

## **Bank Credit by Commercial Banks in India**

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**Abstract:** *This paper deals with land development bank limited time exercises, and additionally unmistakably demonstrate the utilitarian project, limbs advance requisition methodology and generally speaking exercises about the area advancement bank. The credit –deposit ratio is an Indicator of progress of any financial institution like commercial banks. It indicates the level of credit deployment of banks in relation to deposits mobilized by them. A high credit-deposit ratio indicates that larger portion of deposits is used to earn maximum interests. The study has carried out with a purpose to present the performance of public sector banks through the c-d ratio in last decades by classifying credits and deposits along with the percentage. The current study is an attempt to find out the various factors that justify the performance of commercial banking in Bihar. In this study secondary data was used and the sample size of the study was from 2010 to 2015.*

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Date of Submission: 21-03-2018

Date of acceptance: 06-04-2018

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### **I. Introduction**

Credit-deposit of scheduled commercial banks is shown in table 1 for the period 2010-2015. It may be seen from that the Credit-deposit picked up immediately after nationalization from 60% in 1969 to 68% in 1976 where after it intended to decline continuously to reach an all time low level of 53 percent as on September 1999. This remarkable and persistent fall can be explained mainly by strict credit policy of the RBI and decline in corporate demand of bank credit because of emergence of the process of disintermediation. There was, however, improvement in the as on June 2000. Again, rising trends was checked reliantly when credit-deposit ratio declined to an all time low level of 52.2 as on May 4, 2001. This is attributable to persistent low credit take off from industry sector due to sluggishness It is high time to recognize that the does not serve as a reliable indicator of the trends in mobilization of deposits and deployments of credit. At times gives a misleading picture. For instance, while the amounts of the deposit accretion and credit expansion could be very small, the could be high. Further, with the introduction of capital adequacy norms, it is not credit deployment but the quality of credit which has become prime concern to the banks. Excessive demand for credit might lead to adverse selection, resulting in bank resorting to what is popularly referred to as ‘credit rationing’. The need to lend credit to doubtful borrowers has been triggered by the necessity on the part of the bank to reduce their quantum of non-performing assets. Finally, to the extent that the does not take into account banks’ investment in approved securities other than that in government and other marketable securities, it fails to provide a complete picture of the resource by banks.

### **II. Objective of the study**

The purpose of the study is to present the performance of public sector banks through the in last decades by classifying credits and deposits. The current study is an attempt to find out the various data that justify the performance of commercial banking in Bihar.

### **III. Literature Review**

**Jules F. Bogen**, The Changing Composition of Bank Assets New York University, New York, 1961, and in George R. Morrison and Richard T. Titled “Developments in the Commercial Bank Loan-Deposit Ratio” in which they find the Bank attitudes toward their individual loan-deposit ratios have obviously undergone considerable change in the postwar period. it is clear that many banks are now willing to operate with higher loan-deposit ratios than they would have thought appropriate even at the close of the 1950’s. Nevertheless, although the loan-deposit ratio has been a highly flexible element in the portfolio decisions of many banks, the ratio remains a significant criterion in determining over-all lending and investing policies for a large number of banks. To the extent that banks are again giving careful attention to their loan-deposit ratios, loan accommodations are becoming more closely geared to the over-all growth of bank deposits, which in turn is heavily influenced by Federal Reserve policy. Such a development might be expected to be accompanied by more selective credit policies on the part of banks in choosing among their many applicants for credit.

Reserve Bank of India Mumbai – Banking Statistics - Basic Statistical Returns March, 1996 and priority sector advances” in which it is emphasized on deposits and advances have grown enormously in India.

**Roshan Singh et al. (1978)** studied the pattern of flow of credit in development block of Patna & all district in Bihar. They found that the pattern of financing agriculture was similar both at the national and district level.

**Ramappa and Sivasankaraiah (2007)** studied that the share of agriculture loan in the total priority sector advances was considerably large and fluctuated from 73.02 per cent in 1993-94 to 76.79 per cent in 2004-05. It was also evident that of the total agriculture loan in 2004-05, crop loan alone accounted for 93.31 per cent

#### **IV. Research Methodology**

The study has been conducted with reference to the data related to Public Sector Banks (SBI and Nationalized Banks) operating in India. The public sector banks have been studied with the belief that they hold largest market share of banking business in India. In this study secondary data was used and the sample size of the study was from 2010 to 2015. The data for the study purpose has been taken mainly from ‘Economic Survey published by State government.

#### **Deposits and Credits Per Capita Deposits and Credits of Scheduled Commercial Banks**

Shows the deposits and credits of scheduled commercial banks in Bihar vis-à-vis other states and their shares in the total deposits and credits in the country. It is seen that there has been significant growth in total deposits in Bihar over the previous year by Rs. 14,800 crore. Simultaneously, the expansion of credit in 2009-10 has also remarkably improved the credit had expanded by Rs 5400 crore compared to only Rs 2751 crore in 2008-09. In 2008-09, the expansion of credit was only by 15 percent of the additional deposits collected during that year. In 2009-10, the expansion of credit was as much as 36 percent over the previous year. But while Bihar’s share in the total deposits of scheduled commercial banks remained the same in these two years at 2.2 percent, its share of credit has improved marginally from 0.83 percent to 0.87 percent. The population served by a bank office in Bihar also remains the highest in the country. While the per capita deposit of Bihar has increased significantly in 2009-10 by Rs. 1406, compared to an increase of Rs. 1437 the year before, the increase in per capita credit was only one-fourth of this, i.e. by Rs 103 compared to an increase of Rs 63 one year back. The credit flowing into any economy depends on its absorption capacity which in turn is determined by the physical infrastructure, but banks still need to take much more pro-active measures in increasing the credit flow by opening more branches in the unbanked areas, and relaxing some of their stringent credit norms. It has been noted earlier that the expansion of bank branches in Bihar in 2009-10 has been skewed in favour of urban and semi-urban areas, which already had relatively better banking facilities.

#### **V. Conclusion**

In 2008-09, the expansion of credit was only by 15 percent of the additional deposits collected during that year. In 2009-10, the expansion of credit was as much as 36 percent over the previous year. But while Bihar’s share in the total deposits of scheduled commercial banks remained the same in these two years at 2.2 percent, its share of credit has improved marginally from 0.83 percent to 0.87 percent. While the per capita deposit of Bihar has increased significantly in 2009-10 by Rs. 1406, compared to an increase of Rs. 1437 the year before, the increase in per capita credit was only one-fourth of this, i.e. by Rs 103 compared to an increase of Rs 63 one year back. The credit flowing into any economy depends on its absorption capacity which in turn is determined by the physical infrastructure, but banks still need to take much more pro-active measures in increasing the credit flow by opening more branches in the unbanked areas, and relaxing some of their stringent credit norms. After 2000-01, however, there has been some improvement in the but even in 2009-10, it is still the lowest among all the major states in the country. Further, from the year 2006-07, the ratio has fallen by almost 5 per cent to 28.96 percent in 2008-09. Since then, it has been slowly improving but still it is about 32 percent, much less than the 34 percent level achieved in 2006-07. Public Sector Banks in Bihar. Among the Lead Banks, Central Bank of India has the highest CD ratio of 36.48 percent, as against 36.62 percent last year. Among the other nationalized banks, Syndicate Bank has the highest CD ratio of nearly 41 percent, down from nearly 45 percent in the previous year. So, it is required to more research on CD ratio to mobilize the fund smoothly for better performance of public sector banks.

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IOSR Journal of Business and Management (IOSR-JBM) is UGC approved Journal with Sl. No. 4481, Journal no. 46879.

Kumar Nayan "Bank Credit by Commercial Banks in India." *IOSR Journal of Business and Management (IOSR-JBM)* 20.4 (2018): 27-29.