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## A STUDY OF ALLOCATION OF BANK CREDIT TO VARIOUS INDUSTRIES (2009-10 to 2016-17)

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### ABSTRACT

*India is claimed to be world's seventh largest economy. India Economic summit 2017 declared that though India's GDP growth recently dipped to 5.7% still India is growing faster than any other large economy excluding china. After china Indian economy is projected to be world's second largest economy. Global competitiveness report 2017-18 says that India rank 40 out of 137 economies keeping behind srilanka. Bangladesh and Pakistan at 85<sup>th</sup> ,99<sup>th</sup> and 115<sup>th</sup> ranks respectively. Such a fast growth of economy in recent years certainly increase the pressure on overall sectorial development of country. Country should be in position to meet the financial needs of various sectors. Particularly manufacturing .Here the role of banking and other financial sectors increases.*

### INTRODUCTION:

India is claimed to be world's seventh largest economy. India Economic summit 2017 declared that though India's GDP growth recently dipped to 5.7% still India is growing faster than any other large economy excluding china. After china Indian economy is projected to be world's second largest economy. Global competitiveness report 2017-18 says that India rank 40 out of

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137 economies keeping behind srilanka.Bangladesh and Pakistan at 85<sup>th</sup> ,99<sup>th</sup> and 115<sup>th</sup> ranks respectively. Such a fast growth of economy in recent years certainly increase the pressure on overall sectorial development of country. Country should be in position to meet the financial needs of various sectors.Particularly manufacturing .Here the role of banking and other financial sectors increases.

The recent economic slowdown and credit scarcity has resulted in dearth of domestic funding to various industries, but with this background it will be interesting to assess the role of bank funding to various industries. Hence the present paper tries to analyze the share of bank credit to various industries during the period 2009-10 to 2016-17.the average share received by major industries and the deviation therein is also studied.

**OBJECTIVE** : This study has following objectives

- To find out the share of bank credit received by various industries in india during 2009-10 to 2016-17.
- To evaluate the percentage share of each industry during this period
- To evaluate the percentage change ,average share and deviation for the same time period among various industries.
- To test the hypothesis related to share of each industry.

**RESEARCH METHODOLOGY:** secondary data (published by RBI) is used to analyze the bank share of various industries. The statistical tools like mean, standard deviation, ANOVA is applied to examine the share and change in share of various industries.

### **SHARE OF BANK CREDIT TOVARIOUS INDUSTRIES**

Economic slowdown in recent past accompanied by credit scarcity resulted in lot of challenges related to availability of credit to various industries. The uppermost industrial challenges related to credit were

1. There is robust demand from the users of finance
2. There exist lack of depth in financial market.

3. Lack of development in innovative financial instrument
4. Dawdling development of alternate sources of finance.

Bank credit is a most reliable and dependable source of finance for most of the industries, but all industries are not provided with enough share by banks.

### Allocation of Bank Credit to Industries in INDIA (during 2009-10 to 2016-17)

INDUSTRY-WISE DEPLOYMENT OF GROSS BANK CREDIT Outstanding as on (RsBillion)								
Industry	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Mining & Quarrying (incl. Coal)	180.84	252.97	324.46	346.39	358.45	359.51	390.21	344.89
Food Processing	656.77	768.41	941.45	1173.68	1462.54	1714.95	1500.88	1455.46
Beverage & Tobacco	109.69	132.97	150.55	165.11	182.86	186.48	181.46	172.58
Textiles	1213.75	1450.96	1594.14	1835.36	2022.13	2019.19	2057.96	1963.02
Leather & Leather Products	62.32	73.10	76.33	86.73	102.08	102.47	104.98	107.06
Wood & Wood Products	43.71	49.57	61.45	76.69	94.23	98.31	94.94	105.16
Paper & Paper Products	190.74	212.03	249.80	282.67	328.20	340.66	355.05	326.18
Petroleum, Coal Products & Nuclear Fuels	785.79	507.44	611.75	643.27	648.40	561.45	512.30	596.02
Chemicals & Chemical Products	857.13	1079.20	1269.93	1592.44	1663.36	1544.87	1645.33	1723.79
Rubber, Plastic & their Products	156.17	256.99	299.04	312.17	370.71	377.73	373.65	391.71
Glass & Glassware	48.31	54.42	62.69	74.48	87.04	88.39	88.90	79.34
Cement & Cement Products	247.22	294.40	369.10	458.58	539.33	560.38	543.25	542.47
Basic Metal & Metal Product	1629.29	2129.57	2618.09	3141.16	3607.80	3853.89	4160.16	4210.54
All Engineering	738.21	926.67	1130.10	1284.47	1463.62	1540.05	1541.67	1496.20
Vehicles, Vehicle Parts & Transport Equipment	387.80	455.59	517.81	588.63	665.33	682.09	689.89	735.71
Gems & Jewellery	317.51	397.43	513.26	611.44	698.89	718.19	727.31	690.36
Construction	442.19	434.32	486.16	521.66	625.71	743.03	745.38	822.27
Infrastructure	3798.87	5213.93	6299.91	7297.21	8363.56	9245.31	9648.11	9064.00
Other Industries	1248.21	1355.78	1797.24	1809.68	1880.60	1839.34	1945.36	1973.46
All Industries	13114.52	16045.75	19373.26	22301.82	25164.84	26576.29	27306.79	26800.22

Source: Reserve Bank of India Database

The above table gives a clear picture of share of bank credit for each industry from 2009-10 to 2016-17. It is obvious that with increase in GDP and bank credit there is seen absolute increase in

the share of each industry in billion rupees. But data also states that few industries like infrastructure, Textile, basic metal and metal products are receiving predominantly high share of bank credit as compare to other industries.

## PERCENTAGE SHARE OF BANK CREDIT TO DIFFERENT INDUSTRIES

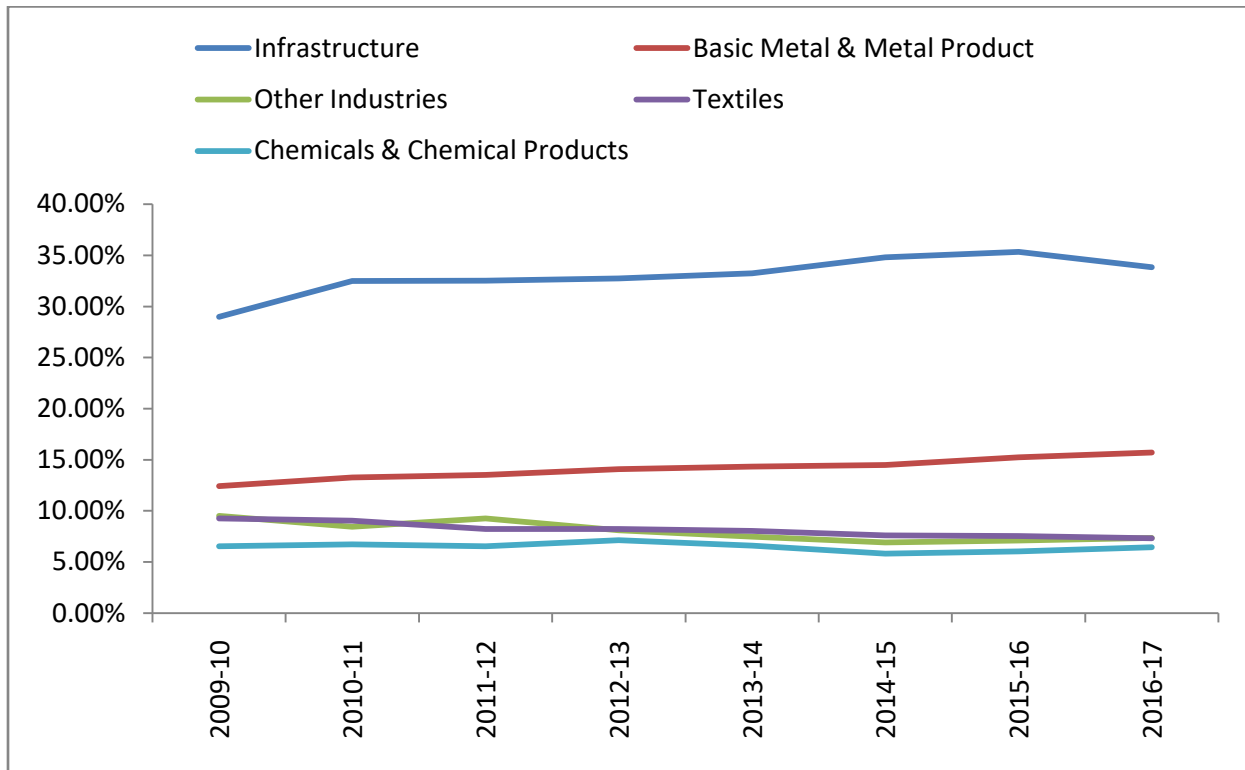
Percentage share of each industry in total bank credit gives a clear view about the predominant share of particular industries. Infrastructure, Textile, basic metal and metal products occupy heavy share then others. Chemical and chemical products, Petroleum, coal products and nuclear fuel, food processing and all engineering goods receive slightly similar share.

Share of Different Industries in Bank Credit ( percentage)								
Industry	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Mining & Quarrying (incl. Coal)	1.38%	1.58%	1.67%	1.55%	1.42%	1.35%	1.43%	1.29%
Food Processing	5.01%	4.79%	4.86%	5.26%	5.81%	6.45%	5.50%	5.43%
Beverage & Tobacco	0.84%	0.83%	0.78%	0.74%	0.73%	0.70%	0.66%	0.64%
Textiles	9.26%	9.04%	8.23%	8.23%	8.04%	7.60%	7.54%	7.32%
Leather & Leather Products	0.48%	0.46%	0.39%	0.39%	0.41%	0.39%	0.38%	0.40%
Wood & Wood Products	0.33%	0.31%	0.32%	0.34%	0.37%	0.37%	0.35%	0.39%
Paper & Paper Products	1.45%	1.32%	1.29%	1.27%	1.30%	1.28%	1.30%	1.22%
Petroleum, Coal Products & Nuclear Fuels	5.99%	3.16%	3.16%	2.88%	2.58%	2.11%	1.88%	2.22%
Chemicals & Chemical Products	6.54%	6.73%	6.56%	7.14%	6.61%	5.81%	6.03%	6.43%
Rubber, Plastic & their Products	1.19%	1.60%	1.54%	1.40%	1.47%	1.42%	1.37%	1.46%
Glass & Glassware	0.37%	0.34%	0.32%	0.33%	0.35%	0.33%	0.33%	0.30%
Cement & Cement Products	1.89%	1.83%	1.91%	2.06%	2.14%	2.11%	1.99%	2.02%
Basic Metal & Metal Product	12.42%	13.27%	13.51%	14.08%	14.34%	14.50%	15.23%	15.71%
All Engineering	5.63%	5.78%	5.83%	5.76%	5.82%	5.79%	5.65%	5.58%
Vehicles, Vehicle Parts & Transport Equipment	2.96%	2.84%	2.67%	2.64%	2.64%	2.57%	2.53%	2.75%
Gems & Jewellery	2.42%	2.48%	2.65%	2.74%	2.78%	2.70%	2.66%	2.58%
Construction	3.37%	2.71%	2.51%	2.34%	2.49%	2.80%	2.73%	3.07%
Infrastructure	28.97%	32.49%	32.52%	32.72%	33.24%	34.79%	35.33%	33.82%
Other Industries	9.52%	8.45%	9.28%	8.11%	7.47%	6.92%	7.12%	7.36%
All Industries	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source : calculated

Following outcomes are clear from above table

- Share of infrastructure industry has sharply gone high from 28.97% in 2009-10 to 33.82% in 2016-17.
- Share of petroleum, coal and nuclear products has gone down from 5.99% in 2009-10 to 2.025 in 2016-17.
- Share of mining and quarrying, leather and leather products, paper, glass and glassware, all engineering as well as vehicle and construction has reduced to certain extent
- Reduction in share of Tobacco is positive move for economy



Above is the graphical representation of percentage share of few industries showing robust share of infrastructure in all years of study.

### CHANGE IN PERCENTAGE SHARE OF BANK CREDIT FOR VARIOUS INDUSTRIES

Change in the Share of Bank Credit during 2009-10 to 2016-17	
Industry	Change
Mining & Quarrying (incl. Coal)	-0.09%
Food Processing	0.42%

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Beverage & Tobacco	-0.19%
Textiles	-1.93%
Leather & Leather Products	-0.08%
Wood & Wood Products	0.06%
Paper & Paper Products	-0.24%
Petroleum, Coal Products & Nuclear Fuels	-3.77%
Chemicals & Chemical Products	-0.10%
Rubber, Plastic & their Products	0.27%
Glass & Glassware	-0.07%
Cement & Cement Products	0.14%
Basic Metal & Metal Product	3.29%
All Engineering	-0.05%
Vehicles, Vehicle Parts & Transport Equipment	-0.21%
Gems & Jewellery	0.15%
Construction	-0.30%
Infrastructure	4.85%
Other Industries	-2.15%
All Industries	0.00%

Source : calculated

### **AVERAGE SHARE OF DIFFERENT INDUSTRIES IN BANK CREDIT 2009-10 TO 2016-17**

The Average share of different industries in Bank credit will reflect infrastructure as the priority sector for bank. Though there are various sources of funding for infrastructure like Budgetary support, NBFC, Insurance companies, ECB'S, Equity fund but there has been a speedy growth of bank credit during these years

Average Share of Different Industries in Bank Credit 2009-10 to 2016-17			
Industry	Mean	N	Std. Deviation
All Engineering	5.7295%	8	0.09575%
Basic Metal & Metal Product	14.1347%	8	1.06437%
Beverage & Tobacco	0.7399%	8	0.07082%
Cement & Cement Products	1.9933%	8	0.11038%
Chemicals & Chemical Products	6.4796%	8	0.40989%
Construction	2.7509%	8	0.33559%
Food Processing	5.3889%	8	0.55106%
Gems & Jewellery	2.6260%	8	0.12580%
Glass & Glassware	0.3331%	8	0.02058%
Infrastructure	32.9845%	8	1.93444%
Leather & Leather Products	0.4111%	8	0.03464%
Mining & Quarrying (incl. Coal)	1.4596%	8	0.13020%
Other Industries	8.0301%	8	0.98243%
Paper & Paper Products	1.3045%	8	0.06818%
Petroleum, Coal Products & Nuclear	2.9982%	8	1.30096%

Fuels			
Rubber, Plastic & their Products	1.4325%	8	0.12373%
Textiles	8.1563%	8	0.69753%
Vehicles, Vehicle Parts & Transport Equipment	2.6988%	8	0.14293%
Wood & Wood Products	0.3485%	8	0.02893%
Total	5.2632%	152	7.44238%

SOURCE : Calculated

Infrastructure received an average share of 32.98% which is much higher than the average share of any other industry. Interestingly the deviation also is highest for the same sector which shows that there is more instability in its share. It is observed that nearly 50% of the bank credit is received by three industries namely infrastructure, basic metal and metal product and textile. But we can justify the favourism received by infrastructure because the fast growth of economy in recent years has placed an increasing stress on physical infrastructure such as roads ,ports, water supply,irrigation,airport etc. in long run we will benefit because an investment in infrastructure will have multiplier effect on all other sectors.

To be more specific it will be useful to apply ANOVA and test the hypothesis related to share of bank credit to different industries.

Hypothesis

H0: There is no significant difference in the share of bank credit to different industries

H1: There is significant difference in the share of bank credit to different industries

ANOVA					
Share					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	8302.813	18	461.267	1006.739	.000
Within Groups	60.938	133	.458		
Total	8363.751	151			

Null hypothesis is rejected because  $p < 0.05$

When null hypothesis is rejected it is clear that there exist difference in share of bank credit received by different industries.

Further applying tukey HSD test we can find the honest significant difference between between various industries. Applying the test we find majorly we can see eight common groups receiving similar bank credit. Infrastructure do not share group, second group is basic metal and metal products, third group is other industries and textile and likewise.



<b>Share</b>									
TukeyHSD <sup>a</sup>									
Industry	N	Subset for alpha = 0.05							
		1	2	3	4	5	6	7	8
Glass & Glassware	8	0.3331%							
Wood & Wood Products	8	0.3485%							
Leather & Leather Products	8	0.4111%							
Beverage & Tobacco	8	0.7399%							
Paper & Paper Products	8	1.3045%	1.3045%						
Rubber, Plastic & their Products	8	1.4325%	1.4325%	1.4325%					
Mining & Quarrying (incl. Coal)	8	1.4596%	1.4596%	1.4596%					
Cement & Cement Products	8		1.9933%	1.9933%	1.9933%				
Gems & Jewellery	8			2.6260%	2.6260%				
Vehicles, Vehicle Parts & Transport Equipment	8				2.6988%				
Construction	8				2.7509%				
Petroleum, Coal Products & Nuclear Fuels	8				2.9982%				
Food Processing	8					5.3889%			
All Engineering	8					5.7295%			
Chemicals & Chemical Products	8					6.4796%			
Other Industries	8						8.0301%		
Textiles	8						8.1563%		
Basic Metal & Metal Product	8							14.1347%	
Infrastructure	8								32.9845%
Sig.		.104	.865	.060	.248	.137	1.000	1.000	1.000
Means for groups in homogeneous subsets are displayed.									
a. Uses Harmonic Mean Sample Size = 8.000.									

Based on the share of bank credit to different industries, industries can be grouped into eight groups

**CONCLUSION:** Bank credit is one of the important source of finance for industries. In India there exist lot of variation in availability of bank credit. Though infrastructure is in such sector there is scope to analyze further the areas of infrastructural investment and there effect on efficiency of related sector.

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