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A Comparative Study of Deposits and Advances in Urban Co-operative Banks of Uttarakhand

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Abstract: The activities of an intermediary credit institution such as a bank primarily focus on receiving deposits and providing loans, which are two aspects of credit operations. Among other things, receiving deposits or fund mobilisation is considered as an 'input' activity of the bank, while lending or fund utilisation is considered an 'output' activity. Concurrently, the efficiency of fund mobilisation and utilisation at banks should have causal impacts on each other. AUCB Ltd., Almora and KNSB Ltd., Nainital have emerged as the largest and second largest banks respectively in the Northern region. In this background the present study intends to focus on comparative study of two leading UCBs of Uttarakhand i.e. The KNSB Ltd, Nainital and AUCB Ltd., Almora with special reference to the growth of deposits and advances. The findings revealed that the UCBs recorded a fluctuating trend in the growth of deposits and advances. There is a significant difference was found in the deposits but at the same time there is no significant difference was found in the advances between selected banks under the study.

Keywords: UCB; Urban Co-operative Banks, KNSB; Kurmanchal Nagar Sahkari Bank, AUCB; Almora Urban Co-operative Bank Ltd.

Introduction: The urban co-operative movement came into existence in Uttarakhand in the late 1900s. The Urban Co-operative Bank Ltd., Dehradun was the first UCB to start operation on February 26, 1976. Subsequently, Kurmanchal Nagar Sahkari Bank Ltd., Nainital started Operations with effect from January 1, 1983, followed by two other co-operative bank viz., Kashipur Urban Co-operative Bank Ltd., Kashipur and Almora Urban Co-operative Bank Ltd., Almora in January 14 and August 14, 1991 respectively. The other UCBs that started functioning subsequently are Garhwal co-operative Bank Ltd., Rishikesh, Dehradun, Doon Valley (SC/ST) Urban Co-operative Bank Ltd., Dehradun and Uttarakhand Co-operative Bank Ltd., Rishikesh. After merger of Doon valley (SC/ST) Urban Co-operative Bank with KNSB Ltd. and Garhwal co-operative bank with AUCB Ltd. with only 5 UCB remains. The 5 UCBs with a network of 107 branches in the State had

aggregate deposits of Rs.51 Billion and Advances of Rs. 24 billion as on March 31, 2020 and more than 92 percent of the total business of UCB sector in the State is covered by The KNSB Ltd, Nainital and AUCB Ltd., Almora.

Statement of Problem: Most of the UCBs in the Uttarakhand State are small in respect of Deposit mobilisation and Credit deployment. It has made adverse impact on viability of UCBs, and some of the banks become uneconomic. Due to unhealthy growth in deposits and advances the banks are facing the problem of working capital. The selected banks are the two pillars on which the foundation of urban co-operative banking in the state rests because these two banks cover about 92% of the total business of UCBs in the State. Therefore it is necessary to study the growth of deposit and advance of selected UCBs in Uttarakhand.

Literature Review: To achieve the objectives of the study, an attempt has been made in this chapter to review some of the noticeable studies having direct and indirect bearing on the objectives of the present research work.

Deepak Kumar (2013), in his paper, as the study has carried out with a purpose to present the performance of public sector banks through the C-D ratio in last decades it is high to recognize that the C-D ratio does not serve as a reliable indicator of the trends in mobilization of deposits and deployments of credit. At times C-D ratio gives a misleading picture. For instance, while the amounts of the deposit accretion and credit expansion could be very small, the ratio could be high. **K. Karthikeyan and S. Vadivel Raja (2014)**, in their paper revealed that the urban co-operative banks recorded a fluctuating trend in mobilizing deposits and there is a significant relation between deposits and advance of urban co-operative banks in India during the study period. **Tram Nguyen, David Tripe and Thanh Ngo (2018)**, in their paper found that in an underdeveloped banking system such as Vietnam, bank deposits have a positive and significant impact on bank loans, but the reverse relationship is not significant. It is further suggested that in deposit-taking and loan-creating activities,

Vietnamese banks performed moderately well over the period examined; however, in the near future, they should start to focus more on deposit-taking activities.

Objective of the study:

1. To compare the growth of Deposits between the selected UCBs.
2. To compare the growth of Advances between the selected UCBs.
3. To compare the relationship between Deposits and Advances of the selected UCBs.

Hypothesis:

1. There is no significant difference between the deposits of selected UCBs.
2. There is no significant difference between the advances of selected UCBs.

Research Methodology: The study is mainly based on secondary data drawn from the annual reports of the respective banks and limited to two leading urban co-operative banks; The Kurmanchal Nagar Sahkari Bank Ltd., Nainital and Almora Urban Co-operative Bank Ltd., Almora. The study covers a period of 11 financial years from 2009-10 to 2019-20. For analysis of the data, four important statistical tools viz. mean, average annual growth, Ratio analysis, one-way ANOVA has been used to arrive at conclusions in a scientific way. There are two hypothesis has also been tested to find out the significance level of growth in deposits and advances between the two selected UCBs.

Data Analysis and Interpretation: An attempt has been made to study the trend and growth and relationship between deposits and advances of the two leading UCBs in Uttarakhand.

Table No. 1: Comparative Study on the basis of Total Deposit (2009-10 to 2019-20) (Rs. in Crore)

FY	KNSB	AUCB
2009-10	649.47	762.72
2010-11	822.71	1051.03
2011-12	857.63	1223.47
2012-13	1000.61	1478.19
2013-14	1119.49	1675.51
2014-15	1240.53	1844.14
2015-16	1383.57	2039.26
2016-17	1546.18	2289.60
2017-18	1686.83	2434.22
2018-19	1853.61	2614.66
2019-20	1921.90	2766.29
AAG in Rs.	127.24	200.36
AAGR	11.62 %	14.08 %

Source: Annual reports of UCBs

A bank is an institution engaged in accepting deposits and granting loans. One of the important roles of the banking industry is to channelize the deposit money for the purpose of the lending activity. With reference to the Table No.1, it was found that total deposit of both selected UCB is showing an increasing trend from the year 2009-10 to 2019-20. The total deposit of The KNSB Ltd., Nainital as on 31.03.2020 increased to Rs. 1,921.90 crore from Rs. 649.47 crore on 31.03.2010, showing an average annual growth of

Rs. 127.24 crore with a growth rate of 11.62%. In case of AUCB Ltd., Almora, the total deposit of the bank is Rs. 2,766.29 crore as on 31.03.2020 against Rs. 762.72 crore as on 31.03.2010, showing an average annual growth of Rs. 200.36 crore with a growth rate of 14.08% during the study period.

Table No. 2: Comparative Study on the basis of Deposit per Branch Ratio (2009-10 to 2019-20) (Rs. in Crore)

FY	KNSB	AUCB
2009-10	30.93	31.78
2010-11	35.77	40.42
2011-12	27.67	39.47
2012-13	32.28	36.95
2013-14	36.11	33.51
2014-15	30.26	36.88
2015-16	33.75	40.79
2016-17	37.71	45.79
2017-18	41.14	48.68
2018-19	45.21	52.29
2019-20	46.88	55.33
Mean	36.16	41.99

Source: Annual reports of UCBs

The deposit per branch ratio reveals the productivity and performance of a bank branch towards deposit mobilization. It is calculated by dividing total deposits from total numbers of branches employed. With reference to the Table No.2, it was found that deposit per branch ratio of both selected UCB is showing a fluctuating trend from the year 2009-10 to 2019-20. The per branch productivity towards deposit of The KNSB Ltd., Nainital stood at Rs. 46.88 crore in 2019-20 against Rs. 30.93 crore in 2009-10, showing a mean value Rs. 36.16 crore during the study period. The highest and lowest deposit per branch deposit ratio of The KNSB Ltd., Nainital was Rs. 46.88 crore and 27.67 crore in 2019-20 and 2011-12 respectively. For AUCB Ltd., Almora, the per branch productivity stood at Rs. 55.33 crore in 2019-20 against Rs. 31.78 crore in 2009-10, showing a mean value of Rs. 41.99 crore during the study period. The highest and lowest deposit per branch deposit ratio of AUCB Ltd., Almora was Rs. 55.33 crore and Rs. 31.78 crore in 2019-20 and 2011-12 respectively.

Table No. 3: Comparative Study on the basis of Deposit per Employee Ratio (2009-10 to 2019-20) (Rs. in Crore)

FY	KNSB	AUCB
2009-10	3.37	4.31
2010-11	4.35	4.45
2011-12	4.31	4.34
2012-13	3.64	4.33
2013-14	3.87	4.91
2014-15	3.96	5.49
2015-16	4.23	5.63
2016-17	4.66	6.36
2017-18	5.19	6.76
2018-19	5.81	7.34
2019-20	5.93	7.77
Mean	4.48	5.61

Source: Computed from annual reports of UCBs

The deposit per employee ratio reveals the productivity and contribution of an individual employee towards deposit mobilisation. It is calculated by dividing total deposits from total numbers of employees. With reference to the Table No.3, it was found that deposit per employee ratio of both selected UCB is showing a fluctuating trend from the year 2009-10 to 2019-20. The per employee productivity towards deposit of The KNSB Ltd., Nainital was Rs. 5.93 crore in 2019-20 as against Rs. 3.37 crore in 2009-10, showing an average ratio of Rs. 4.48 crore during the study period. The highest and lowest deposit per employee ratio of The KNSB Ltd., Nainital was Rs. 5.93 crore and Rs. 3.37 crore in 2019-20 and 2009-10 respectively. For AUCB Ltd., Almora, the per branch productivity was Rs. 7.77 crore in 2019-20 as against Rs. 4.31 crore in 2009-10, showing an average ratio of Rs. 5.61 crore during the study period. The highest and lowest per employee deposit ratio of AUCB Ltd., Almora was Rs. 7.77 crore and Rs. 4.31 crore in 2019-20 and 2009-10 respectively.

Table No. 4: Comparative Study on the basis of Total Advances (2009-10 to 2019-20) (Rs. in Crore)

FY	KNSB	AUCB
2009-10	498.93	392.37
2010-11	679.58	581.38
2011-12	547.52	655.06
2012-13	666.52	858.42
2013-14	776.38	878.78
2014-15	667.56	810.17
2015-16	802.38	890.64
2016-17	747.39	950.26
2017-18	837.20	1091.32
2018-19	979.13	1146.26
2019-20	1009.22	1211.89
AAGR in Rs.	51.03	81.95
AAGR	8.64 %	12.87 %

Source: Annual reports of UCBs

The advances are the major sources of income for every bank; it affects the core income, profitability and risk management of a bank. With reference to the Table No.4, it was found that the total advances of both selected UCB are showing an increasing trend from the year 2009-10 to 2019-20. The total advances of The KNSB Ltd., Nainital as on 31.03.2020 increased to Rs. 1,009.22 crore from Rs. 498.93 crore on 31.03.2010, showing an average annual growth of Rs. 51.03 crore with a growth rate of 8.64% However, the bank also recorded a decline of Rs 132.06 crore, Rs. 108.82 crore and 54.99 crore in its loans in the years 2011-12, 2014-15 and 2016-17 respectively. In case of AUCB Ltd., Almora, the total advances of the bank is Rs. 1211.89 crore as on 31.03.2020 against Rs. 392.37 crore as on 31.03.2010, showing an average annual growth of Rs. 81.95 crore with a growth rate of 12.87% during the study period. In terms of decline in advances AUCB Ltd., Almora performed better than The KNSB Ltd., Nainital as bank registered a decline of Rs. 68.61 crore in 2014-15 only.

Table No. 5: Comparative Study on the basis of Advance per Branch Ratio (2009-10 to 2019-20) (Rs. in Crore)

FY	KNSB	AUCB
2009-10	23.76	16.35
2010-11	29.55	22.36
2011-12	17.66	21.13
2012-13	21.50	21.46
2013-14	25.04	17.58
2014-15	16.28	16.20
2015-16	19.57	17.81
2016-17	18.23	19.01
2017-18	20.42	21.83
2018-19	23.88	22.93
2019-20	24.62	24.24
Mean	21.86	20.08

Source: Computed from annual reports of UCBs

The advance per branch ratio reveals the productivity and performance of a bank branch towards credit deployment. It is calculated by dividing advance from total numbers of branches employed. With reference to the Table No.5, it was found that advance per branch ratio of both selected UCB is showing a fluctuating trend from the year 2009-10 to 2019-20. The per branch productivity toward credit deployment of The KNSB Ltd., Nainital stood at Rs. 24.62 crore in 2019-20 as against Rs. 23.76 crore in 2009-10, showing an average ratio of Rs. 21.86 crore during the study period. The highest and lowest advance per branch ratio of The KNSB Ltd., Nainital was Rs. 29.55 crore and 16.28 crore in 2010-11 and 2014-15 respectively. For AUCB Ltd., Almora, the per branch productivity towards credit deployment stood at Rs. 24.24 crore in 2019-20 as against Rs. 16.35 crore in 2009-10, showing a average ratio of Rs. 20.08 crore during the study period. The highest and lowest advance per branch ratio of AUCB Ltd., Almora was Rs. 24.24 crore and 16.20 crore in 2019-20 and 2014-15 respectively.

Table No. 6: Comparative Study on the basis of Advance per Employee Ratio (2009-10 to 2019-20) (Rs. in Crore)

FY	KNSB	AUCB
2009-10	2.59	2.22
2010-11	3.60	2.46
2011-12	2.75	2.32
2012-13	2.42	2.52
2013-14	2.69	2.58
2014-15	2.13	2.41
2015-16	2.45	2.46
2016-17	2.25	2.64
2017-18	2.58	3.03
2018-19	3.07	3.22
2019-20	3.11	3.40
Mean	2.69	2.66

Source: Computed from annual reports of UCBs

The advance per employee ratio reveals the productivity and contribution of an individual employee towards credit disbursement. It is calculated by dividing total advance from total numbers of employees. With reference to the Table

No.6, it was found that advance per employee ratio of both selected UCB is showing a fluctuating trend from the year 2009-10 to 2019-20. However, the per employee productivity towards advances of The KNSB Ltd., Nainital was Rs. 3.11 crore as on 31.03.2020 as against Rs. 2.59 crore in 2009-10, showing an average ratio of Rs. 2.69 crore during the study period. The highest and lowest advance per employee ratio of The KNSB Ltd., Nainital was Rs. 3.60 crore and Rs. 2.13 crore in 2010-11 and 2014-15 respectively. For AUCB Ltd., Almora, the per employee

productivity towards advances was Rs. 3.40 crore in 2019-20 as against Rs. 2.22 crore in 2009-10, showing an average ratio of Rs. 2.66 crore during the study period. The highest and lowest per employee advance ratio of AUCB Ltd., Almora was Rs. 3.40 crore and Rs. 2.22 crore in 2019-20 and 2009-10 respectively.

Table No. 7: Comparative Study on the basis of Credit to Deposit Ratio (2009-10 to 2019-20) (Figure in %)

FY	KNSB	AUCB
2009-10	76.82	51.44
2010-11	82.60	55.32
2011-12	63.84	53.54
2012-13	66.61	58.07
2013-14	69.35	52.45
2014-15	53.81	43.93
2015-16	57.99	43.67
2016-17	48.34	41.50
2017-18	49.63	44.83
2018-19	52.82	43.84
2019-20	52.51	43.81
Mean	61.30 %	48.40 %

Source: Annual reports of UCBs

Credit-Deposit Ratio has always been a measure of efficiency for UCBs like any other commercial bank. It measures the competency of a bank to convert its deposits available into high earning advances. A high credit-deposit ratio indicates that larger portion of deposits is used to earn maximum interests. With reference to the Table No.7 it was found that credit to deposit ratio of both selected UCBs were showing a fluctuating trend from the year 2009-10 to 2019-20. Till the year 2013-14 for The KNSB Ltd., Nainital, CD ratio was remained at a level of above 60%, but from the year 2014-15, the ratio has fallen. CD ratio of bank decreased to 52.51% in 2019-20 as against 76.82% in 2009-10. For bank the highest and lowest level of CD ratio was 82.60% and 48.34% in 2010-11 and 2016-17 respectively. In case of AUCB Ltd., Almora, the highest CD ratio was in 58.07% in 2012-13 and lowest was 41.50% in 2016-17. Till the year 2013-14 bank maintained its ratio at a level of above 50% but after that the ratio fell down. The ratio of the bank which was 51.44% in the year 2009-10, finally came to 43.81%.

Testing of Hypothesis: There are two hypotheses have been tested given below.

1. The statements of hypothesis are as under:

H₀: There is no significant difference between the deposits of selected UCBs.

H₁: There is a significant difference between the deposits of selected UCBs.

Table No. 8: Analysis of Variance Table for One-way ANOVA

Source of Variation	SS	df	MS	F	F crit
Between Banks	1689456.54	1	1689456.54	5.40	4.35
Within Banks	6252423.20	20	312621.16		
Total	7941879.74	21			

Source: Computed from MS office Excel.

Table Value $V1=1$ and $V2=20=4.35$ at 5% level of significance

It is clear from the Table No.8 that the table value (4.35) is lower than the calculated value of 'F'(5.40) value for banks and so here also null hypothesis is not accepted i.e. there is a significant difference between the deposits of selected UCBs.

2. The statements of hypothesis are as under:

H₀: There is no significant difference between the advances of selected UCBs.

H₁: There is a significant difference between the advances of selected UCBs.

Table No. 9: Analysis of Variance Table for One-way ANOVA

Source of Variation	SS	df	MS	F	F crit
Between Banks	71562.38	1	71562.38	1.66	4.35
Within Banks	862879.35	20	43143.97		
Total	934441.74	21			

Source: Computed from MS office Excel.

Table Value $V1=1$ and $V2=20=4.35$ at 5% level of significance

It is clear from the Table No. 9 that the table value (4.35) is higher than the calculated value of 'F'(1.66) value for banks and so here null hypothesis is accepted i.e. there is no significant difference in the advances between the selected UCBs.

Conclusion: After the analysis of relevant data of top two UCBs of Uttarakhand, following conclusions are extracted based on the findings: -

- 1) In terms of total deposits, AUCB Ltd., Almora performed better than The KNSB Ltd., Nainital.

- 2) In terms of branch productivity during the entire study period, AUCB Ltd., Almora registered a better average deposit per branch ratio against The KNSB Ltd., Nainital.
- 3) In case of per employee deposit ratio, the employee's of AUCB Ltd., Almora contributed more towards deposit mobilization into the comparison of The KNSB Ltd., Nainital.
- 4) Like deposits, AUCB Ltd., Almora again performed better than The KNSB Ltd., Nainital in terms of growth in advances.
- 5) The performance of AUCB Ltd., Almora in maintaining per branch advance is lower than The KNSB Ltd., Nainital.
- 6) In case of per employee advance ratio, the employee's of KNSB Ltd., Nainital contributed more towards credit deployment against AUCB Ltd., Almora.
- 7) In terms of credit to deposit ratio, The KNSB Ltd., Nainital maintained a better ratio than AUCB Ltd., Almora throughout the study period which replicates that The KNSB Ltd., Nainital disbursed a large amount its deposit towards advances.
- 8) In terms of hypothesis testing, there is a significant difference between the deposits of The KNSB Ltd., Nainital and AUCB Ltd., Almora, however there is no significant difference was found between the advances of these two banks.

Suggestions: Based on the analysis, interpretation and conclusions of the research work, certain recommendations can be made to improve the performance of selected UCBs. The KNSB Ltd., Nainital will have to further improve the annual growth in its total deposits, otherwise the difference between the deposits of these two banks will go on and on. And this difference can also lead to reduction in loan disbursement and low income of the bank going forward. Though, the lower ratio in terms per branch advance, per employee advances and credit to deposit ratio, AUCB Ltd., Almora registered a better growth in total advance during

the study period but bank should try to efficiently disburse more and more loan according to deposit mobilized. If the bank will not disburse a good proportion of its deposits in the form of loans, then it will definitely affect its income. There is a need to continuously encourage the bank, branches and employees to increase the loans. As earlier said these are the two pillars on which the foundation of urban co-operative banking in the state rests because these two banks cover about 92% of the total business of UCBs in the State. If the profitability of any one of these banks is affected, then surely the existence of urban co-operative banks in the state will end because due to this these banks will lose the trust of their stakeholders. There is a need for higher incremental C-D ratio in both the banks because an ideal CD ratio would be anywhere between 65% and 70%.

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