Chapter V

Loan disbursement and Credit utilization pattern of District Central Co-Operative Bank in selected regions.

The fifth chapter deals with the Loan disbursement and Credit utilization pattern of District Central Co-Operative Bank in selected regions, the chapter highlights on Financial Performance of the DCCB - A CAMEL Analysis, Kisan Credit Card, Inspection of District Central Cooperative Banks, Sources of Funds of DCC Banks in Maharashtra, Trends of Deposits, Owned Funds and Total Assets of DCC Banks in Maharashtra and Total uses of funds of district central cooperative banks in Maharashtra region from 1990-91 to 2004-05.

The credit cooperatives in Maharashtra have shown slower growth in their membership and institutional financing. On the other hand, a fastergrowth has been observed in outstanding against loan advances. A lackadaisical attitude of Primary Agriculture Cooperative Credit Societies(PACS) has been observed towards SC/ST members, particularly in terms of their coverage, pattern of loan advances to them and recovery pattern. One of these is wide variations in total and crop loan advances across various districts and regions of Maharashtra. A decline in the loan advances with rise in GCA in the Konkan region is another issue, but the most important one among all is the mounting overdues and non-performing assets (NPAs) of the cooperatives operating in both forward and backward regions of Maharashtra. The viability of two central level credit institutions, viz. Sangli District Central Cooperative Bank and Buldana District Central Cooperative Bank, has been estimated. In order to rejuvenate the rural credit delivery
system through cooperatives, the major problems facing the system, viz. high transaction cost, poor repayment performance, mounting NPAs, distributional aspect of credit, low coverage of SC/ST members, etc. need to be tackled with more fiscal jurisprudence reserving exemplary punishment for willful defaults, particularly by the large farmers.

Credit flows through the cooperatives in rural India and their sustainability, viability and operational efficiency have become the major focus of attention of various policymakers in the era of financial sector reforms. Although reforms in the banking sector were initiated in commercial banks much earlier (beginning 1991-92), the reform process in the cooperatives has taken a longer time to get started. It was because of the need for generating a consensus among various state governments which govern and control the cooperative credit institutions and to balance the interests of many diversified groups. However, a few major reforms, as indicated by Subrahmanyam (1999), have been introduced in the cooperative credit system. Despite these reforms, the cooperatives are still too weak to face the market forces. The weakness of cooperative banking lies at the primary level. It is pertinent to note that in the majority of states neither the deposit mobilization nor the borrowing membership of Primary Agriculture Cooperative Credit Societies (PACS) is high. For instance, during 1996-97, the borrowing membership was less than a fourth of the total membership in Uttar Pradesh (20 per cent), Karnataka (17 per cent), Assam (20 percent), and Maharashtra (24 per cent). Even in Andhra Pradesh, which initiated steps to restructure the cooperatives, the proportion of borrowing members was only 29 per cent. The average loan business per primary society was less than Rs 5 lakh in West Bengal, Orissa, Bihar, UP, Maharashtra, AP and Karnataka (Shivamaggi, 2000). Further, while some of the states like Andhra Pradesh, Kerala, Karnataka, Bihar,
Rajasthan, etc., have modified their cooperative laws, certain other states like Tamil Nadu, Gujarat and Maharashtra are yet to follow suit and initiate changes in their respective cooperative laws (Elumalai, 1999). In the present milieu when the cooperative laws are yet to be modified, the rural credit delivery through cooperatives is certainly not functioning well, as the mounting overdues and Non-Performing Assets (NPAs) show. The cooperative banks operating in Maharashtra have shown highest amount of NPAs. The share of Maharashtra in the total NPAs of State Cooperative Banks (SCBs) at all-India level was estimated at 31.76 per cent in 2002, which increased to 37.81 per cent in 2003 and further to 43.16 per cent in 2004. On the other hand, the proportion of NPAs to loans outstanding of SCB was much higher in Maharashtra than the national average, whereas recovery with respect to SCB was perceptibly lower in Maharashtra than the national average during the early 2000. These are certainly disquieting features insofar as the working of cooperative banks in Maharashtra is concerned. One of the earlier studies conducted on the cooperative sector of Maharashtra has clearly shown better financial health for the institutions at the district level as compared to that at the primary or grass-root level (Shah, 2001). This has necessitated a relooking at the performance of cooperatives engaged in the rural credit delivery in the state, with emphasis on their growing deficiencies that require attention of policymakers to truly restructure or transform the rural credit delivery through cooperatives. The major objective of this paper was to evaluate the credit delivery through cooperatives across all the districts and regions of Maharashtra with the extension to assessing viability of these credit institutions in the era of financial sector reforms. The paper has initially evaluated the rural credit scenario of Maharashtra with a focus on credit delivery system through PACS and another apex institutions in the state and has
subsequently traversed through various deficiencies that impinge the functioning of these credit institutions.

The co-operative credit societies and DCC Banks in Maharashtra are playing key role in the growth of agriculture expansion of rural development and social and cultural activities. Maharashtra State is the pioneer and rank first in the growth of co-operative movement in India. The Maharashtra co-operative societies Act was passed in 1960. In co-operative sector in Maharashtra there is primary agricultural credit co-operatives, non-agricultural credit co-operatives, marketing cooperatives, productive co-operatives, sugar co-operatives, land development bank, state co-operative bank and DCC Banks are leading more. The various federal cooperatives at the state level are famous and at the national level also. It has been developed quantitatively and qualitatively more, comparatively with the other state. Maharashtra is leading in all the states in various co-operative sectors like productive, process, marketing, banking and housing co-operatives also. The cooperative credit movement in Maharashtra (old) Bombay presidency made a slow as compared to the spectacular growth in other part of country. The first rural credit society in Bombay presidency, the “Kanginhal Rural Co-operative Credit Society” was registered on 8th May, 1905 in Dharawar district. Headed by the village Patil known for his organizational capacity, it created a deep impression in every first year by recovering its dues fully, even though its area of operations suffered from severe society. A land mark in the early history was the registration on 23rd January, 1906 of the Bombay Urban Credit Co-operative Society sponsored by Vitthaldas Thakersey Lallubhai Samaldas. It was registered as primary urban credit society but was meant to function as central society, with the sole subject of financing rural societies.
The first phase of the co-operative movement in Bombay presidency was over on 31st March, 1911. It was observed from the growth of the co-operative societies in Bombay presidency that, no DCC Bank was established up to 31st March, 1911. As in the absence of financing agencies, an urban credit society was allowed to lend surplus funds to rural primary societies. This facility helped the society to cross regional and language barriers and bring co-operative workers in the presidency closer. In spite of the erratic fluctuations in the economic trends, the co-operative movement in the presidency received tremendous boost during 1911-1924, on account of the establishment of central co-operative banks. The Bombay Central Co-operative Bank was also registered on 11th October, 1911. The DCC Bank also plays a prominent role in the development of rural and drought areas in the state of Maharashtra. According to 2007-08, there nearly about 31 DCC Banks and its 3683 branches with the head-office were working in the state of Maharashtra. The chief object of DCC Banks is to meet the credit requirements of member societies and other co-operative societies in its area of operation. The efficiency in the performance of DCC Banks always depends on the mobilization of the required amount of funds. A share capital, reserve funds and other reserves created by the DCC Banks out of its profits constitutes the internal source of the bank. But for effective and efficient working every DCC Bank has depend upon the external source like deposits from public, member societies and individuals and borrowing from State Co-operative Bank and State Government. The share capital, reserves, deposits and borrowings of DCC Banks in Maharashtra during the period 2001-02 to 2008-09 which is shown in the table above.
Financial Performance of the DCCB:

As per the parameters indicated by NABARD a WeakCo-operative Central Bank has been defined as a bank whose bad and doubtful debts, accumulated losses and other overdues over three years together, exceed 50 per cent of its Own Funds. The Government or NABARD takes the Rehabilitation work, for weak bank with the main emphasis of reviving it from its weak condition to attaineconomically viable status over a phase of period.

Financial Performance of the DCCB - A CAMEL Analysis:

For this purpose a widely accepted analytical model – CAMEL Analysis is adopted and results are obtained. CAMEL Analysis focuses on the following parameters.

a) Capital Adequacy Ratios
b) Asset Quality Ratios
c) Management Quality Ratios
d) Earnings Ratios
e) Liquidity Ratios

Annual growth rates were calculated for three phases of banking operation. CAMEL Model recommended by Padmanbhan working group 1995 has been employed to assess and appraise the financial performance of DCCB.

Capital Adequacy Ratios:

Capital adequacy has emerged as one of the major indicators of the financial health of a banking entity. It is measured as a ratio of bank’s own capital (new equity, retained earnings, etc.) to its risk-weighted assets (loans, investments in stock markets, guarantees, etc). Well
adherence to capital adequacy regime does play a vital role in
minimizing the cascading effects of banking and financial sector crises.

**Capital to Risk Weighted Assets Ratio (CRAR) of the DCCB:**

Capital adequacy is an indicator of the financial health of the banking system. It explains the relation between net capital funds and risk weighted assets.

It is calculated by using following formula.

\[ CRAR = \left( \frac{\text{Net Capital Funds}}{\text{Risk Weighted Assets}} \right) \times 100 \]

Net Capital Funds = (Paid up Capital + Reserves + Profit & Loss A/C (Cr))

- (Accumulated Losses + Short Fall in Provisions)

Risk Weighted Assets = Current Assets + Investments + Loans and Advances.

**Asset Quality Ratios:**

Asset quality signifies the degree of financial strength of and risks in a bank’s assets, mainly loans and investments. The maintenance of asset quality is a fundamental feature of banking. Abroad evaluation of asset quality is one of the most important components in assessing the current situation and future viability of a bank. Under CAMEL Model of analysis, the asset quality ratios command significant recognition.

**Net Non-Performing Assets (NPAs) to Net worth Ratio of the DCCB:**

Another important ratio that indicates the status of capital adequacy is net NPAs to net worth ratio. It explains the relation between net non-performing assets to net worth of the organization. Non-performing assets means an asset or account of borrower, which has been classified by a bank or financial institution as sub-standard, doubtful and loss assets, in accordance with the directions or guidelines relating to asset
classification issued by The Reserve Bank of India. Net Worth means, it is permanent liability owned by the company/firm to the proprietor, partners or shareholders. If the net NPA to Net worth Ratio is less, it indicates that non performing assets are less and that is good sign for organization.

Net NPA to Net worth Ratio is calculated by using following formula:
Net NPA to Net Worth Ratio = (Net NPAs/Net Worth) ×100
Net NPAs = Gross NPAs – Provisions held in respect of the Non Performing Assets.

**Net Non Performing Assets (NPAs) to Net Advances Ratio of the DCCB:**
Net Non Performing assets to Net Advances ratio measures the position of non performing assets out of total advances sanctioned. If this ratio is high, it is not good for the organization. It is measured by using following formula.

Net Non Performing Assets to Net Advances Ratio = (Net NPAs/Net Advances) ×100
Net Advances = Gross Advances - Provisions

**Priority Sector Advances to Total Advances Ratio of the DCCB:**
Priority sector advances to Total Advances Ratio helps to know the importance that the bank is giving to priority sector and how much amount is sanctioned to that sector out of total advances. If this ratio is high, it indicates the bank is giving more amounts for priority sector. Priority sector advances includes advances given to agriculture, small scale
industries, housing finance, self employment educationloans, self help Groups etc.,This ratio is calculated by the following this formula

Priority Sector Advances to Total Advances Ratio = (Priority SectorAdvances/Total Advances) ×100

**Asset Utilization Ratio of the DCCB:**

Asset Utilization ratio is useful to know how effectively the assets are utilized and how much income is generated from that assets. So it is the relation between the total income and total assets of an organization. This ratio is calculated by the following this formula.

Asset Utilization Ratio = (Total Income/Total Assets) ×100

**Management Quality Ratios:**

Management efficiency is another vital component of the CAMEL model that ensures the survival and growth of a bank. It is the management which sets vision and goals for the organization and ensures that it achieves them. In the process of achieving their goals, management takes certain crucial decisions depending on its risk perception. Hence, analysts and investors use this parameter to evaluate management efficiency as to assign premium to better managed banks and discount to poorly managed ones. While the other factors of CAMEL model can be quantified fairly easily from current financial statements, management quality is a somewhat elusive and subjective measure, yet one that is crucial to institutional success. As management quality is inextricably tied to a bank’s success or failure, it is important to develop and improvemethods of grading management efficacy. Besides this, the banking sector reforms also reinforce the need to improve productivity of
the banks through appropriate measures which aim at reducing the operating cost and improving the profitability of the banks.

**Profit per Employee of the DCCB:**
Net profit per employee is the amount of profit earned per an employee. The range of profit determines the quality of management. Higher the quality of management, higher the profits per employee.
It calculated by the following this formula

Profit per Employee of DCCB = \( \frac{\text{Net Profit}}{\text{No. of Employees}} \)

**Productivity Per Employee of the DCCB:**
Productivity of the bank can be measured as a relation between total business and total number of employees. So it can understand how effectively the employees are contributing to total business. If it is high, it is good for organization. This ratio is calculated by the following this formula

Productivity Per Employee of the Bank = \( \frac{\text{Total Business}}{\text{No. of Employees}} \times 100 \)

Total Business = Total Credit + Total Deposits

**Earnings Ratios:**
Earnings quality reflects quality of a bank’s profitability and its ability to earn consistently. The two most important parameters that is reviewed during inspection to assess the earning performance of the bank are

a. The net interest margin.

b. The net margin

The Net Interest Margin (NIM) is the difference between the total interest paid by the bank on its deposits and borrowings and the total interest earned on its loan/advances and investments. The Net
Margin is arrived at after deducting all the other expenses from the NIM and then adding all other income of the bank to it. It is usually expressed as a percentage to total assets.

**Non Interest Income to Total Income Ratio of the DCCB:**

Non interest income to total income ratio is a ratio that measures the earning capacity of a banking company. The earning performance mainly depends on how worthy the manager manages the assets liability of the bank, which determines the earning capacity of the banking company. This ratio is calculated by the following formula:

\[
\text{Non Interest Income to Total Income Ratio} = \left( \frac{\text{Non-Interest Income}}{\text{Total Income}} \right) \times 100
\]

\[
\text{Non Interest Income} = \text{Total Income} - \text{Interest Income}
\]

**Return on Assets Ratio of the DCCB:**

The earning capacity of a banking company is also measured by using return on assets ratio. The return on assets may also be called profit to assets ratio. It is the ratio between net profit and total assets. Higher the ratio, greater is the performance.

This ratio is calculated by the following formula:

\[
\text{Return on Assets Ratio} = \left( \frac{\text{Net Profit}}{\text{Total Assets}} \right) \times 100
\]

**Operating Profit to Working Funds Ratio of the DCCB:**

The operating profit to working funds ratio analyses the performance of a bank in terms of its earning capacity. Higher the ratio, the performance of bank is good.

This ratio is calculated by the following formula:

\[
\text{Operating Profit to Working Funds Ratio} = \left( \frac{\text{Operating Profit}}{\text{Working Funds}} \right) \times 100
\]

\[
\text{Operating Profit} = \text{Total Income} - \text{Operating Expenses}
\]
Working Funds=Total Assets-Accumulated Losses

**Wages as Percentage of Total Expenses Ratio of the DCCB:**
Wages of staff to total expenses ratio also helps to know how much amount is paid as wages out of total expenses. It explains the relationship between the payment and provisions for employees and total expenses. Lower the ratio better is the performance of a bank.

This ratio is calculated by the following this formula:

Wages as % of Total Expenses Ratio= \( \frac{\text{Staff Expenses}}{\text{Total Expenses}} \times 100 \)

**Liquidity Ratios:**
For a bank, liquidity is a crucial aspect which represents its ability to meet its financial obligations. It is utmost important for a bank to maintain correct level of liquidity, which will otherwise lead to declined earnings. A high liquidity ratio indicates that the bank is more affluent. However, a bank needs to take care in hedging liquidity risk to ensure its own liquidity under all rational conditions. It is possible only when the percentage of funds ploughed in the investments with high returns is large.

**The DCCB in the Banking System in the District**
The DCCB as the name suggests has an area of operation covering a single district. In any district, the banking system would comprise Commercial Banks, Regional Rural Banks, Cooperative Banks and other agencies like SFC, MFIs, Non Formal Credit institutions and Non Banking Credit agencies. In such a situation, how does a DCCB position itself in the market? This is an issue that needs to be understood by the chief executive of the DCCB. With the available resources and the unique strengths of the DCCB, a market needs to be developed which is
appropriate, adequate and profitable. There is room for all, but the capacity to identify one's niche market enables a bank to be focused and devote its resources to that activity rather than spreading out their resources too thinly across several activities or worse still just drifting along without any clear business plan.

**ROLE AND FUNCTIONS OF A DCCB**

The District Central Cooperative Banks play multiple roles. Some of these are discussed below:

1. **Banking Entity**

   The DCCBs are banking entities recognised by the Reserve Bank of India under the Banking Regulations Act. They accept deposits from general public and provide loans to individuals and institutions including primary cooperative societies. They are governed by the various regulations stipulated by the Reserve Bank of India from time to time. Special provisions have been incorporated in the Banking Regulations Act 1949 considering the special nature of their ownership, development role etc.

2. **Leader of Cooperative Movement**

   One of the most important functions of the District Central Cooperative Banks is to provide financial support to the Primary Cooperative Societies that are affiliated to it in the district. These societies belong to highly diverse categories like the primary agricultural credit societies, the producers cooperative societies, handloom and handicrafts cooperative societies, salary earners’ cooperative societies, consumers' cooperative societies, primary urban cooperative banks, etc. However, one of the most important role of the District Central
Cooperatives Bank is to support and develop the Primary Agricultural Credit Societies. The officials of the DCCB inspect the PACS affiliated to them periodically. The main source of funds for the PACS is the DCCB and the lending programme of PACS is regularly supervised by the supervisors of the DCCBs. Among the most important line of credit provided by the DCCB to PACS is that for providing production loans for crops to members of PACS.

Many PACS also undertake multiple activities like sale of fertilizers and other agricultural inputs and several act as distributors of ration items under the Public Distribution System (PDS). The financial assistance for such activities and other loans provided to members are also sourced from the DCCBs as the PACS usually do not have a major resource base of their own. The important source of own resources of the PACS is the deposits placed with it by the members. A specified percentage of such deposits collected by PACS are kept with the DCCBs as reserve deposits to protect the interest of the member depositors. The DCCBs also provide capacity building support to PACS. They conduct training programmes for secretaries and directors of the board of the PACS. Periodical seminars are also conducted to update the staff and members of PACS on important developments affecting them.

**Leader in Agricultural Lending**

Historically, the DCCBs have been considered as the most important financial institution to support the short-term credit requirements of the agricultural sector.

These loans include both production loans and marketing loans provided to themembers. Usually the production loans are provided on the basis of the "Scale of Finance" which is fixed for each major agricultural crop in the district. The scale of finance is computed by taking the total cost of
production of the crop based on average price of inputs, including labour. The yield and market value of the output are also computed and the credit required per hectare for raising the crop is determined. The scale of finance is fixed by a committee called the "District Level Technical Committee" and the DCCB is the convener of this committee. The members of the DLTC include the representatives of the agricultural department, banks, NABARD etc.

**Board of the DCCB**

The Board of the DCCB comprise elected Chairmen of PACS, representative of the State Government and the State Cooperative Bank apart from the CEO of the DCCB who would be the member secretary. The board meets periodically to review the performance of the bank and provide policy guidance. The board of the DCCB thus represents the interests of the major stakeholders in the bank. The Directors from the PACS take care of the PACS who are major borrowers from DCCBs. The representative of the State Cooperative Bank protects the interests of the major provider of funds to the DCCB. The Government is an important stakeholder as the DCCBs functions under the administrative control of the registrar of cooperative societies. Moreover the bye-laws of the DCCBs are framed under the Cooperative Act of the respective states in which they function. In terms of competencies the Directors from PACS bring in are empathetic understanding of the needs of the members of the cooperative sector in the district. The State Cooperative Bank representative provides mainly banking and regulatory competency while the State Government representative adds administrative skills to the board. In order to carry out its functions effectively, the board can constitute sub committees of the board.
Cooperative Governance

Governance is all about how an institution fulfils its mandate to its members and other stakeholders. It is about commitment to values and ethical business conduct and a high degree of transparency. The governance structure defines the distribution of rights and responsibilities among the different participants in the organization such as the board, executives, shareholders, borrowers and the government and spells out the rules and procedures for making decisions on affairs of the bank. With regard to governance in banks, the issues involved include greater transparency in the balance sheet, appropriate internal control systems and having defined and well-stated policies. The board is expected to exercise objective judgment on corporate affairs, provide direction, oversee and monitor and act in good faith, emphasis ethical practices, review performance of top management, ensure a wise asset use policy and assure a sound long term policy. The management is responsible for day to day operations, and the board should provide adequate operational freedom and avoid micro-management.

Resource Mobilization

Any banking institution performs two primary functions; raising resources from those who have financial surpluses and deploying them by providing those to persons who can utilize them productively.

Mobilising Deposits

If raising resources is the key, then from whom are they raised, at what rates are they raised and for what period they are raised become relevant? DCCB being local district level banks, their catchment is the local population. But their own clientele are farmers whose credit needs may exceed the resources available. Beyond their own clients, the bank

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has to compete in the market with the other institutions for mobilizations. Usually the cooperatives offer a small premium over the rates offered by other banks to attract deposits. But apart from this other methods need to be explored to make cooperative deposits attractive.

One of the most neglected areas in cooperatives is that of deposit mobilisation. Because of the easy availability of resources from higher-tier institution, the Cooperatives have not adequately paid attention to Deposits. However, deposits are the backbone of any banking institution and are a more stable resource for lending. There is no dearth of deposits in rural areas as can be seen from the CD ratio of Commercial Banks. How do we attract a part of these deposits to the Cooperative Structure? What does a depositor looks for when deciding where to park his savings? There are broadly three criteria - safety, profitability and liquidity. Let us examine these three aspects in some detail.

**Safety**

People desire that their savings should be safe. Several indicators are there such as market reputation of the bank, the outlook of the branch and the experience of the customer with the bank. Much more than what may be the true financial health of an institution, the reputation of the Institution matter is the final sector and needs to be preserved and developed. Therefore, the record of the bank should be highlighted and every forum should be used to project the positive aspects of the bank. If the financials of a bank are poor, however much they may be concealed, it is difficult to keep it from the gaze of the public. And profitability is a function of good asset management, house keeping and effective business planning. One of the reasons why the cooperative institutions do not attract deposits is their poor financial health. The other dimension of safety is the feeling of safety that the institutions provide. It is very
essential that the DCCB branches match the outlook of commercial banks in the area, as they are the main competitors. All safety measures should be not only there, but visible to customers such as a secure cashier enclosure, a strong room and collapsible gates at the entrance. The depositor should get a feeling that his money will be secure with the bank when he enters the premises.

**Profitability**

Even though cooperatives in comparison to their peers, deploy money for development in their own area, that in itself would not be reason enough for a depositor to opt to save with the DCCB. The rate of interest offered should be competitive, without being a burden to the bank. Most cooperatives offer a slightly higher interest rate than commercial banks, but unless the rates are fixed after examining the yield on assets, could do more harm than good. The rates of interest should be constantly monitored and periodically reviewed.

**Liquidity**

Another major factor that depositors look at is the capacity to draw on their money in times of need, irrespective of the maturity period of their deposits. This involves the capacity of the bank to convert the deposit to cash on demand. This becomes a major issue for DCCB branches with low branch level cash limits and no cash/currency chest arrangements. Requesting depositors to wait to get their cash even for a day could adversely impact the reputation of the institution and result in loss of customers and more significantly, word-of-mouth publicity for the bank. The ways to plan for such situations include undertaking data analysis of past trends of cash inflow and outflows and finding patterns, periodically reviewing retention limits of branches and maintaining a "hub and spoke
model" with key branches as hubs where cash can be aggregated for transfer in the shortest possible time to the smaller branches, within the day of demand. Maintaining an account with a nearby commercial bank for instant transfers from Head Offices can also be considered. In the current scenario of shared networks, DCCBs can also enter into arrangements with other banks already having the network to transfer funds on their network, without having to duplicate with their own network.

**Borrowings**

The second source of resources for DCCBs is borrowings from higher tier institutions. DCCBs have borrowing facilities from their apex level state cooperative banks and from institutions like NABARD. Usually, such credit facilities are provided for a specific purpose and with a fixed tenor. Hence, unlike deposits which in normal course would have a rising trend, while deploying borrowings it is essential to match the tenor of the loan to that of the borrowing so that by the time the borrowings become due for repayment, the loan has come back. The borrowing arrangements of DCCBs are called refinance. DCCBs get refinance from NABARD through the SCBs.

**Capital and Reserves**

For a banking institution to raise resources either as deposits or borrowings would require that the institution have a capital base consisting of equity and reserves. In a cooperative bank primarily driven by providing credit to its members at a reasonable cost, maximizing return on equity remains secondary. Further, raising capital from the public at large may compromise its mandate. Hence, the equity of the DCCBs is raised from the affiliated member institutions. Normally, as
per statute, a borrowing member has to contribute equity in proportion to the borrowings made by the institution from the bank. This does make it difficult for the cooperative banks to have a large capital base and in the present times when capital adequacy is becoming a major issue in banks, cooperatives may in the conventional industry sense be under capitalized.

To overcome this constraint of capital, State Governments have contributed to the equity of DCCBs to strengthen their capital base, but this has its own pros and cons. The second source of own capital is the reserves and surpluses created from operations. Operating on small spreads, DCCBs do not accumulate too much surpluses and therefore this forms a small component of the capital base.

**Loans and Advances**

The major business of the cooperative banks is lending. One way of classification of loans is according to the tenor for which the loans are made out.

**Short Term Production Loans**

Short term production loans are extended for raising crops. These are routed through the Primary Agricultural Credit Societies (PACS). For the purpose of extending ST credit, each PACS is required to make an assessment of credit need of its members and forward the same to the DCCB. The DCCB based on the past performance of the society and the resources available with it sanctions funds to the society for disbursement of crop loans to the members. A large portion of the crop loans disbursed by DCCBs is with refinance support from NABARD. The Government of India has introduced an interest subvention scheme whereby loans upto Rs. 3 lakhs are extended to
farmers at an interest rate of 7% and Government of India provides a interest subsidy of 2% to the banks. Short Term Agricultural Credit is a key area of the DCCBs operations and could be considered a mandate of the bank. The needs for short term credit or crop loans have an overriding priority in DCCB loans. Because of the overriding priority that this segment of the lending portfolio of banks attracts, it receives attention from the State Cooperative Bank, NABARD and the Governments both State and Central. The result is that the portfolio is directed and has limited flexibility.

**Scales of finance**

As discussed earlier, the DCCB has a major responsibility in convening the "District Level Technical Committee" on scales of finance (SOF) for the district. These are fixed once a year before the major Crop season in consultation with all the stakeholders. The key inputs in the exercise are identifying all major crops in the district, determining their cost of cultivation and the returns that are coming from the crop and fixing the scale of finance. Since the scales of finance are averages, banks have the flexibility to offer larger loans than the scales fixed for enterprising farmers.

The process of fixing a scale of finance is very useful as, it harmonizes the rates across different banks and each bank need not independently arrive at the SOF. Another major area is the Individual Maximum Borrowing Power (IMBP) fixed by the bank. This limit is based on various factors such as the local valuation of land etc. It is one of the limiting factors that constrain the capacity to lend larger amounts by the DCCBs. Since crop loan rates are externally pegged and the delivery is usually through the PACS, it constrains the ability for significant innovations in this product.
**Kisan Credit Card**

Kisan Credit Card is an innovation brought about in the banking system to make short-term credit to farmers easy, convenient and flexible. The key features of the scheme are as follows:

- One time documentation
- Single limit for whole year's requirements
- Requirements for consumption credit are also taken into account
- Any number of drawals and repayments are permitted
- Automatic renewal if the account is regular
- Additional features like personal accident insurance are provided at a small fee in collaboration with insurance companies.

The Kisan Credit Card has been a major boon to farmers and has brought in a level of flexibility where the farmer is free to operate the credit limit sanctioned at his convenience.

**Term Loans**

The cooperatives also offer term loans to farmers. These can be delivered either through the PACs or directly to the farmers by the DCCBs. For such financing, the DCCBs can obtain refinance from higher lending agencies like NABARD, who channelise these funds through the State Cooperative Banks. Term loans are extended for a wide range of purposes, from excavation of wells, purchase of pump sets to horticulture, animal husbandry and even rural transport like tractors and other farm equipments.

The loan requirement of the project is arrived at based on the aggregate of the cost of various components of investments and then deducting the margin that the borrower will have to provide. The repayment instalment
and period is fixed based on the incremental income that will be derived from the asset and the life of the asset. Usually, for small and marginal farmers, around half of the incremental income is taken for the servicing of the bank loan.

**Other Loans**
The DCCBs can also extend credit for other activities. One of the major avenues for credit deployment by cooperative banks is extending credit to other cooperative institutions in the district such as Cooperative Sugar Factories, Milk Unions and Cooperative Spinning Mills. Considering the resources available with the bank and the lending opportunities that emerge, the banks can also deploy credit in other types of loans including jewel loans, consumer durable loans, loans to cooperative credit societies etc. But considering the primary mandate of the bank, these activities can be done only after the agricultural credit demands have been adequately met. All these potential markets have been well recognized in urban and semi-urban centres, but there is still a vast potential in Rural India where the reach of the Commercial Banks is inadequate and is unfamiliar territory for them. It offers good scope for the DCCBs to build business there.

**Portfolio Mix**
What would be the appropriate loan portfolio mix for a DCCB? This question needs to be carefully considered by the bank. For some of the purposes, the resources mobilized are specific and there is no leeway available to the bank except in deciding on whether to undertake it or not and if to undertake, to what extent to go. On the other hand, the bank would have flexibility in deploying its own resources and
the considerations that should go into taking a decision would be profitability, safety and 

**Investments**

Although the investment portfolio of the DCCBs may not be significant in comparison to other institutions, the bank should have a defined investment policy approved by the board, within the boundaries of which the DCCB management can operate.

**Reserves Requirement**

As per Section 18 of the Banking Regulation Act 1949 [As applicable to Cooperative Societies (AACS)] every cooperative society is required to maintain cash reserve ratio (CRR) equivalent to 3% of its demand and time liability. The CRR is to be maintained by the bank by way of cash with itself or by way of balance in a current account with RBI or State Cooperative Bank or by way of net balance in current accounts with SBI/subsidiary/nationalised bank. In addition to CRR, cooperative banks are required to maintain in cash or unencumbered approved securities, an amount equivalent to 25% of their demand and time liability as statutory liquidity ratio (SLR) as per the provisions of Section 24 of BR Act 1949 (AACS).

**Cash Management**

Cash is the most liquid asset. However, it is also the most unproductive, as holding cash does not yield any return. Further, holding cash is risky. But then, cash is required to service the day to day needs of the customers. The decision of when the customer will ask for his money is solely in the hands of customers. Based on past trends, it is generally possible to predict the pattern of requirements. Each branch is specified a
limit to which cash can be retained, and the balance immediately remitted to wherever there is requirement or to the Head Office for utilization to repay borrowings or invest. Overseeing this process on a daily basis and monitoring it several times a day is essential. This requires both good communication links with all the units as well as appropriate mechanisms for transfer. In some cases, the coopbanks tie up with a nearby commercial bank branch to deposit the cash and remit the amount as an instrument instead of cash. In the recovery seasons, the bank requires to monitor the cash balances at the society level and ensure that these balances are transferred to the DCCB as quickly as possible.

**Inspection of District Central Cooperative Banks**

All District Central Cooperative Banks are registered under the Banking Regulations Act and are under the regulatory control of the Reserve Bank of India. The banks are expected to follow the various relevant provisions of the Banking Regulations Act and are subjected to periodical supervision to ensure that they function as per the provisions of law and with prudence. In the case of the DCCBs, National Bank for Agriculture and Rural Development has been designated as the supervisor along with Reserve Bank of India. However, as a matter of convention, Reserve Bank usually do not exercise its powers to inspect these banks. The supervision of banks are carried out by on-site inspection as well as by offsite surveillance. The offsite surveillance is carried out by scrutinising statements submitted periodically by the banks. These statements and their periodicity are prescribed by the supervisors. The statements relate to the position of non-performing assets, The onsite inspection is carried out by supervisors at the premises of the bank. The supervising officers scrutinise the books of accounts, decision making processes, internal checks and controls, management
practices, policies, funds management etc. of the bank. The onsite inspection is considered to be the main platform of supervision in the Indian context so far.

**Objectives of On-site Inspection**

The objectives of the on-site inspections are several. The first objective is to ensure that the bank conducts its business in such a manner that the interest of all present and future borrowers is protected. It must be remembered that the banks collect deposits from the public and hold it in trust with the promise that it will be returned to the depositors, either on demand or at the end of specific terms. The second key objective is to ensure that the business of the bank is conducted in conformity with the relevant acts, rules, regulations, bye-laws and various other directives issued by the Reserve Bank of India. There are several provisions of the BR Act and the State Cooperative Societies Act that are required to be followed by the banks. These include continuously maintaining minimum prescribed cash balances, maintaining balances in investments in government bonds, deposits with higher tier agencies at prescribed ratios to the total deposits held by the banks, submitting regular returns to RBI & NABARD, etc. The inspections also look at the various rules, guidelines etc. prescribed by the Government, RBI, NABARD, etc. from time to time and the adherence of the bank to these. The fourth important objective of the on-site inspection is to examine the financial position of the bank, assess the financial soundness and the correctness of maintenance of the books of accounts. It also looks at the managerial soundness of the bank. This includes the review of the process of decision making, the delegation of power and its use, the policies laid down by the management and adherence to it etc. The on-site inspections also is a
tool used by the supervisors to understand the weaknesses in the banks and to develop an action plan to take care of such weaknesses as well as to help the bank to grow. Thus the supervisors examine the various aspects of the bank with a view to understand the bank in its totality. This would mean that the inspection also takes into account the potentials, the strengths and weaknesses and the risks to which the specific bank is exposed to in its business environment. In other words, it is not an exercise to locate only operational deficiencies and find faults.

Coverage
The on-site inspection focus on the core areas of the bank's functions. These include the analysis of the financial position, management, internal checks and controls and the compliance with regulatory and policy requirements. The basic approach of Inspection of the DCCBs is called the 'CAMELSC' approach.

This stands for
1. Capital
2. Asset Quality
3. Management
4. Earnings
5. Liquidity
6. Systems &
7. Compliance

Cooperatives and Microfinance
The self-help group movement in India has by now established strong roots all across the country. A typical group comprises 15 – 20 women who come together to do savings and internal lending and in due course
obtain access to resources from the banks. The linkage of the SHGs was mainly with the commercial banks and regional rural banks, due to the difficulty of the cooperative banks in dealing with an unregistered body. This matter has since been addressed by several states by carrying out necessary amendments to the state acts to enable SHGs to become members of the DCCBs and borrow funds. Some of the DCCBs have recognised the unique potential that microfinance business has and have established special cells for the purpose.

The role that can be played by DCCBs in microfinance has been demonstrated by Bidar District Central Cooperative Bank Ltd, Karnataka. Bidar DCCB has involved all its 44 branches and 171 PACS in promoting SHGs. Almost all the economically poor families have been covered under SHG movement. More than 10,000 SHGs have been formed and 80% of them enjoy bank linkages which include SHGs of artisans, physically challenged and even beggars. Bidar DCCB has sponsored an NGO, Sharada Rural Development and Self Employment Training Institution for imparting skill development and up-gradation trainings for the interested members of groups free of cost.
Table No:-5.1
Sources of Funds of DCC Banks in Maharashtra
(Rs. In Crores)

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Year</th>
<th>Owned Funds</th>
<th>Borrowed Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Share Capital</td>
<td>Reserves</td>
<td>Deposits</td>
</tr>
<tr>
<td>1</td>
<td>2001-02</td>
<td>903.30</td>
<td>4132.01</td>
<td>18620.92</td>
</tr>
<tr>
<td>2</td>
<td>2003-04</td>
<td>939.92</td>
<td>4715.25</td>
<td>23887.31</td>
</tr>
<tr>
<td>3</td>
<td>2004-05</td>
<td>1001.53</td>
<td>5082.77</td>
<td>24822.54</td>
</tr>
<tr>
<td>4</td>
<td>2005-06</td>
<td>1081.81</td>
<td>5809.70</td>
<td>26402.30</td>
</tr>
<tr>
<td>5</td>
<td>2006-07</td>
<td>1184.41</td>
<td>6322.21</td>
<td>27657.25</td>
</tr>
<tr>
<td>6</td>
<td>2007-08</td>
<td>1292.72</td>
<td>6966.00</td>
<td>31949.16</td>
</tr>
<tr>
<td>7</td>
<td>2008-09</td>
<td>1360.30</td>
<td>5667.08</td>
<td>37225.17</td>
</tr>
<tr>
<td>ii</td>
<td>Mean(x)</td>
<td>1109.14</td>
<td>5527.86</td>
<td>27223.52</td>
</tr>
<tr>
<td>12</td>
<td>Percentage</td>
<td>03.01</td>
<td>14.99</td>
<td>73.81</td>
</tr>
<tr>
<td>13</td>
<td>A.G.R.</td>
<td>7.08</td>
<td>6.09</td>
<td>12.56</td>
</tr>
</tbody>
</table>

The above table no 5.1 shows that there is a increasing trend in share capital, reserves, deposits as well as in borrowings of District Central Co-operative Banks in Maharashtra during the study period i.e. 2001-02
to 2008-09. The share capital of DCC Banks was moved from Rs. 903.30 crores in 2001-02 to Rs. 1360.30 crores in 2008-09 which has increased by Rs. 457 crores during the same period. The reserves of DCC Banks was moved from Rs. 4132.01 crores in 2001-02 to Rs. 5667.08 crores in 2008-09, it is also increased by Rs. 1535.07 crores during the study period. The deposits collected by DCC Banks in Maharashtra also turned from Rs. 18620.92 crores in 2001-02 to Rs. 37225.17 crores in 2008-09, which is raised by Rs. 18604.25 crores. The borrowings of DCC Banks in Maharashtra during the above period are increasing trends. It was moved from Rs. 2237.48 crores in 2001-02 to Rs. 2941.08 crores in 2008-09, it is also increased by Rs. 70.36 crores during the same period. Thus the average percentage of share capital, reserves, deposits and loans to the total sources of funds are 3.01%, 14.99%, 73.81% and 8.19% respectively. The share capital as well as reserves registered a growth of 50.59% and 37.15% respectively, while the growth in deposits it was 99.91%. The positive average growth rate for share capital (7.08%) for reserves (6.09%) and for deposits 12.56% indicates that, management had attempted more for strengthening the ‘Deposit Base’ of the DCC Banks. The co-efficient of variation (C. V.) values indicates more variations in the reserves as well as deposits of the DCC Banks in Maharashtra.

The source of borrowed funds used by the DCC Banks management as short-term, medium-term and long-term loans. The board of directors used these sources for mobilizing funds during the study period. It shows that the board of directors was not succeeded in mobilizing the required funds without borrowed loans during the study period. This was not prudent policies of DCC Banks in Maharashtra which resulted in increasing the cost and for the decreasing the profitability of the bank. The following table shows the trend of
owned funds, deposits and total assetsof the DCC Banks in Maharashtra during the period 2001-02 to 2008-09.

Table No:-5.2
Trends of Deposits, Owned Funds and Total Assets of DCC Banks in Maharashtra
(Rs. In Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Deposits</th>
<th>Owned Funds</th>
<th>Total Assets</th>
<th>Deposit to Owned Fund Ratio</th>
<th>Deposit to Total Assets Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>18620.92</td>
<td>5035.31</td>
<td>31891.32</td>
<td>369.81</td>
<td>58.38</td>
</tr>
<tr>
<td>2003-04</td>
<td>23887.31</td>
<td>5655.17</td>
<td>32902.58</td>
<td>422.40</td>
<td>72.60</td>
</tr>
<tr>
<td>2004-05</td>
<td>24822.54</td>
<td>6084.30</td>
<td>34720.02</td>
<td>407.98</td>
<td>71.49</td>
</tr>
<tr>
<td>2005-06</td>
<td>26402.30</td>
<td>6891.51</td>
<td>36863.87</td>
<td>383.11</td>
<td>71.62</td>
</tr>
<tr>
<td>2006-07</td>
<td>27657.25</td>
<td>7506.62</td>
<td>40701.77</td>
<td>368.44</td>
<td>67.95</td>
</tr>
<tr>
<td>2007-08</td>
<td>31949.16</td>
<td>8258.72</td>
<td>45629.38</td>
<td>386.85</td>
<td>70.02</td>
</tr>
<tr>
<td>2008-09</td>
<td>37225.17</td>
<td>7027.38</td>
<td>50066.29</td>
<td>529.72</td>
<td>74.35</td>
</tr>
<tr>
<td>Mean (x)</td>
<td>27223.52</td>
<td>6637.00</td>
<td>38967.89</td>
<td>409.76</td>
<td>69.49</td>
</tr>
<tr>
<td>A.G.R.</td>
<td>12.56</td>
<td>06.30</td>
<td>07.85</td>
<td>06.12</td>
<td>04.52</td>
</tr>
</tbody>
</table>

Table No:-5.3
Trends of Deposits, Owned Funds and Total Assets of DCC Banks in Maharashtra

<table>
<thead>
<tr>
<th>Year</th>
<th>Indices Base Year 2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Deposits</td>
</tr>
<tr>
<td>2001-02</td>
<td>100.00</td>
</tr>
<tr>
<td>2003-04</td>
<td>128.28</td>
</tr>
<tr>
<td>2004-05</td>
<td>133.30</td>
</tr>
<tr>
<td>2005-06</td>
<td>141.78</td>
</tr>
<tr>
<td>2006-07</td>
<td>148.53</td>
</tr>
<tr>
<td>2007-08</td>
<td>171.58</td>
</tr>
<tr>
<td>2008-09</td>
<td>199.91</td>
</tr>
</tbody>
</table>

The above table- 5.2 indicates the position of deposits, owned funds as well as total assets of the DCC Banks in Maharashtra which are in increasing trends during the study period. In order to know the trend of deposits, owned funds and total assets of DCC Banks, the indices values are calculated by taking the figures of 2001-02 as a 100. The indices of deposits, owned funds and total assets increased continuously and reached 199.91, 139.56 and 156.99 respectively from 100 during the base 2001-02. The growth rate in the deposits, owned funds and total assets of the DCC Banks in Maharashtra during the period come to 99.91%, 39.56% and 56.99% respectively. The paid up capital and various reserves created by the DCC Banks in
Maharashtra out of profits constitutes. The ratio of deposits to owned funds has been calculated by dividing owned funds to total deposits and multiplies by 100. During the period 2001-02, the deposits to owned fund ratio was 369.81%, whereas in the year 2008-09 it was 529.72% which is increased by 159.91% during the same period. The ratio witnessed proportionately more growth in the amount of deposits than the growth in the owned funds of the DCC Banks in Maharashtra. It indicates huge interest and confidence of depositors on the DCC Banks in state of Maharashtra.

The source of total assets or the working capital of the DCC Banks are includes, paid-up share capital, reserve and surplus, deposits from PACCs, individuals and others. The ratio of total deposits to total assets is ascertained by dividing the total figures of total assets to the figures of total deposits and multiplies by 100. The ratio of deposits to total assets of the DCC Banks in Maharashtra ranged between 58.38% as minimum in 2001-02 to 74.35% as maximum in 2008-09; all an averaged deposits constitute 69.49% of the total assets during the study period.

Uses of Funds For Loans And Advances of District Central Cooperative Bank in Maharashtra Region:

The district central cooperative bank is expected to be a balancing center for all types of cooperative societies in the district and also the financing agency for all such cooperatives. But working as they are primarily in financing agricultural credit societies the contact of being the balancing center is yet to be achieved in a number of cases. If one studies carefully the operations of any district central cooperative bank one sees that non-agricultural credit cooperative and non-credit cooperative societies are not able to get their required finance from the
district central cooperative bank. Such institutions as poultry, salary earners, fisheries, Labour contract, dairy and industrial societies do not get adequate finance from these banks. Some experts do express the opinion that the district central cooperative bank comply an important role from the point of view of all round development of cooperative in the district. It is also suggested that the district central cooperative bank should allocate the resources available in some definite proportion to all types of societies. The major resources of a district central cooperative bank will go to agricultural credit, a part will be utilized for financing cooperative marketing and processing societies.

Hence, an attempt has been made to analyze the loans and advance by district central cooperative banks in Maharashtra Region mainly trends in advances, disbursed wise and term wise (period wise). Are shown in the following table 5.3 reveals the data about loans and advances by district central cooperative banks in Maharashtra Region during the period from 1990-1991 to 2004-2005. The loans and advances of district central cooperative banks in Maharashtra Region increased by 5.91 times in absolute terms during the study period. The loans and advances were Rs.60987.40 lakhs in 1990-91, which was increased up to Rs. 360466.40 lakhs in 2004-05. It can be found that there has been an average increase of Rs. 21391.36 lakhs per year in the loans and advances of district central cooperative bank in Maharashtra during the study period. The loans and advances of these banks have grown at the simple annual growth rate of 13.70 percent during the study period. The maximum percentage of increase in advances of district central cooperative banks in Maharashtra was Rs. 23.94 in 1998-99 due to higher recovery of advances in 1997-98 whereas the minimum increases in loans and advances was 5.16 percent in 2002.03 due to lower recovery of loans & advances by the district central cooperative
bank in Maharashtra. It can be observed that the loans and advances of these banks have shown continuously rising trend during the study period. The coefficient of variation in loans & advance is found to be 56.58 percent, which is little high during the study period.

**Table No. 5.4**

**Loans and Advances of District Central cooperative Banks in Maharashtra Region.**

(Rs. in lakhs)

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Year</th>
<th>Loans &amp; Advances</th>
<th>Increase/Decrease over previous year</th>
<th>Percentage Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>1990-91</td>
<td>60987.40</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>02.</td>
<td>1991-92</td>
<td>68063.34</td>
<td>7075.94</td>
<td>11.60</td>
</tr>
<tr>
<td>03.</td>
<td>1992-93</td>
<td>76811.78</td>
<td>8748.44</td>
<td>12.85</td>
</tr>
<tr>
<td>04.</td>
<td>1993-94</td>
<td>83925.81</td>
<td>7114.03</td>
<td>8.92</td>
</tr>
<tr>
<td>05.</td>
<td>1994-95</td>
<td>102261.07</td>
<td>18335.26</td>
<td>21.85</td>
</tr>
<tr>
<td>06.</td>
<td>1995-96</td>
<td>116154.04</td>
<td>13892.97</td>
<td>13.59</td>
</tr>
<tr>
<td>07.</td>
<td>1996-97</td>
<td>125849.25</td>
<td>9695.21</td>
<td>8.35</td>
</tr>
<tr>
<td>08.</td>
<td>1997-98</td>
<td>141012.13</td>
<td>15162.88</td>
<td>12.05</td>
</tr>
<tr>
<td>09.</td>
<td>1998-99</td>
<td>174771.29</td>
<td>33759.16</td>
<td>23.94</td>
</tr>
<tr>
<td>10.</td>
<td>1999-00</td>
<td>209031.97</td>
<td>34260.68</td>
<td>16.90</td>
</tr>
<tr>
<td>11.</td>
<td>2000-01</td>
<td>253907.01</td>
<td>44875.04</td>
<td>21.47</td>
</tr>
<tr>
<td>12.</td>
<td>2001-02</td>
<td>303237.10</td>
<td>49330.09</td>
<td>19.43</td>
</tr>
<tr>
<td>13.</td>
<td>2002-03</td>
<td>318882.61</td>
<td>15645.51</td>
<td>5.16</td>
</tr>
<tr>
<td>14.</td>
<td>2003-04</td>
<td>338264.14</td>
<td>19381.53</td>
<td>6.08</td>
</tr>
<tr>
<td>15.</td>
<td>2004-05</td>
<td>360466.40</td>
<td>22202.26</td>
<td>6.56</td>
</tr>
<tr>
<td>Mean</td>
<td></td>
<td>182241.69</td>
<td>21391.00</td>
<td>13.70</td>
</tr>
<tr>
<td>Maximum</td>
<td></td>
<td>360466.40</td>
<td>49330.09</td>
<td>23.94</td>
</tr>
<tr>
<td>Minimum</td>
<td></td>
<td>60987.40</td>
<td>7075.94</td>
<td>5.16</td>
</tr>
<tr>
<td>S.D.</td>
<td></td>
<td>103115.59</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>C.V.</td>
<td></td>
<td>56.58</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Annual Reports of District Central Cooperative Banks in Maharashtra Region from 1990-91 to 2004-05.
Loans Disbursed By District Central Cooperative Banks
In Maharashtra Region:

The loans disbursed for rural development activities by the district central cooperative banks in Maharashtra may be broadly categorized into two types viz, agricultural loans and non-agricultural loans and advances. The agricultural loans, extended by primary agricultural credit societies are again divided into production credit and investment credit.

The non-agricultural loans are extended to the non-agricultural cooperative societies, marketing societies, weaver's societies, working capital of cooperative sugar factories, gold loans disbursed to the individuals and loans on fixed and other deposits. Hence an attempt has been made to analyse the agricultural and non-agricultural loans disbursed by district central cooperative banks in Maharashtra during the period of 1990-91 to 2004-05.

An analysis of table 5.14 discloses that the total advance stood at Rs. 60987.40 lakhs in 1990-91 and they were increased to Rs.360466.40 lakhs by 2004-05. The loans and advances of these banks had increased by 5.91 times during the study period. The average increase in total advances of district central cooperative banks in Maharashtra was Rs. 182241.69 lakhs during the study period.

The agricultural credit provided by district central cooperative banks in Maharashtra was Rs. 42222.35 lakhs (69.23 percent) in 1990-91, which was increased up to Rs. 255408.21 lakhs (70.85 percent) in 2004-05. The agricultural loans and advances of these banks increased by 6.05 times during the study period. The average increase in loans and advances was s. 121983.47 lakhs (65.95 percent).
Table No. 5.5
Agriculture and Non-Agriculture Loans and Advances Disbursed by District Central cooperative Banks in Maharashtra Region.
(Rs. in Lakhs)

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Year</th>
<th>Agricultural Loans</th>
<th>Non-Agricultural Loans</th>
<th>Total Loans &amp; Advances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Amount</td>
<td>% to loans &amp; advances</td>
<td>Index No.</td>
</tr>
<tr>
<td>01.</td>
<td>1990-91</td>
<td>42222.35</td>
<td>69.23</td>
<td>100</td>
</tr>
<tr>
<td>02.</td>
<td>1991-92</td>
<td>47129.45</td>
<td>69.24</td>
<td>112</td>
</tr>
<tr>
<td>03.</td>
<td>1992-93</td>
<td>48136.65</td>
<td>62.67</td>
<td>114</td>
</tr>
<tr>
<td>04.</td>
<td>1993-94</td>
<td>53997.08</td>
<td>64.34</td>
<td>128</td>
</tr>
<tr>
<td>05.</td>
<td>1994-95</td>
<td>61819.73</td>
<td>60.45</td>
<td>146</td>
</tr>
<tr>
<td>06.</td>
<td>1995-96</td>
<td>73159.18</td>
<td>62.98</td>
<td>173</td>
</tr>
<tr>
<td>07.</td>
<td>1996-97</td>
<td>78871.79</td>
<td>62.67</td>
<td>187</td>
</tr>
<tr>
<td>08.</td>
<td>1997-98</td>
<td>92718.66</td>
<td>65.75</td>
<td>220</td>
</tr>
<tr>
<td>09.</td>
<td>1998-99</td>
<td>118628.98</td>
<td>67.88</td>
<td>281</td>
</tr>
<tr>
<td>10.</td>
<td>1999-00</td>
<td>133406.46</td>
<td>63.82</td>
<td>316</td>
</tr>
<tr>
<td>11.</td>
<td>2000-01</td>
<td>174061.58</td>
<td>68.55</td>
<td>412</td>
</tr>
<tr>
<td>12.</td>
<td>2001-02</td>
<td>206518.23</td>
<td>68.10</td>
<td>489</td>
</tr>
<tr>
<td>13.</td>
<td>2002-03</td>
<td>206451.49</td>
<td>64.74</td>
<td>488</td>
</tr>
<tr>
<td>14.</td>
<td>2003-04</td>
<td>229722.15</td>
<td>67.91</td>
<td>544</td>
</tr>
<tr>
<td>15.</td>
<td>2004-05</td>
<td>255408.21</td>
<td>70.85</td>
<td>605</td>
</tr>
<tr>
<td>Mean</td>
<td></td>
<td>121483.47</td>
<td>65.95</td>
<td>60758.22</td>
</tr>
</tbody>
</table>

Sources: Annual Reports of the district central cooperative bank in Maharashtra Region from 1990-91 to 2004-05.
Chart No:- 5.1  
Agriculture and Non-Agriculture Loans and Advances Disbursed by District Central cooperative Banks in Maharashtra Region.  
(Rs. in Lakhs)

Chart No:- 5.1  shows the agricultural loan and non-agricultural loans disbursed by district central cooperative banks in Maharashtra (1990-91 to 2004-05). The highest agricultural loans disbursed by these banks and the lowest was non-agricultural loans during the study period. The highest increase of advances in agricultural of the bank was 70.85 percent in 2004-05 and low increase in agricultures loans and advances was 60.45 percent in 1994-95 during the study period.

The non-agricultural loans of district central cooperative banks in Maharashtra were Rs. 18765.05 lakhs (30.77 percent) in 1990-91 which had increased up to Rs. 105058.19 lakhs (29.15 percent)
in 2004-05. The non-agricultural loans increased by 5.60 times during the study period. The average increase in non-agricultural loans was Rs. 60758.22 lakhs (34.05 percent). The highest increasing in non-agricultural loans was 39.55 percent in 1994-95 and lowest was 29.15 percent in 2004-05.

It can be seen that the highest agricultural loans have been provided by district central cooperative banks in Maharashtra as compared to non-agricultural loans and advances during the study period.

**Categories Of Loans And Advances Of District Central Cooperative Bank In Maharashtra Region:**

The loans and advances of district central cooperative bank are divided into three categories i.e. short-term, medium-term and long terms loans these are discussed below.

**Short-Term Loans:**

Short-term loans are given for financing seasonal agricultural operations. The short–terms loans constitute the core of production credit provided to the farmers. Bulk of the short-term loans are for agricultural purposes such as seasonal agricultural operations i.e. for paddy, sugarcane, groundnut, ragi, bazra, jawar, and maize etc. purchases of agricultural implements, marketing of crops, processing of agricultural produce, industrial and other purpose and consumption purposes. The short-term loans are for about nine months to one year and in case of sugarcane cultivation for 15 months to 18 months.
**Medium-Terms Loans:**

Medium-terms loans are given for three years for affecting improvement on land such as sinking of or repair to wells, purchase of cattle, bullock, carts, diesel engines and pump sets for making minor improvements on land and for sericulture, milk animals, calf rearing and bio-gas etc. In exceptional cases these loans are extended for beyond five years.

**Long-Term Loans And Advances:**

The long-term credit is known as investment credit. This credit is extended for a period of ten or fifteen years. The long-term credit is given for minor irrigation works like digging wells, purchasing tractors and other machinery, land reclamation, poultry and other diversified works. In this an attempt has been made to analyse the categories of loans and advance of district central cooperative bank in Maharashtra. Table no. 5.15 shows that the share of short-term, medium-term, and long-term loans in total advances of the district central cooperative bank in Maharashtra during the period of fifteen years. The percentage of short-term loans to total advances of this bank was 69.07 percent in 1990-91. The percentage of medium-term and long-term loans to total advances was 24.02 percent and 6.91 percent respectively, in 1990-91. It can be seen from the table that the average percentage of short-term loans to total advances, medium-term loans to total advances and long-term loans to total advances of this banks came to 77.67, 17.68 and 4.65 percentage respectively, for the whole period of the study.

The highest percentage of short-term, medium-term and long-term loans to total advances was 84.96, 28.62 and 7.42 percent in 1998-99, 2004-05 and 1991-92 respectively and lowest was 64.83, 11.26 and 3.15 percent in 2004-05, 1997-98 and 2000-01 respectively. It means district central cooperative bank in Maharashtra was.
Table No:- 5.6
Short -Term, Medium-Term and Long-Term Loans & Advances
by the district central cooperative bank in MaharashtraRegion.
(Rs. in Lakhs)

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Year</th>
<th>Short-Term Loans</th>
<th>Index No.</th>
<th>Medium-Term Loans</th>
<th>Index No.</th>
<th>Long-Term Loans</th>
<th>Index No.</th>
<th>Total Loans &amp; Advances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>01.</td>
<td>1990-91</td>
<td>42126.19 (69.07)</td>
<td>100</td>
<td>14646.80 (24.02)</td>
<td>100</td>
<td>4214.42 (6.91)</td>
<td>100</td>
<td>60987.40 (100.00)</td>
</tr>
<tr>
<td>02.</td>
<td>1991-92</td>
<td>49269.93 (72.39)</td>
<td>117</td>
<td>13743.83 (20.19)</td>
<td>94</td>
<td>5049.58 (7.42)</td>
<td>120</td>
<td>68063.34 (100.00)</td>
</tr>
<tr>
<td>03.</td>
<td>1992-93</td>
<td>53957.80 (70.25)</td>
<td>128</td>
<td>17709.45 (23.05)</td>
<td>121</td>
<td>5144.53 (6.70)</td>
<td>122</td>
<td>76811.78 (100.00)</td>
</tr>
<tr>
<td>04.</td>
<td>1993-94</td>
<td>61902.50 (73.76)</td>
<td>147</td>
<td>17025.62 (20.29)</td>
<td>116</td>
<td>4997.69 (5.95)</td>
<td>119</td>
<td>83925.81 (100.00)</td>
</tr>
<tr>
<td>05.</td>
<td>1994-95</td>
<td>80035.87 (78.27)</td>
<td>190</td>
<td>16792.12 (16.42)</td>
<td>115</td>
<td>5433.08 (5.31)</td>
<td>129</td>
<td>102261.07 (100.00)</td>
</tr>
<tr>
<td>06.</td>
<td>1995-96</td>
<td>91774.50 (79.01)</td>
<td>218</td>
<td>18698.05 (16.10)</td>
<td>128</td>
<td>5681.49 (4.89)</td>
<td>134</td>
<td>116154.04 (100.00)</td>
</tr>
<tr>
<td>07.</td>
<td>1996-97</td>
<td>103821.38 (82.50)</td>
<td>246</td>
<td>16324.66 (12.97)</td>
<td>111</td>
<td>5703.21 (4.53)</td>
<td>135</td>
<td>125849.25 (100.00)</td>
</tr>
<tr>
<td>08.</td>
<td>1997-98</td>
<td>118566.37 (84.08)</td>
<td>281</td>
<td>15874.89 (11.26)</td>
<td>108</td>
<td>6570.85 (4.66)</td>
<td>156</td>
<td>141012.13 (100.00)</td>
</tr>
<tr>
<td>09.</td>
<td>1998-99</td>
<td>148476.04 (84.96)</td>
<td>352</td>
<td>19930.00 (11.40)</td>
<td>136</td>
<td>6365.25 (3.64)</td>
<td>151</td>
<td>174771.29 (100.00)</td>
</tr>
<tr>
<td>10.</td>
<td>1999-00</td>
<td>175687.48 (84.05)</td>
<td>417</td>
<td>26211.80 (12.54)</td>
<td>179</td>
<td>7132.69 (3.41)</td>
<td>169</td>
<td>209031.97 (100.00)</td>
</tr>
<tr>
<td>11.</td>
<td>2000-01</td>
<td>214868.98 (84.63)</td>
<td>510</td>
<td>31039.08 (12.22)</td>
<td>212</td>
<td>7998.95 (3.15)</td>
<td>190</td>
<td>253907.01 (100.00)</td>
</tr>
<tr>
<td>12.</td>
<td>2001-02</td>
<td>247005.97 (81.46)</td>
<td>586</td>
<td>44181.14 (14.57)</td>
<td>302</td>
<td>12049.97 (3.97)</td>
<td>285</td>
<td>303237.10 (100.00)</td>
</tr>
<tr>
<td>13.</td>
<td>2002-03</td>
<td>250944.16 (78.69)</td>
<td>595</td>
<td>55875.00 (17.53)</td>
<td>381</td>
<td>12063.45 (3.78)</td>
<td>286</td>
<td>318882.61 (100.00)</td>
</tr>
<tr>
<td>14.</td>
<td>2003-04</td>
<td>251115.47 (74.24)</td>
<td>596</td>
<td>71987.80 (21.28)</td>
<td>491</td>
<td>15160.87 (4.48)</td>
<td>360</td>
<td>338264.14 (100.00)</td>
</tr>
<tr>
<td>15.</td>
<td>2004-05</td>
<td>233689.57 (64.83)</td>
<td>555</td>
<td>103164.05 (28.62)</td>
<td>704</td>
<td>23612.78 (6.55)</td>
<td>560</td>
<td>360466.40 (100.00)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td></td>
<td>141549.48 (77.67)</td>
<td>32213.62 (17.68)</td>
<td>8478.59 (4.65)</td>
<td>182241.69 (100.00)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maxim</td>
<td></td>
<td>251115.47 (69.66)</td>
<td>103164.05 (28.62)</td>
<td>23612.78 (6.55)</td>
<td>360466.40 (100.00)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minim</td>
<td></td>
<td>42126.19 (69.07)</td>
<td>13743.83 (22.54)</td>
<td>4214.42 (6.91)</td>
<td>60987.40 (100.00)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Annual Reports of district central cooperative bank in Maharashtra Region from 1990-91 to 2004-05.
Note : Figures in bracket indicate percentage to total Loans & Advances.
Chart No:-5.2

Short -Term, Medium-Term and Long-Term Loans & Advances
by the district central cooperative bank in Maharashtra Region.

(Rs. in Lakhs)

Chart No:-5.2 shows the various types of loans disbursed by district central cooperative banks in Maharashtra i.e. short-term, medium-term and long-term. The highest short-term loans disbursed by these banks and followed medium-term and long-term loans during the study period. Highly disbursed in short-term loans to the primary agricultural credit cooperative societies as compared to other terms of loans during the study period.
Bank wise Loans And Advances:

Table 5.16 shows the bank wise data about trends in advances of district central cooperative bank in Maharashtra from 1990-91 to 2004-05. The loans and advances of Osmanabad district central cooperative bank were amounted to Rs. 5400.60 lakhs in 1990-91 which had increased up to Rs. 59930.48 lakhs in 2004-05. The increase was 11.10 times with an average annual growth rate of 19.77 percent during the study period. The loans and advances of Beed district central cooperative bank were Rs.9083.17 lakhs in 1990-91, which increased up to Rs. 41802.03 lakhs in 2004-05. The loans and advances increase was 4.60 times during the study. The average growth rate was 12.39 percent during the study period. The highest loans and advances of this bank was Rs. 49243.51 (34.99 percent) and lowest was Rs. 9083.17 (-15.11 percent) during the study period. The Beed district central cooperative bank recorded negative growth rate in loans & advances was (-2.06), (-5.79) and (-15.11 percent) in the year 1991-92, 1994-95 and 2004-05 respectively. The loans and advances of Parbhani district central cooperative bank were amounted to Rs. 8891.26 lakhs in 1990-91 which increased up to Rs. 47862.58 lakhs in 2004-05. The increase was 5.38 times with an annual average of loans and advances at Rs. 23683.02 lakhs and the average growth rate was 13.12 percent during the study period. The Parbhani district central cooperative bank has seen lower recovery performance in the year 1995-96 and recorded negative growth rate of (-1.49 percent) in 1995-96 during the study period. The coefficient of correlation in loans and advances found that the 49.17 percent which was little increased. The loans and advances of Jalna district central cooperative bank were Rs. 5035.89 lakhs in 1990-91, which
Overall Performance of Uses of Funds of District Central Cooperative Banks in Maharashtra:

Overall performance of uses of funds of district central cooperative banks in Maharashtra region is shown in table no. 5.25. In 1990-91 the cash and bank balance maintained by district central cooperative banks in Maharashtra region had 8.31 percent in total uses of funds which goes down up to 7.99 percent in 2004-05. The average cash and bank balance maintained in total uses of funds was 9.96 percent during the study period.

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Table No:-5.7

Total uses of funds of district central cooperative banks in Maharashtra region from 1990-91 to 2004-05.

(Rs. in lakhs)

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Year</th>
<th>Cash &amp; bank Balance</th>
<th>Investments</th>
<th>Loans &amp; Advances</th>
<th>Fixed Assets</th>
<th>Other Assets</th>
<th>Total Uses of Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1990-91</td>
<td>7337.21</td>
<td>11253.63</td>
<td>60987.40</td>
<td>677.60</td>
<td>8060.09</td>
<td>88315.93</td>
</tr>
<tr>
<td>2</td>
<td>1991-92</td>
<td>7415.87</td>
<td>12331.48</td>
<td>68063.34</td>
<td>759.29</td>
<td>8230.38</td>
<td>96800.36</td>
</tr>
<tr>
<td>3</td>
<td>1992-93</td>
<td>12210.06</td>
<td>13500.94</td>
<td>76811.78</td>
<td>864.71</td>
<td>1088.37</td>
<td>104475.86</td>
</tr>
<tr>
<td>4</td>
<td>1993-94</td>
<td>14025.27</td>
<td>15518.36</td>
<td>83925.81</td>
<td>907.88</td>
<td>1322.37</td>
<td>115699.69</td>
</tr>
<tr>
<td>5</td>
<td>1994-95</td>
<td>16733.19</td>
<td>18291.06</td>
<td>102261.07</td>
<td>881.17</td>
<td>1177.81</td>
<td>139344.30</td>
</tr>
<tr>
<td>6</td>
<td>1995-96</td>
<td>17183.55</td>
<td>19842.93</td>
<td>116154.04</td>
<td>1006.88</td>
<td>1322.37</td>
<td>156722.64</td>
</tr>
<tr>
<td>7</td>
<td>1996-97</td>
<td>19166.43</td>
<td>23118.45</td>
<td>125849.25</td>
<td>1010.13</td>
<td>1322.37</td>
<td>171663.89</td>
</tr>
<tr>
<td>8</td>
<td>1997-98</td>
<td>17923.81</td>
<td>26292.84</td>
<td>141012.13</td>
<td>1095.17</td>
<td>1322.37</td>
<td>1864.89</td>
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<tr>
<td>9</td>
<td>1998-99</td>
<td>22793.16</td>
<td>32759.92</td>
<td>174771.29</td>
<td>1138.88</td>
<td>1767.64</td>
<td>233230.89</td>
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<td>1999-00</td>
<td>31966.50</td>
<td>43017.00</td>
<td>209031.97</td>
<td>1246.83</td>
<td>2261.18</td>
<td>287523.48</td>
</tr>
<tr>
<td>11</td>
<td>2000-01</td>
<td>34214.41</td>
<td>55348.23</td>
<td>253907.01</td>
<td>1336.44</td>
<td>2887.14</td>
<td>347693.23</td>
</tr>
<tr>
<td>Year</td>
<td>Period</td>
<td>Loans &amp; Advances</td>
<td>Fixed Assets</td>
<td>Other Assets</td>
<td>Total Uses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------</td>
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<td>-----------------</td>
<td>--------------</td>
<td>--------------</td>
<td>------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>2001-02</td>
<td>38524.15 (9.36)</td>
<td>65197.65 (15.85)</td>
<td>303237.10 (73.71)</td>
<td>411417.56 (100.00)</td>
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<td></td>
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<tr>
<td>13</td>
<td>2002-03</td>
<td>43083.39 (9.89)</td>
<td>69555.49 (15.96)</td>
<td>318882.61 (73.18)</td>
<td>435777.26 (100.00)</td>
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</tr>
<tr>
<td>14</td>
<td>2003-04</td>
<td>49775.32 (10.70)</td>
<td>73330.02 (15.76)</td>
<td>338264.14 (72.70)</td>
<td>465282.83 (100.00)</td>
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<tr>
<td>15</td>
<td>2004-05</td>
<td>38020.29 (7.99)</td>
<td>71233.66 (14.97)</td>
<td>360466.40 (75.74)</td>
<td>475935.69 (100.00)</td>
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<td></td>
</tr>
<tr>
<td>Mean</td>
<td>24691.51 (9.96)</td>
<td>36706.11 (14.81)</td>
<td>182241.69 (73.52)</td>
<td>72032.19 (12.50)</td>
<td>247871.62 (100.00)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Compiled from annual reports of district central cooperative banks in Maharashtra region (1990-91 to 2004-05)

**Note:** Figures shown in bracket percentage of total uses.

The decreasing cash and bank balance indicates the decreasing liquidity of district central cooperative banks in Maharashtra region.

The investment of district central cooperative banks in Maharashtra region was 12.74 percent in 1990-91 which increased up to 14.97 percent in total uses of funds during the study period. The increasing investment of these banks indicates the increasing owned funds of district central cooperative banks in Maharashtra region.

The percentage of loans and advances in total uses funds of district central cooperative banks in Maharashtra region was 69.06 percent which increased 75.74 percent in 2004-05. Whereas the percentage share of fixed assets of in total uses of funds was 0.76 percent in 1990-91, it decreased up to 0.34 percent in 2004-05, while the percentage share of other assets in total uses of funds was 9.13 percent in 1990-91 which decreased in reached up to 0.96 percent in 2004-05. It is observed that the average loans and advances has recorded highest 73.52 percent share in total uses of funds of district central cooperative banks in Maharashtra region followed by investments 14.81 percent, cash and bank balance 9.96 percent, other assets 1.25 percent and fixed assets 0.46 percent during the study period.
Concluding Remark:-
In the present milieu when the cooperative laws are yet to be modified, the rural credit delivery through cooperatives is certainly not functioning well, as the mounting overdues and Non-Performing Assets (NPAs) show. The cooperative banks operating in Maharashtra have shown highest amount of NPAs. The share of Maharashtra in the total NPAs of State Cooperative Banks (SCBs) at all-India level was estimated at 31.76 per cent in 2002, which increased to 37.81 per cent in 2003 and further to 43.16 per cent in 2004. On the other hand, the proportion of NPAs to loans outstanding of SCB was much higher in Maharashtra than the national average, whereas recovery with respect to SCB was perceptibly lower in Maharashtra than the national average during the early 2000. These are certainly disquieting features insofar as the working of cooperative banks in Maharashtra is concerned.
References:-


