



AN ANALYSIS OF GROWTH AND PERFORMANCE OF KARNATAKA STATE COOPERATIVE AGRICULTURAL AND RURAL DEVELOPMENT BANK IN KARNATAKA

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ABSTRACT

Primary Agricultural Cooperative and Rural Development Banks are playing an important role in meeting the credit requirements of the rural population. The main activity of the Bank is the dispensation of long-term credit for agricultural and rural development under schematic lending approved by NABARD Bank. The lending programs are for productive purposes like integrated loans for agriculture and allied agricultural purposes under major and medium-term projects. The present study was carried out with a broad objective to examine the performance of the Karnataka State Cooperative Agriculture and Rural Development Bank (KSCARD Bank). The study has made use of secondary data (2010-11 to 2019-20) and the analysis is carried out by using the exponential growth model which has been used to analyze the performance of KSCARD Bank. Finally, it is concluded that the lending performance has very crucial role in Long Term Credit requirements, but the status of the recovery balance of KSCARD bank is very high when compared to the demand and collection of the recovery.

KEYWORDS : KSCARD, PCARD, Bank, Agriculture, Credit, Rural Development

1. INTRODUCTION:

Karnataka State Cooperative Agriculture and Rural Development Bank (Initial name is "The Mysore central land mortgage bank") was established in Karnataka on 25-11-1929 under the chairmanship of Sri Sreenivasa Iyengar as its first chairman. The exploitation of farmers by private Money Lenders was a challenge at the beginning of the 20th Century. The establishment of Mysore State Co-operative Land Mortgage Bank Ltd., in 1929 was one of the important steps in the eradication of this social evil. So as to follow that, the first Primary Co-operative Land Mortgage Bank was started at Bhimanakone, Shivamoga district on 7th October 1930 Recommended by the Malenadu Abhirudhi Committee of Mysore Province.

Till 1965, the KSCARD Bank continued to advance long-term loans to Agriculturists for debt redemption and land improvement with the establishment of Agriculture Refinance and Development Corporation (ARDC - 1963). The Bank started changing its policies and since 1965 the Bank has been advancing various types of development loans to Agriculturists of the State. In conformity with the changed policies and after 1966-67 the name of the Bank was also changed to Karnataka State Co-operative Land Development Bank Ltd. The constitution of National Bank for Agriculture and Rural Development (NABARD) during 1982, by merging Agriculture Credit Department of RBI and entire undertaking of ARDC for extension of credit for Agriculture and Rural Development activities. So again the Bank changed its renamed in the year 1983, and New nomenclature in the "Karnataka State Cooperative Agriculture and Rural Development Bank Ltd".

The main activity of the Bank is the dispensation of Long Term Credit (Land development and investment credit) for Agricultural and Rural Development under Schematic lending approved by NABARD Bank for leveling and bunding, fencing and construction of cattle shed, farmhouse, etc. The lending programs cover productive purposes like Minor Irrigation, Horticulture and plantation crops, Farm Forestry, Waste Land Development, Dairy Development, piggery, Gobar / Bio-Gas plants, sheep rearing, Fish Culture, Prawn culture, poultry, Sericulture, Bullock and Bullock carts, Farm Mechanization, Integrated loans for Agriculture and Non-agriculture purposes and of the Development of lands under major and Medium Irrigation projects. Non-Farm Sector, Rural Housing,

Small Rural Transport Operator (STRO) Schemes and Mobilization of Deposits for advancing jewel pledge loans, salary loans, mortgage loans, and vehicle loans are the new areas covered by the bank. The Bank has facilitated 178 PCARD Banks so far to undertake e-stamping business under a tie-up with the Stock Holding Corporation of India Ltd.

2. Organizational Structure KSCARD Bank:

There are 178 Taluk Level Primary Co-operative Agriculture and Rural Development Banks (PCARD Banks) spread over 175 taluks (at present 227 taluks) in the State of which two PCARDBs are under liquidation. The 25 Branch Offices of the KSCARD Bank at District Level are supervising the activities of the PCARD Bank in their jurisdiction. Thus, the Banks function in the state in a federal set-up where loaning is made in two tiers. The PCARD Banks are individual autonomous bodies and are core members of the KSCARD Bank.

The Bank has 5 Associated Members which are the semi-State government institution, viz., Karnataka Agro Industries Corporation, ware Housing Corporation, Karnataka Electricity Board and Command Area Development Authorities of Major Irrigation projects, Karnataka State Cooperative Marketing Federation Ltd., etc., The KSCARD Bank and each PCARD Banks are managed by their Board of management consisting of elected directors, government nominees and ex-officio directors.

3. The Resources of KSCARD Bank:

The main financial sources of the bank are its Share Capital, Reserves, Deposits, and borrowings in the form of refinancing from NABARD, the State Government, and the government of India. The state government Guarantees the refinance rose from NABARD for payment of principal and interest thereon. A government guarantee is extended for draws of cash credit accommodation also for initial lending. Further, the KSCARD Banks also provide some special services like crop loan, e-stamping, women development cell, special attention to weaker - section and others. These activities made the farming community involve more in the lending activities in order to meet their agricultural requirements at the grassroots level.

Since the KSCARD Bank is one of the major institutional sources for Long Term Loans the lending purposes of the agriculture sector and the farming communities, it is necessary to evaluate the performance of the KSCARD Bank

and the current status of the bank with respect to its profitability and other extension services in the state. In this direction, the present study makes a modest attempt to analyze the growth of lending activities and the performance of the banks in a scientific manner.

4. Objectives and Methodology:

The present study is carried out with a broad objective to examine the performance of the Karnataka State Cooperative Agriculture and Rural Development Bank. The study has made use of secondary data from the year 2010-11 to 2019-20. The data is being analysed by using the Exponential Growth Model which has been used to test the average annual growth of the performance of KSCARD Bank.

5. Progress of Karnataka State Cooperative Agriculture and Rural Development Bank:

Karnataka State Cooperative Agriculture and Rural Development Bank is playing a vital role in meeting the lending requirement to its members. These banks are performing significantly thorough lending the money through long and medium-term loans. So, in this study, an attempt has been made to evaluate the status and role of KSCARD bank. The current status of KSCARD Bank is given in the below tables and explanation.

Table 1: Progress of Karnataka State Cooperative Agriculture and Rural Development Bank (KSCARD Bank) as on 31-03-2020.

No. of District level Branch office	25
No. of PCARDBs	178
Paid-up Capital (Rs. In Lakh)	8228.65
Reserve Fund (Rs. In Lakh)	3019.94
Other Funds (Rs. In Lakh)	2816.72
Working Capital (Rs. In Lakh)	218101.36

Total all Schemes Sanctioned loans to Agricultural family (Rs.In Lakh)	616886.00
Total No of Beneficiaries under Land Development and Horticulture	18,20,099

Source: KASCARD Bank's progress report.

The progress of Karnataka State Cooperative Agriculture and Rural Development Bank as on 2018-2019 is presented in table 1. As shown in the above table, there are 25 district-level branches of this bank and the total number of PCARD banks is 178 across the state. The paid capital of the bank is around Rs.78.55 crore and the total amount of reserve fund is Rs. 28.76 crore. Whereas, the total working capital is around Rs. 2256.93 crore and other fund is around Rs. 26.90 crore. Further, the total number of loans and advanced members in the banks is 19,55,728 and the total sanctioned loans to agricultural families is around Rs. 5,904.25 crore. It is clearly revealed from the above table that, the KSCAD Bank are significantly performing in the process of institutional financing to the people of the state especially to farming communities.

NABARD is the National level apex financing bank for all agricultural cooperative banks. The Karnataka State Agricultural and Rural Development bank under schematic lending approved by NABARD Bank provide financial aids to many programmes which cover minor irrigation, horticulture and plantation crops, farm forestry, wasteland development, dairy development, sheep rearing, fish culture, prawn culture, poultry, sericulture, bullock and bullock carts, farm mechanization, integrated loans for agriculture and allied agricultural purposes and of the development of lands under major and medium irrigation projects.

In the following table, the study has made an attempt to analyse the lending performances of some of the major activities in the state and the details are given below.

Table 2: Performance of Karnataka State Cooperative Agricultural and Rural Development Bank (KSCARD Bank) Between the period from 2010-11 to 2019-20

Year	Minor Irrigation		Land Development		Horticulture / Plantation		Sericulture		Rural Housing		Farm Mechanisation		Non Agri. Loan	
	No of Accounts	Amt. Disbursed in Crs	No of Accounts	Amt. Disbursed in Crs	No of Accounts	Amt. Disbursed in Crs	No of Accounts	Amt. Disbursed in Crs	No of Accounts	Amt. Disbursed in Crs	No of Accounts	Amt. Disbursed in Crs	No of Accounts	Amt. Disbursed in Crs
2010-11	660501	781.77	106031	316.14	173963	439.64	63127	131.34	27343	386.63	45257	1025.39	46905	222.75
2011-12	662454	789.21	111958	348.88	175598	472.38	63756	141.03	27377	387.59	48245	1102.42	46920	223.07
2012-13	664753	799.14	119045	387.68	177246	500.16	64367	151.09	27417	389.25	50591	1172.72	46950	223.6
2013-14	667305	810.54	126368	427	178750	526	64978	159.36	27435	389.91	52809	1241.37	46963	224.13
2014-15	670304	822.85	134918	484.32	180656	561.53	65665	171.59	27463	391.02	55607	1344.63	46972	224.32
2015-16	672433	833.21	140471	531.71	182189	598.29	66154	182.95	27468	391.48	57940	1420.09	46980	224.57
2016-17	660501	781.77	106031	316.14	173963	439.64	63127	131.34	27343	386.63	45257	1025.39	46905	222.75
2017-18	677025	857.38	155023	663.52	184914	689.98	67081	206.09	27475	391.95	62712	1587.77	46984	224.62
2018-19	678828	864.54	160901	705.65	186219	718.53	67510	216.25	27475	391.96	65221	1653.83	46984	224.62
2019-20	680694	873.05	167273	761.22	187904	752.60	67740	222.42	27479	392.06	68430	1724.17	46987	224.74

Source: KSCARD Bank's Progress Report.

The lending performances of Karnataka State Cooperative Agriculture and Rural Development Bank (KSCARD Bank) during the period 2010-11 to 2019-20 are indicated in table 2. As per the given table, in the year 2010-11, the total beneficiary accounts of minor irrigation was 660501 and the total amount disbursed from the bank was around Rs.781.77 crore which have been increased to 680694 and 873.05 crores in the year 2019-20. Whereas, in the initial year 2010-11, the total beneficiary accounts of land development was around 106031 and the total amount disbursed from the bank for this purpose was around Rs.316.14 crore which have been increased to 167273 and 761.22 crores during the year of 2019-20. Similarly, the total number of accounts that obtained the loan for Horticulture/Plantation from the banks was 173963 and the total amount disbursed was around Rs. 439.64 crore in the

year of 2010-11 which have been raised to 187904 and 752.60 crores respectively. Likewise, a total of around Rs. 131.34 crore loan amount disbursed to 63127 account holders for the purpose of sericulture activities during the year 2010-11 which have also increased to 67740 and Rs. 222.42 Crore in the year of 2019-20. In the same way, around Rs. 386.63 crore was disbursed from the bank to 27343 account holders for the purpose of rural housing which has been raised to 27479 and Rs. 392.06 Crore during the year 2019-20. Whereas, an amount of Rs.1025.39 crore was disbursed from the bank to a total of around 45257accounts for the purpose of farm mechanization in the year 2010-11 which have been increased to Rs.1724.17 crore and 68430 during the year 2019-20. Finally, in the year 2010-11, the total amount disbursed for allied agricultural loans was Rs. 222.75 crore to a total of 46905 accounts which

have been raised to Rs. 224.74 crore and 46987 accounts across the states in the year 2019-20. It is clearly revealed from the above analysis that, there has been significant growth in the lending activities of the bank during the study period in the state.

6. RESULTS AND DISCUSSION

The lending performance of the Karnataka State Cooperative Agriculture and Rural Development Banks to various purposes such as Minor Irrigation, Land Development, Horticulture / Plantation, Sericulture, Rural Housing Farm Mechanization and Non-Agri, Loans etc are measured with the help of the exponential growth model. The results have been obtained for the secondary data for the said variables for the years 2010-11 to 2019-20. The results are reported in table 3.

According to the reported results, the average annual growth of a number of accounts of the beneficiary of minor irrigation loans is 0.3 percent which is statistically significant at 1 percent level with the R Squared value of 0.673. Whereas, the average annual growth of the total loan amount disbursed is 1.1 percent which is also statistically significant at 1 percent level with the R squared value of 0.684. Similarly, the average annual growth of a number of accounts of the beneficiary of land development loans is 4.5percent which is also statistically significant at 1 percent level with R Square value of 0.650. Whereas the average annual growth of the total amount disbursed to land development is 8.9% which is also statistically significant at 1 percent level with the R Squared value of 0.668. Similarly, the average annual growth of number of accounts of the beneficiary under Horticulture/ Plantation is 0.8 percent which is statistically significant at 1 percent level with the R Square value of 0.659. Whereas, the average annual growth of the total amount disbursed to this purpose is 5.4 percent which is also statistically significant at 1 percent level with the R Squared value of 0.668.

Table 3: Results of Growth and Performance of KSCARD Banks

Dependent variable		Constant	Parameter (β1)	Sig.	R Square
Minor Irrigation	Number of Accounts	658248.335	.003	.004	.673
	Amount Disbursed	770.642	.011	.003	.684
Land Development	Number of Accounts	102165.502	.045	.005	.650
	Amount Disbursed	287.970	.089	.004	.668
Horticulture / Plantation	Number of Accounts	172763.613	.008	.004	.659
	Amount Disbursed	415.826	.054	.004	.668
Sericulture Development	Number of Accounts	62846.351	.007	.006	.633
	Amount Disbursed	125.639	.053	.005	.651
Rural Housing Schemes	Number of Accounts	27363.220	.001	.044	.416
	Amount Disbursed	387.066	.002	.026	.480
Farm Mechanization	Number of Accounts	44036.320	.039	.005	.642
	Amount Disbursed	984.398	.052	.005	.648
Non-Agricultural Loan	Number of Accounts	46915.338	.001	.039	.432
	Amount Disbursed	222.919	.003	.030	.465

Source: Author's Computation

Whereas, the average annual growth of a number of accounts

of the beneficiary under sericulture development is 0.7 which is also statistically significant at 1 percent level with the R Squared value of 0.633 and the average annual growth of total amount disbursed to this programme is 5.3 percent which is also statistically significant at 1 percent level with the R Squared value of 0.651. Likewise, the average annual growth of a number of accounts of the beneficiaries under rural housing is 0.1percent which is also statistically significant at 5 percent level with the R Squared value of 0.416 and the average annual growth of the total amount disbursed to this purpose is 0.2 percent which is also statistically significant at 5 percent level with the R Squared value of 0.480. Subsequently, the average annual growth of a total number of accounts of the beneficiaries under farm mechanization is 3.9 percent which is also statistically significant at a 1 percent level with the R Squared value of 0.642 and the average annual growth of total amount disbursed to this type of lending is 5.2 percent which is also statistically significant at 1 percent level with the R Squared value of 0.648. Finally, the average annual growth of a total number of accounts of beneficiaries under non-agriculture loans is 0.1 percent which is also statistically significant at 5 percent level with the R Squared value of 0.432 and the average annual growth of total amount disbursed to non-agricultural loans is 0.3 percent which is also statistically significant at 5 percent level with the R Squared value of 0.465.

It is clearly revealed from the above analysis that, except land development and farm mechanization lendings remaining purposes were not performed, well but the loan disbursed to these purposes is steadily increasing. But when compared to others the land development and farm mechanization have made tremendous growth during the study period.

Table 3: Recovery Performance of Karnataka State Co Operative Agricultural and Rural Development Bank in Karnataka.

(Rs, in Crs)

Year	Demand	Collection	Balance
2010-11	718.07	363.34	354.73
2011-12	648.71	371.09	277.63
2012-13	599.74	310.64	289.1
2013-14	688.37	451.15	237.22
2014-15	650.37	403.24	247.13
2015-16	624.98	422.06	202.92
2016-17	683.23	347.9	335.33
2017-18	866.38	477.05	389.33
2018-19	871.09	377.99	493.1
2019-20	999.76	400.12	599.64

Source: KSCARD Bank Reports

Table 4 clearly demonstrates the recovery performance of KSCARD bank at the primary level in the state during the period from 2010-11 to 2019-20. As shown in the above table, during the year of 2010-11 the total recovery demand was 718.07 crores, the total collection was Rs. 363.34 crores and the total balance to recovery was 354.7 3 crores and they have been increased to demand around Rs. 999.76 crores, collection Rs. 400.12 crores and the balance is to around Rs. 599.64 crores during the year 2019-20. These details are analysed with the help of the exponential growth model given below.

Table 4: Recovery Performance of KSCARD Bank in Karnataka

Model Summary and Parameter Estimates							
Equation	Model Summary				Parameter Estimates		
	R Square	F	df1	df2	Sig.	Constant	b1
Demand	.548	9.693	1	8	.014	577.851	.041
Collection	.523	4.120	1	8	.021	359.621	.015
Balance	.563	4.554	1	8	.045	224.550	.067

Source: Author's Computation

According to the reported results, the average annual growth of total recovery demand of the KSCARD Bank bank in Karnataka is 4.1 percent which is statistically significant at 5 percent level with the R Squared value of 0.548. The F value of the model is 9.693. Whereas, the average annual growth of total collection of the recovery is 1.5 percent which is also statistically significant at 5 percent level with the R Squared value of 0.523. The F value of the model is 4.120. Whereas, the average annual growth of total recovery balance is 6.7 percent which is also statistically significant at 5 percent level with the R Squared value of 0.563. The F value of the model is 4.554.

The above analysis clearly indicates the status of recovery performance of KSCARD bank; it is clearly investigated from the above analysis that, the average annual growth of total recovery balance is very high when compared to the demand and collection of the recovery. The average annual growth of total collection of the recovery is very low in the state KSCARD Bank.

7. CONCLUSION:

The KSCARD bank is playing a very significant role Providing Long term loans by providing lending facilities to Various Development Activities in the Agriculture and Rural Development sector under the stewardship of the NABARD. In this study performance of a variety of financial services of the bank has been measured and the results of the model revealed that the annual growth of a number of accounts of all the purposes except land development and farm mechanization is not up to the expectation but the amount disbursed to such activities are steadily increasing. The progress of land development and Farm Mechanization Schemes are significantly high during the study period. Further, as for as recovery is concerned; the status of the recovery balance of KSCARD Bank is very high when compared to the demand and collection of the recovery. This is becoming a significant challenge for the bank to issue the loans and advances for other purposes and also it is very difficult to extend the services further. Hence, proper regulating as well as monitoring measures are to be taken institutionally to see that loss dose not occur.

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