



**Article :** Performance of District Central Cooperative Banks During Post-reform period with special reference to Ahmednagar District Central Cooperative Bank

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## **1. Introduction**

. The New Economic Policy began to reach up to the grass route level since 1991. The agricultural economy was playing the major role and responsibility of providing finance to agriculture and farmers were mostly entrusted to co-operative sector. Obviously, The District Central Co-operative Banks were playing most significant role in availing funds from NABARD and State Co-operative Banks and disbursing it to farmers through Primary Agricultural Co-operative Societies. As such, the study of a District Central co-op. Bank, as one of the representative bank, has its special significance. The researcher is quite confident that this study of the bank will prove to be a remarkable effort in this direction.

The rural credit policy adopted by the Govt. of India, and the state government after independence, is based mainly on the recommendations of all India rural credit survey committee: 1954, which recommended the integrated system of rural credit. Since then, the share of co-operatives in farm finance has considerably increased. Many commissions, committees and working groups have gone through details of the problems of rural credit recommended changes and reforms in the light of experience. However, basic framework of rural credit remained substantially the same even today.

## **2. Ahmednagar District Central Co-operative Bank**

At present The Ahmednagar district central co-operative bank (The ADCC Bank), provide institutional finance to farmers through the PACSs. Ahmednagar district is endowed with three major economic resources viz.: agricultural land, industries and forest produce. The district is famous for cash crops such as sugar cane & cotton. There are 18 co-operative sugar factories operating in the district. Ahmednagar district ranks first in the state in sugar cane products. About 644

banking branches were functioning in the district during 2003-04. Out of these 478 are located in rural area and 166 in urban area of the district. Ahmednagar district central co-operative bank (ADCC) is well known as the biggest cooperative Bank in India. The district central co-operative bank provides facilities through its 289 branches out of which 262 branches are working at present in rural area. The ADCC Bank is providing short and medium term finance for agriculture and its allied sector. The district land development co-operative bank and its 14 branches are providing long-term finance to agriculture and where as the 23 urban co-operative banks and its 132 branches are providing finance to non-agriculture sector.

### **3. OBJECTIVE OF THE STUDY :**

The following objectives have been set for research study at hand:

1. To find out the sources and uses of finance of the District Central Cooperative Banks
2. To study the loan disbursement policies, loan recovery and over dues of the Ahmednagar District Central Cooperative Bank
3. To find out the shortcoming and bottle necks in the working of ADCC Bank.
4. To study the growth and future prospects of the Ahmednagar District Central Cooperative Bank
5. To evaluate the role of the Ahmednagar District Central Cooperative Bank in rural finance.
6. To suggest the remedial measures based on findings and observations of the study.

### **4. STATEMENTS OF HYPOTHESES :**

The following statements of hypotheses have been tested on the basis of facts and figures revealed out of this study.

1. The credit provided by The Ahmednagar dist. central co-op. Bank through the

primary agricultural credit societies to agriculture for different purpose is inadequate.

2. Overdue of ADCC Bank are accumulating over the period, especially in dry farming area.

## **5. RESEARCH METHODOLOGY:**

The type of research is applied research based on primary and secondary data collected for the study. The Ahmednagar District Central Coop. Bank is selected for research work. The bank has network of 289 branches in the district. The study is mostly concentrated on performance of the ADCC Bank. The style of presentation is descriptive.

### **5.1 SELECTION OF SAMPLE:**

The researcher, to collect the proper samples, has taken in to account specific procedure of The ADCC Bank to finance the farmers. The bank does not make finance to individual farmers directly. The Bank has 289 branches (as on 30.06.2005) in the district spread over 14 tahsils. A branch provides funds to the farmers through the PACS in its jurisdiction. Hence, the beneficiaries of PACS are the indirect beneficiaries of ADCC Bank.

Since, the population of PACS and that of beneficiaries is too large to conduct a census surely by an individual researcher, it was thought desirable to select a small and manageable sample. The researcher adopted following methodology in sample selection.

i] 7 out of 14 talukas in Ahmednagar district have been selected for the choice of PACS. Two of the sample talukas cover major irrigated talukas.

ii] Two sample PACS from each of selected talukas have been randomly selected for detailed investigation. 8 out of 14 PACS are located in dry farming area. Remaining 6 PACS are located in irrigated villages.

iii] The researcher has selected a stratified sample of beneficiaries based on size of their land holding. From each of PACS 16 beneficiaries were chosen for detailed enquiry, 4 each from marginal, small, medium and large farmers. Some of the marginal farmers belong to Schedule Castes and Schedule tribes category.

## 5.2 SOURCES OF DATA:

The data for the study has been collected from all possible sources, both primary and secondary.

A] Primary Data: To collect the required primary data, the following techniques of data collection are used.

1. Questionnaire
2. Field Visits
3. Interviews

### B] Collection of Secondary Data:

Along with the primary sources, secondary sources were also utilized. The secondary data used for the study was collected from the Annual Reports and statement of ADCC bank from 1990-91 to 2004-05, the records of The Maharashtra State Co-operative Bank Ltd; (The Apex Bank); Registrar of Co-operative societies, as well as Bureau of Economics and statistics, of the state, and published circulars of the R.B.I. NABARD, MSCOB & Registrar of Co-operative Societies etc. were the main sources.

In giving an over all picture of the progress of the central co-operative banks covering a long period of about 15 years, there is no alternative but to necessarily depend on statistical statements relating to co-operative movement in India, published by the RBI.

In order to present the policy changes, various committees' reports are studied. Besides Audit reports and annual reports of the Bank, Inspection reports of the Maharashtra State Co-operative Bank Ltd. and NABARD are useful sources of information. Articles published in journals, newspapers, seminars, conferences and workshops held at the state and national level, research studies and conference papers on co-operative banking are also useful for study.

The profile of Ahmednagar District is based entirely on the secondary source, like statistical information available from district census. Hand book 2002,

2003 and 2004, District Gazetteer and statistical abstracts of Ahmednagar District. etc.

## **6. Major Findings:**

Researcher's major findings are narrated below:

**Membership :** The composition of the membership of the Ahmednagar District Central Cooperative bank shows positive growth of 88.30 percent during the period under study.

**Branches :** The number of branches of ADCC Bank increased more than the 1.24 times during the period under study.

**Share Capital :** It was noticed that a large amount of share capital was raised by ADCC Bank through cooperative societies.. The percentage share of societies, share capital varied between 91.90 percent and 99.99 percent during the period under study. The share capital contributed by societies grew over seven times during the period.

## **Reserve and other Funds:**

Reserve and other funds recording average annual growth rate of 10.6 percent. This shows that there has been a tendency of steady growth in the reserves.

## **Owned Funds:**

During the span of the fifteen years the total owned funds of ADCC bank is steadily increasing year after year. The growth rate in the time span of fifteen years 1990-91 to 2004-05 was 551.96 percent in share capital, 1420.03 percent in reserve funds and 1068.80 percent in total owned funds. It is clear indication that the reserve fund grew much faster than share capital that pushed up the total owned fund.

**Deposits:** The growth of deposits over the period is almost over 8 times that of base year 1990-91. This can be termed as remarkable deposit growth..

## **Borrowing:**

There was an increase of more than five times in actual borrowing during the period 1990-91 to 2004-05. The percentage of actual borrowing to maximum borrowing power varied between 50.84 and 71.11 percent during the span of fifteen years. It indicates that the ADCC Bank could utilize more than 50 percent of its borrowing power during the study period.

**Working Capital:** On the whole study of working capital reveals that there has been some progress in deposits and borrowing. Thus the reliance on outside funds has been increasing mostly deposits, when compared to owned funds.

**Investment:**

Aggregate investments of ADCC bank were Rs. 6791.18 lakh in 1990-91 to Rs. 94,228.26 lakh in 2004-05 this gives us roughly fourteen times growth in investment over a period of fifteen years.

**Advances:**

**Scale of Finance:**

Regarding performance of loans and advances, it is observed for the period under study, that the lion's share goes to short term advances as crop loans. Medium term loans are not generally advanced in the first instant but as and when, a crop failure is experienced and the borrowers are not in a position to pay back the crop loans.

Advances to long term are rarely offered. Even then long term advances ranging between 4 to 26 percent. Appeared to have been disbursed during the period under review.

**Cash Credit:**

Maximum cash credit is obtained by sugar co-operative factories followed by urban co-operative banks and salary earners co-operatives. Rest of the agency share is a negligible part of aggregate cash credit of the bank.

**Consumption Loans:**

The ADCC bank does advances loans for consumption also by sticking up to the existing rules in force. However consumption loans as proportion of total loans outstanding is within the range of 2 to 3 percent through out the period under

review. We can conclude the consumption loan has not been given more weightage.

**Agricultural and Non-Agricultural Loans:** The study shows that the proportion of agricultural loans and non-agricultural loans to total loans outstanding was on an average, 41.7 and 58.2 percent respectively. This is because non-agricultural loans includes all cash credits, a major part of it goes to agricultural processing unit. Agricultural loans are mainly the loans given to farmers for working capital and fixed capital requirements.

### **Credit Deposit Ratio :**

The C/D Ratio of ADCC Bank was above one up to year 1995-96, this means ADCC lending was much more dependent upon refinance from NABARD and MSCB, from 1996-97 on words this ratio started declining from 98.4 percent to 59.95 percent in 2004-05. . The average C/D ratio accounted for 101.6 percent.

The researcher found that the number of persistence defaulters in agricultural borrowers is rising year after year. Such defaulters are denied co-operative credit. This is one of the important reasons for declining C/D ratio in ADCC bank.

### **Demand and Recoveries of ADCC Bank:**

We can rarely expect cent percent recovery of agricultural loans even in the presence of ideal crop condition. The ADCC bank experience is no exception to this rule. The percentage of recovery to demand in case of ADCC bank against ST, MT and LT loans had been less than 58 percent, on an average. For the entire period under review i.e. hardly 57.64 percent recovery is possible. There are year-to-year fluctuations in the percent of recovery to demand in 1990-91 for instance highest recovery of 78.15 percent could be achieved. As against of this lowest recovery of 33.14 percent was recorded in 2000-01.

### **Financial Performance:**

Main area of focus in this section is the analysis of income and expenditure of the bank. We shall begin with expenditure side first. Aggregate expenses of the bank in 1990-91 were Rs. 3420.73 lakh, this figure reached to Rs. 18,827.45 lakh in 2004-05, recording nearly six-times growth in operational expenses over fifteen years. Item-wise expenses on an average per year during the period under review

were interest payment 72.7 percent; salary expenses 13.9 percent and other expenses as defined in the text are 13.4 percent.

One thing is clear that the single major item of expense is the interest payment to the depositors.

### **Income of the ADCC Bank:**

The ADCC bank has three major sources of income viz. Interest earned, commission received and income from other sources. Interest earned is the most important source of income that contributes around 97 to 99 percent of banks income. Income from commission had been always above one percent but less than three percent income from other sources, as defined in the text forms a very negligible part if small fraction of less than one percent.

Net income from interest shows a continuous raising trend from 1990-91 to 2004-05. There was marginal declined in the net interest during the year 2004-05.

### **Profitability:**

Fortunately against the background of co-operative banks failure on wide scale, ADC bank is able to make sufficient profit to maintain her, Annual average profit of the bank during first five years was 5.5 percent, during next five years period, dropped down to 5 percent and finally during last five years under review increased marginally to 5.7 percent. For the entire period 1990-91 to 2004-05 average annual rate of return on aggregate income works out to 5.4 percent, which can be considered to be a satisfactory rate of returns for a co-operative bank. That aims at public service rather than profit maximization.

### **Dividend:**

Dividend paid varied between 10 to 15 percent during the period under review and highest dividend paid during the period 2001-02 was Rs. 694.17 lakh.

### **Audit Class:**

The bank was awarded audit class 'A' through out the period of fifteen years. This indicates the efficiency of performance.

### **Analysis of Primary Data:**



The analysis so far was done on the basis of secondary data collected by researcher from various sources. Now the feedback received from sample households is presented here in brief based on the primary data collected from beneficiary households by the researcher himself. Purpose of this data is to analyzed the degree of satisfaction the beneficiaries derive from the services of ADCC bank

### **Educational Level:**

The educational level shows that 48.21 percent borrowers were educated and 51.79 percent were illiterates. Literacy rate was very low in marginal and small farmers.

### **Land holding pattern:**

The land holding pattern indicates that 48.07 percent land was cultivated by large farmers, 26.36 percent by medium farmers and 25.57 percent by small and marginal farmers. It was an uneven distribution of land as it found in any village in the district.

### **Irrigation Facility:**

The main source of irrigation is wells, forming 54.56 percent of the total. The next important source is canals, which account for 34.82 percent while lift irrigation and other sources constitute only 3.58 percent and 7.14 percent respectively.

### **Cropping Pattern:**

Sugarcane is the main crop taken by sample households accounting for 35.29 percent of gross cropped area of the borrowers. Area under rice occupies second place in the district showing 33.16 percent in sample households.

### **Household Expenditure:**

The average household expenditure per year by marginal and small farmers was less because of limited income compared to medium and large farmers. Where as the number of family members were found more in medium and large farmer households i.e. about eight members per family in the concerned sample borrowers.

### **Sources of Credit:**

The proportion of credit provided by institutional agencies is higher than the non-institutional agencies. The co-operatives provided about 64.29 percent to 82.15 percent of the total credit to the farmers of varied land holdings. 75 percent of the total borrowers could avail the credit facility from PACS.

### **Asset holding:**

Asset holding by the sample households varied positively with the size of their land holding. Cooperative credit has undoubtedly helped the growth of live stock and asset holding of all the types of sample households.

### **Production and productivity:**

After 1990-91 total production and productivity of the sample households has been significantly increased.

### **Sufficiency of Loans:**

69.8 percent of the respondents expressed their opinion that the amounts of loan sanctioned to them were not sufficient for their purposes.

It is found that only large and medium farmers could avail the timely supply of credit as compared to marginal and small farmers. It appears that over 90 percent of the borrowers are ignorant of the benefits of insurance protection available to them.

**Diversion of Credit:** The total sample borrowers 64.3 percent of them utilized the credit fully for assigned purpose. Remaining 35.7 percent of the credit, beneficiaries have either fully or partly diverted credit to unproductive purposes.

It is observed that majority of the respondent told that the untimely delivery of the loan amount was the main cause for the diversion of loan amount for the other purposes.

### **Repayment of Loans:**

With regards to the tendency of sample borrowers to repay loans, it is observed that the proportion of defaulters is highest in among marginal farmers and lowest

in large farmers. Borrowers paying regularly are highest among medium farmers and lowest among marginal farmers.

Complete defaulters are in highest proportion among marginal farmers and lowest among large farmers. There are reasons to believe that the willful defaulters are found in the category of large farmers.

### **Input Cost per Acre:**

All the cost items when total for the base year 1990-91 and current year 2002-03, it was found that input cost increased over twice over the base year cost, of course, with some degree of difference.

### **Purpose wise availability of cooperative credit:**

The purpose wise availability of co-operative credit per farmer per purpose is analyzed in the thesis. One broad observation is that the need for crop loan shows a negative relationship between the proportion of loan obtained for this purpose and the size of the farm. Secondly the credit requirement for farm machinery is almost zero for marginal and small farmers but the proportion of the loan for the same purpose go on increasing among medium and large farmers.

**Choice of Lending Agency:** The researcher has inquired into their choice of lending agency by the sample households. 67.9 respondents give their choice for cooperative societies, 19.6 percent-preferred commercial bank and 8.9 percent felt it convenient to borrow from moneylenders.

### **Working Of PACS:**

An Opinion poll was conducted with regards to degree of satisfaction they derived from the services of PACS. Nearly 60 percent borrowers feed that PACS are serving useful purpose. There appears to be disagreement about the benefits of the PACS to all section of the society. Further more, around 58 percent of respondents feel that the interest charged by the PACSs is not reasonable and 61.6 percent feel that the lending procedures are complicated.

**Conclusion:** In brief the sample household has a mixed feeling about the performance of the PACS. They agree the PACS are doing right work, the management is democratic but the majority of the sample households felt a high rate of interest of co-operative loans. Complicating lending procedures of PACS and the discriminatory policies of different section of societies are major drawback

of society or co-operative credit. This demands major policy changes in the co-operative law and practices.

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