A MINOR RESEARCH PROJECT

SUBMITTED TO

Chintalapati Satyavathi Devi St. Theresa's College for Women, Eluru

Under the Scheme of

RASTRIYA UCHTAR SIKSHA ABHIYAN (RUSA) 2.0

(Ref. F.MRP-325/2019(MRP/RUSA2.0-STC) Link No.1-19/1, Dt. June 2019)

AN EVALUATION OF FINANCIAL PERFORMANCE OF WEST GODAVARI DISTRICT COOPERATIVE CENTRAL BANK, ELURU, ANDHRA PRADESH

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DECLARATION

We declare that this Minor Research Project entitled **"An Evaluation of Financial Performance of west Godavari District Cooperative Central Bank, Eluru, Andhra Pradesh"** has not been submitted earlier either in part or full, for seeking any financial assistance under any national or state bodies. This is a genuine research work (Minor Research Project) done by us under financial assistance of RUSA - 2.0 through Ch.S.D.St. Theresa's college for Women, Eluru.

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It is also certified that this Project has not been submitted to any other University or Institution for the award of any academic purpose.

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PREFACE

The shift in the economic policies of the Government which would influence every sector of the economy equally, has dawned upon one and all, when the financial structure reforms were initiated sometime back in the country. With rapid changes in the financial sector reforms hitting the commercial banks with great force, apprehensions are in the air about the workings of co-operative credit system in the rural credit scenario. The much talked about model Act covering the co-operative credit system is viewed with suspicion and as such much discussion is going on as to how it would be and how it should be. In this context, Andhra Pradesh is the first state to bring about the new legislation on the lines of the model Act in 1995. The impact of working of the co-operative credit systems under the new dispensation is yet to be probed seriously by the sensitive and needy rural credit mongers.

It is well-known that the district co-operative central banks occupy a prominent place in the flow of credit requirements under the co-operative system. Nonetheless, the working of the DCCBS has come under severe criticism on account of the perennial losses, most of these units are accruing about unless the financial functioning of DCCBS is significantly improved, the future of the co-operative credit system certainly appears bleak.

As is generally known the main factors that perpetually pester the co-operative credit system include the low rate of deposit mobilisation, higher incidence of overdues, ineffective supervision, interference of political influences, an overdose of bureaucratic control, low rate of recoveries, etc. The problem of low profitability is further aggravated by the adherence of the DCCBs to the conventional lines of banking reorientation towards customer service which is the order of the day. In view of the commercial banks and regional rural banks making in roads into the rural agricultural sector, Co-operative credit societies are certain to face stiff competition. If the Co-operative credit system fails to show stgns of improvement, the public confidence on the age-old system is most likely to get eroded the working of the DCCBs. The vital link between the apex bank at the top and the primary co-operative credit societies at the grass roots level has to be strengthened. The present thesis is an earnest attempt at studying the organisational structure, trends in mobilisation of resources, lending practices recovery policies, supervisory performance of the district co-operative central banks in the light of elected and nominated bodies of management. "Performance evaluation of the DCCBs in A.P." is proposed for study on the basis of a case study of DCCB, Eluru. The DCCB, Eluru is chosen for a case study not only because it happened to be one of the oldest co-operative central banks in the state having been establishing in 1918, but also because hitherto, there is no comprehensive study on the working of this premier institution.

In the circumstance, it is hopefully seen that the present study may be of practical use at least in bringing out the cardinal principles in administering cooperative credit institutions on a much sounder footing, thereby enabling the rural creditor to tap the agricultural resources of our developing country.

ACKNOWLEDGEMENTS

We are very grateful to a number of individuals and institutions whose help and encouragement is a great source and motivation to complete this research work without which this study would not have seen the light of the day.

We acknowledge our profound sense of gratitude and thanks to RUSA 2.0-STC for their financial assistance to complete this minor research project (MRP). It is our profound duty to express our sincere thanks and deepest gratitude to Dr. Sr. Marietta D'mello, Principal and

Smt. Annnapurna RUSA Director of Ch.S.D.St. Thresa's College for Women(A), Eluru.

We are highly thankful to Dr. C. Satyanarayana Rao, Secretary & Correspondent of Sri Y.N. College, and his team of management committee members for their inspiration in the matter of completion of this research work. We are also thankful to Principal Dr. K. Venkatesarlu, RUSA coordinator S.M. Maheswari and IQAC Coordinator Dr. K. Nageswara Rao for the support and help extended to us in various ways.

We would like to record our grateful acknowledgments to Dr. R. Pardhasaradhi, In charge Director of P.G. Courses, Dr. CSR PG Centre of Sri Y.N. College, for his moral support and encouragement to pursue this project work. Our grateful thanks to colleagues in the college. We also express our grateful thanks to Sri Y. Suryachandra Rao Librarian, Sri Y.N. Collge(A), Narsapur.

We are highly indebted to Sri V.V.N. Phani Kumar, Chief executive officer, Sri G.N.V. Satyanarayana Asst. General Manager(L.T), other departments officers, personal assistants and caretakers of DCCB Eluru. Manager and other staff of DCCB Narsapur branch for their cooperation and positive response during our interaction for data collection.

We wish to express our gratitude to Sri. T. Edukondalu, Office Superintendent, other office staff in the college for their constant support and help through our research work.

Finally, we express our deep sense of gratitude to our parents and family members for their constant encouragement, moral boost and understanding without which, we are sure the project would not have attained the stage of completion.

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CHAPTER-I

INTRODUCTION

Agriculture is the largest sector of Indian economic activity in terms of gross national product, capital formation, foreign exchange earnings, generation of employment, supply of food material, inputs to industry and other services. It provides food material and livelihood to a large segment of the population. Agriculture, being the dominant sector, the growth or change in the national output depends on the output in agriculture. It is appropriate to mention the words of Gunnar Myrdal[1] who rightly said, "It is in the

agricultural sector that the battle for long-term economic development in South-Asia will be won or lost". With reference to India, Coale and Hoover[2] stressed the same view. Since, the agricultural sector plays a major role, it has to provide the required capital for its development and make available its surpluses for the economic development of the nation. According to Miller John, "economic development is a continuous process, which in turn run breaks down the vicious circle of poverty and unemployment and thereby leads the economy to a stage of self-sustaining growth in the long run"[3]. It entails the transformation of an agro-industrial economy characterized by abundant labor, traditional technology and scarce capital to modern technological economy with a high ratio of capital to labor. Simon Kuznets is of the opinion that "agriculture is a dynamic activity with a constant change in the structure of the economy"[4].

The development of agriculture sector holds the key to the progress of any economy and also there is inter-dependence between agricultural and Industrial sectors and it facilitates the growth of both the sectors. The increased agricultural income creates market demand for industrial goods, thereby providing stimulus to industrialization and further market development. Heady and Jensen[5] have beautifully described the inter-relationship between agriculture and industrial development: "agriculture is the dog which wags the tail of industrial prosperity. When agriculture is prosperous so is the rest of the country, and when agriculture is poor, the rest of the country is poor".

Role and Contribution of Agriculture to the Indian Economy

Agriculture occupies an important place in the Indian Economy. The very economic structure of India rests upon agriculture. It contributes not only for the increasing per capita levels of living but also the general well-being of the society. Commenting on Indian economy, Samuelson and Selow[6] have stated as: "I agriculture stagnates, it will act as a brake on industrial expansion and halt real growth". The contribution of agriculture to the Indian economy can be seen from the following basic facts, which are discussed hereunder.

(i) National Income

The agriculture sector contributes the maximum share to the national income of India at the time of Independence. But year by year its contribution goes on declining and currently it contributes only 17% of Indian GDP in 2018-19. Industry sector is the secondary sector of the economy. Currently, it is contributing around 29% of the Indian GDP in 2018-19 currently service sector is the backbone of the Indian economy and contribution around 54% of Indian GDP in 2018-19[7].

(ii) Employment

Agriculture makes its contribution to economic development in following ways, by providing food and raw material to non agricultural sectors of the economy, by creating demand for goods produced in non-agricultural sectors by the rural people on the strength of the purchasing power earned by them on selling the marketable surplus by providing investable surplus in the form of savings and taxes to be inverted in non-agricultural sector, earning valuable foreign exchange through the export of agricultural products and by providing employment to a vast army of uneducated, backward and unskilled labour.

(iii) Food and Fodder

In making available the basic necessities of human life such as food, clothing, milk, etc. agriculture outstands every other sector. In addition, it also provides the fodder that is needed to sustain the livestock. To feed the large number of livestock, agriculture sector supplies a huge quantity and a large variety of fodder. Moreover, agriculture produces a variety of products like, milk and milk-products, meat and meat-products, hides and skins, eggs and poultry meat, wool and hair, dung etc., which amount to crores of rupees both in domestic and foreign markets.

(iv) Agriculture and Industry Inter-dependency:

There is a close relationship between agriculture and industry and it is becoming stronger as the economy progresses. The application of science and technology in agriculture induces innovations in respect of industrial products, which are used for agricultural production. This results in supply of equipment like, farm machinery, tractors, power tillers, agriculture tools and implements from industries, which facilitate modernization of

agricultural sector. Besides, there are several other inputs for agriculture such as fertilizers, pesticides, electric motor, diesel engines, pump sets, etc., which are also supplied by the industry. Thus, agriculture has to depend on industry certainly for its inputs and other equipment.

Again the industries like oil, sugar, jute, cotton textiles and tobacco rely heavily on the agricultural sector for the supply of raw materials required by these manufacturing industries. In this way, the entire industrial sector depends heavily on the agricultural sector. Further, the new processing industries like fruit canning, milk products, meat processing, etc., are utilizing agricultural products, which are also developed in the country.

(v) Exports and Imports

Indian agriculture has also a place of pride in the sphere of international trade. The agricultural commodities like tea, coffee, coco, fruits, vegetables, spices, tobacco, cotton, sugar and vegetable oils are exported to different nations. Moreover, hides and skins, wool and other varieties of animal hairs are also produced with the help of agriculture sector. Though, the earnings from these products constitute a small proportion of the gross domestic product but their importance lies more in the foreign exchange. For these reasons, agriculture is important domestically and also externally.

(vi) Capital Formation

The pace of development is largely determined by the rate at which production assets increase. The World Development Report of the World Bank is worth mentioning here, “if agricultural development lags, it is because of inadequate investment, lack of incentives and inappropriate policies as well as problems of technology, climate and soil[8]". Before independence, the capital formation in Indian agriculture was of a low order due to low yield, inequitable land holdings, exploitation of the rural masses, etc. Ever, since independence, more investment has been made in agriculture and allied activities. Physical assets in the form of land development, construction of irrigation dams, formation of roads, agricultural machinery and equipment, warehouses, cold storages, market yards, etc., have been created. This capital formation in agriculture is helping not only the development of agriculture but also the entire economy.

(vii) Increases purchasing power

Agriculture increases the purchasing power not only of those directly engaged in it, but also to others who have gone to industries and services. In this connection, Ashok Thaper[9] says, "When farmers earn more, then they also spend more". In the process they create new markets and new opportunities for hundreds of blacksmiths, carpenters, masons, weavers, potters, leather workers, utensil makers, dhobis, tailors, cotton ginners, dyers, transporters, and countless others. Thus, there are many industries, whose prosperity and employment mainly depends upon the purchasing power of agricultural population.

(viii) Transport

It is a matter of fact, that agriculture backs the railways and roadways because agricultural products have to be transported from the place of production to the consuming points within or outside the country. For this, the transport agencies earn huge amounts of profits in the form of transport charges, which are useful for the growth and development of the transport sector and ultimately to the economy.

(ix) Other Services

The agricultural activities require the services of traders, bankers, transporters, storage-keepers, etc. Since, agriculture contributes the largest portion of the goods and services produced every year, it supports the existence of a large part of the industrial and other services sector.

Summarizing the effects of agriculture, Tyagi says, “agriculture is the backbone of the Indian economy and prosperity of agriculture can also largely be responsible for the prosperity of the entire nation[10]. It may, further be observed that agriculture occupies a centrifugal place in dualistic set-up of the national economy. Its developmental operation has a snow-ball effect over the whole economy. It plays an important role in the process of growth of the economy by supplying food for the population, raw materials for certain consumer goods industries, enlarging the demand for industrial output through an increase in agricultural income and through extending the capacity to absorb the monetary flow of industrial investments, employing a large pool of labor force, and raising foreign exchange earnings through exports.

In spite of the fact that agriculture being so important in the Indian economy; regrettably, it is in the most depressed condition due to several problems. The most important of them are:

i) Lack of adequate capital
ii) Low productivity
iii) Un-remunerative prices and
iv) Lack of proper marketing facilities

Of all these problems, the most acute problem is insufficient capital for which necessary agencies are required. In this regard, the cooperative institutions are working for providing the necessary credit and non-credit services to the needy agricultural farming community. This study “Financial Performance of West Godavari District Co-Operative Central Bank” focuses attention on the financial performance of the Bank is in providing the necessary credit to the agricultural sector.

Growth and working of cooperative sector in India

A cooperative society is an association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. It stands on the principle of "All for each and each for all". Cooperatives are based on the values of self – help, self – responsibility, democracy, equality and solidarity. Pandit Jawaharlal Nehru[11], the first Prime Minister of Free India described cooperation as, "a way of mutuality and a feature of civilized existence".

Paul Lambert[12] defined, "a cooperative society is 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."

According to Tyagi[13], "a cooperative society is an association with unlimited number of persons, the object of which is the promotion of industry or trade of their members by means of common action or credit". It is thus, a movement of the people for the people and by the people. The State may help and guide the movement financially and administratively but initiative, organization and management must come from the people themselves.

Origin and Development of Cooperative Movement

The origin and development of cooperative movement in India is a product of the 20th century. For various agricultural purposes the cultivators were forced to take loans from the money-lenders at a very high rate of interest. The farmers could not repay these loans due to natural calamities like floods, cyclones, failure of crops and lack of reasonable prices for their products. So they had to redeem their debts by selling out or mortgaging their movable and immovable properties. Thus, they became poverty-stricken without property and were pushed down below the poverty line.

The exploitation of money-lenders with high interest rates was so blatant and cruel that the peasants of Poona and Ahmadnagar revolted against moneylenders in 1875. At that time the Government of India had taken military help to tackle that uprising. During that period the Madras Government entrusted Sir Frederic Nicholson with the responsibility of ascertaining the causes of rural indebtedness and remedies thereof. Nicholson took up the job with right earnest and after going through all the aspects of agriculture financing with land mortgage banks in Europe, decided to set up a committee to examine the matters in greater detail in 1901. He himself acted as the chairman of that committee. After careful consideration of all relevant issues of the matter, the committee recommended the setting up of Cooperative Societies in India on the lines of those in Germany[14]. Based on the recommendations of this committee, Sir Ibbotson introduced a Bill in the Legislative Council on that matter. After being passed in the council, the Bill was enacted as Cooperative Credit Societies Act, 1904, and provided for the formation of credit societies in India.

The Cooperative Credit Societies Act, 1904 suffered certain deficiencies in the creation of cooperative societies. The Act was restrictive in its scope, as it permitted only credit societies and kept non-credit societies out of its purview. Later, another legislation, i.e. the Cooperative Societies Act, 1912 was passed to rectify these defects. It recognized the importance of the non-credit form of societies for attending the activities, like purchase, sale, production, insurance, housing, banking, etc. both for agriculture and non-agriculture sectors. As a result the movement gained momentum and there was rapid growth in the number of credit societies as well as non-credit societies.

The Maclagan Committee[15] was appointed in 1914 to review the growth of the cooperative movement. It reviewed the working of the cooperative societies and made far-reaching proposals for the future development of the cooperative movement in the State. The committee submitted its report in 1915 and recommended a three-tier structure of cooperative credit under the Reforms Act of 1919, and cooperation became a provincial subject[16]. The Act gave the option to the states to retain or modify the 1912, Act. The Act of 1919 gave a great stimulus to the cooperative movement in the country. Bombay was the first provincial State at that time to frame its own Cooperative Societies Act, in the year 1925.

A major development in the history of cooperative movement since independence was the appointment of a Rural Credit Survey Committee[17] in the year 1951 by the Reserve Bank of India. In its report, the committee revealed that in the field of rural credit, cooperative societies have failed to make any significant inroads. They met meager credit requirements of the farmer i.e. 3 per cent. Even this small amount of credit had reached only the wealthy section of the farming community of the village, who owned creditworthy securities and the needs of the small farmers were not satisfied. Besides, many parts of the country were not covered by these cooperative societies.

After analyzing the various causes for this situation, the committee concluded, “Cooperation has failed but cooperation must succeed”. The committee has recommended an integrated scheme of rural credit. The scheme works with three fundamental principles, viz.

i) State participation at different levels.
ii) Co-ordination of credit with other economic activities, especially processing and marketing.
iii) Administration through trained and efficient personnel responsive to the needs of rural population.

The recommendations of the committee were made on the basis of programs of cooperative development during the various plans.

Growth of Cooperative Societies

Gopal Lal Jain[18] observes that cooperative institutions have registered tremendous progress in the post independence period”. Table 1.1 shows that distribution of Institutional agricultural credit across major states of India.

Table 1.1

Distribution of institutional agricultural credit across major states of India (Rs./ha)

	1990-91	**2000-01**	**2007-08**
Andhra Pradesh	1120	4604	23441
Assam	54	311	1979
Bihar	233	1075	8880
Gujarat	501	2809	12626
Haryana	482	2964	34012
Himachal Pradesh	207	2555	19490
Jammu & Kashmir	191	764	7893
Karnataka	546	3432	15448
Kerala	2766	7666	56890
Madhya Pradesh	230	698	9627
Maharashtra	287	1352	12138
Orissa	319	479	6730
Punjab	856	5352	46593
Rajasthan	168	667	6673
Tamil Nadu	2857	9403	52427
Uttar Pradesh	376	1529	29065
West Bengal	329	1708	14025
All India	549	2169	15936
Coefficient of variation	121.88	94.15	80.71

Source: Report of Advisory Committee on Flow of Credit to Agriculture and Related Activities from Banking System, RBI, Mumbai.

The growth of cooperative societies during the various Five -Year Plans can be seen from Table 1.2.

Table – 1.2

Growth of cooperative Societies in India during the various Plan periods.

Plan Period	I	II	III	IV	V	VI	VII	VIII	IX
Number of Societies (in lakhs)	1.8	2.4	3.3	3.3	3.3	3.0	2.6	2.7	5.04
Membership (in crores)	1.37	1.46	3.42	5.85	7.34	10.62	12.31	17.35	20.91
Share Capital (Rs. in crores)	45	77	222	663	1226	2086	3190	4321	NA
Working Capital (Rs. in Crores)	276	469	1312	4373	8648	20021	32748	52712	227111

Source : Compiled from the various reports of the Five-Year Plans.

NA : Not available.

It can be seen from the data in table 1.2 that the cooperatives have made commendable progress during the last ten five-year plan periods in terms of number of societies, membership, share capital and working capital.

Structure and Functions of Cooperative Societies

The structure of cooperative institutions in India consists of Primary societies at the base level in the villages or towns, central organizations at the district level, and the apex bodies at the state level.

The cooperative credit structure is divided into two categories: one provides for short and medium term credit and the other long-term credit. The former in each State is a three-tier structure. The Primary Agricultural Cooperative Societies at the village level form the base. They federate into District Cooperative Central Banks, usually at the district level. At the state level, these are federated into an Apex Bank, serving the entire State. The Apex Bank is linked to Reserve Bank of India. The Central Land Development Banks provide long-term credit for each State at the Apex level. The apex banks operate in some cases through Primary Land Development Banks, each serving an area of a taluk or district and where there are no land development banks existing, its own branches or central cooperative banks function.

Chart – 1.1

Structure of Cooperative Institutions in India

- Agricultural Credit Institutions
  - Short & Medium Term (Three – tier system)
    - State Cooperative Banks
      - District Cooperative Central Banks
        - Primary Agricultural Cooperative Societies
  - Long Term (Two–tier system)
    - Central Land Development Banks
      - Primary Land Development Banks
- Non-Agricultural Credit Institutions

Primary Agricultural Cooperative Societies (PACS)

The Primary Agricultural Cooperative Societies (PACS) are the kingpin of the agricultural cooperative movement in India. It can be started with one or more persons, normally belonging to the same village. The value of membership share is generally nominal so as to enable even the poorest person to become its members. It operates at the village level and maintains direct contact with its farmer members. Since there is one society for one village, this ensures mutual knowledge of the members who can exercise mutual control. For its financial requirements, a PACS is linked to a District Cooperative Central Bank, which in turn has a link with State Cooperative Bank.

Functions of PACS

A special Committee on Cooperative Credit[19] appointed by the Reserve Bank of India enumerates the functions of a PACS:

i. to associate itself with program of production;
ii. to lend adequate amount to its members;
iii. to borrow adequate funds from its higher agencies for lending to its members;
iv. to attract local savings as share capital and fixed deposits;
v. to supervise the usage of loans taken by its members and see that the repayment is prompt;
vi. to distribute fertilizers, pesticides, seeds, agricultural implements, etc., either on its own or through agents;
vii. to supply certain consumer goods such as kerosene, wheat, sugar, etc.,
viii. to store the produce of the members till it is sold, by making an arrangement of storage facilities;

ix. to collect or purchase produce, wherever necessary on behalf of the consumer's society or marketing society or government;

x. to associate itself with the programs of economic and social welfare in the village.

The PACS is intended to promote the economic interests of its members in accordance with the cooperative principles and this is achieved by involving in different activities by way of providing loans to them, supplying them agricultural requisites and arranging marketing facilities for their agricultural produce, etc.

Sources of Finance

The working funds of Primary Agricultural Cooperative Society consist of the following:

(a) Owned Funds: Owned funds are made up of share capital, membership fee and the reserve funds built over years out of the profits generated by the society. The Central Banking Enquiry Committee[20] favored the encouragement of subscription to share capital by members, as a method of collection of savings to a system of compulsory deposits.

(b) Deposits: Deposits mobilized by the society both from members and non-members.

(c) Loan Capital: Loans from District Cooperative Central Banks and the Government are the main source of funds for the PACS.

Loans: The loans given by PACS are of two types. i) Short-term loans and ii) Medium-term loans.

i) Short-term loans are given for a period of one year for the purchase of seeds, fertilizers, pesticides, manures, agricultural implements, payment of wages, etc.

ii) Medium-term loans are given for a period of 3 to 5 years for the purchase of cattle, equipment, construction of small irrigation facilities, installing of pump sets, repair of wells, and construction of bunds and improvement of land.

Membership

The membership of PACS is open for agriculturists, artisans and small traders living in the area of PACS. The minimum initial membership fee was Rs.100 up to the year 2001 and from 30th September 2001 the membership fee has been increased to Rs.300. The weaker sections of the society can also become members of the society.

Management

The members of the society form the General Body. Each member is having only one vote irrespective of the number of shares being held. The ultimate authority in the affairs of a society is the General Body, which meets at least once in a year. To look after the day-to-day working of the society, the General Body elects an Executive Committee. The Executive Committee is composed of the President, Secretary and other office bearers.

District Cooperative Central Bank

The financial resources of the Primary Agricultural Cooperative Societies are not sufficient to meet the requirements of their members. There is a need to supplement the PACSs resources from other means and sources. Hence, a bigger institution covering a wider area is established to tap the resources from a wider area and make more resources available to the PACSs. This institution is established at the district level and it is named as District Cooperative Central Bank.

A District Cooperative Central Bank is a federation of Primary Agricultural Cooperative Societies in that specified area or a district. The District Cooperative Central Bank works as an intermediary between the

PACSs and the State cooperative Bank, which is an apex body at the State level. It serves as a balancing center for adjusting the surplus and deficiency of working capital of the PACSs. It can also raise additional funds from the private individuals, commercial banks and other sources and lend them to the PACSs. According to Srinivasa Gowda[21], the stress should be on the orientation of the upper-tier cooperative structure to strengthen the primary constituent units to fulfill their needs in totality. In addition to financing its affiliated societies, the District Cooperative Central Bank also undertakes other banking business activities such as acceptance of deposits, discounting of hundies and bills.

The main activities of the District Cooperative Central Bank are:

i) to meet the credit requirements of PACSs by arranging a regular flow of credit to them;

ii) to undertake ordinary commercial banking business.

iii) to act as balancing centers for the PACSs by making them available the surplus funds of some societies to those which face shortage of funds and thus equalize the flow of capital;

iv) to undertake non-credit activities such as the supply of seeds, manures', foodstuffs, consumer goods etc.

v) to maintain close and continuous contact with the PACSs and provide leadership to them.

vi) to supervise and inspect the PACSs for their effective working.

vii) to provide a safe and profitable place for the investment made by the PACSs.

Membership

Membership of District Cooperative Central Bank is open not only to PACSs, but also the marketing societies, consumer societies, farming societies and urban cooperative credit societies. Individuals are no longer accepted as members on grounds of safety.

Source of Funds

The District Cooperative Central Bank raises its funds through share capital, deposits from public, borrowings from the State Cooperative Bank, grants and loans from the government, deposits and reserve funds of PACSs affiliated to them, the deposits of municipal corporations, local governments and other public bodies. Besides, it takes loans and over drafts from the State Bank of India and from a few other commercial banks.

Loans and Advances

Loans are generally advanced to PACSs for financing agricultural activities such as purchase of seeds, manures and other agricultural requirements for seasonal agricultural operations for a short term, land reclamation, building of cattle sheds, digging and repairing of wells, purchase of cattle and carts, installation of pumps and oil engines for a medium term. Loans are granted on proper security, landed assets, houses, agricultural produce, gold ornaments, fixed deposit receipts, life insurance policies, Government promissory notes and pro-notes executed by the borrowing societies. At the society level, the loans are secured by personal security for solvent members on mortgage of lands.

Management and Supervision

The management of the District Cooperative Central Bank vests in the Board of Directors consisting of 12 to 15 members. The members elect the Board of Directors and they supervise the PACSs and other cooperative societies in their jurisdiction.

State Cooperative Bank

The State Cooperative Bank is at the apex of the Cooperative Credit structure and performs the same function for the District

Cooperative Central Banks as the later for primary societies. Being the head of the entire cooperative structure at the state level, this institution mobilizes and deploys financial resources among the various sectors. It finances and controls the working of the District Cooperative Central Banks in the State. It serves as a link between the Reserve Bank of India from which it borrows funds and the District Cooperative Central Banks. It is through this agency alone that the finances provided by the Reserve Bank of India flow to the agriculturists. It balances the excess and shortage of working capital funds of District Cooperative Central Banks. It also undertakes other banking functions, besides financing the cooperative societies by investing its surplus funds in trade and commerce through the commercial banks or direct investment.

Functions of the State Cooperative Bank

i) the main function of the State Cooperative Bank is, to act as Banker's Bank to the District Cooperative Central Banks in the districts;

ii) it co-ordinates its own policies with those of the cooperative movement and the government;

iii) it functions as a connecting link between the Cooperative Credit Societies and the Reserve Bank of India.

iv) it gives, subsidies to the District Cooperative Central Banks for the development of cooperative activities;

v) it supervises, controls and guides the activities of the District Cooperative Central Banks for their smart working to attain their selected objectives;

vi) it performs normal banking operations and also helps the concerned State Government in the development of cooperative structure in the State.

Membership

Membership of the State Cooperative Bank is open to all the District Cooperative Central Banks in the State and such other societies, as may have direct dealings with them. State Government has now become the shareholder of this bank in order to give the necessary strength, support and borrowing power.

Source of Funds

The main source of the working capital of the State Cooperative Bank is the share capital from the members, reserve funds, deposits from members and non-members; borrowings from Reserve Bank of India, State Bank of India, State Governments and the direct State contributions.

The District Cooperative Central Banks keep their surplus funds in State Cooperative Bank as a part of their working capital. The Reserve Bank of India also provides loans to the State Cooperative Bank for short and medium-term purposes. For financing the affiliated societies the State Bank of India arranges overdraft facilities against government securities.

Loans and Advances

As an apex bank, it should not lend funds directly to the Primary Agricultural Cooperative Societies but it can lend funds through its affiliated District Cooperative Central Banks to the primary societies, which in turn are lent to the agriculturists. But where there is no District Cooperative Central Bank in that district, the Apex Bank lends directly to the primary societies in that district.

Management

The main authority of the State Cooperative Bank rests on the General Body. Powers for the day-to-day working are entrusted to the Board of Directors. The Government, in its capacity as a shareholder, nominates some directors (3 to 4). The General Body meets once in a year to transact such business as:

i) to approve and ratify the report of the year's work;
ii) to decide how surplus fund is to be utilized; and
iii) to elect the Board of Directors.

Land Development Banks (Central and Primary)

The farmers require long-term credit for making permanent improvement in land, purchase of agricultural machinery, sinking and repair of wells, etc. The resources of the Primary Agricultural Societies and District Cooperative Central Banks are not adequate for providing long-term loans. For the purpose of providing long-term loans, Land Development Banks were established.

The structure of the long-term cooperative credit is not of the uniform pattern all over the country. A majority of the States has the federal set-up under which Central Land Development Banks work at the State Level and Primary Land Development Banks at the district level or lower levels. In some States, the structure is of unitary type and the operational units below the Central Development Banks are its branches.

Functions

The main objectives of the Central Land Development Bank are:

i) to grant loans to Primary Land Development Banks or to individuals through its branches on the mortgage of unencumbered property to which the borrower member has a clear title;

ii) to float debentures for raising required funds for which the State Governments guarantee the repayment of principal and interest;

iii) to inculcate the spirit and practice of thrift, mutual help and self-help among the members.

iv) to act as a link between the Reserve Bank of India and the government;

v) to mobilize the rural savings and to stimulate capital formation in the agricultural sector by the issue of debentures;

vi) to protect the farmers from the exploitation and the atrocities of the money lenders;

vii) to supervise, inspect and guide the Primary Land Development Banks for their effective working.

Source of Funds

The Primary Land Development Banks obtain their funds by way of share capital, loans from Central Land Development Banks, grants and subsidies from the Government and borrowings from other agencies. On the other hand, the Central Land Development Banks get their funds from share capital, by issue of debentures, on the security of their assets and mortgage of bonds transferred by the Primary Land Development Banks, loans from State Bank of India on the guarantee of State Government, grants and subsidies from the government and deposits from the public.

Mostly, the work of raising funds is left to the Central Land Development Banks. The Primary Land Development Banks accept neither deposits nor issue debentures. The Primary Land Development Banks raise their share capital by issuing shares to the members in certain proportion to their borrowing from the bank.

The Central Land Development Banks raise funds mainly through the issue of debentures, which are issued to the public institutions and individuals. These are treated as trustee – securities guaranteed by the State Government. The Reserve Bank of India, State Bank of India, Cooperative Banks, Commercial Banks and the Life Insurance Corporation of India also subscribe to these debentures.

Loans and Advances

The main function of Land Development Banks is to grant loans on the security of property to the agriculturists. Since, these banks grant loans, which run for several years, strict rules are laid down with regard to the security against which they can advance loans. They generally lend up to 50 percent of the value of the security. While assessing the value of secured land, the factors such as the amount of land tax paid, the rental value of the land, gross and net income from the land, sale value of the land, etc. are taken into account.

While granting loans the bank considers not only the value of the security offered but also examines the repaying capacity of the borrowers. Since the benefit out of the utilization of the loan is long-term based, they lend at fairly low rates of interest. Land Development Banks provide credit for a variety of purposes such as redemption of old debts, improvement of land, purchase of agricultural equipment, construction of wells, erection of pumps and so on.

Management

The Management of Central Land Development Banks is vested in the Board of Directors comprising 7 to 9 members of which, 2 to 3 members are nominated by the government. In the case of Primary Land Development Banks, the Central Land Development Bank besides the other members on the board nominates one director. The tenure of the members of the board is three years.

Role of Government for the development of cooperative sector

According to the constitution, India has a democratic form of government and adopted the concept of Welfare State and Socialistic pattern of society. It has been working with the strategy of planned development of the economy since the economic development of its population is the prime responsibility of the government. However, the success of any nation depends on the active participation of the people in the process of development. A cooperative society being people's organization can play a crucial role in the process of planned development. The government is aware of the fact that vast sections of population, due to poverty, illiteracy, lack of resources, lack of entrepreneurship quality and other problems are unable to actively participate in the development process. Hence, the cooperative venture is considered as the best alternative for the achievement of the economic development of the nation. It is the cooperatives, which can pool people's limited resources and efforts together and combine them with government developmental programs. This unity can generate better results for their progress and prosperity. With this view, the government initiated several measures for the development of cooperatives.

i) Legislative and Administrative Support

Since cooperation is a State subject, all the State Governments have enacted their own Cooperative Societies Acts and Rules, which regulate the development of cooperatives in the respective State. The Registrar of Cooperative Societies is responsible for the implementation of the Cooperative Law in its jurisdiction. There is also a Multi State

Cooperative Societies Act and the Central Registrar is responsible for its implementation. The Registrar of Cooperative Societies enjoys the power of registration, administration, control and liquidation of the cooperatives.

ii) Formulation of Policies and Programs for Development

The Government formulates the policy and programs of cooperative development in the Five Year Plans to intensify and diversify cooperative activities. So far, several schemes have been formulated and implemented for the cooperatives by the State and the Central Government.

iii) Financial Assistance

The Government provides financial assistance to the cooperatives in different forms like share capital participation, sanctioning loans, subsidies and grants so that cooperatives can take-up different economic activities for the betterment of their members.

iv) Establishment of developmental agencies

The Government has established various developmental agencies like the National Bank for Agriculture and Rural Development (NABARD), the National Cooperative Development Corporation (NCDC) and the National Dairy Development Board (NDDB) for the growth and development of the cooperative movement in India. These agencies provide a variety of schematic financial assistance, technical guidance, consultancy, training and development to the cooperatives. Besides these agencies, the government has also established various National Cooperative Federations to promote the cooperative movement in the country[22].

V) Preferential Treatment to Cooperatives

The Government also gives preferential treatment to cooperatives in implementing the general schemes or programs of development. For example, distribution of essential commodities through the fair price scheme and procurement of agricultural produce under price support scheme are purely government schemes but cooperatives are preferred in doing these tasks.

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CHAPTER – II

Chapter -II

Objectives and Methodology of the Study

The main aim of this chapter is to explain the need and significance, objectives of the study and methodology followed in analyzing the financial performance of the West Godavari District Cooperative Central Bank .Further, it also presents the existing literature on the working of cooperative sector .

NEED FOR THE STUDY

The Cooperative movement began in India as a move to provide credit and to release the rural community from the clutches of moneylenders. Accordingly, District Cooperative Central Banks were assigned the role of providing agricultural credit to farmers and village artisans through Primary Agricultural Cooperative Societies. These Banks are important institutions, which support the rural community by providing various types of credit. Therefore it is important to examine the working of these Banks and analyze their financial performance to plan for the future course of action to provide better financial services to the rural community. The present study is an attempt to analyze the financial performance of West Godavari District Cooperative Central Bank.

OBJECTIVES OF THE STUDY

The study aims at analyzing the financial performance of West Godavari District Cooperative Central Bank in providing financial support to the rural community. It also offers suggestions for the effective working of the Bank to provide better services to the rural community.

The following are the specific objectives of the study.

i) To present the growth and working of cooperative sector in India in general and West Godavari District in particular.

ii) To present the role of West Godavari District Cooperative Central Bank in providing credit.

iii) To evaluate the financial and operational performance of the West Godavari District Cooperative Central Bank through ratio technique.

iv) Finally, to suggest measures for the effective working of the Bank for providing better credit services to the rural community and thereby increasing the productivity as well as income levels of the people.

Hypothesis of the Study

The Government of India, the Reserve Bank of India, NABARD, the State Government are all helping the Cooperative Sector in all possible ways to provide support to the farming and non-farming community to improve agricultural production and productivity. It is hypothesized that the financial performance of Cooperative Central Banks at the district level is good and are providing satisfactory support to the rural community.

Methodology of the Study:

(i) Scope of the Study

The present study on **the evaluation of performance of the West Godavari District Cooperative Central Bank** is mainly focuses its attention on the financial and operational performance of the bank. Therefore, it excludes all other aspects like organizational and managerial aspects, deposits mobilization, advances, branch expansion, etc.

Period of Study

The period of study selected should be long enough to get valid conclusions. It is usual that, research studies of this type are conducted for periods extending five to ten years. In this case the researcher thought that a period of 10 years would be more meaningful and representative. Therefore, the period taken for this study is 10 years starting from 2009-

10 to 2018-19 in order to get meaningful inferences and to make generalization of the conclusions.

Collection of Data

The study is based on secondary data collected from the annual reports and other internal records of West Godavari District Cooperative Central Bank. Besides, the Andhra Pradesh State Cooperative Act, various magazines and journals on cooperatives, reports of the Reserve Bank of India, National Bank for Agriculture and Rural Development, Five-year plan documents and various committee reports were referred. The researcher visited several libraries to collect literature.

Limitations of the Study

Though a lot of care has been taken in all respects, there may be certain limitations. The following are the limitations of the present study.

i) The conclusions drawn from the study are based on the data collected from the DCCB Ltd., Eluru. The data is analyzed to draw conclusions, which are generalized for the whole study. The census data may give different findings but it is not possible in this case due to certain constraints like money and time.

ii) Some of the sample members of the study had availed only one type of service from the society i.e., either credit or non-credit service. Therefore, they were not able to give their opinions on all aspects of the working of these societies.

iii) The data collected on the members' perceptions are qualitative in nature, which differ from person to person and they cannot be generalized.

Review of Literature:

Co-operative system is the most explored field in India and abroad by the academicians, co-operators, working groups and the government. The peculiar features of the rural sector and the unending problems of the cooperatives provoked many researchers to enter into this field of study. During the earlier period, some research studies have been done on cooperatives but for the past one decade, it has been the most neglected area.

Several committees appointed by the Government of India examined cooperatives and found out various problems of the cooperatives and submitted their reports with concrete suggestions, which helped the cooperatives from time to time to grow extensively. Many authors have contributed to the development of the literature on the cooperative institutions. Research scholars from various institutions and universities have added much to the literary wealth of the co-operatives. Now in this section an attempt is made to review the existing literature on co-operatives under three heads:

- Committee Reports
- Books
- Research Studies

(i) **Committee Reports**

The Royal Commission on Agriculture[23] identified the illiteracy of members of the cooperatives and inefficient management as the main reasons for the failure of the co-operatives in India and it suggested that rehabilitation of sick societies is more essential than the expansion of co-operative organizations.

Another committee, Central and Provincial Banking Enquiry Committee[24] on the organizational aspects of the cooperative institutions recommended the reconstruction and reorganization of the cooperative societies for their effective working and further development.

During 1949-50 the Rural Banking Enquiry Committee[25] under the leadership of Purushotham Das, insisted on the expansion of Urban Banks, Central Banks and Provincial Banks. It also emphasized that District Cooperative Central Banks should expand branches to tap deposits and develop banking habit among rural people. Further, it also suggested that there should be a close link between cooperatives and the Reserve Bank of India.

The All India Rural Credit Survey Committee[26] conducted a survey on rural credit. The Committee identified that the share of institutional credit agencies, comprising the government, cooperatives and commercial banks in financing the borrowings of agricultural households, was 7.3 percent whereas, the corresponding share of private money lenders (excluding relatives, traders, and commission agents, landlords and others) was as high as 69.7 percent in 1951.

A study on over-dues by Daley[27] pointed out that inefficiency at various levels of management of the cooperative organizations is the main reason for poor recovery of loans. In this context it is suggested that the timely disbursement of loans and minimization of procedure is essential for the improvement of the recovery percentage of the cooperative loans.

In the statutory report of Reserve Bank of India[28], it was identified that the cooperatives are the most suitable agencies for financing agricultural and allied activities for which these societies should work on more viable lines to attain this objective.

Agriculture and Rural Development Committee[29] conducted studies on integration of the two wings, short and long-term cooperative credit structure at all levels, i.e. the primary (village), the intermediate (district) and the apex (state). The Committee expressed that the disadvantages far out-weigh the advantages of integration and pleaded that the long-term credit structure should not be disturbed.

The Committee on Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD)[30] felt that it is necessary to identify the target groups of the programs for rural development, small and marginal farmers, agricultural laborers, rural artisans, scheduled castes and scheduled tribes whose number is increasing over the years. It emphasized that banking in the rural sector has to be in tune with the social and economic environment in which the rural people live, and credit institutions have to be innovative and devise their policies, procedures and overall approach accordingly.

National Bank for Agriculture and Rural Development (NABARD)[31] conducted field studies in nine states to know the recovery performance. The study found that recovery performance was good in two states (Punjab and Kerala) and it was poor in seven states (Bihar, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Tamil Nadu and West Bengal). The magnitude of over-dues was higher in the case of term-loans than that of crop loans. A considerable proportion of the default is in the case of long-term credit extended by Primary Land Development Banks, which were overdue by 5 years, whereas in respect of crop loans borrowed from Primary Agricultural Cooperative Societies (PACSs) were overdue by less than two years. The study concluded that poor recovery was due to faulty lending.

A High Level Expert Committee[32], on agricultural credit through commercial banks appointed by the RBI and headed by Gupta, suggested innovative ways of credit delivery system for rural areas. In this report, majority of the recommendations are pertaining to the cooperative central banks and the primary agricultural cooperative societies.

A committee set up by NABARD under the chairmanship of Sarma[33] has reviewed the role of NABARD on the supervision of cooperative banks and Regional Rural Banks' and suggested the revaluation of assets to improve the statement of financial position of the cooperatives. It also recommended reforms in cooperatives to strengthen the capital structure of the cooperatives.

Food and Agricultural Organization (FAO)[34] of United Nations pointed out that the deficiencies of cooperatives are not inherent in the cooperative system but they are due to human frailties reflected on organizational weaknesses. The organization is also of the view that excessive State control results in misusing of cooperatives for political aims.

(ii) Books:

Bedi[35] expressed his regret on the too much involvement of the government in the working of cooperative institutions. He felt that there should be a limit for outside control. He also suggested that the Cooperative Central Banks should play a key role in the development of cooperative system in the State. Kamat[36] stated that the cooperatives required changing according to the changing socio-economic conditions.

Hajela[37] said that cooperatives possess required capital to finance weaker sections due to its low operational cost. He also pointed out that if the government's share was directed to the modernization of the cooperatives, they would have been in a better position than the Regional Rural banks.

Baviskar and Attwood[38] attempts to reason 'why do cooperatives flourish in Western India' and they tried to convince the reasons behind the success of cooperatives in the Western States. They said that the financial viability is the ultimate secret of cooperatives success and ability to serve.

Hough[39] discussed various issues on cooperative organizations particularly the problem of too much dependence on the government. Desai[40] identified that major portion of the working capital of the co-operatives is arranged through borrowings which cost heavy amount of interest payments.

Bhole[41] opined that the functions of commercial banks and the services of cooperatives are narrow and the degree of product differentiation is very much less. He felt that the cooperatives would face stiff competition in the coming years from the commercial banks.

(iii)Research Studies:

Sinha[42] believes that cooperative movement has not failed but it is slow in progress. He suggested a Cooperative Grants Commission to be created by the Union Government. He is of the opinion that future of cooperatives is very bright.

Goel and Pawan Kumar[43], in their paper appreciated that the cooperatives have been able to do what other agencies in private and public sector have failed in rural sector. They expressed that the keystone for agricultural development in China is the cooperative movement.

Daman Prakash[44], in his study regarding the strength of the cooperative institution, has rightly said that the strength of a cooperative institution lies in members' participation in developing programmes of social good, getting rid of State control over the cooperative system and adopting a process of continuous self-appraisal and self-evaluation.

Prabu[45], in his editorial note expressed that the sickness of cooperatives is bound to be more pronounced with losses, due to the application of prudential norms and the non-viable institutions will have no future for survival.

Aranha[46], in his paper felt that the cooperatives and commercial banks should introduce innovative schemes to serve their clientele better, for which he suggested various schemes such as agri-cards.

Pandit Jawaharlal Nehru[47], first Prime Minister of free India with his amazingly incisive and perspective understanding of social, economic and political forces and systems world over, described cooperation as a way of mutuality and a feature of civilized existence. He expressed that the world needs a society where cooperation and not exploitation is the order of the day. He hoped that a day would come when the entire world will be a large cooperative society.

Katar Singh[48] in his study briefly discussed some emerging challenges that cooperatives are facing now and will also face in the new millennium and outlines strategies for coping with them. He asserts that despite their overwhelming importance in India's rural economy, most of the cooperatives suffer from a variety of internal and external problems and face several challenges. Some of the major challenges identified are: improving financial performance and attaining financial viability; professionalizing the management; liberation from the archaic cooperative law and excessive government control; attracting, nurturing, and maintaining good leadership; and enhancing and retaining member loyalty. The study concluded that cooperatives could have a bright future in India if they were transformed into member-owned autonomous organizations governed by elected representatives of their members, managed professionally and liberated from unnecessary legal and government controls.

Marathie[49], expressed in his study that cooperatives have the strength of numbers-which if utilized properly can create wonders. The empires built by Tata, Birla, Ambani and so forth are the creations of individual brains. He stated that if cooperatives run by members had qualified professionals and competent members then the empire built by them on democratic lines would be one which may remain on the top because the participative characteristic of cooperatives will ensure that all the best resources are pooled effectively.

Srinath[50] in his paper explained the importance of agriculture in India and how the cooperative societies support agriculture by providing short-term, medium-term and long-term finance. He also suggested the need for strengthening financial resource-base of various cooperative credit institutions, which is definitely a priority area for working out a competitive edge for cooperatives in the field of short-term and medium-term credit system.

Jha and Jha[51] in their study, express that cooperatives would not survive unless they changed drastically. They suggest that cooperatives must prepare for a "transformed tomorrow" leaping over all the barriers in each and every activity they perform. They feel that the cooperative movement will be the saviour of mankind in the new millennium.

Gurumoorthy[52] has analyzed the financial assistance provided by the Cooperative Banks, Regional Rural Banks and Commercial Banks for agriculture sector. The study revealed that the credit advanced by the cooperatives is more than that of commercial banks and regional rural banks and the recovery performance of agricultural advances in cooperative banks is better than the other lending institutions.

Dodkey[53] has briefly discussed the cooperative credit structure in India and the growth of various institutions to meet farm credit. He also analyzed the share of cooperatives in agriculture credit. His analysis revealed that up to mid sixties, cooperatives alone met the credit needs of the farmers. After mid sixties, cooperatives were unable to meet the increasing demand for farm credit and therefore, commercial banks entered the field with the nationalization of 14 major commercial banks in July 1969. Subsequent to the nationalization of banks, the commercial banks too could not meet the credit needs of farmers and therefore, Regional Rural Banks were brought in Indian banking system in October 1975. The analysis shows that the share of cooperatives in agricultural credit is 59 percent while the share of commercial banks and regional rural banks is only 41 percent.

Sundaraj[54] in his work states that in the process of liberalization, privatization and globalization, survival of the fittest is the rule. The author views that the cooperatives are the only agent, which make an ordinary citizen to be fittest and survive in the society. Further, he also says that cooperation is an eternal law which will be treated as the sole force to the coming generations with regard to planning, monitoring and guiding any change, be it social, political or economic.

Balishter and Roshan Singh[55], in their paper identifies that the rural economy is the weaker sector of the national economy and even in the rural economy, a major segment is not only weak but in a miserable state. They note that cooperatives seem to be the only hope to inject strength and accelerate the growth of rural economy and ensure the development of the rural areas.

Bhagwati Prasad and Sharma[56] have made a critical analysis of reforms in cooperative sector. They express that the cooperatives have to make concerted efforts for reducing their operational costs for improving the quality of services rendered by them. They feel that cooperative system has the capacity and potentiality to neutralize the adverse effects emerging from the process of globalization and liberalization. They suggest that the cooperatives should capitalize on the sympathy of general masses towards the cooperative sector in the present context and move towards the high pedestal of efficiency, productivity, competitiveness and transparency in the next millennium.

Sisodia[57], in his study expressed his views on strategic approach of agriculture cooperatives in relation to WTO Agriculture negotiations. He says that in many developing countries like India, subsidies in the agriculture and allied sectors are being reduced. He feels that such a scenario results in higher prices of production for comparable agriculture crops and affects adversely the growth of agriculture and allied exports in countries like India. He also expresses that liberal import regime for agricultural commodities may create difficulties for supply demand balance for essential commodities in developing countries in the event of natural calamities like flood and drought. In this context, he mentions that gradual removal of quantitative restrictions on the import of agriculture commodities under WTO Provisions needs to be considered.

Sanjib Kumar Hota and Vinod Sharma[58] in their study discussed the contribution of the cooperatives as the premier and dependable rural financial institution in India. They express their concern with regard to inefficiency in recycling of funds in a majority of these institutions, which is affecting their performance as business entities. They also opine that like a river, which changes its course in tune with the terrain, a successful financial institution, especially a cooperative financial institution, has to adapt itself to the changing needs in order to become sustainable.

Daman Prakash[59] in his research paper described the challenges before the agricultural cooperatives in Asia. Cooperatives in this part of the world are dominated by credit cooperatives with inadequate supervisory follow up, which resulted in mounting over-dues. The author suggested that agricultural cooperatives have to realize that adoption of new techniques for facing the multi-national companies. Further, he suggested the establishment of appropriate business linkages for procurement and marketing, generation of capital from among the members, creating awareness among members and adoption of amalgamation for economic viability, etc.

Rajadurai[60] in his article has explained the growth of cooperatives in agricultural credit. He mentioned that the farmers in India were at the mercy of moneylenders prior to independence. After independence the cooperative institutions were established to provide credit to farmers for agricultural purposes at low rate of interest. He described that the role of cooperative credit societies in providing agricultural finance has increased enormously during the last four decades. The author identified that political interference, inefficient management, and defective recovery of loans, low salary to the employees and illiteracy of the farmers are the obstacles in the functioning of the societies. The author suggested that these institutions should be kept away from the politicians instead the well experienced and professional managers should be appointed for the effective functioning of these institutions.

Balasaheb Vikhe Patel[61] explains in his paper that the cooperatives need not fear against globalization. He is of the opinion that in the era of liberalized economy, the cooperatives would be able to sustain in a competent manner and at international level the cooperatives are emerging in a big way.

Srinath[62], in his study focused on the need for professionalisation, performance-appraisal system, employee satisfaction, and participatory decision making in cooperatives. He expressed that cooperatives should make best use of the human resource in such a way that the employees can give their best to the organization and at the same time the employees should be treated as a valuable asset with adequate training, to fulfill the objectives of the cooperative society and to the utmost satisfaction of the members.

Research Topic:

The foregoing discussion on survey of literature reveals that there are many studies on cooperatives before liberalisation of the Indian economy and a very few studies after liberation. Moreover, after liberalization of the India economy from the year 1991, a number of reforms were made in the cooperative sector also, but very few research studies were conducted on the working of the District Cooperative Central Banks in the post liberalized period. Hence, the researcher has chosen the research topic on to study the performance of the West Godavari District Cooperative Central Bank during the post liberalized period

Presentation of the study

The introductory chapter presents the role and contribution of agriculture to the Indian Economy, the growth and working of cooperative sector in India and the role of Government for the development of Cooperative Sector.

The second chapter presents the objectives of the study, hypothesis of the study, methodology of the study and the limitations of the study. The third chapter discusses the growth and working of cooperatives in Andhra Pradesh and the profile of West Godavari District Cooperative Central Bank.

The fourth chapter analyses the financial performance of the West Godavari District Cooperative Central Bank through ratio analysis. The fifth chapter analyses the operational performance of the West Godavari District Cooperative Central Bank through ratio analysis.

The last chapter is summing up of findings and conclusions drawn, and suggested measures for the effective working of the Bank for rendering better services to the rural community.

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CHAPTER – III

CHAPTER – III

GROWTH AND WORKING OF COOPERATIVE SECTOR IN ANDHRA PRADESH

In this chapter an attempt is made to outline the growth and working of cooperatives in Andhra Pradesh. Further, it discusses the implementation of the Single Window Scheme in the cooperative system and the experience thereafter. It also briefly describes the profile of West Godavari District, the structure and functioning of the West Godavari District Cooperative Central Bank.

Cooperative Sector in Andhra Pradesh

Cooperative Movement in Andhra Pradesh has been playing a pivotal role in the integrated development of the State both in the rural and urban areas as well. The Government through the Cooperative sector plays a major role in promoting Cooperatives in the State in different fields. There are about 33,000 cooperatives in the State with an estimated membership of 1.5 crores at the primary level. While Primary Agriculture Cooperative Societies are providing credit and non-credit services required by the farmers, the consumer cooperatives supply consumer goods and there are several other specialized cooperative societies assisting their members in the related areas. All these institutions put together are handling about Rs.1000 crores of turnover in a year.

Structure of Cooperatives

The Cooperative Credit Structure in Andhra Pradesh is of three-tiers. At the village level there are Primary Agricultural Cooperative Societies, Farmers' Service Cooperative Societies, which are federated into District Cooperative Central Bank at the district level, and the District Cooperative Central Banks are federated into a State Cooperative Bank, an apex body at the State level.

Single Window Scheme

The most significant feature in the development of the Cooperative Agricultural Credit Structure is that of the introduction of Single Window Cooperative Credit Delivery Scheme, which was introduced in Andhra Pradesh in 1987 to provide multi-term credit and multi functional services under one roof.

Though the agricultural cooperatives in Andhra Pradesh were making progress since the advent of independence, in view of the special role assigned to them in the successive Five Year Plans, there had been a growing feeling in 1983 that the Cooperative Credit delivery system was not adequate to the tasks set before it, as a principal and potent instrument serving the needs of the farmers in particular and rural development in general. Therefore, the Government of Andhra Pradesh constituted a Four Men Committee consisting of Arora, Registrar of Cooperative Societies; Raghavendra Rao, Managing Director, APCOB; Mohan Kanda, Joint Secretary to Chief Minister and Kamalanathan, Managing Director, MARKFED to study and submit a report on the existing Rural Credit Delivery system.

This Committee after its thorough examination observed that the Primary Agricultural Cooperative Societies (PACSs) which are a vital link in the provision of credit and non-credit services to rural families continued to be weak, even after their number was reduced from 14,877 to 6695. Further, it also pointed out that nearly 85 per cent of the societies were found to have not attained the standards of viability and hardly 10 per cent of the societies were undertaking non-credit activities and they were mostly uni-service. In order to rectify the deficiencies and to make the PACSs more effective retail outlets of credit and non-credit services, the Committee recommended the reorganization of the existing societies, to make them "SINGLE WINDOW SERVICE UNITS" providing for multi-term credit and multi-functional, such as supply of agricultural inputs like seeds, fertilizers, pesticides, etc., besides providing other facilities like storage, processing, marketing and consumers goods. The Committee also recommended the integration of the two parallel short-term and long-term cooperative credit structures, as recommended by the National Committee constituted by the Reserve Bank of India, in 1975 with Hazare, Deputy Governor as its Chairman.

The Committee opined that the Single Window Service Scheme will bring forth many advantages to the farmers by providing all types of credit and non-credit services at one contact point i.e., PACSs level. This scheme will enable the issue of composite loans to farmers covering block capital and working capital for their production requirements. This scheme will also enable better supervision of credit. The Committee also suggested the reorganization of the cooperative marketing structure in Andhra Pradesh from three-tier to two-tier by eliminating the general purpose taluka level cooperative marketing societies.

A State level Task Force was also constituted, to examine the various aspects of the Scheme, covering organizational, financial, operational, personnel and other related matters. The Committee examined the report of the Task Force and made field visits in Andhra Pradesh in December 1985 and held discussions with the concerned officials of the State Government. The report was finalized and submitted in February 1986, with their strong recommendation for implementation of the scheme throughout the State instead of as a Pilot Project. Ultimately, the Government of India, in consultation with Reserve Bank of India and National Bank for Agricultural and Rural Development (NABARD) gave its clearance for implementation of the scheme.

Implementation of the Single Window Scheme

In order to implement the Single Window Scheme, the Andhra Pradesh Cooperative Societies Act was amended in January 1987 and immediately issued policy guidelines covering the following issues:

a) reorganization of the PACSs on the criteria of economic viability;
b) reorganization of Cooperative Central Banks on the criteria of one bank for one district;
c) integration of Primary Agricultural Development Banks with District Cooperative Central Banks;
d) reorganization of cooperative marketing structure from three-tier to two-tier system.

Reorganization of District Cooperative Central Banks

The implementation of the Single Window Scheme in the state has resulted in the reorganization of the existing 27 District Cooperative Central Banks into 22 District Cooperative Central Banks with effect from 14 April 1987 by merging of more than one cooperative central bank in three districts and by transfer of areas, overstepping the revenue districts to result in one bank for one district. Detailed guidelines were issued for the apportionment of assets and liabilities consequent to transfer of areas.

District level Committees were constituted to solve any problem arising out of such transfer of areas.

Integration of Primary Agricultural Development Banks and District Cooperative Central Banks

In pursuance of the special amendment to the Andhra Pradesh Cooperative Societies Act, all the 218 Primary Agricultural Development Banks (PADBs) in Andhra Pradesh were abolished with effect from 1st April 1987 and their assets and liabilities devolved on the District Cooperative Central Banks (DCCBs). The members of the PADBs were made 'B' class members of the DCCBs, enabling the District Cooperative Central Banks to serve their old loan accounts till they are cleared. However, a special provision was made in Andhra Pradesh Cooperative Societies Rules, enabling the members of the PADB to become full fledged members of PACSs, where their landed property is situated by transfer of their one share from District Cooperative Central Banks to the Primary Agricultural Cooperative Society. The DCCBs were affiliated to the Andhra Pradesh Central Cooperative Agricultural Development Bank (APCCADB) to channel long-term credit through Cooperative Central Bank to PACSs. For this, detailed guidelines were issued for channeling credit through PACSs. All the employees of PADBs were brought under the control of District Cooperative Central Bank.

Reorganization of Cooperative Marketing Structure

The three tier cooperative marketing structure was also reorganized into two – tier structure by eliminating the General Purpose Cooperative marketing Societies at taluk/mandal level. For this, 125 working Cooperative Marketing Societies were merged with the District Cooperative Marketing Societies and 44 Cooperative Marketing Societies not functioning satisfactorily were removed. Moreover, five District Cooperative Marketing Societies, which were not working satisfactory, were also liquidated and in their place new District Cooperative Marketing Societies were created to ensure that the good working Cooperative Marketing Societies don't merge with ineffective societies. However, the Single Commodity Marketing Societies exclusively for Cotton, Tobacco, etc. were left undisturbed in view of their specialization. With all these developments the then Chief Minister of Andhra Pradesh, N. T. Rama Rao inaugurated the Single Window Credit Delivery Scheme in the Cooperative Sector on 27 August 1987. Since then, the elected Managing Committee has taken over the implementation of the Single

Window Scheme in the State. The Single Window Credit Delivery Scheme facilitates the issue of different term loans, the supply of inputs, provides storage and marketing facilities at one place through the PACSs.

Experiences of the Single Window Scheme

The Single Window Cooperative Credit Delivery Scheme implemented in Andhra Pradesh for the first time in the country has come to stay and has kindled the aspirations of rural families for their economic up-liftment. The reorganized PACSs have started in right earnest, fulfilling the objectives of the Scheme. The Credit disbursal for seasonal agricultural operations got nearly doubled in the year 1987-88 by reaching the level of Rs.286 crores, as against Rs.153 crores in the previous year. The flow of long-term credit through the new mechanism from APCCADB to farmers through DCCB and PACSs, was ensured smoothly requiring operational and attitudinal changes right from primaries to Apex Bank level. As a result, the long-term loan disbursal touched a level of Rs.83 crores in 1987-88 as against Rs.73 crores during 1986-87.

A number of PACSs have undertaken supply of seeds and fertilizers besides supply of essential consumer goods. They have also undertaken distribution of text books and note books to school children in rural areas, besides supply of Janata saris and dhotis to green card holders at government subsidized rates.

The rural storage project with the aid of World Bank, channeled through National Cooperative Development Corporation was also completed by1987 resulting in construction of 2831 rural go-downs and 100 marketing go-downs. However, the PACS have been undertaking procurement of marketing operations on behalf of the federal organizations.

The Andhra Pradesh State Cooperative Bank (APCOB) has launched a scheme for assisting the non-farm section enabling the rural artisans and others to undertake any of the 22 broad groups of small-scale and cottage industries identified by the NABARD. Training programs were also conducted to the elected representatives of the PACSs and to the personnel handling the integrated credit. Besides, the State Government also provided massive relief to the farmers, on the eve of ushering of the Single Window Scheme, by waiving of the total interest arrears including penal interest on payment of principal overdue by the end of June 1986, before one year. In this context the concession extended to farmers was about Rs.100 crores.

The Government also introduced another continuing Scheme of sanction of interest rebate of 5.5 per cent from 1986-87, towards repayment of principal due on or before the due date. Consequently, the rate of interest to farmer gets reduced to 4.5 per cent in case of repayment on due date which is almost the lowest among all other States in the country. This relief is intended not only to relieve the debt-burden of the farmers but also to enable the cooperatives to clear their arrears overdue and gain higher eligibility for credit limits from NABARD and thus provide larger volume of credit to rural people.

The Government has constituted a State level task force with Registrar of Cooperative Societies as its chairman; representatives of Reserve Bank of India; NABARD; Andhra Pradesh State Cooperative Central Agricultural Development Bank to sort out any operational, financial and other issues arising out of implementation of Single Window Scheme. Periodical meetings of this committee contributed to the smooth change over to the Single Window Scheme in the State. Besides, a working group was also constituted by the Government of

India with Secretary, Ministry of Agriculture; Deputy Governor, Reserve Bank of India; Managing Director, NABARD and Representative of Government of Andhra Pradesh to oversee the implementation of the Single Window Scheme.

The new integrated credit structure is a three-tier set-up with the reorganized PACS at the base level, the District Cooperative Central Bank at the district level and the Andhra Pradesh State Cooperative Bank (APCOB) and the Andhra Pradesh Cooperative Central Agricultural Development Bank (APCCADB) at the State level. In the marketing activity the structure is a two-tier one with District Cooperative Marketing Societies at the district level and the other the MARKFED at the State level.

Chart - 3.1: Structure of Single Window Scheme in Andhra Pradesh

Single Window Scheme

Credit

Marketing

Short-term, Medium-term, Long-term

The Andhra Pradesh Cooperative Marketing Federation (MARKFED)

The Andhra Pradesh State Cooperative Bank

APCCADB (now arrangements are

District Cooperative Marketing Societies

being made to merge
APCCADB and APCOB)

District Cooperative
Central Bank

Primary Agricultural
Cooperative Credit
Societies

Profile of West Godavari District:

The West Godavari District as it is rightly called is situated at the west of the river Godavari, running through the whole length of the Godavari till it falls into the Bay of Bengal. The District was formed in the year 1925. It is bounded on the north by Khammam district, on the south by Krishna district and the Bay of Bengal, on the east by the river Godavari and on the west by the Khammam district. It lies between 16' – 15' and 17' – 30' of the northern latitude and 80' – 55' of eastern longitude.

The District can be divided into three natural regions viz., delta, upland and agency areas. There are three revenue divisions in the district viz., Eluru, Kovvur and Narsapur, extending over an area of 7,742 sq. kms. The district has been divided into 46 revenue mandals in the interest of better administration and development of the areas concerned and also to take the administration to the doorsteps of the poorest of the poor. The total population of the District is 3936966. It is bounded by Krishna District on the west, East Godavari on the east, bay of Bengal on the south and the state of Telangana on the north.

The soils of the District are broadly classified into red sandy loams, sandy clay loams, clays, alluvial, delta, alluviums and areanaceous. These soils have good conditions for drainage and permeability and therefore, are highly suitable for growing a variety of crops with the provision of irrigation facilities and application of adequate amounts of chemical fertilizers. The clay soils are rather poor whereas the alluvial and delta alluvium soils are highly fertile. These soils are very deep and they are generally affected by salinity and high water table.

The climatic conditions of this District are more or less of the extreme type. As the District adjoins the Bay of Bengal, the sea breeze renders the climate to some extent moderate and tolerable in the southern portions of the District. The hilly areas are however, comparatively cooler than the plains during winter and like-wise severe in summer. The District is very hot during the summer and it is chilly during the winter.

The District gets rain in both the south-west and post monsoon seasons. The average annual rainfall in the District is 1076.2mm. The rainfall during south-west monsoon season (June to September) contributes 64 per cent of the annual rainfall, while the retrieving monsoon season accounts for about 36 per cent. Of all the months, October is the rainy month.

The total forest area in the District is 81,200 hectares forming 10.5 per cent of the total area of the District. The forest in the District can be classified as moist deciduous forests; dry deciduous forests; and thorny forests. The species grown are bamboos and other wood useful for timber, fuel and other minor forest products like adda leaves, beedi leaves, soanuts, tamarind, honey and fruits.

The minerals available in the District are quartz, clay, limestone, dolomite, fire clay, feldspar, mica, chromate, road metal, gravel and rough stone. Among the major minerals very significant clay deposits are found mostly in the upland regions of the District. The clay is used in the manufacture of ceramic products and refractory industries. There is no commercial exploitation of other minerals excepting sand in the District.

About 60 per cent of the population in the District is engaged in agriculture and its allied activities. Of the total land, around two thirds of the area is supplied by canal water. Tube wells and tanks come next in the order of source of irrigation. West Godavari District is known as "the granary of Andhra Pradesh". Paddy is grown extensively in both Kharif and Rabi seasons in almost all the mandals. The wet paddy crop is popular and is raised in all places where irrigation facilities are available. The other main crops grown in the District are sugarcane, garden plantations like mango, cashew nut, lime and coconut.

West Godavari District stands at the top in pisiculture when compared to other districts in the State. The source of fishing is the river Godavari, the Kolleru Lake, the Upputeru and coastal belt of 19 kms. besides canals and good number of tanks. Under brackish water, large quantum of prawns is also cultivated in 106.39 hectares in the District. The fisheries department is playing a vital role for the development of pisiculture in the District.

The District Industries Center has been set-up to provide all the service needs to motivate the entrepreneurs to start small and tiny industries in the district. There are 29 large and medium scale industries existing in the District with an investment of Rs.142 crores providing employment to Rs.12 lakhs persons. The important items manufactured are paper, extraction of oil, distilleries and chemicals. Thus, West Godavari District is rich in agriculture and majority of the population of the district are dependent on agriculture and its allied activities.

Profile of West Godavari District Cooperative Central Bank Ltd., Eluru.

The District Cooperative Central Bank Ltd., Eluru was registered on 18-11-1918 and commenced its business from 30-11-1918. The area of operation of the bank confined to the entire West Godavari District with a net work of 34 branches and 259 PACSs are affiliated to the bank with an average of 3 villages per PACS (State average 12). The bank has computerized all 34 branches in the district with financial accounting package which is highly user friendly. In the total population of the district about 4.68 lakhs people in the district are availing the services of bank and PACSs. This percentage is 12.3 per cent of the district population. There are 410 cooperative societies affiliated to the bank.

ORGANISATIONAL STRUCTURE OF BOARD OF MANAGEMENT

The role of the Board of the Central Bank is limited within the framework of policy and procedures of the Reserve Bank of India and the registrar of cooperative societies. The policies and procedures relating to deposit mobilization are suggested by the R.B.I. and the State Cooperative Bank. The Administration of the bank like amendments of by-laws and special by-laws, election and suppression of the board, audit, enquiry, inspection and settlement of disputes relating to recovery of loans are prescribed by the registrar. The board has to implement strictly the circulars pertaining to the policy prescriptions and procedural guidelines given by Reserve Bank of India from time to time. Therefore, there is a limited scope to make its own policies in respect of deposit mobilization and recovery of loans. However, the initiative may be taken by the board for matters like amendment of by-laws and introduction of action programmes. The board may influence the policy making by representing its view point to RBI and the registrar on the matters of interest. Thus the role of the board as a policy making body is only nominal. The Board can play an effective role only in ensuring effective implementation of the policies and procedures. Its role in influencing the policy making takes the form of representation of their view point to the authority concerned.

The general body is ultimate authority in all matters relating to the administration of the bank. However it shall not interfere with the powers of the board in respect of matters delegated to if in the by-laws of the bank. The general body meeting provides an opportunity for the members to review the working of the bank and to offer suggestions for the improvement of the bank, so as to render better service to the members. It is also empowered to amend by-laws as and when required. Though the general body is empowered to amend by-laws, it has to follow the statutory provisions i.e., subject to powers vested with the register of cooperative societies.

The proceedings of the general body are being recorded in the Minutes Book of the bank maintained by the general manager and signed by the chairman of the meeting concerned, at the close of the proceedings. The proceedings of the board shall be communicated to the members within seven days from the date of the meeting. The board is accountable to members by reporting on the performance at the general body meeting to be held once in a cooperative year. The board decides policies and supervises their implementation. Its main functions are: raising funds, granting loans, appointing personnel, regulating personal matters, convening the meeting of the general body, scrutinizing the annual reports, budgets and action programmes, and making arrangements for efficient supervision of administration of the bank and its affiliated societies. The president of the DCCB is the head of the bank is the most important functionary. He is elected by the board and exercises general control and supervision over the affairs of the bank.

The whole process of execution of the Central Bank is broadly divided into three wings: Banking, Administrative and Development. The banking wing deals with all the banking functions like any other commercial bank. This wing plays a vital role in the mobilization of deposits, whereas the Administrative wing deals with the general administration, supervision and control. It is responsible for the recovery of loans advances by the bank. Finally the development wing deals with the activities of branch expansion, fixing of the scale of finance, preparing action programmes for the development of the Bank etc., which are highly responsible jobs for the progress of the bank. It reviews the working of the Central Bank and its branches from time to time.

Features of the DCCB, Eluru:

- Earning profits and declaring dividends since 1918.
- ‘A’ class audit classification since 1975.
- Ranked No.1 in recovery performance almost every year.
- NABARD Best Performance Award winner for three years 1999-2000, 2000-01 and 2003.04.
- Only DCCB notified by the Government of Andhra Pradesh for acceptance of Government Deposits. (Vide G.O. Ms.No.43/Planning (XX55) dept / Govt. AP. Hyd., Dt.20-12-2002).
- First bank in the state to announce 0.50% additional interest on the deposits of women.

Recovery Performance:

The bank is keeping very good track of recovery performance. It is not out of place to mention here that this has occurred only with the best cooperation being extended by the farming community and the board of management of the bank and staff of the PACSs and also the staff of the bank.

Table – 3.1

Statement showing the particulars of integrated recovery performance of the DCCB Ltd., Eluru

(Rs. in Lakhs)

Year	Demand	Collection	Balance	Percentage
2015-2016	123159.26	115439.51	7719.75	93.73
2016-2017	131006.39	123793.32	7213.07	94.49
2017-2018	134649.81	126408.26	8241.55	93.88
2018-2019	153979.03	138468.54	15510.49	89.93

Source: Complied from the Annual Reports of the Bank.

The above table shows the recovery performance of the bank. In the year 2015-16 it is 93.73 per cent and in 2018-19 it is 89.93 per cent. Every year recovery performance good. It shows the strength of the bank.

Implementation of ICDP Scheme

Integrated Cooperative Development Project (ICDP) is being implemented in the district with a financial outlay of Rs.27.21 crores.

This programme is intended to develop all cooperative institutions by providing necessary infrastructure. So far, the following amounts have been sanctioned for the purposes noted hereunder.

S.No.	Purpose	No. Units	Amount (Rs.in Lakhs
1	Construction of Godowns	49	220.00
2	Repairs & Renovation of Godowns	22	26.00
3	Rice Mill Repairs	02	10.00
4	Strong Rooms	02	1.87
5	Lockers	02	2.20
6	Margin Money	02	3.50
7	DCCB	01	96.90
	Total:	80	360.47

Special features of the DCCB Ltd., Eluru:

- The District Cooperative Central Bank Ltd., Eluru is the only bank in the state which is notified by Govt. of A.P. to park Government Deposits.
- The bank is extending gold loans to the farming community on the security of Gold Ornaments for Agricultural purpose.
- Every year the bank allows interest rebate to farmers to a tune of Rs.25 crores. But the amount is being received from the

Government after one year and causing loss to a tune of Rs.2 crores to 3 crores to DCCB/PACSs.

- The bank has advanced crop loans as well as term loans to the farmers on the security of 'D' Form Pattas. In case of default in repayment of dues by the borrowers, the bank was allowed to dispose of the lands in public auction previously. But the provision has been disallowed to the PACSs thereby the bank is facing much trouble for recovery of over dues. The provision of auction of the lands may kindly be revived.
- The cooperative bank has own building for 12 branches in the district and remaining 21 branches are run in rented buildings.

Modernization of DCC Bank, Eluru, Central Office and Head Office Branch Buildings.

ICDP programme is being implemented in the district with effect from 01.04.07 and an amount of Rs.510.00 lakhs has been earmarked for DCC Bank Ltd., Eluru. Under this programme, modernization of buildings, computerization, infrastructure development to control office as well as branches has been taken up. As part of this, renovation of central office, administrative block, board meeting hall and Jubilee Hall has been taken up with an expenditure of Rs.91.74 lakhs from out of building fund of the bank totaling Rs.111.99 lakhs.

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5. Legal section is also attached to this wing.

CHAPTER – IV

CHAPTER – IV

In this chapter, the significance and methods of financial analysis, ratio analysis as a technique of financial analysis, limitations of ratio analysis are discussed and the analysis of financial performance of the DCCB Ltd., Eluru is evaluated through ratio technique.

Financial Analysis

As Financial analysis is the process of identifying the financial strengths and weaknesses of the enterprise by properly establishing relationships between items of balance sheet and profit and loss account. It helps the parties concerned to form an opinion about operating performance and financial positions of the concerned to take suitable actions to decide about future plans. In order to evaluate the managerial performance in respect of financial operations of the bank, one has to analyze the inter-relationships between items of balance sheet and Profit and Loss account.

Nature and Significance Of Financial analysis:

Financial analysis is the process of determining financial strengths and weaknesses of the enterprise by establishing strategic relationship between the components of balance sheet and profit and loss account and

other operative data. Financial analysis is thus, an attempt to dissect the financial statements into their components on the basis of the purpose in hand and establish relationship between these components, on the one hand and as between individual components and totals of these items, on the other.

Alongside this, a study of trends of various important factors over the past several years is also undertaken to have clear understanding of changing probability and financial conditions of the business organization.

Financial analysis seeks to spotlight the significant facts and relationship concerning managerial performance, corporate efficiency, financial strengths and weaknesses and credit worthiness of the company. The tools of analysis are used to study accounting data so as to determine the continuity of the operating policies, investment value of the business, credit ratings and testing the efficiency of operations. The finance manager must equip himself with the different tools of analysis in order to take rational decisions for the firm. These tools of analysis are immensely helpful to the finance manager in carrying out his planning and controlling functions. While preparing financial plan for the firm, the finance manager must know the impact of the decisions he is taking on financial condition and profitability of the business enterprise. The techniques of financial analysis can serve as a handmaid to the management in determining the effect of his

decisions. The techniques are equally useful in the sphere of financial control in as much as they enable the finance manager to make constant reviews of the actual financial operations of the firm as a whole and of the various divisions of the firm against the performance balance sheet and profit and loss statement and to analyze the causes of major deviations which result in corrective action where indicated. Thus, with the help of tools of financial analysis the finance manager can rationalize his decisions and reach the business goal easily.

The utility of tools of financial analysis is not limited to the finance manager. They are equally useful to top management, creditors, investors and laborers.

By analyzing and interpreting financial statements, the top management can measure the success or otherwise of a company's operations, determine the relative efficiency of various department's, processes and products, appraise the individuals performance and evaluate the system of internal control.

The creditor can find out the financial strength and capacity of a borrower, the value of a floating share on the assets held as security and the value of unquoted shares. A lending bank through an analysis of these

statements appraises the ability of the company at a particular time to meet its obligation and also judges the probability of its continued ability to meet all its financial obligations. The long-term lenders examine not only the safety of the principal amount and also the interest on the indebtedness of the business.

The shareholders or the investors are enabled to evaluate the efficiency of the management and determine if there is a need for change. In a large company, the shareholders' interest is limited to decide whether to buy, sell or hold the shares.

The labour unions analyze the financial statement with a view to determining the business costs and business benefits before and after the taxes, the financial benefits received by the various groups interested in the enterprise. Further, the unions evaluate the company's financial and operating experience in comparison with that of the other enterprise and the likely future course of business. The unions, thus, assess whether the company is earning a fair rate of return on invested capital, afford a wage increase, whether a decrease may be necessary and whether it can absorb a wage increase through increased productivity or by raising prices.

The economists analyze the financial statements with a view to studying the prevailing business and economic conditions. The government

agencies analyze them for the purpose of price regulations, rate setting and similar other purposes.

It is not necessary to employ all the techniques for analytical purposes. The choice of a particular tool would depend, by and large, on the purpose in hand. A technique that is used frequently by an analyst may not prove useful to other analysts because of differences in the particular interests of the analysis.

Techniques of Financial Analysis

The analysis and interpretation of financial statements are used to determine the financial position and results of operations as well. A number of techniques or devices are used to study the relationships between different statements. An effort is made to use those devices which clearly analyze the position of the enterprise. The following techniques of analysis are generally used.

(i) Comparative Statements.
(ii) Trend Analysis.
(iii) Common – Size Statements.
(iv) Funds flow Analysis.
(v) Cash flow Analysis.
(vi) Ratio Analysis.
(vii) Cost – Volume – Profit Analysis.

(i) Comparative Statements

These are statements of financial position at different periods of time. The elements of financial position are shown in a comparative form so as to give an idea of financial position at two or more periods. Generally, two financial statements are prepared in comparative form for the purpose of financial analysis. These are (i) Balance sheet and (ii) Income statement.

(ii) Trend Analysis

The financial statements may be analyzed by computing trends in series of information. This method determines the direction upwards or downwards and involves the computation of the percentage relationship that each item of the statement bears to the same item in the base year. The information for a number of years is taken up and from it, one year, generally the first year, is taken as a base year. The figures of the base year are taken as 100 and trend ratios for other years are calculated on the basis of base year. The analyst is able to see the trend of figures, whether in upward or downward direction.

(iii) Common – Size Statement

The common size statements, balance sheet and income statement are analyzed and shown in analytical percentages. The figures are shown as

percentages of total assets, total liabilities and total sales. The total assets are taken as 100 and different assets are expressed as a percentage of the total. Similarly, various liabilities are taken as a part of total liabilities. The shortcomings in comparative statements and trend percentages where changes in items could not be compared with the totals have been covered up. The analyst is able to assess the figures in relation to total values.

(iv) Funds Flow Analysis

The funds flow statement is a statement which shows the movement of funds and is a report of the financial operations of the business undertaking. It indicates various means by which funds were obtained during a particular period and the ways in which these funds were employed. In simple words, it is a statement of sources and applications of funds.

(v) Cash Flow Analysis

Cash flow statement is a statement which describes the inflows and outflows of cash and cash equivalents in an enterprise during a specified period of time. Such a statement enumerates net effects of the various business transactions on cash and its equivalents. It also takes into account the receipts and disbursements of cash. It summarises the causes of changes

in cash position of a business enterprise between the dates of two balance sheets.

(vi) Cost – Volume Profit Analysis

It is a technique for studying the relationship between cost-volume and profit. Profits of an undertaking depend upon a large number of factors. But the most important of these factors are the cost of manufacture, volume of sales and the selling prices of the products. It is an important tool used for the profit planning of a business.

(vii) Ratio Analysis

It is a technique of analysis and interpretation of financial statements. It is the process of establishing and interpreting various ratios for helping in making certain decisions. It is only a means of better understanding of financial strengths and weaknesses of a firm. Calculation of mere ratios does not serve any purpose, unless several appropriate ratios are analyzed and interpreted.

LIMITATIONS OF RATIO ANALYSIS:

The ratio analysis is one of the most powerful tools of financial management. Ratios are simple to calculate and easy to understand and they also suffer from some serious limitations.

1. Limited use of Single Ratio: - A single ratio, usually, does not convey much of a sense. To make a better interpretation a number of ratios have

to be calculated which may confuse the analyst than help him in making any meaningful conclusion.

2. Lack of Adequate Standards:- There are no well accepted standards or rules of thumb for all ratios which can be accepted as norms. It renders interpretation of the ratios difficult.

3. Inherent Limitations of Accounting:- Like financial statements, ratios also suffer from the inherent weakness of accounting records such as their historical nature. Ratios of the past are not necessarily true indicators of the future.

4. Change of Accounting Procedure:- Change in accounting procedure by a firm often makes ratio analysis misleading e.g., a change in the valuation of methods of inventories, from FIFO to LIFO increases the cost of sales and reduces considerably the value of closing stocks which makes stock turnover ratio to be lucrative and an unfavorable gross profit ratio.

5. Window Dressing:- Financial statements can easily be window dressed to present a better picture of its financial and profitability

position to outsiders. Hence, one has to be very careful in making a decision from ratios calculated from such financial statements. But it may be very difficult for an outsider to know about the window dressing made by a firm.

6. Personal bias:- Ratio are only means of financial analysis and not an end in itself. Ratios have to be interpreted and different people may interpret the same ratio in different ways.

7. Price Level Changes:- while making ratio analysis, no consideration is made to the changes in price levels and this makes the interpretation of ratios invalid.

8. Ratios no substitutes:- Ratio analysis is merely a tool of financial statements. Hence, ratios become useless if separated from the statements from which they are computed.

Relevance of Financial Analysis to the Cooperative Societies

Though the Cooperative societies are service-oriented, they have to earn a reasonable amount of profit and analyze their financial performance from time to time, so that they can continue their activity of serving their farmer members in the best way. Therefore, it is important to analyze the performance of the societies.

Financial statement reflects the state of affairs of an organization at a given point of time as well as its financial performance over a period. However, the accounting figures disclosed in the financial statement cannot be claimed as a true financial indicator of a firm's performance. Sometimes, it is alluring to picture the illusion figures in Balance Sheet or Income statement, but after a detailed analysis it may end up with dismal performance. Thus, there is a need to analyze the financial statements by establishing a relationship between two financial figures. This is ascertained by a technique called Ratio Analysis, which expresses the numerical relationship between two accounting figures. It is a powerful device to analyze and interpret the financial health of a firm. This not only helps management in decision-making and control but it also serves as a useful tool for all concerned with the firm.

Now, an attempt is made to evaluate the financial performance of the West Godavari District Cooperative Central Bank Ltd., Eluru. A period of 10 years starting from 2009-10 to 2018-2019 has been chosen for the purpose. For a proper evaluation of the West Godavari District Cooperative Central Bank Ltd., Eluru, a number of ratios have been computed under four broad groups viz., Liquidity, Operational, Productivity and Probability ratios. Interpretations and inferences also have been drawn based on the analyses.

Liquidity Ratios:

These are the ratios which measure the short-term solvency or financial position of a firm. These ratios are calculated to comment upon the short term paying capacity of a concern or the firm's ability to meet its current obligations. In the present analysis six liquidity ratios have been computed.

(i) Cash to Deposits

This ratio reflects the liquidity position of the Bank in terms of meeting the day-to-day demand for cash.

Table – 4.1

Cash to Deposits of the DCCB Ltd., Eluru During the Period 2009-2010 to 2018-2019

(Rs. in Lakhs)

Year	Cash	Deposits	Ratio
2009-2010	8,569.66	46,474.48	0.18
2010-2011	5,515.81	47,948.36	0.12
2011-2012	8,372.16	54,791.84	0.15
2012-2013	5,428.88	59,529.40	0.09
2013-2014	2,747.29	68,667.18	0.04
2014-2015	4,715.72	75,700.72	0.06
2015-2016	9,967.85	1,00,164.89	0.10
2016-2017	10,780.55	1,19,956.14	0.09
2017-2018	11,716.46	1,33,866.12	0.09

2018-2019	5,902.90	1,37,007.66	0.04

Source: Complied from the Annual Reports of the Bank.

Table No.4.1 shows the liquidity position of the bank in terms of meeting the day to day demand for cash. It is evident that a high level of liquidity affects the profitability and a low level of liquidity hampers the bank's image. Thus, the bank should strike out a balance between liquidity and profitability and maintain the cash balance accordingly. It is observed from that the cash to deposit ratio of DCCB has been fluctuating between 0.04 and 0.18during the study period. The ratio has been high at 0.18 in 2009-10 and it declined to 0.12 in the next year and reached a lowest level of 0.04 in 2018-19. Thereafter, the Bank's cash to deposit ratio has been fluctuating continuously to reach a lowest of 0.04 in 2018-19. During the period 2009-10 the bank has been maintaining a high level of cash to deposit ratio indicating a satisfactory liquidity position.

The year-wise analysis of cash to deposit ratio shows that the bank has been maintaining cash as per the guidelines of the RBI indicating that there is a property investment of cash for productive purposes during the study period.

ii) Investment to Deposits

This ratio expresses the relationship between investments and deposits which help to measure the liquidity position of the Bank.

Table – 4.2

Investment to Deposits of the DCCB Ltd., Eluru

During the Period 2009-2010 to 2018-2019 (Rs. in Lakhs)

Year	Investments	Deposits	Ratio
2009-2010	23314.11	46,474.48	0.50
2010-2011	25161.35	47,948.36	0.52
2011-2012	34100.15	54,791.84	0.62
2012-2013	32085.28	59,529.40	0.54
2013-2014	30024.02	68,667.18	0.44
2014-2015	38390.15	75,700.72	0.51
2015-2016	55272.26	100,164.89	0.55
2016-2017	67787.00	119,956.14	0.57
2017-2018	66597.11	133,866.12	0.50
2018-2019	70130.09	137,007.66	0.51

Source: Complied from the Annual Reports of the Bank.

Table 4.2 presents the Investments to Deposits Ratio. The ratio has been ranging from 0.44 to 0.62. On an average, the investments to deposits ratio of the bank is about 0.53 during the study period, which implies that for every one rupee of deposit the bank is having investments worth of Rs.0.53. It can be said that the bank is maintaining a good liquidity position by having more than 50 per cent of the deposits in the form of investments.

The year-wise analysis of investment to deposit is consistent, which indicates that the liquidity position of the bank is sound.

iii) Credit to Deposits

This ratio measures the financial stability and profitability of the bank. The lower the ratio, the poorer is the performance of the bank. In order to maintain more stability the ratio should be high.

Table – 4.3
Credit to Deposits of DCCB Ltd., Eluru during 2009-2010 to 2018-2019

(Rs. in Lakhs)

Year	Credit	Deposits	Ratio
2009-2010	64,964.93	46,474.48	1.40
2010-2011	82,456.98	47,948.36	1.72
2011-2012	109,134.52	54,791.84	1.99
2012-2013	140,444.67	59,529.40	2.36
2013-2014	175,610.95	68,667.18	2.56
2014-2015	172,218.15	75,700.72	2.27
2015-2016	177,087.87	100,164.89	1.77
2016-2017	184,263.86	119,956.14	1.54

2017-2018	207,093.08	133,866.12	1.55
2018-2019	222,128.87	137,007.66	1.62

Source: Complied from the Annual Reports of the Bank.

Table 4.3 shows the liquidity position of the bank in terms of credit to deposit during the study period. The credit to deposit ratio for the study period have been ranging from 1.40 to 2.56. It is very high level of 2.56 in 2013-14 and low level of 1.40 in 2009-10. The ideal level of this ratio is 0.65 – 0.70. The bank always maintained the ideal level of Credit to Deposit ratio. This implies that for every one rupee of deposit the bank has given more than that as credit. From this it can be said that the bank is maintaining a very high liquidity position.

The year-wise analysis shows that the bank has the highest credit to deposit ratio followed. It indicates that the liquidity position is sound.

iv) Spread to Total Assets

This ratio establishes the relationship between the total resources of the society and its spread. Spread is the difference between interest earned and interest paid by the bank in an accounting year.

Table – 4.4

Spread to Total Assets of the DCCB Ltd., Eluru during 2009-2010 to 2018-2019

(Rs. in Lakhs)

Year	Spread	Total Assets	Ratio
2009-2010	2482.24	105,706.90	0.02
2010-2011	2184.95	124,014.19	0.02
2011-2012	1888.99	160,126.47	0.01
2012-2013	1993.19	189,225.92	0.01
2013-2014	1,998.49	221,241.02	0.01
2014-2015	2,841.54	227,572.25	0.01
2015-2016	2528.03	258,186.72	0.01

2016-2017	3,698.74	280,461.98	0.01
2017-2018	3,893.19	305,533.91	0.01
2018-2019	5,052.69	321,756.49	0.02

Source: Complied from the Annual Reports of the Bank.

Table 4.4 shows the solvency and profitability in terms of spread to total assets of the bank during the study period. The spread to total assets ratio ranges from 0.01 to 0.02 during the study period. In 2009-11, the bank has spread to total assets at a level of 0.02. During the year 2012 to 2018 the bank has maintained the same level of 0.01as spread to total assets and 2018 -2019 also maintained the level of 0.02 as spread to total assets. The ratio of spread to total assets did not fluctuate much over the study period.

The year-wise analysis of spread to total assets shows that the bank has maintained a low level of spread to total assets. It remained around 0.02 which is not reasonable ratio. In other words, the low ratio of spread to total assets affects the overall profitability and solvency of the bank.

v) Net Worth to Fixed Assets

This ratio establishes the relationship between shareholders' funds (net worth) and fixed assets of the bank. Shareholders' funds included the invested share capital, surpluses and undistributed profits. This ratio expresses the financial strength of the bank.

Table – 4.5

Net Worth to Fixed Assets of the DCCB Ltd., Eluru during 2009-2010 to 2018-2019

(Rs. in Lakhs)

Year	Net Worth	Fixed Assets	Ratio
2009-2010	11,634.39	469.45	24.78
2010-2011	12,207.11	638.91	19.11
2011-2012	12,309.11	868.06	14.18
2012-2013	14,851.05	1066.19	13.93

2013-2014	16,245.12	936.33	17.35
2014-2015	15,635.99	850.92	18.38
2015-2016	17,400.16	3593.62	4.84
2016-2017	17,199.62	3540.53	4.86
2017-2018	19,004.74	3504.36	5.42
2018-2019	20,070.36	3497.27	5.74

Source: Complied from the Annual Reports of the Bank.

Table 4.5 discloses the relationship between net worth and fixed assets of the bank during the study period. The net worth to fixed assets ratio is gradually decreased from 2009 to 2019. It is a very high level of 24.78 in 2009-2010 and low level of 4.81 in 2015-16. This explains that the financial strength of the bank is very dull during the period of study.

The year-wise analysis of net worth to fixed assets is low which implies that for every one rupee of fixed assets that the net worth is more than five times. This shows that the bank is maintaining low financial position during the study period.

vi) Cost of Management

This ratio reveals the cost of operating and managing the bank. This is worked out by the ratio of establishment expenditure to working capital.

Table – 4.6

Cost of Management of the DCCB Ltd., Eluru during 2009-2010 to 2018-2019

(Rs. in Lakhs)

Year	Est. Expenses	Working Capital	Ratio
2009-2010	1474.52	90,957.52	0.02
2010-2011	1947.73	121,103.97	0.02
2011-2012	1726.93	146,824.11	0.01

2012-2013	1602.39	175,908.59	0.01
2013-2014	1821.27	206,236.90	0.01
2014-2015	2243.09	210,964.41	0.01
2015-2016	2242.73	237,035.27	0.01
2016-2017	2852.99	260,035.01	0.01
2017-2018	3055.82	285,873.64	0.01
2018-2019	3658.73	303,527.84	0.01

Source: Complied from the Annual Reports of the Bank.

Table 4.6 shows the ratio of cost of management of the bank during the period of study. The cost of management of the bank is 0.02 to 0.01 per cent during the study period. It can be said that the bank is keeping it's cost of management below the norm prescribed i.e. less than 3 per cent for the cooperative organizations by the government of Andhra Pradesh.

The year-wise analysis of the ratio of cost of management of the bank is maintained the same during the study period which is very ideal. It shows the strength of the bank. However, the bank should inculcate the cost consciousness among the staff and management so that higher profits can be achieved.

Productivity Ratios:

District Cooperative Central Bank is essentially service oriented organization and thus it is hard to find out their productivity in absolute terms. However, the productivity of a bank can be measured through the performance of its employees over a period of time. In this study, per employee performance during the period 2009-10 to 2018-19, has been computed on different parameters to evaluate their productivity performance.

(i) Per Employee Deposits

This ratio shows the deposit growth rate of the bank.

Table – 4.7

Per Employee Deposits of the DCCB Ltd., Eluru during 2009-2010 to 2018-2019 (Rs. in Lakhs)

Year	Deposits	No. of Employees	Ratio
2009-2010	46,474.48	303	153.38
2010-2011	47,948.36	278	172.48
2011-2012	54,791.84	263	208.33
2012-2013	59,529.40	329	180.94
2013-2014	68,667.18	332	206.83
2014-2015	75,700.72	323	234.37
2015-2016	100,164.89	318	314.98
2016-2017	119,956.14	315	380.81
2017-2018	133,866.12	304	440.35
2018-2019	137,007.66	338	405.35

Source: Complied from the Annual Reports of the Bank.

This ratio measures the per employee deposits of the bank during the period of study. Table 4.7 shows the per employee deposit of the bank during the study period. As observed from the data in table 4.7, the per employee deposit ratio is showing an increasing trend throughout the study period except in the year 2012-2013. In the year 2017-2018 it has achieved 440.35 lakhs which is well above the all Indian average of 50 lakhs. The average per employee deposit of the bank is Rs.269.78 lakhs during the period of study, which implies that each employee of the bank has raised a deposit of Rs.269.78 lakhs per year.

The year-wise analysis reveals that the per employee deposits has increased during the study period, which shows the effort of the employees to mobilize deposits from the members and non-members of the bank.

(ii) Per Employee Advance

This ratio expresses the advances of the bank per employee per year.

Table – 4.8

Per Employee Advances of the DCCB Ltd., Eluru during 2009-2010 to 2018-2019

(Rs. in Lakhs)

Year	Advances	No. of Employees	Ratio
2009-2010	64,964.93	303	214.41
2010-2011	82,456.98	278	296.61
2011-2012	109,134.52	263	414.96
2012-2013	140,444.67	329	426.88
2013-2014	175,610.95	332	528.95
2014-2015	172,218.15	323	533.18
2015-2016	177,087.87	318	556.88
2016-2017	184,263.86	315	584.96
2017-2018	207,093.08	304	681.23
2018-2019	222,128.87	338	657.19

Source: Complied from the Annual Reports of the Bank.

Table 4.8 shows the per employee advance in the bank during the period of study. The per employee advance is fluctuating during the period of study. It is very low of 214.41 lakhs in 2009-2010 and very high of 681.23 lakhs in 2017-18. The average per employee advance of the bank is Rs.489.53 lakhs per year during the period of study, which implies that each employee of the bank has arranged Rs.489.53 lakhs as credit to the members and non-members of the bank. Although, the advance growth rate is rising, it is less than deposit growth rate, which affects the credit deposit ratio.

The year-wise analysis further reveals that the per employee advances has been increasing during the study period. Though there are slight fluctuations in some of the years.

The per employee advances is high when compared with the per employee deposit of the bank. It indicates that the bank is able to lend more than their deposits because of the support given by NABARD through APCOB.

(iii) Per Employee Income

This ratio measures the income of the bank per employee in a year.

Table – 4.9

Per Employee Income of the DCCB Ltd., Eluru during 2009-2010 to 2018-2019

(Rs. in Lakhs)

Year	Income	No. of Employees	Ratio
2009-2010	8,864.60	303	29.26
2010-2011	8,361.55	278	30.08
2011-2012	9,980.85	263	37.95
2012-2013	12,860.76	329	39.09
2013-2014	14,225.30	332	42.85
2014-2015	17,986.46	323	55.69
2015-2016	18,673.98	318	58.72
2016-2017	20,089.77	315	63.78
2017-2018	23,175.54	304	76.24
2018-2019	24,028.15	338	71.09

Source: Complied from the Annual Reports of the Bank.

Table 4.9 shows the per employee income of the bank during the study period. This ratio is gradually increased from 2009 to 2019 and a slight short fall in 2018-19. The average per employee income of the bank is Rs.50.48 lakhs per year. This shows that each employee in the bank is generating an income of 50.48 lakhs for his/her bank during the period of study.

The year-wise analysis shows that the per employee income of the bank has increased over the study period except in some years. It is a healthy symbol for the Bank.

(iv) Per Employee Expenditure.

This ratio measures the expenditure of the Bank per employee in a year.

Table – 4.10

Per Employee Expenditure of the DCCB Ltd., Eluru during 2009-2010 to 2018-2019

(Rs. in Lakhs)

Year	Expenditure	No. of Employees	Ratio
2009-2010	7,770.75	303	25.65
2010-2011	7,843.76	278	28.21
2011-2012	9,670.72	263	36.77
2012-2013	12,584.83	329	38.25
2013-2014	13,923.54	332	41.94
2014-2015	17,447.13	323	54.02
2015-2016	18,122.95	318	56.99
2016-2017	19,292.54	315	61.25
2017-2018	22,721.30	304	74.74
2018-2019	23,117.46	338	68.39

Source: Complied from the Annual Reports of the Bank.

Table 4.10 demonstrates the per employee expenditure of the bank during the study period. The ratio of per employee expenditure for the study period has been ranging from 25.65 to 74.74. It is very high level of 74.74 in 2017-18 and low level of 25.65 in 2009-10. The average per employee expenditure of the Bank is Rs.48.62 lakhs. It implies that each employee of the bank has incurred an expenditure of Rs.48.62 lakhs in providing services to the members and non-members.

The year-wise analysis shows that the per employee expenditure of the bank has increased during the study period. Hence, the bank must try to reduce the per employee expenditure by identifying the unnecessary and wasteful expenditure and thus increase the profitability of the bank.

(v) Per Employee Establishment Expenditure

This ratio measures the establishment expenditure per employee per year.

Table – 4.11

Per Employee Establishment Expenditure of the DCCB Ltd., Eluru during 2009-2010 to 2018-2019

(Rs. in Lakhs)

Year	Est. Expenditure	No. of Employees	Ratio
2009-2010	1474.52	303	4.87
2009-2011	1947.73	278	7.01
2009-2012	1726.93	263	6.57
2009-2013	1602.39	329	4.87
2009-2014	1821.27	332	5.49
2009-2015	2243.09	323	6.94
2009-2016	2242.73	318	7.05
2009-2017	2852.99	315	9.06
2009-2018	3055.82	304	10.05
2009-2019	3658.73	338	10.82

Source: Complied from the Annual Reports of the Bank.

Table 4.11 presents the per employee establishment expenditure of the bank during the study period. The ratio of per employee establishment expenditure is fluctuated during the period of study. It is a very high level of 10.82 in 2018-19 and low level of 4.87 in 2009-10 and 2013-14. However, this ratio has been ranging from 4.87 to 10.82 during the study period. The average of this ratio is Rs.7.27 lakhs per year during the period of study, which shows that each employee of the bank is incurring an establishment expenditure of 7.27 lakhs per year.

The year-wise analysis shows that the per employee establishment expenditure of the bank has fluctuated in increasing trend during the study period. Therefore, the Management should check this increasing per employee establishment expenditure to ensure better profitability.

(vi) Per Employee Spread

Spread is the net interest income generated by the bank in a year. This is a key element which determines the amount of profit.

Table – 4.12

Per Employee Spread of the DCCB Ltd., Eluru during the Period 2009-2010 to 2018-2019 (Rs. in Lakhs)

Year	Interest Earned	No. of Employees	Ratio
2009-2010	8,715.89	303	28.77
2010-2011	8,220.20	278	29.57
2011-2012	9,779.04	263	37.18
2012-2013	12,636.71	329	38.41
2013-2014	13,841.75	332	41.69
2014-2015	17,686.06	323	54.76
2015-2016	17,568.12	318	55.25
2016-2017	19,468.29	315	61.80
2017-2018	22,369.78	304	73.58
2018-2019	23,715.36	338	70.16

Source: Complied from the Annual Reports of the Bank.

Table 4.12 shows per employee spread of the bank during the period of study. It is evident that the per employee spread has been increasing between 28.77 and 73.58 during the study period. It is low at 28.77 in 2009-10 and a high level of 73.58 in 2017-18. The average per employee spread of the bank is Rs.49.12 lakhs per year. This means that each employee of the bank is earning an interest income of Rs.49.12 lakhs in a year. This amount is very less because credit business constitutes a major portion of the business activities of the bank.

The year-wise analysis shows that the per employee spread of the bank has increased over the study period except in the year 2018-19. However, it is not a satisfactory increase, so the bank should strive hard to increase per employee spread.

(vii) Per Employee Profit

This ratio measures the profitability of the bank per employee per year.

Table – 4.13

Per Employee Profit of the DCCB Ltd., Eluru during 2009-2010 to 2018-2019

(Rs. in Lakhs)

Year	Profit	No. of Employees	Ratio
2009-2010	763.85	303	2.52
2010-2011	405.73	278	1.46
2011-2012	202.63	263	0.77
2012-2013	197.93	329	0.60
2013-2014	201.77	332	0.61
2014-2015	306.33	323	0.95
2015-2016	349.03	318	1.10
2016-2017	512.23	315	1.63
2017-2018	666.98	304	2.19
2018-2019	190.19	338	0.56

Source: Complied from the Annual Reports of the Bank.

Table 4.13 depicts the per employee profit of the bank during the period of study. As shown in table 4.18, the per employee profit is fluctuating during the study period. From a level of 2.52 lakhs in 2009-10, it is decreased to 1.46 lakhs in 2010-11 and a sudden short fall is happened in 2011-12 due to decrease of profit level of the bank. The average per employee profit of the bank is Rs.1.24 lakhs, which indicates that each employee of the bank is generating this profit amount.

The year-wise analysis shows that the per employee profit of the bank has decreased over the study period except certain years. The sudden short fall in per employee profit may be due to non-repayment of loans taken by the members in times of natural calamities and also interest rebates given by the government in times of floods and droughts. The profitability of the bank is also affected because of "one time settlement" scheme, offered by the government now and then for defaulters.

Profitability Ratios:

Profit is the key indicator for District Cooperative Central Bank and is a must for the survival and growth. In order to ascertain the actual efficiency of the bank there is a need to measure the profitability performance by calculating the following ratios.

(i) Net Profit to Total Income

This ratio expresses the relationship between net profit and total income. Higher the ratio better is the operational efficiency of the bank.

Table – 4.14

Net Profit to Total Income of DCCB Ltd., Eluru during 2009-2010 to 2018-2019

(Rs. in Lakhs)

Year	Net Profit	Total Income	Ratio
2009-2010	763.85	8,864.60	0.09
2010-2011	405.73	8,361.55	0.05
20112012	202.63	9,980.85	0.02
2012-2013	197.93	12,860.76	0.02

2013-2014	201.77	14,225.30	0.01
2014-2015	306.33	17,986.46	0.02
2015-2016	349.03	18,673.98	0.02
2016-2017	512.23	20,089.77	0.03
2017-2018	666.98	23,175.54	0.03
2018-2019	190.19	24,028.15	0.01

Source: Complied from the Annual Reports of the Bank.

Table 4.14 depicts the ratio of net profit to total income of the bank during the study period. The bank's net profit as a percentage of totals income fluctuates between 0.09 to 0.01. This trend shows that this ratio is decreasing gradually. The lowest being 0.01in the years 12013-14 and 2018-2019; and the highest being 0.09 in the year 2009-10. The average ratio of net profit to total income of the bank is 0.03 percent, which means that the Bank is earning a lesser percentage of net profit in the total income.

The year-wise analysis reveals that the ratio of net profit to total income is decreasing gradually, which shows the lesser profitability of the bank.

(ii) Net Profit to Total Deposits

This ratio expresses the relationship between net profit and total deposits.

Table – 4.15

Net Profit to Total Deposits of DCCB Ltd., Eluru during 2009-2010 to 2018-2019

(Rs. in Lakhs)

Year	Net Profit	Total Deposits	Ratio
2009-2010	763.85	46,476.48	0.016
2010-2011	405.73	47,948.36	0.008
2011-2012	202.63	54,791.84	0.004
2012-2013	197.93	59,529.40	0.003
2013-2014	201.76	68,667.18	0.003
20142015	306.33	75,700.72	0.004
2015-2016	349.03	100,164.89	0.003
2016-2017	512.23	119,956.14	0.004
2017-2018	666.98	133,866.12	0.005
2018-2019	190.19	137,007.66	0.001

Source: Complied from the Annual Reports of the Bank.

Table 4.15 analyses the ratio of net profit to total deposit of the bank during the study period. As evident from the table 4.20, this ratio lies in the range of 0.02 to 0.00 during the study period. The average ratio of net profit to total deposit of the bank is 0.01 per cent, which indicates that every rupee of deposit is generating a profit of Rs. 0.01during the study period.

The year-wise analysis shows that the ratio of net profit to total deposits is very low. This low ratio indicates that the management is paying less attention to these aspects.

(iii) Net Profit to Spread

This ratio expresses the relationship between net profit and spread. Spread is the difference between interest earned and interest paid by the Bank.

Table – 4.16

Net Profit to Spread of DCCB Ltd., Eluru during 2009-2010 to 2018-2019

(Rs. in Lakhs)

Year	Net Profit	Spread	Ratio
2009-2010	763.85	2482.24	0.31
2009-2011	405.73	2184.95	0.19
2009-2012	202.63	1888.99	0.11
2009-2013	197.93	1993.19	0.10
2009-2014	201.76	1,998.49	0.10
2009-2015	306.33	2,841.54	0.11
2009-2016	,349.03	2528.03	0.14
2009-2017	,512.23	3,698.74	0.14
2009-2018	,666.98	3,893.19	0.17

2009-2019	190.19	5,052.69	0.04

Source: Complied from the Annual Reports of the Bank.

Table 4.16 presents the ratio of net profit to the spread of the bank during the study period. This ratio shows an inconsistent trend ranging from 0.31 to 0.04 during the period of study. On an average, the ratio of net profit to spread of the bank is 0.141 per cent, which means that the major proportion of net profit of the bank is contributed by the spread.

The year-wise analysis reveals that there are wide fluctuations in the ratio of net profit to the spread of the bank during the study period, which the bank must view it seriously.

(iv) Return on Assets

This ratio establishes the relationship between the net profit and the total assets. It measures the earning capacity of the assets of the Bank.

Table – 4.17

Net Profit to Total Assets of DCCB Ltd., Eluru during 2009-2010 to 2018-2019

(Rs. in Lakhs)

Year	Net Profit	Total Assets	Ratio
2009-2010	763.85	105,706.90	0.007
2010-2011	405.73	124,014.19	0.003
2011-2012	202.63	160,126.47	0.001
2012-2013	197.93	189,225.92	0.001
2013-2014	201.76	221,241.02	0.001
2014-2015	306.33	227,572.25	0.001
2015-2016	349.03	258,186.72	0.001

2016-2017	512.23	280,461.98	0.002
2017-2018	666.98	305,533.91	0.002
2018-2019	190.19	321,756.49	0.001

Source: Complied from the Annual Reports of the Bank.

Table 4.17 conveys the ratio of net profit to total assets of the bank during the study period. The ratio of net profit to total assets ranges from 0.007 to 0.011 during the study period. The average ratio of net profit to total assets of the bank is 0.001 per cent during the study. This indicates that the bank has earned 0.001 per cent return on the assets.

The year-wise analysis reveals that the return on assets of the bank is below one per cent. This means, the earning capacity of the assets of the bank is very meager which indicates that the management of the bank is not using the assets effectively in generating revenue. Therefore, the management should take necessary steps to improve the operating performance of the bank.

(v) Return on Equity

Like return on assets, a Bank is required to find out the return on equity. This determines the earning capability of the shareholders equity. Equity is also known as net worth, which is the aggregate of paid up share capital and reserves. This ratio establishes the relationship between the net profit and shareholders equity.

Table – 4.18

Net Profit to Return on Equity of DCCB Ltd., Eluru during 2009-2010 to 2018-2019

(Rs. in Lakhs)

Year	Net Profit	Net Worth	Ratio
2009-2010	763.85	11,634.39	0.07
2010-2011	405.73	12,207.11	0.03
2011-2012	202.63	12,309.11	0.02
2012-2013	197.93	14,851.05	0.01
2013-2014	201.76	16,245.12	0.01
2014-2015	306.33	15,635.99	0.02
2015-2016	349.03	17,400.16	0.02
2016-2017	512.23	17,199.62	0.03
2017-2018	666.98	19,004.74	0.04
2018-2019	190.19	20,070.36	0.01

Source: Complied from the Annual Reports of the Bank.

Table 4.18 analyzes the ratio of return on equity of the bank during the study period. As seen in the table, this ratio is showing a fluctuating trend from 0.07 in 2009-10 to 0.01 in 2018-19. The average return on equity of the Bank is 0.026 per cent, which implies that the bank is earning a profit margin of 0.026 per cent on the net worth.

The year-wise analysis of the Bank shows that the return on equity during the study, which is inadequate. However, the bank should try to increase the return on equity in order to strengthen its business activities.

(v) Net Profit to Working Capital

This ratio establishes the relationship between net profit and working capital of the Bank. A high ratio is a sign of healthy operations.

Table – 4.19

Net Profit to Working Capital of the DCCB Ltd., Eluru

During the Period 2009-2010 to 2018-2019

(Rs. in Lakhs)

Year	Net Profit	Working Capital	Ratio
2009-2010	763.85	90,957.52	0.008
2010-2011	405.73	121,103.97	0.003
2011-2012	202.63	146,824.11	0.001
2012-2013	197.93	175,908.59	0.001
2013-2014	201.76	206,236.90	0.001
2014-2015	306.33	210,964.41	0.001
2015-2016	349.03	237,035.27	0.001
2016-2017	512.23	260,035.01	0.002
2017-2018	666.98	285,873.64	0.002
2018-2019	190.19	303,527.84	0.001

Source: Complied from the Annual Reports of the Bank.

Table 4.19 discloses the ratio of net profit to working capital of the bank during the study period. The ratio of net profit to working capital of the bank is ranging between 0.001 and 0.008 during the study period. The average ratio of net profit to working capital of the bank is 0.001 per cent during the period of study. This indicates that the bank is generating meager amount of net profit on it working capital funds.

The year-wise analysis shows that the ratio of net profit to working capital is very low and insignificant during the study period. This low ratio is not a healthy sign of banking operations. A high ratio is a good sign of profitability and hence, the bank should try to improve it's performance by increasing its profits.

Findings

The following are the findings identified from the analysis of financial performance of the bank. The conclusions drawn based on the findings are also presented.

i. The District Central Cooperative Bank is maintaining a high level of liquidity during the study period. A high level of liquidity affects the profitability and a low level of liquidity hampers the image of the bank. Hence, the bank should strike a balance between liquidity and profitability.

ii. The depositors of the bank are in a very safe position because the percentage of investments to deposits is very high. However, the bank should invest in profitable avenues as per the Reserve Bank of India and Cooperative Societies Act.

iii. The bank has a fluctuating trend of credit to deposits ratio during the study period. However, it seems to be very satisfactory because credits are very high when compared to deposits. It is because the bank borrows substantial amounts from NABARD and APCOB based on the scale of finance and then in turn lends to PACS's.

iv. There is a low level of spread to total assets of the bank during the study period. The ten years average of the bank is quite low. These low percentages affect the overall profitability and financial strength of the bank.

v. The percentage of net worth to fixed assets of the bank is very high from 2009 to 2015; this shows that majority of shareholders' funds are invested in fixed assets. Its declined from 2015-2016 to 2018-2019; this shows that majority of shareholders' funds are not invested in fixed assets.

vi. The cost of Management of the Bank is less than three percent, which is very ideal. However, the bank should inculcate the cost consciousness among the employees so that some more profits can be achieved.

vii. The average per employee deposit of the bank is high during the period of study, which shows the effort of the employees to mobilize deposits from the members and non-members of the bank.

viii. The average per employee advance is very high when compared with the average per employee deposit of the bank. The bank is able to lend more than its deposits because of the support given by NABARD through APCOB. However, the bank should take effective steps for profitable deployment of funds.

ix. The data reveals an overall increase in per employee income of the bank during the study period. However, the bank must take steps to increase the per employee income considerably. On the other hand, the per employee expenditure has also increased considerably. The bank must try to reduce the per employee expenditure to increase the profitability.

x. The per employee establishment expenditure of the bank has fluctuated in increasing trend during the study period. This is not a healthy sign of the bank and hence, the management should try to reduce the establishment expenditure.

xi. The per employee spread is satisfactory increase and therefore the bank should strive hard to maintain this per employee spread.

xii. The per employee profit of the bank has declined trend during the study period except in the year 2017-18, which may be due to the non-repayment of the loans and interest thereon by the members in times of natural calamities. The interest rebate given by the government in times of floods and droughts affects the profitability of the bank. Added to this the “one time settlement scheme” offered by the government now and then for defaulters also affects the profitability.

xiii. There is no sustainability in the percentage of net profit to total income of the bank. The bank should take necessary steps to maintain sustainability and high level of profitability.

xiv. The ratio of net profit to total deposit is very low, which indicates that the management is paying less attention to these aspects.

xv. The analysis further reveals that there are fluctuations in the percentage of net profit to the spread of the bank during the study period. The bank must maintain a consistent level of net profit to spread ratio with gradual increase over the years.

xvi. The average return on assets of the bank is less than 1 per cent, which means the earning capacity of the assets of the bank is very meager. The bank should take necessary measures to improve the operating efficiency of the assets.

xvii. The return on equity of the bank is inadequate and it should try to increase the return on equity to at least a minimum of 10 per cent.

xviii. The average net profit to working capital of the bank is below one percent. Therefore, the bank should try to improve this ratio for better operations.

CHAPTER – V

CHAPTER – V

In this chapter the operational performance of the DCCB Ltd., Eluru is evaluated with the help of ratio analysis and trend analysis. It also discusses the relevance of the different ratios for the operational performance analysis of a bank.

Operational Ratios:

The operational ratios reveal the operational efficiency of the societies. The following ratios are calculated to evaluate the operational efficiency of the West Godavari District Cooperative Central Bank Ltd., Eluru.

(i) Interest Earned to Total Income

This ratio expresses the share of interest income in the total earning of the bank. Interest is a major source of income for the bank. However, the bank should take necessary steps to enhance its income base from non-interest like commission, locker rent etc.

This ratio expresses the share of interest income in the total earnings of the bank. Table 5.1 shows the ratio between the interests earned and total income of the selected bank during the study period. The ratio of interest earned to total income for the study period has been ranging from 0.94 to 0.99.

Table – 5.1

Interest Earned to Total Income of the DCCB Ltd., Eluru

During the Period 2009-10 to 2018-2019(Rs. in Lakhs)

Year	Interest Earned	Total Income	Ratio
2009-2010	8,715.89	8,864.60	0.98
2010-2011	8,220.19	8,361.55	0.98
2011-2012	9,779.04	9,980.85	0.98
2012-2013	12,636.71	12,860.76	0.98
2013-2014	13,841.75	14,225.30	0.97
2014-2015	17,686.06	17,986.46	0.98
2015-2016	17,568.12	18,673.98	0.94
2016-2017	19,468.29	20,089.77	0.97
2017-2018	22,369.78	23,175.54	0.97
2018-2019	23,715.35	24,028.15	0.99

Source: Complied from the Annual Reports of the Bank.

It is very high level of 0.99 in 2018-2019 and low level of 0.94 in 2015-16. This implies that per cent of the total income of the bank comes from the interest earned on credit given to the members in the form of short, medium and long terms loans and investments of the bank.

The year wise analysis of the ratio of interest earned to total income of the bank shows that in all cases around 0.94to 0.99 per cent of the income comes from interest earned out of advances and investments during the period of study.

It can be concluded that interest is a major source of income for the bank. However, the bank should take necessary steps to enhance it's income base from non-credit activities like commission, locker rent etc.

(ii) Interest Paid to Total Income

Interest paid on borrowings and deposits is the main expenditure for the bank. The ratio of interest paid to total income indicates the extent of total income that is drained out for payment of interest.

Table – 5.2

Interest Paid to Total Income of the DCCB Ltd., Eluru During the Period 2009-10 to 2018-2019

(Rs. in Lakhs)

Year	Interest Paid	Total Income	Ratio
2009-2010	6,233.65	8,864.60	0.70
2010-2011	6,035.25	8,361.55	0.72
2011-2012	7,890.05	9,980.85	0.79
2012-2013	10,643.52	12,860.76	0.83
2013-2014	11,843.26	14,225.30	0.83
2014-2015	14,844.52	17,986.46	0.83
2015-2016	15,040.10	18,673.98	0.81
2016-2017	15,769.55	20,089.77	0.78
2017-2018	18,476.59	23,175.54	0.80
2018-2019	18,662.67	24,028.15	0.78

Source: Complied from the Annual Reports of the Bank.

Table 5.2 shows the ratio of interest paid to total income of the bank during the study period. It is high level of 0.83 cent in 2012-13, 2013-14 and 2014-15. The ratio of interest paid to total income of the bank is average 0.79 per cent during the study period which implies that more than 75per cent of the total income of the bank is drained out in the form of interest commitment on loans borrowed and deposits of members and non-members.

The year wise analysis shows that the ratio of interest paid to total income of the bank is consistent throughout the period of study. A low ratio indicates efficiency, and hence, the bank should try to bring down this ratio to improve their operating efficiency.

(iii) Total Income to Working Capital

This ratio reveals the income earning capability of the bank with respect to its working capital.

Table – 5.3

Total Income to Working Capital of the DCCB Ltd., Eluru During the Period 2009-10 to 2018-2019

(Rs. in Lakhs)

Year	Total Income	Working Capital	Ratio
2009-2010	8,864.60	90,957.52	0.10
2010-2011	8,361.55	121,103.97	0.07
2011-2012	9,980.85	146,824.11	0.07
2012-2013	12,860.76	175,908.59	0.07
2013-2014	14,225.30	206,236.90	0.07
2014-2015	17,986.46	210,964.41	0.09
2015-2016	18,673.98	237,035.27	0.08
2016-2017	20,089.77	260,035.01	0.08
2017-2018	23,175.54	285,873.64	0.08
2018-2019	24,028.15	303,527.84	0.08

Source: Complied from the Annual Reports of the Bank.

Table 5.3 presents the ratio of total income to working capital of the bank during the study period. It is evident that the total income to working capital ratio has been fluctuating during the study period. It is low of 0.07per cent and high of 0.08 percent. The average ratio of total income to working capital of the bank is 0.08 per cent which is a not reasonable rate of return.

The year-wise analysis shows that the ratio of total income to working capital is inconsistent during the study period. On an average, the bank has been unable to earn a consistent level of income through the study period which is a not satisfactory return on it's working capital investment.

(iv) Total Expenditure to Total Income

This is an important ratio that indicates the percentage of expenditure incurred for the bank out of its total income. This also determines the profitability of the Bank. This ratio indicates the percentage of expenditure by the bank out of it total income earned.

Table – 5.4

Total Expenditure to Total Income of the DCCB Ltd., Eluru During the Period 2009-10 to 2018-2019(Rs. in Lakhs)

Year	Total Expenditure	Total Income	Ratio
2009-2010	7,770.75	8,864.60	0.88
2010-2011	7,843.76	8,361.55	0.94
2011-2012	9,670.72	9,980.85	0.97
2012-2013	12,584.83	12,860.76	0.98
2013-2014	13,923.54	14,225.30	0.98
2014-2015	17,447.13	17,986.46	0.97
2015-2016	18,122.95	18,673.98	0.97
2016-2017	19,292.54	20,089.77	0.96
2017-2018	22,721.30	23,175.54	0.98
2018-2019	23,117.46	24,028.15	0.96

Source: Complied from the Annual Reports of the Bank.

Table 5.4 discloses the ratio of total expenditure to total income of the bank during the study period. The range of total expenditure to total income is 0.88 to 0.98. On an average this ratio is around 96 per cent which indicates that the percentage of total expenditure in the total income is very high resulting in very meager amount of profit for the bank.

The year-wise analysis shows that ratio of total expenditure to total income is inconsistent during the study period. The analysis reveals that the total expenditure of the bank is more than 96 per cent of the total income, which is very high, leaving a meager percentage of earnings for the maintenance and further development of the bank.

(v) Establishment Expenditure to Total Expenditure

Apart from interest expenses, a bank incurs finance on establishment in order to continue the banking business. The ratio of establishment expenditure to total expenditure reflects the expenditure towards the staff and the bank establishment.

Table – 5.5

Establishment Expenditure to Total Expenditure of the DCCB Ltd., Eluru during the Period 2009-10 to 2018-2019

(Rs. in Lakhs)

Year	Est. Expenditure	Total Expenditure	Ratio
2009-2010	1474.52	7,770.75	0.19
2010-2011	1947.73	7,843.76	0.25
2011-2012	1726.93	9,670.72	0.18
2012-2013	1602.39	12,584.83	0.13
2013-2014	1821.27	13,923.54	0.13
2014-2015	2243.09	17,447.13	0.13
2015-2016	2242.73	18,122.95	0.12
2016-2017	2852.99	19,292.54	0.15
2017-2018	3055.82	22,721.30	0.13
2018-2019	3658.73	23,117.46	0.16

Source: Complied from the Annual Reports of the Bank.

Table 5.5 presents the ratio of establishment expenditure to total expenditure of the bank during the study period. The ratio of establishment expenditure to total expenditure for the study period has been ranging from 0.12to 0.25. It is very high level of 0.25 in 2010-11 and low level of 0.12 in 2015-16 during the study period. On an average the ratio around 12per cent which is fairly reasonable. This also determines the profitability of the bank.

The year-wise analysis shows that the ratio of establishment expenditure to total expenditure of the bank is fairly reasonable. Efforts should be made to continue and maintain this expenditure as same, so that the profitability performance of the bank can be improved.

PERCENTAGE CHANGE IN VARIOUS HEADS:

The following Nine tables are related to DCCB Ltd., Eluru which show percentage change year by year in a paid-up share capital, deposits, reserves, reserve fund, working capital, loans and advances, net profit, dividend and recovery of loans. These are showing the operational performance of the DCCB Ltd., Eluru.

Share Capital

The bank raises capital by issuing shares to both individuals and society members. The paid up share capital represents the owned funds of the bank.

Table – 5.6

Percentage change in Share Capital of the DCCB Ltd., Eluru During the Study Period 2009-10 to 2018-2019
(Rs. in Lakhs)

Year	Share Capital	Ratio
2009-2010	4,550.15	--
2010-2011	5,074.94	11.53
2011-2012	5,864.23	15.55
2012-2013	7,452.59	27.09
2013-2014	9,165.61	22.99
2014-2015	9,772.10	6.62
2015-2016	10,414.41	6.57
2016-2017	11,165.19	7.21
2017-2018	11,923.23	6.79
2018-2019	12,829.17	7.60

Source: Complied from the Annual Reports of the Bank.

Table 5.6 presents the growth rate in the share capital of the bank. It is showing a fluctuating trend. The share capital has been growing year by year but at a declining rate. It increased by 11.53 per cent in 2010-11 when compared to the previous year. In the next year, the share capital increased by 15.55. The share capital registered highest growth in 2012-13 by 27.09 per cent and 2013-14 by 22.99 per cent during the period of study. The share capital, thereafter, has been growing at a less than 8 per cent rate till 2018-19. The increase in the share capital was least in 2015-16 at 6.57 per cent.

Deposits

Deposits constituted the major share of the working funds of the bank. The bank mobilized deposits in the form of fixed deposits, saving deposits and current deposits.

Table – 5.7

Percentage change in Deposits of the DCCB Ltd., Eluru

During the Study Period 2009-10 to 2018-2019 (Rs. in Lakhs)

Year	Deposits	Ratio
2009-2010	46,474.48	--
2010-2011	47,948.36	3.17
2011-2012	54,791.84	14.27
2012-2013	59,529.40	8.65
2013-2014	68,667.18	15.35
2014-2015	75,700.72	10.24
2015-2016	100,164.89	32.32
2016-2017	119,956.14	19.76
2017-2018	133,866.12	11.60
2018-2019	137,007.66	2.35

Source: Complied from the Annual Reports of the Bank.

Table 5.7 exhibits the percentage growth in the Deposits of DCCB during the year 2009-2019. It is observed that the deposits are increasing year by year during the period of study. It rose by a highest of 32.32 per cent in 2015-16 when compared to the previous year. The deposits have been increasing but at a lesser rate. The growth rate in the deposits declined sharply to 19.76 per cent in 2016-17 when compared to a 11.60 per cent in 2017-2018. The growth rate suddenly decreased thereafter to 2.35 per cent in 2018-19. It can be concluded that the growth rate in the deposits has been showing a declining trend which indicates that the profitability of the bank is declining.

Reserves

Reserves are appropriation of profit and provisions that are charged against profit. The reserves position is a measure of the financial health of a bank. The reserves for this study include statutory reserves and other reserves.

Table – 5.8
Percentage change in Reserves of the DCCB Ltd., Eluru
During the Study Period 2009-10 to 2018-2019 (Rs. in Lakhs)

Year	Reserves	Ratio
2009-2010	9081.01	--
2010-2011	9076.01	-0.06
2011-2012	7599.86	-16.26
2012-2013	8709.09	14.60
2013-2014	8861.27	1.75
2014-2015	9145.79	3.21
2015-2016	9,379.10	2.55
2016-2017	9,474.87	1.02
2017-2018	10,102.43	6.62
2018-2019	10297.82	1.93

Source: Complied from the Annual Reports of the Bank.

Table 5.8 presents the percentage growth in the reserves of DCCB during the year 2009-2019. It is observed that the reserves are decreasing year by year during the period of study. It increased by 14.59 in 2011-12 when compared to the previous year. In the following year, the reserves were decreased by 1.75 per cent and registered highest growth in 2011-12 by 14.59 per cent. Later on, it declined by 1.75 per cent in 2013-14, 3.21 per cent in 2014-15 and 2.55 percent in 2015-16. The growth rate highly decreased thereafter to 1.02 per cent in 2016-17 and increased by 6.62 percent in 2017-18 and 1.93 per cent in 2018-19. It can be concluded that the changes in percentages in reserves have been showing fluctuating trend.

Reserve Fund

According to the Act and Bye laws, the profit must be distributed to all cooperative institutions every year and a portion of their profits must be set a part to reserve fund, and other reserves. Reserve fund is indivisible and cannot be used by the bank as a source of the loan-able fund. It is invested with their immediate apex institution. The reserve fund is used to calculate the maximum borrowing power, if the institution thought to invest outside the institution. Though the reserve funds are invested in apex institution they do useful service by enhancing the maximum borrowing power of the banks.

Table – 5.9

Percentage change in Reserve Fund of the DCCB Ltd., Eluru During the Period 2009-10 to 2018-2019 (Rs. in Lakhs)

Year	Reserve Fund	Year wise % change
2009-2010	3078.75	--
2010-2011	3420.06	11.09
2011-2012	3541.75	3.56
2012-2013	3640.72	2.79
2013-2014	3,741.60	2.77
2014-2015	3,908.75	4.47
2015-2016	4,083.27	4.46
2016-2017	4,083.27	0.00
2017-2018	4,339.38	6.27
2018-2019	4,672.87	7.69

Source: Complied from the Annual Reports of the Bank.

Table 5.9 exhibits the percentage growth in the Reserve Fund of DCCB during the study period. It is observed that the Reserve fund is fluctuating during the period of study. It rose by a highest 11.08 per cent in 2010-11 when compared to the previous year. Later it declined up to 2010-14. The growth rate slightly increased to 4.47 per cent in 2014-15 when compared with previous year. The increase in the reserve fund was least in 2016-17 at nil per cent. It can be concluded that the growth rate in the reserve fund has been showing a fluctuating trend.

Working Capital

The Working Capital of the bank is combination of the paid up share capital, reserves, and deposits minus investments in fixed assets less depreciation.

Table – 5.10

Percentage change in Working Capital of the DCCB Ltd., Eluru During the Period 2009-10 to 2018-2019

(Rs. in Lakhs)

Year	Working Capital	Year wise % change
2009-2010	90,957.52	--
2010-2011	121,103.97	33.14
2011-2012	146,824.11	21.24
2012-2013	175,908.59	19.81
2013-2014	206,236.90	17.24
2014-2015	210,964.41	2.29
2015-2016	237,035.27	12.36
2016-2017	260,035.01	9.70
2017-2018	285,873.64	9.94
2018-2019	303,527.84	6.18

Source: Complied from the Annual Reports of the Bank.

Table 5.10 shows the working capital growth rate of the bank during the period of study. The working capital has been changing year by year. It increased by 33.14 per cent in 2010-11 when compared to the previous year. In the next year, the working capital decreased by 21.24 per cent and then it slightly decreased by 17.24 per cent. The working capital registered highest growth in 2010-11 by 33.14 per cent and 2014-15 by 02.29 per cent during the study period. It can be concluded that the growth rate in the working capital has been showing a fluctuating trend.

Loans & Advances

The bank is extending short, medium and long term loans for production as well as non-production purposes. As per the RBI guidelines, the bank is required to lend 60 per cent of its total advances to the priority sector out of which 25 per cent must be for the weaker sections.

Table – 5.11

Percentage change in Loans and Advances of the DCCB Ltd., Eluru During the Study Period 2009-10 to 2018-19

(Rs. in Lakhs)

Year	Loans & Advances	Ratio
2009-2010	64,964.93	--
2010-2011	82,456.98	26.93
2011-2012	109,134.52	32.35
2012-2013	140,444.67	28.69
2013-2014	175,610.95	25.04
2014-2015	172,218.15	-1.93
2015-2016	177,087.87	2.83
2016-2017	184,263.86	4.05
2017-2018	207,093.08	12.39
2018-2019	222,128.87	7.26

Source: Complied from the Annual Reports of the Bank.

The table 5.11 shows clear shift in the lending pattern of the bank. It is showing a fluctuating trend. It increased by 26.93 per cent in 2010-2011 when compared to the previous year. In the next year, loans and advances were increased highest growth by 32.35 per cent and 25.04 per cent in 2013-14. In the next year, loans and advances were adverse by -01.93 per cent. The loans and advances registered highest growth in 2011-12 by 32.35 and 2014-15 by -01.93 per cent during the period of study. However, loans and advances giving pattern to various parties is showing fluctuating trend.

Net Profit

It is an important measure of the operational efficiency of the Bank.

Table – 5.12

Percentage change in Net Profit of the DCCB Ltd., Eluru During the Study Period 2009-2010 to 2018-19

(Rs. in Lakhs)

Year	Net Profit	Ratio
2009-2010	763.85	--
2010-2011	405.73	-46.88
2011-2012	202.63	-50.06
2012-2013	197.93	-2.32
2013-2014	201.76	1.94
2014-2015	306.33	51.83
2015-2016	349.03	13.94
2016-2017	512.23	46.76
2017-2018	666.98	30.21
2018-2019	190.19	-71.48

Source: Complied from the Annual Reports of the Bank.

Table 5.12 exhibits the percentage growth in the Net Profit of DCCB during the year 2009-2019. It is observed that net profit is fluctuating year by year during the period of study. It rose by a highest of 51.82 per cent in 2014-15 when compared with previous year. In the next year, net profit decreased by 13.94 per cent and then it increased by 46.79 per cent. Later, it fluctuated and then adverse by -71.48 in 2018-2019. The adverse growth rate in the net profit was registered in 2010-2013. It can be concluded that the growth rate in the net profit has been showing a fluctuating trend.

Dividend

The term dividend refers to that part of profits of a Bank which is distributed by the bank among their members. It is the reward of the members for investments made by them in the shares of the bank.

Table – 5.13
Percentage change in Dividend of the DCCB Ltd., Eluru
During the Period 2009-2010 to 2018-2019

(Rs. in Lakhs)

Year	Dividend	Year wise % change
2009-2010	152.77	--
2010-2011	60.86	-60.16
2011-2012	30.39	-50.07
2012-2013	29.69	-2.30
2013-2014	30.26	1.92
2014-2015	45.95	51.85
2015-2016	52.35	13.93
2016-2017	76.83	46.76
2017-2018	100.05	30.22
2018-2019	28.53	-71.48

Source: Complied from the Annual Reports of the Bank.

Table 5.13 presents the growth rate in the dividend of the bank. It is showing a fluctuating trend. It adverse by - 60.16 per cent in 2010-11 when compared to the previous year. In the next year dividend was adverse by -50.06 per cent and then it adverse by - 02.30 in 2012-13 and 1.92 per cent in 2013-14, later on, it increased by 51.85 per cent and again declined by 13.93 per cent. It can be concluded that the percentage change in the dividend has been showing fluctuating trend.

Recovery of Loans

Recovery of loans is one of the criteria to evaluate the performance of bank. Huge over dues choke the recycling of funds and thus adversely affects the profitability of the Bank.

Table – 5.14
Percentage change in Recovery of Loans of the DCCB Ltd., Eluru During the Study Period 2009-10 to 2018-19

(Rs. in Lakhs)

Year	Year wise % change in recovery of loans
2009-2010	90.77
2010-2011	88.07
2011-2012	91.48
2012-2013	89.24
2013-2014	91.10
2014-2015	77.54
2015-2016	80.01
2016-2017	87.05
2017-2018	92.03
2018-2019	95.04

Source: Complied from the Annual Reports of the Bank.

The table 5.14 shows the recovery performance of the bank during the study period. It is observed that the recovery performance has been increasing but at a fluctuating rate. The highest recovery performance is registered in 2012-13 by 97.68 per cent and lowest recovery performance is registered in 2013-14 by 34 per cent. It is observed that the recovery performance of the bank has an increasing trend after 2013 to till 2018 except in the year 2018-19. It can be concluded that the bank is keeping a very good track of recovery performance.

Findings

xix. On an average 97 per cent of the bank income comes from interest earned on the advances and investments. Interest income is a major source of revenue of the bank. However, the bank should take necessary steps to enhance its income base from non-credit activities like commission, lockers rent etc.

xx. The bank is paying more than 79 per cent of its total income in the form of interest on borrowings and deposits. A low ratio of interest paid to total income indicates efficiency. Therefore, the Bank should try to bring down this ratio to improve its operating efficiency.

xxi. The analysis reveals that the bank has been unable to earn a consistent level of income throughout the study period.

xxii. The ratio of total expenditure to total income indicates that the bank expenditure is more than 96 per cent, which is very excessive and it results in low profitability of the bank.

xxiii. The data further shows that the bank has incurred establishment expenditure between 10 to 12 per cent in the total expenditure. In this direction efforts should be made to reduce this expenditure further.

xxiv. As seen from the percentage changes in various heads, there was an increase in the business as reflected in receipt of share capital, deposits received, loans issued and loans recovered followed by decrease of overdue position both under principal and interest

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CHAPTER – VI

CHAPTER – VI

MAGNITUDE OF NON PERFORMING ASSETS IN WEST GODAVARI CENTRAL COOPERATIVE BANK

INTRODUCTION

The principal objective of this chapter is to study the magnitude of non-performing assets in West Godavari District Central Cooperative Bank during 2009-10 to 2018-19. The Narasimham Committee on financial sector reforms (1991) introduced the concept of NPA's, which is based on the recovery performance of interest and payment of installments irrespective of the availability of security and net worth of the borrowers.

Based on the Narasimham Committee, the RBI has introduced prudential accounting standards for the cooperative banks in 1996-1997. A major drag on financial sector reforms in India is the slow progress in the management of non-performing assets (NPA). From the regulator's perspective, NPA management involves four steps i.e., assessment, provisioning, recovery and prevention. The high level of NPA's dampens the performance of banks with adverse impact on profit and profitability. Thus, the NPA has become a key parameter for gauging the performance of a bank and its management has become crucial for the banks.

Against this background a humble attempt is made in this chapter to analyze the magnitude of NPAs during the period of study. This chapter exclusively deals with the magnitude of NPA over the years. This chapter exclusively deals with the magnitude of gross NPA's and net NPA's of West Godavari District Central Cooperative Bank.

Non-Performing Assets

Credit facility in respect of which interest or installment of principal is in arrears for two quarters on balance sheet date beyond the due date (2 seasons of harvest – covering two half years in case of short term agricultural loans).

Performing Assets

It is also called as standard assets. Asset which does not disclose any problems and which does not carry more than normal risk attached to the business.

Sub-Standard Assets

a) An asset which has remained overdue for a period not exceeding three years in respect of both agricultural and Non-agricultural loans.

b) The entire outstanding in case of all types of term loans, where installments are overdue for a period not exceeding 3 years.

c) An asset where the terms and conditions of the loan regarding repayment of interest and repayment of principal have been renegotiated or reschedules, after commencement of production should be classified as sub-standard and should remain so in such category for production should be classified as sub-standard and should remain so in such category for at least two years of satisfactory performance under the renegotiated or rescheduled terms.

Doubtful Assets

a) An asset which has remained overdue for a period exceeding three years in respect of both agricultural and non-agricultural loans.

b) The entire outstanding in case of all types of term loans where installment is overdue for more than three years.

Loss Assets

Assets considered not recoverable by bank / Auditors / RBI / NABARD / Inspectors and the amount was not written off namely where a) Decrees / Execution petitions time barred or documents lost (b) Loanee / Sureties Dies / Declared insolvent, (c) Loanee and sureties have no means to pay, (d) Loan is mis-utilized etc., (e) Amount which can not be recovered in case of liquidated assets.

Cash Credits / Over Drafts

1) Cash credit or Overdraft Account will be treated as NPA if the Account remains 'Out of Order' for a period of 2 quarters for the ending of 31st March.

2) An account should be treated as out of order if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power.

3) In cases where the outstanding balance in the Principal Operating Account is less than the sanctioned limit / drawing power, but there are not credits continuously for 6 months as on the date of balance sheet or credits are not enough to cover the interest debited during the same period, these Accounts should be treated as out of order.

4) Rescheduling / re-phasement of loans – the asset remain in category (sub-standard) for at least 2 years of satisfactory performance from the date of re-schedule under the re-schedule.

Bills Purchased / Discounted

A bill remains overdue and unpaid for a period of 2 quarters or 6 months.

Gross Non-Performing Asset

Gross NPA is the amount of NPAs including their provision. The Narasimham Committee recommended reduction of gross NPA to 5% by 2000 and 3% by 2002.

Net Non-Performing Assets

Net NPA can be arrived at by deducting provisions held towards NPA's.

Actual Recovery

There are accounts in which the total dues / out standings are to be recovered to eliminate from NPA. In other words all loans advances which have become over due for payment in full.

Gross Non-Performing Assets

Gross NPA is the amount of NPA's including their provision. The Narasimham Committee recommended reduction of gross NPA to 5% by 2000 and 3% by 2002. The gross NPA amount of PSB's has been increasing over the years. The increase in Gross NPA's has direct relation to the behavior of the economy as a whole.

Net Non-Performing Assets

Net NPA can be arrived at by deducting provisions held towards NPA's. Balance in interest suspect, part payments received in suit-filed a/c's and kept in suspense and claims received from GGC and kept in Suspense a/c from gross NPA.

Up gradation:

Up gradation means, the accounts in which recovery of a Part Amount will drive an account out of NPA to the status of performing and Standard. Among the available four methods for reduction of NPA, the up-gradation method shall be preferred as the account continues to be the part of advances portfolio.

Actual Recovery

These are the accounts in which the total Dues / Out standings are to be recovered to eliminate from NPA. In other words, all loans / advances, which have become overdue for payment in full. e.g. Crop loans, AGLs, NAGLs and all Demand Loans which have become Over Due.

Compromise

The accounts where the borrower approaches the bank with an offer to pay their dues and asking for some concessions such as waiver of penal interest, Reduction in rate of interest than the contract rate, payment of interest at simple rate instead of compound etc.

Write-off

It is the last resort for the bank for reduction of NPA's. After write-0ff, the accounts will not reflect in the books of the bank but the bank will continue to have its rights of recovery. Monitoring and follow-up of written-off accounts should not be neglected, as generally is the case. Accounts which would be identified; prima-facie for this purpose are:

1) There is no security / valve of security is negligible.
2) Chances of recoverability are remote.
3) The borrowers are not traceable.
4) Accounts remaining as NPA for 3 years or more
5) Which are classified as LOSS assets and provided fully,
6) Not involving any fraud or adverse comments in inspection reports.

Magnitude of NPAs in the selected Bank – An Analysis:

Table – 6.1

Showing the position of Gross NPAS of the DCCB Ltd., Eluru during the Period 2009-10 to 2018-2019(Rs. in Lakhs)

Year	Gross Advances	Gross NPAS	Gross NPAS as % to Gross Advances
2009-2010	64,964.93	3704.54	5.70
2010-2011	82,456.98	2,116.74	2.57
2011-2012	109,134.52	1,357.09	1.24
2012-2013	140,444.67	2,533.12	1.80
2013-2014	175,610.95	2,402.50	1.37
2014-2015	172,218.15	7,661.17	4.45
2015-2016	177,087.87	5,252.93	2.97
2016-2017	184,263.86	8,423.64	4.57
2017-2018	207,093.08	12,603.02	6.09
2018-2019	222,128.87	12,653.39	5.70

Source: Complied from the Annual Reports of the Bank.

Table No.6.1 demonstrates the position of Gross NPA's of EDCCB during 2009-10 to 2018-19. It is appreciating to observe from the table that gross advances have increased from Rs.31454.33 lakhs in the year 2009-10 to Rs.61,708.56 lakhs in the year 2018-19. Against the above tendency, the gross NPA's have shown fluctuating tendency from Rs.3704.54 lakhs in the year 2009-10 to Rs.12653.39 lakhs in the year 2018-19. Regarding the position of Gross NPA's as percentage of Gross Advances, the tendency seems to be fluctuating as the percentage climbed up to 5.70 per cent in 2009-10 from 2.57 per cent in the year 2010-11. The later period showed a steady decadency as the percentage climbed up to 1.80 per cent in 2012-13from a low figure of 1.37 per cent in the year 2013-14.

Table – 6.2
Showing the position of Net NPAS of the DCCB Ltd., Eluru During the Period 2009-2010 to 2018-2019

(Rs. in Lakhs)

Year	Advances	Net NPA	Net NPAS as % to Total Loans & Advances
2009-2010	64,964.93	1405.11	2.16
2010-2011	82,456.98	1,455.92	1.77
2011-2012	109,134.52	767.31	0.70
2012-2013	140,444.67	1836.16	1.31
2013-2014	175,610.95	1,366.25	0.78
2014-2015	172,218.15	5,633.34	3.27
2015-2016	177,087.87	5,252.93	2.97
2016-2017	184,263.86	6243.53	3.39
2017-2018	207,093.08	10444.77	5.04
2018-2019	222,128.87	9981.10	4.49

Source: Complied from the Annual Reports of the Bank.

Table No.6.2 exhibits the position of Net NPA's of EDCCB during the study period 2009-10 to 2018-19. It is encouraging to note from the table that the net advances have increased from Rs.64964.93 lakhs at the end of March 31, 2010 to as high as Rs.222128.87 lakhs at the end of March 31, 2019. However, the net NPA's have shown as fluctuating trend over a period of time during March 2009 to March 2019 As the net NPA's which stood at Rs.1405.11 lakhs have increased to Rs.1455.92 lakhs at the end of March 2011, however, the position of March 2012 has registered a decline to 767.31 lakhs. Despite the fact that net NPA's have shown a steady increase over a period of time, the parameter of Net NPA's as per cent of net advances has registered a fluctuating tendency. It can be observed from the table that Net NPA's as percentage of net advances which registered at 2.16 per cent in 2010have increased to 0.70 per cent in 2013 and the later phase from 2015 registered a increased from 3.27 per cent to as high as 5.04per cent in the year 2018 and the 2019 as showed a decline to 4.49 per cent.

Findings:

i. The fittest only will survive is the rule of the day, hence as a measure to keep themselves but fit, the cooperative has aimed at a corporate goal of bringing the gross and net NPA's to around 6.09 per cent and 5.04 per cent in 2017-2018. The lesser is the NPA and the stronger is the health of the bank. But the actual performance of DCCB Ltd., Eluru is nearer to the commitments made by them at the end of the year 2017-18. The ultimate performance of the bank is measured by comparing the actual performance with the commitments given. The bank is seriously concerned about the growing absolute amount of NPA's which is taking its tool on the efficiency and profitability.

ii. Every year a substantial portion of standard assets are slipping to NPA category. In order to keep the NPA of the bank at a manageable level, there is an urgent need to arrest the incidence of NPA if proper attention is not given, the standard assets will be automatically shifted to substandard category, warranting the bank to provide more provisions. As the amount to be recovered for up gradation of these assets is relatively small, an action plan shall be evolved for contracting the borrowers as a mass programmed for regularization of the account's.

CHAPTER – VII

CHAPTER VII

SUMMARY, CONCLUSIONS AND SUGGESTIONS

In this chapter a summary of the study along with conclusions are presented. Thereafter, suggestions are offered for the effective working of the DCCB for rendering better and qualitative services.

Background of the study

Agriculture is the largest sector of economic activity in India in terms of gross national product, capital formation, foreign exchange earnings, generation of employment, supply of food material, inputs to industry and other services. It is, being the dominant sector, the growth or change in the national output depends on the output in agriculture. It is appropriate to mention the words of Gunnar Myrdal who rightly said, “it is in the agricultural sector that the battle for long-term economic development in South-Asia will be won or lost”. With reference to India, Coale and Hoover stressed the same point. Since, the agricultural sector plays a major role, it has to provide the required capital for its development and make available its surpluses for the economic development of the nation. According to Miller John, “economic development is a continuous process, which in long run breaks down the vicious circle of poverty and unemployment and thereby leads the economy to a stage of self-sustaining growth". It entails the transformation of an agro-industrial economy characterized by abundant labor, traditional technology and scarce capital to modern technological economy with a high ratio of capital to labor. Simon Kuznets is of the opinion that "agriculture is a dynamic activity with a constant change in the structure of the economy".

The development of agriculture sector holds the key to the progress of any economy and also there is inter-dependence between agricultural and Industrial sectors and it facilitates the growth of both the sectors. The increased agricultural income creates market demand for industrial goods, thereby providing stimulus to industrialization and further market development.

In spite of the fact that agriculture being so important in the Indian economy, regrettably, it is in the most depressed condition due to several problems. The most important of them are:

i) Lack of adequate capital
ii) Low productivity
iii) Un-remunerative prices and
iv) Lack of proper marketing facilities

Of all these problems, the most acute problem is insufficient capital for which necessary agencies are required. In this regard, the cooperative institutions are working for providing the necessary credit and non-credit services to the needy agricultural farming community. This study “Financial Performance of West Godavari District Co-Operative Central Bank” focuses attention on the financial performance of the Bank is in providing the necessary credit to the agricultural sector.

From the various studies conducted so far reveals that there are many studies on cooperatives before liberalization of the Indian Economy and a very few studies after liberation of the Economy. Moreover, after the liberalization of India from the year 1992, a number of reforms were made in the cooperative sector also, but very few research studies were conducted on the working District Cooperative Central Banks in the post liberalized period. Hence, the researcher has chosen to study the financial performance of West Godavari District Cooperative Central Bank in the post liberalized period.

Research Problem:

The present research problem is "Performance Evaluation of the District Central Cooperative Banks. In this context, one has to examine the financial as well as operational performance of the bank and to identify how far the bank has been carried out effectively its stated objectives.

Statement of the problem and Hypothesis:

The survival of any business unit is mainly depends on how effectively in manages its financial activities. Whether, it is a manufacturing or a service unit it should strive for earning a minimal amount of profit for its survival. The studies of this type will help the organizations to know the deficiency, if any, in managing their business activities.

Against this background, the study aims at analyzing the financial performance of West Godavari District Cooperative Central Bank in providing financial support to the rural community. It also offers suggestions for the effective working of the Bank to provide better services to the rural community.

OBJECTIVES OF THE STUDY

The following are the specific objectives of the study.

i) To present the growth and working of cooperative sector in India in general and West Godavari District in particular.

ii) To present the role of West Godavari District Cooperative Central Bank in providing credit.

iii) To evaluate the financial performance and operational performance of West Godavari District Cooperative Central Bank through ratio technique.

iv) Finally, to suggest measures for the effective working of the Bank for providing better credit services to the rural community and thereby increasing the productivity as well as income levels of the people.

Hypothesis of the Study

The Government of India, the Reserve Bank of India, NABARD, the State Government are all helping the Cooperative Sector in all possible ways to provide support to the farming and non-farming community to improve agricultural production and productivity. It is hypothesized that the financial performance of Cooperative Central Banks at the district level is good and are providing satisfactory support to the rural community.

Methodology

Scope of the Study

The present study **Financial Performance of West Godavari District Cooperative Central Bank** mainly focuses on the financial and operational performance of the Bank. It excludes all other aspects like organizational and managerial activities.

Period of Study

The period of study selected should be long enough to get valid conclusions. It is usual that, research studies are conducted for periods extending five to ten years. In this case the researcher thought that a period of 10 years would be meaningful and representative. Therefore, a period 10 years from 2009-10 to 2018-19 is taken in order to get meaningful conclusions and to make generalization of the study.

Collection of Data

The study is based on secondary data collected from the annual reports and other internal records of West Godavari District Cooperative Central Bank. Besides, the Andhra Pradesh State Cooperative Act, various magazines and journals on cooperatives, reports of the Reserve

Bank of India, National Bank for Agriculture and Rural Development, Five-year plan documents and various committee reports were referred. The researcher visited several libraries to collect literature.

Limitations of the Study

Though a lot of care has been taken in all respects, there may be certain limitations. The following are the limitations of the present study.

i) The conclusions drawn from the study are based on the data collected from the DCCB Ltd., Eluru. The data is analyzed to draw conclusions, which are generalized for the whole study. The census data may give different findings but it is not possible in this case due to certain constraints like money and time.

ii) Some of the sample members of the study had availed only one type of service from the society i.e., either credit or non-credit service. Therefore, they were not able to give their opinions on all aspects of the working of these societies.

iii) The data collected on the members' perceptions are qualitative in nature, which differ from person to person and they cannot be generalized.

Presentation of the study

The introductory chapter presents the role and contribution of agriculture to the Indian Economy, the growth and working of cooperative sector in India and the role of Government for the development of Cooperative Sector.

The second chapter presents the objectives of the study, hypothesis of the study, methodology of the study and the limitations of the study

The third chapter discusses the growth and working of cooperatives in Andhra Pradesh and the profile of West Godavari District Cooperative Central Bank.

The fourth chapter analyses the financial performance of the West Godavari District Cooperative Central Bank through ratio analysis.

The fifth chapter analyses the operational performance of the West Godavari District Cooperative Central Bank through ratio analysis.

The sixth chapter analyses the Magnitude of Non-Performing Assets of the West Godavari District Co-Operative Central Bank.

The last chapter is summing up of findings and conclusions drawn and suggested measures for the effective working of the Bank for rendering better services to the rural community.

Findings of the Study:

Though the Cooperative societies are service-oriented, they have to earn a reasonable amount of profit and analyze their financial performance from time to time, so that they can continue their activity of serving their farmer members in the best way. Therefore, it is important to analyze the performance of the societies with the help of a technique called Ratio analysis, which expresses the numerical relationship between two accounting figures. It is a powerful device to analyze and interpret the financial health of a firm. This not only helps management in decision-making and control but it also serves as a useful tool for all concerned with the firm.

The following are the findings identified from the analysis of financial performance of the bank. The conclusions drawn based on the findings are also presented.

xxv. The District Central Cooperative Bank is maintaining a high level of liquidity during the study period. A high level of liquidity affects the profitability and a low level of liquidity hampers the image of the bank. Hence, the bank should strike a balance between liquidity and profitability.

xxvi. The depositors of the bank are a very safe position because the percentage of investments to deposits is very high. However, the bank should invest in profitable avenues as per the Reserve Bank of India and Cooperative Societies Act.

xxvii. The bank has a fluctuating trend of credit to deposits ratio during the study period. However, it seems to be very satisfactory because credits are very high when compared to deposits. It is because the bank borrows substantial amounts from NABARD and APCOB based on scale of finance and then in turn lend to PACS's.

xxviii. There is low level of spread to total assets of the bank during the study period. The ten years average of the bank is quite low. These low percentages affect the overall profitability and financial strength of the bank.

xxix. The cost of Management of the Bank is less than three percent, which is very ideal. However, the bank should inculcate the cost consciousness among the employees so that some more profits can be achieved.

xxx. The average per employee deposit of the bank is high during the period of study, which shows the effort of the employees to mobilize deposits from the members and non-members of the bank.

xxxi. The average per employee advance is very high when compared with the average per employee deposit of the bank. The bank is able to lend more than its deposits because of the support given by NABARD through APCOB. However, the bank should take effective steps for profitable deployment of funds.

xxxii. The data reveals an overall increase in per employee income of the bank during the study period. However, the bank must take steps to increase the per employee income considerably. On the other hand, the per employee expenditure has also increased considerably. The bank must try to reduce the per employee expenditure to increase the profitability.

xxxiii. The per employee profit of the bank has declined trend during the study period except in the year 2017-18, which may be due to the non-repayment of the loans and interest thereon by the members in times of natural calamities, the interest rebate given by the government in times of floods and droughts affects the profitability of the bank. Added to this the "one time settlement scheme" offered by the government now and then for defaulters also affects the profitability.

xxxiv. The analysis further reveals that there are fluctuations in the percentage of net profit to spread of the bank during the study period. The bank must maintain a consistent level of net profit to spread ratio with gradual increase over the years.

xxxv. The average return on assets of the bank is less than 1 per cent, which means the earning capacity of the assets of the bank is very meager. The bank should take necessary measures to improve the operating efficiency of the assets.

xxxvi. On an average 97 per cent of the bank income comes from interest earned on the advances and investments. Interest income is a major source of revenue of the bank. However, the bank should take necessary steps to enhance its income base from non-credit activities like commission, lockers rent etc.

xxxvii. The bank is paying more than 79 per cent of its total income in the form of interest on borrowings and deposits. A low ratio of interest paid to total income indicates efficiency. Therefore, the Bank should try to bring down this ratio to improve it operating efficiency.

xxxviii. The ratio of total expenditure to total income indicates that the bank expenditure is more than 96 per cent, which is very excessive and it results in low profitability of the bank.

xxxix. The data further shows that the bank has incurred establishment expenditure between 10 to 12 per cent in the total expenditure. In this direction efforts should be made to reduce this expenditure further.

xl. As seen from the percentage changes in various heads, there was an increase in the business as reflected in receipt of share capital, deposits received, loans issued and loans recovered followed by decrease of overdue position both under principal and interest

xli. NPA reduction is a task which could be achieved only by full involvement of all the staff. As a measure to create awareness among all cadres of the staff about the need for intensifying NPA reduction efforts and to motivate them to voluntarily involve in the task of NPA reduction action program, the year 2017-2018 has been declared as "The Year of NPA Recovery". However, similar type of program fixation at the branch level should be a task master all through as long as NPAs exist.

xlii. In order to handle sub-standard assets, the strategy is to identify the borrowers where there are chances of the over dues to arise or regularize the irregularities in the accounts that are quite high and personally visit such borrowers and ensure the over dues are recovered with constant follow up and if the account is showing sings of sickness and with some additional financial help, the amount can be brought into order, the same should be considered on the merits with approval of the competent authority. In this case, the bank will have to wait for one year to bring the account into standard category.

xliii. Time to time training to be imparted to the Cooperative staff to upgrade skills to meet the situation as created by the increased NPA's or alarming NPA's.

Conclusions:

The foregoing findings on the performance of the selected central co-operative bank based on the ratio analysis derived the following conclusions:

i. The District Central Cooperative Bank is maintaining a fluctuating trend in its liquidity which affects the profitability and hampers the image of the bank. The depositors of the bank are a very safe position because the percentage of investments to deposits is very high. The low level of spread to total assets of the bank affects the overall profitability and financial strength of the bank.

ii. The cost of Management of the Bank is less than three percent, which is very ideal. However, the bank should inculcate the cost consciousness among the employees so that some more profits can be achieved.

iii. The average per employee deposits and advances of the bank is satisfactory, which shows the effort of the employees to mobilize deposits from the members and non-members of the bank.

iv. On an average 97 per cent of the bank income comes from interest earned on the advances and investments, which implies that the interest income is a major source of revenue of the bank. However, the bank should take necessary steps to enhance its income base from non-credit activities like commission, lockers rent etc.

v. As seen from the percentage changes in various heads, there was an increase in the business as reflected in receipt of share capital, deposits received, loans issued and loans recovered followed by decrease of overdue position both under principal and interest

Suggestions:

In the light of the foregoing findings and conclusions based on the evaluation of the financial performance of the selected bank during the period of study and also discussions with officials of the bank, the following suggestions are offered for the consideration of the bank to improve its performance and serve customers, its farmers in a better way.

(i) The bank has to control its total expenditure by identifying some of the undesired and wasteful expenditure. The bank should also reduce the provisions and contingencies in order to improve its earnings.

(ii) The co-operative banks have to come out with their new innovative products coupled with technology up gradation in order to compete with the competitive environment particularly with the number of private banks and financial institutions.

(iii) The non-performing assets of the bank may be kept at a minimum level and the non-viable lending schemes may either be merged with other schemes or closed.

Some of the fore steps needed for the effective working of the Central Co-operative Banks are:

(iv) Narasimham committee recommendations on financial sector reforms in 1992 stressed the need that co-operative banking should be market driven based on profitability consideration should be implemented immediately.

(v) The CCBs should be allowed to engage in all types of banking business, to improve their viability and the interest rate structure should be in keeping with those of the commercial banks.

(vi) The Government of India has to take necessary steps for the strengthening of the CCBs in a more constructive manner. It may continue its assistance and it shall reduce/minimize control over the co-operatives.

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