



## **GROWTH OF COMMERCIAL BANKS IN THE TELANGANA STATE**

**K. Devadas**

**Research scholar**

**Department of Economics**

**Osmania university**

---

### **1. INTRODUCTION**

*From September 17th, 1948 to November 1st, 1956, the Telangana area was a part of the Hyderabad state, until it was united with Andhra state to establish the Andhra Pradesh state. On June 2, 2014, the state of Telangana was founded from the former state of Andhra Pradesh. This is the Indian Republic's 29th state. The state has a total size of 1, 12,077 square kilometres and a population of 3, 50,03,674. Telangana state is bounded on the north by Maharashtra and Chhattisgarh, on the west by Karnataka, and on the south and east by Andhra Pradesh. Hyderabad, Warangal, Nizamabad, Nalgonda, Khammam, and Karimnagar are the state's major cities.*

*The Department of Agriculture was established primarily to offer farmers with Agricultural Extension services and to disseminate the most recent technical knowledge to the farming community. The Department's aims are to estimate agricultural input requirements in advance, control production, and supervise timely provision of seeds, fertilizers and pesticides, equipment, credit, and so on to farmers. The Department also undertakes statutory tasks under various statutes and regulations (i.e., quality control) to assure the supply of quality inputs to farmers, such as seeds, fertilizers, and pesticides. In the process of sustainable agricultural development, the Department of Agriculture performs the following functions.*



## **2. REVIEW OF LITERATURE**

Baslas and Bansal (2001) discovered in their research that the banking industry will be ruled in the future by the potential forces of information technology, mergers and acquisitions, and universal banking. Concerning the expansion of public sector banks, they examined the market share of PSBs in terms of deposits and advances from 1998-1999 to 1999-2000 and discovered that it fell from 83% to 80.7% in 1998 and 1999 and from 81.9% in 1999 to 79.4% in 2000.

Yadav (2001) concludes in his paper on rural credit that it is past time to regard rural loans as a commercial offer rather than a duty. Joshi (2002) discovered in her study on rural credit that the spread of financial intermediation through banking services has been a major catalytic driver for development. Despite significant progress in providing credit through institutional agencies in the rural sector, banks are facing challenges due to decreased recoveries and mounting overdoes.

Masthan and Rao (2002) discovered in their study that the government forces urban cooperative banks, the majority of which are single branch banks with limited areas of operation (maximum a district), to allocate a higher percentage of resources (60%) to priority sectors than commercial banks (40%). The UCBs comply with the requirement as a government-assigned social duty. As a result, the greater burden falls on UCBs, which must service a significant number of priority sector advances with limited credit ceilings. They urge the RBI to make appropriate changes to assist UCBs in escaping this predicament.

Das (2002-03) attempts to construct an objective system for rating nationalized banks between the years 2000-01 and 1999-00 by taking into account four factors of a bank's performance: business performance, efficiency, safety and soundness, and labour productivity. To avoid subjective judgement, the parameters were not given weights; rather, their ranks were assigned weights, and it was discovered that during 2000-01, listed banks ranked higher than unlisted banks.



In his work, Kaushik J B (2011) mentioned that there is evidence of development in the rural economy. It is, however, distorted and uneven. He emphasized the need of agricultural growth by prioritizing small and marginal farmers. He came to the conclusion that it may be promoted with effective loan support from banks and Micro-Finance Institutions (MFIs).

**Table-.1**

**Population-wise branches of public sector banks in Telangana state**

Years	Rural & Semi-urban Branches	Share of Total Branches	Urban Branches	Share of Total Branches	Total Branches	Growth Rate (%)
2014-15	1580	69.51	693	30.49	2273	1.2
2015-16	1559	68.29	724	31.71	2283	0.44
2016-17	1588	68.42	733	31.58	2321	1.66
2017-18	1536	65.95	793	33.12	2329	0.34
2018-19	1602	67.85	759	32.15	2361	1.37
2019-20	941	39.94	1415	46.44	2356	-0.2
2020-21	935	37.93	1530	48.11	2465	4.63
2021-22	964	37.58	1601	48.11	2565	4.06
<b>GR%</b>	<b>-0.05989</b>		<b>0.110343</b>		<b>0.015222</b>	

Source: Compiled and calculated from Agenda Paper on State Level Bankers' Committee Meetings

Table-1 shows that total public sector bank branches grew at a negative rate of -0.059 percent from 2014-15 to 2021-22. The growth rate was 1.2 percent in 2014-15, whereas it was negative in the previous years. During the study period, public sector bank branches in urban areas of Telangana grew at a faster rate (1.66%) than in rural and semi-urban areas (-0.059%). The table shows that the proportion of rural and semi-urban branches to total branches declined from 37.58 percent in March 2021-22, while the proportion of urban branches climbed from 30.49 percent to 48.11 percent during the study period.



**Table-3.2**

**Population-wise branches of private sector banks in Telangana state**

Years	Rural & Semi-urban Branches	Share of Total Branches	Urban Branches	Share of Total Branches	Total Branches	Growth Rate
2014-15	28	53.85	24	46.15	52	33.33
2015-16	25	48.08	27	51.92	52	0
2016-17	33	49.25	34	50.75	67	28.85
2017-18	36	50	36	50	72	7.46
2018-19	60	48.39	64	51.61	124	72.22
2019-20	85	50.3	84	49.7	169	36.29
2020-21	105	55.85	83	44.15	188	11.24
2021-22	3	60.54	88	39.46	223	18.62
<b>GR%</b>	<b>0.042289</b>		<b>0.218981</b>		<b>0.220477</b>	

Source: Compiled and calculated from Agenda Paper on State Level Bankers' Committee Meetings

Table - 2 shows that the overall number of branches opened by private sector banks following banking sector reforms has increased by 0.22 percent. Private sector bank



branches expanded at a maximum annual growth rate of 77.22 percent in 2018-19. Branches of private sector banks grew at a significantly faster rate (0.04%) in rural and semi-urban areas than in metropolitan areas (0.21%) from 2014-15 to 2021-22. The table also shows that the share of rural and semi-urban branches increased dramatically from 53.85 percent to 39.46 percent during the same time period, while the share of urban branches declined from 46.15 percent to 39.46 percent

**Table-3**

**Population wise deposits of public sector banks inTelangana state**

Years	Rural & Semi-urban Deposits (Rs.)	% of Total Deposits	Urban Deposits (Rs.)	% of Total Deposits	Total Deposits	Growth Rate
2014-15	2657439	63.12	1552550	36.88	4209989	13.66
2015-16	2827571	58.67	1991828	41.33	4819399	14.48
2016-17	3194613	60.21	2111606	39.79	5306219	10.1
2017-18	3311219	58.17	2380746	41.83	5691965	7.27
2018-19	3491926	57.39	2592323	42.61	6084249	6.89
2019-20	3868476	59.52	2630971	40.48	6499447	6.82
2020-21	4498413	59.45	3068438	40.55	7566851	16.42
2021-22	5156504	58.92	3594854	41.08	8751358	15.65
<b>GR%</b>	<b>0.086392</b>		<b>0.110656</b>		<b>0.095782</b>	

Source: Compiled and calculated from Agenda Paper on State Level Bankers' Committee Meetings

Table-3 shows that since the start of banking sector reforms, deposits of public sector banks



have increased significantly, with a growth rate of 0.09 percent, with semi-urban deposits growing at a faster rate of 0.086 percent than urban deposits (0.11 percent) between 2014-15 and 2021-22. Throughout the study period, the annual growth rate was positive. During the study period, the share of rural and semi-urban deposits in total deposits varied between 13.66% and 15.65%, although public sector banks were still tapping the greatest savings of rural and semi-urban populations. During the study period, the proportion of urban deposits in total deposits ranged between 36.88 and 41.08 percent.

**Table-4**

**Population wise deposits of private sector banks in Telangana state**

	Rural & Semi Urban Deposits	Of Total Deposits	Urban Deposits	No of Total Deposits	Total Deposits (Rs.)	No Growth Rate
2014-15	46918	38	76095	62	123013	15
2015-16	42760	32	90951	68	133711	9
2016-17	70866	44	90992	56	161858	21
2017-18	107793	27	290432	73	398225	146
2018-19	162895	30	375851	70	538746	25
2019-20	259322	38	428102	38	687424	28
2020-21	460049	50	466739	50	926788	35
2021-22	598082	56	464277	44	1062359	15
<b>GR%</b>	<b>0.374604</b>		<b>0.253654</b>		<b>0.309303</b>	

Source: Compiled and calculated from Agenda Paper on State Level Bankers' Committee Meetings

Table-4 shows that private sector bank deposits have expanded at a rate of 38% during 2014. Because of the introduction of a few private sector banks, the year 2014-15 saw the highest annual increase of 62%. According to the table, deposits in rural and semi-urban



areas climbed at a faster pace of 27% in 2017-18. The share of rural and semi-urban deposits in total deposits held by private sector banks climbed from 38% to 56%, while urban deposits declined from 62% to 44%. This demonstrates the growing proclivity of private sector banks to tap into the deposits of rural and semi-urban residents.

**Table-5**

**Population wise advances of public sector banks in Telangana state**

	Rural &Semi- urban Advances	Shareof Total Advances	Urban Advances (Rs.)	Shareof Total Advances	Total Advances (Rs.)	Growth Rate No
2014-15	918808	51.37	869831	48.63	1788639	21.23
2015-16	1160374	56.41	896813	43.59	2057187	15.01
2016-17	1225274	52.08	1127420	47.92	2352694	14.36
2017-18	1257236	47.41	1394335	52.59	26515'71	12.7
2018-19	2647818	83.96	505804	16.04	3153622	18.93
2019-20	1834883	47.98	989684	52.02	3824567	21.28
2020-21	2309274	46.27	2681470	53.73	4990744	30.49
2021-22	2538710	45.30	3608528	58.7	6147238	23.17
<b>GR%</b>	<b>0.374604</b>		<b>0.253654</b>		<b>0.309303</b>	

Source: Compiled and calculated from Agenda Paper

onStateLevelBankers'CommitteeMeetings

According to table-5, bank advances in all categories have expanded dramatically. During the study period, the share of urban advances to total advances of public sector banks climbed from 48.63 percent to 58.70 percent, while rural and semi-urban advances declined from 56.41 percent to 45.30 percent.



**Table-6.**

**Populationwise deposit per branch of public sector banks in Telangana state**

Year	Rural & Semi-urban Deposit Per Branch (Rs.)	Urban Deposit Per Branch	Total Deposit Per Branch (Rs.)	Growth Rate
2014-15	1682	2240	1852	12.31
2015-16	1814	2751	2111	13.97
2016-17	2012	2881	2286	8.3
2017-18	2156	3002	2444	6.9
2018-19	2180	3415	2577	5.44
2019-20	4111	1859	2759	7.05
2020-21	4811	2006	3070	11.27
2021-22	5349	2245	3412	11.14
GR%	<b>0.155595</b>	<b>0.000279</b>	<b>0.079371645</b>	

Source: Compiled and calculated from Agenda Paper on State Level Bankers' Committee Meetings

Table-6 shows that deposit per branch of public sector banks in Telangana increased by 0.07 percent, from Rs. 1852 lac to Rs. 3,412 lacs. In 2014-15, the deposit growth rate per branch was the highest, at 12.31 percent. During the period 2014-15 to 2021-22, bank deposits per branch in rural and semi-urban areas grew at a quicker rate (0.155%) than in urban areas (0.0002%).

### 3. Conclusion

Telangana's economy is primarily based on agriculture. Because of a lack of fundamental minerals in the state, industrial progress is slow. Small-scale enterprises predominate in Punjab's industrial landscape, as opposed to medium and large-scale businesses. This could be due to a lack of natural resources, a lack of an organised capital market, a





scarcity of large-scale investment finance, and a lack of entrepreneurship of the type required for large-scale businesses. During 2005-06, the state had 204,066 small scale industrial units, in addition to 600 large and medium units. Cotton Textile Industry, Sugar Industry, Dairy Industry, Textile Industry, Hosiery Industry, Sports Industry, and Engineering Industry are some significant industries in Punjab.

Banking is a major element of the service industry in Telangana, serving as the economy's backbone. Telangana has been considered a surplus state in terms of financial facilities (Pasricha, 1993). The state has a well-established branch network of commercial and cooperative banks. There were 2565 commercial bank branches, 219 Regional Rural bank branches, and 805 co-operative bank branches at the end of March 2008.

Deposits of public sector banks have increased significantly, with semi-urban deposits growing faster than urban deposits, and the share of rural and semi-urban deposits varied between 13.66% and 15.65%. Private sector bank deposits have grown at a faster rate in rural and semi-urban areas, with the share of rural and semi-urban deposits increasing from 38% to 56%. The Bank advances in all categories have increased, with urban advances increasing significantly. Deposit per branch of public sector banks in Telangana increased by 0.07 percent, highest in rural and semi-urban areas.

## **REFERENCES**

- Anand,S,'PrioritySectorLending–  
Itisadynamicphenomenon',IndianBankingToday&Tomorrow,vol.19,No.1,January1994,  
(pp10-17).
- Anbumani,V,andNiranjana,S,'SocialObjectivesandPrioritySectorLending's', Banking and  
Financial Sector Reforms in India, Deepand DeepP ublications Pvt. Ltd. NewDelhi, Pub: 2002,  
(pp 231-245).
- BanerjeaBhaskar,"PublicSectorBanks:NeedforRenewal",op.cit,(pp41-46).



Banerjee Abhijit and Duflo, Esther, 'What Do Banks (Not) Do?'  
H.T.Parekh Finance Forum, Economic and Political Weekly, Sep 18, 2004, (pp 4212-4213).

Bansal, S.N, Dr., and Agarwal, V.K, Dr., "Why World Bank is  
Against Priority Sector Lending?", Kurukshetra, Vol.39, No.12, September.

Baslas, Deepti and Bansal, Anand, Banking Sector Reforms: Towards A New  
Face of Indian Banking, op.cit, (pp348-351).

Bedback Hrushikesh, "Cost of Credit Acquisition and Delay – The  
Major Factors of Institutional Finance to Priority Sector", The Indian Journal of Commerce, Part 2&3,  
Vol. XXXVII, No.139,140, April-June, July-Sep 1984, (pp61-74).

Bhalerao Asha, "Sectoral Inequality in the Distribution of Outstanding  
Credit of Commercial Banks in India", Banking Finance, Vol.II, No.6, June 1989, (PP12-13).

Bhat Narayana M, 'Nationalised Banks: Declining Profitability and  
Cost Controls', The Indian Journal of Commerce, Vol. XXVII, Part IV, No.101, Dec 1974, (pp25-30).

Das, M.R, 'An Objective Method for Ranking Nationalised Banks', Prajnan, Vol. XXXI, No.2, 2002-  
03, (pp111-136)

Yadav, Ravinder, 'Rural Credit', Banking Finance, Vol. XIV, No.12, December 2001, (pp26-27)