
Navigating Financial Frontiers: An Exploratory Study of Institutional Finance in Assam

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Abstract

This paper examines the progress and challenges of institutional finance in Assam. It reveals that the commercial banks of Assam are leading in deposits and dispersion of credits in the north-eastern region of India. Deposit and credit disbursement of banks are showing consistent growth. Scheduled commercial banks in urban areas account for the largest share of these deposits and credits, with savings and term accounts being the primary contributors to deposit growth. Weaker section advance to weaker section advance is highest in a regional rural bank. Public sector banks are in a leading position in disbursing KCC numbers and KCC amounts. There are many challenges before the institutional finance in Assam. Therefore, the government should introduce proper banking policies to mitigate such challenges. This study aims to contribute to the broader goal of promoting sustainable development, reducing disparities, and enhancing the overall well-being of Assam's populace. This paper is the first to address the critical gap in the understanding of the financial landscape of Assam, a region undergoing rapid socio-economic transformation. As the first to specifically address the financial landscape of Assam during its rapid socio-economic transformation, the paper's findings can inform policy and strategic decisions at both regional and national levels.

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

1. Introduction

A bank is an important financial institution. Credit and deposit are the two vital functions of financial institutions. Credit is an agreement between a borrower and a lender. Borrower's bank credit is determined by on total amount of credit available to lend by the banking institution and demand from customers. Bank credit for individuals is increasing due to relying on debt for 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 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. General Bank of India was established in 1786. There are 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. 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 (Chhatoi. & Pattanaik. 2015 b). Payments Banks can accept limited deposits. In public sector banks, the government holds the majority of the shares (Chhatoi. & Pattanaik. 2015a; Chhatoi, & Sahoo, 2019). Private entities are winners of private sector banks (Sharma and Shekhar, 2015; Mishra. Chhatoi 2016).

2. 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 challenges of institutional finance in Assam.

3. The Study Area

Assam is situated in north-eastern region of India. Its total area is 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". According to the 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. Assamese and Bodo are the 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 have attracted visitors.

3.1 Methods and Materials

- **Design and Approach:** This study has utilised a qualitative approach. It is a descriptive study. Secondary data has received 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:** Qualitative study comprising text analysis descriptive analysis and content analysis has been used to reveal the institutional finance in Assam in general and the prospects and challenges in particular.

4. 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 is increasing in the state economy. Rural areas have more number bank branches than the urban areas. Regional Rural Banks were established to boost the village economy by allocating more fund to small entrepreneurs, artisans, agricultural labourers, farmers etc. Langpi Dehangi Rural Bank and Assam Gramin Vikash Bank are two Regional Rural Banks. Credit is vital for the revival of the agricultural sector. The government introduced the Kisan Credit Card in 1998-99 for trouble-free credit supply to cultivators from financial institutions. Micro-finance programme was introduced to reduce poverty as well empowerment of the poor.

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

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

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

Table 1 discussed deposits and bank credits in scheduled commercial banks in the north-eastern 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 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 north-eastern region of India.

Table 2: Scheduled Commercial Banks in India and Assam

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 comparative study of the status 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 was more than doubled in 2022. State contribution in the national figure is 1.95 percent in 2022. Deposits in commercial banks of Assam were 49.545 crores in 2010 and increased more than tripled and reached 1.89 lakhs crores in 2022. State contribution in 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 and reached 92145 crores in 2022. State contribution in the national figure is only 0.75 per cent in 2022. So, we conclude that deposits and credit of scheduled commercial banks are increasing continuously but 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	
	2023	2022	2023	2022	2023	2022
Deposits (Rs. in Crore)	45435	40227	56700	51241	109139	98062
No. of Reporting offices	1500	1453	872	845	681	664
Credit (Rs. in Crore)	26292	23540	34120	27177	53429	41428
C-D Ratio (in %)	57.87	58.51	60.14	53.03	48.95	42.24

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

Table 3 depicts the credit and deposits of scheduled commercial banks in Assam. It has found that deposits, number of reporting offices, credits and C-D ratio in rural, semi-urban and urban commercial banks 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. Semi-urban and urban areas have less number of reporting offices than the rural areas. Branches of banks those situated in Semi-urban and rural areas are allocating less credit than the branches of urban areas. Semi-urban and urban banks have low C-D Ratio than the rural commercial banks. So, we can conclude that credit and deposits are higher in scheduled commercial banks situated in urban areas.

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

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

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 credit of scheduled commercial banks in Assam. It has been found that private banks have the highest reporting offices followed by Public Bank, Regional Bank, Small finance/ Cooperative Bank and Foreign Bank. Private Banks have the highest number of deposits followed by Public Bank and Regional Bank. Deposits in 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 public banks. Credit Deposit Rate is highest in Small Finance/ Cooperative Bank followed by Public Bank and Regional Bank. So, we concluded that private banks are in a better position than 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)								
	2023*				2022				% increase
	Rural	S.U.	Urban	Total	Rural	S.U.	Urban	Total	
Savings	28975	31529	50464	110968	25938	29504	42207	97649	14
Current	2266	4084	9004	15354	2236	3680	10554	16470	-7
Term	13429	19816	47745	80990	12025	18017	45323	75364	7.5
Total	44670	55429	107213	3207311	40199	51201	98083	18948	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 commercial banks in the State by type of account. It has found that deposits in savings, term and current accounts increased in 2022-2023. Deposit in savings accounts is higher than the other types of accounts. A savings account is more popular among people due to the rate of interest. Interest rates are higher in term accounts but have restrictions for withdrawing capital before maturity. There is no interest rate in the current account. It is popular among business-class people due to the transfer of funds for business purposes. So, we concluded that savings and term accounts contributed more deposits in scheduled commercial banks.

Table 6: Non-Priority and 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 highest in Assam cooperative bank and regional rural bank followed by private bank and public bank. The weaker section advance to total advance is highest in regional rural banks followed by private banks and public banks. Weaker section advance to weaker section advance is highest in regional rural bank followed by private bank, public bank and cooperative bank. So, there are differences in non-priority and priority sector advances in Assam.

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

Bank Group	Current Disbursed No.	Year KCC	Current Disbursed Amount (in Rs.*)	Year KCC	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 Kisan Credit Card allocations in Assam. It has been found that public sector banks had the higher number of Disbursed KCC numbers in 2022 followed by regional rural

banks, and cooperative banks. 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. Public sector bank also has the highest total O/S KCC numbers and amount then the private banks followed by regional rural bank and cooperative banks. So, we concluded that public sector banks are in the leading position in disbursing KCC numbers and KCC amounts. Therefore, there are differences in Kisan Credit Card allocations among the banks in Assam.

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

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

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

Table 8 discussed the loan sanction and disbursement by North Eastern Development Finance Corporation Ltd. (NEDFI) in Assam. It has found that number of projects financed by NEDFI are increasing continuously. Fund sanctioned and disbursed under PFD+MSE are also increased continuously. There is inclusive gap between total sanctioned and disbursed amount. Total sanctioned fund is higher than the total disbursed fund. Therefore, there are deviation between loan sanctioned and disbursed by 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
Darrang	70	70	71	2912	2543	2283	2019	1671	1536
Dhubri	88	83	82	3796	3424	3265	2148	1913	1877
Baksa	57	53	54	1397	1259	1563	1034	835	1018
Hailakandi	45	44	44	2020	1886	1669	955	810	697
Barpeta	123	121	115	5634	5125	4302	3847	3216	2612
Goalpara	70	67	70	2724	2539	2231	1630	1313	1155
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 discussed the banking in the aspirational districts of Assam. It has found that there is the general trend of increasing bank branches, deposits and credits. Barpeta district has the highest bank branches followed by Dhubri, Darrang and Goalpara. Hailakandi district has the least number of branches preceded by Udalgur and Baksa. Highest amount of deposit registered in Barpeta district followed by Dhubri, Darrang, and Goalpara districts. On the other hand, least amount of deposit listed in Baksa district preceded by Udalgur and Hailakandi districts. Highest amount of credit disbursed in Barpeta district followed by Dhubri, Darrang, and Goalpara districts. On the other hand, least amount of credit are disbursed in Hailakandi district preceded by Udalgur, and Baksa districts. Therefore, there are variation of 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)			
	2023	2022	2021	2020	2023	2022	2021	2020
Sishu	620619	437768	447180	520164	1618	897.3	922	1200
Tarun	35981	33555	20892	18294	1910	1449.8	1092	1111
Kishore	658694	366032	228394	116030	5440	3525.8	2467	1617
Total Mudra	1315294	837355	696466	654488	8968	5872.9	4481	3928

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

Table 10 discussed Pradhan Mantri Mudra Yojana (MUDRA) status in Assam. It has been found that Kishore Mudra has the highest number of outstanding numbers followed by Sishu and Tarun Mudra. During the period 2020-2023, the outstanding number of Tarun mudra, Sishu and Kishore mudra were increased. The outstanding amount of Kishore mudra was increased continuously during 2020-23 but other mudra's outstanding amount were also increased mudra after initial declined. So, we concluded that the outstanding number and outstanding amount of

all mudras were finally increased during the period. So, there are differences in outstanding numbers and amounts in categories of PMMY of Assam.

Banks provide traditional and advanced facilities. There are many challenges before co-operative banks. Major challenges are problems in coordination and management, lack of awareness, limited coverage, Delays in the conduct of audits, functional weakness 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 major challenges before the scheduled commercial banks.

5. 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 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. Semi-urban and urban areas have less number of reporting offices than the rural areas. Branches of banks those situated in Semi-urban and rural areas are allocating less credit than the branches of urban areas. Semi-urban and urban banks have low C-D Ratio than the rural commercial banks. Savings and term accounts contributed to more deposits in banks. Weaker section advance to weaker section advance is highest in regional rural branches of the bank. Public sector banks are in a leading position in disbursing KCC numbers and KCC amounts.

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.

6. 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 performance.

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