

A STUDY ON EFFICIENCY OF STATE CO-OPERATIVE BANKS IN INDIA

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Abstract: A co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their banks. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest. Co-operative institutions are organized and managed on the principle of cooperation, self-help and mutual help. There are different types of cooperative institutions functioning in India. Cooperative credit institutions are spread all over India and are providing their services at the grass root level. The population in India lives in rural areas so it is important to strengthen the cooperative credit institutions in these areas. The major advantages of the institutions are their strong branch network which covers entire area of the country. This paper attempts to study the (SCB) State Cooperative banks in India through selective indicators. It analyses the growth rate of Deposit, Credit, and C/D Ratios of SCB. This paper also studies the growth of investment, Working capital of SCB. To achieve the objectives of the paper, data has been collected from various sources and analyzed by using statistical tools.

Keywords: State Cooperative banks, Deposit, Co-operative banks.

INTRODUCTION

Co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest. Co-operative banks generally provide their members with a wide range of banking and financial services (loans, deposits, banking accounts etc.). Co-operative banks differ from stockholder banks by their organization, their goals, their values and their governance. In most countries, they are supervised and controlled by banking authorities and have to respect prudential banking regulations, which put them at a level playing field with stockholder banks. Depending on countries, this control and supervision can be implemented directly by state entities or delegated to a Co-operative federation or central body

Co-operative banking institutions take deposits and lend money in most parts of the world. Co-operative banking, includes retail banking, as carried out by credit unions, mutual savings and loan associations, building societies and co-operatives as well as commercial banking services provided by manual organizations (such as co-operative federations) to co-operative businesses.

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The structure of commercial banking is of branch-banking type; while the co-operative banking structure is a three tier federal one as follows,

1. A State Co-operative bank works at the apex level at state level.
2. A Central Co-operative bank work at the Intermediate level at district level.
3. Primary Co-operative credit societies at base level at village level.

In this paper, the researcher aims to study about SBC which is the apex of all cooperative banks.

Review of Literature

Mani. K.P (2007) has examined the trend and concerns of investment in agriculture since the launching of reforms. He observed that medium term and long term credit is not getting the required priority, which is one of the problems of the agricultural credit delivery mechanism, He concludes that it is high time to revamp the institutional credit for agriculture particularly the investment credit so as to meet the global and domestic challenges.

Hooda and Chahal (2010) made an attempts to study the growth of SCB in India. It was suggested that there is need of proper, infrastructural facilities, close inspection and regular audit and loan policies should be framed according to the requirements of beneficiaries and steps should be taken to increase deposits from members.

Chander and Chandel (2010) analyzed the financial efficiency and viability of HARCO bank and found poor performance of the bank of capital adequacy, liquidity, earning quality and the management efficiency parameters.

Dutta and Basak (2008) studied and suggested that cooperative banks should improve their recovery performance adopt new system of computerized monitoring of loans, implement proper prudential norms and organize regular workshop to sustain in the competitive banking environment.

C.R.Reddy, has conducted a survey on “Working of the primary cooperative agricultural development banks. He expressed the view that linking of credit with marketing of crops is an essential ingredient in supervision and follow up action. It safeguards against overdue.

Thirupathi kanchu (2012) It is suggested that government should formulate specific policies and they should be implemented for the upliftment of district central cooperative banks in India. He should try to upgrade technology and should formulate customer friendly policies to face competition with commercial banks.

Jyothigupta andsumanjain (2012) analyzed the lending practices of cooperative banks in India, comparison of efficiency of cooperative banks in India, impact of size on the efficiency of the cooperative banks and different types of loans preferred by different set of customer from these banks.

Kul deep and Mohinder (2015) we found that these banks are working efficiently, increasing the profits level and using the managerial talent in a best way. The increasing amount of deposits was achieved as result of increased membership. Recovery position of bank is better as loan outstanding increases recovery of over dues also increases.

Objectives of the Study

1. To examine the growth of SCB in India through selective indicators.
2. To analyze the trend in Deposits, Credit and Credit deposit ratio.
3. To determine the Working capital ratio and Cost of Management Position (CMP) in State cooperative banks.
4. To study the Growth of Investment by SCB in India.

Methodology of the Study

This paper is an attempt to study the performance of the SCB. These banks were selected for the study, keeping in view their role and involvement in shaping the economic condition, (especially in terms of Number of banks, Membership, Employees, Capital, Reserves, Borrowings, Deposit, Loans outstanding, Working capital, Cost of Management, and Investments) is inevitable. The present study is mainly based on secondary sources drawn from National Federation of State Cooperative Banks Ltd (NFSCOB) report, RBI bulletin and other web sites, papers, books and journal relating to co-operative banking sector. Data were collected for period of ten years from 2005-06 to 2014-15. For analysis of the data, various statistical tools (Mean, S.D, C.V, Trend analysis) have been used to arrive at conclusion in a scientific way.

Analysis of the Study

The establishment of State cooperative banks (SCB) at the apex level was to serve as a link between the ultimate credit disbursing outlets, viz., Primary Agricultural Credit Societies (PACS) at the base level, District Central Cooperative banks (DCCB) at the Districts level and State Cooperative banks (SCB) at the apex level. The details of growth of SCB in India are depicted in Table 1.

TABLE 1: GROWTH OF SCB IN INDIA

<i>Years</i>	<i>No. of State Cooperative Banks</i>	<i>No. of Offices</i>	<i>% of Growth</i>	<i>Total Membership</i>	<i>% of Growth</i>
2005-06	30	962	–	153697	–
2006-07	31	979	1.77	148771	–3.20
2007-08	31	986	2.50	150917	–1.80
2008-09	31	992	3.11	200772	30.62
2009-10	31	1015	5.50	330808	115.23
2010-11	31	1028	6.86	234827	52.78
2011-12	31	1047	8.83	254358	65.49
2012-13	31	1081	12.37	339896	121.14
2013-14	31	1096	13.92	338455	120.20
2014-15	31	1131	17.56	555479	261.41
Mean	–	1031.7	7.34	270798	76.28
S.D	–	56.02	5.69	126344.46	82.03
C.V	–	5.42	77.52	46.65	107.53

Source: NAFSCOB REPORT

Interpretation

The above table reveals that, the growth of no of state cooperative banks in terms of number of offices and membership. Branch expansion is the most important instrument for deposit mobilization for any bank, and Cooperative banks are no exception. To work for real achievement of the target of social upliftment of the poor and weaker sections, the banks must extend towards remote and rural areas. It's through their branch network that banks today play a crucial role of pace-setter in the process of economic development. The SCBs functioning in every state of India and its members comprise cooperative societies, Individuals and state government. Table shows that there is no change in the number of branches of bank during the year 2005-06 to 2014-15, only one bank opened during the year 2006-07 due to addition of one state and still there is no change till 2014-15. Number of offices of SCBs which stood 962 in 2005-06 increased to 1131 during the end of 2014-15 registering a variance growth of 46.65 percent. In the 2005-06 the number of members have been increased to 153657 and after that it shows fluctuating trend. It achieved the highest level in the year 2014-15 and again reach at the level of 555479.

**TABLE 2: TREND OF CAPITAL, RESERVES, AND BORROWING
OD SCB IN INDIA. (RS. IN CRORES)**

<i>Year</i>	<i>Capital (₹)</i>	<i>Trend (%)</i>	<i>Reserves (₹)</i>	<i>Trend (%)</i>	<i>Borrowings (₹)</i>	<i>Trend (%)</i>
2005-06	1094	100.00	7343	100.00	16872	100.00
2006-07	1437	131.35	8145	110.92	22150	131.28
2007-08	1316	120.29	8632	117.55	22444	133.02
2008-09	1390	127.05	8763	119.35	21950	130.09
2009-10	1630	148.99	8764	119.33	23660	140.23
2010-11	2067	188.94	9559	130.18	32607	193.26
2011-12	2617	239.21	10558	143.78	42714	253.17
2012-13	2894	264.53	10297	140.23	49270	292.02
2013-14	3629	331.72	10850	147.76	60494	358.55
2014-15	4418	403.84	11985	163.22	68552	406.30
Mean	2249.2	205.60	9489.6	129.23	36071.3	213.79
S.D	1114.47	101.87	1417.41	19.30	18206.73	107.91
C.V	49.55	49.55	14.93	14.93	50.47	50.47

Source: NAFSCOB Reports

Interpretation

The above Table 2 analyzed the funds of State Cooperative banks and their trend in terms of Capital, Reserves, and Borrowings. The amount of capital is ₹1094 Crores in 2005-06, it has been gradually increased and reached ₹4418 Crores in 2014-15 with a percentage of 303.84 (403.84 – 100.00). In case of Reserves 7343 Crores in 2005-06 where as in 2014-15 it was recorded ₹11985 Crores with a percentage of 63.22 (163.22 – 100.00). The borrowings are collected by the banks to meet the short term and long term credit needs. The borrowings of State Cooperative banks in India during the years 2005-06 are ₹16872 Crores. The growth of borrowings have fluctuating in trend according to the credit needs of the bank, finally the borrowings are recorded as ₹68552 Crores in the years 2014-15 with 306.3% (406.30 – 100.00). The average growth of Capital, Reserves, and Borrowings of State Cooperative banks in India is 205.60%, 129.23%, and 213.79% respectively. The standard deviation of Capital is 101.87%, Reserves 19.30% and Borrowings 107.91% for the period of ten years, Reserves are more consistent in natures.

**TABLE 3: DEPOSITS, CREDITS AND CD RATIOS OF SCB IN INDIA
(RS. IN CRORES)**

<i>Year</i>	<i>Deposit (₹)</i>	<i>Loan Outstanding (₹)</i>	<i>Credit Deposit Ratio (%)</i>
2005-06	47672	38961	81.73
2006-07	48470	46676	96.30
2007-08	56287	49101	87.23
2008-09	71315	46201	64.79
2009-10	84838	49104	57.88
2010-11	81664	65082	79.70
2011-12	86653	75632	87.29
2012-13	89905	80994	90.08
2013-14	101970	99057	97.14
2014-15	100791	111125	110.26
Mean	76956.5	66193.3	85.24
S.D	20187.56	24753.61	15.39
C.V	26.23	37.39	18.05

Source: NAFSCOB Reports

Interpretation

The above table has been depicted that during the 2005-06 the Deposits are registered ₹47672 Crores it has been increased to ₹100791 Crores in 2014-15. The mobilization of deposits have been increased gradually during the study period, and the average deposits mobilized by bank is ₹76956.5. Whereas credit deployment of SCBs in India is just ₹38961 Crores in 2005-06, it has been increased to 2.85 times with an amount of ₹111125 Crores in the Year 2014-15. The average credit issued by the banks is ₹66193.3 Crores obtaining the study period of 10 years. These banks are service oriented institutions which supply credits to industry, trade and Commerce, agriculture in the form of loans and for advances their smooth functioning.

The proportion of the credit deployed to the deposit mobilized, popularly known as credit deposit ratio, is one of the parameter to assess the performance of a bank. The C/D Ratio of a bank in general, indicates the extent to which the depositor's money is invested in credit. The Credit deposit ratio of State Cooperative banks from 2005 to 2014 is shown a fluctuating trend. The highest C/D Ratio of the banks estimated 110.26% in 2014-15 and the lowest C/D Ratio 57.88% is recorded in the year 2009-10. The average C/D Ratio during the study period 85.24% with a variance of 18.05%. The S.D is 15.39 which is very less it

indicates high degree of uniformity of observations as well as homogeneity of the series.

TABLE 4: COST OF MANAGEMENT PER EMPLOYEE AND PERCENTAGE OF COST OF MGT TO WORKING CAPITAL (RS IN CRORES)

<i>Year</i>	<i>Working Capital (₹)</i>	<i>Cost of Management (₹)</i>	<i>No. of Employees</i>	<i>Cost of MGT per Employees (₹)</i>	<i>Cost of MGT to Working Capital (₹)</i>
2005-06	74544	912	14742	0.062	1.22
2006-07	83447	674	14748	0.045	0.81
2007-08	89851	854	14857	0.058	0.95
2008-09	105901	1312	14635	0.090	1.24
2009-10	122057	989	13781	0.072	0.81
2010-11	130671	1196	13461	0.089	0.92
2011-12	147989	1455	13288	0.110	0.98
2012-13	142729	1660	12027	0.138	1.16
2013-14	183499	2109	13233	0.159	1.15
2014-15	195108	2223	12669	0.176	1.14
Mean	127579.6	1338.4	13744.1	0.0999	1.038
S.D	40861.60	526.44	982.67	0.0447	0.1635
C.V	32.03	39.33	7.14	44.74	15.75

Source: NAFSCOB Reports

Interpretation

The results in the Table 4 have been analyzed which Cost of Management of State Cooperative banks includes salaries and other operating expenses. It is a parameter of the bank to measure the efficiency. The cost of management per employee decreases it shows good sign i.e., the bank is utilizing its resources effectively. If it is increases we can say that the bank is not properly utilizing its resources and the performance of the bank are not good. The cost of management of State Cooperative banks it revealed that the cost of management per employee has been increasing constantly year by years from ₹0.062 Crores (2005-06) to 0.176 Crores (2014-15). The average cost of management is ₹13338.4 Crores and the S.D is 526.44 with a variance of 39.33%. The low degree of variance is recorded due to decrease in employees in the SCBs in India. With regards to the percentage of cost of management to working capital, it has been fluctuating from 1.14% to 1.24% during the study period. The lowest percentage was recorded in the year in

the 2009-10 with 0.81% and the highest % was recorded in the year 2008-09 with 1.24%.

**TABLE 5: GROWTH OF INVESTMENTS BY INDIAN SCB
(RS IN CRORES)**

<i>Year</i>	<i>Investment (₹)</i>	<i>% of Growth</i>
2005-06	22750	–
2006-07	23970	5.36
2007-08	26885	18.18
2008-09	40350	77.37
2009-10	50321	121.19
2010-11	48604	113.64
2011-12	50253	120.89
2012-13	52808	132.12
2013-14	61190	168.96
2014-15	56930	150.24
Mean	43406.1	100.795
S.D	14126.39	53.270
C.V	32.54	52.84

Source: NAFSCOB Reports

Interpretation

The State Cooperative banks have been investing its funds in different investment avenues. The details of investment by State Cooperative banks are investment in Govt securities, other trustee securities, Purchasing, the Debentures of Land development banks, fixed deposit and other investments. Table 5 shows the growth pattern of investment by SCBs, the investment in 2005-06 is ₹22750 Crores and it has been increased and it has decreased 2010-11 is ₹48604 Crores, 2014-15 is ₹56930 Crores in the years growth rate (100.795 – 100.00) 0.795%. The average investment of the bank is 43406.1 Crores during the study period. The S.D is 14126.39 Crores and C.V is 32.54 which is higher it indicates low degree of homogeneity as well as heterogeneity of the series.

CONCLUSION

The financial performance of the State Cooperative banks in India has been analyzed using different statistical techniques. From the above analysis, it is

concluded that these banks are working efficiently, increasing the profit level and using the managerial talent in a best way. The increasing amount of deposits was achieved as result of increased membership. The overall financial performance of the State Cooperative banks in all fronts namely, Offices, Membership, Share capital, Deposit, Loans and Advances, Reserve funds, Working capital ,Investment, Cost of Managements etc., are showing a significantly trend during the study period. The growth of No. of Offices and their branches have negative trend up to certain period later there is during the study positive trend whereas the membership in cooperatives have been increasing. The Capital, Reserves, and Borrowings increased almost double during the study period, with a nominal percentage of variation. The cooperative banks have been maintaining on an average 85.24%of C/D ratio. The cost of management per employee has been increasing during the study period due to decrease in number of employees, the management of SCBs have to concentrate on cost of management. The SCBs have been showing maximum growth in investment. It is suggested that government should formulate specific policies and they should be implemented for the upliftment of State Cooperative banks in India. SCBs should try to upgrade technology and should formulate customer friendly policies to face competition with commercial banks.

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