Impact of Banking Penetration on Economic Growth:
A State-wise Comparative Study

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Abstract
The study tries to investigate the level of banking penetration in 16 major states of India in terms of population covered per branch, banking business (deposit + advances) per branch, credit-deposit ratio and also examines their impact on socio-economic development in these states in terms of per capita Net State Domestic Product (pcNSDP) and human development index (HDI). These parameters have been analysed through the time series data from 1991 onwards i.e. after the implementation of economic and banking sector reforms. The analyses have shown that there exist significantly high between banking indicators and development indicators i.e. the developed states are the gainers from banking penetration. The functional relationship between these two types of indicators/variables has also been established through regression analysis. The overall analyses have clearly pointed towards the reasonably strong relationship between ‘banking penetration’ and ‘socio-economic development’ of states. Thus, the Government of India, the Reserve Bank of India, the commercial banks and the respective state government have to give extra attention to the banking developments in less developed states so as to facilitate economic growth and minimize regional disparities in socio-economic development of the states.

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