

PENETRATION AND GROWTH OF BANKING IN INDIA DURING POST REFORMS ERA

Silony Gupta

Lecturer, ISB&M, Patna, India

Abstract: *The present paper is related to the role of public and private sector banks in priority sector lending. For the purpose of study, secondary data has been collected from Statistical Tables relating to Banks in India, Basic Statistical Returns and Trends and Progress of Banking in India. The period from 1990-91 to 2007-08 has been chosen for the study. The scope of study covers the data of public and private sector banks in India. It is found from the study that the both types of banks grew drastically after banking sector reforms but there was much attention in urban and metro cities at the cost of rural and semi urban areas. It was observed that the growth of all private sector banks in respect of all the parameters was greater than that of public sector banks. It is suggested to increase the attention of both the public and private sector banks on the rural and semi urban areas of the economy.*

Keywords: *Public sector banks, private sector banks, branches, deposits, advances and volume of business*

INTRODUCTION

Banking system has a significant place in the country. A banking institute is indispensable in a modern society. It is comparable to heart of the economic organism pumping in the savings and pumping out the investible funds in diverse channels. It forms the core of the financial system of a country. Although, the financial system of India is still characterized by the existence of both the organized and unorganized segments, institutions in the organized financial system have grown significantly and are playing an increasingly important role. The unorganized sector comprises of the moneylenders and indigenous bankers catering to the credit needs of a large number of persons especially in the country side. Organized financial sector has a wide mixture which comprised of commercial banks, co-operative banks and the other institutions. Amongst the institutions in the organized sector, commercial banks are the oldest institutions having a wide network of branches, commanding utmost public confidence and having the lion's share in total banking system.

Commercial bank plays a pivotal role in the economic development of a country. They have been in existence in India for the past several decades. Although the Indian banking system had made considerable progress in the 1950s and the 1960s, but the benefits of this did not flow down to the general public in terms of access to credit. In fact, till 1968 commercial banks were not involved to any significant extent in providing direct finance to agriculture. Consequently, 14 major banks were nationalized on July 19, 1969 to make the system reach out to the small man and to the remote rural areas. Further, 6 more banks in 1980 were nationalized, which brought a large segment of the banking business under Government ownership. The nationalization

of bank was designed to make the system reach out to the small man and the rural and semi urban area and to extend credit coverage to sectors like agriculture, small scale industries, retail trade, self employed scheme, education etc, popularly known as the priority sector. Despite of significant and commendable expansion of banking services in India during post nationalization period, these achievements had extracted a heavy price in terms of qualitative deterioration of services and some undermining of the financial strength of system. Productivity and profitability of the system were seriously impaired. As a result of which a high powered Committee on the Financial System (CFS) headed by Shri M. Narasimham was constituted by the Government of India in August 1991 to examine all the aspects relating to the structure, organization, function and procedures of the financial system. The committee submitted its report in November 1991 and made wide-ranging recommendations like reduction in liquidity ratio, phasing out of direct credit programme, redefinition of priority sector, determination of rate of interest without the intervention of RBI, abolition of branch licensing and ending the dual control of Finance Ministry and Reserve Bank over the banking system.

As a result of these reforms the performance of banks in all respect improved manifold. Banking sector underwent remarkable changes after reforms. An attempt has been made to analyse the growth of commercial banks (public and private sector banks) in India during the post reforms period.

OBJECTIVES OF THE STUDY

- (1) To study the population group-wise growth of commercial banks in India.

- (2) To study year-wise volume of business done by the commercial banks in India
- (3) To give suggestions on the basis of the study.

with respect to various parameters like branch offices, deposit mobilization, credit deployment and volume of business has been shown in the following pages.

RESEARCH METHODOLOGY

For the purpose of study secondary data has been collected from Statistical Tables Relating to Banks in India, Basic Statistical Returns and Trends and Progress of Banking in India for the various years. The study concentrates on post reforms era. The period from 1990-91 to 2007-08 has been chosen for the study. The scope of study covers the data of public sector and private sector banks in India. Suitable statistical tools have been used in the study.

GROWTH OF COMMERCIAL BANKS IN INDIA DURING POST REFORMS PERIOD

Both public sector banks and private sector banks play a vital role in economic development. Without the presence of either, the economic development would be lopsided. The performance of public sector banks and private sector banks

BRANCH EXPANSION

After nationalisation of 14 banks in 1969, no new bank was allowed to be set up in the private sector. Banks were also restricted to open or close any branch on the basis of their commercial judgement. One of the major objectives of reforms was to bring in greater efficiency by permitting entry of private sector banks, liberalise licensing of more branches of foreign banks and the entry of new foreign banks and increased operational flexibility to banks. Keeping these in view, several measures were initiated to infuse competition in the banking sector. In May 1992, RBI decided to give greater freedom to banks in the matter of opening of branches. They were allowed to rationalise their existing branch network by relocating branches within the same block and service area of the branch, opening of specialized branches, spinning-off of business, setting up of controlling offices/administrative units and opening of extension counters. Further, in January 1993, norms for the entry of new private sector banks were

Table I. Population Group wise Offices of Public Sector Banks in India

Year	Rural Of fices	% of Total	Semi Urban Of fices	% of Total	Urban Of fices	% of Total	Metropolitan Of fices	% of Total	Total Of fices
1990-91	20463	49.04	9116	21.85	6734	16.14	5417	12.98	41730
1991-92	20535	48.90	9121	21.72	6863	16.34	5474	13.04	41996
1992-93	20570	48.60	9127	21.57	7089	16.75	5534	13.08	42322
1993-94	20695	48.17	9379	21.83	7284	16.95	5603	13.04	42961
1994-95	20710	47.76	9549	22.02	7422	17.12	5682	13.10	43363
1995-96	19392	42.90	10351	22.90	8384	18.55	7080	15.66	45207
1996-97	19389	42.45	10477	22.94	8578	18.78	7226	15.82	45670
1997-98	19411	42.05	10618	23.00	8769	19.00	7366	15.96	46164
1998-99	19437	41.56	10709	22.90	9047	19.34	7582	16.21	46774
1999-2000	19400	41.19	10848	23.03	9162	19.45	7701	16.35	47104
2000-01	19392	40.93	10895	23.00	9270	19.57	7820	16.51	47377
2001-02	19262	40.57	11016	23.20	9357	19.71	7846	16.52	47483
2002-03	19176	40.22	11155	23.40	9486	19.90	7862	16.49	647679
2003-04	19089	39.84	11255	23.49	9611	20.06	7964	16.62	47919
2004-05	19038	39.09	11458	23.53	9942	20.42	8260	16.96	48698
2005-06	18185	36.93	11181	22.71	10031	20.37	9844	19.99	49241
2006-07	18065	35.38	11752	23.02	10805	21.16	10439	20.44	51061
2007-08	18504	33.93	12711	23.30	12035	22.07	11292	20.70	54542
Compound Growth Rate (%)	-0.56		1.86		3.28		4.16		1.50

Source : Compiled and calculated from Basic Statistical Returns of Scheduled Commercial Banks in India from 1990-91 to 2007-08

announced. As a result, many new private banks entered the arena and branch offices of commercial banks expanded manifold.

It can be seen from Table I that the number of bank offices increased from 41,730 in March 1991 to 54,542 in March 2008 showing the compound growth rate of 1.50 per cent. Table shows that offices of public banks in rural area continuously decreased from 20,463 in March 1991 to 18,504 in March 2008 with negative compound growth rate of 0.60 per cent. The offices in semi urban, urban and metropolitan areas increased manifold during the same period. The growth rate was maximum i.e. 4.16 per cent in case of metropolitan offices. Table depicts that the share of rural offices to total bank offices of public sector banks in India also declined continuously from 49.04 per cent to as low as 33.93 per cent during the study period. The share of urban and metropolitan offices to that of total offices increased every year during the study period.

All the banks in India were earlier private banks. They were founded in the pre-independence era to cater to the banking needs of the people. But after nationalisation of banks in 1969 public sector banks came to occupy dominant role in the banking structure. Private sector banking in

India received a filip in 1994 when Reserve Bank of India encouraged setting up of private banks as part of banking sector reforms. Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector. Further, more new private banks e.g. Axis bank, ICICI bank, Kotak Mahindra bank, Yes bank, Development Credit bank and Indusind bank, enter the banking system. As a result of this, number of offices of private sector banks increased manifold, even greater than that of public sector banks.

Table II reveals that the number of bank offices increased from 3,800 in March 1991 to 8,068 in March 2008 and recorded the compound growth rate of 4.27 per cent. Table shows that the banks' offices in rural area declined from 1,262 in March 1991 to 1020 in March 2008 with negative compound growth rate of 1.18 per cent. The offices of private sector banks in semi urban, urban and metropolitan areas increased manifold during the study period. Table shows that the share of rural offices to total bank offices of private sector banks in India also declined from 33.21 per cent to as low as 12.64 per cent during the study period. The share of semi urban offices of private sector banks to that of total

Table II. Population Group wise Offices of Private Sector Banks in India

Year	Rural Of fices	% of Total	Semi Urban Of fices	% of Total	Urban Of fices	% of Total	Metropolitan Off ices	% of Total	Total Offices
1990-91	1262	33.21	1250	32.89	733	19.29	555	14.61	3800
1991-92	1287	32.12	1263	31.52	778	19.42	679	16.95	4007
1992-93	1290	31.95	1265	31.33	796	19.71	687	17.01	4038
1993-94	1290	31.14	1327	32.03	828	19.99	698	16.85	4143
1994-95	1272	30.16	1376	32.62	851	20.18	719	17.05	4218
1995-96	1141	25.87	1533	34.76	1026	23.27	710	16.10	4410
1996-97	1141	24.71	1576	34.13	1089	23.58	812	17.58	4618
1997-98	1144	23.58	1627	33.54	1170	24.12	910	18.76	4851
1998-99	1145	22.54	1672	32.92	1238	24.37	1024	20.16	5079
1999-2000	1134	22.10	1693	33.00	1234	24.05	1070	20.85	5131
2000-01	1142	21.55	1725	32.55	1291	24.36	1141	21.53	5299
2001-02	1140	20.54	1780	32.08	1387	25.00	1242	22.38	5549
2002-03	1118	20.21	1704	30.81	1436	25.96	1273	23.02	5531
2003-04	1104	18.86	1768	30.20	1567	26.76	1416	24.18	5855
2004-05	1105	17.27	1877	29.33	1812	28.31	1606	25.09	6400
2005-06	1032	15.44	1774	26.54	1989	29.76	1888	28.25	6683
2006-07	980	13.56	2023	27.99	2189	30.29	2036	28.17	7228
2007-08	1020	12.64	2323	28.79	2470	30.61	2255	27.95	8068
Compound Growth Rate (%)	-1.18		3.50		6.70		8.10		4.27

Source : Compiled and calculated from Basic Statistical Returns of Scheduled Commercial Banks in India from 1990-91 to 2007-08

offices declined from 32.89 per cent in March 1991 to 28.79 per cent and fluctuated between 34 per cent and 26 per cent. The share of urban and metropolitan offices of private sector banks to that of total offices of private sector banks increased during every year of study. The share of metropolitan offices of private sector banks to total offices in India was maximum indicating the concentration of bank offices of private sector banks also in metro cities.

DEPOSIT MOBILISATION

Quantum of deposit mobilization by banks can be taken as one of the main indicator of the performance of banking industry. They are the life blood of commercial banks as these are the main source of bank funds. Also there is a functional relationship between bank deposits and economic growth of a country. More bank deposits lead to more bank credit and more bank credit in turn facilitates production efforts, which results in stimulating economic growth. Since credit deployment, which is one of the essential inputs for development activity, largely depends up on resource mobilization in an area, an

imbalance in deposit mobilization would mean imbalance in developmental activity. Hence, the successful performance of banks depends upon their ability to tap savings potential of all sections of society. The expansion of bank branches had opened up new vista of savings in the form of deposits. As a part of banking sector reforms, RBI provided the banks with the freedom to fix their own deposit rates, depending on commercial judgment, subject to the approval of their boards. The structure of interest rates on the deposits was rationalised and deregulated. The structure of interest rate on domestic term deposits, except for saving bank accounts, was made more flexible from October 1, 1995. As a result of all these measures the deposits of scheduled commercial banks in India increased manifold.

As a result of all measures of banking sector reforms the deposits of public sector banks in India increased with the compound growth rate of 14.08 per cent. It can be seen from Table III that the deposits had increased from Rs 2,16,138 crores in March 1991 to Rs. 23,15,524 crores in March 2008. The deposits of public sector banks grew maximum in the case of metropolitan areas with the compound growth

Table III. Population Group wise Deposits of Public Sector Banks in India (Rs. in crores)

Year	Rural Deposits (Rs)	% of Total Deposits	Semi Urban Deposits (Rs)	% of Total Deposits	Urban Deposits (Rs)	% of Total Deposits	Metropolitan Deposits (Rs)	% of Total Deposits	Total Deposits (Rs)
1990-91	40375	18.68	58854	27.23	48026	22.22	68883	31.87	216138
1991-92	40523	18.00	59365	26.37	48762	21.66	76475	33.97	225125
1992-93	40826	18.12	60136	25.20	55082	21.25	85539	35.43	259210
1993-94	44803	16.48	66552	24.48	64051	23.56	87376	35.48	271862
1994-95	51801	16.21	67971	21.27	79379	24.84	120421	37.68	319561
1995-96	55980	15.98	73238	20.55	86389	24.24	140749	39.37	356356
1996-97	57976	14.44	85350	21.26	99981	24.90	158244	39.41	401550
1997-98	67207	12.45	166353	30.83	117852	21.84	188193	34.88	539605
1998-99	79047	14.28	116005	20.95	139076	25.12	219515	39.65	553643
1999-2000	92314	14.30	137655	21.32	163870	25.38	251703	38.99	645542
2000-01	106036	14.24	156851	21.07	186808	25.09	294730	39.59	744425
2001-02	121090	14.36	180504	21.41	217443	25.79	324195	38.45	843231
2002-03	133647	14.03	202556	21.26	245634	25.78	371016	38.94	952853
2003-04	147043	12.01	284822	23.27	323697	26.45	468348	38.27	1223909
2004-05	160892	12.41	245203	18.92	310643	23.97	579240	44.70	1295978
2005-06	170219	11.31	251520	16.71	349009	23.19	734568	48.80	1505316
2006-07	190315	10.38	293258	15.99	427236	23.30	922954	50.33	1833763
2007-08	229454	9.91	350460	15.41	528140	22.81	1207470	52.15	2315524
Compound Growth Rate (%)	10.13		10.42		14.25		17.25		14.08

Source : Compiled and calculated from Basic Statistical Returns of Scheduled Commercial Banks in India from 1990-91 to 2007-08

rate of 17.25 per cent. Table also displays that the share of rural deposits and semi urban deposits to total deposits of all public sector banks all over India also declined over the period of study. The share of rural deposits of commercial banks decreased from 18.68 per cent in March 1991 to 9.91 per cent in March 2008, that of semi urban from 27.23 per cent to 15.14 per cent. The share of urban deposits fluctuated between 21 per cent to 27 per cent and the share of metropolitan deposits in total deposits showed an impressive trend during the study period.

As a result of all measures of banking sector reforms the deposits of private sector banks in India increased with the compound growth rate of 33.97 per cent. Table IV presents that the deposits increased from Rs 3,403 crores in March 1991 to Rs. 6,57,298 crores in March 2008. The deposits of private sector banks grew with compound growth rate of 21.57 per cent in rural areas, 25.26 per cent in semi urban areas, 29.80 per cent in urban areas and 40.78 per cent in metropolitan areas during the study period. The maximum increase in case of metropolitan areas indicate that after banking sector reforms private sector banks were also able to tap the deposits of metro cities at the high pace than other areas during the study period. Table also depicts that

the share of rural deposits, semi urban deposits and urban deposits to total deposits of all private

sector banks all over India also declined over the period of study. The share of metropolitan deposits in total deposits of private sector banks also showed an impressive trend. It increased from 29.64 per cent in March 1991 to 72.41 per cent in March 2008.

CREDIT DEPLOYMENT

Deposits mobilization cannot be considered as a criterion for assessing the performance of banks unless it is related with credit disbursement since the primary objective of banks is to channelise savings in to best possible uses. As a part of banking sector reforms, RBI provided the banks with the freedom to fix their own lending rates also, depending on commercial judgement, subject to the approval of their boards. The structure of interest rates on lending was also rationalised and deregulated. As a result of all this the credit of scheduled commercial banks in India increased with the compound growth rate of 15.86 per cent over the period of study.

Table IV. Population Group wise Deposits of Private Sector Banks in India (Rs. in crores)

Year	Rural Deposits (Rs)	% of Total Deposits	Semi Urban Deposits (Rs)	% of Total Deposits	Urban Deposits (Rs)	% of Total Deposits	Metropolitan Deposits (Rs)	% of Total Deposits	Total Deposits (Rs)
1990-91	425	12.48	934	27.46	1035	30.42	1009	29.64	3403
1991-92	635	11.28	1483	26.34	1654	29.37	1859	33.01	5631
1992-93	1058	10.45	2598	25.65	2881	28.45	3590	35.45	10127
1993-94	1291	9.34	3399	24.58	3766	27.24	5370	38.84	13826
1994-95	2080	8.98	5433	23.45	5820	25.12	9835	42.45	23168
1995-96	2569	8.02	7084	22.11	7648	23.86	14746	46.01	32047
1996-97	3136	6.87	8782	19.23	10582	23.18	23157	50.72	45657
1997-98	3918	6.40	11596	18.93	14496	23.66	31262	51.02	61272
1998-99	4748	6.37	14102	18.91	18153	24.35	37559	50.37	74561
1999-2000	5918	6.10	16946	17.47	21676	22.35	52462	54.08	97001
2000-01	7082	6.06	20657	17.68	26864	22.99	62222	53.26	116825
2001-02	8179	4.54	24167	13.42	33112	18.38	114672	63.66	180130
2002-03	9110	4.21	27536	12.74	39290	18.17	140285	64.88	216221
2003-04	10327	3.83	31647	11.75	48974	18.18	178462	66.24	269409
2004-05	11255	3.60	35327	11.29	56601	18.09	209672	67.02	312856
2005-06	11482	2.83	34875	8.59	71235	17.54	288552	71.05	406144
2006-07	11784	2.20	42771	7.98	92568	17.28	388647	72.54	535770
2007-08	14306	2.18	53787	8.18	113268	17.54	475937	72.41	657298
Compound Growth Rate (%)	21.57		25.26		29.80		40.78		33.97

Source : Compiled and calculated from Basic Statistical Returns of Scheduled Commercial Banks in India from 1990-91 to 2007-08

Table V. Population Group wise Credit of Public Sector Banks in India

(Rs. in crores)

Year	Rural Credit (Rs)	% of Total Credit	Semi Urban Credit (Rs)	% of Total Credit	Urban Credit (Rs)	% of Total Credit	Metropolitan Credit (Rs)	% of Total Credit	Total Credit (Rs)
1990-91	17643	14.5	20953	17.22	21951	18.04	61131	50.24	121678
1991-92	17794	13.10	22616	16.88	26161	19.26	68948	50.76	135832
1992-93	17992	13.01	22846	16.52	26207	18.95	71250	51.52	138295
1993-94	18638	12.56	23564	15.88	29040	19.57	77147	51.99	148388
1994-95	19179	11.48	25076	15.01	34799	20.83	88009	52.68	167063
1995-96	22310	10.92	28895	14.15	40031	19.60	113022	55.33	204257
1996-97	24716	11.13	31989	14.40	43720	19.68	121733	54.80	222158
1997-98	28367	11.13	35856	14.07	49326	19.35	141367	55.46	254916
1998-99	31962	10.81	40841	13.81	57838	19.56	165013	55.81	295654
1999-2000	37118	10.56	46930	13.36	67221	19.13	200114	56.95	351383
2000-01	40295	10.60	50460	12.00	90873	19.38	235253	58.02	405430
2001-02	50518	10.66	61093	12.89	92013	19.41	270327	57.04	473951
2002-03	57795	10.92	70933	13.40	97649	18.45	302867	57.23	529244
2003-04	63121	10.24	83814	13.59	126177	20.46	343458	55.70	616570
2004-05	82438	10.09	109731	13.43	157179	19.23	467996	57.26	817344
2005-06	96648	8.99	127424	11.85	203184	18.90	647817	60.26	1075073
2006-07	115937	8.44	157806	11.48	257234	18.72	843350	61.36	1374327
2007-08	137630	7.99	190562	11.07	309106	17.95	1084768	62.99	1722066
Compound Growth Rate (%)	12.09		13.05		15.83		17.33		15.86

Source : Compiled and calculated from Basic Statistical Returns of Scheduled Commercial Banks in India from 1990-91 to 2007-08

Table VI. Population Group wise Credit of Private Sector Banks in India

(Rs. in crores)

Year	Rural Credit (Rs)	% of Total Credit	Semi Urban Credit (Rs)	% of Total Credit	Urban Credit (Rs)	% of Total Credit	Metropolitan Credit (Rs)	% of Total Credit	Total Credit (Rs)
1990-91	742	6.15	2133	17.68	3188	26.42	6003	49.75	12067
1991-92	746	6.00	2120	17.05	3217	25.88	6349	51.07	12432
1992-93	762	5.79	2166	16.45	3291	25.00	6946	52.76	13165
1993-94	877	5.68	2474	16.01	3814	24.68	8287	53.63	15452
1994-95	915	5.45	2520	15.01	3942	23.48	9412	56.06	18765
1995-96	1015	5.03	3081	15.28	4617	22.91	11442	56.77	20154
1996-97	1208	4.46	3781	13.98	5613	20.75	16453	60.81	27055
1997-98	1505	4.29	4573	13.04	7952	22.68	21032	59.99	35062
1998-99	1700	3.85	5462	12.37	9420	21.33	27579	62.45	44161
1999-2000	1991	3.50	6512	11.45	10672	18.76	37703	66.29	56877
2000-01	2309	2.79	7787	9.41	12727	15.38	59926	72.42	82748
2001-02	2655	2.31	8615	7.49	14436	12.55	89314	77.65	115020
2002-03	3182	2.22	9557	6.68	16742	11.70	113614	79.40	143091
2003-04	3634	2.09	10435	5.99	21580	12.39	138467	79.53	174107
2004-05	4520	1.99	13381	5.90	29079	12.81	179964	79.30	226944
2005-06	4977	1.64	14895	4.92	38538	12.72	244531	80.72	302941
2006-07	6735	1.73	18657	4.78	53285	13.66	311387	79.83	390064
2007-08	6740	1.42	23368	4.91	66509	13.98	379196	79.69	475813
Compound Growth Rate (%)	13.04		14.22		18.39		25.90		22.65

Source : Compiled and calculated from Basic Statistical Returns of Scheduled Commercial Banks in India from 1990-91 to 2007-08

Table V analyses that the advances increased from Rs. 1,21,678 crores in March 1991 to Rs. 17,22,066 crores in March 2008. The credits of public sector banks increased with maximum compound growth rate of 17.33 per cent in case of metropolitan areas followed by 15.83 per cent in urban areas, 13.05 per cent in semi urban areas and 12.09 per cent in rural areas. Table also shows that the share of rural credit and semi urban credit in total credit of banks all over India also declined over the period of study. The share of rural credit to that of total credit declined from 14.50 per cent to 7.99 per cent and that of semi urban area declined from 17.22 per cent to 11.07 per cent during the study period. The share of urban credit to that of total showed a fluctuating trend, ranged between 18 per cent and 20 per cent. The share of metropolitan credit in total credit increased impressively from 50.24 per cent in March 1991 to 62.99 per cent in March 2008.

Table VI displays that the advances increased from Rs. 12,067 crores in March 1991 to Rs. 4,75,813 crores in March 2008. The credit of private sector banks increased with compound growth rate of 13.04 per cent in rural areas, 14.22 per cent in semi urban areas and 18.39 per cent in urban areas and maximum of 25.90 per cent in metropolitan areas during 1990-91 to 2007-08. The maximum increase was in the case of metropolitan areas indicating the attention of private banks in metro cities only. Other areas could get lesser attention of the banks during the study period. Table also highlights that

the share of rural credit, semi urban credit and urban credit in total credit of private sector banks all over India also declined over the period of study. The share of metropolitan credit in total credit showed an impressive trend.

Table VII depicts that volume of business of public sector banks increased tremendously from Rs. 3,37,816 crore to Rs. 40,37,590 crore during 1990-91 to 2007-08. The business of public sector banks increased with the compound growth rate of 14.78% during the reference period.

Table VIII depicts that volume of business of private sector banks increased marvellously from Rs. 15,470 crore to Rs. 11,33,111 crore during 1990-91 to 2007-08. The business of private sector banks increased with the compound growth rate of 26.94% during the study period.

Hence, it can be concluded that during the post reforms, there was free entry of new private sector banks and public sector banks were also allowed to open their branches with out restrictions resulting in spreading of banking in India. But unfortunately, the main concentration of both the public and private sector banks was in the urban and metro cities of India at the cost of rural and semi urban areas. Share of rural branches had shown continuously declining trend. Reforms had positive impact up on the deposit mobilisation, credit expansion and volume of business of both public and private sector banks in India. But this positive impact was inclined more towards metro cities. Also, the growth of branches,

Table VII. Year wise Volume of Business of Public Sector Banks in India

(Rs. in crores)

Year	Total Business
1990-91	337816
1991-92	360957
1992-93	397505
1993-94	420250
1994-95	486624
1995-96	560613
1996-97	623708
1997-98	794521
1998-99	849297
1999-2000	996925
2000-01	1149855
2001-02	1317182
2002-03	1482097
2003-04	1840479
2004-05	2113322
2005-06	2580389
2006-07	3208090
2007-08	4037590
Compound Growth Rate (%)	14.78

Source : Compiled and calculated from Table III and V

Table VIII. Year wise Volume of Business of Private Sector Banks in India

(Rs. in crores)

Year	Total Business
1990-91	15470
1991-92	18063
1992-93	23292
1993-94	29278
1994-95	41933
1995-96	52201
1996-97	72712
1997-98	96334
1998-99	118722
1999-2000	153878
2000-01	199573
2001-02	295150
2002-03	359312
2003-04	443516
2004-05	539800
2005-06	709085
2006-07	925834
2007-08	1133111
Compound Growth Rate (%)	26.94

Source : Compiled and calculated from Table IV and VI

deposits, credit and total business of private sector banks grew faster than that of public sector banks.

SUGGESTIONS

1. Banks should expand much in rural areas. So that people in rural areas are facilitated and the objective of social banking can be achieved.
2. People should be motivated to mobilize their savings so that deposits of banks can be increased and there by lending power of the banks could be strengthened.
3. Proper awareness should be given to public regarding the deposit and credit schemes of banks.

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