



Chapter 11

Information, Banking and Risk Management

Issues in Banking

Penetration

1. Expectedly, the bank penetration in Goa is one of the highest in the country. The number of people who are catered on average by a scheduled commercial bank is an easy measure of this. As compared to the all-India figure of 15,828, in Goa, for every 5,423 persons there was a commercial bank in 2004.¹

2. The total amount of deposit mobilised by the scheduled commercial banks in Goa in 2004 was Rs. 10,481 crore and the credit disbursed was Rs. 2,282 crore. This works out to a per capita deposit in the scheduled commercial banks (SCBs) at Rs. 59,282 which is the third highest in the country after Chandigarh and Delhi. Interestingly though the credit-deposit ratio looks skewed, the per capita credit disbursed by scheduled commercial banks in Goa stood at Rs. 12,907 which was the fifth highest after Chandigarh, Delhi, Maharashtra and Tamil Nadu.²

3. The all-India total of scheduled commercial banks (SCBs) was 69,071 of which 32,227 were in the rural sector, 15,288 in the semi-urban, 11,806 in the urban and 9,750 in the metropolitan segment.³ As on 31st March 2004, Goa had 345 SCBs—148 in the rural segment and 197 in the semi-urban segment.⁴ Goa, therefore, accounts for only 0.5 per cent of the total number of commercial banks. Strangely, despite all the foreign tourists that the

state attracts it has failed to attract even a single foreign bank as of 2004. The high per capita income in the state has its impact on the financial structure.

Growth

4. The expansion of the banking infrastructure in Goa has been quite remarkable. In 1962, there were only five bank branches operational in Goa. This increased to 300 branches at the time of statehood in 1987 and stood at 456 in 2002-03. The fastest expansion over the last two decades in the banking sector has evidently been in the cooperative sector which saw a three-fold increase in the number of branches. However, in terms of absolute number of additional branches opened, it is still the commercial banking segment that dominates the scene.

TABLE 11.1

Number of Bank Branches

Year	1980-81	1990-91	2000-01	2001-02	2002-03
Commercial banks	217	255	313	319	323
Cooperative banks	41	51	131	132	133
Total	258	306	444	451	456

Source: GOGa (Various Years).

5. The increase in the number of banks ensured that the bank penetration measured as per bank population has gone up from 3,096 persons (catered to by a bank) in 1980-81 to 3,036 in 2002-03.

1. In fact if one were to exclude Chandigarh (5126) which is a Union Territory and a city, Goa has the highest per capita concentration of commercial banks (Source: Table 2.3 <http://www.rbi.org.in>).

2. This data refers to 2004 (Source: Table 2.3 <http://www.rbi.org.in>).

3. According to RBI classification, rural centre signifies an area with population less than 10,000 persons, semi-urban indicates a population between 10,000 persons and 1,00,000 lakh.

4. The population group classification (rural and semi-urban) is based on the 1991 census. This has therefore, meant that none of the state's urban areas like Margao, Panaji, Vasco and Mapusa qualify as urban centres as far as bank classification goes.

6. Tiswadi *taluka* has the highest frequency of banks with a population of 1824 persons on average being catered to by a bank while Satari has the lowest with 6037 being catered to by a bank. North Goa on average showed a higher bank presence than South Goa. The reason for the growth in the banking infrastructure in the state is due to increased business for them which implies either a high level of deposit base and/or credit demand in the region. As we will indicate below, it is the increase in deposits that has triggered the growth of banks in Goa which is again due to large remittance of foreign incomes from abroad.

TABLE 11.2
Taluka-wise Population per Branch

	1980-81	2002-03
Goa	3906	3036
North Goa	3762	2847
Tiswadi	2807	1824
Bardez	2482	2411
Pernem	14838	4943
Bicholim	5699	4675
Satari	13612	6037
Ponda	4904	3670
South Goa	4110	3320
Sanguem	5082	4404
Canacona	5133	4112
Quepem	6949	4759
Salcete	3399	2817
Mormugao	4105	3315

Source: GOGa (Various Years).

Spread

7. The disaggregated data available at the time of writing indicates that in 2002-03, there were 323 branches of SCBs and 133 branches of cooperative banks operative in the state. While State Bank of India being the lead bank in the state topped the volume of deposit generated in 2002-03, the cooperative banks had a remarkable performance as far as deposit and credit generation is concerned. SBI with 52 branches and Corporation Bank with 31 branches dominated the SCB segment. Goa State Cooperative Bank (GSCB) with 56 branches and Mapusa Urban Cooperative Bank with 26 branches are the 'big' two in the Cooperative segment. Note that GSCB had more branches than SBI.

TABLE 11.3
No. of Branches of Various Banks in Goa

Name of Bank	2002-03	Name of Bank	2002-03
Scheduled Commercial Banks	323	Citizen's Coop Bank	4
Cooperative Banks	133	Development Credit Bank of India	4
Goa State Coop Bank	56	Karnataka Bank	4
State Bank of India	52	Punjab National Bank	4
Corporation Bank	31	ICICI Bank	3
Bank of India	28	State Bank of Mysore	3
Bank of Baroda	27	United Western Bank	3
Mapusa Urban Coop Bank	26	Federal Bank	2
Central Bank of India	22	South Indian Bank	2
Canara Bank	21	Unied Bank of India	2
Goa Urban Coop Bank	18	UTI Bank	2
Syndicate Bank	17	Vyasya Bank	2
Dena Bank	16	Women's Coop Bank	2
Indian Overseas Bank	11	Allahabad Bank	1
Union Bank of India	11	Catholic Syrian Bank	1
Bicholim Urban Coop Bank	10	Goan People's Urban Coop Bank	1
Bank of Maharashtra	9	IDBI Bank	1
Madgaum Urban Coop Bank	9	IndusInd Bank	1
Centurion Bank	6	Jammu & Kashmir Bank	1
HDFC Bank	6	North Kanara GSB Coop Bank	1
Indian Bank	6	Oriental Bank of Commerce	1
Global Trust Bank	5	Punjab & Sind Bank	1
Saraswat Coop Bank	5	Ratnakar Bank	1
United Commercial Bank	5	Sangli Bank	1
Vijaya Bank	5	Shamrao Vithal Coop Bank	1
Andhra Bank	4	State Bank of Patiala	1
All Banks			862

Source: GOGa (Various Years).

Deposits

8. The total amount of deposits received by banks went up from Rs. 9 crore in 1962 to Rs. 10,585 crore in 2002-03. In the last two decades (between 1980-81 and 2000-01), aggregate deposits have grown 22-fold and between 2000-01 to 2002-03 (in three years), the increase has been one and half times. This is remarkable as far as deposits in the State are concerned.

TABLE 11.4
Deposits in Banks in Goa

	Units	1980-81	1990-91	2000-01	2001-02	2002-03
Deposits	Crore Rs.	381	1637	8416	9629	12474
Deposits per branch	Crore Rs.	1	5	19	21	24
Deposits per capita	Rs.	3,779	13,993	62,618	70,592	78,437

Source: GOGa (Various Years).

9. In keeping with the growth in the banking infrastructure and the jump in deposits in the state, the deposits per branch increased from a mere Rs. 1.48 crore (in 1980-81) to Rs. 23.81 crore in (2002-03). This implies that the growth in deposits actually outstripped the growth in the number of branches catering to a given population in the state. The per capita deposit in the state thus grew from Rs. 3,779 (in 1980-81) to Rs. 78,437 (in 2002-03). This indicates a 20-fold increase in per capita deposits.

10. If one examines the *taluka*-wise situation, there is wide differentiation in terms of economic affluence in Goa. The per capita deposit rate is a good indicator of the level of economic prosperity in a region. The total deposits raised in Goa amounted to Rs. 10,858.13 crore (2002-03) of which Rs. 6,089 crore came from North Goa and Rs. 4,768 crore from South Goa.

TABLE 11.5

Deposits in Banks in *Talukas* of Goa in 2002-03

	Deposits (crores)	Per Capita Deposits (in Rs.)
Goa	10,858	78,437
North Goa	6,089	
Tiswadi	2,875	175,095
Bardez	2,362	101,035
Pernem	88	11,835
Bicholim	219	23,409
Satari	50	8,233
Ponda	496	32,175
South Goa	4,769	
Sanguem	91	13,733
Canacona	118	26,195
Quepem	252	33,121
Salcete	3,110	116,240
Mormugao	1,197	80,231

Source: GOGa (Various Years).

11. However, the three *talukas* of Salcete (South Goa), Tiswadi and Bardez (North Goa) together accounted for Rs. 8,347 crore which is 77 per cent of the entire deposits in the state.⁵ This matches the per branch deposit rate with Salcete (Rs. 30 crore), Tiswadi (Rs. 28 crore) and Bardez (Rs. 23 crore) in the top three slots. Similarly, the per capita deposit rate is highest again in these *talukas*—Tiswadi (Rs. 1,75,095), Salcete (Rs. 1,16,240) and Bardez (Rs. 1,01,035). The average per capita deposit of Goa was Rs. 78,437.

12. In order to justify the claim that this is a remittance driven bank expansion, we need to separate the domestic and non-resident deposits. In 1992, the proportion of the Non-Resident External (NRE) deposits to total deposits in Goa's banks amounted to 25 per cent and in a span of 10 years went up to 32 per cent. This too is likely to be an underestimate because some of the remittance amount gets deposited by resident family members in their respective accounts which shows up under the domestic savings column.

TABLE 11.6

Domestic and NRE Deposits in Banks of Goa

Units		1992-93	2002-03
Domestic	Crore Rs.	1,716	7,347
NRE	Crore Rs.	583	3,512
Total	Crore Rs.	2,300	10,858
NRE as	Proportion of Total	25	32

Source: GOGa (Various Years) and SBI (2005).

Credit

TABLE 11.7

Credit Extended by Banks of Goa

		1980-81	1990-91	2000-01	2001-02	2002-03
Credit	Crore Rs.	171	641	2,405	2,862	2,992
Credit per branch	Crore Rs.	0.7	2.1	5.4	6.4	6.6
Credit per capita	Rs.	1,698	5,479	17,896	20,981	21,613

Source: GOGa (Various Years).

13. The role of remittance becomes clearer when we look at the credit side of bank transactions. The volume of credit disbursed increased from Rs. 171.18 crore (in 1980-1981) to Rs. 2991.93 crore (in 2002-03). This implies a 17-fold increase in credit over this period. The increase in per capita credit in the same period has been 12 times and the credit per branch also increased 10 times. Both these are lower than the increase in credit for the same period therefore, credit off-take has not kept pace with increase in deposits. Therefore, the increase in banking infrastructure has largely been to secure the foreign remittances as deposits and not finance a domestic economy driven growth.

5. If one were to add Mormugao to this list, then the four *talukas* account for 88 per cent of the deposits in the state.

TABLE 11.8

Credit Extended in Different Talukas by Banks of Goa

Taluka	2002-03	2001-02	2002-03	
	Credit Per Capita	Credit Per Branch (crore Rs.)	Aggregate Credit (crore Rs.)	Proportion of Taluka Credit in Total Credit
Goa	21,613	6.35	2,991.93	100.00
North Goa		6.57	1,875.27	62.67
Tiswadi	78,119	13.64	1,282.65	42.87
Bardez	13,968	3.27	326.59	10.91
Pernem	3,049	1.53	22.61	0.75
Bicholim	7,168	3.24	67.01	2.23
Sattari	2,395	1.47	14.46	0.48
Ponda	10,508	3.57	161.95	5.41
South Goa		6.01	1,116.66	37.32
Sanguem	5,395	3.24	49.11	1.64
Canacona	3,265	1.34	14.77	0.49
Quepem	3,049	2.48	41.08	1.37
Salcete	24,420	5.72	653.44	21.84
Mormugao	24,015	9.86	358.26	11.97

Source: GOGa (Various Years).

14. If we examine the distribution of the credit generated by Goa's banks a little more carefully it indicates some interesting features and is similar to the deposits as far as taluka-wise data is concerned. The credit per branch in 2001-02 was 6.36 crore with North Goa average being marginally more than the South Goa average. However, the amount of credit disbursed differs widely between the two districts. In fact, Tiswadi alone exceeds the credit disbursement of the entire South Goa district. North Goa accounted for 62 per cent of the credit disbursed and Tiswadi taluka alone accounted for 42 per cent of the total credit disbursed in the state. Obviously Tiswadi also dominates the per capita credit disbursed—Rs. 78,119, which is three times higher than the all-Goa average of Rs. 21,613.

Developmental Issues

15. Two issues will be taken up here: direction of credit, geographically and sectorally.

16. We first take up the issue of which sectors have been the recipient of the credit disbursement in the State.

TABLE 11.9

Bank-wise Disaggregated Credit Distribution

Name of Bank	Deposits	Advances	Priority Sector	Weaker Sections	Under 20 Point Programme	Propn of Adv. to Priority in Total Adv.
All Banks	10,858.13	3,818.10	1,203.76	97.82	38.64	31.50
SCBs	9,563.40	2,165.76	601.00	38.48	38.52	27.80
State Bank of India	2,128.04	454.41	131.89	4.50		29.00
Bank of India	1,238.78	400.60	146.25	14.10	0.72	36.50
Canara Bank	912.29	290.15	43.48	3.92	7.08	15.00
Corporation Bank	954.91	132.69	39.80	1.28		30.00
Syndicate Bank	521.39	118.37	31.09	2.63	11.01	26.30
Bank of Baroda	702.07	107.51	39.94	5.18	1.17	37.20
United Western Bank	68.69	79.84	0.15			0.20
Bank of Maharashtra	204.46	68.56	20.45	0.16	1.58	29.80
UTI Bank	18.18	63.05	4.54			7.20
Punjab National Bank	67.11	54.07	19.81	0.02	0.11	36.60
Union Bank of India	194.46	46.48	22.42	1.51	1.09	48.20
Central Bank of India	373.66	43.52	21.08	0.99	0.85	48.40
Centurion Bank	265.67	42.62	1.56			3.70
State Bank of Mysore	29.09	31.78	4.53	0.01		14.30
Indian Overseas Bank	207.30	31.49	10.38	0.70	0.80	33.00
Dena Bank	272.72	24.73	1.65	2.54	2.54	6.70
Oriental Bank of Commerce	27.63	23.00	10.48	0.12		45.60
Vijaya Bank	80.39	18.48	9.65	0.03		52.20
Karnataka Bank	87.83	17.60	5.49	0.03	0.29	31.20
Andhra Bank	82.62	14.37	4.33			30.10
Federal Bank	57.55	14.37	1.32		0.84	9.20

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Name of Bank	Deposits	Advances	Priority Sector	Weaker Sections	Under 20 Point Programme	Propn of Adv to Priority in Total Adv
Indian Bank	99.44	13.42	5.58	0.52		41.60
ICICI Bank	312.56	12.40	0.17			1.40
United Commercial Bank	62.66	10.03	6.79	0.19	0.56	67.70
Jammu & Kashmir Bank	13.43	9.58	8.30		9.58	86.60
Ratnakar Bank	17.20	9.55	2.29			24.00
South Indian Bank	23.99	6.85	0.91			13.30
ING Vyasya Bank	48.32	4.90	1.40	0.04		28.60
Unied Bank of India	14.80	3.30	0.59		0.29	17.90
IDBI Bank	11.13	3.15	1.60			50.80
Development Credit Bank of India	18.90	3.12	0.31			9.90
Punjab & Sind Bank	4.61	2.99	0.83			27.80
IndusInd Bank	7.18	2.51				0.00
Sangli Bank	5.69	1.48	0.55		0.01	37.20
Catholic Syrian Bank	23.81	1.41	0.31			22.00
State Bank of Patiala	11.45	1.35	0.65			48.10
Global Trust Bank	110.73	1.07				0.00
Allahabad Bank	3.86	0.96	0.43	0.01		44.80
HDFC Bank	278.80					
Cooperative Banks	1,294.73	826.17	301.38	29.67	0.06	36.50
Goa State Coop Bank	341.89	283.77	51.54	2.96		18.20
Goa Urban Coop Bank	359.10	172.27	102.22	6.33		59.30
Mapusa Urban Coop Bank	214.69	132.75	39.23	7.45		29.60
Bicholim Urban Coop Bank	104.55	72.39				0.00
Madgaum Urban Coop Bank	116.39	66.28	53.60	6.88		80.90
Saraswat Coop Bank	97.21	57.17	25.12	2.06		43.90
Shamrao Vithal Coop Bank	6.18	14.31	12.22	0.15		85.40
Citizen's Coop Bank	24.41	13.65	9.91	1.70		72.60
Women's Coop Bank	15.56	7.52	4.74	1.63		63.00
North Kanara GSB Coop Bank	11.22	5.49	2.47	0.45		45.00
Goan People's Urban Coop Bank	3.53	0.57	0.33	0.06	0.06	57.90

Source: SBI (2005).

The available data informs us of the advances that each bank group has given to the priority sector, weaker sections and advances under the 20 point programme.

17. The average proportion of deposits advanced to the priority sector is about 32 per cent. The cooperative sector (37 per cent) here has outperformed the scheduled commercial banks (28 per cent). Shamrao Vithal Coop Bank had the highest proportion being devoted to priority sector lending (85 per cent), followed by Madgaum Urban Cooperative Bank (81 per cent). Among the SCBs, Jammu & Kashmir Bank (86 per cent) and United Commercial Bank (67 per cent) were the best performers. In terms of volume of credit being advanced to the priority sector, it was Bank of India (Rs. 146 crore), State Bank of India (Rs. 131.89 crore) and Goa Urban Coop Bank (Rs. 102 crore) that were the best performers.

18. The second issue which we address here is the sectoral distribution of credit. In the last quarter of 2004-2005, Rs. 561.97 crore of credit was disbursed by all banks. Of this, the service sector got 65 per cent, industry got 27 per cent and agriculture got only 8 per cent. Interestingly, in the cooperative sector, the share of credit going to services was 92 per cent, while agriculture and industry got 8 per cent and 9 per cent respectively (SBI, 2005). The large contribution of the services sector to the economy is re-emphasised by the credit disbursement data but is obviously disproportionate to its contribution to NSDP (Net State Domestic Product).

19. Service led growth of an economy in developmental parlance is regarded as a post-industrial characteristic. It is considered to be employment-oriented unlike industrial units where there is a disproportionately large expense on

capital and it is also perceived to be environmental friendly. In fact, citizens of the state have been vigilant to the threat of entry of polluting industries.

Self Help Groups

20. The banking system also made progress in terms of expanding the self help group (SHG) programme. At the end of the 2004-05 financial year, a total of 1,486 SHG had been formed in Goa which had a membership of 17,438 persons. The Goa State Coop Bank had the highest number of SHGs as well as members followed by the State Bank of India.

TABLE 11.10
Self Help Group Scheme as on 31.03.05

Name of Bank	No. of SHG	No. of Members
All Banks	1486	17438
1 State Bank of India	422	4670
2 State Bank of Mysore	1	30
3 Bank of Baroda	120	1234
4 Bank of India	183	1332
5 Bank of Maharashtra	14	140
6 Canara Bank	36	455
7 Central Bank of India	38	356
8 Corporation Bank	50	570
9 Dena Bank	14	234
10 Indian Bank	1	3
11 Indian Overseas Bank	55	805
12 Syndicate Bank	10	111
13 Oriental Bank of Commerce	2	10
14 United Commercial Bank	18	360
15 Union Bank of India	9	54
16 United Western Bank	4	0
17 Goa State Coop Bank	509	7074

Source: SBI (2005).

21. We now look at the *taluka*-wise distribution of credit. This is important to understand as far as geographical spread of development is concerned. Tiswadi cornered 43 per cent of the entire credit disbursed in 2002-03. The four *talukas* of Tiswadi, Bardez, Salcete, Mormugao cornered 88 per cent of the entire credit in the same year. In fact, Tiswadi and Salcete accounted for 65 per cent of the credit disbursed. Satari and Canacona got less than 1 per cent of the entire credit.

Credit-Deposit Ratio

22. The credit-deposit ratio is often used as a yard stick to measure the economic health of a region and bank efficiency in collecting and disbursing capital. The role of

banks in a modern economy is to act as a financial intermediary—mobilise savings (by providing a safe store of value) and create credit. The concentration of banks is therefore, expected to be large in any area where either there is a high income or there is need for large credit due to expansion of economic activity. While the demand for credit and supply of savings is expected to coincide in the same region because generation of economic flows also creates in its wake larger demands for credit to fund further expansion. However, under certain conditions this convergence of credit supply and demand may not occur as in the case of Goa. The reason is that a large part of the disposable income is generated outside the state (as remittances), and therefore, does not reflect increased economic activity within the state. This is reflected in the credit off-take in comparison to the amount of deposit.

TABLE 11.11
Credit Extended in Different Talukas by Banks of Goa

Taluka	2002-03 Credit Per Capita	2001-02 Credit Per Branch (crore Rs.)	2002-03 Aggregate Credit (crore Rs.)	Proportion of Taluka Credit in Total Credit
Goa	21,613	6.35	2,991.93	100.00
North Goa		6.57	1,875.27	62.67
Tiswadi	78,119	13.64	1,282.65	42.87
Bardez	13,968	3.27	326.59	10.91
Pernem	3,049	1.53	22.61	0.75
Bicholim	7,168	3.24	67.01	2.23
Satari	2,395	1.47	14.46	0.48
Ponda	10,508	3.57	161.95	5.41
South Goa		6.01	1,116.66	37.32
Sanguem	5,395	3.24	49.11	1.64
Canacona	3,265	1.34	14.77	0.49
Quepem	3,049	2.48	41.08	1.37
Salcete	24,420	5.72	653.44	21.84
Mormugao	24,015	9.86	358.26	11.97

Source: GOGa (Various Years).

23. The all-Goa credit-deposit average for all banks (SCB and Cooperative) was 28 per cent, the SCBs notched up an average of 26 per cent while the cooperative banks had an average of 64 per cent. Outstanding in the cooperative segment were GSCB with a CD ratio of 83 per cent and Bicholim Urban Cooperative Bank. Shamrao Vithal Cooperative Bank had a CD ratio of 232 per cent but they had only one branch and therefore, their range of operation is rather limited. The SCB have much lower CD ratios—UTI bank with 2 branches tops with 324 per cent followed by United Western Bank at 116 per cent and State Bank of Mysore at 109 per cent, both with three

branches in the state. SBI and Corporation Bank, who have the largest network as described above, however have much lower CD ratios of 21 per cent and 14 per cent, respectively.

24. An additional reason why the credit-deposit ratio looks skewed for Goa is that many companies operating in the state probably conduct their financial transaction outside the state, say for example in Mumbai, even though the final utilisation of the credit may be in Goa.

25. Is the low credit-deposit ratio a reason for concern? Is Goa's wealth being drained out? The answer is a tentative 'No'. It is well-known in financial circles that banks in India are credit rich and therefore, the low credit off-take is not due to lack of supply of credit but due to low demand. This is true for not only the primary sector but also the secondary and tertiary sector. Further, the productivity of capital in other states may be higher than Goa, therefore, providing economic reason for credit to flow out of the state.

Non-Performing Assets

26. A bigger worry for banks is the level of non-performing assets (NPAs) that they possess. In 2004-05, the average of NPAs out of the total credit disbursed for all banks in Goa was 6.95 per cent. Cooperative banks however, showed a much higher level of NPAs—15.4 per cent than the commercial banks. Amongst the worst performers was the Mapusa Urban Coop Bank which has a whopping 84 per cent NPAs as a proportion of total advances in 2004-05. In contrast, the highest NPAs in the SCBs showed up in Ratnakar Bank—21 per cent.

TABLE 11.12

Non-Performing Assets of Banks in Goa

<i>Name of Bank</i>	<i>Per cent NPA to Total Advances, 2004-05</i>
All Banks	6.95
SCBs	
State Bank of India	4.45
State Bank of Mysore	0.85
State Bank of Patiala	0
Allahabad Bank	17.37
Andhra Bank	0.98
Bank of Baroda	7.89
Bank of India	3.87
Bank of Maharashtra	11.64
Canara Bank	4.26
Catholic Syrian Bank	0.49
Central Bank of India	12.89

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<i>Name of Bank</i>	<i>Per cent NPA to total Advances, 2004-05</i>
Centurion Bank	0
Corporation Bank	1.53
Dena Bank	7.46
Development Credit Bank of India	4.98
Federal Bank	0.22
Global Trust Bank	
HDFC Bank	0
ICICI Bank	0
IDBI Bank	0
Indian Bank	6.57
Indian Overseas Bank	0.21
IndusInd Bank	0
ING Vyasya Bank	0.08
Jammu & Kashmir Bank	0
Karnataka Bank	1.83
Oriental Bank of Commerce	0.7
Punjab & Sind Bank	16.01
Punjab National Bank	9.24
Ratnakar Bank	21.67
Sangli Bank	0.42
South Indian Bank	2.95
Syndicate Bank	5.75
United Bank of India	0.11
Union Bank of India	9.81
United Commercial Bank	11.43
United Western Bank	1.61
UTI Bank	0
Vijaya Bank	2.89
Cooperative Banks	15.42
Goa Urban Coop Bank	0
Goa State Coop Bank	9.47
Madgaum Urban Coop Bank	0
Mapusa Urban Coop Bank	84.2
Women's Coop Bank	11.43
Citizen's Coop Bank	7.19
Bicholim Urban Coop Bank	8.67
Saraswat Coop Bank	0
North Kanara GSB Coop Bank	
Shamrao Vithal Coop Bank	25.05
Goan People's Urban Coop Bank	

Source: SBI (2005).

27. A popular financial instrument that has expanded rapidly in the last five years is the credit card. The big players in Goa are SBI in the public sector and ICICI and HDFC in the private sector. As of 2004-05, the number of credit cards issued by SBI stood at 19,500 in comparison to 16,000 issued by ICICI and 8,000 by HDFC. The delinquency rate has been reasonable ranging from a low of 1 per cent to a high of 5 per cent.

TABLE 11.13
Credit Card Usage in Goa

Players	SBI	ICICI	HDFC	Others	Total
Number of cards in the market	19500	16000	8000	6500	50,000
No. of EDC machines	NA	700	500	1800	3000
Since when in the market	2000	1999	2004	NA	NA
Delinquency	3.5-4 per cent	1 per cent	4-5 per cent	NA	NA

Source: SBI (2005).

Strengths and Weaknesses of Goa's Banking System

Strengths

- High per capita income leading to high deposits and growth in banking infrastructure.
- High literacy rate leading to low crime of banks.
- Highest bank penetration in the country.

Weaknesses

- Slow Cheque Clearance: Non-availability of Magnetic Identification Character Reader (MICR) technology leads to delay and increased cost of cheque realisation. For example, a cheque from Bank A in Calangute on being deposited in Bank B in Panaji could take upto five working days to get cleared because sorting is done manually bank-wise and not branch-wise.⁶ Being a small state the volume of transactions is too small for individual banks to install MICR.
- Lack of Debt Recovery Tribunal: Goa does not have a debt recovery tribunal and all disputes have to be settled in Mumbai which delays recovery of debts. Banks who have non-performing assets have to seek redressal in Mumbai for resolution of pending debt recovery cases. This increases the delay and costs of debt recovery for banks.

- Low level of priority sector lending due to declining interest in agriculture and low thrust of government to establish forward and backward linkages between sectors by developing infrastructural facilities.
- Land Ownership Entitlements: Due to intricate colonial land ownership laws, sometimes tenant farmers are unable to get loans due to lack of proper land ownership documentation.
- High NPAs of some banks.

Ameliorative Strategies

- Encourage banks to install MICR—The state could subsidise or provide fiscal incentives to banks that adopt MICR.
- Setting up of Debt Recovery Tribunal—This would facilitate the recovery of assets against non-performing assets. The state machinery needs to support debt recovery as is done in case of government sponsored schemes for cooperative banks.
- Identification of below poverty line families so that targeted central funds for the same can be disbursed easily.
- Involve banks in rural development. Rural development schemes that have any financing from the state involved should be routed through banks who have the expertise to disburse as well as monitor fund use.

Issues in Risk Management

28. We now turn our attention to the Risk Management Institutions in Goa and issues related to insurance in Goa.

Segmentation

29. The insurance sector as per regulatory guidelines in India is split into two segments—life and non-life or

TABLE 11.14
Growth of Insurance in Goa

		Pre-liberation	1993	1994	1995	1996	1997	1998	1999	2000	2001
Life Insurance	Sum insured on new policies	93	21,058	22,522	27,972	248,266	26,197	30,458	37,705	37,584	49,662
	Premium paid on new policies (Rs. Lakhs)	n.a	421	475	480	512	592	753	1,069	964	1,271
General Insurance	Number of Policies	4,010	87,912	78,142	86	93,690	93,690	92,421		191,272	252,174
	Premium paid (Rs. Lakhs)	15	1,414	1,454	1,355	212,712	2,127	2,214	5,313	5,312	6,499

Source: GoGb (Various Years).

6. Even though the physical distance between Calangute and Panaji would be less than 30 kms.

general insurance. Till 2001, both these segments were entirely government monopolies with life insurance sector being monopolised by the Life Insurance Corporation and the non-life sector being shared by four Public Sector Undertakings (PSUs)—National Insurance, United India Assurance, Oriental Insurance, General Insurance with General Insurance corporation acting as the holding company for the entire non-life insurance sector. In order to induct greater coverage and penetration in the market the government allowed private players to enter the insurance sector and it has led to a dramatic increase in the size and depth the market.

Growth

30. Data available till year 2001 indicates that the general insurance segment of the market has grown rapidly in Goa with a discrete jump in the mid-1990s and then again in 1999.

31. The general insurance is classified into four sub-segments: fire, marine, automobile and miscellaneous. Automobile insurance is the biggest sub-segment in the general insurance segment—about 48 per cent. It is believed that the compulsory nature of vehicle insurance makes this a large segment.

TABLE 11.15
Disaggregated View of Insurance in Goa

Insurance in 1999-2000	Rs. (in lakhs)	Proportion of General Insurance (total)
Life (sum assured on new policies)	37,705	
Life (1st year of premium paid)	1,069	
General (premium paid)	5,312	100
Fire	1,130	21
Marine	1,009	19
Automobile	2,562	48
Miscellaneous	610	12

Source: GoGb (Various Years).

Life Insurance Sector⁷

32. The life insurance sector is dominated by the Life Insurance Corporation even though newer players like Bajaj Allianz, ICICI Lombard, Aviva, New York Max Life, etc., have seen rapid growth since private players were allowed to market their products. In Goa, out of a population of 13,87,807, the number of persons eligible for insurance is estimated at 9,20,000. The LIC is currently servicing about 6,50,000 life insurance policies

indicating a life insurance penetration of 68 per cent. Of this, the number of policies owned by males is 5,07,000 and by females is 1,43,000.

33. The size of the urban population in Goa is 6,90,774 and rural population is 6,97,033. The workforce division is 53 per cent for urban and 38 per cent for rural. The number of policies in terms of the urban-rural segmentation is 3,20,000 for urban and 3,30,000 for rural. The LIC under its special schemes for the rural backward sections for provision of social security has covered 10,645 persons.

Infrastructure

Connectivity

34. Communication is an essential infrastructure input that is necessary for the smooth functioning of any financial institution. However, the leased lines often have breakdowns causing connectivity failure. Therefore, broadband lines at low cost is essential for efficient functioning for online connectivity and wide area networks (WAN) to work.

Clearing House

35. At present the state does not have separate clearing house which causes delays in the transfer of funds. Given the small size of the state, there could be one central clearing house for banks such that cheques are realised without delay.

Bancassurance

36. Banks as of now are not permitted to sell insurance in India. If however, like many other parts of the world, this was permitted then a much wider insurance coverage would be possible due to wider reach of banks and their availability of greater marketing channels.

PHCs and Health Insurance

37. The government could permit the primary health centres (PHCs) to distribute and provide health insurance policy benefits. This would increase coverage and also improve quality of health care provision.

Insurance Enumeration

38. It is difficult to ascertain the degree of insurance penetration since none of the official channels of data collection enquire about insurance policies at the time of population enumeration (for example, the Census). If a

7. This section draws on Mohapatra (2005).

question on insurance could be included in the Census then it would be easy to expand the insurance coverage.

Achievements

39. Increased prosperity of a section of the population, a declining public health delivery system and rising cost of private medical health care has led to an increasing number of persons seeking medical and health insurance products. The LIC alone has sold has 6,203 such policies of which 516 have been in 2004-05 alone.

40. The other product that has attracted significant interest are pension plans which provide a fixed annuity income from the date of retirement of a person. Higher life expectancy and reduced social security systems from the state have pushed individuals to buy pension plan products. The LIC alone has sold 17,890 such policies of which 4,040 were in 2004-05 alone.

41. The LIC has introduced a programme of housing provision under the "Care Homes & Policy Holders' Housing Scheme" and Goa has been selected as one of the states for implementation.

42. We now turn our attention to the telecom and information sector.

Issues in Telecom and IT

43. Communication services and information technology are the driving forces for the surge in export growth in India in the recent past. However, Goa has not been able to attract IT investment in tune with its technical human capital potential. The high literacy rates and the widespread use of English should have made Goa a natural destination both for call centres and IT investment.

44. The share for communication in the NSDP has been about 7.5 per cent 2002-03. Given the high per capita income it has naturally seen a high consumer demand for telecommunication services as well as Internet

facilities. The rapid strides of technology in India has seen a big boom in the telecom sector. From the data available from Bharat Sanchar Nigam Limited (BSNL), 17,042 mobile phone connections were provided in 2002-03 which increased to 52,195 in 2004-05. Similarly, the number of people on the waiting list has gone down from about 10,941 (as on March 31, 2001) to 3,923 in 2005. The newer technologies and increased competition have led to a reduction in operating costs and therefore, made communication cheaper and more efficient. Even though average telephone revenues per connection have fallen from Rs. 721 in 2001 to Rs. 646 in 2005, the aggregate revenues of all telecom companies have grown due to higher volumes. The substantial increase in the number of lines supplied as well as greater frequency of use has led to higher revenue earnings.

45. Internet connectivity, too, has grown substantially in the last five years. As per BSNL data (which is one of the large players in the data connectivity segment), dial up and fixed Internet connectivity has increased from 5.9 per thousand in 2001 to 21.7 per thousand in 2005 which is a three and a half-fold increase. This is an underestimate of the actual increase in Internet penetration in Goa because in the last five years, numerous big players in the private sector have also entered as internet providers including mobile Internet.

46. Thanks to the government's policy and the cyberage scheme to give computers to students, computer penetration is the highest in the country at 40 computers per 1000 persons as against 8 per 1000 as the national average.

Strengths, Weaknesses, Opportunities and Threats

Strengths

- The small size of the state with good supporting infrastructure has been a strength. The high literacy

TABLE 11.16
Telecom Infrastructure in Goa

<i>Items</i>	31-3-2001	31-3-2002	31-3-2003	31-3-2004	31-3-2005
Total number of mobiles connected	—	—	17,042	41,874	52,195
Telephone waiting list (thousands)	11	9	5	4	4
Average telephone revenue per line per month (Rs)	722	691	585	618	647
Average mobile revenue per line per month (Rs)	—	—	—	313	233
Dial up and fixed internet connectivity (per 1000 people)	6	8	11	13	22

Source: Office of the General Manager Telecom District Goa, Panaji.

rate and economic status has been catalytic in telecom and Internet expansion.

- National Internet backbone connectivity through optical fibre cable has been established between gateways in Mumbai and Goa.
- BSNL has 125 telephone exchanges with a near 100 per cent village coverage. Total cable network measures 8,600 kms including optical fibre cables of nearly 1,041 kms. Private players too have their own cables in the state and some have adopted wireless connectivity to avoid cable laying expenses.
- The low density of population was earlier a problem but now with wireless networking, this hurdle has been overcome.
- The existence of a large number of NRIs and their families has led to increased demand for high quality telecom services.
- The increasing inflow of tourists especially those staying for a week or more and their need to be connected with their families and friends has also boosted demand.
- The NIC provides infrastructure management support to the State government. The NIC SIO has reserved as the Director IT for the State on several occasions.
- The state has a SWAN connecting kiosks/CSC's in every taluka.

- The state has website based information for all departments and most government corporations. The state is also the first to develop a prototype of a state-wide citizen-registry for single point authentication of citizen information.
- The state has implemented IT and enabled several services at the municipal, panchayat and corporation level through kiosks and on the SWAN backbone as well as through a citizen registry. The major constraint is the absence of a clear IT governance framework and continuity.
- The government should enable citizen and business accounts as a single point of contact for all government transactions. This should serve as a basis for reengineering processes that deliver various services directly to the account through a common shared set of registries.

Weaknesses

- While the coastal areas have been beneficiaries of telecom expansion, similar quality of work has been absent from the hinterland.
- Reliable high speed connection is yet to reach international standards which has been an issue raised by prospective investors in the IT sector.
- Unreliable power supply has been a deterrent in attracting IT investment which often work round the clock.

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