Grameen Banks in Karnataka: A Study of Pragathi Krishna Grameena Bank

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ABSTRACT

Institutional credit refers to the funds made available by Cooperative Societies, Commercial Banks and Regional Rural Banks. In the field of co-operation, the Primary Agricultural Credit Societies (PACs) provide mainly short- and medium-term loans and Land Development Banks (LDBs) provide long term loan to the agricultural sector. Commercial Banks including Regional Rural Banks (RRBs) provide both short- and long-term loans for agriculture and allied activities. Pragathi Krishna Grameena Bank with Head Office at Bellary came into existence on 23rd August 2013 with the amalgamation of 2 RRBs. viz. erstwhile PragathiGrameena Bank (sponsored by Canara Bank) with Head Office at Bellary and erstwhile Krishna Grameena Bank (sponsored by State Bank of India) with the Head Office at Gulbarga. The study had two bjectives viz. to study the role ofGrameena Banks in rural credit and to analyze the performance of Pragathi Krishna Grameena Bank. Secondary data was used to analyze the performance of Pragathi Krishna Grameen Bank. The data collected was analyzed and presented in systematic and scientific manner. Tabular and Graphical representation of the data has been made wherever necessary. Percentage, Average, Annual Growth Rate, CAGR, Standard Deviation, Co-efficient of Variation and other relevant test like Augmented Dicky Fuller Test (ADFT) has been made for scientific analysis and drawing inferences.

Keywords: Institutional credit, Performance, Regional   Rural Banks, Representation, Rural Development

I.   INTRODUCTION

Institutional credit refers to the funds made available by Cooperative Societies, Commercial Banks and Regional Rural Banks. In the field of co-operation, the Primary Agricultural Credit Societies (PACs) provide mainly short- and medium-term loans and Land Development Banks (LDBs) provide long term loan to the agricultural sector. Commercial Banks including Regional Rural Banks (RRBs) provide both short- and long-term loans for agriculture and allied activities. The National

Bank for Agriculture and Rural Development Bank (NABARD) is apex institution at the national level and for agricultural credit and provides refinance assistance to the above agencies. The Reserve Bank of India as the Central Bank of the country gives overall direction to rural credit and financial support to the NABARD.

II.   PRAGATHI KRISHNA GRAMEEN BANK

Pragathi Krishna Grameena Bank with Head Office at Bellary came into existence on 23rd August 2013 with the amalgamation of 2 RRBs viz. erstwhile PragathiGrameena Bank (sponsored by Canara Bank) with Head Office at Bellary and erstwhile Krishna Grameena Bank (sponsored by State Bank of India) with the Head Office at Gulbarga. The Bank was formed as per Gazetteer Notification of Government of India No. F/15/2011 RRB, Karnataka dated 23-8-2013.The RRB with its Head Office at Bellary was formed by amalgamating the two RRBs of Karnataka viz., PragathiGrameena Bank sponsored by Canara Bank and Krishna Grameena Bank sponsored by State of Bank of India and covers 11 eastern districts of Karnataka state. Pragathi Krishna Grameena Bank is a Regional Rural Bank formed on 23-8-2013 The RRB with its Head Office at Bellary was formed by amalgamating the two RRBs of Karnataka viz., PragathiGrameena Bank sponsored by Canara Bank and Krishna Grameena Bank sponsored by State of Bank of India and covers 11 eastern districts of Karnataka state, they are 1.Ballary, 2.Raichur, 3.Koppal, 4.Davanagere, 5. Chitradurga, 6.   Shivamogga,   7.   Kolar, 8.   Chikkaballapur, 9.Gulbarga, 10.Bidar and 11.Yadagiri.

ORGANIZATIONAL STRUCTURE

1.   The bank is working on 3 tier structure i.e., Head Office, Regional Offices and Branches. There are 10 Regional Offices which are headed by the Regional Managers.

2. BRANCH NETWORK

The total network of branches stood at 661as at 31st March 2019; consisting branches at rural areas 482 (76 per cent), 104 semi-urban branches (13 per cent) and 75 urban branches (11 per cent).

III.   OBJECTIVES

The Study will be done with following objectives:

•   To study the role of Grameena Banks in rural credit.

•   To analyze the performance of Pragathi Krishna Grameena Bank in general

METHODOLOGY

The present study is empirical and partially descriptive and analytical in nature. Secondary data was collected from annual reports of PKG Bank for assessment of the performance.

DATA PROCESSING AND ANALYSIS

The data collected was analysed and presented in systematic and scientific manner. Tabular and Graphical representation of the data has been made wherever necessary. Percentage, Average, Annual Growth Rate, CAGR, Standard Deviation, Co-efficient of Variation and other relevant test

like Augmented Dicky Fuller Test (ADFT) has been made for scientific analysis and drawing inferences.

IV.   PERFORMANCE OFPRAGATHI KRISHNA GRAMEEN BANK

The performance of Pragathi Krishna Grameen Bank is assessed with different parameters such as Aggregate Deposits,Advances Outstanding, etc.

Augmented Dicky Fuller Test was used to analyse the data related to business of PKG Bank. Augmented Dicky Fuller test is used to test the presence or absence of stationarity in the time series. The presence of stationarity in the time series indicates that there is a tendency for the time series to revert around a constant long term mean. If the time series displays a non-stationary tendency, it implies that the variable variance and mean have no tendency to return to long term mean over time.In short, if the time series is non-stationery reliable predictions cannot be made with the data. Given the null hypothesis for the augmented dicky fuller test is there is a unit root in AR Model which implies that the data is non-stationary.

V.I.AGGREGATE DEPOSITS OF PKG BANK

The aggregate deposits of PKG Bank were Rs. 103435.70 crore during the study period. It was Rs.5216.69 croe in the year 2009-10 increased to Rs.15917.22 crore in 2018-19. Standard Deviation was 4297.864, Coefficient of Variation was 0.415511and Compound Annual Growth Rate (CAGR) was 29.51 percent. The Augmented Dickey-Fuller (ADF) Test shown significance of probability value at 0.9542 at level "0', 0.0306 at level '1' and at 0.1677 at level '0' Intercept and Trend i.e the significance of p-values at different levels are less than one. Hence, the null hypothesis is accepted and it is proved that the general performance PKGV Bank is satisfactory. The table given below gives details of Aggregate Deposits of PKGV Bank, Ballary during the study period.

Aggregate Deposits of PKGV Bank during 2008-09 to 2018-19

Rs. In Crore

YEAR	Aggregate Deposits	Annual Growth	Annual Growth Rate
2009-10	5216.69	---	---
2010-11	6099.48	882.79	8.53
2011-12	6327.13	227.65	2.2
2012-13	7272.46	945.33	9.14
2013-14	8711.49	1439.03	13.91
2014-15	10104.81	1393.32	13.47
2015-16	12278.33	2173.52	21.02
2016-17	15361.33	3083	29.8
2017-18	16146.72	785.39	7.6

2018-19	15917.22	-229.5	-2.23
Total	103435.7		
Average	1034357		
Standard Deviation	4297.864		
Coefficient of Variation	0.415511		
Compound Annual Growth Rate	29.51211		

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ADF TEST RESULT

At Level I (0):t-static value:0.198390 **prob-value: 0.9542**

At First Difference I (1): t-static value:-3.814825 **prob-value: 0.0306**

At Level I (0) Intercept & Trend: t-static value: -3.137613 **prob-value: 0.1677**

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Source: Annual Reports of KVG Bank
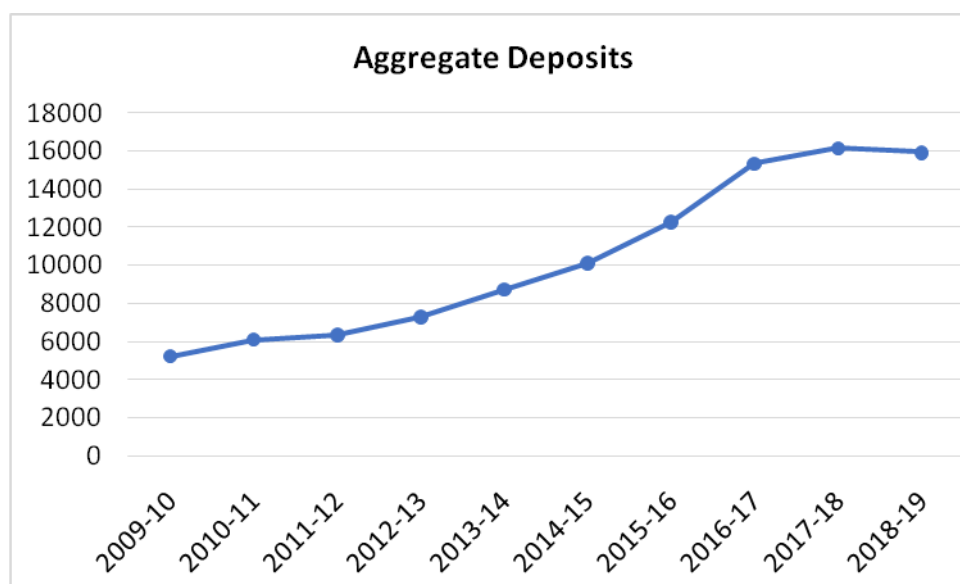
V.II. Advances Outstanding of PKG Bank

The advances outstanding of PKG Bank varied between Rs. 5026.07 crore and Rs.14827.93 crore during the study period. In 2009-10 the advances outstanding stood at Rs. 5026.07 crore increased to Rs. 6684.66 crore in 2012-13 again to Rs. 14827.93 crore in 2018-19. The total advances outstanding of PKG Bank were Rs. 93004.17 crore same period. The standard deviation was 3621.232 and CAGR was 28.50 percent. The Augmented Dickey-Fuller (ADF) Test shown significance of probability value at 0.8955 at level "0', 0.8007 at level '1' and at 0.5293 at level '0' Intercept and Trend i.e the significance of p-values at different levels are less than one. Hence, the null hypothesis is accepted and it is proved that the general performance PKGV Bank is satisfactory.

V.III. TOTAL BUSINESS OF PKG Bank

Total business of PKG Bank during the 10 year period i.e 2009-10 to 2018-19 was Rs.196439.90 crore. It was Rs.10242.76 core in 2009-10 which increased to Rs.11673.74 crore in 2010-11, to Rs. 12290.40 crore in 2011-12 and to Rs. 13957.12 crore in 2012-13. The increasing trend of total

business continued and reached to Rs. 30208.73 crore in 2017-18 and to Rs.30745.15 crore in 2018-19. The total business of the bank was increasing year by year. The annual average business of the bank was Rs. 19643.99 crore and average annual growth rate was Rs. 2278.04 crorei.e 11.60 percentannually.The standard deviation was 7901.457 and CAGR was 29.01percent. The Augmented Dickey-Fuller (ADF) Test shown significance of probability value was at 0.8955 at level "0", 0.6769 at level '1' and at 0.2739. In short, if the time series is non-stationery reliable predictions cannot be made with the data.

Total Business of PKG Bank during the Period 2009-10 to 2018-19

Rs. In crore

YEAR	TotalBusiness	Annual Growth	Annual Growth Rate
2009-10	10242.76	--	--
2010-11	11673.74	1430.98	7.29
2011-12	12290.40	616.66	3.13
2012-13	13957.12	1666.72	8.49
2013-14	16697.44	2740.32	13.95
2014-15	19461.77	2764.33	14.07
2015-16	23401.56	3939.79	20.06
2016-17	27761.21	4359.65	22.19
2017-18	30208.73	2447.52	12.46
2018-19	30745.15	536.42	2.73
Total	196439.9		
Average	19643.99	2278.04	11.60
Standard Deviation	7901.457		
Coefficient of variation	0.402233		
Compound Annual Growth Rate	29.01647		
ADF TEST RESULT			
At Level I (0):t-static value: -1.050289 **prob-value:** 0.6769			
At First Difference I (1): t-static value: -2.667660 **prob**-v**alue:** 0.2739			

Source: Annual Reports of KVG Bank
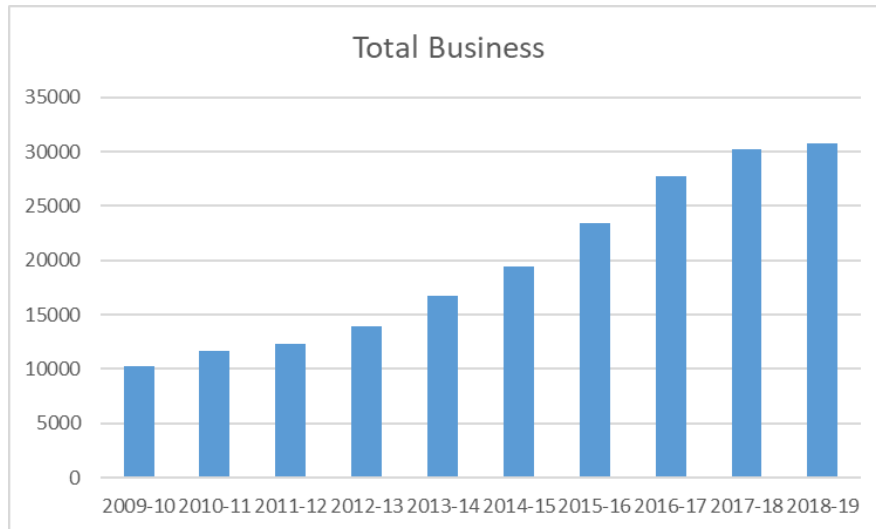
Given the null hypothesis for the augmented dicky fuller test is there is a unit root in AR Model which implies that the data is non-stationary. In the following table it is observed that, ADF t-Statistic value at level with probability value of 0.67 is not statistically significant. Even when the given data was run with first difference, we observe that, ADF t-statistic with probability value of 0.27 is not statistically significant.Therefore from the ADF test, we can infer that, the time series is non-stationary and meaningful inferences cannot be drawn from the given data. The significance of p-values at different levels are less than one. Hence, the null hypothesis is accepted and it is proved that the general performance PKGV Bank is satisfactory. The table given below gives details of Advances Outstanding of PKGV Bank, during the study period.

V.IV. NET PROFIT OF PKG BANK

The net profit of PKG Bank has shown fluctuating trend. It fluctuated between Rs. 24.76 crore and Rs. 215.79 crore. In the year 2009-10 PKG Bank earned a net profit of Rs. 72.83 crore.

Net Profit of PKG Bank during 2009-10 to 2018-19

Rs. In crore

YEAR	Net Profit	Annual Growth	Annual Growth Rate
2009-10	72.83	--	--
2010-11	72.33	0.5	4.94
2011-12	24.76	-47.57	-470.67
2012-13	78.93	54.17	535.97
2013-14	104.70	25.77	254.96
2014-15	61.08	-43.62	-431.6
2015-16	103.77	42.69	422.4
2016-17	201.68	97.91	968.7
2017-18	215.79	14.11	139.6
2018-19	74.84	-140.95	4.94
Total	1010.71		
Average	101.07	-0.78	

Standard Deviation	61.03515		
Coefficient Variation	0,603884		
Compound Annual Growth Rate	9.275985		
ADF TEST RESULT			
At Level I (0):t-static value: -1.942365 **prob-value:** 0.3018			
At First Difference I (1): t-static value: -5.646889 **prob-value:** 0.0120			

Source: Annual Reports of KVG Bank

The amount of net profit was lowest of Rs. 24.76 crore in 2011-12 and highest of Rs.215.79 croe in 2017-18. The bank earned total net profit of Rs. 1010.71 crore during the ten year study period. The annual average net profit was Rs. 101.70 crore. The CAGR of net profit of the bank was 9.27.

V.V.   RECOVERY PERFORMANCE AND NPAs OF PKG

The percentage recovery of loan issued was 83.03 in 2009-10 and in 2018-19 it was 65.74. It varied between 65.74 percent and 88.05 percent. The recovery of loan issued was highest in 2015-16 and lowest in 2018-19. The amount of Gross NPAs has been increasing. It was Rs. 26045 lakh 2013-14 but increased to Rs. 63845 lakh in 2018-19. Recovery performance of KVG Bank is not satisfactory as the percentage of recovery is declining and leading to

VI.   FINDINGS

Following are the major findings of the present study

1. The aggregate deposits of PKG Bank were Rs. 103435.70 crore during the study period. It was Rs. 5216.69 croe in the year 2009-10 increased to Rs.15917.22 crore in 2018-19. The Compound Annual Growth Rate (CAGR) was 29.51 precent.
2. The advances outstanding of PKG Bank varied between Rs. 5026.07 croreand Rs.14827.93crore during the study period. The total advances outstanding of PKG Bank stood at Rs. 93004.17 crore during the study period. The CAGR of advances outstanding of PKG Bank was 28.50 percent.
3. Total business of PKG Bank during the 10 year period was increasing consistently.   Total business of PKG Bank during the 10 year period i.e 2009-10 to 2018-19 was Rs.196439.90 crore. Total business of PKG Bank during the 10 year period was increasing consistingly. The CAGR was 29.01 percent.
4. The net profit of PKG Bank has shown fluctuating trend. It fluctuated between Rs. 24.76 crore and Rs. 215.79 crore. In the year 2009-10, PKG Bank earned a net profit of Rs. 72.83 crore. Total profit earned by the PKG Bank was Rs. 1010.71 crore during the study period. The CAGR of net profit of the bank was 9.27.
5. The percentage recovery of loan issued was by KVG Bank was 83.03 crore in 2009-10 and in 2018-19 it was 65.74 crore. The percentage recovery of loans issued by KVG Bank varied between 65.74 and 88.05.
6. The amount of Gross NPAs has been increasing. It was Rs. 26045 lakh 2013-14 but increased to Rs. 63845 lakh in 2018-19.

VII. CONCLUSION

The RRB with its Head Office at Bellary was formed by amalgamating the two RRBs of Karnataka viz., Pragathi Grameena Bank sponsored by Canara Bank and Krishna Grameena Bank sponsored by State of Bank of India and covers 11 eastern districts of Karnataka state. The Pragathi Krishna Grameena Bank is a Regional Rural Bank formed on 23-8-2013 with head quarter at Ballary and providing general banking services even to rural areas. The general performance of Pragathi Krishna Grameena Bank is satisfactory.

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