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Growth Analysis of the Karimnagar District Cooperative Central Bank (KDCCB) Andhra Pradesh

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ABSTRACT

An attempt is made to study the growth of the Karimnagar District Co-operative Central Bank. The compound growth rates of physical indicators viz., number of branches, Government employees under Fundamental Rule 127 were statistically significant, but others viz., beneficiaries covered, total number of employees were statistically non-significant. The compound growth rates of financial indicators viz., total share capital paid-up share capital, borrowings, deposits mobilized, investments, total liabilities, current assets, current liabilities, income, expenditure and advances outstanding during the study period were statistically significant. Authorised share capital credit disbursed and recovery percentage were statistically non-significant.

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INTRODUCTION

The emergence of green revolution during late sixties and introduction of new agricultural technology in India has changed the nature of agriculture. Yield incerasing technology which involves high input use, required higher farm finance. Majority of the farmers in India are small and marginal, they are financially poor and are unable to make high investments in agriculture and hence resort to borrowing. Thus, credit has to be made available at the appropriate time, through appropriate source to the needy farmers.

One of such credit providing institutions to the farmers in India is co-operative bank. In Andhra Pradesh the co-operative credit structure is a 3-tier system consisting of Primary Agricultural Co-operative Credit Societies (PACCS) at village level. District Co-operative Central Bank (DCCB) at district level and Andhra Pradesh State Co-operative Bank (APCOB) at State level.

The Karimnagar District Co-operative Central Bank (KDCCB) was established in the year 1921. Since its inception the bank has been providing credit to the farmers of the district. With the introduction of 'Single Window Delivery System' on 1-4-1987, Bank has been providing short, medium and long term loans to its members. The bank has been mobilizing deposits through it's 28 branches and 528 various Co-operative Societies. Of the total 528 Co-operative Societies, 208 Societies were Primary Agricultural Co-operative Credit Societies (PACCS) Distributed throughout the District and were dealing with the farmres.

In this study an attempt is made to analyse the growth of the KDCCB in terms of both physical and financial indications and to make projections for selected indicators.

MATERIALS AND METHODS

To study the growth compound growth rates

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were estimated for selected physical and financial indicators.

An exponential function of the following types was employed to estimate the growth rates :

$Y = ab^t$

where

Y = Indicator

a = Constant

b = Regression co-efficient (rate of change in Y per unit change in time)

t = Time

Annual average compound growth rate in percentage :

$r = (b-1)\ 100$

For the selected physical and financial indicators projections were also made for 2005 A.D. using the following trend equation.

$Yc = ab^t$

Where

Yc= Trend value

a = Constant

b = Regression Co-efficient

t = Time (20 Years)

The important physical indicators considered were number of branches, number of beneficiaries covered, total number of employees, number of bank's own staff and number of Govt. employees under Fundamental Rule 127. The important financial indicators considered were total share capital, borrowings of the bank, credit disbursed, deposits mobilised, investments made, owned funds, total assets, total liabilities, current assets, current liabilities, income, expenditure, recovery percentage and advances outstanding.

RESULTS AND DISCUSSION

The compound growth rates were computed for the selected physical and financial indicators for the period of 10 years from 1985-86 to 1994-95.

Physical Indicators

The compound growth rates of selected physical indicators are presented in Table 1.

The number of branches grew at a meager rate of 0.72 per cent per annum. It had opened only 2 branches in this period of study, as there were already sufficient number of branches spread across the district.

TABLE 1

Physical performance indicators compound growth rates and projections

Sr. No.	*Indicator*	*Compound Gworth Rate (1985-86 to 1994-95) Percentage per annum*	*Estimates of Trend Equation $Yc=ab^t$ t=20*	*Trend Value in Number for 2005 A.D.*
1.	Benificiaries covered	5.0919 (0.988) N.S.	$Yc=207826.2 \times 1.050912^t$	561083
2.	Number of Branches	0.7212 (2.744) *	$Yc=25.366 \times 1.00712^t$	29
3.	Total Number of employees	3.5281 (1.667) N.S.	$Yc=330.1993 \times 1.035282^t$	661
4.	Bank's own staff	3.2942 (1.503) N.S.	$Yc=319.5613 \times 1.032942^t$	611
5.	Govt. Employees under F.R. 127	6.5410 (4.910)**	$Yc=11.6037 \times 1.06541^t$	41

Note : Figures in paranthesis indicate 't' value for log b

* indicate significant at 5% level

** indicate significant at 1% level

N.S. indicate not significant

The number of beneficiaries covered by the bank grew at a low rate of 5.09 per cent per annum which was statistically non-significant. The reason is attributed to wide fluctuations in number of beneficiaries covered by the bank each year.

A similar trend was obeserved in the growth rate of total number of employees by the Bank during the study period. The growth rate of total number of employees was low at 3.55 per cent per annum, which was statistically non-significant as the Bank had opened only 2 branches in the study period. The rate of growth in bank's own staff was low at 3.29 per cent annum, which was statistically non-significant, whereas, the rate of growth of government employees recruited under Fundamental Rule 127 was statistically significant at 6.54 per cent per annum.

Projection for Physical indicators :

The projection made for physical indicators for the bank for 2005 AD are presented in Table 1.

It is envisaged that by 2005 AD the number of beneficiaries covered by bank would increase marginally to 5,61,083 when compared to 1994-95 figure 4,63,585. By 2005 AD the number of branches are projected to increase by only one to take the total to 29 branches. The total number of employees are set to touch 661 wherein bank's own staff and the Government employees under Fundamental Rule 127 would increase in 611 and 41 respectively by 2005 AD.

Financial Indicators

The financial managemant performance of a bank can be judged by examining the growth of various financial indicators. The compound growth rates for selected financial indicators were calculated and are presented in Table 2.

TABLE 2

Physical performance indicators compound growth rates & projections

Sr. No.	*Indicator*	*Compound Gworth Rate (1985-86 to 1994-95) Percentage per annum*	*Estimates of Trend Equation Yc=ab' t=20*	*Trend Value in Lakh Rupees for 2005 A.D.*
1.	Total share capital	8.4603 (2.335)*	Yc=1095.0501 X 1.084603'	5559.89
2.	Authorised Share Capital	7.8568 (1.732) N.S.	Yc=689.2075 X 1.078568'	3128.24
3.	Paid-up share capital	9.4598 (6.527)**	Yc=398.4856 X 1.094598'	2499.44
4.	Borrowings	11.6514 (4.049)**	Yc=3201.6010 X 1.116514'	29016.88
5.	Credit disbursement	4.5882 (0.097) N.S.	Yc=2167.7040 X 1.048817'	5623.34
6.	Deposit mobilisation	16.228 (20.456)**	Yc=574.7857 X 1.16228'	11633.79
7.	Investments	11.4228 (5.389) **	Yc=352.1065 X 1.114228'	3063.06
8.	Owned funds	8.6281 (3.861) **	Yc=533.8776 X 1.08628'	2736.80
9.	Total Assets	13.5793 ((3.289)*	Yc=7425.0948 X 1.135793'	94773.25
10.	Total Liabilities	13.7379 (5.483)**	Yc=7467.320 X 1.1373'9'	98009.66
11.	Current Assets	9.7292 (5.211)**	Yc=1448.805 X 1.097290'	9277.99

12.	Current Liabilities	13.4651 (11.432)**	Yc=1001.447 X 1.134651'	11527.78
13.	Income	14.5985 (6.527)**	Yc=352.525 X 1.145985'	5379.83
14.	Expenditure	13.08 (3.890) **	Yc= 401.5487 X 1.1308'	4693.04
15.	Recovery Percentage	1.1392 (0.132) N.S.	Yc=30.1627 X 1.011392'	37.83
16.	Advances Outstanding	11.8014 (5.546)**	Yc=3628.561 X 1.118014'	33781.53

Note : Figures in paranthesis indicate 't' value for log b.

* indicate significant at 5% level.

** indicate significant at 1% level.

N.S. indicate not significant.

The total share capital of the bank registered a growth rate of 8.46 per cent per annum indicating that the bank was financially sound. The over all growth rate of authorised share capital was 7.86 per cent per annum but it was statistically non-significant because the authorised share capital increased to Rs. 1200 lakhs in 1986-87, there after there was no increase in it. The growth rate of paid-up share capital was 9.46 per cent per annum. Whatever growth recorded in the total share capital was only because of incerase in paid-up share capital.

A substantial growth rate of 11.65 per cent per annum was observed in case of borrowings by the bank which can be attributed to the increased credit disbursement needs and increased outstanding.

Owing to wide fluctuations in the amount of credit disbursed. The growth rate stood at a meager 4.59 per cent per annum. There is perceptible need of better strategies of credit disbursement to be evolved by the bank to cater to the larger sections of needy farmers.

The bank had registered a better growth rate of 16.23 per cent per annum in mobilising deposits through various schemes. The reasons for this could be better efforts put in by the officials, provision of higher interest on the deposits by 0.5% over that of other commercial banks and an insurance coverage on the deposits upto Rs. 1 lakh.

The investments made by the bank on debentures, National Saving Certificates, fixed deposites and shares recorded a growth rate of 11.42 per cent per annum.

The owned funds shown a growth rate of 8.62 per cent per annum, due to incerased investments and reserved. The growth rate of total asstes (13.58 % per annum) was less than the growth rate of total liabilities (13.74% per annum). Thus, there is an imperative need for the bank to bring down the growth rate of total liabilities with proper planning.

Similar behaviour was observed in growth rates of current asstes and current liabilities. The growth rates of current assets and current liabilities were 9.73 per cent per annum and 13.46 per cent per annum respectively revealing the bank's inadequacy in meeting immediate obligations.

The bank registered net profits as the growth rate of income was higher i.e., 14.6 per cent per annum when compared to that of expenditure which stood at 13.08 per cent per annum.

The sustenance of any bank in the long run mainly depends on it's ability for the timely recovery of the loans disbursed. The recovery percentage of loans revealed a meager growth of 1.14 per cent per annum. This poor recovery of loans resulted in incerasing the growth rate of bank's outstanding at 11.8 per cent per annum. To reduce borrowings, total liabilities and loans outstanding bank need to improve credit recovery percentage.

Projections for selected financial indicators

The projections made for the selected financial indicators for 2005 AD are given in Table 2.

By 2005 AD the total share capital would increase from Rs. 2132.95 lakhs at present (1994-95) to Rs. 5559.89 lakhs. The authorised share capital and paid up share capital are projected to rise from Rs. 1200 lakhs and Rs. 932.95 lakhs to Rs. 3128.24 lakhs and Rs. 2429.40 lakhs respectively. The borrowings by the bank are respected to reach from Rs. 8790.04 lakhs to Rs.29016.88 lakhs, credit disbursement from Rs.4801.16 lakhs to Rs. 4801.16 lakhs to Rs.5623.34 lakhs, deposits mobilized from Rs.2796.89 lakhs to Rs. 11633.79 lakhs. Investment from Rs. 1016.40 lakhs to 3063.06 lakhs and owned funds from Rs. 1150.9 lakhs to Rs. 2736.80 lakhs. The gap between the total asstes and liabilities would for the increase to worsen the bank's financial status. The total assets and total liabilities would reach from Rs. 23298.66 lakhs and Rs. 23836.65 lakhs to Rs. 94773.25 lakhs and Rs. 98009.66 lakhs respectively.

Besides that current asstes and current liabilities are expected to reach from Rs. 3961.47 lakhs and Rs. 3518.35 lakhs to Rs. 9277.99 lakhs and Rs. 12527.78 lakhs respectively, which would make the current ratio less than unity i.e., by 2005 AD the bank would not be in a position of meeting its short term obligations, income would increase from Rs. 1403.65 lakhs to 5379.83 lakhs and expenditure from Rs. 1591.35 lakhs to 4693.03 lakhs, the recovery percentage would rise from 34.25 per cent to 37.83 per cent and advances outstanding would increase from 10547.49 lakhs to 33781.53 lakhs.

Conclusions

The compound growth rates of the physical indicators viz., Number of branches (0.72%), Government employees under Fundamental Rule 127 (6.54%) during the study period were statistically significant. But for other financial indicators viz, Beneficiaries covered (5.09%) and total number of employees (3.53%) growth rates were statistically non-significant.

The compound growth rates of financial indicatiors viz., total share capital (8.46%), paid-up share capital (9.46%), borrowings (11.65%), deposits mobilised (16.23%), investments (11.42%), total liabilities (13.74), current assets (9.73%), current liabilities (13.47%), income (14.60%), expenditure (13.08%) and advances outstanding (11.8%) during the study period were found to the statistically significant. Authorised share capital (7.88%), credit disbursed (4.59%), Recovery percentage (1.14%) were statistically non-significant.

The projections for physical and financial indicators have also been worked out for 2005 AD.

From the growth rates of selected physical and financial indicators, it is evident that KDCCB has made good progress during the study period. But some drawbacks were identified, which need to be corrected. The total liabilities had grew at a higher rate then the total assets and owned funds during the study period. Hence the bank has to take sufficient measures to reduce its liabilities. It is also imprerative for the bank to improve on the front of credit recovery percentage, so that the advances outstanding is reduced.

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