

A study on district co-operative central bank, Visakhapatnam with special reference to lending practices

Dr. D Varalakshmi, K Deepika

Asst. Professor Visakha Institute for Professional Studies Visakhapatnam, Andhra Pradesh, India

Abstract

Banking business has done wonders for the world economy. The simple looking method of accepting money deposits from savers and then lending the same money to borrowers, banking activity encourages the flow of money to productive use and investments. This in turn allows the economy to grow. Co-operative banks generally provide their members with a wide range of banking and financial services. In India, the various levels of co-operative credit structure have been systematically arranged so that the members can easily assimilate the true spirit and working of the co-operative movement, particularly the practical part of this movement, it helps to raise productivity, enlarge employment and poverty reduction in rural areas. The study of the bank's performance along with the lending practices provided to the customers is herewith undertaken. This article highlights lending operations of co-operative central bank in Visakhapatnam.

Keywords: lending operations, investment, productivity, district cooperative central banks (DCCBs)

1. Introduction

Central Co-operative banks occupy a key position in the Co-operative credit structure. Such banks are aimed at meeting the credit requirement of member societies. The establishment of central cooperative banks (DCCBs) at the district level was to serve as a link between the ultimate credit disbursing outlets, viz., Primary Agricultural Credit Societies (PACS) at the base level, District Central Cooperative Banks (DCCB) at the intermediate level and State Cooperative Banks (SCB) at the apex level.

2. Objectives of the Study

1. To know the lending practices of District Co-operative Central Bank, Visakhapatnam.
2. To study the operating performance of the DCCB, Visakhapatnam.
3. To measure the efficiency of District Co-operative Central Bank, Visakhapatnam.
4. To know the satisfaction level of the customers from Bank's lending policies.
5. To suggest the appropriate measures to improve the efficiency of the DCCB, Visakhapatnam.

3. Review of the Literature

Singh and Singh (2010) ^[1] in their study titled, "Technical and Scale Efficiency in District Central Co-operative Banks of Punjab –A Non- Parametric Analysis" attempted to investigate the extent of technical efficiency across 20 DCCBs of Punjab with the help of Data Envelopment Analysis.

Amit Basak (2009) ^[3] examined the case study on "Performance Appraisal of Urban Cooperative Banks: A Case Study" figured that though some UCBs have performed creditably in the recent years, a large number of them have shown discernible signs of weakness.

Shah (2007) ^[2] in his case study titled "Evaluating Financial Health of Credit Co-operatives in Maharashtra State of India" conducted a case study of Sangli and Buldana District Central Cooperative Banks. The study revealed that both these banks

showed a decline in their financial health and economic viability during the late nineties as against the early nineties period.

Soyeliya Usha L. (2013) ^[4] "A Study on Cooperative Banks in India", studied lending practices of cooperative banks in India, by choosing a sample of 200 respondents. She also studied customers level of satisfaction by using questionnaire and also by interviewing the experienced loan officers of the banks.

Jain (2001) has conducted a comparative performance analysis of District Central Co-operative Banks (DCCBs) of Western India, namely Maharashtra, Gujarat and Rajasthan and found that DCCBs of Rajasthan have performed better in profitability and liquidity as compared to Gujarat and Maharashtra.

4. Research Methodology

The study is mainly based on primary data, a semi-structured questionnaire was prepared and administered among the customers covering a few branches of the Bank. Respondents were selected on the spot in the Bank premises. Descriptive research is used in this study to identify the lending practices of the bank and to know the level of satisfaction of customers.

Primary Data

- a. Structured Questionnaire
- b. Observation Method
- c. Interview Method

Secondary Data

- a. Manual of instructions on loans and advances
- b. Articles and Research Papers
- c. www.vizagdccb.org

Sampling Unit

The profile of the sample respondents comprising of agricultural farmers, traders, employees and others (retired people, house waives, students) and Sampling Unit for Study was Individual Customer.

Sampling Size

To get the opinion from customers, a sample of 350 customers were selected basing on convenient sampling.

5. Data Analysis and Interpretation

Table 1: Profile of Customers

Category	Male	Female	Total
Farmers	72	28	100
Traders	74	26	100
Employees	62	38	100
Others	34	16	50
Total	262	88	350

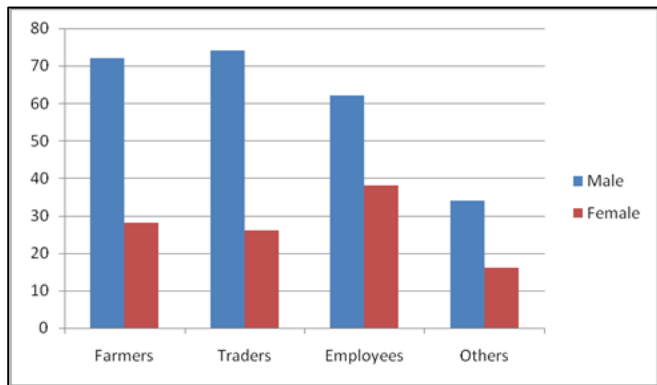


Fig 1: Profile of Customers.

Interpretation

Of the 350 Bank customers 100 each are agricultural farmers, traders and employees. The remaining 50 are retired people, house waives, students. In the case of farmers out of 100 farmers 72 are males and 28 are females, in the case of traders 74 are males and 26 are females, in the case of employees 62 are males and 38 are females, in the case of others 34 are males and 16 are females. Altogether the sample consists of 262 (75 per cent) male members and 88 (25 per cent) female.

Table 2: Do You Borrow From The DCCB, Visakhapatnam?

Opinion of Customer	Farmers	Traders	Employees	Others	Total	Percentage
Yes	100	96	72	36	304	86.86
No	0	4	28	14	46	13.14
Total	100	100	100	50	350	100.00



Fig 2: Do You Borrow From The DCCB, Visakhapatnam?.

Interpretation

The respondents were asked "Do you borrow from the DCCB, Visakhapatnam" and the information is presented in Table 2. It is seen from the table that as many as 304 respondents accounting for 86.86 per cent are borrowers of the Bank while 46 respondents accounting for 13.14 per cent are non-borrowers who are the deposit holders of the Bank. Thus it can be concluded that majority of the respondents are borrowers of the Bank.

Table 3: Reasons to Borrow from DCCB, Visakhapatnam

Opinion	No. of respondents	Percentage
Convenient to get loan	44	14.47
Easy	37	12.17
Less Interest	116	38.16
Good services	59	19.41
Sufficient amount	40	13.16
No idea	8	2.63
Total	304	100.00

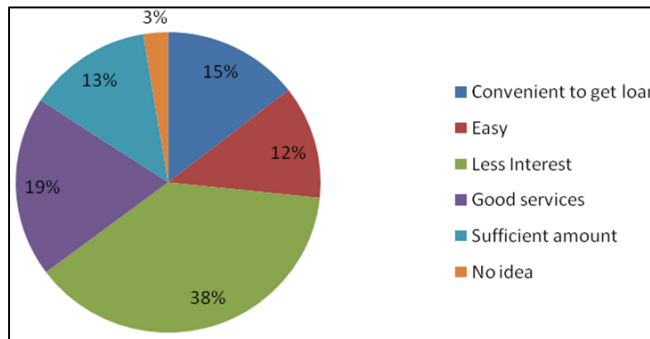


Fig 3: Reasons to Borrow from DCCB, Visakhapatnam.

Interpretation

Table 3 shows the reasons expressed by the respondents for borrowing from DCCB, Visakhapatnam. As already stated out of 350 respondents, 304 are borrowers of the Bank. The table shows that the reason expressed by as many as 38.16 per cent is less rate of interest charged by the Bank followed by 19.41 per cent who are of the view that the Bank has been rendering good services to its customers. There are however nearly 14.47 per cent of the borrowers who expressed that it is convenient for them to get loan from the Bank. Thus the interest rate plays a important role for motivating the respondents to borrow from the Bank.

Table 4: Opinion of the Respondents on Loan Policy

Opinion	No. of respondents	Percentage
Delay due to loan procedure	132	43.42
Malpractices	23	7.57
Reasonable amount	71	23.36
Limited Schemes	56	18.42
Simple Procedure	13	4.27
No idea	9	2.96
Total	304	100

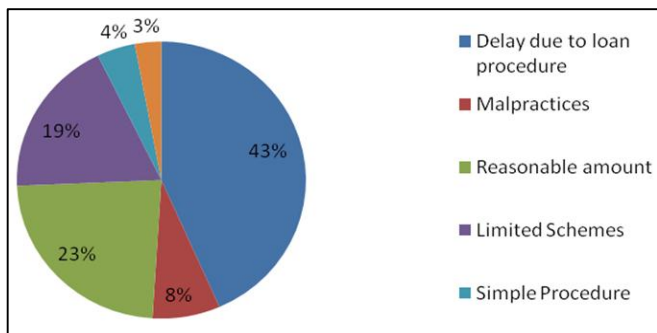


Fig 4: Opinion of the Respondents on Loan Policy.

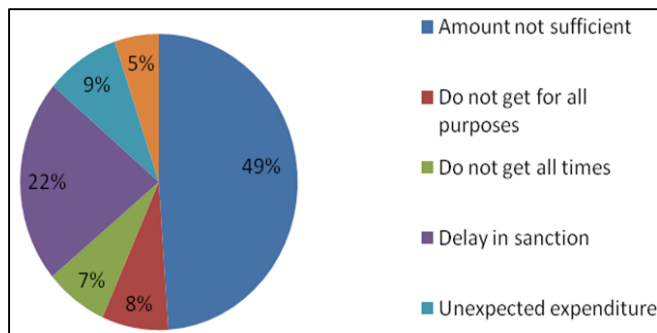


Fig 6: Reasons to Borrow from Others

Interpretation

The opinion of the respondents with respect to lending policy of the Bank is presented in Table 4. It is candid from the table that delay due to lengthy procedure of the Bank in sanctioning and release of the loan is the reason expressed by 132 respondents while limited number of loaning schemes of the Bank is another reason expressed by 56 respondents while the amount sanctioned by the Bank on the loans is reasonable expressed by 71 respondents. Thus it can be concluded that the loaning procedure adopted by the Bank is complex one and needs to be taken care of to satisfy the borrowers. None of the respondents opinioned simple and easy to borrow.

Table 5: Do You Borrow From Other Sources Also?

Opinion	No. of respondents	Percentage
Yes	233	76.64
No	71	23.36
Total	304	100.00

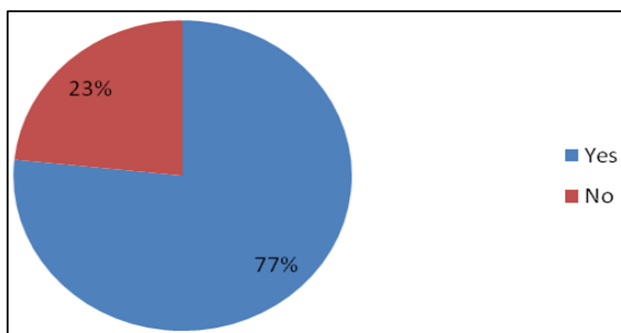


Fig 5: Do You Borrow From Other Sources Also?

Interpretation

The respondents were asked "Do you borrow from other sources also?" and the information is presented in Table 5. Out of 304 borrowers, as many as 233 representing 76.64 per cent borrow from other sources too, while 71 respondents accounting for 23.36 per cent do not. Thus it can be concluded that majority of the respondents borrow from other sources also.

Table 6: Reasons to Borrow from Others

Opinion	No. of respondents	Percentage
Amount not sufficient	114	48.93
Do not get for all purposes	18	7.73
Do not get all times	17	7.03
Delay in sanction	52	22.32
Unexpected expenditure	20	8.58
Other Reasons	12	5.15
Total	233	100.00

Interpretation

As can be seen from the Table 6 there are as many as 233 respondents who borrow from other sources out of the total 304 borrowers. It is seen from the table that as many as 114 respondents (48.92 per cent) borrow from other sources as the amount sanctioned by the Bank is not sufficient while 26 respondents (22.32 per cent) borrowed from other sources due to delay made by the DCCB, Visakhapatnam in releasing the loan. The other reason expressed by the remaining respondents for borrowing from other sources are unexpected expenditure, policy of the Bank not to sanction second loan while the first loan is in active and policy of the Bank not to sanction for all other purposes.

Table 7: If DCCB Offers All Types of Loans At Higher Rates, Do You Borrow?

Opinion	No. of respondents	Percentage
Yes	104	34.21
No	88	28.95
Think it over	20	6.58
Depends on need	92	30.26
Total	304	100.00

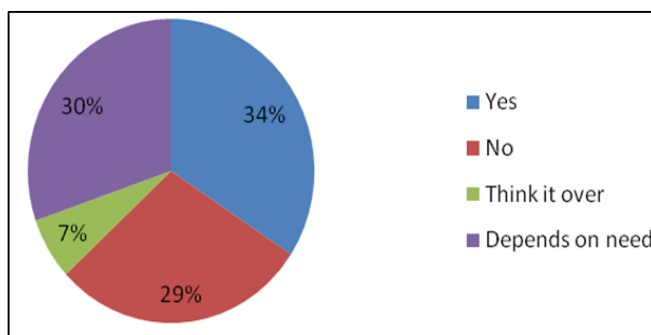


Fig 7: If DCCB Offers All Types Of Loans At Higher Rates, Do You Borrow.

Interpretation

The respondents have been asked "If DCCB offers all types of loans at higher rates, do you borrow?" and the information is presented in Table 7. It is clear from the table that the answer from 28.95 per cent of the respondents is negative while it is positive from a little over 34.21 per cent of the respondents. A little over 6.58 per cent revealed that they will think it over whether to borrow or not under such conditions. While a little over 30.26 per cent revealed that the decision to borrow or not under such conditions depends on urgency of the need.

Table 8: Customer’s ranking for Service of the Bank

Rank	No. of respondents	Percentage
Excellent	107	30.57
Good	141	40.29
Average	78	22.28
Poor	24	6.86
Total	350	100.00

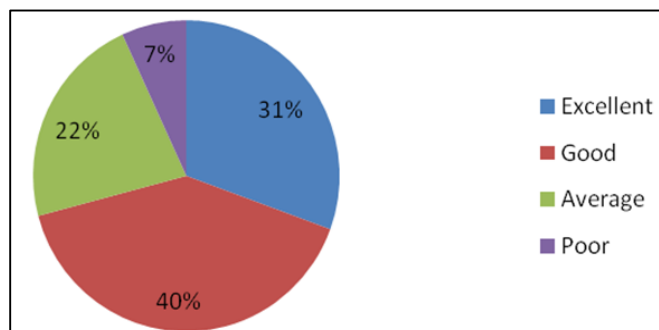


Fig 8: Customer’s ranking For Service of the Bank

Interpretation

Table 8 shows that 40.29 per cent of the respondents says that customer service of the bank is good, 30.57 per cent says that it is excellent and another 22.28 per cent says it is average and only 6.86 per cent says it is poor.

6. Findings of the Study

1. The study proved that 87 per cent are borrowers of the Bank while 13 per cent are non-borrowers who are the deposit holders of the Bank.
2. Majority (38 % as per the study) of the respondents expressed that the reason for borrowing from DCCB, Visakhapatnam is less rate of interest charged by the bank.
3. The study revealed that delay due to lengthy procedure of the Bank in sanctioning and release of the loan is the reason expressed by 43% of the respondents.
4. Most (77 % as per the study) of the respondents borrow from other sources too not only from DCCB, Visakhapatnam.
5. As many as 49 % of the respondents borrowed from other sources as the amount sanctioned by the Bank, is not sufficient
6. Majority (40 % as per the study) of the respondents says that customer service of the bank is good.

7. Suggestions

1. The Bank should also provide loans such as education loans, vehicle loans on par with commercial banks.
2. The Bank should consider the possibility of upgrading technology on par with other banks by introducing ATMs, Internet Banking, Credit cards etc.,
3. In order to minimize the legal costs and recovery costs settlement of loan and advances should be one time settlement.
4. At present the share of women and youth in the total customers of the Bank is abysmally very less. Therefore the Bank should encourage these sections of society and make them stakeholders in the functioning of co-operative banks.

5. The banks should improve the customer services of the bank to a better extent.

8. Conclusion

The study of the bank’s performance along with the lending practices provided to the customers is herewith undertaken. From this analysis, it is concluded that barring loan sanctioning policy almost all the respondents are satisfied with overall services rendered by the Bank. It is therefore suggested that the Bank should modify its loan sanctioning policy in such way that to satisfy all its borrowers.

9. References

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