

A Comparative Study of District Central Co-Operative Banks in India

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Abstract

Financial institutions like co-operative banks perform important role in the economic development of a country by mobilising rural deposits and lending these deposits in the form of loans and advances. There is Three Tier structure of the institutions providing short and medium term credit to farmers. The apex body, namely State Co-operative Bank disburses agricultural credit to District Central Co-operative Banks. The District Central Co-operative Banks play a major role in the disbursement of credit to PACS and PACS lend agricultural credit to cultivator members. Thus District Central Co-operative Banks works as a linkage between State Co-operative Bank and Primary Agricultural Credit Societies. These banks occupy a middle level position in the three tier co-operative credit structure of the country. Short-term or crop loan is for 12 to 15 months duration without collateral security and medium term loans repayable within 3 to 5 years.

The Co-operative Societies Act, 1912 encouraged for the organisation of central co-operative banks throughout the whole country. The central co-operative bank works at the district level through its branches. The first full fledged DCB as per the provisions in 1912 Act was started in Jabalpur District. These banks finance, supervise, and control the affiliated PACS and raise deposits from members and non-members. Generally, the area of operation of a DCB is limited to one district.

The United Nations General Assembly highlighted the need of promoting appropriate policies for the awareness of growth of these institutions. But due to high overdues, inadequacy of funds and lack of capability to mobilize resources most of the DCCBs today are not financially viable. Therefore, this paper studies the comparative growth of DCCBs in India.

KEYWORDS: State Co-operative Bank (SCB), District Central Co-operative Bank (DCCB), Primary Agricultural Credit Society (PACS), National Federation of State Cooperative Banks Ltd. (NAFSCOB), Credit Deposit Ratio, Own Capital, Overdues, Reserves etc

INTRODUCTION:

Agriculture is the backbone of Indian economy and cheap credit is the life blood of agriculture in India. Co-operative institutions have been playing a vital role in providing credit to agriculture in India. Agriculture requires credit of short-term, medium-term and long-term duration.

There is Three Tier structure of co-operative institutions providing short and medium term credit to farmers. The apex body, namely State Co-operative Bank lends agricultural credit to District Central Co-operative Banks. The District Central Co-

operative Banks play a major role in the disbursement of credit to PACS and PACS provide agricultural credit to cultivator members.

Thus District Central Co-operative Banks works as a linkage between State Co-operative Bank and Primary Agricultural Credit Societies. These banks occupy a middle level position in the three tier co-operative credit structure of the country.

The Green Revolution (1959) characterized by a greater use of inputs like fertilizers, seeds and other inputs, increased credit requirements which were to be provided by the co-operative financial institutions. The success of the Second Green Revolution also needs timely, cheap and sufficient institutional finance. For achieving this purpose cooperative credit institutions should be more efficient.

SCOPE OF THE STUDY:-

In this study an attempt is done to analyze the performance of DCCBs in India regarding membership, no. of offices, capital, deposits, advances, reserves, overdues etc. for a period of ten years from 2002-03 to 2011-12. The comparison is made at all India as well as state level.

OBJECTIVES OF THE STUDY:-

Following are the objectives of this study:-

- Explain the evolution of DCCBs in India.
- Compare the progress of DCCBs in India.
- Make a detailed explanation of progress indicators of DCCBs.
- Calculate growth rate and credit deposit ratio.
- Suggest measures based on findings and observations.

STATEMENTS OF HYPOTHESIS:-

Following are the statements of hypothesis-

- There is steady increase in numbers, membership and offices of DCCBs in India.
- Credit Deposit Ratio of DCCBs in India is improving continuously.
- DCCBs succeeded in lowering overdues.

METHODOLOGY:-

This study is entirely based on secondary sources of data collected from the websites of Govt. of India, Govt. Economic Surveys, RBI, NABARD, and NAFCOB etc. The statistical information is compiled for the convenience of the study. While compiling the data certain statistical tools such as percentages, growth rate and credit-deposit ratio have been added. For analysing the trends and pattern, 10 years data is collected.

i) **India Position of DCCBs:-**The following table consists number of DCC banks and their offices including head offices with growth rate.

Table No.1-All India Position of DCCBs

Year	No. of DCCBs	Growth (%)	No of Offices	Growth (%)
2002-03	366	---	12956	----
2003-04	368	+0.54	12933	+0.25
2004-05	368	0.00	12858	-0.57
2005-06	370	+0.54	12991	+1.03
2006-07	371	+0.27	12928	-0.54
2007-08	372	+0.26	13151	+1.72
2008-09	373	+0.26	13233	-0.62
2009-10	372	-0.26	13181	-0.39

2010-11	371	-0.26	13327	-1.10
2011-12	371	0.00	13495	+1.26

Source: Compiled from <http://www.nafscob.org>- DCCB Data-2011-12.

The table no. 1 explains the number of DCCBs and their offices including head office for the period of 2002-03 to 2011-12. The number of DCCBs is slightly fluctuating. Further it is observed that in terms of percentage it has decreased from 0.52% to 0.26%. Similarly, the growth of number of offices was also fluctuating and the growth rate was less than 2%. The number of DCCBs remained changing between 366 to 373. The offices of these banks were 12956 in 2002-03 and increased to 13945 in 2011-12. This growth rate was 9.95% over ten years.

ii) Membership: - Membership of DCC banks includes co-operative societies and individuals. With the growth rate, the percentage of co-operative societies and individuals to total membership is shown in table no.-2.

Table No.2-Membership of DCCBs in India

Year	Co-operative Societies	Individual	Total	Growth (%)
2002-03	415686 (21.25%)	1768045 (78.25%)	2183731 (100.0%)	----
2003-04	457856 (21.30%)	1691215 (78.70%)	2149071 (100.0%)	+1.59
2004-05	473010 (22.04%)	1672866 (77.96%)	2145876 (100.0%)	-0.14
2005-06	474758 (20.93%)	1793092 (79.07%)	2267850 (100.0%)	+5.68
2006-07	469246 (14.37%)	2795630 (85.63%)	3264849 (100.0%)	+43.96
2007-08	471031 (12.74%)	2925850 (87.26%)	3396881 (100.0%)	+4.05
2008-09	697346 (19.76%)	2831456 (80.24%)	3528802 (100.0%)	+3.88
2009-10	972436 (23.20%)	3002036 (76.80%)	3975660 (100.0%)	+12.66
2010-11	630451 (20.03%)	2515619 (79.97%)	3146070 (100.0%)	-20.87
2011-12	80500 (2.20%)	2854385 (97.80%)	3659385 (100.0%)	+16.32

Source: - Compiled from <http://www.nafcob.org>- DCCB Data-2011-12

* Figures in brackets show percentage to total.

The table no.2 shows all India position of membership of DCCBs. The members of DCCBs include Co-operative Societies and Individuals. In the total members percentage of individual members was greater than co-operative societies. In 2004-05 415686 co-operative societies were members of DCCBs and decreased to 80500 in 2011-12. In terms of percentage the decline was from 21.25% to 2.20%. Merger of non-viable PACS in viable PACS was the major cause of this decline. Contrary, during the study period one can observe that the individual membership has steadily increased from 1768045 to 2854385. In terms of percentage individual membership increased from 78.25% to 97.80%. This trend indicates that more and more individuals are doing transactions with DCCBs. This table also reveals that total membership declined in the year 2004-05 by 0.14% but the growth rate was highest in 2006-07 by 43.96%. The year 2009-10 indicates highest total membership of 3975660.

iii) State-wise Comparison of DCCBs Membership:-

Table No.3-State-wise Comparison of DCCBs' Membership
(During 2011-12, As on 31st March)

Sr.No.	State	Membership	No. of Offices
1.	Andhra Pradesh	1078579	567
2.	Jammu & Kashmir	778205	175
3.	Bihar	324179	311
4.	Punjab	286426	770
5.	Uttar Pradesh	260583	1384
6.	Madhya Pradesh	231352	860
7.	Orissa	172824	333
8.	Maharashtra	125761	3737
9.	Rajasthan	111196	442
10.	Karnataka	86122	596
11.	Chhattisgarh	56974	232
12.	Haryana	37761	616
13.	Gujarat	36913	1203
14.	West Bengal	36834	284
15.	Tamil Nadu	16252	737
16.	Kerala	8841	700
17.	Jharkhand	5476	120
18.	Himachal Pradesh	2789	202
19.	Uttarakhand	2318	226
Total		3659385	13495

Source- Compiled from <http://www.nafcob.org-DCCB Data-2011-12>

Table No.3 indicates state-wise comparison of DCCBs' Membership and number of offices during 2011-12. DCCBs in Andhra Pradesh belonged the highest members of 1078579 among the states shown in this table. Contrary, DCCBs in Uttarakhand were having the lowest members equal to 2318 only. During 2011-12, there were 125761 members and 3737 offices of DCCBs in Maharashtra. The membership and number of offices of DCCBs in ever discussed state of Gujarat were 36913 and 1203 accordingly. In terms of membership of DCCBs the state ranking was as, Andhra Pradesh first, Maharashtra eighth and Gujarat thirteenth. However, regarding number of offices Maharashtra was first, Uttar Pradesh second, Gujarat third and Andhra Pradesh tenth.

iv) Deposits and Loans of DCCBs:-

An increase in the credit deposit ratio improves the profitability vice versa decrease in the credit deposit ratio lowers profitability. DCCBs collect deposits from member and non-member public and institutions and use these deposit for lending short and medium term advances to member PACS. The improvement in credit-deposit ratio reveals more efficient use of funds collected in the form of deposits. In the following table credit-deposit ratio is calculated for this purpose. Credit deposit ratio above 50% is considered as good for the health of the financial institution.

Table No.4-Deposits, Loans and Credit Deposit Ratio of DCCBs in India
(Deposits and loans in Rs. Lakh)

Year	Deposits (1)	Total Loans Issued (2)	C/ D Ratio (2/1*100)
2002-03	7239443	4977550	68.75

2003-04	7688452	4849970	63.08
2004-05	8089350	5521241	68.25
2005-06	8665222	6041849	69.72
2006-07	9218136	7670381	83.20
2007-08	10599372	8722909	82.29
2008-09	12372142	8002869	64.68
2009-10	14630314	11052929	75.54
2010-11	16130882	13775717	85.39
2011-12	17682238	16255432	91.93

Source- Compiled from <http://www.nafcob.org>- PACS Data-2011-12

Table No.4 shows the total deposits, total loans issued and credit deposit ratio. The deposits collected during the study period showed steadily increasing trends. In 2003-04 total deposits were of Rs. 7239443 and increased to Rs.17682238 in 2011-12. As shown in the table, there was also an increasing trend in loans issued except in the year 2003-04. The credit deposit ratio was 91.93% means highest in 2011-12 and lowest means 63.08% in 2003-04. Though this ratio was the lowest but it was 63.08% i.e. more than 50%.

V) State-wise Credit Deposit Ratio:- State-wise credit deposit ratio is useful in comparing efficiency of DCCBs in concerned state.

Table No.5-State-wise Comparison of C/D Ratio- (During 2011-12)
(As on 31st March-Deposits & Loans in Rs. Lakh)

Sr.No.	State	Total Deposits (1)	Total Loans Issued (2)	C/D Ratio (2/1*100)
1.	Maharashtra	4867429	3169819	65.12
2.	Kerala	2052453	1843112	89.80
3.	Jammu & Kashmir	1583347	19975	1.26
4.	Tamil Nadu	1478559	2253557	152.41
5.	Gujarat	1401876	922187	65.78
6.	Madhya Pradesh	889188	1108191	124.62
7.	Karnataka	827970	992941	119.92
8.	Punjab	810072	1139477	140.66
9.	Rajasthan	691810	839742	121.38
10.	Himachal Pradesh	566269	126227	22.29
11.	West Bengal	547101	267001	48.80
12.	Haryana	533122	802857	150.59
13.	Andhra Pradesh	448601	940551	209.66
14.	Orissa	433649	494580	114.05
15.	Uttarakhand	392257	203081	51.77
16.	Chhattisgarh	332035	229460	69.10
17.	Bihar	115486	39109	33.86
18.	Jharkhand	54835	1920	3.50
19. .	Uttar Pradesh	1081179	861745	79.70
Total		17682238	16255432	91.93

Source- Compiled from <http://www.nafcob.org>- DCCB Data-2011-12.

As shown in Table-5 in 2011-12 Maharashtra was first in deposit collection and loan disbursement. In 2011-12 the deposit collection by DCCBs in Maharashtra and Jharkhand was Rs.4867429 lakh and Rs. 54835 lakh accordingly. The credit deposit ratio of DCCBs in Tamil Nadu, Punjab, Madhya Pradesh, Karnataka, Andhra Pradesh, Rajasthan, Haryana, and Orissa was more than 100%. This revealed that DCCBs in these states mobilized deposits most efficiently.

vi) Own Funds: - Own funds help to achieve capital adequacy. Lending from own funds is more profitable than lending from the deposits mobilized. Own funds of DCC banks include share capital and reserves. An increase in own funds is possible through increasing net profit. Table no.6 shows total own capital and its components.

Table-6 Own Funds of DCCBs in India (Rs in Lakh)

Year	Share Capital	Reserves	Own Capital	Growth (%)
2002-03	357680	967591	1325271	-----
2003-04	381003	1120824	1501827	+13.32
2004-05	411547	1267286	1678833	+11.78
2005-06	451147	1408294	1859441	+10.75
2006-07	509813	1550512	2060325	+10.80
2007-08	582923	1643573	2226496	+8.06
2008-09	607141	1780801	2387942	+7.23
2009-10	777653	2013296	2790949	+16.88
2010-11	725768	2069202	2794970	+0.14
2011-12	818892	2292034	3110926	+11.33

Source- Compiled from <http://www.nafcob.org>- DCCB Data-2011-12.

Table No.6 reveals that the percentage of share capital in total own funds was only 26.99% in 2002-03 and it remained nearby stable to 26.32% in 2011-12. This indicates that the bank failed to attract more and more share holders. Likewise the percentage share of reserves in own fund was greater. They were 73.01% IN 2002-03 and became 73.68% in 2011-12. The growth rate in own funds was highest (16.88%) in 2009-10.

vii) Borrowings and Investments: - DCC banks borrow short and medium term loans from State CO-operative Bank, NABARD, State Government etc. for agricultural and non-agricultural purposes. These banks invest their funds in Government Securities, Debentures, and fixed deposits and in other instruments and institutions. Table No.-7 shows DCCBs' borrowing, investment and their growth.

Table-7 Borrowing and Investment of DCCBs in India (Rs in Lakh)

Year	Borrowing	Growth (%)	Investment	Growth (%)
2002-03	1923847	-----	3313877	-----
2003-04	2112810	9.82	3567724	+7.66
2004-05	2155710	2.03	3478322	-2.50
2005-06	2320213	7.63	3712739	+6.74
2006-07	2394060	3.18	4039112	+8.79
2007-08	3033334	26.70	4824662	+19.44
2008-09	2847764	-6.12	6104124	+26.51
2009-10	3035483	6.60	7562446	+23.89
2010-11	3910116	28.81	7562446	00.0
2011-12	5848131	49.56	9021081	+19.28

Source Compiled from -<http://www.nafcob.org>- DCCB Data-2011-12.

As shown in table-7 borrowing of DCCBs in India fluctuated during the study period. The growth rate in borrowing was highest to in 49.56% in 2011-12. This trend indicates increased dependence on borrowings. Growth rate in investments also showed fluctuations. Growth in investment was highest in 2008-09 but zero in 2010-11.

viii) Overdues:- Overdues is the serious problem of DCC banks in India. Percentage of overdues is calculated to total demand of loans made from the borrowers. Table No.-8 shows overdues and its percentage to total loans and advances demanded.

Table No.-8-Overdues of DCCBs in India (Rs in Lakh)

Year	Total Demand	Total Collection	Overdues	Percentage of Overdues to Demand
2002-03	4614306	2887134	1727172	37.40
2003-04	5015057	3160328	1854729	36.90
2004-05	5485797	3682622	1803175	32.87
2005-06	5722694	3909087	1813607	31.69
2006-07	6494337	4355755	2138582	32.93
2007-08	7412146	4658268	2753878	36.53
2008-09	8088960	5444608	2644352	32.69
2009-10	8889616	6513284	2376332	26.73
2010-11	10611864	7706922	2904942	27.37
2011-12	12437600	9716686	2720914	21.88

Source-Compiled from <http://www.nafcob.org>- DCCB Data-2011-12.

Overdues fluctuated during the study period. Overdues were Rs. 1727172 lakh in 2002-03 but fluctuated frequently in the later period and became Rs.2720914 lakh in 2011-12. The percentage of overdues declined from 37.40% to 21.88%.

FINDINGS:

Major findings of this study are as follows-

1. The number of DCCBs and its membership was slightly fluctuating.
2. In the total members of DCCBs, percentage of individual members was greater than co-operative societies. During the study period individual membership increased steadily from 1768045 to 2854385. This trend indicates that more and more individuals were doing transactions with DCCBs.
3. DCCBs in Andhra Pradesh belonged the highest members of 1078579 contrary DCCBs in Uttarakhand were having the lowest members equal to 2318 only.
4. However, regarding number of offices of DCCBs, Maharashtra was first, Uttar Pradesh second, Gujarat third and Andhra Pradesh tenth.
5. The deposits collected and loans issued showed steadily increasing trends. The credit deposit ratio was 91.93% means highest in 2011-12 and lowest means 63.08% in 2003-04. Though this ratio was the lowest but it was 63.08% i.e. more than 50%.
6. DCCBs in Maharashtra were first in deposit collection and loan disbursement in 2011-12.
7. The credit deposit ratio of DCCBs in Tamil Nadu, Punjab, Madhya Pradesh, Karnataka, Andhra Pradesh, Rajasthan, Haryana, and Orissa was more than 100%.

8. The percentage of share capital in total own funds was only 26.99% in 2002-03 and it remained nearby stable to 26.32% in 2011-12.
9. *Borrowing and investment* of DCCBs in India fluctuated during the study period.
10. The percentage of overdues declined from 37.40% to 21.88% during 2002-03 to 2011-12.

SUGGESTIONS:

1. The growth in number of offices was less than 2%. It was not encouraging for the future growth hence DCCBs should make hard efforts for increasing their numbers and offices. For competing successfully with other banks. These banks should adopt the modern methods of banking such as internet banking, credit cards, ATM, etc.
2. DCCBs in Jammu and Kashmir, Jharkhand and Himachal Pradesh should concentrate on improving their credit deposit ratio for better mobilisation of deposits.
3. For widening the scope of activities DCCBs should implement effective schemes to attract more members.
4. Capital adequacy depends on own funds but average growth in own funds is less than 9%, hence the banks should increase their own funds by increasing reserves.
5. The banks should introduce new schemes for effective recovery of loans so that they will further succeed in reducing overdues effectively.
6. The banks should plan for expansion of branches particularly in remote rural and tribal areas.

CONCLUSION:

The progress and performance of the DCC banks in India is analyzed for the period of ten years using statistical techniques such as percentage, growth rate, credit deposit ratio etc. No. of DCCBs and their branches have marginally increasing trend. The capital adequacy of DCCBs is highly significant for their profitability. With a nominal percentage of variation borrowings and lending have increased steadily during the study period. Everybody should sincerely keep in mind “if cooperation fails there will fail in the best hope of rural India”.

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