

**THE PERFORMANCE OF CO-OPERATIVE BANKS IN ODISHA: A
CASE STUDY OF BALASORE BHADRAK CENTRAL CO-OPERATIVE
BANK**

*A Thesis Submitted to the University of Hyderabad
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**IN
ECONOMICS**

**BY
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Date: /12/2018

DECLARATION

I, Ranjan Kumar Nayak, hereby declare that the research embodied in the present thesis entitled '**Performance of the Co-operative Banks in Odisha: A Case Study of Balasore Bhadrak Central Co-operative Bank**', submitted by me under the guidance and supervision of **Prof. Naresh Kumar Sharma**, School of Economics, University of Hyderabad, is a bonafide research work which is also free from plagiarism. I also declare that it has not been submitted previously in part or in full to this University or any other University or Institution for the award of any degree or diploma. I hereby agree that my thesis can be deposited in Shodganga/INFLIBNET.

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Part or in this thesis have been:

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Abbreviations

| | |
|------------|--|
| ADF | Augmented Dicky-Fuller |
| AIC | Akaike's information criterion |
| ARDL | Auto Regressive Distributed Lag |
| BC | Banking Correspondents |
| CAD | Current Account Deficit |
| CADEQ | Capital Adequacy |
| CBS | Core Banking Solution |
| CD | Credit Deposit |
| CFO | Chief Financial Officer |
| CG | Corporate Governance |
| CSGL | Constituent Subsidiary General Ledger |
| DCA | Department of Corporate Affairs |
| DCCBs | District Central Cooperative Banks |
| DRTS | Debt Recovery Tribunals |
| ECM | Error Correction Mechanism |
| EG | Engle and Granger |
| <i>FSS</i> | Farmers' Service Societies |
| GRT | Granger's Representation Theorem |
| HQIC | Hannan Quinn's information criterion |
| ICA | International Co-operative Alliance |
| IFFCO | Indian Farmers Fertiliser Cooperative |
| IMF | International Monetary Fund |
| IMPS | Instant Money Protocol System |
| JJ | Johansen and Juselius Cointegration |
| JLG | Joint Lively Group |
| JLGs | Joint Liability Groups |
| KCC | Kissan Credit Card |
| KKGC | Kalinga Kissan Gold Card |
| LAMPS | Large Adivasi Multi-purpose Co-operative Societies |
| MBA | Master in Business Administration |
| MSMEs | Small and Medium Enterprises |

| | |
|----------|---|
| MWW | Mann–Whitney–Wilcoxon |
| NABARD | National Bank for Agricultural and Rural Development |
| NCDC | National Cooperative Development Corporation |
| NCUI | National Cooperative Union of India |
| NIIR | Non-Interest Income Ratio |
| NIM | Net Interest Margin |
| NPA | Non-Performing Assets |
| OCED | Organization for Economic Co-operation and Development |
| OTS | One Time Settlement System |
| PACS | Primary Agriculture Credit Society |
| PCA | Principal Component Analysis |
| PCARDBS | Primary Cooperative Agriculture and Rural Development Banks |
| PP | Phillips-Perron |
| PSBs | Public Sector Banks |
| RDS | Relative Deposit Market Share |
| RONW | Return on Net Worth |
| SC | Scheduled Caste |
| SCARDBs | State Cooperative Agriculture and Rural Development Banks |
| SCBs | State Cooperative Banks |
| SCC | Swarojgar Credit Card |
| SEBC | Socially Economically Backward Caste |
| SGSY | Swarnajayanti Gram Swarajgar Yojana |
| SHGs | Share Croppers and Self Help Groups |
| SIC | Schwarz’s information criterion |
| SLBC | State Level Bankers Committee |
| SSI | Small Scale Industries |
| ST | Scheduled Tribe |
| STCCS | Short Term Cooperative Credit Structure |
| TFGs | Tenant Farmer Groups |
| Δ | First difference of the variables |

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CHAPTER I

INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Introduction

Co-operation is one of the novel economic developments of the previous century. It is a form of economic organization that is not solely based on financial principles but is deeply rooted in greater values. For the first time in India, the notion of co-operation came into existence in 1904 when “Co-operative Credit Societies Act” was approved by the regulatory authorities including government to tackle rural indebtedness and to provide credit lines to those in need.

The principle of cooperation can be dated back to the advent of human civilization, and has evidently shaped some significant aspects of social life. –As the maxim, ‘the hermit is a freak’, mankind has been gifted with a sense of social grouping which empowers them to work together, live together, and support one another during distress and adversity. It is an alternative planning for reconstruction. Mahatma Gandhi regarded it as a way of creating “Ramaraj” in India. One of the perceptions state that cooperation is a socio-biological need of humans. Neo-Gandhian economic thought is based on the idea that “strong reciprocity” is inherent in human nature (Ginits, 2000).

The ability of human groups to maintain high level of hereditary relatedness with all the group members is quite intriguing and fascinating. A strong reciprocator in the form of group norm is predisposed to foster cooperation with others group members (Ginits, 2000, pp.169). This reciprocator also results in punishment of non-cooperators, even in the absence of justification of the group behavior in terms of measuring parameters like self-interest, or reciprocal altruism or extended kinship. (Ginits, 2000, pp, 169). Hence, it can be said that strong reciprocity indeed acts as a powerful tool that enables enforcement of social norms. The norms for food sharing or collective action constitute a few observable social norms. This strong reciprocity is believed to be a result of the structure of exchange and contact within the group members of the mobile hunter-gatherer groups during the Pleistocene era. However, the modern accounts of these societies display a wide variety not only in social organization but livelihood as well (Kelly, 1995 and Binford 2001).

1.2 Background of the Study

Co-operation is quintessentially a method of working together that assists the poor significantly more compared to the rich. All those who want to join a co-operative must be bound by a common need and desire to fulfill it, and an implicit agreement to work selflessly. "Each for all and all for each" is its motto. For such an association to run successfully, it is imperative that every associate is able to express her/his opinions freely in addition to having an equal stature and voice in making decisions regarding day-to day strategic affairs. The concept of co-operation, thus, can be defined as a group of people having shared economic needs (one or more), who voluntarily decide to pool their material and human resources -to gain mutual benefit, through a democratic organization that is formed and managed by the group members. Co-operation was originally conceived as the antidote to capitalism that would provide justice and equality to one and all.

1.2.1 The Concepts and Definitions

1.2.1.1 The Concept of Co-operatives

According to International Co-operative Alliance (ICA) 1995, "Co-operatives are founded on the values of self-responsibility, self-help, democracy, equity equality, and solidarity. In line with the tradition espoused by their founders, co-operative members trust in the moral values of openness, honesty, social responsibility and caring for others" (International Labour Conference, Promotion of co-operatives,2001).

1.2.1.2 The Definition of Co-operative Movement

Co-operative movement is defined as a "democratic and voluntary movement of the people, carried out by pooling their resources with the purpose of achieving or securing benefits which people cannot achieve individually. The purpose of the movement is to promote positive values like mutual help, self-help, self-reliance and general wellbeing of everyone" (Soni &Saluja, 2013).

1.2.1.3 Origin of the term, Cooperation

The term cooperation has originated from the Latin word *Cooperari*, wherein the word *Co* implies "with" and *operari* implies "to work" (Baek.etal. 2017). Thus, cooperation essentially means "working together". It espouses the joint principle of mutual help and self-help.

1.2.1.4 The Definition of Co-operatives

Cooperation refers to all the facets of human life such as economic, political, social, religious, and moral aspects (Swami & Gupta, 2006). It is a sort of socioeconomic establishment that is a significant mechanism of overall rural development (Ramesh, 2007).

A co-operative generally is “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise” (ICA, Statement on Co-operative Identity, 2012). As per the UN study, co-operatives can engender far-ranging, indirect and direct positive effects on socioeconomic growth (UN, 2009). “If cooperation fails, the best hope of rural India fails” (The Royal Commission on Agriculture, 1928). With 75% Indians residing in countryside, co-operatives emerge as eminent instruments to enable socioeconomic transformation. The co-operatives constitute a distinguishable economic sector and an essential aspect of the socioeconomic structure of the country which acts as a potential and impactful instrument facilitating socioeconomic growth (National Policy on Co-operatives, 2002). The study published by NABARD point out to the development of rural institutional infrastructure, private capital formation in agricultural sector and distribution of farm inputs such as seeds, fertilizers, etc. emanating from co-operatives (NABARD, 2002).

Man is a social animal. “Cooperation is basic to the development of human beings and ultimately to the progress and prosperity of society at large” (Mathur, 1996). A co-operative society as “an association formed for the purpose of joint trading, originated among the economically weaker people who were selflessly prepared to assume the duties of membership and share its rewards in proportion, to the degree in which they make use of the association” (Fay, 1939). Calvert (1933) defines co-operation as, "a form of an organization in which persons voluntarily associate together as human beings on the basis of equity for the promotion of the economic interest of themselves” (quoted in *ibid*, 1996).

This is now widely known that our civilization cannot prosper without group life that naturally responds to group as well as social stimuli. Thus, the co-operative spirit is intrinsic and innate in mankind from the dawn of human age. For the key to the future lies in cooperation as opposed to competition. Even economists have discovered through studies that co-operation

is superior to any sort of competition. "Co-operation as a philosophy, therefore, was coined to counter capitalism and irrational inequality".

The co-operatives play a significant role in Indian Financial System, particularly in rural areas. As a last solution to reach every man in the remotest village, there is no rival to co-operative credit in the rural financial system except the traditional moneylenders. Hence, it provides the sole method with proven capability of reaching village folks. It emerges as a brilliant alternative to usury (Mithani, 2001).

1.1.3 Principles of Cooperation

According to the International Co-operative Alliance,¹ the co-operative principles are guidelines by which co-operatives to convert the espoused values into practice. The guiding principles have been sketched out as follows:

i. **Voluntary and Open Membership**

Co-operatives are purely voluntary organizations that provide membership to anyone who wants to avail their services and is willing to fulfill the accountabilities of the membership. The organization advocates zero discrimination whether it is based on social class, gender type, racial group, religious preferences, or political affiliation.

ii. **Democratic Member Control**

Co-operatives are democratic in nature and are governed by the principle of "one member, one vote". The association is democratically run by the members, who vigorously take part in making decisions and designing the policies and procedures. The representatives including men and women are elected by the members and are answerable to them also. The members have uniform voting rights.

¹Is a non-governmental organisation, more accurately, a cooperative union representing cooperatives and the cooperative movement worldwide. It is established in 1895 to unite, and serve cooperatives in worldwide.

iii. **Member's Economic Participation**

The seed fund of the co-operative is collected and managed equitably and legitimately by the members of the Co-operative. The common property of co-operative is generally a stipulated part of that capital. The members are eligible to obtain partial compensation, if any, on capital that is considered to be a precondition for membership.

iv. **Autonomy and Independence**

Co-operatives are independent and autonomous organizations that are self-managed by their members. If a co-operative enters into any partnership or agreement with other organizations, including Government, or makes a bid to raise capital from external sources, it is always aligned with the democratic control entrusted to its members to ensure the autonomy of the Co-operative.

v. **Education, Training and Information**

Co-operatives are also responsible for empowering their elected representatives, members and employees through training and education to enhance their productivity and contribution to the Co-operative. They also spread awareness among the common public especially young population and leaders regarding the benefits and advantages of Co-operation.

vi. **Cooperation among Co-operatives**

Co-operatives deal with their members most efficiently through cooperation. They endeavor to make the co-operative movement stronger by engaging with local, regional, national and international co-operative bodies.

vii. **Concern for the Community**

Co-operatives contribute to the sustainable growth of the local communities where they operate with the help of policies approved by members of the co-operative (RBI Occasional Papers).

These afore-mentioned principles ought to be applied universally in order to set an example of honest, efficient and progressive co-operative activity. So, the utility of

these principles lies in the fact that they attempt to avoid duplication of efforts and opportunity, eliminate uneconomic competition, make proper utilization of resources and also help in exchange of ideas and experience.²

1.2.4 Different Views on Co-operative

1.2.4.1 Different Schools of Thought on Co-operative

Many economists stress that cooperation is a means to an end, but their views concerning this and their accomplishments are divided. In this connection, there are mainly three schools of thoughts, viz. the “co-operative enterprise school”, “the co-operative common wealth school” (Gray et al., 1997, Bonner, 1961), the “socialist co-operative school”, and “Leader-Manager School”. According to the co-operative enterprise school, “co-operative is a voluntary association of independent economic units, which is organized and run by, and for its members, providing and or making goods, and services on cost to cost basis of their members.” The main objective underlying the organization of those institutions is to safeguard the economic progress of all the members. The preservation and protection of the economic freedom of small producers by helping them overcome economic scarcity through pooling of capital and other resources and therefore enabling them to reach the economies of large scale production.

The second school of thought does not only convey the improvement of the economic condition of the members with the prevailing framework, but it also aims at disempowering the competitive, capitalist system and substituting it with an economic system depending on mutual cooperation. The third school believes that the co-operative movement can be a vital factor in advancing the society’s development. Leader-Manager School directly follows the case studies of success stories. There is reasonably a big school that subscribes to the proposition that charismatic leaders play a very vital role in bringing people together and organizing them for a common goal. Success stories of co-operatives, whose emergence and success are credited mostly to their alluring leaders, are abound in the literature (Datta and Kapoor, 1992; Shah, 1995).

² <https://www.slvrec.com/content/7-cooperative-principles>

1.2.4.2 From Others Point of View

As Pyarelal and Gandhi (1956) remark, “Harmonious relations would be restored among the people when poverty and ignorance has disappeared through their co-operative effort.” Allece et al. suggest that “cooperation is more natural than competition in the life of both man and animal.”(FIkru, 2008). Emerson views, “Cooperation has a more evolutionary strength in the development of man than the unpleasant competitive struggle for existence”. According to Montague, “Science points out the way to survival and happiness for all mankind through love and cooperation”. According to E.R. Bowen “Cooperation is the universal instrument of creation” (quoted in Kumar & Saluja, 2013).

It is clear from the above thoughts given by different prominent scholars that civilization cannot flourish if competition is not added to cooperation. Thus the co-operative spirit is the intrinsic and innate characteristic in human beings. Even economists find that cooperation is much better to competition. In 1848, Mill wrote in his Principle of Political Economy: “Cooperation is the noblest ideal. This transfers human life from a conflict of classes struggling for opposite interests to friendly rivalry in hunt of the common good of all (quoted in Mathur, 1999)”. Charles Gide, renowned French economist. has specified “competition is basically a kind of welfare which means the victory of strong and devastation of the weak (quoted in Work Study Report on Co-operative Arbitration Courts, 2013, pp.3)” while cooperation means “nothing other than an economic system is designed to overcome capitalism by mutual aid” (quoted in Mathur, 1996, pp.2). The teachings of cooperation and association can be found in the writings of early philosophers such as Plato. Today, these are observed in the theories of modern thinkers and scholars.

1.2.4.3 From Our Point of View

It can be said that people open co-operative stores to meet a common man’s demands and to save him/her from the exploitation of traders and assist in the upliftment of industrial workers. Marketing co-operatives are a way for customers to meet some of their needs as consumers without being exploited unfairly by traders. Co-operatives are very often for a limited group of people. Elinor Ostrom (who became the first woman to be bestowed the "Nobel Prize" in economic sciences) has defined in 1990 some "design principles" of successful local co-

operative organizations seeking to maintain their "common-pool resource" (such as forests or fisheries), and the first of those principles is to have clearly defined geographical boundaries and to exclude external (and therefore unentitled) people from access to the local common-pool resource (Carson, 2013). Here, the idea can be contrasted of Gandhian cooperation i.e. the benefit for few people rather for all the people with referring the Idea of Elinor Ostrom. A "credit union" is another kind of co-operative organization which admits certain people -- but not others -- as members. Gandhiji's recommendation for distribution of food and fodder through multipurpose co-operative is relevant even today. It is seen in the form of public distribution system or rationing system.

Besides the philosophical and common notion of co-operatives, this thesis concentrates mainly on what "co-operative" banks are actually doing, rather than on what they ought to do.

It is also understood that in co-operative monitoring is not needed. Elinor Ostrom has shown that people who are really willing to cooperate on preventing "tragedies of the commons" are also willing to be monitored in regard to their uses of the commons. They are willing to limit their own productive uses of the commons if they know that the other members of the community are doing likewise. Everybody's incentive for production can be avoidable in working together with complementarily. From the above discussion it is also clear that Gandhiji's idea of a co-operative would be complementary in nature. Various people would be performing various different tasks in order to achieve a common goal. For example, in regard to producing khadi, the work of the carpenter and the blacksmith would be needed to make the charka, and then the spinning and weaving would be done by spinners and weavers. Here the work of blacksmith and carpenter is complementary to the work of weaving. In present world, this kind of complementarily work is rare. However, in co-operative sectors, the similar kind of people are working for the welfare of the society and to achieve a common goal. In the world as it is today, co-operative undertakings involve less craftsmanship and more marketing, banking etc.

1.2.4.4 Co-operation: Progress and Perspectives

Co-operation has a specific approach to the issues of economic life. Co-operation approach involves masses and is never isolated from the social and moral aspect. So co-operative

thought has wrecked novel ground in the traditional social thought in which, as Knight (1964) has witnessed, "Individualism, has been seriously overstressed to the neglect of the social side of mind, of thinking and the appreciate and moral life". It does not look upon man as an "economic man" of the, classical school of economics. The importance is laid continuously on human values. Thus the co-operative thought conforms to the latest trend in economics. The issues of economic development in fact are the development of human behavior.

Marshall(1890) has stressed this aspect long ago, when he defines economics, as "So it is on the one side a study of wealth and on the other, a more vital side, a part of study of human"(quoted in Mamoria & Saxena,1967). From this point of view co-operative ideology has a great significance.

Co-operation is an applied economic system of managing business based on all that in human nature. It is a happy golden mean between socialism and capitalism. While pressing the instinct of self-interest, it organizes on a higher plan on the basis of group effort. Co-operation stands for distributed justice and recognizes the claim in the distribution of wealth of all concerned in the making of the profits. Capitalism grabs the profit for the capitalists, communism recognises no capitalist class and subjects the whole nation to regimentation under state capital with a bureaucracy in changes, harder to control or influence than any capitalist or set of capitalist. It is a system which works in such a way that while each agent of production receives the basic minimum as his right, the surplus profit is distributed proportionately among land, capital, and labor.

Co-operation correctly understood means working together towards a common end. This working together must be for the mutual benefit and not to satisfy any sense of benefaction. In the words of Fauguet,(1951) "The primary aim of the co-operative society or institution is to develop the economic situations of its members, by virtue of its methods and of the equalities which it demands, and it achieves a high aim. The objective of co-operation is to improve men-men instilled with the spirit of mutual aid and self-help, in order that individually, they can rise to a full personal life and social life"(Ibid.,pp.85). This approach is lacking in the current organization of societies.

The standard of living indicated by co-operation would necessarily be comparatively simpler than standard of living under condition of competition. But it is perfectly certain that average structure in co-operative will give to every individual reasonable share in the production while competitive economy promises all goods thing to the strongest only.

1.2.5.1 Co-operation and Socialism

The co-operative movement and the socialist movement is instigated as a result in contradiction of the rise of the capitalist system. In fact, some of the fundamental values of co-operation and socialism are the same. Both the systems emphasize social and human welfare and aim at the abolition of the profit in the economy. The keynote of both co-operation and socialism is to oppose the individualism. The central theory of both stands on an economic theory of collective action as contrary to capitalism. Thus co-operation and socialism are closely related.

1.2.5.2 Co-operation and Communism

Like socialism, communism as an economic system could bestow the ownership and control of all capital consumption goods in the state. There would be neither ownership of private business. The aim is not private gain but the service to the community at the lowest cost. But the methods implemented under communism to attain these aim are completely different from socialism. Under socialism, the ownership and control of the economy is acquired gradually and through legislation. They are more or less evolutionary in their methods. But the methods adopted under communism are entirely revolutionary. They have faith in in radical changes. The appeal of communism is to par discounted, to pull down the rich and capitalistic class from their dignified and, secured position and to take up the means of production in their own hands.

Thus there are some fundamental difference between cooperation and communism. Co-operation is an organization of the poor and week persons to raise themselves to a dignified position in the society by means of self-help and mutual help. Co-operation does not depend upon state help. It is predominantly based on voluntary association and voluntary aid. Its methods are evolutionary, while communism is revolutionary. Radical changes have no place in a co-operative association and communism but the methods are wholly different. Of the

two, communism wants to do so by eliminating private possessions and capital itself but it is not so under co-operation. Under it private capital and property are to exist, but capital is not given the power to preserve the control of the co-operative associations. It is a liberal movement, idealistic in its objectives and practical in its application.

There is no domain of economic activity to which the principles of co-operation cannot be applied. Co-operation has continuously been the child of necessity and has developed in different countries along different lines. The co-operatives have a harmonising power to restore the conflict of interest, which underlie most of our present day social problem. Cooperation generates centripetal forces and brings individual system, which creates centrifugal forces and sets man against man. Co-operation restrains the extravagances of capitalism, socialism and fascism and occupies in many decent middle position, it is neither traditional nor fundamental, but a liberal movement, idealistic in its objectives and practical in its solution.

Co-operation is a huge movement, which stimulates voluntary association of individual who endeavor after the accomplishment of common economic ends they have in view and who bring in this blend a moral effort and progressively emerging realization of their moral obligation Co-operation offers an answer to many of the problems facing our country today.

1.2.6 Co-operation at the Global Level

The co-operative movement which has seen the light of the day in Europe has ranged all over the world. "Co-operation", Fauquet (1951) writes, is possibly more extensively scattered geographically than any other modern form of organisation". In 1937, there were 8, 10,000 co-operative societies of various types in 103 countries of the world. These societies had a membership of more than 143 million. This membership represented a like number of families, it would correspond to something like 30 per cent of all the families in the world. Since 1937, the co-operative movement has grown by leaps and bounds throughout the world. Today, co-operatives are the most significant form of voluntary organization all over the world. In some countries, "they are the principal form of organization in agriculture, marketing and supply, provision of credit and distribution of consumer goods" (Mathur, 1992).

In Scandinavian countries, virtually all milk and livestock for slaughter are marketed through farmers' co-operatives. In Finland, admittedly a co-operative country par excellence, the total volume of business transacted in local co-operatives of all kinds, rural and urban, exceeds 30 per cent of the net national income. "The central fact of the story of Scandinavian co-operation is that the northern people have learnt to live together, to work, to play, to sing, to consume and even to think together"(Ibid, pp.4).

In Great Britain which is the pioneer in the field of cooperation, the industrial revolution helped the co-operative movement to acquire popularity. In Russia, at the beginning of 19th century, "the consumer co-operatives played a significant role in stabilizing prices (Ibid, pp.147)."In Germany, the share of co-operatives is significant in cereals marketing and processing. Co-operatives also play a vital role in the supply of milk, wine production, vegetable marketing, supply of seeds and fertilizers and also in the distribution of pesticides and animal feeding stuffs. In Germany its inception is around 1940 for providing credit to the agriculturists (Natarajan, 1977). In Japan, every farmer is a member of a local multipurpose co-operative. At least half of all the agricultural production is marketed through the co-operative network and 30 per cent of total savings deposits from agriculture are placed in co-operative institutions (Mishra, 1989).

1.3 Significance of the Study

This study is expected to include several significant contributions to the existing literature. First, it will add to the present literature by examining the relationship among different variables related to the performance of OSCB, DCCBs and BBCCB in the present context and the factors that determines profit in of co-operative bank. Second, the study will apply different modern econometric methods like Auto regressive Distributed Lag (ARDL) for time series data of OSCB and fixed effect and random effect model of panel data of all seventeen DCCBs in Odisha with a primary survey to know the views of customers and beneficiaries regarding the performance of BBCCB. The present study is claimed to be the first study to find the determinant of profit of co-operative banks in Odisha and also to know the views of customers or beneficiaries and employees for the factors that affects the bank's performance with Principal component analysis. This study is expected to offer some insights for Odisha

policymakers, investors, researchers and portfolio managers about the co-operative banking performance in Odisha.

1.4 Objectives

1. To understand the trend and progress of Co-operative banks in Odisha
2. To analyse the financial performance of State Co-operative Banks under the study.
3. To analyse the financial performance of District Central Co-operative Banks under the study.
4. To study the customers' view on the performance of Balasore Bhadrak Central Co-operative bank
5. To study the employees' view on the performance of Balasore Bhadrak Central Co-operative bank

1.5 Data and Methodology

Research methodology is a simple plan of action for a research that explains in detail how data is to be collected, analysed and interpreted. The reliability and validity of any research depends upon the logical collection of data and analysing those using more scientific methods (Kothari, 2004).

The data required for this study have been collected from relevant sources. Both secondary and primary data have been used for the analysis. The primary data is collected by a questionnaire, which is managed by personal interview. Primary data is collected from the respondents with the help of structured and pre-tested questionnaire. Field survey method has been used to gather first-hand information from the respondents. As questionnaire is the key instrument used for data collection, a lot of efforts have been made to prepare the questionnaire in a systematic manner by designing relevant and adequate questions to ensure that the objectives of the study are fully taken care of.

The study uses two sets of structured questionnaires for the collection of data. The first set of questionnaire for beneficiaries or customers and the second set of questionnaire for employees of Balasore Bhadrak Central Co-operative Bank.

For scaling the questionnaire, 5-point Likert scaling technique has been used. A Likert scale is a psychometric scale generally unclear in research that utilises questionnaires. It is the most largely used methodology, such that the expression repeatedly applies interchangeably with rating scale. Scale used in present survey:

1 = Strongly Agree, 2 = Agree, 3 = Neither Agree nor Disagree, 4 = Disagree, 5 = Strongly disagree

1.6 Plan of the Chapters

The whole study is organized into eight chapters. Chapter one contains the Introduction and Background of the study. Chapter two focuses on the brief overview of the Indian co-operative bank. The third chapter is a detailed literature survey that highlights the various issues in the area of co-operatives based on past studies. The trend and progress analysis of Odisha state co-operative bank, District central Co-operative Banks Consolidated and Balasore Bhadrak Central Co-operative Bank, has been discussed in the chapter IV. Chapter V addresses the performance of Odisha state co-operative bank by using “Auto Regressive Distributed Lag (ARDL)” approach. Chapter VI deals with the empirical testing of determinants of profit of District Central Co-operative Banks (DCCBs) with panel data. Chapter VII explains the customers/beneficiaries view on the performance of “Balasore Bhadrak Central Co-operative bank”. Chapter VIII presents different opinions of the bank employees regarding the performance of “Balasore Bhadrak Central Co-operative Bank”. The concluding chapter i.e. Chapter IX of the thesis presents the major findings of the study and a brief discussion of the implications.

CHAPTER II

A BRIEF OVERVIEW OF THE INDIAN CO-OPERATIVE BANK

2.1 Introduction

Co-operative banks have conventionally played a significant role in organizing resources from lower and middle-income groups and in giving direct finance to small traders and entrepreneurs. The co-operative banking structure in India is considered by a comparatively wide-ranging network to the grassroots level. This sector mostly emphasizes on the local people and micro-banking among lower and middle income group of the society. These banks work for benefitting rural areas, chiefly the agricultural sector.

A co-operative bank is a financial body that belongs to its members, who are the customers and also the owners of their bank at the same time. These banks are time and again made of people who belong to the similar professional or local community that share the same interest. These banks usually grant their members with an enormous kind of financial and banking services such as bank accounts, deposits, loans, etc. Co-operative banks are different from nationalized banks considering their association, objectives, principles and governance. In the majority nations, they are controlled and overseen by banking authorities and have to respect prudential norms, which place them at a level playing field with nationalized banks. Based on countries, this supervision and control can be directly executed by state entities to a co-operative association.

“A Co-operative bank, as its name identifies is an institution comprising of a number of individuals who link together to pool their surplus savings with the purpose of eliminating the profits of the money lenders or bankers with a view to sharing the same amongst the depositors and borrowers” (Prabhat, 2016).

The Co-operative Banks Act, of 2007³ describes a co-operative bank as “a co-operative listed

³Cooperative Banks Act, No. 40 of 2007, South Africa, national legislation overviews

as a co-operative bank in terms of the Act whose members – are of alike occupation or vocation or who are employed by a common employer or who are engaged within the same business; or have common membership in an organization, including a business, religious, social, co-operative, labor, educational group; or belong to within the same defined community or geographical part”.

2.2 Origin of Co-operative Bank in India

In our country, the co-operative banking movement has its origin towards the end of nineteenth century when, “encouraged by the achievement of the trials connected to the co-operative credit movement in Germany and co-operative movement in Britain, such societies that were set up in India”.⁴

Presently, co-operative movement is reasonably well reputable in India. The initial statute on co-operation was approved in 1904. “In 1914, the Maclagen commission recommended a three-tier structure for co-operative banking viz., Primary Agricultural Credit Societies (PACs) at the grassroots level, Central Co-operative Banks at the district level and State Co-operative Banks at the state level or Apex Level” (Guruswamy,2009).

At the dawn of 20th century, accessibility of credit in India, was nearly missing, predominantly in rural areas. Agrarian and allied activities were not getting proper institutional credit. The rural people had to rely completely on the moneylenders, who lent commonly at high rates of interest. At that juncture, the co-operative banks reached in India in view of an official endeavor to make a new kind of organization depending on the values of co-operative administration appropriate for difficulties uncommon to Indian circumstances. These banks were considered as substitutes to moneylenders, to offer timely and ample “long-term and short-term institutional credit” at reasonable rates of interest.

The “Anyonya Co-operative Bank” in India is known as the first co-operative bank in Asia which took shape about 100 years ago in Baroda (Gaba, 2014). It was started in 1889 with the title “Anyonya SahayakariMandali Co-operative Bank Limited”, with the main objective of

⁴Brief History of Urban Cooperative Banks in India. Reserve Bank of India,https://www.rbi.org.in/scripts/fun_urban.aspx

giving a substitute to the ill treatment of moneylenders to the inhabitants of Baroda.

At the initial stage, Co-operative Banks were “Urban Co-operative Societies”, which go on community basis, and their lending actions were limited to meet the credit requirements of their stakeholders. “The notion of Urban Co-operative Bank is first suggested out by Mehta Bhansali Committee in 1939 which defined Urban Co-operative Bank.” Provisions of Section 5 of Banking Regulation Act, 1949 (as related to Co-operative Societies) defined an Urban Co-operative Bank as “a Primary Co-operative Bank other than a Primary Co-operative Society is made applicable in 1966” (Gupta & Chopra, 2010).

With steady progress and also given pace with the economic prosperity, urban banking sector demonstrated remarkable improvement and began increasing its credit portfolio. In addition to give customary loan activity to meet credit necessities of their customers, they began providing loans to different kinds of customers for their different kinds of needs viz., small businessmen, industries, self-employed, home loan, and personal finance etc.

The origin of co-operative banking in our country dates back to around 1904, when official endeavors were attempted to make a novel kind of organization depending on ideologies of co-operative supervision and organization, which were regarded to be appropriate for solving the difficulties unusual to Indian situations.

The principles of equity, self-help and equality paved the way to the ideas of self-administration and self-responsibility which brought about the origin of co-operative. The beginning of co-operative movement is one such occasion that emerges from the circumstances of crisis, miseries, and exploitation. Co-operative banks in India became a reality with the depiction of the “Agricultural Credit Co-operative Societies Act” in 1904. It forms a significant portion of banking structure in India. A large number of co-operative credit societies began under the Act of 1904. “Due to the growing demand of co-operative credit, a new act was passed in 1912, which was provided for the formation of co-operative central banks by a union of primary credit societies and individuals” (Reddy,2014).

These banks are listed under the “Co-operative Societies Act”. They are controlled by the RBI and supervised by the “Banking Regulations Act, 1949” and “Banking Laws (Co-operative

Societies) Act, 1965” (Babu and Selkhar, 2012).

2.3 Operation of Co-operative Bank in India

2.3.1 Establishments

Co-operative banks carry out all the core banking functions of deposit mobilization, provision of payment and supply of credit facilities. They offer restricted banking products and functionally, they are specialists in agriculture allied products. Nevertheless, co-operative banks also offer housing loans at present. The functions of major co-operative banks include drawing deposit from both agriculturists and non-agriculturists, using surplus funds of agriculturists in some societies provisionally to make up for deficiency in another, and guiding and overseeing associated societies.

The co-operative banks’ elementary principles based on which their functions are, “A co-operative character of actions and attribute of mutual aid of credit granted, providing for group organizations and their members and restraint on the number of individual votes.”⁵

In 2007-08, the co-operative banks started giving loans to the “Non-Farm Sector including Gold Loans” aiming at high interest rates on deposits and low interest rates on advancing. These banks are created out of voluntary association, one share one vote, mutual and self-help aid, and non-discrimination and fairness of members. These banks are the institutions “of the people, by the people and for the people”.

2.4 Role of Co-operative Banking in India

The co-operative banks play a more significant role in India than any other place in the world. The distinguishing features of these banks are service without exploitation and service at a lesser cost. These banks have proved their significance by the number of offices they operate, the role assigned to them, their number, and the expectations they were supposed to fulfill. Day by day, the role of the co-operative banks continues to be pivotal in rural financing, and in the urban areas in recent years, their business has also expanded outstandingly due to the sharp increase in the number of primary co-operative banks. Considering the agricultural and

⁵ General Information About Cooperative Department under the Control of Registrar of Cooperative Societies – Government of Tamil Nadu”, http://www.tn.gov.in/rti/proactive/cfcp/manual_cfcp_rcs.pdf

allied activities in rural areas, the credit supply is not sufficient, and the poor people are exploited by the moneylenders with loans at higher rates of interest. Hence, deposits are mobilized and rural and agricultural credit are supplied with a broader outreach and also institutional credit are offered to the agriculturalists by the co-operative banks, and these have become noteworthy instruments for various development schemes, predominantly subsidy-based programs for the poor (Saluja & Singh, 2012).

Mostly in rural areas, these banks provide funds for agricultural and other associated activities, such as cattle rearing, dairy farming, hatchery, farming, personal finance, etc. The co-operative banks in urban areas provide funds for activities, such as self-employment, home finance, industries, small-scale industries, personal finance, etc. Several progressive co-operative banks have advanced sufficiently to the core sectors in order to make them capable enough to confront private and nationalized banks.

The exponential growth of these banks is accredited mostly to their much better interactions with local people, personal dealings with the customers, and their capability to catch the nerves of the native customers.

2.5 Why to Study Co-operative Banking

These banks play an important function in the banking sector of India. They operate primarily for the benefits of rural area, predominantly the agrarian sector. Furthermore, they mobilize deposits and offer rural and agricultural credit to a broader extent. These banks are a crucial source of institutional credit to agriculturalists. “They are principally held liable for breaking monopoly of moneylenders in supplying credit to agriculturists. It has also been an important instrument for diverse development schemes, mainly subsidy-based programs for the deprived” (Sharma & Sharma, 2011).

Financial exclusion is also prevalent in semi-urban areas although a large section of the financially left-out population lives in rural areas. Usually, agricultural people, small vendors, and farmers are employed in unorganized segments. Women, the unemployed people, old and disabled people are the mostly barred segments. Co-operative banks address the issues of these sections well. The major advantage, which the co-operative banks possess over nationalized banks, lies in their cost structure.

The labor charges of co-operative banks are substantially less than that of nationalized banks and usually, there are nominal charges for their operating costs. Equally significant is the local feature and the subsequent informational benefits of the co-operative banks. Being an important part of the community, co-operative banks possess a benefit over their commercial opponents owing to information on approaching business prospects, for which the nationalized banks have a hard time.

Lastly, the benefits of the regional character of the co-operative banks also express themselves in the suppleness which these banks can offer to their regional customers. Co-operative banks can be more approachable to the requirements of the local community and the modifications there unlike their business counterparts, who must obey to national and international rules to change their practices. This, again, gives a huge competitive advantage.

In recent times, the co-operative banks have progressively begun implementing the three-branched financial inclusion tactics followed by commercial banks – “no-frill” accounts, Banking Correspondents (BC), and endorsing microfinance activities. Again, their regional identity offers them an edge over nationalized banks in implementing these steps in a better way. These banks benefit from the superiority in the dimension of relationship banking.

2.6 Features of Co-operative Banking

Co-operative banks are managed and organized upon the principle of mutual help, self-help, and co-operation. They work on the directive of "one member, one vote". They also function on the basis of "no profit, no loss". These banks, as a norm, never practice the objective of maximizing financial gain. These banks carry out the entire key banking activities like deposit mobilization, credit supply and delivery of remittance services. They offer inadequate banking products and practically, they are specialists in agriculture allied products. But now housing loans are also offered by the co-operative banks. Perhaps, they are the first government-subsidized, government supported, and government-sponsored financial organization in India. These organizations obtain financial and other assistance from central government, state governments, the Reserve Bank of India (RBI), and the NABARD. They set up the "most favored" banking sector with the threat of nationalization of banks. The co-operative banks are the lender of first resort for offering financial funds such as the introductory capital

(through state government refinance) and working capital, whereas the RBI is the lender of last resort for nationalized banks

The co-operative banks are associated with both the capital and the money market. They provide chiefly short term loans. They are financial mediators only partly. The sources of their funds are central and state government, other co-operative institutions, the Reserve Bank of India, the NABARD, and Ownership funds. Some of these banks are scheduled banks and others non-scheduled. These banks are conditional on CRR and statutory liquidity necessities like other scheduled and non-scheduled banks. But their necessities are lesser than nationalized banks (Bhole & Mahakud, 2009).

To sum up, they have performed an important role over the years in the advancement of long-term and short-term rural credit supply in our country. “The co-operative credit effort is said to be the first ever effort at micro-credit release in India” (Gupta & Chopra, 2010).

Co-operative banks have a good number of features. They are organized and managed on the basis of cooperation, mutual help, and self-help. They function with the thumb rule of "one member, one vote"(Bhole, 2006). They are government-subsidized, government supported, and government-sponsored financial organization in India. They execute all the core banking functions like delivery of remittance services, supply of credit, and deposit mobilization. They work on "no profit, no loss" basis. By nature, co-operative banks do not follow the objective of profit maximization. They do banking business generally in rural and agricultural sector. They belong to both the money market and the capital market. They are also exposed to liquidity and Cash Reserve Ratio and obligations as other scheduled and non-scheduled banks. They obtain savings, current and fixed deposits from individuals and institutions including banks. Apart from that, some urban Co-operative banks accept the NRI accounts only in Indian currency (Bhole, 2006).

2.7 Classification of Co-operative Banks

The co-operative banking structure consists of Rural Co-operative bank and Urban Co-operative Bank. Some co-operative banks are scheduled banks, while others are non-scheduled banks. For example, some Urban Co-operative banks and State Co-operative banks

are scheduled banks, whereas other co-operative banks are non-scheduled banks.

2.7.1. Urban Co-operative Banks

According to the RBI, the “Urban Co-operative Banks(UCBs)” are “small sized co-operatively organized banking units which operate in metropolitan, urban and semi-urban areas to cater mainly to the needs of small borrowers, viz., owners of small scale industrial units, retail traders, and professional and salaries classes” (Natarajan & Parameswaram, 2010).

Generally, the UCBs utilize the savings made by the middle and lower income groups to transform the healthy economic conditions for the weaker sections of the society. These banks do not have flexible liability. Therefore, the operation of the banks is limited to within the city. Consequently, these banks draw deposits from the members and non-members to provide loans to the beneficiaries and customers as per the co-operative societies act, 1912. Before 1966, these banks were functioning under the supervision of state government. Meanwhile, from 1st March, 1966 till date, these banks are being governed by the RBI rules and regulations.

The functions and aims of the UCBs are mainly “to raise resources for lending money to its members, to draw deposits from members as well as non-members, to encourage thrift, self-help and mutual aid amongst members, to draw, make, accept, buy, sell, collect, discount, and deal in bills of exchange, drafts, certificates and other securities, to provide safe-deposit vaults” (Objectives, National Federation of Urban Co-operative Banks & Credit societies Ltd. New Delhi (NAFCUB).

The regions of operation of co-operative banks are normally limited by its guidelines to an urban region or a town. At times, they go beyond the specified boundary. The research group on these banks in non-farming segments has advocated that usually, it is desirable for UCBs to limit its region of operation to the urban area where it functions. These are the areas of operation of urban co-operative banks.

2.7.2 Rural Co-operatives

Rural co-operatives play a very important role in fulfilling the mounting credit wants of rural people in our country. It offers institutional credit to the rural people and agriculture segment. The insufficiency of rural credit occupied the consideration of government and RBI through 1950s and 1960s. The significant element of giving rural credit in our country has become the continuation of an extensive mechanism of rural monetary institutions. Furthermore, the rural credit structure comprises several kinds of monetary institutions as large scale outlet extension is undertaken to produce a powerful credit institution founded in rural region. It has provided a significant tool of credit supply in rural areas. The distinct creation of co-operative sector in rural area for short-term and long-term loans has eased these organizations to transform a specialized organization for rural credit supply system. The quantity of credit streaming through such institutions has improved. Its framework has conventionally been separated into two analogous sections, i.e. long-term rural co-operatives and short-term rural co-operatives.

2.7.2.1 Short-term Rural Co-operatives

They give crop and additional capital loans to rural artisans and farmers mainly for a short-term or short period of time. These organizations possess a centralized three-tier system. At the top of the structure there is a “State Co-operative Bank” in every state. There are “Central Co-operative Banks” at the district level and these are well known as “District Co-operative Banks”. There are “Primary Agricultural Credit Societies” at the village level.

2.7.2.2 State Co-operative Banks (SCBs)

State co-operative banks are at the top of three-tier co-operative organization providing chiefly short or medium term credit. They are registered under the Government Societies Act, 1912. They accept fixed and current deposits from their component banks along with current, savings, and fixed deposits from the public. They also accept loan from the NABARD and the RBI. The NABARD is the controlling authority for these banks. The state government provides a specific amount of working capital to these banks. The prime purpose of SCBs is to support the “Central Co-operative Banks” at the district level. SCBs balance deficiencies and excess in the capitals of “Central Co-operative Banks”. These banks also perform as “depositing center” for “Central Co-operative Banks” at the district level with the logic that excess reserve of few of these banks are to be made accessible to other needy Central Co-

operative Banks. They also provide the coordination between “Central Co-operative Banks”, RBI and “Primary Agriculture Credit Societies (PACS)”. However, the link between the SCBs and PACs is not straight.

2.7.2.3 Central Co-operative Banks (CCBs)

It is the middle layer of the “co-operative credit organizations”. CCBs are self-sufficient entities in as much as the SCBs are the regulator to govern their activities. CCBs are of two types: “mixed and pure”. The CCBs with the membership of restricted co-operative societies come under “pure” type, whereas the banks which have the membership open to co-operative institutions and to the people are integrated in “mixed” type. The “pure” type of CCBs can be found in states like Odisha, Bombay, Kerala, etc., while “mixed” category can be seen in states like Assam, Andhra Pradesh, Tamil Nadu, etc. The “pure” type CCBs are founded on stringent co-operative values whereas the “mixed” kind has an improvement over “pure” type in so much as they can pull their resources from the non-agrarian segment too.

The CCBs pull their resources from deposits, loans, share capital, and from the SCBs. The NABARD is the administrative authority for CCBs. Deposits comprise the major part of sources of capitals, followed by borrowings from the NABARD, and SCBs. The key purpose of “Central Co-operative Banks” is to sponsor the “Primary Agriculture Credit Societies (PACS)”. Moreover, they continue nationalized banking activities as reception of deposits, providing of loans fixed deposit receipts, gold, cheques, collection of bills, etc., and safe keeping of ornaments and utility services. They are supposed to draw deposits from the common people. They too act as ‘hoarding centers’, making accessible finances of one PACS to another. They are situated in every district headquarters or in a few important cities of the district. The CCBs have three sources of resources such as, their own reserves and share capital, loans from the SCBs, and deposits from general public. The CCBs also perform as mediators between the “Primary societies” and “State Co-operative Banks”.

2.7.2.4 Primary Agriculture Credit Societies (PACS)

The framework of the short-term co-operative credit system rests on the co-operative credit structure of which the PACs form the basis. They deal with the cultivators directly, offer medium and short term credit, provide agrarian inputs, and allocate consumable articles. These societies shape the elementary unit of “co-operative credit structure” in India. They are

set up on the principle of “one man one vote” which has posed a great challenge to unfair practices of moneylenders. The agriculturalists and borrowers are linked to these PACs directly.

The chief aim of these societies is to fulfil the demands of the lower strata of these societies. For this reason, the individuals with restricted means, mainly with scheduled tribes and scheduled castes, are motivated to join the PACs as the members. So, they ought to work efficiently in a well-managed manner. These PACs mobilize the savings of the countryside people and provide them with services including the supply of farming implements, credit, etc. Government has endorsed PACs in tribal regions for the gain of the inhabitants residing there.

2.8 Difference between Co-operative Bank and Commercial Bank

Commercial banks function over a vast region. Several commercial banks also possess overseas branches. The range of operations of Co-operative Banks is limited and in fact, it is mostly limited to a State. They do not work at national or international level. Commercial banks follow the regulations of the RBI directly whereas Co-operative banks follow the guidelines given by the Registrar of Co-operative Societies. Co-operative banks in India are not nationalized. These banks offer merchant banking facilities such as guiding the companies in connection with the public issue of bonds. Co-operative Banks do not provide commercial banking services. Commercial Banks in India such as the Bank of India, State Bank of India, Canara Bank, etc. sell mutual funds, but the co-operative banks do not sell mutual funds. Commercial banks function on the commercial values. They work to gain profit. Co-operative societies provide services to their members and the community nearby at no-cost as their motto is not to make no profit. Commercial banks generally offer short-term loans to trade, commerce and industry, including priority sectors such as exports, imports, etc. Co-operative banks generally supply credit to farmers. The borrowers are the shareholders in co-operative banks, so they have some effect on the loan policy of the banks, since all the shareholders have a voting power. The account-holders of the of commercial banks are their borrowers, who do not have any voting power. So, they have no effect on the advancing rule of these banks. The co-operative banks, as compared to the commercial banks, offer a slight higher rate of interest on deposits. The NPA of commercial bank is high as compared to the co-

operative banks. The reasons are default, speculation etc. There is a less restriction on the CRR and SLR in co-operative banks than that of commercial banks.

2.9 Chief Weakness of Co-operative Banks

Lack of professionalization is a general obstacle in co-operative banks considering the banking mainstream. It is frequently seen that hiring local people has assisted in keeping the expenses down and increasing the connectedness of co-operative banks with the own groups and communities. Sometimes it has come at the expense of a professional work ethos. The issues may not be found with the employees, but with the procedures in use at these banks including the board of directors.

These banks must have professional management, sound processes, and a leadership whose encouragements and motivation are without any doubt. The management of these banks is very narrowly associated with local politics in numerous occasions. The issue is that, more frequently in observation and sometimes in reality, this undoubtedly leads to an undesirable outcome of political coloring of financial decisions and credit

Another problem is the family controller of these banks. Most of these banks are believed to be family-managed, prominent to financial irregularities, stark conflict of interest problems and interconnected party transactions that can prowl the whole practicability of these banks. A few foul apples are sufficient to bring about the complete sector a fraudulent name.

Another serious issue is regarding the qualifications of the top management. In any field, more certainly in banking area, experience is not regarded a substitute for domain knowledge. Drawing talent, even though not fundamentally of the same gloss as that of foreign and private banks, is of serious importance. Training may solve this problem to some degree.

2.10 Model of Co-operative Banks

The co-operative banking division in Europe is built in response to the economic problems and deprivation that a huge population faced in the 19th and the beginning of the 20th century. Most of the European co-operative banks were set up on the basis of the views of Hermann Friedrich Wilhelm Raiffeisen (1818–88) and Schulze (1818-83). Both of them were motivated

by the misery and poverty they saw, particularly during the starvation of 1848, and had mentioned that common people did not have access to credit, except the moneylenders. They freely began to endorse the notion of credit co-operatives in the mid of the 19th century. Schultz was seeking and assisting urban small traders and artisans while Raiffeisen was looking for to help the rural poor. Co-operative banks may be systematized in two methods such as, on the ground of the ideas of Raiffesen and on the ground of ideas of schedule Delittze. It is significant to recall that Raiffesen and Schulze Delittze were the forerunners of banking efforts in Germany.

2.10.1. Raiffesisen Bank

In association of banks in the rural regions the ideas of Raiffesen are well accepted. They are known as Raiffesen bank. These banks are structured on the following guidelines: Ten or more people can organize such a bank. Shares are not given out but capital is acquired by borrowings from the participants on their join accountability. The accountability of the members is infinite. Members should belong to the very village the bank is located in. There is no entry fee. Loans are issued on individual security for useful purpose only.

2.10.2. Schulze Delittze Bank

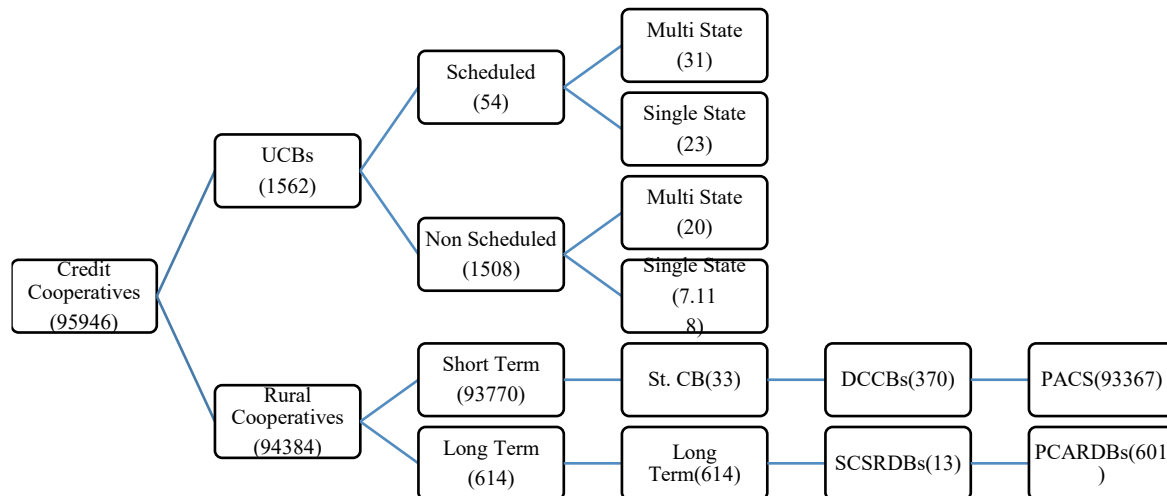
This bank was established in urban regions on the principles of Hulze Delittze. This bank is known as Schulze Delittze bank. This bank runs its business under the guidelines: Membership is very big, Officers are rewarded salaries, Dividends are given to the members on their paid-up share capital, Common banking is conducted by the bank, entry fee is charged, and Membership is free only to those who earn. The goal of this bank is to make more profit keeping aside humanitarian values. The accountability of the members is limited.

2.11 Recent Development of Co-operative Bank in India

Towards the end of March 2016, co-operative banking sector, in India consisting of 1,562 “urban co-operative banks (UCBs)” and 94384 “rural co-operative credit organizations”, including short-term and long-term credit institutions, has already well established itself (Chart 2.1). There was a moderation change in the progress of UCBs’ balance sheets during 2015-16. Their asset and profitability indicators quality also declined. The balance sheets of short term-rural co-operatives, eliminating primary agricultural credit societies (PACS),

experienced slow progress during 2014-15, while the balance sheets of long-term rural co-operatives showed speedy progress. While most of them have noted a decrease in net profits, there was a progress in asset quality across all rural co-operatives at the same time.

Figure 2.1:



Source: Trend and progress of Co-operative Banking in India, 2015-16.

2.11.1 Rural Co-operatives

Table: 2.1. A Profile of Rural Co-operatives

| Item | Short-term | | | Long-term | |
|------------------------------------|------------|-------|--------|-----------|---------|
| | SCBs | DCCBs | PACS | SCARDBs | PCARDBs |
| A. Number of Co-operatives | 33# | 370 | 93367 | 13 | 601 |
| B. Balance Sheet Indicators | | | | | |
| i Owned Funds (Capital + Reserves) | 151 | 340 | 244 | 50 | 36 |
| ii. Deposits | 1,093 | 2,982 | 1,011 | 24 | 14 |
| iii. Borrowings | 688 | 836 | 1,127 | 146 | 143 |
| iv. Loans and Advances | 1,229 | 2,427 | 1,808 | 204 | 127 |
| v. Total Liabilities/Assets | 2,067 | 4,582 | 2,013* | 275 | 241 |
| C. Financial Performance of Banks | | | | | |
| i. Institutions doing Profit | | | | | |
| a. Numbers | 28 | 319 | 45,241 | 9 | 306 |
| b. Volume of Profit | 7 | 17 | 41 | 0.98 | 0.18 |
| ii. Institutes doing Loss | | | | | |
| a. Numbers | 5 | 51 | 36,695 | 4 | 295 |
| b. Volume of Loss | 1 | 6 | 65 | 0.95 | 3.63 |
| iii. Overall Profits (+)/ Loss (-) | 6 | 11 | -24 | 0.03 | -3.45 |

| | | | | | |
|---|------|------|-------|------|------|
| D. Non-performing Assets | | | | | |
| i. Amount | 56 | 227 | 299** | 34 | 47 |
| ii. Share in Loans Outstanding (Per cent) | 4.5 | 9.3 | 18.9 | 16.6 | 37.0 |
| E. Retrieval of Loans to Demand Proportion*** (in Per cent) | 91.7 | 79.6 | 82.4 | 63.6 | 51.5 |

Notes: PACS: Primary Agriculture Credit Societies; SCBs: State Co-operative Banks; DCCBs: District Central Co-operative Banks; PCARDBs: Primary Co-operative Agriculture and Rural Development Banks, SCARDBs: State Co-operative Agriculture and Rural Development Banks;

#: Consequent to the bifurcation of the state of Andhra Pradesh under the Andhra Pradesh Reorganisation Act, 2014, the Andhra Pradesh State

Co-operative Bank is bifurcated into the Andhra Pradesh State Co-operative Bank and the Telangana State Co-operative Apex Bank.

*: Working Capital; **: Total Overdues; ***: This ratio captures the share of outstanding non-performing loan amounts that have been recovered.

Source: NABARD and NAFSCOB”.2015-16

The co-operative credit organizations in rural India include two different sets – “long-term” and “short-term” organizations – all with precise goals. Short-term co-operatives mainly offer working capital and short-term crop loans to artisans and farmers in rural area, while long-term co-operatives generally give medium and long-term loans to make investments in farming, comprising rural industries, land development, farm mechanization and small irrigations, and recently, housing. A summary of co-operatives in rural area is shown in Table 2.1.

2.11.2 Share in Credit flow to Agriculture Share of Credit from Long-term

Table 2.2: Share in Credit Flow to Agriculture

(₹ billion)

| Years | Share in Credit Flow to Agriculture | | Rural Credit Co-operatives in Agricultural Gross Capital Share of Credit from Long-Term Rural Credit Co-operatives in Agricultural Gross Capital Formation |
|---------|-------------------------------------|----------------------|--|
| | Co-operative Banks | Regional Rural Banks | |
| 2012-13 | 18.0 | 11.0 | 12.5 |
| 2013-14 | 17.0 | 12.0 | 12.0 |
| 2014-15 | 17.0 | 12.0 | 13.0 |
| 2015-16 | 17.0 | 13.0 | 12.6 |

Source: NABARD

The part of rural co-operatives in whole institutional credit to agriculture sector decline from 64 per cent in 1992-93 (Report on Trend and Progress of Banking in India, 1993-94) to 17 per cent in 2015-16(Report of Trend and Progress of Banking, 2015-16). On the other hand, the

share of credit from “long-term” rural credit co-operatives in agriculture sector gross capital formation also decreased.

The NABARD and RBI have undertaken several steps to increase the performance and functioning of short-term rural co-operative framework, as per the suggestions of a number of expert committees over the last decade⁶. Short-term co-operative credit organizations still hold a remarkable place in institutional credit streams to agriculture and continue an effective instrument for encouraging the financial inclusion program, even after the entrance and expansion of regional rural banks and commercial banks.⁷ As against 110,361 branches of PSBs, regional rural banks (RRBs) and local area banks (LABs) taken together, only short-term co-operatives had a huge branch network of 108,776 branches by March 2016.⁸

Several measures are designed at the restoration of these short-term credit organizations which has brought about the development in their financial health. “At the end of March 2016, short-term credit co-operatives comprising PACS, DCCBs, StCBs, making 94.4 per cent of the total assets of the rural co-operative credit structure, increased from 92.8 % at end-March 2015.”⁹ With the rise in the number of PACS across diverse regions, their numbers have also improved all together.

These short-term credit co-operatives hold a key position to fulfil the necessities in agricultural credit. Nevertheless, their total profitability appeared to be negative in 2015-16, which come down with increasing loss that is earned by PACS. Nevertheless, the effectiveness of short-

⁶ Task Force on Revitalization of Cooperative Credit System, 2004 (A. Vaidyanathan, Chairman); Task Force on Revitalization of Cooperative Credit System (Long Term), 2006 (A. Vaidyanathan, Chairman); Committee on Financial Sector Valuation 2009 (Dr. Rakesh Mohan, Chairman); Expert Committee to Study Three Tier Short Term Cooperative Credit System (ST CCS), 2013 (Prakash Bakshi, Chairman).

⁷ Short term rural credit comprises of primary agricultural credit societies (PACS) at the village level, district central cooperative banks (DCCBs) at the district level, state cooperative banks (SCBs) at the state level.

By March 2017, a Three tier short term cooperative credit System , comprising PACS, DCCBs and SCBs, and existed in 20 states, while in 16 states, including the north-eastern states, Two -tier short-term cooperative credit System is in operation.

⁸ StCBs – 1,168; DCCBs – 14,241; PACS – 93,367.

⁹ StCBs/DCCBs are registered under the provisions of the State Cooperative Societies Act of the state concerned and are regulated by the Reserve Bank. Powers have been delegated to the NABARD under Sec 35A of the Banking Regulation Act (as applicable to cooperative societies) to conduct inspection of state and central cooperative banks. PACS and long-term credit cooperatives are outside the purview of the Banking Regulation Act, 1949 and are hence not regulated by the Reserve Bank. The NABARD conducts voluntary inspection of SCARDBs, apex-level cooperative societies and federations.

term co-operatives has enhanced, altogether, which can be credited to compulsory licensing, recommendation of minimum capital necessities in a periodic manner, merger, implementation of new technology and endeavors to develop governance.¹⁰

2.11.3 Financial Performance of State Co-operative Banks in India

SCBs, the apex organizations in the rural short-term co-operative structure, mobilize deposits and thus give the requisite technical guidance and liquidity to both PACS and DCCBs to enable them in fulfilling their requirements of their members. Also, the SCBs are anticipated to mobilize liquidity and refinance provision from upper refinancing organizations such as the NABARD for supporting the crop loan requirements of associated PACS and DCCBs. The SCBs have broadened their actions towards providing medium-term loans for investments in rural and agricultural sector, all together with refinance provision from the NABARD over time.

SCBs' net profit decreased with comparison to income by 44.5 per cent in 2015-16 due to increase in expenditure. However, the interest element of expenditure moderates with a decrease in rate of interest on refinance from 7.85 per cent to 6.20 per cent pursuing two successive rounds of revision, an abrupt upsurge in contingencies and provisions have pushed up noninterest expenditure suddenly. Lethargic credit growth along with a deterioration in investments, brought about mute progress in interest income which makes nearly 95 per cent of the whole earnings of SCBs (Table 2.3).

¹⁰ As per the NABARD's Annual Report 2016-17, CBS has been implemented in three banks in Maharashtra and one in West Bengal during 2015-16; remaining 16 DCCBs in Uttar Pradesh are in the process of adopting CBS. 16 DCCBs in Uttar Pradesh and three DCCBs in Maharashtra have put in place corporate governance framework.

Table no. 2.3: “Financial Performance of State Co-operative Banks in India (SCBs)

(₹ in ` billion)

| Item | As during | | Variation (%) | |
|----------------------------------|-------------|-------------|---------------|---------|
| | 2014-15 | 2015-16 | 2014-15 | 2015-16 |
| A. Income (i+ii) | 149 (100.0) | 153 (100.0) | 5.6 | 2.6 |
| i. Interest Income | 143(95.9) | 145(95) | 6.3 | 1.6 |
| ii. Other Income | 6(4.1) | 8(-5) | -6.9 | 27 |
| B. Expenditure (i+ii+iii) | 139 (100.0) | 147 (100.0) | 4.1 | 6.3 |
| i. Interest Expended | 116 (83.4) | 119 (80.8) | 5.4 | 3 |
| ii. Provisions and Contingencies | 7 -5.2 | 12 -8 | -19.9 | 61.8 |
| iii. Operating Expenses | 16 (11.3) | 16 (11.2) | 9.3 | 4.8 |
| of which : Wage Bill | 10 (6.9) | 11 (7.3) | 1.5 | 11.6 |
| C. Profit | | | | |
| i. Operating Profit | 18 | 18 | 4 | -1.8 |
| ii. Net Profit | 11 | 6 | 29.9 | -44.5 |

Notes: Y-o-y deviations could be somewhat different as absolute numbers have been rounded off to `1 billion in the table. Numbers in parentheses are proportion to entire income/ expenditure in per cent. Components may not add together to the total owing to rounding off.

Source: NABARD”.

2.11.4 Financial Performance of District Central Co-operative Banks in India

The net profit of DCCBs has augmented suddenly during 2015-16 as aligned with deterioration during 2014-15. This development can be ascribed to a lower progress in spending due to a total fall at the level of provisions and contingencies as well as to a lesser progress in operating expenses and interest, in spite of higher wage bill. On the earnings side, as with the SCBs, other income noted higher growth, whereas interest income slowed down (Table no.2.4).

Table no.2.4: “Financial Performance of District Central Co-operative Banks (DCCBs) in India.

(₹ in ` billion)

| Item | As during | | Variation (%) | |
|----------------------------------|-------------|-------------|---------------|---------|
| | 2014-15 | 2015-16 | 2014-15 | 2015-16 |
| A. Income (i+ii) | 338 (100.0) | 367 (100.0) | 9.3 | 8.4 |
| i. Interest Income | 323(95.4) | 347(94.8) | 9.5 | 7.7 |
| ii. Other Income | 16(4.6) | 19(5.2) | 4 | 23.2 |
| B. Expenditure (I +ii+ iii) | 331 (100.0) | 355 (100.0) | 12.2 | 7.3 |
| i. Interest Expended | 230 (69.4) | 250 (70.4) | 11.8 | 8.8 |
| ii. Provisions and Contingencies | 30(9.1) | 29(8.1) | 26.8 | -4 |
| iii. Operating Expenses | 71 (21.5) | 76 (21.5) | 7.4 | 6.9 |
| of which : Wage Bill | 43 (13.1) | 48 (13.5) | 4.6 | 10.7 |
| C. Profits | | | | |
| i. Operating Profits | 37 | 40 | -1.4 | 8.4 |
| ii. Net Profits | 7 | 11 | -49.9 | 62.5 |

Source: NABARD”

2.11.5 Balance Sheet Operations of State Co-operative Banks in India

The balance sheet of the SCBs, the apex institutions in short-term co-operative credit structure, extended reasonably in 2015-16. From the perspectives of the liabilities, deposits turned around from a contraction in 2014-15¹¹ and from the perspectives of the assets, advances and loans increased at a lesser rate as a result of two successive years of poor agricultural progress. Agricultural loans constitute more than 60 per cent of their loan portfolios.

¹¹ The contraction in 2014-15 is on account of implementation of the guidelines issued in July 2014 whereby DCCBs are required to park five per cent of their deposits in Government securities by March 31, 2015.

Table no.2.5: “Liabilities and Assets of State Co-operative Banks. (₹ in ` billion)

| Items | As during | | Variation (%) | |
|---------------------------------|--------------------|--------------------|---------------|----------|
| | 2014-15 | 2015-16 | 2014-15 | 2015-16 |
| Liabilities | | | | |
| 1. Capital | 54 (2.7) | 56 (2.73) | 45.1 | 5 |
| 2. Reserves | 88(4.4) | 94(4.6) | -5.2 | 7.1 |
| 3. Deposits | 1,028 (51.7) | 1,093 (52.9) | -1.5 | 6.3 |
| 4. Borrowings | 687 (34.6) | 688 (33.3) | 12.7 | 0.1 |
| 5. Other Liabilities | 131(6.6) | 136(6.58) | 9.1 | 3.5 |
| Assets | | | | |
| 1. Cash and Bank Balances | 66(3.3) | 64(3.1) | -50.6 | -3.8 |
| 2. Investments | 699(35.2) | 690(33.4) | 5.1 | -1.2 |
| 3. Loans and Advances | 1,145 (57.6) | 1,229 (59.4) | 11.1 | 7.3 |
| 4. Other Assets | 78(3.9) | 85(4.1) | 5 | 8.5 |
| Total Liabilities/Assets | 1,989 (100) | 2,067 (100) | 4.4 | 4 |

Notes: Y-o-y deviations could be somewhat different as absolute numbers have been rounded off to `1 billion in the table. Numbers in parentheses are proportion to entire income/ expenditure in per cent. Components may not add together to the total owing to rounding off.

Source: NABARD and NAFSCOB”.

2.11.6 Liabilities and Assets of District Central Co-operative Banks

Table no.2.6: “Liabilities and Assets of District Central Co-operative Banks

(Amount in ₹ billion)

| Items | As during | | Variation (%) | |
|---------------------------------|----------------------|----------------------|---------------|-------------|
| | 2014-15 | 2015-16 | 2014-15 | 2015-16 |
| Liabilities | | | | |
| 1. Capital | 131 (3.2) | 165 (3.6) | 14.2 | 25.6 |
| 2. Reserves | 163(-4) | 175(-3.8) | 2.3 | 7.9 |
| 3. Deposits | 2,588 (63.5) | 2,982 (65.1) | 9.3 | 15.2 |
| 4. Borrowings | 800 (19.6) | 836 (18.2) | 10.1 | 4.5 |
| 5. Other Liabilities | 395(9.7) | 424(9.3) | 8.2 | 7.3 |
| Assets | | | | |
| 1. Cash and Bank Balances | 220(-5.4) | 233(-5.1) | 9.5 | 5.7 |
| 2. Investments | 1,385 (34.0) | 1,615 (35.3) | -33.3 | 16.7 |
| 3. Loans and Advances | 2,194 (53.8) | 2,427 (53.0) | 8.1 | 10.6 |
| 4. Other Assets | 278(6.8) | 307(6.7) | 9.3 | 10.5 |
| Total Liabilities/Assets | 4,077 (100.0) | 4,582 (100.0) | 9.2 | 12.4 |

Source: NABARD

In 2015-16, the DCCBs balance sheet extended at a rate greater than that of the previous year. Faster progress in capital, reserves, and deposits, on the side of liability is coordinated by a rise in investments and augmented rise in the progress of advances and loans and on the side of the asset (Table no.2.6). DCCBs usually hold a high portion of their medium-term advance portfolio through non-agricultural loans. Accordingly, their credit growth during 2014-15 and 2015-16 was not affected by the slowness in the agricultural sector as it occurred in the case of SCBs. Steady fixed deposits form a greater part of the sources of funds of DCCBs, replicating endeavours intended at mobilizing resources through deposits to encounter higher credit demand.

2.11.7 All India District Central Co-operative Banks at a Glance

Table No. 2.7: All India District Central Co-operative Banks at a Glance (₹ in lakhs)

| “District Central Co-operative Banks (31-3-2016) | | |
|--|--------------------------------------|----------|
| 1. | No. of DCCBs | 371 |
| 2. | No. of Branches including H.O. | 14241 |
| 3. | Membership: Total: | 3208720 |
| | Membership: Co-operative: | 486684 |
| | Membership: Individuals./GOI: | 2722036 |
| 4. | Owned funds: | 4472071 |
| 5. | Deposits: | 28260931 |
| 6. | Borrowings: | 7760608 |
| 7. | Loans adv.: | 24937596 |
| 8. | Loans outs: | 22790186 |
| 9. | Percentage of overdue to demand (%): | 20.08 |
| 10. | Employees: | 83751 |

(Membership & borrowers in thousands)”

Source: National Federation of State Co-operative Banks Ltd

2.11.8 All India Position of State Co-operative Banks at a Glance

Table No. 2.8: “All India position of State Co-operative Banks at a Glance

(₹ in lakhs)

| State Co-operative Banks (31-3-2016) | | |
|--------------------------------------|--------------------------------|--------|
| 1. | No. of DCCBs | 32 |
| 2. | No. of Branches including H.O. | 1168 |
| 3. | Membership: Total: | 600278 |
| | Membership: Co-operative: | 21044 |

| | | |
|----|-------------------------------|----------|
| | Membership: Individuals./GOI: | 579234 |
| 4. | Owned funds: | 1747691 |
| 5. | Deposits: | 10492165 |
| 6. | Borrowings: | 6735763 |
| 7. | Loans adv.: | 12165633 |
| 8. | Loans outs: | 11830714 |
| 9. | Perg. of ovr. to demand (%): | 4.42 |
| | Employees: | 12900 |

(Membership & borrowers in thousands)"

(₹in lakhs)

Source: National Federation of State Co-operative Banks Ltd.

2.11.9 All India Position of District Central Co-operative Banks

Table No. 2.9: "All India Position of District Central Co-operative Banks

(₹ in Lakhs)

| S. No. | Main Items | 2014-2015 | 2015-2016 | during 2015-2016 over 2014-2015 | |
|--------|---------------------------|-----------|-----------|---------------------------------|------------|
| | | | | net increase | % increase |
| 1 | No. of D.C.C. banks. | 371 | 371 | 0 | 0 |
| 2 | No. of offices incl. H.O. | 14060 | 14241 | 181 | 1.27 |
| 3 | Total membership (no.) | 3048765 | 3208720 | 159955 | 4.99 |
| 4 | Paid up capital | 1340976 | 1287675 | -53301 | -4.14 |
| | a. of which Govt. | 142801 | 150624 | 7823 | 5.19 |
| 5 | Total reserves | 2881242 | 3184396 | 303154 | 9.52 |
| | a. statutory | 421278 | 482004 | 60726 | 12.6 |
| | b. A.C.S. fund | 201758 | 220245 | 18487 | 8.39 |
| 6 | Total deposits | 25111552 | 28260931 | 3149379 | 11.14 |
| | a. Co-operatives | 7838555 | 9336645 | 1498090 | 16.05 |
| | b. Individuals | 14914175 | 16329765 | 1415590 | 8.67 |
| 7 | Total borrowings | 7379366 | 7760608 | 381242 | 4.91 |
| 8 | Working capital(WC) | 37709816 | 40609293 | 2899477 | 7.14 |
| 9 | Investments | 12411878 | 14111716 | 1699838 | 12.05 |
| 10 | Total loans issued | 23242126 | 24937596 | 1695470 | 6.8 |
| 11 | Total loans outstanding | 20720549 | 22790186 | 2069637 | 9.08 |
| 12 | Total demand | 18989938 | 20073992 | 1084054 | 5.4 |
| 13 | Total collection | 15017413 | 16042477 | 1025064 | 6.39 |
| 14 | Balances (overdues) | 3972525 | 4031515 | 58990 | 1.46 |
| 15 | % of overdues to demand | 20.92 | 20.08 | -0.84 | -4.18 |
| 16 | Cost of management (CM) | 975786 | 1013636 | 37850 | 3.73 |
| 17 | % of cm to WC | 2.59 | 2.5 | -0.09 | -3.6 |
| 18 | Total no. of employees | 83347 | 83751 | 404 | 0.48 |

Source: National Federation of State Co-operative Banks Ltd"

The above table shows all India position of the DCCBs. There is a negative growth of the paid-up capital, overdues to demand and cost of management to working capital over the last year. There is a positive increase in all the variables over the last year.

2.11.10 District Central Co-operative Banks in Odisha

Table No.2.10: “District Central Co-operative Banks in Odisha (₹ In Lakhs)

| S. No. | Main Items | 2014-2015 | 2015-2016 | During 2015-2016 Over 2014-2015 | |
|--------|-------------------------------------|-----------|-----------|---------------------------------|------------|
| | | | | Net increase | % Increase |
| 1 | No. of D.C.C. banks. | 17 | 17 | 0 | 0 |
| 2 | No. of offices incl. H.O. | 338 | 349 | 11 | 3.15 |
| 3 | Total membership (no.) | 196870 | 193083 | -3787 | -1.96 |
| 4 | Paid up capital | 76935 | 88608 | 11673 | 13.17 |
| | a. of which govt. | 8093 | 8449 | 356 | 4.21 |
| 5 | Total reserves | 37681 | 44905 | 7224 | 16.09 |
| | a. statutory | 3865 | 4914 | 1049 | 21.35 |
| | b. A.C.S. fund | 963 | 1271 | 308 | 24.23 |
| 6 | total deposits | 673859 | 720032 | 46173 | 6.41 |
| | a. co-operatives | 256530 | 291920 | 35390 | 12.12 |
| | b. individuals | 407994 | 419044 | 11050 | 2.64 |
| 7 | total borrowings | 518029 | 591256 | 73227 | 12.38 |
| 8 | working capital | 1471214 | 1647206 | 175992 | 10.68 |
| 9 | Investments | 537445 | 574947 | 37502 | 6.52 |
| 10 | total loans issued | 852246 | 973022 | 120776 | 12.41 |
| 11 | total loans outstanding | 746213 | 847937 | 101724 | 12.0 |
| 12. | total demand | 901076 | 1003182 | 102106 | 10.18 |
| 13. | total collection | 720211 | 815102 | 94891 | 11.64 |
| 14. | balances (overdues) collection | 180865 | 188080 | 7215 | 3.84 |
| 15. | % of overdues to demand | 20.07 | 18.75 | -1.32 | -7.04 |
| 16. | cost of management (cm) | 13804 | 19207 | 5403 | 28.13 |
| 17. | % of cm to wc | 0.94 | 1.17 | 0.23 | 19.66 |
| 18. | total no. of employees | 2064 | 1998 | -66 | -3.3 |

Source: National Federation of State Co-operative Banks Ltd”

The above table shows the comparative position of District Central Co-operative Bank in Odisha between the years 2014-2015 and 2015-2016. It can be seen that there is a decline in

membership i.e.-1.96% in comparison to the previous year. Further percentage of overdues to demand has declined to -7.04. It is also observed that there is a decline in total number of employees to -3.3%. But, all other variables have increased in comparison to the last year.

2.12 Conclusion

It is now quite obvious that co-operative banks encompass a great significance in nation's progress. Except the assistance of co-operative banks, billions of citizens in India would have been deprived of the much necessary financial help. Co-operative banks hold a dynamic position in local development and with the local group of people with a stronger obligation these banks are the greatest means for providing banking facilities at the doorsteps of common citizens, deprived or excluded people in rural and urban regions. Their presence in the country's economic, social, and democratic layout is crucial to effect progress and this is probably the finest explanation for developing them and strengthening their base. These banks will certainly succeed in the competition as they are "for the people, by the people and of the people".

CHAPTER III

LITERATURE SURVEY

3.1 Introduction

Various surveys associated with the co-operative banking sector's performance in India have been carried out. Here, an effort has been taken to present an outline of different features and concerns of this study by reviewing related literature. Several important studies chosen for review are presented below. The survey has been segregated in to following different parts viz. literature survey on determinants of profit in banking sector, "State Co-operative Bank", "District Central Co-operative Banks", "Primary Agriculture Co-operative Society", "Urban Co-operative Banks" and review on different committees.

3.2. Literature Survey on Determinants of Profit in Banking Sector

The determinants of bank's profitability have been generally classified as either internal or external (Hoffman, 2011; Sufian, 2009). Internal determinants are those that can be measured by management henceforth are bank on the quality of judgments made by management (Athanasoglou et al., 2006; Javaid et al., 2011). Some of the variables that come into this classification include Capital Adequacy (CADEQ), credit risk income source, bank size and proficient management. These determinants, called as bank-specific or micro determinants of profitability, can be resulting from bank financial statements. External determinants, which are outside the scope of management, reveal the economic and legal environment following which these institutions work. Those also will affect its overall performance.

The size of the bank is utilized to make up for diseconomies or economies of scale in the banking industry. Kosak and Cok (2008) find that larger banks due to their dimension are capable of manipulating economies of scale causing in larger benefit. The bigger banks are also capable of exerting their market power making use of their brand image in giving linked services. Then this increases the volume of financial gain of the bank (Elsas et al., 2010). Khrawish, (2011) has observed an important and positive association between profit and the bank sizes. Javaid et al. (2011) while studying the conditions in Pakistan has also observed that higher assets did not cause greater benefits because of the diseconomies of scale.

Risk management is a part of banking business. Banks are required to broaden their portfolio owing to uncertainty for decreasing risk influencing credit risk. A negative connection has been acknowledged between profitability and credit risk (Miller and Noulas, 1997). Vong and Chan (2009) has examined that there is a negative association between profit and loan loss provision. Several research works (Hernando and Nieto, 2007; De Young and Rice, 2004; Athanasoglou et al., 2008 and Chiorazzo et al., 2008) also find a straight connection between bank's credit risk and profitability. It indicates that poor credit quality causes an adverse impact on profitability of bank and vice versa. With the upsurge of the quantity of doubtful assets, banks are expected to enhance their provisions to make up for the anticipated credit losses which decrease the volume of profitability. Iannotta et al. (2007) and Kasman et al. (2010) discuss that if the financial system is well organised and risk is properly minimised as specified in the Basel II or Basel III banking regulations, the riskier assets should generate more interest income to raise profitability. Mester (1996) discusses that higher loan quality necessitates that banks do higher monitoring costs and underwriting.

Financial profit of banks is also influenced by the way managers handle the total costs of the bank (Guru et al., 2002). Articles by Kosmidou et al. (2005) and Alexiou and Sofoklis (2009) reveal that poor expenditure management decreases the profitability levels. Effective cost containment paves the way for greater benefit (Brock and Rojas-Suarez, 2000 and Al-Haschimi, 2007). Oladele et al. (2012) find in their study that functioning expenditure considerably impacted the presentation of the banking sector. Olweny and Siphon (2011) find that the decrease of functioning expenditure significantly impacts profitability of banks. Molyneux and Thornton (1992) view that employees' expenditure is connected with greater net charge offs to the whole assets which indicate that banks with more earning bills are necessary for larger interest margins to sustain profitability.

CADEQ also affects profitability in banking sector. Haron et al. (2004) debate that if a bank is highly capitalized, confidence of the consumers or beneficiaries on the bank is improved and this helps in attracting more deposits. Athanasoglou et al. (2006) says that capitalization of the bank indicates to the market about the bank's performance. A well-financed bank shows that it is functioning properly and is supposed to be safer. Berger (1995) names it as the signaling hypothesis. Management signals private information indicating that the future

forecasts of the bank is better by rising capital. Athanasoglou et al. (2008) observe the positive association between profitability and capital because capital acts as security mechanism in the course of difficult times. As a consequence, the bank is capable to fund its assets at higher rates of interest that improve estimated profitability. Basel regulations suggest that higher capital levels replicate that banks are keeping riskier assets with a greater return growing profits of the bank (Iannotta et al., 2007).

The composition of bank assets is a standard sign of the bank's profitability. The key business of banks is to receive deposits and grant loans. The bank's capacity of transforming deposits into loans raises its probability to make income. There is mixed suggestion on the association between profitability and asset composition. Abreu and Mendes (2000) find a negative connection between asset composition and profitability. Researchers (Bashir and Hassan, 2003; Staikouras and Wood, 2004) find an affirmative association. García-Herrero et al. (2009) view that maintaining a large portfolio of loans is connected with more functioning expenditure. A bigger loan compared to asset ratio in a liberalized setting should increase profitability, as banks employ pricing rise. Hassan and Bashir (2003) observe that a bigger loan ratio really affects its profits negatively.

Funding management has an impact on the banking institutions' activity (Elsiefy 2013). Bank funding is separated into, interbank borrowing capital, customer deposits and long-term and short-term wholesale borrowing. On average, the client deposits have lesser interest expenditure compared to other sources. By rising customer deposits, a bank can upsurge its profits as a percentage of its liabilities, particularly, current accounts as they have to improve free bank profitability.

Another determinant of profitability of bank is interest rate. Ogunleye (2001) discusses that through adjustment to revenues, a movement in the rate of interest influences profitability of banks. He summarizes two channels through which it occurs. On one hand, rate of interest upsurge increases the sum of earnings which a bank can make on new assets. On the other hand, the channel is determined by the decision of the banks on the quantity it wishes to purchase of securities and loans, and its cash holding away from the governing necessity. The rate of bank lending is optimistically associated with profitability (Obamuyi, 2013).

3.3 Literature on State Co-operative Bank

Alagappan and Rengasamy (1989) examine the factors affecting profitability in the “Tamil Nadu State Co-operative Bank Ltd”. The study period for the analysis was 11 years i.e. from 1975 to 1985. The variables taken for the studies were salary, interest rate spread, and other expenditures. The authors use Linear Multiple Regression means to attain the objective of their study. The study has shown that the coefficient of interest rate spread is positively correlated to the net profit. Also the salary and other expenses had a negative impact on the net profits. Further salary, interest rate spread, and other expenses together accounted around 99 percent of changes in its net profits.

Pathania and Singh (1998) in their article named, “A Study of Performance of Himachal Pradesh State Co-operative Bank” witness the performance of “Himachal Pradesh State Co-operative Bank Ltd”. On the basis of share capital, membership drive, working capital, advances, and deposit mobilization. Over the period of five years, i.e., 1991-92 to 1995-96, the variables have improved. Nevertheless, overdues have increased suddenly. This is owing to the consequences of loan waiver scheme. The bank’s per branch and per member business reveals an imperative progress in advances, deposits, share capital, profits, and borrowings. They suggest that in the circumstance of liberalization and globalization of economy, co-operative banks must make certain that their business is on well fitted guide lines with training and professional management.

Solo and Pandey (2008) undertake a micro study of Assam Co-operative Apex Bank Ltd. They analyse various variables of the bank like membership, share capital, loans and advances, NPA, management cost and operational results. The study is founded on secondary data analysis during the phase from 2001-02 to 2005-06. The survey reveals that the membership of the bank had maintained a rising trend except in the year 2004-05 and the share of societies is the largest share in total paid up capital as compared to other individuals, firms & co., State Govt, and DCCBs throughout the period of the study. This is also found that fixed deposits and saving deposits were the main components of total deposits. The share of current deposits is very small and showed increasing trend. It is concluded that overall total deposits is satisfactory but growth rate is low. It is indicated that the deposits were the main source of working capital of the bank. The working capital has increased every year. The study

has also shows that the short term loans were fluctuating in terms of percentage to total loans. “Medium term” and “long-term” loans and advances have been maintaining an upward trend. The recovery performance of the banks remains very poor and NPAs of the bank is also rising throughout the period of the study. This is also found that during the five years period, the banks have made loss except for the year 2005-06 where they had earned a little profit. It is suggested that the management of the bank need to appoint banking professionals and existing employees must be given proper training to face new challenges in the banking business.

Suryan and Veluraj (2005), in their study titled, “Profitability Analysis of the Pondicherry State Co-operative Bank”, examine the bank’s functioning from 1998-99 to 2002-03. Different ratios, ranging from cost of management to working capital ratio, non-interest income to total income ratio, profit to working capital ratio, etc. were adopted to evaluate the bank’s performance. Burden ratio and spread of the bank were also examined. They sum up that productivity capability was significant and bank was able to fulfil its norms and obligations. The working capital and cost of management has declined during the study period which further enhances the bank’s productivity

Sanjay (2012) conducts a study to measure the increase of Co-operative credit societies in North Eastern areas of India and also to measure the whole performance of Meghalaya Co-operative Apex Bank Ltd. The study period is 8 years from 2002-03 to 2009-10. He witnesses that the bank’s key issues are over dues to demand ratio and poor recovery rate, but reduction in the NPAs rate (as percentage of loan outstanding) is one of the optimistic features of the bank. This is also found that the connection between profits are considerably and optimistically related with reserves, borrowings, deposits and loans, advances, and own fund that are measured as a positive factor of co-operative banking.

Devadas (1987) explains in his article named, “Co-operative Banking and Economic Development” states the role and functions of “Assam Co-operative Bank Ltd” in the state’s economy. He finds that in spite of functioning as a commercial bank, it has to carry out three additional roles, i.e., “to finance primary credit societies”, “to perform as bank for primary societies”, and “to supervise administration of primary societies”. He also finds that the bank is unable to grow substantially in those three areas because of inadequate funding by the government.

Pandey (2009) conducts a study to highlight the role of Nagaland State Co-operative Bank Ltd. (NSCB). The study revealed that NSCB issued loans to farmers under three heads: Kharif, Rabi and KCC. The bank implements KCC in the year 2001-02. Though the amount of overall loans between 2001-02 to 2005-06 had increased considerably, the amount of loan for Kharif crops had declined significantly. The loans issued under Rabi crops was very small but showed a rising tendency during the study. The loans issued to SSI were of Rs. 28.28 lakhs in the year 2001-02 declined to Rs. 5.52 lakhs in 2005-06. The loans that were issued to consumer co-operative societies by the NSCB indicated a fluctuating trend. The bank also extended financing facilities for business and non-agricultural purpose. This is concluded that NSCB plays a significant role in the overall development of the state with more emphasis on rural areas by providing credit facilities to various agencies.

Pillai & Johnson (2011) examines the “short-term” liquidity and “long-term” solvency status of The Kerala State Co-operative Bank Ltd. They used three ratios to analyse liquidity position; specifically, current ratio, quick ratio and absolutely liquid ratio. They find that all three ratios were showing a positive trend in that regard. In order to analyse the long term position, six ratios have been used. The results showed a very high debt equity ratio that has caused the bank a larger interest burden. The fixed assets to net worth ratio and the solvency ratio seem to be quite satisfactory.

Rakshit and Chakrabarti (2012) analyse the factors influencing the financial functioning of the “West Bengal State Co-operative Bank”. The researchers investigate both pre and post liberalization period (from 1973 to 2008). They uses regression model to measure the impact of internal factors. They find that loans and advances had a negative impact on net income of the bank but to a low extent. They suggests that the control of operating expenses would improve net income of the bank.

Kanagasabai (1984) attempts to examine the determinants of profit in his article on “Determinants of Profitability – A Case Study of a State Co-operative Bank”. The parameters, viz. short term loans to entire loan advance, time deposits, owned funds, borrowing, are considered for a period of 1970-71 to 1979-80. The study examined if priority sector loan advances, percentage of time deposits and borrowings affect the profit or not. It is seen that

these elements affect the profit of the bank positively. So, it is proposed that the bank must plan proper strategies to enhance these proportions in order to rise their profit.

Anand (1989) observe the State Co-operative Bank's operational efficiency for the time period from 1975-76 to 1984-85. The study reveals that bank is efficient in mobilizing resources but not in supply of credit. The profitability level is found unsteady. A higher amount of liquid assets were preserved by the bank. The bank faces a hurdle from the rules of Government, the NABARD, and RBI in the path of expansion of its functions.

Govindarajan and Singh (2006) makes an attempt to assess the degree of failure or success of Tamil Nadu State Co-operative Bank Ltd. in its efforts of mobilizing funds and channelizing them to central co-operative banks at district level. An effort is also made to analyse the profitability and the causes affecting the profitability. It is seen that the profit of the bank is gradually deteriorating year after year. Since the motive of the co-operative banks is service, the banks should also gain profits for their survival. It is recommended that the bank must have control over the earning more non-interest income and noninterest expenditure due to channelizing of its activities and suitable steps must be taken to increase the profit of the bank.

Asaithambi (1988) examines Andaman and Nicobar State Co-operative Bank's performance for the time span from 1982- 83 to 1985-86. The indicators employed for the study were membership, working capital, share capital, deposits, loans advances and overdues. The outcomes of the study shows that the bank has been keeping high level of efficiency in all the important aspects of its banking functions.

Goyal (1985) studies debt-equity ratio of all State Co-operative Banks in India for the span of 1970-71 to 1978-79. The author estimates debt-equity ratio by two means: i) ratio of total liabilities to owned fund and ii) ratio of deposits to owned funds. The study shows that the rise in deposits is higher than the owned fund for the study period. The ratio is between 300 percent to 492 percent and the ratio of total liabilities to owned funds varied between 583 percent and 717 percent for the study period.

Chakraborty (1996) examines the presentation of Maharashtra State Co-operative Bank for the time span from 1989- 90 to 1992-93. The variables for the study are: working capital,

credit mix, deposit mix, credit-deposit ratio, loan advances, profitability and overdues. The results of the study are: the working capital constitutes a major share of borrowings and deposits; deposits shared 70 percent in working capital and among different deposits, fixed deposits only contributes 69 percent; the credit mix is lucid; high degree of relationship between deposits and the credit; outstanding presentation in recovery and mounting trend in profit.

Bhorali (1978) assesses the growth of “Nagaland State Co-operative Bank Ltd.” for the span of 1972 to 1976. He considers the working capital, owned funds, investment, share capital, advances and overdues for evaluating performances of the bank. However, the liability and assets position is reasonable. It is essential to build a strong base of self-generated capital resources.

3.4 Literature on District Central Co-operative Bank

Bhalerao and Shukla (1993) examine the performance and progress of “District Central Co-operative Banks (DCCBs)” in India for the time period from 1969 to 1988. The variables chosen for the study are: membership, number of the offices, share capital, loans and advances, deposits and outstanding overdues. The authors calculate the compound growth rates and linear (CGR & LGR). The study has shown a significant rise in share capital, deposits, number of offices, loan advances. The growth rate of overdues during the study period were considerably more.

Bhatt, Shiyani, and Patel (1989) examines the credit and deposit performance of Junagarh District central co-operative bank (JDCCB) Ltd. of Gujarat. The time period for the study was 1975-76 to 1986-87. The variables chosen for the study are: total loan advances, deposits, apex bank loan grant, and credit deposit ratio. They use regression tool to calculate the growth rates. The study has shown that all the variables exhibited a significant growth throughout the study period. Again, the loan depends on the whole deposits expected or created share capital etc. The authors say that the credit-deposit ratio should be used for measuring the performance of banking sector.

Niranjanraj and Chitanbaram (2000), in their study titled, “Measuring the Performance

of DCCBs” observe that appropriate models have to be developed to assess the presentation of co-operative banks. They measure 23 parameters which fall into 4 main groups for evaluating the functioning of “District Central Co-operative Banks” and give suitable weightage to every parameter. They rank 14 “District Central Co-operative Banks” of Kerala as per composite marks. They recommend that performance of co-operative banks should not be evaluated only by their financial attainments but by their performance as co-operative organizations (social achievements) have to be estimated also.

Soni, Saluja and Singh (2013) in their article on “Financial Ratio Analysis of DCC Bank Limited Rajnandgaon- A case study” explain that District Central Co-operative Bank performs a significant role in rural development and the agriculture of the Rajnandgaon. Currently, most of the DCCBs are facing problems of the recovery, overdue, nonperforming assets etc. So, it is essential to study financial ratios of DCC Bank Rajnandgaon. This article endeavours to analyse the financial ratios of DCC Bank Rajnandgaon for the study period from 2008-2009 to 2010-2011. Financial Ratio Analysis is carried out in this study. It is based on secondary data. An empirical result indicates positive and sufficient growth of DCC Bank Rajnandgaon. The solvency and liquidity position of the bank is found to be sound.

Shah (2007) conducts a case study of “Sangli and Buldana District Central Co-operative Banks (SBDCC)” about the economic strength of credit co-operatives in Maharashtra and finds that overdues and NPAs are the key features for decline in these banks, financial condition. The findings reveal that both these banks show a weakening trend in their economic sustainability and financial health throughout the late nineties with comparison to the early nineties.

Kumar (2008), in her article named “Management of Non-Performing Advances – A Study of District Central Co-operative Banks of Punjab”, takes sample of ten DCCBs, i.e., five low level NPAs and five high level NPAs for the survey. It is seen that in spite of their finest endeavours, these banks have not prospered in broadening their banking activities. The NPAs in the crop loan are observed to be the least, whereas those are the maximum in non-farm sector advances. By the use of multiple regressions, it is seen that education, caste, adequacy and amount of loan are key aspects influencing repayment performance of the beneficiaries.

The researcher suggests that these banks must form a special department to guide NPAs and should take services of recovery agents.

Hugar (1986) analyses financial position of nineteen “District Central Co-operative Banks (DCCBs)” in Karnataka for the span of 1978-79 to 1982-83. The author uses Ratio Analysis method to examine the deposit, working capital, credit supply and loan recoveries, and profitability of the DCCBs. The study has shown weak performance regarding the credit supply, working capital, recoveries of loan, and profitability. But, deposit has observed a steady increase throughout study period.

Narayanasamy and Ramachandran (1987) examine the profitability of South Arcot District Central Co-operative Bank (DCCB). Several ratios are used to analyse the profitability. It is seen that profitability of bank has reduced because of higher deterioration in spread ratio than burden ratio. Deterioration in burden ratio presents the effectiveness of the bank. It is recommended that the profits can be enhanced if appropriate action is taken on areas of deposit mobilization, recovery of loan, branch extension, decrease in expenditures and creating more owned funds. They assess the profitability of the district central co-operative Bank (South Arcot) in Tamil Nadu. The time period is from 1974- 75 to 1983-84. The variables taken for the analysis are: interest paid, interest received, human resource expenses, establishment expenditures, income and profits of business. The study shows that the bank’s profitability has declined over last decade. The spread ratio deteriorated because of reduction in interest received ratio with increase in interest paid. The correlation test shows that the spread ratio is more related with profit and burden ratio is correlated with it negatively.

Raikar (2011) analyses the functioning of “District Central Co-operative Banks (DCCBs)” in India from the period 2002-03 to 2007-08. For examining the performance, Data Envelopment Analysis (DEA) and ratio analysis are adopted. It is seen that many of CCBs on efficient border and beyond efficiency value presented an unstable but deteriorating trend. This shows deteriorating efficiency of CCBs for the study period. It is also seen that there is substantial growth of CCBs based on financial parameters like, deposits, reserves, loans and advances, investments, income received, etc. But the performance is declining because of

huge NPAs and poor capital base. It is proposed that to enhance the performance of CCBs, it is essential to develop their recovery of loan.

Kalyankar (1983) in his article titled, “Wilful Default in Loans of Co-operatives” observes the trends in deposits, share capital, loans outstanding, working capital, overdues, advances, and recoveries in the financing organisations at the district level. Socioeconomic factors accountable in projecting and encouraging forthcoming growth in the functioning and approaches of the co-operative credit institutions are also considered to observe the particular development done by Central Co-operative Bank of Parbhani District. The study shows that the irrigation facility, working capital of the societies, and cropping intensity are the main aspects for explanation of overdues at the level of primary agricultural credit societies. At the borrowers’ level, the socio-economic factors are not accountable for growing overdues, but in case of wilful defaulters, overdues are mostly mounted because of the non-economic factors.

Sinha et al., (1994) examine the trend of profits or loss, income, expenditure, and a break - even levels for deposits and loan advances of the Regional Rural Bank (RRB) and Central Co-operative Bank. The outcomes show that the income and expenditure of co-operative bank were higher than the RRB. The co-operative bank has made profits all through the time period while RRB suffered losses during the given period. A break-even study shows that the co-operative bank is operating above the break-even level whereas RRB is operating under the break-even level.

Vaikunthe (1988) considered the present loan recovery method and recovery performance of District Central Co-operative Bank, Dharwad in Karnataka for the year 1984-85. Around 180 borrower households, belonging to a small (60), medium (60) and big (60) agriculturalists both from the non-irrigated and irrigated rural areas of Navalgund taluka in the Dharwad district, were chosen for the analysis. The analysis shows that the recovery method starts with a notice to the loanee asking him to repay the due for the year. The percentage of refund is high in all the types of agriculturalists in the non-irrigated part (69.82 percent) while in case of irrigated part it is about 57.80 percent. The volume approved in the non-irrigated part is less than the irrigated part in all the three types of agriculturalists. The causes for the overdue

are insufficient supervision, illogical lending policies, inadequate management and a lack of leadership.

Reddy (1994) evaluates the functioning of Malkanoor Co-operative Bank. The indicators considered for the study are reserves, share capital, deposits and borrowings for the study period from 1978-79 to 1992-93. The compound growth rates are measured with the use of the Least Square Method of fitting an exponential function $Y = abx$. The study shows that the growth rates are comparatively higher for the reserves, deposits, investments, of the bank.

Singh and Singh (2006) in their study titled, "Funds Management in Central Co-operative Banks Analysis of Financial Margin" tries to approximate the effect of recognized variables on the monetary margin of the central co-operative banks in Punjab through "correlation" and "multiple step-wise regression" method. "The ratio of own funds to working funds and the ratio of recovery to demand are observed to be having positive significant effect on financial margin, whereas overdues to total loans are found to be negatively related with the concerned parameter. An elevated percentage of own funds and timely recovery and own funds of previous loans outstanding, as a source of funding new loans by the bank, amplified the financial margin in these banks."

Sahoo and Sahoo (1991) examine the working of the central co-operative banks in Odisha. They evaluate the progress of the banks, their functioning in mobilising deposits, funding agriculture and non-agriculture sectors, recovery performance and the managerial and financial efficiency. The study reveals that "the growth in the deposit mobilisation has not been consistent. A major portion of the deposits come from affiliated societies. Public deposits, do not show an encouraging picture. Credit-deposit ratio also revealed that the growth of deposits is not commensurate with the growth in advances. The profitability of the banks has been very low."

Negi (1990) examine the functions of District Central Co-operative regarding recovery performance. Both secondary and primary data are gathered and regression analysis is employed for analysis of data. A primary survey is also led to find out the reasons for sluggish recovery. Correlation coefficient is followed to find connection between recovery performance and co-operative credit. The survey reveals that the inadequacy of management

of the bank and the misappropriation of co-operative credit as the main reasons for poor recovery.

Sukumaran and Shaheena (1991) have studied the burden, spread and profitability management of Palghat District Co-operative Bank in Kerala. The study period is from 1977 to 1987. The outcomes have shown that the interest expenditure and the profitability of the banks revealed an inconsistent but unfavourable trend. The study of the burden ratio and spread ratio has also shown some insufficiency in the management of fund within the bank. The surplus management and reserves the bank has thrown a light on the idle reserves representing ineffective management. In short, the management of burden, spread and profitability within the bank is not considerably effective and needed for essential steps to develop the position of the bank.

Sujata et al. (1993) have studied the effectiveness of “Ernakulam District Central Co-operative Bank”, with respect to the profitability and mobilisation, deployment of funds. Compound growth rates are estimated for different indicators. The results have showed that the advances, deposits and the reserves had increased at 15 percent, 18 percent, and 18 percent respectively. The burden, spread and profitability ratios are also found to be reasonable.

Veeresh (1995) assessed the Mahila Co-operative Bank Ltd.’s performance in "Bangalore town of Karnataka, for the span of 14 years from 1979-80 to 1992-93. The variables used for the study are share capital, membership, loans, deposits, and profits. The study has revealed a fruitful operation of the bank throughout the 14 years. Altogether the variables showed a cumulative growth over a period. Author has recommended the bank to offer non-credit facility to its members.

Singh and Singh (2010) in their study on “Technical and Scale Efficiency in District Central Co-operative Banks (DCCBs) of Punjab –A Non Parametric Analysis” have tried to examine the degree of technical competence throughout 20 DCCBs with the use of Data Envelopment Analysis. They have found that dimension of DCCBs and benefits have been hampering the technical competence significantly. It has also further found that DCCBs of Punjab are suffering from the problems of managerial wrong doings and inappropriate production scale.

Suitable strategy interferences by RBI, NABARD and state government have been recommended.

Dayanandan and Sasikumar (1993) evaluate the functioning of the Central Co-operative Banks in Kerala for the time span from 1981-82 to 1989-90. The variables viz., membership, share capital, deposits, reserve fund, total loan overdues and net profits are considered for the study. They have employed the technique of 'Best Fit Line' to compute linear growth rates of the selected variables. The study has disclosed that the bank has achieved better performance in all its selected variables. Further they have opined that the growth of the bank in later years is affected because of the high overdues.

3.5 Urban Co-operative Bank

Patel and Ramesh (1999) in their study on “Performance Evaluation of Urban Co-operative Banks in India”, assess the growing presentation of “Urban Co-operative Banks (UCBs)” in India for the period from 1974-75 to 1993-94. The indicators of performance like membership, number of banks, reserves, share capital, working capital, borrowings, deposits, overdues, and advances are chosen for the study. The study has employed the exponential and linear growth models to calculate compound and the linear growth rates. The study presents that the urban co-operative banks had furnished remarkable progress in all their indicators. But, the overdues and borrowings have adversely augmented throughout the study period. They recommend certain appropriate policy for healthier performance in view of certain shortcomings in the working of the urban co-operative banks.

Dhanappa (2009) in his article on “Performance Evaluation of UCBs: A Case Study of Kallappanna Awade Ichalkaranji Janata Sahakari Bank Ltd. Ichalkaranji” makes an effort to study the working and financial performance of UCBs. The aim of the study is “to observe and evaluate the trend, growth and problems of this bank, and to give some important propositions for improving the ability and efficiency of the bank.” The associated data has been taken from 1995- 96 to 2007-08. He uses different statistical tools such as percentages, ratios, averages, chi-square test, percentages, averages, and to analyse the data, to know the presentation of the UCBs in respect of deposits, share capital deposits, reserve funds, loans and advances, profit, investment, and NPAs. He observes that “the bank has maintained NPAs

under control *at* the best stipulated level of RBI norms. There is huge variability in net profit. The bank should emphasise on non- interest income sources to raise the profit and reduce the NPAs. CD ratio of the bank is deteriorating continuously which is not a good sign.” The bank’s financial condition is sound and the bank is capable of contending with other banks. He again recommends that loans must be given to usual borrowers at par with competitive rates of interest.

Naidu et al. (1988) acknowledges the factors determining the over dues and net profits in urban co-operative banks. They fit Cobb-Douglas production function noticeably for net profits and over dues of the bank as dependent variables with all other factors viz, loans, deposits, reserve membership, fund, and working capital as independent variables. They have also found that the bank branch in spite of huge amounts of over dues is making profits owing to their substantial deposit mobilization. The over dues of the bank has alarmingly enlarged because of the little care of the bank employees on one hand and their attentiveness in strengthening of the reserve fund on the other hand. They have summarized that the bank must pay more care towards the recovery of the loans besides keeping pace with the mobilisation of deposits and building up of the reserve fund.

3.6 Literature Survey on Primary Agricultural Credit Societies

Rama et al. (1990) assess the performance and progress of Primary Co-operative Agricultural Development Bank, Bapatla and Guntur district of Andhra Pradesh. The period of study is from 1966-67 to 1985-86. The indicators of performance like paid up share capital, membership, amount repaid, loan advances, and borrowings, etc. are used for the study. The compound growth rates have been used for the study. The study has shown that the progress of PCADB has been inspiring over the past 20 years, excepting 1 or 2 years of weak performance. The authors have further explained that the current year of the bank is working on loss. They recommend the bank has to upsurge the efficiency of employees.

Hooda and Chahal (2010) attempt to analyse the progress of PACS in India for a ten-year phase from 1998-99 to 2007-08. For the purpose of the study, “several indicators, i.e., number of 140 societies, membership, borrowers, owned funds, deposits, advances, borrowings, working capital and recovery performances are analysed.” It is found that there is no

“significant growth in terms of expansion of societies but number of members and borrowers showed an increasing trend.” It has also been observed that “owned funds, deposits, loans and working capital showed an increasing trend but at the same time overdues were also increasing.” It is recommended that there is the need of “proper infrastructural facilities, close inspection, regular audit and loan policies to be framed according to the requirements of beneficiaries. Also, steps should be taken to increase deposits from members.”

Rajni and Dhaliwal (2013) in their study on “Profitability Performance of Primary Co-operative Agricultural Development Banks in Punjab” explain Primary Co-operative agricultural and rural development banks are holding a significant position in fulfilling credit necessity of rural people at Taluka level as member banks of apex bank i.e. “Punjab State Co-operative Agricultural and Rural Development bank.” They are core partners in banking sector because they have better accessibility to rural areas. The study endeavours “to evaluate the profitability of primary co-operative banks in Punjab in terms of profitability ratios, spread ratios and burden ratios by applying statistical tools such as mean, standard deviation, coefficient of variation of absolute data and of ratios over the period of ten years (2002-2003 to 2011-2012).” From the whole examination of profitability of the bank, it is seen that “it is inconsistent throughout the entire study period. Hence, suitable steps should be taken by the concerned departments. Though co-operative banks are intended for service motive, they must also get some profit for their survival.” Punjab state co-operative bank can control primary co-operative banks under its huge umbrella.

Viswanath (2001) in his study on “An Analysis of Performance of Agricultural Credit Co-operatives and their Overdues Problems in India” posits that all through the time period from 1950-51 to 1995-96, the entire loans advanced by PACs augmented from 24 crores to `14,201 crore i.e. 587 times, but then again this upsurge is followed by a rise in overdues. The Development Index of PACs of 16 states implies that “the presentation of only 5 states, i.e., Gujarat, Karnataka, Orissa, Tripura, and Maharashtra is greater than the national average, while that of the remaining 11 states including Punjab are below the average.” By employing correlation method, the degree of association between over dues and four variables, i.e., total membership, number of societies, working capital, and total volume of loans advances issued was studied. He concludes that, on one hand, there is a positive link between membership and

over dues, and on the other hand, over dues, working capital, and amount of loan advances.

Kulandaiswami and Murugesan (2005) analyse the performance of “Primary Agricultural Credit Societies (PACS)” in different dimensions through a wide-ranging yardstick of performance. “They have studied 30 PACS for a ten year period using 13 performance parameters in the selected development blocks of Western Tamilnadu using field survey data. They employ parametric and non-parametric tests to classify PACS into three performance categories viz. poor, moderate and good.” Their study finds that “working capital, total loans outstanding, total business turnover, overdues, net worth and loans to weaker sections as relevant and valid performance indicators for PACS.”

3.7 Literature Survey on different Committees

The Khusro Committee (1999) suggests that co-operative banks should function to develop self-reliance and total system. The system of higher tiers should regard the lower levels as mother organisations, from which they acquire strength. Banks should give authority, guideline, supervision, leadership, and control. There must be mutual responsibility, support and accountability inside the system, by which it becomes interconnected and has a good relationship among various levels. There should be common interest shared in profits, reserves and deposits. However, self-sufficiency is fundamental feature for bank’s effectiveness. Deposit mobilisation is important for self-sufficiency and mobilisation of lesser savings as big as possible of persons. This is the preferred approach for deposit mobilisation.

Capoor (1999) in his report on “Revival of Co-operative Banks”, highlights the significance and catalytic function of these banks in the progress of farming and non-farming sector of Indian village economy. The key aim of the committee is to analyse the performance of co-operative credit organization and proposes steps to enable them member-driven proficient business enterprises. The commission recommends that “Further the licensing of DCCBs, it must be brought under the prerequisite of Banking Regulation Act, 1949. Split of DCCBs must be the only principle of feasibility and should not be on political concerns. DCCBs should be included in 2nd schedule of RBI Act. Asset liability management should be applied in the DCCBs and SCBs. NABARD should set up a co-operative enlargement fund.

NABARD / RBI need to issue instruction for a general accounting system in DCCBs and SCBs.”

All India Rural Credit Survey Committee (1954) suggests several guidelines for the overall performance of district central co-operative banks. It suggests that there must be one Central Co-operative Banks (CCBs) for every district. The states are guided to draw a thorough outline for supporting central co-operative banks situated in each state.

A committee on All India Rural Credit Review (1969) has suggested different recommendations for firming up the district central co-operative banks. This committee emphasised the requisite for state’s contribution to the share capital. It is recommended appointing special officers considering the weak management. It is repeated that human resources of the bank should be wholly utilised.

Saraiya (1972) remarks on the testimony of banking commission in 1972 and witnesses that the bank’s organisational structure in the rural area is not strong. The banking practice in the rural area is not well advanced owing to the pitiable performance of co-operative banks due to the existence of dearth of finance in primary credit societies to advance capital sufficiently to farmers. The executives of central co-operative banks were not well competent and skilled and the banking services in rural regions provided by the co-operative banks were not adequate with their requirements.

The Royal Commission on Agriculture (1928) state that “the co-operative credit movement failed in many states due to the internal defects which could be rectified by efficiency”. The “Central Banking Enquiry Committee” (1931) reviews the function of the credit co-operatives and observes some shortcomings. The main defect among these is that, "the members of credit co-operatives delayed their repayment of loans even when they are in a position to repay". The Report of the Reserve Bank of India (1937) discloses a pitiable tale of the co-operative banks in the country. The Agricultural Finance Sub-Committee (1954) and the “Co-operative Planning Committee (1946)” are appointed by the Reserve Bank of India. These Committees have identified the problems of frozen assets of societies, “laissez fair” policy of the State, illiteracy of the people as the main reasons for the poor development of the co-operative credit movement. The “All India Rural Credit Survey Committee (1951)” under the Chairmanship

of Gorawala is constituted to diagnose the problems encountered by the co-operative credit movement. In the survey, the committee views that co-operation had failed in India but it has to succeed.

3.8 Critical Appraisal of Existing Literature

Co-operative banks are facing customer service, political intervention and financial management difficulties. For the sake of their survival in this liberalised and globalised atmosphere in competition, the banks have to face many challenges whereas growth chances for these banks are numerous. Few studies on banks difficulties and opportunities are explained.

Many of the studies are observed to be more or less of a descriptive in nature and have just described general picture of an association. There is barely an effort made to study in detail the performance with respect to one or some performance indicators. Consequently, no useful submissions or policy suggestions were seen. The studies stress more on attainments and a little stress is made on lack of functioning and performance of the bank.

The analysis of the growth of co-operative banks is carried on at macro level by means of the particular performance indicators. The performance indicators generally covered are: share capital, membership, reserve funds advances, deposits, overdues, cost of management, owned fund, working capital, and profits, etc.

The literature under the title of ratio analysis showed a weak financial performance of entire co-operative organizations and showed very low ratios. Many of the studies on the performance evaluation of co-operative banks paid attention only on certain chosen parameters. For example, position of liquid asset in relation to liabilities; current asset in relation to current liabilities; debt equity position; profitability; deposit mobilization, and working capital position, etc. The studies have generally not covered other aspects which are also pertinent and have a close relationship with the performance with reference to profitability and its relationship with other indicators of the co-operative banks. For instance, proportion of liquid assets to total deposits, proportion of cash assets to total deposits, cost of deposits and its share in the total expenditures and return on advances and its share in the whole income etc.

Since 1991-92 when the recommendations on the financial sector reforms are announced, the chief emphasis of the modification procedure has been on the profitability of the banks. The earlier studies did not emphasize more on the performance, profitability and the factors influencing the profitability of the co-operative banks. Many of the studies have showed a reasonable growth in all the chosen performance indicators.

Keeping in view on the existing gaps of the secondary literature review, the aspects which were not covered have been given more emphasis in the current investigation with both secondary and primary data analysis.

CHAPTER IV

TREND AND PROGRESS ANALYSIS OF ODISHA STATE CO-OPERATIVE BANK, DISTRICT CENTRAL CO-OPERATIVE BANKS CONSOLIDATED AND BALASORE BHADRAK CENTRAL CO-OPERATIVE BANK

4.1 Trend Analysis

For understanding the economic position of a business enterprise, it is essential to observe and understand the various items of Profit and Loss Account and Balance Sheet (the two most useful financial statements). But mere observation of figures from these statements does not lead to a clear understanding of the past performance nor does it help in predicting the future. In order to reduce this complexity, there is a need to establish a trend (i.e. identifying the direction in which a particular figure is moving). Thus, we need to carry out a “Trend Analysis”.

It can, therefore, be stated that “*trend analysis* is a method by which the financial position of a business is analyzed on the basis of changes in the items of financial statements of successive years in comparison to a specific date or period of commencement of study.” By observing at the trend of ratio, one may obtain “insight into the past, present and future of the business enterprise. Thus, trend analysis facilitates a long run view but does not express the cause of change in the item.” Trend analysis is also termed as “Index Analysis” or “Dynamic Analysis”.

In order to carry out trend analysis, any of the following three methods/techniques has been implemented for the sixty four years i.e. 1951- 2014.

4.1.1. Trend Percentages

Under this method, information (of the same type) for several years is tabulated. Then the percentage increase or decrease in each item for all the years is computed by taking earliest year figure as the base year. These percentages are called as *trend percentages*. Such percentages clearly indicate the positive or negative change in the items of financial statements.

4.1.2 Graphic or Diagrammatic Presentation

Graphs or diagrams are simply the pictorial representation of tabulated data. They bring more clarity of understanding to the financial analyst. The trend percentages and trend ratios can be easily depicted through graphs for better understanding. The trends in two related variables (such as profits before tax and profits after tax) can also be presented simultaneously in comparative form.

4.1.3 Compound Growth Analysis

The following formula has been used to analysis the data. Compound Growth= (final year value/initial year value)^{1/n-1}. Here n= number of years. Appendix (4a, 4b and 4c,Page No.1-6) can be seen to know the figures of compound growth rate and average of the variables in the analysis below.

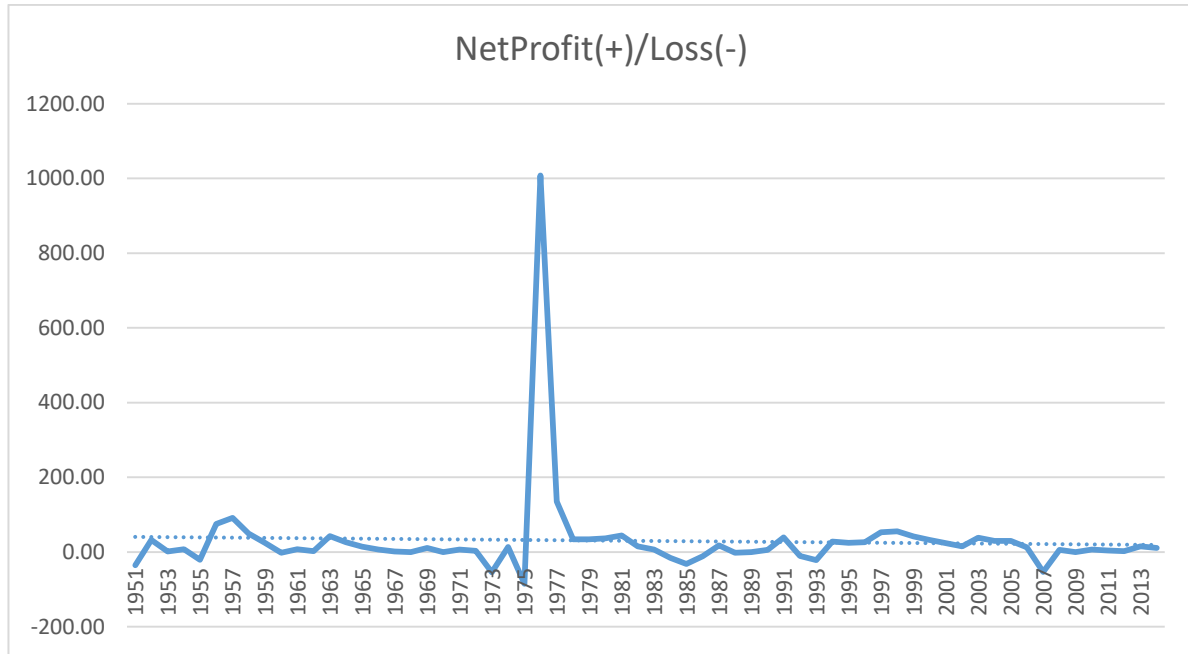
4.2 Trend and Progress analysis of Odisha State Co-operative Bank

4.2.1 Trend of Growth of Net Profit of OSCB

Though the chief objective of co-operative banks is not of maximizing profits, still they should make profits to have a strong economic base and counter severe competition. Profit is one of the most significant indicators of development, which banks on different kinds of factors like percentage of owned funds in the structure of capital, percentage of deposits in funds borrowing, level of total expenditure, effective recovery of loans, etc.

Net Profitability is a sign of the efficiency with which the banks' operation are carried out. Weak operational efficiency outcomes in poor profits. Members are intended to know the banks' profitability as it shows the return which they can get on their investments. Although State Co-operative Banks are not profit-making organizations, some amount of profit is to be earned with a view to increase their own capital to offer for statutory and other reserves and to give a handsome return on its share capital. Moreover, profit also helps in increasing public confidence. So an assessment of the profitability of the banks is essential which may indicate the complete efficiency of the banks. The banks' profitability is assessed on the basis of return on working capital, share capital and total assets.

Figure No.4.2.1: Trend of growth of Net Profit of OSCB



Source: Compiled from different years Annual Report of OSCB

Figure 4.1 shows the performance of Odisha State Co-operative operating in terms of net profit/losses for the period of study. The net profits/losses shows a fluctuating trend during the phase of study. The trend of growth of net profit shows real fluctuation till 2010, but around mid-70s it took a high rise.

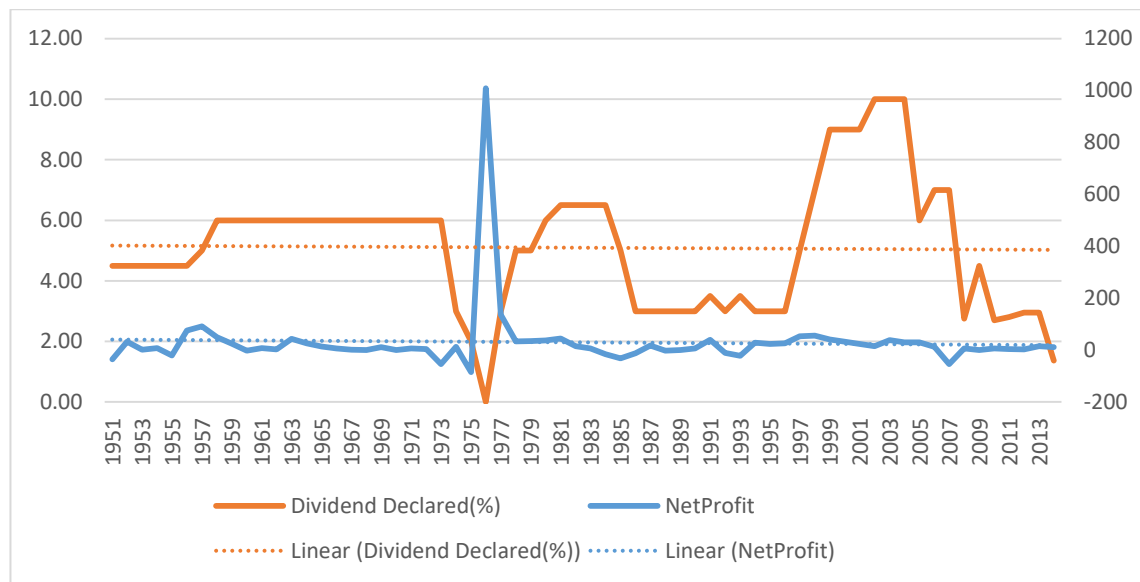
The average rate of growth of net profit of the study period is 30.03 lakh. It is the utmost in the year 1976-77 and is the lowest in 1975-76. It is found that the net profit is not consistent. The average net profit is 260.75 lakh for the study period. There is a slight decreasing trend of net profit in the above Figure. Compound growth rate of net profit for the study period is 11.94%.

It is also seen that there is a rapid change of the net profit after 1975 onwards it is because of the implementation of cash system instead of accrual system. The loan sanctioned and the interest charged is considered as the income of the bank but after implementation of the norm only recovered amount are considered as income of the bank. Further the days of the NPA considered were reduced from 180 days to 90 days and it has led to the reduction of the profit. Another cause of the spectacular change of profit is due to the very nominal or nil requirement

of the provision of that year. Further the cause of the decreasing trend of net profit is due to the poor recovery of loans mostly due to the recurrence of natural calamities which affects the credit flow and feasibility of LAMPS/ PACS / in Odisha. Further the implementation of new prudential norms i.e. income generation and asset classification has resulted decrease in profit.

4.2.2 Trend of Growth Rate Net Profit and Dividend of OSCB

Figure No.4.2.2: Trend of growth rate net profit and dividend of OSCB

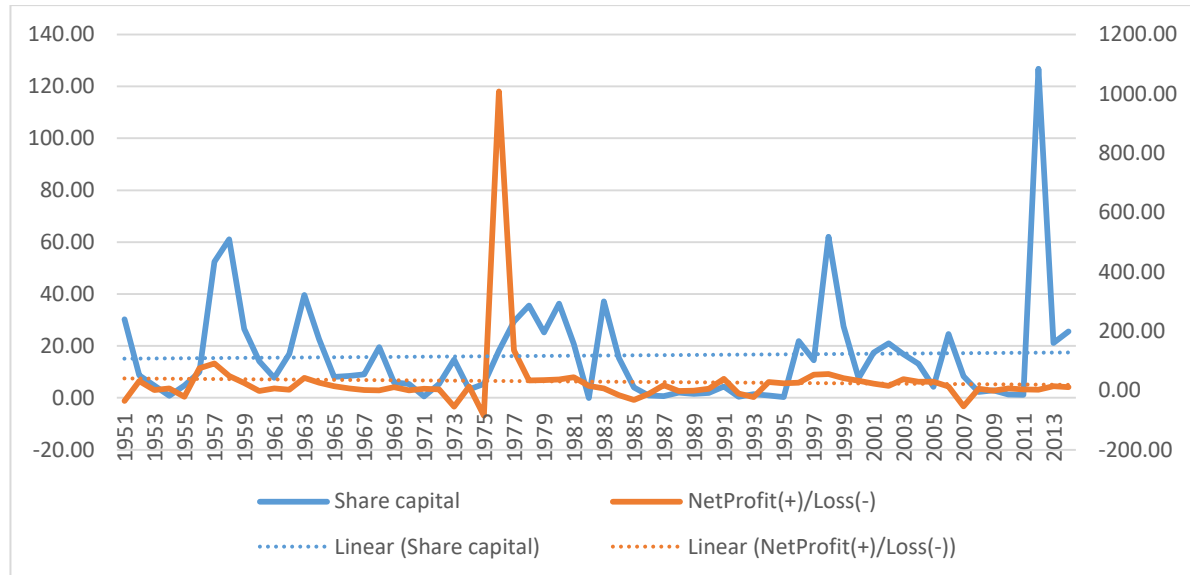


Source: Compiled from different years Annual Report of OSCB

The above graph shows the trend of growth rate net profit and dividend. The trend line of the both variable shows that dividend trend is little higher than the profit and age going parallel because it is known that the distribution of dividend will be more if the net profit will be more. The trend of dividend declared shows no consistency. It is stable till 1970 but took a deep fall after that. Again with instability it continued its trend. But the trend of growth of net profit is full of fluctuation. The significant part in it is around mid-70s that took a high rise. The average dividend declared is 5.15 throughout the study period. Compound growth rate of dividend for the study period is -0.2% which is very less than compoud growth rate of net profit.

4.2.3 Trend of Growth Rate Net Profit and Share Capital of OSCB

Figure No. 4.2.3: Trend of Growth Rate Net Profit and Share Capital of OSCB



Source: Compiled from different years Annual Report of OSCB

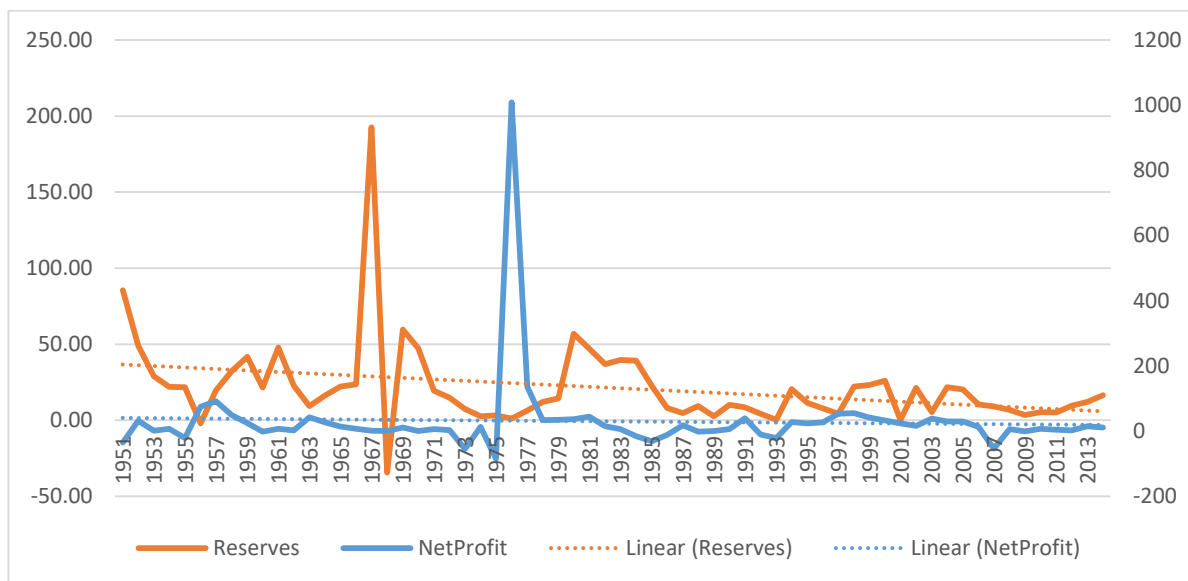
The above Figure shows that there has been an overall decrease in the share capital for the study period. The growth rate of share capital is full of fluctuation and also growth of net profit shows some signs of fluctuation as it stays low but had a high rise between mid-1970. If we talk about the percentage of increase has not been consistent. The average growth rate is 16.14%. The highest increase of 126.81percent is found during 2012-13. The lowest increase of -0.08 percent is found during 1982-83. There is a decreasing trend of share capital for the study period like net profit. But the decreasing trend of share capital is much more than the trend of net profit. This was the highest in 2012 and the lowest in 1982. Compound growth rate of share capital for the study period is 14.44% which is more than the compound growth rate of net profit i.e 11.94%.

4.2.4 Trend of Growth of Net Profit and Reserve

Reserves are created out of profits to meet the future unforeseen requirements of the company/ bank. The higher is the reserves of a bank, the easier it is for the company to discharge its future obligations.

Since beginning, the bank has not only attained the break-even level of business but also sustainable feasibility in its operations. As a consequence, the bank continues to accumulation of its reserves according to the provisions of the Odisha State Co-operative Act and rules framed and by –laws of the bank. The growth trend position of the reserves for the study period is as follows.

Figure No.4.2.4: Trend of Growth of Net Profit and Reserve of OSCB



Source: Compiled from different years Annual Report of OSCB

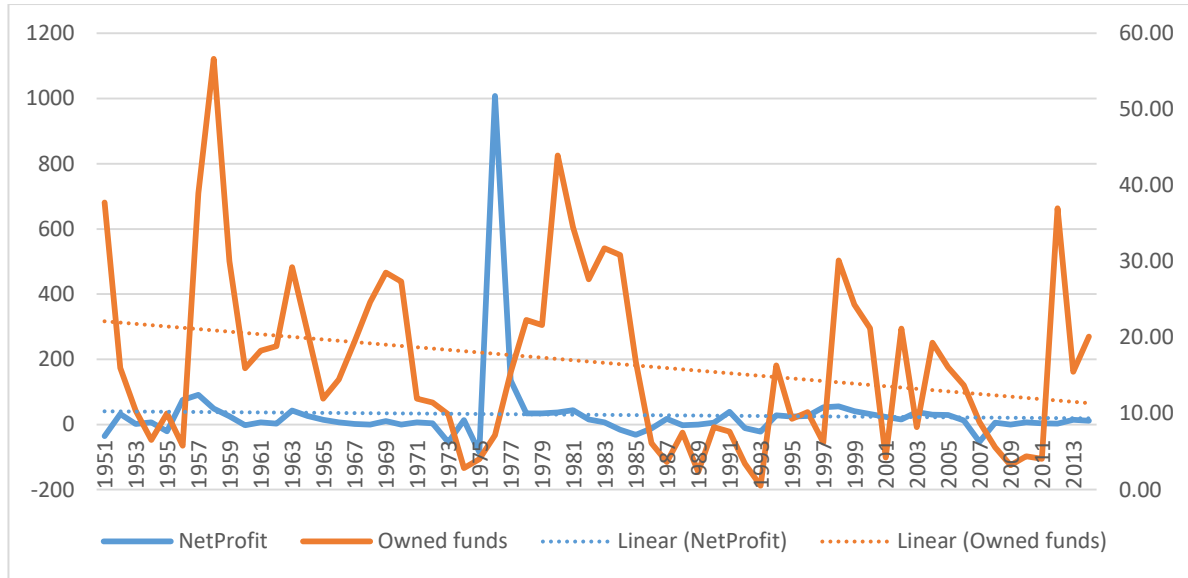
The above graph depicts the trend of growth rate of net profit and reserves. Even the rate of growth of reserve had many points of ups and downs, it possess a decreasing sign. Alike growth rate of reserve, rate of growth of net profit also shows declining signs. The reserve of the Odisha State Co-operative bank has been declining for the period of study. The rate of growth of the reserve is highest in 1966-67 and is least in 1967-68. The average growth rate of reserve is 21.33 for the study period. The declining trend of reserve is higher than declining trend of net profit. The compound growth rate of reserve for the study period is 18.25% which is also higher than compound growth rate of net profit.

4.2.5 Trend of Growth of Net Profit and Owned Fund

Owned Fund measures the soundness of the bank. Owned funds comprise of reserves, share capital and surplus. It is available to face outside liabilities. If owned fund is high, it will rise

the confidence of the creditors and depositors. Confidence of the depositors is very vital for a bank to mobilise deposits.

Figure No.4.2.5: Trend of Growth of Net Profit and Owned Fund of OSCB



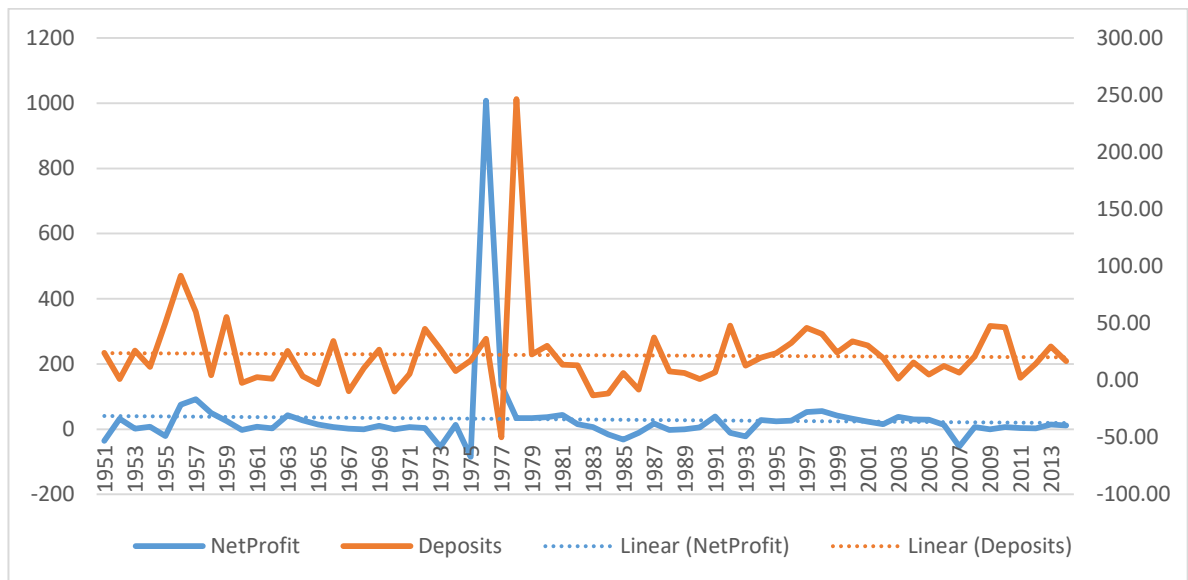
Source: Compiled from different years Annual Report of OSCB

The above Figure shows the trend of growth rate of net profit and owned fund. The trend of both the variable has been decreasing. Owned fund follows a very fluctuating trend that involves two high rises and down drops. While on the other hand the growth of net profit is quite stable that involves a rise around mid-1970s. The declining rate of owned fund is more than the declining trend of net profit. The average growth rate of owned fund is 16.71. The growth rate of owned fund 56.65 and 0.51 percentages for the year 1957-58 and 1992-93 respectively. The compound growth rate of owned fund for the study period is 15.68% is greater than the compound growth rate of net profit i.e. 11.94%.

4.2.6 Trends of Growth of Net Profit and Deposits

The sources of Deposits of the Odisha State Co-operative Bank are all the deposits of District Central Co-operative Banks of all the districts, Co-operative societies and individuals.

Figure No. 4.2.6: Trends of Growth of Net Profit and Deposits of OSCB



Source: Compiled from different years Annual Report of OSCB

The growth rate of deposit follows an uncertain trend with many ups and downs along with a high rise around late 1970s. While on the other hand the rate of growth of net profit's trend is quite plain along with a similar high rise around mid-1970s. The growth rate of deposits is highest (246.4%) for the year 1977-78 and is lowest (49.9%) for the year 1976-77. The average growth rate of deposits is 22.07 percentages. It is quite interesting that the trends of both the variables are similar in fashion. During the year 2011-12, the bank has succeeded in increasing its deposit despite the stiff competition from private and commercial banks. It is due to the computerized its operation including ATM and provided anywhere or anytime banking facilities to its customers for better services.¹² The compound growth rate of deposit for the study period is 17.76%.

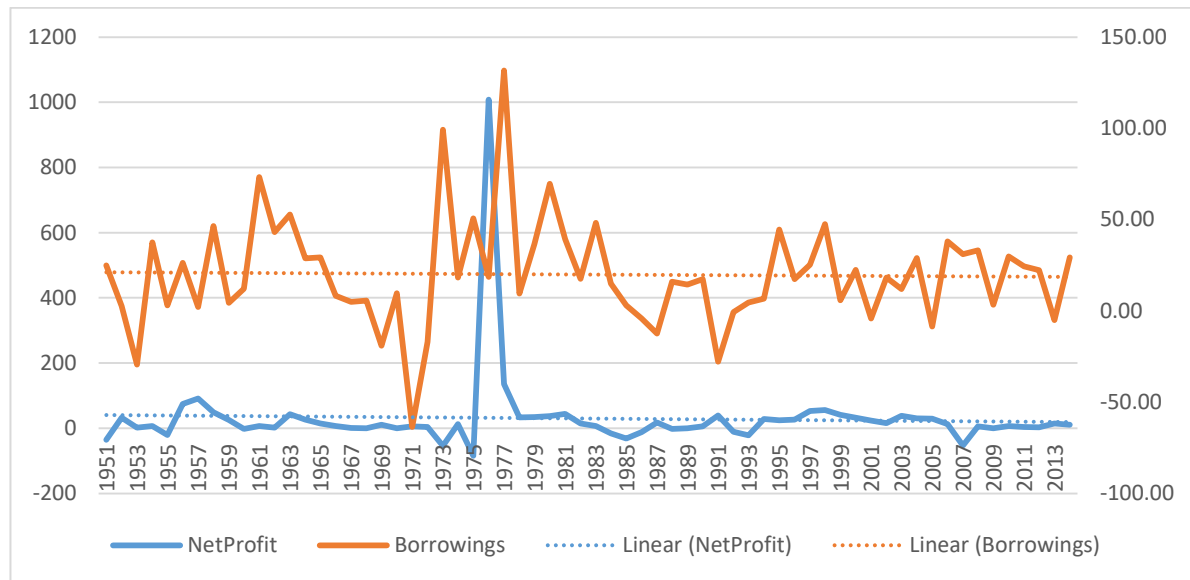
As the pioneer of the Short Term Co-operative Credit structure in the State, OSCB is dedicated for persistence of the cause of its parts and assist them in developing their core competencies and capital base. OSCB has offered financial assistance to the DCCBs and PACS to open new branches and to give physical infrastructural services at PACS level and have been

¹² Annual Report, 2011-12, OSCB

contributing to the corpus fund created under mini bank scheme used for deposit guarantee purpose.¹³

4.2.7 The Growth Trend of Net Profit and Borrowing

Figure No. 4.2.7: The growth trend of Net profit and Borrowing of OSCB



Source: Compiled from different years Annual Report of OSCB

The growth trend of net profit as always follows a plain trend along with a top rise and fall right after then in mid-1970. But on the other phase growth trend of borrowing is full of see-sawing. It has a point that has to be noticed around 1970s that is when it touched the growth trend of net profit. And another point to be noticed is around mid-1970s along with the growth trend of net profit when it took a high rise. With a view to meet the resources gap between the own resources and demand from customers and beneficiaries, the bank continues to lend from NABARD, RBI, state government and National Co-operative Development Corporation (NCDC). NABARD continues to be the chief refinancing agency for OSCB.¹⁴ During the year 2011-12, the bank borrowed Rs.1000 crores from NCDC for the aim of meeting higher credit

¹³ Annual Report,2009-10,OSCB,pp.34

¹⁴ Annual Report,2009-10, OSCB,PP.34

requirements under agrarian sector.¹⁵ The borrowed resources may be used for ranging credit services to more areas.

The average growth rate of borrowing of OSCB is 19.84%. The trend of both the variable is somewhat decreasing in nature. The year 1976-77 is the highest (131.66%) growth rate of borrowing and the year 1970-71 is the lowest (-63.64) borrowing growth year. The compound growth rate of the borrowing for the study period is 15.77 % is more than the compound growth rate of net profit i.e. 11.94%.

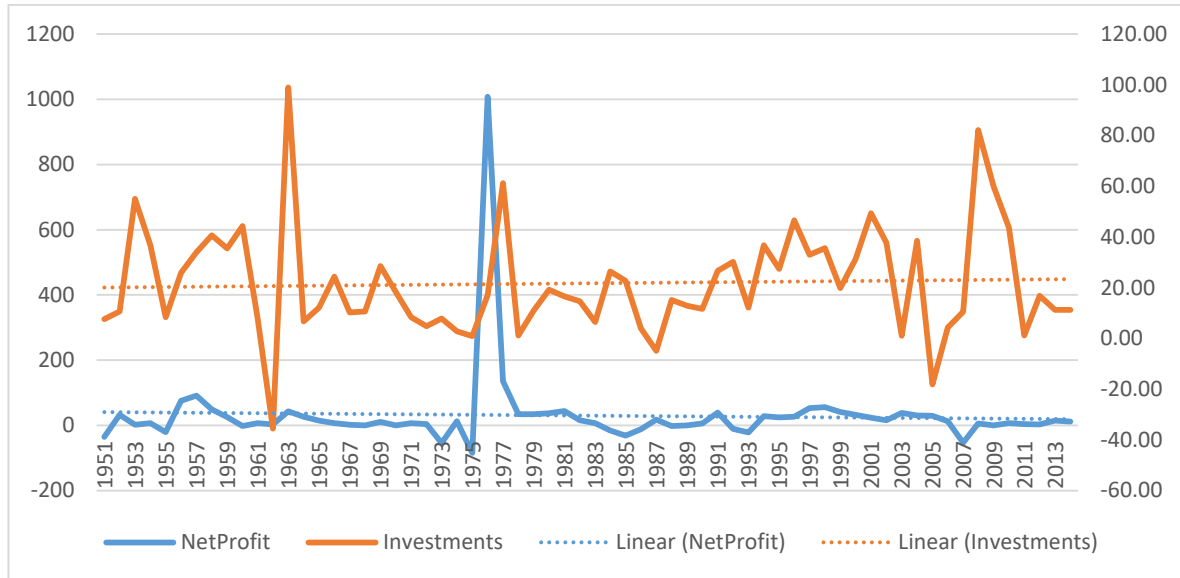
4.2.8 The Growth Trend of Net Profit and Investment

To channelize the risk and to meet claims of time and demand liabilities, some share of the funds of the bank is invested in the deposits of different banks, Government securities and so on. Earnings from investment will enhance the income of the bank. Investment refers to the obligation of capital to buy financial instruments like debentures, shares, bonds etc. or other assets in the anticipation of getting good returns. Returns may be in the mode of interest income or appreciation of the worth of the instrument. Investments usually do not contain deposits with a bank or in similar institution.

For maximizing return on assets, the bank is investing its seasonal surplus funds in interbank deposits with permitted banks. For prudent regular supervision of funds, the banks have been investing surplus capitals in call market. With a view to maximize the return on investments, the bank has set up a Treasury Management Cell for trading in Government securities through CSGL account(CSGL accounts are in demat form for holding government securities with the RBI, like an investor can hold shares in demat form with a depository participant) with ICICI bank.

¹⁵ Annual Report,2011-12, OSCB

Figure No. 4.2.8: The growth trend of Net Profit and Investment of OSCB



Source: Compiled from different years Annual Report of OSCB

The figure above depicts the relative trend of growth of both Net Profit and Investment. There is a mild increasing trend of investment growth for the study period. But the trend of net profit is little declining in nature for the study period. It means the return of the investment goes little more than the net profit. The growth rate of investment from the very beginning follows a trend of ups and downs. The growth rate of net profit as usual follows a low path with high uplift around late 1970s. The compound growth rate for the variable is 19.22 % for the study period and is more than the compound growth rate of net profit. The average growth rate for the study period is 21.72 %.

4.2.9 Trend of Growth of Net Profit and Advances

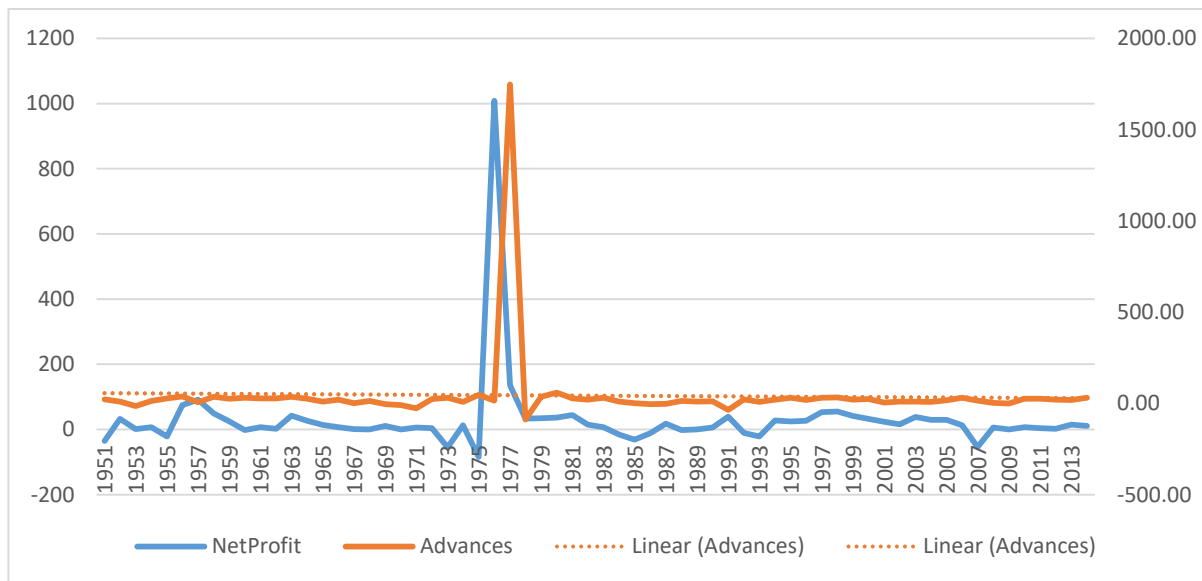
The OSCB gives the crop loan for seasonal farming operation for both Rabi and Khariff season. The other kind of loan are released for pesticides, fertilizer, crop insurance premium, seeds etc. the bank also offers long term advances for farm machanisation, minor irrigation, horticulture and plantation, fishery, dairy, poultry, Swarnajayanti Gram Swarojgar Yojana (SGSY) and others. The bank also provides loan to co-operative societies for housing, individuals, SSI Units, tools finance, cash credit and other term loans by its branches.

The bank has continued its reliance on organization and credit linkage of self-help groups with those underneath Mission Sakti of Government of Odisha for women empowerment of rural regions to access institutional credit.

For production and marketing of handloom textile, bank has stretched its financial assistance to central co-operative banks. By making available finance from the National Bank for financing primary weaver’s co-operative society. Besides, bank has been offering OTS facilities to Boyanika for its turn around.¹⁶

OSCB also started a customer friendly housing scheme to provide a house by making available loan on simpler term on the occasion of golden jubilee celebration in the year 1998. A distinct housing loan scheme has also launched to give hassle free credit to needy Govt. or PSU workers to repair their home buildings.

Figure No. 4.2.9: Trend of Growth of Net profit and Advances of OSCB



Source: Compiled from different years Annual Report of OSCB

There is a similar trend of rate of growth of net profit and advances. The growth trend of profit and growth trend of advances are quite low-key. Both have a high uplift in the midst, while the growth trend of net profit is around mid-1970s and the growth rate trend of advance is

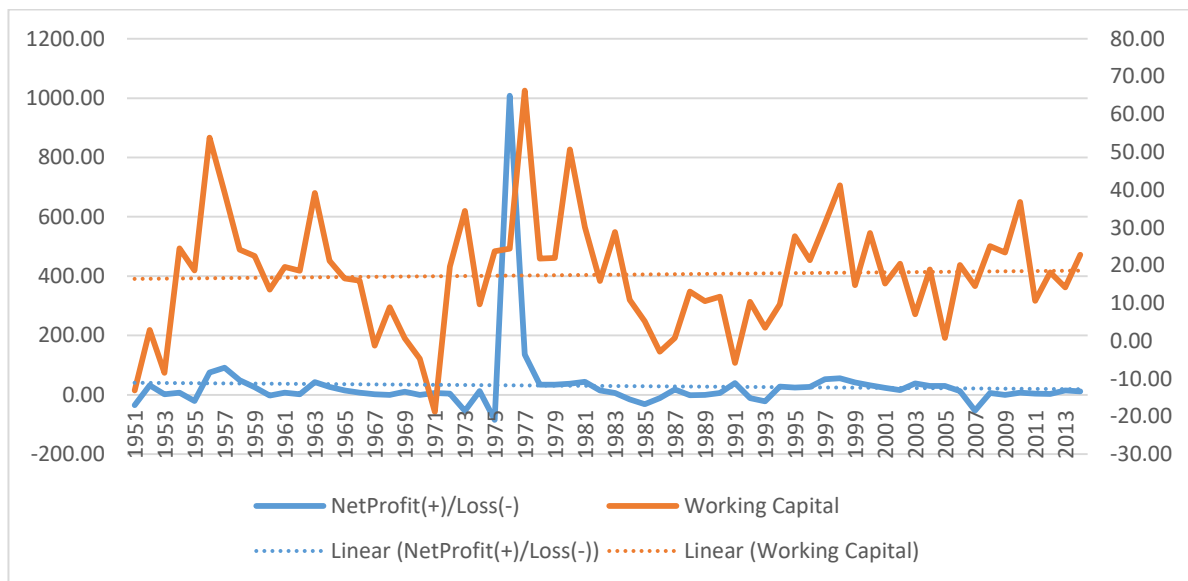
¹⁶ Annual Report,2009,OSCB,PP.39

around late 1970. They move in a similar way. The average growth rate of Advances is 42.20 %. The growth rate is highest i.e. 1746.68 % for the year 1976-77 and lowest i.e. -88.72 for the year 1977-78. The compound growth rate of the Advances for the study period is 15.85 % is more than the compound growth rate of net profit.

4.2.10 Trend of Growth of Net Profit and Working Capital

Working capital is utilised to do the expenditures of the bank for example administrative expenses, interest paid, rent and the like. Working capital in State Co-operative Banks include reserves, share capital, entrance fees, other funds, deposits from individuals and borrowings from State Governments, NABARD and RBI, etc. The working capital is measured as total capitalization of the bank. Effective use of working funds leads to effectual functioning of the bank.

Figure No. 4.2.10: Trend of Growth of Net profit and Working Capital of OSCB



Source: Compiled from different years Annual Report of OSCB

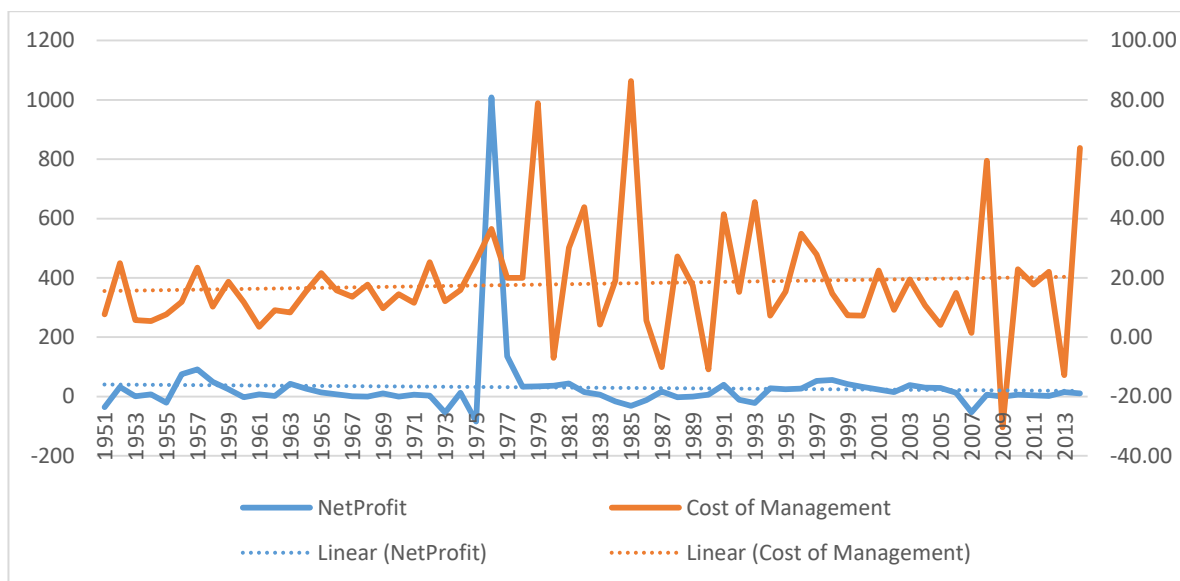
The figure above shows the growth trend of net profit and working capital. The working capital growth has an increasing trend and for net profit the growth trend is decreasing in nature. Growth trend of net profit is pretty much similar with the others figures i.e. a stable low trend and a high ascend around mid-1970s. On the other hand the growth trend of working capital is packed with peaks and valleys. The growth rate is highest i.e. 66.31 % for the year

1976-77 and is lowest i.e. -18.82 for the year 1970-71. The average rate of growth of working capital for the study period is 17.50%. The compound growth rate of the working capital is 15.99 % is more than the compound growth rate of net profit i.e. 11.94 %.

4.2.11 Trend of Growth of Net Profit and Cost of Management

State Co-operative banks uses funds collected from different kinds of sources. For each and every source, the bank has to pay a cost either in the form of dividend, interest, etc. The higher will be the cost lower will be the profits. Hence, every bank tries to lessen the cost of capital by ideal capital structure.

Figure No. 4.2.11: Trend of Growth of Net Profit and Cost of Management



Source: Compiled from different years Annual Report of OSCB

The figure above shows the trend analysis of both Net profit and cost of management for the study period. The growth trend of cost of management till late 1970s followed a minimal fluctuation trend but after that the differences of ups and downs got higher. On the other hand the growth trend of net profit alike growth trend of cost of management till around late 1970s followed a low path, but ascended around late 1970s. There is a slight decreasing trend of Net Profit where as there is an increasing trend of the cost of management of the OSCB. The average growth rate of the cost of management is 18% for the study period. It was the highest i.e. 86.35 % in 1985 and lowest i.e. -30.38 % for the year 2009. The compound Growth rate

of cost of management of OSCB for the study period is 16.01 % is more than the compound rate of growth of net profit.

4.2.12 Comparative Credit Delivery Position in Odisha Role of Co-operative and Commercial Banks

This ratio shows the sum of money a bank should generate which is accessible as a percentage of the whole amount of money that its customers have deposited in bank. This sum is calculated so that customers can be safeguarded that they will all the time be able to withdraw their money from the bank when required. A sound CD ratio prevents the bankruptcy situation of a bank.

Table No. 4.1: Crop Loan Comparison between Co-operative Bank and Commercial Banks.

| Year | Commercial Banks (in %) | Co-operative Banks (%) |
|------|-------------------------|------------------------|
| 1996 | 53.57 | 121.45 |
| 1997 | 48.24 | 118.16 |
| 1998 | 43.73 | 116.14 |
| 1999 | 45.6 | 123.54 |
| 2000 | 42.92 | 122.98 |
| 2001 | 45.7 | 121.89 |
| 2002 | 46.5 | 105 |
| 2003 | 47.75 | 115.46 |
| 2004 | 57.32 | 118.25 |
| 2005 | 64.09 | 118.41 |
| 2006 | 76.32 | 143.64 |
| 2007 | 74.37 | 152.82 |
| 2008 | 69.92 | 139.18 |
| 2009 | 61.65 | 108.76 |
| 2010 | 62.85 | 97.67 |
| 2011 | 63.05 | 105.24 |
| 2012 | 70.25 | 114.8 |
| 2013 | 86.01 | 110.46 |
| 2014 | 84.08 | 115.09 |

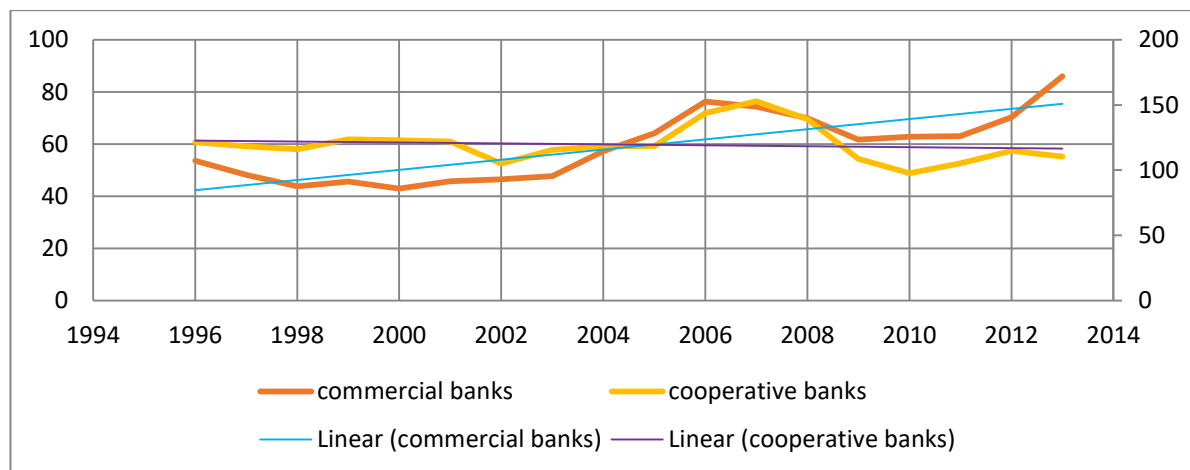
Source: Source: Compiled from different years Annual Report of OSCB

It is quite interesting that the C-D Ratio of Co-operative Banks is always greater than the Commercial banks in Odisha. Here C-D ratio of co-operative banks stood at 115.09 %,

meaning for every Rs. 100 of deposits bank, bank lent as much as Rs. 115.09. “If reserve requirements such as Statutory Liquidity Ratio (SLR) of 23% and Cash Reserve Ratio (CRR) OF 4% are factored in, the C-D Ratio should not be less than 73%.” But Co-operative bank’s high C-D ratio infers borrowing form RBI or NABARD or to lend in the interest of Odisha state.¹⁷ The C-D ratio of commercial banks is less because they must follow the reserve ratios stringently in accordance with RBI rules of Bank Regulating Act. But for commercial banks these guidelines are little elastic.

4.2.13 Comparative position of C-D Ratio of Commercial Banks and Co-operative Banks in Odisha

Figure No. 4.2.12: Comparative position of C-D Ratio of Commercial Banks and Co-operative Banks in Odisha



Source: Compiled from different years Annual Report of OSCB

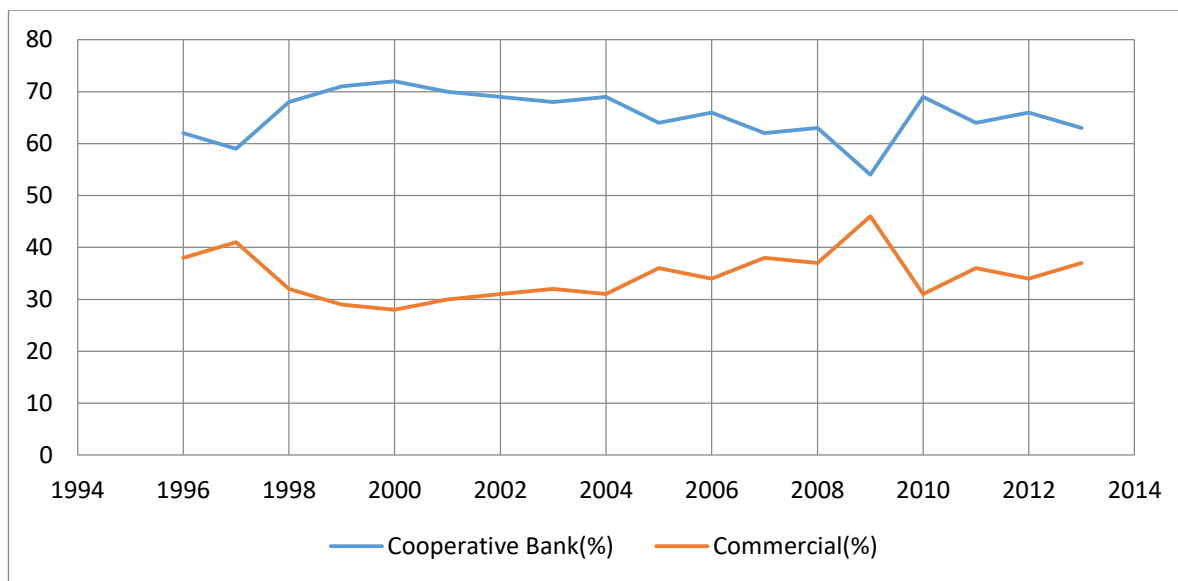
The figure above shows that there is an increasing trend of C-D ratio of Commercial banks and a decreasing trend for Co-operative Banks in Odisha. The C-D ratio of both co-operative banks and commercial banks have similar trend. But the later one possess a bit more curves. The average C-D ratio of Commercial banks in Odisha is 58.88 percent and 119.65 percent for Co-operative Banks. This is also noticeably depicted in the Figure. The C-D ratio is 86.01 percent and 42.92 percent is highest and lowest for the year 2013 and 2000 respectively. Likewise C-D ratio is 152.82 percent and 97.67 percent is highest and lowest for the year 2007

¹⁷ Annual Report, 2012-13, OSCB

and 2010 respectively. The compound growth rate of the C-D ratio for commercial Bank is 0.01 % and for co-operative banks it is 7.40 %. It is quite clear that the compound rate of growth of co-operative bank is much greater than commercial banks.

4.2.14 Crop Loan Comparison between Co-operative Bank and Commercial Banks

Figure No. 4.2.13: Crop Loan Comparison between Co-operative Bank and Commercial Banks



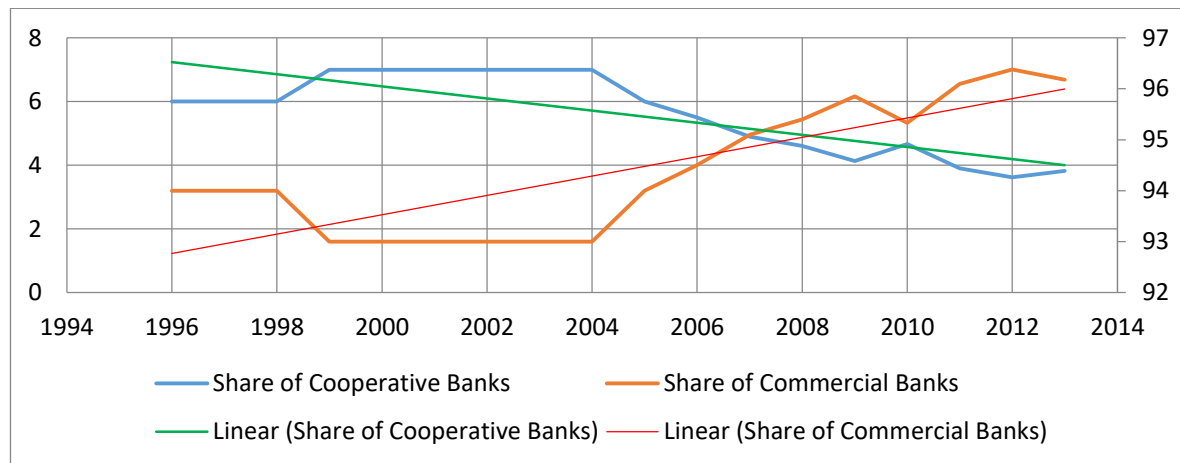
Source: Compiled from different years Annual Report of OSCB

The figure above shows the trends of Crop loans of both Co-operative banks and commercial banks in Odisha. The crop loans of co-operative banks and commercial banks shared many points of intersection. Around 2000 while the crop loan of co-operative bank is in the wax, the crop loan of commercial bank is in wanes. There is an increasing trends of Crop loans for commercial banks and a decreasing trend for Co-operative banks. The average Crop loan for co-operative banks and commercial banks are 65.5 Cr and 34.5 Cr respectively. It is 72 Cr and 54Cr highest and lowest for the year 200 and 2009 respectively for co-operative banks. Likewise for commercial banks it is highest i.e. 46 Cr for the year 2009 and lowest i.e. 28 Cr for the year 2000. The crop loan by co-operative bank is low may be because of the more defaulters of repayment of loans. The compound growth rate of crop loan for commercial bank

is -0.01 % whereas for co-operative bank it is 0.006 %. The compound growth rate for crop loan is higher for co-operative bank than commercial bank.

4.2.15 Comparison of Market Share of both OSCB and Commercial Banks in Odisha

Figure No.4.2.14: Comparison of Market Share of both OSCB and Commercial Banks in Odisha



Source: Compiled from different years Annual Report of OSCB

The figure above shows that the market share of co-operative bank is always lower than commercial banks. There is a growing trend for commercial banks and a decreasing trend for co-operative banks. The average market share for co-operative banks is 5.61% and 94.38 % for commercial banks in Odisha. The market share for co-operative bank and commercial banks is more or less constant. The market share for co-operative bank is lowest for the year 2012. Likewise for commercial banks it is lowest for the year 1999-2000. The compound Growth rate of OSCB is -0.02 % and for Commercial banks it is 0.001 %. The Compound growth of market share of commercial bank is higher than OSCB.

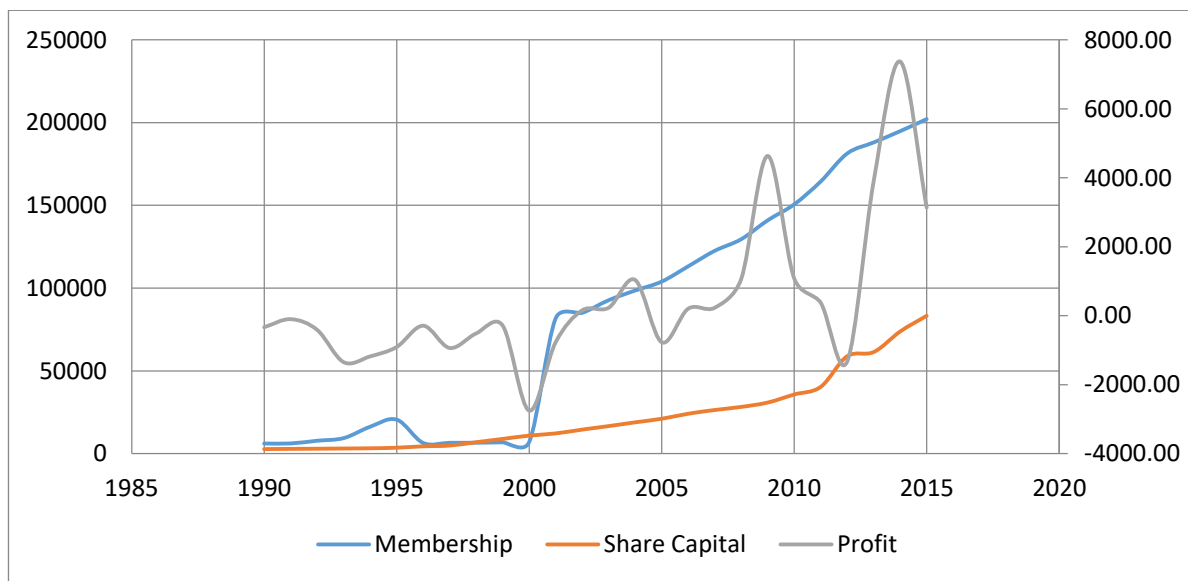
4.3 Trend of Variables of District Central Co-operative Banks Consolidated in Odisha

In this section the trend of the variables in relation with the profit of the District Central Co-operative Banks Consolidated in Odisha. We are studying the trend of the variables with relation to profit as the determinants of the profit have been identified in the Chapter IV and

Chapter V. The figure represents the aggregate of all seventeen District Central Co-operative Banks in Odisha. “The seventeen co-operative banks are Angul United Central Co-operative Bank Ltd, Aska Co-operative Central Bank Ltd, Balasore-Bhadrak District Central Co-operative Bank Ltd, Banki Central Co-operative Bank Ltd, Berhampur Co-operative Central Bank Ltd, Bhawanipatna Central Co-operative Bank Ltd, Bolangir District Central Co-operative Bank Ltd, Boudh Central Co-operative Bank Ltd, Cuttack Central Co-operative Bank Ltd, Keonjhar Central Co-operative Bank Ltd, Khurda Central Co-operative Bank Ltd, Koraput Central Co-operative Bank Ltd, Mayurbhanja Central Co-operative Bank Ltd, Nayagarh Central Co-operative Bank Ltd, Sambalpur District Central Co-operative Bank Ltd, Sundargarh District Central Co-operative Bank Ltd and Puri-Nimapara Central Co-operative Bank Ltd.”

4.3.1 Trend of Profit, Membership and Share Capital of DCCBs Consolidated

Figure No. 4.3.1 Trend of Profit, Membership and Share Capital of DCCBs Consolidated



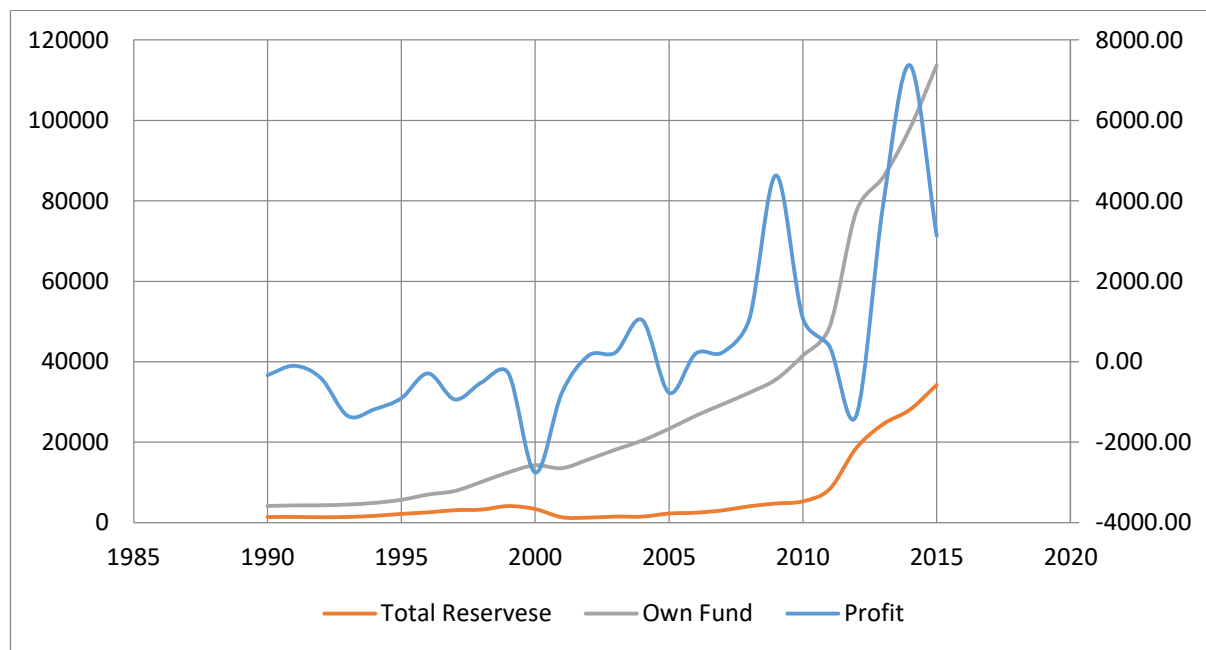
Source: Compiled from different years Annual Report of OSCB

The figure above shows the trend of Net profit, membership and share capital. These three variables show a growing trend for the period of study. The entire variables such as membership, share capital and profit started increasing from the year 2000. The profit trend is more fluctuating nature than share capital and membership. The membership has been increasing tremendously after the year 2000. It’s also seen that with the increasing in profit the membership and share capital has increased.

The average membership, share capital and profit for the study period are 82667.15 lakhs, 23106.33 lakhs, and 441.95 lakhs respectively. The membership i.e. 202148 lakhs, share capital i.e. 83290 lakhs and profit i.e. 7371.30lakhs were highest in the years, 2015, 2015 and 2014 respectively. The membership i.e. 6118 lakhs, share capital i.e. 2740.17 lakhs and profit i.e. -2754 lakhs were lowest in the years, 1990, 1990 and 2000 respectively.

4.3.2 Trend of Profit, Total Reserve and Owned Fund of DCCBs Consolidated

Figure No. 4.3.2 Trend of Profit, Total Reserve and Owned Fund of DCCBs Consolidated



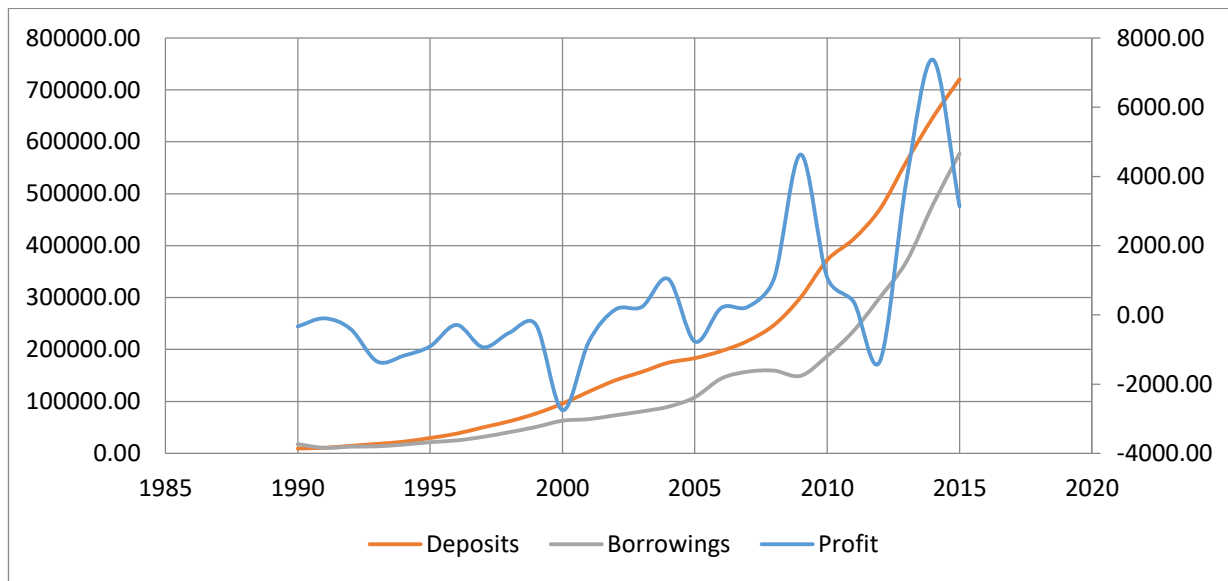
Source: Compiled from different years Annual Report of OSCB

The figure above depicts the trend of reserves, owned fund and profit for the study period. The trend of both profit and owned fund show a stable ascend while the total reserve trend still stays quite low in comparison to owned fund. But if we see the profit trend it is filled with peaks and valleys. Total reserve has started increasing slowly from the year 2005. The profit has increased from the year 2000 and owned fund has increased from the year 1995 and had increased rapidly from the year 2000. With increase in profit the owned fund has increased and reserve of DCCBs consolidated has not responded according to Net profit of DCCBs consolidated.

The average reserve, owned fund and profit for the study period is 6429.52 lakhs, 29233.78 lakhs, 441.95 lakhs respectively. The reserve i.e. 34231.19 lakhs, owned fund i.e. 113710.57 lakhs and profit i.e. 7371.30lakhs were highest in the years, 2015, 2015 and 2014 respectively. The reserve i.e. 1255.35 lakhs, owned fund i.e.4146.13 lakhs and profit i.e. -2754 lakhs were lowest in the years, 2002, 1990 and 2000 respectively.

4.3.3 Trend of Profit, Deposit and Borrowings of DCCBs consolidated

Figure No.4.3.3 Trend of Profit, Deposit and Borrowings of DCCBs consolidated



Source: Compiled from different years Annual Report of OSCB

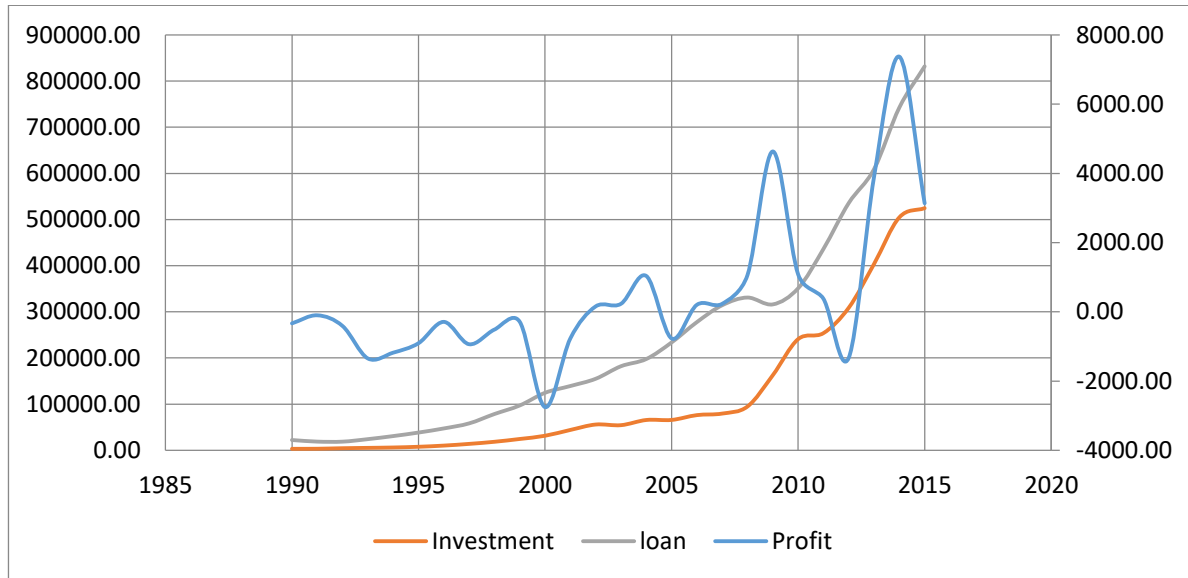
The figure above depicts the trend of deposits, borrowings and net profit for the period of study. This has been observed that there is a growing trend of all the three variables. Both deposits and borrowings dish out a same trend, i.e. a steady growth. However, the trend of borrowing is relatively lower than the deposits. But to compare profit with them they share very unlike trend, as the profit trend is full of see sawing. Both deposits and borrowings have started increasing from the year 1995. But actually all the variable started the momentum of growth from the year 2000. Borrowings and deposits has increased steadily but the profit shows a fluctuate trend.

The average deposits, borrowings and profit for the study period is 205714.67 lakhs, 133930.38 lakhs, and 441.95 lakhs respectively. The deposits i.e. 720497.6 lakhs, borrowings i.e. 577371.04lakhs and profit i.e. 7371.30lakhs were highest in the years, 2015, 2015 and

2014 respectively. The deposits i.e. 1255.35 lakhs, borrowings i.e. 4146.13 lakhs and profit i.e. -2754 lakhs were lowest in the years, 1990, 1991 and 2000 respectively.

4.3.4 Trend of Profit, Investment and Loan of DCCBs Consolidated

Figure No. 4.3.4 Trend of Profit, Investment and Loan of DCCBs Consolidated



Source: Compiled from different years Annual Report of OSCB

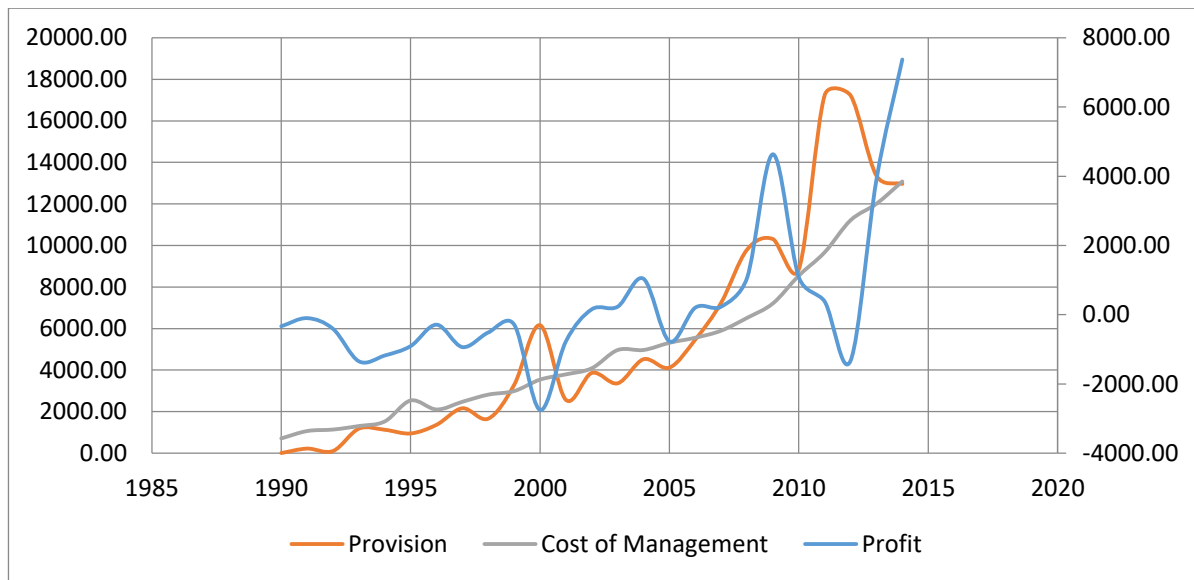
The figure above presents that there is an increasing trend of Investment, loan and Profit for the study period. Here both investment and loan show a likely trend. They show a steady growth. While on the other hand profit trend shows many wax and wanes. Both investment and loan advances of DCCBs consolidated have started increasing from the year 1995, but it has picked the growth momentum from the year 2000. Though investment, loan advances shows a steady growth rate, but the trend of profit is fluctuating in nature.

The average investment, loan and profit for the study period are 117827.71 lakhs, 238910.92 lakhs, and 441.95 lakhs respectively. The investment i.e. 524633.54 lakhs, loan i.e. 831912.91 lakhs and profit i.e. 7371.30lakhs were highest in the years, 2015, 2015 and 2014 respectively. The investment i.e. 3174.28 lakhs, loan i.e. 18678.78lakhs and profit i.e. -2754 lakhs were lowest in the years, 1990, 1992 and 2000 respectively.

4.3.5 Trend of Profit, Provision and Cost of Management of DCCBs Consolidated

The figure below indicates the trend of provision, cost of management and net profit of DCCBs consolidated for the study period. If we have a look on cost of management unlike the other two we can see it has a plain increasing trend. But the provision also shows an increasing trend but is full of ups and downs. And the profit trend is also filled with wax and wanes but the peaks have high differences.

Figure No. 4.3.5 Trend of Profit, Provision and Cost of Management of DCCBs Consolidated



Source: Compiled from different years Annual Report of OSCB

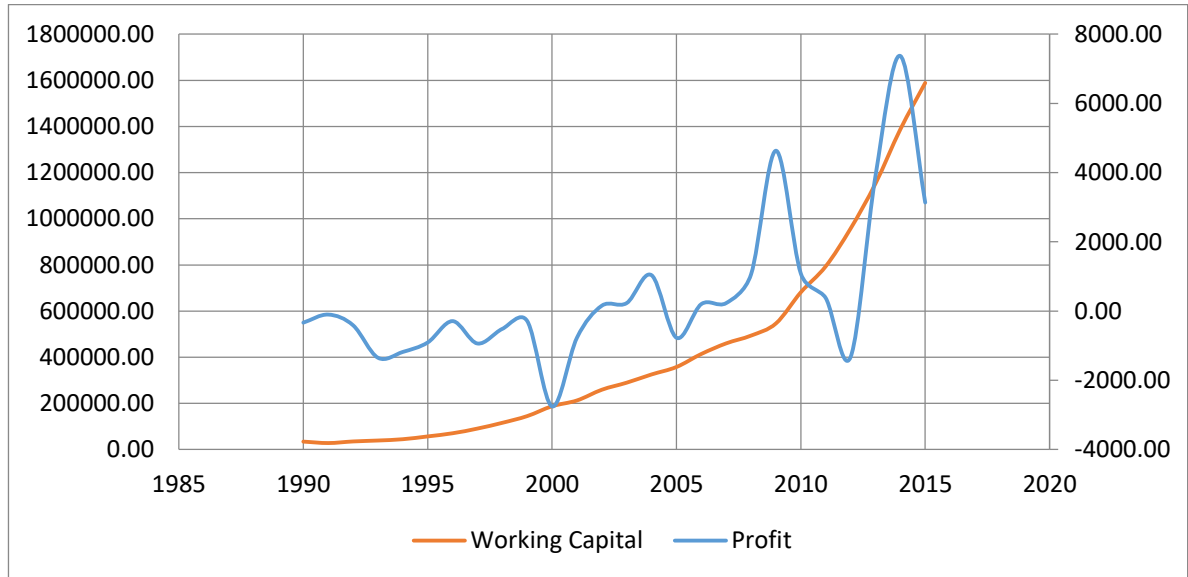
All the three variables have shown the increasing trend for the study period. Borrowing and net profit has shown a fluctuating trend whereas cost of management has shown steady increasing trend. All the three variables had picked the growth momentum from the year 2000. The provision and cost of management has increased with the increase of net profit of DCCBs consolidated.

The average provision, cost of management and profit for the study period are 6375.18 lakhs, 14866.65 lakhs, and 441.95 lakhs respectively. The provision i.e. 26667.93 lakhs, cost of management i.e. 831912.91 lakhs and profit i.e. 7371.30lakhs were highest in the years, 2015, 2015 and 2014 respectively. The provision i.e. 4.73 lakhs, cost of management i.e.

708.5878lakhs and profit i.e. -2754 lakhs were lowest in the years, 1990, 1990 and 2000 respectively.

4.3.6 Trend of Profit and Working Capital of DCCBs Consolidated:

Figure No. 4.3.6 Trend of Profit and Working Capital of DCCBs Consolidated



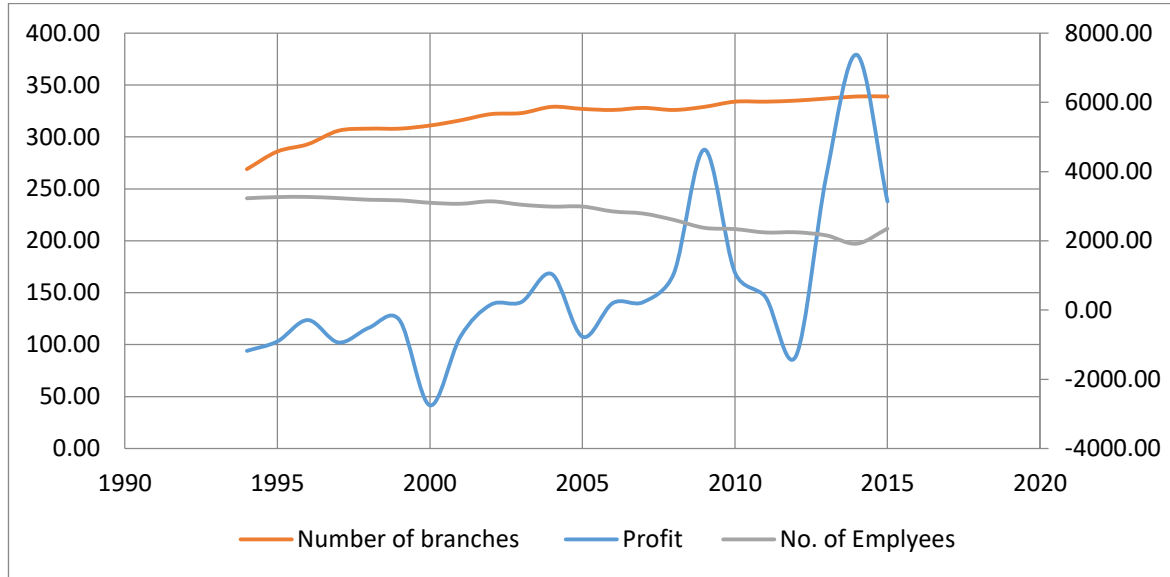
Source: Compiled from different years Annual Report of OSCB

The figure above depicts the trend of working capital and net profit of DCCBs consolidated for the study year. From the above Figure we can clearly see that both the trends are quite unlike each other. While the working capital follows a plain ascending trend on the other hand profit trend is full of fluctuations. It is seen that working capital is increasing in an exponential rate but profit is increasing in a fluctuating manner. From the year 1995 working capital has increased rapidly same for net profit also.

The average working capital and profit for the study period are 414212.54 lakhs and 441.95 lakhs respectively. The working capital i.e. 26667.93 lakhs and profit i.e. 7371.30lakhs were highest in the years, 2015, 2015 and 2014 respectively. The working capital i.e. 4.73 lakhs, and profit i.e. -2754 lakhs were lowest in the years, 1990, 1990 and 2000 respectively.

4.3.7 Trend of Profit, Number of Branches, and Number of Employees of DCCBs Consolidated:

Figure No. 4.3.7 Trend of Number of Branches, Number of Employees of DCCBs Consolidated:



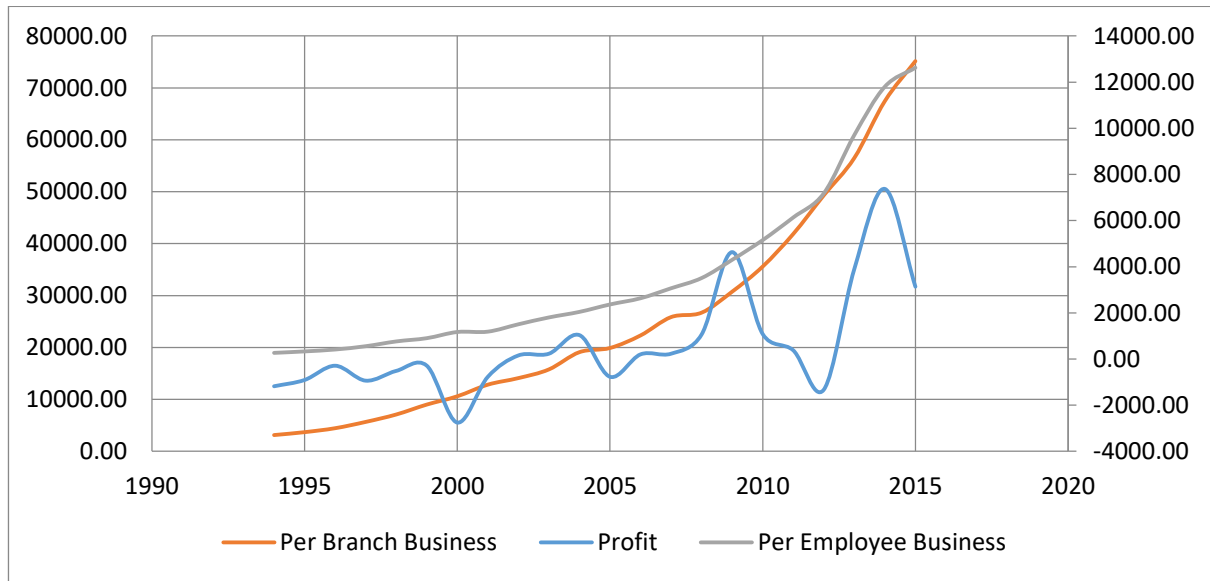
Source: Compiled from different years Annual Report of OSCB

The figure above shows the trend of number of branches and that of employees of DCCBs consolidated. Both the number of branches and the number of employees follow a unlike path i.e. the former in an increasing and the latter in a declining order. Again if we see the trend of profit it has many fluctuations, but however shows an increasing trend. There is a very nominal increase of number of branches DCCBs consolidated in the study period. There is a declining trend of number of employees of DCCBs consolidated during the study period. But profit has been increasing in a fluctuating manner.

The average number of branches, number of employees and profit for the study period are 319.32, 2797.14 lakhs, 441.95 lakhs respectively. The number of branches i.e. 339, number of employees i.e. 3267 lakhs and profit i.e. 7371.30lakhs were highest in the years, 2014, 1996 and 2014 respectively. The per branch business i.e. 269, per employee business i.e. 1918 lakhs and profit i.e. -2754 lakhs were lowest in the years, 1994, 2014 and 2000 respectively.

4.3.8 Trend of Net Profit Per Branch Business, Per Employee Business of DCCBs Consolidated

Figure No. 4.3.8 Trend of Per Branch Business, Per Employee Business and Net Profit of DCCBs Consolidated



Source: “Compiled from different years Annual Report of OSCB”

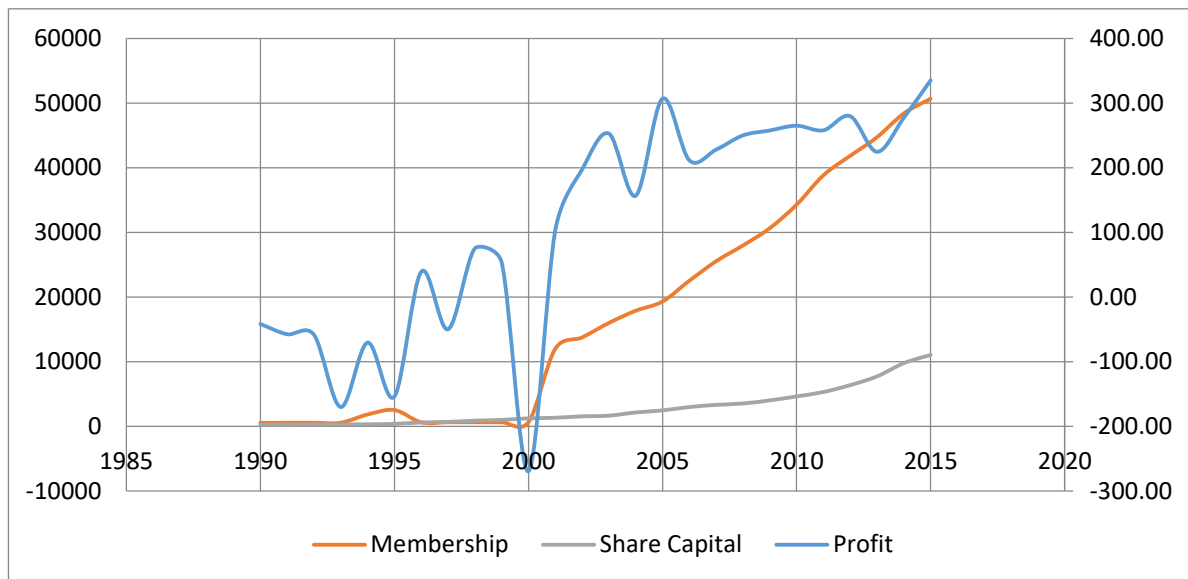
The figure above shows the trend of per branch business, per employee business and net profit of DCCBs consolidated for the study period. Even though the per branch business’s trend is little lower than the per employee business, they both follow a steady increasing trend. While on the other hand profit’s trend is full of ups and downs with a sign of increase. There is exponential trend of both per branch business and per employee business and fluctuating increasing trend for net profit. From the year 2000 both per branch business and per employee business has been increasing rapidly.

The average per branch business, per employee business and profit for the study period are 25315.22 lakhs, 3610.09 lakhs, 441.95 lakhs respectively. The per branch business i.e. 75160.2 lakhs, per employee business i.e. 12623.91 lakhs and profit i.e. 7371.30lakhs were highest in the years, 2015, 2015 and 2014 respectively. The per branch business i.e. 3134.93 lakhs, per employee business i.e. 267.4 lakhs and profit i.e. -2754 lakhs were lowest in the years, 1994, 1994 and 2000 respectively.

4.4 Trend and Progress Analysis of Balasore Bhadrak Central Co-operative Bank(BBCCB)

4.4.1 Trend of Membership, Share Capital and Profit of BBCCB

Figure No.4.4.1 Trend of Membership, Share Capital and Profit of BBCCB



Source: “Compiled from different years Annual Report of BBCCB”

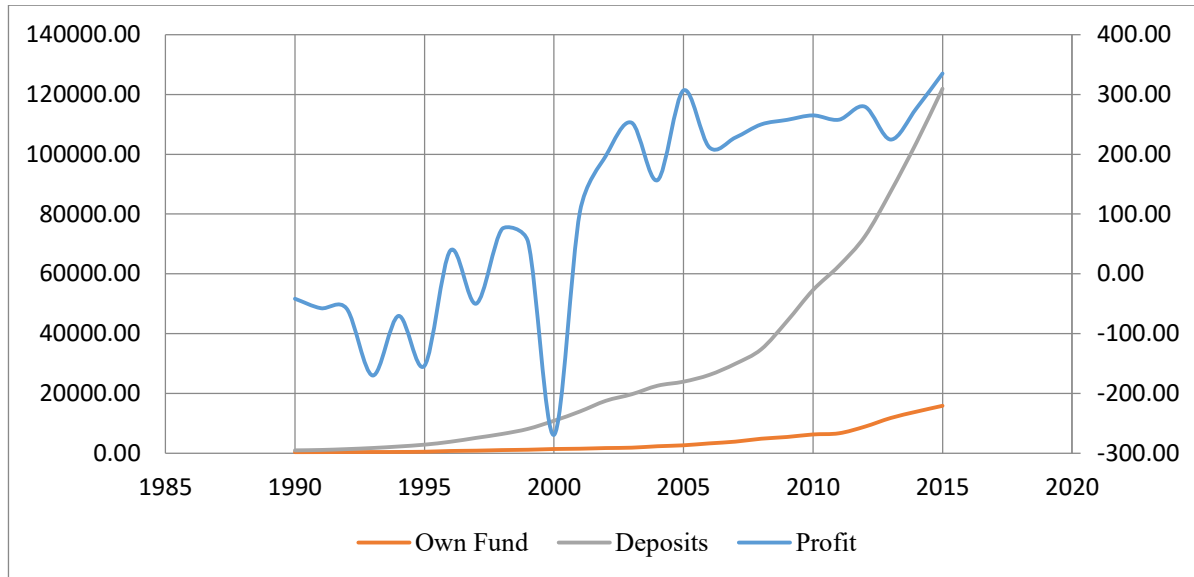
The figure above shows the trend of membership, share capital and profit for the study period. With the increasing in Net Profit, membership and share capital also has increased. Share capital shows a stable and steady growth throughout the Figure. While the membership is short of constant till 2000, but has taken a high increase after that. Profit possesses a fluctuating trend. However, with an increase. But in the year 2000 it had a deep fall. All the three variables have suddenly started increasing from the year 2000. There is a spectacular change of net profit and membership after this particular year. It seems this year be a structural break for BBCCB.

The average of membership, share capital and net profit are 17468.80 lakhs, 2850.17 lakhs and 111.56 lakhs for the study period. The membership i.e. 50685 lakhs, share capital i.e. 11056.24 lakhs and profit i.e. 249.41 lakhs were highest in the years, 2015, 2015 and 2015 respectively. The membership i.e. 534 lakhs, share capital i.e. 249.41 lakhs and profit i.e. -269.44 lakhs were lowest in the years, 1990, 1990 and 2000 respectively. Interestingly the year

2000 also the profit is lowest for the DCCBs consolidated. Membership and share capital were also minimum in the year 1990.\

4.4.2 Trend of Owned Fund, Deposits and Net Profit of BBCCB

Figure No. 4.4.2 Trend of Owned Fund, Deposits and Net Profit of BBCCB



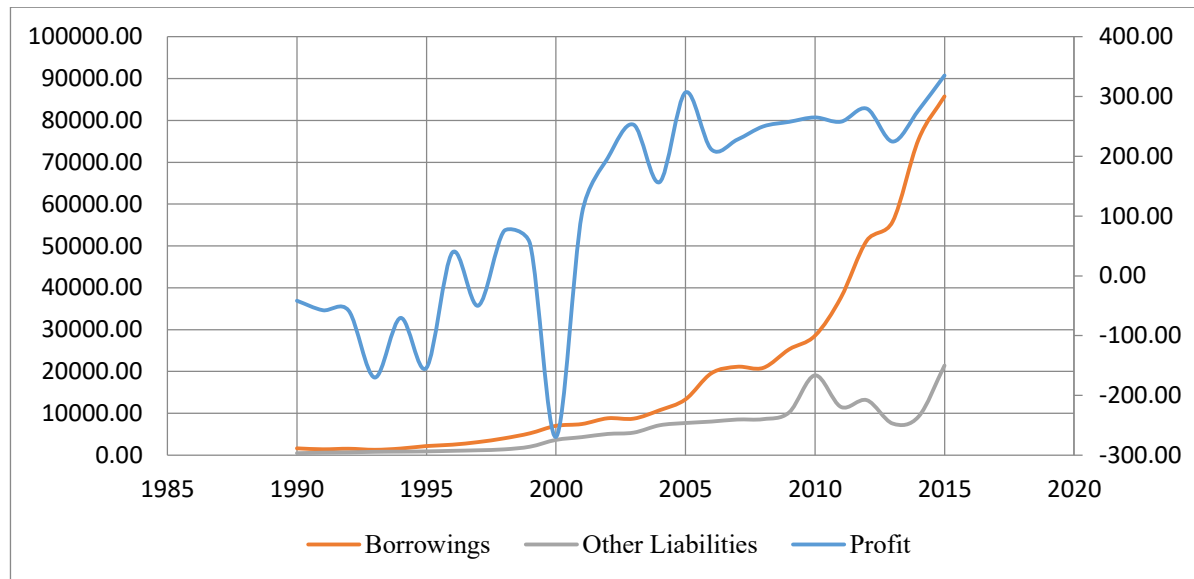
Source: “Compiled from different years Annual Report of BBCCB”

The figure above portrays the trend of owned fund, deposits and net profit for the study period. There is an increasing trend for all the three variables. Owned fund’s increase is hardly noticeable because of its stability. It is almost plain. Deposits trend is regular and even with an increase. Profit trend possesses a fluctuating increasing trend. Unlike earlier variables in previous Figure, the owned fund and deposits have started increasing from the year 2000. But the trend of owned fund shows a nominal increase after the year 2000.

The average of owned fund, deposits and net profit are 3763.85 lakhs, 30011.41 lakhs and 111.56 lakhs for the study period. The owned fund i.e. 15840.65 lakhs, deposits i.e. 121947.06 lakhs and profit i.e. 249.41 lakhs were highest in the years, 2015, 2015 and 2015 respectively. The owned fund i.e. 326.03 lakhs, deposits i.e. 934.34 lakhs and profit i.e. -269.44 lakhs were lowest in the years, 1990, 1990 and 2000 respectively. It is also seen that with increase in profit both owned fund and deposits have also increased.

4.4.3 Trend of Borrowings, Other Liabilities and Profit of BBCCB

Figure No. 4.4.3 Trend of Borrowings, Other Liabilities and Profit of BBCCB



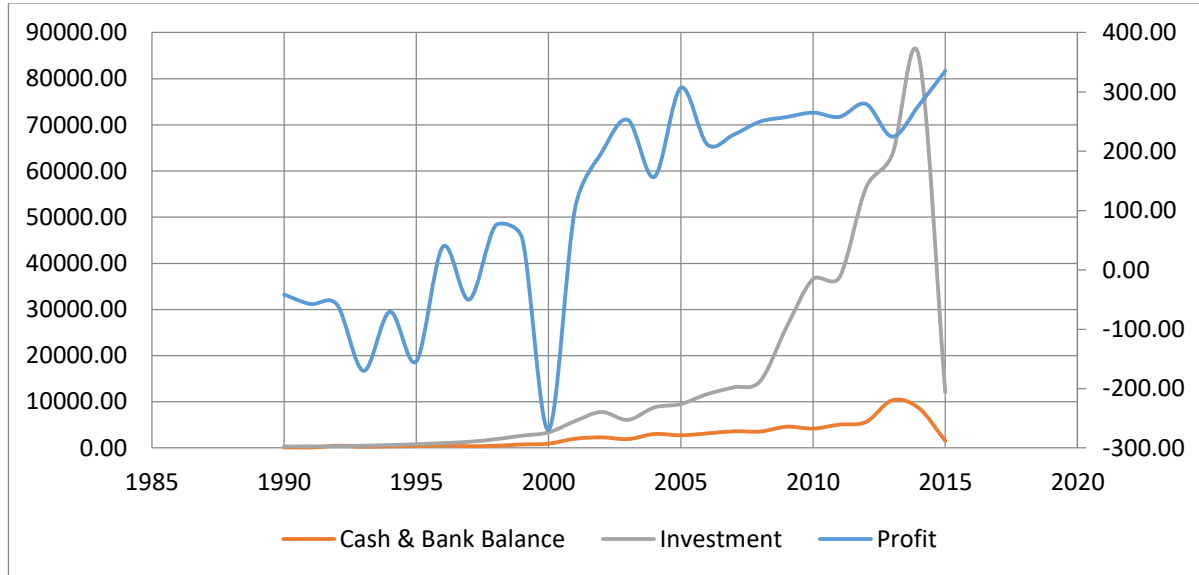
Source: “Compiled from different years Annual Report of BBCCB”

The figure above shows the trend of borrowings, other liabilities and profit for the study period. Other liabilities’ trend lays low with a stagnant increase. While on the other hand the trend of borrowing is an increasing one. And then there is the fluctuating trend of profit that shows ascending trend. There is increasing trend of all the three variables after the year 2000. After the year 2010 the liabilities have decreased and recently it is increasing.

The average of borrowings, liabilities and net profit are 85759.49 lakhs, 6168.69 lakhs and 111.56 lakhs for the study period. The borrowings i.e. 15840.65 lakhs, liabilities i.e. 21417.3 lakhs and profit i.e. 249.41 lakhs were highest in the years, 2015, 2015 and 2015 respectively. The borrowings i.e. 1281.51 lakhs, liabilities i.e. 466.51 lakhs and profit i.e. -269.44 lakhs were lowest in the years, 1993, 1990 and 2000 respectively.

4.4.4 Trend of Cash and Bank Balance, Investment and Profit of BBCCB

Figure No.4.4.4 Trend of cash and bank balance, investment and profit of BBCCB



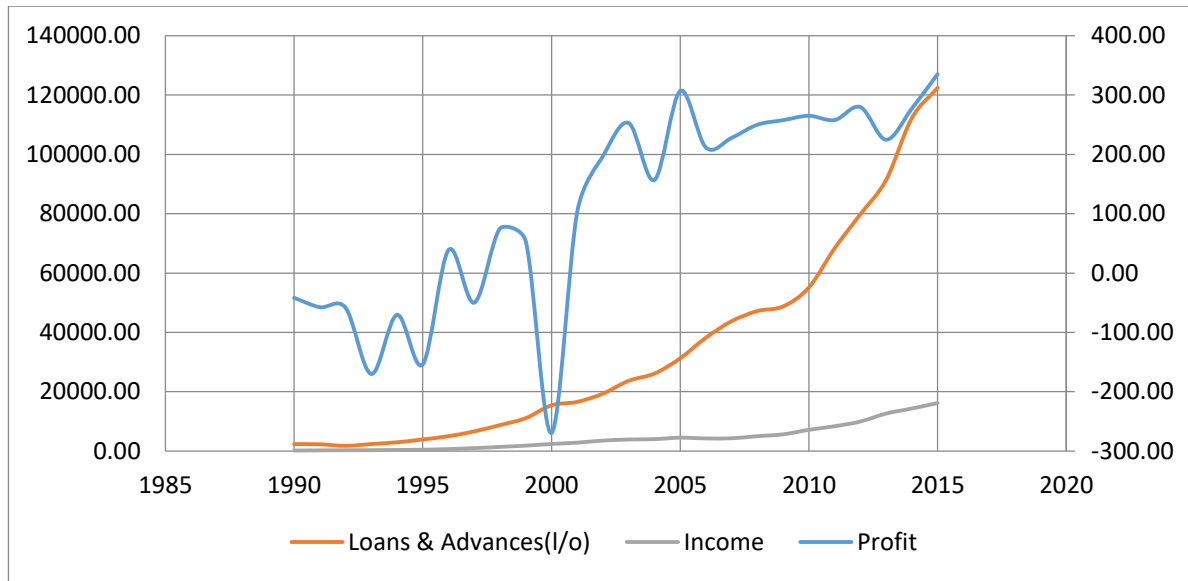
Source: “Compiled from different years Annual Report of BBCCB”

The figure above demonstrates the trend of cash and bank balance, investment and profit of the bank for the study period. There is an increasing trend of all the variables for the study period of BBCCB. The cash and bank balance shows a little increase but shows a down fall in the year 2015. Investment also shows satisfactory increase but has a down fall around 2015. On the other hand Profit also shows an increasing but in a fluctuating manner. It has a severe downfall in the year 2000. The investment of BBCCB has increased continuously till 2014 and suddenly it has declined in the next year. The balance of the bank has increased moderately. With increase in profit both balance and investment has also increased.

The average of cash and bank balance, investment and net profit are 85759.49 lakhs, 6168.69 lakhs and 111.56 lakhs for the study period. The cash and bank balance i.e. 15840.65 lakhs, investment i.e. 21417.3 lakhs and profit i.e. 249.41 lakhs were highest in the years, 2015, 2015 and 2015 respectively. The cash and bank balance i.e. 1281.51 lakhs, investment i.e. 466.51 lakhs and profit i.e. -269.44 lakhs were lowest in the years, 1993, 1990 and 2000 respectively.

4.4.5 Trend of Loan and Advances and Net Profit of BBCCB

Figure No. 4.4.5 Trend of Loan and Advances and Net Profit of BBCCB



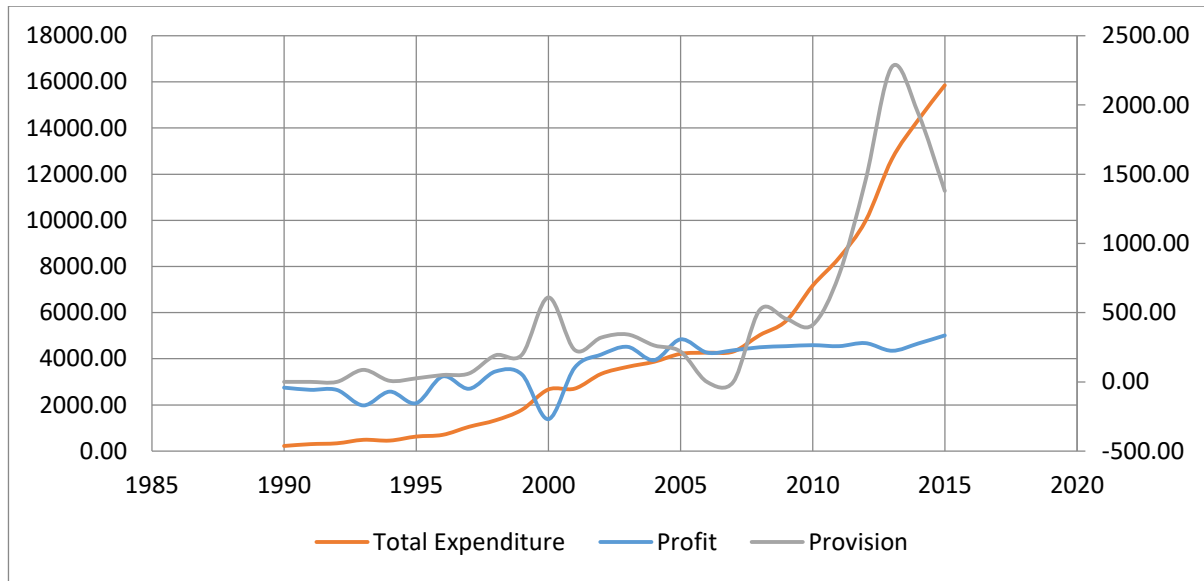
Source: “Compiled from different years Annual Report of BBCCB”

The figure above shows the trend of loan and advances and net profit for the study period. It is seen that all the three variables have been increasing. The income shows a plain trend with a minimal increasing growth. The loan and advance unlike the income shows highly increasing growth. Being totally different from other ones. The profit shows a fluctuating increasing growth. The increasing trend of income of the DCCBs consolidated is moderate. The increasing trend of loan and advances is exponential in nature. These variables has picked the momentum after the year 2000.

The average of loan and advances, income and net profit are 34123.40 lakhs, 4461.75 lakhs and 111.56 lakhs for the study period. The loan and advances i.e. 122461.11 lakhs, income i.e. 16188.22 lakhs and profit i.e. 249.41 lakhs were highest in the years, 2015, 1992 and 2015 respectively. The loan and advances i.e. 1768.09 lakhs, income i.e. 180.12 lakhs and profit i.e. -269.44 lakhs were lowest in the years, 1992, 1990 and 2000 respectively.

4.4.6 Trend of Total Expenditure, Provision and Net Profit of BBCCB

Figure No.4.4.6 Trend of Total Expenditure, Provision and Net Profit of BBCCB



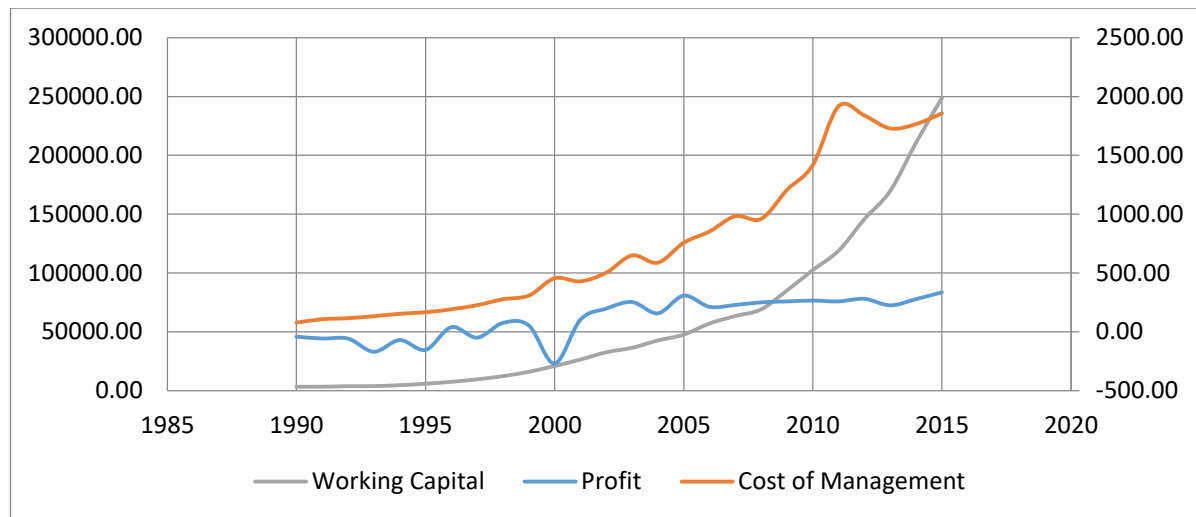
Source: “Compiled from different years Annual Report of BBCCB”

The figure above represents the trend of total expenditure, provision and net profit of BBCCB for the study period. The trend of total expenditure is plainly increasing. But the trend of the profit and provision stayed almost constant with minimal fluctuation but the later takes a high rise around 1014. All the variables have shown the increasing trend for the study period. Total expenditure has increased exponentially, whereas provision and net profit has increased with a fluctuating manner.

The average total expenditure, provision and profit for the study period are 4438.86 lakhs, 454.12 lakhs, and 111.56 lakhs respectively. The total expenditure i.e. 15852.97lakhs, provision i.e. 2275.39 lakhs and profit i.e. 335.25 lakhs were highest in the years, 2015, 2013 and 2015 respectively. The total expenditure i.e. 221.78 lakhs, provision i.e. 7.48 lakhs and profit i.e. -269.44 lakhs were lowest in the years, 1990, 1994 and 2000 respectively.

4.4.7 Trend of Working Capital Cost of Management and Net Profit of BBCCB

Figure No.4.4.7Trend of Working Capital, Cost of Management and Net Profit of BBCCB



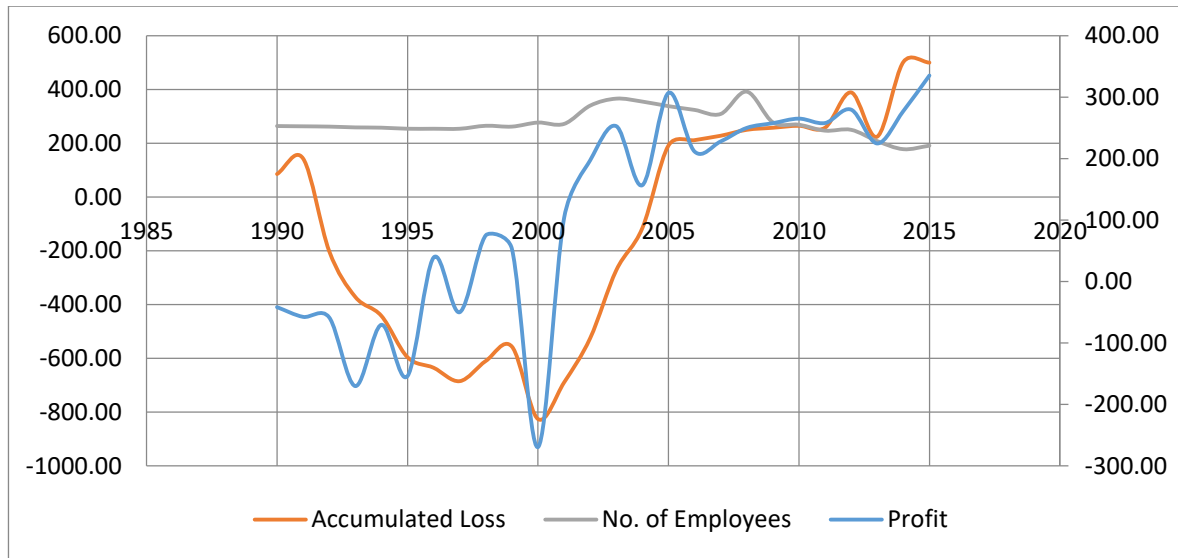
Source: “Compiled from different years Annual Report of BBCCB”

The figure above shows the trend of working capital, cost of management and net profit for the study period. The working capital shows an increasing trend. The profit shows a minimal fluctuating and increasing trend. But the cost of management shows an increasing growth. There is an increasing trend for the entire variable said here. The working capital has shown an exponential increasing trend. Cost of management and net profit has shown a fluctuating increasing trend. All the variables have started increasing momentum after the year 2000.

The average working capital, cost of management and profit for the study period are 756.02 lakhs, 59494.70 lakhs, and 111.56 lakhs respectively. The cost of management i.e. 1917.75 lakhs, working capital i.e. 248775.25 lakhs and profit i.e. 335.25 lakhs were highest in the years, 2011, 2015 and 2015 respectively. The cost of management i.e. 77.86 lakhs, working capital i.e. 3274.96 lakhs and profit i.e. -269.44 lakhs were lowest in the years, 1990, 1990 and 2000 respectively.

4.4.8 Trend of Number of Employees Accumulated Loss and Net Profit of BBCCB

Figure No.4.4.8 Trend of Number of Employees, Accumulated loss and Net Profit of BBCCB



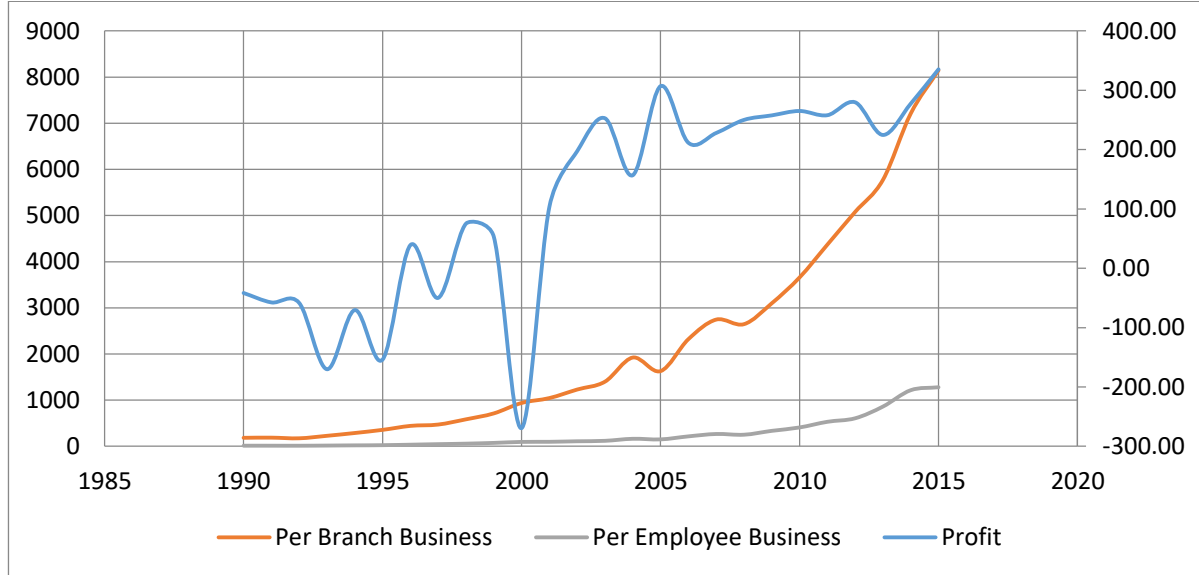
Source: “Compiled from different years Annual Report of BBCCB”

The figure above shows the trend of net profit and number of employees employed in BBCCB from 190 to 2015. If we see the trend of accumulated loss, it seems as if drawn by a kid learning alphabets; i.e. uncertain trend. But the profit shows a fluctuating as well as increasing trend and the number of employees shows a linear, minimally fluctuating trend. There is an increasing trend for the number of employees till the year 2007 and then it had decreased till 2015. The profit shows a fluctuating increasing trend for the study period. After 2007 though the number of employees has decreased but the profit has increased in that period. Likewise accumulated loss of BBCCB has declined till the year 2000 and again it has increased. Its trend is very similar with the trend of net profit.

The average accumulated loss, number of employees and profit for the study period are - 116.11 lakhs, 269.45 lakhs, and 111.56 lakhs respectively. The per branch business i.e. 8146.94 lakhs, per employee business i.e. 1279 lakhs and profit i.e. 335.25 lakhs were highest in the years, 2015, 2015 and 2015 respectively. The per branch business i.e. 173.13 lakhs, per employee business i.e. 11.89lakhs and profit i.e. -269.44 lakhs were lowest in the years, 1992, 1992and 2000 respectively.

4.4.9 Trend of Per Branch Business, Per Employee Business and Net Profit of BBCCB

Figure No.4.4.9 Trend of Per Branch Business, Per Employee Business and Net Profit of BBCCB



Source: “Compiled from different years Annual Report of OSCB”

The figure above shows the trend of per branch business, per employee business and net profit for the study period. It is seen that per branch business of BBCCB has increased rapidly. The trend of per employee business shows a moderate increase. The trend of net profit shows a fluctuating increasing trend. The per branch business, per employee business has increased with increase in profit.

The average per branch business, per employee business and profit for the study period are 2185.71 lakhs, 269.45 lakhs, 111.56 lakhs respectively. The per branch business i.e. 8146.94 lakhs, per employee business i.e. 1279 lakhs and profit i.e. 335.25 lakhs were highest in the years, 2015, 2015 and 2015 respectively. The per branch business i.e. 173.13 lakhs, per employee business i.e. 11.89lakhs and profit i.e. -269.44 lakhs were lowest in the years, 1992, 1992and 2000 respectively.

4.5 Conclusion

The findings of trend and progressive analysis of Odisha State Co-operative Bank are as following. The trend of growth of net profit shows fluctuation till 2010, but around mid-70s it took a high rise. The trend of dividend declared shows no consistency. It is stable till 1970 but took a deep fall after that. The growth rate of share capital is full of fluctuation and also growth of net profit shows some signs of fluctuation as it stays low but had a high rise between mid-1970. If we talk about the percentage of increase has not been consistent. Even the rate of growth of reserve had many points of ups and downs, it possess a decreasing sign. Alike growth rate of net profit, growth rate of reserve also shows decreasing signs. Owned fund follows a very fluctuating trend that involves two high rises and down drops. The declining rate of owned fund is more than the declining trend of net profit. The growth rate of deposit follows an uncertain trend with many ups and downs along with a high rise around late 1980s. The growth rate of deposit follows an uncertain trend with many ups and downs along with a high rise around late 1970s. But on the other phase growth trend of borrowing is full of see-sawing with a declining trend. There is a mild increasing trend of investment growth for the study period with a declining trend of net profit. The growth trend of profit and growth trend of advances are quite low-key. Both have a high uplift in the midst, while the growth trend of net profit is mid 1970s and the growth rate trend of advance is around late 1970. The growth of working capital and cost of management have an increasing trend.

The findings of trend and progress analysis of District Central Co-operative Bank consolidated as followings. The variables such as membership, share capital and profit have an increasing trend for the study period. The profit trend is more fluctuating nature than share capital and membership. The trend of both profit and owned fund show a stable ascend while the total reserve trend still stays quite low in comparison to owned fund. Both deposits and borrowings dish out a same trend, i.e. a steady growth. However, the trend of borrowing is relatively lower than the deposits. Though investment, loan advances shows a steady growth rate, but the trend of profit is fluctuating in nature. If we have a look on cost of management has a plain increasing trend. But the provision also shows an increasing trend but is full of ups and downs. Working capital follows a plain ascending trend. Both the number of branches and the number

of employees follow a unlike path i.e. the former in a increasing and the latter in a declining order. The per branch business's trend is little lower than the per employee business, they both follow a steady increasing trend.

The findings of trend and progress analysis of Balasore Bhadrak Central Co-operative Bank as followings. Share capital shows a stable and steady growth throughout the study period. While the membership is short of constant till 2000, but has taken a high increase after that. Profit possesses a fluctuating trend. However, with an increase. Owned fund's increase is hardly noticeable because of its stability. Deposits trend is regular and even with an increase. Other liabilities' trend lays low with a stagnant increase .While on the other hand the trend of borrowing is an increasing one. With increase in profit both balance and investment has also increased. The income shows a plain trend with a minimal increasing growth. The loan and advance unlike the income shows highly increasing growth. The trend of total expenditure is plainly increasing. But the trend of the provision stayed almost constant with minimal fluctuation but the later takes a high rise. The working capital and cost of management show an increasing trend. The number of employees shows a linear, minimally fluctuating trend. The per branch business, per employee business has increased with increase in profit.

CHAPTER V

PERFORMANCE OF ODISHA STATE CO-OPERATIVE BANK: AN ARDL APPROACH

5.1 Introduction

A bank's performance can be evaluated from different perspectives but in the present study, the net profitability is being taken as the indicator for performance measurement. "The other proxy for the profitability can be Return on Net Worth (RONW) and that for the efficiency, Net Interest Margin (NIM) etc. are used by earlier studies (Trevedi, 2011)". All the data that has been used in this part is secondary in nature.

Then the moot question is what determines or affects the profit of the OSCB. It is seen from the received literature on determinants of Net Profitability that it has developed a certain standard framework to study some pertinent variables for their impact. "Numerous studies showed that Capital Adequacy, Management Efficiency, Asset Quality, Liquidity (CAMEL), Earning Capacity, etc. have important influence on net profit (Kumar, 2014)." "Interest Expended/Interest Earned, Total Loans/Total Assets, Non-Interest Income Ratio (NIIR), Investment/Deposit Ratio, C-D ratio, Relative Deposit Market Share (RDS), Operating Expenses/Total Income Ownership Structure" (Trivedi,2011) are also used by different authors to show the performance of the bank.

But it is an attempt to see whether share capital, owned funds, reserves, deposits, borrowings, investments, advances, cost of management, and working capital are the determinants of the net profit of the OSCB. "The tools Growth Rate, Pearson Correlation, Regression, and 't test' are used by different authors to analyse the financial performance of Regional Rural Banks (Brahma, 2012)." Some authors (Rana, 2010; Ayyasamy, 2008) employ ratio analysis under NAP to see the performance of the bank. This study is different from earlier studies because a data base for 66 years has been covered under study with nine variables.

5.2 Explanation about the Variables

This section illustrates the variables used in the empirical analysis and justifies the use of same in the empirical analysis. The terms and concepts make use of in the present analysis

connected to the Financial performance of co-operative bank are share capital, membership, deposits, reserve funds loans, advances, over dues, advances, borrowing, investment, total income, total expenditure are defined. The functional form between dependent and independent variable is.

Net Profit=f (Share Capital, Reserve, Owned Fund, Deposits, Borrowings, Investment, Advance, Cost of Management, Working Capital)

5.2.1 Membership

The membership of co-operative banks is constituted of people residing in rural regions, such as salaried, professional classes, merchants, traders, etc. The rules relating to the membership of these banks are put in their bye-laws. By membership we mean the total members on year by year.

5.2.2 Share Capital

Capital of a bank is classified into specific indivisible units of fixed amount. Such units are known as shares. "Share" is portion of the capital of a bank. The person owning a share of bank is called a member. The bank raises its own funds mainly by means of share capital. The value of a share is kept as low as possible with a view to make easier for the agriculturalists to become members. The share capital of the bank is separated into two categories State Government Participation and "A" Class Share Capital.

"A" class share capital represents the contribution made by the members of the society. The "A" class members usually belong to the agriculture community. The "A" class members enjoy the full rights quoted in the Co-operative societies Act. State Government also funds the share capital of co-operative banks.

This is done with the purpose of strengthening the capital base. State's contribution to share capital has become a law because of the suggestions of the different committees.

The share capital financed by the State must not be more than the contribution made by members. State partnership is proposed to offer the bank added borrowing power and serve as a margin of security to the creditors. The expected sign may be negative as the shareholder of the bank withdraw their money after the maturity of the deposit or the loan period is over. The capital base may be weak and the profit will decline and vice versa.

5.2.3 Dividend

Members are owners and risk holders of the bank. They get proceeds on their investment in shares in the form of dividend from bank. It is that part of the profit of the bank which is allocated among the members. Generally it is the payment made to its members out of divisible profits. Dividend will usually be declared after abiding by with the guidelines of co-operative societies act and bye laws of the bank.

5.2.4 Profit

It is an index of proficiency or progress, as characterized by “the excess of return over expenditures”, “the gain resulting from the employment of capital”, “the sum residual after all costs are deducted from the income of the bank. It may be defined as the difference between firm’s total revenue and its total costs.”

5.2.5 Owned Funds

The owned funds of the co-operative banks comprise the share capital gotten from the capitals contributed by the state government and members and the reserves kept out of profits. As these are interest free capitals, the banks should attempt to upsurge these funds to make an adequate share in total working capital. It is assumed to get a negative effect on the performance of the bank

5.2.6 Total expenditure

The term expenditure is used to accounting from allowance, salaries, interest paid, and other expenditure. These are the expenditure of the bank. The expected sign of expenditure on the performance of the bank is negative.

5.2.7 Reserve Fund

Every co-operative bank receiving net profit needs to retain back some amount of profit as reserve fund. The amounts vary from state to state. The generating reserve fund is to make usage of the same during unanticipated or unforeseen or losses of the bank and not for making use as the working funds of the bank. It is a cost free means of internal financing. It is assumed to get a negative effect on the performance of the bank.

5.2.8 Deposit

The term deposit denotes the real savings of the bank is collected from the people. It is an asset to customers or beneficiaries and liability to the bank. The key source of capitals raised by the bank is by mobilization of deposits. Its mobilization has become a tough task of co-operative bank due to heavy competition from other commercial banks. Receiving money for a time period for which interest is given is known as deposits. These are of different kinds varied with the time. Banks heavily depend on deposits while generally it is positively associated with banks profitability.

It is a basis of working capital of the bank. Banks try to obtain the potential of collecting maximum deposits from the public through special advertisement, campaign and so on. Its mobilisation has been one of the most significant aims of co-operative banks since beginning. “The Maclagan Committee (1915) saw that “unless, as the movement progresses, there is considerable increase in deposits, it will have to be acknowledged that co-operation has failed in one of its main objectives (Bedi, 1994).

5.2.9 Loans and Advances

The credit management is an important function of co-operative banks as a core part of the income is made from the return on advances. A Key part of capitals must go into advances portfolio as its return would be better than return on investment and again the banks have to abide by with the credit requirement of several segments, particularly agricultural and weaker section of the society according to government and in accordance with Reserve Bank of India guidelines. Bank loan and advance are assumed to be the major source of earnings and are likely to get an affirmative effect on performance of bank. Other things kept persistent. The more the deposits are converted into loans, the greater the interest margin and profits. The expected sign on the performance of the bank would be positive.

5.2.10 Investment

The co-operative bank generally invests its excess money in government and other trustee securities and fixed and other deposits with other financial organizations. It is assumed to get an affirmative effect on the performance of the bank.

5.2.11 Borrowings

It is yet another important means of working funds. “The Indian Central Banking Inquiry Committee (1931) stated that the co-operative movement, despite failures and unavoidable obstacles, deserved all likely support from each quarter because there is no better tool for raising the level of farmers of this nation than the co-operative effort”.

OSCB generally borrows from NABARD, State Co-operative Bank, and RBI. The maximum borrowing limit of the bank is usually linked with its owned funds. Usually, any central co-operative bank should depend less on borrowing. When the owned deposits and funds are not enough to fulfil the credit necessities of the area of operation, the bank starts borrowing. It is an expensive source of fund, in comparison to owned funds and deposits. The borrowing regulator of the central co-operative bank is set under the rules of co-operative societies, under the bye-laws and by the Registrar of Co-operative Societies. The highest level of borrowing is because of the high level of advancing and weak recovery performance. The lowest borrowing is because of the strong position of deposits and the owned funds. It is assumed to get a negative effect on the performance of the bank.

5.2.12 Other Liabilities

These are part of the working capital which includes bills payable, interest payable, unclaimed dividend, branch adjustments, different creditors, suspense account, profits as shown in the balance sheet, and miscellanies.

5.2.13 Working Capital

A co-operative bank like any other banking organisation needs capitals to advance to its members. Total capitals needed by a co-operative bank depend on such determinants as size of business, types of services it offers, types of infrastructure facilities it needed, nature of competition it encounters and extent of uncertainty it takes in the day-to-day activities of its business. The size of the working capital and its suitable regulatory have a positive consequence on the size of business and thus it contributes to the entire profitability.

“Working capital management guidelines have an abundant effect on a co-operative bank’s liquidity, profitability, and its financial health. A manager should adopt suitable working

capital management policies with regard to each of the components of the working capital so as to safeguard proper liquidity, higher profitability, and good financial health of the co-operative bank” (Maheswari, 1995).

It should be sufficient, neither too much nor shortage. Inconsistent working capital can worsen profitability, whereas insufficient working capital can scare the solvency of the bank. The working capital of the co-operative bank comprises of deposits from members and non-members, reserve funds, share capital, and borrowings from government, NABARD, and RBI. The expected sign for the result is a mixed one in case of working capital.

5.2.14 Cost of management

It is the procedure of efficiently planning and controlling the costs involved in a banking business. It is a procedure of managing account that lets a business of the bank to envisage future expenses to help to decrease the likelihood of going above the budget of the bank for the financial year.

5.3 Methodology and Data Base

The related data has been taken from the different annual reports of OSCB from 1949-50 to 2014-15 i.e. 66 years. It is collected by referring all the annual reports since inception (1949-50) onwards. Data has also been collected from the published research articles, published literature, journals, books, and websites of BBCCB, Odisha State Co-operative Bank, NABARD, RBI, and NAFSCOB.

The methodology employed for the empirical analysis on this study involves ARDL. Here the explanatory variables are share capital, reserves, owned funds, deposits, borrowings, investments, advances, cost of management, working capital, while Net Profit is the dependent variable.

The empirical relationship among share capital, reserves, owned funds, deposits, borrowings, investments, advances, and cost of management, working capital and net profit is analysed through regression analysis, particularly by ARDL. Ten variables are used for the analysis. The indicators related to banking are considered as the major pull factors of net profit of OSCB. With the purpose of having the best combination of explanatory variables for the

determinants of net profit, various alternatives combination of variables were acknowledged and then estimated.

Various macroeconomic time series data theoretically have a long-run association. This is also generally cautioned that these time series data over time period may be such that their variance and mean are not steady. “Depending on such non-stationary time series data might lead macroeconomists to incorrect determine that two variables are related when actually they are not? This phenomenon is known in the literature as spurious regression” (Stock and Watson, 2006).

There are various techniques existing in the literatures to inspect the long-run association among several variables based on the idea of Granger’s Representation Theorem (GRT). But on the one hand there is the Engle and Granger (EG) cointegration, and on the other hand there is Johansen and Juselius (JJ) cointegration tests. However, the latest cointegration method suggested by Pesaran et al. (2001) as “Auto Regressive Distributed Lag (ARDL)” gives some econometric estimation advantages over both EG and JJ cointegration techniques. The subsequent sections will give the brief argument of these methods used in the study. Again, “the econometric literature states that once the macroeconomic variables are co-integrated, there will be causality in at least one direction among the different variables.”

5.3.1 Methodology

One main objective of this research work is to analyse the empirical correlation of macro variables related to co-operative bank in Odisha such as Odisha State Co-operative Bank, DCCBs consolidated as a whole and BBCCB in particular. The study tries to look at the “short-run” and “long-run” relation together with the tendency of causality of the “dependent variable” net profit and other “independent variables” used in the study. Different models have been created towards this effort, based on the secondary data for different time period, as per the requirement of the study. “The empirical analysis of the study begins with testing the stationarity properties of the variables by applying Augmented Dickey-Fuller (ADF) test and Phillips-Perron (PP) unit root test.” To analyse the “long-run” and “short-run” cointegrating correlation among the variables “ARDL bounds testing methodology” is also used. The error correction term ECMt-1 shows the speed of adjustment towards the

equilibrium. Moreover, CUSUM and CUSUMQ test have been used to test the stability of the variables that are used in the study.

5.3.2 Unit Root Test

Presence of non-stationary variables in the regression analysis might lead to spurious interpretations (Granger & Newbold, 1974), and henceforth, testing the stationarity of the time series employed in a regression analysis is common in any econometric analysis, nowadays. The verification of unit root is a simplest technique used to test the stationarity of the time series data.

This test is done according to the random walk procedure, which can be shown as,

$$Y_t = Y_{t-1} + e_t$$

Where, e_t is a discrete, completely random walk process with mean μ and variance σ_e^2 .

It can be witnessed that, both mean and variance of Y_t are not independent of time, and therefore, the series Y_t is non-stationary. In the above equation the coefficient of Y_{t-1} is equal to unity and the term of unit root is obtained from this. We have employed ADF and PP tests of unit root in our analysis.

5.3.3 ARDL co-integration:

The analysis follows an “ARDL bounds testing methodology” suggested by Pesaran et al. (2001) to model the long-run determinants. This methodology has some econometric advantage over the optimum likelihood-based approach given by Johansen (1991) cointegration, Engle-Granger (1987), and Johansen and Juselius (1990) methods. “Firstly, the bounds test does not need pre-testing of the series to define their order of integration since test can be done regardless of order of integration; it may be $I(0)$, $I(1)$ or fractionally integrated. Secondly, endogeneity issue and inability to test hypotheses on the estimated coefficients in the long-run connected with the Engle-Granger (1987) techniques can be avoided.” In the view of Pesaran and Shin (1999), modelling the ARDL with the appropriate lags will be corrected for both endogeneity and serial correlation problems. Endogeneity is less problematic if the anticipated ARDL model is without serial correlation. All the variables in this technique are presumed to be “endogenous and short run and the long run parameters

of the model are estimated simultaneously” (Khan et al, 2005). Thirdly, as discussed in Narayan (2004), the sample properties of the “bounds testing method” has advantage of multivariate cointegration (Halicioglu, 2007). The technique alters the ARDL model while fulfilling the shortages linked to the existence of an amalgamation of I (0) and I (1) regressors in a Johansen-cointegration. Fourthly, the “short-run and long run coefficient” of the model under interrogation are planned together. Finally, The ARDL has better small sample properties connected with the (Johansen and Juselius, 1990) cointegration test (Pesaran and Shin, 1999).

5.3.4 Bounds Testing Procedure

The use of the ARDL method comprises two stages. First, the presence of the “long-run” relationship (cointegration) between the variables under study is verified by calculating the F-statistics for examining the combined importance of the lagged levels’ coefficients of the variables under study. (Pesaranetal, 2001, 1999) and (Narayan, 2004) have proposed two sets of apposite critical values for various numbers of regressors or variables. This model involves an interceptor, trend or both. “One set assumes that all the variables in the ARDL model are I (0), and another assumes that all the variables are I (1).” If the F-statistic lies above the “upper-bound critical value” for a certain level of significance, the implication is that a non-spurious long-run association is there along with the dependent variable. “If the F-statistic lies below the lower bound critical value, the implication is that there is no long-run relationship with the dependent variable. If it lies between the lower and upper limits, the result is inconclusive.” The expected critical values for the F-test are gotten from Pesaran and Pesaran (1997). The usual notation of the “null and alternative hypotheses” for the F-statistic test is as written below:

$$H_0: \lambda_i = 0 \text{ for all } i=1, 2, 3, \dots, 10$$

$$H_1: \lambda_i \neq 0 \text{ for all } i= 1, 2, 3, \dots, 10$$

Where λ_i long run coefficient shown in the ARDL equation under model specification.

Furthermore, if the cointegration among variables is acknowledged, then one may go for additional examination of “long-run and short-run relationship” among the variables.

5.3.5 Cumulative Sum (CUSUM) Test

Consider the regression model $y_t = x_t\beta + u_t, u_t \sim N(0, \sigma^2), t = 1, \dots, T,$

Where β is a $K \times 1$ unknown parameter vector. y_t is dependent variable with x_t is $1 \times K$ vector of independent variables. Let b_t be the ordinary least square estimate of β_t using the data Y_t and X_t . The recursive residual is defined as

$$\omega_t = \frac{y_t - x_t b_{t-1}}{\sqrt{1 + x_t(X_{t-1}X_{t-1})^{-1}x_t}}$$

The CUSUM test (Brown, Durbin, and Evans, 1975) “is based on the cumulative sum of the recursive residuals. This selection plots the cumulative sum together with the 5% critical lines. The test finds parameter instability if the cumulative sum goes out the area between the two critical lines. The CUSUM test is based on the statistic:

$$W_t = \sum_{r=k+1}^t W_r / S$$

$t=k+1 \dots \dots \dots T$

Where w is the recursive residual defined above, and ‘ s ’ is the standard error of the regression fixed to all T sample points. If the b vector remains constant from period to period, $E [Wt] = 0$, but if β changes, W_t will have a tendency to deviate from the zero mean value line. The implication of any departure from the zero line is measured by reference to a pair of 5% level of significance lines, the distance between which rises with t . The 5% significance lines are gotten by joining the points.”

$$[k, \pm 0.948 (T-k) 1/2] \text{ and } [T, \pm 3 \times 0.948(T-k) 1/2]$$

Movement of Wt outside the critical lines is indicative of instability.

5.3.6 Cumulative Sum of Square (CUSUMSQ) Test

The CUSUMSQ test (Brown, Durbin, and Evans, 1975) “is constructed on the test statistic

$$S_t = \sum_{r=k+1}^t W_r^2 / \sum_{r=k+1}^T W_r^2$$

The probable value of S under the hypothesis of parameter constancy is

$$E[S_t] = (t-k)/(T-k)$$

Which goes from zero at $t=k$ to unity at $t=T$. The significance of the departure of S from its possible value is measured by reference to a pair of parallel straight lines nearby the probable value.

The CUSUM of squares test provides a plot of S_t along and the pair of 5 percent critical lines. As with the CUSUM test, movement outer the critical lines is revealing of instability.”

So, the key aim of this part is to address the research questions below:

Do the key variables of OSCB used in this study have long-run cointegrating relationship with net profit, share capital, owned fund, reserve, investment, working capital, borrowing, cost of management, deposit and advance?

5.4 Null Hypothesis and Alternative Hypothesis

H₀: “There is no significant relationship between Share Capital and net profit of OSCB.

H₁: There is significant relationship between Share Capital and net profit of OSCB.

H₀: There is no significant relationship between Reserve and net profit of OSCB.

H₁: There is significant relationship between Reserve and net profit of OSCB.

H₀: There is no significant relationship between Owned Fund and net profit of OSCB.

H₁: There is significant relationship between Owned Fund and net profit of OSCB.

H₀: There is no significant relationship between Deposits and net profit of OSCB.

H₁: There is significant relationship between Deposits and net profit of OSCB.

H₀: There is no significant relationship between Borrowings and net profit of OSCB.

H₁: There is significant relationship between Borrowings and net profit of OSCB.

H₀: There is no significant relationship between Investment and net profit of OSCB.

H₁: There is significant relationship between Investment and net profit of OSCB.

H₀: There is no significant relationship between Advance and net profit of OSCB.

H₁: There is significant relationship between Advance and net profit of OSCB.

H₀: There is no significant relationship between Cost of Management and net profit OSCB.

H₁: There is significant relationship between Cost of Management and net profit of OSCB.

H₀: There is no significant relationship between Working Capital and net profit of OSCB.

H₁: There is significant relationship between Working Capital and net profit of OSCB”

5.5 Descriptive Statistics

Descriptive statistics is the discipline of quantitatively defining the characteristics of a data series. It gives simple summary of the variables and its measures. The descriptive statistics has been calculated in the log form of the variable.

Table No.5.1 Descriptive Statistics:

| | Ln Net Profit | Ln Share Capital | Ln Reserve | Ln Owned Fund | Ln Deposits | Ln Borrowings | Ln Investment | Ln Advance | Ln Cost of Management | Ln Working Capital |
|--------------------|---------------|------------------|------------|---------------|-------------|---------------|---------------|------------|-----------------------|--------------------|
| Mean | 3.89 | 5.69 | 6.13 | 6.74 | 7.91 | 8.09 | 7.2 | 8.6 | 3.68 | 8.8 |
| Median | 4.04 | 6.26 | 6.89 | 7.34 | 8.04 | 8.92 | 6.84 | 9.47 | 3.71 | 9.09 |
| Maximum | 14.06 | 9.94 | 10.45 | 10.84 | 13.15 | 13.39 | 13.1 | 13.08 | 13.5 | 13.74 |
| Minimum | -0.63 | 1.26 | -0.6 | 1.41 | 2.51 | 3.18 | 1.48 | 3.57 | -1.35 | 3.95 |
| Std. Dev. | 2.98 | 2.35 | 3.22 | 2.82 | 2.94 | 2.98 | 3.33 | 2.87 | 3.51 | 2.83 |
| Skewness | 1 | -0.22 | -0.43 | -0.3 | 0.02 | -0.05 | 0.19 | -0.18 | 0.47 | -0.03 |
| Kurtosis | 5 | 2.05 | 1.95 | 1.86 | 1.99 | 1.83 | 2.02 | 1.82 | 2.79 | 1.93 |
| Jarque-Bera | 21.99 | 3.01 | 5.09 | 4.56 | 2.84 | 3.82 | 3.04 | 4.16 | 2.52 | 3.15 |
| Probability | 0 | 0.22 | 0.08 | 0.1 | 0.24 | 0.15 | 0.22 | 0.12 | 0.28 | 0.21 |
| Sum | 256.9 | 375.62 | 404.38 | 444.68 | 521.76 | 534.24 | 475.15 | 567.76 | 243.09 | 580.47 |
| Observation | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 |

Source: Author’s Own Calculation.

It is seen from the table no. 5.1 that net profit is maximum 14.06 and minimum -0.63. It is also seen that there is not much variability in the variables as the value of “standard deviation” of the variables are small. Further is also seen that all the variables are normally distributed except net profit. By seeing the value of kurtosis, we can reach the conclusion that no variable is symmetry in nature. The average net profit the study period is 3.89. The average share capital, reserve, owned fund deposits, borrowings, investments, advances, cost of management and working capital is 5.96, 6.13, 6.74, 7.91, 8.09, 7.20, 8.60, 3.68 and 8.80 respectively.

For evaluating symmetry in a distribution skewness is used. If the value of skewness is zero, the distribution is symmetric and satisfies the second significant condition for normality. If

the value of skewness is positive and large, the distribution will have a right tail, and if the value of skewness is negative and large, the distribution will have a left tail. The variables profit, deposits, investments and cost of management are positively skewed. The Share Capital, Reserve, Owned Fund, Borrowings, Advance and Working Capital are negatively skewed. In the case of normal distribution the value of kurtosis is equal to three. It is seen that no variables is normally distributed.

5.6 Pair-Wise Correlation

The correlation matrix also shows the degrees of relationship between explanatory variables. Figures in the brackets are the P-Value which shows the level of significance.

Pair-wise correlation shows the relationship between two variables. It presents all possible pair-wise correlations, has 1.00 s on the diagonal, and is symmetric (the values shown below the diagonal also appear above the diagonal). The figures in the brackets shown are the P-values of pair-wise correlation test. It presents that there is a significant coorelation between the variables.

Table No.5.2 Pairwise Correlation:

| Probability | Ln Net Profit | Ln Share Capital | Ln Reserve | Ln Owned Fund | Ln Deposits | Ln Borrowings | Ln Investment | Ln Advance | Ln Cost of Management | Ln Working Capital |
|------------------------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------------|--------------------|
| Ln Net Profit | 1.00 | | | | | | | | | |
| Ln Share Capital | 0.84 (0.00) | 1.00 | | | | | | | | |
| Ln Reserve | 0.88 (0.00) | 0.98 (0.00) | 1.00 | | | | | | | |
| Ln Owned Fund | 0.89 (0.00) | 0.99 (0.00) | 0.99 (0.00) | 1.00 | | | | | | |
| Ln Deposits | 0.88 (0.00) | 0.99 (0.00) | 0.97 (0.00) | 0.98 | 1.00 | | | | | |
| Ln Borrowings | 0.92 (0.00) | 0.97 (0.00) | 0.97 (0.00) | 0.98 (0.00) | 0.97 (0.00) | 1.00 | | | | |
| Ln Investment | 0.92 (0.00) | 0.97 (0.00) | 0.97 (0.00) | 0.98 (0.00) | 0.99 (0.00) | 0.98 (0.00) | 1.00 | | | |
| Ln Advance | 0.91 (0.00) | 0.98 (0.00) | 0.98 (0.00) | 0.99 (0.00) | 0.97 (0.00) | 0.99 (0.00) | 0.98 (0.00) | 1.00 | | |
| Ln Cost of Management | 0.96 (0.00) | 0.91 (0.00) | 0.94 (0.00) | 0.95 (0.00) | 0.93 (0.00) | 0.97 (0.00) | 0.96 (0.00) | 0.96 (0.00) | 1.00 | |
| Ln Working Capital | 0.77 (0.00) | 0.99 (0.00) | 0.95 (0.00) | 0.96 (0.00) | 0.97 (0.00) | 0.94 (0.00) | 0.93 (0.00) | 0.95 (0.00) | 0.85 (0.00) | 1.00 |

Source: Author's Own Calculation.

5.7 Model Specification

The common specification below has been employed in this analysis to study the empirical effect of the share capital, reserve, owned fund, deposit, borrowing, investment, advances, cost of management and working capital on the dependent variable net profit.

Net Profit=f (Share Capital, Reserve, Owned Fund, Deposits, Borrowings, Investment, Advances, Cost of Management, Working Capital)

Net Profit= $\alpha_0 + \alpha_1$ Share Capital + α_2 Reserve + α_3 Owned Fund + α_4 Deposits + α_5 Borrowings + α_6 Investment + α_7 Advances + α_8 Cost of Management + α_9 Working Capital + ε_t eq. (1)

ARDL equation

$$\begin{aligned} \Delta \ln NP_t = & \alpha_0 + \sum_{i=1}^{k_1} \beta_{1i} \Delta \ln NP_{t-i} + \sum_{i=1}^{k_2} \beta_{2i} \Delta \ln SC_{t-i} + \sum_{i=1}^{k_3} \beta_{3i} \Delta \ln R_{t-i} \\ & + \sum_{i=1}^{k_4} \beta_{4i} \Delta \ln OF_{t-i} + \sum_{i=1}^{k_5} \beta_{5i} \Delta \ln D_{t-i} + \sum_{i=1}^{k_6} \beta_{6i} \Delta \ln B_{t-i} + \sum_{i=1}^{k_7} \beta_{7i} \Delta \ln I_{t-i} \\ & + \sum_{i=1}^{k_8} \beta_{8i} \Delta \ln A_{t-i} + \sum_{i=1}^{k_9} \beta_{9i} \Delta \ln CM_{t-i} + \sum_{i=1}^{k_{10}} \beta_{10i} \Delta \ln WC_{t-i} + \lambda_1 \ln NP_{t-1} \\ & + \lambda_2 \ln SC_{t-1} + \lambda_3 \ln R_{t-1} + \lambda_4 \ln OF_{t-1} + \lambda_5 \ln D_{t-1} + \lambda_6 \ln B_{t-1} \\ & + \lambda_7 \ln I_{t-1} + \lambda_8 \ln A_{t-1} + \lambda_9 \ln CM_{t-1} + \lambda_{10} \ln WC_{t-1} + U_{1t} \end{aligned}$$

Note: NP: Net Profit, SC: Share Capital, R: Reserve, OF: Owned Fund, D: Deposits, I: Investment, B: Borrowings, A: Advances, CM: Cost of Management, WC: Working Capital, U_{it} : disturbance term

5.8 Stationarity Test

Before conducting the co-integration test, we must ensure that the variables under the study have not been integrated at an order greater than one.

The table no 5.3 shows the stationary table of the variable under study. The figures are t value of Augmented Dickey-Fuller (ADF) test and adjusted t value of Phillips-Perron(PP) stationary test. The results presents that all the variables are not “stationary” at levels. The next procedure is to differentiate the variables once to conduct “stationary tests” on differenced variables. The outcome indicates that all the remaining variables were definitely to be stationary after differencing the variables once. It would be better to conclude that all the variables employed in this research work are integrated in difference stationary I (1).” So the study uses ARDL approach to co-integration.

Table No.5.3 Stationarity Test:

| Variable | ADF | | PP (Adj t-stat) | |
|-------------------------|------------|-------------|-----------------|-------------|
| | C | C+T | C | C+T |
| Ln Net Profit | 0.7269 | -1.5945 | 0.9958 | -1.5945 |
| Δ Ln Net Profit | -8.2239*** | -8.3857*** | -8.2238*** | -8.3852*** |
| Ln Share Capital | -1.583862 | -1.925320 | -1.962612 | -1.405743 |
| Δ Ln Share Capital | -3.3391** | -3.541730** | -7.750355* | -8.038483* |
| Ln Reserve | -3.178011 | -1.814353 | -3.283646** | -1.826592 |
| Δ Ln Reserve | -8.578948* | -9.436721* | -8.531843* | -9.344217* |
| Ln Owned Fund | -1.865570 | -0.889284 | -2.620675***- | 0.722578 |
| Δ Ln Owned Fund | -5.195005* | -5.562368* | -5.567357* | -5.567357* |
| Ln Deposit | -1.597743 | 2.322566 | -1.642285 | -2.434347 |
| Δ Ln Deposit | -8.765511* | -8.938580* | -8.750701* | -8.920346* |
| Ln Borrowing | 0.039239 | -2.165642 | -0.073006 | -2.713076 |
| Δ Ln Borrowing | -7.111691* | -7.075540* | -7.190011* | -7.159471* |
| Ln Investment | 0.007200 | -1.662523 | 0.011547 | -1.704187 |
| Δ Ln investment | -7.851497* | -7.787175* | -7.851255* | -7.786820* |
| Ln Advance | -0.761385 | -4.571769* | -0.820418 | -4.724185* |
| Δ Ln Advance | -12.66603* | -12.58051* | -14.00003* | -13.96906* |
| Ln Cost of Management | 1.274702 | -1.544274 | 1.488174 | -1.544274 |
| Δ Ln Cost of Management | -1.816592 | -1.918109 | -8.466686* | -8.772478* |
| Ln Working Capital | -1.684177 | -0.574997 | -1.687010 | -0.724861 |
| ΔLn Working Capital | -7.707868* | -7.993643* | -7.707804* | -7.993643** |

“ Δ denotes the first difference of the series. L implies that the variables have been transformed in natural logs.”

*, ** and *** shows significant at “1, 5 and 10 percent level of significance”, respectively.

τ Value -3.5401, -2.9092, and -2.5922 for 1%, 5% and 10% respectively.

Source: Author’s own estimation

5.9 VAR Lag Order Selection Criteria

The next step is the selection of optimum lag length of the model. Furthermore, to stationarity test, this is also essential to determine suitably the optimum “lag order” of the model which will indicate that the error terms are not sequentially interrelated. Accordingly, “the lag order should be to overcome parameterization problems” (Narayan, 2005; Pesaran, 2001). This criteria is high enough which indicates that the conditional ECM is not subject by various criterions appropriate to the models (Table No.5.4) using 5 maximum lags in the model. The result of table shows that “the optimal lag length is 5 based on LR, FPE, AIC, SC and HQ.”

Table No.5.4 Lag Order Selection Criteria

| Lag | LogL | LR | FPE | AIC | SC | HQ |
|-----|----------|-----------|-----------|------------|------------|------------|
| 0 | -314.997 | NA | 2.01e-08 | 10.65565 | 11.00170 | 10.79127 |
| 1 | 242.9002 | 914.5861 | 6.31e-15 | -4.35738 | -0.550889 | -2.865582 |
| 2 | 368.3058 | 164.4664 | 3.54e-15 | -5.19036 | 2.076588 | -2.342372 |
| 3 | 477.6439 | 107.5457 | 5.50e-15 | -5.49652 | 5.230870 | -1.292356 |
| 4 | 677.6993 | 131.1839 | 1.26e-15 | -8.77703 | 5.410813 | -3.21668 |
| 5 | 1302.656 | 204.9039* | 4.16e-21* | -25.98873* | -8.340437* | -19.07220* |

* shows the “lag order” chosen by criterion

LR: “sequential modified LR test statistic” (each test at 5% level), FPE: “Final prediction error”

AIC: “Akaike information criterion”, SC: “Schwarz information criterion”, HQ: “Hannan-Quinn information criterion”

Source: Author’s own estimation

5.10 Bounds Testing Procedure

For the empirical analysis, “ARDL bounds test” is used to find out the integration among the variables under study. Before going for co- integration test, Correlation, ADF and PP unit root test has been conducted to verify the “stationarity” of the variables, then lag length criteria has been employed to know the maximum lag appropriate for the model. After using bounds test, “short run and the long run” dynamic relationship are estimated.

Table No. 5.5 ARDL Bounds Test Result

| Significance | I0 Bound | I1 Bound |
|--------------|----------|----------|
| 10% | 1.88 | 2.99 |
| 5% | 2.14 | 3.3 |
| 2.50% | 2.37 | 3.6 |
| 1% | 2.65 | 3.97 |
| F-statistic | 5.020306 | |

Source: Author’s own estimation from secondary data

The F-Statistics verifies that “the joint null hypothesis that the coefficients of lagged level variables in the equation (1) are zero.” Table No. 5.5, shows the outcome of the “F-Statistics”. The result indicates the calculated “F-statistics” is 5.020306. So the estimated “F-statistics” appears to be greater than the “upper-bound critical value” at the level of 5 percent level. This shows that there is a “co-integrating” relationship among the variables included in the model, i.e. net profit, share capital, reserve, owned fund, deposits, borrowings, investment, advance, cost of management and working capital.

5.11 Estimated Short Run Coefficients using ARDL Approach

The short-run relation of the macroeconomic variables of Odisha State Co-operative Bank is presented in Table No.5.6.

Owned fund, advances and working capital are statistically significant in short run at 1% level of significance. Share capital, borrowing and reserve is statistically significant at 5 % and 10% in “short run” respectively. The “short run” adjustment process is analysed from the “ECM coefficient”. The coefficient remains between “0” and “-1”, the equilibrium is congregating to the “long run” equilibrium pathway, while being responsive to exogenous shocks. The coefficient of the “lagged error-correction” term (-0.446) is significant at the 1% level of significance. The coefficient suggests that a digression from the equilibrium level of net profit in the current period will be made up by 44.6 % in the coming period to resort to the equilibrium.

It is also seen that “error correction term” is statistically significant for specification with net profit as the dependent variable which shows that there exists a “long-run” causal relationship between the variable with net profit.

Table No.5.6: “Estimated Short Run Coefficients using ARDL Approach:

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|--|-------------|------------|-------------|-------|
| $\Delta(\text{Ln Net Profit}(-1))$ | -0.528* | 0.180 | -2.941 | 0.005 |
| $\Delta(\text{Ln Net Profit}(-2))$ | 0.501* | 0.130 | 3.847 | 0.000 |
| $\Delta(\text{Ln Share Capital})$ | -1.113** | 0.510 | -2.182 | 0.034 |
| $\Delta(\text{Ln Reserve})$ | -0.641*** | 0.368 | -1.742 | 0.088 |
| $\Delta(\text{Ln Owned Fund})$ | 2.882* | 1.036 | 2.783 | 0.008 |
| $\Delta(\text{Ln Deposit})$ | 0.257 | 0.327 | 0.785 | 0.437 |
| $\Delta(\text{Ln Borrowing})$ | -0.734* | 0.275 | -2.667 | 0.011 |
| $\Delta(\text{Ln Borrowing}(-1))$ | -0.425** | 0.212 | -2.008 | 0.051 |
| $\Delta(\text{Ln Investment})$ | 0.049 | 0.188 | 0.262 | 0.795 |
| $\Delta(\text{Ln Advance})$ | 1.427* | 0.261 | 5.459 | 0.000 |
| $\Delta(\text{Ln Cost of Management})$ | -0.076 | 0.180 | -0.419 | 0.677 |
| $\Delta(\text{Ln Working Capital})$ | -1.107*** | 0.209 | -5.291 | 0.000 |
| CointEq(-1) | -0.446* | 0.123 | -3.637 | 0.001 |

*, ** and *** indicate significant at 1, 5 and 10 percent level of significance, respectively.”

Source: Author’s Own Calculation

5.12 Estimated Long Run Coefficients using ARDL Approach

The second phase is to calculate the “short-run and long-run” calculation of ARDL test. The “long run” outcomes are shown in Table No.5.7.

The results demonstrate that a rise in share capital has negative effect on net profit. This suggests that share capital is negatively affecting net profit, which shows that with the increase in share capital, net profit is decreasing. The coefficient is negatively related. The cause may be that when the beneficiaries withdraw their share capital after repayment of their crop loan which is short term in nature, the profit will decline significantly. It means the share capital affects the profit negatively both in “long run and short run” and is consistent with the expected sign.

The coefficient of working capital and advance are statistically significant at 1%. The coefficient of deposit is significant at 5 % and the coefficient of share capital is statistically significant at 10%. This is obvious from the table that 1% rise in working capital and advances leads to -2.482 %, and 3.200% respectively, increase in net profit. It contradicts the idea of the study given by Hassan and Bashir (2003). Further, 1% rise in deposit will lead to rise in 1.527 of net profit. Again 1% increase in share capital will precipitate to rise in -2.495 % of net profit.

Table No. 5.7: Estimated Long Run Coefficients using ARDL Approach

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|-----------------------|-------------|------------|-------------|-------|
| LN Share Capital | -2.495*** | 1.475 | -1.691 | 0.094 |
| Ln Reserve | -1.437 | 0.943 | -1.524 | 0.135 |
| Ln Owned Fund | 2.031 | 1.730 | 1.174 | 0.246 |
| Ln Deposit | 1.527** | 0.714 | 2.139 | 0.038 |
| Ln Borrowing | 0.401 | 0.401 | 1.000 | 0.323 |
| Ln Investment | 0.110 | 0.424 | 0.261 | 0.796 |
| Ln Advance | 3.200* | 1.287 | 2.486 | 0.017 |
| Ln Cost of Management | -0.169 | 0.402 | -0.421 | 0.676 |
| Ln Working Capital | -2.482* | 0.740 | -3.356 | 0.002 |
| C | -7.564 | 3.308 | -2.286 | 0.027 |

“Note: * indicate significant at the 1 %, ** indicates 5% and *** indicates 10% level of significance.”

Source: Author’s own estimation

The estimated outcome presents that coefficient of reserve is negative, but insignificant in “long run”. But the coefficient sign is consistent with the expected sign. This implies that reserve has not been effective in influencing net profit of OSCB for the study period. The generating reserve fund is to make use of the same during unanticipated or unforeseen losses of the bank and not for use as the working funds of the bank. It means profit affects the reserve of the OSCB. The OSCB only can keep the reserve only after getting substantial profit only.

The coefficient of owned fund is insignificant and positive in long run and is not affecting the net profit of the Odisha State Co-operative Bank. But it is significant in short run. It affects the profit of OSCB in “short run” not in “long run”. The owned funds of OSCB comprise the “share capital” gotten from the members and the capitals contributed by the state government and the reserves created out of profits. As these are interest free capitals, OSCB should endeavor to rise these funds to get a reasonable share in total working capital.

The outcomes also indicate that the “long run” relation that may exist between borrowing and net profit is insignificant for the study period. It means borrowing does not affect the net profit of the OSCB for the survey period. Borrowing is a prodigal source of fund, related with owned

funds and deposits. The maximum level of borrowing is because of the high level of loaning operations and weak recovery performance.

Similarly, the investment's coefficient is positive but insignificant which shows the investment of OSCB does not affect the profit in the long run. It contradicts the idea of Elsiefy (2013). Generally when the investment of the co-operative banks increases, the profit should increase. One bank does investment keeping in mind the good return from it.

The result of long run estimation has shown that the coefficient of working capital is significant and negative at the 1% level. It indicates that working capital has a negative and significant relation with net profit of OSCB. It is statistically significant both in "short run and long run". This suggests that working capital is negatively affecting net profit, which indicates that with the increase in working capital, net profit is decreasing. Total funds required by a co-operative bank on such factors as size of business, kind of services it offers, types of physical facilities it needed, nature of rivalry it encounters and the extent of uncertainty it takes in the daily activities of its functioning. The magnitude of the working capital and its appropriate controlling have a positive outcome on the size of business and thus it contributes to total profitability. But in case of OSCB it is negatively insignificant. It may be the cause the bank does not have adequate control over the working capital.

The coefficient of cost of management is insignificant but positive, which indicates there is insignificant relationship between cost of management and net profit.

The outcomes are consistent for share capital in both "long run and short run". The results are inconsistent for reserve in both "short run and long run". In short run it is negatively affects the profit of the OSCB. It is also theoretically true. When the reserve ratio of co-operative bank increases, the loan, advance and investment decreases. It leads to decrease in net profit. Comparing "long run" coefficients with that of "short run" ECM coefficients ensures that the directions of relationships among the variables are managed. It is also found that advance and working capital are significant in both "long run" and "short run" with the expected sign. These two variables have maintained consistency in both "short and long run". Interestingly deposit is significant in long run only.

5.13 Diagnostic Tests

Table No.5.8 Diagnostic Tests

| Breusch-Godfrey Serial Correlation LM Test: | | | |
|---|----------|---------------------|-------------|
| F-statistic | 1.13997 | Prob. F(2,44) | 0.3291 |
| Obs*R-squared | 3.10364 | Prob. Chi-Square(2) | 0.2119 |
| Heteroscedasticity Test: ARCH | | | |
| F-statistic | 0.33585 | Prob. F(1,60) | 0.5644 |
| Obs*R-squared | 0.34511 | Prob. Chi-Square(1) | 0.5569 |
| Ramsey RESET Test | | | |
| | Value | df | Probability |
| t-statistic | 1.108192 | 45 | 0.2737 |
| F-statistic | 1.228089 | (1, 45) | 0.2737 |

Source: Author’s own estimation”

From the estimated table it is seen that there is no “serial correlation” and heteroscedasticity problem since the probability of Chi-Square value of “Breusch-Godfrey Serial Correlation LM Test” and “Heteroscedasticity Test (ARCH)” are 0.2119 and 0.5569 respectively. The Ramsey RESET test indicates without specification problem in this model.

5.14 Plots of Stability Test

In the present study, the CUSUM and the CUSUMSQ tests have been followed to examine the steadiness of a “long run and short run” parameters. The CUSUM and the CUSUMSQ plots (Figure 5.1) are between critical boundaries at 5% level of significance. This ensures the stability property of the “long run and short run” parameters has an effect on performance of the OSCB. This ensures that model is steady and appropriate.

Figure No. 5.1 CUSUM Test

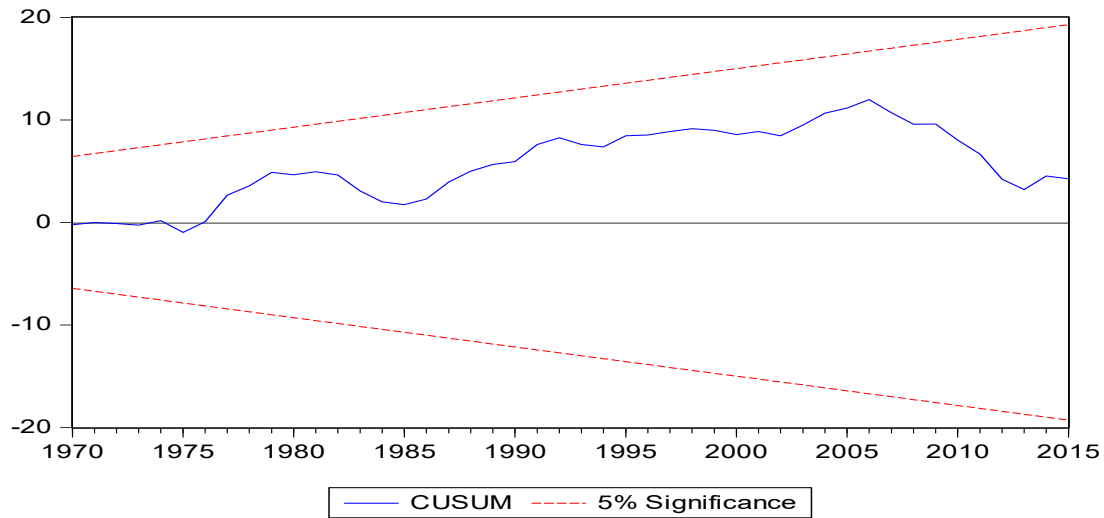
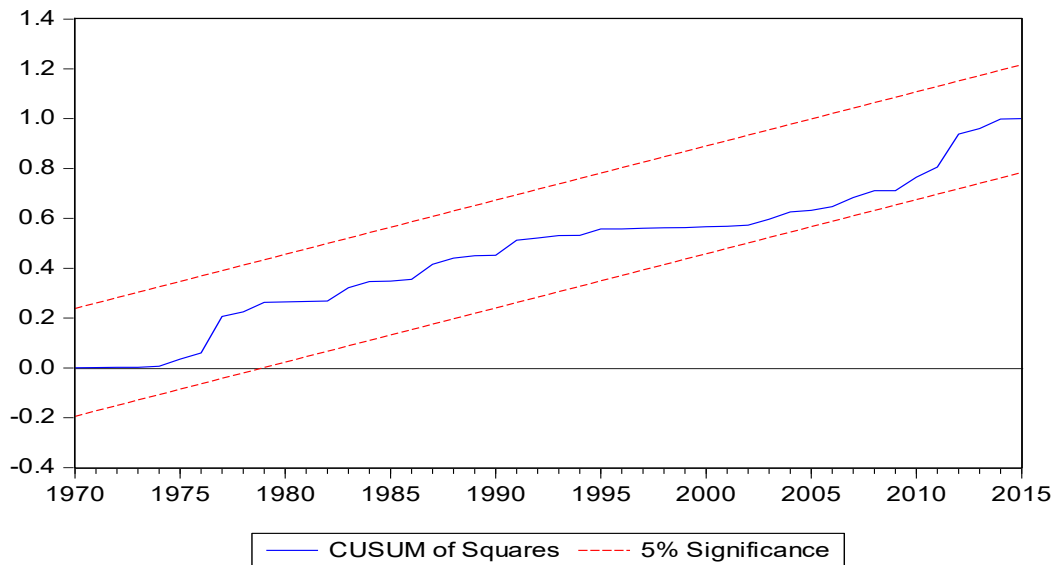


Figure No. 5.2 CUSUMSQ Test



5.15 Conclusion:

Owned fund, borrowing, advance and working capital are statistically significant in “short run” at 1% level of significance. Share capital and reserve is statistically significant at 5 % and 10% respectively in short run.

The “short run” adjustment procedure is studied from the “ECM coefficient”. The coefficient remains between “0” and “-1”, the equilibrium is congregating to the “long run” equilibrium

pathway, is responsive to any exogenous shocks. But, if the value is positive, the equilibrium will diverge from the estimated values of ECM test. The coefficient of the “lagged error-correction term” (-0.446) is significant at the 1% level of significance. There is a congregation to “long run” equilibrium path upon external shock.

The coefficient of working capital and advances are significant at 1%. The coefficient of deposit is statistically significant at 5 % and the coefficient of share capital is significant at 10%. The estimated result presents that coefficient of reserve is negative, but not significant in “long run”.

CHAPTER VI

EMPIRICAL TESTING OF DETERMINANTS OF PROFIT OF DCCBs

6.0 Introduction

There are two parts in this chapter. In the first part, profitability is analysed for the pooled data of all DCCBs using panel data analysis. In the second part, we focus on profitability of one such DCCB, namely Balasore Bhadrak Central Co-operative Bank.

6.1 Profitability Analysis of DCCBs Pooled Data Panel Regression

6.1.1 A Brief Introduction to Panel Data Model Analysis

This analysis is a technique of analysing a specific subject within multiple series, from time to time inspected over a specific time span. Panel analysis has facilitated researchers to carry out longitudinal analyses in an extensive range of fields within the social sciences. This analysis provides a “regression analysis” with both a temporal and spatial dimension. The spatial dimension relates to a set of cross-sectional units of observation. These could be groups of people, firms, states, countries, commodities, or even individuals. The temporal dimension relates to a set of variables’ periodic observations generalizing these cross-sectional units over a specific time period.

Panel data, also named cross-sectional time series data or longitudinal data, are data where multiple cases (firms, countries, people, etc) were witnessed at more than two time periods. “There are two types of information in cross-sectional time-series data: the cross-sectional information reflected in the differences between subjects, and the time-series or within-subject information reflected in the changes within subjects over time. Panel data regression techniques let you to take advantage of these different types of information” (Stock & Watson, 2003).

There are different types of panel data analytic models. There are “constant coefficients models”, “fixed effects models”, and “random effects models”.

In this chapter, an effort has been made to analyse the effects of different variables on the profitability of a DCCBs consolidated. For the analysis, the methodology used is that of “Panel Regression” which is pertinent when there are data for a specific period for each of the units

being considered. So, it is relevant to the present study as the seventeen DCCBs which have been considered.

6.1.2 Data Source and Variables

This analysis has been done on secondary quantitative data and on panel dataset which is covering 17 District Central Co-operative Banks in Odisha over the period of 1993-94 to 2014-15. The banks are Anugul DCCB, Aska DCCB, Balasore Bhadrak DCCB, Bank DCCB, Berhampur DCCB, Bhawanipatana DCCB, Balangir DCCB, Boudh DCCB, Cuttack DCCB, Keonjhar DCCB, Khurdha DCCB, Koraput DCCB, Mayurbhanj DCCB, Nayagarh DCCB, Sambalpur DCCB and Puri-Nimapada DCCB. Data has been taken from different annual reports of BBCCB.

The explanatory variables are share capital, reserves, owned funds, deposits, borrowings, advances, cost of management, working capital, income, per employee business and expenditure while Net Profit is the dependent variable. Investment of all the DCCBs consolidated could not be included due to unavailability of data, which was a variable in time series data analysis of OSCB. On the other hand new variables like income, per employee business and expenditure of the DCCBs consolidated have been included for the analysis.

6.1.3 Methodology

The methodology employed for the empirical analysis on this study involves Panel Regression (Fixed Effect and Random Effect Model). In order to use the obtainable data, this technique seems to be relevant. Moreover, for complete use of the data, this technique also has much significant advantages. There are various bank-specific and time-specific effects that are observable in an analysis of this kind and thus picked up by the variables followed in this panel data analysis. To know the suitable model between fixed effect and random effect model Hausman test has been used in this analysis.

The empirical relationship among share capital, reserves, owned funds, deposits, borrowings, advances, cost of management, working capital, income, per employee business expenditure and net profit is analysed through panel regression analysis, by “Random Effect” and “Fixed Effect model”. In the “Fixed Effect model” analysis the banks are assumed to be heterogeneous and time period is homogeneous. In the “Random Effect model”, it is assumed

that banks are heterogeneous and time period is homogeneous. Twelve variables are used for the analysis. The indicators related to banking are considered as the major pull factors of net profit of all seventeen DCCBs consolidated. With the purpose of having the best combination of explanatory variables for the determinants of net profit, various alternatives combinations of variables were taken into consideration.

6.1.3.1 Hausman Test

This test is “a standard technique used in empirical panel data analysis in order to differentiate between the Random Effect model and Fixed Effect Model. The common set up can be stated as follows. Suppose that we have two estimators for a certain parameter β of dimension $K \times 1$. One of them, $\widehat{\beta}_r$ is robust, i.e. consistent under both the null hypothesis H_0 and the alternative H_1 . The other, $\widehat{\beta}_e$ is efficient and consistent under H_0 but inconsistent under H_1 . The dissimilarity between the two is then used as the basis for testing. Hausman, (1978) demonstrates that, under proper assumptions, under H_0 the statistic h based on $(\widehat{\beta}_R - \widehat{\beta}_E)$ has a limiting chi-squared distribution:

$$h = (\widehat{\beta}_r - \widehat{\beta}_e)' [\widehat{Var}(\widehat{\beta}_r - \widehat{\beta}_e)]^{-1} (\widehat{\beta}_r - \widehat{\beta}_e) \sim \chi_K^2$$

If this statistic lies in the upper tail of the chi-square distribution we reject H_0 : If the variance matrix is consistently estimated, the test will have power against any alternative under which $\widehat{\beta}_r$ is robust and $\widehat{\beta}_e$ is not.” (Hausman, 1978)

6.1.4 Fixed Effect Model Specification

$$\begin{aligned} \text{Net Profit}_{it} = & \alpha_i + \beta_1 \text{Share Capital}_{it} + \beta_2 \text{Reserve}_{it} + \beta_3 \text{Owned Fund}_{it} + \beta_4 \text{Deposit}_{it} \\ & + \beta_5 \text{Borrowings}_{it} + \beta_6 \text{Advance}_{it} + \beta_7 \text{Cost of Management}_{it} \\ & + \beta_8 \text{Working Capital}_{it} + \beta_9 \text{Per Employee Business}_{it} \\ & + \beta_{10} \text{Total Expenditure}_{it} + \beta_{11} \text{Income}_{it} + U_{it} \end{aligned}$$

Where α_i is a bank fixed effect term which seizes time-invariant affects particular to bank i .

Where (t) is period of time 1993-94 to 2014-15 and (i) is the index number of i^{th} banks.

6.1.5 Random Effect Model Specification

$$\begin{aligned} \text{Net Profit}_{it} = & \alpha_0 + \beta_1 \text{Share Capital}_{it} + \beta_2 \text{Reserve}_{it} + \beta_3 \text{Owned Fund}_{it} + \beta_4 \text{Deposit}_{it} \\ & + \beta_5 \text{Borrowings}_{it} + \beta_6 \text{Advance}_{it} + \beta_7 \text{Cost of Management}_{it} \\ & + \beta_8 \text{Working Capital}_{it} + \beta_9 \text{Per Employee Business}_{it} \\ & + \beta_{10} \text{Total Expenditure}_{it} + \beta_{11} \text{Income}_{it} + \varepsilon_{it} + U_{it} \end{aligned}$$

Where ε_{it} is random effect term.

6.1.6 Null Hypothesis and Alternative Hypothesis

$$H_0: \beta_1=0 \text{ Vs } H_1: \beta_1 \neq 0$$

$$H_0: \beta_2=0 \text{ Vs } H_1: \beta_2 \neq 0$$

$$H_0: \beta_3=0 \text{ Vs } H_1: \beta_3 \neq 0$$

$$H_0: \beta_4=0 \text{ Vs } H_1: \beta_4 \neq 0$$

$$H_0: \beta_5=0 \text{ Vs } H_1: \beta_5 \neq 0$$

$$H_0: \beta_6=0 \text{ Vs } H_1: \beta_6 \neq 0$$

$$H_0: \beta_7=0 \text{ Vs } H_1: \beta_7 \neq 0$$

$$H_0: \beta_8=0 \text{ Vs } H_1: \beta_8 \neq 0$$

$$H_0: \beta_9=0 \text{ Vs } H_1: \beta_9 \neq 0$$

$$H_0: \beta_{10}=0 \text{ Vs } H_1: \beta_{10} \neq 0$$

$$H_0: \beta_{11}=0 \text{ Vs } H_1: \beta_{11} \neq 0$$

6.1.7 Descriptive Statistics

Descriptive statistics are followed to explain the fundamental characteristics of the data in a study. It is seen from the table no. 6.1 that none of the variables are symmetric in nature. Profit is only variable which is negatively skewed and other variables are positively skewed. The value of standard deviation is very high which means there is high dispersion in the variables. The mean lays between maximum and minimum of the variables.

Table No. 6.1 Descriptive Statistics

| | Profit | Share Capital | Total Reserve | Owned Fund | Deposit | Borrowing | Loan and Advance | Cost of Management | Working Capital | Per Employee Business | Total Expenditure | Income |
|--------------|-----------|---------------|---------------|------------|-----------|-----------|------------------|--------------------|-----------------|-----------------------|-------------------|----------|
| Mean | -6.73 | 1564.42 | 430.68 | 1976.31 | 14061.48 | 9112.49 | 16323.25 | 360.38 | 28251.45 | 207.64 | 2317.06 | 2313.05 |
| Median | 10.68 | 978.21 | 115.91 | 1176.68 | 7377.19 | 4836.64 | 9353.84 | 237.89 | 14546.4 | 112.56 | 1372.14 | 1351.23 |
| Maximum | 4037 | 1528.268 | 8595.8 | 21381.16 | 12194.7.1 | 10164.7.4 | 13939.2.6 | 1856.53 | 24877.5.3 | 1292.96 | 16662.84 | 16188.22 |
| Minimum | -1095.6.3 | 91.3 | -20.23 | 114.38 | 118.45 | 142.52 | 113.5 | 43.48 | 297.12 | 7.99 | 153.32 | 80.72 |
| Std. Dev. | 768.61 | 2055.43 | 949.52 | 2768.6 | 17910.66 | 13108.72 | 20236.35 | 343.95 | 37469.67 | 238.49 | 2693.9 | 2676.11 |
| Skewness | -8.42 | 3.56 | 4.65 | 3.66 | 2.59 | 3.77 | 2.85 | 2.18 | 2.96 | 2.07 | 2.55 | 2.56 |
| Kurtosis | 121.16 | 18.38 | 28.82 | 19.09 | 11.17 | 20.58 | 13.25 | 8.22 | 13.69 | 7.67 | 10.53 | 10.74 |
| Jarque-Bera | 2202.04.8 | 4436.17 | 11639.33 | 4833.33 | 1447.56 | 5655.41 | 2126.81 | 714.06 | 2308.93 | 601.02 | 1277.57 | 1332.04 |
| Probability | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Observations | 371 | 371 | 371 | 371 | 371 | 371 | 371 | 371 | 371 | 371 | 371 | 371 |

Source: Author's Own Calculation.

6.1.8 Pair-wise Correlation

Pair-wise Correlation shows the relationship between the two variables. Correlation Matrix presents all possible pair-wise correlations, has 1.00s on the diagonal, and is symmetric. The figures in the brackets shown are the P- values of pair-wise correlation test. It presents whether there is a significant relationship between the variables or not.

Table No. 6.2 Pair-wise Correlation

| | Profit | Share Capital | Total Reserve | Owned Fund | Deposit | Borrowing | Loan and Advance | Cost of Management | Working Capital | Per Employee Business | Total Expenditure | Income |
|---------------|----------------|----------------|---------------|------------|---------|-----------|------------------|--------------------|-----------------|-----------------------|-------------------|--------|
| Probability | | | | | | | | | | | | |
| Profit | 1.00 | | | | | | | | | | | |
| Share Capital | 0.09 (0.07) | 1.00 | | | | | | | | | | |
| Total Reserve | 0.02 (0.75) | 0.75 (0.00) | 1.00 | | | | | | | | | |
| Owned Fund | 0.06 | 0.98 | 0.86 | 1.00 | | | | | | | | |

| | | | | | | | | | | | | |
|-----------------------|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------|
| | (0.2 3) | (0.0 0) | 0.00 | | | | | | | | | |
| Deposit | 0.02 (0.6 3) | 0.92 (0.0 0) | 0.74 (0.0 0) | 0.91 (0.0 0) | 1.00 | | | | | | | |
| Borrowing | 0.11 (0.0 4) | 0.96 (0.0 0) | 0.75 (0.0 0) | 0.95 (0.0 0) | 0.93 (0.0 0) | 1.00 | | | | | | |
| Loan and Advance | 0.04 (0.4 1) | 0.96 (0.0 0) | 0.77 (0.0 0) | 0.95 (0.0 0) | 0.96 (0.0 0) | 0.97 (0.0 0) | 1.00 | | | | | |
| Cost of Management | 0.01 (0.8 0) | 0.89 (0.0 0) | 0.71 (0.0 0) | 0.89 (0.0 0) | 0.95 (0.0 0) | 0.90 (0.0 0) | 0.94 (0.0 0) | 1.00 | | | | |
| Working Capital | 0.06 (0.2 8) | 0.96 (0.0 0) | 0.77 (0.0 0) | 0.95 (0.0 0) | 0.99 (0.0 0) | 0.98 (0.0 0) | 0.98 (0.0 0) | 0.95 (0.0 0) | 1.00 | | | |
| Per Employee Business | 0.07 (0.2 0) | 0.74 (0.0 0) | 0.66 (0.0 0) | 0.75 (0.0 0) | 0.78 (0.0 0) | 0.76 (0.0 0) | 0.75 (0.0 0) | 0.70 (0.0 0) | 0.79 (0.0 0) | 1.00 | | |
| Total Expenditure | - 0.20 (0.0 0) | 0.89 (0.0 0) | 0.72 (0.0 0) | 0.89 (0.0 0) | 0.94 (0.0 0) | 0.89 (0.0 0) | 0.93 (0.0 0) | 0.92 (0.0 0) | 0.94 (0.0 0) | 0.74 (0.0 0) | 1.00 | |
| Income | 0.07 (0.1 8) | 0.93 (0.0 0) | 0.72 (0.0 0) | 0.92 (0.0 0) | 0.97 (0.0 0) | 0.94 (0.0 0) | 0.96 (0.0 0) | 0.94 (0.0 0) | 0.97 (0.0 0) | 0.76 (0.0 0) | 0.96 (0.0 0) | 1.0 0 |

Source: Author's Own Calculation.

6.1.9 Hausman Test

At the first step better estimator must be selected between “Fixed Effect model” and “Random Effect model” for this purpose, “Hausman test” is applied for selecting the better model. The Hausman test is also applied to select between a “Fixed Effect model” and a “Random Effect model”. The insignificant value of the test indicates that a “Random Effect model” is more suitable.

Table No. 6.3 Hausman Test

| | |
|-------------------|----------|
| Chi-Sq. Statistic | 3.774280 |
| Prob. | 0.9761 |

Source: Author's Own Estimation

H0 = the “Random Effect model” is consistent in comparison to the “Fixed Effect model”. If the p-value of this test is less than 0.05, the H0 will be turned down, that means the “Fixed Effect model” gives better results than the “Random Effect model” and vice versa.

H0: “Random Effect model” is suitable model for estimating the determinants of profit of all DCCBs as a whole in Odisha.

H1: “Fixed Effect model” is suitable model for estimating the determinants of profit of all DCCBs as a whole in Odisha.

6.1.10 Fixed Effect Model

Table No. 6.4 Fixed Effect Model

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|-----------------------|-------------|------------|-------------------|----------|
| Share Capital | 0.009449 | 0.092014 | 0.102687 | 0.9183 |
| Total Reserve | 0.015135 | 0.072395 | 0.209065 | 0.8345 |
| Owned Fund | -0.039349 | 0.079075 | -0.497609 | 0.6191 |
| Deposit | -0.024936 | 0.011925 | -2.091156 | 0.0372 |
| Borrowing | -0.011436 | 0.010928 | -1.046483 | 0.2961 |
| Loan and Advance | -0.010680 | 0.005439 | -1.963512 | 0.0504 |
| Cost of Management | 0.286387 | 0.170272 | 1.681941 | 0.0935 |
| Working Capital | 0.027741 | 0.010320 | 2.688003 | 0.0075 |
| Per Employee Business | 0.236756 | 0.122064 | 1.939611 | 0.0532 |
| Total Expenditure | -0.949463 | 0.020385 | -46.57547 | 0.0000 |
| Income | 0.822054 | 0.028727 | 28.61559 | 0.0000 |
| C | 41.34545 | 30.80161 | 1.342314 | 0.1804 |
| R-squared | 0.885201 | | F-statistic | 97.95702 |
| Adjusted R-squared | 0.876165 | | Prob(F-statistic) | 0.000000 |
| Durbin-Watson stat | 2.118122 | | | |

Source: Author’s Own Calculation.

6.1.11 Random Effect Model

The outcomes of random effect model are displayed in table no. 6.5. Note that the coefficients of more than half of independent variables are highly significant. Moreover, these variables collectively explain near 89 percent of the cross-sectional variation, based on the adjusted R² statistic (0.88071).

Table No. 6.5 Random Effect Model

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|------------------|-------------|------------|-------------|--------|
| Share Capital | 0.003666 | 0.089594 | 0.040913 | 0.9674 |
| Total Reserve | 0.012291 | 0.071447 | 0.172029 | 0.8635 |
| Owned Fund | -0.033559 | 0.077853 | -0.431059 | 0.6667 |
| Deposit | -0.022447 | 0.011175 | -2.008612 | 0.0453 |
| Borrowing | -0.010181 | 0.010345 | -0.984186 | 0.3257 |
| Loan and Advance | -0.010229 | 0.005078 | -2.014260 | 0.0447 |

| | | | | |
|-----------------------|-----------|----------|-------------------|----------|
| Cost of Management | 0.308192 | 0.160334 | 1.922185 | 0.0554 |
| Working Capital | 0.025514 | 0.009732 | 2.621687 | 0.0091 |
| Per Employee Business | 0.200969 | 0.109231 | 1.839854 | 0.0666 |
| Total Expenditure | -0.948283 | 0.020086 | -47.21207 | 0.0000 |
| Income | 0.828219 | 0.028103 | 29.47034 | 0.0000 |
| C | 31.95178 | 33.39501 | 0.956783 | 0.3393 |
| R-squared | 0.880710 | | F-statistic | 240.9514 |
| Adjusted R-squared | 0.877055 | | Prob(F-statistic) | 0.000000 |
| Durbin-Watson stat | 2.066429 | | | |

Source: Author's Own Calculation.

As is expected, the coefficient of share capital is positive but it is not significant even at 10% level. The coefficient of total reserve is positive and insignificant.

The value of the coefficient of deposit is indicating that there is negative relationship between deposit and net profit as the coefficient of deposit is significant but negative at 10%. However, the value of the coefficient is quite small at -0.022, showing that as deposit increases by 1 percent, the net profit decrease by only 0.022 percent points.

The coefficient of borrowing is positive but it is not significant even at 10% level. The value of the coefficient of loan and advances is -0.010229, is negative and significant at 5%. But if we want to know that to what extent this relationship is significant we have to refer to P value of independent variables. As it is shown P value of loan and advance is $0.0447 < 0.05$, hence loan and advances is a significant independent variable for estimation of net profit of DCCBs consolidated.

The estimated result shows that coefficient of cost of management is positive and significant at 5%. So H_0 is rejected and H_1 is accepted that there is a significant relation between cost of management and net profit. This implies that cost of management has been effective in influencing net profit of DCCBs consolidated. The coefficient shows that 1% rise in cost of management causes to rise in the net profit by 0.308192% on an average.

The coefficient of working capital is positive and quite small at (0.025514), it means with 1% change in working capital will lead increase in net profit of 0.025514 percentage points on an average. According to t-statics, we reject the H_0 and accept H_1 that there is a significant relation between working capital and net profit of the DCCBs consolidated.

The estimated result shows that coefficient of per employee business is positive and significant at 10 % level of significance. So H0 is rejected and H1 is accepted that there is a significant relation between per employee business and net profit. This implies that per employee business has been effective in influencing net profit of DCCBs consolidated. The coefficient shows that 1% increase in per employee business causes to rise in the net profit by 0.200969 % on an average.

The coefficient of total expenditure is negative and significant at 1%. The coefficient shows that 1% rise in total expenditure causes to decrease in the net profit by 0.948283% on an average. Therefore, total expenditure has a significant negative relation which negatively affects net profit and is according to expected sign.

It is also founds a positive relationship between Income and net profit of DCCBs as consolidated. The coefficients have turned out to be statistically significant. So it is a major determinant of net profit of all the district central co-operative banks as a whole. It is according to expected sign. Generally, if the income of a bank increases the net profit increases.

The coefficient of owned fund is negative and small, and insignificant. It means there is no significant relationship between owned fund and net profit. Owned Fund has a negative and insignificant relationship with net profit of DCCBs consolidated. We accept the H0. It means that it does not determine the profit.

The estimated outcome indicates coefficient of Loan and Advance is positive and significant. So H0 is rejected and H1 is accepted that there is a significant relation between loan and advance and net profit. This implies that loan and advance has been effective in influencing net profit of DCCBs consolidated. The coefficient shows that 1% rise in working capital causes to rise in the Net Profit by 1.023 % on an average.

Deposit of the DCCBs consolidated as a whole is negatively significance level is 1% with coefficient -0.013445. It means deposit of the bank affects the net profit negatively. The banks have to mobilise the resources efficiently to gain profit. Bank loan and advance are supposed to be the key source of income, It is supposed to obtain a positive effect on performance of

the bank. With other things constant, the more the deposits are converted into loans, the better the interest margin and profits. Nevertheless, if a bank requires to increase risk to obtain a higher loan-to-asset ratio, then profits may come down. Moreover, as bank loans are the main sources of revenue, we anticipate that non-interest bearing assets affect negatively on profits. It is consistent with the studies of Samy Ben Naceur (2003).

6.2 Determinant of Profit of Balasore Bhadrak Central Co-operative Bank

In the Chapter V, the determinants of profit and the relationship among the variables of OSCB by using ARDL co-integration approach has been discussed. The factors that affects the profit of DCCBs consolidated has been seen in the earlier part of this chapter by means of panel data analysis. In this section attempt is taken to know the determinants of profit of the BBCCB by using multiple regression approach.

6.2.1 Data Source and Variables

The related data has been taken from the different annual reports of BBCCB from 1989-90 to 2014-15 i.e. 26 years. It has been collected by referring all the annual reports of BBCCB from 1989-90 onwards.

The empirical relationship among owned funds, expenditure, cost of management, loan and advances, borrowings, share capital, income, investment and net profit is analysed through regression analysis. Nine variables are used for the research analysis.

Here the explanatory variables are owned funds, expenditure, and cost of management, loan and advances, borrowings, share capital, income, investment while net profit is the dependent variable. Expenditure and income of BBCCB have been included in this analysis like data analysis in DCCBs pooled data analysis in the first part.

6.2.2 Methodology

The methodology employed for the empirical analysis on this study involves regression analysis (OLS). Before moving to regression analysis pair-wise correlation test among the variables has been done. The indicators related to banking are considered as the major factors for net profit of BBCCB. With the purpose of having the best combination of explanatory variables for the determinants of net profit, various alternatives combination of variables were considered and then estimated.

6.2.3 Model Specification

Net Profit = $\beta_0 + \beta_1$ Owned Fund+ β_2 Expenditure + β_3 Cost of Management + β_4 Loan and Advance + β_5 Borrowings + β_6 Share Capital+ β_7 Income + β_7 Investment + ε

6.2.4 Descriptive Statistics

It is seen from the table no.6.6 that all the variables are is positively skewed except profit. The value of standard deviation is high which means there is high dispersion in the variables. The mean of all the variables lays between maximum and minimum. According to the probability value of Jarque-Bera, cost of management, loan and advance and profit are likely to be symmetric in nature and other variables are not normally distributed.

Table No. 6.6 Descriptive Statistics:

| | Owned Fund | Expenditure | Cost of Management | Loan and Advance | Borrowings | Share Capital | Income | Investment | Profit |
|--------------|------------|-------------|--------------------|------------------|------------|---------------|----------|------------|---------|
| Mean | 3834.04 | 4438.86 | 756.02 | 34123.40 | 19306.23 | 2850.17 | 4461.75 | 15660.26 | 111.56 |
| Median | 1762.87 | 3499.05 | 545.21 | 21540.70 | 8770.23 | 1600.48 | 3724.08 | 6939.28 | 177.00 |
| Maximum | 15840.65 | 15852.97 | 1917.75 | 122461.10 | 85759.49 | 11056.24 | 16188.22 | 84818.59 | 335.25 |
| Minimum | 326.03 | 221.78 | 77.86 | 1768.09 | 1281.51 | 249.41 | 180.12 | 316.24 | -269.44 |
| Std. Dev. | 4562.11 | 4470.54 | 637.69 | 35313.01 | 23561.31 | 3017.23 | 4523.06 | 22290.72 | 172.08 |
| Skewness | 1.58 | 1.24 | 0.69 | 1.14 | 1.57 | 1.37 | 1.23 | 1.81 | -0.58 |
| Kurtosis | 4.48 | 3.60 | 2.04 | 3.29 | 4.50 | 3.99 | 3.63 | 5.36 | 2.12 |
| Jarque-Bera | 13.17 | 7.08 | 3.07 | 5.69 | 13.15 | 9.16 | 7.01 | 20.27 | 2.31 |
| Probability | 0.00 | 0.03 | 0.22 | 0.06 | 0.00 | 0.01 | 0.03 | 0.00 | 0.32 |
| Observations | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 |

Source: Authour's Own Calculation

6.2.5 Pair-Wise Correlation Test

Pair-Wise Correlation shows the relationship between two variables. Correlation Matrix presents all possible pairwise correlations, has 1.00s on the diagonal, and is symmetric (the values shown below the diagonal also appear above the diagonal). The figures in the brackets shown are the P- values of pair wise correlation test. It presents a significant relation between the variables.

Table No.6.7 Pair-wise Correlation Test

| | Owned Fund | Expenditure | cost of management | Loan and Advance | Borrowing | Share Capital | income | investment |
|--------------------|----------------|----------------|--------------------|------------------|----------------|----------------|----------------|------------|
| Owned Fund | 1.00 | | | | | | | |
| Expenditure | 0.99 (0.00) | 1.00 | | | | | | |
| cost of management | 0.90 (0.00) | 0.94 (0.00) | 1.00 | | | | | |
| Loan and Advance | 0.99 (0.00) | 0.99 (0.00) | 0.95 (0.00) | 1.00 | | | | |
| Borrowing | 0.99 (0.00) | 0.99 (0.00) | 0.91 (0.00) | 0.99 (0.00) | 1.00 | | | |
| Share Capital | 0.99 (0.00) | 0.99 (0.00) | 0.93 (0.00) | 1.00 (0.00) | 1.00 | 1.00 | | |
| Income | 0.98 (0.00) | 1.00 (0.00) | 0.94 (0.00) | 0.99 (0.00) | 0.98 (0.00) | 0.99 | 1.00 | |
| Investment | 0.82 (0.00) | 0.81 (0.00) | 0.83 (0.00) | 0.81 (0.00) | 0.79 (0.00) | 0.80 (0.00) | 0.80 (0.00) | 1.00 |

Source: Authour's Own Estimation

6.2.6 Multiple Regression of Owned Fund, Expenditure, Cost of Management, Loan and Advance, Borrowings, Share Capital, Income and Investment on Net Profit

Table No. 6.8 Multiple Regression of Owned Fund, Expenditure, Cost of Management, Loan and Advance, Borrowings, Share Capital, Income and Investment on Net Profit

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|--------------------|-------------|------------|-------------|-------|
| C | -17.457 | 13.827 | -1.263 | 0.224 |
| Owned Fund | -0.001 | 0.035 | -0.032 | 0.975 |
| Expenditure | -0.953 | 0.072 | -13.149 | 0.000 |
| Cost of Management | 0.107 | 0.076 | 1.401 | 0.179 |
| Loan and Advance | 0.011 | 0.004 | 2.671 | 0.016 |
| Borrowings | -0.010 | 0.003 | -3.220 | 0.005 |
| Share Capital | 0.082 | 0.086 | 0.963 | 0.349 |

| | | | | |
|------------|----------|--------------------|--------|----------|
| Income | 0.857 | 0.065 | 13.211 | 0.000 |
| Investment | 0.003 | 0.001 | 2.992 | 0.008 |
| R-squared | 0.978863 | Durbin-Watson stat | | 2.655919 |

Source: Author's Own Estimation

The coefficient estimate for owned fund is negative but insignificant according to t- statistics in the table no.6.8. So it is not a determinant of profit of BBCCB.

Further, the coefficient estimate for expenditure is negative and significant at 1% according to t- statistics. Moreover, the result is consistent with the expected sign of the coefficient. The more is the expenditure, the less will be the net profit of the bank. It means expenditure is a negative determinant of net profit. Expenditure and profit are always negatively related and is very much consistent with our result.

The coefficient estimate for cost of management is positive and insignificant according to t- statistics. So it is not a determinant of net profit of BBCCB.

The estimated outcome demonstrates that coefficient of loan and advance is positive and significant. It is with the expected sign. It is also consistent with the result of OSCB. The Net Profit of BBCCB will have positive relation with loan and advance provided.

Further, the coefficient estimate for borrowing is negative and significant at 5%. It is with the expected sign. Thus, the need larger borrowings by the bank leads to lower profitability.

The coefficient estimate for share capital is negative and insignificant. So it is not a determinant of net profit of BBCCB for the study period.

The coefficient estimate for Income is positive and significant at 1% according to t- test. Moreover, the result is consistent with the expected sign of the coefficient. The more income of the bank from various sources the more would be profit. The bank can earn more profit with the interest earning of the loan and advances which is a major part of income of BBCCB. Hence income of the bank from miscellaneous earning such as commission is a determinant of net profit.

The coefficient estimate for investment is positive and significant at 5% according to t- test. Moreover, the result is consistent with the expected sign of the coefficient. The more is the investment the more would be profit. Hence investment is a determinant of net profit and is obvious also. The bank may be earning its profit from the return of the loan and advances which is a true scenario of co-operative banks. So, investment is a determinant of Net Profit of the Balasore Bhadrak Central Co-operative Bank.

Form the above analysis it is found that the positive determinants of net profit for BBCCB are Loan and Advances, Income and Investment for the study period. Borrowings and Expenditure are negative determinant of profit in BBCCB.

6.3 Conclusion

Hausman test results suggest that random effect model as the suitable model for pooled data for all the DCCBs. As it is expected, the coefficient of share capital is positive but it is not significant even at 10% level. The coefficient of reserve is positive but insignificant. The coefficient of owned fund is negative and small, and insignificant. The coefficient of deposit is negative but significant at 10%, showing that deposit is negatively related to net profit.

The coefficient of change in borrowing is positive but it is not significant even at 10% level. The value of the coefficient of loan is -0.010229, is negative and significant at 5 %. The estimated result shows that coefficient of cost of management is positive and significant at 5% level of significance. Owned fund has a negative and insignificant relationship with net profit of DCCBs consolidated. The coefficient of working capital is positive and quite small at (0.025514), it means with 1% change in working capital will lead increase in net profit of 0.025514 percentage points on an average.

The estimated outcome demonstrates that coefficient of per employee business is positive and significant at 10 % level of significance. The coefficient of total expenditure is negative but significant at 1%. It is also founds a positive relationship between income and net profit of DCCBs as consolidated. The coefficients have turned out to be statistically significant.

The estimated outcome demonstrates that coefficient of loan and advance is positive and significant. Deposit of the DCCBs consolidated as a whole is negatively significance level is 1% with coefficient -0.013445. It means deposit of the bank affects the net profit negatively.

Form the analysis in the second part of this chapter, it is found that the positive determinants of net profit for BBCCB are loan and advances, income and investment for the study period. Borrowings and expenditure are negative determinants of net profit in BBCCB.

CHAPTER VII

VIEWS OF CUSTOMERS/BENEFICIARIES ON THE PERFORMANCE OF BALASORE BHADRAK CENTRAL CO-OPERATIVE BANK: AN EXPLORATORY FACTOR ANALYSIS

7.1 Introduction

In this chapter, an effort has been made to analyse the views of the customers on the performance of the Balasore Bhadrak Central Co-operative Bank (BBCCB) through “factor analysis” method. This methodology is used for the identification of the core factors that affects the performance of BBCCB. This method is considered suitable as it needs no prior of functional relations and is generally known for data reduction. It is employed to decrease big set of variables into a small number of core factors.

7.1.1 The Factor Analysis Model

“If the observed variables are $X_1, X_2 \dots X_n$, the common factors are $F_1, F_2 \dots F_m$ and the residual error due to use of common factors are $e_1, e_2 \dots e_n$, the variables may be stated as linear functions of the factors.”

$$\begin{aligned} X_1 &= \lambda_{11}F_1 + \lambda_{12}F_2 + \lambda_{13}F_3 \dots \dots \dots + \lambda_{1m}F_m + e_1 \\ X_2 &= \lambda_{21}F_1 + \lambda_{22}F_2 + \lambda_{23}F_3 \dots \dots \dots + \lambda_{2m}F_m + e_2 \\ &\cdot \qquad \qquad \qquad \cdot \\ &\cdot \qquad \qquad \qquad \cdot \\ &\cdot \qquad \qquad \qquad \cdot \\ X_n &= \lambda_{n1}F_1 + \lambda_{n2}F_2 + \lambda_{n3}F_3 \dots \dots \dots + \lambda_{nm}F_m + e_n \end{aligned}$$

(Kim & Mueller, 1978)

Factor analysis try to find the coefficients $\lambda_{11}, \lambda_{12} \dots \lambda_{nm}$ which reflect the observed variables the best from the factors. The coefficients $\lambda_{11}, \lambda_{12} \dots \lambda_{nm}$ are weights in the similar way as “regression coefficients”. For instance, the coefficient λ_{11} expresses the impact on variable X_1 of a one-unit increases in F_1 . In factor analysis, “the coefficients are named loadings (a variable is said to 'load' on a factor) and, when the factors are uncorrelated, they also show the correlation between each variable and a given factor. λ_{11} is the loading for variable X_1 on F_1 ; λ_{13} is the loading for variable X_1 on F_3 , etc. When the coefficients are correlations, i.e., when the factors are uncorrelated, the sum of the squares of the loadings for variable X_1 , viz. $\lambda_{11}^2 +$

$\lambda_{12}^2 + \dots + \lambda_{nm}^2$ indicates the amount of the variance of variable X_l which is accounted for by the common factors. This is called the communality. The higher the communality for each variable, the more effective a factor analysis solution is". (ibid.)

7.2 Data Collection

Primary data from the respondents has been collected with the structured, and pre-tested questionnaire. Field survey technique is employed to collect the first hand information from the respondents. As questionnaire is the vital tool used for data collection, much effort is made and lots of care has been taken to make the questionnaire in a logical manner by designing appropriate and adequate questions to ensure that the objectives of the research are totally taken care of.

The study used two sets of organised questionnaires for the data collection. The first set of questionnaire for beneficiaries or customers and the second set of questionnaire for employees of BBCCB.

For scaling the questionnaire, 5-point Likert scaling technique has been used. A Likert scale is a psychometric scale generally unclear in research that utilises questionnaires. It is a commonly used methodology, such that the expression frequently applies interchangeably with rating scale. Scale used in present survey:

"1 = Strongly Agree, 2 = Agree, 3 = Neither Agree nor Disagree, 4 = Disagree, 5 = Strongly Disagree,"

7.3 Sampling Design

7.3.1 Population

The population for the study is the customers and employees of Balasore Bhadrak Central Co-operative Bank (BBCCB).

7.3.2 Sampling Plan

The sampling technique for this research is purposive sampling. The branch managers of the banks are requested for the interview. With their instructions only other employees gave interview. The customers and beneficiaries who are coming to bank are interviewed.

7.4 Research Area

The research or sample areas are the different branches of BBCCB. The branches include Tihidi Branch, Bhadrak Branch, Simulia Branch, Mahila Branch, Oupada Branch, Balaramgadi Branch, Sadar Branch(Head Office), Soro Branch, Bahanaga Branch, Dhamnagar Branch, Bhandari Pokhari Branch, Kharira Branch.

Mostly the customers are from farming sector and a few include the self-help groups, service sector employees, small and medium size business persons. The customers comprise both female and male, belongs to different age groups, occupations, educational qualifications, levels of income, purpose of visiting a bank, type of living place, tenure of account holding with a particular bank etc. The customers belong to rural areas and others related to agriculture sector. A small number of customers are into retail and self-skilled businesses. These customers are also coming a bank for agriculture loans and to avail themselves of the other services given by a bank.

7.5 Pilot Study

A pilot survey is carried out in the field situation to judge the consistency and effectiveness of the questionnaire. The pilot survey is done in the different branches of BBCCB of the study area other than these included in the main study. Many remarks were raised on different questions after the pilot survey. Some questions were revised after the pilot surveys. And at the final stage several questions were found inappropriate and so dropped from the questionnaire. This way it is attempted to ensure a uniform and appropriate data for the study. The questionnaire used in the study is developed in English, but interviews were conducted in vernacular language (Odia).

Table No.7.1: Branches for Pilot Survey

| Pilot Survey | Number of Respondents |
|----------------|-----------------------|
| Tihidi Branch | 7 |
| BhadrakBhadrak | 8 |

For the pilot survey Tihidi Branch and Bhadrak Branch has been taken to know the difficulties in the questionnaire.

7.6 Sample Size

The study comprises of 230 customers and beneficiaries whose views have been collected by the questionnaire.

7.6.1 Branches under Study

Table No.7.2 Distribution of Customers / Beneficiaries by Branches

| Sl. No. | Branches | Respondents |
|---------|-------------------------|---------------------------|
| 1 | Khaira Branch | 5 |
| 2 | Oupada Branch | 8 |
| 3 | Balaramgadi Branch | 20 |
| 4 | Bhandari Pokhari Branch | 31 |
| 5 | Simulia Branch | 31 |
| 6 | Dhamnagar Branch | 23 |
| 7 | Bahanaga Branch | 19 |
| 8 | Mahila Bank Branch | 26 |
| 9 | Nilagiri Branch | 23 |
| 10 | Soro Branch | 23 |
| 11 | Sadar Branch | 21 |
| | Total | 230 (Male 183+ Female 47) |

Source: Compiled from primary survey

The above are the eleven branches of BBCCB for the final survey. The big branches have more respondents than small branches. Their average age is 44 years.

7.6.2 Respondent Numbers by Category

Table No.7.3 Respondent Numbers by Category

| Respondents | Numbers |
|---------------|---------|
| Customers | 101 |
| Beneficiaries | 129 |
| Total | 230 |

Source: Compiled from Primary Survey data

Out of 230 respondents 101 are customers and 129 are beneficiaries who take loan for the farming or business purpose.

7.6.3 Social Category Wise Distribution

Table No.7.4: Social Category Wise Distribution

| Sl. No. | Category | Numbers |
|---------|----------|---------|
| 1 | General | 165 |
| 2 | SC | 20 |
| 3 | SEBC | 43 |
| 4 | ST | 2 |
| | Total | 230 |

Source: Compiled from Primary Data

The table above indicates the social category wise distribution of respondents for the study. The highest numbers of respondents belong to General category. There are only 2 ST respondents as BBCCB is located in the coastal area.

7.6.4 Educational Profile of the Respondents

Table No.7.5: Educational Profile of the Respondents

| Sl. No. | Qualification | Numbers |
|---------|--------------------|---------|
| 1 | Graduate and Above | 70 |
| 2 | Under Graduate | 38 |
| 3 | Intermediate | 11 |
| 4 | Matric | 53 |
| 5 | Under Matric | 56 |
| 6 | Illiterate | 2 |
| | Total | 230 |

Source: Compiled from Primary Data

7.7 Assessing the Views of Bank Employees through Factor Analysis

7.7.1 Reliability Test

Cronbach's Alpha is considered as a determinant of internal consistency of variables in the questionnaire. It ranges from zero to one. The closer alpha is to one, the better is the internal consistency of the variables in the questionnaire. Entire question numbers in the questionnaire is 67 or LIKERT scale variables. Therefore, "N" of items in Cronbach's Alpha test is 67 below.

H0: There is no reliability and internal consistency among the variables chosen in the study for factor analysis.

H1: There is a reliability and internal consistency among the variables chosen in the study for factor analysis.

Table No. 7.6 Reliability Statistics

| Cronbach's Alpha | N of Items |
|------------------|------------|
| 0.715 | 67 |

Source: Author's Own Calculation

“Cronbach's alpha test is done to check the reliability of variables or questions. Cronbach's basic equation for alpha:

$$\alpha = \frac{n}{n-1} \left(1 - \frac{\sum_i v_i}{v_t}\right)$$

Where, n = number of questions, v_i = variances of scores on each question, v_t = total variance of overall scores on the entire test.

The Cronbach's alpha test resulted in an overall score of 0.715 showing good internal consistency of the variables” (Cronbach, 1951).

7.7.2 Kaiser-Meyer-Olkin Measure of Sampling Adequacy

The “Kaiser-Meyer Olkin (KMO)” and “Bartlett's Test method” of sampling adequacy is employed to study the appropriateness of the “factor analysis”. It is based on the following formula.

$$KMO = \frac{\sum_{i \neq j} r_{ij}^2}{\sum_{i \neq j} r_{ij}^2 + \sum_{i \neq j} a_{ij}^2}$$

Where, r_{ij} = Correlation and a_{ij} = Partial Correlation

It is seen to be adequately high for all the variables. The measure can be explained with the subsequent guidelines: “0.90 or above, marvelous, 0.80 or above meritorious, 0.70 or above, middling, 0.60 or above, mediocre, 0.50 or above miserable, and below 0.50, unacceptable” (Hair et al. 1995). The “Test of Bartlett's Sphericity” is to check for the H0 that the correlation matrix has an identity matrix. Taking this into consideration, these tests give the minimum standard to advance for “factor analysis”.

Table No.7.7 Kaiser-Meyer-Olkin Measure of Sampling Adequacy

| | | |
|--|--------------------|----------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .708 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 7367.308 |
| | Df | 2211 |
| | Sig. | .000 |

Source: Author's Own Calculation

“Bartlett’s Test of Sphericity is based on the given formula

$$\lambda^2 = \frac{(N - k) \ln(S_p^2) - \sum_{i=1}^k (n_i - 1) \ln(S_i^2)}{1 + \frac{1}{3(k-1)} \left(\sum_{i=1}^k \frac{1}{N_i - 1} \right) - \frac{1}{N - k}}$$

Here, s_i^2 is the variance of the i^{th} group, N is the whole sample size, n is the sample size of the i^{th} group, k is the number of groups, and s_p^2 is the pooled variance. The pooled variance is the weighted average of the group variances and is defined as:

$$s_p^2 = \sum_{i=1}^k (N_i - 1) S_i^2 / (N - k)$$

(Snedecor and Cochran, 1983)

Taking a 95% level of significance, $\alpha = 0.05$ the p-value (Sig.) of .000 is less than 0.05, therefore the “factor analysis” is valid

The estimated value of Chi-square is 7367.308 with 2211 degrees of freedom and it is significant at 0.05% level of significance. Here, the KMO statistic of 0.708 is also vast and is bigger than 0.50. So “factor analysis” is considered as a suitable method for study of the data.

7.7.3 Component Matrix

The table No.7.8 given below shows the Factor Matrix or Component Matrix where 20 factors has been extracted. This table includes component loadings that are the correlations between the component and the variable.

Table No.7.8 Component Matrix

| | Component | | | | | | | | | | | | | | | | | | | |
|---|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| Agricultural Crop loan | -0.02 | -0.06 | .49 | -0.15 | .08 | -0.03 | -0.13 | -0.15 | .05 | .24 | -0.08 | -0.08 | .17 | .03 | .50 | .14 | .14 | .11 | -0.13 | -0.13 |
| Agricultural term loan | .01 | .39 | .40 | -0.17 | -0.16 | .10 | .09 | -0.04 | .00 | -0.01 | -0.14 | .04 | .21 | .05 | .42 | -0.05 | .11 | .18 | -0.13 | .00 |
| Fisheries | -0.07 | .22 | .77 | -0.03 | -0.02 | -0.03 | .05 | .01 | -0.05 | -0.11 | .10 | .22 | .12 | .10 | -0.09 | -0.03 | .01 | -0.03 | -0.14 | .09 |
| Diaries | -0.10 | .19 | .82 | -0.12 | .08 | -0.02 | .05 | -0.06 | -0.06 | -0.13 | .08 | .09 | .04 | .10 | -0.13 | -0.02 | .00 | -0.07 | -0.10 | .06 |
| Poultry | -0.13 | .22 | .76 | -0.11 | .05 | .00 | .06 | -0.05 | -0.11 | .01 | .12 | .09 | .01 | .00 | -0.23 | .09 | .01 | -0.08 | .06 | .03 |
| Goatary | -0.07 | .25 | .77 | -0.17 | .10 | .00 | .05 | .03 | -0.02 | -0.17 | -0.01 | -0.07 | -0.02 | .04 | -0.12 | .03 | -0.04 | -0.07 | .07 | -0.01 |
| Horticulture and plantation | -0.02 | .21 | .66 | -0.18 | .06 | .06 | .07 | -0.01 | .05 | -0.11 | -0.10 | -0.11 | -0.04 | -0.06 | .04 | .06 | .03 | -0.11 | .24 | .04 |
| Small business loan | -0.05 | .24 | .46 | -0.05 | -0.01 | -0.17 | -0.02 | -0.11 | .08 | .11 | -0.17 | -0.16 | -0.08 | .15 | .15 | -0.22 | -0.09 | .14 | .32 | .07 |
| Loan from BBCCB helping in income increase | -0.04 | .23 | -0.07 | .04 | .30 | -0.14 | -0.30 | .18 | .10 | -0.27 | .05 | -0.08 | -0.02 | .22 | .08 | -0.06 | .15 | .12 | -0.03 | .16 |
| Helps in ensuring food security | .10 | .23 | -0.03 | .19 | .18 | .30 | -0.27 | -0.11 | .18 | -0.09 | .05 | .10 | .35 | -0.20 | -0.07 | -0.08 | .04 | -0.05 | .09 | .11 |
| Helps in poverty reduction | .05 | .34 | -0.06 | .39 | .23 | .20 | -0.29 | .07 | .31 | -0.12 | -0.06 | .09 | .09 | -0.14 | .14 | -0.25 | -0.01 | -0.14 | -0.04 | .12 |
| Helps in generating employment | .15 | .43 | -0.02 | .41 | .23 | .20 | -0.30 | .08 | .25 | -0.13 | .06 | -0.06 | .03 | -0.03 | .11 | -0.15 | -0.09 | -0.06 | -0.13 | .13 |
| Helps in improving gender equality | -0.10 | .02 | .13 | .11 | .24 | .14 | -0.52 | .02 | .03 | .21 | .06 | -0.08 | -0.02 | .08 | -0.04 | .24 | .07 | -0.05 | .06 | .24 |
| Provides accessible financial services | .06 | .30 | .00 | .19 | -0.04 | .12 | -0.49 | -0.04 | .05 | -0.02 | -0.05 | -0.10 | .16 | -0.06 | .42 | -0.02 | -0.07 | -0.03 | -0.07 | |
| Provides livelihoods for the poor | -0.05 | .20 | -0.01 | .24 | .30 | .05 | -0.36 | .06 | -0.09 | .10 | -0.26 | -0.26 | -0.03 | .26 | -0.20 | .07 | -0.13 | -0.02 | -0.10 | -0.16 |
| It promotes rural enterprises | -0.12 | .13 | .06 | .31 | .13 | -0.05 | -0.41 | .02 | -0.10 | .24 | .07 | -0.19 | .11 | .11 | -0.06 | .07 | .05 | .17 | -0.13 | -0.21 |
| Adequate Counseling service is provided | .04 | .47 | -0.16 | .01 | -0.02 | .09 | -0.09 | .16 | -0.11 | -0.21 | -0.01 | .13 | .13 | -0.05 | .03 | .14 | .13 | .27 | -0.07 | -0.31 |
| Bank employees behave courteously. | -0.19 | .04 | -0.05 | .26 | .34 | -0.42 | .15 | -0.05 | -0.01 | -0.15 | .40 | .05 | -0.13 | .00 | .09 | -0.21 | .16 | -0.03 | .11 | -0.12 |
| Customers are provided prompt service. | -0.15 | .05 | .03 | .38 | .25 | -0.38 | .10 | .04 | -0.07 | -0.19 | .29 | -0.19 | -0.18 | .01 | .15 | .06 | .28 | .13 | .08 | .01 |
| Customer grievances are redressed promptly. | -0.31 | .27 | -0.06 | .33 | .43 | -0.29 | .28 | .06 | -0.05 | -0.09 | .17 | -0.15 | -0.01 | .05 | .10 | .07 | .00 | .03 | .06 | -0.03 |
| Proper statement of accounts are provided regularly. | -0.20 | .19 | .04 | .41 | .21 | -0.26 | .29 | .10 | -0.07 | .12 | .01 | -0.02 | .20 | -0.12 | -0.05 | .44 | .02 | -0.08 | -0.01 | .14 |
| Safe deposit locker facilities are provided to the customers. | -0.04 | .27 | -0.11 | -0.09 | .57 | -0.08 | .06 | .07 | -0.11 | -0.10 | .11 | .02 | -0.05 | .15 | .17 | .16 | -0.27 | -0.14 | -0.06 | -0.17 |
| Govt rules and regulations are carried out properly | -0.13 | .01 | .01 | .24 | .27 | -0.08 | .22 | -0.05 | .08 | -0.02 | .03 | .17 | .29 | -0.14 | -0.13 | .04 | -0.54 | .04 | -0.15 | .05 |
| Nomination facilities are provided to the customers. | .17 | .19 | -0.11 | .08 | .15 | .09 | .19 | .31 | -0.16 | -0.17 | -0.35 | -0.07 | .20 | .23 | .00 | -0.05 | -0.02 | -0.20 | .21 | -0.07 |
| Payment and collection of cheques and drafts are done with in time. | -0.07 | .26 | .08 | .18 | .28 | -0.06 | .01 | .21 | .16 | .25 | -0.27 | .44 | -0.09 | -0.10 | -0.07 | -0.12 | .08 | -0.06 | -0.12 | -0.20 |
| Banking facilities are adequately computerised. | -0.20 | .40 | -0.03 | .14 | .37 | -0.18 | .07 | .16 | -0.03 | .24 | -0.20 | .21 | -0.27 | .05 | -0.09 | -0.08 | -0.10 | .19 | .02 | .02 |
| Online transaction facilities (NEFT & RTGS) are provided | -0.25 | .38 | .02 | -0.05 | .32 | -0.17 | .03 | .09 | -0.09 | .21 | -0.21 | .22 | -0.19 | -0.21 | -0.03 | -0.15 | -0.17 | -0.01 | .04 | .15 |
| Loanable funds of the Bank are sufficient to meet the needs of the members. | .50 | .17 | .02 | .17 | -0.05 | -0.20 | .12 | -0.11 | .13 | .20 | .04 | .02 | .28 | .01 | .17 | -0.22 | -0.10 | -0.01 | -0.01 | -0.09 |
| Loans are sanctioned without any delay. | .23 | .06 | -0.17 | -0.14 | .05 | -0.05 | .03 | -0.09 | -0.11 | .29 | .15 | .46 | .06 | .14 | .05 | .23 | .15 | .12 | -0.08 | .30 |
| Rate of interest on loans is lower than that of commercial Banks. | .22 | .23 | -0.28 | .07 | .00 | .05 | .10 | .11 | -0.21 | -0.11 | -0.21 | .22 | .17 | .52 | .15 | .00 | .19 | .02 | -0.07 | .12 |
| Margin requirements are scrupulously followed while sanctioning loan. | .56 | .03 | -0.10 | .08 | .12 | -0.17 | -0.14 | -0.15 | .03 | .17 | .14 | .02 | .13 | .19 | .09 | -0.06 | -0.07 | -0.14 | .11 | .04 |
| Loans are sanctioned for the development of priority sector. | .65 | .08 | .08 | .27 | -0.08 | -0.22 | .08 | -0.16 | .14 | -0.09 | -0.15 | -0.16 | .09 | -0.10 | .09 | .08 | -0.12 | -0.13 | .03 | -0.08 |
| Adequate security is obtained before sanctioning loan. | .73 | .07 | .04 | .25 | .03 | -0.10 | .18 | -0.10 | .08 | .03 | -0.08 | -0.12 | .08 | -0.09 | .06 | .05 | -0.09 | .02 | .03 | .00 |
| Convenient repayment period is allowed for borrowers | .84 | .10 | .00 | .10 | -0.03 | -0.10 | .10 | -0.07 | .00 | .06 | -0.05 | -0.01 | -0.02 | -0.06 | -0.02 | .05 | -0.08 | .09 | .01 | .01 |
| Lending schemes are suited to the borrowers. | .82 | .16 | .09 | .03 | .05 | -0.13 | .04 | -0.01 | -0.05 | -0.05 | -0.13 | .04 | -0.01 | .00 | -0.12 | -0.03 | .03 | .05 | .06 | .05 |
| Follow-up action is taken after sanctioning loan. | .79 | .09 | .02 | .09 | -0.02 | -0.20 | .16 | -0.04 | .03 | -0.02 | -0.10 | .01 | -0.09 | .06 | -0.12 | .04 | .02 | .09 | .13 | -0.04 |
| Satisfied with the procedures in getting the sanction of loan amount | .84 | .10 | .04 | -0.11 | .05 | -0.08 | .04 | -0.01 | -0.01 | .00 | .08 | .03 | -0.13 | -0.11 | -0.07 | .02 | .01 | .02 | .07 | .02 |
| Satisfied with the quantum of loan | .69 | .09 | .03 | -0.15 | .10 | .11 | -0.16 | .08 | -0.11 | .12 | .28 | -0.02 | -0.05 | .03 | -0.07 | -0.10 | .04 | -0.05 | -0.06 | .13 |
| Satisfied with the rate of interest | .68 | .13 | .03 | .00 | .01 | -0.04 | -0.07 | .12 | -0.18 | -0.14 | .05 | -0.01 | -0.08 | .09 | -0.02 | .01 | -0.07 | .09 | -0.18 | -0.02 |
| Satisfied with the sanction of loan amount at the time of necessity | .76 | .01 | .08 | -0.27 | .11 | .03 | -0.14 | .03 | .04 | .07 | .11 | -0.04 | -0.22 | -0.09 | -0.05 | .05 | -0.02 | -0.06 | -0.12 | -0.04 |
| Banks insisted on high value of security | .57 | .15 | .03 | -0.36 | .03 | -0.01 | -0.11 | .12 | .03 | .04 | .15 | .01 | -0.13 | -0.07 | .05 | .09 | .06 | -0.18 | -0.07 | .03 |
| Satisfied with the types of Deposits | -0.09 | .25 | .03 | .32 | -0.01 | .41 | .42 | -0.13 | -0.09 | .34 | .11 | -0.11 | -0.14 | .01 | .08 | .06 | .02 | -0.23 | -0.14 | -0.04 |
| Satisfied with the interest rate | -0.06 | .32 | .00 | .29 | -0.09 | .44 | .29 | -0.09 | .02 | .19 | .02 | -0.26 | -0.22 | .02 | .11 | -0.12 | .12 | -0.14 | -0.18 | .16 |
| Satisfied with the loan facilities against Deposits | .18 | .23 | .02 | .14 | .07 | .26 | .32 | .09 | -0.06 | .22 | .07 | -0.04 | .02 | -0.33 | .01 | .11 | .21 | -0.09 | -0.03 | -0.22 |
| Satisfied with the procedures of Remittance | -0.01 | .21 | -0.05 | .22 | -0.06 | .19 | .05 | .00 | -0.21 | .31 | .05 | -0.22 | .18 | .09 | -0.28 | -0.20 | .05 | .06 | .24 | .21 |
| Satisfied with the procedures in getting the amount at the time of maturity | .04 | .27 | .01 | .07 | -0.08 | .39 | .13 | .17 | -0.19 | -0.19 | .16 | -0.11 | .33 | -0.21 | -0.07 | .12 | .08 | .31 | -0.03 | .03 |
| The charges taken against services rendered are good | .03 | .34 | .04 | .11 | -0.04 | .26 | .05 | -0.06 | -0.25 | .19 | .24 | .01 | -0.09 | -0.01 | -0.06 | -0.08 | -0.28 | .40 | .05 | -0.06 |
| Satisfied with the agency services offered by the banks | .03 | .24 | -0.03 | .12 | -0.06 | .30 | -0.15 | -0.10 | -0.28 | -0.17 | .38 | .24 | -0.16 | .16 | .18 | -0.15 | -0.26 | .06 | .09 | -0.06 |
| The commission charged by the banks is Reasonable | .21 | -0.22 | .30 | .50 | -0.14 | .29 | -0.04 | .19 | .05 | -0.11 | -0.01 | .10 | -0.22 | .08 | .03 | .01 | .02 | -0.05 | -0.03 | -0.09 |
| Long time is taken to complete agency services | -0.04 | .63 | -0.21 | -0.35 | .05 | .11 | .10 | .19 | .02 | .04 | -0.07 | -0.14 | .04 | .07 | -0.02 | -0.07 | .07 | -0.04 | .09 | -0.03 |
| The agency services rendered by the banks are better than other services | .16 | .01 | .15 | .40 | -0.30 | .34 | .04 | .29 | -0.15 | -0.23 | -0.15 | .12 | -0.19 | -0.10 | -0.04 | -0.07 | .14 | .00 | .06 | -0.13 |
| Terms and conditions of agency services are rigid | .17 | -0.28 | .04 | .10 | .01 | .09 | .16 | .42 | .38 | .03 | .00 | .13 | .08 | .15 | -0.14 | .12 | .13 | .15 | .16 | -0.04 |
| The service charges are high | .04 | -0.12 | .05 | -0.15 | .03 | .34 | .26 | .29 | .45 | .11 | .18 | -0.01 | -0.07 | .27 | .18 | .08 | -0.12 | .02 | .13 | -0.05 |
| Undue delay in the providing services | -0.01 | -0.08 | -0.07 | -0.18 | .12 | .15 | .19 | .34 | .57 | .01 | .32 | .05 | .09 | .14 | -0.09 | .06 | -0.01 | .00 | .14 | .04 |
| No detailed intimation regarding service provided | -0.07 | .61 | -0.27 | -0.56 | .02 | .04 | .06 | .02 | -0.03 | -0.03 | -0.02 | -0.09 | .03 | .02 | -0.07 | -0.04 | -0.11 | -0.03 | .00 | -0.03 |
| The bank insists standing instruction | -0.02 | .18 | -0.21 | .03 | .02 | .24 | .01 | -0.51 | -0.03 | -0.14 | -0.05 | .25 | -0.01 | -0.14 | .03 | .17 | .09 | -0.03 | .44 | .03 |
| Utility Service being provided by BBCCB are adequate | -0.05 | .39 | -0.19 | .05 | .00 | .20 | -0.01 | -0.37 | -0.02 | -0.10 | -0.07 | .22 | -0.10 | .02 | .18 | .22 | -0.07 | -0.17 | .22 | .00 |
| Satisfied with the procedures in getting services | -0.05 | .08 | -0.05 | .08 | .21 | .16 | .18 | -0.56 | .39 | -0.22 | -0.08 | .01 | -0.12 | .20 | -0.19 | -0.05 | .10 | .15 | -0.14 | -0.07 |
| The exchange charges are reasonable | .07 | -0.56 | .26 | .52 | -0.13 | -0.10 | -0.10 | .01 | .02 | .04 | -0.01 | .07 | .02 | .10 | .04 | -0.06 | -0.01 | .04 | -0.04 | .04 |
| Delay in issuing the draft, cheque by the banks | .00 | .48 | -0.24 | -0.55 | .21 | -0.05 | .03 | .08 | -0.01 | -0.08 | .01 | -0.14 | .04 | .00 | .03 | -0.05 | .06 | -0.08 | -0.09 | .03 |
| Draft is issued for any place in Odisha | -0.03 | -0.10 | .19 | -0.34 | .31 | .20 | -0.22 | -0.07 | .22 | .28 | .00 | .05 | -0.02 | -0.19 | .04 | -0.06 | -0.02 | .15 | .11 | -0.27 |
| Satisfied with the procedures in getting the cheque, draft | .00 | .12 | -0.07 | -0.01 | .28 | .13 | .20 | -0.51 | .30 | -0.14 | -0.09 | -0.13 | -0.07 | .14 | -0.27 | .02 | .17 | .24 | -0.22 | .04 |
| he rate of dividend declared is reasonable | .21 | -0.60 | .10 | -0.11 | .55 | .23 | .06 | -0.02 | -0.14 | .00 | -0.10 | -0.05 | .02 | -0.05 | .04 | .06 | -0.03 | .07 | .05 | -0.03 |
| Proper intimation from the banks regarding the dividend declared | .21 | -0.58 | .08 | -0.14 | .56 | .22 | .06 | -0.03 | -0.20 | -0.04 | -0.11 | -0.02 | .01 | -0.05 | .07 | .02 | .00 | .08 | .02 | -0.01 |
| Periodicity of dividend declaration is reasonable | .10 | -0.58 | -0.02 | -0.06 | .57 | .23 | .02 | -0.06 | -0.18 | -0.01 | -0.02 | .05 | .09 | .06 | -0.01 | -0.11 | .05 | -0.08 | .00 | .00 |
| Satisfied with the statutory limit | .18 | -0.51 | .00 | -0.07 | .43 | .28 | .10 | -0.04 | -0.28 | -0.09 | .04 | -0.03 | .14 | .06 | -0.01 | -0.18 | .14 | -0.11 | .00 | -0.02 |
| Long time is taken by the banks to pay the dividend declared | .00 | -0.15 | .00 | -0.02 | .17 | .19 | .12 | .21 | .02 | -0.14 | -0.26 | -0.10 | -0.29 | -0.14 | .25 | .18 | -0.22 | .28 | .02 | .41 |

Source: Author's Own Calculation

7.7.4 Communalities

The communalities are measure of the extent to which a variable is described by the components. The Table No.7.9 titled “communalities” is given below. This gives communalities of each of the variable estimated from “factor matrix” defined above. The percentage of variance described by common factors is called “Communality” of the variable.

Table No.7.9 Communalities

| Statements | Initial | Extraction |
|---|---------|------------|
| Agricultural Crop loan | 1 | 0.737 |
| Agricultural term loan | 1 | 0.698 |
| Fisheries | 1 | 0.559 |
| Dairy | 1 | 0.786 |
| Poultry | 1 | 0.786 |
| Goatary | 1 | 0.779 |
| Horticulture and plantation | 1 | 0.672 |
| Small business loan | 1 | 0.676 |
| Loan from BBCCB helping in income increase | 1 | 0.657 |
| Helps in ensuring food security | 1 | 0.693 |
| Helps in poverty reduction | 1 | 0.707 |
| Helps in generating employment | 1 | 0.763 |
| Helps in improving gender equality | 1 | 0.553 |
| Provides accessible financial services | 1 | 0.663 |
| Provides livelihoods for the poor | 1 | 0.711 |
| It promotes rural enterprises | 1 | 0.518 |
| Adequate Counseling service is provided | 1 | 0.54 |
| Bank employees behave courteously. | 1 | 0.746 |
| Customers are provided prompt service. | 1 | 0.74 |
| Customer grievances are redressed promptly. | 1 | 0.74 |
| Proper statement of accounts are provided regularly. | 1 | 0.712 |
| Safe deposit locker facilities are provided to the customers. | 1 | 0.628 |
| Govt rules and regulations are carried out properly | 1 | 0.63 |
| Nomination facilities are provided to the customers. | 1 | 0.54 |
| Payment and collection of cheques and drafts are done with in time. | 1 | 0.655 |
| Banking facilities are adequately computerised. | 1 | 0.658 |
| Online transction facilities (NEFT & RTGS) are provided | 1 | 0.695 |
| Loanable funds of the Bank are sufficient to meet the needs of the members. | 1 | 0.587 |
| Loans are sanctioned without any delay. | 1 | 0.604 |
| Rate of interest on loans is lower than that of commercial Banks. | 1 | 0.672 |
| Margin requirements are scrupulously followed while sanctioning loan. | 1 | 0.604 |

| | | |
|---|---|-------|
| Loans are sanctioned for the development of priority sector. | 1 | 0.736 |
| Adequate security is obtained before sanctioning loan. | 1 | 0.724 |
| Convenient repayment period is allowed for borrowers | 1 | 0.791 |
| Lending schemes are suited to the borrowers. | 1 | 0.808 |
| Follow-up action is taken after sanctioning loan. | 1 | 0.778 |
| Satisfied with the procedures in getting the sanction of loan amount | 1 | 0.748 |
| Satisfied with the quantum of loan | 1 | 0.782 |
| Satisfied with the rate of interest | 1 | 0.624 |
| Satisfied with the sanction of loan amount at the time of necessity | 1 | 0.832 |
| Banks insisted on high value of security | 1 | 0.712 |
| Satisfied with the types of Deposits | 1 | 0.796 |
| Satisfied with the interest rate | 1 | 0.79 |
| Satisfied with the loan facilities against Deposits | 1 | 0.595 |
| Satisfied with the procedures of Remittance | 1 | 0.613 |
| Satisfied with the procedures in getting the amount at the time of maturity | 1 | 0.646 |
| The charges taken against services rendered are good | 1 | 0.624 |
| Satisfied with the agency services offered by the banks | 1 | 0.678 |
| The commission charged by the banks is Reasonable | 1 | 0.681 |
| Long time is taken to complete agency services | 1 | 0.709 |
| The agency services rendered by the banks are better than other services | 1 | 0.716 |
| Terms and conditions of agency services are rigid | 1 | 0.632 |
| The service charges are high | 1 | 0.809 |
| Undue delay in the providing services | 1 | 0.755 |
| No detailed intimation regarding service provided | 1 | 0.798 |
| The bank insists standing instruction | 1 | 0.702 |
| Utility Service being provided by BBCCB are adequate | 1 | 0.551 |
| Satisfied with the procedures in getting services | 1 | 0.597 |
| The exchange charges are reasonable | 1 | 0.718 |
| Delay 'in issuing the draft, cheque by the banks | 1 | 0.694 |
| Draft is issued for any place in Odisha | 1 | 0.79 |
| Satisfied with the procedures in getting the cheque, draft | 1 | 0.758 |
| he rate of dividend declared is reasonable | 1 | 0.837 |
| Proper intimation from the banks regarding the dividend declared | 1 | 0.832 |
| Periodicity of dividend declaration is reasonable | 1 | 0.769 |
| Satisfied with the statutory limit | 1 | 0.771 |
| Long time is taken by the banks to pay the dividend declared | 1 | 0.683 |

Extraction Method: Principal Component Analysis.

Source: Author's own calculation

For instance, the percentage of variance described by 20 factors in the variable, that is the statement "Agriculture Crop Loan" is 0.737. That is 73.7% of the variance in statement is described by all the 20 factors. So the "communality" of the variable item 1 is 0.737.

7.7.5 Total Variance Explained

Eigen values show the variances of the factors. The whole column in the table below shows the Eigen values. Always, the initial factor will justify the optimum variance and the next factor will be considered as smaller variance with comparison to the first factor as seen and so on. Therefore every successive factor will be considered as lesser and lesser variance.

Table No.7.10 Total Variance Explained

The variance accounted for by successive factors are summarised as follows:

| Total Variance Explained | | | | | | |
|---------------------------------|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|
| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | |
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 6.605 | 9.858 | 9.858 | 6.605 | 9.858 | 9.858 |
| 2 | 5.497 | 8.205 | 18.063 | 5.497 | 8.205 | 18.063 |
| 3 | 4.029 | 6.013 | 24.076 | 4.029 | 6.013 | 24.076 |
| 4 | 3.845 | 5.738 | 29.814 | 3.845 | 5.738 | 29.814 |
| 5 | 3.535 | 5.276 | 35.09 | 3.535 | 5.276 | 35.09 |
| 6 | 2.765 | 4.128 | 39.218 | 2.765 | 4.128 | 39.218 |
| 7 | 2.392 | 3.571 | 42.789 | 2.392 | 3.571 | 42.789 |
| 8 | 2.083 | 3.109 | 45.897 | 2.083 | 3.109 | 45.897 |
| 9 | 1.84 | 2.747 | 48.644 | 1.84 | 2.747 | 48.644 |
| 10 | 1.779 | 2.655 | 51.299 | 1.779 | 2.655 | 51.299 |
| 11 | 1.546 | 2.308 | 53.607 | 1.546 | 2.308 | 53.607 |
| 12 | 1.441 | 2.151 | 55.758 | 1.441 | 2.151 | 55.758 |
| 13 | 1.401 | 2.09 | 57.849 | 1.401 | 2.09 | 57.849 |
| 14 | 1.278 | 1.907 | 59.756 | 1.278 | 1.907 | 59.756 |
| 15 | 1.25 | 1.865 | 61.621 | 1.25 | 1.865 | 61.621 |
| 16 | 1.194 | 1.782 | 63.403 | 1.194 | 1.782 | 63.403 |
| 17 | 1.153 | 1.721 | 65.124 | 1.153 | 1.721 | 65.124 |
| 18 | 1.082 | 1.616 | 66.74 | 1.082 | 1.616 | 66.74 |
| 19 | 1.046 | 1.561 | 68.301 | 1.046 | 1.561 | 68.301 |
| 20 | 1.025 | 1.53 | 69.831 | 1.025 | 1.53 | 69.831 |
| 21 | 0.994 | 1.484 | 71.315 | | | |
| 22 | 0.953 | 1.423 | 72.739 | | | |
| 23 | 0.893 | 1.334 | 74.072 | | | |
| 24 | 0.847 | 1.264 | 75.336 | | | |
| 25 | 0.827 | 1.235 | 76.571 | | | |
| 26 | 0.817 | 1.22 | 77.791 | | | |
| 27 | 0.783 | 1.169 | 78.96 | | | |
| 28 | 0.723 | 1.079 | 80.038 | | | |

| | | | | | | |
|--|-------|-------|--------|--|--|--|
| 29 | 0.709 | 1.059 | 81.097 | | | |
| 30 | 0.682 | 1.018 | 82.115 | | | |
| 31 | 0.652 | 0.973 | 83.088 | | | |
| 32 | 0.63 | 0.94 | 84.028 | | | |
| 33 | 0.618 | 0.923 | 84.952 | | | |
| 34 | 0.606 | 0.904 | 85.856 | | | |
| 35 | 0.581 | 0.867 | 86.723 | | | |
| 36 | 0.563 | 0.84 | 87.563 | | | |
| 37 | 0.509 | 0.759 | 88.322 | | | |
| 38 | 0.481 | 0.719 | 89.04 | | | |
| 39 | 0.458 | 0.684 | 89.724 | | | |
| 40 | 0.432 | 0.645 | 90.369 | | | |
| 41 | 0.423 | 0.631 | 91 | | | |
| 42 | 0.422 | 0.629 | 91.629 | | | |
| 43 | 0.394 | 0.588 | 92.217 | | | |
| 44 | 0.381 | 0.569 | 92.787 | | | |
| 45 | 0.373 | 0.557 | 93.343 | | | |
| 46 | 0.343 | 0.512 | 93.856 | | | |
| 47 | 0.327 | 0.488 | 94.344 | | | |
| 48 | 0.314 | 0.468 | 94.812 | | | |
| 49 | 0.29 | 0.433 | 95.245 | | | |
| 50 | 0.271 | 0.404 | 95.649 | | | |
| 51 | 0.255 | 0.381 | 96.03 | | | |
| 52 | 0.247 | 0.368 | 96.398 | | | |
| 53 | 0.233 | 0.348 | 96.746 | | | |
| 54 | 0.228 | 0.34 | 97.086 | | | |
| 55 | 0.219 | 0.326 | 97.413 | | | |
| 56 | 0.21 | 0.314 | 97.727 | | | |
| 57 | 0.192 | 0.287 | 98.013 | | | |
| 58 | 0.184 | 0.275 | 98.288 | | | |
| 59 | 0.174 | 0.259 | 98.548 | | | |
| 60 | 0.158 | 0.236 | 98.783 | | | |
| 61 | 0.149 | 0.222 | 99.006 | | | |
| 62 | 0.139 | 0.208 | 99.214 | | | |
| 63 | 0.135 | 0.201 | 99.415 | | | |
| 64 | 0.121 | 0.181 | 99.596 | | | |
| 65 | 0.11 | 0.164 | 99.76 | | | |
| 66 | 0.109 | 0.163 | 99.923 | | | |
| 67 | 0.052 | 0.077 | 100 | | | |
| Extraction Method: Principal Component Analysis. | | | | | | |

Source: Author's Own Calculation

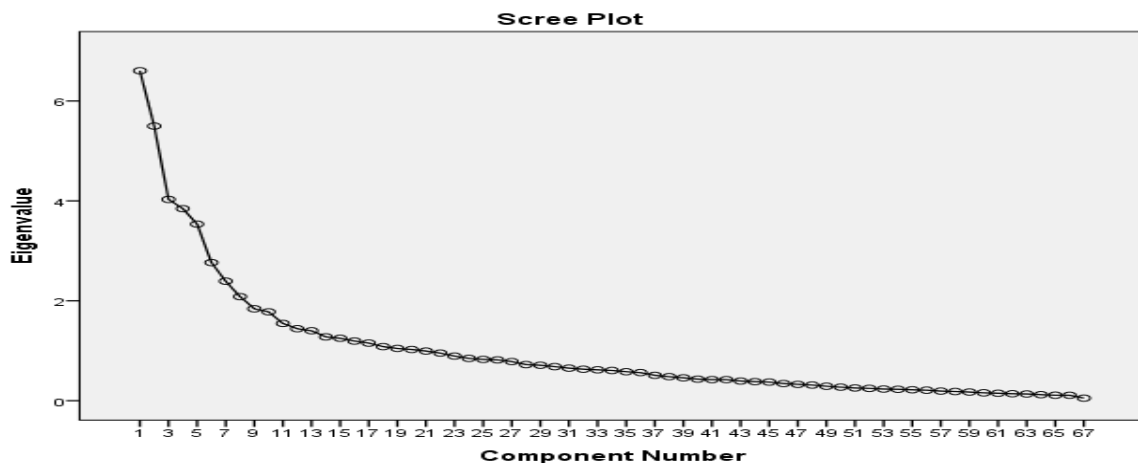
It is seen that, factor 1 explains about 9.585 percent of the total variance, factor 2 explains about 8.205 percent, and so on. The sum of “eigen values” is equivalent to the number of variables as anticipated. Here the variances that are extracted by the factors are known as “eigen values”.

It can be decided about the number of factors to be retained from measure of how much variance every succeeding factor extracts. Retained factors will be having “eigen value” greater than one (1). In this analysis, 20 factors have been extracted by using the above criterion.

7.7.6 Scree Plot: Eigen Values-Component Numbers

The graph below denotes the “eigen values” illustrated alongside the corresponding factor. From the given graph, we can observe that there is a sudden change in the curve of the “scree plot” after the factor 20. It indicates that the total variance denotes lesser and lesser amounts after factor 20.

Figure No.7.1 Scree Plot



Source: Author’s Own Calculation

7.7.7 Rotated Factor Matrix

Though the factor matrix is obtained in extraction phase shows the association between the individual variables and factors. The rotated factor matrix is given in Table: No 7.11 where

each factor identifies itself with a few set of variables. The variables which identify with each of the factors were sorted in the decreasing order and are highlighted against each column and row. These coefficients are known as “factor loadings”, since they show how much weight is allocated to each factor. Factors with higher for a variable are closely connected to that variable.

This shows that among the factors and the variables, the rotated “factor loadings” are the correlations. The factor column shows the rotated factors which are pulled out of the total factor. These core factors are employed as the final factor after reduction of data. The factor loadings which are above 0.50 have been extracted for the core factors.

Table No.7.11 Rotated Factor Matrix

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | |
|---|-------|---|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Convenient repayment period allowed for borrower | 0.87 | | | | | | | | | | | | | | | | | | | | |
| Lending schemes are suited to borrowers | 0.84 | | | | | | | | | | | | | | | | | | | | |
| Follow up action taken sanctioning loan | 0.83 | | | | | | | | | | | | | | | | | | | | |
| Satisfied with the procedures of getting sanction loan amount | 0.78 | | | | | | | | | | | | | | | | | | | | |
| Adequate security is obtained before sanctioning loan. | 0.78 | | | | | | | | | | | | | | | | | | | | |
| Loans are sanctioned for the development of priority sector. | 0.73 | | | | | | | | | | | | | | | | | | | | |
| Satisfied with the sanction of loan amount at the time of necessity | 0.67 | | | | | | | | | | | | | | | | | | | | |
| Satisfied with the rate of interest | 0.64 | | | | | | | | | | | | | | | | | | | | |
| Satisfied with the quantum of loan | 0.56 | | | | | | | | | | | | | | | | | | | | |
| Loanable funds of the Bank are sufficient to meet the needs of the members. | 0.54 | | | | | | | | | | | | | | | | | | | | |
| Margin requirements are scrupulously followed while sanctioning loan. | 0.54 | | | | | | | | | | | | | | | | | | | | |
| No detailed intimation regarding service provided | 0.85 | | | | | | | | | | | | | | | | | | | | |
| Delay 'in issuing the draft, cheque by the banks | 0.81 | | | | | | | | | | | | | | | | | | | | |
| The exchange charges are reasonable | -0.80 | | | | | | | | | | | | | | | | | | | | |
| Long time is taken to complete agency services | 0.71 | | | | | | | | | | | | | | | | | | | | |
| The commission charged by the banks is Reasonable | -0.63 | | | | | | | | | | | | | | | | | | | | |
| Proper intimation from the banks regarding the dividend declared | | | 0.87 | | | | | | | | | | | | | | | | | | |
| The rate of dividend declared is reasonable | | | 0.86 | | | | | | | | | | | | | | | | | | |
| Periodicity of dividend declaration is reasonable | | | 0.85 | | | | | | | | | | | | | | | | | | |
| Satisfied with the statutory limit | | | 0.85 | | | | | | | | | | | | | | | | | | |
| Diaries | | | | 0.86 | | | | | | | | | | | | | | | | | |
| Poultry | | | | 0.85 | | | | | | | | | | | | | | | | | |
| Goatary | | | | 0.85 | | | | | | | | | | | | | | | | | |
| Horticulture and plantation | | | | 0.69 | | | | | | | | | | | | | | | | | |
| Fisheries | | | | 0.55 | | | | | | | | | | | | | | | | | |
| Customers are provided prompt service. | | | | | 0.83 | | | | | | | | | | | | | | | | |
| Customer grievances are redressed promptly. | | | | | 0.80 | | | | | | | | | | | | | | | | |
| Bank employees behave courteously. | | | | | 0.80 | | | | | | | | | | | | | | | | |
| Proper statement of accounts is provided regularly. | | | | | 0.60 | | | | | | | | | | | | | | | | |
| Satisfied with the types of Deposits | | | | | | 0.85 | | | | | | | | | | | | | | | |
| Satisfied with the interest rate | | | | | | 0.83 | | | | | | | | | | | | | | | |
| Helps in ensuring food security | | | | | | | 0.75 | | | | | | | | | | | | | | |
| Helps in poverty reduction | | | | | | | 0.74 | | | | | | | | | | | | | | |
| Helps in generating employment | | | | | | | 0.67 | | | | | | | | | | | | | | |
| The service charges are high | | | | | | | | 0.87 | | | | | | | | | | | | | |
| Undue delay in the providing services | | | | | | | | 0.83 | | | | | | | | | | | | | |
| Terms and conditions of agency services are rigid | | | | | | | | 0.62 | | | | | | | | | | | | | |
| Provides accessible financial services | | | | | | | | | 0.73 | | | | | | | | | | | | |
| Provides livelihoods for the poor | | | | | | | | | 0.70 | | | | | | | | | | | | |
| It promotes rural enterprises | | | | | | | | | 0.53 | | | | | | | | | | | | |
| Helps in improving gender equality | | | | | | | | | 0.51 | | | | | | | | | | | | |
| Payment and collection of cheques and drafts are done with in time. | | | | | | | | | | 0.75 | | | | | | | | | | | |
| Online transaction facilities (NEFT & RTGS) are provided | | | | | | | | | | 0.65 | | | | | | | | | | | |
| Rate of interest on loans is lower than that of commercial Banks. | | | | | | | | | | | 0.72 | | | | | | | | | | |
| Nomination facilities are provided to the customers. | | | | | | | | | | | 0.54 | | | | | | | | | | |
| Govt rules and regulations are carried out properly | | | | | | | | | | | | 0.74 | | | | | | | | | |
| The bank insists standing instruction | | | | | | | | | | | | | 0.73 | | | | | | | | |
| Satisfied with the procedures in getting services | | | | | | | | | | | | | | 0.67 | | | | | | | |
| Utility Service being provided by BBCCB are adequate | | | | | | | | | | | | | | 0.61 | | | | | | | |
| Agricultural Crop loan | | | | | | | | | | | | | | | 0.75 | | | | | | |
| Agricultural term loan | | | | | | | | | | | | | | | 0.55 | | | | | | |
| Satisfied with the procedures in getting the amount at the time of maturity | | | | | | | | | | | | | | | | 0.66 | | | | | |
| Adequate Counseling service is provided | | | | | | | | | | | | | | | | 0.53 | | | | | |
| Satisfied with the agency services offered by the banks | | | | | | | | | | | | | | | | | 0.75 | | | | |
| The charges taken against services rendered are good | | | | | | | | | | | | | | | | | 0.61 | | | | |
| Loans are sanctioned without any delay. | | | | | | | | | | | | | | | | | | 0.69 | | | |
| Satisfied with the procedures of Remittance | | | | | | | | | | | | | | | | | | | 0.67 | | |
| Long time is taken by the banks to pay the dividend declared | | | | | | | | | | | | | | | | | | | | 0.77 | |
| Loan from BBCCB helping in income increase | | | | | | | | | | | | | | | | | | | | | 0.66 |

Source: Author's own estimation

7.8 Core Factors that Affects the Performance of the BBCCB

Table No. 7.12 Core Factors that Affects the Performance of the BBCCB

| Factor | Statement | Factor Loading | Factors Affecting BBCCB performance |
|--------|---|----------------|---|
| 1 | Convenient repayment period allowed for borrower | 0.870 | Issue of Loans and Advances. |
| | Lending schemes are suited to borrowers | 0.840 | |
| | Follow up action taken sanctioning loan | 0.831 | |
| | Satisfied with the procedures of getting sanction loan amount | 0.784 | |
| | Adequate security is obtained before sanctioning loan. | 0.775 | |
| | Loans are sanctioned for the development of priority sector. | 0.732 | |
| | Satisfied with the sanction of loan amount at the time of necessity | 0.669 | |
| | Satisfied with the rate of interest | 0.641 | |
| | Satisfied with the quantum of loan | 0.562 | |
| | Loanable funds of the Bank are sufficient to meet the needs of the members. | 0.538 | |
| | Margin requirements are scrupulously followed while sanctioning loan. | 0.537 | |
| 2 | No detailed intimation regarding service provided | 0.850 | Agency Service |
| | Delay 'in issuing the draft, cheque by the banks | 0.808 | |
| | The exchange charges are reasonable | 0.799 | |
| | Long time is taken to complete agency services | 0.713 | |
| | The commission charged by the banks is Reasonable | 0.626 | |
| 3 | Proper intimation from the banks regarding the dividend declared | 0.871 | Dividend Declared |
| | The rate of dividend declared is reasonable | 0.861 | |
| | Periodicity of dividend declaration is reasonable | 0.845 | |
| | Satisfied with the statutory limit | 0.845 | |
| 4 | Dairy | 0.861 | Areas where BBCCB is Most Effective |
| | Poultry | 0.850 | |
| | Goatary | 0.847 | |
| | Horticulture and plantation | 0.692 | |
| | Fisheries | 0.548 | |
| 5 | Customers are provided prompt service. | 0.834 | Customer Services |
| | Customer grievances are redressed promptly. | 0.798 | |
| | Bank employees behave courteously. | 0.796 | |
| | Proper statement of accounts is provided regularly. | 0.603 | |
| 6 | Satisfied with the types of Deposits | 0.847 | Deposits |
| | Satisfied with the interest rate | 0.826 | |
| 7 | Helps in ensuring food security | 0.750 | Food security, poverty reduction and employment |
| | Helps in poverty reduction | 0.742 | |
| | Helps in generating employment | 0.674 | |
| 8 | The service charges are high | 0.865 | Service Charges |
| | Undue delay in the providing services | 0.831 | |
| | Terms and conditions of agency services are rigid | 0.622 | |
| 9 | Provides accessible financial services | 0.727 | Objective of BBCCB |

| | | | |
|----|---|-------|--|
| | Provides livelihoods for the poor | 0.698 | |
| | It promotes rural enterprises | 0.534 | |
| | Helps in improving gender equality | 0.513 | |
| 10 | Payment and collection of cheques and drafts are done with in time. | 0.749 | Draft and Online Transaction |
| | Online transaction facilities (NEFT & RTGS) are provided | 0.652 | |
| 11 | Rate of interest on loans is lower than that of commercial Banks. | 0.723 | Rate of Interest and Nomination facilities |
| | Nomination facilities are provided to the customers. | 0.539 | |
| 12 | Govt rules and regulations are carried out properly | 0.732 | Obeying Govt. Rules and Regulations |
| 13 | The bank insists standing instruction | 0.735 | Services |
| | Satisfied with the procedures in getting services | 0.668 | |
| | Utility Service being provided by BBCCB are adequate | 0.613 | |
| 14 | Agricultural Crop loan | 0.752 | Agricultural Loan |
| | Agricultural term loan | 0.551 | |
| 15 | Satisfied with the procedures in getting the amount at the time of maturity | 0.661 | Maturity Amount |
| | Adequate Counseling service is provided | 0.533 | |
| 16 | Satisfied with the agency services offered by the banks | 0.75 | Satisfaction Regarding the Agency Services |
| | The charges taken against services rendered are good | 0.609 | |
| 17 | Loans are sanctioned without any delay. | 0.693 | Time of Sanctioning Loan |
| 18 | Satisfied with the procedures of Remittance | 0.672 | Remittance by BBCCB |
| 19 | Long time is taken by the banks to pay the dividend declared | 0.771 | Time for Dividend Declared |
| 20 | Loan from BBCCB helping in income increase | 0.657 | Income Increase |

Source: Author's own calculation

The above are the key 20 factors that affect the performance of the bank that is selected from Rotated Factor Matrix. The following are the explanation of the factors. Some explanations are substantiated by referring the “observations from the field survey”, which is given in the Appendix (7.a, page no.7-9)).

7.8.1 Factor 1: Issue of Loans and Advances

The first factor explains 9.85 % variability on performance of BBCCB. It relates to the “issue of loans and advances” in BBCCB.

The system of co-operative bank credit in India still holds a noticeable position in providing credit necessities of the rural people. Seeing whole banking, these co-operative bank credit organisations accounts for more than 50 %share in institutional credit being given for rural development and agriculture. About 70 % of loans given by the co-operative banks are credit of production as the remaining are in the investment credit area. Insofar as rural area is concerned, the co-operative credit system is unmatched in economic upliftment (Lopoyetum

& Selvam, 2000) BBCCB spreads credit services to the agriculturalists, labourers, small scale industry, traders, women, business people etc. Also, this bank grants different loans under different government schemes. Henceforth, customers/ beneficiaries of the bank are questioned to express their opinions on the different loaning operations of the bank.

It is found that convenient repayment period allowed for borrower to repay the loan is the important factor which has factor loading 0.870 under issue of loan and advances.

It is seen that Follow up action i.e. phone calls, letter issue and personal meeting is strictly followed in BBCCB.

Further it is found that lending schemes go well with the borrowers is another factor under it which is having 0.870 factor loading. BBCCB offers various kinds of small loans such as motor vehicle loan, housing loan, consumer durable loan, personal loan, small scale industries, cottage & village industry or hotel or nursing home or tourist activities, loan against Swarojgar Credit Card(SCC), loan to SHG, loan to TFG, loan to agriculturalists for buying of land for purposes of agriculture, firm mechanisation (buying of power tiller, tractor etc.), loan of Bamboo cultivation ,Bio-diesel and loan for dairy farm establishment , sheep, poultry & duckery, goat and pig rearing. Brackish and sweet cultivation of water fish, cold storage establishment, rural godown, prawn culture of brackish water, prawn culture of sweet water, horticulture, orchard plantation solar energy and vermi compost, etc.¹⁸ The above are the kinds of schemes that suits the borrowers to lend money from BBCCB in comparison to other nationalised banks. One can get very small loan of Rs. 5000 or below for the sheep, goat and pig rearing etc. and will be benefited from it.

The beneficiaries of the bank feel that they are satisfied with the procedure in which they get loan. They feel that getting loan in co-operative banks is easier and quicker than any nationalised banks. The customers are of the view that the formalities for getting loan in BBCCB are less than nationalised banks.

¹⁸ <http://www.bccbbalasore.com/scheme.php>

The beneficiaries in BBCCB feel that they are given appropriate repayment period to repay the loan. The farmers repay the loan after the harvest period of Kharif and Rabi. The small businessmen lonee favour co-operative bank for loan due to the daily deposit scheme. The bank agents collects very small amount such as Rs. 100 and Rs. 50 daily and deposit the same in the bank for them. After one month of recurring deposit the same amount will be diverted to the loan recovery of the businessmen. In this way the small traders view that they get their convenient time for repay of loan.

It is found that the respondents feel that margin requirements of their assets are scrupulously followed while sanctioning loan. According to the customers of BBCCB keep adequate amount of the securities from the beneficiaries. The bank values the security according to market. Most of the beneficiaries know that most of the loan is provided for the primary sector such as agriculture and allied sector, for which co-operative bank is meant for.

It is found that beneficiaries are satisfied with sanction of loan amount at the time of necessity. The beneficiaries are not satisfied with the rate of interest on loan for small scale business and housing loan. They feel that BBCCB is charging more rate of interest on it in comparison to nationalised banks. So it is recommended that BBCCB must adjust the interest rate of business and housing loan with comparing other nationalised banks. It is also found that most of the beneficiaries are satisfied with the quantum of loan they get with their collateral. The beneficiaries also feel that loanable funds of the bank are enough to fulfil the necessities of the customers and beneficiaries.

7.8.2 Factor 2: Agency Service (Utility Services)

The second factor explains 8.20% variability on performance of BBCCB. It relates to the Agency service (utility Services) in BBCCB. The customers are not satisfies with the intimation regarding services are provided. So it is recommended that detailed intimation regarding any service should be provided to the customers without fail.

Quick issue of draft is another factor which affects the performance of BBCCB and it is having factor loading of 0.800. Interestingly while interviewing the customers in Sadar and other branches it is found that there are many customers came to bank for making bank draft. They

said that BBCCB takes very less timing for making draft, but in other nationalised banks nearby they have to wait hours and hours for the same. On the other hand the commission for demand draft is less than other nationalised banks. It is found that BBCCB takes long time to complete agency services. So it is recommended that BBCCB should try to take less time to complete the agency services on behalf of the customers or beneficiaries.

The above are the important statement under this factor which affects the bank's performance.

7.8.3 Factor 3: Dividend Declared

The third factor explains 6.01% variability on performance of BBCCB. It relates to the Dividend Declared in BBCCB.

It is found that proper intimation from the banks regarding the dividend declared are not provided to the beneficiaries. 37.39 % ignorant about this statement. And 12 % of the respondents are disagreed that intimation is not provided to them (see the appendix, page no 9). So it is recommended that BBCCB must give proper intimation from the banks regarding the dividend declared.

Further it is found that the rate of dividend declared is reasonable in BBCCB. 36.96% of the respondents are neutral about this statement and 10.87 % disagree regarding this statement (see appendix page no .9). Further the periodicity of dividend declaration is not reasonable. Again the respondents are not happy with the satisfied with the statutory limit. So it re recommended that the periodicity of dividend declared should decrease and would be provided in regular basis. Further it can be suggested statutory limit of the dividend can be increased according to the performance of BBCCB.

7.8.4 Factor 4: Areas where BBCCB is most Effective

The fourth factor explains 5.73 % variability on performance of BBCCB. It relates to the areas where BBCCB is most effective in BBCCB.

It is found from the primary survey that the beneficiaries get dairy, poultry, goatary, horticulture and plantation and fisheries. The local people depend on BBCCB for the above loans which are short term loan and people take very small amount such as Rs. 5000 loan from bank. People in the locality favour this bank as they obtain very small loan for these farming.

7.8.5 Factor 5: Customer Services

The fifth factor explains 5.27% variability on performance of BBCCB. It relates to the Customer Services in BBCCB.

The bank is a dealer in customers' cash. Therefore, customers must be dealt with courteously. They must be provided with excellent services. They always prefer efficient and prompt service. Customer service is not just the completion of government rules. "It is a philosophy, an attitude of professional commitment which believes in the ultimate satisfaction of a customer want" (Baskara, 2000). The staff of the bank should have forbearance and provide a pleasant environment during their conversation with the customers. Employees should always welcome the customers or beneficiaries with a smile. It will help a lot to attract more customers.

The customers feel that they get easy and quick service in BBCCB. The openings of saving account, term deposit, making demand draft are done quickly in BBCCB than any nationalised banks. The loans are sanctioned quickly in BBCCB. The procedure followed in BBCCB for sanctioning loan is easier than nationalised banks that the beneficiaries of the bank feel.

The respondents are agreed that their grievances are redressed promptly by the employees and manager of the different branches of BBCCB. Further it is found that bank employees behave courteously. The respondents strongly agreed that the employees in BBCCB behave courteously. They also strongly recommend that the behaviour of the staff in BBCCB is better than any nationalised banks in the locality. It is also found that respondents are agreed that proper statement of accounts is provided regularly to them whenever they ask to the employees.

7.8.6 Factor 6: Deposit Scheme and Interest Rate

The sixth factor explains 4.12 % variability on performance of BBCCB. It relates to the deposit scheme and interest rate in BBCCB. Satisfied with deposit interest rate is another important factor which is having factor loading 0.826. The customers and beneficiaries favour to open saving account and term deposit in BBCCB as it provides 0.5% of higher interest rate

than other nationalised banks. Presently the interest rate on saving account deposit is 4%¹⁹ per annum. Similarly the bank provides higher interest rate on term deposit than other nationalised banks. For example the term deposit for 1 year to less than 2 years in BBCCB is 7.15 % per annum but in nationalised banks it is 7 %.

7.8.7 Factor 7: Food security, Poverty Reduction and Employment

The seventh factor explains 3.57 % variability on performance of BBCCB. It relates to food security, poverty reduction and employment in BBCCB. The beneficiaries feel that BBCCB helps in ensuring food security and become self-sustain in food mainly doing paddy cultivation twice in a year. BBCCB also helps in poverty reduction that the beneficiaries feel strongly. Further BBCCB also helps in generating employment. The local people have become self-sufficient by utilising the loan of BBCCB. So it is recommended that BBCCB should be promoted more by the state government.

7.8.8 Factor 8: Service Charges and Rigidity of Agency Service

The eighth factor explains 3.10 % variability on performance of BBCCB. It relates to service charges and rigidity of agency service in BBCCB. Service charges are lesser than commercial banks is another important factor which affects the bank's performance. It is having factor loading 0.865 and significant factor that affects the performance of BBCCB. Some customers are of the view that the bank do not charge the cost for ATM and SMS service that they get. The BBCCB does not collect the account keeping money from the customers. There is not much undue delay in the providing services that the respondents feel. It is also found that the terms and conditions of agency services are not so rigid.

7.8.9 Factor 9: Objective of BBCCB

The ninth factor explains 2.74 % variability on performance of BBCCB. It relates to objectives of BBCCB. It is found that BBCCB provides easy accessible financial services to its beneficiaries and customers. It is because the bank is local in nature and as it is community driven bank. It is also seen even the rural housewives are able to access the service as the bank is available in locality, where as other nationalised banks are far away from the village areas. It is also found that BBCCB has become a means for the livelihood of the poor people in the

¹⁹<http://www.bbccbalsore.com/deposit.php>

locality. Further it also promotes rural enterprises. BBCCB Helps in improving gender equality in the locality as the SHG is supervised by co-operative banks and it provides loan to the women in 7% interest rate. It is seen that for the benefit of women in the locality, there is a women branch of BBCCB. It is recommended that BBCCB should do all online transactions of his own.

7.8.10 Factor 10: Draft Service and Online Transaction

The tenth factor explains 2.65 % variability on performance of BBCCB. It relates to issue of draft and online transaction. It is found that payment and collection of drafts and cheques are provided within time in BBCCB. It takes less time than nationalised banks. Further it is found that online transaction facilities (NEFT & RTGS) are also provided. But NEFT and RTGS transaction are done through Yes Bank.

7.8.11 Factor 11: Rate of Interest Rate and Nomination Facilities

This factor explains 2.30 % variability the performance of BBCCB. It relates rate of interest rate and nomination facilities in BBCCB for the beneficiaries. It is found that rate of interest on loans in some instances is higher than that of commercial Banks. The interest rate of housing loan and vehicle loan other than agricultural loan are higher than nationalized banks. Nomination facilities are provided to the beneficiaries. To be a member in the board the beneficiaries must not be a defaulter.

7.8.12 Factor 12: Obeying Govt. Rules and Regulations

This factor explains 2.15 % variability on performance of BBCCB. It relates to the rules and regulation followed by BBCCB. It is found that BBCCB is following all government rules and regulations are carried out properly. The respondents are aware about it.

7.8.13 Factor 13: Standing Instruction and Utility Services

This factor explains 2.09% variability on performance of BBCCB. It relates standing instruction and utility services of BBCCB for the beneficiaries and customers.

It is seen that BBCCB insists standing instruction to all the customers and beneficiaries. Most of the branches have put the same through banner on the wall of bank. The beneficiaries easily understand it as it is written in vernacular language. It is also found that most of the beneficiaries are satisfied with the procedures in getting services. Further, the utility service

provided by BBCCB are adequate according to the opinion of beneficiaries and customers. The above are the variables under this factor which affects the bank's performance.

7.8.14 Factor 14: Agricultural Loan

This factor explains 1.90 % variability on performance of BBCCB. It relates Agricultural Loan to the beneficiaries. The beneficiaries favours BBCCB for crop loan as the co-operative bank is exclusively meant for agriculture loan. The aim of crop loan is to meet the working capital requisite of the marginal and small farmers particularly for buying of fertilisers, seeds, pesticides etc. Kishan Credit Card services are gotten by the beneficiaries to get state government's various direct benefit systems. The crop loan holders get Rs 5 lakhs accidental benefit in case of accidental death. Again, the lonee gets the crop insurance coverage by taking loan from BBCCB because this bank is effective in case of crop loan to the farmers. It is found that the beneficiaries prefer BBCCB than other nationalised banks for agricultural crop loan and term loan.

7.8.15 Factor 15: Procedure of Getting Maturity Amount and Counselling Service

This factor explains 1.86 % variability on performance of BBCCB. It relates customers and beneficiaries' satisfaction regarding the procedures in getting the amount at the time of maturity. It is also found that most of the customers or beneficiaries are provided counseling service to open new account in no frill account, to repay the loan in time. Different branches do collection camps in the last week of December to make aware the people regarding different schemes of deposits, loans and product of the co-operative banks. Further bank employees convince the people to open new accounts in BBCCB in zero balance.

7.8.16 Factor 16: Satisfaction Regarding the Agency Services

This factor explains 1.78% variability on performance of BBCCB. It relates customers and beneficiaries satisfaction regarding the agency services offered by the banks.

It is found that most of the beneficiaries are satisfied with the agency services offered by the banks. BBCCB must maintain the same to attract more customers and to cope with present cut throat competition in banking sector. It is also found that the charges taken against services rendered are good and less than nationalised banks.

7.8.17 Factor 17: Time of Sanctioning Loan

This factor explains 1.72 % variability on performance of BBCCB. It relates to the time taken by BBCCB for sanctioning loan. It is found that more than 55% (see appendix, page no 8) of the beneficiaries feel that they get easy and quick disposal of loan sanctioned by BBCCB. But 45 % (see appendix, page no 8) of the beneficiaries are of the view that they get loan in delay and are not satisfied with the time taken for sanctioning loan. So it is recommended that BBCCB must not make delay in sanctioning loan for the beneficiaries. So that BBCCB will be distinct from other banks.

7.8.18 Factor 18: Remittance by BBCCB

It explains 1.61 % variability on performance of BBCCB. It relates to the procedures of remittance by BBCCB. It is found that most of the beneficiaries or customers are satisfied with the procedures of remittance. They feel it is easy and convenient in co-operative bank than other nationalised banks.

7.8.19 Factor 19: Time for Dividend Declared

The factor explains 1.56 % variability on performance of BBCCB. It relates to the time taken to declare dividend by BBCCB. It is found that BBCCB is taking long time to pay the dividend declared. The beneficiaries feel that is always back log in getting the dividend. It is recommended that the bank must not take longer time to pay the declared dividend declared. It is also seen that 46.09 % of the respondents are neutral regarding this service.

7.8.20 Factor 20: Income Increase

The last factor explains 1.53 % of the variability on the performance of BBCCB. It relates to the increase in income of the beneficiaries by taking loan from in BBCCB. The beneficiaries gave their view that their income definitely has increased by taking loan from BBCCB and utilising it in productive ways.

7.9 Findings

It is found that convenient repayment period allowed for borrower to repay the loans. It is seen that follow up action i.e. phone calls, letters issued and personal meetings are strictly followed in BBCCB.

Further it is found that lending schemes are suited to the borrower's needs. The beneficiaries of the bank feel that they are satisfied with the procedures by which they get loan. The beneficiaries in BBCCB feel that they are given appropriate repayment period to repay the loan.

It is found that the respondents feel that margin requirements of their assets are scrupulously followed while sanctioning loan. It is found that beneficiaries are satisfied with sanction of loan amount at the time of necessity.

Quick issue of draft is another factor which affects the performance of BBCCB. On the other hand the commission for demand draft is less than other nationalised banks. It is found that BBCCB takes long time to complete agency services. .

It is found that proper intimation from the bank regarding the dividend declared are not provided to the beneficiaries in BBCCB. Further it is found that the rate of dividend declared is reasonable in BBCCB. Further the periodicity of dividend declaration is not reasonable. Again the respondents are not satisfied with the statutory limit of the dividend.

The customers feel that they get easy and quick service in BBCCB. The procedure followed in BBCCB for sanctioning loan is easier than nationalised banks that the beneficiaries of the bank feel.

The respondents are agreed that their grievances are redressed promptly by the employees and managers of the different branches of BBCCB. The employees also affirms that the behaviour of the staff in BBCCB is better than any nationalised banks in the locality. It is also found that respondents are agreed that proper statement of accounts is provided regularly to them whenever they ask for it.

The customers and beneficiaries favour to open saving account and term deposit in BBCCB as it provides 0.5% of higher interest rate than other nationalised banks. Similarly the bank provides higher interest rate on term deposit than other nationalised banks.

The beneficiaries feel that BBCCB helps in ensuring food security and become self-sustained in food mainly doing paddy cultivation twice in a year. BBCCB also helps in poverty reduction that the beneficiaries feel strongly. Further BBCCB also helps in generating employment. Service charges are lesser than commercial banks is another important factor which affects the bank's performance. It is found that BBCCB provides easily accessible financial services to its beneficiaries and customers. It is also found that BBCCB has become a means for the livelihood of the poor people in the locality. Further it also promotes rural enterprises. BBCCB helps in improving gender equality in the locality as the SHG is supervised by co-operative banks and it provides loan to the women at 7% interest rate.

Nomination facilities are also provided to the beneficiaries. It is found that BBCCB is following all Govt. rules and regulations properly. It is seen that BBCCB insists standing instruction to all the customers and beneficiaries. It is found that the beneficiaries prefer BBCCB than other nationalised banks for agricultural crop loan and term loan. It is also found that most of the customers or beneficiaries are provided counselling services to open new account in no frill accounts and to repay the loan in time. It is found that most of the beneficiaries are satisfied with the agency services offered by the bank. They feel procedure of remittance is easy and convenient in co-operative bank than other nationalised banks. However, it is found that BBCCB is taking long time to pay the dividend declared. The beneficiaries gave their view that their income has increased by taking loan from BBCCB and utilising it in productive ways.

7.10 Recommendations

It is recommended that BBCCB must adjust the interest rate of non-agriculture loan such as business, housing loan etc. comparing with other nationalised banks. It is recommended that detailed intimation regarding any service should be provided to the customers. It is recommended that BBCCB should try to take less time to complete the agency services on behalf of the customers or beneficiaries. It is recommended that the bank must not take longer time to pay the declared dividend declared. It is recommended that BBCCB must not make delay in sanctioning loan for the beneficiaries. It is recommended that BBCCB should do all online transactions on its own.

CHAPTER VIII

VIEWS OF THE BANK EMPLOYEES ON THE PERFORMANCE OF BALASORE BHADRAK CENTRAL CO-OPERATIVE BANK: AN EXPLORATORY FACTOR ANALYSIS

8.1 Introduction

Human resource is known as the most important for its effective working when we consider all the resources of an organisation. William B. Jr. has witnessed that “more vital than having adequate money in the bank, are the kind of people in creating a successful company” as stated in (Kulandaisamy, 2002). The bank’s performance can be assessed by credit development, deposit mobilisation as well as branch expansion. The manpower, i.e. employees, is always the strength behind it. The performance of Balasore Bhadrak Central Co-operative Bank (BBCCB) also depends upon its manpower.

For understanding the effective functioning of any institution, a good questionnaire can ask the recommendations of the employees. They are associated with all the banking activities. Employees have practical knowledge of banking. Hence, their opinions are valuable for any bank. BBCCB, being a rural financial institution, has to compete with other nationalised banks. Hence, BBCCB needs effective operation. In this study an effort is being taken to study the views of employees concerning the existing working performance of BBCCB so that bank can take appropriate actions to develop its future activities. Personal interview method is used with a well-organised interview schedule so as to analyse the views of employees of BBCCB concerning the functioning of the bank. The interview schedule is having the chosen statements under following segments:

(i) Mobilization of resources (ii) Loans and advances (iii) Recovery of loans and advances (iv) Financial performance of the bank (v) Human resource management (vi) Customer Services (vii) Management of Bank. (viii) Supervision and audit (ix) Financial support by government

The employees of the bank include managers, assistant managers, junior assistants, assistant managers, cashiers, clerks, and other sub-staff.

8.2 The Sampling Design

8.2.1 Sample size

The study comprises of 100 employees in different branches of BBCCB whose views have been collected by the questionnaire.

Table No.8.1 Branches under Study

| Sl. No. | Branches | Respondents |
|---------|-------------------------|-------------------------|
| 1 | Khaira Branch | 15 |
| 2 | Oupada Branch | 05 |
| 3 | Balaramgadi Branch | 20 |
| 4 | Bhandari Pokhari Branch | 10 |
| 5 | Simulia Branch | 07 |
| 6 | Dhamnagar Branch | 08 |
| 7 | Bahanaga Branch | 09 |
| 8 | Nilagiri Branch | 10 |
| 09 | Soro Branch | 11 |
| 10 | Sadar Branch | 19 |
| 11 | Tihidi | 06 |
| | Total | 100(Male 86+ Female 14) |

Source: Compiled from primary survey

The above are the eleven branches of BBCCB for the final survey. The number of male employees under study is 86 and number of females under study is 14.

8.2.2 Social Category Wise Distribution:

Table No.8.2 Social Category Wise Distribution

| Sl. No. | Category | Numbers |
|---------|----------|---------|
| 1 | General | 53 |
| 2 | SC | 11 |
| 3 | SEBC | 34 |
| 4 | ST | 2 |
| | Total | 100 |

Source: Compiled from Primary Data

The table above demonstrates the social category-wise distribution of respondents for the study. The highest number of respondents belongs to general category. The number of SEBC

employees under study are 34 and 11 are coming under SC community. There are only 2 ST respondents for the study.

8.2.3 Educational Profile of the Respondents:

Table No.8.3 Educational Profile of the Respondents

| Sl. No. | Qualifications | Numbers |
|---------|----------------|---------|
| 1 | M.A. and M.Sc. | 10 |
| 2 | Graduate | 56 |
| 3 | Intermediate | 07 |
| 4 | Matric | 27 |
| | Total | 100 |

Source: Compiled from Primary Data

The above table demonstrates educational profile of the employees of the branches of the study. It is seen that most of the employees are graduate or above graduate. They are in Manager or assistant manager post. The graduates also include B.Tech, L.L.B and M.B.A. graduates with computer degree PGDCA. Very few are from intermediate. 27 employees are having matric qualification. They are mainly supervisor or cashier in the bank.

8.3 Evaluating the Views of BBCCB Bank Employees through Factor Analysis:

8.3.1 Reliability Test:

Table No. 8.4 Reliability Test

| Reliability Statistics | |
|------------------------|------------|
| Cronbach's Alpha | N of Items |
| 0.702 | 66 |

Source: Compiled from Primary Data

“Cronbach’s alpha test” is done to examine the reliability of questions or variables. The value i.e. 0.702, showing internal consistency of the variables.

8.3.2 Kaiser-Meyer-Olkin Measure of Sampling Adequacy

Table No.8.5 Kaiser-Meyer-Olkin Measure of Sampling Adequacy

| | | |
|--|--------------------|----------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | 0.597 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 5070.438 |
| | df | 2145 |
| | Sig. | 0 |

Source: Author's Own Calculation

The estimated value of Chi-square is 5070.438 with 2145 degrees of freedom, which is significant at 0.05 level of significance. The KMO statistic of 0.597 is also large (greater than 0.50). Therefore, "factor analysis" is regarded as a appropriate method for further analysis. In "Bartlett's Sphericity Test" with taking 95% level of significance, $\alpha = 0.05$ the p-value of .000 < 0.05, so factor analysis is a valid one.

8.3.3 Component Matrix

The table no.8.6 given below gives the "component matrix" where PCA has extracted 20 factors.

Table No.8.6 “Component Matrix

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Training facilities are not enough to update the knowledge of the staff. | -0.75 | -0.16 | 0.03 | -0.24 | -0.07 | 0.14 | 0.19 | -0.03 | 0.20 | -0.03 | -0.05 | 0.07 | 0.06 | -0.01 | 0.10 | 0.01 | 0.01 | 0.01 | 0.00 | -0.08 |
| Promotional schemes are not adequately implemented to induce the employees of the bank. | -0.66 | -0.16 | 0.01 | -0.06 | 0.06 | 0.00 | 0.06 | -0.07 | 0.20 | 0.32 | -0.13 | 0.31 | 0.24 | 0.00 | 0.16 | 0.11 | -0.03 | -0.01 | 0.13 | -0.03 |
| Apex bank supervises the activities of the bank regularly | 0.66 | 0.43 | 0.00 | 0.07 | 0.01 | 0.09 | 0.22 | -0.22 | -0.18 | 0.07 | 0.06 | 0.10 | 0.00 | -0.02 | 0.11 | 0.05 | -0.02 | 0.07 | 0.00 | 0.16 |
| Audit remarks are attended properly | 0.65 | 0.32 | 0.12 | 0.01 | 0.06 | 0.16 | 0.07 | -0.11 | 0.03 | 0.27 | -0.09 | 0.27 | -0.02 | -0.04 | 0.07 | 0.12 | -0.05 | -0.14 | 0.19 | 0.03 |
| Whenever funds scarcity arises in the bank, government extends credit facilities. | -0.59 | 0.28 | 0.25 | 0.01 | 0.22 | 0.11 | 0.03 | 0.06 | 0.02 | -0.25 | -0.09 | -0.21 | -0.18 | 0.01 | -0.02 | 0.01 | 0.11 | -0.05 | -0.08 | -0.27 |
| Performance appraisal methods are undertaken promptly. | 0.58 | 0.10 | -0.05 | 0.17 | -0.29 | -0.13 | 0.16 | -0.05 | 0.24 | 0.02 | 0.12 | -0.19 | -0.05 | 0.02 | 0.06 | -0.19 | 0.02 | 0.09 | -0.04 | 0.06 |
| Government encourages its local bodies to deposit their money in the bank. | -0.56 | 0.21 | 0.13 | 0.23 | 0.42 | -0.07 | 0.07 | 0.01 | 0.11 | -0.06 | 0.07 | -0.25 | 0.17 | 0.05 | -0.05 | -0.10 | 0.06 | -0.09 | -0.11 | -0.06 |
| Audit is properly conducted by audit department of the bank | 0.54 | 0.38 | 0.18 | -0.10 | 0.08 | 0.16 | 0.17 | 0.02 | -0.01 | 0.19 | -0.24 | -0.09 | 0.05 | -0.18 | -0.14 | 0.16 | 0.00 | -0.24 | -0.09 | -0.16 |
| Cordial relationship exists between all levels of management | 0.52 | 0.48 | -0.07 | 0.06 | 0.05 | -0.05 | 0.23 | -0.12 | 0.09 | 0.00 | 0.22 | -0.08 | 0.12 | 0.20 | 0.05 | 0.04 | -0.06 | -0.01 | 0.11 | -0.08 |
| Co-operative department audit is conducted periodically. | 0.50 | 0.27 | 0.12 | 0.03 | 0.19 | 0.16 | 0.20 | -0.07 | -0.27 | 0.31 | 0.04 | -0.01 | -0.24 | -0.13 | -0.10 | 0.22 | -0.08 | -0.26 | 0.01 | 0.03 |
| Frequent Government Intervention affects bank functioning | 0.49 | -0.18 | 0.07 | 0.22 | -0.26 | -0.21 | -0.21 | 0.21 | 0.26 | 0.16 | -0.03 | 0.18 | 0.01 | -0.23 | 0.25 | -0.16 | 0.00 | 0.01 | -0.17 | -0.03 |
| Selection of staff is objective, fair and systematic. | 0.48 | 0.27 | 0.05 | -0.21 | 0.25 | 0.07 | 0.13 | 0.39 | 0.11 | 0.06 | -0.32 | -0.03 | 0.09 | 0.00 | 0.13 | -0.08 | 0.07 | 0.04 | 0.19 | 0.03 |
| Officers are adequately appointed to supervise the lending and recovery activities of the bank. | 0.48 | 0.46 | 0.18 | -0.04 | 0.17 | -0.13 | -0.17 | -0.09 | 0.03 | -0.14 | 0.12 | 0.25 | 0.02 | 0.21 | -0.14 | 0.11 | 0.08 | 0.27 | 0.01 | -0.08 |
| The working conditions of the bank are not upto the expectations of the modern banking environment. | -0.43 | -0.27 | 0.13 | 0.06 | 0.02 | 0.10 | -0.03 | -0.36 | 0.38 | 0.20 | 0.01 | 0.18 | 0.05 | -0.22 | -0.08 | 0.17 | 0.03 | 0.04 | 0.06 | 0.09 |
| Funds from higher financing agencies are adequate | -0.42 | 0.13 | 0.19 | -0.29 | -0.04 | 0.26 | -0.04 | -0.13 | -0.15 | 0.01 | -0.05 | 0.17 | 0.11 | -0.25 | -0.14 | 0.02 | 0.01 | 0.39 | 0.00 | 0.09 |
| Strict regulation of the government restricts the freedom of the bank in taking any financial decision. | 0.42 | -0.28 | 0.37 | 0.14 | -0.04 | -0.17 | -0.15 | 0.08 | 0.06 | 0.04 | -0.26 | -0.02 | -0.34 | 0.02 | -0.04 | 0.02 | 0.04 | 0.04 | 0.04 | 0.11 |
| Adequate powers are given to the officers to take action against the erring employees. | 0.42 | 0.12 | -0.09 | -0.27 | -0.21 | 0.38 | -0.16 | -0.20 | 0.17 | -0.21 | 0.23 | 0.05 | 0.07 | -0.06 | 0.21 | -0.07 | -0.07 | -0.05 | -0.04 | -0.11 |
| Proper check is made over the utilisation of loan amount. | 0.40 | 0.37 | 0.06 | 0.06 | -0.09 | 0.22 | -0.34 | -0.05 | -0.14 | -0.11 | 0.00 | 0.08 | 0.25 | 0.01 | -0.01 | -0.14 | 0.25 | -0.07 | 0.05 | -0.08 |
| The political intervention is affecting the overall performance of the co-operative bank | 0.38 | -0.70 | 0.14 | -0.18 | 0.14 | 0.02 | 0.00 | 0.11 | -0.13 | 0.02 | 0.05 | -0.02 | 0.15 | 0.02 | 0.03 | 0.07 | 0.08 | -0.05 | 0.17 | 0.06 |
| Board of Directors intervenes in normal functioning of bank | 0.26 | -0.56 | 0.26 | -0.06 | 0.26 | 0.09 | -0.09 | -0.10 | 0.12 | 0.04 | 0.24 | 0.00 | 0.12 | 0.10 | 0.05 | -0.05 | -0.28 | -0.08 | -0.31 | -0.31 |
| Political intervention in the day-to-day Administration | 0.50 | -0.55 | 0.10 | 0.25 | 0.26 | -0.02 | 0.00 | 0.05 | -0.13 | -0.22 | 0.10 | -0.05 | 0.21 | 0.13 | -0.10 | 0.03 | -0.05 | 0.11 | -0.05 | 0.12 |
| Interference of local political party functionaries in granting loans | 0.36 | -0.53 | 0.11 | -0.05 | 0.37 | 0.07 | -0.03 | 0.09 | -0.26 | -0.19 | 0.02 | 0.07 | 0.29 | 0.13 | 0.04 | 0.16 | -0.05 | 0.01 | -0.04 | 0.12 |
| No encouragement from the staff in recovering the loans. | -0.23 | -0.51 | 0.16 | 0.27 | -0.15 | 0.27 | 0.25 | -0.18 | 0.11 | -0.05 | 0.04 | -0.03 | 0.06 | 0.19 | -0.14 | -0.07 | -0.05 | -0.02 | 0.25 | -0.19 |
| Political interventions encourage the borrowers not to repay the loan. | 0.35 | -0.51 | -0.06 | 0.13 | 0.10 | 0.22 | 0.16 | -0.03 | -0.13 | -0.08 | 0.15 | -0.06 | 0.03 | -0.17 | -0.11 | 0.06 | 0.03 | 0.17 | -0.19 | -0.19 |
| Elected body performs management functions well. | 0.07 | 0.51 | 0.32 | 0.26 | 0.13 | -0.01 | 0.05 | -0.29 | 0.07 | -0.02 | -0.03 | 0.13 | -0.12 | 0.18 | 0.11 | 0.11 | -0.28 | -0.10 | -0.10 | 0.02 |
| People in the management are experts in the field of banking and Co-operation. | -0.08 | 0.48 | 0.23 | 0.10 | 0.20 | -0.21 | 0.25 | 0.13 | -0.17 | -0.13 | -0.12 | 0.00 | -0.15 | 0.06 | 0.22 | 0.11 | -0.18 | 0.23 | -0.07 | -0.07 |
| Most of the loan amount is mis-utilised by the borrowers. | 0.00 | -0.48 | -0.02 | 0.24 | 0.23 | 0.18 | 0.20 | -0.07 | 0.02 | -0.01 | 0.07 | 0.13 | -0.16 | 0.12 | 0.33 | -0.02 | 0.32 | -0.08 | 0.17 | -0.23 |
| Authorities and Responsibilities are clearly defined for all managerial people. | 0.40 | 0.44 | -0.16 | 0.11 | -0.19 | -0.16 | 0.26 | -0.23 | 0.11 | -0.04 | 0.05 | -0.01 | 0.35 | 0.25 | -0.02 | -0.03 | 0.08 | 0.08 | 0.02 | 0.02 |
| Strict financial discipline is followed in the bank. | -0.08 | 0.35 | 0.57 | -0.04 | -0.08 | -0.18 | 0.15 | -0.05 | -0.01 | -0.14 | -0.15 | 0.05 | 0.20 | 0.08 | -0.12 | 0.05 | 0.20 | -0.29 | 0.14 | 0.08 |
| BCCB enjoys good relationship with Govt | -0.16 | 0.05 | 0.55 | 0.39 | -0.04 | 0.17 | 0.04 | 0.30 | 0.03 | 0.18 | 0.11 | -0.07 | 0.17 | -0.02 | -0.23 | -0.05 | -0.03 | 0.08 | 0.15 | -0.09 |
| Funds are invested keeping in mind the liquidity position of the bank. | -0.13 | 0.17 | 0.47 | -0.22 | -0.34 | -0.37 | -0.01 | -0.01 | 0.03 | -0.22 | 0.04 | 0.11 | -0.08 | 0.09 | 0.24 | 0.13 | -0.08 | 0.03 | -0.10 | 0.10 |
| Adequate amount of insurance premium is paid under crop insurance scheme. | -0.33 | 0.11 | 0.47 | -0.38 | 0.20 | 0.08 | -0.04 | 0.06 | -0.06 | 0.07 | 0.18 | -0.05 | -0.16 | 0.10 | 0.13 | -0.02 | 0.03 | 0.14 | 0.02 | 0.09 |
| BCCB enjoys good relationship with RBI/NABARD | -0.19 | 0.15 | 0.46 | 0.40 | -0.08 | 0.14 | -0.02 | 0.21 | 0.20 | 0.25 | 0.25 | -0.04 | 0.01 | -0.08 | -0.24 | -0.12 | -0.19 | 0.12 | 0.03 | -0.14 |
| In the place of elected body, special officers appointed by government perform the management functions well. | -0.06 | 0.18 | 0.46 | 0.01 | -0.18 | 0.00 | -0.04 | -0.30 | 0.19 | -0.06 | 0.15 | -0.33 | -0.18 | -0.01 | 0.06 | -0.03 | -0.06 | 0.03 | 0.36 | 0.03 |
| Lack of sufficient owned funds is the reason to depend on high cost borrowing. | 0.24 | -0.21 | 0.46 | 0.06 | -0.05 | -0.32 | 0.04 | -0.10 | 0.33 | -0.30 | -0.04 | -0.01 | 0.06 | 0.00 | -0.09 | 0.03 | -0.07 | 0.09 | 0.18 | 0.11 |
| Increase of operational expenses leads to low profitability of the bank. | 0.25 | -0.21 | 0.44 | -0.17 | -0.01 | -0.37 | 0.31 | -0.19 | -0.06 | 0.05 | -0.17 | -0.09 | -0.17 | 0.03 | -0.03 | -0.09 | -0.04 | -0.03 | -0.10 | -0.06 |
| Change of Government affects the Bank's Performance | 0.34 | -0.27 | 0.43 | 0.06 | 0.11 | 0.36 | 0.00 | 0.00 | 0.09 | -0.10 | -0.15 | -0.27 | 0.14 | 0.01 | 0.03 | 0.16 | -0.22 | -0.04 | -0.07 | 0.03 |
| Lack of sufficient low cost funds is responsible for low income for the Bank. | -0.03 | -0.28 | 0.42 | -0.16 | -0.31 | -0.05 | 0.17 | -0.17 | 0.05 | 0.06 | -0.06 | 0.05 | 0.09 | -0.15 | -0.22 | -0.38 | 0.00 | -0.02 | -0.12 | 0.08 |
| BCCB's core bank platform is strong and adequate | -0.23 | 0.11 | 0.40 | 0.05 | -0.23 | 0.37 | 0.25 | 0.02 | -0.28 | -0.09 | 0.07 | 0.13 | 0.08 | -0.17 | 0.11 | -0.03 | -0.16 | 0.04 | -0.18 | -0.01 |
| Lack of adequate staff is the reason for low rate of recovery. | 0.11 | -0.35 | 0.36 | -0.26 | 0.00 | -0.09 | 0.17 | 0.18 | 0.10 | -0.22 | 0.12 | 0.33 | 0.02 | -0.09 | -0.13 | 0.24 | -0.01 | -0.14 | 0.11 | -0.16 |
| Deposit schemes are sufficient to suit the requirement of depositors | -0.18 | 0.09 | 0.35 | -0.50 | 0.07 | 0.19 | -0.13 | 0.14 | 0.14 | 0.17 | 0.14 | -0.20 | 0.00 | 0.12 | 0.05 | 0.15 | 0.23 | 0.06 | 0.08 | 0.06 |
| Your bank faces licensing problem | -0.29 | -0.01 | 0.03 | 0.44 | -0.06 | 0.13 | 0.15 | 0.35 | 0.05 | 0.18 | 0.20 | 0.04 | -0.19 | 0.00 | -0.12 | 0.23 | -0.17 | 0.05 | 0.15 | 0.00 |
| Lack of adequate number of staff restricts the smooth operation of the bank. | 0.24 | -0.39 | 0.28 | -0.42 | 0.16 | 0.07 | -0.07 | 0.07 | 0.11 | 0.06 | 0.02 | 0.05 | -0.12 | 0.26 | -0.13 | 0.08 | 0.06 | 0.21 | -0.12 | 0.05 |
| Rate of interest on deposits is higher than commercial Banks | -0.13 | -0.08 | 0.41 | -0.41 | -0.03 | 0.05 | 0.16 | -0.06 | 0.01 | 0.09 | 0.14 | 0.23 | 0.16 | 0.24 | 0.01 | -0.30 | -0.05 | -0.16 | -0.04 | -0.15 |
| Strict legal provisions are not available in recovery of loans. | -0.16 | -0.32 | 0.36 | 0.38 | 0.07 | -0.03 | 0.14 | -0.37 | -0.15 | 0.08 | -0.07 | 0.14 | -0.14 | 0.08 | 0.17 | -0.11 | 0.09 | 0.03 | -0.04 | 0.03 |
| BCCB is sustainable in the long run | -0.06 | 0.09 | 0.30 | 0.35 | -0.24 | 0.00 | -0.19 | 0.32 | -0.29 | -0.09 | -0.04 | 0.23 | -0.19 | 0.06 | -0.01 | 0.01 | -0.22 | 0.12 | 0.19 | -0.08 |
| Contribution of share capital by Government is sufficient. | -0.16 | 0.36 | 0.20 | 0.22 | 0.49 | 0.09 | -0.06 | 0.01 | 0.08 | -0.08 | 0.25 | 0.04 | 0.08 | -0.27 | 0.02 | -0.06 | 0.13 | -0.26 | -0.10 | 0.26 |
| Owned funds are sufficient to meet the provisioning requirements of the Bank | 0.21 | 0.00 | 0.23 | 0.26 | -0.44 | 0.07 | -0.14 | 0.16 | 0.14 | 0.14 | -0.21 | -0.07 | 0.20 | 0.19 | -0.09 | 0.12 | 0.15 | -0.14 | -0.27 | -0.21 |
| Government contributes funds to mitigate the loss of the bank. | -0.38 | 0.43 | 0.22 | -0.01 | 0.43 | -0.11 | -0.13 | -0.05 | 0.00 | -0.20 | 0.20 | -0.19 | 0.24 | -0.14 | 0.11 | -0.09 | 0.04 | -0.04 | 0.00 | 0.10 |
| BCCB is financially strong | -0.25 | 0.17 | 0.29 | 0.11 | -0.39 | 0.28 | -0.25 | 0.13 | -0.15 | -0.04 | 0.18 | -0.20 | -0.08 | 0.06 | 0.11 | 0.11 | -0.19 | -0.14 | 0.06 | 0.17 |
| Higher amount of overdues leads to loss of the bank. | 0.11 | -0.29 | 0.46 | -0.08 | 0.04 | -0.49 | 0.17 | -0.01 | -0.19 | -0.09 | -0.15 | -0.04 | -0.23 | -0.08 | 0.09 | -0.08 | 0.12 | -0.02 | 0.17 | 0.06 |
| The procedure followed for recovery of loans is adequate. | 0.40 | 0.21 | 0.14 | -0.19 | -0.15 | 0.47 | 0.16 | -0.05 | -0.01 | -0.04 | -0.11 | 0.12 | 0.08 | -0.14 | 0.00 | -0.01 | 0.30 | 0.18 | 0.11 | 0.13 |
| Top management delegates the powers to branch level officers to take independent decisions. | -0.27 | 0.10 | 0.22 | 0.02 | -0.22 | 0.36 | 0.27 | -0.01 | -0.29 | -0.14 | -0.31 | -0.23 | 0.12 | -0.03 | 0.29 | -0.06 | 0.01 | 0.14 | -0.04 | -0.18 |
| Non-repayment of loans is due to natural calamities such as crop failure etc. | 0.27 | 0.15 | 0.25 | 0.18 | 0.26 | -0.02 | -0.48 | -0.20 | -0.02 | 0.09 | 0.10 | 0.12 | -0.20 | -0.09 | 0.13 | -0.15 | 0.14 | 0.10 | 0.01 | -0.23 |
| Workload of the employees is reasonable | 0.09 | 0.10 | 0.39 | 0.34 | | | | | | | | | | | | | | | | |

8.3.4 Communalities

The table provides communalities for each variable considered from the factor matrix described below. The percentage of variance explained by the 20 factors in the variable, that is the “Political intervention in the day-to-day Administration” is 0.877. That is 87.7% of the variance in statement 1 is explained by all the 20 factors..

Table No.8.7 Communalities

| | | |
|---|---|-------|
| Political intervention in the day-to-day Administration | 1 | 0.877 |
| Promotional schemes are not adequately implemented to induce the employees of the bank. | 1 | 0.852 |
| Board of Directors intervenes in normal functioning of bank | 1 | 0.832 |
| Authorities and Responsibilities are clearly defined for all managerial people. | 1 | 0.83 |
| Co-operative department audit is conducted periodically. | 1 | 0.83 |
| Government contributes funds to mitigate the loss of the bank. | 1 | 0.829 |
| Deposit mobilisation are adequate to meet the credit needs of the Bank. | 1 | 0.826 |
| Apex bank supervises the activities of the bank regularly | 1 | 0.825 |
| Interference of local political party functionaries in granting loans | 1 | 0.823 |
| Officers are adequately appointed to supervise the lending and recovery activities of the bank. | 1 | 0.822 |
| Contribution of share capital by Government is sufficient. | 1 | 0.818 |
| Audit remarks are attended properly | 1 | 0.817 |
| BBCCB enjoys good relationship with RBI/NABARD | 1 | 0.817 |
| Audit is properly conducted by audit department of the bank | 1 | 0.815 |
| Frequent Government Intervention affects bank functioning | 1 | 0.814 |
| Whenever funds scarcity arises in the bank, government extends credit facilities. | 1 | 0.807 |
| The political intervention is affecting the overall performance of the co-operative bank | 1 | 0.805 |
| The salary of the staff is revised from time to time. | 1 | 0.805 |
| Top management delegates the powers to branch level officers to take independent decisions. | 1 | 0.795 |
| Inconsistency in the tenure of the Board of Directors | 1 | 0.78 |
| Selection of staff is objective, fair and systematic. | 1 | 0.779 |
| Welfare measures of the bank boost the morale of the employees. | 1 | 0.778 |
| Strict financial discipline is followed in the bank. | 1 | 0.777 |
| BBCCB enjoys good relationship with government | 1 | 0.777 |
| Most of the loan amount is mis-utilised by the borrowers. | 1 | 0.776 |
| Training facilities are not enough to update the knowledge of the staff. | 1 | 0.775 |
| Government encourages its local bodies to deposit their money in the bank. | 1 | 0.772 |
| Higher amount of overdues leads to loss of the bank. | 1 | 0.768 |
| There is multi-layer control in your bank | 1 | 0.768 |
| Government pays the subsidy amount of the loan promptly. | 1 | 0.759 |
| No encouragement from the staff in recovering the loans. | 1 | 0.758 |
| Owned funds are sufficient to meet the provisioning requirements of the Bank | 1 | 0.757 |
| Bank’s existence is essential at present | 1 | 0.752 |
| Strict regulation of the government restricts the freedom of the bank in taking any financial decision. | 1 | 0.745 |
| The working conditions of the bank are not upto the expectations of the modern banking environment. | 1 | 0.739 |

| | | |
|---|---|-------|
| Safety of deposits is ensured in your bank. | 1 | 0.737 |
| Non-repayment of loans is due to natural calamities such as crop failure etc. | 1 | 0.735 |
| Adequate powers are given to the officers to take action against the erring employees. | 1 | 0.735 |
| Funds are invested keeping in mind the liquidity position of the bank. | 1 | 0.734 |
| The procedure followed for recovery of loans is adequate. | 1 | 0.734 |
| Change of Government affects the Bank's performance | 1 | 0.731 |
| Elected body performs management functions well. | 1 | 0.726 |
| Your bank faces licensing problem | 1 | 0.723 |
| There is waiving of loan amount and interest in your bank | 1 | 0.723 |
| Lack of adequate staff is the reason for low rate of recovery. | 1 | 0.723 |
| Workload of the employees is reasonable | 1 | 0.723 |
| Cordial relationship exists between all levels of management | 1 | 0.719 |
| Funds from higher financing agencies are adequate | 1 | 0.717 |
| BCCB is sustainable in the long run | 1 | 0.714 |
| Lack of adequate number of staff restricts the smooth operation of the bank. | 1 | 0.713 |
| Anticipation of loan waiver scheme from government affects the recovery of loans. | 1 | 0.711 |
| BCCB is financially strong | 1 | 0.71 |
| In the place of elected body, special officers appointed by government perform the management functions well. | 1 | 0.708 |
| Lack of sufficient owned funds is the reason to depend on high cost borrowing. | 1 | 0.707 |
| People in the management are experts in the field of banking and Co-operation. | 1 | 0.705 |
| BCCB's core bank platform is strong and adequate | 1 | 0.704 |
| Lack of sufficient low cost funds is responsible for low income for the Bank. | 1 | 0.703 |
| Deposit schemes are sufficient to suit the requirement of depositors | 1 | 0.702 |
| Rate of interest on deposits is higher than commercial Banks | 1 | 0.697 |
| Strict legal provisions are not available in recovery of loans. | 1 | 0.696 |
| Increase of operational expenses causes low profitability of the bank. | 1 | 0.69 |
| Accurate check is made over the utilisation of loan amount. | 1 | 0.678 |
| Performance appraisal methods are undertaken promptly. | 1 | 0.673 |
| Political interventions encourage the borrowers not to repay the loan. | 1 | 0.666 |
| Adequate amount of insurance premium is paid under crop insurance scheme. | 1 | 0.664 |
| Frequent change of high officials occurs in your bank | 1 | 0.655 |

Source: Author's Own Calculation

8.3.5 Total Variance Explained

The variance accounted for by each succeeding factor would be summarised as given below:

Table No.8.8 Total Variance Explained

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | |
|-----------|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 8.069 | 12.226 | 12.226 | 8.069 | 12.226 | 12.226 |
| 2 | 5.942 | 9.003 | 21.23 | 5.942 | 9.003 | 21.23 |
| 3 | 4.98 | 7.545 | 28.775 | 4.98 | 7.545 | 28.775 |

| | | | | | | |
|----|-------|-------|--------|-------|-------|--------|
| 4 | 3.242 | 4.912 | 33.687 | 3.242 | 4.912 | 33.687 |
| 5 | 2.861 | 4.335 | 38.022 | 2.861 | 4.335 | 38.022 |
| 6 | 2.718 | 4.118 | 42.139 | 2.718 | 4.118 | 42.139 |
| 7 | 2.277 | 3.450 | 45.589 | 2.277 | 3.45 | 45.589 |
| 8 | 2.241 | 3.396 | 48.985 | 2.241 | 3.396 | 48.985 |
| 9 | 1.924 | 2.916 | 51.9 | 1.924 | 2.916 | 51.9 |
| 10 | 1.881 | 2.851 | 54.751 | 1.881 | 2.851 | 54.751 |
| 11 | 1.831 | 2.774 | 57.525 | 1.831 | 2.774 | 57.525 |
| 12 | 1.633 | 2.475 | 60 | 1.633 | 2.475 | 60 |
| 13 | 1.533 | 2.323 | 62.323 | 1.533 | 2.323 | 62.323 |
| 14 | 1.441 | 2.183 | 64.506 | 1.441 | 2.183 | 64.506 |
| 15 | 1.421 | 2.153 | 66.659 | 1.421 | 2.153 | 66.659 |
| 16 | 1.336 | 2.024 | 68.682 | 1.336 | 2.024 | 68.682 |
| 17 | 1.21 | 1.834 | 70.516 | 1.21 | 1.834 | 70.516 |
| 18 | 1.17 | 1.773 | 72.289 | 1.17 | 1.773 | 72.289 |
| 19 | 1.144 | 1.734 | 74.022 | 1.144 | 1.734 | 74.022 |
| 20 | 1.005 | 1.522 | 75.545 | 1.005 | 1.522 | 75.545 |
| 21 | 0.975 | 1.477 | 77.022 | | | |
| 22 | 0.922 | 1.397 | 78.419 | | | |
| 23 | 0.898 | 1.361 | 79.78 | | | |
| 24 | 0.873 | 1.323 | 81.103 | | | |
| 25 | 0.823 | 1.247 | 82.35 | | | |
| 26 | 0.752 | 1.14 | 83.49 | | | |
| 27 | 0.705 | 1.069 | 84.558 | | | |
| 28 | 0.668 | 1.011 | 85.57 | | | |
| 29 | 0.648 | 0.982 | 86.551 | | | |
| 30 | 0.597 | 0.904 | 87.456 | | | |
| 31 | 0.576 | 0.873 | 88.329 | | | |
| 32 | 0.55 | 0.833 | 89.162 | | | |
| 33 | 0.511 | 0.775 | 89.937 | | | |
| 34 | 0.502 | 0.76 | 90.698 | | | |
| 35 | 0.471 | 0.714 | 91.412 | | | |
| 36 | 0.445 | 0.674 | 92.086 | | | |
| 37 | 0.413 | 0.625 | 92.712 | | | |
| 38 | 0.402 | 0.61 | 93.321 | | | |
| 39 | 0.372 | 0.564 | 93.885 | | | |
| 40 | 0.344 | 0.522 | 94.407 | | | |
| 41 | 0.327 | 0.495 | 94.902 | | | |
| 42 | 0.305 | 0.462 | 95.364 | | | |
| 43 | 0.286 | 0.434 | 95.798 | | | |
| 44 | 0.262 | 0.397 | 96.195 | | | |
| 45 | 0.242 | 0.367 | 96.562 | | | |
| 46 | 0.214 | 0.324 | 96.886 | | | |

| | | | | | | |
|----|-------|-------|--------|--|--|--|
| 47 | 0.208 | 0.315 | 97.201 | | | |
| 48 | 0.2 | 0.303 | 97.504 | | | |
| 49 | 0.19 | 0.289 | 97.793 | | | |
| 50 | 0.177 | 0.267 | 98.06 | | | |
| 51 | 0.16 | 0.242 | 98.302 | | | |
| 52 | 0.147 | 0.222 | 98.524 | | | |
| 53 | 0.14 | 0.212 | 98.737 | | | |
| 54 | 0.117 | 0.178 | 98.914 | | | |
| 55 | 0.114 | 0.172 | 99.087 | | | |
| 56 | 0.101 | 0.153 | 99.24 | | | |
| 57 | 0.095 | 0.145 | 99.384 | | | |
| 58 | 0.076 | 0.115 | 99.5 | | | |
| 59 | 0.062 | 0.095 | 99.594 | | | |
| 60 | 0.058 | 0.087 | 99.682 | | | |
| 61 | 0.049 | 0.075 | 99.757 | | | |
| 62 | 0.041 | 0.062 | 99.819 | | | |
| 63 | 0.037 | 0.055 | 99.875 | | | |
| 64 | 0.034 | 0.051 | 99.925 | | | |
| 65 | 0.027 | 0.041 | 99.966 | | | |
| 66 | 0.022 | 0.034 | 100 | | | |

Extraction Method-Principal Component Analysis.

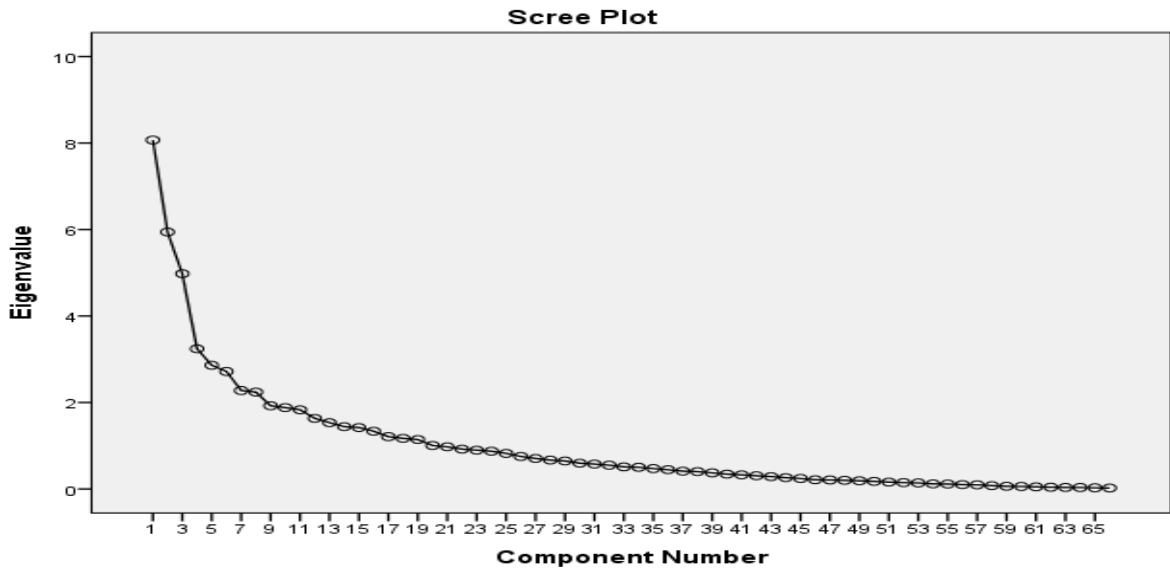
Source: Author’s own calculation

Factor 1 is the one that accounts for maximum percentage of total variance. By seeing at the last column, it is understood that the 20 factor model explains 75.54% of the variance in chosen variables. Factor 1 explains about 12.226 percent of the total variance, factor 2 explains about 21.230 percent, and so on.

We can consider about the number of factors to be retained from the measure of how much variance every succeeding factor extracts. Retained factors will be having “eigen values” greater than 1. In this analysis, following the above criterion, 20 factors have been reserved.

8.3.6 Scree Plot: Eigen Values-Component Numbers

Figure: 8.1 Scree Plot



Source: Author's own calculation

The above graph indicates the “eigen values” plotted together with the corresponding factor. A flat line is witnessed from the 20th factor onwards indicating that each succeeding factor is accounting for lesser variation in the data.

it can be observed from the above graph that after factor 20 there is a sudden change in the curve of the scree plot. It indicates that after factor 20 the total variance denotes lesser and lesser amounts.

8.3.7 Rotated Factor Matrix

Though the factor matrix is obtained in extraction phase shows the association between the individual variables and factors. The Rotated Factor Matrix is given in Table: No 8.9 where each factor identifies itself with a few set of variables. The variables which identify with each of the factors were sorted in the decreasing order and are highlighted against each column and row. These coefficients are known as “factor loadings”, since they show how much weight is allocated to each factor. Factors with higher for a variable are closely connected to that variable. The factor loadings which are above 0.50 have been extracted for the core factors.

Table No. 8.9 Rotated Factor Matrix

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
|--|------|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|----|----|----|----|
| Political intervention in day to day Administration | 0.87 | | | | | | | | | | | | | | | | | | | |
| Interference of local political party functionaries in granting loans | 0.86 | | | | | | | | | | | | | | | | | | | |
| The political intervention is affecting the overall performance of the co-operative bank | 0.78 | | | | | | | | | | | | | | | | | | | |
| Board of Directors intervenes in normal functioning of bank | 0.61 | | | | | | | | | | | | | | | | | | | |
| Change of Government affects the bank performance | 0.59 | | | | | | | | | | | | | | | | | | | |
| Political interventions encourage the borrowers not to repay the loan. | 0.58 | | | | | | | | | | | | | | | | | | | |
| Co-operative department audit is conducted periodically. | 0.86 | | | | | | | | | | | | | | | | | | | |
| Audit remarks are attended properly | 0.78 | | | | | | | | | | | | | | | | | | | |
| Audit is properly conducted by audit department of the bank | 0.75 | | | | | | | | | | | | | | | | | | | |
| Apex bank supervises the activities of the bank regularly | 0.63 | | | | | | | | | | | | | | | | | | | |
| Higher over dues leads to loss of the bank | 0.74 | | | | | | | | | | | | | | | | | | | |
| Increase IN operational expenses leads to low profitability of the bank. | 0.66 | | | | | | | | | | | | | | | | | | | |
| Lack of adequate low cost funds is accountable for low income for the Bank. | 0.65 | | | | | | | | | | | | | | | | | | | |
| Funds are invested with keeping in mind the liquidity situation of the bank. | 0.60 | | | | | | | | | | | | | | | | | | | |
| Higher over dues leads to loss of the bank | 0.79 | | | | | | | | | | | | | | | | | | | |
| Increase IN operational expenses leads to low profitability of the bank. | 0.71 | | | | | | | | | | | | | | | | | | | |
| Lack of adequate low cost funds is accountable for low income for the Bank. | 0.62 | | | | | | | | | | | | | | | | | | | |
| Funds are invested with keeping in mind the liquidity situation of the bank. | 0.50 | | | | | | | | | | | | | | | | | | | |
| Responsibilities and Authorities are evidently defined for all managerial persons. | 0.85 | | | | | | | | | | | | | | | | | | | |
| Cordial relationship exists between all levels of management | 0.63 | | | | | | | | | | | | | | | | | | | |
| Performance appraisal methods are undertaken promptly. | 0.53 | | | | | | | | | | | | | | | | | | | |
| Government contributes capitals to lessen the loss of the bank. | 0.82 | | | | | | | | | | | | | | | | | | | |
| Contribution of share capital by Government is sufficient. | 0.80 | | | | | | | | | | | | | | | | | | | |
| Government encourages its local bodies to deposit their money in the bank. | 0.70 | | | | | | | | | | | | | | | | | | | |
| BBCCB enjoys good relationship with NABARD/RBI | 0.86 | | | | | | | | | | | | | | | | | | | |
| BBCCB enjoys good relationship with Govt | 0.80 | | | | | | | | | | | | | | | | | | | |
| Deposit schemes are adequate to meet the necessity of depositors | 0.78 | | | | | | | | | | | | | | | | | | | |
| Adequate amount of insurance premium is paid under crop insurance scheme. | 0.60 | | | | | | | | | | | | | | | | | | | |
| Non-refund of loans is caused by natural calamities such as crop failure etc. | 0.78 | | | | | | | | | | | | | | | | | | | |
| Workload of the employees is reasonable | 0.60 | | | | | | | | | | | | | | | | | | | |
| Officers are adequately appointed to supervise the lending and recovery activities of the bank. | 0.57 | | | | | | | | | | | | | | | | | | | |
| The working conditions of the bank are not up to the expectations of the modern banking environment. | 0.77 | | | | | | | | | | | | | | | | | | | |
| Promotional schemes are not adequately implemented to induce the employees of the bank. | 0.62 | | | | | | | | | | | | | | | | | | | |
| Top management delegates the powers to branch level officers to take independent decisions. | 0.85 | | | | | | | | | | | | | | | | | | | |
| BBCCB's core bank platform is strong and adequate | 0.66 | | | | | | | | | | | | | | | | | | | |
| There is multi-layer control in your bank | 0.77 | | | | | | | | | | | | | | | | | | | |
| Frequent Government Intervention affects bank functioning | 0.57 | | | | | | | | | | | | | | | | | | | |
| There is waiving of loan amount and interest in your bank | 0.52 | | | | | | | | | | | | | | | | | | | |
| Anticipation of loan waiver scheme from government affects the recovery of loans. | 0.75 | | | | | | | | | | | | | | | | | | | |
| BBCCB is financially strong | 0.53 | | | | | | | | | | | | | | | | | | | |
| Bank's existence is essential at present | 0.81 | | | | | | | | | | | | | | | | | | | |
| Most of the loan amount is mis-utilised by the borrowers. | 0.79 | | | | | | | | | | | | | | | | | | | |
| Government pays the subsidy of the loan quickly. | 0.74 | | | | | | | | | | | | | | | | | | | |
| Deposit mobilisation are adequate to meet the credit needs of the Bank. | 0.79 | | | | | | | | | | | | | | | | | | | |
| Safety of deposits is ensured | 0.55 | | | | | | | | | | | | | | | | | | | |
| Interest rate on deposits is higher than commercial Banks | 0.67 | | | | | | | | | | | | | | | | | | | |
| Welfare measures boost morale of employee | 0.81 | | | | | | | | | | | | | | | | | | | |
| Owned funds are adequate to meet the provisioning necessities of the Bank | 0.73 | | | | | | | | | | | | | | | | | | | |
| Inconsistency in the tenure of the Board of Directors | 0.83 | | | | | | | | | | | | | | | | | | | |

Source: Author's own calculation

8.4 Core Factors that Affects the performance of the BBCCB

Thus the 66 variables used in the primary data are reduced to 20 factors model and every factor is given a name that is linked with the corresponding variables. The factor names and their descriptions have been mentioned in the table no.8.10.

Table No. 8.10 Core Factors that Affects the Performance of the BBCCB.

| Factor | Statement | Factor Loading | Factor Name |
|--------|--|----------------|--|
| 1 | Political intervention in day to day Administration | 0.867 | Political intervention |
| | Interference of local political party functionaries in granting loans | 0.861 | |
| | The political intervention is affecting the overall performance of the co-operative bank | 0.779 | |
| | Board of Directors intervenes in normal functioning of bank | 0.608 | |
| | Change of Government affects the bank performance | 0.587 | |
| | Political interventions encourage the borrowers not to repay the loan. | 0.582 | |
| 2 | Co-operative department audit is conducted periodically. | 0.858 | Supervision and Audit |
| | Audit remarks are attended properly | 0.778 | |
| | Audit is properly conducted by audit department of the bank | 0.752 | |
| | Apex bank supervises the activities of the bank regularly | 0.628 | |
| 3 | Higher over dues leads to loss of the bank | 0.786 | Financial performance |
| | Increase in operational expenses leads to low profitability of the bank. | 0.71 | |
| | Lack of adequate low cost funds is accountable for low income for the Bank. | 0.616 | |
| | Funds are invested with keeping in mind the liquidity situation of the bank. | 0.501 | |
| 4 | Responsibilities and Authorities are evidently defined for all managerial persons. | 0.846 | Management of the Bank. |
| | Cordial relationship exists between all levels of management | 0.63 | |
| | Performance appraisal methods are undertaken promptly. | 0.528 | |
| 5 | Government contributes capitals to lessen the loss of the bank. | 0.819 | Financial support by the Government |
| | Contribution of share capital by Government is sufficient. | 0.801 | |
| | Government encourages its local bodies to deposit their money in the bank. | 0.697 | |
| 6 | BBCCB enjoys good relationship with NABARD/RBI | 0.86 | Relation with Higher Agencies |
| | BBCCB enjoys good relationship with Govt | 0.798 | |
| 7 | Deposit schemes are adequate to meet the necessity of depositors | 0.776 | Mobilisation of Resources and insurance |
| | Adequate amount of insurance premium is paid under crop insurance scheme. | 0.599 | |
| 8 | Non-refund of loans is caused by natural calamities such as crop failure etc. | 0.781 | Recovery of loans and Advances and Human Resource management |
| | Workload of the employees is reasonable | 0.603 | |
| | Officers are adequately appointed to supervise the lending and recovery activities of the bank. | 0.57 | |
| 9 | The working conditions of the bank are not up to the expectations of the modern banking environment. | 0.771 | Human Resource management |
| | Promotional schemes are not adequately implemented to induce the employees of the bank. | 0.623 | |

| | | | |
|----|---|-------|-------------------------------------|
| 10 | Top management delegates the powers to branch level officers to take independent decisions. | 0.845 | Management of the Bank. |
| | BBCCB's core bank platform is strong and adequate | 0.658 | |
| 11 | There is multi-layer control in your bank | 0.772 | Government Control and intervention |
| | Frequent Government Intervention affects bank functioning | 0.566 | |
| | There is waiving of loan amount and interest in your bank | 0.52 | |
| 12 | Anticipation of loan waiver scheme from government affects the recovery of loans. | 0.747 | Recovery of loans and Advances |
| | BBCCB is financially strong | 0.528 | |
| 13 | Bank's existence is essential at present | 0.811 | Bank's existence |
| 14 | Most of the loan amount is mis-utilised by the borrowers. | 0.793 | Recovery of loans and Advances |
| 15 | Government pays the subsidy of the loan quickly. | 0.735 | Financial support by the Government |
| 16 | Deposit mobilisation are adequate to meet the credit needs of the Bank. | 0.794 | Mobilisation of Resources |
| | Safety of deposits is ensured | 0.549 | |
| 17 | Interest rate on deposits is higher than commercial Banks | 0.668 | Mobilisation of Resources |
| 18 | Welfare measures boost morale of employee | 0.81 | Human Resource management |
| 19 | Owned funds are adequate to meet the provisioning necessities of the Bank | 0.728 | Mobilisation of Resources |
| 20 | Inconsistency in the tenure of the Board of Directors | 0.831 | Tenure of the Board of Directors |

Source: Author's Own Calculation

The Factor Analysis has thus acknowledged 20 core factors that affect the performance of BBCCB. The following are the explanation of the factors. Some explanations are substantiated by referring the "Observations from the field survey" which is given in the Appendix (Page no.22).

8.4.1 Factor 1 Political Intervention

The first factor explains 12.22 % the variability on the performance of BBCCB. It relates to the Political intervention in BBCCB.

Political intervention in day to day administration is having factor loading 0.867. Interference of local political party functionaries in granting loans is having factor loading 0.861. The political intervention is affecting the overall performance of the co-operative bank is having factor loading 0.779. Board of Directors intervenes in normal functioning of bank is having

factor loading 0.608. Change of Government affects the bank performance is having factor loading 0.587. Political interventions encourage the borrowers not to repay the loan is having factor loading 0.582.

It is clear from the primary survey that there is political influence in BBCCB. There is political intervention in day to day administration of BBCCB. It is also found that politicians force the bank officials to grant loan to the beneficiaries who are known to them. Further it is found that the Board of Directors intervenes in normal bank activities. We can say that the political intervention is affecting the overall performance of BBCCB. The employees argued that there should not be political intervention in any of the functioning of BBCCB.

8.4.2 Factor 2 Supervision and Audit

The second factor relates to the Supervision and Audit of BBCCB. It explains 9.00% of variability on the performance of BBCCB.

The bank's audit is done from time to time and it has factor loading 0.858. Audit remarks are attended properly is having the factor loading of 0.778. Audit is properly conducted by audit department of the bank is having factor loading 0.752 and Apex bank supervises the activities of the bank regularly is having factor loading 0.628. It is found that government of Odisha's co-operative department audit is conducted periodically for BBCCB. The audit department of BBCCB is working properly to prevent the irregularities and fraud of the bank. Further it is found that apex bank i.e. Odisha State Co-operative Bank supervises the activities of the bank regularly. The bank is very conscious about the recent fraud in the banking sector and it has been trying to prevent it.

8.4.3 Factor 3 Financial Performance

The third factor characterizes the knowledge of employees on financial performance of BBCCB. It explains 7.54 % of variability on the performance of BBCCB.

Higher over dues leads to loss of the bank is having factor loading 0.786. Increase in operational expenses will lead to low profitability of the bank is having factor loading 0.710. Lack of adequate low cost funds is accountable for low income for the Bank is having factor loading 0.616. Funds are invested with keeping in mind the liquidity situation of the bank is having factor loading 0.501.

It is found that the employees are very much aware about the indicators of the financial performance of BBCCB. They know that higher over dues leads to loss of the bank, increase in operational expenses will lead to low profitability, Lack of sufficient low cost funds is responsible for low income for the bank and funds are invested with keeping in mind the liquidity situation of the bank. Their knowledge about it an important factor that affects the performance of bank.

8.4.4 Factor 4 Management of the Bank

The fourth factor characterizes the management of the bank on financial performance of BBCCB. It explains 4.91 % of variability on the performance of BBCCB.

It is found that responsibilities and authorities are clearly defined for all managerial people in BBCCB. Further performance appraisal methods are undertaken promptly in the branches under study. It is also found that there is good coordination among the employees in BBCCB. Most of the employees feel that they all have a good team in the bank. They have a good association with each other in comparison to any other nationalised banks.

8.4.5 Factor 5 Financial support by the Government

This factor relates to the financial support by the Government. It explains 4.33 % of variability on performance of BBCCB. It is found that Government does not contributes funds to mitigate the loss of the bank is having factor loading 0.819. Further contribution of share capital by Government is not sufficient is having factor loading 0.801. The employees are of the view that Government does not encourage its local bodies to deposit their money in the bank. So it is recommended that sometimes Government should bail out the co-operative bank in case of loss like nationalised banks. It is also found that BBCCB is self-sufficient in generating its owned fund from which the salaries, compensations etc. had been paid from it. It does not depend on state Government for it. It is also recommended that Government must encourage its local bodies to deposit their money in co-operative banks.

8.4.6 Factor 6 Relations with Higher Agencies

This factor relates to the financial support by the Government. The present factor explains 4.118 % of variability on performance of BBCCB.

It is seen that employees are of the view that BBCCB enjoys good relationship with Government is having factor loading 0.860. Further it is found BBCCB enjoys good relationship with Government. is having factor loading 0.798. It is recommended that BBCCB to maintain good relation with them as they are financing agencies for them.

8.4.7 Factor 7 Mobilisation of Resources and Insurance

This factor relates to the mobilisation of resources and insurance. The factor explains 3.450 % of variability on performance of BBCCB.

It is found that deposit schemes are adequate to meet the requirement of depositors which is having the factor loading of 0.776. BBCCB has different deposit schemes like fixed deposit, recurring deposit, saving deposit etc. Interestingly interest rate on saving deposit is greater in co-operative bank than nationalised banks. Further the employees are agreed that adequate amount of insurance premium is paid under crop insurance scheme. These two are another important factor which affects the performance of BBCCB.

8.4.8 Factor 8: Recovery of loans and Advances and Workload

This factor relates to recovery of loans and advances and workload of the employees. The factor explains 3.39% of variability on performance of BBCCB.

It is found that non-refund of loans is caused by natural calamities that leads to crop failure etc. is having factor loading of 0.781. It is also seen that workload of the employees is not reasonable. These are again important factors which affects the performance of the bank. It is seen that during the field survey that some of the branches are having acute shortage of staff. It is recommended that more recruitment should be done for smooth functioning of the bank.

8.4.9 Factor 9 Human Resource Management

The ninth factor characterizes the human resource management of the bank on financial performance of BBCCB. The factor explains 2.916 % of variability on performance of BBCCB. It is found that around 50%(see appendix, page no 11) of the employees feel that the working conditions of the bank are not up to the expectations of the modern banking environment is having factor loading 0.771. So it is recommended that the banking environment in BBCCB should be improved with modern equipment and skilled human resource. Further it is found that above 50% (see appendix, page no.20) of the employees are

not happy with the promotional schemes which is not adequately implemented in the bank. It is recommended that promotional scheme should be made at par with nationalised banks.

8.4.10 Factor 10 Management of the Bank and New Technology

The tenth factor characterizes the management of the bank on financial performance of BBCCB. The factor explains 2.851% of variability on performance of BBCCB. Top management of different branches can't not take independent decision. It can be recommended that the manager or the board of the bank can be given some power to take independent decision in administration decision. It is seen that BBCCB's core bank platform is not strong and adequate. The employees are very unhappy regarding core banking service in it. So it is recommended that core banking should be adequate to compete with other nationalised banks and for smooth and easy functioning of the bank.

8.4.11 Factor 11 Government Control and Intervention

This factor relates to the Government Control and intervention. The factor explains 2.774% of variability of the performance of BBCCB. Employees feel that there is multi-layer control in their bank. They gave their opinion that it hamper the growth of the bank. So it is recommended that there should not be multilayer control in BBCCB. Government should treat it like nationalised banks Frequent Government Intervention affects bank functioning. There is waiving of loan amount and interest in your bank.

8.4.12 Factor 12 Loan Waiver Scheme and Soundness

This factor relates to the Loan waiver scheme of Government and soundness. The factor explains 2.475% of variability of performance of BBCCB. It is found from the field survey that anticipation of loan waiver scheme from government affects the recovery of loans. It puts a psychological impact on the beneficiaries that government may waive the agriculture loan due to natural calamity and they make delay in repaying the loan. The employees also feel that BBCCB is financially strong.

8.4.13 Factor 13 Importance of BBCCB at Present

This factor relates to the Importance of BBCCB at present. The factor explains 2.323 % of variability of the performance of BBCCB. The employees are of the opinion Bank's existence

is essential at present as it is poor men's bank. People below poverty line are heavily dependent on it for the credit of loan and advances.

8.4.14 Factor 14 Mis-utilisation of Loan

This factor relates to the misutilisation of loan by the beneficiaries. This factor explains 2.183% of the variability on the performance of BBCCB. It is found that the beneficiaries are utilising their loan in a proper way. It is also observed that in few cases it is being misutilised by the farmers for the social functions such as marriage, thread ceremony etc. So it can be recommended that awareness should be created by the bank to utilise the loan in a productive way. So that it won't be a burden to repay in time.

8.4.15 Factor 15: Subsidy Payment by the Government:

This factor relates to the Subsidy payment by the Government. The factor explains 2.153% of the variability of the performance of BBCCB. It is found that Government pays subsidy amount of loan quickly. Whatever the subsidy provision is there for the farmer it is provided through Co-operative banks. Generally Government provides subsidy in seed, agricultural tools such as tractor, power tiller etc. It is another important factor which affects the performance of the bank.

8.4.16 Factor 16: Deposit Mobilisation and Safety of it

This factor relates to the Deposit mobilisation and safety of it. The factor explains 2.024 % of variability of performance of BBCCB. It is found that deposit mobilisation is adequate to meet the credit needs of the Bank. Further the employees also gave their view that safety of deposits is ensured in all the branches of BBCCB.

8.4.17 Factor 17: Rate of Interest

This factor relates to the rate of interest of the BBCCB. The factor explains 1.834 % of variability on performance of BBCCB. It is found from the primary survey that the rate of interest on deposits is more than nationalised banks. Interest rate on saving deposit is 0.5% higher than nationalised banks.

8.4.18 Factor 18: Welfare Measures

This factor relates to the welfare measures of the bank. This particular factor explains 1.773% of variability of performance of BBCCB. Welfare measures boost morale of employees are of the view that welfare measure of the bank definitely boost the morale of the bank staff. The welfare can be bonus or medical compensation, travelling allowances etc.

8.4.19 Factor 19: Provisioning Requirements

This factor relates to the provisioning requirements of BBCCB. This factor describes 1.734% of variability on the performance of BBCCB. It is found that most of the employees are agreed that owned fund is sufficient in provisioning requirements of BBCCB.

8.4.20 Factor 20: Tenure of the Board of Directors

This factor relates to the tenure of the Board of Directors of BBCCB. This factor describes 1.005% of the variability on performance of BBCCB. It is found that there is consistency in the tenure of the members of BBCCB. Generally they are elected for five years. Consistency in the tenure is another important factor that affects the performance of BBCCB. Inconsistency in tenure can be an obstacle in the smooth functioning of the bank.

8.5 Findings

It is found that politicians exercise influence over the bank officials to grant loans to the beneficiaries who are known to them. Further it is found that the Board of Directors intervenes in normal day to day functioning of bank. It is found that Government of Odisha's Co-operative department audit is conducted periodically for BBCCB. Further it is found that apex bank i.e. Odisha State Co-operative Bank supervises the activities of the bank regularly. It is found that responsibilities and authorities are evidently defined for all managerial persons in BBCCB. Further performance appraisal methods are undertaken in the branches under study. It is also found that there is good coordination among the employees in BBCCB. It is found that Government does not contribute capital to lessen the loss of BBCCB

It is also found that BBCCB is self-sufficient in generating its owned fund from which the salaries, compensations etc. are being paid. It is seen that employees are of the view that BBCCB enjoys good relationship with Govt. It is found that deposit mobilisation are adequate

to fulfil the credit requirements of the bank. It is found that non-refund of loans is caused by natural calamities that lead to crop failure. It is seen that during the field survey that some of the branches are having acute shortage of staff.

It is found that around 50 %(see appendix, page no 11) of the employees feel that the working conditions of the bank are not up to the expectations of the modern banking environment. So further it is found that above 50 %(see appendix, page no.20) of the employees are not happy with the promotional schemes which are not adequately implemented in the bank. It is found that top management of different branches cannot take independent decision. It is seen that BBCCB's core bank platform is not strong and adequate. The employees feel that there is multi-layer control in their bank. They gave their opinion that it hampers the growth of the bank. It is found from the field survey that anticipation of loan waiver scheme from government affects the recovery of loans. The employees are of the opinion that bank's existence is essential at present as it is poor men's bank. It is also observed that in few cases it is being misutilised by the farmers for the social functions such as marriage, thread ceremony etc. It is found that deposit schemes are adequate to meet the needs of depositors. It is found from the primary survey that the interest rate on deposits is more than the same for nationalised banks. Most of the employees are agreed that owned fund is sufficient in provisioning requirements of BBCCB. It is found that there is consistency in the tenure of the members of BBCCB.

8.6 Recommendations

Study suggests that the financial policymakers and regulators should consider the trend of the variables along with net profit while formulating the co-operative bank policies in Odisha. Further the knowledge of the inter-relationship (short run and long run) between macro-economic variables of the co-operative bank in Odisha in this study can be considered by them for formulating guideline and policies. The effect of the variables on the net profit will also give insights in this regard.

It is clear from the primary survey that there is political influence in BBCCB. There is political intervention in day to day administration of BBCCB. It is also found that politicians force the bank officials to grant loan to the beneficiaries who are known to them. Further it is found

that the Board of Directors intervenes in normal day-to-day bank activities. We can say that the political intervention is affecting the overall performance of BBCCB. The employees argued that there should not be political intervention in any of the functioning of BBCCB.

So it is recommended that sometimes Government should bail out the Co-operative bank in case of loss like nationalised banks. It is also recommended that Government must encourage its local bodies to deposit their money in Co-operative banks.

It is recommended that promotional scheme should be made at par with nationalised banks. It is recommended that the banking environment in BBCCB should be improved with modern equipment and skilled human resource. It can be recommended that the manager or the board of the bank can be given some power to take independent decision in administration decision. It is recommended that core banking should be adequate to compete with other nationalised banks and for smooth and easy functioning of the bank. So it is recommended that there should not be multilayer control in BBCCB. So it can be recommended that awareness should be created by the bank to utilise the loan in a productive way. So that it won't be a burden to repay in time.

CHAPTER IX

CONCLUSION AND RECOMMENDATIONS

9.1 Trend and Progress Analysis of Odisha State Co-operative Bank

The findings of trend and progressive analysis of Odisha State Co-operative Bank are as following. The trend of growth of net profit shows fluctuation till 2010, but around mid-70s it took a high rise. The trend of dividend declared shows no consistency. It is stable till 1970 but took a deep fall after that. The growth rate of share capital is full of fluctuation and also growth of net profit shows some signs of fluctuation as it stays low but had a high rise between mid-1970. If we talk about the percentage of increase has not been consistent. Even the rate of growth of reserve had many points of ups and downs, it possess a decreasing sign. Alike growth rate of net profit, growth rate of reserve also shows declining signs. Owned fund follows a very fluctuating trend that involves two high rises and down drops. The declining rate of owned fund is more than the declining trend of net profit. The growth rate of deposit follows an uncertain trend with many ups and downs along with a high rise around late 1980s. The growth rate of deposit follows an uncertain trend with many ups and downs along with a high rise around late 1970s. But on the other phase growth trend of borrowing is full of see-sawing with a declining trend. There is a mild increasing trend of investment growth for the study period with a declining trend of net profit. The growth trend of profit and growth trend of advances are quite low-key. Both have a high uplift in the midst, while the growth trend of net profit is mid 1970s and the growth rate trend of advance is around late 1970. The growth of working capital and cost of management have an increasing trend.

9.1.1 Trend And Progress Analysis of District Central Co-operative Bank

The variables such as membership, share capital and profit have an increasing trend for the study period. The profit trend is more fluctuating nature than share capital and membership. The trend of both profit and owned fund show a stable ascend while the total reserve trend still stays quite low in comparison to owned fund. Both deposits and borrowings dish out a same trend, i.e. a steady growth. However, the trend of borrowing is relatively lower than the deposits. Though investment, loan advances shows a steady growth rate, but the trend of profit

is fluctuating in nature. If we have a look on cost of management has a plain increasing trend. But the provision also shows an increasing trend but is full of ups and downs. Working capital follows a plain ascending trend. Both the number of branches and the number of employees follow a unlike path i.e. the former in a increasing and the latter in a declining order. The per branch business's trend is little lower than the per employee business, they both follow a steady increasing trend.

9.1.2 Trend and Progress analysis of Balasore Bhadrak Central Co-operative Bank

Share capital shows a stable and steady growth throughout the study period. While the membership is short of constant till 2000, but has taken a high increase after that. Profit possesses a fluctuating trend. However, with an increase. Owned fund's increase is hardly noticeable because of its stability. Deposits trend is regular and even with an increase. Other liabilities' trend lays low with a stagnant increase .While on the other hand the trend of borrowing is an increasing one. With increase in profit both balance and investment has also increased. The income shows a plain trend with a minimal increasing growth. The loan and advance unlike the income shows highly increasing growth. The trend of total expenditure is plainly increasing. But the trend of the provision stayed almost constant with minimal fluctuation but the later takes a high rise. The working capital and cost of management show an increasing trend. The number of employees shows a linear, minimally fluctuating trend. The per branch business, per employee business has increased with increase in profit.

9.2 Performance of Odisha State Co-operative Bank

Owned fund, borrowing, advance and working capital are statistically significant in “short run” at 1% level of significance. Share capital and reserve is statistically significant at 5 % and 10% respectively in short run.

The “short run” adjustment procedure is studied from the “ECM coefficient”. The coefficient remains between “0” and “-1”, the equilibrium is congregating to the “long run” equilibrium pathway, is responsive to any exogenous shocks. But, if the value is positive, the equilibrium will diverge from the estimated values of ECM test. The coefficient of the “lagged error-

correction term" (-0.446) is significant at the 1% level of significance. There is a congregation to "long run" equilibrium path upon external shock.

The coefficient of working capital and advances are significant at 1%. The coefficient of deposit is statistically significant at 5 % and the coefficient of share capital is significant at 10%. The estimated result presents that coefficient of reserve is negative, but not significant in "long run".

9.3 Empirical Testing of Determinants of Profit of DCCBs

Hausman test results suggest that random effect model as the suitable model for pooled data for all the BCCBs.. As it is expected, the coefficient of share capital is positive but it is not significant even at 10% level. The coefficient of reserve is positive but insignificant. The coefficient of owned fund is negative and small, and insignificant. The coefficient of deposit is negative but significant at 10%, showing that deposit is negatively related to net profit.

The coefficient of change in borrowing is positive but it is not significant even at 10% level. The value of the coefficient of loan is -0.010229, is negative and significant at 5 %. The estimated result shows that coefficient of cost of management is positive and significant at 5% level of significance. Owned fund has a negative and insignificant relationship with net profit of DCCBs consolidated. The coefficient of working capital is positive and quite small at (0.025514), it means with 1% change in working capital will lead increase in net profit of 0.025514 percentage points on an average.

The estimated outcome demonstrates that coefficient of per employee business is positive and significant at 10 % level of significance. The coefficient of total expenditure is negative but significant at 1%. It is also founds a positive relationship between income and net profit of DCCBs as consolidated. The coefficients have turned out to be statistically significant.

The estimated outcome demonstrates that coefficient of loan and advance is positive and significant. Deposit of the DCCBs consolidated as a whole is negatively significance level is 1% with coefficient -0.013445. It means deposit of the bank affects the net profit negatively.

9.3.1 Determinant of Profit of Balasore Bhadrak Central Co-operative Bank

Form the above analysis in this study it is found that the positive determinants of net profit for Balasore Bhadrak Central Co-operative Bank are loan and advances, income and investment for the study period. Borrowings and expenditure are negative determinants of profit in BBCCB.

9.4 Views of Employees

It is found that politicians influence the bank officials to grant loan to the beneficiaries who are known to them. Further it is found that the Board of Directors intervenes in normal day to day functioning of bank. It is found that Government of Odisha's Co-operative department audit is conducted periodically for BBCCB. Further it is found that Apex bank i.e. Odisha State Co-operative Bank supervises the activities of the bank regularly. It is found that responsibilities and authorities are evidently defined for all managerial persons in BBCCB. Further Performance appraisal methods are undertaken promptly in the branches under study. It is also found that there is good coordination among the employees in BBCCB. It is found that Government does not contribute capitals to lessen the loss of BBCCB

It is also found that BBCCB is self-sufficient in generating its owned fund from which the salaries, compensations etc. had been paid from it. It is seen that employees are of the view that BBCCB enjoys good relationship with government. Further it is found BBCCB enjoys good relationship with Govt. It is found that Deposit mobilisation are adequate to meet the credit needs of the Bank. It is found that Non-refund of loans because natural calamities that leads to crop failure. It is seen that during the field survey that some of the branches are having acute shortage of staff.

It is found that around 50 %(from primary survey) of the employees feel that the working conditions of the bank are not up to the expectations of the modern banking environment. So Further it is found that above 50% of the employees are not happy with the promotional schemes which is not adequately implemented in the bank. It is found that top management of different branches can't not take independent decision. It is seen that BBCCB's core bank platform is not strong and adequate. The employees feel that there is multi-layer control in

their bank. They gave their opinion that it hampers the growth of the bank. It is found from the field survey that anticipation of loan waiver scheme from government affects the recovery of loans. The employees are of the opinion Bank's existence is essential at present as it is poor men's bank. It is also observed that in few cases it is being misutilised by the farmers for the social functions such as marriage, thread ceremony etc. It is found that Deposit schemes are adequate to meet the necessity of the depositors. It is found from the primary survey that the interest rate on deposits is greater than nationalised banks. It is found that most of the employees are agreed that owned fund is sufficient in Provisioning requirements of BBCCB. . It is found that there is consistency in the tenure of the members of BBCCB.

9.5 Views of Customers/Beneficiaries

It is found that convenient repayment period allowed for borrower to repay the .It is seen that Follow up action i.e. phone calls, letter issue and personal meeting is strictly followed in BBCCB.

Further it is found that lending schemes are suited to the borrower's .The beneficiaries of the bank feel that they are satisfied with the procedure in which they get loan. The beneficiaries in BBCCB feel that they are given appropriate repayment period to repay the loan.

It is found that the respondents feel that margin requirements of their assets are scrupulously followed while sanctioning loan. It is found that beneficiaries are satisfied with sanction of loan amount at the time of necessity.

Quick issue of draft is another factor which affects the performance of BBCCB. On the other hand the commission for demand draft is less than other nationalised banks. It is found that BBCCB takes long time to complete agency services. .

It is found that proper intimation from the banks regarding the dividend declared are not provided to the beneficiaries. Further it is found that the rate of dividend declared is reasonable in BBCCB. Further the Periodicity of dividend declaration is not reasonable. Again the respondents are not happy with the satisfied with the statutory limit.

The customers feel that they get easy and quick service in BBCCB. The procedure followed in BBCCB for sanctioning loan is easier than nationalised banks that the beneficiaries of the bank feels.

The respondents are agreed that their grievances are redressed promptly by the employees and manager of the different branches of BBCCB. The employees also strongly recommend that the behaviour of the staff in BBCCB is better than any nationalised banks in the locality. It is also found that respondents are agreed that proper statement of accounts are provided regularly to them whenever they ask to the employees.

The customers and beneficiaries favour to open saving account and term deposit in BBCCB as it provides 0.5% of higher interest rate than other nationalised banks. Similarly the bank provides higher interest rate on term deposit than other nationalised banks.

The beneficiaries feel that BBCCB helps in ensuring food security and become self-sustain in food mainly doing paddy cultivation twice in a year. BBCCB also helps in poverty reduction that the beneficiaries feel strongly. Further BBCCB also helps in generating employment. Service charges are lesser than commercial banks is another important factor which affects the bank's performance. It is found that BBCCB provides easy accessible financial services to its beneficiaries and customers. It is also found that BBCCB has become a means for the livelihood of the poor people in the locality. Further it also promotes rural enterprises. BBCCB Helps in improving gender equality in the locality as the SHG is supervised by co-operative banks and it provides loan to the women in 7% interest rate.

Nomination facilities are also provided to the beneficiaries. It is found that BBCCB is following all Govt. rules and regulations are carried out properly. It is seen that BBCCB insists standing instruction to all the customers and beneficiaries. It is found that the beneficiaries prefer BBCCB than other nationalised banks for Agricultural Crop loan and term loan. It is also found that most of the customers or beneficiaries are provided counselling service to open new account in no frill account, to repay the loan in time. It is found that most of the beneficiaries are satisfied with the agency services offered by the banks. It is found that more than 55% (data obtained from primary survey) of the beneficiaries feel that they get easy and quick disposal of loan sanctioned by BBCCB. They feel procedure of remittance is easy and convenient in Co-operative bank than other nationalised banks. It is found that BBCCB is

taking long time to pay the dividend declared. The beneficiaries gave their view that their income definitely has increased by taking loan from BBCCB and utilising it in productive ways.

9.6 Recommendations

Study suggests that the financial policymakers and regulators should consider the trend of the variables along with net profit while formulating the co-operative bank policies in Odisha. Further the knowledge of the inter-relationship (short run and long run) between macroeconomic variables of the co-operative bank in Odisha in this study can be considered by them for formulating guideline and policies. The effect of the variables on the net profit will also give insights in this regard.

It is clear from the primary survey that there is political influence in BBCCB. There is political intervention in day to day administration of BBCCB. It is also found that politicians influence the bank officials to grant loans to the beneficiaries who are known to them. Further it is found that the Board of Directors intervenes in normal functioning of bank. We can say that the political intervention is affecting the overall performance of BBCCB. The employees argued that there should not be political intervention in any of the functioning of BBCCB. Quite clearly, restraint on political intervention will be helpful for functioning of the bank.

It is recommended that promotional schemes should be made at par with nationalised banks. It is recommended that the banking environment in BBCCB should be improved with modern equipment and skilled human resource. It can be recommended that the manager or the board of the bank can be given some power to take independent decision in overall administration but not in day to day functioning. It is seen that core banking should be adequate to compete with other nationalised banks and for smooth and easy functioning of the bank. It is recommended that there should not be multilayer control in BBCCB. It is recommended that awareness should be created by the bank to utilise the loan in a productive way, so that it won't be a burden to repay in time.

It is recommended that BBCCB must adjust the business and housing loan with comparing other nationalised banks. It is recommended that detailed intimation regarding any service

should be provided to the customers. It is recommended that BBCCB should try to take less time to complete the agency services on behalf of the customers or beneficiaries. It is recommended that the bank must not take longer time to pay the declared dividend. It is recommended that BBCCB must not make delay in sanctioning loan for the beneficiaries. It is recommended that BBCCB should do all online transactions on its own.

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Appendix

| Table No- 4.a Growth Rate of Variables of OSCB | | | | | | | | | | | (in %) |
|--|---------------|----------|-------------|----------|------------|-------------|----------|--------------------|-----------------|-----------------------|----------------------|
| Year | Share capital | Reserves | Owned funds | Deposits | Borrowings | Investments | Advances | Cost of Management | Working Capital | Net Profit(+)/Loss(-) | Dividend Declared(%) |
| 1951 | 30.31 | 85.45 | 37.75 | 24.19 | 24.91 | 7.53 | 22.39 | 7.69 | -13.12 | -35.3 | 4.5 |
| 1952 | 8.7 | 49.02 | 16.01 | 1.11 | 2.72 | 10.62 | 10.61 | 25 | 2.87 | 32.08 | 4.5 |
| 1953 | 4.8 | 28.95 | 10.43 | 26.12 | -29.41 | 55.09 | -14.72 | 5.71 | -8.51 | 1.43 | 4.5 |
| 1954 | 0.76 | 21.94 | 6.53 | 11.64 | 37.5 | 36.76 | 13.71 | 5.41 | 24.46 | 7.04 | 4.5 |
| 1955 | 4.73 | 21.76 | 10.04 | 50.55 | 3 | 8.42 | 26.72 | 7.69 | 18.62 | -21.0 | 4.5 |
| 1956 | 9.95 | -2.06 | 5.81 | 91.8 | 26.27 | 25.96 | 37.75 | 11.9 | 53.86 | 75 | 4.5 |
| 1957 | 52.47 | 19.65 | 38.97 | 59.99 | 2.17 | 34 | 5.72 | 23.4 | 39.24 | 91.43 | 5 |
| 1958 | 61.06 | 32.26 | 56.65 | 4.5 | 46.52 | 40.7 | 36.18 | 10.34 | 24.16 | 49.25 | 6 |
| 1959 | 26.52 | 41.69 | 30.04 | 55.63 | 4.34 | 35.47 | 24.89 | 18.75 | 22.47 | 25 | 6 |
| 1960 | 14.13 | 21.44 | 15.98 | -2.17 | 12.11 | 44.32 | 30.59 | 11.84 | 13.6 | -2.13 | 6 |
| 1961 | 7.65 | 47.81 | 18.28 | 2.72 | 73.27 | 8.14 | 27.39 | 3.53 | 19.56 | 7.08 | 6 |
| 1962 | 16.89 | 22.84 | 18.86 | 1.31 | 43.11 | -35.56 | 28.21 | 9.09 | 18.58 | 2.29 | 6 |
| 1963 | 39.62 | 9.37 | 29.28 | 25.73 | 52.72 | 98.94 | 35.83 | 8.33 | 39.12 | 42.79 | 6 |
| 1964 | 22.6 | 16.22 | 20.75 | 3.72 | 28.77 | 6.65 | 25.01 | 15.38 | 21.17 | 26.66 | 6 |
| 1965 | 8.07 | 22.11 | 11.98 | -3.3 | 29.23 | 12.09 | 9.87 | 21.67 | 16.55 | 14.31 | 6 |
| 1966 | 8.49 | 23.69 | 14.49 | 34.51 | 8.22 | 24.38 | 19.91 | 15.75 | 15.96 | 6.98 | 6 |
| 1967 | 9.11 | 192.6 | 19.47 | -9.58 | 5.02 | 10.2 | 2.01 | 13.61 | -1.28 | 1.35 | 6 |
| 1968 | 19.54 | -34.5 | 24.67 | 10.5 | 5.64 | 10.61 | 12.93 | 17.71 | 8.87 | -0.11 | 6 |

| | | | | | | | | | | | |
|------|-------|-------|-------|--------|--------|-------|---------|--------|--------|---------|-----|
| 1969 | 5.94 | 59.52 | 28.55 | 26.95 | -19.1 | 28.49 | -4.85 | 9.73 | 0.7 | 10.89 | 6 |
| 1970 | 5.32 | 47.44 | 27.38 | -9.91 | 9.67 | 18.27 | -9.81 | 14.52 | -4.76 | 0 | 6 |
| 1971 | 0.49 | 19.44 | 11.98 | 5.69 | -63.64 | 8.33 | -26.47 | 11.62 | -18.82 | 6.21 | 6 |
| 1972 | 5.41 | 14.78 | 11.47 | 45.08 | -17.02 | 4.85 | 23.1 | 25.24 | 19.69 | 3.58 | 6 |
| 1973 | 14.71 | 7.49 | 9.91 | 27.34 | 99.33 | 7.81 | 31.34 | 12.09 | 34.42 | -54.5 | 6 |
| 1974 | 3.28 | 2.62 | 2.84 | 8.11 | 18.25 | 2.75 | 7.87 | 15.96 | 9.69 | 13.03 | 3 |
| 1975 | 5.41 | 3.24 | 4.01 | 17.28 | 50.72 | 0.89 | 46.04 | 25.97 | 23.72 | -84.7 | 2 |
| 1976 | 18.21 | 1.08 | 7.16 | 36.41 | 18.64 | 17.02 | 15.94 | 36.46 | 24.41 | 1008.14 | 0 |
| 1977 | 29.43 | 6.4 | 15.42 | -49.9 | 131.66 | 61.18 | 1746.68 | 19.95 | 66.31 | 135.47 | 3 |
| 1978 | 35.52 | 12 | 22.33 | 246.43 | 9.56 | 1.14 | -88.72 | 20.02 | 21.82 | 33.69 | 5 |
| 1979 | 25.22 | 14.33 | 21.65 | 22.59 | 36.69 | 11.05 | 36.07 | 78.86 | 22 | 34.33 | 5 |
| 1980 | 36.25 | 56.88 | 43.95 | 30.24 | 69.7 | 19.17 | 58.62 | -6.92 | 50.65 | 36.87 | 6 |
| 1981 | 20.76 | 46.91 | 34.47 | 13.8 | 39.28 | 16.54 | 26.91 | 30.15 | 30.09 | 44.14 | 6.5 |
| 1982 | -0.08 | 36.92 | 27.65 | 13.01 | 17.52 | 14.71 | 20.7 | 43.87 | 15.84 | 15.09 | 6.5 |
| 1983 | 37.17 | 39.6 | 31.74 | -13.13 | 48.32 | 6.45 | 31.01 | 4.3 | 28.79 | 6.53 | 6.5 |
| 1984 | 15.29 | 39.12 | 30.85 | -11.57 | 14.89 | 26.44 | 10.63 | 19.08 | 10.86 | -15.9 | 6.5 |
| 1985 | 4.02 | 22.47 | 16.83 | 6.43 | 3.04 | 22.71 | 0.69 | 86.35 | 5.17 | -31.57 | 5 |
| 1986 | 0.97 | 8.06 | 6.13 | -8.13 | -4.09 | 3.95 | -3.92 | 5.63 | -2.87 | -11.64 | 3 |
| 1987 | 0.69 | 4.68 | 3.65 | 37.48 | -12.33 | -4.87 | -2.27 | -10.07 | 0.8 | 17.61 | 3 |
| 1988 | 2.08 | 9.31 | 7.49 | 7.8 | 15.94 | 15.16 | 12.68 | 27.25 | 13.07 | -1.96 | 3 |
| 1989 | 1.58 | 2.6 | 2.35 | 6.32 | 14.42 | 12.86 | 9.55 | 17.43 | 10.49 | -0.26 | 3 |
| 1990 | 1.93 | 10.24 | 8.25 | 1.16 | 17.34 | 11.65 | 10.93 | -10.8 | 11.67 | 5.98 | 3 |
| 1991 | 4.43 | 8.51 | 7.63 | 6.84 | -27.86 | 26.61 | -35.86 | 41.5 | -5.81 | 39.37 | 3.5 |
| 1992 | 0.41 | 4.27 | 3.43 | 47.98 | -0.72 | 30.22 | 21.96 | 15.3 | 10.32 | -10.9 | 3 |
| 1993 | 1.4 | 0.27 | 0.51 | 12.96 | 4.55 | 12.09 | 8.82 | 45.61 | 3.51 | -21.8 | 3.5 |
| 1994 | 0.91 | 20.49 | 16.33 | 19.73 | 6.68 | 36.7 | 20.83 | 7.26 | 9.67 | 28.02 | 3 |
| 1995 | 0.29 | 11.36 | 9.32 | 23.76 | 44.52 | 27.44 | 31.3 | 15.32 | 27.76 | 24.23 | 3 |
| 1996 | 21.9 | 7.82 | 10.2 | 32.8 | 17.32 | 46.58 | 17.88 | 34.86 | 21.4 | 26.45 | 3 |

| | | | | | | | | | | | |
|----------------------|--------|-------|-------|-------|-------|--------|-------|--------|-------|-------|-------|
| 1997 | 14.53 | 4.28 | 6.19 | 45.96 | 25.33 | 32.99 | 30.65 | 27.92 | 31.11 | 52.92 | 5 |
| 1998 | 62.03 | 22.11 | 30.15 | 40.63 | 47.5 | 35.64 | 33.54 | 14.75 | 41.23 | 55.45 | 7 |
| 1999 | 27.51 | 23.29 | 24.35 | 24.22 | 5.8 | 19.9 | 20.33 | 7.41 | 14.79 | 41.45 | 9 |
| 2000 | 7.54 | 25.98 | 21.24 | 34.31 | 22.54 | 31.36 | 23.25 | 7.22 | 28.56 | 32.45 | 9 |
| 2001 | 17.45 | 0.31 | 4.22 | 30.57 | -4.17 | 49.36 | 3.83 | 22.45 | 15.17 | 23.49 | 9 |
| 2002 | 21 | 21.22 | 21.16 | 19.63 | 18.33 | 37.77 | 9.6 | 9.22 | 20.43 | 15.45 | 10 |
| 2003 | 16.78 | 5.25 | 8.21 | 1.29 | 12.01 | 1.09 | 10.77 | 19.5 | 7.07 | 38.36 | 10 |
| 2004 | 13.15 | 21.71 | 19.34 | 15.79 | 29.01 | 38.5 | 8.92 | 10.73 | 18.89 | 29.94 | 10 |
| 2005 | 4.24 | 20.34 | 16.11 | 5.12 | -8.5 | -18.12 | 16.37 | 4.13 | 0.74 | 29.46 | 6 |
| 2006 | 24.56 | 10.41 | 13.74 | 12.48 | 38.01 | 4.33 | 31.53 | 14.92 | 20.13 | 12.9 | 7 |
| 2007 | 8.37 | 9.09 | 8.91 | 6.82 | 31.13 | 10.48 | 15.18 | 1.45 | 14.5 | -53.5 | 7 |
| 2008 | 2.3 | 6.72 | 5.59 | 20.87 | 33.12 | 82.23 | 3.55 | 59.53 | 25.13 | 6.14 | 2.7 |
| 2009 | 2.88 | 3.32 | 3.21 | 47.5 | 3.41 | 59.97 | -1.25 | -30.38 | 23.4 | -0.33 | 4.5 |
| 2010 | 1.34 | 5.42 | 4.4 | 46.52 | 29.79 | 43.75 | 25.62 | 22.96 | 36.79 | 6.74 | 2.7 |
| 2011 | 1.12 | 5.02 | 4.08 | 2.08 | 24.42 | 1.1 | 25.84 | 17.71 | 10.62 | 3.96 | 2.8 |
| 2012 | 126.81 | 9.58 | 37.02 | 14.44 | 22.33 | 16.8 | 21.1 | 22.09 | 18.13 | 2.46 | 2.95 |
| 2013 | 21.14 | 11.97 | 15.52 | 29.78 | -5.06 | 11.3 | 18.6 | -12.79 | 14.12 | 14.75 | 2.95 |
| 2014 | 25.57 | 16.44 | 20.15 | 16.76 | 29.3 | 11.27 | 31.33 | 63.78 | 22.79 | 11.15 | 1.37 |
| | | | | | | | | | | | |
| Compound Growth rate | 14.44 | 18.25 | 15.68 | 15.77 | 19.22 | 15.85 | 15.99 | 16.01 | 15.99 | 11.94 | -0.02 |
| Average Growth Rate | 16.29 | 21.26 | 16.77 | 21.99 | 19.90 | 21.72 | 42.21 | 18.00 | 17.51 | 29.74 | 5.09 |

Source: Annual Reports of OSCB

Table No 4.b-Trend and Progress of District Central Cooperative Consolidated

(Rs. in lakh)

| Year | Profit | Total Reserve | Own Fund | Deposits | Borrowings | Investment | loan | Income | Expenditure | Provision | Cost of Management | Working Capital | no of branches including H.O. | No. of Employees | Per branch business | per employee business |
|---------|----------|---------------|-----------|-----------|------------|------------|-----------|-----------|-------------|-----------|--------------------|-----------------|-------------------------------|------------------|---------------------|-----------------------|
| 1990 | -334.18 | 1406.86 | 4146.13 | 9235.13 | 17700.53 | 3174.28 | 22215.67 | 1898.26 | 2263.31 | 4.73 | 708.58 | 34388.14 | NA | NA | NA | NA |
| 1991 | -100.45 | 1419.91 | 4294.65 | 10773.59 | 10526.77 | 3355.02 | 18775.93 | 3083.09 | 3105 | 218.92 | 1063.74 | 28123.69 | NA | NA | NA | NA |
| 1992 | -410.38 | 1351.64 | 4316.95 | 14391.36 | 12833.67 | 4471.89 | 18678.78 | 2999.62 | 3446.88 | 102.81 | 1135.62 | 35088.96 | NA | NA | NA | NA |
| 1993 | -1347.78 | 1421.38 | 4513.56 | 18196.12 | 13557.89 | 5252.85 | 24148.29 | 3703.84 | 5024.57 | 1179.09 | 1304.26 | 39100.02 | NA | NA | NA | NA |
| 1994 | -1179.75 | 1688.16 | 4922.28 | 22402.36 | 16863.62 | 6045.52 | 30797.62 | 4516.19 | 5812.46 | 1123.33 | 1526.3 | 44764.06 | 269 | 3229 | 3134.93 | 267.4 |
| 1995 | -907.12 | 2179.06 | 5685.03 | 29571.15 | 21557.2 | 7586.88 | 38401.29 | 5606.46 | 6512.69 | 948.01 | 2535.57 | 56943.43 | 286 | 3263 | 3696.59 | 330.58 |
| 1996 | -289.7 | 2562.54 | 6995.33 | 37928.06 | 24884.45 | 10154.46 | 47301.77 | 7969.87 | 8334.16 | 1365.52 | 2101.61 | 70538.97 | 293 | 3267 | 4456.85 | 412.89 |
| 1997 | -936.69 | 3101.27 | 7878.51 | 50023.25 | 31691.54 | 13857.42 | 58300.26 | 9029.58 | 10998.63 | 2159.96 | 2473.1 | 90871.52 | 306 | 3233 | 5665.85 | 555.92 |
| 1998 | -513.72 | 3252.76 | 10151.56 | 61795.26 | 40804.76 | 18411.58 | 78530.87 | 12453.17 | 12966.93 | 1660.38 | 2817.41 | 115851.94 | 308 | 3185 | 7097.08 | 763.37 |
| 1999 | -287.12 | 4115.62 | 12503.04 | 76654.42 | 50802.42 | 24487.73 | 97083.68 | 16206.71 | 16460.9 | 3287.18 | 2988.93 | 145043.86 | 308 | 3169 | 9004.62 | 903.66 |
| 2000 | -2754.1 | 3385.32 | 14275.36 | 95821.37 | 62837.19 | 31485.18 | 124553.99 | 19805.78 | 22515.62 | 6158.68 | 3539.97 | 187635.32 | 311 | 3099 | 10604.11 | 1171.62 |
| 2001 | -769.55 | 1343.44 | 13553.6 | 118896.32 | 65842.32 | 44048.02 | 139251.81 | 22708.46 | 22500.45 | 2564.64 | 3792.98 | 212685.43 | 316 | 3070 | 12843.08 | 1187.36 |
| 2002 | 155.88 | 1255.35 | 15744.15 | 140685.12 | 73347.7 | 55812.86 | 154879.69 | 27481.16 | 27325.28 | 3861.7 | 4087.28 | 259218.96 | 322 | 3140 | 14106.16 | 1505.97 |
| 2003 | 231.22 | 1512.63 | 18156.37 | 156925.54 | 80693.23 | 54417.88 | 182099.78 | 29345.66 | 29108.37 | 3362.61 | 4963.88 | 289744.01 | 323 | 3043 | 15782.88 | 1803.18 |
| 2004 | 1036.03 | 1500.58 | 20415.03 | 174599.99 | 89819.13 | 65615.44 | 197685.78 | 32040.53 | 29950.93 | 4522.64 | 4966.21 | 325482.07 | 329 | 2988 | 19104.55 | 2043.74 |
| 2005 | -769.55 | 2269.92 | 23337.96 | 183315.28 | 107999.98 | 65731.37 | 233613.28 | 36546.55 | 31913.36 | 4118.37 | 5312.5 | 357752.92 | 327 | 2990 | 19906.93 | 2365.71 |
| 2006 | 202.7 | 2477.44 | 26585.47 | 197042.72 | 144057.22 | 76180.55 | 277734.33 | 35438.57 | 33935.09 | 5468.14 | 5556.11 | 414159.88 | 326 | 2848 | 22325.11 | 2634 |
| 2007 | 231.22 | 3058.95 | 29421.85 | 216540.83 | 157229.48 | 79559.3 | 314309.51 | 36562.72 | 35850.6 | 7246.31 | 5896.66 | 460078.42 | 328 | 2786 | 25856.34 | 3066.76 |
| 2008 | 1063.03 | 4078.05 | 32307.98 | 247425.6 | 159229.68 | 94868.65 | 330956.15 | 41363.05 | 43926.1 | 9798.74 | 6512.42 | 493906.26 | 326 | 2603 | 26709.18 | 3509.76 |
| 2009 | 4633.09 | 4764.29 | 35614.11 | 300349.95 | 149332.76 | 162696.48 | 316103.81 | 51233.95 | 46716.43 | 10307.31 | 7210.11 | 546543.19 | 329 | 2374 | 30751.62 | 4298.76 |
| 2010 | 1083.06 | 5304.08 | 41546.38 | 372247.91 | 187382.9 | 240832.92 | 350926.87 | 51956.39 | 54539.75 | 8844.11 | 8545.98 | 681630.7 | 334 | 2338 | 35593.76 | 5154.53 |
| 2011 | 378.17 | 8342.3 | 48672.1 | 412818.88 | 235951.8 | 253789.1 | 436137.94 | 56723.84 | 69463.77 | 17239.08 | 9672 | 793904.31 | 334 | 2241 | 41867.34 | 6134 |
| 2012 | -1329.6 | 18579.72 | 77421.16 | 470846.7 | 300674.61 | 308737.03 | 535612.97 | 71545.64 | 74824.1 | 17222.93 | 11212.23 | 957525.78 | 335 | 2246 | 49311.38 | 7178.28 |
| 2013 | 3898.84 | 24491.89 | 85886.59 | 562364.29 | 369801.72 | 403615.44 | 609036.39 | 88824.85 | 84926.01 | 13359.44 | 12006.12 | 1152283.8 | 337 | 2155 | 56498.51 | 9707.3 |
| 2014 | 7371.3 | 28073.25 | 98022.5 | 647232.73 | 479396.3 | 504698.99 | 742634.66 | 103384.63 | 95705.45 | 12962.24 | 13079.66 | 1387467.2 | 339 | 1918 | 67457.73 | 11803.29 |
| 2015 | 3135.96 | 34231.19 | 113710.57 | 720497.6 | 577371.04 | 524633.54 | 831912.91 | 111561.4 | 108467.47 | 26667.93 | 14866.65 | 1588793.4 | 339 | 2352 | 75160.2 | 12623.91 |
| Average | 441.9542 | 6429.523 | 29233.778 | 205714.67 | 133930.38 | 117827.71 | 238910.92 | 33999.614 | 34099.781 | 6375.1846 | 5379.8415 | 414212.54 | 319.32 | 2797.14 | 25315.22 | 3610.09 |

Source: Annual Reports of OSCB

| Year | Profit | Borrowings | Other Liabilities | Cash & Bank Balance | Investment | Loans & Advances | Income | Total Expenditure | Provision | Cost of Management | Working Capital | Accumulated Loss | No. of Employees | Per Branch Business | Per Employee Business |
|------|---------|------------|-------------------|---------------------|------------|------------------|---------|-------------------|-----------|--------------------|-----------------|------------------|------------------|---------------------|-----------------------|
| 1990 | -41.66 | 1624.62 | 466.51 | 132.19 | 316.24 | 2362.47 | 180.12 | 221.78 | 0.00 | 77.86 | 3274.96 | 85.54 | 264.0 | 183.65 | 12.52 |
| 1991 | -57.53 | 1397.95 | 593.49 | 90.43 | 336.23 | 2288.56 | 244.60 | 302.13 | 0.00 | 106.76 | 3278.77 | 143.07 | 263.0 | 187.42 | 12.87 |
| 1992 | -58.41 | 1531.96 | 665.10 | 484.31 | 389.96 | 1768.09 | 279.55 | 337.96 | 0.00 | 115.30 | 3702.94 | -201.48 | 262.0 | 173.13 | 11.89 |
| 1993 | -170.15 | 1281.51 | 792.49 | 247.94 | 488.77 | 2373.87 | 318.62 | 488.77 | 86.62 | 132.35 | 3793.92 | -371.63 | 259.0 | 227.12 | 15.78 |
| 1994 | -70.41 | 1572.22 | 835.94 | 363.06 | 623.05 | 2965.36 | 377.35 | 455.24 | 7.48 | 152.93 | 4581.34 | -442.04 | 258.0 | 287.97 | 20.09 |
| 1995 | -153.90 | 2170.56 | 895.46 | 399.78 | 811.16 | 3929.82 | 476.55 | 630.35 | 25.60 | 165.68 | 5775.05 | -595.94 | 254.0 | 355.89 | 24.01 |
| 1996 | 39.01 | 2498.58 | 1033.93 | 543.13 | 1052.94 | 5028.87 | 664.87 | 703.88 | 49.47 | 191.23 | 7423.77 | -634.95 | 254.0 | 441.74 | 34.78 |
| 1997 | -49.90 | 3125.77 | 1166.68 | 384.07 | 1334.22 | 6638.28 | 1003.19 | 1053.67 | 60.78 | 225.94 | 9542.87 | -684.85 | 254.0 | 471.04 | 46.36 |
| 1998 | 75.19 | 4022.58 | 1385.50 | 466.29 | 1899.51 | 8764.52 | 1408.40 | 1333.21 | 191.80 | 276.65 | 12242.57 | -609.66 | 265.0 | 584.02 | 57.30 |
| 1999 | 53.42 | 5227.29 | 2026.08 | 761.11 | 2658.91 | 11111.79 | 1843.73 | 1790.31 | 196.14 | 307.48 | 15961.29 | -556.24 | 262.0 | 712.55 | 73.43 |
| 2000 | -269.44 | 7002.79 | 3646.19 | 923.88 | 3374.26 | 15436.57 | 2399.53 | 2668.98 | 609.58 | 454.48 | 20886.15 | -825.68 | 277.0 | 938.34 | 94.85 |
| 2001 | 103.40 | 7436.05 | 4307.80 | 1996.00 | 5806.23 | 16589.73 | 2844.55 | 2708.49 | 230.00 | 428.68 | 26357.67 | -689.62 | 272.0 | 1044.70 | 96.90 |
| 2002 | 197.24 | 8812.42 | 5068.01 | 2293.93 | 7794.61 | 19375.19 | 3544.16 | 3346.92 | 319.92 | 502.96 | 32557.89 | -525.04 | 340.0 | 1229.33 | 108.46 |
| 2003 | 252.82 | 8728.04 | 5387.11 | 1922.99 | 6083.95 | 23706.21 | 3903.99 | 3651.17 | 342.43 | 648.80 | 36370.30 | -272.22 | 366.0 | 1400.00 | 118.59 |
| 2004 | 156.76 | 10731.95 | 7137.34 | 3018.45 | 8789.85 | 26131.01 | 4027.10 | 3870.33 | 263.36 | 587.46 | 42625.18 | -115.46 | 355.0 | 1922.66 | 162.47 |
| 2005 | 306.92 | 13327.60 | 7682.17 | 2743.84 | 9514.78 | 31272.42 | 4521.97 | 4215.05 | 218.82 | 756.74 | 47518.52 | 191.46 | 338.0 | 1628.94 | 149.40 |
| 2006 | 211.53 | 19578.04 | 8025.83 | 3141.55 | 11662.84 | 38246.79 | 4266.19 | 4266.19 | NA | 852.58 | 57034.04 | 211.53 | 324.0 | 2320.36 | 214.85 |
| 2007 | 227.95 | 21126.44 | 8517.51 | 3609.99 | 13133.16 | 43792.60 | 4313.63 | 4313.63 | 0.00 | 982.69 | 63331.27 | 227.95 | 309.0 | 2745.20 | 266.52 |
| 2008 | 250.03 | 20861.82 | 8607.69 | 3550.87 | 14469.02 | 47213.90 | 5027.21 | 5027.21 | 519.72 | 959.44 | 69042.40 | 250.03 | 392.0 | 2645.43 | 250.85 |
| 2009 | 257.65 | 25287.97 | 10207.68 | 4602.84 | 26204.90 | 48757.36 | 5644.85 | 5644.85 | 454.84 | 1205.72 | 85065.95 | 257.65 | 278.0 | 3097.77 | 334.29 |
| 2010 | 265.07 | 28548.61 | 19072.27 | 4200.16 | 36599.97 | 55149.19 | 7168.24 | 7168.24 | 410.73 | 1417.72 | 102451.41 | 265.07 | 269.0 | 3657.60 | 407.91 |

| | | | | | | | | | | | | | | | |
|---------|--------|----------|----------|----------|----------|-----------|----------|----------|---------|---------|-----------|---------|--------|---------|---------|
| 2011 | 257.92 | 37667.77 | 11527.58 | 5062.81 | 36980.37 | 68379.05 | 8374.68 | 8374.68 | 774.13 | 1917.75 | 118909.31 | 257.92 | 247.0 | 4368.00 | 530.53 |
| 2012 | 279.72 | 51283.91 | 13143.28 | 5622.84 | 56313.40 | 79833.89 | 9971.55 | 9971.55 | 1453.85 | 1838.59 | 145786.25 | 389.10 | 250.0 | 5077.94 | 606.92 |
| 2013 | 224.68 | 55854.74 | 7543.93 | 10330.12 | 63635.95 | 91391.34 | 12654.25 | 12654.25 | 2275.39 | 1728.62 | 169782.15 | 224.68 | 208.0 | 5771.65 | 860.20 |
| 2014 | 277.35 | 75501.21 | 9233.15 | 8647.87 | 84818.59 | 112240.46 | 14358.44 | 14358.44 | 1937.16 | 1765.62 | 210790.91 | 502.03 | 178.0 | 7209.15 | 1215.03 |
| 2015 | 335.25 | 85759.49 | 21417.30 | 1524.12 | 12073.92 | 122461.11 | 16188.22 | 15852.97 | 1379.27 | 1856.53 | 248775.25 | 500.02 | 191.0 | 8146.94 | 1279.00 |
| Average | 111.56 | 19306.23 | 6168.69 | 2579.41 | 15660.26 | 34123.40 | 4461.75 | 4438.86 | 454.12 | 756.02 | 59494.70 | -116.11 | 276.50 | 2185.71 | 269.45 |

Source: Annual Reports of BBCCB

Table No. 7.a Responses from the Beneficiaries in %

| Areas where BBCCB is most effective | SA | A | NA | D | SD |
|---|-------|------|-------|-------|------|
| Agricultural Crop loan | 77.82 | 22.2 | 0 | 0 | 0 |
| Agricultural term loan | 43.48 | 55.2 | 1.3 | 0 | 0 |
| Fisheries | 39.13 | 59.6 | 1.3 | 0 | 0 |
| Diaries | 38.26 | 60.4 | 1.3 | 0 | 0 |
| Poultry | 34.78 | 63.9 | 1.3 | 0 | 0 |
| Goatary | 32.17 | 66.5 | 1.3 | 0 | 0 |
| Horticulture and plantation | 30.87 | 67.4 | 1.74 | 0 | 0 |
| Small business loan | 68.26 | 31.7 | 0 | 0 | 0 |
| Objectives of BBCCB | | | | | |
| Income increase | 42.61 | 53 | 2.17 | 1.74 | 0.43 |
| Ensure food security | 10 | 73 | 16.09 | 0.87 | 0 |
| Poverty reduction | 20.87 | 70.9 | 6.09 | 2.17 | 0 |
| Generate employment | 23.04 | 71.3 | 3.04 | 2.61 | 0 |
| Improves gender equality | 38.26 | 58.7 | 2.61 | 0.43 | 0 |
| Accessible financial services | 29.57 | 70 | 0.43 | 0 | 0 |
| Livelihoods for the poor | 25.22 | 73 | 0.87 | 0.87 | 0 |
| Promotes rural enterprises | 42.61 | 56.5 | 0.43 | 0.43 | 0 |
| Adequate Counseling service is provided | 13.91 | 68.3 | 14.78 | 2.61 | 0.43 |
| Customer Services: | | | | | |
| Employees behave courteously. | 53.48 | 45.2 | 0.43 | 0.87 | 0 |
| Customers are provided prompt service. | 50.87 | 46.5 | 0 | 2.61 | 0 |
| Grievances are redressed promptly. | 38.26 | 59.6 | 0.43 | 1.74 | 0 |
| Proper statements of accounts are provided regularly. | 26.96 | 68.3 | 2.61 | 2.17 | 0 |
| Safe deposit locker facilities are provided to the customers. | 13.48 | 43.5 | 14.35 | 26.52 | 2.17 |
| Govt. rules and regulations are carried out properly | 18.26 | 77.8 | 1.3 | 2.17 | 0.43 |

| | | | | | |
|---|-------|------|-------|-------|------|
| Nomination facilities are provided | 10.87 | 53 | 11.74 | 23.04 | 1.3 |
| Payment and collection of cheques and drafts are done with in time. | 30.87 | 64.8 | 3.48 | 0 | 0.87 |
| Banking facilities are adequately computerized. | 35.65 | 63.9 | 0 | 0.43 | 0 |
| Online transaction facilities (NEFT & RTGS) are provided | 36.96 | 52.2 | 8.26 | 2.17 | 0.43 |
| Issue of Loans and Advances: | | | | | |
| Loanable funds of the Bank are sufficient to meet the needs of the members. | 3.48 | 67.4 | 27.39 | 1.74 | 0 |
| Loans are sanctioned without any delay. | 2.61 | 52.6 | 17.83 | 23.48 | 3.48 |
| Rate of interest on loans is lower than that of commercial Banks. | 0.87 | 45.2 | 19.13 | 27.83 | 6.96 |
| Margin requirements are scrupulously followed while sanctioning loan. | 0.87 | 65.2 | 30.43 | 3.48 | 0 |
| Loans are sanctioned for the development of priority sector. | 22.61 | 52.6 | 24.35 | 0.43 | 0 |
| Adequate security is obtained before sanctioning loan. | 7.39 | 62.6 | 29.13 | 0.87 | 0 |
| Convenient repayment period is allowed for borrowers | 5.22 | 59.6 | 33.04 | 2.17 | 0 |
| Lending schemes are suited to the borrowers. | 3.04 | 57.4 | 36.96 | 2.61 | 0 |
| Follow-up action is taken after sanctioning loan. | 16.09 | 46.5 | 35.65 | 1.74 | 0 |
| Satisfied with the procedures in getting the sanction of loan amount | 6.09 | 53.9 | 35.22 | 3.48 | 1.3 |
| Satisfied with the quantum of loan | 0.87 | 48.7 | 37.39 | 9.13 | 2.61 |
| Satisfied with the rate of interest | 4.35 | 51.3 | 37.39 | 5.65 | 0 |
| Satisfied with the sanction of loan amount at the time of necessity | 4.78 | 51.7 | 36.52 | 3.91 | 3.04 |
| Banks insisted on high value of security | 1.74 | 41.7 | 49.13 | 4.78 | 2.61 |
| Deposits | | | | | |
| Satisfied with the types of Deposits | 9.13 | 89.6 | 0.87 | 0.43 | 0 |
| Satisfied with the interest rate | 9.57 | 89.1 | 0.87 | 0.43 | 0 |
| Satisfied with the loan facilities against Deposits | 4.35 | 83 | 11.74 | 0.87 | 0 |
| Satisfied with the procedures of Remittance | 3.48 | 92.2 | 3.48 | 0.43 | 0.43 |
| Satisfied with the procedures in getting the amount at the time of maturity | 6.09 | 81.3 | 12.61 | 0 | 0 |
| The charges taken against services rendered are good | 2.61 | 94.8 | 2.17 | 0.43 | 0 |
| Agency Service (Utility Service) | | | | | |
| Satisfied with the agency services offered by the banks | 5.65 | 91.7 | 1.74 | 0.87 | 0 |

| | | | | | |
|---|------|------|-------|-------|-------|
| The commission charged by the banks is Reasonable | 6.09 | 66.5 | 1.3 | 22.17 | 3.91 |
| Long time is taken to complete agency services | 5.22 | 44.4 | 14.35 | 30.87 | 5.22 |
| The agency services rendered by the bank are better than other services | 5.22 | 57.4 | 16.52 | 20.43 | 0.43 |
| Terms and conditions of agency services are rigid | 0.87 | 17 | 13.48 | 60.87 | 7.83 |
| Service Charges | | | | | |
| The service charges are high | 0.43 | 5.65 | 4.35 | 77.83 | 11.74 |
| Undue delay in the providing services | 0.43 | 4.35 | 5.65 | 77.39 | 12.17 |
| No detailed intimation regarding service provided | 4.35 | 46.5 | 7.83 | 37.39 | 3.91 |
| The bank insists standing instruction | 9.57 | 80 | 8.26 | 2.17 | 0 |
| Utility Service being provided by BBCCB are adequate | 9.13 | 82.2 | 7.39 | 1.3 | 0 |
| Satisfied with the procedures in getting services | 5.22 | 86.5 | 5.65 | 2.61 | 0 |
| Issues of Checks and Drafts | | | | | |
| The exchange charges are reasonable | 0.87 | 54.8 | 5.22 | 30 | 9.13 |
| Quick issuing of the draft, cheque by the banks | 3.91 | 47.8 | 9.13 | 35.22 | 3.91 |
| Draft is issued for any place in Odisha | 7.39 | 75.2 | 13.04 | 4.35 | 0 |
| Satisfied with the procedures in getting the cheque, draft | 4.78 | 81.7 | 9.13 | 3.91 | 0.43 |
| Dividend | | | | | |
| The rate of dividend declared is reasonable | 0.87 | 50.4 | 36.96 | 10.87 | 0.87 |
| Proper intimation from the banks regarding the dividend declared | 1.74 | 48.7 | 37.39 | 10.87 | 1.3 |
| Periodicity of dividend declaration is reasonable | 0.43 | 41.7 | 41.3 | 13.48 | 3.04 |
| Satisfied with the statutory limit | 0.43 | 35.2 | 43.48 | 19.13 | 1.74 |
| Long time is taken by the banks to pay the dividend declared | 0 | 21.3 | 46.09 | 29.57 | 2.17 |
| Source: Compiled from Primary Survey | | | | | |

SA- Strongly Agree, A- Agree, N- Neither Agree nor Disagree, D- Disagree, SD- Strongly Disagree

Table No. 8.a Responses from the Employees in %

| Financial Performance | SA | A | NA | D | SD |
|---|----|----|----|----|----|
| Strict financial discipline is followed in the bank. | 33 | 67 | 0 | 0 | 0 |
| Funds are invested keeping in mind the liquidity position of the bank. | 26 | 72 | 0 | 2 | 0 |
| Higher amount of overdues leads to loss of the bank. | 20 | 71 | 4 | 5 | 0 |
| Increase of operational expenses leads to low profitability of the bank. | 18 | 66 | 7 | 9 | 0 |
| Lack of sufficient low cost funds is responsible for low income for the Bank. | 14 | 57 | 10 | 19 | 0 |
| Lack of sufficient owned funds is the reason to depend on high cost borrowing. | 14 | 76 | 4 | 6 | 0 |
| Strict regulation of the government restricts the freedom of the bank in taking any financial decision. | 13 | 66 | 8 | 13 | 0 |
| Government policy | | | | | |
| Your bank faces licensing problem | 0 | 3 | 6 | 66 | 25 |
| There is waiving of loan amount and interest in your bank | 2 | 83 | 5 | 6 | 4 |
| There is multi layer control in your bank | 17 | 77 | 6 | 0 | 0 |
| Frequent change of high officials occurs in your bank | 3 | 45 | 6 | 45 | 1 |
| Frequent Government Intervention affects bank functioning | 9 | 72 | 3 | 15 | 1 |
| Board of Directors intervenes in normal functioning of bank | 25 | 62 | 1 | 11 | 1 |
| Interference of local political party functionaries in granting loans | 38 | 46 | 2 | 13 | 1 |
| Political intervention | | | | | |
| Political intervention in the day-to-day Administration | 33 | 41 | 1 | 24 | 1 |
| Change of Government affects the Bank's Performance | 7 | 36 | 14 | 42 | 1 |
| The political intervention is affecting the overall performance of the co-operative bank | 30 | 47 | 2 | 20 | 1 |
| Inconsistency in the tenure of the Board of Directors | 6 | 13 | 8 | 68 | 5 |
| Deposit mobilisation are adequate to meet the credit needs of the Bank. | 5 | 87 | 1 | 5 | 2 |
| Mobilisation of Resources | | | | | |
| Deposit schemes are sufficient to suit the requirement of depositors | 15 | 80 | 4 | 1 | 0 |
| Funds from higher financing agencies are adequate | 9 | 61 | 6 | 24 | 0 |
| Rate of interest on deposits is higher than commercial Banks | 34 | 53 | 2 | 10 | 1 |
| Safety of deposits is ensured | 35 | 64 | 0 | 1 | 0 |

| | | | | | |
|---|----|----|----|----|----|
| Owned funds are sufficient to meet the provisioning requirements of the Bank | 9 | 77 | 8 | 6 | 0 |
| The procedure followed for recovery of loans is adequate. | 9 | 76 | 2 | 13 | 0 |
| Non-repayment of loans is due to natural calamities such as crop failure etc. | 4 | 62 | 5 | 28 | 1 |
| Adequate amount of insurance premium is paid under crop insurance scheme. | 14 | 84 | 2 | 0 | 0 |
| Lack of adequate staff is the reason for low rate of recovery. | 24 | 71 | 2 | 3 | 0 |
| Most of the loan amount is mis-utilised by the borrowers. | 5 | 40 | 8 | 46 | 1 |
| Anticipation of loan waiver scheme from government affects the recovery of loans. | 20 | 67 | 5 | 8 | 0 |
| Political interventions encourage the borrowers not to repay the loan. | 15 | 50 | 7 | 28 | 0 |
| Strict legal provisions are not available in recovery of loans. | 5 | 17 | 5 | 68 | 5 |
| No encouragement from the staff in recovering the loans. | 5 | 15 | 3 | 67 | 10 |
| Human Resource management | | | | | |
| Lack of adequate number of staff restricts the smooth operation of the bank. | 23 | 74 | 0 | 3 | 0 |
| Training facilities are not enough to update the knowledge of the staff. | 10 | 37 | 2 | 47 | 4 |
| Promotional schemes are not adequately implemented to induce the employees of the bank. | 7 | 40 | 3 | 45 | 5 |
| The working conditions of the bank are not upto the expectations of the modern banking environment. | 7 | 34 | 9 | 48 | 2 |
| The salary of the staff is revised from time to time. | 15 | 81 | 1 | 1 | 2 |
| Selection of staff is objective, fair and systematic. | 20 | 75 | 2 | 2 | 1 |
| Performance appraisal methods are undertaken promptly. | 16 | 73 | 7 | 2 | 2 |
| Workload of the employees is reasonable | 6 | 38 | 11 | 40 | 5 |
| Welfare measures of the bank boost the morale of the employees. | 4 | 81 | 11 | 4 | 0 |
| Management of the Bank. | | | | | |
| Elected body performs management functions well. | 4 | 60 | 2 | 27 | 7 |
| In the place of elected body, special officers appointed by government perform the management functions well. | 8 | 66 | 9 | 17 | 0 |
| Top management delegates the powers to branch level officers to take independent decisions. | 4 | 49 | 5 | 33 | 9 |
| Authorities and Responsibilities are clearly defined for all managerial people. | 9 | 82 | 4 | 4 | 1 |
| Cordial relationship exists between all levels of management | 17 | 78 | 1 | 4 | 0 |
| People in the management are experts in the field of banking and Co-operation. | 3 | 34 | 2 | 34 | 27 |
| Supervision and Audit | | | | | |
| Officers are adequately appointed to supervise the lending and recovery activities of the bank. | 8 | 73 | 0 | 19 | 0 |

| | | | | | |
|--|----|----|---|----|----|
| Adequate powers are given to the officers to take action against the erring employees. | 6 | 87 | 3 | 3 | 1 |
| Proper check is made over the utilisation of loan amount. | 9 | 79 | 2 | 10 | 0 |
| Audit is properly conducted by audit department of the bank | 17 | 80 | 2 | 1 | 0 |
| Co-operative department audit is conducted periodically. | 29 | 69 | 0 | 1 | 1 |
| Apex bank supervises the activities of the bank regularly | 28 | 67 | 1 | 4 | 0 |
| Audit remarks are attended properly | 33 | 65 | 0 | 2 | 0 |
| Financial support by the Government | | | | | |
| Contribution of share capital by Government is sufficient. | 1 | 13 | 9 | 72 | 5 |
| Government contributes funds to mitigate the loss of the bank. | 11 | 6 | 0 | 71 | 12 |
| Government encourages its local bodies to deposit their money in the bank. | 3 | 8 | 7 | 66 | 16 |
| Government pays the subsidy amount of the loan promptly. | 5 | 87 | 1 | 5 | 2 |
| Whenever funds scarcity arises in the bank, government extends credit facilities. | 2 | 23 | 4 | 47 | 24 |
| An over view | | | | | |
| BBCCB is financially strong | 45 | 54 | 1 | 0 | 0 |
| BBCCB is sustainable in the long run | 42 | 58 | 0 | 0 | 0 |
| BBCCB enjoys good relationship with Govt | 24 | 75 | 1 | 0 | 0 |
| BBCCB enjoys good relationship with RBI/NABARD | 25 | 74 | 1 | 0 | 0 |
| BBCCB's core bank platform is strong and adequate | 15 | 55 | 3 | 22 | 5 |
| Bank's existence is essential at present | 81 | 19 | 0 | 0 | 0 |

SA- Strongly Agree, A- Agree, N- Neither Agree nor Disagree,

D- Disagree, SD- Strongly Disagree

| | | | | | | |
|----|---|----|---|---|---|----|
| 5 | improves gender equality | | | | | |
| 6 | provides accessible financial services | | | | | |
| 7 | provides livelihoods for the poor | | | | | |
| 8 | promotes rural enterprises | | | | | |
| | Adequate Counseling service is provided | | | | | |
| | Customer Services | SA | A | N | D | SD |
| 1 | Bank employees behave courteously. | | | | | |
| 2 | Customers are provided prompt service. | | | | | |
| 3 | Customer grievances are redressed promptly. | | | | | |
| 4 | Proper statement of accounts are provided regularly. | | | | | |
| 5 | Safe deposit locker facilities are provided to the customers. | | | | | |
| 6 | Standing instructions are carried out properly. | | | | | |
| 7 | Nomination facilities are provided to the customers. | | | | | |
| 8 | Payment and collection of cheques and drafts are done with in time. | | | | | |
| 9 | Banking facilities are adequately computerised. | | | | | |
| 10 | Online transction facilities (NEFT & RTGS) are provided | | | | | |
| | Issue of Loans and Advances. | SA | A | N | D | SD |
| 1 | Loanable funds of the Bank are sufficient to meet the needs of the members. | | | | | |
| 2 | Loans are sanctioned without any delay. | | | | | |
| 3 | Rate of interest on loans is lower than that of commercial Banks. | | | | | |
| 4 | Margin requirements are scrupulously followed while sanctioning loan. | | | | | |
| 5 | Loans are sanctioned for the development of priority sector. | | | | | |
| 6 | Adequate security is obtained before sanctioning loan. | | | | | |
| 7 | Convenient repayment period is allowed for borrowers | | | | | |
| 8 | Lending schemes are suited to the borrowers. | | | | | |
| 9 | Follow-up action is taken after sanctioning loan. | | | | | |

| | | | | | | |
|----|---|----|---|---|---|----|
| 10 | Satisfied with the procedures in getting the sanction of loan amount | | | | | |
| 11 | Satisfied with the quantum of loan | | | | | |
| 12 | Satisfied with the rate of interest | | | | | |
| 13 | Satisfied with the sanction of loan amount at the time of necessity | | | | | |
| 14 | Banks insisted on high value of security | | | | | |
| | Deposits | SA | A | N | D | SD |
| 1 | Satisfied with the types of Deposits | | | | | |
| 2 | Satisfied with the interest rate | | | | | |
| 3 | Satisfied with the loan facilities against Deposits | | | | | |
| 4 | Satisfied with the procedures of remittance | | | | | |
| 5 | Satisfied with the procedures in getting the amount at the time of maturity | | | | | |
| | Agency Service(Utility Service) | SA | A | N | D | SD |
| 1 | Satisfied with the agency services offered by the banks | | | | | |
| 2 | The commission charged by the banks is reasonable | | | | | |
| 3 | Long time is taken to complete the agency services | | | | | |
| 4 | The agency services rendered by the banks are better than other services | | | | | |
| 5 | Terms and conditions of agency services are rigid | | | | | |
| | Service Charges | SA | A | N | D | SD |
| 1 | The service charges are high | | | | | |
| 2 | Undue delay in the providing services | | | | | |

| | | | | | | |
|---|--|----|---|---|---|----|
| 3 | No detailed intimation regarding service provided | | | | | |
| 4 | The bank insists standing instruction | | | | | |
| 5 | Utility Service being provided by BBCCB are adequate | | | | | |
| 6 | Satisfied with the procedures in getting this service | | | | | |
| | Issue of Cheque, Drafts, | SA | A | N | D | SD |
| 1 | The exchange charges are reasonable | | | | | |
| 2 | Delay 'in issuing the draft, cheque, and the like by the banks | | | | | |
| 3 | Draft is issued for any place in Odisha | | | | | |
| 4 | Insistence on standing instructions | | | | | |
| 5 | Satisfied with the procedures in getting the cheque, draft, and the like | | | | | |
| | DIVIDEND | SA | A | N | D | SD |
| 1 | The rate of dividend declared is in reasonable | | | | | |
| 2 | Proper intimation from the banks regarding the dividend declared | | | | | |
| 3 | Periodical dividend is declared | | | | | |
| 4 | Satisfied with the statutory limit | | | | | |
| 5 | Long time is taken by the banks to pay the dividend declared | | | | | |

SA- Strongly Agree, A- Agree, N- Neither Agree nor Disagree,

D- Disagree, SD- Strongly Disagree

| | Crop loan | Term loan | Fisheries | Small Business loan | Diaries | Poultry | Goatary | Horticulture |
|---------------------------------------|-----------|-----------|-----------|---------------------|---------|---------|---------|--------------|
| Credit from the bank amount | | | | | | | | |
| Purpose | | | | | | | | |
| Interest charged | | | | | | | | |
| Costs incurred by the beneficiaries | | | | | | | | |
| Travel, waiting - e.g. foregone wages | | | | | | | | |
| Any cuts by or payments to officials | | | | | | | | |
| Collateral requirements if any etc | | | | | | | | |

Signature

VIEWS OF THE BANK EMPLOYEES ON THE PERFORMANCE OF BALASORE BHADRAK CENTRAL CO-OPERATIVE BANK

I. General information:

- 1) Name of the Respondent:
- 2) Age:
- 3) Male: [] Female: []
- 4) Position held in the bank
- 5) Religion:
- 6) Caste : SC [] ST [] SEBC []
- 7) Permanent Address :
- 8) Educational Qualification:
- 9) Mobile No.:

| Financial performance | | SA | A | N | D | SD |
|------------------------------|---|----|---|---|---|----|
| 1 | Strict financial discipline is followed in the bank. | | | | | |
| 2 | Funds are invested keeping in mind the liquidity position of the bank. | | | | | |
| 3 | Higher amount of over dues leads to loss of the bank. | | | | | |
| 4 | Increase of operational expenses leads to low profitability of the bank. | | | | | |
| 5 | Lack of sufficient low cost funds is responsible for low income for the Bank. | | | | | |
| 6 | Lack of sufficient owned funds is the reason to depend on high cost borrowing. | | | | | |
| 7 | Strict regulation of the government restricts the freedom of the bank in taking any financial decision. | | | | | |
| Government Policy | | SA | A | N | D | SD |
| 1 | licensing problem | | | | | |

| | | | | | | |
|---|--|----|---|---|---|----|
| 2 | Waiving of loan amount and interest there in | | | | | |
| 3 | Multi layer control | | | | | |
| 4 | Frequent change of high officials | | | | | |
| 5 | Frequent Government Intervention | | | | | |
| 6 | Board of Directors intervenes in normal functioning of bank | | | | | |
| | Political Intervention | SA | A | N | D | SD |
| 1 | Interference of local political party functionaries in granting loans | | | | | |
| 2 | Political intervention in the day-to-day administration | | | | | |
| 3 | Change of Government affects bank performance | | | | | |
| 4 | The political intervention is affecting the overall performance of the co-operative bank | | | | | |
| 5 | Inconsistency in the tenure of the Board of Directors | | | | | |
| | Mobilisation of Resources | SA | A | N | D | SD |
| 1 | Deposit mobilisation are adequate to meet the credit needs of the Bank. | | | | | |
| 2 | Deposit schemes are sufficient to suit the requirement of depositors | | | | | |
| 3 | Funds from higher financing agencies are adequate | | | | | |
| 4 | Rate of interest on deposits is higher than commercial Banks | | | | | |
| 5 | Safety of deposits is ensured | | | | | |
| 6 | Owned funds are sufficient to meet the provisioning requirements of the Bank | | | | | |
| | Recovery of loans and Advances | SA | A | N | D | SD |
| 1 | The procedure followed for recovery of loans is adequate. | | | | | |
| 2 | Non-repayment of loans is due to natural calamities such as crop failure etc. | | | | | |
| 3 | Adequate amount of insurance premium is paid under crop insurance scheme. | | | | | |
| 4 | Lack of adequate staff is the reason for low rate of recovery. | | | | | |
| 5 | Most of the loan amount is misutilised by the borrowers. | | | | | |

| | | | | | | |
|---|---|----|---|---|---|----|
| 6 | Anticipation of loan waiver scheme from government affectss the recovery of loans. | | | | | |
| 7 | Political interventions encourage the borrower not to repay the loan. | | | | | |
| 8 | Strict legal provisions are not available in recovery of loans. | | | | | |
| 9 | No encouragement from the staff in recovering the loans. | | | | | |
| | Human Resource management | SA | A | N | D | SD |
| 1 | Lack of adequate number of staff restricts the smooth operation of the bank. | | | | | |
| 2 | Training facilities are not enough to update the knowledge of the staff. | | | | | |
| 3 | Promotional schemes are not adequately implemented to induce the employees of the bank. | | | | | |
| 4 | The working conditions of the bank are not upto the expectations of the modern banking environment. | | | | | |
| 5 | The salary of the staff is revised from time to time. | | | | | |
| 6 | Selection of staff is objective, fair and systematic. | | | | | |
| 7 | Performance appraisal methods are undertaken promptly. | | | | | |
| 8 | Workload of the employees is reasonable | | | | | |
| 9 | Welfare measures of the bank boost the morale of the employees. | | | | | |
| | Management of the Bank. | SA | A | N | D | SD |
| 1 | Elected body performs management functions well. | | | | | |
| 2 | In the place of elected body, special officers appointed by government perform the management functions well. | | | | | |
| 3 | Top management delegates the powers to branch level officers to take independent decisions. | | | | | |
| 4 | Authorities and Responsibilities are clearly defined for all managerial people. | | | | | |
| 5 | Cordial relationship exists between all levels of management. | | | | | |
| 6 | People in the management are experts in the field of banking and Co-operation. | | | | | |
| | Supervision and Audit | SA | A | N | D | SD |
| 1 | Officers are adequately appointed to supervise the lending and recovery activities of the bank. | | | | | |
| 2 | Adequate powers are given to the officers to take action against the erring employees. | | | | | |
| 3 | Proper check is made over the utilisation of loan amount. | | | | | |
| 4 | Audit is properly conducted by audit department of the bank | | | | | |
| 5 | Co-operative department audit is conducted periodically. | | | | | |
| 6 | Apex bank supervise the activities of the bank regularly | | | | | |
| 7 | Audit remarks are attended properly. | | | | | |
| | Financial support by the Government | SA | A | N | D | SD |
| 1 | Contribution of share capital by Government is sufficient. | | | | | |

| | | | | | | |
|---|---|--|--|--|--|--|
| 2 | Government contributes funds to mitigate the loss of the bank. | | | | | |
| 3 | Government encourages its local bodies to deposit their money in the bank. | | | | | |
| 4 | Government pays the subsidy amount of the loan promptly. | | | | | |
| 5 | Whenever funds scarcity arises in the bank, government extends credit facilities. | | | | | |
| | An over view | | | | | |
| 1 | BBCCB is financially strong | | | | | |
| 2 | BBCCB is sustainable in the long run | | | | | |
| 3 | BBCCB enjoys good relationship with Govt | | | | | |
| 4 | BBCCB enjoys good relationship with RBI/NABARD | | | | | |
| 5 | BBCCB's core bank platform is strong and adequate | | | | | |
| 6 | Bank's existence is essential at present | | | | | |

SA- *Strongly Agree*, A- *Agree*, N- *Neither Agree Nor Disagree*,

D- *Disagree*, SD- *Strongly Disagree*

Signature

OBSERVATIONS FROM THE FIELD SURVEY

10.1 Introduction

This part deals with the some interesting stories of BBCCB, and my observations on the basis of beneficiaries or customers' responses and the observations on the basis of employees' responses from primary survey. It includes my observations of the different banks under study. Their views have been discussed in the following sections. The beneficiaries were chosen randomly while doing primary survey. The employees include mainly the branch managers, supervisors etc.

10.2 Some Successful Stories of BBCCB

The branch manager of Bhanaga branch described the following story. Sobha Dei Marandi belongs to ST community. She died in the month of March of 2017. She used to take Rs. 300 loan from Soro branch per year to rear a goat. After one year she sells that goat at the Rs. 4000 and repays the amount before the due date. If bank officers offer to provide more amount of loan, she refuses to take it and says she doesn't know how to count more money and will find it difficult to repay loan in time if the small goat dies. She was considered as the best loanee in the year 2016. We provided her a "Shawl" to honour her in our last finance year of the bank. Sora branch honoured her for her sincerity and honesty in repaying loan in time. She never delays in repaying small loan that she took. This branch kept her photo in the bank with description for her honesty to inspire other loanees to repay in time.

Sushant Mohalik, a SC customer of Aurahabada Panchayat had taken Rs. 10, 000 loan for duck farming. His home is near by the sea. Initially, he did farming of 200 Camel ducks a hybrid race. He does not have to spend any money for the feed of ducks, as the small fishes, snail and insects are available near the sea and he collects the food for them himself and with the help of labourers. He only has to rear carefully without investing on food for ducks. These type of ducks give eggs for next two years every day. He has increased his business rapidly and reared more ducks day by day. He used to collect five thousand eggs every day. He used to sale in the locality and exports to Bhubaneswar. Now he is the

number one duck farmer in the locality and a man of crore. Now he is a politician and a member of “Zilla Parisad” in Soro Block. He is a well-established rich person in the locality due to Soro branch and he is very grateful to our branch and services provided by staff of Bahanaga branch.

Padan Barik, Supervisor in Simulia Branch says that Sridhar Sahu a man of Bari had taken Rs.5000 loan for peanut business. He returned the loan after three months. Again he took Rs.10000 to do a sweet business. To run his business he again took Rs. 25, 000 loan from the bank for three months. And he repaid it before time. Again he was sanctioned Rs.50, 000 loan with the help of Board Members in the Bank. They sanctioned being pleasing with his loan repayment reward and attitude. Now he is the number one sweet business man in Bari. He is well established now and is having a good building for his dwelling.

10.3 My Observations on the Basis of Customers’ Response

Cooperative bank is the best. It provides better service than other commercial banks. Immediate loan sanction is another feature of Tihidi Branch. The paddy procurement money is credited to the account holders in the cooperative bank, which is a good thing for the society. The farmers are benefited as the money is credited to their account through cooperative banks. This a great service to the farmers by cooperative banks. Interest rate for the saving and current account is comparatively higher than the commercial banks. Interestingly the prematurity period is less than commercial banks. Delay in service in tribal area is a drawback for cooperative banks.

It is very local in nature and people can deposit their small amounts like Rs.50 and Rs. 100. Paddy procurement procedure is done exclusively by cooperative banks. It helps the farmers immensely. Good behaviour of staff, better and early service with quick disposal is a unique feature of this bank.

It is service oriented to those people who are below poverty line. For the expand of their financial condition, it plays a vital role. Cooperative bank plays a role to finance SHG, members, land less farmers and also those who have borrowed towards agricultural loan with a rate of interest

1% up to 50000 and 2% above 50000. In case of Self Help Group it is 7% only. It also finances allied sector such as dairy, poultry, goatary, fishery promptly to strengthen the borrower's economic condition and long term agriculture finance such as tractor, power tiller, harvester, reaper etc. to the farmers.

It always supports the Government and plays a significant role, but government is not so conscious to the cooperative banks. Unnecessary political intervention is a great loss to the cooperative bank. Now cooperative bank deals with paddy procurement with the farmers directly to collect paddy through Primary Agriculture Society (PACS) from farmers and payment is made within 7 days by crediting to their saving bank account, which is a great product of cooperative bank.

It has financed the poor people of the village towards crop loan, schematic term loan, created more facilities to the SHG members and giving loan to its members. Financial position of Balasore Bhadrak Central Cooperative Bank is strong. Bank is giving dividends to its members regularly. It is giving more importance to agriculture sector by providing loans for power tiller, thresher, and reaper etc. for the improvement of farmers. The minimum support price of the paddy is given through respective savings bank accounts. Government is giving more importance to all nationalised banks.

Quick customer service is a strong point of Balasore Bhadrak Central Cooperative Banks. Interest rate for term loan is higher than commercial banks. Crop loan is disbursed at 2% of interest rate to borrowers through PACS is a good service to the society, which is not done by any commercial banks. Again subsidy amount of Govt. is utilised properly. Commercial loan to the small traders is disbursed to the needy people regularly. Political intervention is there but, it is generally solved by cooperation among the staff members of the bank. Field machinery functions for recovery of loan above 60% in cooperative bank by cooperation of staff from the borrowers. Political interference affects the bank function and politicians pressurises to do unauthorised work. The loan recovery also affects for it. Due to lack of staff it affects the smooth running of the bank.

Bank is based on micro finance basis. Collection for daily deposit scheme is a unique product of the bank. The collected amount in one month will be diverted to loan recovery of the loan.

The influence of moneylender has reduced drastically, who were giving loan for 5 % rate of interest per month. Fertiliser and pesticide distribution is done at fair price. Agro based loan for dairy, fishery is much more than any other bank. It is good for financial inclusion as societies are very close to people. The women empowerment is done through this bank. The SHG takes loan from these banks and have become self-sufficient. Cooperative bank has a supervision on them. For land less farmers, Joint Lively Group (JLG), Tenant Farm Group (TFG) and for share cropping the cooperative banks has given higher amount of loan.

The staff of the banks do not come under Govt. The salary is very low in comparison to Commercial banks. It is the bank who bears the salary.

10.3.1 Individual Responses

Dinaranjan Padhi, a customer of Tihidi Branch says that the bank provides good services. Staff of the bank are cooperative in nature. The staff provide immediate service. The daily recurring deposit is stopped in Tihidi Branch, which creates problem in repaying loan. Easy and quick service is provided by the bank to the customers and beneficiaries. As bank gives all types of loans, it is not required for them to go to other banks. The bank is in a developing stage.

Rebati Barik withdrew from UCO and SBI due to non-cooperation of staff. Biswanath Panda, says that close proximity and known face motivated him to open an account and do transactions in this branch. Mamata Das says that she has been a beneficiary of this bank since last 15 years. It is her rice bowl. She started her poultry business with Rs.12000 and now she is running the business of 2 lakh rupees. As the manager and all the staff are women she can communicate her problem without any shyness or discomfort. She feels comfortable and expresses her feelings easily with women staff.

Bijaya Kumar Rout says that sometimes bank works beyond working hours to help him as he goes there after completing his business. Harisankar in Mahila Banks says that it's very easy to get loan from Mahila Cooperative Bank as he needs to get clearance from only three banks. This bank gives only small business loans especially fish loan as this branch is located near the Bay of Bengal sea coast.

Subhadra Mandal a member of SHG in this branch feels that bank does not have sufficient infrastructure facilities. Most of the time bank's link fails and she had to return four k.m. back with the crossing the river Budhabalanga to her home. The bank does not have air cooler. It's very difficult to stand in the queue in the summer season. Sometimes she couldn't print her passbook as the printer does not work.

S.K.Parida a beneficiary in Balaramgadi is very dissatisfied with the banks. He says that his cheque encase gets always delayed. On the other hand CTS cheque (Cheque with Name printed) has not been issued me since last 6 months. He has been running to branch for a quite long time. Mirza Kamal Beg says that the manager is doing his job properly. He collects the over dues regularly by going to the field. He is very strict regarding collection of over dues. Aswini Bhuyan a customer says that the manager gives the loan which is exactly equal with the deposit which he has in the bank. More loan issue will help him to grow his business. He is very happy as the bank is near to his business hub. He can easily go to bank if there is any need of loan. He feels that the interest rate on loan is higher than commercial banks. It sometimes disheartens him. Biswanath Bardhan a customer is pleased with Branch Manager as he is agreed with his request. He requested to the Manager to give the instalment of the loan when his business will run good in the fish harvest season in the sea. Sridhar Sahu, a customer of Simulia Branch Suggested that an own IFSC code of cooperative bank will give confidence to the customers to do more internet transaction like NEFT and RTGS.

Debendra Prasad Sahu, a customer of Similia Branch says that all the staff are very cooperative in this branch and they help him if he faces any problem. More staff should be appointed for the smooth functioning of the bank. The building is too small for a bank. We don't get space to sit in the bank. Murlidhar Mallick a customer of Simulia Branch says that when he lost my cheque book, he gave application to stop it. When he

found it again it was continued without any hesitation by the branch. In this way he is happy with the service given by this bank. It would have been difficult in nationalised banks.

Sahabjan Bibi, a house wife who is a customer in Soro Branch says “as she is illiterate, the staff helps me in writing withdrawal form and deposit form. She have a long association of this branch. Last 20 years she is a customer of this bank. She prefer this bank as it is close to my home. As a housewife it is easy to come here. She also get quick service in this branch.” S K Nazibuddin Advocate, a customer on Soro Branch says that the employee of this branch are very cordial to the customer which a bank should be. In comparison to other banks it provides more interest on deposit.

Gayatri Jena a Member of SHG group says that getting loan is easy in cooperative banks especially in Mahila branch for both agriculture and business purpose. The staff of the bank are very cooperative and good mannered. Dr. Sanjib Ku. Panda, a customer of Damnagar Branch says that the locker facilities must be given in this branch. He feels the more staff should be recruited in this branch for quick service. Waiting room for customers is needed for comfort in summer and a writing space is essential for deposit, withdrawal forms and etc. Niranjana Jena a farmer who has taken loan for cow shade after giving report and plan to the bank manager. His grievance is that he has not been sanctioned loan for cow.

Bikash Chandra Mohapatra a customer of Dhamnagar Branch feels that more staff must be appointed for fixed deposit, NEFT and RTGS. Infrastructure of this branch must be developed for easy functioning for the banking. Dillip Ku. Panda a customer has a grievance that the server of BBCCB i.e. SUVIKASH down makes the link failure which makes delay whenever he comes to the bank. It may be by chance in his case also. Nityananda Jena a customer of Dhamnagar Branch says that Kalyani society has developed due to this branch only.

Gangadhar Behera, a customer of Sadar Branch says that he prefers this bank as withdrawn and deposit is immediately done in comparison to other banks. Sunil Kumar Biswal, a customer of Sadar branch says that he only came to the bank as the Demand Draft charges are less than State Bank of India. Arun Kumar Panda a customer of Sadar branch says that cooperative Bank is better than Nationalised Bank as it communicates

well to the customer regarding services of the bank. A. K. Singh, a businessman and a Customer of Sadar branch says that he likes cooperative Bank as the manager of this branch gives good advice for investment of money and he has been benefited for it. Binod Kumar Patra, a customer of this branch has been coming to this branch for last 22 years. He feels the record maintenance of this bank is less than other banks. Interest rate on loan is higher than nationalised banks. He is unhappy as there is no interest rate is given on share capital which is kept with the bank while sanctioning loan.

Arun Kumar Biswal, a customer says that money from dormant account is given to the customers immediately in Bhadrak branch. Less amount can be deposited in cooperative banks. The grievance can be resolved immediately. All the facilities are given properly.

10.4 My Observations on the Basis of Employee's Response:

Kartikeswar Roul, Supervisor in Nilagiri branch says they do NEFT and RTGS transactions in Yes Bank. Branch Manager does not have power to take independent decisions. Sometimes they are compelled to work according to the guidance of the politicians. Maximum amount of loan 5 lakh is granted in cooperative banks. Medium term loan is up to 2 lakh and the head office BBCCB cannot give loan above 20 lakhs. "We fulfil the need of the farmers. Interestingly 85 % of the agriculture loan is given by cooperative Banks in this locality. We can't grow much as there is no scheme for NPA either from State Government or Central Government. Cooperative banks are the foundation of big politicians in this locality."

"Ajaya Ku. Parida, a beneficiary of Nilagir central cooperative bank, has started his business from 1 lakh and presently he is running the business of 11 lakhs. He is farming Banana, Papaya, vegetables. He has a vermi compost to avoid fertiliser use in his farming. He has engaged 22 employees in his firm. He exports the vegetables outside the district of Balasore." Deepak Ranjan Pattnaik, branch Manager of Nilagiri branch suggested that "direct loan from NABARD instead of OSCB will make us stronger in the banking business. Agency should be formed to collect the loan from the beneficiaries who are the defaulters. Last year only 47 assistant managers were appointed through IBPS. These

recruitments are very little to the 30 branches of BBCCB. SUBIKASH the core bank software is not up to date. Sometimes it makes dishearten the customers or beneficiaries.” He is terming “SUBIKASH” as “KUBIKASH”.

Sanjaya Kumar Mohanty, branch Manager of Bhandari Pokhari branch says that his bank works with a service motive. Cooperative banks don't have hidden charges such as ATM charges, SMS service etc. His bank gives facilities like ATM, NEFT and RTGS etc. like any nationalised bank. “In some loans we provide low interest rate than commercial banks. In our bank operating account easier for a customer than commercial banks. We are opening accounts in zero balance or no frill account. But for nationalised banks there required of money for opening account and have to maintain a minimum balance of above 1000 in rural areas, which is benefiting cooperative banks to attract customers to open account in his branch and it fulfils the aim of financial inclusion aim of government by bringing the excluded groups in to the main stream banking system. We organise collection camps for recovery of loan and over dues on every 31st December. The main drawback in our banking system is that we have fixed or static interest rate of interest structure. But nationalised banks have flexible rate structure. Assistant Register Cooperative Society is the court for our banks. We do execution property to the beneficiary to the defaulters. The flexible rate structure attracts more customers to their branches. We have infrastructure problem in our banks. We don't have proper banking building. It's hampering our day to day banking activities. Independent decision power should be given to us. We don't have power to take independent decision such as One Time Settlement (OTS).”

Banchanidhi Dash, Retd. branch Manager of Bhandari Pokhari suggests that private management of OSCB should be withdrawn for the smooth functioning of the bank. Core Banking System should be with one name i.e. cooperative bank for the uniformity of the system. All employee must be well trained to compete with nationalised bank in this modern era. Further paper work should be minimised to reduce the labour cost of the bank. Government does not provide any fund for the development of cooperative banks.

Pragnya Paromita Mallick, Asst. Manager says that the bank must adopt modern technology to compete with nationalised banks. “Net banking must be adopted by cooperative banks which is the need of the hour in our society. Change in salary structure of the staff is needed for the motivation of the staff in this sector. Again more recruitments must be done for the smooth functioning of the bank.”

Narayana Chandra Mishara, Supervisor of Dhamnagar branch cited a good successful story of a farmer and a SHG group. Daitari Sahu a beneficiary of his bank took 60000 loan from his bank three years ago and now he is running business of four lakhs. He had paid his loan with interest. He is running a farm house which is having pond, fish, poultry, banana trees and vegetables in it. Laxminaraya SHG is another success SHG supported by his bank. This SHG has paid their loan of two lakhs and it was declared the best SHG in Dhamnagar in Cooperative week.

Ajaya Kumar Kundu branch Manager of Simulia branch suggested that “we are competing with SBI in our locality by providing better services with NEFT and RTGS.” He is unhappy the way Odisha State Cooperative canalises their deposit in it. Last time Odisha State Cooperative Bank had shown that their deposit in it has been used to provide Computers in Simulia branch, which is against the willing branch managers like me. The merger of central cooperative banks will help them to grow. It would be better if someone will be the CEO from Balasore Bhadrak Cooperative Bank not from OSCB.”

Manas Ranjan Nayak, Accountant of Dhamnagar branch says that their bank always works for the benefit of the farmers by providing quick service. He says that they reach out people with direct contact unlike nationalised banks. He suggested that there should not be political intervention in cooperative banking sector. The loan ceiling and limit must be modified to compete with other nationalised banks. Good industrialists in the locality must be encouraged to take loan from cooperative banks. Further dual control must be removed from this sector.

Bharat Bhoi from Markona had taken dairy loan of 3.75 lakh in 2015. Now he has repaid the entire loan. He reared 10 hybrid cows . Now he is selling 100 litres milk every day. He is now well established farmer in that area. He is also doing fodder cultivation for his cows and for others cows too. He is now a renowned farmer in Markona block.

Abhaya Parida, Asst. Manager in Main branch says that “we keep good relations with people. Nationalised banks do not show good manners with people. Unauthorised people sometimes intervene with banking activities. If political interference reduces then it will be best bank. Do’s and Don’ts of NABARD are not followed by Board of Directors. Training Needs Analysis must be implemented by cooperative banks for the efficient Human Resources.” Bijaya Ku Padhi, Manager of BBCCB says “Cooperative banks help rural people and it helps the weaker and down trodden classes of the society. We provide very small loans. Nationalised banks are doing well because Government’s Money stays with them. Reduction in Government’s intervention will help the bank to grow. We can’t take independent decisions unlike nationalised banks do as these are multi-layered controls. It is only in the year 1993-94 that we started giving individual loans.”

Prafulla Kumar Samal a Cashier of BBCCB says that “cooperative bank is service oriented rather than profit oriented. We provide immediate service and immediate fixed deposit account opening. In nationalised banks early loan repayment is a penalty. But if someone is repaying early we don’t penalise him or her. We exempt interest in case of defaulter, if overdue is high and he is really poor. We also give rebate in case of One Time Settlement by the defaulters. Basant Giri has taken 50000 loan for leather bag business and he is now running a business of 2 lakhs. Likewise Sobha Ray a beneficiary was given five lakhs for wholesale business of prawn food loan and she has become a successful entrepreneur with net worth of twenty lakhs till date.”

Ajaya Kumar Samal, Director BBCCB says that the bank provides good service to the all sections of the people in our locality. “We fulfil the needs of people at the emergency times, in that way we are close to the customer.” He also says that no government savings are with the cooperative bank, which hinder its growth. He says that the Board should be there. It must comprises of **15 Directors, one member from Chattered Accountant, one from Cooperation department and others from the Directorate of Registrar Cooperative Societies (DRCS).** Dillip Debnath, a bank agent, says that cooperative bank must have a Nationalisd Core Banking System. He also says pension deposit in this sector will increase Bank’s performance. Jagannath Pradhan Junior Assistant in BBCCB says that of government gives subsidy up to 50 percent to the aquaculture through cooperative bank by Fish and Farmers Development Agency (FFDA). Manoj Kumar Parida a bank agent says that “the farmer gets the money whatever the type of farming may be, but nationalised banks don’t give money in all such situations. We generally

do door to door visit and have a frequent touch to the customers. NPA in cooperative bank are much smaller than a Nationalised Bank.” Chaitanya Pradhan Accountant of BBCCB says that cooperative bank does not take ATM charges, SMS charges etc. Bedanti Biswal, DEO of BBCCB says that “we have a good co-operation among the staff members in the bank.” Deepak Kumar Lenak, a bank agent says that “BBCCB is life for us. We help customers with daily collection and we deposit the same in the bank. We get 2% commission on our collections. IMPS i.e. Instant Money Protocol System is coming for our bank on the basis which BBCCB can compete with nationalised banks.”

Sankarsan Mishra, a banking assistant in Bahanaga branch, feels that the deposit in the bank should be higher for the growth of the bank. On the other hand investment must increase. There is late evening account opening provision in this branch in harvesting season as the people become free in the afternoons. Nisikant Mandal, Asst. Manager says that the employees of cooperative bank directly contact the poor customers to make their standard of living higher. Core banking has been adopted with NEFT and RTGS. Unique Payment Interference (UPI) should be adopted in co-operative banking Sector. This system exists in nationalised banks but they don't have. For fair and objective selection of staff in 2014 BBCCB recruited staff through IBPS. Krupasindhu Giri, Supervisor of Bahanaga branch says that the loan repayment is made by customers through daily deposits. The short term loan is provided both for Kharif (April to September) and Rabi season (October to March).

Ramesh Kumar Rath, branch Manager of Bahanaga branch says that political invention hinders the bank performance. Software issues make customers dissatisfied. Advance software should be adopted in BBCCB. Debasish Dey, Asst. Manager of Soro branch says that Soro branch is in learning stage in every part of banking. Maximum priority sector loan is given by this bank. They credit the loan through PACS in the form of cash and kind.

Suvendu Kumar Biswal, Manager of Soro branch says the following things. Cooperative bank fulfils the needs of the poor people. It provides better service than other nationalised banks. Accidental insurance for crop loan is the unique product providing insurance cover of Rs. 500000 at the premium of Rs. 88.45 per year. Medium term loans more than Rs.2000 is given in cooperative bank. It helps in financial inclusion by opening account in very remote village areas. It works in service oriented rather than profit oriented manner. Small savings scheme of

cooperative bank is attractive than the same in nationalised banks. Daily deposit scheme for the business man is available in cooperative banks which is implemented by Odisha State Cooperative Bank. The recovery of loan in cooperative banks is better than nationalised banks. Follow up action i.e. phone calls, letters issued and personal meetings are strictly followed in his bank to reduce overdues and NPA. More than 200 Cheque bounce cases is pending in the court. Around 50 people are contacted by phone every day. In July 2012 the NPAs was 36 Lakhs and now it is reduced to 5 lakhs in this year. He is being transferred to the branches where the NPA is high. He is known as good manager in BBCCB for reducing NPAs. According to him Government policy should be neutral between both nationalised and cooperative banks. Three tier system should be withdrawn. The finance mobilisation should be directly from OSCB and NABARD. Political Intervention should not be there.

Narayan Charan Patra, cashier of Soro branch, says that cooperative bank gives subsidy, and insurance on behalf of Government. Insurance on each saving deposit exists in cooperative bank. The insurance premium is Rs.70 per year for one lakh accidental death benefit. Mahendra Prasad Das, Peon of Soro branch, says that “BBCCB is the bank of 100 years. It has always been the right hand of Odisha Government. It has been helping farmers since inception according to the direction of the Government. But Government is not taking care of this bank. Our branch is number one on the basis of customers in this locality among five banks nearby. If Indira Awas Deposit, anganwadi money, school food money for mid-day meal, money for the welfare of women and child development are kept with us, then we can grow substantially. Collector and Block Development Officers (BDO) of this locality had taken away the government savings from this bank according to their convenience. Other nationalised banks run with Government’s money, but we are self-sufficient. In that way we feel proud. In reality people want money from our bank only. “

S.K Anatulla, Supervisor of Soro branch, says the following things. “BBCCB is an agriculture based bank. It provides loans for the development of cultivation. Whatever deposit we collect, we invest for the farmers of the Balasore district only. But in nationalised bank, whatever deposit is collected, is invested at national level. Our money is invested for ourselves. Whenever an illiterate customer goes to nationalised bank, she goes with a middle man for help. He or she fears to meet the manager of the nationalised banks. But in our bank people can meet the manager directly and can discuss their issues and possible solutions as we provide service at the grassroots level. We help in reducing the distress sale of the

paddy with Minimum Support Price (MSP) decided by government. The farmers are credited their money at Rs. 1550/ quintal in their accounts within two days. Interestingly micro finance for ten goats is provided by cooperative banks. But nationalised Banks hesitate to provide such loans.”

Arakhita Padhi, Cashier of Soro branch, says that “cooperative bank reaches to all the households in this district unlike SBI. The schemes of the bank related to farming are better than those of nationalised banks. Our duty is to reach the farmers in this district. It is the best bank for small business loan. It does fulfil purpose of livelihood particularly. For business purpose, we depend on other banks. Nationalised core banking should be done, ATM should be available nearby, and NPAs of the bank is increasing year by year. Necessary steps should be taken to reduce NPA. Supervision and audit are most important to the bank. It should be completed in every financial year.”

THE PERFORMANCE OF COOPERATIVE BANKS IN ODISHA: A CASE STUDY OF BALASORE BHADRAK CENTRAL COOPERATIVE BANK

by Ranjan Kumar Nayak

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Financial Inclusion through Cooperative Banks: A Feasible Option for Inclusive Growth

Ranjan Kumar Nayak

Abstract

The objective of the paper is to understand how financial inclusion through cooperative banks can be a viable option for inclusive growth in India. The present study is based on secondary data. The report of trend and progress of banking in India by RBI, annual report of NABARD (National Bank for Agriculture and Rural Development), Report of the Task Force to Study the Cooperative Credit System and Suggest Measures for its strengthening by RBI have been used as the data base. Compound growth rate, percentage change with graphical and tabular representation have been used for the analysis. The study covers the period from 1981-2011. It is clear that Indian growth is not inclusive because it is seen that the real GDP percent change per annum and the growth of real GDP per head per annum follow an increasing trend whereas consumption inequality in India is increasing rapidly after 2004-05. Also, though poverty or the number of poor is decreasing over the years, the trend is not substantial. By being local in nature and intricately interwoven with the local community, cooperative banks have a clear advantage over commercial banks for financial inclusion. Labour costs of cooperative banks are considerably less than that of commercial banks and generally operating costs are also minimal. It is evident that cooperative banks have feasible options for inclusive growth through rural development, creating opportunities for employment, income generation.

1. Introduction

The importance of cooperative banks has soared in recent years with the emergence of financial inclusion as a key thrust of public policy in India. Financial inclusion is generally defined as the availability of banking services at an affordable cost to disadvantaged and low-income groups. According to the Rangarajan Committee (2008), "Financial inclusion may be defined

as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost". In India the basic tool of financial inclusion is having a saving or current account with a bank. The scope of financial inclusion includes services like opening of bank accounts, immediate credit facilities, insurance facilities, financial advisory services etc.

Financial inclusion is a strategy of inclusive growth, but inclusive growth itself is a subset of a larger set of Inclusive development. Inclusive development means that the benefits reach all the poor in the region, particularly women and children, minority groups, the extremely poor in the rural areas, and those pushed below the poverty line by natural and human-made disasters.¹

Financial Inclusion can be termed as a quasi-public good² because there is a meek doubt that financial inclusion meets the two criteria such as non-rival and non-excludability to a large measure; to that extent, it is a quasi-public good and further the degree of 'publicans' in 'financial inclusion' maybe different from the stand point of a typical public good like road or light house. Government has to implement it with the help of other agencies such as cooperative banks and other financial institutions.

In general there are two sides of financial inclusion: Demand side and Supply side³. The demand side of financial inclusion are education (which includes skill development) and health, irrigation, power, roads, transport, marketing arrangement etc. Supply side of financial inclusion includes availability of timely finance at affordable rate of interest.

1 Ganesh Rauniyar and Ravi Kanbur, 2009, Inclusive Growth and Inclusive Development: A Review and Synthesis of Asian Development Bank Literature, Page. no.2

2 Vijay Kelkar, 2010, Financial Inclusion for Inclusive Growth

3 Greg Fischer, 2010

The importance of this study lies in the fact that India being a socialist, democratic republic, it is imperative on the policies of the government to ensure equitable growth of all sections of the economy. Priority sectors such as cooperative banks lending in a socialistic economy is very significant as this directly affects the economic status of the poor. It is unanimously opined that the poor need financial support at reasonable costs and that also at uninterrupted rate. Nevertheless, the economic liberalization policies have always tempted the financial institutions to look for more greener pastures of business, ignoring the weaker sections of the society. It is crucial for any economy to aspire for inclusive growth connecting each and every citizen in the economic development succession. It is in this background that a study has to be made to understand the importance of priority sectors such as cooperative banks' lending in ensuring inclusive growth in the Indian context.

With only 34 percent of population engaged in formal banking, India has 135 million financially excluded households, the second highest number after China.⁴ Further, the real rate of financial inclusion in India is also very low and about 40 percent of the bank account holders do not use their accounts even once a month. The rationale behind choosing cooperative banks for the study is that the percentage change of cooperative bank credit for the year 2009-10 is 38.14% which is higher than regional rural banks (31.58%) (Table 2) which is higher than commercial banks. The percentage of rural credit by cooperative banks occupies second position i.e. 16% (Graph 4) after commercial banks. This figure shows the potential of cooperative banks for financial inclusion.

2. Data Base and Methodology

The present study is based on secondary data. I will be using the report trend and progress of banking in India by RBI, annual report by NABARD (National Bank for Agriculture and Rural Development), Economic Intelligence Unit, (EIU), and India stat, Report of the

Task Force to Study the Cooperative Credit System and Suggest Measures for its Strengthening by RBI. Compound growth rate and percentage change with graphical and tabular representation are used for the analysis. The study covers the period from 1981-2011. Basically the paper is confirmatory in nature because the above techniques are used to prove whether India's growth is inclusive or not.

The main objective of the paper is to understand how financial inclusion through cooperative banks can be a viable option for inclusive growth in India.

The following hypothesis can be derived on the basis of the stated objectives:

Hypothesis 1: India's growth rate is inclusive.

Hypothesis 2: Financial inclusion through cooperative banks can be a feasible option for inclusive growth.

The paper is divided into six sections. In the introduction section, we discussed the concept of financial inclusion, importance of the study, the data base, objectives and hypothesis. In the second section we shall deal with literature review, which will enable us to find out the research gap. In the third section we shall discuss how inclusive our growth is. In the fourth section we shall describe financial inclusion through cooperative banking. The role of cooperative bank for rural development and as an instrument of inclusive growth will be discussed in the fifth section. In the sixth section we conclude by discussing the results of the study.

3. Literature Review

According to Dr. Chakrabarty, Deputy Governor, Reserve Bank of India, "Economic growth in India has not been inclusive; unemployment and poverty remain high and a vast majority of the population remains excluded from health and education facilities." The financial literacy agenda has no effect on the likelihood of opening a bank savings account, but has modest efforts for uneducated and financially illiterate households. In contrast, small subsidy payments have a large effect on the possibility of opening a savings account. These payments are more than two times more cost-effective than the financial literacy training.⁵

4. Barhate G. H. and Karir M. A, Dec 2011

5. Cole et al, 2009

Growing propagation of mobile services and ATMs in rural areas of India has created a new chance to achieve financial inclusion and is a valuable tool to provide financial services to the un-banked areas, with reduced overheads for providing access to banking services in isolated rural destinations of India.⁶ D. Subbarao, Governor, Reserve Bank of India highlighted the significance of cooperatives as models of inclusive growth. The growth of cooperatives in India has been remarkable and covers a wide array of activities including credit & banking, fertilizer, sugar, dairy, marketing, consumer goods, handloom, handicraft, fisheries and housing. The Indian cooperative movement, comprising around six hundred thousand cooperatives, is arguably the largest cooperative movement in the world, providing self-employment to millions of poor people.

Urban Co-operative Banks have a duty to upscale to meet these aspirations, convert the perceived weakness into exciting opportunities and facilitate inclusive growth.⁷ We can achieve our goal of inclusive growth if all the available resources including technology and expertise available with the banks, support of the government, optimum utilization of the Micro Finance Institutions (MFIs), NGOs and Self Help Groups are geared towards including more and more people under the banking net. Initially it may appear that taking banking to the sections constituting "the bottom of the pyramid" may not be profitable but various studies reveal that even the relatively low margins on high volumes can be a profitable proposition. Banks therefore need to work out their appropriate business delivery models and financial products to cater to the needs of the people. Reserve Bank's endeavour has been to strengthen the urban cooperative banks so that they run on sound principles without posing any systemic problems.⁸

To boost micro financing initiatives and financial inclusion programs, banks are deploying Biometric ATM

solutions to its rural customers, helping illiterate or barely literate folks to become part of the banking user community⁹.

Cooperative banks can play a bigger role than scheduled commercial banks in achieving financial inclusion. Role of cooperative banks is very important in the real last-mile financial inclusion. Co-operative banks need to use advanced technology and recruit more efficient people to compete with commercial banks.¹⁰

SHG, MFI, MFI-NBFC and bank- post office linkage models have been discussed and new models like rural students banking model, RBI-Education institute linkage models etc. were proposed. A new approach to banks is to reach wider population in rural areas by establishing mobile-banks/ representatives/agents, who operate on commercial basis rather than just through self-help groups. These agents/representatives work on commission basis and hence are self-motivated and cost effective in assisting banks in service provision/ deposit mobilization.¹¹ The Post Office Saving Bank (POSB) can be used to cater the financial needs of rural India where Microfinance Institutions (MFIs) have very little presence in the total demand of finance.

4. Research Gap

The above review of literature proves beneficial in identifying research issues and research gaps, which are mainly the edifices on which the objectives of the present study is based on. It is found that most of the papers highlight small subsidy payments, merger role of RRBs, Post Office Saving Bank (POSB), Bank-SHG, bank-MFI, MFI-NBFC, for financial inclusion. Very few papers have cited the role of cooperative bank for financial inclusion. In this regard this study is an attempt to fill the gap by explaining the role cooperative banks play for financial inclusion.

5. How inclusive is our growth?

From an annual average growth rate of 3.5 percent during 1950 to 1980, the growth rate of the Indian economy accelerated to around 6.0 percent in the 1980s

6. Gupta and Gupta, 2008.

7. Anand Sinha, 2012

8. K C Chakrabarty(2009)

9. Biswas, 2010

10. Uma Shankar(2010)

11. Reddy ,2010

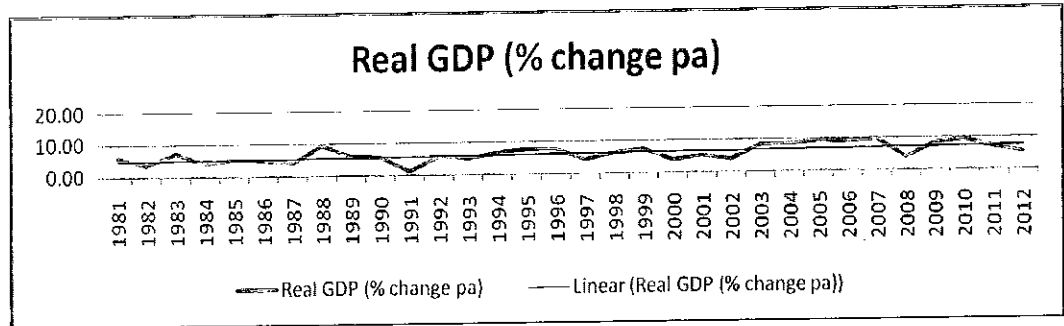
and 1990s. In the last four years (2003-04 to 2006-07), Indian economy grew by 8.8 percent. In 2005-06 and 2006-07, Indian economy grew at a higher rate of 9.4 and 9.6 percent, respectively (Graph 1). Reflecting the high economic growth and a moderation in population growth rate, the per capita income of the country also increased substantially in the recent years. Despite the impressive numbers, growth has failed to be sufficiently inclusive, particularly after the mid-1990s. Agricultural sector, which provides employment to around 60 percent of the population, lost its growth momentum from that point, though there has been a reversal of this trend since 2005-06.¹² The percentage of India's population

below poverty line has declined from 36 percent in 1994 to 26 percent in 1999-2000.¹³ While India has witnessed unprecedented economic growth in the recent past, development has been lopsided with the country trailing on essential social and environmental parameters development. The approach paper to the Eleventh Plan indicated the absolute number of poor to be approximately 300 million in 2004-05. Accordingly, the 11th Five Year Plan has adopted "faster and more inclusive growth" as the key development paradigm.

Real GDP percentage change per annum, growth of GDP per head, trends in consumption inequality, trends in poverty (%) in India are discussed as follows

5.1 Real GDP % Change per Annum:

Graph 1: Real GDP % Change per Annum



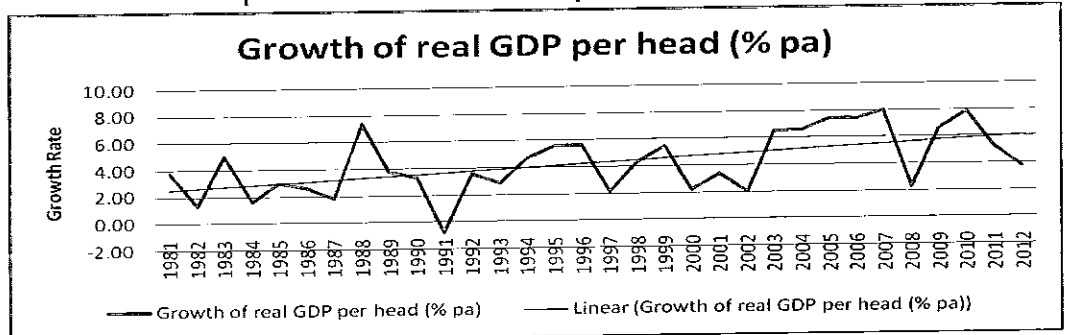
Source: Compiled From Economic Intelligence Unit Data Base

The above graph shows that the real GDP percent change per annum shows an increasing trend from 1981 to 2012. There is a sudden decline in the years 1991 and 2008.

Let us see the growth of real GDP per head to the trend from 1981 -2012.

5.2 Growth of Real GDP per Head % per Annum:

Graph 2: Growth of Real GDP per Head % per Annum:



Source: Compiled From Economic Intelligence Unit Data Base

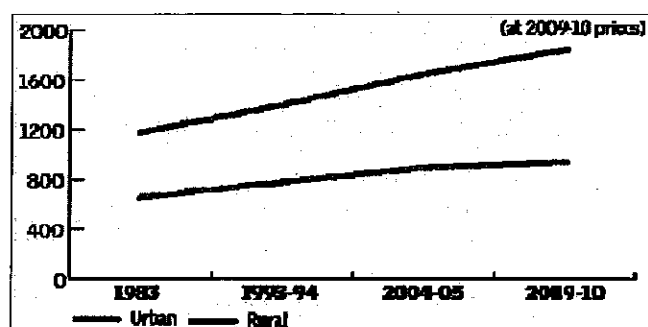
12 Indian Economic Survey, 2007-08

13 Report of the Expert Group to Review the methodology for Estimation of Poverty, 2009

The above graph shows the growth of real GDP per head per annum. The trend is also increasing in nature similar to the growth of real GDP percent change per annum.

5.3 Trends in Consumption Inequality in India:

Graph 3: Average Percapita Consumption (Monthly) in Rupees:



Source: Source: Compiled from Different NSS Round up to 66th Round (July 2009 - June 2010)

Graph 3 shows that average urban consumption (at constant 2009-10 prices) has been increasing much faster than rural consumption, and the latter, in fact, narrowed off in the most recent five-year period. The ratio of urban to rural consumption rose from 1.79 in 1983 to 1.96 in 2009-10, with the most rapid widening of the gap coming after 2004-05.

But even within locations, there were significant differences between the upper and lower ends of the consumption spectrum in the matter of time trends.

5.4 Table 1: Trends in Poverty (%) in India

| Year | Rural | Urban | Total | Number of Poor in Million |
|---------|-------|-------|-------|---------------------------|
| 1973-74 | 56 | 49 | 55 | 321 |
| 1983-84 | 46 | 41 | 45 | 323 |
| 1993-94 | 37 | 32 | 36 | 320 |
| 2004-05 | 28 | 26 | 28 | 302 |

Source: Indiatat

From the above table it is clear that poverty declined from 55 percent in the early 1970s to 28 percent in 2004-05. Although there has been progress in decline, still more than 300 million continue below the poverty line.

From the above discussion it is clear that the Indian growth is not an inclusive growth because the Real GDP percent change per annum, growth of real GDP per head per annum show an increasing trend but the consumption inequality in India is increasing rapidly after 2004-05. Again, though poverty or the number of poor has decreased over the years, the trend is not spectacular. Though there are other criteria to measure inclusive growth considering income, asset of people etc., for the analysis we have taken per capita real GDP, consumption inequality and poverty to understand the nature of inequality.

6. Financial Inclusion Through Cooperative Banks (CBs)

By their very nature, Urban Cooperative banks in India can play a vital role in financial inclusion. The distance - relational as much as physical - of commercial banks from their clientele has arguably been a key reason for the low penetration of banking services among the financially excluded groups. This is where the cooperative banks have a clear advantage, being local in nature and being intricately interwoven with the local community.¹⁴ It is much easier for the cooperative banks to crack the psychological barrier that proves unaffordable in the 'last mile' of financial inclusion, create trust for the bank among its target community and fetch customers within its fold. These days when big commercial banks work hard to set up branches and make use of technology to reach out to hit her to untapped regions of the country, it is time for the cooperative banks to step into the game that is naturally theirs to triumph.

In spite of their advantage of being rooted in the local community, cooperative banks have to get their own house in order to make a meaningful incursion in financial inclusion. They have been burdened with numerous problems in current years which need to be addressed before consequences can be expected in the financial inclusion space.

A large section of the financially excluded population inhabits rural areas; financial exclusion is widespread

¹⁴ Rajesh Chakrabarti, 2011, <http://forbesindia.com/article>

in urban and semi-urban areas as well. Financial inclusion problem in these areas can be solved by urban cooperative banks, who are part of the cooperative banking sector in India. Normally farmers, small vendors, agricultural and industrial labourers, people engaged in unorganised sectors, unemployed, women, older and physically challenged people are the most commonly excluded segments. These sections are best addressed by the Cooperative Banks (CBs). The key advantage that CBs enjoy above commercial banks originates from their cost structure. The labour costs of CBs are significantly less than that of commercial banks and generally the operating costs are also less. Likewise the local nature and resultant informational advantages of the CBs are also essential. Being an vital part of the community, CBs have an advantage over their commercial competitors in terms of having information, both about forthcoming business opportunities as well as borrower quality, which national-level banks have a hard time gathering. Finally, the advantages of the local nature of the CBs also manifest themselves in the flexibility that these banks can provide to their local clientele. Unlike their commercial counterparts, who require to hold on to nationwide and global policies to alter their practices, CBs can be far more responsive to the needs of the local community and the changes there. Once again, that provides a massive competitive advantage. Recently the CBs have increasingly started adopting the three-pronged financial inclusion strategies

used by commercial banks - Banking Correspondents (BC), "no-frill" accounts and promoting microfinance activities. Once again, their local nature provides them an advantage over their national opponents in executing these moves better. CBs enjoy an indisputable edge in the area of relationship banking¹⁵.

7. Role of Cooperative Banks for Rural Development: An Instrument of Inclusive Growth

Before a discussion of the role of cooperative banks as an instrument of inclusive growth for rural development, let us see the position of cooperative banks in agency-wise ground level credit flow and cooperative banks' share percentage of rural credit.

Agency-wise Ground Level Credit Flow (Table 2)

It is clear from the above table that the amount of cooperative credit in India has increased from 2006-07 to 2008 and suddenly decreased by 2,292 crores in the next year and again increased up to 70,105 crores in the year 2010-11. On the other hand there is a continuous increase in credit in Regional Rural Banks and Commercial Banks. The compound growth rate of credit for cooperative banks from the year 2006-2010 is 15.66 percent and for Regional Rural Banks and Commercial Banks is 20.4 and 20.01 respectively. The percentage change of cooperative bank credit for the year 2009-10 is 38.14 percent which is higher than regional rural banks (31.58 percent), and commercial banks (24.83

Table 2: Agency-wise Ground Level Credit Flow

| Agency | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | Growth Rate (%) | | |
|----------------------|---------|---------|---------|---------|---------|-----------------|----------|----------|
| | | | | | | 2006-10# | 2009-10* | 2010-11* |
| Cooperative Banks | 42480 | 48258 | 45966 | 63497 | 70105 | 15.66 | 38.14 | 10.41 |
| Regional Rural banks | 20435 | 25312 | 26765 | 35217 | 43968 | 20.4 | 31.58 | 24.85 |
| Commercial Banks | 166485 | 181088 | 228951 | 285800 | 332706 | 20.01 | 24.83 | 16.41 |
| Total | 229400 | 254658 | 301908 | 384514 | 446779 | 18.97 | 27.36 | 16.19 |

:Compound Annual Growth Rate,*:Percentage change over previous year

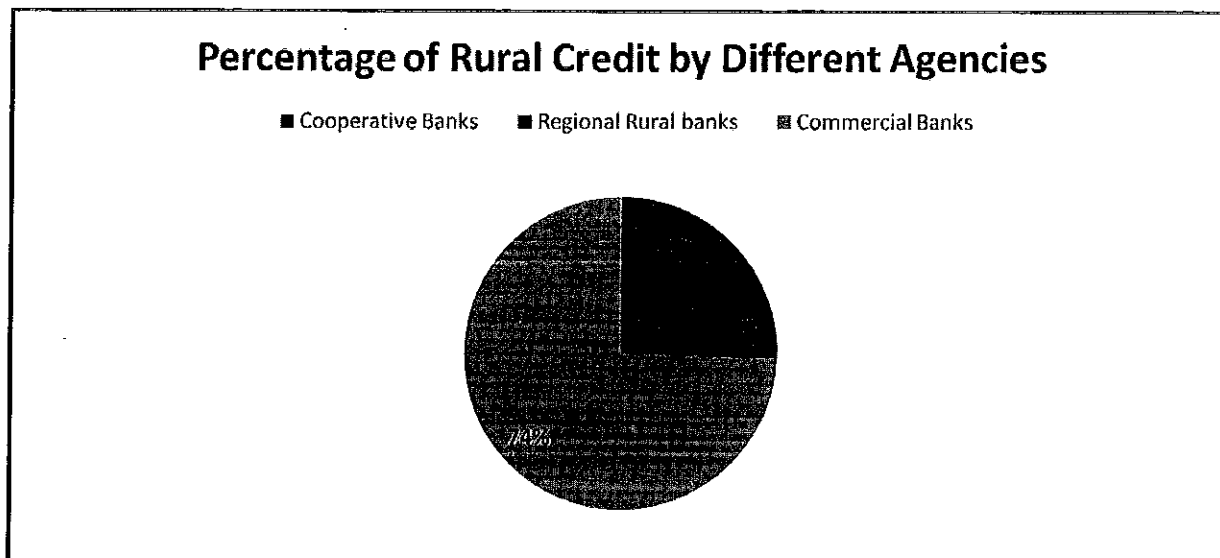
Source: Compiled from NABARD, 2010 report

15 Relationship banking: A strategy used by banks to enhance their profitability. They accomplish this by cross-selling financial products and services to strengthen their relationships with customers and increase customer loyalty.

percent). Again the percentage change in credit of all the banks has declined for the year 2010-2011, whereas the percentage change of credit for cooperative banks is very massive in comparison to other banks for the

current years. It may be due to the stringent licensing policy and entry point norm regulation of Reserve Bank of India.

Graph 4: Percentage of Rural Credit by Different Agencies



Source: Compiled from NABARD, 2010 report

The above chart depicts the percentage of rural credit by cooperative occupies in second position i.e. 16 percent. Commercial banks contribute the highest i.e. 74 percent and regional cooperative banks the least i.e. 10 percent. So, we conclude that cooperative banks play a significant role in providing rural credit facilities.

7.1. Cooperative Banks and Rural Development

The above arguments asserts that cooperative banks play a vital role for rural development in India. The following are arguments, on how these banks play this crucial role. Cooperative banks create opportunities for employment and income generation in the rural areas. They increase accessibility of goods and services, all of which also contribute to economic growth. They encourage performance and competitiveness, as their members are also the beneficiaries. This also applies to deprived groups such as indigenous populations and disabled persons. They tend to choose sustainable development options because of their member-driven nature, a key approach for rural areas whose population depends on the resilience of natural resources such as

land, water and soil quality.¹⁶ They promote modernization by facilitating the dissemination of new technologies and processes. Cooperative banks are firmly rooted in their community, and are hence more likely to influence it positively. They are directed by a set of underlying values and beliefs and are schools of social dialogue and democracy. These are based on the values of self-help, democracy, equality, self-responsibility, equity and solidarity, as well as ethical values of honesty, openness, social responsibility and caring for others. They can alter survival-type activities into legally protected and productive work. They mobilize self-help and motivate people to make better use of their self-help potential.

Cooperative banks also balance the need for profitability with the broader economic and social development needs of their members and the larger community, because members are both producers and beneficiaries. They are often the only provider of services in rural communities,

¹⁶ Hagen Henry and Constanze Schimmel, 2011, *Cooperatives for People-Centred Rural Development*

given that other types of enterprises often find it too costly to invest in these areas or anticipate low levels of economic return. This is the case for electricity, water resources, financial services, and consumer supplies. In India, for instance, the consumer needs of 67 percent of rural households are covered by cooperatives.¹⁷ It helps address many social and economic concerns such as community identity, and strengthen the social fabric, particularly important in post-crisis contexts. It offers an economic future for youth in rural areas, and thus prevents rural depopulation.

7.2 Failure and Necessary Steps to Restructure Cooperative Banks

It has been seen that the cooperative banking sector is unorganized in the present day due to scams or corruption. RBI found 25 urban co-operative banks across Gujarat, Maharashtra and West Bengal to be in violation of RBI norms. In all, these banks are suspected to have run up losses of around Rs. 500 crores.¹⁸ As more than one co-operative bank is involved, it is feared that this could be only the tip of the iceberg, due to which RBI has not given licenses after year 2001.

The above failure can be mitigated if the shortfalls in management, governance i.e. the dual control by both RBI and state government, human resource management, customer service, investment policy, computerisation and upgraded technology, transparency in corporate governance and social corporate governance etc. are removed in due course of time. This will help the cooperative banks to focus more on the important aspect such as financial inclusion and that might lead to inclusive growth.

8. Conclusion

From the above discussion it is clear that Indian growth is not an inclusive growth because the real GDP percent change per annum, growth of real GDP per head per annum are increasing whereas consumption inequality in India is increasing rapidly after 2004-05. Though

poverty or the number of poor is decreasing over the years the trend is not spectacular. By being local in nature and intricately interwoven with the local community, cooperative banks have a clear advantage over commercial banks for financial inclusion. The labour costs of cooperative banks are considerably less than that of commercial banks and generally the operating costs are also minimal. Cooperative banks are a feasible option for inclusive growth through rural development by creating opportunity for employment and income generation. The shortfalls of cooperative banks should be mitigated and this will lead to inclusive growth in our country.

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