

Research Paper

“A Study of Performance and Challenges before the D.C.C. Bank Ltd, Sangli”**Ms.Vidya Ramchandra Shelke**

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ABSTRACT

In the globalized set-up the cooperatives are an ideal instrument in economic and social development through strong local communities, strong local leadership through financial products support. Stronger is the cooperatives-stronger the democracy. The cooperatives which are the life blood of Indian economy and the mechanisms for any development programs.

A District Central Cooperative 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. It also acts as balancing institution by accepting surplus funds of cooperatives and using this money to meet the credit requirement of needy cooperatives. In this context the present study an attempt is made to evaluate the financial performance and challenges of Sangli DCC bank Ltd., Sangli. The banks own funds are 10%, fixed assets to own funds ration is 4.33%, current ratio is 1.33:1, gross ratio is 93%, credit deposit ratio is 101%, average profit for last ten years is negative 0.33%. Considering this scenario, it can be concluded that the sample bank financial performance is not up to the mark. In this regard the bank should follow the professional management approach, prepare plan for coming 20-25 years, nominate bank officials and employees to guide the farmers and borrowers, nominate more than 50% directors from Economists, control by Government, Cooperative Department and RBI. In nutshell, the Cooperative Banks are the life blood of Indian economy and the mechanisms for any development programs. In this LPG era the cooperatives are an ideal instrument in economic and social development through strong local community. The Socio-economic development on sustainable basis is possible only when the available resources are put to optimum use, generating surplus income and marketing them at right time, in right place, through right channel. This strategy would ensure only through effective and efficient cooperative management

I. Introduction:

In the globalized set-up the cooperatives are an ideal instrument in economic and social development through strong local communities, strong local leadership and strong local solutions thereby proving to be a successful organizational form in building new models to combat social exclusion and poverty through local development initiatives. Cooperative members learn from each other, innovate together and by increasing control over livelihoods, build up the sense of dignity and earn

desired patronage in the system. So the cooperatives in Indian context are the connecting link between society and government. Stronger the cooperatives-stronger the democracy. The concept of co-operation has been applied in almost all countries widely in the industrial and commercial fields. In India co-operative movement supported by the Government and it is resulted in all field of life via, consumer stores, manufacturing co-operative organization, farmer co-operative societies, employees cooperative, traders cooperative, rural and urban co-operative bank. The cooperatives which are the life blood of Indian economy and the mechanisms for any development programs.

A District Central Cooperative 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. It also acts as balancing institution by accepting surplus funds of cooperatives and using this money to meet the credit requirement of needy cooperatives. It is an important link in the three tire credit structure. Though, their role is important and their number is increasing, presently some of the cooperatives units are in a count down position, which gave rise to new challenges before existing cooperatives. In this context the present study an attempt is made to evaluate the financial performance and challenges of Sangli DCC bank Ltd., Sangli

II. Concept:

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and - democratically controlled enterprise

III. Objectives:

1. To know the existing position and performance of DCC Bank Ltd., Sangli.
2. To understand the challenges before DCC Bank Ltd., Sangli.
3. To suggest remedies to overcome the problems.

IV. Methodology:

For the present paper a case study method is used for the fulfillment of the objectives. The researcher has used secondary data as a source of information, from various financial aspects of the Sangli DCC bank which were collected from the annual reports and records of the bank along with personal observation.

V. Profile of Sangli DCC Bank:

A Sangli DCC bank is one of the most important bank who played a vital role in the improvement and development of co-operative movement in a particular district. His highness Late Chintamanrao Appasaheb Patvardhan was established this bank on 28th March 1927. The head office is in Sangli and its branches are mostly located in urban as well as rural area. The princely merged after independence consequently this District Bank was registered as "Dakshin Satara District Central Co-operative Bank" on 27th July 1950. The Sangli District became independent in 1960 and this district bank naturally started and working as "Sangli District Central Co-operative Bank Ltd. Sangli". The objectives of this bank to promoting credit requirements of member societies as well as the small and tiny sector in the particular district. In this research study an attempt is made to evaluate the financial performance and challenges of Sangli DCC bank.

VI. Financial Management and Existing Position of DCC Bank Sangli:

Finance means money or the amount of funds. Financial management refers to the management of funds in the business. The success or failure of any business depends upon adequate and timely supply of finance and its effective use in the business. Financing consists in the raising, providing managing of all money, capital or funds of any kind to be used in connection with the business. Ratio Analysis: The management is not satisfied with only total figures recorded in the financial statement. It wants to know the financial strength of the business the liquidity, profitability and solvency position of the bank. Ratio analysis is the process of identifying the financial strength and weakness of the firm, by properly establishing relationship between the items of balance sheet and profit & loss A/C.

Table No. 1: Financial Ratio Analysis -

(Rs. in Crores)

Year	Solvency		Liquidity		Efficiency	
	Total Lib to owned funds	Fixed Assets to Owned funds	Current Ratio	Inventory Ratio	Gross Ratio	Credit Deposit Ratio
1990-00	8.18	4.91	1.77	5.03	94.91	92.96
2000-01	8.31	3.96	1.73	4.94	91.81	104.74
2001-02	7.97	8.82	1.61	4.86	92.39	113.61
2002-03	8.55	5.12	1.69	4.30	94.47	111.15
2003-04	9.88	3.78	1.69	5.27	95.67	101.41
2004-05	10.41	5.25	0.99	4.37	94.75	85.46
2005-06	10.65	3.87	1.14	3.86	92.22	84.75
2006-07	11.71	3.08	1.09	3.88	94.24	97.84
2007-08	12.39	2.30	0.92	4.62	91.35	80.69
2008-09	12.49	2.24	0.67	8.47	90.64	65.48
Average	10.05	4.33	1.33	4.96	93.24	101.23

Source: Field Work

Table No. 1 shows that the financial ratio of the sample unit from 1990 to 2009 i.e. last ten years. The ratios in the

sample unit are not satisfactory in this financial crises scenario. The own funds are only 10%, which is not sufficient. Fixed assets to own funds ratio is 4.33%, which shows the blockage of own funds in fixed assets. It is also found that the current ratio is only 1.33:1 which should be 2:1. Current ratio shows the financial liquidity of bank and it is relatively low (below standard) which represents the liquidity position of bank is not good and they are facing some difficulties to pay its current obligation. In brief it indicates that there is a shortage of current assets to make the payment of current liabilities. It leads to liquidity shortage in the sample DCC bank at Sangli. Considering gross and credit deposit ratio is 93% and 101% respectively which is somewhat up to the make but considering average solvency and liquidity ratio, which is not satisfactory. The sample unit is a DCC bank where good amount solvency and liquidity is required. If liquidity is not good, then they enable to fulfill the needs of members and farmers fully in the sample area. There is a partial positive correlation between liquidity and loan disbursement which may not be fulfilled by the sample bank.

Table No. 2: Financial Ratio Analysis-

(Rs. in Crores)

Year	Profitability		Strengthen	
	Net Profit to Total Assets	Net Profit to owned Funds	Net Worth	Net Capital Ratio
1990-00	0.56	3.65	1221.15	0.40
2000-01	1.37	9.82	1202.85	0.33
2001-02	1.34	9.86	1254.79	0.70
2002-03	1.24	7.64	1168.92	0.44
2003-04	0.15	0.74	1011.90	0.37
2004-05	-3.65	-10.12	960.40	0.55
2005-06	-0.77	-3.00	939.12	0.41
2006-07	0.64	-2.57	853.84	0.36
2007-08	0.12	0.42	807.34	0.28
2008-09	-1.33	-3.30	800.39	0.28
Average	-0.33	1.31	1022.07	0.412

Source: Field Work

Table No 2 shows that the profitability and net worth ratio. Considering last 10 years profitability ratio, it shows that there is no satisfactory situation. It is true that earning profit is not motto of co-operative bank but getting surplus is very much required. The performance of the bank can be measured on the basis of Net Profit ratio. To grow and develop for any organization, earning profit is very much required but in the sample unit there is negative profit i.e. loss, which will not provide boost to the sample unit. It is also found that Net Profit to Own Fund ratio is not satisfactory. In short total assets and owned funds should give at least 10% profit for sustainable development of the bank. In brief from last ten years' profitability history of the bank is not up to the mark. Considering the bank's net worth it is ok, but it started gradually decreasing which is not good. The bank tries to increase net worth for sustainable development.

VII. Challenges / Defects / Problems in the working of DCC Bank Sangli:

From the above analysis and interpretation the researcher come to know that cooperative management of sample units fails in promoting overall socio-economic development of Sangli District. Some of the major defects / problems are found in study area as under:

1) **Inadequate Resources:** A major drawback of the district central co-operative bank is their failure to enhance the internal resources. Although these bank have shown an appreciable rise in their deposits and owned funds, these resources fall short in relation to the increasing needs of the affiliated credit societies.

2) **Defective Loan Policies:** This bank have a number of defects in their lending operation for instance, there is lack of effective supervision of the end-use of loans, credit is not linked with marketing and loans are not properly linked with the sowing and harvesting seasons.

3) **Delay in Loan Disbursement:** There is inordinate delay in sanctioning the loans and in actual disbursement of loans. There is a big time-lag between the loan applications and its disbursement. This is because the procedure adopted for the scrutiny of the applications and the sanctions of loans is tedious and time consuming.

4) **High Over dues:** A highly distressing feature of the functioning of the district central co-operative bank is high over dues. A number of factors have contributed to this sorry state of affairs such as inefficient supervision, poor quality of management, poor recovery, number of defective loan policies.

5) **Ineffective Management:** Most of the district central co-operative a banks have a poor quality of management. This is the fact that, bulk of the staff recruited is neither trained nor well qualified, most of the directors of these banks are actively involved in politics and hardly has any time to actively and constructively participate in the working of the bank. Besides, the recruitment and promotions procedure of these banks is faulty and adversely affects the operational efficiency of these banks.

6) **Faculty Investment Policy:** The investment policy of this bank is also not free from drawbacks of the Sangli DCC bank keep considerable funds in current and call deposits with commercial bank, invest in new enterprises under the pressure of political leaders, invest in the shares of other co-operative institution and sanction loans to processing units without making a through enquiry of the economic viability of the project.

7) **Profitability:** On the basis of profitability, the operational efficiency of a Sangli DCC Bank can be ascertained. During 2006-2006 the bank made big loss. Profitability of the bank is very important challenge before bank. Because in the study period the bank suffer from loss and this is to impact on day today working and operations of the bank service. Hence, to improve and to growth in the profit is the main challenge before bank management.

8) **Impact of Politics:** The working of Sangli DCC bank has been adversely affected because of the impact of political forces. The leadership of this bank has gone in the hands of politicians. The domination of vested interests retards the growth of this bank.

9) **Audit Class:** Qualitatively the performance of the Sangli DCC bank is highly unsatisfactory on the basis of their audit classification; one can make the qualitative assessment. It is indeed a sad commentary that bulk of the central co-op. banks comes under 'B' or 'C' class co-operative banks.

10) **Other Defects:** Besides the above shortfalls, the Sangli DCC bank suffers from the following weaknesses

or challenges.

a) They have failed to provide adequate credit facilities.

b) They have failed to act as a friend, philosopher and guide of the member societies.

c) They are financially weak and have structural defects.

11) **Non-performing Asset:** The concept of non-performing asset (NPA) is of recent origin in India. A non-performing asset basically implies an asset which fails to contribute any income to the bank. In other words, an asset becomes non-performing when it ceases to generate any income for the bank. Thus, hereafter bank will have to classify their assets under two heads viz. performing assets and non-performing assets. Assets which fetch regular income to the bank in the form of interest should be treated as performing assets or earning assets. On the contrary, assets in respect of which interest is not received by the bank for more than two quarters should be treated as non-performing assets. The Sangli DCC bank has face the problem of NPA. In the year 2007 and 2008 the percentage of NPA to total loan was 16.25% and 19.51% respectively.

These are the main challenges faced by the Sangli DCC bank in their current and regular business activities.

VIII. Remedies:

Keeping in view of the present position, some following devices are used to kick out the defects / problems of sample DCC bank:

1. The bank should follow the professional management approach and very effective financial portfolio for proper financial ratio.

2. It is suggested that the bank should prepare coming 20-25 years planning regarding loans and recovery.

3. It is suggested that the bank should nominate the bank officials and employees to guide the farmers and bank members regarding agriculture and agro business activities. The bank officials should do close monitor of borrowers, which will solve the recovery problem and it will increase productivity of borrowers.

4. It is suggested that the more than 50% directors should be nominated from the field of Economics and Finance. For this make the necessary changes in the co-operative laws.

5. Government, Cooperative Department and RBI should monitor closely the functions of the cooperative banks for improving their performance.

IX. Conclusion:

In nutshell, the Cooperative Banks are the life blood of Indian economy and the mechanisms for any development programs. In this LPG era the cooperatives are an ideal instrument in economic and social development through strong local community. The Socio-economic development on sustainable basis is possible only when the available resources are put to optimum use, generating surplus income and marketing them at right time, in right place, through right channel. This strategy would ensure only through effective and efficient cooperative management. A well knit and efficiently organized DCC bank would certainly promote the economic standards of the district communities in

particular and over all sectors in general.

X. Reference:

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