



## Growth and Development of Indian Banking Sector

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### **Abstract:-**

This the era of transformation of highly regulated to liberalization, public sector to private sector and closed economy to globalized economy. This is the new starting era of new private sector banks and foreign banks. With privatization new private sector banks like HDFC, ICICI, Yes etc, and so many foreign banks came in picture. New services introduced in banking sector 24 hours of banking, computerization of banking, ATMs, internet banking, mobile banking, payment bank.

### **Introduction:-**

This the era of transformation of highly regulated to liberalization, public sector to private sector and closed economy to globalized economy. This is the new starting era of new private sector banks and foreign banks. New private sector banks publish their annual reports from 1995-96. Therefore researcher makes two tables first 1995-96 to 2004-05 and second 2005-06 to 2014-15 to review the growth and development of the banking groups in India.

### **Literature Review:-**

The study by (D.M.Sharma. 2005) attempted to demonstrate that the Indian banks has to face the global competition. As a consequence, there has not only been rapid expansion in the number of banking institutions in the country, but the banking horizon of the country has also changed significantly with the entry of new private sector and foreign banks.

The study by (T.Mohan<sup>23</sup>, 2005) has analyzed that public sector banks shown a remarkable transformation in the post-reform period. Profitability was comparable to international banks efficiency and stability has improved and there was a convergence between PSBs and private banks. But the PSBs will be severely tested as disintermediation proceeds apace on both the asset and liability sides.

Study by (S. Cole<sup>29</sup>, 2007) has studied uses a policy experiment in India to evaluate the effect of government ownership of banks on financial and economic development.

**Objectives of the Study:-**

- A review of Indian banks after Liberalization, Privatization and Globalization

**Research Design & Period of the Study:-**

The design of the present study was descriptive and analytical in nature and covers the period of 10 years, from 2005-06 to 2014-15.

Table No:- 1

**Number of Banks, Capital, Deposits, advances, assets and ratios**

(Period from 1995-96 to 2004-05) (Amount in Rs. Crore)

No	No of Commercial Banks				No of banks offices in India					Populat ion Per Office	Capital	Deposits	Total Advances	Total Assets	Capital to total assets ratio	Deposits to total assets ratio	Advances to total assets ratio	Priority Sector Advances in total Credit
	Year	Sched uled	RRB	Non Sched uled	Rural	Semi Urban	Urban	Metro Politan	Total									
1	1995-96	95	196	2	32995	13561	9086	7384	63026	15	16706	471816	259495	618136	6.44	181.82	238.21	32.8
2	1996-97	101	196	2	32915	13766	9340	7529	63550	15	17283	555740	283543	697112	6.10	196.00	245.86	34.8
3	1997-98	103	196	1	32878	13980	9597	7763	64218	15	20657	666309	333607	824975	6.19	199.73	247.29	34.6
4	1998-99	106	196	1	32857	14168	9898	8016	64939	15	19582	797879	380129	986368	5.15	209.90	259.48	35.3
5	1999-2000	101	196	0	32734	14407	10052	8219	65412	15	20570	932533	455896	1152604	4.51	204.55	252.82	36.8
6	2000-01	100	196	5	32562	14597	10293	8467	65919	15	21144	1093527	540733	1344570	3.91	202.23	248.66	35.5
7	01-02	98	196	4	32380	14747	10477	8586	66190	16	23616	1247239	663453	1592315	3.56	187.99	240.00	34.8
8	02-03	93	196	5	32303	14859	10693	8680	66535	16	23676	1405205	760167	1759246	3.11	184.85	231.43	34.6
9	03-04	90	196	5	32121	15091	11000	8976	67188	16	24543	1631825	888670	2045214	2.76	183.63	230.14	37.1
10	04-05	88	196	4	32082	15403	11500	9370	68355	16	28202	1899699	1182627	2433380	2.38	160.63	205.76	36.7
AVERAGE	95-96 to 04-05	<b>97</b>	<b>196</b>	<b>2</b>	<b>32582</b>	<b>14457</b>	<b>10193</b>	<b>8299</b>	<b>65533</b>	<b>15.40</b>	<b>21597</b>	<b>1070177</b>	<b>574831</b>	<b>1345392</b>	<b>4.41</b>	<b>191.13</b>	<b>239.97</b>	<b>35.30</b>
	95-96 to 99-00	101	196	1	32875	13976	9594	7782	64229	15.00	18959	684855	342534	855839	5.68	198.40	248.73	34.86
	00-01 to 04-05	93	196	4	32289	14939	10792	8815	66837	15.80	24235	1455499	807129	1834945	3.15	183.87	231.20	35.74
Growth		-8	0	3	-586	963	1198	1033	2608	0.80	5276	770644	464595	979106	-2.53	-14.53	-17.53	0.88
<b>Growth Rate(%)</b>		<b>-7.92</b>	<b>0.0</b>	<b>300</b>	<b>-1.78</b>	<b>6.89</b>	<b>12.49</b>	<b>13.27</b>	<b>4.06</b>	<b>5.33</b>	<b>27.83</b>	<b>112.53</b>	<b>135.63</b>	<b>114.40</b>	<b>-44.59</b>	<b>-7.32</b>	<b>-7.05</b>	<b>2.52</b>

Source:- file:///F:/Ph.D/theory%20on%20banking/banking%20theory/6466.pdf (Accessed on Date:-18/8/15)

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<http://rbidocs.rbi.org.in/rdocs/Publications/DOCs/T11BSRV370909.xls> (Accessed on Date:-25/8/15)

Note: - (Data compiled and calculated) Data not available.

Table No. 1 following conclusions have been drawn.

- I. In the period of 1995-96 to 99-2000 averaged scheduled commercial banks were 101 which were decreased to averaged 93 in the period 2000-01 to 04-05, whereas the growth rate was negative about 7.92 %.
- II. The numbers of regional rural banks were 196 in all years.
- III. In the period of 95-96 to 99-2000 averaged non scheduled banks was about 1 which were increased average to 4 in the period 00-01 to 04-05.
- IV. In the period of 1995-96 to 99-2000 averaged rural branches were 32875 which were decreased to averaged 32289 in the period of 2000-01 to 04-05, whereas the growth rate was negative about 1.78 %. In semi urban area it was 13976 increased to 14939, whereas the growth rate was about 6.89 %.
- V. The number of bank branches in urban and metro-politan was respectively 9594 and 7782 in 95-96 to 99-00, which was increased to averaged 10792 and 8815 in the period of 00-01 to 04-05, whereas the growth rate was about 12.49 % and 13.27% respectively. The total number of branches was increased by about 4.06 %.
- VI. In the year 1995-96 to 99-2000 averaged 15 thousand populations per office which was increased to 15.80 thousand in 2000-01 to 04-05.
- VII. The capital, deposits and advances increased by average about 28 %, 113 % and 114 % in the period of 00-01 to 04-05 compared to the period of 95-96 to 99-2000.
- VIII. It was examined that the capital to total assets ratio showed decreasing trends (except the year 1997-98) in all the years under study. In 1995-96 to 99-2000 an average percentage was 2.29 %, which was decreasing to 1.35 % in 2000-01 to 04-05, whereas the growth rate was negative about 40.96 %.
- IX. It was observed that the deposits to total assets ratio showed fluctuating trends in all the years under study. In 1995-96 to 99-2000 an average percentage was 79.72 %, which was slightly decreasing to 79.48 % in 2000-01 to 04-05, whereas the growth rate was negative about 0.31 %.
- X. It was examined that the advances to total assets ratio showed fluctuating trends in all the years under study. In 1995-96 to 99-2000 an average percentage was 40.24 %, which was increasing to 43.43 % in 2000-01 to 04-05, whereas the increasing percentage was about 7.94 %.
- XI. In the period of 1995-96 to 99-2000 about 34.86% share of priority sector advances in total credit which was slightly increased to about 35.74% in the period of 2000-01 to 04-05, whereas the growth rate was about 2.52 %.

Table No:- 2

**Progress of Commercial Banks of Indian Banking Sector at a Glance**

(Period from 2005-06 to 2014-15) (Amount in Rs. Crore)

No	No of Commercial Banks				No of banks offices in India					Population Per Office	Capital	Deposits	Total Advances	Total Assets	Capital to total assets ratio	Deposits to total assets ratio	Advances to total assets ratio	Priority Sector Advances in total Credit
	Year	Scheduled	RRB	Non Scheduled	Rural	Semi Urban	Urban	Metro Politan	Total									
1	05-06	85	133	4	30579	15556	12032	11304	69471	16.00	25207	2164682	1516811	2785863	0.90	77.70	54.45	37.20
2	06-07	83	96	4	30551	16361	12970	11957	71839	15.00	29559	2696937	1981236	3459962	0.85	77.95	57.26	36.50
3	07-08	80	91	4	31076	17675	14391	12908	76050	15.00	39964	3320062	2476936	4326166	0.92	76.74	57.25	34.90
4	08-09	80	86	4	31667	18969	15733	14178	80547	14.50	43289	4063201	2999923	5238642	0.83	77.56	57.27	34.80
5	09-10	83	82	4	32624	20740	17003	15026	85393	13.80	48619	4746919	3496719	6026925	0.81	78.76	58.02	35.10
6	10-11	83	82	4	33683	22843	17490	16247	90263	13.40	58975	5615874	4297487	7183398	0.82	78.18	59.83	34.50
7	11-12	87	82	4	36356	25797	18781	17396	98330	12.30	63664	6453548	5073559	8320890	0.77	77.56	60.97	32.90
8	12-13	87	64	4	39195	28165	19902	18175	105437	11.90	70310	7429532	5879702	9589952	0.73	77.47	61.31	34.30
9	13-14	89	57	5	45177	31442	21448	19213	117280	10.80	76067	8533173	6735213	10975929	0.69	77.74	61.36	35.70
10	14-15	92	56	4	48498	33703	22997	20474	125672	10.30	81871	9435101	7388179	12034182	0.68	78.40	61.39	37.20
AVERAGE	05-06 to 14-15	<b>84</b>	<b>82</b>	<b>4</b>	<b>35940</b>	<b>23125</b>	<b>17274</b>	<b>15687</b>	<b>92028</b>	<b>13.3</b>	<b>53752</b>	<b>5445902</b>	<b>4184576</b>	<b>6994190</b>	<b>0.80</b>	<b>77.81</b>	<b>58.91</b>	<b>35.31</b>
	05-06 to 09-10	82	97	4	31299	17860	14425	13074	76660	14.86	37327	3398360	2494325	4367511	0.86	77.74	56.85	35.70
	10-11 to 14-15	87	68	4	40581	28390	20123	18301	107396	11.74	70177	7493445	5874827	9620870	0.74	77.87	60.97	34.92
Growth		5	-29	0	9282	10530	5698	5227	30736	-3.12	32850	4095085	3380502	5253359	-0.12	0.13	4.12	-0.78
<b>Growth Rate (%)</b>		<b>6.10</b>	<b>-29.90</b>	<b>0.0</b>	<b>29.66</b>	<b>58.96</b>	<b>39.50</b>	<b>39.98</b>	<b>40.09</b>	<b>-21.00</b>	<b>88.01</b>	<b>120.50</b>	<b>135.53</b>	<b>120.28</b>	<b>-14.44</b>	<b>0.16</b>	<b>7.25</b>	<b>-2.18</b>

Source:- <http://rbidocs.rbi.org.in/rdocs/Publications/DOCs/101T8FFE13CF1EF64832A1FB86BD8B16556D.XLS> (accessed on Date:- 26/08/15)

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Table No. 2 following conclusions have been drawn.

- I. In the period of 05-06 to 09-10 averaged scheduled commercial banks were 82 which were increased to averaged 87 in the period of 10-11 to 14-15, whereas the growth rate was positive about 6.10 %.
- II. In the period of 05-06 to 09-10 averaged RRBs were 97 which were decreased to averaged 68 in the period of 10-11 to 14-15, whereas the growth rate was negative about 29.90 %.
- III. The number of non scheduled banks was 4 in research period except 5 in the year of 2013-14.
- IV. In the period of 05-06 to 09-10 averaged rural branches were 31299 which were increased to averaged 40581 in the period of 10-11 to 14-15, whereas the growth rate was about 29.66 %. In semi urban area it was 17860 increased to 28390, whereas the growth rate was about 58.96 %.
- V. The number of bank branches in urban and metro-politan was respectively 14425 and 13074 in 05-06 to 09-10, which was increased to averaged 20123 and 18301 in the period of 10-11 to 14-15, whereas the growth rate was about 39.50 % and 39.98 % respectively. The total number of bank branches was increased by about 40.09 %.
- VI. In the year 05-06 to 09-10 averaged 14.86 thousand populations per office which was decreased to 11.74 thousand in 10-11 to 14-15, whereas the growth rate was negative which was good sign about 21.00 %.
- VII. The capital, deposits and advances increased by average about 88 %, 120 % and 135 % in the period 05-06 to 09-10 compared to the period of 10-11 to 14-15.
- VIII. It was examined that the capital to total assets ratio showed fluctuating trends in all the years under study. In 05-06 to 09-10 an average percentage was 0.86 %, which was decreasing to 0.74 % in 10-11 to 14-15, whereas the growth rate was negative about 14.44 %.
- IX. It was observed that the deposits to total assets ratio showed fluctuating trends in all the years under study. In 05-06 to 09-10 an average percentage was 77.74 %, which was slightly increasing to 77.87 % in 10-11 to 14-15, whereas the growth rate was about 0.16 %.
- X. It was examined that the advances to total assets ratio showed increasing trends in all the years under study. In 05-06 to 09-10 an average percentage was 56.85 %, which was increasing to 60.97 % in 10-11 to 14-15, whereas the growth rate was about 7.25 %.
- XI. In the period of 05-06 to 09-10 about 35.70 % share of priority sector advances in total credit which was slightly decreased to about 34.92% in the period 10-11 to 14-15, whereas the growth rate was negative about 2.18 %.

After independence nationalization era start with nationalization of RBI in 1948, nationalization on Imperial bank of India in 1954 and its associates in 1959, nationalization of 14 and 6 private banks in 1969 and 1980 respectively, from 1948 to 1991 control banking system existed in India with social objectives after 1991 introduced with LPG new era started in banking industry with and change in objective of banking industry and privatization. With privatization new private

sector banks like HDFC, ICICI, Yes etc, and so many foreign banks came in picture. New services introduced in banking sector 24 hours of banking, computerization of banking, ATMs, internet banking, mobile banking, payment bank.

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