

DEPOSIT AND CREDIT MANAGEMENT IN PUBLIC SECTOR BANKS OF BELGAUM DISTRICT- A STUDY

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Abstract

The economic development of India depends directly and indirectly on the growth and development of banking sector. The Government of India has begun its journey in the banking sector with the nationalisation of the Imperial Bank and renamed it as the State Bank of India. The Government of India nationalised the subsidiaries of the SBI in 1960 and 14 banks in 1969 and 6 more in 1980. In addition, the Government of India has taken many measures to improve the banking sector in the interest of socio-economic development of India. However, public sector banks are facing the problem of rising NPA continuously as compared to their respective previous years. 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.

Introduction

Banking sector in India comprises nationalized banks, private banks, co-operative banks and foreign banks. With the advent of these entire banking group, there found progress of branch expansion of public sector and other commercial banks. "Total number of bank offices have increased from 8260 in 1969 to 101261 as on 31st March 2012, and the national average population per bank office of scheduled commercial bank has progressively declined from 63800 in 1969 to 13000 in 2012"¹, which shows the competitive tendency among banks and the interest of banking sector in spreading banking business to the remote area of India. Similarly, during early stage, agricultural sector contributed highest but of late the service sector has been contributing a major portion towards the growth of Gross Domestic Product (GDP) of India. "The agricultural sector contributed 14.6 per cent, industrial sector contributed 28.6 per cent and service sector contributed around 57.2 per cent towards the GDP of India during 2011-12"².

During post nationalization of banks, the

quantitative expansion in banking business has not witnessed qualitative improvement in their operations and services. Because the cost per employee indicates that banking is certainly not a low paying profession. "Cost per employee in public sector bank has gone up to ` 7.44 lakhs as on 31-3- 2012 from ` 7.2 lakhs as on 31-3-2011 and ` 5.5 lakhs in 2009-10. In private sector, it was ` 6.88 lakhs as on 31-3-12 as against ` 6.5 lakhs during 2010-11"³. There was downward trend in the quality of services and efficiency of banks which in turn affected adversely to the economic growth of the country. In view of above, the RBI has initiated reforms to make banking system more viable, competitive, vibrant, productive, efficient, profitable, techno based and customer friendly by keeping in mind the global and domestic perspective.

Objectives of the Study

- To ascertain the agency-wise position of banks.
- To analyse deposit and credit performance of public sector banks.
- To offer the suggestions on the light of findings.

Methodology

The study is purely based on secondary data obtained from Annual Credit Plan of the Lead District Bank of Belgaum district. Besides, secondary data are also collected from the Reserve Bank of India, Monthly Bulletins, Annual Reports of the District Statistical Office, Belgaum, Journals, Magazines and Newspapers, etc. Further, researcher also had discussion and personal interview with the subject experts, practicing bankers, bank managers, officials of various bank branches from all taluk of Belgaum District. The data are organized suitably in the light of objectives and classified and presented by using statistical tools such as simple percentage, arithmetic mean, standard deviation, compound annual growth rate, trend line. In addition Levene's Test has been used to test whether there exist any difference in deposit mobilization and credit deployment between one banking groups to another.

Taluk wise Status of Bank Branches

The overall development of the district is

depends on the banking performance of each taluk. The entire district consist 10 taluk with sufficient number of bank branches of different banking groups such as Nationalized Banks, SBI and its Associates, KVGBs, Development Banks, Private Banks. KSCARD (PLD), BDCC Bank and Urban Co-op Banks.

Table 1: Taluk wise Status of Bank Branches (In Numbers)

It is clear from table 1 that as compared to all the taluk, Belgaum taluk has a strong net work (28 per cent) of total bank branches, followed by Chikkodi taluk with 14 per cent of total bank branches. Ramadurga is having less number of bank branches that too without having a single branch of private bank. Private Banks have no branches in Khanapur, Ramadurga and Soudatti taluk. Nationalized banks have the highest number of branches (156 or 32 per cent) in total. The KGB also showed the progress through their widely spread network in far and flung areas of the district with 112 branches (23 per cent). Each taluk of Belgaum district is having one branch of KSCARD Bank.

Agency wise Position of Bank Branches

The credit agencies in the district consist of PSBs, PVSBS, KVGBs, BDCCB, 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 2: Agency-wise Position of Bank Branches (In Numbers)

Table 2 reveals that the total number of branches has 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 the number of branches of PSBs and PVSBS. The position of RRBs for the first three years remains constant (108), but there after their number of branches have increased from 110 to 114 for remaining years. The position of BDCC and Urban Co-op Banks remains constant for first three years and thereafter there is a slow growth in the number of bank branches. The status of KSCARD bank remained constant for all the years.

Analysis of Bank Branches

Overall development of the district depends upon the extent on which the bankers are reaching

to the rural population by opening more number of bank branches. Rural development is pivotal to accelerate economic growth. In view of this, the bankers have to involve in the development of rural areas along with urban and semi urban areas.

Table 3: Area wise Position of Bank Branches (In Numbers)

It is obvious from table 3 that total number of bank branches in rural area is more and doubles that of the bank branches in urban area during all the years of study period. Near about, 75 per cent of bank branches have been situated in rural and semi-urban area and only 25 per cent are in urban area. This ratio stood same for all the years of study period.

Analysis of Deposits Performance

Belgaum district has good number of branches of PSBs and it increased from 185 in 2005-06 to 214 in 2010-11. Further, out of total bank branches in the district, the public sector bank branches accounts to 42.38 per cent in the district. The study also indicates that number branches of PSBs have been spreading in urban/semi urban as well as rural areas.

Table 4: Deposits of Public Sector Banks

Table 4 reveals that the public sector banks have mobilized almost same deposits for first two years from both urban and rural area. However, for the next three years, the bank branches of urban have major share in total deposits (62.08, 61.24 and 64.86 per cent respectively), as compared to rural bank branches. But during 2010-11, there has improvement in deposit mobilization from rural branches (41.86 per cent). Further, the average amount of deposit mobilization of urban branches was higher as compared to rural. Similarly, the CAGR in deposit mobilization in branches of urban area was higher (24.24 per cent), which shows the efficiency of officials in mobilizing deposits. The p-value for Levene's Test for Equality of Variances is 0.113 which is greater than critical value (0.05) at 5 per cent level of significance. Hence, the assumption for equality of variance is accepted and testing is carried out with equal variances assumed. Further, it is observed that the p-value (0.172) for the independent t-test is greater than critical value (0.05) at 5 per cent; therefore, it is inferred that there has no significant difference between urban and rural branches of PSBs in deposit mobilization. It implies that urban and rural branches are equally competitive in deposit mobilization.

Analysis of Credit Services of PSBs

In a rural dominated economy like Belgaum district, credit disbursement by banks to priority sector

is a determining factor for overall development of the district. The total amount of advances made by the banks Belgaum district as on 31.3.2010 were ₹6892.96 crore recording a growth of 23 per cent over previous year. This burgeoning growth in bank's credit is because of massive branch expansion and new credit policies.

Table 5: Credits of Public Sector Banks

It is clear from table 5 that during 2005-06, the advances of PSBs to rural sector accounts to 69.12 per cent of the total advances which is almost doubles that of urban areas. However, the percentage of advances in urban area shows increasing trend which ranges in between 30.88 to 47.44 during study period. For the first two years, percentages of advances in rural area were almost same but in 2007-08, it declined to 52.83 per cent, again thereafter, it remains consistent till the end of study period except little set-back in 2009-10. Further, the study indicates that though the average deposit of rural area is higher (168067) and CAGR of urban area is 31.03 per cent, which is more than double that of rural areas. The p-value for Levene's Test for Equality of Variances is 0.192 which is greater than the 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 (0.319) for the independent t-test is greater than the critical value (0.05) at 5 per cent. Hence; it can be concluded that there has no significant difference between the branches (urban/semi-urban and rural) of PSBs in sanctioning credits.

Accepting deposits and lending the same are the two wings of banking industry. The CD ratio is an indicator of bank's performance in the matter of credit deployment and thereby to enhance economic growth of the country. Higher CD ratio implies greater orientation of the banks and vice versa.

Table 6: Annual Growth Rate in Deposits, Advances and CD Ratios of Public Sector Banks

Table 6 displayed that deposit per branch has increased from ₹1446 lakhs during 2005-06 to ₹3081 lakhs during 2010-11. There is a moderate improvement in the percentage of growth rate for the first three years and it ranges in between 4.56 per cent to 6.94 per cent. Again in 2009-10, it excelled with 28.45 per cent and further, the growth rate declined to 15.87 per cent during 2010-11. On the other hand, the percentage of growth rate in advances showed different picture. During 2006-07, 2008-09

and 2009-10, there is a normal growth rate but during 2007-08, growth rate of advances is high (28 per cent). Further, it declined to 7.2 per cent during 2010-11. Table 6 also indicates that during 2005-06, CD ratio was 68 per cent. It stood at the highest position during 2007-08 to 2009-10 with 83 per cent, 82 per cent and 73 per cent, but again in 2010-11, it declined to 68 per cent. Annual growth rate in CD ratio during 2006-07 was 11.76 per cent, it declined to 9.20 per cent in 2007-08, and for the last three years continuously it shows negative trend. It indicates that, due to the entry of private sector banks and co-operative banks, there was a serious impact on the credit system of PSBs.

Conclusion

No doubt, the public sector banks have been contributing lot for the growth and development Indian economy by rendering financial services to all sectors. However, there has been an increased competition not only among public sector banks but also from private and co-operative and foreign banks. The profitability in public sector banks has been declining on account of increased amount of gross and net NPA. Further, they also need to infuse additional equity capital to meet the Basel III requirement by the end of 2015. Therefore, the public sector banks could increase their operating and financial efficiency by adopting strategic marketing and management strategies to improve their spread and provide more return to depositors and investors.

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Table 1: Taluk wise Status of Bank Branches (In Numbers)

Taluku	Type of Banks									
	SBI & Gr.	Nat. Banks	RRBs or KVGB	Develop. Banks	Private Banks		KSCARD	DCC Banks	Urban Co-op Banks	Total
					Old	New				
Athani	03	11	13	00	06	03	01	09	04	50(10)
Bailhongal	01	09	12	00	00	01	01	07	04	35(07)
Belgaum	18	64	13	IDBI =2 KSFC=1	11	06	01	10	13	139(28)
Chikkodi	04	18	17	IDBI=1	04	05	01	11	06	67(14)
Gokak	02	15	11	00	03	03	01	11	05	51(10)
Hukkeri	02	12	08	00	01	00	01	12	03	39(08)
Khanapur	01	09	09	00	00	00	01	06	01	27(06)
Raibag	02	04	12	00	01	01	01	05	02	28(06)
Ramadurga	01	04	06	00	00	00	01	06	01	19(04)
Soudatti	01	10	11	00	00	01	01	07	02	33(07)
Total	35 (07)	156 (32)	112 (23)	04 (01)	26 (05)	20 (04)	10 (02)	84 (17)	41 (09)	488 (100)

Source: Annual Reports of Lead District Bank, 2008.
Figures in parenthesis indicate percentages to total.

Table 2: Agency-wise Position of Bank Branches (In Numbers)

Banks	Branches					
	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 3: Area wise Position of Bank Branches (In Numbers)

Banks	Branches (Urban and Rural)											
	2005-06		2006-07		2007-08		2008-09		2009-10		2010-11	
	Ur	Rl	Ur	Rl	Ur	Rl	Ur	Rl	Ur	Rl	Ur	Rl
PSB	72	113	72	114	72	116	72	120	81	125	85	129
PVSB	15	29	16	29	16	30	20	31	17	30	18	30
KVGB	06	102	06	102	06	102	06	104	09	104	09	105
BDCCB	09	80	09	80	09	80	09	76	09	75	09	73
KSCARD Bank	01	09	01	09	01	09	01	09	01	09	01	09
Urban Co-operative	13	28	13	28	13	28	13	32	11	26	11	26
Total	116 (24)	361 (76)	117 (24)	362 (76)	117 (24)	365 (76)	121 (25)	372 (75)	128 (26)	369 (74)	133 (26)	372 (74)
Grand Total	477		479		482		493		497		505	

Source: Annual Reports of Lead District Bank.

Figures in parenthesis indicate percentages to total.

Table 4: Deposits of Public Sector Banks

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	128144 (50.07)	138868 (49.91)	202129 (62.08)	242561 (61.24)	350921 (64.86)	379727 (58.14)	240392	105836	24.24
Urban Rural	127792 (49.93)	139363 (50.09)	123477 (37.92)	152896 (38.66)	191609 (35.32)	273417 (41.86)	168092	57127	16.43
Total	255936 (100)	278231 (100)	325606 (100)	395457 (100)	542530 (100)	653144 (100)	408484	158178	20.59
No. of Branches	177	184	184	191	204	212	192	13.4	3.71
Deposit/ Branch	1446	1512	1770	2070	2659	3081	2090	657	25.63
Levene's Test for Equality of Variances						t-test for Equality of Means			
				F	Sig	t	df	Sig (2-tailed)	
Equal variances assumed				2.675	0.133	1.472	10	0.172	
Equal variances not assumed						1.472	7.686	0.181	

Source: Annual Reports of Lead District Bank.

Figures in parenthesis indicate percentages to total.

Table 5: Credits of Public Sector Banks

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	53826 (30.88)	63643 (30.08)	127819 (47.17)	153226 (47.44)	202486 (51.11)	207869 (47.11)	134811.5	66225.12	31.03	
S.Ur / Rural	120487 (69.12)	147943 (69.92)	143156 (52.83)	169759 (52.56)	193653 (48.89)	233401 (52.89)	168066.5	40534.99	14.13	
Total	174313 (100)	211586 (100)	270975 (100)	322985 (100)	396139 (100)	441270 (100)	302878	104053.1	20.41	
No. of Branches	177	184	184	191	204	212	192.00	13.40	3.71	
Advances / Branch	984.82	1149.92	1472.69	1691.02	1941.86	2081.46	1553.63	433.88	16.15	
		Levene's Test for Equality of Variances			t-test for Equality of Means					
		F	Sig		t	df	Sig(2-tailed)			
Equal variances assumed		1.957	.192		-1.049	10	0.319			
Equal variances not assumed					-1.049	8.285	0.324			

Source: Annual Reports of Lead District Bank.
 Figures in parenthesis indicate percentages to total.

Table 6: Annual Growth Rate in Deposits, Advances and CD Ratios of Public Sector Banks

Years	Deposits/br. (In ` Lakhs)	Advances/br. (In ` Lakhs)	CD Ratio (%)	Growth Rates (%)		
				Deposits	Advances	CD Ratio
2005-06	1446	985	68	-----	-----	-----
2006-07	1512	1150	76	4.56	17	11.76
2007-08	1770	1472	83	7.06	28	9.20
2008-09	2070	1691	82	6.94	15	-0.20
2009-10	2659	1942	73	28.45	15	-11.00
2010-11	3081	2082	68	15.87	7.2	-6.80

Source: Annual Reports of Lead District Bank.