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This is one of a series on banking, based on RBI reports.

Quarter I, 2005

Commercial banking at a glance

- Rural deposit growth rate has been going down from 10.7% to 9.4%
- Credit growth has been higher than deposit growth in all population groups
- Credit growth on a year-on-year (YOY) basis has increased from 17.3% in the quarter ended March 2004 to 30.6% in the quarter ended March 2005, casting a positive spell on the overall credit-deposit ratio, which has improved from 58.7% to 66.0% during this period
- Two major external factors - the merger of Global Trust Bank with Oriental Bank of Commerce and the conversion of IDBI into a commercial bank - have helped the public sector bank group's deposit/credit growth look impressive.

Important Indicators	March 2004	June 2004	Sept. 2004	Dec. 2004	March 2005
1. No of Commercial Banks	291	290	289	290	288
2. Population Group- Annual Growth Rates					
a) Rural					
(i) Deposit growth	10.7	10.6	10.3	10.2	9.4
(ii) Credit growth	14.0	14.8	20.3	28.6	24.9
b) Semi-Urban					
(i) Deposit growth	11.2	9.8	10.0	10.9	10.5
(ii) Credit growth	19.7	20.9	24.8	29.5	28.9
c) Urban					
(i) Deposit growth	14.1	12.7	11.9	13.7	13.7
(ii) Credit growth	24.8	21.5	23.2	27.4	24.4
d) Metropolitan					
(i) Deposit growth	26.6	25.4	21.6	25.3	19.8
(ii) Credit growth	15.5	19.7	25.5	35.8	33.4
3. Bank Group Annual Growth Rates					
a) SBI and Associates					
(i) Deposit growth	19.7	18.2	17.6	18.4	15.7
(ii) Credit growth	16.1	18.4	24.0	29.5	26.0

Rural deposit growth rate has been going down from 10.7% to 9.4%

b) Other Public Sector Banks					
(i) Deposit growth	16.2	18.9	17.0	18.8	15.9
(ii) Credit growth	15.6	19.0	24.9	37.5	33.6
c) Foreign Banks					
(i) Deposit growth	28.6	15.8	18.0	13.4	5.2
(ii) Credit growth	15.3	19.1	21.5	26.7	24.6
d) Regional Rural Banks					
(i) Deposit growth	12.1	12.3	9.9	9.9	10.0
(ii) Credit growth	18.2	18.3	21.2	25.9	24.7
e) Other Scheduled Commercial Banks					
(i) Deposit growth	23.4	14.9	10.7	18.8	17.8
(ii) Credit growth	23.8	23.2	25.5	29.5	31.9
f) All Banks					
(i) Deposit growth	18.7	17.6	15.8	18.1	15.6
(ii) Credit growth	17.3	20.1	24.5	32.9	30.6
4. Credit Deposit Ratio	58.7	58.0	59.9	64.1	66.0

Data of Top 100 Centres

(All growth figures are YOY)

- In an earlier issue we had predicted that Kolkata is set to lose its rank, at the fourth place in terms of banking business, to Chennai. Latest data show that Kolkata has indeed slipped but it will be safe at the number 5 rank for quite some time until Hyderabad catches up.
- Mumbai has crossed the landmark point of Rs three lakh crore in deposits and credit. Its credit growth rate at 41.8% is partly due to conversion of IDBI from a financial institution to a bank and a general credit recovery in the economy.
- Credit growth of Bangalore at 49.0 % is impressive. It has also crossed the landmark of Rs 50,000 crore in credit outstanding. Thus, it has reinforced its position as third largest banking centre in the country after Mumbai and New Delhi.
- Dehradun has continued rising in the rankings of top deposit centers, from last year's 19th place to 15th this year. In the process, it has surpassed Ludhiana (17th last year) an important industrial centre of Punjab.
- Noida, a town at the outskirts of New Delhi has also risen in the deposit rankings from the 30th rank last year to the 23rd place this year, cleanly jumping over Gurgaon (current rank 25th), another town outside New Delhi. In both these towns, deposits grew at more than 50% YOY rising the property boom in and around Delhi.
- Nashik, an industrial town just 3 hours from Mumbai, jumped from the 68th position last year to the 45th place this year, with a staggering 74.2% growth rate. Nashik, has always been an important religious place with Kumbh mela every 12 year and effective gateway to Khandesh area of Maharashtra. Would any of our readers help us understand the reasons for the town's growth rates? Bank penetration is clearly not an issue: Nashik, with 83 bank branches is well ahead of temple town of Madurai, with 125 branches and Mysore with 141 branches.
- We had talked about Bilaspur (2nd most important town in Chhatisgarh) which has further surpassed its own performance to grow at 62.9%, touching a deposit base of Rs. 1,911 crore. We had

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suggested in earlier issue that Raipur and Bilaspur will also emerge as town pairs on line of Mumbai-Pune. It appears that Bilaspur drew away money from Raipur, which lost Rs 339 crore in deposits in the last one year. We think housing finance will be an attractive option at Bilaspur during the current year.

- To our surprise Aluva (a town on the banks of the beautiful Periyar river in Kerala) with just 22 bank branches notched up a sizzling 208 % growth rate in deposits to Rs 1,438 crore, and in the process jumped to the 99th rank. Those uninitiated into the geography of Kerala, the Aluva airport is closest to Ernakulam (known also as Kochi or Cochin). One does not know whether this is end of year phenomenon but we are simply amazed at this growth rate.
- Talking of surprises, Bhopal's 42.6% credit growth rate has pushed it ahead of Surat (the textile capital of Gujarat). We suspect that housing finance and conversion of IDBI has been the key for growth of Bhopal's credit.
- Patiala has shown an impressive credit growth rate of 66.7%. We feel addition of IDBI's data in credit data of the town is the key to this growth.
- We had earlier written about deposit growth rate of Panchkula , a town near Chandigarh but this town has surprised us by logging a credit growth rate of 78.7% with absolute credit of Rs 1,649 crore. In our view, the housing boom in Panchkula is due to emerging industries in nearby "Baddi" in Himachal Pradesh (No excise duty, No sales tax).
- Shimla has shown an impressive credit growth rate of 56.1 %. We feel addition of IDBI's data in credit data of the town is the key to this growth.
- We are surprised that Doraha (the steel hub of Punjab) has lost its position in top 100 towns by credit outstanding, from the 27th rank a year ago (outstanding credit of Rs 2,419 crore) to credit lower than Rs 692 crore.

Banking Kaleidoscope

- 582 branches, with total deposits of Rs 26 crore, with each having a deposit base of less than Rs 25 lakh, disbursed credit aggregating Rs 10,021 crore at an enviable average of Rs. 17.2 crore (one would suspect these are industrial area branches which are characterized by low deposits and high credits).
- Interestingly in 76 districts, rural branches have shown credit deposit ratio of more than 100% accounting for 23.8% of rural credit.
- As many as 3,995 branches have recorded a credit and deposit growth of more than 30% on a YOY basis.
- As many as 36,213 branches out of 65,570 had deposit growth of less than 10% last year. Of these 12,624 reported an absolute decline in deposits.
- 259 branches with minimum deposit of Rs 500 crore each account for 21.1 % of the total deposits and 25.7% of the total credit. On an absolute basis these 259 branches have total deposits of Rs 370,228 crore and credit of Rs. 297,427 crore.
- Just 657 branches with minimum credit of Rs 200 crore each accounts for 50.8% of total credit and 19.4% of total deposits, while 271 out of these (each with credit of more than Rs. 500 crore) accounts for 40.7% of the total credit which means an average outstanding credit of Rs 1738 crore.
- There are as many as 1,162 deposit-oriented branches with total deposits of Rs 13,028 crore and measly credit of just Rs 81 crore. Some of these branches may include rural branches too where credit off take is generally low.

Consumer Durable loans

An analysis of consumer durable credit (period ending March 2004).

- Bankers don't seem interested in lending for consumer durable as opposed to their focus on housing finance. According to the latest RBI annual report, outstanding consumer durable credit stood at Rs 8,655 crore, which marks an incremental growth of just Rs 381 crore in FY 2004-05 (0.2% of incremental credit.). At the current level, consumer durable credit is just 0.89% of the outstanding credit.
- A detailed analysis of district-wise data of outstanding credit shows interesting patterns. There are only 8 districts with outstanding consumer durable credit of more than Rs. 50 crore accounting for 27.9% of consumer durable credit. They are in descending order-Chennai, Delhi, Bangalore, Mumbai, Hyderabad, Kolkata, Pune and Jamshedpur.
- Outstanding consumer durable credit of Regional Rural Banks as a group at Rs 967.78 crore was higher than of the State Bank and foreign bank groups and other private sector bank groups. Thus rural branches of banks gave maximum credit for consumer durables as opposed to semi urban, urban and metropolitan branches as a group.
- Most of the consumer durable loans were for amounts ranging between Rs 25,000 and Rs two lakh accounting for 72% of the total loans. The average sanctioned credit amount for this group was Rs 54,357.

Housing Finance

An analysis of housing credit (period ending March 2004)

- Housing finance continues to attract the attention of bankers. As per the latest RBI annual report, outstanding housing credit is Rs 75,173 crore, which marks an incremental growth of Rs 23,192 crore in FY 2004-05 (11.2% of the incremental credit). The current level of housing credit is 7.74% of the total outstanding credit.
- A detailed analysis of district-wise data of outstanding credit shows interesting patterns. There are only 9 districts with outstanding housing credit of more than Rs. 1,000 crore accounting for 44.5% of housing credit. They are (in descending order): Mumbai, Delhi, Bangalore, Chennai, Hyderabad, Pune, Kolkata, Chandigarh and Lucknow.
- If we add 17 more districts with housing credit more than Rs 500 crore, then these 26 districts account for 58.7% the total outstanding housing credit. These 17 districts in descending order are - Ahmedabad, Jaipur, Thiruvannathapuram, Ernakulam, Thane, Coimbatore, Ludhiana, Malappuram, Khruda, Cuddalore, Indore, Vishakhapatnam, Nagpur, Bhopal, Mangalore, Thrissur and Noida.
- Four districts in Kerala land up in this list, perhaps driven by the strong influence of non resident money, but what is surprising is the absence of many state capitals such as Patna, Raipur and Dehradun.
- We are intrigued by presence of Cuddalore district (in Tamilnadu) in this list. Would any reader like to explain the same. Khruda districts includes data of Bhubaneshwar (Capital of Orissa).
- Out standing housing credit of Mumbai districts was Rs two crore short of the landmark Rs. 10,000 crore mark.

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