



An analysis of District Central Co-operative Banks (DCCBs) & State Co-operative Banks (SCBs)

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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 bank. Co-operative banks generally provide their members with a wide range of banking and financial services i.e. loans, deposits, banking accounts etc. These banks do not accept deposits from the general public. Credit cooperatives today cover 69 per cent of the rural credit outlets and their share in rural credit works out to about 45 per cent of the total credit for rural sector in the country. The co-operative banking is a three tier structure with State Co-operative Bank works at the apex level, District Co-operative Banks at district level and primary co-operative credit societies at village level.

Purpose: The research study is an attempt to make a comparative analysis of SCBs and DCCBs in India on the basis of selected indicators.

Design and methodology: The study is based on secondary data based on RBI publications for the year 2018-19 to 2019-20. Descriptive analysis was done through charts, graphs and tables. The inferential analysis was done through t- test to compare between DCCBs & SCBs on selected parameters.

Findings: The findings of the study concluded that DCCBs have more outreach than SCBs. There are 351 DCCBs as compared to 33 SCBs in India as on March 2020. The DCCBs account for 35% and SCBs account for 65% of the total profits calculated on the basis of DCCBs and SCBs data for the year 2018-19 and 2019-2020. NPA to loan ratio shows that SCBs have lower ratio as compared to DCCBs. The recovery to demand ratio depicts that SCBs have better recovery to demand ratio as compared to DCCBs.

Practical implications: The study is relevant to understand the performance of DCCBs and SCBS on the basis of selected parameters. The study can be extended to other parameters also. The study can be also be done on the primary credit co-operative societies operating at village level.

Keywords: DCCBs, SCBs, Assets, Liabilities, NPA, Demand ratio.

Introduction

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 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 like loans, deposits, banking accounts etc. These banks do

not accept deposits from the general public. Credit cooperatives today cover 69 per cent of the rural credit outlets and their share in rural credit works out to about 45 per cent of the total credit for rural sector in the country. In purveying production and investment credit, it accounts for 57 per cent and 29 per cent, respectively.¹

Co-operative banking is retail and commercial banking organized on a co-operative basis. The co-operative banking is a three tier structure with State Co-operative Bank works at the apex level i.e. state level, the Central Co-operative Bank works at the intermediate level i.e. District Co-operative Banks Ltd. works at district level and Primary Co-operative Credit Societies at base level i.e. at village level.² National Bank of Agriculture and Rural Development (NABARD) supervises State Co-operative Banks and District Co-operative banks and conducts statutory inspection of these banks.⁴

A State Cooperative Bank is a federation of the central cooperative bank and acts as custodian of the cooperative banking structure in the State. Its funds are obtained from the social capital, deposits, loans and overdrafts of the Reserve Bank of India. State-owned cooperative banks lend money to cooperative central banks and to primary companies and not directly to farmers. At present there are 33 State Co-operative Banks in India. A District Co-operative Central Bank is a co-operative bank operating at the district level in various parts of India. It was established in rural and semi-urban areas. It was established to provide banking to rural agricultural sector with branches primarily established in rural and semi-urban areas. The banking model consists of a district central bank for each district in every state of India known with a name as a respective District Central Co-operative Bank. There are 351 District Central Co-operative Banks in India.³

The research paper attempts to make a comparative analysis of DCCBs and SCBs in terms of profit or losses, assets & liabilities, NPAs, recovery to demand ratios. To achieve the objectives of the paper data has been collected from various secondary sources of NABARD and analysed by using various statistical tools.

Review of literature

The research study relates to the State and District Co-operative banks in India so the literature review is based on research papers published on Co-operative banks in India. A study on Co-operative Banks in India pointed out that the co-operative sector tries to cure the economic disparity and wrongs of concentration of income and riches and along these lines forestalls the misuse of the more fragile areas by the more grounded efforts. (Kothari A. K., 2016)⁵.

A research paper examined the growth of DCCBs in India through selective indicators. It analysed the Deposits, Credits and C/D Ratios of DCCBs. This paper also studies the growth of investment, working Capital and Cost of Management position in DCCBs. (Kanchu T., 2012)⁶.

Another research paper attempts to study the growth of The Krishna District Cooperative Central Bank Ltd., through selective indicators, it analyses the Deposits, Credits and C/D Ratios of the Krishna DCCB. (Varalakshmi D., Venkateswarlu P., 2016)⁷.

A study on District Cooperative Central banks in TamilNadu showed that these banks play a vital role in providing credit for agriculture and to rural people. It also pointed out that the cumulative losses of 12 out of 23 banks in Tamil Nadu have cumulative loss more than Rs 500 crores as on March, 2006. (Murugaboopathy M., Jeyakumaran M., Inayath Ahamed S.B., 2018)⁸.

A study on the progress of district central cooperative banks in Marathwada region of Maharashtra indicated that some district central cooperative banks are working well and some are not, poor recoveries and bad debts are responsible for unsatisfactory functioning (Suryawanshi J.R., 2018)⁹.

Another study on the performance of District Central Cooperative Banks in Maharashtra state showed that major problems faced are lack of funding by the state government, less value of produce and in - efficiency in administration and management. (Raut S.D., Anap V. N., Yadav J. M., 2020)¹⁰.

The study on Urban Co-operative Banks (UCBs) pointed out that UCBs are one of the vital segments of the banking industry of India. The co-operative sector seeks to remedy the economic inequality and evils of concentration of income and wealth and thereby prevents the exploitation of the weaker sections by the stronger. (Jawahar Babu K. V. S. N., 2012)¹¹.

Research Gap

The literature reviewed above indicates that different studies were conducted on co-operative banks in India or on specific banks. There are very less number of studies found on SCBs. No study was found on comparative analysis between DCCBs and SCBs. Thus, there was a scope for research on comparative analysis of SCBs and DCCBs in India on the basis of selected indicators.

Objectives of the Study

1. To make a comparative analysis of profit / loss of DCCBs & SCBs for two years
2. To study the NPA to loan ratios of DCCBs & SCBs.
3. To analyse the recovery to demand ratios of DCCBs and SCBs.
4. To compare assets and liabilities of DCCBs & SCBs.

Hypotheses of the Study

1. There is no difference in the profit / loss of DCCBs & SCBs.
2. There is no difference in NPA to loan ratios of DCCBs & SCBs.
3. There is no difference in the recovery to demand ratios of DCCBs & SCBs.

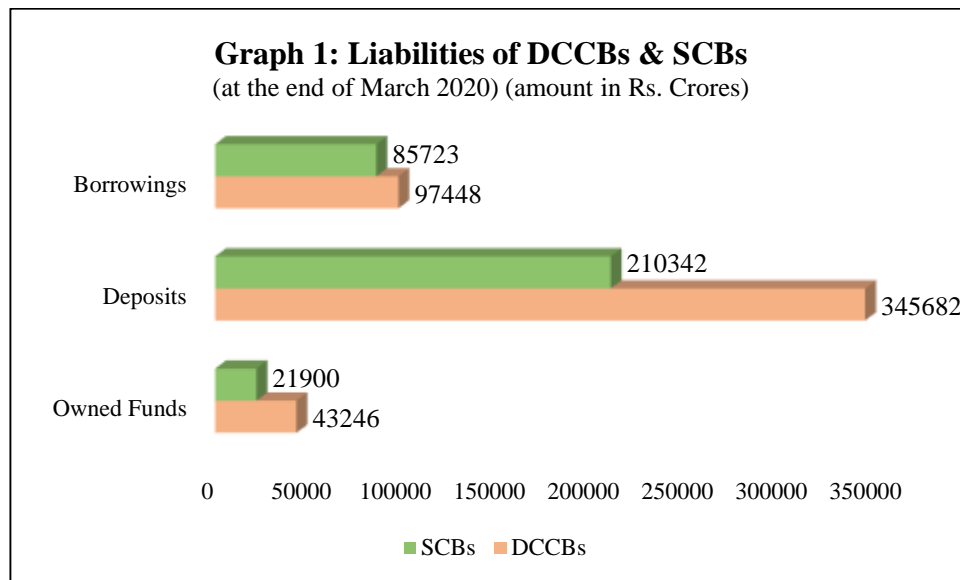
Research Methodology

The study is based on secondary data based on RBI publications for the year 2018-19 to 2019-20. Descriptive analysis was done through charts, graphs and tables. The inferential analysis was done through two-sample t-test to compare between DCCBs & SCBs on selected parameters. There are two independent banks and two years data is compared therefore two-sample t-test is used.

Limitation

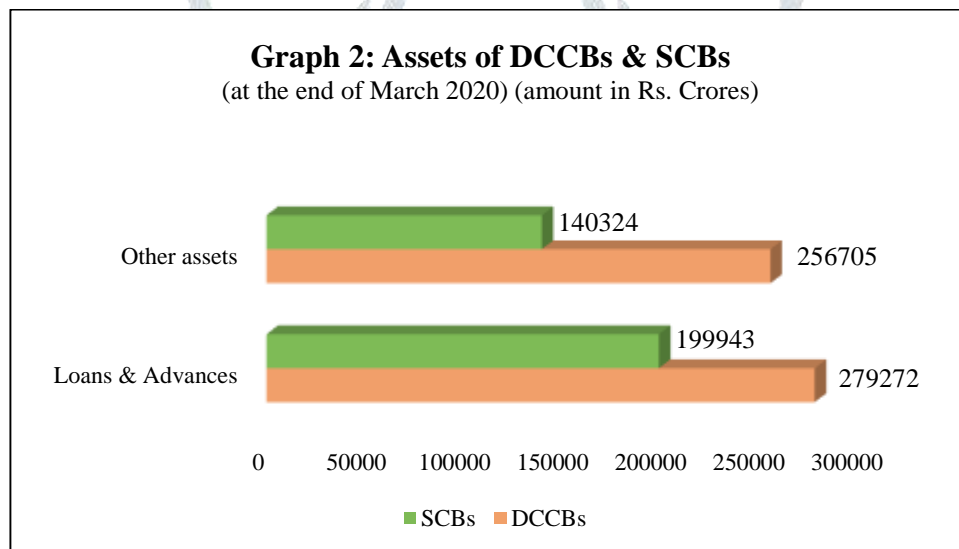
The study takes into account financial analysis of selected indicators of District Central Co-operative Banks (DCCBs) & State Co-operative Banks (SCBs) in the financial year 2018-19 and 2019-20. The study is restricted to two years and selected indicators because only this was the latest data was available in RBI publications.

Descriptive analysis & Interpretation



Source: <https://rbi.org.in/scripts/PublicationsView.aspx?Id=20945>

The analysis of Graph 1 shows that the liabilities of DCCBs is much more than SCBs. The borrowings of DCCBs is Rs. 97448 crores as against Rs. 85723 crores in SCBs. The deposits of DCCBs is more than SCBs by Rs. 135340 crores. The owned funds of DCCBs are Rs. 43246 crores whereas for SCBs it is Rs. 21900 crores.



Source: <https://rbi.org.in/scripts/PublicationsView.aspx?Id=20945>

From the above Graph 2 it can be observed that the assets of DCCBs is more than SCBs. The other assets of DCCBs is Rs. 256705 crores as against Rs. 140324 crores in SCBs. The loan and advances of DCCBs are Rs. 279272 crores whereas for SCBs it is Rs. 199943 crores.

(At end-March) (Amount in ₹ Lakh)									
		District Central Co-operative Banks	State Co-operative Banks	District Central Co-operative Banks	State Co-operative Banks	District Central Co-operative Banks	District Central Co-operative Banks	State Co-operative Banks	State Co-operative Banks
Sr. No.	Region / State	2018-2019	2018-2019	2019-2020	2019-2020	30-Jun-19	30-Jun-19	31-Mar-20	30-Jun-19
		Profit / Loss	Profit / Loss	Profit / Loss	Profit / Loss	NPA to loans ratio (%)	Recovery to Demand (%)	NPA to loans ratio (%)	Recovery to Demand (%)
		Amt.	Amt.	Amt.	Amt.				
	Northern region	-2,197	14,549	-1,351	19,797	9.2	68.5	2.1	98.8
1	Haryana	1,817	3,188	4,422	5,150	6.3	65.5	0.1	100.0
2	Himachal Pradesh	-4,093	4,109	-3,321	5,049	22.9	69.0	8.0	51.2
3	Jammu & Kashmir	-3,195	138	-4,276	1,489	29.9	43.6	5.1	79.5
4	Punjab	-3,536	1,777	-5,378	2,269	9.9	73.0	1.0	99.6
5	Rajasthan	6,809	5,337	7,201	5,840	5.2	67.8	0.2	98.8
	Eastern region	17,928	4,977	18,971	16,684	9.3	71.0	4.7	93.2
6	Bihar	-1,739	4,731	-4,296	4,885	22.1	39.2	4.9	77.7
7	Jharkhand	4	-9,673	219	264	78.0	14.6	51.6	64.3
8	Odisha	13,727	9,281	14,791	8,181	6.6	71.2	1.4	98.3
9	West Bengal	5,936	638	8,258	3,354	10.2	78.8	4.2	91.6
	Central region	8,272	8,534	-3,793	19,918	19.3	62.3	5.6	91.3
10	Chattisgarh	7,286	899	6,465	2,576	11.9	72.1	3.0	93.9
11	Madhya Pradesh	-3,942	2,124	-12,987	12,789	23.6	59.0	5.4	92.9
12	Uttar Pradesh	206	4,202	-1,572	4,328	15.8	61.8	5.9	83.3
13	Uttarakhand	4,723	1,309	4,301	225	8.7	79.6	9.3	97.2
	Western region	2,060	29,429	27,948	65,673	16.0	64.6	8.6	82.8
14	Gujarat	18,401	4,294	18,093	3,173	5.4	89.8	1.3	94.8
15	Maharashtra	-16,341	25,135	9,855	32,500	19.4	53.9	10.8	79.3
	Southern region	45,205	50,666	42,816	64,809	7.6	88.4	8.6	98.5
16	Andhra Pradesh	4,743	10,041	3,362	9,991	4.9	90.9	1.2	99.7
17	Karnataka	9,090	5,000	12,364	5,100	6.3	90.2	3.7	97.2
18	Kerala	6,547	22,488	315	37,475	10.4	87.3	15.3	98.4
19	Tamil Nadu	21,149	8,605	24,641	9,017	7.0	86.2	2.7	99.6
20	Telangana	3,676	4,532	2,134	3,226	5.3	87.6	0.2	98.6
	All India	71,268	1,08,155	84,590	1,86,881	11.8	72.0	6.7	94.4

Source: <https://rbi.org.in/scripts/PublicationsView.aspx?Id=20945>

The analysis of Table 1 shows financial analysis of selected indicators of District Central Co-operative Banks (DCCBs) & State Co-operative Banks (SCBs) in the financial year 2018-19 and 2019-20. The data includes 20

states which are divided into 5 regions northern, eastern, central, western and southern. The indicators include the profit / loss, NPA to loans ratio and recovery to demand percentage in these regions.

The analysis of region wise profit shows that in the financial year 2018-19 and 2019-20, the northern region SCBs have total profit of Rs. 34346 crores whereas DCCBs incur a loss of Rs. 3548 crores. The eastern region depicts that DCCBs have a profit of Rs. 36899 crores as compared to Rs. 21661 crores. The central region represents that DCCBs have a profit of Rs. 4479 crores whereas SCBs have Rs. 28452 crores. The western region shows that SCBs have total profit of Rs. 30008 crores whereas DCCBs of Rs. 95102 crores. The southern region represents that DCCBs have a profit of Rs. 88201 crores whereas SCBs have Rs. 115475 crores. The analysis shows that DCCBs have performed better in eastern and western regions. In northern region DCCBs are at a loss. SCBs on the other hand have performed better in northern, central and southern region.

The analysis of region wise NPAs shows that in the financial year 2019-20, SCBs have lower NPA to loan ratio as compared to DCCBs in northern, eastern, central and western region.

Region wise recovery to demand ratio depicts that in the financial year 2019-20, SCBs have better recovery to demand ratio as compared to DCCBs in northern, eastern, central, western and southern region.

Inferential analysis & Interpretation

For testing Hypotheses, t- test is used. It compares selected parameters of DCCBs and SCBs.

SUMMARY: Overall profits

t-Test: Two-Sample Assuming Unequal Variances

	DCCBs	SCBs
Mean	15149.8	21434.8
Variance	684549469.3	1058911414
Observations	15	20
Hypothesized Mean Difference	0	
df	33	
t Stat	-0.633003374	
P(T<=t) one-tail	0.265546959	
t Critical one-tail	1.692360309	
P(T<=t) two-tail	0.531093918	
t Critical two-tail	2.034515297	

Hypothesis 1 is tested through t- test to compare the region wise overall profit of DCCBs and SCBs in the financial year 2018-19 and 2019-20. The calculated t value is -0.633003 is less than the t critical value 2.034515, we accept null hypothesis. There is no significant difference in the region wise profit of DCCBs and SCBs.

SUMMARY: NPA to loans

t-Test: Two-Sample Assuming Unequal Variances

	DCCBs	SCBs
Mean	16.865	7.09
Variance	257.9687105	119.7598947
Observations	20	20
Hypothesized Mean Difference	0	
df	34	
t Stat	2.24927122	
P(T<=t) one-tail	0.015541372	

t Critical one-tail	1.690924255
P(T<=t) two-tail	0.031082745
t Critical two-tail	2.032244509

Hypothesis 2 is tested through t- test to compare the region wise NPA to loans of DCCBs and SCBs in the financial year 2018-19 and 2019-20. The t calculated value is 2.249271 which is more than the t critical value 2.032245, we reject null hypothesis. There is a significant difference in the NPA to loans of DCCBs and SCBs.

SUMMARY: Recovery to Demand

t-Test: Two-Sample Assuming Unequal Variances

	<i>DCCBs</i>	<i>SCBs</i>
Mean	64.685	88.35
Variance	296.3192368	167.6531579
Observations	20	20
Hypothesized Mean Difference	0	
df	35	
t Stat	-4.913324361	
P(T<=t) one-tail	1.04193E-05	
t Critical one-tail	1.689572458	
P(T<=t) two-tail	2.08387E-05	
t Critical two-tail	2.030107928	

For testing Hypothesis 3 t- test is used to compare the region wise recovery to demand of DCCBs and SCBs in the financial year 2018-19 and 2019-20. The t calculated value is -4.913324 which is less than the t critical value 2.030108, we accept null hypothesis. There is no significant difference in the recovery to demand of DCCBs and SCBs.

Conclusion

From the above study it can be concluded that DCCBs have more outreach than SCBs. There are 351 DCCBs as compared to 33 SCBs in India as on March 2020. The liabilities and assets of DCCBs are more than SCBs. DCCBs have more profit in eastern and western regions. In northern region DCCBs are at a loss. SCBs on the other hand have performed better in northern, central and southern region. The DCCBs account for 35% and SCBs account for 65% of the total profits calculated on the basis of DCCBs and SCBs data Region wise NPAs shows that SCBs have lower NPA to loan ratio as compared to DCCBs in northern, eastern, central and western region. The recovery to demand ratio depicts that SCBs have better recovery to demand ratio as compared to DCCBs in northern, eastern, central, western and southern region.

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