

## 8. BANKING

There has been a steady growth in banking industry in the State since the nationalisation of the major commercial banks. The banking network in Tamil Nadu consists of 4898 bank branches with a deposit mobilization of Rs.134358 crores and credit disbursed to the tune of Rs.146514 crores as on 31.3.2006. Among the major 15 States, Tamil Nadu occupies the first position in credit-deposit ratio and fourth rank in number of bank branches functioning.

### Monetary and Credit Policy:

The Annual Policy Statement of the RBI, 2005-06, as well as its mid-term reviews have laid emphasis on structural and regulatory measures for strengthening the financial system. The Statement also set out the framework for: (1) development of the money market, the foreign exchange market and the Government securities market; (2) enhancing credit flow to agriculture and small industry; (3) institutional reform in co-operative banking, non-banking financial companies and regional rural banks; and (4) ensuring availability of quality services to all sections of the population with emphasis on availability of banking services especially to the depositors. In view of the prevailing macro-economic and overall monetary conditions, reverse repo rate and repo rate were raised in the Mid-Term Review of the Annual Policy Statement released on 25 October 2005. Several measures were also initiated to improve credit delivery mechanism, strengthen the prudential norms and improve the payment and settlement systems. (Monetary & Credit Policy, 2005-06 is given in Annexure).

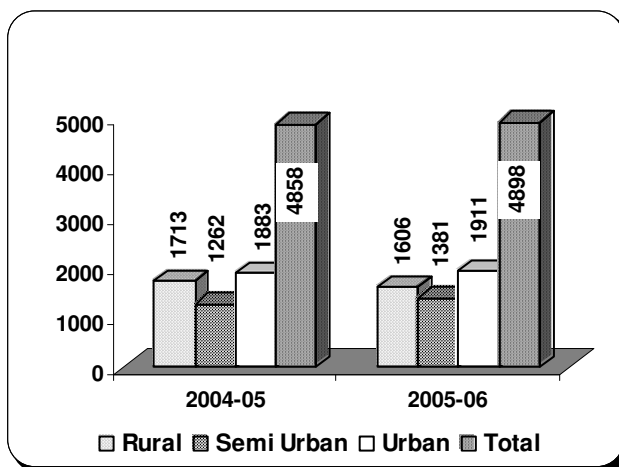
### Banking Infrastructure:

There has been a significant increase in the branch network of the Commercial banks in the State both in terms of number of branches and coverage. The number of branches has gone up from 4858 in 2004-05 to 4898 in 2005-06. The bank offices located in semi urban and urban / metro areas has increased during this period. However, the number has come down in rural areas, both in the State and at all-India level.

**Table-1: Number of Bank Branches**

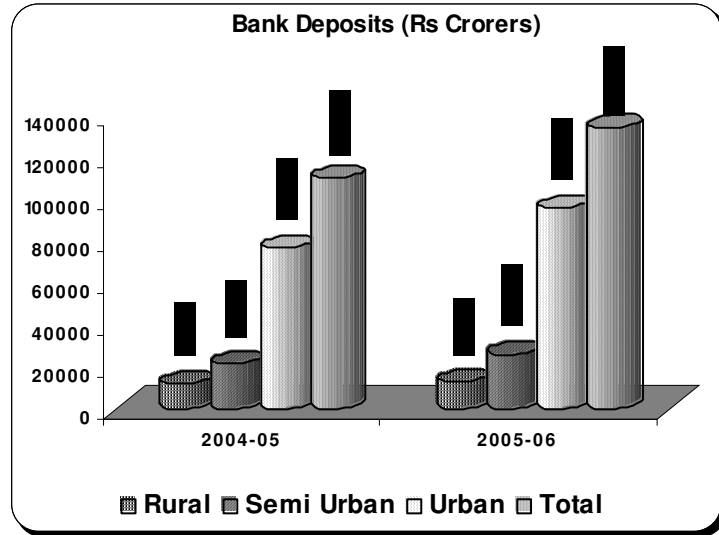
Year	2004-05		2005-06	
	Tamil Nadu	All India	Tamil Nadu	All India
Rural	1713	319333	1606	30590
Semi urban	1262	15421	1381	15362
Urban	1883	20934	1911	23152
<b>Total</b>	<b>4858</b>	<b>68288</b>	<b>4898</b>	<b>69104</b>

*Source: Quarterly Statistics on Deposit and Credit of Scheduled Banks, RBI, June 2004-2006.*



## Deposit Mobilisation:

There has been a substantial rise in the deposits mobilised by the banks which can be attributed to the rapid branch expansion, increase in GSDP, inflationary rise in the quantity of currency, development in saving behaviour of the masses, the deposit mobilisation drive by the SCBs. The aggregate deposits have gone up to Rs.134358 crores in 2005-06 from Rs.110029 crores in 2004-05, registering 22 per cent growth. With a share of 7.1 per cent in total bank branches in the State, Tamil Nadu mobilised 6.2 per cent of the total deposits at the all-India level. The scope for enhancing merits attention given the potential across the State deposits mobilisation.



**Table-2: Bank Deposits**

(Rs. crores)

Year	2004-05		2005-06	
	Tamil Nadu	All India	Tamil Nadu	All India
Rural	11978	210399	12609	227902
Semi urban	21242	296385	25796	307768
Urban	76809	1251063	95953	1636406
<b>Total</b>	<b>110029</b>	<b>1757846</b>	<b>134358</b>	<b>2172076</b>

Source: Quarterly Statistics on Deposit and Credit of Scheduled Banks, RBI, June 2004-2006.

## Deposit Per Bank Branch:

Since the growth of deposits is remarkable, the per bank deposits also marked an impressive rise. It was Rs.27.43 crores in 2005-06 as against Rs.22.65 crores in 2004-05.

**Table-3: Deposit Per Bank**

(Rs. crores)

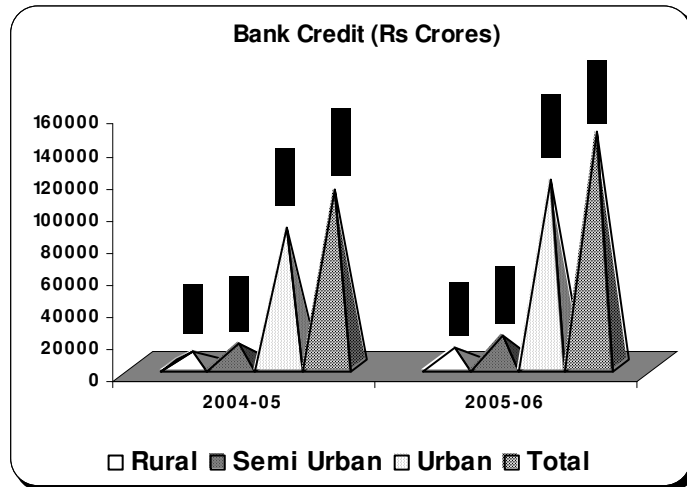
Year	2004-05		2005-06	
	Tamil Nadu	All India	Tamil Nadu	All India
Rural	6.992	6.589	7.85	7.45
Semi urban	16.832	19.220	18.68	20.03
Urban	40.791	59.762	50.21	70.68
<b>Total</b>	<b>22.649</b>	<b>25.742</b>	<b>27.43</b>	<b>31.43</b>

Source: Quarterly Statistics on Deposit and Credit of Scheduled Banks, RBI, June 2004-2006.

## Credit Disbursement:

The flow of credit has improved from Rs.109850 crores in 2004-05 to Rs.146514 crores in 2005-06. The contributory factors for this phenomenal increase in advances made by the banks were changes in credit policy of the banks towards sectoral

deployment of credit, expansion in money supply, massive deposit mobilisation, credit mela, SHG bank linkage programme, etc. In terms of credit disbursement, Tamil Nadu has a 9.4 per cent of the all-India credit dispersal, which reflects the growth of micro-credit revolution in the State.



**Table-4 : Bank Credit:**

(Rs. crores)

Year	2004-05		2005-06	
	Tamil Nadu	All- India	Tamil Nadu	All- India
Rural	9280	110920	10991	129944
Semi urban	14560	132955	19638	154251
Urban	86010	925215	115884	1271741
<b>Total</b>	<b>109850</b>	<b>1169090</b>	<b>146514</b>	<b>1555935</b>

Source: Quarterly Statistics on Deposit and Credit of Scheduled Banks, RBI, June 2004 -2006.

### Flow of Credit Per Bank Branch:

The tremendous increase in bank lending is reflected in per bank credit disbursal. It has increased from Rs.22.61 crores in 2004-05 to Rs.29.92 crores in 2005-06, higher than all- India level.

**Table-5: Credit Per Bank Branch**

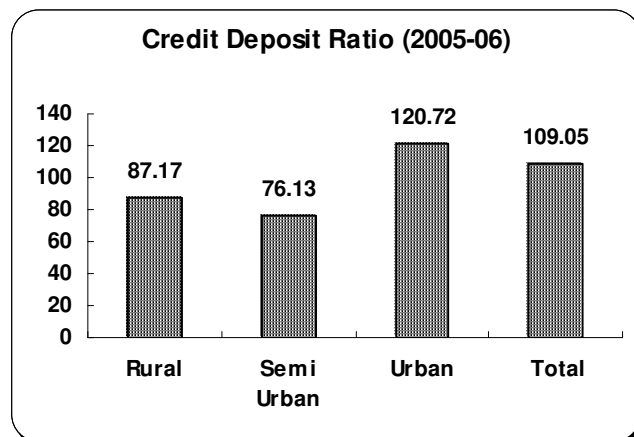
(Rs. crores)

Year	2004-05		2005-06	
	Tamil Nadu	All India	Tamil Nadu	All India
Rural	5.42	3.47	6.84	4.25
Semi urban	11.54	8.62	14.22	10.04
Urban	45.68	44.20	60.64	54.93
<b>Total</b>	<b>22.61</b>	<b>17.12</b>	<b>29.92</b>	<b>22.52</b>

Source: Quarterly Statistics on Deposit and Credit of Scheduled Banks, RBI, June 2004-2006.

### Credit-Deposit Ratio:

The Credit-Deposit Ratio is an useful indicator to measure the performance of banks and the channelisation of credit to various regions and sectors. Among the major States, Tamil Nadu stands first in credit-deposit ratio. The ratio which is well above the all-India level has increased from



99.84 per cent in 2004-05 to 109.05 per cent in 2005-06. The ratio for rural areas stands at 87.17, whereas for urban areas, it was 120.8 per cent which was much higher than for the State as a whole.

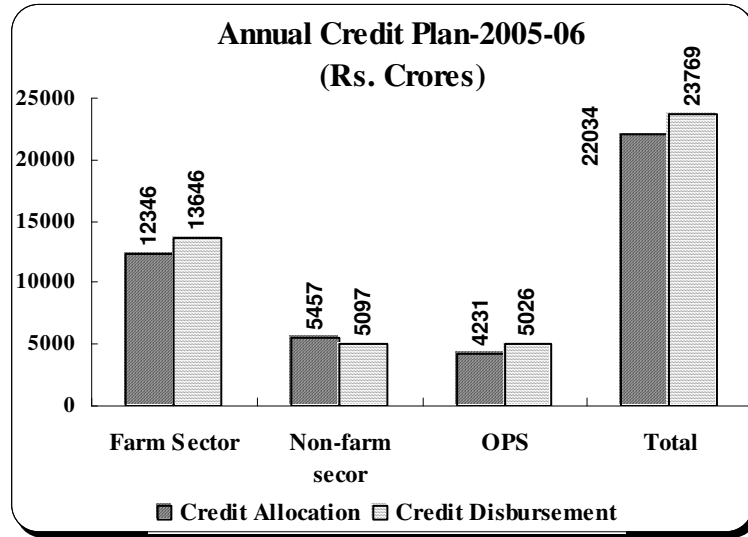
**Table-6: Credit-Deposit Ratio**

Year	2004-05		2005-06	
	Tamil Nadu	All India	Tamil Nadu	All India
Rural	77.48	52.72	87.17	13.14
Semi urban	68.54	44.86	76.13	50.12
Urban	111.98	73.95	120.72	77.72
<b>Total</b>	<b>99.84</b>	<b>66.51</b>	<b>109.05</b>	<b>71.63</b>

Source: Quarterly Statistics on Deposit and Credit of Scheduled Banks, RBI, June 2004-2006.

**Annual Credit Plan – 2005-06:**

In order to prioritize development planning an Annual Credit Plan exercise is carried out. The Annual Credit Plan, 2005-06 of the banks for the State had an allocation of Rs.22033.98 crores with a share of 56 per cent for farm sector, 25 per cent for non-farm sector and 19 per cent for other priority sectors. The overall disbursement of credit by the banks stood at Rs.23768.59 crores, which



was 8 per cent higher than the allocation. Likewise, there has been 111 per cent achievement in the flow of credit to the farm sector and 119 per cent for Other Priority Sectors (OPS) during the period 2005-06. However, for the non-farm sector, the achievement in disbursement was 93 per cent only. This was mainly due to meagre lending to tiny village industries under the non-farm sectors. These areas require much improvement and it is a matter of concern under sectoral allocation and disbursement of credit. Under OPS disbursement, education and housing loans constitute the major chunk of credit.

**Table-7: Annual Credit Plan 2005-06 – Allocation and Achievement**

Sector	(Rs. crores)		
	Credit Allocation April 2005 – March 2006	Credit Disbursement April 2005 to March 2006	% of Achievement
Farm Sector	12345.73	13646.43	111.0
Non-farm sector	5456.83	5096.61	93.0
OPS	4231.42	5025.55	119.0
<b>Total</b>	<b>22033.98</b>	<b>23768.59</b>	<b>108.0</b>

Source: Indian Overseas Bank, Lead Bank Department, Chennai.

## Priority Sector Lending And Performance of Commercial Banks:

The bank advances to the priority sector advances increased considerably and gone up to Rs.53546.24 crores from Rs.38518.65 crores between March 2005 and March 2006. The percentage of priority sector advances to total advances constituted 40.57 per cent during the reference period, achieving the national norms of 40 per cent. However, the share of agricultural advances to total advances which worked out to 13.87 per cent was far below the National norm of 18 per cent. Though the disbursement towards agricultural credit had increased substantially in absolute terms, the share of agricultural credit in total credit has showed only a marginal rise. The flow of credit to agricultural sector relative to requirement may have to be stepped up. In this context it can be mentioned that according to NSSO's Situation Assessment Survey of Farmers in Rural Areas of Tamil Nadu, the incidence of indebtedness among farmer households was at 74.5 per cent, next to Andhra Pradesh(82.0%). Moreover, on an average of every 1000 rupee lent to farmers, Rs.397 had come from "agricultural/professional money lenders" followed by "bank"(Rs.281) and "Co-operative Society" (Rs.233), the loan obtained from other categories were insignificant.

Similarly, the share of advances made to weaker sections at 7.53 per cent has scope for increase as it is imperative to inject more money to the rural areas and to extend more credit facilities to the weaker sections in order to bring them above the poverty line and to improve the living standard of the common masses.

**Table -8: Performance of Commercial Banks Against National Norms**

Particulars	National Norms (%)	Achievement (%)	
		March 2005	March 2006
Priority Sector Advance to Total Advances	40	37.47	40.57
Agricultural Advances to Total Advances	18	12.22	13.87
Weaker Section Advances to Total Advances	10	6.59	7.53

*Source: Lead Bank, Indian Overseas Bank..*

## Co-operative Banking:

Co-operative banks are by far the most important institutions designed to ensure banking access to the rural masses with ease and a vehicle for democratization of the Indian financial system. Co-operative banks mobilise deposits and provide agricultural and rural credit with wider outreach. They also act as an important source of finance for various development schemes particularly subsidy-based programmes for the poor. The co-operative banking system has been under some stress due to failure of the system and governance issues. Hence, several measures were initiated to strengthen the co-operative credit structure in the country. Most importantly, a vision document was prepared to rationalise the existing supervisory structure for Urban Co-operative Banks. Prudential norms applicable to UCBs and rural Co-operatives were strengthened. The recommendations of the Task Force appointed under the Chairmanship of Prof. A. Vaidyanathan to strengthen the rural co-operative credit structure were considered by the Government of India for implementation to ensure that the co-operative banking remains financially sound and viable to discharge their mandated functions.

## Co-operative Credit Structure in Tamil Nadu:

The Co-operative Credit institutions occupy a pride of place in the institutional credit delivery system of the State. In terms of geographical coverage, number of branches, membership coverage, volume of credit disbursed, number of farmers assisted for various agricultural activities, etc., the co-operatives in Tamil Nadu have made considerable strides. The credit co-operatives have served as an important instrument of credit delivery in the State. The separate structure of co-operative sector for long term and short term loans enabled these institutions to develop as specialised institutions for credit delivery at various levels. Moreover, the federal structure of the co-operatives has helped in providing support for the lower tiers. The co-operative credit structure of the State is as follows:

### Short-term Co-operative Credit:

The short-term co-operative credit in Tamil Nadu has a three-tier structure comprising the Tamil Nadu State Apex Co-operative Bank (TNSCB) with 42 branches at the State level, 24 District Central Co-operative Banks (DCCBs) with 722 branches at the district level and 4498 Primary Agricultural Credit Societies (PACs) at the grass root level.

### Tamil Nadu State Apex Co-operative Bank (TNSCB):

The TNSCB, which is the oldest among the co-operative credit institutions in the State started functioning as an urban co-operative bank. In the early 40s, the bank transformed itself into a full-fledged State Co-operative Bank focusing on support to all the Co-operative societies in the State operating in the areas of agriculture and industry. At present the bank has 42 branches. The bank is expending the resources mobilised from various tiers including financial support from NABARD to the DCCBs and PACs. The details of the banking operations of the TNSCB are depicted below:

**Table-9: Status of the Tamil Nadu State Apex Co-operative Bank**

(Rs. crores)

Sl. No.	Parameters	2002-03	2003-04	2004-05	2005-06
1.	Share Capital	35.00	38.00	41.00	53.00
2.	Deposits	2924.00	3120.00	3063.00	3127.00
3.	Borrowings	732.28	818.00	1082.00	1207.00
4.	Loans Issued	3360.00	3713.00	4140.00	3877.00
5.	Loans & Advances outstanding	1926.00	2428.00	2823.00	3041.00
6.	Investments	1950.00	1811.00	1209.00	1105.00
7.	Recovery (June)%	100	97	91	93.80
8.	Net Profit/loss	15.74	19.41	25.38	28.02
10.	NPAs (% to loans outstanding)	0.75	5.60	8.72	9.46
	C.D. Ratio	66.00	78.00	92.00	97.00

Source: TNSCB

The performance of the TNSCB has been satisfactory and it is a profit-making bank. However, in recent years, there has been a marginal decline in its loan recovery

position, which has fallen from 100 per cent in 2002-03 to 94 per cent in 2005-06. Similarly, the Non- Performing Assets (NPAs) as a percentage of loans outstanding has gone up from 0.75 per cent in 2002-03 to 9.5 per cent in 2005-06.

### **District Central Co-operative Banks (DCCBs):**

DCCBs are the second tier in short- term credit structure. The State has 24 District Central Co-operative Banks (DCCBs). The performance of the DCCBs is furnished below.

**Table-10: Performance of the District Central Co-operative Banks**

(Rs. crores)

Sl.No.	Parameters	2002-03	2003-04	2004-05	2005-06
1.	Deposits	7289.00	7100.00	6981.00	7033.00
2.	Borrowings	1498.00	2571.00	2363.00	2643.00
3.	Loans Issued	7357.00	9048.00	9181.00	9919.00
4.	Loans and Advances outstanding	7010.00	7814.00	8124.00	8740.00
5.	Investments	2860.00	2759.00	2802.00	2525.00
6.	Recovery (June) %	63.00	64.00	81.00	70.00
7.	NPAs (% to loans outstanding)	21.00	22.00	N.A.	25.00
8.	No. of DCCBs in profit	11	11	23	10.00
9.	C.D. Ratio	96.00	110.00	116.00	124.00

Source: TNSCB

There has been a marginal growth in the deposit mobilisation and the loans issued by the banks in 2005-06. However, the recovery performance has declined from 81 per cent in 2004-2005 to 70 per cent in 2005-06. Moreover, the investments have gone down from Rs.2802 crores in 2004-05 to Rs.2525 crores in 2005-06.

### **Primary Agricultural Credit Societies (PACs):**

Primary Agricultural Credit Societies (PACs) are the foundation of the Co-operative Credit System on which the super structure of the short- term co-operative credit rests. The PACs has a direct interface with individual farmers, provide short - term and medium - term credit, supply agricultural inputs, distribute consumer articles and arrange for marketing of agricultural produce of its members through co-operative societies. The physical and financial position of the PACs is furnished below:

**Table-11: Physical and Financial Achievements of PACs**

Sl. No.	Parameters	2002-03	2003-04	2004-05	2005-06
1.	No. of Societies	4573	4516	4497	4498
2.	Membership (in lakhs)	N.A.	95.97	94.82	94.82
3.	Loans Issued (Rs. crores)	4247	3433	4447	4366.52
4.	Loans Outstanding (Rs. crores)	5284	5475	5860	6379.14
5.	Loans Overdue (Rs. crores)	1671	1972	1904	1024.32

Source: TNSCB

The total number of PACs as on 2005-06 was 4498. The membership remained at 94.82 lakhs in 2005-06. The loans issued have marginally declined from Rs.4447 crores in 2004-05 to Rs.4366.52 crores in 2005-06. Another point to be noted is that the coverage and regional operations of the PACs is somewhat low with respect to villages and population

The PACs, the vital link in the short-term co-operative credit structure, developed some weakness. Most of them are small in size to be economical and viable and several of them are dormant units. The PACs continue to rely on external support in respect of resources. Some of the critical challenges facing primary level co-operative credit institutions, apart from improving resource mobilisation, are increasing diversification in business portfolio; improving volume of business; arresting the decline in membership; reducing cost of management; correcting imbalances in loans outstanding; improving skills of the staff and imparting professionalisation; strengthening Management Information System (MIS); reducing involvement in non/less profitable business; and improving interest margins.

### **Long Term Co-operative Credit:**

The long term co-operative credit structure in Tamil Nadu is federal in character with the Tamil Nadu Co-operative State Agriculture and Rural Development Bank (TNCSARDB) at the apex level and 181 Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) at the primary level.

### **Tamil Nadu Co-operative State Agriculture and Rural Development Bank (TNCSARDB):**

The TNCSARDB has 18 regional offices. The bank is heavily dependent on external sources of funds due to its negligible deposit mobilisation and negative growth in borrowing. The investments of the bank have declined sharply from Rs.142.67 crores in 2002-03 to Rs.73.43 crores in 2005-06. Moreover, the recovery rate has also come down to 14 per cent in June 2006 with NPAs 93 per cent of the bank's loan assets. Though the bank has been incurring heavy losses over a period of time, during 2005-06 it started to earn profit to the tune of Rs.15.53 crores. The banking status of the TNCSARDB is delineated below:

**Table-12: Performance of the TNCSARDB**

(Rs. crores)

Sl.No.	Parameter	2002-03	2003-04	2004-05	2005-06
1.	Share Capital	41.62	42.16	41.96	N.A.
2.	Deposits	44.09	53.32	54.33	49.65
3.	Borrowing	1198.11	1187.63	1030.27	857.45
4.	Loans & Advances issued	283.27	166.90	12.0	N.A.
5.	Loans & Advances O/S	1265.84	1260.22	1140.00	1012.00
6.	Investments	142.67	147.48	88.00	73.43
7.	Recovery (%)	33.5	28.5	27.5	14.00
8.	Non-Performing Assets	45.5	53.0	81.0	93.00
9.	Net Profit	(-) 41.73	(-) 32.14	(-) 53.0	15.53
10.	Accumulated Loss	45.67	77.8	131.0	115.71

Source: TNSCB

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

The PCARDBs constitute the ground level agencies in the federal Long Term Credit structure in the State. There are 180 PCARDBs in Tamil Nadu established at taluk / block levels. The functioning of PCARDBs, through which the credit has to flow to the ultimate beneficiaries at the bottom level, has not been impressive during the recent past. The underlying causes for the poor performance of the PCARDBs were meagre lending, falling recovery, accumulated losses and so on. The performance of the PCARDBs is highlighted below:

**Table -13: Performance of the PCARDBs**

(Rs. crores)

Sl. No.	Parameter	2002-03	2003-04	2004-05	2005-06
1.	Owned Funds	467.37	533.04	552.0	643.4
2.	Borrowings	1190.59	1276.87	1269.8	1136.7
3.	Loans & Advances issued	223.76	285.81	187.4	N.A.
4.	Loans & Advances O/S	1174.03	1251.11	1230.0	1084.0
5.	Investments	60.53	65.51	67.2	66.1
6.	Recovery (%)	42.8	43.5	36.5	30.8
7.	NPAs (% to loans %)	35.2	39.3	51.50	63.0
8.	Accumulated Loss	347.0	388.0	417.0	511.8

Source: TNSCB

To conclude the co-operative credit institutions are beset with many problems ranging from low resource base, high dependence on refinancing agencies, lack of diversification, huge accumulated losses, persistent NPAs, low recovery levels and various other organisational weaknesses.

## Regional Rural Banks:

Regional Rural Banks (RRBs) are financial institutions for catering to the credit requirements of rural sector forming an integral part of the Indian banking system. RRBs combine the local feel and familiarity with rural problems, which the co-operatives possess, and the degree of business organisation as well as the ability to mobilise deposits, which the commercial banks possess. Recently, the Government of India has stipulated doubling of the flow of credit to agriculture and the Government is utilising the RRBs as a special purpose vehicle for credit delivery in rural areas. Taking into account the importance of RRBs, as purveyors of rural credit, the Union Budget 2004-05 also emphasised the points related to efficient management, training of staff, computerisation and networking of their activities by respective sponsor banks.

## Regional Rural Banks in Tamil Nadu:

In Tamil Nadu, there are three RRBs viz., Adhiyaman Grama Bank (AGB), Vallalar Grama Bank (VGB) and the Pandyan Grama Bank (PGB) with 213 branches spread over in 10 districts. Of the 213 branches, PGB accounts for 165. The performance of RRBs in Tamil Nadu has been encouraging during the year 2005-06 as indicated in the following table.

**Table –14: Key Parameters of performance of RRBs in Tamil Nadu - 2005-06**  
(Rs. crores)

<b>Parameters</b>	<b>Total</b>
Owened Funds	10792
Deposit	100965
Borrowings	27160
Investments	32554
Loan Outstanding	101620
Loan Issued	123153
Profit	1853
Overdue	4533

*Source: TNSCB*

### **Micro Finance:**

Micro Financing is emerging as a powerful instrument of funding for the large majority of the rural population who do not have access to banking channels or are dependent on informal channels of finance. Since 1990s the micro credit programme has made rapid strides in India with the Self-Help Group – Bank - Linkage Programme initiated by NABARD. Despite the increase in the physical outreach of formal credit institutions in the past several decades, the actual performance of these institutions has been lacklustre and the system has been dysfunctional.

The micro credit – SHG – Bank Linkage Programme was formally launched in 1992 as a flag-ship programme by NABARD and aptly supported by the RBI through its policy support. The programme envisages organisation of the rural poor into SHGs for building their capacities to manage their own finances and then negotiate bank credit on commercial terms. The poor are encouraged to voluntarily come together to save small amounts regularly and extend micro loans among themselves. Once the group attains required maturity of handling larger resources and after an assessment of their functioning the actual flow of bank credit follows.

### **SHG-Bank Linkage Programme in Tamil Nadu:**

Tamil Nadu is ranked second in the country, after Andhra Pradesh, in SHG Bank Linkage Programme. Wide network of NGOs, proactive support of banks, support of government agencies, etc., facilitated wide spread expansion of the programme in Tamil Nadu. During 2005-06, 92080 new SHGs were linked to banks and extended bank loan to the tune of Rs.640.41 crores. As on 31<sup>st</sup> March 2006, the cumulative number of SHGs credit linked in the State stood at 312778 and the cumulative bank loans disbursed accounted to Rs.2318.31 crores. Refinance to the tune of Rs.267.02 crores was disbursed to over 48380 SHGs during the year 2005-06, taking the cumulative position to Rs.1187.38 crores for 206714 SHGs.

The Progress in SHG-Bank Linkage Programme in Tamil Nadu over the last three years is depicted in the following table. The Bank SHG linkage have placed vast sections of women at the threshold of empowerment by way of providing avenues for self and wage employment, opening of micro enterprises and above all significant advance in social empowerment.

**Table-15: SHG-Bank Linkage Programme in Tamil Nadu**

(Rs. lakhs)

Year	No. of New SHGs Credit Linked	Amount of bank loan disbursed	Cumulative No. of SHGs Linked	Cum.Amount of bank loan disbursed
2002-03	35701	22284.50	98410	42551.60
2003-04	51851	56590.96	150261	93142.52
2004-05	70437	74647.47	220698	167789.99
2005-06	92080	64040.92	312778	231830.91

*Source: NABARD***Small Savings:****Table -16: Small Savings Collections in Tamil Nadu**

(Rs. crores)

Small savings which formed a major resource for the Government for further investment and to meet borrowing needs, has dipped by 13 per cent in 2005-06

Year	Gross Collections	Net Collections	Net to Gross Ratio (%)	% change over Previous Year (Net Collections)
2004-05	11333.84	6431.93	56.75	62.06
2005-06	12455.75	5594.13	44.91	-13.02

*Source: Director of Small Savings, Chennai - 6.*

over that of 2004-05 in the State. A combination of factors such as booming stock market, rising interest rates and extension of tax incentives to bank deposits have reduced the small savings. Small savings have traditionally been a major source of savings. The dip in small savings collection can in part be attributed to the revision of interest rates, the availability of alternative avenues of savings such as equities and mutual funds and above all, the changes in taxation policies of the union government.

**Rural Infrastructure Development Fund (RIDF):****Table-17: Year-wise Sanctions under RIDF**

(Rs. crores)

The Government of India has set up the Rural Infrastructure Development Fund (RIDF) in 1995-96 within the NABARD for financing the ongoing rural infrastructure projects being implemented by the State Governments. Initially, the Government of Tamil Nadu has been availing this assistance for irrigation and road sector projects. With need for augmentation of infrastructure in other areas / sectors, more and more projects covering diversified areas like power, drinking water, health and education have started availing assistance under RIDF.

Year	Sanction
1996-97	248.42
1997-98	209.41
1998-99	178.68
1999-00	245.86
2000-01	253.04
2001-02	353.11
2002-03	387.97
2003-04	547.73
2004-05	657.72
2005-06	400.18
<b>Total</b>	<b>3482.12</b>

*Note: As on 30-11-2005. Source: NABARD*

Hence, there is a steady growth in the disbursements as well as on sanctions under RIDF over the years to the State. The loan assistance sanctioned to the State reached a cumulative level of Rs.3482.12 crores as on 30<sup>th</sup> November 2005. The year-wise details of sanctions under RIDF are furnished in the table - 17.

The sector-wise sanctions shows that roads and bridges accounted for major share of 61.2 per cent of the total sanctions made under RIDF followed by irrigation sector (18.3%).

### **Outcomes of RIDF Projects in Tamil Nadu:**

The socio-economic benefits flowed to the State economy through the assistance under RIDF is manifold as indicated below:

**a. Roads and Bridges:**

- Improvements to a total of 5200 roads having a total length of 18478 km.
- Total of 717 bridges having a length of 28030 mts.

**b. Irrigation:**

- Increase in cultivable command area by 1,21,086 ha. contributing to increase in GDP;
- Increase in cropping intensity in the benefiting command.

**c. Power Sector:**

- Gainful utilisation of available distribution system by minimizing technical line loss with the implementation of 96 project works for system improvement;
- Improving voltage profile and minimising interruption in power supply; and
- Saving in transmission losses.

**d. Health Sector:**

- Improved maternity and child health care services in the rural areas through construction of 287 HSCs and expansion of 17 PHCs;
- Timely immunization of rural children;
- Prevention and control of communicable diseases; and
- Health and family welfare education for village communities.

**e. Education Sector:**

- Improvement in basic infrastructure facilities in 1154 schools with construction of 5085 class rooms, 999 laboratories, 2168 toilet blocks and provision of 976 drinking water facilities; and
- Better quality education under hygienic environment conditions.
- Banking infrastructure has a catalytic impact on development and its spread in a regulatory environment is somewhat slow. Innovative and I.T. led applications in the banking sphere like use of ATMs have become vehicles for taking banking to new locations. Greater use of banks for transfer of benefits like loans by using ATMs is becoming increasingly viable like in the case of KCC beneficiaries. Greater use of banking infrastructure for release of subsidies is being thought off.

## Annexure

### Monetary & Credit Policy Statement of the RBI 2005-06

#### **A: Annual Policy Statement for the Year 2005-06**

- Bank rate kept unchanged at 6.0 per cent.
- Fixed Repo Rate under LAF kept unchanged at 6.0 per cent.
- Reverse Repo Rate increased by 25 basis points to 5.00 per cent, from 4.75 per cent.
- Cash Reserve Ratio (CRR) kept unchanged at the present level of 5.00 per cent.
- With effect from the fortnight beginning June 11, 2005, non-bank participants, except PDs, would be allowed to lend, on average in a reporting fortnight, up to 10 per cent of their average daily lending in call/notice money market during 2000-01.
- With effect from August 6, 2005, non-bank participants, except PDs, would be completely phased out from the call/notice money market.
- With effect from the fortnight beginning April 30, 2005, the benchmark for fixing prudential limits on exposures to call/notice money market in the case of scheduled commercial banks would be linked to their capital funds (sum of Tier I and Tier II capital).
- From April 30, 2005, all NDS members are required to report their term money deals on NDS platform.
- The minimum maturity period of certificates of deposit (CDs) reduced from 15 days to 7 days with immediate effect.
- In order to facilitate further deepening of the government securities market, it is proposed to permit sale of government securities allotted in primary issues with and between Constituent's Subsidiary General Ledger CSGL account holders also on the same day.
- It is proposed to raise the ceiling of overseas investment by Indian entities in overseas joint ventures and/or wholly owned subsidiaries from 100 per cent to 200 per cent of their net worth under the automatic route.
- It is proposed to accord general permission to Authorised Dealers (ADs) to open foreign currency accounts of the project offices set up in India by foreign companies and operate the accounts flexibly.
- A Working Group was constituted by RBI to evolve guidelines for voluntary merger of banking companies.

#### **B: Mid-term Review of Annual Policy Statement for the year 2005-06**

- Bank Rate kept unchanged at 6.0 per cent.
- Reverse Repo Rate increased by 25 basis points to 5.25 per cent, effective October 26, 2005. The spread between reverse repo rate and the repo rate under LAF maintained at 100 basis points.
- The cash reserve ratio (CRR) kept unchanged at 5.0 per cent.

- Screen-based negotiated quote-driven system for call/notice and term money markets and electronic trading platform for market repo operations in government securities are being developed by Clearing Corporation of India Ltd. (CCIL).
- Banks advised to fix their own targets for financing the SME sector.
- A debt restructuring mechanism for units in the SME sector, in line with the corporate debt restructuring (CDR) mechanism prevailing in the banking sector, has been formulated by the Reserve Bank.
- The Micro Finance Development Fund (MFDF) set up in the NABARD re-designated as the Micro-finance Development and Equity Fund (MFDEF) and its corpus increased from Rs.100 crore to Rs.200 crore.
- Bank's aggregate capital market exposure restricted to 40 per cent of the net worth of the bank on a solo and consolidated basis; consolidated direct capital market exposure modified to 20 per cent of the bank's consolidated net worth.
- By end-March 2006, 15,000 branches are proposed to be covered by Real Time Gross Settlement System (RTGS) connectivity.
- The National Electronic Funds Transfer (NEFT) system would be implemented in phases for all networked branches of banks all over the country.
- The IBA advised its member banks to announce a benchmark prime lending rate (BPLR), with the approval of their boards.
- An Internal Working Group (Chairman: Shri C.S. Murthy) was set up by the Reserve Bank to review the existing policy on priority sector lending including the segments constituting the priority sector, targets and sub-targets and recommend changes as necessary.
- The Micro Finance Development Fund (MFDF), redesignated as the Micro Finance Development and Equity Fund (MFDEF), increased its corpus from Rs.100 crore to Rs.200 crore.
- In line with international standards, banks were advised to adopt the Standardised Approach for credit risk with effect from March 31, 2007. Banks are required to migrate to the New Capital Adequacy Framework with effect from March 31, 2007.

*Source: Economy Survey 2005-06.*