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## Operational Scenario of Scheduled Commercial Banks in the North-East and Rest of India

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### Abstract

The present study has focused on the comparative scenario of the operational performance of scheduled commercial banks in India and the North-East in specific. To understand the operational performance of scheduled commercial banks various parameters taken in the study are number of offices and employees, CD ratio, per office & per employee deposit and credit, per capita deposit & credit for India and the North-East level. The overall analysis shows that the North-East region is much below the national level comparison which needs prompt attention to make the region forward in financial infrastructure in national perspective. For better comparison and easy understanding average figures of all the years, percentage changes and necessary charts are presented in the paper.

**Key Words:** Schedule Commercial Bank, Deposit, Credit, CD Ratio, All India, North-East, Employees, Offices

**Introduction:** The progress of banks and financial institutions helps in the process of economic growth and development of a nation. Banking institutions primarily accumulates the surplus deposits of the economy and provides credit funds to the deficit areas. Other than accumulating deposits and delivering credits modern banks also provides ample number of extra facilities to their customers. The overall

functioning of financial houses majorly helps in the exploitation of unutilized resources of the economy and thereby raises the gross national product, income and employment in the economy. Therefore the development of financial infrastructure is very essential for the socio-economic development of any region in the economy.

In the country, the North-Eastern Region of India is one of the backward regions where most of its topographical appearances is hilly in nature and its physical & financial infrastructure is very much poor in comparison to the country as a whole. Banking habits amongst its people is very low and in certain areas still the economic transaction of goods and services takes place in the form of barter system. In the present study it is also attempted to see the operational outlook of scheduled commercial banks in the North- East in context to the country as a whole. Scheduled Banks in India constitute those banks which have been included in the Second Schedule of Reserve Bank of India Act, 1934.

**Review of Literature:** Although it is very difficult to find the comparative study of banking in the North- East and the country as a whole, still some of the appropriate studies researched by the previous researcher are cited in the review of literature so that a well connectivity with the present study could be comprehended. Saha and Ravisankar (2000) observed the effectiveness of the Indian

public sector banks in two phases. In the study certain key ratios such as deposit to establishment expenses and advances to establishment expenses, and deposits to staff and advances to staff were measured. The banks were plotted in a two dimensional graph to ascertain the better performing banks. The study results showed that the performance of the public sector banks had progressed over the years of study. Hadi and Bagchi (2006) considered the performance of Regional Rural Banks in India in general and in West Bengal in particular. Their paper studied the progress of the RRBs in West Bengal in terms of expansion of branches, credit expansion and deposit mobilization since their beginning. The study indicated that RRBs have been by and large successful in improving the outreach of institutional credit in rural areas. According to Verma and Kumar (2007) attempted to see the comparative analysis of the Credit Deposit (CD) ratio of Scheduled Commercial Banks of the three major states of the western part of India, viz., Rajasthan, Gujarat and Maharashtra, and India as a whole. They found that the behavior of CD ratio among all the three states is significantly different for the period of study. Maharashtra which is the backbone of growth and progress of Indian economy has been more volatile but performing well in terms of CD ratio, whereas Rajasthan and Gujarat are stable at lower level. There exists a lot of scope for branch expansion and improvement of service quality by the banks in Gujarat and Rajasthan. Deb (2010) in her study remarked that Banks assume a dominant role in overall economic development. Being a systemic institution any

adverse performance in the banking sector affects the financial sector as a whole. There has been a sea change in the Indian banking sector since the initiation of reforms. In her study she made an attempt to evaluate the North-East Indian bank branches whether Diversification, explained by Non-Interest income, has any significant impact on the branch total income. With the help of branch level data on 60 bank branches from 2003-2007 it observed that as compared to Interest Income, Non-interest income has significant impact over the branch total income. Similarly P. M.V Swamy (2011) in his paper pointed out that getting of finance by the poor is a must for poverty reduction and sustainable economic development. It also pointed out that the importance of financial inclusion has arisen from the problem of financial exclusion of nearly 3 billion people from the formal financial services across the world. The study has analyzed the issues and challenges involved in financial inclusion for inclusive growth and attempted to highlight the factors that can aid in achieving financial inclusion for inclusive growth in India. His paper also suggested policy choices for successful implementation of the policy of financial inclusion for sustainable growth of Indian economy.

**Objectives:** The basic objectives of the present study are-

1. To know the distribution of scheduled commercial bank offices and its employees in the North- East (NE) and in the country as a whole.
2. To understand the picture of deposit, credit

and credit- ratio in North East and the country as a whole.

**Methodology:** To study the above mention objectives secondary source of data has been collected from the annual reports of Basic Statistical Returns of Scheduled Commercial Banks in India, RBI publication for various years. The time period taken for the study purposes is for ten years from period 2004 to 2013 and the requisite data are collected accordingly. In the North- East part data of only seven states other than the Sikkim are incorporated. As per available data necessary calculations are calculated by the researcher and are shown in various tables given in the paper. At the same time to make the study more effective and clear certain statistical calculations like mean and charts are shown in the required areas.

#### **Offices & Employees of Scheduled Commercial Bank in India & the North-East:**

In order to understand the number of offices and the employees scenario in the scheduled commercial banks composed data are presented in table-1 in the form of number of offices, number of employees and the percentage of offices & employees in the North-East and the India as a whole. The first row of table-1 shows the number of offices in India, and its figure in 2004 is recorded as 68645 offices which increased to 109279 offices in 2013. Over the years there has been 1.59 times increase of offices of the scheduled commercial banks in India, whereas during the same time period in the North-East the

number of offices increased from 1918 offices to 2769 offices which is exactly 1.44 times of the number of offices of the year 2004. The given table also reflects that percentage of scheduled commercial bank offices in the North-East against all India figure was 2.79 per cent in 2004 which decreased to 2.53 per cent in 2013. From this it can be said that over the years although the figures of scheduled commercial banks offices have increased but against all India figures in trend there is negative percentage change of scheduled commercial bank offices in the North-East.

Similarly, the numbers of employees of the scheduled commercial bank in India in 2004 were 881722 employees which increased to 1220731 employees in 2013 and measure the increase of employees by 1.38 times over the years. On the other hand the number of employees in the North-East increased from 21161 employees in 2004 to 26664 employees in 2013 which is 1.26 times of the employee's figure of 2004. The percentage of North-East employees against all India figure in 2004 was 2.40 per cent which decreased to 2.18 per cent in 2013. In case of change in percentage of employees in the North -East against the all India figure table shows negative growth.

**Table-1****Distribution of Scheduled Commercial Bank Offices and Employees**

Year	Number of Offices (All India)	Number of Offices (NE)	% of NE Offices Against All India	Number of Employees (All India)	Number of Employees (NE)	% of NE Employees Against All India
2004	68645	1918	2.79	881722	21161	2.40
2005	69969	1942	2.78	900433	20675	2.30
2006	70776	1949	2.75	900124	20490	2.28
2007	73199	2003	2.74	899407	20689	2.30
2008	77699	2085	2.68	838769	19757	2.36
2009	81802	2181	2.67	869412	21159	2.43
2010	86960	2268	2.61	926028	21853	2.36
2011	92117	2378	2.58	1050885	23885	2.27
2012	100805	2556	2.54	1175149	25183	2.15
2013	109279	2769	2.53	1220731	26664	2.18
Average	83125.1	2204.9	2.67	966266	22151.6	2.30
% Change 2004-2013	59.19	44.37	-9.32	38.45	26.01	-9.17

**Source: 1.** Basic Statistical Returns of Scheduled Commercial Banks in India (Various Issues)

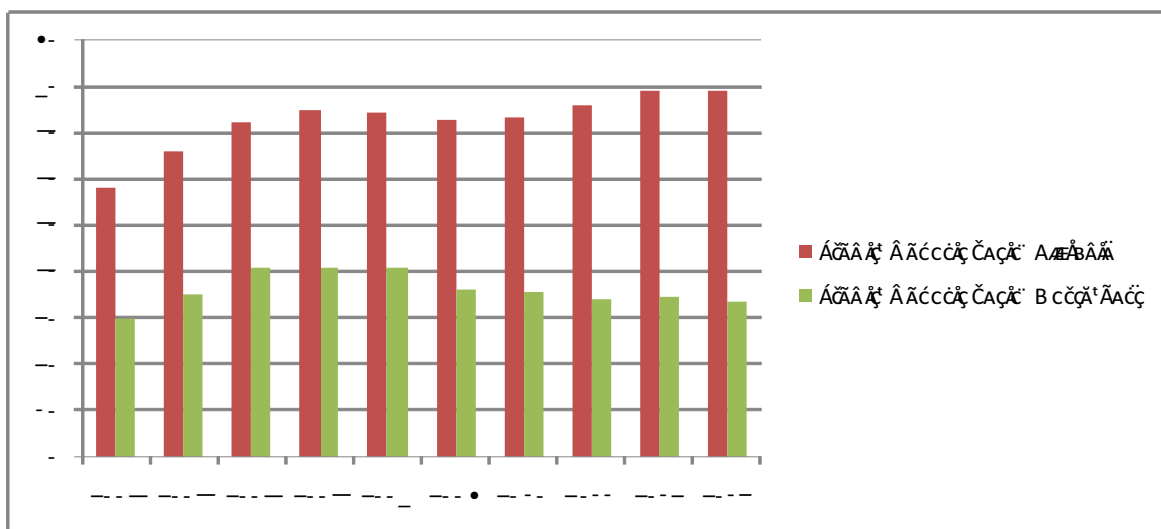
**Credit -Deposit Ratio in India and the North-East:** Table-2 reveals the Credit-Deposit ratio (CD ratio) of the scheduled commercial banks in India and the North-East in particular. It is observed that the CD ratio of all India figure in 2004 was 58.25 per cent which improved to 79.78 per cent in 2013. On the other hand in case of North-East it improved from 29.83 per cent to 33.61 per cent over the years. From period 2004 to 2013 there is improvement in the CD ratio by 1.35 times in India and 1.13 times in the North-East.

**Table: 2**  
**Credit-Deposit Ratio of Scheduled Commercial Bank in India and The North- East**

Year	Credit- Deposit Ratio (All India)	Credit- Deposit Ratio (North-East)
2004	58.25	29.83
2005	65.98	35.01
2006	72.39	40.73
2007	74.97	40.68
2008	74.37	40.70
2009	72.61	36.01
2010	73.34	35.54
2011	75.62	33.78
2012	79.02	34.37
2013	78.79	33.61
Average	72.53	36.03
% Change, 2004-2013	35.26	12.67

**Source:** Calculated by the Researcher on the Basis of Data Obtained From Basic Statistical Returns of Scheduled Commercial Banks in India (Various Issues)

**Chart: 1 Credit-Deposit Ratio of Schedule Commercial Bank in India and the North- East**



**Source:** On the Basis of Table-2

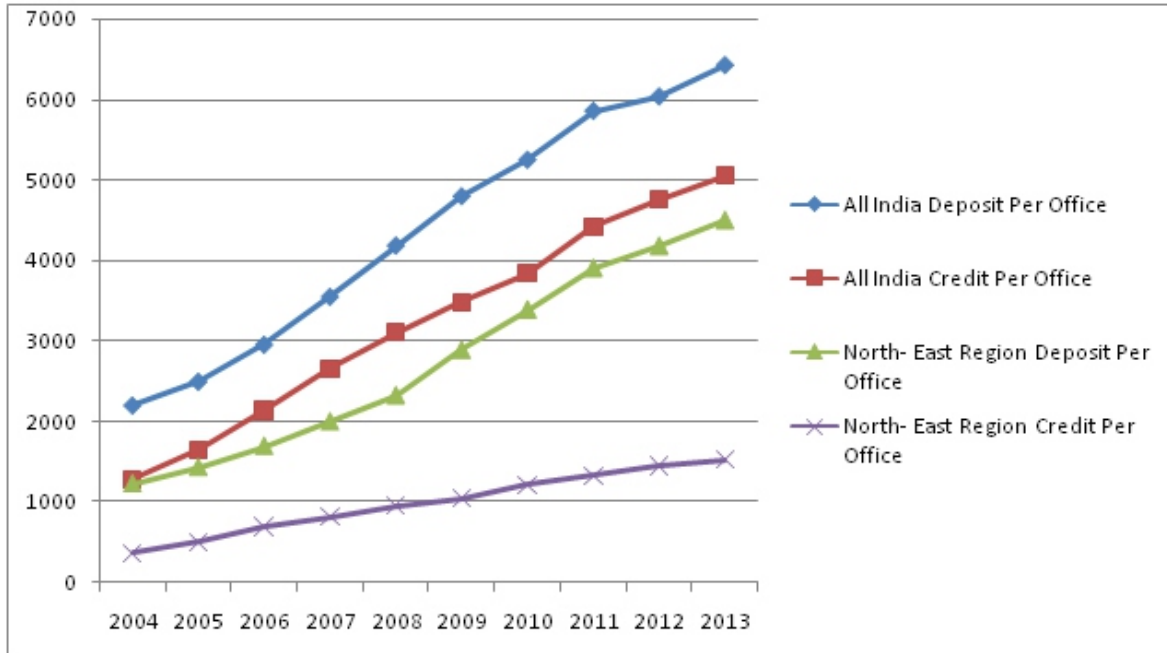
**Trend in Per Office Distribution of Deposit and Credit:** Table-3 exhibits per office distribution of deposit and credit of scheduled commercial bank in India and the North-East in precise. In 2004 deposit and the credit per office in all India were Rs. 2201.58 lakhs and Rs.1282.41 lakhs contemporarily which increased to Rs. 6417.17 lakhs and Rs.5056.16 lakhs in 2013. Over the years in all India deposit per office increased by 2.91 times and the credit per office by 3.94 times. Similarly in the North-East deposit and credit per office in 2004 was 1229.15 lakhs and 366.70 lakhs correspondingly which increased to the amount of Rs. 4506.04 lakhs and 1514.39 lakhs in 2013. Over the years in the North-East deposit per office increased by 3.67 times and the credit amount per office increased by 4.13 times.

**Table-3**  
**Scheduled Commercial Bank per Office Distribution of Deposit and Credit**  
**(Amount in Lakhs)**

Year	All India		North- East	
	Deposit Per Office	Credit Per Office	Deposit Per Office	Credit Per Office
2004	2201.58	1282.41	1229.15	366.70
2005	2496.55	1647.11	1431.57	501.17
2006	2954.64	2138.92	1694.94	690.35
2007	3547.92	2660.01	1999.63	813.44
2008	4182.74	3110.73	2325.07	946.26
2009	4794.48	3481.23	2892.10	1041.51
2010	5244.97	3846.79	3392.79	1205.90
2011	5850.77	4424.42	3909.15	1320.58
2012	6029.70	4764.91	4184.50	1438.21
2013	6417.17	5056.16	4506.04	1514.39
Average	4372.05	3241.27	2756.49	983.851
% Change, 2004-2013	191.48	294.27	266.60	312.98

**Source:** Calculated by the Researcher on the Basis of Data Obtained From Basic Statistical Returns of Scheduled Commercial Banks in India (Various Issues)

**Chart: 2 Scheduled Commercial Bank per Office Distribution of Deposit and Credit (Amount in Lakhs)**



**Source:** On the Basis of Table-3

**Trend in Per Employee Distribution of Deposit and Credit:** Table-4 demonstrates per employee distribution of deposit and the credit amount in all India and the North-East in general. From the table it is observed that deposit per employee in all India in 2004 was Rs.171.40 lakhs which increased to Rs. 574.46 in 2013. Similarly credit per employee over the years increased from Rs.99.84 lakhs to Rs. 452.62 lakhs in 2013. It shows that in all India deposit over the years increased by 3.35 times and the credit amount by 4.53 times. Correspondingly during the period in the North-East deposit per employee increased from Rs.111.41 lakhs to Rs.467.94 lakhs and the credit amount per employee from Rs.33.24 lakhs to Rs.157.27 lakhs. Over the years in the North-East deposit per employee has increased by 4.20 times and the credit per employee by 4.73 times.

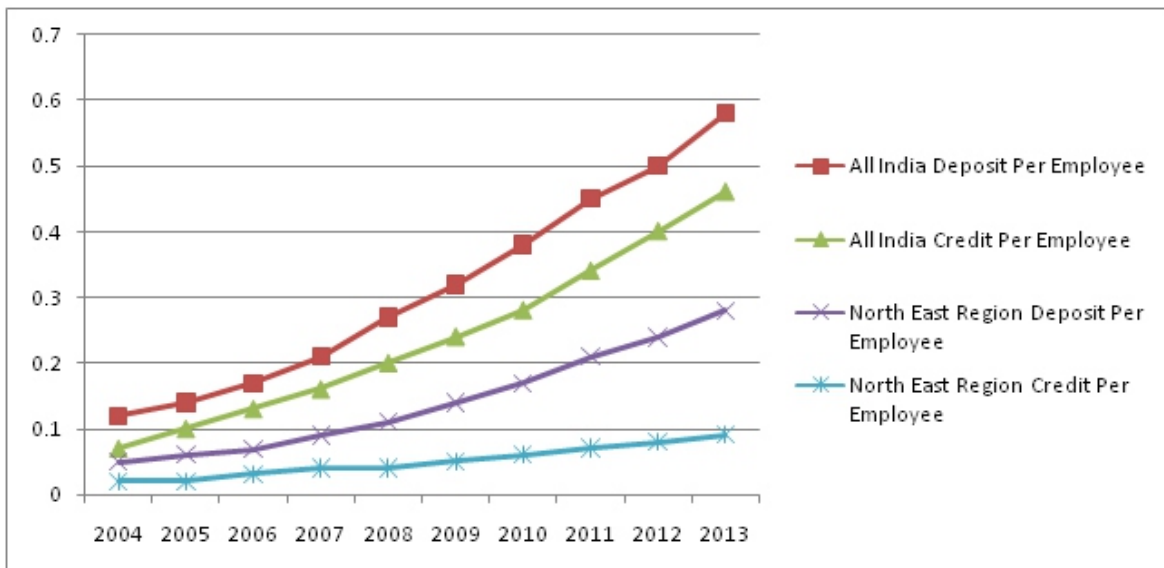
**Table-4**  
**Per Employee Distribution of Deposit and Credit of Scheduled Commercial Bank**

(Amount in Lakhs)

Year	All India		North- East	
	Deposit Per Employee	Credit Per Employee	Deposit Per Employee	Credit Per Employee
2004	171.40	99.84	111.41	33.24
2005	194.00	127.99	134.47	47.07
2006	232.32	168.18	161.22	65.67
2007	288.75	216.49	193.59	78.75
2008	387.47	288.16	245.37	99.86
2009	451.11	327.54	298.11	107.36
2010	492.54	361.24	352.12	125.15
2011	512.86	387.83	389.20	131.48
2012	517.23	408.74	424.71	145.97
2013	574.46	452.62	467.94	157.27
Average	382.21	283.86	277.81	99.18
% Change, 2004-2013	235.16	353.35	320.02	373.13

**Source:** Calculated by the Researcher on the Basis of Data Obtained From Basic Statistical Returns of Scheduled Commercial Banks in India (Various Issues)

**Chart: 3 Scheduled Commercial Bank per Employee Distribution of Deposit and Credit (Amount in Lakhs)**



**Source:** On the Basis of Table-4



**Per Capita Deposit and Credit Trend:** Table-5 shows the per capita deposit and credit trend of scheduled commercial banks in India and the North-East in specific. The per capita deposit and the per capita credit figures are calculated on the basis of the population data of 2011 population census. It is observed that in 2004 per capita deposit in all India was Rs. 0.12 lakhs which increased to Rs. 0.58 lakhs in 2013. Similarly credit over the same period increased from Rs.0.07 lakhs to 0.46 lakhs. It reflects that over the same period per capita deposit in all India increased by 4.83 times and the per capita credit by 6.57 times. In the same manner per capita deposit in the North-East in 2004 was Rs.0.05 lakhs which increased to 0.28 lakhs in 2013. In case of per capita credit it increased from Rs.0.02 lakhs to 0.09 lakhs in 2013. It reveals that over the years in the North-East per capita deposit has increased by 5.6 times and the per capita credit by 4.5 times.

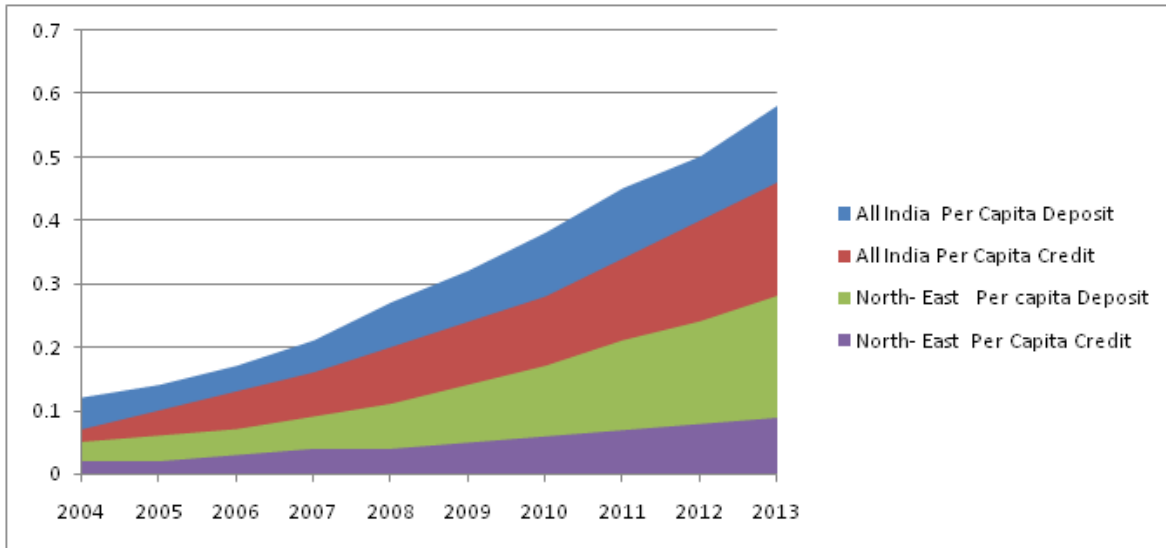
**Table-5**  
**Per Capita Deposit and Credit of Scheduled Commercial Banks**  
**(Amount in Lakhs)**

Year	All India		North- East	
	Per capita Deposit	Per capita Credit	Per capita Deposit	Per capita Credit
2004	0.12	0.07	0.05	0.02
2005	0.14	0.10	0.06	0.02
2006	0.17	0.13	0.07	0.03
2007	0.21	0.16	0.09	0.04
2008	0.27	0.20	0.11	0.04
2009	0.32	0.24	0.14	0.05
2010	0.38	0.28	0.17	0.06
2011	0.45	0.34	0.21	0.07
2012	0.50	0.40	0.24	0.08
2013	0.58	0.46	0.28	0.09
Average	0.31	0.24	0.14	0.05
% Change, 2004-2013	383.33	557.14	460.00	350.00

**Source:**

1. Calculated by the Researcher on the Basis of Data Obtained From Basic Statistical Returns of Scheduled Commercial Banks in India (Various Issues)
2. Population data as per 2011 census

**Chart: 4 Per Capita Deposit and Credit of Scheduled Commercial Banks in India & North-East  
(Amount in Lakhs)**



**Source:** On the Basis of Table-5

**Conclusion:** Although the financial infrastructure in the country is by and large poor but within the country region like North- East is like at the back bench of the class room while comparing the national scenario. For the speedy development of the North-Eastern States an ample amount of financial infrastructure is important which could provide special services to develop the hill based rural economy of the region. The region is much suffered by socio-economic tension which requires sound financial reach to its youth as like any other developed parts of the country for encouraging self-employment. Increase of per capita deposit and credit in the country and the North-East in particular requires two important things, one to increase easy banking accessibility to all its citizens for mobilizing financial resources and other to use the mobilized funds for productive credit with check and balance and thereby to increase income and saving in the long run. The existing paper has discussed its contexts mostly on deposit and credit area but it could have been more appropriate if information on income, expenditure, priority and non-priority sectors etc. were included, however could not become possible due to non-availability of data. Still, the current study of comparative manner on scheduled commercial banks is believed to serve as stepping step in policy dialogue and help for future research on banking development in the North-East perspective and the country as a whole.

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