

## Inter-District Disparities in Credit - Deposit Ratio of Scheduled Commercial Banks in Punjab

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### Abstract

*Commercial banks can play an important role in achieving balanced development in different regions of the country. They transfer surplus capital from the developed regions to the less developed regions, where it is scarce and most needed. Despite tremendous growth in volumes and systems, large segment of population is unable to access banking services in Punjab. After the reforms were initiated the spread of commercial banking network has become skewed in favour of developed regions and less developed regions are being neglected. In the paper, an attempt has been made to study the extent of inter-district disparities in credit –deposit ratio in various districts of Punjab. The period under study is divided in three phases i.e. pre-reform phase (1983-1991) where in the focus of the banks was on achieving the objective of balanced growth of commercial banks in rural, semi-urban and urban-metropolitan areas; reform phase (1992-2000) which witnessed structural changes in the banking system, technological up-gradation and human resource development and post-reform period (2001-2015) which witnessed the full impact of the reforms initiated in previous decade and aimed at improving the viability and stability of financial institutions. The study observes that the regional disparity in terms of credit deposit ratio exists in spite of the increased credit disbursement in all the regions.*

**Keywords:** Commercial bank, surplus capital, inter-district disparities, credit-deposit ratio

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### 1. INTRODUCTION

Banks play a vital role in the economic development of a country. They amass the inactive savings of the community and make them available for investment. They also create new demand deposits in the process of granting loans and purchasing investment securities. Banks also increase the mobility of capital. Commercial banks are the most effective means to generate the credit flow of money in markets. If the banking system in a country is effective, efficient and disciplined; it brings about a rapid growth in the various sectors of the economy. Disparities in development are omnipresent phenomena in developed as well as developing countries but in later ones, the problem of disparities is due to devastating backwardness and existence of few developed pockets at the cost of others. For achieving a balanced growth it is essential that financial resources are deployed in the same region where they have been mobilized.

One of banking performance indicators is the credit to deposit ratio (C/D) that indicates the financial resource mobilization in the form of credit disbursement out of total deposit. Credit deposit ratio gives an idea as to how much of credit is being sanctioned per unit of deposit mobilized in a particular region. It is believed that higher C/D ratio leads for higher resource allocation and hence lower-regional disparities with increasing growth.

The Reserve Bank of India (RBI) in 1980 first advised public sector banks (PSBs) to achieve a credit-deposit ratio of 60% in their rural and

semi urban branches. However for an equitable and purposeful distribution of credit amongst different sectors of the economy was achieved through nationalization of banks. However nationalization created its own problems like excessive bureaucratization, red-tapism and disruptive tactics of trade unions of bank employees and excessive branch expansion in rural areas which led to reduction in profitability.

With this background banking sector reforms were initiated in 1991. Measures such as deregulation of interest rate, reduction in reserve ratios and operational autonomy were taken. Various measures initiated under the reform phase strengthened the commercial banking sector in terms of profitability, asset quality and capital position. The Banks however became exclusive in post-reform era. After the reforms were initiated, the spread of commercial banking network in India was skewed in favour of developed regions.

This paper aims to achieve the following objectives:

- (i) To have a detailed analysis of credit deposit ratio in Punjab from 1983-2015.
- (ii) To study the extent of inter district disparities in credit deposit ratio in Punjab.

### 2. METHODOLOGY

The period under study is divided in three phases i.e. *pre-reform phase (1983-1991)*, *reform phase (1992-2000)* and *post-reform period (2001-2015)*.

The present study seeks to measure the extent of regional disparities in banking services in all the districts of Punjab. Focusing on a single state will enable us to assume that political governance, monetary policies and banking regulations are uniform across the state. The districts which will be included in the study are Amritsar, Bathinda, Faridkot, Fatehgarh Sahib, Ferozpur, Gurdaspur, Hoshiarpur, Jalandhar, Kapurthala, Ludhiana, Mansa, Moga, Muktsar, SBS Nagar, Patiala, Rupnagar and Sangrur. The districts Barnala, Fazilka, Taran Taran, SAS Nagar and Phathankot have not been included since these districts have been formed after 2005. So they have not been included in the study so as to enable comparability in the analysis over a period of time.

### 3. REVIEW OF LITERATURE

Gupta (1972) made an attempt to explain inter-district variations in per capita credit in India. Gupta's prototype model of bank credit had two equations (for demand and credit) and two endogenous variables, viz., bank credit and rate of interest on loans and ten other exogenous variables. The analysis revealed that the proportion of agricultural credit in total credit had declined with passage of time. Basu (1980) studied the extent to which the aim of balanced regional development in the banking has been fulfilled in India. It was concluded that unfortunately banks seem to have failed to remove the regional imbalances in banking development. Chipka (1987) in his study discussed the variations in the level of banking development in eighteen states in 1977 with a composite index, which was computed with the help of Modified Factor Analysis. On the basis of the level of banking development highly developed group comprised the states of

Kerala, Punjab, Maharashtra and West Bengal, while the very low developed group comprised the states of Assam, Madhya Pradesh, Orissa and Rajasthan. Kumar, Pandey, & Sushila (1987) made an attempt to study the expansion of commercial banking facilities and extent of disparity in agriculture, financed by the commercial banks in various states of India. Kannan (1987) analyzed the inter-state disparities in banking development in India with the help of three indicators, viz. population per bank office, per capita credit and per capita deposits during 1969-84. Factor analysis technique was used to study the inter-state disparities. Federal Reserve Bank of New York (1966) in their study 'Developments in the Commercial Bank Loan-Deposit Ratio' found that the Bank attitudes toward their individual loan-deposit ratios had obviously undergone considerable change in the post-war period. Many banks were now willing to operate with higher loan-deposit ratios. The ratio remained a significant criterion in determining over-all lending and investing policies for a large number of banks. Reserve Bank of India (1996) emphasized that deposits and advances have grown enormously in India. However, credit deposit ratio which was 77.5 percent in 1969 came down to 53.5 percent in 1998. When the CDR is at low level, the weaker sections will be the most affected along with other borrowers. Narayana (2003) in his study 'Why is credit deposit ratio low in Kerala' examined that the low credit amount was owing to the lack of credit deployment in industry, trade and finance. Further, a comparison of the amounts per credit account in the small-scale industries with industry as a whole suggested that most of the industries in Kerala were no larger than small-scale industries. Aparana (2005) attempted to identify the regions which

were under-banked and to measure the regional level disparity in reach of banking services. The under-banked regions were identified based on population per bank branch. Manipur was the least banked state whereas Chandigarh was the most banked state. Chavan (2005) in her study 'How Inclusive are the Banks Under Financial Liberalization' has stated that social banking failed to deliver an inclusive financial system. Swain (2008) in the study 'Low credit-deposit ratio and economic stability in India' tried to establish incremental investment by banks mostly in government securities owing to surplus liquidity as a stabilizing mechanism in the inflationary situation. Prasanna (2011) in his study 'Banking and Development: Observations in Reforms Era' used simple descriptive statistics methods. He analysed the regional disparities in the background and existence of the role of 'social banking'. The study observed that the regional disparity in terms of per capita net district domestic product existed in spite of the increasing credit distributions to all areas.

Kumar D. (2013) in his study 'Performance of banking through credit-deposit ratio in Bihar: A study of last decade' studied the performance of public sector banks for 2001-2011 through the credit deposit ratio. The study was an attempt to find out the various factors that justified the performance of commercial banking in Bihar through credit deposit ratio.

The above mentioned literature review highlights the fact that credit deposit ratio has turned very low particularly post 1991. In the present study, the credit deposit ratio of Punjab has been studied for the period 1983-2015.

## 4. FINDINGS

### Disparities in Deposit Mobilization and Credit Deployment in Punjab

It is observed that in Punjab huge inter-district disparities are seen in deposit mobilization and credit deployment. Table 1 shows that maximum deposits were mobilized from Jalandhar in all the phases under study. The share of district Jalandhar in total deposit mobilization was 22.31% in 1983, 22.35% in 1992, 21.94% in 2001 and 19.85% in 2015. However the share in credit deployment was just 12.41%, 10.49%, 10.60% and 8.38% in 1983, 1992, 2001 and 2015 respectively. The other districts having highest deposit mobilization were Ludhiana, Hoshiarpur, Amritsar, Patiala, Kapurthala and Gurdaspur. The share of all these districts except Ludhiana and Patiala in total credit deployment was far less than the deposits mobilized. District Ludhiana had 17.21% share in total deposits in 1983 whereas the share in total credit deployed was 26.12%. In the beginning of reform phase district Ludhiana had 17.37% share in total deposits whereas the share in total credit was again highest i.e 29.49%. In the beginning of post-reform phase i.e 2001 Ludhiana had just 16.51% share in deposits whereas the share in total credit was 41.98%. In 2015 Ludhiana had 18.81 % share in deposit mobilization whereas the share in total credit deployment was 38.15%. However lowest deposit mobilisation had been from Mansa, Moga, Fatehgarh Sahib, Bathinda and Ferozpur.

**Table 1: Percentage share of districts in total deposit mobilisation and credit deployment in Punjab**

Districts	1983		1991		2001		2015	
	% of total deposit	% of total credit	% of total deposit	% of total credit	% of total deposit	% of total credit	% of total deposit	% of total credit
Amritsar	13.64	12.02	13.02	11.40	11.89	8.99	11.22	7.60
Bathinda	3.64	6.19	3.78	6.13	2.38	2.77	3.87	4.65
Faridkot	5.37	6.57	5.43	6.43	1.16	1.06	1.48	1.72
Fatehgarh Sahib	---	---	---	---	1.28	1.96	1.81	2.65
Ferozpur	3.54	6.02	3.43	5.42	2.65	3.67	1.99	3.12
Gurdaspur	5.52	4.47	5.44	4.13	5.06	2.93	4.32	3.38
Hoshiarpur	7.26	3.21	7.37	3.35	7.50	2.39	7.87	3.14
Jalandhar	22.31	12.41	22.35	10.49	21.94	10.60	19.85	8.38
Kapurthala	4.92	2.78	4.98	2.60	6.01	2.40	5.93	2.60
Ludhiana	17.21	26.12	17.37	29.49	16.51	41.98	18.81	38.15
Mansa	---	---	---	---	0.54	1.01	0.86	1.59
Moga	---	---	---	---	2.07	1.38	2.74	2.39
Muktsar	---	---	---	---	1.17	1.51	1.42	2.53
SBS Nagar	---	---	---	---	3.88	0.92	3.41	1.20
Patiala	8.89	10.76	8.90	10.95	7.90	8.94	8.32	11.56
Rupnagar	3.67	3.51	3.83	3.25	4.60	3.21	2.31	1.12
Sangrur	4.03	5.93	4.03	6.30	3.42	4.28	3.72	4.24

Data Source: RBI Basic Statistical Returns of Scheduled Commercial Banks in India (Various issues)

#### 4.1 Credit Deposit Ratio in Punjab

The disparities in credit deployment led to huge variations in credit deposit ratio in various districts of Punjab. The credit deposit ratio was even less than 20% in Hoshiarpur, Jalandhar,

Kapurthala, SBS Nagar in all the phases under study. Credit Deposit ratio was as high as 104% and 146% in 2001 and 2015 respectively in Ludhiana. Other districts with highest credit deposit ratios were Mansa, Patiala, Bathinda, Sangrur and Muktsar.

**Table 2: Credit deposit ratio in Punjab (1983-2015)**

Districts	1983	1991	2001	2015
Amritsar	0.44	0.39	0.31	0.49
Bathinda	0.94	0.71	0.48	0.87
Faridkot	0.65	0.51	0.39	0.84
Fatehgarh Sahib	---	---	0.63	1.06
Ferozpur	0.97	0.68	0.57	1.13
Gurdaspur	0.44	0.36	0.24	0.57
Hoshiarpur	0.19	0.21	0.13	0.29
Jalandhar	0.29	0.24	0.20	0.31
Kapurthala	0.24	0.25	0.16	0.32
Ludhiana	0.53	0.75	1.04	1.47
Mansa	---	---	0.76	1.33
Moga	---	---	0.27	0.63
Muktsar	---	---	0.53	1.28
SBS Nagar	---	---	0.10	0.25
Patiala	0.58	0.54	0.46	1.00
Rupnagar	0.43	0.42	0.29	0.35
Sangrur	0.66	0.67	0.51	0.82
Mean	0.53	0.48	0.42	0.72

Average credit deposit ratio in Punjab was 0.53, 0.48, 0.42 and 0.72 in 1983, 1991, 2001 and 2015 respectively. Average credit deposit ratio increased by 1.35 number of times during 32 years from 1983 to 2015.

#### 4.2 Pre-Reform Period (1983-1991)

Table 3 depicts credit deposit ratio in Punjab in pre-reform period. Districts with highest average credit deposit ratio were Bathinda (0.82), Ferozpur (0.80), Ludhiana (0.67) and Sangrur (0.67). Districts with least average credit

deposit ratio were Hoshiarpur (0.20), Jalandhar (0.25), Kapurthala (0.25) and Gurdaspur (0.37). Ludhiana (4.28%), Hoshiarpur (0.90%), Kapurthala (0.32%) and Sangrur (0.23%) districts had highest compound growth rate. Ferozpur (-4.32%) and Bathinda (-3.36%) districts had least compound growth rate. Average credit deposit ratio reduced from 0.53 (1983) to 0.48 (1991) registering a compound growth rate of -1.31%. Inter-district disparities reduced from 46.98% (1983) to 41.17% (1991).

**Table 3: Credit deposit ratio in pre-reform period (1983-1991)**

DISTRICT	1983	1984	1985	1986	1987	1988	1989	1990	1991	Average	CAGR
Amritsar	0.44	0.54	0.40	0.38	0.39	0.36	0.35	0.38	0.39	0.40	-1.45%
Bathinda	0.94	1.42	0.89	0.79	0.68	0.60	0.57	0.77	0.71	0.82	-3.36%
Faridkot	0.65	0.95	0.71	0.55	0.51	0.51	0.44	0.44	0.51	0.58	-2.91%
Ferozpur	0.97	1.36	0.77	0.72	0.73	0.72	0.61	0.69	0.68	0.80	-4.32%
Gurdaspur	0.44	0.44	0.38	0.34	0.34	0.36	0.35	0.34	0.36	0.37	-2.51%
Hoshiarpur	0.19	0.27	0.17	0.18	0.18	0.19	0.19	0.21	0.21	0.20	0.90%
Jalandhar	0.29	0.33	0.25	0.24	0.25	0.23	0.23	0.24	0.24	0.25	-2.31%
Kapurthala	0.24	0.33	0.27	0.25	0.25	0.25	0.23	0.25	0.25	0.25	0.32%
Ludhiana	0.53	0.86	0.66	0.64	0.62	0.61	0.67	0.71	0.75	0.67	4.28%
Patiala	0.58	0.62	0.51	0.55	0.53	0.53	0.50	0.55	0.54	0.54	-0.78%
Rupnagar	0.43	0.54	0.42	0.43	0.45	0.40	0.40	0.42	0.42	0.43	-0.58%
Sangrur	0.66	1.09	0.62	0.57	0.59	0.60	0.64	0.64	0.67	0.67	0.23%
MEAN	0.53	0.73	0.51	0.47	0.46	0.45	0.43	0.47	0.48		-1.23%
Standard deviation	0.25	0.40	0.23	0.20	0.18	0.17	0.17	0.20	0.20		
Co-efficient of variation	46.98	54.79	44.87	42.25	39.29	38.79	39.06	41.97	41.17		

**Data Source:** RBI Basic Statistical Returns of Scheduled Commercial Banks in India (Various issues)

**Note:** Mansa, Moga, Muktsar and SBS Nagar districts were not in existence during pre-reform period. Hence, they are not included in the table above.

#### 4.3 Reform Period (1992-2000)

Table 4 shows the credit deposit ratio in Punjab in the reform period. Districts with highest average credit deposit ratio were Ludhiana (0.85), Mansa (0.8053), Fatehgarh Sahib (0.69) and Ferozpur (0.59). Districts with least credit deposit ratio were SBS Nagar (0.09), Hoshiarpur (0.14), Kapurthala (0.18) and Jalandhar (0.19). Only

district Ludhiana (3.47%) had positive compound growth rate. Hoshiarpur (-4.61%) and Kapurthala (-3.52%) districts had least compound growth rate. Average credit deposit ratio reduced from 0.46 (1992) to 0.40 (2000) registering a compound growth rate of -1.61%. Inter-district disparities increased from 44.32% (1992) to 65.32% (2000).

**Table 4: Credit deposit ratio in reform period (1992-2000)**

DISTRICT	1992	1993	1994	1995	1996	1997	1998	1999	2000	Average	CAGR
Amritsar	0.37	0.35	0.35	0.35	0.37	0.34	0.30	0.33	0.31	0.34	-2.38%
Bathinda	0.69	0.63	0.59	0.61	0.61	0.56	0.49	0.54	0.55	0.59	-2.85%
Faridkot	0.51	0.44	0.42	0.42	0.42	0.43	0.39	0.44	0.43	0.43	-1.90%
Fatehgarh Sahib	----	0.63	0.56	0.62	0.76	0.72	0.68	0.69	0.68	0.69	----
Ferozpur	0.67	0.64	0.59	0.56	0.55	0.56	0.56	0.59	0.56	0.58	-2.20%
Gurdaspur	0.32	0.30	0.28	0.25	0.24	0.23	0.20	0.24	0.25	0.25	-3.25%
Hoshiarpur	0.19	0.18	0.16	0.14	0.14	0.13	0.12	0.13	0.13	0.14	-4.61%
Jalandhar	0.20	0.23	0.22	0.21	0.20	0.20	0.17	0.18	0.18	0.19	-1.21%
Kapurthala	0.22	0.20	0.17	0.19	0.21	0.19	0.16	0.17	0.17	0.18	-3.52%
Ludhiana	0.72	0.77	0.77	0.89	0.90	0.87	0.88	0.92	0.95	0.85	3.47%
Mansa	----	0.82	0.74	0.85	0.81	0.79	0.75	0.83	0.86	0.80	----
Moga	----	----	----	----	----	0.28	0.25	0.28	0.28	0.27	----
Muktsar	----	----	----	----	----	0.58	0.57	0.73	0.07	0.48	----
SBS Nagar	----	----	----	----	----	0.09	0.08	0.09	0.10	0.09	----
Patiala	0.52	0.44	0.38	0.37	0.38	0.39	0.41	0.44	0.42	0.41	-2.80%
Rupnagar	0.36	0.35	0.30	0.25	0.26	0.23	0.25	0.26	0.32	0.28	-1.46%
Sangrur	0.67	0.59	0.54	0.59	0.59	0.54	0.49	0.52	0.54	0.56	-2.64%
MEAN	0.46	0.47	0.43	0.45	0.46	0.42	0.40	0.43	0.40		-1.61%
Standard deviation	0.20	0.21	0.20	0.24	0.25	0.24	0.24	0.25	0.26		
Co-efficient of variation	44.32	45.08	46.33	53.69	53.77	56.48	59.40	58.59	65.32		

Data Source: RBI Basic Statistical Returns of Scheduled Commercial Banks in India (Various issues)

#### 4.4 Post-Reform Period (2001-2015)

Table 5 depicts credit-deposit ratio. Districts with highest average credit deposit ratio were Ludhiana (1.31), Patiala(0.95) , Mansa(0.85) and Ferozpur (0.83).District with least average credit-deposit ratio were SBS Nagar (0.18), Hoshiarpur (0.22),Jalandhar(0.27) and Kapurthala(0.28). SBS Nagar (6.76%), Muktsarr (6.50%), Gurdaspur

(6.37%) and Moga (6.24%) districts had highest compound growth rate. Rupnagar (1.35%) and Ludhiana (2.50%) districts had lowest compound growth rate. Average credit-deposit ratio increased from 0.42(2001) to 0.76(2015) registering a compound growth rate of 4.33%. Inter district disparities reduced from 59.58% (2001) to 51.50% (2015).

**Table 5: Credit deposit ratio in post reform period (2001-2015)**

DISTRICT	2001	2003	2005	2007	2009	2011	2013	2015	Average	CAGR
Amritsar	0.31	0.34	0.43	0.49	0.48	0.50	0.47	0.49	0.43	3.32%
Bathinda	0.48	0.46	0.62	0.77	0.76	0.80	0.88	0.87	0.70	4.34%
Faridkot	0.39	0.42	0.58	0.62	0.62	0.83	0.69	0.84	0.62	5.63%
Fatehgarh Sahib	0.63	0.57	0.70	0.82	0.81	0.92	1.09	1.06	0.82	3.79%
Ferozpur	0.57	0.62	0.74	0.84	0.94	0.98	0.82	1.13	0.83	5.01%
Gurdaspur	0.24	0.29	0.39	0.48	0.45	0.49	0.50	0.57	0.42	6.37%

DISTRICT	2001	2003	2005	2007	2009	2011	2013	2015	Average	CAGR
Hoshiarpur	0.13	0.15	0.20	0.24	0.25	0.27	0.26	0.29	0.22	5.90%
Jalandhar	0.20	0.19	0.23	0.31	0.31	0.34	0.34	0.31	0.27	3.18%
Kapurthala	0.16	0.14	0.19	0.67	0.24	0.26	0.30	0.32	0.28	5.08%
Ludhiana	1.04	1.00	1.07	1.38	1.38	1.47	1.69	1.47	1.31	2.50%
Mansa	0.76	0.72	0.77	0.81	0.69	0.65	1.11	1.33	0.85	4.08%
Moga	0.27	0.35	0.43	0.45	0.48	0.47	0.59	0.63	0.45	6.24%
Muktsar	0.53	0.57	0.67	0.76	0.82	0.86	0.98	1.28	0.80	6.50%
SBS Nagar	0.10	0.11	0.15	0.21	0.21	0.20	0.23	0.25	0.18	6.76%
Patiala	0.46	0.47	0.71	1.02	1.19	1.43	1.32	1.00	0.95	5.70%
Rupnagar	0.29	0.32	0.32	0.37	0.31	0.33	0.31	0.35	0.32	1.35%
Sangrur	0.51	0.55	0.67	0.67	0.67	0.72	0.82	0.82	0.67	3.45%
MEAN	0.42	0.43	0.52	0.64	0.62	0.67	0.78	0.76		4.33%
Standard deviation	0.25	0.23	0.25	0.30	0.34	0.38	0.42	0.40		
Co-efficient of variation	59.58	54.64	48.74	46.63	54.17	56.33	53.51	52.50		

**Data Source:** RBI basic statistical returns of scheduled commercial banks in India (various issues)

## 5. DISCUSSION

The detailed analysis on Credit deposit ratio indicates that disparities were prevailing to a large extent during the study period .Following are the important findings:

- i) Districts where credit deployment has been far less than the deposit mobilization were Jalandhar, Hoshiarpur, Kapurthala and SBS Nagar. Jalandhar having 19.85% share in total deposit mobilization had just 8.38% share in total credit deployment in 2015. Hoshiarpur with 7.87% share in deposit mobilization had just 3.14% share of of total credit deployment in 2015. Kapurthala with 5.93% share in deposits had just 2.60% share of credit deployed in 2015. Similar trend was witnessed in pre reform and reform periods alaso.
- ii) Jalandhar, Hoshiarpur, Kapurthala and SBS Nagar were having least credit deposit ratio. The C/D ratio never crossed 40% in these districts. One of the

reasons is that these districts had very high deposit mobilisation. In absolute terms the credit deployment in Jalandhar and Kapurthala was equal with districts having highest credit deposit ratio after Ludhiana like Bathinda and ,Ferozpur. But in proportion to huge deposit mobilization , the credit deployment turns out to be lower. The resources were not being fully utilized here and there is an outflow of resources to other districts.

- iii) The CD ratio of the commercial banks depends mostly on the level of economic activity and the credit absorption capacity of a particular region and is an indicator of the involvement of the banks in the economic development of the region .The rural and semi urban areas of Jalandhar, Hoshiarpur, Kapurthala and SBS Nagar are not having much developed industry. The credit demand had been far less than the deposit mobilization particularly in rural areas. Deposit mobilization from

these four districts has been very high due to large inflow of non- resident income flow. A large segment of rural and semi-urban population of these districts has migrated abroad.

- iv) Ludhiana district had highest credit deposit ratio in the reform and post-reform periods. Ludhiana having 18.81% share in total deposit mobilization had maximum 38.15% share in total credit deployment in 2015. Credit- deposit ratio had been highest in Ludhiana in all the phases under study. Ludhiana is the most industrialized district of Punjab. It has maximum number of registered factories, maximum small scale industries and highest number of large scale units. Maximum credit deposit ratio is due to developed industries in the district.
- v) Patiala, Ferozpur, Mansa, Muktsar, Sangrur. Faridkot and Bathinda districts also had very high credit deposit ratio. These districts are acquiring new dimensions of agricultural and industrial development. The main factor accounting for agriculture development has been relatively large size of landholdings and increased mechanization.
- vi) Average Credit deposit ratio however had remained below the statutory requirement of 60% throughout the study period upto 2005. The credit deposit ratio improved after 2005 and was well above the statutory requirement of 60% thereafter.
- vii) Inter district disparities which have been measured through co-efficient of

variation had been highest in reform period and least in pre-reform period. The inter district disparities have reduced in the post reform period from 59.58% in 2001 to 52.50% in 2015.

- viii) The CAGR of credit deposit ratio has been highest in the post –reform period. In the post-reform phase, CAGR of credit deposit ratio has particularly improved in districts with highest deposit mobilization . SBS Nagar (6.76%), Muktsar (6.50%), Gurdaspur (6.37%) and Moga (6.24%) districts had highest compound growth rate. The CAGR of credit deposit ratio in Ludhiana was just 2.50% in the post reform phase. CAGR turned positive for all the districts in post-reform phase. Whereas credit deposit ratio was negative for most of the districts in pre-reform and reform phase.

## 6. CONCLUSION

Several measures have been taken by Government of India to increase the financial penetration in neglected regions under financial inclusion programme which was launched in 2005. To minimize the cost of Financial Inclusion initiative and ensure universal accessibility to a range of banking services, Ultra Small Branches were set up at all places where opening of a brick and mortar branch was not viable. Banks still need to take much more pro-active measures in increasing the credit flow by opening more branches in the unbanked areas, and relaxing some of their stringent credit norms.

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