



BANKING SECTOR IN LAKSHADWEEP:GROWTH AND PERFORMANCE

Sidhique. P¹

¹Lecturer in English, Calicut University Centre, Kadmat, Lakshadweep, India,



ABSTRACT

The objective of this paper is to analyses the growth and performance of banking sector in Lakshadweep. In Lakshadweep the formal Banking sector has been started only in 1971. The average population per branch is 5369 which was 6060 in 2005 as against the all India average of about 16,000. The deposits in Banks grew from Rs.832.02 lakhs in 1990 to Rs.95.25 crore in 2004 and to 20505 crore in 2006-07 of which Rs.126.88 crore represents Government deposits. The Credit Deposit Ratio is very low in Lakshadweep. Growth in credit has substantially lagged the growth in deposits in terms of absolute numbers. Seventy five percentages of Banks in Lakshadweep are managed by Syndicate Bank, 17% by SBI and 8% by UCO Bank. Regarding the deposit also syndicate bank stand first. 78% of total deposits from Lakshadweep are in Syndicate bank and the remaining shares are divided between SBI and UCO. In the case of loan advances, 81 % of loans in Lakshadweep are advanced by Syndicate Bank, 17% by SBI and only 2% by UCO Bank.

KEYWORDS: Bank, Credit Deposit Ratio, Lakshadweep, Syndicate Bank, Cheques, Drafts, Orders.

INTRODUCTION

Banks, because of their reach and trust of people have emerged as the largest intermediary across the world. It plays very important role in the economic life of any region. The health of the economy is closely related to the soundness of its banking system.

Although banks create no new wealth but their borrowing, lending and related activities facilitate the process of production, distribution, exchange and consumption of wealth. In this way they become very effective partners in the process of economic development.

Bank is the life blood of modern commerce and trade. It has been defined as accepting, for the purpose of lending or investment, deposits of money from the public, payable on demand or otherwise and withdraw able by cheques, drafts, orders of otherwise. The banks act as a bridge between the users of capital and those who save but cannot use the funds themselves they activate idle resources of the community and bring them to productive uses. The important role of banks in the development of a country promotes saving habits of the people, provides risk free income to depositors, channelize household savings into productive capital, capital formation and promote industry, smoothing of trade and commerce functions, generate employment opportunity, applying of monetary policy and promote balanced development. In India, the contribution of the banking sector to GDP is about 7.7% of GDP. Banking sector intermediation as measured by total loan as a % of GDP is 30%. Banking sector has generated employment to the tune of 1.5 million.

Lakshadweep, tiniest territory of India with a total surface area of just 32 Km² and a total population of 64429 appears as a few blurred blotches on the national atlas. It is, in fact, a sparkling diamond adorning India's southwestern frontier. It is one of the marvels left untouched by the encroaching hands of Industrialization. The white beaches, the large lagoons of spectacular beauty that wash its shores with the coral reefs, the deep blue sea-all, these are symbiotically linked with each other. It is an archipelago of twelve atolls, three reefs and five submerged banks, with a total of about thirty-nine islands and islets, of which 10 are inhabited islands. The economy of Lakshadweep depends largely on coconut cultivation, fishing, coir industry and tourism. The gross domestic product of Lakshadweep amounted to US\$ 80 million in 2010.

The Banking sector in Lakshadweep is relatively underdeveloped, still now it is in a stage of infancy. The financial sector in Lakshadweep was stagnant and didn't develop much after independence. It was in 1971 the first bank established in Kavaratti. Lakshadweep administration and RBI has initiated to develop the financial sector, since it is the most driving factor of development. As a part of this initiative, the various Banks were established its branches in all Islands.

There are enormous studies focusing on financial sector. But to the extent of our limited knowledge, we couldn't find any literature which investigates the banking sector in Lakshadweep. So, it is of crucial practical importance to trace out, how the growth of Banking sector is in Lakshadweep. Hence, the present study is attempted. This study helps to identify the exact condition of banking sector in Lakshadweep. The findings from this study may helpful to the Government and the Bank to improve both the quality and quantity in terms of facilities extended by the various banks.

DATA AND METHODOLOGY

This study relates to banking sector in the U.T of Lakshadweep. For different analysis the study adopted different study period. In order to analyse the performance of banks in Lakshadweep, the study period is from 1990 to 2004, for analysing the advances to various sector, the study adopted the data from 2004 to 2007 and for comparing the performance of various abnks, the year 2011 is taken. The required data have been collected from only one source, namely secondary. The secondary data is collected from various sources such as Basic statistics 2007 Lakshadweep, Census 2001 and Report of the working group on improvement of banking services in the union territory of Lakshadweep, published by RBI.

Some related data and information are collected from official websites of different agencies. The data collected is analysed with the help of simple statistical techniques such as percentages, averages, ratios and growth rates. Further diagram and other statistical tools were also used in the analysis.

ANALYSIS AND RESULT

The entire group of islands are considered as one district for Lead Bank purposes. Syndicate Bank is the Lead Bank and Convener of the Union Territory of Lakshadweep Bankers Committee (UTLBC). Presently there are 12 bank branches in the islands viz. nine branches of Syndicate Bank, two branches of State Bank of India (SBI) and one branch of UCO bank. ATM facilities are available in all Islands. Syndicate Bank had opened its first branch at Kavaratti in 1971 and

is operating throughout the UTL with nine branches in the nine major islands. There are no Regional Rural Banks, District Central Cooperative Banks, State Cooperative Banks or Urban Cooperative Banks functioning in Lakshadweep. The average population per branch is 5369 which was 6060 in 2005 as against the all India average of about 16,000.

The member of the Working Group from Syndicate Bank (UTLBC Convenor) was not in favour of opening of additional bank branches which he felt would only lead to unhealthy competition. According to him the low level of population in the islands and the recent financial inclusion exercise conducted by the banks and the best per population per bank branch figures of the islands, there is no need for another bank branch in any of the islands.

Table-1, Growth performance of banking sector in Lakshadweep

Year	Total number of branches	Total Deposits	Total Advance	Credit Deposit Ratio	Total Advance to Priority Sectors
1990	8	832.09	132.17	15.88%	100.77
1991	8	905.42	156	17.23%	108.77
1992	8	1194	145.32	12.17%	99.09
1993	8	15468	13274	8.60%	83.67
1994	8	1688.5	154.67	9.16%	99.28
1995	9	2080.8	200.22	9.62%	148.17
1996	9	2585.6	234.87	9.08%	173.01
1997	9	3244	271	8.35%	169
1998	9	3836	318	8.29%	210
1999	9	5355	407	7.60%	243
2000	9	6271	474	7.56%	235
2001	9	5553	521	9.38%	211
2002	9	6791	547	8.05%	211
2003	9	11077	567	5.11%	200
2004	9	9525	719	7.60%	259

Source: basic statistics 2007



Even though the feasibility of starting banks in Lakshadweep was first studied by the Canara Bank, they withdrew from the mission without starting a single Bank in Lakshadweep. Then the mission was taken by the syndicate bank as challenge and started its first branch at Kavaratti in 1971. Soon after they expanded the branching in to more islands and at present all the inhabited Islands except Bitra has syndicate Bank. No more possibility of starting branches of syndicate banks in Lakshadweep since the Bank man ratio is very low in all the Islands and in populated Islands such as Kavaratti, Minicoy and Androth already other banks has started its branch.

It would be observed from the above that the deposits grew from Rs.832.02 lakhs in 1990 to Rs.95.25 crore in 2004 and to 20505 crore in 2006-07 of which Rs.126.88 crore represents Government deposits. The deposit in Lakshadweep shows gradual and consistent increases except in 2001.

Regarding the growth of deposit, there was a quantum jump of 25 % 5growth of deposits in the two years subsequent to 1990-91. But in 2004 its decreased but remained as positive, it was in 2001 a drastic decline in the deposit has been occurred, that too goes negative. The sizable increase in the percentage of this growth is because of the fluctuation in Government deposits.

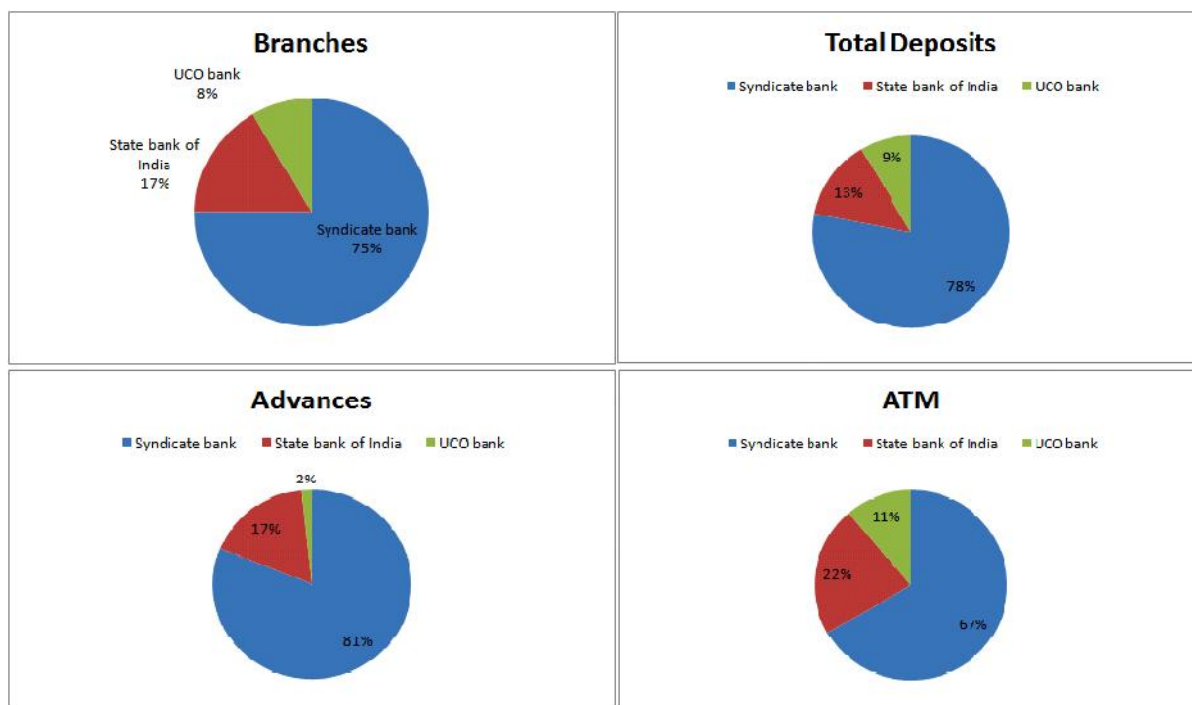
Although there has been corresponding growth in credit in percentage terms during this period credit off take in absolute terms is very low. As may be observed, there has been no steady growth in the Credit-Deposit Ratio (CD Ratio). In early 1900s the CDR increased at

a higher rates but subsequently it started to fall. Growth in credit has substantially lagged the growth in deposits in terms of absolute numbers. The major reasons for low CD ratio appear to be the following:

- ⇒ Major portion of the deposits represents Government deposits.
- ⇒ low credit absorption capacity on account of various locational and infrastructural constraints resulting in few credit proposals coming to the banking system;
- ⇒ absence of sufficient awareness/ financial literacy among most of the population regarding credit facilities/ schemes available from the banks;
- ⇒ social/religious factors inhibiting the population from availing credit facilities from banks;
- ⇒ a certain lack of entrepreneurship and motivation to take up enhanced economic activities, in part due to feeling of contentment with 'things as they are';
- ⇒ lack of competition in the banking system since nine out of ten branches are with one bank - Syndicate Bank; greater innovations and creativity in designing banking products and services that may be better suited to the needs and customs of the islanders and marketing efforts might be higher with more competition;
- ⇒ Perceived delay and procedural cumbersomeness in dealing with banks for obtaining credit in the minds of the people.

Table-2 Details of Banks in Lakshadweep

Particulars	Syndicate bank	State bank of India	UCO bank
No.of branches	9	2	1
Total deposits(Rs.in crore)	412.63	71.16	45.12
Total advance (Rs. In crore)	34.96	7.31	0.73
Credit deposite ratio (%)	8.48	10.27	1.68
Total advance priority sector (Rs. In crore)	16.62	1.75	0.69
ATM counters	6	2	1



The table and picture clearly says the major banking details in Lakshadweep. There are totto 12 banks in which syndicate, SBI and UCO has 9, 2 and 1 branches respectively. That means 75% of Banks in Lakshadweep are managed by Syndicate Bank, 17% by SBI and 8% by UCO Bank. \Regarding the deposit also syndicate bank stand first. 78% of total deposits from Lakshadweep is in Syndicate bank and theremaining shares are divided between SBI and UCO. In the case of loan advances, 81 % of loans in Lakshadweep are advanced by Syndicate Bank, 17% by SBI and only 2% by UCO Bank.

It could be seen from the above graph that, the credit deposit ratio is high in Syndicate bank which is 10.27 % and very low in the case of UCO bank. The CDR in SBI is somewhat moderate.

CONCLUSION

Bank is an important input and prerequisite for economic development which is critical input for a long term and sustainable economic growth. Nowadays the intellectual curiosity of researchers and policy makers has much focused to investigate the growth of Banking since it affects the development process. Economic development of a nation is not only depends on income or the wealth of a nation but on banking social service. The major objectives of the study were to investigate the Banking sector development in Lakshadweep and to analyses the deposit and advances positions of various Banks in Lakshadweep. For examining the above objective in detail secondary has collected and the collected data

are examined with the help of simple statistical techniques. The major findings of the study are

- ✧ The syndicate bank started the first bank in Lakshadweep in 1971. Soon after they expanded the branching in to more islands and at present all the inhabited Islands except Bitra has syndicate Bank.
- ✧ In between 1971 and 1995 the syndicate bank started its 9 branches in Lakshadweep. The deposits grew from Rs.832.02 lakhs in 1990 to Rs.95.25 crore in 2004 and to 20505 crore in 2006-07 of which Rs.126.88 crore represents Government deposits.
- ✧ The deposit in Lakshadweep shows gradual and consistent increases except in 2001. Regarding the growth of deposit, there was a quantum jump of 25 % growth of deposits in the two years subsequent to 1990-91. But in 2004 it's decreased but remained as positive, it was in 2001 a drastic decline in the deposit has been occurred, that too goes negative. The sizable increase in the percentage of this growth is because of the fluctuation in Government deposits.
- ✧ The CDR is very low in Lakshadweep. In early 1900s the CDR increased at a high rate but subsequently it started to fall. Growth in credit has substantially lagged the growth in deposits in terms of absolute numbers.
- ✧ The credit deposit ratio is high in Syndicate bank which is 10.27 % and very low in the case of UCO bank. The CDR in SBI is somewhat moderate.
- ✧ There are in total 12 banks in which syndicate, SBI and UCO has 9, 2 and 1 branches respectively. That means 75% of Banks in Lakshadweep are managed by Syndicate Bank, 17% by SBI and 8%

by UCO Bank. Regarding the deposit also syndicate bank stand first. 78% of total deposits from Lakshadweep is in Syndicate bank and the remaining shares are divided between SBI and UCO. In the case of loan advances, 81 % of loans in Lakshadweep are advanced by Syndicate Bank, 17% by SBI and only 2% by UCO Bank.

FINDINGS

- ✧ Starting of additional branch in populated islands. There is lack of competition in the banking system in Lakshadweep since nine out of ten branches are with one bank – Syndicate Bank. Taking into account the island-wise per branch population and also the fact that there is limited inter Island movement of people for transacting banking business in view of poor inter-island transport facilities, the Group felt that opening an additional bank branch each in the islands of Androth (population 10727), Agatti (7009) and Amini (7353) could be considered.
- ✧ Improve the infrastructural facilities, because various locational and infrastructural constraints is resulting in few credit proposals coming to the banking system
- ✧ Transportation facilities should be increased. A basic requirement for the economic activities to take off would be the development of transport and communication facilities, there by bridging the 'distance gap' between the island and the mainland.
- ✧ Conduct awareness program because there is a absence of sufficient awareness/financial literacy among most of the population regarding credit facilities/schemes available from the banks.

- ✎ Starting of interest free banking. The most of the people are not willing to take the bank account because of the religious restriction. It inhibiting the population from availing credit facilities from bank and alos from depositing in banks
- ✎ Enhance economic and business activities. In Lakshadweep the economic and business activities are at low ebb.
- ✎ Avoid procedural delay in getting credit. Perceived delay and procedural cumbersomeness in dealing with banks for obtaining credit in the minds of the people.

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