

Growth of Land Development Banks in India

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ABSTRACT- Cooperatives were the first formal institution to be conceived and developed to purvey credit to rural India. Indian Economy is largely dependent upon agriculture as majority of its population is employed in it. In India, there are 20 State Co-operative agricultural and rural development banks at apex level and 697 Primary Co-operative agricultural and rural development banks at base level are playing an important role in meeting credit requirement of rural population in India. The present study was formulated with the specific objectives to analyze the growth and performance of Land Development Banks in India in reference to number of banks, owned funds, deposits, borrowings, loans and advances, total assets, profits/losses, non performing assets, ratio of non performing assets to loans outstanding and ratio of recovery to demand. The present study is based on secondary data and it has been collected from the publication of NABARD and RBI that is, Report on trend and Progress of banking in India, 2001-02 to 2012– 2012. The data has been collected for twelve years from 2001-02 to 2011-12. The progress has been analysed by selecting statistical tools like, mean, standard deviation, coefficient of variation and exponential growth rate, trend coefficient, future predication in absolute and relative terms. From the analysis, it has been observed that during the study period the performance of land development banks in India was not satisfactory, State banks must take necessary steps to improve their performance. The India state co-operative agricultural and rural development banks are apex banks and they can control and improve the performance of Primary Co-operative agricultural and rural development banks under their vast umbrella.

KEYWORDS- Analysis, Co-operatives, Growth, Performance, Ratios, Recovery.

I. INTRODUCTION

Cooperatives occupy an important position in the Indian financial system. The cooperatives were the first formal institutions that were set up to provide rural credit in India [1]. It was in the year 1895 that the Nicholson discussed the role of cooperative agricultural and rural development banks in financing the rural sector especially the agricultural sector in India. The major changes in the system took place only after the introduction of cooperative movement in 1904 with the enactment of the cooperative societies act 1904. Further, it was replaced by cooperative

societies act 1912. In the year 1914, Edward committee on cooperatives headed by Edward Maclagan emphasized on the need for improvements in the working of cooperatives in the country. Another step in the growth of the movement was that co-operation was made a provincial ‘transferred’ subject under the Reforms Act of 1919. In the year, 1920, the cooperative land mortgage banks were started in India with the set up of first land development bank at Jhang in Punjab. The impetus to the land development banks was made in the year 1929 when the land development bank was established in Chennai under the Land Mortgage Act 1930, Since then various committees reviewed the progress of land development banks [5]. The Land Development Banks were originally called land Mortgage banks and in broader sense, they are called State Co-operative Agriculture and Rural Development Banks (SCARDBs). In India, the co-operative banking sector plays an important role in providing credit to agriculture sector. The structure of the co-operative banking sector in India is two fold. The urban areas are served by urban co-operative banks and the rural areas are served by two distinct sets of the institutions extending short-term and long-term credit. The short-term co-operative credit institutions have a three-tier structure comprising State co-operative banks at the apex level, district central co-operative banks at intermediate level and primary agricultural societies at the base level [4]. The long-term co-operative credit institutions have, generally, a two tier structure comprising the State co-operative agriculture and rural development banks (SCARDBBs) at the state level and primary agricultural and rural development banks (PCARDBs) at district or block level. As on 31st March, 2013, the long term co-operative credit structure, consisted of 20 state co-operative agriculture and rural development banks and 697 primary co-operative agriculture and rural development banks[2].

II. OBJECTIVES AND METHODOLOGY

The study has been done with a view to analyze the performance of the State Cooperative Agricultural Development Banks and the Primary Cooperative Agricultural Development Banks in India in terms of growth of number of Banks, owned funds, deposits, borrowings, loans and advances, total assets, profits/losses, non-performing assets, ratio of non-performing assets to loans outstanding and ratio of recovery to demand. The present study is based on secondary data and it has been collected from the publication of NABARD and RBI

that is, report on trend and progress of banking in India, 2001-02 to 2012– 2012. The data has been collected for twelve years from 2001-02 to 2011-12. The progress of the State Co-operative Agricultural Development Banks and Primary Co-operative Agricultural Development Banks in India has been analysed by selecting statistical tools like, mean, standard deviation, coefficient of variation and exponential growth rate, trend coefficient, future predication in absolute and relative terms.

A. Progress of State Cooperative Agricultural and Rural Development Banks in India

The Long-Term structure was highly dependent on external financial agencies for augmenting its resources. As on 31

March 2012, 70 per cent of the total resources of the SCARDBs were in the form of borrowings. Paid up capital of SCARDBs as on 31 March 2012 was 31 per cent of the owned funds. Table 1 indicated that the number of SCARDBS in India remained constant from 2001-2002 to 2011-2012 i.e. 20 in number during the study period. Owned funds of the banks increased from Rs. 2494 crore 2001-02 to Rs. 6400 crore in 2011-12 and registered a growth rate of 5.78 per cent during the period. Deposits of the banks increased from Rs. 533 crore 2001-02 to Rs. 1100 crore in 2011-12 and registered a growth rate of 7.51 per cent during the period.

Table 1: A Progress of SCARDBS in India

YEAR	NO. OF SCARDBS	OWNED FUNDS	DEPOSITS	BORROWING	LOANS AND ADVANCES ISSUED	LOANS AND ADVANCES OUTSTANDING
2001-2002	20	2494	533	14832	2746	14110
2002-2003	20	2906	501	15892	2962	15354
2003-2004	20	4403	524	16933	2837	16263
2004-2005	20	5022	566	17180	3292	17422
2005-2006	20	3352	636	17075	2907	17713
2006-2007	20	2931	605	16662	2436	18644
2007-2008	20	3713	645	15843	2226	18217
2008-2009	20	4003	711	15849	2585	16421
2009-2010	20	4510	759	15581	3205	17000
2010-2011	20	4500	1000	16200	NA	17800
2011-2012	20	6400	1100	16000	NA	19400
MEAN	20	4021.27	689.09	16186.09	2799.56	17122.18
CV	0	27.89	28.47	4.42	12.35	8.87
EGR	0	5.78	7.51	-0.03	---	2.04
Trend coefficients						
a	20	2682.18	370.82	16233.98	2913.97	15106.89
b	0	223.18	53.05	-7.98	-22.88	335.88
Future predication						
Value in 2019-20	20	6922.60	1378.77	16082.36	2433.42	21488.61
% over 2012-13	0	8.17	25.34	0.51	-24.07	10.77

Table 2: A Progress of SCARDBS in India

YEAR	TOTAL ASSETS/ TOTAL LIABILITIES	PROFIT/ LOSS	NPAs	NPAs/LOANS OUT STANDING	RECOVERY OF LOANS/ DEMAND
2001-2002	14147	-97	2414	18.5	55
2002-2003	NA	-102	3218	21	49
2003-2004	23385	-113	4336	26.7	44
2004-2005	24271	-163	5437	31.3	43.70
2005-2006	24604	88	5786	32.7	47
2006-2007	24336	90	5643	30.3	44
2007-2008	24403	-247	6292	34.5	49
2008-2009	24386	49	4938	30.1	49
2009-2010	25562	-28	5642	33.2	41
2010-2011	28500	300	6100	34.3	40
2011-2012	29400	-200	6400	33.10	41.30
MEAN	23909.45	-38.45	5109.64	29.61	45.73
CV	17.04	-413.57	25.25	18.19	9.89
EGR	4.97	----	7.66	----	----
Trend coefficients					
a	17539.36	-116.84	3206.87	21.7	51.23
b	1061.68	13.06	317.13	1.32	-0.92
Future prediction					
Value in 2019-20	37711.32	131.37	9232.34	46.78	33.75
% over 2012-13	28.27	-165.69	44.26	41.33	-18.28

Borrowings of the banks increased from Rs. 14832 crore 2001-02 to Rs. 16000 crore in 2011-12 and registered a negative growth rate of (-0.03%) during the period. Loans and advances issued by the banks increased from Rs. 2746 crore 2001-02 to Rs. 3205 crore in 2009-10 and data for year 2010-11, 2011-12 was not available during the period. Loans outstanding of the banks increased from Rs. 14110 crore 2001-02 to Rs. 19400 crore in 2011-12 and registered a growth rate of 2.04 during the period. Total assets/ total liabilities of the banks increased from Rs. 14147 crore 2001-02 to Rs. 29400 crore in 2011-12 and registered a growth rate of 4.97 during the period. Profits/ losses of the banks fluctuate from Rs. 97 crore losses in 2001-02 to Rs. 200 crore losses in 2011-12 during the period. Non-performing assets of the banks increased from Rs. 2414 crore 2001-02 to Rs. 6400 crore in 2011-12 and registered a growth rate of 7.66 during the period. Ratio of NPAs to loans outstanding increased from 18.50 per cent in 2001-02 to 33.10 per cent in 2011-12 during the period. Recovery of the banks decreased from 55 per cent in 2001-02 to 43.10 per cent in 2011-12 during the study period [6].

Inconsistency was highest in profits (CV=-413.57), followed by deposits (CV=28.47), owned funds (CV=27.89), NPAs (CV=25.25), ratio of NPAs to loans outstanding (CV=18.19), total assets/ total liabilities (CV=17.04), loans issued (CV=12.35), recovery per cent (CV=9.89), loans outstanding (CV=8.87) and variability in borrowing (CV=4.42) and there was no change in number

of SCARDBS. The trend analysis indicated that percentage increase of SCARDBs would be highest in NPAs (44.29%), followed by ratio of NPAs to loans outstanding (41.33%), total assets (28.27%), deposits (25.34%), loans outstanding (10.77%), owned funds (8.17%) and borrowings (0.51%) in 2019-20. The trend analysis also showed that the negative change of SCARDBs would be highest in profits (-165.69%), followed by loans issued (-24.07%) and recovery (-18.28%) during the period.

B. Progress of Primary Cooperative Agricultural and Rural Development Banks in India

The Long-Term structure was highly dependent on external financial agencies for augmenting its resources. As on 31 March 2012, 73 per cent of the total resources of the PCARDBs, were in the form of borrowings. Paid up capital of PCARDBs as on 31 March 2012 was 30 per cent of the owned funds. Table 2 indicated that the number of PCARDBS in India decreased from 768 in 2001-2002 to 697 2011-2012 and registered a negative growth rate of (-1.13%) during the study period. Owned funds of the banks increased from Rs. 2480 crore 2001-02 to Rs. 4800 crore in 2011-12 and registered a growth rate of 6.71 per cent during the period. Deposits of the banks increased from Rs. 255 crore 2001-02 to Rs. 500 crore in 2011-12 at registered growth rate of 6.82 per cent during the period. Borrowings of the banks increased from Rs. 10331 crore 2001-02 to Rs. 13500 crore in 2011-12 at registered growth rate of 1.62 per

cent during the period. Loans and advances issued by the banks increased from Rs. 2045 crore 2001-02 to Rs. 2465 crore in 2009-10 and data for year 2010-11, 2011-12 was not available during the period. Loans outstanding of the banks increased from Rs. 10005 crore 2001-02 to Rs. 12000 crore in 2011-12 at marginal growth rate of 0.64 during the period. Total assets/total liabilities of the banks increased from Rs. 19515 crore 2003-04 to Rs. 26200 crore in 2011-12 on an average level of Rs. 22500 crore during the period. Profits/ losses of the banks fluctuate from Rs. 267

crore losses in 2001-02 to Rs. 200 crore losses in 2011-12 during the period [3]. Non-performing assets of the banks increased from Rs. 4316 crore 2001-02 to Rs. 4425 crore in 2011-12 and registered growth rate of 2.25 during the period. Ratio of NPAs to loans outstanding increased from 18.50 per cent in 2001-02 to 30.20 per cent in 2011-12 during the period. Recovery of the banks decreased from 55 per cent in 2001-02 to 38.60 per cent in 2011-12 during the study period. The variability in profits was negative (CV=-115.02).

Table 3: A Progress of PCARDBS in India

YEAR	NO. OF PADBS	OWNED FUNDS	DEPOSITS	BORROWING	LOANS AND ADVANCES ISSUED	LOANS AND ADVANCES OUTSTANDING
2001-2002	768	2480	255	10331	2045	10005
2002-2003	768	2722	214	11214	2151	10809
2003-2004	768	3856	396	11879	2164	11311
2004-2005	727	3494	365	12873	2569	12763
2005-2006	696	3380	382	13066	2254	12740
2006-2007	697	3596	341	12751	1970	12114
2007-2008	697	3039	331	10206	1773	9529
2008-2009	697	5007	400	12365	1195	11268
2009-2010	697	5165	461	12832	2465	11482
2010-2011	697	4900	500	12800	NA	11600
2011-2012	697	4800	500	13500	NA	12000
MEAN	719	3858.09	376.82	12165.18	7005.72	11420.09
CV	4.55	24.98	24.21	9.19	5.79	8.92
EGR	-1.13	6.71	6.82	1.62	-----	0.64
Trend coefficients						
a	768.69	2389.51	235.93	11010.35	2279.19	11013.67
b	-8.28	244.76	23.48	192.47	-42.82	67.74
Future prediction						
Value in 2019-20	611.37	7039.95	682.05	14667.28	1380.04	12300.73
% over 2012-13	-12.29	46.67	36.42	8.65	-44.01	2.51

Table 4: A Progress of PCARDBS in India

YEAR	TOTAL ASSETS/ TOTAL LIABILITIES	PROFIT/ LOSS	NPAs	NPAs/LOANS OUT STANDING	RECOVERY OF LOANS/ DEMAND
2001-2002	NA	-267	4316	30.2	48
2002-2003	NA	-317	3569	33	44
2003-2004	19515	-250	4016	35.5	44
2004-2005	20355	391	4056	31.9	50.6
2005-2006	21365	-83	4554	35.4	48
2006-2007	21774	-147	4316	35.4	52
2007-2008	18209	-346	5114	53.7	44
2008-2009	24846	-198	4393	39	39
2009-2010	25037	-415	4841	42	41.5
2010-2011	25200	-200	4800	41.7	39.4
2011-2012	26200	-200	4700	38.6	47.3
MEAN	22500.11	-184.73	4425	37.85	45.25
CV	12.83	-115.02	9.96	17.12	9.52
EGR	---	----	2.25	----	----
Trend Coefficients					
a	18192.53	-122.93	3849.38	30.83	48.34
b	861.52	-10.3	95.94	1.17	-0.52
Future predication					
Value in 2019-20	32838.31	-318.63	5672.24	53.06	38.46
% over 2012-13	25.34	59.32	20.69	37.46	-18.69

Inconsistency was highest in owned funds (CV=24.98), followed by deposits (CV=24.21), ratio of NPAs to loans outstanding (CV=17.12), total assets/ total liabilities (CV=12.83), NPAs (CV=9.96), borrowing (CV=9.91), recovery per cent (CV=9.52), loans outstanding (CV=8.92) loans issued (CV=5.79) and number of PADBs (CV=4.55) during the period. The trend analysis indicated that percentage increase of PCARDBs would be highest in losses (59.32%), followed by owned funds (46.67%), ratio of NPAs to loans outstanding (37.46%), deposits (36.42%), total assets (25.34%), NPAs (20.69%) and borrowings (8.65%) in 2019-20. The trend analysis also showed that the negative change of PCARDBs would be highest in loans issued (-44.01%), followed by recovery to demand (-18.69%) and number of PADBs (-12.29%) during the period.

III. CONCLUSION

Form the study it has been observed that during the study period the performance of State Co-operative Agricultural and Rural Development Banks and Primary Co-operative Agricultural and Rural Development Banks in India in terms of profits, non-performing assets and recovery position is not satisfactory, state banks must take necessary steps to improve their performance. The India state co-operative agricultural and rural development banks are apex banks and they can control and improve the performance of Primary Co-operative agricultural and rural development banks under their vast umbrella.

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