

NABARD Research and Policy Series No. 12/2023





Trends and Behavioural Patterns of Credit-Deposit Ratios of Scheduled Commercial Banks

J Dennis Rajakumar







ग्रामीण समृद्धि के लिए राष्ट्रीय विकास बैंक

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अनुसूचित वाणिज्य बैंकों के ऋण-जमा अनुपात के रुझान और व्यावहारिक पैटर्न Trends and Behavioural Patterns of Credit-Deposit Ratios of Scheduled Commercial Banks

> जे डेनिस राजकुमार J Dennis Rajakumar



आर्थिक विश्लेषण और अनुसंधान विभाग Department of Economic Analysis and Research राष्ट्रीय कृषि और ग्रामीण विकास बैंक, मुंबई National Bank for Agriculture and Rural Development, Mumbai

Trends and Behavioural Patterns of Credit-Deposit Ratios of Scheduled Commercial Banks

National Bank for Agriculture and Rural Development

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पेपर में उद्धृत तथ्यों और व्यक्त विचारों के लिए राष्ट्रीय बैंक ज़िम्मेदार नहीं है। The National Bank is not responsible for the facts cited and views expressed in the paper.

Chairman's Message



Academic research plays a crucial role in the policy formulation process. Studies and analyses carried out by researchers provide evidence based recommendations for addressing issues that are currently being faced by the target community. However, it is often seen that topics of research are confined to certain aspect of an issue, thereby limiting its scope for policy recommendations. Further, the research reports available may often be very technical and hence less communicative to the policymakers. To overcome the above

limitations, NABARD initiated one of its kind series titled "Research and Policy" to commission review papers that may help collate all the research findings on a given theme in a capsule form.

Under this series, eminent research scholars in different fields of agriculture research have been requested to document research in their own field highlighting various issues with policy relevance, prescriptions and suggestions for future research.

The present paper on "Trends and Behavioural Patterns of Credit-Deposit Ratios" is written by Dr. J. Dennis Rajakumar, an authority on the subject. I hope that the paper will be beneficial to researchers, policymakers and bankers to solve the emerging challenges at the ground level.

My best wishes to the authors of the Research and Policy Series and the Department of Economic Analysis and Research (DEAR) of NABARD for initiating such a utilitarian and one of its kind series.

Shaji K. V.

Foreword



There is a vast body of research available on topics related to agriculture and rural development in the academic world. But, most of it is in the technical realm and not in a form which could feed into the policy. Research must first lead to better understanding of a subject and then into a robust policy, wherever it can, so that it touches the multitude of Indians across the length and breadth of our country through better public policy and efficient services. Discussion with my colleagues on this issue lead to this new series "Research & Policy". We wish that

this series will provide the breadth and depth of research into an area topped up by a lucid presentation for the policymakers.

I am happy to present the twelfth publication in this series on "Trends and Behavioural Patterns of Credit-Deposit Ratios" written by Dr. J. Dennis Rajakumar.

I wish this new series acts as a bridge between the researchers and policymakers.

P. V. S. Suryakumar

Deputy Managing Director

Preface



Indian agriculture showed impressive resilience during the pandemic times and became the primary driver of economic growth. Even though the sector was able to withstand the Covid-19 shock, there are still a number of structural problems that must be addressed if it is to continue to support sustainably the majority of the population that depends on it. In search of solutions to address various issues and constraints amidst uncertainties and climate change, agricultural research is what comes to my mind as one of the most powerful tools

to eradicate extreme poverty, ensure food secure future and create agriculture as a sustainable livelihood. Under the guidance of Shri P. V. S. Suryakumar, DMD and with the motivation to address the emerging/current challenges facing Indian agriculture through research and effective policy interventions, the Department of Economic Analysis and Research (DEAR), an in-house research wing of NABARD, initiated the Research and Policy Series.

This series gives us a glimpse of research findings on topical themes in a capsule form thereby making it more effective and communicative to policy planners. This also distinguishes itself from opinionated articles and research available on the concerned topics of interest. For making these series a success, we approached eminent researchers in the field of agriculture and agricultural economics, as our purpose was to get researcher's heart and their experience which they gained during their long passionate innings on paper highlighting various issues, policy relevance, prescription and suggestion for future papers on the themes of interest to NABARD.

The credit-deposit (CD) ratio, as a critical indicator of banks' health, helps in determining the financial stability of the sector. It is also a significant factor in determining the flow of credit from banks to various sectors. The current paper titled "Trends and Behavioural Patterns of Credit-Deposit Ratios of Scheduled Commercial Banks", written by Dr. J. Dennis Rajakumar, Director, Economic and Political Weekly Research Foundation (EPWRF), Mumbai, analyses the changes in trends and patterns of scheduled commercial banks' credit-deposit (CD) ratios across population groups, bank groups, regions, states, and districts and also examines the flow of bank credit

to various sectors. The paper puts emphasis on the need for stepping up deposit mobilisation and channelising more credit to the producing sectors. While analysing the CD ratio in the post-reform and the consequent portfolio reshuffling by banks in favour of government securities and holding a larger balance with RBI whenever the credit offtake remained low, the paper urges banks to become more competitive in relation to other institutions so that their intermediation role does not get diminished. The paper outlines a few policy suggestions to enhance the CD ratio both at agency and regulatory levels.

In bringing this series as planned, we would like to express our sincere gratitude to Shri. Shaji K. V., Chairman, NABARD for his unstinted support and guidance. We wish to express our sincere thanks to Shri P. V. S. Suryakumar, DMD, for being the inspiration and the driving force behind the publication. We are grateful to the author of this series who agreed to write on this theme in such a short period of time.

I also acknowledge the contribution of officers of DEAR, NABARD especially Dr. Vinod Kumar, GM; Dr. Ashutosh Kumar, DGM; Mrs. Geeta Acharya; Ms Neha Gupta, Managers, Shri Vinay Jadhav, Assistant Manager, and others who coordinated with the authors and the editor to bring out the series as envisaged. Thanks are due to EPWRF and team for their contribution in copy editing and bringing uniformity to the document.

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I am very thankful to Dr. S L Shetty for the comments on an earlier draft. My special thanks to Dr. Pyarelal Raghavan for the useful discussion I had with him, and also to Mr. Prashant V P, Mr. Bipin K. Deokar, Ms. Vijayata B. Sawant, Mr. Pravin Jadhav and Ms. Rema K. Nair for their help.

J. Dennis Rajakumar

Director EPW Research Foundation Mumbai

Contents

	Chairman's Message Foreword Preface Acknowledgement List of Tables List of Figures Abbreviations Executive Summary	i iii v vii xi xv xvii xvii xix
1	Introduction	1
	1.1 Centrality of Commercial Banks in the Indian Financial System	1
	1.2 Three Distinct Phases of Banking Development since the Early 1950s	3
	1.3 Objectives of the Study	5
	1.4 Data Sources	6
2	Understanding Credit-Deposit Ratio	9
3	Credit-Deposit Ratio: At the All-India Level	13
	3.1 Credit and Deposit Intensities	18
	3.2 Credit-Deposit Ratio and Instruments of Monetary Policy	21
4	Credit-Deposit Ratio by Population Group	30
•	4.1 Population Group-wise Percentage Distribution of	31
	Bank Offices. Deposits and Credit	0
	4.2 Trends in Credit-Deposit Ratio by Population Group	34
5	Credit-Deposit Ratio by Bank Group	38
6	Credit-Deposit Ratio by Region	42
	6.1 Region-wise Distribution of Bank Deposits and Credit	42
	6.2 Credit-Deposit Ratio by Region	46

(Contd....)

Contents (Concluded)

7	Credit-Deposit Ratio at the State Level		
	7.1 Relative Share of States in GSDP, Bank Deposits and Cred	it 50	
	7.2 Credit-Deposit Ratio by State	61	
	7.3 Credit-Deposit Ratio with Inclusion of RIDF	71	
	7.4 Credit-Deposit Ratio and Deposit Intensity of States	77	
8.	Credit-Deposit Ratio at the District Level	83	
	8.1 Credit-Deposit Ratios of Districts in Comparison With	87	
	All-India and Respective State Averages		
	8.2 Credit-Deposit Ratio at the District Level: An Assessment	93	
	of Policy Intervention of 2005		
	8.3 Credit-Deposit Ratio, Per Capita Income and Deposit	101	
	Intensity of Districts		
	8.4 Share of Top and Bottom Districts in Bank Deposits, Cred	it 113	
	and District Domestic Product and Credit-Deposit Ratio		
9.	Conclusions and Some Policy Suggestions		
	9.1 Some Policy Suggestions	121	
	Appendix Tables	138	
	References		

List of Tables

No.	Title	Page
1	Bank Credit, Investment and Balance with RBI as Percentage of Bank Deposits	14
2	A Comparison of Credit-Deposit Ratio Based on Data from Three Sources of Banking Statistics	17
3	Bank Deposits, Credit, Investment and Balance with RBI of SCBs as Percentage of Gross Domestic Product at Current Market Prices	19
4	Growth Rate of Bank Deposits and Bank Credit and Nominal GDP, and CD Ratio	21
5	Trends in Monetary Rates and Credit-Deposit Ratio (In %)	23
6	Ownership Pattern of Deposits of Scheduled Commercial Banks (In %)	26
7	Occupation-wise Distribution of Amount of Credit Outstanding (In %)	28
8	Institutional Category-wise Distribution of Amount of Outstanding Credit of Scheduled Commercial Banks (In %)	29
9	Population Group-wise Distribution of Bank Offices (In %)	31
10	Population Group-wise Distribution of Number of Deposit Accounts and Amount of Bank Deposits (In %)	32
11	Population Group-Wise Distribution of Number of Credit Accounts and Amount of Credit Outstanding (In %)	33

List of Tables (Cond....)

12	Population Group-wise Credit-Deposit Ratio As Per Place of Sanction (In %)	35
13	Population Group-wise Credit-Deposit Ratio As Per Place of Sanction and Utilisation (In %)	37
14	Population Group-wise Credit-Deposit Ratio excluding Food Procurement Credit (In %)	38
15	Bank Group-wise Distribution of Amount of Deposits and Credit Outstanding (In %)	39
16	Bank Group-wise Credit-Deposit Ratio (In %)	41
17	Region-wise Distribution of Number of Accounts and Amount of Deposit (In %)	43
18	Region-wise Distribution of Number of Accounts and Amount of Credit As Per Sanction and As Per Utilisation (In %)	44
19	Region-wise Credit-Deposit Ratio As Per Place of Sanction and Utilisation (In %)	47
20	State-wise Average Per Capita for the Period 2016-17 to 2018-19 (In Rs)	51
21	State-wise Distribution of Gross State Domestic Product (In %)	52
22	State-wise Distribution of Bank Deposits (In %)	54
23	State-wise Distribution of Credit As Per Place of Sanction (In %)	56

List of Tables (Cond....)

24	State-wise Distribution of Credit As Per Place of Utilisation (In %)	59
25	Correlation Coefficient Between Relative Shares of States in Credit, Deposit and GSDP, and Credit-Deposit Ratio	61
26	State-wise Credit-Deposit Ratio As Per Place of Saction (In %)	62
27	State-wise Distribution of Period Average of Credit-Deposit Ratio As Per Place of Sanction (In %)	64
28	State-wise Credit-Deposit Ratio As Per Place of Utilisation (In %)	67
29	State-wise Distribution of Period Average of Credit-Deposit Ratio As Per Place of Utilisation (In %)	69
30	State-wise Distribution of 'Amount of Credit As Per Place of Sanction Plus RIDF Sanctioned' (In %)	72
31	State-wise Distribution of 'Amount of Credit As Per Place of Utilisation Plus RIDF Disbursed' (In %)	73
32	Correlation Coefficient Between Relative Shares of States in Amount of 'Credit Plus RIDF', Deposit and GSDP, and Credit-Deposit Ratio	74
33	State-wise 'Credit As Per Place of Sanction Plus RIDF Sanctioned' to Deposit Ratio (In %)	75
34	State-wise 'Credit As Per Place of Utilisation Plus RIDF Disbursed' to Deposit Ratio (In %)	78
35	State-wise Bank Deposits as Percentage to their Respective Gross State Domestic Product (In %)	80

List of Tables (Concluded)

36	State-wise Distribution of Number of Districts Having Credit-Deposit Ratio Higher Than Respective State's and All-India Average	88
37	State-wise Distribution of Number of Districts with Credit-Deposit Ratio (CDR) of Less Than 60%	95
38	State-wise Distribution of Number of Districts Having Deposit Intensity (DI), Credit-Deposit Ratio (CDR) and Per Capita Income (PCI) Greater Than All Districts/ All-India, 2005 and 2019	102
39	Share of Top and Bottom Districts in Bank Deposits and Credit, and Their Credit-Deposit Ratio	112
40	Top and Bottom Districts' Share in Bank Deposits, Credit and District Domestic Product (DDP), and Deposit Intensity (DI) and Credit-Deposit Ratio (CDR) in 2004-05 and 2018-19 (In %)	114
A-1	Bank Credit, Investments and Cash Balances as Percentage of Bank Deposits, 1951-2022	138
A-2	Population Group-wise Credit-Deposit Ratio As Per Place of Sanction, 1973 to 2021 (In %)	140
A-3	Bank Group-wise Credit-Deposit Ratio, 1973 to 2021 (In %)	142
A-4	Region-wise Credit-Deposit Ratio As Per Place of Sanction, 1973-2021 (In %)	144
A-5	Region-wise Credit-Deposit Ratio As Per Place of Utilisation, 1973-2021 (In %)	146

List of Figures

No.	Title	Page
1	Aggregate Credit, Investment in Government Securities and Balances with RBI as Percentage of Aggregate Deposits of Scheduled Commercial Banks	15
2	Credit-Deposit Ratio of Select Countries	16
3	Credit-Deposit Ratio : A Comparison Based on Three Sources of Data	18
4	Bank Deposits, Credit, Investment in Government Securities and Balances with RBI of Scheduled Commercial Banks as Percentage of GDP at Current Market Prices	20
5	Reserve Requirements, Credit-Deposit Ratio and SCBs Investment in Government Securities to Deposit Ratio	25

Abbreviations

AAPs	Annual Action Plans
AIDIS	The All-India Debt and Investment Survey
BR	Bank Rate
BPLR	Benchmark Prime Lending Rate
BSR	Basic Statistical Returns
CAGR	Compound Annual Growth Rate
CBS	Core Banking Solution
CDR	Credit-Deposit Ratio
CPI	Consumer Price Index
CRR	Cash Reserve Ratio
CV	Coefficient of Variations
DCC	District Consultative Committee
DCPs	District Credit Plans
DDP	District Domestic Product
DEAR	Department of Economic Analysis and Research
DLCC	District Level Consultative Committee
DTL	Demand and Time Liabilities
FCI	Food Corporation of India
GDP	Gross Domestic Product
GDVA	Gross District Value Added

(Contd....)

Abbreviations (Concluded)

GSDP	Gross State Domestic Product
HUFs	Hindu Undivided Families
LBS	Lead Bank Scheme
NABARD	National Bank for Agriculture and Rural Development
NBFCs	Non-Banking Financial Companies
NDDP	Net District Domestic Product
NDP	Net Domestic Product
PCI	Per Capita Income
PLR	Prime Lending Rates
RBI	Reserve Bank of India
RIDF	Rural Infrastructure Development Fund
RRBs	Regional Rural Banks
SAA	Service Area Approach
SBI	State Bank of India
SCBs	Scheduled Commercial Banks
SLR	Statutory Liquidity Ratio
у-о-у	year-on-year

Executive Summary

The financial system in India has evolved over the years with the active intervention and participation of the government. The choice of policies aimed at fostering an efficient financial system has also been changing from one stage of the system's development to another. An important segment that has benefited from the active participation of the government in the financial system is the institution of commercial banks. The progress of commercial banking in the country has been shaped by policies governing their deposit mobilisation as well as credit disposition. Public ownership of banks began with State Bank of India Act 1956, and the nationalisation of 14 major commercial banks in 1969 and another 6 banks in 1980. Over the years, the public sector banks reached the commanding heights of the banking system, and also in the financial sector as a whole.

Since the early 1990s, the reform measures, covering the entire architecture of financial system, have given rise to the emergence of new institutions and instruments, besides diluting public ownership of banks, facilitating entry of new private banks and easing of norms for foreign investments in several segments of the financial system. The relative importance of commercial banks has been dwindling since then with other deposit-taking institutions, insurance and investment institutions gaining ground, accompanied by the changing preferences of depositors for other forms of savings like insurance, equity shares and pension funds. This has reflected in the falling proportionate share of household's savings in bank deposits in their gross financial savings, as well as of commercial banks assets in the total assets of the financial system. Nonetheless, commercial banks continue to remain the lynch-pin of the financial system so much so that their intermediation role stands undiminished. It is in this background that the present study has been carried out to analyse the behaviour of the credit-deposit (CD) ratios of the scheduled commercial banks, by examining changes in their trends and patterns across population groups, bank groups, regions, states, and districts. While doing so, the study has also attempted to examine the flow of bank credit to the various sectors.

The CD ratio depends upon the amount of credit and deposits. Bank credit depends upon a host of factors influencing the demand for credit, which may be specific to a region or sector, and supply of credit, which may be driven by policies govern-

ing the resource base and direction of credit flows and the development of banking in a region. These factors change from time to time; for instance, during the 1970s and 1980s, the government control over the banking system has led to an increase in deposit mobilisation as well as a directed credit programme so as to ensure flow of credit in the desired lines as per the social policy pursued then. For about one and a half decades since the introduction of reform measures in the early 1990s, the commercial banks continued to meet several prudential requirements, and this made them to shy away from providing credit, resulting in reduced CD ratio in this period compared to the previous decades. Since 2005-06, there has been an upward trend in the CD ratio – till 2013-14, there was a credit boom led by an increased growth in industrial credit, and the period thereafter had witnessed reversal in credit growth with the deceleration in industrial credit growth but with an acceleration of personal loans growth, mostly in the form of housing loans. The average CD ratio for the period 2006-2022 remained over 75% with a little fluctuation in some years. An interesting feature noticed, particularly since 2011-12, is that both deposits and bank credit as percentage of GDP remained nearly flat, suggesting that the growth in bank credit kept pace with deposit growth. The CD ratio has ruled high in the recent decade, when

economic growth has slowed down. In relation to deposit mobilisation, provision of bank credit has improved; but it is important to note that the deposit base itself has contracted in recent years. There is thus a need for stepping up deposit mobilisation and channelising more credit to the producing sectors.

The CD ratio has moved in the opposite direction of commercial banks' investments in government securities and the amount of balance with RBI as percentage of deposits. This is particularly so in the post-reform period when their credit deployment was expected to be market driven. Till 2003-04, such behaviour of banks may be attributed to their efforts made towards meeting the prudential requirements of capital adequacy and so on. Since then, the portfolio reshuffling of SCBs in favour of government securities and holding a larger balance with RBI was taking place whenever the credit offtake remained low. This marks the need for banks to become more competitive in relation to other institutions so that their intermediation role does not get diminished.

.... Credit-deposit ratio in rural sector is withering away

A population group-wise analysis reveals that the share of non-metropolitan centres in the total bank credit is disproportionately lower than their respective shares

in the total bank deposits, whereas metropolitan regions have a larger share in credit than in deposits in the post-reform period (1992 onwards). This suggests migration of bank resources from rural, semi-urban and urban centres to metropolitan areas. The CD ratio went up in the recent decades across all population groups compared to the previous years, but it remained less than the all-India average in non-metropolitan areas throughout. Overall, an analysis of the relative shares of the rural sector in the number of accounts and amount of deposit and credit brings out the hard fact that, the relative emphasis on the rural sector has waned in the post-reform period compared to the 1970s and 1980s.

Due to the phenomenon of migration, the CD ratio as per place of utilisation remains higher than as per place of sanction in rural areas, semi-urban and urban centres, and conversely, it is lower in metropolitan areas. But the gap between the CD ratio as per sanction and as per utilisation has narrowed down in rural, semi-urban and metropolitan centres. These three major centres together account for 84% of the total credit as per sanction as on March 2021 and so, it can be inferred that the distinction between CD ratio as per place of utilisation and as per place of sanction is increasingly getting blurred.

.... Credit-deposit ratio is lower amongst public sector banks

The group-wise analysis of banks has revealed that the relative importance of public sector banks in terms of both deposit mobilisation and credit disposition has been dwindling with the emergence of the private sector in the reform period. Nevertheless, public sector banks still have a dominant share in both deposits and credit. In terms of focus, the private sector banks tend to be more oriented towards personal loans, whereas public sector banks are geared more towards industrial credit. The CD ratio of public sector banks have remained lower than the national average, whereas that of private sector banks was higher. With their continuing importance, the credit revival depends to a large extent on the public sector banks' lending activities.

.... Credit-deposit ratio is higher in developed regions/states

In terms of relative share in credit and deposits, the southern, northern, and western regions account for a major share with the eastern region losing out. Both the southern and western regions, and lately the northern region, have a disproportionately higher share in credit than in deposits, suggesting a tendency xxii

of bank resources migrating from other regions into these regions. Further, it was always the case that the southern region has the higher CD ratio, though the western region has begun to replace it lately. Evidences suggest a tendency for more sanctioned bank credit in the western region to flow into other regions in terms of utilisation. Notably, the CD ratio, whether it be as per the place of sanction or utilisation, remained too low in the eastern, north-eastern, and central regions. Though the northern region is reported to have had a lower CD ratio, it gained substantially in the last two decades. The CD ratio as per utilisation of the southern region is not only higher than the other regions, but it is also higher than as per sanction, indicating the further attraction of bank credit to the region. The story of the central region is somewhat different; while the CD ratio generally remains lower here, the credit utilised is more than sanctioned there. The north-eastern region has a low CD ratio both as per sanction and as per utilisation. The credit culture in the country is thus mostly skewed in favour of the southern, western and northern regions.

.... Credit sanctioned generally migrates from Maharashtra, but southern states generally have a high CD Ratio

In a majority of the states which have a higher per capita income than the all-India average, the CD ratio is high; if the reserve requirements are accommodated in total deposits, then the pattern across the states reveals that credit sanctioned by banks in the developed states outstrip deposits of those states.

The position of Maharashtra in this respect amongst all states is more pronounced. It is the only state in the country that has credit sanctioned always higher than credit utilised. As the western region as a whole has credit as per sanction exceedingly higher than as per utilisation, there is a possibility of intra-regional migration of credit, that is, credit migrating from Maharashtra to its immediate neighbouring states like Goa, Gujarat, Daman and Diu. Even in the rest of the country, CD ratio as per utilisation is more than CD ratio as per sanction, thus, bank credit sanctioned in Maharashtra migrates to other states including the southern states.

All southern states have a higher CD ratio than the national average; in fact, all of them are considered developed states when compared against the national per capita income. Tamil Nadu continues to rank high in CD ratio. In the post-reform period, the CD ratio of Andhra Pradesh has witnessed an impressive upward trend. There is a sharp reduction in the CD ratio of Karnataka over the years, although the state ranks high in terms of per capita income.

All the states in the central, eastern and north-eastern regions perennially suffer from a low CD ratio. One cannot help but single out West Bengal, as it is a state where there is a conspicuous reduction in the role of banks; the state's share in bank deposits and credit, as well as its CD ratio have come down in the post-reform period. The state's share in the income of all states has also come down; however, the decline in its share in bank credit is still steeper. West Bengal used to have a higher CD ratio as per sanction than as per utilisation, but not anymore. Banking progress in the state, particularly in the last three decades, is certainly a reflection of its continuous deterioration in economic progress, particularly in industrial development.

Of the northern region, mention has to be made about the performance of Rajasthan. Not only has its CD ratio improved considerably in the last two decades, but it has also exceeded the all-India average. The observed higher level of CD ratio of the northern region in recent decades is heavily influenced by Delhi, and by Rajasthan particularly since 2005.

Often states like Sikkim and Goa are used as benchmarks as they reportedly have the highest per capita income amongst all states in the country. But when we look at certain banking indicators, their performance is rather poorer; for instance, the CD ratio, whether it is as per sanction or as per utilisation, is the lowest in these states, along with Arunachal Pradesh. And similarly, other states which relatively rank higher in terms of per capita income like Haryana and Punjab have a lower CD ratio than the all-India average. This phenomenon is probably explained by better income growth in sectors like agriculture which enjoy a less credit-income ratio than the industrial sector that consumes relatively more credit per output.

.... Influence of RIDF on credit-deposit ratios

The Rural Infrastructure Development Fund (RIDF) was created with NABARD based on banks' contribution for their shortfall in priority sector credit since 1995-96. Amongst eastern states that have perennially suffered from low CD ratio, inclusion of RIDF with bank credit improves the CD ratio in states like Bihar, Jharkhand and Odisha, but not so much in West Bengal. The CD ratio notably rises with RIDF in the north-eastern states. In the central region, the CD ratio steadily increases with

xxiv

RIDF by about 5 percentage points in recent years in all states except Uttar Pradesh which rather experiences the all-India pattern. Amongst the southern states, the CD ratio with RIDF of Andhra Pradesh improves by a huge margin of about 6 percentage points over the CD ratio without RIDF, whereas CD ratio of all other states rises by less than 3 percentage points with RIDF. In the western region, there is hardly any improvement in the CD ratio with inclusion of RIDF in Maharashtra, whereas that of Gujarat increases by about 3.5 percentage points over CD ratio excluding RIDF. The states that reportedly have a higher CD ratio but did not show much improvement after including RIDF with bank credit are Maharashtra and Telangana. The CD ratio as per utilisation after inclusion of the amount of RIDF disbursed does not differ much from CD ratio as per sanction with RIDF amount sanctioned.

.... Credit utilisation is more in states with low deposit intensity

Furthermore, the analysis of state-wise deposit intensity (that is, ratio of bank deposits to GSDP) does not support a general proposition that those states with higher CD ratio (with possible exception of Delhi and Maharashtra) have a relatively high deposit intensity; thus, many of the states with higher CD ratios were generally dependent upon resources mobilised from other states. Such regional disparities in banks' deployment of credit are becoming more glaring on a state-wise comparison of CD ratio with deposit intensity, and their proportionate shares in bank deposits and credit, rather than CD ratio as per sanction as opposed to CD ratio as per utilisation.

... The CD ratio is persistently low in a large number of districts

Districts are central to the lead bank scheme, which is a novel idea that was implemented in the early 1970s to ensure that the banking system has an impact on the district economies. The focus on the districts was further advanced in 2005 with RBI issuing circulars for improving CD ratios at the district level, by monitoring districts with CD ratio of less than 40%, and districts with CD ratio in the range of 40%-60%.

Between 1981 and 2001, the number of districts having CD ratios above the state and national average had declined; however, there has been some improvement post-2005. This broad trend is noticeable across all the states. In terms of percentage, it is seen that 34.9% of the districts (that is, 206 out of 590 districts) had reported having a CD ratio higher than the national average, but this percentage share slipped to 32.2% (that is, 224 out of 696 districts) in 2021.

An analysis was specifically carried out to examine the impact of policy intervention of 2005. It is found that in 2005, there were 590 districts reporting their CD ratios. Of this, 191 districts (that is, 32.4%) had CD ratios of less than 40% and 158 districts (that is, 26.8%) had it in the range of 40%-60%; that is, only about 40.8% of the total districts had a CD ratio greater than 60%. In 2021, there are 696 districts for which CD ratio are available. Of this, 190 districts (that is, 27.3%) have a CD ratio of less than 40% and 193 districts (that is, 27.7%) have CD ratios between 40% and 60%. That is, 45% of the districts have a CD ratio exceeding 60% in 2021 – clearly some fulfilment of the objective of the policy intervention. The situation is still better compared to 2001, when about 80% of the districts had a CD ratio of less than 60% - 319 out of 567 districts (56.3%) had a CD ratio of less than 40% and 137 (24.2%) had it in the range of 40%-60%. This was not the general trend across all the regions, though.

A large proportion of the districts in southern states are performing better with a higher CD ratio. Though Maharashtra as a state did well, only a handful of districts like Mumbai and Pune fared well. If we exclude these metropolitan regions, the state's performance would be grimmer. This feature of low CD ratio is visible across a large number of districts in the eastern, central and north-eastern regions.

Furthermore, those districts with a higher deposit intensity (that is, ratio of deposits to district domestic product) than the national average did not have a higher CD ratio; the experiences of the southern states, indeed, indicate a somewhat negative relationship between deposit intensity and CD ratio, and a positive relationship between CD ratio and per capita income. States that had a large number of districts with a higher CD ratio relative to all-India, also had a large number of districts with higher per capita income than the all-India average. As argued earlier, this may point to the migration of bank resources from a few districts to other districts; apparently those states with a good proportion of districts with higher deposit intensity did not have many districts with CD ratio better than the national average, and they are mostly concentrated in the central, eastern, and north-eastern states that are afflicted by low CD ratios.

Some Policy Suggestions

It is proposed to close the study after outlining the following policy suggestions.

Step up deposit mobilisation and credit utilisation

The average CD ratio in the recent decade has been much higher compared to all the previous decades starting from the early 1950s; even so, the lack of credit offtake in the producing sectors remains a serious matter of concern. After 2005, there was a credit boom driven by the industrial sector until 2013-14, and thereafter by personal loans. The CD ratio has remained higher reflecting how credit growth has kept pace with deposit growth. Both deposit and credit intensities (that is, as percentage of gross domestic product, GDP) have remained flat when the CD ratio ruled high. Moreover, in the last decade when CD ratio was high, the GDP growth rate slowed down. These factors indicate that, though the economy had witnessed a higher level of CD ratio after 2005, all is not well particularly since 2014-15. Income has a determining effect on deposit mobilisation, but increased flow of bank credit can steer GDP growth to a higher level. Bank deposits and credit are mutually reinforcing. This calls for stepping up of both deposit mobilisation and credit disposition. More specifically, credit to producing sectors must be channelised. Banks have to take cognizance of the reasons why credit offtake by industry has contracted. If borrowers have alternative sources of funds, banks have to improve their competitiveness so as to ensure a steady flow of credit. Personal loans per se are not bad; for, housing loans that constitute nearly a half of the personal loans do provide growth impulse to construction activities, and with supply linkages, it can also invigorate manufacturing activities as well. Agriculture is another sector which attracts bank credit as it is part of the priority sector. It is time SCBs look at agriculture as a viable activity - if land fragmentation is a hurdle, then cooperative farming should be promoted. That is not all; tenancy farming should be encouraged. If farm tenancy is legalised, it would encourage banks to give loans to tenant farmers. Norms governing the flow of credit to contract and tenancy farming activities should also be liberalised. It would remove a major hurdle to rendering of farm credit. When credit to productive sectors thus grow at a fast rate, they will have a solid impact on growth, both quantitatively as well as qualitatively.

xxvii

More credit for deposit creating states

There is a tendency to use CD ratio as per utilisation to understand if the anomaly in the pattern of CD ratio as per sanction across states gets corrected or not. In understanding CD ratio as per sanction and as per utilisation, a fact that needs to be recognised is that, with a wide spread of banks and the adoption of core banking solutions and with companies adopting management information systems, the division of a controlling unit could be allowed to have their own banking arrangements. While this is not significantly going to alter the basic hypothesis that utilisation is different from sanction, the gap between CD ratio as per sanction and utilisation is likely to narrow down considerably. Efforts should be made to ensure regions with a higher deposit intensity utilise more credit. Right now, evidences suggest that CD ratio in several regions/states are low because they do not use more of credit, though they create deposits.

And it is hard to find evidences that may support a general proposition that those states with a higher CD ratio (with possible exception of Delhi and Maharashtra) have a relatively high deposit intensity; thus, many of the states with a higher CD ratio generally depend upon resources mobilised from other states. Such a disparity in banks deployment of credit is more glaring on comparison of CD ratio with deposit intensity (that is, ratio of deposit to gross state domestic product, GSDP) and their proportionate share in deposits and credit, rather than CD ratio as per sanction in comparison with as per utilisation. And so, it is time to think of states in terms of deposit creation and credit utilisation. Efforts should be made to improve the CD ratio in deposit creating states, and step-up deposit mobilisation in states with more credit utilisation. No doubt, deposit creating states are with relatively higher household saving potential and credit utilising states are those with higher investment levels particularly industrial investment. The post-independence history of deposit and credit growth does not suggest the kind of transformation expected in the above manner except in Rajasthan as brought out; that is, deposit creating states succeed in creating more investment and credit utilisation, and higher credit utilising states becoming better saving states and states with better deposit growth.

Banks should adopt a hybrid approach of demand following and supply leading

Being the lynch-pin of financial system, the SCBs will continue to play their role of intermediating and while doing so, they need to co-opt the development goals that

xxviii

may vary from one region/state to another, depending upon their stage of development. This analysis revealed that the underdeveloped states have a higher deposit intensity (that is, the ratio of bank deposits to GSDP) and have a relatively higher share in deposit than in credit, but their CD ratio continue to remain too low. These underdeveloped regions continue to be deposit generating but not credit absorbing. As intermediaries, SCBs can have either a demand following or supply leading orientation. In those underdeveloped states, which perennially have a low CD ratio, the SCBs orientation should be of supply leading. And, in developed states with high CD ratio, the SCBs could follow the demand following approach. Thus, in lieu of having a common orientation for all states, SCBs could follow different approaches depending upon a state's stage of development. That is, a hybrid approach should be in place.

Intensive monitoring of banking progress is required in districts with low CD ratio

Moreover, it is also time to rethink the ways the SCBs have addressed developmental goals; perhaps, the focus should be placed more at the district level. The district level analysis leaves much to be desired in so far as the lead bank scheme is concerned, as they clearly bring out the glaring disparities across the states districts in southern regions have performed far better compared to those in the central, eastern and north-eastern regions. From time to time, there has been renewed efforts to improve the effectiveness of the lead bank scheme. The annual circulars of the RBI subsequent to the Expert Group on Investment Credit (RBI, 2005) have called for strengthening the intermediary role of SCBs at the district level, especially in those districts with a CD ratio of less 60%. The analysis reveals that only a limited progress has been made despite various guidelines provided for improving CD ratio in such districts. It also appears that even the public sector banks have fallen short of this. Lead banks should take cognizance of this anomaly and improve the credit absorption capacity of the districts, from where the incidence of resource transfers is noticed. For improving the CD ratio at the regional/state levels, the emphasis at the district level should continue, and lead banks scheme needs to be reviewed time and again. As originally envisaged, the lead bank schemes still hold promises for making a difference to the economy at the district level. Instead of conducting the affairs of lead banks in a ritualistic manner, the approach needs to be renewed with new vigour. There may be infirmities built into the scheme, but it is time to change the manner in which meetings are convened, agenda items discussed, district credit plans prepared, etc. This calls for reviewing the workings of the lead bank scheme in the light of new developments and financial innovations, like adoption of core banking solutions, financial inclusion as a social policy and emergence of new partners like bank correspondents and bank facilitators, and so on. In the last 15 years or so, the RBI has been issuing guidelines for raising the CD ratio by rigorous monitoring in those districts with CD ratio of less than 40% and strengthening implementation in those districts with CD ratio of less than 60%. But there has not been any review of this measures. This has to be urgently done, as the guidelines do not appear to have made a big headway in boosting CD ratio in those districts that perennially suffer from low CD ratios.

Trends and Behavioural Patterns of Credit-Deposit Ratios of Scheduled Commercial Banks

1. Introduction

The central role played by the financial system in economic development has been well recognised, as it facilitates intermediation between savers and investors.¹ The five-year plans' targets for saving and capital formation played a crucial role in the development of the financial system in India (Goldsmith, 1983). In the early 1950s, stepping up of the savings rate was regarded as a primary economic goal to bolster the investment rate in the economy. This called for promoting savings mobilising institutions like commercial banks. Also, providing adequate credit to finance capital formation was recognised as one of the core development strategies by planners. It was argued that while credit requirements would grow apace given the investment opportunities afforded by economic growth, deposits may not grow at the same pace. It was also realised that a major constraint for ensuring adequate flow of credit was the resource base itself. As commercial banks² had the potential to mobilise savings, they were provided a central role in the development process, with an active role being assigned to the Reserve Bank of India (RBI) for fostering development of the financial system as a whole.³

1.1 Centrality of Commercial Banks in the Indian Financial System

The eminent role of the financial system in accelerating economic growth has been widely acknowledged, as much as the design of financial system, as it may stimulate savings and investment in productive use. Patrick (1966) has characterised two types of financial systems that an economy could follow, namely, demand-following and supply-leading. It is said to be demand-following when the creation of financial institutions and related financial services is in response to demand for their services. When such institutions and services are created in advance of their demand, then the system is characterised as supply-leading. The supply-leading kind of financial intermediation transfers resources from non-growth sectors to growth-oriented sectors, and offers possible avenues to invest and, consequently, presents an opportunity to induce real growth by financial means. According to Patrick (1966), supply-leading type of financial system is likely to play a significant role in the early stages of economic

development. The demand for financial services depends upon growth of real output. As the process of real growth occurs, the supply-leading impetus gradually diminishes and the demand-following financial response becomes dominant. Such a demand-following financial system can support and sustain the leading sectors in the process of growth.

In essence, as pointed out by Bhatia and Khatkhate (1975), three main issues exist regarding the influence of the financial system: impact on the growth of savings; financialisation of savings, that is saving in financial assets; and transformation of mobilised funds into real capital. An efficient financial system would satisfy these requirements and so, assumes a central place in the developmental process of an economy. The need for raising the level of savings and investment in the economy, as envisaged by the successive five year plans hitherto, gave way to the active role of government in establishing and regulating various institutions at various stages. So, it is safe to say, that the financial system in the country has evolved over the years with active government's participation and intervention.⁴

Central to the development of India's financial system are the scheduled commercial banks (SCBs). Firstly, a sizable portion of the total financial assets is concentrated in SCBs. The percentage share of banks in total financial assets of all financial institutions in India was 73.8% as at end March 1981 though it declined to 65.8% by end March 1991 with financial institutions like term-lending and investment institutions gaining more ground.⁵ It hovered around that level till March 2001 and then increased to 74.3% at the end March. 2004.6 On noticing the 63% share of banks in the assets of Indian financial system, Subbarao (2013) observes that banks dominated the financial system. Secondly, the country had witnessed significant financial development over the years.7 A variety of ratios worked out by RBI in their publications of 'Flow of Funds Accounts of the Indian Economy', which are regularly published by the central bank since the early 1960s, have revealed 'growing financial intermediation in the economy' (RBI Bulletin, August 2016, p. 43).8 And, finally, bank deposits continue to be the predominant form of households' financial savings, although their relative importance had weakened over the years with growing preference for equity shares, investment and pension funds, and savings with the postal authorities. Bank deposits of the household sector was 37.2% of the sector's gross financial savings in 2020-21; though lower compared to 52.8% in 2011-12.9
Banking system has to give way for households to diversify their savings. From this perspective, the dwindling share of bank deposits in households' financial savings is not bad per se. In the past, bank branch expansion policies helped to mobilise rural savings, and more so the nationalisation of banks aided in a big way the pace of increasing the overall savings rate of the economy. Though commercial banks have been witnessing competition from other deposit-taking institutions, investment and insurance institutions, and postal authorities, they will continue to play a major role in the intermediation process, given their necessity arising from the nature of their functions.

Commercial banks have been thus playing a pivotal role in the country's financial development. At the same time, their development did not follow a linear path, rather they moved from one stage of development to another driven by the policies, as elucidated below.

1.2 Three Distinct Phases of Banking Development since the Early 1950s

In the literature, it is common to consider the year 1969 as a watershed in the annals of the banking system in the country because of the nationalisation of 14 major banks in July 1969. And later, 1991 had witnessed far-flung changes in the financial sector as an integral part of economic reforms initiated since then. Based on the policy perspectives that guided the evolution of the banking sector in the post-independence period, it is possible to identify three distinct phases:

Phase 1 up to 1968, when commercial banks operated in an environment fraught with bank failures, leading to banks consolidation through restructuring, mergers and amalgamations. The effectiveness of banking sector was sought to be improved through the supervision and regulation by the RBI. The Imperial Bank of India was nationalised under the State Bank of India Act in 1955 to aid the spread of banks into rural areas.¹⁰ This heralded the entry of the public sector into commercial banking (Rangaswamy, 1985). In the second half of the 1960s, social control over banks was gradually initiated through a multi-layered approach like introduction of the credit authorisation scheme in 1965 which mandated banks to seek prior approval of the RBI for sanctioning credit above Rs. 1 crore or more (Shetty and Rai, 2015). This phase was generally characterised by the demand following orientation of commercial banks (Rangarajan, 1983).

Phase 2 from 1969 to 1991 (Post nationalisation and pre-reform period): The nationalisation of 14 major banks, having public deposits of Rs. 50 crore or more, in July 1969, and further six more banks with deposits of more than Rs. 200 crore in April 1980 had brought almost the entire banking system under public ownership. The nationalisation of banks was considered as a 'defining economic event of not just the 1960s but the next three decades' (RBI, 2005a: 13) and 'a major turning point in the Indian financial system' as the two decades following it was 'marked by rapid expansion of the banking sector, geographically and functionally' (Rangarajan and Jadhav, 1993: 147).11 The thrust on social banking in the 1970s and 1980s had literally ensured that the public sector banks reached the commanding heights in almost all areas of the commercial banking business. Introduction of priority sector lending norms,¹² administered interest rates and credit norms for lending to industry were the hallmarks of this phase.¹³ The reserve requirements were dictated by fiscal considerations. Terming the nationalisation of commercial banks as the most encouraging development in the Indian economy, Rikshit (1988) noted that the move had brought economy's savings under the 'overwhelming command' of public sector through financial institutions that had facilitated reallocation of resources by means of differential lending and borrowing rates. The allocative efficiency of banks was sought to be achieved more through public policy intervention that ensured the flow of credit on desired lines, rather than determined by market forces (Rangarajan, 1983).

Phase 3 from 1992 onwards (Post-reform period):¹⁴ During this phase, achieving operational efficiency and viability of the banking system received an unprecedented emphasis. Recognising the need to elevate Indian banking practices to the internationally accepted best banking practices, the RBI introduced prudential norms for provisioning, income recognition, capital adequacy and asset classification. And also, the approach for reporting of investment by banks had moved away from the erstwhile practice of book value to mark to market. Licensing norms were eased for branch expansion and for the new generation banks. In the post-reform period, three major developments that affected ownership pattern of banks include banks consolidation through mergers and amalgamation¹⁵, listing of public sector banks in stock exchanges¹⁶ and allowing foreign investment in a phased manner.¹⁷ The interest rates rate regimes had undergone dramatic changes,¹⁸ and the thrust on priority sector lending had been eased,¹⁹ and reserve requirements were mostly driven by the imperatives of monetary policy. The entry of non-banking financial companies into the areas of provisioning of credit was permitted. On observing how the landscape of banking system was evolving as a result of policy initiatives, back then RBI (1998) noted, "... all of which impacted on the growth rates as well as the distribution of credit between the government and commercial sectors. Furthermore, increasing competition from nonbanking financial companies (NBFCs) and the enlargement of capital market moderated the growth of banking variables" (RBI, 1998: 841). Even in the post-reform period since 1991, with the increasing thrust on financial inclusion, the banking system continued to be tasked with achieving the last mile connectivity, although in varying degrees compared to the era of social banking. Considering the emphasis on financial inclusion that influenced banking operations, the post-reform period can further be divided into two sub-phases, namely, 1991-92 to 2004-05, and 2005-06 onwards.

The policy focus on deposit mobilisation and the manner of deployment of bank resources in terms of making loans and advances (or bank credit) could have had impacted the behaviour of CD ratio differently in these phases. In this study, the average of the CD ratio has been worked out for these periods, besides presenting the CD ratio for the starting years of these periods.

1.3 Objectives of the Study

The primary objective of this study is to analyse the trends in the CD ratio at the all-India level over the years. Since a number of policy initiatives were taken from time to time to correct the interstate and inter-regional disparities, this study explores the trends and patterns of CD ratio behaviour across the regions and states as well as at the district level, and also by population group such as rural, semi-urban, urban and metropolitan centres. Banking activities in the country are performed by commercial banks belonging to the public and private sectors. Both have different motives; thus, it is interesting to analyse the trends in the pattern of CD ratio across different bank groups. Furthermore, how banking progress had been viewed in the development process makes a case for providing an explanation for the observed trends and pattern in the CD ratios. And so, it is intriguing to examine the different phases that Indian banking system had seen through in terms of policy perspectives, and the trends in CD ratio in these different phases.

The RBI collects information related to banking aggregates from SCBs in ways more than one. This paper, therefore, further discusses the different sources from which data for computing CD ratios of SCBs can be obtained and compares the trends in CD ratio as exhibited by the data from these sources. In undertaking this study, an attempt has also been simultaneously made to review studies in the area of CD ratio.

1.4 Data Sources

The CD ratio is basically bank credit expressed as a percentage of bank deposits. While bank deposits are liabilities for banks, bank credit or loans and advances are their assets. Being the apex institution in the country vested with both regulatory and supervisory powers, the RBI consolidates commercial banks' balance sheets information annually and publishes them in its annual publication titled *Report on Currency and Finance* and the *Basic Statistical Tables Relating to Banks in India*. The consolidated balance sheet of SCBs is an important source of data, as they contain outstanding balances of bank deposits and credit as at the end of every financial year.

Being the monetary authority, the RBI also collects monetary statistics from commercial banks regularly. Along with performing the chief function of deploying bank credit, commercial banks also create deposits; this process has a cascading effect in so far as money creation in the economy is concerned. As banks are the main conduit of monetary policy, the RBI demands SCBs to report their business activities, capsuled in vital indicators including bank deposits and credit, more frequently like fortnightly, last Friday of the month and so on. Accordingly, banks are mandated to furnish information in Form - A Return under Section 42(2) of RBI Act, 1934, as per the amount outstanding as on the last reporting Friday of every month (till 1984-85, the practice was as per the amount outstanding as on the last Friday of March). This reporting has been used to generate important data series including deployment of gross bank credit by sectors and banking aggregates like bank credit, deposit, investment, cash balances, and so on. The annual series of these aggregates are regularly published in a table titled 'Scheduled Commercial Banks - Select Aggregates' in the RBI Handbook of Statistics on the Indian Economy,²⁰ and monthly series under the title 'All Scheduled Commercial Banks - Business in India' in the RBI Bulletin every month. Earlier, they were also published in the Report on Currency and Finance in a table titled 'Consolidated Position of Scheduled Banks' till 1959-60, 'Scheduled Banks-Business in India' between 1960-61 and 1965-67, and since then in two separate tables such as 'All Scheduled Banks-Business in India' and 'Scheduled Commercial Banks-Business in India'. The amount of bank deposit and credit as at the last Friday of the year reported under these select aggregates is another source of data. It is important to note that the aggregate figures may not be in agreement with the figures of consolidated balance sheets of SCBs because of the differences in the number of reporting banks and periodicity of reporting.

The nationalisation of major banks in 1969 heralded a new era for the banking system, wherein their performance came to be evaluated on parameters mirroring their social orientation, and this called for more extensive information. Even prior to this, RBI had noted a 'considerable increase in the demand for statistics on the various aspects of the working of the banking system' (RBI, 1968: 3), particularly with regard to the flow of credit. In order to improve the data collection system, the RBI appointed a Working Group on Banking Statistics in 1968, which recommended a system of uniform balance book that captured credit and deposit related information on several parameters. But the nationalisation of banks had resulted in more demand for data. And so, the RBI appointed another Committee on Banking Statistics in April 1972 (RBI, 1972). The committee noted that, although RBI had been collecting information from banks related to credit in the form of uniform balance book, they were found wanting in terms of quality of information furnished, timeliness and response rate. The committee felt, '... with the nationalisation of the major Indian banks and the more definite shape given to the new policy of diversifying the pattern of credit, the demand for information on various aspects of credit deployment has been mounting' (RBI, 1972: 1). In order to strengthen the statistical reporting system by banks and to ensure smooth flow of data, the committee recommended what has been in vogue for the last 50 years, that is, the Basic Statistical Returns of Scheduled Commercial Banks in India (henceforth BSR). The BSR system contains five returns and two special returns (RBI, 1972).²¹ Of this, information collected through BSR-1 Returns on Advances and BSR-2 Returns on Deposits have been of immense use for the present study, as they capture bank credit and deposits on a number of characteristics.

In line with the committee's recommendation, the RBI introduced the system of BSR-1 and BSR-2 Returns in December 1972 aimed at collecting information related to credit and deposits, respectively, on various characteristics. They were collected half-yearly as on last Friday of June and December till June 1989. Since March 1990, they are collected annually as of end March. The BSR-1 had two parts. Part-A covered credit limit of over Rs. 10,000, the limit was raised to Rs. 25,000 between December

1983 and March 1998, and over Rs. 2 lakh since then. Part-B covered individual credit limit up to Rs. 10,000, the limit was increased to Rs. 25,000 between December 1983 and March 1998, and Rs. 2 lakh from March 1999. A major change was introduced from March 2013 Survey whereby the earlier practice of separately collecting small borrowal accounts through BSR-1 Part-B had been discontinued and all borrowal accounts were collected only through BSR-1 Part-A. To that extent, data comparability issues are involved for the period till March 2012.

Some conceptual clarification with regard to the comparability of bank credit and deposits with other sources is in order. As noted above, through *Form - A return under Section 42(2) of RBI Act, 1934*, the RBI collects aggregate credit and deposits related information. Bank credit in the BSR-1 system is defined as gross bank credit comprising, '(i) bank credit including dues from banks within the meaning of the fortnightly return under Section 42(2) of the Reserve Bank of India Act, 1934, and (ii) bills rediscounted with the Reserve Bank of India and other financial institutions under the bill market scheme'. However, the deposits data in BSR-2 and the aggregate deposits in Section 42(2) return are conceptually the same.²² Because of the nuances of the definitions of bank credit in the BSR and return under Section 42(2) of the Reserve Bank of India Act, 1934, and the period covered for reporting of outstanding balances of balance sheets items, the CD ratio would differ across all the three sources of data. However, each source of data has its own merits; for instance, the BSR system provides bank credit and deposits information on a variety of basis, although it does not cover investment related information.

Over the years, the BSR has remained as a novel system for collecting banking statistics. This system captures the amounts of deposits mobilised and credit deployed, and the number of employees and offices of SCBs on various characteristics. Since the BSR is based on returns filed by bank branches, the disaggregation level goes down up to districts, by population group captured through rural, semi-urban, urban and metropolitan,²³ and by bank group. Moreover, the amount of credit has been made available for various occupational categories (synonymously referred to economic activities). Since credit and deposits are available at a disaggregated level of unit of administration, such as up to districts, by population group and by bank group, it is possible to examine CD ratios at these levels by using data extracted from the BSR system. Thus, this study extensively relies on BSR data tables for analysing the trends and patterns of CD ratio and related variables across regions, population groups and bank groups.

2. Understanding Credit-Deposit Ratio

Commercial banks could deploy their resources, broadly, by way of lending, investing, keeping cash balances and maintaining balances with the RBI. Exercising of any of these options by banks need to be assessed in relation to deposits, which are the major liabilities of banks. The credit (lending) to deposit ratio reveals the role of banks in 'promoting productive sectors and contributing to economic growth' (RBI, *Report on Trends and Progress of Banking in India 2003-04*: 63), and so a higher CD ratio implies greater credit orientation of banks. The CD ratio informs the extent of banks credit in relation to deposits. Thus, the CD ratio is dependent upon the factors that influence credit absorption capacity of the economy and the policy used to determine the direction of flow of credit.

Particularly before 1969, credit to agriculture was limited, as agricultural activities were performed in a very limited tract of land. For instance, the land holding size was at the sustenance level, and this made the banking system to prefer non-agricultural activities like industry and commerce for their business on a relatively larger scale. However, consequent to nationalisation of commercial banks and with introduction of priority sector lending norms that directed a part of the bank credit to hitherto neglected sectors, there has been an increased flow of banks credit to agriculture and small industries. This has led to a decrease in the proportionate share of industries, particularly those in private sector, in the 1970s and 1980s (Rajakumar, 1995). Though policy emphasis dictated the direction of flow of credit to sectors, one cannot arrive at CD ratio of a sector given the paucity information of deposits at that level. Also, the sectoral flow of bank credit has no link with bank deposits.

Even when credit is directed to a sector or region, there again the CD ratio will largely depend upon the potentialities of the region or sector, their credit absorbing capacity and the risks that commercial banks wish to assume based on conditions and competing demands of various constituents of the area whey they operate and performance of the business that seeks bank loans, and demand from other regions and sectors. Borrowers' willingness to borrow from banks and their credit-worthiness also determine credit absorbing capacity of a region.

10 J Dennis Rajakumar

As monetary expansion and credit expansion are inseparable, the monetary policy has a direct bearing on the quantum and cost of credit, so much so monetary policy and banks' lending behaviour are interlinked (Rangarajan, 1998; Shetty and Ray, 2015).24 Whenever RBI desires to control money supply by influencing one, or a combination, of monetary instruments, they impact the quantum and cost of credit. Increasing reserve requirements in the form of cash, balance at RBI and investments in approved securities reduce the quantum of lendable resources of banks. There is also a facility available to banks to borrow from RBI but at a cost. Both reserve ratios and the rate at which banks could borrow from RBI are the main monetary instruments used to influence credit expansion in the economy. With the economic reform ushered in 1991, the institutional settings in which monetary policy operated and instruments used have transformed. In this context, Rangarajan (1998) had identified the following changes, namely, 'phased abolition of the system of ad hoc treasury bills that results in automatic monetisation of the budget deficit, promotion of market for government securities, easing of external policy constraints on banks, such as high cash reserve and statutory liquidity ratios and deregulation of interest rates' (Rangarajan, 1998: 67). These changes have had direct implications for credit deployment in the economy and so, arguably they would have resulted in improving credit orientation of commercial banks, and thereby, the CD ratio. Formulation of monetary policies is influenced by the prevailing economic conditions, and the trend in inflation rate²⁵ is a crucial factor determining the design of monetary instruments. In other words, CD ratio could vary depending upon monetary policies. If CD ratio remains unchanged, it means the credit expansion has kept pace with deposit mobilisation.

Deposits, on the other hand, depend upon income and propensity to save. There is an array of investment opportunities available to the public. While safety and liquidity may be the most important factors influencing bank deposit, the return (or banks deposit rates) needs to be competitive in comparison to the return from other investments like trading in real estate or equity and commodities. More so, availability of banking facilities also influences deposit mobilisation; for instance, infrastructure and connectivity mattered the most for banks to expand their operation into rural areas. The size of bank deposits, thus, gets influenced by factors that are external to banks, which have a direct bearing on the CD ratio as well.²⁶

But what matters the most is raising the levels of both credit and deposits.

CD ratio as per the place of utilisation:

In understating the CD ratio, it is important to distinguish between credit as per place of sanction as opposed to credit as per place of utilisation. That is, credit sanctioned by bank offices in a given place (be it a bank centre, district or state) may be utilised in another place. Such outflow of credit from a place of sanction to a place of utilisation is popularly termed as migration of credit; that is, credit limits may be sanctioned by a bank in a particular place to a borrowing unit, whose credit utilisation division may be located elsewhere in another place. Tyagarajan and Saoji (1977) had attributed credit migration to the financial management of companies rather than to the banking practice. They had argued that it was the choice of borrowing unit to avail of bank credit befitting their administrative conveniences from the bank office located in a place where their head or administrative office might be located rather than from bank offices located in a different place where their division would be utilising credit – an arrangement that banks would have to oblige. By the same logic, the intensive spread of the banking system and adoption of core banking solution could reduce the tendency of credit migration, as all locations may have bank offices such that all division units could have banking arrangements in their respective locations and not necessarily depend on banks with whom their parent units have banking arrangements.

Through separate location codes, the BSR system has a facility to capture districts where credit utilisation takes place.²⁷ This enables the working out of the CD ratio at the district level as per the place of utilisation and also as per the place of sanction.

Three measures of CD ratios at the state level:

Such CD ratios can be worked out at the states' level. But in order to capture the state-wise CD ratios more comprehensively, the Expert Group on Credit-Deposit Ratio (Ministry of Finance, 2005) recommended to include banks' investments in securities of state governments and its associated bodies, as well as the Rural Infrastructure Development Fund (RIDF)²⁸ along with bank credit. Accordingly, they had advocated the following three measures of CD ratios:

- a. Bank credit as a percentage of deposits (CD ratio).
- b. 'Bank credit + Bank investments in securities of state governments and its associated bodies' as percentage of deposits.

12 J Dennis Rajakumar

c. 'Bank credit + Bank investments in state government securities + RIDF' as percentage of deposits.

For the underdeveloped states, credit absorption is difficult. Investment in government securities is a way out for banks to play a role in regional development. If CD ratio is a measure of such a role played by banks, inclusion of banks investment in state government securities helps to measure such a role more accurately. If there are no investment activities in a state, banks cannot expand the economic base arbitrarily. The only way they can help such states to improve economic activities is by pumping in investment funds through states securities and then providing credit to non-farm activities. The credit *plus* investments in state governments' securities takes into account additional flow of bank resources into states. Nevertheless, such an approach of modifying the CD ratio is flawed on three major considerations. First, credit is provided by banks out of their lendable resources available after meeting their statutory obligations like fulfilling reserve requirements and so on. Investments in state governments securities is counted for SLR purposes so that the motivation to invest in such securities is partly to meet reserve requirements, and partly because they are virtually zero risk assets that will satisfy prudential norms for capital adequacy. In contrast, loans and advances made at the state level signify the amount of bank resources deployed by banks in assets that are not risk free. Second, investments in state governments' securities do not represent dispensation of bank credit across different centres within the states. And, finally, banks' lending in a given state is largely aligned to the economic activities of that state rather than the need of that state government arising from their fiscal management. It is therefore not appropriate to include banks' investments in securities of state governments and its associated bodies while computing the ratio.

The case for inclusion of RIDF is justified on economic consideration. The RIDF was created out of the pool of banks' lendable resources to make up the shortfall in meeting priority sector lending requirements, and they are made available to state governments with NABARD being the executive agency. The NABARD provides assistance to states through RIDF at a very competitive interest rate. Even though banks' contribution to RIDF comes out of their lendable resources, RIDF could be considered for CD ratio purposes with some caveats; firstly, RIDF allocation is a transaction between NABARD and state governments based on certain criteria

evolved by the former; secondly, state governments' borrowing from RIDF is governed by Article 293 (3) of the Constitution under which Government of India determines their borrowing powers from market and institutions during a year; and, so, finally, in a strict sense, RIDF allocation to states is not same as banks' regular business of lending in a state. Following the recommendation of the Expert Group on Credit-Deposit Ratio (Ministry of Finance, 2005), the RBI had asked banks to follow up CD ratio at various levels with inclusion of RIDF.²⁹

3. Credit-Deposit Ratio: At the All-India Level

At the outset, it is important to note that the CD ratios according to the data collected through *Form - A Return under Section 42(2) of RBI Act 1934* are generally used to discern the credit growth and the extent of credit utilised. For instance, the RBI *Annual Report 2021-22* (p. 53) reports that the CD ratio of SCBs stood at 72.2% in 2021-22 and 72.4% in 2020-21, which are based on the data collected through the *Form - A Return*. As mentioned elsewhere, the monthly series of these data are available in the *RBI Bulletin*, and annual series are available in the RBI's *Handbook of Statistics on the Indian Economy*. Using these data sets, several other ratios which are related to the CD ratio could be worked out. As noted above, the CD ratio can also be worked out based on data extracted from the consolidated balance sheets of banks as well as from the BSR system. To begin with, the trends in CD ratio has been discussed based on *Form - A Return* data. Subsequently, a comparison of CD ratios using data from all the three publications has been made.

The CD ratio based on *Form - A Return* are available for over seven decades since 1950-51. As discussed above, this entire period can be divided on the basis of policy aimed at deepening the role of commercial banks, which witnessed vicissitudes in terms of its focus. Based on the policy perspective, three distinct phases were observed, namely, 1951-1969, 1970-1991 and 1992 onwards. The last phase can further be divided into two sub-phases, namely, 1992-2005, and 2006 onwards when financial inclusion became a major thrust area for banking operations. Additionally, in line with RBI (1998), the decadal average of CD ratio has been worked out (Table 1).

During the five years prior to 1951, the CD ratio of commercial banks generally remained too low – at or below 50%, indicating 'the absence of lending opportunities for the banking system during the pre-Plan period' (Basu, 1991: 64).³⁰ With the

As at end	Bank	Investment	Invest-	Cash in	Balances
March	Credit	in Government	ments	Hand	with RBI
		Securities			
1950-51	62.0			4.0	6.6
1960-61	77.0	32.2		2.6	4.1
1970-71	79.3	23.1	30.0	2.8	3.3
1980-81	66.8	24.3	34.7	2.0	10.8
1990-91	60.4	26.0	39.0	0.9	12.4
2000-01	53.1	35.3	38.5	0.6	6.2
2004-05	64.7	42.3	43.5	0.5	5.2
2010-11	75.7	28.7	28.8	0.6	6.1
2014-15	76.6	29.2	29.2	0.6	4.4
2015-16	77.7	28.1	28.1	0.6	4.2
2016-17	72.9	28.2	28.2	0.6	4.7
2017-18	75.5	29.0	29.0	0.5	4.6
2018-19	77.7	26.9	26.9	0.6	4.5
2019-20	76.4	27.6	27.6	0.6	4.0
2020-21	72.4	29.5	29.5	0.6	3.6
2021-22	72.2	28.7	28.7	0.5	4.2
Period Average:					
1951-1969	71.2	31.4		3.0	4.4
1970-1991	68.8	24.1	34.7	1.9	9.2
1992-2005	55.4	34.0	39.6	0.7	9.2
2006-2022	75.0	29.3	29.4	0.6	5.1
Decadal Average:					
1951-1960	65.4	35.0		3.4	5.0
1961-1970	77.8	27.5	29.5	2.6	3.7
1971-1980	72.6	23.9	32.7	2.3	6.1
1981-1990	64.8	24.2	36.9	1.4	12.6
1991-2000	55.1	30.3	38.4	0.7	11.6
2001-2010	64.8	35.3	36.5	0.6	6.0
2011-2022	75.9	28.6	28.7	0.6	4.5

Table 1: Bank Credit, Investment and Balance with RBI as Percentage of Bank Deposits

Sources: Up to 2020-21: RBI, Handbook of Statistics on the Indian Economy, Various Issues. For 2021-22: RBI Bulletin, August 2022

economic growth process gaining momentum since the early 1950s with the launch of five year plans, the lending opportunity for banks increased considerably. As a result, the CD ratio showed an upward trend during 1951-1969 – from about 62% in the early 1950s to about 78% in the late 1960s, with some fluctuations in between (Figure 1).³¹ The average CD ratio was 71.2% during the pre-nationalisation period and 68.8% in the post nationalisation (that is, 1970-1991). The average CD ratio was still lower at



66.1% in the post-reform period of 1992-2005. The period average reveals that the CD ratio witnessed an unprecedented rise to 75% during the period 2006-2022. Even so, the CD ratio in India is much lower compared to its BRICS counterparts as well as advanced economies such as Germany, Singapore, and South Korea, but higher than USA and Japan (Figure 2).

The study by Kumar *et al.* (2021) on sectoral deployment of credit since 2007-08 found a credit boom between 2007-08 and 2013-14 with non-food credit registering a compound annual growth rate (CAGR) of 16.8%,³² and a reversal of credit cycle from 2014-15 to 2020-21 with CAGR of non-food credit dropping to 8.3%. However, the CD ratio remained put at around 76% during the period (2014-15 to 2019-20) when credit growth has slowed down. The CD ratio during the COVID-19 pandemic period of 2020-21 has notably slipped to 72.4% and remained at that level in 2021-22 as well. Excluding these last two years when the economy was adversely impacted by the lockdown and lingering of its aftermath effects,³³ one can see a broad trend of uptick in CD ratio since 2005 (Appendix Table 1).

The trend in the investment to deposit ratio has been the opposite of the CD ratio (Figure 1); that is, when CD ratio went down, the investment to deposit ratio picked up. Aggregate investments of SCBs include investment in government securities and other approved securities. Lately, the bulk of SCBs' investments are in government securities. The larger share of investments in other approved securities explain the



rise in investment to deposit ratio in the pre-reform period of the 1970s and 1980s. In the post-reform period (since 1992), government securities have a dominant share in the total investments of SCBs; in fact, the average investment to deposit ratio stands at 29.4%, which is nearly the same as that of the investment in government securities to deposit ratio at 29.3%. The cash in hand to deposit ratio has steadily reduced over the years; from an average of 3% in the 1950s and 1960s, to less than 1% in the recent period. Thus, in the recent decades, whenever the CD ratio goes up, there is a simultaneous reduction in investment in government securities and balances with RBI. This points out to the kind of portfolio reshuffling of SCBs; when credit offtake is less, banks invest more in government securities and park their funds with RBI.

.... Convergence of CD ratios as per three major sources of data in recent years

The analysis so far used data from the banks filing of *Form - A Return under Section 42(2) of the RBI Act, 1934.* As noted earlier, the CD ratio can be worked out based on data from the consolidated balance sheets of commercial banks and the BSR system. A comparison of the CD ratio based on data from these three sources reveals hardly any difference in terms of trends in the CD ratio, but some variations in their magnitude (Table 2, Figure 3). The CD ratio as per *Form - A Return under Section 42(2) of RBI Act, 1934* has remained higher than CD ratio as per the Consolidated Balance Sheets of SCBs, and the gap between these two has been widening in the last four years too, akin to the 1990s. The investment to deposit ratio

As at end	SCBs - Select Aggregates			Co	nsolidat	ed Ba	sic Statistical
March	(via I	Form - A	return	Bal	ance She	eet	Returns
	unde	r Section	42(2)		of SCBs		of SCBs
	of R	BI Act, 19	340)				
	CDR	IDR	CashDR	CDR	IDR	CashDR	CDR
1990-91	60.4	39.0	13.3	61.9	34.0	15.9	61.9
1991-92	54.4	39.1	15.7	60.2	37.2	13.4	57.7
1992-93	56.6	39.3	11.5	57.4	38.9	13.1	58.9
1993-94	52.2	42.1	15.9	48.2	44.1	14.8	54.3
1994-95	54.7	38.6	16.3	51.4	42.6	15.5	55.6
1995-96	58.6	38.0	12.4	55.2	40.6	15.3	59.8
1996-97	55.1	37.7	10.5	51.3	41.6	11.3	56.8
1997-98	54.1	36.5	10.2	50.4	42.2	11.1	55.3
1998-99	51.7	35.7	9.5	47.9	44.0	10.6	54.8
1999-00	53.6	38.0	7.7	49.3	46.0	9.5	56.0
2000-01	53.1	38.5	6.8	49.8	46.6	8.0	56.7
2001-02	53.4	39.7	6.2	53.7	48.9	7.2	58.4
2002-03	56.9	42.7	5.1	54.5	51.1	6.3	59.2
2003-04	55.9	45.0	5.1	54.8	50.9	7.2	58.2
2004-05	64.7	43.5	5.7	62.6	47.3	6.4	66.0
2005-06	71.5	34.0	6.6	70.1	40.0	6.7	72.4
2006-07	73.9	30.3	7.5	73.5	35.3	7.2	75.0
2007-08	73.9	30.4	8.6	74.6	35.5	9.7	74.4
2008-09	72.4	30.4	6.7	73.8	35.7	7.3	72.6
2009-10	72.2	30.8	6.8	73.7	36.4	7.7	73.3
2010-11	75.7	28.8	6.7	76.5	34.3	8.2	75.6
2011-12	78.0	29.4	6.1	78.6	34.6	5.8	79.0
2012-13	77.9	29.7	4.8	79.1	35.2	5.0	78.8
2013-14	77.8	28.7	4.7	78.9	33.8	5.5	79.0
2014-15	76.6	29.2	5.0	78.3	31.6	5.6	77.1
2015-16	77.7	28.1	4.8	78.2	33.0	5.6	78.4
2016-17	72.9	28.2	5.3	73.0	32.9	6.1	73.8
2017-18	75.5	29.0	5.1	74.2	35.0	6.2	76.7
2018-19	77.7	26.9	5.1	75.1	33.5	5.4	78.3
2019-20	76.4	27.6	4.6	73.7	33.6	5.5	76.5
2020-21	72.4	29.5	4.2	69.4	34.8	5.8	71.7

Table 2: A Comparison of Credit-Deposit Ratio Based on Data from Three Sources of Banking Statistics

Note: SCBs refers to Scheduled Commercial Banks; CDR is credit to deposit ratio; IDR is investment to deposit ratio; and CashDR is cash to deposit ratio.

Source: RBI, Handbook of Statistics on the Indian Economy and Basic Statistical Returns of Scheduled Commercial Banks in India, Various Issues.



as per the former has always remained lower than the latter generally by about five percentage points. Similarly, the cash to deposit ratio also remained lower as per *Form - A Return under Section 42(2) of RBI Act, 1934*, but by about less than one percentage point in the recent years. Overall, the CD ratio as per the BSR system has remained higher than the CD ratio as per other sources of data.³⁴ The point differences in the CD ratio as per the three sources of data have no definite pattern till 2005; after that, they have narrowed down considerably. That is, CD ratios as per the three sources of data tend to converge lately, with BSR system continuing to report a higher order of CD ratio. As BSR provides credit and deposits related information on a variety of characteristics, the CD ratio has been examined using the BSR data in the subsequent analysis.

3.1 Credit and Deposit Intensities

While the above analysis has brought out the trends in CD ratio of SCBs, it is pertinent to examine how these banking aggregates performed in relation to national income (measured by gross domestic product [GDP] at current and at market prices; as per the base year 2011-12 series). Considering the concepts followed, one would expect an upward movement in these ratios; bank credit, deposits, investments, and cash balances are reported as per their outstanding balances as on the last Friday of March and as such they follow the stock concept, as opposed to GDP which is measured for a year following the flow concept. As percentage of GDP, as expected, a rising trend is discernible in bank credit, deposits and investments (Table 3; Figure 4).³⁵ Though the cash balances and balances with RBI as a percentage of GDP went up over the years,

As at end	Bank	Bank	Investment in	Invest-	Cash in	Balances
March	Deposits	Credit	Government	ments	Hand	with RBI
			Securities			
1950-51	8.6	5.4			0.9	0.6
1960-61	9.8	7.6	3.2		0.7	0.4
1970-71	12.6	10.0	2.9	3.8	0.8	0.4
1980-81	25.8	17.3	6.3	9.0	3.3	2.8
1990-91	33.4	20.2	8.7	13.0	4.5	4.1
2000-01	45.0	23.9	15.9	17.3	3.0	2.8
2004-05	53.4	34.5	22.6	23.2	3.0	2.8
2010-11	68.2	51.6	19.6	19.7	4.6	4.2
2014-15	68.4	52.4	20.0	20.0	3.4	3.0
2015-16	67.7	52.6	19.1	19.1	3.2	2.8
2016-17	69.9	50.9	19.7	19.7	3.7	3.3
2017-18	66.9	50.5	19.4	19.4	3.4	3.1
2018-19	66.5	51.7	17.9	17.9	3.4	3.0
2019-20	67.6	51.7	18.6	18.7	3.1	2.7
2020-21	76.3	55.3	22.5	22.5	3.2	2.7
2021-22	69.6	50.2	20.0	20.0	3.3	2.9
Period Average:						
1951-1969	9.7	6.9	3.0		0.7	0.4
1970-1991	23.6	15.8	5.7	8.4	2.9	2.5
1992-2005	41.9	23.3	14.6	16.7	3.9	3.7
2006-2022	67.7	50.7	19.8	19.9	3.9	3.5
Decadal Average:						
1951-1960	9.1	6.0	3.2		0.8	0.4
1961-1970	10.3	8.1	2.8	3.4	0.6	0.4
1971-1980	17.9	12.9	4.3	5.9	1.6	1.2
1981-1990	29.5	19.0	7.2	10.9	4.2	3.8
1991-2000	36.9	20.3	11.2	14.2	4.5	4.2
2001-2010	57.6	38.0	20.0	20.7	3.8	3.5
2011-2022	68.8	52.2	19.7	19.7	3.5	3.1

Table 3: Bank Deposits, Credit, Investment and Balance with RBI of SCBs as Percentage of Gross Domestic Product at Current Market Prices

Sources: Up to 2020-21: RBI, *Handbook of Statistics on the Indian Economy*, Various Issues. For 2021-22: *RBI Bulletin*, August 2022



each remained at about 4% of GDP in the post-reform period. The rate of increase in bank credit since 2006 is more as compared to bank deposits. For instance, bank deposit as percentage of GDP (that is, deposit intensity) went up by 25.7 percentage points during the period 2006-2022 over the preceding period of 1992-2005, and at the same time, the ratio of bank credit to GDP (that is, credit intensity) went up by 27.4 percentage points. The bulk of the increase in bank credit to GDP ratio has been in the last decade, when bank investment to GDP ratio (that is, banks investment intensity) remained nearly unchanged at about 20% compared to the preceding decade.

The observed higher level of intensities has been attained since 2005-06 and so, there has not been much change during the decade *per se*, as evident in the low coefficient of variations (CV). For the decade (2011-2022), the CV was the lowest at 3.7%, 2.7% and 5.6%, respectively, for bank deposits, bank credit and bank investment intensities. Thus, these intensities do not show much variations on a year-on-year (y-o-y) basis. While credit deployment has been in pace with deposit mobilisation, both deposit and credit intensities did not increase much in the recent decade.

In its latest *Annual Report 2021-22*, the RBI notes that though credit has kept pace with deposit mobilisation in 2020-21 and 2021-22, the '… credit-to-GDP gap, however, continues to be large, reflecting the persisting slack in credit demand in the economy' (RBI, *Annual Report 2021-22*: 54). Thus, the observed higher level of the CD ratio in

Average for	Bank	Bank	Nominal	Credit-Deposit
the Period	Deposits	Credit	GDP	Ratio
2005-06 to 2011-12	19.5	22.9	15.5	73.9
2012-13 to 2019-20	11.0	10.7	11.0	76.6
2012-13 to 2021-22	10.8	10.0	10.6	75.7

Table 4: Growth Rate of Bank Deposits and Bank Credit and Nominal GDP, and CD Ratio

Note: GDP is gross domestic product at market and at current prices (Base Year: 2011-12). Source: Author's estimates based on data extracted from National Accounts Statistics and Monetary

Statistics modules of EPWRF India Time Series (www.epwrfits.in).

the recent years does not suggest that all is well in the economy. Further to buttress the argument, we have worked out the average annual growth rate of GDP, deposits, and bank credit. The nominal GDP growth rate was higher at 15.5% during 2005-06 to 2011-12, when the bank deposits and bank credit grew at an average annual rate of 19.5% and 22.9%, respectively (Table 4). In the period thereafter (that is, 2012-13 to 2021-22), the average GDP growth rate declined to 10.6%, the average growth rate of deposit and credit nearly halved, and at the same time, the CD ratio remained at 75.7% – higher compared to 73.97% of the previous period. During the period 2012-13 to 2019-20, after excluding last two years (2020-21 and 2021-22) when economic activities were seriously impacted by the COVID-19 pandemic, it is noticed that the average CD ratio stood at 76.9% and GDP grew at 11%. This suggests lack of association between the trends in CD ratio and GDP growth.

3.2 Credit-Deposit Ratio and Instruments of Monetary Policy

The CD ratio depends upon the total resources deployed in the system by the banking sector. This itself is shaped up by two major instruments of monetary authorities, namely, cash reserve ratio (CRR) and statutory liquidity ratio (SLR). The CRR is the ratio of a minimum cash balance to demand and time liabilities (DTL) that commercial banks have to maintain with RBI. The SLR is the ratio of liquid assets to DTL that commercial banks are required to maintain at the close of business every day. Thus, by way of these instruments, RBI influences the quantum of resources available to commercial banks for lending purposes. Additionally, another way by which RBI could influence the quantum of bank resource is by influencing the bank rate (BR) which is the standard rate at which RBI buys or rediscounts bills of exchange or other commercial papers, that is, the BR is basically the discount rate

at which RBI advances money to the banking system. A major development in the recent decade with regard to the use of monetary tool is the introduction of repo rate and reverse repo rate in 2002. With their emergence as interest rate signals, the role of BR has been diluted.36 The repo rate is a rate at which RBI repurchases government securities, basically lending to banks to meet the shortfall in short term funds. If the RBI increases repo rate, banks have to borrow from RBI at a higher cost resulting in a higher rate of interest. And, the reverse repo rate is a short-term borrowing rate at which RBI borrows money from commercial banks. Increase in the rate provides higher incentives to commercial banks to park their funds with RBI, thereby, decreasing credit expansion. Thus, by the virtue of repo rate and reverse repo rate, RBI can influence the quantum of credit in the system. The movements in CD ratio needs be viewed in conjunction with the movements in these monetary instruments. As aptly remarked by Mohanty (2013), the use of monetary instruments is dictated by the prevailing economic circumstances.³⁷ For instance, the repo rate has been successively increased by 1.9 percentage points between May and September 202238 in response to the accelerating price level; consumer price index (CPI) based inflation rate in September 2022 spiked at 7.4% compared to 4.3% in September 2021 and food inflation at 8.6% as against 0.7% reported in September 2021.

In traditional banking literature, maintaining reserves is regarded as a sound banking practice. In India, the CRR used to be an instrument of monetary control and monetary authorities fixed it depending upon the economic situation, whereas SLR was used basically to provide credit to the government in the 1970s and 1980s (Rangarajan and Jadhav, 1993: 154). The Narasimhan Committee (Government of India, 1992) noted that banks' resources were diverted to finance government deficits by prescribing banks to maintain a higher level of reserves mandated in the form of CRR and SLR. As a corollary, the SLR was expected to come down with the reduction in fiscal deficit – an objective that largely found a fuller expression in the policy reforms of 1991.

For a very long time, the SLR remained at 20%, and it was increased to 25% by March 1964. In the aftermath of nationalisation, it was gradually increased, and it stood as high as 38.5% in March 1993. Since then, the SLR had been reduced, and it stood at 18% as of March 2022 (Table 5, Figure 5). In a similar way, the CRR was increased over the years; it was 3% till about March 1974, but was gradually in-

As at end	Bank Rate	Fix Range	Fix Range LAF Rates -	Cash Reserve	Statutory Liquidity	Credit- Deposit
March	Tuto	Repo	Reverse Repo	Ratio	Ratio	Ratio
1951-52	3.0		1		20.0	61.3
1952-53	3.0				20.0	63.6
1953-54	3.0				20.0	63.4
1954-55	3.0				20.0	66.1
1955-56	3.0				20.0	73.0
1956-57	3.0				20.0	76.6
1957-58	3.0				20.0	66.3
1958-59	4.0				20.0	62.0
1959-60	4.0				20.0	59.3
1960-61	4.0				20.0	77.0
1961-62	4.0				20.0	73.4
1962-63	4.0				20.0	77.8
1963-64	4.5			3.0	20.0	79.5
1964-65	4.5			3.0	25.0	78.8
1965-66	6.0			3.0	25.0	77.5
1966-67	6.0			3.0	25.0	78.6
1967-68	6.0			3.0	25.0	78.6
1968-69	5.0			3.0	25.0	78.3
1969-70	5.0			3.0	25.0	79.0
1970-71	5.0			3.0	26.0	79.3
1971-72	6.0			3.0	28.0	74.1
1972-73	6.0			3.0	30.0	70.8
1973-74	6.0			3.0	30.0	73.0
1974-75	7.0			7.0	32.0	74.1
1975-76	9.0			4.0	33.0	76.8
1976-77	9.0			4.0	33.0	75.0
1977-78	9.0			6.0	33.0	67.3
1978-79	9.0			6.0	33.0	67.7
1979-80	9.0			6.0	34.0	67.8
1980-81	9.0			6.0	34.0	66.8
1981-82	9.0			6.0	34.0	67.9
1982-83	10.0			7.7	35.0	69.1
1983-84	10.0			7.0	35.0	68.1
1984-85	10.0			9.0	35.0	67.8
1985-86	10.0			9.0	36.0	65.6

Table 5: Trends in Monetary Rates and Credit-Deposit Ratio (In %)

(Contd....)

As at	Bank	Fix Range	Fix Range	Cash	Statutory	Credit-
end	Rate	LAF Rates	LAF Rates -	Reserve	Liquidity	Deposit
March		- Repo	Reverse	Ratio	Ratio	Ratio
			Repo			
1986-87	10.0			9.0	37.0	61.6
1987-88	10.0			9.5	37.0	59.8
1988-89	10.0			10.0	38.0	60.4
1989-90	10.0			11.0	38.0	60.8
1990-91	10.0			15.0	38.0	60.4
1991-92	10.0			15.0	38.5	54.4
1992-93	12.0			15.0	38.5	56.6
1993-94	12.0			15.0	37.8	52.2
1994-95	12.0			15.0	34.8	54.7
1995-96	12.0			15.0	31.5	58.6
1996-97	12.0			14.0	31.5	55.1
1997-98	11.0			10.0	31.5	54.1
1998-99	10.5			10.3	25.0	51.7
1999-00	9.0			10.0	25.0	53.6
2000-01	9.0			9.0	25.0	53.1
2001-02	7.0			8.0	25.0	53.4
2002-03	6.5	8.0	6.0	5.5	25.0	56.9
2003-04	6.3	7.0	6.0	4.8	25.0	55.9
2004-05	6.0	6.0	4.5	4.5	25.0	64.7
2005-06	6.0	6.0	4.8	5.0	25.0	71.5
2006-07	6.0	6.5	5.5	5.0	25.0	73.9
2007-08	6.0	7.8	6.0	6.0	25.0	73.9
2008-09	6.0	7.5	6.0	7.5	25.0	72.4
2009-10	6.0	5.0	3.5	5.0	24.0	72.2
2010-11	6.0	5.0	3.5	5.8	25.0	75.7
2011-12	6.0	6.8	5.8	6.0	24.0	78.0
2012-13	9.5	8.5	7.5	5.5	24.0	77.9
2013-14	8.5	7.5	6.5	4.0	23.0	77.8
2014-15	9.0	8.0	7.0	4.0	23.0	76.6
2015-16	8.5	7.5	6.5	4.0	21.5	77.7
2016-17	7.8	6.8	5.8	4.0	21.5	72.9
2017-18	6.8	6.3	5.8	4.0	20.8	75.5
2018-19	6.3	6.0	5.8	4.0	20.0	77.7
2019-20	6.5	6.3	6.0	4.0	19.3	76.4
2020-21	4.7	4.4	4.0	3.0	18.3	72.4
2021-22	4.3	4.0	3.4	3.5	18.0	72.2

Table 5: Trends in Monetary Rates and Credit-Deposit Ratio (In %) (Concluded)

Source: Monetary Statistics module of EPWRF India Time Series (www.epwrfits.in)



creased to 15% as of March 1993. A gradual reduction has been noticed since 1996, and it stands at 3% in recent years. Taken together, reserves required were in the order of 53.5% in 1991. Subsequent to the financial sector reforms, these reserves were gradually reduced to less than 30% by mid 2000s, and further to 21.5% by March 2022. Since banks had to invest in mandated securities, mostly comprising of government securities, the rise in investment to deposit ratio till 1991 was policy driven. Since the early 1990s, the reserves required were considerably reduced over the years, and banks were required to deploy their resources under the dictates of market forces. In spite of this, the investment to deposit ratio went up during the period 1992-2005, largely due to the rise in investment in government securities. On observing the rise in the ratio back then, the RBI maintained that banks 'continue to hold government securities substantially in excess of the stipulated requirements in view of the almost risk-free yields' (RBI, Report on Trends and Progress of Banking in India 2003-04: 1). As a result, the CD ratio did not increase during the first 15 years of reform period starting from 1991. On observing these trends, Rajakumar (2005) noted that the extent of credit dispensing by banks till 1991 was policy driven and thereafter market driven; though the post-reform was marked by a gradual reduction in the government control over the banking system, investment in government securities continued to be the main way of dispensing their resources till 2005.³⁹ In the subsequent period of 2006-2022, the CD ratio went up substantially with a simultaneous reduction in the reserve

26 J Dennis Rajakumar

requirements and also investment in government securities, thus, the effects of the reduction in the reserve requirements on the behaviour of CD ratio has been felt mostly since 2005. The rise in the ratio of investment in government securities to deposits reflects how banks reshuffle their portfolio in the face of sluggish credit growth, irrespective of central bank's policy on SLR requirements.

.... Households continue as the major depositor

The discussion on CD ratio at this stage remains incomplete without a sojourn into who owns banks deposits and who borrows from banks. This and the following sub-section briefly discuss these aspects.

The distribution of bank deposits by institutional category of ownership is available in the RBI's study of "Composition and Ownership Pattern of Deposits with Scheduled Commercial Banks", which are regularly published in the *RBI Bulletin*. According to this data, the household sector continues to account for a bulk of the

	-	-				
As at	Government	Private	Financial	Household	Rest of	Total
end	Sector	Corporate	Sector	Sector	the World -	
March		Sector (Non-			Non	
		Financial)			Residents	
1972	14.3	7.8		77.9		100
1982	5.9	4.0	5.3	81.5	3.4	100
1993	5.1	6.0	8.2	68.6	12.1	100
2001	10.0	4.6	7.3	67.2	11.0	100
2004	14.5	7.9	8.5	58.4	10.8	100
2005	14.6	8.7	7.8	60.7	8.3	100
2006	14.4	10.1	9.7	58.5	7.3	100
2007	14.5	11.2	10.5	57.4	6.4	100
2008	13.5	13.0	10.3	58.1	5.1	100
2009	14.0	14.5	8.9	58.3	4.3	100
2010	13.5	14.8	10.0	58.0	3.7	100
2012	14.6	14.6	9.4	58.1	3.3	100
2013	13.9	12.4	10.0	59.6	4.1	100
2016	12.8	10.8	7.0	61.5	7.8	100
2019	9.2	10.4	10.0	63.2	7.1	100
2020	8.4	11.3	9.5	63.5	7.3	100
2021	8.6	12.7	8.1	64.0	6.6	100
2022	9.0	13.3	8.9	62.6	6.2	100

Table 6: Ownership Pattern of Deposits of Scheduled Commercial Banks (In %)

Source: For years 1972, 1982 and 1993, EPW Research Foundation (1996). For other years, *RBI Bulletin*, Various Issues. share of total bank deposits, although its share had declined compared to the earlier decades of 1980s and 1990s (Table 6). There has been a secular increase in the share of non-financial private corporates till 2013. The share of government sector also went up in the 1990s through 2012. The household sector⁴⁰ had gained some share simultaneously. Rajakumar *et al.* (2014) noted that, between 2008 and 2013, public sector banks were the most preferred banks for the government sector for parking their deposits (about 90% of their deposits). For non-financial private corporates, the preference for public sector banks gained some momentum, though their deposits continue to be important for both foreign banks and for Indian private banks. The household sector, on the other hand, did not display any major change in their preferences for any bank group, as their deposit distribution across bank groups remained more or less the same throughout, though 80% of their deposits are with public sector banks.

.... Structural changes in deployment of bank credit with personal loans and finance having more traction now than ever before

The changing contours of the deployment of bank credit, in terms of the proportionate share of major sectors, has been examined by many studies.⁴¹ A general observation is that the share of agriculture had gone up after nationalisation of banks in 1969 because of its inclusion in the list of priority sector,42 and this continued. There has been a reduction in the credit to industry, basically medium and large industries, mostly belonging to the private corporate sector, which was achieved through implementation of norms governing working capital financing by banks (Rajakumar, 1995 and 2001). In 1973, industry had the major share of 57.4% of the total credit outstanding with a preponderance in the share of manufacturing (Table 7). Trade followed this with an 18.6% share and then agriculture with 9%. Consequent to the implementation of the priority sector lending norms in 1975, the relative share of agriculture and transport operators shot up to 16.7% and 4.9%, respectively, by 1981 which marginally decreased in 1992. The share of industry further declined by about 11 percentage points between 1992 and 2005, and of agriculture by 4 percentage points, with concomitant rise in the share of personal loans driven by housing loans.43 The share of agriculture has shrunk; perhaps, demand for bank credit of other sectors grew faster than of agriculture in the wake of broad basing of the economic activities. The respective shares of agriculture, industry and professional services segments

	, · · · · · ·			-					. 0	· ·	/
Sr.	Sectors	Dec-	Jun-	Jun-	Mar-						
No.		72	73	81	92	01	05	15	19	20	21
1	Agriculture	9.0	9.0	16.7	14.8	9.6	10.8	13.1	13.6	13.0	13.7
2	Industry	61.2	57.4	49.1	47.7	43.9	38.8	41.2	32.3	30.6	28.0
3	Transport Operators	1.6	1.8	4.9	2.6	1.6	1.2	1.9	2.3	2.1	2.1
4	Professional and	1.5	1.7	2.3	2.8	3.6	4.8	7.2	7.7	7.7	7.2
	Other Services										
5	Personal Loans	3.4	3.2	3.5	8.2	12.2	22.2	16.6	21.6	24.1	25.9
	Loans For Housing		0.7	1.1	2.9	4.7	11.0	9.3	11.6	12.7	13.6
6	Trade	14.9	18.6	17.9	14.3	16.6	11.2	9.6	9.6	10.1	10.6
7	Finance	0.0	2.4	1.0	2.9	4.9	6.4	8.2	9.5	9.7	9.7
8	All Others	8.4	6.0	4.6	6.7	7.5	4.6	2.0	3.4	2.7	2.7
	Total Bank Credit	100	100	100	100	100	100	100	100	100	100

Table 7: Occupation-wise Distribution of Amount of Credit Outstanding (In %)

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

improved in 2015 over 2005. While the relative share of agriculture and professional services in the total bank credit remained unchanged in the subsequent period, that of industry fell steeply to 28% in 2021 from 41.2% in 2015 with a corresponding rise in that of personal loans. Share of finance gradually increased from 2.9% in 1992 to 9.7% in 2021; and of trade fell from 14.3% to 10.7% during the same period. In the reform period, although the share of industry particularly those belonging to the private sector had gone up after two decades, there has been an increased tendency amongst banks to expand their personal loans portfolio (EPW Research Foundation, 2004; Rajakumar, 2005). In the recent years, particularly when the CD ratio shot up since 2005, there has been aggressive lending to industry and under personal loans, mostly in the form of housing loans (Antony et al. 2017; Kumar et al. 2021, Prakash and Kumar, 2021). Kumar et al. (2021), who examined sectoral deployment of credit since 2007-08, characterised the period from 2007-08 to 2013-14 as one of credit boom, and from 2014-15 to 2020-21 as reversal of the credit cycle.44 In both phases, it is the flow of credit to industry that had the determining effect; significant expansion of industrial credit contributed to 50.4% of credit growth during the credit boom period. In the subsequent credit reversal period, the CARG of industrial credit remained sluggish at 1.6%⁴⁵ compared to 12.4% of non-industrial credit, which was largely driven by personal loans. Thus, between 2005 and 2015, the CD ratio was largely driven by industrial credit, and thereafter by personal loans. Even so,

industry continues to have the highest share, followed by personal loans and services segments. The structural changes in the disposition of bank credit also brings out that industry is losing its steam, as their requirements for bank credit, whether for financing working capital or capital formation, has been contracting in comparison to the rising demand by personal loans and finance segments.

An analysis of bank credit by institutional categories such as household sector, private corporate and public sector is also important, as there has been vicissitudes in the policy thrust on the growth of private corporate sector; in the 1970s and 1980s the growth of this sector was sought to be controlled (Rajakumar, 2011). This also reflected in the reduction in the sector's share in the bank credit (Rajakumar, 1995, 2001, 2005).46 Based on large borrowal accounts data of BSR, Rajakumar (2005: Table 4) found that the private corporate sector used to account for 49.8% of the total credit in 1973, household sector 31.7% and public sector the remaining 18.6%. By 1990, the share of private corporate sector dropped to 40.8%, whereas of household sector rose to 45.9%, and of public sector went down to 13.7%. According to the BSR data compiled by EPW Research Foundation (2002: Table 10), the proportionate share of private corporate stood at 31.6% in the total bank credit (including all accounts with credit limit of Rs. 25,000 or less), of household sector at 57.4%, and of public sector at 11% in 1991; and at 45.9%, 37.1% and 17%, respectively, in 2000. According to the data available in BSR for all borrowal accounts since 2013, the household sector has a preponderance share in the total amount of outstanding credit, followed by the private

Institutional	Mar-								
Categories	13	14	15	16	17	18	19	20	21
Public Sector	16.3	18.2	17.7	16.2	17.6	17.1	16.8	17.1	16.8
Co-Operative Sector	0.6	0.7	0.6	0.6	0.6	0.7	0.8	0.8	0.6
Private Corporate	36.4	37.6	39.0	39.0	34.6	32.8	32.4	29.8	27.4
Household Sector	44.6	42.6	41.8	43.3	46.3	48.3	48.8	51.0	53.7
Individuals	35.7	33.4	32.5	34.1	36.6	38.2	38.9	41.5	43.6
Others	8.9	9.2	9.3	9.2	9.7	10.1	10.0	9.5	10.1
Micro Finance Institutions	1.7	0.5	0.6	0.6	0.7	0.8	0.9	1.0	1.2
Others	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total	100	100	100	100	100	100	100	100	100

Table 8: Institutional Category-wise Distribution of Amount of Outstanding Credit of Scheduled Commercial Banks (In %)

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in) corporate and the public sector (Table 8). It may be noted here that bulk of personal loans (over 88%) is deployed in the household sector (Rajakumar, 2005: Table 4), and thus, with the increasing share of personal loans, there has been a rise in the share of household sector in the total bank credit since 2016. At the same time, the credit to manufacturing sector is mostly absorbed by private corporates, and it also constitutes the maximum share of credit to the private corporate sector. The repressed growth of credit to industry in the credit reversal period reflects the contraction in credit to the manufacturing firms, especially those belonging to the private corporate sector.

4. Credit-Deposit Ratio by Population Group

Historically, commercial banks had the tendency to concentrate in the commercially significant centres like metropolitan towns. At different points in time, policies were designed to correct this bias and to improve the spread of commercial banks to cover the unbanked or underserved areas. While issuing branch licensing, special emphasis was placed on the penetration of commercial banks into the rural sector so as to mobilise rural savings, and also to meet credit requirements arising from the need to finance farm and non-farm business activities, and also to meet the rural households' expenses. Though the beginning was made by the 'incursion' into rural areas principally by the SBI, the process got accelerated with the nationalisation of banks (Reserve Bank of India, 1977). No doubt, the rapid branch expansion in rural areas in the 1970s and 1980s were highlighted as a major milestone achieved by the nationalisation of banks. The rural branch expansion was further supplemented by Service Area Approach (SAA), which RBI introduced in April, 1989 with a view to enhance the rural focus of commercial banks (Chona, 1991). Under the SAA, bank branches were required to serve a designated area of 15-25 villages, basically to improve banks' quality of lending and to meet credit needs in rural areas. The SAA was reviewed from time to time, and it was observed that restrictions of the SAA were 'a limiting factor for credit deployment' (RBI, 2009: i). In 2004, the restrictive provisions of SAA were removed, and it was made applicable to government sponsored programmes. Like-wise, several initiatives were taken time and again to improve banks penetration into rural areas. The vital question here is what has been the trend and pattern of CD ratio across various population groups (rural, semi-urban, urban and metropolitan). As a prelude to this, it is germane to examine the relative share of these different centres in bank offices, bank deposits and credit.

As at end	Rural	Semi-Urban	Urban	Metropolitan	All-India
Jun-73	36.0	31.0	18.1	14.8	100
Jun-81	48.0	24.5	15.7	11.8	100
Mar-91	56.9	18.7	14.3	10.0	100
Mar-01	48.3	21.8	16.3	13.6	100
Mar-11	36.2	24.7	20.6	18.5	100
Mar-12	35.6	25.6	20.1	18.7	100
Mar-13	35.9	26.1	19.8	18.2	100
Mar-14	36.9	26.2	19.3	17.6	100
Mar-15	37.2	26.2	19.3	17.4	100
Mar-16	37.2	26.7	19.0	17.2	100
Mar-17	34.5	27.2	18.4	20.0	100
Mar-18	34.8	27.2	18.3	19.7	100
Mar-19	34.5	27.1	18.5	19.9	100
Mar-20	34.2	27.5	18.6	19.7	100
Mar-21	34.1	27.6	18.9	19.5	100

Table 9: Population Group-wise Distribution of Bank Offices (In %)

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

4.1 Population Group-wise Percentage Distribution of Bank Offices, Deposits and Credit

Resulting from the policy thrust, the proportionate share of rural areas in the total bank offices had gone up from 36% in 1973 to 56.9% by March 1991, and correspondingly, the share of all other centres went down (Table 9; Appendix Table 2). During the post-reform period (since the early 1990s), rural areas witnessed a steady decline in its percentage share in bank offices to 34.1% by March 2021, while all the other centres improved their share. In particular, the percentage share of metropolitan areas declined by about five percentage points between June 1973 and March 1991 to 10%, but its share nearly doubled to 19.5% by March 2021. It is important to note here that, though the Narasimhan Committee favoured continuing the thrust on branch expansion in rural areas, the RBI gave up its branch expansion programme in April 1995 (EPW Research Foundation, 2004). The commercial judgements of banks came to underlie their branch expansion activities subsequent to banking reforms. On the branch expansion tendencies of SCBs in the post-reform period between 1996 and 2003, the EPW Research Foundation (2004) observed, "Banks were allowed to convert their non-viable rural branches into satellite offices

		1	· · ·							
As at	Share	in No. c	of Depos	sit Accou	ints	Sha	are in A	mount o	of Depos	it
end	Rural	Semi-	Urban	Metro-	All-	Rural	Semi-	Urban	Metro-	All-
		Urban		politan	India		Urban		politan	India
Jun-73						7.1	23.3	25.4	44.2	100
Jun-81						13.0	23.2	24.7	39.1	100
Mar-91	30.7	27.6	22.8	19.0	100	15.5	20.7	24.5	39.4	100
Mar-01	30.8	27.2	21.7	20.4	100	14.7	19.6	22.9	42.8	100
Mar-11	30.9	26.2	20.7	22.2	100	9.2	13.3	20.6	56.9	100
Mar-12	31.3	26.6	20.0	22.1	100	9.4	13.9	20.9	55.8	100
Mar-13	32.1	27.2	19.4	21.3	100	9.6	14.0	21.3	55.1	100
Mar-14	33.1	27.8	18.9	20.2	100	9.9	14.3	21.5	54.2	100
Mar-15	34.3	28.1	18.5	19.1	100	10.3	14.8	22.0	53.0	100
Mar-16	35.0	28.6	18.1	18.3	100	10.5	15.4	22.4	51.7	100
Mar-17	33.1	29.6	17.4	20.0	100	10.5	16.1	21.0	52.5	100
Mar-18	33.6	29.7	17.1	19.6	100	10.6	16.2	21.3	51.9	100
Mar-19	33.8	29.8	17.2	19.1	100	10.7	16.3	21.3	51.6	100
Mar-20	34.1	29.8	16.9	19.2	100	10.9	16.5	21.6	50.9	100
Mar-21	34.3	29.9	16.8	19.0	100	10.8	16.2	21.1	52.0	100

Table 10: Population Group-wise Distribution of Number of Deposit Accounts and Amount of Bank Deposits (In %)

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

or even closure of bank branches at rural centres served by two commercial banks. There has been still scope for expanding the rural branch network, however gently, but the scheduled commercial banks have chosen the easy option of stopping any such rural expansion. The 1990s have also seen a more rapid expansion of high-street banking promoted by new private sector banks and foreign banks. As a result, even as the rural branches have stagnated or declined in number, the number of urban and metropolitan branches has galloped" (p. 1331).

.... Predominance of metropolitan centres in deposits amount

The rural areas continue to account for the bulk of deposit accounts, and its share in the total number of deposit accounts went up in the post-reform period (Table 10). In contrast, rural centres have the lowest share in the amount of total deposit; not only it has come down but it remains stubbornly stagnant at around 10% in the recent decade as opposed to the marginal increase witnessed during the 1970s and 1980s. The metropolitan accounts for nearly one-fifth of the deposit accounts, but more than a half of the total deposit amount. The relative share of semi-urban areas in the number

			0 (
As at	Share	e in No.	of Cred	it Accour	nts	Sh	are in A	mount	of Credit	t
end of	Rural	Semi-	Urban	Metro-	All-	Rural	Semi-	Urban	Metro-	All-
		Urban		politan	India		Urban		politan	India
Jun-73						4.8	14.3	22.4	58.4	100
Jun-81						11.4	17.4	22.8	48.4	100
Mar-91	52.1	28.2	13.2	6.5	100	15.0	16.4	22.4	46.3	100
Mar-01	42.9	26.8	15.2	15.1	100	10.1	11.5	17.4	61.0	100
Mar-11	32.4	23.8	13.7	30.2	100	7.3	9.4	16.8	66.6	100
Mar-12	31.4	23.7	13.3	31.5	100	7.9	9.6	16.3	66.2	100
Mar-13	34.3	26.8	14.2	24.7	100	8.3	10.1	16.4	65.2	100
Mar-14	34.5	27.6	14.3	23.6	100	8.4	10.6	16.0	65.1	100
Mar-15	34.6	28.1	14.7	22.7	100	8.7	11.0	16.0	64.2	100
Mar-16	33.4	28.2	15.1	23.3	100	9.0	11.3	15.9	63.8	100
Mar-17	30.7	28.0	14.7	26.6	100	8.5	11.8	14.6	65.2	100
Mar-18	28.5	26.9	15.5	29.1	100	8.2	12.3	15.1	64.4	100
Mar-19	27.0	26.3	16.8	29.8	100	8.4	12.2	15.1	64.4	100
Mar-20	28.8	25.3	15.9	30.0	100	8.7	12.6	15.2	63.5	100
Mar-21	28.9	25.6	16.2	29.3	100	9.4	13.5	15.9	61.2	100

Table 11: Population Group-wise Distribution of Number of Credit Accounts and Amount of Credit Outstanding (In %)

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

of deposit accounts shot up in the recent decade, but it did not reflect on their share in deposit amount. Both rural and semi-urban centres have a disproportionally lower share in the deposit amount than their respective share in the deposit accounts.⁴⁷

.... Metropolitan gains more share in bank credit than in bank deposits in the post-reform period:

The share of rural areas in number of credit account had dramatically reduced from 52.1% in March 1991 to 28.9% in March 2021 (Table 11). The share in the amount of total bank credit went up by nearly three-fold from 4.8% in June 1973 to 15% in March 1991, but in the subsequent period, there is a general reduction in this. On the contrary, the metropolitan areas had a share of 6.5% in the number of credit accounts in March 1991, and this gradually rose to 29.3% by March 2021, thus, offsetting the declining share of rural areas. Though the metropolitan centres had a bulk of the share in credit amount, its share got reduced in the 1970s and 1980s by about 12 percentage points; to be nearly compensated by the rising share of rural areas that went up by 10

percentage points and of semi-urban areas which went up by two percentage points. Both rural and semi-urban centres had a disproportionately lower share in the total amount of credit compared to their respective share in the number of accounts - a phenomenon observed even in the case of deposits. Thus, the rural areas generally account for a large number of accounts but not so much in respect of amount deposited. While the share of rural areas in the number of deposits went up, their share in deposit amount got reduced in the post-reform period. A further comparison reveals that the rural sector had far more share in the number of credit accounts in March 1991 compared to its relative share in deposit accounts, but now they have more share in number of deposits accounts rather than in number of credit accounts. The gap between their respective shares in the amount of deposit and credit appear to have marginally widened in the post-reform period in rural, semi-urban and more so in urban centres; and at the same time, the metropolitan centres have gained a far more share in the amount of credit in comparison to its share in the amount of deposits. This suggests migration of bank resources from rural, semi-urban and urban centres to metropolitan centres in the post-reform period.

4.2 Trends in Credit-Deposit Ratio by Population Group

The analysis of CD ratio by population group has remained a matter of interest for many studies. From the policy point of view, there was a target for achieving a 60% CD ratio for both rural and semi-urban branches by March 1979 (Shetty, 1978). Raising the overall CD ratio to 60% was reiterated for public sector banks in July 1980 and again in February 1995 (Ministry of Finance, 2005). Thus, raising the level of CD ratio particularly of rural and semi-urban has remained a concern for policy makers.

Concomitant to the rapid bank branch expansion in rural areas since the early 1970s, the CD ratio of the rural sector also went up continuously from 47.2% in 1973 to 66% in 1989 (Table 12).⁴⁸ In the post-reform period, it went down continuously till 2001,⁴⁹ then rose in the following 13 years till 2014 since when a decline is noticed. In line with the overall rise in the CD ratio at the all-India level during the last period 2006-2021, the CD ratio went up across all population groups over the preceding period. On the whole, the average CD ratio of rural areas during 2006-2021 remained far higher than all the previous periods. However, compared to the period average

As at end	Rural	Semi-Urban	Urban	Metropolitan	All-India
Jun-73	47.2	42.9	61.5	91.9	69.6
Jun-81	58.2	50.0	61.4	82.1	66.5
Mar-91	60.0	49.0	56.5	72.8	61.9
Mar-01	39.0	33.2	43.0	80.9	56.7
Mar-05	51.6	44.2	50.5	83.7	66.0
Mar-11	60.0	53.2	61.6	88.4	75.6
Mar-15	65.3	57.6	56.2	93.5	77.1
Mar-16	66.9	57.7	55.6	96.7	78.4
Mar-17	59.7	53.8	51.3	91.7	73.8
Mar-18	59.8	58.3	54.2	95.1	76.7
Mar-19	61.1	58.7	55.3	97.6	78.3
Mar-20	60.5	58.2	54.0	95.4	76.5
Mar-21	62.4	59.8	54.3	84.4	71.7
Period Average					
1973-1991	58.4	49.0	60.3	82.8	67.1
1992-2005	46.3	38.5	45.9	75.7	57.7
2006-2021	61.9	55.3	57.1	91.3	75.8
Decadal average					
1973-1980	52.0	46.6	65.0	92.4	71.6
1981-1990	63.4	51.0	57.0	76.1	64.0
1991-2000	48.8	40.3	47.6	72.7	57.1
2001-2010	51.3	44.2	51.4	84.2	66.6
2011-2021	63.3	57.0	56.7	93.1	76.8

Table 12: Population Group-wise Credit-Deposit Ratio As Per Place of Sanction (In %)

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

of all-India, the CD ratio of rural centres remained consistently low and the gap has widened over the years. For instance, the average CD ratio at all-India during the period 1973-1991 was 67.1%, whereas of rural sector was 58.4% – a difference of 8.7 percentage points. Although average CD ratio of rural sector stood at 61.9% during the period 2006-2021, it was 13.9 percentage points lower than all-India average of 75.8%.⁵⁰ On the contrary, the metropolitan region had a relatively higher level of CD ratio throughout; it was higher than all-India by about 15 percentage points in the recent period. The average CD ratio of semi-urban and urban areas remained generally lower throughout, though urban centres had a CD ratio that is marginally higher than that of semi-urban areas.

While the CD ratio at the all-India went up in the recent decades, it was not the rural sector but rather the metropolitan area that received a higher share of credit, disproportionate to their relative share in bank deposit. On the contrary, the CD ratio of non-metropolitan areas had been lesser than the all-India average, and also their share in the total bank credit is disproportionately lower than their respective shares in the total bank deposits.

.... CD ratio as per place of utilisation

An important issue that comes up in the context of understanding CD ratio across its various characteristics is whether or not credit migrates from one place to another. A normal practice is to capture it by examining the CD ratio as per the place of sanction and as per place of utilisation. The BSR system captures this information for various population groups starting from March 1990. If the CD ratio of a centre as per sanction is lower than as per utilisation, credit is said to have migrated into that centre.

The overall, CD ratio as per utilisation has been higher than as per sanction in rural areas, and conversely, it is lower in metropolitan areas (Table 13). The CD ratio of the rural sector as per utilisation has been coming down more rapidly in the recent decades – the average CD ratio was 76.1% in the decade 2001-2010, and this dipped to 71.3% in the following decade. However, the CD ratio as per sanction in rural areas showed some increase in the recent decade. On the other hand, the CD ratio as per utilisation showed a phenomenal increase in metropolitan centres since March 1990. The semi-urban and urban centres also recorded some increase in CD ratio as per utilisation. Except in urban centres, CD ratio as per sanction and as per utilisation converge in three centres, namely, rural, semi-urban and metropolitan centres. These major centres together account for 84% of the total credit sanctioned as on March 2021 and so, it can be inferred that the distinction between CD ratio as per place of utilisation and as per place of sanction is getting blurred in the post-reform period.

.... CD ratio excluding credit to FCI

Starting from March 2012, the BSR also provides information related to credit sanctioned to and utilised by the Food Corporation of India (FCI) by population group. This enables working out CD ratio as per sanction and utilisation for different locations with and without inclusion of credit to FCI. This would reveal if exclusion of credit to FCI would impact CD ratio of any centre (Table 14).

As at end	As Per Place of Sanction					As Per Place of Utilisation				
-	Rural	Semi-	Urban	Metro-	All-	Rural	Semi-	Urban	Metro-	All-
		Urban		politan	India		Urban		politan	India
Mar-90	61.2	49.1	55.6	69.9	60.7	97.1	48.3	52.9	58.0	60.7
Mar-91	60.0	49.0	56.2	72.8	61.9	85.9	50.2	55.7	62.5	61.9
Mar-92	57.9	46.4	53.6	65.1	57.7	77.0	49.0	54.5	56.5	57.7
Mar-93	55.3	44.0	51.6	70.9	58.9	73.4	47.3	52.6	62.5	58.9
Mar-94	50.0	39.0	48.3	66.1	54.3	62.6	42.0	48.7	60.0	54.3
Mar-95	48.6	39.7	46.5	68.8	55.6	64.7	44.5	44.3	63.1	55.6
Mar-96	47.3	40.0	47.2	79.2	59.8	63.0	44.3	46.5	72.4	59.8
Mar-97	44.1	38.1	44.4	76.1	56.8	54.6	41.4	46.0	70.2	56.8
Mar-98	43.4	36.6	43.0	74.1	55.3	55.5	40.2	44.3	67.7	55.3
Mar-99	41.0	35.7	42.6	74.7	54.8	52.5	40.3	44.1	67.8	54.8
Mar-oo	40.4	34.7	41.9	78.9	56.0	49.3	40.0	42.1	73.2	56.0
Mar-01	39.0	33.2	43.0	80.9	56.7	49.4	38.2	43.8	74.7	56.7
Mar-02	41.8	34.3	42.4	82.5	58.4	55.0	41.9	48.4	71.8	58.4
Mar-03	43.7	35.3	42.6	82.8	59.2	60.3	43.1	49.2	70.9	59.2
Mar-04	43.6	37.3	45.5	75.9	58.2	56.3	42.8	51.5	67.7	58.2
Mar-05	51.6	44.2	50.5	83.7	66.0	75.3	48.3	56.6	73.8	66.0
Mar-06	55.8	50.1	57.0	87.5	72.4	88.2	57.8	64.1	76.3	72.4
Mar-07	61.2	52.7	59.5	88.5	75.0	93.2	59.5	65.8	79.0	75.0
Mar-08	60.3	53.2	58.4	87.2	74.4	106.5	59.5	65.5	75.7	74.4
Mar-09	57.1	50.0	55.6	86.9	72.6	85.1	58.7	60.6	78.4	72.6
Mar-10	59.3	52.1	59.1	85.9	73.3	91.6	59.9	62.8	77.4	73.3
Mar-11	60.0	53.2	61.6	88.4	75.6	79.6	63.1	70.2	79.9	75.6
Mar-12	66.4	54.6	61.4	93.8	79.0	77.1	62.7	67.2	87.8	79.0
Mar-13	68.1	56.8	60.7	93.2	78.8	78.2	69.0	66.0	86.3	78.8
Mar-14	66.6	58.2	58.7	94.8	79.0	72.0	62.9	61.9	91.3	79.0
Mar-15	65.3	57.6	56.2	93.5	77.1	71.6	60.5	60.0	89.9	77.1
Mar-16	66.9	57.7	55.6	96.7	78.4	72.9	63.4	60.3	91.8	78.4
Mar-17	59.7	53.8	51.3	91.7	73.8	69.0	56.4	57.2	86.7	73.8
Mar-18	59.8	58.3	54.2	95.1	76.7	69.3	66.9	61.3	87.5	76.7
Mar-19	61.1	58.7	55.3	97.6	78.3	66.5	61.6	61.9	92.8	78.3
Mar-20	60.5	58.2	54.0	95.4	76.5	63.6	60.3	65.7	89.1	76.5
Mar-21	62.4	59.8	54.3	84.4	71.7	65.0	60.6	68.7	77.8	71.7
Period Average										
1992-2005	46.3	38.5	45.9	75.7	57.7	60.6	43.1	48.0	68.0	57.7
2006-2021	61.9	55.3	57.1	91.3	75.8	78.1	61.4	63.7	84.2	75.8
Decadal average										
1991-2000	48.8	40.3	47.5	72.7	57.1	63.9	43.9	47.9	65.6	57.1
2001-2010	51.3	44.2	51.4	84.2	66.6	76.1	51.0	56.8	74.6	66.6
2011-2021	63.3	57.0	56.7	93.1	76.8	71.3	62.5	63.7	87.4	76.8

Table 13: Population Group-wise Credit-Deposit Ratio as Per Place of Sanction and Utilisation (In %)

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

As at	As Per Place of Sanction					A	As Per Place of Utilisation				
end	Rural	Semi-	Urban	Metro-	All-	Rural	Semi-	Urban	Metro-	All-	
		Urban		politan	India		Urban		politan	India	
Mar-12	59.3	54.3	61.3	92.8	77.7	69.6	62.6	67.0	86.9	77.7	
Mar-13	60.6	56.2	60.5	92.2	77.4	70.4	68.6	65.8	85.3	77.4	
Mar-14	60.4	57.7	58.5	93.8	77.7	65.3	62.6	61.9	90.3	77.7	
Mar-15	60.4	57.7	58.5	93.8	77.7	65.3	62.6	61.9	90.3	77.7	
Mar-16	62.3	57.5	55.5	95.9	77.4	68.3	63.2	60.2	91.0	77.4	
Mar-17	58.7	53.7	51.2	91.1	73.3	67.9	56.3	57.1	86.1	73.3	
Mar-18	58.6	58.2	54.1	94.5	76.2	68.0	66.8	61.2	87.0	76.2	
Mar-19	59.7	58.6	55.2	96.7	77.7	65.1	61.5	61.9	91.9	77.7	
Mar-20	59.0	58.2	53.9	94.6	75.9	62.1	60.2	65.6	88.4	75.9	
Mar-21	61.2	59.8	54.2	83.7	71.2	63.7	60.6	68.6	77.1	71.2	
Average	60.0	57.2	56.3	92.9	76.2	66.6	62.5	63.1	87.4	76.2	

Table 14: Population Group-wise Credit-Deposit Ratio Excluding Food Procurement Credit (In %)

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

Except the CD ratio of rural centres, there is hardly any difference noticed in CD ratio of other centres with or without credit to FCI. The average CD ratio of rural areas as per sanction remains at 64% during the period from 2012 to 2021 without excluding credit to FCI, and at about 60% after excluding credit to FCI. More recent numbers, however, show that the CD ratio of the rural segment did not differ much with or without credit to FCI. For instance, the CD ratio of rural area as per sanction was 66.4% in March 2012 and this dropped by 7.1 percentage points to 59.3% when credit to FCI excluded. But in March 2021, the CD ratio as per sanction was 62.4% which is 1.2 percentage points higher than CD ratio after excluding credit to FCI. Thus, the reduction in rural areas' CD ratio by four percentage points from 66.4% to 62.4% between 2012 and 2021 is largely because of the reduction in credit to sectors other than FCI. That is, it is the reduction in non-food credit that brought down the overall CD ratio of the rural sector.

5. Credit-Deposit Ratio by Bank Group

Broadly, commercial banks in India are divided into scheduled and non-scheduled banks. Scheduled banks are those which are listed in the Second Schedule to the Reserve Bank of India Act 1934. They comprise of scheduled commercial banks (SCBs)
and scheduled cooperative banks. Furthermore, SCBs are also grouped based on their ownership and/or nature of operation, such as public sector banks and private sector banks. Public sector banks comprise of SBI (formerly SBI and its associates) and nationalised banks. In addition, there are foreign banks, regional rural banks (RRBs) and small finance banks. In the BSR system, SCBs are grouped into (i) public sector

Table 15: Bank Group-wise Distribution of Amount of Deposits and (Credit
Outstanding (In %)	

As at	Public	State Bank	Nation-	Foreign	Regiona	l Other	Small	All
end	Sector	of India	alised	Banks	Rural	Scheduled	Finance	Scheduled
	Banks	and Its	Banks		Banks	Commercial	Banks	Commercial
		Associates				Banks		Banks
Share in A	Amount	of Deposits	(in%)					
Jun-73	84.0	27.9	56.1			16.0		100
Jun-81	90.8	27.9	62.9		0.6	8.5		100
Mar-91	87.6	26.6	61.0	5.7	2.4	4.4		100
Mar-01	78.4	24.9	53.5	5.3	4.0	12.3		100
Mar-05	74.2	24.3	49.9	4.4	3.5	17.9		100
Mar-11	74.6	21.4	53.2	4.4	3.0	18.0		100
Mar-15	72.9	21.9	51.0	4.4	3.0	19.7		100
Mar-16	70.6	22.0	48.6	4.6	3.2	21.5		100
Mar-17	69.4	22.8	46.6	4.2	3.4	23.0		100
Mar-18	66.9			4.2	3.4	25.4	0.1	100
Mar-19	63.2			4.5	3.4	28.6	0.3	100
Mar-20	62.4			4.8	3.4	28.9	0.5	100
Mar-21	61.3			4.9	3.3	29.9	0.6	100
Share in A	Amount	of Credit O	utstandi	ng (in %))			
Jun-73	85.1	30.0	55.1			14.9		100
Jun-81	90.2	31.0	59.1		1.2	8.7		100
Mar-91	85.4	28.0	57.5	7.5	3.0	4.0		100
Mar-01	75.3	26.8	48.5	8.4	3.0	13.2		100
Mar-05	70.9	23.1	47.8	6.6	2.8	19.7		100
Mar-11	74.9	21.9	53.0	4.9	2.4	17.8		100
Mar-15	71.6	21.5	50.1	4.9	2.6	20.8		100
Mar-16	68.1	21.4	46.7	5.0	2.7	24.1		100
Mar-17	65.7	21.3	44.5	4.5	2.9	26.9		100
Mar-18	63.2			4.2	2.9	29.3	0.4	100
Mar-19	59.8			4.2	2.9	32.5	0.6	100
Mar-20	57.7			4.2	2.9	34.3	0.9	100
Mar-21	56.5			4.0	3.1	35.4	1.0	100

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

banks, (ii) private sector banks, (iii) foreign banks, (iv) regional rural banks (RRBs) since 1978,⁵¹ and (v) small finance banks since 2017. There is a new category of SCBs, known as (vi) payment banks, about which information is available in the consolidated balance sheets since 2020, but they are yet to be covered in the BSR. The BSR provides credit and deposits related data for these major bank groups. It is important to note that a major bank group of 'Other SCBs' in the BSR classification has been treated as private sector banks in the ensuing discussion.

.... Share of different bank groups in bank deposits and credit

The percentage distribution of the total amount of deposit by bank group shows that public sector banks continue to hold a strong command over the bank deposits (Table 15, Appendix Table 3). In the 1970s, the share of public sector banks went up with a simultaneous reduction in the share of private sector banks largely because of the gains made by nationalised banks. Until the mid-1990s, over 85% of the total bank deposits were with public sector banks; of which, about one-third was held by SBI and its associates, and the remaining by the nationalised banks. In the reform period, the share of public sector banks went down. As of March 2021, public sector banks held about 61.3% of the total deposits, private sector banks about 30% and the remaining by other bank groups.

A similar trend is also noticed in the case of their relative share in the total amount of credit. The competition sown by the reform measures ushered in since the early 1990s had increased the share of private sector banks in deposits and also in credit. Another point to note is that public sector banks have disproportionately a larger share in bank deposits compared to their share in bank credit; and on the contrary, private sector banks have a larger share in credit relative to their share in bank deposits. Though these evidences suggest the growing importance of private sector banks, one cannot lose sight of the persisting dominance of public sector banks, as they still account for 61.4% of the total deposits and 56.5% of the total credit as of March 2021.

.... Credit-deposit ratio by bank group

In the earlier analysis, the overall CD ratio was observed to have moved upward since 2006, which is also the general experience of all major bank groups (Table 16). While CD ratio of public sector banks began to slid downward after 2017, that of private sector banks has remained higher than the all-India average and even

As at	Public	State	Nation-	Foreign	Regi-	Other	Small	All
end	Sector	Bank	alised	Banks	onal	Schedu-	Finance	Schedu-
	Banks	of India	Banks		Rural	led Com-	Banks	led Com-
		and Its			Banks	mercial		mercial
		Associate	S			Banks		Banks
Jun-73	70.5	74.8	68.4			64.8		69.6
Jun-81	66.0	73.9	62.5		117.9	67.7		66.5
Mar-91	60.4	65.1	58.4	82.2	77.3	57.0		61.9
Mar-01	54.5	60.9	51.4	90.3	43.1	61.0		56.7
Mar-05	63.1	62.7	63.3	98.6	53.2	72.5		66.0
Mar-11	75.9	77.3	75.4	85.0	59.9	74.7		75.6
Mar-15	75.8	75.7	75.8	85.1	67.7	81.6		77.1
Mar-16	75.6	76.2	75.3	84.7	67.7	87.7		78.4
Mar-17	69.9	68.7	70.4	79.9	62.8	86.1		73.8
Mar-18	72.5			77.2	65.3	88.4	197.0	76.7
Mar-19	74.1			73.0	66.7	89.0	156.5	78.3
Mar-20	70.8			66.2	64.4	90.8	150.7	76.5
Mar-21	66.2			57.9	66.5	84.8	128.7	71.7
Period Average								
1973-1991	66.7	70.4	65.0	78.4	107.7	66.7		67.1
1992-2005	56.2	62.9	53.1	76.5	50.9	60.2		57.7
2006-2021	74.0	75.6	74.7	81.6	62.8	80.7	158.2	75.8
Decadal average								
1973-1980	72.4	75.7	70.8		117.2	66.8		71.6
1981-1990	62.8	66.7	61.1	74.6	109.8	67.6		64.0
1991-2000	56.1	64.4	52.4	69.8	55.9	57.2		57.1
2001-2010	65.3	66.8	64.6	88.1	51.6	69.4		66.6
2011-2021	74.2	77.2	75.5	79.9	65.4	84.2	158.2	76.8

Table 16: Bank Group-wise Credit-Deposit Ratio (In %)

went up. In the last decade, the CD ratio of public sector banks remained lower than the all-India ratio, which coincides with their dwindling share in the total bank credit.

In particular, the CD ratio of private sector banks had slipped from 90.8% in the pre-Covid year of 2019-20 to 84.8% in 2020-21, whereas that of public sector banks dipped from 70.8% to 66.2%. They had contributed to the overall drop in the CD ratio in 2020-21. Prakash and Kumar (2021) found that private sector banks played a significant role in credit contraction. They further noted that during the pandemic

period (as per data of November 2020), the public sector banks were primarily responsible for the deceleration in the growth of overall industrial credit, whereas private sector banks accounted for the contraction in the growth of personal loans due to loss of momentum by its major constituent of housing loans. The study further observed that public sector banks were leading the revival of credit growth. With more than one-third share in the total bank credit, the behaviour of CD ratio of the banking system as a whole is increasingly shaped by the lending policies of private sector banks, which have a much higher personal loans orientation. This epitomises the evolving nature of the banking system resulting from the competition unleashed by the reform measures: the relative importance of public sector banks has waned and of private sector banks has grown.

6. Credit-Deposit Ratio by Region

Although analyses of the CD ratio at the state level have attracted the attention of policy makers and academia, there is also an equal interest expressed in examining the CD ratio by region. To begin with, region-wise deposits mobilisation and credit deployment by banks has been examined.

6.1 Region-wise Distribution of Bank Deposits and Credit

The southern region has a dominant share in both number of deposit accounts and size of deposits – about one-fourth of the total (Table 17). While the region's share in the number of accounts showed some fall over the years, there is a steady increase in their share in the amount of deposits since the early 1970s, suggesting an increase in the deposit amount per account. The western region had about 16% in deposit account, but they accounted for a bulk of deposits exceeding that of southern region. The share of the region showed some decrease in the 1970s and 1980s but rose since the early 1990s. The northern region also had a higher share in deposit amount compared to their share in number of accounts. This shows that both western and northern regions generally have more deposit amount per account. Both central and eastern region have a lot more share in the number of account than in the amount of deposits. The share of eastern region in the number of accounts increased from 17.1% in March 2001 to 19.9% in March 2021, but their share in the amount of deposits remained unchanged at about 13%. The region's share in the total deposit has gradually declined in the 1970s and 1980s, and it continued thereafter. The central region also accounts for about a little

As at		Num	ber of	Depos	its Acc	ounts			А	moun	t of D	eposit	s	
end	Nort-	North-	East-	Cen-	West-	Sout-	All-	Nort-	North-	East-	Cen-	West-	Sout-	All-
	hern	Eastern	ern	tral	ern	hern	India	hern	Easterr	ı ern	tral	ern	hern	India
	Reg-	Reg-	Reg-	Reg-	Reg-	Reg-		Reg-	Reg-	Reg-	Reg-	Reg-	Reg-	
	ion	ion	ion	ion	ion	ion		ion	ion	ion	ion	ion	ion	
Jun-73								18.4	1.2	18.8	12.1	31.4	18.1	100
Jun-81								21.3	1.4	16.8	12.9	26.8	20.8	100
Mar-91								21.7	1.7	15.5	14.1	25.8	21.2	100
Mar-01	17.4	2.5	17.1	20.9	16.1	26.1	100	23.5	1.6	13.3	13.8	24.8	23.0	100
Mar-06	17.2	2.3	16.1	19.7	17.4	27.3	100	23.6	1.6	11.4	12.1	29.1	22.3	100
Mar-11	16.4	2.5	15.9	21.1	16.3	27.8	100	21.5	1.7	11.4	11.4	32.4	21.5	100
Mar-12	15.8	2.6	16.5	21.0	16.9	27.3	100	21.1	1.8	12.0	11.9	30.8	22.4	100
Mar-13	15.4	2.5	16.6	20.8	16.9	27.9	100	20.6	1.8	12.2	12.2	31.1	22.1	100
Mar-14	14.9	2.5	16.3	20.8	16.8	28.6	100	20.2	1.7	12.1	12.4	31.3	22.2	100
Mar-15	14.7	2.7	16.9	21.3	16.4	28.0	100	20.1	1.7	12.5	12.8	30.1	22.8	100
Mar-16	15.1	2.8	18.1	21.9	15.9	26.3	100	20.5	1.7	12.8	12.8	28.8	23.4	100
Mar-17	15.0	3.0	18.9	21.7	15.7	25.7	100	21.2	1.8	13.2	13.3	26.7	23.6	100
Mar-18	15.0	3.1	19.2	21.7	15.6	25.4	100	21.4	1.9	13.2	13.6	26.3	23.6	100
Mar-19	14.8	2.9	19.4	22.0	15.4	25.5	100	21.1	1.9	13.3	13.4	26.6	23.8	100
Mar-20	14.8	2.9	19.5	21.9	15.6	25.3	100	20.8	1.9	13.1	13.5	26.4	24.4	100
Mar-21	14.6	3.1	19.9	21.7	15.7	25.1	100	20.8	1.8	12.5	13.4	26.5	25.0	100

Table 17: Region-wise Distribution of Number of Accounts and Amount of Deposit (In %)

over one-fifth of the total number of accounts, but about 13% of the deposit amount. A fractional share in both number and amount of deposits is accounted by the northeastern region. Three regions that witnessed some increase in their respective share in the amount of deposits in the 1970s and 1980s included the southern, central and northern regions, but thereafter, it included northern, southern and western regions.

The southern region accounts for a major chunk of the number of accounts of credit as per sanction – a little over one-third of the total in March 2021, although it is low compared to 2005 (Table 18). At the same time, their share in the amount of credit remained lower; it was 29% in March 2021. Overall, the southern region witnessed a marked decline in their share in number of accounts, but their share in the total credit remained nearly unchanged. The western region's share in credit as per sanction has been about one-third of the total, thus, exceeding that of southern region, but their share in the number of accounts was lower. In fact, the northern region accounted for

As Per San	As Per Sanction and As Per Utilisation (In %)										
As at	Northern	North-	Eastern	Central	Western	Southern	All-				
end	Region	Eastern	Region	Region	Region	Region	India				
		Region									
Number o	f Credit Acc	ounts (As	Per Place of	of Sanction))						
Jun-73											
Jun-81											
Mar-91											
Mar-01	14.2	2.0	16.0	17.5	12.5	37.8	100				
Mar-06	10.8	1.9	12.8	14.4	14.4	45.6	100				
Mar-11	10.1	2.0	12.0	12.9	23.5	39.5	100				
Mar-12	10.4	2.0	11.4	12.7	22.5	40.9	100				
Mar-13	10.3	2.2	11.8	13.7	17.4	44.5	100				
Mar-14	10.0	2.3	11.6	13.8	16.9	45.4	100				
Mar-15	10.3	2.3	11.7	13.9	16.8	45.0	100				
Mar-16	10.3	3.0	13.7	14.0	17.5	41.5	100				
Mar-17	10.1	3.0	13.8	13.9	18.5	40.6	100				
Mar-18	10.1	2.9	13.6	13.1	18.7	41.6	100				
Mar-19	11.4	2.7	13.9	12.9	21.9	37.2	100				
Mar-20	11.8	2.6	14.9	12.8	22.9	35.0	100				
Mar-21	11.7	2.7	15.2	13.2	23.2	34.0	100				

Table 18: Region-wise Distribution of Number of Accounts and Amount of Credit

Number of Credit Accounts (As Per Place of Utilisation)

Jun-7 Jun-8

Mar-20

Mar-21

13.0

13.0

2.7

2.8

15.4

15.8

Jun-73							
Jun-81							
Mar-91	10.7	2.2	20.0	18.4	11.1	37.6	100
Mar-01	14.2	2.0	16.0	17.5	12.5	37.8	100
Mar-06	11.2	2.0	13.0	14.5	13.6	45.7	100
Mar-11	10.4	2.0	12.1	13.0	22.7	39.9	100
Mar-12	10.7	2.0	11.5	12.8	21.7	41.3	100
Mar-13	12.1	2.2	12.8	13.7	13.1	46.0	100
Mar-14	12.4	2.4	12.4	14.5	14.9	43.5	100
Mar-15	12.6	2.3	12.4	14.6	14.7	43.3	100
Mar-16	12.5	3.0	14.4	14.8	15.5	39.7	100
Mar-17	12.5	3.1	14.6	15.0	16.3	38.5	100
Mar-18	12.7	3.0	14.3	14.3	17.0	38.7	100
Mar-19	12.3	2.8	14.5	13.7	18.2	38.5	100

13.6

14.0

100 (Contd....)

100

36.4

35.5

19.0

19.1

45

As at	Northern	North-	Eastern	Central	Western	Southern	All-
end	Region	Eastern	Region	Region	Region	Region	India
		Region					
Amount of	Credit (As	Per Place	of Sanctior	1)			
Jun-73	17.1	0.6	16.6	7.6	33.4	24.7	100
Jun-81	22.0	0.8	13.5	9.8	28.5	25.4	100
Mar-91	18.8	1.3	12.5	11.4	28.2	27.8	100
Mar-01	22.7	0.8	8.6	8.0	33.0	27.0	100
Mar-06	21.0	0.9	7.7	7.4	37.0	26.0	100
Mar-11	23.4	0.8	7.8	7.0	34.1	26.9	100
Mar-12	23.4	0.8	7.7	7.1	33.9	27.1	100
Mar-13	23.3	0.8	7.6	7.4	33.8	27.2	100
Mar-14	23.2	0.8	7.5	7.7	34.2	26.7	100
Mar-15	23.1	0.8	7.5	8.0	34.0	26.6	100
Mar-16	21.9	0.8	7.4	8.0	35.3	26.6	100
Mar-17	21.6	0.9	7.3	8.3	34.9	27.0	100
Mar-18	21.8	1.0	7.2	8.5	33.7	27.9	100
Mar-19	22.7	1.0	7.0	8.5	33.3	27.5	100
Mar-20	22.5	1.0	7.1	8.6	32.7	28.0	100
Mar-21	21.8	1.1	7.2	9.1	31.9	29.0	100
Amount of	Credit (As	Per Place	of Utilisati	on)			
Jun-73							
Jun-81							
Mar-91	18.3	1.7	12.3	12.0	27.5	28.1	100
Mar-01	21.8	0.9	8.6	9.0	32.7	27.0	100
Mar-06	22.1	1.1	8.7	8.3	31.7	28.0	100
Mar-11	23.7	0.8	8.1	7.7	31.7	28.0	100
Mar-12	23.9	0.8	8.0	7.6	31.5	28.2	100
Mar-13	23.4	0.8	8.1	8.3	31.6	27.8	100
Mar-14	23.9	0.8	7.8	8.1	31.9	27.4	100
Mar-15	23.9	0.8	7.8	8.5	31.6	27.4	100
Mar-16	22.9	0.9	7.7	8.7	32.4	27.5	100
Mar-17	22.8	1.0	7.7	8.8	32.1	27.7	100
Mar-18	22.8	1.0	7.6	8.9	30.9	28.8	100
Mar-19	23.4	1.0	7.3	8.9	30.7	28.6	100
Mar-20	23.3	1.1	7.5	9.1	29.9	29.2	100
Mar-21	22.7	1.2	7.6	9.6	28.8	30.1	100

Table 18: Region-wise Distribution of Number of Accounts and Amount of Credit As Per Sanction and As Per Utilisation (In %) *(Concluded)*

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in) about 10% to 12% of the total number of credit accounts, but their share in amount of credit was little over one-fifth of the total. This suggests that in both northern and western regions, credit accounts are basically of large size compared to that of the southern region. Moreover, western region's share in the amount of credit came down in the 1970s and 1980s which was accompanied by some increase in the share of central and southern regions at the same time. In any case, the western, northern and southern regions together accounted for a little over 80% of the total amount of credit as per sanction and about 70% of the total number of credit account. The eastern region had a relatively larger share in the number of accounts than in the amount of credit. Moreover, a perceptible fall in the regions' share in credit as per sanction is seen throughout. The share of the central region in the total credit went up in the 1970s and 1980s, but declined thereafter. In terms of the share in credit and deposits, the southern, northern and western regions continue to account for the bulk with eastern region losing out. The credit culture in the country is, thus, skewed in favour of these three regions.

The trend observed with respect to credit per sanction is largely reflected in the regions' share in credit as per utilisation as well. The three major regions- southern, northern and western- accounted for about 70% of the total accounts and a little over 80% of the amount as per utilisation. The southern region has a relatively higher share in the amount of credit as per utilisation than their share in the amount of credit as per utilisation. The southern region in the last decade or so. The western region has a higher share in credit as per sanction than as per utilisation. This shows that bank credit has been more utilised in both southern and northern regions, though western region continues to account for a significant share. While there is hardly any difference in the share of eastern and north-eastern regions in credit as per sanction than as per utilisation, the central region had a relatively higher share as per utilisation than as per sanction in the earlier period, but not lately. The eastern region is certainly not performing well in terms of attracting more credit. This allows us to conclude that credit migrates from the western regions to the southern and central regions throughout, and to northern and eastern regions since 2006.

6.2 Credit-Deposit Ratio by Region

Generally, the southern region has a high CD ratio – exceeding all-India average by about 15 percentage points (Table 19; Appendix Table 4). Though the CD ratio of the

western region used to be higher than the all-India average throughout, it was lower than that of the southern region till 2000. Since then, the CD ratio of the western region exceeded that of all other regions barring a few years between 2008 and 2015, when the southern region recorded the highest CD ratio. The CD ratio of the northern region also went up after March 2010 and the region's CD ratio stood higher than all-India ratio. The CD ratio of the eastern region stood lower than all-India throughout, and it has come down over the years as well. The region's CD ratio was 61.6% in 1973,

As at	Credit-Deposit Ratio As per Place of Sanction									
end	Northern	North-	Eastern	Central	Western	Southern	All-			
	Region	Eastern	Region	Region	Region	Region	India			
		Region								
Jun-73	64.0	35.1	61.6	42.6	73.9	94.0	69.1			
Jun-81	68.7	40.1	53.4	50.6	70.6	80.9	66.5			
Mar-91	53.7	46.9	49.9	50.3	67.7	81.1	61.9			
Mar-01	54.7	27.6	36.7	32.7	75.5	66.6	56.7			
Mar-05	59.5	35.0	45.5	40.8	83.5	78.1	66.0			
Mar-11	82.5	33.8	51.4	46.7	79.5	94.5	75.6			
Mar-15	88.5	34.5	46.5	48.3	87.1	89.9	77.1			
Mar-16	83.6	38.4	44.9	49.3	96.0	89.3	78.4			
Mar-17	75.0	36.8	41.0	46.0	96.2	84.2	73.8			
Mar-18	78.1	39.3	41.6	47.9	98.3	90.5	76.7			
Mar-19	84.5	40.4	41.4	49.5	98.1	90.6	78.3			
Mar-20	82.9	41.1	41.8	48.8	94.7	88.0	76.5			
Mar-21	74.9	44.1	41.6	48.5	86.3	83.1	71.7			
Period Average										
1973-1991	68.1	42.3	55.3	48.7	71.5	83.1	67.0			
1992-2005	53.4	33.4	42.7	38.0	69.7	70.2	57.7			
2006-2021	78.9	37.8	47.1	47.4	89.4	89.9	75.8			
Decadal Average										
1973-1980	81.3	37.4	60.6	48.3	71.9	86.3	71.4			
1981-1990	59.0	45.9	51.6	48.9	71.4	80.7	64.0			
1991-2000	52.0	36.8	44.7	40.7	65.2	72.0	57.1			
2001-2010	62.6	34.1	45.6	40.6	82.7	78.5	66.6			
2011-2021	83.4	37.4	45.4	48.1	90.4	90.7	76.8			

Table 19: Region-wise Credit-Deposit Ratio As Per Place of Sanction and Utilisation (In %)

(Contd....)

As at		Credit-D	eposit Rat	io As per l	Place of U	tilisation	
end	Northern	North-	Eastern	Central	Western	Southern	All-
	Region	Eastern	Region	Region	Region	Region	India
		Region					
Jun-73	63.2	64.2	57.9	48.5	71.3	97.3	69.1
Jun-81	68.0	53.1	52.3	53.4	69.0	82.0	66.5
Mar-91	52.4	60.9	49.2	52.8	66.1	82.1	61.9
Mar-01	52.5	32.0	36.6	36.9	74.8	66.8	56.7
Mar-05	62.2	44.6	50.4	45.8	71.8	83.9	66.0
Mar-11	83.4	36.3	53.3	50.9	74.1	98.3	75.6
Mar-15	91.8	35.2	48.4	51.3	80.9	92.4	77.1
Mar-16	87.4	39.3	46.8	53.2	88.3	92.1	78.4
Mar-17	79.1	38.2	43.0	48.7	88.5	86.6	73.8
Mar-18	81.9	41.0	44.1	50.5	90.0	93.2	76.7
Mar-19	87.1	41.9	43.3	52.1	90.5	94.2	78.3
Mar-20	85.7	42.2	44.0	51.6	86.7	91.6	76.5
Mar-21	78.2	46.1	43.9	51.3	78.1	86.3	71.7
Period Average							
1973-1991	67.3	61.5	54.3	52.2	69.4	84.1	67.0
1992-2005	52.6	43.8	43.6	41.5	66.2	72.0	57.7
2006-2021	81.4	41.1	50.1	51.4	81.4	94.0	75.8
Decadal Average	;						
1973-1980	80.2	60.0	59.9	53.7	68.9	87.9	71.4
1981-1990	58.5	62.8	50.4	50.9	70.1	81.2	64.0
1991-2000	50.6	46.2	44.3	43.4	64.0	72.7	57.1
2001-2010	63.7	43.9	49.5	45.6	73.7	83.7	66.6
2011-2021	86.1	39.1	47.5	51.4	83.4	93.7	76.8

Table 19: Region-wise Credit-Deposit Ratio As Per Place of Sanction and Utilisation (In %) (*Concluded*)

and it gradually came down to 49.9% in 1991 and further to about 42% in the recent years. In 2021, the CD ratio of the eastern region was the least. The CD ratio of the north-eastern region went up in the 1980s, but then it went down in the subsequent period, except in the last few years. The CD ratio of the north-eastern region remained the lowest throughout, but it exceeded that of eastern region by a small margin in 2021.⁵² The central region also had a CD ratio lower than all-India ratio. Though the level of the CD ratio generally went up in eastern, north-eastern and central regions in the mid-2000, there has been no perceptible rising trend on a year-on-year basis. Thus, the observed increase in the overall CD ratio at the all-India level, particularly since 2015, is largely because of a higher order of increase reported by the northern region, followed by western and then southern regions. The low level of CD ratio of eastern region is to be poignantly noted.

The CD ratio as per place of utilisation of the southern region had remained higher than all-India ratio, and also more than the CD ratio as per sanction, suggesting that the region gets credit sanctioned in the rest of the country (Table 19, Appendix Table 5). The CD ratio of the western region as per utilisation was greater than all-India ratio, but not higher than as per sanction. That is, credit sanctioned in western region is utilised in other regions. The CD ratio as per utilisation generally stood higher than all-India ratio in the northern region. In particular, the region's CD ratio as per utilisation stood higher than that as per sanction since March 2004. The CD ratio as per utilisation in the eastern region also stood lower than all-India ratio, though they were higher than as per sanction. The CD ratio in the north-eastern region is generally lower than all-India ratio, but as per utilisation is much higher than as per sanction; the magnitude of the differences between these two had narrowed down over the years, more so in the recent decade. There is an increased tendency for bank credit to flow into southern and central regions, and to northern region since 2006.

As a whole, the trends reveals that CD ratios have reportedly increased in the northern and western regions, but decreased in eastern and north-eastern regions. Not much change is noticed in the central region, whereas the southern region holds on to the higher position, particularly as per utilisation. Whether the observed trend holds good amongst all the states within the region is the focus of the following section.

7. Credit-Deposit Ratio at the State Level

In this section, the trends and patterns of the CD ratio, both as per the place of sanction and utilisation, across the states of India have been examined. With respect to resource deployment at the state level, the Expert Group on Credit-Deposit Ratio (Ministry of Finance, 2005) recommended to include banks' investment in state government securities and RIDF along with credit while arriving at CD ratio. As

pointed out earlier, it is appropriate to include RIDF but not investments in state governments securities for the consideration of CD ratio at the state level. As a background to the analysis of CD ratio, it is proposed to examine the relative share of states in GSDP, bank deposits and bank credit. An attempt has also been made in this section to examine state-wise deposit intensity so as to understand the trend in the CD ratio better at the state level. Deposit intensity is defined here as the ratio of amount of bank deposits in a given state to its gross state domestic product (GSDP), which is a measure of a state's income. The GSDP is available for different base years – 2011-12 being the latest one. It has been decided to use the back series generated by the EPW Research Foundation⁵³ as per base year 2011-12.

While analysing the CD ratio, references are often made to the level of development of states, that is, whether a state is developed or underdeveloped. The Expert Group on Investment Credit (RBI, 2005) used the criteria of per capita income; if a state has per capita income greater than national average, it is considered as a developed state, and *vice versa*. By the same consideration, states have been categorised into developed and underdeveloped (Table 20). As it is seen, eastern states except Sikkim, north-eastern states except Arunachal Pradesh and Mizoram, and central region states are underdeveloped. Northern states other than Jammu and Kashmir and Rajasthan are developed, and all of western and southern states are developed.

7.1 Relative Share of States in GSDP, Bank Deposits and Credit

The CD ratio, being a ratio by itself, conceals the relative position of the states on parameters such as gross state domestic product (GSDP), bank deposits and credit. A hypothesis that can be formulated and tested here is whether the relative share of states in GSDP, bank deposit and credit are associated; that is, if there is an association between size of GSDP, bank deposits and credit at the state level. To begin with, an attempt has been made to understand share of each of these states in the sum total of all of them. For the purpose of analysis, Andaman and Nicobar Islands, Daman and Diu, Dadra and Nagar Haveli and Lakshadweep were not included for the reasons of non-availability of GSDP data and also because their respective percentage share in the total of all states were relatively insignificant.

Based on the relative share of states in the total GSDP for the latest year 2020-21, it is possible to find 10 major states – each contributing 4% or more to the total

51

Sr. No.	Name of the State	Average Per Capita Income (in Rs)	Remarks
	Northern Region		
1	Haryana	232,885	Developed
2	Himachal Pradesh	192,284	Developed
3	Jammu & Kashmir	100,962	Underdeveloped
4	Punjab	156,937	Developed
5	Rajasthan	112,217	Underdeveloped
	North-Eastern Regio	n	
6	Arunachal Pradesh	141,023	Developed
7	Assam	84,091	Underdeveloped
8	Manipur	75,709	Underdeveloped
9	Meghalaya	88,201	Underdeveloped
10	Mizoram	155,230	Developed
11	Nagaland	117,495	Underdeveloped
12	Tripura	112,666	Underdeveloped
	Eastern Region		
13	Bihar	40,590	Underdeveloped
14	Jharkhand	72,990	Underdeveloped
15	Odisha	101,736	Underdeveloped
16	Sikkim	384,017	Developed
17	West Bengal	100,389	Underdeveloped
	Central Region		
18	Chhattisgarh	97,263	Underdeveloped
19	Madhya Pradesh	90,231	Underdeveloped
20	Uttar Pradesh	66,619	Underdeveloped
21	Uttarakhand	200,688	Developed
	Western Region		
22	Goa	448,651	Developed
23	Gujarat	200,469	Developed
24	Maharashtra	199,389	Developed
	Southern Region		
25	Andhra Pradesh	152,788	Developed
26	Karnataka	208,704	Developed
27	Kerala	204,620	Developed
28	Tamil Nadu	194,891	Developed
29	Telangana	199,797	Developed
	All States	127,370	

Table 20: State-wise Average Per Capita for the Period 2016-17 to 2018-19 (In Rs)

Note: If a state has a higher per capita income than of all state, it is considered as developed; or else underdeveloped.

Source: Average per capita income has been worked out based on data extracted from Finance Commission (2020: Annexure FI. 3).

Table 21: State-wise Distribution of Gross State Domestic Product (In %)

States	2004	2011	2015	2016	2017	2018	2019	2020
	-05	-12	-16	-17	-18	-19	-20	-21
Northern Region				,				
Haryana	3.1	3.4	3.6	3.7	3.7	3.7	3.7	3.6
Himachal Pradesh	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.7
Jammu & Kashmir	1.0	0.9	0.9	0.8	0.8	0.8	0.8	0.8
Punjab	3.3	3.1	2.9	2.8	2.8	2.7	2.6	2.6
Rajasthan	4.4	5.0	5.0	5.0	4.9	4.8	4.8	4.8
Chandigarh	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Delhi	3.9	4.0	4.1	4.0	4.0	3.9	3.9	3.7
North-Eastern Region								
Arunachal Pradesh	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Assam	2.0	1.7	1.7	1.7	1.7	1.6	1.8	1.8
Manipur	0.2	0.1	0.1	0.1	0.2	0.1	0.2	0.2
Meghalaya	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Mizoram	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Nagaland	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Tripura	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Eastern Region								
Bihar	2.6	2.9	2.7	2.7	2.7	2.8	2.9	2.9
Jharkhand	2.2	1.7	1.5	1.5	1.6	1.6	1.6	1.5
Odisha	2.7	2.7	2.4	2.6	2.6	2.6	2.6	2.6
Sikkim	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.2
West Bengal	6.7	6	5.9	5.7	5.7	5.8	5.9	6.2
Andaman & Nicobar	0.05	0.05	0.04	0.04	0.05	0.05	0.05	0.0
Islands								
Central Region								
Chhattisgarh	1.7	1.8	1.7	1.7	1.7	1.7	1.7	1.7
Madhya Pradesh	3.8	3.7	4.0	4.2	4.3	4.4	4.6	4.6
Uttar Pradesh	9.0	8.4	8.4	8.4	8.4	8.4	8.3	8.2
Uttarakhand	1.0	1.3	1.3	1.3	1.3	1.2	1.1	1.1
Western Region								
Goa	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Gujarat	6.8	7.1	7.6	7.6	7.8	7.9	7.9	7.9
Maharashtra	14.9	14.8	14.5	14.3	13.8	13.6	13.3	12.9
Southern Region								0
Andhra Pradesh	4.6	4.4	4.4	4.5	4.6	4.6	4.7	4.8
Karnataka	7.3	7.0	7.7	7.9	7.8	7.8	7.8	8.2
Kerala	4.5	4.2	4.1	4.1	4.1	4.2	4.0	3.8
Tamil Nadu	8.1	8.7	8.7	8.5	8.6	8.6	8.7	9.0
Telangana	3.5	4.2	4.3	4.3	4.4	4.5	4.6	4.6
Puducherry	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
ALL States	100	100	100	100	100	100	100	100

Source: Author's estimates based on data extracted from Domestic Product of States module of EPWRF India Time Series (www.epwrfits.in)

GSDP, accounting for a cumulative total of 71.2%. Another 6 states contribute 2% to 4% each to GSDP, and thus, the top 16 major states contribute 90.8% of the GSDP of all states (Table 21). They include Haryana, Punjab, Rajasthan and Delhi in the northern region; Madhya Pradesh and Uttar Pradesh in the central region; Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and Telangana in the southern region; Bihar, Odisha and West Bengal in the eastern region; and Gujarat and Maharashtra in the western region. Of these states, Maharashtra has the highest share, followed by Tamil Nadu, Karnataka, Uttar Pradesh, Gujarat, and West Bengal. These states along with undivided Andhra Pradesh together account for a major share of 62.2% of the total GSDP of all states. If we include four more states such as Chhattisgarh, Uttarakhand, Jharkhand, and Assam, then the contribution of the top 20 states goes up to 96.9%, and further adding Jammu and Kashmir and Himachal Pradesh, the contribution of 22 states becomes 97.2%. An interesting feature is that these major states continue to remain so over the years with some marginal changes in their relative shares. Except Assam, none of the north-eastern states has a share of more than 0.3% each. The state that generally ranks very high in terms of per capita income like Sikkim and Goa contributes less than 0.4% each.

A similar pattern is noticed with respect to the share of top 16 states in the bank deposits; these states together account for 91.3% of the total deposits in 2021 (Table 22). However, states like Maharashtra and Delhi have a disproportionately larger share in deposits than in income. In contrast, all the southern states have a relatively lower share in bank deposits than in GSDP. Looking at the overall trend, it is seen that the shares of Karnataka in the total bank deposits has steadily increased and also that of Haryana to some extent, but the shares of Gujarat, Punjab and West Bengal have fallen.

The top 16 states account for 94.6% of the total bank credit sanctioned, and this is far higher compared to their respective shares in GSDP and bank deposits (Table 23). Maharashtra alone accounts for a little over one-fourth of the total bank credit sanctioned in the country. The share of Maharashtra has showed an appreciable increase over the years, more prominently in the 2000s – the state's share peaked at one-third of the total bank credit in 2008. Since then, some decline is noticed. In 2021, Delhi ranked second (11.9% of the total bank credit), followed by Tamil Nadu (9.3%) and Karnataka (6.8%). The bank credit sanctioned in these four states constitute 54.4% of the total credit sanctioned in 2021. The share of Punjab in the total credit

Table 22: State-wise Distribution of Bank Deposits (In %)

States	1981	1991	2001	2005	2011	2015
Northern Region						
Haryana	1.8	2.0	2.1	2.1	2.4	2.5
Himachal Pradesh	0.59	0.72	0.78	0.71	0.60	0.67
Jammu & Kashmir			1.0	1.0	0.75	0.83
Punjab	5.4	5.1	4.7	3.8	2.8	2.9
Rajasthan	2.3	2.8	2.9	2.5	2.4	2.6
Chandigarh			0.80	0.71	0.71	0.62
Delhi	9.8	9.7	11.2	12.8	11.8	9.9
North-Eastern Region						
Arunachal Pradesh	0.03	0.07	0.06	0.07	0.10	0.09
Assam	1.0	1.1	1.0	1.0	1.1	1.1
Manipur	0.05	0.05	0.05	0.06	0.06	0.06
Meghalaya	0.14	0.19	0.17	0.18	0.18	0.19
Mizoram	0.03	0.05	0.04	0.05	0.05	0.06
Nagaland	0.06	0.11	0.09	0.08	0.10	0.08
Tripura	0.10	0.14	0.16	0.15	0.16	0.17
Eastern Region						
Bihar	4.4	4.8	2.8	2.3	2.2	2.4
Jharkhand			1.6	1.6	1.4	1.6
Odisha	1.2	1.4	1.6	1.5	1.9	2.1
Sikkim	0.01	0.06	0.06	0.07	0.06	0.06
West Bengal	11.5	9.6	7.2	6.4	5.8	6.2
Andaman & Nicobar Islands	0.02	0.03	0.04	0.04	0.03	0.03
Central Region						
Chhattisgarh			0.8	0.9	1.1	1.1
Madhya Pradesh	3.2	3.9	3.1	2.7	2.6	3.1
Uttar Pradesh	9.9	10.4	9.0	7.8	6.9	7.5
Uttarakhand			1.0	1.1	0.9	1.0
Western Region						
Goa	0.88	0.76	0.75	0.67	0.59	0.58
Gujarat	7.3	6.0	5.8	5.6	4.8	5.4
Maharashtra	19.1	19.4	18.2	21.9	27.0	24.1
Southern Region						
Andhra Pradesh	5.3	5.6	5.7	5.6	5.4	2.1
Karnataka	5.1	5.0	5.8	6.2	6.5	7.1
Kerala	3.9	4.0	4.7	4.0	3.2	3.7
Tamil Nadu	6.6	6.9	6.6	6.3	6.4	6.1
Telangana						3.7
Puducherry	0.15	0.16	0.17	0.16	0.13	0.12
ALL States	100	100	100	100	100	100
					(Contd)

States	2016	2017	2018	2019	2020	2021
Northern Region		_ /				
Harvana	2.6	2.9	3.2	3.2	3.5	3.5
Himachal Pradesh	0.69	0.73	0.74	0.76	0.75	0.73
Jammu & Kashmir	0.84	0.87	0.91	0.94	0.93	0.93
Puniab	3.0	3.1	3.0	3.0	3.0	3.0
Rajasthan	2.7	2.0	2.0	3.0	3.1	3.1
Chandigarh	0.58	0.56	0.54	0.54	0.53	0.53
Delhi	10.1	10.2	10.0	9.6	9.0	9.1
North-Eastern Region						
Arunachal Pradesh	0.09	0.11	0.12	0.13	0.13	0.13
Assam	1.1	1.1	1.2	1.2	1.2	1.1
Manipur	0.06	0.07	0.08	0.08	0.08	0.08
Meghalaya	0.19	0.19	0.19	0.19	0.17	0.17
Mizoram	0.06	0.07	0.07	0.07	0.08	0.08
Nagaland	0.08	0.09	0.09	0.09	0.09	0.08
Tripura	0.18	0.19	0.19	0.20	0.19	0.18
Eastern Region						
Bihar	2.5	2.8	2.8	2.8	2.7	2.6
Jharkhand	1.7	1.7	1.7	1.7	1.7	1.7
Odisha	2.2	2.3	2.4	2.5	2.5	2.4
Sikkim	0.07	0.06	0.07	0.08	0.07	0.07
West Bengal	6.4	6.4	6.3	6.2	6.0	5.8
Andaman & Nicobar Islands	0.03	0.04	0.04	0.04	0.04	0.04
Central Region				· · ·		
Chhattisgarh	1.1	1.1	1.2	1.1	1.2	1.1
Madhya Pradesh	2.9	2.9	3.0	2.9	2.9	2.9
Uttar Pradesh	7.7	8.3	8.3	8.2	8.3	8.3
Uttarakhand	1.0	1.1	1.1	1.1	1.1	1.1
Western Region						
Goa	0.58	0.58	0.57	0.56	0.56	0.56
Gujarat	5.4	5.6	5.6	5.3	5.4	5.4
Maharashtra	22.7	20.5	20.1	20.6	20.4	20.5
Southern Region						
Andhra Pradesh	2.2	2.3	2.4	2.4	2.4	2.3
Karnataka	7.3	7.3	7.3	7.4	7.7	8.1
Kerala	3.8	3.8	3.9	3.9	4.0	3.9
Tamil Nadu	6.3	6.2	6.3	6.3	6.5	6.5
Telangana	3.7	3.8	3.7	3.6	3.6	3.9
Puducherry	0.13	0.14	0.14	0.14	0.15	0.14
ALL States	100	100	100	100	100	100

Table 22: State-wise Distribution of Bank Deposits (In %) (Concluded)

Table 23: State-wise	Distribution of	f Credit As Per	Place of Sancti	on (In %)
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States	1981	1991	2001	2005	2011	2015
Northern Region						
Haryana	1.9	2.0	1.5	1.6	2.3	2.5
Himachal Pradesh	0.3	0.5	0.3	0.4	0.3	0.3
Jammu & Kashmir			0.6	0.7	0.4	0.5
Punjab	3.6	3.7	3.4	2.9	2.9	2.9
Rajasthan	2.5	2.6	2.4	2.6	2.8	3.0
Chandigarh			1.4	1.0	1.1	0.9
Delhi	11.6	8.6	13.1	12.1	13.5	13.2
North-Eastern Region						
Arunachal Pradesh	0.01	0.03	0.02	0.02	0.03	0.03
Assam	0.70	0.90	0.60	0.50	0.50	0.50
Manipur	0.03	0.06	0.03	0.04	0.03	0.03
Meghalaya	0.04	0.07	0.05	0.12	0.06	0.06
Mizoram	0.00	0.02	0.02	0.03	0.03	0.03
Nagaland	0.03	0.08	0.02	0.03	0.03	0.03
Tripura	0.08	0.16	0.06	0.07	0.07	0.08
Eastern Region						
Bihar	2.8	3.0	1.0	1.0	0.9	1.1
Jharkhand			0.81	0.71	0.64	0.61
Odisha	1.2	1.6	1.1	1.4	1.3	1.2
Sikkim	0.00	0.03	0.02	0.03	0.03	0.02
West Bengal	9.8	8.2	5.6	5.1	4.9	4.7
Andaman & Nicobar Islands	0.01	0.02	0.01	0.02	0.02	0.02
Central Region						
Chhattisgarh			0.5	0.6	0.7	0.9
Madhya Pradesh	3.0	4.1	2.6	2.3	1.9	2.2
Uttar Pradesh	7.1	7.5	4.5	4.5	4.0	4.4
Uttarakhand			0.4	0.4	0.4	0.4
Western Region						
Goa	0.6	0.4	0.3	0.3	0.2	0.2
Gujarat	6.0	5.6	5.0	3.9	4.2	5.0
Maharashtra	22.7	22.7	27.7	31.5	29.6	28.8
Southern Region						
Andhra Pradesh	5.8	7.2	6.5	6.4	7.9	2.9
Karnataka	5.8	6.3	6.2	6.9	6.2	6.2
Kerala	4.5	3.8	3.5	3.3	3.1	3.1
Tamil Nadu	9.9	10.8	10.6	9.6	9.7	9.4
Telangana				-	- 1	4.9
Puducherry	0.1	0.1	0.1	0.1	0.1	0.1
ALL States	100	100	100	100	100	100
					((Contd)

			0			
States	2016	2017	2018	2019	2020	2021
Northern Region						
Haryana	2.3	2.3	2.5	2.5	2.5	2.6
Himachal Pradesh	0.3	0.3	0.3	0.3	0.3	0.3
Jammu & Kashmir	0.5	0.5	0.5	0.5	0.6	0.6
Punjab	2.7	2.9	2.5	2.3	2.2	2.3
Rajasthan	2.5	2.7	2.9	3.1	3.2	3.3
Chandigarh	0.7	0.8	0.8	0.8	0.7	0.7
Delhi	12.9	12.2	12.3	13.1	13.0	11.9
North-Eastern Region						
Arunachal Pradesh	0.03	0.04	0.04	0.04	0.04	0.04
Assam	0.6	0.6	0.7	0.7	0.7	0.7
Manipur	0.03	0.04	0.05	0.05	0.06	0.06
Meghalaya	0.06	0.07	0.07	0.07	0.08	0.09
Mizoram	0.03	0.03	0.03	0.03	0.04	0.05
Nagaland	0.04	0.04	0.04	0.04	0.04	0.05
Tripura	0.08	0.09	0.10	0.10	0.11	0.11
Eastern Region						
Bihar	1.1	1.2	1.2	1.2	1.3	1.4
Jharkhand	0.63	0.63	0.62	0.61	0.63	0.69
Odisha	1.1	1.2	1.2	1.2	1.3	1.3
Sikkim	0.02	0.02	0.03	0.03	0.03	0.03
West Bengal	4.5	4.3	4.2	3.9	3.9	3.7
Andaman & Nicobar Islands	0.02	0.02	0.02	0.02	0.02	0.03
Central Region						
Chhattisgarh	0.9	0.9	1.0	0.9	1.0	1.0
Madhva Pradesh	2.3	2.4	2.5	2.5	2.6	2.8
Uttar Pradesh	4.4	4.5	4.5	4.5	4.5	4.8
Uttarakhand	0.4	0.5	0.5	0.5	0.5	0.5
Western Region		0.0	0.0	0.0	0.0	0.0
Goa	0.2	0.2	0.2	0.2	0.2	0.2
Guiarat	5.2	5.3	5.5	5.4	5.3	5.2
Maharashtra	29.8	20.4	28.0	27.7	27.2	26.4
Southern Region				_/ •/		1
Andhra Pradesh	3.0	3.2	3.5	3.7	3.0	4.3
Karnataka	6.5	6.6	6.6	6.6	6.6	6.8
Kerala	3.0	2.1	3.2	3.3	3.4	3.0
Tamil Nadu	0.1	8.0	0.3	8.0	0.2	0.2
Telangana	4.0	5.0	51	10	7·-	5-5 5-1
Puducherry	4·9 0 1	0.1	0.1	4·9 0 1	4·9 0 1	0.1
ALL States	100	100	100	100	100	100

Table 23: State-wise Distribution of Credit As Per Place of Sanction (In %) *(Concluded)*

sanctioned has steadily declined over the years, but that of Haryana showed a rise. A more noticeable feature is that the share of West Bengal used to be about 10% in the total credit in the early 1980s, but this has come down to less than 4% in the recent years. Uttar Pradesh is another state that also witnessed a steady decline in the state's share in bank credit. On the contrary, Andhra Pradesh is a state that increased its share in the total bank credit. Karnataka's share of credit did not go up as much as its share in the total deposits.

A similar trend is noticed with respect of the share of states in credit as per utilisation with top 16 states accounting for 94.4% of the total credit in 2021 (Table 24). In terms of relative share in the bank credit as per utilisation, it is seen that Maharashtra has a lesser share than its share in credit as per sanction – by about 3-4 percentage points in the recent years, and lower as compared to the previous decades. On the other hand, Karnataka, Gujarat and Delhi have a marginally higher share in credit utilised than in credit sanctioned. West Bengal used to be a major centre where the credit sanctioned was better than its utilisation – probably reflecting a more vibrant economy in the early 1980s, that has lost out since 2001. In the last two decades, West Bengal received more credit than what has been sanctioned in the state.

An important question here is that whether state's share in the GSDP of all states, bank deposits and credit are associated. To gauge this, correlation coefficient has been worked out for various cut off years.

It is seen that the correlation between the states' share in deposits and credit (both sanctioned and utilised) is very high over 0.950 (Table 25). This has remained so throughout. The state's share in credit sanctioned and utilised is highly associated, as reflected in their high correlation coefficient of over 0.990. This may be because the credit migrates only from a single state of Maharashtra and in a very few years from Tamil Nadu also. At the same time, the correlation coefficient between state's share in deposit and GSDP is also very high, but not as much as between their shares in deposit and credit. Similarly, state's share in bank credit (both sanctioned and utilisation) and GSDP is also highly correlated, though not as much as between state's share in deposits and GSDP. The correlation coefficient is more between states' shares in bank credit as per utilisation and GSDP, compared to between states' share in credit as per sanction and GSDP, implying that it is more of bank credit utilisation that has better association with the state's share in GSDP.

States	1981	1991	2001	2005	2011	2015
Northern Region	-)					
Harvana	2.6	2.5	2.0	2.0	2.7	2.8
Himachal Pradesh	0.3	0.5	0.4	0.5	0.4	0.3
Jammu & Kashmir	0	0	0.6	0.7	0.4	0.5
Punjab	4.5	4.1	3.5	2.8	3.5	2.9
Rajasthan	2.8	2.8	2.5	2.8	3.0	3.1
Chandigarh			1.4	1.0	1.1	0.9
Delhi	9.8	7.3	11.4	12.1	12.6	13.5
North-Eastern Region		, 0				
Arunachal Pradesh	0.01	0.06	0.03	0.03	0.03	0.03
Assam	0.9	1.3	0.7	0.6	0.6	0.5
Manipur	0.03	0.06	0.03	0.04	0.03	0.03
Meghalaya	0.03	0.08	0.05	0.23	0.07	0.07
Mizoram	0.01	0.03	0.02	0.04	0.03	0.03
Nagaland	0.03	0.08	0.02	0.03	0.04	0.03
Tripura	0.07	0.14	0.06	0.07	0.07	0.08
Eastern Region	· · ·			· · ·	· · · ·	
Bihar	2.6	3.0	1.0	1.1	0.9	1.1
Jharkhand			0.9	0.7	0.7	0.6
Odisha	1.3	1.6	1.2	1.7	1.4	1.2
Sikkim	0.00	0.03	0.02	0.03	0.05	0.03
West Bengal	8.2	7.8	5.5	5.5	5.0	4.9
Andaman & Nicobar Islands	0.01	0.02	0.02	0.03	0.02	0.02
Central Region						
Chhattisgarh			0.7	0.7	0.8	0.9
Madhya Pradesh	3.0	4.2	2.8	2.5	2.0	2.3
Uttar Pradesh	7.3	8.0	5.1	5.0	4.4	4.8
Uttarakhand			0.4	0.5	0.5	0.5
Western Region						
Goa	0.6	0.4	0.4	0.3	0.2	0.2
Gujarat	6.5	6.0	5.5	5.2	4.7	5.5
Maharashtra	22.4	21.5	26.8	25.2	26.7	25.9
Southern Region						
Andhra Pradesh	5.9	7.3	6.6	7.1	8.3	3.0
Karnataka	6.2	6.5	6.3	7.5	6.5	6.7
Kerala	4.7	3.8	3.5	3.4	3.1	3.1
Tamil Nadu	10.0	10.8	10.6	10.0	10.0	9.3
Telangana						5.1
Puducherry	0.2	0.2	0.1	0.1	0.1	0.1
ALL States	100	100	100	100	100	100

Table 24: State-wise Distribution of Credit As Per Place of Utilisation (In %)

(Contd....)

Table 24: State-wise Distribution of Credit As Per Place of Utilisation (In %) *(Concluded)*

States	2016	2017	2018	2019	2020	2021
Northern Region						
Haryana	2.8	2.7	2.8	2.8	2.9	2.9
Himachal Pradesh	0.3	0.3	0.3	0.3	0.3	0.3
Jammu & Kashmir	0.5	0.5	0.5	0.5	0.6	0.6
Punjab	2.8	3.0	2.7	2.4	2.3	2.4
Rajasthan	2.6	2.8	3.1	3.3	3.4	3.5
Chandigarh	0.7	0.8	0.8	0.8	0.7	0.7
Delhi	13.2	12.7	12.6	13.3	13.0	12.2
North-Eastern Region						
Arunachal Pradesh	0.03	0.04	0.05	0.04	0.04	0.05
Assam	0.6	0.6	0.7	0.7	0.7	0.8
Manipur	0.03	0.04	0.05	0.05	0.06	0.07
Meghalaya	0.06	0.07	0.08	0.08	0.08	0.09
Mizoram	0.03	0.03	0.04	0.04	0.04	0.05
Nagaland	0.04	0.04	0.04	0.04	0.04	0.07
Tripura	0.08	0.09	0.10	0.11	0.11	0.11
Eastern Region						
Bihar	1.1	1.2	1.2	1.3	1.3	1.5
Jharkhand	0.7	0.7	0.7	0.6	0.7	0.7
Odisha	1.2	1.3	1.2	1.3	1.4	1.4
Sikkim	0.03	0.03	0.03	0.03	0.03	0.03
West Bengal	4.6	4.5	4.4	4.1	4.1	4.0
Andaman & Nicobar Islands	0.02	0.02	0.02	0.02	0.02	0.03
Central Region						
Chhattisgarh	0.9	1.0	1.0	1.0	1.0	1.0
Madhya Pradesh	2.4	2.5	2.6	2.6	2.7	2.9
Uttar Pradesh	4.9	4.8	4.8	4.8	4.8	5.1
Uttarakhand	0.5	0.5	0.5	0.5	0.5	0.5
Western Region						
Goa	0.2	0.2	0.2	0.2	0.2	0.2
Gujarat	5.7	5.7	6.0	6.0	5.8	6.0
Maharashtra	26.5	26.1	24.6	24.5	23.9	22.6
Southern Region						
Andhra Pradesh	3.1	3.3	3.6	3.8	4.0	4.4
Karnataka	7.0	7.0	7.2	7.1	7.1	7.2
Kerala	3.1	3.2	3.3	3.4	3.4	3.5
Tamil Nadu	9.0	8.8	9.1	9.0	9.3	9.5
Telangana	5.3	5.3	5.5	5.2	5.2	5.4
Puducherry	0.1	0.1	0.1	0.1	0.1	0.1
ALL States	100	100	100	100	100	100

61

	·	1				
As at	Deposit	Deposit	Deposit	CDR (As Per	CDR	CDR
end	and CDR	and CDR	and	Sanction)	(As Per	(As Per
March	(As Per	(As Per	GSDP	and CDR	Sanction)	Utilisation)
	Sanction)	Utilisation)		(As Per	and GSDP	and GSDP
				Utilisation)		
1981	0.968	0.962	0.885	0.995	0.835	0.858
1991	0.945	0.948	0.913	0.997	0.887	0.910
2001	0.945	0.948	0.913	0.998	0.837	0.861
2005	0.964	0.977	0.887	0.990	0.844	0.878
2011	0.985	0.981	0.878	0.998	0.846	0.868
2015	0.977	0.976	0.894	0.997	0.843	0.857
2019	0.962	0.966	0.901	0.997	0.824	0.846
2020	0.959	0.963	0.903	0.996	0.821	0.845
2021	0.964	0.967	0.893	0.994	0.825	0.853

Table 25: Correlation Coefficient Between Relative Shares of States in Credit, Deposit and GSDP, and Credit-Deposit Ratio

Note: GSDP refers to gross state domestic product at current market prices (2011-12 series); and CDR refers to credit-deposit ratio.

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

7.2 Credit-Deposit Ratio by State

At the outset, it is important to note that the variations in the CD ratio across states had been used as an indicator of regional disparity in banking development. In this context, a comparison used to be made between CD ratio as per sanction and CD ratio as per utilisation.

.... CD ratio as per sanction

Amongst the northern states, the CD ratio as per credit sanctioned in Delhi and Chandigarh is distinctively higher (Table 26 and 27). Though the CD ratio of these states went down between 1973 and 1991, it witnessed a phenomenal rise in the subsequent periods. The CD ratio of Punjab steadily rose, but it has slowed down since 2015; the state's CD ratio remained lower than all-India throughout. A similar trend is observed in the case of Haryana, which had a lower CD ratio than all-India, that too on a declining trend since 2016. The CD ratio of Haryana was higher in the 1980s compared to all other periods. The CD ratio of Rajasthan went up in the 1970s and 1980s, but came down in the 1990s. In the subsequent periods, the state's CD ratio not only rose but stood higher than all-India. Thus, a majority of the northern states like Haryana, Punjab, Jammu and Kashmir and Himachal Pradesh not only had a lower CD ratio than that of all-India, but the gap appears to have widened in the

Region/States	Jun-73	Jun-81	Mar-91	Mar-01	Mar-05	Mar-11	Mar-15
Northern Region	64.0	68.7	53.7	54.7	59.5	82.5	88.5
Haryana	59.6	69.6	60.2	41.0	51.4	71.7	75.8
Himachal Pradesh	10.4	37.2	38.6	21.3	36.3	41.6	35.3
Jammu & Kashmir	20.3	41.4	54.8	34.5	46.7	38.1	42.2
Punjab	33.1	43.2	45.1	41.1	50.1	77.8	75.1
Rajasthan	49.8	71.4	56.6	46.6	68.7	90.4	86.2
Chandigarh	205.9	182.6	82.9	99.4	88.9	121.6	105.9
Delhi	81.9	77.8	54.8	66.1	62.4	86.8	102.6
Ladakh		,,	01				
North-Eastern Region	35.1	40.1	46.9	27.6	35.0	33.8	34.5
Arunachal Pradesh	4.4	12.3	28.1	14.5	22.0	23.7	26.8
Assam	41.2	45.2	49.7	32.1	35.3	36.5	36.7
Manipur	30.6	35.5	72.3	40.1	42.4	34.8	34.0
Meghalava	24.6	18.4	22.1	17.1	43.6	24.4	25.9
Mizoram	1	10.4	27.5	24.1	47.8	46.0	37.8
Nagaland	34.1	27.8	43.0	12.4	22.0	26.1	32.7
Tripura	10.3	51.5	68.2	21.7	28.6	32.2	33.7
Eastern Region	61.6	53.4	49.9	36.7	45.5	51.4	46.5
Bihar	31.1	41.8	38.3	20.7	27.7	29.5	33.6
Jharkhand	0		0 0	28.0	29.6	34.4	29.6
Odisha	55.9	68.9	69.2	40.2	61.8	52.5	41.9
Sikkim	00.7	5.9	32.4	14.4	29.5	37.9	25.6
West Bengal	72.6	56.3	53.0	44.5	52.3	63.7	57.8
Andaman & Nicobar	25.0	16.0	42.0	16.3	26.8	38.1	40.1
Islands	_0.0		1-1.5			00	10
Central Region	42.6	50.6	50.3	32.7	40.8	46.7	48.3
Chhattisgarh	·	0	0 0	38.5	43.6	52.3	61.6
Madhya Pradesh	45.6	60.7	64.7	47.6	54.7	55.6	54.8
Uttar Pradesh	41.6	47.3	44.8	28.3	37.9	44.0	45.4
Uttarakhand		17 0		21.7	24.3	35.4	34.5
Western Region	73.9	70.6	67.7	75.5	83.5	79.5	87.1
Goa	46.2	41.8	28.8	26.1	25.1	29.1	26.7
Guiarat	56.7	54.2	57.7	48.5	46.5	66.2	72.7
Maharashtra	81.0	78.1	72.3	86.4	94.9	83.0	92.0
Dadra & Nagar Haveli	81.3	113.1	52.9	14.3	34.8	34.8	35.3
Daman & Diu		0	24.0	13.3	11.5	21.3	24.3
Southern Region	94.0	80.9	81.1	66.6	78.1	94.5	89.9
Andhra Pradesh	86.5	71.0	79.8	64.5	74.8	109.7	105.3
Karnataka	87.3	74.6	79.1	61.0	73.8	72.7	67.7
Kerala	70.5	74.4	59.1	43.3	54.6	73.1	64.6
Tamil Nadu	114.7	98.2	96.9	90.6	101.2	115.1	119.0
Lakshadweep	6.7	7.9	16.7	10.4	9.7	8.7	9.1
Puducherry	98.8	62.5	40.7	33.5	38.3	62.7	71.5
Telangana	,510	÷0	コノ・ /	00.0	000	/	101.6
ALL-INDIA	60.1	66.5	61.0	56.7	66.0	75.6	77.1
	-)			0.2.1/		, 0.0	(Contd)

Table 26: State-wise Credit-Deposit Ratio As Per Place of Saction (In %)

Region/States	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21
Northern Region	83.6	75.0	78.1	84.5	82.9	74.9
Haryana	69.9	59.1	58.6	61.1	54.8	53.4
Himachal Pradesh	32.9	29.7	31.1	30.8	30.2	30.9
Jammu & Kashmir	44.2	39.8	42.9	45.5	45.8	48.5
Punjab	69.8	69.0	63.5	60.3	57.1	55.0
Rajasthan	72.4	67.8	76.6	81.4	79.6	77.9
Chandigarh	97.8	100.7	112.5	111.4	108.5	96.1
Delhi	100.4	88.3	94.1	107.4	110.2	93.9
Ladakh		-		<i>,</i> .	36.1	34.9
North-Eastern Region	38.4	36.8	39.3	40.4	41.1	44.1
Arunachal Pradesh	29.0	24.0	25.0	23.0	24.9	25.2
Assam	42.2	40.3	42.6	44.3	43.0	46.7
Manipur	41.1	38.7	44.6	49.4	57.2	57.7
Meghalaya	24.8	25.9	27.2	26.9	35.3	37.6
Mizoram	40.1	36.4	35.8	36.8	36.1	42.0
Nagaland	34.1	31.5	34.7	35.4	37.5	43.2
Tripura	35.3	35.9	40.7	41.7	42.5	42.1
Eastern Region	44.9	41.0	41.6	41.4	41.8	41.6
Bihar	33.4	30.9	32.2	34.7	36.1	40.1
Jharkhand	29.6	27.1	27.7	27.7	28.5	29.8
Odisha	40.8	38.1	37.6	38.7	39.5	39.5
Sikkim	28.0	27.4	26.6	28.4	31.2	35.8
West Bengal	55.1	50.3	51.1	49.5	49.3	46.5
Andaman & Nicobar	44.2	38.5	39.4	41.9	41.0	46.3
Islands	11	000	07.1	17	1-1-0	10.0
Central Region	49.3	46.0	47.9	49.5	48.8	48.5
Chhattisgarh	63.5	62.4	63.2	63.3	62.4	62.7
Madhva Pradesh	61.2	60.9	65.1	67.9	69.2	67.9
Uttar Pradesh	44.6	40.0	41.2	42.7	41.5	41.5
Uttarakhand	34.0	34.3	36.4	37.6	36.5	35.3
Western Region	96.0	96.2	98.3	98.1	94.7	86.3
Goa	27.1	25.7	26.7	26.4	25.1	24.5
Guiarat	75.4	68.9	75.6	78.8	74.8	69.9
Maharashtra	102.9	106.0	106.9	105.2	102.0	92.5
Dadra & Nagar Haveli	35.8	36.5	43.5	56.1	44.7	35.3
Daman & Diu	22.0	23.5	27.5	26.6	/	00.0
Southern Region	89.3	84.2	90.5	90.6	88.0	83.1
Andhra Pradesh	106.0	101.1	112.6	121.6	125.3	121.5
Karnataka	70.1	67.0	60.7	60.7	65.2	50.8
Kerala	62.1	50.8	62.8	65.0	65.0	62.2
Tamil Nadu	112 7	105.8	112 5	110.2	107.5	101 7
Lakshadween	10 5	8 /	8.9	8 1	87	78
Puducherry	67.1	62.0	62.8	66 7	64.0	64.8
Telangana	104 5	07.0	107 4	106.0	102.6	04.0
	78 /	<u>9/.0</u> 79.8	76 7	78.0	76 5	93.2
	/0.4	/3.0	/0./	/0.3	/0.5	/1./

Table 26: State-wise Credit-Deposit Ratio As Per Place of Saction (In %) (Concluded)

Note: Till December 1986, Goa refers to Goa, Daman & Diu.

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in).

Region/	Pe	riod Avera	ıge		Dec	adal Aver	age	
States	1973-	1992-	2006-	1973-	1981-	1991-	2001-	2011-
	1991	2005	2021	1980	1990	2000	2010	2021
Northern Region	68.3	53.4	78.9	83.8	59.0	52.0	62.6	83.4
Haryana	66.5	46.3	64.8	62.6	70.2	48.0	52.7	67.1
Himachal Pradesh	33.3	26.0	36.3	21.1	42.5	26.7	34.4	33.9
Jammu & Kashmir	38.8	37.2	44.8	30.2	44.1	38.4	45.2	41.6
Punjab	42.8	41.2	68.5	35.9	48.0	40.5	54.4	69.9
Rajasthan	63.1	50.7	82.2	61.0	65.4	49.7	68.2	82.1
Chandigarh	202.4	80.6	108.3	295.9	139.6	70.5	102.1	110.7
Delhi	76.9	62.4	89.3	104.3	57.2	60.7	67.0	98.3
Ladakh			35.5					35.5
North-Eastern Region	42.3	33.4	37.8	37.4	45.9	36.8	34.1	37.4
Arunachal Pradesh	18.4	15.8	25.6	6.9	26.7	16.4	22.4	24.6
Assam	47.0	36.7	40.6	43.8	49.3	40.4	36.4	40.5
Manipur	47.9	50.0	42.7	27.2	62.0	60.2	40.2	41.0
Meghalaya	23.4	21.2	29.8	23.3	23.7	17.6	31.4	27.7
Mizoram	16.7	24.9	43.9	4.7	23.9	21.6	44.0	38.5
Nagaland	33.0	24.4	31.8	28.9	35.2	30.9	22.3	32.9
Tripura	53.8	37.7	35.4	28.9	72.3	47.2	28.9	36.4
Eastern Region	55.3	42.7	47.1	60.6	51.6	44.7	45.6	45.4
Bihar	38.1	28.2	31.9	39.0	37.4	31.6	26.4	33.0
Jharkhand		26.8	31.2				30.1	30.2
Odisha	74.4	52.4	47.4	58.6	87.5	55.4	54.1	42.4
Sikkim	13.7	21.2	34.5	3.1	17.1	23.0	32.3	29.8
West Bengal	59.9	49.3	57.3	68.5	53.8	50.4	54.6	55.5
Andaman & Nicobar	26.6	20.4	37.6	20.6	29.8	21.9	26.4	40.5
Islands								
Central Region	48.7	38.0	47.4	48.3	48.9	40.7	40.6	48.1
Chhattisgarh		40.2	56.4				44.5	59.8
Madhya Pradesh	58.5	52.0	61.1	53.7	61.8	55.1	54.3	61.6
Uttar Pradesh	45.3	33.4	43.1	46.6	44.4	35.3	37.5	43.0
Uttarakhand		22.0	33.0				24.8	35.5
Western Region	71.5	69.7	89.4	71.9	71.4	65.2	82.7	90.4
Goa	36.5	24.4	26.8	41.4	33.3	24.8	25.4	27.0
Gujarat	54.2	48.0	69.7	55.4	52.8	50.4	54.1	72.7
Maharashtra	79.2	77.8	95.5	79.1	79.9	71.2	91.6	96.5
Dadra & Nagar Haveli	87.8	22.8	37.6	100.9	80.7	26.4	28.0	39.1
Daman & Diu	22.7	16.0	20.5		22.4	19.3	13.7	22.8
Southern Region	83.1	70.2	89.9	86.3	80.7	72.0	78.5	90.7
Andhra Pradesh	75.0	70.8	106.8	75.3	74.3	74.2	79.0	113.4
Karnataka	84.3	66.7	71.3	87.0	82.6	69.1	70.7	68.7
Kerala	67.2	45.3	65.2	67.7	67.7	46.3	53.8	66.7
Tamil Nadu	97.5	90.7	113.1	102.8	93.2	90.5	102.3	113.5
Lakshadweep	13.0	9.1	8.7	5.6	18.6	10.3	8.3	8.9
Puducherry	65.4	38.1	63.0	80.3	54.9	41.3	42.2	68.8
Telangana			102.0					102.0
ALL-INDIA	67.0	57.7	75.8	71.4	64.0	57.1	66.6	76.8

Table 27: State-wise Distribution of Period Average of Credit-Deposit Ratio As Per Place of Sanction (In %)

Note: Till December 1986, Goa refers to Goa, Daman & Diu Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

recent years. The observed higher level of CD ratio of the northern region is heavily influenced by Delhi, and by Rajasthan since 2005.

All the north-eastern states had a CD ratio well below that of all-India. Though the CD ratio of Assam went up in the 1970s and 1980s, it went down between 1991 and 2005 to rise again thereafter. A unique phenomenon of the SCBs role in the north-eastern states is that CD ratio of many of these states recorded a rise between 1971 and 1991, but dropped dramatically in the 1990s. Since the early 2000s, the CD ratio of these states showed an upward trend. Except Meghalaya and Mizoram, all other north-eastern states had reported CD ratios in 2021 that is less than the level reported in 1991.

Amongst the major eastern states, Bihar, Odisha and West Bengal witnessed a steep fall in the CD ratio between 1991 and 2001 compared to the preceding decades.⁵⁴ Though the CD ratio of all these major states recovered in the early 2000s, it has dropped again since 2005. The steady decline of the CD ratio of West Bengal is more prominent across all the states in the country. Sikkim that has the highest per capita income in the country had a lower CD ratio than all-India throughout. The CD ratio of Jharkhand stood considerably lower at around 30%.

Similarly, major states in the central region like Uttar Pradesh and Madhya Pradesh witnessed a reduction in CD ratio in the 1990s, compared to the preceding decades.⁵⁵ While the CD ratio of Madhya Pradesh has gone up in the last few years, that of Uttar Pradesh went down. Uttarakhand had a CD ratio fluctuating between 35% and 37%. Barring a few years, Madhya Pradesh had a CD ratio which was higher than of Chhattisgarh. But none of these states had CD ratio higher than all-India average.

It was noted that western and southern regions performed better with their CD ratio remaining higher than all-India. Of the western states, the CD ratio of Maharashtra is substantial – in the last few years, the state's CD ratio exceeded 100% implying their own deposits was insufficient to meet their credit requirements, even without setting aside resources for meeting reserve requirements. The CD ratio of Gujarat had gone down till the 1990s but shot up particularly since 2005. The state's CD ratio remained lesser than all-India throughout, although the magnitude of the differences between the state's CD ratio and of all-India had narrowed down in the recent decade. The CD ratio of Goa not only remained lower than all-India throughout, but had a steep fall in the recent decades compared to the 1970s. And, therefore,

the dominance of Maharashtra has been the principal factor for the observed higher level of CD ratio of the western region as a whole.

In the southern region, Tamil Nadu had a relatively higher CD ratio than all-India and also remained one of the few states that had the highest CD ratio throughout. Like Maharashtra, the state's CD ratio had dropped in the 1970s and 1980s, and also in the 1990s, after which it picked up. A perceptible rise in the CD ratio of Andhra Pradesh is visible since 2005, and it ranked first in the last few years – the state's CD ratio peaked at 131% in 2021. The CD ratio of Telangana state remained very high compared to all-India. The CD ratio of Karnataka remained higher than all-India till 2005, and what is more, the gap between the state's CD ratio and of all-India has widened since then. Kerala is one of the major southern states that reported a lower CD ratio in recent decades compared to all-India as well as 1970s and 1980s.

.... CD Ratio as per utilisation

As noted above, the credit sanctioned in one bank office located in a particular state may be utilised in some other states. Amongst northern states, Haryana, Punjab and Rajasthan generally had higher CD ratio as per utilisation compared to its CD ratio as per sanction (Table 28 and 29). Since 2011, both Delhi and Chandigarh had higher CD ratios as per utilisation than as per sanction. In Himachal Pradesh, the CD ratio as per utilisation generally went up in the two decades of the 1990s and 2000s. Though there is more inflow of credit to Jammu and Kashmir, they hardly make any difference in the state's CD ratio. Delhi and Chandigarh are the two states where credit sanctioned used to be more than credit utilised for a very long time until 2011. On the migration of credit in the early 1970s, Tyagarajan and Saoji (1977) noted that Chandigarh served as a capital and as the main centre of commercial activity for states like Punjab and Haryana and so, migration of credit to these states were inevitable; and it further noted that credit had migrated from Delhi mostly to Haryana and to Punjab as well, and also to Uttar Pradesh.

In Assam and Arunachal Pradesh, the CD ratio as per utilisation remained phenomenally higher than as per sanction in three decades from the early 1970s till 2001. Though it continues to be so in the subsequent years, the magnitude of the difference had drastically fallen, and is marginal in the recent decade.

The CD ratio as per utilisation in the eastern states has generally exceeded that of sanction by about two percentage points in the recent decade. Bihar and Odisha

Region/States	Jun-73	Jun-81	Mar-01	Mar-01	Mar-05	Mar-11	Mar-15
Northern Region	63.2	68.0	52.4	52.5	62.2	83.4	91.8
Harvana	103.4	93.6	76.0	54.0	63.2	85.6	85.2
Himachal Pradesh	10.1	37.6	41.4	25.7	50.9	48.6	36.6
Jammu & Kashmir	20.8	37.9	55.1	33.5	50.9	35.7	42.5
Puniab	53.1	54.2	49.7	42.3	49.7	92.9	76.8
Raiasthan	54.6	77.3	60.5	49.6	76.5	95.8	90.1
Chandigarh	62.3	120.0	58.7	99.3	97.0	119.8	110.2
Delhi	71.5	69.5	46.6	57.6	62.5	80.8	105.0
Ladakh	/0	-).0	1000	0/10	0		0
North-Eastern Region	64.2	53.1	60.9	32.0	44.6	36.3	35.2
Arunachal Pradesh	34.2	24.0	50.5	22.1	30.0	27.4	29.1
Assam	84.6	62.6	69.9	38.1	41.9	38.9	37.2
Manipur	25.6	40.0	71.3	40.7	42.6	36.6	34.5
Meghalava	11.8	18.9	25.9	17.3	85.7	29.6	26.9
Mizoram	2.3	14.2	30.4	20.0	50.1	49.8	30.0
Nagaland	33.8	28.5	47.6	13.6	23.2	27.5	3/.1
Tripura	15.8	-0.0 53.4	60.7	21.7	20.0	-/.5	34.0
Eastern Region	57.9	52.3	40.2	36.6	50.4	53.3	48.4
Bihar	43.4	47.3	30.5	20.7	31.4	31.6	34.3
Jharkhand	-10F	-7/•J	0,0	30.6	30.6	35.6	30.6
Odisha	76.7	76.2	72.3	41.6	74.7	55.7	43.0
Sikkim	/0./	7.3	32.6	14.5	20.3	62.4	37.0
West Bengal	61.0	51.0	50.7	12.1	56.8	65.1	60.3
Andaman & Nicobar	25.7	10.1	45.0	27.5	13.8	30.1	30.3
Islands	-3.7	19.1	-1J-2	-/•0	-10 ⁻⁰	09.1	09.0
Central Region	48.5	53.4	52.8	36.9	45.8	50.9	51.3
Chhattisgarh	70.0	00.4	0_10	/0.0	/0.0	56.1	63.4
Madhya Pradesh	47.0	62.4	66.7	52.5	61.2	60.1	57.6
Uttar Pradesh	48.7	50.4	47.6	31.0	42.2	18.2	18.0
Uttarakhand		0004	7/10	23.0	20.1	30.1	35.2
Western Region	71.3	69.0	66.1	74.8	71.8	74.1	80.9
Goa	48.9	44.1	31.1	27.3	30.3	31.1	28.2
Guiarat	64.3	57.5	62.7	53.6	60.9	74.4	79.0
Maharashtra	74.6	74.5	68.4	83.5	75.9	75.0	82.7
Dadra & Nagar Haveli	125.0	135.9	191.6	135.2	110.8	56.2	36.2
Daman & Diu	0.5	-00.7	58.3	75.3	48.3	43.8	33.6
Southern Region	97.3	82.0	82.1	66.8	83.0	08.3	02.4
Andhra Pradesh	90.6	72.4	81.1	64.9	83.3	114.0	108.3
Karnataka	94.4	75.7	81.1	61.8	80.5	76.3	72.6
Kerala	75.6	76.0	50.6	42.3	57.5	72.8	65.4
Tamil Nadu	114.0	08.4	07.2	00.6	105.4	110.4	117.5
Lakshadween	6.7	8.7	17.0	11.8	22.7	8.8	0.1
Puducherry	96.7	68.8	50.3	35.8	42.0	62.7	74.4
Telangana	2011	00.0	59.0	00.0	70.2	~J•/	107.8
ALL-INDIA	60.1	66.5	61.0	56.7	66.0	75.6	77.1
	07.1	00.0	01.9	J0./	00.0	/ 3.0	//.1 Tontd)

Table 28: State-wise Credit-Deposit Ratio As Per Place of Utilisation (In %)

(Contd....)

Region/States	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21
Northern Region	87.4	79.1	81.9	87.1	85.7	78.2
Haryana	82.6	69.1	67.6	68.0	64.8	59.8
Himachal Pradesh	33.6	31.1	31.8	31.8	31.2	32.0
Jammu & Kashmir	44.7	40.4	43.6	46.0	46.2	48.9
Punjab	71.7	71.2	68.3	62.2	59.4	57.4
Rajasthan	76.3	71.6	80.7	85.8	83.9	81.9
Chandigarh	100.0	103.5	115.4	114.1	107.5	99.4
Delhi	102.9	91.9	96.3	108.6	110.7	96.6
Ladakh					36.6	35.4
North-Eastern Region	39.3	38.2	41.0	41.9	42.2	46.1
Arunachal Pradesh	29.1	25.1	30.3	23.2	25.3	30.2
Assam	43.4	42.1	44.0	45.8	44.4	48.1
Manipur	42.3	39.7	45.1	49.8	59.1	60.1
Meghalaya	25.2	26.3	30.8	31.0	35.5	37.9
Mizoram	41.7	37.8	38.2	41.5	36.8	42.2
Nagaland	34.7	33.1	34.8	35.7	37.9	57.3
Tripura	35.9	36.5	41.4	42.1	42.8	42.6
Eastern Region	46.8	43.0	44.1	43.3	44.0	43.9
Bihar	34.5	32.0	34.0	35.4	37.2	41.2
Jharkhand	30.7	29.1	30.6	28.9	30.4	31.5
Odisha	43.3	40.5	40.5	41.2	42.2	42.9
Sikkim	35.2	31.6	29.7	30.3	31.7	36.3
West Bengal	57.3	52.5	53.8	51.8	51.8	49.2
Andaman & Nicobar	43.6	42.4	42.7	42.1	44.1	46.5
Islands						
Central Region	53.2	48.7	50.5	52.1	51.6	51.3
Chhattisgarh	66.3	65.0	65.9	66.2	65.2	66.8
Madhya Pradesh	63.5	63.4	67.7	71.0	72.1	70.7
Uttar Pradesh	49.6	43.0	43.9	45.2	44.3	44.2
Uttarakhand	35.8	35.3	37.8	38.7	37.8	36.7
Western Region	88.3	88.5	90.0	90.5	86.7	78.1
Goa	29.0	27.6	28.1	27.3	26.3	25.8
Gujarat	82.4	75.2	82.2	87.6	82.8	79.5
Maharashtra	91.4	94.0	94.1	93.1	89.4	79.2
Dadra & Nagar Haveli	40.2	41.5	53.8	67.8	64.7	52.4
Daman & Diu	29.2	35.3	32.8	29.5		
Southern Region	92.1	86.6	93.2	94.2	91.6	86.3
Andhra Pradesh	109.6	104.4	114.1	124.3	128.9	135.2
Karnataka	75.4	71.2	75.7	75.1	69.9	63.2
Kerala	63.0	61.2	65.5	67.5	66.2	64.0
Tamil Nadu	112.4	103.8	110.8	111.6	109.2	103.8
Lakshadweep	10.5	8.4	7.1	8.2	8.7	7.9
Puducherry	69.4	66.3	66.8	69.4	66.5	67.2
Telangana	111.5	103.6	115.1	113.1	110.5	99.3
ALL-INDIA	78.4	73.8	76.7	78.3	76.5	71.7

Table 28: State-wise Credit-Deposit Ratio As Per Place of Utilisation (In %) (Concluded)

Note: Till December 1986, Goa refers to Goa, Daman & Diu Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

Region/States	Pe	riod Avera	ige	Decadal Average					
	1973-	1992-	2006-	1973-	1981-	1991-	2001-	2011-	
	1991	2005	2022	1980	1990	2000	2010	2021	
Northern Region	67.3	52.6	81.4	80.2	58.5	50.6	63.7	86.1	
Haryana	98.9	58.1	75.4	109.6	92.6	59.9	64.5	77.4	
Himachal Pradesh	35.1	31.9	40.9	21.0	45.6	29.8	44.3	36.5	
Jammu & Kashmir	37.5	37.9	45.3	27.5	43.8	37.9	47.1	41.8	
Punjab	60.2	43.1	71.2	67.0	55.8	42.9	56.1	73.0	
Rajasthan	67.4	54.9	88.6	65.9	69.2	53.0	76.1	87.0	
Chandigarh	63.6	77.9	110.4	47.9	76.6	63.7	104.9	111.8	
Delhi	69.7	56.1	89.2	95.6	51.4	53.5	63.8	98.8	
Ladakh			36.0					36.0	
North-Eastern Region	61.5	43.8	41.1	60.0	62.8	46.2	43.9	39.1	
Arunachal Pradesh	36.7	24.9	32.8	34.1	37.4	27.3	34.0	28.3	
Assam	72.7	50.3	43.4	74.4	71.7	52.7	48.1	41.9	
Manipur	49.0	50.2	44.0	26.7	64.6	60.1	41.2	42.2	
Meghalaya	25.1	28.7	36.8	23.4	26.3	22.6	46.5	29.5	
Mizoram	24.5	32.1	46.5	4.6	39.8	28.6	49.0	40.8	
Nagaland	37.4	28.0	36.2	33.5	39.4	35.6	25.4	37.2	
Tripura	22.5	21.8	42.5	3.0	31.2	22.9	36.1	38.8	
Eastern Region	56.5	37.7	36.1	33.9	74.1	46.8	29.1	37.1	
Bihar	54.3	43.6	50.1	59.9	50.4	44.3	49.5	47.5	
Jharkhand	45.5	29.6	35.8	52.7	40.3	33.0	31.5	34.7	
Odisha	10 0	30.0	33.0	0,		00	32.8	31.9	
Sikkim	81.9	56.0	51.6	71.0	91.5	57.3	61.1	45.3	
West Bengal	55.0	49.2	59.8	61.6	50.2	48.6	57.6	57.6	
Andaman & Nicobar	31.7	30.1	44.9	25.1	35.6	24.7	48.0	41.7	
Islands	0,	0	,	0	00	• •		• •	
Central Region	52.2	41.5	51.4	53.7	50.9	43.4	45.6	51.4	
Chhattisgarh		48.5	61.1				52.7	63.0	
Madhya Pradesh	60.9	55.7	64.4	56.7	63.8	58.1	58.9	64.3	
Uttar Pradesh	49.1	36.7	47.4	52.7	46.4	37.9	42.5	46.9	
Uttarakhand		24.8	35.7				28.5	37.2	
Western Region	69.4	66.2	81.4	68.9	70.1	64.0	73.7	83.4	
Goa	39.4	26.3	28.7	45.7	35.2	25.9	28.7	28.5	
Gujarat	58.9	54.6	80.9	61.0	56.8	54.7	69.1	80.3	
Maharashtra	74.5	71.0	83.1	72.7	76.5	68.2	76.6	85.8	
Dadra & Nagar Haveli	142.0	132.0	71.4	135.0	142.6	131.7	127.8	53.3	
Daman & Diu	37.4	61.5	40.1	00	32.2	60.0	57.4	34.0	
Southern Region	84.1	72.0	94.0	87.9	81.2	72.7	83.7	93.7	
Andhra Pradesh	76.8	73.6	111.3	78.0	75.4	75.5	84.5	117.4	
Karnataka	86.7	69.7	78.6	, 91.0	83.8	70.6	80.2	73.4	
Kerala	68.8	45.9	66.6	69.9	68.9	46.7	55.6	67.7	
Tamil Nadu	96.4	91.5	114.0	101.4	92.2	90.4	104.7	113.7	
Lakshadweep	13.7	11.3	12.1	7.3	18.5	11.4	15.7	8.8	
Puducherry	73.9	45.4	65.0	94.0	59.2	49.4	46.6	70.4	
Telangana	, 0. 7	10.1	108.7	× 11 -	0.7	1211		108.7	
ALL-INDIA	67.0	57.7	75.8	71.4	64.0	57.1	66.6	76.8	

Table 29: State-wise Distribution of Period Average of Credit-Deposit Ratio As Per Place of Utilisation (In %)

Note: Till December 1986, Goa refers to Goa, Daman & Diu. Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in).

used to have a relatively higher CD ratio as per utilisation in the 1970s, and this had drastically reduced in the reform period. The CD ratio of West Bengal as per utilisation used to be lower than of sanction, but the trend has been reversed after 2011. It is not surprising given that the state's capital Kolkata was a major commercial centre and the credit sanctioned by bank offices situated there would have been utilised elsewhere outside the state, particularly in the neighbouring states including the northeastern states. In a study using the BSR 1974 data, Tyagarajan and Saoji (1977) found that credit had migrated out of Kolkata to other eastern states and north-eastern states; for instance, about 92% of credit availed by plantation industry in Assam was taken from Kolkata. The CD ratio as per utilisation falling below that as per sanction in the recent decade in West Bengal signify that the state has ceased to be a major centre controlling economic activities in the neighbouring states.

All the states in the central region had higher CD ratios as per utilisation than CD ratio as per sanction. The CD ratio of the major states like Madhya Pradesh and Uttar Pradesh shows a striking improvement as per utilisation in comparison to that as per sanction. Chhattisgarh also received more credit, as the state's CD ratio as per utilisation is higher than that of sanction.

In the western region, Maharashtra had a lower CD ratio as per utilisation than as per sanction. The CD ratio of Gujarat as per utilisation exceed that of sanction by a huge margin. The rest of the other states in the region also have higher CD ratio as per utilisation than as per sanction. The position of Maharashtra is more pronounced, as it is the only state that always had credit sanctioned higher than credit utilised, clearly suggesting credit migrating to other states.

The CD ratio of the southern states generally show that they received more credit than sanctioned in their respective states. Barring a few years, the CD ratio as per utilisation in Tamil Nadu had remained higher than as per sanction. That is, Tamil Nadu had witnessed inflow of credit sanctioned outside the state, and sometimes, outflow of credit. The point differences between the CD ratio as per utilisation and as per sanction in Karnataka and Telangana is huge; these two states receive more credit than what has been sanctioned within these states.

Thus, the number of states having CD ratio as per sanction greater than as per utilisation has come down over the years – only Maharashtra in the last few years.

This possibly indicates the intensive spread of banking system accompanied by the adoption of core banking solution (CBS) would have enabled enterprise units to have banking arrangements in bank offices in their respective place of location, rather than depend upon banks with whom their parent units have banking arrangements. Still, one cannot ignore the persisting low CD ratio of a fewer states, mostly in the central and eastern regions.

7.3 Credit-Deposit Ratio with Inclusion of RIDF

As noted above, the Expert Group on Credit-Deposit Ratio (Ministry of Finance, 2005) suggested an alternative measure of CD ratio, wherein bank credit and RIDF are taken together to represent the numerator. This section makes an attempt to examine the CD ratio based on this alternative measure. By investigating this, one can get a better idea on how bank resources get utilised across states. It can be expected that the CD ratio with RIDF will be greater than CD ratio without RIDF, as the denominator (that is, bank deposits) remains unchanged, while numerator has been augmented to include RIDF. The NABARD, which is the executive agency for the distribution of RIDF, provides state-wise amount sanctioned and disbursed. For the purpose of analysis, the amount of RIDF sanctioned is included with bank credit as per sanction and RIDF disbursed is clubbed with credit as per utilisation.

.... State-wise share in bank credit with inclusion of RIDF

State-wise distribution of bank credit as per sanction and as per utilisation reveals some differences with RIDF compared to their respective shares without inclusion of RIDF; the only exceptions are Maharashtra and Delhi, which witnessed some drop in their respective shares in bank credit with RIDF (Table 30 and 31). The correlation coefficient between state's share in bank deposits and credit shows some marginal improvement when the RIDF is included with credit. It is important to note that the RIDF is also bank resources; but they are made available to the states through NABARD (Table 32). Thus, the availability of banks resources routed through mediating agencies improves the correlates between the state's share in banks credit and deposits, as well as between state's share in bank credit and GSDP. This points out to better utilisation of bank resources when mediated by other channels than banks themselves.

States	1996	2001	2005	2011	2015	2016	2017	2018	2019	2020	2021
Northern Region											
Haryana	1.6	1.5	1.7	2.3	2.5	2.3	2.3	2.4	2.5	2.5	2.6
Himachal Pradesh	0.3	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Jammu & Kashmir	0.4	0.7	0.7	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.7
Punjab	3.3	3.4	2.9	2.9	2.9	2.7	2.9	2.5	2.3	2.2	2.3
Rajasthan	2.2	2.5	2.6	2.9	3.1	2.6	2.8	3.1	3.2	3.3	3.4
Chandigarh	0.9	1.4	0.9	1.1	0.8	0.7	0.7	0.8	0.7	0.7	0.7
Delhi	10.3	12.6	11.7	13.2	12.8	12.5	11.8	11.9	12.7	12.6	11.5
North-Eastern Region											
Arunachal Pradesh	0.02	0.04	0.04	0.05	0.05	0.05	0.1	0.1	0.1	0.1	0.1
Assam	0.7	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.8
Manipur	0.05	0.05	0.05	0.05	0.05	0.04	0.04	0.1	0.1	0.1	0.1
Meghalaya	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Mizoram	0.01	0.03	0.04	0.04	0.04	0.04	0.04	0.05	0.05	0.05	0.06
Nagaland	0.04	0.03	0.04	0.05	0.04	0.04	0.04	0.05	0.05	0.05	0.05
Tripura	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Eastern Region											
Bihar	2.1	1.0	1.0	1.0	1.2	1.2	1.3	1.3	1.4	1.4	1.6
Jharkhand		0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.8
Odisha	1.4	1.3	1.5	1.4	1.3	1.3	1.4	1.3	1.4	1.5	1.5
Sikkim	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
West Bengal	6.8	5.7	5.1	4.9	4.7	4.5	4.4	4.2	3.9	3.9	3.8
Andaman & Nicobar	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Islands											
Central Region											
Chhattisgarh		0.6	0.7	0.7	0.9	0.9	1.0	1.0	1.0	1.0	1.0
Madhya Pradesh	3.5	2.7	2.4	2.0	2.4	2.5	2.6	2.7	2.7	2.8	2.9
Uttar Pradesh	5.6	4.7	4.6	4.1	4.6	4.5	4.6	4.6	4.6	4.6	4.9
Uttarakhand		0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6
Western Region											
Goa	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Gujarat	5.3	5.0	4.1	4.3	5.1	5.3	5.4	5.6	5.5	5.4	5.3
Maharashtra	27.1	27.1	30.6	28.9	28.1	29.1	28.6	27.2	27.0	26.5	25.7
Southern Region											
Andhra Pradesh	6.9	6.7	6.7	8.0	3.1	3.1	3.3	3.6	3.8	4.0	4.4
Karnataka	6.5	6.2	6.9	6.2	6.2	6.4	6.6	6.6	6.5	6.5	6.7
Kerala	3.5	3.5	3.3	3.1	3.1	3.0	3.1	3.2	3.3	3.4	3.4
Tamil Nadu	10.8	10.5	9.5	9.6	9.4	9.0	8.9	9.2	8.8	9.1	9.2
Telangana					4.7	4.8	4.9	5.0	4.8	4.8	5.0
Puducherry	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
All States	100	100	100	100	100	100	100	100	100	100	100

Table 30: State-wise Distribution of 'Amount of Credit As Per Place of Sanction Plus RIDF Sanctioned' (In %)

States	1996	2001	2005	2011	2015	2016	2017	2018	2019	2020	2021
Northern Region											
Haryana	1.9	2.0	2.0	2.7	2.7	2.8	2.7	2.8	2.8	2.9	2.9
Himachal Pradesh	0.4	0.4	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Jammu & Kashmir	0.4	0.7	0.8	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.7
Punjab	3.4	3.5	2.9	3.5	2.9	2.8	3.0	2.7	2.4	2.3	2.4
Rajasthan	2.2	2.6	2.9	3.1	3.2	2.8	3.0	3.2	3.4	3.5	3.6
Chandigarh	0.9	1.4	1.0	1.1	0.9	0.7	0.8	0.8	0.8	0.7	0.7
Delhi	9.5	11.1	11.8	12.4	13.2	12.9	12.3	12.2	12.9	12.7	11.9
North-Eastern Region											
Arunachal Pradesh	0.03	0.05	0.05	0.05	0.05	0.05	0.1	0.1	0.1	0.1	0.1
Assam	0.8	0.7	0.7	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.8
Manipur	0.05	0.03	0.04	0.03	0.03	0.04	0.04	0.1	0.1	0.1	0.1
Meghalaya	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Mizoram	0.02	0.03	0.05	0.04	0.04	0.04	0.04	0.05	0.05	0.05	0.1
Nagaland	0.1	0.03	0.04	0.04	0.04	0.04	0.05	0.04	0.04	0.05	0.1
Tripura	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Eastern Region											
Bihar	2.2	1.0	1.1	1.0	1.2	1.2	1.3	1.3	1.4	1.4	1.6
Jharkhand		0.9	0.7	0.7	0.7	0.7	0.8	0.8	0.7	0.8	0.8
Odisha	1.4	1.3	1.8	1.5	1.3	1.3	1.4	1.4	1.5	1.5	1.6
Sikkim	0.02	0.02	0.04	0.05	0.04	0.04	0.03	0.03	0.03	0.04	0.04
West Bengal	6.5	5.5	5.5	5.0	4.9	4.7	4.6	4.4	4.1	4.1	4.0
Andaman & Nicobar	0.01	0.02	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Islands											
Central Region											
Chhattisgarh		0.7	0.8	0.8	1.0	1.0	1.0	1.0	1.0	1.0	1.1
Madhya Pradesh	3.8	3.0	2.7	2.1	2.5	2.5	2.6	2.8	2.8	2.8	3.0
Uttar Pradesh	5.8	5.3	5.1	4.5	4.9	5.0	4.9	4.9	4.8	4.9	5.2
Uttarakhand		0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6
Western Region											
Goa	0.3	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Gujarat	5.7	5.5	5.3	4.8	5.6	5.8	5.8	6.1	6.1	5.9	6.0
Maharashtra	26.3	26.3	24.6	26.4	25.3	25.9	25.5	24.0	24.0	23.4	22.1
Southern Region											
Andhra Pradesh	7.1	6.7	7.3	8.3	3.1	3.2	3.4	3.7	3.9	4.1	4.5
Karnataka	6.6	6.3	7.5	6.5	6.6	6.9	7.0	7.1	7.0	7.0	7.1
Kerala	3.5	3.5	3.4	3.1	3.1	3.1	3.2	3.3	3.4	3.4	3.5
Tamil Nadu	10.7	10.5	9.9	10.0	9.3	8.9	8.7	9.0	9.0	9.3	9.4
Telangana					5.0	5.2	5.2	5.4	5.1	5.1	5.3
Puducherry	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
All States	100	100	100	100	100	100	100	100	100	100	100

Table 31: State-wise Distribution of 'Amount of Credit As Per Place of Utilisation Plus RIDF Disbursed' (In %)

		-		-		
As at end	Deposit	Deposit	Deposit	CDR (As Per	CDR	CDR
March	and CDR	and CDR	and	Sanction +	(As Per	(As Per
	(As Per	(As Per	GSDP	RIDF) and	Sanction	Utilisation
	Sanction	Utilisation		CDR (As Per	+ RIDF)	+ RIDF)
	+ RIDF)	+ RIDF)		Utilisation	and	and
				+ RIDF)	GSDP	GSDP
1996	0.957	0.958	0.923	0.999	0.879	0.891
2001	0.948	0.950	0.913	0.998	0.845	0.867
2005	0.965	0.977	0.887	0.990	0.851	0.883
2011	0.985	0.981	0.878	0.998	0.852	0.872
2015	0.978	0.978	0.894	0.997	0.850	0.864
2019	0.965	0.968	0.901	0.997	0.832	0.852
2020	0.961	0.965	0.903	0.996	0.829	0.852
2021	0.966	0.968	0.893	0.994	0.833	0.860

Table 32: Correlation Coefficient Between Relative Shares of States in Amount of 'Credit Plus RIDF', Deposit and GSDP, And Credit-Deposit Ratio

Note: GSDP refers to gross state domestic product at current market prices (2011-12 series); and CDR refers to credit-deposit ratio.

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

.... CD ratio with RIDF

Overall, for all the states, the CD ratios show an improvement by above 2-3 percentage points when RIDF is included with bank credit (Table 33). This general trend has reflected in the improved CD ratios of states like Tamil Nadu, Puducherry, Haryana, Punjab, West Bengal, Uttar Pradesh, Gujarat and Goa. On the other hand, the CD ratio improved by less than 2 percentage points in Telangana, Kerala, Karnataka and Maharashtra. It improves by about 5 percentage points in a majority of states like Jammu and Kashmir, Rajasthan, Assam, Manipur, Meghalaya, Bihar, Jharkhand, Odisha, Chhattisgarh, Madhya Pradesh, Uttarakhand and Andhra Pradesh. The CD ratio with RIDF improved by a huge margin of about 8 percentage points in Himachal Pradesh, Meghalaya, Mizoram, Nagaland, Tripura, and more than 13 percentage points in Arunachal Pradesh. Amongst eastern states that perennially suffered from a low CD ratio, the CD ratio with RIDF improves in states like Bihar, Jharkhand and Odisha, but not so much in West Bengal. The CD ratio notably rises with RIDF in the north-eastern states. The states that reportedly have a higher CD ratio but did not show much improvement after including RIDF with bank credit include Maharashtra and Telangana.
States	1996	2001	2005	2011	2015	2016
Northern Region					- 0	
Harvana	45.0	42.9	54.4	74.1	78.0	72.0
Himachal Pradesh	24.6	27.2	44.6	51.2	43.7	, 41.4
Jammu & Kashmir	28.8	38.7	52.8	48.2	48.6	50.5
Punjab	41.3	42.5	52.6	80.8	77.8	72.4
Rajasthan	46.4	49.8	73.5	96.3	92.7	79.1
Chandigarh	63.9	99.4	88.9	121.6	105.9	97.8
Delhi	62.3	66.1	62.4	86.8	102.6	100.4
North-Eastern Region	0		•			•
Arunachal Pradesh	12.8	35.3	41.9	37.9	39.9	42.8
Assam	40.3	35.9	38.6	40.1	40.5	46.4
Manipur	56.8	42.5	43.3	44.6	39.7	49.2
Meghalaya	15.6	22.0	47.8	30.5	30.1	29.3
Mizoram	17.0	39.3	58.9	60.1	47.8	51.3
Nagaland	29.3	20.6	32.4	39.6	41.9	42.5
Tripura	43.9	28.2	34.4	43.9	43.2	45.7
Eastern Region	,					,
Bihar	30.3	21.0	28.9	33.6	38.1	38.3
Jharkhand	0 0	29.4	31.2	38.5	34.4	34.6
Odisha	58.7	46.2	68.7	58.1	48.3	48.1
Sikkim	21.1	20.1	33.9	52.3	34.9	36.4
West Bengal	55.5	46.4	54.9	66.0	60.1	57.4
Andaman & Nicobar	16.9	16.3	26.8	38.1	40.1	44.2
Islands	-				-	
Central Region						
Chhattisgarh		42.5	50.6	55.2	66.7	69.1
Madhya Pradesh	57.2	52.2	60.9	61.9	60.4	67.4
Uttar Pradesh	34.5	30.8	40.5	46.7	48.0	47.2
Uttarakhand	0.0	22.5	28.1	40.4	40.2	41.3
Western Region						
Goa	26.0	26.6	25.6	30.3	28.8	29.6
Gujarat	53.5	50.8	50.4	69.8	76.2	79.2
Maharashtra	79.9	87.4	95.7	83.6	92.5	103.5
Southern Region						
Andhra Pradesh	80.5	68.3	80.9	114.2	114.9	115.1
Karnataka	70.8	63.1	76.0	74.5	69.2	71.7
Kerala	44.9	44.7	56.6	75.2	66.9	64.3
Tamil Nadu	94.9	92.4	103.7	117.5	121.7	116.4
Telangana					101.9	105.1
Puducherry	40.3	33.5	38.3	66.1	75.8	71.3
All States	60.2	58.6	68.4	77.9	79.5	80.9
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Table 33: State-wise 'Credit As Per Place of Sanction Plus RIDF Sanctioned' to Deposit Ratio (In %)

75

States	2017	2018	2019	2020	2021
Northern Region					
Haryana	61.0	60.5	63.0	56.8	55.3
Himachal Pradesh	37.7	39.0	38.4	38.0	38.9
Jammu & Kashmir	45.8	48.6	50.9	51.2	53.8
Punjab	71.4	66.0	62.7	59.5	57.3
Rajasthan	74.0	82.9	87.4	85.4	83.3
Chandigarh	100.7	112.5	111.4	108.5	96.1
Delhi	88.3	94.1	107.4	110.2	93.9
North-Eastern Region					
Arunachal Pradesh	36.3	38.4	35.9	39.2	39.5
Assam	44.6	47.0	49.3	48.1	52.2
Manipur	45.5	51.6	55.7	64.0	64.6
Meghalaya	30.3	32.0	32.1	41.4	44.1
Mizoram	47.7	48.3	50.0	47.7	55.2
Nagaland	38.9	41.7	41.8	43.6	49.3
Tripura	46.0	51.4	51.7	52.7	52.7
Eastern Region					
Bihar	35.5	37.0	39.4	41.0	45.3
Jharkhand	32.3	33.4	33.5	34.7	36.3
Odisha	45.3	45.0	46.0	46.9	47.3
Sikkim	35.3	33.8	35.1	37.9	42.7
West Bengal	52.5	53.4	51.8	51.6	48.9
Andaman & Nicobar Islands	38.5	39.4	41.9	41.0	46.3
Central Region					
Chhattisgarh	68.1	69.1	69.6	68.6	69.3
Madhya Pradesh	67.1	71.4	74.4	75.8	74.2
Uttar Pradesh	42.4	43.6	45.0	43.8	43.7
Uttarakhand	40.4	42.8	43.8	42.6	41.0
Western Region					
Goa	28.0	29.1	28.9	27.5	27.1
Gujarat	72.5	79.4	82.8	78.7	73.8
Maharashtra	106.6	107.5	105.9	102.7	93.1
Southern Region					
Andhra Pradesh	109.2	120.3	129.1	132.6	138.6
Karnataka	68.5	71.2	71.1	66.6	61.0
Kerala	61.9	65.9	68.0	67.0	64.2
Tamil Nadu	108.5	116.3	113.1	110.2	104.4
Telangana	97.7	108.3	107.4	104.9	94.5
Puducherry	67.9	67.8	70.5	67.3	68.0
All States	76.3	79.3	80.9	79.1	74.3

Table 33: State-wise 'Credit As Per Place of Sanction Plus RIDF Sanctioned' to Deposit Ratio (In %) *(Concluded)*

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in).

.... CD ratio as per utilisation with RIDF

In so far as CD ratio where credit utilised included RIDF disbursed, the overall trend across states is similar to CD ratio as per sanction with RIDF (Table 34). In 2021, the CD ratio as per utilisation stood at 73.9% with RIDF, against 74.3% of CD ratio as per sanction with RIDF. It may, however, be noted that those states where the CD ratio as per sanction with RIDF had a dramatic increase over CD ratio without RIDF did not witness so much of an increase in CD ratio as per utilisation with RIDF. For instance, in 2021, the Andhra Pradesh had a CD ratio of 138.6% with RIDF and 131.5% without RIDF – a margin of 7.1 percentage points. As per utilisation, the margin of differences stood at 5.9 percentage points. Thus, magnitude of the increase reflected in the CD ratio as per sanction because of the inclusion of RIDF is not so much visible in the case of CD ratio as per utilisation after inclusion of RIDF – more so in those states like that in the north east, Chhattisgarh, Madya Pradesh, Himachal Pradesh and Puducherry where CD ratio as per sanction showed a marked increase after the inclusion of RIDF.

7.4 Credit-Deposit Ratio and Deposit Intensity of States

As noted earlier, since deposits is the amount as on a particular date and GSDP is the income of a state during the year, the deposit as percentage of GSDP (deposit intensity) of a state may be expected to go up over the years. This has been the phenomenon in all the states, though in varying degree. At the same time, only a handful of states has a ratio exceeding 100%. While size of bank deposits of Chandigarh and Delhi has far exceeded their respective GSDP, the states like Goa and Maharashtra have deposits close to their respective GSDP (Table 35). A few states like Jammu and Kashmir, Punjab and Jharkhand have deposits to GSDP ratio higher than that of all states. Several states like Kerala, Karnataka, Uttarakhand, Uttar Pradesh, Meghalaya, Haryana, and Himachal Pradesh have relatively higher deposit intensities - little over 70% against 78% of all states in 2021. Amongst the major states, Bihar, Odisha, West Bengal and Telangana have deposit to GSDP ratio in the range of 60%-70%, and Gujarat and Tamil Nadu have about 50%. Except Arunachal Pradesh and Meghalaya, all other north-eastern states have the ratio of less than 50%, and similarly states like Rajasthan, Chhattisgarh and Madhya Pradesh have little less than 50%. Sikkim that ranks very high in per capita income and Andhra Pradesh that witnessed an acceleration in the CD ratio in the recent decade have deposits of around one third of their respective GSDP in 2021.

Table 34: State-wise	'Credit As Per Place o	of Utilisation Plu	us RIDF Disburs	ed' to Deposit
Ratio (In %)				

States	1996	2001	2005	2011	2015	2016
Northern Region						
Haryana	54.2	55.7	65.9	87.2	87.1	84.4
Himachal Pradesh	29.5	31.5	58.6	54.9	44.3	41.4
Jammu & Kashmir	28.8	37.5	56.6	42.0	48.7	50.8
Punjab	28.8	43.5	52.0	95.1	79.0	73.8
Rajasthan	28.8	52.5	80.7	99.8	96.0	82.2
Chandigarh	28.8	99.3	97.0	119.8	110.2	100.0
Delhi	28.8	57.6	62.5	80.8	105.0	102.9
North-Eastern Region						
Arunachal Pradesh	24.6	41.0	48.5	37.3	41.3	42.0
Assam	45.4	41.1	44.4	41.1	40.5	47.1
Manipur	56.1	42.7	43.4	38.2	37.6	47.9
Meghalaya	24.0	22.2	89.7	32.9	31.0	29.5
Mizoram	24.6	44.2	70.2	57.6	48.1	51.2
Nagaland	37.7	20.8	32.0	33.1	41.5	41.4
Tripura	44.7	26.2	33.3	37.5	41.9	44.8
Eastern Region						
Bihar	31.2	20.8	32.2	33.6	38.2	38.7
Jharkhand		31.7	31.7	37.9	34.7	35.1
Odisha	60.7	46.7	80.6	58.9	49.7	49.9
Sikkim	22.3	20.0	33.6	68.3	45.7	43.1
West Bengal	53.5	45.0	58.9	66.5	62.1	59.2
Andaman & Nicobar Islands	17.8	27.5	43.8	39.1	39.3	43.6
Central Region						
Chhattisgarh		53.6	55.8	58.4	67.7	71.0
Madhya Pradesh	61.5	56.6	66.7	63.8	62.5	68.9
Uttar Pradesh	35.7	34.2	44.6	50.3	51.4	52.1
Uttarakhand		24.0	32.5	41.9	40.4	41.6
Western Region						
Goa	26.5	27.6	30.7	32.0	30.1	31.3
Gujarat	57.5	55.6	64.6	77.1	82.2	85.8
Maharashtra	77.5	84.5	76.6	75.3	83.1	91.9
Southern Region						
Andhra Pradesh	82.2	68.4	88.5	118.0	116.5	117.4
Karnataka	71.7	63.9	82.5	77.6	74.0	76.8
Kerala	45.1	43.6	59.2	75.2	67.3	64.9
Tamil Nadu	94.4	92.1	107.7	121.1	119.9	114.9
Telangana					108.0	111.9
Puducherry	50.2	35.8	43.9	64.8	77.8	72.8
All States	60.2	58.4	68.1	77.1	79.2	80.6
					(-	

St	ates	2017	2018	2019	2020	2021
N	orthern Region					
	Haryana	70.7	69.1	69.6	66.3	61.3
	Himachal Pradesh	38.2	38.9	38.5	38.0	38.5
	Jammu & Kashmir	46.1	49.0	51.0	51.1	53.4
	Punjab	73.2	70.3	64.1	61.3	59.2
	Rajasthan	77.0	86.1	91.0	88.9	86.6
	Chandigarh	103.5	115.4	114.1	107.5	99.4
	Delhi	91.9	96.3	108.6	110.7	96.6
N	orth-Eastern Region		· · ·			
	Arunachal Pradesh	36.5	41.9	34.0	36.5	40.8
	Assam	46.0	48.0	50.3	48.9	52.9
	Manipur	44.6	50.5	54.7	64.1	64.8
	Meghalaya	30.6	35.4	35.8	41.0	43.2
	Mizoram	47.6	48.9	52.6	46.4	51.4
	Nagaland	39.1	40.5	40.9	42.9	62.2
	Tripura	45.1	50.2	50.4	51.4	51.1
Ea	astern Region					
	Bihar	36.0	38.1	39.4	41.2	45.6
	Jharkhand	33.6	35.7	34.0	35.6	36.9
	Odisha	47.0	47.3	47.8	48.7	49.6
	Sikkim	39.0	36.4	36.7	38.1	42.5
	West Bengal	54.4	55.7	53.7	53.7	51.0
	Andaman & Nicobar Islands	42.4	42.7	42.1	44.1	46.5
Ce	entral Region					
	Chhattisgarh	69.7	70.8	71.3	70.2	72.0
	Madhya Pradesh	68.7	73.0	76.4	77.6	75.9
	Uttar Pradesh	45.2	46.1	47.3	46.4	46.2
	Uttarakhand	40.9	43.5	44.3	43.2	41.8
W	estern Region					
	Goa	29.7	30.2	29.3	28.3	27.9
	Gujarat	78.5	85.7	91.3	86.3	82.9
	Maharashtra	94.5	94.6	93.6	90.0	79.7
Sc	outhern Region					
	Andhra Pradesh	111.3	120.6	130.7	135.1	141.1
	Karnataka	72.5	77.0	76.4	71.1	64.2
	Kerala	62.9	67.2	69.2	67.7	65.4
	Tamil Nadu	106.4	113.4	114.2	111.7	106.2
	Telangana	104.2	115.9	114.0	111.5	100.3
	Puducherry	69.4	69.7	72.0	68.8	69.4
Al	l States	76.0	79.0	80.6	78.7	73.9

Table 34: State-wise 'Credit As Per Place of Utilisation Plus RIDF Disbursed' to Deposit Ratio (In %) (*Concluded*)

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

States	Jun-81	Mar-91	Mar-01	Mar-05	Mar-11	Mar-15
Northern Region						
Haryana	18.2	25.4	33.5	38.5	49.8	50.9
Himachal Pradesh	19.4	33.2	40.5	45.7	50.3	57.7
Jammu & Kashmir			45.9	53.2	60.2	74.9
Punjab	38.5	47.4	56.9	65.3	65.0	73.8
Rajasthan	14.2	19.3	29.2	31.9	36.0	38.2
Chandigarh			198.9	177.5	230.9	208.8
Delhi	101.3	117.5	135.6	186.2	210.1	178.7
North-Eastern Region						
Arunachal Pradesh	8.7	23.1	27.4	33.5	56.1	44.6
Assam	11.1	14.6	23.2	29.3	45.6	49.8
Manipur	5.5	8.6	10.6	16.7	31.6	31.6
Meghalaya	16.6	26.2	31.8	40.3	56.7	71.6
Mizoram	12.7	21.0	19.8	27.9	37.9	39.3
Nagaland	15.8	25.4	26.4	25.6	50.4	37.7
Tripura	10.3	19.4	27.6	31.0	49.9	52.4
Eastern Region						
Bihar	30.1	45.2	43.6	51.9	57.7	63.2
Jharkhand			37.2	41.3	53.3	65.0
Odisha	9.4	18.9	30.6	32.7	49.7	60.5
Sikkim	6.8	29.2	44.2	58.0	35.4	37.1
West Bengal	39.1	47.9	48.2	54.4	69.2	77.1
Andaman & Nicobar Islands	11.6	20.6	41.4	50.5	51.6	53.8
Central Region						
Chhattisgarh			24.2	31.6	43.5	44.8
Madhya Pradesh	17.2	26.6	33.6	41.1	50.7	58.2
Uttar Pradesh	21.3	31.1	42.5	49.1	58.6	66.5
Uttarakhand			52.4	67.3	49.2	54.9
Western Region						
Goa	81.3	109.6	97.5	93.3	95.9	107.8
Gujarat	31.9	34.6	44.8	46.7	48.4	51.8
Maharashtra	36.9	48.1	58.1	84.1	126.6	120.8
Southern Region						
Andhra Pradesh	35.6	45.6	56.5	69.6	87.4	35.9
Karnataka	20.2	25.8	35.6	48.5	63.5	69.4
Kerala	22.5	33.9	48.3	49.7	55.7	64.1
Tamil Nadu	22.7	30.2	35.2	44.4	52.0	50.8
Telangana						64.9
Puducherry	21.9	34.2	32.7	42.6	45.9	49.0
All-India	27.5	34.8	44.4	54.8	70.6	71.6
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Table 35: State-wise Bank Deposits as Percentage to their Respective Gross State Domestic Product (In %)

81

States	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21
Northern Region		/				
Harvana	51.0	55.2	57.4	58.7	62.4	71.0
Himachal Pradesh	58.1	62.5	61.3	64.4	65.1	, 71.7
Jammu & Kashmir	68.5	74.8	74.4	73.9	75.4	81.5
Punjab	74.4	77.5	73.8	74.1	76.1	84.8
Rajasthan	38.0	41.2	40.1	41.6	42.1	46.8
Chandigarh	190.2	183.9	170.4	170.2	165.0	195.4
Delhi	175.6	177.3	168.9	163.9	155.9	178.4
North-Eastern Region	, 0					· ·
Arunachal Pradesh	47.2	59.6	59.8	65.8	61.6	65.8
Assam	44.9	47.6	47.4	47.6	43.5	45.4
Manipur	30.9	36.5	35.0	36.2	33.1	36.1
Meghalaya	72.3	74.5	72.9	74.8	68.4	77.2
Mizoram	39.1	41.7	43.7	42.2	44.9	41.1
Nagaland	39.6	43.4	41.1	42.2	41.3	42.6
Tripura	48.2	51.9	50.4	49.9	47.4	48.2
Eastern Region						
Bihar	65.4	70.1	67.2	66.9	63.2	64.3
Jharkhand	77.3	78.0	72.5	71.5	72.9	80.8
Odisha	63.7	62.4	61.0	62.1	62.4	67.0
Sikkim	35.2	33.6	32.9	33.9	32.9	32.4
West Bengal	76.5	78.2	73.7	70.7	68.5	68.3
Andaman & Nicobar Islands	53.6	60.0	59.4	57.6	59.8	
Central Region						
Chhattisgarh	46.5	45.2	46.9	44.8	46.5	49.5
Madhya Pradesh	52.2	48.2	47.0	44.4	42.3	46.4
Uttar Pradesh	65.2	68.7	66.2	65.8	66.9	74.4
Uttarakhand	54.5	58.5	55.6	59.5	63.2	72.7
Western Region						
Goa	101.6	98.0	94.1	99.0	102.3	109.5
Gujarat	50.4	51.7	48.2	45.2	45.3	50.1
Maharashtra	111.0	99.9	97.5	101.6	102.7	116.6
Southern Region						
Andhra Pradesh	34.8	36.4	34.9	34.4	33.6	35.5
Karnataka	66.6	64.9	62.7	63.3	65.7	72.6
Kerala	65.1	64.8	63.0	62.9	66.1	76.0
Tamil Nadu	51.0	51.3	48.9	49.0	50.0	53.0
Telangana	61.6	61.9	55.7	53.5	52.5	62.4
Puducherry	47.6	49.4	50.6	49.0	53.0	59.5
All-India	69.7	69.7	66.9	66.9	68.5	78.0

Table 35: State-wise Bank Deposits as Percentage to their Respective Gross State Domestic Product (In %) *(Concluded)*

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

If one views the deposit intensity (the ratio of bank deposit to GSDP) as an indicator of penetration of banking services in these states, it is possible to observe: firstly, there is no clear cut pattern that those states with higher per capita income necessarily have higher deposits to GSDP ratio (for instance, Sikkim, Tamil Nadu, Andhra Pradesh, Gujarat and Tamil Nadu have lesser deposit to GSDP compared to that of all states; but states such as Goa, Maharashtra, Delhi, Punjab, Karnataka and Kerala have a relatively higher deposit GSDP ratio); secondly, states that rank low in per capita income are also not those that necessarily have a low deposit to GSDP ratio (for instance, Uttar Pradesh, Uttarakhand and Jharkhand have higher deposit to GSDP ratios); thirdly, those major states that account for a larger share in GSDP of all states do not have a higher deposit to GSDP ratio (for instance, five states such as Rajasthan, Chhattisgarh, Madhya Pradesh, Gujarat and Tamil Nadu together account for nearly one third of the GSDP of all states, 21.4% of the total deposits, 25.6% of the credit sanctioned, and 27.3% of the credit utilisation in 2021; yet, these states individually have deposits to GSDP ratio of less than 50% in the same year); fourthly, the states that did not perform so well with regard to CD ratio have higher deposit to GSDP ratio and this includes most of the eastern states like Bihar, Odisha and West Bengal; and, finally, some states that have witnessed a rising CD ratio in recent times like Gujarat and Andhra Pradesh have deposit to GSDP ratio that is far lower than the eastern states as well as the national average. Delhi and Maharashtra are the only states that rank very high both in CD ratio and in the deposit to GSDP ratio. On the other hand, states like Gujarat, Andhra Pradesh and Tamil Nadu have a relatively higher CD ratio, but tend to rely on resources mobilised from elsewhere - while these states can boast of having a higher CD ratio, their own deposits with respect to their income is too low compared to other states.

There are states in need of more bank credit, as exemplified in their higher CD ratio, but their credit needs are met by resources flowing from other states, particularly from those states that have a low per capita income but with higher bank deposit to GSDP ratio. Because banks transfer resources from these states, they tend to suffer from the low CD ratio. Consider Kerala where bank deposits is about 76% of the state's GSDP in 2011, but its CD ratio is 64.2%; whereas the bank deposit of Tamil Nadu is about 53% of its GSDP, but its CD ratio remains very high at 103%.

The refrain in the literature is that low CD ratio of the states with low per capita income is on account of their lack of credit absorption capacity. No doubt, there is lot

of truth in this. However, the transfer of resources from such states to other states with high CD ratio and with low deposit intensity suggests that the latter states have activities requiring more bank credit relative to deposits mobilised within these states; that is, inadequate resource mobilisation within these states has resulted in attracting resources from other states that suffer from low CD ratio and also low per capita income. As a matter of policy, those states with low CD ratio and high deposit intensity should be encouraged to develop a conducive ecosystem necessary to attract investments, and SCBs in the states with higher CD ratio and low deposit intensity should step up their resource mobilisation drive. This can bring about a more even distribution of CD ratio across states.

To sum up, it can be said that those states with a higher per capita income than all-India tend to have a higher CD ratio, and those states with a lower per capita income tend to suffer from a low CD ratio. Time and again, the need for stepping up of CD ratio in the states who are lagging in per capita income have been noted, and several measures were introduced to correct it. But the position has not changed. Even a few states like Goa and Sikkim with a higher level of per capita income do not have higher CD ratios, and this has been the case throughout. Perhaps these states depend on activities that may not require a higher order of bank credit. With an exception of these few states and smaller states, a majority of the major states with higher per capita incomes have a CD ratio larger than the national average. Despite several attempts made to correct this anomaly, the inter-state differentials continue to persist that too favouring the already better off states. And it is hard to find evidences that may support a general proposition that those states with higher CD ratios (with possible exception of Delhi and Maharashtra) have a relatively high deposit intensity; thus, many of the states with a higher CD ratio generally depend upon resources mobilised from other states. Such a disparity in banks deployment of credit is more glaring on comparison of CD ratio with deposit intensity (deposit to GSDP ratio) and their relative shares in deposits and credit, rather than CD ratio as per sanction in comparison with as per utilisation.

8. Credit-Deposit Ratio at the District Level

Perhaps a major intervention of the government to bring about balanced regional banking development was the introduction of the lead bank scheme at the district level. The lead bank scheme was originally implemented following the recommendation of area approach by the Gadgil Study Group of the National Credit Council (Raman and Tyagarajan, 1970). In the lead bank scheme, a district was considered as a unit. The RBI's circular dated December 23, 1969, stated "The lead bank will be expected to assume the major role in the development of banking and credit in the allocated districts" (quoted in Reserve Bank of India, 1975: p. 4). The lead banks were expected to act as consortium leaders and coordinate with other banks and financial institutions, while maintaining liaison with district/state authorities. At that time, it was viewed that the success of the scheme was to be judged 'from the total improvement of the district economy that it is able to effect through the medium of banks' (Raman and Tyagarajan, 1970: 2). After the idea of lead bank had taken off in the early 1970s with the rapid expansion of bank branches, these lead banks were then asked to formulate area development programmes under which the district credit plans had to be prepared in consultation with the other banks and government agencies (Reserve Bank of India, 1975: 7). Probably, the preparation of district credit plans had set the lead bank scheme to enter into 'crucial second state', as lead banks were 'expected to contribute to the economic development of the districts by preparing bankable schemes to cover viable economic activities, estimating the credit demand arising under these schemes, and invoking the co-operation of other financial institutions in meeting this' (RBI, 1975: 12). For expansion of bank offices, lack of infrastructure such as all-weather roads, telephone connections, security like police stations, etc. were considered as major hurdles. Despite these, the idea of lead bank scheme was believed to hold out 'promise of a positive impact on economic development at the district level' (RBI, 1975: 25). A working group that reviewed the working of lead bank scheme in 1982 (Reserve Bank of India, 1982) observed that the formulation of district development plans did not make headway, and suggested a number of measures for improving the district credit plans (DCPs) and the annual action plans (AAPs), and also operational matters such as organisational set up, coordination and so on. The High Level Committee to Review the Lead Bank Scheme (RBI, 2009) is the last committee that reviewed the workings of lead bank scheme. They were of the view "...that the original objective of the scheme of achieving greater banking and credit penetration by the formal financial institutions is still valid and should be reiterated. The overarching objective of LBS [lead bank scheme] shall be to enable banks and state governments work together to achieve inclusive growth" (RBI, 2009: 30). Accordingly, they recommended several measures for improving

the effectiveness of the scheme by explicitly dovetailing the emerging broader social objective of financial inclusion. Most of their recommendations centred around the workings of the district consultative committee (DCC) and the actions required of them, and as such, the district continued to be the unit for monitoring banking progress. Furthermore, the Expert Group on Credit-Deposit Ratio (Ministry of Finance, 2005) was of the view that ".. if credit has to be 'moved', the unit of implementation, oversight and monitoring has to be the district". Further the group noted that district was the key unit for planning for both state governments and the banking system. For operation purposes, the Expert Group grouped districts with CD ratio (as at end March 2004) of less than 20%, 20%-40%, 40%-60%, and above 60%, and found that 12.7%, 40.3%, 27.3% and 19.7% of the 590 districts, respectively, belonged to these class intervals. The Expert Group further noted that 53% of districts that had CD ratio of less than 50% were located in hilly, desert and inaccessible terrain, and solely dependent on primary sector, and/or those with breakdown of law and order machinery. With a view to improving the CD ratio of the districts, the group recommended several measures that included action plans for RBI, Ministry of Finance, banks, NABARD and state governments.

The *Expert Group on Investment Credit* (RBI, 2005) used the CD ratio (as per utilisation) as a measure to understand the extent of credit deployed in a state. They observed that 66% of the districts (numbering 196) in the less developed states had a CD ratio of less than 40%, whereas only 32% of districts (numbering 187) in developed states had CD ratio of less than 40%. The expert group felt that CDR had to be accelerated at the district level and to achieve this, it supported several recommendations of the *Expert Group on Credit-Deposit Ratio* (Ministry of Finance, 2005). More specifically, it reiterated the following:

- i. Unit for implementation of plans for accelerating credit should be the district.
- ii. Credit flow must be assiduously monitored so as to conform to localised sectoral potentials through available for like the District Level Consultative Committee (DLCC).
- iii. In the districts where the CD Ratio is less than 40%, there is a need to focus more closely on sub-sectoral credit allocations with an implementable action plan for rural infrastructure and creation of linkages.

86 J Dennis Rajakumar

- iv. Constitution of a special-subcommittee of the DLCC to undertake this exercise on a bi-monthly basis.
- v. Close monitoring of the flow of term and working capital credit.
- vi. As agriculture is likely to be the main occupation for a majority of the rural population in such districts, it may be worthwhile to monitor flow of credit per cultivated hectare to see if adequate credit is flowing in the district to support agriculture.
- vii. Banks will have to look very seriously at available untapped potential and deploy adequate trained staff with the right aptitude in their branches.
- viii. State governments will have to seriously look at the infrastructure bottlenecks in these districts

Thus, the district has remained the main focus for policy intervention, to begin with under the ambit of lead bank scheme, and later since 2005, with specific target in terms of CD ratio. The analysis of CD ratios would, therefore, remain incomplete without examining the CD ratio at the district level. In what follows, it is proposed to examine how the districts had performed by applying two criteria: one, the average of the CD ratio of the state they belong to, and two, the national average. Additionally, CD ratios at the district level have been examined based on policy interventions that aimed to raise the CD ratio of districts with CD ratio of less than 40%, and to monitor those districts with CD ratio in the range of 40%-60%. And so, the second part of the analysis aims to consider both the criteria, namely, number of districts with CD ratio of less than 40% and those in the range of 40%-60%. This provides an opportunity to evaluate the effectiveness of the policy in force since 2005. In the third part of analysis, it is proposed to consider performance of districts in relation to their deposit intensity and per capita income. While doing so, a separate analysis has been made about top and bottom districts based on their respective shares in the total. Since the number of districts varied over the years due to formation of several new districts, we have considered all those districts for which details of bank deposits and credit are available in the BSR. For the purpose of analysis in this section, credit as per utilisation has been considered, as they have a direct relevance to the credit deployed by banks at the district level.

8.1 Credit-Deposit Ratios of Districts in Comparison with All-India and Respective State Averages

Between 1981 and 2001, the number of districts having a CD ratio above the state and national average had declined, however, there has been some improvement post-2005. This broad trend is noticeable across all the states (Table 36). In terms of percentage, it is seen that 34.9% of the districts (that is, 206 out of 590 districts) had reported having CD ratios higher than the national average, but this fell to 32.2% (that is, 224 out of 696 districts) in 2021.

In the northern region, excluding Delhi and Chandigarh for which district-wise data are not available, a majority of districts have a CD ratio that is less than the national average, and more than half of them have CD ratios less than their respective state average. In the region, about 37.2% of the districts had CD ratios greater than the all-India average in 2005, and this went up to 40.4% in 2021. While Haryana had a good percentage of its districts (42.1%) with CD ratios higher than all-India in 2005, this was only 31.8% in 2021. Himachal Pradesh registered a poor record in all these years, whereas Jammu and Kashmir witnessed some improvement between 2005 and 2021. About 40% of the districts in Punjab continue to have CD ratios higher than all-India. It is Rajasthan that fared well – only 43.8% of its districts had CD ratio higher than national average in 2005 and now it extends to 60.6% of districts in 2021.

In the north-eastern region, the number of districts having CD ratios above their respective state averages went up over the years. None of the states in the region had CD ratios more than the national average; nonetheless, less than 20% of the districts in the whole region had CD ratios higher than the national average. In states like Arunachal Pradesh, Meghalaya and Tripura, there is hardly any district, except one or two in some years, having a CD ratio exceeding the national average. A few districts in Assam, Manipur and Nagaland had CD ratios of more than all-India average. One cannot read too much into CD ratios at the district level in the north-eastern region, as many of them exhibited an erratic trend, reporting very high CD ratios in some years and too low in some other years. In such cases, CD ratios are just statistical measures in nature; their economic significance appears more complicated.

Table 36: State-wise Distribution of Number of Districts Having Credit-Deposit Rat	tio
Higher than Respective State's and All-India Average	

Particulars	Jun-	Mar-						
	81	91	01	05	11	15	20	21
ALL-INDIA								
Above State Average	171	210	207	251	243	292	312	344
Above All-India Average	149	197	130	206	162	176	191	224
Total No. of Districts	404	454	567	590	624	651	685	696
NORTHERN REGION								
Above State Average	27	30	29	36	32	48	50	53
Above All-India Average	29	28	18	35	38	43	38	44
Total No. of Districts	76	81	94	94	108	110	109	109
Haryana								
Above State Average	2	8	6	9	7	10	9	10
Above All-India Average	9	10	6	8	13	11	8	7
Total No. of Districts	12	16	19	19	21	21	22	22
Himachal Pradesh								
Above State Average	4	4	4	6	4	5	4	4
Above All-India Average	1	2	1	4	4	2	0	0
Total No. of Districts	12	12	12	12	12	12	12	12
Jammu & Kashmir								
Above State Average	6	2	2	2	11	12	12	12
Above All-India Average	1	3	1	2	1	4	7	8
Total No. of Districts	14	14	14	14	22	22	20	20
Punjab								
Above State Average	5	7	8	9	5	12	12	13
Above All-India Average	2	5	3	7	9	12	7	9
Total No. of Districts	12	12	17	17	20	22	22	22
Rajasthan								
Above State Average	10	9	9	10	5	9	13	14
Above All-India Average	16	8	7	14	11	14	16	20
Total No. of Districts	26	27	32	32	33	33	33	33
NORTH-EASTERN REGION	1							
Above State Average	17	26	38	44	52	53	58	63
Above All-India Average	9	22	12	14	9	10	16	26
Total No. of Districts	42	56	65	78	82	87	92	103
Arunachal Pradesh								
Above State Average	0	1	7	7	9	7	7	9
Above All-India Average	0	1	1	1	1	0	1	2
Total No. of Districts	9	11	13	15	16	17	13	17
Assam								
Above State Average	4	9	9	11	20	16	21	19
Above All-India Average	4	9	5	3	2	2	1	5
Total No. of Districts	10	20	23	24	27	27	33	33
							(Ca	ntd)

Particulars	Jun-	Mar-						
	81	91	01	05	11	15	20	21
Manipur								
Above State Average	4	6	7	6	5	6	8	10
Above All-India Average	3	6	5	4	1	1	7	9
Total No. of Districts	6	8	8	9	9	9	11	14
Meghalaya								
Above State Average	4	3	5	3	5	5	6	6
Above All-India Average	1	0	0	3	0	0	1	2
Total No. of Districts	5	5	7	7	7	7	10	11
Mizoram								
Above State Average	0	0	1	4	2	4	3	4
Above All-India Average	0	0	0	0	0	0	0	0
Total No. of Districts	2	2	3	8	8	8	10	11
Nagaland								
Above State Average	3	5	6	10	8	9	6	8
Above All-India Average	0	4	1	3	5	7	5	8
Total No. of Districts	7	7	7	11	11	11	7	9
Tripura								
Above State Average	2	2	3	3	3	6	7	7
Above All-India Average	1	2	0	0	0	0	1	0
Total No. of Districts	3	3	4	4	4	8	8	8
EASTERN REGION								
Above State Average	34	42	47	45	40	44	54	56
Above All-India Average	17	22	7	24	5	2	2	6
Total No. of Districts	63	77	109	114	118	118	121	121
Bihar								
Above State Average	18	24	20	19	17	21	22	20
Above All-India Average	2	8	0	3	0	0	0	1
Total No. of Districts	31	41	37	38	38	38	38	38
Jharkhand								
Above State Average			5	7	5	11	11	11
Above All-India Average			1	0	0	0	0	0
Total No. of Districts			18	21	24	24	24	24
Odisha								
Above State Average	6	6	16	11	13	7	10	13
Above All-India Average	10	12	5	17	2	0	1	1
Total No. of Districts	13	13	30	30	30	30	30	30

Table 36: State-wise Distribution of Number of Districts Having Credit-Deposit Ratio Higher than Respective State's and All-India Average

Particulars	Jun-	Mar-						
	81	91	01	05	11	15	20	21
Sikkim								
Above State Average	1	2	3	3	2	2	3	3
Above All-India Average	1	0	0	1	2	1	0	1
Total No. of Districts	1	4	4	4	4	4	4	4
West Bengal								
Above State Average	8	9	2	4	2	2	7	8
Above All-India Average	3	2	1	3	1	1	1	2
Total No. of Districts	16	17	18	19	19	19	23	23
Andaman & Nicobar Islands								
Above State Average	1	1	1	1	1	1	1	1
Above All-India Average	1	0	0	0	0	0	0	1
Total No. of Districts	2	2	2	2	3	3	2	2
CENTRAL REGION								
Above State Average	43	48	45	60	55	69	63	71
Above All-India Average	20	32	22	32	19	26	26	30
Total No. of Districts	102	109	144	147	152	166	168	168
Chhattisgarh								
Above State Average			4	5	3	4	2	4
Above All-India Average			4	3	3	3	1	2
Total No. of Districts			16	16	18	27	28	28
Madhya Pradesh								
Above State Average	21	21	12	18	18	27	24	24
Above All-India Average	16	24	11	16	9	19	23	24
Total No. of Districts	45	45	45	48	50	51	52	52
Uttar Pradesh								
Above State Average	22	27	26	31	29	33	34	39
Above All-India Average	4	8	6	11	5	3	1	3
Total No. of Districts	57	64	70	70	71	75	75	75
Uttarakhand								
Above State Average			3	6	5	5	3	4
Above All-India Average			1	2	2	1	1	1
Total No. of Districts			13	13	13	13	13	13
WESTERN REGION								
Above State Average	14	27	10	24	21	18	12	13
Above All-India Average	23	31	21	30	21	22	17	17
Total No. of Districts	45	49	58	59	61	67	69	69
Gujarat								
Above State Average	5	9	7	9	6	8	8	7
Above All-India Average	4	9	6	8	6	9	9	9
Total No. of Districts	19	19	25	25	26	32	33	33
							(C	ntd)

Table 36: State-wise Distribution of Number of Districts Having Credit-Deposit Ratio Higher than Respective State's and All-India Average

91

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Particulars	Jun-	Mar-	Mar-	Mar-	Mar-	Mar-	Mar-	Mar-
	81	91	01	05	11	15	20	21
Maharashtra								
Above State Average	9	18	3	15	15	10	4	6
Above All-India Average	19	22	15	22	15	13	8	8
Total No. of Districts	26	30	33	34	35	35	36	36
SOUTHERN REGION								
Above State Average	36	37	38	42	43	60	75	88
Above All-India Average	51	62	50	71	70	73	92	101
Total No. of Districts	76	82	97	98	103	103	126	126
Andhra Pradesh								
Above State Average	13	11	9	11	8	7	6	5
Above All-India Average	15	18	12	17	21	11	12	13
Total No. of Districts	23	23	23	23	23	13	13	13
Karnataka								
Above State Average	9	11	14	16	18	22	21	26
Above All-India Average	15	19	16	23	18	20	17	20
Total No. of Districts	19	20	27	27	30	30	30	30
Kerala								
Above State Average	4	6	8	8	6	7	7	8
Above All-India Average	7	6	4	7	6	4	5	5
Total No. of Districts	14	14	14	14	14	14	14	14
Tamil Nadu								
Above State Average	9	7	5	5	10	17	18	23
Above All-India Average	13	17	17	24	25	29	29	32
Total No. of Districts	16	21	29	30	32	32	32	32
Telangana								
Above State Average						5	20	23
Above All-India Average						8	28	30
Total No. of Districts						10	33	33
Puducherry								
Above State Average	1	2	2	2	1	2	3	3
Above All-India Average	1	2	1	0	0	1	1	1
Total No. of Districts	4	4	4	4	4	4	4	4

Table 36: State-wise Distribution of Number of Districts Having Credit-Deposit Ratio Higher than Respective State's and All-India Average (*Concluded*)

Note: Credit-Deposit Ratio is based on credit as per place of utilisation.

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

Amongst the eastern states, Bihar, Jharkhand, Odisha, and West Bengal have a lower per capita income compared to the national average, and also low CD ratios. And, these states together account for 13.2% of GSDP of all states and 12.4% of the bank de-

posits in 2021. But the number of districts in the region with the CD ratio above the national average is found to be too low - 6 districts out of the total number of 121 in 2021. As many as 56 districts in the region have CD ratios above their respective states' averages. As compared to the 1980s, this number has come down - for instance, the number of districts with CD ratio above the national average was 13 out of 63 in 1981, and the number of such districts with CD ratio above national average went down to 6 in 2021 even though the total number of districts went up to 121. In states like Bihar and Jharkhand, there is hardly any district with a CD ratio above the national average. The situation is not significantly different in West Bengal. In Odisha, the performance of districts was better in the early years, but worsened after 2005.

The central region has the maximum number of districts, but not even one-fifth of these districts had a CD ratio exceeding that of the national average. This has remained so over the years. But post 2005, there is a marked improvement. This is seen across the states, and the percentage of districts with CD ratio above the national average in Madhya Pradesh is higher. Only a handful of districts (that is, 3 out of 75) in Uttar Pradesh had a CD ratio above the national average in 2021. Chhattisgarh, though carved out of Madhya Pradesh, exhibits a trend dissimilar to Madhya Pradesh. Like Uttar Pradesh, Uttarakhand also has one or two districts with CD ratios above that of national average.

It was noted that both western and southern regions had a relatively higher CD ratio compared to other regions. Amongst the states in the western region, only Gujarat and Maharashtra could be considered because in Goa, CD ratio was available for two districts (North Goa and South Goa), Daman and Diu under their respective name, and Dadra and Nagar and Haveli under a single name. It may be further noted that Maharashtra is one of the few states that has the highest CD ratio throughout, and Gujarat also has a higher CD ratio in the recent decades. In Gujarat, only about one-fifth of the districts had a CD ratio above the national average in 1981 (that is, 4 out of 19 districts), and this went up to one-third of the districts in 2005 (that is, 8 out of 25 districts), but then it declined to about one fourth (9 out of 33) in 2021.

Though Maharashtra ranked very high amongst all the states in terms of CD ratio, the number of its districts with CD ratio higher than the national average has been

coming down over the years; 19 out of 26 districts (73%) in 1981 had CD ratios higher than the national average, and this fell to 22 out of 34 districts (65%) in 2005 and further to 8 out of 36 districts (22%) in 2021. Even the number of districts with CD ratios being higher than the state average had also come down.

In contrast to the experience of the other regions, the southern region presents a very different picture. Not only has the number of districts having a CD ratio of more than the national average gone up gradually in the last two decades or so, but all districts of Andhra Pradesh and Tamil Nadu reported CD ratios that exceeded the national average in 2021. Karnataka, on the other hand, had 23 out of 27 districts (85%) with CD ratios more than the national average in 2005, but only 20 out of 30 districts (66.6%) in 2021. In Kerala, the number of districts having CD ratio less than national average has come down to 5 districts in recent years compared to 7 districts in 2005. Telangana has 91% of its districts (30 out of 33) with higher CD ratios than the national average.

It may thus be noted that a majority of the districts of southern states have a higher CD ratio compared to the national average in the recent decades. States like Andhra Pradesh, Telangana and Tamil Nadu in the southern region, Jammu and Kashmir and Punjab in the northern region, Madhya Pradesh in the central region, and Nagaland in the north-eastern region had witnessed an increase in the number of districts with CD ratio greater than the national average. The district-wise performance has rather deteriorated in a few states, and this includes in states like Maharashtra and Gujarat in the western region, West Bengal in the eastern region and Karnataka in the southern region. Districts of all other states did not make any significant improvement in their CD ratios.

8.2 Credit-Deposit Ratio at the District Level: An Assessment of Policy Intervention of 2005

There has been a policy intervention in 2005 to raise the CD ratio in those districts, which were suffering from a low level of CD ratio. These interventions were made at the district level, supplementing the efforts of the prevailing lead bank scheme. With 16 years or so gone by, what has been the improvements at the district level? To gauge this, an attempt has been made to work out the number of districts on the basis of, (i) those with CD ratios of less than 40%, and (ii) those in the range of 40%-60% (Table 37).

In 2005, there were 590 districts reporting CD ratio. Of this, 191 districts (that, 32.4%) had CD ratios of less than 40%, and 158 districts (that is, 26.8%) had CD ratios in the range of 40%-60%; that is, only about 40.8% of the total districts had CD ratio greater than 60%. In 2021, there are 696 districts for which CD ratio are available. Of this, 190 districts (that is, 27.3%) have CD ratios of less than 40%, and 193 districts (that is, 27.7%) have CD ratios between 40% and 60%. That is, about 45% of the districts have CD ratio exceeding 60% in 2021 – a partial fulfilment of the objective of the policy intervention. The increase in the number of such districts may be attributed to the administrative reforms undertaken by the governments at the state level, but some progress is noticeable considering the changes between 2005 and 2021 in terms of the percentage of districts (56.3%) had CD ratios of less than 40%. The situation is still better compared to 2001, when about 80.5% of the districts had CD ratio of less than 40% - 319 out of 567 districts (56.3%) had CD ratios of less than 40% and 137 (24.2%) had in the range of 40%-60%. This was not the general trend across all the regions, though.

In the northern region, the total number of districts went up, but the percentage of districts with CD ratio of less than 60% had come down – from about 56% of the districts in 2005 to 45% in 2021. Amongst these states, Haryana did not have any district with CD ratio of less than 40% in the recent two decades, and also the number of districts with CD ratio of 40%-60% showed an increase. Himachal Pradesh had a large number of districts with less than 40% of CD ratio. A number of districts in Jammu and Kashmir had performed better moving out of less than 40% category, and the number improved in the range of 40%-60%. While Punjab did not witness any perceptible progress, Rajasthan showed a lot more improvement between 2005 and 2021. In Rajasthan, the percentage of districts with CD ratio of less than 60% had gone down from 50% in 2005 to 21% in 2021. The state of Rajasthan is a special statistical case. Not much improvement in income, but there have been gradual increases in its share of deposits as well as credit. The CD ratio has shown an impressive increase.

In the north-eastern region, there has been some reduction in the percentage of districts having CD ratio of less than 60%, but mostly in Assam and Nagaland. States such as Arunachal Pradesh, Manipur, Meghalaya, Mizoram, and Tripura did not register any major change.

Particulars	Iun_	Mar-	Mar-	Mar-	Mar-	Mar_	Mar-	Mar-
1 articulars	81	01	01	05	11	15	20	- 191ai - 21
ALI-INDIA	01	- 91	01	05		10	20	21
CDR: Less than 40%	197	110	210	101	000	226	017	100
CDR: 40%-60%	12/	107	107	191	145	230	180	190
Total No. of Districts	123	13/	137 567	139	140 694	139 651	100 685	195 606
NORTHERN REGION	404	404	307	590	024	0.51	005	090
CDR. Less than 40%	20	01		0.4	20	00	00	10
CDR. Less than 40%	30	31	54	24	29	10	22	19
Total No. of Districts	20	22	24	20	109	19	20	31
Homopo	70	01	94	94	108	110	109	109
CDP. Logg them 40%	0	0	-	0	0	0	0	0
CDR: Less than 40%	0	3	5	0	0	0	0	0
CDR: 40%-60%	3	3	8	8	3	5	11	12
I otal No. of Districts	12	16	19	19	21	21	22	22
Himachal Pradesh				<i>(</i>				
CDR: Less than 40%	10	7	11	6	7	7	10	10
CDR: 40%-60%	3	3	0	2	1	2	0	0
Total No. of Districts	12	12	12	12	12	12	12	12
Jammu & Kashmir								
CDR: Less than 40%	11	11	12	11	16	10	6	2
CDR: 40%-60%	3	1	1	1	6	3	5	9
Total No. of Districts	14	14	14	14	22	22	20	20
Punjab								
CDR: Less than 40%	4	5	8	5	4	5	5	6
CDR: 40%-60%	6	2	6	3	4	1	5	4
Total No. of Districts	12	12	17	17	20	22	22	22
Rajasthan								
CDR: Less than 40%	5	5	18	2	2	0	1	1
CDR: 40%-60%	5	13	9	14	8	8	7	6
Total No. of Districts	26	27	32	32	33	33	33	33
NORTH-EASTERN REGION	Ν							
CDR: Less than 40%	26	17	41	37	40	47	31	29
CDR: 40%-60%	5	15	15	20	22	20	29	29
Total No. of Districts	42	56	65	78	82	87	92	103
Arunachal Pradesh	•						2	
CDR: Less than 40%	7	9	10	12	12	15	12	13
CDR: 40%-60%	Ó	2	3	3	1	2	1	2
Total No. of Districts	9	11	13	15	16	17	13	17
Assam	,		0	0		.,	0	- /
CDR: Less than 40%	4	2	14	12	11	15	11	6
CDR: 40%-60%	4	8	- 1	9	11	-0	12	14
Total No. of Districts	т 10	20	23	24	27	27	- <u>-</u> 33	
					-/	-/		

Table 37: State-wise Distribution of Number of Districts with Credit-Deposit Ratio (CDR) of Less than 60%

95

Particulars	Jun-	Mar-	Mar-	Mar-	Mar-	Mar-	Mar-	Mar-
	81	91	01	05	11	15	20	21
Manipur				U				
CDR: Less than 40%	2	0	1	3	4	5	0	2
CDR: 40%-60%	0	0	2	1	3	2	3	2
Total No. of Districts	6	8	8	9	9	9	11	14
Meghalava				-		-		
CDR: Less than 40%	3	3	7	2	4	5	4	4
CDR: 40%-60%	0	2	Ó	2	3	1	4	4
Total No. of Districts	5	5	7	7	7	7	10	11
Mizoram	0	Ū	,	,	,	,		
CDR: Less than 40%	2	2	1	1	4	2	1	2
CDR: 40%-60%	0	0	1	1	1	2	5	4
Total No. of Districts	2	2	3	8	8	8	10	11
Nagaland			Ū					
CDR: Less than 40%	7	1	4	3	4	2	2	1
CDR: 40%-60%	0	2	2	4	0	1	0	0
Total No. of Districts	7	7	7	11	11	11	7	9
Tripura	,	,	,				,	-
CDR: Less than 40%	1	0	4	4	1	3	1	1
CDR: 40%-60%	1	1	0	0	3	5	4	3
Total No. of Districts	3	3	4	4	4	8	8	8
EASTERN REGION								
CDR: Less than 40%	27	24	84	59	69	81	78	66
CDR: 40%-60%	19	28	18	27	34	33	36	46
Total No. of Districts	63	77	109	114	118	118	121	121
Bihar								
CDR: Less than 40%	18	17	35	27	26	23	19	17
CDR: 40%-60%	11	15	2	8	11	15	17	18
Total No. of Districts	31	41	37	38	38	38	38	38
Jharkhand								
CDR: Less than 40%			16	19	20	21	21	20
CDR: 40%-60%			1	1	4	3	3	4
Total No. of Districts			18	21	24	24	24	24
Odisha					-	-	-	-
CDR: Less than 40%	1	0	10	1	10	19	19	14
CDR: 40%-60%	2	1	15	9	9	9	10	14
Total No. of Districts	13	13	30	30	30	30	30	30
Sikkim	-	-	-	-	-	-	-	
CDR: Less than 40%	0	3	4	1	1	2	3	2
CDR: 40%-60%	0	1	0	2	1	1	1	2
Total No. of Districts	1	4	4	4	4	4	4	4

Table 37: State-wise Distribution of Number of Districts with Credit-Deposit Ratio (CDR) of Less than 60%

Particulars	Jun-	Mar-	Mar-	Mar-	Mar-	Mar-	Mar-	Mar-
	81	01	01	05	11	15	20	21
West Bengal	01)-	01	00		-0	_0	
CDR: Less than 40%	8	1	17	10	10	1/	15	12
CDR: 40%-60%	6	т 0	0	6	8	- - -	-0	7
Total No. of Districts	16	9 17	18	10	10	10	+ 22	/ 22
Andaman & Nicobar Islar	nds	1/	10	19	19	19	23	23
CDR: Less than 40%	0	0	2	1	2	2	1	1
CDR: 40%-60%	0	2	0	1	1	1	1	1
Total No. of Districts	2	2	2	2	2	2	2	2
CENTRAL REGION	2	~	~	2	3	3	2	~
CDR: Less than 40%	22	21	104	58	60	72	68	58
CDR: 40%-60%	33 47	/3	22	52	45	/_	52	61
Total No. of Districts	+/ 102	100	1//	1/7	4J 152	166	168	168
Chhattisgarh	102	109	*44	-4/	102	100	100	100
CDR: Less than 40%			12	8	10	16	13	8
CDR: 40%-60%			1	4	5	7	12	15
Total No. of Districts			16	т 16	18	27	28	28
Madhya Pradesh			10	10	10	-/	-0	-0
CDR: Less than 40%	7	5	23	11	18	15	14	13
CDR: 40%-60%	21	15	-5 12	10	14	0	11	12
Total No. of Districts	45	-5 45	45	18	50	51	52	52
Uttar Pradesh	40	40	40	40	90	51	54	54
CDR: Less than 40%	26	26	58	30	33	32	31	27
CDR: 40%-60%	<u>-</u> ° 26	28	8	27	23	26	0- 27	32
Total No. of Districts	5 7	64	70	70	-3 71	20 75	-/ 75	75
Uttarakhand	5/	~7	/0	70	/-	/5	/0	/0
CDR: Less than 40%			11	0	8	0	10	10
CDR: 40%-60%			1	2	2 2	2	2	2
Total No. of Districts			12	13	13	- 13	- 13	- 13
WESTERN REGION			-0	-0	-0	-0	-0	-0
CDR: Less than 40%	8	4	16	9	11	12	15	15
CDR: 40%-60%	14	т 12	25	1/1	15	12	-5 25	20
Total No. of Districts	45	-0 /0	-5 58	50	61	-5 67	-0 60	<u>-</u> 0
Guiarat	тЈ	77	90	59	01	07	09	09
CCDR: Less than 40%	7	2	12	8	7	10	0	8
CDR: 40%-60%	8	8	7	7	10	8	10	0
Total No. of Districts	10	10	25	25	26	32	23	33
Maharashtra	÷7	÷7	-5	-5	-0	5-	00	00
CDR: Less than 40%	1	2	4	1	4	2	6	7
CDR: 40%-60%	6	5		7	т 5	5	15	, 11
Total No. of Districts	26	30	33	/ 3/	35	35	-0 36	26
	-0	50	JJ	JT	55	JJ	00	<u> </u>

Table 37: State-wise Distribution of Number of Districts with Credit-Deposit Ratio (CDR) of Less than 60%

Particulars	Jun-	Mar-						
	81	91	01	05	11	15	20	21
SOUTHERN REGION								
CDR: Less than 40%	3	3	20	4	4	2	3	3
CDR: 40%-60%	18	16	33	18	7	10	10	8
Total No. of Districts	76	82	97	98	103	103	126	126
Andhra Pradesh								
CDR: Less than 40%	0	0	3	0	0	0	0	0
CDR: 40%-60%	7	5	10	4	1	0	0	0
Total No. of Districts	23	23	23	23	23	13	13	13
Karnataka								
CDR: Less than 40%	0	0	2	1	2	1	1	1
CDR: 40%-60%	4	1	10	3	2	3	3	3
Total No. of Districts	19	20	27	27	30	30	30	30
Kerala								
CDR: Less than 40%	1	2	6	2	1	1	1	1
CDR: 40%-60%	3	6	4	4	1	3	5	5
Total No. of Districts	14	14	14	14	14	14	14	14
Tamil Nadu								
CDR: Less than 40%	1	0	6	0	0	0	0	0
CDR: 40%-60%	2	3	9	5	3	2	0	0
Total No. of Districts	16	21	29	30	32	32	32	32
Telangana								
CDR: Less than 40%						0	0	0
CDR: 40%-60%						1	2	0
Total No. of Districts						10	33	33
Puducherry								
CDR: Less than 40%	1	1	3	1	1	0	1	1
CDR: 40%-60%	2	1	0	2	0	1	0	0
Total No. of Districts	4	4	4	4	4	4	4	4

Table 37: State-wise Distribution of Number of Districts with Credit-Deposit Ratio (CDR) of Less than 60% (*Concluded*)

Note: Credit-Deposit Ratio is based on credit as per place of utilisation.

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in).

The analysis reveals worsening of situation at the district level in the eastern region between 2005 and 2021, although the situation in 2021 is slightly better compared to 2001. To illustrate, out of 109 districts in the region in 2001, 84 districts (that is, 77%) had CD ratio of less than 40% and 18 districts (that is, 17%) in the range of 40%-60%. In 2005, the number of districts with CD ratio of less than 40% fell to 59 (that is, 52% of the total of 114 districts) and CD ratio in the range of 40%-60% was reported by 27 districts (that is, 24%). But by 2021, number of districts with CD

ratio of less than 40% increased to 66 (that is, 55% of the 121 districts), but number of districts with a CD ratio of 40%-60% increased to 46 (that is, 38%). Thus, about 76% of the districts in the region did not have CD ratio of more than 60% in 2005, and this increases to 93% by 2021. A near similar experience has been observed in the case of Bihar and Odisha. In both these states, the number of districts with CD ratio of less than 40% have seen a reduction, but their numbers in the interval of 40%-60% has increased, thus, showing some progression from bottom level to the middle range. Except Nawrangpur district, all other districts in Odisha witnessed a steep rise in the CD ratio in 2005, and consequently, the number of districts with CD ratio of less than 40% registered a dramatic fall. In Bihar and Odisha, 92% of the districts had CD ratios of less than 60% in 2021. West Bengal had 82% of its districts belonging to the category of CD ratio of less than 40% in 2021, and this is not significantly different from 2005. At the other end, West Bengal is a distinct case of serious deterioration. Both deposit and credit shares have fallen but the fall in the case of credit is more than that of deposits, resulting in a significant deterioration in CD ratios.

The central region had the highest number of districts in the country – 168 of the total 696 districts (that is, about one-fourth). These districts are mostly concentrated in Madhya Pradesh and Uttar Pradesh. Between 2005 and 2021, there is some reduction in the number of districts with CD ratio of less than 40% in Uttar Pradesh, but not in Madhya Pradesh. But in the case of districts with CD ratio of 40%-60%, Madhya Pradesh had some reduction, but Uttar Pradesh showed some increase. The percentage of districts with CD ratio of less than 60% has come down from 63% in Madhya Pradesh in 2005 to 48% in 2021, but 80% of the districts in Uttar Pradesh continue to have a CD ratio of less than 60%. The situation is not different in Uttarakhand, where a large number of districts with CD ratio of 40%-60% increased between 2005 and 2021. In both Uttarakhand and Chhattisgarh, more than 80% of the districts continue to have the CD ratios at less than 60%.

In the western region comprising Gujarat and Maharashtra, the number of districts with the CD ratio of less than 40% and in the range of 40%-60% showed an increase. This has been the general trend in both these states. In Gujarat, there is an increase in the number of districts with CD ratios of 40%-60%. In Maharashtra, the number of districts with CD ratio of less than 40% as well as in the range of 40%-60%

have gone up. In fact, about one-fourth of the districts in the state had a CD ratio of less than 60% in 2005, but nearly a half of its districts are in this category in 2021. Such worsening of the situation in Maharashtra between 2005 and 2021 has not been visible in any of the other states in the country.

In contrast, the southern region with 126 districts showed a different, but surprising trend altogether. First, in 2021, only 3 out of 126 districts had a CD ratio of less than 40% – one each in Karnataka, Kerala and Puducherry. Second, the number of districts with the CD ratio in the range of 40%-60% has come down from 16 in 2005 to 8 in 2021 – 3 districts in Karnataka and 5 districts in Kerala. Third, thus, Kerala is the only southern state where there appears to be no significant improvement in the CD ratio across districts. Fourth, in states such as Andhra Pradesh, Tamil Nadu, Telangana and Puducherry, all the districts have CD ratio across district for 2021. Fifth, Andhra Pradesh, that had a relatively low CD ratio amongst all of southern states in the 1980s, had moved ahead, and by 2021, all of its districts had CD ratio of more than 60%. And, finally, the progress achieved by the southern states has been gradual with the momentum picking up over time.

The above analysis provides an opportunity to assess the effectiveness of the policy interventions in 2005, which had a specific focus on the districts with CD ratio of not more than 60%, and in particular, those districts having CD ratio of less than 40%. Except for Haryana, all other states that had CD ratios of not less than 60% belonged to the southern region. But Andhra Pradesh, Tamil Nadu, Telangana, and Puducherry that had all districts with above 60% of CD ratio had registered a pickup in momentum in the earlier years as well, though policy intervention of 2005 would have helped in this process. But a worsening scenario is noticed in developed states like Maharashtra, and lack of major progress noticed in states like Punjab and Kerala. West Bengal also did not witness any major change. Already underdeveloped states like Uttar Pradesh, Bihar, Odisha, Madhya Pradesh, and new states carved out of these states like Jharkhand, Uttarakhand and Chhattisgarh did not register any major change since 2005. In terms of percentage of districts with less than 60% CD ratio, there has not been any major change. It is not anything better in the northeastern region, except for Assam and Nagaland. Rajasthan is the only state with a low per capita income that has achieved a great deal by moving a lot more districts to the above 60% CD ratio group. As to the southern states and Haryana, it can be said that there has been only a marginal improvement but situation has worsened in some of the erstwhile well performing states like Maharashtra and West Bengal. The very fact that there has not been any perceptible change noticed in those states with low per capita income is a clear indication that the policy intervention since 2005 has met with very limited success. This probably brings up issues related to monitoring of CD ratio at the district level, more intensively than ever before. More so, what may be regarded more important is how these districts fared in comparison to their per capita income, as several districts in the states with low per capita income reportedly have better CD ratios and, on the contrary, in some states with higher per capita income, there are districts with low CD ratios. Moreover, it is interesting to see how CD ratio performed in relation to the deposit intensity.

8.3 Credit-Deposit Ratio, Per Capita Income and Deposit Intensity of Districts

An attempt has been made in this sub-section to relate banking indicators to the district domestic product (DDP). Basically, what has been done is to ascertain the number of districts that have deposit intensity (that is, deposit to DDP) and CD ratio greater than that of all districts, and per capita income exceeding that of all-India. This will provide further insights into the dynamics of CD ratio even at the disaggregated administrative unit (Table 38).

A problem encountered in this exercise is the availability of DDP data. Under the aegis of the erstwhile Planning Commission, there were serious attempts made to compile DDP. For base year 2004-05, the DDP data are available for 527 districts belonging to 24 states.⁵⁶ This gives an opportunity to understand the situation in 2004-05. However, for the recent decade with base year 2011-12; neither have all states made attempt to compile DDP, nor is there a single official platform where these data are made available. So, efforts were made to compile them from the sites of Directorate/Department of Economics and Statistics of several state governments, and wherever not found, they were compiled from Economic Survey of the states. There are only 15 states that continued DDP estimates, and DDP for 2018-19 and so, this year was considered for comparison with 2004-05. Several major states like Bihar, Chhattisgarh, Haryana, Jharkhand and West Bengal and a few north-eastern states could not be covered in 2018-19 due to non-availability of data. Gujarat is a major state for which DDP is not available at all. All southern states have provided DDP. In the case of Kerala, gross district value added

Particulars	Mar-05	% of All	Mar-19	% of All
	_	Districts	-	Districts
ALL-INDIA				
DI Greater Than All Districts	73	13.9	63	14.5
CDR Greater Than All Districts	187	35.5	145	33.5
PCI Greater Than All-India	138	26.2	170	39.3
CDR and PCI Greater Than All Districts/All-India	66	12.5	81	18.7
DI, CDR and PCI Greater Than All Districts/All-Ind	ia 10	1.9	9	2.1
Total No. of Districts	527	100	433	100
NORTHERN REGION				
DI Greater Than All Districts	14	17.5	18	26.9
CDR Greater Than All Districts	31	38.8	23	34.3
PCI Greater Than All-India	45	56.3	32	47.8
CDR and PCI Greater Than All Districts/All-India	18	22.5	10	14.9
DI, CDR and PCI Greater Than All Districts/All-Ind	ia 2	2.5	2	3.0
Total No. of Districts	80	100	67	100
Haryana				
DI Greater Than All Districts	2	10.5		
CDR Greater Than All Districts	7	36.8		
PCI Greater Than All-India	17	89.5		
CDR and PCI Greater Than All Districts/All-India	7	36.8		
DI, CDR and PCI Greater Than All Districts/All-Indi	ia o	0.0		
Total No. of Districts	19	100		
Himachal Pradesh				
DI Greater Than All Districts	3	25.0	6	50.0
CDR Greater Than All Districts	4	33.3	0	0.0
PCI Greater Than All-India	10	83.3	10	83.3
CDR and PCI Greater Than All Districts/All-India	3	25.0	0	0.0
DI, CDR and PCI Greater Than All Districts/All-Indi	ia o	0.0	0	0.0
Total No. of Districts	12	100	12	100
Punjab				
DI Greater Than All Districts	8	47.1	10	45.5
CDR Greater Than All Districts	7	41.2	7	31.8
PCI Greater Than All-India	17	100.0	17	77.3
CDR and PCI Greater Than All Districts/All-India	7	41.2	5	22.7
DI, CDR and PCI Greater Than All Districts/All-Ind	ia 2	11.8	1	4.5
Total No. of Districts	17	100	22	100

Particulars	Mar-05	% of All	Mar-19	% of All
		Districts		Districts
Rajasthan				
DI Greater Than All Districts	1	3.1	2	6.1
CDR Greater Than All Districts	13	40.6	16	48.5
PCI Greater Than All-India	1	3.1	5	15.2
CDR and PCI Greater Than All Districts/All-India	1	3.1	5	15.2
DI, CDR and PCI Greater Than All Districts/All-Indi	a o	0.0	1	3.0
Total No. of Districts	32	100	33	100
NORTH-EASTERN REGION				
DI Greater Than All Districts	3	4.9	3	7.1
CDR Greater Than All Districts	15	24.6	3	7.1
PCI Greater Than All-India	15	24.6	13	31.0
CDR and PCI Greater Than All Districts/All-India	2	3.3	0	0.0
DI, CDR and PCI Greater Than All Districts/All-Indi	a o	0.0	0	0.0
Total No. of Districts	61	100	42	100
Arunachal Pradesh				
DI Greater Than All Districts	1	7.7	2	22.2
CDR Greater Than All Districts	1	7.7	1	11.1
PCI Greater Than All-India	4	30.8	7	77.8
CDR and PCI Greater Than All Districts/All-India	0	0.0	0	0.0
DI, CDR and PCI Greater Than All Districts/All-Indi	a o	0.0	0	0.0
Total No. of Districts	13	100	9	100
Assam				
DI Greater Than All Districts	1	4.2	1	3.0
CDR Greater Than All Districts	3	12.5	2	6.1
PCI Greater Than All-India	5	20.8	6	18.2
CDR and PCI Greater Than All Districts/All-India	0	0.0	0	0.0
DI, CDR and PCI Greater Than All Districts/All-Indi	a o	0.0	0	0.0
Total No. of Districts	24	100	33	100
Manipur				
DI Greater Than All Districts	0	0.0		
CDR Greater Than All Districts	4	44.4		
PCI Greater Than All-India	1	11.1		
CDR and PCI Greater Than All Districts/All-India	0	0.0		
DI, CDR and PCI Greater Than All Districts/All-Indi	a o	0.0		
Total No. of Districts	9	100		

Particulars	Mar-05	6 % of All	Mar-19	% of All
		Districts		Districts
Meghalaya				
DI Greater Than All Districts	1	14.3		
CDR Greater Than All Districts	3	42.9		
PCI Greater Than All-India	3	42.9		
CDR and PCI Greater Than All Districts/All-India	1	14.3		
DI, CDR and PCI Greater Than All Districts/All-Indi	a o	0.0		
Total No. of Districts	7	100		
Mizoram				
DI Greater Than All Districts	0	0.0		
CDR Greater Than All Districts	4	50.0		
PCI Greater Than All-India	2	25.0		
CDR and PCI Greater Than All Districts/All-India	1	12.5		
DI, CDR and PCI Greater Than All Districts/All-Indi	a o	0.0		
Total No. of Districts	8	100		
EASTERN REGION				
DI Greater Than All Districts	18	15.8	4	13.3
CDR Greater Than All Districts	21	18.4	1	3.3
PCI Greater Than All-India	12	10.5	5	16.7
CDR and PCI Greater Than All Districts/All-India	3	2.6	0	0.0
DI, CDR and PCI Greater Than All Districts/All-Indi	a 1	0.9	0	0.0
Total No. of Districts	114	100	30	100
Bihar				
DI Greater Than All Districts	12	31.6		
CDR Greater Than All Districts	2	5.3		
PCI Greater Than All-India	1	2.6		
CDR and PCI Greater Than All Districts/All-India	0	0.0		
DI, CDR and PCI Greater Than All Districts/All-Indi	a o	0.0		
Total No. of Districts	38	100		
Jharkhand				
DI Greater Than All Districts	3	14.3		
CDR Greater Than All Districts	0	0.0		
PCI Greater Than All-India	1	4.8		
CDR and PCI Greater Than All Districts/All-India	0	0.0		
DI, CDR and PCI Greater Than All Districts/All-Indi	a o	0.0		
Total No. of Districts	21	100		

Particulars	Mar-05	% of All	Mar-19	% of All
		Districts		Districts
Odisha				
DI Greater Than All Districts	1	3.3	4	13.3
CDR Greater Than All Districts	17	56.7	1	3.3
PCI Greater Than All-India	2	6.7	5	16.7
CDR and PCI Greater Than All Districts/All-India	2	6.7	0	0.0
DI, CDR and PCI Greater Than All Districts/All-India	a o	0.0	0	0.0
Total No. of Districts	30	100	30	100
Sikkim				
DI Greater Than All Districts	1	25.0		
CDR Greater Than All Districts	0	0.0		
PCI Greater Than All-India	2	50.0		
CDR and PCI Greater Than All Districts/All-India	0	0.0		
DI, CDR and PCI Greater Than All Districts/All-India	a o	0.0		
Total No. of Districts	4	100		
West Bengal				
DI Greater Than All Districts	1	5.3		
CDR Greater Than All Districts	2	10.5		
PCI Greater Than All-India	4	21.1		
CDR and PCI Greater Than All Districts/All-India	1	5.3		
DI, CDR and PCI Greater Than All Districts/All-India	a 1	5.3		
Total No. of Districts	19	100		
Andaman & Nicobar Islands				
DI Greater Than All Districts	0	0.0		
CDR Greater Than All Districts	0	0.0		
PCI Greater Than All-India	2	100.0		
CDR and PCI Greater Than All Districts/All-India	0	0.0		
DI, CDR and PCI Greater Than All Districts/All-India	a o	0.0		
Total No. of Districts	2	100		
CENTRAL REGION				
DI Greater Than All Districts	25	17.4	25	18.1
CDR Greater Than All Districts	29	20.1	20	14.5
PCI Greater Than All-India	7	4.9	9	6.5
CDR and PCI Greater Than All Districts/All-India	1	0.7	3	2.2
DI, CDR and PCI Greater Than All Districts/All-India	a 1	0.7	2	1.4
Total No. of Districts	144	100	138	100
			()	Contd)

Particulars	Mar-05	% of All	Mar-19	% of All
		Districts		Districts
Chhattisgarh				
DI Greater Than All Districts	2	12.5		
CDR Greater Than All Districts	3	18.8		
PCI Greater Than All-India	1	6.3		
CDR and PCI Greater Than All Districts/All-India	0	0.0		
DI, CDR and PCI Greater Than All Districts/All-Indi	a o	0.0		
Total No. of Districts	16	100		
Madhya Pradesh				
DI Greater Than All Districts	5	11.1	4	8.0
CDR Greater Than All Districts	15	33.3	19	38.0
PCI Greater Than All-India	2	4.4	2	4.0
CDR and PCI Greater Than All Districts/All-India	1	2.2	2	4.0
DI, CDR and PCI Greater Than All Districts/All-Indi	a 1	2.2	2	4.0
Total No. of Districts	45	100	50	100
Uttar Pradesh				
DI Greater Than All Districts	15	21.4	18	24.0
CDR Greater Than All Districts	10	14.3	0	0.0
PCI Greater Than All-India	1	1.4	1	1.3
CDR and PCI Greater Than All Districts/All-India	0	0.0	0	0.0
DI, CDR and PCI Greater Than All Districts/All-Indi	a o	0.0	0	0.0
Total No. of Districts	70	100	75	100
Uttarakhand				
DI Greater Than All Districts	3	23.1	3	23.1
CDR Greater Than All Districts	1	7.7	1	7.7
PCI Greater Than All-India	3	23.1	6	46.2
CDR and PCI Greater Than All Districts/All-India	0	0.0	1	7.7
DI, CDR and PCI Greater Than All Districts/All-Indi	a o	0.0	0	0.0
Total No. of Districts	13	100	13	100
WESTERN REGION				
DI Greater Than All Districts	1	2.9	2	5.9
CDR Greater Than All Districts	21	61.8	9	26.5
PCI Greater Than All-India	13	38.2	19	55.9
CDR and PCI Greater Than All Districts/All-India	10	29.4	5	14.7
DI, CDR and PCI Greater Than All Districts/All-Indi	a 1	2.9	2	5.9
Total No. of Districts	34	100	34	100
			(α (1)

Particulars	Mar-05	% of All	Mar-19	% of All
		Districts		Districts
Maharashtra				
DI Greater Than All Districts	1	2.9	2	5.9
CDR Greater Than All Districts	21	61.8	9	26.5
PCI Greater Than All-India	13	38.2	19	55.9
CDR and PCI Greater Than All Districts/All-India	10	29.4	5	14.7
DI, CDR and PCI Greater Than All Districts/All-India	a 1	2.9	2	5.9
Total No. of Districts	34	100	34	100
SOUTHERN REGION				
DI Greater Than All Districts	12	12.8	11	9.0
CDR Greater Than All Districts	70	74.5	89	73.0
PCI Greater Than All-India	46	48.9	92	75.4
CDR and PCI Greater Than All Districts/All-India	32	34.0	63	51.6
DI, CDR and PCI Greater Than All Districts/All-India	a 5	5.3	3	2.5
Total No. of Districts	94	100	122	100
Andhra Pradesh				
DI Greater Than All Districts	1	4.3	0	0.0
CDR Greater Than All Districts	17	73.9	12	92.3
PCI Greater Than All-India	8	34.8	8	61.5
CDR and PCI Greater Than All Districts/All-India	5	21.7	7	53.8
DI, CDR and PCI Greater Than All Districts/All-India	a 1	4.3	0	0.0
Total No. of Districts	23	100	13	100
Karnataka				
DI Greater Than All Districts	4	14.8	2	6.7
CDR Greater Than All Districts	23	85.2	19	63.3
PCI Greater Than All-India	7	25.9	19	63.3
CDR and PCI Greater Than All Districts/All-India	5	18.5	9	30.0
DI, CDR and PCI Greater Than All Districts/All-India	a 1	3.7	0	0.0
Total No. of Districts	27	100	30	100
Kerala				
DI Greater Than All Districts	6	42.9	5	35.7
CDR Greater Than All Districts	7	50.0	3	21.4
PCI Greater Than All-India	13	92.9	14	100.0
CDR and PCI Greater Than All Districts/All-India	7	50.0	3	21.4
DI, CDR and PCI Greater Than All Districts/All-India	a 2	14.3	1	7.1
Total No. of Districts	14	100	14	100
			(Contd)

Particulars	Mar-05	% of All	Mar-19	% of All
		Districts		Districts
Tamil Nadu				
DI Greater Than All Districts	1	3.3	1	3.1
CDR Greater Than All Districts	23	76.7	28	87.5
PCI Greater Than All-India	18	60.0	25	78.1
CDR and PCI Greater Than All Districts/All-India	15	50.0	22	68.8
DI, CDR and PCI Greater Than All Districts/All-Indi	a 1	3.3	1	3.1
Total No. of Districts	30	100	32	100
Telangana				
DI Greater Than All Districts			3	9.1
CDR Greater Than All Districts			27	81.8
PCI Greater Than All-India			26	78.8
CDR and PCI Greater Than All Districts/All-India			22	66.7
DI, CDR and PCI Greater Than All Districts/All-Indi	a		1	3.0
Total No. of Districts			33	100

Note: 1. Credit-Deposit Ratio is based on credit as per place of utilisation.

2. Excludes states for which district domestic product (DDP) are not available. Blank cells in 2019 means DDP are not available.

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

(GDVA) is available. By working out the proportionate distributions of GDVA at the districts level, the state GSDP for 2018-19 was distributed across districts, and accordingly per capita GSDP were worked out. For states like Punjab and Uttarakhand, the latest DDP data available relates to 2017-18, and for Himachal Pradesh to 2015-16. Assuming that the percentage distribution of DDP across districts would not have changed much in a matter of a year or two, these states' GSDP for 2018-19 was distributed across districts using the nearest past year's district-wise shares. Similarly, the population share of districts available for earlier years was used to distribute the states' population of 2018-19 across districts to work out district per capita income in these states. For states like Assam, Karnataka, Madhya Pradesh, and Telangana, only the per capita net district domestic product (NDDP) was available and so, they were compared to country-wide per capita NDP.

Out of the total 527 districts covered in 2004-05, only 14% of them had a deposit intensity greater than that of all states; however, nearly one-third of them had higher

CD ratio and little over one-fourth had higher per capita income. In 2018-19, out of 433 districts for which DDP estimates are available, the percentage of districts with per capita income higher than all-India stood at 39.3%. A comparison between 2004-05 and 2018-19 reveals a marginal increase in the percentage of districts with deposit intensity greater than all districts, a decrease in the percentage of districts with a higher CD ratio and an increase in the percentage of districts with per capita income higher than the national average. Between 2004-05 and 2018-19, the percentage of districts with simultaneous higher CDR and per capita income has also increased. It is interesting to note that only a handful of districts (about 2% of the total districts covered) had deposit intensity, CD ratio and per capita income simultaneously greater than that of all states. Even if we consider the common states for which data are available for both the years, it is seen that the overall trend remains the same, except that the percentage of districts with greater CD ratio shows a decrease from 40.2% in 2004-05 to 29.5% in 2018-19.

Amongst northern states, a good percentage of districts had greater deposit intensity as well as per capita income compared to all-India. While districts in all of these states performed better in CD ratio and per capita income in 2004-05, there has been some decline in 2018-19 largely because of Punjab. Ludhiana and Patiala are the two districts of Punjab that had a greater deposit intensity, CD ratio and per capita income than that of all states. In Haryana, Himachal Pradesh and Punjab, over three-fourth of districts had a per capita income greater than all-India in 2004-05, but less than a half of them in Punjab, one-fourth in Himachal Pradesh and one-tenth in Haryana had a deposit intensity higher than that of all states; it increased considerably only in case of Himachal Pradesh in 2018-19. Of the northern states, Rajasthan is an exception; it has a higher percentage of districts with higher CD ratio than all states, but also has one of the smallest percentage of districts with deposit intensity and per capita income greater than that of all states. Besides, the state also witnessed some improvement in 2018-19 over 2004-05.

In the north-eastern region, only Arunachal Pradesh has a higher percentage of districts with greater deposit intensity and per capita income. Assam that has many districts did not have much to say with majority of its districts doing poorly in all these indicators compared to the other districts of other states. Manipur, Meghalaya, and Mizoram had a good percentage of districts with a higher CD ratio than of all states, but Meghalaya only bettered in terms of having a good percentage of districts with a higher per capita income. None of the districts in the state had reported simultaneously having greater deposit intensity, per capita income and CD ratio than all states.

In the eastern region, nearly a half of the districts are in Bihar and Jharkhand, and their influence on the district level performance in the region as a whole is visible. Of the states in the region, the DDP of the districts of Odisha is only available for 2018-19, and not for other states. Based on 2004-05, it can be said that most of the districts in the region generally performed poorly. In 2004-05, only one district, that is, Kolkata of West Bengal had reported having had a higher deposit intensity, CD ratio and per capita income than of all states, and along with this, Anugul and Jharsuguda districts of Odisha had CD ratios and per capita incomes greater than all states. Bihar and Jharkhand had only a fractional percentage of their districts (less than 5%) reporting CD ratio and per capita income greater than all-India average - none of the districts in Jharkhand had a CD ratio exceeding all-India. Except Odisha and West Bengal, all other states in the region reportedly have a good percentage of districts with greater deposit intensity. Except for Kolkata district, West Bengal would have performed poorly in all these indicators with most of its districts having a lesser CD ratio, deposit intensity and per capita income. In Odisha, between 2004-05 and 2018-19, the percentage of districts having a higher deposit intensity and per capita income than the all states' average has gone up but not so much in the CD ratio. While the state has performed better with more districts having improved their records of deposit mobilisation with growing per capita income, it did badly in terms of credit utilisation.

In the central region, only Indore and Bhopal districts of Madhya Pradesh concurrently had greater deposit intensity, CD ratio and per capita income above that of all the states in 2004-05, and they were joined by Udham Singh Nager district of Uttarakhand in having both a higher CD ratio and per capita income in 2018-19. Nearly 94% of the districts in the region had per capita incomes lower than all-India in 2018-19, and this is not anything better compared to the situation of 2004-05. But in terms of having higher deposit intensity, about one-fifth of the districts in Uttar Pradesh and Uttarakhand reported a better than all-India performance; but none in Uttar Pradesh and only about 8% of the districts in Uttarakhand had a higher CD ratio. While Madhya Pradesh reported a higher percentage of districts
with a greater CD ratio than of all states, Uttarakhand had nearly 46% of its districts with per capita income exceeding all-India. Overall, there is more percentage of districts with better deposit intensity, but lesser percentage with greater CD ratio and per capita income.

In the western region, the DDP of Maharashtra is available for both 2004-05 and 2018-19. Only two districts (Mumbai and Pune) in 2018-19 had a greater deposit intensity, whereas 19 districts (that is, 55.9%) had a greater per capita income than all states. Between 2004-05 and 2018-19, the number of districts with greater per capita income has gone up from 13 (that is, 32.8% of 34 districts) to 19 (that is, 55.9%), the number of districts with higher CD ratio had come down from 21 (that is, 61,8%) in 2004-05 to 9 (that is, 26.5%) in 2018-19. As a result, the number of districts with both a higher CD ratio and per capita incomes has come down from 10 in 2004-05 to 5 in 2018-19.

The DDP for all districts of southern states are available for 2004-05 and 2018-19. Overall, it is noted that only about 12.8% of the districts (12 out of 94 districts) had a greater deposit intensity in 2004-05, but this dropped to 9% (11 out of 122 districts) in 2018-19. However, the CD ratio is higher in about a half of the districts. Interestingly, about half of districts in the southern region reported a higher per capita income than the national average in 2004-05, and this increased to threefourth in 2018-19. More so, about one-third of the districts had a greater CD ratio and per capita income in 2004-05, but more than a half had it in 2018-19. State-wise it is seen that Andhra Pradesh and Tamil Nadu appeared to have excelled in both CD ratio and per capita income with most of their districts having improved their performance relative to the national average in both 2004-05 and 2018-19. However, the deposit intensity remained lower in most of the districts of these two states. Telangana also fared well in all indicators except in deposit intensity in 2018-19. In Karnataka, the percentage of districts with a higher CD ratio and per capita income generally remained higher; the number of districts with a higher CD ratio has fallen in 2018-19, but that with a higher per capita income has drastically risen in 2018-19. In Andhra Pradesh and Tamil Nadu, the percentage of districts with higher deposit intensity remained too low. In Kerala, more than one-third of the districts have deposit intensity higher than the national average, and all districts have per capita income higher than all-India in 2018-19. The CD ratio was higher than the national

Table 39: Share of Top and Bottom Districts in Bank Deposits and Credit, and their Credit-Deposit Ratio

Particulars	Jun-81	Mar-91	Mar-01	Mar-05	Mar-11	Mar-15	Mar-20	Mar-21
No. of Districts	381	439	535	559	591	618	653	663
Share in Amou	nt of Cre	dit As Pe	r Utilisati	ion (in %)				
Top 1	17.9	16.8	25.5	23.0	25.1	18.3	17.6	16.1
Top 2	23.4	22.3	32.0	29.2	31.7	23.7	23.0	21.4
Top 5	33.5	33.3	43.9	42.0	46.3	38.4	35.1	32.8
Top 10	41.9	40.5	52.7	49.9	54.7	50.4	46.1	43.6
Top 20	51.2	48.1	60.1	57.6	62.5	59.5	54.9	52.7
Top 50	65.9	61.9	70.2	68.9	73.1	71.0	67.0	65.1
Top 100	80.5	75.3	80.5	79.1	82.2	80.6	77.2	75.7
Bottom 200	7.4	6.7	2.6	2.5	1.6	1.5	1.8	1.8
Bottom 100	1.4	1.4	0.5	0.5	0.3	0.3	0.4	0.4
Share in Amou	nt of Dep	osits (in	%)					
Top 1	15.5	16.3	15.4	20.5	18.5	14.7	9.9	9.9
Top 2	24.1	23.1	18.5	23.8	22.2	20.7	15.7	16.3
Top 5	31.4	30.6	28.5	34.8	33.6	32.1	26.6	27.7
Top 10	37.4	36.1	34.2	40.8	39.2	40.7	36.1	37.3
Top 20	44.9	43.2	40.9	47.5	46.8	47.7	43.4	45.2
Top 50	60.4	57.3	52.2	58.5	63.4	60.6	56.6	58.0
Top 100	76.2	70.5	64.8	71.1	73.3	71.7	68.3	69.2
Bottom 200	10.6	9.6	6.2	4.9	3.6	3.3	3.4	3.0
Bottom 100	2.5	2.4	1.6	1.2	0.9	0.8	0.8	0.6
Credit-Deposit	Ratio (in	ı %)						
Тор 1	70.0	65.8	93.1	74.8	102.0	95.6	131.3	113.8
Top 2	58.9	61.5	97.7	81.7	107.6	87.8	108.9	92.3
Top 5	64.7	69.3	86.8	80.4	103.7	91.8	97.6	83.1
Top 10	67.9	71.4	87.0	81.4	105.2	94.9	94.8	82.1
Top 20	69.1	70.9	83.0	80.8	100.6	95.6	93.9	81.7
Top 50	66.2	68.7	75.9	78.4	86.9	89.8	87.8	78.8
Top 100	64.0	68.0	70.2	74.2	84.5	86.1	83.8	76.7
Bottom 200	42.7	44.4	23.6	33.6	33.8	34.9	40.0	41.8
Bottom 100	33.4	37.3	19.6	27.4	26.4	29.3	35.8	39.4

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

average only in 7 out of 14 districts in 2004-05, but this dropped to 3 districts in 2018-19. Thus, Kerala appeared to have bettered in deposit intensity and per capita income but not in CD ratio.

8.4 Share of Top and Bottom Districts in Bank Deposits, Credit and District Domestic Product and Credit-Deposit Ratio

Whether bank credit and deposits are concentrated in a few districts is also a matter of concern. To examine this, all districts have been ranked as per their share in the total credit of all districts (Table 39).⁵⁷ It is seen that top 5 districts were Mumbai, Kolkata, Chennai, Bengaluru Urban and Hyderabad. Lately, Ahmedabad has surged ahead of Kolkata. Districts like Pune and Thane in Maharashtra, Vadodara in Gujarat, Gurgaon in Haryana, Coimbatore in Tamil Nadu, Ernakulum in Kerala, Indore in Madhya Pradesh and Lucknow in Uttar Pradesh ranked among the top 10 frequently. These top districts have a disproportionately larger share in bank credit than in deposits throughout. Nearly only a little less than half of the total credit is utilised by the top 10 districts. While top 100 districts together account for over 75% of the total bank credit, the share of the bottom 200 districts has remained higher, and it gets progressively reduced as we near the bottom districts. The CD ratio of the bottom 200 districts is about 40% – a far outcry if judged by the policy intervention of 2005.

Here again, an attempt has to been made to relate the CD ratio of top and bottom districts to their respective DDP. As the DDP are not available for districts in a few states for the base year 2011-12, we have only considered common states for which DDP were available for both 2004-05 and 2018-19. Telangana state, which was carved out of united Andhra Pradesh, was included in 2018-19 as the DDP of its districts is available. Thus, the presentation for 2004-05 contains data of all districts for which DDP were available, and only for the districts for which data are available in 2004-05 as well as in 2018-19 (Table 40).

The Mumbai district of Maharashtra remained as the top one in both 2004-05 and 2018-19, and it was joined by Bengaluru Urban district of Karnataka to form the top two in both years. The top 5 in 2004-05 included Kolkata district of West Bengal, Chennai district of Tamil Nadu and Hyderabad district of Andhra Pradesh/

Table 40: Top and Bottom Districts' Share in Bank Deposits, Credit and District Domestic Product (DDP), and Deposit Intensity (DI) and Credit-Deposit Ratio (CDR) in 2004-05 and 2018-19 (In %)

Rank	Share in Credit	Share in Deposit	Share in DDP	Deposit Intensity	CD Ratio					
			2004-05	•						
		No	of Districts = g	527						
Top 1	24.4	21.9	4.0	330.5	74.8					
Top 2	29.5	26.6	5.9	271.6	74.5					
Top 5	44.5	37.2	8.3	270.7	80.4					
Top 10	49.6	43.5	13.9	189.0	76.8					
Top 20	56.7	51.1	20.1	153.3	74.6					
Top 50	66.1	63.9	32.9	116.9	69.6					
Top 100	76.6	75.2	48.8	93.0	68.5					
Bottom 200	4.4	4.7	11.8	23.8	63.8					
Bottom 100	1.2	1.2	3.5	20.4	64.9					
		2004-05								
		No	of Districts = 4	133						
Top 1	28.0	26.6	5.1	330.5	74.8					
Top 2	35.5	30.8	6.1	321.2	81.7					
Top 5	47.8	41.7	11.9	222.1	81.2					
Top 10	54.8	47.4	18.1	165.2	82.0					
Top 20	62.2	53.8	25.0	136.1	82.0					
Top 50	73.8	67.0	40.4	104.9	78.1					
Top 100	84.1	79.1	58.5	85.4	75.5					
Bottom 200	6.8	10.7	21.8	31.0	44.9					
Bottom 100	1.8	3.3	7.4	28.5	38.0					
			2018-10							
		No	of Districts = 2	433						
Top 1	26.5	20.7	3.9	340.0	103.0					
Top 2	33.0	27.9	8.0	222.2	95.7					
Top 5	47.2	38.0	12.5	194.0	100.2					
Top 10	53.9	43.7	18.8	147.4	99.6					
Top 20	61.5	52.5	24.9	133.9	94.6					
Top 50	73.1	64.5	41.9	97.9	91.5					
Top 100	83.3	76.7	58.6	83.3	87.6					
Bottom 200	5.1	9.1	16.3	35.3	50.0					
Bottom 100	1.4	2.7	5.5	31.4	44.1					

Note: Credit is as per utilisation; DDP refers to district domestic product; DI refers to deposit intensity (deposit to DDP) and CDR refers to credit to deposit ratio.

Source: Credit and deposit from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in); and DDP from Planning Commission for 2004-05, and states' Directorate/Department of Economics and Statistics for 2018-19. Telangana. Due to non-availability of data, Kolkata was not included in 2018-19; it was Pune district of Maharashtra that surged to the top five.

The respective share of various groups in terms of top 1, 2, 5, 10, 20, 50 and 100 shows that the top districts continue to have, (i) a larger share in the total credit utilisation compared to their share in deposits, and (ii) it is disproportionately larger than their share in the total DDP. The share of top two districts in the total DDP showed an appreciable increase in 2018-19 over 2004-05, largely because of the increased share of Bengaluru Urban. The share of the top 20 districts in both credit utilisation and deposit showed some decline in 2018-19 over 2004-05, though they have increased their share in the DDP. And the bottom 100 districts accounts for a meagre share of 1.8% of the total credit utilisation, but their share in deposit is 3.3% and DDP is 7.4%. In 2004-05, the bottom 200 districts accounted for 21.8% of the total DDP and 10.7% of the total deposits, but had only a 6.8% share in credit. In 2018-19, the share of the bottom 200 districts has come down for all these indicators, though the deposit intensity showed some increase over 2004-05. Moreover, the CD ratio of the top districts always remained high and, on the contrary, of the bottom districts too low. Though the CD ratio across all these groups went up in 2018-19 over 2004-05, the rate of increase is far higher for districts at the top as compared to those in the bottom.

9. Conclusions and Some Policy Suggestions

In India, the role of commercial banks in intermediating between savers and investors has evolved over the years, principally under the supervision and regulation of the RBI. The policies, which were aimed at influencing the intermediation role of commercial banks, has been undergoing changes from one stage of their development to another. Particularly, the credit deployment by banks were directed in the 1970s and 1980s with the introduction of priority sector lending and new norms for financing working capital requirements of industries in the early 1970s. The availability of lendable resources of banks were influenced by the reserve requirements; ideally, they should have been governed by the prevailing economic condition like inflation rate which the monetary authority target to control it, but the experience of the 1970s and 1980s was different in the sense that SLR was used to aid fiscal management. Since the early 1990s, with a number of reform measures being introduced in line with the recommendations of the Narasimham Commit-tee, the landscape of the commercial banking system witnessed far-flung changes, albeit gradually. The CD ratio, being the vital indicator of how commercial banks provide bank credit to productive sectors, needs to be viewed within the policy perspective that governed the workings of commercial banks, and indeed, the trends and behavioural patterns of CD ratios mirrored the varying policy thrust in different phases.

The average CD ratio generally declined in the 1970s and 1980s because of the increased reserve requirements and reduced the flow of credit to medium and large industries. With relaxation of policies under the rubric of financial sector reforms since the early 1990, one would have expected the CD ratio to rise; but contrary to the expectations, the CD ratio continued to shrink until 2005. After that, the CD ratio has begun to increase to a higher level – the average of CD ratio for the entire period 2006 to 2022 stood at around 75%, though it drastically got reduced to 72% in the last two years in the wake of COVID-19 lockdown. This period itself is marked by two sub-phases – credit boom till 2003-04, and reversal of credit growth since then. Rise in credit to industry in the credit boom period, and to personal loans and service segments in the credit reversal period underscored the higher order of CD ratio in the last phase. Thus, one sees both quantitative as well as qualitative changes underlying the improvement in the CD ratio of the recent period.

The CD ratio moved in the opposite direction of investment in government securities and the amount of balance with RBI as percentage of deposits. This is particularly so in the post-reform period when their credit deployment was expected to be market driven. In the first 15 years till 2005, such behaviour of banks may be attributed to their efforts towards meeting prudential requirements of capital adequacy and so on. Thereafter, the portfolio reshuffling of SCBs in favour of government securities and holding higher balances with RBI were basically whenever credit offtake remains low, like in 2020-21 and 2021-22 due to lockdown.

Between 2006 and 2015, the CD ratio was largely driven by industrial credit, and thereafter by personal loans. Industry continues to have the highest share, followed by personal loans and services segments. The structural changes in the disposition of bank credit reveals that industry is losing its steam, as their requirements for bank credit, whether for financing working capital or capital formation, has been contracting in comparison to the rising demand by personal loans and finance segments. The bulk of personal loans (over 88%) is deployed in the household sector, and thus, with the increasing share of personal loans in the total bank credit, there has been a rise in the share of household sector in the total bank credit after 2016. At the same time, credit to manufacturing sector is mostly absorbed by private corporates, and it also constitutes the maximum share of credit to private corporate sector. Repressed growth of credit to industry after 2014 is a reflection of the contraction in credit to manufacturing firms, particularly those belonging to the private corporate sector.

Thrust on rural sector has reduced and on metropolitan centres increased

An analysis of the distribution of deposit and credit by population group reveals that the gap between their respective shares in the amount of deposit and credit appear to have marginally widened in the post-reform period (1992 onwards) in rural, semi-urban and more so in urban centres; and at the same time, the metropolitan centres have gained a far more larger share in the amount of credit in comparison to its share in the amount of deposits. The share of non-metropolitan centres in the total bank credit is disproportionately lower than their respective shares in the total bank deposits. This suggests a migration of bank resources from rural, semi-urban and urban centres to metropolitan areas in the post-reform period. The CD ratio went up in the recent decades across all population groups compared to the previous years, but it remained lesser than the all-India average in non-metropolitan areas throughout. Overall, the analysis brings out a hard fact, that is, the relative emphasis on rural sector has waned in the post-reform period.

While CD ratio as per place of utilisation remains higher than as per place of sanction in rural areas, semi-urban and urban centres, and conversely, it is lower in metropolitan areas. But the gap between CD ratio as per sanction and as per utilisation has narrowed down in all centres except urban. These major centres together account for 84% of the total credit as per sanction as on March 2021 and so, it can be inferred that the distinction between CD ratio as per place of utilisation and as per place of sanction is increasingly getting blurred.

Relative importance of public sector banks has waned, still they are dominant

In the reform period, as expected, the share of public sector banks in both bank deposits and credit got reduced with a corresponding rise recorded by private sector banks; still, one can observe the persisting dominance of public sector banks. At the same time, public sector banks have a disproportionately larger share in bank deposits compared to their share in bank credit; and on the contrary, private sector banks have a larger share in credit relative to their share in bank deposits. In the last decade, the CD ratio of public sector banks remained lower than the all-India ratio, which coincides with their dwindling share in the total bank credit. The private sector banks have more exposure to personal loans. The contraction in industrial credit was significantly contributed by the public sector banks during the credit reversal period from 2014-15 onwards. With the persisting dominant role of public sector banks, much of credit revival depends upon their credit orientation.

.... CD ratios are persistently low in central, eastern and north-eastern regions

In terms of relative share in credit and deposits, the southern, northern and western regions continue to account for the bulk with eastern region losing out. The credit culture in the country is thus skewed in favour of these three regions. The southern and western regions and, of late, the northern region have a disproportionately higher share in credit than in deposits, suggesting a tendency of bank resources to migrate from other regions into these regions. Further, it is always the southern region that had the higher CD ratios, though the western region has begun to replace it lately. Notably, the CD ratios, whether it be as per the place of sanction or utilisation, have continued to remain low in the eastern, north-eastern and central regions. Though the northern region reported a lower CD ratio, it gained substantially in the last two decades. The CD ratio as per utilisation of the southern region is not only higher than other regions, but it is also higher than as per sanction, suggesting the region's further attraction of bank credit. But the story of the central region is somewhat different; while the region's CD ratio generally remained lower, the credit utilised is more than sanctioned there. Evidence suggests a tendency for more sanctioned bank credit to flow into southern and central regions. The north-eastern region has low CD ratios both as per sanction and as per utilisation.

Credit sanctioned generally migrates from Maharashtra, but southern states generally have a high CD ratio

The position of Maharashtra in this respect amongst all states is more pronounced. It is the only state in the country that has credit sanctioned always higher than credit utilised. As the western region as a whole has credit as per sanction exceedingly higher than as per utilisation, there is a possibility of intra-regional migration of credit, that is, credit migrating from Maharashtra to other states.

All southern states have a higher CD ratio than the national average; in fact, all of them are considered developed states when compared to the national per capita income. Tamil Nadu continues to rank high in CD ratio. In the post-reform period, the CD ratio of Andhra Pradesh has witnessed an impressive upward trend. There is a sharp reduction in the CD ratio of Karnataka over the years, although the state ranks high in terms of per capita income.

All of the states in the central, eastern and north-eastern regions perennially suffer from low CD ratios. One cannot help but single out West Bengal, as it is a state where there is a conspicuous reduction in the banks' role; the state's share in bank deposits and credit, as well as its CD ratio have come down in the post-reform period. The state's share in the income of all states has also come down; however, the decline in its share in bank credit is still steeper. West Bengal used to have a higher CD ratio as per sanction than as per utilisation, but not anymore. Banking progress in the state, particularly in the last three decades, is certainly a reflection of its continuous deterioration in economic progress, particularly in industrial development.

Of the northern region, mention has to be made about the performance of Rajasthan. Not only has its CD ratio improved considerably in the last two decades, but it has also exceeded the all-India average. The observed higher level of CD ratio of the northern region in recent decades is heavily influenced by Delhi, and by Rajasthan particularly since 2005.

Influence of RIDF on credit-deposit ratios of states

Rural Infrastructure Development Fund (RIDF) was created by NABARD based on banks' contribution for their shortfall in priority sector credit since 1995-96. Amongst eastern states that have perennially suffered from low CD ratio, inclusion of RIDF with bank credit improves the CD ratio in states like Bihar, Jharkhand and Odisha, but not so much in West Bengal. The CD ratio notably rises with RIDF in the north-eastern states. In the central region, the CD ratio steadily increases with RIDF by about 5 percentage points in recent years in all states except Uttar Pradesh which rather experiences the all-India pattern. Amongst the southern states, the CD ratio with RIDF of Andhra Pradesh improves by a huge margin of about 6 percentage points over the CD ratio without RIDF, whereas CD ratio of all other states rises by less than 3 percentage points with RIDF. In the western region, the CD ratio after the inclusion of RIDF hardly improves in Maharashtra, whereas in Gujarat it increases by about 3.5 percentage points over CD ratio excluding RIDF. The states that reportedly have a higher CD ratio but did not show much improvement after including RIDF with bank credit are Maharashtra and Telangana.

CD ratio of states and their deposit intensity

The refrain in the literature is that low CD ratio of the states with low per capita income is on account of their lack of credit absorption capacity. No doubt, there is lot of truth in this. However, the transfer of resources from such states to other states with high CD ratio and with low deposit intensity (that is, bank deposits to GSDP ratio) suggests that the latter states have activities requiring more bank credit relative to deposits mobilised within these states; that is, inadequate resource mobilisation within these states has resulted in attracting resources from other states that suffer from both low CD ratio and also low per capita income. As a matter of policy, those states with a low CD ratio and high deposit intensity should be encouraged to develop a conducive ecosystem necessary to attract investments, and SCBs in the states with higher CD ratio and low deposit intensity should step up their resource mobilisation drive. This can bring about a more even distribution of CD ratio across states.

Variations in CD ratio across districts

The CD ratios at the district level revealed that in 2005, there were 590 districts reporting their CD ratios. Of this, 191 districts (that is, 32.4%) had CD ratios of less than 40% and 158 districts (that is, 26.8%) had it in the range of 40%-60%; that is, only about 40.8% of the total districts had a CD ratio greater than 60%. In 2021, there are 696 districts for which CD ratio are available. Of this, 190 districts (that is, 27.3%) have a CD ratio of less than 40% and 193 districts (that is, 27.7%) have CD ratios between 40% and 60%. Thus, only about 45% of the districts have a CD ratio exceeding 60% in 2021. This is better compared to the situation in 2001, when about 80% of the districts had a CD ratio of less than 60% - 319 out of 567 districts (56.3%) had a CD ratio of less than 40% and 137 (24.2%) had it in the range of 40%-60%. This was not the general trend across all the regions, as most of the districts in the southern regions and Haryana have CD ratios exceeding 60%. There was a policy intervention

in 2005 whereby RBI had required the banks to monitor those districts with CD ratio of 40% and improve the CD ratios of those districts with CD ratio in the range of 40%-60%. A comparison of the progress made in 2021 over 2001, shows that there has been some fulfilment of the objectives, however, still a large number of districts have CD ratio of less than 60%.

9.1 Some Policy Suggestions

It is proposed to conclude the study after outlining a few policy suggestions.

Step up deposit mobilisation and credit utilisation

The average CD ratio in the recent decade has been much higher compared to all of the previous decades starting from the early 1950s; even so, the lack of credit offtake by the producing sectors remains a serious matter of concern. After 2005, there was a credit boom driven by the industrial sector until 2013-14, and thereafter by personal loans. The CD ratio has remained higher reflecting how credit growth has kept pace with deposit growth. Both deposit and credit intensities (that is, as percentage of gross domestic product, GDP) have remained flat when the CD ratio ruled high. Moreover, in the last decade when CD ratio was high, the GDP growth rate slowed down. These factors indicate that, though the economy had witnessed a higher level of CD ratio after 2005, all is not well particularly since 2014-15. Income has a determining effect on deposit mobilisation, but increased flow of bank credit can steer GDP growth to a higher level. Bank deposits and credit are mutually reinforcing. This calls for stepping up of both deposit mobilisation and credit disposition. More specifically, credit to producing sectors have to be channelised. Banks have to take cognizance of the reasons why credit offtake by the industry has contracted. If borrowers have alternative sources of funds, banks have to improve their competitiveness so as to ensure a steady flow of credit. Personal loans *per se* are not bad; for instance, housing loans, which constitute nearly a half of the personal loans, do provide growth impulse to construction activities, and with supply linkages, it can also invigorate manufacturing activities as well. Agriculture is another sector which attracts bank credit as it is part of the priority sector. It is time SCBs look at agriculture as a viable activity – if land fragmentation is a hurdle, then cooperative farming should be promoted. That is not all; tenancy farming should be encouraged. If farm tenancy is legalised, it would encourage banks to give loans to tenant farmers. Norms governing the flow of credit to contract and tenancy farming

activities should also be liberalised. It would remove a major hurdle to rendering of farm credit. When credit to productive sectors thus grow at a fast rate, they will have a solid impact on growth, both quantitatively as well as qualitatively.

States as deposit creating and credit utilising

There is a tendency to use CD ratio as per utilisation to understand if the anomaly in the pattern of CD ratio as per sanction across states gets corrected or not. In understanding CD ratio as per sanction and as per utilisation, a fact that needs to be recognised is, that with a wide spread of banks and the adoption of core banking solutions and with companies adopting management information systems, the division of a controlling unit could be allowed to have their own banking arrangements. While this is not significantly going to altern the basic hypothesis that utilisation is different from sanction, the gap between CD ratio as per sanction and utilisation is likely to considerably narrow down. Efforts should be made to ensure regions with higher deposit intensity utilise more credit. Right now, evidences suggest that CD ratio in several regions/states are low because they do not use more of credit, though they create deposits.

And it is hard to find evidences that may support a general proposition that those states with a higher CD ratio (with possible exception of Delhi and Maharashtra) have a relatively high deposit intensity; thus, many of the states with a higher CD ratio generally depend upon resources mobilised from other states. Such a disparity in banks deployment of credit is more glaring on comparison of CD ratio with deposit intensity that is, ratio of deposit to gross state domestic product, GSDP) and their proportionate share in deposits and credit, rather than CD ratio as per sanction in comparison with as per utilisation. And so, it is time to think of states in terms of their deposit creation and credit utilisation. Efforts should be made to improve the CD ratio in deposit creating states, and step-up deposit mobilisation in states with more credit utilisation. No doubt, deposit creating states are those with a relatively higher household saving potential and credit utilising states are those with higher investment levels particularly industrial investment. Post-independence history of deposit and credit growth does not suggest the kind of transformation expected in the above manner except Rajasthan as brought out; that is, deposit creating states succeeding in creating more investment and credit utilisation, and higher credit utilising states becoming better saving states and states with better deposit growth.

Banks should follow a hybrid approach of demand following and supply leading

Being the lynch-pin of financial system, the SCBs will continue to play their role of intermediating and while doing so, they need to absorb the development goals that may vary from one region/state to another, depending upon their stage of development. This analysis revealed that underdeveloped states have a higher deposit intensity (that is, the ratio of bank deposits to GSDP) and have a relatively higher share in deposit than in credit, but their CD ratio continue to remain too low. These underdeveloped regions continue to be deposit generating but not credit absorbing. As intermediaries, SCBs can have demand following or supply leading orientation. In those underdeveloped states, which perennially have a low CD ratio, the SCBs could follow the demand following approach. Thus, in lieu of having a common orientation for all states, SCBs could follow different approaches depending upon a state's stage of development. That is, a hybrid approach should be in place.

Intensive monitoring of banking progress is required in districts with low CD ratio

Moreover, it is also time to rethink the way SCBs have addressed developmental goals; perhaps, the focus should be placed more at the district level. The district level analysis leaves much to be desired in so far as the lead bank scheme is concerned, as they clearly bring out the glaring disparities across the states - districts in the southern region have performed far better compared to those in the central, eastern and northeastern regions. From time to time, there has been renewed efforts to improve the effectiveness of the lead bank scheme. The annual circulars of the RBI, subsequent to the Expert Group on Investment Credit (RBI, 2005), has called for strengthening the intermediary role of SCBs at the district level, especially in those districts with a CD ratio of less 60%. The analysis reveals that only a limited progress has been made despite various guidelines provided for improving CD ratio in such districts. It also appears that even the public sector banks have fallen short of this. Lead banks should take cognizance of this anomaly and improve the credit absorption capacity of the districts, from where the incidence of resource transfers is noticed. For improving the CD ratio at the regional/state levels, the emphasis at the district level should continue, and lead banks scheme needs to be reviewed time and again. As originally envisaged, lead bank schemes still hold promises for making a difference to the economy at the district level. Instead of conducting the affairs of lead banks in a ritualistic manner, the approach needs to be renewed with new vigour. There may be infirmities built into the scheme, but it is time to change the manner in which meetings are convened, agenda items discussed, district credit plans prepared, etc. This calls for reviewing the workings of the lead bank scheme in the light of new developments and financial innovations, like adoption of core banking solutions, financial inclusion as a social policy and emergence of new partners like bank correspondents and bank facilitators, and so on. In the last 15 years or so, the RBI has been issuing guidelines for raising the CD ratio by rigorous monitoring in those districts with CD ratio of less than 40% and strengthening implementation in those districts with a CD ratio of less than 60%. But there has not been any review of this measures. This has to be urgently done, as guidelines do not appear to have made a big headway in boosting CD ratio in those districts that perennially suffer from a low CD ratio.

Notes

As early as in 1911, Schumpeter had emphasised the role of intermediaries for 1. technological innovation and thereby enabling economic development (Quoted in Rajan and Zingales, 1988). The beneficial impact of intermediation on the development process of an economy could be found in the celebrated works of Goldsmith (1969), Gurley and Shaw (1955 and 1967), Patrick (1966), McKinnon (1973) and Shaw (1973). Though the empirical work of Goldsmith (1969) did not bring out conclusive evidences as to whether economic development caused financial development (measure of intermediation) or vice versa, it was argued that both moved in the same direction. King and Levine (1993), with their cross-country analysis, concluded: "Finance does not only follow growth; finance seems importantly to lead economic growth" (p. 730). A cross country study by De Gregorio and Guidotti (1995) showed 'financial development leads to improved growth performance' (p. 445). In another crosscountry study, Demetriades and Hussein (1996) concluded 'the relationship between financial development and economic growth is bi-directional' (p. 406). The industry-level studies by Rajan and Zingales (1988) also revealed 'financial development has a substantial supportive influence on the rate of economic growth' (p. 585). In a cross country study, Cecchetti and Kharroubi (2014) reported contrary results: '.. there comes a point, one that many advanced economies passed long ago, where more banking and more credit are associated with lower growth' (p. 112), and concluded that the relationship between finance and real growth needed to be reassessed.

- 2. Depending upon the licensing accorded to individual banks, commercial banks are classified into scheduled commercial banks (SCBs) and non-scheduled commercial banks. This paper focuses on the SCBs. In this paper, wherever banks or commercial banks are mentioned, they refer to SCBs unless stated otherwise.
- 3. The First Five Year Plan stated:

"Central banking in a planned economy can hardly be confined to the regulation of overall supply of credit or to a somewhat negative regulator of the flow of bank credit. It would have to take on a direct and active role, firstly, in creating or helping to create the machinery needed for financing developmental activities all over the country and secondly, ensuring that finances available flow in the direction intended" (Cited in Rangarajan and Jadhav, 1992: 147).

- 4. Goldsmith (1983), Morris, (1985), Rangarajan and Jadhav (1992) and Rajakumar (2001; 2005) had shown that the Indian economy has witnessed significant financial development over the years. A unique feature of the evolution of the Indian financial system is that formal or organised institutions/markets continue to co-exist with the informal or unorganised institutions/market. The households continue to depend upon credit from non-institutional sources, though the degree has come down over the years. For more details, Rajakumar *et al.* (2018).
- 5. Source: RBI, *Report on Trend and Progress of Banking in India, 1991-92*, Table IV.1, p. 92.
- 6. The backward merger of ICICI Bank with ICICI in 2002 had contributed to a rise in banks assets in 2004 over 2001. Source: RBI, *Report on Trend and Progress of Banking in India* 2004: Appendix Table V.4(B), p. 317.
- 7. Financial development generally refers to the extent of financing of economic activities by issuing different instruments known as financial assets, which are either primary claims issued by the investing sector or secondary claims

issued by intermediaries. Some of the standard ratios used to understand financial development are: (1) Finance ratio, that is, ratio of total financial assets (claims) issued to national income, which indicates the relationship between the current flow of financial and real variables; (2) Financial interrelation ratio, that is, ratio of total financial assets to net capital formation, which measures financing of investment by intermediaries; (3) Intermediation ratio, that is, ratio of financial assets held by financial institutions to issues by non-financial sector, which measures the degree of institutionalisation of borrowing and lending; and (4) New issues ratio, that is, ratio of primary issues to net capital formation. Since these new ratios measures the extent of direct draft on savings by the non-financial sector (investing sector), it represents a measure of disintermediation.

- 8. In the past also, Rangarajan and Jadhav (1992), Rajakumar (2001; 2005) and Shetty and Ray (2015) have used the data from the flow of funds accounts and observed an increasing financialisation of the economy. Though these studies have observed growing intermediation, the rising new issues ratio evidently suggest certain degree of financial disintermediation taking place in the economy.
- 9. Source: Author's estimates based on data extracted from the National Accounts Statistics module of EPWRF India Time Series (www.epwrfits.in).
- 10. The All-India Rural Credit Survey Committee in 1954 recommended creation of a state partnered and state sponsored bank to spread banking across the country, basically to aid the rural sector which predominately depended on informal sources for credit. The State Bank of India (Subsidiary Banks) Act was passed in September 1959 so that State Bank of India (SBI) could take over 8 state owned or associated banks as its subsidiaries. The State Bank of Bikaner and State Bank of Jaipur were amalgamated in January 1963.

The birth of SBI with 'a new sense of social purpose' was to change the landscape of commercial banking in the country, as the bank's historians aptly remarked: "The concept of banks as mere depositories of the community's savings and lenders to creditworthy parties was soon to give way to the concept of purposeful banking subserving the growing and diversified financial needs of planned economic development. The State Bank of India was destined to act as the pace setter in this respect and lead the Indian banking system into the exciting field of national development" (State Bank of India, 2003: 631).

- 11. Ghosh (2015) provides a succinct narration of events that took place in the administration of nationalisation of 14 major banks in 1969.
- 12. Under priority sector lending, banks were required to achieve certain target of lending to designated sectors: in November 1974, it was fixed at 33.3% of their aggregate advances to be achieved by March 1979, and this was subsequently raised in 1980 to 40% to be achieved by 1985. The priority sector included agriculture, small scale industries and weaker sections. There had been sub-targets within the priority sector target; for instance, out of 40%, as much as 40% was for the agriculture sector (of this 50% was directed towards marginal and small farmers and agricultural labourers). See Mujumdar (1982).

The norm was different for foreign banks, who were expected to achieve a target of 10% of their advances by end March 1989, and this was raised to 15% to be achieved by March 1992. This differential target for Indian banks and foreign banks had a determining effect on their respective performances. See Nag and Shivaswami (1990).

The Nair Committee, which was appointed by RBI in 2011 to review the classification of priority sector (RBI, 2012), had recommended to retain the 40% norm, however, it enhanced the number of eligible sectors.

- 13. For more details, also see Shetty (1976, 1978), Mujumdar (1982), Bhole (1985), Rajakumar (1995; 2001), Shetty and Ray (2015).
- 14. Financial sector reforms are based on the premise that financial repression, resulting from government control over interest rates and lending activities, inhibited growth. This argument was in line with the works of McKinnon (1983) and Shaw (1983), and popularly known as McKinnon-Shaw financial liberalisation hypothesis. The World Bank (1985) generally advocated finan-

128 J Dennis Rajakumar

cial sector reforms. Ajit and Bangar (1997) noted that with the administered interest regime, the banking system in the country in the 1970s and 1980s represented 'financial repression', and that 'The ability of the market-based banking system to foster economic development was, in other words, not appreciated, *nay* recognised' (p. 315).

15. The SBI had earlier merged with itself the State Bank of Saurashtra in 2008 and State Bank of Indore in 2010, and more recently, five other associate banks in 2017. With this amalgamation, the size of SBI has risen to a global proportion on various banking indicators.

There was also amalgamation of 10 public sector banks to form 4 banks effective from April 1, 2020: Syndicate Bank was merged with Canara Bank, Andhra Bank and Corporation Bank with Union Bank of India, United Bank of India and Oriental Bank of Commerce with Punjab National Bank, and Allahabad Bank with Indian Bank. A few private sector banks were also amalgamated with foreign banks.

- 16. Government ownership of public sector banks was thus diluted. Government shareholding pattern since then varied from time to time depending upon fresh capital infusion through budgetary support, and raising of fund by issuing equity through private placements or from the market. See RBI, *Report on Trend and Progress of Banking in India 2020-21*, pp. 73-74.
- 17. The present limit with regard to foreign investment is 20% in public sector banks and 74% in private sector banks. See RBI, *Report on Trend and Progress of Banking in India 2020-21*, pp. 73-74.
- 18. Interest rate regime, governing both banks' lending rates and deposit interest rate, was gradually de-administered.

To begin with, the system of prime lending rates (PLR) was introduced in October 1994, wherein banks were expected to have a floor lending rate for loans above Rs. 2 lakh after taking into account cost of loans faced by prime borrowers. Second, some changes were made in the workings of this system, and in April 2003, the RBI advised commercial banks to declare a benchmark prime lending rate (BPLR) with due consideration for cost of funds, operational expenses, profit margin and a minimum margin to cover regulatory requirements of provisioning and capital charge. Finally, the BPLR was replaced on 1 July 2010 by the system of base rate whereby banks were allowed to arrive at a benchmark rate on its own for pricing of loans of different tenures. Mohanty (2010) observed that the introduction of base rates had effectively marked complete deregulation of rupee lending rates in the country. See also, Rajakumar *et al.* (2015).

Saving bank deposit interest rate was deregulated with effect from 25 October 2011 (RBI, *Report on Trend and Progress of Banking in India 2011-12*, p. 28).

 The Narasimhan Committee recommended to phase out priority sector lending (Government of India, 1992). Though it is not phased out yet, it has been diluted to a large extent with inclusion of several segments under the ambit of priority sector. See RBI, Circular No: RBI/2014-15/22 UBD.CO.BPD. (PCB)MC.No.7/09.09.001/2014-15, dated July 1, 2014. Accessed at https:// rbidocs.rbi.org.in/rdocs/notification/PDFs/22PSMCW160614.pdf

EPW Research Foundation (2014) argues that the manner in which priority sector lending has been enforced and practiced in the post reform period has rendered it a nebulous concept.

20. These data are available from 1950-51. The data from 1950-51 to 1965-66 pertain to scheduled banks, and from 1966-67 onwards they relate to scheduled commercial banks (SCBs).

With respect to the definition of bank credit, the practice was different till November 25, 1960. Data for 1950-51 included 'money at call and short notice' and 'due from banks' but excluded 'foreign bills purchased and discounted'. Between 1952-53 to 1953-54, it included 'due from banks' but excluded 'foreign bills purchased and discounted'. And from 1954-55 to 1960-61 (up to October 1960), bank credit included 'due from banks'. Since November 25, 1960, bank credit follows the present definition, that is, bank credit is a sum of (a) loans, cash credit and overdrafts, and (b) inland and foreign bills purchased and discounted. See RBI, *Handbook of Statistics on the Indian Economy 2020-21*, Note on Table 45, p.387.

- 21. The five returns are:
 - 1. BSR-1 Return on Advances, half-yearly as on the last Friday of June and December-from all branches in two parts; Part A for accounts with limits over Rs. 10,000 and Part B for accounts with limits of Rs. 10,000 and less.
 - 2. BSR-2 Return on Deposits, half-yearly as on last Friday of June and December from all branches.
 - 3. BSR-3 Return on Advances against the Security of Selected Sensitive Commodities, monthly as on the last Friday of each month from head offices.
 - 4. BSR-4 Return on Ownership of Bank Deposits, once in two years as on the last Friday of March from all branches.
 - 5. BSR-5 Return on Bank Investments, annual as on the last day of March from head offices.

Two special returns included:

- (a) Return on Direct Finance to farmers: State-wise-Part A relating to farmers financed directly and Part B to farmers financed through primary societies, loans issued and advances outstanding, twice a year as on the last Friday of March and September from head offices.
- (b) Return on Recovery Position: State-wise-Part A relating to farmers financed directly and Part B relating to farmers financed through primary societies, once a year as on the last Friday of June from head offices.
- 22. See, Reserve Bank of India, *Basic Statistical Returns of Scheduled Commercial Banks in India*, Volume 44, March 2015: pp. i-ii.

23. In the BSR, the definition of population groups are as follows: (i) 'Rural' group includes all centres with population of less than 10,000; (ii) 'Semi-urban' group includes centres with population of 10,000 to 1 lakh; (iii) 'Urban' group includes centres with population of 1 lakh to 10 lakh; and (iv) 'Metropolitan' group includes centres with population of 10 lakh and more.

For classification of bank centres according to different population groups, the 1971 Census data was followed between December 1972 to June 1983; 1981 Census data from December 1983 to March 1994; 1991 Census data from March 1995 to March 2005; 2001 Census data from March 2006 to March 2015; and 2011 Census data from March 2016 onwards.

- 24. Singh *et al.* (1982) examined if the intended stance of monetary policy was offset by commercial banks. They noted, "In selected periods of intended credit and monetary restraint, commercial banks were able to increase their utilisation of deposit resources, or alter its allocation through defaults on the statutory requirements... In addition, additional sources of loanable funds, including of the Reserve Bank, were frequently tapped beyond anticipated levels. These matters raise issues in the areas of monetary control and bank supervision" (p. 74). Singh *et al.* (1982) also provides a comprehensive review of the economic situations and response of monetary policy in the 1970s.
- 25. While the Chakravarthy Committee felt an inflation rate of 4% was acceptable, Rangarajan felt 6% as acceptable (Rangarajan, 1998: 67). Now, the RBI follows 'the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth'. Source: RBI (2022): "Monetary Policy Statement, 2022-23 Resolution of the Monetary Policy Committee (MPC) December 5-7, 2022", Press Releases, December 07, 2022. Accessed at https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR1320C7BEA8E64E4D4BD6AC45A1A9E2C05391.PDF.
- 26. A recent study by Behera and Raut (2019) found income to be an important determinant of deposit in the short-run as well as in the long-run, interest rate mattered only at the margin, expansion of bank branches in unbanked areas under the ambit of financial inclusion had an effect over the long-run, and returns from alternative investment opportunities (measured through

132 J Dennis Rajakumar

Sensex returns) had a limited effect on deposit growth in the short-run, and small savings were substitutes for bank deposits in the short-run.

- 27. Since the credit limit is too low for all accounts in Part B of BSR-1, there was no place of utilisation reported, because it was presumed that credit was utilised where the amount was sanctioned.
- 28. The RIDF was created by Government of India in 1995-96 within the National Bank for Agriculture and Rural Development (NABARD). It was created with a corpus of Rs. 2,000 crore built up from the contribution of SCBs to the extent of shortfall in agricultural lending out of priority sector lending. For more details, see Rajakumar *et al.* (2021).
- 29. See RBI Press Release, Ref. RPCD.LBS.BC.No.47/02.13.03/2005-06, dated November 9, 2005.
- 30. The CD ratio of all scheduled banks was 44% in 1946, 44% in 1947, 47% in 1948, 50% in 1949, and 54% in 1950 (Basu, 1991: Table 3.6, p.62). Only foreign banks had a CD ratio higher than the average of all scheduled banks.
- 31. Basu (1991) observed a significant rise in the CD ratio between 1950-51 to 1966-67, from 62.1% to 78.6% because the volume of deposit did not increase commensurately with the increase in demand for credit. He further notes that the slip in the CD ratio in 1957-58 and 1959-60 was due to the recession in industrial production and restrictive credit control by RBI.

Shetty and Ray (2015) considered the monetary stance during this phase as a 'controlled expansion' with RBI opting for 'a two-track policy of generally restraining demand while selectively easing credit'. They further note that the RBI resorted to the conventional method of moral suasion whereby they exhorted banks to desist credit expansion beyond a limit and bring down the CD ratio level by not providing assistance to industry.

32. Rajakumar *et al.* (2014) observed a reduction in the growth rate of deposits between 2008 and 2013 – the period of the credit boom. The acceleration of credit growth accompanied by deceleration in deposit growth possibly explains why the CD ratio shot up during this period.

- 33. Prakash and Kumar (2021) found that the slowdown in credit growth, as per November 2020 data that corresponds to the first wave period, was 'broadbased' as all major sectors, except agriculture, witnessed sluggish growth due to the economic slowdown.
- 34. Nag and Shivaswamy (1990) noted that CD ratio as per BSR remained higher than *Form A Return under Section 42(2) of RBI Act, 1934* because in BSR, credit reported by commercial banks included amounts availed by them from refinancing agencies like RBI and Industrial Development Bank of India (IDBI), which is not included in the latter.
- 35. A similar trend is noticed even when we express these ratios in terms of twoyear averages.
- 36. Shetty and Ray (2015) note that the bank rate as a monetary policy instrument was actively used between 1950 and 1965. It was not actively used till April 1997, when its usage was reactivated. However, its importance was diluted with the introduction of repo and reverse repo rates and by commercial banks' active liquidity management that reduced their dependence on the RBI.
- 37. Subbarao (2016), a former Governor of the Reserve Bank of India, empathetically writes:

"During the crisis in 2008-09, I cut the rate [repo rate], raised it in the two years following that to fight inflation, started cutting it as inflation had come below the target level in 2012, but raised it again to defend the rupee in 2013.

This is a record I would like to preserve not so much because it makes me unique but because I hope no other governor has to face such a crisis all through his or her tenure" (p. 72).

- 38. The RBI raised repo rate successively four times as follows: 4.4% in May 4, 2022 (from 4% fixed in October 2020), 4.9% on June 8, 5.4% on August 5 and 5.9% on September 30, 2022.
- 39. Between 1991 and 1994, the CD ratio had fallen and the investment to deposit ratio showed a rise. Ravisankar (1995) attributed this to the reduction in bank lending to industries because of the fall in industrial output and

134 J Dennis Rajakumar

depressed capital formation that contracted industries' demand for bank credit to finance their working capital, and the banks' desire, arising from prudential norms, to reduce the risk-weighted assets and invest more in zero-risk government securities.

- 40. Comprising individuals (including Hindu undivided families HUFs); trusts, association, clubs, etc.; proprietary and partnership concerns etc.; religion institutions; education institutions; and others not elsewhere classified.
- 41. Some of them include Anthony *et al.* (2017); EPW Research Foundation (1996; 2002; 2004); Kumar *et al.* (2021); Mujumdar (1982); Rajakumar (1995; 2001; 2005); Shetty (1976; 1978). These studies have relied on the RBI's monthly data on deployment of gross bank credit published in *RBI Bulletin* and also BSR data. Since the data sources remain the same, the conclusions of these studies do not vary in so far as the proportionate share of various sectors in the total bank credit is concerned. More specially, the studies covering the period of 1970s as well as 1980s had observed structural change in the sectoral composition of bank credit in favour of agriculture and small scale industries, who were priority sectors hitherto.
- 42. Sarker and Nayak (1993) noted that the percentage share of overall priority sector in the total bank credit was 40.82% in 1985 and 42.32% in 1990, against the target of 40%. Of the total bank credit in 1990, agriculture accounted for 17.3% and small scale industries 16.3%. Moreover, regions that had achieved the target of 18% reserved for agriculture included central region (26.6% of the total bank credit sanctioned in the region), southern region (23.4%) and north-eastern region (21.4%). Northern region had fallen short marginally at 17.7%, whereas the eastern region had only 14.3% and western region at 9.1% of their respective bank credit flowing into agriculture. Between 1985 and 1990, there had not been any change in the relative rank of these states. Thus, there has been a wide difference across the regions with respect to achievement of the target.
- 43. Back then in 2004, on observing rising trends in retail banking (personal loans) that included housing loans, loans for purchase of consumer durables

and other loans, RBI expressed concerns over the emerging credit culture of banks and hence their intermediation functions. To quote:

"The surge in retail lending, however, has certain limitations. Retail lending may accentuate indebtedness of households, with implications for sustainability of private consumption and saving in the medium to longer horizon. Rapid increase in retail loans may impinge on bank credit for investment activities with implications for economic growth. Several cross section studies suggest that retail lending may, however, pose various risks with implications for banks' asset quality" (RBI, 2004: *Report on Trends and Progress of Banking in India 2003-04*, p. 59).

See also, Jalan (2002), Mohan (2004) and Reddy (2004).

- 44. During the credit boom period, the compound annual growth rate (CAGR) of credit to industry was 19.6%, that of non-industrial credit was 14.6%, and of overall non-food credit was 16.8%. The fast credit expansion that took place during this period was therefore attributed to a larger flow of credit to industry. The industry share in bank credit also shot up from 38.9% to 45.5%. See Kumar *et al.* (2021).
- 45. This was ascribed to factors such as 'deleveraging by non-financial firms, increasing dependence on non-bank sources for financial resources, and some risk aversion on the part of banks, ... outbreak of COVID-19 pandemic' (Kumar *et al.*, 2021, p. 59).
- 46. Studies of the corporate financing pattern, mostly using the data of RBI's studies of company finances, have noticed a reduction in the reliance of corporate sector on borrowing from banks subsequent to the nationalisation of banks in 1969, particularly with the introduction of tighter norms based on the recommendations of Tandon Committee in 1975 reinforced by Chore Committee in 1980, which gave rise to compulsory contribution from internal funds to finance inventory holdings. For a survey of these studies, see Rajakumar (2008).

Moreover, corporate sector's increased dependence on borrowings from development finance institutions and issue of debentures in the 1980s and

136 J Dennis Rajakumar

equity capital since the early 1990s owing to easing of their norms have also considerably reduced the sector's reliance on banks as a source of fund. For more details, see Rajakumar (2014).

- 47. Rajakumar *et al.* (2014) observed that private sector banks and foreign banks had a better presence in metropolitan areas as compared to other centres, but their share in metropolitan deposits had gone down between 2008 and 2012; nonetheless, these deposits continue to be important for these banks. At the same time, the relative share of nationalised banks in metropolitan deposits went up considerably, and this also contributed to these banks' rising share in the total deposits.
- 48. Earlier studies had observed that, the phenomenal expansion in the number of rural and semi-urban branches was instrumental in facilitating a massive flow of credit to priority sectors in the post nationalisation period (Mujumdar, 1982).
- 49. EPW Research Foundation (2002) maintained that the decline in the CD ratio of rural and semi-urban centres in the 1990s was disquieting as the public sector banks were expected to maintain a minimum of 60% of CD ratio in these centres. And, the decline in the CD ratio was attributed to the slowing down of banking activities of public sector banks in these areas and thrust of both foreign banks and new private sector banks' on high street commercial banking (EPW Research Foundation, 2002: 483).
- 50. Using AIDIS data, Rajakumar (2018) argues that, not only do rural households have a relatively higher reliance on non-institutional sources for loans, but they also end up paying huge interests, compared to their urban counterparts.
- 51. The RRBs were established in 1975 'with an exclusive attention on the specific target groups of weaker sections comprising small and marginal farmers, agricultural labourers and rural artisans' (Chona, 1991: 254).
- 52. A Committee appointed by RBI in 2006 with Usha Thorat as the Chairperson had identified the following constraints impeding banking and financial development in the north-eastern region (NER): "topography of the region, sparse settlements of population, infrastructural bottlenecks such as

transport, communication and power, low level of commercialisation, lack of entrepreneurship, law and order conditions in some parts of the NER, land tenure system especially in hilly areas, development strategy based on grants rather than loans, low network of branches, lack of simple customised and flexible financial products to suit the needs of the local population, poor loan recovery experience, lack of awareness of banking services, inadequate payment systems, etc." See RBI (2006: 14).

53. They are available in the online database of EPWRF India Time Series, module on Domestic Product of States of India (www.epwrfits.in).

The percentage share of each state in the total GSDP of all states for a common year (that is, 2004-05) has been worked out as per base years of 2004-05 and 2011-12. The state-wise shares were fractionally different as per base year 2004-05 series and the back series using the base year 2011-12. The correlation coefficient between the share of states in 2004-05 under both base year series was 0.995.

- 54. Two Task Forces, which were appointed in the early 1990s, recommended several measures for improving CD ratios of West Bengal and Bihar; of the 16 measures for West Bengal and 11 for Bihar, only 69% and 36%, respectively, were complied with as of 2005 (Ministry of Finance, 2005: 53).
- 55. Of the 33 recommended measures by a Task Force appointed by RBI in the early 1990s to improve CD ratio of Uttar Pradesh, only 55% were complied with by 2005 (Ministry of Finance, 2005: 53).
- 56 Source: https://niti.gov.in/planningcommission.gov.in/docs/plans/state plan/ssphd.php?state=ssphdbody.htm Accessed on September 15, 2022.
- 57. EPW Research Foundation (2006) found that the top 100 centres accounted for 20% of the total number of branches in March 1996 and this increased to 23.8% in September 2005. These centres' shares in aggregate bank deposits went up from 60% to 66%, and in aggregate bank credit from 72% to 76% during the same period. There is a concentration of banking activities in the top 100 centres. This sub-section, however, considers districts as an unit of analysis, as they have been used for policy intervention purposes.

As at end		As % of A	ggregate]	Deposits		Bank
March	Bank	Investment in	Invest-	Cash in	Cash and	Deposits
	Credit	Government	ments	Hand	Balances	as % of
		Securities			with RBI	GDP
1950-51	62.0			4.0	6.6	8.6
1951-52	61.3	34.7		4.1	5.4	7.8
1952-53	63.6	36.4		3.8	5.2	7.8
1953-54	63.4	37.6		3.8	4.8	7.3
1954-55	66.1	36.5		3.4	4.9	8.6
1955-56	73.0	34.5		3.5	4.7	9.3
1956-57	76.6	29.5		2.9	4.6	8.8
1957-58	66.3	30.3		2.5	4.7	10.6
1958-59	62.0	37.5		2.6	3.9	10.7
1959-60	59.3	37.6		3.3	4.8	11.8
1960-61	77.0	32.2		2.6	4.1	9.8
1961-62	73.4	31.4		2.6	3.9	10.3
1962-63	77.8	29.0		2.5	3.6	10.2
1963-64	79.5	28.0		2.5	3.9	9.9
1964-65	78.8	27.8		2.6	3.7	9.6
1965-66	77.5	27.5		2.5	3.3	10.4
1966-67	78.6	26.1		2.5	3.8	10.7
1967-68	78.6	25.1		2.3	3.4	10.3
1968-69	78.3	24.3		2.5	3.8	10.9
1969-70	79.0	23.2	29.5	2.9	3.5	11.5
1970-71	79.3	23.1	30.0	2.8	3.3	12.6
1971-72	74.1	23.2	30.8	2.5	3.8	14.2
1972-73	70.8	25.0	33.5	2.6	3.2	15.6
1973-74	73.0	23.3	32.4	2.4	6.0	15.1
1974-75	74.1	23.9	33.1	2.5	5.2	14.9
1975-76	76.8	23.2	32.5	2.2	4.3	16.6
1976-77	75.0	22.4	31.5	2.0	6.5	19.1
1977-78	67.3	26.6	35.6	2.1	7.5	21.4
1978-79	67.7	24.5	33.7	2.1	9.7	24.0
1979-80	67.8	23.4	33.5	1.9	11.4	25.7
1980-81	66.8	24.3	34.7	2.0	10.8	25.8
1981-82	67.9	23.2	34.6	1.8	11.2	25.3
1982-83	69.1	23.5	35.7	1.7	10.1	26.6
1983-84	68.1	22.2	35.1	1.5	12.8	26.9
1984-85	67.8	25.9	38.9	1.4	9.5	28.6
1985-86	65.6	22.3	35.8	1.3	12.9	30.0
1986-87	61.6	24.2	37.6	1.1	14.0	32.3

Appendix Table 1 Bank Credit, Investments and Cash Balances as Percentage of Bank Deposits, 1951-2022

(Contd....)

	Ľ	n bank Deposits	, 1951-20	22 (Concluded)	/		
As at end	As % of Aggregate Deposits						
March	Bank	Investment in	Invest-	Cash in	Cash and	Deposits	
	Credit	Government	ments	Hand	Balances	as % of	
		Securities			with RBI	GDP	
1987-88	59.8	25.9	39.4	1.1	15.0	32.6	
1988-89	60.4	25.6	39.0	1.0	15.3	32.6	
1989-90	60.8	25.3	38.6	1.0	14.1	33.8	
1990-91	60.4	26.0	39.0	0.9	12.4	33.4	
1991-92	54.4	27.2	39.1	0.9	14.8	34.8	
1992-93	56.6	28.3	39.3	0.9	10.6	35.3	
1993-94	52.2	32.1	42.1	0.7	15.2	36.0	
1994-95	54.7	30.4	38.6	0.8	15.5	37.6	
1995-96	58.6	30.5	38.0	0.7	11.7	36.0	
1996-97	55.1	31.4	37.7	0.7	9.9	36.2	
1997-98	54.1	31.2	36.5	0.6	9.6	38.7	
1998-99	51.7	31.3	35.7	0.6	8.9	40.3	
1999-00	53.6	34.2	38.0	0.7	7.1	40.9	
2000-01	53.1	35.3	38.5	0.6	6.2	45.0	
2001-02	53.4	37.3	39.7	0.6	5.7	47.7	
2002-03	56.9	40.9	42.7	0.6	4.6	51.4	
2003-04	55.9	43.5	45.0	0.5	4.6	53.9	
2004-05	64.7	42.3	43.5	0.5	5.2	53.4	
2005-06	71.5	33.2	34.0	0.6	6.0	58.1	
2006-07	73.9	29.7	30.3	0.6	6.9	61.4	
2007-08	73.9	30.0	30.4	0.6	8.0	65.3	
2008-09	72.4	30.1	30.4	0.5	6.2	69.5	
2009-10	72.2	30.7	30.8	0.6	6.3	70.6	
2010-11	75.7	28.7	28.8	0.6	6.1	68.2	
2011-12	78.0	29.4	29.4	0.6	5.5	67.6	
2012-13	77.9	29.7	29.7	0.6	4.2	67.9	
2013-14	77.8	28.7	28.7	0.6	4.1	68.6	
2014-15	76.6	29.2	29.2	0.6	4.4	68.4	
2015-16	77.7	28.1	28.1	0.6	4.2	67.7	
2016-17	72.9	28.2	28.2	0.6	4.7	69.9	
2017-18	75.5	29.0	29.0	0.5	4.6	66.9	
2018-19	77.7	26.9	26.9	0.6	4.5	66.5	
2019-20	76.4	27.6	27.6	0.6	4.0	67.6	
2020-21	72.4	29.5	29.5	0.6	3.6	76.3	
2021-22	72.2	28.7	28.7	0.5	4.2	69.6	

Appendix Table 1 Bank Credit, Investments and Cash Balances as Percentage of Bank Deposits, 1951-2022 (Concluded)

Sources: Up to 2020-21: RBI, Handbook of Statistics on the Indian Economy, Various Issues. For 2021-22: RBI Bulletin, August 2022.

1973 to 2021 (In %)									
As at	Rural	Semi-	Urban	Metro-	All-				
end		Urban		politan	India				
Jun-73	47.2	42.9	61.5	91.9	69.6				
Jun-74	51.1	48.6	69.3	95.6	75.0				
Jun-75	52.0	49.0	70.5	88.2	72.2				
Jun-76	51.6	45.4	67.8	104.0	77.2				
Jun-77	52.3	44.8	65.2	94.9	72.5				
Jun-78	52.7	47.0	62.5	90.0	69.8				
Jun-79	54.4	48.1	63.1	87.6	69.1				
Jun-80	54.5	47.2	60.0	87.0	67.2				
Jun-81	58.2	50.0	61.4	82.1	66.5				
Jun-82	59.4	50.7	60.4	85.0	67.4				
Jun-83	59.3	50.9	59.2	87.0	67.7				
Jun-84	72.9	55.8	63.9	82.3	70.7				
Jun-85	69.9	55.0	58.0	81.2	67.9				
Jun-86	65.6	51.8	54.0	71.9	62.1				
Jun-87	62.8	49.5	52.2	68.8	59.5				
Jun-88	59.1	47.8	49.4	64.5	56.2				
Jun-89	66.0	49.2	55.7	68.5	60.8				
Mar-90	61.2	49.1	55.6	69.9	60.7				
Mar-91	60.0	49.0	56.5	72.8	61.9				
Mar-92	57.9	46.4	53.6	65.1	57.7				
Mar-93	55.3	44.0	51.6	70.9	58.9				
Mar-94	50.0	39.0	48.3	66.1	54.3				
Mar-95	48.6	39.7	46.5	68.8	55.6				
Mar-96	47.3	40.0	47.2	79.2	59.8				
Mar-97	44.1	38.1	44.4	76.1	56.8				
Mar-98	43.4	36.6	43.0	74.1	55.3				
Mar-99	41.0	35.7	42.6	74.7	54.8				
Mar-oo	40.4	34.7	41.9	78.9	56.0				
Mar-01	39.0	33.2	43.0	80.9	56.7				
Mar-02	41.8	34.3	42.4	82.5	58.4				
Mar-03	43.7	35.3	42.6	82.8	59.2				
Mar-04	43.6	37.3	45.5	75.9	58.2				

Appendix Table 2 Population Group-wise Credit-Deposit Ratio As Per Place of Sanction, 1973 to 2021 (In %)

(Contd....)

19/3 to 2021 (In %) (Concluded)										
As at	Rural	Semi-	Urban	Metro-	All-					
end		Urban		politan	India					
Mar-05	51.6	44.2	50.5	83.7	66.0					
Mar-06	55.8	50.1	57.0	87.5	72.4					
Mar-04	43.6	37.3	45.5	75.9	58.2					
Mar-05	51.6	44.2	50.5	83.7	66.0					
Mar-06	55.8	50.1	57.0	87.5	72.4					
Mar-07	61.2	52.7	59.5	88.5	75.0					
Mar-08	60.3	53.2	58.4	87.2	74.4					
Mar-09	57.1	50.0	55.6	86.9	72.6					
Mar-10	59.3	52.1	59.1	85.9	73.3					
Mar-11	60.0	53.2	61.6	88.4	75.6					
Mar-12	66.4	54.6	61.4	93.8	79.0					
Mar-13	68.1	56.8	60.7	93.2	78.8					
Mar-14	66.6	58.2	58.7	94.8	79.0					
Mar-15	65.3	57.6	56.2	93.5	77.1					
Mar-16	66.9	57.7	55.6	96.7	78.4					
Mar-17	59.7	53.8	51.3	91.7	73.8					
Mar-18	59.8	58.3	54.2	95.1	76.7					
Mar-19	61.1	58.7	55.3	97.6	78.3					
Mar-20	60.5	58.2	54.0	95.4	76.5					
Mar-21	62.4	59.8	54.3	84.4	71.7					

Appendix Table 2 Population Group-wise Credit-Deposit Ratio As Per Place of Sanction, 1973 to 2021 (In %) *(Concluded)*

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

As at	Public	State	Nation-	Foreign	Regiona	l Other	Small	All
end	Sector	Bank of	alised	Banks	Rural	Scheduled	Finance	Scheduled
	Banks	India	Banks		Banks	Commercial	Banks	Commercial
	,	and Its	a			Banks		Banks
Jun-72	70.5	74.8	s 68 4			64.8		60.6
Jun-74	70.5	74.0	746			60.0		75.0
Jun-75	70.1	79.1	72.0			66.0		/5.0
Jun-76	70.2	75.3 76.6	/2.0 80.6			66 F		/2.2
Jun-77	79.2	74.2	72.6			65.0		//.2 79 E
Jun-78	/3.0	/4·3 74 7	/3.0 68.0			67.4		/2.5
Jun-70	/0.3 60.4	/4·/ 75.4	66 p			07.4 67.2		60.1
Jun-80	66 o	70.4 75.4	62 O		117.9	67.1		67.2
Jun-81	66 O	/3.4	69.5		117.2	67.7		66 E
Jun-82	66 7	/3·9 72 7	62.5		117.9	70.5		67.4
Jun-82	67.0	72.7 72.5	64.0		122,1	70. <u>3</u> 60.4		67.4
Jun-84	60.0	/3·5 76.2	65 6		127.0	70.8		70.7
Jun-85	67.2	72.6	64.1		13/.9	/9.0		67.0
Jun-86	61.1	/3.0	60.2		108.0	65.2		62.1
Jun-87	57 8	58 O	57.7		100.9	68.8		50 E
Jun-88	5/.0	50.0	5/•/ E4 7		08.6	65.6		59.5 56.2
Jun-80	54.4 50 5	50.6	54./		90.0	65.0		50.2 60.8
Mar-00	59.5 50.5	62.0	59.5 58.4	746	90·/ 82 7	54.0		60.0
Mar-01	59.5 60.4	65.1	50.4 58.4	/4.0 82.2	77.9	54·9 57.0		61.0
Mar-02	55.0	59.1 58 5	50.4	77.0	771.0	57.0		51.9
Mar-02	55.9	50.5 67.8	54.7		66 7	55.5 55.2		58.0
Mar-04	55.9	65.8	50.1	30.2 45.2	56.2	52 5		54.2
Mar-05	55.1	62 0	51.0	43.3	50.5	55.5		54.5
Mar-06	58.9	66.8	51.9		52.6	55.0 62.0		50.8
Mar-07	55.2	66 5	50.2	70.3	18.8	50.2		56.8
Mar-08	54.0	64 5	40.2	79.2	40.0	57.2		55.2
Mar-00	52 /	62.6	49.3	72.3	40.0	50.2		548
Mar-00	53.4	62.6	49·3 50 7	7 2 .4 82.6	42.3	58.6		56.0
Mar-01	54.5	60.0	51 /	00.3	/2 1	61.0		567
Mar-02	56.2	60.5	54.2	86.0	40·1 12 8	63.0		58 /
Mar-02	56.3	50.6	54.7	02.2	45.6	66.3		50.2
Mar-04	55.0	578	54 9	90.2 87 5	-10.0 16 5	64.6		58.2
mai 04	00.4	5/.0	04.4	0/.0	40.0	04.0		<u> </u>

Appendix Table 3 Bank Group-wise Credit-Deposit Ratio, 1973 to 2021 (In %)

(Contd....)

	Appendix Table 3									
Bar	Bank Group-wise Credit-Deposit Ratio, 1973 to 2021 (In %) (Concluded)									
As at	Public	State	Nation-	Foreign	Regiona	l Other	Small	All		
end	Sector	Bank of	alised	Banks	Rural	Scheduled	Finance	Scheduled		
	Banks	India	Banks		Banks	Commercial	Banks	Commercial		
	,	and Its	-			Banks		Banks		
	F	Associate	5	0.6						
Mar-05	63.1	62.7	63.3	98.6	53.2	72.5		66.0		
Mar-06	71.5	71.7	71.4	89.0	52.0	74.6		72.4		
Mar-07	74.9	77.9	73.6	92.4	58.6	72.8		75.0		
Mar-08	74.4	72.0	75.5	89.8	59.4	72.4		74.4		
Mar-09	72.6	69.4	74.1	82.0	56.4	72.7		72.6		
Mar-10	74.2	75.9	73.5	72.3	58.3	72.7		73.3		
Mar-11	75.9	77.3	75.4	85.0	59.9	74.7		75.6		
Mar-12	78.7	79.3	78.4	88.1	64.1	80.8		79.0		
Mar-13	78.1	81.9	76.5	94.3	66.2	80.2		78.8		
Mar-14	78.2	81.2	76.9	87.9	68.1	81.6		79.0		
Mar-15	75.8	75.7	75.8	85.1	67.7	81.6		77.1		
Mar-16	75.6	76.2	75.3	84.7	67.7	87.7		78.4		
Mar-17	69.9	68.7	70.4	79.9	62.8	86.1		73.8		
Mar-18	72.5			77.2	65.3	88.4	197.0	76.7		
Mar-19	74.1			73.0	66.7	89.0	156.5	78.3		
Mar-20	70.8			66.2	64.4	90.8	150.7	76.5		
Mar-21	66.2			57.9	66.5	84.8	128.7	71.7		

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

As at	Northern	North-	Eastern	Central	Western	Southern	All-
End	Region	Eastern	Region	Region	Region	Region	India
		Region					
Jun-73	64.0	35.1	61.6	42.6	73.9	94.0	69.1
Jun-74	62.8	34.1	70.9	49.6	82.5	93.4	74.4
Jun-75	69.5	39.8	63.3	56.5	74.2	91.2	72.2
Jun-76	103.6	40.6	60.0	46.4	72.7	95.0	77.2
Jun-77	101.3	38.9	59.0	47.8	65.9	82.7	72.5
Jun-78	88.6	38.4	58.6	48.0	67.0	78.6	69.8
Jun-79	84.6	36.5	55.5	49.8	69.0	78.0	69.1
Jun-80	76.1	35.6	56.1	45.7	70.5	77.6	67.2
Jun-81	68.7	40.1	53.4	50.6	70.6	80.9	66.5
Jun-82	75.1	42.3	54.7	51.7	69.0	79.2	67.4
Jun-83	64.9	43.2	56.7	50.1	78.5	79.3	67.7
Jun-84	68.1	45.5	51.5	57.3	83.7	81.9	70.7
Jun-85	66.4	42.2	53.8	48.5	81.5	77.7	67.9
Jun-86	57.3	43.6	45.7	47.6	71.8	78.6	62.1
Jun-87	49.8	47.1	46.5	45.6	65.9	82.3	59.5
Jun-88	43.7	49.4	46.7	43.1	61.3	80.4	56.2
Jun-89	47.0	50.3	53.7	47.3	66.6	83.8	60.8
Mar-90	49.0	54.9	53.5	47.1	65.3	82.4	60.7
Mar-91	53.7	46.9	49.9	50.3	67.7	81.1	61.9
Mar-92	51.1	46.7	49.5	47.6	58.2	76.5	57.7
Mar-93	58.0	44.7	50.5	46.7	60.5	71.5	58.9
Mar-94	57.8	38.9	44.1	42.0	53.2	67.3	54.3
Mar-95	48.6	35.6	47.1	39.0	63.2	69.4	55.6
Mar-96	51.4	35.5	47.0	40.0	72.2	74.2	59.8
Mar-97	48.4	32.1	42.8	37.5	67.2	74.5	56.8
Mar-98	48.8	30.4	40.9	35.8	66.5	71.1	55.3
Mar-99	51.1	28.9	38.2	33.7	68.0	68.2	54.8
Mar-oo	51.1	28.1	37.0	33.9	75.4	66.2	56.0
Mar-01	54.7	27.6	36.7	32.7	75.5	66.6	56.7
Mar-02	56.2	27.2	37.6	33.9	79.7	64.6	58.4
Mar-03	56.0	27.4	39.6	33.3	81.0	66.3	59.2
Mar-04	54.8	29.8	41.8	35.6	72.0	68.5	58.2
Mar-05	59.5	35.0	45.5	40.8	83.5	78.1	66.0

Appendix Table 4

Region-wise Credit-Deposit Ratio As Per Place of Sanction, 1973-2021 (In %)

(Contd....)

	(Concluded)									
As at End	Northern Region	North- Eastern Region	Eastern Region	Central Region	Western Region	Southern Region	All- India			
Mar-06	64.6	40.7	49.2	44.2	92.0	84.4	72.4			
Mar-07	69.6	40.7	54.1	47.4	90.1	87.0	75.0			
Mar-08	67.7	40.7	51.5	46.1	88.6	89.1	74.4			
Mar-09	68.9	36.0	48.8	44.3	85.6	87.9	72.6			
Mar-10	74.4	35.5	50.8	47.3	79.1	92.7	73.3			
Mar-11	82.5	33.8	51.4	46.7	79.5	94.5	75.6			
Mar-12	87.7	34.4	50.7	47.2	87.0	95.5	79.0			
Mar-13	88.8	33.6	49.4	47.6	85.5	97.1	78.8			
Mar-14	90.6	34.8	49.0	48.8	86.0	94.9	79.0			
Mar-15	88.5	34.5	46.5	48.3	87.1	89.9	77.1			
Mar-16	83.6	38.4	44.9	49.3	96.0	89.3	78.4			
Mar-17	75.0	36.8	41.0	46.0	96.2	84.2	73.8			
Mar-18	78.1	39.3	41.6	47.9	98.3	90.5	76.7			
Mar-19	84.5	40.4	41.4	49.5	98.1	90.6	78.3			
Mar-20	82.9	41.1	41.8	48.8	94.7	88.0	76.5			
Mar-21	74.9	44.1	41.6	48.5	86.3	83.1	71.7			

Appendix Table 4 Region-wise Credit-Deposit Ratio As Per Place of Sanction, 1973-2021 (In %) (Concluded)

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

Ac at	Northern	North_	Fastern	Control	Western	Southern	
end	Region	Eastern	Region	Region	Region	Region	India
onu	100,001	Region	nogion	nogion	nogion	10081011	India
Jun-73	63.2	64.2	57.9	48.5	71.3	97.3	69.1
Jun-74	61.2	68.1	69.1	56.1	79.2	95.7	74.4
Jun-75	65.6	73.1	63.5	63.8	71.0	93.6	72.2
Jun-76	101.4	64.7	60.8	53.9	69.4	95.4	77.2
Jun-77	100.5	53.0	59.4	52.6	62.6	84.2	72.5
Jun-78	90.3	54.4	57.7	51.5	63.6	79.4	69.8
Jun-79	84.2	53.4	54.8	54.1	65.9	79.2	69.1
Jun-80	75.3	49.2	55.5	49.2	68.4	78.5	67.2
Jun-81	68.0	53.1	52.3	53.4	69.0	82.0	66.5
Jun-82	73.9	63.4	53.8	54.6	66.6	80.8	67.4
Jun-83	65.6	53.6	55.8	53.1	78.6	76.6	67.7
Jun-84	68.8	73.7	50.2	57.2	81.7	82.5	70.7
Jun-85	66.1	65.9	52.6	48.7	80.3	78.3	67.9
Jun-86	56.9	57.4	44.1	49.4	70.6	79.4	62.1
Jun-87	48.8	60.7	44.9	47.8	64.7	83.3	59.5
Jun-88	42.9	60.5	45.5	45.0	60.2	81.2	56.2
Jun-89	45.9	69.8	52.4	49.9	65.2	84.5	60.8
Mar-90	47.6	70.0	52.6	49.8	63.7	83.2	60.7
Mar-91	52.4	60.9	49.2	52.8	66.1	82.1	61.9
Mar-92	49.3	66.3	49.1	50.2	56.5	77.7	57.7
Mar-93	56.7	64.0	50.4	49.7	58.5	72.3	58.9
Mar-94	56.6	50.0	43.9	44.3	52.2	67.9	54.3
Mar-95	47.5	45.9	46.6	41.2	62.4	69.9	55.6
Mar-96	50.4	41.1	46.4	42.0	71.4	74.8	59.8
Mar-97	47.0	36.1	42.1	40.7	66.2	75.3	56.8
Mar-98	47.5	33.5	40.4	39.2	65.0	72.0	55.3
Mar-99	49.4	33.7	38.0	36.8	67.0	68.7	54.8
Mar-oo	49.6	30.6	37.2	36.8	74.6	66.8	56.0
Mar-01	52.5	32.0	36.6	36.9	74.8	66.8	56.7
Mar-02	55.0	53.2	41.4	38.4	71.3	68.9	58.4
Mar-03	55.5	48.2	42.8	38.6	71.5	71.2	59.2
Mar-04	56.8	33.7	45.2	39.9	63.2	72.7	58.2
Mar-05	62.2	44.6	50.4	45.8	71.8	83.9	66.0
Mar-06	67.9	52.3	55.6	50.0	78.9	90.8	72.4

Appendix Table 5

Region-wise Credit-Deposit Ratio As Per Place of Utilisation, 1973-2021 (In %)

(Contd....)
0		1			/	110	· /
(Concluded)							
As at end	Northern Region	North- Eastern	Eastern Region	Central Region	Western Region	Southern Region	All- India
	nogion	Region	nogion	nogion	nogion	nogion	mana
Mar-07	71.2	48.6	60.6	52.3	77.3	96.6	75.0
Mar-08	70.1	48.3	58.2	54.6	76.0	96.8	74.4
Mar-09	71.1	39.2	50.8	48.7	77.0	94.1	72.6
Mar-10	74.9	39.1	53.5	51.0	74.7	94.8	73.3
Mar-11	83.4	36.3	53.3	50.9	74.1	98.3	75.6
Mar-12	89.6	37.8	52.5	50.7	80.7	99.3	79.0
Mar-13	89.5	35.3	52.2	53.6	79.9	99.3	78.8
Mar-14	93.6	36.6	51.1	51.8	80.3	97.4	79.0
Mar-15	91.8	35.2	48.4	51.3	80.9	92.4	77.1
Mar-16	87.4	39.3	46.8	53.2	88.3	92.1	78.4
Mar-17	79.1	38.2	43.0	48.7	88.5	86.6	73.8
Mar-18	81.9	41.0	44.1	50.5	90.0	93.2	76.7
Mar-19	87.1	41.9	43.3	52.1	90.5	94.2	78.3
Mar-20	85.7	42.2	44.0	51.6	86.7	91.6	76.5
Mar-21	78.2	46.1	43.9	51.3	78.1	86.3	71.7

Appendix Table 5 Region-wise Credit-Deposit Ratio As Per Place of Utilisation, 1973-2021 (In %) *(Concluded)*

Source: Author's estimates based on data extracted from Banking Statistics module of EPWRF India Time Series (www.epwrfits.in)

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