



Comparison of Banking Profile of Gujarat with other Selected States and National Level

KEYWORDS

Bank offices, bank centers, credit, deposits, CD ratio, NSDP, per capita NSDP

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ABSTRACT *The commercial banks influence ability to save by helping different business units in earning income. The role of commercial banks in current strategy of developing country is different from the traditional setting. They have to serve as an important catalyst in the economic and social transformation of the economy. In short, the growth of the economy is tied with the growth of the commercial bank in economy. So an attempt has been made to represent the picture of real economy using financial statistics for the year 2004-05. Comparison of the performance of the state of Gujarat with other selected states and national level through information available from banking statistics has been made. Some of the findings are as under:*

1. In spite of 22% higher per capita net state domestic product compared to that of India, the average deposit of Gujarat is just 2% higher than that of all India level. This reflects that the higher per capita net state domestic product is not resulting into higher level of saving in bank.
2. The lower share of current account deposits of the state vis-à-vis those of all India may be considered as low economic activities through bank.
3. CD ratio of Gujarat is also lower than that of all India level.

1. Introduction

The commercial banks influence ability to save by helping different business units in earning income. The role of commercial banks in current strategy of developing country is different from the traditional setting. They have to serve as an important catalyst in the economic and social transformation of the economy. In short, the growth of the economy is tied with the growth of the commercial bank in economy.

Therefore, in the present paper, using financial statistics for the year 2004-05, the comparison of state of Gujarat with other selected states and at national level through information available from banking statistics has been made.

2. Banking in Gujarat

In Gujarat, as on 31st March, 2005 there are 68 SCBs providing banking services. It includes all the public sector banks³, 6 FBSout of 31 FBSoperating in India. Gujarat secures 6th position as it has 25 out of 29 private sector banks operating in India. RRBs, which confine only to a district or a group of contiguous districts, have 9 RRBs in Gujarat out of 196 in the country.

Table: 2.1 Distribution of Scheduled Commercial bank offices and centres in Major States

States	Centres	Offices	Population as on 1st March 2005 (in' 000)	Population per Office (in' 000)
GJ	1672	3807	54140	14
RJ	1930	3481	61136	18
M. P.	1868	3560	65202	18
Maharashtra	2513	6708	103218	15
AP	2730	5519	79852	14
W. B.	2459	4661	84277	18
Bihar	2639	3646	89264	24
T. N.	2081	5021	64623	13
Karnataka	2312	5114	55597	11
U. P.	5006	8475	179824	21
All India	34931	69969	1095722	16

Note: In BSR explanatory notes it is given branches/offices.

These 68 SCBs provide services through 3807 offices⁴. These offices are situated in 1672 centers⁵. These centers constitute

about 4.79% of India's bank centers and 5.44% of country's offices are located in these centers, indicating higher representation of centers. This also indicates high representation of office network in the state. On an average, an office in the state serves about 14,000 persons whereas an office at India level serves 16, 000 persons. Gujarat is better placed than India's average banking density. Rank of Gujarat as per banking density is 18th. Among the major states (the states having population more than 5 crores as per 2001 census), Karnataka and Tamil Nadu are better placed than Gujarat.

• Branch Business

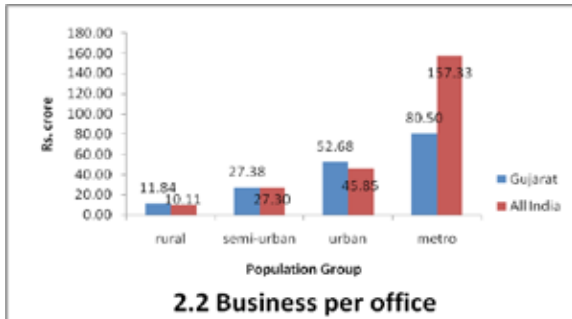
A bank office in Gujarat conducts on an average, business⁶ of Re.37.58 crore as against a business of Re.41.44 crore conducted by an office at all India level. Gujarat offices are better than those of its neighboring states except Maharashtra. But with comparison of the selected states (having both population more than 5 crores and area more than 1.5 lakh square k.m. as per 2001 census), Gujarat stands on 4th position as per business per office after Maharashtra, Karnataka and Andhra Pradesh respectively.



• Population Group⁷ wise business

The banking business of Gujarat offices in rural and semi-urban areas is almost same as that of all India level. Business of urban offices in Gujarat is higher to some extent than that of all India level. Further the average business of metro offices in Gujarat is almost 51.2% of that of India's metro offices, i.e.

the average business of metro offices in Gujarat is almost half as compared to that of India's metro offices.



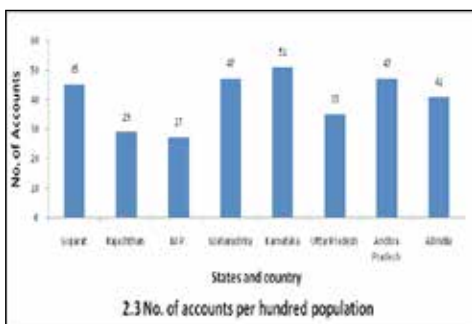
The graph no. 2.2 shows that rural and semi-urban offices are working at almost same capacity as that of such offices in other states, whereas the average business of the urban offices in Gujarat is higher to some extent than that of all India level.

Table: 2.2 Deposits of SCB's according to type of deposits in Gujarat & other selected states (A/C in '000, Amount in Re. Lakh)

States	Current		Saving		Term		Total	
	No. of A/C	Deposits	No. of A/C	Deposits	No. of A/C	Deposits	No. of A/C	Deposits
GJ	997	954130	16810	2504123	7714	6310540	25521	9768793
*	5.63	4.5	5.25	5.32	5.98	5.93	5.47	5.59
RJ	776	505945	12785	1525437	4747	2250940	18308	4282322
M.P.	596	486257	12213	1643140	5363	2665699	18172	4795096
Maharashtra	2308	5676151	33131	6085956	15688	26458819	51127	38220926
Karnataka	1166	1335536	20453	2739877	8107	6692924	29726	10768337
U. P.	1469	1253187	47776	5965431	14623	6317394	63868	13536012
AP	1278	1171551	26443	2485870	11029	6165052	38750	9822473
All-India	17720	21193943	319999	47072881	129074	106414580	466793	174681404

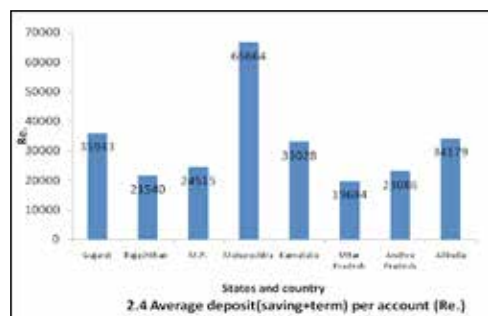
Note: * indicates % to corresponding all India figure.

The graph no. 2.3 & 2.4 show the number of accounts (saving + term) per hundred persons⁹ of different states and the average deposit per account (saving + term). The graph no. 2.2 gives the capacity of a person to bank. With the comparison of neighbouring states, it is seen that in Gujarat, it is slightly fewer as compared to Maharashtra. It is very clear that in Maharashtra the most share of deposits is from the people of Mumbai and Pune centers which could be one of the reasons why Gujarat's average deposit size is less than that of Maharashtra. The access to bank for the people in Maharashtra is less as compared to Gujarat (population per office in Gujarat is 14000 while in Maharashtra it is 15000) and so the Maharashtra has higher average deposit size. With the comparison of Karnataka it is seen that Gujarat has higher average deposit size. The access to bank in Gujarat is less as compared to Karnataka (population per office in Gujarat and Karnataka is respectively 14000 and 11000) and so Gujarat has higher average deposit size. It can also be said that more depositors in Karnataka may be from Bangalore.



Banking Deposits

The banks in Gujarat have a deposits base of Re.97687.93 crore from 2.55 crore accounts, out of Re. 1746814.04 crore deposits held by 46.68 crore accounts of all SCBs in India. The average deposit per account of the state is Re. 38278 as compared to Re. 37422 at all India level, revealing that the amount held by a Gujarat account holder is about 2% higher than that of the amount held by a typical account holder at national level. This is in tandem with the fact that per capita income⁸ of Gujarat is also about 22% higher than that of all India level. 5.47% of India's accounts holding 5.59% of deposits are located in Gujarat, which shows higher deposits even though the state is having only 4.94% of India's population i.e. the state has comparatively more depositors, still more deposits and it also indicates high fund availability with state offices as compared to other states except Maharashtra and Karnataka. This is also an indication of the higher savings capacity of Gujarat residents as average deposit per account is more than other states except Maharashtra.

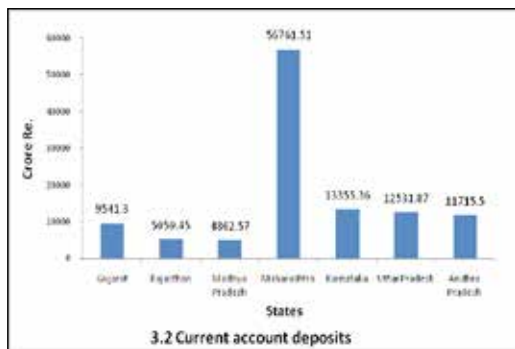
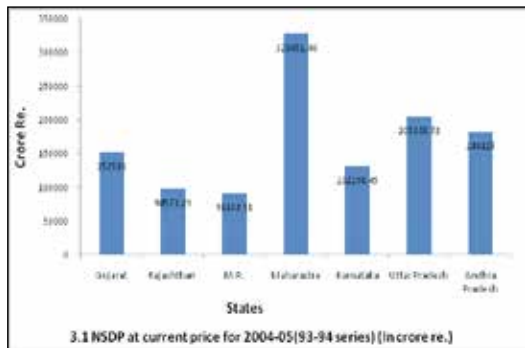


3. Real Sector and Financial Statistics

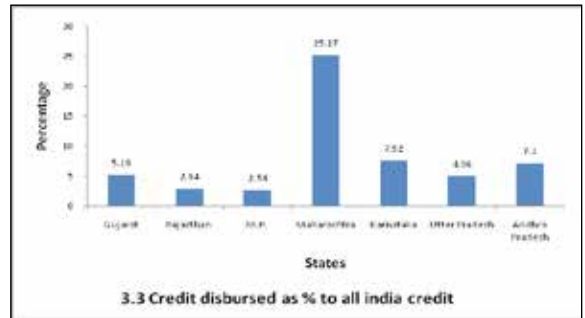
Current Accounts

The current accounts are primarily maintained for commercial / economic operations. The higher the banking habits, the more are the operations through these accounts. Sometimes, the statutes may also require high value transactions to be routed through banking channels. The depositors may not like to keep idle funds in the account. The deposits in the current accounts are primarily kept for the cheque received and cheque issued but not yet presented. The balances in current accounts also depend on clearing house efficiencies and availability of channels for parking moneys like minimum maturity for FDs, CDs, CPs and other money market instruments. It may be added that the current account operations also reflect certain other aspects of banking operations, like, efficiencies of clearing house, inter city clearings. Since the current accounts are maintained mainly for commercial transactions, the share of deposits in current accounts (to the total deposits) can be used as a proxy for commercial / economic activities in the region. The graph no. 3.1 and 3.2 show the

size of the economy as measured by NSDP and the share of current account deposits to total deposits for selected states. It is seen that as per NSDP Gujarat stands at 4th position and as per current account deposits Gujarat stands at 5th position among the selected states.



The state wise difference in size of credit disbursement also emerges through the following graph no. 3.3 that depicts the credit disbursal to these states as a percentage to all India credit. It can be seen that out of total credit, only 5.16% credit is disbursed through Gujarat. Gujarat is worse placed than Maharashtra, Karnataka and Andhra Pradesh amongst major states. Maharashtra has the highest disbursal amongst neighboring states. It should be noted that among all India credit 60% credit is disbursed through Mumbai, Delhi, Chennai, Bangalore, Kolkata, Hyderabad, Ahmedabad and Pune centers.



Analyzing the share of current account deposits, it can be observed that the share of Gujarat is 9.8% which is lower than the national level at 12.1%. Gujarat has steadily lower share in rural and urban/metropolitan where it is slight lower in semi urban. Both Maharashtra and Karnataka have higher share of current account deposits than national level.

Table: 3.1 Population group wise distribution of current account deposits of SCBs (Rs. In Lakhs)

States	Rural			Semi Urban			Urban/Metro			Total		
	Current	Total	%	Current	Total	%	Current	Total	%	Current	Total	%
GJ	47808	1291225	3.7	148774	1826206	8.1	757549	6651361	11.4	954131	9768792	9.8
RJ	48081	859442	5.6	119218	1142971	10.4	338647	2279909	14.9	505946	4282322	11.8
M.P.	40897	804240	5.1	113244	1244356	9.1	332116	2746500	12.1	486257	4795096	10.1
Maharashtra	70373	983147	7.2	160693	1543603	10.4	5445085	35694175	15.3	5676151	38220925	14.9
Karnataka	58744	1139392	5.2	132766	1528784	8.7	1144026	8100160	14.1	1335536	10768336	12.4
U. P.	164472	3447731	4.8	209993	2515491	8.3	878722	7572789	11.6	1253187	13536011	9.3
AP	57540	1210907	4.8	170226	2066992	8.2	943785	6544574	14.4	1171551	9822473	11.9
All India	1112360	21310411	5.2	2487731	29568540	8.4	17593852	123802454	14.2	21193943	174681405	12.1

Credit Disbursal

Only 5.16% of the credit disbursal by scheduled commercial bank is provided through Gujarat. The share of major states in all India credit disbursal is also abysmally low except Maharashtra and Karnataka. It may be pointed out here that about 40% of banks advances are sanctioned at Mumbai and Delhi and as mentioned earlier nearly 60% of the credit flows through top 9 metros in this country. The bank credit in India has a special feature that the credit migrates from one region to another mainly from metro/ urban centers to rural

and semi urban centers. This happens due to the fact that the sanctioning of credit limit takes place at bank's office located in bigger centers but disbursal is effected at the place of actual demand. As a result quite a few states are net gainer of the credit migration. Gujarat is one such state. The offices located in the state sanctioned a credit of 45390.42 crore but the credit utilization in the state was higher at Rs. 59471.94 crore as on 31st March 2005, which is 5.16% of all India credit utilization (a gain of 1.22%).

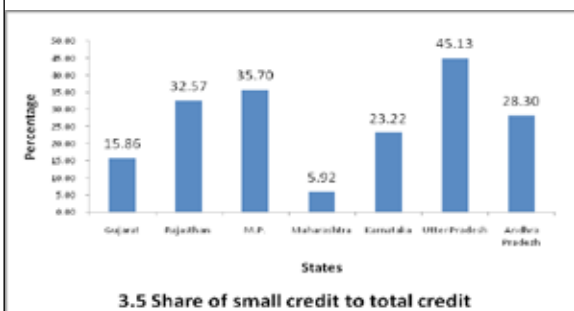
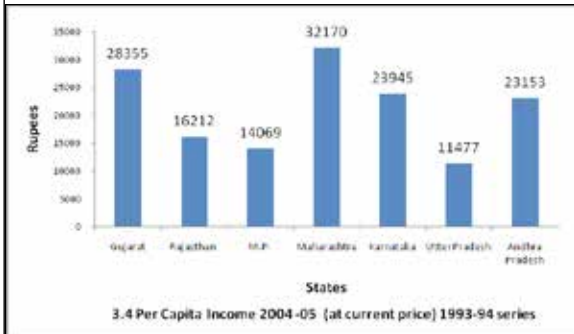
Table: 3.2 Outstanding credit according to place of sanction and utilization (Re. In Lakh)

States	Deposits	Total Credit Sanctioned	% To All India Credit Sanctioned	Total Credit Utilized	% To All India Credit Utilisation	CD ratio as per	
						Sanction	Utilisation
GJ	9768792	4539042	3.94	5947194	5.16	46.5	60.9
RJ	4282322	2941210	2.55	3275858	2.84	68.7	76.5
M.P.	4795096	2620869	2.27	2935907	2.55	54.7	61.2
Maharashtra	38220925	36277139	31.48	29010025	25.17	94.9	75.9
Karnataka	10768336	7946111	6.89	8664858	7.52	73.8	80.5

U. P.	13536011	5134490	4.46	5718136	4.96	37.9	42.2
AP	9822473	7346195	6.37	8185712	7.10	74.8	83.3
All India	174681405	115246793	100.00	115246793	100.00	66.0	66.0

Small size loans and per capita income of various states:

The banks in the Gujarat extend about 15.86% of their credit through the small borrowers¹⁰. For all India loans this figure is about 17.34%. Viewing this with the fact that average deposits of Gujarat depositor is on higher side (Rs. 38278) than all India level (Rs. 37422). One may infer that economic activities in Gujarat are comparatively on higher side. Since Gujarat is an industrial state, agricultural activities are on the lower side and because of that here very few farmers who have small agriculture land holdings, small size loans may be required very less.



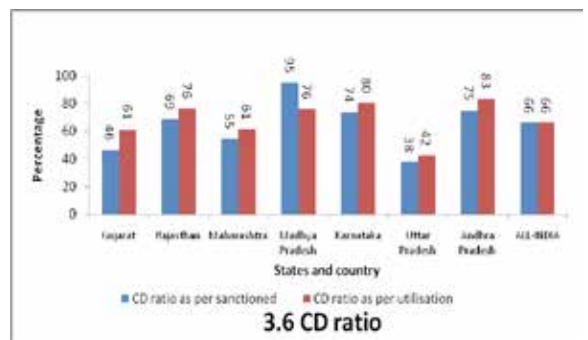
When above position is compared with the per capita income of these states, it is seen that higher the per capita income, the proportion of small borrowers to total borrowers is less. The graph no. 3.4 and 3.5 depict the above point. It is seen that Maharashtra is having the lowest share of credit to small borrowers (5.92%) and per capita income is highest (32170) whereas U.P. is having the highest share of credit to small borrower (45.13%) and per capita income is lowest (11477).

CD ratio

The credit deposit ratio¹¹ is an indicator of the funds utilized in the region, out of resources raised by its banks. CD ratio mainly reflects the capacity and competency of commercial sector to utilize the financial resources for various productive purposes. Therefore a low CD ratio depicts the picture of a state which has low level of entrepreneurship and is unable

to take advantage of the financial resources for exploiting its commercial potential.

CD ratios are computed based on actual sanctions made by the banks as well as the actual credit disbursal to the borrowers in a state. It was observed that certain states are receiving higher credit as computed to the sanctioned made by their offices as these states also utilize a share of credit sanctioned by offices located elsewhere in the country. Therefore this helps in improving the credit deficit states as the true picture of deployment of bank credit in the state gets depicted. According to sanctions the CD ratio of Gujarat at 47% is nearly at 70% of all India CD ratios. However, according to credit utilizations, this ratio improves highly to near 61%. Gujarat is very poor than its neighboring states as per sanction as well as utilization of advances (except Punjab for utilization).



Gender wise Deposits

For a given region, the financial data provides its economic profile relatively easily, but it is difficult to get its social profile using this data. However using the banking statistics, some social aspects of the region can also be observed. Gender wise analysis of deposits of individual account holder highlights that at national level 24.46% of depositors are females, whereas the proportion of female account holders in the state is a little low at 21.19%.

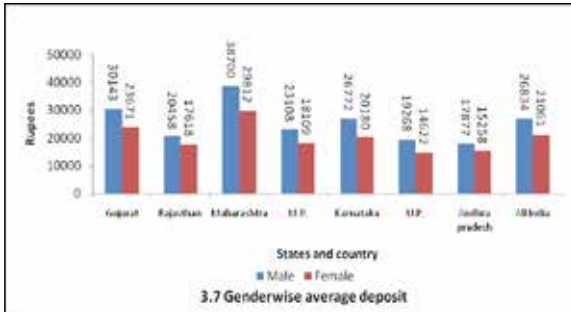
Likewise quantum of female deposits to total deposits is 13.76% at all India level, while it is slightly lower at 13.10% in the case of Gujarat. The women of Gujarat have an average deposit per account Re. 23671 which is about 112.4% of average deposit (of Re. 21061) of women at all India level. This points out to the fact that though in Gujarat the proportion of women who have bank deposits is slightly lower than that of all India level but their quantum of per capita deposits is 112.4% of that of national level. The average deposit of women of Maharashtra is better placed in compared to Gujarat. Moreover, per account deposit of Maharashtra is about 95% higher than that of per account deposit of Gujarat.

Table: 3.4 Deposits according to broad ownership category (A/C in 000, Amount in Lakh)

State	Male		Female		Total		Avg. Deposits per A/C	
	No. of A/C	Amount	No. of A/C	Amount	No. of A/C	Amount	Male	Female
GJ	18750	5651837	5408	1280129	25521	9768793	30143	23671
RJ	13455	2752641	3790	667712	18307	4282300	20458	17618
Maharashtra	34409	13316258	13562	4043065	51127	38220925	38700	29812
M.P.	13453	3108779	3710	671850	18172	4795096	23108	18109

Karnataka	19554	5234921	8485	1712233	29726	10768336	26772	20180
U.P.	47233	9100924	15048	2200271	63868	13536012	19268	20180
AP	25306	4524004	9834	1500479	38750	9822473	17877	14622
All India	329041	88294037	114161	24043064	466793	174681404	26834	21061

The position of average deposit according to gender is presented in the graph no. 3.7. It can be seen that the economic status of both male and female of Gujarat is comparatively less than that of Maharashtra and Punjab. The graph also shows the level of disparity between male and female.



4. Conclusion:

Gujarat is one of the developed states in India. It is having 4.94% of India’s population but it has about 4.79% of all India bank centres and 5.44% of all India bank offices, which indicates high representation of bank. Population per office in India is 16000 while that of Gujarat is 14000 which shows higher banking density of Gujarat than national level. As per

banking business per office, Gujarat stands at the 4th in comparison of major states. The per capita income of Gujarat is also 22% higher than national level. Per capita deposit of Gujarat is also 2% more than that of all India level. Gujarat holds 5.47% and 5.59% of India’s accounts and deposits respectively. The share of current account deposit in total deposits of Gujarat is 9.8%. The credit disbursal of Gujarat is 5.16% of India’s total credit disbursal. Gujarat gives credit to small borrower about 16%, which is 17% for India. CD ratio of Gujarat as per utilization is 61% while for India it is 66%.

Abbreviations:

- RRBs** : Regional Rural Banks
- SCBs** : Scheduled Commercial banks
- CDs** : Certificate of Deposits
- CPs** : Commercial Papers
- FDs** : Fixed Deposits
- NSDP** : Net State Domestic Product
- GSDP** : Gross State Domestic Product
- CD ratio** : Credit Deposit ratio
- SBI** : State Bank of India

- IDBI** : Industrial Development Bank of India
- NABARD** : National Bank for Agricultural and Rural Development
- CSO** : Central Statistical Organisation

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