

RESEARCH PAPER

Performance of non-performing assets of Nagpur district Central Co-operative Bank

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ABSTRACT

The research entitled, performance of non-performing assets of Nagpur District Central Co-operative Bank was carried and study is based on secondary data. The time series data relating to aspect of study was collected for the period from 1980-81 to 2010-11 from various annual reports of the bank. On the basis of analysis of data, NDCCB show good performance about number of branches, total member, paid up share capital, own reserved funds, total deposits and working capital, which were found to be positive and significant increased over a period of time. Number of branches of NDCCB, shows the positive growth rate of 18.69 per cent on overall period. Total member shows the increasing trends at the rate of 11.77 during study period. Paid up share capital found good and progressive lead of 2.55 per cent while that of own fund is 4.54 per cent. Total deposits are increasing day by day which reflect the faith of people on bank. It has the growth rate of 4.19 per cent during study period. Due to some financial corruption the bank has to face the loss large amount. To cover this loss bank has to regularly take loan from State Co-operative bank. Thus, the amount of borrowing shows the growth rate of 15.49 per cent during study period. Though there is much up and down in banking business, working capital of NDCCB shows the positive growth during study period. Loan disbursed *i.e.* loan and advances and SAO shows positive and significant growth, which reveals the contribution of bank on agricultural finance. Loan overdues, loan outstanding and NPA are increasing day by day which are the major problems of bank which leads to increasing the gross loss of bank. The growth rate of loan outstanding and loan overdues is found more in ST loan as compared to MT and LT loan. The NPA position of bank is also recovering as the passage of time. Thus, on overall basis, the gross loss increased by the NDCCB was found increasing trend from the year 2003 to 2010 (*i.e.* from Rs. 121.99 crore to Rs. 255.25 crore.) projected that the NDCCB was found in continuous loss in banking business.

KEY WORDS : Bank, Assets, Overdues, Loan

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In an agrarian economy like India, the economic development is closely linked to the development of agricultural sector. Agricultural development needs certain institutional and technical changes. Agricultural credit is one of the most crucial inputs in all agricultural development activities. Ownership on various agricultural inputs depends on the economics condition of the peasantry. The rural agricultural households not only need

the credits for agricultural activities, but also for the consumption needs. Even today's, with a vast network of government agencies involved in providing rural credits, large portion of agricultural credits is coming from the private agencies. The small and marginal farmers, who are the major chunk of rural agricultural households is the section which needs special attention in this particular area. The flow of agricultural finance into the rural areas should be able to strengthen the economic position of the peasantry. With the financial assistance from various agencies, the rural farmer had to hold on to his assets and be get incremental income from the resources. This will enable the farmer to repay the loan promptly. In turn the economic viability if the various financial institutional involved in providing agricultural credit also be restored. Agricultural credits through co-operatives are the best way in this context.

Objectives of study :

In the context of above discussion the performance of Nagpur district Central Co-operative Bank has been undertaken with follows specific objectives :

- To study the performance of Nagpur district Central Co-operative Bank
- To study the impact of overdues on performance of bank
- To study the impact of non-performing assets of Nagpur district Central Co-operative Bank.

METHODOLOGY

Location of study :

Nagpur district Central Co-operative Bank Limited was selected purposively for the study.

Period of study :

Thirty years' time series data *i.e.* 1980-81 to 2010-2011 was collected. The study period is divided into four sub periods as :

Period I	: 1980-1981 to 1991-1992	11 years
Period II	: 1992-1993 to 2002-2003	11 years
Period III	: 2003-2004 to 2010-2011	8 years
Overall period:	1980-1981 to 2010-2011	30 years

Source of data :

Secondary data regarding paid up share capital, own funds, total deposits, total borrowing, working capital, loan advances, SAO loan, credit-deposit ratio, overdues, NPA

etc. of Nagpur district Central Co-operative Bank was collected from various annual reports of bank.

In addition the primary data was collected by the personal discussion with General Manager, Loan office and other staff members of the bank in order to know the problem faced by the bank for disbursement, recovery, NPA etc.

Analytical technique :

The information collected from the various annual reports of bank for a period of 30 years from 1980-81 to 2010-11 was used for analysis of the data.

For time series data, the compound growth rate was worked out to assess the progress of Nagpur district Central Co-operative Bank for various variables over different periods.

The growths of various variables were estimated by using following formula.

$$Y = a \cdot b^t$$

where,

Y = Relates to variables

a = Intercept

b = Regression co-efficient

t = Time variable

From the estimated function the compound growth rate was worked out by $r = \text{Compound growth rate}$.

$$r (\%) = [\text{Antilog} \{ \log (b - 1) \}] \times 100 = (b-1) \cdot 100$$

For the character like paid up share capital, own funds, total deposits, total borrowing, working capital, loan advances, SAO loan, credit-deposit ratio overdues, NPA etc. the descriptive statistics has been worked out to estimate the value of maximum, minimum, average standard deviation (SD) and co-efficient of variation (CV %).

ANALYSIS AND DISCUSSION

The time series data were obtained from various annual reports of the bank regarding the number of branches, total member, paid up share capital, own funds, working capital, total deposits, total borrowing, loan advances, loan outstanding, loan overdues, NPA etc. for the period 1981 to 2010. Growth rate of the above variables have been worked out and result are presented in this chapter. For all variables the summary statistics has been worked out to estimate value of maximum, minimum, average, standard deviation and co-efficient

of variation.

The results regarding performance of district Central Co-operative Bank, Nagpur are presented in the following paragraph.

The performance of district Central Co-operative Bank, Nagpur :

Number of branches of NDCCB :

The C.G.R. per cent is significantly higher *i.e.* 18.69 per cent in the overall period (1981-2010), but non-significant means on an average the number of branches is increased by 18.69 per cent over the period (Table 1).

Total member of NDCCB :

The total members of NDCCB include the individual member, societies affiliated to NDCCB and Maharashtra government as a member for the four study period. It revealed that, the total numbers of members were found

highest in 2003-10 *i.e.* 2698.37 followed by 2527.45 and 1922.54 in the year 1992-2002 and 1981-91, respectively. By C.V. technique the number of member was increased by 11.87 per cent in the period 1981-91. There is no significant variation was found in period 1992-2002 and 2003-10.

The CGR per cent is significant in 1981-91 by 3.74 per cent, that shows significant and positive growth in members of the NDCCB in each study period, particularly in year 1981-91 increased by 3.74 per cent on an average. While on overall basis total member shows negative and non-significant growth *i.e.* -11.77 per cent (Table 2).

The loan advanced or disbursement of loan of DCCB, Nagpur :

Disbursement of loan under agriculture and non-agriculture sector showed increasing trend with regards

Table 1 : Number of branches of NDCCB				
Period	1981-1991	1992-2002	2003-2010	Overall
Maxima	81	90	95	95
Minima	40	85	86	40
Average	63.81	86.36	88.75	78.73
S. D.	15.95	1.36	2.94	15.04
C V (%)	25	1.58	3.32	19.10
CGR (%)	8.37**	0.39**	0.70 ^{NS}	18.69 ^{NS}

** indicates significance of value at P=0.01

NS= Non-significant

Table 2 : Total member of NDCCB				
Period	1981-1991	1992-2002	2003-2010	Overall
Maxima	2315.00	2603.00	2768.00	2768.00
Minima	1612.00	2389.00	2594.00	1612.00
Average	1922.55	2527.45	2698.38	2351.23
S.D.	228.14	70.90	58.13	364.33
C.V. %	11.87	2.81	2.15	15.50
CGR %	3.74**	0.83**	0.93**	11.77 ^{NS}

** indicates significance of value at P=0.01

NS= Non-significant

Table 3 : The loan advanced or disbursement of loan of DCCB, Nagpur				
Period	1981-1991	1992-2002	2003-2010	Overall
Maxima	4561.37	33126.85	51732.32	51732.32
Minima	1227.07	5444.24	28861.38	1227.07
Average	2456.88	16162.57	38955.48	17215.02
S. D.	1201.01	10387.78	8439.94	16291.01
C V%	48.88	64.27	21.67	94.63
CGR%	15.59**	22.16**	9.32**	13.94 ^{NS}

** indicate significance of value at P0.01

NS= Non-significant

to growth rate. The total loan advanced by the bank to the borrower is presented in Table 3. The average loan advance amount was Rs. 38955.48 lakh for the period 2003-10 which is highest among four periods. The C.V. indicated that, the largest variation present for the period 1992-2002 in loan advances amount by 64.27 per cent while on overall basis it shows highest variation *i.e.* 94.36 per cent which is highest loan advances were disbursed by the bank amongst all of study period.

The CGR per cent for total loan advances was found highly significant at 1 per cent level of significance *i.e.*, 22.16 per cent for the period 1992-2002. It indicates that, on an average during the study period 1992-2002 the amount of loan advance disbursement was increasing @22.16 per cent. The CGR per cent of overall period is -13.94 per cent which is negative and non-significant.

The impact of overdues of DCCB, Nagpur :

Loan outstanding :

Loan outstanding is the principal amount plus interest of loan that remains to be recovered on a particular date.

Loan outstanding of DCCB, Nagpur (period 1981-1991) :

The Table 4 shows the loan outstanding for the short term and medium term and loan period year 1981-91

(*i.e.* 11 years) and long term loan outstanding recorded for 4 year (period 1988-91) subject to availability of data. The short term loan outstanding amount was highest (Rs.1382.674) follows by Rs. 1130.33 lakh for medium term and found lowest in long term loan outstanding amount Rs. 107.19 lakh.

The C.V. indicated that the largest variation presented in S.T. loan outstanding (59.03%) followed by M.T. loan (53.80%) and lowest found in L. T. loan outstanding.

The CGR per cent is significantly highest in loan outstanding amount in short term loan at 1 per cent level and 16.88 per cent, it indicated that, on an average outstanding amount was increasing @ 16.88 per cent in S.T. loan. It was found non-significant in M.T. loan outstanding.

Loan outstanding amount of DCCB, Nagpur (Overall period) :

The Table 5 reveals that, loan outstanding amount for 30 years period 1981-2010. It was found that in ST loan, the highest loan outstanding recorded by the bank *i.e.* Rs. 13094.60, while that of MT loan and LT loan was found less *i.e.* Rs. 3949.65 and 230.91. The C.V. per cent indicate that extreme variation is observed in ST loan *i.e.* 107.63 per cent, which shows ST outstanding

Table 4 : Loan outstanding of DCCB, Nagpur (period 1981-1991)

Particular	S T loan	M T loan	L T loan
Period	1981-91	1981-91	1988-1991
Maxima	2912.52	1907.34	151.39
Minima	447.60	264.55	59.21
Average	1382.67	1130.34	107.19
S. D.	816.23	608.09	34.19
C V %	59.03	53.80	31.90
CGR %	16.88**	7.60 ^{NS}	36.09*

* and ** indicate significance of values at P=0.05 and 0.01, respectively

NS= Non-significant

Table 5 : Loan outstanding amount of DCCB, Nagpur (Overall period)

Particular	S T loan	M T loan	L T loan
Period	Overall	Overall	Overall
Maxima	48417.00	11359.18	325.31
Minima	447.60	264.55	59.21
Average	13094.60	3949.65	230.91
S. D.	14093.54	3020.24	72.72
C. V. %	107.63	76.47	31.49
CGR %	8.75**	-17.25 ^{NS}	-3.14 ^{NS}

** indicates significance of value at P=0.01

NS=Non-significant

loan increases at faster rate than MT and LT loan.

The CGR per cent is significantly highest in loan outstanding amount under ST loan *i.e.* 8.75 per cent at 1 per cent level indicated that on an average outstanding amount was increased by 8.75 per cent. The growth of M.T. loan outstanding was non-significant *i.e.* 17.25 per cent and -3.14 per cent in L.T. loan. The CGR suggest that loan outstanding in MT and LT loan is recovering as the passage of time.

Loan overdues :

Loan overdues is the major problem for the bank. Overdues means the part of outstanding loan which is not recovered within the specific period.

Loan overdues for S.T., M.T. and L.T. loan of DCCB, Nagpur (Overall period) :

The Table 6 indicates that, the loan overdues for S.T., M.T and L.T. loan was considered for 30 years (period 1981-2010).

The average loan overdues for period 1981-2010 was found lowest in L.T. loan and highest in S.T. loan, indicated largest loan overdues amount in S.T. loan (Rs. 5412.90). The C.V per cent also indicated that the same result.

The CGR per cent is significantly highest in loan

overdues amount in ST loan *i.e.* 19.99 per cent followed by L.T. loan (7.74 %) which is non- significant. It means that, the loan overdues for the overall period in S.T., M.T. and L.T. loan increasing @12.99 per cent, 1.10 per cent and 7.74 per cent, respectively for over the study period.

The impact of NPA on DCCB, Nagpur :

NPA amount of last 8 year (Rs. In lakh) :

In the following Table 7, the outstanding amount, NPA amount, NPA of agriculture and NPA of non-agriculture was presented for 8 years (2003-10). This presentation is based on data provided by the bank as recorded.

The Table 7 reveals that the average outstanding amount is Rs.38955.50 lakh, total NPA amount Rs.10722.8 lakh and for NPA agril Rs.7177.13 lakh and for non-agril, Rs. 3544.875 lakh. Hence, we may say that, repayment of loan in non-agril. sector is comparatively better than agril. sector.

The C.V. indicated that, a largest variation present in outstanding amount *i.e.* 21.66 per cent, followed by non agri NPA amount of 20.90 per cent followed by NPA agri amount 15.93 per cent and least in amount of total NPA *i.e.* 10.44 per cent.

The CGR per cent is significantly highest in

Table 6 : Loan Overdues for S.T., M.T. and L.T. loan of DCCB, Nagpur			(Overall period)	
Particular	S T loan	M T loan	L T loan	
Period	Overall	Overall	Overall	
Maxima	21079.15	4562.82	252.40	
Minima	532.88	150.65	0.23	
Average	5412.90	1412.59	134.56	
S. D.	5415.55	1322.70	83.91	
C.V. %	100.05	93.64	62.36	
CGR %	12.99*	1.10 ^{NS}	7.74 ^{NS}	

** indicates significance of value at P=0.01

NS= Non-significant

Table 7 : NPA amount of last 8 year				(Rs. in lakh)	
Particular	Outstanding amount	Total NPA amount	NPA- agri	NPA non- agri	
Period	2003-10	2003-10	2003-10	2003-10	
Maxima	51737.00	12839.00	9070.00	5070.00	
Minima	28861.00	9110.00	5260.00	2612.00	
Average	38955.50	10722.80	7177.13	3544.88	
S. D.	8441.00	1120.00	1143.00	741.00	
C V%	21.66	10.44	15.93	20.90	
CGR%	9.32**	1.79 ^{NS}	0.29 ^{NS}	5.83**	

* and ** indicate significance of values at P=0.05 and 0.01, respectively

NS= Non-significant

outstanding amount *i.e.* 9.32 per cent, it indicated that, on an average outstanding amount increasing @ 9.32 per cent. The CGR per cent value of NPA of non-agril. is 5.83 per cent significant at 1 per cent level. It means that, NPA of non-agril. amount is increasing on an average 5.83 per cent. The growth of total NPA amount and NPA in agril. is non-significant *i.e.* 1.79 per cent and 0.29 per cent, respectively. We can not comment confidently regarding total NPA amount and NPA agril, that growth was non-significant. However, growth in NPA agril. is negative which indicating that, NPA of agril. amount found decreasing trend. In other words we can indicate that, NPA of agril, amount having decreasing trend.

Conclusion :

The performance of bank is found good as noticed by paid-up share capital, own funds, total deposits, working capital having significant growth during the study period.

The loan advances, seasonal agricultural operation loan found increasing growth rate.

Bank's incremental CD- ratio resulted to create an asset- liability mismatch for the bank.

Increasing growth of loan outstanding and overdues amount shows poor repayment capacity of the borrowers.

As regard to growth in NPA amount, the repayment of loan in non-agriculture sector is comparatively better than agriculture sector.

The effective follow-up of loan eliminate loan and interest waiver schemes incentive to prompt payer of loan on time etc are some of the measures to combat the NPA in the bank.

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