



Performance of District Credit Co-operative Banks In Maharashtra: A Comparative Study of PDCC Bank and SDCC Bank.

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Introduction:

Banking system works as heart and backbone of the financial activities of every country. All commercial banks are act as financial intermediaries for all financial activities. They are specially works as intermediaries for savings & investments. They have to play positive role in the development of the every country. Ex-President and great scientist of India Dr. A.P.J. Abdul Kalam express his views on functioning of banks as *“All banks should be work as common man’s banks and they have to offer all financial products and services to all its customers under one roof, at affordable cost in a fair and transparent manner.”*¹

Co-operative banking system also played very pivotal role in uplift of rural India. Especially in states like Maharashtra and Gujrat, co-operative banking has played very crucial role in rural development. It has contributed for development of agriculture sector and its allied activities like dairy, poultry, fishery and many more. Now days, they also contributed for Micro, small and medium scale industrial development in rural areas of Maharashtra. District Credit co-operative banks are the pioneer financier for such activities and contributed all the way of rural upliftment in all over Maharashtra.

Considering the importance and contribution of District Credit Co-operative Banks in rural development of Maharashtra State, the researcher has decided to focus on comparative performance of PDCC Bank SDCC Bank.

Objectives of the study:

1. To study the Comparative performance of PDCC Bank & SDCC Bank for the period 2005-06 to 2009-10.
2. To calculate and analyze the profitability parameter.

3. To know financial position of PDCC Bank & SDCC Bank
4. To know, calculate and analyze financial strength of Branches of PDCC Bank & SDCC Bank.

Scope of the study:

The above research paper focuses on the comparative performance of two District Credit Co-operative Banks (DCCB). Comparative performance of both the bank is evaluated by using various productivity and performance ratio. All the ratios are calculated branch wise and employee wise. So this research paper helps to evaluate, analyze and measure financial activities, liquidity, lending capacity and many more.

Limitations of the study:

This research paper focuses on performance of only two DCCB's i.e. PDCC bank and SDCC bank. So, results come out may or may not applicable to all DCCB's in Maharashtra. In addition to this, most of the data collected for research is based on the secondary sources. So the actual performance might be different than interpretation.

Hypothesis:

1. All the ratios are varying with change in performance of bank.
2. Overall performance of Banks is satisfactory.

Methodology:

For the comparison of performance of PDCC Bank and SDCC Bank, a case study method is used. In this case study Primary data and Secondary data method is used for data collection.

In primary data personal interview, telephonic interview method is used.

In secondary data sources data published in Annual reports, Books, Journals, Magazines and data available with website of concern banks is used.

Population and Sample:

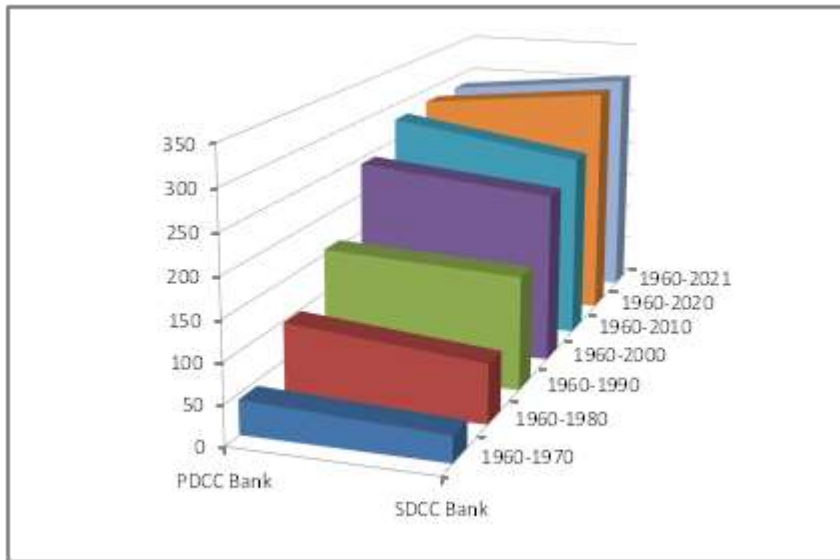
In this research paper a case study method is used. Population and sample is remaining the same.

Analysis and Interpretation of data:

To study the Comparative performance of PDCC Bank and SDCC Bank for the period 2014-15 to 2020-21 different ratios are used to measure productivity, Profitability, and Business of Banks and its Branches in average. After the establishment banks has made continuous development in all its activities whether financial or other and always bound to achieve the target decided by core committee.

Both the banks has shown satisfactory performance in other areas which are calculated, measured and shown below by calculating and presenting through different ratios, charts and tables.

Figure 1: No. of Branches



Source: www.pdccbank.co.in , www.sataradccb.com

Above figure 1 inferred that the number of branches of both the banks is continuously increased from year 1960 to 2021. The total number of branches of PDCC bank in 2020-21 are 283 whereas for SDCC bank for same period are 319.

Ratio Analysis:

Ratio analysis is an important financial tool to evaluate the performance of branches. Profitability ratios, productivity ratios like branch productivity ratio and employee productivity ratios & performance ratios are calculated.

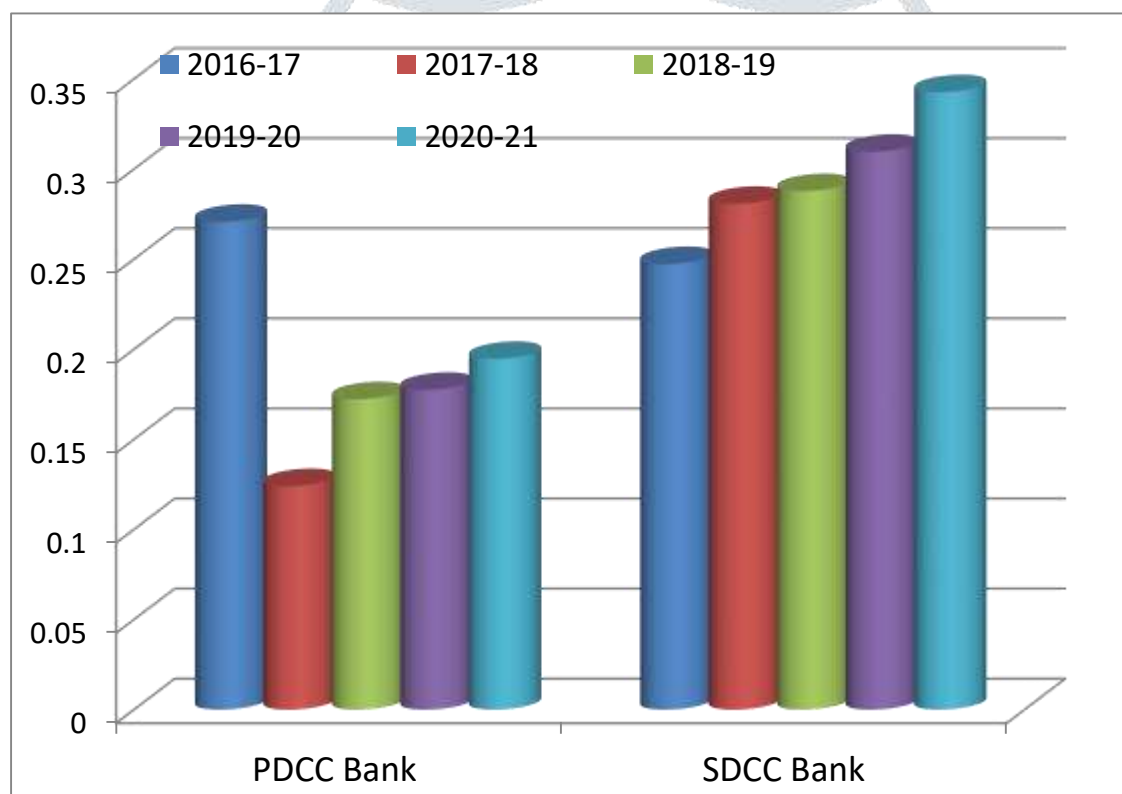
Profitability ratio:

Profitability of branches of PDCC Bank and SDCC Bank can be measured with the help of the ratio- Profit per branch. This is the measure of the profitability of the branches of a bank. It helps to find out whether the branches earning profit or losses over a period of time. Top management frames the bank's policy and take major decisions like merger of branches, closure of branches based on the ratio. Survival and growth of branches mostly depends on their ability to earn profits.

$$\text{Profit Per Branch} = \frac{\text{Net Profit}}{\text{No. of Branches}}$$

Table 1.1: Profit per branch (Rupees in Crore)

Sr.no.	Financial year	Profit Per Branch	
		PDCC Bank	SDCC Bank
1	2016-17	0.27078	0.24732
2	2017-18	0.12409	0.28074
3	2018-19	0.17230	0.28781
4	2019-20	0.17749	0.30963
5	2020-21	0.19469	0.34269

Figure 1.2: Profit Per Branch

There is continuous increase in profit per branch earned by both the banks. Above Table 1.1 and figure 2 shows that per branch profit earned in SDCC bank is more than profit earned by PDCC bank for the period 2016-17 to 2020-21. This implies that all the branches both the banks are functioning effectively but SDCC bank is functioning more effectively than PDCC bank even number of branches for SDCC Banks are more than PDCC Bank.

Productivity ratios:

A quick assessment of the productivity of branches can be made in terms of branch productivity ratio and employee productivity ratios.

A) Branch productivity ratios: -

These ratios indicate the degree of utilization of Available resources by branch. Productivity of branches can be computed in terms of ratios like, Deposits per branch, advances per branch, and business per branch.

A.1. Deposits Per Branch:

This ratio shows the deposit mobilizing capacity of the branch. Deposits are the lifeblood of the branch and without deposits a branch cannot function. Deposits are the main pillars & advances and profits of a branch are dependent on the deposit mobilized by the branch.

$$\text{Deposit Per Branch} = \frac{\text{Total Deposits}}{\text{No. of Branches}}$$

Table 1.2: Deposits Per Branch (Rupees in Crore)

Sr.no.	Financial year	Deposit Per Branch	
		PDCC Bank	SDCC Bank
1	2016-17	28.42	21.69
2	2017-18	30.66	24.14
3	2018-19	32.49	25.74
4	2019-20	36.01	24.75
5	2020-21	40.03	27.85

Figure 3: Deposits Per Branch

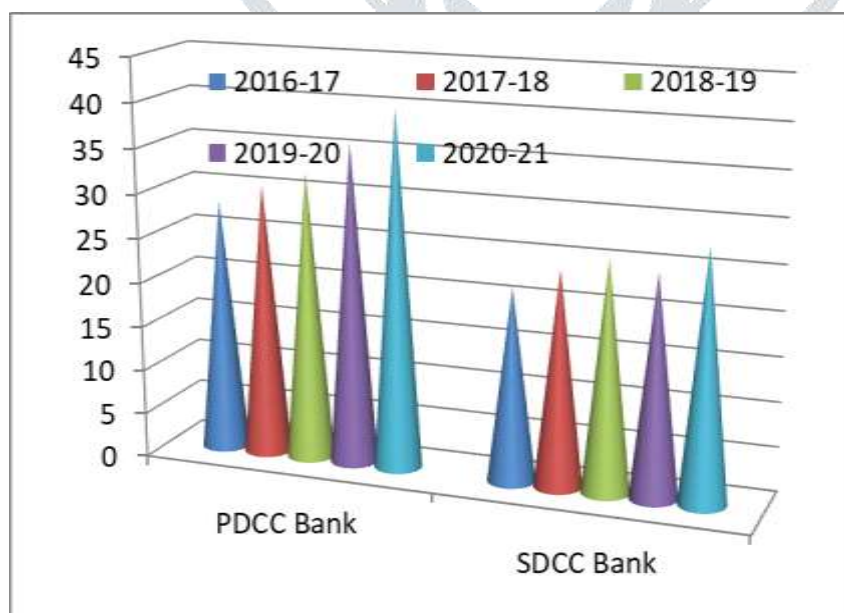


Figure 3 shows that there is continuous increase in deposits per branch for PDCC Bank and SDCC Bank for the same period. Table 1.2 shows there is upward trend in increase in deposits per branch for both the banks. But SDCC bank is lagged behind as compare to PDCC bank.

A.2. Advances Per Branch:

This ratio measures the capacity per branch as regards disbursement of advances. Advances constitute the most important earning asset of the branch. Branches should plan their advances portfolio so as to utilize the available resources effectively.

$$\text{Advances Per Branch} = \frac{\text{Total Advances}}{\text{No. of Branches}}$$

Table 1.3: Advances Per Branch (Rupees in Crore)

Sr.no.	Financial year	Advances Per Branch	
		PDCC Bank	SDCC Bank
1	2016-17	18.00	14.20
2	2017-18	17.23	16.37
3	2018-19	22.88	19.51
4	2019-20	24.20	17.03
5	2020-21	28.65	18.06

Figure 4: Advances Per Branch

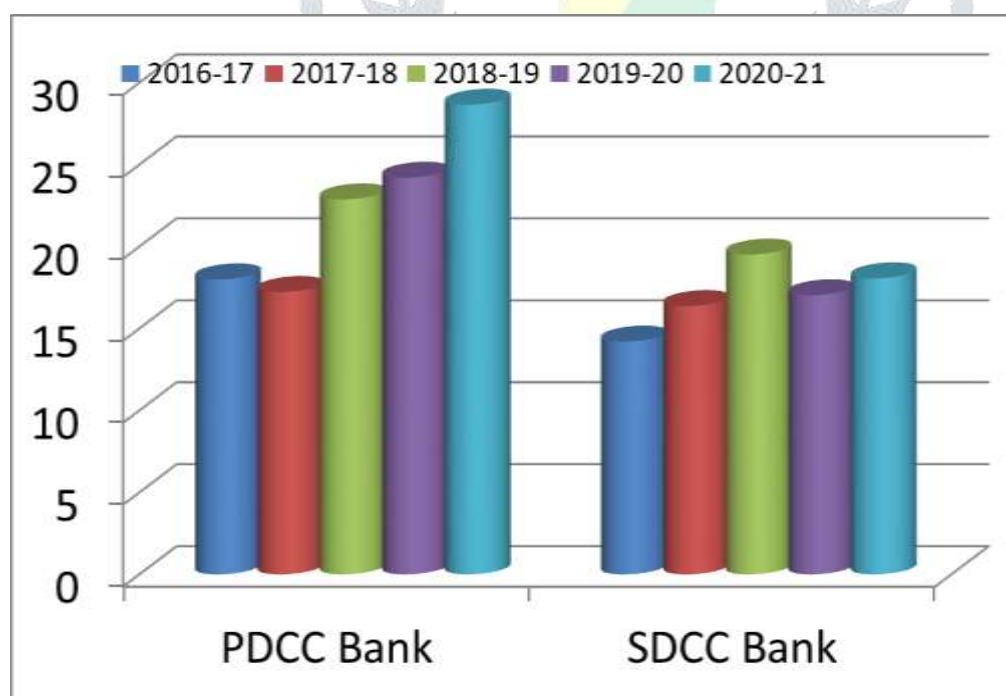


Table 1.3 and figure 4 shows that in addition to the deposits, advances per branch for PDCC Bank and SDCC bank are continuously increasing. Like deposits per branch, Advance per branch for

PDCC bank is more than SDCC bank. The principle of ‘more the deposits, more the advances and vice-versa’, is applicable here.

A.3. Business per branch:

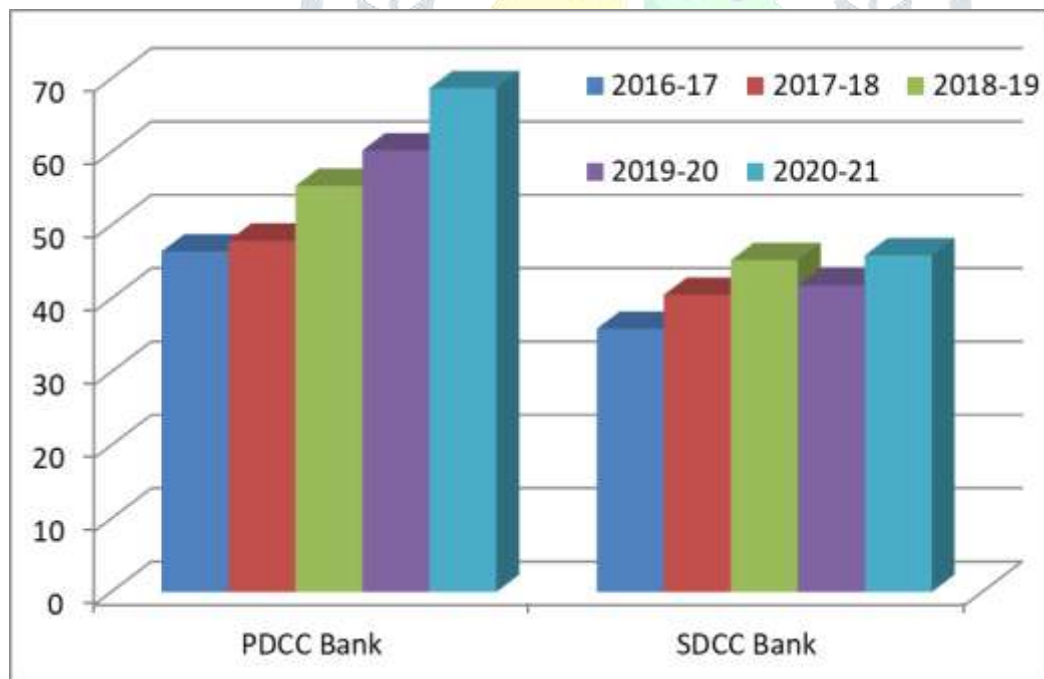
Business per branch is equal to the sum of its deposits per branch and advances per branch. This ratio indicates whether branches of banks are used optimally or not.

$$\text{Business Per Branch} = \frac{\text{Total Business}}{\text{No. of Branches}}$$

Table 1.4: Business Per branch (Rupees in Crore)

Sr.no.	Financial year	Advances Per Branch	
		PDCC Bank	SDCC Bank
1	2016-17	46.43	35.89
2	2017-18	47.89	40.51
3	2018-19	55.37	45.24
4	2019-20	60.22	41.78
5	2020-21	68.69	45.90

Figure 5: Business Per Branch



Above table no. 1.4 and figure 5 shows that the business per branch has been continuously increased from 2016-17 to 2020-21. As deposit per branch and advances per branch for PDCC bank is more than SDCC Bank. It automatically reflects same picture in business per branch.

Overall branch productivity: comparison of the above ratio reveals that branch Productivity is excellent as they have performed extremely well as regards deposits, advances and business per branch.

B) Employee productivity ratio: This ratio indicates the utilization of human resources. Staff productivity leads to better profitability in the long run. Employee productivity can be measured with the help of the Following ratio:

B.1. Deposits per employee:

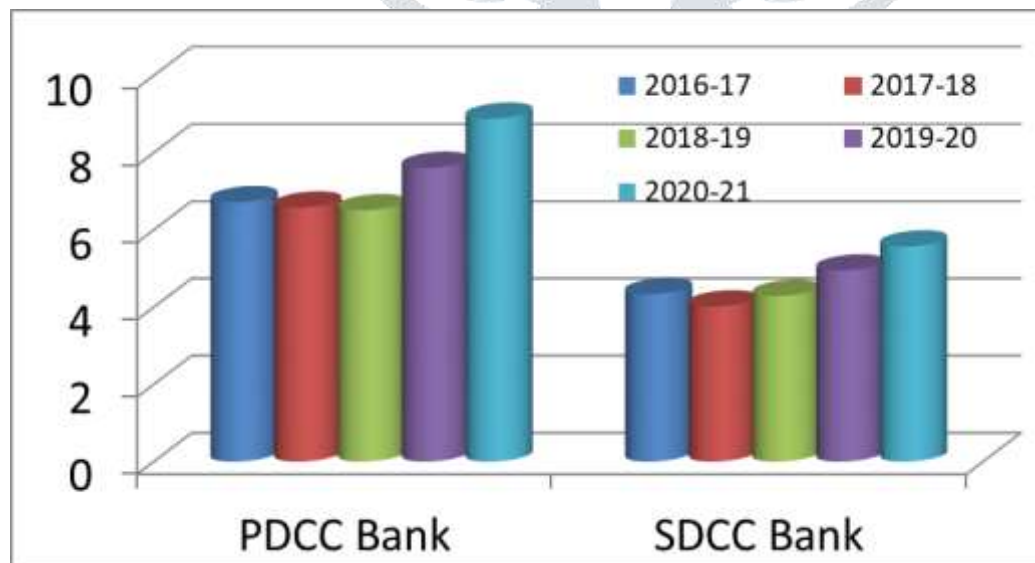
This ratio indicates how proficient the staff working in the branches as regards deposits mobilization.

$$\text{Deposit Per Employee} = \frac{\text{Total Deposits}}{\text{No. of Employees}}$$

Table 1.5: Deposit per Employee (Rupees in Crore)

Sr.no.	Financial year	Deposit Per Employee	
		PDCC Bank	SDCC Bank
1	2016-17	6.72	4.34
2	2017-18	6.58	4.02
3	2018-19	6.51	4.29
4	2019-20	7.61	4.95
5	2020-21	8.88	5.57

Figure 6: Deposit Per Employee



Above table 1.5 and Figure 6 shows that Deposits per employee for PDCC Bank and SDCC Bank are more due to frequent deposits mobilization campaign conducted by both the banks for the given period except year financial year 2017-18.

B.2. Advances Per Employee:

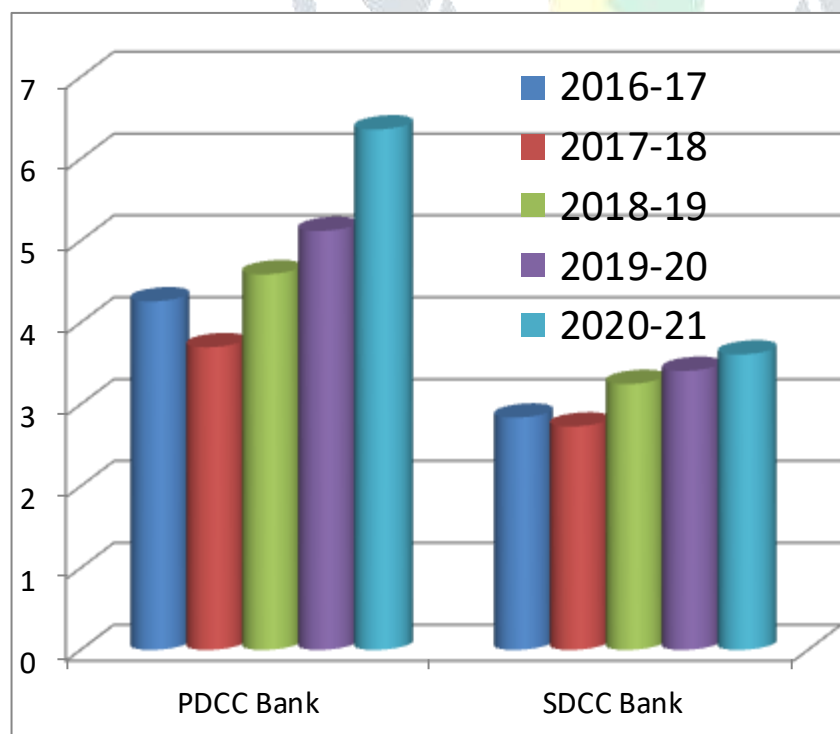
This ratio reveals the extent of involvement of the employees in the disbursement of credit.

$$\text{Advances Per Employee} = \frac{\text{Total Advances}}{\text{No. of Employees}}$$

Table 1.6: Advances Per Employee (Rs. in Crore)

Sr.no.	Financial year	Advances Per Employee	
		PDCC Bank	SDCC Bank
1	2016-17	4.26	2.84
2	2017-18	3.70	2.73
3	2018-19	4.59	3.25
4	2019-20	5.12	3.41
5	2020-21	6.36	3.61

Figure 7: Advances Per Employee



Increase in the deposit per employee has positive impact on disbursement of credit. Advances per employee for PDCC Bank and SDCC Bank have also been increased for period under study. Table 1.6 and figure 7 shows that there is continuous increase in advances given except financial year 2017-18. It means the employees of the both the banks have excelled in their performance with regard to disbursement of credit.

B.3. Business per employee:

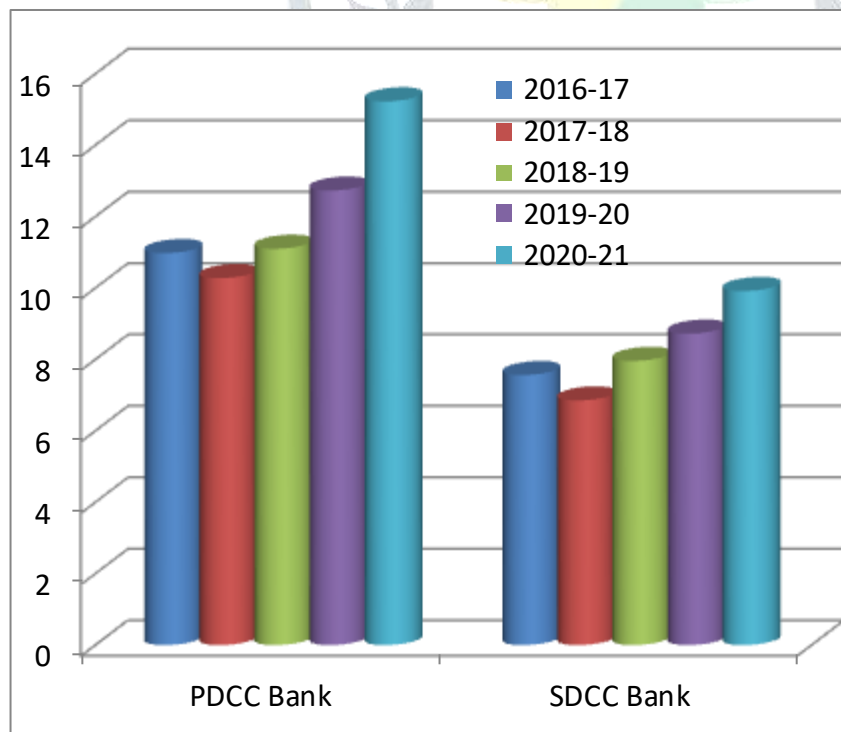
This ratio measures the efficiency of employees as regards the overall business mobilized for the branch. This ratio shows whether there is optimum utilization of human resources by the branch for increasing the business of the branch.

$$\text{Business Per Employee} = \frac{\text{Total Business}}{\text{No. of Employees}}$$

Table 1.7: Business Per Employee (Rs. In Crore)

Sr.no.	Financial year	Deposit Per Employee	
		PDCC Bank	SDCC Bank
1	2016-17	10.98	7.5625
2	2017-18	10.28	6.8525
3	2018-19	11.10	7.9598
4	2019-20	12.73	8.7237
5	2020-21	15.23	9.9161

Figure 8: Business Per Employee



As there is favorable and continuous increase in the deposit per employee and advances per employee for PDCC bank and SDCC bank, Business per Employee automatically shows excellent performance. Except financial year 2017-18, in spite of heavy competition, the business per employee has increased tremendously due to initiative and involvement of the employees. Table 1.7 and figure 8 focus on the picture in more detail.

Performance ratio:

The performance of branches of PDCC Bank and SDCC Bank can be evaluated through,

- (a) Growth rate of deposits, and
- (b) Growth rate of Advances.

(A) Growth rate of Deposits:

Productivity of branches of PDCC bank and SDCC banks in terms of deposits is significant as the latter greatly influences the former. Productivity in terms of growth of deposits is calculated with the help of following ratio: 1) Deposit per branch and 2) Deposit per employee have already been calculated in table no- 1.2 &. Both the ratio reveals that branches performance is better.

(B) Growth rate of Advances:

Performance of the branches of PDCC bank and SDCC banks in terms of advances is of crucial importance, as the survival and the development of branches are equally influenced by the credit granted by the branch. Productivity in terms of growth of advances is calculated with the help of following ratios: 1) Advances per branch, and 2) Credit per employee ratio, these ratios have already been calculated in table no. 1.3 & 1.6 respectively. Both the ratios reveal that branches have excelled in their performance.

Credit-Deposit ratio:

Credit-Deposit ratio is an indicator to show how the funds were utilized by the branch. Deposit and Credit operations always go together and both are inter-connected. Both over expansion of credit and underutilization of available funds are not profitable per branch. Funds received should be properly lent so as to increase the income for the branch. With adequate resources, lending can have wider approach to meet the credit needs of all the sectors of economy.

$$\text{Credit – Deposit Ratio} = \frac{\text{Total Credit}}{\text{Total Deposit}} \times 100$$

Table 1.8: Credit-Deposit ratio (in %)

Sr.no.	Financial year	C-D Ratio in %	
		PDCC Bank	SDCC Bank
1	2016-17	63.34	65.47
2	2017-18	56.18	67.82
3	2018-19	70.40	77.79
4	2019-20	67.19	68.81
5	2020-21	71.57	64.85

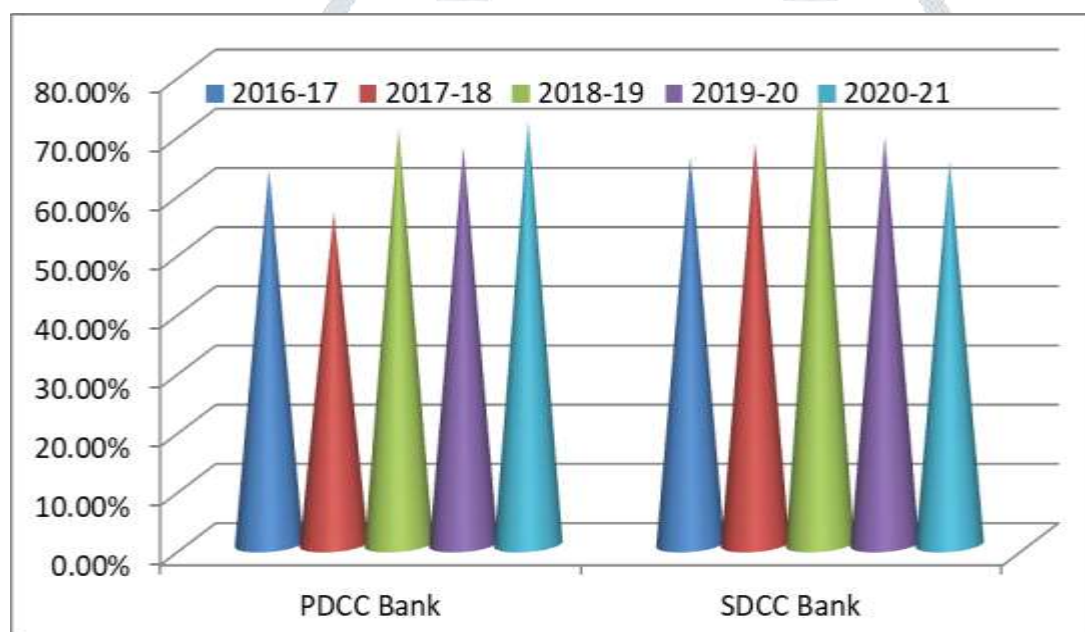
Figure 9: Credit-Deposit ratio (in %)

Table 1.8 and figure 9 shows that there is ups and downs in Credit-Deposit ratio for both the banks during the period under study. C-D ratio for SDCC bank is increased for 2016-17 to 2018-19 (i.e. 65.47%, 67.82% and 77.79% respectively) and decreased continuously for the period 2018-19 to 2020-21 (i.e. 77.79%, 68.81% & 64.85% respectively) it means for first two financial years SDCC bank relied on deposits for lending whereas next three years SDCC bank does not relied on deposits for lending. High C-D ratio means there is strong demand for lending for SDCC Bank.

Ratio of Net NPA to Total Advances:

This ratio measures the % of NPAs of the branches in proportion to the total advances disbursed by branches. Performance of branches of PDCC bank and SDCC bank in terms of recovery of advances is significant. As it helps in recycling of funds; Thereby creating credit. Thus, it helps in maximizing profitability directly and indirectly it necessitates the end use of credit by the borrower. This ratio helps in measuring productivity of recovery performance.

$$\text{NPA To Total Advances Ratio} = \frac{\text{NPA}}{\text{Total Advances}} \times 100$$

Table 1.9: Ratio of Net NPA to Total advances (in %)

Sr.no.	Financial year	Net NPA To Total Advances Ratio (in %)	
		PDCC Bank	SDCC Bank
1	2016-17	0.00	0.37
2	2017-18	6.91	0.29
3	2018-19	2.54	0.14
4	2019-20	0.00	0.23
5	2020-21	0.00	0.17

Figure 10: Ratio of Net NPA to Total advances (in %)

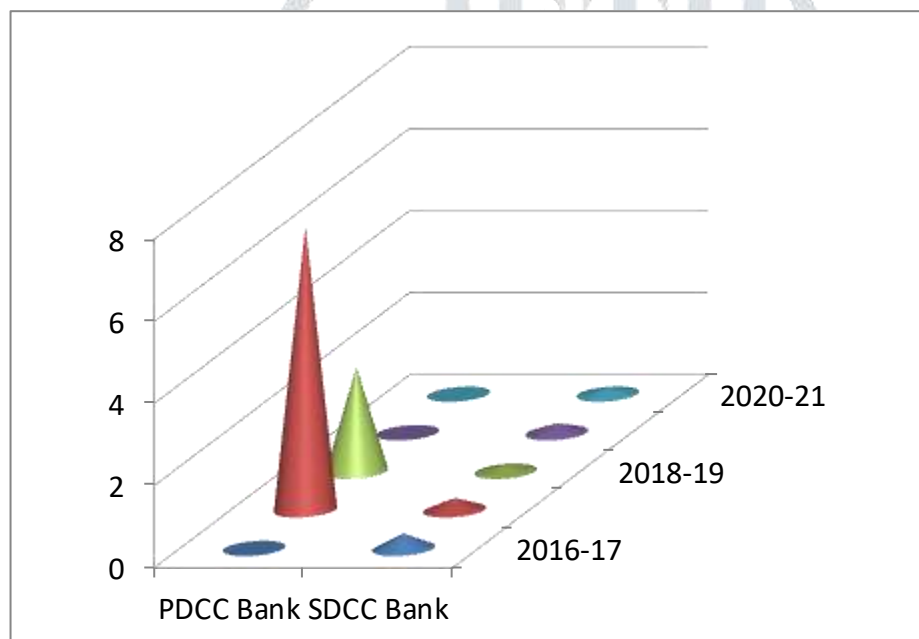
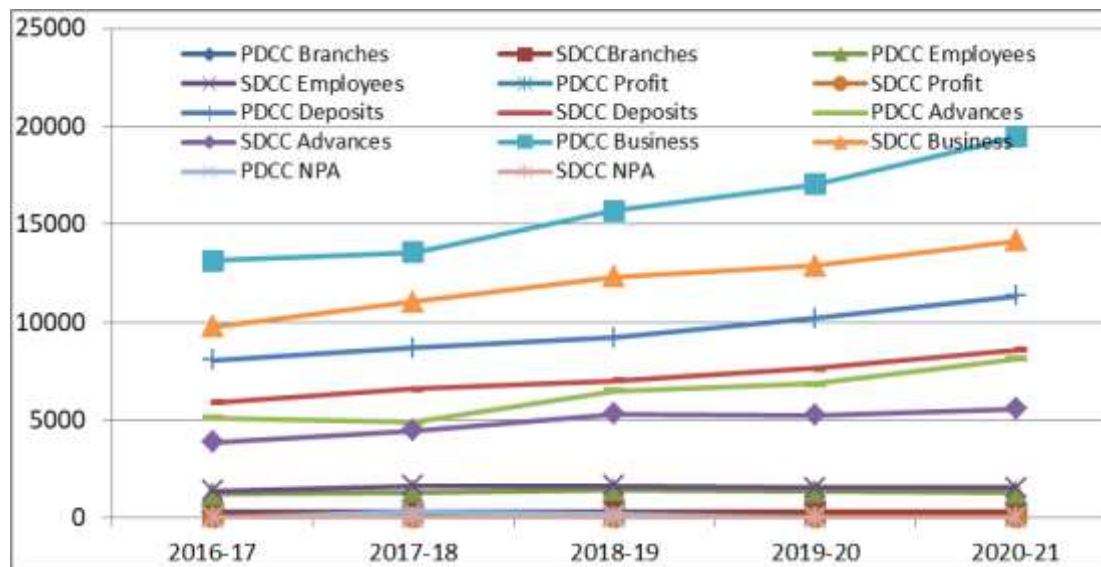


Table 1.9 and figure 10 show that, Net NPA to Total Advance ratio is of both the banks is as per the requirements and guidelines of RBI and even more better. It shows that the overall quality of lending of branches of PDCC bank and SDCC bank is good. The ratio also reveals that the liquidity and profitability of both the bank is better.

Figure 11: Overall performance of Banks**Testing of Hypothesis:**

H₀: All the ratios are varying with change in performance of bank.

H₁: All the ratios remain unchanged with performance of bank

H₂: Overall performance of the Banks is satisfactory.

H₃: Overall performance of the Banks is not satisfactory.

After considering all the data collected by researcher and its analyses. Table 1.1 to Table 1.9 and Figure 1 to Figure 10, all productivity and performance ratios shows positive changes and reflect upward trends with various financial and non-financial indicators. So increase in deposits, advances and business results in more favorable ratios and vice versa. So analysis proves that all the ratios are varying with change in performance of bank. So researcher accepted **H₀** and rejected **H₁**.

In case of performance of branches of both the branches, various ratios calculated for both the banks are favorable and meets all the standard norms of accounting. So it shows that overall performance of both the banks is satisfactory. So, researcher accepted **H₂** and rejected **H₃**.

Findings:

1. Both the banks are performed well during the study period.
2. PDCC bank is financial more sound than SDCC bank.
3. NPA position of both the banks is satisfactory but SDCC bank is more stable than PDCC bank.

Suggestions:

1. The branches should deploy the funds more effectively.
2. The branches should increase the current and savings deposits of the bank.
3. Increase in low cost deposits will in turn reduce the interest expenditure paid on deposits, thereby increasing the profits.
4. The branches should take necessary steps to give loan for productive purposes and try to increase the CD ratio.
5. The branches should try to increase the low cost deposit and at the same time give credit on priority basis.

Conclusion:

The overall performance of the Bank depends upon the performance of the branches. Hence necessary steps should be taken to improve the effective working condition to make it more effective.

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