

# Capital Structure of Chaitanya Godavari Grameena Bank after Merger.

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## 1. Introduction:

Chaitanya Godavari Grameena Bank (CGGB) was formed with the merger of Chaitanya and Godavari Grameena Banks with effect as on 01.03.2006. The operational area of CGGB is spread over Guntur, East Godavari and West Godavari districts in the state of Andhra Pradesh (AP). The bank is with 204 branches. Of which, 114 are in Guntur district, 48 in East Godavari and 42 in West Godavari district and one extension counter in Guntur district. Out of them, 110 are rural, 72 semi-urban and 22 urban. An attempt is made in this article to study the capital structure of CGGB. The focus is on owned funds, borrowed funds and their relative share in the aggregate capital. The study period is spread over 13 years i.e., from the time of its inception to till date.

## 2. Resources:

The resources include own funds, deposits mobilised from public and borrowings from sponsor bank, the National Bank for Agriculture and Rural Development (NABARD), other institutions and banks.

### 2.1 Own funds:

Share capital forms an integral part of owned funds. It is the base for the volume of business and guiding principle to borrow funds. The share capital is the cost free fund, which acts as a cushion in its operations and helps in achieving viability. Share capital is contributed by

**Table 1: Owned Funds of CGGB during 2006 - 18 (Rs. lakhs)**

Year	Share capital	Share capital deposit	Reserves and surplus	Total
2006	200.00 (4.06)	544.22 (11.05)	4,179.00 (84.88)	4,923.22 (100)
2007	200.00 (3.68)	544.22 (10.01)	4,693.96 (86.31)	5,438.18 (100)

2008	200.00 (3.18)	544.22 (8.67)	5,535.76 (88.15)	6,279.98 (100)
2009	200.00 (2.93)	544.22 (7.97)	6,081.93 (89.10)	6,826.15 (100)
2010	200.00 (2.66)	544.22 (7.25)	6,763.82 (90.09)	7,508.04 (100)
2011	200.00 (2.39)	544.22 (6.50)	7,630.19 (91.11)	8,374.41 (100)
2012	200.00 (2.13)	544.22 (5.79)	8,662.18 (92.09)	9,406.40 (100)
2013	200.00 (1.75)	544.22 (4.76)	10,691.99 (93.49)	11,436.21 (100)
2014	200.00 (1.37)	544.22 (3.71)	13,906.66 (94.92)	14,650.88 (100)
2015	200.00 (1.07)	544.22 (2.91)	17,927.04 (96.01)	18,671.26 (100)
2016	744.22 (3.21)	-	22,467.87 (96.79)	23,212.09 (100)
2017	744.22 (2.59)	-	27,984.56 (97.41)	28,728.78 (100)
2018	744.22 (2.02)	-	36,026.26 (97.98)	36,770.48 (100)

**Note:** Figures in brackets indicate the percentage to total.

**Source:** Relevant issues of the CGGB, Annual Reports, Guntur.

government of India, Andhra Bank and government of AP in the ratio of 50: 35: 15 respectively. The share capital of the CGGB was Rs. 200 lakhs during 2006 as against Rs. 744.22 lakhs during 2018 (see Table 1). There is no increase in share capital between 2006 and 2015. Its share in the total owned fund was 4.06 per cent in 2006 as compared to 2.02 per cent in 2018. Its proportion has decreased due to increase in the other elements of owned fund. The share capital deposit was Rs. 544.22 lakhs or 11.05 per cent in 2006 as against Rs 544.22 lakhs or 2.91 per cent in 2015. There is a gradual decrease in its share during the period. This is due to increase in the proportion of reserves and surplus. Another source of owned fund is the creation of reserves and surplus. This depends on the adequacy of net profits earned. A strong reserve base reflects the financial stability of the bank and reposes confidence among the members. Reserves facilitate the bank to

write off bad debts and to meet unforeseen contingencies. The reserves and surplus has gradually gone up from Rs. 4,179.00 lakhs in 2006 to Rs. 36,026.26 lakhs in 2018. In relative terms, it has progressively increased from 84.88 per cent to 97.98 per cent in the aforesaid period. The total owned funds were Rs. 4,923.22 lakhs in 2006. It has progressively increased to reach the highest at Rs. 36,770.48 lakhs during 2018. There is no decline in any one of the years.

## 2.2 Borrowings:

Borrowings and refinance are important sources of fund for the CGGB in view of small capital base and inadequate deposit mobilisation and reserves and surplus. Borrowings and refinance are obtained from the NABARD, the Andhra Bank, the sponsored bank, other institutions and agencies. The bank avails refinance from the NABARD under schematic lending, automatic pattern and general line of credit. The CGGB has borrowed Rs. 10,320.69 lakhs in 2006 as against Rs. 1,22,254.82 lakhs in 2018 (see Table 2). There is a gradual growth in borrowings except in 2015, 2016 and 2017. Of the sources of borrowing, Andhra bank has made available funds to a tune of Rs. 13.42 lakhs in 2006 as against Rs. 4.85 lakhs during 2018. There are violent fluctuations in the contribution of Andhra bank. In the total funds borrowed, the share of sponsored bank was less than 0.5 per cent in two years. It was negligible in 2016 and 2018. In the remaining years, it was in the order of 27.14 – 65.93 per cent. The NABARD has provided Rs. 73,055.77 lakhs in 2015 as compared to Rs. 1,14,282.42 lakhs during 2018. The

**Table 2: Details of Borrowed Funds of CGGB during 2006 - 18**

(Rs. lakhs)

Year (1)	Sponsor bank (2)	NABARD (3)	Other inst. & agencies (4)	Total (5)	% of col. (2) to col. (4) (6)
2006	13.42	-	10,307.27	10,320.69	0.13
2007	3,835.40	-	10,296.94	14,132.34	27.14
2008	7,020.24	-	7,185.21	14,205.45	49.42
2009	10,361.23	-	5,353.39	15,714.62	65.93
2010	9,326.41	-	10,640.62	19,967.03	46.71
2011	20,857.80	-	19,226.07	40,083.87	52.04
2012	29,901.71	-	21,782.93	51,684.64	57.85
2013	31,465.17	-	73,038.10	104,503.27	30.11
2014	38,536.08	-	91,497.68	130,033.76	29.64

2015	27,607.15	73,055.77	862.51	101,525.43	27.19
2016	1.53	87,295.35	10,360.19	97,657.07	0.00
2017	312.22	90,214.74	5,738.87	96,265.83	0.32
2018	4.85	1,14,282.42	7,967.55	1,22,254.82	0.00

Source: As in Table 1.

other institutions and agencies have pumped Rs. 10,307.27 lakhs in 2006 as against Rs 7,967.55 lakhs in 2018. In the meantime, there are fluctuations.

### 3. Share of borrowed funds:

Table 3 shows a comparative picture of borrowed and owned funds of the CGGB. In the total funds, owned funds have accounted for 32.30 per cent during 2006 as compared to 23.12

**Table 3: Relative Share of Borrowed Funds of CGGB during 2006 - 18**

(Rs. lakhs)

Year (1)	Owned (2)	Borrowed (3)	% of col. (2) to total (4)
2006	4,923.22	10,320.69	32.30
2007	5,438.18	14,132.34	27.79
2008	6,279.98	14,205.45	30.66
2009	6,826.15	15,714.62	30.28
2010	7,508.04	19,967.03	27.33
2011	8,374.41	40,083.87	17.28
2012	9,406.40	51,684.64	15.40
2013	11,436.21	1,04,503.27	9.86
2014	14,650.88	1,30,033.76	10.13
2015	18,671.26	1,01,525.43	15.53
2016	23,212.09	97,657.07	19.20
2017	28,728.78	96,265.83	22.98
2018	36,770.48	1,22,254.82	23.12

Source: As in Table 1.

per cent during 2018. In the remaining years, it was in the order of 9.86 – 32.30 per cent. In the meantime, the fluctuations are noticeable. The rest is accounted for borrowed funds.

#### 4. Conclusion:

It may be concluded that the share capital and share capital deposit is almost static in the study period. Its percentage terms, it has remarkably declined as against an increase in reserves and surplus. The owned fund has gone up nearly seven times in the period under reference. The bank has recorded a spectacular progress in the matter of mobilising resources on the principle of survival of the fittest. The borrowings of the bank have almost progressively increased many a time in the period. Further, the contribution of the NABARD has increased more than 2 times. In future, the bank has to put concerted efforts to increase the contribution of owned funds. The dependence on external sources is not advisable in the long run.

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