

**INTER DISTRICT AND INTER SECTORAL
DISPARITIES IN BANKING DEVELOPMENT
IN KERALA**

By

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THESIS

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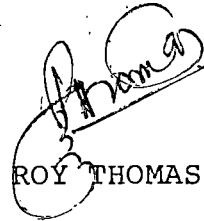
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DECLARATION

I hereby declare that this thesis entitled "Inter-District and Inter-Sectoral Disparities in Banking Development in Kerala" is a bonafide record of research work done by me during the course of research and that the thesis has not previously formed the basis for the award to me of any degree, diploma, associateship, fellowship, or other similar title, of any other University or Society.

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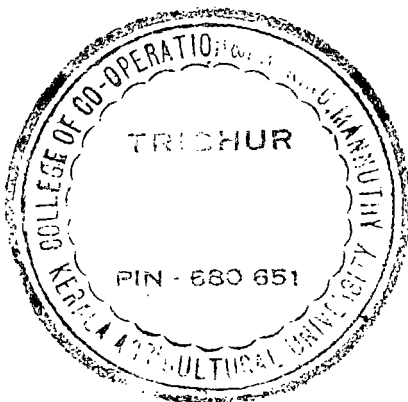


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CERTIFICATE

Certified that this thesis entitled "Inter-District and Inter-Sectoral Disparities in Banking Development in Kerala" is a record of research work done independently by Sri. Roy Thomas, under my guidance and supervision and that it has not previously formed the basis for the award of any degree, fellowship or associateship to him.

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Introduction

CHAPTER I

INTRODUCTION

In the context of the planned effort for the economic development of the country, it was necessary to have institutions which can subserve the social and economic objectives of planning. Government's accepted policy envisages that the benefits of economic development must accrue more and more to the relatively less privileged classes of the society and that there should be a progressive reduction in the concentration of income, wealth and economic power. In this context the main social objective of banking would appear to be that of evenly spreading institutional coverage over unbanked and underbanked areas and regions and ensuring that neglected sectors and small borrowers who had to depend upon non-institutional sources of credit also get adequate bank credit at reasonable terms.

It may be recalled that during the sixties, the Indian banking system had made good progress and expanded quite considerably. But the response of banks which were then in the private sector to the multifarious economic needs of the community was slow, inadequate and indifferent. Large areas of the country, particularly the rural and semi-urban, were either sparsely banked or not at all banked. Moreover, while large industrial and trading houses had easy access to the banking

facilities many sectors of the economy were denied sufficient access to the bank credit. Thus with a view to achieving a wider spread of banking facilities and bringing about a change in the lending pattern by directing increasing volume of credit flow to the desired sectors and making the banks an effective instrument of economic development, the scheme of 'social control' over banks was introduced by the Government of India in early 1968.

However, social control marked only a transitional stage, it was immediately followed by the nationalisation of 14 major commercial banks on July 19, 1969. With the nationalisation of 6 more banks on April 15, 1980 and taking into account the State Bank of India and its seven subsidiaries, about 90 per cent of the commercial banking is now in the public sector.

Nationalisation of major commercial banks in 1969 was an important land mark in the annals of Indian Banking. According to Gadgil Committee, "it was necessary to indicate the direction in which the banking system would move so that social purposes were fulfilled through its operations" (RBI, Organisational Framework for the Implementation of Social Objectives, 1969). Since 1969, the banks were called upon to play the role of a development agency and were assigned a variety of socio-economic responsibilities such as reduction of regional disparities in banking facilities and channelisation of bank credit to the

hither to neglected priority sectors as identified by the Gadgil Committee such as agriculture, small scale industries, road and water transport operators, professionals, self employed persons, exports, etc. Within the framework of priority sector advances the Government of India and RBI have revised the targets from time to time.

In 1974, the public sector banks were advised that their priority sector lending should reach a level of not less than one third of their outstanding credit by March 1979. Later private sector banks were also asked to fulfill this objective. In March 1980, these banks were further advised to raise the proportion of priority sector advances to 40 per cent by March 1985. In achieving this overall target the banks were required to ensure that their direct advances to agriculture should be at least 15 per cent of net bank credit by March 1985, and 16 per cent by March 1987. In March 1988, the proportion of agricultural advances has been raised to 17 per cent i.e. 42.50 per cent of total priority sector advances to be achieved by March 1989 (RBI, Monthly Bulletins).

Meanwhile the Government had also taken major policy initiatives during seventies with the objective of further widening and deepening the banking development. The Gadgil Committee had identified regional and area wise credit gaps and recommended for the preparation of district-wise credit plans in

accordance with the local conditions. Further, the Committee of Bankers (1969) under the chairmanship of F.K.F. Nariman suggested to evolve a programme for ensuring the spread of adequate banking facilities in the country and recommended for the introduction of Lead Bank Scheme so that each bank would concentrate in certain districts and lead other banks in the area.

At the same time agriculture and rural development have been focussed as the top priority concerns of the planners. In order to have special emphasis on the expansion of bank branches in the rural areas and to make available credit facilities to identified priority sectors and weaker sections in these areas, the Regional Rural Banks were established by an Act of the Parliament in 1975.

While considering the role of banks in reducing inter-state and inter-regional disparities in the matter of bank offices, the progress made by establishing branches in the rural and semi-urban areas of the country by itself cannot automatically lead to filter credit support to these areas. This objective can be achieved only if the newly opened branches attune their operations to the needs of the local economy. The low credit-deposit ratios prevailing in most of the rural areas had given rise to the apprehensions that rural branches might siphon off resources from the rural areas to the urban centres. In order to remove this the public and private sector banks were advised to

achieve by March 1979 a credit-deposit ratio of at least 60 per cent in respect of their rural and semi urban branches separately. Banks were also advised to avoid wide disparities in the credit-deposit ratios between different states and regions.

Since 1982, banks have been advised to extend at least one per cent of net bank credit under Differential Rate of Interest at a concessional rate of 4 per cent per annum to the weaker sections. Further, advances to the scheduled castes and tribes should form 40 per cent of total DRI advances and two thirds of DRI advances should be made through rural and semi-urban branches of the banks.

Thus it can be observed that a major structural transformation of the Indian banking system had effected since July, 1969. It had resulted in a phenomenal expansion of branch net work particularly in the unbanked and underbanked areas. Accordingly the number of commercial bank offices had increased more than seven fold from 8262 in June 1969 to 60294 in March 1990. As a result the population served per bank office had sharply declined from 65000 to around 12000 during the same period. Much of this branch expansion had occurred in rural areas and the number of rural branches had increased from 1833 to about 34490. Consequently, the proportion of rural branches had risen from 22.2 per cent in June 1969 to 57 per cent in March 1990 (RBI, Monthly Bulletins).

The commercial banking system had thus penetrated deep into the interior parts of the country changing the savings and investment habits of the people. Borrowing from banks had tended to replace the traditional sources of funds and to that extent the banking system had helped "institutionalisation" and "monetisation" of the economy to a great extent. This has enabled the banks to mobilise large untapped savings of the rural community in the form of bank deposits and make available these savings to various sectors for financing vital investment projects and rural development programmes included in the Five Year Plans. Between June 1969 and March 1990 the aggregate outstanding deposits of commercial banks had increased by 36 times from Rs 4646 crores to Rs 171648 crores. Similarly, the aggregate credit supplied by the banks had gone up by 29 times from Rs 3599 crores in June 1969 to Rs 103837 crores in March 1990 (RBI, Monthly Bulletins).

In short, since 1969 the banks had been increasingly involved in the process of economic development and their initial role of being a catalyst agent had progressively transformed into the role of prime movers of economic development by bringing about a balanced regional growth. Two decades have elapsed since nationalisation and the changing role of banks as development agencies and consequent quantum jump in banking development needs further examination in view of their assigned role of reducing regional disparities in banking facilities and channelisation of

bank credit to the desired sectors. The earlier studies done at the all India level have not demonstrated a very clear trend in this regard. For instance, studies by Subhas K. Basu (1973), Shah and Dinker Rao (1975), Sugayya N. (1979), Varde V.S. (1984), Balkrishnan (1987) and Chippa M.L. (1988) have demonstrated that the basic objective of reduction of regional disparities have not been adequately satisfied. Though the inter-state and inter-regional disparities in banking development had been examined at the national level, the inter-district disparities in banking development in Kerala has not been studied. The relevance of such a study in Kerala context emerges from the factors such as low population served per bank office in Kerala, low and fluctuating credit-deposit ratios compared to the national level, uneven spread of banking institutions, imbalances in spatial coverage, etc. The present study is proposed to fill in this lacuna. Hence an attempt is made to explore the extent and pattern of inter-district and inter-sectoral disparities in banking development in Kerala with the following objectives.

Objectives of the Study

1. To assess the extent and pattern of inter-district and inter-sectoral disparities in banking development in Kerala; and
2. To examine the factors contributing to inter-district disparities in banking development.

Scope of the Study

For the purpose of the study the term banking development is defined to cover institutional development, functional progress and spatial coverage. While the institutional development is examined in terms of population served per bank office, the functional progress is analysed in respect of mobilisation and deployment of resources. The spatial coverage is examined in terms of inter-district and inter-sectoral variations. The term bank for the purpose of the study refers to the scheduled commercial banks operating in the public as well as private sectors and Regional Rural Banks covered by the Banking Regulation Act. The Primary Agricultural Credit Societies are not covered by the present study as they are not covered by the Banking Regulation Act.

The present study will reveal the structure and pattern of growth in banking infrastructure highlighting the inter-district disparities. It will be of utility to evaluate the inter-district disparities in mobilisation and deployment of funds. The study also attempts to highlight the inter-sectoral disparities in the flow of bank credit. Since the disparities in infrastructural and levels of sectoral development are the consequences of disparities in banking development and vice-versa, the study attempts to reveal the nature and extent of interaction between the two which may be useful to explain the factors contributing to inter-district disparities.

Limitations of the Study

The study covered the period from 1973 to 1988 for which alone comparable data were available for all the districts in Kerala. The recently constituted districts of Wayanad, Pathanamthitta and Kasargod have been excluded due to non existence of data for earlier years. However the data for these districts were allocated on a pro-rata basis to those districts which were bifurcated to form them. The exclusion of PACS will partly conceal the degree of banking development in each district but their contribution to inter-district disparities will be much less due to almost ubiquitous coverage of these institutions in all the districts covered by the study. The spatial analysis in respect of rural, semi urban and urban banking development could not be undertaken due to the non availability of comparable data at the district level. In the analysis of the determinants of sectoral and spatial disparities, all the relevant variables could not be included due to the non availability of the relevant data during the entire reference period. Above all, in the analysis of inter-sectoral variations we were constrained to exclude some of the relevant factors from the analysis due to non-availability of the required data for the entire reference period. The inclusion of some of these factors would have made the analysis little more relevant.

Plan of the Study

The thesis is organised into five chapters. The first chapter deals with the statement of the problem, the objectives, scope and limitations of the study. A critical review of the past works relating to the problem is given in review of literature in the second chapter. The third chapter presents the methodology comprising of the description of the study area, study period, sources of data and data collection, other materials used in the study and the concepts, methods and statistical techniques used for the analysis and interpretation. The results are presented in the fourth chapter while the causal relationships and main principles that are shown by the results are also discussed in the fourth chapter. The final chapter is summary and conclusion.

Review of Literature

CHAPTER II

REVIEW OF LITERATURE

Regional disparities in banking development had been one of the most neglected aspects of social and economic research. Banking development is a multi dimensional phenomenon which may be measured in terms of branch expansion, deposit mobilisation and deployment of credit.

The regional disparities in banking development in the country has been well brought by RBI in the first Annual Report on Trend and Progress of Banking in India for 1949. It states that "the development of branch banking in the country has been lopsided, some areas seem to possess more than adequate banking facilities, others are undeveloped or underdeveloped from the point of view of banking business. Banking is by and large an urban facility. The rural sector depends predominantly on traditional money lenders." (RBI, 1949).

The Rural Banking Enquiry Committee which also went into the question of extending banking facilities to rural areas recommended that the commercial banks may progressively undertake to finance the agriculturists rather than bestowing the task with the co-operatives alone. (RBI, RBEC, 1950). On the other hand though the All India Rural Credit Survey Committee observed that the credit provided by the commercial banks to agriculture was at

a negligible level of 0.91 percent in 1951, it did not make any positive recommendation for involving the banks in financing agriculture and rural sector in a big way. (RBI, AIRCSC, 1954).

In 1961-62, the all India Rural Debt and Investment Survey estimated outstanding loans per rural household according to asset groups for all states in India and found that in Kerala and Madras, the contribution of commercial banks was comparatively more. (RBI, AIDIS, 1961). The Informal Group on Institutional Arrangements for Agricultural Credit pointed out that the commercial banks through their rural branches were gradually mobilising rural resources and suggested that they should deploy these resources for development activities in the rural areas rather than diverting them for the benefit of the urban areas and thereby denuding rural areas of their financial resources. (RBI, IGIAAC, 1964).

As early as in 1966, the RBI conducted a study by constructing composite indices for the measurement of agricultural development, spread of banking facilities and extent of deposit mobilisation in 302 districts during the period 1961-65. The districts were ranked within each state and the composite index of spread of banking facilities was arrived at on the basis of number of villages, total population, gross cultivated area, gross irrigated area and the bank offices. The study observed wide regional imbalances in banking facilities (RBI, 1966).

Similarly the Study Group on the Organisational Framework for the Implementation of Social Objectives under the chairmanship of D.R. Gadgil attempted to measure the extent of inter-state variations in the development of commercial and co-operative banking in the country. The credit gaps in various sectors of the economy and between various regions were estimated by using the indicators of population per bank office, percapita deposits, percapita advance, credit-deposit ratio and ratio of deposits and advances to state income. The study group observed that banking facilities were generally more developed in those states which were economically and socially advanced and less developed in states which were relatively backward (RBI, SGOFISO, 1968).

The All India Rural Credit Review Committee observed that the commercial banks have extended their institutional coverage to the unbanked centres and mobilised deposits from these centres, but made no significant progress in fulfilling the complementary responsibility of meeting credit needs of the rural areas. It pointed out that the deposits mobilised by the banks in rural and semi-urban areas have been finding their way to urban centres (RBI, AIRCRC, 1969).

Marvin Kurve and Seshan (1972), while examining the regional variations in the institutional credit system in India, have tried to bring out the regional variations in the distribution of

commercial banks credit for agriculture. They grouped the states into two categories as developed and underdeveloped on the basis of loans outstanding per rural family and loans outstanding per hectare of gross cropped area. Combining these two indicators, the states have been grouped into two categories with a view to examine the availability of commercial bank finance for agriculture. It was noted that those states which were developed in co-operative credit were also developed in commercial bank credit. However, the study was static as it was related to only one point of time i.e. 1972 and also ignored other variables of banking development like deposits and branch expansion.

At the same time the Banking Commission also examined the inter-state variations in the growth of co-operative and commercial banking in the country and found wide regional imbalances. It suggested a scheme of co-ordination between the two in the sphere of geographical coverage, loan policies and procedures, resources and organisational aspects (RBI, Banking Commission, 1972).

Similarly, the regional pattern of distribution of scheduled commercial banks credit to agriculture and allied activities in 275 districts based on 1967 data have been examined by Subhas K. Basu (1973). He employed the technique of multiple regression analysis and noted percapita bank credit as the dependent variable. The study was subsequently extended to 283 districts

based on 1973 data, where the explanatory variables were grouped into banking variables, institutional variables and productivity variables to explain the dependent variable of outstanding commercial bank credit to agriculture. The techniques of weighted index, standard deviation and ordinary least square method were used by him. The study concluded that the percapita credit alone explains 26 per cent of the variations in the outstanding bank credit to agriculture and highlighted that the percentage of agricultural credit to total outstanding credit is the lowest among all the banking variables. However, the main weaknesses of the study was its failure to consider the overall banking development in the district and was also static to 1973 data only.

Shah and Dinker Rao (1975), in their study on Branch Expansion Since Nationalisation - Objectives and Achievements, examined the achievement of branch expansion programme of banks with reference to two objectives viz. narrowing down regional imbalances and provision of banking facilities to rural areas. They used the simple index of population coverage per bank office and found that there had been no significant progress in narrowing down the inter-regional and inter-state disparities in banking facilities more so with respect to rural areas. The study did not take into account the operational aspects of banking development.

The technique of cluster analysis had been used by Shivkumar (1976) to classify the districts into broad homogeneous groups according to the levels of banking development by using the variables of rural population served per bank, urban population served per bank, per capita deposits for rural population and per capita deposits for urban population. The study revealed that the regional imbalances have shown a declining trend as shown by the population served per bank office. It had however ignored bank credit a crucial variable of commercial banking and the study was static as it related to 1976 data only.

On the other hand Chippa (1976), had tried to measure the performance of commercial banking in various districts of Rajasthan during 1967-74 on the basis of credit-deposit ratio. It has been found that during the post nationalisation period, banking facilities have been developed more rapidly in the rural and semi-urban areas than in the urban areas. With the help of rank correlation coefficient he had tried to establish the relationship between economic and banking development and found that inter-regional differences in credit-deposit ratio have been reduced to a large extent. However, the study was limited to the comparison of mere credit-deposit ratios between districts. Credit-deposit ratio had inherent weakness in assessing regional disparities. At best it can serve as a complementary variable to percapita deposits and advances.

In 1978, the Raj Committee appointed by the RBI made an effort to study the problem of regional imbalances in commercial banking as also the efficiency of public sector banks. In the Report on Functioning of Public Sector Banks published in 1978, Raj measured the inter-state imbalances by constructing the index numbers of each state by dividing the share of offices, deposits and advances by the share of population in each state for 1977. The study, however, did not examine the imbalances in rural, semi-urban and urban banking development (RBI, 1978). Similarly, composite index of banking development had been computed by Hema Lata Rao (1981), on the basis of principal component analysis in order to measure the level of economic development for the years 1956, 1961 and 1965. She concluded that the industrially developed states of Maharashtra, West Bengal, Madras and Gujarat shared among themselves the top four places, while the industrially backward states recorded low index of banking development. The study however ignored sectoral aspects of banking development.

At the same time based on regression analysis and simple percentage Haque (1981) compared the inter-regional variations in credit and economic development. The objective was to find out the chief determinants of inter-regional credit flows. The variables selected were per capita credit, per capita income, per capita deposit, marginal value product of credit, over dues and

level of technological development. It is found that bank credit movement was more favourable to developed regions and larger enterprises thereby increasing the deleterious effects of imbalanced development, despite all efforts laid by the planners and policy makers on a balanced development of all regions and sectors of the economy. The study did not consider the institutional development of banking facilities.

In his study on regional imbalances and disparities Choubey B.N. (1983) analysed the growth of institutional credit to rural sector based on simple comparison and percentages. He observed that percentage share of loans issued by commercial banks was more or less the same in many states with notable exceptions of Gujarat and Maharashtra. Loan issued by all the institutional agencies for the entire country increased from Rs 112 per hectare in 1974-75 to Rs 134 per hectare in 1977-78. Kerala stood first with Rs 343 per hectare of gross cropped area followed by Tamil Nadu (Rs 341), Punjab (Rs 273) and Haryana (Rs 234). In Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Uttar Pradesh it ranged between Rs 110 and Rs 178. In other states it was less than Rs 75, the lowest being in Assam at Rs. 6. The flow of credit as between the different segment and different strata of the rural masses was also uneven. Often it did not reach the right man at right time in right quantity.

Varsha S. Varde (1984) analysed the trends of commercial banks performance in rural areas during the period 1969-80 in terms of deposits, credit, number of branches and man power. The study showed that while deposits in rural areas increased 14 fold over 11 years, rural credit increased by 21 fold. The credit-deposit ratio increased to 57 from 38 and southern region occupied the highest. The growth in number of branches was 7 times and the annual average growth was 20 per cent. At the same time the population served per branch declined to 32000 from 88000. Non comparison of rural banking development with that of urban was the main limitation of the study.

Similarly, Pathak and Tara Shukle (1987) examined the nature and extent of flow of funds from scheduled commercial banks vis-a-vis the rural sector and regional variations thereto based on 1974-84 data. It was observed that the deposit mobilisation had not kept pace with branch expansion and similarly advances with deposit mobilisation. Regarding the regional variations, there has been an upward shift in credit-deposit ratios in the case of majority of the states. North-eastern states by and large showed little improvement and almost all the southern states showed high credit-deposit ratios.

The regional disparities in banking services were compared by Balkrishnan (1987) in three selected years of 1975, 1980 and 1985. He has divided the states into six regions as Northern, North-Eastern, Eastern, Central, Western and Southern. Seven

indicators have been selected for measuring the rural banking development in these regions viz. per capita rural deposit, per capita rural advances, number of rural people served per rural branch, rural credit-deposit ratios, rural deposits per rural branch, rural advances per rural branch and cropped area served per rural branch. A composite index of these indicators have been constructed with the help of Z-sum method which provided for ranking of commercial banks in rural areas. The overall concentration and dispersion of regional disparities have been measured by computing Herfindal Index. The trend in coefficient of variation is ascertained to study the direction of regional disparities in each state of each indicator. Compound growth rates were calculated to determine the progress made by the banks during the reference period. The study highlighted that the banks made good progress in branch expansion, deposit mobilisation and credit deployment. All the indicators revealed a gradual decline in the regional imbalances. Since the classification of rural branches was largely arbitrary, the findings of the study have limited utility.

The inter-state inequality in the distribution of bank credit in India had been compared by Dayakara Rao (1988) based on per capita bank credit using Lorenz Curve and Gini coefficient for the two reference periods of 1973 and 1979. The study showed that there was a decline in the inequality between the years 1973 and 1979 but there was no conclusive evidence to support the view

that the inequality in the distribution of bank credit was low as per credit utilisation and credit sanction. Similarly, Haque T. (1988) examined the temporal and regional variations in the role of institutional credit and found that there was a remarkable increase in the per centage share of institutional credit to total rural credit over time in almost all the regions of the country except Assam. The distribution of bank credit per borrower was highly skewed in favour of the relatively prosperous states.

An attempt has been made to measure the regional disparities in commercial banking development in India, by Chippa (1988) for the periods of 1960-61, 70-71 and 80-81. In an attempt to identify the factors which are associated with the regional disparities in commercial banking in the country, he tried to measure the levels of commercial banking development in terms of composite indices constructed on the basis of suitable indicators of various aspects of banking employing modified factor analysis technique. Impact of various aspects on banking development was estimated with the help of multiple regression analysis. Regional disparity was measured by computing inter-state coefficient of variation. He had identified six economic factors and two non-economic factors which had influence on regional variations in banking development. The economic factors were levels of economic activity, agricultural development, infrastructural development, industrial development, aggregate economic

development and levels of non-commercial banking development which were constructed on the basis of several indicators. The non economic factors were banking habit and urbanisation.

Arbitrary weights had been assigned to compute the composite indices and the non economic factors were not conclusive were the important limitations of the study. Rather than considering time series data, the study was based on three static points of time.

Thus the regional disparities studied at different points of time at the national level employed the methodologies of composite indices, regression analysis, coefficient of variation, mean deviation, cluster analysis, simple comparison and percentages, rank correlation coefficient, herfindal index, disparity ratio, etc. The important observations of the studies may be concluded as the progress in branch expansion was significant while the task of reducing regional imbalances in mobilisation and deployment of resources need further improvement. Most of the studies were static as they were related to certain points of time rather than considering time series data, arbitrary weights were assigned to compute the composite indices, etc. were the major limitations. It may also be noted that hitherto no attempt had been made to study the inter district disparities in banking development in Kerala. Hence the present study is proposed to fill in this lacuna based on time series data and with appropriate methodology.

Materials and Methods

CHAPTER III

MATERIALS AND METHODS

This chapter deals with the methodology comprising of the description of the study area, study period, sources of data, concepts and methods employed and finally the statistical tools and techniques used for the analysis and interpretation.

Study Area

The study covered all the 11 districts in Kerala which were in existence in 1973. These were the districts of Trivandrum, Quilon, Alleppey, Kottayam, Idukki, Ernakulam, Trichur, Palghat, Malappuram, Kozhikode and Cannanore for which alone comparable data are available for the whole study period. The districts of Pathanamthitta, Wayanad, and Kasargod which came into existence after 1975 were excluded from the study as figures for initial years were not available. But the data for these districts were allocated to those districts wherefrom these have been carved out on a pro-rata population basis.

Period of the Study

The study is primarily based on secondary data collected from Basic Statistical Returns relating to Banks (BSR) which has been commenced in 1973. The reference period of the study was a period of 16 years from 1973 to 1988 which coincided with the first and the latest year of the publication of BSR by RBI.

Sources of Data

The study is based on secondary data collected from the Basic Statistical Returns relating to Banks (BSR) published by RBI. The district-wise data in respect of bank offices, deposits and advances were also collected from the publications like Trends and Progress in Banking, RBI Bulletin, Statistics for Planning, etc. These were supplemented by data collected from the offices of RBI and State Level Bankers Committee, Trivandrum. The data relating to population, gross cropped area and per capita income were collected from Census Reports (Reports on Kerala), Statistics for Planning, Economic Review and other publications of the Department of Economics and Statistics, Government of Kerala. Various publications of Government of India, Government of Kerala, State Planning Board, State Department of Economics and Statistics, Offices of Lead Banks, DRDA, Registrar of Co-operative Societies also formed vital sources of data. The banking data used for the analysis were exclusively the figures outstanding as on 31st December every year.

Concepts and Definitions

The inter-district disparities have been examined by using the following indicators.

1. Population served per bank office.

Which is arrived at by the formula:

$$\frac{\text{Total population applicable to a district}}{\text{No. of Bank Offices in the district}}$$

Population is estimated from the Census Reports and Statistics for Planning.

2. Per capita deposit.

Given by

$$\frac{\text{Total outstanding deposits applicable to a district}}{\text{Total population in the district}}$$

3. Per capita credit.

$$\frac{\text{Total outstanding credit applicable to a district}}{\text{Total population in the district}}$$

4. Per capita banking turnover.

$$\frac{\text{Aggregate deposit} + \text{Aggregate credit applicable to a district}}{\text{Total Population in the district}}$$

5. Credit - deposit ratio

$$\frac{\text{Total outstanding credit applicable to a district}}{\text{Total outstanding deposit in the district}} \times 100$$

The following indicators have been used to examine the inter-sectoral disparities.

1. Per hectare agricultural advances.

$$\frac{\text{Total outstanding agricultural credit excluding credit to plantation crops as applicable to a district}}{\text{Gross cropped area of the district}}$$

The per hectare agricultural advances is exclusive of advances to plantation crops. Similarly gross cropped area is exclusive of area under plantation crops.

2. Per capita agricultural advances.

$$\frac{\text{Total outstanding agricultural credit excluding credit to plantation crops as applicable to a district}}{\text{Total population of the district}}$$

The per capita agricultural advances is also exclusive of advances to plantation crops.

3. Per capita advances to industrial sector.

$$\frac{\text{Total outstanding credit to industries applicable to a district}}{\text{Total population of the district}}$$

4. Per capita advances to trade.

$$\frac{\text{Total outstanding credit to trade applicable to a district}}{\text{Total population of the district}}$$

It is exclusive of credit to exports.

5. Per capita priority sector advances

$$\frac{\text{Total outstanding credit to priority sector applicable to a district}}{\text{Total Population of the district}}$$

The credit to priority sector included credit to (a) agriculture and allied activities excluding credit to plantation crops, (b) small scale industries, (c) road and water transport operators, (d) exports, (e) professionals and (f) self employed persons.

The outstanding figures correspond to the aggregate deposits and credit as on 31st December in each year for all districts during the whole reference period.

The factors contributing to inter-district disparities in banking development have been examined with the help of path analysis in respect of the following determinants.

1. Factrors contributing to institutional disparities

Population served per bank office is taken as dependent variable (Y) and the independent variables were:

- (a) density of population (X_1),
- (b) per capita income (X_2),
- (c) per capita gross cropped area (X_3); and
- (d) number of credit co-operatives per lakh of population (X_4).

2. Factors contributing to disparities in mobilisation of deposits

Per capita deposit is taken as the dependent variable (Y) and the independent variables were

- (a) per capita income (X_1),
- (b) number of bank branches per lakh of population (X_2),
- (c) work participation rate (X_3),
- (d) per capita deposit mobilised by co-operatives (X_4),
- (e) per capita agricultural income (X_5); and
- (f) per capita industrial income (X_6).

3. Factors contributing to disparities in deployment of credit

Per capita credit is taken as the dependent variable (Y) and the selected independent variables were:

- (a) per capita income (X_1),
- (b) per capita gross cropped area (X_2),
- (c) work participation rate (X_3),
- (d) per capita credit supplied by co-operatives (X_4),

- (e) per hectare consumption of fertilisers (X_5) ,
- (f) per capita industrial income (X_6); and
- (g) per capita agricultural income (X_7) .

The methods adopted by Subhas K. Basu (1973), Hema Lata Rao (1981) and Chippa M.L. (1988) were followed in the selection of independent variables.

Statistical Techniques used

The statistical techniques like coefficient of variation, disparity ratio, percentage achievement compared to the state mean, composite scores and path analysis were used for the analysis of the data.

For the purpose of the study the disparity ratio is defined as

$$\frac{\text{Highest Value} - \text{Lowest Value}}{\text{Mean Value}}$$

The method suggested by Singh V.K. and Pandey U.K. (1983) was used for this purpose. The coefficient of variation and disparity ratio are the numerical measures employed for examining the disparities in banking development between districts over the years.

The percentage achievement of the figures for the districts compared to the state mean was computed to examine the extent of

disparity in banking development. Districts were classified according to the level of achievement taking the state mean as 100. It is defined as

$$\frac{X_i}{\bar{X}} \times 100$$

where X_i is the value corresponding to each district and \bar{X} , the mean.

Component scores were calculated for each district. For this purpose the districts were ranked accordingly to the level of performance of each indicator per year. As there were eleven districts, rank scores from 11 to 1 were assigned in the descending order of their ranks. The component scores for a single determinant for the study period is a weighted average of the scores of each individual year given by the formula:-

$$\sum_{i=1}^t \frac{X_i n_i}{n_i}$$

where i is the score corresponding to rank in each year and t is the number of years (1-16).

These component scores were further combined to a composite score by the same process. The rank correlation coefficients and coefficients of variation were also computed from the component scores. The composite score gives a single measure for each district for each indicator for the whole reference period. It shows the relative position of each district according to the level of performance.

Efforts were put in this study to examine each independent variable in explaining the disparities in dependent variables such as institutional coverage, mobilisation and deployment of funds. The procedure of path analysis as suggested by Kempthorne (1957) was attempted for this purpose. This analysis helps to understand the relative contribution of each independent variable taken in explaining the variation in the considered dependent variables.

Results and Discussion

CHAPTER IV

RESULTS AND DISCUSSION

The findings of the study and the discussion on the results are presented in this chapter.

The inter-district disparities in banking development have been examined in respect of five factors, viz.,

1. Population served per bank office,
2. Per capita deposit,
3. Per capita credit,
4. Per capita banking turnover; and
5. Credit-deposit ratios.

The determinants used for the analysis of inter-sectoral disparities were:

1. Per hectare agricultural advances,
2. Per capita agricultural advances,
3. Per capita industrial advances,
4. Per capita advances to trade; and
5. Per capita priority sector advances.

In order to understand the factors contributing to inter-district disparities, the technique of path analysis had been used in the study. The relationship between the dependent variables and the independent variables had been explained under the following sub heads viz.,

1. Institutional disparities,
2. Disparities in mobilisation of deposit; and
3. Disparities in deployment of credit.

The study was based on time series data from 1973 to 1988 for all the 11 districts of Kerala existing in 1973. The inter-district and inter-sectoral disparities have been analysed by computing coefficient of variation and disparity ratio. The disparity ratio is defined as

$$\frac{\text{Highest value} - \text{Lowest value}}{\text{Mean value}}$$

The coefficient of variation and disparity ratio are the numerical measures employed for examining the disparities in banking development between districts over the years. Districts were classified based on percentage achievement in relation to the state average in order to understand the level of performance of each district in the selected determinants for three selected years, viz., 1973, 1980 and 1988.

Component scores were calculated for each district. For this purpose the districts were ranked according to the level of performance of each indicator per year. As there were 11 districts, rank scores from 11 to 1 were assigned in the descending order of their ranks. The component score for a single determinant for the study period is a weighted average of the scores of each individual year. These component scores were further combined to a composite score by the same process. The rank correlation coefficients were also computed from the

component scores in order to understand the level of significance. The composite score gives a single measure for each district for the reference period and shows the relative position of each district.

The factors contributing to disparities in each district had been examined with the help of path analysis. This analysis helps to understand the relative contribution of each independent variable taken in explaining the variation in the considered dependent variables.

The outstanding figures correspond to the aggregate deposits and credit as on 31st December every year for all the districts during the whole reference period. The per capita figures given in the text are rounded to the nearest rupee.

4.1. Inter-district disparities

4.1.1. Population served per bank office

Among the 11 districts covered by the study, the population served per bank office was the lowest in Ernakulam district during the whole reference period. It was 12897 in 1973 which declined to 7308 in 1988. Kottayam district occupied the second position followed by Trichur. On the other hand Malappuram district had the highest population per bank office with 42478 in 1973 and 15734 in 1988. The ranks of other districts had fluctuated during the study period (Table 4.1).

Table 4.1. District-wise distribution of population served per bank office

YEAR	TVM	QLN	ALPY	KTM	IDKI	EKM	TCR	PGT	MPM	KKD	CNR	STATE AVR
1973	21219	29809	24539	16621	26767	12897	15836	20302	42478	25756	24155	23671
1974	20646	26531	21048	14778	25688	12316	16167	18894	36472	24934	22018	21772
1975	17784	23844	18089	14211	22210	10868	15063	16455	32218	20952	20614	19312
1976	16439	20053	15575	13040	20571	9714	13357	14976	27855	19917	19331	17348
1977	14074	16108	11048	9765	15509	7939	9900	11761	23280	16869	15352	13782
1978	13760	15429	10502	9254	14803	7710	9786	11434	21515	15816	14635	13149
1979	12303	15309	10326	9081	14838	7042	9573	11385	19025	14853	13727	12496
1980	11968	14625	9764	8515	13042	7279	9402	11011	17007	13500	12268	11671
1981	11386	14284	9073	8319	12750	6760	8714	11049	16459	13052	11827	11243
1982	11059	13912	9148	8190	12986	6864	8742	10979	15781	12492	11192	11031
1983	10075	13195	8978	7959	12096	6634	8747	10490	15860	12120	11220	10670
1984	10220	14278	10933	7960	12167	6787	8907	10420	15648	12087	11037	10949
1985	10138	14448	10951	8066	12393	7054	8448	10408	15266	11373	11211	10886
1986	10320	14706	11087	8212	12607	7144	9041	10542	15544	11525	11349	11097
1987	10392	14275	11222	8358	12261	7217	9203	10581	15637	11732	11492	11125
1988	10392	14364	10731	8509	12066	7308	9275	10560	15734	11888	11391	11110

Source: Estimated from RBI, Basic Statistical Returns relating to Banks for various years

4.2. Classification of districts based on percentage achievement in relation to the state mean in population served per bank office

Below state mean				Above state mean			
Below 25	26 - 50	51 - 75	76 - 100	101 - 125	126 - 150	151 - 175	Above 175
Malappuram	Quilon		Alleppey Cannanore Idukki Kozhikode	Kottayam Palghat Trichur Trivandrum			Ernakulam
	Malappuram		Cannanore Idukki Kozhikode Quilon Trivandrum	Alleppey Kottayam Palghat Trichur			Ernakulam
	Malappuram		Cannanore Idukki Kozhikode Quilon	Alleppey Palghat Trichur Trivandrum	Kottayam		Ernakulam

Source: Derived from Table 4.1.

Table 4.1 also revealed that the population served per bank office had gradually declined in all the districts till 1984 and thereafter upto 1988 it had slightly increased. Accordingly the average population served per bank office at the state level was given as 23671 in 1973 which declined to 10886 in 1985. The state average population per bank office in 1988 was 11110. It is understood that the liberal branch licensing policy of the Government of India and RBI had undergone a change after 1984 and the percentage increase in the number of bank offices in all districts had been less as compared to the initial years of the study.

When the districts were classified based on percentage achievement in relation to the state mean, the population served per bank office in Ernakulam district was 51-75 per cent above the state mean in all the years. But the figures for Malappuram was uniformly below 75 per cent of the state mean in the same period. The performance of all other districts ranged between 76 per cent and 125 per cent of the state average in different years (Table 4.2).

Table 4.3 shows that both the coefficient of variation and disparity ratio showed a declining trend over the years. While the disparity ratio declined from 1.25 in 1973 to 0.75 in 1985 which remained stable upto 1988, the coefficient of variation

Table 4.3. Inter-temporal variations in population served per bank office

Year	Disparity ratio	Coefficient of variation
1973	1.25	34.08
1974	1.11	30.60
1975	1.10	29.63
1976	1.05	28.29
1977	1.11	31.33
1978	1.05	29.80
1979	0.96	27.60
1980	0.83	24.44
1981	0.86	25.49
1982	0.81	24.16
1983	0.86	24.50
1984	0.81	23.67
1985	0.75	23.21
1986	0.75	22.87
1987	0.75	21.93
1988	0.75	21.88
Annual average rate of change	-3.14	-2.73

Source: Derived from Table 4.1

Table 4.4. Component scores of each district in population served per bank office

District	Score corresponding to ranks											Component score	Rank
	11	10	9	8	7	6	5	4	3	2	1		
TVM	-	-	-	5	4	7	-	-	-	-	-	6.88	5
QLN	-	-	-	-	-	-	-	-	3	13	-	2.38	10
ALPY	-	-	-	7	1	7	1	-	-	-	-	6.87	6
KTM	-	15	1	-	-	-	-	-	-	-	-	9.94	2
IDKI	-	-	-	-	-	-	-	6	9	1	-	3.31	9
EKM	16	-	-	-	-	-	-	-	-	-	-	11.00	1
TCR	-	1	15	-	-	-	-	-	-	-	-	9.06	3
PGT	-	-	-	4	11	1	-	-	-	-	-	7.19	4
MPM	-	-	-	-	-	-	-	-	-	-	16	1.00	11
KZKD	-	-	-	-	-	-	-	10	4	2	-	3.50	8
CNR	-	-	-	-	-	1	15	-	-	-	-	5.06	7

Source: Derived from Table 4.1

also decreased from 34.08 to 21.28 during the same period. The annual average rate of decline in coefficient of variation was 2.73 per cent and that of disparity ratio was 3.14 per cent.

It is clear from Table 4.4 that since Ernakulam district had the first rank during all the years, it had the maximum component score of 11.00. This was followed by Kottayam, Trichur and Palghat with the component scores of 9.94, 9.06 and 7.19 respectively. Malapuram district obtained the lowest component score of 1.00 as it had uniform lowest ranking during the entire 16 years. Alleppey and Trivandrum got equal component scores (6.88). While the component score of Cannanore was 5.06, that of Kozhikode, Idukki and Quilon were 3.50, 3.31 and 2.38 respectively.

4.1.2. Per capita deposit

Ernakulam district had the highest per capita deposit during the study period which had gone up from Rs. 338 to Rs. 3311. Trivandrum occupied the second position in all the years. At the other end of the ladder, Malappuram had the lowest per capita deposit among all the districts covered by the study. The position of other districts interchanged among them slightly over the years (Table 4.5).

Table 4.5. District-wise distribution of per capita deposit (Amount in Rupees)

YEAR	TVM	QLN	ALPY	KTM	IDKI	EKM	TCR	PGT	MPM	KKD	CNR	STATE AVR
1973	214	107	139	158	46	338	159	136	28	91	90	137
1974	233	124	160	193	52	362	180	149	34	106	102	154
1975	257	143	199	229	61	439	217	185	46	119	120	183
1976	346	211	260	283	80	505	268	209	59	163	151	230
1977	446	279	367	380	117	745	397	266	87	213	200	317
1978	581	336	481	497	158	1005	497	318	113	257	252	409
1979	687	384	594	575	157	1019	605	378	142	295	294	466
1980	844	469	711	671	179	1140	712	458	200	383	376	558
1981	992	552	865	781	194	1308	895	510	251	430	449	657
1982	1152	683	1023	915	218	1532	1023	587	324	497	526	771
1983	1332	822	1265	1057	277	1714	1197	712	412	611	637	912
1984	1586	820	1000	1226	322	1882	1372	814	490	716	780	1001
1985	1819	954	1167	1427	372	2138	1852	907	538	767	971	1174
1986	2278	1121	1392	1697	391	2601	1903	1033	648	898	1117	1371
1987	2425	1184	1611	1883	423	2772	2195	1159	701	1016	1239	1510
1988	2540	1409	2298	2167	524	3311	2456	1284	794	1146	1345	1752

Source: Estimated from RBI, Basic Statistical Returns relating to Banks for various years.

All the districts showed a continuous rise in per capita deposits. Only in Alleppey there was a couple of random variations. Consequently, the per capita deposit for the state as a whole went up approximately by 13 times from Rs. 137 to Rs. 1752 (Table 4.5).

The per capita deposit in Alleppey, Ernakulam, Kottayam, Trichur and Trivandrum were above the corresponding state average, whereas it was below the state average in the remaining districts. However, the districts below and above the state mean did not form homogeneous groups. Much variations had been observed in their per capita deposit compared to the state average. For instance, the per capita deposit in Idukki and Malappuram were below 50 per cent of the state mean whereas in Kozhikode district it varied between 51 and 75 per cent of the state mean. Among the districts having per capita deposit above the state mean Ernakulam was on top whose figures had exceeded the state mean by more than 75 per cent uniformly during the three selected years. Though Kottayam was in the above mean group, the per capita deposit in the district had not exceeded more than 25 per cent of the state average in none of the years (Table 4.6).

However, during the study period the coefficient of variation and disparity ratio had shown a declining trend except with a few random variations. Table 4.7 revealed that while the

Table 4.6. Classification of districts based on percentage achievement in relation to the state mean in per capita deposit

Year	Below state mean				Above state mean			
	Below 25	26 - 50	51 - 75	76 - 100	101 - 125	126 - 150	151 - 175	Above 175
1973	Malappuram	Idukki	Cannanore Kozhikode	Palghat Quilon	Alleppey Kottayam Trichur		Trivandrum	Ernakulam
1980		Idukki Malappuram	Cannanore Kozhikode	Palghat Quilon	Kottayam	Alleppey Trichur	Trivandrum	Ernakulam
1988		Idukki Malappuram	Kozhikode Palghat	Cannanore Quilon	Kottayam	Alleppey Trichur Trivandrum		Ernakulam

Source: Derived from Table 4.5.

Table 4.7. Inter-temporal variations in per capita deposit

Year	Disparity ratio	Coefficient of variation
1973	2.27	62.33
1974	2.13	58.92
1975	2.15	59.39
1976	1.94	54.50
1977	2.07	57.59
1978	2.18	60.79
1979	1.88	55.73
1980	1.72	51.73
1981	1.69	51.76
1982	1.70	51.13
1983	1.58	47.95
1984	1.56	47.16
1985	1.50	48.51
1986	1.61	49.87
1987	1.55	48.76
1988	1.59	48.80
Annual average rate of change	-2.20	-1.52

Source: Derived from Table 4.5

Table 4.8. Component scores of each district in per capita deposit

District	Score corresponding to ranks											Component score	Rank
	11	10	9	8	7	6	5	4	3	2	1		
TVM	-	15	1	-	-	-	-	-	-	-	-	9.94	2
QLN	-	-	-	-	-	11	5	-	-	-	-	5.69	6
ALPY	-	-	2	4	10	-	-	-	-	-	-	7.50	5
KTM	-	-	3	7	6	-	-	-	-	-	-	7.80	4
IDKI	-	-	-	-	-	-	-	-	-	7	9	1.44	11
EKM	16	-	-	-	-	-	-	-	-	-	-	11.00	1
TCR	-	1	10	5	-	-	-	-	-	-	-	8.75	3
PGT	-	-	-	-	-	3	9	4	-	-	-	4.94	7
MPM	-	-	-	-	-	-	-	-	-	9	7	1.56	10
KZKD	-	-	-	-	-	-	-	7	9	-	-	3.44	9
CNR	-	-	-	-	-	2	2	5	7	-	-	3.94	8

Source: Derived from Table 4.5

disparity ratio declined from 2.27 in 1973 to 1.59 in 1988, the coefficient of variation decreased from 62.33 to 48.80 during the same period. While the coefficient of variation had declined by 1.52 percent annually, the rate of decline in disparity ratio was 2.20 per cent on an average.

As in the case of population served per bank office, Ernakulam district had the maximum component score of 11.00 followed by Trivandrum, Trichur and Kottayam with the component scores of 9.94, 8.75 and 7.80 respectively. On the other hand, Idukki had the lowest component score of 1.44 followed by Malappuram with 1.56. The component score of Alleppey was 7.5 while that of Quilon, Palghat, Cannanore and Kozhikkode were 5.69, 4.94, 3.94 and 3.44 respectively (Table 4.8).

4.1.3. Per capita credit

Along with the first rank in population served per bank office and per capita deposit, Ernakulam district had the highest outstanding per capita credit in all the years. It was Rs 363 in 1973 which had gradually gone upto Rs 2243 in 1988. At the same time Trivandrum had the second position during the same period. At the other end the lowest rank varied between Idukki and Malappuram districts in different years. (Table 4.9).

Table 4.9. District-wise distribution of per capita credit (Amount in Rupees)

YEAR	TVM	QLN	ALPY	KTM	IDKI	EKM	TCR	PGT	MPM	KKD	CNR	STATE AVR
1973	123	85	66	88	19	363	80	40	19	82	69	94
1974	131	139	84	97	21	370	83	52	23	96	68	106
1975	147	171	90	126	32	424	94	69	36	127	88	128
1976	168	150	119	153	46	513	118	98	44	157	112	152
1977	289	197	154	193	58	621	148	115	50	168	113	191
1978	339	287	199	234	102	752	178	136	81	237	166	247
1979	400	336	261	292	140	849	234	174	111	265	203	297
1980	396	384	296	368	180	1276	287	201	142	339	255	375
1981	551	528	364	473	220	1428	398	261	181	411	322	467
1982	648	567	394	542	244	1515	454	334	224	427	348	518
1983	841	628	458	632	268	1720	517	392	286	485	388	601
1984	961	867	541	776	332	1884	596	439	346	536	449	702
1985	1104	866	626	830	372	2061	760	470	340	630	502	778
1986	1376	1152	745	968	382	2006	791	558	419	727	581	882
1987	1440	1387	862	1128	518	1816	942	664	486	848	682	980
1988	1618	1572	1515	1340	640	2243	1023	786	516	979	788	1184

Source: Estimated from RBI, Basic Statistical Returns relating to Banks for various years.

The per capita credit had constantly increased in all the districts and accordingly the state average per capita credit had gone up by around 18 fold from Rs 94 to Rs 1184 during the study period (Table 4.9).

Table 4.10 revealed that the figures for the districts of Ernakulam and Trivandrum were above the state average whereas the per capita figures for Cannanore, Idukki, Kozhikode, Malappuram, Palghat and Trichur were below the state average. When the percentage achievement in relation to the state mean was considered, the per capita credit in Ernakulam was 75 per cent higher than the state mean whereas it was below 50 per cent in Malappuram district.

The coefficient of variation and disparity ratio as shown by Table 4.11 showed a declining trend over the years. While the disparity ratio deteriorated to 1.46 from 3.66 during the reference period, the coefficient of variation had declined from 100.74 to 44.05 during the same period. However the annual average rate of decline in coefficient of variation (5.02 per cent) was lower than that of disparity ratio (5.58 per cent).

At the same time, Ernakulam district continued to maintain the maximum component score of 11.00 and Malappuram district obtained the lowest position with 1.38. Idukki had the second lowest component score of 1.62 followed by Palghat (3.13). On the other hand, Trivandrum had the second position from the top

Table 4.10. Classification of districts based on percentage achievement in relation to the state mean in per capita credit

Year	Below state mean				Above state mean			
	Below 25	26 - 50	51 - 75	76 - 100	101 - 125	126 - 150	151 - 175	Above 175
1973	Idukki Malappuram	Palghat	Alleppey Cannanore	Kottayam Kozhikode Quilon Trichur		Trivandrum		Ernakulam
1980		Idukki Malappuram	Cannanore Palghat	Alleppey Kottayam Kozhikode Trichur	Quilon Trivandrum			Ernakulam
1988		Malappuram	Cannanore Idukki Palghat	Kozhikode Trichur	Kottayam	Alleppey Quilon Trivandrum		Ernakulam

Source: Derived from Table 4.9.

Table 4.11. Inter-temporal variations in per capita credit

Year	Disparity ratio	Coefficient of variation
1973	3.66	100.74
1974	3.30	90.04
1975	3.07	84.14
1976	3.08	83.18
1977	2.98	82.12
1978	2.72	74.70
1979	2.49	67.94
1980	3.02	82.88
1981	2.67	72.88
1982	2.49	68.69
1983	2.41	67.57
1984	2.21	62.99
1985	2.21	62.08
1986	1.84	54.33
1987	1.35	43.05
1988	1.46	44.05
Annual average rate of change	-5.02	-5.58

Source: Derived from Table 4.9

Table 4.12. Component scores of each district in per capita credit

District	Score corresponding to ranks											Component score	Rank
	11	10	9	8	7	6	5	4	3	2	1		
TVM	-	14	2	-	-	-	-	-	-	-	-	10.88	2
QLN	-	2	11	2	1	-	-	-	-	-	-	8.88	3
ALPY	-	-	-	1	-	9	5	1	-	-	-	5.69	7
KTM	-	-	2	11	3	-	-	-	-	-	-	7.94	4
IDKI	-	-	-	-	-	-	-	-	-	10	6	1.62	10
EKM	16	-	-	-	-	-	-	-	-	-	-	11.00	1
TCR	-	-	-	-	6	4	6	-	-	-	-	6.00	6
PGT	-	-	-	-	-	-	-	2	14	-	-	3.13	9
MPM	-	-	-	-	-	-	-	-	-	6	10	1.38	11
KZKD	-	-	1	2	6	3	4	-	-	-	-	6.56	5
CNR	-	-	-	-	-	-	1	13	2	-	-	3.94	8

Source: Derived from Table 4.9

with a component score of 10.88 followed by Quilon (8.88), Kottayam (7.94) and Kozhikode (6.56). The respective component scores of Trichur, Alleppey and Cannanore were 6.00, 5.69 and 3.94 (Table 4.12).

4.1.4. Per capita banking turnover

The banking turnover is defined as the sum total of aggregate deposits and aggregate credit outstanding as on 31st December each year. As in the case of other indicators, Ernakulam district maintained the highest rank in per capita banking turnover also. It was Rs 702 in 1973 which went upto Rs 5554 in 1988. On the other hand Malappuram district had the lowest rank upo 1980 and thereafter the lowest per capita banking turnover was in Idukki. The ranks of other districts had fluctuated during the study period (Table 4.13).

At the same time, Table 4.13 also presented that the per capita banking turnover had steadily increased in all the districts. Consequently, the average per capita banking turnover at the state level had gone up by around 13 times. It was Rs 231 in 1973 which increased to Rs 2936 in 1988.

The figures for the district of Ernakulam, Trivandrum, Kottayam and Trichur were above the state average in respect of per capita banking turnover whereas those of Idukki, Malappuram, Cannanore, Palghat and Kozhikode were below the state average

Table 4.13. District-wise distribution of per capita banking turn over (Amount in Rupees)

YEAR	TVM	QLN	ALPY	KTM	IDKI	EKM	TCR	PGT	MPM	KKD	CNR	STATE AVR
1973	338	192	205	247	64	702	239	176	47	173	160	231
1974	364	263	245	291	72	731	263	202	57	197	170	260
1975	405	314	289	355	92	864	312	253	82	246	207	311
1976	513	361	379	436	126	1018	386	306	102	320	263	383
1977	734	476	521	573	175	1365	545	379	137	384	313	509
1978	920	623	681	731	260	1757	675	455	194	495	419	655
1979	1086	720	855	868	297	1868	839	552	253	560	497	763
1980	1240	853	1007	1038	359	2416	999	659	342	721	631	933
1981	1543	1080	1229	1255	414	2735	1294	771	432	842	772	1124
1982	1780	1250	1419	1457	462	3046	1478	921	558	925	874	1290
1983	2173	1450	1722	1689	545	3434	1713	1104	698	1090	1025	1514
1984	2547	1686	1540	2002	653	3765	1968	1253	836	1252	1230	1703
1985	2922	1820	1793	2258	745	4199	2612	1377	878	1397	1473	1952
1986	3651	2273	2136	2665	773	4607	2694	1592	1067	1627	1697	2253
1987	3865	2571	2473	3011	945	4588	3138	1823	1187	1864	1924	2490
1988	4159	2980	3813	3507	1164	5554	3480	2070	1311	2125	2133	2936

Source: Estimated from RBI, Basic Statistical Returns relating to Banks for various years.

Table 4.14. Classification of districts based on percentage achievement in relation to the state mean in per capita banking turnover

Year	Below state mean				Above state mean			
	Below 25	26 - 50	51 - 75	76 - 100	101 - 125	126 - 150	151 - 175	Above 175
1973	Malappuram	Idukki	Cannanore Kozhikode	Alleppey Palghat Quilon	Kottayam Trichur	Trivandrum		Ernakulam
1980		Idukki Malappuram	Cannanore Palghat	Kozhikode Quilon	Alleppey Kottayam Trichur	Trivandrum		Ernakulam
1988		Idukki Malappuram	Cannanore Kozhikode Palghat		Kottayam Quilon Trichur	Alleppey Trivandrum		Ernakulam

Source: Derived from Table 4.13.

during the reference period. It may be noted that the figures for Idukki and Malappuram districts were invariably less than 50 per cent of the state mean in all the years while that of Ernakulam district had exceeded the state mean by more than 75 per cent of the state mean during the same period (Table 4.14).

Like the earlier determinants, the disparity ratio and coefficient of variation exhibited a declining trend over the years as shown in Table 4.15. The disparity ratio had declined from 2.83 in 1973 to 1.50 in 1988. Similarly, the coefficient of variation also decreased to 45.15 from 76.02 in the same period. At the same time, the annual average rate of decline was 3.89 per cent in disparity ratio while the coefficient of variation had declined by 3.20 per cent on an average.

As in the case of other indicators, Ernakulam had the maximum component score of 11.00. This was followed by Trivandrum (110.00), Kottayam (8.50), Trichur (7.94) and Alleppey (7.06). At the other end of the ladder, Idukki and Malappuram obtained equal component scores of 1.50. The respective component scores of Quilon, Kozhikode, Palghat and Cannanore were 6.50, 4.44, 4.00 and 3.56 (Table 4.16).

4.1.5. Credit-deposit ratio

Unlike the other indicators the ranks of all the districts had fluctuated during the reference period in respect of credit-

Table 4.15. Inter-temporal variations in per capita banking turnover

Year	Disparity ratio	Coefficient of variation
1973	2.83	76.02
1974	2.60	69.58
1975	2.52	67.11
1976	2.40	63.63
1977	2.42	65.54
1978	2.39	64.42
1979	2.12	58.40
1980	2.22	60.73
1981	2.07	57.24
1982	2.00	55.31
1983	1.91	52.97
1984	1.83	51.31
1985	1.77	51.33
1986	1.70	49.84
1987	1.46	44.43
1988	1.50	45.15
Annual average rate of change	-3.20	-3.89

Source: Derived from Table 4.13

Table 4.16. Component scores of each district in per capita banking turnover

District	Score corresponding to ranks											Component score	Rank
	11	10	9	8	7	6	5	4	3	2	1		
TVM	-	16	-	-	-	-	-	-	-	-	-	10.00	2
QLN	-	-	-	2	4	10	-	-	-	-	-	6.50	6
ALPY	-	-	2	3	5	6	-	-	-	-	-	7.06	5
KTM	-	-	9	6	1	-	-	-	-	-	-	8.50	3
IDKI	-	-	-	-	-	-	-	-	-	8	8	1.50	10
EKM	16	-	-	-	-	-	-	-	-	-	-	11.00	1
TCR	-	-	5	5	6	-	-	-	-	-	-	7.94	4
PGT	-	-	-	-	-	-	5	6	5	-	-	4.00	8
MPM	-	-	-	-	-	-	-	-	-	8	8	1.50	11
KZKD	-	-	-	-	-	-	7	9	-	-	-	4.44	7
CNR	-	-	-	-	-	-	4	1	11	-	-	3.56	9

Source: Derived from Table 4.13

deposit ratio. In fact the credit-deposit ratio is affected is affected by three sets of factors. (i) The per capita credit and per capita deposit, (ii) The minimum targets fixed by RBI from time to time and (iii) The level of Statutory Liquidity Ratio and Cash Reserve Ratio to be maintained by commercial banks from time to time. Since these factors are likely to fluctuate periodically, the credit-deposit ratio is also bound to fluctuate. There is little possibility for a clear trend given the interplay of these three sets of factors. Still the level of credit-deposit ratio will reflect some level of disparity between districts by the effort for deposit mobilisation and credit deployment.

While Ernakulam had the highest credit-deposit ratio (107) in the initial year of the study, Idukki obtained the highest credit-deposit ratio (122.14) at the end. Similarly in 1973 the lowest credit-deposit ratio was in Palghat district (30) whereas in 1988 the lowest rank was occupied by Trichur (42) (Table 4.17).

At the same time the average credit-deposit ratio at the state level had also fluctuated. It rose from 64 in 1973 to 73 in 1988. The lowest credit-deposit ratio at the state level was in 1978 (62) and the highest was in 1981 (74) (Table 4.17).

Table 4.17. District-wise distribution of credit-deposit ratios

YEAR	TVM	QLN	ALPY	KTM	IDKI	EKM	TCR	PGT	MPM	KKD	CNR	STATE AVR
1973	58	79	48	56	41	107	50	30	68	90	77	64
1974	56	112	53	50	40	102	46	35	69	90	68	66
1975	57	119	45	55	52	96	43	37	78	106	74	69
1976	49	71	47	54	58	102	44	47	75	96	74	65
1977	65	71	42	51	50	83	37	44	58	79	57	58
1978	58	85	41	47	65	75	36	43	72	92	66	62
1979	58	88	44	51	89	83	39	46	78	90	69	67
1980	47	82	42	55	101	112	40	44	71	89	68	68
1981	56	96	42	61	114	109	44	51	72	96	71	74
1982	56	83	38	59	112	99	44	57	69	86	66	70
1983	63	76	36	60	96	100	43	55	69	79	61	67
1984	61	106	54	63	103	100	43	54	70	75	58	72
1985	61	91	54	58	100	96	41	52	63	82	52	68
1986	60	103	54	57	98	77	42	54	65	81	52	67
1987	59	117	54	60	121	66	43	57	69	83	55	71
1988	64	112	66	62	122	68	42	61	65	86	59	73

Source: Estimated from RBI, Basic Statistical Returns relating to Banks for various years.

As in the case of other indicators, the figures for the district of Ernakulam was 50 per cent above the state mean in 1973, whereas in 1988 the figures for Idukki and Quilon were above 50 per cent. The districts of Palghat, Alleppey, Idukki and Quilon had improved their performance over the years in credit-deposit ratio while it has deteriorated in Kozhikode, Cannanore, Malappuram, Trichur and Ernakulam during the reference period. Kottayam and Trivandrum were more or less stable in their performance (table 4.18).

Table 4.19 clearly shows that the coefficient of variation as well as the disparity ratio failed to exhibit a clear trend during the whole reference period. The minimum disparity ratio of 0.76 was seen in 1979 and the maximum ratio of 1.21 was obtained in 1973. Similarly the coefficient of variation was the lowest in 1977 (26.28) while it was the highest in 1975 (39.25). But over the period, the disparity ratio and coefficient of variation had declined by 0.60 per cent annually.

However, the component score was the maximum in Ernakulam district with 9.56 followed by Kozhikode (9.38), Quilon (9.31) and Idukki (8.06). On the other hand, Trichur obtained the lowest component score of 1.56 followed by Palghat (2.44) and Alleppey (2.69). The respective component score of Malappuram, Cannanore, Trivandrum and Kottayam were 7.31, 5.31, 5.25 and 4.81 (Table 4.20).

Table 4.18. Classification of districts based on percentage achievement in relation to the state mean in credit-deposit ratios

Year	Below state mean				Above state mean			
	Below 25	26 - 50	51 - 75	76 - 100	101 - 125	126 - 150	151 - 175	Above 175
1973		Palghat	Alleppey Idukki	Kottayam Trichur Trivandrum	Cannanore Malappuram Quilon	Kozhikode		Ernakulam
1980			Alleppey Palghat Trichur Trivandrum	Cannanore Kottayam	Malappuram Quilon	Kozhikode Idukki	Ernakulam	
1988			Trichur	Alleppey Cannanore Ernakulam Kottayam Malappuram Palghat Tricvandrum	Kozhikode		Idukki Quilon	

Source: Derived from Table 4.17.

Table 4.19. Inter-temporal variations in credit-deposit ratios

Year	Disparity ratio	Coefficient of variation
1973	1.21	35.82
1974	1.03	39.25
1975	1.10	39.75
1976	0.89	31.18
1977	0.80	26.28
1978	0.91	30.11
1979	0.76	29.72
1980	1.05	36.78
1981	0.97	35.05
1982	1.05	32.43
1983	0.95	29.65
1984	0.87	30.55
1985	0.87	30.00
1986	0.91	29.26
1987	1.10	36.17
1988	1.10	32.73
Annual average rate of change	-0.60	-0.60

Source: Derived from Table 4.17

Table 4.20. Component scores of each district in credit-deposit ratio

District	Score corresponding to ranks											Component score	Rank
	11	10	9	8	7	6	5	4	3	2	1		
TVM	-	-	-	1	-	6	5	3	1	-	-	5.25	7
QLN	4	3	4	4	1	-	-	-	-	-	-	9.31	3
ALPY	-	-	-	-	1	-	1	1	4	6	3	2.69	9
KTM	-	-	-	-	-	2	9	5	-	-	-	4.81	8
IDKI	5	5	-	-	-	2	-	2	-	2	-	8.06	4
EKM	5	4	3	3	1	-	-	-	-	-	-	9.56	1
TCR	-	-	-	-	-	-	-	1	1	4	10	1.56	11
PGT	-	-	-	-	-	-	-	3	9	1	3	2.44	10
MPM	-	-	1	4	10	1	-	-	-	-	-	7.31	5
KZKD	2	4	8	2	-	-	-	-	-	-	-	9.38	2
CNR	-	-	-	2	3	5	1	1	1	3	-	5.31	6

Source: Derived from Table 4.17

Thus it may be pointed out that the coefficient of variation as revealed by Table 4.21 presented a declining trend in all the indicators except credit-deposit ratio. The coefficient of variation in respect of credit-deposit ratio did not change considerably as it is governed partly by statutory net liquidity requirements. The annual average rate of decline in the coefficient of variation was the highest in per capita credit (5.58) whereas it was the lowest in credit-deposit ratio (0.60 per cent). While the coefficient of variation in respect of the per capita banking turnover had declined by 3.89 per cent annually, the annual average rate of decline in respect of population served per bank office and per capita deposit were 2.73 and 1.52 per cent respectively. It may also be noted that the highest coefficient of variation was observed in per capita credit which ranged between 100.47 and 44.05 and the lowest coefficient of variation was with population served per bank office where it varied from 34.08 to 21.88. Understandably the rate of decline in banking turnover in respect of coefficient of variation as well as disparity ratio fell between the rate of decline in per capita deposit and per capita credit. The figure was not far removed from the arithmetic mean of these two rates of decline.

Similarly, the disparity ratio also presented a uniform trend as that of coefficient of variation in respect of all the

Table 4.21. Inter-temporal coefficient of variation

Year	Population served per bank office	Per capita deposit	Per capita credit	Per capita banking turnover	Credit-deposit ratio
1973	34.08	62.33	100.47	76.02	35.82
1974	30.60	58.92	90.04	69.58	39.25
1975	29.63	59.39	84.14	67.11	39.75
1976	28.29	54.50	83.18	63.63	31.18
1977	31.33	57.59	82.12	65.54	26.28
1978	29.80	60.79	74.70	64.42	30.11
1979	27.60	55.73	67.94	58.40	29.72
1980	24.44	51.73	82.88	60.73	36.78
1981	25.49	51.76	72.88	57.24	35.05
1982	24.16	51.13	68.69	55.31	32.43
1983	24.50	47.95	67.57	52.97	29.65
1984	23.67	47.16	62.99	51.31	30.55
1985	23.21	48.51	62.08	51.33	30.00
1986	22.87	49.87	54.33	49.84	29.26
1987	21.93	48.76	43.05	44.43	36.17
1988	21.88	48.80	44.05	45.15	32.73
Annual average rate of change	-2.73	-1.52	-5.58	-3.89	-0.60

indicators (Table 4.22). While the disparity ratio had declined with respect to population served per bank office, per capita deposit, per capita credit and per capita banking turnover, it showed an erratic trend in credit-deposit ratio. As in the case of coefficient of variation the maximum disparity was observed with per capita credit and the lowest disparity was with population served per bank office. At the same time the annual average rate of decline was the highest in per capita credit (5.58 per cent) whereas it was the lowest with credit-deposit ratio (0.60 per cent). The average rate of decline in respect of population served per bank office, per capita deposit and per capita banking turnover were 3.14, 2.20 and 3.20 respectively.

Since the component scores presented more or less uniform trends in all the districts for all the indicators except credit-deposit ratio, the composite score also presented a similar trend.

As given in Table 4.23, Ernakulam district secured first rank with the highest composite score of 10.71 followed by Trivandrum (8.59), Kottayam (7.80), Trichur (6.66) and Quilon (6.55). On the other hand Malappuram district had the lowest rank with a composite score of 2.55 followed by Idukki (3.19) and Palghat (4.34). The respective composite scores of Alleppey, Kozhikode and Cannanore were 5.96, 5.46 and 4.36.

Table 4.22. Inter-temporal variations in disparity ratio

Year	Population served per bank office	Per capita deposit	Per capita credit	Per capita banking turnover	Credit-deposit ratios
1973	1.25	2.27	3.66	2.83	1.21
1974	1.11	2.13	3.30	2.60	1.03
1975	1.10	2.15	3.07	2.52	1.10
1976	1.05	1.94	3.08	2.40	0.89
1977	1.11	2.07	2.98	2.42	0.80
1978	1.05	2.18	2.72	2.39	0.91
1979	0.96	1.88	2.49	2.12	0.76
1980	0.83	1.72	0.32	2.22	1.05
1981	0.86	1.69	2.67	2.07	0.97
1982	0.81	1.70	2.49	2.00	1.05
1983	0.86	1.58	2.41	1.91	0.95
1984	0.81	1.56	2.21	1.83	0.87
1985	0.75	1.50	2.21	1.77	0.87
1986	0.75	1.61	1.84	1.70	0.90
1987	0.75	1.55	1.35	1.46	1.10
1988	0.75	1.59	1.46	1.50	1.10
Annual average rate of change	-3.14	-2.20	-5.02	-3.20	-0.60

It is noted from Table 4.23 that the coefficient of variation between the component scores was the lowest in Ernakulam district (6.00) which reflected high stability and consistency in ranking. But Malapuram and Idukki had high coefficients of variation which reflect lack of consistency in the performance ranking with respect to the selected indicators.

Like wise, the rank correlation computed from the various indicators of inter-district disparities also confirmed the lack of consistency. Table 4.24 revealed that credit-deposit ratio was inversely and insignificantly correlated with the other indicators. At the same time, significant positive correlation was observed between population served per bank office, per capita deposit, per capita credit and per capita banking turnover which may be concluded as having consistent relationship in their performance in various districts during the reference period.

When the districts were classified according to percentage achievement in relation to the state mean, it was seen that the per capita figures of Ernakulam district were much above the state average in all the indicators while that of Cannanore was below the state average during the whole reference period. The per capita figures for the districts of Alleppey, Kottayam, Trichur and Trivandrum were above the state average except for credit-deposit ratio. Idukki and Malappuram were above the state

Table 4.23. District-wise composite scores and the determinants in inter-district disparities.

Districts	Component Scores					Composite score	Rank	Coefficient of variation
	Population served per bank office	Per capita deposit	Per capita credit	Per capita banking turnover	Credit-deposit ratios			
TVM	6.88	9.94	10.88	10.00	5.25	8.59	2	28.00
QLN	2.38	5.69	8.88	6.50	9.31	6.55	5	42.60
ALPY	6.88	7.50	5.69	7.06	2.69	5.96	6	32.70
KTM	9.94	7.80	7.94	8.50	4.81	7.80	3	24.00
IDKI	3.31	1.44	1.62	1.50	8.06	3.19	10	88.80
EKN	11.00	11.00	11.00	11.00	9.56	10.71	1	6.00
TCR	9.06	8.75	6.00	7.94	1.56	6.66	4	46.40
PGT	7.19	4.94	3.13	4.00	2.44	4.34	9	42.60
MPM	1.00	1.56	1.38	1.50	7.31	2.55	11	104.70
KZKD	3.50	3.44	6.56	4.44	9.38	5.46	7	46.30
CNR	5.06	3.94	3.94	3.56	5.31	4.36	8	17.70

Table 4.24. Rank correlation matrix of component scores in inter-district disparities

	Population served per bank office	Per capita deposit	Per capita credit	Per capita banking turnover	Credit-deposit ratio
Population served per bank office	1.00	0.80*	0.50	0.80*	-0.40
Per capita deposit	0.80*	1.00	0.80*	0.90*	-0.30
Per capita credit	0.50	0.80*	1.00	0.90*	0.30
Per capita banking turnover	0.80*	0.90*	0.90*	1.00	-0.10
Credit-deposit ratio	-0.40	-0.30	0.30	-0.10	1.00

* Significant at 5% level

Table 4.25. Classification of districts based on percentage achievement in relation to the state mean (1973)

Indicator	Below state mean				Above state mean			
	Below 25	26 - 50	51 - 75	76 - 100	101 - 125	126 - 150	151 - 175	Above 175
Population served per bank office		Malapuram	Quilon	Alleppey Cannanore Idukki Kozhikode	Kottayam Palghat Trichur Trivandrum		Ernakulam	
Per capita deposit	Malapuram	Idukki	Cannanore Kozhicode	Palghat Quilon	Alleppey Kottayam Trichur		Trivandrum	Ernakulam
Per capita credit	Idukki Malapuram	Palghat	Alleppey Cannanore	Kottayam Kozhikode Quilon Trichur		Trivandrum		Ernakulam
Per capita banking turnover	Malapuram	Idukki	Cannanore Kozhikode	Alleppey Palghat	Kottayam Trichur Quilon	Trivandrum		Ernakulam
Credit-deposit ratio		Palghat	Alleppey Idukki	Kottayam Trichur Trivandrum	Cannanore Malapuram Quilon	Kozhikode	Ernakulam	

Table 4.25 Contd..... (1980)

Indicator	Below state mean				Above state mean			
	Below 25	26 - 50	51 - 75	76 - 100	101 - 125	126 - 150	151 - 175	Above 175
Population served per bank office			Malapuram	Cannanore Idukki Kozhikode Quilon Trivandrum	Alleppey Kottayam Palghat Trichur		Ernakulam	
Per capita deposit		Idukki Malappuram	Cannanore Kozhikode	Palghat Quilon	Kottayam	Alleppey Trichur	Trivandrum	Ernakulam
Per capita credit		Idukki Malappuram	Cannanore Palghat	Alleppey Kottayam Kozhikode Trichur	Quilon Trivandrum			Ernakulam
Per capita banking turnover		Idukki Malapuram	Cannanore Palghat	Kozhikode Quilon	Alleppey Kottayam Trichur	Trivandrum		Ernakulam
Credit-deposit ratio			Alleppey Palghat Trichur Trivandrum	Cannanore Kottayam	Malappuram Quilon	Kozhikode Idukki	Ernakulam	

Table 4.25 Contd..... (1988)

Indicator	Below state mean				Above state mean			
	Below 25	26 - 50	51 - 75	76 - 100	101 - 125	126 - 150	151 - 175	Above 175
Population served per bank office			Malappuram	Cannanore Idukki Kozhikode Quilon	Alleppey Palghat Trichur Trivandrum	Kottayam	Ernakulam	
Per capita deposit		Idukki Malappuram	Kozhikode Palghat	Cannanore Quilon	Kottayam	Allepey Trichur Trivandrum		Ernakulam
Per capita credit		Malappuram	Cannanore Idukki Palghat	Kozhikode Trichur	Kottayam	Alleppey Quilon Trivandrum		Ernakulam
Per capita banking turnover		Idukki Malappuram	Cannanore Kozhikode Palghat		Kottayam Quilon Trichur	Alleppey Trivandrum		Ernakulam
Credit deposit ratio			Trichur	Alleppey Cannanore Ernakulam Kottayam Malappuram Palghat Trivandrum	Kozhikode		Idukki Quilon	

average credit-deposit ratio, whereas the per capita figures of these districts were below the state average in all other indicators. It may also be noted that while the per capita figures of Kozhikode and Quilon were above the state average per capita credit and credit-deposit ratio, that of Palghat was above the state average population served per bank office (Table 4.25).

4.2. Inter-sectoral disparities

4.2.1. Per hectare agricultural advances

The per hectare agricultural advances is defined as total outstanding advances to agriculture divided by gross cropped area. The advances to agriculture is exclusive of advances to plantation crops. Similarly, the gross cropped area is exclusive of area under plantation crops.

Among the 11 districts covered by the study, the per hectare agricultural advances was the highest in Kottayam district (Rs 354) and the lowest in Malappuram district (Rs 20) in the initial year of the study. At the close of the reference period Trivandrum district (Rs 3560) occupied the first rank in per hectare agricultural advances and Palghat (Rs 1310) got the last rank. It may be noted that during the study period, the ranks of all the districts had fluctuated (Table 4.26).

Table 4.26. District-wise distribution of per hectare agricultural advances (Amount in Rupees)

YEAR	TVM	QLN	ALPY	KTM	IDKI	EKM	TCR	PGT	MPM	KKD	CNR	STATE AVR
1973	197	88	73	354	203	155	109	84	20	220	108	146
1974	172	89	94	349	235	174	128	92	35	204	120	154
1975	288	168	272	434	184	370	223	186	113	505	202	268
1976	289	219	361	401	200	529	321	259	114	615	235	325
1977	390	224	568	482	216	567	395	248	180	663	226	378
1978	599	344	449	582	401	865	503	332	285	1398	340	554
1979	857	504	1013	882	748	1038	637	416	420	1496	554	778
1980	1192	900	1298	1533	996	1275	862	494	660	1488	1002	1064
1981	1583	1011	1417	1593	1327	1286	1027	572	900	1918	1251	1262
1982	2019	1146	1595	1994	1193	1474	1294	610	803	2092	975	1381
1983	2427	1457	1930	2303	1515	1470	1360	784	1296	2486	1193	1652
1984	3218	1344	1832	1882	2106	1918	2068	941	1661	2595	1507	1916
1985	3340	1405	1891	1949	2235	2009	2160	1020	1718	2617	1616	1996
1986	3410	1485	1965	2090	2310	216	2235	1115	1791	2711	1697	2084
1987	3495	1550	2031	2179	2403	2210	2305	1237	1895	2860	1750	2174
1988	3560	1670	2117	2245	2502	2299	2410	1310	1945	2916	1811	2253

Source. Estimated from RBI, Basic Statistical Returns relating to Banks for various years.

The per hectare agricultural advances showed a continuous rise in all the districts during the reference period and hence the average per hectare agricultural advances at the state level went up by about 15 times from Rs 146 to Rs 2253 during the same period (Table 4.26).

When the districts were classified according to the percentage achievement in relation to the state mean, it was observed that the figures for the districts of Cannanore, Kottayam, Malappuram, Quilon and Palghat were invariably below the state average, whereas that of Kottayam, Idukki and Kozhikode were above the state mean in the three selected years. However, the districts below and above the state mean did not form homogeneous groups (Table 4.27).

Table 4.28 revealed that the coefficient of variation declined over the study period and disparity ratio also had declined over the years though it had remained stable since 1980. While the disparity ratio had declined to 1.00 from 2.28 during the reference period, the coefficient of variation also came down to 27.26 from 63.36 in the same period. The annual average rate of decline was 5.13 per cent in respect of coefficient of variation while that of disparity ratio was 5.02 per cent.

Kozhikode district obtained the highest component score of 10.44 followed by Trivandrum (8.88) and Kottayam (8.38). At the

Table 4.27. Classification of districts based on percentage achievement in relation to the state mean in per hectare agricultural advances

Year	Below state mean				Above state mean			
	Below 25	26 - 50	51 - 75	76 - 100	101 - 125	126 - 150	151 - 175	Above 175
1973	Malappuram	Alleppey	Cannanore Palghat Quilon Trichur		Ernakulam	Idukki Kozhikode Trivandrum		Kottayam
1980		Palghat	Malappuram	Cannanore Idukki Quilon Trichur	Alleppey Ernakulam Trivandrum	Kottayam Kozhikode		
1988			Palghat Quilon	Alleppey Cannanore Kottayam Malappuram	Ernakulam Idukki Trichur	Kozhikode	Trivandrum	

Source: Derived from Table 4.26.

Table 4.28. Inter-temporal variations in per hectare agricultural advances

Year	Disparity ratio	Coefficient of variation
1973	2.28	63.36
1974	2.04	56.52
1975	1.47	45.58
1976	1.45	44.16
1977	1.28	45.32
1978	2.01	58.76
1979	1.38	41.84
1980	0.98	30.89
1981	1.07	29.61
1982	1.07	36.44
1983	1.03	33.63
1984	1.18	31.83
1985	1.16	30.93
1986	1.10	29.48
1987	1.04	28.47
1988	1.00	27.26
Annual average rate of change	-5.02	-5.13

Source: Derived from Table 4.26

Table 4.29: Component scores of each district in per hectare agricultural advances

District	Score corresponding to ranks											Component score	Rank
	11	10	9	8	7	6	5	4	3	2	1		
TVM	5	2	2	2	3	2	-	-	-	-	-	8.88	2
QLN	-	-	-	-	-	-	1	5	3	7	-	3.00	9
ALPY	-	1	2	4	1	1	5	1	-	1	-	6.50	6
KTM	3	2	3	3	-	5	-	-	-	-	-	8.38	3
IDKI	-	1	6	-	2	1	3	-	1	2	-	6.63	5
EKM	-	3	2	2	7	2	-	-	-	-	-	7.81	4
TCR	-	-	-	5	3	4	1	1	2	-	-	6.25	7
PGT	-	-	-	-	-	-	2	1	2	2	9	2.06	11
MPM	-	-	-	-	-	-	-	5	1	3	7	2.25	10
KZKD	8	7	1	-	-	-	-	-	-	-	-	10.44	1
CNR	-	-	-	-	-	1	4	3	7	1	-	3.81	8

Source: Derived from Table 4.26

other end, Palghat had the lowest component score of 2.06 followed by Malappuram (2.25), Quilon (3.00) and Cannanore (3.81). The respective component scores of Ernakulam, Idukki, Alleppey, and Trichur were 7.81, 6.63, 6.50 and 6.25 (Table 4.29).

4.2.2. Per capita agricultural advances

The per capita agricultural advances is also exclusive of advances to plantation crops. As in the case of per hectare agricultural advances, the per capita agricultural advances was the lowest in Malappuram district (Rs 2) in the initial year of the study, whereas it was the highest in Kottayam (Rs 30). On the other hand, at the end of the study period, the first rank was occupied by Idukki (Rs 261) and Quilon had the last position (Rs 117). It was seen that the ranks of all the districts had fluctuated over the years (Table 4.30).

However, the per capita agricultural advances had constantly increased in all the districts during the sixteen year/ period. Accordingly, the state average per capita agricultural advances had gone up by 12 fold from Rs 13 to Rs 160 during the same period (Table 4.30).

The per capita figures for the districts of Kottayam, Idukki and Kozhikode were above the state average per capita agricultural advances whereas that of Quilon, Malappuram and

Table 4.30. District-wise distribution of per capita agricultural advances (Amount in Rupees)

YEAR	TVM	QLN	ALPY	KTM	IDKI	EKM	TCR	PGT	MPM	KKD	CNR	STATE AVR
1973	14	7	5	30	27	11	9	12	2	13	11	13
1974	12	7	6	29	30	12	10	13	3	12	12	13
1975	19	13	18	35	23	25	18	26	10	28	19	21
1976	18	17	23	31	24	36	23	37	12	33	22	25
1977	23	16	36	38	26	38	26	35	15	35	21	28
1978	34	25	28	46	46	57	33	47	24	72	30	40
1979	46	34	62	57	84	66	45	58	33	76	46	55
1980	64	53	77	92	107	81	54	69	47	83	89	74
1981	88	59	88	99	135	82	70	75	60	105	83	86
1982	101	64	91	115	119	85	82	75	52	109	97	90
1983	120	78	102	136	149	79	82	94	82	126	110	106
1984	151	92	122	161	196	104	121	109	98	129	116	127
1985	151	95	139	173	207	108	119	115	107	136	121	134
1986	163	99	143	192	229	111	127	120	109	149	124	142
1987	168	103	154	198	235	123	132	127	118	150	129	149
1988	179	117	168	201	261	130	134	148	124	161	131	160

Source: Estimated from RBI, Basic Statistical Returns relating to Banks for various years.

Table 4.31. Classification of districts based on percentage achievement in relation to the state mean in per capita agricultural advances

Year	Below state mean				Above state mean			
	Below 25	26 - 50	51 - 75	76 - 100	101 - 125	126 - 150	151 - 175	Above 175
1973	Malappuram	Alleppey	Quilon Trichur	Cannanore Ernakulam Palghat	Kozhikode Trivandrum			Idukki Kottayam
1980			Malappuram Quilon Trichur	Palghat Trivandrum	Alleppey Cannanore Ernakulam Kottayam Kozhikode		Idukki	
1988			Quilon	Cannanore Ernakulam Malappuram Palghat Trichur	Alleppey Kozhikode Trivandrum	Kottayam	Idukki	

Source: Derived from Table 4.30.

Palghat were below the state average in the selected three years. At the same time, much variation was observed between the districts below and above state average (Table 4.31).

Though the coefficient of variation and disparity ratio had declined during the study period, it failed to show a clear declining trend (Table 4.32). The period since 1979 lacked any trend. The disparity ratio had declined from 2.15 to 0.90 and the coefficient of variation came down to 26.66 from 65.29. On an average the coefficient of variation had declined by 5.44 per cent annually while disparity ratio by 5.30 per cent.

The component score was the highest in Idukki district (9.81) closely followed by Kottayam (9.50) and Kozhikode (8.38). At the other end, Malappuram had the lowest component score of 1.56. This was followed by Quilon (1.68) and Trichur (4.56). The respective component scores of Trivandrum, Palghat, Alleppey, Ernakulam and Cannanore were 6.75, 6.18, 6.06, 6.00 and 5.50 (Table 4.33).

4.2.3. Per capita industrial advances

The per capita industrial advances is inclusive of advances to small scale industries. Among the 11 districts covered by the study, Ernakulam had the highest per capita industrial advances in all the years. It was Rs 160 in 1973 which had steadily gone upto Rs 936 in 1988. Understandably, Idukki had the lowest per

Table 4.32. Inter-temporal variations in per capita agricultural advances

Year	Disparity ratio	Coefficient of variation
1973	2.15	65.29
1974	2.03	64.84
1975	1.16	33.04
1976	0.98	32.43
1977	0.82	30.79
1978	1.22	37.75
1979	0.93	29.70
1980	0.82	25.30
1981	0.88	25.36
1982	0.74	23.38
1983	0.66	23.44
1984	0.81	24.32
1985	0.84	24.64
1986	0.91	27.82
1987	0.88	26.23
1988	0.90	26.66
Annual average rate of change	-5.30	-5.44

Source: Derived from Table 4.30

Table 4.33. Component scores of each district in per capita agricultural advances

District	Score corresponding to ranks											Component score	Rank
	11	10	9	8	7	6	5	4	3	2	1		
TVM	-	-	6	2	1	1	2	3	1	-	-	6.75	4
QLN	-	-	-	-	-	-	-	-	2	7	7	1.68	10
ALPY	-	-	1	5	2	3	1	1	1	2	-	6.06	6
KTM	2	10	1	1	1	1	-	-	-	-	-	9.50	2
IDKI	11	1	-	1	1	1	1	-	-	-	-	9.81	1
EKM	1	2	1	2	1	1	2	-	5	1	-	6.00	7
TCR	-	-	-	-	1	4	3	3	5	-	-	4.56	9
PGT	1	-	3	1	2	1	2	5	1	-	-	6.18	5
MPM	-	-	-	-	-	-	-	1	-	6	9	1.56	11
KZKD	1	3	3	4	4	1	-	-	-	-	-	8.38	3
CNR	-	-	1	-	3	3	5	3	1	-	-	5.50	8

Source: Derived from Table 4.30

capita industrial advances upto 1982 but Malappuram had the lowest figures for the rest of the study period. The ranks of other districts had fluctuated during the reference period (Table 4.34).

However, the per capita industrial advances of all the districts showed a continuous rise during the sixteen years study period. Hence, the average per capita industrial advances at the state level had gone up by around 7 times from Rs 30 in 1973 to Rs 203 in 1988 (Table 4.34).

Table 4.35 revealed that the per capita figures for the district of Ernakulam was uniformly 75 per cent above the state average in all the years whereas it was below the state average in the remaining districts except Quilon. Among the districts having per capita industrial advances below the mean, Idukki and Malappuram were on the bottom with less than 25 per cent of the state mean. It may also be noted that the districts which are more than the state mean and the districts which are less than the state mean did not form homogeneous groups and much variation had been observed in their per capita figures compared to the state average.

At the same time, the coefficient of variation and disparity ratio as presented in Table 4.36 failed to exhibit a clear trend. Disparity declined till 1976, then it increased upto

Table 4.34. District-wise distribution of per capita industrial advances (Amount in Rupees)

YEAR	TVM	QLN	ALPY	KTM	IDKI	EKM	TCR	PGT	MPM	KKD	CNR	STATE AVR
1973	27	22	29	27	2	160	22	13	4	14	14	30
1974	19	44	29	31	2	211	32	18	3	33	10	39
1975	37	56	43	30	2	206	24	14	5	33	15	42
1976	47	64	43	48	2	237	31	17	6	43	27	51
1977	36	70	43	45	2	233	34	9	4	25	16	47
1978	41	150	43	42	2	287	34	12	3	36	34	62
1979	28	74	46	43	1	323	34	22	4	37	28	58
1980	47	98	61	69	2	618	44	21	7	52	30	95
1981	64	211	70	93	4	599	56	56	9	82	35	116
1982	79	220	87	89	4	594	72	85	10	70	38	124
1983	118	227	105	112	13	778	78	115	13	73	28	151
1984	144	324	137	146	15	807	73	118	15	73	36	172
1985	168	346	144	156	17	864	75	126	13	75	38	184
1986	179	360	159	162	18	910	80	129	18	80	41	194
1987	184	369	152	165	19	916	82	134	19	84	47	197
1988	187	376	168	170	19	936	85	136	19	89	45	203

Source: Estimated from RBI, Basic Statistical Returns relating to Banks for various years.

Table 4.35. Classification of districts based on percentage achievement in relation to the state mean in per capita industrial advances

Year	Below state mean				Above state mean			
	Below 25	26 - 50	51 - 75	76 - 100	101 - 125	126 - 150	151 - 175	Above 175
1973	Idukki Malappuram	Cannanore Kozhikode Palghat	Quilon Trichur	Alleppey Kottayam Trivandrum				Ernakulam
1980	Idukki Malappuram Palghat	Cannanore Trichur Trivandrum	Alleppey Kottayam Kozhikode		Quilon			Ernakulam
1988	Cannanore Idukki Malappuram	Kozhikode Trichur	Palghat	Alleppey Kottayam Trivandrum				Ernakulam Quilon

Source: Derived from Table 4.34.

Table 4.36. Inter-temporal variations in per capita industrial advances

Year	Disparity ratio	Coefficient of variation
1973	5.21	144.76
1974	5.33	149.25
1975	4.83	134.03
1976	4.57	125.42
1977	4.94	139.05
1978	4.59	136.02
1979	5.52	154.75
1980	6.45	183.96
1981	5.11	145.66
1982	4.74	132.82
1983	5.07	143.68
1984	4.61	132.73
1985	4.62	132.83
1986	4.60	132.22
1987	4.55	130.91
1988	4.52	129.97
Annual average rate of change	-0.89	-0.67

Source: Derived from Table 4.34

1980 and showed decline since then inspite of year to year fluctuations. This broad trend is exhibited uniformly by coefficient of variation and disparity ratio. The highest disparity ratio of 6.45 was in 1980 (4.52) and the coefficient of variation was also the maximum in 1980 (183.86). It is also noted that the annual average rate of decline was very low in respect of both the coefficient of variation (0.67) and disparity ratio (0.84).

Table 4.37 showed that the district of Ernakulam obtained the maximum component score of 11.00 followed by Quilon (9.75), Kottayam (8.18) and Alleppy (7.56). At the other extreme, Idukki had the lowest component score of 1.38 closely followed by Malappuram with 1.68. Trivandrum secured a component score of 7.44 while that of Kozhikode was 6.81. The respective component scores of Trichur, Palghat and Cannanore were 5.13, 4.69 and 3.56.

4.2.4. Per capita advances to trade

Along with the first rank in per capita industrial advances, Ernakulam was on top in per capita advances to trade also. In 1973 the lowest per capita advances to trade was given in Palghat district whereas in 1988 Idukki obtained the last rank. While Kottayam obtained the second rank in per capita advances to trade in all the years, the ranks of other districts had fluctuated during the reference period (table 4.38).

Table 4.37. Component scores of each district in per capita industrial advances

District	Score corresponding to ranks											Component score	Rank
	11	10	9	8	7	6	5	4	3	2	1		
TVM	-	-	5	4	2	3	2	-	-	-	-	7.44	5
QLN	-	15	-	-	-	1	-	-	-	-	-	9.75	2
ALPY	-	1	3	3	6	3	-	-	-	-	-	7.56	4
KTM	-	-	7	6	2	1	-	-	-	-	-	8.18	3
IDKI	-	-	-	-	-	-	-	-	-	6	10	1.38	11
EKM	16	-	-	-	-	-	-	-	-	-	-	11.00	1
TCR	-	-	-	1	1	2	7	5	-	-	-	5.13	7
PGT	-	-	-	1	1	5	1	1	7	-	-	4.69	8
MPM	-	-	-	-	-	-	-	-	-	10	6	1.63	10
KZKD	-	-	1	1	4	1	4	5	-	-	-	6.81	6
CNR	-	-	-	-	-	-	2	5	9	-	-	3.56	9

Source: Derived from Table 4.34

Table 4.38. District-wise distribution of per capita advances to trade (Amount in Rupees)

YEAR	TVM	QLN	ALPY	KTM	IDKI	EKM	TCR	PGT	MPM	KKD	CNR	STATE AVR
1973	6	8	15	22	4	81	13	4	2	21	13	17
1974	2	9	21	22	3	100	4	4	2	23	13	19
1975	8	9	11	31	5	97	13	7	4	24	11	20
1976	16	12	17	29	6	105	17	11	6	27	15	24
1977	37	15	20	46	9	126	20	12	8	41	19	32
1978	31	19	21	66	19	149	30	22	12	48	26	40
1979	34	26	25	75	17	156	37	28	15	55	28	45
1980	36	32	28	91	28	191	46	32	21	63	53	56
1981	49	27	35	108	27	215	55	36	30	78	75	66
1982	51	35	31	121	30	215	58	44	27	68	62	68
1983	76	37	37	164	25	372	63	44	49	92	62	84
1984	88	54	52	165	32	299	69	50	55	93	64	93
1985	111	55	61	168	41	302	75	51	56	94	65	98
1986	119	56	63	170	45	313	77	51	57	98	67	101
1987	128	58	67	170	48	315	80	53	57	97	67	109
1988	148	60	70	174	50	318	81	55	58	98	69	107

Source: Estimated from RBI, Basic Statistical Returns relating to banks for various years.

But it may be noted that the per capita advances to trade had constantly increased in all the districts during the sixteen year study period. Accordingly, the state average per capita advances to trade went up by about 6 fold from Rs 17 in 1973 to Rs 107 in 1988 (Table 4.38).

Among the districts having per capita advances to trade above the state mean, Ernakulam was on the top with more than 75 per cent advances over the state mean in the three selected years. On the other hand, the corresponding figure was less than 50 per cent of the state mean in Idukki during the same period. It may also be noted that the per capita figures for the district of Kottayam was above the state mean while that of Malappuram, Palghat, Trichur, Quilon, Alleppey and Cannanore were below the state average during these three years. (Table 4.39).

Table 4.40 shows that the coefficient of variation and the disparity ratio had been declining over the years. While the disparity ratio had decreased to 2.50 in 1988 from 4.44 in 1973, the coefficient of variation had come down to 75.02 from 127.90 during the same period. The annual average rate of decline was 3.28 per cent and 3.53 per cent respectively in respect of coefficient of variation and disparity ratio.

As in the case of per capita industrial advances, Ernakulam obtained the maximum component score of 11.00 in per capita

Table 4.39. Classification of districts based on percentage achievement in relation to the state mean in per capita advances to trade

Year	Below state mean				Above state mean			
	Below 25	26 - 50	51 - 75	76 - 100	101 - 125	126 - 150	151 - 175	Above 175
1973	Idukki Malappuram Palghat	Quilon Trivandrum	Trichur	Alleppey Cannanore	Kottayam Kozhikode			Ernakulam
1980		Alleppey Idukki Malappuram	Palghat Quilon Trivandrum	Cannanore Trichur	Kozhikode		Kottayam	Ernakulam
1988		Idukki Palghat	Alleppey Cannanore Malappuram Quilon	Kozhikode Trichur		Trivandrum	Kottayam	Ernakulam

Source: Derived from Table 4.38.

Table 4.40. Inter-temporal variations in per capita advances to trade

Year	Disparity ratio	Coefficient of variation
1973	4.44	127.90
1974	5.03	143.42
1975	4.67	134.30
1976	4.18	117.70
1977	3.70	105.85
1978	3.41	97.75
1979	3.14	90.57
1980	3.00	86.62
1981	2.83	83.35
1982	2.79	82.50
1983	2.95	87.43
1984	2.87	82.73
1985	2.66	78.06
1986	2.65	78.13
1987	2.59	76.70
1988	2.50	75.02
Annual average rate of change	-3.53	-3.28

Source: Derived from Table 4.38

Table 4.41. Component scores of each district in per capita advances to trade

District	Score corresponding to ranks											Component score	Rank
	11	10	9	8	7	6	5	4	3	2	1		
TVM	-	-	4	4	1	4	-	3	-	-	-	6.93	5
QLN	-	-	-	-	-	-	4	6	5	1	-	3.81	8
ALPY	-	-	-	3	1	2	4	1	4	1	-	5.06	7
KTM	-	15	1	-	-	-	-	-	-	-	-	9.94	2
IDKI	-	-	-	-	-	-	-	-	1	7	8	1.56	11
EKM	16	-	-	-	-	-	-	-	-	-	-	11.00	1
TCR	-	-	-	2	12	2	-	-	-	-	-	7.00	4
PGT	-	-	-	-	-	-	3	3	4	5	1	3.12	9
MPM	-	-	-	-	-	-	2	3	2	2	7	2.44	10
KZKD	-	1	11	4	-	-	-	-	-	-	-	8.81	3
CNR	-	-	3	2	8	3	-	-	-	-	-	6.31	6

Source: Derived from Table 4.38

advances to trade also. The component score of Kottayam was 9.94 while that of Kozhikode, Trichur, Trivandrum and Cannanore were 8.81, 7.00, 6.93 and 6.31 respectively. On the other hand, Idukki had the lowest component score of 1.56 followed by Malappuram with 2.44. The respective of component scores of Alleppey, Quilon and Palghat were 50.06, 3.81 and 3.12. (Table 4.41).

4.2.5 Per capita priority sector advances.

The priority sector advances include advances to agriculture and allied activities, small scale industries, road and water transport operators, exports, professionals and self employed persons.

Ernakulam district continued to maintain the first rank in per capita priority sector advances also. It was Rs 88 in 1973 which had gradually increased to Rs 702 in 1988. Though the lowest rank had gone to Malappuram continuously for 13 years, it was replaced by Cannanore district since 1985 (Table 4.42).

At the same time, there was a continuous rise in the per capita figures of all the districts in respect of priority sector advances during the study period. Consequently, the average per capita priority sector advances at the state level went up by about 11 times from Rs 36 in 1973 to Rs 385 in 1988. (Table 4.43).

Table 4.42. District-wise distribution of per capita priority sector advances (Amount in Rupees)

YEAR	TVM	QLN	ALPY	KTM	IDKI	EKM	TCR	PGT	MPM	KKD	CNR	STATE AVR
1973	32	64	21	46	34	88	36	20	5	25	27	36
1974	28	98	31	55	35	83	44	26	8	33	35	43
1975	34	112	33	59	33	88	48	35	14	45	42	49
1976	44	95	53	72	31	116	57	51	20	62	53	59
1977	48	101	70	71	35	154	62	58	22	61	46	66
1978	67	102	81	102	55	195	95	69	34	117	66	89
1979	102	202	111	134	99	258	114	95	52	143	95	127
1980	146	185	164	173	140	401	138	107	71	150	147	165
1981	195	215	185	217	178	446	193	128	93	196	187	203
1982	234	256	206	254	162	458	250	146	95	217	187	224
1983	293	152	221	318	209	520	241	166	148	254	195	256
1984	331	402	290	366	235	575	321	201	175	319	189	310
1985	341	357	317	377	261	595	364	216	196	326	201	323
1986	367	369	343	396	274	626	369	237	210	368	208	342
1987	382	403	370	408	291	668	396	240	264	382	233	367
1988	393	445	390	417	306	702	401	251	275	410	239	384

Source: Estimated from RBI, Basic Statistical Returns relating to banks for various years.

The per capita priority sector advances for Ernakulam, Kottayam and Quilon districts were above the corresponding state average, while that of Malappuram, Idukki, Cannanore and Palghat were below the state average in all the years. However, much variation had been observed between districts belonging to these two groups. For example, the per capita figures of Ernakulam were 75 per cent above the state mean in all the years whereas those of Malappuram were below 50 per cent of the state mean in the same period. (Table 4.43).

As in the case of other indicators, the coefficient of variation and disparity ratio showed a declining trend over the years (Table 4.44). While the disparity ratio had gone down to 1.20 in 1988 from 2.30 in 1973, the coefficient of variation declined to 33.25 from 63.37. As a consequence, the coefficient of variation and disparity ratio had declined by at an annual rate of 3.95 per cent and 3.98 per cent respectively.

Like the other indicators, the highest component scores in respect of per capita priority sector advances had gone in favour of Ernakulam district (10.88). This was followed by Quilon (9.50), Kottayam (9.25), Trichur (7.13) and Kozhikode (6.94). On the other hand, Malappuram had the lowest component score of 1.31. The respective component scores of Trivandrum, Alleppey, Idukki, Cannanore and Palghat were 5.68, 5.06, 3.81, 3.50 and 2.94 (Table 4.45).

Table 4.43. Classification of districts based on percentage achievement in relation to the state mean in per capita priority sector advances

Year	Below state mean				Above state mean			
	Below 25	26 - 50	51 - 75	76 - 100	101 - 125	126 - 150	151 - 175	Above 175
1973	Malappuram		Alleppey Cannanore Kozhikode Palghat	Idukki Trichur Trivandrum		Kottayam		Ernakulam Quilon
1980		Malappuram	Palghat	Alleppey Cannanore Idukki Kozhikode Trichur Trivandrum	Kottayam Quilon			Ernakulam
1988			Cannanore Malappuram Palghat	Idukki	Alleppey Kottayam Kozhikode Quilon Trichur Trivandrum			Ernakulam

Source: Derived from Table 4.42.

Table 4.44. Inter-temporal variations in per capita
priority sector advances

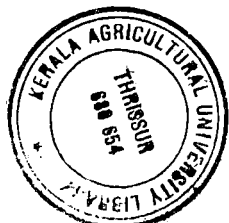
Year	Disparity ratio	Coefficient of variation
1973	2.30	63.37
1974	2.05	60.39
1975	2.00	57.02
1976	1.62	46.01
1977	1.99	53.90
1978	1.80	47.52
1979	1.62	44.87
1980	1.99	50.78
1981	1.74	43.75
1982	1.62	41.32
1983	1.45	39.46
1984	1.29	37.24
1985	1.24	34.80
1986	1.22	34.24
1987	1.18	32.87
1988	1.20	33.25
Annual average rate of change	-3.98	-3.95

Source: Derived from Table 4.42

Table 4.45. Component scores of each district in per capita priority sector advances

District	Score corresponding to ranks											Component score	Rank
	11	10	9	8	7	6	5	4	3	2	1		
TVM	-	-	1	1	4	3	2	3	2	-	-	5.68	6
QLN	2	7	5	1	1	-	-	-	-	-	-	9.50	2
ALPY	-	-	-	2	-	2	8	2	1	1	-	5.06	7
KTM	-	6	8	2	-	-	-	-	-	-	-	9.25	3
IDKI	-	-	-	-	2	-	-	8	3	3	-	3.81	8
EKM	14	2	-	-	-	-	-	-	-	-	-	10.88	1
TCR	-	-	1	6	6	2	-	-	1	-	-	7.13	4
PGT	-	-	-	-	-	-	3	3	4	8	-	2.94	10
MPM	-	-	-	-	-	-	-	-	2	1	13	1.31	11
KZKD	-	1	1	4	3	5	1	1	-	-	-	6.94	5
CNR	-	-	-	-	-	4	2	1	3	3	3	3.50	9

Source: Derived from Table 4.42



It is thus clear from Table 4.46 that the coefficient of variation exhibited a declining trend in respect of all the indicators except per capita industrial advances. At the same time, it may be noted that the highest variation was also observed in per capita industrial advances. The highest variation in per capita industrial advances was the consequence of very low per capita industrial advances in backward districts like Malappuram and Idukki and high per capita industrial advances in Ernakulam district. Even in the latest year (1988), the per capita industrial advances in these two districts were even below 1/10 of the state average. The per hectare agricultural advances, per capita agricultural advances and per capita priority sector advances presented more or less comparable variation. The annual average rate of decline in coefficient of variation was the highest in per capita agricultural advances (5.44 per cent) followed by per hectare agricultural advances (5.13 per cent). While the coefficient of variation in respect of per capita priority sector advances had declined by 3.95 per cent annually that of per capita advances to trade had come down by 3.28 per cent. The declining trend in coefficient of variation shows that the inter-sectoral variations have been declining during the study period in respect of all the indicators.

Table 4.46. Inter-temporal coefficient of variation

Year	Per hectare agricultu- ral advan- ces	Per capita agricultu- ral advan- ces	Per capita industrial advances	Per capita advances to trade	Per capita priority sector advances
1973	63.36	65.29	144.76	127.90	63.37
1974	56.52	64.85	149.25	143.42	60.39
1975	45.58	33.04	134.03	134.30	57.02
1976	44.16	32.43	125.42	117.70	46.01
1977	45.32	30.79	139.05	105.85	53.90
1978	58.76	37.75	136.02	97.75	47.52
1979	41.84	29.70	154.75	90.57	44.87
1980	30.89	25.30	183.96	86.62	50.78
1981	29.61	25.36	145.66	83.35	43.75
1982	36.44	23.38	132.82	82.50	41.32
1983	33.63	23.44	143.68	87.43	39.46
1984	31.83	24.32	132.73	82.73	37.24
1985	30.93	24.64	132.83	78.06	34.80
1986	29.48	27.82	132.22	78.13	34.24
1987	28.47	26.23	130.91	76.70	32.87
1988	27.26	26.66	129.97	75.02	33.25
Annual average rate of change	-5.13	-5.44	-0.67	-3.28	-3.95

The trend in disparity ratio is clear with respect to per capita advances to trade and priority sector advances. Though the disparity has declined in the case of other three indicators, the trend is not that clear. For instance, disparity ratio in respect of per hectare and per capita agriculture advances remained almost stable between 1980-88 inspite of year to year fluctuations. (Table 4.47). However, the table broadly shows that inter-sectoral disparities in respect of all the indicators have declined during the study period eventhough a clear declining trend is not descernible in respect of all these determinants.

When the composite score was computed from the component scores, Ernakulam was on top with a composite score of 9.34. Though Kottayam came only second to Ernakulam, its ranking was most stable as shown by the lowest coefficient of variation (8.30). Trivandrum, Alleppey and Trichur which came as 4th, 5th and 6th respectively in respect of the composite score, were 2nd, 3rd and 4th respectively in terms of low coefficent of variation reflecting relatively higher stability in their performance compared to other districts. On the other hand, among the 11 districts covered by the study Malappuram had the lowest composite score of 1.84, but the highest coefficient of variation was observed in Idukki followed Quilon which reflected wider variations (Table 4.48).

Table 4.47. Inter-temporal variations in disparity ratio

Year	Per hectare agricultural advances	Per capita agricultural advances	Per capita industrial advances	Per capita advances to trade	Per capita priority sector advances
1973	2.28	2.15	5.21	4.44	2.30
1974	2.04	2.03	5.33	5.03	2.05
1975	1.47	1.16	4.83	4.67	2.00
1976	1.45	0.98	4.57	4.18	1.62
1977	1.28	0.82	4.94	3.70	1.99
1978	2.01	1.22	4.59	3.41	1.80
1979	1.38	0.93	5.52	3.14	1.62
1980	0.98	0.82	6.45	3.00	1.99
1981	1.07	0.88	5.11	2.83	1.74
1982	1.07	0.74	4.74	2.79	1.62
1983	1.03	0.66	5.07	2.95	1.45
1984	1.18	0.81	4.61	2.87	1.29
1985	1.16	0.84	4.62	2.66	1.24
1986	1.10	0.91	4.60	2.65	1.22
1987	1.04	0.88	4.55	2.59	1.18
1988	1.00	0.90	4.52	2.50	1.20
Annual average rate of change	-5.02	-5.30	-0.89	-3.53	-3.98

Table 4.48. District-wise composite scores and the determinants in inter-sectoral disparities

Districts	Component Scores					Composite score	Rank	Coefficient of variation
	Per capita agricultural advances	Per hectare agricultural advances	Per capita industrial advances	Per capita advances to trade	Per capita priority sector advances			
TVM	6.75	8.88	7.44	6.93	5.68	7.14	4	16.30
QLN	1.68	3.00	9.75	3.81	9.50	5.55	7	68.50
ALPY	6.06	6.56	7.56	5.06	5.06	6.05	5	17.40
KTM	9.50	8.38	8.18	9.94	9.25	9.05	2	8.30
IDKI	9.81	6.63	1.38	1.56	3.81	4.64	8	77.30
EKM	6.00	7.81	11.00	11.00	10.88	9.34	1	24.80
TCR	4.56	6.25	5.13	7.00	7.13	6.00	6	18.90
PGT	6.18	2.06	4.69	3.12	2.94	3.80	10	43.00
MPM	1.56	2.25	1.63	2.44	1.31	1.84	11	26.20
KZKD	8.38	10.44	6.81	8.81	6.94	8.28	3	19.70
CNR	5.50	3.81	3.56	6.31	3.50	4.54	9	28.40

Table 4.49. Rank correlation matrix of component scores in inter-sectoral disparities

	Per hectare agricultural advances	Per capita agricultural advances	Per capita industrial advances	Per capita advances to trade	Per capita priority sector advances
Per hectare agricultural advances	1.00	0.70	0.40	0.70	0.50
Per capita agricultural advances	0.70	1.00	-0.10	0.20	0.10
Per capita industrial advances	0.40	-0.10	1.00	0.70	0.90*
Per capita advances to trade	0.70	0.20	0.70	1.00	0.70
Per capita priority sector advances	0.50	0.10	0.90*	0.70	1.00

* Significant at 5 % level

Like wise, the rank correlation coefficients computed from component scores of inter-sectoral disparities revealed inverse correlation between per capita industrial advances and per capita agriculture advances, but the same was not significant. It is also observed that the per capita industrial advances and per capita priority sector advances were significantly correlated giving a rank correlation of 0.90. The correlation between other indicators were seen to be insignificant. (Table 4.49).

However, when the districts were classified based on percentage achievement in relation to the state mean, it was observed that the districts below and above mean did not form homogeneous groups in any of the indicators. It may also be noted that the scores of Ernakulam district were well above the state mean in respect of all the indicators throughout the reference period whereas Malappuram was uniformly below the state average. The respective figures of other districts had fluctuated in respect of all the indicators during the reference period (Table 4.50).

4.3. Factors contributing to inter-district disparities

In order to find out the contribution of the determinants in inter-district disparities, the technique of path analysis was done. The procedure suggested by Kempthorne (1957) was used for this purpose. The objective of this was to get a clear picture

Table 4.50. Classification of districts based on percentage achievement in relation to the state mean (1973)

Indicator	Below state mean				Above state mean			
	Below 25	26 - 50	51 - 75	76 - 100	101 - 125	126 - 150	151 - 175	Above 175
Per hectare agricultural advances	Malappuram	Alleppey Palghat Quilon Trichur	Cannanore		Ernakulam	Idukki Kozhikode Trivandrum		Kottayam
Per capita agricultural advances	Malappuram	Alleppey	Quilon Trichur	Cannanore Ernakulam Palghat	Kozhikode Trivandrum			Idukki Kottayam
Per capita industrial advances	Idukki Malappuram	Cannanore Kozhikode Palghat	Quilon Trichur	Alleppey Kottayam Trivandrum				Ernakulam
Per capita advances to trade	Idukki Malappuram Palghat	Quilon Trivandrum	Trichur	Alleppey Cannanore	Kottayam Kozhikode			Ernakulam
Per capita priority sector	Malappuram		Alleppey Cannanore Kozhikode Palghat	Idukki Trichur Trivandrum		Kottayam		Ernakulam Quilon

Table 4.50 Contd..... (1980)

Indicator	Below state mean				Above state mean			
	Below 25	26 - 50	51 - 75	76 - 100	101 - 125	126 - 150	151 - 175	Above 175
Per hectare agricultural advances		Palghat	Malappuram	Cannanore Idukki Quilon Trichur	Alleppey Ernakulam Trivandrum	Kottayam Kozhikode		
Per capita agricultural advances			Malappuram Quilon Trichur	Palghat Trivandrum	Alleppey Cannanore Ernakulam Kottayam Kozhikode	Idukki		
Per capita industrial advances	Idukki Malappuram Palghat	Cannanore Trichur Trivandrum	Alleppey Kottayam Kozhikode		Quilon			Ernakulam
Per capita advances to trade		Alleppey Idukki Malappuram	Palghat Quilon Trivandrum	Cannanore Trichur	Kozhikode		Kottayam	Ernakulam
Per capita priority sector advances		Malappuram	Palghat	Alleppey Cannanore Idukki Kozhikode Trichur Trivandrum	Kottayam Quilon			Ernakulam

Table 4.50. Contd..... (1988)

Indicator	Below state mean				Above state mean			
	Below 25	26 - 50	51 - 75	76 - 100	101 - 125	126 - 150	151 - 175	Above 175
Per hectare agricultural advances			Palghat Quilon	Alleppey Cannanore Kottayam Malappuram	Ernakulam Idukki Trichur	Kozhikoe	Trivandrum	
Per capita agricultural advances			Quilon	Cannanore Ernakulam Malappuram Palghat Trichur	Alleppey Kozhikode Trivandrum	Kottayam	Idukki	
Per capita industrial advances	Cannanore Idukki Malappuram	Kozhikode Trichur	Palghat	Alleppey Kottayam Trivandrum				Ernakulam Quilon
Per capita advances to trade		Idukki Palghat	Alleppey Cannanore Malappuram Quilon	Kozhikode Trichur		Trivandrum	Kottayam	Ernakulam
Per capita priority sector advances			Cannanore Malappuram Palghat	Idukki	Alleppey Kottayam Kozhikode Quilon Trichur Trivandrum			Ernakulam

of the direct and indirect effects and the correlation of the selected independent variables on institutional coverage, disparities in mobilisation and deployment of funds.

4.3.1. Institutional disparities

The dependent variable (Y) was population served per bank office. The independent variables were density of population (x_1), per capita income (x_2), per capita gross cropped area (x_3) and number of credit co-operatives per lakh of population (x_4). The path correlation showing the relationship between the independent variables and the dependent variable is presented in Table 4.51.

As far as institutional disparity in banking development was concerned, density of population (x_1) and per capita income (x_2) were inversely correlated with the dependent variable of population served per bank office, whereas it was positively correlated with per capita gross cropped area (x_3) and number of credit co-operatives per lakh of population (x_4). It may be noted that the correlation was significant between all the independent variables and the dependent variable in the districts of Trivandrum, Idukki and Cannanore, while it was non-significant in the districts of Alleppey and Ernakulam.

While the per capita gross cropped area had the highest correlation in the districts of Quilon, Idukki, Trichur and

Table 4.51. Path correlation of institutional disparities in different districts

Dist.	Independent variables				Residual
	X ₁	X ₂	X ₃	X ₄	
TVM	-0.89*	-0.89*	0.88*	0.95**	0.21
QLN	-0.82*	-0.79	0.83*	0.60	0.44
ALPY	-0.70	-0.70	0.81	0.64	0.43
KTM	-0.83*	-0.82*	0.81	0.90*	0.42
IDKI	-0.85*	-0.85*	0.86*	0.83*	0.40
EKM	-0.78	-0.78	0.68	0.69	0.45
TCR	-0.80	-0.80	0.88*	0.72	0.44
PGT	-0.82*	-0.82*	0.70	0.69	0.46
MPM	-0.86*	-0.86*	0.65	0.73	0.47
KZKD	-0.90*	-0.73	0.84*	0.82*	0.31
CNR	-0.88*	-0.88*	0.89*	0.86*	0.46

* Significant at 5% level
 ** Significant at 1% level

Cannanore, the highest correlation in respect of the number of credit co-operatives was seen in Trivandrum and Kottayam. It is found that density of population and per capita gross cropped area had inverse correlation with the dependent variable because of their indirect effects.

It may be concluded that all the four independent variables considered had high direct effect on population served per bank office. It is also found that the residuals worked out ranged between 0.21 and 0.47 which confirmed the extent of validity of the selection of the independent variables.

4.3.2. Disparity in mobilisation of deposits

The dependent variable (Y) was per capita deposit and the independent variables selected were per capita income (x_1), number of bank branches per lakh of population (x_2), work participation rate (x_3), per capita deposit mobilised by co-operatives (x_4), per capita agricultural income (x_5) and per capita industrial income (x_6). The procedure adopted by Hema Lata Rao (1981) had been followed for the selection of the independent variables. The path correlation explaining the relationship between the dependent and independent variables was presented in Table 4.52.

As far as inter-district disparity in mobilisation of funds was concerned, per capita income, number of bank branches per

Table 4.52. Path correlation of disparities in mobilisation of deposits in different districts

Dist.	Independent variables						Residual
	X ₁	X ₂	X ₃	X ₄	X ₅	X ₆	
TVM	0.97**	0.88**	-0.97**	0.95**	0.88**	0.95**	0.10
QLN	0.98**	0.72*	-0.97**	0.97**	0.83*	0.95**	0.09
ALPY	0.95**	0.53	-0.95**	0.95**	0.82*	0.90**	0.24
KTM	0.95**	0.71*	-0.96**	0.99**	0.84*	0.94**	0.07
IDKI	0.98**	0.78*	-0.84*	0.95**	0.86*	0.96**	0.09
EKM	0.98**	0.69	-0.98**	0.99**	0.95**	0.95**	0.07
TCR	0.97**	0.72*	-0.97**	0.97**	0.89**	0.95**	0.06
PGT	0.97**	0.63	-0.97**	0.98**	0.66	0.82*	0.11
MPM	0.96**	0.74*	-0.96**	0.97**	0.71*	0.95**	0.11
KZKD	0.86*	0.86*	-0.98**	0.98**	0.82*	0.95**	0.06
CNR	0.96**	0.81*	-0.96**	0.98**	0.85*	0.88**	0.08

* Significant at 5% level
 ** Significant at 1% level

lakh of population, per capita deposit mobilised by co-operatives, per capita agricultural income and per capita industrial income were positively correlated with the per capita deposit in all the districts whereas work participation rate had a negative correlation.

The per capita income, work participation rate, per capita deposit mobilised by co-operatives and per capita industrial income were significantly correlated with the per capita deposit in all the districts which confirmed the positive direct effect of the independent variables on the dependent variable. It was also seen that the work participation rate had an inverse correlation with the per capita deposit in all the districts since it had negative indirect effects.

The residual worked out ranged between 0.06 and 0.24 which confirmed the validity of the selection of independent variables.

4.3.3. Disparity in deployment of credit

The influence of dependent variable per capita credit (Y) on the independent variables such as per capita income (x_1), per capita gross cropped area (x_2), work participation rate (x_3), per capita credit supplied by co-operatives (x_4), per hectare consumption fertilizers (x_5), per capita industrial income (x_6) and per capita agricultural income (x_7) were analysed. The

Table 4.53. Path correlation of disparities in deployment of credit in different districts

Dist.	Independent variables							Residual
	X ₁	X ₂	X ₃	X ₄	X ₅	X ₆	X ₇	
TVM	0.92**	0.88**	0.80**	0.72*	0.87**	0.98**	0.93**	0.12
QLN	0.40	0.92**	0.91**	0.94**	0.94**	0.95**	0.96**	0.20
ALPY	0.96**	0.85**	0.97**	0.95**	0.96**	0.93**	0.96**	0.12
KTM	0.97**	0.97**	0.97**	0.85**	0.95**	0.97**	0.97**	0.20
IDKI	0.98**	0.94**	0.89**	0.85**	0.97**	0.72*	0.85**	0.14
EKM	0.87**	0.87**	0.87**	0.87**	0.87**	0.43	0.83**	0.34
TCR	0.92**	0.98**	0.99**	0.99**	0.89**	0.93**	0.94**	0.08
PGT	0.30	0.05	0.60	0.45	0.55	0.51	0.21	0.34
MPM	0.95**	0.99**	0.96**	0.97**	0.98**	0.96**	0.79*	0.08
KZKD	0.90**	0.90**	0.90**	-0.94**	-0.92**	-0.93**	-0.89**	0.20
CNR	0.91**	0.91**	0.98**	0.97**	0.97**	0.97**	0.97**	0.02

* Significant at 5% level
 ** Significant at 1% level

procedures adopted by Subhas K Bassu (1973) and Chippa M.L. (1988) were followed for the selection of the independent variables. The path correlation explaining the relationship between the dependent and independent variables are given in Table 4.53.

It is seen that per capita income, per capita gross cropped area and work participation rate were positively and significantly correlated with the per capita credit in all the districts except Palghat. Similarly, per capita credit supplied by co-operatives, per hectare credit supplied by co-operatives, per hectare consumption of fertilisers, per capita industrial income and per capita agricultural income had positive and significant correlation except Kozhikode where the relationship was inverse as given in Table 4.53. However, it was found that in Palghat alone the independent variables were not significantly correlated with the dependent variables.

From the analysis it is seen that all the seven independent variables had high significant direct effect on the dependent variable. The residuals worked out also found lying below 0.32 which ensures the validity of the selection of variables.

From the forgone analysis it was found that the inter-district and inter-sectoral disparities have been declining over the years, but certain degree of disparities still persist

inspite of a variety of policy measures introduced by the Government of India and RBI. The presence of disparity in banking development is more due to the effects of imbalances in infrastructural and levels of sectoral development. The existing disparities can be minimised by adopting a planned strategy of balanced regional development considering the regional resource capabilities.

Summary and Conclusion

CHAPTER V

SUMMARY AND CONCLUSION

The main social objective of banking after nationalisation of major commercial banks in 1969 was to reduce the glaring inter-regional and inter-sectoral disparities in banking facilities and to direct bank credit to the desired sectors of the economy for balanced regional development. Two decades have elapsed since nationalisation and the present study was taken up to examine the achievement of these objectives by the commercial banks in Kerala with the following objectives:-

1. To assess the extent and pattern of inter-district and inter-sectoral disparities in banking development in Kerala; and
2. To examine the factors contributing to inter-district disparities in banking development.

The inter-district disparities have been examined in respect of five factors viz., population served per bank office, per capita deposit, per capita credit, per capita banking turnover and credit-deposit ratio. Similarly, the inter-sectoral disparities were examined in terms of per hectare agricultural advances, per capita agricultural advances, per capita industrial advances, per capita advances to trade and per capita priority sector advances.

The independent variables employed for examining the factors contributing to disparities were density of population per capita gross cropped area, per capita income, per capita agricultural income, per capita industrial income, per capita deposit mobilised by co-operatives, per capita credit supplied by co-operatives, per hectare consumption of fertilisers, work participation rate, number of credit co-operatives per lakh of population and number of bank branches per lakh of population.

The study was based on time-series data from 1973 to 1988 for all the 11 districts of Kerala existing in 1973. The districts of Pathanamthitta, Wayanad and Kasargod which came in to existence after 1975 were excluded due to non availability of data in the initial years. However, the data for these districts have been allocated to those districts from which they were carved out on a pro-rata population basis. The Basic Statistical Returns relating to bank published by RBI was the major source of data. The inter-district and inter-sectoral disparities have been analysed by computing coefficient of variation and disparity ratio. Districts were classified according to percentage achievement in relation to the state mean and component scores were computed for all the determinants in order to understand the relative position of each district. The factors contributing to disparities in each district had been examined with the help of path analysis.

The major findings of the study were as follows:-

INTER DISTRICT DISPARITIES

The coefficient of variation and the disparity ratio showed a declining trend during the study period in all the indicators except credit-deposit ratio. The coefficient of variation in the case of credit-deposit ratio did not change significantly. Since the credit-deposit ratio had been influenced by RBI decisions among other things from time to time, it did not exhibit a clear trend. The coefficient of variation of credit-deposit ratio ranged erratically between 26.28 and 39.75.

While coefficient of variation of per capita credit declined at an annual rate of 5.58 per cent during the study period from 100.47 to 44.05, per capita banking turnover and per capita deposits declined at an annual rate of 3.89 and 1.52 per cent respectively. The former declined from 76.02 to 45.15 and latter from 62.33 to 48.80. At the same time population served per bank office declined at an annual rate of 2.93 per cent from 34.08 to 21.88. The fall in credit-deposit ratio was at a nominal rate of 0.60 per cent annually.

The same trend is applicable in the case of disparity ratio also. As in coefficient of variation the highest degree of disparity was observed in the case of per capita credit followed

by per capita banking turn over per capita deposit and population served per bank office. The disparity was minimal in respect of credit-deposit ratio.

The figures for Ernakulam district was more than 75 per cent above the average per capita figures at the state level for all the indicators during the reference period whereas the percapita figures of Malapuram, Idukki and Palaghat were invariably far below the state average during the same period. Except credit-deposit ratio the figures for the districts of Kottayam, Trivandrum, Trichur and Alleppey were above the state average.

As all the component scores were the highest in Ernakulam district the composite score was also the highest in Ernakulam (10.71) followed by Trivandrum (8.59), Kottayam (7.80) and Trichur (6.66). But the composite score was the lowest in Malappuram (2.55) followed by Idukki (3.19) and Palghat (4.34). The rank correlation computed from the component scores also confirmed the lack of consistency between districts in the selected determinants.

INTER SECTORAL DISPARITIES

The coefficient of variation as well as the disparity ratio showed a declining trend during the study period in respect of all the indicators except per capita industrial advances. In the case of per capita industrial advances the trend was not that

clear. The highest coefficient of variation was also observed in per capita industrial advances which ranged from 183.96 to 125.42. While the coefficient of variation of per hectare agricultural advances decline at an annual rate of 5.13 per cent during the study period from 63.36 to 27.26, the per capita agricultural advances and per capita priority sector advances declined by 5.44 per cent and 3.95 per cent respectively. The former declined from 65.29 to 26.66 and the latter declined from 63.37 to 33.25. At the same time the fall in per capita industrial advances was at a nominal level of 0.67 per cent only.

As in the case of coefficient of variation the highest disparity ratio was observed in respect of per capita industrial advances. In respect of other determinants of inter-sectoral disparities, the disparities ratio exhibited a similar trend as that of coefficient of variation.

While the figures for the districts of Ernakulam, Kottayam, Kozhikode and Trivandrum were above the state average in respect of all the indicators during the study period, the per capita figures of Malapuram was uniformly well below the state average.

Per capita figures for Idukki district were above the state average per capita agricultural advances and per hectare agricultural advances. On the other hand the per capita figures of Quilon was above the state average in per capita industrial advances and per capita priority sector advances.

The composite score of all the indicators were the highest in Ernakulam district (9.34) followed by Kottayam (9.05) and Kozhikode (8.28). At the other end of the ladder Malapuram district had the lowest composite score (1.84) followed by Palghat (3.80) and Cannanore (4.54). The rank correlation coefficients computed from the component scores exhibited consistency in districts of Kottayam and Ernakulam whereas Idukki Quilon and Palghat showed wider variations in their performance of the selected determinants.

FACTORS CONTRIBUTING TO DISPARITIES

Population served per bank office was significantly and positively correlated with per capita gross cropped area and number of credit co-operatives per lakh of population in all the districts. At the same time, the density of population and per capita income had significant inverse correlation with population served per bank office.

As far as the inter-district disparity in the mobilisation of deposits was concerned, the per capita deposit is positively and significantly correlated with per capita income, number of bank branches per lakh of population, per capita deposit mobilised by co-operatives, per capita agricultural income and per capita industrial income. But work participation rate had an inverse correlation with per capita deposit.

Similarly the per capita credit is directly and significantly correlated with per capita income, per capita gross cropped area and work participation rate in all the districts except Palghat. It is also seen that per capita credit supplied by co-operatives, per hectare consumption of fertilisers, per capita industrial income and per capita agricultural income had positive and significant correlation with per capita credit in all the districts except Kozhikode.

The relatively lower value of residuals which ranged between 0.42 and 0.06 in respect of the determinants of institutional disparities, disparities in mobilisation and deployment of funds confirmed the selection of the independent variables.

It may thus be concluded that the inter-district and inter-sectoral disparities had been declining during the study period as revealed by coefficient of variation and disparity ratio. While Ernakulam district had uniformly highest ranking in all the indicators of banking development reflecting highly consistent pattern of development, Malappuram, Idukki and Palghat districts continued to remain at the bottom end with uniformly lower rankings. The performance of Kottayam, Trivandrum, Trichur and Kozhikode were relatively better with their composite scores at least marginally above the state average. At the same time Cannanore and Quilon exhibited comparatively poor performance

in respect of all the indicators. However, Alleppey presented more or less average performance.

It may also be observed that average population served per bank office declined from 23671 in 1973 to 11110 in 1988 due to widening of the branch net work. Similarly, the per capita deposit and per capita credit had substantially increased during the same period. The average per capita deposit at the state level went up by 12 times during the 16 year period from Rs. 137 in 1973 to Rs.1752 in 1988. But the per capita credit had increased little faster by 13 times from Rs.94 to Rs.1184 during this period.

However the unprecedented growth in the field of branch net work, deposit mobilisation and credit disbursement might have widened the inter-district disparities but for the persistent efforts by the Government and the RBI to reduce the glaring inter-regional disparities through a variety of policy directions like widening rural branch network, lead bank scheme, district credit planning and credit targetting, priority sector advances and minimum threshold stipulation of credit-deposit ratio. But inspite of these multi-farious programmes, sizeable inter-district disparities still persist. Nevertheless there had been a declining trend in coefficient of variation and disparity ratio in respect of various indicators which reflected inter-temporal reduction in disparities. At the same time it may be noted that

the coefficient of variation and disparity ratio were significantly higher in respect of indicators relating to inter-sectoral determinants compared to that of inter-district determinants.

The analysis further shows that inter-district disparities in bank credit, bank deposit and credit-deposit ratio were partly attributable to disparities in infrastructure and levels of sectoral development. Reduction of disparities in these two factors seems to be an essential pre-requisite for reduction of banking disparities. It is quite difficult to establish conclusively whether disparities in banking development is a cause or effect. It may probably be both cause as well as effect. In the present analysis this had been analysed more from the point of view of effect than as a cause. Hence, it may be concluded from the available evidences that infrastructural and sectoral disparities contribute to lionshare of the disparities in banking development.

The existing disparities can be minimised by adopting a planned strategy of balanced regional development. The recent policy initiatives like adoption of decentralised planning at the district level, revival of three-tier Panchayati Raj institutions and the adoption of the Service Area Approach to rural lending together can play a very vital role in eliminating the present level of disparities both in development as well as in banking development.

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Appendix I. District-wise distribution of Scheduled Commercial Bank Offices as on 31st December

YEAR	TVM	QLN	ALPY	KTM	IDKI	EKM	TCR	PGT	MPM	KKD	CNR	STATE TOTAL
1973	105	84	89	95	30	175	140	86	46	86	103	1039
1974	113	96	105	108	32	187	144	94	55	91	113	1138
1975	134	109	124	114	38	217	158	110	64	111	127	1306
1976	148	132	146	126	42	248	182	123	76	120	139	1482
1977	176	167	208	170	57	380	250	159	93	145	179	1984
1978	183	177	221	181	61	324	257	166	103	158	192	2023
1979	208	181	227	186	62	361	267	169	119	175	209	2164
1980	217	192	242	200	72	355	276	177	136	166	224	2257
1981	228	197	259	204	76	375	280	185	146	172	237	2359
1982	239	205	263	211	76	376	284	190	185	183	255	2467
1983	267	220	273	221	83	396	289	202	157	192	259	2559
1984	268	162	180	225	84	394	289	207	162	196	268	2435
1985	275	163	183	226	84	386	310	211	169	212	185	2404
1986	275	163	184	226	84	388	295	212	169	213	186	2395
1987	278	171	185	226	88	391	295	215	171	213	187	2420
1988	283	173	197	226	91	393	298	219	173	214	192	2459

Source: RBI, Basic Statistical Returns relating to banks for various years.

Appendix II. District-wise distribution of outstanding deposits of scheduled commercial banks
as on 31st December (Amount in lakhs of Rupees)

YEAR	TVM	QLN	ALPY	KTM	IDKI	EKM	TCR	PGT	MPM	KKD	CNR	STATE	TOTAL
1973	4777	2684	3033	2501	367	7637	3535	2370	544	2015	2247		31710
1974	5437	3162	3543	3086	424	8326	4181	2663	676	2414	2526		36438
1975	6125	3721	4462	3710	513	10353	5175	3342	949	2761	3117		44228
1976	8410	5585	5798	4648	688	12158	6523	3845	1241	3893	4058		56847
1977	11035	7494	8424	6305	1032	18265	9825	4930	1878	5203	5490		79881
1978	14627	9187	11171	8321	1427	25109	12504	6044	2500	6434	7079		104403
1979	17574	10643	13915	9713	1443	25908	15475	7273	3220	7540	8439		121143
1980	21912	13172	16811	11419	1680	29461	18487	8930	4614	8579	10340		145405
1981	25749	15543	20338	13260	1878	33147	21849	10432	6029	9661	12613		170499
1982	30441	19481	24684	15805	2155	39532	25400	12251	7927	11368	15005		204049
1983	35836	23852	31007	18590	2786	45049	30250	15094	10255	14222	18504		245445
1984	43454	18957	19666	21963	3286	50321	35321	17565	12438	16970	23069		263010
1985	50703	22473	23385	26023	3875	58219	48493	19909	13879	18489	20147		305595
1986	64655	26861	28389	31490	4142	72107	50757	23104	17030	22045	23573		364153
1987	70050	28893	33448	35568	4603	78223	59602	26375	18753	25402	26628		407545
1988	74718	35003	48580	41670	5753	95079	67878	29759	21644	29114	29417		478615

Source: RBI, Basic Statistical Returns relating to banks for various years.

Appendix III. District-wise distribution of outstanding credit of scheduled commercial banks as on 31st December (Amount in lakhs of Rupees)

YEAR	TVM	QLN	ALPY	KTM	IDKI	EKM	TCR	PGT	MPM	KKD	CNR	STATE TOTAL
1973	2756	2117	1446	1395	149	8197	1773	705	369	1810	1723	22440
1974	3060	3549	1862	1553	169	8512	1932	922	469	2173	1705	25906
1975	3506	4438	2020	2039	267	9986	2240	1246	736	2931	2298	31707
1976	4081	3970	2699	2511	397	12370	2857	1799	926	3749	3014	38373
1977	7149	5106	3537	3201	513	15226	3663	2156	1092	4114	3102	48859
1978	8530	2837	4628	3922	924	18785	4474	2590	1797	5935	4682	59104
1979	10226	9320	6120	4940	1288	21593	5970	3353	2517	6760	5820	77907
1980	10289	10772	6992	6260	1690	32978	7443	3920	3287	7594	6995	98220
1981	14308	14845	8548	8032	2113	36189	9715	5331	4356	9235	9015	121687
1982	17117	16175	9480	9364	2409	39102	11281	6967	5471	9766	9937	137069
1983	22618	18219	11217	11117	2687	45164	13073	8303	7122	11279	11280	162079
1984	26314	20044	10647	13907	3392	50368	15351	9471	8759	12692	13293	184238
1985	30777	20394	12549	15138	3877	56120	19912	10330	8768	15201	10405	203471
1986	39058	27626	15192	17974	4046	55607	21108	12470	10998	17888	12261	234228
1987	41610	33863	17899	21315	5592	51261	25587	15095	12996	2118	14660	241996
1988	47590	39054	32026	25266	7027	64428	28285	18209	14058	24917	17235	318095

Source: RBI, Basic Statistical Returns relating to banks for various years

Appendix IV. District-wise population (in thousands)

YEAR	TVM	QLN	ALPY	KTM	IDKI	EKM	TCR	PGT	MPM	KKD	CNR	STATE TOTAL
1973	2228	2504	2184	1579	803	2257	2217	1746	1954	2215	2488	22175
1974	2333	2547	2210	1596	822	2303	2328	1776	2006	2269	2549	22739
1975	2383	2599	2243	1620	844	2357	2380	1810	2062	2329	2618	23245
1976	2433	2647	2274	1643	864	2409	2431	1842	2117	2390	2687	23737
1977	2455	2690	2298	1660	884	2453	2475	1870	2165	2446	2748	24144
1978	2518	2731	2321	1675	903	2498	2515	1898	2216	2499	2810	24584
1979	2559	2771	2344	1689	920	2542	2556	1924	2264	2552	2869	24990
1980	2597	2808	2363	1703	939	2584	2595	1949	2313	2241	2748	24840
1981	2596	2814	2350	1697	969	2535	2440	2044	3403	2245	2803	25896
1982	2643	2852	2406	1728	987	2581	2483	2086	2446	2286	2854	25352
1983	2690	2903	2451	1759	1004	2627	2528	2119	2490	2327	2906	25804
1984	2739	2313	1968	1791	1022	2674	2574	2157	2535	2369	2958	25100
1985	2788	2355	2004	1823	1041	2723	2619	2196	2585	2411	2075	24620
1986	2838	2397	2040	1856	1059	2772	2667	2235	2627	2455	2111	25057
1987	2889	2441	2076	1889	1079	2822	2715	2275	2674	2499	2149	25508
1988	2941	2487	2114	1923	1098	2872	2764	2317	2722	2544	2187	25969

Source: Government of India, Census Reports 1971 and 1981.

Government of Kerala, State Planning Board, Statistics for Planning for various years.

Appendix V. District-wise gross cropped area excluding area under plantation crops

(Area in thousand hectares)

YEAR	TVM	QLN	ALPY	KTM	IDKI	EKM	TCR	PGT	MPM	KKD	CNR	STATE TOTAL
1973	158	209	155	133	107	164	191	258	187	132	256	1950
1974	156	207	154	131	106	162	189	255	185	131	153	1829
1975	154	205	152	130	104	161	187	252	183	129	250	1907
1976	152	200	146	129	104	166	174	260	183	130	250	1894
1977	145	198	145	131	106	166	163	260	185	130	248	1877
1978	144	196	143	130	104	165	161	268	183	129	245	1868
1979	137	188	144	109	103	160	164	267	175	130	240	1817
1980	140	165	141	102	101	165	162	271	163	125	244	1779
1981	144	164	146	105	99	162	167	266	162	122	244	1781
1982	133	160	137	100	98	154	157	255	159	119	242	1714
1983	133	162	129	104	99	146	152	252	158	118	237	1690
1984	128	157	131	100	95	145	151	250	150	118	227	1652
1985	128	154	130	100	94	144	150	249	147	118	158	1572
1986	128	152	128	100	94	141	150	248	140	117	156	1554
1987	127	148	127	99	94	140	149	247	135	117	155	1538
1988	127	147	127	98	93	138	147	243	130	116	155	1521

Source: Government of India, Census Reports 1971 and 1981.

Government of Kerala, State Planning Board, Statistics for planning for various years.

Appendix VI. District-wise distribution of outstanding agricultural advances of Scheduled Commercial Banks as on 31st December. (Amount in thousands of Rupees)

YEAR	TVM	QLN	ALPY	KTM	IDKI	EKM	TCR	PGT	MPM	KKD	CNR	STATE TOTAL
1973	31192	17528	10920	47370	21681	24827	19953	20952	3908	28795	27368	288275
1974	27996	17829	13260	46284	24660	27636	23280	23088	6018	27228	30588	295607
1975	45277	33787	40374	56700	19412	58925	42840	47060	20620	65212	49742	488145
1976	43794	44999	52302	50933	20736	86724	55913	68154	25404	78870	59114	593425
1977	56465	43040	82728	63080	22984	93214	64350	65450	32475	85610	57708	676032
1978	85612	68275	64988	77050	41538	142386	82995	89206	53184	179928	84300	983360
1979	117714	94214	145328	96273	77280	167772	115020	111592	74712	193952	131974	1374450
1980	166208	148824	181951	156676	100473	209304	140130	134481	108711	186003	244572	1838160
1981	228448	166026	206800	168003	130815	207870	170800	153300	204180	235725	232649	2227056
1982	266943	182528	218946	198720	117453	219385	203606	156450	127192	249174	276838	2281680
1983	322800	226434	250002	239224	149596	207533	207296	199186	204180	293202	319660	2735224
1984	413589	212796	240096	288351	200312	278096	311454	235113	248430	305601	343128	3187700
1985	420988	223725	278556	315379	215487	294084	311661	252540	276595	327896	251075	3299080
1986	462594	237303	291720	356352	242511	307692	338709	268200	286343	365795	261764	3558094
1987	485352	251423	319704	374022	253565	347106	358380	288925	315532	374850	277221	3800692
1988	526439	290979	355152	386523	286578	373360	370376	342916	337528	409584	286497	4155040

Source: RBI, Basic Statistical Returns relating to Banks for various years.

Appendix VII. District-wise distribution of outstanding advances to industries by scheduled commercial banks as on 31st December.(Amount in thousands of Rupees)

YEAR	TVM	QLN	ALPY	KTM	IDKI	EKM	TCR	PGT	MPM	KKD	CNR	STATE TOTAL
1973	60156	55088	63336	42633	1606	361120	48774	22698	7816	31010	34832	665250
1974	44327	112068	64090	49476	1644	485933	74496	31968	6018	74877	25490	886821
1975	88171	145544	96449	48600	1688	485542	57120	25340	10310	76857	39270	976290
1976	114351	169408	97782	78864	1728	570933	75361	31314	12702	102770	72549	1210587
1977	88380	188300	98814	74700	1768	571549	84150	16830	8660	61150	43968	1134768
1978	103238	409650	99803	70350	1806	716926	85510	22776	6648	89964	95540	1524208
1979	71652	205054	107824	72627	920	821066	86904	42328	9056	94424	80332	1449420
1980	122059	275184	144143	117507	1878	1596912	114180	40929	16191	116532	82440	2359800
1981	166144	593754	164500	157821	3876	1518465	136640	114464	30627	184090	98105	3003936
1982	208797	627440	209322	153792	3948	1533114	178776	177310	24460	160020	108452	3143648
1983	317420	658981	257355	197008	13052	2043806	197184	243685	32370	169871	81368	3896404
1984	394416	749412	269616	261486	15330	2157918	187902	254526	38025	172937	106488	4317200
1985	468384	814830	288576	284388	17697	2352672	196425	276696	33605	180825	78850	4530080
1986	508002	862920	324360	300672	19062	2522520	213360	288315	47286	196400	86551	4861058
1987	531576	900729	315552	311685	20501	2584952	222630	304850	50806	209916	101003	5025076
1988	549967	935112	355152	326910	20862	2688192	234940	315112	51718	226416	98415	5271707

Source: RBI, Basic Statistical Returns relating to banks for various years.

Appendix VIII. District-wise distribution of outstanding advances to trade by
scheduled commercial banks as on 31st December.(Amount in thousands of Rupees)

YEAR	TVM	QLN	ALPY	KTM	IDKI	EKM	TCR	PGT	MPM	KKD	CNR	STATE TOTAL
1973	13368	20032	32760	34738	3212	182817	28821	6984	3908	46515	32344	376975
1974	4666	22923	46410	35112	2466	230300	9312	7104	4012	52187	33137	432041
1975	19064	23391	24673	50220	4220	228629	30940	12670	8248	55896	28798	464900
1976	38928	31764	38658	47647	5184	252945	41327	20262	12702	64530	40305	569688
1977	90835	40350	45960	76360	7956	309078	49500	22440	17320	100286	52212	772608
1978	78058	51889	48741	110550	17157	372202	75450	41756	26592	119952	73060	983360
1979	87006	72046	58600	126675	15640	396552	94572	53872	33960	140360	80332	1124550
1980	93492	89856	66164	154973	26292	493544	119370	62368	48573	141183	145644	1391040
1981	127204	75978	82250	183276	26163	545025	134200	73584	102090	175110	210225	1709136
1982	134793	99820	74586	209088	29610	554915	144014	91784	66042	155448	176948	1723936
1983	204440	107411	90687	288476	25100	977244	159264	93236	122010	214084	180172	2167536
1984	241032	124902	102336	295515	32704	799526	177606	107850	139425	220317	189312	2334300
1985	309468	129525	122244	306264	42681	822346	196425	111996	144760	226634	134875	2412760
1986	337722	134232	128520	315520	47655	867636	205359	113985	149739	240590	141437	2530757
1987	369792	141578	139092	321130	51792	888930	217200	120575	152418	242403	143983	2780372
1988	435268	149220	147980	334602	54900	913296	223884	127435	157876	249312	150903	2778683

Source: RBI, Basic Statistical Returns relating to banks for various years.

Appendix IX. District-wise distribution of outstanding advances to priority sector by scheduled commercial banks as on 31st December (Amount in thousands of Rupees)

YEAR	TVM	QLN	ALPY	KTM	IDKI	EKM	TCR	PGT	MPM	KKD	CNR	STATE TOTAL
1973	71296	160256	45864	72634	27302	198616	79812	34920	9770	55375	67176	798300
1974	65324	249606	68510	87780	28770	191149	102432	46176	16048	74877	89215	977777
1975	81022	291088	74019	95580	27852	207416	114240	63350	28868	104805	109956	1139005
1976	107052	251465	120522	118296	26784	279444	138567	93942	42340	148180	142411	1400483
1977	117840	271690	160860	117860	30940	377762	153450	108460	47630	149206	126408	1593504
1978	168706	278562	188001	170850	49665	487110	238925	130962	75344	292383	185460	2187976
1979	261018	559742	260184	226326	91080	655836	291384	182780	117728	364936	272555	3173730
1980	379162	519480	387532	294619	131460	1036184	358110	208543	164223	336150	403956	4098600
1981	506220	605010	434750	368249	172482	1130610	470920	261632	316479	440020	524161	5256888
1982	618462	730112	495636	438912	159894	1182098	620750	304556	232370	496062	533698	5678848
1983	788170	441256	541671	559362	209836	1366040	609248	351754	368520	591058	566670	6605824
1984	906609	929826	570720	655506	240170	1537550	826254	433557	443625	755711	559062	7781000
1985	950708	840735	635268	687271	271701	1620185	953316	474336	506660	785986	417075	7952260
1986	1041546	884493	699720	734976	290166	1735272	984123	529695	551670	903440	439088	8569494
1987	1103598	983723	768120	770712	313989	1885096	1075140	546000	705936	954618	500717	9361436
1988	1155813	1106715	824460	801891	335988	2016144	1108364	581567	748550	1043040	522693	9972096

Source: RBI, Basic Statistical Returns relating to banks for various years

**INTER DISTRICT AND INTER SECTORAL
DISPARITIES IN BANKING DEVELOPMENT
IN KERALA**

By

ROY THOMAS

ABSTRACT OF A THESIS

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Master of Science in Co-operation & Banking

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COLLEGE OF CO-OPERATION AND BANKING

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ABSTRACT

The reduction of glaring inter-regional and inter-sectoral imbalances in banking development had been one of the prime concerns of planners and policy makers in India. For this purpose a variety of policy measures were introduced by the Government of India and RBI since the nationalisation of 14 major commercial banks in 1969. This study was undertaken to examine the extent and pattern of inter-district and inter-sectoral disparities in banking development in all the eleven districts of Kerala existing in 1973. Data relating to the districts of Pathanamthitta, Wayanad and Kasargod which came into existence after 1975 were allocated to those districts which covered these areas on a pro-rata basis. The study was primarily based on secondary data collected from the Basic Statistical Returns relating to banks published by the RBI. The study covered all scheduled commercial banks including Regional Rural Banks for the period from 1973 to 1988.

The inter-temporal coefficient of variation and disparity ratio were worked out from the time series data to understand the trend in inter-district and inter-sectoral disparities during the study period. The computation of component scores from the ranks of each district during each year of the study period in respect of the determinants helped to understand the relative position of

each district in the selected indicators. The districts were classified according to percentage achievement of each district compared to the state mean with respect to each of the indicators in order to find out the extent of disparity for three selected years viz. 1973, 1980 and 1988. The path correlation is computed to examine the relative role of the selected factors contributing to inter-district disparities.

The coefficient of variation and disparity ratio in respect of all the indicators except credit-deposit ratio and per capita industrial advances exhibited a declining trend in inter-district and inter-sectoral disparities during the study period. In respect of these two indicators there was no clear trend. At the same time, the coefficient of variation and disparity ratio were significantly higher in respect of the indicators of inter-sectoral disparities compared to the inter-district disparities.

Among the determinants of inter-district disparities the highest coefficient of variation and disparity ratio were observed in the case of per capita credit. On the other hand the disparity was seen to be the lowest in credit-deposit ratio. At the same time, the per capita industrial advances showed the highest variation in respect of inter-sectoral disparities, while the other indicators exhibited more or less same pattern of variation.

Since Ernakulam district had uniformly the highest ranking in respect of all the indicators, it had the highest composite score among all the districts in the state. On the other hand Malappuram, Idukki and Palghat had lowest rankings during the whole reference period. The performance of Kottayam and Trivandrum were better than the state average while Cannanore had a composite score below the state average. Alleppey, Quilon, Trichur and Kozhikode exhibited more or less average performance. However, the districts below and above the state average did not form homogeneous groups and much deviation had been observed from the state average. For instance, the performance of Malappuram and Idukki in respect of most of the indicators were even less than 50 per cent of the state average whereas it was invariably more than 75 per cent of the state mean in Ernakulam district.

Among the determinants of inter-district disparities, density of population, per capita gross cropped area, per capita income and work participation rate were found to be more significant in terms of high positive correlation. At the same time it may be noted that all the determinants were significantly correlated with dependent variable in all the districts. Comparatively low value of residuals testify the validity of the selection of independent variables.

The trends in inter-district disparities broadly supports the trends in regional disparities brought by certain studies at

the national level by Subhas K. Basu (1973), Singh V.K. and Pandey U.K. (1983), Balkrishnan (1987) and Chippa M.L. (1988).

Thus it may be concluded from the available evidences that though the inter-district disparities in banking development in Kerala had been declining, certain degree of imbalances still persist more due to the effects of infrastructural and sectoral disparities. The existing disparity can be minimised by adopting a planned strategy of regional development. The recent policy initiatives like decentralised planning at the district level, revival of three-tier Panchayati Raj institutions and the adoption of Service Area Approach to rural lending can play a vital role in eliminating the present level of disparities both in development as well as in banking development.