

PERFORMANCE OF BANKS IN KERALA IN HOUSING FINANCE: A CLOSER LOOK INTO THE KERALA-BASED PRIVATE BANKS

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Abstract

Kerala has one of the best private banking infrastructure in the whole of India. At present, four out of the total twelve Old Private sector Banks (OPBs) in India are of Kerala-based OPBs. Housing being a fundamental pre-requisite of human life, it is a top priority of the Government. The commercial banks (CBs) in general and the Private sector Banks (PVBs) in particular including the OPBs have been in the forefront of promoting housing finance as it is a highly secured category of retail credit which has the highest asset quality or the lowest NPA level. Focusing on the Kerala-based OPBs (KOPBs) this study closely looks into the performance of KOPBs in the housing finance front and suggests strategies for their superior performance.

Keywords: Retail Credit, Housing Finance, MGR, PMAY, Digital India, ICT, CLM.

1. INTRODUCTION

Kerala State in the Indian union has one of the best private banking infrastructure in the whole of India. In the princely States of Kerala (viz. State of Travancore and State of Cochin) as well as in Malabar Province of British India – these three areas (Travancore, Cochin and Malabar) together constitute today's unified 'Kerala' or the State of Kerala in Union of India – banking used to be one of the most prominent business activity in the 20th century. Even in the 19th century there was a bank in 'Kerala' (then, Malabar province) – viz. Nedungadi Bank started by Appu Nedungadi in Kozhikode in 1899 – the oldest among the Kerala-based private banks.

Given the excellent history of private banking in Kerala and one of the best network of bank branches even today in 2024, with 4 out of the total 12 Old Private sector Banks (OPBs) now functioning in this small southernmost State in the union of India, this paper looks into the performance of OPBs in Kerala with a focus on housing finance. Housing finance is one of the most noticeable retail credit products and also a topmost Governmental priority, and hence this products is focused in this paper. So, the performance of the Kerala-based OPBS (KOPBs) with special reference to housing finance, including the asset quality of HL accounts over the years and such allied aspects relating to HL advance, are sought to be analyzed in this paper.

2. OBJECTIVES OF THE STUDY

- (i) To make an overall study of track record of Kerala in private banking and present status;
- (ii) To study the performance Kerala-based banks with a focus on their housing loans (HL) portfolio including the asset quality of HL accounts and allied aspects; and
- (iii) To suggest strategies for the sustained HL growth based on the findings of the study.

3. RESEARCH QUESTIONS

- (i) What has been Kerala's track record in private banking and what is its current status?
- (ii) How is the performance of Kerala based banks, especially in their HL credit?
- (iii) What could be the strategies that can ensure the sustained growth of HL credit?

4. PREVIOUS STUDIES

JLL (2022) [1] has noted the significant improvement in the transparency of India's housing and real estate sector as of 2022 in the aftermath of the landmark RERA Act 2016 which came into effect in India from 01 May 2017 as per JLL's latest industry research report, June 2022. ICRA (2023)[2] has discussed the bright prospects of affordable housing finance companies (AHFCs) – the specialised HFCs that provide housing finance to the poor and the marginalised. Harris and Arku (2006)[3] have concluded based on an detailed analysis of post-1945 global experiences that housing drives economic growth. George (2007)[4] has noted special status of Kerala banks in India and analysed their growth. GOI's journal *Yojana* (2023)[5] has noted the India's high GDP growth vis-à-vis other nations. Similarly, GOI's annual publication on the Indian economy *Economic Survey* (2023)[6] has noted the India's high economic growth.

National Housing Bank (NHB)(2024)[7] has discussed the developments in housing finance sector in India as of FY 2023, and also key events till Sept. 2023. HDFC Securities (2023) [8] has discussed the major developments in housing finance, including the gradually declining share of 'small-ticket' housing loans and ever growing trend in big-ticket (luxury) loans. Manoj, P.K. (2022)[9], has noted the utmost need for ESG adoption for the sustainability of business in the ongoing globalised regime. So, almost all of these studies have noted the high economic growth (GDP growth) of India, and high growth potential of the housing sector. Manoj, P.K. (2005)[10] 'Cost accounting systems in Banks-for strategic advantage through effective cost management' observes the key relevance of scientific cost management in banks.

Manoj, P.K. (2005) [11], 'Scientific pricing of bank products through cost accounting-a vital need in the LPG regime', has noted the special need for scientifically pricing the bank products. Manoj, P.K. (2014)[12], Role of ICT in Women Empowerment: A Study with a Focus on 'Kudumbashree' programme in Kerala State of India, has noted the vast scope of women-based empowerment programme *Kudumbashree* in empowering women through its own women-run SHGs. Knight Frank (2023) [13] has noted the vast scope of SFH (single family housing) while the report by IFC (2019)[14]

has noted that 'Green' options can ensure sustainable housing. K.K Nasar and P.K Manoj (2014)[15] 'Factors influencing the purchase of apartments: some empirical evidence' have noted the main factors influencing purchase decision of apartments, like, reputation of the developer, quality, price etc. These studies signify the need for financial inclusion and also the need for inclusive and environment-friendly growth of housing credit.

Many studies have noted ICT adorns a key position as a catalyst of fast economic growth, including growth of diverse sectors like housing; as well as the growth of the rural economy, empowerment of women, etc. The prospects of the ICT industry too were studied by some scholars, like, Manoj (2007)[16] 'ICT industry in India: a SWOT analysis' who made a macro level study of India's ICT industry and noted its vital significance in India. Pickens (2009)[17] has noted how a common ICT gadget (mobile phone) played a key role in financial inclusion, women empowerment and rural development through 'banking the unbanked' in Philippines. Manoj (2010)[18] 'Impact of technology on the efficiency and risk management of old private sector banks in India: Evidence from banks based in Kerala' has noted that ICT usage by banks could make them more efficient. Growing role of ICT in banking, including housing finance, is also noted in two reports: (i) *Banking*, (ii) *Real Estate*, of India Brand Equity Federation.(IBEF. 2023)[19]; thus ICT adoption has become an imperative in India's banking and health sectors.

A study by Nasar and Manoj (2013)[20] 'Customer satisfaction on service quality of real estate agencies: An empirical analysis with reference to Kochi Corporation Area of Kerala State in India' has noted that greater awareness be provided to real estate agents, and that transparency and social networking are needed for customer service and business growth. Manoj (2013)[21] 'Prospects and Challenges of Green Buildings and Green Affordable Homes: A Study with Reference to Ernakulam, Kerala' has noted the good growth potential of green homes as they create huge employment avenues and ensure fast economic growth also. Varghese, K.X, and Manoj, P.K. (2013)[22], 'Educational loans and the higher education sector in India' have noted that study loans can improve HR quality and youth employability, and so they must be promoted.

Manoj, P.K. (2015) [23] 'International Container Transshipment Terminal (ICTT) and its impact on coffee exports from India: An analysis' has noted ICTT's key role in boosting exports and economic growth. Manoj, PK (2009)[24], *Special economic zones in India: financial inclusion: challenges and opportunities* has noted the role of SEZs for fast economic growth. Manoj, P.K.(2017)[25] 'Segmentation Strategy for Promotion of Ecotourism Products: Evidence from Thenmala Ecotourism' the author suggests meticulous planning with tourists' segmentation for economic growth via tourism. Manoj, P.K. (2010)[26] 'Determinants of profitability and efficiency of old private sector banks in India with focus on banks in Kerala state: An econometric study' has sought to pinpoint the exact influencing variables that drive the efficiency and operational performance of Kerala-based private banks.

Manoj, P.K. (2010)[27] 'Prospects and Problems of Housing Microfinance in India: Evidence from "Bhavanashree" Project in Kerala State' has sought to probe into the major prospects and problems faced by HMF (housing micro finance) in Kerala with a focus on 'Bhavanashree' project of Kerala-Govt. sponsored 'Kudumbashree' which strives to empower poor women.

Manoj, P.K. (2010) [28]. 'Benchmarking housing finance companies in India: Strategies for enhanced operational efficiency and competitiveness' has sought to make a comparative study of the performance of HFCs (housing finance companies) in India using benchmarking and hence to suggest strategies for their superior financial performance and competitiveness. Manoj (2016) [29] "Bank marketing in India in the current ICT era: Strategies for effective promotion of bank products" observed ICT-enabled marketing as a key need for India's banking sector in this digital era. A study by Lakshmi and Manoj (2017) [30] "Service quality in rural banking in north Kerala: A comparative study of Kannur district co-operative bank and Kerala Gramin bank" has pointed out that KGB could make greater use of ICT than KDCB.

A paper by Lakshmi and Manoj (2017) [31] "Rural Customers and ICT-based Bank Products A Study with a Focus on Kannur District Co-operative Bank and Kerala Gramin Bank" has observed that ICT-enabled services of Kerala Gramin Bank(KGB) have been accepted to a greater level than KDCB's non-ICT-enabled services. A joint study by Joju, Vasantha, and Manoj (2017) [32] "Future of brick and mortar banking in Kerala: Relevance of branch banking in the digital era" has observed the vital need for 'human touch' as in 'brick and mortar' banking even if ICT or virtual banking is the new normal. Another study by Joju, Vasantha, and Manoj (2017) [33] "Financial technology and service quality in banks: Some empirical evidence from the old private sector banks based in Kerala, India" has observed that Fin-Techs could significantly enhance quality of banking service and they have become essential for superior service delivery by banks.

Manoj (2017) [34] "Construction costs in affordable housing in Kerala: Relative significance of the various elements of costs of affordable housing projects" ordered the different elements of cost based on their relative priority for effective control of costs, and ICT has been noted to be a vital tool for effective cost control. Manoj (2017) [35] "Cost management in the construction of affordable housing units in Kerala: A case study of the relevance of earned value analysis (EVA) approach" has demonstrated that EVA could be a powerful tool for effective control of construction costs. Joju, Vasantha, and Manoj (2017) [36] "Electronic CRM & ICT-based banking services: An empirical study of the attitude of customers in Kerala, India" has noted the key significance of ICT-based banking practice called e-CRM (Electronic Customer Relationship Management) as an enabler of efficient and competitive banking, along with noting good feedback of customers to latest ICT-based products like e-CRM.

Another CRM paper relating to bank management area by Manoj (2018) [37] "CRM in old private sector banks and new generation private sector banks in Kerala: A comparison" has noted that CRM adoption by the new private sector banks (NPBs) being to a greater extent than that of the old private sector banks (OPBs) particularly in respect of the latest ICT-enabled or Electronic version of CRM (i.e. e-CRM); thus enabling the NPBs to get a clear competitive edge in the market vis-à-vis the OPBs. Manoj (2019) [38] "Social banking in India in the reforms era and the case of financial inclusion: Relevance of ICT-based policy options" has suggested ICT-based strategic options to enhance social banking that fits into the current digital banking regime. Manoj (2019) [39] "Dynamics of human resource management in banks in the ICT era: A study with a focus on Kerala based old private sector banks" observed the key relevance of ICT-enabled policies for the management as well as development of bank staff in this very competitive digital era.

Manoj (2019) [40] “Competitiveness of manufacturing industry in India: need for flexible manufacturing systems” pointed out the vital significance for adoption of ICT and other technological advances like flexible manufacturing systems (FMS) in India. A paper by Joju and Manoj (2019)[41]“Digital Kerala: A study of the ICT Initiatives in Kerala state” has studied the main ICT initiatives in Kerala, the State with many unique ‘firsts’ in India (topmost internet penetration, universal literacy etc.) and has suggested strategies for the better use of Kerala’s vast ICT potential for its faster economic development.

Joju and Manoj (2019)[42] “Banking Technology and Service Quality: Evidence from Private Sector Banks in Kerala” have observed ICT as an enabler of banking quality and as such ICT-adoption should be boosted. Ali and Manoj (2020) [43] ‘Impact of Falling Price of Rubber-A Case Study of Kothamangalam Taluk in Ernakulam District’ has noted that frequent price falls affect the livelihood of rubber farmers and that governmental interventions are vital. Manoj (2015) [44] ‘Prospects of Responsible Tourism in Kerala: Evidence from Kumarakam in Kottayam District’ has noted that responsible tourism has vast potential for supporting economic growth, if duly promoted. Manoj (2016) [45] ‘Determinants of sustainability of rural tourism: a study of tourists at Kumbalangi in Kerala, India’ has identified the key factors that affect rural tourism sustainability and offered strategies like upgrading digital (ICT) resources.

Manoj (2015) [46] ‘Impact of Rural Tourism on the Environment and Society: Evidence from Kumbalangi in Kerala, India’ noted that adverse impacts are imminent in rural tourism and hence it is vital to curb them. Manoj, P.K. (2023) [47] ‘Housing Sector in India: An ESG Route into a Greener Future’ has noted imminent need for an ESG approach for the long term sustainability of the housing sector in India. Manoj (2019)[48] “Tourism Sector in Kerala in the Post-Flood Scenario: Strategies for its Sustainable Growth With a Focus on Responsible Tourism” observed the crucial part that RT could play for revival of flood-hit Kerala economy. Saritha and Manoj (2023) [49], ‘Social inequalities in IT sector: Evidence from Kerala State in India’ find inequality among Kerala’s IT sector employees and argue that it must be curbed.

Manoj, P.K. (2015) [50] ‘Housing Microfinance: A Study on Quality, Cost and Default Rate with Respect to Bhavanashree in Kerala’ has noted that housing microfinance (HMF) home loans have lower quality (higher NPAs) and also that their transactional costs are higher. Manoj (2023)[51] ‘Affordable Healthcare and Affordable Housing: Need for an Integrative Approach for the Holistic Growth of the Digital Economy of Kerala, India’, has noted that a knowledge society of Kerala must promote housing and healthcare sectors together using ICT. Krishna, S. and Manoj, P.K. (2023) [52] ‘Technological Advances and the Sustainability of Natural Rubber Cultivation in Digital India: A Study with a Focus on Kerala State’ has noted the key need of technology for the sustainability of rubber cultivation.

Manoj, P.K. (2023)[53] ‘ICT for Sustained Community Development in India in the 5G Era’ has noted that high-end ICT resources and internet connectivity boost economic growth. Pagani, et.al. (2023)[54] have noted spatiotemporal links between factors like housing, health etc. Khan, F. et. al.(2023)[55] ‘Housing Loans by Banks in Kerala and the Assurance Aspect of Service Quality: Housing Finance Strategies for the Banks in the Digital Era’ have noted the key role of the assurance aspect of service quality in the housing loan business of banks. Jose, A.K. et. al. (2023) [56] ‘Responsible Tourism, Economic Growth and Tourism Policies of Kerala’ have noted the need for

ICT-based tourism policies for Kerala's economic growth. Manoj, P. K. (2023) [57] 'Health Aspect in Housing Development for Attaining Greater Social Value: The Case of 'Affordable Housing For All' Goal in Digital India' has noted the need for an integrative housing and health policy in India. Khan, F. et. al. (2024) [58] 'Empathy of Bank Employees and Its Influence on Service Quality of Banks: Evidence from the Knowledge Economy of Kerala in Digital India' have noted that empathy is a key factor that ensures proper provide housing credit by banks.

Manoj, P. K. (2024) [59] 'Housing finance by banks and housing finance companies in India: A review' *Environment and Social Psychology*, has made a comparative study of commercial banks (CBs) and housing finance companies (HFCs), the major players in housing finance and noted the falling trend of the share of HFCs vis-à-vis CBs.

Manoj, P. K. (2024)[60] 'Formal Housing Finance System in Digital India: The Inclusiveness Imperative' in *Community Practitioner* has pointed out the utmost need for an inclusiveness in India's formal housing finance. Sruthy, K and Manoj, P.K (2024)[61] 'Sustainable Rubber Cultivation in Digital India: Technology-Based Interventions, Skill Development and Rubber-Based Enterprises' have noted that technology is an imperative or a key factor in respect of rubber cultivation in Kerala.

William George, A.J. and Manoj, P.K.(2024)[62]. 'Promotion of Green and Affordable Housing and Allied Sectors in India: For the Faster and Sustainable Economic Development in the Digital Era' has noted green housing as an imperative in India for its sustained growth.

In view of the foregoing analysis it is noted that not a single study focuses on the performance of Kerala-based Old Private sector Banks (KOPBs) in the housing finance arena. Hence, this study looks into the above area so as to suggest appropriate remedial measures.

5. SIGNIFICANCE OF THE STUDY

Kerala's superior status in private banking is well recognized in the literature; George (2007)[4] noted the special status of Kerala-based private banks and studied their growth, and so also Manoj, P.K.(2010) [18] in 'Impact of technology on the efficiency and risk management of old private sector banks in India: Evidence from banks based in Kerala' *European Journal of Social Sciences*, has noted the unique status of Kerala-based private banks in India.

Considering the fact that *Housing for All* [HFA] has been a national goal in India since 2015, and thereby the nation has been striving to attain shelter for households. Even though this national goal was supposed to be attained by 2022, that didn't happen till date. In fact, the target has since been extended till 31st Dec. 2024, and India is striving to attain the goal before this revised cut-off date, though it seems to be is rather difficult, as of now.

Besides a national priority in India, housing investment has always got the associated benefits that it brings with it the linkage effects. Thus, over 350 sectors that are allied to the housing sector also gets a 'growth trigger' as a consequence of the housing investment. This in turn results in faster economic development of the whole nation because of the growth stimuli created in multiple sectors of the economy. The fact is that the Mortgage to GDP Ratio (MGR) of India as a whole is only about 10 percent, as against more than 50 percent and even upto 80 percent for most other nations of

the world. This in turn points to the huge opportunities for further mortgage financing and also housing development in India. More so is the prospects of Kerala State in particular as Kerala is one of the State with low or at the most moderate level of housing development in the whole of India.

Thus, in view of the above, faster housing development in Kerala by way of more effective housing credit by the vast network of KOPBs in this State would also mean faster economic development of the whole Kerala State. So, in view of the vast network of bank branches in Kerala, especially those of the KOPBs, as well as the impeccable track record of the State in private banking in the whole of India, there is ample significance for assessing the performance of KOPBs with a focus on their exposure to housing finance activity in the State. Such a study can enable the design and development of suitable strategies for the faster housing finance and housing development in the State, and hence the overall economic development of the whole economy of this State.

6. RESEARCH DESIGN

Structured as a descriptive-cum-analytical-cum-exploratory research study, this paper basically depends on authentic secondary data for analysis and interpretation. Thus, data from authentic sources such as the Government publications whether of the Govt. of India (GOI) or those of the Govt. of Kerala (GOK), and also those of regulatory authorities, like, the National Housing Bank (NHB), Reserve Bank of India (RBI) etc. have been used. Commonly used statistical tools have been used for data analysis and interpretation.

The conceptual framework underlying this research paper is that of sustained economic development of any nation (like, India) or a State within it (like, Kerala) can be accelerated by way of promotion of housing finance.

7. KERALA'S TRACK RECORD IN PRIVATE BANKING AND ITS CURRENT STATUS

As noted earlier, banking was one of the most preferred business lines in the State of 'Kerala' as we call today—which was formerly three distinct regions viz: (i) Princely State of Travancore, (ii) Princely State of Cochin, and (iii) Malabar Province of British India.

Large number of such small private banking entities based in these three regions, however, vanished one after the other because of the pressures of competition, liquidity issues and such other diverse issues and challenges. Thus, because of various reasons, vast majority of such regional level small sized banking entities were either closed or they were amalgamated with stronger banks.

As of now only four banks remain in Kerala, and these constitute the Kerala-based Old Private sector Banks (KOPBs). Still, the four KOPBs constitute a one-third of the total twelve OPBs in India.

Table I shows a list of the regional level small private banking entities that existed in 'Kerala' (i.e. the three distinct regions of those days viz. Travancore, Cochin and Malabar), but disappeared in due course either through closure, amalgamation (take over) or the like.

Table I: Banks in Kerala (then, Travancore, Cochin and Malabar) that became defunct.

No	Names of the Banking entities [@]	Period	Remarks
01	Bank of Alwaye	1942-1965	Amalgamated with SBT*
02	Bank of Cochin	1928-1985	Amalgamated with SBI**
03	Bank of New India	1944-1961	Amalgamated with SBT*
04	Chaldean Syrian Bank	1018-1965	Amalgamated with SBT*
05	Champkulam Catholic Bank	1929-1964	Amalgamated with SBT*
06	Cochin Nayar Bank	1929-1964	Amalgamated with SBT*
07	Kottayam Orient Bank	1926-1961	Amalgamated with SBT*
08	Latin Christian Bank	1927-1964	Amalgamated with SBT*
09	Travancore Forward Bank	1921-1961	Amalgamated with SBT*
10	Vasudeva Vilasam Bank	1930-1963	Amalgamated with SBT*
11	Travancore Bank	1945-2017	Later became SBT* and later on SBI**
12	North Malabar Gramin Bank (NMGB)	1975-2013	Merged with SMGB to form KGB in 2013
13	South Malabar Gramin Bank (SMGB)	1975-2013	Merged with NMGB to form KGB in 2013
14	Bank of Kerala	1944-1961	Amalgamated with Canara Bank
15	Catholic Bank	1938-1961	Amalgamated with Syndicate Bank
16	Nedungadi Bank	1899-2003	Amalgamated with Punjab National Bank
17	Aleppey Bank	1919-1964	Amalgamated with Federal Bank
18	Chalakydy Public Bank	1929-1964	Amalgamated with Federal Bank
19	Cochin Union Bank	1932-1964	Amalgamated with Federal Bank
20	St. George Union Bank	1927-1965	Amalgamated with Federal Bank
21	Marthandom Commercial Bank	1950-1968	Amalgamated with Federal Bank
22	Mukkattukara Catholic Bank	1928-1964	Amalgamated with South Indian Bank
23	Venadu Bank	1934-1961	Amalgamated with South Indian Bank
24	Thiya Bank	1945-1964	Amalgamated with Lord Krishna Bank
25	Lord Krishna Bank	1940-2006	Amalgamated with Centurion Bank of Punjab which was later taken over by HDFC Bank.
26	Palai Central Bank	1927-1960	Liquidated by Kerala HC as per RBI request
27	Quilon Bank	1919-1937	Amalgamated with Travancore National & Quilon Bank and later liquidated in 1938.
28	The City Bank	1926-NA	The date of liquidation is not available (NA)
29	Travancore National Bank	NA-1937	Merged with Travancore National & Quilon Bank that was liquidated afterwards in 1938.
30	Travancore National & Quilon Bank	1937-1938	Liquidated by the Travancore Govt. in 1938.

Source: Authors' Compilation.

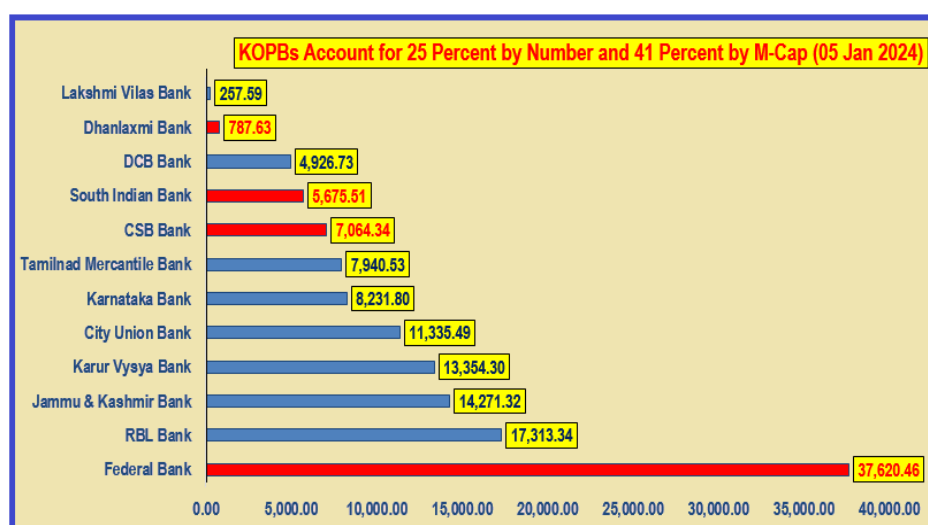
@ These banks were mostly incorporated as Limited Companies; the suffix 'Ltd.' is not shown.

* State Bank of Travancore (SBT) was the Kerala based State Bank group bank. SBT and 6 other Associates of

State Bank of India (SBI) were merged with SBI. Since 2017 SBI is the only State Bank group bank in India.

** State Bank of India (SBI) is the largest commercial bank in India-the State Bank of the whole nation.

From Table I, it may be noted that as high as 10 out of the total 30 private banks which were closed down or amalgamated or otherwise ceased to exist have ultimately become a part of the erstwhile SBT, the Kerala based State Bank group bank that is a part of SBI since 2017. Or, in other words, roughly one-third of such Kerala-based private banks were absorbed by the State Bank group family long back in the 1960s. (i.e. Banks listed as Nos. 1 to 10 in Table I). Of the rest, the Travancore Bank (i.e. No. 11 in Table I) is the one that became SBT later, and later on became a part of SBI because SBT and the other 6 associate banks were merged with their parent bank as part of a nation-wide drive that ended in 2017. Of the rest private banks based in Kerala two were Regional Rural Banks viz. North Malabar Gramin Bank (NMGB) and South Malabar Gramin Bank (SMGB) (Nos. 12 and 13 in Table I) were merged to form Kerala Gramin Bank (KGB) in 2013. Three other banks (Nos. 14 to 16 in Table I) viz. Bank of Kerala, Catholic Bank and Nedungadi Bank were amalgamated with three Public Sector Banks (PSBs) viz. Canara Bank, Syndicate Bank, and Punjab National Bank respectively. Regarding the rest banks, five banks (Nos. 17 to 21 in Table I) were amalgamated with Federal Bank (FB). In fact, FB is one of the 12 OPBs in India and is the strongest among the four KOPBs, the other three KOPBs being South Indian Bank (SIB), Dhanalakhmi Bank (DB), and Catholic Syrian Bank (CSB). The fact that FB could accommodate one-sixth of the total defunct private sector banks in the State of Kerala, rightly points out the strength of this KOPB which is the strongest among all OPBs in the whole of India in terms of market capitalization (Figure I). It is noted that two other private banks based in Kerala (Nos. 22 to 23 in Table I) were taken over by SIB, another KOPB. Another private bank viz. Thiya Bank (No. 24 in Table I) was taken over by Lord Krishna Bank (LKB). LKB (No. 25 in Table I) itself got amalgamated with Centurion Bank of Punjab in 2006, and the latter was later taken over by HDFC Bank. The rest five private banks (Nos. 26 to 30 in Table I) were all liquidated due to diverse reasons. So, it is noted that a half of the total defunct banks in Kerala later became a part of SBI and other PSBs, whereas about one-fourth of them became a part of the KOPBs like FB and SIB (Table I). As is evident from Figure I, the four KOPBs (especially FB) have got a very significant position among all the OPBs in India. Moreover, FB has the highest score in market capitalization. (Figure I).



Source: Based on Capital Market data on market prices of shares of banks in India

Figure I: Relative presence of KOPBs among OPBs in Market Capitalization.

8. PERFORMANCE OF KOPBs: AN ANALYSIS WITH A FOCUS ON HOUSING FINANCE

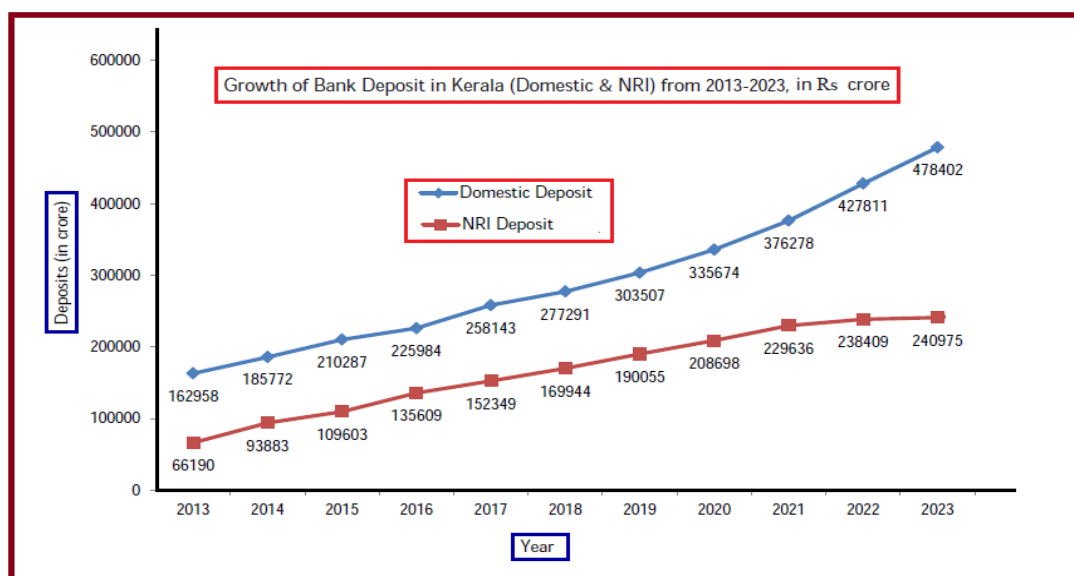
It is noted that the private banking network in Kerala is strong enough to account for roughly one-third of the total bank branches in the State, including almost one thousand branches of co-operative banks, and another thousand branches of Small Finance Banks (SFBs) and RRBs. If commercial banks alone are considered the branches of private banks (Nos 2536) account for 43.46 percent of the total, the remaining 56.54 percent (Nos 3299) being PSBs. (Table II).

Table II: Banks in Kerala (then, Travancore, Cochin and Malabar) that became defunct.

Sl. No.	Banking Group	Number of Branches			
		Rural	Semi-urban	Urban	Total
1	Public Sector Commercial Banks	143	2326	830	3299
2	Regional Rural Bank - Kerala Gramin Bank	53	542	39	634
3	Private Sector Commercial Banks	133	1786	617	2536
4	Small Finance Banks	151	129	39	319
5	Co-Operative Banks*	456	404	138	998
	Total	936	5187	1663	7786

Source: Govt. of Kerala (2024), *Economic Review 2023*, Jan. p. 28.

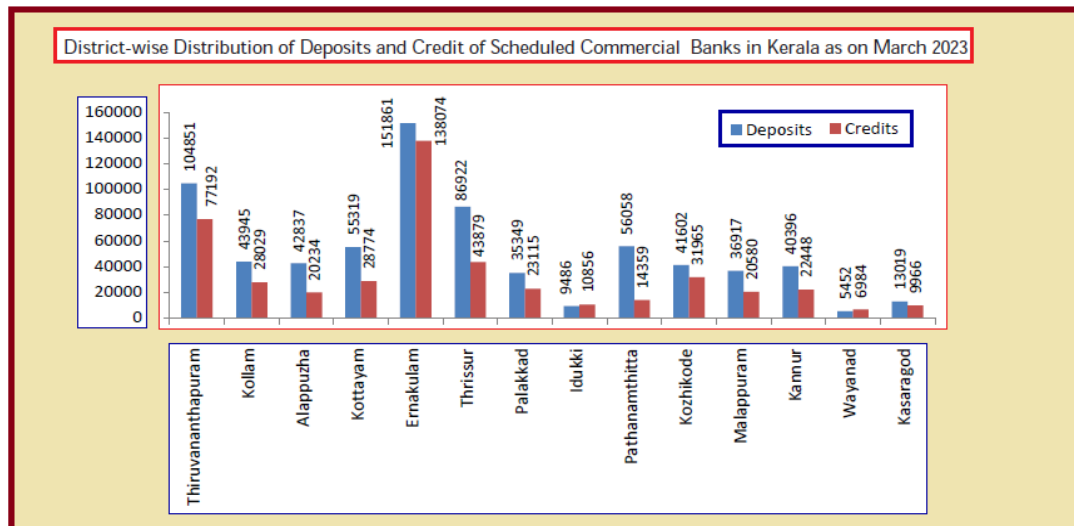
Regarding the lending business and deposit raising activities of the banks in Kerala, there has been a steadily growing trend in deposits, including the Non-Resident (NR) deposits. In respect of NR deposits, however, there is a stagnancy tendency since 2021 even though the general trend is that of growing; probably due to the adverse impact of Covid-19 impact and consequent return of Non-Resident Keralites (NRKs).



Source: Govt. of Kerala (2024), *Economic Review 2023*, Jan. p. 29.

Figure II: Performance of Kerala's Banking Sector in Deposits Mobilization.

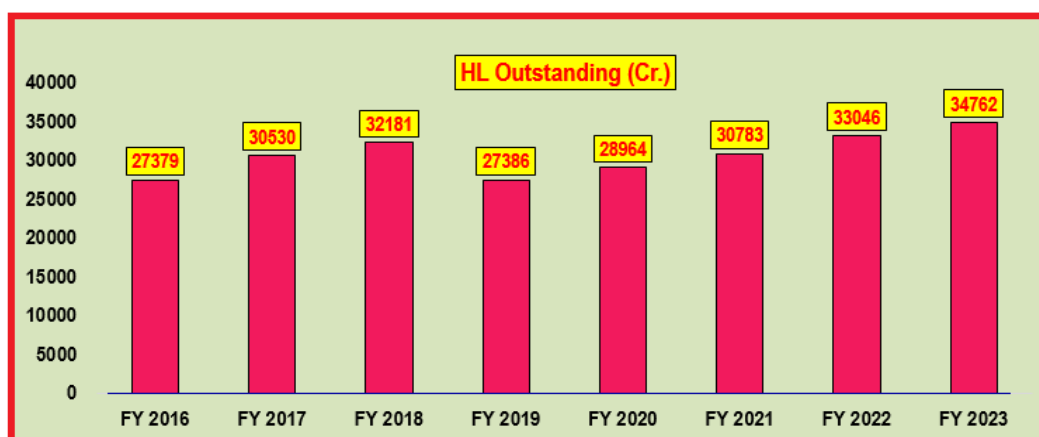
Despite the growing trend in deposits, the lending (credit) business of the banks in Kerala has generally been not very appreciable. This is evident from the low Credit-Deposit pattern that is visible across the 14 Districts in the State. However, in the District of Ernakulam and in the Districts like Thiruvananthapuram and Kozhikode to some extent, the Credit off take is relatively better. In general, the Credit (Advances) portfolio of the banks in Kerala needs to be improved from the current levels across the State, for faster economic growth. (Figure III).



Source: Govt. of Kerala (2024), *Economic Review 2023*, Jan. p. 32.

Figure III: Performance of Kerala’s Banking Sector in Credit and Deposits.

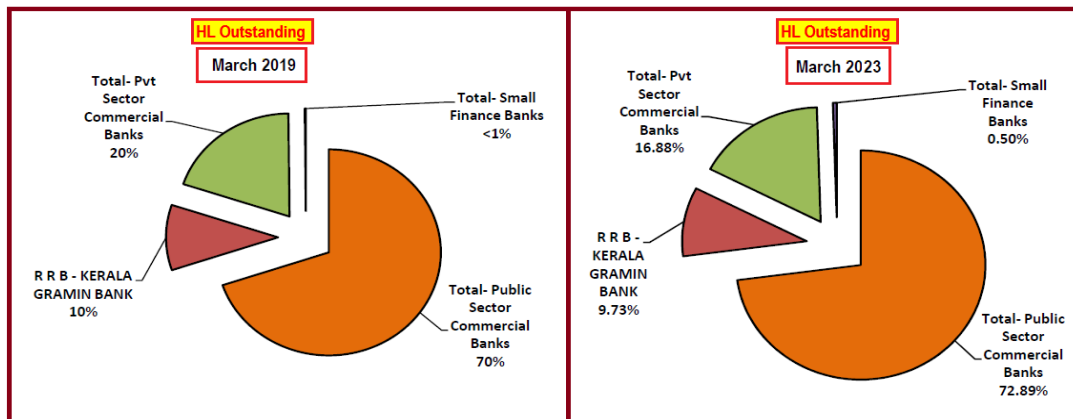
Regarding Housing Loan (HL) Outstanding of the banks in the State of Kerala over the period FY 2016 to FY 2023, a steady growth is noted for the short period FY 2016 to 2018, followed by a sudden fall in FY 2019 from Rs.32181 Cr. (FY 2018) to Rs.27386 Cr. (FY 2019). Since FY 2019 to FY 2023 in a row, there has been a steady and constant growth in the HL Outstanding which has reached the level of Rs.34762 Cr. i.e. at a CAGR of 6.144 percent. So, there has been a steady and constant, yet rather slow, growth in HL Outstanding of the banks in Kerala right from FY 2019 (when it faced a sudden fall) till FY 2023. (Figure IV).



Source: Data compiled from SLBC, Kerala Reports. (FY 2016 – FY 2023).

Figure IV: HL Outstanding (Rs. Cr.) of Banks in Kerala – Steady Growth since FY 2019.

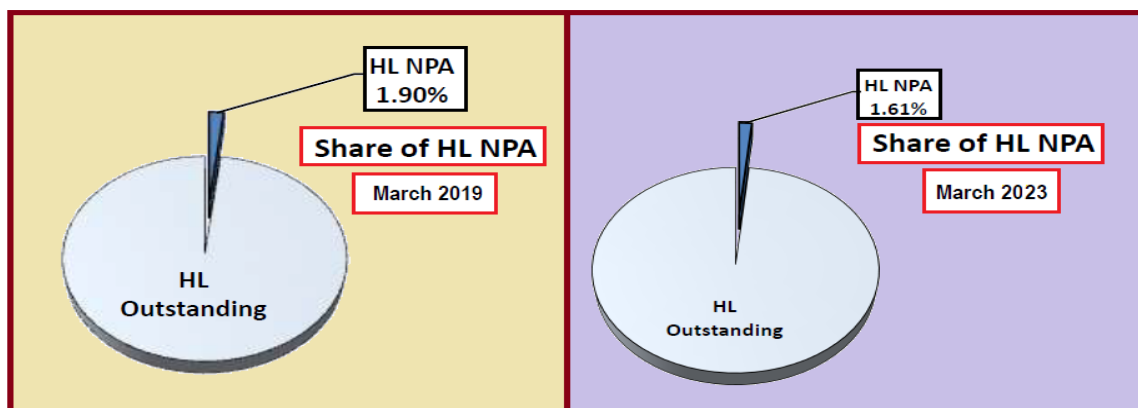
Regarding the relative shares of the different types of financial intermediaries in the HL credit disbursed in the State of Kerala, the most prominent player is the group of PSBs whose share is about 70 percent or more. In fact, the PSBs have increased their share from 70 percent in FY 2019 to almost 73 percent in FY 2023, an increase of nearly 3 percent. The next major player is that of private sector banks whose share is upto about 20 percent. During the last four years the private banks (all types) in Kerala have lost their share by about 3 percent, i.e. from 20 percent in FY 2019 to roughly 17 percent in FY 2023. So, the PSBs in Kerala have eaten the share of private banks by 3 percent over the years. RRBs have one-tenth share. (Figure V).



Source: Data compiled from SLBC, Kerala Reports. (FY 2019 and FY 2023).

Figure V: HL Outstanding of Banks in Kerala – Relative Shares of the Major Players.

Regarding the asset quality of the HL advances of the banks in Kerala, it is noted that the same is quite good as it is less than 2 percent throughout. In fact, the asset quality of HL assets of the banks in Kerala has improved considerably from 1.9 percent as of FY 2019 to as low as 1.61 percent in FY 2023, thus showing a marked improvement. (Figure VI).



Source: Data compiled from SLBC, Kerala Reports. (FY 2019 and FY 2023).

Figure VI: Asset Quality of HL Portfolio of Banks in Kerala is high and is improving too.

9. PERFORMANCE OF KOPBS: AN ANALYSIS WITH A FOCUS ON HOUSING FINANCE

Overall, it is noted that there has been a slow and steady growth in HL portfolio of banks in Kerala ever since FY 2019 (in which years there was a drastic fall). The asset quality of the HL portfolio has been high and the same is improving too. However, the presence of Private Banks (PVBs) (all types together) is roughly about one-fifth or less, and in FY 2023 it has been roughly 17 percent only. In fact, the share of PVBs has been eaten away by the PSBs to that extent, say about 3 percent. The relative share of RRBs is the rest, about one-tenth of the total. In view of the above, it may be suggested that: (1) The growth rate in HL credit which is about CAGR 6 percent (FY 2019 to FY 2023) needs to be scaled up, (2) The share of PVBs in general which is less than one-fifth as of FY 2023 needs to be scaled up. As a general strategy adoption of ICT and ICT-based systems like E-CRM is very much required to scale up HL business and such other retail banking products like Educational loans, Vehicle loans etc. Areas of further exploration of this study include: (i) Comparative study of the OPBs vis-à-vis the NGPs (New Generation Private sector Banks) in Kerala in respect of HL advances; (ii) Performance of KOPBs over the years vis-à-vis the PSBs; and (iii) Progress in PMAY in Kerala.

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