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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 to 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

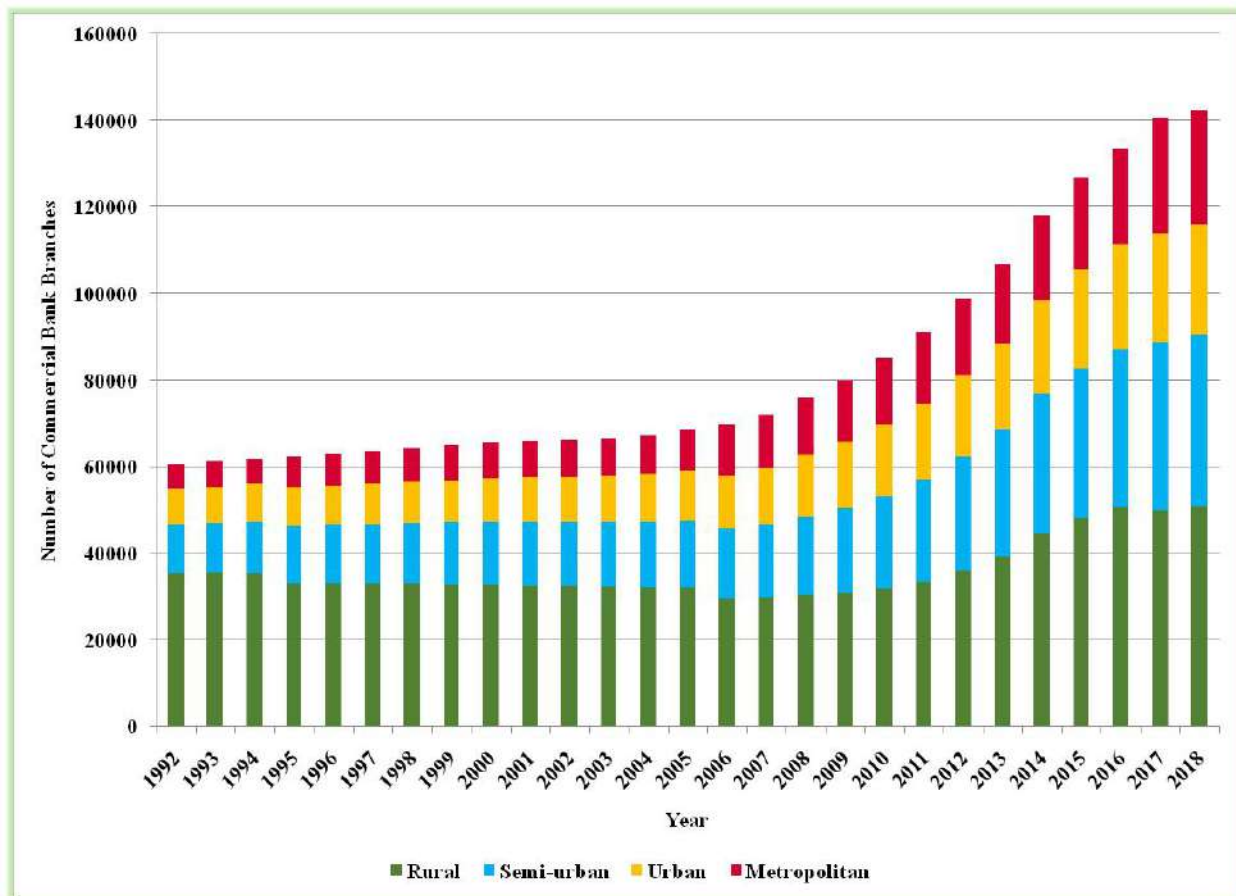
All commercial banks strive to expand their business through branch expansion. The information on the expansion of the commercial bank branches located in different types of locations in India is provided in Table 1 and its trend is portrayed in Figure 1. There was only a moderate growth in the number 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

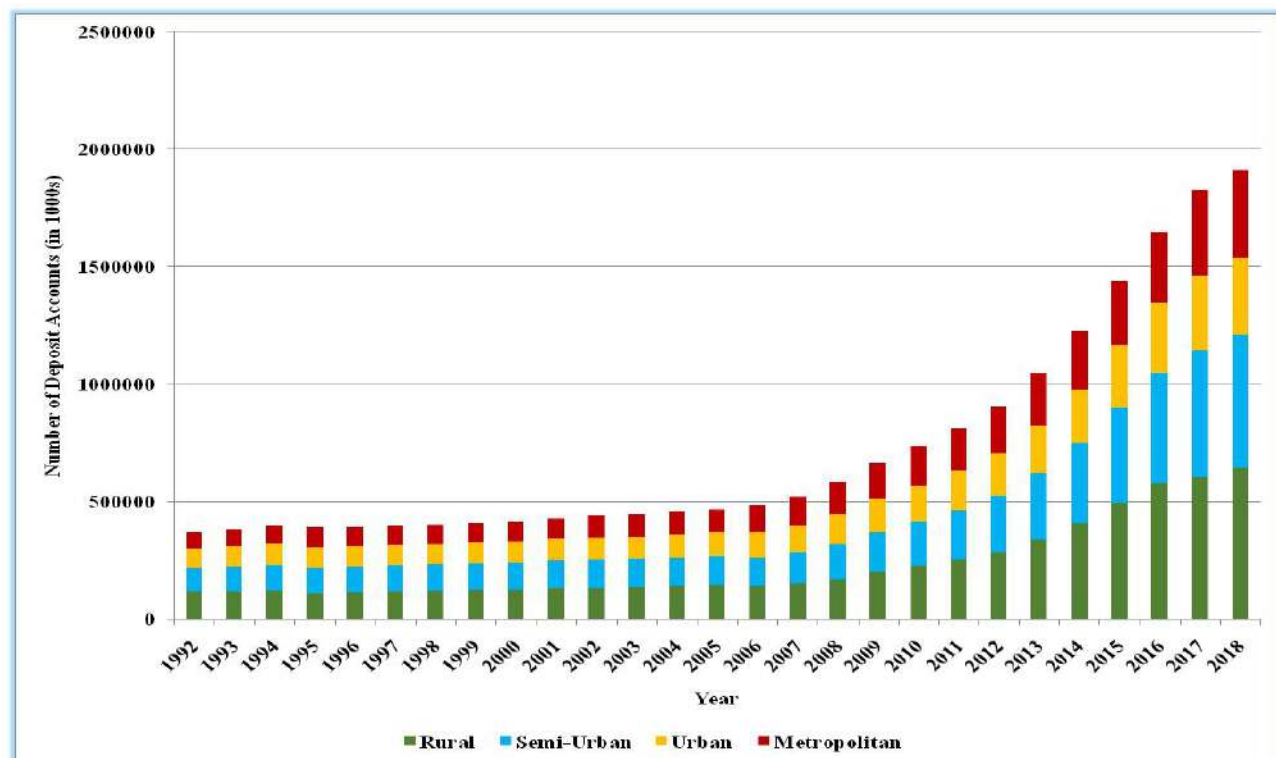
the accounts after 2006. Rate of growth of the number of accounts was marginally high in rural areas and it was slightly low in urban area, nonetheless, there was no considerable difference in the compound growth rate of the number of deposit accounts in different locations of the country during the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

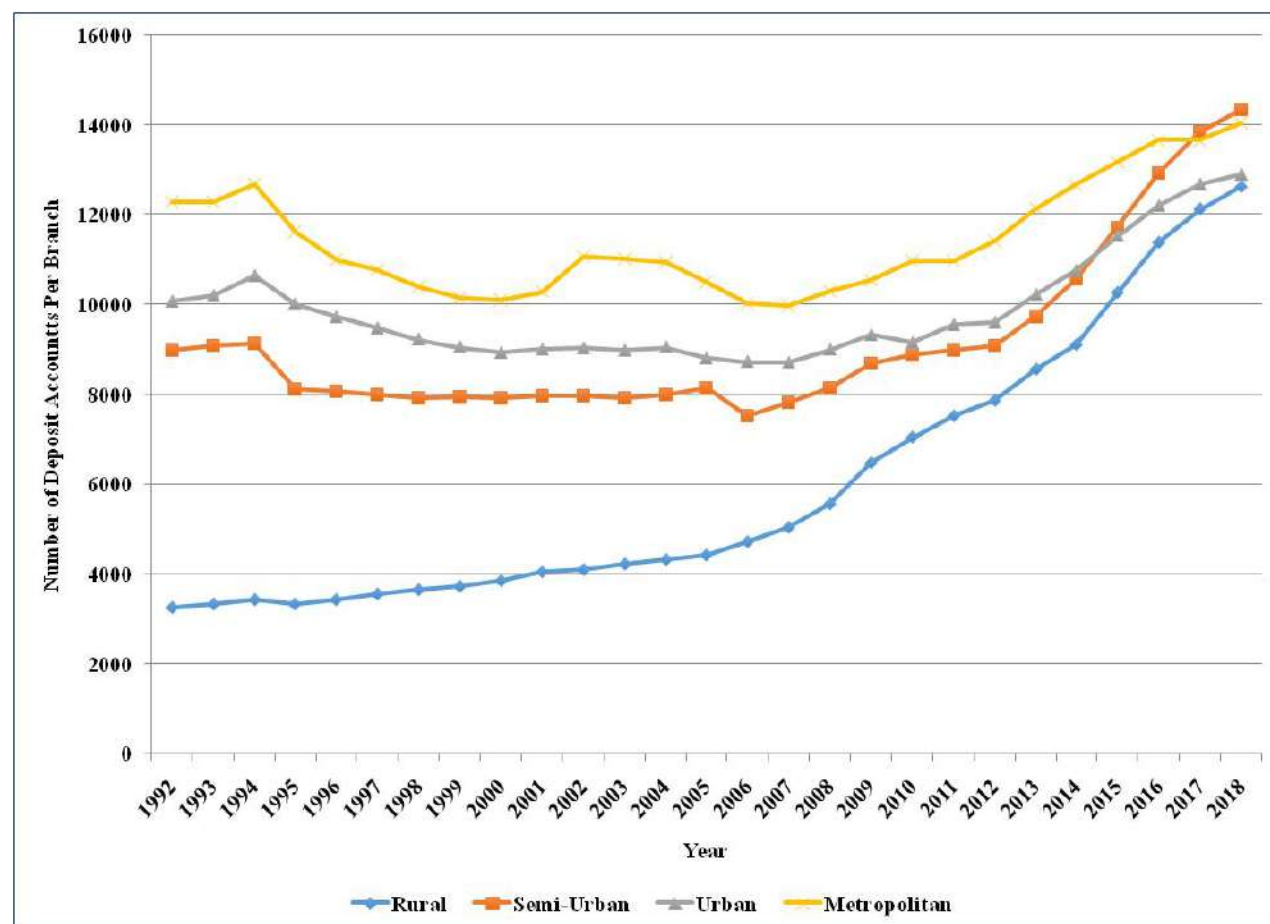
its growth was very low in metropolitan areas and urban areas. Resultantly, in the recent years, the number of accounts per branch has become highest in the branches located in the semi-urban areas followed by metropolitan areas, and urban areas.

**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

| (Amount in Billion INR) |         |                      |            |         |         |         |              |         |          |         |
|-------------------------|---------|----------------------|------------|---------|---------|---------|--------------|---------|----------|---------|
| Year                    | Rural   |                      | Semi-Urban |         | Urban   |         | Metropolitan |         | Total    |         |
|                         | Amount  | AGR <sup>#</sup> (%) | 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

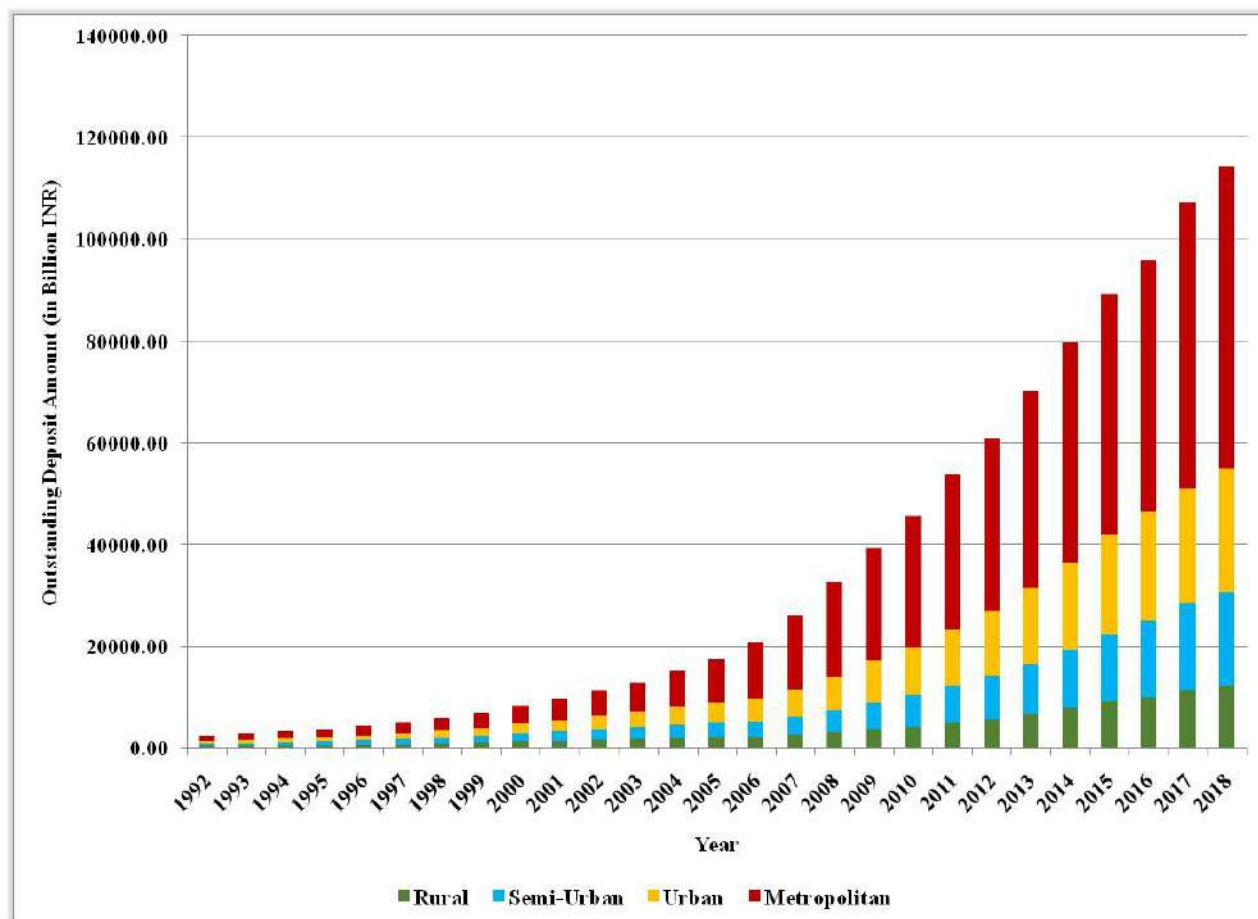


Fig 4: Trend in the Outstanding Amount of Deposit in Scheduled Commercial Banks in Different Locations of India during the Post-Liberalisation Period

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.

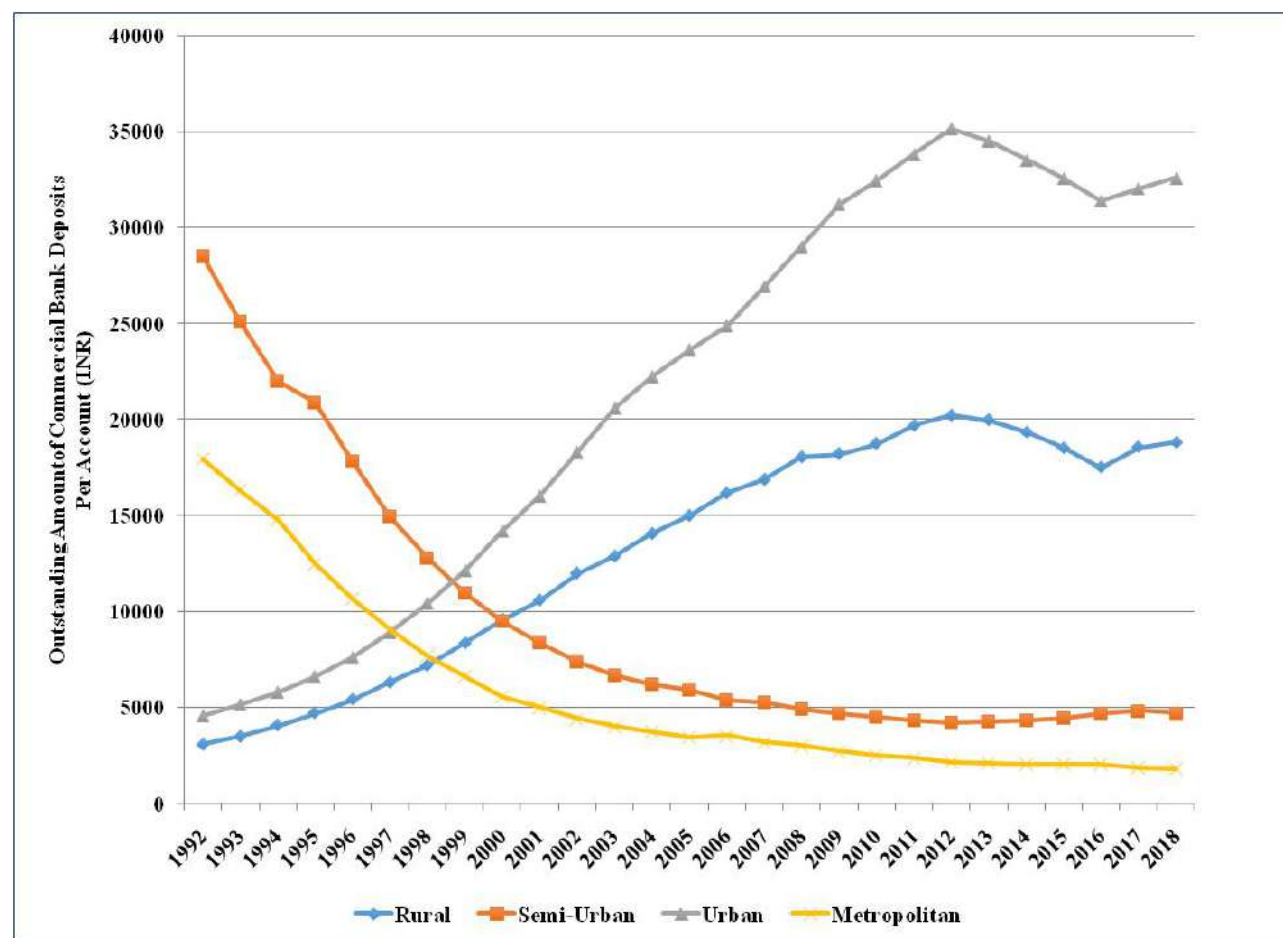
**Table 8:** Trend and Growth in the Average Amount of Outstanding Deposit per Account in Scheduled Commercial Banks in Different Locations of India during the Post-Liberalisation Period

| 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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