BANK CREDIT BY COMMERCIAL BANKS IN BIHAR

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ABSTRACT

The overall credit growth in India has been of a high order, the expansion of agricultural credit and credit to small-scale industries sector has not kept pace with it. Retail credit, which is increasing from a very low base, has widened rapidly. While growth of consumption-led can help improve the growth rates in the economy, it would also result in increasing risks. The credit utilisation which in-turn impact the overall economic growth has to be mapped to understand whether same is being influenced by socio-economic upliftment.
The objective of the priority sector loan is to ensure that the weaker sections of the society are provided with adequate credit so that the same can be used for the livelihood of the beneficiaries. In order to ensure that the loan was used for the intended purpose, utilization.

In 1969, Regulation policy of the Government for banks has paid rich dividends with the nationalization of 14 major private banks. Today Banking has become instant and convenient, with the account holder not having to wait for hours at the bank counter for withdrawing money from his account or getting a draft.

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

Key word- *Bank Credit, CD Ratio, Commercial Bank, Bihar*

INTRODUCTION

Formal financial sectors in most developing economies serve only a minority, often no more than 20 – 30 percent of the population. Most households do not have access to even basic financial services. A majority of those who do not have access are concentrated in low-income categories. Even those low-income households who have access to finance are underserved both in terms of quantity and quality of products and services. Access to finance is not a magic bullet capable of lifting poor people out of poverty. However, there is consensus that better access can play a potentially key role in inclusive growth and development.[1]
Access to financial services has received more attention lately and has become a more important part of the overall development agenda. This is likely for a number of reasons. For one, show that “finance” as in financial development determines for growth has been accumulating over the last decade. Second, based on changes in economies and economic production, finance may have moved up in the ranking of barriers to growth. Third one, there is an increasing perception that provide to finance has been altered for households and enterprises.[2]

Insufficiency in rural entrance to formal finance and the evidently exaction terms of informal finance for the poor provide a strong need and ample space for innovative approaches to serve the financial needs of India’s rural poor. The past decade has witnessed the emergence of many microfinance approaches, most notably, a nationwide attempt, pioneered by nongovernmental organizations, and now supported by the state, to create links between NGOs, commercial banks and informal local groups (“self-help groups,” or SHGs). also called as “Self -help groups Bank Linkage,” evidence revealed that the model has progressively targeted poorer segments of the rural population and helped reduce the vulnerability of its clients. Surveys indicate that nearly 54 percent of SHG members are from the poorest groups, the landless and marginal farmers.
Recent analyses show that access for poor households to loans under SHG bank Linkage has improved asset position, increased savings, shifted borrowing patterns and activities financed, increased employment and consumption expenditure and had a positive impact on income, decreased poverty and had a beneficial social impact.[3]

Considering the importance of access to credit, especially by the poor, an attempt was made in this chapter to analyses, how far the beneficiaries have access to credit by priority sector. Before analyzing the access to credit, it is imperative to know the profile of beneficiaries availing credit from priority sectors.

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Literature Review

Jules F. Bogen, The Changing Cornposition of Bank Assets New York University, New York, 1961, and in George R. Morrison and Richard T.Titled “Developments in the Commercial Bank Loan-Deposit Ratio” in which they find the Bank attitudes toward their individual loan-deposit ratios have obviously undergone considerable change in the postwar period. it is clear that many banks are now willing to operate with higher loan-deposit ratios than they would have thought appropriate even at the close of the 1950's. Nevertheless, although the loan-deposit ratio has been a highly flexible element in the portfolio decisions of many banks, the ratio remains a significant criterion in determining over-all lending and investing policies for a large number of banks. To the extent that banks are again giving careful attention to their loan-deposit ratios, loan accommodations are becoming more closely geared to the over-all growth of bank deposits, which in turn is heavily influenced by Federal Reserve policy. Such a development might be expected to be accompanied by more selective credit policies on the part of banks in choosing among their many applicants for credit.
Reserve Bank of India Mumbai – Banking Statistics - Basic Statistical Returns March, *1996* and priority sector advances” in which it is emphasized on deposits and advances have gown' enormously in India.

Roshan Singh *et al.* (1978) studied the pattern of flow of credit in development block of Patna & all district in Bihar. They found that the pattern of financing agriculture was similar both at the national and district level.
Ramappa and Sivasankaraiah (2007) studied that the share of agriculture loan in the total priority sector advances was considerably large and fluctuated from 73.02 per cent in 1993-94 to 76.79 per cent in 2004-05. It was also evident that of the total agriculture loan in 2004-05, crop loan alone accounted for 93.31 percent

Research Methodology

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

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

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

CONCLUSION

The term of priority sectors has evolved over a period of time and at present, priority sectors are broadly considered as those sectors of the economy which in the absence of inclusion in the priority sector categories would not get on time and suitable finance. Typically, these are small loans to small and marginal farmers for agriculture and allied activities, loans to Micro and Small Enterprises, loans for small housing projects, education loans and other loans to persons with low income levels.

Presently, the target for aggregate advances to the priority sector is 40 per cent of the Adjusted Net Bank Credit (ANBC) or the credit equivalent of Off Balance sheet Exposure (OBE), whichever is higher for domestic banks. Foreign banks have 20 or more than 20 branches in the country are being brought on par with domestic banks for priority sector targets in a stage manner over a period of five year starting from April 1, 2013. 32% target is fixed For foreign banks with less than 20 branches.

The domestic banks, i.e, public and private sector, could not achieve the target of 40 percent for the year 2012.

The narrated four factors explain the direct impact of priority sector lending to the extent of 48.04 percent. The most important factor was 'improvement in social conditions' which consist of seven variables with a reliability coefficient of 0.807, eigen value of 3.014 and explains 14.74 percent of variation. The second important factor was 'Increase in Savings and investment' which consists of six variables with a reliability coefficient of 0.837, eigen value of 2.882 and explains 12.190 percent of variation.

The third factor 'Generated income and employment' which consists of six variables has a reliability coefficient of 0.815, eigen value of 2.878 and explains 10.850 percent of variation. The fourth factor 'Asset creation' which consists of four variables has a reliability coefficient of 0.648, eigen value of 1.198 and explains 10.250 percent of variation. The KMO Measure of sampling adequacy was 0.815 and the Bartlett's Test of Sphericity was significant.

The impact of priority sector lending by commercial banks on rural development has been determined by several independent variables. There have been 23 variables identified that have a vast influence on the priority sector beneficiaries. A part of the variables have positive influence and certain variable have negative influence on priority sector lending. Out of the said variables, a certain group of variables had a significant influence on the priority sector lending.

The factor analysis (principal axis method) helped in reducing the variables in to broader factors, so that the understanding of the impact of the lending was visible and the latent variables provided more insight in the determination of the benefits. The determinants were further understood through multiple regressions which provided the model that connects the entire scheme of things. Under the model, the impact factors played the vital role and thus it can be concluded that the priority sector lending benefited the beneficiaries in a major way and the broader areas of improvement were in social conditions, savings and investment, employment generation and asset creation. Thus it can be established that the priority sector credit has a direct bearing on the livelihood of the beneficiaries and more targeted credit will uplift the bottom of the pyramid to a higher income strata.

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