



**RESEARCH ARTICLE**

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

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**ABSTRACT**

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Co-operation is a noble ideology and it aims at establishing a just sane and civilized society. It lays the road to peace and abundance of wealth, both material and moral for all the citizens.

The co-operative sector plays a vital role in fulfilling the directive principles and the objectives of the Five Year Plans in India. It seeks to remove the economic inequalities and evils of concentration of income and wealth and thereby prevents the exploitation of the weaker sections by the stronger ones. The co-operative sector has been assigned an imperative role in the development of many sectors. The co-operative sector covers a number of vital areas like agriculture, rural and small scale industries, retail distribution and housing. Since independence, the co-operative sector has made progress especially in the fields of agricultural credit, marketing and processing of agricultural produce, supply of farm inputs and distribution of consumer goods.

The growth of output in any economy depends on increase in the proportion of savings and investments. Economic development involves not only economic change but also social and institutional changes. It is a continuous process

**INTRODUCTION**

The District central co-operative banks are located at the district headquarters or some prominent town of the district. These banks have a few private individuals also who provide both finance and management. The district central co-operative banks start with the aim of meeting the credit requirements of their member societies. DCCBs act as an intermediary between primary societies with the money market. Deposit mobilization, lending

Operations, repayment performance and utilization of funds are the key elements that decide the success of the DCCBs. The central co-operative banks have three sources of funds

- Their own share capital and reserves.
- Deposits from the public
- Loans from the state co-operative banks

## **PROFILE OF BANKS**

The Karimnagar District co-operative Central Bank(KDCCB) with its head quarters at Karimnagar was established in the year 1921 affiliated to A.P.State Coop. Bank Ltd., Hyderabad is one of the pioneering institutions in the State of A.P catering to the needs of agriculture credit of the farming community of the Karimnagar district which is considered to be the fast developing district in the state of Andhra Pradesh. The bank provides loan to the farming community in the district for Agricultural production for mainly sugarcane, Groundnut, and paddy crops and development credit for minor irrigation farm mechanization Horticulture, Dairy, Poultry, sericulture etc., weavers through Hand loom and silk weavers credit societies. Apart from Rural development, Bank provides assistance for SHGs, RMGs, SGSY,weavers groups and govt. sponsored schemes.

The bank provides banking services to semi urban and rural Population through its attractive deposit schemes and providing other services like, safe deposit lockers, cash credits, insurance facilities.

## **WDCCB**

Warangal District Cooperative Central Bank (WDCCB) is one of the major banks in Warangal district. It's known as DCCB Warangal. Main reason behind establishment of DCCB District Cooperative Central Bank in every district all over India is to serve the financial needy people in the form of loans. Warangal District Cooperative Central Bank is established with intention of providing complete banking solutions in rural areas all over Warangal district. Warangal District Cooperative Central Bank is playing vital role in giving loans to farmers, middle class families living in rural areas.

## **REVIEW OF LITERATURE**

MukundRao J. (2012), examining the financial performance of Sangli (U.P) D.C.C Bank during the period 2001-2011, did inform on how to evaluate the performance of a bank with short-term liquidity and long-form solvency position as of Sangli DCC Bank. The liquidity position of the bank was analyzed with

the help of current ratio, liquid ratio, cash ratio to analyze the long term solvency, debt-equity ratio, proprietary ratio, solvency ratio,etc. The debt-equality ratio was found to be very high which in turn led to high interest burden to the bank. The solvency ratio and fixed assets, however, seemed to be quite satisfactory.

Gupta & Jain (2012), studied the contribution of co-operative banks with reference to their lending practices, based on successful co-operative banks in Delhi (India) in term of the performance with lending services provided to the customer, who had taken different types of loans from the banks. It was suggested that the bank should adopt latest technology in banking services like ATMs, internet / online banking, credit cards etc.

L. Suryannaryana Reddy & S. Ravi (2013), studying whether the Kadapa District Central Cooperative Bank performed well in term of its loaning business as per the stipulated norms of the Vaidyanadhan committee, found that the banks own fund seemed to be low. The percentage of deposit to the total working capital increased more than two times during the period under review. The loan operations of the bank were also increased but these could not meet the credit needs of all the PAC farmers. The bank made spectacular progress in the recovery of over-dues. Its operational efficiency also increased mani-fold with the introduction of computerization of the Bank PACs.

## **RESEARCH GAP**

The review of literature clearly reveals that no research was previously conducted on the financial performance analysis of Karimnagar and Warangal DCCBs in Telangana, India. Hence the research aims to fill the gap by analyzing the financial performance of both KDCCB and WDCCB in Telangana, India.

## **NEED AND SIGNIFICANCE OF THE STUDY**

The most important function of the Central Cooperative Bank is to provide liaison between the State Cooperatives Bank, on the one hand, and the primary credit societies, on the other, in the District to serve the financial needs and aspirations of each of

the Cooperative Credit Society member in an efficient and productive way. But how far they are doing their job successfully is a big question to be studied. Hence the need of the study and choice of the topic, Performance evaluation of district co-operative central banks in Telangana has been undertaken.

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 selected DCCBs of Telangana 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. Though the study covers Karimnagar and Warangal District Central Cooperative Bank Limited, 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.

### **OBJECTIVES OF THE STUDY**

The following are the objectives of study:

1. To analyze the financial performance of the Karimnagar District co-operative central Bank

and Warangal District Co operative Central Bank by using the CAMELS Framework.

2. To analyze the growth rate in deposits and loans, advances (KRAs) of the banks.
3. To analyze the trends in the share capital of the banks during the study period.

### **SCOPE OF THE STUDY**

The present study aims to evaluate the financial performance of the Karimnagar and Warangal District Central Co-operative Banks Limited. 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.

### **METHODOLOGIES AND DATA COLLECTION**

In the first stage the secondary data will be collected from the annual reports, Schedules of KDCCB, WDCCB, Publications of Reserve Bank of India, NABARD, State level Bankers Committee Reports etc. in addition to this, necessary literature and data is to be collected from the published and unpublished Ph.D thesis on District co-operative central banks, websites of the selected banks, bulletins etc.

### **HYPOTHESES**

The following are the hypotheses of the study

H0: There is the significant relationship between the liquidity positions of the Banks.

H0: There is the significant relationship between the profitability positions of the banks.

H0: There is the significant relationship between the solvency positions of the Banks.

### **PERIOD OF STUDY**

The study covers a period of 10 years ranging from 2005 to 2015.

### **SAMPLE SIZE**

Two banks (Both Karimnagar and Warangal) have been taken into the consideration for the study.

**PROPOSED STATISTICAL TOOLS TO BE APPLIED**

The analysis of banking performance has received a great deal of attention in the banking literature. A popular framework used by regulators is the CAMELS Frame work, which uses some financial ratios to help in evaluating a bank’s performance.

For analyzing the financial Performance of the Banks various financial Ratios, Averages, Compounded growth rate, Standard Deviation will be used, Co-variance, t- test, P test used for the study.

1. The present study is confined to 10 years of secondary data from 2005-06 to 2014-15.
2. Further the study depends mainly on secondary data obtained from the records of the bank both published and unpublished.
3. The researcher has evaluated only the financial performance of the banks. This study is pertinent to Karimnagar and Warangal District Cooperative Central Banks Only.
4. As such the data are taken from the records; the analysis is based on the rendered information from the concerned institutions alone.

**LIMITATIONS OF THE STUDY**

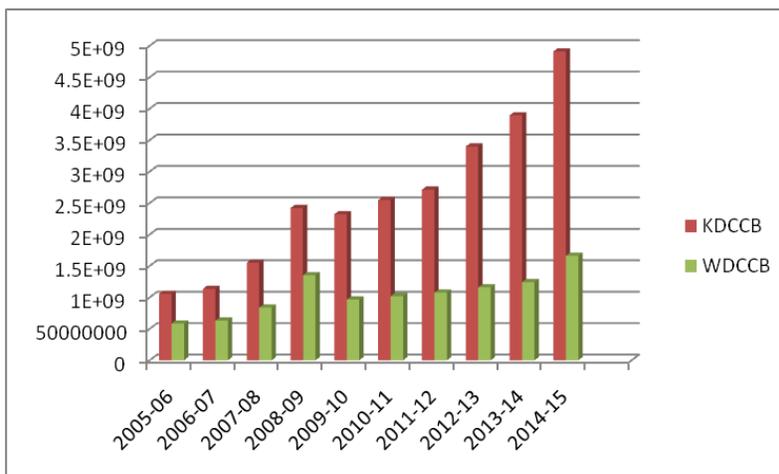
**DATA ANALYSIS AND INTERPRETATION**

**TABLE-1**

YEARS	KDCCB DEPOSITS		WDCCB DEPOSITS	
	AMOUNT	CGR	AMOUNT	CGR
2005-06	1055111115	100%	584211702	100%
2006-07	1135743896	7.64%	631295872	8.06%
2007-08	1551090336	21.25%	837331151	19.72%
2008-09	2420839066	31.89%	1352572072	32.29%
2009-10	2321339853	21.79%	965224617	13.37%
2010-11	2547010249	19.27%	1019843050	11.79%
2011-12	2713036105	15.82%	1075593469	10.71%
2012-13	3398373793	18.19%	1159811898	10.29%
2013-14	3894548984	17.73%	1241401666	9.88%
2014-15	4909944685	18.63%	1661063900	12.31%
<b>MEAN</b>	2594703808.2		1052834939.7	
<b>S.D</b>	1220432346.77449		326566836.45346	
<b>C.V</b>	0.4703		0.3101	

Source of Data: Annual Reports of the Banks

**GRAPH.1**



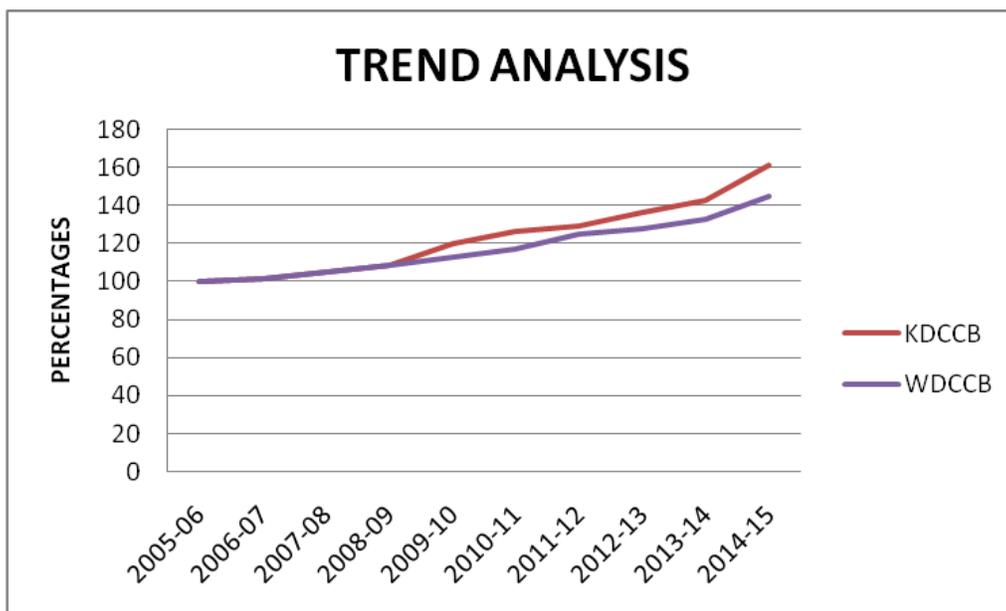
**INTERPRETATION:** The above analysis is revealing that the compounded growth rate is recorded in deposits of KDCCB is more than the growth rate of WDCCB. In the year 2008-2009 CGR is more in both the banks.

**TABLE.2**

YEARS	KDCCB SHARE CAPITAL		WDCCB SHARE CAPITAL	
	AMOUNT	TREND %	AMOUNT	TREND %
2005-06	381129343	100	509851539	100
2006-07	385649338	101.12	518260410	101.64
2007-08	399343665	104.78	535239619	104.98
2008-09	412954581	108.35	552078192	108.28
2009-10	457172012	119.95	574290343	112.63
2010-11	480329299	126.02	598674194	117.42
2011-12	494126597	129.06	636123345	124.77
2012-13	520695374	136.61	652499448	127.98
2013-14	544438218	142.85	677969878	132.97
2014-15	614251123	161.16	738995306	144.94
<b>MEAN</b>	469008955	122.99	599398227.4	117.56
<b>S.D</b>	72816552.90	19.09	71706150.50	14.06
<b>C.V</b>	<b>0.155</b>	0.155	<b>0.119</b>	0.119

Source of Data: Annual Reports of the Banks

GRAPH-2



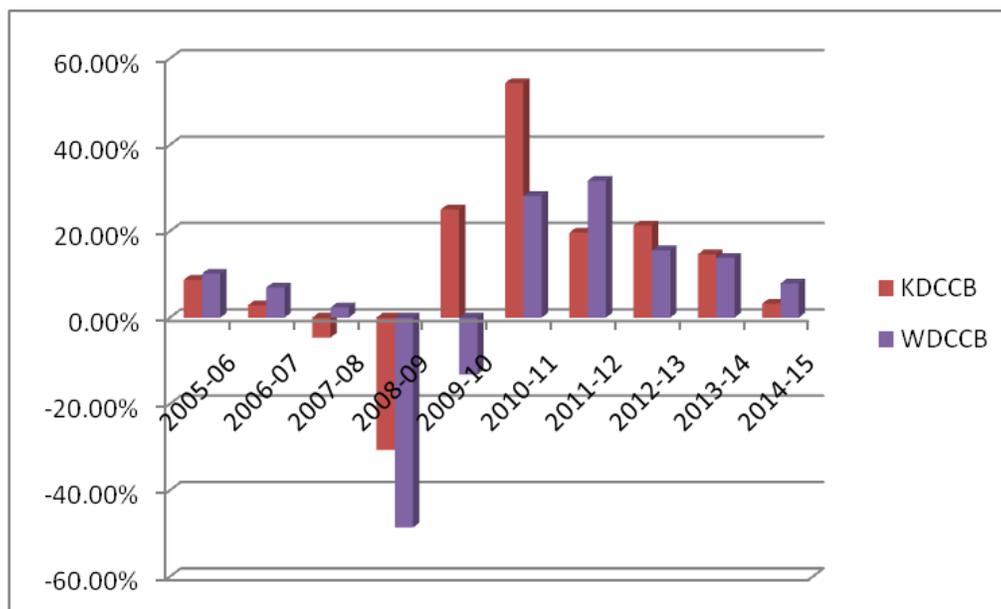
**INTERPRETATION:** From the above table it can be observed that the trend percentage is continuously increased in the share capital of the both banks during the study period. The mean of the KDCCB is more than the WDCCB during the study period.

TABLE – 3

YEARS	KDCCB LOANS & ADVANCES		WDCCB LOANS AND ADVANCES	
	AMOUNT	Growth Rate	AMOUNT	Growth Rate
2005-06	2972647965.01	+8.74%	3042951496.26	+10.16%
2006-07	3057774094.52	+2.86%	3255086839.35	+ 6.97%
2007-08	2916234500.04	-4.62%	3331821238.04	+2.35%
2008-09	2020669469.93	-30.70%	1711994698.34	-48.61%
2009-10	2526487497.32	+25.03%	1486296611.69	-13.18%
2010-11	3898638150.44	+ 54.31%	1905340817.64	+28.19%
2011-12	4665127427.55	+19.66%	2509681801.21	+31.71%
2012-13	5660128716	+21.32%	2900963108.65	+15.59%
2013-14	6489944950	+14.66%	3303267644.81	+13.86%
2014-15	6699286638	+3.22%	3564367204.71	+7.90%
<b>MEAN</b>	4090693940.88		2701177146.07	
<b>S.D</b>	1606835222.87		752278365.94	
<b>C.V</b>	0.39		0.26	

Source of Data: Annual Reports of the Banks

**GRAPH-3**



**INTERPRETATION:** From the above analysis it is found that the growth rate is fluctuated in both the banks loans and advances during the study period. Highest growth rate recorded in the year 2010-11 in KDCCB and in the year 2011-12 in WDCCB.

**TABLE – 4**

**ASSET QUALITY MANAGEMENT**

**TOTAL INVESTMENTS TO TOTAL ASSETS RATIO**

YEARS	KDCCB RATIO	WDCCB RATIO
2005-06	8	12
2006-07	8	12
2007-08	13	13
2008-09	33	30
2009-10	30	38
2010-11	21	30
2011-12	17	26
2012-13	17	26
2013-14	22	27
2014-15	30	31
Mean	19.9	24.5
S.D	8.53	8.60
C.V	0.42	0.35

*Source of Data: Annual Reports of the Banks*

Hypothesis testing (T test)

D.F	P(One –tail)	T (One tail)	P(two tail)	T(two tail)	Result
18	0.134	-1.13	0.269	-1.13	Not Significantly Different

**INTERPRETATION**

The above Table is analyzing the relationship between the total investments and total assets ratio of the both the banks. The mean of the WDCCB is more than the KDCCB. The hypothesis test ( t test) proved that there is no significant difference in Asset Quality Management of both the banks.

**TABLE-5**

**CAPITAL ADEQUACY RATIO**

**DEBT-EQUITY RATIO**

YEARS	KDCCB RATIO	WDCCB RATIO
2005-06	5.07	1.62
2006-07	4.73	1.64
2007-08	2.68	2.05
2008-09	2.19	0.61
2009-10	2.13	0.63
2010-11	4.84	0.73
2011-12	5.62	0.99
2012-13	6.60	1.20
2013-14	5.1	1.67
2014-15	4.6	1.55
Mean	4.356	1.269
S.D	1.434	0.48
C.V	0.32	0.38

Hypothesis testing (t test)

D.F	P(One –tail)	T (One tail)	P(two tail)	T(two tail)	Result
11	0.000038	6.11	0.000077	6.11	Significantly Different

**INTERPRETATION**

The above table showing the long term solvency position of the bank by using the Debt- Equity ratio. The debt equity ratio of the both the banks is satisfactory when compared with the norm of the debt equity ratio which is 1:1 .The statistical test is proving that there is significant difference between the mean results of the banks.

TABLE-6

EARNINGS CAPACITY

RETURN ON EQUITY

YEARS	KDCCB RATIO	WDCCB RATIO
2005-06	-124	-139
2006-07	-150	-131
2007-08	-95	-121
2008-09	26	9
2009-10	6.56	5
2010-11	11.47	9.1
2011-12	7.01	4.9
2012-13	18.8	1.05
2013-14	12.16	4.52
2014-15	15.61	3.5
Mean	-27.14	-35.93
S.D	64.17	62.32
C.V	2.36	1.76

Source of Data: Annual Reports of the Banks

Hypothesis testing (t test)

D.F	P(One –tail)	T (One tail)	P(two tail)	T(two tail)	Result
18	0.3913	0.28	0.7826	0.28	Not Significantly Different

INTERPRETATION

The above table revealing that performance of the both the banks are not satisfactory from the Earinig capacity point of view. The mean of the both the banks are negative only due to the negative ratios in the years 2005-2007.The hypothesis test indicating that there is no significant difference between the earning capacities of the banks.

**TABLE-7**

**LIQUIDITY RATIO**

**CURRENT RATIO**

<b>YEARS</b>	<b>KDCCB RATIO</b>	<b>WDCCB RATIO</b>
2005-06	1.88	31.59
2006-07	1.89	12.3
2007-08	2.64	26.58
2008-09	5.14	5.44
2009-10	15.09	7.7
2010-11	2.2	5.35
2011-12	1.9	16.6
2012-13	3.8	15.5
2013-14	9.3	26.47
2014-15	16.6	13.02
Mean	6.044	16.055
S.D	5.36	8.84
C.V	0.88	0.55

Hypothesis testing (t test) (Assuming unequal variance)

D.F	P(One –tail)	T (One tail)	P(two tail)	T(two tail)	Result
15	0.00549	-2.9	0.010995	-2.9	Significantly Different

**INTERPRETATION**

From the above table it can be analyzed that the current ratio of the both the banks are more than the standard current ratio i.e.2:1 .specially the current ratio of the WDCCB is more than the ratio of KDCCB. The t test revealing that there is a significant difference between the liquidity position of the banks.

**TABLE-8**

**MANAGEMENT EFFICIENCY**

**CREDIT DEPOSIT RATIO**

<b>YEARS</b>	<b>KDCCB RATIO</b>	<b>WDCCB RATIO</b>
2005-06	2.8	5.20
2006-07	2.69	5.15
2007-08	1.88	5.27
2008-09	.83	1.26

2009-10	1.08	1.53
2010-11	1.53	1.86
2011-12	1.72	2.33
2012-13	1.66	2.50
2013-14	1.66	2.66
2014-15	1.36	2.14
Mean	1.721	2.99
S.D	0.59	1.51
C.V	0.344	0.50

Hypothesis testing (t test)(Assuming unequal variance)

D.F	P(One –tail)	T (One tail)	P(two tail)	T(two tail)	Result
12	0.0183	-2.35	0.0367	-2.35	Significantly Different

### INTERPRETATION

The above table revealing that the both the banks are maintaining the very low ratio .The co efficient of variation (CV) of WDCCB is more than the CV of KDCCB. The hypothesis test revealed that there is significant difference between the Management efficiency of the both banks.

### CONCLUSION

The growth rate in deposits of the both the banks are increased during the study period. The share capital of the both the banks are increased during the study period the trend percentage in the share capital of the WDCCB is low compared to the KDCCB.Growth rate in Loans and Advances decreased during the study period in the both banks. Liquidity position of the banks during the study

period is satisfactory. Banks maintained the low credit deposit ratio during the study period. The return on equity of the both banks is negative during the study period. Solvency Position of the banks is satisfactory during the study period. The asset quality management efficiency of the banks is positive during the study period.

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