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## **IMPACT OF CREDIT CREATION BY SCHEDULED COMMERCIAL BANKS (SCBS) ON VARIOUS ECONOMIC SECTORS IN INDIA IN AN INPUT OUTPUT FRAMEWORK**

**HARSH KUMAR\***

\*Research Scholar,  
Birla Institute of Management Technology (BIMTECH),  
Greater Noida.  
Ex Assistant VP,  
Cluster Head, Banking Operations,  
Yes Bank Ltd.,  
India.

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### **ABSTRACT**

*The Research Paper seeks to find in quantitative terms, the 'inter' as well as 'intra' relationship among banking sector and rest of the economic sectors in an Input Output framework. The National Input Output Table (130x130) that is available for 2006-07 is used for the first time in management for this purpose. The Research Paper can be of importance to Policy makers. The long term vision of Priority Sector lending and larger objective of equitable distribution can be placed in better perspective by studying values of contribution of banking to various sectors such as Agricultural sub-sectors and Industrial production sub-sectors. The National Input Table 2007 is used to find the inverse i.e.  $(I-A)^{-1}$  post which the 129 sectors of the economy are re-grouped in terms of 8 major sectors to match the Credit Creation data of Scheduled Commercial Banks (SCBs) for the financial year 2006-07. The actual credit data from Central Statistical Organization (CSO) and Reserve Bank of India (RBI) pertains to 8 major sectors of the economy with 16 heads under 'Industry' sector alone and further 40 sub-heads. The same have been carefully matched for the application of input output analysis on the actual figures. The direction of credit allocation by SCBs shows that priorities of government/policy makers are on right track. Though, the quantum of credit may leave us demanding more from banks. The focus of policy makers should be on developing those sub-sectors where India has comparative advantage in terms of gaining by way of exports. This long run implication of banking credit to rest of the economy is given in a snapshot form in an Input Output framework.*

**KEYWORDS:** Credit Creation, Input Output Analysis, Leontief Inverse, Priority Sector lending, Scheduled Commercial Banks.