

Recital Appraisal of Short Term Co-operatives in India.

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Abstract

Cooperative banks/credit institutions constitute the second segment of Indian banking system. Cooperative banks have an impressive network of outlets for institutional credit in India, particularly in rural India. The financial situation of co-operative banks in India cannot be claimed sound at present. Many banks became insolvent and others are on the verge of mergers or acquisition. Though considering these facts, probing into the recitation aspects of these institutions becomes significant. This paper, therefore, makes it is tried to investigate the financial and operational evaluation of Short Term Co-operatives in India, in terms of Cost of Management, C.D.Ratio, Owned Funds, Borrowings, Deposits, Investments.

Key words: Short term Co-operatives, Cost of Management, C.D Ratio, Owned Funds, Borrowings, Deposits, Investments.

1. Introduction

A short term Co-operatives is a pecuniary creature which belongs to its members, who are at the same time the owners and the customers. Co-operative banks are frequently created by persons belong to the same confined or professional community or sharing a common leisure activity. Co-operative banks generally afford their members with a wide range of banking and financial assistance (loans, deposits, banking accounts etc.). Co-operative banks diverge from stockholder banks by their organization, their goals, and their standards. In most countries, they are supervised and controlled by banking authorities and have to respect prudential banking regulations, which put them at a level playing field with stockholder banks. Depending on countries, this control and supervision can be implemented directly by state entities or delegated to a co-operative federation or central body. Co-operative banking is retail and commercial banking structured on a co-operative basis. Co-operative banking institutions accepting deposits and lend money in most parts of the globe. Cooperative banking includes retail banking, as carried out by credit alliance, mutual savings and loan associations, building societies and co-operative federations to cooperative businesses.

2. Review of Literature

Various earlier studies conducted and numerous suggestions were sought to bring effectiveness in the working and operations of financial institutions. **Sathye, Namasivayam (2006)** examined the working performance of the Madurai District Central Co-operative Bank Ltd. The performance had been quite impressive in terms of deposit mobilization and credit deployment. **Perevalov, Gimadij and Dobrodie, (2000)** studied performance and efficiency measures, among others, are used

in the literature and also by the Indian Banks' Association and RBI. **Urs and Chitambaram (2000)** studied performance of 14 District Central Cooperative Banks (DCCBs) in Kerala on 23 parameters and found inefficiency in their operations with lower capital and poor deployment of funds in the DCCBs. **Dayanandan and Shashikumar(1999)** undertook comparative analysis of DCBs in Kerala with the national level performance and revealed that the state level performance was behind the national level performance as regard to membership, own funds, borrowing loans advanced etc., whereas deposits were slightly higher than the national level performance. But as long as there was no considerable decrease in rate of total loans overdue, profitability of the bank cannot be improved. **Revell(1980)** uses interest margin as a performance measure for U.S. commercial banks. He defines interest margin as the difference between interest income and expense divided by total assets. **C.R.Reddy**, has conducted a survey on "Working of the Primary cooperative agricultural Development Banks. He expressed the view that linking of credit with marketing of crops is an essential ingredient in supervision and follow up action. It safeguards against overdue.

3. Objective of the Study

1. To examine the growth of Short Term Co-operatives in India through selective indicators
2. To analyze the Deposits, Credits and C/D Ratios of Short Term Co-operatives.
3. To study the growth of investment by Short Term Co-operatives in India.
4. To understand the Working Capital and Cost of Management position in Short Term Co-operatives in India.

4. Methodology of the Study

Methodology describes the research route to be followed, the instruments to be used, universe and sample of the study for the data to be collected, the tools of analysis used and pattern of deducing conclusion.

5. Sample of the Study

This paper is an attempt to study the financial performance of the Rural Co-operatives. These banks were purposely selected for the study, keeping in view their role and involvement in shaping the economic condition, especially in terms of Number of banks, Branch offices, Membership, Employees, Deposits, Credits, CD Ratios, Working Capital, Cost of Management and Investments.

6. Limitations of the Study

The present paper studies only the average performance of the Rural Co-operatives in India. However, the results may not be proved similar in case of individual bank's study. The present study considers the performance of Rural Co-operatives only 09 years' period from 2009-10 to 2017-18

7. Data in Tools

The present study is mainly based on secondary sources drawn from National Federation of State Cooperative Banks Ltd (NFSCOB) reports, RBI bulletin and other web sites, papers, books and journals relating to Co-operative banking sector. Data were collected for period of nine years from 2009-10 to 2017-18. For analysis of the data, various statistical tools (Mean, S.D, C.V, Trend analysis) has been used to arrive at conclusion in a scientific way

8. Analysis of the Study

The establishment of Primary Agricultural Credit Societies (PACS) at the base level, District Central Cooperative Banks (DCCB) at the intermediate level and State Cooperative Banks (SCB) at the apex level. These banks to serve as ultimate credit disbursing outlets, viz., The details of growth of Short Term Co-operatives in India are depicted in table no-1.

Table No:1 GROWTH OF SHORT TERM CO-OPERATIVES IN INDIA

Year	PACs		DCCBs		SCBs	
	Nos.	Total Membership (₹in Lakhs)	Nos	Total Membership (₹in Lakhs)	Nos	Total Membership (₹in Lakhs)
2009-10	94,647	126,419	372	3,976,000	31	331,000
2010-11	93,413	121,225	371	3,146,000	31	235,000
2011-12	92,432	113,596	371	3,659,000	31	254,000
2012-13	93,488	127,468	372	3,915,657	31	339,896
2013-14	93,042	130,120	372	3,563,497	31	338,455
2014-15	92,789	121,088	371	3,048,765	31	555,479
2015-16	93,367	127,322	371	3,208,720	32	600,278
2016-17	95,595	131,235	363	3,233,864	32	843,212
2017-18	95,238	130,547	363	3,042,226	32	676,006
Mean	93779	125447	370	3,421,525	31	463703
S.D	1113	5779	4	365273	1	212450
C.V	1.19	4.61	1.01	10.68	1.60	45.82

Source: *Report on NAFSCOB, 2009-10 to 2017-18.*

The above table - 1 reveals that, the growth of Short Term Co-operatives in terms of number of banks, and Membership. PACs have negative growth from 2009-10 to 2014-15 (i.e., 94,647 to 92,789) and further increased from 2015-16 to 2017-18. Similarly, Total Membership of DCCBs is not encouraging, the membership amount has declined from ` 39,76,000 as at 2009-10 to ` 3,042,226 lakhs by the end of 2017-18. Co-efficient of Variations of SCBs is more as compared to Co-efficient of Variations of PACs and DCCBs.

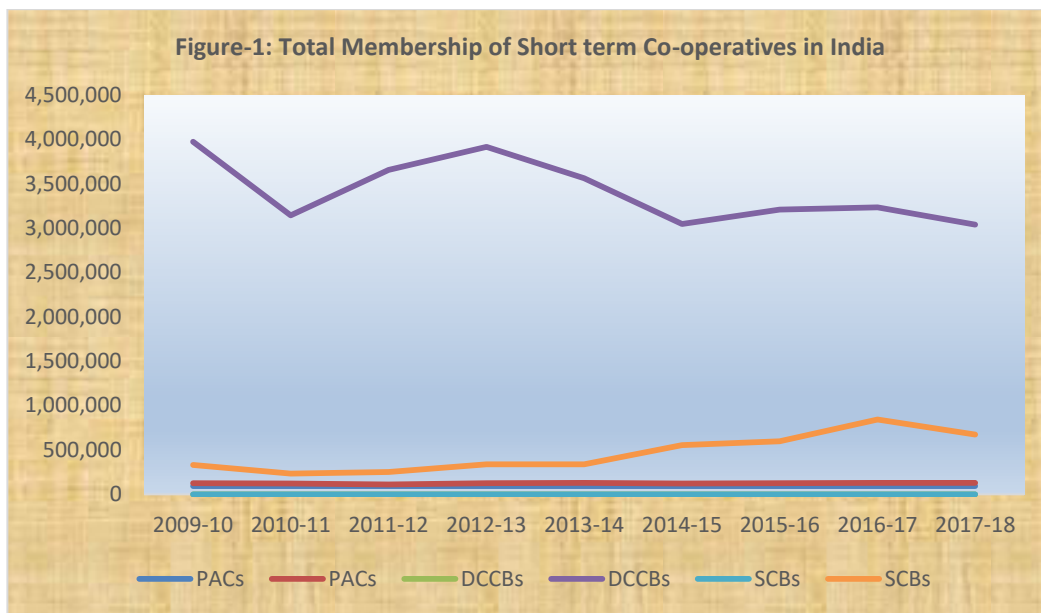


Table No: 2 TREND OF OWNED FUNDS (CAPITAL & RESERVES) AND BORROWINGS OF SHORT TERM CO-OPERATIVES IN INDIA

Year	PACs		DCCBs		SCBs	
	Owned Fund (₹ in Lakhs)	Borrowings (₹ in Lakhs)	Owned Fund (₹ in Lakhs)	Borrowings (₹ in Lakhs)	Owned Fund (₹ in Lakhs)	Borrowings (₹ in Lakhs)
2009-10	1,247,863	5,176,390	2,790,949	3,035,483	1,039,239	2,363,252
2010-11	1,445,513	5,400,010	2,794,970	3,910,116	1,162,543	3,260,686
2011-12	1,599,587	8,883,557	3,110,926	5,048,131	1,317,526	4,271,362
2012-13	1,851,626	9,335,916	3,328,992	6,173,116	1,319,170	4,926,999
2013-14	1,892,430	9,583,580	3,546,487	6,722,889	1,447,897	6,049,371
2014-15	2,167,487	9,998,011	4,222,218	7,379,366	1,640,319	6,855,157
2015-16	2,444,318	11,269,029	4,472,071	7,760,608	1,747,691	6,735,763
2016-17	3,298,187	12,483,095	4,814,089	8,482,033	1,731,263	7,543,301
2017-18	3,094,170	12,833,322	5,122,877	8,591,798	1,858,148	7,122,406
Mean	2115687	9440323	3800398	6344838	1473755	5458700
S.D	711916	2721965	880166	1981939	285369	1842176
C.V	33.6	28.8	23.2	31.2	19.4	33.7

Source: Report on NAFSCOB, 2009-10 to 2017-18.

The above table analyzed the funds of Short Term Co-operatives and their trend in terms of Owned Fund (Capital plus Reserves) and Borrowings. PACs Owned Fund is ₹ 12,47,863 lakhs in 2009-10, it has been gradually increased and reached ₹ 3,094,170 lakhs in 2017-18 with a Deviation of 711916. In case of Borrowings of PAC, ₹ 51,76,390 lakhs in 2009-10 where as in 2017-18 it was recorded 12,833,322 lakhs with C.V of 28.80. The Average growth of Borrowings of DCCBs and SCBs more are less similar of 6344838 and 5458700. When compare to C.V of Owned fund of DCCBs (23.2) and SCBs (19.4) is less as compare to PACs (33.6).

Figure - 2 Trend of Owned Funds and Borrowings

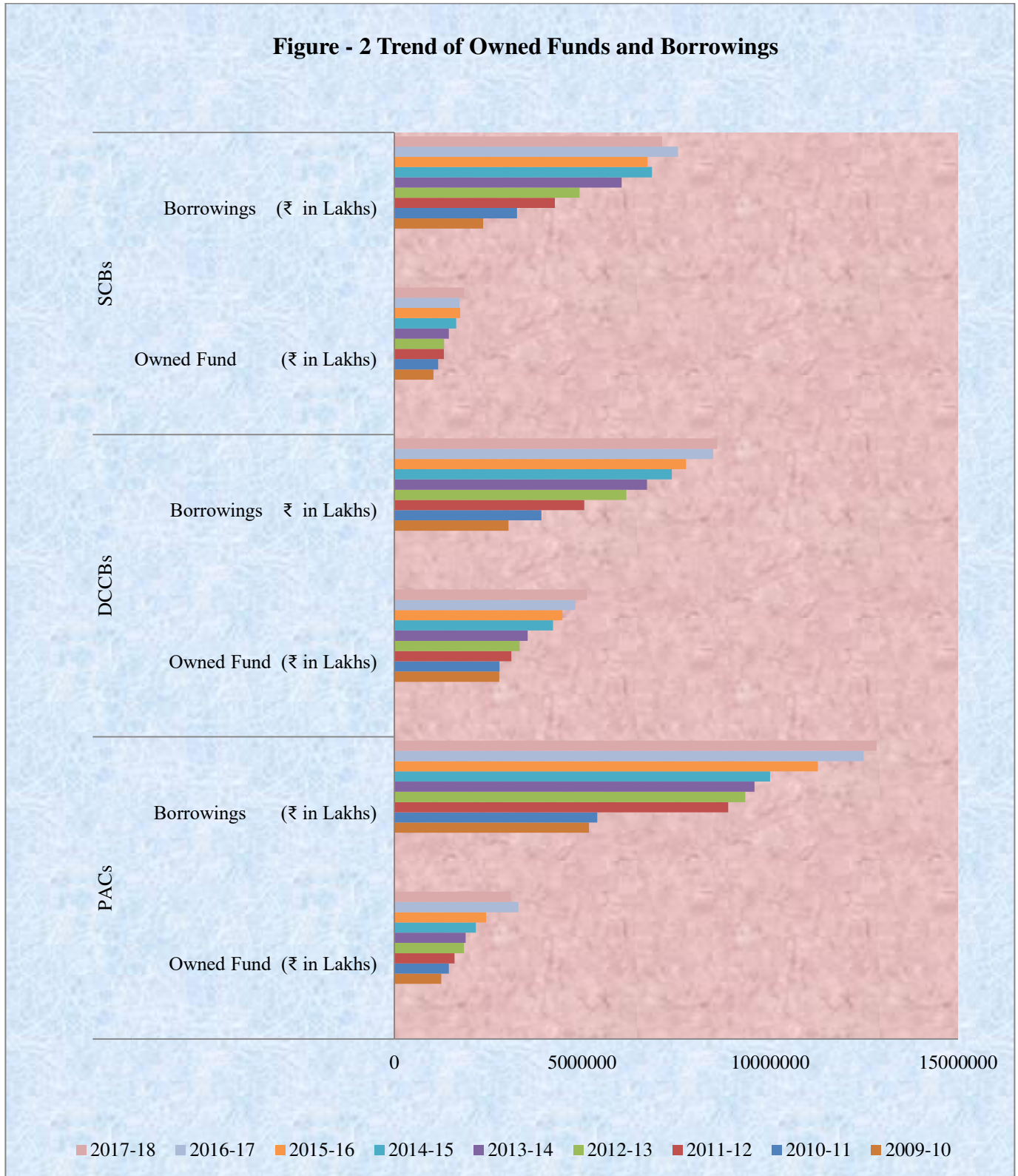


TABLE NO.3 DEPOSITS, CREDITS AND CD RATIOS OF SHORTS TERM CO-OPERATIVES IN INDIA (`IN LAKHS)

Year	PACs			DCCBs			SCBs		
	Deposits (` in Lakhs)	Loans Outstanding (` in Lakhs)	C.D. Ratio	Deposits (` in Lakhs)	Loans Outstanding (` in Lakhs)	C.D. Ratio	Deposits (` in Lakhs)	Loans Outstanding (` in Lakhs)	C.D. Ratio
2009-10	3,528,607	7,647,983	216.74	14,630,314	10,499,715	71.77	8,483,773	4,910,353	57.88
2010-11	3,723,816	8,776,794	235.69	16,130,882	12,279,548	76.12	8,166,424	6,508,182	79.69
2011-12	5,025,279	9,124,321	181.57	17,682,238	14,476,115	81.87	8,665,296	7,563,187	87.28
2012-13	6,711,310	13,939,871	207.71	19,572,643	17,151,279	87.63	8,990,513	8,099,419	90.09
2013-14	8,189,491	13,005,386	158.81	21,566,170	18,314,394	84.92	10,197,026	9,905,688	97.14
2014-15	8,461,633	14,722,557	173.99	25,111,552	20,720,549	82.51	10,079,138	11,112,479	110.25
2015-16	10,106,548	15,848,725	156.82	28,260,931	22,790,186	80.64	10,492,165	11,830,714	112.76
2016-17	11,588,420	17,045,925	147.09	31,185,774	24,444,587	78.38	12,168,852	12,284,182	100.95
2017-18	11,963,233	16,962,968	141.79	34,073,787	26,019,789	76.36	12,060,424	12,710,714	105.39
Mean	7699815	13008281	180	23134921	26019789	80	9922623	9436102	93
S.D	3186854	3632153	33	6900412	5430945	5	1485098	2782742	17
C.V	41.4	27.9	18.4	29.8	20.9	6.1	15.0	29.5	18.4

Source: Report on NAFSCOB, 2009-10 to 2017-18.

The above table has been depicted that, the Deposits of DCCBs are registered `14,630,314lakhs in 2009-10 it has been increased to `34,073,787lakhs in 2017-18. And the average deposits mobilized by SCBbank is 9922623 is more are compare to PAC and DCCBs. Whereas average credit deployment of SCBs is`9922623lakhs was registered high as compare to PAC and DCCBs during the study period.The proportion of the Credit deployed to the deposit mobilized, popularly known as C/D Ratio, is one of the Parameter to assess the performance of a bank. The C/D Ratio of a bank in general, indicates the extent to which the depositor’s money is invested in credit. The Credit Deposit Ratio of SCBs is increased from 57.88 at end of 2009-10 to105.39 by the end of 2017-18. The highest C/D Ratio of the PACs estimated(235.69) in 2011-12, the lowest C/D Ratio 57.88 is recorded in the year 2009-10 by SCBs. The S.D of DCCBs is 5 which are very less as compare to others; it indicates the DCCBs have maintained high degree of uniformity and homogeneity.

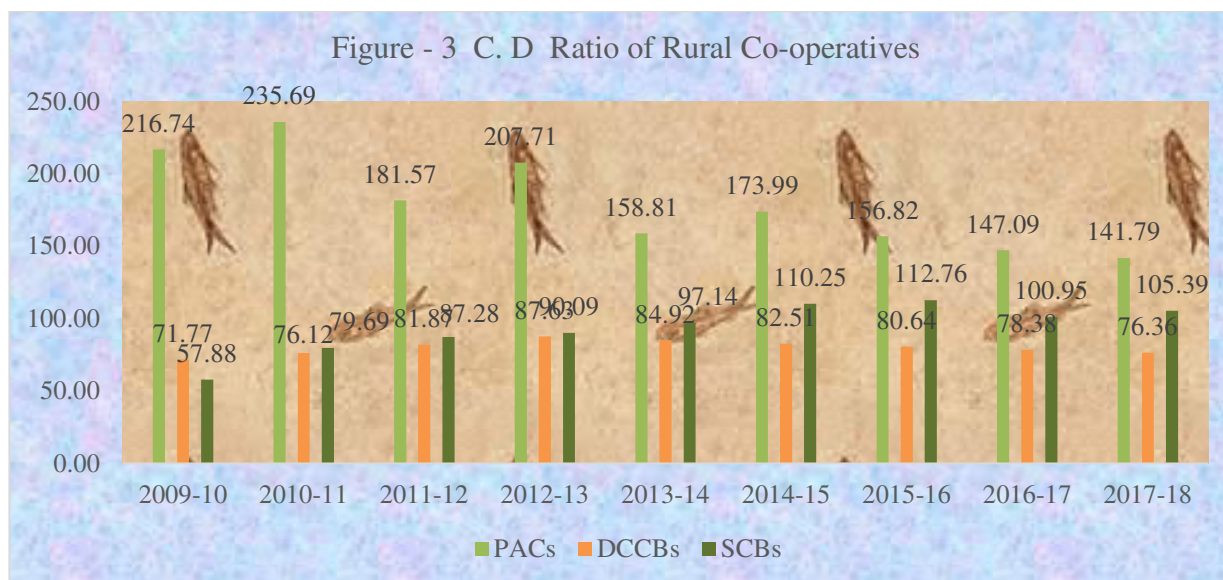


TABLE NO: 4 COST OF MANAGEMENT PER EMPLOYEE AND PERCENTAGE OF COST OF MANAGEMENT TO WORKING CAPITAL

BANKS	VARIABLES	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
DCCBs	Working Capital (in Lakhs)	20728123	23543070	25730623	28802124	31865124	37709800	40609300	45521300	48321000
	Cost of Management (in Lakhs)	440404	530745	586488	737496	805502	975800	1013600	1037700	1214500
	No. of Employees	88028	87928	85996	85611	84497	83347	83751	83159	82939
	Cost of Management Per employee	5	6.04	6.82	8.61	9.53	11.71	12.1	12.48	14.64
	Cost of Management to Working Capital (%)	2.12	2.25	2.28	2.56	2.53	2.59	2.5	2.28	2.51
SCBs	Working Capital (in Lakhs)	122057	130671	147989	142729	183499	195108	198673	220858	215786
	Cost of Management (in Lakhs)	989000	1196000	1455000	1660000	2109000	2223000	2148000	2187000	2209000
	No. of Employees	13781	13461	13288	12027	13233	12669	12900	12824	12654
	Cost of Management Per employee	71.77	88.85	109.5	138.02	159.37	175.47	166.51	170.54	174.57
	Cost of Management to Working Capital (%)	0.81	0.92	0.98	1.16	1.15	1.14	1.08	0.99	1.02

Source: Report on NAFSCOB, 2009-10 to 2017-18.

Cost of Management of Co-operative Banks includes salaries and other operating expenses. It is a parameter of the bank to measure the efficiency, the cost of management per employee decreases it is good sign, the bank is utilizing its resources effectively. If it is increases, we can say that the bank is not properly utilizing its resources and the performance that bank not good. The Cost of management of SCBs is shown in above table and revealed that the cost management per employee has been increasing constantly year by year from ` 71.77 lakhs (2009-10) to ` 174.57 lakhs (2017-18). The cost of management to working capital of DCCBs is more fluctuating form 2.12% to 2.51% during the study period as compare to SCBs. (0.81% to 1.02%)

Table No: 5 GROWTH OF INVESTMENTS BY SHORT TERM CO-OPERATIVES IN INDIA (`IN LAKHS)

Year	DCCBs		SCBs	
	Total Investment ` in Lakhs)	% of Growth	Total Investment `` in Lakhs)	% of Growth
2009-10	75418	100	50321	100
2010-11	82976	110.02	48604	96.59
2011-12	91133	109.83	50253	103.39
2012-13	94051	103.2	52808	105.08
2013-14	109113	116.01	61190	115.87
2014-15	124119	113.75	56930	93.04
2015-16	141117	113.69	54922	96.47
2016-17	158666	112.44	66482	121.05
2017-18	168379	106.12	59632	89.7
Mean	116108		55682.44	
S.D	33811.36		5929.67	
C.V	29.1		10.6	

Source: *Report on NAFSCOB, 2009-10 to 2013-14.*

The DCCBs and SCBs have been investing its funds in different investment avenues. The details of investment by DCCBs are investment in Govt Securities, Other trustee securities, purchasing the Debentures of Land Development Banks, fixed deposits and other investments. The table- 5 depicted growth pattern of investment by DCCBs, the investment in 2009-10 is ` 75,418 lakhs and it has been increased year by year and recorded `1,68,379 lakhs in the year 2017-18 with a average of `116108. The C.V is 29.1 which is higher as compare to SCBs under study period.

9. Conclusion

The financial performance of the Rural Co-operative banks in India is analyzed using different statistical techniques. From the above analysis, it is concluded that the growth of DCCBs membership have registered high as compared to PACs and SCBs. The owned funds, and borrowings of DCCBs, PACs and SCBs are showing increased almost during the study period, with a nominal percentage of variation. DCCBs and SCBs have been maintaining on an average C/D ratio of 80 and 93 respectively. The cost of management per employee of SCBs has been increasing during the study period due to decrease in number of employees, the SCBs have to concentrate on cost of management. The DCCBs have been showing maximum growth in investment. Finally, it suggested that government should formulate specific policies and they should be implemented for the boost up of Short Term Cooperative Banks in India.

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