DEFINITIONS & EXPLANATIONS

Definitions of the ratios are as follow:

(i) Cash-Deposit Ratio = (Cash in hand + Balances with RBI) / Deposits

(ii) Ratio of secured advances to total advances:

\[ \text{= (Advances secured by tangible assets + Advances covered by bank or Govt. guarantees) / Advances} \]

(iii) Ratio of interest income to total assets = Interest earned / Total Assets

(iv) Ratio of net interest margin to total assets = (Interest earned - Interest paid) / Total Assets

(v) Ratio of non-interest income to total assets = other income / Total Assets

(vi) Ratio of intermediation cost to total assets = Operating expenses / Total Assets

(vii) Ratio of wage bill to intermediation costs (Operating Expenses) = PPE / Operating Expenses

(viii) Ratio of wage bill to total expenses = PPE / Total expenses

(ix) Ratio of wage bill to total income = PPE / Total income

(x) Ratio of burden to total assets = (Operating expenses - Other income) / Total Assets

(xi) Ratio of burden to interest income = (Operating expenses - Other income) / Interest income

(xii) Ratio of Operating Profits to total assets = Operating profit / Total Assets

(xiii) Return on Assets for a bank group is obtained as weighted average of return on assets of individual banks in the group, weights being the proportion of total assets of the bank as percentage to total assets of all banks in the corresponding bank group

(xiv) Return on Equity = Net Profit / (Capital + Reserves and Surplus)
(xv) Cost of Deposits = IPD / Deposits

(xvi) Cost of Borrowings = IPB / Borrowings

(xvii) Cost of Funds = (IPD + IPB) / (Deposits + Borrowings)

(xviii) Return on Advances = IEA / Advances

(xix) Return on Investments = IEI / Investments

(xx) Return on Advances adjusted to Cost of Funds = Return on Advances – Cost of Funds

(XXI) Return on Investment adjusted to Cost of Funds = Return on Investments – Cost of Funds

(xxii) CRR: It is the proportion of deposits banks have to park with the Central Bank of the country i.e. in case of India, it is the Reserve Bank Of India. The CRR currently stands at 4.75%.

(xxiii) SLR: Banks are required to maintain a minimum percentage of their deposits with them at the end of every business day, in the form of gold, cash, government bonds or other approved securities. This minimum, percentage, which has been cut to 23%, is called SLR.

CRR is maintained in cash form with RBI, whereas SLR is maintained in liquid form with banks themselves. To meet SLR, banks can use cash, gold or approved government securities.

(xxiv) Repo Rate: It is the rate at which the RBI lends to banks.

(xv) Liquidity Corridor: In a far reaching measure, the RBI in 2010 asked banks to be more transparent in the way they charge interests rates from borrowers and introduced “base rate” that would serve as the minimum rate for all loans. Banks are not allowed to lend below their base rates. The base rate system replaced the existing benchmark prime lending rate (BPLR) system. Each bank can decide its own base rate. It is calculated on the cost of deposits, the banks’ administrative and operational costs and statutory costs. The system does not allow “teaser loans”, offering lower interest rates initially and higher
in the later years as it is not transparent. RBI has stipulated that banks should
not discriminate in the matter of interest rate paid on deposits and asked them
to ensure that the difference in interest rates on fixed deposits of Rs. 15 Lakh
or more and other term deposits is minimal.

Definitions of the concepts used in the ratios are as follows:

(i)  *Cash* in Cash-Deposit Ratio includes cash in hand and balances with RBI

(ii)  *Investments* in Investment-Deposit Ratio represent total investments including
      investments in non-approved securities

(iii)  *Net Interest Margin* (N IM) is defined as the total interest earned less total
       interest paid

(iv)  *Intermediation Cost* is defined as total operating expenses

(v)   *Wage Bills* is defined as payments to and provisions for employees (PPE)

(vi)  *Operating Profit* is defined as total earnings less total expenses, excluding
      provisions and contingencies, and

(vii)  *Burden* is defined as the total non-interest expenses less total non-interest
       income

*Note:* Items like capital, reserves, deposits, borrowings, advances, investments and
assets / liabilities used to compute various financial earnings / expenses ratios are
averages for the two relevant years.

Whenever appropriate, denominators in the ratios use averages of “current year” and
“previous year”. For instance, ratio of net interest margin to total assets for the year
2008-09 uses denominator as average total assets for the years 2007-08 and 2008-09.

Abbreviations used in the above definitions are as follows.

PPE = Payment to and Provisions for employees

IPD = Interest paid on Deposits

IPB = Interest paid on Borrowings from RBI and other agencies

IEA = Interest earned on Advances and bills

IEI = Interest earned on Investments
LIST OF NATIONALISED BANKS

1. Allahabad Bank
2. Andhra Bank
3. Bank of Baroda
4. Bank of India
5. Bank of Maharashtra
6. Canara Bank
7. Central Bank of India
8. Corporation Bank
9. Dena Bank
10 Indian Bank
11 Indian Overseas Bank
12 Oriental Bank of Commerce
13 Punjab & Sind Bank
14 Punjab National Bank
15 Syndicate Bank
16 UCO Bank
17 Union Bank of India
18 United Bank of India
19 Vijaya Bank

CATEGORISATION OF THE NATIONALISED BANKS

Category I: Oriental Bank of Commerce

Category II: Bank of Baroda, Canara Bank, Panjab National Bank, Corporation Bank

Category III: Andhra Bank, Bank of India, Bank of Maharastra, Dena Bank, Syndicate Bank

Category IV: Allahabad Bank, Central Bank of India, Indian Overseas Bank, Punjab & Sind Bank, Union Bank of India, VIJAYA Bank

Category V: Indian Bank, United Bank, United Commercial Bank