CHAPTER IV

PERFORMANCE OF RURAL OPERATIONS OF
COMMERCIAL BANKS

In the preceding chapter, performance of co-operatives over a decade has been analysed. In this chapter, performance of Commercial Banks with particular reference to their rural operations is evaluated. As seen in the previous chapter, the co-operatives in the two countries failed to mobilise adequate amount of rural savings as deposits and the supply of co-operative credit, especially in the context of the increasing demand for funds by the rural sector, proved to be inadequate. Therefore, commercial banks in both India and Bangladesh, were advised to extend and accelerate their operations in the rural areas to supplement the operations of other extant agencies including co-operatives. These commercial banks have been operating in the rural areas for over a decade now. As such, as a part of the study of the institutional finance for rural development, an assessment of the performance of rural operations of commercial banks is appropriate.

4.2 Commercial Banks as Developmental Agents

Over the years, the theory of banking and the ownership pattern of banks have undergone a sea-change.

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1. In India rural operations of commercial banks include those centres with population of less than 10,000 as per 1971 census while areas having no municipal facilities are regarded as centres of commercial banks' rural operations in Bangladesh.
Since Keynes' General Theory, the neutrality of money thesis has been more or less abandoned by the economists. Rather, money is now regarded as exercising an important influence on the level of production and accumulation in the economy. Commercial banks, as dealers in money, have thus been recognised as vital agents in the process of economic development.

Contrary to traditional urban based business, rural operations of commercial banks may be regarded as an innovation. It is conceived that commercial banks, by mobilising rural deposits which remained untapped so far by co-operatives, can effectively add to the supply of rural credit known so far to be inadequately met by co-operatives and other extant agencies. Thus, commercial banks increase the incomes of the savers by paying them reasonable rates of interest on their deposits and also increase investment activities by providing required credit. Thus, what Schumpeter identified as a source of new investment has come to reality even in the rural context. It is now regarded that by planned direction of commercial banks' lendings, more economic activities are possible to be created for relatively less developed sectors of the economy and also for less developed segments of the population. With this end in view, commercial banks in

both Bangladesh and India were directed to extend their operations in the rural areas in order to help the Governments’ efforts for promoting rural development.

4.3 Rural Banking is Wider than Agricultural Banking

It is true that agriculture is the largest sector of the rural economy but it is not the total rural economy. From the available current literature, it is found that there exists widespread misunderstanding about this as a result of which agriculture is often taken as a proxy for rural economy. It is also found that many regard agricultural finance as synonymous with rural finance. Rural banking/finance in real sense of the term includes in addition to finance for agriculture, finance for rural entrepreneurs, rural transport and marketing, rural trade etc.

As such, to apprise the performance of commercial banks in the rural context, we consider their total rural operations and not those for agriculture alone.

Before presenting the evaluation it may be pertinent to discuss in brief the way commercial banks were brought on to the rural scene.

4.4 Taking Commercial Banks To The Rural Areas

Until recently, commercial banks in both India and Bangladesh were largely urban-oriented. In India, since 1968 and in Bangladesh since 1972, major commercial banks were brought under government control/ownership in order
to influence their resource flow in the most desired direction particularly, in the interest of the rural populace. The steps taken in this regard by the respective governments, are briefly outlined below.

**Bangladesh**

*Before the liberation of Bangladesh (December 1971), a large section of the banking sector was owned and managed by West Pakistani industrialists and the operations of banks were deliberately designed to suit mainly their interests. At the time of liberation, only 14% of the commercial bank branches, 17% of total deposits and 14% of bank credit in Bangladesh were by those banks owned and managed by Bangladesh.*

*Since the Head Offices of most of the banks were located in West Pakistan where usually surplus funds of the banks were maintained, Bangladesh lost the share of those surplus funds to which it was entitled. Because of this loss of surplus funds, the banking system as a whole in the newly born Bangladesh faced sudden and acute liquidity problem. Besides paucity of funds, Bangladesh also faced problems in managing the abandoned branches of West Pakistani banks. This situation, however, was tackled by various ad hoc arrangements including recruitment of*

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temporary administrators. This stop-gap arrangement continued till April 1972, when the government of Bangladesh nationalised the commercial banks (except foreign banks). After the nationalisation, all the commercial banks were grouped under the following newly formed six banks: Agrani Bank; Janata Bank; Pubali Bank; Rupali Bank; Sonali Bank and Uttara Bank.

After consolidation of the commercial banking sector, the Government directed (1973) these banks to open branches in rural areas. However, even after four years of the directives, the number of rural branches of commercial banks did not increase significantly. Therefore, Government of Bangladesh in 1977 introduced a Special Agricultural Credit Programme (SACP) through which each of the nationalised commercial banks was asked to increase their operations in the rural areas by opening rural branches and making rural lendings in the light of the target set by the Bangladesh Bank (Central Bank of the Country) in consultation with the individual bank.

India

Rural operations of commercial banks in India started practically when Imperial Bank of India was directed to open new branches in the unbanked areas following the recommendation of the Rural Banking Enquiry Committee (1950). However, as the performance in this regard was not satisfactory, the Rural Credit Survey Committee (1954)
suggested formation of the State Bank of India (SBI), one of the main objectives of which is to perform rural credit operations. In 1955, the SBI Act was passed which provided for opening of not less than 400 branches within five years of its nationalisation; the target was achieved in due time. Thereafter, with the purpose of introducing credit planning for ensuring greater flow of credit to the priority sectors, social control was imposed on commercial banks' lendings in 1968. Further in the same year, GOI directed RBI to form National Credit Council (NCC) which is to assess the credit requirements of different sectors and indicate order of priority for granting commercial banks' loans.

Even after imposing social control, GOI were doubtful of commercial banks' response to channelise increasing volume of credit to priority sectors which led them to think of bringing the ownership of banks under state control. This culminated in the nationalisation of fourteen major commercial banks in July 1969. The main objectives of nationalisation, among others, were: ensuring greater supply of credit for priority sectors; removal of ownership of banks by a few; and giving a professional bent to the bank management.4

4. Mrs. Indira Gandhi (Prime Minister), Broadcast to the Nation, July 19, 1969.
The Lead Bank Scheme

Gadgil Study Group (1968) recommended area approach of lending for commercial banks along with an integrated rural credit operation under the leadership of the relatively stronger commercial bank in a particular area. This recommendation, after due examination by a committee of bankers (Nariman Committee), was accepted by GOI in 1969. Under this Scheme, a bank is designated as Lead Bank for each district which is made responsible for surveying the credit needs and credit facilities in the respective districts and to allocate responsibilities among other banks operating in the area.

Regional Rural Banks (RRBs)

With a view to securing the twin advantages of the resource position and professional management outlook of the commercial banks along with the familiarity of local conditions of co-operatives, GOI established Regional Rural Banks in 1976 following recommendation of a working group under the chairmanship of M. Narasimham (1975). RRBs obtain funds from the RBI, and the GOI in addition to the sponsor banks.

4.5 Measures to Encourage Increased Rural Operations

Governments and Central Banks in both India and Bangladesh issued a number of instructions and provided required facilities in order to speed up commercial banks' rural operations. Some of these are: liberal approach towards branch expansion; providing concessional refinances
as and when necessary; introducing lead banks system for co-ordinated and joint approach; introducing RRBs in India and in similar pattern experimenting with Crameen Bank in Bangladesh; introducing Differential Rate of Interest Scheme; earmarking certain proportion of lendings for priority sectors; preferential treatment to small/marginal farmers, agricultural labourers and rural entrepreneurs; and minimum rural credit-deposit ratio of 60% in case of India and 75% in case of Bangladesh.

We may now review the rural operations of commercial banks.

4.6 SECTION II

As stated earlier, in India rural operations of commercial banks started four years earlier (1968) compared to those of Bangladesh (1972). As such, in order to make the performance of rural operations of commercial banks comparable between the two countries, four years prior to 1972 in case of India were excluded i.e. the period of comparison is from 1972 to 1980.

Since separate information relating to operational costs of rural branches and their profit performance are not available in both India and Bangladesh, we appraise the performance of rural operations of commercial banks in respect of three broad aspects:

(1) Coverage of rural areas by the commercial banks;
(ii) Success in regard to mobilisation of rural savings as deposits, and

(iii) Success in providing rural credits.

The performance analysis is attempted using the following:

(A) Three point analysis using secular growth* of these three aspects, i.e., coverage, deposit mobilisation and credit extension.

(B) A composite index is constructed taking all the three aspects together in order to assess the overall growth over the period, and

(C) Assessment of the level of development and changes in the level over the period using a 10-point scale.

(A) THREE POINT ANALYSIS

Secular growth of each of the three aspects, viz., coverage, mobilisation of deposits and extension of credit are discussed here.

4.6.1 (I) Coverage

Governments of both India and Bangladesh followed a liberal policy of branch expansion in the rural areas since the nationalisation of the commercial banks in the respective countries. Central banks in both the countries

* Since starting year of rural operations of commercial banks is different, it is likely that Bangladesh which started operations later will have relatively higher growth rates of the indicators compared to those of India.
set annual targets of branch expansion for each of the nationalised commercial banks and in case of India the number of branches that may be opened in urban areas was linked with opening of rural branches. Specifically, it was stipulated by the RBI that for every four rural branches opened, only one branch was allowed to be opened in the non-rural areas. RBI also issued a circular which envisaged that commercial banks should cover all the unbanked areas including the rural by June, 1978. Similar instructions were issued by the Bangladesh Bank that within a decade after nationalisation (1982), commercial banks were expected to cover all the unbanked areas including the rural.

Information furnished in Table 4.1 shows that coverage of the rural areas by commercial banks in India, Bangladesh and West Bengal during the period was quite satisfactory, as revealed by the highly significant growth (g1) of the coverage indicators: number of rural branches; rural branches as proportion of total branches and rural branches per hundred thousand of rural population. Growth rates (g1) of all these indicators were relatively higher for Bangladesh compared to Indian commercial banks because of the lower base of these indicators. Besides, expansion of rural branches when judged in terms of GCA, was quite good in both the countries but in the terminal year (1979-80) coverage of GCA per rural branch in Bangladesh was half of that of India and also of the State of West Bengal.
It may further be noted that in the terminal year (1979-80) rural branches as proportion of total branches was the highest (63%) in Bangladesh, 47% in India and 34% in West Bengal. The low proportion of rural branches in case of India can partly be explained by the relatively larger proportion of urban area. The same factor also explains the relatively low coverage of rural population in spite of a high proportion of rural branches in Bangladesh.

Even though the expansion of rural branches in both India and Bangladesh was satisfactory during the period 1971-72 to 1979-80, there are problems which branches face in their rural operations such as disparity in the spread of banking facilities, inadequacy of trained staff and effective flow of communication to and from the branches.

4.6.2 (II) Mobilisation of Rural Deposits

From the available data (Table 4.2), it is evident that mobilisation of rural deposits by commercial banks in both India and Bangladesh (as also in West Bengal) during the period was quite commendable. This claim is substantiated by the highly significant growth ($g_1$) of the various indicators used for judging the rural deposit performance of commercial banks: deposits in absolute amount; incremental amount of rural deposits; rural deposits as proportion of total commercial banks deposits; per capita rural deposits and deposits per hectare of
gross cropped area. However, incremental rural deposits as proportion of GDP from agriculture was not significant in Bangladesh.

A higher relative performance of rural deposits in terms of GCA in the terminal year in Bangladesh was mainly due to a decline in the GCA. A relatively low amount of deposits per rural branch in Bangladesh was probably due to faster increase in the number of rural branches with comparatively smaller command area of operation compared to that of India.

4.6.3 (III) Loan Operations

Commercial banks both in India and Bangladesh extend credit through the rural branches for various kinds of activities, such as, minor irrigation, farm mechanisation, dairying, poultry, fishery, and rural enterprises including those of artisans. Usually, such credits are made available from deposit resources for short-term period; in addition, term loans are also provided mostly from refinance resources for projects/lines of activities indicated by the refinancing agencies. In India, ARDC is the apex institution providing refinance and in Bangladesh where there is no such specialised agency, refinances are provided directly by the Bangladesh Bank.

Rural lending performance of Indian, Bangladesh and West Bengal commercial banks during the period under review is seen to be quite impressive from the information
furnished in Table 4.3. This is underlined by the significant growth (g1) of different indicators considered in appraising the success of rural operation of commercial banks: quantum of rural credit supply; incremental supply of rural credit; rural credit as proportion of total commercial bank's credit; rural credit as proportion of total commercial banks' deposits; amount of rural credit per bank; rural credit per capita and per hectare of GOA and incremental rural credit supply as percentage of GDP from agriculture.

It can be seen that growth (g1) of almost all the indicators in case of commercial banks' rural lendings of Bangladesh were relatively much higher than those of India and West Bengal; largely due to low performance level of the relevant indicators in the base year. It is to be noted that in Bangladesh, the growth of incremental rural credit supply as proportion of GDP from agriculture was not significant; it was, however, significant for India as well as West Bengal.

Though the amount of rural credit recorded a significant rise (g1); rural credit as a proportion of total commercial banks' credit in the terminal year was 9.60%, 8.51% and 3.36%, respectively, for India, Bangladesh and West Bengal. This ratio signifies low rural credit performance in view of the GOI's announcement that by 1985, 16% of the aggregate bank credit has to go for agriculture
and allied activities. Besides, per rural branch credit also appears to be low when compared with per rural branch deposit performance (Table 4.2). An examination of Tables 4.2 and 4.3 reveals that credit-deposit ratios of rural branches in case of India, Bangladesh and West Bengal were 54%, 44% and 32% respectively (1980). These ratios were below the GOI target of 60% to be reached by March, 1979 and Bangladesh Government's target of 75% to be achieved by 1980.

Though per capita rural credit by commercial banks registered significant growth, the per family (assumed 5 member size) rural credit at the end of 1980 was Rs. 210, Tk 110 and Rs. 100 respectively in case of India, Bangladesh and West Bengal. This, in view of the rising prices of inputs, and by any other standard, is grossly inadequate.

A similar picture emerges when rural credit is considered by per hectare of GCA which in 1980 was Rs. 125 in case of India, Tk 132 for Bangladesh and Rs. 99 for West Bengal. This is very low when judged by the cost of cultivation per hectare. Basu (1978) estimated the cost of implements alone per acre at Rs. 3000 in 1974-75 prices. Even if one puts per hectare cost of cultivation (including all inputs) at Rs. 5000, supply of rural credit per hectare

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is woefully inadequate even after taking into account the supply of co-operative credit.

Similarly, the incremental rural credit as percentage of GDP from agriculture while showing significant growth over the period was very low even at the end of 1980 - 1.53%, 0.69% and 0.57% respectively in case of India, Bangladesh and West Bengal. It may be pointed out here that the Pakistan Credit Enquiry Commission (PCEC) estimated in 1959 credit requirement for agriculture as 25% of GDP from agriculture. Even if we assume half of this proportion (12.5%) as the requirement for rural credit, the extension of rural credit by commercial banks in both India and Bangladesh turn out to be quite inadequate.

Besides, when the rural credit of commercial bank is considered in relation to total deposits mobilised by commercial banking sector, it is found that notwithstanding commendable growth over the period, rural credit of commercial banks as share of total bank deposits was low even in the terminal year (1980) - 6.49%, 6.82% and 2.05% respectively in case of India, Bangladesh and West Bengal. This indicates that non-rural areas in India contributing 35% of GDP (roughly 30% of GDP in Bangladesh) got a substantially higher proportion of credit than the rural areas which contribute 65% of GDP (70% in Bangladesh).

From the foregoing analysis, it is evident that even if, by absolute amount and by growth rates of various indicators, rural lending operations were apparently high, the low level of various key indicators even at the terminal year (1980) suggests that flow of commercial banks' credit to rural areas was still inadequate.

4.6.4 Implications of Target Oriented C-D Ratios

Governments of both India and Bangladesh, as mentioned earlier, set target C-D ratios for rural branches. It was considered necessary, because in the absence of such targets, rural branches may not have a clear goal to achieve. Apparently, it was a good decision but a closer examination of such target C-D ratios show some unhealthy implications such as the following:

(1) The deposits base of the rural branches in both India and Bangladesh being low, a 60% or 75% C-D ratio by itself does not imply any significant improvement in the supply of the volume of rural credit.

(2) It is likely that because of a relatively higher level of development, some states/areas have higher amount of deposits. In such areas, achievement of target oriented C-D ratios will only accentuate the already existing regional disparities.

(3) At the rural branch level, greater attention may be given to achieving the target rather than lending to the right persons for right type of activities.
In developed areas where deposits are relatively higher, rural branch managers may find it difficult to achieve such target C-D ratio because even lower than such ratio may meet the immediate credit requirements of the area owing to higher deposit base.

The above criticism does not mean that target C-D ratios should not be set. Rather, blindly following the targets without taking into consideration both the level of development and quantum of mobilised deposit resources in different areas may not yield the desired results.

4.7 TRANSFER OF RURAL SAVINGS

About three decades back Gunnar Myrdal in his Theory of Underdevelopment, stated that through the rural operations of various financial institutions including banks, surplus funds of the rural areas, are being transferred to the relatively more developed urban/metropolitan areas. This process of fund transfer was termed by him as "backwash effects". The logic of such fund transfer, as shown by him, lies in the possibility of having relatively higher return from investing funds in the more developed areas.

Assessment

Transfer of rural funds to non-rural areas has been reckoned with reference to loanable funds - both deposits

and refinances. Loanable deposits means the amount of total rural deposits mobilised minus the amount necessary to meet the requirements of the Statutory Liquidity Ratio (SLR). This SLR in both the countries during the period under review was around 35% with some minor fluctuations. Hence, in order to assess loanable deposits, we have assumed SLR in both the countries as 35% and thus loanable deposits would be of the order of 65% of the total rural deposits.

Data provided in Table 4.4 show that the growth (g1) of the amount of total fund transfer through rural operations of commercial banks was highly significant in case of both Bangladesh and India (as also in West Bengal). Such transfer of rural deposits increased to about four times during the period in case of India; three times in case of Bangladesh and a little more than six times in case of West Bengal. The amount of transfer in 1980 was around Rs. 4 thousand million in case of India and a little less than Tk/Ks one thousand million in case of both Bangladesh and West Bengal. When refinances for specific lines of activities are deducted from the total rural lendings, the magnitude of rural fund transfer appears to be even larger.

Growth (g1) of deposit transfer per rural branch was significant in case of India; in case of Bangladesh, on the other hand, there was a significant decline in deposit transfer per rural branch. The decline of per branch
transfer of rural deposits in case of Bangladesh was partly due to relatively lower per branch amount of deposits compared to India and West Bengal (Table 4.2) and partly due to higher target C-P ratio in Bangladesh (75%) compared to that of India (60%). In 1980, per branch transfer of rural funds was highest in case of West Bengal (Rs. 1.13 m), Tk 0.40 million in Bangladesh which was 1.5 times more than the transfer in case of India at Rs. 0.28 million.

Transfer of rural deposits, when judged as share of total rural deposits, shows that it significantly declined in all the regions under comparison. Rural deposits' transfer as a share of total rural deposits in the terminal year (1980) was 10.5%; 21.3% and 32.6% respectively in case of India, Bangladesh and West Bengal.

From the above analysis, it is evident that transfer of rural funds during the period was more in case of Bangladesh compared to that of India. The position of West Bengal in this regard was worse than Bangladesh. The magnitude of rural fund transfer was more in case of West Bengal compared to some other states of India is evident from the share of the amount of fund transferred in the terminal year i.e. about 1/5th of the all India total. A relatively higher transfer of rural savings in West Bengal can partly be attributed to low share of ARDC refinances for the state (2.26% of all India total in 1980). Besides, it could be gathered that in spite of State Government's
persuasive efforts, such transfer in West Bengal still continues.

While looking into the trends of transfer of rural deposits through commercial banks, one should not also forget that commercial banks are not the only agency transferring rural savings to non-rural areas. Large number of rural Post Offices, Insurance Companies (mostly Life) through rural premiums and other public limited companies entitled to accept deposits from the members of public are also acting as agents for transferring rural funds to non-rural areas. Another important point to be borne in mind is that lending operations of commercial banks in rural areas can be different in different regions depending on a number of factors such as: level of infra-structural development; availability of inputs; and magnitude of co-operative loan operations. Therefore, it will not be proper to put the entire blame at the doors of commercial banks for not lending the total loanable funds in the rural areas. However, as an institution in the public sector, commercial banks should make all out efforts to minimise transfer of the funds from the rural areas. Rather, they should, in pursuance of the Government commitments, make additional inflow of funds from non-rural areas in order

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to help faster development of rural areas.

4.8 COMPOSITE INDEX OF GROWTH

A composite index of growth taking the three major aspects of rural operations of commercial banks viz., coverage, deposit mobilisation and extension of credit is constructed on lines similar to that for co-operatives (Appendix A, Chapter III). The only difference is that, unlike in the case of co-operatives, aspects like cost control and earning of profit are not taken into consideration as information relating to these are not available separately for rural operations of commercial banks in both India and Bangladesh.

Specific indicators chosen for each of the three aspects are:

I. Coverage

(1) Number of rural branches as % of total number of branches.

(11) Number of rural branches per '000' rural population.

II. Deposit Mobilisation

(1) Rural deposits as % of total deposits.

(11) Per capita rural deposits.

(111) Incremental rural deposits as % of GDP from agriculture.

III. Extension of Rural Credit

(1) Amount of rural credit as % of total credit.
(ii) Per capita rural credit.
(iii) Rural credit per hectare of GFA.
(iv) Incremental rural credit as % of GDP from agriculture.
(v) Incremental rural credit/deposit ratio (C/D ratio).

The composite index thus computed is plotted in Chart Number X. The diagram shows that the composite index of the rural operations of commercial banks, except for the first four years, has grown faster in case of Bangladesh (marked, of course, by noticeable fluctuations) compared to that of India as well as West Bengal. The decline of the index for Bangladesh in 1974-75 was partly due to lower incremental flow of deposit and credit as a consequence of famine conditions and the decline in 1978-79 can be attributed to a policy of go-slow followed by Bangladesh banks in order to appraise their past operations in the rural areas.*

Relatively faster growth of composite index of the rural operations of Bangladesh commercial banks can be ascribed partly to low performance in the base year (because of later start) and partly to introduction of target oriented rural loan operations of commercial banks known as SACP (1977).

* Discussion with the Deputy Governor of Bangladesh Bank, Dhaka, October, 1980.
CHART XI. COMPOSITE INDEX OF LOAN AND NON-LIAB
PERFORMANCE OF AGRICULTURAL OPERATIONS OF
COMMERCIAL BANKS.
It can be seen from the Chart XI that composite index of loan operations for all the three regions showed relatively better growth than that of non-loan operations. But this gap in the growth of loan and non-loan performance during the first four years was rather narrow and since 1976 such gap continuously widened in all the regions. Such gap was wider in case of Bangladesh compared to India. A relatively lower growth of composite index of non-loan indicators, especially deposits, might have been a result of higher deposit at the base year relative to loan performance in case of all the regions under comparison (see Tables 4.2 and 4.3).

4.9 THE CHANGE IN THE LEVEL OF DEVELOPMENT

The three aspects that were considered while constructing composite index are also used for assessing the level of development with a ten-point scale on the lines discussed in Appendix A, Chapter III.

The Chart XII shows that the level of development in India was all through higher and relatively more consistent than that of Bangladesh. In case of West Bengal, this was even lower than Bangladesh.

The gap in the level of development between India and Bangladesh in the first few years was wide but gradually narrowed down which may be ascribed to aggressive efforts and target-oriented approach of rural operations of commercial banks in Bangladesh.
CHART XIII. LEVEL OF DEVELOPMENT OF RURAL OPERATIONS OF COMMERCIAL BANKS.
The growth in the number of rural branches in the two countries during the period (1972-80) was commendable. But, the proportion of rural branches to total commercial banks' branches in India was lower compared to that in Bangladesh.

An impressive growth of rural deposits as well as rural credit have been noticeable in terms of both flow and stock amounts in the two countries. However, an assessment of the underlying factors indicates that there is need to make further efforts to step up deposit mobilisation and credit extension in the two countries.

Backwash effects appear to be operating through rural branches of commercial banks in both India and Bangladesh, more in the latter than in the former. Compared to Bangladesh backwash effects were even more pronounced in West Bengal.
Table 4.1: Rural Coverage by Commercial Banks

<table>
<thead>
<tr>
<th>Items</th>
<th>All India</th>
<th>Bangladesh</th>
<th>West Bengal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1971-72</td>
<td>1979-80</td>
<td>Rate(%)</td>
</tr>
<tr>
<td>Number of rural branches</td>
<td>4817</td>
<td>15105</td>
<td>14.72**</td>
</tr>
<tr>
<td>Rural branches as proportion of total branches</td>
<td>35.36</td>
<td>46.59</td>
<td>3.41*</td>
</tr>
<tr>
<td>Thousand Hectares of GCA per rural branch</td>
<td>34.29</td>
<td>12.99</td>
<td>-13.91**</td>
</tr>
<tr>
<td>Rural branches per lakh of rural population</td>
<td>1.08</td>
<td>2.95</td>
<td>13.03**</td>
</tr>
</tbody>
</table>

** = Significant at 1% level.
* = Significant at 5% level.
### Table A.2: Rural Deposits of Commercial Banks

<table>
<thead>
<tr>
<th>Items</th>
<th>All India</th>
<th>Bengal/P</th>
<th>West Bengal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1971-72</td>
<td>1972-80</td>
<td>1972-73</td>
</tr>
<tr>
<td></td>
<td>Growth Rate(%)</td>
<td>Growth Rate(%)</td>
<td>Growth Rate(%)</td>
</tr>
<tr>
<td></td>
<td>(g1)</td>
<td>(g1)</td>
<td>(g1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Amount of rural deposits</td>
<td>4586</td>
<td>39664</td>
<td>26.33**</td>
</tr>
<tr>
<td>2. Rural deposits as % of total deposits</td>
<td>6.09</td>
<td>11.90</td>
<td>7.45**</td>
</tr>
<tr>
<td>3. Per branch rural deposits</td>
<td>0.96</td>
<td>2.68</td>
<td>11.77**</td>
</tr>
<tr>
<td>4. Per capita rural deposits (Tk/Rs)</td>
<td>10.27</td>
<td>77.42</td>
<td>24.62**</td>
</tr>
<tr>
<td>5. Rural deposits per baster of GCA (a) (Tk/Rs)</td>
<td>27.76</td>
<td>176.17</td>
<td>25.44**</td>
</tr>
<tr>
<td>6. Incremental (b) rural deposits</td>
<td>1092</td>
<td>9133</td>
<td>26.54**</td>
</tr>
<tr>
<td>7. Incremental (b) rural deposits as % of GUS from agriculture</td>
<td>1.07</td>
<td>2.79</td>
<td>19.15**</td>
</tr>
</tbody>
</table>

** = Significant at 1% level.
(a) = Last year relate to 1978-79.
(b) = First year relate to 1972-73.
(P) = Rural deposits of first three years were estimated on the basis of per branch deposits of 1974-75.
### Table A.1: Rural Credit of Commercial Banks

<table>
<thead>
<tr>
<th>Items</th>
<th>All India</th>
<th>West Bengal(P)</th>
<th>State Bank</th>
<th>(Tk/Rs in million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>72</td>
<td>Rate(%)</td>
<td>72</td>
<td>Rate(%)</td>
</tr>
<tr>
<td>1. Amount of rural credit</td>
<td>1909</td>
<td>21619</td>
<td>28.94**</td>
<td>45</td>
</tr>
<tr>
<td>2. Incremental rural credit</td>
<td>1777</td>
<td>5013</td>
<td>24.61**</td>
<td>11</td>
</tr>
<tr>
<td>3. Rural credit as % of total credit</td>
<td>3.56</td>
<td>9.66</td>
<td>10.71**</td>
<td>1.58</td>
</tr>
<tr>
<td>4. Per branch rural credit</td>
<td>0.40</td>
<td>1.46</td>
<td>14.39**</td>
<td>0.13</td>
</tr>
<tr>
<td>5. Per capita rural credit (Tk/Rs)</td>
<td>4.27</td>
<td>42.20</td>
<td>27.23**</td>
<td>0.69</td>
</tr>
<tr>
<td>6. Rural credit per hectare of Goa (Tk/Rs)</td>
<td>11,56</td>
<td>124.75</td>
<td>28.37**</td>
<td>3.58</td>
</tr>
<tr>
<td>7. Incremental rural education as % of GNP from agriculture</td>
<td>0.04</td>
<td>1.03</td>
<td>17.95**</td>
<td>0.04</td>
</tr>
<tr>
<td>8. Rural credit as % total deposit</td>
<td>2.53</td>
<td>6.49</td>
<td>10.07**</td>
<td>0.98</td>
</tr>
</tbody>
</table>

** = Significant at 1% level.
* = Significant at 5% level.
(a) = Refers to the year 1972-73.
(P) = Amounts of rural credit for the years 1971-72 - 1973-74 were estimated on the basis of per branch performance of 1974-75.
### Table 4.4: Transfer of Rural Savings through Commercial Banks

<table>
<thead>
<tr>
<th>Indicators</th>
<th>All India</th>
<th>Bangladesh</th>
<th>1971-1975 Growth</th>
<th>Bangladesh</th>
<th>West Bengal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1971-1975</td>
<td>(rate%)</td>
<td>1971-1979 Growth</td>
<td>(rate%)</td>
<td>1971-1979 Growth</td>
</tr>
<tr>
<td>1. Amount of deposit transferred (a) (without refinances)</td>
<td>1072</td>
<td>4163</td>
<td>18.02**</td>
<td>235</td>
<td>832</td>
</tr>
<tr>
<td>2. Transfer of rural deposits (with refinances)</td>
<td>1095</td>
<td>5836</td>
<td>22.12**</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3. Adjusted C-D ratio after refinances</td>
<td>41.13</td>
<td>50.29</td>
<td>1.67*</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4. Per rural branch transfer of deposits</td>
<td>0.22</td>
<td>0.28</td>
<td>3.70*</td>
<td>0.73</td>
<td>0.40</td>
</tr>
<tr>
<td>5. Percentage (b) transfer of deposits</td>
<td>23.37</td>
<td>10.49</td>
<td>-8.32**</td>
<td>55.25</td>
<td>21.33</td>
</tr>
</tbody>
</table>

(a) = Million.

(-) = Not applicable for Bangladesh.

** = Significant at 1% level.

* = Significant at 5% level.

(a) = Calculated assuming 65% maximum loanable deposits.

(b) = Loanable percentage of deposit minus actual percentage of deposits extended as credits.

« = Bangladesh refinances to commercial banks for rural credit are not separately available.