CHAPTER-I
INTRODUCTION AND DESIGN OF THE STUDY

INTRODUCTION:

The success of any financial system lies in the effective operations of all its components, viz. markets, services, instruments and institutions. Co-operative banks are playing an imperative role in the Indian financial system as co-operation has been inherent in Indian cultural philosophy to work as a socio-economic organisation for the well-being of the people. The principles and practices of co-operative system have been guiding the people for community based management of means of production and economic resources. The sole purpose of co-operatives have been to facilitate self-sufficiency in foodgrain production, creation of better employment opportunities for rural people, workers and artisans and to provide organisational strength to the persons of the limited means for their sustenance.²

Earlier, in rural areas getting the credit requirement for the agricultural and its related activities was very tough. The agriculturist wholly depend for their credit requirement upon unorganised money market agencies, such as money lenders, who were providing credit often at exploitatively high rate of interest. At that time commercial banks were reluctant to enter into the field of agriculture, as good and liquid security is the main consideration by the commercial banks but agriculturist are not able to provide good securities. Land is the only security, that they can offer which is not acceptable to bank advances.

Further, the repayment of loans depends on the crop yield and the crop yield depends on the monsoon and other natural calamities which are unpredictable. If there is no crop yield or yield is unprofitable may effect the repaying of the loan by the borrower. Because of these reasons the
commercial banks are trying to keep away from the fields of agricultural finance.

Therefore the co-operative banks came into existence in 1904 to facilitate finance for agricultural activities and other related activities in order to substitute unorganised money market and money lenders.

In India co-operative banks have been developed into two distinct streams of agricultural credit, one basically meeting the crop loan requirements of farmers, and the other supporting farmer level capital investments in agriculture. The structure which primarily meets the crop loan requirements is a three-tier structure in most of the states. Primary Agricultural Credit Co-operative Societies (PACS) with farmers as their members at the base level and Central Co-operative Banks (CCBs) as the intermediate federal structure with PACS as principal affiliated members. State Co-operative Bank (StCB) at the apex state level with CCBs and other co-operatives as its principal members. This three-tier Co-operative Credit Structure is popularly known as the Short Term Co-operative Credit Structure (STCCS).

The financial condition of banks in India cannot be claimed sound at present. The economic development is emerging in India out of globalisation, liberalisation and privatisation which also created competitive environment in banking sector. Due to this prevailing environment of competition, the role of public sector is declining and private sector is rising very strong. In rural financing sector, private sector banks like ICICI, HDFC and Axis Bank etc are entering. Apart from this, Govt. of India is emphasising on nationalised banks to make greater penetration in rural area. Hence, co-operative banks have no option other than to compete with these highly professionalised institutions in providing rural credit to the farmers. Before 1969, co-operative credit institutions had been remained in monopoly.
in the field of rural credit in India. Even today, (after nationalisation of commercial banks in 1969, entry of regional rural banks in 1975 and foreign banks after 1991) co-operative credit institutions deliver credit to the largest portion of rural population in India.

Despite the phenomenal outreach and volume of operations, the health of a very large proportion of these credit co-operatives has deteriorated significantly. The institutions are beset with problems like low resource base, high dependence on external sources of funding, excessive Governmental control, dual control, huge accumulated losses, imbalances, poor business diversification, low recovery, etc. The accumulated losses of DCCBs aggregate is over Rs. 4188 crore. The Non Performing Assets (NPA), as a percentage of loans outstanding at the level of DCCBs, at the end of March 2011 was around 12 percent. These institutions do not, therefore, inspire confidence among their existing and potential members, depositors, borrowers and lenders².

Considering these facts, financial performance and operational aspects of these institutions becomes significant. Financial analysis determines the organisation’s financial strength and weaknesses by establishing strategic relationship between the components of financial statements and other operative data. It establishes the relationship between these components, on the one hand and as between individual components and total of these items, on the other. Along with this, it studies the trends of the various important factors over the period to clearly understand the business organisation’s changing profitability and financial condition.

Financial analysis seeks to spotlight the organisation’s significant facts and relationships of managerial performance, corporate efficiency, financial strength and weakness and credit worthiness. The tools of analysis are used to study accounting data to determine the continuity of the
operating policies, investment value of the business, credit ratings and test the efficiency of operations. The finance manager equips himself with the different tools of analysis to take rational decisions. These tools of analysis immensely help him in carrying out his planning and controlling functions. While preparing financial plan for the firm, the finance manager comes to know the impact of these decisions on financial condition and profitability of the business enterprise.

The techniques of financial analysis serve as a hand made to the management’s decisions. The techniques are equally useful in the sphere of financial control, as they enable the finance manager to make constant review of the actual financial operations of the firm as a whole and of the various divisions of the firm by analysing the causes of major deviations which result in corrective actions where indicated. Thus, with the help of tools of financial analysis, the finance manager can rationalise his decisions to reach the business goals easily. The use of financial analysis is not limited to the finance managers, as they are also useful to top management, investors, creditors, suppliers, employees, government, etc.

In the present study, efforts have been made to investigate the financial performance of two Central Co-operative Banks in Karnataka state i.e. Bidar District Central Co-operative Bank Limited (BDCCB) and Gulbarga District Central Co-operative Bank Limited (GDCCB).

STATEMENT OF THE PROBLEM:

The Central Co-operative Banks widely known as District Central Co-operative Banks, occupy a cardinal position in the co-operative credit structure. They constitute an important link between the Apex Co-operative Bank and PACS. DCCBs are in fact a federation of PACS and other types of societies working within their jurisdiction. DCCBs act as the leader of the co-operative movement in a district and play an effective role in the all-
round growth of the co-operative movement. It has to undertake various promotional and developmental activities also. Being the social banker, it has to take banking facilities to the rural areas and unbanked centres. It is the spokesman for not only PACS, but also for other kinds of co-operative institutions in the district. DCCBs are also doing personal banking along with the financing of primary credit societies.

The co-operative banks have made a significant progress in catering to the needs of the large section of the population especially the poor in rural and semi urban areas. DCCBs had a monopoly business and they were covering about 70 percent of the population particularly in rural area through their business till 1990. After introduction of New Economic Policy the business of DCCBs has become very competitive and they are facing stiff competition in their area of operation where they have to flourish their business. It has to compete with nationalised banks, Commercial Banks, Private Banks, Foreign Banks, Non-Banking Financing Agencies, and others. The most of co-operative credit institutions are suffering from lack of professionalism, sound management system and autonomy in decision making.

All the above said reasons caused low volume of business, stagnation in borrower membership and the high incidence of overdues and thus collectively causing financial ill health among these Co-operative Credit Institutions. In addition, the poor recovery performance has also affected the ability of these institutions to cater to the credit needs of new and non-defaulting members and resulted in low paid-up share capital. Obviously, the financial health of most of the co-operative banks have been a cause for concern and also proved to be a serious handicap in reaching out to the larger population in spite of Government help.
Having recognised the importance of co-operative banks in the development process of the rural economy and also the need for its revitalisation to make them efficient and cost effective, successive governments have introduced several banking sector reforms in a phased manner to make these institutions stronger, efficient and viable. For instance, prudential standards covering capital adequacy, income recognition, asset classification, and provisioning norms were made applicable to co-operative banks. But, these measures yielded much less than the desired results.

Various factors such as increasing competition, tightening prudential standards, supervision and regulatory standards, multiple controls etc., have complicated the situation for these banks. Given the enormity of the situation and critical role of co-operative banks in nation building, it felt the need to analyse and present the reasons for the success or failure of co-operative banks and to assist them in retaining their position in a fiercely competitive market place.

Though the co-operative banks are structured on the philosophy of mutual help, at the same time there is a need to earn sufficient amount of profit for rendering effective services for the long term survival.

Looking at the present situation prevailing in the area of DCCBs, it is revealed that DCCBs have to make themselves more effective and efficient in the area of finance and operation so that they can face the stiff competition and justify their objective of the existence.

Thus, this research is designed as a descriptive and analytical study of the financial performance of BDCCB and GDCCB. By analysing and interpreting its financial statements with focus on Profitability, Liquidity, Solvency, Efficiency, Risk and Viability. The results of the interpretation will be compared to derive the meaningful conclusion.
REVIEW OF LITERATURE:

REPORTS OF THE COMMITTEES - Researcher has made an attempt to review the literature in respect of different committees like review committees, reports of the working groups, study teams on co-operatives etc. for detail study of the research work. Various expert committees were appointed to study the development of co-operatives and to make the recommendations for the sustainable development of co-operatives, from time to time, as and when the Government felt that something was wrong with the development. A brief review of the financial performance of the banks and the term-lending institutions, various committees and analysts relevant works done in past is given below.

Committee on Co-operation (1914)³ - Appointed under the chairmanship of Sri C.D.Maclagan to study the state of co-operatives and make recommendations for the future. The Committee’s recommendations basically related to credit co-operatives. It recommended building up a strong three-tier structure in every province with primaries at the base, the CCB at the middle-tier and the Provincial Co-operative Bank at the apex, basically to provide short-term and medium-term finance. Considerable emphasis was laid on ensuring the co-operative character of these institutions and training and member education, building adequate reserves, gradual discouragement of individual member and production oriented loans etc.

Royal Commission on Agriculture (1928)⁴ - Appointed to make recommendations for improvement of agriculture and promotion of welfare and prosperity of the rural population. The committee studied the working of co-operative movement as a whole and stated that the co-operative credit movement has failed in many states due to internal defects which could be rectified by maintaining a high standard of efficiency in work. The
committee also felt the need for extension of co-operative principles to other fields.

**Agricultural Finance Sub-Committee (1945)** - This sub-committee was formed under the Chairmanship of Prof. D.R. Gadgil. The committee observed that, “the spread of co-operation would provide the best and the more lasting solution for problems of rural economy in general and that of agricultural credit in particular.” However, it was considered that it might not be possible for the co-operative movement to supply the entire credit needs of agriculturists. Therefore, it was recommended that state aid should be given in much larger measure which was provided in the past so that the co-operatives might be enabled to supply better credit facilities.

**Co-operative Planning Committee (1945)** - Under the Chairmanship of R.G. Saraiya, the committee recommended that primary societies be converted into multi-purpose societies and that efforts should be made to bring 30 percent of the rural population and 50 percent of villages within the ambit of the reorganised societies within a period of 10 years, 25 percent of the total marketable surplus or agricultural produce should come under co-operatives. Committee also recommended that Reserve Bank of India should provide greater assistance to co-operatives.

**Co-operative Planning Committee (1946)** - The committee observed that non agricultural credit societies have been significantly successful in attracting deposits and promoting thrift. The movement of this sector has grown voluntarily without special encouragement from the state. The co-operative banks in the state have recorded a steady progress over the years and have proved to be the best suited agencies for which joint stock banks are not generally interested.
Rural Banking Enquiry Committee (1949)\(^8\) - Reserve Bank of India appointed a committee under the chairmanship of Sri. Purushotamdas Thakurdas in 1948. This committee observed that the co-operative banking structure was to be reorganised as it wasn’t strong except in Bombay and Madras.

Rural Credit Survey Committee Report (1954)\(^9\) - Reserve Bank of India appointed a committee in 1951 under the chairmanship of A.D. Gorwala to assess the source of rural finance and suggest some crucial measures to re-organise rural credit. The committee surveyed 600 villages in 75 districts and published its report in 1954. The committee found that the rural areas were under the control of money-lenders and only 3.5 percent needs were fulfilled by the Government. The report revealed extensive indebtedness of the farmers and found that each farmer was indebted to minimum from Rs.100 to Rs.300 per hectares. The committee also pointed out the ineffectiveness of Co-operative Institutions to supply adequate credit to the farmers. The committee concluded that “Co-operation has failed but it must succeed”

Law Committee (1956)\(^10\) - Law Committee was set up by Government of India, under the Chairmanship of S.T.Raja. The committee submitted its report in 1957 and prepared a draft bill, which was forwarded to all State Governments for simplifying and liberalising the provisions of co-operative laws and procedures, with suitable modifications according to their local conditions. The law related to co-operatives, their responsibility of enactment and administration rested in the State Governments. After the committee report, many State Governments passed their new Acts.

National Development Council (NDC) Resolution (1958)\(^11\) - NDC discussed in detail and recommended radical reforms in the pattern of organisation of societies at village level in its policy resolution of 1958 about co-operative movement. As per their recommendations in 1959
Government of India pointed out to the State Governments the broad outlines of the policy to follow in respect of co-operative development. According to the resolution, the co-operatives should be organised on the basis of village community as the primary unit and that there should be close coordination between the village co-operative and the Panchayat. The Resolution also recommended that the restrictive features of existing co-operative legislation should be removed.

**Working Group on Co-operative Policy (1958)** - This group was appointed by the Government of India to consider the administrative and organisational arrangements needed for the implementation of 1958 Resolution of the National Development Council. The group recommended that the village co-operative should be organised on the basis of village community as the primary unit and include all the families living in the village. The group advised not to combine the credit function, which was of primary importance to all the people in the village, with such other functions in which only a few people might be interested.

**Mehta Committee (1959)** - The committee on co-operative credit had given its report in October 1960, with many important recommendations to determine the question of viability, providing adequate finance and state participation at the primary level. The committee suggested to expand credit facilities for agricultural production as well as credit structure for strengthening co-operative movement. The committee also stressed on the co-operative societies to enlarge their internal resources, sound management, not only encourage the credit worthy people as member but also the marginal and sub-marginal cultivators, landless tenants etc. and provide them adequate credit on the basis of their production requirement and paying capacity. The pattern of organisation of primary societies, which formed the
base of the co-operative credit structure, was settled on the basis of the recommendations of the Mehta Committee on credit\textsuperscript{11}.

**Committee on Taccavi Loans (1962)\textsuperscript{14}** - The Ministry of Community Development and Co-operation, Government of India (GOI), appointed the Committee on Taccavi Loans in July 1961, under the Chairmanship of Shri. B.P.Patel, to examine the existing arrangements for the supply of taccavi loans to farmers and suggested measures as will ensure effective implementation of the policy of routing taccavi loans through co-operatives. Committee submitted its report in August 1962. As per National Development Councils recommendation in November 1958, was that taccavi loans and other facilities made available to agriculturists through co-operatives and make advantage to every agriculturists and worker to find it to join the village co-operative. GOI therefore requested the State Governments to route taccavi loans through co-operatives. The progress of implementation of this policy was not satisfactory as there were many organisational and administrative difficulties that stood in the way of its implementation.

Patel Committee studied the problems and made recommendations. The committee submitted its reports in September 1962. On the basis of the recommendations of the committee, the GOI in September 1963, presented a future policy to the state governments that to accept co-operatives as the ultimate sole institutional agency for provision of agricultural credit, to implement the policy of routing taccavi loans through co-operatives in a phased manner, and to strengthen the co-operatives in areas where they are weak so that they may ultimately take over the entire responsibility for provision of agricultural credit.

**Working Group on Industrial Co-operatives (1962)\textsuperscript{15}** - In 1962, the Ministry of Commerce and Industry appointed the working group on
Industrial Co-operatives, called as Working Group on Industrial Co-operatives, to review the present condition and to suggest targets during Third Plan. The report submitted in May 1963 with the recommendations that the setting up of new and revitalising the existing industrial co-operatives, strengthening weavers and handicrafts co-operatives and extension of credit facilities of Industrial co-operatives by co-operative banks and the formation of federations of industrial co-operatives. Special orientation of 2 to 3 weeks should be given to the officer’s in charge of providing technical, financial and other facilities to the industrial societies. The group estimated that 15,000 new societies could be set up with a membership of 15 lacks during the third plan. It recommended utilisation of 25 percent of small scale industries provision in the plan for the development of industrial co-operatives.

**Mirdha Committee on Co-operatives (1965)**16 - The committee was asked to (a) lay down standards to determine genuineness of co-operative societies, (b) suggest measures to weed out non-genuine societies, (c) review existing co-operative laws and practice to eliminate vested interest and (d) suggest measures to overcome factors inhibiting self reliance and self regulation in the co-operative movement.

The committee after assessing the size of the problem of non-genuineness in the co-operative movement, the report came to the conclusion that the movement was by and large moving in the right direction and that it would be wrong to magnify a few malpractices and come to a conclusion that the movement was replete with non-genuine societies. The committee however, gave certain suggestions to overcome a wrong type of tendencies i.e. co-operative training and education, regular audit of societies by an agency independent of Registrar, Government assistance etc. The committee also examined the factors hitting self-reliance and self regulation in the
co-operative movement. After examining all the issues the committee made many useful recommendations including setting up of National Co-operative Bank to make the movement self reliant.

**Study Group on Panchayats and Co-operatives (1962)**\(^{17}\) - It was appointed by the GOI, under the chairmanship of Misra S.D.W. to study and suggest measures to achieve maximum co-ordination between the co-operatives and Panchayats. Concern to the State Governments participation in the share of co-operative societies, working group suggested that it should not be rated through the Panchayati Raj institution, whether they both have a close ideological link and aim at democratic decentralisation.

**Committee on Co-operative Administration (1963)**\(^{18}\) - It was appointed in April 1963, under the Chairmanship of V.L.Mehta. The committee appointed to review the departmental set up and to suggest recommendations to make stronger the departmental administrative staffs at various levels. Committee recommended that the Registrar, Co-operative Societies, should be an IAS officer along with two years training. There should be Joint Registrar for audit, credit and banking, marketing and processing, industrial societies, forming societies and consumer societies. It is also recommended that suitable training should be given to the departmental as well as institutional staff and orientation training should be given after every five to seven years. The pattern of organization of primary societies, which formed the base of the co-operative credit structure, was settled on the recommendations of the Mehta Committee on Credit.

**All India Rural Credit Review Committee (1969)**\(^{19}\) - GOI had appointed the committee under the chairmanship of B.Venkatappiah to study need of the co-operative sector. The Committee suggested the following points and recommendations: a) The establishment of Agricultural Credit Board, b) Setting up of a Small Farmers Development Agency (SFDA), c) Creation of
Electrification Corporation for the benefit of underdeveloped areas, d) Adoption of various measures for ensuring the timely and adequate flow of credit for agriculture through co-operatives and through commercial banks. Most of the recommendations of the committee were accepted by the government and included in the Fourth Five Year Plan.

**Banking Commission (1972)**\(^{20}\) - This commission was set up in 1969 under the chairmanship R.G.Saraiya to review the working of co-operative banks and recommend coordinate development of commercial and co-operative banks. The commission submitted its report in 1972. The committee recommended that the primary credit societies to be strengthened to enable those to function as Rural Banks and flexibility to be provided to co-operative banks as in the case of commercial banks.

**Dubhashi P.R. Committee (1972)**\(^{21}\) - The issues addressed by the committee in relation to co-operative bank were- a) Adoption of professional management, b) Extension of deposits and insurance, c) Quality of working-litigation pending, adjournment, hundred percent audit, security of loan proposals, documentation, loan recovery plan, grant of membership, maintenance of records, revision of bye-laws, Registrar’s power, court procedures, nature of appeals in the court, a common law for all types of co-operative societies, etc.

**Committee on Integration of Co-operative Credit Institutions (1976)**\(^{22}\) - The committee was set up under the chairmanship of R.K.Hazari to study the feasibility of integrating the long term and short term structure of co-operative movement. The committee felt that there is need for proper linkages between production and investment credit to intensify modernisation of agriculture and rectify the imbalance in the credit structure. The committee further observed that commercial and co-operative credit can jointly play an important role in agricultural finance.
The committee recommended that there should be group guarantees, where hypothecation not possible. System of farmer’s passbook to be introduced and gradual decentralisation of loan sanctioning powers.

**Shivaraman B. Committee (1979)** - The Committee to Review Arrangement for Institutional Credit for Agriculture and Rural Development (CRAFTICARD) was appointed under the chairmanship of Sri B.Shivaraman by RBI on 30th March 1979. The committee formed to examine the feasibility of integrating the long term and medium term credit structure and review the two tier versus three tier credit system.

The committee considered that in the context of fast changing rural scene as a result of increased economic prosperity, it is high time that PACS take steps to spread banking habits and mobilise deposits in rural areas. A two tier structure may exist in the smaller states and UTs, while a three tier structure may be the general pattern for the large states.

**Committee on Democratisation and Professionalisation of Co-operative Management (1985)** - The committee was set up under the chairmanship of Ardhanarishwaran to examine the various State Co-operative Acts. The committee made the following observations:

Existing Co-operative Societies Act contain provisions which militate against the democratic character and the autonomy of co-operatives.

Over the years, the Registrar has acquired undue powers in respect of management decisions of the co-operatives, which should be curtailed. Role of the registrar should be made more positive and he should be looked upon as a development agent.

**Khusro Committee (1989)** - The Agricultural Credit Review Committee under the chairmanship of A.M.Khusro was appointed by the RBI in August,
1986 to review the rural financial system and to assess the credit requirements of the agricultural sector during the next decade.

The committee assessed that co-operative banks must work as a total system and develop self-reliance. The higher tiers of the system must look upon the lower tiers as mother institutions, from which they derive strength and to which they, in turn, provide authority, leadership, guidance, supervision and control. There should be mutual accountability, support and responsibility within the system so that it became cohesive and had an organic relationship between its different tiers. The committee further observed that there should be commonly-shared interest in deposit mobilisation, profit and reserves.

**Pant Committee (1990)** - The Ministry of Agriculture set up committee in October 1990 under the chairmanship of Pant J.C. (Additional Secretary, Department of Agriculture and Co-operation) to consider the implementation of the recommendations of the Agricultural Credit Review Committee (1989) for strengthening the co-operative Credit delivery system on sound financial lines.

To make each primary agricultural credit society viable the committee suggested some action programme. As the first step would be to train personnel working in co-operative banks in all aspects of preparation of Business Development Plans (BDP) for PACS, committee suggested that the personnel training will develop the total scope of activities necessary for increasing loan business, deposit mobilisation, increase the range of profitable activities, etc.

The committee advised that instead of five years period of the programme for restoring the viability of primary co-operative credit society to a minimum business of Rs.10 lack per annum should be phased over a
period of ten years due to heavy financial commitment required to overcome the problem.

**Narasimhan Committee (1991)** - A committee appointed by the GOI in August 1991, to examine all aspects of the financial system, in terms of its structure, organisation functions and procedures. Committee emphasised on capital adequacy and liquidity. Committee did not show concern to review the working and evaluating the performance of co-operative banks and also did not make suggestions as to how challenges in feature be met by co-operatives.

**Brahm Prakash Committee (1991)** - It was appointed to revise the existing co-operative laws for co-operative development through voluntary participation of the people. The Committee recommended a Model Co-operative Law in 1991 in order to make co-operatives self-reliant, autonomous and democratic. It was circulated to all the states with the advice to incorporate the same, as it ensures more power to the members, more participation and less government intervention in the affairs of co-operatives. However, there were some bottlenecks in implementing the recommendations because of the states unwillingness to share in costs and their reluctance to dilute state powers. Only nine states enacted the Mutually Aided Co-operative Societies Act, 1995. They are Jammu & Kashmir, Uttarakhand, Orissa, Bihar, Jharkhand, Madhya Pradesh, Chhattishgarh, Karnataka, and Andhra Pradesh.

Central Government enacted the Multi-State Co-operative Societies Act, 2002 which was in line with the Model Act and came into force with effect from August 19, 2002. The main objectives of the Multi-State Co-operative Societies Act were to serve the interest of members in more than one state, to ensure the social and economical betterment of its
members through self-help and mutual aid in accordance with the co-operative principles.

**Narsimhan Committee Report (1998)** - The second part of the report of the Narsimhan committee was submitted on 24th April 1998. The committee recommended to close the branches which were under loss or percentage of NPAs over 2 percent.

**Caproor Committee (2000)** - The GOI appointed the Jagadish Capoor Committee to recommend on the lines that co-operative societies must evolve as independent self-reliant, autonomous and member-driven institutions. The committee recommended several points concerned to professionalisation, business diversification, recovery management, human resource development, fund mechanism and setting up of a co-operative rehabilitation and development fund. The Capoor committee also mentioned that the co-operatives have lost their democratic character and have become the government controlled bureaucratic organisations. The committee suggested minimising excessive control and regulation for the sound development of the co-operatives throughout its own principles.

**Vikhe Patil Committee (2001)** - The GOI appointed a committee under the chairmanship of Vikhe Patil to examine the revitalisation package including sharing pattern of contribution recommended by the Capoor Committee and to make suitable recommendations. The committee recommended special financial assistance to help viable and potentially viable DCCBs to wipeout accumulated losses, strengthen their capital base, consolidate their outstanding debt from past borrowing and convert them into medium term loan at lower rate of interest. It is also recommended that the cost of financial restructuring should be shared by the union and the State Governments.
Expert Committee on Rural Credit (2001) - The committee was constituted by NABARD in August 2000 under the chairmanship of V.S.Vyas to discuss and make recommendations on various aspects such as structure of rural credit system, role of the tiers in co-operative credit systems and reducing the cost of credit delivery, development policies and support systems, strategies to meet gaps in supply in rural credit and the legal issues.

The committee found while studying that a collapse of the co-operative credit system will leave an unbreachable gap in credit availability in rural areas. Co-operatives need to be revitalised at the earliest, as delays would be detrimental to the interests of the rural population.

The committee recommendations were:
1. Central and State governments will have to provide the required resources, since co-operatives obviously do not possess them. Government of India should act expeditiously on the recommendations of the Jagdish Capoor Task Force on revitalisation and place Rs 500 crore with NABARD for the purpose.
2. To bring about autonomy and accountability to co-operatives, the model bill suggested by the Chaudhary Brahm Prakash Committee should be adopted as the Co-operatives Act in all states.
3. The committee had highlighted the need for strengthening the primary agriculture co-operative societies and enabling environment to be created by the State Governments.
4. The Banking Regulation Act, 1949, giving RBI/NABARD powers of supervision, should apply to co-operatives, with appropriate modifications to maintain their co-operative character.
5. It has also called for integration of long and short-term credit disbursal structures. Short-term credit institutions must be permitted to disburse long-term credit,

6. The committee had been strongly against the one-time settlements unless necessitated by exceptional circumstances such as natural calamities.

**National Policy on Co-operatives (2002)** - GOI announced the wide-ranging National Policy on Co-operatives in April 2002. Under the policy, co-operatives would be provided necessary support, encouragement and assistance so as to ensure that they work as autonomous, self-reliant and democratically managed institutions accountable to their members and make a significant contribution to the national economy.

Due to the several internal and structural weaknesses of co-operatives, wide regional imbalances, and lack of proper policy support had neutralised their positive impact. This had necessitated the need for a clear cut National Policy on co-operatives. Government must accept the need to phase-out its share holdings/ equity participation in the co-operatives. The co-operative shall be enabled to set up holding companies/ subsidiaries, enter into strategic partnership, venture into futuristic areas like insurance, food processing and information technology etc., and shall be independent to take the financial decisions in the interest of the members and the furtherance of their stand.

The role of the Government in ensuring, the benefits of liberalisation and globalisation in the rising special provision in the Co-operative Societies Act with regard to banking, housing, real estate development, processing, manufacturers Co-operatives, infrastructure development etc.
Vaidyanathan A. Committee (2004) - GOI constituted a committee under the Chairmanship of Vaidyanathan A, known as Task Force on Revival of Co-operative Credit Institutions, to revive and revitalise the rural co-operative credit structure and attributes high priority and urgency to it.

The recommendations of the committee were as follows:

1. The co-operative credit societies and banks should be free of state control and an Andhra-style Act should be passed in every state.
2. Special financial assistance to wipe out the accumulated losses and to strengthen the capital base of the co-operative credit institution.
3. Radical changes in the legal framework to empower the Reserve Bank of India to take action directly to ensure the prudent financial management of co-operative banks.
4. Improvement in the quality of personnel at all levels of the co-operative credit system through capacity building that would lead to an improvement in efficiency.

The committee also felt need of amendments in the Banking Regulation Act, State Co-operative Societies Act, and Mutually Aided Cooperatives Societies Act. To create legal environment enabling co-operatives to function as autonomous and member driven institutions.

Radhakrishana R. (2006) The Expert Group on Agricultural Indebtedness was constituted under the chairmanship of Radhakrishana. The Group came out with detailed report which gave a large number of recommendations covering immediate credit measures, financial architecture, institutional architecture, risk mitigation and other measures.

The following observations were made by the expert group:

1. Indebtedness of farmers is largely because agriculture depends mainly on the monsoon, which ultimately affects the repaying capacity of the farmers.
2. Though agricultural credit has increased manifold, most of the farmers depend fully/partially on non-institutional sources where the rates of interest are quite high and the terms and conditions often exploitive.

3. The dominance of middle-man often prevents the farmers from getting remunerating price for their produce.

Expert Group noticed the decline in the share of co-operatives in total agricultural credit from 74.90 percent of short-term credit in 1975-76 to 33.2 percent in 2005-06 and from 61.2 percent of long-term credit to only 6 percent in the same period. The fact that the reach of the co-operative banks is much wider (in March 2003 against 1.64 crore borrower accounts with public sector banks, the co-operatives had 6.39 crore accounts), it is also noticed that the co-operative banks are much higher risk profile as compared to commercial banks that are able to diversify in the whole country and across all sectors, where as co-operative banks by design have area and sectoral restrictions.

**High Powered Committee on Co-operatives (2009)** - Following the recommendations of the conference of State Co-operative Ministers in Dec 2004, this committee on co-operatives was constructed under the chairmanship of Shivajirao G Patil by GoI for preparing a road map for co-operatives over the coming years.

Summary recommendations of the committee are given below:

1. The law enacted in each state should be amended to truly reflect the letter and spirit of the Model Co-operatives Act proposed by the Choudhary Brahm Prakash Committee Report.

2. Utility of various tiers of the co-operative structure be examined in each case and actions be taken for de-layering wherever the structures are not found to be cost effective.
3. Co-operative should undertake member awareness and education programmes to sensitisie members regarding their rights, responsibilities/obligations in respect of the organisation to which they belong and make special efforts to facilitate women and youth participation in co-operatives.

4. A scheme of Central Government and State Government budgetary provision for soft loans to farmers for share capital participation should be considered seriously.

5. Full income tax exemption is recommended for all co-operative societies. This will be a major incentive for the co-operatives to strengthen their capital base.

**Prakash Bakshi (2012)** - The Expert Committee was constituted by RBI under the chairmanship of Prakash Bakshi to have a relook at the functioning of the Short-Term Co-operative Credit Structure (STCCS) from the point of view of the role played by STCCS in providing agricultural credit, to identify central co-operative banks and state co-operative banks which may not remain sustainable, and to suggest appropriate mechanisms for consolidation or delayering of the STCCS and make recommendations for action to be taken by various stakeholders. The analysis, conclusions drawn, and recommendations made by the committee are indicated below.

- The committee noted that the share of STCCS in providing agricultural credit has fallen to a mere 17 percent at the aggregate level although there are small pockets where its share is more than 50 percent.

- The committee recommends that CCB should strive to provide at least 70 percent of their loan portfolio for agriculture.

- StCBs and CCBs to be fully included in the financial inclusion and EBT drive. Deposits of governments and government agencies to be made in StCBs and CCBs which have achieved 7 percent CRAR.
• GoI may consider giving income tax exemption to StCBs and CCBs up to 2016-17 for incentivising them to achieve 9 percent CRAR.
• An independent organisation may be set up by CCBs and StCBs in each state for providing support services.

REVIEW OF OTHER LITERATURE

Along with the committees literature review the researcher also reviewed and presented individual study literature published in different journals, magazines etc. concerned to the topic as given below.

Varma (1985)\(^{38}\) in his study observed that the overall performance of the Central Co-operative banks in Maharashtra is a mixed one. In his opinion, weaknesses are, over dues, poor recoveries, insufficient management, inadequate and untrained staff, lack of supervision, poor deposits, defective loan policies, defective book adjustments, inadequate bad and doubtful reserves, etc.

Rengasamy V. (1987)\(^{39}\) in his study entitled “Performance Evaluation of Tamil Nadu State Co-operative Bank Limited” analysed the performance of the bank with particular reference to deposit mobilisation and lending and observed that co-operative credit was the hope of the farmers to provide the basis of prosperity and opportunity to meet the demands of the twenty-first century.

James Paul (1987)\(^{40}\) evaluated the operational efficiency of Ernakulam DCCB and pointed out that the bank was efficient in the mobilisation of funds which is evident from owned funds to borrowed funds ratio and the borrowed funds to working capital ratio. It was however found to be inefficient in the deployment of funds. Again the ratio of net profit to owned funds showed a declining trend due to lack of efficient utilisation of funds. The liquidity position of the bank was reported to be very sound. The
researcher further observed that the bank can improve its position by finding out new avenues for investment, better cash management and by taking all efforts to curtail the overdue position of the bank and by forming an extension wing to study the problems of its member societies.

**Vaikunthe L.D. (1988)** in his study, “Recovery Performance of District Central Co-operative Bank, Dharwad”, analysed the recovery procedure of the bank with the help of 180 borrower households belonging to big, medium and small farmers. The study revealed that crop failure was the main cause of mounting overdues.

**Salim Uddin (1990)** evaluated the working and impact of various co-operative financing institutions in Haryana State. He suggested that the professionalisation of co-operative management is the need of the hour and a well defined code of conduct for managers is also needed. The author also recommended that for the success of the movement, the central co-operative banks should have a balanced board of directors with diverse talents, sound policies and commitment for proper implementation. He also suggested that the cost of administration should be reduced and various new practices be introduced for the sound functioning of the banks.

**Ganeshwar Rao D. (1992)** in his article, “Work Technology of Co-operatives” reiterated that the work technology need to be improved in co-operative banks both as a measure of efficiency of operations, economy in expenditure and improvement in customer service.

**Dayanandan and Sasi Kumar (1993)** in their article entitled “A Study on the Performance Evaluation of Central Cooperative Banks in Kerala”, made an attempt to evaluate the performance of Central Cooperative Banks in Kerala. And they observed that the net profit of the banks decreased due to
increase in overdue though there is better performance in capital, reserves and deposits.

**Toomkuzhy (1995)** made a review of the changing environment of co-operatives and examined the need for professionalisation of management in co-operatives. He noted that the environment in which co-operatives operate has been changing very fast and it has been characterised rapidly growing in size, complexity and ambiguity. To cope with the new tasks, he suggested that professional management has become an absolute necessity. Now it is apparent from the review of literature that quite a lot of studies have been made on various aspects of funds management in DCCBs in different parts of the country.

**Thirupathi Rao (1995)** while analysing the financial management of Srikakulam DCCB, felt that the finance function of a DCCB is highly regulated by the Reserve Bank of India and the Registrar of Co-operatives. The borrowings, lendings and investments are regulated and subjected to rigorous discipline in respect of several other financial operations. But, he found that this DCCB has failed to observe the financial discipline. The Bank has experienced a deficit in the maintenance of required cash reserves and liquid assets throughout the study period (1980-81 to 1992-93) and was responsible for its downgrading.

**Sambari Kokuriah (1995)** in his work entitled “Co-operative banking for rural development in Karimnagar District Central Co-operative Bank, Andhra Pradesh”, observed that the economic position of the respondents improved after availing loan from co-operative bank. He found that the majority of respondents revealed that, they had to make unauthorised payments for getting the loans sanctioned.
Patil, S.M., (2000) used various financial ratios to evaluate the performance of Primary Co-operative Agricultural and Rural Development Banks in Dharwad district of Karnataka. The study revealed that the current ratio was more than acid-test ratio was less than unity, while the net worth and profitability ratios were negative for all the banks in all the periods except for PCARDB, Dharwad.

Urs and Chitambaram (2000) studied performance of 14 District Central Co-operative Banks (DCCBs) in Kerala on 23 parameters and found inefficiency in their operations with lower capital and poor deployment of funds in DCCBs.

Venu Gopala Rao, Y. (2001) in his article, “Funds Management in Co-operative Banks – A need for new approach” emphasised the significance of funds management in co-operative banks in the context of globalisation, liberalisation and privatisation of the financial system, consequent upon the implementation of Narasimham Committee recommendations. He pointed out that co-operative banks required a new approach for achieving higher productivity and profitability in the context of the opening of economy, application of prudential norms and deregulation of interest rates. The new approach should lay emphasis on mobilisation of resources at reasonable cost and deployment of funds at required yield so as to enlarge the interest spread and profitability.

Nashi S.K. (2001) has studied financial management of Belgaum DCC bank and observed that the main reason for slow growth of the BDCC bank is the non availability of certain facilities to customers which are provided by commercial banks.

Sanjib Kumar Kota and Vinod Sharma (2001) in their article, “Co-operative Credit - Revamping needed”, emphasised that a successful
financial institution especially a co-operative financial institution has to adopt itself to the changing needs in order to become sustainable.

**Namboodiri N.V. (2001)**⁵³ in his study, “Economics of scale and scope of District Central Co-operative Banks”, explored the cost relationship of DCCBs. He applied a multi-product cost function to reveal the cost structure of these banking institutions and economics of scope for future expansion in their banking operations.

**Nanjundappa D.M. (2002)**⁵⁴ in his article opined that co-operative system unlike commercial banking is not confined to purveying of credit only. They can provide organisational framework for engaging production in agriculture, industry and services. He cautioned that it is going to be tough for co-operatives in the state in the competitive market in future. Their future depends upon their capacity competence and capability to serve their customers better than their competitors. However, committed leadership, professional management and participative membership can make the co-operatives; extend their area of operation successfully for contributing to balanced development.

**Sawai Singh Sisodia (2003)**⁵⁵ in his article titled “Co-operative Movement in India: Problems and Challenges” expressed challenges being faced by the co-operatives in India. Further, it observed that co-operatives were taking various initiatives to strengthen their competitive edge in the market. These initiatives include total quality control initiatives, management initiatives and cost reduction initiatives. The author in this article also believes that it is now increasingly organised that the co-operative system in India has the capacity and potentiality to neutralise the adverse effects emerging from the process of globalisation and liberalisation.
Pandian, Selvakumar and Kumar (2004)\textsuperscript{56} employed Linear Near Discriminant Function Analysis to identify the variables that are important in discriminating non-defaulters and defaulters. Educational level of the borrower-farmer, family size, political influence, amount of loan borrowed, repayment capacity, total income of the family, family consumption expenditure, land holding category, caste and total asset of the family were included for analysis. Data pertaining to the financial year 1999-2000 were collected from a sample of 120 borrower livestock farmers in Kanchipuram district, Tamil Nadu, India. The results of the classification of cases based on the score obtained by the discriminant function had shown that among the non-defaulters 71.9 percent were predicted correctly by the model, while among the defaulters 87.9 percent were identified correctly. In total, 80 percent of the original grouped cases were correctly classified by the model.

Kulandaiswamy and Murugesan (2004)\textsuperscript{57} analysed the performance of primary agricultural co-operative credit societies (PACS) in India based on eight variables, namely, membership, share capital, working capital, loan disbursement, deposits, borrowings, demand and overdues. Of the 30 PACS studied, those showing good performance were only 7 (23.3 percent), while 12 units (40 percent) revealed moderate performance and as much as 11 (36.7 percent) were found to be poor. The empirical evidence calls for appropriate policy interventions to correct the deficiency by such measures as recapitalisation, amalgamation, bringing down the overdues, and improving the overall efficiency.

Satish (2005)\textsuperscript{58} studied the characteristics that distinguish commercial bank and co-operative sector borrowers. Data were collected in 2002 from a sample of 160 farm households (equally divided among bank and co-operative borrowers) in Punjab, India. The differences in characteristics are discussed in terms of land ownership, ownership of capital assets, farm
expenditure, technology adoption, ownership of financial and other assets, and non-farm and subsidiary agricultural employment. It is revealed that co-operative borrowers were mainly small and marginal farmers with limited land and capital. Bank borrowers, on the other hand, are mainly commercial farmers who have larger land holdings and with higher amounts of capital.

Thanikodi (2005)\(^{59}\) in his article titled as “Central co-operative Banks: Problems and Remedies” found that the success of the CCBs is to be judged by the manner in which they have promoted the healthy functioning and development of PACBs in rural areas. It is possible only by having a strong CCB to sustain a healthy growth of the co-operative movement in a district. To have a strong CCB, the internal and external defects of the CCBs should be removed with a collective effort of the Government, management employees and public.

Singh and Singh (2006)\(^{60}\) studied the funds management in the District Central Co-operative Banks (DCCBs) of Punjab with specific reference to the analysis of financial margin. It noted that a higher proportion of own funds and the recovery concerns have resulted in the increased margin of the Central Co-operative Banks and thus had a larger provision for non-performing assets.

Bhagwati Prasad (2006)\(^{61}\) wrote an article titled “Co-operative Banking in Competitive Business Environment” that technology has made tremendous impact on entire banking sector, which has thrown new challenges, due to which co-operative banks are constantly exposed to competition and risk management. Therefore, they need a combination of new technologies and better processes of credit and risk appraisal, treasury management, product diversification, internal control and external regulation along with infusion of professionalisation. In the present business environment, the co-operative banks should be locked by democratisation, depoliticisation, and
decentralisation so as to make them competitive. Thus, there is urgent need for transformation in the mindset, identity, business operations, governance, and systems and procedures, which will definitely boost the morale of co-operative banks to face environment challenges.

Campbell (2007)\textsuperscript{62} focused on the relationship between nonperforming loans (NPLs) and bank failure and argued for an effective bank insolvency law for the prevention and control of NPLs for developing and transitional economies as these have been suffering severe problems due to NPLs.

Natarajan (2007)\textsuperscript{63} analysed the problems of service co-operative bank in Kerala. He opined that co-operatives have to get a reasonable profit. Therefore, it is high time that the service co-operative banks in Kerala have to analyse their profitability of each of their activity, plan their funds efficiently and effectively utilize their work force to the maximum in order to get a reasonable profit and survive in their competitive environment otherwise the loss scenario will eat away the capital of the banks held up to liquidation.

Vinayagamoorthy (2007)\textsuperscript{64} in his article “Globalisation and Co-operative Sector in India” found that in a developing country like India with huge deficits in terms of quantity and quality, the State has to shoulder the primary responsibility of providing co-operative credit. Considering the low living standards of common man, incomplete and imperfect markets, and other socio political considerations it is the primary duty of the government to ensure that its citizens have easy access to co-operative credit. The need of the hour for the co-operative sector in the era of liberalised environment is to seize every opportunity available to it. Thus, the future vision of co-operative movement will have to be based on efficiency parameters relating to promotion of excellence, improvement of operational efficiency and strengthening of financial resource base.
Muley (2007)\textsuperscript{65} in his article “Role of Co-operative Banks in Rural Credit”, found that PACSs, DCCBs, SCBs, PCARDBs and SCARDBs had increasing trends in providing loan during the period 1991 to 2003. But as compared to commercial banks, the share of co-operative banks in agriculture sector has been declined from 44 percent in 1997-98 to 34 percent in 2002-03. The study also revealed that the recovery performance of co-operative banks is not satisfactory. Hence, co-operative banks are facing problems of recovery and its associated problems. Considering the importance of co-operative credit in rural area, the government should protect the co-operative societies and co-operative banking agencies in new environment.

Kumar Sabina (2008)\textsuperscript{66} in her thesis worked on “Management of Non-Performing Advances- A Study of District Central Co-operatives Banks of Punjab, A sample of ten DCCBs i.e. five with high level of NPAs and five with low level of NPAs, was taken for the study. It was found that despite the best efforts, Central Co-operative banks have not succeeded in diversifying their business. The NPAs in crop loan were found to be the lowest and in non-farm sector loan they were highest. On the basis of step wise multiple regression it was found that caste, education, amount and adequacy of loan were the main factors effecting repayment performance of the borrowers. She suggested that these banks should form a special cell to monitor NPAs and should take services of recovery agents.

Chellani (2008)\textsuperscript{67} in a case study, analysed the pattern and composition of deposits of Baroda District Central Co-operative bank Ltd. The study period was from the year 1994 to 2007. He found that the share of deposits from individuals in total deposits remained around only 1/5th till 2000. But it is raised up to 2/5th at the end of the year 2007. He also concluded that the proportion of fixed deposits in total deposits had been around 4/5\textsuperscript{th}.
Mayilsamy and Revathi Bala (2009) in their article titled, “Management of Non Performing Assets in DCC Banks in India”, found that the money locked up in NPAs is not available for productive use and to the extent that the banks seek to make provisions for NPAs, it is charge on the profit. High NPAs in the banks have devastating effects not only on the banks but also on the economy as a whole. The formulation of the good policy will be of no use unless it is implemented in true spirit.

Chander and Chandel (2010) analysed the financial efficiency and viability of HARCO Bank and found poor performance of the bank on capital adequacy, liquidity, profitability, asset quality and the management efficiency parameters. Centric to the ratio analysis, these studies have customised and blended financial ratios in a model form to examine and predict the financial health. Similarly, comparative performance, recovery performance, cost reduction, productivity and efficiency are vital areas which have been considered by various analysts.

Abdul Raheem (2010) in his article titled as “Development of Co-operative During The Plan Period: An Assessment”, concluded that cooperatives in Indian economy play a significant part in effectively managing the resources of the country, and bringing together the common people for a particular cause. They have even helped in solving the problems of the rural people and helped the villages to transform themselves into areas of prosperity. They are stretching far and wide where no private and public enterprise have reached. And these silent organisations with no hype and media to support them are doing an excellent job. It can aptly be said that they are like the “island of prosperity in the ocean poverty”.

Prabu and Abdul Raheem(2010) in his article titled as “ Performance of Institutional Agricultural Credit in India: An Overview”, revealed that
co-operatives, commercial banks and RRBs play a leading role in the provisions of institutional credit. The flow of institutional credit to agriculture sector particularly by the commercial banks and RRBs has been showing the increasing trend over the year. But share of co-operatives have been showing decreasing trend due to competition by commercial banks and RRBs.

**Bhatt, B.U., Shiyani R.L. and Patel N.M. (2011)**\(^{72}\) in their case study of Junagath District Central Co-operative Bank revealed the importance of credit-deposits ratio. They studied the C.D. Ratio and its inter relationship with other components contributing towards credit which helped them to judge the credit and deposit performance of the bank. They concluded that effective C.D. ratio reflected the real picture of management of deposits and credit.

**Vandana Gautam and Bhatia B.S. (2011)**\(^{73}\) studied the Cooperative Banks and Global Financial Crisis and the study concludes that cooperative banks have not exposed to the financial crisis and this is due to the fact that they have no exposure to toxic assets, a predominant focus on domestic banking, straight forward banking products, strong capitalisation, and principally conservative risk management.

**Anil Kumar Soni and Abhay Kapre (2012)**\(^{74}\) in their article titled “Financial Performance of District Central Cooperative Bank Limited Rajnandgaon: Growth Rate Analysis”, noticed that the bank is suffering from heavy overdues, untrained members and bank has not succeeded in mobilising deposits because of severe competition from other banks and financial institutions.

**Kadam Nandkumar Laxman (2012)**\(^{75}\) in his article titled “An Evaluation of Performance of Sangli District Central Cooperative”, observed that bank
has lion's share in upliftment of small and marginal farmers and making rich to big farmers in the Sangli district and development of cooperative societies. He further noticed that if insurance awareness is created and proper care is taken then it can reduce overdue and NPA which inturn the financial condition of the bank will become sounder.

RESEARCH GAP

The above literature review explains the progress, performance and the problems of the co-operative banks reviewed by various Committees, Scholars and Researchers in various states at various periods of time.

While going through the above literature review, it is found that many committees focused on Macro level problems of Central Co-operative Banks and others studies on individual Central Co-operative Banks. But no study is conducted on comparative financial performance of two Central Co-operative Banks which are working in same region of the state or country which help one another bank to understand and follow the policies and strategies to improve their financial performance.

However an apparent research gap exists as far as the appraisal of the financial performance of the co-operative banks are concerned. The present study thus undertakes to evaluate the financial performance of BDCCB and GDCCB of Karnataka, as a case study.

SIGNIFICANCE OF THE STUDY:

Both the banks have been operating more than 90 years in the Hyderabad Karnataka region which is considered backward region in Karnataka state. Both the banks have been playing an important role in providing finance to agriculture and rural development. With the passage of time both banks have developed in their size including nature of their operations and scope of their activities.
Hence, a comparative study of these two banks help to understand areas of strength and weaknesses of each bank so that areas of strength can become bench-mark for performance of each bank and suitable suggestions can be offered to overcome the weaknesses.

Though the co-operative organisations are service – oriented, they have to earn a reasonable amount of profit so that they can continue their activity of serving their members in the best way. Therefore, it is important to analyse the financial performance of the co-operative societies.

The present study is devoted to an in-depth analysis of some components of financial statements of Gulbarga District Central Co-operative Ltd. and Bidar District Central Co-operative Bank Ltd. and its relevance for decision making. The focus is on ratio analysis which is widely used as technique of financial statement analysis.

OBJECTIVES:

The specific objectives of the study are as follows:

1. To examine the trends in financial status, growth and overall performance of DCCBs in India and Karnataka.
2. To compare the mobilisation of funds of BDCCB and GDCCB.
3. To compare the performance in terms of loans and advances of BDCCB and GDCCB.
4. To compare the performance in terms of recovery of loans and advances of BDCCB and GDCCB.
5. To compare the credit efficiency, profitability and productivity of BDCCB and GDCCB.
6. To evaluate the best bank in terms of financial performance.
7. To suggest measures and strategies to enhance the performance of BDCCB and GDCCB.
RESEARCH DESIGN:

Research design used in the specific study includes the followings:

1. Identifying the statement of the problem.
2. Collection of the co-operative bank specific literature i.e., annual reports for the study period and the profile of the co-operative banks.
3. Scanning through standard books to understand the theory being the financial performance evaluation.
4. Collection of information from various journals to understand the industrial background of the study.
5. Decision regarding study period in this case it was decided from 2005-06 to 2010-11.
6. Identification and calculation of financial ratios and various statistical tools likely to reflect the capital adequacy, resources deployed, assets quality, management quality, earning quality and liquidity of the organisation.
7. Forwarding certain recommendation and conclusion to BDCCB and GDCCB.

SOURCE OF DATA:

For the present study, data was collected from both primary and secondary sources. The primary data related to the study units have been collected by the informal discussion with the Bank Supervisor, Branch Mangers, Assistant General Managers, Deputy General Managers, General Manager and Managing Directors.

The secondary data used for the study was collected from Annual Reports of BDCCB and GDCCB for the period from 2006 to 2011, published and unpublished documents maintained by both the banks, annual records of Karnataka State Apex Bank, Bangalore, Reserve Bank of India Bulletin (various issues), Report on trend and progress of banking in India
(various issues), NABARD reviews and annual reports, NAFSCOB bulletins. Besides this, published and unpublished dissertation works, books, periodicals and research articles from various journals were also taken into consideration.

SCOPE OF THE STUDY:

The scope of the present study is limited to analyse the financial statements of Bidar District Central Co-operative Bank Ltd., and Gulbarga District Central Co-Operative Bank Ltd., from 2005-06 to 2010-11 with the help of Management Accounting Ratios and various statistical tools. Financial statements are analysed to get the meaningful information about the banks strength and weaknesses, operational efficiencies and solvency etc.

PERIOD OF STUDY:

The present study covers the span of six years i.e. from 2005-06 to 2010-11 and in case of necessity, the data of 2011-12 and 2012-13 was also considered. The said particular period was selected for study because the availability of complete data pertaining to the said study period. This period is considered adequate to study trends and conclusions of the study units.

LIMITATIONS OF THE STUDY:

1. The study is primarily based on the data gathered from the records maintained by BDCCB and GDCCB. The variations in the procedure of maintaining the data and records in the banks created difficulties in making necessary classifications and appropriations.

2. The main tools and techniques used for the analysis are borrowed from the corporate accounting practices because a systematic accounting framework is not readily available with co-operative banks. Thus, the researcher was compelled to make slight deviations
and appropriations in the computation of ratios and other relevant indicators.

3. The detailed analysis is restricted to six years because ledger wise details were available only for six years even after extensive search.

4. Conclusions and suggestions in some cases are based on the researcher’s own judgment, therefore the personal limitations of the researcher are also need special mention.

5. It becomes difficult to consider the recent data for the evaluation due to time lag in the publication of official data.

6. There are many DCC banks in India and as well as in Karnataka but the present study is limited to BDCCB and GDCCB.

CHAPTERISATION:

The entire thesis is segregated into seven chapters for facilitating better understanding and presentations. They are:

- The first chapter deals with the introduction, review of related literature, statement of the problem, objectives of the study, design of the study, scope and limitations of the study.
- The second chapter reviews and presents the Cooperative Movement in India and Karnataka.
- The third chapter describes the profile of the study units and the background of the study areas.
- The fourth chapter analyses the working fund of the study units.
- The fifth chapter examines the advances made, pattern of lending and recovery performance of the study units.
- The sixth chapter evaluates the financial performance of study units with the help of ratio analysis.
- The seventh and final chapter presents a summary of findings of the present study and offers various suggestions for improving the financial performance of study units.
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