



**ORIGINAL RESEARCH PAPER**

**Economics**

**AN ANALYSIS OF THE PERFORMANCE OF THE KARNATAKA STATE COOPERATIVE AGRICULTURAL AND RURAL DEVELOPMENT BANK**

**KEY WORDS:** organisation, cooperatives, agriculture, deposits, loan disbursed

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**ABSTRACT**

Rural development was once equated with agriculture, allied sectors, and infrastructure. Rural development has become a strategy to enhance the rural poor's economic and social existence. It concerns rural development. Rural development is the process through which rural society progresses up the economic ladder, improving its social and economic standing. The study tries to analyse the financial performance of the Karnataka State Co-Operative Agriculture and Rural Development Bank. The study relies on secondary data extracted from numerous NABARD Annual Reports, Sahakari Soudha, the Department of Cooperatives, Bangalore, and other publications and periodicals. The research spans a decade, from 2006 to 2021. Several statistical measures, including mean, percentage, and growth rate, are employed to evaluate the study. The study found that between the research periods, the KSCARD bank deposits, reserve money, total loan disbursed, and total share capital have all increased; however, the loan recovery percentage has fallen throughout the same period. In general, the KSCARD is an organisation that makes significant contributions to the growth of rural communities.

**INTRODUCTION**

Rural development was once equated with agriculture, allied sectors, and infrastructure. Rural development has become a strategy to enhance the rural poor's economic and social existence. It concerns rural development. Rural development is the process through which rural society progresses up the economic ladder, improving its social and economic standing. According to S. Gariyappa, rural development comprises improving the rural economy to uplift disadvantaged rural people. Lele defines rural development as "improving the living standards of low-income rural populations and making the process self-sustaining." Rural development improves the economic, social, and political situations of the rural poor. About 70% of India's population and 69% in Karnataka live in villages, and over 40% of them are below the poverty line; b) the most valuable resources for the country and state economic development are concentrated in villages, not in a few cities; and, c) each village in the country and the state is a market for goods manufactured in urban or semi-urban areas.

Because they provide loans, banks play a crucial role in development. Growth requires finance. It requires effective mobilization of public funds and proper deployment of scarce resources to establish conditions for further resource development and mobilization. Without well-designed, integrated institutional apparatus, it may be difficult. Gurley and Shaw argue that development includes both products and finance. Capital is important to development theory. Capital is important to development theory. Kindle Berger views capital as important to the development strategy. Economic growth needs capital. Development requires money to fund capital investment. In an underdeveloped economy, banks' importance in growth logistics was long understood. R.M. Saksena, who recognised the importance of bank finance for a country's economic development, observed that banks are conceived as instruments for increasing the rate of economic growth so fast that it surpasses population growth, increasing per capita real income, and helping the economy leap forward into self-generating and self-sustained growth.

In the history of industrialised countries, banking was vital for development and not a pre-requisite. Banking as a development instrument is versatile, and its applications vary based on society's value system. Modern bankers are not just money traders but also development leaders. Banks aren't

only a country's wealth vault; they're also economic growth resources.

In a developing country like India, a lack of financial resources hinders economic growth. A good banking system is crucial. Banks contribute to rural and urban economic growth by mobilizing deposits, expanding branches, and advancing lending.

In rural areas, 10% of the population has surplus savings, but they don't want to save in banks because they lack financial knowledge and are unsure of the security of their accounts. Rural savings must be collected cautiously.

As most rural people are impoverished, they cannot save a deposit before investing in land or linked enterprises. First, aid them with a loan and invest in their familiar area to boost their production and income. Banks repay loans through greater income. Banks should deploy credit mostly in productive fields, so loaners' incomes rise above the subsistence level and boost savings. Additional household income from bank loan investments may boost rural bank deposits. The study tries to analyse the financial performance of Karnataka State Co-Operative Agriculture & Rural Development Bank.

**Objectives**

- To analyze the financial performance of the Karnataka State Co-Operative Agricultural and Rural Development Bank.
- To study the Demand, Collection, and Balance of PCARD Banks in Karnataka.

**Methodology**

The study relies on secondary data extracted from numerous NABARD Annual Reports, Sahakari Soudha, the department of cooperative, Bangalore, and other publications and periodicals. The research spans a decade, from 2006 to 2021. Several statistical measures, including mean, percentage, and growth rate, are employed to evaluate the study.

**Financial Scenario of Karnataka State Co-Operative Agricultural and Rural Development Bank: (KSCARDB)**

Deposits, investments, loan disbursements, reserve funds, share capital, and loan recovery percentages are analyzed at the macro level. A trend study of KSCARD's finances is examined.

**Table - 1 Trend Analyses of Total Deposits of the KSCARD Bank, Karnataka Year-on-year growth of Deposits of the KSCARD bank**

Year	Deposits (in Crores)	Year-on-Year Growth (in %)
2006-07	4090.52	-
2007-08	4315.75	5.51
2008-09	4305.81	-0.23
2009-10	4401.5	2.22
2010-11	5693.2	29.35
2011-12	6662.1	17.02
2012-13	9254.83	38.92
2013-14	12383.12	33.80
2014-15	13506.4	9.07
2015-16	19677.43	45.69
2016-17	28396.8	44.31
2017-18	36878.30	29.87
2018-19	41469.07	12.45
2019-2020	34885.26	-15.88
2020-21	42801.71	22.69
Mean	17914.78	
S.D	14831.50	
CAGR	18.26	

Data Source:KSCARD Bank Head Office,Bangalore

Table -1 shows Karnataka PCARD banks' year-over-year deposit increase. In 2006-07 and 2007-08, total deposits were Rs. 4090.52 crores and Rs. 4315.75 crores, growing at 5.51 percent annually. The deposits climbed to Rs 4401.50 crores in 2009-10 and Rs 5693.20 crores in 2010-11, with an annual growth rate of 29.3%. In 2011-12, deposits grew 17.02 percent to Rs 6662.10 crores. In 2012-13, deposits increased by Rs. 9254.83 crores, or 38.92% annually. 2015-16 had a 45.69% AGR rise of Rs. 19677.43 crores. In 2019-20, it plummeted to Rs 34885.26 crores, a -15.88% yearly decline. In 2020-21, deposits will reach 42801.71 crores. Between 2006-07 and 2020-21, PCARD banks' deposits average 17914 crores. Finally, KSCARD bank's CAGR was 18.26% with a standard deviation of Rs 14831.50 crore.

Banks rely heavily on deposits. Members and non-members deposited money at KSCARD. The KSCARD takes deposits and repays some members. It lends members' deposits. Deposits grow except in 2008-09 and 2019-2020. Several memberships, pending member withdrawals, deposits received to adjust final loan installments and advance share capital is istors in deposit growth.

**Table -2 Year-on-year growth of Investments of the KSCARD bank**

Year	Investments (In Crore)	Year-on-Year Growth (in %)
2006-07	23088.9	-
2007-08	30964.4	34.11
2008-09	33371.2	7.77
2009-10	34607.3	3.70
2010-11	40078.6	15.81
2011-12	43196.8	7.78
2012-13	34923.9	-19.15
2013-14	25803.4	-26.12
2014-15	20010.8	-22.45
2015-16	13772.9	-31.17
2016-17	10632.6	-22.80
2017-18	18551.17	74.47
2018-19	16720.37	-9.87
2019-2020	17530.54	4.85
2020-21	18425.55	5.11
Mean	25445.23	
S.D	10080.98	
CAGR	-2%	

Data Source:KSCARD Bank Head Office,Bangalore

Table- 2 shows KSCARD's Karnataka investments. In 2006-07 and 2007-08, total investment was Rs. 23088.9 crore and Rs. 30964.4 crores growing 34.1% annually. Total investment of Rs. 33371.2 crores grew 7.77 percent in 2008-09. In 2009-10, it grew by 3.7%, while in 2010-11, it grew by 15.81%. 2011-12 investment total 43196.80 crores. Total investment declined in 2012-13. Annual investment increase is -19.15%. KSCARD bank's investments decreased significantly. Total investment falls to Rs 25803.4 crores in 2013-14, a -26.12% year-on-year reduction, and Rs 20010.8 crores in 2014-15, a -22.4% decline. In 2014-15, the rupee grew by 31.17 percent to Rs.13772.90 crores. Total investment in 2017-18 is 18551.17 crores, up 74.47 percent year-over-year. It's decreasing. Total investment is 16720.37 crores, down 9.87% year-over-year. In 2019-2020 and 2020-21, investment increased. 2019-2020 investment was 17530.54 crores, and 2020-21 investment would be 18425.55 crores, a 5.11 percent increase. During the study period, KSCARD bank had a compound annual growth rate of -2 percent, a mean investment of Rs. 25445.23 crores, and a standard deviation of Rs. 10080.98 crores.

KSCARD Bank invests in nationalised banks and financial institution securities. PCARDBs and other bank members deposit most funds. If the bank lends farmers half of its savings, it has less for investment.

**Table -3 Year-on-year growth of the Reserve fund of the KSCARD bank**

Year	Reserve Fund (in Crores)	
2006-07	2003.06	-
2007-08	2003.06	0.00
2008-09	2003.6	0.03
2009-10	2003.6	0.00
2010-11	2647.56	32.14
2011-12	2658.45	0.41
2012-13	2830.66	6.48
2013-14	2832.04	0.05
2014-15	2832.04	0.00
2015-16	2832.04	0.00
2016-17	2854.52	0.79
2017-18	4829.59	0.22
2018-19	4939.20	-28.20
2019-2020	4657.36	0.47
2020-21	NR	
Mean	2462.78	
S.D	401.87	
CAGR	0.23%	

Data Source:KSCARD Bank Head Office,Bangalore

Table 3 shows KSCARD's reserve fund from 2006-07 to 2019-2020. The table shows that the reserve fund grew by 0% from 2006-07 to 2009-10. The KSCARD bank's reserve funds don't alter for four years. In 2010-11, the reserve money grew to Rs. 2647.56 crores from Rs. 2003.6 crores in 2009-10, a 32.1% rise. The reserve fund grows from 2658.45 crores in 2011-12 to 2830.66 crores in 2012-13 or 6.5% annually. Between 2013-14 and 2015-16, reserve funds don't grow.

The reserve fund grew 0.79 percent annually to Rs. 2860.71 crores in 2017-18. The reserve grew by -28.20 percent to 2053.92 in 2019-20. CAGR was 0.23 percent with a mean Reserve Fund of Rs 2462.78 crore and a standard deviation of Rs 401.87crore for KCARD banks between specified years.

KSCARD bank helps rural areas through PCARDBs. KSCARD bank isn't focused on making a significant profit from reserve cash and accounts. The Reserve fund's growth is fixed and consistent except in 2010-11, 2018-19, and 2019-2020 due to the bank's low earnings.

**Trend Analyses of Total Loan Disbursed by The KSCARD Bank, Karnataka**

**Table -4 Year-on-year growth of Loan Disbursed by the KSCARD Bank**

Year	Loan Disbursed (in Crore)	Year-on-Year Growth (in %)
2006-07	25087.07	
2007-08	21043.21	-16.12
2008-09	17764.51	-15.58
2009-10	18342.54	3.25
2010-11	18886.59	2.97
2011-12	19179.83	1.55
2012-13	20551.37	7.15
2013-14	21572.26	4.97
2014-15	32012.83	48.40
2015-16	27550.44	-13.94
2016-17	45077.04	63.62
2017-18	20802.31	-53.85
2018-19	23377.09	12.38
2019-2020	26439.46	13.10
2020-21	42783.70	61.82
Mean	25364.68	
S.D	8495.75	
CAGR	4.19%	

Data Source: KSCARD Bank Head Office, Bangalore

Table 4 illustrates KSCARD Bank's loan growth from 2006-07 to 2020-21. The total loan disbursed in 2006-07 and 2007-08 was Rs. 25087.07 crores and Rs. 21043.21 crores, a 16.12% annual growth rate. In 2008-09, loan disbursements fell to Rs. 17764.51 crores, a 15.58 percent drop. 2009-10 loan disbursements increased by 3.25 percent, to Rs. 18342.54 crores. Total loan disbursement grew 2.97 percent to 18886.59 crores in 2010-11. 2011-12 growth was 1.6% or 19179.83 crores. In 2012-13, loan disbursement fell to Rs. 20551.37 crores from Rs. 19179.83 crores in 2011-12, a 7.2% annual growth rate. In 2013-14, the overall loan outstanding rose 4.97 percent to 21572.26 crores. Loan disbursement increased by 48.4% in 2014-15 to Rs 32012.83 crore. In 2015-16, it declines by -13.94% to Rs. 27550.44 crores. In 2016-17, loan outstanding grew by 63.62 percent to 45077.04 crores. It drops to 20802.31 crores, a -53.85% annual decline. Total loan disbursement grew 61.82 percent annually to 42783.70 crores in 2020-21. KSCARD's total loan disbursement grew 4.19 percent annually over the research period, with a mean value of 25364.68 crores and a standard deviation of Rs 8495.57 crore.

NABARD money and own funds from investments, deposits, and other sources fuel loan issuance. The KSCARD Bank's loan disbursements have increased every year except 2007-08, 2015-16, and 2017-18. This is largely owing to NABARD's quick release of cash. KSCARD Bank's overall loan disbursements have declined due to NABARD delays and inadequate deposit mobilisation.

**Table 5 Trend Analyses of Total Share Capital of KSCARD Bank, Karnataka Year-on-year growth of Share Capital of KSCARD bank**

Year	Share Capital (In Crores)	Year-on-Year Growth (in %)
2006-07	4656.07	-
2007-08	4893.19	5.09
2008-09	5003.07	2.25
2009-10	4980.02	-0.46
2010-11	5112.48	2.66
2011-12	5208	1.87
2012-13	5531.88	6.22
2013-14	5814.03	5.10
2014-15	6004.71	3.28

2015-16	6725.36	12.00
2016-17	7779.52	15.67
2017-18	7987.11	2.67
2018-19	7993.88	0.08
2019-2020	8228.55	2.94
2020-21	NR	
Mean	6136.99	
S.D	1331.70	
CAGR	4.15	

Data Source: KSCARD Bank Head Office, Bangalore

KSCARD Bank of Karnataka's share capital is shown in table 5. In 2006-07 and 2007-08, the total share capital was Rs 4656.07 crore and Rs 4893.19 crore, a 5.09 percent increase. 2008-09 saw 2.25 percent annual growth with a share capital of Rs. 5003.07 crores. However, 2009-10 saw a modest dip with 4980.02 crores and a 0.46 percent annual growth rate, followed by a 2.66 percent gain in 2010-11. In 2011-12, it grew by 1.87 percent to Rs. 5208 crores. Share capital grew 6.22 percent to Rs 5531.88 crore in 2012-13. This shows that KSCARD bank was able to enhance share capital slightly. The favorable trend continues in 2014-15, with a total share capital of Rs 6004.71 crores and a 3.3% growth. 2015-16 saw a rise of Rs 6725.36 crore or 12.0% annually. Total share capital would rise to 7779.52 crores in 2016-17 and 7987.11 crores in 2017-18, a 2.67 percent yearly increase. At 2.94 percent annual growth, total share capital reached 8228.55 crores. The compound annual growth rate (CAGR) for KSCARD Bank over the study period was 4.15 percent, with a mean value of Rs 6136.99 crore and a standard deviation of Rs 1331.70 crore. The share capital of KSCARD Bank is PCARDB membership fees. In trend analysis of share capital, linear positive growth is seen. A rise in members is also a factor in the rise in share capital.

**Table - 6 Trend Analyses of Percentage of Loans Recovered by KSCARD Bank Loan Recovered by and loan due to the KSCARD bank**

Year	Loan recovered(in%)	Year-on-year percentage point	Percentage of loan due
2006-07	36.35	-	63.65
2007-08	39.32	7.55	60.68
2008-09	30.56	-28.66	69.44
2009-10	31.18	1.99	68.82
2010-11	40.26	22.55	59.74
2011-12	43.05	6.48	56.95
2012-13	38.51	-11.79	61.49
2013-14	36.4	-5.80	63.6
2014-15	41.58	12.46	58.42
2015-16	35.05	-18.63	64.95
2016-17	42.58	17.68	57.42
2017-18	36.76	-15.83	63.24
2018-19	32.61	-12.73	67.39
2019-20	25.88	-26.00	74.12
2020-21	45.63	43.28	54.37
Mean	37.5		
S.D	5.37		
CAGR	2%		

Data Source: KSCARD Bank Head Office, Bangalore

Table 6 shows KSCARD bank's Karnataka loan recovery. The loan recovered in 2006-07 and 2007-08 was 36.35 percent and 39.32 percent, with a 7.55 percent annual growth rate. In 2008-09, loan recovery was 30.56 percent with a -28.66% annual growth rate. Loan recovery improved by 0.6 percentage points to 31.18 percent in 2009-10 and 40.26 percent in 2010-11, growing 9.1% annually. The loan recovery rate rose to 43.05 percent in 2011-12, a 6.48 percent rise. In 2012-13, loan recovery was 38.51%, with a negative annual growth rate of -11.79%. 2013-14 loan recovery fell -2.1 percentage points to

36.4%. The loan recovery rate rose to 41.58 percent in 2014-15, a 12.46 percent rise. 2015-16 saw another 35% drop. This illustrates a gradual drop in loan recovery. 2017-18 and 2018-19 loan recovery is negative. Loan recovery is 36.76 and 32.61 percent. 2019-2020 loan recovery will be 25.88%. Loan recovery is growing at 43.2% annually and is at 45.6%. KSCARD bank's CAGR was 2% over the study period. The recovery percentage depends on the state's PCARDBs. Government loan waivers, crop failure, drought, flood, and other occurrences in a given year affect PCARDBs and KSCARD bank debt recovery. 37.5 percent are recovered. The above reasons lowered KSCARD's loan recovery rate.

## CONCLUSION

The reforms in the banking sector and financial activities are going extremely nicely. It is possible to state that PCARD Banks have achieved impressive progress over the years in quantitative terms, that is, in terms of the recovery of loans; but they are currently suffering from significant overdue as a result of poor recovery and heavy accumulated losses.

The balance at the level of the apex bank has been decreasing, and the balance at the level of the final borrowers is currently between 2011 and 2021. Between the research periods, the KSCARD bank deposits, Reserve money, Total Loan Disbursed, and Total Share Capital have all increased, however, the loan recovered percentage has fallen throughout the same period. In general, the KSCARD is an organization that makes significant contributions to the growth of rural communities.

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