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“A STUDY OF FINANCIAL PERFORMANCE OF DISTRICT CENTRAL CO-OPERATIVE BANK WITH SPECIAL REFERENCE TO NANDED DISTRICT”

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Abstract:

Co-operation is now regarded as one of the most powerful instrument for reconstructing and remodeling the economic structure of the under-developed countries in the world. Its need in India is imperative. It can be seen that the population of India is increasing; the Government is unable to provide good and efficient services to the masses. By adopting the principle of co-operation the basic needs of the population can be met easily to extent. “Bahujan Hitay-Bahujan Sukhay” i.e. for the happiness and welfare of the masses. This principle can be possible only with the help of co-operative. At the outset it needs be admitted that even after completion of 64 years of independence and despite or remarkable strides made in several sectors like agriculture, industry, education, science and technology socio-economic justice to millions of masses is still wanting.

KEYWORDS:

Finance, Bank, Co-Operative, Economic

INTRODUCTION

1.2 Definition of the Term Co-operation:

Co-operative can be defining as 'working together'. A Co-operative institution can be called community organization established for the promotion of common interest of the members. Various authors have defined co-operation differently. Some of the important definitions are given here.

Prof. Paul Lamber defines a co-operative institution as, “an enterprise formed and directed by an association of users applying itself the rules of democracy and directly intended to serve both its own members and the community as a whole.”

1.3 Statement of Problem:

An attempt has been made to evaluate the financial performance of Nanded District Central Co-operative Bank Limited with particular reference deposit, lending, recovery, non performing assets, imbalance and financial performance.

1.5 Objectives of the Study:

The following are the main objectives of the study:

1. To study the financial performance of The Nanded District Central Co-operative Bank Ltd., Nanded
2. To analyze the non performing assets of The Nanded District Central Co-operative Bank Ltd., and its reasons.
3. To find out the loan performance and recovery of loans of the Nanded District Central Co-operative Bank Ltd., Nanded

1.6 Statement of Hypothesis:

The hypothesis of the present study is presented as follows,

1. The Nanded district central co-operative bank Ltd, Nanded goes into the big financial crisis because of its non-performing assets.
2. The Nanded District Central Co-operative Bank's cumulative losses are showing increasing trend.

1.7 Methodology of Research:

The present study evaluates the financial performance of Nanded District Central Co-operative Bank Limited from 1998-99 to 2007-08. The present study is mainly based on secondary data and used primary data also. Both secondary and primary data collected for the study was analyzed with the help of appropriate tools of analysis.

1.7.1 Sample Design

For the present study universal population was taken as a sample design. In order to analyze the views of bank officers on the financial performance of Nanded District Central Co-operative Bank, officers of the bank were interviewed through structured questionnaire.

1.7.3 Statistical Methods:

The researcher has used various statistical tools, techniques & methods such as collection, classification, tabulation, graphic presentation, percentages, averages & correlation analysis etc.

1.8 Scope of the Study:

The present study attempts to evaluate the financial performance of Nanded District Central Co-operative Bank Limited. The study covers the Head Office of the bank located at Nanded and branches of the bank spread over Nanded district. The period of study is 10 years from 1998-99 to 2007-08.

1.9 Importance of the Study:

The researcher has presented the study with the hope that it would be helpful to many individuals as well as institutions, directly or indirectly connected with the co-operative banking system, especially the study unit.

1.10 Limitations

The limitations of the present study are as follows:

1. The sample size is limited.
2. The study is limited for the evaluation of financial performance of Nanded District central co-operative bank only.

1.11 Performance Analysis of Nanded District Central Co-operative Bank:

A) Agricultural loan NPA:

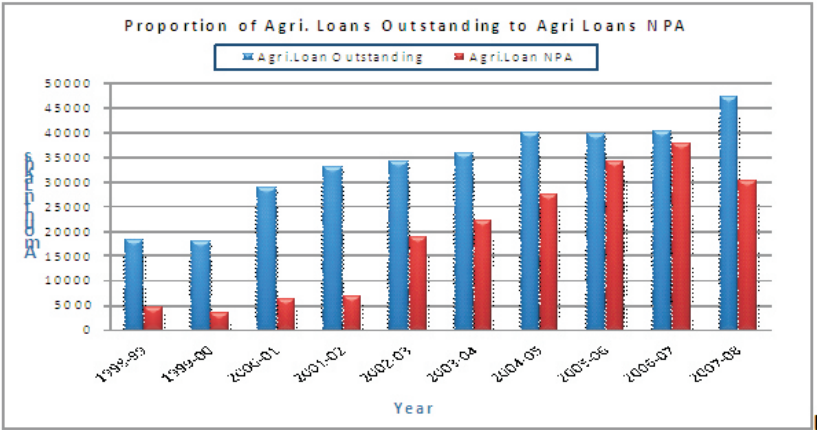
As per NPA norms and provisions Table 1.1 shows the agricultural NPA of Nanded District Central Co-operative Bank between 1998-99 to 2007-08.

TABLE 1.1
PROPORTION OF AGRICULTURAL LOAN OUTSTANDING TO AGRI. LOAN NPA
DURING 1998-99 TO 2007-08

Year	Agri.Loan Outstanding	Agri.Loan NPA	Agri. Loan Outstanding to Agri. Loan NPA ratio
1998-99	18269.59	4810.43	26.33
1999-00	17950.37	3467.57	19.32
2000-01	29144.09	6400.94	21.96
2001-02	33054.12	6801.55	20.58
2002-03	34146.16	18938.87	55.46
2003-04	35833.06	22276.16	62.17
2004-05	40114.45	27496.02	68.54
2005-06	39934.75	34291.64	85.87
2006-07	40228.74	37883.50	94.17
2007-08	47115.99	30358.08	64.43

Source: Data compiled from Annual Reports & record of Nanded District Central Co-operative Bank from 1998-99 to 2007-08

It is observed from Table 1.1 that the NPA of agricultural loans showed increasing trend in the study period except in the year 1999-2000, 2001-02 and 2007-08. The percentage of NPA varied between 19.32 per cent and 94.17 per cent during the study period. From the year 2002-03 to 2006-07 there has been huge amount of agricultural loan in NPA. Then in the year 2007-08 the NPA of agricultural loans showed decreased trend from 94.17 per cent to 64.43 per cent.



B) Non-Agricultural loan NPA:

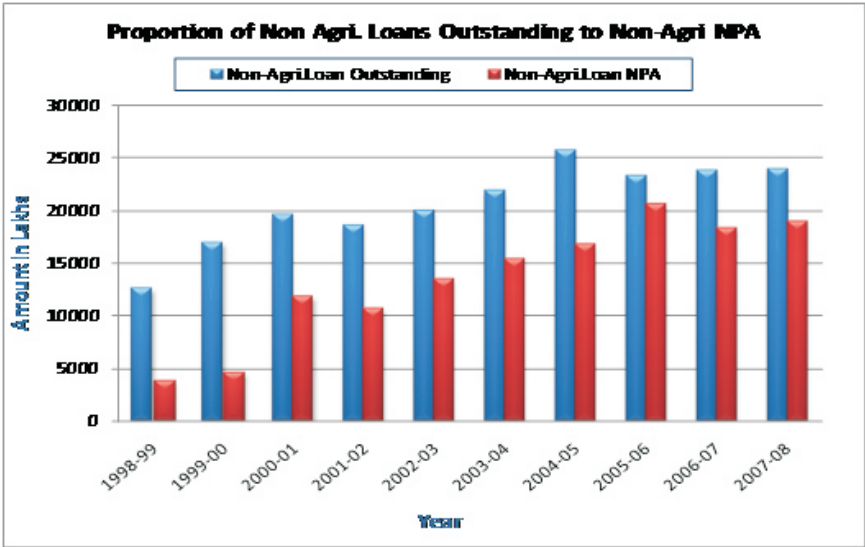
As per NPA norms and provisions Table 1.2 shows the non-agricultural NPA of Nanded District Central Co-operative Bank between 1998-99 to 2007-08.

TABLE 1.2
PROPORTION OF NON-AGRICULTURAL LOAN OUTSTANDING TO NON-AGRI. LOAN
NPA DURING 1998-99 TO 2007-08

Year	Non-Agri.Loan Outstanding	Non-Agri.Loan NPA	Non-Agri. Loan Outstanding to Non-Agri. Loan NPA ratio
1998-99	12623.68	3795.66	30.07
1999-00	16897.17	4652.73	27.54
2000-01	19634.83	11878.03	60.49
2001-02	18618.10	10729.11	57.63
2002-03	19943.16	13476.14	67.57
2003-04	21886.14	15368.30	70.22
2004-05	25762.06	16821.89	65.30
2005-06	23359.94	20576.66	88.09
2006-07	23749.47	18386.83	77.42
2007-08	23977.57	18946.00	79.02

Source: Data compiled from Annual Reports & record of Nanded District
Central Co-operative Bank from 1998-99 to 2007-08

It is observed from Table 1.2 that the NPA of non-agricultural loans showed increasing trend in the study period except in the year 1999-2000, 2001-02, 2004-05 and 2006-07. The percentage of NPA varied between 27.54 per cent and 88.09 per cent during the study period.



C) Profitability of the Bank:

There is an argument that co-operatives being service organizations, their aim is not earn profit. But it should be remembered that Co-operative Banks are also economic organizations. A co-operative must earn profit with service to its members. In the competition world a co-operative organization may not be able to have strong financial base without earning of profit. Table 1.3 shows light on total income, total

expenses, net profit/loss and cumulative losses of the Nanded District Central Co-operative Bank during the study period.

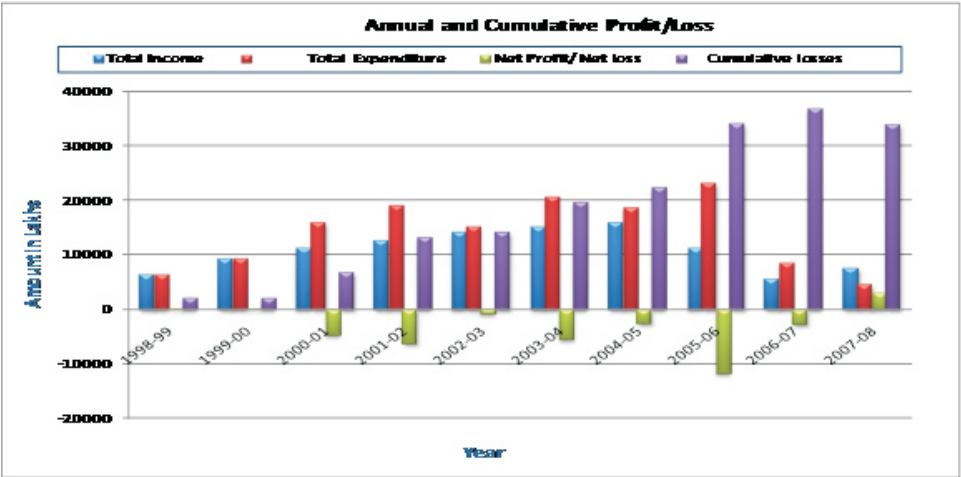
Table 1.3
Annual and Cumulative Profit/Loss

(Rs. in lakhs)

Year	Total Income	Total Expenditure	Net Profit/ Net loss	Cumulative losses
1998-99	6430.52	6408.56	21.96	2103.21
1999-00	9254.61	9209.57	45.04	2058.16
2000-01	11158.26	15938.57	-4780.31	6838.47
2001-02	12708.42	19037.91	-6329.49	13167.96
2002-03	14220.63	15136.09	-915.46	14083.42
2003-04	15121.32	20697.63	-5576.31	19659.73
2004-05	15971.19	18607.60	-2636.41	22296.14
2005-06	11247.04	23081.33	-11834.29	34130.43
2006-07	5653.71	8463.40	-2809.69	36940.12
2007-08	7587.79	4578.41	3009.38	33930.74

Source: Annual Reports of Nanded District Central Co-operative Bank from 1998-99 to 2007-08.

From Table 1.3 it is found that the in the study period bank's cumulative losses was from Rs. 2058.16 lakhs in the year 1999-2000 to Rs. 36940.12 lakhs in the year 2006-07 which was staidly increased. There after decreased the cumulative losses of Rs. 33930.74 because in this year the bank had in net profit of Rs. 3009.38 lakhs. That's why the cumulative losses had decreased.



1.12 Major Findings:

Following are some of the important findings of the study:

- 1.It is observed that the amount of agricultural loans overdue has gradually increased from Rs. 6,576.58

lakhs in 1998-99 to Rs. 39,111.83 lakhs in 2007-08 except in 2000-01.

2.It is found that the percentage of agricultural loans overdue to loans outstanding revealed a fluctuating trend. The lowest was 21.93 per cent in 2000-01 and the highest was 83.01 per cent in 2007-08 during the study period.

3.It is observed that the amount of non-agricultural loans overdue has gradually increased from Rs. 2,575.95 lakhs in 1998-99 to Rs. 20374.61 lakhs in 2005-06. There after decreased in the year 2006-07 and then increased in the year 2007-08.

4.It is found that the percentage of non-agricultural loans overdue to loans outstanding revealed a fluctuating trend. The lowest was 20.41 per cent in 1998-99 and the highest was 87.22 per cent in 2005-06 during the study period.

5.It is observed that the NPA of agricultural loans to total NPA showed fluctuating trend. The percentage of NPA varied between 35.02 per cent and 67.32 per cent during the study period.

6.It is found that the percentage of NPA of non-agricultural loan to total NPA also showed a fluctuating trend, varied between 32.68 and 64.98 during the study period.

7.It is found that the percentage of agricultural loan outstanding to agricultural loan NPA varied between 19.32 per cent and 94.17 per cent during the study period.

8.It is observed that the NPA of non-agricultural loans from outstanding non-agricultural loans showed increasing trend in the study period except in the year 1999-2000, 2001-02, 2004-05 and 2006-07.

1.13 Major Suggestions:

In the light of the findings a few suggestions are offered to improve the performance / functioning of Nanded District Central Co-operative Bank Limited Nanded.

1.The bank should fix the responsibilities of recovery of illegal loans disbursement on the responsible officers and directors. Otherwise these loans could not be possible to recover. If necessary to take legal on such irresponsible officers and directors.

2.There is need to appoint Independent Directors on the Board of the Bank to initiate transparency in the business. Those directors must be non-political and having experience in banking, economics, commerce, industry, law, agriculture etc. There is also need to take the representatives of NABARD, RBI and State Government as directors which will help the bank to take proper decisions.

3.Bank should initiate the procedure to recover loans given on Government Guarantee by the way of invoking Government Guarantee. There is need to pursue the Government to do so.

4.There is needed to start legal proceedings against the Non-agricultural Institutions from whom the loan is overdue under section 91 of the Maharashtra Co-operative Societies Act, 1960.

5.There is needed to take initiatives of recovery of Agricultural loan under section 101 of the Maharashtra Co-operative Societies Act, 1960. It is also necessary to receive 'Recovery Certificate' from the Assistant Registrar of Co-operative Societies and take action against defaulters under section 156 of the Maharashtra Co-operative Societies Act, 1960.

6.Loans should be disbursed as per the guidelines given by NABARD and Maharashtra State Co-operative Bank and its own loan policy. This will help to maintain the standard of loans and recovery of the loans.

7.In view of mounting overdues, it is very essential to deal with recovery matters on war-footing. The Bank should set up a 'task force' to plan and monitor the recovery matters.

8.The bank should recruit qualified and sufficient number of employees in order to improve the performance of the bank. There is acute need of training of employees in the matters of customer satisfaction, cost effectiveness, computerization and recovery.

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