

A Comparative Study of the Scheduled Commercial Banks of Meghalaya and India

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Abstract

Banking sector as a part of financial infrastructure of the economy facilitates mobilizing surplus funds from the public and channels it to finance both consumption and investment for deficit sector. Expansions of banking sector is an indicator of regional development. Several studies point out unequal banking facilities and unbanked/under banked areas in India reflecting disparities in financial infrastructure and hence regional growth. The present study aims to focus on the comparative scenario of scheduled commercial banks in India with reference to the State of Meghalaya on the basis of selected parameters viz. branch expansion, per office deposit & credit disbursed, credit-deposit ratio, per capita deposit & credit, and population served per branch. The study reveals that the state like Meghalaya is in disadvantaged position as compared to the national level. The author undertakes selected literature review related to the field and findings of the literature corroborate the observations of this research work.

Keywords: Scheduled Commercial Bank, Deposit, Credit, CD Ratio, Population Served per Branch.

Introduction

The economic progress of a country highly depends on the growth and the progress of banking and the financial institutions of the country. The banking sector has a large impact in the real production sector of a country. The Govt. of India has taken several steps to develop the banking system in India. The change in the banking rules and norms makes a huge impact in an economy. In spite of several steps taken for the development of banking scenario in the country, various areas in the North-Eastern states are not served sufficiently with Banking facilities. One of such state is Meghalaya. The present study has been attempted to see a comparative position of the scheduled Commercial Banks in the State of Meghalaya in the context of all India progress of Indian Banking sector.

Objectives of the Study:

The prime objective of the present study is to compare development of banking facilities in Meghalaya with that of all India on the basis of following indicators:

- 1.Branch expansion of scheduled Commercial Bank in the state of Meghalaya and in the national level.
- 2.Per office distribution of deposit & credit of scheduled commercial banks in the state of Meghalaya and in the national.
- 3.the credit-deposit ratio, population served per branch, per capita deposit and credit of the scheduled commercial bank in Meghalaya with those of the country as a whole.

Review of Literature

Mishra et al. (2010) in their paper observed that in spite of several credit provisioning measures in India, rural credit delivery still suffers from low

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levels of access to credit. In that context, their paper made an attempt to analyze the rural credit delivery scenario in India through various rural financial institutions. Ibrahim (2011) in his paper observed that the banking sector is the core segment of the Indian financial system which influences the progress of the country. It plays an important role in the mobilization and allocation of resources in an economy. The sound financial position of the bank is the guarantee not only to its depositors but equally important for the whole economy. Several committees have emphasized need to improve the performance of the commercial banks. In his paper, he evaluates the operational performance of the commercial banks in India with especial reference to the Scheduled Commercial Banks since 2000. The study is diagnostic and exploratory in nature and the study finds that the Scheduled Commercial Banks in India have significantly improved their operational performance. Similarly, Chilumuri (2013) observes that the globalization in India is generally taken to mean 'integrating' the economy of the country with the world economy. The real thrust to the globalization process is provided by the new economic policy introduced by the Government of India in July 1991. The Indian banking sector has emerged as one of the strongest drivers of India's economic growth. The Indian banking industry (US\$ 1.22 trillion) has made an outstanding advancement in last few years even during the times when the rest of the world was struggling with financial meltdown. Similarly Chakma (2014) in his study observes that several countries across the globe now look at financial inclusion as the means to more comprehensive growth wherein each citizen of the country is able to use earnings as a financial resource that can be put to work to improve future financial status and adding to the nation's progress. His paper explains the scope and challenges for financial inclusion being faced by Northeast India. He suggests that

to achieve complete financial inclusion and for inclusive growth, there is a need for coordinated action between the banks, the Government and others to facilitate access to bank accounts amongst the financially excluded section. Bhandari (2014) in his study on the physical expansion of commercial banks in India points out that growth and the expansion of banking are primary steps in the mobilization of people's savings and to provide loans to the deficit spenders who play the crucial role in economic development of a nation. The study investigates the regional branches of scheduled commercial banks according to population group, bank-wise branch distribution and the region-wise branch distribution of scheduled commercial banks in India are shown. This study shows that regions like North-Eastern states are far behind the other regions of the country as far as expansion of commercial banking branches are concern.

Branch Expansion of Scheduled Commercial Banks

Scheduled commercial bank offices in Meghalaya in 2006 had 189 branches and correspondingly in all India there had 70776 branches. By 2015 the number of scheduled commercial bank branches in the state of Meghalaya increased to 294 branches, whereas in the country as a whole it increased to 125672 numbers of branches. Over the years in Meghalaya the number of scheduled commercial bank offices increased by 1.56 times and in the country as a whole it increased by 1.78 times. It definitely indicates the low attention in the state in the expansion of scheduled commercial bank offices when compared to the country as whole. In percentage figure, scheduled commercial bank offices in Meghalaya is between 0.23 percentages to 0.26 percentage which exhibits declining trend over the years.

Analysis of Deposit Per Office: Table-1 (in appendix) displays deposit per office of the scheduled

commercial bank in the state of Meghalaya and in the country as a whole from period 2006-2015. It is found that per office deposits accumulated by the scheduled commercial banks in Meghalaya in 2006 was Rs.1717.57 lakhs which increased to Rs.5661.20 lakhs in 2015. Over the years the per office deposits in the state has increased by 3.30 times. Correspondingly, the per office deposits for national level figure was Rs.2954.64 lakhs in 2006 which increased to Rs.7081.00 lakhs in 2015. Over years there has been increase of 2.40 times. Hence, as far as mobilization of resources are concern, Banks in Meghalaya are contributing to resource mobilization of the nation.

Analysis of Credit Per Office: Similarly table-2 (in appendix) shows the distribution of per office credit in the state of Meghalaya and in the country's scheduled commercial banks as a whole. In the year 2006 per office credit in the state of Meghalaya was Rs.826.48 lakhs which increased to Rs.1465.37 lakhs. Similarly in all India during the same period per office credit increased from Rs.2138.92 lakhs to Rs.5172.00 lakhs. Over years per office credit of scheduled commercial banks increased by 1.77 times in Meghalaya, while in all India it increased by 2.42 times respectively. It reflects that credit per office in the national level is more than the states level.

Credit-Deposit Ratio Analysis: Table-3 (in appendix) exhibits the CD ratio of the scheduled commercial Banks in the state of Meghalaya and in the nation as a whole. It is observed that the CD ratio in the state is actually declining from period 2006-2015. In 2006 CD ratio was 48.12 per cent which declined to 25.9 per cent in 2015. On the other hand the CD ratio in the national level was 71.5 in 2006 which increased to 73 per cent in 2015. It indicates that state like Meghalaya is highly suffering in the credit allocation of the scheduled commercial banks when compared to its deposit mobilization.

Analysis on Per Capita Deposit-Credit & Population Served Per Branch: Table-4 provides information on per capita deposit, per capita credit & population served per branch of the scheduled commercial banks in the state of Meghalaya and in the country as a whole from period 2006 to 2015. It reflects that in 2006, in the state of Meghalaya there were 15683 persons served per branch whereas in the national level it was 17098 persons per branch. In 2015 the number of population served per branch in the state of Meghalaya has declined to 10082 persons and in the National level it declines to 9630 persons per branch. It shows that population served per branch in the national level is better than the situation at the state level. Similarly in per capita deposit in Meghalaya it was Rs.0.11 lakhs in 2006 which increased to Rs.0.56 lakhs in 2015, and in the national level during the same period it increased from Rs.0.17 lakhs to Rs.0.73 lakhs respectively. In per capita deposit the national level improvement is better than the state level. Similarly over the years in per capita credit, in Meghalaya it increased from Rs. 0.05 lakhs to Rs. 0.15 lakhs whereas in the national level it was Rs.0.17 lakhs in 2006 and increased to Rs.0.57 lakhs in 2015. In per capita credit also the national level condition is far better than the state level condition. Overall in all the selected parameters of table-4 national context picture is better than the state level position of the scheduled commercial banks.

Conclusion

The current study observes that the position of the scheduled commercial banks in the state of Meghalaya is behind the national level in almost all the parameters. It indicates that the region requires more attention from the Govt. and needs policies and framework to develop banking facilities especially in Meghalaya. The CD ratio in the state is declining over the years and while contrarily the CD ratio trend at the national level is improving over time.

Meghalaya is the inhabitant of three important tribes i.e Khasis, Jaintia and Garos, and the state is fully rich in natural resources. A good banking infrastructure in the state could really bring a better utilization of the current resources and thereby the improvement in the socio-economic status of all the three important tribes of the State. The central Govt. and as well as the state Govt. have to frame a better policy for development of banking scenario in the state.

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Appendix

Table 1: Distribution of Deposit Per Office of Scheduled Commercial Bank (Amount in Lakhs)

Year	Meghalaya	All India	% of deposit per office in Meghalaya to all India deposit per office
2006	1717.57	2954.64	58
2007	2028.36	3547.92	57
2008	2325.58	4182.74	55
2009	3026.66	4794.48	63
2010	3588.11	5244.97	68
2011	4336.12	5850.77	74
2012	4664.05	6029.70	77
2013	5333.05	6417.17	83
2014	5099.02	6747.00	76
2015	5661.20	7081.00	78

Source: Calculated by the Researcher on data collected from RBI Publication on Scheduled Commercial Banks in India (Various Issues)

Table 2: Distribution of Credit Per Office of the Scheduled Commercial Banks (Amount in Lakhs)

Year	Meghalaya	All India	% of credit per office of Meghalaya to all India credit per office
2006	826.48	2138.92	39
2007	724.15	2660.01	27
2008	771.81	3110.73	25
2009	855.27	3481.23	25
2010	919.15	3846.79	24
2011	1057.44	4424.42	24
2012	1204.94	4764.91	25
2013	1278.89	5056.16	25
2014	1397.65	5235.00	27
2015	1465.37	5172.00	28

Source: Calculated by the Researcher data from RBI Publication of Scheduled Commercial Banks in India

Table 3: Distribution of Credit-Deposit Ratio

Year	Meghalaya	All India
2006	48.12	71.5
2007	35.70	73.9
2008	33.19	73.9
2009	28.26	72.4
2010	25.61	72.2
2011	24.38	75.7
2012	25.83	78.0
2013	23.98	77.8
2014	27.4	77.6
2015	25.9	73.0

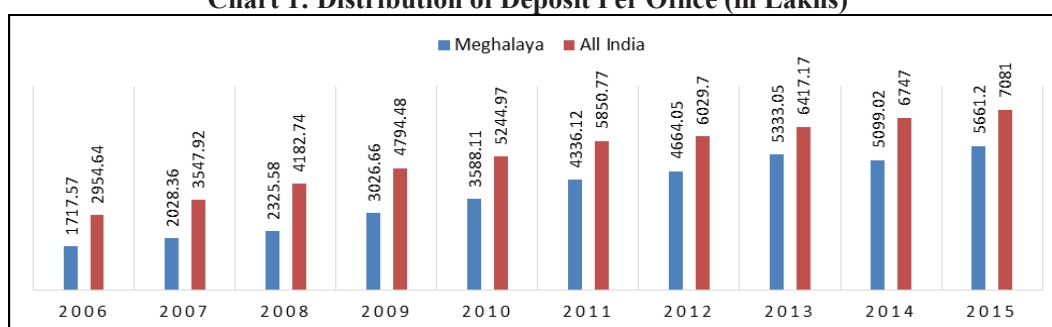
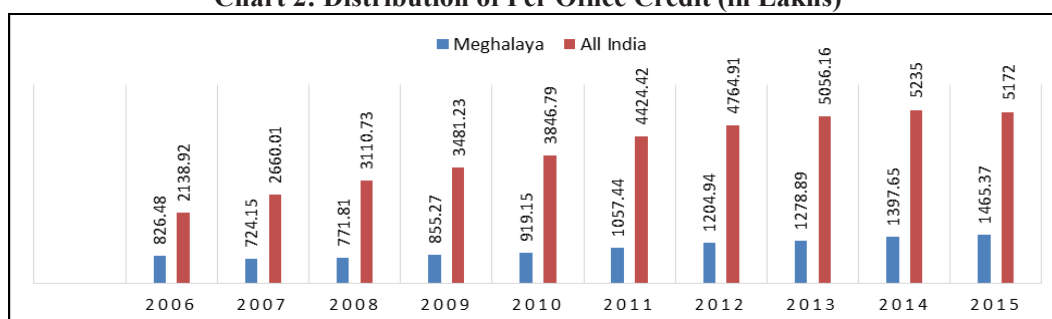
Source: Calculated by the Researcher on the Basis of Total Credit & Total Deposit provided in RBI Publication of Scheduled Commercial Banks in India (Various Issues)

Table 4: Per Capita Deposit, Per Capita Credit & Population Served per Branch (Amount in Lakhs)

Year	Meghalaya			All India		
	Population Served Per Branch	Per Capita Deposit	Per Capita Credit	Population Served Per Branch	Per Capita Deposit	Per Capita Credit
2006	15683	0.11	0.05	17098	0.17	0.13
2007	15438	0.13	0.06	16532	0.21	0.16
2008	15278	0.15	0.05	15575	0.27	0.20
2009	14459	0.21	0.06	14794	0.32	0.24
2010	13916	0.26	0.07	13916	0.38	0.28
2011	13412	0.32	0.08	13137	0.45	0.34
2012	12506	0.37	0.09	12005	0.50	0.40
2013	11578	0.46	0.11	11074	0.58	0.46
2014	10364	0.49	0.13	10319	0.66	0.52
2015	10082	0.56	0.15	9630	0.73	0.57

Source: 1. Calculated by the Researcher on the Basis of Data Provided in RBI Publication of Scheduled Commercial Banks in India (Various Issues)

2. Population figure taken from Census of India 2011, Provisional Population Totals-India-Data Sheet

Chart 1: Distribution of Deposit Per Office (in Lakhs)**Chart 2: Distribution of Per Office Credit (in Lakhs)****Chart 3: Credit-Deposit Ratio**