

An Analytical study of Rural Credit System In Chhattishgarh state : A Tool For Development

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Abstract

The main objective of this paper is to know and critically analyse the progress and achievements of the “Rural Co-operative Ltd ., chhattishgarh ” in detail by appreciating the figures of achievements under different sectors of its activities.

But once one is opt to know the secret of success of this bank, a detailed study carried out in this paper on the performance of the bank in all its fields of activities has to be made. This is also another objective of this paper . Herewith i analyse the the rural credit system of chhattishgarh as well as suggestive measures for improvement in the credit system

ROLE OF RURAL CO-OPERATIVE BANK

When small co-operative societies were formed in rural areas long long ago , they became successful and co-operative movement in the country progressed step by step. These co-operative societies, mostly formed on community basis , were mainly artisan co-operative societies ,service co-operative societies ,cottage industry co-operative societies, handloom handicraft societies, marketing co-operative societies ,etc. All these co-operative societies needed finance from outside beyond the share capital raised by them. Therefore co-operative societies on community basis were formed on community basis to meet the credit needs of the community members in the rural areas. This was the beginning of the co-operative credit movement in rural areas. This happened about a century back in our country. These rural credit co-operative societies were the forerunners of the present day rural co-operative banks.

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Many of these credit societies expanded their activities, accepting deposits from outside the co-operative society members and termed themselves as Banks. This transformation of the Rural credit societies into Rural co-operative banks took place gradually till the Banking Regulation Act was amended in 1966 bringing all rural co-operative banks under the purview of this Act imposing certain conditions.

Thus the Rural Co-operative Banks were treated as full fledged banks in rural areas with prescribed operational limit. The Rural co-operative banks now plays a vital role to meet the banking ,credit and financial needs of the common and poor people in rural areas. The banks accept deposits from rural people and gives them loans and advances on many scores under different lending schemes.

In doing these banking operations they are able to build their own reserve fund and working capital apart from creating their own assets.

The Rural co-operative banks carefully consider the credit needs of shareholders and customers and give loans and advances accordingly to the customers and shareholders. The members and customers of the banks get the loans and advances on easy terms. The common man , small traders ,artisans and needy customers in rural areas are greatly benefited by the Rural co-operative Banks.

The bank under study i.e. The Rural Co-operative Bank Ltd., Chhattishgarh grants loans and advances for different purposes .

1.1 METHODOLOGY:-

The methodology I have adopted in writing this discourse is

- a. Narration of brief history of the bank
- b. description of different sectors of banking activities and
- c. appreciation of the achievements made by the bank in different fields of activity .

The achievements and performances of the bank under different sectors of functioning have been studied in a comparative form giving details of each year of the last four , five or six years. In order to avoid jumbling of the subjects of this study, I have taken recourse to the method of chronological analysis of performance of the bank under each item one by one.

In this study simple statistical description has been made on simple items like membership ,share capital of members ,staff position of the bank ,its cost of management and cost of establishment, properties, assets ,etc.

But critical and year wise analysis have been made on other important fields of activity of the bank in a comparative manner with figures of several years .These important sectors are:-

1. Growth rate of total deposits
2. Growth rate of deposit schemes
3. Individually deposit analysis over total
4. Growth rate of total advances

and so many other items.

In some cases analysis has been done with comparative figures of last eight years and in some cases comparative figures for last four years have been made use of.

Instead of discussing in detail each item of bank work , which will be voluminous the method of using statement of figures in tabular form for easy critical analysis has been adopted .Different table showing achievements in figures under different items have been given in this study.

1.2 SIGNIFICANCE OF THE STUDY

I have discussed else where about the important role played by the Rural Co-operative banks these days. I have also discussed there as to how the Chhattishgarh rural co-operative bank helps the common man of the rural area to meet their credit needs for various purposes.

In view of the important role played by Rural Co-operative banks I have tried to make a deep study on the Rural Co-operative bank Ltd, Chhattishgarh which is considered to be the largest rural co-operative bank in Eastern India.

The aims and object of the Rural Co-operative banks are to improve the economic needs of th4e rural poor and the common man of rural area through micro financing activities. This Rural Co-operative bank has mad maximum efforts to improve its activities in order to fulfill its aims and objectives. This bank has rendered satisfactory service to its customers. It has full confidence on the customer and it has immensely satisfied the customers by its study will educate us to know the modern banking system vis-à-vis the micro financing system adopted by this bank.

Here lies the significance of this study of the rural Co-operative bank Ltd, Chhattishgarh.

1.3 PERIOD OF STUDY

A period of 8 year has been taken as the basis of analysis of performance of “The Rural Co-operative Bank Ltd , Chhattishgarh”. The information have been collected from two scores that is

- A. By personal approach with bank officials
- B. From the reports & returns of the bank for the period of 8 years being from 1996-97 to 2003-04.

1.4 COLLECTION OF DATA

A study on the work and functioning of a bank needs detailed data on all performances of the bank. This study is intended for submission as a dissertation paper of M. Phil degree the level of treatment of this study, there fore, presupposes a detailed knowledge of modern banking system vis-à-vis the performances of the Rural Co-operative Ltd, Chhattishgarh on which this study has been attempted.

In this study I have tried to cover all spheres of functioning of the Rural Co-Operative Bank Ltd., chhattishgarh as per the requirements of modern banking system and the RBI norms.

The Maratha Committee for Rural Banks had recommended for opening of more Rural Banks in the country. So there was a rapid increase in the number of Rural Bank in the country during 1993-97.And so there has been a healthy competition among the Rural Co-operative Bank since then.

The chhattishgarh Rural Co-operative Bank has also tried its best to develop into a well established Rural Co-operative Bank.

A detailed study of this bank, which is at its fast growing stage , requires detailed and authentic data on each sector of its performance. All its achievements and performances from different data and figures shown in different tables.

I have tried to collect data for my study from two sources i.e.a) by personal approach with bank officials and b) from the Reports and Returns of the Bank. I have taken care to be sure that the data I have collected are authentic , true and correct to the best of my knowledge.

2.1 OBJECTIVE OF BANK

Rural co-operative Bank constitutes an important organ of non-agriculture credit sector. It is conceived as small man's banks, and serves as an important constituent of multi-agency banking system. Recently these banks have recorded an impressive growth after extension of the provisions of the Banking Regulation Act, 1949. The number has increased from 1091 as on the 1st march 1966 to 1346 at the end of June 1967 to Rs.3250 crores as on 30th June 1985. while the advances increased from Rs. 107 crores to Rs. 2600 crores during the period. Thus the rural co-operative banks are striving to fulfill their objectives of improving the economic living of poor artisans, traders, business men and others in rural areas. In Chhattishgarh, about 25 percent people are living in rural and semi-rural areas. The rural co-operative banks are to cater to the need of these people on similar footing as primary co-operative societies to the poor people in rural areas.

The main objectives of rural co-operative banks are as follows.

1. The first and foremost is to organize and bring together middle and working class in rural and semi rural areas and inculcate in them the habits of thrift and self help and acquaint them with elements of normal banking principles.
2. The rural co-operative banks should mobilize savings to draw the rural resources into the apex and central co-operative banks which need funds to finance rural, industrial and other functional co-operatives.
3. By providing credit on reasonable terms, the poor and middle class can be rescued from exploitation of money lenders and other unscrupulous agencies.
4. Small industrialists and artisan workers should be financed who can make significant contributions to industrial development.

To fulfill the above objectives the rural co-operative banks are to required to do the followings:

1. The rural co-operative banks are to provide various innovative schemes for collection of deposits specially suited to the requirement of local areas. The customers are to be provided with wide range of banking services including facilities for safe deposit of valuables.
2. In rural areas all types of small and cottage industries need to be financed. In the process ,scope for self employment will be generated. The educated unemployed

youths will be gainfully employed particularly the rural co-operative bank is to finance small transport operators, housing schemes, consumer co-operative stores, labour contract and construction societies and poultry societies. Besides, rural banks are to assume increasing responsibility for financing small traders and shopkeepers. Consumption loans are to be accommodated to certain extent to fill the vacuum created by elimination of money lenders.

3 A CRITICAL AND ANALYTICAL STUDY

3.1 ANALYSIS-I

3.1.1 GROWTH RATE OF TOTAL DEPOSITS

Introduction:

The deposit mobilisation is an important task of a bank. The Reserve Bank of India's policy to make free the banks to fix their own rate of interest in deposits has made it attractive for the public to keep deposits in co-operative banks, which has priviledge 1% more interest on deposits than other commercial banks.

The bank has the following deposit amount for the last eight years.

Table:

YEAR	AMOUNT (Rs.in Lakhs)	GROWTH(%)
1996-1997	15280.06	100.00
1997-1998	17506.44	114.57
1998-1999	17664.58	115.61
1999-2000	20364.94	133.28
2000-2001	25779.04	168.71
2001-2002	26459.59	173.16
2002-2003	28057.50	183.62
2003-2004	27812.26	182.02

Observation:

By taking the base of 100 in the year 1996-97 it shows increasing trend upto the year 2002-03. But after that it shows a slight declining rate. In the year 2002-03 it shows 83.62% more than the base year i.e. 1996-1997. Initially its growth shows mild rate but after that it is rapidly

increasing from year to year. In the year 2002-03 the total deposit amount is Rs.28,057.50 lakhs, which is very high within the last 8 years. Overall it shows satisfactory amount of deposits over the last 8 years.

3.1.2 ANALYSIS OF DIFFERENT DEPOSIT SCHEMES

Introduction:

The bank has different schemes of deposits. The whole deposits of the bank consist of current deposit, saving bank deposit, fixed deposit, samrudhi deposit, sanchayeeta deposit, cash certificate, bidyarthi bhabishya deposit, recurring deposit and other deposits.

The detail scheme-wise deposits are as follows.

Table

(Rs. In lakhs)

Sl. No	DEPOSIT	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04
1	Current Deposits	932.58	978.96	749.69	1,111.20	1,493.80	1,168.02	1,208.61	1,061.49
2	Savings Bank Deposits	1,681.72	2,018.57	2,096.24	2,645.48	3,224.86	3,595.38	3,988.38	4,716.97
3	Fixed Deposits	4,647.38	4,865.60	4,611.07	4,615.01	5,872.71	4,848.12	5,053.03	4,774.81
4	Samrudhi Deposit	6,299.03	7,519.96	8,064.94	9,624.10	12,363.55	13,814.77	14,561.30	13,771.97
5	Sanchayee ta Deposit	1,467.29	1,775.51	1,805.97	1,985.48	2,363.74	2,512.56	2,658.12	2,468.30
6	Cash Certificate	7.00	8.48	9.26	8.80	7.66	4.50	2.75	0.36
7	Bidyarthi Bhabishya Deposit	3.96	3.57	3.31	2.87	3.20	3.41	3.50	3.23
8	Recurring Deposit	176.45	259.34	238.90	276.59	340.28	390.16	443.76	450.30

9	Others	64.65	76.45	85.20	95.41	109.24	122.67	138.05	564.83
	Total	15,280.06	17,506.44	17,664.58	20,364.94	25,779.04	26,459.59	28,057.50	27,812.26

Observation:

From the above table, it shows clearly that the bank has the major deposits of current deposits, saving bank deposits, fixed deposits, samrudhi deposits and sanchayeeta deposit. The recurring deposit should be more as compared to the major deposits. The cash certificate and bidyarthi bhabisya deposit is very less as compared to the other deposits.

3.1..3 INDIVIDUAL DEPOSIT ANALYSIS OVER TOTAL

Introduction:

The individual scheme wise deposit over total is analysed in the following table.

Table

Sl. No.	DEPOSITS	YEARS:1996-97(%)	1997-98	1998-99(%)	1999-2000(%)	2000-01(%)	2001-02(%)	2002-03(%)	2003-04(%)
1	Current Deposits	6.10	5.59	4.24	5.46	5.79	4.41	4.31	3.82
2	Savings Bank Deposits	11.01	11.53	11.87	12.99	12.51	13.59	14.22	16.96
3	Fixed Deposits	30.41	27.79	26.10	22.66	22.78	18.32	18.01	17.17
4	Samrudhi Deposit	41.22	42.96	45.66	47.26	47.96	52.21	51.90	49.52
5	Sanchayeeta Deposit	9.60	10.14	10.22	9.75	9.17	9.50	9.47	8.87
6	Cash Certificate	0.05	0.05	0.05	0.04	0.03	0.02	0.01	0.00
7	Bidyarthi Bhabishya Deposit	0.03	0.02	0.02	0.01	0.01	0.01	0.01	0.01
8	Recurring Deposit	1.15	1.48	1.35	1.36	1.32	1.47	1.58	1.62

9	Others	0.42	0.44	0.48	0.47	0.42	0.46	0.49	2.03
	Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Observation:

In all the year Samrudhi deposit is the highest deposit amount over total. The next comes to fixed deposit and saving bank deposit respectively. The deposit having least %age over total is Bidyarthi Bhabisya deposit upto the year of 2002-03. But in the year 2003-04 the deposit having the least %age over total is Cash certificate. And in that year the other deposit shows sudden increasing trend.

3.1.4 GROWTH RATE OF CURRENT DEPOSITS

Introduction:

The bank has the current deposits and on which the interest is allowed at the rate 0.5%, but the senior citizen are getting 0.5% more interest on such deposit. The following table shows the growth rate of current deposit which is provided by bank.

Table

YEAR	AMOUNT (Rs.in Lakhs)	GROWTH(%)
1996-1997	932.58	100.00
1997-1998	978.96	104.97
1998-1999	749.69	80.39
1999-2000	1,111.20	119.15
2000-2001	1,493.80	160.18
2001-2002	1,168.02	125.25
2002-2003	1,208.61	129.60
2003-2004	1,061.49	113.82

Observation:

In the above table the base year is 1996-97, taking as a base of 100. It shows increasing trend but not in a constant manner. In the year 2000-01, it shows more amount of current deposit of RS.1,493.80 lakhs. But in the year 1998-99 it shows the current deposit of Rs.749.69 lakhs which is lowest among the last 8 years. Overall it is fluctuating from year to year.

3.1.5 ANALYSIS OF DIFFERENT ADVANCE SCHEMES

introduction:

Keeping in the view the needs and requirement of share holders and customers the bank has introduced different loan schemes i.e. general loan (business ,trading, ssi, consumer durable ,etc.),transport loan, cash credit loan, gold loan, loan against term deposits, interest bearing advance, staff house building advances, overdrafts, bill purchase ,etc.

The following table shows the different advance schemes allowed by the bank.

Table

Sl. No.	ADVANCES	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04
1	General Loan(Business ,Trading, SSI,Consumer Durables,etc.)	3,082.32	2,858.90	3,169.86	3,912.96	5,560.93	5,348.15	6,793.76	7,009.68
2	Transport Loan	4,415.18	3,815.97	3,225.97	2,858.77	3,756.77	2,909.40	2,679.73	2,189.22
3	Cash Credit Loan	1,130.05	1,256.75	1,451.26	1,846.71	3,195.59	3,070.33	3,530.09	3,087.08
4	Gold Loan	85.28	82.15	62.73	52.24	34.45	29.02	20.25	17.75
5	Loan against Term Deposits	679.40	929.45	1,038.32	1,031.49	1,404.60	1,254.38	1,433.04	849.93
6	Interest Bearing Advances	98.17	77.89	103.89	180.64	332.27	707.92	617.52	590.75
7	Staff house building Advances	80.10	102.26	114.46	133.06	147.42	215.53	266.88	292.27
8	Overdrafts	176.68	117.70	205.81	208.24	391.79	124.51	65.02	30.65
9	Bills Purchase	49.06	91.44	80.44	116.10	415.92	111.97	68.73	60.34
	Total	9,796.24	9,332.51	9,452.74	10,340.21	15,239.74	13,771.21	15,475.02	14,127.67

Obseravtion:

Among different scheme of advances the most popular advances provided by the bank are general loan,transport loan,cash credit loan and loan against term deposits. And the least popular advance in the bank is gold loan.There is a sudden grow in general loan in the year 2003-04 but the transport loan has been decreased in the year 2003-04.

3.1.6 INDIVIDUAL ADVANCE ANALYSIS OVER TOTAL

Introduction: The individual advance analysis over total is shown in the following table.

Table

Sl. No.	ADVANCES	YEARS:							
		1996-97(%)	1997-98(%)	1998-99(%)	1999-2000(%)	2000-01(%)	2001-02(%)	2002-03(%)	2003-04(%)
1	General Loan(Business ,Trading, SSI,Consumer Durables,etc.)	31.46	30.63	33.53	37.84	36.49	38.84	43.90	49.62
2	Transport Loan	45.07	40.89	34.13	27.65	24.65	21.13	17.32	15.50
3	Cash Credit Loan	11.54	13.47	15.35	17.86	20.97	22.30	22.81	21.85
4	Gold Loan	0.87	0.88	0.66	0.51	0.23	0.21	0.13	0.13
5	Loan against Term Deposits	6.94	9.96	10.98	9.98	9.22	9.11	9.26	6.02
6	Interest Bearing Advances	1.00	0.83	1.10	1.75	2.18	5.14	3.99	4.18
7	Staff house building Advances	0.82	1.10	1.21	1.29	0.97	1.57	1.72	2.07
8	Overdrafts	1.80	1.26	2.18	2.01	2.57	0.90	0.42	0.22
9	Bills Purchase	0.50	0.98	0.85	1.12	2.73	0.81	0.44	0.43
	Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Observation:

From the above table the general loan and transport loan shows the major part of the total advance. The minor part of the advance is gold loan which is very less as compared to the

other advances. The trend of individual advances is fluctuating throughout the last eight years. The gold loan shows a declining trend throughout last seven years.

3.1.7 GROWTH RATE OF GENERAL LOAN (BUSINESS, TRADING, SSI, CONSUMER DURABLES, ETC.)

Introduction:

Normally general loan has been issued for the purpose of business, trading, ssi, and for the consumer durables, etc. For the benefit of small businessmen, retail traders, big business people, these type of loan has been provided by the bank.

The following table shows the growth of general loan which has been issued for the businessman, trader, etc.

Table

YEAR	AMOUNT (Rs.in Lakhs)	GROWTH(%)
1996-1997	3,082.32	100.00
1997-1998	2,858.90	92.75
1998-1999	3,169.86	102.84
1999-2000	3,912.96	126.95
2000-2001	5,560.93	180.41
2001-2002	5,348.15	173.51
2002-2003	6,793.76	220.41
2003-2004	7,009.68	227.42

Observation: By taking the base of 100 in the year 1996-97 the growth of general loan is fluctuating throughout the last eight years. During the year 2003-04 it shows general loan of Rs.7,009.68 lakhs and having 227.42% growth which is highest loan among the last 8 years and 127.42% more than the base year i.e.1996-97. But in the year 1997-98 it shows least amount of loan i.e.Rs.2,858.90 lakhs during the last 8 years.

3.1.8 GROWTH RATE OF TRANSPORT LOAN

Introduction:

For the benefit of road transport operators to purchase bus, truck, lorry trekker, car, auto rickshaw, delivery van, picks up vans, etc, this type of advance has been provided by the bank. Any loan taken for the purpose of purchase of bus, truck, lorry, vans, etc, is coming under this loan.

The following table shows growth of transport loan.

Table

YEAR	AMOUNT (Rs.in Lakhs)	GROWTH(%)
1996-1997	4,415.18	100.00
1997-1998	3,815.97	86.43
1998-1999	3,225.97	73.07
1999-2000	2,858.77	64.75
2000-2001	3,756.77	85.09
2001-2002	2,909.40	65.90
2002-2003	2,679.73	60.69
2003-2004	2,189.22	49.58

Observation: Here it shows a declining trend but not in a constant manner. And in the last year it shows a sudden fall of loan amounting to Rs.2,189.22 lakhs and having 49.58% growth. Overall in all the year the loan amount is less as compared to the base year i.e.1996-97. As the private company comes into the market that's why it shows a declining trend.

3.1.9 GROWTH RATE OF CASH CREDIT LOAN

Introduction:

Cash credit loan is issued against stock-in-trade of the businessman. That means the security of cash credit loan is stock-in-trade and that should be insured stock.

The following table shows the growth of cash credit loan provided by the bank.

Table

YEAR	AMOUNT (Rs.in Lakhs)	GROWTH(%)
1996-1997	1,130.05	100.00
1997-1998	1,256.75	111.21
1998-1999	1,451.26	128.42
1999-2000	1,846.71	163.42
2000-2001	3,195.59	282.78
2001-2002	3,070.33	271.70
2002-2003	3,530.09	312.38
2003-2004	3,087.08	273.18

Observation: From the above table it shows increasing growth rate. By taking the base of 100% in the year 1996-97, in the year 2002-03 it has more amount of cash credit loan of Rs.3,530.09 lakhs, having 312.38% growth. Overall the response of cash credit loan is good.

Observation: In the year 1996-97 it shows Rs.679.40 lakhs and having 100% growth. After that it shows increasing trend but not in a constant manner. In the year 2002-03 it shows maximum amount of loan against term deposit amounting to Rs.1,433.04 lakhs having 210.93% growth which is 110.93% more than the base year i.e. 1996-97.

3.1.10 GROWTH RATE OF INTEREST BEARING ADVANCES

Introduction:

The following table shows growth of interest bearing advances.

Table

YEAR	AMOUNT (Rs.in Lakhs)	GROWTH(%)
1996-1997	98.17	100.00
1997-1998	77.89	79.34
1998-1999	103.89	105.83
1999-2000	180.64	184.01
2000-2001	332.27	338.46
2001-2002	707.92	721.12
2002-2003	617.52	629.03
2003-2004	590.75	601.76

Observation: From the above table ,in the year 1997-98 it shows the least amount of interest bearing advances of Rs.77.89 lakhs and having 79.34% growth.After that it is increasing from year to year.In the year 2001-02 it shows maximum amount of interest bearing advances of Rs.707.92 lakhs having 621.12% more growth over the base year's growth.Overall it is rapidly increasing from year to year.

3.1.11 GROWTH RATE OF STAFF HOUSE BUILDING ADVANCES**Introduction:**

Advances for House construction given to the staff is coming under staff house building advances.

Following table shows the growth of staff house building advances of the bank.

Table

YEAR	AMOUNT (Rs.in Lakhs)	GROWTH(%)
1996-1997	80.10	100.00

1997-1998	102.26	127.67
1998-1999	114.46	142.90
1999-2000	133.06	166.12
2000-2001	147.42	184.04
2001-2002	215.53	269.08
2002-2003	266.88	333.18
2003-2004	292.27	364.88

Observation: It shows an increasing trend from year to year. During the year 1996-97 the staff house building advances shows an amount of Rs.80.10 lakhs and considered as a base of 100%. Then it shows an increasing trend in a constant manner. In last year 2003-04 it has the amount of Rs.292.27 lakhs and having the growth of 264.88% more as compared to the base year i.e.1996-97 and that is highest during the last eight years. Overall it shows an increasing trend of staff house building advances in the bank.

3.1.12 GROWTH RATE OF OVERDRAFTS

Introduction:

Normally overdraft is allowed to those group of people who have sound financial position and able to recover as per the requirement of the bank.

The following table shows the growth of overdrafts in the bank.

Table

YEAR	AMOUNT (Rs.in Lakhs)	GROWTH(%)
1996-1997	176.68	100.00
1997-1998	117.70	66.62
1998-1999	205.81	116.49
1999-2000	208.24	117.86
2000-2001	391.79	221.75

2001-2002	124.51	70.47
2002-2003	65.02	36.80
2003-2004	30.65	17.35

Observation: By taking the base of 100% in the year 1996-97 and having overdraft Rs.176.68 lakhs, it shows fluctuation in in the bank.In the year 2000-01 the overdraft portion of the bank was Rs.391.79 lakhs which is highest during the last eight years.After that it shows decreasing trend and it reaches 17.35% growth in the year 2003-04 which is least amount during the last eight years.

3.1.13 GROWTH RATE OF BILLS PURCHASE

Introduction:

The bank provides facility of bills purchases of the creditors.That means the bank collects the bill amount on behalf of creditor.

The following table shows growth of bills purchase by the bank.

Table

YEAR	AMOUNT (Rs.in Lakhs)	GROWTH(%)
1996-1997	49.06	100.00
1997-1998	91.44	186.38
1998-1999	80.44	163.96
1999-2000	116.10	236.65
2000-2001	415.92	847.78
2001-2002	111.97	228.23
2002-2003	68.73	140.09
2003-2004	60.34	122.99

Observation: It shows a increasing trend upto the year of 2001-02. But in the year of 2000-01 there is a sudden hike of Rs.415.92 lakhs and having 747.78% growth more than the base year i.e. 1996-97. But after that it is decreasing from year to year and it reached to Rs.60.34 lakhs in the year 2003-04.

3.2 ANALYSIS-II

3.2.1 NETWORTH GROWTH RATE

Introduction:

Here network includes the capital and reserve fund. The following table shows the growth of network.

Table

Amount in lakhs(Rs.)

YEAR	CAPITAL	RESERVE FUND	NETWORTH	GROWTH(%)
1996-1997	386.57	790.19	1,176.76	100.00
1997-1998	423.27	1,110.39	1,533.66	130.33
1998-1999	447.19	1,301.98	1,749.17	148.64
1999-2000	487.25	1,388.41	1,875.66	159.39
2000-2001	608.64	1,699.12	2,307.76	196.11
2001-2002	636.18	2,210.94	2,847.12	241.95
2002-2003	721.97	2,600.82	3,322.79	282.37
2003-2004	777.21	2,881.18	3,658.39	310.89

Observation: Capital fund shows a increasing trend and the reserve funds also shows a increasing trend. So that total network is under increasing trend .By taking the base of 100.00% in the year 1996-97, all the year shows a increasing trend constantly. And it reaches upto 210.89% more growth than the base year. Overall it shows an upward trend.

3.2.2 TOTAL BUSINESS

Introduction:

Total business means summation of total deposits and total advances. The following table shows total business of the bank.

Table Amount in Lakhs(Rs.)

YEAR	DEPOSITS	ADVANCES	TOTAL BUSINESS
1996-1997	15,280.06	9,796.24	25,076.30
1997-1998	17,506.44	9,332.51	26,838.95
1998-1999	17,664.58	9,452.74	27,117.32
1999-2000	20,364.94	10,340.21	30,705.15
2000-2001	25,779.04	15,239.74	41,018.78
2001-2002	26,459.59	13,771.21	40,230.80
2002-2003	28,057.50	15,475.02	43,532.52
2003-2004	27,812.26	14,127.67	41,939.93

Observation:

Deposit shows increasing trend upto the year 2002-03. But in the year 2003-04 it is slightly diminishing. Like that the advance portion is fluctuating. It does not have a constant growth. So that total business is increasing from the year 1997-98. But it is not in a constant manner. Overall the business is more in the year 2002-03 amounting to Rs.43,532.52 lakhs.

3.2.3 TOTAL BUSINESS PER EMPLOYEE

Introduction:

Business per employee means transaction per employee. It is calculated by dividing total business by number of employees in the bank.

The following table shows business per employee.

Table

Amount in Lakhs(Rs.)

YEAR	TOTAL BUSINESS	NO.OF EMPLOYEE(NOS.)	BUSINESS PER EMPLOYEE
1996-1997	25,076.30	501	50.0525
1997-1998	26,838.95	502	53.4640
1998-1999	27,117.32	496	54.6720
1999-2000	30,705.15	496	61.9055
2000-2001	41,018.78	496	82.6992
2001-2002	40,230.80	494	81.4389
2002-2003	43,532.52	492	88.4807
2003-2004	41,939.93	492	85.2438

Observation: The number of employees has been decreased from year to year .It is the highest number of employees in the year 1997-98 i.e. 502 numbers.And in the year 2003-04 it is reduced to 492 numbers.So the business per employee is fluctuating.The business per employee is more in the year 2002-03 i.e.Rs.88.48 lakhs and less in the year 1996-97 i.e. Rs.50.05 lakhs.Overall it is under fluctuation during the last eight years.

3.2.4 LOAN RECOVERY :---PRINCIPAL

Percentage-wise Loan recovery:Principal

Introduction:

Percentage wise,the loan recovery position of the bank is definitely better than any other banks in the area of operation.The recovery of principal data for the years under consideration is given in the following table.

Table

Year	Demand(Rs.In Lakhs)	Collection(Rs.In Lakhs)	Balance(Rs.In Lakhs)	Percentage(%)
1996-1997	4,543.49	3,902.38	641.11	85.89%
1997-1998	5,037.40	3,983.66	1,053.74	79.08%
1998-1999	5,133.87	3,815.44	1,318.43	74.32%
1999-2000	5,111.05	3,751.02	1,360.03	73.39%
2000-2001	5,611.85	4,182.23	1,429.62	74.52%
2001-2002	6,181.00	4,619.00	1,562.00	74.73%
2002-2003	6,120.00	4,347.00	1,773.00	71.03%
2003-2004	7,015.00	4,337.00	2,678.00	61.82%

Observation: The demand of principal of total loan amount is more in the year 2003-04 i.e.Rs.7,015 lakhs.But the collection is more in the year 2001-02 i.e.Rs.4,619 lakhs.But the collection %age is more i.e. 85.89% in the year 1996-97 and in the year 2003-04 the collection %age is very less i.e.61.82%.In all the year excluding the last year the collection %age is more than 70%.So the %age of collection is good in all the year except the year of 2003-04.

3.2.5 LOAN RECOVERY :---INTEREST**Percentage-wise Loan recovery:Interest****Introduction:**

Percentage wise,the loan recovery position of the bank is definitely better than any other banks in the area of opeartion.The recovery of interest data for the years is given in the following table.

Table30:

Year	Demand(Rs.In Lakhs)	Collection(Rs.In Lakhs)	Balance(Rs.In Lakhs)	Percentage(%)
1996-1997	1,741.11	1,486.65	254.46	85.39%
1997-1998	1,947.56	1,545.73	401.83	79.37%
1998-1999	2,068.35	1,503.65	564.70	72.70%
1999-2000	2,177.73	1,367.88	809.85	62.81%
2000-2001	2,786.88	1,787.82	999.06	64.15%
2001-2002	3,257.00	1,928.00	1,329.00	59.20%
2002-2003	3,579.00	1,833.00	1,746.00	51.22%
2003-2004	4,057.00	1,728.00	2,329.00	42.59%

Observation: The demand of interest of total loan amount is more in the year 2003-04 and less in the year 1996-97. It shows increasing rate of demand. As the collection of principal is more in the year 2001-02, the collection of interest is more in that year as compared to the other years. But the collection %age is more in the year 1996-97 i.e. 85.39% and less in the year 2003-04 i.e. 42.59%. It shows the fluctuation of collection of interest rate. As a result the collection of interest is not so much as compared to the principal amount.

3.2.6 NPA POSITION (BAD & DOUBTFUL DEBT)

Introduction:

The recovery climate in India has not been good due to so many reasons. The NPAs of the banking sector as a whole are estimated to be over Rs. 1.10 lakh crores. Earlier the legal recovery system was so weak that banks cases were pending in various courts for years together. The Central Govt. has enacted the Securitisation Act-2002, which gave powers to bank to attain movable /immovable properties without intervention of Court of Law. The following table shows the NPA position (Bad & Doubtful debt) of the bank.

Table

Amount in Crores.(Rs.)

Particulars	2000-2001	2001-2002	2002-2003	2003-2004
Total Loans	152.40	137.71	154.75	141.28
Gross NPA	21.71	23.39	26.36	33.40
% of total loans	14.25%	16.98%	17.03%	23.64%
Provision	10.45	13.09	14.61	16.36
Net NPA	11.26	10.30	11.75	17.04
% of Net NPA	7.93%	8.26%	8.37%	13.64%

Observation:

From the above table it is clear that year to year the NPA is increasing. That's why during the year 2003-04 the gross NPA is Rs. 33.40 crores and the net NPA is Rs. 17.04 crores. And %age of NPA of total loan is also more in the year 2003-04. As a result the provision is more in the year 2003-04 amounting to Rs. 16.36 crores, besides the fact that the total loan is more in the year 2002-03 amounting to Rs. 154.75 crores. Overall NPA position is favourable for the bank.

3.2.7 COST OF MANAGEMENT & COST OF ESTABLISHMENT

Introduction:

As per the norms fixed by the Registrar of Co-operative societies, Chhattishgarh, the cost of management should not exceed 3.5% of working capital and the cost of establishment should not exceed 2.5% of the working capital. The following table shows the cost of management and cost of establishment of bank under the years for consideration.

Table Amount in Crores.(Rs.)

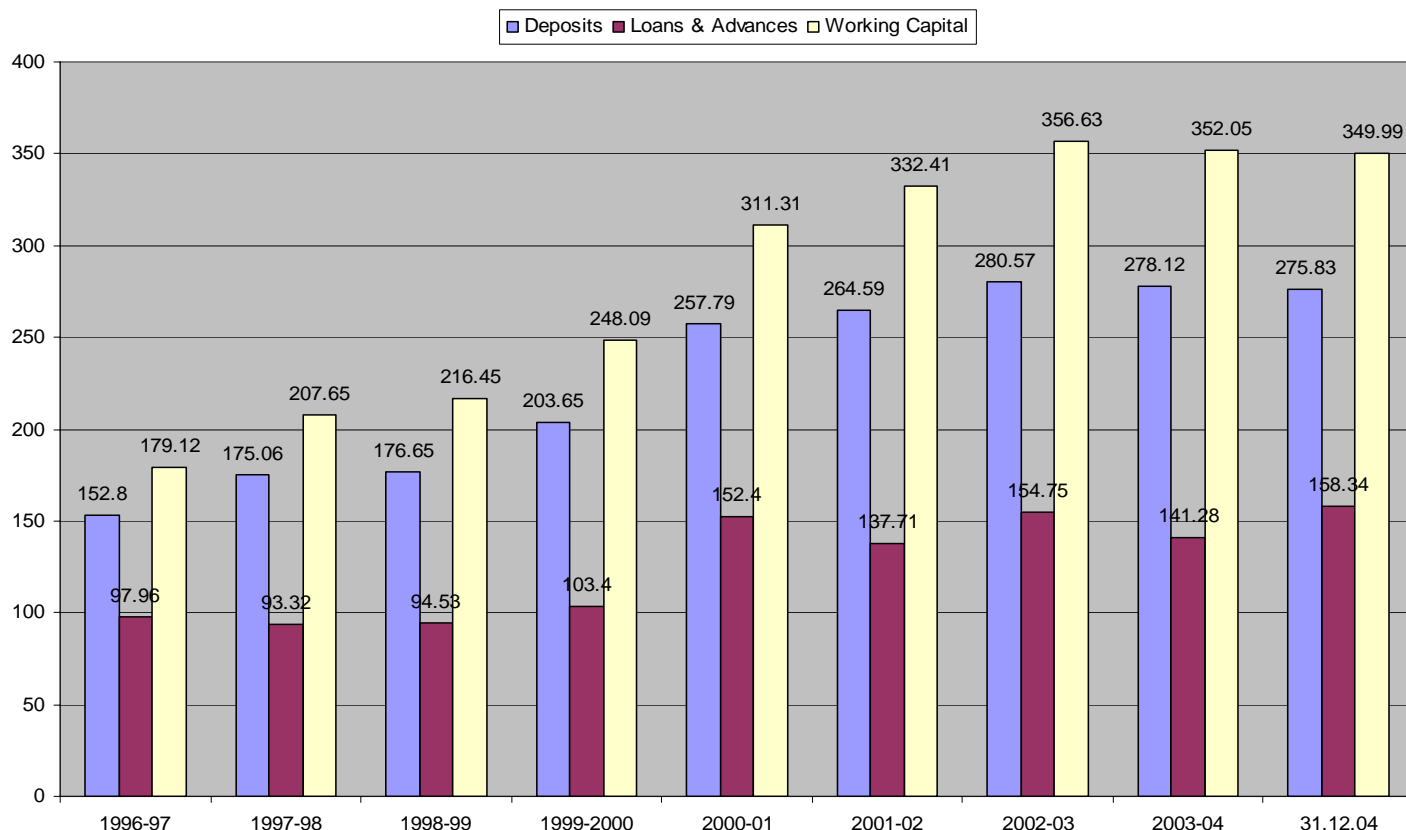
Year	Working Capital	Cost of Management		Cost of Establishment	
		Amount	%age to Working Capital	Amount	%age to Working Capital
2000-2001	311.31	6.84	2.20%	5.37	1.72%
2001-2002	332.40	9.09	2.73%	5.73	1.72%
2002-2003	356.63	9.20	2.58%	6.09	1.71%
2003-2004	352.05	9.86	2.80%	6.67	1.89%

Observation:

From the above table it is clear that the banks' cost of management is below 3.5% of working capital and cost of establishment is below 2.5% of working capital. The cost of management and cost of establishment is more in the year 2003-04 but it is under the maximum limit. So overall the bank follows the norms of Co-operative societies, Chhattishgarh with regard to the cost of management and cost of establishment.

3.2.8 COMPARATIVE CHART OF GROWTH OF DEPOSITS ,LOANS & ADVANCES AND WORKING CAPITAL

Growth of Deposits, Loans & Advances And Working Capitals



SUMMARY AND CONCLUSION :-

4.1 SUMMARY:-

Analysis -I

Deposits-

The deposit mobilization is an important task of a bank. The Reserve Bank of India's policy to make free the banks to fix their own rate of interest in deposits has made it attractive for the public to keep deposits in co-operative banks, which has privilege 1% more interest on deposits than other commercial banks.

In the year 2002-03 the bank has more deposit amount of Rs.28,057.50 lakhs and having 183.62% growth which is 83.62% more than the year 1996-97. The

bank provides different type of deposit schemes i.e. current deposit, saving bank deposit, fixed deposit, samrudhi deposit, sanchayeeta deposit, cash certificate, bidyarthi bhabisya depositions, recurring deposit and other deposits. The bank has the major deposits of current deposits, saving deposits, fixed deposits and samrudhi deposits. But overall Samrudhi deposits shows highest amount of deposits in the bank. In the year 2000-01 the current deposit shows highest amount of deposit i.e. Rs.1,493.80 lakhs. Likewise saving bank deposit shows highest amount in the year 2003-04 amounting to Rs.4,716.97 lakhs, fixed deposit shows in the year 2000-01 amounting to Rs.5,872.71 lakhs, samrudhi deposits shows in the year 2002-03 amounting to Rs.14,561.30 lakhs and recurring deposit shows in the year 2003-04 amounting to Rs.450.30 lakhs. Overall the bank has good amount of deposits under different schemes.

Advances-

Since the aim and objective of the bank is to help or assist needy and small mass of people, the bank provides different types of loan to the customer as per their requirements. There is still competition in the market to tap/win away potential and prospective customer loanees by satisfying /meeting their requirements/demand as quickly as possible and in the simplest manner.

The advance portion of the bank is fluctuating through out last eight years. In the year 2002-2003 the advance is more i.e. Rs.15,475.02 lakhs. The bank provides different types of advance to the customer i.e. general loan (business, trading, ssi, consumer durables, etc.), transport loan, cash credit loan, gold loan, loan against term deposit, interest bearing advances, staff house building advances, overdrafts, bill purchases, etc. Among all the loan general loan consist more amount of advance in the bank which is issued for the purpose of business, trading, ssi, consumer durables, etc. Transport loan is also showing more amount of advances in the bank. General loan shows increasing trend of growth and in

the year 2003-04 it shows a highest amount of advance of Rs.7,009.68 lakhs. Likewise transport loan shows highest amount in the year 1996-97 amounting to Rs.4,415.18 lakhs, cash credit loan shows in the year 2002-03 amounting to Rs.3,530.09 lakhs, loan against term deposit shows in the 2002-03 amounting to Rs.1,433.04 lakhs and house building advance shows in the year 2003-04 amounting to Rs.292.27 lakhs. Overall it is fluctuating throughout the eight years.

Analysis -II

Networth -

The bank started its function initially with an amount of Rs.2.33lakhs.But now it reaches toRs.3,658.39 lakhs as the networth of the bank. Overall it shows an increasing trend and reaches at a good financial point. The network of the bank rapidly increases throughout the last eight years.

Total Business and Business per Employee-

Normally business means deposits and advances of the bank. Overall the business is more in the year 2002-03 amounting to Rs.43,532.52 lakhs. So that it shows more business per employee in that year amounting to Rs.88.48 lakhs,whereas the number of employee is being decreased from year to year and it reaches to 492 nos. during the year 2003-04.Overall the business and business per employee is fluctuating during the last eight years.

Loan Recovery(principal & interest)-

The recovery of principal in the bank shows a sound recovery and in the year 1996-97 it shows a more amount of recovery i.e.85.89%.And the recovery of

interest shows more in the year 1996-97 i.e. 85.39%.The recovery of interest is reduced from year to year and it reaches to 42.59% during the year 2003-04.

NPA Position(Bad & Doubtful Debt)-

The recovery climate in India has not been good due to so many reasons. The NPAs of the banking sector as a whole are estimated to be over Rs.1.10 lakh crores. Earlier the legal recovery system was so weak that , banks cases were pending in various courts for years together. The Central Govt. has enacted the Securitisation Act 2002,which gave powers to bank to attain movable/immovable properties without intervention of Court of Law.

The bank shows increasing rate of NPAs and it is more in the year 2003-04 amounting to Rs.17.04 crores having13.64% of total loan and whereas it is less in the year 2000-01 amounting to Rs.11.26 crores and having 7.93%.of total loan.

Cost of Management & Cost of Establishment -

As per the norms fixed by the Registrar of Co-operative societies, Chhattishgarh, the cost of management should not exceed 3.5% of working capital and the cost of establishment should not exceed 2.5% of the working capital. Here the bank follows the norms of Co-operative societies, Chhattishgarh with regard to the cost of management and cost of establishment which is always under the maximum limit , fixed by the Registrar of Co-operative societies, Chhattishgarh.

4.2CONCLUSION:-

The existing organization and structure is subject to criticism as often the rural co-operative banks are unable to discharge its functions effectively. The organization and structure should be remodeled as for the following guide lines.

- I. Any new rural Co-operative bank should reach the norms of viability within a period of 5 years within which it should not only be able to meet the management and establishment cost, but also earn reasonable surplus to declare dividends.
- II. The Board of Directors should represent members of branches who should be involved in affairs of management of banks. The branches should be grouped on basis of their location and distance from the Head Office.
- III. Membership of rural banks should not be too large to make them unwieldy. A board based membership is essential to ensure that banks are co-operative in character but also for strengthening the share capital base of banks as well as for the diversification of their loan portfolio. The membership should not be confined to any caste or community but should be open to all eligible persons.
- IV. Ratio of share-linking to borrowing should be in reasonable proportions to strengthen the share capital base. One class of share of one denomination should be issued except the Share representing the contribution from the state Government. The value of share should be Rs.25.00 without compulsion on members to purchase more than one share of membership. The members should not be allowed to withdraw shares within 5 years of their becoming members of rural banks.
- V. Rural co-operative banks should not advance loans for agricultural purposes to avoid competition with agricultural credit societies. They may finance activities connected with agriculture such as poultry, dairy and piggy to the members who are not members of primary agricultural co-operative societies.

- VI. Loans taken by salaried persons and professional should not be repaid in one lump sum. But repayment should be in instalments in monthly basis. The businessmen and traders should be accommodated in form of cash credits and should be paid back within one year, depending upon nature of business, type of security and genuineness of credit.
- VII. There should be adequate supervisory staff for follow-up the utilization of loans granted and for timely recovery. Rates of interest should be rationalized depending upon different type of loans. Penal rate of interest should not be more than 2 percent over the normal rate, for the default.
- VIII. A director should be elected by virtue of confidence he commands over the members and not on the basis of shares he holds. The director should have membership for a minimum period of 2 years, with a minimum deposit of Rs. 500.00 for a continuous period of 2 years.
- IX. The members of the Board of Director should have regular programmes to make them a competent policy making unit. Among these programmes are short-term orientation courses, workshops, seminars and visit to other banks.
- X. The chief executive of the bank should maintain proper balance among different form of resources viz., share capital, reserves and short term and long term deposits.

The study group on credit co-operatives in non-agricultural sector has given some important recommendations for improvement and rationalization of Rural Co-operatives Banks. As per the recommendations, an uniform definition of rural co-operative banks have to be adopted so as to facilitate implementation of the national policies. They should be

organized in every town with a population of over on lakh. With more intensive coverage it would be necessary to restrict the jurisdiction of different banks to avoid over lapping. The state may participate in the share capital of new banks or of such rural banks as require immediate strengthening of their own fund position.

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