

Finance is the main spring of the economy and a key to ensuring sustained and inclusive economic growth. Financial services in terms of savings, deposits, payment services and credits are critical for faster economic growth. The banks located in Tamil Nadu are to be capable of mopping up the disposable income at the command of the people and channeling them into productive purpose. Banks in Tamil Nadu at present are taking care of the public utility services. Tamil Nadu ranks 7<sup>th</sup> in the country in the financial inclusion index. The ultimate goal of the Government is to make the State the numero uno in the Country in terms of financial inclusion. Towards achieving this, the State has entrusted the responsibilities of distribution of social security pensions, wages under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), scholarship to the students, salary payment to the staff and collection of taxes on behalf of the Government. Thus, the banks are assigned huge business opportunities by the State. Apart from that, by launching the Integrated Financial and Human Resource Management System in 2012-13 all transactions of the Government through banks are fully automated. Under Tamil Nadu Urban Livelihood Mission, the State has taken efforts for poverty reduction in urban areas through socio economic transformation as has been done by organizing Self Help Groups in rural areas with the cooperation of the banks. For making the Second Green Revolution a success in Tamil Nadu and to achieve 14 percent growth in manufacturing sector as visualized by New Industrial Policy, the banks are urged to work in tandem with the Government. In Vision 2023, the State has projected an outlay of Rs.15 lakh crore rupees for Infrastructure development, for which the banks in the State assured support for funding investment.

During 2012-13 with a moderation in inflation, the Reserve Bank of India reduced the policy rates and took other measures for ensuring comfortable liquidity in the system. There was a reduction of 75 basis points (bps) in the repo rate in two stages (50 bps in April 2012 and 25 bps in January 2013). Further, there was a reduction of 100 bps in Statutory Liquidity Ratios (SLR). There was a reduction of 75 bps in Cash Reserve Ratio (CRR) in three stages (25 bps on September 2012, 25 bps 3<sup>rd</sup> November 2012 and 25 bps February 2013). During the year 2013-14, the Reserve Bank of India surprised the markets by raising interest rates to ward off raising inflation while some emergency measures were put in place to support the sliding rupee against US dollar.

Following are highlights from the monetary policy statement:

- Lowers marginal standing facility rate by bps to 9.50 percent.
- Raises repo rate by 25 bps to 7.50 percent.
- Reverse repo rises to 6.50 percent.
- Cash reserve ratio (CRR) unchanged 4.0 percent.

Taking advantage of these policy measures the Reserve Bank of India continued to re-emphasize credit quality, perfect financial intermediation and orderly condition in financial markets for securing macro economic and financial stability while simultaneously perusing greater credit penetration and financial inclusion.

## 9.1. Banking network in Tamil Nadu:

In the above backdrop, banks need to be branched out to every nook and corner of the State. There was a steady increase in the number of bank branches in the State. The number of bank branches functioning in the State went up from 7253 in 2011-12 to 7830 in 2012-13 (8%) and further to 7966 in 2013-14 (up to June 2013).

Region	2011-12		2012-13		2013-14 (Upto June 2013)	
	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India
Rural	1993	35364	2173	38451	2230	39154
Semi urban	2517	25076	2629	27822	2681	28343
Urban / Metropolitan	2743	35619	3028	38374	3055	38892
<b>Total</b>	<b>7253</b>	<b>96059</b>	<b>7830</b>	<b>104647</b>	<b>7966</b>	<b>106389</b>

*Source: Quarterly Statistics on Deposit and Credit of Scheduled Commercial Bank, RBI, March 2012 and June 2013.*

In the case of All India it was from 0.96 lakhs in 2011-12 to 1.05 lakhs in 2012-13 (9%) and subsequently to 1.06 lakhs in 2013-14.

Of the total bank branches in the State, nationalized banks, alone accounted for a larger share of 55 percent, followed by Scheduled Commercial Banks (26%), State Bank of India and its associates (14%), Regional Rural Banks (4%) and the remaining being foreign banks. Tamil Nadu housed 7.5 percent of the total number of banks in the country as of June 2013. Region-wise distribution of banks in 2013-14 in Tamil Nadu shows that urban/metropolitan regions accounted for a higher share of

Bank Group	2011-12	2012-13	2013-14 (Upto June 2013)
State Bank of India and its associates	1033	1119	1141
Nationalized banks	4080	4309	4351
Regional Rural banks	336	346	346
Foreign banks	31	32	32
Other Scheduled commercial banks	1773	2024	2096
<b>Total</b>	<b>7253</b>	<b>7830</b>	<b>7966</b>

*Source: Quarterly Statistics on Deposit and Credit of Scheduled Commercial Bank, RBI, March 2012 and June 2013*

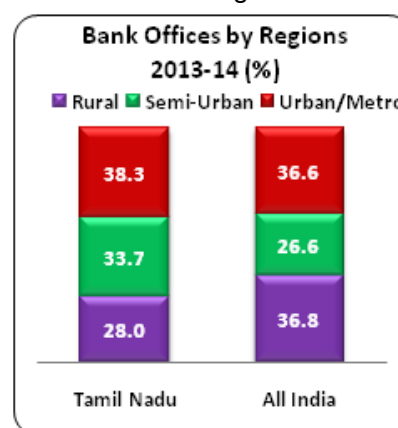
38.3 percent, whereas at all India the rural regions had the higher share of 36.8 percent. The proportion of banks in rural areas to total in Tamil Nadu had witnessed a steady upward movement from 27.5 percent in 2011-12 to 27.8 percent in 2012-13 and 28.0 percent in 2013-14 which was considered to be a positive development.

## 9.2. Population Served per Bank:

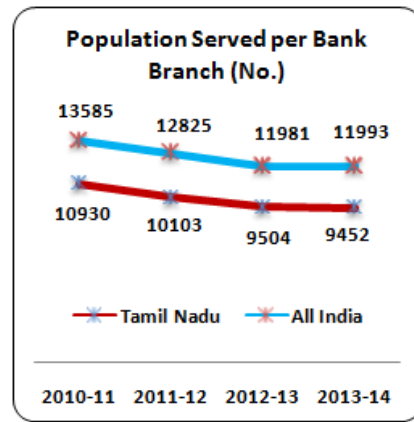
Population served per bank branch is one of the parameters with which the penetration of banking activities in the State is measured. The population served per bank in the State declined steadily. It was 9452 per bank branch in 2013-14 as against 10930 in 2010-11.

Year	Tamil Nadu			All India		
	No of Branches	Population (millions)	Population per Bank Office	No of Branches	Population (millions)	Population per Bank Office
2010-11	6601	72.15	10930	89110	1210.57	13585
2011-12	7253	73.28	10103	96059	1231.99	12825
2012-13	7830	74.42	9504	104647	1253.80	11981
2013-14 (Upto June 2013)	7996	75.58	9452	106389	1275.99	11993

*Source: Quarterly Statistics on Deposit and Credit of Scheduled Commercial Bank, RBI, March 2012 and June 2013.*



This trend shows that the pace of increases in the opening of number of bank branches was higher than that of the growth in population. At the all India, the population served per bank was by and large stagnant at around 11990 in the last two years ending 2013-14. It shows that there was more intensive banking activities in Tamil Nadu as compared to all India. It was also indicative of the fact that financial inclusion and the access of banking activities was more pronounced in Tamil Nadu as compared to all India.



### 9.3. Bank Deposits:

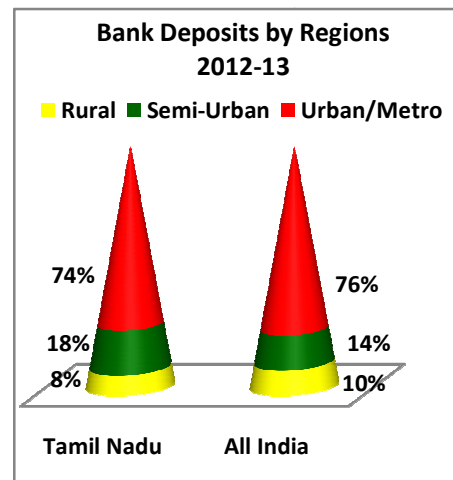
The aggregate bank deposit is one of the indices that mirror the effectiveness with which the savings available with the public are mopped up by the financial intermediaries. The total mobilization of deposits by the banks in the State improved from Rs. 401183 crore in 2011-12 to Rs. 446576 crore in 2012-13, registering a growth of 11.3 percent. In 2013-14, it stood at Rs. 447006 crore. The pace of increase in deposit mobilization at all

India was marginally higher at 14.2 percent as compared to Tamil Nadu between these two years 2011-12 and 2012-13. In Tamil Nadu the pace of increase in deposit mobilization by banks from urban/metropolitan areas (13.5%) outweighed the other two regions viz., rural (7.2%) and semi-urban (4.8%). This mainly

Region	2011-12		2012-13		2013-14 (Upto June 2013)	
	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India
Rural	34081	578211	36550	674843	36266	678574
Semi urban	77326	848446	81047	986357	80842	992258
Urban/Metro-politan	289776	4747490	328979	5390131	329898	5389350
<b>Total</b>	<b>401183</b>	<b>6174147</b>	<b>446576</b>	<b>7051331</b>	<b>447006</b>	<b>7060182</b>

*Source: Quarterly Statistics on Deposit and Credit of Scheduled Commercial Bank, RBI, March 2012 and June 2013.*

contributed to the overall increase in bank deposits in the State. Contrastingly, at all India the increase in deposit mobilization was mainly determined by the higher growth in deposit mobilization from rural and semi-urban areas. As a result, the total bank deposit at all India went up from Rs. 6174147 crore in 2011-12 to Rs. 7051331 crore in 2012-13 (14.2%) and to Rs. 7060182 crore in 2013-14 (up to June 2013). The increase in bank deposit is the culmination of expansion of bank branches, increase in GSDP, increase in real percapita income, peoples' high propensity to save, growth in saving deposits and speedy circulation of money. Of the total bank deposits, the relative contribution of urban/metropolitan region was the highest. It stood at around 75 percent in both the situations. Tamil Nadu accounted for 6.3 per cent of the aggregate bank deposits at all India level.



### 9.3.1 Deposit per Bank:

Deposit per bank is one of the parameters which can be used to measure the efficiency of the banks in absorbing of the disposable income from the public. The deposit per bank in the State witnessed a steady growth from Rs. 55.31 crore in 2011-12 to Rs. 57.03 crore in 2012-13 (3.1%). It was Rs. 56.11 crore during 2013-14 (upto June 2013). Between the two years 2011-12 and 2012-13, the pace of growth in per bank deposit was higher at 2.85 percent in urban/metropolitan regions in the State. In the rural areas, it

Region	2011-12		2012-13		2013-14 (Upto June 2013)	
	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India
Rural	17.10	16.35	16.82	17.55	16.26	17.33
Semi urban	30.72	33.83	30.83	35.45	30.15	35.01
Urban / Metropolitan	105.64	133.29	108.65	140.46	107.99	138.57
<b>Total</b>	<b>55.31</b>	<b>64.27</b>	<b>57.03</b>	<b>67.38</b>	<b>56.11</b>	<b>66.36</b>

*Source: Quarterly Statistics on Deposit and Credit of Scheduled Commercial Bank, RBI, March 2012 and June 2013.*

witnessed a negative growth of 1.6 percent. At the all India, the tempo of growth in per bank deposit in rural region surpassed the other two regions. The rate of increase in per bank deposit at the all India in all three regions was also higher than that of Tamil Nadu. The size of per bank deposit was also higher in the entire three regions as against the corresponding positions in Tamil Nadu.

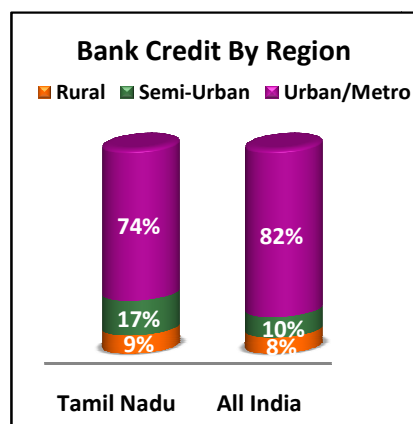
### 9.4. Bank Credit:

Bank as a financial intermediary collects deposits from savers and lends to investors and others. The total bank credit is one indicator which can be used to measure to what extent the banking sector had extended credit to the productive and needy sectors of the economy. The total credit disbursed by the banks in the State improved from Rs. 466031 crore in 2011-12 to Rs. 549245 crore in 2012-13 registering a growth of 17.9 percent. In 2013-14 (up to June 2013) it stood at Rs. 541048 crore. Among

Region	2011-12		2012-13		2013-14 (Upto June 2013)	
	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India
Rural	38591	418227	49810	456188	51416	462663
Semi urban	73116	456930	91795	554201	93349	552446
Urban/ Metro-politan	354324	3946370	407640	4496107	396283	4387740
<b>Total</b>	<b>466031</b>	<b>4821527</b>	<b>549245</b>	<b>5506496</b>	<b>541048</b>	<b>5402849</b>

*Source: Quarterly Statistics on Deposit and Credit of Scheduled Commercial Bank, RBI March 2012 and June 2013.*

the regions, the pace of increase in credit disbursement by banks in 2012-13 was higher at 29.0 percent in rural and 25.5 percent in semi-urban as compared to that of metropolitan/urban at 10.3 percent in Tamil Nadu. Of the total credit disbursed in the State during the year 2012-13, the relative share of metropolitan/urban region was significantly higher and overtook the other two regions. At all India level, the pace of increase in total credit at 14.2 percent between the two years 2011-12 and 2012-13 was lower than that of Tamil Nadu (17.9%). Between 2011-12 and 2012-13 the rate of growth in credit at the all India was lower as compared to Tamil Nadu in semi-urban (21.3%), metropolitan / urban (13.9%) and rural (9%). Of the total credit disbursed by banks at the all India, the share of Tamil Nadu worked out 10.0 percent.



metropolitan/urban at 10.3 percent in Tamil Nadu. Of the total credit disbursed in the State during the year 2012-13, the relative share of metropolitan/urban region was significantly higher and overtook the other two regions. At all India level, the pace of increase in total credit at 14.2 percent between the two years 2011-12 and 2012-13 was lower than that of Tamil Nadu (17.9%). Between 2011-12 and 2012-13 the rate of growth in credit at the all India was lower as compared to Tamil Nadu in semi-urban (21.3%), metropolitan / urban (13.9%) and rural (9%). Of the total credit disbursed by banks at the all India, the share of Tamil Nadu worked out 10.0 percent.

### 9.4.1 Credit per Bank:

One notable feature is that the credit disbursement per bank in Tamil Nadu was higher by 33 percent as compared to that of all India. Among the regions it varied from 15 percent in metropolitan/urban region and 93 percent in rural region. This was possible because of the good performance of the commodity-producing as well as service sectors. On an average the credit disbursement per bank branch in the State increased from Rs.64.25 crore in 2011-12 to Rs.70.15 crore in 2012-13, witnessing a growth of 9.2 percent. In 2013-14 it was Rs. 67.92 crore. At the all India it improved from Rs. 50.19 crore in 2010-11 to Rs. 52.62 crore in 2012-13 (4.8%).

Region	2011-12		2012-13		2013-14 (Upto June 2013)	
	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India
Rural	19.36	11.83	22.92	11.86	23.06	11.82
Semi urban	29.05	18.22	34.92	19.92	34.82	19.49
Urban / Metropolitan	129.17	110.79	134.62	117.17	129.72	112.82
Total	64.25	50.19	70.15	52.62	67.92	50.78

*Source: Quarterly Statistics on Deposit and Credit of Scheduled Commercial Bank, RBI, March 2012 and June 2013.*

### 9.5. Credit-Deposit Ratio (CDR):

Credit Deposit Ratio (CDR) displays the level of efficiency with which the banks mop up resources from the public and then lend it to the needy borrowers of funds for financing productive economic activities. Tamil Nadu's credit-deposit ratio was higher than that of all India. It is noticed in all the three regions viz., rural, semi-urban and urban/ metropolitan. The credit-deposit ratio in Tamil Nadu improved from 116.2 percent in 2011-12 to 123.0 percent in 2012-13. Contrary to this trend, the credit deposit ratio at all India was stagnant in both these years. Between the two years 2011-12 and 2012-13, the credit deposit ratio in

Region	2011-12		2012-13		2013-14 (Upto June 2013)	
	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India
Rural	113.2	72.3	136.3	67.6	141.8	68.2
Semi urban	94.6	53.9	113.3	56.2	115.5	55.7
Urban / Metropolitan	122.3	83.1	123.9	83.4	120.1	81.4
Total	116.2	78.1	123.0	78.1	121.0	76.5

*Source: Quarterly Statistics on Deposit and Credit of Scheduled Commercial Bank, RBI March 2012 and June 2013.*

Tamil Nadu improved significantly at a faster rate in rural and semi-urban areas as against urban/metropolitan region. Contrary to this trend, at all India in rural area it was on the decline from 72.3 percent to 67.6 percent. The pace of increase in the credit deposit ratio in

the other two regions at all India was much lower than that of Tamil Nadu. Among the regions in Tamil Nadu, the credit deposit ratio was higher in rural areas at 136.3 percent as compared to urban/ metropolitan (123.9%) and semi-urban areas (113.3%) in 2012-13. At all India among the regions the ratio was highest in urban/metropolitan (83.4%) as compared to the other regions.

#### 9.5.1 Credit Deposit Ratio – Major States:

A comparison of Credit Deposit Ratio among the major States reveals that Tamil Nadu with Credit-Deposit Ratio of 123 percent stood first in 2012-13. Mechanization of agriculture, mushroom growth of technical educational institutions and consequent to which increase in educational loans, State's policy towards the promotion of industrial development and its

resultant growth in trade and commerce were the major reasons behind it. Apart from that, in only four States viz., Andhra Pradesh, Maharashtra, Punjab and Rajasthan the credit deposit ratio was higher than that of all India. In the remaining States, it was lower than that of all India. It throws lights to the fact that backward States find it difficult to mobilize adequate resources on one hand and on the other hand to lend the same to the needy.

<b>Table No. 9.9 Credit Deposits Ratio (CDR) – By Major States</b>						
<b>State</b>	<b>2011-12</b>			<b>2012-13</b>		
	<b>Credit (Rs. Crore)</b>	<b>Deposits (Rs. Crore)</b>	<b>CDR (%)</b>	<b>Credit (Rs. Crore)</b>	<b>Deposits (Rs. Crore)</b>	<b>CDR (%)</b>
Andhra Pradesh	382699	346800	110	438107	398497	110
Assam	25172	67454	37	28576	77729	37
Bihar	41151	141308	29	49736	165209	30
Gujarat	213448	306113	70	260642	361054	72
Haryana	149789	146703	102	129274	169912	76
Karnataka	291236	411724	71	331540	464639	71
Kerala	151526	200573	76	171713	234218	73
Madhya Pradesh	96572	168953	57	115776	200820	58
Maharashtra	1387828	1593694	87	1576489	1785043	88
Odisha	58846	125420	47	66326	143977	46
Punjab	142352	174433	82	162550	200680	81
Rajasthan	136997	151984	90	163268	177139	92
Uttar Pradesh	191447	434732	44	224708	515015	44
West Bengal	237700	378079	63	269935	438345	62
Tamil Nadu	466031	401183	116	549246	446576	123
All India	4821527	6174147	78	5506496	7051331	78

**Source: Banking Statistics, Quarterly Handout, RBI, March 2012 and 2013**

### **9.5.2 District-wise Credit – Deposit Ratio:**

The following are the major findings that emerged from the analysis of the district wise credit-deposit ratio in the State.

- Across the State, the Credit Deposit Ratio was the highest in Theni (221%) and the lowest in Kancheepuram (57%).
- In as many as 18 districts viz., Theni (221%), Thiruvarur (208%), Ariyalur, (206%), Dharmapuri (190%), Villuppuram (164%), Perambalur (162%), Virudhunagar (160%), Namakkal (155%), Kanniyakumari (145%), Pudukkottai (144%), Dindigul (143%), Salem (143%), Coimbatore (141%), Erode (138%), Ramanadhapuram (133%), Thoothukudi (130%), Krishnagiri (131%) and Chennai (129%), the average credit deposit ratio per bank was higher than that of State average.
- Between 2011-12 and 2012-13 the average credit deposit ratio in the State improved by 6.8 percentage points. Across the State the increase was highest in Ariyalur (37 percentage points) and lowest in Coimbatore (1 percentage point).
- The Credit Deposit Ratio was static at The Nilgiris (66%) in both the years.

Districts	2011-12	2012-13	Districts	2011-12	2012-13
Ariyalur	169	206	Ramanathapuram	111	133
Chennai	125	129	Salem	130	143
Coimbatore	140	141	Sivagangai	91	104
Cuddalore	89	102	Thanjavur	93	109
Dharmapuri	161	190	Theni	186	221
Dindigul	128	143	Trichy	59	69
Erode	127	138	Tiruppur	75	94
Kancheepuram	52	57	Thiruvannamalai	87	98
Kanniyakumari	122	145	Thiruvallur	84	97
Karur	61	63	Thiruvarur	196	208
Krishnagiri	129	131	Thoothukudi	110	130
Madurai	106	114	Tirunelveli	88	87
Nagapattinam	77	92	Vellore	97	106
Namakkal	128	155	Villupuram	140	164
Nilgiris	66	66	Virudhunagar	155	160
Perambalur	139	162	<b>Tamil Nadu</b>	<b>116.2</b>	<b>123.0</b>
Pudukkottai	119	144			

**Source: Banking Statistics, Quarterly Handout, RBI, March 2012 and 2013**

### 9.6. Annual Credit Plan:

The Indian Overseas Bank (IOB) is the nodal agency that prepares the Annual Credit Plan for the core sectors viz. Agriculture, Industries and Services for Tamil Nadu every year. This Annual Credit Plan helps the lending banks to chalk out deployment of funds for core sectors well in advance. According to the Annual Credit Plan (ACP), the total funds allotted in the State increased from Rs. 69553 crore in 2011-12 to Rs. 96661 crore in 2012-13 witnessing a growth of 39.0 percent.

During the current year 2013-14 it was proposed to allocate Rs. 115076 crore. Of the total fund allotted under Annual Credit Plan, priority sector alone accounted for as high as 90 percent, the remaining being non-priority sectors. Total fund disbursed to the priority sectors in the State witnessed an increase from Rs. 61068 crore in 2011-12 to Rs. 86907 crore in 2012-13 registering a growth of 42.3 percent. In both the years the fund disbursed overshot the allocation. During 2013-14, it is programmed to allocate Rs. 102996 crore to priority sectors. Of the total fund disbursed under priority sector in 2012-13, the farm sector claimed a larger share of 67 percent followed by other priority sector (18%) and non-farm sector (15%). Except under non-farm sector, the fund disbursed for farm sector and other priority sector exceeded the respective targets.

Sector	2011-12		2012-13		2013-14
	Allocation	Achievement	Allocation	Achievement	Allocation
<b>Priority Sector</b>					
Farm	31017.10	37365.58	52325.53	58259.02	65647.23
Non-farm	12582.45	11096.46	14293.54	12639.87	17644.15
Other priority	13022.06	12606.03	15894.70	16008.45	19704.90
<b>Total</b>	<b>56621.61</b>	<b>61068.07</b>	<b>82513.77</b>	<b>86907.34</b>	<b>102996.28</b>
<b>Non-priority Sector</b>					
	8235.84	8485.00	8811.53	9753.48	12079.87
<b>Grand Total</b>	<b>64857.45</b>	<b>69553.07</b>	<b>91325.30</b>	<b>96660.82</b>	<b>115076.15</b>

**Source: State Level Bankers Committee – Tamil Nadu, Chennai – 2.**

Under farm sector, of the total fund disbursed to the tune of Rs. 58259 crore in 2012-13, crop loan alone accounted for a major share of 89 percent. Turning to non-farm sector, of the total fund disbursed Rs. 12640 crore, Small Scale Industries (SSI) alone made up a sizeable share of 59 percent. In respect of other priority sector of the total amount

disbursed of Rs. 16008 crore under Annual Credit Plan, consumption expenditure alone comprised 53 percent. It was followed by retail traders/small trader (25%), housing (11%) and educational loans (7%).

### 9.7. Co-operative Banks:

Co-operative banks are playing a leading role in mobilization of deposits and credit disbursement in rural areas with a view to fulfill the needs of weaker sections of the population. The total number of co-operative banks functioning in the State during 2012-13 was 5676. The category-wise numbers of co-operative bank branches are presented in the table:

The short term and medium term co-operative sector has the following three structures:

- Tamil Nadu State Apex co-operative Bank at the State level (TNSACB),
- District Central Co-operative Bank at the district level (DCCB),
- Primary Agricultural Co-operative Bank at the village level (PACB).

Particulars	2011-12	2012-13
No. of Branches	46	46
Deposit held	6525.82	7788.13
Loans and Advance outstanding	7538.78	9459.62
CD Ratio (%)	115	121
<b>Source: Tamil Nadu State Apex Co-operative Banks Ltd., Chennai-1</b>		

At present the bank has 46 branches in the State. Between 2011-12 and 2012-13 the total amount of the deposit received increased by 19.3 percent and loans and advances by 25.5 percent. The ratio of total borrowings to total working capital was 25.9 percent. The profit earned by this bank improved from 41.5 percent to 43.2 percent.

There are 23 District Co-operative Banks functioning in the State in 2011-12 and 2012-13, whereas the number of branches increased from was 735 to 758. The total deposits received rose from Rs. 15430 crore in 2011-12 to Rs. 18044 crore in 2012-13 (16.9%) and the total advances from Rs. 20610 crore to Rs. 24610 crore (19.4%). The credit deposit ratio works out to 133 and 136 percent respectively. Of the total loan disbursed, the share of agriculture sector declined from 19.6 percent to 18.6 percent. However, the total short term and medium term agricultural loan issued improved from Rs. 4045 crore in 2011-12 to Rs. 4570 crore in 2012-13 (13%).

With an aim to provide short term and medium term loan for agriculture and allied activities, there is totally 4530 Primary Agricultural Co-operative Credit Societies (PACCS) functioning in the State. Besides, they also provide non-agricultural loans. The total members enrolled in these societies as of 2012-13 stood at 100.28 lakhs, of which weaker sections accounted for 51 percent. The total members borrowed loan from these Societies was 64.46 lakhs. Among them, the weaker sections formed 56 percent. The total deposit

Particulars	2012-13
State Co-operative Banks	46
District Central Co-operative Banks	23
District Central Co-operative Bank Branches	758
Primary Agricultural Co-operative Societies	4530
Tamil Nadu State Co-operative Agricultural and Rural Development Banks	19
Primary Co-operative Agricultural and Rural Development Banks	180
Co-operative Urban Banks	120
<b>Source: Tamil Nadu State Apex Co-operative Banks Ltd., Chennai-1</b>	

Tamil Nadu State Apex Co-operative Bank is the federation of District Central Co-operative Banks and is channelizing funds provided by NABARD, National Co-operative Development Corporation both for agricultural and non-agricultural purposes.



received by these Societies was at Rs. 6268 crore and the loans and advances outstanding was Rs. 16765 crore. The Primary Agricultural Co-operative Credit Societies have been facing some challenges – improving resource mobilization, correcting imbalances in loans outstanding, improving the expertise and skills of the staff and imparting professionalization, improving the volume of business etc.,

### **9.8. Small Savings:**

Small Savings were a major resource for the Government for further investment and to meet borrowing needs. Now their role is primarily of promoting the saving habit, as the Government has turned to other sources of borrowings and needs to stay within Fiscal Responsibility and Budget Management Act (FRBM) norms. The gross collections from Small Savings in the State gradually decelerated from Rs. 13415 crore in 2010-11 to Rs. 9797 crore in 2012-13. In 2013-14 (up to September) the total collections was Rs. 4599

Year	Gross collections	Net collections
2010-11	13414.56	516.32
2011-12	10607.5	(-)2100.74
2012-13	9797.05	(-)1506.83
2013-14 (upto September 2013)	4598.78	(-) 473.85

*Source: Director of Small Savings, Chennai – 2.*

crore. Of the total gross collections in the State during 2012-13, the collections from postal savings alone accounted for a major share of 59.9 percent followed by non-postal savings 38.8 percent and Senior Citizen Savings Schemes 1.3 percent. Only in three districts viz., Thiruvallur, Krishnagiri and Karur the collections exceeded withdrawals. In other remaining districts the reverse is the case. A combination of factors

such as low interest rate, availability of alternate avenues for savings such as equity and mutual funds and above all the changes in taxation policy of Union Government have reduced the quantum of small savings.

### **9.9. Micro Finance:**

Micro finance is a viable alternative credit channel to the poor as their access to conventional credit channel is constrained by the requirement of collateral and high transaction cost. To strengthen credit delivery in rural areas the programme of linking Self Help Group (SHG) of the rural poor, the National Bank for Agriculture and Rural Development (NABARD) has been making continuous efforts through its micro finance programme to improve the access of the rural poor to formal institutional credit. The SHG – Bank linkage programme was launched in 1992. It is a mechanism to provide the poor in rural areas at their door step easy and self managed access to formal financial services on sustainable basis in a cost-effective manner. The uniqueness of the programme is the zero subsidies. It is being implemented by the commercial banks and co-operative banks. During 2012-13 under micro finance 1.55 lakh SHGs had been provided with bank loan of Rs. 3001.09 crore in Tamil Nadu. As on 31<sup>st</sup> March 2013 cumulatively 13.89 lakh SHGs were covered with aggregate bank loan of Rs. 18245 crore in the State. On an average, Rs. 2.24 lakh was provided as credit per SHG under micro finance in the State.

### **9.10. Financial Inclusion:**

The main objective of the financial inclusion is to extend financial services to unserved disadvantaged and vulnerable sections of population at affordable cost and thereby aims to attain inclusive growth by providing timely and adequate credit as well as mobilizing savings. With a view to accomplish the objectives of the financial inclusion as a first step the villages lacking in bank network will be identified and efforts are initiated to open bank branches in unserved bank areas. As on 31<sup>st</sup> March 2012, totally 4445 villages having a population of

2000 were provided with banking facilities. Of these commercial banks covered 4208 villages (95%) and the rest 237 (5%) by regional rural banks. During the current year 2013-14 totally 7816 such villages have been identified in the State Level Bankers' Committee meeting and allotted to various banks for providing banking facilities. Upto July 2013, 7250 villages (92.8%) having population less than 2000 were provided with financial services by banks. The remaining will be covered by March 2014 by attaining universal financial inclusion. Towards achieving financial inclusion the State Government disbursed Old Age Pension through banks in all villages with a population of 2000+. Apart from that payment of wages under MGNREGS workers was also initiated through banks in select 5 districts from 1<sup>st</sup> January 2013. The culmination of all efforts resulted in an increase in the percentage of households having bank accounts in the State from 52.5 percent as per 2011 census to 67.2 percent in October 2012.

### 9.11 Banking Finance to Government Schemes:

Various International agencies have played an important role in implementing important schemes for the social and economic development of the State. On these lines nowadays banks are playing a vital role in channelizing scarce resource into productive activities. This lessens the burden of the Government and ensures the State to take up more socio-economic development activities as well as helpful in creation of needy assests without any time lag. Major advantages of bank role in meeting the scheme investments are transparency, timely flow of credit and good governance. Apart from this, finances are routed through the banks for implementation of anti-poverty programmes. With respect to Tamil Nadu Adi-draavidar Housing and Development Corporation (TAHDCO) schemes funds are

Schemes	2011-12	2012-13	2013-14 (Allocation)
Dairy Entrepreneurship Development Scheme (DEDS)	150.30 (2.8)	--	--
Prime Minister's Employment Generation Programme (PMEGP)	71.64 (1.4)	54.90 (1.2)	58.39 (0.8)
Tamil Nadu State Rural Livelihood Mission (TNSRLM)/SGSY	667.54 (12.6)	4031.94 (91.2)	6000.00 (85.8)
Self Help Groups (SHGs)	4030.30 (76.3)	0	--
Interest Subsidy for Housing the Urban Poor (ISHUP)	41.30 (0.8)	--	--
Swarna Jayanti Shahari Rozgar Yojana (SJSRY)	66.44 (1.3)	102.76 (2.3)	152.45 (2.2)
TAHDCO - Economic Development Schemes	254.28 (4.8)	233.54 (5.3)	320.34 (4.6)
New Entrepreneur Cum Enterprise Development Schemes (NEEDS)	0	0	461.53 (6.6)
Total	5281.80 (100.0)	4423.14 (100.0)	6992.71 (100.0)

*Source: State Level Banker's Committee Meeting, Indian Overseas Bank, Chennai-2.*

provided by the banks to the beneficiaries concerned so as to take care of productive activities. All this promotes financial inclusion which is gaining momentum currently in recent years. The total financial assistance provided by the banks for implementation of Government schemes in the State improved from Rs.4423.14 crore in 2012-13 to Rs.6992.71 crore in 2013-14. Of which a larger proportion of 85.8 percent was provided towards the implementation of Tamil Nadu State Rural Livelihood Mission (TNSRLM).

To sum up in Tamil Nadu the performance of Banking Sector is commendable as viewed from the perspective of spread of banking network, mobilization of deposits, disbursement of credits, priority sector lending, penetration of cooperation movement etc., The Banks are well capitalized, well regulated and well managed.