Research Paper

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An Analysis of Performance of Karnataka State Co-operative Housing Federation

Economics

KEYWORDS : Performance, Housing Society, Share capital and loan

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ABSTRACT

The house building Cooperative societies has performed a significant role in our state. The housing Cooperatives have so far acquired acres of land in different parts of the state and consequently are able to distribute sites to their members. The present study as attempted to examine the progress of Karnataka state cooperative housing federation during 2002-12. The paper is based on secondary sources of data. The data is being collected on variables such as share capital, reserve fund, other fund borrowings, and loans. It is found that there is increasing trend the growth of funds in the Karnataka state cooperative housing federation over a period of time (2002-2012). Exponential growth model has been used to test of share capital being one of the important components of financial management where result of the test is statistically significant.

Introduction

The British government to aid farming community and to improve access to rural credit introduced co-operatives in India. The first co-operative societies, act was adopted in 1904, which then only included credit co-operatives. The act was soon amended to grant the registration at the state level for non credit co-operatives, including housing and its administration allowing them to adopt the legislation to prioritise local needs, in the years 1912 and 1919 respectively.

In tandem with co-operative societies, the co-operative housing movement started to develop at the beginning of 20th century. Bangalore building co-operative society, the first housing co-operative in India was founded in 1909 in the state of Karnataka (former state of Mysore). In 1913 the state of Maharashtra (former state of Bombay) set up a non official body, the Bombay Co-operative Housing Association, which did a pioneering job in propagating co-operative housing. Among many milestones, the association elaborated model by laws which were used in the organisation of several housing co-operatives. It was also the first one to get the financial participation of the State in the affairs of the housing co-operatives. The political context and public environment continued to be supportive of the development of co-operatives by the time India emerged independent. In fact, the first prime minister of India, Jawaharlal Nehru supported the growth of co-operatives as he visioned them as "a part of his paradigm of democratic socialism". However, the development of housing co-operatives remained marginal until the 1950s, mainly due to an inadequate organisational support structure and an unsupportive legislative and administrative framework. Initiatives were undertaken to provide housing for middle and low income groups in the former states of Madras and Bombay.

The report of the working group on housing co-operatives released in 1964 marked a turning point for Indian co-operatives. It stated that housing co-operatives are the best means to provide decent houses at affordable price for lower income groups. One such recommendation led to the foundation of National Co-operative Housing Federation of India in 1969. Circumstances changed when the co-operative housing sector received explicit support through successive Five Year Plans implemented by the government (the 1st plan was instituted in 1951-56) The government of India invested large sums of money to improve the economic conditions of the people through innumerable social, economic and institutional means, along with around one-third of the money allocated to housing in the first plan. The share was 17 per cent in the tenth plan covering the period 2002-2007. Although the housing share in these plans has decreased over the years, considerable progress has been made.

Simultaneously a strong support network both at state and national federation levels was brought into action to assist in the development of housing co-operation acts and rules were extended and adopted in every state facilitating the registration of housing co-operatives. Housing co-operatives were particularly prevalent in Delhi, Gujarat, Haryana, Maharashtra, Uttar Pradesh and west Bengal. Two events in 1988 changed the face of Indian housing policy, first the National Commission on Urbanisation (NCU) inferred that housing should from then on not restrict itself to the aim of providing shelter, it should explore the broader context of urban development. Secondly, the United Nations centre for human settlements (UNCHS) steered governments to adopt an "enabling approach" towards housing, that is supporting the role of the private and third sectors in housing instead of direct public intervention, consequently. India government both centre and states removed legislative barriers to facilitate the participation of the sectors.

Co-operative Housing Movement

The co-operative housing movement in India is a four tier structure, which are primary Housing Cooperatives, Housing Co-operatives District Federation, State Level Federation and the National Federation established 1969. The National co-operative Housing Federation of India (NCHF) is the nation wide organization for the co-operative housing movement in India. It founded by six state level federations, NCHF takes the lead in promoting, coordinating and facilitating the development of housing co-operatives along with providing guidance to housing co-operatives and their federations. NCHF is also sponsored by the Ministry of Housing and Urban Poverty Alleviation Department which enables them to receive regular grant in aid.

Karnataka State Cooperative Housing Federation

The Karnataka State Cooperative Housing Federation (KSCHF) was established in the year 1950 and started functioning from 28 August 1950 and is located in Basavanagudi, Bangalore. It comprises a membership of 296 primary societies and a paid up share capital of Rs.58.886. the Federation was organised to promote house building activities in the cooperative sector in the state, and to supervise coordinate and guide the housing societies. The federation has been provided assistance under various schemes by the central and state government for conducting its activities. These include contribution towards share capital, working capital loans and assistance to construct houses to economically weaker sections, low and middle income group members of primary housing societies in the state.

The house building Cooperative societies has performed a significant role in our state. The housing Cooperatives have so far acquired acres of land in different parts of the state and consequently are able to distribute sites to their members. It is an Apex institution. The federation has 830 members. It operates in State level. The society is formed to provide residential houses to members. They purchase land, develop it and construct

houses or flats and allot the same to members. Societies also provide loans at low rate of interest to members to construct their own houses.

Objectives of Karnataka State Co-operative Housing Federation

- To advance loans for Addition & Improvement to the existing houses.
- To finance for the construction of office building of the member society.
- To give short term credit to member societies for the purchase of lands for the formation of layout and to pay conversion charges, layout charges and for formation of layout.
- To make individuals as nominal members and to advance loans for construction of houses.
- To advance loans to individuals for the construction/ purchase of houses/ flats.
- To sanction medium term loans to the members of the member society for construction of schools/commercial buildings etc.
- To sanction Bridge loan for the construction of flats with facility to convert Bridge loan to individual loans.
- Advance loans to for purchase of sites.

Dharia (1997) reported that the cooperative movement in the country is at cross roads and has been passing through a critical phase like our economy. In such circumstances, acceptance of self-reliance and swadeshi and non-dependence on foreign funds, is the only alternative. Growth with social justice along with due care of environment for sustainable development must be the new direction the cooperative movement. Khurana (2008) argued that the most significant social contribution of housing cooperatives is to create a new environment congenial for the upward social mobility of their residents. Apte (2002) says that the cooperative housing societies are fundamentally different from other types of cooperative societies. All societies are commercial in nature as against the housing, which are social. In this background, the present study has the following objectives.

Objective of the study

To analyse the financial performance of Karnataka State Housing Cooperative Federation over a period of time (2002-2012)

Methodology

The present paper is based on secondary data. The secondary data collected on variables like Share capital, Reserve fund, other fund, Borrowings, and Loans, of Karnataka state cooperative housing Federation from 2002 to 2012. The data collected from Karnataka state cooperative housing Federation, the department of cooperation, Government of Karnataka, National Housing Federation of India (NCHF) and other published documents. The simple descriptive statistical techniques like mean, standard deviation, correlation, coefficient of correlation, annual growth rate and compound growth rate used to analysis the data. In addition, Exponential growth model has been used to test the progress of share capital from 2002-03 to 2011-12.

Analysis and Discussion

Financial Position of KSCHF

The KSCHF were established in the year 1950 in the state to assist their primary affiliated societies. The membership of the KSCHF has increased from 296 in 1950-51 to 940 in 1988 89, which consists of 721 primary housing societies, 218 non housing societies and state government. The paid up share capital from government, members and others. They having significant role in the financial activities of the federation. The state government has increased its share capital from Rs. 500000 in 1970-71 to Rs. 2600000 in 1980-81 but it stops the mobilisation in 1988-89. The Karnataka state cooperative housing federation borrowings from apex agencies central state government the borrowings power of the federation is depending upon the share capital, reserve fund, and other funds are guaranteed by the state government. The borrowings power of the KSCHF has tremendously increased in the period of establishment to present. 15.665 in 1950-51 to 2353.19 in 1988-89. The total percentage of increases is 6.64. The federation is borrowing from central government from 156.73 in 1960-61 to 138.37 in 1970-71. The federation issued loans to its affiliated primary housing societies. The amount of loan is 15000 in 1950-51 increases to 1819.15 in 1988-89. The percentage increase is 0.03. The federation recovered loans from affiliated societies. It increases rapidly from 807.56 in 1960-61 to 30305.14 in 1988-89. The percentage of recovery is 2.66. The federation is running under the profit from 30.28 in 1960-61 to in 1988-89. The percentage of profit is 0.86. In addition, the following table shows the financial performance of Karnataka State Cooperative Housing Federation.

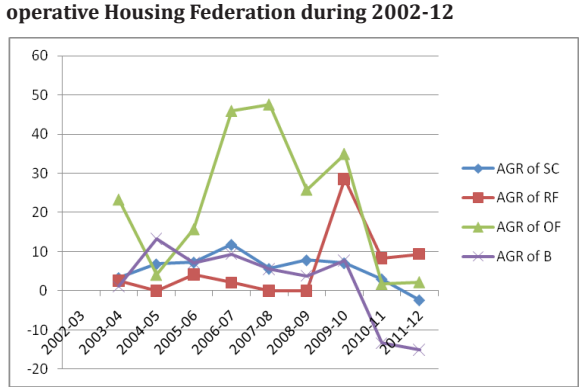
Table 1: Financial performance of Karnataka State Cooperative Housing Federation

(Rs in lakhs)

Year	Share capital	Reserve fund	Other funds	Out standing borrowings	Loan advance-outstanding
2002-03	392.87	211.89	171.41	4,990.00	4,944.55
2003-04	405.91	217.39	211.31	5,046.62	5,360.53
2004-05	433.59	217.39	220.05	5,720.86	5,952.45
2005-06	465.12	226.52	254.71	6,130.14	6,585.38
2006-07	519.91	231.28	371.5	6,709.85	7,593.30
2007-08	549.3	231.28	547.92	7,083.49	8,076.72
2008-09	592.35	231.27	689.34	7,357.13	8,873.68
2009-10	634.38	297.16	930.02	7,930.77	9,461.96
2010-11	653.44	322.06	946.66	6,874.41	9,577.20
2011-12	638.12	352.3	968.1	5,838.05	9,293.06
Mean	528.50	253.85	531.10	6368.13	7571.88
SD	99.93	50.46	329.71	983.59	1760.52
CV	18.91	19.88	62.08	15.45	23.25
CAGR	6.49	5.58	24.88	3.58	8.21

Source: Karnataka State Cooperative Housing Federation. Bangalore.

Graph 1: Annual Growth Rate of Share Capital, Reserve Funds, Other Funds and Borrowings of Karnataka State Cooperative Housing Federation during 2002-12



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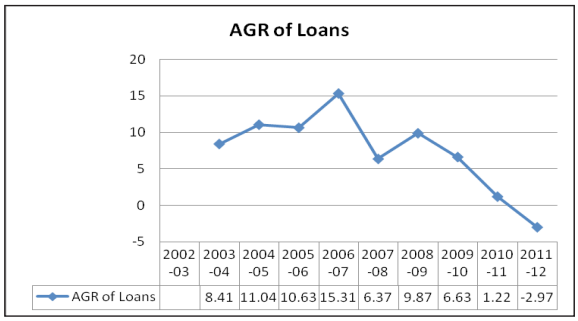
Graph 2: Loan Performance of Karnataka State Cooperative Housing Federation during 2002-12



The table 1 explained the overall financial position (share capital, reserve and other funds, borrowings) and graph 1 highlighted the total share capital, reserve and other funds and borrowings performance of Karnataka state housing federation during 2002-2012. The share capital has increased gradually from 392.87 (2002-2012). The compound growth rate of share capital is 6.49. It means that the Karnataka state housing federation are good at in share capital and financial position. The other funds is highest growth among financial parameters is shown in other funds (24.88%) and the lowest growth was observed in the case of borrowings (3.58%). The borrowing was decreased from 4.990.00 (2002-03) to 5.838.05(2011-2012). The variation of finance parameters there has highest variation other fund (6208). The loan was 4.944.55 (2002-03) it is increased to 9.293.06 (2010-12). The performance of loan advance-outstanding performance is well (compound growth rate (8.21). but the annual growth rate is decreased from 8.41 (2002-2003) to -2.97 (2011-12).

Exponential growth model

The financial performance of Karnataka State Housing Cooperative Federation shows the estimated share capital during 2002-2012. The Exponential growth model is used. To understand the growth potential of the funds of housing federation it is explained in the table below.

Table 2: Results of Exponential Growth Model

Dependent Variable: Share Capital							
Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.967	233.877	1	8	.000	349.999	32.454
Growth	.963	210.556	1	8	.000	5.907	.063
Exponential	.963	210.556	1	8	.000	367.725	.063

Exponential growth model has been used to test the progress of share capital from 2002-03 to 2011-12. This model is estimated using regression. The result show that obtained β1 is .063. The F statistic value obtained is 210.556. The result of the test is statistically significant. It means, share capital has grown from 2002-03 to 2011-12. In 2002-03, share capital of Karnataka State Housing Cooperative Federation was 392.87 lakhs, which has increased to 638.12 lakhs in 2011-12.

Summary and Conclusion

The present study has attempted to analyse the progress of Karnataka State Cooperative Housing Federation during 2002-12. It has analysed the share capital, reserved fund, other fund and borrowings and loans, in developing the Karnataka state cooperative housing federation during 2002-12. The financial position of Karnataka state cooperative housing federation is being estimated on the share capital, reserve fund, other fund and borrowings. It shows that the compound growth rate of share capital is 64.9, reserve fund is 5.58, other fund is 24.88, and borrowings are 3.58, respectively during 2002-2012. The loan position of the Karnataka state cooperative housing federation are estimated by loans advance-outstanding. It shows that the compound growth rate of loans advance-outstanding is 8.12. Exponential growth model has been used to test the progress of share capital from 2002-03 to 2011-12. The result of the test is statistically significant. It means, share capital has grown from 2002-03 to 2011-12.Finally it is concluded that the share capital, reserve and other fund and borrowing loans had increased over a period of time.

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