BUSINESS PERFORMANCE OF THE DISTRICT CENTRAL CO-OPERATIVE BANKS IN KOLAR AND KODAGU DISTRICTS – A COMPARATIVE STUDY

SHARADA, P. S.

MBAL 2023

DEPARTMENT OF AGRICULTURAL MARKETING, CO-OPERATION AND BUSINESS MANAGEMENT

UNIVERSITY OF AGRICULTURAL SCIENCES

BENGALURU- 560 065

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Project Report submitted to the

University of Agricultural Sciences, Bengaluru

in partial fulfillment of the requirements

for the degree of

Master of Business Administration

(Agribusiness Management)

Bengaluru April, 2015


Affectionately
dedicated to my beloved
parents
Sri Srinivasan
&
Smt. Shanthamma

DEPARTMENT OF AGRICULTURAL MARKETING, COOPERATION AND BUSINESS MANAGEMENT
UNIVERSITY OF AGRICULTURAL SCIENCES
GKVK, BENGALURU- 560 065

CERTIFICATE

This is to certify that the project report entitled, **BUSINESS PERFORMANCE OF THE DISTRICT CENTRAL CO-OPERATIVE BANKS IN KOLAR AND KODAGU DISTRICTS – A COMPARITIVE STUDY** Submitted by **SHARADA, P. S.** ID NO. **MBAL 2023** in partial fulfillment of the requirement for the degree of **MASTER OF BUSINESS ADMINISTRATION (AGRIBUSINESS MANAGEMENT)** to the University of Agricultural Sciences, Bengaluru, is a record of bonafide research work done by her during the period of her study in this University under my guidance and supervision and the project report has not previously formed the basis for the award of any degree, diploma, associate ship, fellowship or other similar titles.

Place: Bengaluru
2015

Dr. T. R. KESHAVA REDDY
Major Advisor & Professor

APPROVED BY:

Chairman:

(T. R. KESHAVA REDDY)

Members:

1. **(T. N. VENKATA REDDY)**

2. **(B. M. RAMACHANDRA REDDY)**

3. **(D. SRINIVASA MURTHY)**

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April, 2015
Bengaluru

(SHARADA, P.S.)

BUSINESS PERFORMANCE OF THE DISTRICT CENTRAL CO-OPERATIVE BANKS IN KOLAR AND KODAGU DISTRICTS – A COMPARATIVE STUDY

SHARADA, P.S.

Abstract

The rural credit system in the country has undergone radical changes over the years. The non-institutional credit sources were replaced by institutional credit particularly the co-operative sector. The present study was an attempt to analyze the business performance of DCCB's in Kolar and Kodagu districts. These DCCBs were selected purposefully because Kodagu Bank was the best performing Bank and Kolar bank was weak performing Bank. The primary and secondary data was collected. The sample consists of 40 members and 20 employees from each bank. The growth in the number of branches and membership in both the banks was marginal and the numbers of employees were decreased gradually. The share capital and reserve funds, have shown positive and significant growth in both the banks, deposits (17.01 %) and borrowings (12.30 %) have shown positive growth in Kodagu Bank and in Kolar bank deposits (-3.5 %) and borrowings (-19.14 %) have shown negative growth. The liquidity, solvency and profitability position was satisfactory. The net-worth of DCCB Kodagu and Kolar was positive and fluctuated during the study period. The short term loans advanced by Kodagu Bank was Rs.75.56 corers and 36.07 crore by Kolar DCCB. 95 per cent of members very happy and highly satisfied with services provided, whereas 75 per cent of respondents from Kolar DCCB were just satisfied. 80 per cent of employees from Kodagu bank felt it was Very good and satisfied and 60 per cent in Kolar bank were just satisfied on the working environment.

April, 2015
Dept. Agricultural Marketing Co-operation
& Business Management, UAS, GKVK,
Bengaluru

(T.R. Keshava Reddy)
Major Advisor

ಕೋಲಾರ ಮತ್ತು ಕೊಡುಗು ಜಿಲ್ಲಾ ಕೇಂದ್ರ ಸಹಕಾರ ಬ್ಯಾಂಕಿನ ವ್ಯಾಪಾರ ವಹಿವಾಟಿನ ತುಲನಾತ್ಮಕ ನಿರ್ವಹಣೆಯ ವಿಶ್ಲೇಷಣೆ

ಶಾರದ ಪಿ.ಎಸ್.

ಪ್ರಬಂಧದ ಸಾರಾಂಶ

ಭಾರತದ ಗ್ರಾಮೀಣ ಪ್ರದೇಶದಲ್ಲಿ ಸಾಲ ಪದ್ಧತಿಗಳಲ್ಲಿ ಕ್ರಾಂತಿಕಾರಿಕ ಬದಲಾವಣೆ ಕಂಡು ಬಂದಿದೆ. ಸಂಘ ಸಂಸ್ಥೆಗಳಿಂದ ಸಾಲ ಹೆಚ್ಚಾಗಿರುವುದು ಕಂಡುಬಂದಿದ್ದು, ಅದರಲ್ಲೂ ಸಹಕಾರಿ ಕ್ಷೇತ್ರದಲ್ಲಿ ಹೆಚ್ಚಾಗಿದೆ. ಪ್ರಸ್ತುತ ಅಧ್ಯಯನದಲ್ಲಿ ಕೋಲಾರ ಮತ್ತು ಕೊಡುಗು ಜಿಲ್ಲಾ ಕೇಂದ್ರ ಸಹಕಾರಿ ಬ್ಯಾಂಕಿನ ವ್ಯಾಪಾರ ವಹಿವಾಟಿನ ವಿಶ್ಲೇಷಣೆ ಮಾಡಲಾಗಿದ್ದು, ಈ ಎರಡು ಬ್ಯಾಂಕುಗಳನ್ನು ಉದ್ದೇಶ ಪೂರಕವಾಗಿ ಆಯ್ಕೆ ಮಾಡಿಕೊಳ್ಳಲು ಕಾರಣವೇನೆಂದರೆ ಕೊಡಗಿನ ಬ್ಯಾಂಕು ಸಮರ್ಪಕವಾಗಿ ನಿರ್ವಹಣೆ ಆಗುತ್ತಿದ್ದು, ಕೋಲಾರ ಬ್ಯಾಂಕು ಅಸಮರ್ಪಕವಾಗಿ ನಿರ್ವಹಣೆಯಾಗುತ್ತಿದೆ ಎಂದು ಈ ಅಧ್ಯಯನದಿಂದ ಕಂಡುಬಂದಿದೆ. ಪ್ರಾಥಮಿಕ ಸರ್ವೆಕ್ಷಣೆಯನ್ನು ಬ್ಯಾಂಕಿನ ಸಿಬಂದ್ದಿ ಹಾಗೂ ಸಧಸ್ಯರಿಂದ ಪಡೆದು ವಿಶ್ಲೇಷಿಸಲಾಗಿದೆ ಮತ್ತು ಪರತಂತ್ರ ಮಾಹಿತಿಯನ್ನು ಬ್ಯಾಂಕಿನ ವಾರ್ಷಿಕ ವರಧಿ ಮತ್ತು ಇತರೆ ಪ್ರಕಟಿತ ವರದಿಗಳಿಂದ ಪಡೆದು ವಿಶ್ಲೇಷಿಸಲಾಗಿದೆ. ಪ್ರತಿ ಬ್ಯಾಂಕಿನಿಂದ 40 ಜನ ಸದಸ್ಯರು ಮತ್ತು 20 ಜನ ಬ್ಯಾಂಕಿನ ಸಿಬ್ಬಂದಿ ಆಯ್ಕೆ ಮಾಡಿಕೊಳ್ಳಲಾಗಿದೆ. ಈ ಅಧ್ಯಯನದಲ್ಲಿ ಕಂಡುಬಂದ ಮುಖ್ಯ ಅಂಶಗಳೆನೆಂದರೆ ಬ್ಯಾಂಕಿನ ಶಾಖೆಗಳ ಸದಸ್ಯತ್ವ ಸ್ವಲ್ಪ ಮಟ್ಟಿಗೆ ಅಭಿವೃದ್ಧಿ ಹೊಂದಿದ್ದು ಸಿಬ್ಬಂದಿ ಕಡಿಮೆಯಾಗಿರುತ್ತಾರೆ. ಷೇರು ಬಂಡವಾಳ ಮತ್ತು ಆಪತ್ತುನಿಧಿ ಎರಡು ಬ್ಯಾಂಕುಗಳಲ್ಲಿ ಗಣನೀಯವಾಗಿ ಬೆಳೆದಿರುತ್ತದೆ. ಠೇವಣಿ (ಶೇ. 17.01) ಮತ್ತು ಸಾಲಾಮಂಜೂರಾತಿಯಲ್ಲಿ (ಶೇ. 12.30) ಕೊಡುಗು ಬ್ಯಾಂಕು ಮುಂಚೂಟಿಯಲ್ಲಿದ್ದರೆ, ಕೋಲಾರ ಬ್ಯಾಂಕು ಹಿನ್ನಡೆಯಲ್ಲಿದೆ (ಠೇವಣಿ ಶೇ. –3.5 ಮತ್ತು ಸಾಲಾ ಮಂಜೂರಾತಿಯಲ್ಲಿ ಶೇ.–19.14). ಹಣದ ರೂಪದಲ್ಲಿರುವ ಆಸ್ತಿ, ಸಾಲಾ ಪಾವತಿಶಕ್ತಿ ಮತ್ತು ಲಾಬಾಂಶಗಳು ತೃಪ್ತಿಕರವಾಗಿದೆ. ನಿವ್ವಳಆಸ್ತಿ ಎರಡೂ ಬ್ಯಾಂಕುಗಳಲ್ಲಿ ಹೆಚ್ಚಾಗಿದ್ದರೂ ಏರುಪೇರುಗಳನ್ನು ಕಂಡಿದೆ, 2012–13 ನೇ ಸಾಲಿನಲ್ಲಿ ಕೊಡುಗು ಬ್ಯಾಂಕಿನಲ್ಲಿ ರೂ.75.56 ಕೋಟಿ ಅಲ್ಪಾವದಿ ಸಾಲವನ್ನು ಕೊಟ್ಟಿದ್ದರೆ, ಕೋಲಾರ ಬ್ಯಾಂಕಿನಲ್ಲಿ ರೂ.36.07 ಕೋಟಿಯನ್ನು ವಿತರಿಸಲಾಗಿದೆ, ಕೊಡುಗು ಬ್ಯಾಂಕಿನಿಂದ ಶೇ.95 ರಷ್ಟು ಸದಸ್ಯರು ಬ್ಯಾಂಕು ಒದಗಿಸಿದ ಸೇವೆಯಿಂದ ಸಂತೃಪ್ತಿ ಹೊಂದಿದ್ದಾರೆ ಮತ್ತು ಕೋಲಾರ ಬ್ಯಾಂಕಿನಲ್ಲಿ ಶೇ.75 ರಷ್ಟು ಸದಸ್ಯರು ಸಂತೃಪ್ತಿ ಹೊಂದಿದ್ದಾರೆ. ಈ ಸದರಿ ಬ್ಯಾಂಕುಗಳ ಕಾರ್ಯ ನಿರ್ವಹಣೆ ಹಾಗು ಬ್ಯಾಂಕಿನ ವ್ಯವಹಾರ ವಾತಾವರಣದ ಬಗ್ಗೆ ಮತ್ತು ವ್ಯವಹಾರ ಕುಶಲತೆಯ ಬಗ್ಗೆ ಕೊಡುಗು ಬ್ಯಾಂಕಿನ ಶೇ.80 ರಷ್ಟು ಸಿಬ್ಬಂದಿ ವರ್ಗದವರು ಸಂತೃಪ್ತಿ ಹೊಂದಿದ್ದರೆ, ಕೋಲಾರ ಬ್ಯಾಂಕಿನ ಶೇ.60 ರಷ್ಟು ಸಿಬ್ಬಂದಿ ವರ್ಗದವರು ಸಂತೃಪ್ತಿಯನ್ನು ಹೊಂದಿರುತ್ತಾರೆ.

ಏಪ್ರಿಲ್, 2015

(ಟಿ. ಆರ್. ಕೇಶವ ರೆಡ್ಡಿ)
ಪ್ರಧಾನ ಸಲಹೆಗಾರರು

ಕೃಷಿ ಮಾರಾಟ, ಸಹಕಾರ ಮತ್ತು ವ್ಯಾಪಾರ
ನಿರ್ವಹಣೆ ವಿಭಾಗ, ಕೃ.ವಿ.ವಿ., ಗಾ.ಕೃ.ವಿ.ಕೇ.
ಬೆಂಗಳೂರು

BUSINESS PERFORMANCE OF DISTRICT CENTRAL CO-OPERATIVE BANKS IN KOLAR AND KODAGU DISTRICTS –A COMPARATIVE STUDY

SHARADA. P. S Sr MBA, MBAL 2023

DEPARTMENT OF AGRICULTURAL MARKETING, CO-OPERATION AND BUSINESS MANAGEMENT, GKVK, BENGALURU

INTRODUCTION

Modern Agriculture after Green Revolution has become highly capital intensive in order to adopt capital intensive, market oriented agriculture, Farmers are generally being poor in finance higher amounts of external finance, Three tiered Co-operative structure is designed to provide adequate Short term and Medium term, Institutional finance to the Farmers.

District Central Cooperative Banks (DCCBs) at the district level, directly connected with PACS at the base level. As a district level institution, the DCCB is responsible for the promotional and developmental activities in the state. At present there are 372 DCC Banks with 13,181 branches in the country. The total number of members 39,75,660 including 9,73,624 institutional members and 30,02,036 individual members.

Kodagu DCC Bank was registered on 28.06.1921 It has made spectacular progress in its transaction in all spheres of Co-operative Banking activities. At present there are 274 Co-operative member societies with total share capital of Rs.1217.36 lakhs.

The Kolar DCC bank was registered on 14.1.1955 with an objective of lending money and their by extending economic support to farmers .At present there are 740 co-operative members societies with total share capital of Rs.1366.02 lakhs.

OBJECTIVES

1. To Analyze the Physical and Financial Performance of the District Central Cooperative Bank in Both Kolar and Kodagu Districts,
2. To Analyze the Factors Influencing the Performance of District Central Cooperative Bank and,
3. To asses opinion of members and employees regarding the working of DCC Bank.

METHODOLOGY

Kolar and Kodagu districts were purposively selected for the study to measure Business Performance District Central Cooperative Bank. The Data was collected on the working of Kolar and Kodagu DCC Bank, In order to fulfill the above mentioned objectives. The primary data was collected through personal interview from the Bank Officials and members.

The secondary data was collected from Annual Reports, Documents of DCCB & Department Cooperation Government of Karnataka,, for the period of ten years from 2004-2013.

Descriptive statistics and ratio analysis was used for computing averages of the variables relating to physical and financial performance of both the Kolar and Kodagu DCC Banks. To know the opinion of the Bank employees and Members the Percentages were worked out for the purpose of comparison.

RESULTS

Table.1 Financial indicators of Kolar and Kodagu DCC Banks

Rs.in Lakhs

Sl No	Year	Share Capital		Reserve Funds		Deposits		Borrowings		Working Capital	
		Kodagu	Kolar	Kodagu	Kolar	Kodagu	Kolar	Kodagu	Kolar	Kodagu	Kolar
1.	2004	572.42	687.59	1426.59	205.54	10738.75	7981.71	8200.00	8275.94	19891.60	20702.18
2.	2005	578.22	787.98	1680.32	193.87	11108.24	6615.15	5700.67	8059.44	20672.79	20625.71
3.	2006	699.92	794.27	2312.69	190.22	14937.15	4914.77	5425.13	6509.46	22254.15	17461.70
4.	2007	708.12	794.70	2718.44	190.21	16926.88	4535.81	8885.26	5441.46	27450.38	16224.59
5.	2008	708.16	816.02	2810.45	191.44	22448.58	4655.44	10592.52	5854.87	38119.53	17566.44
6.	2009	710.55	816.49	3563.29	193.90	22146.53	4236.98	13250.08	5237.97	39667.47	21075.03
7.	2010	734.05	835.28	3741.12	217.56	24940.02	4619.41	10077.32	2380.56	40812.14	16000.72
8.	2011	758.52	1047.53	3985.90	449.21	31091.76	5353.12	9780.85	2337.12	41817.28	14166.21
9.	2012	1029	1358.14	4435.86	978.67	38468.54	4898.31	16415.50	2266.31	52485.20	14302.37
10.	2013	1217.36	1358.29	1217.36	979.08	42651.14	5005.56	20376.51	1064.01	67687.08	13520.87

Table.2 Members opinion about Kolar and Kodagu DCC Bank

Sl.No.	Opinion of Members	KoLar Percentage	Kodagu Percentage
1.	**Frequency of visit to DCC Branch**		
	More than once in a week	13	13
	Once in a week	30	23
	Once in a month	37	53
	More than once in a month	20	10
2.	**Reason for visit**		
	Deposit money	20	7
	To apply for loan	37	30
	Withdraw money	13	13
	Avail banking services	30	50
3.	**Behaviour & Response of Bank Employees**		
	Excellent	13	10
	Very good	30	30
	Good	37	40
	Fair	20	20
	Poor	0	0
4.	**Participation in Annual General Body Meetings**		
	Yes	43	60
	No	57	40
6.	**Procedure for loan sanction**		
	Simple	93	100
	Complicated	0	0
6.	**Timeliness of loan**		
	Timely	80	77
	Untimely	20	23
7.	**Reasons for Untimely loan sanction**		
	Insufficient technical staff	13	43
	Manual method of paper work	7	57
8.	**Rate of interest**		
	Low	100	100
	High	0	0
9.	**Adequacy of loans**		
	Adequate	94	100
	Inadequate	6	0
10.	**Level of satisfaction towards KDCC Bank**		
	Highly satisfied	23	30
	Satisfied	37	40
	Somewhat satisfied	30	23
	Not satisfied	10	7

Table.3 Employees opinion about Kolar and Kodagu DCC Banks

Sl. No.	Opinion of Employees	Kodagu Percentage	Kolar Percentage
1.	**Satisfaction with pay scale**		
	Yes	90	67
	No	10	33
2.	**Work environment in Bank**		
	Highly satisfied	33	50
	Somewhat satisfied	27	40
	Not satisfied	40	10
3.	**Level of work stress**		
	Low	13	10
	Medium	47	40
	High	40	57
4.	**Frequency of transfer**		
	Once in a year	7	7
	Once in 2 year	33	43
	Once in 3 year	37	40
	More than 3 year	23	10
5.	**Performance appraisal**		
	Excellent	10	10
	Very good	33	30
	Good	47	53
	Fair	10	7
	Poor	0	0
6.	**Customers response**		
	Excellent	20	13
	Very good	33	47
	Good	40	40
	Fair	7	0
	Poor	0	0
7.	**Level of work satisfaction**		
	Highly satisfied	77	23
	satisfied	23	27
	Somewhat satisfied	47	47
	Not satisfied	0	3

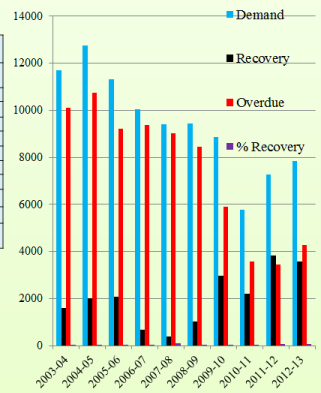


Fig.1 DCB Position of Kolar DCC Bank

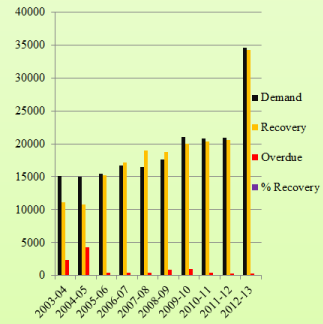


Fig.2 DCB Position of Kodagu DCC Bank

Rs. In Lakhs

(DCB)Demand , Collection and Recovery

- There was an increase in share capital in both Kolar and Kodagu DCC Bank over a decade .
- There was an increase trend in reserve funds in Kolar DCC bank, where as in Kodagu DCC bank it was decreased.
- In case Borrowings and Deposit, there was a increasing trend in Kodagu DCC bank where as in Kolar DCC bank it was decreasing.

DISCUSSION

- The transactions in the DCC banks are seasonal and linked to agriculture. The vagaries of monsoon will also have impact on the performance of the DCC banks.
- Political intervention in the management of cooperative institution is a common Phenomenon.
- The employees in the Kodagu DCC bank highly satisfied this is because of good service provided and good working environment. where as reason for the unhappiness of employees in Kolar DCC bank may be due to because of less Salaries.

SUMMARY

Cooperative banks have recorded positive growth rate in Kodagu DCC and employees were highly satisfied, where as Kolar DCC bank is relatively not performing better and. some of the employees in the Kolar bank were unhappy with the job. The loans advances to the members were adequate incase kodagu DCC bank. where as in Kolar few of members expressed that the loans advances to the members were inadequate.

ADVISORY COMMITTEE

CONTENTS

LIST OF TABLES

LIST OF FIGURES

I. INTRODUCTION

To increase in the agricultural production of a country or a state, while providing the better livelihood for the people who engage in farm activities is a complex task. Agriculture plays a crucial role in the development of Indian economy. Agriculture and allied sectors contributes13.7 per cent of Gross Domestic Product (GDP) in 2012-13 (www.wikipedia.com). Agriculture is the main source of livelihood for more than 58 per cent of Indian population. Manufacturing sector derives its importance from the fact that it has vital supply and demand links with agriculture sector.

Historically agriculture in India has always been a way of life and suffered from stagnation due to low productivity arising from inadequate investment. This was especially true about subsistence agriculture. The emergence of green revolution in India during the late sixties has radically changed the character of Indian agriculture, due to adoption of scientific and modern practices through the use of HYV (High Yielding Variety) seeds, chemical fertilizers, pesticides, machinery and equipment with investments for land improvement and use of irrigation facilities.

It is important to recognize that farming is a business insofar as production is concerned. To realize this one has to analyze what causes farmers to change farm enterprises like crops and livestock on their farm and methods of production. Modern farming involves more and more buying and selling. Each farmer's purpose of production is to produce products either for sale or for his family.

To produce more, farmers must spend more on improved seeds, pesticides, fertilizers, farm implements and irrigation facilities. These have become cash inputs in the recent times such expenditures must be financed either out of savings or by borrowing. It often argued that borrowing is the only way to meet these needs because of the poverty of many farmers. In spite of remarkable improvements in agriculture majority of farmers particularly small and marginal farmers are unable to invest money in agriculture from their own savings. It has been rightly stated that "the farmers in the under developed countries cannot expect their capital needs to come from savings, because their income from farm operations is barely sufficient to provide the minimum necessities of life" (Roy, 1994). As agriculture becomes more developed, it requires more use of purchased inputs in place of farm produced inputs.

1.1 Rural Credit System

The rural credit system in the country has undergone radical changes in respect of focus, structure and approach over the years. Prior to the institutionalization of credit, the farmers were mainly dependent on the non-institutional credit especially on private

money-lenders, who failed to provide the farmers the necessary and timely credit at appropriate cost.

In order to overcome these hurdles and to supply the farmer's adequate and timely credit the institutionalization of credit was started with the establishment of cooperative societies with the enactment of cooperative societies Act in 1904. Till 1969 cooperatives were virtually the only institutions for dispensing rural credit until the nationalization of 14 commercial banks, to improve the flow of credit to rural households.

Both the cooperatives and commercial banks have made substantial progress over the years in providing credit to agriculture under "priority sector" advances as per the guidelines of Reserve Bank of India. Agencies extending adequate and timely agricultural credit to farmers can be an important acceleration of agricultural development and improving the living standards of the farm community.

The co-operative credit structure has two wings namely production credit (short-term credit structure) which comprises of Primary Agricultural Credit Societies (PACS) at the base level, District Central Co-operative Banks (DCCB) at the intermediate level and State Cooperative Banks (SCB) at the apex level. And the investment credit (long-term credit structure) comprises of State Co-operative Agriculture and Rural Development Banks (SCARDBs) at the apex level and Primary Cooperative Agriculture and Rural Development Banks (PCARDBs) and their branches at the Taluk level.

1.2 Institutional credit in Karnataka

There are 4914 PACS, 616 branches of DCC Banks, 3,965 branches of commercial banks and 1,120 branches of RRBs functioning in the state during the year 2012-13. The cumulative growth rate of base level credit flow by commercial banks for the last six years is 235 per cent, followed by RRBs (169%), DCC Banks (77%), and PCARDBs (102%). The agriculture sector has substantially improved with the adoption of modern technologies in production by the farmers.

1.3 District Central Co-operative Banks (DCCBs)

In Karnataka, the DCC Banks occupy an important place in the three-tier cooperative credit structure, extending short and medium term production credit to farmers. The DCC Bank is a federation of PACS's in the district, and forms an important link between the Apex cooperative Bank and the PACS's. The DCC Banks are at the district level, directly connected with PACS's at the base level. As a district level institution, the DCC Bank is responsible for promoting of developmental activities in the rural areas of Karnataka.

A DCC Bank in addition to meeting the credit requirements of affiliated PACS's also lends a helping hand to other types of co-operatives like marketing, consumer, weaver's cooperatives, cooperative sugar federation, cooperative spinning mills etc. in the district. In mobilizing resources, in overseeing the lending procedures, in supervising the recoveries in educating the members, the DCC Banks are expected to provide leadership to PACS in the district.

DCCB's are also extending banking facilities to the rural areas by opening branches within its jurisdiction by simply passing a resolution in the Board, as per the privilege given by the RBI. At present the DCC Banks are competing with commercial banks in mobilizing deposits and also in marketing of banking services in rural areas as well as in urban areas. This branch arrangement helps them to improve their contacts with the PACS. Further this also helps to tap the savings of rural people through deposit mobilization. At present there are 372 DCC Banks with 13,181 branches in the country, The total number of members of DCCB's are 39,75,660 including 9,73,624 institutional members and 30,02,036 individual members.

1.4 Historical Retrospect of DCCBs

The co-operative credit society Act in 1904 has no provision for the organization of DCCB's which has provision only for the primary societies only. The original scheme of cooperation in India did not contemplate the organization of federal societies. Hence, most of the PACS's in the district were starved of money. Further they could not attract deposits whereas the demand for loans from the members was increasing. Subsequently the DCCBs came in to existence to coordinate and supplement resources to PACS's.

In 1912, the co-operative credit society act 1904 was replaced with co-operative societies Act with an objective of organizing DCCBs. Consequently, a number of DCCBs have been registered in several areas to mobilize funds mainly in the form of deposits and also to borrow money from higher financial institutions in order to meet the financial needs of affiliated primary societies.

1.5 Important Policy Developments

The working of DCCBs in India has taken different strides due to many factors such as economics booms and depressions, world wars and policy developments. Several committees were appointed from time to time to strengthen the rural credit structure in the country. The important committees appointed by Government of India, RBI and others were The Mac lagan Committee,(1914), Co-operative Planning Committee (Saraya Committee) 1945, All India Rural Credit Survey Committee (AIRCSC,1954) All India Rural Credit Review Committee (B. Venkatappaiah Committee, 1969) and Task

force on rural credit (2004). These committees suggested useful recommendations to strengthen DCCB's in the country.

The Maclagan Committee (1914)

Sir E.D. Maclagan committee was appointed in the year 1914 to review the progress of cooperative movement and to suggest measures to strengthen the cooperative movement. The important recommendations of the committee were, confining the business of cooperatives to members only, entrusting the work of supervision of cooperatives to Cooperative Unions, providing freehand to management in assessing and sanctioning the credit limits, restricting the area of operations of DCCBs to a district linking of borrowings to shareholders of societies, gradual discouragement of individual members, provision of production oriented loans and measures for adequate deposit mobilization.

Co-operative Planning Committee (Saraya Committee) 1945

The CPC enquired into the possible ways of improving the financial strength of DCCBs and suggested to cover more population under the co-operative fold. The other recommendations include entrusting supervision responsibility to DCCBs wherever the co-operative unions are not available.

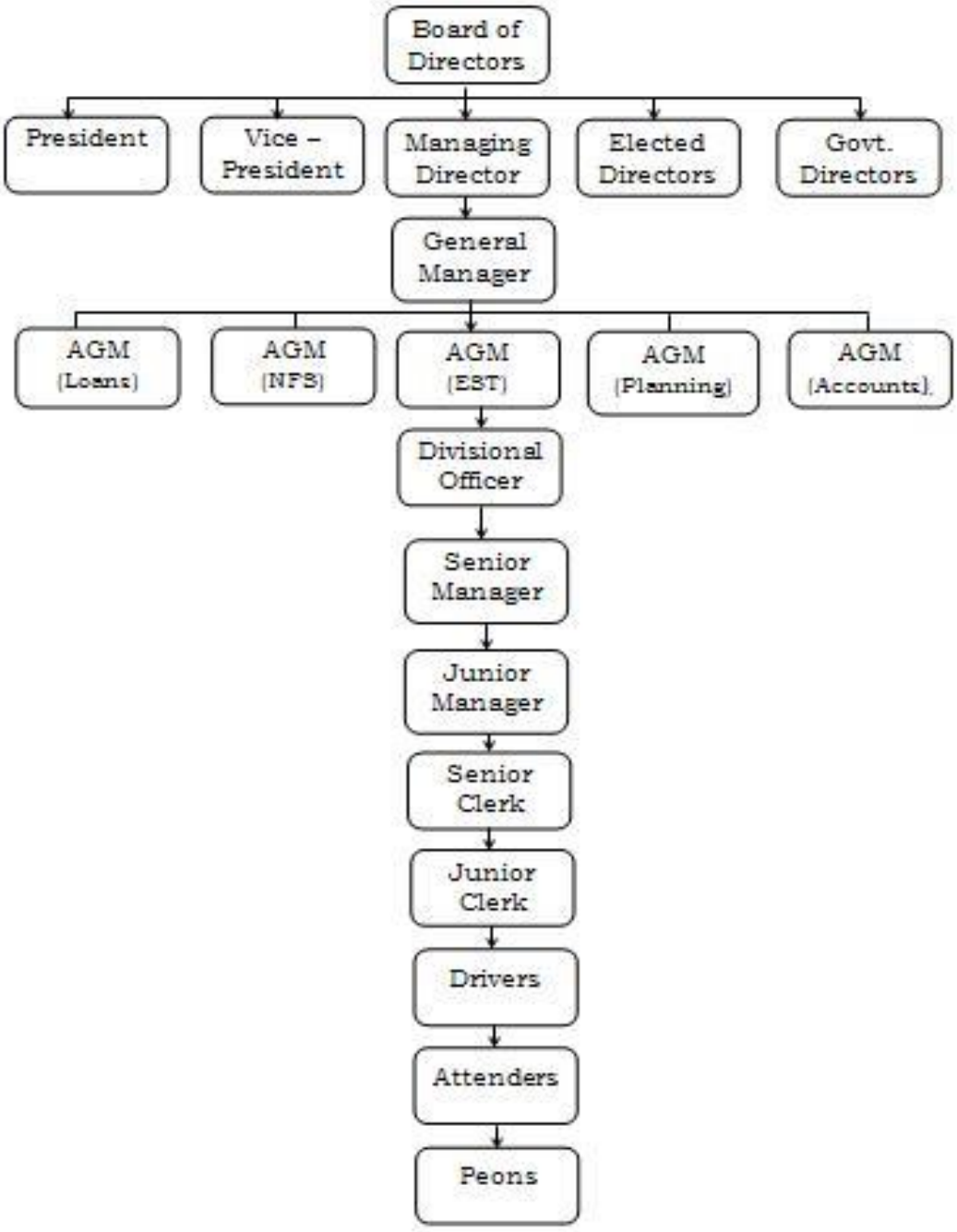
All India Rural Credit Survey Committee (AIRCSC) 1954

The main recommendations of AIRCSC were, linking of borrowings with members share holdings, share capital contribution by Apex Bank, maintenance of agricultural credit stabilization fund and contribution of financial assistance by the RBI to the DCCBs in the form of short term & medium term credit limits etc.

All India Rural Credit Review Committee (B. Venkatappaiah Committee) 1969

The important recommendations of the committee include provision of increased share capital assistance to weak DCCBs, provision of training facilities to the staff, re-organization of weak DCCBs at the rate one for each district with Rs.1core business annually. Entrusting the supervision responsibility to DCCBs and maintenance of financial discipline.

1.6. Organization Chart of DCC Bank



1.7 Funds Management of DCC Bank

The success of any financial institution depends upon its resource mobilization, its deployment of funds and its recovery performance. The funds needed by a DCCB depends on such factors as, volume of business, type of service it provides, kind of physical facilities needed, nature of competition it faces and degree of risk it takes in the conduct of day to day business.

1.8 Specific objectives of the study

Kodagu DCC Bank is rated as one of the best managed bank and Kolar DCC Bank as one of the weak bank. Hence purposefully these two banks were selected for the following objectives.

1. To analyze the physical and financial performance of the DCCB's (District Central Cooperative Banks) in both Kolar and Kodagu Districts.

2. To analyze the factors influencing the performance of DCCB's (District Central Co-operative Banks).

3. To assess the opinion of members and employees regarding the working of DCC Banks.

II. REVIEW OF LITERATURE

A review of past research studies helps in identifying the conceptual and methodological issues relevant to the study. This will enable the researcher to collect relevant data, analyze and interpret the same so as to draw meaningful interpretations. This chapter attempts a brief review of the relevant studies related to the present study.

Keeping in view the objectives of the study, reviews are presented under the following headings.

2.1 Physical and financial performance of the District Central Co-operative Banks in Kolar and Kodagu Districts.

2.2 Factors influencing the performance of District Central Co-operative Banks.

2.3 Opinion of members and employees regarding the working of DCC Banks.

2.1 Physical and financial performance of the District Central Co-operative Bank in Both Kolar and Kodagu Districts.

Bhattacharya (1994) studied the "Problems and prospects of Regional Rural Banks- of Mayurakshi Grameena Bank, West Bengal" and also examined the growth and financial viability of Bank. The results revealed that the deposits declined from 42.92 per cent in 1989 to 15.90 in 1993. The income of the bank declined from 10.09 to 7.71 per cent whereas the expenditure increased from 6.21 to 9.10 per cent during the same period leading to losses.

Shiyani *et al.* (1994) evaluated the physical and financial indicators in relation to the functioning of Banaskantha Mehsena Gramina Bank in Gujarat state. The linear growth rates of different attributes were computed for the overall period and found highly significant. The losses found to be increasing and could be reduced by proper cash management, minimizing less remunerative fixed assets and increased the proportion of saving deposits which carry lower rate of interest. Physical and financial indicators per branch as well as per employee increased at a faster rate.

Padmini and Jaish (1999) in her study on financial performance of Regional Rural Banks used ratio analysis to assess the financial performance of North Malabar Gramina Bank. The paid up capital of the bank had increased from Rs.0.25 lakhs in 1986 to Rs. 0.75 lakhs in 1996. The deposits of the bank had increased form Rs. 133.58 lakhs in 1986 to Rs.12313.46 lakhs in 1996, presenting a cumulative average increase of 19.4 per cent. The profit of the bank stood at Rs.351.50 lakhs in 1996 when compared to Rs.42.02 lakhs in the year 1986.

Vimala (2003) in her study on performance of Regional Rural Banks in Kerala, found that credit disbursement of RRBs increased from Rs.11,261 lakhs to Rs.68,351 lakhs between 1991-92 and 2000-01 recording compound growth rate of 22.18 per cent.

In the agriculture sector, disbursement increased from Rs.4736 lakhs in 1991-92 to Rs.42,212 lakhs in 2000-01 with a compound growth rate of 27.51 per cent. In small scale sector and tertiary sector, the credit disbursement increased from Rs.111 lakhs to Rs.1742 lakhs and Rs.6414 lakhs to Rs.2439 lakhs respectively from 1991-92 to 2000-01. Correspondingly the compound growth rates were 35.78 per cent and 16 per cent respectively.

Atteri *et al*. (2007) made a study on institutional credit flow and regional variation in loan outstanding in farm business in India. The study observed that among institutional credit agencies the share of credit from co-operatives has decreased from 63 per cent to 28 per cent while the share of commercial banks has increased from 30 per cent to 62 per cent. The total institutional credit has increased at the rate of 14.6 per cent per annum. The study highlighted that farmers availed more loans from commercial banks compared to other institutional agencies, depicting a fundamental change in the attitude among borrowing farmers, and relatively more accessibility of farmers to the commercial banks loans than the Co-operative banks.

Koli *et al*. (2007) evaluated the "Financial Performance of District Central Cooperative Bank: A Case study of Rathnagiri District Central Co-operative Bank". This study covers Rathnagiri district comprising of 9 Taluks, with a network of 68 branches and 7 extension counters. For the purpose of the study the selected parameters used were Number of branches, Owned funds, Share capital, Borrowed funds, Bad debt, Reserves, Deposits etc. The compound growth rates were used for the analysis. The study revealed that the annual growth rate total deposit was in the range of 1.26 to 47.01 during the year 1983-84 to 2004-05. The share of the fixed deposits to the total deposits ranged in between 28.03 to 45.36 per cent. The borrowings of the bank increased from Rs.1661.65 lacks to Rs.43880.95 lacks during the study period.

Shah (2007) in his study on banking sector reforms and co-operative credit institutions, observed slower growth of co-operative credit during the period of economic reforms (1991-2000). The results also revealed that the outstanding loans of co-operatives grew at a much faster rate compared to their loan advances during both pre and post economic reform periods.

Shivappa (2007) in his study "Working of regional rural banks in India" examined the growth in advances, deposits and financial performance of the Regional Rural bank (RRBs) by using secondary data. The results revealed that in 1977-78 the RRBs had advanced Rs.52.27 crores, which increased to Rs.39,713 crores in 2005-2006. In 2005-06 the share of agriculture and non-agriculture loans in total loans was 53.87 per cent and 46.13 per cent respectively. A sum of Rs.21,394 crores was issued to agriculture in 2005-06 of which the share of crop loan and term loan was 68.88 per cent and 31.34 per cent respectively. The deposits collected are RRBs in 1977-78 were Rs.32.11 crores which increased to Rs.71,329 crores in 2005-06. The credit-deposit ratio was more than 95 per cent up to 1987 which started declining in subsequent years but improved again in 2006.

Gurcharan Singh and Sukhmani (2011) in their study an analytical study of productivity and profitability of District Central Co-operative Banks focused on evaluating performance of co-operative banks for a period of nine years (1999-2000) in the state of Punjab. Six DCCBs from the state were selected for the study. The study has found that profitability in all selected DCCBs of Punjab had shown a negative growth during the study period and subsequently productivity improved significantly.

Bista *et al* (2012) studied the progress and performance of Kisan Credit Card scheme in Bihar, by finding its share in the total amount of loan disbursed to agriculture. The case study of Bihar has depicted a picture with a vast disparity across different districts of the state in terms of amount, number of cards and amount per card.

Murthy and Veena (2012) conducted a study on bank transaction cost of PCARDBs in Mysore District. The study finds that the transaction cost incurred by PCARDBs in the district, taking all the seven PCARDBs in the aggregate during the period 2003-04 to 2009-10 fluctuated between Rs.155.83 lakhs to Rs.123.53 lakhs. The absence of mutual confidence between lender and borrowers, ignorance of information regarding how to obtain loan, poor recovery performance, and delay in loan approval have led to the increase in the transaction cost of the bank. Proper training of bank personnel's and concern regarding the borrowers as well as bank can reduce the bank transaction cost.

2.2 Factors influencing the performance of District Central Cooperative Banks

Mazumdar and Baruah (1999) studied a repayment performance of institutional finance on allied agricultural activities. The sample of borrowers was stratified into three groups according to land area. Findings are presented with regard to amount of loan borrowed, utilization of loan; amount due for repayment, recovery performance, magnitude of over dues, and factors (economic and social) affecting repayment of loan. Suggestions are made for enhancing the repayment capacity of borrowers.

Bhaskaran *et al.* (2000) in their study "Non-Performing Assets (NPAs) in Co-operative Rural Financial System: A major challenge to rural development" concluded that the recovery performance of co-operative credit institutions continues to be unsatisfactory which contributes to the growth of NPA even after the introduction of prudential regulations. They suggested legislative and policy prescriptions to make co-operative credit institutions more efficient, productive and profitable organization in tune with competitive commercial banking.

Urs *et al.* (2000) in their study "Measuring the performance of District Co-operative Banks" evaluated the performance of 14 District Central Cooperative Banks (DCCBs) in Kerala on 23 parameters and found inefficiency in their operations with lower capital and poor deployment of funds in DCCBs.

Vijay Mavaluri *et al* (2006) in their study on measurement of efficiency of banks in India suggested that performance of banking in terms of profitability, productivity,

asset quality and financial management has become important to stable the economy. They found that public sector banks have been more efficient than other banks operating in India.

Chalam and Prasad (2007) in their study, on an evaluation of financial performance of cooperative societies in West Godavari District of Andhra Pradesh indicated that the PACSs are having higher liquidity due to high ratios of cash to deposits, investment to deposits, and credit to deposit, and low cost of management; liquidity is stymied by low spread to total assets and high net worth to fixed assets. The ratio of interest earned to total income and ratio of total income to working capital were high and satisfactory. The ratios of interest paid to total income, expenditure to total income and establishment expenditure to total expenditure were high. To improve operational efficiency, the study suggested that the ratio of interest paid to total income and establishment expenditure should be reduced.

Dutta *et al.* (2008) in their study "Appraisal of financial performance of urban cooperative banks-a case study" suggested that Co-operative banks should improve their recovery performance, adopt new system of computerized monitoring of loans, implement proper prudential norms and organize regular workshops to sustain in the competitive banking environment.

Kumar Sabina (2008) studied the management of Non-Performing Assets in District Central Cooperatives Banks of Punjab, with a sample of ten DCCBs i.e. five with high level of NPAs and five with low level of NPAs. It was found that despite the best efforts, Central Cooperative banks had not succeeded in diversifying their business. The NPAs in crop loan were found to be the lowest and highest in non-farm sector. On the basis of stepwise Multiple Regression it was found that caste, education, amount and adequacy of loan were the main factors effecting repayment performance of the borrowers. Study suggested that these banks should form a special cell to monitor NPAs and should take services of recovery agents.

Alagawadi and Savadatti (2011) conducted study on performance evaluation of Malaprabha Grameen Bank in Karnataka. The Principal Component Analysis (PCA) indicated the dominance of business component in influencing the performance of the bank during post-WTO period. Hence, purpose-wise and beneficiary-wise rationalization of credit structure and scale is a pre-requisite for enhancing the effectiveness of the credit system and in turn business of the bank. Secondly, the bank has to strike a balance between advances for agricultural and non-agricultural purposes, since, safeguarding the interest of the target groups is important on one hand and sustainability of the bank on the other.

Moga *et al* (2011) made a study on factors influencing the adoption of e-banking by Romanian agri-business enterprises. The research model was further extended by incorporating variables from the technology acceptance model, the theory of diffusion of innovation and factors identified from previous studies which are considered significant in influencing adoption of e-banking. The results show that accessibility, perceived

usefulness, technical resources, self efficacy, compatibility, perceived ease of use and cost are factors that influence the enterprises to adopt e-banking. Practical implications of the study are discussed.

Silesh *et al* (2012) conducted a study of Factors affecting loan repayment performance of smallholder farmers in East Hararghe, Ethiopia. However, there is serious loan repayment delinquency in the study area, which discourages the rural finance from promoting and extending credit. The results indicate that agro ecological zone, off-farm activity and technical assistance from extension agents positively influenced the loan repayment performance of smallholder farmers, while production loss, informal credit, social festival and loan-to-income ratio negatively influenced the loan repayment of small land holder farmers (<0.05). Based on the findings policy implications can be drawn for improving loan repayment performance and sustainability of credit services and institutions in the study areas.

Matthew (2013) studied the farmer's perception of the major constraining factors affecting the performance of Microfinance banks in rural agricultural financing in Kogi State, Nigeria. The study revealed, that while undue delay in processing of approved loan, default in loan repayment, high interest rate charged; inability to access enough loan, demand for high volume of deposit as collateral, improper assessment of loan repayment potential of customers, short or no moratorium, complex loan form and inefficient management are identified as the major constraints affecting the efficient performance of Microfinance banks in Kogi state, inability to mobilize high volume of deposit, lack of supervision or regulation, lack of loan investment monitoring, corrupt practices of MFBs Staff, lack of awareness of products and services of the MFBs were identified as not serious constraints.

Patel *et al*. (2014) made a study on Bank loan repayment capacity of Raipur district of Chhattisgarh state. The results indicated that the respondents with higher annual income showed better repayment performance. A majority of the respondents with low to medium socio- economic status were found defaulter in repayment of their loans. However, only few of them were found to be regular. Study also showed that there was no impact of number of earners in the loan repayment performance.

2.3 Opinion of members and employees on working of organization

Korman (1978) in his study on organizational behavior opined that the pattern of structure, relationship and co-ordination provided a type of climate in the organization which influenced the motivation, job satisfaction and productivity of its workers, and feel satisfactions and frustrations, based upon their perception of the organizational climate.

Balishter and Prakash (1989) in their study on crop loan over dues in bank in Agra district of Uttar Pradesh attempted to find the overdue position of the borrowers from in 1985-86. It was observed that 61 per cent of farmers defaulted, with overdue on advance to crop loans by the bank. Large and medium farmers accounted for 55 per cent of total over dues. Willful default was found in about 35 per cent cases. Diversion of

income for purchasing lands or other property and uncertainty about getting new loan after repayment were the main reasons for willful default.

Prakasam (1986) in his study "Organizational climate: Development of a questionnaire measure" defined organizational climate as the shared perception of the employees who work and live together in the organization. It is the sum total of individual perceptions regarding organizational procedures, policies, practices and it represents the psychological environment in the organization consisting of individual perceptions and opinions framed upon the micro-events that happen to them as well as to others over a period of time.

Lakshminarayana and Adinarayana (1990) in their study on appraisal of repayment capacity and over dues of crop loans in Co-operative and Commercial banks in Kasimkota Panchayatsamiti of Vishakapattanam District evaluated the repayment capacity of crop loan borrowers and assessed the factors affecting loan overdue from the cooperative and commercial banks. The analysis suggested that inadequacy of institutional credit was an important factor affecting loan repayment, others included magnitude of family consumption expenditure, misuse of loans and the occurrence of disguised unemployment.

Reddy Ramachandra and Reddy Raghunath (1996) made a case study of borrowers knowledge on farm credit and follow-up action of bank officials in Khaijipet mandalam of Cuddapah district of Andhra Pradesh. About 54 per cent of the borrowers opined that scale of finance provided by the bank was sufficient but all the beneficiaries wanted technical guidance nearly 60 per cent of the borrowers opined that loan sanctioning procedure was easy and 82 per cent of the borrowers opined that the interest charged was reasonable. It was revealed that bank personnel have visited short term beneficiaries one during the crop season. It was suggested that timely advance should be provided and bank authorities should change the procedure to suit local conditions and also for providing technical guidance to borrowers.

Ramalingappa (2009) analyzed the Agri-business financial requirement of farmers in Bellary district of Karnataka and also studied the opinion of the farmers about various financial institutions. The results revealed that majority of the farmers expressed inadequacy of loan amount. This opinion was mainly from borrowers of cooperative banks (70%), followed by RRBs (50%) and commercial bank (40%). With regard to timeliness in sanctioning of loan, about 65 per cent of respondents felt timeliness in case of commercial bank, followed by RRBs (60%) and Cooperatives (50%). With regard to interest rates, 70 per cent of respondents of cooperatives felt interest rates were low compared to RRBs (70%) and commercial banks (60%).with regard to procedure of advancing loans respondents felt it was cumbersome in all the institutions (45%). Majority of the respondents expressed that the access to the bank was easy and the staff treatment was good.

III. METHODOLOGY

This chapter deals with the description of the study area, methods of data collection, nature and sources of data used and various statistical tools and techniques employed for analyzing the data. The methodology is presented under the following major heads.

3.1 Description of the study area

3.2 Data collection

3.3 Method of analysis

3.1 Description of the study area

3.1.1 Description of the study area Kolar District

The Kolar DCC bank was registered on 14.1.1955 with an objective of lending money and there by extending economic support to farmers. At present there are 740 Co-operative members' societies with total share capital of Rs.1366.02 lakhs.

Kolar district is situated in the southern part of Karnataka. Kolar district is located between 12º 46' to 13º 58' N latitude and 77º 21' to 78º 35' E longitude. Temperature ranges between 37ºc (max) and 15ºc (Min) Its geographical area is 3969 sq km. The district is bounded by the Bangalore Rural district in the west, Chikballapur district in the north, Chittor district of Andhra Pradesh in the east and on the south by Krishnagiri and Vellore districts of Tamil Nadu. The district headquarter is located at Kolar town,the district spread across five Taluks in Kolar, Mulabagal, Bangarpet, Malur, and Srinivaspura. The total population in the district is around 1,540,231. Population density is 384 per Sqkm. The district has 20,620 ha of forest area out of total geographical area of the district. The land not available for cultivation is 45,677 ha. The barren land in the district is around 28,870 ha. Net area sown during the year 2012-13 was around 1,77,777 ha.(The rain fall and land utilization details of the district shown in (Table 3.1 and 3.2)

Major crops grown in the district are ragi, maize, rice, tur, horse gram, dolichos, green gram, groundnut, sunflower and horticulture crops like mango, guava, sapota, grapes, coconut, cashew, banana, tomato, onion, brinjal, drumsticks etc.

3.1.2 Description of the study area of Kodagu District

The Kodagu DCC Bank was registered on 28.06.1921 with 45 Co-operative societies and 16 individual members with paid up share capital of Rs.4400.00 and deposit of Rs.10000/-. It has made spectacular progress in its transaction in all spheres of Co-operative Banking activities. At present there are 274 Co-operative member societies with total share capital of Rs.1217.36 lakhs.

Kodagu - district situated in the southern part of Karnataka. Kodagu districts located between 11º56' to 12º56' North latitude and 75º22' to 76º 11' East longitude. Temperature ranges between 26.6ºC (Max) and 14.2ºC (Min). Its geographic area is 4102sq km. The district has bounded on north by Hassan district, south by Kerala, east by Mysore and west by Dakshina Kannada. (The rain fall and land utilization details of the district shown in Table 3.1 and 3.2). The district headquarters is located at Madikeri town. The district spread across three Taluks Viz, Madikeri, Somvarpet and Verajpet. The total population in the district is 5, 54,762. The population density is 135/sq.km, and the sex ratio is 1019 male per 1000 female.

The major food crops grown in the district are Paddy, Ragi and Oilseeds. Major Commercial crops – coffee, tea, arecanut, virginia, coco, rubber and horticulture crops – banana, ginger, cardamom, venila, Etc.

Table 3.1 Taluk wise average annual rainfall of Kolar and Kodagu Districts

Sl.No.	Districts/Taluks	Average Annual Rainfall(mm)
1.	Bangarpet	698.4
2.	Kolar	730.4
3.	Malur	609.1
4.	Mulabagal	698.1
5.	Srinivasapura	526.0
	Total	**3262.0**
Sl.No.	**Districts/Taluks**	**Average Annual Rainfall(mm)**
1.	Madikeri	2837.8
2.	Veerajpete	1650.1
3.	Somavarapete	2336.8
	Total	**2274.9**

Sources: 1) http://Kolar.nic.in/Stat 2012-13.

2)http://Kodagu.nic.in/Stat 2012-13.

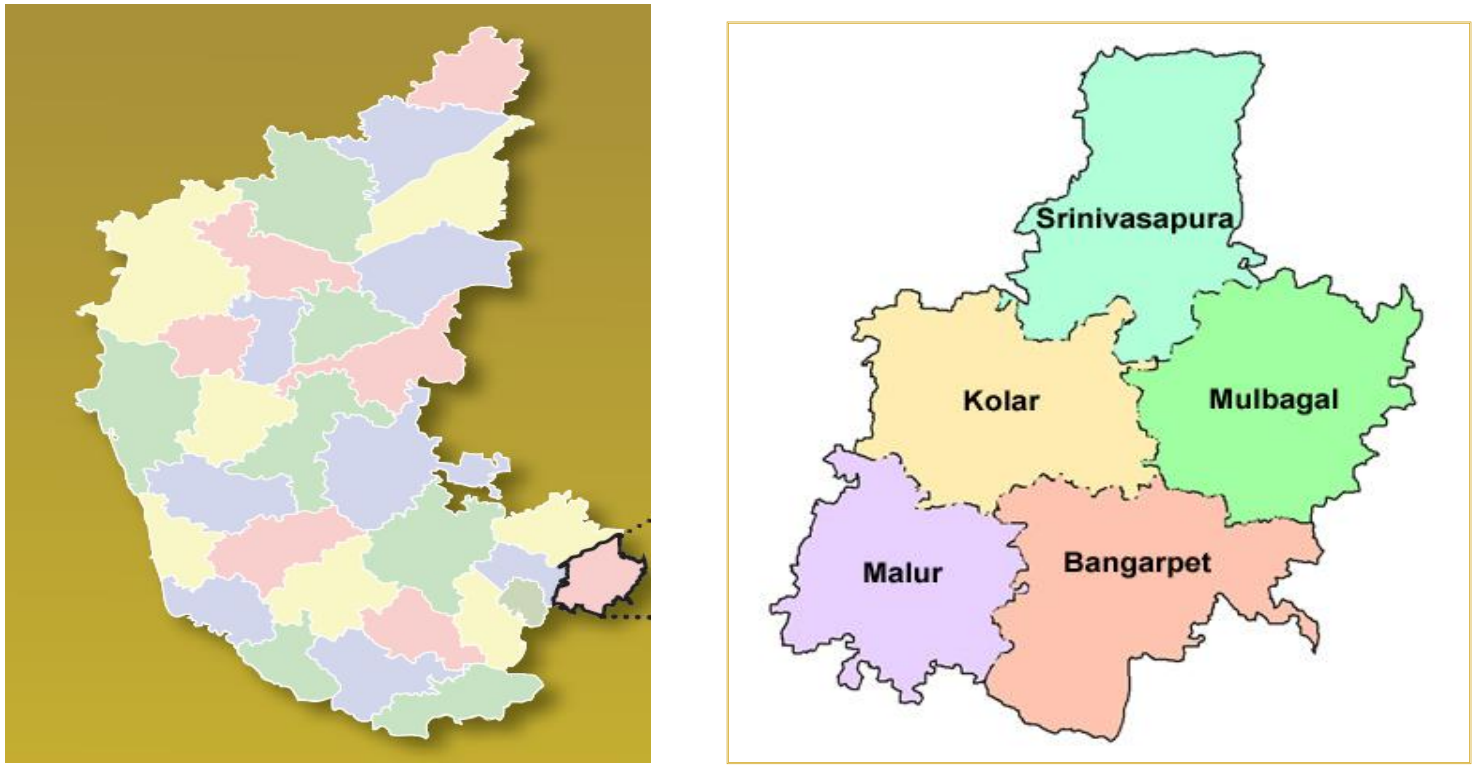


Fig 3.1 Map Showing Study Area of Kolar District

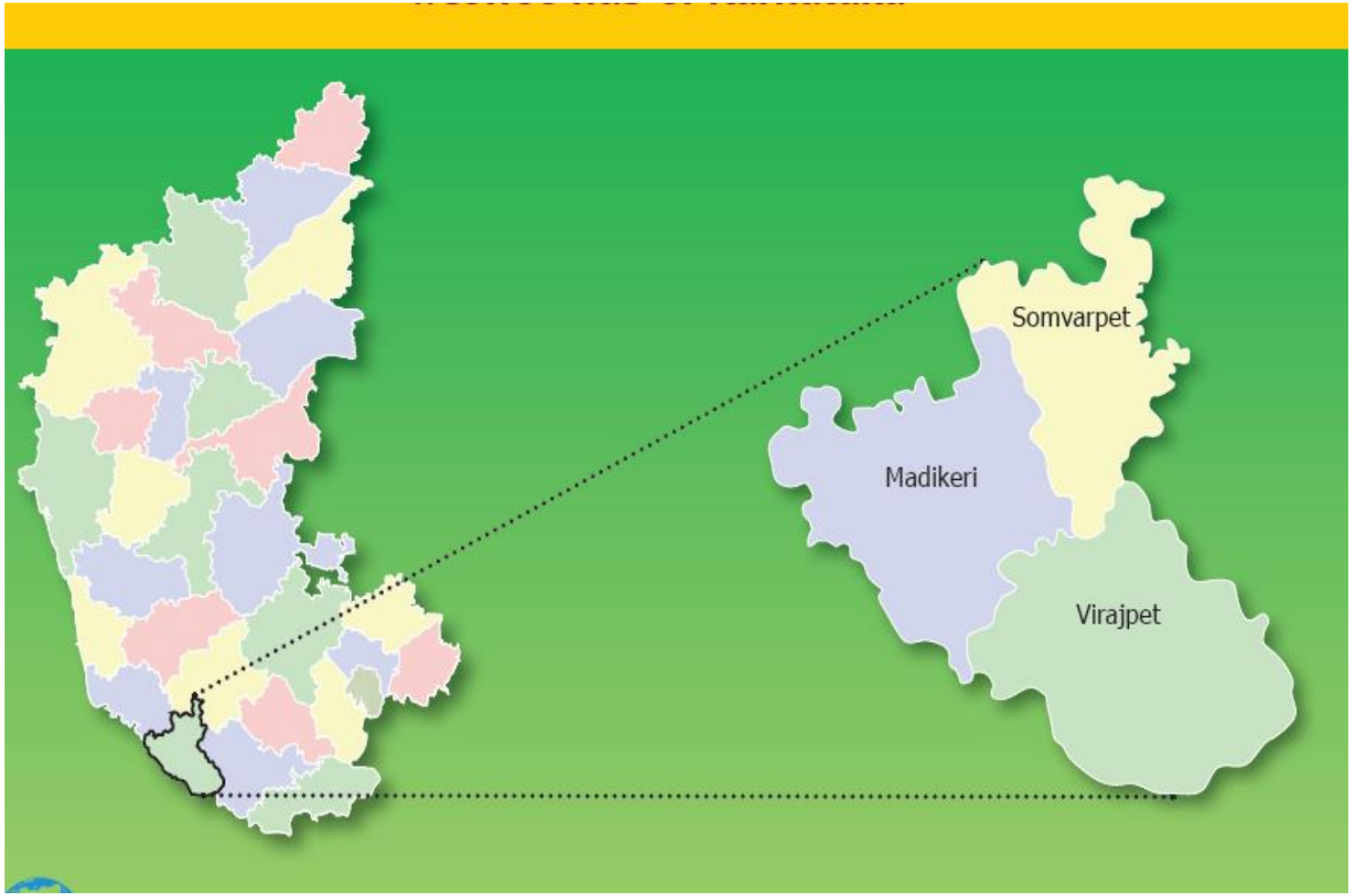


Fig 3.2: Map showing study Area of Kodagu District

Table 3.2 Land Utilization of Kolar and Kodagu Districts 2012-13 (Hectares)

Sl. No	Districts/Taluks	Land Utilization 2012-13 (Hectares)									
		Geographical Area	Forest	Net Area Sown	Land not available for Agriculture			Other uncultivated land			
					Non-Agricultural	Barren	Total	Cultivable Waste	Permanent Pasture	Trees and Groves	Total
1.	Bangarpet	74520	2758	31826	7435	8982	16417	1407	5495	411	7313
2.	Kolar	69210	4633	33748	10897	3807	14704	405	2672	1270	4347
3.	Malur	63166	1560	26220	8258	1907	10165	2399	10742	742	13883
4.	Mulabagal	82246	2122	44068	10692	4714	15406	1218	10511	2954	14683
5.	Srinivasapura	85824	9547	41915	8395	9460	17855	968	9998	1632	12598
	Total	**374966**	**20620**	**177777**	**45677**	**28870**	**74547**	**6397**	**39418**	**7009**	**52824**
1.	Madikeri	145045	47514	49336	4405	13550	17955	7490	4199	15950	27639
2.	Verajpete	99999	20849	44540	16260	8923	25183	908	3700	1916	65241
3.	somavarpete	165731	66234	70771	3480	8537	12017	708	6835	5400	12943
	Total	**374966**	**20620**	**177777**	**45677**	**28870**	**74547**	**6397**	**39418**	**7009**	**105823**

Source: 1) http://kolar.nic.in/Stat 2012-13.
2) http://kodagu.nic.in/Stat 2012-13.

3.2 Data Collection

The primary data was collected randomly from among the available employees from the different designations of both Kolar and Kodagu DCC Banks and members were also selected randomly on the visit to the bank at the time of data collection, the total sample size was 60, constituting 40 members and 20 employees each, from Kolar and Kodagu DCC Banks.

The secondary data was collected from published annual reports of both Kolar and Kodagu DCCB's for the period of ten years from 2003-04 to 2012-13 with respect to loans and advances, membership, branch network, number of accounts, loans outstanding, deposits, priority sector lending, agriculture sector lending, total business and non-performing assets.

Kodagu DCC Bank is rated as one of the best managed bank and Kolar DCC Bank as one of the weak performing bank. Hence purposefully these two banks were selected.

3.3 Method of analysis

Keeping in view the specific objectives of the study, the data collected was subjected to following statistical analysis.

1. Percentage

2. Compound growth rate (CGR) analysis

3. Ratio analysis

4. Correlation analysis

3.3.1 Percentage

The share of total deposits, type wise deposits and loans outstanding has been presented using percentage. The same was used for calculating share of priority sector and agriculture sector in total loans issued and total loans outstanding. Opinion about bank by the members and employees were also expressed in percentage, the percentages were compared to obtain meaningful results.

3.3.2 Compound growth rate analysis

Growth rates of Kodagu and Kolar DCC Bank in terms of Number of Branches, Number of Members, Paid up Share Capital, Reserve and Other Funds, Deposits, Net Profits, Investments etc. were computed for a period of 10 years from 2003-04 to 2012-13. Several functional forms were available to estimate the growth rates of the selected economic variables. Exponential growth model was selected to assess the growth and to

evaluate the performance of DCC Banks in Kodagu and Kolar and the model is of the following form:

The compound growth rates were computed by using the exponential function of the form.

$$Y_t = AB^t e^{ut} \quad \text{----------} \quad (1)$$

Where Y_t = Credit disbursed during time t

A = Y in the base year

t = Time period

u_t = Error term

B = 1+g, where g = growth rate.

By taking the logarithm, equation (1) was reduced to the following form.

$$\text{Log}Y_t = \text{Log}A + (\text{Log}B)\, t + u_t \quad \text{----------} \quad (2)$$

Where Log A and Log B were the parameters of the function obtained by Ordinary Least Square (OLS) method.

Equation (2) could be written as follows

$$Q_t = a + bt + u_t \quad \text{----------} \quad (3)$$

Defining, Qt = log Y_t

t = time period,

a=log A

b=log B

Once the above equation is estimated, g which is the percent compound growth per annum can be computed as:

$$g = [\text{Antilog}\ (b)-1] \times 100 \quad \text{----------} \quad (4)$$

3.3.3 Financial ratio analysis

The standard financial practices applied in ratio analysis, are selected from the published financial data of Kolar and Kodagu DCC Banks were taken for financial

analysis. To highlight solvency, liquidity, profitability of the financial institutions, the secondary data drawn from the audited annual statements of the balance sheet, profit and loss account of the bank for a period of five years from 2008-09 to 2012-13 were subjected to rigorous financial ratio analysis. The financial ratios used for the analysis are described below.

3.3.3.1 Solvency Ratios

The solvency ratio indicates long term solvency of the bank, the high degree of solvency is always desirable for the financial health of any organization. It depicts the equity contributed by the shareholders retained earnings and debt of the institutions. The various ratios employed were as follows:

(a) Debt- Equity Ratio

This ratio indicates the capital structure by taking into consideration of long term debt components, the leverage factor is considered for the purpose of assessing the right proportion of owned and borrowed funds.

$$\text{Debt- Equity Ratio} = \frac{\text{Long term Liabilities}}{\text{Net-worth}}$$

In the above ratio, debt represents only long term liabilities and not current liabilities, while equity refers to net-worth after deducting intangible assets.

(b) Indebtedness Ratio

The ratio indicates the amount owed by the bank to creditors. The ratio reflects the solvency position of the bank in a better way.

$$\text{Indebtedness Ratio} = \frac{\text{Total Liabilities}}{\text{Net-worth}}$$

The lower the ratio, better the solvency position. The total liabilities include statutory reserves, capital reserves, revenue reserves, borrowings, contingent liabilities, other liabilities and share capital.

3.3.3.2 Liquidity Ratios

Liquidity ratio plays a key role in assessing the short term, liquidity position and short term financial obligations the poor liquidity is an indication of technical bankruptcy, despite having the sufficient assets to meet the all obligations yet is not having sufficient money to honor the day to day financial commitments.

The ratio of liquidity varies from business to business sometimes negatives liquidity ratios in merchandising originations proved to be financial prudence. However the same yard stick cannot be applied as a standard practices. The banks liquidity position is always guided by banking regulation act and RBI.

(a) Current ratio

The current ratio would give the relationship between current assets and current liabilities of the Kolar and Kodagu DCC Banks and is calculated as follows.

If the ratio is greater than one, the current assets of the bank were enough to pay off all current liabilities. If the ratio is one, it indicates the current assets were just sufficient to meet the current liabilities. A current ratio of 2:1 was considered to be satisfactory and indicated the extent to which short term claims could be met by the assets that could be readily convertible into cash. Generally, higher the value of ratio, better would be the margin of safety and technical solvency of the organization, and highest ratio also reflects the originations inefficiency in using the surf less funds which may lead to decrease profitability.

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

The current assets included in the present study were cash at bank, short term loans and advances to customers, accounts receivable, and fixed deposits in other banks. The current liabilities included were SB & current accounts, taxes payable and bills payable, cotangent liabilities, short term deposits, bonds etc.

(b) Acid test ratio

This ratio is also called as quick ratio or near money ratio, represents the ratio between quick assets and current liabilities were computed by using the following formula.

$$\text{Acid test ratio} = \frac{\text{Quick Assets}}{\text{Current liabilities}}$$

The quick assets include cash at bank, cash at other banks, short term deposits and advances, investments are the important components. In banks there is no component of inventory therefore relevance of this ratio is not highly regarded. The current liabilities included the raised capital, SB & current accounts, taxes payable and bills payable.

A ratio of one would be regarded as a suitable standard and a ratio of less than 0.5 could be considered unsatisfactory situation.

(c) Liquid Assets to Total Assets Ratio

The degree of liquidity performance adopted by the bank was depicted by this ratio. It was computed as follows.

$$\text{Liquid Assets to Total Assets Ratio} = \frac{\text{Liquid Assets}}{\text{Total Assets}}$$

The liquid assets include cash at bank. Total assets include cash and bank balances, advances, fixed assets and other assets.

3.3.3.3 Tests of Strength

(a) Net-worth

Net-worth reflects the enhancement or depletion of capital over a period of time this can be ascertained by applying the accounting equation assets is equal to liabilities, assets minus third party liabilities is equal to net-worth. If the net-worth is greater than the capital invested shows the progress in capital and if the net-worth is less than the capital invested reflects the erosion of capital and if net-worth is equivalent to capital shows no change.

$$\text{Net-worth} = \text{Total Assets} - \text{Total liabilities}$$

(b) Net Capital Ratio

The ratio indicates the degree of liquidity of the bank in the long run. It measures the degree of availability of assets to pay off the long term liabilities.

$$\text{Net Capital Ratio} = \frac{\text{Total Assets}}{\text{Total liabilities}}$$

3.3.3.4 Profitability Ratios

These ratios were used to compare the return to the investment the important ratios computed were as follows

(a) Net profit to Total Assets Ratio

This is ratio of profit on total assets of the bank and their employment.

$$\text{Net profit to Total Assets Ratio} = \frac{\text{Net Profit}}{\text{Total assets}}$$

An increasing trend over the years indicates the overall efficiency of the bank.

(b) Net Profit to Net-worth Ratio

The ratio of net profit to net-worth shows whether profitability is being maintained or not.

$$\text{Net Profit to Net-worth Ratio} = \frac{\text{Net Profit}}{\text{Net-worth}}$$

(c) Net Profit to Fixed Assets Ratio

The ratio indicates whether the fixed assets are being used profitability. A decline in the ratio shows that either the assets are being kept idle or the business conditions are bad.

$$\text{Net Profit to Fixed Assets Ratio} = \frac{\text{Net Profit}}{\text{Fixed Assets}}$$

3.3.4 Correlation Analysis

Correlation analysis is used to measure the correlation between the ratios. The correlation matrix computes the correlation coefficients of the columns of a matrix. That is, row i and column j of the correlation matrix is the correlation between column i and column j of the original matrix. The diagonal ratios of the correlation matrix will be 1 since they are the correlation of a column with itself. The correlation matrix is also symmetric since the correlation of column i with column j is the same as the correlation of column j with column i.

The correlation is +1 in the case of a perfect positive (increasing) linear relationship (correlation), −1 in the case of a perfect decreasing (negative) linear relationship (anti correlation), and some value between −1 and 1 in all other cases, indicating the degree of linear dependence between the ratios. As it approaches zero there is less of a relationship (closer to uncorrelated). The closer the coefficient is to either −1 or 1, the stronger the correlation between the ratios.

The variation in a variable ratio (X) is measured by $E(X - \bar{X})^2$ and in another ratio (Y) by $E(Y - \bar{Y})^2$. Also the joint variation in X and Y is measured as $\mathrm{E}(X - \bar{X})\,(Y - \bar{Y})$. We know the three terms represent variance of X, Y and covariance between

X and y. so to obtain a measure of relation between X and Y independent of units of measurements. Karl Pearson in 1890 defined a measure of relationship given by the formula,

$$= \frac{\mathrm{E}(X-\bar{X})\,(Y-\bar{Y})}{\sqrt{E(X-\bar{X})^2 E(Y-\bar{Y})^2}}$$

$$= \frac{\mathrm{cov(X,Y)}}{\sqrt{var(X)var(Y)}}$$

$$=\frac{\sigma_{XY}}{\sigma_X\,\sigma_y}$$

$$= \frac{\mu_{12}}{\sqrt{\mu_{11}\mu_{22}}}$$

The measure $\rho\, r_{XY}$ is called the product moment correlation coefficient or simply correlation coefficient.

Correlation coefficient is r_{xy}a measure of degree or extent of linear relationship between two variables X and Y.

IV. RESULTS

In accordance with the objectives of the study, the data collected from primary and secondary sources was analyzed and interpreted. The findings of the study were presented in this chapter under the following headings:

4.1 Physical and financial performance of the DCC Banks in Kolar and Kodagu Districts.

4.2 Financial Ratio Analysis of Kolar and Kodagu DCC Banks.

4.3 Agricultural Loans Advanced by DCC Banks.

4.4Factors influencing the performance of DCC Banks.

4.5 Opinion of Members and employees regarding the working of DCC Banks.

4.1Physical and financial performance of DCC Banks of Kolar and Kodagu

4.1.1 Physical performance of the Kolar and Kodagu DCC Banks

The performance of Kolar and Kodagu DCC Banks can be judged by assessing the compound growth rates of physical indicators such as number of branches, number of employees and number of members. These indicators are presented in Table 4.1. As regards, number of employees, there was decrease in total employment, in both DCC Banks. In Kodagu DCC bank it has decreased from 147 in 2003 to 138 in 2012-13, whereas in case of Kolar DCC Bank decreased from 66 in 2003 to 56 in 2012-13.With respect to membership it was noticed that both the banks has both individual and institutional members. The DCC bank admits all types of co-operative societies within the district as members. The institutional members includes primary level societies like primary agricultural co-operative societies, urban co-operative banks, multi-purpose co-operative societies, milk producers co-operative societies, processing co-operatives, industrial co-operatives and consumer co-operatives etc.

In case of Kodagu DCC Bank the number of institutional members decreased from 210 in 2003-04 to 208 in 2012-13 at a negative compound growth rate of 0.28 per cent per annum. It is evident from Table 4.1 that individual membership of Kodagu DCC bank has increased significantly from 11384 in 2003-04 to 13792 in 2012-13,at an impressive annual compound growth rate of 2.52 per cent, where as in case of Kolar DCC bank the membership increased from 1000 in 2003-04 to 1010 in 2012-13 with a marginal compound annual growth rate of 0.07 per cent.

Table 4.1: General profile of Kolar and Kodagu District Central Co-operative Banks

Sl. No.	Year	Number of branches		Number of Employees		Number of members			
						Co-operative societies		Associate members	
		Kodagu	Kolar	Kodagu	Kolar	Kodagu	Kolar	Kodagu	Kolar
1.	2003-04	11	12	147	66	279	210	11384	1000
2.	2004-05	11	12	132	66	277	210	11440	1004
3.	2005-06	11	12	141	62	278	206	11596	1004
4.	2006-07	11	12	135	60	278	204	12164	1004
5.	2007-08	13	12	133	58	275	206	12293	1004
6.	2008-09	13	12	143	58	277	206	13246	1004
7.	2009-10	13	12	143	56	279	208	13452	1004
8.	2010-11	13	12	140	56	279	208	13546	1004
9.	2011-12	13	12	133	56	274	208	13647	1010
10	2012-13	13	13	138	56	276	208	13792	1010
	***CAGR (%)**	**2.45**	**0**	**-0.18**	**-2.25**	**-0.08**	**-0.28**	**2.52**	**0.07**

Source: Annual Reports of Kodagu and Kolar DCC Banks 2003-04 to 2012-13

4.1.2 Financial performance of the DCC Banks

The growth of financial indicators can be judged by assessing the growth rates of various indicators such as Share capital, Reserve Fund, Deposits, Borrowings, Working capital, and Net profits. The financial indicators of the banks were presented in Table 4.2and 4.3

4.1.2.1 Share Capital

The share capital was contributed by the members either of individual members or by institutional members and may be treated as cost free for the purpose of profitability. However, for a more rigorous and conservative analysis of profitability, the dividend paid by a bank may be taken as cost of owned funds.

It is clear from Table 4.2 that the share capital collected from members of Kodagu DCCB was Rs.572 lakhs in 2003-04 which was increased to Rs.1217 lakhs by 2012-13 at a compound growth rate of 7.11 per cent per annum. In case of Kolar DCCB, it was Rs.687 lakhs in 2003-04 which increased to Rs.1358 lakhs by 2012-13 with a compound growth rate of Rs.7.19 percent. However, it is also clear from Table that the share of share capital to working capital of Kodagu DCCB was just 2.08 per cent, and in Kolar DCCB, it was 5.41 per cent.

4.1.2.2 Reserve and other funds

DCC Bank maintain different types of reserves like statutory reserve fund, agricultural credit stabilization fund, dividend equalization fund, building fund, other reserves, etc. Since the reserve fund is indivisible, the members do not have a claim on it. The reserves being past profits retained in the business are cost free.

During the study period reserve fund of Kodagu DCCB has enlarged the Reserve funds from Rs.1426 lakhs in 2003-04 to Rs.4472 lakhs by 2012-13, and the reserve fund of Kolar DCCB has increased from Rs.205 Lakhs in 2003-04 to Rs.979 Lakhs by 2012-13, with respect to contribution to working capital the share of reserve fund to working capital of Kodagu DCCB is 13.57 per cent, and in Kolar DCC Bank it was 20.00 per cent.

4.1.2.3 Deposits

Table 4.2 clearly indicates that out of total working capital the average share of deposits of Kodagu DCCB is 63.49 per cent, and in Kolar DCCB, it is 30.77 per cent, the deposit collected by the Kodagu DCC Bank had increased substantially from Rs.10738 lakhs in 2003-04 to Rs.42651 lakhs at the end of 2012-13, and the deposit collected by the Kolar DCC Bank had decreased from Rs.7981 Lakhs in 2003-04 to Rs.5005 Lakhs by 2012-13.

Table 4.2: Financial indicators of Kodagu and Kolar DCC Banks (Rs. In Lakhs)

Sl. No	Year	Share Capital		Reserve Funds		Deposits		Borrowings		Working Capital	
		Kodagu	Kolar	Kodagu	Kolar	Kodagu	Kolar	Kodagu	Kolar	Kodagu	Kolar
1	2004	572.42 (2.87)	687.59 (3.32)	1426.59 (7.17)	205.54 (0.99)	10738.75 (53.98)	7981.71 (38.55)	8200.00 (41.22)	8275.94 (39.97)	19891.6	20702.18
2	2005	578.22 (2.79)	787.98 (3.81)	1680.32 (8.12)	193.87 (0.93)	11108.24 (53.73)	6615.15 (32.07)	5700.67 (27.57)	8059.44 (39.07)	20672.79	20625.71
3	2006	699.92 (3.14)	794.27 (4.54)	2312.69 (10.39)	190.22 (1.08)	14937.15 (67.12)	4914.77 (28.14)	5425.13 (24.37)	6509.46 (31.06)	22254.15	17461.7
4	2007	708.12 (2.57)	794.7 (4.89)	2718.44 (9.90)	190.21 (1.17)	16926.88 (61.64)	4535.81 (27.95)	8885.26 (32.36)	5441.46 (54.76)	27450.38	16224.59
5	2008	708.16 (1.85)	816.02 (4.64)	2810.45 (7.37)	191.44 (1.08)	22448.58 (58.88)	4655.44 (26.49)	10592.52 (27.78)	5854.87 (33.32)	38119.53	17566.44
6	2009	710.55 (1.79)	816.49 (3.87)	3563.29 (8.98)	193.9 (0.92)	22146.53 (55.83)	4236.98 (20.10)	13250.08 (33.87)	5237.97 (62.87)	39667.47	21075.03
7	2010	734.05 (1.79)	835.28 (5.22)	3741.12 (9.16)	217.56 (1.35)	24940.02 (61.10)	4619.41 (28.86)	10077.32 (62.98)	2380.56 (62.98)	40812.14	16000.72
8	2011	758.52 (1.81)	1047.53 (7.39)	3985.9 (9.53)	449.21 (3.17)	31091.76 (74.35)	5353.12 (37.78)	9780.85 (23.38)	2337.12 (69.04)	41817.28	14166.21
9	2012	1029 (1.96)	1358.14 (9.49)	4435.86 (8.45)	978.67 (6.84)	38468.54 (73.29)	4898.31 (34.24)	16415.5 (31.27)	2266.31 (114.77)	52485.2	14302.37
10	2013	1217.36 (1.79)	1358.29 (10.04)	4472.46 (6.60)	979.08 (0.72)	42651.14 (63.01)	5005.56 (3.70)	20376.51 (30.10)	1064.01 (5.07)	67687.08	13520.87
	Average	**771.632 (2.08)**	**929.629 (5.41)**	**3114.71 (8.39)**	**378.97 (2.20)**	**23545.75 (63.49)**	**5281.62 (30.77)**	**10870.38 (29.31)**	**4742.71 (63.33)**	**37085.76**	**17164.58**
	***CAGR**	**7.11**	**7.19**	**13.57**	**20.00**	**17.01**	**-3.5**	**12.30**	**-19.14**	**14.21**	**-4.33**

Source: Annual Reports of Kodagu and Kolar DCC Banks 2003-04 to 2012-13.

Note: Figures in the parenthesis indicates share of different financial indicators to working capital.

4.1.2.4 Borrowings

During the study period borrowings of Kodagu DCCB has increased from Rs.8200 lakhs in 2003-04 to Rs.20376 lakhs by 2012-13 with a compound growth rate of 12.30 per cent, with respect to its contribution to working capital the share of borrowings to the working capital is 29.31 per cent. So from the results we can interpret that Kodagu DCCB is less dependent on outside borrowings and self-sufficient with respect to its own funds including deposits, and the borrowings of Kolar DCCB have decreased from Rs.8275 lakhs in 2003-04 to Rs.4742 lakhs in 2012-13 with negative compound annual growth rate of 19.14 per cent, with respect to its contribution to working capital share of borrowings to the working capital was 63.33 per cent.

It is evident from the table 4.3 that profits earned by the Kodagu DCCB has fluctuating over the years, with a negative compound growth rate of -4.13 per cent and with an average of Rs.255 lakhs. The profit earned by the Kolar DCCB has decreased over the years, with a negative compound growth rate of -30.37 percent.

Table 4.3: Net profit earned by Kodagu and Kolar DCC Banks (Rs. In Lakhs)

Sl. No	Year	Net Profits	
		Kodagu	**Kolar**
1	2003-04	224	1439.95
2	2004-05	325.87	1845.59
3	2005-06	121.54	1517.95
4	2006-07	502.56	830.77
5	2007-08	330.58	1428.36
6	2008-09	243.5	691.47
7	2009-10	222.95	1754.93
8	2010-11	230.34	463.21
9	2011-12	222.74	87.46
10	2012-13	131.94	33.04
	AVERAGE	**255.602**	**1009.273**
	***CAGR**	**-4.13**	**-30.37**

Source: Annual Reports of Kodagu and Kolar DCC Banks 2003-04 to 2012-13

4.2 Financial Ratio Analysis of DCC Banks

The financial ratios relevant to DCC Banks were presented under different categories namely, liquidity ratios, solvency ratios, tests of strength and profitability ratios.

4.2.2 Solvency Ratios

These ratios indicate the banks involvement in the total resources and provide basis for measuring leverage ratio. Two types of ratios were computed to ascertain the solvency position of the bank. Debt-equity ratio and Indebtedness ratio are presented in Table 4.5.

a) Debt – Equity Ratio

The ratio was found to be fluctuated during the entire study period, in Kodagu DCC Bank the magnitude of the ratio was highest in 2009-10 (0.108) and lowest in 2010-11 (0.059) and in Kolar DCCB the magnitude of the ratio was highest in 2009-10 (3.408) and lowest in 2008-09 (1.358).

b) Indebtedness ratio

The Table 4.6 revealed that the indebtedness ratio of both the Banks were greater than 1.0 for all the years, during the year 2012-13 (3.710)Kodagu Bank registered the highest ratio and lowest ratio during the year 2010-11 (1.823), and Kolar DCC bank registered the highest ratio in 2010-11 (7.820), however the ratio was lowest during the year 2008-09 was (2.867).

4.2.2 Liquidity Ratios

The results for current ratio, acid-test ratio, and liquid assets to total assets ratios were presented in Table 4.6.

a) Current Ratio

The current ratio of both Banks were found to be more than one for all the periods, and fluctuated over the years. The ratio of the Kodagu DCCB was highest for the year 2012-13 (1.289) and lowest for the year 2009-10 (1.00). The current ratio of the Kolar DCCB was highest for the year 2012-13 (1.324) and lowest for the year 2008-09 (1.105).

b) Acid Test Ratio

The ratios of both Banks were found to be less than one during the entire study period. The ratio of Kodagu DCC Bank was highest in 2008-09 (0.109) and lowest in 2009-10 (0.058), and the ratio of Kolar DCC Bank was highest in 2011-12 (0.725) and lowest in 2009-10 (0.612).

Table 4.4 statements of Assets and liabilities of Kodagu and Kolar DCC Banks

Year	Current Assets		Fixed assets		Total Assets		Quick assets		Liquid assets	
Districts	**Kodagu**	**Kolar**	**Kodagu**	**Kolar**	**Kodagu**	**Kolar**	**Kodagu**	**Kolar**	**Kodagu**	**Kolar**
2008-09	39025.39	12263.37	18317.2	4782.11	57342.59	17045.48	4091.8	7075.49	3707.45	32.65
2009-10	39209.39	10831.73	18505.13	2894.37	57714.52	13726.1	2327.76	5053.32	1631.08	174.11
2010-11	44262.44	11755.38	19314.58	599.42	63577.02	12354.8	2483.75	6026.26	1762.04	254.57
2011-12	49653.08	12102.13	19724.56	354.96	69377.64	12457.09	3367.68	6872.85	2434.75	125.78
2012-13	77560.61	11275.37	414.68	554.60	77975.29	11623.42	4487.97	5863.71	3154.43	240.65
Year	**Current Liability**		**Long term Liability**		**Total Liability**		**Net-worth**		**Net profits**	
Districts	**Kodagu**	**Kolar**	**Kodagu**	**Kolar**	**Kodagu**	**Kolar**	**Kodagu**	**Kolar**	**Kodagu**	**Kolar**
2008-09	37255.73	11093.04	1212.42	9981.99	38468.15	21075.03	18874.44	7075.49	243.5	691.47
2009-10	39910.95	8248.64	1735.55	7752.08	41646.5	10831.13	16068.02	2274.62	222.95	1754.93
2010-11	39715.46	9186.98	1342.28	4979.23	41057.74	11755.38	22519.28	1811.41	230.34	463.21
2011-12	45847.38	9471.98	1695.51	4830.39	47542.89	12102.13	21834.75	1845.28	222.74	87.46
2012-13	60163.32	8515.38	1258.16	5005.49	61421.48	11275.37	16553.81	1897.45	131.94	33.04

Source: From Balance sheet of Kodagu and Kolar DCC Banks 2008-09 to 2012-13

Table 4.5: Solvency ratios of Kodagu and Kolar DCC Banks

Sl. No.	Year	Debt – Equity ratio		Indebtedness ratio	
		Kodagu	Kolar	Kodagu	Kolar
1.	2008-09	0.064	1.358	2.038	2.867
2.	2009-10	0.108	3.408	2.591	7.034
3.	2010-11	0.059	2.748	1.823	7.820
4.	2011-12	0.077	2.617	2.177	7.750
5.	2012-13	0.076	2.630	3.710	5.942

Source: Annual Reports of Kodagu and Kolar DCC Banks 2008-09 to 2012-13

Table 4.6: Test of liquidity ratios of Kodagu and Kolar DCC Banks

Sl. No	Year	Current ratio		Acid test ratio		Liquid assets to total assets ratio	
		Kodagu	Kolar	Kodagu	Kolar	Kodagu	Kolar
1.	2008-09	1.047	1.105	0.109	0.637	0.064	1.915
2.	2009-10	1.000	1.313	0.058	0.612	0.028	0.012
3.	2010-11	1.114	1.279	0.062	0.655	0.027	0.021
4.	2011-12	1.083	1.277	0.073	0.725	0.035	0.013
5.	2012-13	1.289	1.324	0.074	0.688	0.040	0.020

Source: Annual Reports of Kodagu and Kolar DCC Banks from 2008-09 to 2012-13

c) Liquid Assets to Total Assets Ratio

It could be seen from the table 4.5 that the liquid assets to total assets ratio of Kodagu DCC Bank was invariably less than unity for all the years, the year 2008-09 showed the largest ratio (0.064) and the ratio was least in year 2010-11 (0.027), and in Kolar DCCB the ratio was less than unity for all the years except the year 2008-09 which was largest ratio (1.915) and the year 2009-10 showed the least ratio (0.012).

4.2.3 Tests of strength

Net-worth and net capital ratio were used to assess the real strength of the bank, which were presented in the Table 4.7.

a) Net-worth

The Net-worth position of the both DCC Banks was fluctuating during the entire study period. The Net-worth amount of Kodagu DCCB was highest in 2010-11 with Rs.22519.28 lakhs and lowest in 2012-13 with Rs.16553.81 lakhs. The net-worth amount of Kolar DCC Bank was highest in 2008-09 with Rs.7348.93 lakhs and lowest in 2010-11 with Rs.1811.41 Lakhs.

b) Net capital Ratio

The ratio of Kodagu DCC Bank was found to be more than one during the study period, which was highest in 2008-09 (1.490), and lowest in 2012-13 (1.269), and the magnitude of the ratio of Kolar DCC Bank was not more than one during the entire study period, which was highest in 2010-11 (0.872) and lowest in 2008-09 (1.808).

4.2.4 Profitability Ratios

The profitability ratios were used to analyze the financial health of the Kodagu and Kolar DCC Banks. These ratios were used to compare the return to the investment.

The following ratios were used to analyze the financial performance of both DCC Banks.

a) Net Profit to Total Assets Ratio

b) Net Profit to Net-worth Ratio

c) Net profit to Fixed Assets Ratio

Table 4.7: Indicators of financial strength of Kodagu and Kolar DCC Banks

Sl. No	Year	Net-worth (Rs.in Lakhs)		Net capital ratio	
		Kodagu	Kolar	Kodagu	Kolar
1.	2008-09	18874.44	7348.93	1.490	0.808
2.	2009-10	16068.02	2274.62	1.385	0.857
3.	2010-11	22519.28	1811.41	1.548	0.872
4.	2011-12	21834.75	1845.28	1.459	0.870
5.	2012-13	16553.81	1897.45	1.269	0.859

Source: Annual Reports of Kodagu and Kolar DCC Banks 2008-09 to 2012-13

a) Net Profit to Total Assets Ratio

It is evident from Table 4.8 that the Net profit to total assets ratio of the Kodagu DCCB was positive for all the years it was highest in 2008-09 (4.2464) and lowest in 2012-13 (1.6920), and the net profit to total assets ratio of Kolar DCC Bank was positive and less than unity for all the years except 2011-12 (7.0216) and 2012-13 (2.8425), lowest in 2008-09 (0.0405) and highest in 2011-12 (7.0216).

b) Net Profit to Net-worth Ratio

It is noticeable from the Table 4.8 that the net profit to net-worth ratio of Kodagu DCC Bank was ranges between 0.0129 to 7.9703, and the ratio of Kolar DCCB was less than unity for all the years, ranges between 0.0038 to 0.2341.

c) Net profit to Fixed Assets Ratio

The ratio was positive and less than unity for all the years, and fluctuating over the study period in both the banks. In Kodagu DCCB the ratio was found to be highest in 2012-13 (0.3181) and lowest in 2011-12 (0.0112) and in Kolar DCCB the ratio was highest in 2010-11 (0.7727) and lowest in 2012-13 (0.0595).

Table 4.8: Profitability ratio of Kodagu and Kolar DCC Banks

Sl. No	Year	Net profit to total assets		Net profit to net-worth		Net profit to fixed assets	
		Kodagu	Kolar	Kodagu	Kolar	Kodagu	Kolar
1.	2008-09	4.2464	0.0405	0.0129	0.0940	0.0132	0.1445
2.	2009-10	3.8629	0.1278	0.0138	0.3472	0.0120	0.6063
3.	2010-11	3.6230	0.0374	0.0102	0.2557	0.0119	0.7727
4.	2011-12	3.2105	7.0216	0.0102	0.0473	0.0112	0.2463
5.	2012-13	1.6920	2.8425	7.9703	0.0174	0.3181	0.0595

Source: Annual Reports of Kodagu and Kolar DCC Banks 2008-09 to 2012-13

4.3 Agricultural loans advanced by Kodagu and Kolar DCC Banks.

The details of the agricultural loans advanced by Kodagu and Kolar DCC Banks, from the year 2003-04 to 2012-13 were presented in the Table 4.9. The agricultural advances include short term agriculture loans and medium term agriculture loans.

The Tables 4.9 clearly indicates that there is an increasing trend in agriculture loans disbursed by the Kodagu DCC Bank. The total loan issued has increased from Rs.7581 lakhs in the year 2003-04 to Rs.26160 lakhs in the year 2012-13 registering a significant compound growth rate of 13.63 per cent, and the Table reveals that there is a decreasing trend in agriculture loans sanctioned by Kolar DCCB, the total agricultural loans issued have decreased from Rs.7190 lakhs in 2003-04 to Rs.1228 lakhs in 2012-13 with compound growth rate of 14.17 per cent

4.3.1 Short term agriculture loans advanced

Table 4.9 reveals that the short term agricultural loans advanced by Kodagu DCCB during 2003-04 amounted to Rs.7556 lakhs, and increased to Rs.24943 lakhs in 2012-13, with compound growth rate of 12.57 per cent, and the short term agriculture loans issued by Kolar DCCB during 2003-04 amounted to Rs.3670 lakhs, and decreased to Rs.1185 lakhs with a compound growth rate of 19.11.

4.3.2 Medium term agriculture loans advanced

The DCCB utilizes a major part of their funds for granting medium term loans for a period ranging from more than one year up to three years for the purchase of bullocks, cattle, pump sets, digging or repairs of wells and improvement of land.

Table 4.9 shows that the medium term agricultural loans of Kodagu DCCB during 2003-04 amounted to Rs.25.18 lakhs, which was increased to Rs.1217 lakhs in 2012-13. Further it can be seen from the Table 4.9 that the non-agricultural loans of the Bank during 2003-04 amounted to Rs.4118lakhs, and increased to Rs.20714 lakhs in 2012-13, the non-agricultural loans registered increasing trend with a compound growth rate of 20.46 per cent. However it is clear from the Table that the medium term agricultural loans advanced by Kolar DCCB during 2003-04 amounted to Rs.3519 lakhs, which was decreased to Rs.43.28 lakhs in 2012-13, the Non-agricultural loan of Bank, was fluctuating and ranges between Rs.8.77 lakhs to Rs.3627.97 lakhs. The non-agriculture loans registered decreasing trend with compound annual growth rate of 29.41 per cent.

4.3.3 Demand, Recovery and Balance position of Kodagu and Kolar DCC Banks

The details of the demand, recovery and balance position of agriculture loan by Kodagu DCC Bank is furnished in Table 4.10. It is evident from the table that the demand for loans was increased from Rs.15111 lakhs in 2003-04 to Rs.34564 lakhs in 2012-13; the Table reveals an increasing trend with respect to recovery position between 2003-04 and 2012-13, and the year 2004-05 recorded the lowest recovery (Rs.10773 lakhs) and the year 2012-13 recorded the highest recovery (Rs.34286 lakhs). The balance was highest in 2004-05 (Rs.4268 lakhs) and lowest in 2012-13 (Rs.278 lakhs).

The demand, recovery and balance position of loan by Kolar DCC Bank is also furnished in Table 4.10, the demand for loans was decreased from Rs.11689 lakhs in 2003-04 to Rs.7846 lakhs in 2013-14, and Table shows an increasing trend with respect to recovery position between 2003-04 to 2012-13. The year 2007-08 recorded the lowest recovery (Rs.391 lakhs) and the year 2011-12 recorded highest recovery (Rs.3834 lakhs). The balance was highest in 2004-05 (Rs.10754 lakhs) and lowest in 2012-13 (Rs.4287).

Table 4.10 denotes the recovery position of Kodagu DCC Bank was 99 per cent in the year 2012-13which was highest, and the lowest recovery of 71.62 per cent was observed in 2003-04, and the recovery of loans in Kolar DCC Bank was highest during 2007-08 (95.8) and lowest in 2006-07 (16.6).

Table 4.9: Agricultural Loans Advanced by Kodagu and Kolar DDC Banks (Rs. In Lakhs)

Sl. No	Year	Agricultural Loan						Non-agricultural loans		Total loan	
		Short term agricultural loan		Medium term agricultural loan		Total agricultural loan					
		Kodagu	Kolar	Kodagu	Kolar	Kodagu	Kolar	Kodagu	Kolar	Kodagu	Kolar
1	**2004**	7556.11	3670.66	25.18	3519.62	7581.29	7190.28	4118	3627.97	11699.57	10818.25
2	**2005**	6259.72	145.13	62.17	28.2	6321.89	173.33	3819	78.42	10140.42	251.75
3	**2006**	12654.17	469.55	213.23	3.74	12867.17	473.29	5572	116.51	18439.02	589.8
4	**2007**	11270.43	17.34	73.39	0.21	11343.82	17.55	4579	78.37	15922.77	95.92
5	**2008**	11484.13	413.41	920.98	5.84	12404.13	419.25	6351	8.77	18755.08	428.02
6	**2009**	11018.37	52.00	745.25	0.2	11763.62	52.2	8136	64.45	19899.87	116.65
7	**2010**	11676.97	634.45	965.13	0.67	12642.1	635.12	9763	385.07	22404.63	1020.19
8	**2011**	12691.68	2761.05	1624.93	6.35	14315.68	2767.4	11181	1276.13	25496.68	4043.53
9	**2012**	21748.5	3111.11	1571.51	20.11	23320.01	3131.22	16354	3256.98	39673.76	6388.2
10	**2013**	24943.28	1185.39	1217.48	43.28	26160.76	1228.67	20714	2815.77	46874.57	4044.44
	AVERAGE	**13130.33**	**1246.00**	**741.92**	**362.82**	**13872.04**	**1608.83**	**9058.59**	**1170.84**	**22930.63**	**2779.67**
	***CAGR**	**12.57**	**19.11**	**57.72**	**-21.14**	**13.63**	**14.17**	**20.46**	**29.41**	**16.17**	**19.35**

Source: Annual Reports of Kodagu and Kolar DCC Bank 2003-04 to 2012-13

Table 4.10: Demand, Recovery and Overdue Position of Kodagu and Kolar DCC Banks (Rs. In Lakhs)

Sl. No	Year	Demand		Recovery		Overdue		% Recovery	
		Kodagu	Kolar	Kodagu	Kolar	Kodagu	Kolar	Kodagu	Kolar
1	**2003-04**	15111.3	11689.77	11081.29	1597.58	2356.76	10092.19	71.62	13.7
2	**2004-05**	14992.03	12768.21	10773.01	2013.9	4268.75	10754.31	97.54	15.8
3	**2005-06**	15440.23	11311.14	15267.25	2084.62	385.14	9226.52	98.00	18.4
4	**2006-07**	16724.94	10049.05	17158.75	660.59	436.77	9388.46	97.80	16.6
5	**2007-08**	16514.98	9406.86	19012.93	391.2	430.46	9015.66	95.66	95.8
6	**2008-09**	17655.5	9450.62	18782.28	1010.11	852.48	8440.51	95.20	10.7
7	**2009-10**	20978.91	8876.24	19971.11	2973.8	1007.8	5902.44	95.00	33.5
8	**2010-11**	20838.12	5785.86	20360.12	2211.57	477.95	3574.29	98.00	38.2
9	**2011-12**	20880.81	7270.03	20540.69	3834.94	340.12	3435.09	98.00	52.7
10	**2012-13**	34564.98	7846.63	34286.2	3559.53	278.78	4287.1	99.00	79.8
	AVERAGE	**19370.18**	**9445.44**	**18723.36**	**2033.78**	**1083.50**	**7411.65**	**94.58**	**36.52**
	***CAGR**	**7.55**	**-6.59**	**10.56**	**11.17**	**-17.95**	**-12.42**	**1.74**	**20.39**

Source: Annual Reports of Kodagu and Kolar DCC Bank 2003-04 to 2012-13

4.4 Factors influencing the performance of DCCB's

Based on the coefficient of belongingness obtained from the cluster analysis, the ratios were grouped into two clusters; the two clusters based on the constituent ratios reflect the "Structural" and "Profitability" dimensions of the business. Thus correlation matrix is used to measure the correlation between the ratios.

4.4.1 Cluster I (Structural)

The first cluster (Structural) includes current ratio, acid test ratio, liquid assets to total assets ratio, debt-equity ratio and indebtedness ratio. The magnitude and directions of the interrelationships among different ratios of Kodagu DCC Bank were presented in Table 4.11. The ratio of current ratio showed a correlation coefficient of 0.728with ratio of indebtedness which is being the second highest, and ratio of acid test ratio showed a correlation coefficient of 0.990 which was highest. From this result we can interpret that there is a reasonable positive correlation between these two ratios. But from the Table we can observe that there is a negative correlation in seven cases i.e. current ratio showed a negative correlation coefficient of -0.0194 with liquid asset to total assets ratio, debt-equity ratio of -0.337 which is negatively correlated.. In the same way, the relationship of each ratio in the cluster with others can be read from the Table and can interpret that most of the relationship of each ratio in the cluster with others are positive. There is a strong interrelation between ratios inside the cluster. Thus, this cluster depicted how well the management could meet its obligations and still be capable of surviving in the business. In other words, this cluster is an indicator of moderate strength of the financial structure of the Kodagu DCC Bank.

Table 4.11: Correlation matrix of the different financial ratios in Cluster-1 of Kodagu DCC Banks

	Current Ratio	Acid Test Ratio	Liquid Assets to Total Assets Ratio	Debt-Equity Ratio	Indebtedness ratio
Current Ratio	1				
Acid Test Ratio	-0.05014	1			
Liquid Assets to Total Assets Ratio	-0.01945	0.990607	1		
Debt – Equity Ratio	-0.33771	-0.47817	-0.39284	1	
Indebtedness ratio	0.728868	-0.14911	-0.04339	0.346082	1

Similarly the magnitude and directions of the interrelationships among different ratios Kolar DCC Bank are presented in Table 4.12. The current ratio showed a correlation coefficient of 0.824 with ratio of indebtedness which is being the highest. From this result we can interpret that there is a strong positive correlation between these two ratios. But from the Table we can observe that there is a negative correlation in five cases i.e. current ratio showed a negative correlation coefficient of -0.972 with acid test ratio. Identically the relationship of each ratio in the cluster with others can be read from the Table and can interpret that most of the relationship of each ratio in the cluster with others are positive.

Table 4.12: Correlation matrix of the different financial ratios in Cluster-1 of Kolar DCC Bank

	Current Ratio	**Acid Test Ratio**	**Liquid Assets to Total Assets Ratio**	**Debt-Equity Ratio**	**Indebtedness ratio**
Current Ratio	1				
Acid Test Ratio	0.243878	1			
Liquid Assets to Total Assets Ratio	-0.97262	-0.33358	1		
Debt – Equity Ratio	0.910058	-0.06246	-0.89986	1	
Indebtedness ratio	0.824384	0.332462	-0.93031	0.834571	1

4.4.2 Cluster II (Profitability)

The second cluster (Profitability) consisted of the ratios of net profit to total assets, net profit to Net-worth and net profit to fixed asset. The correlations along with different financial ratios of Kodagu DCC Bank were presented in Table 4.13. The ratio of net profit to total asset showed a negative correlation coefficient of -0.924 with ratio of net profit to net-worth, from this result we can interpret that there is a well-built negative correlation between these two ratios. The ratio of net profit to net-worth showed correlation coefficient of 0.999 and ratio of net-profit to fixed assets ratio which is highest. On the other hand all correlation coefficients in this cluster are negatively correlated. For this reason the interrelationships amongst different ratios in this cluster can be exploited by the management of the Kodagu DCC Bank to ensure a fair earning capacity of all the above mentioned components of business. Thus profitability cluster helps the management in planning and attaining appropriate balance between business and cooperative principles of the Kodagu DCC Bank.

Similarly the inter correlation amongst different financial ratios of Kolar DCC Bank in this cluster is presented in Table 4.14. From the Table we can observe that there is negative correlation in all the ratios, except net profit to net-worth ratio which is positive(0.885), and Net profit to total assets ratio showed correlation of -0.630 with ratio of net profit to net-worth, net profit to Total assets ratio showed -0.445 ratio of net profit to fixed assets ratio.

Table 4.13: Correlation matrix of the different financial ratios in Cluster-2 of Kodagu DCC Bank

	Net Profit to Total Assets	**Net profit to Net-worth**	**Net Profit to Fixed assets**
Net Profit to Total Assets	1		
Net profit to Net-worth	-0.92467	1	
Net Profit to Fixed assets	-0.92285	0.999988	1

Table 4.14: Correlation matrix of the different financial ratios in Cluster-2 of Kolar DCC Bank

	Net Profit to Total Assets	**Net profit to Net-worth**	**Net Profit to Fixed assets**
Net Profit to Total Assets	1		
Net profit to Net-worth	-0.63003	1	
Net Profit to Fixed assets	-0.44525	0.885366	1

4.5.1 Socio-Economic profile of members of Kodagu and Kolar DCC Banks

The socio economic status of members of the Kodagu and Kolar DCC bank was given in Table 4.15. The sample of 40 respondents from each bank was classified according to the age, gender, marital status, education, occupation and years of relationship with DCC Banks.

The percentage of members of Kodagu DCC bank respondents under the age group of less than 30 years was 17 per cent, followed by 23 per cent in the age group of 31-40 years, 35 per cent under 41-50, 25 per cent under the group of more than 50 years of age. Among the respondents 67 per cent were males and only 33 per cent were females, and the percentage of members of Kolar DCC bank respondents under the age group less than 30 years was 15 per cent, followed by 22 per cent in the age group of 31-40 years, 43 per cent under 41-50 years, 20 percent under group of more than 50 years of age, among the respondents 77 per cent males and only 23 per cent females.

The education level of sample respondents of Kodagu DCCB was analyzed and found that 12 per cent of the sample respondents had studied up to SSLC, 23 per cent had completed their PUC, 14 per cent were diploma holders, 31 per cent were graduates, 12 per cent were post-graduates and 8 per cent of the respondents obtained doctorates, and In case of Kolar DCCB it was found that 27 per cent the sample respondents had studied up to SSLC, 20 per cent had completed their PUC, 13 per cent were diploma holders, 25 per cent obtained graduation, 10 per cent of were post-graduates and 5 per cent of the respondents obtained doctorates.

The occupation of respondents from Kodagu DCC Bank was analyzed and found that 45 per cent of the respondents were farmers, 20 per cent were having own business, 22 per cent were in Private or government service, and 13 per cent were home makers, and the respondents from Kolar DCCB was analyzed and found that 47 per cent were farmers, 25 per cent were business persons, 20 per cent were in Private or government service, and 8 per cent of the respondents were house wives.

4.5.2 Opinion of the Members about Kodagu and Kolar DCC Bank

The details of opinion of the members about Kodagu and Kolar DCC Banks with respect to frequency of visit, reasons for visit, behavior and response of the bank employees, procedure for loan sanction, timeliness of loan, reason for untimely loan sanction, rate of interest, adequacy of loans, reasons for good working, and level of satisfaction towards DCC Bank has been presented in Table 4.16.

The results reveal that 37 per cent of the respondents from Kodagu DCC Bank opined that they visit bank once in a month, 28 per cent visit more than once in a month, 20 percent visited once in a week and 15 per cent visited more than once in a week, and from Kolar DCCB,43 per cent of respondents visited to the bank once in a week, 27 per cent visits once in a month, 20 per cent visited more than once in a month, and 10 per cent visit more than once in a week.

Table 4.15: Socio-Economic profile of members of Kodagu and Kolar DCC Banks

Sl. No.	Characters	Category	Kodagu Respondents		Kolar Respondents	
			No. Members	Percentage	No. Members	percentage
1	Age	<30	7	17	6	15
		31-40	9	23	9	22
		41-50	14	35	17	43
		>50	10	25	8	20
		Total	**40**	**100**	**40**	**100**
2	Gender	Male	27	67	31	77
		Female	13	33	9	23
		Total	**40**	**100**	**40**	**100**
3	Marital Status	Unmarried	10	25	10	25
		Married	30	75	30	75
		Total	**40**	**100**	**40**	**100**
4	Education	SSLC	5	12	11	27
		PUC	9	23	8	20
		Diploma	6	15	5	13
		Graduate	12	30	10	25
		Post-graduate	5	12	4	10
		Doctorate	3	8	2	5
		Total	**40**	**100**	**40**	**100**
5	Occupation	Farmer	18	45	19	47
		Service(Government/ Private/ Cooperative)	9	22	8	20
		Business	8	20	10	25
		Housewife	5	13	3	8
		Total	**40**	**100**	**40**	**100**

Table 4.16: Members opinion about Kodagu and Kolar DCC Banks

Sl. No.	Opinion of Members	Kodagu		Kolar	
		No. Members	Percentage	No. Members	Percentage
1.	**Frequency of visit to DCC Branch**				
	More than once in a week	6	15	4	10
	Once in a week	8	20	17	43
	Once in a month	15	37	11	27
	More than once in a month	11	28	8	20
2.	**Reason for visit**				
	Deposit money	3	8	7	18
	To apply for loan	13	32	15	37
	Withdraw money	6	15	5	12
	Avail banking services	18	45	13	33
3.	**Behaviour & Response of Bank Employees**				
	Excellent	7	18	4	10
	Very good	13	32	11	27
	Good	16	40	16	40
	Fair	4	10	7	18
	Poor	0	0	2	5
4.	**Participation in Annual General Body Meetings**				
	Yes	22	55	16	40
	No	18	45	24	60
6.	**Procedure for loan sanction**				
	Simple	40	100	38	95
	Complicated	0	0	2	5
7.	**Timeliness of loan**				
	Timely	38	95	35	88
	Untimely	2	5	5	12

8.	**Reasons for Untimely loan sanction**				
	Insufficient technical staff	1	50	3	60
	Manual method of paper work	1	50	2	40
9	**Rate of interest**				
	Low	40	100	40	100
	High	0	0	0	0
10.	**Adequacy of loans**				
	Adequate	40	100	33	83
	Inadequate	0	0	7	17
11.	**Working of DCC Bank**				
	Good	40	100	40	100
	Bad	0	0	0	0
12.	**Reasons for Good working**				
	Effective Fund Management	8	20	12	30
	Administrative Structure	6	15	8	20
	Good relationship with members	20	50	11	27
	Employees with knowledge & Experience	6	15	9	23
13.	**Level of members satisfaction towards DCC Banks**				
	Highly satisfied	17	43	7	18
	Satisfied	15	37	16	40
	Somewhat satisfied	8	20	14	35
	Not satisfied	0	0	3	7
	Total	**40**	**100**	**40**	**100**

With respect to reasons for visit, 45 per cent of the respondents from Kodagu DCC Bank indicated that they visit the bank to avail banking services, 32 per cent visit the bank to apply for loan, 15 per cent visit bank to withdraw money and 8 per cent visited the bank to deposit money. In the Kolar DCC Bank 37 per cent of the respondents visited the bank to apply for loan, 33 percent visit the Bank to avail banking services, 18 per cent visited to deposit money and 12 per cent visited the bank to withdraw money.

With regard to behavior and response of Kodagu DCC Bank employees40per cent expressed that their bank was very good, 32 per cent expressed that their bank staff was good, 18 per cent expressed that their bank employees response was excellent and 10 per cent expressed that their bank is fair. 55 per cent indicated that they regularly attend the annual general body meetings, and in the Kolar DCC Bank 40 per cent expressed that the bank employees were good, 27 per cent articulated that their bank is very good, 18 per cent expressed that the bank functioning was fair, and 5 per cent articulated that the response is not good. Only 40 per cent expressed that they were interested in annual general meetings.

All the respondents from Kodagu DCC Bank opined that the procedure of sanctioning of loan was simple, with respect to timeliness of loans 95 per cent felt that loans were available timely and 5 per cent of the respondents felt that it was untimely. With regard to reasons for delayed sanction of loans, 50 per cent opined that it was due to manual method of paper work and 50 per cent opined that it was due to insufficient technical staff, and in the Kolar DCC Bank 95 per cent opinioned that the procedure for sanctioning loan was simple, and 5 per cent t opined that it was complicate, with respect to timeliness of loans 88 percent felt that loans available timely and 12 per cent of respondents felt that it was untimely. 60 per cent of respondents felt that delay in sanctioning of loans was due to insufficient technical staff and 40 per cent felt that it is because of manual method of paper work. With respect to rate of interest cent per cent of the respondents from Kodagu as well as Kolar DCC Bank felt that the rate of interest was low or reasonable, and also sent per cent respondents felt that the loan sanctioned was adequate for their needs.

With regard to reasons for good working of Kodagu DCC bank 50 per cent of the respondents felt that it was due to good relationship with members, 20 per cent felt that it was because of effective fund management, 15 per cent felt that it was because of employees with knowledge and experience, and15 per cent of the respondents felt that it was due to good administrative structure, and with regard to reasons for good working of Kolar DCC Bank 30 per cent felt that it was because of effective fund management,27 per cent felt that it was due to good relationship with members, 23 per cent opined that it was because of employees with knowledge and experience,and20 per cent opined that it was due to good administrative structure.

With regard to level of member satisfaction 43 per cent highly satisfied, 37 cent were just satisfied, and 20 per cent of the respondents were somewhat satisfied. With regard to level of satisfaction towards overall working of Kolar DCC Bank 40 per cent were satisfied, 35 per cent were somewhat satisfied, and 18 per cent were highly satisfied and 7 per cent of respondents were not satisfied with service provided by the bank.

4.5.3 Socio-Economic profile of Kodagu and Kolar DCC Banks employees

The socio economic status of Kodagu and Kolar DCC Banks employees was presented in the Table 4.17. The sample of 20 respondents from each bank was classified according to the age, gender, marital status, education, position in bank and years of service in bank.

It could be seen from the Table that the percentage of respondents from Kodagu DCC Bank under the age group of less than 30 years was 35 per cent, followed by 25 per cent fell under the group of 41-50, 25 per cent under the age group of 31-40 years, and 15 per cent under the age group of more than 50 years of age, and Sample respondents were analyzed and found that 65 per cent were male and 35 per cent were female, in those respondents 20 per cent were unmarried and 80 per cent were married. And with regard to Kolar DCC Bank the respondents under the age group of less than 30 years was 30 per cent, followed 15 per cent under the age group of 31-40 years,45 per cent were fell under the age group of 41-50 years and 10 per cent under the age group of more than 50 years. 75 per cent were male and 25 per cent of the respondents were female, among that 35 per cent were unmarried and 65 per cent were married.

The education level of sample respondents from Kodagu DCC Bank was analyzed and found that 80 per cent of the respondents were graduates, 15 per cent were post-graduates and 5 per cent were doctorates. With respect to Kolar DCC Bank it was found that 50 per cent of respondents were graduates, 45 per cent were post-graduates and 5 percent were doctorates.

The respondents position in Kodagu DCC bank was analyzed and found that 30 per cent of the sample respondents are junior clerks, 35 per cent were senior clerks, 20 per cent were senior managers and 15 per cent were assistant general managers and in Kolar DCC Bank 35 per cent were junior clerks, 30 per cent were senior clerks, 25 per cent were senior managers and 10 per cent were assistant general managers.

Table 4.17 Socio-Economic profile of Kodagu and Kolar DCC Banks employees

Sl. No.	Characters	Category	Kodagu Respondents		Kolar Respondents	
			No. Employees	Percentage	No. Employees	Percentage
1	Age	<30	7	35	6	30
		31-40	5	25	3	15
		41-50	5	25	9	45
		>50	3	15	2	10
		Total	**20**	**100**	**20**	**100**
2	Gender	Male	13	65	15	75
		Female	7	35	5	25
		Total	**20**	**100**	**20**	**100**
3	Marital Status	Unmarried	4	20	7	35
		Married	16	80	13	65
		Total	**20**	**100**	**20**	**100**
4	Education	Graduate	16	80	10	50
		Post-graduate	3	15	9	45
		Doctorate	1	5	1	5
		Total	**20**	**100**	**20**	**100**
5.	Position in Bank	Junior Clerk	6	30	7	35
		Senior Clerk	7	35	6	30
		Senior Manager	4	20	5	25
		Assistant General Manager	3	15	2	10
		Total	**20**	**100**	**20**	**100**

4.5.4 Opinion of the Employees about Kodagu and Kolar DCC Banks

The details of opinion of Kodagu and Kolar DCC Banks employees with respect to pay scale, working environment in the bank, level of work stress, frequency of transfer, performance appraisal, customer's response and level of work satisfaction has been presented in the Table 4.18.

The results revealed that the 90 per cent of respondents from Kodagu DCC Bank were satisfied with their pay scale, and with reverence to work environment in bank 60 per cent were highly satisfied, 40 per cent were somewhat satisfied. And 75 per cent of respondents from Kolar DCC Bank were highly satisfied with the pay scale, and With regard to work environment in bank 50 per cent were highly satisfied, 30 per cent were somewhat satisfied, and 20 percent were not satisfied.

With respect to level of work stress 45 per cent of the respondents from Kodagu DCCB indicated that it was low, 25 per cent opined that it was medium and only 30 per cent felt that it was high, and with regard to Kolar DCC Bank 20 per cent indicated that it was low, 35 per cent opined that it was medium and 45 per cent felt that the level of work stress was high.

With regard to frequency of transfer 35 per cent of the respondents from Kodagu DCC Bank opinioned that frequency of transfer was once in 3 years, 30 per cent opined that it was once in 2 year, 25 per cent opinioned that it was more than 3 years and 10 per cent opinioned that it was once in a years. In Kolar DCC Bank 10 per cent opined that frequency of transfer was once in a year, 15 per cent opined that it was once in 2 years, 35 per cent said it was once in 3 years, and 40 per cent opined that it was more than 3 years. With regard to performance appraisal 50 per cent of the respondents from Kodagu DCC Bank felt it was good, 30 per cent opined it was very good and 20 per cent opined it was excellent, and in Kolar DCC Bank 55 per cent respondents opined that it was good, 30 per cent opined it was very good, 10 per cent opined it was fair, and only 5 per cent opined it was excellent.

With respect to customers response 40 per cent of the respondents from Kodagu DCC Bank felt customer response was good, 30 per cent of the respondents felt it was very good, 25 per cent of the respondents felt it was excellent and 5 per cent of respondents felt it was fair. With respect to Kolar DCC Bank 45 per cent of respondents felt that response felt it was very good, 30 per cent of respondents felt that it was good, 15 per cent of respondents felt that it was fair, and 10 per cent of respondents felt that it was excellent. With regard to level of work satisfaction 55 per cent of the respondents from Kodagu DCC Bank were highly satisfied and the remaining 45 per cent were somewhat satisfied, and 40 per cent of respondents Kolar DCC Bank were highly satisfied with respect to level of work satisfaction, 35 per cent were somewhat satisfied, and 25 per cent were not-satisfied.

Table 4.18: Employees opinion about Kodagu and Kolar DCC Banks

Sl. No.	Opinion of Employees	Kodagu	Kodagu	Kolar	Kolar
		No. Employees	Percentage	No. Employees	percentage
1.	**Satisfaction with pay scale**				
	Yes	18	90	15	75
	No	2	10	5	25
2.	**Work environment in Bank**				
	Highly satisfied	12	60	10	50
	Somewhat satisfied	8	40	6	30
	Not-satisfied	0	0	4	20
3.	**Level of work stress**				
	Low	9	45	4	20
	Medium	5	25	7	35
	High	6	30	9	45
4.	**Frequency of transfer**				
	Once in a year	2	10	2	10
	Once in 2 year	6	30	3	15
	Once in 3 year	7	35	7	35
	More than 3 year	5	25	8	40
5.	**Performance appraisal**				
	Excellent	4	20	1	5
	Very good	6	30	6	30
	Good	10	50	11	55
	Fair	0	0	2	10
	Poor	0	0	0	0

6.	**Customers response**				
	Excellent	5	25	2	10
	Very good	6	30	9	45
	Good	8	40	6	30
	Fair	1	5	3	15
	Poor	0	0	0	0
7.	**Level of work satisfaction**				
	Highly satisfied	11	55	8	40
	Somewhat satisfied	9	45	7	35
	Not satisfied	0	0	5	25
	Total	**20**	**100**	**20**	**100**

V. DISCUSSION

The results of the study presented in the previous chapter are discussed in this chapter, the main focus of this chapter is to throw light on some of the reasons responsible for the major trends observed and indicated in the last chapter. The analysis of the main trends in terms of their causes and also in terms of their inter linkages, it is hoped that, will help in identifying some of the policy measures which could be adopted to overcome the constraints in the performance of the Kodagu and Kolar DCC Banks.

The discussion is presented under the following heads:

5.1 Physical and financial performance of the District Central Co-operative Banks in Kolar and Kodagu Districts.

5.2 Financial Ratio Analysis of District Central Co-operative Banks.

5.3 Factors influencing the performance of District Central Co-operative Banks.

5.4 Opinion of members and employees regarding the working of District Central Co-operative Banks.

5.1 Physical and financial performance of the Kodagu and Kolar District Central Co-operative Banks.

5.1.1 Physical performance of the Kodagu and Kolar DCC Banks

The branch expansion of both Kodagu and Kolar DCC banks from 2003-04 to 2012-13 was very marginal i.e. 11 to 13 branches and 12 to 13 branches respectively. In fact only one branch has been added to Kolar DCCB and two Branches have added to Kodagu DCC bank during the last decade, it was may be because the respondents were more trustworthy towards Kodagu DCC Bank, whereas respondents from Kolar DCC Bank were not very interested towards the bank.

As a result the compound annual growth rate with respect to Kodagu DCC bank was 2.45 per cent and with respect to Kolar DCC Bank it was insignificant, correspondingly the number of employees in the Kodagu and also Kolar DCC Bank has also decreased marginally. The banks in order to cut down the costs in the long run is embarking on computerization of banking services that result in limiting the role of human resources. Hence the number of employees added to the bank is very marginal. Number of employees decreased over the years may be because of computerization or implementation of tools which will replaces the human contribution.

With respect to membership in DCC Bank, it has both individual and institutional members, the DCC Bank admits all types of co-operative societies within the district as members. The institutional membership of Kodagu as well as Kolar DCC Banks has decreased a bit, in Kodagu DCC Bank it was 279 in 2003-04 decreased to 276 during

2012-13and in Kolar DCCB it was decreased from 210 in 2003-04 to 208 in 2012-13.The losses found to be increasing and could be reduced by proper cash management, minimizing less remunerative fixed assets and increased the proportion of saving deposits which carry lower rate of interest, which opined by shamanic (1994)

Individual membership of Kodagu DCC Bank has increased significantly from 11384 in 2003-04 to 13792 in 2012-13. The compound growth rate is noteworthy with 2.52 per cent. This is mainly due to the admission of associate members, this may be because of the general public of Kodagu DCC Bank were confident that the bank was performing well and they will get better profits or services, and in case of Kolar DCC Bank the individual membership has slightly increased from 1000 in 2003-04 to 1010 in 2012-13 with a compound growth rate of 0.07 per cent. This is because of the bank was not performed well, so the general public were not very much confident that they will get more profits or services from the bank and also probably rapid expansion of other commercial banks who will provide better services compare to this bank.

5.1.2 Financial performance of the DCC Banks

The growth of financial indicators can be judged by assessing the growth rates of various indicators such as Share Capital, Reserve Fund, Deposits, Borrowings, Working Capital, and Profits. The financial indicators of the bank are presented in Table 4.2.

The DCC bank acting as financial intermediary mobilizes savings from PACS, other primary level cooperatives and also from other cooperative institutions within the district. Further the bank also supplements its resources through borrowings for providing credit to the needy cooperative institutions within the district. The bank has to pay interest on their deposits and borrowings. In addition the bank has to pay salaries to their staff and incur other indirect expenses namely via, administrative expenses, reserves and provisions in the course of their business operations. The bank is also required to make provisions for any potential erosion in their assets, after incurring these standard expenses it has to pay a reasonable dividend to shareholders. The DCC Bank therefore, has to earn profit in addition to providing good services to the members, so as to inculcate confidence among its members.

The sources of funds of a DCCB consist of share capital, reserves and other funds, deposits from members and non-members and borrowings from state co-operative banks and NABARD. The main source of funds for DCC Banks is deposits. The bank mobilize its own funds through different types of deposits like current, savings bank, fixed and recurring deposits, another important source of working capital is borrowings from other institution such as loans from state co-operative banks, Government, RBI/NABARD and commercial banks. The maximum limit of borrowings is indicated in the bye-laws of the bank.

For a banking institution to raise resources either by way of deposits or borrowings would require that the institution have a capital base consisting of equity and reserves. In a co-operative bank primarily driven by providing credit and other services to

its members at a reasonable cost. The major portion of this ratio is raised from the affiliated member institutions leaving minor portion to its members. Normally, as per statute, a borrowing member has to contribute equity in proportion to the borrowings made by the institution from the bank. This does make it difficult for the DCC Bank to have a large capital base and as result undercapitalized. The share capital of DCC Bank is subscribed by the affiliated societies and individual members. The value of shares of DCC Bank varies from Rs.100 to Rs.1000.The rising cost of share capital from either individual or institutional members is almost free except negligible administrative expenses.

The share capital collected from members increased substantially over the years during the study period in both Kodagu and Kolar DCCB. It is clear from the Table 4.2 that the share capital collected from members of Kodagu was Rs.572 lakhs in 2003-04 which increased to Rs.1217 lakhs by 2012-13 with a compound growth rate of 7.11 per cent, this is due to state government raise the funds, and Share capital collected from members of Kolar DCC Bank was Rs.687 lakhs in 2003-04 increased to 1358 in 2012-13, which was significant with a compound annual growth rate of 7.19 per cent, This is due to increase in membership and also the state government increased funds from Rs.135.28 lakhs to Rs.226 lakhs of the DCC Banks increase in share capital directly related to number of members.

The funds shown in the liability side of the balance sheet is created in accordance with the statuary obligations over a period of time from the profits earned by the DCC Banks. The major funds listed in the balance sheet are statuary reserve fund, agricultural credit stabilization fund, dividend equalization fund, building fund, and other reserves etc. these funds are meant for specific purpose and indivisible and there is no provision issue the bonus shares like in case of companies. There for the members do not have any claim over these funds which cost free which naturally enhances the potentiality of working capital and profitability. The policy of all co-operative institutions to transfer 25 per cent of net-profit to reserve fund. Similarly the co-operative banks also set aside a part of net profit in the form of education fund, building fund, bad and doubtful fund etc. Like any other co-operative institution the DCC Bank has also maintained reserve fund & other funds.

During the study period in Kodagu DCC Bank the reserve fund has increased from Rs.1426 lakhs in 2003-04 to 4472 lakhs by 2012-13 with a compound growth rate of 13.57 per cent which is highly significant. Its share of reserve fund to working capital is 8.39 per cent, with a compound growth rate of 20.00 per cent. Whereas in case of Kolar DCC Bank the reserves funds has increased from Rs.205 lakhs in 2003-04 toRs.979 lakhs in 2012-13, with respect to its contribution to working capital the share of reserve fund to working capital is 2.20 per cent. The remarkable growth in reserves and other funds was due to the increase in profit over the years. The increase in reserve fund is mainly due to consistent performance of the banks which is reflected in the bank earning net profit and raise of statutory reserves and other reserve fund is also one of the main reasons for the increase of over all reserves of the banks.

Kolar is known as drought district, it may not be having sufficient savings to deposit in the bank apart from this, the increasing operations of number of commercial banks and their publicity to attract the general public may be the causes for poor deposits in bank. Deposit mobilization by co-operative banks is considered to be very important, since it is one of the important components of working capital. The DCC Bank is mobilizing deposits both from members as well as non-members including all co-operative institutions in the district.

Table 4.2 clearly indicates that out of total working capital the share of deposits is 63.49 per cent indicating impressive deposit collection by the Kodagu DCC Bank. During the study period the deposit collected from the bank has increased substantially from Rs.10738 lakhs in 2003-04 to Rs.42651 lakhs at the end of 2012-13 with a compound growth rate of 17.01 per cent, This is due dedicated work of bank staff and also the due to member's active participation by keeping their savings with the bank in the form of fixed deposit. The Kolar DCC Bank's share of deposits is 30.77 per cent of deposit collection by the bank, during the study period the deposits collected from the bank has reduced substantially from Rs.7981 lakhs in 2003-04 to Rs.5005 lakhs at the end of 2012-13 with a negative compound growth rate of -3.5 per cent. This was may be because of the members or the general public was not so happy with service provided by the bank and also the expansion of other commercial banks which will attract the general public by providing better services than cooperative bank.

During the study period borrowings of Kodagu DCCB has increased from Rs.8200 lakhs in 2003-04 to Rs.20376 lakhs by 2012-13 with a compound growth rate of 12.30 per cent. This reflected an increase in the borrowings of the bank from the sources like Apex Bank and NABARD during the study period. However with respect to its contribution to working capital to the share of borrowings to working capital on an average was 29.31 per cent. Hence the Kodagu DCC Bank is less dependent on outside borrowings and self-sufficient with respect to its own funds including deposits. The borrowings of Kolar DCCB have condensed from Rs.8275 lakhs in 2003-04 to Rs.1064lakhs in 2012-13 with a negative compound growth rate of -19.14 percent. This reflects on decrease in the borrowings from other sources.

It is evident from the Table 4.3 that net-profits earned by the Kodagu DCC bank have fluctuated over the years, with a negative compound growth rate of -4.13 per cent and with an average of 255 lakhs. Where as in case of Kolar DCC Bank the net profits earned were also fluctuating over the years, with negative compound growth rate of -30.37 per cent, this was due to a lesser amount of the advances by the bank to the members, less expansion of business network and less improvement in loan recovery, for instance less recovery may be because of erratic rain fall and price fluctuation in perishable commodities produced in Kolar district.

5.2 Financial Ratio Analysis of DCC Banks.

Ratio analysis involves an analysis of the inter relationships between various items in the profit and loss account and balance sheet. It is a very useful tool in measuring

the financial performance and financial strength of any business organization. Comparison of financial ratios of a bank for a given period with that of the past or with that of the other bank, or with its own prescribed standards will not only measure its comparative financial position and financial strength, but will also pin-point areas which require corrective measures. Like other financial institutions, co-operative banks also conduct their activities in such a manner as to conform to the efficient business norms for collecting funds from different sources and in the manner in which such funds are utilized, due weightage need to be given to the solvency, liquidity and safety of their funds along with profitability to their investments.

The performance of banking in terms of profitability, productivity, assets quality and financial management has become important to stable the economy, stated by Vijay Mavaluri (2006).

5.2.1 Solvency Ratios

In order to find out long term solvency of the DCC Banks, the solvency ratios are workout to analyze its ability to meet all long term financial obligations to ensure the long term lenders. This ratio also helps to attain logical leverages in capital structure of the institution.

a) Debt – Equity Ratio

It represents the ratio of long term borrowed funds to the shareholder's capital. The optimum debt-equity ratio varies from nature of business to business and organization to organization. However certain conventional standards are established to analyze the performance of these ratios. The normal stands of debt equity ratio in case of manufacturer organization 2:1 in case of basic and core industries with a character of high initial investment in fixed assets accepts this ratios can be even more than 1:5. The study in case of PACS (Niranjan urs 2000) establishes a high ratio of 10:1 in cooperative establishment financial organization.

With respect to DCC Bank Kodagu the ratio ranges from 0.059 to 0.108 which is lower. It implied that the Bank had sufficient funds for its expansion and developmental activities in the district. The debt–equity ratio of Kolar DCC Bank ranges from 1.358 to 3.408, the results reflects that both this banks are operating at sound long term solvency standards. If necessary the banks can further extend these ratios to garner the funds for their expansion and long term developmental programs.

b) Indebtedness ratio

The indebtedness ratio indicates the extent of debt per rupee of owned funds. It implies the extent of bank's confidence on the outside capital. The prescribed norm has been 3:1, which implies that the external funds to the extent of three times the owned funds may be used.

In Kodagu DCC Bank the ratio ranges from 1.823 to 3.408 which is well within the prescribed range with high degree of fluctuations, whereas in case of Kolar DCC bank the ratio ranges from 2.867 to 7.750 this reflects higher side which is not acceptable in the interest of the long term solvency as per the established performance standards.

5.2.2 Liquidity Ratios

For this purpose fund flows and liquidity ratio through light on the current performance of the organization. The liquidity is the key ratio which establishes the organization's short term financial ability to meet its day to day financial obligations. The sound practising of this ratio helps to overcome the short term technical bankruptcy, the ratios analysed under this category are liquidity and acid test ratio.

a) Current Ratio

The current ratio is the significant ratio which establishes the liquidity and networking capital factor as the formulae describes that current assets – current liabilities = net working capital., every organization always dreams to achieve this factor.

The results of Kodagu DCC Bank with respect to current ratio ranges between 1.000 to 1.289 and in case of Kolar DCC Bank it ranges between 1.105 to 1.324 both the banks are maintaining the sound liquidity ratio is well within the set norms.

b) Acid-Test Ratio

The acid test ratio is not playing significant role in predicting the most liquidity component of current assets because the fact that the bank do not have any inventory in their composition of current assets, most of the assets are in the form of ready cash or scheduled recoverable loans and advances. They are following lower in both the cases; if the ratio is less than one there is a scope to enhance the lending activities.

The ratio indicates the extent to which the capital is financing the current assets, which carries high degree of liquidity. This ratio has been regarded as a refined measure of liquidity and is able to assess how liquid the bank would be if the business operations come to an abrupt halt.

The ratios of both the Banks were found to be less than one during the entire study period. The magnitude of the ratio of Kodagu DCC Bank was largest in 2008-09 (0.109) and least during the year 2009-10 (0.058), their after it was gradually increased. And in case of Kolar DCC Bank the magnitude of the ratio was highest during 2011-12 (0.725) and less during the year 2009-10 (0.612). Thus it is clear from the Table 4.4 that capacity of the both DCC Banks to meet its current obligations at short notice.

c) Liquid Assets to Total Assets Ratio

The ratio has been less than unity in all the periods for both the banks, except in Kolar DCC Bank during 2008-09 it was more than one (1.915), This was mainly due to the investment in the fixed assets and cash reserves to be maintained was lower, thus the lower ratio. Higher the ratios has adversely affected to the profitability of the DCC Bank. Thus the DCC Banks has been efficiently managing the liquid assets.

5.2.3Tests of strength

a) Net-worth

Net-worth is the difference between the total assets and total liabilities of the bank. A large positive net-worth indicates a favorable situation for the bank. The net-worth of the bank is positive in all the years during the study period. Further banks created additional fixed assets, current assets, the analysis reflects the net worth of the both the DCC Banks found to be positive with a higher magnitude ranging between Rs. 16553 lakhs to Rs.22519 lakhs in case of Kodagu DCC Bank and in Kolar DCC Bank it ranges from Rs.1811 to Rs.7348 lakhs .

b) Net capital Ratio

The net capital ratio indicates the degree of liquidity of the bank in the long run. The ratio was found to be more than unity for all the years. Indicating that the assets of the Kodagu DCC Bank were sufficient enough to cover all the liabilities, and in Kolar DCC Bank the ratio was found to be less than unity for all the years, it indicates that the assets of the Kolar DCC Bank were not sufficient.

5.2.4 Profitability Ratios

Profitability ratios measures the overall performance of any enterprise this ratios reflects the ultimate outcome of business with a key principle of health maximization to its investors. From the point of investor's perception the profitability ratio plays a key role to take the decisions namely VIZ, investment decisions holding decision and selling of equity decisions.

a) Net Profit to Total Assets Ratio

The contribution to the total assets to net profits is analysed in this ratio as the results indicates the Kodagu DCC bank shows positive and more than unity during study period ranging between 1.692 to 4.246 and in case of Kolar DCC Bank the ratio was less than unity ranging from 0.0374 to 0.1278, except during the year 2011 -12 (7.021) and in 2012-13 (2.842). The net profit to total assets ratio resulted in two times the moderate turnover or contribution to profits.

b) Net Profit to Net-worth Ratio

The net worth is net value of the DCC bank arrived at deducting the values of the third party liability from total assets. The ratio was moderately positive during the study period and ranged between 0.0102 to 7.9703 in case of Kodagu DCC bank, and the ratio was ranged between 0.0174 to 0.0257 in case of Kolar DCC Bank. The Kodagu DCC Bank's net profits was progressively increased to 7.97 per cent, in case of Kolar DCC Bank the maximum net profit reported was 0.0257 which was not a good sign and discourages the stakeholders. The bank should take steps to correct this unwanted developments.

c) Net profit to Fixed Assets Ratio

The net profit to fixed assets ratio indicates the measurements of profits in relation to the utilization of fixed assets in the bank's the major fixed assets in the bank are buildings furniture and fittings, computers etc., are usually flow since these assets are facilitative assets not productive assets like industries establishments. Even the contribution to the fixed assets in both the banks is less than one

The ratio indicates the extent of profitable use of fixed assets of the bank. The ratio of Kodagu DCCB ranges from 0.0112 to 0.0.318 which was positive, and Kolar DCCB ranges 0.0595 to 0.7727, it indicates that each rupee of fixed investment earned a net profit of less than one rupee.

5.3 Agricultural loans advanced by Kodagu and Kolar DCC Banks

Major portion of funds of a DCC bank is utilized for providing loans and advances to the farming community for agriculture operations, The bank is lending different types of loans in this sector for both long term and short term loans from land development to crop production, the types of loans provided are overdraft, cash credit, short and medium term credit, schematic loans, agricultural loans, priority sector lending, industrial loans, housing loans, loan for consumer durables, gold loan to individuals, bills discounting facilities, assistance for integrated co-operative development project, loan for marketing societies, employee's societies, etc. The loans and advances are also classified based on purpose, as loans for seasonal agricultural operations, marketing of crops, medium term agricultural purposes, weaver's societies, other industrial purposes and other purposes

The agricultural advances as well as non-agricultural advances by Kodagu DCC Bank showed an increasing trend and Kolar DCCB showed decreasing trend during the study period. This trend was mainly due to the expanding business activities in agricultural sector and other non-agricultural sectors. However the average share of Kodagu DCCB for agriculture loan to total loan was Rs.22930 lakhs and the average of Kolar DCCB for agriculture loan to total loan was Rs.2779 lakhs. Surprisingly the data during the study period shows that the non-agriculture advance is more than agricultural loans and advances which ranges between Rs.4118 to 20714 lakhs in case of Kodagu

DCC Bank, where as in case of Kolar DCC Bank it was Rs.11699 lakhs to Rs.46874 lakhs compared to agriculture advance.

Kumar (2011) in his study Observed in the field of agriculture intensive cultivation, proper irrigation, improved techniques and the adoption of new agricultural strategy require more institutional credit. Co-operative credit structure helps to meet the credit requirement of the cultivator and to save him from the clutches of the moneylenders.

5.3.1 Short term agriculture loans

Short term agriculture loans are extended for crop production. These are routed through the Primary Agricultural Credit Societies (PACS). For the purpose of extending short term credit, each PACS is required to make an assessment of credit need of its members and forward the same to the DCCB. The DCCB based on the past performance of the society and the resources available with it sanctions funds to the society for disbursement of crop loans to the members. A large portion of the crop loans disbursed by DCC Bank is with refinance support from NABARD.

Short term agricultural credit is a key area of the DCC Bank operations and could be considered a mandate of the bank. The needs for short term credit or crop loans have an overriding priority in the bank loans. Because of the overriding priority it receives attention from the State Cooperative Bank, NABARD and the State and Central Governments. The result is that the portfolio is directed and has limited flexibility as for as the bank is concerned.

The short term agricultural loans of Kodagu DCC Bank during 2003-04 amounted to Rs.7556lakhs, and increased to Rs.24943 lakhs in 2012-13; it reflects a significant increasing with a compound growth rate of 12.57 per cent during the study period, the DCC Bank enhances the amounts of crop loan at low interest rate. The increasing trend in short term loans was also due to the bank concentrating more on advances for small and marginal farmers. In case of Kolar DCC Bank the crop loans and short term loans were from Rs. 3670 lakhs during 2003 -04 to Rs.1185 during year 2012-13 With respect to compound growth rate 19.11 per cent. This declining trend is not a good sign for the growth of the organization. This was may be because of poor recovery and other related factors.

5.3.2 Medium term agriculture loan

The medium term agricultural loans lent by DCC Banks for the purpose of tube wells, installation of electricity, fencing and create irrigation facilities. the medium loans lent by the Kodagu DCC Bank during the year 2003-04 was Rs.25.18 lakhs which increased to Rs.1217 Lakhs during the year 2012-13 at compound aggregate growth rate of 57.72 per cent. Whereas in case of Kolar DCC Bank it is surprising that the medium term agricultural loans lent was decreased significantly from Rs.3519 lakhs in 2003-04 to

Rs.362 lakhs in the year 2012-13.The reason for this decline may be the purpose for which this loan lent was heading towards saturated.

5.3.3 Demand, Recovery and Balance position of Kodagu and Kolar DCC Banks

The demand for agriculture loans was always at higher side since there is wide gap between demand and supply to the agriculture sector. This trend is reflected even in case of study also. The recovery and outstand position are exhibiting fluctuations during study period.

The demand for agriculture loans in Kodagu DCC bank was increased from Rs.15111 lakhs in 2003-04 to Rs.34564 lakhs in 2012-13, whereas in case of Kolar DCC Bank the demand position decreased from Rs.11689 lakhs in 2003-04 to Rs.7846 lakhs in 2012-13.The table 4.9 reveals an increasing trend with respect to recovery position, demand and lending was increased in case of Kodagu DCC Bank, the recovery percentage was highest as the banks made special officers for recovery by offering the special schemes or strategies for recovery purpose. Whereas in case of Kolar DCCB the demand and lending of loans were decreased this may be due to insufficiency of funds and poor recovery percentage may be the reason for this decline.

5.4 Factors influencing the performance of Kodagu and Kolar DCC Banks

An important tool to analyze the financial performance of the bank is the construction of financial ratios. Ratio analysis is a tool to find out whether the bank is financially healthy or not. These financial ratios are inter-related and each ratio has functional relationships with one or more ratios. In view of this if one can explore in-depth these functional relationships amongst different financial ratios, it would be possible to capture such relationships to maintain and improve upon the financial performance. Against this background, an attempt was made to identify and group the different financial ratios under different dimensions of business performance and to study the factors influencing the financial performance of the Kodagu and Kolar DCC banks.

The success of the DCC Bank lies in its efficiency by adoption of sound business principles. These principles would help the management to allocate and exploit its resources in a most efficient manner. However, the use of such business principles hinges on the knowledge of the factors affecting different dimensions of financial performance and interrelationship among such factors. In this context, using the cluster analysis technique, the different components of such dimensions of performance were identified.

A close examination of each of the two clusters identified disclosed the latent common features that were responsible for forming such clusters. In other words, the two clusters based on constituent ratios reflect the structural and profitability dimension of the business. These two components of the business performance are basic to success or failure of DCC Bank. Hence, the different financial ratios and their implications in each of the above two clusters can be managed by the DCC Bank to ensure its success in business.

The "structural cluster" consisted of five ratios representing liquidity and solvency position of the DCC Banks of Kodagu and Kolar. These constituent ratios revealed the ability of the DCC Bank to meet its short- term obligations out of its own short-term resources, capacity of the DCC Bank to meet its current obligations at short notice, etc. There is a strong positive interrelation between ratios inside the cluster. Thus, this cluster depicted how well the management could meet its obligations and shall be capable of surviving in the business. In other words, this cluster is an indicator of strength of the financial structure of the DCC Bank.

The "profitability cluster" was formed of three ratios. This cluster depicted the profits per unit on working capital, net-worth and total assets. In other words it reflected the profit margin earned by the DCC Banks on the utility of each of the above items of business. This cluster also indicated indirectly the profit and the cost margin of the DCC Banks. However all correlation coefficients of Kodagu DCC Bank in this cluster are positive and strongly correlated. Hence the interrelationships amongst different ratios in this cluster can be exploited by the management of the DCC Bank to ensure a fair earning capacity of all the above mentioned components of business. Thus profitability cluster helps the management in planning and attaining appropriate balance between business and cooperative principles of the DCC Bank. However all correlation coefficients of Kolar DCC Bank in this cluster are negative. In order to improve each of the above two dimensions, importance should be given to improve the constituent ratios in the order of their entry into the cluster.

5.5.1 Socio-Economic profile of Members of Kodagu and Kolar DCC Banks

The respondents from Kodagu DCC Bank under the age group of less than 30 years was 17 per cent, followed by 23 per cent under 31-40 years, 35 per cent under 41-50, and 25 per cent under more than 50 years of age, and 15 per cent of respondents from Kolar DCC Bank fell under the age group of less than 30 years, followed by 22 per cent under the age group of 31-40, 43 per cent under the age group of 41-50 years, and 20 per cent under the age group of more than 51. This obviously indicates that majority of respondents from both banks are under the age group of 41-50 years.

The education level of sample respondents from Kodagu DCC Bank was analyzed and found that 12 per cent of the sample respondents were studied up to SSLC, 23 per cent had completed their PUC, 15 per cent of the respondents were diploma holders, 30 per cent obtained graduation, 12 per cent were post-graduates and 8 per cent of the respondents obtained doctorates. This clearly indicates majority of the respondents who were members of Kodagu DCC Bank was graduates. The education level of sample respondents from Kolar DCC Bank was found that 27 per cent were studied up to SSLC, followed 20 per cent studied up to PUC, 13 per cent were diploma holders, 25 per cent were graduates, 10 per cent were post-graduates and 5 per cent of respondents were obtained doctorate. This evidently indicates majority of the respondents who were members of Kolar DCC Bank were completed SSLC and graduates.

The occupation of sample respondents from Kodagu DCC Bank was analyzed and found that 45 per cent were farmers, 22 per cent were in government service, 20 per cent were in business, and 13 per cent were home makers. From this we can found that majority of the members were farmers. The average years of business relationship of respondents in primary agricultural co-operative society was 12.8 years, and the occupation of sample respondents from Kolar DCC Bank was found that 47 per cent of respondents were farmers, followed by 25 per cent were in business, 20 per cent were in service, and 8 per cent were home makers. From the results we can conclude that majority of respondents were farmers, the average years of relationship of respondents with bank was 12.45 years.

5.5.2 Opinion of the Members about Kodagu and Kolar DCC Banks

The results reveal that 37 per cent opined that they visit Kodagu branch once in a month, with respect to reasons for visit, 45 per cent indicated that they visit the bank to avail banking Services. With respect to behavior and response of bank employees 40 per cent of the respondents feel that the bank staff was very good, and 43 per cent of the respondents from Kolar DCC Bank opined that they visit branch once in a week, with respect to reasons for visit, 37 per cent of the respondents indicated that, they visit the bank to apply for loan, with regard to behavior and response of bank employees 40 per cent of the respondents expressed that staff of their bank was good.

With respect to procedure for sanctioning of loans all the respondents from both the banks were appreciated the simple procedures, all the respondents for Kodagu DCC Bank experienced the timely availability of loan, whereas the 95 per cent of respondents from Kolar DCC bank appreciated timely availability of loan, and 5 per cent were expressed the untimely availability of loan, among that 60 per cent of respondents were on opinion that this was because of conventional paper work and manual and 40 per cent of respondents were of opinion that it was due to insufficiency of technically qualified staff.

The respondents from both the DCC Banks felt that the rate of interest charged by these banks was relatively low. In Kodagu DCC Bank they also felt that they get adequate amount to meet there long and short term financial requirements, whereas only 83 per cent of respondents from Kolar DCC Bank were satisfied with the adequacy of loan and remaining 17 per cent felt that the loan sanction was inadequate.

The reasons attributed for efficient working of Kodagu DCC Bank has good relation with members, efficient fund management, knowledge and experience and good administrative structure, 50 per cent of respondents felt that it was due to good relationship with staff, followed by 20 per cent for efficient fund management, followed by 15 per cent of respondents felt that the bank has well experience and knowledgeable staff and others felt it was due to good administrative structure. Whereas in case of Kolar DCC Bank 30 per cent of respondents given credit to effective fund management followed by 27 per cent for good relationship with staff, 23 per cent for employees

experience and knowledge and 20 per cent given weightage to good administrative structure.

When we analyzed the level of satisfaction of Kodagu DCC Bank 43 per cent of members were highly satisfied. Whereas only 18 per cent respondents from Kolar DCC Bank were highly satisfied, the low level of satisfaction in case of Kolar DCC bank may be due to the syndrome of high expectation and unsatisfied realization. Diversion of income for purchasing of lands or other property and uncertainty about getting new loan after repayment were the main reasons for willful default opined by Balishter and Prakash (1989).

5.5.3 Socio-Economic profile of Kodagu and Kolar DCC Bank employees

It could be seen from results that the percentage of Kodagu DCC Bank respondents under the age group of less than 30 years was 35 per cent, followed by 25 per cent in the age group of 31-40 years, 30 per cent fell under 41-50 and 15 per cent under the group of more than 50 years of age. In case of respondents from Kolar DCC Bank under the age group of less than 30 years was 30 per cent which was highest in number, followed by 31-40 years were 15 per cent, 45 per cent of respondents were under the age group of 41-50 and 10 per cent were under the age group of more than 50 years. This indicates that majority of employees of Kodagu and Kolar DCC Banks are falling under the category of young and middle aged.

The composition of employee respondents was 65 per cent of male and 35 per cent female from Kodagu DCC Bank and in case of Kolar DCC Bank 75 per cent respondents were male and 25 per cent were female. This phenomenon appears to be little gender biased. Therefore it is suggested that both the banks initiates to reduce the gender disparity.

The education level of sample respondents from Kodagu DCC Bank was analyzed and found that 80 per cent of the respondents were graduates, 15 per cent of the respondents were post-graduates and 5 per cent of the respondents were with doctoral degree, it indicates that the employees of the Kodagu DCC Bank was highly knowledgeable, and from Kolar DCC Bank 50 per cent of respondents were graduates and 45 per cent of respondents were post graduates.5 per cent of respondents were obtain doctorates. This clearly indicates majority of the respondents from both DCC Banks were graduates.

The employees composition of organization structure of Kodagu DCC bank comprises that 30 percent were junior clerks, 35 per cent were senior clerks, 20 per cent were senior managers and 15 per cent of respondents were assistant general managers. Whereas in case of Kolar DCC Bank 35 per cent were junior clerks followed by 30 per cent senior clerks 25 per cent senior managers and 10 per cent of respondents were assistant general managers.

5.5.4 Opinion of the Employees about Kodagu and Kolar DCC Bank

The results revealed that 90 of the respondents from Kodagu DCC Bank were satisfied with their pay scale, and only 75 per cent of respondents from Kolar DCC Bank were satisfied with their pay scale. With regard to work environment in the DCC Bank Kodagu 60 per cent of the respondents were highly satisfied, and with regard to Kolar DCC Bank only 50 per cent of respondents were highly satisfied.

With respect to level of work stress only 45 per cent of the respondents indicated that it was low, and 20 per cent of respondents from Kolar DCC Bank felt that work stress was low. With regard to frequency of transfer 35 per cent of the respondents from Kodagu DCC Bank opinioned that frequency of transfer was once in 3years, and with respect to Kolar DCC Bank only 35 per cent of the respondents opined that itwas once in 3 years. The frequency of transfers was same in case of both the banks.

With respect to performance appraisal 50 per cent of the respondents from Kodagu DCC Bank felt it was good, 30 per cent of the respondents felt it was very good and 20 per cent of the respondents felt it was excellent, and 55 per cent of respondents from Kolar DCC bank opined that it was good, 30 per cent of respondents felt it was very good and 10 per cent opined that it was fair and 5 per cent opined it was excellent.

With reverence to customers response 40 per cent of the respondents from Kodagu DCC Bank felt it was good, 30 per cent of the respondents felt it was very good, 25 per cent of the respondents felt it was excellent, and 5 per cent felt it was fair, and with regard to Kolar DCC Bank 45 per cent of respondents felt it was very good, 30 per cent of respondents felt that it was good, 15 per cent of respondents felt that it was fair and 10 per cent of respondents felt it was excellent.

With respect to level of work satisfaction 55 per cent of the respondents from Kodagu DCC Bank were highly satisfied and 45 per cent of respondents were somewhat satisfied. Where as in case of Kolar DCC Bank 40 per cent of were highly satisfied, 35 per cent were somewhat satisfied and 25 per cent of respondents were not satisfied. It may be because of employees response towards customers was not satisfied, services provided by the bank may be the reason for un-satisfaction of respondents, expansion of other commercial banks was also the main reason. Reddy Ramachandra and Reddy Raghunath (1996) suggested that timely advance should be provided and bank authorities should change the procedure to suit local conditions and also for providing technical guidance to borrowers.

VI. SUMMARY AND POLICY IMPLICATIONS

To increase the agricultural production of a country or a state, while providing a better livelihood for the people who engage in farm activities is a complex task. Agriculture plays a crucial role in the development of Indian economy. Agriculture and allied sectors contributes 13.7 per cent of Gross Domestic Product (GDP) in 2012-13. Agriculture is the main source of livelihood for more than 58 per cent of Indian population. Agriculture manufacturing sector derives its importance from the fact that it has vital supply and demand links.

To produce more farmers must spend more on improved seeds, pesticides, fertilizers, farm implements and irrigation facilities, such expenditures must be financed either out of savings or by borrowing. It often argued that borrowing is the only way to meet this need because of the poverty of many farmers.

In spite of remarkable improvements in agriculture majority of farmers particularly small and marginal farmers are unable to invest money in agriculture from their own savings. It has been rightly stated that "the farmers in the under developed countries cannot expect their capital needs to come from savings, because their income from farm operations is barely sufficient to provide the minimum necessities of life" (Roy, 1994). As agriculture becomes more developed it requires more use of purchased inputs in place of farm produced inputs.

Institutionalization of agricultural credit in India began with the passing of the cooperative societies Act, 1904. Co-operatives are the vital organizations not only in ensuring smooth flow of agricultural credit, but also in the development of rural economy. Co-operatives have facilitated in creating horizontal and vertical integration of production, procurement, processing and marketing activities and enabling distribution of benefits to the farming community.

Karnataka is a predominantly agricultural state with 10 agro climatic zones facilitating the cultivation of a wide range of crops. As on 31st March 2012 there was 4914 PACS, 21 DCCBs with 616 branches 3,965 branches of commercial banks and 1,120 branches of RRBs functioning in the state. The cumulative growth rate in the flow of credit during the period 2005-12 by commercial banks was 235 per cent, followed by RRBs (169%), DCCBs (77%), and PCARDBs (102%). The state is basically with agriculture economy account for 59 per cent of the state population depending on agriculture and accounting for 18 per cent of the state GDP.

The two tiered co-operative credit structure of the state consists of primary Agricultural credit societies at village level, the Central Co-operative Banks (CCBs) at the district level and the State Co-operatives Apex Bank (SCB) at the state level. The DCCBs ensure the implementation of developmental schemes in the Co-operative sector and provide various banking facilities to rural areas.

The economic viability and efficiency of the PACS depends to a great extent on the viability of the DCCBs. A critical evaluation of DCCBs can through light on their strengths, weakness and threats.

The present study was taken up with the objective of examining the performance of DCC Banks such as Kodagu and Kolar districts.

The findings of the study are presented in this chapter under the following headings:

1. Physical and financial performance of the District Central Co-operative Bank in Kolar and Kodagu Districts.

2. Financial Ratio Analysis of Kolar and Kodagu DCC Banks.

3. Agricultural Loans Advanced by DCC Banks.

4. Factors influencing the performance of DCC Banks.

5. Opinion of members and employees regarding the working of DCC Banks.

Data collection

The primary data was collected through personal interview. The primary data related to opinion of the employees and members about the DCC Banks of Kodagu and Kolar districts. The total sample size was 60 from each bank, consisting of 40 members and 20 employees each from both the DCC Banks.

The secondary data was collected for a period of ten years from 2003-04 to 2012-13 from DCC Banks, of Kodagu and Kolar head offices with respect to branch network, number of accounts, loans outstanding, deposits, priority sector lending, agriculture sector lending, total business and non-performing assets, demand, recovery position etc.

Major findings of the study

a) The net profit earned by the Kodagu and Kolar DCC banks was fluctuated over the years, but the average profit of Kodagu DCC bank was less compare to Kolar DCC Bank.

b) The recovery of loans percentage of the Kodagu DCC Bank was highest in 2012-13 (99.00%) and lowest was observed during 2003-04 (71.62%), the recovery of loans percentage of the Kolar DCC Bank was highest in 2007-08 (95.66%) and lowest was observed during 2008-09 (10.70%).

c) The deposit from the Kodagu Co-operative societies has increased from Rs.10738 lakhs in 2003-04 to Rs.42651 lakhs in 2012-13. The share of deposits from individuals to total deposits was 63.49 per cent which was being the highest. Whereas deposits from the Kolar DCC bank was decreasing from Rs.7981 lakhs in 2003-04 to Rs.5005 lakhs in 2012-13. The share of deposits to total deposits was 30.77 per cent.

d) The share capital of the Kodagu as well as Kolar DCC banks has increased over the years.

e) All the members from both the banks were opined that the procedure for sanctioning loan was simple. Almost all the members from Kodagu DCCB felt that loans were available timely, and 90 per cent of the respondents from Kolar DCCB felt that it was delayed and inadequate.

f) With regard to reasons for untimely loan sanction 50 per cent members opinioned that it was due to manual method of paper work and 50 per cent of the members opinioned that it was due to insufficient technical staff.

g) 90 per cent of employees from Kodagu DCC Bank were highly satisfied with their pay scale and 60 per cent of the employees were highly satisfied with working environment of the bank. And only 75 per cent of employees from Kolar DCCB were highly satisfied with their pay scale, it was because all most 55 per cent of employees were on contract basis in the Kolar DCC Bank.

h) With regard to performance appraisal 20 per cent of the employees felt it was excellent and majority of the employees are highly satisfied with their work in Kodagu DCC Bank. And only 5 per cent employees from Kolar DCCB were felt the performance of the bank was excellent.

i) Almost 70 per cent of members of Kodagu DCCB visits bank regularly, and they were very familiar about the services provided by the bank, where as in Kolar DCC bank it was only 40 per cent.

j) The demand position of Kodagu DCC Bank was increasing over the years from Rs.15111 lakhs in 2003-04 to Rs.34564 lakhs in 2012-13. Whereas it was decreased from Rs.11689 lakhs in 2003-04 to Rs.7846 lakhs in 2012-13 in case of Kolar DCC Bank.

k) The overdue position was less in Kodagu DCC Bank with Rs.2356 lakhs in 2003-04 to Rs.278 lakhs in 2012-13, whereas the overdue position of Kolar DCC Bank was fluctuating over the years.

Policy implications

1. The share of agriculture credit to total credit is very less; hence the banks need to take necessary steps to increase its share in the total agricultural credit.

2. The net profit of the banks has not increased in proportion to its total volume of business. Hence the bank needs to focus on increasing margin of profit by adopting suitable strategies.

3. The recovery performance of the Kolar DCC bank is coming down over the years. Hence the bank has to make concerted efforts to recover loans from members by motivating employees including branch managers and elected representatives.

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