

A Multidisciplinary Indexed International Research Journal

ISSN: 23203714

Volume : 10



**airo**  
ADHYAYAN  
INTERNATIONAL  
RESEARCH  
ORGANISATION

## **A study on District Central Cooperative Banks in Andhra Pradesh with Special reference to Lending Practices**

**Murala Satyanaraya<sup>1</sup>, Prof. D. Suryachandra Rao<sup>2</sup>**

1. Ph.D. Scholar, Krishna University, Machilipatnam, Andhra Pradesh.
2. Prof.D. Suryachandrarao Dean Faculty of Commerce, Krishna University, Machilipatnam, Andhra Pradesh.

### **ABSTRACT**

*Banking business has done wonders for the world economy. The simple looking method of accepting money deposits from savers and then lending the same money to borrowers, banking activity encourages the flow of money to productive use and investments. This, in turn, allows the economy to grow. In the absence of banking business, savings would sit idle in our homes, the entrepreneurs would not be in a position to raise the money, ordinary people dreaming for a new car or house would not be able to purchase cars or houses. The government of India started the cooperative movement of India in 1904. Then the government therefore decided to develop the cooperatives as the institutional agency to tackle the problem of usury and rural indebtedness, which has become a curse for the population. In such a situation cooperative banks operate as a balancing center. At present, there are several cooperative banks which are performing multipurpose functions of financial, administrative, supervisory and development in nature of expansion and development of cooperative credit system. In brief, the cooperative banks have to act as a friend, philosopher, and guide to the entire cooperative structure. The study is based on some successful co-op banks in Andhra Pradesh (India). The study of the bank's performance along with the lending practices provided to the customers is herewith undertaken. The customer has taken more than one type of loan from the banks. Moreover, they suggested that the bank should adopt the latest technology of the banking like ATMs, internet / online banking, credit cards etc. so as to bring the bank at par with the private sector banks.*

**Key Words-** *Cooperative movement of India, Usury, Rural Indebtedness, Cooperative Banks, Bank's Performance, Lending Practices, Loan, ATMs, Internet/Online Banking, Credit Cards, Private Sector Banks*

## 1. INTRODUCTION

The economy of the Country is for the most part subject to farming as over 65% of the aggregate populace is occupied with this division. Credit is a basic ligament for the advance of monetary improvement. In a creating economy like our own, Agriculture Credit accept more noteworthy centrality by virtue of the way that it is a basic contribution to bolster and support edit generation. Co-agents assume an imperative part in financial improvement of rustic masses. The Co-agent Movement was brought into India by the Government as the main strategy by which the agriculturists could conquer their weight of obligation and keep them far from the grasp of the cash moneylenders. The Co-agent Credit Societies Act, 1904 was passed by the Government of India and rustic credit social orders were framed. Through the arrangement of enlistment centres and through vivacious publicity, the Government endeavoured to promote the Movement in the rustic regions. Inside a brief period, the Government understood a portion of the deficiencies of the 1904 Act and, in this way, passed a more far reaching Act, known as the Co-agent Societies Act of 1912. This Act perceived non-credit social orders additionally, however the provincial credit social orders have kept on being overwhelming till now.

A co-agent bank is a monetary element which has a place with its individuals, who are in the meantime the proprietors and the clients of their bank. Co-agent managing an account is retail and business keeping money sorted out on a co-operation, self improvement and common help premise. Co-agent banks are frequently made by people having a place with a similar nearby or expert group or sharing a typical premium. Co-agent banks for the most part give their individuals an extensive variety of keeping money and monetary administrations (credits, stores, saving money accounts and so on.). Co-agent banks vary from stockholder banks by their association, their objectives, their qualities, and their administration. The Co-agent Credit framework comprises of here and now credit, medium-term credit, and long haul credit structure. Here and now structure is a three tire structure with Primary Agricultural Credit Societies (PACS) in provincial regions, Co-agent Central Banks at the area level and the Apex Bank (State Cooperative Banks (SCBs)) at the state level. The Short Term credit structure gives Short Term credit to harvest generation and Medium Term credit for little improvements through PACS. Absolutely, in India, 93413 PACS with 121225 individuals are working and are

partnered to 372 District Central Cooperative Banks (DCCB) with 13327 branches speaking to 20 states up to March 2011. In Andhra Pradesh (A.P.), there are 22 DCCBs with 575 branches. The Central Co-agent Banks secure renegotiate offices from NABARD through all state Co-agent Apex Banks. The principle elements of DCCBs are to give fund to the PACS, acknowledgment of stores, giving of advances/advances, settled store receipts, a gathering of bills, safe authority of assets, organization administrations and work as adjusting community for PACS. Co-agent banks have gained a praiseworthy ground in broadening its topographical spread and practical reach, yet less work had been done in these banks which have been horrid with the immense decrease in efficiency and proficiency, disintegration of gainfulness, unrealizable obligations and numerous unviable branches. Today, the co-agent credit establishments are confronting an extreme test to convey on the elevated standards in a furiously aggressive credit condition. Dread and negativity are communicated on their reliability and money related practicality. In this foundation, an endeavour is made in this paper to assess the execution evaluation of 22 DCCBs in the condition of Andhra Pradesh (A.P.) utilizing a non-parametric technique, Data Envelopment Analysis (DEA) with the accompanying

destinations: (a). to ponder whether the intermediation variables add to execution evaluation of DCCBs and (b). To break down the proficiency patterns of DCCBs.

## **II. Audit OF THE ITERATURE**

Different reviews directed and various recommendations were looked to acquire adequacy the working and operations of money related foundations. Narsimham Committee (1991) stressed on capital sufficiency and liquidity, Padamanabhan Committee (1995) proposed CAMEL rating (as proportions) to assess monetary and operational productivity, Tarapore Committee (1997) discussed Non-performing resources and resource quality, Kannan Committee (1998) opined about working capital and loaning techniques, Basel board of trustees (1998 and overhauled in 2001) prescribed capital ampleness standards and hazard International Journal of Scientific and Research Publications, Volume 2, Issue 10, October 2012 2 ISSN 2250-3153 www.ijsrp.org administration measures. Kapoor Committee (1998) prescribed for credit conveyance framework and credit ensure and Verma Committee (1999) suggested seven parameters (proportions) to judge money related execution and a few different boards of trustees constituted by Reserve Bank of India to acquire changes

the managing an account division by underscoring on the change in the budgetary strength of the banks. Specialists recommended different apparatuses and systems for successful investigation and elucidation of the budgetary and operational parts of the monetary foundations particularly banks. These have concentrated on the investigation of monetary suitability and credit value of cash loaning organizations with a view to anticipating corporate disappointments and beginning occurrence of insolvency among these establishments.

Bhaskaran and Josh (2000) presumed that the recuperation execution of co-agent credit foundations proceeds to unacceptable which adds to the development of NPA even after the presentation of prudential controls. They proposed authoritative and strategy medicines make co-agent credit foundations more proficient, gainful and productive association tuned in to focused business keeping money. Jain (2001) has done a relative execution examination of District Central Co-agent Banks (DCCBs) of Western India, in particular Maharashtra, Gujarat, and Rajasthan and found that DCCBs of Rajasthan have performed better in benefit and liquidity when contrasted with Gujarat and Maharashtra. Singh and Singh (2006)

concentrated the reserve's administration in the District Central Co-agent Banks (DCCBs) of Punjab with particular reference to the investigation of budgetary edge. It noticed that a higher extent of possess assets and the recuperation concerns have brought about the expanded edge of the Central Co-agent Banks and subsequently had a bigger arrangement for non-performing resources. Mavaluri, Boppana, and Nagarjuna (2006) recommended that execution of keeping money as far as gainfulness, profitability, resource quality and monetary administration has turned out to be critical to stable the economy. They found that open part banks have been more effective than different banks working in India. Buddy and Malik (2007) researched the distinctions in the budgetary qualities of 74 (open, private and outside) banks in India in view of components, for example, gainfulness, liquidity, hazard, and effectiveness. It is proposed that outside banks were better entertainers, when contrasted with other two classes of banks, by and large, and as far as usage of assets specifically. Campbell (2007) concentrated on the connection between nonperforming advances (NPLs) and bank disappointment and contended for a powerful bank bankruptcy law for the counteractive action and control of NPLs for creating and transitional economies as these have been

enduring extreme issues because of NPLs. Singla(2008) accentuated on money related administration and analyzed the monetary position of sixteen banks by considering gainfulness, capital ampleness, obligation value and NPA. Dutta and Basak (2008) recommended that Co-agent banks ought to enhance their recuperation execution, embrace another arrangement of electronic checking of credits, actualize appropriate prudential standards and sort out customary workshops to manage in the focused saving money condition. Chander and Chandel (2010) examined the money related effectiveness and practicality of HARCO Bank and found the poor execution of the bet on capital sufficiency, liquidity, procuring quality and the administration productivity parameters.

### **III. OBJECTIVES OF THE STUDY**

- To know the lending practices of cooperative banks in Andhra Pradesh.
- To measure and compare the efficiency of Cooperative Banks of Andhra Pradesh.
- To study the impact of „size“ on the efficiency of the Cooperative Banks.

- To suggest the appropriate measures to improve the efficiency of the Cooperative banks.
- To know different type of loans preferred by different sets of customers.
- To know the satisfaction level of the customers from Bank“ s lending policies.

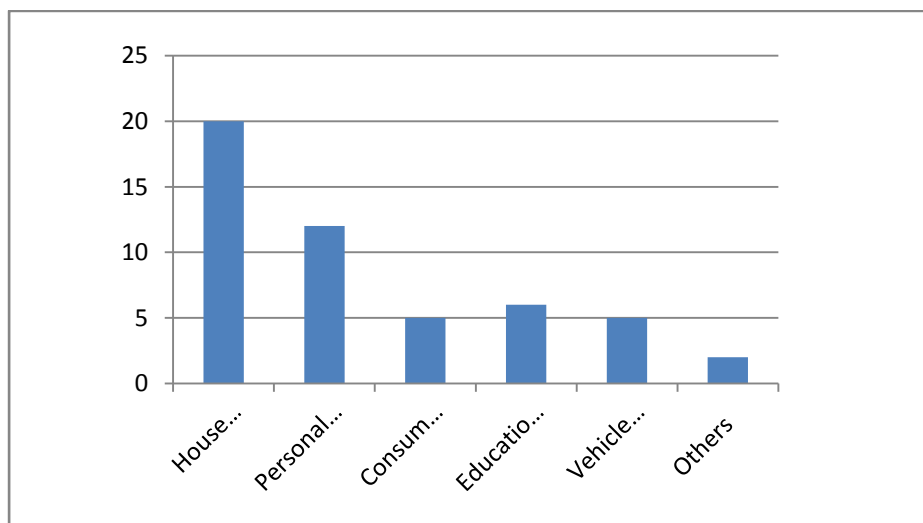
### **IV. RESEARCH METHODOLOGY**

This is Descriptive study is utilized as a part of this review so as to distinguish the loaning practices of the bank and deciding client's level of fulfilment. The technique utilized was poll and meeting of the accomplished credit officers. The essential information was gathered through an organized survey and meeting strategy. The Secondary information was gathered from Annual reports of the bank, Manual of directions on credits and advances, Articles and Research Papers, and internet. The Study populace incorporates the clients of bank and Sampling Unit for Study was Individual Customer. In this review scientist chose 200 Respondents for investigation.

**V. DATA ANALYSIS AND INTERPRETATION**

**Table 1: Preferences of the customers for the loans**

Kind of Loan	No. of Respondent	Percentage (%)
House loan	20	40%
Personal loan	12	24%
Consumer loan	5	10%
Educational loan	6	12%
Vehicle loan	5	10%
Other	2	4%



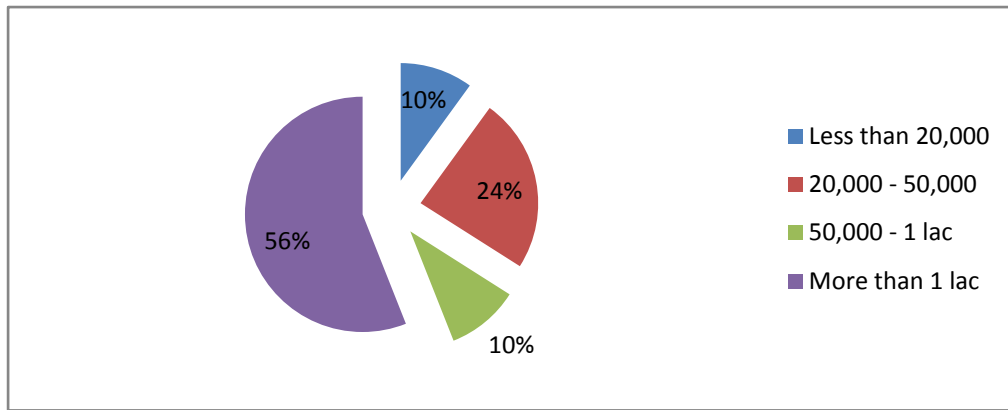
**Figure 1: Preferences of the customers for the loans**

The present study reveals that majority of the respondents have taken house loans &

personal loans and fewer respondents prefer consumer, educational and vehicle loans.

**Table 2: Range of the amount of loans**

Loan Amount	No of Respondents	Percentage%
Less than 20,000	5	10%
20,000 – 50,0000	12	24%
50,000 – 1 lac	5	10%
More than	28	56%

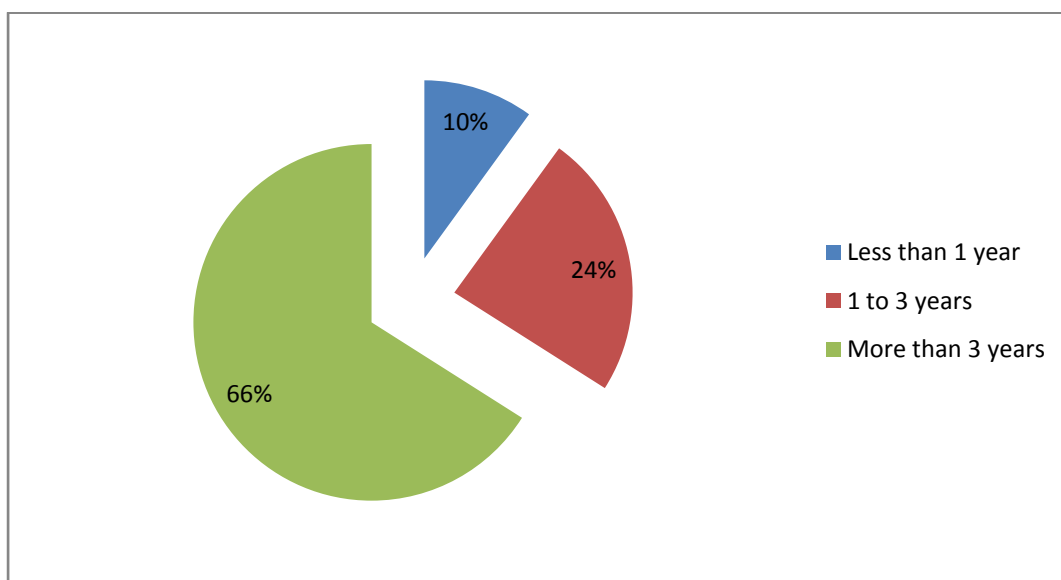


**Figure 2: Range of the amount of loans**

The present study reveals that 10 % people prefer loan less than 20,000, 24 % respondents prefer 20,000 to 50,000,10 % prefer more than 1 lac and 58% of the respondents prefer more than 1 lac.

**Table 3: Preferable term of loan**

Term of loan	No of Respondent	Percentage%
Less than 1year	5	10%
1 to 3 years	12	24%
More than 3 years	33	66%

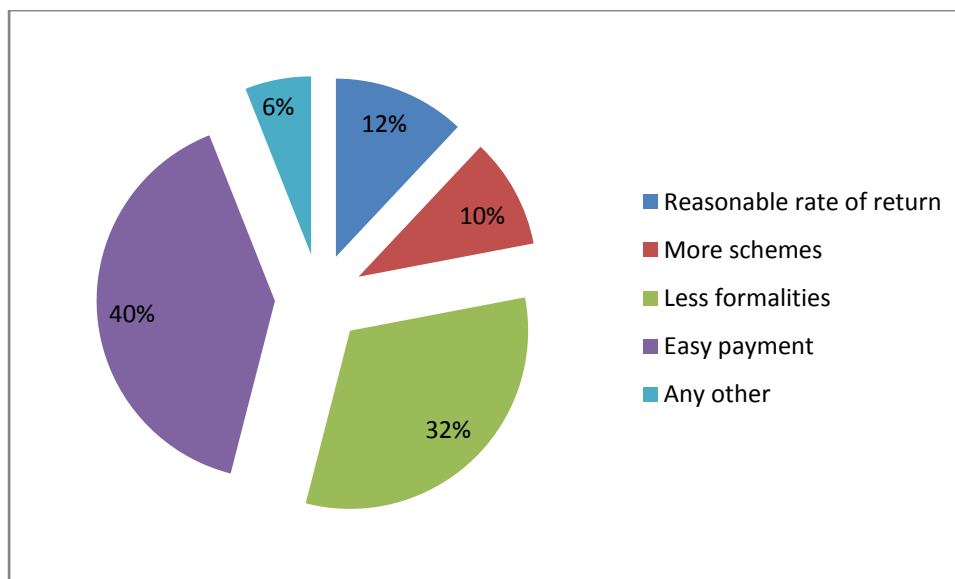


**Figure 3: Preferable term of loan**

The above table shows that 66 % respondents take loan for more than 3 years, 24 % take loan for 1 to 3 years and 10% take loan for the period of less than 1 year.

**Table 4: What prompted the customers to take loan from cooperative banks**

Reason for talking loan	No of Respondents	Percentage %
<b>Reasonable rate of return</b>	<b>6</b>	<b>12%</b>
<b>More schemes</b>	<b>5</b>	<b>10%</b>
<b>Less formalities</b>	<b>16</b>	<b>32%</b>
<b>Easy payment</b>	<b>20</b>	<b>40%</b>
<b>Any other</b>	<b>3</b>	<b>6%</b>



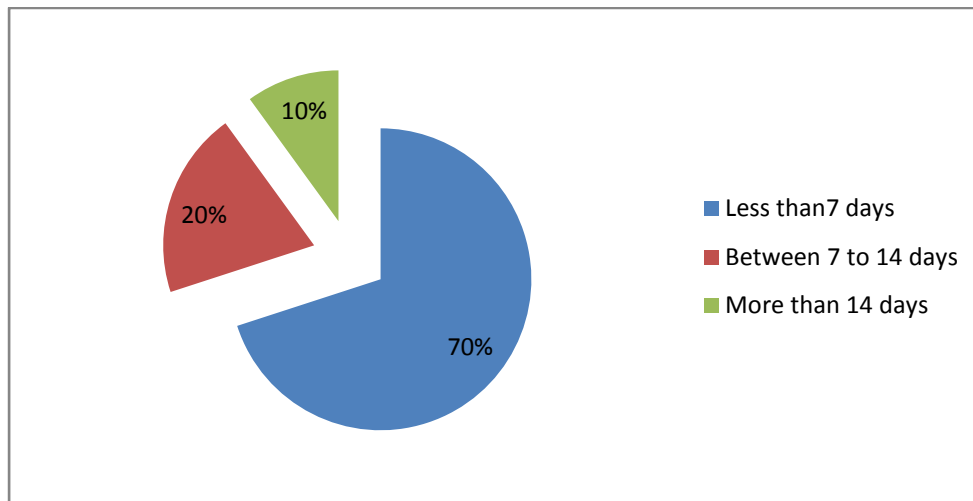
**Figure 4: What prompted the customers to take loan from cooperative banks**

Table 4 reveals that 40 % take loan because banks provide easy payment, 32% take loans because of less formalities and other

respondents take loan because of reasonable rate of interest, more schemes.

**Table 5: Average time taken for the processing of the loan**

Average time for processing of loan	No of Respondent	Percentage%
Less than 7 days	35	70%
Between 7 to 14 days	10	20%
More than 14 days	5	10%

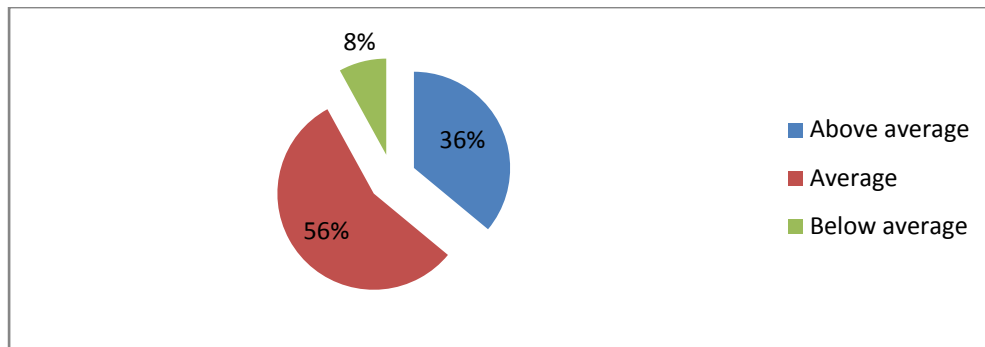


**Figure 5: Average time taken for the processing of the loan**

Table 5 indicates that 70% respondents say that average time taken for processing of the loan is less than 7 days, 20% says that it takes 7 – 14 days and 10 % says that it takes more than 14 days

**Table 6. Ranking of the facilities provided by the co-op. Banks**

Rank the facility	No of Respondents	Percentage%
Above average	18	36
Average	28	56
Below average	4	8

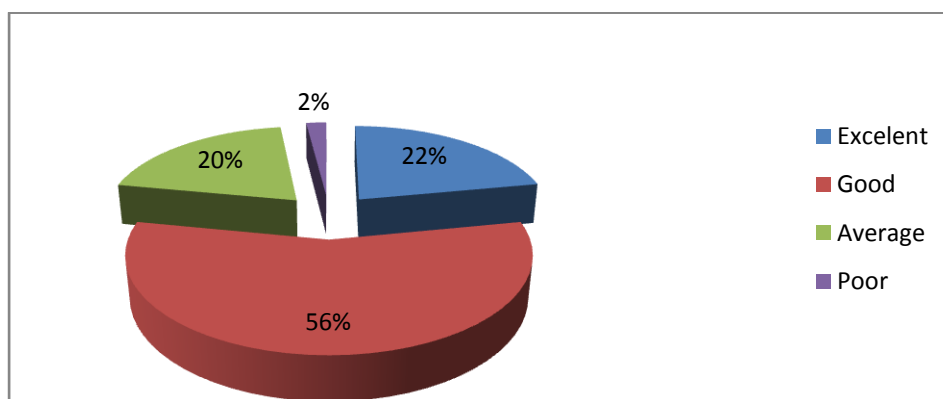


**Figure 6: Ranking of the facilities provided by the co-op. Banks**

The table 6 shows that 56% of the respondent says that facility provided by the bank are average, 36% say that its above average and 8% says that its below average.

**Table 7: Customer’s ranking for service of the bank**

Rank the customer service	No of respondents	Percentage%
Excelent	11	22%
Good	28	56%
Average	10	20%
Poor	1	2%

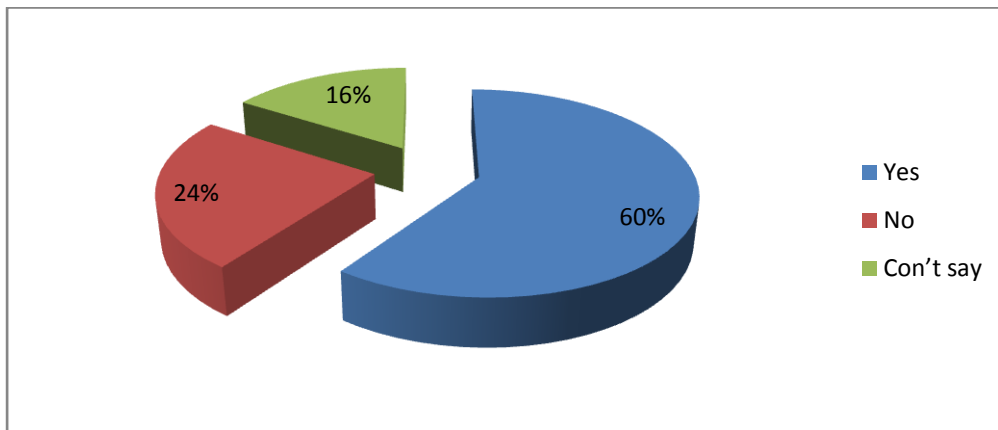


**Figure 7: Customer’s ranking for service of the bank**

Table 7 reveals that 56% of the respondent says that services provided by the bank are good, 22% say that its excelent, 20% says average and 2% says that its poor.

**Table 8: Satisfaction of the customers with the amount & period of instalment**

	No of respondent	Percentage%
Yes	30	60%
No	12	24%
Con't say	8	16%



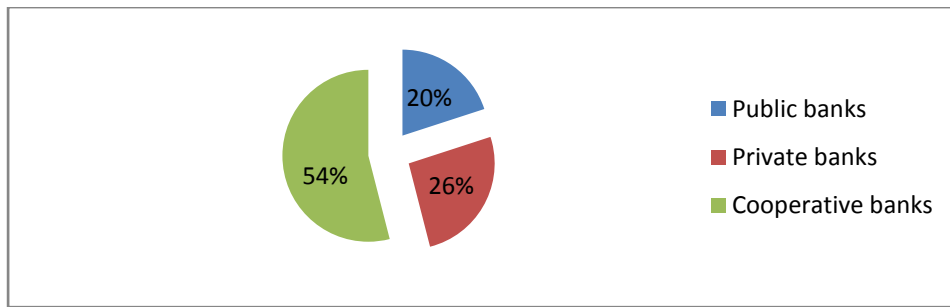
**Figure8: Satisfaction of the customers with the amount & period of instalment**

The above table depicts that 60% of the respondent satisfaction of customers says that amount and period of the bank are yes,

24% say that it's No, and 16% says that its can't say.

**Table 9: Preferable banks for borrowing facilities**

Preferable banks in future	No of respondent	Percentage%
Public banks	10	20%
Private banks	13	26%
Cooperative banks	27	54%

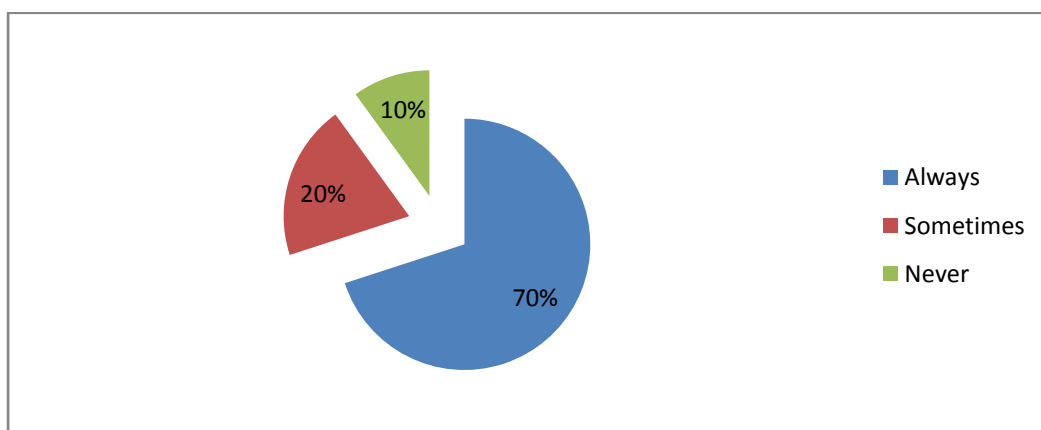


**. Figure 9: Preferable banks for borrowing facilities**

The above table shows that 54 % of the respondents will prefer loans from cooperative banks, 26 % from the private banks and 20 % from the public banks

**Table 10: Customers who would like to refer the co-op. banks to their friends and relatives**

Bank refer to others	No of respondents	Percentage%
Always	35	70
Sometimes	10	20
Never	5	10



**Figure 10: Customers who would like to refer the co-op. banks to their friend and relatives**

The above table reveals that 70 % of the respondent's always from co-operative banks, 20 % from sometimes and 10 % from never.

## **VI. FINDINGS OF THE STUDY**

1. Majority (40% as per the study) of the respondent were having housing loan from this bank.
2. Most (66% as per the study) of the people prefer to take long term loan which is more than 3 years.
3. There is a very simple procedure followed by bank for loan.
4. Easy repayment and less formality are the main factors determining customer's selection of loans.
5. Quality of services provided by the staff is satisfactory because bank is catering to a small segment only and the customers are properly dealt with.
6. Customers are satisfied with the mode of repayment of instalments.
7. Average time for the processing of loan is less i.e. approx 7 days.

The money related exhibitions of District focal Cooperative Banks (DCCBs)

enhanced in 2014-15 however there are a few worries concerning a portion of the DCCCBs announcing negative CRAR. Inside the provincial helpful part, State Cooperative Banks (StCBs) and District Central Cooperative Banks (DCCBs) revealed benefits however the ground level foundations, i.e., Primary Agricultural Credit Societies (PACS) kept acquiring enormous misfortunes. The money related execution of long haul cooperatives was observed to be much weaker than their fleeting partners. Additionally, it was watched that the branch system of cooperatives, however far reaching the nation over, kept on being gathered in specific districts.

Also, the system of cooperatives was not expansive situated in the north-eastern locale of the nation. This proposes endeavors should be taken to enhance keeping money infiltration in the north-eastern piece of the nation alongside enhancing the budgetary soundness of the ground level agreeable foundations.

### **Increased Inter-linkages between DCCCBs and Commercial Banks**

As of late, the combination of helpful manages an account with the money related part has expanded after the consideration of DCCBs in Indian Financial Network (INFINET) and Real Time Gross

Settlement System (RTGS) from November 2014. Assist the yearly approach explanation of the Reserve Bank for 2014-15 imagines consideration of monetarily solid DCCBs in the Negotiated Dealing System (NDS) and opening up of web saving money channel for DCCBs fulfilling certain criteria. An examination of stores and advances base savvy conveyance of DCCBs uncovered that managing an account business was prevalently amassed for bigger DCCBs. DCCBs with bigger store base (more than or equivalent to `500crore), however represented just 4 for each penny of aggregate number of DCCBs, contributed right around 53 for each penny of aggregate stores Balance sheet of DCCBs extended at a rate of 15 for every penny at end-March 2015 over the earlier year. This extension in accounting report was generally credited to borrowings on the liabilities side and advances and advances on the advantages sid.

## **VII. PROBLEMS FACED BY COOPERATIVE BANKS**

1. The cooperative financial institution is facing severe problems which have restricted their ability to ensure smooth flow of credit

- Limited ability to mobilize resources.

- Low Level of recovery.
- High transaction of cost.
- Administered rate of interest structure for a long time.

2. Due to cooperative legislation and administration, Govt. interference has become a regular feature in the day-to-day administration of the cooperative institution. Some of the problem area that arises out of the applicability of the cooperatives legislative are:

- Deliberate control of cooperatives by the government.
- Nomination of board of director by the government.
- Participation of the nominated director by the government.
- Deputation of government officials to cooperative institution etc.

3. The state cooperative banks are not able to formulate their respective policies for investment of their funds that include their surplus resources because of certain restrictions.

4. Prior approval of RBI is mandatory for opening of new branches of SCBs. The SCBs

are required to submit the proposal for opening of new branches to RBI through NABARD, whose recommendation is primarily taken into consideration while according permission.

## VIII. SUGGESTIONS

1. The banks should adopt the modern methods of banking like internet banking, credit cards, ATM, etc.
2. The banks should plan to introduce new schemes for attracting new customers and satisfying the present ones.
3. The banks should plan for expansion of branches.
4. The banks should improve the customer services of the bank to a better extent.

## REFERENCES

- [1] Andrew Campbell (2007), "Bank insolvency and the problem of non-performing loans", *Journal of Banking Regulation*, 25-45.
- [2] Beaver, W. H. (1966). "Financial ratios as predictor of failure-empirical research in accounting", *Journal of Accounting Research*, Volum.No.4, pp.71-111.
- [3] Bhaskaran R and Praful Josh P (2000). "Non Performing Assets (NPAs) in Co-operative Rural Financial System: A major challenge to rural development", *BIRD's Eye View* Dec.2000.
- [4] Chander Ramesh and Chandel Jai Kishan (2010), "Financial Viability of an Apex Cooperative Credit Institution- A Case Study of the HARCO Bank", *Asia-Pacific Business Review* Vol. VI, No.2, April-June 2010, pp 61-70
- [5] Chandra, Buddhadeb (2006), "Performance of Burdwan Central Co-operative Bank in the Development of the District (1988-89 to 1998-99)", *Finance India*, September, 2006.
- [6] Dutta Uttam and Basak Amit (2008), "Appraisal of financial performance of urban cooperative banks- a case study." *The Management Accountant*, case study, March 2008, 170-174.
- [7] Fulbag Singh and Balwinder Singh (2006), "Funds management in the central cooperative banks of Punjab- an analysis of financial margin", *The ICAI Journal of Management*, Vol. 5, 74-80.
- [8] Geeta Sharma and Ganesh Kawadia (2006), "Efficiency of urban co-operative banks of Maharashtra: A DEA Analysis", *The ICAI Journal of Management*, Vol. 5, Issue 4.

[9] Harish Kumar Singla (2008), "Financial performance of banks in India", *The ICFAI Journal of Management*, Vol. 7, Issue 1.

[10] Jain (2001), "Comparative study of performance of District Central Co-operative Banks (DCCBs) of Western India i.e. Maharashtra, Gujarat & Rajasthan for the year 1999-2000 from the point of view of net profit/loss", NAFSCOB Bulletin, April-June 2001.

[11] Ohlson, J.A. (1980), "Financial Ratios and the Probabilistic Prediction of Bankruptcy," *Journal of Accounting Research*, Vol.No. 18, 109-131.

[12] Ramesha and Nagaraju (2007), "Prudential Standards and the performance of Urban Co-operative Banks in India: An Empirical Investigation", *The ICFAI Journal of Financial Risk Management*, June, 2007.

[13] Taffler R J (1982), "Forecasting company failure in the U.K. using discriminant analysis and financial ratio data," *Journal of the Royal Statistical society*, Vol. 145, 342-358

[14] UrsNiranjan Raj B and Chitambaram K (2000), "Measuring the performance of District Co-operative Banks", NAFSCOB Bulletin, October-December, 2000.

[15] Ved Pal & N S Malik (2007), "A multivariate analysis of the financial characteristics of commercial banks in India", *The ICFAI Journal of Management*, Vol. 6, Issue 3.

[16] Justin Paul and Padmalatha Suresh (2008), "Management of Banking and Financial Services", Second impression, Dorling Kindersley (India) Pvt. Ltd., PHI, Chapter: 6, 78-116.

[17] Shiang-Tai Liu (2009), "Slacks-based efficiency measures for predicting bank performance", Graduate School of Business and Management, Vanung University, Chung-Li, Taiwan.

[18] Vijay Mavaluri, PradeepBoppana and Nagarjuna (2006), "Measurement of efficiency of banks in India" University Library of Munich, Germany, MPRA Paper 17350, Aug 2006.

[19] KC Shekhar and LekshmyShekhar (2007), "Banking theory and practice", Nineteenth edition, reprint 2007, Vikas publishing house Pvt. ltd. (India), Chapter: 16, pp. 356-374.