



Performance Analysis of District Central Co-operative Banks in Konkan Region of Maharashtra

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ABSTRACT

A district central co-operative bank (DCCB) is the important institutional agency for credit supply to the farmers in konkan region of Maharashtra. The study is based on secondary data obtained from four DCCBs in Konkan region, who provides the agricultural loans for the period of last 20 years from 1990-91 to 2009-10. DCCB wise and period wise compound growth rates of various performance indicators were estimated and average performance index was computed. Composite performance index was also studied for overall performance of the banks. Satisfactory performance was observed in all indicators except borrowing, loan recovery and overdues. The study revealed that, special attention of borrower's banks is needed to increase in the share capital and loan disbursement for agricultural purposes by the DCCBs. Loan disbursement should be made strictly after assessing repaying capacity of the borrowers and economic soundness of the PACS. There is a need to enhance investment of funds in Government securities and fixed deposits for transparency in financial management of the banks. The average performance index and overall performance indices analysis showed that Thane and Raigad DCCB were the strong financial institutions among the four DCCBs and remaining two DCCB requires improving their performance in future

Key words : Cost of management, Loan outstanding, Loan recovery, Overdues, Performance indicators.

Credit is an important input for any development. Credit flows through co-operatives in rural India and their sustainability, viability and operational efficiency have become the major focus of attention to various policymakers in the era of financial sector reforms. Although reforms in the banking sector were initiated in commercial banks much earlier i.e. beginning of 1991-92, the reform process in the co-operatives has taken a longer time to get started (Shah Deepak, 2007).

The co-operatives have been playing a crucial role in the economic upliftment of the people, particularly of the weaker sections in rural areas. Co-operatives along with commercial banks and regional rural banks form the major component of the institutional credit. The co-operative credit system in India is comprised of short term (ST) production credit structure and the long term (LT) credit structure. The ST structure has its base with the primary agricultural credit societies (PACS), which are affiliated to District central co-operative Banks (DCCBs) at the district level and these banks

are affiliated to state co-operative Banks (SCB) at the state level (Ganvir et.al. 2003).

The DCCBs in Maharashtra played a pivotal role in the development of agriculture by providing a regular flow of short term and medium term credit to the farmers through the PACS in rural areas. Maharashtra state was divided into four regions viz. Western Maharashtra, Konkan, Marathwada and Vidarbha on the basis of different agro climatic conditions and administrative considerations. To assess the performance of DCCBs, Konkan region was purposely selected for this study. The sickness of DCCBs is mainly due to low recovery and increasing overdues. Improvement in recovery and thereby reducing the burden of overdues in the DCCBs is the most important challenge for the policy makers. In this article an attempt has been made to study the performance of DCCBs in Konkan region of Maharashtra with the help of different performance indicators after banking reform period. Growths for different performance indicators were also studied.

MATERIAL AND METHODS

The study is based on secondary data obtained from 4 DCCBs in Konkan region for the period of 20 years i.e. from 1990-91 to 2009-10. Data were obtained from publications of NAFSCOB, annual reports of DCCBs, progress reports and other records of the banks. The compound growth rates for different performance indicators were estimated for three periods viz.

- I) Period I : 1990-91 to 1999-00 (1st decade period – post economic reform decade)
- II) Period II: 2000-01 to 2009-10 (IInd decade period.)
- III) Period III : 1990-91 to 2009-10 (entire period)

The district wise and period wise compound growth rates of various performance indicators were estimated. In all four DCCBs were purposively selected for this study. The performance index for beginning, mid and terminal years were estimated. With this three points, the average performance index ranking for each DCCBs were computed.

The ranking of districts were made based on the performance Index (PI) of DCCBs, which was obtained as under (Shankaran, 1995).

$$PI = \frac{Lo - Ld}{Lod} \times \frac{MB}{MBs}$$

Where, Lo = Loan outstanding

Ld = Loan demand

Lod = Overdues

MB = Number of borrowing

members

MBs = Membership at region level.

To assess the overall performance of DCC bank, a composite performance indicator (Harshitha et. al. 2008) was calculated by assigning suitable weights to the selected physical and financial composite indicators. To examine the impact of personality traits on overall performance of the bank, the chairman of the bank was selected to represent non-officials and chief manager and deputy manager were selected to represent the officials. The weights assigned by the chairman constituted scenario – I while the average weights indicated by the Chief Manager and Deputy Manager constituted scenario – II and scenario – III respectively. Finally, performance indices were estimated from these scenarios.

RESULTS AND DISCUSSION

Growth in different performance indicators of DCCBs in Konkan region during 1990-91 to 2009-10 is given in Table 1. The study showed an overall significant increase in total number of branches and membership of all DCCBs and thus region as a whole, depicted the satisfactory performance of DCCBs in respect of expansion and coverage. The total owned funds of all DCCBs and at regional level had significantly increased. These were possible mainly due to the increased growth in share capital and reserve fund of the DCCBs in Konkan region. The deposits of DCCBs in Konkan region recorded an impressive growth (14.38% per annum) indicated the self reliance of DCCBs. The PACS and individuals were the major sources of deposits in DCCBs. The annual growth rate of borrowings of DCCBs indicated an increasing trend in borrowings.

The total working capital of DCCBs and at the regional level recorded an impressive growth (14.64 %) because of increased growth in reserve funds and deposits i.e. 18.78 per cent and 14.38 per cent per annum, respectively. The total loans issued were relatively more in Sindhudurg DCCB than the other DCCBs in the region during the period under study. Details can be seen from Appendix-I. Near about 50 per cent of the total loans and advances issued were in the form of short term loans and remaining 50 per cent being medium term and other loans, indicated focussed emphasis on both short term and medium term loans by the DCCBs in the region. The proportion of total agricultural loan (both ST and MT) in the total loans showed minute increase at the regional level. The recovery of short term and medium term loans sanctioned for agricultural purposes showed satisfactory performance in period I and for the region as a whole. The poor performance in recovery by DCCBs was quite comprehensible from an increase in overdues in period I as compared to period II of the DCCBs in the Konkan region.

The total cost of management in DCCBs of Konkan region significantly increased during the entire period of the study. The profits of DCCBs in the Konkan region showed a significant growth of 18.96 per cent per annum during period under study. The growth in total profits was more in IInd period as compared to period Ist at regional level.

Performance Index

Average ranking of DCCBs was worked out by considering performance Index during 1990-91, 1999-2000 and 2009-10 in Konkan region and

Table 1. Growth in different performance indicators of DCCBs in Konkan region during 1990-91 to 2009-10.

Performance indicator	Period		Per cent change Over 1990-91	Compound growth rate (per cent)		
	1990-91	2009-10		Period 1990-91 to 1999-00 (I st decade)	Period II 2000-01 to 2009-10 (II nd decade)	Entire period 1990-91 to 2009-10 (overall)
No. of branches	207	303	46.38	2.05*	1.38*	1.83*
Membership (Numbers)	5471	10136	85.27	4.45*	2.88*	3.33*
Share capital	653	6540	901.53	14.78*	10.27*	13.38*
Reserve funds	2627	56052	2033.69	25.85*	9.02*	18.78*
Owned funds	3280	62592	1808.29	24.04*	9.15*	17.99*
Deposits	34341	496525	1345.87	17.57*	11.78*	14.38*
Borrowings	1080	11143	931.76	12.91 ^{NS}	3.62 ^{NS}	13.12*
Working capital	41826	590721	1312.33	18.09*	11.10*	14.64*
Investment	13506	311858	2209.03	21.78*	11.65*	16.59*
Total loan advances	37238	266835	616.57	15.22*	8.55*	11.39*
Loan outstanding	16804	234213	1293.79	19.10*	10.82*	15.59*
Loan recovery	6015	78406	1203.67	19.11*	4.80 ^{***}	15.25*
Loan over dues	2608	17361	665.68	12.23*	7.16 ^{***}	13.04*
Cost of management	1515	11947	688.58	13.05*	15.69*	13.65*
Profit	171(4)	8222(4)	4711.70	26.58*	16.05*	18.96*

(Figures in parentheses indicate the number of DCCBs in profit)

* Significant at 1 per cent level of significance.

** Significant at 5 per cent level of significance.

*** Significant at 10 per cent level of significance.

Table 2. Ranking of DCCBs according to performance Index in Konkan region.

Rank No.	Name of DCCBs	Performance Index
1	Thane	4.23
2	Raigad	2.37
3	Ratnagiri	0.55
4	Sindhudurg	0.35

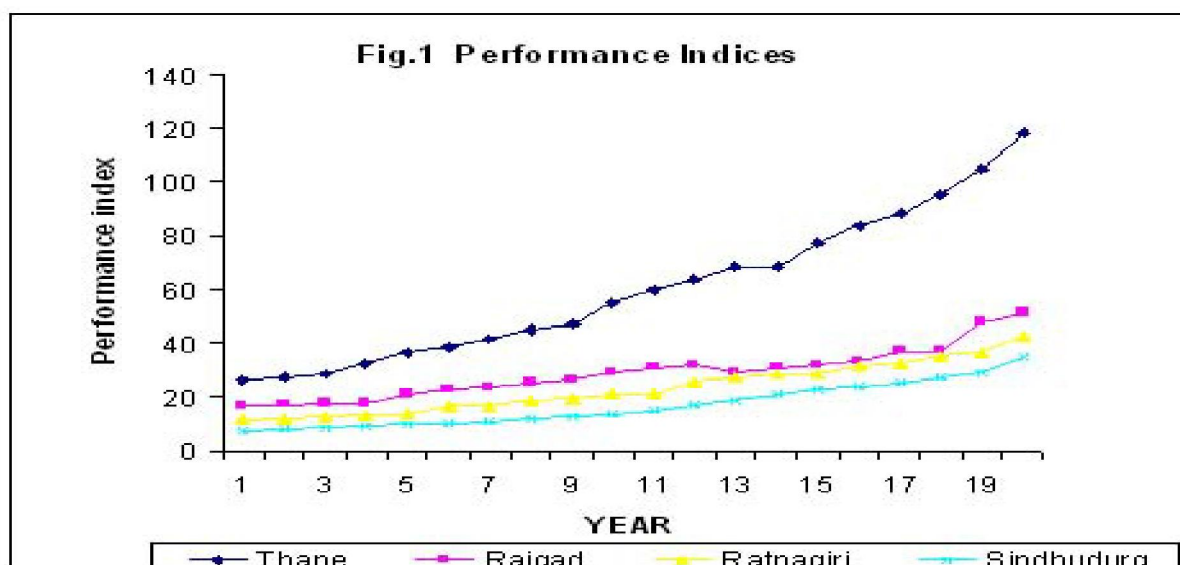


Table 3. Performances indices of the DCCBs in Konkan region.

Sr.No.	Year	Thane	Raigad	Ratnagiri	Sindhudurg
1)	1990	26.41372	16.71215	11.392	7.614253
2)	1991	27.40377	16.98162	11.69569	7.784373
3)	1992	28.52829	17.57397	12.43777	8.302611
4)	1993	32.66469	17.75824	13.33003	9.017679
5)	1994	36.32072	20.94463	13.67159	9.391819
6)	1995	38.58492	22.90998	16.32249	15.52029
7)	1996	41.30507	23.16068	16.50427	10.83877
8)	1997	44.86131	24.97427	18.72676	11.73273
9)	1998	47.14334	26.09691	19.57307	12.77262
10)	1999	55.25403	28.85521	21.29496	13.8808
11)	2000	59.55094	30.87397	21.29496	14.61761
12)	2001	63.83584	31.98118	25.35388	17.21055
13)	2002	68.06114	29.25303	27.54282	18.71362
14)	2003	68.06114	30.80903	28.60145	20.80676
15)	2004	77.48941	32.12107	28.60145	22.9561
16)	2005	83.67777	33.18121	31.05985	24.04835
17)	2006	88.16701	36.87736	32.51783	25.26943
18)	2007	95.56313	36.87736	35.11597	27.21883
19)	2008	104.7767	47.5408	36.48719	29.30731
20)	2009	118.4682	50.94212	42.73409	34.4488

APPENDIX-I

DCCBwise and period wise growth in loan issued in Konkan Region.

(Per cent)

DCCB and period	Short Term			Medium Term			Other loan Advances	Total Loan Advances
	Agril.	N. Agril.	Total S. T.	Agril.	N. Agril.	Total S. T.		
Thane								
I	15.50*	11.15*	11.25**	18.37*	-7.40 ^{NS}	-0.22 ^{NS}	10.19**	10.45**
II	12.97*	-11.51*	-9.03**	11.60 ^{NS}	-6.78 ^{NS}	12.85 ^{NS}	19.57**	3.77 ^{NS}
III	18.08*	1.04 ^{NS}	2.25 ^{NS}	25.15*	14.34**	22.14*	8.27*	5.90*
Raigad								
I	15.69*	11.42 ^{NS}	5.28 ^{NS}	1.46 ^{NS}	26.88*	27.20*	18.78*	16.86*
II	24.61*	0.67 ^{NS}	0.89 ^{NS}	8.27 ^{NS}	10.04 ^{NS}	9.95 ^{NS}	18.95 ^{NS}	3.20 ^{NS}
III	9.31*	24.87***	18.64*	-2.53 ^{NS}	15.70*	13.86*	-6.94 ^{NS}	11.39*
Ratnagiri								
I	25.05*	30.66*	29.81*	17.19 ^{NS}	23.31*	21.55*	57.28 ^{NS}	21.40*
II	1.93 ^{NS}	-69.05*	-32.93*	-25.61*	-27.30*	-27.09*	87.98**	11.85*
III	16.93*	-26.61*	-1.44 ^{NS}	5.76 ^{NS}	1.45 ^{NS}	2.14 ^{NS}	55.06*	14.39*
Sindhudurg								
I	17.68*	22.21**	21.48*	3.77 ^{NS}	30.80***	22.52***	249.07***	19.33*
II	15.43*	19.32*	19.03*	7.88 ^{NS}	17.62**	15.87**	55.87***	18.57*
III	18.68*	21.02*	20.49*	8.26*	33.67*	24.86*	69.07*	18.81*
Konkan								
I	19.05*	15.40*	15.52*	14.69 ^{NS}	18.02**	18.07**	14.31*	15.22*
II	12.24*	0.03 ^{NS}	0.75 ^{NS}	5.88 ^{NS}	10.17 ^{NS}	9.45 ^{NS}	35.93*	8.55*
III	17.54*	10.17*	10.58*	14.27*	16.23*	15.33*	10.37*	11.39*

* = Significant at 1 per cent level of significance.

** = Significant at 5 per cent level of significance

*** = Significant at 10 per cent level of significance.

NS = Non Significant.

depicted in in Table 2. Based on DCCB wise performance Index, Thane (4.23) and Raigad (2.37) were the strong banks among the four DCCBs covered under study. Ratnagiri (0.55) and Sindhudurg (0.35) having very low average performance index, which call for suitable economic measures, so that these two DCCBs would improve their performance in future.

Composite performance Indicator

Composite performance index was created in different ways assigned by the Chairman, Chief Manager and Deputy Manager to selected physical and financial indicators. Average weights assigned by Chairman, Chief Manager and Deputy Manager constituted Scenario-I, II and III respectively. DCCB wise overall performance indices in Konkan region is presented in Table 3.

Thane DCCB revealed the increasing trend in performance indices throughout the period under study. During the initial period, performance

index of Thane DCCB was 26.4 which increased to 118.47 in 2009.10. This implied that the performance index of Thane DCCB increased by 487.54 per cent over the base year and other three banks performance index increased by 303.85 per cent, 374.15 per cent and 455.56 per cent in Raigad, Ratnagiri and Sindhudurg DCCB, respectively.

The performance indices of DCCBs in Konkan region have been depicted by way of line graph in Fig. 1. Thane DCCB was on top for good overall performance than Raigad, Ratnagiri and Sindhudurg DCCBs. These results also match with average performance method.

The average performance index and overall performance indices showed that Thane and Raigad DCCB were the strong financial co-operative institutions among the four DCCBs covered by the study as compared to other two DCCBs in the Konkan region.

The study advocated the need of paying attention to borrower members, which will lead to increase in the share capital and loan disbursement for agricultural purposes. Loan disbursement should be made strictly upon repaying capacity of borrowers, technical efficiency and economic soundness of the PACS. There is a need to enhance investment of funds in Government securities and fixed deposits for transparency in financial management.

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