

MULTIDIMENSIONAL EMPIRICAL STUDY OF ADVANCES PROVIDED BY THE BANKS FOR RURAL DEVELOPMENT THROUGH LEAD BANK SCHEME: WITH SPECIAL REFERENCE TO GUJARAT STATE

Prof. Dr. Rajiv G Sharma¹

¹Ph.D. Research Scholar Assistant Prof. in Commerce Department Idar Anjana Patidar H.K.M. Arts and P. N. Patel
Commerce College

ABSTRACT

This study aims to conduct a comprehensive performance analysis of banks operating within Gujarat State, focusing on key metrics including Total Advances, Total Number of Bank Branches, Total Deposits, and Credit-to-Deposit Ratio (CD Ratio). The analysis utilizes data from various districts within Gujarat to assess the overall efficiency, effectiveness, and financial health of the banking sector in the region. This study investigates the performance of banks in Gujarat State through correlation analysis and regression analysis using relevant financial metrics. Correlation coefficients were calculated to assess the relationships between the CD Ratio and variables such as the Number of Branches, Total Deposits, and Total Advances. The correlation analysis revealed moderate positive correlations between the CD Ratio and the Number of Branches (0.281) as well as Total Advances (0.388), while a weak negative correlation (-0.166) was observed between the CD Ratio and Total Deposits. Furthermore, regression analysis was conducted using the SPSS tool to delve deeper into the impact of these variables on the CD Ratio. The ANOVA results indicated a significant regression model ($F = 6.422$, $p = .002$), suggesting that at least one predictor variable significantly influences the CD Ratio. The coefficients analysis highlighted the significance of Total Deposits (negative coefficient, $p < .001$) and Total Advances (positive coefficient, $p = .004$) on the CD Ratio, while the Number of Branches showed non-significance. In conclusion, this research underscores the importance of credit management and deposit utilization in determining banking performance. The findings provide actionable insights for stakeholders to optimize credit-deposit ratios and enhance overall performance in the banking sector of Gujarat State.

Keywords- Performance Analysis, Banks, Total Advances, Total Number of Bank Branches, Total Deposits, Correlation Analysis, Regression Analysis

1. INTRODUCTION

The banking sector plays a pivotal role in driving economic growth and development by facilitating financial transactions, providing credit facilities, and promoting investment activities. In the context of Gujarat State, which is known for its vibrant economic landscape and diverse industrial sectors, the performance of banks is of paramount importance in supporting the region's economic vitality. This research endeavours to conduct a comprehensive analysis of the performance of banks operating within Gujarat State. The study focuses on key financial metrics such as Total Advances, Total Number of Bank Branches, Total Deposits, and the Credit-to-Deposit Ratio (CD Ratio) to gain insights into the efficiency, effectiveness, and overall health of the banking sector.

2. OBJECTIVES OF THIS RESEARCH

- Analysing the relationship between key financial indicators (Total Advances, Total Number of Bank Branches, Total Deposits) and the CD Ratio to assess the credit management and deposit utilization practices of banks in Gujarat.
- Investigating the impact of these financial metrics on banking performance through correlation analysis and regression analysis using advanced statistical techniques.
- By delving into these aspects, this study aims to provide valuable insights and actionable recommendations for stakeholders, including banking institutions, regulatory authorities, policymakers, and investors. The findings are expected to contribute to a deeper understanding of the factors influencing banking performance in Gujarat State and facilitate informed decision-making to enhance the sector's overall efficiency and effectiveness.

3. DATA COLLECTION

In this research on the performance analysis of banks in Gujarat State, the data collection process primarily relies on secondary sources of data. Secondary data refers to information that has already been collected, compiled, and published by other sources, such as government agencies, financial institutions, research organizations, and industry reports. The utilization of secondary data offers several advantages, including cost-effectiveness, accessibility, and the ability to analyse historical trends and patterns.

Sources of Secondary Data:

Government Reports and Publications: Data related to banking operations, financial performance, and economic indicators in Gujarat State can be obtained from reports published by government agencies such as the Reserve Bank of India (RBI), Ministry of Finance, and State government departments.

- Financial Statements: Annual reports, financial statements, and regulatory filings of banks operating in Gujarat provide valuable insights into their performance metrics, including Total Advances, Total Number of Bank Branches, Total Deposits, and CD Ratio.
- Industry Reports and Publications: Research reports, market analyses, and industry publications from reputable sources such as financial consulting firms, industry associations, and market research companies offer comprehensive data and analysis on the banking sector in Gujarat.
- Academic Journals and Research Papers: Scholarly articles, academic journals, and research papers related to banking performance, financial management, and economic trends in Gujarat State contribute to the secondary data pool.
- Online Databases and Repositories: Online databases, statistical portals, and data repositories provide access to a wide range of secondary data, allowing researchers to gather relevant information for analysis and interpretation.

4. RESEARCH METHODOLOGY

The study employs statistical techniques such as regression analysis and ANOVA to investigate the relationships between the aforementioned variables and derive meaningful insights into banking performance. The statistical models used in the analysis are designed to capture the impact of Total Advances, Total Number of Bank Branches, and Total Deposits on the CD Ratio, a critical indicator of banks' lending activities relative to their deposit base.³

(A) Correlation Coefficients:

To conduct correlation analysis on the data provided for "Performance Analysis of Banks in Gujarat State," researcher has used correlation coefficients between relevant variables.

Here are the correlation coefficients for the specified variables:

- CD Ratio vs. Number of Branches:

Correlation Coefficient: 0.281 (Positive correlation)

Interpretation: There is a moderate positive correlation (0.281) between the CD ratio and the number of branches in Gujarat's districts. This suggests that as the number of branches increases, the CD ratio tends to increase as well, indicating a higher credit-to-deposit ratio.

- CD Ratio vs. Total Deposits:

Correlation Coefficient: -0.166 (Negative correlation)

Interpretation: There is a weak negative correlation (-0.166) between the CD ratio and total deposits in Gujarat's districts. This implies that districts with higher total deposits may have slightly lower CD ratios, indicating a lower proportion of credit to total deposits.

- CD Ratio vs. Total Advances:

Correlation Coefficient: 0.388 (Positive correlation)

Interpretation: There is a moderate positive correlation (0.388) between the CD ratio and total advances in Gujarat's districts. This suggests that as total advances (loans) increase, the CD ratio tends to increase as well, indicating a higher proportion of credit to total deposits.

(B) Regression Analysis:

Research has also applied regression analysis to analyse performance of the banks of Gujarat state using SPSS Tool.

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10859.401	3	3619.800	6.422	.002 ^a
	Residual	16345.920	29	563.652		
	Total	27205.320	32			
a. Predictors: (Constant), Total Advances, No. of Branches, Total Deposits						
b. Dependent Variable: CD Ratio						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	64.535	9.207		7.009	.000
	No. of Branches	.080	.049	.853	1.618	.117
	Total Deposits	-1.347E-5	.000	-2.974	-3.954	.000
	Total Advances	1.122E-5	.000	2.366	3.143	.004
a. Dependent Variable: CD Ratio						

Analysis of Regression Results

ANOVA Results:

The ANOVA table indicates that the regression model is statistically significant ($F = 6.422$, $p = .002$), suggesting that at least one of the predictor variables (Total Advances, No. of Branches, Total Deposits) has a significant impact on the CD Ratio.

5. FINDINGS

Finding of Correlation Coefficients:

Based on these correlation coefficients, we can make the following observations:

There is a positive correlation between the CD ratio and both the number of branches and total advances, indicating that districts with more branches and higher loan disbursements tend to have higher CD ratios. There is a weak negative correlation between the CD ratio and total deposits, suggesting that districts with higher total deposits may have slightly lower CD ratios.

Finding of Coefficients Analysis:

The coefficients table provides insights into the relationship between the predictor variables and the CD Ratio.

The constant term (intercept) is significant ($p < .001$), indicating that it contributes significantly to the CD Ratio prediction. No. of Branches has a non-significant coefficient ($p = .117$), suggesting that it may not have a strong linear relationship with the CD Ratio. Total Deposits have a significant negative coefficient ($p < .001$, $Beta = -2.974$), indicating that an increase in Total Deposits is associated with a decrease in the CD Ratio.

Total Advances have a significant positive coefficient ($p = .004$, $Beta = 2.366$), suggesting that an increase in Total Advances is associated with an increase in the CD Ratio.

6. CONCLUSION

- The regression model overall is significant, indicating that Total Deposits and Total Advances collectively have a significant impact on the CD Ratio.
- Total Deposits negatively affect the CD Ratio, suggesting that districts with higher Total Deposits may have lower CD Ratios, possibly due to lower credit utilization.
- Total Advances positively affect the CD Ratio, implying that districts with higher loan disbursements tend to have higher CD Ratios, reflecting a higher credit-to-deposit ratio.
- The No. of Branches variable does not significantly contribute to explaining the variability in the CD Ratio in this model.
- These findings can be valuable for understanding the factors influencing the performance of banks in Gujarat State, particularly regarding credit management and deposit utilization.
- This analysis provides actionable insights for stakeholders in the banking sector to optimize credit-deposit ratios and enhance overall performance based on the identified influential factors.

7. SOCIO-ECONOMIC SIGNIFICANCE

Promotion of Rural Development: The study emphasizes the role of banks in rural development through the Lead Bank Scheme (LBS). By analyzing key financial metrics such as Total Advances, Total Deposits, and the Credit-to-Deposit Ratio (CD Ratio), it provides insights into how well banks are supporting rural areas. Effective credit management and deposit utilization are critical for promoting economic activities in these regions.

Informed Policy Making: The findings of this study can aid policymakers in understanding the impact of banking operations on rural economies. Insights derived from the regression and correlation analysis can guide the formulation

of policies that optimize credit distribution and deposit mobilization, leading to better financial inclusion and support for rural development.

Improvement in Banking Sector Performance: By identifying the factors influencing the performance of banks in Gujarat, the study provides actionable insights that can be used by banking institutions to improve their operations. This includes optimizing the CD Ratio, which is crucial for ensuring that banks contribute effectively to the economic growth of rural areas.

Socio-Economic Equity: The paper highlights the disparities in banking services across different districts, as evidenced by the variations in the CD Ratio, Total Advances, and Total Deposits. By shedding light on these disparities, the study contributes to discussions on socio-economic equity and the need to ensure that all regions, especially underserved rural areas, receive adequate banking support.

Stakeholder Engagement: The study serves as a valuable resource for various stakeholders, including banking institutions, regulatory authorities, and investors. The insights provided can help these stakeholders make informed decisions that enhance the overall efficiency and effectiveness of the banking sector in Gujarat, ultimately contributing to the socio-economic development of the state.

Contribution to Academic and Practical Knowledge: Academically, this research adds to the body of knowledge on banking performance and its impact on rural development. Practically, it offers a robust framework for evaluating and improving the performance of banks in supporting rural economies, which can be applied to other regions as well.

In summary, this research paper plays a vital role in enhancing our understanding of the relationship between banking operations and rural development in Gujarat. Its findings can be used to drive more effective financial practices and policies that support socio-economic development, particularly in rural areas.

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