

A LOAN PORTFOLIO EVALUATION OF DISTRICT CENTRAL COOPERATIVE BANKS: A CASE STUDY OF UTTAR PRADESH

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ABSTRACT

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Indian Cooperative Banks are the world largest credit institution which serve the credit need of more than 120 million farmers(Rangarajan,1972). These cooperative banks are established to serve for the welfare of rural people and not for the profit maximization. Indian cooperative credit These banks provide credit under various areas such as, agriculture, lives stock, milk, self-employment, setting up small-scale units, personal finance etc. Indian Agricultural Cooperative credit institution are broadly categories in to two types, short term and long term agricultural credit institution. The short term agricultural credit institution have three tier federal structure, at the apex level: State Cooperative Banks, District Central Cooperative Banks at district level and Primary Agricultural Credit Societies, at root level. The District Central Cooperatives Banks(DCCBs) act as intermediary, it provide short and medium term loan to the rural sector. There are total 364 DCCBs operating in country (RBI report, 2017-18), out of which 50 DCCBs operating in Uttar Pradesh (NAFSCOB, 2017-18).

The present study evaluate the agricultural and non-agricultural loan distribute by DCCBs of UP for the period of 2013-14 to 2016-17. For the purpose of the study, District Central Cooperative Banks (DCCBs) of UP were divided into 18 zone as per their administrative classification. The study revealed that there is volatility among the zone and some zone performed well in development of rural areas.

INTRODUCTION

Rural cooperatives are one of the strongest sources for rural credit financing in India where 61.5 per cent Indian population depends on agriculture. Cooperative institutions play an significance role in providing credit to rural sector and providing other necessary support to the farming community for their economic growth. The portfolio of the cooperative bank are highly incline towards short term agricultural loan. In the early 1950s cooperative banks share only 2.7% of agricultural credit, but in 1999 agricultural credit increased by 45 % (Capoor Committee Report, 2000). Although, in 2013, three tire committee recommended that DCCBs should provide 70% of their loan portfolio should tilted towards agricultural sector (Bakshi,2013).

Despite this remarkable progress in rural credit and deposit mobilization, a significant number of cooperative banks far from being stable and self-sufficient. Lack of skilled professionals, more reliance on refinancing agencies and apex bank, increasing non-performance assets and lack recovery management, business ethos, recurring loss of assets are some of the causes for their operational and financial inadequacies.

So, it is important to recognized those institutions which are unstable and inefficient and restructured those banks.

The structure of Indian agricultural credit institution is very wide and broadly classified into two category short term and long term agricultural credit institution. The short term agricultural credit institution has three tier structure; primary agricultural credit societies at foundation, district central cooperative banks at district level and state cooperative bank at apex (Soni and Saluja, 2013).

The present study evaluate the agricultural and non-agricultural loan distribute by DCCBs of UP for the period of 2013-14 to 2016-17, by applying trend analysis. For the study purpose, DCCBs of UP were divided into 18 zone as per their administrative classification.

PURPOSE

The purpose of the study is to examine the contribution of District Central Cooperative Banks in the upliftment of rural communities since cooperatives are the major credit agency for rural financing (agricultural and non-agricultural) in India.

Agricultural credit is provided for the purpose of supporting the financial needs of seasonal agricultural operations, marketing of produce, supply and distribution of products, minor irrigation, animal husbandry and others. Non-agricultural credit is provided for industrial purposes, consumption loan, purchase of shares and others.

This paper attempts to examine the trends of credit in the agricultural and non-agricultural sector (short and medium term) by the District Central Cooperative Banks of Uttar Pradesh.

METHODOLOGY

For the study, the Uttar Pradesh state was selected because of the large rural population. The duration of the study is limited to the year 2012-13 to 2016-17. The time period was selected because in the year 2012-13 the Government of India in its financial inclusion programme had launched 'Swabhiman Scheme' in 2011-12, to bring basic banking services to unbanked villages with a population of 2000 and above.

Relevant secondary data regarding short term and medium term agricultural and non-agricultural loan, loan outstanding, Non-Performing Assets (NPA) were collected from the website of The National Federation of State Cooperatives Banks Ltd. (NAFSCOB). Data was compiled and analysed in the form of graphs and tables using MS-Excel software.

LITERATURE REVIEW

Several researchers studied the performance and growth of cooperative banks. Jadhav, Kumbhar and Pokharkar (2007), evaluated the performance of DCCBs in Vidarbha Region of Maharashtra for the period of 1985-86 to 2000-01. Study were done by taking 1985-86 as a base year and 2000-01 as a terminal year and analysed by applying ratio, average and percentages. And ranking of district and regions were estimated based on performance index. Study concluded that performance of Vidarbha region is quite satisfactory in terms

of number of branches, membership, borrowing, recovery, overdues, loan and advances. In the similar study, Rathod (2017), analyzed the finance pattern of agricultural and non-agricultural loan of DCCBs in Vidharbha region of Maharashtra for the period of 2008 to 2014. For the study purpose five DCCBs of the region were selected and analyzed with the help of graph. Study concluded that, growth and development in short and medium term agricultural and non-agricultural loan. Soni and Kapre (2013), investigated the effectiveness of credit delivery of DCCBs in Rajnandgoan for the period of 2009-2010 to 2011-12. Study analyzed the various parameter such as, arrival rate, traffic intensity, service rate and ideal time by applying analytical techniques and queue theory. Study found that, effectiveness, reflection and management in credit delivery is highly satisfactory. Naqvi (2016), analyzed the growth and progress of DCCBs in UP for the period of 2002-03 to 2010-11. Study analyzed the various parameter of selected DCCBs such as overdues to loan, cost of management, liquidity ratio by applying trend and ratio analysis. Study found that, all the variable shows increasing trends with few exceptions. Vanetha and Saravanmibigaidevi (2016), analyzed the lending performance of DCCBs in Erode for the period of 2008-09 to 2012-13 by applying trend analysis. Study found that, lending performance of bank is satisfactory and loan outstanding decreases during the study period. Bhatt and Bhat (2014), analyzed the financial performance and efficiency of Cooperative Banks in Jammu & Kashmir for the period of 2000-01 to 2006-07. Study analyzed the non-performing assets and proportion of NPA to loan outstanding of selected 8 banks by applying Data Envelopment Analysis. The study found that, three banks are more efficient when measured at constant return to scale and five banks are relative efficient when measure at variable return to scale.

ANALYSIS AND INTERPRETATION

Table No. 1.1
Total Loan and Advances

(Amount in lakh)

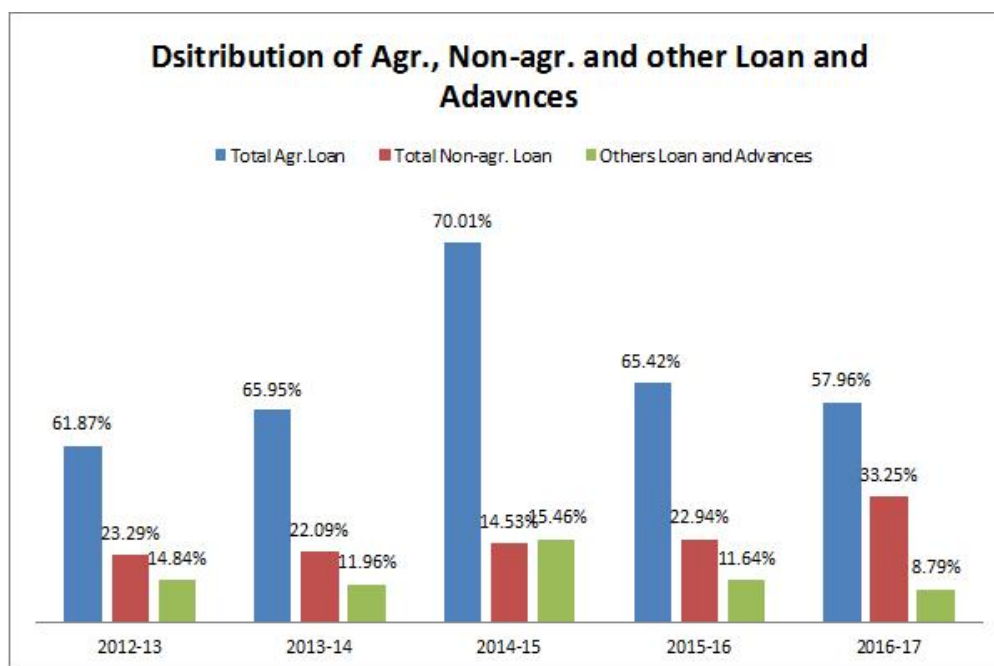
	2012-13	2013-14	2014-15	2015-16	2016-17
Total Loan and Advances	952021	1064059	1797485	1214774	1259688
Growth Percent	-	11.77	68.93	-32.42	3.70

Sources: www.nafscob.org

The table 1.1 represent the total loan and advances distributed by UP during five year. The indicate that total loan and advances increased marginally from Rs. 952021 lakh in 2012-13 to Rs. 1064059 lakh in 2013-14 which show growth

of 11.77%. Further in 2013 -14 it increased dramatically and reach about Rs. 1797485 lakh which show growth of 68.93% but in 2014-15 it decline about 32.42% and reached at Rs. 1214774. However, in 2016-17 it increased about 3.70% and reached at Rs. 1259688.

Chart No. 2.1
Proportion of Agricultural Non-agricultural and Other loan and Advances



Estimated by author

Sources: www.nafscob.org

The chart 2.1 represent the proportion of agricultural, non-agricultural and other loan and advances distributed by district central cooperative banks of UP for the period of five year from 2012-13 to 2016-17. Chart indicate that in 2012-13, 61.87% of total loan and advance were distribute to agricultural loan, while in 2013-14 it increased to 65.95%, in 2014-15 in reached around 70.01%. however it decline in 2015-16, and reached to 65.42%, in 2016-17 it continue to decline and reached at 57.96% only.

Non-agricultural loan was 23.29% of total loan and advances in 2012-13, in 2013-14 it slightly decline and reached to 22.09%, it further decline in 2014-15 and reached to 14.53%. however, it increased in 2015-16 and reached about 22.94% and in 2016-17 it further increased and reached to 33.25%.

Other loan and advances was 14.84% of total loan and advances in 2012-13, in 2013-14 it decline and reached to 11.96%. however, it increased in 2015-16 and reached about 15.46%. again it decline in 2015-16 and reached to 11.64%, it continue to decline in 2016-17 and reached to 8.79%.

Table:1.2
Short and Medium term agricultural loan

Division	2012-13	2013-14	2014-15	2015-16	2016-17	Average Annual growth
Agra Division	41297	79036 (91.38)	64844 (-17.96)	59382 (-8.42)	46196 (-22.21)	10.70
Aligarh Division	14392	15278 (6.16)	12687 (-16.96)	12926 (1.88)	10412 (-19.45)	-7.09
Prayagraj Division	9966	9966 (0.00)	10046 (0.80)	8793 (-12.47)	8793 (0.00)	-2.92
Azamgarh Division	1603	1603 (0.00)	1652 (3.06)	1041 (-36.99)	1041 (0.00)	-8.48
Bareilly Division	50462	50462 (0.00)	50462 (0.00)	53479 (5.98)	40422 (-24.42)	-4.61
Basti Division	3103	3103 (0.00)	15 (-99.52)	15 (0.00)	15 (0.00)	-24.88
Chitrakoot Division	12530	20008 (59.68)	20381 (1.86)	14212 (-30.27)	14212 (0.00)	7.82
Devipatan Division	708	4 (-99.44)	6 (50.00)	1 (-83.33)	1 (0.00)	-33.19
Ayodhya Division	20635	20307 (-1.59)	20789 (2.37)	18227 (-12.32)	16759 (-8.05)	-4.90
Gorakhpur Division	15189	15189 (0.00)	6109 (-59.78)	5737 (-6.09)	5737 (0.00)	-16.47

Jhansi Division	22642	30043 (32.69)	33965 (13.05)	26883 (-20.85)	30836 (14.70)	9.90
Kanpur Division	18882	19059 (0.94)	19404 (1.81)	19121 (-1.46)	19465 (1.80)	0.77
Lucknow Division	34219	34219 (0.00)	36944 (7.96)	59295 (60.50)	58695 (-1.01)	16.86
Meerut Division	109973	130811 (18.95)	638341 (387.99)	154510 (-75.80)	158028 (2.28)	83.35
Mirzapur Division	14568	19678 (35.08)	22019 (11.09)	20634 (-6.29)	21235 (2.91)	10.90
Moradabad Division	99418	118161 (18.85)	147989 (25.24)	156653 (5.85)	143576 (-8.35)	10.40
Saharanpur Division	106210	121530 (14.42)	158664 (30.56)	170547 (7.49)	141426 (-17.08)	8.85
Varanasi Division	13246	13246 (0.00)	14039 (5.99)	13246 (-5.65)	13246 (0.00)	0.08

*Values in parenthesis indicate the growth percentage.

Estimated by author

Sources: www.nafscob.org

The table 1.2 indicate the amount of agricultural loan disbursed by DCCBs of UP for the period of 2012-13 to 2016-17. Values in parenthesis indicate the growth percentage or decline. Overall, analysis revealed that all the division of UP shows fluctuating trend over the study period. However, Meerut division shows 83.35 % of average annual growth rate, which is highest among the division. Followed by Lucknow division which shows 16.86% of average annual

growth rate. Agra, Mirzapur, Moradabad and Jhansi division shows almost 10% of average annual growth rate. Whereas, Saharanpur and Chitrakoot division show 8.85% and 7.82 of average annual growth rate. While Varanasi and Kanpur division show annual growth of 0.08% and 0.77% only. On the contrary, Devipatan, Basti, Gorakhpur, Azamgarh, Aligarh, Ayodhya, Bareilly and Prayagraj division show decline in average annual rate.

Table1.3
Short and medium term non-agricultural loan

(Amount in lakh)

Division	2012-13	2013-14	2014-15	2015-16	2016-17	Average annual growth
Agra Division	3915	2858 (-27.00)	5083 (77.85)	5824 (14.58)	8917 (53.11)	29.63
Aligarh Division	6418	6129 (-4.50)	11195 (82.66)	10698 (-4.44)	9900 (-7.46)	16.56
Prayagraj Division	1813	1813 (0.00)	3442 (89.85)	591 (-82.83)	591 (0.00)	1.76
Azamgarh Division	1100	1100 (0.00)	1100 (0.00)	435 (-60.45)	435 (0.00)	-15.11
Bareilly Division	13790	13790 (0.00)	13790 (0.00)	18957 (37.47)	21239 (12.04)	12.38
Basti Division	839	839 (0.00)	209 (-75.09)	209 (0.00)	209 (0.00)	-18.77
Chitrakoot Division	5266	5224 (0.80)	5490 (5.09)	9760 (77.78)	9760 (0.00)	20.52
Devipatan Division	3	2 (-33.33)	0 (-100)	26 (00)	651 (2403.85)	756.84
Ayodhya Division	2180	1717 (-21.24)	2224 (29.53)	5249 (136.02)	5024 (-4.29)	35.00
Gorakhpur Division	14193	14193 (0.00)	13068 (-7.93)	7492 (-42.67)	7492 (0.00)	-12.65
Jhansi Division	7791	8296 (6.48)	9372 (12.97)	7059 (-24.68)	6595 (-6.57)	-2.95
Kanpur Division	9086	3576 (-60.64)	3151 (-11.88)	4315 (36.94)	9571 (121.81)	21.56
Lucknow Division	8715	8715 (0.00)	10125 (16.18)	15722 (55.28)	67476 (329.18)	100.16

Meerut Division	48180	60177 (24.90)	55328 (-8.06)	62395 (12.77)	54117 (-13.27)	4.09
Mirzapur Division	0	0 (0.00)	0 (0.00)	0 (0.00)	7823 (0.00)	-
Moradabad Division	43848	51388 (17.20)	74180 (44.35)	76293 (2.85)	134976 (76.92)	35.33
Saharanpur Division	53785	54511 (1.35)	52300 (-4.06)	52850 (1.05)	73307 (38.71)	9.26
Varanasi Division	760	760 (0.00)	1174 (54.47)	758 (-25.43)	798 (5.28)	6.08

Estimated by author

Sources: www.nafscob.org

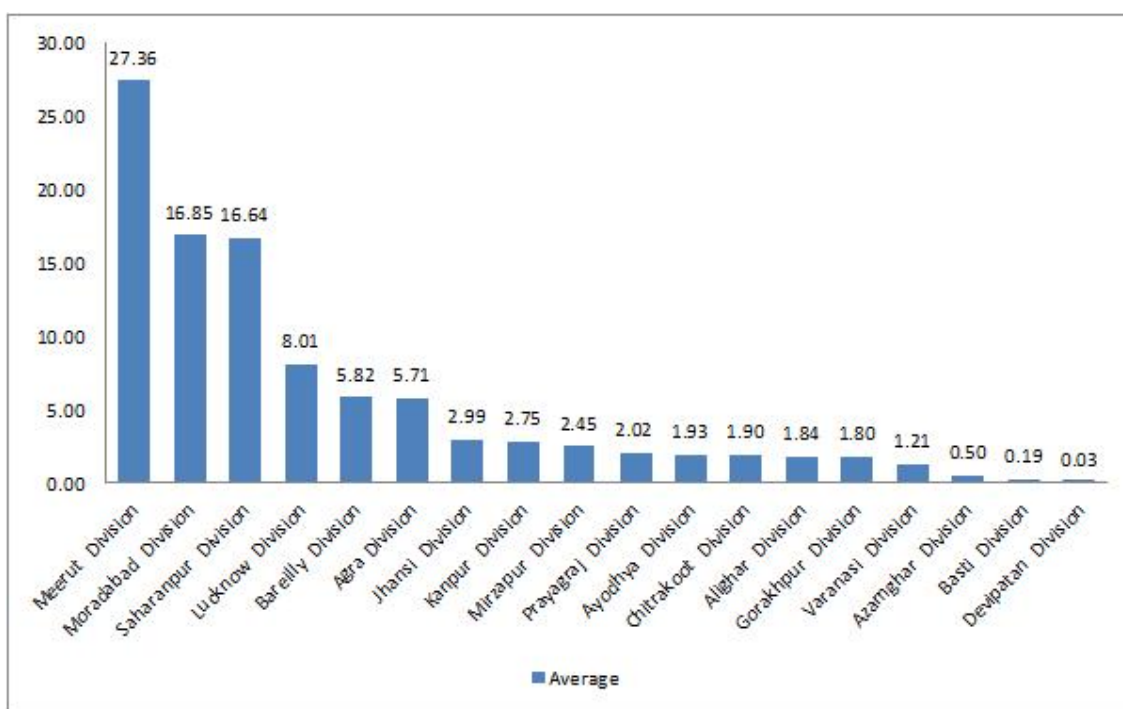
Values in parenthesis indicate the growth percentage.

The table 1.3 indicate the amount of non-agricultural loan disbursed by DCCBs of UP for the period of 2012-13 to 2016-17. Values in parenthesis indicate the growth percentage or decline. Analysis revealed that Bareilly, Chitrakoot, Lucknow and Moradabad division shows increasing trend over the study period. along with average annual growth of 12.38%, 20.52%, 100.16% and 35.33% respectively. While

other division shows fluctuating trend over the study period. However, Agra, Aligarh, Prayagraj, Devipatan, Ayodhya, Kanpur, Meerut, Saharanpur and Varanasi division shows average annual growth of 29.63%, 16.56%, 1.76%, 756.84%, 35%, 21.56%, 4.09%, 9.26%, 6.08 respectively. While, Azamgarh, Basti, Gorakhpur and Jhansi division shows decline in average annual rate.

Chart. 2.2 Share of Division in Disbursement of Loan and Advances(Average of five years)

(Values in Percentage)



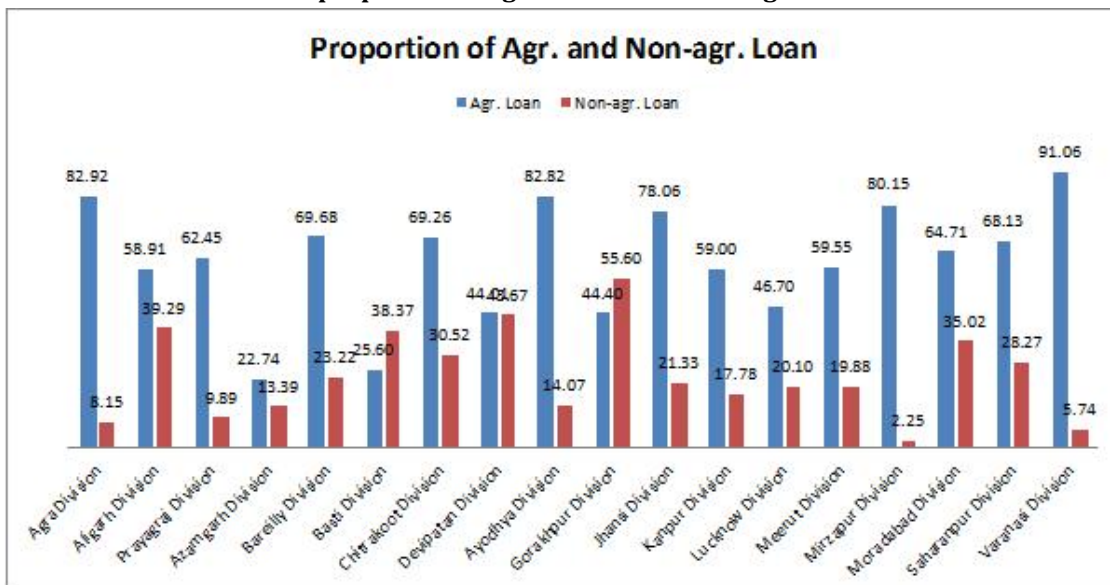
Estimated by author

Sources: www.nafscob.org

Chart 2.2, indicate the share of division in disbursement of loan and advances by taking average of five years. Analysis shows that Meerut division share 27.36% in total loan and advances which is highest among the division, whereas Devipatan division share 0.03% in total loan and advances which is lowest among the division. Followed by Moradabad and Saharanpur division share 16.85% and 16.64% in total loan and advances. While Lucknow, Bareilly, Agra division

share 8.01%, 5.82% and 5.71%. Whereas, Jhansi, Kanpur, Mirzapur and Prayagraj division share 2.99%, 2.75%, 2.45%, 2.02% respectively. While, Ayodhya, Chitrakoot, Aligarh, Gorakhpur, Varanasi divisions share 1.93%, 1.90%, 1.84%, 1.80% and 1.21% respectively. However, Azamghar and Basti division share 0.50% and 0.19% in total loan and advances.

Chart 2.3 proportion of agricultural and non-agricultural loan



Estimated by author

Sources: www.nafscob.org

Chart 2.3 indicate the average proportion of agricultural and non-agricultural loan disbursed by division during the study period. analysis shows that, Varanasi, Agra, Ayodhya and Mirzapur division distribute more than 80% of total loan and advances to agricultural sector. While, Prayagraj, Bareilly, Chitrakoot, Jhansi, Moradabad and Saharanpur division distribute more than 60% but less than 80% of total loan and advances to agricultural sector. However, Aligarh, Kanpur

and Meerut division distribute almost 60% of total loan and advances to agricultural sector over the study period.

On the contrary, Gorakhpur and Devipatan division distribute 55.60% and 41.67% of total loan and advances to non-agricultural sector. followed by Aligarh and Basti division distribute 39.29% and 38.37% of total loan and advances to non-agricultural sector over the study period.

Table. 1.4 No. of Division in Absolute NPA % Band

Up to 5%	5-10 %	10-20 %	20-30%	30-50%	beyond 50%
Meerut	Bareilly	Agra	Aligarh	Gorakhpur	Basti
Moradabad	Mirzapur	Chitrakoot	Azamgarh		Devipatan
Saharanpur		Jhansi	Ayodhya		Varanasi
		Lucknow	Kanpur		
			Prayagraj		

Estimated by author

Sources: www.nafscob.org

*UP share average of 27.57 % in NPA % band.

Table 1.4 shows that during the five year, Meerut, Moradabad and Saharanpur division share less than 5% to Non-performing Assets(NPA) and Bareilly and Mirzapur division share between 5-10 % in NPA. While Agra, Chitrakoot, Jhansi and Lucknow division share NPA % between 10-20%. However, Aligarh, Azamghar, Ayodhya, Kanpur and Prayagraj division share between 20-30% in NPA. Whereas, Basti, Devipatan and Varanasi division share more than 50% in NPA.

CONCLUSION

Overall, study found that UP share average of 64% of loan to agricultural sector, whereas, three tire committee recommended that DCCBs should provide 70% of their loan portfolio to agricultural sector (Bakshi,2013). However, UP share average of 23% of loan to non-agricultural sector and around 13% to other loan and advances during the study period.

While division wise analysis revealed that Varanasi, Agra, Ayodhya, Mirzapur, Bareilly, Chitrakoot and Jhansi division fulfill the recommendation of three tire committee and provide more than 70% of their loan portfolio to agriculture. Whereas Gorakhpur, Devipatan, Moradabad, Aligarh, Basti provide more than 35% of loan portfolio to non-agricultural sector.

Whereas, Moradabad and Saharanpur division share around 60.85% of total loan and advances disbursed by UP during the study period. While Lucknow, Bareilly and Agra share around 6% of total loan and advances only. However, rest of 12 division share less than 2% only in total loan and advances disbursed by UP during the study period

Meerut, Moradabad, Saharanpur, Bareilly and Mirzapur division share less than 10% in absolute NAP % band, which is quite acceptable by RBI guidelines. While, Basti, Devipatan and Varanasi division shares more than 50% in absolute NAP % band, which quite alarming and these division required immediate attention.

Overall analysis revealed that, performance of five division i.e., Meerut, Moradabad, Saharanpur, Bareilly and Mirzapur division in term of providing loan to priority sector and managing their NPA is quite satisfactory among the 18 division.

While, performance of four division i.e., Agra, Jhansi, Chitrakoot and Lucknow is below average and other nine division required measure changes in their management, number of employee, loan and advances and investment for their upliftment, so that they can serve to rural sector.

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