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“Financial Performance Of District Central Cooperative Bank Limited Rajnandgaon: Growth Rate Analysis”

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Abstract:

District Central Cooperative Bank plays a vital role in the agriculture and rural development of the Rajnandgaon. The DCC Bank has more reached to the rural area of Rajnandgaon, through their huge network. The DCC Bank Rajnandgaon acts as intermediaries between State Cooperative Bank (Apex Bank) and Primary Agriculture Cooperative Societies (PACs). The success of cooperative credit movement in a district is largely depends on their financial strength. DCC Bank is a key financing institution at the district level which shoulders responsibility of meeting credit needs of different types of cooperatives in the district. At present, most of the district central cooperative banks are facing the problems of overdue, recovery, nonperforming assets and other problems. Therefore, it is necessary to study financial performance of DCC Bank Rajnandgaon. This paper attempts to analyze the financial performance of DCC Bank Rajnandgaon during the period 2000 to 2010-2011. An analytical research design (Growth Rate) is followed in the present study. Empirical results show positive and sufficient growth of DCC Bank Rajnandgaon.

KEYWORDS:

Financial Performance, District Central Cooperative Bank, Profitability, Credit, PACS.

INTRODUCTION:

Rajnandgaon is agricultural based district and its maximum population stays in rural area. The central cooperative bank occupies a position of cardinal importance in the cooperative credit structure. The DCC bank has plays an important role in agricultural financing. It provides various types of loans taking into account needs of the farmers. The introduction of the cooperative credit societies Act in 1904 for providing production credit to farmers marked the beginning of the institutionalization of cooperative banking system in India. The act of 1904 was amended in 1912 to facilitate the establishment of central cooperative banks at the district level, there by giving it a three tier federal character. The first Central Cooperative Bank was registered in Uttar Pradesh in 1906 as a primary society. In Rajasthan the first DCC Bank was started in 1910 at Ajmer. The period from 1906 to 1918 may be called, the period of origin of DCC Banks in India.

REVIEW OF LITERATURE:-

A number of studies have been conducted the world over to see the functioning of cooperative banking in the country and abroad. Some of the related literatures of reviews are as follows.

In 1915, the Maclagan Committee stated- A central bank should cover as large an area as it is compatible with convenience and efficiency.

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The Rural Credit Survey Committee in 1954 suggested that each state should draw up plans for the rationalization and strengthening of DCCBs in several of their aspects including financial and administrative, during the first plan period.

Rao, Krishna and Rao (1990) undertook a case study of Vijayawada District Central Cooperative Bank in which they studied the factors affecting deposits, advances and profits of that bank. They tried to ascertain the extent of the impact of certain important factors on the key financial indicators of the bank under study with the object to identify the strong and weak factors of growth.

Dayanandan and Shashikumar (1999) evaluated the performance of Central Cooperative Banks of Kerala state. They found that though the central cooperative banks achieved better performance in terms of share capital, membership, deposits and reserve funds, there was no corresponding achievement in the net profits during the study period. The reason was high over dues of the banks.

OBJECTIVE OF THE STUDY:-

1. To evaluate the financial performance of the DCC Bank Rajnandgaon.
2. To analyze the factors contributing to financial performance of the bank
3. To offer suggestions helpful in improving functions on the basis of conclusion.

HYPOTHESES OF THE STUDY:-

DCC Rajnandgaon is an important bank of Rajnandgaon as far as its role in agricultural credit and rural development of Rajnandgaon is concerned.

PROBLEMS OF THE STUDY:-

1. First and important problem of the research work is analysis of financial data.
2. Information from the DCC Bank Rajnandgaon was difficult to be obtained as it a government organization and members were not interested to provide information.
3. Frequent number of visit was made to DCC Bank Rajnandgaon to collecting data.

SIGNIFICANCE/ IMPORTANCE OF THE STUDY:-

The research study is significant to evaluate financial performance of DCC Bank Rajnandgaon. The results/ findings of the present study are useful to the policy planners in their efforts to improve the working of the DCC Bank Rajnandgaon.

SCOPE AND LIMITATIONS OF THE STUDY:-

1. The information is collected from DCC Bank Rajnandgaon only.
2. The study is consider only financial analysis factor other factors ignored.
3. Findings may not always be relevant to other district in the state / country.

AREA OF THE STUDY:-

The study is based on the performance of DCC Bank Rajnandgaon. Therefore, study covers Rajnandgaon District to the fulfillment of objectives of the study.

PERIOD OF THE STUDY:-

For collection of the secondary data on financial performance of the DCC Bank Rajnandgaon, five years i.e. from 2000 to 2010-2011 were taken as the reference period.

RESEARCH METHODOLOGY:-

The financial performance of the DCC Bank Rajnandgaon has been analyzed with the help of parameters. The year 2010-2011 was taken as the current year and year 2000 was base year for the study of growth rate.

Analytical Techniques Employed- Growth rate analysis was undertaken with a view to studying financial performance related to the bank. Growth rate is measured with the help of following formula-

Growth Rate = $\frac{Y_t - Y_{t-1}}{Y_{t-1}}$
Y_t = Current Year, y_{t-1} = Base Year

METHOD OF DATA COLLECTION/SOURCE OF DATA:-

The present study is empirical in character based on the analytical method. The study is mainly based on secondary data which is collected, compiled and calculated mainly from annual reports of the DCC Bank Rajnandgaon. Other related information collected from journals, conference proceedings and websites.

INTERPRETATION OF DATA:-

The secondary data have been tabulated in a suitable sheet prepared for the purpose. Analyzing and interpreting the collected data, summary has been drawn.

PROFILE OF THE BANK:-

The District Central Cooperative Bank Ltd Rajnandgaon established/ registered on 3rd December 1974 (Registration No. 141/03.12.1974) as a central financing agency of PACS, with the avowed purpose of catering the agricultural credit needs of the farmers in the district; having 23 Agriculture Branches, 5 Deposit Branches and 135 PACS as its members functioning at block/ village level. The 203 fertilizer center, 436 fair value shop and 165 dhan purchase center operates by bank. Bank owns 333 godowns having storage capacity of 31950 MT. The Bank has its head office at Rajnandgaon, it covers District Kabirdham also. No branch has been opened/ closed during the reference period.

OBJECTIVES OF THE BANK:-

1. To meet the short and medium-term credit requirements of member societies and other affiliated societies in district.
2. To collect deposits and arrange funds for the purpose of lending.
3. To implement the credit policy and programmes of Govt. and NABARD and to provide various banking facilities to the member societies as well as to customers.
4. To supervision, guide and control the working of affiliated societies in a district.

SHARE-CAPITAL OF THE BANK:-

The Authorized Share Capital of the DCC Bank Rajnandgaon is Rs. 30 Crores, whereas the paid-up share capital is Rs. 263742306 which is contributed by Govt. of Chhattisgarh Rs. 13300000, Primary Agriculture Cooperative Societies Rs 250433116 and Nominal Members Rs 9190.

PROGRESS OF THE BANK:-

Table No. 1 presents the progress of bank of year 2000 and from year 2008 to 2011, Graph No. 1 presents the same. Table No. 2 shows progress from year 2009 to 2011.

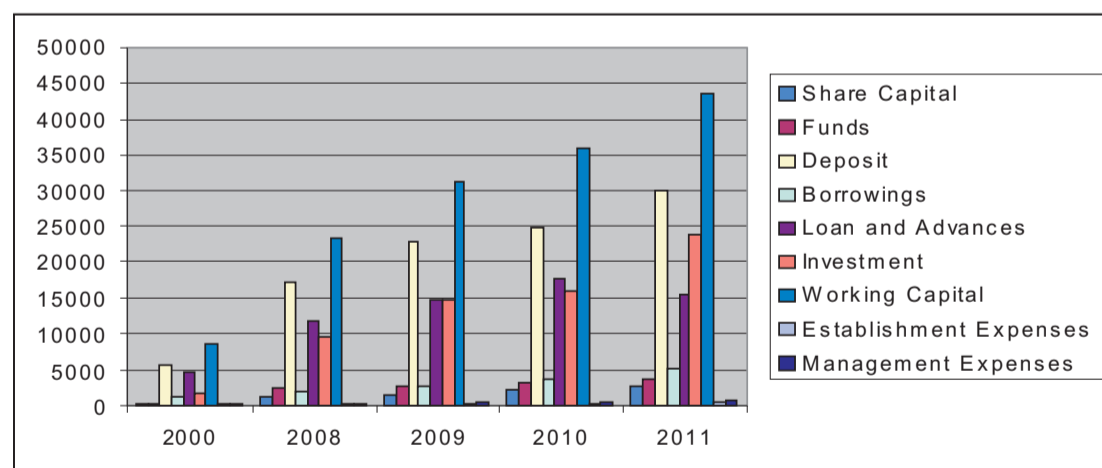
Table No- 1
Progress of DCC Bank Rajnandgaon

Item \ Year	2000	2008	2009	2010	2011
Share Capital	523.97	1366.31	1650.34	2124.17	2637.42
Funds	397.12	2403.08	2985.28	3452.10	3835.84
Deposits	5696.82	17223.08	22951.88	24833.25	29875.06
Borrowings	1430.89	1991.99	2725.10	3800.00	5040.00
Loan and Advances	4787.64	11881.24	14775.38	17599.18	15607.72
Investments	1789.17	9666.33	14740.83	16021.03	23793.72
Working Capital	8650.19	23503.05	31294.78	35951.92	43606.00
Establishment Expenses	233.83	250.94	321.71	470.35	619.58
Management Expenses	312.08	439.05	714.85	779.24	863.54
Profit/ Loss during year	+ 1.15	+ 527.58	+ 334.43	+ 416.24	+ 839.88
Cumulative Profit / Loss	- 523.36	- 231.86	+ 102.57	+ 518.81	+1087.38
% of Est. Exp with WC	2.70 %	1.07 %	1.03 %	1.31 %	1.42 %
% of Mang. Exp with WC	3.60 %	1.87 %	2.28 %	2.17 %	1.98 %
Number of Branches	28	28	28	28	28

Source: - DCC Bank Rajnandgaon- Annual Reports.

(Figures: - Rs. in Lakhs.)

Graph No- 1
Progress of DCC Bank Rajnandgaon



Source: - DCC Bank Rajnandgaon- Annual Reports.

(Figures: - Rs. in Lakhs.)

Table No- 2
Progress of DCC Bank Rajnandgaon

Item	Year	2009	2010	2011
Membership (Number)		2061	2066	2122
Fixed Assets (Lakhs)		19.41	25.82	38.15
Kisan Credit Card (Number)		131390	148851	178510
Credit Expansion (Members)		220667	233125	249036
Total Income (Lakhs)		---	2819.76	3460.73
Total Expenses (Lakhs)		---	2403.52	2620.85

Source: - DCC Bank Rajnandgaon- Annual Reports.

Contribution of the Bank in Implementation of Government Schemes:-

The bank has taken active participation in implementing various government schemes of rural and agricultural development. Some of these are -

1. Farmer Club- The bank has been taking keen efforts to establish farmer club, up to 31-3-2011, 88 clubs established.
2. Improvement of Self Help Group- The bank improves women self help group, up to 31-03-2011, 4562 SHGs improved.
3. National Agriculture Insurance Scheme- The bank provides crop insurance with loan distribution, 220574 farmers get the benefit during year 2011.
4. Sankat Haran Beema Yojana- IFFCO sponsors this scheme, under this scheme bank provides 400/- per bag (up to 25 bags) insured amount in the condition of death of farmer during year.
5. Interest Subsidy Scheme- Farmers get benefit of interest subsidy by State and Central Govt., 135259 farmers benefited during year 2010-2011.

SUMMARY OF THE STUDY (FINDINGS):-

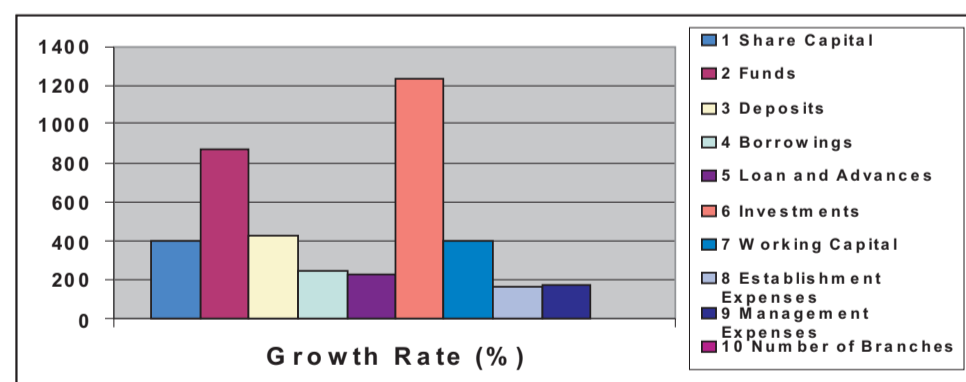
The growth pattern of the financial parameters of DCC Bank, Rajnandgaon is presented in Table No. 3. Parameters 1 to 10 calculated from base year 2000, parameters 11 to 14 calculated from base year 2009 and parameters 15 to 17 calculated from base year 2010. Graph No. 2 to Graph No. 4 presents Growth Rate.

Table No- 3
Growth Rate of Parameters

S. No.	Parameters	Growth Rate (%)
1.	Share Capital	403.35
2.	Funds	866.00
3.	Deposits	424.41
4.	Borrowings	252.22
5.	Loan and Advances	226.00
6.	Investments	1229.87
7.	Working Capital	404.10
8.	Establishment Expenses	165.00
9.	Management Expenses	176.70
10.	Number of Branches	0.00
11.	Membership	2.96
12.	Fixed Assets	96.55
13.	Kisan Credit Card	35.88
14.	Credit Expansion (Membership)	12.86
15.	Total Income	22.73
16.	Total Expenses	9.04
17.	Profit/ Loss during the year	101.78

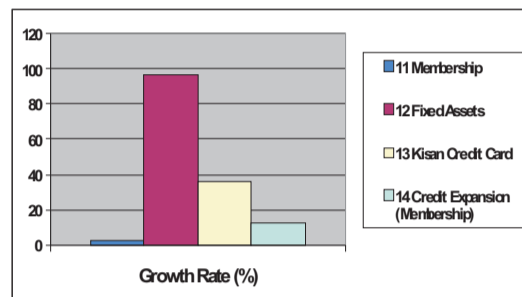
Source: - Calculated from Bank Annual Reports.

Graph No- 2
Growth Rate (Base Year 2000)

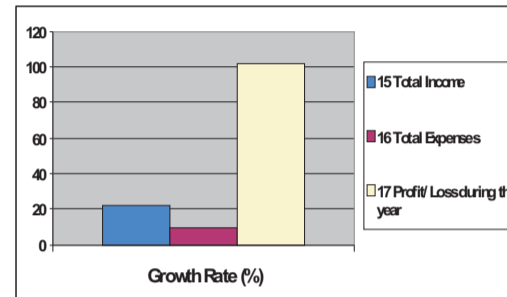


Source: - Calculated from Bank Annual Reports.

Graph No- 3
Growth Rate (Base Year 2009)



Graph No- 4
Growth Rate (Base Year 2010)



Source: - Calculated from Bank Annual Reports.

All the parameters exhibit positive and significant growth. On the basis year 2000 the highest Growth Rate was observed with respect to Investments (1229.87%) followed by Funds (866.00%), Deposits (424.41%), Working Capital (404.10%), Share Capital (403.35%), Borrowing (252.22%), Loan and Advances (226.00%), Management Expenses (176.70%) and Establishment Expenses (165.00%), No growth in Number of Branches.

On the basis year 2009 the highest Growth Rate observed Fixed assets (96.55%) then Kisan Credit Card (35.88%), Credit Expansion (Membership) (12.86%) and Membership (2.96%).

On the basis of previous year 2010 Growth Rate of Total Expenses (9.04%), Total Income (22.73%) and Net Profit during year (101.78%).

PROBLEMS (WEAKNESSES) OF THE BANK:-

1. DCC Bank Rajnandgaon has not succeeded in mobilizing deposits because of severe competition from other banks and financial institutions.
2. The DCC Bank Rajnandgaon suffers from heavy over dues.
3. It has been noticed that there is unusual delay in the sanction of loans.
4. The loan recovery system/ procedure of bank are very poor.
5. One of the important defects- management by untrained members.

SUGGESTIONS (RECOMMENDATIONS) FOR IMPROVEMENT OF THE BANK:-

1. The DCC Bank Rajnandgaon should try to increase their deposits by opening branches in business areas, improve the services to clients, introduce different types of deposit schemes and offer competitive rates of interest.
2. The DCC Bank Rajnandgaon should change their loan policies.
3. The DCC Banks Rajnandgaon should drop a scientific method to recover over dues and must maintain up to date records on daily basis.
4. The DCC Bank Rajnandgaon must maintain adequate liquid resources, margin, properly scrutiny of loans and should try to qualitative improvement to the staff.
5. Accountability and transparency need to be brought in the implantation of the schemes.

CONCLUSION:-

As we analyze the data it shows that DCC Bank Rajnandgaon is working for the 360 degree development of rural area of District. In short we can say that CCB Bank providing rural Rajnandgaon all round assistance and proved to be an institution where "Growth with Social Justice" exists. The Govt. of Chhattisgarh awarded DCC bank Rajnandgaon for excellence service and contribution in cooperative development for the year 2011. The DCC bank obtained 79 Marks out of 100 Marks and achieved Grade "A" in Audit Report of Financial Year 2010-2011. CCB Bank plays a major role in rural credit delivery of Rajnandgaon.

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