



NAVIGATING FINANCIAL FRONTIERS: AN EXPLORATORY STUDY OF INSTITUTIONAL FINANCE IN ASSAM

Dr. Suman Kalyan Chaudhury¹, Dr. Sukanta Sarkar²

¹ Faculty Member, Department of Business Administration, Berhampur University, Odisha, Email: sumankchaudhury72@gmail.com

² Associate Professor, Department of Economics, Gambella University, Ethiopia, Email: sukantaeco@gmail.com

Abstract

The paper discussed the progress and challenges of institutional finance in Assam. It has been observed that the commercial banks of Assam are leading in deposits and dispersion of credits in this north-eastern state of India. The deposits and credit of the scheduled commercial banks are increasing continuously. Those credit and deposits are higher in scheduled commercial banks situated in the urban areas. Savings and term accounts contribute to more deposits in the banks. Advance to weaker section is highest in the regional rural banks. The public sector banks are in a leading position in disbursing KCC numbers and KCC amounts. There are many challenges before institutional finance in Assam. Therefore, the government should introduce proper banking policies to mitigate such challenges. This paper contributes to the broader goal of promoting sustainable development, reducing disparities, and enhancing the overall well-being of Assam's populace. It is also the first to address the critical gaps in the understanding of the financial landscape of Assam, a region undergoing rapid socio-economic transformation. The findings of this study can ignite policy formulation and strategic decision-making processes at both the regional and national levels. Hence, this paper discusses the progress and challenges of institutional finance in the state.

Keywords: Banking system, Credit, C-D Ratio, Deposit, and Institutional Finance.

INTRODUCTION

A bank is an important financial institution. Credit and deposit are the two vital functions of these financial institutions. Credit is an agreement between a borrower and a lender. Borrower's bank credit is determined by the total amount of credit available to lend by the banking institution and demand from customers. Bank credit for individuals is on rise to mitigate various needs. It can be classified as secured and unsecured credit (Soni and Pandey, 2016). A deposit is the sum of money that is held in an account. It can be classified as a time deposit and demand deposit. Time deposit is related to the fixed interest rate. Money can easily be drawn from an account deprived of providing any prior notice is known as a Demand Deposit (Iqbal and Qazi, 2017).

There is a long history of financial institutions in India. Bank of Hindustan is the first banking institution that was established in 1770. The General Bank of India was established in 1786. Since then there have been numerous changes in the Indian banking system. Gauhati Bank is the first bank in Assam. It was set up in 1926. Scheduled banks are listed in the 2nd schedule of the Reserve Bank of India Act, 1934. Such banks are satisfying all the criteria laid down vide section 42(6)(a) of the said Act. It is vital for the economic development of the nation (Swain et. al., 2017). Currently, the Indian banking system includes cooperative banks, small finance banks and commercial banks. Payments Banks can accept limited deposits. In public sector banks, the government holds the majority of the shares. Private entities are winners of private sector banks (Sharma and Shekhar, 2015).

This study holds a significant importance as it aims to illuminate the dynamics of institutional finance in Assam, a region marked by unique socio-economic characteristics. By delving into the progress and challenges of institutional finance, this research offers crucial insights into the economic growth trajectory of Assam. This paper provides valuable data for policymakers and stakeholders to formulate targeted interventions aimed at fostering a more inclusive and robust financial ecosystem. It also contributes to the existing body of knowledge on financial systems and economic development in emerging regions, thereby enriching the academic discourse and providing a basis for future research and inquiry.

¹ Faculty Member, Department of Business Administration, Berhampur University, Odisha, Email: sumankchaudhury72@gmail.com

² Associate Professor, Department of Economics, Gambella University, Ethiopia, Email: sukantaeco@gmail.com

OBJECTIVES OF THE STUDY

The main objective of this paper is to study the progress and challenges of Institutional Finance in Assam. The subjective objectives of the paper are: (a) to study the trends of deposits and credits of scheduled commercial banks of Assam; (b) to examine banking in the aspirational districts of Assam; (c) to study the Pradhan Mantri Mudra Yojana (MUDRA) status in Assam, and (d) to evaluate the challenges of institutional finance in Assam.

The Study Area:

Assam is a state in the north-eastern region of India. Its total area is 78,438 km² and it is the 16th largest state in India. Dispur is the capital and Guwahati is the largest city. Guwahati is known as the "Gateway to North-East India". As per Census 2011, the population of Assam was 31,169,272 and the density of the population was 397/km². The literacy rate was 72.19 per cent and the sex ratio was 958 against 1000. Assamese and Bodo are its official languages. The state has 33 districts. Agriculture and oil are the base of Assam's economy. Handicrafts and Handlooms are the traditional industries. Historical, cultural, and wildlife destinations attract visitors towards it.

METHODS AND MATERIALS

- **Design and Approach:** This study is descriptive in design and has utilised a qualitative approach. Secondary data for the study has been collected from various govt. reports, research papers, published or unpublished theses, articles, etc. The researchers have undertaken the period until 2022-23 for consideration in this study. Assam has been selected as the target for this study due to its socio-economic condition and contribution to the Indian economy.
- **Method of Analysis:** To reveal the institutional finance in Assam in general and the prospects and challenges in particular, a method of qualitative analysis comprising of descriptive analysis, content and text analysis have been performed.

RESULTS AND DISCUSSION

A network of Scheduled Commercial Banks plays a vital role in the mobilisation of investments and savings. The contribution of the insurance and banking sectors help in increasing in the state economy. The majority of the bank branch offices are located in the rural areas. Regional Rural Banks have been established to boost the rural economy by providing rural credit to small entrepreneurs, artisans, agricultural labourers, farmers etc. Langpi Dehangi Rural Bank and Assam Gramin Vikash Bank are its two Regional Rural Banks. Credit is vital for the revival of the agricultural sector. The government has introduced the Kisan Credit Card in 1998-99 for hassle-free credit support to the farmers from the formal banking system. Micro-finance programme of NABARD, which began in 1992 to reduce poverty as well empowerment of the poor is in progress in the state.

Table 1: Deposits and Bank Credits in Scheduled Commercial Banks in North-eastern States

States	Deposits				Credits			
	2019	2020	2021	2022	2019	2020	2021	2022
Arunachal	16659	17171	19525	24121	3834	4277	4920	6053
Assam	147091	164299	173014	189483	65150	70625	80871	95992
Manipur	9927	10369	12323	13813	4900	5931	7115	9163
Meghalaya	24063	23756	25721	29441	6480	8374	9719	9512
Mizoram	9255	11332	12000	13102	3405	4087	5038	5982
Nagaland	11183	12242	12579	14579	3959	4596	5432	6381
Tripura	24880	26487	28400	31304	10370	11246	11952	13562
TOTAL	243058	265655	283662	315843	98098	109136	125048	146646

Source: Economic survey 2022-23: Statistical Appendix, p.70. Note: in crores INR.

Table 1 discusses the deposits and bank credits in scheduled commercial banks in the northeastern States. It has been found that deposits and credits in scheduled commercial banks are increasing continuously in the region. The highest number of deposits is in commercial banks of Assam followed by Tripura, Meghalaya and Arunachal Pradesh. On the other hand, the least number of deposits is in the commercial banks of Mizoram preceded by Manipur and Nagaland. Commercial banks in Assam also dispersed the highest number of credits followed by Tripura, Meghalaya, and Manipur. Therefore, commercial banks of Assam are leading in deposits and dispersion of credits in the northeastern region of India.

Table 2: Growth of Scheduled Commercial Banks in Assam & India

Year	Number of Offices		Deposits (Rs. in Crore)		Credit (Rs. in Crore)	
	India	Assam	India	Assam	India	Assam
2010	83997	1434	4601926	49545	3345619	18311
2011	89110	1504	5426510	59101	4076868	21053
2012	96059	1574	6174147	67455	4821527	25171
2013	104647	1682	7051332	77730	5506496	28576
2014	115822	1861	8028220	85069	6264290	31713
2015	125863	2047	8900111	97378	6878472	35911
2016	132587	2177	9659968	103794	7520929	42671
2017	137770	2276	10751439	122307	7927003	48776
2018	139240	2289	10750614	134643	7825359	57307
2019	141756	2348	12558671	147203	9818367	65070
2020	148904	2889	13750146	166270	10449562	70658
2021	150207	2925	15439970	175579	11035347	81870
2022	151320	2962	17015931	189530	12229297	92145
2023*	3053	132736	18145238	211370	13719694	113840

Source: Economic Survey, Assam, 2023-24, p.203. Note: * As on 31st March, 2023.

Table 2 discusses the growth of scheduled commercial banks in Assam and India. It has found that the number of bank offices, deposits, and credits of banks are increasing since 2010. Number of offices in Assam was 1434 in 2010 and has been more than double in 2022. State contribution to the national figure is 1.95 percent in 2022. Deposits in commercial banks of Assam were 49.545 crores in 2010 and increased to 1.89 lakhs crores in 2022. State contribution to the national figure is 1.11 percent in 2022. Distribution of credits by commercial banks of Assam was 18311 crores in 2010 and increased more than five times to reach 92145 crores in 2022. State contribution in the national figure is only 0.75 per cent in 2022. So, it is concluded that the deposits and credits of the scheduled commercial banks are increasing continuously but the contribution of Assam in the national figure is significantly low.

Table 3: Credit & Deposit of Scheduled Commercial Banks in Assam

Items	Rural		Semi-Urban		Urban	
	2022	2023	2022	2023	2022	2023
Deposits (Rs. in Crore)	40227	45435	51241	56700	98062	109139
No. of Reporting offices	1453	1500	845	872	664	681
Credit (Rs. in Crore)	23540	26292	27177	34120	41428	53429
C-D Ratio (in %)	58.51	57.87	53.03	60.14	42.24	48.95

Source: Economic Survey, Assam, 2023-24, p.203.

Table 3 depicts the credit and deposits of the scheduled commercial banks in Assam. It has been that the deposits, number of reporting offices, credits and C-D ratio in rural, semi-urban and urban commercial banks have increased in 2022-2023. Deposits in urban commercial banks are more than twice. There are various reasons for low deposits in rural banks. Low purchasing power, shortage of branches, and perception of savings are the prominent reasons. Several reporting offices are highest in rural areas followed by semi-urban and urban areas. Credit distribution of urban commercial banks is the highest followed by the semi-urban and rural banks. The C-D Ratio of the rural commercial banks are highest followed by the semi-urban and urban banks. So, it can be conclude that the credits and deposits are higher in scheduled commercial banks situated in the urban areas.

Table 4: Group-wise Deposits and Credit of Scheduled Commercial Banks in Assam*

Bank Group	Reporting Offices^		Deposits#		Credit#		Credit Deposit Rate@	
	2022	2023*	2022	2023*	2022	2023*	2022	2023*
Small Finance Bank/ Co-operative Banks	196	267	1305	6032	1864	3464	142.8	57.43
Regional Rural Banks	481	468	11816	12388	5047	5949	42.71	48
Public Sector Banks	1442	1428	142478	151286	61231	72779	42.9	48.1
Private Sector Bank	842	864	33769	41546	23993	31646	71	76.2
All Bank groups	2961	3053	189530	211252	92145	113838	48.62	54

Source: Economic Survey, Assam, 2023-24, p.205. Note: * As on 31st March, 2023; ^in numbers; # INR in crores; @ in percent.

Table 4 portrays group-wise deposits and credits of scheduled commercial banks in Assam. It has been found that private banks have the highest reporting offices followed by public banks, regional banks, small finance/ cooperative banks and foreign banks. Private Banks have the highest number of deposits followed by public banks and regional banks. Deposits in the private banks are five times higher than the public banks. Credit distribution is highest in private banks followed by public banks and regional banks. Credit distribution by private banks is more than twice of the public banks. Credit Deposit Rate is highest in small finance/ cooperative banks followed by the public bank and regional banks. So, it is concluded that private banks are in a better position than the public banks and other types of banks.

Table 5: Deposit of Scheduled Commercial Banks in the State by Type of Account*

Account	Deposit (Rs. in Crores)								% increase
	2022				2023*				
	Rural	S.U.	Urban	Total	Rural	S.U.	Urban	Total	
Savings	25938	29504	42207	97649	28975	31529	50464	110968	14
Current	2236	3680	10554	16470	2266	4084	9004	15354	-7
Term	12025	18017	45323	75364	13429	19816	47745	80990	7.5
Total	40199	51201	98083	18948	44670	55429	107213	3207311	9

Source: Economic Survey, Assam, 2023-24, p.208. Note: As of 31st March, 2023. Note: S.U.: Semi Urban.

Table 5 shows deposits of scheduled commercial banks in the State by type of their account. It has been found that the deposits in savings, term and current accounts have increased in 2022-2023. Deposits in savings accounts is higher than the other types of accounts. A savings account is more popular among its people due to the rate of interest. Interest rates are higher in term accounts but have restrictions to withdraw capital before maturity. There is no interest rate for the current account. It is popular among the business-class people due to the transfer of funds for business purposes. So, it is concluded that savings and term accounts contributed more deposits in scheduled commercial banks.

Table 6: Priority and Non-Priority Sector Advances in Assam*

Type of advance (in %)	Public		Private		RRB (AGVB)		Assam co-op bank	
	2023	2022	2023	2022	2023	2022	2023	2022
WSA to PSA	41	47	44	54	106	104	9	7
PSA to total Adv.	50	55	43	50	87	86	90	95
WSA to total Adv.	21	26	19	27	93	90	8	6

Source: Economic Survey, Assam, 2023-24, p.208. Note: * as on 31st March, 2023; PSA=Priority Sector Advance; WSA=Weaker Section Advance.

Table 6 illustrates priority and non-priority sector advances in Assam. It has been found that priority sector advance to total advance is the highest in Assam Cooperative Bank and regional rural banks followed by the private banks and public banks. The weaker section advance to total advance is the highest in the regional rural banks followed by the private banks and public banks. Weaker section advance to the weaker section is the highest in regional rural banks followed by private banks, public banks and cooperative banks. So, there are differences in priority and non-priority sector advances in Assam.

Table 7: Bank-wise Progress under Kisan Credit Card (KCC) of Assam*

Bank Group	Current Year Disbursed KCC No.	Current Year Disbursed KCC Amount (in Rs.*)	Total O/S KCC No.	Total O/S KCC Amount (in Rs.*)
Private	33205	20153.52	205818	91680.51
Public	107906	69943.51	594113	403334.13
Co-operative	324	1579.73	8897	5245.11
RRB	2562	1604.08	287072	148655.2
Grand Total	143997	93281	1095900	648915

Source: Economic Survey, Assam, 2023-24, p.210. Note: During FY-20202021 & O/S (as on 31-03-2023 * the Rs. is denoted in Lakh

Table 7 describes bank-wise progress under the Kisan Credit Card in Assam. It has been found that the public sector banks had the higher number of Disbursed KCC numbers in 2022 followed by regional rural banks, and cooperative banks. The public sector banks disbursed the highest KCC amount and total O/S KCC numbers in 2022 followed by private banks, regional rural banks, and cooperative banks. The public sector banks also have the highest total O/S KCC numbers and amount then the private banks followed by the regional rural banks and cooperative banks. So, we concluded that public sector banks are in the leading position in disbursing the KCC numbers and KCC amounts. Therefore, there are differences in bank-wise progress under the Kisan Credit Card in Assam.

Table 8: Loan sanction and disbursement by North Eastern Development Finance Corporation Ltd. in Assam (Rs. In crore)

Year	No. of Project	PFD+MSE		Micro Finance		Total Sanctioned	Total Disbursed
		Amount Sanctioned	Amount Disbursed	Amount Sanctioned	Amount Disbursed		
2018-19	123	121.12	93.98	67.7	61.2	188.82	155.18
2019-20	144	209.05	121.94	64.25	46.25	273.30	168.19
2020-21	204	227.7	162.9	8.15	33.65	235.85	196.46
2021-22	351	472.45	257.33	31.17	15.17	503.62	272.50
2022-23	2176	490.68	432.19	32.00	30.50	522.68	462.69

Source: Economic Survey, Assam, 2023-24, p.218.

Table 8 discusses the loan sanction and disbursement by North Eastern Development Finance Corporation Ltd. (NEDFI) in Assam. It has been found that the number of projects financed by NEDFI are increasing continuously. Fund sanctioned and disbursed under PFD+MSE have also been increasing continuously. There is an inclusive gap between the total sanctioned and disbursed amount. The total sanctioned fund is higher than the total disbursed fund. Therefore, there are deviation between the loan sanctioned and disbursed by the North Eastern Development Finance Corporation Ltd. in Assam.

Table 9: Banking in the Aspirational districts of Assam (Rs. in crore)

District	Total Bank Branch			Total Deposit			Total Credit		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Baksa	57	53	54	1397	1259	1563	1034	835	1018
Barpeta	123	121	115	5634	5125	4302	3847	3216	2612
Darrang	70	70	71	2912	2543	2283	2019	1671	1536
Dhubri	88	83	82	3796	3424	3265	2148	1913	1877
Goalpara	70	67	70	2724	2539	2231	1630	1313	1155
Hailakandi	45	44	44	2020	1886	1669	955	810	697
Udalgur	50	46	46	1822	1600	1488	1289	1100	1035
TOTAL	3053	2964	2992	176408	192150	211273	113840	97076	86939

Source: Economic Survey, Assam, 2023-24, p.221.

Table 9 discusses banking in the aspirational districts of Assam. It has been found that there is a general trend of increasing bank branches, deposits and credits. Barpeta district has the highest bank branches followed by Dhubri, Darrang and Golpara. On the other hand, Hailakandi district has the least number of branches preceded by Udalgur and Baksa. The highest amount of deposit has been registered in Barpeta district followed by Dhubri, Darrang, and Golpara districts. On the other hand, the least amount of deposit listed in Baksa district preceded by Udalgur and Hailakandi districts. The highest amount of credit has been disbursed in Barpeta district followed by Dhubri, Darrang, and Goalpara districts. In contrast the least amount of credit has been disbursed in Hailakandi district preceded by Udalgur, and Baksa districts. Therefore, there are variation of the total bank branches, deposits and credits in aspirational districts of Assam.

Table 10: Pradhan Mantri Mudra Yojana (MUDRA) Status in Assam

Category	Outstanding Number				Outstanding Amount (Rs. in Crore)			
	2020	2021	2022	2023	2020	2021	2022	2023
Sishu	520164	447180	437768	620619	1200	922	897.3	1618
Tarun	18294	20892	33555	35981	1111	1092	1449.8	1910
Kishore	116030	228394	366032	658694	1617	2467	3525.8	5440
Total Mudra	654488	696466	837355	1315294	3928	4481	5872.9	8968



Source: Economic Survey, Assam, 2023-24, p.212. Note: *As of 31st March, 2023.

Table 10 the Pradhan Mantri Mudra Yojana (MUDRA) status in Assam. It has been found that Kishore Mudra has the highest number of outstanding followed by Sishu and Tarun Mudra. During 2020-2023, the outstanding number of Tarun mudra, Sishu and Kishore mudra were increased. The outstanding amount of Kishore mudra had increased continuously during 2020-23 but the outstanding amount of other mudras had also after initial decline. So, it is concluded that the outstanding number and outstanding amount of all mudras had finally increased during this period which justifies the differences in outstanding numbers and amounts in categories of PMMY of Assam. Banks provide traditional and advanced facilities. There are many challenges before the co-operative banks and the major challenges are problems in coordination and management. lack of awareness, limited coverage, delays in the conduct of audits, functional weaknesses and lack of modern banking practices. The high volume of daily transactions & customer service requests, human error possibilities, regulations & compliances, legacy systems, non-performing assets, and manual, repetitive processes and slow operations are the other major challenges before the scheduled commercial banks.

CONCLUSION

Deposit and credit of scheduled commercial banks are increasing continuously in the state. Credit and deposits are higher in scheduled commercial banks situated in the urban areas. There are various reasons for low deposits in rural banks. Low purchasing power, shortage of branches, and perception of savings are the prominent reasons. Several reporting offices are highest in rural areas followed by semi-urban and urban areas. Credit distribution of urban commercial banks is the highest followed by the semi-urban and rural banks. The C-D Ratio of rural commercial banks are the highest followed by the semi-urban and urban banks. Savings and term accounts contributed to more deposits in banks. Weaker section advance to weaker section is the highest in regional rural branches of the bank. The public sector banks are in a leading position in disbursing KCC numbers and KCC amounts.

The public sector banks have been facing challenges since 1991. Privatisation, overcoming regulatory compliance issues, non-performing assets, high transaction costs, technological disruption, financial frauds, increasing competition from non-banks, deposit mobilization, employees' retention, adopting advanced technology, managing credit risk, improving access to funds, lack of banking for the underserved and rural population are the major challenges before the scheduled commercial banks.

LIMITATIONS AND SCOPE FOR FUTURE RESEARCH

A few distinct limitations surround this study. The first limitation is the selection of the geographical location of Assam. Further, this study analyses the financial performance until the 2022-2023 financial year. Due to the lack of extensive literature in this field, the scope of this paper is further limited. An extensive study is proposed based on the limitations of this paper. Future research can include a different location in the northeastern states of India for the study. Research is encouraged in different methodological aspects covering data from primary sources also. Data from other sources, apart from regional economic reports, can also present a clear and transparent picture of financial performances.

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