

Regional Disparities of Commercial Banking Development in India

Dr. Sanjeet Singh

Assistant Professor, Department of Economics, Vallabh Govt. P.G College Mandi, Himachal Pradesh

Abstract: *This paper endeavours to analyse the extent and direction of regional disparities in Commercial banking development in India during the period since 1985 to 2005 to study the extent and direction of inter-state disparities in banking activities in India and to identify the backward states to banking development in India. The level of banking development in different states have been measured with the help of branch expansion, deposit mobilization and credit deployment based indicators, with the help of compound growth rate, co-efficient of variation and Herfindahl Index and the composite indices have been constructed with the help of z-sum technique. The findings of the study clearly show that there exists regional disparities in the development of commercial banking in India. Some states are highly banked with respect to selected indicators, whereas other states are low banked. The banking sector reforms have been successful in improving the health and efficiency of the banking industry in India, they have failed grossly in achieving the objective of growth with equity. In this context it is important to recognize that in the emerging global economic scenario there is no way out, but to expose the domestic public sector banks to competition. But privatization is no way is the ultimate panacea to infuse efficiency in public sector banks. In fact, it is important to keep in mind that excessive competition may create an unstable banking environment, while insufficient competition may breed inefficiency or reduce credit access for the needy borrowers.*

I. Introduction

Commercial banks are the kingpin of all economic activities. The growing importance of these banks is reflected in business, agricultural and industries in India. These banks are most important, both in terms of their strength and sweep, among the financial institutions. It is well recognized that the commercial banks are instrumental in shaping the economic destiny of a country. They are considered as the nerve centers of economics and finance of a nation and the barometer of its economic prospective (B.P. Sharma, 1974). Since the banks have stupendous investment potential, they can make a significant contribution in eradicating poverty and unemployment and can bring about a progressive reduction in inter-regional/state, inter-sectoral and inter personal disparities (H.L. Sharma, 2003).

Every country whether developed or developing, has economically advanced and backward regions. The developing countries like India face rising disparities in their economic development and these disparities have become the most serious problem in the level of their economic development and the variations in the rates of growth of different regions within the country. In the emerging economic environment, the economic disparities have become the impediments in the path of economic development in India. To reduce these disparities, the balanced regional development of banking sector is most compulsory. The main objective in the process of economic development is to reduce inter-personal disparities, but that target can not be achieved unless inter-regional disparities are reduced to the desired level. Keeping these fact in view, the present study seeks to evaluate the regional disparities in commercial banking development in India. The commercial banking system in India has three important components; public sector banks consisting of the state bank of India and its seven associate banks, 19 other banks principally owned by the government, private sector banks and the foreign banks. Besides co-operative banks and regional rural banks also perform commercial banking functions. The relative significance of private sector banks and foreign banks is on the ascent in the emerging new economic environment of liberalizing, privatization and globalization. Lots of studies have been conducted on various aspects of commercial banking in India. Some of studies are solely concerned with analyzing the inter-regional and inter-state disparities in the expansion of banking activities during the pre and post banking sectors reform period. Others also make an attempt to identify the factors responsible for the regional variations in banking development. Some of the important studies relating to the regional disparities in the commercial banking development in India have been reviewed in the present study. Sooden (1992), in her study of the extent of inter-state variation in the spread of commercial banking in India during 1975-87, concluded that though disparities with respect to most of the indicators narrowed down yet, the relative position of different states did not change much during the reference period. Vaish and Chhipa (1988), in their study of regional variations in the development of commercial banking in India during 1896-61, 1970-71, and 1980-81 measured the level of commercial banking development in terms of composite indices, constructed with the help of Modified Factor

Analysis (MFA), coefficient of variation and the impact of various factors on banking development was estimated with the help of multiple regression analysis. They concluded that per-capita state domestic product, urbanization, banking habits and non commercial banking development etc. were the major factor influence in the level of banking development. Krishan (1987), by using the Z-sum technique and Herfindhal Index (HI) to evaluate the performance of scheduled Commercial Banks in reducing the regional disparities in rural India, during 1975-85, concluded that though the rural disparities with respect to branch expansion, deposit mobilization and credit deployment came down during the reference period. Kannan (1987) studied the inter-state disparities in the development of banking in India, during 1969-84. He concluded that a substantial reduction in inter-state and regional disparities with respect to the growth of overall banking in the country. Sugayya (1979) evaluated the quantitative and qualitative aspects of the performance of scheduled commercial banks in Andhra Pradesh during 1972-76, and concluded that inspite of massive branch expansion, deposit mobilisation and credit disbursal, the performance of scheduled commercial banks in the state in reducing horizontal and vertical disparities remained unsatisfactory. Chippa and Sagar (1981), identified the factors responsible for the variations in the banking development in the eighteen major states of India. Literacy rate urbanization and infrastructural development emerged to be highly responsible for inter-state disparities in the spread of banking in the country. Panda and Sahu (1983), revealed that the commercial banks in India, during 1969-79, succeeded in reducing the regional disparities with respect, to disbursal of credit in the country. Sharma (2005) carried out an analysis to assess the growth of commercial banks in different population groups, during the pre and post financial sector reform period in India. He pointed out that where as, the banking sector reforms have been successful in improving the health and efficiency of banking industry in India, they have failed grossly in achieving the objective of growth with equity.

II. Objectives

The present study has been taken up for details verification with a view to achieve the following objectives:

- (i) to analyze the extent and direction of inter state disparities in banking activities in India during the reference period; and
- (ii) to identify the backward states with respect to banking in India.

III. Methodology

In the present study the extent and direction of regional disparities in commercial banking development in India during the year 1985, 1990, 1995, 2000 and 2005 has been analysed. The scope of the study is confined to scheduled commercial banks only. The main variables on the basis of which the extent and direction of regional disparities in commercial banking in India have been analysed are branch expansion, deposit mobilization and credit deployment.

The relative progress of commercial banks in different states and regions has been ascertained by calculating compound growth rates.

The value of compound growth rates have been calculated as follows:

$$g = \{(V_t/V_0)^{1/t} - 1\} 100$$

where;

g	= Compound growth rate
V _t	= Value of the variable during the year,
V ₀	= Value of variable during the base year, and
t	= Time

For measuring the magnitude and pattern of regional disparities with respect to a particular indicator, co-efficient of variation (CV) and Herfindhal Index (HI) have been used.

The value of co-efficient of variation (CV) has calculated as follows:

$$C.V = \frac{S}{X} 100$$

Where; CV = Coefficient of variation
S = Sample standard deviation and
X = Mean value of the variable

The value of HI has been computed as follows:

$$H.I = \frac{\sum_{j=1}^n X_j^2}{\left(\sum_{j=1}^n X_j\right)^2}$$

Where; HI = Herfindhal Index
 X_j = The value of the indicator in jth state.

The Z-sum technique has been used to make selected indicators comparable with each other. The standardized score have been calculated as follows:

$$Z_{ijt} = \frac{X_{ijt} - \bar{X}_{jt}}{S_{it}}$$

Where; Z_{ijt} = Standardised scored of the ith indicator for the jth state in the year t.
 X_{ijt} = Value of ith indicator for jth state in the year t.
 X_{it} = Arithmetic mean of ith indicator in the year t, and
 S_{it} = Standard deviation of ith indicator in the year t.

Finally, the composite index has been constructed by summing up the scores as follows:

$$Y_{jt} = \sum_{i=1}^n z_{ijt}$$

Where; Y_{jt} is the value of composite score of the jth state in year t.
 A rising trend in the value of Y_{jt} reveals a better performance of the respective state with respect to the banking development.
 Ultimately, all the states have been classified into four categories, viz. highly-banked, low-banked and very-low banked, on the basis of their composite scores.

IV. Results and Discussion

The performance of scheduled commercial banks in India has been analyzed with respect to the indicators based on branch expansion, deposit mobilization and credit deployment.

4.1 Population Served per Bank Branch in India

The geographical spread of commercial banks in India has been spectacular that the average population served per branch declined substantially. Table 1 clearly showed that population served per branch in India was 14,589 in 1985, which increased upto 16,486 in 2005, witnessing a increase of 0.418 per cent during the period under reference.

The population served per branch in India increased up during the reference period due to the high rate of growth of population on the one hand and closure of some branches in the wake of the banking sector reforms on the consideration of their viability. On the other hand, among the regions population served per branch stood highest in the North-Eastern region throughout the period under reference. On the contrary, in 1985 and 1990 the Northern region and in all other years under study the Southern region witnessed the lowest population served per bank branch. It is further clear from the table that in three regions, North-Eastern, Eastern and Central region the population served per branch stood higher than the national average, during all the year under study.

The state-wise analysis shows that population served per branch stood the lowest in Himachal Pradesh in 1985 and 1990, but during rest of the years this position was occupied by Goa. Beside these two states Punjab, Kerla and Karnatka also witnessed low population served per branch. On the other hand banks served the largest population per branch in Manipur throughout the period under reference (except 2000). In most of the year Assam, Bihar, Nagaland and Uttar Pradesh also witnessed high population served per branch.

The table further reveals that the population served per bank branch came down only in five states, in all other states it increased up during the period under study. The fastest rate of decline was witnessed by Sikkim (i.e. -1.431%) followed by Goa, Kerla, Himachal Pradesh and Assam. On the contrary, population served per bank branch increased up at the highest growth rate in Nagaland (i.e. 4.605%), followed by Mizoram (i.e. 2.594%), Arunachal Pradesh (i.e. 2.53%) and Jammu & Kashmir (i.e. 1.741%).

Table 1: Population Served Per Bank Branch In India

State/Region	1985	1990	1995	2000	2005	G.R(%)
NORTHERN	11738	11653	12175	12790	13749	0.794
Haryana	13013	12795	13316	13639	13954	0.35
Himachal	8550	7301	7173	7598	8113	-0.262
Jammu & Kashmir	9160	10087	10651	11857	12937	1.741
Punjab	9174	9339	9546	9375	9653	0.255
Rajasthan	14488	14197	15134	16440	18432	1.211
NORTH EASTERN	21644	18751	17663	19520	22013	0.085
Assam	23907	19527	19061	20730	23112	-0.169
Manipur	26452	26324	23182	26432	34000	1.263
Arunachal			13783	15522	17735	2.553
Meghalaya	11654	11979	10950	12409	13989	0.917
Mizoram			9671	11000	12494	2.594
Nagaland	13692	16768	20500	27043	33694	4.605
Tripura	16838	16943	15800	17186	18593	0.497
EASTERN	17926	17299	17402	18728	20646	0.709
Bihar	18475	18388	19072	21108	23802	1.275
Orissa	16574	15991	15415	16096	17179	0.179
Sikkim		13555	10833	11413	11000	-1.431
West Bengal	17941	16706	16556	17440	18956	0.276
CENTRAL	16336	16019	16874	18360	20356	1.106
Madhya Pradesh	15504	15092	15991	17435	19438	1.137
Uttar Pradesh	16757	16500	17325	18826	20809	1.089
WESTERN	13374	13328	13416	13892	15384	0.703
Goa			4450	4102	4204	-0.567
Gujarat	12261	12166	12497	13285	14810	0.949
Maharashtra	14075	14032	14389	14735	16300	0.737
SOUTHERN	12156	12176	11993	12010	12515	0.146
Andhra Pradesh	14187	14354	14244	14304	14790	0.208
Karnataka	10487	10439	10598	10724	11358	0.4
Kerala	10051	10167	9672	9510	9449	-0.308
Tamil Nadu	13143	12914	12525	12527	13373	0.087
ALL INDIA	14590	14348	13593	14829	16487	0.613
SD	4587	4104	4311	5364	6995	2.132
CV(%)	31.439	28.604	31.482	36.171	42.425	
HI (%)	5.21	4.9	4.381	4.502	4.691	

Sources:

- i) Relevant issues of Basic Statistical Returns, Reserve Bank of India, Publication, Bombay.
- ii) Population figures for the relevant years are based on census of India 1981, 1991 and 2001.

The inter-state disparities with respect to population served per branch widened further during the period under study. The value of co-efficient of variation, which was 31.45 per cent in 1985, came down to 28.60 per cent in 1990. After 1990 the value of coefficient of variation continuously increased up and ultimately reached at the level of 42.43 per cent in the year 2005.

4.2 Scheduled Commercial Bank Deposits per Branch in India

It is clear from the Table 2 that bank deposits per branch, which were just Rs. 129.66 lacs in 1985 rose to Rs. 2009.41lacs in 2005. Thus these deposits registered an annual compound growth rate of 14.687 per cent, per annum.

Region-wise analysis reveals that western region remained at the top in per branch deposits in India throughout the period under context. On the other hand, in North-Eastern region deposits per branch remained minimum in all the years under reference. The branch deposits of the commercial banks in India were highest in the western region (i.e. 15.306%) followed by the Southern region (i.e. 15.234%) whereas, Eastern region showed the lowest growth rate (i.e. 13.05%) in per branch deposits, followed by the Northern region (i.e. 13.957%).

The table further reveals that Maharashtra ranked the highest with respect to deposits per branch in all the years under study. It was followed by Goa during the period 1995-2005. Apart from these two states West Bengal, Punjab and Gujarat also registered high deposits per branch in most of the years under study.

On the other hand, Manipur in 1985 and 1995, Orissa in 1990 and Mizoram in rest of the years under study were placed at lower deposits with respect to deposits per branch. Besides these states Tripura and Rajasthan also registered low deposits per branch in most of the year under study.

Deposits per branch registered the highest growth rate in Manipur (i.e. 17.294%) followed by Tripura (i.e. 16.077%). On the contrary West Bengal showed the lowest growth rate (i.e. 11.699%) followed by Punjab (i.e. 12.656%), Sikkim (i.e. 12.989%) and Arunachal (i.e. 13.013%).

The value of coefficient of variation (CV) and Herfindahl Index (HI) reveals that the inter-state disparities with respect to per branch deposits declined over a period of time. The values of coefficient of variation (CV) and Herfindahl Index (HI) which were 53.647 and 6.067 per cent in 1985 came down to 49.616 and 4.945 per cent respectively in 2005.

Table 2: Deposits Per Branch in India (In Lacs.)

State/Region	1985	1990	1995	2000	2005	G.R(%)
NORTHERN	136.561	247.678	501.635	1045.309	1862.755	13.957
Haryana	140.887	273.568	547.915	1130.851	2211.751	14.761
Himachal	100.15	172.337	356.844	790.421	1535.419	14.625
Jammu & Kashmir	114.438	206.338	450.419	1041.804	2013.17	15.416
Punjab	225.142	406.752	782.693	1519.439	2440.775	12.656
Rajasthan	81.647	152.308	329.914	708.435	1271.185	14.713
NORTH EASTERN	97.561	168.707	314.794	683.318	1460.042	14.487
Assam	102.859	166.331	313.958	668.579	1464.049	14.2
Manipur	51.29	123.265	207.693	522.091	1246.154	17.294
Arunachal			468.188	778.913	1591.176	13.013
Meghalaya	99.764	189.41	363.494	775.044	1587.978	14.84
Mizoram			227.962	406.785	913.924	14.896
Nagaland	118.231	261.638	416.694	1099.529	1781.944	14.527
Tripura	70.022	145.911	264.254	695.973	1456.593	16.387
EASTERN	149.612	260.991	420.437	927.927	1739.27	13.05
Bihar	92.296	179.452	306.401	736.578	1351.842	14.363
Orissa	59.668	120.86	242.094	567.157	1176.753	16.077
Sikkim		367.103	350.071	1005.63	2292.727	12.989
West Bengal	268.032	422.641	639.075	1321.019	2450.011	11.699
CENTRAL	105.693	195.429	372.261	833.492	1595.502	14.536
Madhya Pradesh	82.368	153.501	298.084	677.08	1406.178	15.243
Uttar Pradesh	117.547	217.213	410.151	912.224	1688.926	14.254
WESTERN	272.841	486.856	1080.472	1954.717	4709.101	15.306
Goa			989.201	2018.071	3416.568	13.196
Gujarat	173.529	305.675	653.995	1294.938	2636.194	14.572
Maharashtra	335.31	596.626	1341.654	2334.237	5969.7	15.485
SOUTHERN	122.091	222.73	481.809	1019.627	2081.012	15.234
Andhra Pradesh	118.356	206.298	410.282	887.089	1826.924	14.664
Karnataka	108.719	194.418	435.539	948.567	2211.338	16.257
Kerala	125.89	230.084	553.064	1176.761	2017.206	14.878
Tamil Nadu	136.649	263.397	554.623	1124.642	2276.702	15.103
ALL INDIA	129.657	243.415	476.57	1005.674	2009.407	14.687
SD	69.557	116.239	256.634	444.71	996.99	
CV(%)	53.647	47.753	53.85	44.22	49.616	
HI (%)	6.067	5.535	5.114	4.751	4.945	

Source: Same as for Table 1

4.3 Scheduled Commercial Bank Credit per Branch in India

A close perusal of the data presented in Table 3 clearly indicates that credit per branch in India, which was to the tune of Rs. 78.83 lacs in 1985, increased to Rs. 1059.90 lacs in 2005. Thus credit per branch in India increased by more than 13 times showing a compound growth rate of 13.875 per cent per annum.

Among different regions Western region not only stood at the top with respect to credit per branch throughout the period under study but also showed the highest growth rate (i.e. 15.767%) in it. On the other hand North-Eastern region witnessed the lowest credit per branch in all the year under context. It also showed the lowest growth rate (i.e. 12.609%) in credit per branch.

Table 3: Credit Per Branch in India (Rs. Lacs.)

State/Region	1985	1990	1995	2000	2005	G.R(%)
NORTHERN	73.135	125.59	208.667	309.472	957.217	13.722
Haryana	96.23	167.396	249.56	478.983	1148.861	13.2
Himachal	41.584	66.475	92.667	187.761	553.191	13.814
Jammu & Kashmir	46.683	65.591	128.909	348.557	777.739	15.102
Punjab	102.641	185.036	323.894	598.268	1115.941	12.672
Rajasthan	55.062	94.712	157.216	330.886	877.113	14.844
NORTH EASTERN	49.647	90.042	111.939	191.733	508.434	12.336
Assam	53.855	92.343	121.448	213.869	503.563	11.826
Manipur	36.839	86.191	120.864	195.5	510.256	14.044

Arunachal			58.217	122.116	388.235	20.894
Meghalaya	27.803	46.674	61.9	126.309	719.126	17.662
Mizoram			37.582	94.62	465.823	28.625
Nagaland	44.354	111.435	157.681	168.643	408.333	11.739
Tripura	49.272	105.323	125.611	178.858	431.868	11.465
EASTERN	75.003	137.238	198.292	344.217	806.352	12.609
Bihar	36.736	71.843	99.586	165.401	390.624	12.547
Orissa	51.762	98.295	131.975	235.545	731.848	14.162
Sikkim		103.897	84.143	151.783	663.636	13.159
West Bengal	134.938	231.926	344.352	600.806	1312.525	12.047
CENTRAL	52.978	103.189	145.225	282.385	646.938	13.328
Madhya Pradesh	49.7455	105.31	147.709	332.392	745.035	14.491
Uttar Pradesh	54.621	102.087	143.956	257.214	598.53	12.716
WESTERN	211.541	366.785	683.909	1477.558	3954.207	15.767
Goa			244.32	480.536	861.538	13.431
Gujarat	94.431	187.278	304.879	634.507	1231.93	13.703
Maharashtra	285.205	475.54	932.78	2016.617	5682.948	16.137
SOUTHERN	99.885	195.307	335.578	677.726	1622.318	14.956
Andhra Pradesh	91.388	179.784	299.386	569.822	1371.908	14.504
Karnataka	94.157	176.869	286.437	600.814	1639.167	15.356
Kerala	79.954	147.221	247.833	488.695	1126.567	14.142
Tamil Nadu	128.246	291.936	480.414	996.39	2241.127	15.378
ALL INDIA	78.834	145.144	215.333	422.996	1059.897	13.875
SD	56.419	95.31	184.695	399.254	1062.508	
CV(%)	71.567	65.666	85.772	94.387	100.246	
HI (%)	7.085	6.416	6.825	7.421	7.859	

Source: Same as for Table 1

The table further elaborates that commercial banks deployed the highest credit per branch in Maharashtra throughout the period under reference. It was followed by West Bengal in the year 1985. But during the later period Tamil Nadu occupied this position. Apart from these states Punjab and Gujarat also registered high credit per branch in most of the years under study. On the other hand, Meghalaya in 1985 and 1990, Mizoram in 1995 and 2000 and Arunachal Pradesh in 2005 remained at the bottom with respect to credit per branch. Besides these states Manipur, Himachal Pradesh and Bihar also witnessed low credit per branch in most of the years under reference.

Credit per branch registered the highest growth rate in Mizoram (i.e. 28.625%) followed by Arunachal Pradesh (i.e. 20.894%), Meghalaya (i.e. 17.662%) and Maharashtra (i.e. 16.137%). In contrast to it, Tripura (i.e. 11.465%) witnessed the lowest growth rate in credit per branch, followed by Nagaland (i.e. 1.739%), Assam (i.e. 11.826%) and West Bengal (i.e. 12.047%).

The value of coefficient of variation (C.V) and Herfindahl Index (H.I) revealed that the inter-state disparities with respect to this increased over a period of time. The value of coefficient of variation (CV) and Herfindahl Index (HI) which were 71.567 and 7.085 per cent in 1985, increased up to 100.246 and 7.859 per cent in 2005.

4.4 Credit Deposit Ratio

One more important indicator of the growth of banking in a particular state/area is the credit deposit ratio (H.L. Sharma, 1993). This ratio shows that how much of the resources mobilized in a particular area are being utilized for deployment of credit in the same area. The credit deposit ratio is closely related with the economic activity prevailing in an area (C. Rangarajan, 1982). Generally, economic activity and credit-deposit ratio move in the same direction. That is why; the credit deposit ratio is usually high in developing regions/states (H.L. Sharma, 1993).

A synoptic view of state/region wise credit deposit ratio in India has been shown in Table 4. The Table clearly shows that the credit deposit ratio in India, which was 60.38 per cent in 1985, witnessed a declining trend during the later period and reached at the lowest level of 38.80 per cent in the year 2000. But it improved and reached at the level of 48.87 per cent in 2005. Thus the average credit deposit ratio in India declined at a rate of 1.052 per cent during 1985-2005.

Table 4: Credit Deposit Ratio in India (% age)

State/Region	1985	1990	1995	2000	2005	G.R(%)
NORTHERN	53.555	50.707	41.597	29.606	51.387	-0.206
Haryana	68.303	61.19	45.547	42.356	51.944	-1.36
Himachal	41.521	38.573	25.969	23.755	36.029	-0.707
Jammu & Kashmir	40.793	31.788	28.62	33.457	38.633	-0.272
Punjab	45.589	45.491	41.382	39.374	45.721	0.014
Rajasthan	67.438	62.184	47.654	46.704	68.1	0.049

NORTH EASTERN	50.888	53.372	35.56	28.059	34.823	-1.879
Assam	52.358	55.518	38.683	31.989	34.395	-2.079
Manipur	71.824	69.924	58.193	37.446	40.947	-2.771
Arunachal			12.435	15.678	24.399	6.973
Meghalaya	27.869	24.642	17.029	16.297	45.286	2.457
Mizoram			16.486	23.261	50.97	11.949
Nagaland	37.515	42.591	37.841	15.338	22.915	-2.435
Tripura	70.366	72.183	47.534	25.699	29.649	-4.229
EASTERN	50.132	52.584	47.163	37.095	46.361	-0.39
Bihar	39.802	40.035	32.502	22.455	28.896	-1.588
Orissa	86.748	81.33	54.514	41.531	62.192	-1.65
Sikkim		28.302	24.036	15.093	28.945	0.15
West Bengal	50.344	54.875	53.883	45.48	53.572	0.311
CENTRAL	50.125	52.801	39.012	33.88	40.548	-1.055
Madhya Pradesh	60.395	68.606	49.553	49.092	52.983	-0.653
Uttar Pradesh	46.468	46.998	35.098	28.196	35.438	-1.346
WESTERN	77.533	75.337	63.297	75.589	83.969	0.4
Goa			24.699	23.812	25.216	0.207
Gujarat	54.418	61.267	46.618	48.999	46.731	-0.759
Maharashtra	85.057	79.705	69.525	86.393	95.197	0.565
SOUTHERN	81.811	87.688	69.65	66.468	77.958	-0.241
Andhra Pradesh	77.215	87.148	72.971	64.235	75.094	-0.139
Karnataka	86.606	90.974	65.766	63.339	74.126	-0.775
Kerala	63.511	63.986	44.811	41.529	55.848	-0.641
Tamil Nadu	93.851	99.445	86.62	88.596	98.437	0.239
ALL INDIA	60.381	59.398	43.119	38.804	48.867	-1.052
SD	18.847	20.782	18.637	20.22	20.741	
CV(%)	31.213	34.988	43.222	52.108	42.444	
HI (%)	5.204	5.077	4.717	5.043	4.692	

Source: Computed from Table 2 and 3

Region-wise analysis revealed that Southern region witnessed the highest credit deposit ratio. But Western region enjoyed credit deposit ratio during the years 2000 and 2005. The credit deposit ratio always stood more than 75 per cent in Western region (except 1995) and more than 66 per cent in Southern region. On the other hand, in the North-Eastern region the credit deposit ratio which was nearly 50 per cent during 1985, declined to the lowest level of 28 per cent in 2000, but improved to 34.40 per cent in 2005.

The credit deposit ratio witnessed a marginal increase of 0.4 per cent per annum in western region. In all other regions it witnessed a negative growth rate during the period under context.

It is further evident from Table 4 that Tamil Nadu witnessed the highest credit deposit ratio in all the years under study. This ratio always stood more than 86 per cent in Tamil Nadu. Apart from this Maharashtra, Andhra Pradesh and Karnataka also witnessed more than 63 per cent credit deposit ratio stood less than 30 per cent in Arunachal Pradesh, Sikkim and Goa in all the years under context. Besides this the national target of 60 per cent credit deposit ratio could never be achieved in 12 states, which speaks volume about transferring of funds from these states to other parts of the country.

The credit deposit ratio witnessed a positive growth rate only in ten states during period under study. It went up at the highest rate in Mizoram (i.e. 6.973%) and Meghalaya (i.e. 2.457%). On the other hand it registered the fastest decline in Tripura (i.e. -4.229%) followed by Manipur (i.e. -2.771%), Nagaland (i.e. -2.436%) and Assam (i.e. -2.079%).

In 1985 there were 11 states which witnessed more than 60 per cent credit deposit ratio. But the number of these states narrowed down to 5 in 2005, which shows the concentration of credit deposit ratio in some selected states of the country. This fact is further divulged from the value of coefficient of variation (CV). This value was 31 per cent in 1985 but it increased to 42.4 per cent in 2005.

4.5 Composite Index of Overall Banking Development

The composite indices reflecting the state wise level of overall banking development in India have been present in Table 5. It is clear from the table that the composite indices placed Maharashtra at the top in 1985 and 1990, it came down to second position in 1995 and 2000, but again succeeded to capture the first position in 2005. Similarly, Goa which stood at the top in 1995 and 2000, slid down to second position in 2005. Apart from these two states, Kerala, Punjab and Tamil Nadu also ranked high with respect to the overall index of banking development in most of the years Maharashtra stood at the top mainly on account of better performance with respect to deposit and credit based indicators. But Goa managed to occupy high rank because of better performance with respect to branches and deposit based indicators. On the contrary, Manipur, Tripura, Meghalaya and Assam ranked very low with respect to overall index of banking development almost in all years under study. These states ranked low because of poor performance with respect to almost all the indicator.

Table 5: Composite Indices of Overall Banking Development

Year State	1985		1990		1995		2000		2005	
	Index	Rank	Index	Rank	Index	Rank	Index	Rank	Index	Rank
Haryana	2.688	7	2.589	7	0.989	9	1.276	9	1.652	8
Himachal	-1.92	10	-1.134	10	-2.289	11	-2.259	11	-1.923	11
J&K	-2.63	11	-4.539	15	-3.802	13	-2.756	12	-3.348	13
Punjab	11.29	2	10.931	2	7.225	5	7.394	5	5.199	5
Rajasthan	-4.27	14	-4.85	17	-3.945	14	-3.732	14	-3.365	15
Assam	-5.96	19	-5.76	20	-4.953	19	-5.156	20	-5.426	22
Manipur	-8.09	21	-8.028	22	-5.803	23	-6.682	21	-6.88	24
Arunachal					-6.49	24	-6.596	25	-6.558	23
Meghalaya	-6.03	20	-6.449	21	-5.532	22	-5.434	22	-3.694	17
Mizoram					-6.575	25	-6.43	24	-5.016	19
Nagaland	-5.54	18	-5.12	18	-5.218	21	-6.301	23	-7.154	25
Tripura	-4.76	15	-4.362	13	-4.155	16	-5.08	19	-5.264	21
Bihar	-5.32	17	-5.176	19	-4.619	18	-4.703	18	-5.143	20
Orissa	-4.23	13	-4.543	16	-4.056	15	-4.506	17	-3.54	16
Sikkim			-2.983	12	-5.087	20	-4.443	16	-2.59	12
W.B	8.539	3	8.474	4	4.775	7	4.075	6	3.086	7
M.P	-5.11	16	-4.494	14	-4.196	17	-3.81	15	-4.25	18
U.P	-2.81	12	-2.668	11	-2.92	12	-2.906	13	-3.355	14
Goa					18.086	1	20.778	1	17.65	2
Gujarat	1.87	8	2.365	8	1.395	8	1.626	8	0.107	10
Maharashtra	15.9	1	15.037	1	14.243	2	14.945	2	18.32	1
Andhra	-0.06	9	0.255	9	0.566	10	0.286	10	0.51	9
Karnataka	3.337	6	3.261	6	5.772	6	2.521	7	3.729	6
Kerala	6.643	4	9.273	3	9.016	3	9.9	3	9.879	3
T.N.	6.471	5	8.009	5	7.574	4	7.991	4	7.378	4

Source: Computed from Table 1, 2, 3 & 4.

4.6 Classification of the States

The classification of the different states on the basis of their level of overall banking development shown in Table 6 reveals that Maharashtra figured in the group of highly banked states throughout the period under study. Besides Goa also figured in this category of highly banked states during 1985 and 1990 slid down to the category of moderately banked states during 1995 and 2000. Due to poor performance with respect to the credit based indicator it still came down to the category of low banked states in 2005. Kerla also succeeded to occupy a place in the group of highly banked states in 1990, but in rest of the years it remained in the category of moderately banked states. Himachal Pradesh inspite of better performance with respect to the branch based indicator slid down from the category of low banked states (during the first two years under study) to the category of very low banked states.

Table 6: Classification of States on the Basis of Overall Banking Development in India

Year Category	1985	1990	1995	2000	2005
Highly Banked	Punjab, Maharashtra	Punjab, Maharashtra, Kerela	Goa, Maharashtra	Goa, Maharashtra	Goa, Maharashtra
Moderately Banked	W.B., Kerla, T.N	W.B., T.N	Pb., Karnataka, Kerela, T.N	Pb., Kerela, T.N.	Kerela, T.N.
Low Banked	Haryana, Gujarat, H.P., Andhra, Karnataka	Haryana, Gujarat, H.P., Andhra, Karnataka	Haryana, W.B., Gujarat, Andhra	Haryana, W.B., Gujarat, Andhra, Karnataka	Haryana, Pb. W.B., Gujarat, Andhra, Karnataka
Very Low Banked	J&K, Rajasthan, Assam, Manipur, Meghalaya, Nagaland, Tripura, Bihar, Orissa, M.P., U.P.	J&K, Rajasthan, Assam, Manipur, Meghalaya, Nagaland, Tripura, Bihar, Orissa, M.P., U.P., Sikkim	H.P., J&K, Rajasthan, Assam, Manipur, Arunachal Pradesh, Meghalaya, Mizoram, Nagaland, Tripura, Bihar, Orissa, Sikkim, M.P., U.P	H.P., J&K, Rajasthan, Assam, Manipur, Arunachal Pradesh, Meghalaya, Mizoram, Nagaland, Tripura, Bihar, Orissa, Sikkim, M.P., U.P	H.P., J&K, Rajasthan, Assam, Manipur, Arunachal Pradesh, Meghalaya, Mizoram, Nagaland, Tripura, Bihar, Orissa, Sikkim, M.P., U.P

Source: Computed on the basis of Table 5.

It is quite evident that Jammu & Kashmir, Rajasthan, Bihar, Orissa, Sikkim, Madhya Pradesh, Uttar Pradesh and all the North-Eastern states continued to figure in the category of very low banked states during all the years under study. They stood in this category due to poor performance with respect to almost all the indicators.

Thus the states with sound tourism, agricultural and industrial based ranked high with respect to the overall banking development. Though, the low ranked states succeeded to witness comparatively higher growth rate yet they failed to come at par with the development states.

V. Conclusion

Thus it can be concluded from the present study that in most of the cases the difference between low ranked and high ranked states widened further over a period of time. As a result the inter state disparities with respect to all the indicators went up in 2005 as compared to 1985. The variations stood at a high and alarming level with respect to banking indicators in relation to area as compared to population based banking indicators.

On the basis of composite indices of banking development Maharashtra emerged to be highly banked state in all the years under study. Besides this, Goa also occupied a place in the category of highly banked states during 1985 and 1990. but, due to poor performance with respect to credit based indicators it slid down to the category of low banked states in 2005. On the other hand, Jammu and Kashmir, Rajasthan, Bihar, Orissa, Sikkim, Madhya Pradesh, Uttar Pradesh and all the North Eastern States emerged to be very low banked in all the years under study, they stood in this category due to poor performance with respect to almost all the indicators.

The banking sector reforms have been successful in improving the health and efficiency of the banking industry in India, they have failed grossly in achieving the objective of growth with equity. In this context it is important to recognize that in the emerging global economic scenario there is no way out, but to expose the domestic public sector banks to competition. But privatization in no way is the ultimate panacea to influence efficiency in public sector banks. In fact, it is important to keep in mind that excessive competition may create an unstable banking environment, while insufficient competition may breed inefficiency or reduce credit access for the needy borrowers.

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