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Growth of Rural Credit by Commercial Banks in India

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Abstract: Rural credit serves as tool for providing sustainable livelihood in rural areas. It has assumed importance because of most of the rural people have inadequate savings to finance farmers and other economic activities. So, several steps were taken by GOI and RBI to provide banking facilities especially in rural areas so as to cover unbanked areas in the ambit of banking services. Growth of banking services and credit in rural areas by commercial banks has been studied region wise to study the considerable regional variations on the parameters outstanding credit, Occupation-wise Distribution of Outstanding Credit, sanction and utilization of outstanding credit.

Index terms – Rural credit, Commercial Banks, Growth

I.INTRODUCTION

Credit is crucial input helping the poor in raising their incomes. As most framers are small, they tend to borrow substantial finance from different sources to improve their agricultural. Credit is an indispensable input for the development of an economy. To make the rural development process self-sustaining financial support from banking institutions is of utmost importance as it helps in development of an economy and helps in eliminating the role of non-institutional sources. Bank credit has its crucial importance in the context of development and growth of rural areas. It is an important input variable in the production function of agricultural, industrial, commercial and allied activities. It has assumed significant increase in nourishing the base of modern economic system. Releasing the importance of banks, Government of India has encouraged banking institutions for simulating the growth in rural areas.

II.Research Methodology

The present study aims at covering the banking with particular reference to credit in rural areas. The study attempts to examine intensively the various aspects of growth of rural credit in India. For the purpose of analysis, the secondary data of the study takes into consideration a period of 15 years ranging from 2004-2005 to 2018-2019. The base year 2004-2005 has been selected as RBI in its Annual Policy 2005-06 focused on the concept of penetrating banking services to the rural masses. The growth of branches of commercial banks in rural areas in different regions viz. Northern region, North-eastern region, Eastern region, Central region, Western region, Southern region has been studied.

III.Objectives of the study

- 1 To study the region -wise growth of outstanding credit in rural areas.
- 2 To study the region wise growth of Occupation-wise Distribution of Outstanding Credit by commercial banks in rural areas.
- 3 To study the region-wise growth of sanction and utilization of outstanding credit in rural areas.

1 Outstanding Credit

Outstanding credit means the sum of the outstanding principle amount plus the interest overdue on the loans. The trend of outstanding credit of commercial banks in rural areas during the period 2004-2005 to 2018-2019 is presented below in table 1.1.

Table:1.1

| Region | Advances | 2005 | 2010 | 2015 | 2019 | Total | EGR |
|----------------------|--------------------|------------------------|------------------------|-------------------------|-------------------------|---------------|-----------|
| Northern region | No. of account | 305161 4 (10.39) | 391367 7 (10.56) | 476256 0 (10.21) | 708397 9 (10.71) | 6651832 5 | 5.61 |
| | Amount outstanding | 276912 8 (17.26) | 898323 8 (23.32) | 123444 13 (19.39) | 196656 03 (22.82) | 1552519 82 | 13.0 7 |
| North-Eastern region | No. of account | 757559 (2.58) | 104625 6 (2.82) | 189688 3 (4.07) | 269609 8 (4.08) | 2250782 1 | 8.46 |
| | Amount outstanding | 506320 (3.16) | 929352 (2.41) | 168190 6 (2.64) | 270472 8 (3.14) | 2013722 7 | 11.1 7 |
| Eastern region | No. of account | 625997 0 (21.32) | 737196 6 (19.88) | 107222 63 (23.00) | 143889 72 (21.75) | 1397326 98 | 5.55 |
| | Amount outstanding | 227989 9 (14.21) | 455819 7 (11.83) | 794759 5 (12.48) | 120394 71 (13.97) | 9535153 1 | 11.0 9 |

| | | | | | | | |
|-----------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------|-----------|
| Central region | No. of account | 639849 6 (21.80) | 807559 6 (21.78) | 968656 3 (20.77) | 116350 45 (17.59) | 1308369 26 | 3.99 |
| | Amount outstanding | 269373 3 (16.79) | 575733 9 (14.95) | 120265 72 (18.89) | 165508 63 (19.21) | 1319450 08 | 12.1 0 |
| Western region | No. of account | 229745 8 (7.83) | 306158 1 (8.26) | 469503 5 (10.07) | 542212 6 (8.20) | 5690500 2 | 5.72 |
| | Amount outstanding | 254733 6 (15.87) | 678642 4 (17.62) | 806627 2 (12.67) | 104209 93 (12.09) | 1004889 11 | 9.39 |
| Southern region | No. of account | 105920 34 (36.08) | 136045 26 (36.70) | 148645 33 (31.88) | 249187 45 (37.67) | 2204151 03 | 5.70 |
| | Amount outstanding | 525152 4 (32.72) | 115004 06 (29.86) | 216120 13 (33.94) | 247782 05 (28.76) | 2287617 85 | 10.3 4 |
| Total | Total No. of account | 293571 31 (100.00) | 370736 02 (100.00) | 466278 37 (100.00) | 665787 65 (100.00) | | |
| | Total amount outstanding | 160479 40 (100.00) | 385149 56 (100.00) | 636787 71 (100.00) | | | |

Table 1.1 shows the region-wise outstanding credit of commercial banks in rural areas. It can be further seen that highest number of accounts and amount outstanding was seen in southern region with (220415103) and (Rs.228761785 lac) followed by number of accounts in eastern region (139732698) and amount outstanding in northern region (Rs.155251982 lac) whereas lowest number of accounts and amount outstanding was seen in

north-eastern region with (22507821) and (Rs.20137227 lac), number of accounts in western region(56905002) and amount outstanding in eastern region(Rs.95351531 lac) during the period of study. The growth rate of number of accounts was highest in north-eastern region (8.46 per cent) followed by western region (5.72 per cent) and lowest was in central region (3.99 per cent), northern region (5.61 per cent) On the other hand growth in amount outstanding was highest in northern region (13.07 per cent) followed by central region (12.10 per cent) and lowest was recorded in western region (9.39 per cent), southern region (10.34 percent).

2 Occupation-wise Distribution of Outstanding Credit

This parameter explains the growth and pattern of distribution of outstanding credit towards different regions (Northern region, North-Eastern region, Eastern region, Central region, Western region and Southern region) for different purposes (agricultural loan, industrial loan, loan to transport operators, professional & other services loan, personal loan, finance loan, trade loan and for other purposes loan).

Table: 1.2

| Region | Occupation | 2005 | 2010 | 2015 | 2019 | Total | EGR |
|----------------------|--------------|---------------------|---------------------|----------------------|----------------------|----------|-------|
| Northern region | Agriculture | 1078317 (38.94) | 3093476 (34.63) | 6874850 (37.18) | 11346470 (33.62) | 76023328 | 15.69 |
| | Industry | 617969 (22.32) | 2568466 (28.75) | 3435773 (18.58) | 5237300 (15.52) | 40999516 | 14.25 |
| | Transport | 46077 (1.66) | 196367 (2.20) | 231627 (1.25) | 334626 (0.99) | 2765757 | 13.22 |
| | Professional | 53728 (1.94) | 400100 (4.48) | 698640 (3.78) | 1122730 (3.33) | 7721837 | 20.26 |
| | Personal | 518965 (18.74) | 1245043 (13.94) | 2754346 (14.90) | 4346478 (12.88) | 27960436 | 14.17 |
| | Trade | 299592 (10.82) | 1110499 (12.43) | 3786480 (20.48) | 9834573 (29.14) | 43380348 | 23.27 |
| | Finance | 74301 (2.68) | 216927 (2.43) | 452690 (2.45) | 987563 (2.93) | 5770352 | 17.25 |
| | All other | 80178 (2.90) | 102355 (1.15) | 256749 (1.40) | 543672 (1.61) | 3319440 | 12.76 |
| | Total | 2769127 (100.00) | 8933233 (100.00) | 18491155 (100.00) | 33753412 (100.00) | | |
| North-Eastern region | Agriculture | 55819 (11.25) | 122098 (13.87) | 211428 (13.01) | 536980 (16.59) | 3094523 | 15.09 |
| | Industry | 182620 (36.81) | 170610 (19.38) | 312348 (19.22) | 490587 (15.15) | 4379275 | -0.60 |
| | Transport | 8472 (1.71) | 18165 (2.06) | 78489 (4.83) | 198370 (6.13) | 876602 | 21.02 |
| | Professional | 14646 (2.95) | 31518 (3.58) | 87380 (5.38) | 267490 (8.26) | 1157608 | 19.37 |
| | Personal | 165586 (33.38) | 382993 (43.51) | 588900 (36.23) | 890134 (27.50) | 6892563 | 11.21 |
| | Trade | 49340 (9.95) | 83927 (9.53) | 267900 (16.48) | 712830 (22.02) | 3359883 | 17.80 |
| | Trade | 380 (0.08) | 47876 (5.44) | 39847 (2.45) | 51270 (1.58) | 515612 | 32.70 |
| | All other | 19185 (3.87) | 23030 (2.62) | 38994 (2.40) | 89670 (2.77) | 543848 | 10.28 |
| | Total | 496048 | 880217 | 1625286 | 3237331 | | |

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|----------------|--------------|---------------------|---------------------|---------------------|----------------------|----------|-------|
| | | (100.00) | (100.00) | (100.00) | (100.00) | | |
| Eastern region | Agriculture | 536518 (23.53) | 1605159 (34.05) | 3782912 (40.74) | 5347280 (28.72) | 39644074 | 15.33 |
| | Industry | 605290 (26.55) | 831795 (17.64) | 1024783 (11.04) | 2917365 (15.67) | 17574011 | 10.48 |
| | Transport | 44166 (1.94) | 115000 (2.44) | 378340 (4.07) | 673840 (3.62) | 3681361 | 18.17 |
| | Professional | 56129 (2.46) | 275316 (5.84) | 389287 (4.19) | 834627 (4.48) | 5081768 | 18.00 |
| | Personal | 619069 (27.15) | 916205 (19.44) | 2141668 (23.06) | 5873562 (31.55) | 28589736 | 15.00 |
| | Trade | 315530 (13.84) | 745007 (15.80) | 912744 (9.83) | 1873573 (10.06) | 12459889 | 11.88 |
| | Trade | 5243 (0.23) | 96802 (2.05) | 201387 (2.17) | 367370 (1.97) | 2174577 | 28.33 |
| | All other | 97950 (4.30) | 128913 (2.73) | 455377 (4.90) | 731773 (3.93) | 4647626 | 13.41 |
| | Total | 2279895 (100.00) | 4714197 (100.00) | 9286498 (100.00) | 18619390 (100.00) | | |
| Central region | Agriculture | 1318600 (48.95) | 3333644 (58.51) | 4872600 (54.49) | 8237487 (41.46) | 61617579 | 12.21 |
| | Industry | 424558 (15.76) | 706828 (12.41) | 794746 (8.89) | 2326347 (11.71) | 12599007 | 11.34 |
| | Transport | 37498 (1.39) | 101338 (1.78) | 211389 (2.36) | 412637 (2.08) | 2589575 | 15.99 |
| | Professional | 63082 (2.34) | 201626 (3.54) | 289465 (3.24) | 718376 (3.62) | 4229414 | 16.22 |
| | Personal | 488291 (18.13) | 762030 (13.38) | 1718352 (19.21) | 6214357 (31.28) | 27613752 | 16.96 |
| | Trade | 238101 (8.84) | 363815 (6.39) | 531448 (5.94) | 912352 (4.59) | 7071917 | 8.96 |
| | Trade | 6989 (0.26) | 43540 (0.76) | 112439 (1.26) | 312458 (1.57) | 1510730 | 25.33 |
| | All other | 116612 (4.33) | 184419 (3.24) | 412346 (4.61) | 734590 (3.70) | 4696833 | 12.26 |
| | Total | 2693731 (100.00) | 5697240 (100.00) | 8942785 (100.00) | 19868604 (100.00) | | |
| Western region | Agriculture | 578230 (22.73) | 1831820 (28.90) | 4556371 (40.09) | 6347289 (35.12) | 45322745 | 15.97 |
| | Industry | 1038999 (40.84) | 2770794 (43.71) | 3678289 (32.36) | 5673829 (31.39) | 46609970 | 11.32 |
| | Transport | 34903 (1.37) | 62289 (0.98) | 345834 (3.04) | 589731 (3.26) | 3352556 | 18.85 |
| | Professional | 39749 (1.56) | 281562 (4.44) | 321348 (2.83) | 571883 (3.16) | 4234703 | 17.78 |
| | Personal | 342601 (13.47) | 754648 (11.90) | 1678432 (14.77) | 3568831 (19.74) | 21017687 | 15.62 |
| | Trade | 450973 (17.72) | 530574 (8.37) | 566282 (4.98) | 689930 (3.82) | 8282965 | 2.83 |
| | Trade | 4057 (0.16) | 33304 (0.53) | 87374 (0.77) | 287480 (1.59) | 1225833 | 28.40 |
| | All other | 54824 (2.15) | 74286 (1.17) | 132374 (1.16) | 345838 (1.91) | 1919989 | 12.28 |

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|-----------------|--------------|---------------------|----------------------|----------------------|----------------------|-----------|-------|
| | Total | 2544336 (100.00) | 6339277 (100.00) | 11366304 (100.00) | 18074811 (100.00) | | |
| Southern region | Agriculture | 1776502 (33.45) | 3767704 (36.62) | 11546361 (52.20) | 12667300 (46.24) | 113619680 | 13.10 |
| | Industry | 1369244 (25.78) | 2164805 (21.04) | 2656379 (12.01) | 3892763 (14.21) | 37245791 | 6.97 |
| | Transport | 74161 (1.40) | 144558 (1.40) | 201837 (0.91) | 451660 (1.65) | 2872242 | 12.04 |
| | Professional | 150868 (2.84) | 577678 (5.61) | 716732 (3.24) | 967300 (3.53) | 8769951 | 12.39 |
| | Personal | 1062741 (20.01) | 2187669 (21.26) | 4037721 (18.25) | 5027300 (18.35) | 44010032 | 10.36 |
| | Trade | 507353 (9.55) | 767275 (7.46) | 1917733 (8.67) | 3018732 (11.02) | 20795223 | 11.89 |
| | Trade | 43495 (0.82) | 265675 (2.58) | 341662 (1.54) | 521772 (1.90) | 4097581 | 16.56 |
| | All other | 327160 (6.16) | 414387 (4.03) | 701773 (3.17) | 845621 (3.09) | 9021967 | 6.33 |
| | Total | 5311524 (100.00) | 10289751 (100.00) | 22120198 (100.00) | 27392448 (100.00) | | |

Table 1.2 reveals the credit deployment in different sectors of the economy. The share of occupation-wise amount outstanding in rural areas to total amount outstanding increased from 14.30 percent in 2004-05 to 15.81 per cent in 2018-2019. Table further reveals that the highest amount outstanding in agriculture sector in rural areas was in southern region (Rs. 113619680 lac) followed by northern region (Rs.76023328 lac) and lowest was in north-eastern region (Rs.3094523 lac) followed by eastern region (Rs.39644074 lac). The growth rate in agriculture sector was greatest as exhibited in western region (15.97 per cent) followed by northern region (15.69 per cent) whereas, lowest was in central region (12.21 per cent) followed by southern region (13.10 percent). The industry wise the growth rate of northern region was highest with 14.25 per cent followed by central region (11.34 per cent) on the other hand the growth rate of northern eastern region was negative (-0.60 per cent) followed by lowest in southern region (6.97 percent). The transport sector has highest amount outstanding in eastern region (Rs.3681361lac) followed by western region (Rs.3352556 lac) whereas lowest was in north-eastern region with Rs.876602 lac followed by central region (Rs.2589575 lac). The highest growth rate was in north-eastern region (21.02 per cent) followed by western region (18.85 per cent) and lowest was in southern region with 12.04 per cent followed by northern region (13.22 per cent).

The professional sector has highest growth rate was in northern region (20.26 per cent) followed by north-eastern region (19.37 per cent) whereas southern region registered lowest growth rate with 12.39 per cent followed by western region (17.78 per cent). On an average highest amount of credit was deployed in southern region with Rs.584663.4 lac and lowest was in north-eastern region (Rs. 77173.87 lac). Analysis exhibits that highest growth rate of personal sector in rural areas was in central region (16.96 per cent) followed by western region (15.62 per cent) whereas, lowest growth rate has been found in southern region (10.36 per cent) followed by north-eastern region (11.21 per cent). Further, table shows that trade sector has greatest outstanding credit in northern region (Rs.43380348 lac) followed by southern region (Rs.20795223 lac). On the other hand, lowest growth was in north-eastern region (Rs.3359883 lac) followed by central region with Rs.7071917 lac. Table 1.2 portrays the credit deployed by the banking sector in different regions. EGR revealed that highest growth was in north-eastern region (32.70 per cent) followed by western region (28.40 per cent) and lowest was in southern region (16.56 per cent) followed by northern region (17.25 per cent). The credit deployed to all other sectors was highest in southern region (Rs.9021967 lac) followed by central region (Rs.4696833 lac) and lowest was in north-eastern region (Rs.543848 lac) followed by western region (Rs.1919989 lac).

3 Sanction and Utilization

Table 1.3 represents the total sanctioned and utilized outstanding credit of commercial banks in rural areas for the period of study.

Table: 1.3

| Region | Advances | 2005 | 2010 | 2015 | 2019 | Total | EGR |
|----------------------|-------------|--------------------|--------------------|---------------------|---------------------|---------------|-----------|
| Northern region | Sanction | 2240718 (10.28) | 5053738 (9.73) | 13767063 (13.22) | 17783760 (13.74) | 13832069 9 | 13.8 1 |
| | Utilization | 2769128 (17.26) | 8983238 (23.32) | 15288305 (23.33) | 18715438 (22.31) | 16444260 7 | 12.7 4 |
| North-Eastern region | Sanction | 256526 (1.18) | 616751 (1.19) | 1317077 (1.27) | 2116350 (1.64) | 15012716 | 14.0 7 |
| | utilization | 506320 (3.16) | 929352 (2.41) | 1355748 (2.07) | 2415356 (2.88) | 18046586 | 10.4 2 |
| Eastern region | Sanction | 1614408 (7.41) | 3644934 (7.02) | 7169628 (6.89) | 9315420 (7.20) | 78676941 | 11.6 8 |
| | utilization | 2279899 (14.21) | 4558197 (11.83) | 7685797 (11.73) | 9846350 (11.74) | 87736306 | 9.75 |
| Central region | Sanction | 2126304 (9.76) | 4788148 (9.22) | 10901558 (10.47) | 12896346 (9.97) | 10790699 6 | 12.0 2 |
| | utilization | 2693733 (16.79) | 5757339 (14.95) | 11417668 (17.42) | 13416422 (16.00) | 12146837 4 | 10.7 0 |
| Western region | Sanction | 1441321 (6.61) | 2896959 (5.58) | 7187794 (6.90) | 9456360 (7.31) | 73595759 | 12.5 4 |
| | utilization | 2547334 (15.87) | 6786424 (17.62) | 8533818 (13.02) | 10315246 (12.30) | 10100827 8 | 9.32 |

| | | | | | | | |
|-----------------|-------------------|--------------------------|--------------------------|---------------------------|---------------------------|---------------|-----------|
| Southern region | Sanction | 3318285 (15.23) | 7927165 (15.26) | 19491468 (18.72) | 23136365 (17.88) | 19378578 0 | 12.9 5 |
| | utilization | 5251524 (32.72) | 1150040 6 (29.86) | 21254773 (32.43) | 29162463 (34.77) | 23704300 4 | 11.4 3 |
| Total | Total sanction | 2179397 6 (100.00) | 5194224 5 (100.00) | 10411592 4 (100.00) | 12941341 3 (100.00) | | |
| | Total Utilization | 1604793 8 (100.00) | 3851495 6 (100.00) | 65536109 (100.00) | 83871275 (100.00) | | |

Table 1.3 shows that region-wise the highest outstanding credit was sanctioned and credit was utilized in southern region (Rs.193785780 lac), (Rs.237043004 lac) followed by northern region (Rs.138320699 lac), (Rs.164442607 lac) respectively. The lowest outstanding credit was sanctioned in north-eastern region (Rs.15012716 lac) followed by western region (Rs.73595759 lac) and outstanding credit was least utilized in north-eastern region (Rs.18046586 lac) followed by eastern region (Rs.87736306 lac). The highest growth rate in sanctioning of outstanding credit was in north-eastern region with 14.07 per cent followed by northern region (13.81 per cent) whereas lowest growth was recorded in eastern region (11.68 per cent), central region (12.02 per cent). The growth rate of utilized outstanding credit was highest in northern region (12.74 per cent) followed by southern region (11.43 per cent) on the other hand lowest was recorded in western region (9.32 per cent), eastern region (9.75 per cent).

IV.CONCLUSION

The development of rural credit delivery system in the country has metamorphosed from monopoly of co-operatives institutions to the induction of commercial banks then to establishment of RRBs and the growth rate of outstanding credit, Occupation-wise Distribution of Outstanding Credit, sanction and utilization of outstanding credit of commercial banks helped in achieving the penetration of banking services in rural areas.

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