

“An Analysis of Rangareddy District Central Co-operative Bank's Financial Performance”

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Abstract :

Cooperative banks offer loans and other services to farmers and rural populations in a timely manner. However, the bank's operating efficiency and financial stability will be impacted by any loan repayment default. Funds are halted as a result of NPA, which lowers interest income and results in a cash shortage. Operating bank services, such as processing regular payments and dues, is undoubtedly made more difficult by this. Cooperative banks are currently under a lot of stress, which is resulting in decreased working profits as well as a decline in productivity and efficiency. It is a known truth that NPAs are rising and recoveries are poor. The paper's goal is to evaluate Rangareddy DCCB's claim of 0% Net NPA. As a result, a number of bank financial metrics are examined in the study. According to the current study paper's conclusion, farmers were able to obtain sufficient funding for crop cultivation thanks to the ongoing process of monitoring loan issuance and recovery efforts, which demonstrated a profitability in association with loan and non-performing asset provision.

Key words: NPA, productivity, profitability, adequate, Cooperative banks.

Introduction

Agriculture is the most important and crucial industry of the Indian economy. It supplies food, income, and jobs for the vast majority of the country's inhabitants. It employs over 57% of the working population and accounts for 18.5% of GDP (Annual report 2020-21, Ministry of Agriculture). Indian agriculture is mostly driven by small, marginal farmers and landless labourers who survive in the subsistence economy and cannot afford agricultural inputs for agricultural expansion. Therefore, adequate funding is necessary for agricultural development in order to satisfy their agricultural demands.

The agricultural sector requires the appropriate institutional framework to offer farmers both short-term and long-term financing. After independence, the Government of India (GOI) developed a multi-agency strategy to provide adequate timely farm financing. Because they provide the essential funding that keeps agriculture functioning properly, cooperatives have been crucial to the nation's agricultural development. The District Central Cooperative Bank (DCCB) occupies a prominent position within the cooperative credit structure.

The success of the cooperative credit movement is significantly influenced by the role and financial stability of the DCCB. Through PACS, the cultivators obtain the DCCB-awarded funds. In order to provide farmers with timely, sufficient, and reasonably priced loans to sustain their primary agricultural activity, the cooperative banking system was created.

The governments of most developing countries, including India, support cooperatives as instruments for rural development. The co-operative form of organisation was created in India in 1904 as a result of the Co-operative Credit Societies Act. As an instrument for socioeconomic development, cooperatives became increasingly significant, and India's Five Year Plans made extensive use of them. Cooperative banks and credit co-ops are the most established and well-known cooperatives in India. The Indian government has provided substantial financial, administrative, and technical assistance to these organisations both directly and indirectly through State Governments.

The Agricultural Short Term (ST) or Agricultural Production lending structure and the Long Term (LT) or Investment Credit structure for Agricultural and related industries make up India's cooperative lending system. Primary Agricultural Credit Societies (PACS) form the foundation of the ST structure, and all base-level societies are connected to District

Central Co-operative Banks (DCCB) at the district level. These banks are connected to State Co-operative Banks (SCB) at the state level.

RANGAREDDY DCCB

"The Rangareddy district central co-operative bank Ltd., Rangareddy" has been actively involved in the socioeconomic advancement of farmers since 1950 as the district's economic centre. The history of the Rangareddy neighbourhood is extensive. The region, which had been heavily involved in the fight for independence, attracted a lot of attention in the freedom movement. In order to achieve overall growth, several leaders then began their battle for economic freedom for the district's common and rural citizens.

With the goal of utilising all of their resources—for which they have worked so hard—the Rangareddy District Central Co-operative Bank is at the centre of a growing movement that is raising the standard of living in the district's rural atomic scenario (areas) through prosperity, well-being, and improved living conditions. Efforts are being undertaken to stimulate the banking industry in order to assist the rural populace.

As of March 31, 2022, the Rangareddy District Central Co-operative Bank had 307 branches, 12 Extension counters, and 10 Divisional Offices. To better serve and satisfy its customers, the bank has integrated the Core Banking System into all of its branches and extension counters. Among other services, the bank provides RTGS/NEFT, Micro ATMs, Internet Banking, CTS, Mobile Banking, IMPS, and Any Branch Banking.

Highlights of the Bank:

- 1) The Bank achieved ISO 9001:2015 Certification by offering customers better services and consistently enhancing customer service to satisfy their needs.
- 2) As of March 31, 2022, the bank had 307 branches, 10 divisional offices, 12 extension counters, and more.
- 3) In contrast to other banks on the market, the Bank has launched innovative deposit programs with competitive interest rates. Fixed deposits have a maximum interest rate of 5.50%. Interest rates for senior citizens are 1% higher than those for regular fixed deposits. Currently, interest on savings deposits is computed daily and can amount to up to 3%.
- 4) The ability for students to open accounts for the purpose of receiving scholarships.
- 5) The bank offers the over draught option to government personnel who get a salary, such as elementary and secondary school teachers.
- 6) Bank has been the recipient of NABARD's "Best Performance Award" for the past six years. Additionally, the Maharashtra State Co-op Banks Association has honoured the bank as the "Best District Central Co-operative Bank" for a decade in a row. NAFSCOB awarded the bank for its "Best Overall Performance" for the 2013–14 fiscal year. In a recent presentation, NABARD gave the Bank the "Special Commemoration Award 2021."
- 7) Bank continues to recover more than 95% from the previous ten years.
- 8) The bank's gross non-performing assets (NPA) for the 2020–21 fiscal year are 0.20% and 0%, respectively. Creation of "Self Help Groups" for women in an effort to improve their social and economic circumstances.
- 9) The "Farmers Club" was established to give farmers access to financial support and technical information in order to revolutionize farming.

Review of Literature:

The review of literature for the study on analysis of financial performance of Ranga reddy District Central Co operative Bank has been taken from various sources.

According to Anand K. (2015), banks are vital components of the monetary and financial framework and strongly participate in capital markets. Economic progress depends on a healthy banking sector that can channel savings and steer

them towards profitable use cases. Besides supplying monetary resources for expansion, banks can also influence how these resources are allocated. The post-liberalization period has brought new opportunities for growth and development in India, but it has also introduced various challenges.

Vidisha Shah (2015) analyzed the comparison of public sector and newly established private sector banks in India, in performance on a number of important metrics, including the capital adequacy ratio, dividend payout ratio, P/E ratio, return on equity ratio, and credit deposit ratio. The aforementioned time frame was selected because it's critical to understand how various banks fared during the length of the recession and inflation. To further comprehend the aforementioned reasoning, we conducted a field study using SBI Bank as a public sector bank and ICICI Bank as a private sector bank.

According to Kanchu T, (2012) The growth of DCCBs in India was analysed using particular indicators. It looked at the C/D ratios, deposits, and credits of the DCCBs. Additionally, he looked at DCCBs' rising investment, working capital, and management position costs.

Venkateswarlu P. and Varalakshmi D. (2016), examined the deposits, credits, and C/D ratios of the Krishna District Cooperative Central Bank Ltd. in an attempt to comprehend its evolution.

Inayath Ahamed S.B., Murgaboopathy M., Jeyakumaran M., (2018), examined the District Cooperative Central Banks in Tamil Nadu and demonstrated the vital role these organisations play in providing financial support to rural and agricultural people. The authors also pointed out that 12 of Tamil Nadu's 23 banks have accrued losses above Rs. 500 crores as of March 2006.

Suryawanshi J.R. (2018), examined the growth of district central cooperative banks in the Marathwada region of Maharashtra. They found that while some of these institutions are doing well, others are not, and that the latter are mostly due to bad loans and poor recoveries.

Objectives of the Study

To examine the financial Parameters of Rangareddy DCCB.

To assess the year-wise changes of Profitability, percentage of recovery, working capital, NPA etc.

To study the growth of loans issued by bank during past five years.

To analyze trend of working profit and correlation with NPA, Investments and Loans issued.

Hypothesis

H0 : There is no significant correlation of working profit and Loans issued

H0: There is no significant correlation of working profit and NPA provisions.

Research Methodology:

For the purpose of the study, the period-wise secondary data related to the progress of Ranga reddy DCCB have been collected and analyzed. The data has been taken for the financial years of 2018- 2019 to 2022-2023. The progress of Ranga reddy DCCB in terms of NPA provisions, Profitability, has been has been calculated by using Mean Value, also correlation of profits is measured with Loans issued and NPA provisions.

Data Analysis and interpretation:

| Table-1: Working Profit Trend(in)Lakhs | | | | | |
|---|---------|---------|---------|---------|---------|
| Particulars | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Working profit | 3500 | 3850 | 4600 | 6500 | 6700 |

Above Table 1 and Fig; shows trend of working profit of Rangareddy district central cooperative bank. It could be seen that bank profit showed positive increase year after year. In the year 2022-23, it got increased with substantial percent of 41%.

| Table-2: Descriptive Statistic of Working Profit | | | | | |
|--|---|---------|---------|------|---------|
| Particulars | N | Minimum | Maximum | Mean | S.D |
| Working Profit | 5 | 3500 | 6700 | 5030 | 1488.95 |

Table 2 explains that the Mean Value of Working Profit earned by bank throughout five years was 5030 (in Lakhs). The profit was 3500 (in lakhs) in the year 2018-19 which has been increased to 6700 (in lakhs) in the year 2022-23, which registered a growth rate during the period by 92 %. Thus, it shows improved profitability.

| Table-3: Descriptive Statistics of Working Capital | | | | | |
|--|---|-----------|----------|--------|--------|
| Particulars | N | Minimum | Maximum | Mean | S.D |
| Working Capital | 5 | 684709.25 | 986480.3 | 845592 | 126111 |

Table.3 explains that the Mean Value of Working Capital by bank throughout five years was 845591.9300 (in Lakhs). The Working Capital was 684709.25 (in lakhs) in the year 2018-19 which has been increased to 986480.32 (in lakhs) in the year 2022-23, which registered a growth rate during the period by 44%. Thus, it shows increase in business of bank.

| Table-4: Descriptive Statistics of NPA Provisions | | | | | |
|---|---|---------|---------|---------|--------|
| Particulars | N | Minimum | Maximum | Mean | S.D |
| NPA Provisions | 5 | 1027.99 | 1415.64 | 1285.16 | 152.24 |

Table 4 shows that the Mean Value of NPA provisions by bank throughout five years was 1285.1060 (in Lakhs). The NPA was 1274.34 in the year 2018-19, 1356.98 in the year 2019-20, 1415.64 in the year 2020-21, 1350.58 in the year 2021-22, 1027.99 in the year 2022-23. It is observed that NPA provisions went on decreasing after the year 2020-21. In the year 2022-23, it was lowest which indicates good financial soundness of bank and recovery of dues so in the annual report it reflects 0% NPA net.

| Table-5: Descriptive Statistics of Loan Issued | | | | | |
|--|---|-----------|-----------|-----------|---------|
| Particulars | N | Minimum | Maximum | Mean | S.D |
| Loans issued | 5 | 365754.31 | 534573.93 | 476075.13 | 67280.8 |

Table 5 depicts that the Mean Value of Loans issued by bank throughout five years was 476075.1300 (in Lakhs). The loans issued were 365754.31 (in lakhs) in the year 2018-19 which has been increased to 534573.93 (in lakhs) in the year 2022-23, which indicates that bank continued the loans issue for priority sector i.e. farmers considerably by 46% in five years span.

| Table-6: Descriptive Statistics of Loan Issued and Borrowings | | | | | |
|---|---|-----------|-----------|---------|---------|
| Particulars | N | Minimum | Maximum | Mean | S.D |
| Loans issued | 5 | 365754.31 | 534573.93 | 476075 | 67280.8 |
| Borrowings | 5 | 72166.78 | 111781.82 | 88078.1 | 15446.2 |

Table 6 explains that the Mean Value of Deposits and Borrowings by bank throughout five years was 777760.2860 and 88078.1040 (in Lakhs) respectively. The deposits were 656576.07 (in lakhs) in the year 2018-19 which has been increased to 912205.02 (in lakhs) in the year 2022-23, which indicates growth rate of 38 %. The borrowings were 111781.82 in the year 2018-19, 82425.10 in the year 2019-20, 79760.86 in the year 2020-21, 72166.78 in the year 2021-22, 94255.96 in the year 2022-23. Borrowings showed decreasing trend throughout initial three years to its base year.

| Table-7: Correlation of Working Profits and Loans Issued | | | | |
|--|---------------------|-----------------|--------------|----------------|
| | | working profits | loans issued | Sig.(2-tailed) |
| Working Profit | Pearson Correlation | 1 | 0.851 | 0.005 |
| | N | 5 | 5 | |
| Loans Issued | Pearson Correlation | 0.851 | 1 | 0.005 |
| | N | 5 | 5 | |

Table 7 shows Correlation between Working Profits and Loans issued. P value is 0.005 which is less than significance level so there exists correlation between Working profit and loan issued indicating that bank's profit is determined by quantum and even quality of loans issued.

| Table-8: Correlation of Working Profits and NPS provisions | | | | |
|--|---------------------|-----------------|----------------|----------------|
| | | working profits | NPS provisions | Sig.(2-tailed) |
| Working Profit | Pearson Correlation | 1 | -0.505 | 0.386 |
| | N | 5 | 5 | |
| NPS provisions | Pearson Correlation | -0.505 | 1 | 0.386 |
| | N | 5 | 5 | |

Table 8 shows Correlation between Working Profits and NPA provisions. There exists negative correlation between working profit and NPA provision which means NPA provisions reduces profitability as r is -0.505.

Conclusion:

The bank is of the opinion that the process of recovering a loan begins when it is first issued and continues with adequate monitoring and appraisal. It had established a suitable Loan and Recovery policy through which it had provided its own employees and the staff of its affiliated societies with suitable instructions for the prompt issuance of loans. The NPA net 0% is remarkable achievement which is highlighted in all annual reports. Analysis shows the trends in profitability and its correlation with Loans issued and NPA provisions.

Their primary line of business is lending to farmers, thus they have simplified their loan policies and documentation requirements to make it less burdensome for their members. Loans are given out depending on the real crops that have been grown, not on a greater financial scale. Also, they are effortlessly and on time delivered. The bank makes care to hold regular meetings of the District Level Technical Committee every year in time for the adoption of the Scale of Finance for various crops grown in the district. This benefits the farmer members in getting adequate finance, for cultivating the crops.

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