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### Branch expansion and deposit mobilisation of the scheduled commercial banks located in rural and urban areas of India: A comparative analysis

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#### Abstract

This paper makes a comparative analysis of the branch expansion and the deposit mobilisation of the commercial banks in rural, semi-urban, urban and metropolitan areas of India in the post-liberalisation period using the Reserve Bank of India (RBI) data for the post-liberalisation period from 1992 to 2018. The study exposes that there was only a moderate speed in the expansion of commercial bank branches in India in the post-liberalisation period. The speed of branch expansion was relatively high in metropolitan areas and low in rural areas. Largest proportion of commercial bank branches has been located in rural areas, but the share of rural areas has been continuously declining over the years. The number of deposit accounts has been slowly growing in all the four types of locations in India in the initial years of the study period, but the speed has been accelerated in the second half of the period. There was no considerable difference in the distribution of the deposit accounts across the four different locations of the country during the study period. Initially, the number of accounts per branch of commercial banks has been lowest in the branches located in rural areas and highest in metropolitan areas; but in the recent years, the number of accounts per branch has become highest in the branches located in the semi-urban areas followed by metropolitan areas, and urban areas. Growth in the quantum of deposits was not considerably different across the four different types of locations in the country but, around half of the total amount of deposits is made in the banks located in metropolitan areas and the branches located in the rural areas accounted only very a low proportion. There was a steady decline in the deposit amount per account in the commercial bank branches located in semi-urban and metropolitan areas; conversely, there was stable growth in the deposit amount per account in the branches located in urban and rural areas. The study reveals that there are perceptible differences in the branch expansion and deposit growth pattern of the scheduled commercial banks located in rural, semi-urban, urban and metropolitan areas of India, particularly in the post liberalisation period.

**Keywords:** Deposit Account, Liberalisation; Outstanding Deposit; Rural Area; Semi-Urban Area; Scheduled Commercial Banks; Urban Area

#### 1. Introduction

Commercial banks play a vital role in the growth and development of the rural and urban economies and societies. Commercial banks are the most indispensable part of the financial system of an economy. They play a major part in the financial inclusion as well as financial intermediation process for the growth and development of a modern economy. Commercial banks in modern times perform a wide range of activities; but the primary function of a bank is to receive deposits from the savers and give loans to the borrowers. Thus, commercial banks act as a financial intermediary, which convert savings into capital for productive investment.

Deposit mobilization, being the first and foremost step in the financial intermediation process of the commercial banks, is an essential pre-requisite for the capital formation and investment growth in an economy. Bank accessibility of the public and their financial inclusion largely depends on the expansion of the bank branches in rural and urban areas in a country. The branch expansion is an important determinant of the magnitude of deposit mobilization of the banks.

There have been a number of distinct phases of banking sector development in India. The most significant change in the banking history of India occurred in 1991, when the initial banking sector reforms introduced following the Narasimham Committee recommendations. These were part of the broader structural adjustment package embarked in India in 1991.

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The major reforms in the banking sector included the interest rate deregulation, the reduction of directed credit rules under the priority sector lending arrangements, the reduction of statutory pre-emptions, the reduction of entry barriers for both domestic and foreign banks, and so on.

In this context, the present article investigates the branch expansion and deposit mobilisation of the scheduled commercial banks located in rural, semi-urban, urban and metropolitan areas of India in the post-liberalisation period. Scheduled Commercial Banks in India refer to those banks which are included in the second schedule to Reserve Bank of India Acts 1934. No detailed study on this topic could be located in the literature, particularly in the post liberalization period.

The remainder of the article is organised in three sections. The next section explains the data, period of study, and methods used in the study. Section III presents the results and discussion. The last section summarises the conclusions of the study.

## 2. Data and Methods

This study is fully based on secondary data obtained from the Reserve Bank of India (RBI) Handbook of Statistics on Indian Economy. The study covers the initial 27 years of post-liberalisation period of Indian economy from 1992 to 2018.

The data has been analysed and presented using appropriate charts and tables. Simple percentage growth rates and compound annual growth rates have been used for finding

out the growth of the relevant variables over time. The compound annual growth rate has been estimated using a semi-log linear trend equation.

Commercial bank branch expansion and deposit mobilization have been analysed in a comparative manner. The comparison has been done across four different types of location in India viz., (i) Rural, (ii) Semi-Urban, (iii) Urban, and (iv) Metropolitan. As per RBI definition, Rural, Semi-urban, Urban and Metropolitan centres comprise places having population up to 9,999; 10,000 to 99,999; 1,00,000 to 9,99,999 and 10,00,000 & above, respectively. For the above classification, RBI has used the population figures from: 1981 Census for the years 1992 to 1994, 1991 Census for the years 1995 to 2005, 2001 Census for the years 2006 to 2016, and 2011 Census for the years 2017 and 2018.

## 3. Results and Discussion

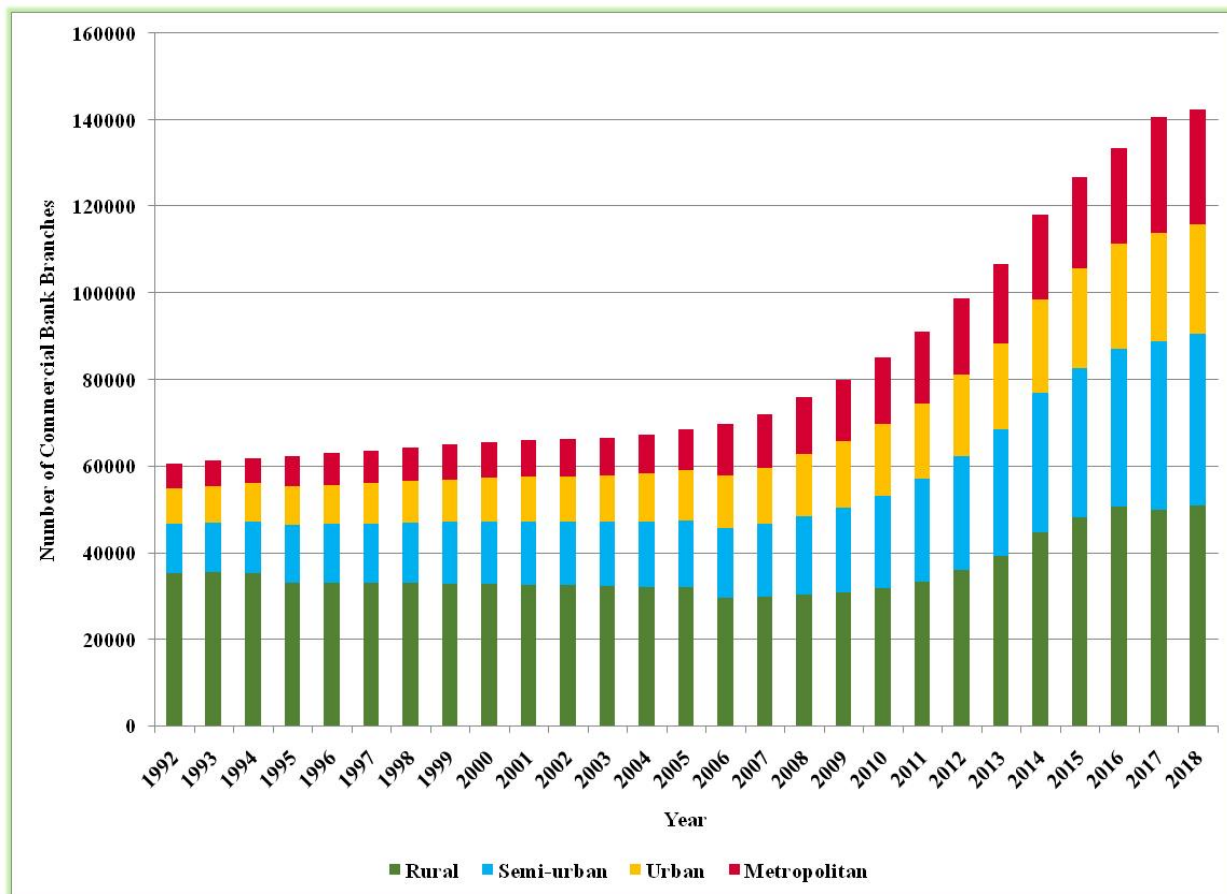
All commercial banks strive to expand their business through branch expansion. The information on the expansion of the commercial bank branches located in different types of locations in India is provided in Table 1 and its trend is portrayed in Figure 1. There was only a moderate growth in the number of branches of the commercial banks in India in the post-reform period. The rate of growth of bank branches was relatively high in metropolitan areas and low in rural areas.

**Table 1:** Branch Expansion of the Scheduled Commercial Banks in Different Locations of India during the Post-Liberalisation Period

Year	Rural		Semi-Urban		Urban		Metropolitan		All	
	Number	AGR# (%)	Number	AGR# (%)	Number	AGR# (%)	Number	AGR# (%)	Number	AGR# (%)
1992	35269	--	11356	--	8279	--	5666	--	60570	--
1993	35389	0.3	11465	1.0	8562	3.4	5753	1.5	61169	1.0
1994	35329	-0.2	11890	3.7	8745	2.1	5839	1.5	61803	1.0
1995	33004	-6.6	13341	12.2	8868	1.4	7154	22.5	62367	0.9
1996	32995	0.0	13561	1.6	9086	2.5	7384	3.2	63026	1.1
1997	32915	-0.2	13766	1.5	9340	2.8	7529	2.0	63550	0.8
1998	32878	-0.1	13980	1.6	9597	2.8	7763	3.1	64218	1.1
1999	32857	-0.1	14168	1.3	9898	3.1	8016	3.3	64939	1.1
2000	32734	-0.4	14407	1.7	10052	1.6	8219	2.5	65412	0.7
2001	32562	-0.5	14597	1.3	10293	2.4	8467	3.0	65919	0.8
2002	32380	-0.6	14747	1.0	10477	1.8	8586	1.4	66190	0.4
2003	32303	-0.2	14859	0.8	10693	2.1	8680	1.1	66535	0.5
2004	32121	-0.6	15091	1.6	11000	2.9	8976	3.4	67188	1.0
2005	32082	-0.1	15403	2.1	11500	4.5	9370	4.4	68355	1.7
2006	29534	-7.9	16184	5.1	12166	5.8	11732	25.2	69616	1.8
2007	29658	0.4	16970	4.9	13009	6.9	12351	5.3	71988	3.4
2008	30173	1.7	18246	7.5	14232	9.4	13315	7.8	75966	5.5
2009	30821	2.1	19569	7.3	15245	7.1	14277	7.2	79912	5.2
2010	31845	3.3	21313	8.9	16621	9.0	15391	7.8	85170	6.6
2011	33315	4.6	23630	10.9	17571	5.7	16403	6.6	90919	6.8
2012	35931	7.9	26392	11.7	18811	7.1	17478	6.6	98612	8.5
2013	39199	9.1	29163	10.5	19874	5.7	18348	5.0	106584	8.1
2014	44676	14.0	32216	10.5	21515	8.3	19589	6.8	117996	10.7
2015	48140	7.8	34526	7.2	23098	7.4	20879	6.6	126643	7.3
2016	50561	5.0	36455	5.6	24395	5.6	22088	5.8	133499	5.4
2017	49844	-1.4	39073	7.2	25050	2.7	26697	20.9	140664	5.4
2018	50824	2.0	39652	1.5	25351	1.2	26641	-0.2	142468	1.3
	CAGR*	1.3	CAGR*	4.9	CAGR*	4.7	CAGR*	6.1	CAGR*	3.4

Notes: # Annual growth rate (%) of the number of bank branches; \*Compound annual growth rate (%) of the number of bank branches during 1992 - 2018.

Source: RBI - Handbook of Statistics on Indian Economy 2018-19



**Fig 1:** Trends in the Branch Expansion of the Scheduled Commercial Banks in Different Locations of India during the Post-Liberalisation Period

Largest share of the commercial bank branches have been located in the rural areas, however, the share of rural areas has been continuously declining over the years (see Table 2). The second largest share was located in semi-urban areas

and the share of this area has gradually increased over time. The share of urban areas and metropolitan areas in the total number of branches of commercial banks have been low but registered a marginal increase over time.

**Table 2:** Location-wise Distribution of the Branches of Scheduled Commercial Banks in India in the Post-Liberalisation Period

Year	Rural	Semi-Urban	Urban	Metropolitan	Year	Rural	Semi-Urban	Urban	Metropolitan
1992	58.2	18.7	13.7	9.4	2006	42.4	23.2	17.5	16.9
1993	57.9	18.7	14.0	9.4	2007	41.2	23.6	18.1	17.2
1994	57.2	19.2	14.1	9.4	2008	39.7	24.0	18.7	17.5
1995	52.9	21.4	14.2	11.5	2009	38.6	24.5	19.1	17.9
1996	52.4	21.5	14.4	11.7	2010	37.4	25.0	19.5	18.1
1997	51.8	21.7	14.7	11.8	2011	36.6	26.0	19.3	18.0
1998	51.2	21.8	14.9	12.1	2012	36.4	26.8	19.1	17.7
1999	50.6	21.8	15.2	12.3	2013	36.8	27.4	18.6	17.2
2000	50.0	22.0	15.4	12.6	2014	37.9	27.3	18.2	16.6
2001	49.4	22.1	15.6	12.8	2015	38.0	27.3	18.2	16.5
2002	48.9	22.3	15.8	13.0	2016	37.9	27.3	18.3	16.5
2003	48.6	22.3	16.1	13.0	2017	35.4	27.8	17.8	19.0
2004	47.8	22.5	16.4	13.4	2018	35.7	27.8	17.8	18.7
2005	46.9	22.5	16.8	13.7	Average*	45.1	23.6	16.7	14.6

**Note:** \*Average share (%) during 1992 - 2018

**Source:** Author's Computations based on the RBI Data.

The growth in the number of deposit accounts in the scheduled commercial banks is shown in Table 3 and its growth is illustrated in Figure 2. It is clear that there was a slow upward trend in the number of deposit account in all four types of locations in India in the initial years of the post liberalization period, but there was a spurt in the growth of

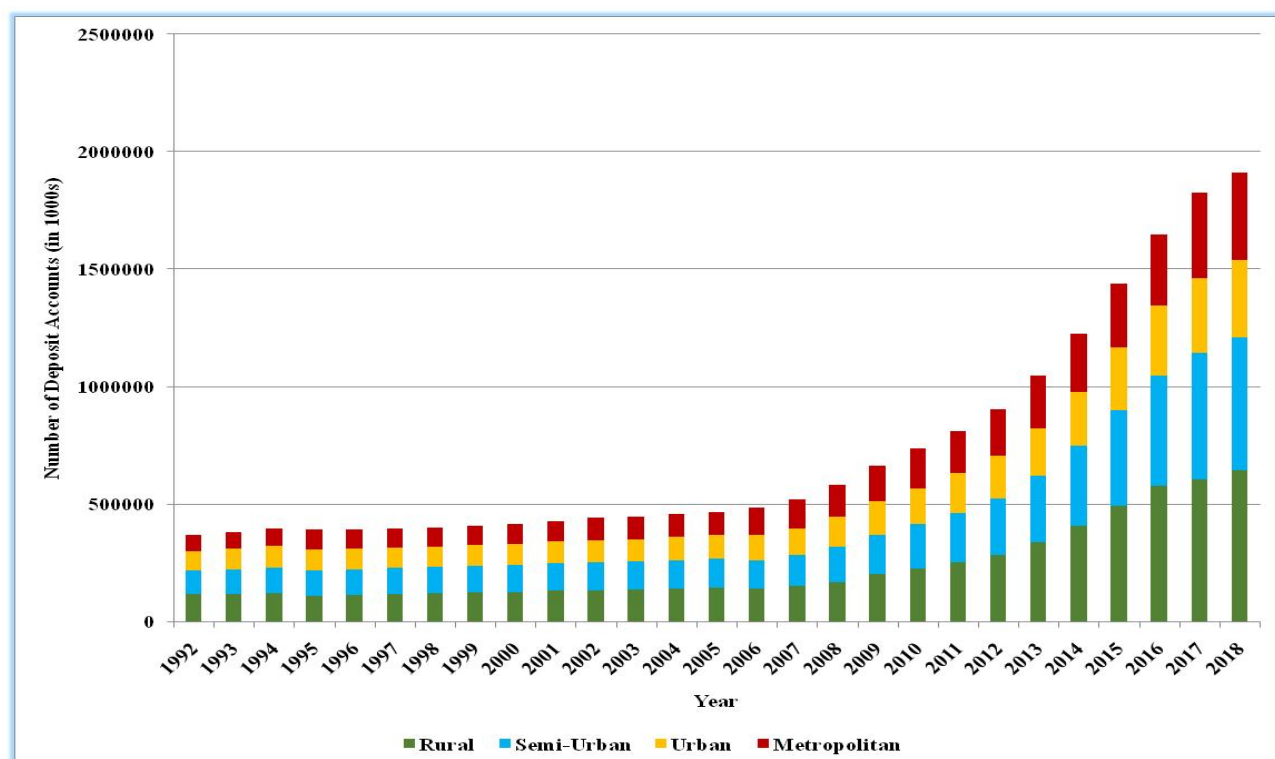
the accounts after 2006. Rate of growth of the number of accounts was marginally high in rural areas and it was slightly low in urban area, nonetheless, there was no considerable difference in the compound growth rate of the number of deposit accounts in different locations of the country during the post liberalization period.

**Table 3:** Trend and Growth in the Number of Deposit Accounts of Scheduled Commercial Banks in Different Locations of India during the Post-Liberalisation Period

Year	Rural		Semi-Urban		Urban		Metropolitan		Total	
	Number*	AGR# (%)	Number*	AGR (%)	Number*	AGR (%)	Number*	AGR (%)	Number*	AGR (%)
1992	114808	--	101949	--	83449	--	69553	--	369759	--
1993	117814	2.6	104023	2.0	87256	4.6	70618	1.5	379720	2.7
1994	121299	3.0	108502	4.3	93032	6.6	74046	4.9	396893	4.5
1995	109944	-9.4	108129	-0.3	88828	-4.5	83134	12.3	390021	-1.7
1996	112904	2.7	109416	1.2	88452	-0.4	81238	-2.3	392013	0.5
1997	116693	3.4	110129	0.7	88645	0.2	81112	-0.2	396583	1.2
1998	120060	2.9	110705	0.5	88536	-0.1	80731	-0.5	400035	0.9
1999	122660	2.2	112376	1.5	89533	1.1	81339	0.8	405913	1.5
2000	125852	2.6	114109	1.5	89831	0.3	83023	2.1	412819	1.7
2001	131723	4.7	116400	2.0	92769	3.3	87137	5.0	428039	3.7
2002	133000	1.0	117394	0.9	94622	2.0	94975	9.0	439993	2.8
2003	136733	2.8	117537	0.1	96099	1.6	95711	0.8	446085	1.4
2004	138760	1.5	120651	2.6	99571	3.6	98176	2.6	457166	2.5
2005	141908	2.3	125198	3.8	101376	1.8	98310	0.1	466800	2.1
2006	139570	-1.6	121664	-2.8	106172	4.7	117692	19.7	485098	3.9
2007	149663	7.2	132808	9.2	113422	6.8	123306	4.8	519222	7.0
2008	168034	12.3	148361	11.7	128021	12.9	137241	11.3	581695	12.0
2009	199695	18.8	169725	14.4	142272	11.1	150611	9.7	662347	13.9
2010	224155	12.2	189457	11.6	152323	7.1	168934	12.2	734900	11.0
2011	250254	11.6	212043	11.9	168037	10.3	179796	6.4	810163	10.2
2012	283072	13.1	239951	13.2	180626	7.5	199551	11.0	903234	11.5
2013	335347	18.5	283990	18.4	203091	12.4	222677	11.6	1045154	15.7
2014	406624	21.3	340522	19.9	231521	14.0	248043	11.4	1226765	17.4
2015	493970	21.5	404661	18.8	266228	15.0	275033	10.9	1439948	17.4
2016	576171	16.6	470711	16.3	297715	11.8	301519	9.6	1646161	14.3
2017	604231	4.9	540511	14.8	317462	6.6	364448	20.9	1826678	11.0
2018	642225	6.3	568454	5.2	327038	3.0	373787	2.6	1911518	4.6
	CAGR®	6.9	CAGR®	6.5	CAGR®	5.4	CAGR®	6.7	CAGR®	6.5

Notes: \*Number of deposit accounts in thousands; #Annual growth rate (%) of the number of accounts; ®Compound annual growth rate (%) of the number of accounts during 1992 – 2018.

Source: RBI - Handbook of Statistics on Indian Economy 2018-19

**Fig 2:** Trend in the Number of Deposit Accounts of Scheduled Commercial Banks in Different Locations of India during the Post-Liberalisation Period

The distribution of the deposit accounts in the four different types of locations of India is shown in Table 4. There was no drastic variation in the share of bank accounts in the four different locations. Rural location attracted relatively large proportion of the deposit accounts and the proportion of the

locations has been falling with the increase in the degree of its urbanization. More specifically, the proportion of deposit accounts have been less and less when we move from semi-urban to urban and then to metropolitan areas.

**Table 4:** Location-wise Distribution of Number of Deposit Accounts in Scheduled Commercial Banks in India in the Post-Liberalisation Period (Percentages)

Year	Rural	Semi-Urban	Urban	Metropolitan	Year	Rural	Semi-Urban	Urban	Metropolitan
1992	31.0	27.6	22.6	18.8	2006	28.8	25.1	21.9	24.3
1993	31.0	27.4	23.0	18.6	2007	28.8	25.6	21.8	23.7
1994	30.6	27.3	23.4	18.7	2008	28.9	25.5	22.0	23.6
1995	28.2	27.7	22.8	21.3	2009	30.2	25.6	21.5	22.7
1996	28.8	27.9	22.6	20.7	2010	30.5	25.8	20.7	23.0
1997	29.4	27.8	22.4	20.5	2011	30.9	26.2	20.7	22.2
1998	30.0	27.7	22.1	20.2	2012	31.3	26.6	20.0	22.1
1999	30.2	27.7	22.1	20.0	2013	32.1	27.2	19.4	21.3
2000	30.5	27.6	21.8	20.1	2014	33.1	27.8	18.9	20.2
2001	30.8	27.2	21.7	20.4	2015	34.3	28.1	18.5	19.1
2002	30.2	26.7	21.5	21.6	2016	35.0	28.6	18.1	18.3
2003	30.7	26.3	21.5	21.5	2017	33.1	29.6	17.4	20.0
2004	30.4	26.4	21.8	21.5	2018	33.6	29.7	17.1	19.6
2005	30.4	26.8	21.7	21.1	Average*	30.8	27.2	21.1	20.9

Note: \*Average share (%) during 1992 - 2018

Source: Author's computations based on the RBI data.

The number of accounts per branch of commercial banks has been lowest in the branches located in rural areas and highest in metropolitan areas (see Table 5). But the growth in the number of accounts per branch was relatively high in rural areas followed by semi-urban areas. At the same time,

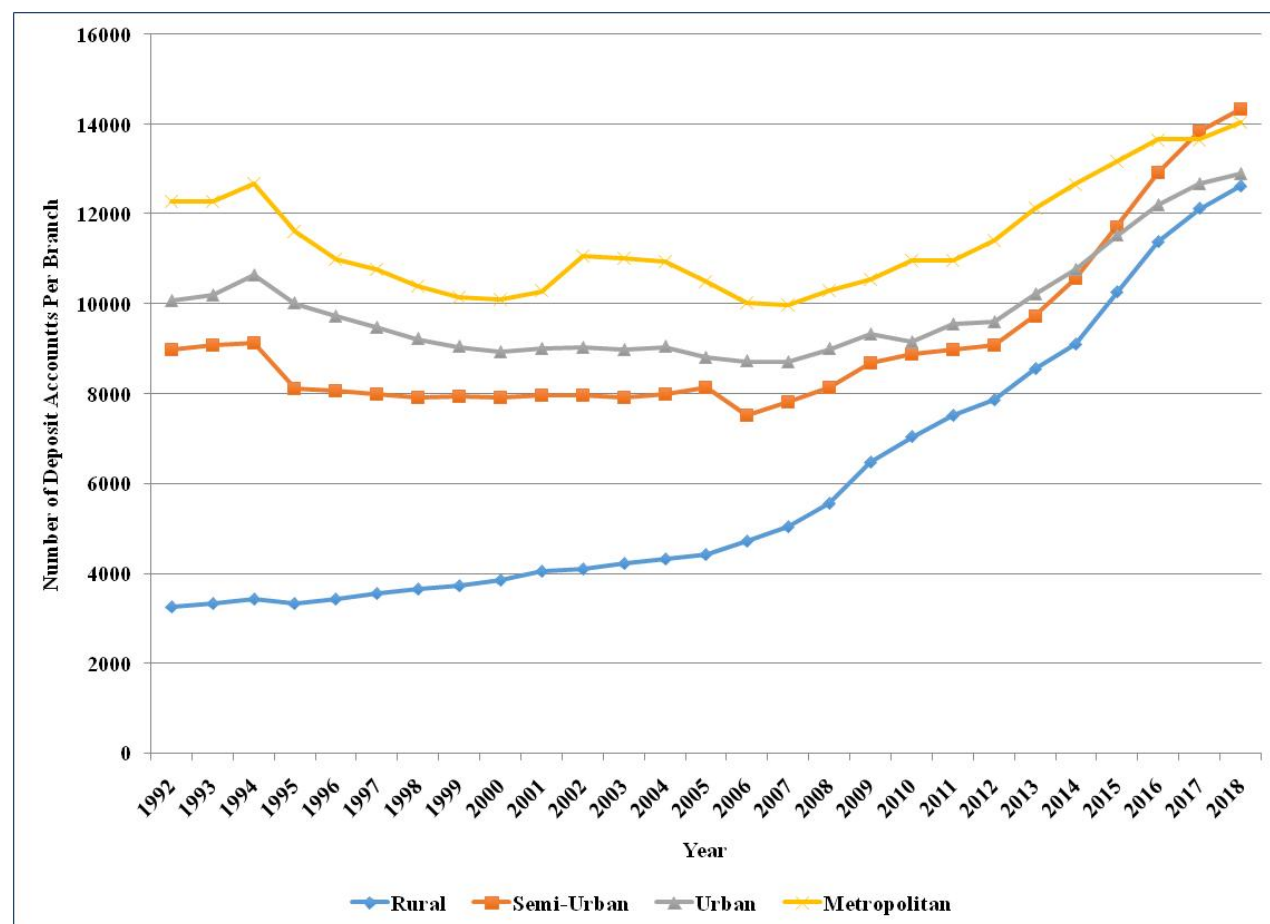
its growth was very low in metropolitan areas and urban areas. Resultantly, in the recent years, the number of accounts per branch has become highest in the branches located in the semi-urban areas followed by metropolitan areas, and urban areas.

**Table 5:** Growth in the Average Number of Deposit Accounts per Branch of Scheduled Commercial Banks in Different Locations of India during the Post-Liberalisation Period

Year	Rural		Semi-Urban		Urban		Metropolitan		Total	
	Number*	AGR# (%)	Number*	AGR# (%)	Number*	AGR# (%)	Number*	AGR# (%)	Number*	AGR# (%)
1992	3255		8978		10080		12276		6105	
1993	3329	2.3	9073	1.1	10191	1.1	12275	0.0	6208	1.7
1994	3433	3.1	9125	0.6	10638	4.4	12681	3.3	6422	3.5
1995	3331	-3.0	8105	-11.2	10017	-5.8	11621	-8.4	6254	-2.6
1996	3422	2.7	8068	-0.5	9735	-2.8	11002	-5.3	6220	-0.5
1997	3545	3.6	8000	-0.8	9491	-2.5	10773	-2.1	6240	0.3
1998	3652	3.0	7919	-1.0	9225	-2.8	10399	-3.5	6229	-0.2
1999	3733	2.2	7932	0.2	9046	-1.9	10147	-2.4	6251	0.3
2000	3845	3.0	7920	-0.1	8937	-1.2	10101	-0.5	6311	1.0
2001	4045	5.2	7974	0.7	9013	0.9	10291	1.9	6493	2.9
2002	4107	1.5	7961	-0.2	9031	0.2	11062	7.5	6647	2.4
2003	4233	3.1	7910	-0.6	8987	-0.5	11027	-0.3	6705	0.9
2004	4320	2.1	7995	1.1	9052	0.7	10938	-0.8	6804	1.5
2005	4423	2.4	8128	1.7	8815	-2.6	10492	-4.1	6829	0.4
2006	4726	6.8	7518	-7.5	8727	-1.0	10032	-4.4	6968	2.0
2007	5046	6.8	7826	4.1	8719	-0.1	9984	-0.5	7213	3.5
2008	5569	10.4	8131	3.9	8995	3.2	10307	3.2	7657	6.2
2009	6479	16.3	8673	6.7	9332	3.7	10549	2.3	8288	8.2
2010	7039	8.6	8889	2.5	9164	-1.8	10976	4.0	8629	4.1
2011	7512	6.7	8973	0.9	9563	4.4	10961	-0.1	8911	3.3
2012	7878	4.9	9092	1.3	9602	0.4	11417	4.2	9159	2.8
2013	8555	8.6	9738	7.1	10219	6.4	12136	6.3	9806	7.1
2014	9102	6.4	10570	8.5	10761	5.3	12662	4.3	10397	6.0
2015	10261	12.7	11720	10.9	11526	7.1	13173	4.0	11370	9.4
2016	11396	11.1	12912	10.2	12204	5.9	13651	3.6	12331	8.4
2017	12122	6.4	13833	7.1	12673	3.8	13651	0.0	12986	5.3
2018	12636	4.2	14336	3.6	12900	1.8	14030	2.8	13417	3.3
	CAGR®	5.6	CAGR®	1.6	CAGR®	0.7	CAGR®	0.5	CAGR®	3.0

Notes: \*Average number of deposit accounts per branch of commercial banks; #Annual growth rate (%) of the average number of deposit accounts per branch; ®Compound annual growth rate (%) of the deposit account per branch during 1992 - 2018.

Source: Author's Computations based on the RBI Data.



**Fig 3:** Trends in the Average Number of Deposit Accounts per Branch of Scheduled Commercial Banks in Different Locations of India during the Post-Liberalisation Period

The growth in the quantum of outstanding commercial bank deposits across the four types of locations is presented in Table 6 and its trend is illustrated in Figure 4. It is apparent that there was a gradual growth in the outstanding deposit amount in India in the initial years of the post reform period, and there was a sharp rise in the amount of deposits after

2005. Growth in the quantum of deposits was not considerably different across the four different types of locations in the country. Nonetheless, the growth in the quantum of deposit was relatively low in rural areas and the growth rate has progressively increased with increase in the degree of urbanisation.

**Table 6:** Trend and Growth in the Outstanding Amount of Deposit in Scheduled Commercial Banks in Different Locations of India during the Post-Liberalisation Period

Year	Rural		Semi-Urban		Urban		Metropolitan		Total	
	Amount	AGR# (%)	Amount	AGR (%)	Amount	AGR (%)	Amount	AGR (%)	Amount	AGR (%)
1992	357.50	--	465.91	--	552.89	--	994.77	--	2371.07	--
1993	414.10	15.8	535.85	15.0	639.35	15.6	1169.21	17.5	2758.50	16.3
1994	493.31	19.1	630.35	17.6	742.49	16.1	1373.61	17.5	3239.77	17.4
1995	518.20	5.0	714.64	13.4	841.29	13.3	1717.61	25.0	3791.74	17.0
1996	613.13	18.3	831.87	16.4	955.66	13.6	1860.53	8.3	4261.20	12.4
1997	737.70	20.3	980.45	17.9	1125.78	17.8	2161.64	16.2	5005.56	17.5
1998	867.06	17.5	1156.44	18.0	1348.97	19.8	2592.21	19.9	5964.69	19.2
1999	1026.97	18.4	1360.52	17.6	1601.81	18.7	2992.38	15.4	6981.69	17.1
2000	1205.39	17.4	1619.72	19.1	1889.63	18.0	3499.45	16.9	8214.20	17.7
2001	1394.31	15.7	1861.88	15.0	2178.33	15.3	4059.81	16.0	9494.33	15.6
2002	1594.23	14.3	2149.90	15.5	2554.78	17.3	4935.01	21.6	11233.93	18.3
2003	1765.02	10.7	2417.57	12.4	2905.03	13.7	5674.33	15.0	12761.96	13.6
2004	1950.82	10.5	2682.17	10.9	3302.96	13.7	7176.79	26.5	15112.73	18.4
2005	2131.04	9.2	2956.85	10.2	3748.91	13.5	8631.34	20.3	17468.14	15.6
2006	2260.61	6.1	3022.13	2.2	4308.13	14.9	11320.87	31.2	20911.74	19.7
2007	2530.14	11.9	3573.95	18.3	5325.92	23.6	14540.43	28.4	25970.45	24.2
2008	3034.23	19.9	4302.80	20.4	6576.99	23.5	18585.44	27.8	32499.46	25.1

2009	3639.10	19.9	5297.58	23.1	8229.14	25.1	22053.99	18.7	39219.81	20.7
2010	4203.38	15.5	6140.47	15.9	9449.92	14.8	25816.52	17.1	45610.29	16.3
2011	4932.66	17.3	7168.31	16.7	11105.13	17.5	30689.41	18.9	53895.51	18.2
2012	5731.86	16.2	8425.45	17.5	12725.92	14.6	33899.21	10.5	60782.43	12.8
2013	6698.89	16.9	9791.94	16.2	14970.13	17.6	38665.25	14.1	70126.20	15.4
2014	7871.51	17.5	11410.77	16.5	17140.10	14.5	43134.83	11.6	79557.21	13.4
2015	9156.76	16.3	13172.51	15.4	19649.01	14.6	47242.83	9.5	89221.11	12.1
2016	10089.41	10.2	14772.12	12.1	21505.76	9.4	49628.02	5.0	95995.31	7.6
2017	11219.67	11.2	17306.89	17.2	22489.18	4.6	56284.55	13.4	107300.29	11.8
2018	12097.86	7.8	18513.69	7.0	24374.98	8.4	59357.98	5.5	114344.51	6.6
	CAGR*	14.6	CAGR*	15.3	CAGR*	16.6	CAGR*	18.5	CAGR*	17.1

Notes: # Annual growth rate (%) of the outstanding deposit amount; \*Compound annual growth rate (%) of the deposit amount during 1992 - 2018.

Source: RBI - Handbook of Statistics on Indian Economy 2018-19

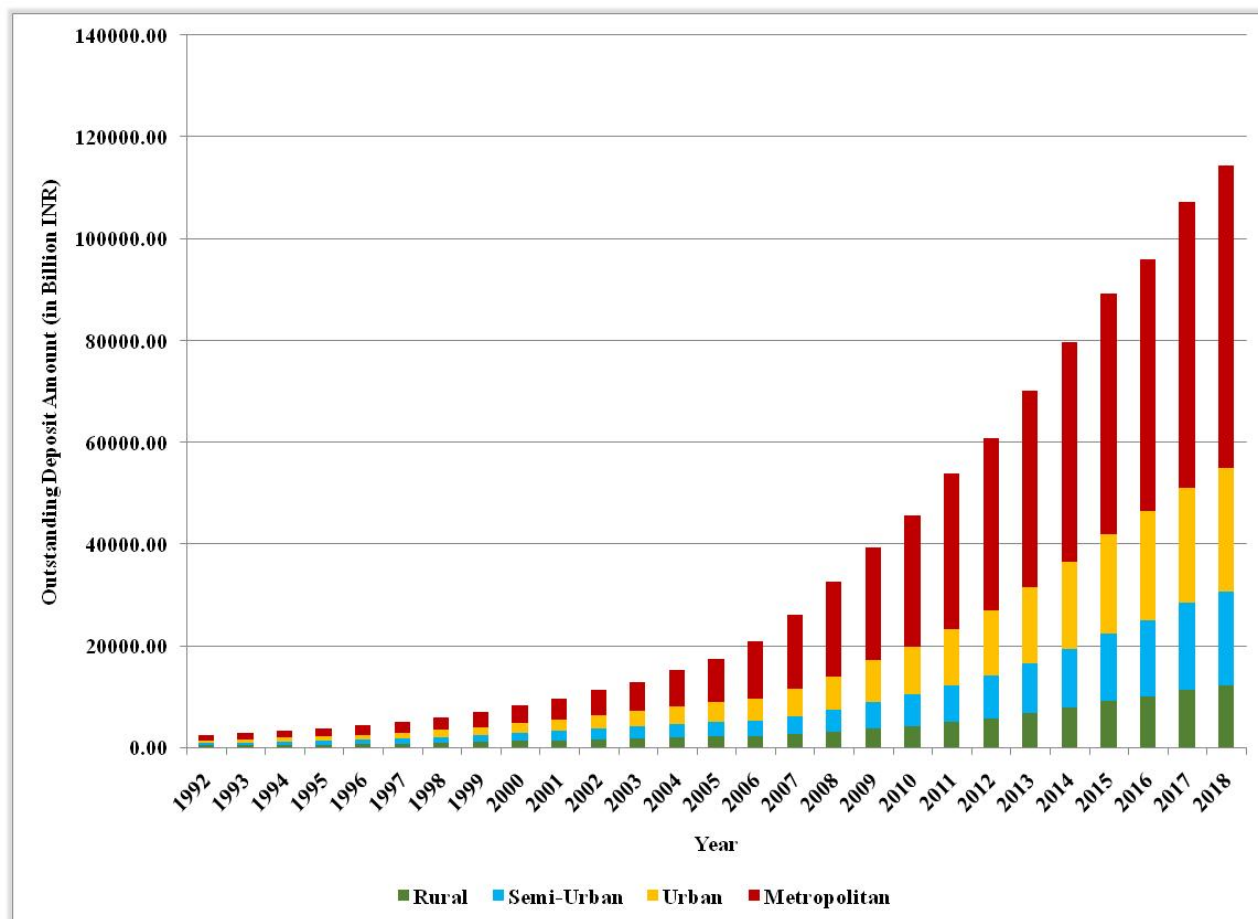


Fig 4: Trend in the Outstanding Amount of Deposit in Scheduled Commercial Banks in Different Locations of India during the Post-Liberalisation Period

The distribution of the quantum of commercial bank deposit amounts across the four different types of locations is displayed in Table 7. It is evident that around half of the total amount of deposits is made in the banks located in

metropolitan areas and the banks located in the rural areas accounted only around 12 percent. The more the degree of urbanisation of the location of the bank branch the more is the share of total bank deposits attracted towards the branch.

Table 7: Location-wise Distribution of Outstanding Deposits in Scheduled Commercial Banks in India in the Post-Liberalisation Period (Percentages)

Year	Rural	Semi-Urban	Urban	Metropolitan	Year	Rural	Semi-Urban	Urban	Metropolitan
1992	15.1	19.6	23.3	42.0	2006	10.8	14.5	20.6	54.1
1993	15.0	19.4	23.2	42.4	2007	9.7	13.8	20.5	56.0
1994	15.2	19.5	22.9	42.4	2008	9.3	13.2	20.2	57.2
1995	13.7	18.8	22.2	45.3	2009	9.3	13.5	21.0	56.2
1996	14.4	19.5	22.4	43.7	2010	9.2	13.5	20.7	56.6

1997	14.7	19.6	22.5	43.2	2011	9.2	13.3	20.6	56.9
1998	14.5	19.4	22.6	43.5	2012	9.4	13.9	20.9	55.8
1999	14.7	19.5	22.9	42.9	2013	9.6	14.0	21.3	55.1
2000	14.7	19.7	23.0	42.6	2014	9.9	14.3	21.5	54.2
2001	14.7	19.6	22.9	42.8	2015	10.3	14.8	22.0	53.0
2002	14.2	19.1	22.7	43.9	2016	10.5	15.4	22.4	51.7
2003	13.8	18.9	22.8	44.5	2017	10.5	16.1	21.0	52.5
2004	12.9	17.7	21.9	47.5	2018	10.6	16.2	21.3	51.9
2005	12.2	16.9	21.5	49.4	Average*	12.2	16.8	21.9	49.2

Note: \*Average share (%) during 1992 - 2018

Source: Author's Computations based on the RBI Data.

Table 8 shows the quantum and growth of the outstanding deposit amount per account of commercial branches located in different locations in India during the post-liberalisation period and Figure 3 illustrates its trend. In the initial years the average amount of deposit per account was relatively high in banks located semi-urban and metropolitan areas, but there was a steady decline in the deposit amount per account in the commercial bank branches located in semi-

urban and metropolitan areas. At the same time, there was steady growth in the deposit amount per account in the banks located in urban and rural areas. Resultantly, in the later years, particularly after the year 2000, banks located in urban areas attracted the highest amount of deposit per account, which was followed by the banks located in the rural areas.

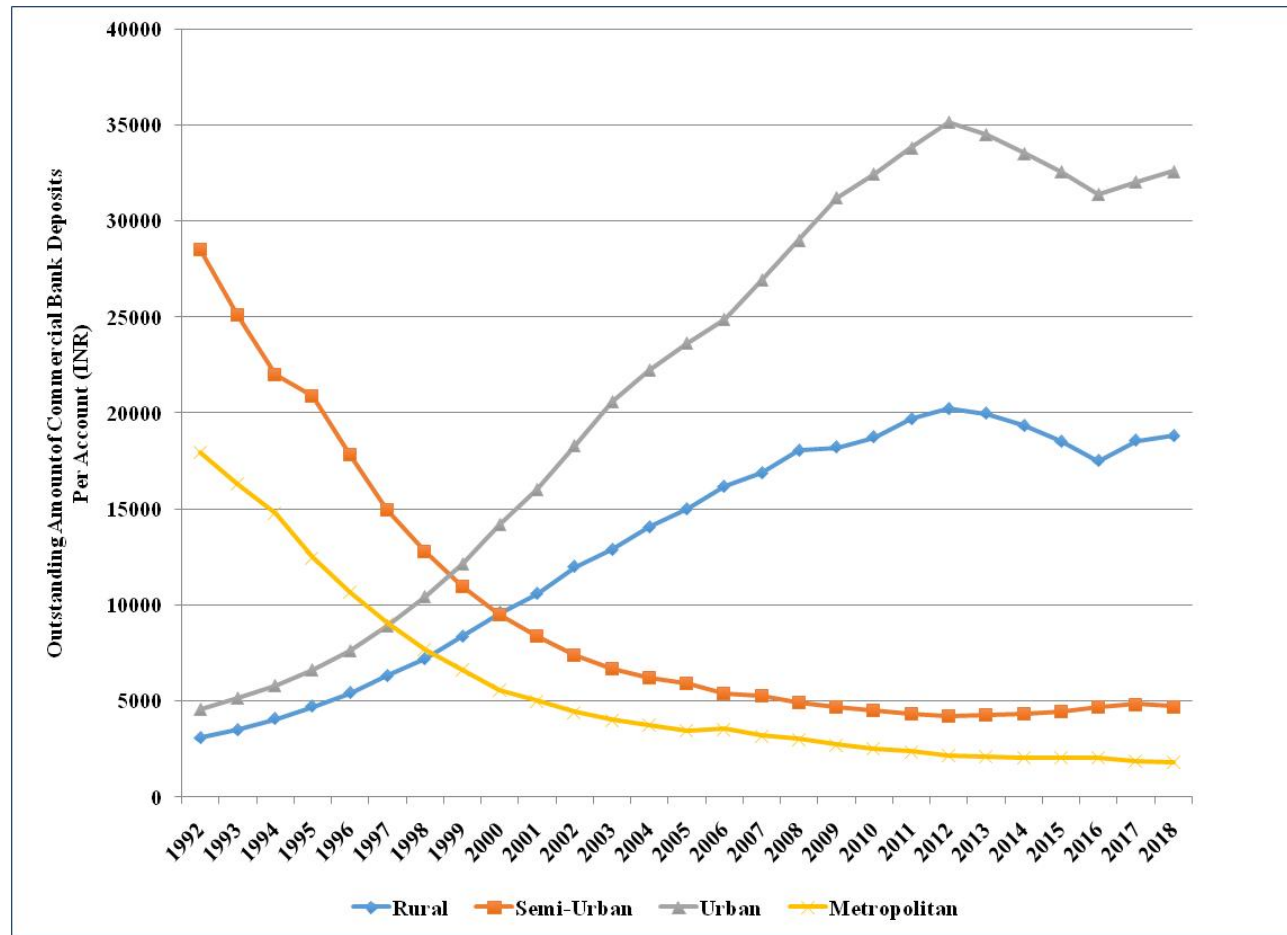
**Table 8:** Trend and Growth in the Average Amount of Outstanding Deposit per Account in Scheduled Commercial Banks in Different Locations of India during the Post-Liberalisation Period

Year	Rural		Semi-Urban		Urban		Metropolitan		All	
	Amount (INR)	AGR# (%)	Amount (INR)	AGR# (%)	Amount (INR)	AGR# (%)	Amount (INR)	AGR# (%)	Amount (INR)	AGR# (%)
1992	3114	--	28517	--	4570	--	17911	--	6626	--
1993	3515	12.9	25120	-11.9	5151	12.7	16284	-9.1	7327	10.6
1994	4067	15.7	21995	-12.4	5810	12.8	14759	-9.4	7981	8.9
1995	4713	15.9	20866	-5.1	6609	13.8	12430	-15.8	9471	18.7
1996	5431	15.2	17845	-14.5	7603	15.0	10633	-14.5	10804	14.1
1997	6322	16.4	14929	-16.3	8903	17.1	9041	-15.0	12700	17.5
1998	7222	14.2	12768	-14.5	10446	17.3	7656	-15.3	15236	20.0
1999	8372	15.9	10942	-14.3	12107	15.9	6581	-14.0	17891	17.4
2000	9578	14.4	9467	-13.5	14195	17.2	5546	-15.7	21035	17.6
2001	10585	10.5	8348	-11.8	15996	12.7	4983	-10.2	23481	11.6
2002	11987	13.2	7364	-11.8	18314	14.5	4401	-11.7	27000	15.0
2003	12908	7.7	6659	-9.6	20569	12.3	3975	-9.7	30230	12.0
2004	14059	8.9	6185	-7.1	22231	8.1	3712	-6.6	33172	9.7
2005	15017	6.8	5875	-5.0	23617	6.2	3429	-7.6	36980	11.5
2006	16197	7.9	5382	-8.4	24840	5.2	3513	2.5	40577	9.7
2007	16906	4.4	5249	-2.5	26911	8.3	3174	-9.7	46957	15.7
2008	18057	6.8	4890	-6.8	29002	7.8	2975	-6.2	51374	9.4
2009	18223	0.9	4664	-4.6	31213	7.6	2686	-9.7	57841	12.6
2010	18752	2.9	4507	-3.4	32411	3.8	2481	-7.6	62039	7.3
2011	19711	5.1	4299	-4.6	33806	4.3	2344	-5.5	66087	6.5
2012	20249	2.7	4186	-2.6	35113	3.9	2144	-8.5	70454	6.6
2013	19976	-1.3	4239	1.3	34480	-1.8	2074	-3.3	73712	4.6
2014	19358	-3.1	4326	2.0	33510	-2.8	2029	-2.2	74033	0.4
2015	18537	-4.2	4419	2.2	32552	-2.9	2021	-0.4	73805	-0.3
2016	17511	-5.5	4665	5.6	31383	-3.6	2015	-0.3	72236	-2.1
2017	18568	6.0	4818	3.3	32020	2.0	1834	-9.0	70841	-1.9
2018	18837	1.4	4699	-2.5	32569	1.7	1766	-3.7	74533	5.2
	CAGR*	7.2	CAGR*	-7.1	CAGR*	8.2	CAGR*	-8.5	CAGR*	10.6

Notes: #Annual growth rate (%) of the outstanding amount per deposit; \*Compound annual growth rate (%) of the outstanding amount per deposit during 1992 - 2018.

Source: Author's Calculations based on the RBI data





**Fig 5:** Trend in the Average Amount of Outstanding Deposit per Account in Scheduled Commercial Banks in Different Locations of India during the Post-Liberalisation Period

#### 4. Conclusions

This paper has made a comparative examination of the expansion of the commercial bank branches and their deposit mobilisation in rural, semi-urban, urban and metropolitan areas of India in the post-liberalisation period. There was only a moderate speed in the expansion of commercial bank branches in India in the post-liberalisation period. The speed of branch expansion was relatively high in metropolitan areas and low in rural areas. Largest proportion of commercial bank branches has been located in rural areas, but the share of rural areas has been continuously declining over the years.

The number of deposit accounts has been slowly growing in all the four types of locations in India in the initial years of the post liberalization period, but the speed has been accelerated after 2006. There was no much difference in the growth rate of deposit accounts across the four different locations of the country during the study period. There was no huge inequality in the distribution of the number of bank accounts in the four different locations; however, the rural location attracted relatively large proportion of the deposit accounts.

The number of accounts per branch of commercial banks has been lowest in the branches located in rural areas and highest in metropolitan areas. But in the recent years, the number of accounts per branch has become highest in the branches located in the semi-urban areas followed by metropolitan areas, and urban areas.

Growth in the quantum of deposits was not considerably different across the four different types of locations in the country. The distribution of the magnitude of commercial bank deposit across the four different types of locations revealed that around half of the total amount of deposits is made in the banks located in metropolitan areas and the branches located in the rural areas accounted only very a low proportion. The more the degree of urbanisation of the location of the bank the more is the share of total bank deposits attracted towards the bank.

There was a steady decline in the deposit amount per account in the commercial bank branches located in semi-urban and metropolitan areas; conversely, there was stable growth in the deposit amount per account in the banks located in urban and rural areas. Resultantly, the initial situation where the average amount of deposit per account was relatively high in banks located semi-urban and metropolitan areas have been reversed and later these positions have been occupied by the branches located in urban and rural areas.

Thus, we can conclude that there are perceptible differences in the branch expansion and deposit growth pattern of the scheduled commercial banks located in rural, semi-urban, urban and metropolitan areas of India, particularly in the post liberalization period.

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