CHAPTER V

SUMMARY AND CONCLUSIONS

The success of overall economic development is mainly based on the banking sector. Noticing this significant part of the banking sector in growth and development of the economy, the Government of India took various measures for effective banking system. Nationalisation of big commercial banks was one such measure taken by the Government. Prior to nationalisation, the commercial banks were profit-oriented, private-owned and urban-biased which resulted in imbalanced economic growth and development of the country. It was true to the dictum that 'finance follows where enterprise leads'. And concentration of banking led to sectoral, regional and State-wise imbalances. The rural sectors and weaker sections were deprived of banking services. They are, no doubt, weak but their credit needs for development are strong. Further, the security oriented credit policy helped in concentration of economic power in the sense creation of industrial and business monopolies. Added was mobilising public savings in certain areas and utilising them elsewhere. All the above led to inter-regional and inter-State imbalances. The working of banking sector was thus, described as 'class banking'.
On the eve of nationalisation, the number of branches per million population for the nation was 15.51. The variation range was very wide with the Western region having 25.79 branches per million population at the top and the Northern region only 4.59 branches per million at the bottom. So far as imbalances of State is concerned, Chandigarh stood at the top with 133.33 branches per million population and Manipur at the bottom with 1.88 branches per million. Such wide variations are also found with reference to deposits and credit. Statistics too support the view that there were serious imbalances in banking services.

Balanced development is a pre-requisite in achieving socio-economic objective of the country. Commercial banks since nationalisation have registered a rapid strides and achieved good progress which can be revealed by any publication relating to banking statistics in India. Despite all achievements, still there may be existed inter-regional and inter-State imbalances in terms of the availability of banking facilities. It needs to examine how far the growth of banking since nationalisation has helped to narrow the region-wise and State-wise disparities in the provision of banking facilities. To examine this objective, the present study covers the working of banking during 1969-‘89, dividing the Indian union into six regions.
The banking company is an organisation of various means and its effectiveness hinges on how effectively activate these means. Towards this end, good personnel management, sound banking policy for deposit mobilisation as well as credit deployment, adaptive response to customers, effective bank market including bank research etc., would be need of the hour. The economic development is linked more with the overall economic planning than with mere homogeneous bank planning. This would need linking of bank plan with the overall economic planning.

The implementation of development programme during post-nationalisation period has brought changes—functional diversification and social banking to meet the needs of planned economy. A call to the effect of interaction between the apex bodies and the commercial banks devoiding political interference would be of immense help for revolutionary change in the structure and policy objective.

The study of Indian banking system as a whole reveals achievements in branch expansion programme, deposit mobilisation, credit deployment and credit-deposit ratio. The scheduled commercial banks were though reduced in number to 71 in 1969 from 92 in 1951 had 98 per cent of 8443 branches, mobilised deposits of Rs.4665 crores and provided credit of
Rs.3597 crores. During two decades of 1969-89, the commercial banks increased their branches by 48,698 from 8262 to 56,960, deposits by Rs.1,42,217 crores from Rs.4,665 crores to Rs.1,46,882 crores and credit by Rs.92,406 crores from Rs.3,597 crores to Rs.96,003 crores which respectively accounted for an annual compound growth rate of 10.27 per cent, 19.19 per cent and 18.19 per cent.

In response to the priority sector stipulations laid down by the Reserve Bank of India, the commercial banks could fulfil by the year 1989. One of the praiseworthy achievements of commercial banks is that of extending credit under DRI scheme and to weaker sections to the tune of specified norms. Another achievement in Indian banking scene is that of taking measures to end exploitation of the poor by the rich, of the masses by the classes, of villages by the towns, and of the weaker by the stronger - widening and deepening of banking in rural India. Still there is scope and need to enhance the priority sector credit target from the present level of 40 per cent to the tune of 50 per cent of bank credit. Credit - deposit ratio for the rural sectors and under developed regions of the country would further be needed enhancement. This credit-deposit ratio will have to be increased between 60-70 per cent. Otherwise, there is likelihood of excess funds going to urban.
It would be better if the commercial banks can undertake the integrated services mean provision of supply service, marketing service, demonstration service and credit service. To mention a few areas for which the commercial banks should provide loans are: (i) extension of bank card and agricard to rural people, (ii) aerial spraying of crops, (iii) linking of credit with marketing, (iv) preferential treatment in providing loans to the persons who adopted family planning and thereby making family planning a peoples' movement, (v) loans to scholarly students who could not prosecute their studies due to financial weakness, (vi) rehabilitation of sick enterprises etc.

The commercial banks increased their share of rural branches from 62.38 per cent in 1969 to 76.14 per cent in 1989, rural deposits from 25.06 per cent to 35.82 per cent and rural credit from 12.82 per cent to 31.24 per cent respectively. Increasing trend is noticed with reference to deposit mobilisation and credit deployment in rural areas but it is less than the trend in urban centres. In absolute terms, the progress in rural sector of deposits and credit in comparison to rural branches progress is not in proportion. It means that steps are to be needed to educate rural people about their economic promotion and bank objective. Additional
income generated and additional employment created programmes in villages through bank finance should be made available to the rural people.

One of the greatest challenges to the humanistic discipline of economics is to mitigate, if not to eliminate completely, the pangs of poverty. The bank economists and researchers, therefore, have greater responsibility in bringing about the transformation in the attitude and actions of the banking sector towards rural development. Yet another important issue that calls for immediate attention is the role of education in integrated rural development and impact of it on the village women. Unless they are educated and make them more responsive, they will be insensitive to all the economic schemes that are schemed for their welfare.

This needs an ideological revolution in country-side which might be brought by educating the rural masses to make them more responsive for new ideas and innovations. Then only the ruralities come forward to deposit with bank which creates ample scope for bank to mobilise more resources that results in reducing the disparities between rural and urban. Hence impulsing a sense of enthusiasm about economic projects for economic improvement through means of friendly relation would more significant factor in 'give and take' between banker and customer. It would be appropriate to mention here
that there is need for evolving better co-ordination between the branches of the commercial banks and the infrastructural facilities. A suggestion in this direction would be to develop the basic infrastructure facilities in the area of rural branches which are now emerging as a focal point of commercial activity.

The commercial banks since nationalisation in fact have made rapid progress in branch expansion in all the regions and the States particularly in the unbanked and under-banked centres of rural India which could reduce the gap between developed and backward in terms of availability of banking services. In other words, positive trend in backward regions/States is noticed (Table 4.1). For instance, the location quotient of above the national average regions namely the Northern, Western and Southern, decreased from 1.33, 1.66 and 1.49 in 1969 to 1.27, 1.08 and 1.15 in 1989 respectively. And the location quotient of the Northeastern, Eastern and Central regions increased from 0.29, 0.47 and 0.55 in 1969 to 0.71, 0.81 and 0.88 in 1989 respectively. Similarly, the location quotient of the advanced States/Union Territories namely Chandigarh, Maharashtra and Goa decreased from 8.60, 1.49 and 8.17 in 1969 to 2.29, 1.02 and 2.20 in 1989; and the location quotient of the backward States like Manipur, Meghalaya, Nagaland and Tripura increased
from 0.12, 0.50, 0.31 and 0.22 in 1969 to 0.52, 1.21, 0.92 and 0.85 in 1989. This reveals the fact that there is a move in eliminating wide variation between developed and backward regions/States.

Due to rapid branch expansion the total deposits of commercial banks in many regions/States have been considerably increased in 1989 over 1969. The location quotient of the Northern and Western regions were above the national average in 1969 (1.63 and 2.37) and in 1989 (1.86 and 1.76) also. Comparison of location quotient of each region in 1969 and 1989 shows some marked change. The above average regions/States have shown a decreasing trend in 1989 over 1969. For example, the location of quotient of the Western region was 2.37 in 1969 decreased to 1.76 in 1989; and Goa's location quotient decreased from 8.35 in 1969 to 3.82 in 1989. While below the national average regions/States have shown an increasing trend. The location quotient of the Northeastern region and Nagaland State increased from 0.29 and 0.27 in 1969 to 0.45 and 0.82 in 1989. With reference to the Northern region, which is an advanced region shows an increasing trend in deposit elasticity. In credit-deposit ratio, it shows a decreasing trend which means the region tapped more and more deposits and deployed more and more funds in other regions (Tables 4.2 and 4.4). This concludes that the
commercial banks are proceeding in a right direction. A similar trend is also noticed in relation to deployment of credit.

The elasticity co-efficient reveals that all regions and all States/Union Territories fall under the category of more than unit both in deposit mobilisation and credit deployment which means the proportionate change in volume of deposits and credit is higher than the proportionate change in branch expansion. However, a great variation among the regions/States can be noticed (Table 4.6). The Southern, Western and Northern regions are comparatively higher deposit as well as credit potential than the other regions. As far as States are concerned, Goa, Delhi, Gujarat, Maharastra, Kerala and Tamilnadu have higher deposit and credit potential. An observation which could be made is that still variation among the regions and among the States in branch expansion, deposit mobilisation and credit deployment existed which are to be corrected.

It is also noticed that the growth in branch expansion in backward regions/States seems to be faster than the growth in advanced regions/States. Obviously this is a healthy sign for economic proposition. But in the study, the progress of
deposits and credit deployment in backward regions/States in relation to branches is not in commensuration with that of funds mobilised and distributed in relation to branches in advanced regions/States. This may pose the banking sector to function on unviability in backward regions/States. So, the Central Government could subsidise/provide the operational cost. And further the Government should take steps for identification and location of enterprises by conducting surveys in those regions/States and preference should be given in licencing the enterprises in those areas.

Even in some of the highly banked States, deficit pockets have been found and they may have to be considered on a separate footing in the matter of granting licences to open the branches. While expanding the branch network perhaps care is to be taken in realigning the existing branches to minimise their concentration in certain pockets around the urban and metropolitan centres. Finally, having grown at rapid rate, it is perhaps necessary to take stock of the situation and consolidate the banking system. There is greater need for control and supervision of various activities. This would be helpful for rejuvenating the efforts of the banking industry in making its contributions more effective and useful to the growth of economy with social justice.
To sum up, balanced regional growth is the collective function of geographical, climate and socio-economic factors in addition to the credit input. The evil of regional imbalance can be combated through banks on the economic oriented policy of fiscal, industrial and other. Then only the banks would become the potent instrument for balanced economic growth and development of the nation. Time changes and so also change is to be needed for effective banking organisation by conducting research on external and internal factors. This would certainly help in narrowing down inter-regional and inter-State banking disparities.