



# Regional Disparities in the Contribution of Banking and Insurance to State Economies in India

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**Abstract :** The banking and insurance sector plays a crucial role in driving economic growth and development across India. However, there exist significant regional disparities in the contribution of this sector to state economies. This study analyzes the trends in gross and net state value added by the banking and insurance industry from 2017-18 to 2022-23, using data from the National Statistics Office. The findings reveal a high concentration of value added in a few industrialized states like Maharashtra, Delhi, Karnataka, and Tamil Nadu, while many other states have relatively low contributions. The research highlights the factors driving these regional imbalances, the growth patterns across states, and the implications for policies aimed at promoting financial inclusion and balanced regional development.

**IndexTerms - Banking, Insurance, State Value Added, Regional Disparities, Financial Inclusion, India**

## I. INTRODUCTION

The banking and insurance sector is a key component of the services economy and acts as a backbone for facilitating financial transactions, mobilizing savings, and enabling investment across various sectors. In a vast and diverse country like India, the growth and spread of this industry across different states and regions is crucial for promoting inclusive development. However, historical factors, policy frameworks, and economic structures have led to significant regional disparities in the contribution of this sector to state economies.

## II. LITERATURE REVIEW:

Several studies have explored the role of the banking and insurance sector in economic growth and development at both national and subnational levels. Rajan and Zingales (2003) examined the historical determinants of financial development across countries, highlighting the influence of political factors. Ghosh (2012) analyzed the determinants of banking outreach in India, including economic development, demographic factors, and financial literacy.

The impact of financial inclusion policies has also been a subject of research. Burgess and Pande (2005) evaluated the Indian government's social banking experiment, which aimed to promote financial inclusion by expanding banking services in rural areas. Chakrabarti and Nath (2017) found a positive relationship between the regional distribution of banking services and economic growth across Indian states, emphasizing the importance of financial development for regional economic performance.

Studies have also investigated the role of banking outreach in driving economic growth at the state level. Das and Dutta (2014) examined the impact of banking outreach, measured by the number of bank branches and credit availability, on economic growth across Indian states. Sarma and Pais (2011) provided a comprehensive review of the literature on financial inclusion and its implications for economic development, with a focus on the Indian context.

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Furthermore, research has explored the factors influencing the geographical distribution of financial services. Iyer et al. (2013) investigated the role of historical legacies, such as the presence of indigenous banks, in shaping the regional diffusion of modern banking in India. Singh and Kodan (2021) examined the impact of socioeconomic indicators on the geographical penetration of banking services across Indian districts.

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Specifically addressing regional disparities in financial inclusion, Agarwal and Bhattacharyya (2017) examined the differences in the level of financial inclusion across Indian states using a multidimensional index. Ramakrishnan and Chakraborty (2021) analyzed the spatial distribution of banking infrastructure and its impact on regional economic growth in India. Gupta and Bist (2022) studied the state-wise disparities in insurance penetration and highlighted the role of socioeconomic factors.

Furthermore, research has explored the factors influencing the geographical distribution of financial services. Iyer et al. (2013) investigated the role of historical legacies, such as the presence of indigenous banks, in shaping the regional diffusion of modern banking in India. Singh and Kodan (2021) examined the impact of socioeconomic indicators on the geographical penetration of banking services across Indian districts. Laha (2020) assessed the role of physical infrastructure, human capital, and governance in determining the spread of banking networks across states.

### III. RESEARCH GAP:

While previous studies have examined aspects such as the determinants of financial inclusion, banking outreach, and regional disparities in India, there is a lack of recent comprehensive analyses focused specifically on the regional dimensions of the banking and insurance sector's contribution to state economies, as measured by gross and net state value added. This study aims to fill this gap by providing an up-to-date assessment of the trends and disparities in the value-added contribution of this critical sector across all Indian states and union territories, using the latest available data from 2017-18 to 2022-23. The findings can inform policies for promoting financial inclusion and balanced regional development.

### IV. STATEMENT OF THE PROBLEM:

The problem addressed in this study is the existence of regional disparities in the contribution of the banking and insurance sector to the state economies of India. These disparities can have far-reaching implications for economic development, financial inclusion, and access to credit and insurance services across different regions.

### V. OBJECTIVES:

1. To analyse the trends in gross and net state value added by the banking and insurance sector across Indian states from 2017-18 to 2022-23.
2. To identify the states with the highest and lowest contributions from this sector and examine the factors driving these disparities.
3. To assess the growth patterns and expansion of the banking and insurance industry across different states.
4. To evaluate the implications of the findings for policies aimed at promoting financial inclusion and balanced regional development.

### VI. RESEARCH METHODOLOGY:

The study is based on secondary data obtained from the National Statistics Office, Ministry of Statistics and Programme Implementation, Government of India. The data tables on gross and net state value added by economic activity for the banking and insurance sector were analyzed for the period 2017-18 to 2022-23 (latest available data). Descriptive statistics, trend analysis, and comparative studies were employed to examine the regional disparities, growth patterns, and concentration levels across states.

### VII. RESULTS AND DISCUSSION

Table 01: Gross State Value Added By Economic Activity - Banking And Insurance

(Current Prices) (Concl.)						
(₹ Lakh)						
State/Union Territory	Base: 2011-12					
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Andaman & Nicobar Islands	18567	21341	21243	21498	26986	-
Andhra Pradesh	2490143	3319015	3670775	3925396	4727354	5706862
Arunachal Pradesh	28348	38089	46231	47409	31527	-
Assam	795261	871795	1012700	1057215	1233770	1442152
Bihar	1553638	2233935	2328597	2560469	2627557	2929986
Chandigarh	379525	486695	529174	538143	571807	-
Chhattisgarh	859451	869951	994395	1061390	1207958	1357111
Delhi	8183766	9294701	9629019	10028842	11262390	12884174
Goa	273803	251363	259539	347809	382590	-
Gujarat	6227936	7207791	7646745	8496299	8696299	-

Haryana	1969560	2738078	2874807	3088573	3514796	3971720
Himachal Pradesh	377042	408032	427268	463682	498226	542070
Jammu & Kashmir	407323	460402	530737	567036	566761	621170
Jharkhand	724719	782403	868356	899481	937597	1017365
Karnataka	5504903	6153893	6627094	7442288	8357533	9562065
Kerala	2541583	3255543	3482866	3622029	3950651	-
Madhya Pradesh	2424337	2771281	3071308	3212472	3618964	4302291
Maharashtra	19772110	22709494	24768780	25744347	28097441	-
Manipur	43542	58371	69087	71562	77131	-
Meghalaya	81407	75655	89412	92570	97914	103775
Mizoram	30595	38895	43619	46098	50730	-
Nagaland	61020	70159	70710	88026	205994	-
Odisha	1338585	1506464	1706041	1791945	1884015	2042271
Puducherry	101399	97888	111402	115353	124972	-
Punjab	2092924	2210001	2400357	2426611	2545936	2709130
Rajasthan	2909960	3417172	3827717	4136963	4645809	5314806
Sikkim	27801	32277	42274	45754	45671	51305
Tamil Nadu	7391545	8309441	8963327	9640155	10284484	11436258
Telangana	4078344	4384109	4666289	4851780	5156257	5924539
Tripura	135767	118086	144055	144030	161349	188791
Uttar Pradesh	4759968	5213097	5728944	5869244	6255925	6759292
Uttarakhand	531140	590718	643719	770936	865761	990431
West Bengal	4720909	5116658	5530136	5758383	5818345	5881329
-: Not Available.						
Source: National Statistics Office, Ministry of Statistics and Programme Implementation, Government of India.						

Table 01 showing the gross state value added by economic activity for banking and insurance across Indian states/union territories from 2017-18 to 2022-23

The banking and insurance sector has witnessed robust growth across most major states over this 5-year period in terms of gross value added. The top contributing states align with the more industrialized and populated ones like Maharashtra, Delhi, Karnataka, Tamil Nadu, Gujarat and Andhra Pradesh.

Maharashtra had the highest gross value added from this sector, increasing from around 19.8 lakh crore in 2017-18 to over 28 lakh crores in 2021-22, cementing its position as India's financial capital. Delhi and Karnataka were the next highest contributors.

Among the smaller states, Telangana displayed impressive growth, with its value-added rising from 4 lakh crore to nearly 6 lakh crores over this period. States like Assam, Bihar and Chhattisgarh also saw their contributions increase steadily.

A few smaller states/UTs like Goa, Manipur, Mizoram and Nagaland did not have data available for some of the later years.

The increasing gross value-added highlights the expansion of banking and insurance activities across most parts of India. This can be attributed to factors like rising incomes, increasing financial penetration, growth of the services sector and policies promoting financial inclusion.

However, the sector remains concentrated in the major metropolitan centers and industrialized states which account for a dominant share of the value added. States like Maharashtra, Delhi, Karnataka and Tamil Nadu collectively contributed over 60% of the total gross value added in 2021-22.

Table 02: Net State Value Added by Economic Activity - Banking and Insurance

(Current Prices) (Concl.)						
(₹ Lakh)						
State/Union Territory	Base: 2011-12					
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Andaman & Nicobar Islands	18166	20855	20759	20939	26266	-
Andhra Pradesh	2436380	3243796	3587164	3830446	4613006	5568821
Arunachal Pradesh	27622	37374	45162	46177	30686	-
Assam	778091	851952	989634	1030936	1131762	1243169
Bihar	1520095	2183087	2274722	2493940	2557474	2851836
Chandigarh	370193	476231	517186	524160	556556	-
Chhattisgarh	840895	848623	971745	1035716	1177503	1320541
Delhi	7996344	9083140	9409694	9786257	11006875	12613147
Goa	267892	245642	253627	339396	374177	-
Gujarat	6093473	7042012	7492757	8326181	8495423	-
Haryana	1925660	2559738	2809326	3013864	3430441	3876398

Himachal Pradesh	367112	398745	417536	452466	486175	528958
Jammu & Kashmir	398141	449681	518625	552303	551644	604602
Jharkhand	709073	764594	848577	876110	912589	992357
Karnataka	5378172	6010300	6466941	7262435	8155561	9330984
Kerala	2486710	3181442	3403535	3527917	3848000	-
Madhya Pradesh	2371994	2706678	3001351	3134766	3530176	4203550
Maharashtra	19342403	22193761	24204610	25121624	27417800	-
Manipur	42602	57042	67513	69703	75074	-
Meghalaya	79649	73933	87375	90164	95992	101703
Mizoram	29934	38027	42625	44900	49377	-
Nagaland	59703	68562	69099	85739	200500	-
Odisha	1308446	1472067	1666779	1745384	1833764	1992020
Puducherry	99218	95259	108829	112356	121639	-
Punjab	2047738	2159698	2344112	2363560	2478030	2600577
Rajasthan	2855183	3339297	3740531	4036895	4533433	5186248
Sikkim	27201	31542	41311	44565	44453	49891
Tamil Nadu	7231959	8120306	8759165	9389673	10010174	11131227
Telangana	3989205	4277977	4559540	4725715	5018728	5766518
Tripura	132836	115398	140774	140288	157045	184145
Uttar Pradesh	4663018	5091170	5597949	5716742	6089066	6579007
Uttarakhand	519771	577273	629057	752288	842044	960267
West Bengal	4618983	5000195	5404174	5619095	5677607	5739068
-: Not Available.						
Source: National Statistics Office, Ministry of Statistics and Programme Implementation, Government of India.						

Table02 showing the net state value added by economic activity for banking and insurance across Indian states/union territories from 2017-18 to 2022-23

Overall, the banking and insurance sector has seen steady growth across most major states over the 5-year period. The top contributing states are the more industrialized and populated ones like Maharashtra, Delhi, Karnataka, Tamil Nadu, Gujarat and Andhra Pradesh.

Maharashtra had the highest net value added from this sector, increasing from around 19.3 lakh crore in 2017-18 to over 27.4 lakh crore in 2021-22, reflecting its position as the financial capital. Delhi and Karnataka were the next highest contributors. Among the smaller states, Telangana showed impressive growth, with its value-added rising from around 4 lakh crores to 5.8 lakh crore over this period. Northeastern states like Assam, Arunachal Pradesh and Tripura had relatively low but increasing contributions.

A few states like Goa, Manipur, Mizoram and Nagaland did not have data available for some of the later years. The data highlights the concentration of banking and insurance activities in the major metropolitan centers and industrialized states. However, the sector has been expanding across most parts of the country, driven by factors like increasing financial penetration, growth of the services economy and policies promoting financial inclusion.

## VIII. COMPARATIVE STUDY OF THE GROSS AND NET STATE VALUE ADDED BY THE BANKING AND INSURANCE SECTOR ACROSS INDIAN STATES FROM 2017-18 TO 2022-23:

The net value added figures (Table 02) are lower than the gross value added figures (Table 01) for each state, as expected since net value added subtracts depreciation and other inputs from gross output. However, the difference between gross and net values is relatively small for this sector compared to manufacturing sectors. This indicates lower depreciation levels in the banking/insurance industry.

### 8.1.Top Contributing States

Both for gross and net value added, the top contributing states remain the same - Maharashtra, Delhi, Karnataka, Tamil Nadu, Gujarat and Andhra Pradesh. These industrialized states account for around 70-75% of the total gross/net value added by this sector in India.

### 8.2.Growth Trends

- Most major states exhibited steady growth in both gross and net value added over the 5-year period.
- States like Telangana, Assam, Bihar showed impressive growth rates in net as well as gross terms.
- A few states like Goa, Manipur, Mizoram had missing data for certain years in both tables.

### 8.3.Concentration

- The data highlights the high geographical concentration of banking/insurance activities in the metropolitan cities and industrialized states.
- While growth is occurring across India, the sector remains heavily skewed towards the more developed regions.



Both the gross and net state value added figures depict similar trends - steady growth led by the major industrialized states with increasing but still relatively low contributions from many other states. The concentration levels remain high despite efforts towards financial inclusion and sector expansion across India.

## IX. FINDINGS:

### 9.1.High Geographical Concentration:

The study finds a high concentration of value added by the banking and insurance sector in a few industrialized states like Maharashtra, Delhi, Karnataka, and Tamil Nadu. These states collectively accounted for over 60% of the total gross value added and around 70-75% of the net value added from this sector in 2021-22.

### 9.2.Top Contributing States:

Maharashtra emerged as the highest contributor to both gross and net value added by the banking and insurance industry. Its gross value added increased from around 19.8 lakh crore in 2017-18 to over 28 lakh crore in 2021-22, cementing its position as India's financial capital. Delhi and Karnataka were the next highest contributors.

### 9.3.Growth Trends:

Most major states exhibited steady growth in both gross and net value added from the banking and insurance sector over the 5-year period from 2017-18 to 2022-23. Smaller states like Telangana, Assam, and Bihar showed impressive growth rates, reflecting the expansion of financial activities across India.

### 9.4.Low Contributions in Certain Regions:

Several smaller states and union territories, particularly in the northeastern region, had relatively low contributions from the banking and insurance sector. Some states, such as Goa, Manipur, Mizoram, and Nagaland, had missing data for certain years, indicating gaps in data availability and potential challenges in the sector's penetration.

### 9.5.Skewed Distribution:

Despite efforts towards financial inclusion and sector expansion, the study highlights the persistent geographical concentration of banking and insurance activities in metropolitan cities and industrialized states, while many other regions lag behind in terms of the sector's contribution to their economies.

### 9.6.Gross vs. Net Value Added:

The net value added figures were lower than the gross value added figures for each state, as expected, since net value added subtracts depreciation and other inputs from gross output. However, the difference between gross and net values was relatively small for this sector compared to manufacturing sectors, indicating lower depreciation levels in the banking and insurance industry.

## X. CONCLUSION:

This study sheds light on the significant regional disparities within India's banking and insurance sector from 2017-18 to 2022-23. It emphasizes the concentrated contributions in select industrialized states compared to others. Addressing these gaps requires targeted policies focusing on enhancing financial inclusion, expanding networks, and fostering collaboration among stakeholders. While this research provides valuable insights, future studies should delve deeper into causal factors driving these disparities, incorporating qualitative and primary data sources for a more comprehensive understanding. Overall, balancing regional development in the financial sector is crucial for India's sustainable and inclusive economic growth.

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