

# COMPARISON OF FINANCIAL PERFORMANCE OF STATE OWNED AGRICULTURE BANKS - A CASE OF PAKISTAN, BANGLADESH, INDIA & SRI LANKA

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**ABSTRACT:** Pakistan, Sri Lanka, India & Bangladesh has a primarily agricultural economy. Most of People earn their living from farming. The performance of this sector has a major impact on the overall economic development of the Pakistan, Sri Lanka & Bangladesh. For effective performance of this segment proper credit facilities and satisfactory support is important. In this paper we have analyzed the performance of the specialized agricultural banks owned by the state in Pakistan, Sri Lanka, India & Bangladesh. It is observed that Zarai Tarqiati Bank Pakistan, NBARD and Lankaputra Bank Sri Lanka is able to achieve a steady growth in terms of during the selected period (last five years). Different Ratio Analysis and Regression line Analysis is applied to achieve the target. Lastly, outcomes are interpreted in this context and proposals are given for improving the future performance of these banks.

**Key Words:** Agricultural Economy, Financial Performance, Credit Facilities

## INTRODUCTION

At the instance of the Government of India Reserve Bank of India (RBI), constituted a committee to review the arrangements for institutional credit for agriculture and rural development (CRAFICARD) on 30 March 1979, under the Chairmanship of Shri B.Sivaraman, former member of Planning Commission, Government of India to review the arrangements for institutional credit for agriculture and rural development. The Committee, in its interim report, submitted on 28 November 1979, felt the need for a new organizational device for providing undivided attention, forceful direction and pointed focus to the credit problems arising out of integrated rural development and recommended the formation of National Bank for Agriculture and Rural Development (NABARD). The Parliament, through Act, 61 of 1981, approved the setting up of NABARD. The bank came into existence on 12 July 1982 by transferring the agricultural credit functions of RBI and refinance functions of the then Agricultural Refinance and Development Corporation (ARDC). NABARD was dedicated to the service of the nation by the late Prime Minister Smt. Indira Gandhi on 05 November 1982.

### Literature Review:

Role of the banking sector is always very crucial for any industry. Pioneer theories upon the role of banking theories gained interest of financial scholars to further work in this area in order to evaluate the performance [1] Studied Utilizing an info separation capacity, they found that joint-value banks are more effective than entirely state-possessed banks (WSOBs). There results indicated a moderate change in TFP development (4.5% every year) in the Chinese managing an account industry for the example time of 1993–2002, contrasted with the rate of genuine GDP development of somewhere around 7% and 8% amid the same time frame [2], concentrated on specialized and allocative productivity of 43 Chinese banks over the period 1993 to 2000. The objective of this investigation is to recognize the adjustment in Chinese banks' productivity taking after the project of deregulation started by the legislature in 1995.[3,1]

### Source of Data

As the research work is on the Comparison of Financial Performance of State Owned Agriculture Banks - A Case of Pakistan, Bangladesh & Sri Lanka research studies used annual audit / Financial Statements reports has been chosen for to gather the data. In this study said reports help out to perform the Comparison of Financial Performance of State Owned Agriculture Banks - A Case of Pakistan, Bangladesh & Sri Lanka.

### Population of Data

The data collected and focus on the South Asia. In our research study, we get Latest Five year financials of each bank for the research.

### Sampling

The sample for this research study was State Owned Agriculture Banks - A Case of Pakistan, Bangladesh, India & Sri Lanka. The sample size of this research study is Latest Five year financials of each bank. Sample is selected through Random Sampling through balloting.

### Hypothesis

**Null Hypothesis H0:** Expenditure of the Banks has significant effect on dependent variable

**Alternate Hypothesis H1:** Expenditure of the Banks has not significant effect on dependent variable

**Null Hypothesis H0:** Profitability of the Banks has significant effect on dependent variable

**Alternate Hypothesis H1:** Profitability of the Banks has not significant effect on dependent variable

**Null Hypothesis H0:** Capital Investment has significant effect on dependent variable

**Alternate Hypothesis H1:** Capital Investment has not significant effect on dependent variable

Model

$$ROA = \beta (EOB) + \beta(POB) + \beta(CI) + U$$

ROA = Return on Assets

EOB = Expenditure of the Banks

POB = Profitability of the Banks

CI = Capital Investment

U = Error Term

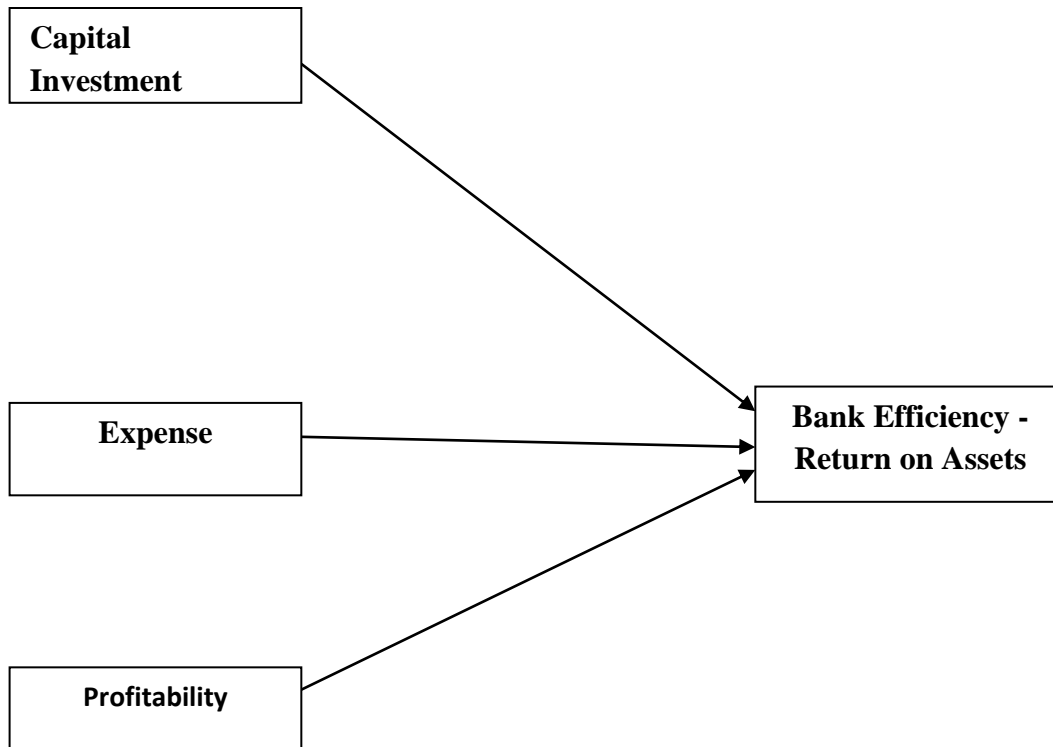
### Theoretical framework

Theoretical frame work is descriptive research which discuss about the purpose in defining certain phenomenon with the

help of previous research [5,6]. However, the dimension and assessment process is more important to help us to detect changes from one to another. For instance include the number of banks, rate of interest, populations, taxation revenues and company turnover and profits. In these examples, the measures are relatively well defined and comparisons are made on a reasonably equitable basis. In other examples,

#### Conceptual Frame work

The conceptual frame-work with regard to the study was designed using the findings of the previous research conducted elsewhere. The Figure shows the framework used for the study:



#### Descriptive Analysis:

Dependent Variable: ROA  
 Method: Panel Least Squares  
 Date: 12/01/16 Time: 09:40  
 Sample: 2010 2014  
 Periods included: 5  
 Cross-sections included: 5  
 Total panel (balanced) observations: 25

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Profitability	0.000206	0.000188	1.092186	0.2871
Expenses	-0.000137	3.43E-05	-3.992172	0.0007
Capital	0.000303	8.99E-05	3.365224	0.0029
C	-0.060451	0.452521	-0.133588	0.8950
R-squared	0.495417	Mean dependent var		1.108800
Adjusted R-squared	0.423334	S.D. dependent var		2.171782
S.E. of regression	1.649220	Akaike info criterion		3.984128
Sum squared resid	57.11842	Schwarz criterion		4.179148
Log likelihood	-45.80160	Hannan-Quinn criter.		4.038218
F-statistic	6.872841	Durbin-Watson stat		0.712024
Prob(F-statistic)	0.002111			

**Adjusted R- Square**

Adjusted R-square measures the proportion of the variance in the dependent variable i.e. Return on Assets which had explained that was explained by variations in the independent variables i.e Expenses, Profitability and Capital Investment. In our above analysis adjusted R-Square shows that 42 % of the variance was explained.

**R-square :**

Measures the proportion of Variation in the dependent variable i.e. Return on Assets that was explained by variations in the independent variables. In this example, "R-BANGLADESH KRISHI BANK (BKB)

Variables	ROA	ROE	TotalAssetsTurnover	Net Profit Margin
2009-10	-0.09	0.01	1.88	-4.98
2010-11	-0.88	0.10	0.90	-98.09
2011-12	-0.73	0.12	0.67	-109.38
2012-13	-1.20	0.21	0.11	-1127.27
2013-14	-1.46	0.29	0.29	-501.54

**RAJSHAHI KRISHI UNNAYAN BANK (RAKUB)**

Variables	ROA	ROE	TotalAssetsTurnover	Net Profit Margin
2009-10	-0.54	-0.11	2.65	-20.33
2010-11	-1.50	-0.45	1.85	-81.40
2011-12	-1.38	-0.78	2.11	-65.38
2012-13	-1.15	-2.11	2.37	-48.76
2013-14	-1.52	1.74	2.11	-72.07

**Lankaputra Bank**

Variables	ROA	ROE	TotalAssetsTurnover	Net Profit Margin
2010	2.40	0.01	8.90	3.57
2011	1.90	0.02	7.67	15.71
2012	4.20	0.06	8.49	36.76
2013	5.80	0.09	8.56	53.08
2014	2.40	0.05	6.86	32.78

**Zarai Taraqiat Bank Limited (ZTBL)**

Variables	ROA	ROE	TotalAssetsTurnover	N. P. M.
2010	2.45	0.23	4.41	55.53
2011	2.67	0.26	4.66	57.34
2012	2.94	0.31	5.78	50.88
2013	3.48	0.41	6.10	57.09
2014	5.09	0.66	8.01	63.59

**National Bank for Agriculture & Rural Development**

Variables	ROA	ROE	TotalAssetsTurnover	Net Profit Margin
2009-10	1.20	0.82	20.48	5.85
2010-11	0.94	0.74	16.14	5.80
2011-12	0.94	0.57	15.52	6.03
2012-13	0.95	0.51	15.70	6.07
2013-14	0.81	0.44	13.27	6.11

**CONCLUSION AND RECOMMENDATION****CONCLUSION:**

A conclusion can be only be made if necessary information is provided about the financial analysis of the selected state owned banks can be viewed. In the light of formation provided in the reports the work performance, efficiency, quality of customer services, market value and financial position of the banks can be seen. It's a evident that ZTBL&

Square" tell us that 50 % of the variation (and not the variance) was explained.

**Ratio Analysis:**

Though Ratio analysis we can understand better the company's performance. However a ratio is meaningless by itself. Comparing the ratio to last year's ratio and understanding the reasons for the change is important. This understanding will gives us insight in to banks performance. The following ratios are calculated and possible interpretation for the change in the ratio will be explained.

NBARD is totally made a consistent growth. In spite of other state owned agriculture Banks of south Asia. It is a positive sign of growth of bank. On the other hand total return on total equity of the Lankaputra bank had increase because of the increases the investor confidence on the banks increased which in turn increase the intangible assets of the bank .i.e. Good will in this competitive market. The return on equity (ROE) of the bank had shown fluctuation due to increase

inflationary pressure and computerization of different branches and expansion of new branches.

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