

A STUDY OF STATE-WISE VARIATION IN LIABILITIES AND ASSETS OF DISTRICT CENTRE CO-OPERATIVE BANKS IN INDIA

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ABSTRACT

District Central Co-operative Bank provides capital to primary agricultural credit societies and accepts the deposits from registered and non registered members of the bank. This bank also control on all credit societies investment, liabilities and assets. It plays a significant role between state co-operative bank and primary societies. This study analysis the stat-wise comparison of liabilities and assets of district centre co-operative banks in India. Gujrat, Andhrapradesh and Tamilnadu are the states where found more fluctuation in the data of liabilities and assets of DCCBs. Thus, it seems that there is difference between banks regarding their capital and number of branches in the district. This variation is calculated by analysis of variance techniques.

KEYWORDS: *Dccbs, Stcb, Pcardbs, ANOVA, Liabilities And Assets.*

INTRODUCTION

District Centre Co-operative Bank is the mediator between State Co-operative bank and Primary Agricultural Credit Co-operative society. Every district has only one district co-operative bank , however those district have primary co-operative banks are above 250 then it needs to one more bank is established. This bank provides short and long capital to agricultural sector and non agricultural sector also. District co-operative bank gives loan to other co-operative banks as well as other co-operative institutions like, sugar industry, mill house, oil mill, milk producers, poultry framing, industrial production, purchase and selling union, etc. farmers in rural areas are deposited their money in district co-operative bank as well as provides them short and long term loan to start agricultural allied business. Earlier if DCC Bank was to borrow money as it used to take from state co-operative bank instead of Reserve bank but this process is closed now and reserve bank has classified four group of DCC bank that are: A, B, C, D. first three groups are got loan directly from RBI and rest of the D group is taken loan from State Co-operative bank. Zilla parishad , panchayat samiti, co-operative section, education etc. government granted institutions have to open their account in district co-operative bank. State government has managed the payment of teachers along with staff through district co-operative bank. Although all economic transactions are done by government yet District co-operative bank is act as banker of state government. Besides, DCC bank functions like, facility of money transfer, facility of safe deposit, accepting the bill, accepting the deposit etc. s

In the rural areas, StCB, DCCBs and PACS provides short term credit such as crop loan or working capital and PCARDBs and SCARDBs cover long term needs as investment.

Review of Literature:

- 1) **Nair (2014)** observed that the amass of bad loans is far more extreme in the case of smaller organizations that lend to agriculture and allied activities. Gross non-performing assets (NPAs) at district central co-operative banks (DCCBs), the smallest units of the Indian banking system, are swelling.
- 2) **Mitra (2012)** conducted a study to evaluate the credit risk management and credit worthiness of Urban Co-operative Banks (UCBs). The study was based on structured questionnaires and statistical tolls like arithmetic mean, standard deviation, correlation, and trend analysis. The study observed that credit risk is the biggest risk for co-operatives because of its rising NPAs; poor resource base, conservative credit policy, interference of politicians, and lack of professional management are the other factors affecting co-operative banking.

Objectives of the Study:

- 1) To understand the role of district centre co-operative bank in Economy.
- 2) To analysis the performance, balance sheet, and cost evaluation of district centre co-operative bank.
- 3) To analysis the state-wise liabilities and assets of district central co-operative banks in India.

Hypothesis of the Study:

- 1) There is significant difference among the DCCB banks in terms of their liabilities and assets

Methodology of the Study:

The study is based on the purely secondary data. Data is collected from the report of the NABARD. The study used the ANOVA technique for showing the state-wise variation of liabilities and assets of district central co-operative banks in India.

TABLE NO. 1 PERFORMANCE HIGHLIGHTS OF STCB AND DCCBS IN FY2021

Sr.	State Co-operative Banks	District Central Co-operative Banks
1	The Consolidated balance sheet stood at 3.77 lakh crore (10.9% over FY 2020)	The consolidated balance sheet stood at Rs. 5.9 lakh crore (9.9% over FY 2020)
2	Net Profit Rs. 1,402 crore	Net Profit Rs. 1,422 crore
3	Gross loans and advances grew by 5.9 % over FY2020	Gross loans and advances grew by more than 9.2% over (FY2020)
4	Net NPA declined to 3.2% (FY2021) From 3.4% (FY2020)	Net NPA declined to 5.0% (FY2021) From 6.6% (FY2020)
5		Gross NPA declined to 11.4% (FY2021) From 12.6% (FY2020)

The above table shows that the performance of state co-operative bank and district co-operative bank in terms of balance sheet, net profit, loans and advances, and Non performing assets etc. the consolidated balance sheet of DCCBs is larger than state co-operative bank as 5.9 lakh crore is greater than 3.77 lakh crore. Although Net profit of the both banks is similar however, DCCBs is more by 20 crore. It is recorded in the financial year of 2020; gross loans and advances have grown mostly from DCCBs which is more than 9.2%.One the major indicator of the bank analysis is NPA which is declined from state co-operative and district centre co-operative bank but rapidly declined in DCCB from 6.6% o 5.0%.

Under the revival package scheme, NABARD sanctioned Rs. 111.2 crore from central government to recapitalization of DCCBs to Anantnag, Baramulla, and Jammu. Beside the capital, NABARD also supported business diversification, growth, technology adoption, institution building and infrastructure. The Co-operative development fund is utilized as per the following:

TABLE NO. 2 DISBURSEMENTS FROM CO-OPERATIVE DEVELOPMENT FUND IN FY2022 CRORE

Training of Co-operative bank Personnel in SOFTCOB	10.9
PACS Computerisation	10.0
Training by BIRD	2.4
Infrastructure development of PACS	2.3
Centre for Professional Excellence in Co-operatives	1.6
Comprehensive support plan	1.5
Exposure visits	0.6
BDPIC	0.6
Other interventions	0.4
PACS Development Cell	0.1
Meetings/seminars/conferences/workshops	0.1

During FY2022, NABARD sanctioned three business diversification and product innovation cells (BDPIC) 6—one each in Himachal Pradesh, Mizoram, and TamilNadu—with an outlay of ₹247.5 lakh and grant of ₹198 lakh from the CDF.

TABLE NO. 3 CAPITAL ADEQUACY OF DCCBS (AS ON 31 MARCH 2021)

DCCBs with CRAR less than the regulatory minimum of 9%	DCCBs with negative CRAR 19	Consolidated CRAR of all DCCBS: 12.1% (up from 11.9% last year)	State government contribution to share capital of DCCBs National average: 21.2% Minimum: 0.3% in Utrarakhand Maximum: 61.5% in Uttar Pradesh
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TABLE NO. 4 STATE-WISE DISTRIBUTION OF DCCBS WITH INADEQUATE CAPITAL

Sr.	State	DCCBs	DCCBs with CRAR <9%	
			31 March 2020	31 March 2021
1			31 March 2020	31 March 2021
2	Andhra Pradesh	13	-	-
3	Bihar	23	4	7
4	Chhattisgarh	06	-	-
5	Gujarat	18	-	-
6	Haryana	19	-	-
7	Himachal Pradesh	02	1	-

8	Jammu & Kashmir	03	3	3
9	Jharkhand	01	-	-
10	Karnataka	21	1	-
11	Kerala	01	-	-
12	Madhya Pradesh	38	8	9
13	Maharashtra	31	3	3
14	Odisha	17	-	-
15	Punjab	20	3	4
16	Rajasthan	29	1	-
17	Tamil Nadu	23	-	-
18	Telangana	09	-	-
19	Uttar Pradesh	50	11	11
20	Uttarkhand	10	-	-
21	West Bengal	17	-	-
22	All India	351	35	37

It is the ratio of a bank's capital to its risk is known as capital adequacy ratio. This ratio is useful to protect depositors and boost the efficiency and stability of financial systems all over the world. In general terms, a bank with a high CRAR/CAR is deemed safe/healthy and likely to fulfill its financial obligations. When a bank is winding up, the first priority is given to depositor's fund rather than the bank's capital, so those banks CAR is higher it means that all depositors are safe from loss of fund or bank's found insolvent. The basel III norms have reported CAR of 8%. In India, RBI mandates the CAR for Scheduled commercial banks to be 9%, and for public sector banks, the CAR to be maintained is 12%. In this connection, the above state-wise distribution of DCCBs with inadequate capital is shown for the year of 2020 and 2021. Out of the 21 states, some states like, Uttar Pradesh, Punjab, Maharashtra, Madhya Pradesh, and Bihar having less capital of some DCC Banks but comparatively those DCCBs which has less capital are more in UP, MP, and Bihar. Maharashtra and Punjab are the state where large number of DCCBs are found but less number of DCCBs are having inadequate capital. The states with highest number of DCCBs are existed in Uttar Pradesh, Madhya Pradesh, Maharashtra and Rajasthan respectively, 50, 38, 31, and 29.

TABLE NO. 5 CONSOLIDATED BALANCE SHEET OF DCCBS

	Amount in Crore (share of balance sheet in %)		YoY Variation in Percentage	
	31 March 2020	31 March 2021	FY2020	FY2021
Liabilities				
1.Capital	20,913 (3.9)	22,391 (3.8)	3.9	7.1
2.Reserves	22,332 (4.1)	24,381 (4.1)	7.5	9.2
3. Deposits	3,45,682 (64.4)	3,81,825 (64.8)	7.7	10.5
4. Borrowings	97,448 (18.1)	1,08,077 (18.4)	4.8	10.9
5.Other Liabilities	49,602 (9.2)	52,239 (8.9)	6.1	5.3
Assets				
1.Cash and bank balances	23,409 (4.3)	26,973 (4.6)	-8.7	15.2
2.Investments	1,86,745 (34.8)	2,11,380 (35.9)	10.1	13.2
3.Loans and advances	2,79,272 (52.1)	3,04,990 (51.7)	5.4	9.2

4. Accumulated losses	6,721 (1.2)	7,046 (1.1)	9.5	4.8
5. Other assets	39,830 (7.4)	38,525 (6.4)	13.1	-3.3
Total liabilities/assets	5,35,977 (100)	5,88,914 (100)	6.9	9.9

TABLE NO. 6 ASSET QUALITY OF DCCBS

	Particulars	March 2020	March 2021
1	Gross NPA (crore)	35,298	34,761
2	Sub-standard assets	15,885	13,940
3	Doubtful assets	16,990	18,367
4	Loss assets	2,423	2,455
5	Net NPA (crore)	16,957	14,026
6	Gross NPA (%)	12.6	11.4
7	Net NPA (%)	6.6	5.0

TABLE NO. 7 PROFITABILITY OF DCCBS

		FY2020	FY2021
1	Total number of DCCBs	351	351
2	Number of banks in profit	291	308
3	Amount of profit (crore)	1887	2091
4	Number of banks in loss	60	43
5	Amount of loss (crore)	1041	669
6	Net profit/loss (crore)	846	1,422
7	Number of DCCBs with accumulated losses	108	100
8	Accumulated losses (crore)	6,721	7,046

TABLE NO. 8 COSTS AND MARGINS OF DCCBS

		FY2020	FY2021
1	Yield on advances	8.66	8.41
2	Yield on investment	7.13	6.33
3	Yield on assets	7.37	6.96
4	Cost of deposits	5.91	5.50
5	Cost of borrowings	6.20	5.61
6	Cost of funds	5.02	4.65
7	Net interest margin	2.35	2.30
8	Miscellaneous income	0.39	0.34
9	Cost of management	1.78	1.71
10	Risk cost	0.78	0.68
11	Return on assets	0.17	0.26

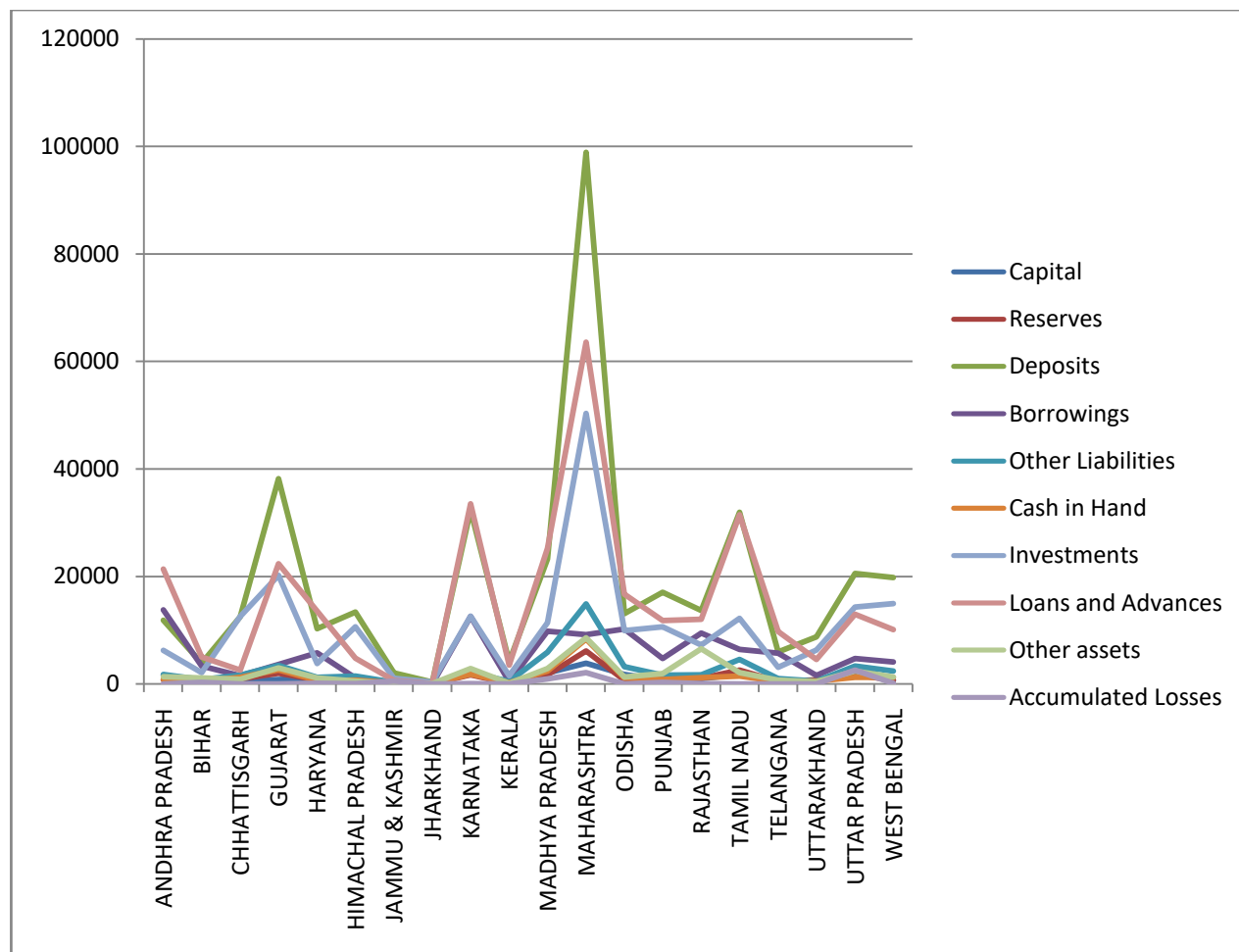


Figure No. 1 State-wise Liabilities and Assets of District Central Co-operative Banks in India

District Central Co-operative Bank’s Liabilities and asset is more in the Maharashtra, Gujrat, and Karnataka and Tamil nadu, respectively. Liability consist bank’s capital, reserves, deposits and borrowings.

TABLE NO. 9 DESCRIPTIVE STATISTICS RESULT:

State	Count	Sum	Average	Variance
Andhra Pradesh	10	59586	5958.6	53280555.82
Bihar	10	17947	1794.7	2859896.011
Chhattisgarh	10	34197	3419.7	23437064.68
Gujarat	10	96085	9608.5	165174298.1
Haryana	10	38213	3821.3	21735102.9
Himachal Pradesh	10	33402	3340.2	23105010.84
Jammu & Kashmir	10	4690	469	436396.8889
Jharkhand	10	891	89.1	19461.87778
Karnataka	10	101496	10149.6	163815705.4
Kerala	10	10637	1063.7	2346905.567
Madhya Pradesh	10	85334	8533.4	80897793.82
Maharashtra	10	265604	26560.4	1088499472

Odisha	10	57861	5786.1	37039419.21
Punjab	10	50762	5076.2	35070371.96
Rajasthan	10	53754	5375.4	25616544.04
Tamil Nadu	10	94300	9430	149336379.3
Telangana	10	27748	2774.8	10835009.73
Uttarakhand	10	23513	2351.3	9551150.678
Uttar Pradesh	10	66602	6660.2	45356910.18
West Bengal	10	55207	5520.7	48633528.68

TABLE NO. 10 ANOVA ANALYSES:

ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	6226407809	19	327705674.2	3.298418988	0.00001505	1.644631304
Within Groups	17883422803	180	99352348.91			
Total	24109830613	199				

Results and Conclusions:

The calculated value is recorded 3.298 which are greater than the critical value 1.505 at the 1% level of significance. In the table no. , the null hypothesis (H01) is rejected, and hence, it can be concluded that there is a significant difference among the all states in terms of their liabilities and assets of district central co-operative banks in India.

From the table no. 6, We can see clearly that average liabilities and assets of district central co-operative banks are found highest in Maharashtra and Karnataka. There are some states like Gujrat, Andhra Pradesh and Tamilnadu have variation in liabilities and assets means it has identified continuously fluctuations in the data of liabilities and assets.

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