



“A STUDY OF CRITICAL ANALYSIS OF AGRICULTURAL FINANCE DISBURSEMENT BY MAHARASHTRA STATE CO-OPERATIVE BANK”

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Introduction

The cooperative movement originated in England. The first cooperative society named "**Roehdale friendly cooperative society**" was formed there in 1830. As far as cooperative credit institutions are concerned, they first started in Germany in the middle of the 19th century; so far as the Indian cooperative movement is concerned the introduction of cooperative societies Act, 1904 was considered as the real beginning of the cooperative movement in India¹.

The first central cooperative bank was registered in Uttar Pradesh in 1906 as a primary society followed by Bombay in 1910. Soon after the amendment of the cooperative societies Act in 1912 a large number of central banks were established⁴. At present the Indian short-term cooperative credit structure consist of 29 state cooperative banks at a state level, 367 district central cooperative banks at district level and 93816 primary agricultural cooperative societies of village level².

The Reserve Bank of India published the statistical tables relating to banks in India since 1941 reveal that organized banking structure of the country is composed of the Indian commercial bank (scheduled and non-scheduled), foreign banks (Scheduled and non-scheduled) and cooperative banks. Through organized banks constituted and governed by separate acts and rules; they are all engaged in surveying and providing credit to the different segments of our economy. Ultimately linked with the Reserve Bank of India at the top as the central banking³.

The District central cooperative banks play district and important role in the development of agricultural credit cooperative and other types of societies. The district central cooperative banks serve as connecting link between the state cooperative bank and primary cooperative credit societies. They act as balancing centers by Transferring the funds of these societies which have a surplus to others with a shortage of funds thus the district central cooperative banks occupy a position of cardinal importance in the cooperative credit movement largely depends on their financial strength. In view of this the development and success of these banks is of great importance.

The district central co-operative banks are to meet the credit requirements of member's societies. They finance agricultural credit societies for the production purpose, marketing societies for marketing & supply operations and industries and other. Societies for working expenses.

Besides providing loans the districts central co-operative banks also provides certain normal banking facilities to the members such as acceptance of deposits, remittances of funds, collections of cheques etc in some states they are responsible for supervision and inspection of primary societies.

Objective of the Study

1. To review the progress of agricultural finance made by the Maharashtra State co-operative Banks of Marathwada.
2. To examine the profitability and liquidity of Maharashtra State Co-operative Bank.



3. To review the progress of agricultural finance made by the Maharashtra State co-operative Banks both the regions of Maharashtra State.
4. To examine the overall growth and performance of district central co-operative banks.
5. To examine the profitability and liquidity of Maharashtra State Co-operative Bank.

Testing of Hypotheses

Following results were obtained after testing the research Hypotheses.

1. Profitability of the Maharashtra State Co-operative Bank is not related to the scales of loan and advances.
2. The Maharashtra state co-operative bank bye laws and co-operative act help in streamlining the financial transactions of the bank. Internal control over the finance is weak and hence the scale of non-performing assets is alarming.

Research Methodology

To complete this study following research methodology adopted. The present study pertains to Marathwada cover a period of 10 years from 2002-2015. The present study is based on secondary data about financial resources of state cooperative banking drawn from the financial statement, Annual reports and office records of Maharashtra state cooperative Bank Marathwada.

Primary Data

1. **Interview of the Respondents:** The researcher has interviewed the respondents, Managers, Bank officers, clerical staff, Board of Directors.
2. **Questionnaire:** Questionnaire is an important tool for conducting the research. Questionnaire is calling for answers through post of questions relating to various problems.

Secondary Data

Secondary data is collected from the following source:-

1. Reserve bank of India Regulation and Bulletin.
2. Maharashtra Co-operatives societies laws 1960.
3. The directives issued by co-operative department and register and commissioner of co-operative societies.
4. Books as per reference list.
5. Annual report of Maharashtra State Co-operative bank.
6. Various articles appearing in newspapers and news magazines.

Secondary data collection the online media also helped like internet, website, e-mail etc. These are facility the secondary data.

Scope of the Study

The present study is conformed to Marathwada region of Maharashtra state have been selected for the study of Agricultural finance disbursement by Maharashtra State Co-Operative Bank.

Tool and Techniques

The data so collect will be scrutinized, tabulated, analyzed and finally used, for the study purpose, Data collection and analysis by using simple tools and techniques will have to be used i.e. standard deviation, chi square test and mean will have to be used for the analysis of data.



Review of Literature

Researcher reviewed 19 research papers, articles & 25-30 books on the area of research.

Pancras¹ has attempted a study on funds management in cooperative banks. The main object of his study was to examine the different sources of funds and deploy them in the cooperative sector of district central cooperative banks in India. He has concluded that an analytical approach to the problem of funds management in the cooperative banks, use the same, both as a tool for day-to-day management & an analysis for control purpose would immensely improve the utilization of the funds available in the cooperative sector.

Kutumba² has published an article on management of central cooperative banks-a case study of Krishna district of Andhra Pradesh for eight years period from 1971-72 to 1978-79. However, the operations pertaining to loaning and recovery are studied for three years period (1974-75 to 1976-77) only. He considered the two central banks functioning in the Andhra Pradesh State. The main objectives of his study were to examine the organizational structure of the selected central banks. To examine the performance of the managements of central cooperative banks, to study the nature of functional linkage between central banks and primary societies and to assess the effectiveness of the elected board.

Sukumaran and Shaheena³ have published an article on management of spread, burden and profitability-A case study of palghat district cooperative bank. The main aim of the study to analyse the efficiency of the banks in managing the interest spread and burden to increase the profitability of the bank. It also lays stress on the measures that have to be taken at various levels for gearing up further banks. The study indicated that the profitability of the bank showed a declining trend through the period of study. This study has observed that the profit of the bank, which stood as Rs.9.05 lakhs in 1977-78, has decreased to Rs.2.76 lakhs in 1978-79. It again fell to a minimum of Rs.0.14 lakhs during 1979-80. During the next three years the bank showed a reasonable improvement in its profitability position from 1983-84. The profit of the bank which was Rs.1.57 lakhs during 1983-84 has decreased to Rs.0.21 lakhs in 1984-85 and again to Rs.0.01 lakhs in 1986-87. The study has stated reasons for decreasing profit as a lack of effective management of spread and burden of the bank.

Parameshwar⁴ has attempted a study on branch expansion of central cooperative banks in Andhra Pradesh period from 1970-71 to 1989-90. In view of the study were the policies adopted and measures initiated for branch expansion by central cooperative Banks in Andhra Pradesh further, it is also aimed to analyse the performance of the district central cooperative Banks in expanding their network of branches. The study has observed that the number of branch offices has moved up from 134 in 1970-71 to 279 in 1976-77, to 434 in 1985-86 and to 539 in 1989-90 by 1989-90 all the central cooperative banks in the state have not less than 10 branches each and a maximum of 50 offices are there in case of the Krishna district central cooperative bank. As a result of the reorganization of 27 cooperative central banks into 22 central cooperative Banks in Andhra Pradesh, to comply with one bank for one revenue district.

Shollapur⁵ has attempted the study on an analysis of profitability of credit management in central cooperative banks with reference to Karnataka state for a period of five years from 1985-86 to 1990-91. The main object of the study was at examining the contributory role of credit management of central cooperative banks in recovering the cost of funds deployed in credit business. He found that the spread as a percentage to volume of credit business has been positive. It increased from 3.3 percent in 1985-86 to 4.39 percent in 1987-88. This reflects that in spite of minor oscillations in the percentage of spread of volume of business, the credit business has been contributing towards the recovery of burden i.e. fixed operating expenses.



However it witnessed an abnormal downward trend in 1889-90, inspire of increase in volume of credit business. The study has stated that the credit business was profitable during the earlier years of the study. However, in the years 1988-89 and 1989-90, the proportionate decline in spread is more pronounced indicating that during these years the credit management could not contribute much towards increase in spread.

Table No. 1.1: Progress Of The Maharashtra State Co-Operative Bank Ltd.
(Rs. In Lacks & members in Thousands)

Items	1961	1971	1981	1991	2001	2011
No. of Branches	20	24 (20.00)	44 (83.33)	43 (-2.27)	53 (23.25)	53 (0)
No. of Members	11	16 (-15.45)	16 (0.00)	26 (62.50)	33 (26.92)	80 (142.42)
Share Capital	326	826 (153.3)	1103 (33.53)	2816 (155.30)	9586 (240.41)	42541 (343.78)
Owned Funds	425	1885 (343.53)	8254 (337.88)	28922 (250.40)	97555 (237.30)	426350 (337.03)
Deposits	2153	9332 (333.44)	42994 (360.69)	209362 (386.95)	913582 (336.36)	1742883 (90.77)
Borrowings Outstanding	2286	6894 (201.57)	880 (-87.24)	61636 (7604.5)	204624 (231.99)	370937 (81.28)
Working Capital	254	18741 (256.70)	54483 (190.71)	310125 (469.21)	1314698 (323.9)	2544410 (93.54)
Loan Advanced	7785	33233 (326.88)	125104 (276.44)	213016 (70.84)	846649 (297.46)	1188786 (40.41)
Outstanding Loans	3742	14190 (279.20)	31076 (119.00)	217314 (599.30)	834491 (284.00)	1098896 (31.68)
Loans Over Dues	84	207 (146.43)	2246 (985.02)	6171 (174.75)	67888 (1000.11)	187357 (175.97)
% of Over Dues To Outstanding	2.24	1.46	7.23	2.84	8.14	17.05

(Source: Co-operative movement at a Glance in Maharashtra, various issues. (1961 to 2011))

*Note: Figure in the brackets shows the percentages.

The above table no. 3.3 shows the progress of the Maharashtra state co-operative bank Ltd. from year 1961 to year 2011. Number of bank branches augmented during these five decades as 20 in 1961 to 53 in 2010, membership increased for 11 to 80 thousand in 2011, respectively growth rate showed a fluctuating trend over the period. Share capital increased from Rs. 326 lacks in 1961 to Rs. 42541 lacks in 2011. Owned funds increased from Rs. 425 lacks to Rs. 426350 lacks in 2011. Deposits stood at Rs.2153 lacks in 1961, increased Rs. 1742883 lacks in 2011. Working capital increased from Rs. 5254 lacks in 1961 to increased Rs. 2544410 lacks from 1961 to 2011, therefore, growth rate showed positive but decreasing trend during the period.



Loans advanced increased up to Rs. 1188786 lacks in 2011 compared to Rs. 7785 lacks in 1961. Outstanding loans increased from Rs. 3742 lacks in 1961 to Rs. 1098896 lacks in 2011. Loans advance and loans outstanding showed fluctuating trend. As well as loans overdue also increased from Rs. 84 lacks in 1961 to Rs. 187357 lacks in 2011, total amount increased even growth rate was uneven. Percentage of over dues to loans outstanding increased from 2.24% in 1961 to 17.05% in 2011 is also a serious problem with the bank.

Table No. 1.2: Comparative Progress of Co-Operative Movement In Maharashtra

Sr. No	Particulars	As On 31 March 2010	As On 31 March 2011	Percentage Change
1	Co-operative societies in Maharashtra			
	Societies (No.)	218320	2.24.306	2.7
	Members (lakhs)	542	560	3.3
	Working Capital	2.46.162	2.48.341	0.9
	Deposits	1.28.579	1.36.696	6.3
	Gross loans	81.680	95.484	16.9
	Loans outstanding	1.12.968	1.17.206	3.8
2	The Maharashtra State Co-operative Bank Ltd.			
	Members (lakhs)	2.155	2.153	Neg.
	Working Capital	26.892	25.441	(-)5.4
	Deposits	21.421	17.429	(-)18.6
	Gross loans	10.364	11.888	14.7
	Loans outstanding	7.998	10.989	37.4
	Over dues	1.149	1.874	63.1
3	District Central Co-operative Banks (31)			
	Members (lakhs)	1.48.360	1.52.684	2.9
	Working Capital	57.364	62.194	8.4
	Gross loans	19.463	27.904	43.4

(Source: Office of commissioner for the co-operation and registrar co-operative societies).

Co-operative movement in Maharashtra is based on the remarkable developments in co-operative societies and co-operative banks. Various institutions in the above fields are playing vital role in the process of economic, political and social development of Maharashtra. Maharashtra state is one of the leading states in the co-operative movement in India. Co-operative in State of Maharashtra have made a tremendous development during the last four and half decade, several types of co-operative societies and banks stated in Maharashtra with mission to provide overall services to their members and after all to serve for the nation. In order to development the socio-economic conditions of the rural society's co-operatives have no challenge. Co-operatives have spread over all in each and every type of services which are necessary for a common man especially contributed a lot in the uplift of the rural people.



Table No. 1.3: Trends In Profits of District Central Co-Operative Banks In Maharashtra Region.

(Rs. in lakhs)

Sr. No.	Year	Net Profit / Net Loss	Index No.	Increase/Decrease Over Previous Year	Percentage Increase/ Decrease
1	1996-97	88.94	100	-	-
2	1997-98	-54.30	-62	-143.24	-161.05
3	1998-99	123.57	139	69.27	-127.57
4	1999-00	23.16	26	-100.41	-81.26
5	2000-01	52.49	59	29.33	126.64
6	2001-02	-107.52	-121	-160.01	-304.84
7	2002-03	-8305.32	-9338	-8412.84	7824.44
8	2003-04	-2788.00	-3135	-11093.32	133.57
9	2004-05	-1112.63	-1251	-3900.63	139.91
10	2005-06	-1295.86	-1457	-2408.49	216.47
11	2006-07	120.86	136	-1175.00	90.67
12	2007-08	-10519.92	-11828	-10640.78	-8804.22
13	2008-09	-13245.44	-14893	-23765.36	225.91
14	2009-10	-14328.40	-16110	-1082.96	8.18
15	2010-11	-1341.05	-1508	12987.35	-90.64
MEAN		-3512.63		-3556.94	-57.41
MAXIMUM		123.57		12987.35	7824.44
MINIMUM		-14328.40		-23765.36	-8804.22
S.D.		5084.99		6091.47	3150.96
C. V.		-144.76		-171.26	-5488.52

(Source: Annual reports of district central cooperative banks in Maharashtra Region from 1996-97 to 2010-11.)

The above table Shows that the profit / loss of district central cooperative banks in Maharashtra region from 1996-97to 2010-11. The highest Net profit of these banks was Rs.123.57 lakhs which has decreased up to Rs.(-14328.40 lakhs) in 2009-10 and index number of net profit high i.e. 136 and low i.e. (-16110) during the study period.

The increase in net profit is indicate due to the good recovery of over dues and decreasing in net profit indicate due to the low recovery of over dues of district central cooperative banks in Maharashtra region Rs.3556.94 lakhs per year during the study period. But, on an average district central cooperative banks in Maharashtra had registered a loss of Rs.3512.63 lakhs per year during the study period. It has been observed that the overall performance of these banks regarding net profit was totally unsatisfactory. During 2008-09 there was a significant negative growth in profit of these banks which was Rs.23765.36



lakhs due to higher percentage of over dues to owned capital. These banks had registered the profits during 1996-97, 1998-99, 2000-2001, and 2006-07. It means, remaining whole period under the study, these banks had incurred a loss. These banks had recorded highest profit of Rs.123.57 lakhs in 1998-99, due to the good recovery of overdue which led to increase in net profit during this year. The overall performance of district central cooperative banks in Maharashtra was negative in case of earning profits during the study period.

Table No. 1.4: Financial Strength of Dcc Bank of Maharashtra

Sr. No.	Year	Share Capital	Deposit	W. Capital	Amount of Profit
1	2005-06	2,40,999/-	17,86,285/-	24,27,842/-	9,779/-
2	2006-07	3,16,017/-	9,57,347/-	27,49,865/-	13,063/-
3	2007-08	3,93,927/-	21,42,020/-	29,90,487/-	13,520/-
4	2008-09	4,71,525/-	23,88,731/-	32,90,258/-	9,766/-
5	2009-10	5,08,277/-	24,82,254/-	34,72,005/-	10,746/-
6	2010-11	5,80,970/-	26,40,230/-	36,86,387/-	9,875/-
7	2011-12	6,32,221/-	27,65,725/-	40,70,177/-	7,745/-
8	2012-13	9,96,600/-	31,94,916/-	45,62,938/-	8,325/-
9	2013-14	7,01,040/-	33,64,117/-	48,40,900/-	8,120/-
10	2014-15	7,12,819/-	34,16,512/-	51,28,312/-	8,423/-

(Source: Office of commissioner for the co-operation & registrar of co-operative societies)

From the above mention table researcher focused on financial strength of District co-operative bank through of share capital deposits, workers capital & profit.

Concluding Remark

The net profit of district central cooperative banks in Maharashtra showed decreasing trend during the study period. The profitability ratios of district central cooperative banks in Maharashtra region were negative. The overall performances of district central cooperative banks in Maharashtra region in terms of net profit is unsatisfactory at the regional level, these banks earned profit only for five years during the study period and occurred losses in the remaining years. Ratio of net profit to paid up share capital of district central cooperative banks in Maharashtra region averaged at (-22.77) percent during the study period. On an average the district central cooperative banks in Maharashtra region were registered negative profitability on share capital during the study period. The district central cooperative banks in Maharashtra region had also registered negative profitability on owned capital (-5.55 percent), per annum, on assets (-0.87) percent per annum and on total income (-8.33) percent per annum. On an average, all the district central cooperative banks in Maharashtra region registered negative profitability on share capital, owned capital, assets and on total income during the study period. The average return on working capital of district central cooperative banks in Maharashtra was 10.71 percent which is higher 5.71 percent than the standard norm of 5 percent during the study period. Whereas, the average the ratio of total expenses to total income of district central cooperative banks in Maharashtra was 107.49 percent which is much higher than the standard norm of 90 percent that indicates the negative profitability due to establishment expenses and their failure to control expenses or to increase the total income. The ratio of total income to working capital of district central cooperative banks in Maharashtra was higher than the standard norm of 5 percent.



It was highest i.e. (13.57) percent in case of Nanded district central cooperative bank and lowest (9.45) percent in case of Beed district central cooperative bank during the study period. The expenses to income ratios of all district central cooperative banks were higher than the standard norm of 90 percent which indicates the negative safety margin for these banks during the study period. The Jalna district central cooperative bank had highest negative profitability followed by Osmanabad district central cooperative bank and it was lowest in case of Latur district central cooperative banks as compared to all district central cooperative banks in Maharashtra region.

Overall Conclusion

The researcher reviewed above the progress of district central cooperative banks in India and in Maharashtra and it was steady but not satisfactory. Some studies indicated that financial function in a district central cooperative bank is highly regulated by the Reserves Bank of India and by the registrar. Researcher indicated that today some district central cooperative banks are working well and some are not, poor recoveries and bad debts are at times responsible for unsatisfactory functioning of district central cooperative banks. The research indicated that the credit management has been able to cover the cost of funds, which is evinced by the positive difference between interest income and interest cost. The study indicated that the district central cooperative banks have failed to maintain non-over dues and their unsound lending policies. The study that the percentage increase in the interest cost has been more than the percentage increase in the interest income. The indicated that the financial position of district central cooperative banks in Marathwada was poor study.

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