

## Operational Analysis of Select Cooperative Banks of DCCBs in the KBK Region

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**Abstract:** Cooperative banking is a kind of banking that plays a vital role in the banking system. Cooperative banks play important role in the Indian economy, in rural area and urban area through their service to farmers & small size organization, and self-employed, traders & businessmen. Cooperative Banks provided financial help to the customer and play the important role to facilities the farmer and customer in a different way such as agricultural and non-agricultural sector, where a farmer getting the better facilities to increases his condition which helps to buying the good seeds and fertilizer for the farming at the time of cultivation. The primary objective of the study is to make an operational analysis of cooperative banks in KBK Districts. Secondary data have been used for the study purpose. A Comparison has been made among the banks on the basis of loans and advances and NPA management. Kruskal-Wallis and Anova are applied for such purpose after confirming normality and homogeneity of the data. It is found that there is no difference among the banks in regard to loans and advances. It is also inferred that there is difference among the select banks in regard to NPA management.

**Keywords:** Cooperative Banks, Agricultural Sector, KBK Region, Financial Help

**JEL Codes:** E50, L25, G21

### 1. INTRODUCTION

The cooperative bank is an institution established on a cooperative basis and dealing in the ordinary banking business. Like other banks, cooperative banks are funded by collecting funds through shares, accept deposits, and grant loans. The Cooperative banks issue shares of unlimited liability. In a cooperative bank, one shareholder has one vote regardless of the number of shares he may hold. The Cooperative banks are generally concerned with the agricultural credit and supply financial assistance for agricultural and rural activities. Cooperative banking

in India is federal in structure. Primary credit societies are at the lowest rung. Then, there are central cooperative banks at the district level and state cooperative banks at the state level. Cooperative credit societies are located within the villages cover entire country.

Cooperative banks act as a shield for the poor section. It transforms small businesses and gives them a chance to compete and stand in the market. It mainly focused on small-scale industries and agricultural activities which include minor irrigation, farm mechanization, dairy farming, horticulture, fisheries, poultry farming, goat/sheep, land development, SHG farm sector, production of fertilizers, housing, personal loan, and weavers, etc. Normally banks are not willing to lend to the weaker section. So, RBI put them into a priority for the banks to lend them. Financial institutions are always willing to provide loans to non-priority sectors. But they are not ready to give loans to the priority sector because the poorest and most fragile parts are belonging to the priority sector. The main objective of the priority sector is to ensure that assistance from the banking system is provided to those sectors of the economy that have not received sufficient institutional funds. Cooperative banks are a single-stop shop for the farmers where one can get the loan, farm machinery, and technical support to storage facilities and marketing of products.

The present study on the financial performance analysis of select Cooperative Banks of DCCBs in the KBK region mainly focused on deposits, source of working capital and branch productivity.

## **2. REVIEW OF LITERATURE**

The paper found that higher gross non-performing assets in banks, coupled with lower per capita income, physical infrastructure deficits and higher proportion of unorganized sector, pose challenges to the banking sector for higher credit flow (Behera, 2022). It conclude that the rural entrepreneurs were not adopted their development skill for provide the rural area problem solved where cooperative banks were most important playing in role in the rural area (Gurav, 2020). It shows that the relation between management efficiency and profitability the descriptive analysis the relation between the management ability and profitability of the Non-Interest Income to Working Fund (NNIWF) was very well performance and positively growth (Mallick & Das, 2020). It stated that the DCCBs are working efficiently for improving the productivity of their respective banks. In this context, the state and central government should perceive the cooperative banking model as a proper structure for achieving the goals of financial inclusion in India (Mittal, 2018). At the same time, in terms of assisting rural masses, only a few banks are giving an excellent performance which is clear from performance indices (Garg, 2018). The success of rural credit in India largely depends on the financial strength of the banks. It is necessary to study the financial growth and performance of Regional Rural Banks in India. The present study is focused on key performance indicators analysis such as

Branch network of RRBs, Deposit, Loans and its role in agricultural credit. This study is an attempt to analyse the financial performance of RRBs for a period of six years from 2008-09 To 2015-16 (Seena & Devi, 2018). It analyses that the bank has adequate liquidity to meet its short term as well as long term obligations.

Bank should also strive for disruptive innovative banking practices to beat other stronger competitors (Bhulal & Dhanna, 2017). It found that the rapid development of RRB has helped in reducing substantially the regional inequality in respect of banking facilities in India. The RRBs play an important role in rural areas intending to provide credit to small, marginal farmers & economically weaker sections, for the development of agriculture, trade, and industry (Kumar et al., 2017). It shows the matter of great concern for the banking industry to save against losses. In the interest of building the robust economy, not only at the grass-root level, but also all along each segment of the economic ladder at district, state and national levels should be inter connected. (Ruchi, 2017). To explore the agricultural credit market in Odisha, which is a powerful tool for enhancing production and productivity and ensuring sustainable livelihood for the countryman, various tools of rural credit should be analysed in details (Mohanty, 2017). It stated that the financial soundness & overall performing cooperative bank has satisfactory during the study period (Narayanrao, 2017). It concluded that the significant improvement in financial performance of PACS has been evident whereas improvement in business performance has been conspicuously absent (Patel, 2017). It made an attempt to evaluate both banks from different angles so that their relative performance can be gauged. After going through all the parameters, it is calculated that HPSCB showing decrease growth it needs to increase the bank Share Capital (Tandon et al., 2017). Abhyudaya Co-operative Bank is currently focusing on for a sustainable long-term growth. The Bank has always endeavored for providing satisfactory customer service the help of the latest technology. The Bank has provided fully computerized services to its valued clients (Deshmukh, 2017). It studied that the District Central Cooperative Banks are regarding the growth rate still there are challenges and issues in this study. The Co-operative bank is just another business model and not by definition the key to success. The success of all banks, including mature co-operative banks, is ultimately determined by the level of customer/ member satisfaction, which was in turn influenced by many variables, including the quality and prices of products and services, innovative capacity, the perceived corporate social responsibility and employee attitude, knowledge and competences (Preety et al., 2016). It may be said that productivity in banking sector was significantly and positively influenced by various aspects of training and development programmes. Therefore, the planners, policy makers, and bank management need to evolve and develop the training and development programmes keeping in view the findings of the analysis (Kaur, 2016). It shows that the result obtained based on collected data were divided into two parts to make an easy understanding and one part dealt with the

general and socio-economic characteristics and the other looked for imparting on access and used to financial services, agricultural impact, and saving (Gochchayat & Mishra, 2015). It was further found that, the banking sector is increasingly using computers in strategic planning management control and operation control activities (Raju & Prabhu, 2014). It studied that the quality of services provided by the staff is satisfactory because bank catering to a small segment only and the customers are properly dealt with. This descriptive study focuses on the issue of assessment of service quality of regional rural bank (RRB) and cooperative banks in catering to the need of rural masses of the Western Odisha i.e., Bargarh and Sambalpur District. In line with the above stated purpose, this paper used the popular multi-itemed rating scale namely SERVQUAL (developed and modified by Parasuraman et al in 1985, 1988, 1991 and 1994) to assess the quality of service rendered by the selected banks (Mishra, 2015).

Though there are many private & public sectors banks operating in the country, the Cooperative Banks have their own relevance in a state like Cooperative Banks in undivided Koraput-Balangir-Kalahandi district. This is due to the rural and agrarian character of the state economy. Further, their banking services are also towards costly for the rural population & hence are beyond their financial reach. The Cooperative banks offer advances at a lower rate of interest & higher rate of interest on deposit. The processing of the sanction of loan is also fast compared to other banks. Besides, the cooperative banks have a local feel & familiarity due to which the customers feel comfortable dealing with them. That is why it is imperative for the policy makers to make cooperative banking system financially vibrant & socially relevant.

### **3. OBJECTIVES OF THE STUDY**

1. To study the farm sector and rural development of DCCBs in KBK region.
2. To explain the loans and advance of DCCBs in KBK region.
3. To evaluate NPA managements DCCBs in KBK region.

### **4. DATA AND METHODOLOGY**

The present study based on secondary data. Mostly on published by banks annual report i.e. financial statement and other yearly performance reports. It also considers the data of various related journals, manganese and newspaper articles. The study is based on the data of ten (10) years from 2009-10 to 2018-19. Kruskal-Wallis and Anova have been applied for testing the hypothesis. Variables like loan and advances, NPA, etc are taken for such purpose. Select district central cooperative banks have been taken for the study purpose.

## 5. DATA ANALYSIS

### 5.1. Analysis of Farm Sector

**Table 1: Tests of Normality of Farm Sector**

Variables	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Firm_Sector_KODCCB	.152	10	.200	.922	10	.370
Firm_Sector_BDCCB	.334	10	.002	.727	10	.002
Firm_Sector_KADCCB	.180	10	.200	.914	10	.313

Source: Data Compiled in SPSS

The above table reflects normality of farm sector of three banks. The null hypothesis for normality is that data is normal. Thus, such hypothesis must be accepted and p value must be more than .05. In the above case, p value of farm sector of all the three banks under Shapiro-wilk test is more than .05. Thus, the data is said to be normal.

**Table 2: Test of Homogeneity of Variances of Farm Sector**

Levene Statistic	df1	df2	Sig.
6.004	2	27	.007

Source: Data Compiled in SPSS

The above table depicts homogeneity of groups. Like normality, the null hypothesis of homogeneity is that groups are homogeneous. Thus, p value must be more than .05. But, such value in the above case is .007 which is less than .05. It can be found that, groups are not homogeneous. Hence, anova cannot be applied. Non-parametric tool i.e., Kruskal-wallis test applied. The results are shown below.

**Table 3: Test Statistics of Kruskal-Wallis Test of farm Sector**

Test Criteria	Test Statistics
Chi-Square	.280
Df	1
Asymp. Sig.	.597

Source: Data Compiled in SPSS

The test statistics reveals a p value .597 which is more than .05. The null hypothesis i.e., there is no significant difference in performance among select banks is not rejected. The banks performance in rising but the farm sector is similar.

## 5.2. Analysis of Loans and Advances in Banks

**Table 4: Tests of Normality of Loans and Advances**

Variables	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Loans_and_Advances_KODCCB	.200	10	.200	.899	10	.214
Loans_and_Advances_BDCCB	.150	10	.200	.948	10	.646
Loans_and_Advances_KADCCB	.194	10	.200	.918	10	.342

Source: Data Compiled in SPSS

The above table reflects normality of loans & advances of three banks. The null hypothesis for normality is that data is normal. Thus, such hypothesis must be accepted and p value must be more than .05. In the above case, p value of loans & advances of all the three banks under Shapiro-wilk test is more than .05. Thus, the data is said to be normal.

**Table 5: Test of Homogeneity of Variances of Loans and Advances**

Levene Statistic	df1	df2	Sig.
2.260	2	27	.124

Source: Data Compiled in SPSS

The above table depicts homogeneity of groups. Like normality, the null hypothesis of homogeneity is that groups are homogeneous. Thus, p value must be more than .05. But, such value in the above case is .124 which is less than .05. It can be found that, groups are not homogeneous. Hence, the anova test was applied. The results are shown below.

**Table 6: Test of Anova of Loans and Advances**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3231320952.988	2	1615660476.494	3.051	.064
Within Groups	14295630778.488	27	529467806.611		
Total	17526951731.476	29			

Source: Data Compiled in SPSS

The test anova reflects a p value .064 which is more than .05. The null hypothesis is accepted. There is no significant difference in the performance of the banks of all the three DCCBs in the KBK region in term of loans and advance is accepted. The banks have similar performance in rising of loans and advances.

### 5.3. Analysis of NPA Management in Banks

**Table 7: Tests of Normality of NPA Management**

Variables	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
NPA_KODCCB	.266	10	.044	.804	10	.016
NPA_BDCCB	.135	10	.200	.922	10	.370
NPA_KODCCB	.171	10	.200	.953	10	.701

Source: Data Compiled in SPSS

The above table reflects normality of the NPA level of three banks. The null hypothesis for normality is data is normal. Thus, such hypothesis must be accepted and p value must be more than .05. In the above case, p value of the NPA level of all the three banks under Shapiro-wilk test is more than .05. Thus, the data is said to be normal.

**Table 8: Test of Homogeneity of Variances of NPA**

Levene Statistic	df1	df2	Sig.
6.696	2	27	.004

Source: Data Compiled in SPSS

The above table depicts homogeneity of groups. Like normality, the null hypothesis of homogeneity is that groups are homogeneous. Thus, p value must be more than .05. But, such value in the above case is .004 which is less than .05. It can be shown that, groups are not homogeneous. Hence, anova cannot be applied. Non-parametric tool i.e., Kruskal-wallis test applied. The results are shown below.

**Table 9: Test Statistics of Kruskal-Wallis Test of NPA**

Test Criteria	Test Statistics
Chi-Square	12.623
Df	1
Asymp. Sig.	.000

Source: Data Compiled in SPSS

The test statistics reveals a p value .000 which is less than .05. The null hypothesis i.e., there is no significant difference in performance among select banks in regard to NPA level is rejected. The banks performance in raising deposits is similar.

The rural co-operative credit system in India is primarily mandated to ensure flow of credit to the agriculture sector. It comprises short-term and long-term co-operative credit structures. The short-term co-operative credit structure operates with a three-tier system - Primary Agricultural Credit Societies (PACS) at the village level, Central Cooperative Banks (CCBs) at the district level and State Cooperative Banks (STCBs) at the State level. PACS are outside the purview of the Banking Regulation Act, 1949 and hence not regulated by the Reserve Bank of India. STCBs/DCCBs are registered under the provisions of State Cooperative Societies Act of the State concerned and are regulated by the Reserve Bank. Powers have been delegated to National Bank for Agricultural and Rural Development (NABARD) under Sec 35 (6) of the Banking Regulation Act (As Applicable to Cooperative Societies) to conduct inspection of State and Central Cooperative Banks.

Primary Cooperative Banks (PCBs), also referred to as Urban Cooperative Banks (UCBs), cater to the financial needs of customers in urban and semi-urban areas. UCBs are primarily registered as cooperative societies under the provisions of either the State Cooperative Societies Act of the State concerned or the Multi State Cooperative Societies Act, 2002 if the area of operation of the bank extends beyond the boundaries of one state. The sector is heterogeneous in character with uneven geographic spread of the banks. While many of them are unit banks without any branch network, some of them are large in size and operate in more than one state.

## **6. MAJOR FINDINGS**

The findings of the study are based on the analysis of data at operational analysis. The overall performance of the district central co-operative banks in the KBK region has been enumerated basing upon three basic indicators such as Farm Sectors, loans and advances, and NPA level. It reveals a p value .597 which is more than .05. There is no significant difference in performance among select banks in regard to farm sector is accepted. It is clear that the mean difference of loans and advances as per the anova, reflects a p value .064 which is more than .05. There is no significant difference in performance among select banks in regard to farm sector is accepted. It is clear that the mean difference of NPA level the test statistics reveals a p value .000 which is less than .05. There is no significant difference in performance among select banks in regard to farm sector is accepted.

## **7. CONCLUSION AND POLICY IMPLICATION**

It concluded that the three District Central Cooperative Banks in KBK Districts plays an important role in helping the rural people to improve their condition. It can be concluded that the KBK DCCB are contributing to the agriculture and non-agriculture sector. All these banks are confirming to the priority sector lending target i.e.,40% of the gross bank credit stipulated by the RBI. These Co-operative Banks play a crucial role towards financing of the farm and



non-farm sectors in state of Odisha in general and the KBK Districts in particular. These banks provide an avenue for the rural population and also the weaker section of the urban population for parking their money through deposit mobilisation and for the direct benefit transfer to their accounts.

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