

# Growth Rate in CD Ratio of Banks in Belgaum District a Diagnostic Study

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**Abstract – Performance of banking industry is greatly depends on the CD ratio, which is the key indicator to show how the funds were utilized by the banks to generate their revenue and increase the market share. In this paper an attempt has been made to ascertain CD ratio and growth rate in CD ratio by selecting different groups of banking such as Nationalized Banks, Private Sector Banks, Regional Rural Banks (KVG), Belgaum District Co-Op Banks, KSCARD Banks, Urban Co-Op Banks. Analysis of deposit and advances per branch of each group reveals that as compare to nationalized banks and private banks CD ratio of other banking group shows satisfactory result over the study period.**

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## INTRODUCTION

Deposit and credit operation always works together and both are inter-related to each other. To increase the income of banks funds received should be properly lent-out. Belgaum being an agrarian district, lending to agriculture and rural development has been given due importance. In a rural dominated economy like Belgaum district, credit disbursement by banks to priority sectors is a determining factor in overall development of the district. Belgaum district has disbursed 2796 Rs. crores to priority sectors, of which 2030 Rs. crores or 73 per cent is earmarked for agriculture and allied activities. The total bank advances of Belgaum district as on 31.3.2010 were 6892.96 Rs. crores recording a growth of 23 per cent over previous year. This burgeoning growth in the banks credit is because of massive branch expansion and new credit policy.

## SCOPE

The study carried out mainly to find out the real position of banking field in the district by calculating CD ratio of different banking groups and also to study the growth rate in CD ratio to forecast progress in future.

## REVIEW LITERATURE

Dr D. K. Kulshrestha (2009), has highlighted performance of UCB at U.P. district in terms of deposit and advances. In his article he has also covered CD ratio of UCB which has been gone up as per the norms fixed by RBI, because of the reason being more and more advances to priority and weaker sections. Moid U. Ahmad (2009), carried out comparative study to evaluate performance of Indian banking by using the parameters like, credit to

deposit ratio, cash to deposit ratio, investment to deposit and secured advances to total advances of nationalized banks, foreign banks, other scheduled commercial banks and RRBs, etc., R.K.Uppal (2009), has made an attempt to analyze the trends and growth in the different types of loan. On the basis of certain parameters like, cash deposit ratio, deposit patterns of scheduled commercial banks, bank's group-wise lending to sensitive sectors, sectoral deployment of gross bank credit, etc, the paper prepares some strategies like, advanced technology, skilled manpower, market research, credit quality techniques in delivering banking services to customers. Kalpesh P. Prajapati (2011), investigates the performance of Indian banks during post deregulation period, by analyzing the ratios like, total advances to total assets, borrowing to deposits, total advances to total deposits and investments to deposit ,etc,. In that paper, the author has tried to identify the impact of financial sector reforms on profitability and productivity of public sector and private sector banks.

## OBJECTIVES

- To know the performance of banks in the district.
- To do the comparative study of different banking groups in CD ratio.
- To ascertain annual growth rate of CD ratio.
- To offer suggestion.

**RESEARCH METHODOLOGY**

The present study is purely based on the secondary data which has been collected from Annual Credit Plan of Lead Bank (Syndicate Bank) and from District Statistical Office of the district. The data have been analyzed by calculating CD ratio and growth rate in CD ratio in percentage, of different banking groups during the study period of March 2006 to March 2011.

**1. Analysis of CD Ratio of Nationalized Banks**

CD ratio is an indicator of the bank performance in the matter of deployment of credit. It also indicates the role of banks in contributing to economic growth of the district. Higher CD ratio implies greater orientation of banks. During the year 2005-06 the Belgaum district CD ratio was 75 per cent but in a very short period it has ballooned significantly to 83 percent at the end of March 2007. But again at the end of March 2010, it declined to 68 percent. Majority of the nationalized banks in the district such as syndicate bank, SBM, SBI, Corporation bank, Central bank, Bank of India, Union bank are having more than 60 percent CD ratio in the district.

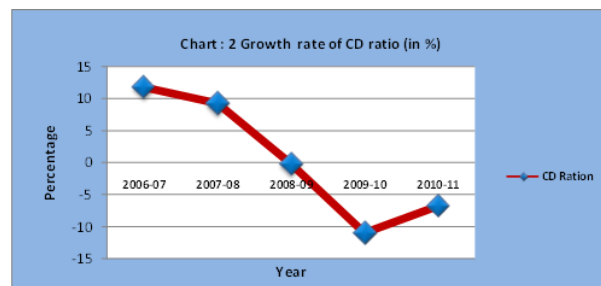
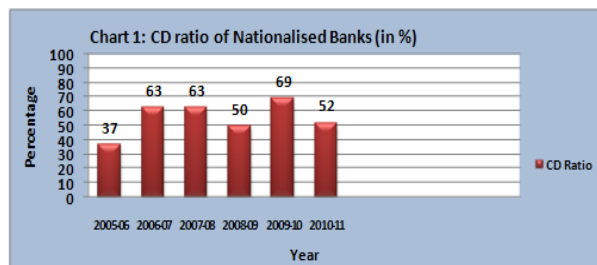
An attempt has been made to study the CD ratio and growth rate in CD ratio of nationalized bank. And the information relating to this is displayed in the following table.

**Table: 1 CD ratio of Nationalized Banks and Growth Rate in CD Ratio (%)**

Year	Deposits Per Br. Rs.	Advance Per Br. Rs.	CD Ratio in %	Growth Rate C.D. ratio in %
2005-06	1446	985	68	-----
2006-07	1512	1150	76	+11.76
2007-08	1770	1472	83	+9.2
2008-09	2070	1691	82	-0.20
2009-10	2659	1942	73	-11
2010-11	3081	2082	68	-6.8

Source: Annual Report of Lead District Bank.

It can be examined from the above table that during the year 2005-06, CD ratio was 68 per cent. It shows increasing trend from the year 2007-08 to 2009-10 i.e. 83 per cent, 82 percent, but again in the year 2010-11, it declined to 68 per cent. Annual growth rate of CD ratio during the year 2006-07 is satisfactory, it declined to 9.20 per cent in the year 2007-08, but 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 is a serious impact on the credit system of nationalized banks. This can be further improved by adopting effective marketing strategies. Chart number 1 and 2 shows CD ratio and its annual growth rate of nationalized banks in the district.



**2. Analysis of CD Ratio of Private Sector Banks.**

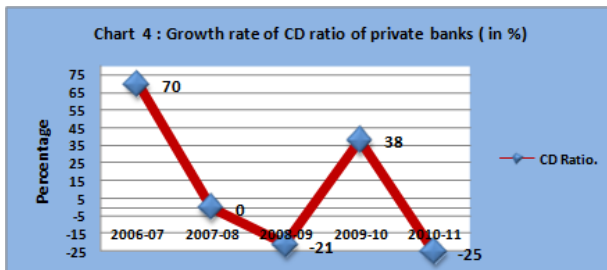
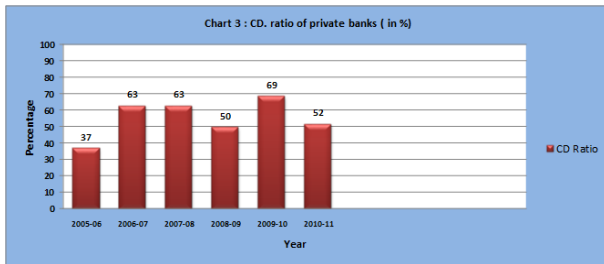
As the real position of the bank can be ascertained by analyzing the C.D. ratio of that particular bank. In the similar way here also an attempt has been made to study the C.D. ratio of private sector bank by using the following table.

**Table: 2 CD ratio of private sector banks (in %)**

Year	Deposits Per Br. Rs.	Advance Per Br. Rs.	CD Ratio in %	Growth Rate in %
2005-06	931	343	37	--
2006-07	1157	728	63	+70
2007-08	1455	923	63	+00
2008-09	1454	723	50	-21
2009-10	2299	2592	69	+38
2010-11	2848	1472	52	-25

Source: Annual Report of Lead District Bank.

From the above table it is clear that CD ratio increased from 37 per cent from the year 2005-06 to 63 percent in the year 2006-07, maintained same percentage during 2007-08 also, but again it decreased to 50 per cent during 2008-09. The table depicted high CD ratio i.e. 69 per cent during 2009-10 again it declined to 52 percent in the year 2010-11. Growth rate of CD ratio show the fluctuation in the percentage for the year 2006-07 it is very high 70 per cent , but again at the end of study period it shows negative trend i.e. -25 per cent . Chart number 3 and 4 shows CD ratio and its annual growth rate of private sectors banks in the district.



### 3. Analysis of C.D. Ratio of BDCC Bank

C.D. ratio of BDCC. Bank has also been studied by using the information about deposit and advances per branch of the district. The study reveals that CD ratio of BDCC is always more than 100 percent. As compare to nationalize and private sector banks, it is always more than their CD ratio. Data relating to C.D. ratio has been shown in the following table.

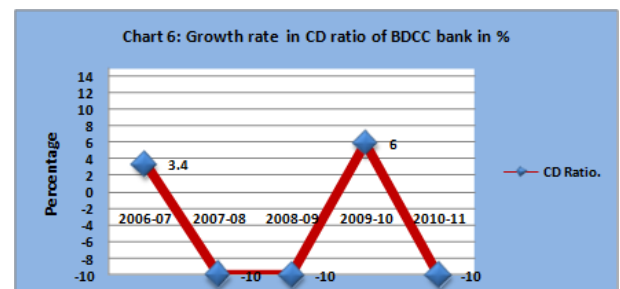
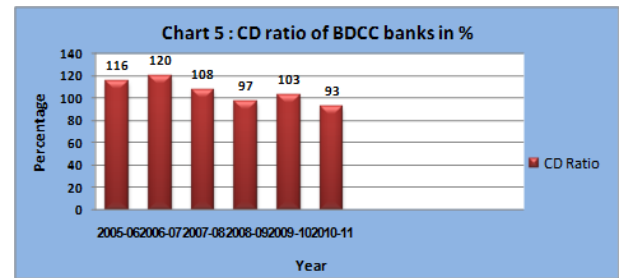
**Table 3: CD ratio and growth rate in CD ratio of BDCC banking %**

Year	Deposits Per Br. Rs.	Advance Per Br. Rs.	CD Ratio in %	Growth Rate in %
2005-06	462	534	116	--
2006-07	473	568	120	+3.4
2007-08	493	530	108	-10
2008-09	573	553	97	-10
2009-10	918	947	103	+6
2010-11	1373	1269	93	-10

Source: Annual Report of Lead District Bank.

From the above table it is clear that for the first two years, during 2005-06 and 2007, CD ratio is highest i.e. 116 per cent and 120 per cent. There is satisfactory CD ratio for all the remaining years also except during 2008-09 and 2010-11 which is 97 per cent and 93 per cent respectively. The table also depicts the growth rate of CD ratio which consist positive and negative trends. During 2006-07 and 2009-10 it shows positive trend i.e. +3.4 per cent and +6 per cent, otherwise for remaining study period it shows negative trend i.e. -10 per cent for all the three years. This shows that BDCC banks have not sustaining their progress in credit granting field. This might be because of high rate of interest charged by those banks, and also because of unable to recover of loan amount. Competition is also yet another reason for decreasing trend in the CD ratio. Therefore to improve the CD ratio BDCC banks must follow effective strategies in marketing their products and services. Chart number 5 and 6 shows CD ratio

and its annual growth rate of BDCC banks in the district.



### 4. Analysis of C.D. Ratio of KVG. Banks

In Belgaum, district the name of RRBs is Karnataka Vikas Grameen Bank (KVG). These banks are working in efficient manner. As on 31-12 2011 there are 114 KVG bank branches were functioning in the district. Chikkodi taluka consist highest number of branches i.e.17, followed by Belgaum and Athani taluka with 14 and 13 branches respectively. Remaining taluka consist average 10 per cent of the total number of branches of KVG banks. Only Ramdurga talukas is having very less number of branches i.e. only 6 branches. Information pertaining to deposits and advances is plotted in the following table.

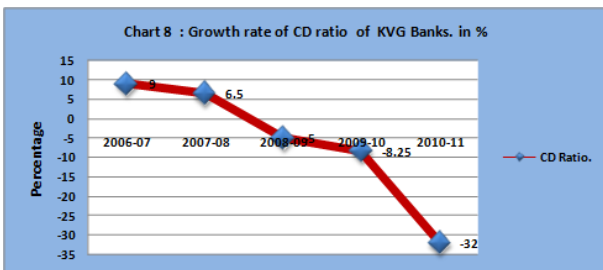
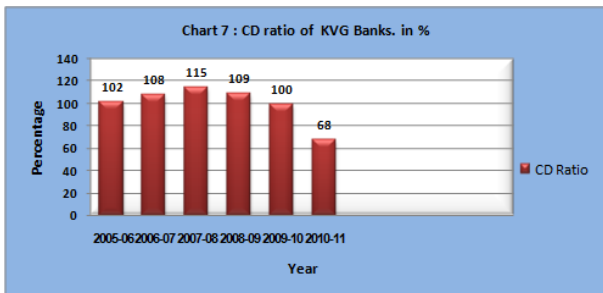
**Table 4: CD. Ratio of KVG Banks (RRBs.)**

Year	Deposits Per Br. Rs.	Advance Per Br. Rs.	CD Ratio in %	Growth Rate in %
2005-06	384	390	102	--
2006-07	404	437	108	+9
2007-08	492	567	115	+6.5
2008-09	567	619	109	-5
2009-10	323	324	100	-8.25
2010-11	1026	696	68	-32

Source: Annual Report of Lead District Bank.

Table 4 indicates the CD ratio of KVG banks in the district which is more than 100 per cent for the first four years, 100 per cent in the year 2009-10 and it declined to 68 per cent in the year 2010-11. It shows that the KVG banks are credit oriented and they have also covered all most all remote areas of district to grant loans to the needy people in the rural area. But the study further reveals that for the first two years annual growth rate in CD ratio is positive and for the last three years continuously it shows negative values. Therefore, to maintain consistency in the CD ratio and also in the growth

rate of CD ratio these banks have to apply appropriate marketing strategies for their loan products as well as in other products and services of their business. Chart number 7 and 8 gives CD ratio and its annual growth rate of KVG.banks in the district.



5. Analysis of C.D. Ratio of KSCARD Banks.

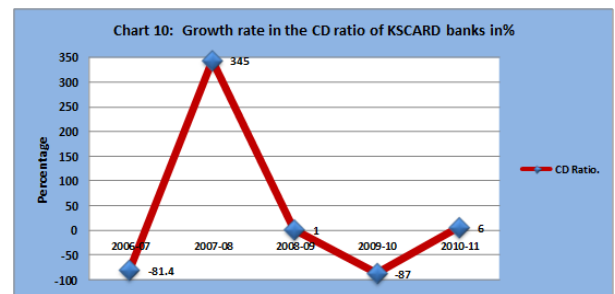
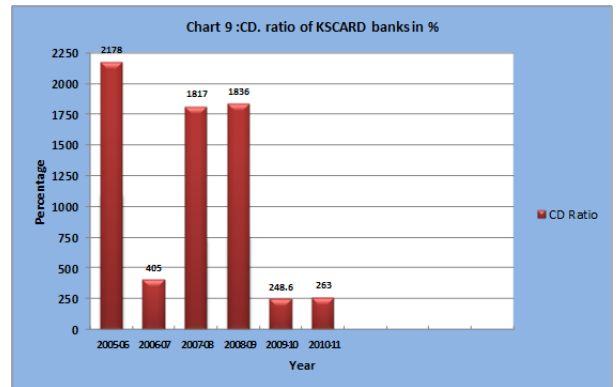
Belgaum district consists 10 talukas and each taluka contains one branch of KSCARD. These banks are also called as PCARD. Granting loans and advances is the prime function of KSCARD banks which has made clear with the help of following table. (no.5)

Table 5 : CD ratio and growth rate of KSCARD banks in %

Year	Deposits Per Br. Rs.	Advance Per Br. Rs.	CD Ratio in %	Growth Rate in %
2005-06	19	414	2178	---
2006-07	102	413.5	405	-81.40
2007-08	24.5	436.4	1817	+345
2008-09	17.7	325.1	1836	+01
2009-10	25.5	63.4	248	-87
2010-11	23.2	60.9	263	+6

Source: Annual Report of Lead District Bank.

The above table gives clear idea about the deposit and advances per branch of KSCARD year wise. Deposit increased from ₹23.2 lakhs during the year 2010-11, as against ₹ 19 lakhs in the 2005-06. But advances per branch shows a different picture. For the first four year it shows increasing trend but after that it started declining. Because of that CD ratio also shows declining trend. Again growth rate in CD ratio also shows the figures in haphazard manner which is -81.40 per cent in the beginning ,345 per cent and +01 in the middle of the study period , again -87 per cent during 2009-10, but again in the year 2010-11 it shows satisfactory figure i.e. + 6 per cent. Chart number 9 and 10 shows CD ratio and its annual growth rate of KSCARD in the district.



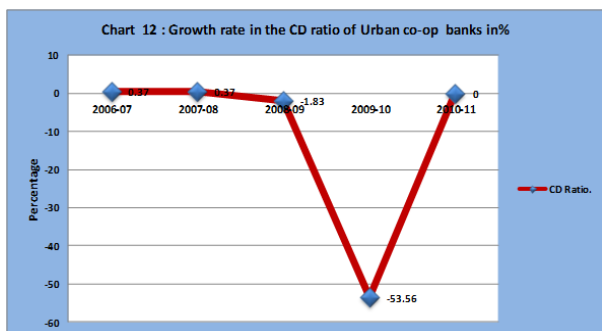
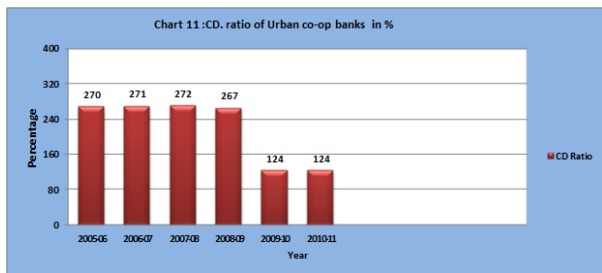
6. Analysis of CD Ratio of Urban Co-Op Banks

Table 6 : CD ratio of urban co-op banks in

Year	Deposits Per Br. Rs.	Advance Per Br. Rs.	CD Ratio in %	Growth Rate in %
2005-06	489	1393	270	--
2006-07	493	1337	271	+0.37
2007-08	500	1358	272	+0.37
2008-09	474	1265	267	-1.83
2009-10	1564	1940	124	-53.56
2010-11	1628	2017	124	00

Source: Annual Report of Lead District Bank.

From the above table it is clear that deposit per branch is increased from Rs. 489 lakhs during the year 2005-06, to Rs. 1628 lakhs in the year 2010-11, which is four times more than the beginning of the year. Similarly an advance is also increased from Rs.1393 lakhs to Rs. 2017 lakhs in the year 1010-11. But CD ratio shows increasing trend during first three years but after that it shows decreasing trend. Again the study reveals that growth rate in CD ratio also depicts positive figures in the beginning of the year and then negative figures. Chart number 11 and 12 shows CD ratio and its annual growth rate of urban co-op. banks in the district.



## SUGGESTIONS

- To improve the credit deposit ratio banking organizations should adopt a liberal policy to extend loans and advances to the different groups of society.
- Banks should also enhance the competition spirit among banking employees regarding various banking services and different types of banking products with due concentration towards the quality.
- Trained and courteous staff members are also needed to expand the business transactions by maintaining existing customers and by attracting new customers.
- Periodical training should be organized to update knowledge of the banks employees.
- Every banking organization should provide various facilities like transfer of money, premature of fixed deposit and other modern banking services.

## CONCLUSION

To remain highly competitive in the present environment banking organization should fully concentrate towards the improvement of CD ratio. Banks are need to expand their product line and new delivery channels to create effective marketwise strategies and enhance level of quality banking services to satisfy the customer. Special attention should be given to improve loan products by keeping in view the needs of different class of the people. Possible efforts to grant loans and recovery of loans should be done to maintain highest CD ratio which is considered to be the most important factor to judge banking performance.

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