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Performance of district central co-operative Bank: An economic appraisal

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Abstract

The present study was conducted to find out the progress of Ratnagiri District Central Co-operative Bank Ltd (RDCC) using various parameters. The study was based on Secondary data obtained from the Ratnagiri district central co-operative bank Ltd's annual reports. The information about RDCC bank was gathered from various annual reports (over the last 11 years) and some bank reports and statements. Total data for 39 years, from 1983 to 2021, were collected and divided into three periods, I, II, and III. The various indicators for the fiscal year 2020-21 indicated that the bank's financial position is good, and it is spread across the district with a large network of 80 branches. In overall study period, from 1983 to 2021, the compound annual growth rate for the number of employees was 0.15 percent, indicated just 0.15 percent increase. The linear growth rate, for overall period in number of employees was just 0.56. The linear growth rate during last 39 years for Share Capital was Rs. 144.32 lakh per year and Compound growth rate was 13.9 percent per year, which was statistically significant at 5 percent level. In overall study period (1983 and 2021), the linear growth rate for investments was found to be Rs. 2040.93 per year and the compound growth rate was 12.8 percent per year. The highest percent of recovery of loans was 96.99 percent in last decade ending by 2021. In last 39 years the total percent increase in percent of recovery of loans of the bank over base year 1983 was 53.85 percent. The study concluded that, The Ratnagiri district central co-operative bank Ltd. have made a substantial progress in case of share capital, Reserve and other funds, owned funds, external loans, Deposits, Loan and advances, Investment, Total Working Capital, Percent of recovery of loans.

Keywords: RDCC, financial position, share capital, loan, recovery etc.

Introduction

Agricultural finance is commonly defined as the examination, study, and investigation of the financial aspects of the farm business. Any farmer can obtain agricultural loans to purchase farm or production equipment. Agriculture finance is required for the purchase of digging tube wells, agricultural implements, seeds, marketing of agricultural produce, livestock, fertilizers, affecting permanent improvements on the land, manures, wage payment, and soon.

A District Co-operative Central Bank (DCCB) is a cooperative bank that operates on a district level throughout India. It was founded to provide agricultural banking to the rural hinterland, with branches primarily located in rural and semi-urban areas. The banking model includes a district central bank for each district in each state of India, known as a District Central Co-operative Bank. These banks are represented collectively by a State Apex Central Co-operative Bank for each state, which serves as the ultimate bank and apex body for the DCCBs in that state.

Agriculture necessarily requires short, medium, and long-term credit. There is a three-tier structure of cooperative institutions that provide farmers with short and medium-term credit. District Central Cooperative Banks (DCCB) plays an important role in the short-term cooperative credit structure by acting as a link between the State Cooperative Bank and the Primary Agricultural Cooperative Societies.

The Ratnagiri District Central Cooperative Bank was established on July 1, 1983. Ratnagiri district Central Co-operative Bank also provides large-scale financing to Employees' Co-operative Credit Societies, Housing Societies, Labor Co-operative Societies, Industrial Co-operative Societies, Self-Help Groups, and other government schemes that aid in poverty eradication. Ratnagiri District Central co-operative bank provide various type of loans such as Agriculture loan, business loan, vehicle loan, education loan and mortgage loan.

Methodology

Ratnagiri District Central Co-operative Bank Ltd. (RDCC) was selected purposively for the present study, being one of the district central co-operative bank in the university jurisdiction. Secondary data was obtained from secondary sources i.e. annual reports of the Ratnagiri district central co-operative bank Ltd. The information about RDCC bank was collected through various annual reports, some reports and statements of the bank. The total data for 39 years from 1983 to 2021 were collected and divided in 3 period such as

Period I – 1983-2000

Period II – 2001-2021

Overall period – 1983-2021

The operating status of Ratnagiri District Central Co-operative Banks were studied by analyzing the data regarding various parameters such as number of branches, number of employees, share capital, reserve and other funds, owned funds, external loans, total deposits, loan and advances, investment, total working capital, percent of recovery of loans.

Compound annual growth rate (CAGR)

The study period wise (as mentioned in 3.3) compound annual growth rates for different indicators of RDCC have been estimated using the following type exponential model.

$$Y = AB^t e$$

Where,

Y = Estimated trend value of growth parameter

A = Intercept

B = Trend value or Regression Coefficient

t = time period in year

$$\text{CAGR \%} = ((\text{Antilog of } b) - 1) * 100$$

Results and Discussion

Existing situation of bank

The table 1 shows that the existing situation of the Ratnagiri District Central Co-operative Bank Ltd. (RDCC). In the year 2020-21, the number of branches of Ratnagiri District Central Co-operative Bank Ltd. was 80 and the total numbers of employees of Ratnagiri District Central Co-operative Bank Ltd. were 417. Share capital of Ratnagiri District Central Co-operative Bank Ltd. was Rs. 5268.29 lakhs and reserve and other funds and owned funds were Rs. 18592.69 lakhs and Rs. 23860.98 lakhs, respectively. The amounts of external loans of Ratnagiri District Central Co-operative Bank Ltd. for year 2020–21 were Rs. 4074.23 lakhs. The total deposits of Ratnagiri District Central Co-operative Bank Ltd. found to be Rs. 222364.30 lakhs, and total loans and advances of Ratnagiri District Central Co-operative Bank Ltd. were Rs. 155802.51 lakhs.

Table 1: Existing situation of Ratnagiri District Central Co-operative Bank Ltd. (RDCC) as per various parameters (2020-21)

Indicators	Units	Amount
Total branches	Number	80
Total Employees	Number	417
Share Capital	Rs. In lakhs	5268.29
Reserve and other funds	Rs. In lakhs	18592.69
Owned funds	Rs. In lakhs	23860.98
External loans	Rs. In lakhs	4074.23
Total Deposits	Rs. In lakhs	222364.30
Total loan and advances	Rs. In lakhs	155802.51
Investment	Rs. In lakhs	81806.16
Total Working Capital	Rs. In lakhs	257429.53
Profit(+)/Loss (-)	Rs. In lakhs	+ 2054.25
Percent of recovery	Percent	96.33%
CD Ratio	Percent	70.07
Audit Class		A

Source: Annual reports of bank

The Ratnagiri District Central Co-operative Bank Ltd. invested Rs. 81806.16 lakhs in various entrepreneurs in year 2020-21. The total working capital of Ratnagiri District Central Co-operative Bank Ltd. (RDCC) was Rs. 257429.53 lakhs. The total profits of bank in year 2020-21 were Rs. 2054.25 lakhs. Ratnagiri District Central Co-operative Bank Ltd. recovered 96.33 percent of its debts indicating good performance of bank. The credit deposit ratio was 70.07 percent. The Ratnagiri District Central Co-operative Bank

Ltd. achieved an A audit class for year 2020-21. The various indicator of the year 2020-21 indicated that the financial position of bank is good and it is spread over the district with wide network of 80 branches.

Progress of Ratnagiri District Central Co-operative Bank Ltd.

The growth trend in various indicators showing the performance of bank is given in Table 2

Table 2: Growth trend in various indicators performance

Sr. No.	Indicators	Compound annual growth rate (percent)		
		Period I (1983 - 2000)	Period II (2000 - 2021)	Overall period (1983 - 2021)
1	Total branches	2.97**	0.66**	1.36**
2	Total Employees	3.67**	-1.9**	0.15 NS
3	Share Capital	18.2**	8.3**	13.9**
4	Reserve and other funds	18.8**	10.9**	13.7**
5	Owened funds	18.7**	10.1**	13.7**
6	External loans	19.7**	15.8**	22.5**
7	Total Deposits	18.8**	11.0**	14.0**
8	Total loan and advances	20.9**	11.5**	15.1**
9	Investment	16.3**	10.5**	12.8**
10	Total Working Capital	17.9**	10.7**	13.6**
11	Percent of recovery of loans	1.4**	2.1**	0.9**

In overall study period, from 1983 – 2021, the compound annual growth rate during last 39 years for number of branches was 1.36 percent were increasing and indicated a positive growth. During Period II, 2000-2021, the compound growth rate was -1.9 percent over 21 years, indicated decrease in employment. In overall study period, from 1983 to 2021, the compound annual growth rate for the number of employees was 0.15 percent, indicated just 0.15 percent increase. In overall period, from 1983 – 2021, the compound growth rate was 13.9 percent per year, which was statistically significant at 5 percent level and in period I (1983 – 2000), the compound annual growth rate during 18 years for Share Capital of Ratnagiri District Central Co-operative Bank was 18.2 percent per year. The compound annual growth rate for reserve and other funds was 13.7 percent per year. Ratnagiri District Central Co-operative Bank Ltd.'s reserve and other funds were growing at a significant rate which indicated a good sign of progress in respect of reserve and other funds. Ratnagiri District Central Co-operative Bank Ltd. were found to be increasing at significant rate as compound growth rate of

13.7 percent per year showed an enlarging figure as far as future of bank is concerned.

The compound annual growth rate of external loans for period I, II and overall period was 19.7, 15.8 and 22.5 percent per year respectively. The Ratnagiri District Central Co-operative Bank Ltd.'s total deposits were growing at a substantial rate, with compound growth rates of 14.0 percent per year. The trend in growth for overall study period, from (1983 – 2021), the compound annual growth rate during last 39 years for total loan and advances was 15.1 percent per year. During the year 1983 – 2000 (period I), Compound annual growth rate for investment was 16.3 percent and In period II and overall period, compound annual growth rate were 10.5, 12.8 percent per year respectively. The compound annual growth rate of working capital shows that the total working capital of Ratnagiri District Central Co-operative Bank Ltd. is increasing with high pace. During overall study period (1983 to 2021), the compound growth rate for percentage of recovery of loans was just 0.9 percent per year.

Table 3: Performance of bank as per various indicators

Sr. No.	Indicators	Year		Percent change over base year (%)
		1983	2021	
1	Total branches (Number)	39	80	105.12
2	Total Employees (Number)	380	442	16.31
3	Share Capital (Rs. in lakhs)	55.2	5146.25	9222.91
4	Reserve and other funds (Rs. in lakhs)	127.17	16175.81	12619.83
5	Owened funds (Rs. in lakhs)	182.37	21322.06	11591.65
6	External loans (Rs. in lakhs)	6.12	9814.41	160266.2
7	Total Deposits (Rs. in lakhs)	1387.65	208373.06	14916.25
8	Total loan and advances (Rs. in lakhs)	1136.99	149307.31	13031.81
9	Investment (Rs. in lakhs)	406.98	75776.98	18519.34
10	Total Working Capital (Rs. in lakhs)	1906.83	246148.13	12808.76
11	Percent of recovery of loans (percent)	63.04	96.99	53.85

It is observed from Table 3 that, during the period of the previous 39 years, the bank's total number of branches increased from 39 to 80 by 105.12 percent over the base year of 1983. The percent change over base year from year 1983 to 2021 was 16.31 percent increase in the number of employees. It may be result of computerization and bank policy. In last 39 years the total percent increase in share capital with the bank over base year 1983 was 9222.91 percent. It resulted substantial progress in case of share capital. Over the course of the previous 39 years, the reserve and other funds at the bank increased from Rs. 127.17 lakhs to Rs. 16175.81 lakhs by a total of 12619.83 percent as compared to the base year 1983. In period of 1983 to 2021 (39 years) the total percent

increase in owned funds with the bank over base year 1983 was 11591.65 percent resulted significant progress. In overall study period, the total percent increase in external loans with the bank was 160266.20 percent. The banks total deposits increased from Rs. 1387.65 lakhs to Rs. 208373.06 lakhs by 14916.25 percent during the overall study period (39 years). The percent growth in total bank loans and advances over base year 1983 over the last 39 years was 13031.81 percent had made significant improvement in terms of total loans and advances. The increase in total investment with the bank over base year 1983 was 18519.34 percent for overall period (39 years). The total percent change in total working capital with the bank over the year 1983 to 2021 was 12808.76 percent. In

overall study period, the total percent increase in percent of recovery of loans of the bank over base year 1983 was 53.85 percent.

Conclusions

Ratnagiri District Central Co-operative Bank Ltd. has significantly increased in the number of branches and indicated a positive growth (1.36%) in number of branches, at least one branch is open in a year. After establishment of bank in initial years, number of employees were increases, However later number of employees were reduced, which indicated just 16.31 percent increase in the employees. It may be result of computerization and bank policy. The various indicator of the year 2020-21 indicated that the financial position of bank is presently good and it is spread over the district with wide network of 80 branches. The Ratnagiri district central co-operative bank Ltd. have made a substantial progress in case of share capital, Reserve and other funds, owned funds, external loans, Deposits, Loan and advances, Investment, Total Working Capital, Percent of recovery of loans.

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