in the range of 20-200 basis points from their earlier PLRs.
- Banks advised to put in place comprehensive and rigorous risk assessment to relate pricing of credit to risk more appropriately.
- Recommendations of the interim Report of Vyas Committee accepted for implementation in respect of (a) loans for storage facilities under priority sector lending, (b) securitized agricultural loans as priority sector lending, (c) waiving

margin/security requirement for certain agricultural loans up to a limit, (d) NPA for crop loans aligned to crop seasons.

- Micro-finance institutions not to be permitted to accept public deposits unless they comply with the extant regulatory framework of the Reserve Bank.
- Development of mechanism for debt restructuring for medium enterprises on the lines of corporate debt restructuring.
- Definition of infrastructure lending broadened to include: (i) construction relating to projects involving agro-processing and supply of inputs to agriculture, (ii) construction for preservation and storage of processed agro-products, perishable goods such as fruits, vegetables and flowers including testing facilities for quality; and (iii) a construction of educational institutions and hospitals.
- Working group constituted for Credit Enhancement by State Governments for financing infrastructure. Gold Card Scheme for exporters drawn-up.
- To rationalize structure of regional rural banks various options under consideration of the Government and other stakeholders. Vyas committee is also looking into these aspects.
- Limit on the lending of non-bank participants in the call/notice money market reduced to 45 per cent effective June 26, 2004.
- Automated value free transfer of securities between market participants and the CCIL facilitated. The ECB limit enhanced to US\$ 500 million under automatic route with minimum average maturity of 5 years. End-use for ECBs enlarged to include overseas direct investment in Joint Ventures/Wholly Owned Subsidiaries to enable them to become global players.
- Resident individuals already permitted to remit freely up to US\$ 25,000 per calendar year for any current or capital account transaction.
- Indian corporate and partnership firms allowed to invest overseas up to 100 per cent of their net worth.
- Banks allowed to float long-term bonds to finance infrastructure.
- The extant limit on unsecured exposures for banks withdrawn.
- With effect from April 1, 2005 exposures on all Public Financial Institutions (PFIs) to attract a risk weight of 100 per cent.
- Banks required to maintain capital charge for market risk in respect of the securities included under available for sale category by March 31, 2006.
- Banks to draw a road map for moving towards Basel II by December 31, 2004.
- Banks to make higher provisioning for NPAs in “doubtful more than three years” category.
- Risk based supervision extended to more banks.
- RBI expects most commercial banks to join the RTGS system by June 2004.
- Single window services for all transactions in RBI cash department.
- Operationalisation of On-line Tax Accounting System by June 2004.

B: Mid-term review

- Bank rate kept unchanged at 6 per cent.
- Switching over to the international usage of the term repo and reverse repo from October 29, 2004.
- Fixed reverse repo rate under LAF increased by 25 basis points to 4.75 per cent from October 27, 2004. The spread between the repo and reverse repo rate reduced by 25 basis points to 125 basis points. Accordingly, the repo rate to remain at 6.0 per cent.
- LAF to be operated with overnight fixed rate repo and reverse repo. Accordingly, auctions of 7-day and 14-day reverse repo discontinued.

- With a view to aligning interest rates with international rates, interest rates on Non-Resident (External) Rupee (NRE) deposits raised to US Dollar LIBOR/SWAP rates of corresponding maturities plus 50 basis points.
- Fixation of ceiling on interest rates on FCNR (B) deposits to be shifted from weekly basis to a monthly basis.
- Banks given freedom to reduce the minimum tenor of retail domestic term deposits (under Rs.15 lakh) from 15 days to 7 days.
- To improve credit delivery, restrictive provisions of service area approach for banks dispensed with, except for Government sponsored programmes.
- The limit on advances under priority sector for dealers in agricultural machinery raised from Rs.20 lakh to Rs.30 lakh and for distribution of inputs for allied activities from Rs.25 lakh to Rs.40 lakh.
- Banks advised to make efforts to increase their disbursements to small and marginal farmers to 40 per cent of their direct advances under special agricultural credit plans (SACP) by March 2007.
- The mechanism of SACP extended to private sector banks. Private sector banks urged to formulate SACPs from the year 2005-06, targeting an annual growth of at least 20-25 per cent of credit disbursement to agriculture.
- Composite loan limit for SSI entrepreneurs enhanced from Rs.50 lakh to Rs.1.00 crore.
- Bank loans to housing sector up to Rs.15 lakh irrespective of location to be treated as part of the priority sector lending.
- The minimum maturity period of commercial paper reduced from 15 to 7 days.
- To promote investment activity, authorised dealers of foreign exchange permitted to issue guarantees/letters of comfort up to US\$ 20 million per transaction for a period up to one year for import of all non-capital goods permissible under the foreign trade policy and up to three years for import of capital goods, subject to prudential guidelines.
- 100 per cent Export oriented units and units set up under Electronics Hardware Technology Parks (EHTPs), Software Technology Parks (STPs) and Bio Technology Parks (BTPs) schemes permitted to repatriate the full value of export proceeds within a period of twelve months.
- The limit of outstanding forward contracts booked by importers/exporters increased from 50 per cent to 100 per cent of their eligible limit.
- As a temporary counter-cyclical measure, the risk weight on housing loans to individuals and investments in Mortgage Backed Securities of Housing Finance Corporations (HFCs), supervised by National Housing Bank (NHB) increased from 50 per cent to 75 per cent and on consumer credit from 100 per cent to 125 per cent.
- Change in the norms for classification of doubtful assets of financial institutions (FIs). With effect from March 31, 2005, an asset to be classified as doubtful, if it has remained in the sub-standard category for 12 months. FIs permitted to phase out the consequent additional provisioning over a four year period.
- Asset reconstruction companies (ARCs) required to have owned funds of not less than 15 per cent of the assets acquired or Rs.100 crore, whichever is less for commencement of business.
- Banks advised to advance loans to distressed urban poor to prepay their debt to non-institutional lenders, against appropriate collateral or group securities.
- Investments by banks in securitised assets representing direct lending to the SSI sector to be treated as their direct lending to SSI sector under priority sector, provided the pooled assets represent loans to SSI sector and originated by banks/financial institutions.

Source: Economic Survey, 2004-05

Progress of Banking Industry in Tamil Nadu:

A major goal of Indian banking industry since nationalisation was to transform its business from *"banking for classes"* to *"banking for the masses"*. This is reflected in the massive expansion of bank network to unbanked and under-banked areas, that is, to rural and semi-urban region.

Branch Expansion:

Rapid economic development requires rapid expansion of commercial banks. Rural and semi-urban branch banking taken together is making much headway. The State has a wide network of bank branches. There is a phenomenal increase in the number of bank branches in Tamil Nadu in 2003-04, which stood at 4769 as against 4746 in 2002-03. The total network of bank branches was 4858 in 2004-05.

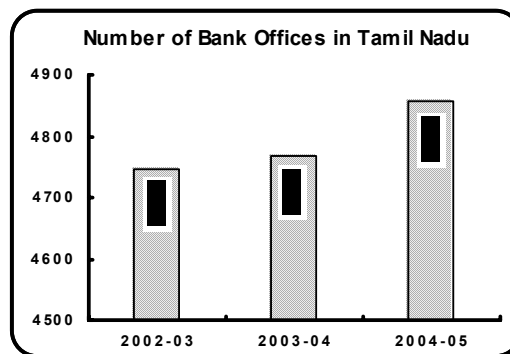


Table -1: Number of Bank Branches

Area	2001-02		2002-03		2003-04		2004-05	
	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India
Rural	1774	32394	1745	32231	1719	32027	1713	31933
Semi Urban	1213	14727	1221	14875	1232	15059	1262	15421
Urban	1761	19234	1780	19586	1818	20011	1883	20934
Total	4748	66355	4746	66692	4769	67097	4858	68288

Source: Quarterly Statistics on Deposits and Credit of Scheduled Banks, RBI, June 2003 - 2005

Deposit Mobilisation:

Increased real per capita income, rising urbanisation, the participation of commercial banks in rural development programmes, extensive branch banking, sustained publicity and development in banking habits among the people have led to increase in bank deposits. The total deposits increased to Rs.98170 crores from Rs.86344 crores in 2003-04 and further to Rs.110029 crores in 2004-05 showing an incremental growth of 12.08 per cent during this period.

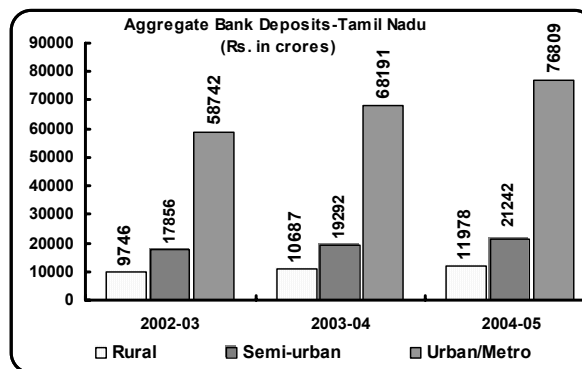


Table - 2 : Bank Deposit

(Rs. in Crores)

Area	2001-02		2002-03		2003-04		2004-05	
	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India
Rural	8764	159001	9746	174710	10687	193265	11978	210399
Semi Urban	16185	217722	17856	241817	19292	265541	21242	296385
Urban	51759	771207	58742	879466	68191	1065740	76809	1251063
Total	76708	1147930	86344	1295993	98170	1524546	110029	1757846

Source: Quarterly Statistics on Deposits and Credit of Scheduled Banks, RBI, June 2003-04.

Deposits per Bank:

Deposits per bank showed a substantial increase during 2003-04. It stood at Rs.20.59 crores in 2003-04 compared to Rs.18.19 crores in 2002-03 which again enhanced to Rs.22.65 crores in 2004-05. In rural and semi-urban areas also per bank deposits have an increasing trend.

Table - 3 : Deposits per Bank (Rs. in crores)

Area	2001-02		2002-03		2003-04		2004-05	
	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India
Rural	4.940	4.908	5.585	5.421	6.217	6.034	6.992	6.589
Semi Urban	13.343	14.784	14.624	16.257	15.659	17.633	16.832	19.220
Urban	29.392	40.096	33.001	44.903	37.509	53.258	40.791	59.762
Total	16.156	17.300	18.193	19.433	20.585	22.722	22.649	25.742

Source: Quarterly Statistics on Deposits and Credit of Scheduled Banks, RBI, June 2003 - 2005.

Credit Disbursement:

Development of social banking, Differential Interest Rates (DIR), priority sector lending, diversification in banking, easy access to credit, low cost credit, credit-mela etc. had enabled credit reach to the public through commercial banks. The quantum of credit disbursed by banks went up from Rs.74587 crores in 2002-03 to Rs.88180 crores in 2003-04, which again increased to Rs.109850 crores in 2004-05. The expansion in credit created by commercial banks in rural and semi urban areas was also noteworthy. Housing credit and credit to priority sectors has emerged as an important driver of credit growth of the banks.

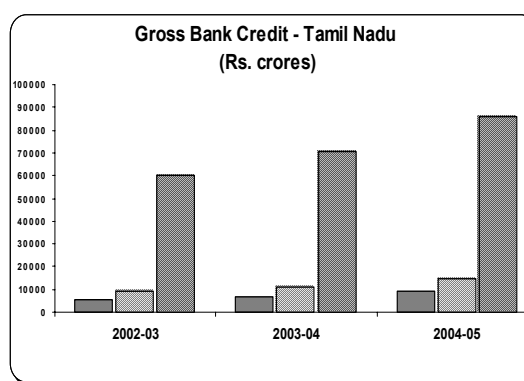


Table - 4 : Bank Credit (Rs. in crores)

Area	2001-02		2002-03		2003-04		2004-05	
	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India
Rural	4654	65419	5536	75102	6736	86199	9280	110920
Semi Urban	7576	71277	8947	83352	10884	100732	14560	132955
Urban	50094	523842	60105	580773	70560	697506	86010	925215
Total	62324	660538	74587	739226	88180	884436	109850	1169090

Source: Quarterly Statistics on Deposits and Credit of Scheduled Banks, RBI, June 2003 - 2005.

5. Credit Per Bank Branch:

The vast and wide reach of bank credit geographically is visualised in credit per bank. Overall, the per capita bank credit had increased from Rs.18.49 crores in 2003-04 to Rs.22.61 crores in 2004-05 in Tamil Nadu.

Table - 5 : Credit Per Bank (Rs. in crores)

Area	2001-02		2002-03		2003-04		2004-05	
	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India
Rural	2.62	2.02	3.17	2.33	3.92	2.69	5.42	3.47
Semi Urban	6.25	4.84	7.33	5.60	8.83	6.69	11.54	8.62
Urban	28.45	27.24	33.77	29.65	38.81	34.86	45.68	44.20
Total	13.13	9.95	15.72	11.08	18.49	13.18	22.61	17.12

Source: Quarterly Statistics on Deposits and Credit of Scheduled Banks, RBI, June 2003 - 2005.

The level of interest is a crucial factor that determines the off-take of credit by the borrowers. '*Interest spread*', the difference between interest charged to borrowers and interest paid to depositors, is an important measure of efficiency of banks. A high interest spread means higher cost of intermediation.

Credit-Deposit Ratio:

The credit - deposit ratio reflects the efficiency with which the banks mobilise resources and redeploy them between priority areas. Tamil Nadu stands first in credit-deposit ratio among major States. The credit deposit ratio was rising from 81.25 per cent in 2001-02 to 99.84 percent in 2004-05. The ratio is very high in urban areas with 119.98 per cent in 2004-05. However, the respective figure for rural and semi-urban areas was 77.48 per cent and 68.54 per cent.

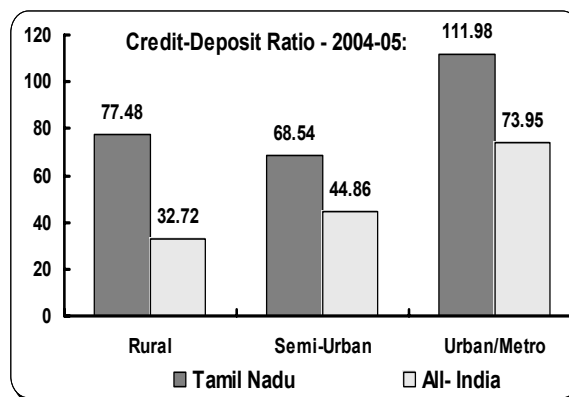


Table - 6 : Credit - Deposit Ratio (%)

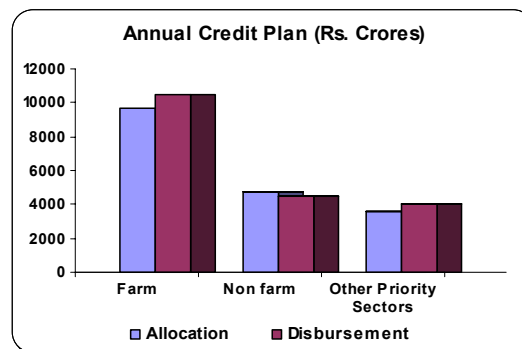
Area	2001-02		2002-03		2003-04		2004-05	
	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India
Rural	53.10	41.14	56.80	42.99	63.03	44.60	77.48	52.72
Semi Urban	46.81	32.74	50.11	34.47	56.42	37.93	68.54	44.86
Urban	96.78	67.92	102.32	66.04	103.47	65.45	111.98	73.95
Total	81.25	57.54	86.38	57.04	89.82	58.01	99.84	66.51

Source: Quarterly Statistics on Deposits and Credit of Scheduled Banks, RBI, June 2003 - 2005

Annual Credit Plan:

The Indian Overseas Bank acts as the Lead Bank of the State which coordinates the activities of cooperative banks, commercial banks and other financial institutions to accelerate economic development. The bank formulates the Annual Credit Plan and firms up the credit requirements of the productive sector.

The Credit Plan for the State for the year 2004-05 envisaged an outlay of Rs.17902.98 crore which was 32.52 per cent higher than the outlay for the year 2003-04. The sector-wise allocation under the State Credit Plan for 2004-05 was 53.75 per cent to agriculture; 26.32 per cent to non-farm and 19.93 per cent to other priority sector out of the total outlay of Rs.17902.98 crores.



The actual flow of credit to farm sectors amounted to Rs.10452.32 crores as against the allocation of Rs.9623.05 crores representing 109 per cent achievement under ACP for the year 2004-05. The sector-wise allocation and disbursement of credit is depicted below.

Table -7: Annual Credit Plan - Fund Allocation and Achievement

(Rs. crores)

Sector	Credit allocation		Credit disbursement		% achievement	
	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05
Farm	6563.22	9623.05	7135.11	10452.32	109	109
Non-farm	4147.03	4711.78	4065.16	4498.81	98	95
Other priority sectors	3006.63	3568.15	3584.87	4049.79	119	113
Total	13716.88	17902.98	14785.14	19000.92	108	106

Source: Lead Bank Department, IOB, Chennai-2.

The sector-wise disbursement of credit was 55.00 per cent, 28.68 per cent and 21.32 per cent respectively. Credit flow to farm sector aggregates to Rs.10452.32 crores as against the plan allocation of Rs.9623.05 crores increase being 109 per cent. Under non-farm sector, the achievement for the whole year was for Rs.4498.81 crores which amounted to 95 per cent of the plan allocation of Rs.4711.78 crores. Under the category of other priority sector advances, the total achievement by banks in Tamil Nadu was at Rs.4049.79 crores as against the plan allocation of Rs.3568.15 crores and the achievement represents 113 per cent of the plan allocation.

Priority Sector Lending:

The Scheduled Commercial Banks have to actualise targets and sub-targets for ensuring timely flow of credit to vital sectors like agriculture and small scale industries and to meet the credit requirements of the weaker sections. Total advances made to the priority sector should constitute 40 per cent of the total net bank credit with respect to domestic banks (public and private). Sub-target in regard to agriculture is 18 per cent of net bank credit. It is fixed at 10 per cent for weaker sections. Regarding SSI, there is no sub-target pitches. The SCBs are satisfying these above norms of credit flow.

Non-performing Assets:

The non-performing assets constitute a source of dead weight loss to the SCBs. This blocks downward movement in lending rate. Because of the pro-active measures taken by the RBI, the quantum of non-performing assets is declining.

Micro Finance:

Easy access of the poor to micro finance services is a key element in addressing the problem of poverty. According to All India Debt and Investment Survey of 1991, nearly 36 per cent of rural households depended on informal sources of finance. To strengthen credit delivery in rural areas, the programme of linking SHGs with banking system was launched. This new approach, the flagship savings-led micro finance innovation has an enduring relationship between the financially deprived and the formal banking system.

There are three models of credit linkage of SHGs with banks, viz. SHGs formed and financed by banks, SHGs formed by formal agencies other than banks but financed by banks, SHGs financed by banks using NGOs and other agencies as financial intermediaries. SHGs formed by formal agencies accounted for predominant share - bank linkage (72%).

The programme of micro finance has been making rapid strides in recent years. By March, 2005, 1.62 lakh SHGs were linked with banks. About 90 per cent of the SHGs were exclusively found by women. Micro finance through SHGs has emerged as a catalyst to meet the credit needs of informal or unorganised rural sector in the recent past. The RBI has

initiated a slew of steps to encourage bank lending to SHGs as part of a mainstream banking activity. Credit extended by commercial banks to SHGs is treated as part of priority sector lending. Banks have also been bestowed considerable flexibility to determine procedures and design loan products for SHG.

The banking system and informal credit agencies have to evolve innovative methods and schemes to cope with the unmet credit needs of both organised farmers and the informal activities of rural people. A proper synergy needs to serve these important constituents of economic development by the existing credit delivery institutions.

NABARD and Micro Credit Programme in India:

The SHG bank linkage programme launched by NABARD has emerged as the largest and most cost-effective micro finance innovations. The principal objective of the SHG Bank linkage programme is 'economic empowerment of rural poor by improving their access to the formal credit system through various credit innovations in a cost-effective and sustainable manner' besides promoting saving habits among the poor. NABARD has set a goal of reaching 100 million of rural poor with savings and credit linkage by the year 2008 through 1 million SHG.

SHG bank linkage programme in Tamil Nadu:

The SHGs in Tamil Nadu have a leading role in the country in terms of number of groups formed and credit linkage with banks. A sum of Rs.1700 crores was given to two lakh SHGs in Tamil Nadu as against Rs.7000 crores extended to 16 lakh SHGs across the country thanks to the commitment of national and private banks in the SHG movement.

Regional Rural Banks:

Three RRBs are working in Tamil Nadu and all the three RRBs together are in operation in 9 districts of the State. The performance of RRBs in Tamil Nadu both in terms of quantitative as well as qualitative improvements has been encouraging. Though these banks had experienced a temporary setback during 1995-97 on account of the application of prudential norms, they have turned around and are progressing well.

Rural Infrastructure Development Fund (RIDF):

The RIDF was set up in NABARD in 1995-96. The main objective of the fund is to assist the State Government for completion of rural infrastructure projects which have been started but lying incomplete for want of resources. The Government of Tamil Nadu started availing of RIDF assistance from 1996-97. There has been an increase in the loan assistance sanctioned to Government of Tamil Nadu over time, the cumulative sanction upto Nov.2004 being Rs.2502.12 crores. Year-wise details of actual sanctions made under RIDF to the State is indicated below:

Table-8:Year-wise Actual Sanctions Under RIDF

YEAR	Cumulative Sanctions
1999-97	248.42
1997-98	209.41
1998-99	178.68
1999-00	245.86
2000-01	253.21
2001-02	353.11
2002-03	387.97
2003-04	547.74
2004-05 (Up30-11-2004)	77.71
Total	2502.12

Source: NABARD, Chennai.

Sector-wise Sanctions:

Initially the Government availed loan assistance under the Fund for irrigation and road sector projects. Diversification to other areas especially power sector, social sector covering augmentation of drinking water sources, health and education (HS and HSS) has also taken place in time with the changing policies and priorities of the State Government

The sector-wise sanction details upto March 31st 2004 (the latest period for which are available) is indicated below:

Table - 9: Sector-wise Sanctions under RIDF

Sector	Cumulative sanction as on 31.3.2004	% share to total sanction
Roads and Bridges	1681.50	69.36
Irrigation	408.68	16.86
Power	157.75	6.51
Schools	145.66	6.01
Health	22.79	0.94
RWH for drinking water	5.63	0.23
Rural Markets	2.32	0.09
Total	2424.31	100.0

Source: NABARD, Chennai.

The share of road and bridge sector constitute 69.63 per cent of the total sanction made under RIDF. The irrigation sector with 16.86 per cent of total sanction occupied the second position.

It is expected that on complete implementation of the projects sanctioned hitherto under RIDF, there would be significant improvements in the socio-economic arena of the state economy. The implementation of irrigation sector projects is expected to bring an additional cultivable command area of 71905 ha under assured irrigation spread over different benefiting villages in the State.

Economic Impact of RIDF Projects:

➤ Road and Bridges

- Total of 4449 roads accounting for a length of 13701.84 kms.
- Total of 746 bridges of 23605 metres length.
- Generation of 97.708 million mandays of non-recurring expenditure.
- Substantial reduction in travel / transport distance to the extent of 3440 km. due to construction / reconstruction of bridges.

➤ Irrigation Infrastructure

- Increase in cultivable command area by 35205 ha. contributing to an increase in GDP by Rs.4058.20 lakh due to increased agricultural production.
- An increase in cropping intensity.
- Generation of 64.805 lakh mandays of non-recurring and 15.873 lakh mandays of recurring expenditure.

➤ Power Sector

- Gainful utilisation of available distribution system.
- Improving voltage profile.
- Minimising interruption in power sector.
- Survey in transmission losses to the extent of 393.145 lakh units.

➤ **Health Sector**

- Improved maternity and child health care services in the rural areas.
- Immunisation of children.
- Prevention and control of communicable diseases.
- Health education of village communities.

➤ **Education Sector**

- Improvement in basic infrastructure facilities with construction of 2337 class rooms, 2454 labs, 573 toilet blocks and drinking water facilities in 346 schools.
- Better quality education.
- Generation of 72.67 lakh mandays of recurring employment to artisans.

➤ **Overall Impact**

- Increase in irrigation input.
- Increase in agricultural production due to improved market access.
- Better price realisation for agricultural production due to improved market access.
- Reduction in wastage during transport due to improved road condition.
- Increase in overall GDP.
- Generation of non-recurring and recurring employment in rural areas.
- Saving in vehicle operating cost.
- Strengthened the monitoring mechanism.
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Small Savings:

Small savings constitute an important resource both for the Centre and State Governments, to fund development projects. Savings are being mopped up from the public by way of floating various financial institutions' saving certificates through various financial intermediaries in order to augment the mobilisation. To increase the volume of savings various incentives are being offered to savers.

The Savings collection in the State have been steadily increasing over the years. Gross collection which was of the order of Rs.5988.18 crores in 2002-03 rose to Rs.8033.88 crores in 2003-04 and further to Rs.11333.84crores in 2004-05. Net Small Savings collection rose by an impressive 62 per cent during 2004-05 to Rs.6431crores from Rs.3969 crores in 2003-04. Chennai district accounted for 28.42 per cent of the total small savings collection followed by Coimbatore (9.20%), Salem (5.3%) and Tirunelveli (5%). The major instruments of small savings are National Savings Certificate, National Small Savings (NSS), Recurring Deposit (RD), Indira Vikas Patrika (IVP), Kissan Vikas Patrika (KVP), Post Office Monthly Saving Scheme (POMSS), Public Provident Fund (PPF) etc.

**Table 10 : Small Savings Collections
(Tamil Nadu State)**

Year	Gross collections	Net collections	Net to Gross Ratio (%)	(Rs. crores)
				% change over previous year (net collections)
2001-02	4323.14	1854.40	42.89	2.00
2002-03	5988.18	2902.99	48.48	56.5
2003-04	8033.88	3968.63	49.40	36.7
2004-05	11333.84	6431.93	56.75	62.1

Source: Director of Small Savings, Chennai-6.