



Performance Evaluation of Banks- A Case Study of BDCCB of Belgaum District

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ABSTRACT

The banking sector has been playing key role in the development of Indian economy. The co-operative banks in India have been financing rural and urban borrowers to invest in production activities from the day of their inception on the basis of co-operation principle. Further, the District Central Cooperative Bank in Belgaum District with wide net work of branches in rural and semi urban areas has been providing necessary banking services to the development of district since its inception. It has been also acting as mediatory for many government sponsored programmes relating to poverty alleviation and self employment. The present study is based on the secondary data collected from annual credit plan of the Lead District Bank. The study revealed that there have significant differences in the branches of rural, semi-urban and urban areas in deposit mobilization and credit deployment during study period.

KEYWORDS :

Introduction

Banking sector in India comprises nationalized banks, private banks, co-operative banks and foreign banks. The Co-operative banks consist of Urban Co-op Banks, Primary Agricultural Credit Societies, District Central Co-op Banks, State Co-operative Banks and Land Development Banks. The Co-operative Banks in India are registered under the Co-operative Societies Act. The Co-operative Banks are also regulated by the RBI. They are governed by the Banking Regulations Act 1949 and Banking Laws (Co-operative Societies) Act, 1965. These banks provide most services such as savings and current accounts, safe deposit lockers, loans or mortgages to private and business customers.

The Co-operative Banks play an important role in meeting the credit requirements of both urban and rural India. Though in the bank dominated financial system, these co-operative banks account for a small share in total credit but they hold a significant position in credit delivery as they cater to different geographic locations and demographic categories. The wide network of co-operative banks in rural and urban India deepens the financial intermediation by bringing large number of depositors and borrowers under the formal banking network. Demographically, co-operative banks have enabled access to financial services to low and middle-income groups in both rural and urban areas. The role of co-operative banks has been commendable in enhancing the inclusiveness of the financial system. However, the financial performance of these institutions particularly rural co-operatives has been low due to operational and governance-related issues. A number of committees have examined the reasons for their poor financial performance and have suggested remedial measures from time to time. Initiatives for revitalizing co-operatives have been ongoing.

The district central co-operative banks have been playing equally competitive role in the development of rural and urban area. They have been financing to various needs of rural and urban people. "There are 370 district central co-operative banks in India of which 322 are earning profit and rests are under loss. The recovery to demand ratio is 81.9 per cent and their NPA to loan ratio is 9.7 per cent. Similarly, there are 21 district central co-operative banks in Karnataka State of which 18 are earning profit and three are under loss. The recovery to demand ratio is 91.6 per cent and their NPA to loan ratio is 5.9 per cent". This indicates that the performances of district central co-operative banks of Karnataka State are far better as compared to the performances in other states of India. The district central co-operative bank in Belgaum district has wide network of branches in urban, semi urban and rural area consisting of 84 branches accounting for 17 per cent of total bank branches.

Objectives of the Study

- To ascertain the agency-wise position of bank branches.
- To examine the deposit mobilization and credit deployment.
- To evaluate the efficiency of bank in rendering services.
- To offer useful suggestions in the light of findings.

Hypothesis of the Study

- Ho; Urban and rural branches have not equally competitive in deposit mobilization.
- Ha; Urban and rural branches have equally competitive in deposit mobilization.
- Ho; Urban and rural branches have not equally competitive in credit deployment.
- Ha; Urban and rural branches have equally competitive in credit deployment.

Methodology

The present study is purely based on secondary data obtained from Annual Reports of District Lead Bank of Belgaum District. Further, researcher also had discussion and personal interview with the subject experts, practicing bankers, bank managers, and officials. The data are organized suitably in the light of objectives and classified and presented through Statistical tools such as simple percentage, arithmetic mean, standard deviation, compound annual growth rate, Levene's Test.

Scope of the study

The present study is confined itself to analyse the significant differences in the deposit mobilization and credit deployment in sample branches of BDCCB of Belgaum district.

Agency wise Position of Bank Branches

The credit agencies in the district consists PSBs, PVSBs, KVGB, BDCB, KSCARD Bank and Urban Co-op Banks. The KVGB relatively took recent entry into the field; widely spread their network in each and every corner of the district. To fulfill socio-economic obligation, agency-wise branch expansion in urban, semi-urban and rural areas is must. Over the years, significant progress has been made by these banking groups in expanding the branch network.

Table 1: Agency-wise Position of Bank Branches (In Numbers)

Banks	Years					
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
PSB	185 (38.78)	186 (38.83)	188 (39.00)	192 (38.95)	206 (41.45)	214 (42.38)
PVSB	44 (9.22)	45 (9.39)	46 (9.54)	51 (10.34)	47 (9.46)	48 (9.50)
KVGB	108 (22.64)	108 (22.55)	108 (22.41)	110 (22.31)	113 (22.74)	114 (22.57)
BDCC Bank	89 (18.66)	89 (18.58)	89 (18.46)	85 (17.24)	84 (16.90)	82 (16.24)
KSCARD Bank	10 (2.10)	10 (2.09)	10 (2.07)	10 (2.03)	10 (2.01)	10 (1.98)
Urban Co-op Banks	41 (8.60)	41 (8.56)	41 (8.51)	45 (9.13)	37 (7.44)	37 (7.33)
Total	477 (100)	479 (100)	482 (100)	493 (100)	497 (100)	505 (100)

Source: Annual Reports of Lead District Bank.

Figures in parenthesis indicate percentages to total.

Table 1 reveals that total branches have increased from 477 in 2005-06 to 505 in 2010-11, indicating the significant growth over the study period. There is a continuous growth every year in number of branches of PSBs and PVSBs. The position of KVGB for the first three years remains constant (108), but there after their branches have increased from 110 to 114 for remaining years. The position of BDCCB and Urban Co-op Banks remains constant for first three years and thereafter there is a slow growth in bank branches. The status of KSCARD bank remained constant for all the years.

Analysis of Deposits of Belgaum District Central Co-operative Bank (BDCCB)

The BDCCB has wide network of branches in Belgaum districts consisting of 84 branches which accounts for 17 per cent of total bank branches. Hukkeri taluk is having highest number of branches (12), followed by Chikkodi and Gokak taluks with 11 branches each. Belgaum taluk is having 10 branches of DCC banks.

Table 2: Year wise Deposits of BDCCB

Bank Branches	Year wise Deposits (In ` lakhs)						A.M.	S.D.	CAGR (In %)
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11			
Urban	14797 (35.99)	13500 (32.09)	14086 (32.09)	11564 (23.73)	22062 (28.61)	42487 (37.77)	19749	11705	23.49
S.Ur./Rural	26313 (64.01)	28568 (67.91)	29810 (67.9)	37170 (76.27)	55059 (71.39)	69989 (62.23)	41152	17596	21.61
Total	41110 (100)	42068 (100)	43896 (100)	48734 (100)	77123 (100)	112476 (100)	60901	28659	22.3
No. of Branches	89	89	89	85	84	82	86	3	-1.62
Deposit Per Branch	462	473	493	573	918	1371	715	364	24.3
F	Levene's Test for Equality of Variances			t-test for Equality of Means					
	Sig	t	df	Sig (2-tailed)					
Equal variances assumed	1.749	0.215	-2.481	10	0.033				
Equal variances not assumed			-2.481	8.700	0.036				

Source: Annual Reports of Lead District Bank.

Figures in parenthesis indicate percentages to total.

Table 2 exhibits that deposits of BDCCB have improved significantly from ₹41110 lakhs in 2005-06 to ₹112476 lakhs in 2010-11. The percentage of deposits in rural area stood in between 62.23 per cent to 76.27 per cent. On the contrary, in urban area, it ranges in between 23.73 per cent to 37.77 per cent during study period. It is also clear that average deposits and deviation from mean has been highest in rural and semi urban area as compared to urban area. The CAGR in deposits is highest in urban branches (23.49 per cent). But the CAGR regarding the number of branches showed negative trend (-1.62 per cent). The study reveals that DCC bank's performance is popular in rural/semi urban area as compared to urban area. Further, the study indicates that the p-value for Levene's Test for equality of variances is 0.215 which is greater than critical value (0.05) at 5 per cent level of significance. Hence, the assumption of equality of variance is accepted and testing is carried out with equal variances assumed. Further, the study indicates that the p-value (0.033) for the independent t-test is less than critical value (0.05); hence, null hypothesis is rejected

and thus, it can be concluded that there has a significant difference between urban and rural/semi-urban branches of BDCCB in deposit mobilization.

Table 3: Year wise Credits of BDCCB

Bank Branches	Year wise Credits (In ₹ lakhs)						A.M.	S.D.	CAGR (In %)
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11			
Urban	5220 (10.98)	3653 (7.21)	3402 (7.21)	1642 (3.49)	9872 (12.41)	25911 (24.89)	8283.3	9077.63	37.77
S.Ur./Rural	42306 (89.02)	46987 (92.79)	43772 (92.79)	45363 (96.51)	69707 (87.59)	78197 (75.11)	54388.67	15468.9	13.07
Total	47526 (100)	50640 (100)	47174 (100)	47005 (100)	79579 (100)	104108 (100)	62672.00	23927.4	16.98
No. of Branches	89	89	89	85	84	82	86.00	3.08	-1.62
Advance Per Branch	534.00	568.99	530.04	553	947.37	1269.6	733.84	308	18.90
Levene's Test for Equality of Variances									
t-test for Equality of Means									
F	Sig		t	df	Sig (2-tailed)				
Equal variances assumed	3.867		0.078	-6.297	10	0.000			
Equal variances not assumed				-6.297	8.08	0.000			

Source: Annual Reports of Lead District Bank.

Figures in parenthesis indicate percentages to total.

It may be noted from table 3 that percentage of advances in rural/ semi-urban area ranges in between 75.11 per cent to 96.51 per cent during study period. The study reveals that branches of DCC bank are aggressively marketing their credit services in rural areas. The growths in advances have increased tremendously from ₹47,526 lakhs during 2005-06 to ₹1,04,108 lakhs, during 2010-11, near about 2.5 times more than that of beginning. The advances per branch also have shown significant progress and it rises from ₹534 lakhs 2005-06 to ₹1,269 lakhs during 2010-11. Average advances of rural area is twice that of urban area but the CAGR of urban area is highest (37.77 per cent), which is three times more than the rural areas'. Further, the study indicates that the p-value for Levene's Test for equality of variances is 0.078 which is greater than critical value (0.05) at 5 per cent level of significance. Hence, the assumption of equality of variance is accepted and testing is carried out with equal variances assumed. Further, study shows that the p-value (0.000) for the independent t-test is less than critical value (0.05). Hence, null hypothesis is rejected and it can be inferred that there has a significant difference between the branches (urban and rural/semi-urban) of BDCC Banks in loans and advances.

Table 4: Annual Growth Rate in Deposits, Advances and CD Ratios of BDCCB

Years	Deposits/br. (In ₹ Lakhs)	Advances/br. (In ₹ Lakhs)	CD Ratios (In %)	Growth Rates (In %.)		
				Deposits	Advances	CD Ratios
2005-06	462	534	116	-----	-----	--
2006-07	473	568	120	2	11	3.4
2007-08	493	530	108	4	-7	-10
2008-09	573	553	97	16	4.3	-10
2009-10	918	947	103	60	71	6
2010-11	1371	1269	93	49	34	-10

Source: Annual Reports of Lead District Bank.

Table 4 shows that deposits per branch of BDCC bank have increased from ₹462 lakhs during 2005-06 to ₹1371 lakhs in 2010-11, accounting for three times more than that of 2005-06. The growth rate in deposits has increased during period. Similarly, advances per branch also increased to ₹1,269 lakhs during 2010-11 as against ₹534 lakhs during 2005-06 which is 2.5 times more. But growth rate in advances shows a fluctuating trend, which ranges in between -7 per cent to 71 per cent during study period. The CD ratio of BDCCB shows more than 100 per cent during all years of study. Further, there found wide fluctuations in the growth rate of CD ratios which ranges in between -10 per cent to +3.14 per cent. This shows that the progress of BDCCB in sanctioning credits is not consistent. This might be due to high rate of interest charged by these banks, and poor recovery of loans.

Findings of the study

- Nearly 75 per cent of bank branches have been situated in rural and semi-urban area.
- There has a significant difference between urban and rural/semi-urban branches of BDCCB in deposit mobilization.
- There has a significant difference between the branches (urban and rural/semi-urban) of BDCC Banks in loans and advances.
- The CD ratio in BDCCB has been more 100 except 2008-09 and 2011-12.

Conclusion

The co-operative banks have been financing to all sectors of economy by having wide branch network both in rural and semi urban areas for their growth and development. The study revealed that there has significant difference between urban and rural branches in mobilizing deposits and deployment of credit. Therefore, bank can adopt latest strategic marketing strategies like service differentiation and positioning, cost leadership and focus strategy to expand their business both rural and urban area. In addition, they also adopt the principle of cost, liquidity and flexibility while performing business transactions.

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