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Post-COVID Credit Growth and Regional Disparities: A Comparative Analysis of Public Sector Bank Credit in Tamil Nadu and Dindigul

By

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Abstract

The paper examines the expansion and distribution of credit advanced by Public Sector Banks (PSBs) in Dindigul vis-a-vis Tamil Nadu in the same period FY 202021 to FY 202425. The secondary data utilized to analyze it includes the Reserve Bank of India and district-level statistics from Lead Bank Office. Patterns of credit expansion are analyzed using descriptive statistics, year on year growth rates, and the compound annual growth rate (CAGR).

The findings show that Dindigul has taken a better growth trend than the state with its CAGR of 17.29 per cent and total growth of 89.28% than Tamil Nadu CAGR of 11.41% and growth of 54.05 % Credit in Dindigul increased from ₹9,052.71 crore in FY 2020–21 to ₹17,134.85 crore in FY 2024–25, while Tamil Nadu's credit expanded from ₹5,87,125.09 crore to ₹9,04,438.24 crore during the same period.

The research concludes that though Dindigul has a good momentum of credit growth in the post-COVID period, there are policy interventions such as financial inclusion, sectoral diversification, and credit infrastructure that are required to improve its contribution to the total credit growth in the state.

Keywords: Public Sector Banks, Post-COVID Period, Financial Inclusion, Tamil Nadu, Dindigul, CAGR

Introduction

Public sector banks (PSBs) constitute the backbone of India's banking system, which are important in the credit deployment, financial inclusion, and economic growth, especially in semi-urban and rural areas. PSBs have played a significant role in directing institutional credit to the priority sectors, small and medium enterprises and weaker sections of the population with a wide network of branches and government ownership. In the backdrop of Tamil Nadu, one of the economically active states of India, PSBs still command a significant portion of total credit to be availed in the various sectors of agriculture, manufacturing, services, and retail.

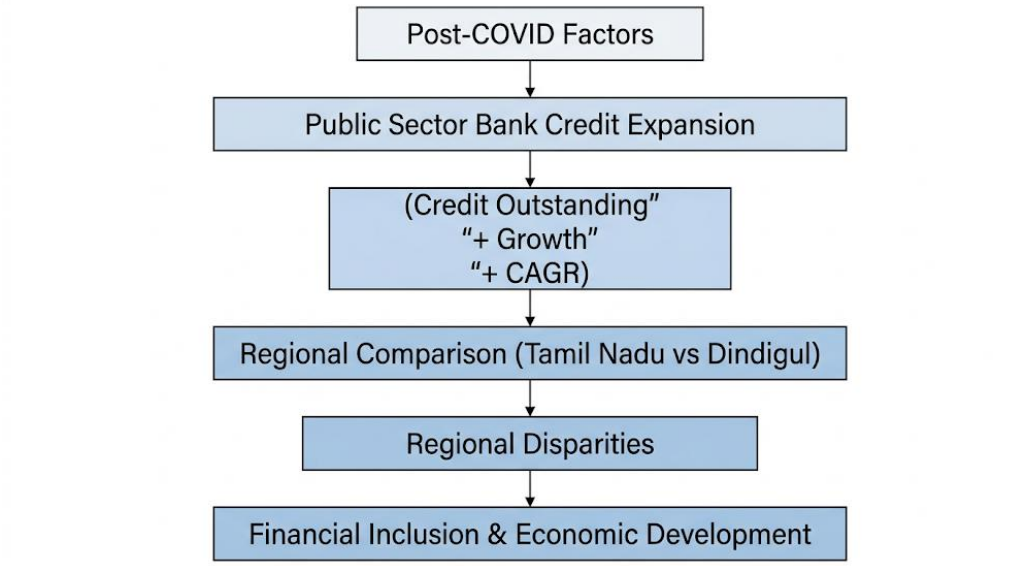
Dindigul District is a semi-urban economy that has a diversified economy base in terms of agriculture, textile activities, leather production, and small-scale industries. The district offers a valuable context in which to observe the patterns in credit expansion as it is a transitional economy that is located between less industrialized and more industrialized areas. A credit growth analysis of Dindigul as compared to the state-wide analysis would be insightful to determine any regional differences in credit distribution and access.

The period from FY 2020-21 to FY 2024-25 is especially important as it represents the post-COVID era of economic revival, the restart of credit demand, and the policy-driven growth of institutional lending. The work of Public Sector Banks during this time contributed to the restoration of the economy by increasing credit circulation, as well as by adjusting to the changes in the structure, including digitalization, consolidation, and better credit monitoring systems.

Although the total number of credits at the state level increases, there is still uneven distribution of institutional credit in districts. District level credit growth differences are indicative of differences in economic activity, credit absorption ability, and institutional outreach. In this respect, a comparative study of credit development of Tamil Nadu and Dindigul gives a better picture of the regional imbalance in credit dispersion.

This paper investigates the growth of credit in the post-COVID period and inequalities in the growth of credit in the regions through secondary sources of outstanding credit and growth rates of the Public Sector Bank credit. The study aims to bring out differences in credit expansion and their effects on inclusive financial development by comparing trends at state and district levels.

Conceptual Framework:



The study has a conceptual framework which describes the connection between the growth of Public Sector Bank credit and the disparities between regions. The rate of credit growth and its annual growth rate in terms of credit growth rate and CAGR determine the degree of financial inclusion and development of the region. Nonetheless, there are structural and institutional influences on the allocation of credit, which creates differences between Dindigul District and Tamil Nadu.

Review of Literature

The banking sector credit literature on India emphasizes that there has been a high degree of variation in credit deployment, depending on region, ownership framework and time. Institutional credit has been established as being a key catalyst towards economic development, especially in rural and semi-urban regions.

Sethi and Bajaj (2013) noted that there are broad interstate differences in credit-deposit ratios and they found that states having higher per capita income and diversified economic structures have stronger credit deployment. Their analysis focused on the importance of economic growth in shaping patterns of credit growth. In the same type, *Das and Das (2019)* compared changes in credit-deposit ratios at various economic cycles and discovered that credit is extremely responsive to macroeconomic shocks especially at times of crisis and recovery.

Comparative studies on the ownership structure of banks have revealed disparities in credit performance. More up-to-date data by *Kaur and Kaur (2022*) states that the growth of credit reported by the banks of the private sector was higher than that reported by the banks of the public sector, implying that the operation efficiency and risk management practices of the banks differ.

As has been reported by *Venkatesan (2012),* in the Tamil Nadu setting, there has been an impressive deposit mobilization that has offered a very solid foundation to credit mobilization. *Raman (2013)* looked at priority sector lending and noted that credit disbursement had been growing substantially but with an increasing number of non- performing assets, thereby raising the issue of credit quality.

District level studies are useful in giving insights on local credit dynamics. *Dharmendran (2020) and Lakshmanan (2020)* examined the performance of cooperative banks and found that their performance in terms of deposit and advances grew positively, but at a lower proportion with regard to total credit than in the case of commercial banks. *Selvaraj and Balaji Kumar (2015)* analyzed the trends of deposits in Dindigul and emphasized the changing banking profile of the area.

The contribution of the public sector banks in the delivery of credit in rural and semi-urban areas has also been significantly debated. *Shah (2005)* highlighted structural issues of high transaction costs and limited outreach, *Bhaumik and Piesse (2005)* the impact of regulatory frameworks and institutional issues on credit deployment. More recently, *Jaiswal et al. (2023)* reported that asset quality issues and regulation have resulted in the cautious credit growth by the public sector banks.

Although a lot of research on credit growth has been conducted at the national and state level, there is little research at the district level, especially in the post-COVID era. There is comparative research that looks at the performance of the credit at the district level compared to that at the state level, which is relatively rare.

In this regard, the current research fulfils this gap by examining the post-COVID credit growth and regional differences in the credit of the public sector banks in Tamil Nadu and Dindigul.

Objectives of the Study

The following objectives guide the present study:

- To study the trend and growth of the credit given by Public Sector Banks in Dindigul in FY 2020-21 to FY 2024-25.
- To examine the state level credit growth pattern in Tamil Nadu over the same period.
- To compare the credit growth and distribution between Dindigul and Tamil Nadu including the share of the district in the total state credit.
- To evaluate the bank-wise patterns of credit deployment in Public Sector Banks that are located in Dindigul.
- To determine the compounded annual growth rate (CAGR) of Public Sector Bank credit in the district and state level.
- To suggest policy measures for improving credit distribution and financial inclusion in Dindigul.

Hypothesis of the Study

The hypothesis on which the study is founded is as follows:

H01: There is no observable difference in the trend of Public Sector Bank credit growth between Dindigul District and Tamil Nadu during the post-COVID period.

H1: There is an observable difference in the trend of Public Sector Bank credit growth between Dindigul District and Tamil Nadu during the post-COVID period.

H02: The compound annual growth rate (CAGR) of Public Sector Bank credit in Dindigul District is not different from that of Tamil Nadu.

H2: The compound annual growth rate (CAGR) of Public Sector Bank credit in Dindigul District differs from that of Tamil Nadu.

H03: Dindigul District's share in total Public Sector Bank credit of Tamil Nadu has not shown any noticeable change during the study period.

H3: Dindigul District's share in total Public Sector Bank credit of Tamil Nadu has shown a noticeable change during the study period.

Research Methodology

Research Design and Data Sources

The current research paper uses a descriptive and analytical research design using secondary data. The analysis is concerned with the investigation of the development and allocation of credit given by Public Sector Banks in Dindigul and Tamil Nadu in the period between FY 202021 and FY 202425. This era encompasses the post-COVID era characterized by economic revival and high institutional credit demand.

The research is based on secondary data which has been taken through credible sources. The data of Dindigul was obtained at the district level based on the Credit-Deposit ratio statements that were issued at the office of the Lead District Manager and show the data of the outstanding credit, bank-wise. The Tamil Nadu level data on the state level were obtained through the publications of the Reserve Bank of India. All the data reflect outstanding credit at March 31 of every financial year, which makes the data consistent and comparable across years.

Variables and Measures

The research paper illustrates some of the most important variables associated with credit deployment, such as the credit outstanding, annual growth rate, and compound annual growth rate (CAGR), total growth, and the proportion of Dindigul to the total credit in Tamil Nadu. Credit outstanding is the total credit given by Public Sector Banks by the close of every financial year.

Annual changes in credit levels are measured using a growth rate of the year-on-year growth rate and CAGR is used to estimate the average annual growth rate during the study period. Total growth represents the total growth of credit between the base year and the final year. This is done by calculating the share of Dindigul in determining the contribution of the district to the overall state-level credit. Credit information on banks is also examined in order to find out how credit is distributed among Public Sector Banks in Dindigul.

Analytical Techniques

The research uses trend analysis, comparative analysis, and descriptive statistics to analyze the growth pattern of credit. The direction and pattern of credit expansion over time are determined by trend analysis, and credit performance is determined by using growth rate and CAGR.

The comparative analysis is conducted to see the differences between Dindigul and Tamil Nadu in terms of credit growth and distribution, hence the local disparities**.** The hypotheses are examined using descriptive and comparative analytical techniques, including trend analysis, year-on-year growth rates, and compound annual growth rate (CAGR), to assess differences in credit growth patterns between Dindigul District and Tamil Nadu.

Limitations of the Study

The current research has some limitations which must be taken into account when reading the results. To begin with, the analysis will be completely based on secondary data acquired at the Reserve Bank of India and the office of Lead District Manager, which might limit the possibility of further micro-level validation. Second, the analysis has a narrow timeframe of five financial years (FY 2020-21 to FY 2024-25) that only captures a post-COVID recovery period but is unlikely to be representative of long-term structural changes in credit deployment. Third, the analysis is not based on sector-wise or borrower-level classification, as it is only limited to aggregate credit data, which limits the information on the distribution of credit across agriculture, MSMEs, and other segments. Fourth, the research only considers Public Sector Banks but not private sector banks or cooperative institutions which are also major contributors in the delivery of credit in the region. Lastly, the study embraces descriptive and comparative methods of analysis without the use of advanced econometric and inferential statistics, which can reduce the generalizability of the findings.

Data Analysis and Interpretation

This section presents the empirical findings of the study, organized into subsections covering aggregate credit trends, growth rate analysis, and comparative patterns between Dindigul District and Tamil Nadu state.

Aggregate Credit Trends: Dindigul District and Tamil Nadu

Table 1 presents the year-wise credit outstanding data for public sector banks in Dindigul District and Tamil Nadu state, along with year-on-year growth rates and Dindigul's share in state-level credit.

Table 1: Credit Outstanding and Growth Rates – Dindigul and Tamil Nadu (FY 2020-21 to FY 2024-25)

Financial Year	Dindigul Credit (₹ Cr)	Tamil Nadu Credit (₹ Cr)	Dindigul YoY Growth (%)	Tamil Nadu YoY Growth (%)	Dindigul Share in TN (%)
FY 2020-21	9,052.71	5,87,125.09	—	—	1.54
FY 2021-22	11,531.90	6,11,682.98	27.39	4.18	1.89

FY 2022-23	13,142.36	6,86,149.40	13.97	12.17	1.92
FY 2023-24	14,742.13	7,95,285.99	12.17	15.91	1.85
FY 2024-25	17,134.85	9,04,438.24	16.23	13.72	1.89

Source: Lead District Manager's Office, Dindigul; Reserve Bank of India

Interpretation:

The indicators show that Public Sector Bank credit in Dindigul and Tamil Nadu has steadily grown in FY 202021 to FY 202425. Credit in Dindigul increased from ₹9,052.71 crore to ₹17,134.85 crore, while Tamil Nadu's credit rose from ₹5,87,125.09 crore to ₹9,04,438.24 crore during the same period.The analysis of year-on-year growth indicates that Dindigul had higher growth that was more volatile, with FY 202122 recording the highest growth at 27.39 per cent, and then it slowed down and recovered in FY 202425 (16.23 per cent). Conversely, Tamil Nadu had fairly steady growth over the period.

The percentage of total credit having reached Dindigul in Tamil Nadu rose by 1.54 per cent in FY 202021, to 1.92 per cent in FY 202223 and then stabilized at 1.89 per cent in FY 202425. This is an improvement but the share is still small considering the relative small economic base of the district compared to major urban districts.

Descriptive Statistics

Table 2 summarizes the descriptive statistics for credit outstanding in Dindigul District and Tamil Nadu state over the study period.

Table 2: Descriptive Statistics – Credit Outstanding (FY 2020-21 to FY 2024-25)

Metric	Dindigul (₹ Cr)	Tamil Nadu (₹ Cr)
Mean	13,120.79	7,16,936.34
Standard Deviation	2,750.12	1,18,467.46
Minimum	9,052.71	5,87,125.09
Maximum	17,134.85	9,04,438.24
CAGR (%)	17.29	11.41
Total Growth (%)	89.28	54.05

Interpretation:

The Mean credit outstanding of Dindigul District during the past five years was found to be 13,120.79 crore and the standard deviation was 2,750.12 crore, which represents that it is moderate. For Tamil Nadu, the mean was ₹7,16,936.34 crore with a standard deviation of ₹1,18,467.46 crore.

The Dindigul District experienced a compound annual growth rate(CAGR) of 17.29, which is far more than the CAGR of Tamil Nadu which is 11.41. The difference of 5.88 percentage points shows that Dindigul recorded credit growth that was significantly higher than the state average in the time frame. The overall growth rate over five years was 89.28 percent in Dindigul as compared to 54.05 percent in Tamil Nadu which further corroborates the theme of superior performance of the district in terms of credit growth.

The increased CAGR and total growth in Dindigul indicates that the district enjoyed positive local economic environment, proper credit delivery channels, and perhaps PSBs interventions to increase credit access among semi-urban markets.

Comparative Growth Analysis

Figure 1: Credit Trends and Growth Analysis – Dindigul District

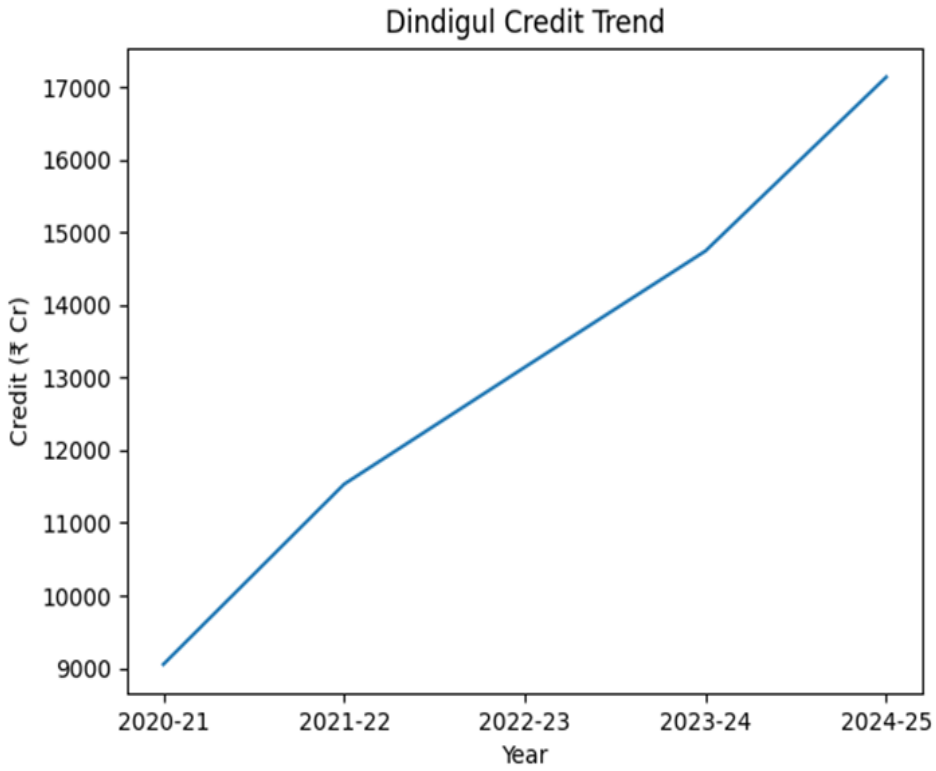


Figure 1.The trend line for Dindigul District shows a consistent upward trajectory with a steeper slope, particularly between FY 2020-21 and FY 2021-22, and again in FY 2024-25. The growth pattern indicates strong credit momentum in the district.

Figure 2: Credit Trends and Growth Analysis –Tamil Nadu

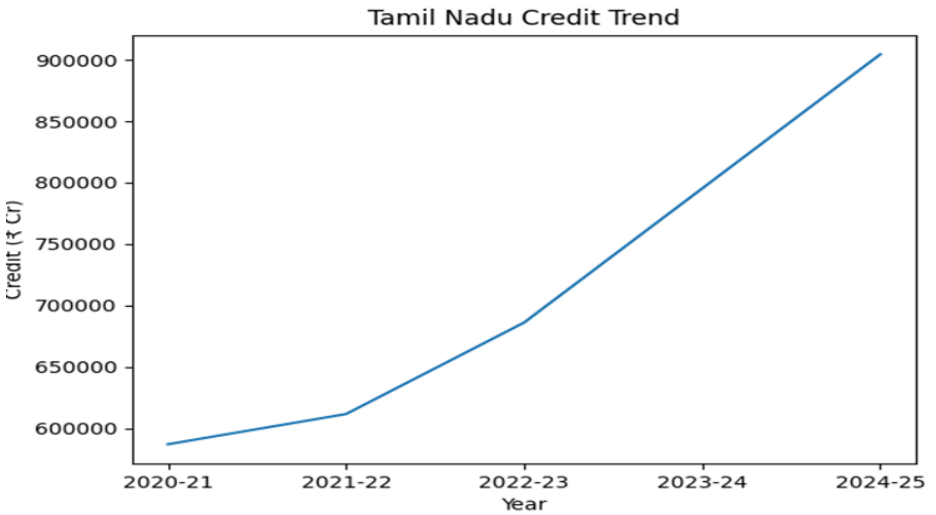


Figure 2. Tamil Nadu's credit trend also shows steady growth, though with a more gradual slope compared to Dindigul. The state-level credit increased consistently across all years, reflecting the overall health of the PSB credit market in Tamil Nadu.

Figure 3: Year-on-Year Growth Rates -Dindigul and Tamilnadu

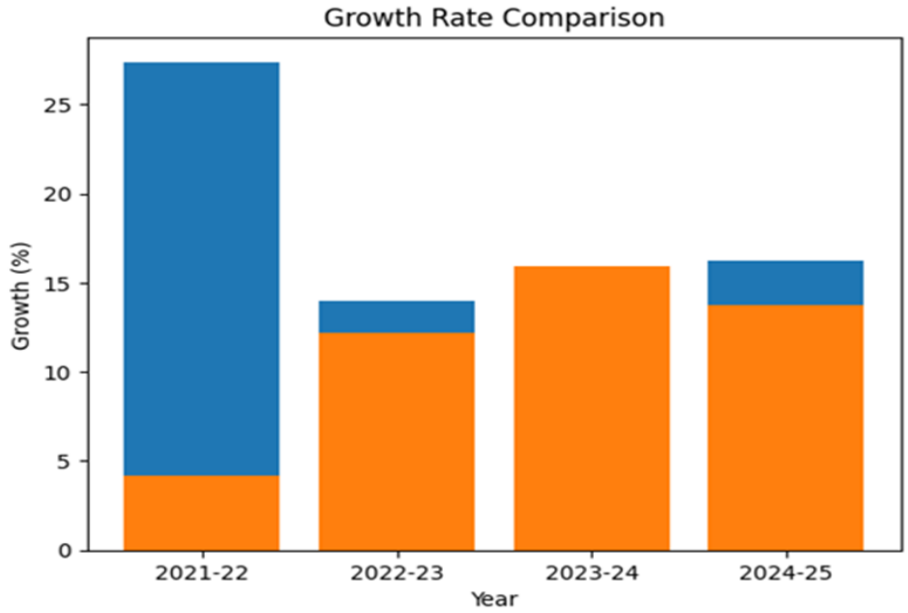
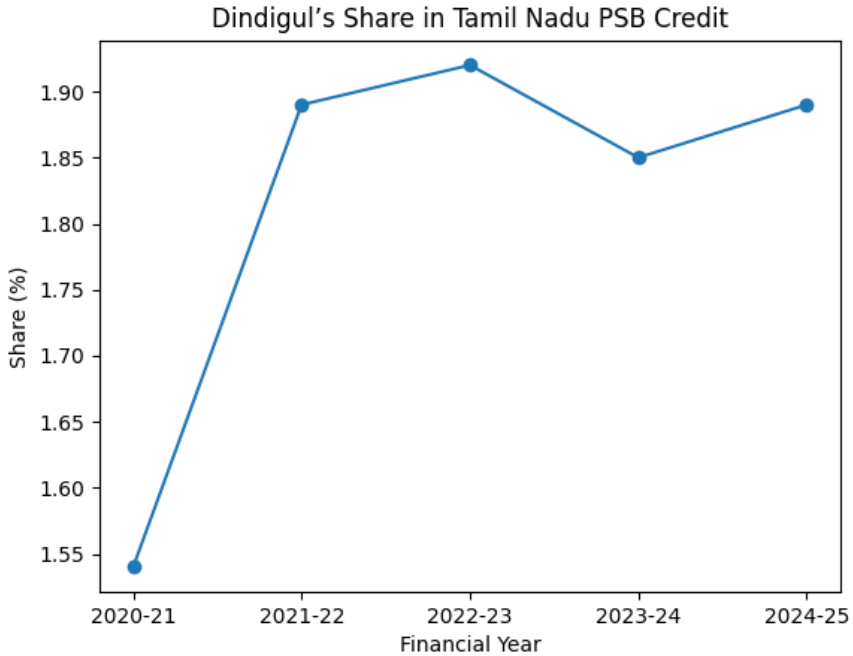


Figure 3 compares the YoY growth rates of Dindigul (blue bars), and Tamil Nadu (orange bars). The growth rate of Dindigul was much greater during FY 2021-22 (27.39% vs. 4.18%), which suggests that the district has an active credit recovery after the pandemic. Subsequent years had a more converging growth rate, but Dindigul had higher or similar growth rates. Growth in Dindigul (16.23) was higher than that in Tamil Nadu (13.72) in FY 2024-25, implying it has maintained credit growth momentum.

Figure 4. Dindigul District's Share in Tamil Nadu PSB Credit (FY 2020-21 to FY 2024-25)



Interpretation:

Dindigul had a percentage growth of 0.38 points in the share in Tamil Nadu PSB credit between FY 2020-21 and FY 2022-23 with an increase in its share in Tamil Nadu PSB credit to 1.92%. However, the share declined slightly to 1.85% in FY 2023-24 before recovering to 1.89% in FY 2024-25.

The first increase in share (FY 2020-21 to FY 2022-23) indicates that the credit growth of Dindigul was higher than the state average in the period of post-pandemic recovery. The resultant slight decrease in FY 2023-24 can be indicative of quicker credit growth in other districts, especially metropolitan ones, and then before stabilizing in FY 2024-25.

Although the share of Dindigul is low at less than 2, the trend of improvement in the share since 1.54% in 2008 to 1.89% in 2013 is positive and shows Dindigul is slowly gaining momentum in contributing towards state-level credit deployment.However, there is still a lot of potential in additional improvement of the credit absorption capacity of the district.

Findings and Discussion

An examination of the Public Sector Bank credit in Dindigul and the Tamil Nadu of the period FY 202021 to FY 202425 provides some significant results.

According to the comparative analysis of the credit trends and growth rates, it is noted that the credit growth pattern in Dindigul District is more dynamic and higher in comparison with the credit growth pattern in Tamil Nadu. As such, the null hypothesis (H01) is disproven and the alternative hypothesis (H1) is accepted.

Moreover, the compound annual growth rate (CAGR) of Dindigul (17.29 per cent) is greater than the growth rate of Tamil Nadu (11.41 per cent), which is a definite difference in growth rates. The null hypothesis (H02) is, therefore, rejected and the alternative hypothesis (H2) accepted.

Dindigul has made slight improvement in the percentage of the total state credit, rising to 1.89 per cent out of 1.54 per cent, but this is not very much and it does not reflect the structural change. Thus, the null hypothesis (H03) is accepted.

To begin with, Dindigul had registered a much greater growth in credit than Tamil Nadu. The credit in Dindigul had a compound annual growth rate (CAGR) of 17.29 per cent compared to a CAGR of 11.41 per cent in Tamil Nadu. Equally, the total credit in Dindigul rose by 89.28 per cent within the study period as opposed to 54.05 per cent in Tamil Nadu. This implies greater credit growth on the district level.

Second, the analysis of year-on-year growth reveals that Dindigul had a higher growth, but more erratic than the growth of Tamil Nadu. Dindigul recorded the greatest growth in FY 2021-22 (27.39 per cent) which is a good indicator of post COVID recovery. Further years were characterized by moderated growth but still higher than that of the state.

Third, the proportion of Dindigul in the total credit of Tamil Nadu is comparatively low, in spite of the increased growth. The percentage rose by 1.54 per cent in FY 2020-21 to 1.89 per cent in FY 2024-25, which means that there is a slight improvement. It indicates that there is still concentration in credit distribution towards more economically developed parts of the state.

Lastly, the results point to a situation of regional differences in credit allocation. Tamil Nadu has steady and consistent growth whereas Dindigul has faster but not even growth. The findings suggest that an increasing growth at the district level is not always associated with a corresponding portion of state credit**.**

Conclusion

The current study involved the analysis of the credit growth and distribution of the Public Sector Bank in Dindigul District against the Tamil Nadu over the post-COVID period of FY 202021 to FY 202425. Results show that the rate of credit growth in Dindigul has been considerably higher with CAGR of 17.29 per cent against 11.41 per cent in Tamil Nadu and this shows good credit recovery at the district level post-pandemic.

But, even with this increased growth, the proportion of Dindigul in total state credit has not been very great, rising only slightly, by as much as 1.54 per cent to 1.89 per cent throughout the period covered by the study. This underlines the continuation of regional inequalities in credit allocation whereby a higher rate of growth at the district level does not always mean a corresponding growth in its supply to the state level credit.

Theoretically, the paper supports the argument that the dynamics of credit growth in semi-urban economies are not driven by demand side forces alone, but also structural and institutional constraints that influence the allocation of credit. Policy wise, the results show that specific policies are needed to increase credit penetration and better balance of financial resources in the regions.

The research adds to the literature available on the topic by offering a district-level view of the post-COVID credit dynamics that have not been sufficiently studied yet. Future studies can build on the analysis by including sector-specific data on credit, bank-level performance rates, and sophisticated econometric models to understand the causes of regional credit differences better.

Policy Suggestions

According to the study results, despite having a higher credit growth rate (CAGR of 17.29 per cent) than that of Tamil Nadu (11.41 per cent), Dindigul District share in the total state credit is only relatively low and at 1.89 per cent. The following policy measures are proposed in this respect:

First, the **targeted credit planning** on the district level is required to increase the share of Dindigul in the state credit. The Banks in the Public Sector are supposed to synchronize their lending policies with the economic potential in each district to balance the credit distribution in the region.

Second, **industries-specific credit growth** is to be given priority, especially in the agriculture, MSMEs, and related activities, which are the mainstay of the local economy of Dindigul. To boost the ability to absorb credit, it is advisable to strengthen the credit flow to these sectors, in order to boost sustainable economic growth.

Third, efforts should be increased on **financial inclusion** through financial literacy, expansion of digital banking facilities and enhancing access to institutional credit by underserved groups. This would assist in converting credit expansion into including development.

Fourth, **access barriers** can be minimized by enhancing credit infrastructure by simplifying loan procedures, accelerating credit appraisal systems, and using digital lending platforms to enhance efficiency in delivering credit.

Lastly, the policy should aim at minimizing the **regional difference** in credit disbursement through a more equalized institutional finance of the districts hence aiding harmonious economic growth in the state.

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