ABSTRACT

STRUCTURE OF CREDIT DEPLOYMENT BY INDIAN COMMERCIAL BANKS IN POST REFORMS ERA

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Banks play an important role in economic life of a nation. Lending is one of the principal functions of commercial banks. The study reviews the growth and pattern of credit deployment by Indian commercial banks in post reforms era during the period from 1997-98 to 2011-12. The study found that RBI issues credit policy from time to time to maintain an appropriate level of liquidity in the economy. The public sector banks have deployed highest amount of credit, followed by private sector banks and foreign banks. Banks are in favour of metropolitan centre for credit distribution and mainly concentrated on their lending business in northern, western and southern regions over the period of study. The percentage share of industrial credit has been decreased whereas, the percentage share of personal loan and professional & other service loan has increased over the study period. Highest amount of credit has been deployed in the form of term loans. In the case of SBI & its Associates, advances are affected by the borrowings, number of employees and NPAs. However, in the case of nationalised banks, credit deployment has been found to be significantly associated with deposits, whereas in private sector banks and foreign banks, advances are affected by deposits and profits. The majority of the borrowers of the banks were satisfied with the loan services provided but small proportion of the borrowers were dissatisfied with the loan services provided by their bank in terms of high interest rate, location of foreign banks etc. Further, the study suggested the banks to deploy more credit towards rural and semi-urban areas, opening of more foreign banks branches, banking facilities need to be enhanced in north-eastern region, eastern region and central region in order to remove regional disparities, etc.

Key Words: Credit Deployment, Credit Policy, Public Sector Banks, Private Sector Banks, Foreign Banks.