

# **OPERATIONAL EFFICIENCY OF REGIONAL RURAL BANKS AND OTHER COMMERCIAL BANKS OF ODISHA INDIA: A COMPARATIVE STUDY**

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## **Abstract:**

Banks play an important role in the economic development of a state. The banks play the role of financial intermediaries in the economic development of a state. The commercial banks help in flow of investment capital throughout the market place. The main tool for resource allocation in the economy is credit disbursed by the banks. When we look at the performance of the banks and also the services provided to the larger societies, we often find a glaring bias of public sector (PS) banks only for the urban areas. But Odisha has a population of 4.20 crore, of which 3.50 crore (83.33%) live in (51313) villages (as per 2011 census). Out of 51313 villages of Odisha, commercial banks function only in 1724 villages. The banking system in Odisha consists of public sector banks, private banks, development banks, specialized banks, and cooperative banks.

Are the banks, operating Odisha, doing justice? Can the state bank on those banks for the socio-economic development of the masses? Against this background, authors have analysed the operational statistics of all the banks operating in Odisha, to make a comparative study of their role as well as the performance parameters of Regional Rural Banks (RRBs) and other PS banks.

Through this article an attempt has been made to assess whether the commercial banks functioning in Odisha have properly discharged their responsibilities towards the economic development of the state, especially rural Odisha (India).

**Keywords:** Performance of Banks, Odisha (India), Socio-Economic Development, Commercial Banks, Regional Rural Banks (RRB).

## **I. Introduction**

Banks play an important role in the economic development of a state. The banking system plays the important role of promoting economic growth and development through the process of financial intermediation. The commercial banks help in flow of investment capital throughout the

market place. The main tool for resource allocation in the economy is credit disbursed by the banks. The commercial banking system in Odisha consists of public sector banks, private banks, and Regional Rural Banks. RRBs were set up by Government of India in 1975 with a view to providing banking services to the rural poor at their door steps.

Many changes have been brought about in the focus and operations of the commercial banking on the basis of the recommendations of the various committees, mainly by Financial Sector Reforms Committee -1991 and 1998 headed by Mr. M Narsimham. The aims and objectives of reforms were to strengthen the commercial viability of the banks so that they can contribute with vigor to the economic development of the nation. But in the name of commercial viability the commercial banks in general and the public sector banks in particular have been shying away from their responsibility of contributing to the economic development of the local community where they operate.

(Through this article an attempt has been made to assess whether the commercial banks functioning in Odisha have properly discharged their responsibilities towards the economic development of the state, especially rural Odisha in Eastern India.)

The objective of the study is to analyze whether the commercial banks operating in the state of Odisha are effectively contributing to its economic development, especially to the rural economy where more than 83% of the population reside.

The indicators selected to study the performance of the banks are number of branches, deposits mobilized, loans outstanding, credit deposit ratio, total loans outstanding and loans outstanding in various sectors like priority sector, agriculture, and weaker sections and women borrowers.

## **II. An Overview of Odisha and Role of banks in Economic Development**

Odisha, a state rich in natural resources in Eastern India, has also a large coastline. One third of India's bauxite reserves, a quarter of its iron ore and a fifth of its coal are in Odisha. As a result Odisha has become a hotspot for national and international mining companies. Orissa was the second most preferred destination in the country for investments in 2009. Most of the investments are in power generation, mining, iron and steel sectors.

Odisha's GDP at current prices in 2010-11 is estimated to be Rs 186356 crore while its per capita income is at Rs 36,923 in the last fiscal, which is fourth from the bottom. The state is only ahead of

Bihar, Jharkhand and Uttar Pradesh in per capita income. Its per capita income is 33% less than the national average which is Rs 54,358.

Banks play an important role in the economic development of a state. The banking system plays the important role of promoting economic growth and development through the process of financial intermediation.. The commercial banks help in flow of investment capital throughout the market place. The main tool for resource allocation in the economy is credit disbursed by the banks.

By provision of credit to the individuals, the banks help them to finance major purchases like homes, education, and other consumer spending. All these generate economic activities. Commercial banks also finance business lending in a variety of ways and help the entrepreneurs in setting up new ventures or in expansion of existing enterprises. The aggregate effect of small business activity generates a significant portion of employment around the state. Commercial banks not only provide finance to individuals and business but also to farmers, landless laborers, artisans and self employed who make the major portion of the population of any developing nation. In this way they not only help in generating rural employment but also augment agriculture production.

Commercial banks mobilize deposits from the individuals through various deposit schemes like savings and term deposits and use them for lending or investment. In this way they help in generating individual wealth. Thus banks form the core of economic development in a community. Though banks should not be expected to finance developmental programs alone, they have a vital role along with the governmental agencies. But since the liberalization of the economy in 1991 and restructuring of Indian financial sector consequent on Narsimham Committee Report I and II, it seems the commercial banks have been ignoring local improvement efforts. In an increasingly focused effort on profitability, they looked for investments which provide highest rate of return with low risk. As a result resources mobilized from the local-less or under developed states- have been invested either in other prosperous and industrialized states or in alternate profitable avenues. In doing so they overlooked their responsibilities to the local communities in which they are based.

### **III. Review of Literature**

The literature available in the field of contribution of commercial banks in the economic development of Odisha is very limited. The literature obtained by the researchers are in the form Agenda Notes for SLBC Meetings of the State, State Focus Papers prepared by Regional Office of the NABARD, Govt of Odisha Budget papers and articles published in various news papers.

#### **IV. Methodology/ Research Design**

The present study is diagnostic and exploratory in nature and makes use of secondary data for last four years starting from 2007-08 to 2010-11. The relevant secondary data have been collected mainly from Agenda Notes for SLBC Meetings of the State, State Focus Papers prepared by Regional Office of the NABARD, Govt. of Odisha Budget papers and articles published in various news papers.

#### **V. Results and Discussion**

##### **Spread Of Commercial Banks In Odisha:**

The banking system in Odisha consists of public sector banks, private banks, development banks, specialized banks, and cooperative banks. The table below gives the number of commercial banks and their branches functioning in Odisha.

TABLE – 1 (LIST OF BRANCHES OF COMMERCIAL BANKS IN ODISHA)

SL NO	CATEGORY(NO of Banks)	NO OF BRANCHES				NO OF BRANCHES(Percentage wise share of banks)			
		2008	2009	2010	2011	2008	2009	2010	2011
1	Total Public Sector Banks(25)	1605	1685	1826	1968	63.54	63.42	64.82	65.64
2	Private Sector Banks(10)	64	101	116	155	2.53	3.80	4.12	5.17
3	Regional Rural Banks(5)	857	871	875	875	33.93	32.78	31.06	29.19
4	Total Commercial Banks	2526	2657	2817	2998	100	100	100	100

From Table-1 it is evident that number commercial bank branch has been steadily increasing since March 2008. But in case of RRBs it is negligible. As on March 31, 2011 out of total 2998 branches the share of Public Sector banks is 1968(65.64%), private bank is 155(5.17%) and that of Regional Rural Banks is 875(29.19%). The public sector banks have always maintained a share of more than 60% of the total commercial bank branches and it is increasing from year to year. It is because of the RBI's liberal licensing policy for the public sector banks.

## **DEPOSITS:**

Aggregate bank deposit of commercial banks as on March 31, 2011 stood at Rs.1,02,176.87 cr registering a y-o-y growth of 23.27%. As on Mar 31, 2011 out of total deposit the share of public sector banks was 82.21%, private sector banks and RRBs share was at 9.13% and 8.65% respectively. The trend is almost similar during 2008-2011. Only exception is that share of deposit for RRBs is on a

BANK	TOTAL DEPOSITS				TOTAL DEPOSITS(Percentage wise share of banks)			
	2008	2009	2010	2011	2008	2009	2010	2011
PUBLIC SECTOR BANKS(25)	41647.77	54817.30	67804.98	84002.08	79.67	80.89	81.79	82.21
PRIVATE SECTOR BANKS(10)	5326.61	6390.03	7199.37	9331.95	10.19	9.43	8.69	9.13
RRBS(5)	5297.87	6558.93	7887.41	8842.84	10.14	9.68	9.52	8.65
TOTAL COMMER. BANKS (40)	52272.25	67766.26	82891.76	102176.87	100.00	100.00	100.00	100.00

declining trend. It may be because of their decreasing share in number of branches.

TABLE-2

## **CREDIT:**

Total bank credit for commercial banks as on March 31, 2011 stood at Rs.58,786.86 cr, registering a y-o-y growth of 24.21%. Out of this the public sector banks share 80.97%, the private sector banks share 10.79% and the RRBs share 8.23%. Like in the deposit portfolio, the share of loans in case of RRBs has been on a declining trend. It has come down from 9.61% in March 2008 to 8.23% in March 2011.

BANK	TOTAL ADVANCE				TOTAL ADVANCE (Percentage wise share of banks)			
	2008	2009	2010	2011	2008	2009	2010	2011
PUBLIC SECTOR BANKS (25)	26285.81	30873.73	38201.68	47601.48	79.17	81.76	80.72	80.97

PRIVATE SECTOR BANKS (10)	3725.81	3401.88	5078.54	6344.75	11.22	9.01	10.73	10.79
RRBS (5)	3191.05	3484.61	4047.75	4840.63	9.61	9.23	8.55	8.23
TOTAL COMM. BANKS (40)	33202.67	37760.22	47327.97	58786.86	100.00	100.00	100.00	100.00

TABLE – 3

### **CREDIT DEPOSIT RATIO (CDR):**

The banks mobilize deposits from the public and deploy as credit after making provisions for various statutory requirements prescribed by the Reserve Bank of India from time to time. Credit-Deposit ratio or CDR is a monetary tool introduced by RBI to assess the credit deployment by commercial banks to benefit the economy in general and the targeted group in particular. It is the ratio of total advance outstanding to the total deposits outstanding on a particular date. Expressed in terms of percentage it reflects the trends of the flow of credit during each period. In other words it shows the amount of resources invested locally out of the funds mobilized by the banks. As per RBI stipulation, at least 60 per cent of CDR is to be achieved by the commercial banks.

BANK	C D RATIO (%)			
YEAR	2008	2009	2010	2011
PUBLIC SECTOR BANKS(25)	63.11	56.32	56.34	56.67
PRIVATE SECTOR BANKS(10)	69.95	53.24	70.54	67.99
REGIONAL RURAL BANKS(5)	60.23	53.13	51.32	54.74
TOTAL COMMER. BANKS (40)	63.52	55.72	57.10	57.53

TABLE – 4

Over the years, deposits and advances have grown satisfactorily in Odisha. For instance between March 2008 and March 2011 the deposits have grown from Rs.52,272.25 cr to Rs.102,176.87 cr indicating an increase of 1.95 times. However CDR which was 63.52 per cent in 2008 has come down to 57.53 per cent in March 2011, which is below the stipulated target of 60 per cent. It indicates the reduced credit flow from banks.

## **Performance Of Commercial Banks In Rural Odisha:**

Odisha has a population of 420 lacs of which 350 lacs (83.33%) live in 51313 villages(2011 census). The population which resides in the villages earn their livelihood mainly from agriculture and allied activities.

“The share of agriculture sector was 18 per cent of GSDP in 2009-10. Though the share of agriculture sector has been declining, the proportion of people dependent on agriculture has not been declining in the same proportion and rate. More than 60 per cent of population still depends on the agriculture and allied sectors for their sustenance.” (The Economic Survey, 2010-11, <http://www.orissadiary.com/CurrentNews.asp?id=24668> downloaded on 15.09.2011).

“The Orissa Economic Survey 2010 has expressed concern over low growth in the agriculture sector. Though the economy has grown at an annual average rate of 8.73% in the first three years of the 11th Plan despite challenges posed by the global economic slowdown, the growth in agriculture and allied sectors has been very low, pointed out the survey.

“The growth in agriculture and allied sectors has been very low, at an average annual rate of 1.33% during the first three years of the 11th Plan,” said the Economic Survey 2010, which was tabled in the Orissa Assembly on Wednesday.

“This is a matter of serious concern,” the survey noted and stated that there is an urgent need to take appropriate measures to raise productivity of agriculture.

The higher growth in the economy in recent years has been contributed largely by the industrial sector, followed by the services...” [Source: <http://www.financialexpress.com/news/orissa-alarmed-about-low-agriculture-sector-growth/637775/> ( downloaded on 22.09.2011)]

Since more than 83 per cent of the population of Odisha lives in the rural areas and more than 60 per cent of population still depends on the agriculture and allied sectors for their sustenance, it has become important to analyze the performance of commercial banks in the rural areas in particular. The proportion of bank deposit forms a very higher percentage of total money in circulation. Hence, it is of great importance to ensure the flow of adequate credit to the rural economy for its growth.

TABLE – 5 POSITION OF RURAL BRANCHES

SI No	CATEGORY (No of Banks)	NO OF RURAL BRANCHES ( NO OF TOTAL BRANCHES)				NO OF BRANCHES (Percentage wise share of banks)			
		2008	2009	2010	(2011)	2008	2009	2010	(2011)
1	SBI & its Associates (5)	314 (548)	333 (593)	369 (657)	385 (678)	19.67 (21.69)	20.52 (22.32)	22.11 (23.32)	22.33 (22.62)
2	Nationalized Banks	537 (1056)	535 (1091)	540 (1158)	570 (1270)	33.65 (41.81)	32.96 (41.06)	32.35 (41.11)	33.06 (42.36)
3	IDBI Bank	0 (1)	0 (1)	0 (11)	4 (20)	0 (0.04)	0 (0.04)	0 (0.39)	0.23 (0.67)
	Total Public Sector Banks (25)	851 (1605)	868 (1685)	909 (1826)	959 (1968)	53.32 (63.54)	53.48 (63.42)	54.46 (64.82)	55.63 (65.64)
4	Private Sector Banks (10)	1 (64)	4 (101)	7 (116)	12 (155)	0.06 (2.53)	0.25 (3.80)	0.42 (4.12)	0.70 (5.17)
5	Regional Rural Banks (5)	744 (857)	751 (871)	753 (875)	753 (875)	46.62 (33.93)	46.27 (32.78)	45.12 (31.06)	43.68 (29.19)
	Total Commercial Banks	1596 (63.18%) (2526)	1623 (61.08%) (2657)	1669 (59.24%) (2817)	1724 (57.50%) (2998)	100.00	100.00	100.00	100.00

Though more than 83 percent of the population resides in rural areas as on March 31, 2011 the percentage of rural branches constitute only 57.50 per cent of the total commercial banks functioning in the state. What is more alarming is the fact that from 63.18 per cent in March 2008 it has been declining continuously and stood at 57.50 per cent in March 2011.

Sector wise analysis shows that as on March 31, 2011 though in overall number of branches the share of public sector banks is 65.64 per cent for rural areas it is 55.63 per cent. Private sector banks the share only 0.70 per cent of rural branches. The share of RRBs in rural branches is 43.68 per cent.



**BUSINESS OF RURAL BRANCHES** (Amounts given in Rs Crore)

BANK	TOTAL DEPOSITS				TOTAL DEPOSITS(Percentage wise share of banks)			
	2008	2009	2010	2011	2008	2009	2010	2011
PUBLIC SECTOR BANKS(25)	8493.48	10229.30	13360.68	16081.22	70.83	70.17	72.44	73.23
PRIVATE SECTOR BANKS(10)	1.41	17.31	47.86	94.00	0.01	0.12	0.26	0.43
RRBS(5)	3496.15	4331.40	5034.93	5783.21	29.16	29.71	27.30	26.34
TOTAL COMMER. BANKS (40)	11991.04	14578.01	18443.47	21958.43	100.00	100.00	100.00	100.00

**DEPOSITS: TABLE – 6**

BANK	TOTAL ADVANCE				TOTAL ADVANCE (Percentage wise share of banks)			
	2008	2009	2010	2011	2008	2009	2010	2011
PUBLIC SECTOR BANKS(25)	5705.40	6288.00	7260.85	8148.90	71.09	72.37	72.06	71.01
PRIVATE SECTOR BANKS(10)	0.00	2.66	1.11	17.08	0.00	0.03	0.01	0.15
RRBS(5)	2319.69	2398.37	2813.76	3309.75	28.91	27.60	27.93	28.84
TOTAL COMMER. BANKS (40)	8025.09	8689.03	10075.72	11475.73	100.00	100.00	100.00	100.00

**CREDIT: TABLE – 7**

Note: Advance outstanding shown above does not include funds advanced by NABARD under RIDF.

## **C D RATIO:**

TABLE – 8

BANK	C D RATIO (%)			
YEAR	2008	2009	2010	2011
PUBLIC SECTOR BANKS(25)	67.17	61.47	54.34	50.67
PRIVATE SECTOR BANKS(10)	0.00	15.37	2.32	18.17
REGIONAL RURAL BANKS(5)	66.35	55.37	55.88	57.23
TOTAL COMMER. BANKS (40)	66.93	59.60	54.63	52.26

On analysis of the data given in the TABLE No 6,7, & 8 it is seen that over the years the deposit of the commercial banks have grown. For instance between March 2008 and March 2011, the deposits have grown from Rs.11991.04cr to Rs.21,958.43cr indicating an increase of 1.83 times. The advance in the same period has grown Rs.8025.09cr to 11475.73cr indicating an increase of 1.43 times. However, CDR which was 66.93 per cent in March 2008 has come down to 52.26 per cent in March 2011. It is much below the stipulated target of 60 per cent. The growth of deposit to the extent of 1.83 times and growth of advance to the extent of 1.83 times indicate the reduced credit flow from banks. It widens the gap between the deployment of credit and mobilization of deposits. When the CDR is on the lower side, the section which is most affected is the weaker sections of the borrower.

The share of private sector banks in overall deposits and advances of rural areas is almost negligible. The bias for semi-urban and urban areas of the commercial banks mainly that of Public Sector banks and private banks becomes glaring if we look at the data reflecting their share in priority sector and in agriculture sector in tables below.

### **Performance Under Financing To Priority Sector And Agriculture Sector:**

“Sectoral distribution of bank credit provides an understanding of the contribution of bank credit towards economic growth and financial inclusion as well as its role in ensuring financial stability.”  
(Report on Trend and Progress of Banking in India 2009-10)

Priority sector includes sectors which “impact large sections of the population, the weaker sections and the sectors which are employment-intensive such as agriculture and tiny and small enterprises. As per RBI stipulation the share of priority sector advances should minimum 40% and that

agriculture advances should be minimum 18% of net bank credit. For Regional Rural Banks the stipulated priority sector target is 60 per cent of total loan outstanding.

TABLE – 9 SHARE OF PRIORITY SECTOR ADVANCES OUT OF TOTAL ADVANCES (Amount in Rs Crore)

BANK	TOTAL ADVANCE				TOTAL P.S. ADVANCE				% OF P.S.ADV TO TOTAL ADV			
YEAR	2008	2009	2010	2011	2008	2009	2010	2011	2008	2009	2010	2011
PUBLIC SECTOR BANKS(25)	26285.81	30873.73	38201.68	47601.48	14398.33	16173.69	20305.84	23318.21	54.78	52.38	53.15	48.99
PRIVATE SECTOR BANKS(10)	3725.81	3401.88	5078.54	6344.75	428.38	1020.26	2134.50	2352.33	11.50	29.99	42.03	37.07
RRBS(5)	3191.05	3484.61	4047.75	4840.63	2515.47	2829.39	3255.35	3934.60	78.83	81.20	80.42	81.28
TOTAL COMMER. BANKS (40)	33202.67	37760.22	47327.97	58786.86	17342.18	20023.34	25695.69	29605.14	52.23	53.03	54.29	50.36

TABLE – 10 Share Of Agrl. Sector Advances Out Of Total Advances (Amount in Rs Crore)

BANK	TOTAL ADVANCE				TOTAL AGRL. ADVANCE				% OF AGRL. ADV TO TOTAL ADV			
YEAR	2008	2009	2010	2011	2008	2009	2010	2011	2008	2009	2010	2011
PUBLIC SECTOR BANKS(25)	26285.81	30873.73	38201.68	47601.48	4384.86	5631.03	7863.78	9397.23	16.68	18.24	20.58	19.74
PRIVATE SECTOR BANKS(10)	3725.81	3401.88	5078.54	6344.75	428.38	305.78	879.90	927.68	11.50	8.99	17.32	14.62
RRBS(5)	3191.05	3484.61	4047.75	4840.63	1303.88	1322.49	1524.27	2021.07	40.86	37.95	37.66	41.75
TOTAL COMMER. BANKS (40)	33202.67	37760.22	47327.97	58786.86	6117.12	7259.30	10267.95	12345.98	18.42	19.22	21.70	21.00

On analysis of the performance of the public sector banks under priority sector it is found that though the stipulated target has been achieved during the period of study, it has a declining trend since March 2008. From 54.78% in March 2008 it has decreased to 48.99% in March 2011. In case of private sector banks have achieved the stipulated target of 40% only once i.e.in March 2010. Similarly in case of performance under disbursement of loans under agriculture sector public sector banks have marginally exceeded the prescribed target of 18% during the period March 2008 to March 2011 and private sector banks have never reached the 18 per cent figure.

At the same time if the performance of RRBs is analyzed it is found their performance is much better in comparison to those of public sector and private sector banks. From Table–9 and Table–10, it is evident that out of total loans advanced by RRBs the shares of priority sector advances and agriculture advances are 81.28% and 41.75% respectively, which are much above the stipulated targets of 60 per cent and 18 per cent. If the CDR of RRBs (for rural areas, Table – 8) is considered, as on March 31, 2011 it stood at 57.23 percent, about 7 per cent higher than the public sector banks and 39 per cent more than that of private sector banks.

#### **Performance under ‘Financing To Weaker Section Of The Society’:**

The concept of weaker sections under priority sector was introduced as per recommendations of Krishnaswami Committee (1980). It comprises of SF, MF, artisans, village and cottage industries, SC/ST, beneficiaries under DRI/SGSY/SLRS, SHG, etc. RBI stipulates that the percentage of finance to weaker section must constitute 25 per cent of priority advance or 10 per cent of total advance( 15% for RRBs).

From the Table – 11 it is evident that both the private sector and public sector banks have never achieved the target under financing to weaker sections during study period. Moreover what is alarming is that in case of public sector banks it has been declining every year from 26.96 in 2007-08 to it has reached 22.01 in 2010-11. Though for RRBs also it is declining but it is well above their prescribed target of 15 per cent.

TABLE – 11 SHARE OF LOANS TO WEAKER SECTION OUT OF P.S. ADVANCES

(Amount in Rs Crore)

BANK	TOTAL ADVANCE TO WEAKER	% OF ADV TO WEAKER TO P.S. ADV
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	SECTION							
YEAR	2008	2009	2010	2011	2008	2009	2010	2011
PUBLIC SECTOR BANKS(25)	3882.05	3754.19	4584.26	5131.99	26.96	23.21	22.58	22.01
PRIVATE SECTOR BANKS(10)	7.33	19.95	77.35	119.63	0.44	1.96	3.62	5.09
RRBS(5)	1507.94	1704.68	1773.30	1934.10	59.95	60.25	54.47	49.16
TOTAL COMMER. BANKS (40)	5397.31	5478.82	6334.91	7185.72	24.61	22.79	21.12	20.39

### **Performance under ‘Financing To Women’:**

Women constitute about half of the human population, but the socio-economic status of the women in India is not healthy. To empower the women and raise their economic status RBI has stipulated that 5 per cent of total advances must go to the women beneficiaries. From the Table – 12 it is evident that the private sector banks have never achieved the target under financing to women during study period. The public sector banks have reached the target in all four years of in the period of study. RRBs have not only exceeded the target all the years but it is also on an increasing trend.

TABLE – 12 SHARE OF LOANS TO WOMEN OUT OF TOTAL ADVANCES (Amount in Rs Crore)

BANK	TOTAL ADVANCE TO WOMEN				% OF ADV TO WOMEN TO TOTAL ADV			
YEAR	2008	2009	2010	2011	2008	2009	2010	2011
PUBLIC SECTOR BANKS(25)	1846.67	2091.63	2699.67	3227.05	7.03	6.77	7.07	6.78
PRIVATE SECTOR BANKS(10)	26.00	34.21	117.81	157.46	0.70	1.01	2.32	2.48
RRBS(5)	581.35	655.59	776.54	1085.88	18.22	18.81	19.18	22.43
TOTAL COMMER. BANKS (40)	2454.02	2781.43	3594.02	4470.39	6.71	6.66	6.90	6.94

It is evident that both the public sector and private sector commercial banks functioning Odisha have been ignoring their responsibility for development of the rural people and rural economy of the state. At the same time the contributions of RRBs in the inclusive growth of rural economy are praise worthy.

## **VI. CONCLUSION**

The purpose of reforming financial sector was to strengthen and reposition the banking industry, so that it will enable it contribute effectively to the development of the real sector through its intermediation process. The banking sector reform results in improved financial services which lead to reduced cost. More and more people can access banks to meet their financial needs at a reasonable

cost. It will increase aggregate demand for goods and services. Rising aggregate demand will have positive impact on the output and employment generation resulting in poverty reduction – the ultimate goal of economic development. The aim of reform is increased risk management not risk aversion. The aim of liberalization is to make the banking system stronger so that it can play a greater role in the economic development of the nation instead of shying away from its responsibility.

Banking is a driver of GDP growth and employment. They have also great role in equitable distribution of resources for inclusive growth of a state. If they give importance to one sector and ignore another or focus on one region and neglect the other regions the economy of the state may grow but the growth will be imbalanced and skewed. One section of the population will be benefiting from the banking facilities while the other section of the society will be languishing in poverty. So the banking sector by focusing on the economic development of the local community can become a much greater driver of equitable GDP growth and employment and large sections of the population gain access to quality banking products and services. It does not mean that banks alone are responsible for the development of the people and the economy of the state. The government and its agencies are also equally responsible for growth of the economy. The government should frame favorable policies which should create conducive environment for credit delivery and its utilization. The banking system, together with active support of the government agencies can usher a path of economic prosperity for the people of Odisha.

We, however, suggest further empirical research, taking longer time period and more parameters, so as to establish a more conclusive result on finding the contribution of Banks in socio-economic development of a region.

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**Abbreviations:**

DRI: Differential Rate of Interest  
P.S.: Priority Sector  
RBI: Reserve Bank of India  
RRB: Regional Rural Banks  
SC: Scheduled Caste  
SGSY: Swarnajayanti Gram Swarojgar Yojana  
SHG: Self Help Group  
SLRS : Scheme for Liberation and Rehabilitation