International Journal of Research
Available at https://edupediapublications.org/journals
e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 05 Issue 15
May 2018

Performance Evaluation of Karimnagar and Warangal District Co-Operative Central Bank in Telangana - A Case Study

Khaja Moinoddin Mohmad & Dr.G.Ram Babu

[1]Research Scholar
Commerce Dept
Telangana University, Nizamabad

[2]Head, Chair Person BOS.
Commerce Department
Telangana University, Nizamabad

ABSTRACT

A co operative bank is one which performs the functions of borrowing, lending, agency and general utility on a co-operative basis. The bank should must have co-operative character and must deal in credit, which satisfies all the requirements of an ideal credit. The co-operative central banks started to develop agricultural and rural development. For this the DCCBs finance the primary societies for agricultural purposes, attract the local deposits, develop banking facilities in rural areas, supervise and management of the affiliated societies.The Co-operative central bank which is a part of the three tier credit system occupies a strategic place. The central co-operative bank acts as a balancing center to its member societies especially primary agricultural credit societies.The present paper deals with the evaluation of financial performance of Karimnagar and Warangal District co-operative central banks using by CAMEL frame work.

Key words: *Borrowings,ideal credit,local deposits,three tier credit system,Balancing Centre,CAMEL framework.*

1.1 INTRODUCTION

The primary Agricultural Co-operative Credit Societies in a compact area get federated themselves into a central society, which is called a Central Bank of a Banking Union. The word "Central Bank used when the Central society allow as its members not only primary societies but also individual persons. The phrase 'Banking Union' is used when membership is confined to societies only and individual members are excluded. The present trend, however, is to refer both these institutions as central banks. Accordingly, every district in a state has got one or more Banking Union or Central Bank. And the Banks so organized are known as District Central Co-operative Banks.

A Co-operative Banks is one which performs the functions of borrowing, lending, agency and general utility on a cooperative basis. A co-operative bank is also defined as one which must have co-operative character and must fulfill the the requirements of an ideal credit.

1.2 REVIEW OF LITERATURE

1. **Gupta & Jain (2012)**, studied the contribution of co-operative banks with reference to their lending practices, based on successful co-operative banks in Delhi (India) in term of the performance with lending services provided to the customer, who had taken different types of loans from the banks. He was suggested that the bank should adopt latest technology in banking services like ATMs, internet / online banking, credit cards etc.
2. **L. Suryannaryana Reddy & S. Ravi (2013)**, studying whether the Kadapa District Central Cooperative Bank performed well in term of its loaning business as per the stipulated norms of the Vaidyanadhan committee, found that the banks own fund seemed to be low. The percentage of deposit to the total working capital increased more than two times during the period under review. The loan operations of the bank were also increased but these could not meet the credit needs of all the PAC farmers. The bank made spectacular progress in the recovery of over-dues. Its operational efficiency also increased mani-fold with the introduction of computerization of the Bank PACs.
3. **J .Nivethitha and G. Brindha (2014)** in his research paper titled "Management of Non Performing Assets in Virudhunagar District Central Co operative Bank – An Over view "concluded that a high level of NPAs recommend high profitability of a large number of credit defaults that affect the profitability and net worth of co operative banks and also erode the value of the asset. Thus reduction of NPAs is necessary to speed up the growth and profitability of banks. The NPA problem is the result of monitoring over dues to various factors like weak monitoring, poor credit appraisal system, loan waiver, scheme and mis utilization of loan etc.

1.3 Research Gap

A number of studies have been conducted related to the performance of co-operative banking sector in India. But the available review of literature clearly indicates that no research was previously conducted on the performance of Karimnagar and Warangal Districts co-operative central banks in Telangana. Hence , the research aims to fill the gap by analyzing the financial performance of both

International Journal of Research
Available at https://edupediapublications.org/journals
e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 05 Issue 15
May 2018

KDCCB(Karimnagar Disrict Co-operative Central Bank) and WDCCB (Warangal Disrict Co-operative Central Bank) in Telangana, India.

1.4 OBJECTIVES OF THE STUDY

The Primary objective of the study is to compare the financial performance of the Karimnagar and Warangal District co operative central banks in Telangana study. The following are the secondary objectives formulated based on the primary objective.

1. To analyze the financial performance of select District co-operative central banks in Telangana state using CAMEL frame work.
2. To compare the performance of selected DCCBs and to offer the conclusion and suggestions for the future period.

1.5 RESEARCH METHODOLOGY

The following research methodology has been used to achieve the objective of this study:

Sources of the Data:

This research completely depends upon secondary data, which was obtained from NAFSCOB,NABARD,Annual reports of the Karimnagar and Warangal District Co operative central banks , the in depth, theoretical knowledge and understanding the concept information have been gathered from number of reputed journals, magzines and surfing the net.

Statistical Tools Used: The analysis of banking performance has received a great deal of attention in the banking literature. A popular framework used by regulators is the CAMEL Frame work, which uses some financial ratios to help in evaluating a bank's performance. For analyzing the financial Performance of the Banks various financial Ratios, Averages, Average Annual growth rate, Standard Deviation and t-test used.

1.6 HYPOTHESES

The following are Null hypotheses of the study

Ho: There is no significant difference between the liquidity position of the DCCBs.

Ho: There is no significant difference between the profitability position of the DCCBs.

Ho: There is no significant difference between the solvency position of the DCCBs.

1.7 SCOPE OF THE STUDY

The present study aims to evaluate the financial performance of the

International Journal of Research
Available at https://edupediapublications.org/journals
e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 05 Issue 15
May 2018

Karimnagar and Warangal District Central Co-operative Banks Limited. This study attempts to analyze its financial performance from the standpoint of the Central Co-operative Banks selected for the study. It does not include workers or members and other agencies that are either directly or indirectly connected with the study unit. The Resources and time constraint are the other two factors which exclude all other states from the study. The study covered a period of 10 years, i.e., 2005-06 to 2014-15.

1.8 LIMITATIONS OF THE STUDY

- The present study is confined to 10 years of secondary data from 2005-06 to 2014-15.
- Further the study depends mainly on secondary data obtained from the records of the bank both published and unpublished.
- This study is pertinent to Karimnagar and Warangal District Cooperative Central Banks Only.
- As such the data are taken from the records; the analysis is based on the rendered information from the concerned institutions alone.

1.9 DATA ANALYSIS AND INTERPRETATION

A.CAPITAL ADEQUACY POSITION

Ratio	KDCCB	WDCCB
Capital Adequacy Ratio	15.95	29.2
Debt – Equity Ratio	7.19	3.96
Proprietary Ratio	11.87	36.60
Govt.sec. to Total Assets	1.60	0.76
Mean	9.106	17.63
Variance	38.43	321.73
Standard Deviation	6.19	17.9
n	4	4
t	-0.8983	

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 05 Issue 15
May 2018

d.f	4
Critical Value	2.776
Level of significance	0.95

From the above analysis, it has been observed that the mean of the both banks kdccb and wdccb are 9.106 and 17.63 respectively, whereas the variance 38.43 and 321.73 of selected banks. It is proved that the absolute value of the calculated "t" is smaller than critical value (0.8983 < 2.776). As, the means are not significantly different, null hypothesis accepted.

B.ASSET QUALITY MANAGEMENT

Ratio	**KDCCB**	**WDCCB**
Credit deposit Ratio	157.66	251
Loans to Total Assets Ratio	0.55	0.58
Fixed Assets to Total Assets	0.52	0.60
Deposits to Total Assets	35.37	22.59
Advances Yield Ratio	7.4	6.53
Gross NPA to Total Advances Ratio	1.9	9.31
Net NPA to Net Advances Ratio	4.07	16.99
Total Investments to Total Assets Ratio	19.78	24.64
Mean	28.41	41.53
Variance	2874.16	7248.95
Standard Deviation	53.61	85.13
n	8	8

t	-0.3689
d.f	12
Critical Value	2.179

From the above table, it has been observed that the mean of the KDCCB is more than WDCCB and in Variance WDCCB is greater than KDCCB. The absolute value of the calculated "t" is smaller than critical value (0.3689< 2.179). So it has been proved that, the means are not significantly different.

C..MANAGEMENT EFFICIENCY

Ratio	KDCCB	WDCCB
Total advances to total deposits	172.595	290
Interest expenses to total expenses	48.70	51.94
Interest income to total income	4.24	2.86
Total debt to Total deposit Ratio	108.42	200
Profit per Employee	337849	408333
Business per Employee	22970014	23607388
Mean	3884699	4002710
Variance	8.74380	9.22690
Standard Deviation	9350832.52	9605678.87
n	6	6
t	-0.0216	
d.f	10	
Critical Value	2.228	

International Journal of Research
Available at https://edupediapublications.org/journals
e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 05 Issue 15
May 2018

From the above table it can be concluded that the mean and difference of wdccb is more than kdccb. The absolute value of the calculated "t" is smaller than critical value (0.0216< 2.228). So the means are not significantly different.

D.EARNINGS CAPACITY (PROFITABILITY POSITION)

Ratio	KDCCB	WDCCB
Spread to Total Assets	1.66	2.23
Return on Equity	14.78	10.65
Return on Assets	1.02	1.42
Cost to Income Ratio	10.59	8.10
Earnings per Share	35.71	18.25
Mean	12.752	8.14
Variance	199.13	46.98
Standard Deviation	14.1114	6.8544
n	5	5
t	0.6574	
d.f	6	
Critical Value	2.447	
Level of significance	0.95	

From The above table it can be understood that the calculated mean ,variance and standard deviation of KDCCB more compared to the WDCCB. As the calculated "t" value is smaller than critical value (0.6574<2.447), so it can be concluded that the means are not significantly different.

E.LIQUIDITY POSITION

Ratio	KDCCB	WDCCB
Current Ratio	3.695	8.65
Absolute liquid Ratio	0.83	0.51
Liquid assets to Total Assets	0.555	0.49
Liquid Assets to Total Deposits	1.8511	2.10
Govt.sec. to Total Assets	0.57	0.15
Mean	1.502	2.38
Variance	1.787	12.85
Standard Deviation	1.33	3.58
n	5	5
t	-0.5141	
d.f	5	
Critical Value	2.571	
Level of significance	0.95	

Result

From the above table it can be understood that the calculated mean,variance and standard deviation of WDCCB is more than the KDCCB. As, the absolute value of the calculated "t" is smaller than critical value (0.5141<2.571) it is concluded, that the means are not significantly different.

Ranking of KDCCB and WDCCB According to average of CAMEL Model Ratios

Area	Camel Ratio	Bank	
		KDCCB	WDCCB
C : Capital Adequacy	Capital Adequacy Ratio		✓
	Debt-equity Ratio	✓	
	Proprietary Ratio		✓
	Govt.Securities to Total Investments Ratio	✓	

International Journal of Research
Available at https://edupediapublications.org/journals
e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 05 Issue 15
May 2018

A: Asset Quality Management	Credit Deposit Ratio		✓
	Loan to Assets Ratio		✓
	Fixed Assets to Total Assets		✓
	Deposits to Total Assets	✓	
	Advances Yield Ratio	✓	
	Gross NPA to Total Advances Ratio		✓
	Net NPA to Net Advances Ratio		✓
	Total Investments to Total Assets Ratio		✓
M: Management Efficiency	Total Advances to Total Deposits		✓
	Interest Expenses to Total Expenses		✓
	Interest Income to Total Income		✓
	Total Debt to Total Deposits		✓
	Profit per Employee		✓
	Business per Employee		✓
E : Earning Capacity	Spread to Total Assets		✓
	Return on Equity	✓	
	Return on Assets		✓
	Cost to Income Ratio	✓	
	Earnings per Share	✓	
L : Liquidity Performance	Current Ratio		✓
	Absolute Liquidity Ratio	✓	
	Liquid Assets to Total Assets	✓	
	Liquid Assets to Total Deposits		✓
	Govt.Securities to Total Assets Ratio	✓	
✓ Indicate the superiority of a bank over the other bank in terms of the concerning ratios.			

From the above analysis, it is obvious that both KDCCB and WDCCB are performing good in some parameters and in some areas they have to be improved. The above table showing that the KDCCB is good in some parameters and in some parameters WDCCB is performing well.

In capital Adequacy Ratios the average of the WDCCB is more in Proprietary and Capital Adequacy ratio which shows the bank maintaining enough long-term funds to meet unforeseen risks arises in the future. Whereas KDCCB is strong in Debt–Equity Ratio and Govt. Securities to total Investments ratio, which shows that the bank maintaining sufficient equity in relation to outside funds as well as bank maintaining safe investments for future security.

In Asset quality management KDCCB stronger in terms of GNPA, NNPA, Advances yield ratio compared to the WDCCB. Because of the non-performing assets of the bank are low in KDCCB and at the same time yield on advances is more compared to the WDCCB. In Loans to Assets Ratio, Credit Deposit Ratio, and Total Investments to Total Assets ratio WDCCB is good .

In Management Efficiency, the WDCCB is in top position, in business per employee, profit per employee, interest income to total income the WDCCB is stronger than the KDCCB, whereas in some ratios like interest expenses, total advances, total debt to total deposits KDCCB is very economical.

In Earning capacity KDCCB is dominated the WDCCB especially in the ratios such as Return on Equity, Cost to Income Ratio, and Earning per Share. Whereas in spread to total assets and Return on Assets, WDCCB is good. In cost to income though the average of KDCCB is more WDCCB is very economical in cost in relation to income.

In liquidity position both the banks satisfying the standards of liquidity Ratios, when compared with the averages the KDCCB is stronger than WDCCB at the absolute liquid ratio, Liquid Assets to Total Assets and Govt.securities to Total Assets ratio. WDCCB is good in Current ratio, liquid assets to total deposits ratio.

1.10 CONCLUSION

District co operative bank, generally called as DCC Bank could be a cooperative banking segment established in India to work for cooperatives and remote areas. it had been established to produce banking to rural area for agriculture sector with the branches primarily established at rural and semi – urban areas. The DCCBs additionally occupies a foothold of cardinal importance within the co-operative credit structure. They type a vital link between the apex co-operative bank and therefore the primary agricultural credit societies (PACS). The success of the co operative credit movement mostly depends on their monetary strength. To assess the monetary performance of the choose dccbs in telangana the study has been undertaken .For the study 2 districts (out of 9)DCCBS head office information taken into the consideration .The two districts are karimnagar and Warangal .

For assessing the banks performance the popular framework known as CAMEL which has proved to be useful for monitoring bank performance .The five CAMEL factors ,viz. Capital Adequacy, Asset Quality Management, Management Capability , Earnings capacity, and Liquidity indicate the increased likelihood of bank failure when any of these five factors prove inadequate. For the study, 10 years of data i.e. from 2005-06 to 2014-15 financial reports of both KDCCB and WDCCB analyzed .

In the study, it was found that the KDCCB is performed well in some parameters, in some aspects the WDCCB good. In capital adequacy ratios the wdccbs risk weighted assets more , the KDCCB is using more outside debt .In proprietary ratio the WDCCB is good compared to KDCCB .Both banks performance same in credit deposit ratio ,loans to total assets ratio and fixed assets to total assets ratio. The KDCCB is more relying on deposits compared to WDCCB. Both the banks are failed in earning the proper yield on advances. In Gross NPA and NNPA KDCCB is sound compared to the WDCCB.

In management efficiency KDCCB is performed well compared to the WDCCB in some ratios like total advances to total deposits, interest expenses to total expenses ,interest income to total income and total debt to total deposits .Whereas WDCCB is good at profit per employee and business per employee.

From the earnings capacity point of view the KDCCB is good at the ratios of ROE, EPS.The WDCCB is performed well at the ratios of ROA, Cost to Income.Both the banks performance was poor at spread to total assets ratio.

In liquidity position both the banks are above than the standard, the WDCCB

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 05 Issue 15
May 2018

maintaining the huge funds in current assets rather than requirement.

1.11 SUGGESTIONS

1. The WDCCB has to control the risk weighted assets in order to minimize the unforeseen financial risks associated with the future period of time.
2. The KDCCB should take the proper measures to minimize the over dependency on the outsider equity. As the bank maintaining the high debt equity ratio, it is suggested that the bank should maintain the right balance between the outsider funds and insider funds in order to strengthen the solvency position of the bank.
3. The banks have to increase the stock holder's contribution in the total tangible assets to strengthen the capital structure of the banks. The KDCCB should be more vigilant on this, as the bank proprietary ratio is too low i.e. 11.87 during the study period.
4. The banks should go for some safety investments also by keeping in the view of depositors. Though the government securities offer less return , but they are less risky and safe investment sources.
5. The both banks giving more loans and advances during the study period, may it become problematic for the future of banks in the form of default payments, sometimes may not have the enough liquidity in their hand.So the banks should be more vigilant on this aspect.
6. Both KDCCB and WDCCB should take proper adjustments in their financial structure to reduce the loans and advances contribution in the total assets as they are more than half of the total assets which is not good for the future of banks.
7. Banks have to take proper steps to utilize their working capital effectively.
8. The banks should take proper decisions on policies related to proper fixation of rates on loans and advances, and investments, quality of advances etc. in order to improve the advances yield ratio.
9. The WDCCB should adopt such strategies which can improve the recovery of loans and advances in time or speed up the collections to minimize NPAs.

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 05 Issue 15
May 2018

10. The banks should reduce take the proper measures to minimise the non performing assets by checking their accounts on regular basis and at the same time should adopt various strategies at the time of latest sanctions , enhancement limits.
11. The banks have to keep the profitability factor in the mind while making investment decisions.

REFERENCES

For the study the majority of informantion taken from the following sources.

WEBSITES

1. www.kdccb.org.in
2. www.nafscob.org
3. www.nabard.org
4. www.rbi.org.in
5. www.wdccb.org

- Annual Reports of Karimnagar District co-operative central Bank
- Annual Reports of Warangal District co-operative central Bank
- Annual Reports of National Federation of State Co operative Banks Limited