

Performance evaluation of Co-operative banks in India

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Abstract

Co-operative banks play a vital role as it established to provide financial service to rural masses in India. They have established with the motive of financial inclusion and upliftment of rural economy. They play significant role in the social and economic development of India. This paper focused on structure, growth and performance co-operative banks, to identify the problems faced by them and to give suggestion to improve financial position of co-operative banks. The data has been collected from various annual reports of SCB, DCCB and PACS. The statistical tools have been used are for the data analysis are percentage, percentage change, co-efficient of variance, Compound annual growth rate and graphs etc. The study will help will help to the policy makers in their efforts to improve the working performance of Co-operative banks. To evaluate the performance of Co-operative banks some variables have been studies like numbers of braches, total deposit, productivity per staff and branch, percentage of overdue to demand, NPA and profitability etc. The result shows that they are facing the problems of high overdues more NPA, productivity per staff and branch is less due to which profitability of them is weak especially PACS are in losses The problem faced by co-operative banks are numerous but certain efforts need to take by these bank like focus need to give on recovery, training to staff to improve productivity and the government should give support them because they have potential to solve these problems

Keywords: growth, performance, co-operative banks, financial etc.

Introduction:

Co-operative banks play a vital role as it established to provide credit and financial services to poor, illiterate, unskilled people. Cooperative bank are one of the important part of cooperative movement in India. Cooperative banks are one of the largest such networks in the world with 8,43,212 membership in SCB, 32,33,864 in DCCB and 1,31,235 in PACs as on 31 March 2017. They are contributing more for the financial inclusion. The cooperative banks are controlled and regulated by Reserve Bank of India (RBI) and governed by Banking Regulations Act 1949 and Banking Laws (Co-operative Societies) Act, 1955. They follow co-operative principal of one person, one vote and operate especially in rural area and urban area also. Present paper attempt evaluate the performance of Sate Co-operative Banks (SCBs), District Central Co-operative Banks (DCCBs) and Primary agricultural Co-operative Societies (PACS) in India.

Objectives of the paper:

1. To study agricultural Co-operative Credit Institutions in India
2. To study the growth and performance of Co-operative banks
3. To study problems faced by Co-operative banks and to give suggestion to improve financial position of co-operative banks.

Significance of the Study The research study focuses on evaluation the performance of Co-operative banks in India. The result of the study will help to the policy makers in their efforts to improve the working performance of Co-operative banks.

Data Collection: The present study is mainly based on secondary sources of the data. The data collected from various journals, articles and various annual reports of SCB, DCCB and PACS which is retrieved from the website <http://nafscob.org/>

Period of the study: To analyze the performance of cooperative banks the period of 08 years i.e. 2009-10 to 2016-17 has been selected.

Data Analysis: The results of the analysis are based entirely on secondary data. Some relevant statistical techniques like Average, percentage Change, Compound Annual Growth Rate, Coefficient of variation, Productivity ratio and graph have used to get relevant statistical inferences according to objectives of the study.

Agricultural Co-operative Credit Institutions in India

Co-operative banks provide credit in agriculture and non-agricultural sectors. In terms of agricultural credit, there are two separate financial institutions to satisfy the need for short-medium term credit and long term credit. Short-medium term credit is provided by State Co-operative banks (SCB) in each state, at the district level District Central Co-operative banks (DCCB) and at the village level primary agricultural co-operative societies (PACS). Long term credit is provided by State Cooperative Agriculture and Rural Development Banks (SCARDB) and primary co-operative agriculture and rural development banks. They provide long term credit to members through their branches.

State Co-operative Banks: State co-operative banks are the apex banks in each state. They operate at the state level. They coordinate the activities of DCCBs, control them and give required guidance. There are 32 State Co-operative banks in India. SCB obtains finance from share capital, deposit collection from co-operative institutions, public & business and loans from RBI. State co-operative banks provide credit to primary agricultural co-operative societies through DCCBs to lend money to farmers. They coordinate the activities of DCCBs, control them and create a proper environment for the growth of co-operative activity in the state.

District Central Co-operative Banks: DCCBs operate as apex banks of Co-operative Societies at the district level. They are regulated by the State Government, NABARD and partially controlled by RBI. They obtain funds from share capital, deposits, loans and overdrafts from SCBs. These banks give loans to their members within the limit of the borrowing capacity of the society. Central Co-operative Banks coordinate between SCB and PACS for providing financial assistance to PACS. They supervise the functioning of PACS and give training, guidance and advice to the employees of credit societies only.

Primary Agricultural Co-operative Societies: They operate in rural villages. The main aim of PACS is to free farmers from the fatal grip of local lenders and release them from their exploitation and provide loans at a cheaper rate of interest. Important functions of them are to provide short term and medium term loans and advances to needy members to purchase agricultural tools, seeds, fertilizers, insecticides and pesticides, purchase cattle and fodder etc. They encourage the habit of saving among their members.

Performance of Co-operative banks in India

To evaluate the performance of Co-operative banks some variables have been studied like numbers of branches, total deposit, productivity per staff and branch, percentage of overdue to demand, NPA and profitability etc.

Table No 1: Progress of number of branches of Co-operative banks in India

Year	SCB	% Change	DCCBs	% Change	PACS	% Change
2009-10	1015		13238		89523	
2010-11	1028	1.28%	13327	0.67%	90279	0.84%
2011-12	1047	1.85%	13495	1.26%	92432	2.38%
2012-13	1081	3.25%	13655	1.19%	90958	-1.59%
2013-14	1096	1.39%	13811	1.14%	93042	2.29%
2014-15	1131	3.19%	14060	1.80%	92789	-0.27%
2015-16	1168	3.27%	14241	1.29%	93367	0.62%
2016-17	1197	2.48%	14252	0.08%	95595	2.39%
Average	1095.37		13757.59		92248	
CV	6.02%		2.89%		1.97%	
CAGR	2%		1%		1%	

Source: Compiled data from various annual reports of SCB, DCCB and PACS (2009-10-2016-17) which is available at website <http://nafscob.org/>

Above table no 1 refers the progress of SCB, DCCB and PACS in number of branches. The number of branches SCB has increased from 1015 in 2010-11 to 1197 in 2016-17. In terms of number of branches of DCCB increased from 13238 to 14252 with CAGR 1% during study period. Number of branches of PACS increased from 89523 to 95595 with CAGR 1% during study period. The CAGR is more found of SCB with 2 % which is than DCCB and PACS. The value of Coefficient of variance is more found with 6.02 % than DCCB and PACS which indicates fewer consistent or more variable during study period.

Deposit Mobilization: The deposits are the greatest liability of the bank. The deposit is the life blood in the banking institution. It determines the working and viability of the bank. The performance of deposit of co-operative is shown in table no 2

Table No 2: Total Deposits of Co-operative banks in Maharashtra (Amt. in Crore)

Year	SCB	Growth	DCCBs	Growth	PACS	Growth
2009-10	84838		146364		35680	
2010-11	81664	-4%	161309	10%	37282	4%
2011-12	86653	6%	176711	10%	54763	47%
2012-13	89905	4%	195726	11%	37561	-31%
2013-14	101970	13%	215662	10%	81895	118%
2014-15	100791	-1%	251116	16%	84616	3%

2015-16	104922	4%	282609	13%	101065	19%
2016-17	121689	16%	311858	10%	115884	15%
Average	96554		217669.37		68593.25	
CV	12.9%		25.4%		42.9%	
CAGR	5%		11%		18%	

Source: Same as table no 1

It is reveals from the table total deposit of SCBs has increased from 84838 Crore to 121689 Crore from 2009-10- to 2016-17. Total deposit of SCB, DCCB and PACS have shown upward trend with CAGR 5%, 11% and 18 % respectively. The average total deposit was more found with 217669.37 Crore of DCCBs compared to others. The value of Coefficient of variance is more found with 42.9% of PACS which indicates less consistent. The value of Coefficient of variance is less found with 12.9% of SCBs which indicates more consistent.

Table 3: Productivity per staff and per branch of Co-operative banks in India

Year	Productivity per staff			Productivity per Branch		
	SCB	DCCBs	PACS	SCB	DCCBs	PACS
2009-10	971.93	862.82	53.90	13196.26	5737.47	129.76
2010-11	999.11	336.39	40.20	13082.75	2219.41	129.36
2011-12	1221.29	461.88	75.82	15500.00	2943.31	171.18
2012-13	1464.82	465.69	61.26	16297.35	2919.71	141.53
2013-14	1486.71	482.89	119.72	17950.39	2954.38	227.80
2014-15	1582.69	240.57	141.00	17728.65	1426.11	249.86
2015-16	1748.17	626.05	147.18	19307.70	3681.79	277.99
2016-17	1905.86	630.51	165.94	20418.38	3678.95	299.54
CAGR	10%	-4%	17%	105%	-6%	13%

Source: Same as table no 1

It is observed from above table 3, productivity per employee of SCB was found more which increased 971.93 to 1905.86 from 2009-10 to 2016-17 than productivity per employee of DCCB and PACS. Productivity per branch of SCB was found more with 13196.26 increased to 20418.38 from 2009-10 to 2016-17 than productivity per branch of DCCB and PACS. The compound annual growth rate of Productivity per Staff and productivity per branch was more found with 17 % and 13 % of PACS respectively than SCB and DCCBs.

Table No 4: Percentage of Overdue to Demand of Co-operative banks in India

Year	SCB	DCCBs	PACS
2009-10	8.2	26.64	41.36
2010-11	7.69	27.37	24.99

2011-12	3.86	21.88	24.79
2012-13	5.18	20.37	26.67
2013-14	4.35	21.78	19.01
2014-15	4.48	20.92	22.42
2015-16	4.42	20.08	17.60
2016-17	3.56	23.33	26.58

Overdue problem is not good for the any bank. If the outstanding loan increases, it becomes overdue. Percentage of Overdue to Demand ratio shows that part of outstanding receivable amount that is in late payment. In above table no 4 noticed that ratio of percentage of overdue to demand of SCBs has decline from 8.2 percent to 3.56 percent during study period. It indicates the good recovery of SCBs in recent years In case of DCCBs, percentage of overdue to demand was also showed a declined trend from 26.36 percent to 20.08 percent from 2009-10 to 2015-16 but after that it rose to 23.33 percent in 2016-17. In terms of PACS, percentage of overdue to demand ratio is more than SCBs and DCCBs. Percentage of overdue to demand ratio was highest 41.36 percent in 2009-10 which reduced to down 24.99 percent in 2010-11, after that percentage of overdue to demand ratio has fluctuated and stood at 26.58 percent in 2016-17.

Table No 5: Gross NPA of SCB and DCCB in India (%)

Year	SCBs	DCCBs
2009-10	11.06	16.70
2010-11	9.12	16.98
2011-12	7.84	11.59
2012-13	9.12	10.12
2013-14	3.30	11.37
2014-15	4.62	11.13
2015-16	4.35	9.83
2016-17	2.85	9.39

Source: Same as table no 1

Non-performing asset during the eight years is shown in table no 5, percentage of NPA of SCB which was high with 11.06 %, 9.12 %, 7.84 % and 9.12 % in the year 2009-10, 201011, 2011-12 and 2012-13. But after that it continuously reduced to 2.85 % in 2016-17, In terms of NPA of DCCBs has also shown little improvement which was reduced from 16.70 percent in 2009-10 to 9.39 percent in the year 2016-17.

Profitability is the most important thing for the existence of any business entity. It shows the overall strength and weakness of the bank. As considering the profits and loss of co-operative banks in India have been shown in table no 6.

Table No 6: Profit and Loss of Co-operative banks in India (Amt. in lakhs)

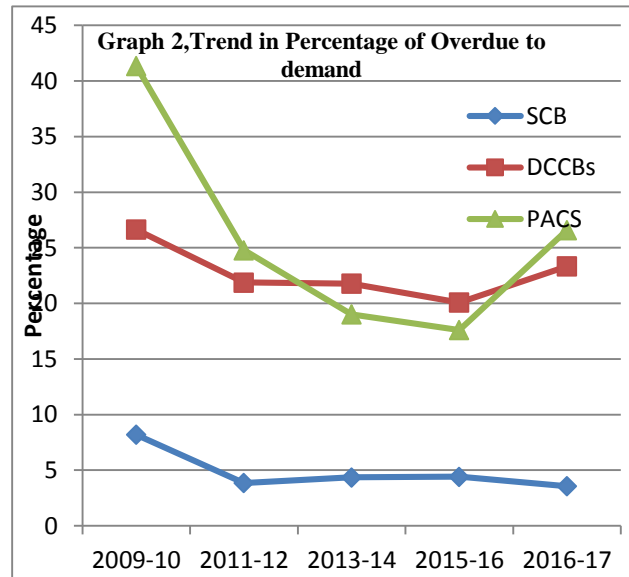
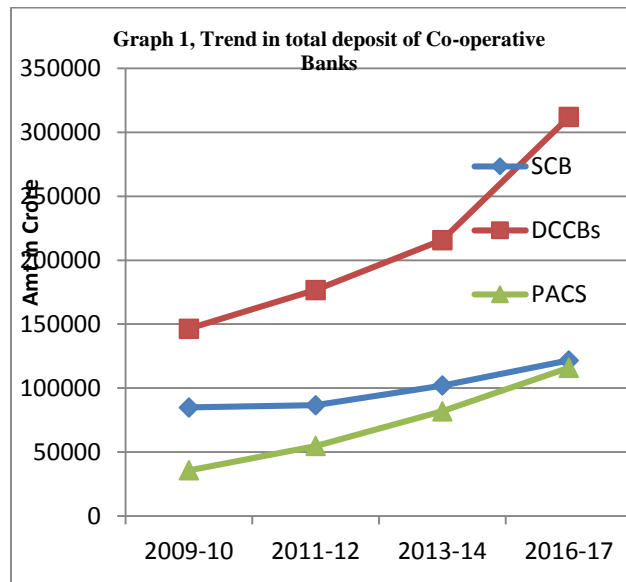
Year	SCB	% Change	DCCBs	% Change	PACS	% Change
2009-10	-16567		265476		-113895.51	
2010-11	-13139	-21%	3752	-99%	-19157.77	-83%
2011-12	-6280	-52%	116080	2994%	-202183.56	955%
2012-13	53682	-955%	102904	-11%	-213035.65	5%
2013-14	61417	14%	90192	-12%	--193423.26	-9%
2014-15	84067	37%	90555	0%	-154896.91	-20%
2015-16	109655	30%	143761	59%	-240047.96	55%
2016-17	112907	3%	83723	-42%	-326313.23	36%
Average	48217.8		112055.37		-410826.75	
CV	105%		62%		-149%	

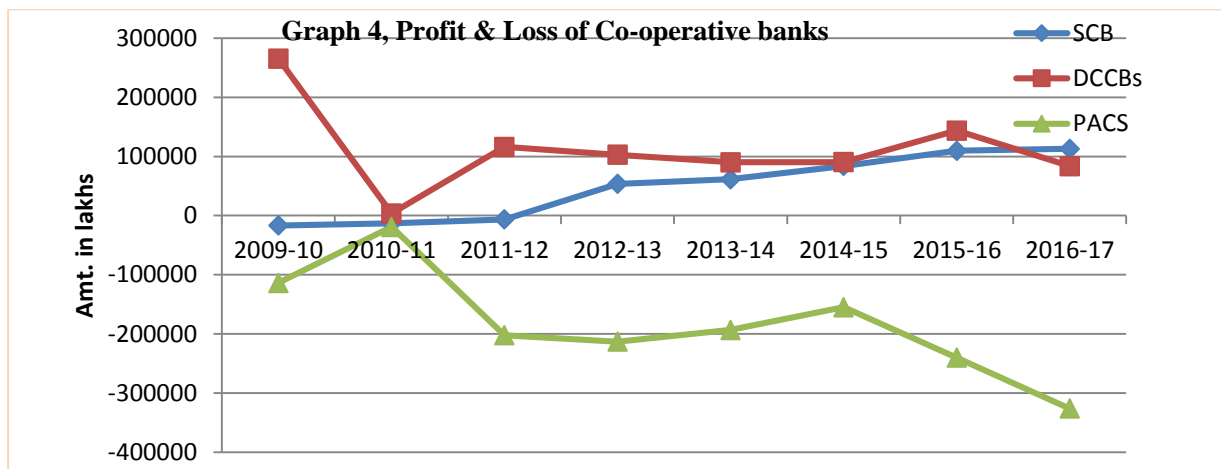
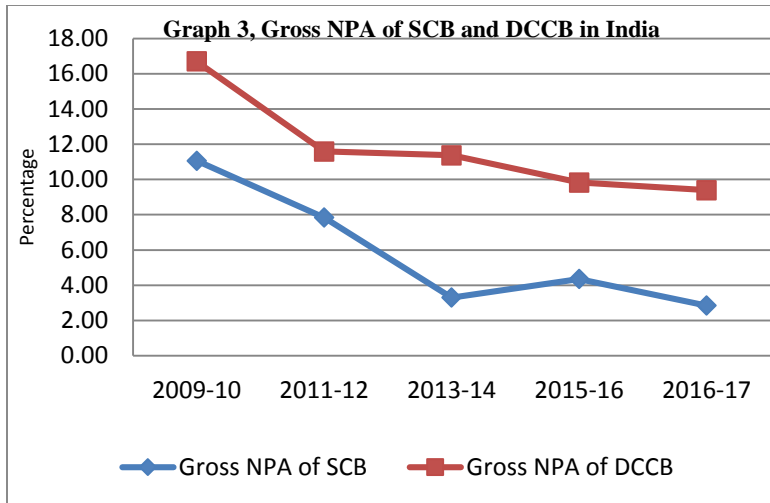
Source: Same as table no 1

It is observed from the above table that initially SCBs were in loss with 16567 lakhs in 2009-10 and 6280 lakhs in 2011-12. But after 2012-13 SCB were getting continuously profit with 53682 lakhs in 2012-13 which increased to 112907 lakhs in 2016-17.

In case of DCCBs, profit has fluctuated during study period. The value of coefficient of variance of profit and loss profit was 105%, 62% and -149% of SCB, DCCB and PACS respectively. The value of coefficient of variance of profit and loss profit of PACS was -149% due to continuously they were in losses. The value of coefficient of variance of profit and loss profit of DCCB was 62 % which indicates less consistency of the data as compared to SCB and PACS.

Graphical presentation of some variables of Co-operative Banks





Findings and problems

1. It was found from the study the number of branches SCB has increased from 1015 in 2010-11 to 1197 in 2016-17. The CAGR is found of SCB with 2 % which is more than DCCB and PACS during study period.
2. It is observed that SCB were succeed to decline the ratio of Overdue to Demand from 8.2 % to 3.56 % from 2009-10- t0 2016-17. But DCCBs and PACS were having more ratio of overdue to demand which ranges 20.08 to 27.37 and 17.60 to 41.36 respectively.
3. Employee productivity is less found in DCCBs and PACS as compared to SCB
4. Percentage of Overdue to Demand of SCBs did tend to decline from 8.2 percent to 3.56 percent during study period. Percentage of Overdue to Demand was found more which ranges 20.08 to 27.37 of DCCBs and 17.60 to 41.36 of PACS which is not good for them to survive

5. SCBs have succeeded to reduce its NPA from 11.06 percent to 2.85 percent under study period. In case of DCCBs and PACS NPA of was still high. It shows the financial condition of them is not good.
6. Initially SCBs were in loss with 16567 lakhs in 2009-10 and loss with 6280 lakhs in 2011-12 but after 2012-13 SCB were continuously getting profit with average profit of Rs. 48217.8 lakhs under study period. In case of DCCBs was continuously earning profit with les co-efficient of variation 62 % during study period. The worst situation was found of PACS regarding profit & loss; The PACS were in losses continuously with minus co-efficient of variation 149 percent.
7. Co-operative banks are mostly depend on others like SCB borrow from RBI and NABARD, government & commercial, DCCBs are heavily depend on refinancing from SCBs, NABARD, Govt. and Commercial banks etc. and PACS depend on refinancing from DCCBs, govt. They are not independent entity for resources.

Suggestions to improve financial position:

DCCB and PACS should expand the branches of in rural area. As the CAGR of DCCB and PACS in terms of number of branches is only 1 percent during study period. In order to increase the productivity per employee, it is suggested that there is need to provide training to the staff. In order to improve the branch efficiency of the branches of Co-operative bank, they should use the high level of computerization, need to provide advanced facilities and services to people like online banking, mobile banking, ATM services, E-Com services, 24x7 facilities like cash deposit, Passbook printing, it will help to increase the business. There should be transparent and effective relationship between these Co-operative banks In order to increase the profitability they should focus on recovery, reduce their operating expense, and interest on deposit and management cost etc. It is observed that NPA of these banks are higher and even recovery performance of DCCBs is poor. Poor recovery of advances affected their business so adequate and timely recovery of loan is required for the sound functioning especially of DCCBs and PACS

Thus, Co-operative banks are very important in Indian financial system. They play significant role in the social and economic development and upliftment of rural economy in India. They are life line of the rural economy. The problem faced by co-operative banks are numerous but the government should give support them because they have potential to solve these problems

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