



Issue - 05, Vol.09, pp. 28-42, Jan-Jun 2017

IFSMRC African International Journal of Research in Management

RESEARCH ARTICLE

**PERFORMANCE EVALUATION OF DISTRICT CO-OPERATIVE
CENTRAL BANKS IN INDIA - A STUDY**

***Mohmad Khaja Moinoddin, **Dr.G.Ram Babu**

*Research Scholar, Department of Commerce, Telangana University, Nizamabad

**Asst. Professor, Department of Commerce, Telangana University, Nizamabad

ABSTRACT

Article History:

Received 7th May, 2017

Received in revised form
15.06.2017

Accepted 25.06.2017

Published on 30.June.2017

Keywords: "Institutionalizing
credit, administration,
unhealthy dominance, credit
needs, People

Corresponding Author:

"Institutionalizing credit in the village is a recent Twentieth century phenomenon in the country. Co-operative movement with its credit component has been launched in India some seven decades ago but with a very limited effect. After independence and introduction of the Welfare concept of administration, these efforts have continued but not as vigorously as might have been. And then, for various reasons, an unhealthy dominance of the privileged classes on the co-operatives has prevented them from doing anything really substantial for the poor". Among the institutional agencies functioning in rural areas, co-operatives occupy a dominant place. They have been recognized as the most ideal agencies and an excellent means sin bringing the benefits to the people. There is, therefore, an urgent need For the co-operative banks to build up adequate resources to meet the Increasing credit needs of the people.

INTRODUCTION

The primary Agricultural Co-operative Credit Societies in a compact area get federated themselves into a central society, which is called a Central Bank of a Banking Union. The term "Central Bank used when the Central society admits as its members not only primary societies but also individuals. The phrase 'Banking Union' is used when membership is confined to societies only and individual members are excluded. The present trend, however, is to refer both these institutions as central banks. Accordingly, every district in a state has got one or more Banking

Union or Central Bank. And the Banks so organized are known as District Central Co-operative Banks. A Co-operative Banks is one which performs the functions of borrowing, lending, agency and general utility on a cooperative basis. A co-operative bank is also defined as one which must have co-operative character and must deal in credit which satisfies all the requirements of an ideal credit.

The objectives of the DCCBs are :

- i) To finance the primary societies for agricultural purposes.
- ii) To attract local deposits.



- iii) To develop and extend banking facilities in rural areas and make the people banking minded.
- iv) To provide a safe place for investing the reserves of the primary societies.
- v) To develop the co-operative movement in the district and act as a friend, philosopher and guide and ;
- vi) To Supervise the working and management of the affiliated societies.

NEED FOR THE STUDY

DCCBs constitute the main component of co-operative credit system at the district level in Telangana, as in other states. They have been providing various banking services to the state population at the district through their branches and PAC (primary agricultural credit society). They attract savings from their customers with various deposit schemes and advance credit facilities for agricultural as well as non-agricultural activities. DCCBs are thus playing important role in income generation, employment opportunities and socio-economic development of the state in their own respective way. It is essential to evaluate and study their performance at regular intervals, besides Hence, the utility of such a study on the performance of DCCBs in India to know their strengths and weaknesses as well as the challenges they face and opportunities that they can provide for growth and development of the district of their respective beat.

In the field of cooperative sector, a number of studies are available focusing on the general problems. The present study concentrates on the specific area focusing on financial performance in the cooperative banking field. The result of the study will help the decision makers in the cooperative banking business, the Government officials, similar cooperative organizations and researches for their future development in their respective field of interest.

SCOPE OF THE STUDY:

The present study aims to evaluate the financial performance of the District Central Co-operative Banks in India. This study attempts to analyze its financial performance from the standpoint of the Central Co-operative Bank selected for the study.

It does not include workers or members and other agencies that are either directly or indirectly connected with the study unit. This study becomes relevant to the co-operative sector in India.

OBJECTIVES OF THE STUDY:

1.
 - o present the flow of deposits, share capital, Loans and Advances (K.R.As) and growth of investments during the study period.
2.
 - o analyze the financial position of DCCBs using CAMEL frame work.
3.
 - o know the working capital, cost of management of DCCBs during the study period.

RESEARCH METHODOLOGY:

In the first stage the secondary data will be collected from the annual reports, Schedules of Publications of Reserve Bank of India, NABARD, NAFSCOB, State level Bankers Committee Reports etc. in addition to this, necessary literature and data is to be collected from the published and un published Ph.D thesis on District co-operative central banks, websites of the selected banks, bulletins etc. The study covers a period of 10 years ranging from 2005 to 2015.. For analyzing the financial Performance of the Banks a popular framework used by regulators is the CAMEL Frame work, which uses some financial ratios to help in evaluating a bank's performance. Various financial Ratios, Averages, Compounded growth rate, t- test, used for the study.

HYPOTHESIS:

H0: there is the significant difference between the Earnings capacity and Liquidity position of the DCCBs in India.

H0: there is the significant difference among the means of capital adequacy and liquidity position of the DCCBs in India,

LIMITATIONS OF THE STUDY:

The major limitation of the present study is that analysis is restricted to one particular sector such as banking. It is confined to only measure the financial performance of select banks. The inherent limitation is secondary data.



REVIEW OF LITERATURE

A number of studies related to performance of co-operative banking sector in India have been conducted. Here, an attempt is being made to provide an overview of various aspects and issues of this study through the review of existing literature. Some of the main studies selected for review have been discussed below.

Murthy (2008), in his paper titled, "Rural Finance: A Remedial Measure for Rural Poor" focused on the role of financial services as key to enhancing economic development and reducing poverty in rural areas. Rural finance has often led the way in addressing social, gender and ethnic equity issues which hold families in poverty. He, however, observed that the access was limited for poor households and for micro, small and medium enterprises. Despite rapid economic development in India the number of people living below the poverty line has decreased only slightly. While there was a numerically strong infrastructure of formal financial institutions in rural India, they often lacked the capacity to provide adequate demand-oriented services. He recommended that the major constraint of such important rural finance agencies, i.e., lack of resources should be removed, by facilitating them to mobilize resources from capital market and other newer sources.

Dhanappa (2009) in his study titled, "Performance Evaluation of UCBs: A Case Study of Kallappanna Awade Ichalkaranji Janata Sahakari Bank Ltd. Ichalkaranji" made an attempt to examine the working and financial performance of UCBs. The objective of the study was to examine and analyze the trend, progress and problems of this bank, and to offer some important suggestions for improving the competency and efficiency of the bank. The related data had been collected for the period from 1995-96 to 2007-08. He used various statistical tools such as ratios, percentages, averages, and chi-square test to analyze the data, to know the performance of the UCBs in respect of share capital, deposits, reserve funds, loans and advances, investment, profit, and NPAs. He observed that the bank had maintained NPAs under control at the best stipulated level of RBI norms. There was immense instability in net profit. The bank should focus on non-interest income sources (commission based services) to

increase the profit level and reduce the NPAs. CD ratio of the bank was declining continuously which was not a good signal. The economic health of the bank was sound and the Bank was able to compete with other banks. He further suggested that loans should be provided (at least to regular borrowers) on competitive rates of interest.

The European Association of Co-operative Banks (2009), in its article titled, "European Co-operative Banks in Financial and Economic Turmoil" was of the view that despite extensive interest rate cuts, liquidity injections and support measures the financial markets were not stable. Figures showed that global economy will experience a deep recession in 2009 and perhaps also 2010. But as has been demonstrated, most co-operative bank groups had fortunately been able to weather the financial crisis relatively well so far without any state support. This was due to the fact that they generally had limited exposure to toxic assets, a predominant focus on domestic retail banking with stable results, strong capital buffers and principally

conservative risk management. The co-operative banks that did report losses due to the subprime crisis were affected primarily at the level of subsidiaries and at the level of APEX institutions. The local banks were not hit directly by the financial crisis. Moreover, they continue to lend money to SMEs and retail customers. Co-operative banks were consequently solid and robust at the local level and accordingly demonstrated stability of the retail banking industry in Europe.

Alamelu and Devamohan (2010), in their study titled, "Efficiency of Commercial Banks in India" calculated the business ratios, such as interest income to average working funds, non-interest income to average working funds, operating profit to average working funds, return on assets, business per employee and profit per employee for public sector banks, private sector banks and foreign banks for the period 2004-05 to 2008-09. It was observed that the foreign banks and new generation private banks have superior business ratios. They effectively leverage technology, outsourcing and workforce professionalism which helped them to protect their bottom line. On the other hand, the public sector banks are yet to exploit fully the



advantages of vast branch network and large workforce. That's why they have unimpressive business ratios. Old generation private banks do not have impressive business ratios, as they are constrained by small size and conservatism.

Singh and Singh (2010), in their study titled, "Technical and Scale Efficiency in District Central Co-operative Banks of Punjab –A Non-Parametric Analysis" had attempted to investigate the extent of technical efficiency across 20 DCCBs of Punjab with the help of

Data Envelopment Analysis. They brought out that size of DCCBs and profits had been affecting the measures of technical efficiency significantly. The study further revealed that DCCBs of Punjab were suffering from the problems of managerial irregularities and improper production scale. Appropriate policy interventions by state government, RBI and NABARD have been suggested by the authors.

DATA ANALYSIS AND INTERPRETATION

**TABLE -1
DCCB (Offices including H.O) IN INDIA**

YEAR	NO.OF DCCBS	GROWTH RATE%
2005-2006	12991	1.03
2006-2007	12928	-0.48
2007-2008	13151	1.72
2008-2009	13233	0.62
2009-2010	13181	-0.39
2010-2011	13327	1.10
2011-2012	13495	1.26
2012-2013	13437	-0.43
2013-2014	13246	-1.4
2014-2015	12976	-2.0
TOTAL	131965	
AVERAGE	13196.5	

Source: NAFSCOB, NABARD Reports

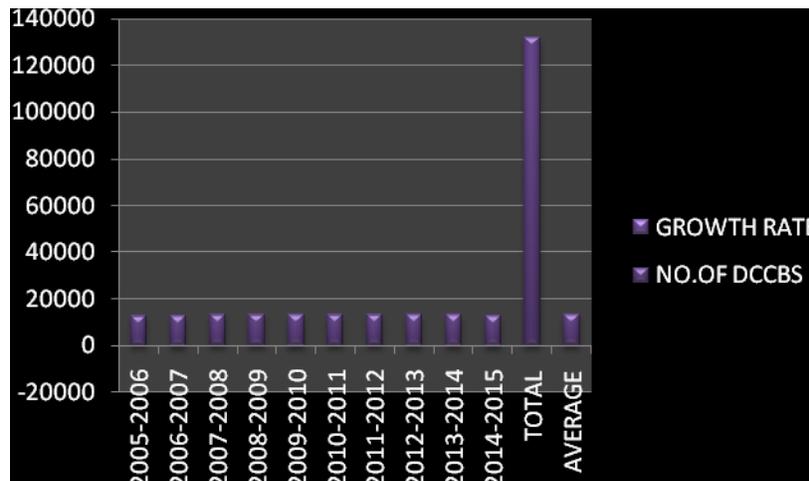


Chart.1



INTERPRETATION: The above table revealing that the growth rate percentages of number of DCCBs in all over india during the

study period. except in the years 2006-07,2009-10, and 2013-14 in remaining years the growth rate percentages are positive which means the number of DCCBs increased every year compared to previous years.The highest number of banks taken place in the year 2011-12. Where as lowest number of banks in the year 12976. The average is 13196.5.

**TABLE -2
DCCBS SHARE CAPITAL IN INDIA**

YEAR	SHARE CAPITAL	GROWTH RATE%
2005-2006	47470	9.3
2006-2007	54580	14.97
2007-2008	59390	8.81
2008-2009	65810	10.80
2009-2010	73190	11.21
2010-2011	79440	8.5
2011-2012	89097	12.15
2012-2013	97008	8.87
2013-2014	114823	18.36
2014-2015	131149	14.21
TOTAL	811957	
AVERAGE	81195.7	

Source: NAFSCOB, NABARD Reports

Chart.2



INTERPRETATION: The above analysis stating that the share capital of the banks fluctuated during the study period .in the year 2005-06 the share capital was 47470 i.e. 9.3 percentage and in the year 2013-14 the capital 114823 in this year the highest growth rate registered i.e.18.36. the share capital has been increased every year but at fluctuating trend. The average is 81195.7.

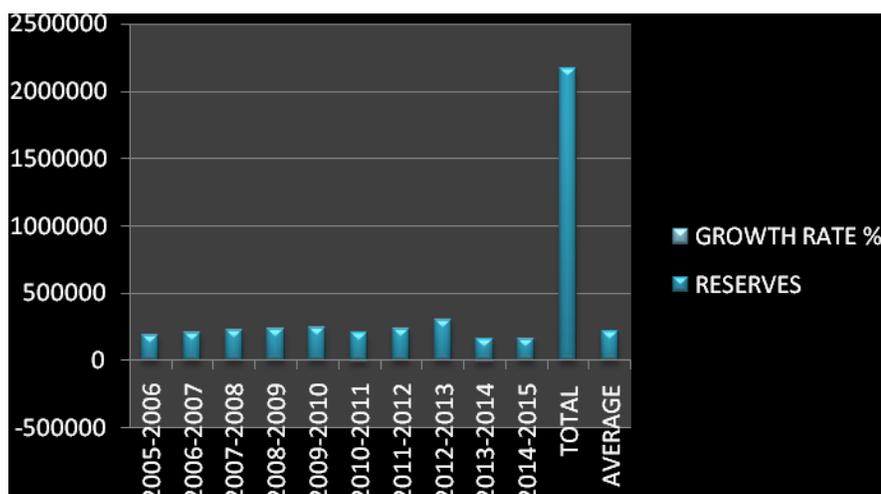
**TABLE -3
DCCBS RESERVES IN INDIA**

YEAR	RESERVES	GROWTH RATE %
2005-2006	187020	15.75
2006-2007	207220	10.80
2007-2008	224680	8.42
2008-2009	233060	3.72
2009-2010	242640	4.11
2010-2011	210770	-13.13



2011-2012	235076	11.53
2012-2013	302997	28.89
2013-2014	158856	-47.57
2014-2015	163446	2.88
TOTAL	2165765	
AVERAGE	216576.5	

Source: NAFSCOB, NABARD Reports
Chart.3



INTERPRETATION: from the above table it is cleared that the reserves of the DCCBs increased at the initial stage (2005-06 to 2009-10). In the year 2010-11 reserves decreased to 210770 i.e. - 13.13% compared to previous year. Later there was an increase during the years 2011-12 and

2012-13 .the highest growth rate registered in the year 2012-13 i.e.28.89. There was the huge decrease in the reserves in the year 2013-14 i.e. - 47.57% compared to previous year. The average is 216576.5.

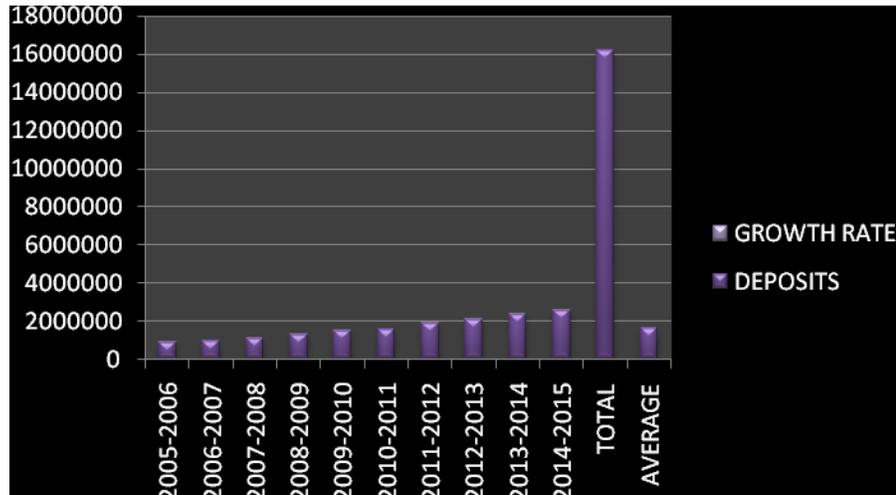
**TABLE -4
DCCBS DEPOSITS IN INDIA**

YEAR	DEPOSITS	GROWTH RATE
2005-2006	875320	6.57
2006-2007	945290	7.99
2007-2008	1093450	15.673
2008-2009	1299360	18.83
2009-2010	1528810	17.65
2010-2011	1530850	0.13
2011-2012	1877610	22.65
2012-2013	2082182	10.89
2013-2014	2368871	13.76
2014-2015	2588074	9.25
TOTAL	16189817	
AVERAGE	1618981.7	

Source: NAFSCOB, NABARD Reports



Chart.4



INTERPRETATION: The above analysis represents the growth of deposits during the study period. From the above table we can identify that there is a continuous increase in the value of deposits during the period. The highest growth rate recorded in the year 2011-12 i.e. 22.65%.in the year 2010-11 very nominal increase in the deposits i.e.0.13.The average of the deposits during the study period is 1618981.7.

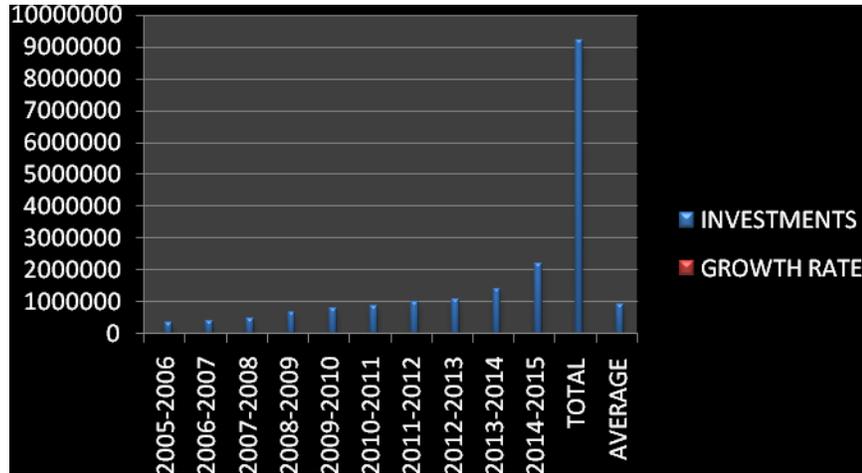
**TABLE -5
GROWTH OF DCCBS INVESTMENTS IN INDIA**

YEAR	INVESTMENTS	GROWTH RATE
2005-2006	366280	1.92%
2006-2007	410070	11.96%
2007-2008	482290	14.75
2008-2009	661000	21.75
2009-2010	788860	21.14
2010-2011	853680	18.44
2011-2012	1003329	18.29
2012-2013	1053677	16.29
2013-2014	1388065	18.12
2014-2015	2193973	22.01
TOTAL	9201224	
AVERAGE	920122.4	

Source: NAFSCOB, NABARD Reports



Chart.5



INTERPRETATION: From the above table it has been cleared that the investments of the dccbs in India increased in terms of value, in the year 2005-06 the investments were 366280 and it continuously increased and reached to 2193973

in the year 2014-15. During the years 2010-11, 2011-12 the growth rate was almost constant. The highest growth rate recorded in the year 2014-15 i.e. 22.01 where as lowest growth rate (1.92%) in the year 2005-06. The average investments as 920122.4 during the research period.

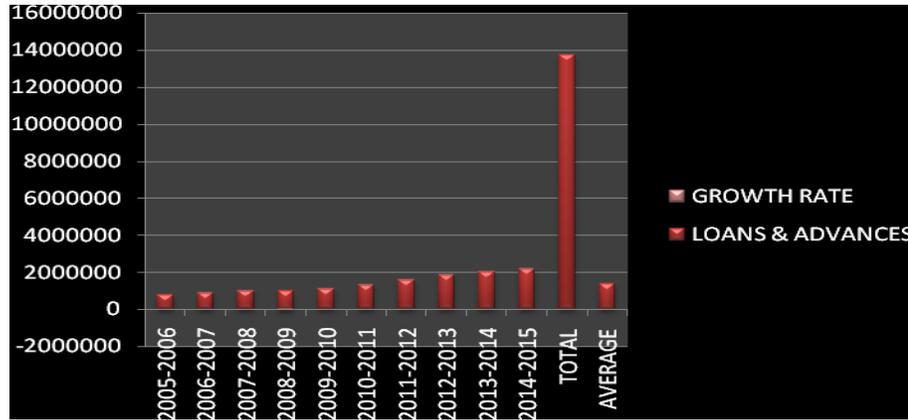
**TABLE -6
GROWTH OF DCCBS LOANS AND ADVANCES IN INDIA**

YEAR	LOANS & ADVANCES	GROWTH RATE
2005-2006	792000	8.30
2006-2007	890380	12.42
2007-2008	1012200	13.68
2008-2009	1004530	-0.75
2009-2010	1105980	10.01
2010-2011	1308110	18.28
2011-2012	1573147	20.26
2012-2013	1839696	16.94
2013-2014	2030030	10.34
2014-2015	2193973	8.07
TOTAL	13750046	
AVERAGE	1375004.6	

Source: NAFSCOB, NABARD Reports



Chart .6



INTERPRETATION: The above analysis indicates the loans and advances movement during the period of study. Initially the loans and advances were 792000 during the year 2005-06. There was an increase in the later years i.e. 2006-07 and 2007-08 and in the year 2008-09 the loans and advances came down to 1004530 from

1012200 in growth rate from 13.68 to -0.75 .Again in the years 2009-10,11,12 continuous increment registered. During the year 2011-12 the highest growth rate recorded as 20.26.The average loans and advances recorded as 1375004.6 during the study period.

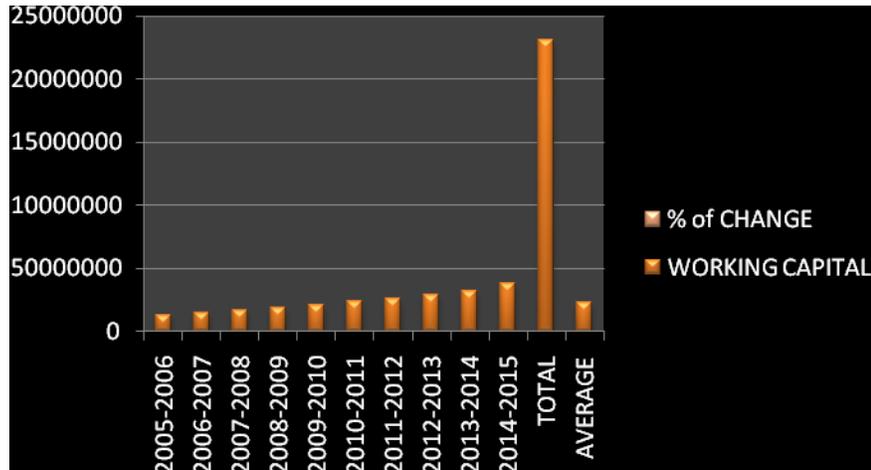
**TABLE -7
DCCBS WORKING CAPITAL IN INDIA**

YEAR	WORKING CAPITAL	% of CHANGE
2005-2006	13124185	100
2006-2007	14608363	11.30
2007-2008	16813752	15
2008-2009	18403787	9.45
2009-2010	20691844	12.43
2010-2011	23543070	13.77
2011-2012	25730623	9.29
2012-2013	28802124	11.94
2013-2014	31865124	10.63
2014-2015	37709816	18.34
TOTAL	231292688	
AVERAGE	23129268.8	

Source: NAFSCOB, NABARD Reports



Chart.7



INTERPRETATION: Table 7 represents the working capital position of the DCCBs in last 10 years of study. If we observe the table it can be concluded that the working capital has been increased during the period but at fluctuating

trend. The working capital is 377098816 in the year 2014-15 and in the same year highest percentage of change taken place i.e. 18.34%.The DCCBs average working capital is 23129268.8 during the study period.

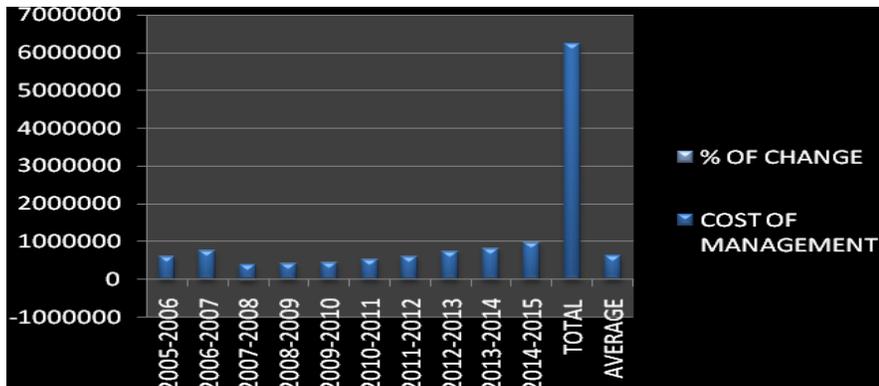
**TABLE -8
DCCBS COST OF MANAGEMENT IN INDIA**

YEAR	COST OF MANAGEMENT	% OF CHANGE
2005-2006	602608	100
2006-2007	755968	25.44
2007-2008	374876	-50.41
2008-2009	422724	12.76
2009-2010	443737	4.97
2010-2011	530745	19.6
2011-2012	586488	10.50
2012-2013	737496	25.74
2013-2014	805502	9.22
2014-2015	975786	21.14
TOTAL	6235930	
AVERAGE	623593.0	

Source: NAFSCOB, NABARD Reports



Chart.8



INTERPRETATION: The above analysis represents cost of management of the DCCBs in India during the period of 2005-06 -2014-15. It can be found that there was the remarkable decrease in cost of management in the year

2007-2008 i.e.-50.41 compared to first year. In the year 2009-10 the COM percentage of change is very less compared to remaining years. The average of the COM in the study period is 623593.0.

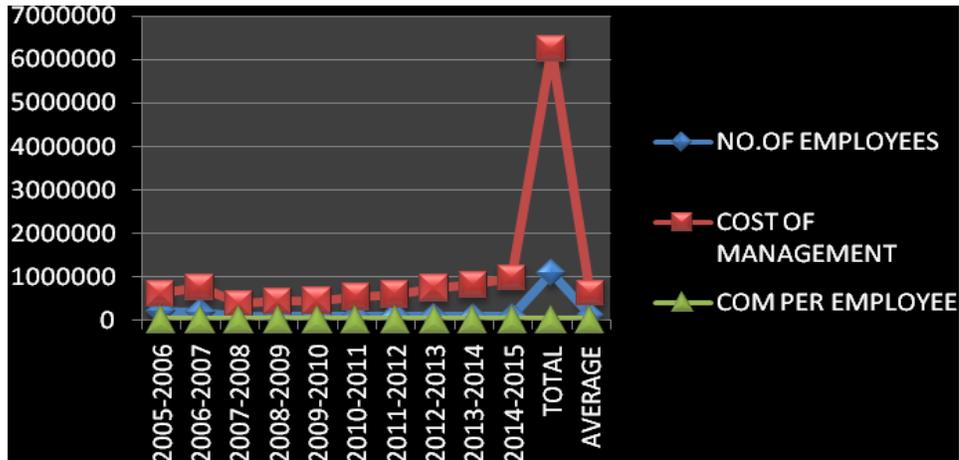
**TABLE -9
DCCBS COST OF MANAGEMENT (COM) PER EMPLOYEE IN INDIA**

YEAR	NO.OF EMPLOYEES	COST OF MANAGEMENT	COM PER EMPLOYEE
2005-2006	211770	602608	2.85
2006-2007	183536	755968	4.12
2007-2008	90035	374876	4.16
2008-2009	89259	422724	4.74
2009-2010	87554	443737	5.07
2010-2011	87928	530745	6.04
2011-2012	85996	586488	6.82
2012-2013	85611	737496	8.61
2013-2014	84497	805502	9.53
2014-2015	83347	975786	11.71
TOTAL	1089533	6235930	63.65
AVERAGE	108953.3	623593.0	6.365

Source: NAFSCOB, NABARD Reports



Chart.9



INTERPRETATION: The above table showing the cost of management per employee during the study period. At the beginning of the study period the com per employee was 2 to 5. In

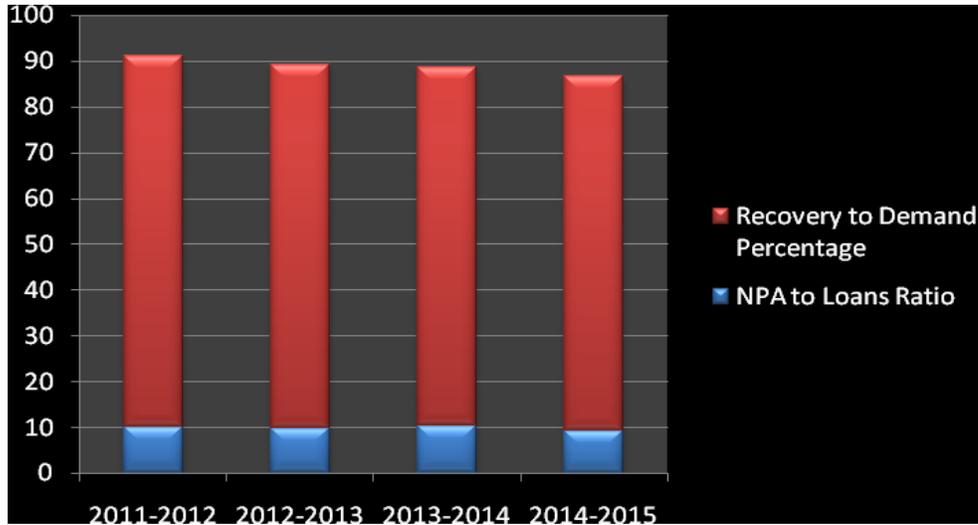
the second half, the rate more than 6. The highest COM per employee is 11.71 in the year 2014-15. The average is 6.365 during the reference period.

TABLE -10
Salient Indicators of Financial Health of DCCBs in India During the last Four years (2012-15)

YEAR	NPA to Loans Ratio	Recovery to Demand Percentage	Number of DCCBs Reporting	Number of DCCBs Profit-Amount	Number of DCCBs Loss-Amount
2011-2012	10.2	80.9	370	328 15114*	42 3322*
2012-2013	9.8	79.3	370	330 17044*	40 3360*
2013-2014	10.3	78.3	358	329 17309*	38 3541*
2014-2015	9.4	77.3	359	301 18412*	58 10363*

Source: NAFSCOB, NABARD Reports

Chart.10



INTERPRETATION: the above table represents the various indicators which reveal the financial health of the DCCBs during the period of 2011-12 to 2014-15. the NPA to Loans ratio is in between of 9 to 10.5. Recovery percentage to

demand in between the 70 to 81 during the years of 2012-2015. In the year 2012-13 330 DCCBs in profit position out of 370 reported dcbs in India, and 58 banks went into loss zone out of 359 reported banks during the year 2014-15.

CAMEL RATIOS

PARTICULARS	Capital Adequacy Ratio	Asset Quality Management	Management Efficiency	Earnings Capacity	Liquidity
	Proprietary Ratio	Total Investments to Total Assets Ratio	Business Per Employee	Return on Assets	Customer Deposits to Total Assets
Mean	12.3	31.9	32.463	4.014	62.7
Variance	12.0111	16.54	276.0812	25.43	7.56
Standard Deviation	3.46	4.0	16.6157	5.04	2.75
N	10	10	10	10	10

INTERPRETATION: the average proprietary ratio of the DCCBs during the study period was 12.3 .it shows the relationship between the proprietor funds to total resources. The ratio of the banks is more than the ideal ratio set by RBI as 9. Asset quality management is measured by

using the total investments to total assets ratio, the average ratio is 31.9 which is healthy. Business per employee ratio is the traditional measure of productivity in banking units. Here the average business per employee ratio is 32.463 during the study period. the Return on



Assets is an indicator of how profitable a bank is relative to its total assets here the average ROA of DCCBs is 4.014 which is very low .the customer deposits to total assets ratio calculated to test the liquidity position of the banks here the average ratio is 62.7 which is very sound.

Hypothesis 1

H0: As the absolute value of the calculated t (32.3054) exceeds the critical value i.e. (32.3054 > 2.145) so there is the significant difference between the Earnings capacity and Liquidity position of the DCCBs in India.

Hypothesis 2

H0: As the absolute value of the calculated t greater than the critical value (3.7566>2.28), there is the significant difference among the means of capital adequacy and liquidity position of the DCCBs in India,

CONCLUSION

From the above study it can be concluded that the share capital ,Deposits, loans and advances increased during the study period except in few years where as growth rate of the said financial variables at fluctuating trend which means during the some years there was an increase and in some years decrease. In deposits the banks has to stable and need to attract the deposits from the customers. The growth rate of the reserves was poor during some of years, banks has to take necessary measurements to strengthen the reserves for future purpose. Investments increased at constant rate during the reference period. The bank has to concentrate on its key area that is loan and advances in the study period the banks registered very less growth rate in some of years. The banks working capital increased continuously during the study period as they invested more in the current assets which is good sign for the future. The cost of management and cost of management per employee is increased as the employees number increased during the study period. The capital adequacy performance, asset quality management, management efficiency and liquidity position of the banks good during the study period. The banks has to concentrates and should take sufficient steps to strengthen the earning capacity which is not healthy during the study period.

SCOPE FOR FURTHER RESEARCH

- Leverage analysis of DCCBs in India.
- Productivity analysis of DCCBs in India.

JOURNAL REFERENCES:

- Altman, E.I. 1968, "Financial Ratios, Discriminant Analysis and the Prediction of Corporate Bankruptcy". *Journal of Finance*, 189-209.
- Andrew Campbell (2007), "Bank insolvency and the problem of non-performing loans", *Journal of Banking Regulation*, 25-45.
- Beaver, W. H. (1966), "Financial ratios as predictor of failure-empirical research in accounting", *Journal of Accounting Research*, No. 4, 71-111.
- Bhaskaran R and Praful Josh P (2000), "Non Performing Assets (NPAs) in Co-operative Rural Financial System: A major challenge to rural development", *BIRD's Eye View* Dec.2000.
- Chander Ramesh and Chandel Jai Kishan (2010), "Financial Viability of an Apex CooperativeCredit Institution- A Case Study of the HARCO Bank", *Asia-Pacific Business Review* Vol. VI, No.2, April-June 2010, pp 61-70
- Chandra, Buddhadeb (2006), "Performance of Burdwan Central Co-operative Bank i the Development of the District (1988-89 to 1998-99)", *Finance India*, September, 2006.
- Dutta Uttam and Basak Amit (2008), "Appraisal of financial performance of urban cooperative banks- a case study." *The Management Accountant*, case study, March 2008,170-174.
 - Fulbag Singh and Balwinder Singh (2006), "Funds management in the central cooperative banks of Punjab- an analysis of financial margin", *The ICFAI Journal of Management*, Vol. 5, 74-80.
 - Geeta Sharma and Ganesh Kawadia



(2006), "Efficiency of urban co-operative banks of Maharashtra: A DEA Analysis", The ICAFI Journal of Management, Vol. 5, Issue 4.

• Harish Kumar Singla (2008), "Financial performance of banks in India", The ICAFI Journal of Management, Vol. 7, Issue 1.

Jain (2001), "Comparative study of performance of District Central Co-operative Banks (DCCBs) of Western India i.e. Maharashtra, Gujarat & Rajasthan for the year 1999-2000 from the point of view of net profit/loss", NAFSCOB Bulletin, April-June 2001.

TEXT AND BOOKS REFERENCES:

Justin Paul and Padmalatha Suresh (2008), "Management of Banking and Financial Services", Second impression, Dorling Kindersley (India) Pvt. Ltd., PHI, Chapter: 6, 78-116.

Shiang-Tai Liu (2009), "Slacks-based efficiency measures for predicting bank performance", Graduate School of Business and Management, Vanung University, Chung-Li, Taiwan.

Vijay Mavaluri, Pradeep Boppana and Nagarjuna (2006), "Measurement of efficiency of banks in India" University Library of Munich, Germany, MPRA Paper 17350, Aug 2006.

KC Shekhar and Lekshmy Shekhar (2007), 'Banking theory and practice', Nineteenth edition, reprint 2007, Vikas publishing house Pvt. Ltd. (India), Chapter: 16, pp. 356-374.

Ajai S. Gaur (2008), 'Statistical Methods for practice and research; A guide to data analysis using SPSS', Response Books, A division of SAGE Publications, New Delhi.

WEBSITES

- www.rbi.org.in
- www.nafscob.org
- www.nabard.org