



A Case Study on Low Credit to Deposits Ratio (CD) Of Urban Cooperative Banks in West Bengal

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ABSTRACT

Co-operative banks, developed largely as an offshoot of official policy, expanded rapidly in the post-independence era and played an important role in implementation of various Government schemes. The co-operative banking structure in India comprises urban co-operative banks and rural co-operative credit institutions. Primary (Urban) Cooperative Banks (UCBs) cater to the banking needs of lower/middle class people predominantly comprising businessmen, small traders, artisans, factory workers, salaried persons, etc. in the metropolitan, urban and semi-urban areas. As at end March 2011, there were 1645 UCBs operating in the country, of which majority were non-scheduled UCBs. Moreover, while a majority of the UCBs were operating within a single state, there were 42 UCBs having operation in more than one state. Their main objective was to provide the banking and credit requirements of these marginalized groups. Small groups of dedicated individuals established such urban cooperative credit societies or banks mainly in the outskirts of Kolkata, Howrah, 24 Parganas, Hooghly, Burdwan and Midnapur. In 1966 the Banking Regulation Act was made applicable to the Urban Cooperative Banks (UCBs) and credit Societies. Till 2011 UCBs in West Bengal also grew up with the rest of the country though they were still confined to 11 of the 19 districts with most concentration in Kolkata and Howrah and the adjoining districts. However involvement of some of the UCBs in Gujarat and Andhra Pradesh in the share market scam in 2001 greatly lowered the level of public confidence in these banks. The spread of commercial Banks in almost every nook and corner of the urban areas since liberalization in 1991 also eroded the reach and the clientele of the Urban Cooperative Banks. Further in spite of their strength the Urban Cooperative Banks also have a weakness in terms of generation of share capital. A good number of primary UCBs had come under the direction of RBI because they were not in a position to comply the provisions regarding minimum share capital in terms of Section 11(I) of the Banking Regulation (BR) Act, 1949 (AACS) when the real or exchangeable value of paid up share capital and reserves had fallen below the stipulated level of Rs. 1 lakh.

West Bengal is also not an exception to the country wide problems faced by the UCBs and a number of them had come under the RBI scanner. Thus the UCB sector is presently on a crossroad with these Banks finding it increasingly difficult to maintain their heterogeneous and unique cooperative character with the requirements of a strict regulatory regime and 27 prudent banking norms as has been insisted upon by the RBI in the aftermath of the Gujarat and Andhra Pradesh experiences. As at end-March 2011, there were 1,645 UCBs operating in the country, of which majority were non-scheduled UCBs and of which 46 are operating in West Bengal, one of the rapidly developing state in India. In this paper, we have worked on the CD RATIO of the UCBs in West Bengal. The main object in this project has been to find out the main reasons for the low CD ratio of these cooperative banks & also to suggest corrective measures in this regard.

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I. INTRODUCTION

Credit to Deposits Ratio (CD ratio) is a major indicator of the banks efficiency in procurement of funds & utilization of funds. It displays how effectively the banks do banking. According to the BR Act, Banking is the process of accepting deposits for the purpose of lending or investment. Thus lending to the needy people is a prime responsibility of the banks. This is the reason CD ratio holds great importance for the banks. The ideal CD ratio for the banks should be between 60-70%. In case of Urban Cooperative banks states like Gujarat, Maharashtra, Tamil nadu, Karnataka etc are having CD ratio above 60%. But in West Bengal the CD ratio of the UCBs is very low (53.65% appx.).

This is a two dimensional study. The study offers to know :-

- The CD ratio of various UCBs in the different Districts of West Bengal like Howrah, Hoogly, Bankura, Burdaman, Kolkata, 24PGS(N), 24PGS(S), PurboMedinipore, PaschimMedinipore & Nadia.
- Districts with low CD ratio & causes behind that.
- Districts with High CD ratio & reasons behind that.
- Reasons leading to overall low CD ratio in West Bengal.
- Measures to be taken to improve the CD ratio of the UCBs in West Bengal.

IMPORTANCE OF THE STUDY :-

- This study will help us to know the CD ratio of UCBs in various districts of West Bengal.
- The study will help us to know the reasons behind low & high CD ratio in some districts of W.B.
- The study also gives a true picture about how the CD Ratio of the UCBs can be improved.

OBJECTIVES OF THE STUDY :-

- Analyzing the CD Ratio of UCBs in different districts in West Bengal.
- Detecting the reasons behind low CD Ratio in some banks.
- Suggesting proper measures for improving the CD Ratio.

LIMITATIONS OF THE STUDY :-

- The study involves finding the CD ratio of the UCBs in all the districts of West Bengal but the reasons behind the low or high CD ratio couldn't be identified for each UCB individually.
- The reasons identified for low CD ratio are general reasons & may not be applicable for all the UCBs.

RESEARCH METHODOLOGY :-

- Type of Research :- This is an analytical research based on real data obtained from the inspection reports of UCBs, audit reports of the UCBs produced by Urban Banks Department, Reserve Bank of India, Kolkata. This research work will help us get a true picture of the condition of the UCBs in W.B. The research work will also help us know the reasons behind low CD ratio of UCBs in W.B.
- Type of Data :- This is the primary data collected from Urban Banks Department of Reserve Bank of India, Kolkata.
- Calculation :- The entire project is largely depending on the Microsoft Excel's Calculations & SPSS.
- Softwares used :- I mainly used Microsoft Excel & SPSS in the project.

DATA PRESENTATION & INTERPRETATION

TABLE 1: 1645 UCBs – State wise :-

State	No.	State	No.
Andhra Pradesh	106	Maharashtra	539
Assam	8	Manipur	3
Bihar	3	Meghalaya	3
Chhattisgarh	12	Mizoram	1
Delhi	15	Orissa	12
Goa	6	Pondicherry	1
Gujarat	243	Punjab	4
Haryana	7	Rajasthan	39
Himachal Pradesh	5	Sikkim	1
Jammu & Kashmir	4	Tamil Nadu	129

Jharkhand	2	Tripura	1
Karnataka	268	U.P	70
Kerala	60	Uttarakhand	5
Madhya Pradesh	52	West Bengal	46

Source: Reserve Bank of India (various issues)

CREDIT TO DEPOSIT RATIO :-

Credit to Deposits ratio (CD ratio) is the ratio that indicates the portion of the deposits, the bank channelizes as loans & advances. It is the ratio that is expressed in %. The ideal CD ratio of the banks is assumed to be between 60 to 70%. The concept of CD ratio is applicable in case of banks only. CD ratio is considered a vital factor for the banks as it indicates banks efficiency in procurement of funds & utilization of funds. Banking Regulation Act says that banking is the process of accepting deposits for the purpose of lending or investment. It indicates that banks as per BR Act must channelize a major part of its deposits as loans & advances or investment. Thus a bank which does not have good CD ratio will indicate that its funds from the deposits are not utilized for extending loans & advances but are rather retained. So in true sense it's not banking. There are many factors which determine the CD Ratio of banks like attitude of the banks, area of operation, credit absorption capacity of the banks, exposure limits, chances of NPA etc. The commercial banks & private banks generally have high CD ratio because of their complete lending attitude, wide area of operation, good credit absorption capacity, high exposure limits, limited chances of NPA because of good loan recovery mechanism, etc. But this CD ratio is comparatively very low in case of Cooperative banks especially non-scheduled UCBs. Restricted area of operation, Fear of high NPA, Low risk appetite of the banks, narrow banking practices of the banks, UCBs exposure limit etc are vital factors which lead to low CD ratio of the UCBs. In this report the low CD of the UCBs in West Bengal have been discussed. The project also discusses about the reasons behind the low CD ratio of the UCBs in W.B. The project also carries on a comparison of the CD ratio of the UCBs with that of Commercial Banks. Finally the project also suggests the corrective measures that can be taken to uplift the CD ratio of the UCBs in West Bengal.

TABLE 2: State-wise CD ratio of UCBs :-

STATE	NET DEPOSITS (in crore)	NET ADVANCES (in crore)	CD RATIO
Andhra Pradesh	5348	3963	74.10%
Assam	438	187	42.69%
Bihar	65	33	50.77%
Chhattisgarh	369	120	32.52%
Delhi	1563	854	54.64%
Goa	1696	1019	60.08%
Gujarat	22422	13250	59.09%
Haryana	397	219	55.16%
Himachal Pradesh	346	193	55.78%
Jammu & Kashmir	307	156	50.81%
Jharkhand	17	9	52.94%
Karnataka	14333	9602	66.99%
Kerala	5522	3844	69.61%
Madhya Pradesh	1317	624	47.38%
Maharashtra	138124	90260	65.35%
Manipur	176	80	45.45%
Meghalaya	106	49	46.23%
Mizoram	23	8	34.78%
Orissa	1017	578	56.83%
Pondicherry	122	100	81.97%
Punjab	717	356	49.65%
Rajasthan	3711	2159	58.18%
Sikkim	13	9	69.23%
Tamil Nadu	4822	3773	78.25%
U.P	4052	1953	48.20%
Uttarakhand	2037	1340	65.78%
West Bengal	2969	1593	53.65%
ALL INDIA	212031	136341	56%

NOTE :- The above table shows the CD ratio of UCBs in various states of India. UCBs in states like Andhra Pradesh, Goa, Karnataka, Maharashtra, Pondicherry, Sikkim, Tamil Nadu & Uttarakhand are having CD ratio above 60%. The CD ratio of UCBs in W.B is 53.65%.

TABLE 3:LIST OF UCBs IN WEST BENGAL :-

SR NO.	Names of UCBs	SR NO.	Names of UCBs
1	AVB Employees' Co-operative Credit Society & Bank Ltd	24	SreeChaitanya Co-Operative Bank Ltd.,
2	Balitikuri Co-operative Bank Limited	25	The BaidyabatiSheoraphuli Co-operative Bank Limited
3	Bally Co-operative Bank Limited	26	The Bank Employees' Co-operative Bank Ltd.,
4	Baranagar Co-operative Bank Limited	27	The Bankura Town Co-operative Bank Limited
5	Bhatpara Naihati Co-operative Bank Limited	28	The Bantra Co-operative Bank Limited
6	Budge-Budge Nangi Co-operative Bank Ltd.	29	The Bishnupur Town Co-operative Bank Limited
7	Citizens' Urban Co-operative Bank Ltd	30	The Boral Union Co-operative Bank Limited
8	Contai Co-operative Bank Ltd.	31	The Eastern Railway Employees'Co-operative Bank Ltd.
9	Dhakuria Co-operative Bank Ltd.	32	The Ghatal Peoples' Co-operative Bank Ltd
10	Durgapur Mahila Co-Operative Bank Ltd.,	33	The Hooghly Co-operative Credit Bank Limited
11	Durgapur Steel Peoples' Co-operative Bank Ltd	34	The JaynagarMozilpur Peoples' Co-operative Bank Ltd.
12	Eastern & North East Frontier Railway Co-operative Bank Ltd.	35	The Kalna Town Credit Co-operative Bank Ltd.
13	Kasundia Co-operative Bank Ltd.	36	The Khatra Peoples' Co-operative Bank Ltd.
14	Khardah Co-operative Bank Ltd.	37	The Krishnagar City Co-operative Bank Ltd.
15	KolikataMahila Co-Operative Bank Ltd.,	38	The Midnapore People's Co-operative Bank Ltd.
16	Kolkata Police Co-operative Bank Ltd.	39	The Nabadwip Co-operative Credit Bank Ltd
17	KonnagarSamabaya Bank Ltd.	40	The Nabapalli Co-operative Bank Ltd.
18	Liluah Co-operative Bank Limited	41	The Panihati Co-operative Bank Ltd.
19	Nabagram People's Co-operative Credit Bank Ltd.	42	The Santragachi Co-operative Bank Ltd.
20	National Insurance Emp. Co-operative Cr.& Banking Soc.Ltd	43	The Shibpur Co-operative Bank Ltd.
21	Ranaghat People's Bank Ltd.	44	The Suri Friends' Union Co-operative Bank Ltd.
22	Raniganj Co-operative Bank Ltd.	45	The Union Co-operative Bank Ltd.
23	Samata Co-operative Development Bank Ltd.	46	The Uttarpara Co-operative Bank Ltd.
		47	United Co-operative Bank Limited

TABLE 4:DISTRICT-WISE DISTRIBUTION OF UCBs IN WEST BENGAL

DISTRICT	NO.
HOWRAH	8
HOOGLY	4
BANKURA	3
BURDAMAN	5
KOLKATA	8
24PGS(N)	5
24PGS(S)	4
PURBO MEDNIPORE	1
PASCHIM MEDNIPORE	2
NADIA	4
BIRBHUM	1
TOTAL	45



DISTRICT :- HOWRAH

TABLE 5:DEPOSITS,ADVANCES& CD RATIO OF UCBS IN HOWRAH

NAME OF THE COOPERATIVE BANK	DEPOSITS (in crore)				ADVANCES (in crore)			
	2009	2010	2011	2012	2009	2010	2011	2012
Balitikuri Cooperative Bank Ltd	64.79	74.69	83.89	92.46	17.0734	18.436	22.114	27.27
Bally Cooperative Bank Ltd	14.59	14.53	14.88	14.97	8.109	7.4984	7.1865	6.77
Bantra cooperative bank Ltd	71.02	68.84	68.74	70.99	9.5182	9.4633	7.4747	8.69
Kasundia cooperative Bank Ltd	20.32	23.97	25.36	24.63	4.545	4.3108	3.0383	2.08
Liluah co-operative Bank Ltd	94.73	109.48	116.47	121.22	16.6668	18.966	21.3185	26.91
Santragachi Cooperative Bank	43.4	51.58	57.1	57.4	19.2886	20.647	23.3217	25.87
Shibpur cooperative bank ltd	41.66	46.42	46.3	47.62	8.1886	8.9364	9.8726	10.55
United cooperative bank Ltd	3.71	3.54	2.79	2.51	2.8861	2.6359	1.9478	2.14
TOTAL	354.22	393.05	415.53	431.8	86.2757	90.894	96.2741	110.2
AVERAGE	44.27	49.1312	51.9412	53.975	10.784	11.361	12.03426	13.785
NAME OF THE COOPERATIVE BANK	CD RATIO							
	2009	2010	2011	2012				
Balitikuri Cooperative Bank Ltd	26.35%	24.68%	26.36%	29.49%				
Bally Cooperative Bank Ltd	55.58%	51.61%	48.3%	45.2%				
Bantra cooperative bank ltd	13.4%	13.75%	10.87%	12.24%				
Kasundia cooperative Bank Ltd	22.37%	17.98%	11.98%	8.43%				
Liluah co-operative Bank Ltd	17.59%	17.32%	18.3%	22.2%				
Santragachi Cooperative Bank Ltd	44.44%	40.03%	40.84%	45.07%				

Shibpur cooperative bank ltd	19.66%	19.25%	21.32%	22.16%
United cooperative bank Ltd	77.79%	74.46%	69.81%	85.36%
AVERAGE	34.64%	32.38%	30.97%	33.76%

Source: Author's own calculation.

NOTE :- The average CD ratio of different UCBs in Howrah for the year 2009,2010,2011,2012 are 34%,32%,30% & 33% respectively. The deposits of the United Co.Bank is minimum as compared to all others UCBs in Howrah,but still it is having the highest CD Ratio.Banks like Bantra,Liluah,Shibpur Cooperative Banks have very low CD ratio.

DISTRICT- HOOGLY

TABLE 6:DEPOSITS, ADVANCES & CD RATIO OF UCBs IN HOOGLY

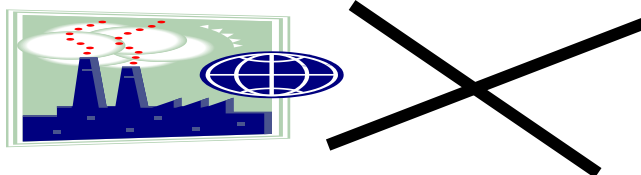
PARTICULARS	DEPOSITS(in Crore)				ADVANCES(in Crore)			
	2009	2010	2011	2012	2009	2010	2011	2012
HOOGLY COOPERATIVE CREDIT BANK LTD	52.09	60.27	68.88	78.12	19.2717	19.3696	22.4404	24.38
KONNAGAR COOPERATIVE BANK	27.54	33.81	39.27	43.06	4.5186	5.0371	5.5119	6.75
NABAGRAM PEOPLES' CO-OPERATIVE CREDIT BANK LTD	35.04	41	41.51	43.15	5.0738	5.1647	6.3486	6.47
UTTAR PARA COOPERATIVE BANK LTD	41.01	48.25	53.07	52.8	16.1115	16.4722	16.5105	18.06
TOTAL	155.68	183.33	202.73	217.13	44.9756	46.0436	50.8114	55.66
AVERAGE	38.92	45.8325	50.6825	54.2825	11.2439	11.5109	12.70285	13.915

BANK NAME	CD RATIO			
	2009	2010	2011	2012
HOOGLY COOPERATIVE CREDIT BANK LTD	36.99%	32.13%	32.57%	31.21%
KONNAGAR COOPERATIVE BANK	16.40%	14.89%	14.03%	15.67%
NABAGRAM PEOPLES' CO-OPERATIVE CREDIT BANK LTD	14.48%	12.59%	15.29%	14.99%
UTTAR PARA COOPERATIVE BANK LTD	39.28%	34.13%	31.11%	34.21%
TOTAL	26.79%	23.44%	23.25%	24.02%
AVERAGE	26.79%	23.44%	23.25%	24.02%

Source: Author's own calculation.

The CD ratio of the UCBs in Hoogly district for the year 2009,2010,2011,2012 has been below 40%.The average CD ratio has been below 28%.One of the reason behind this is that the percentage rise in deposits is higher than percentage rise in advances.The deposits have grown at a rate of 17.75%,10.58%,7.10% from the year 2009 to 2012 whereas on the other hand loans & advances have grown at a rate of just 2.40%,10.33%,9.56% during that period.

Shut Down of Jute industries, a major reason behind low CD ratio of UCBs in Howrah & Hooghly



One of the major causes behind low CD ratio in districts like Howrah and Hoogly was the sudden shut down of the jute industries in the year 2005 in that region.These Jute industries demanded loans & advances in crores which the UCBs in that region couldn't finance,but these small UCBs where able to finance the ancilliary units of the Jute industries.A sudden shutdown of the jute industries also lead to closure of its ancilliary

units. Due to the shut down of the ancillary units a large amount of loans & advances provided by the UCBs to these small ancillary units converted into NPAs. Even the demand for loans & advances reduced as these ancillary units were major loan takers for these UCBs. Since then the CD ratio of the UCBs in Howrah & Hoogly has remained very low.

DISTRICT- BANKURA

TABLE 7: DEPOSITS, ADVANCES & CD RATIO OF UCBs IN BANKURA

PARTICULARS	DEPOSITS (in crore)				ADVANCES (in crore)			
	2009	2010	2011	2012	2009	2010	2011	2012
BANKURA TOWN COOPERATIVE BANK LTD	19.32	23.46	26.02	27.54	6.7466	7.367	7.9656	9.11
BISHNUPUR TOWN COOPERATIVE BANK LTD	39.28	48.43	55.39	59.62	13.2406	15.548	19.2641	20.78
KHATRA PEOPLES' COOPERATIVE BANK LTD	29	35.43	39.9	41.36	20.6477	25.516	26.313	25.59
TOTAL	87.6	107.32	121.31	128.52	40.6349	48.432	53.5427	55.48
AVERAGE	29.2	35.7733	40.4366	42.84	13.5449	16.144	17.8475	18.4933

BANK NAME	2009	2010	2011	2012
BANKURA TOWN COOPERATIVE BANK LTD	34.92029	31.40239	30.61337	33.07
BISHNUPUR TOWN COOPERATIVE BANK LTD	33.70825	32.10489	34.77902	34.86
KHATRA PEOPLES' COOPERATIVE BANK LTD	71.19897	72.01976	65.94737	61.88
AVERAGE	46.60917	45.17568	43.77992	43.27

Source: Author's own calculation.

The above table shows that there are three UCBs in Bankura District. The CD ratio of Bankura Town Cooperative Bank Ltd & Bishnupur Town Cooperative Bank Ltd is below 35%. The CD ratio of Khatra Peoples' Cooperative Bank Ltd has been 71%, 72%, 65% & 61% in the year 2009, 2010, 2011 & 2012 respectively. The reasons for the low CD ratio of other banks as compared to Khatra Peoples' Cooperative Bank has been shown below.

DISTRICT- BURDAMAN

TABLE 8: DEPOSITS, ADVANCES & CD RATIO OF UCBs IN BURDAMAN

PARTICULARS	DEPOSITS (in crore)				ADVANCES (in crore)			
	2009	2010	2011	2012	2009	2010	2011	2012
DURGAPORE MAHILA COOPERATIVE BANK LTD	3.04	4.09	4.99	5.45	1.9797	2.5158	3.4377	3.93
DURGAPORE STEEL PEOPLES' COOPERATIVE BANK LTD	122.3	143.16	156.16	160.38	61.6325	65.0093	76.9925	95.84
KALNA TOWN CREDIT COOPERATIVE BANK LTD	49.08	58.96	62.32	67.42	14.3486	17.4131	17.4334	19.97
RANIGANJ COOPERATIVE BANK LTD	16.11	17.9	19.43	18.19	8.1034	8.5439	8.443	8.23
A.V.B EMPLOYEES COOPERATIVE CREDIT SOCIETY & BANK LTD	2.94	3.06	1.99	1.12	1.5416	1.881	1.7497	1.67
TOTAL	193.47	227.17	244.89	252.56	87.6058	95.3631	108.056	129.64
AVERAGE	38.694	45.434	48.978	50.512	17.5212	19.0726	21.6113	25.928

BANK NAME	CD RATIO
BANKURA TOWN COOPERATIVE BANK LTD	33.07
BISHNUPUR TOWN COOPERATIVE BANK LTD	34.86
KHATRA PEOPLES' COOPERATIVE BANK LTD	61.88
AVERAGE	43.27

	2009	2010	2011	2012
DURGAPORE MAHILA COOPERATIVE BANK LTD	65.12171	61.511	68.89178	72.03
DURGAPORE STEEL PEOPLES' COOPERATIVE BANK LTD	50.39452	45.41024	49.3036	59.76
KALNA TOWN CREDIT COOPERATIVE BANK LTD	29.23513	29.53375	27.97401	29.62
RANIGANJ COOPERATIVE BANK LTD	50.30043	47.73128	43.45342	45.27
A.V.B EMPLOYEES COOPERATIVE CREDIT SOCIETY & BANK LTD	52.43537	61.47059	87.92462	149.26
AVERAGE	49.49743	49.13137	55.50949	71.188

Source: Author's own calculation.

The table in the previous page shows the net deposits, advances & CD ratio of the banks in the Burdaman District. The UCBs located in the Durgapore region i.e. Durgapore Mahila Cooperative Bank & Durgapore Steel Peoples' Cooperative Bank is having high CD ratio. Durgapore is a very industrious place, thus there is a huge requirement for industrial loans & advances. Not only that Durgapore Steel Cooperative Bank is a salary earners Bank. The bank mostly grants loans to the company employees which further makes the loan reimbursement process easier & risk free for the bank, reducing the chances of these loans becoming NPA. Thus these Banks are able to channelize a major part of their deposits as loans & advances leading to high CD ratio.

DISTRICT – KOLKATA

TABLE 9: DEPOSITS, ADVANCES & CD RATIO OF UCBs IN KOLKATA

BANK NAME	DEPOSITS (in crore)				ADVANCES (in crore)			
	2009	2010	2011	2012	2009	2010	2011	2012
BARANAGAR COOPERATIVE BANK LTD	44.1	43.6	37.19	31.5	21.006	20.1839	18.2835	16.93
DHAKURAI COOPERATIVE BANK LTD	36.03	41.13	44.8	48.99	17.4782	18.5805	19.2589	20.16
KOLIKATA MOHILA COOPERATIVE BANK LTD	1.96	2.16	2.15	2.57	1.5849	1.4258	1.38	1.47
BANK EMPLOYEES' COOPERATIVE BANK LTD	78.92	91.38	91.65	89.31	57.2634	57.7824	55.72	52.83
EASTERN RAILWAY EMPLOYEES' COOPERATIVE BANK LTD	262.53	326.49	349.03	360.53	152.9526	242.6092	284.5692	294.76
KOLKATA POLICE COOPERATIVE BANK LTD	41.15	49.72	54.59	57.4	37.271	43.3094	50.9068	62.67
EASTERN & NORTH-EAST FRONTIER RAILWAY CO-OP BANK LTD	146.06	199.43	237.87	264.04	178.6771	224.4229	258.7327	283.6
NATIONAL INSURANCE EMPL.COOP. CREDIT & BANKING SOCIETY LTD	16.36	18.53	21.43	25.45	12.8431	14.5164	14.263	16.51
BANK NAME	2009	2010	2011	2012				
BARANAGAR COOPERATIVE BANK LTD	47.63265	46.29335	49.16241	53.75				
DHAKURAI COOPERATIVE BANK LTD	48.51013	45.17505	42.98862	41.16				
KOLIKATA MOHILA COOPERATIVE BANK LTD	80.86224	66.00926	64.18605	57.21				
BANK EMPLOYEES' COOPERATIVE BANK LTD	72.55879	63.23309	60.79651	59.15				
EASTERN RAILWAY EMPLOYEES' COOPERATIVE BANK LTD	58.261	74.30831	81.53144	81.76				
KOLKATA POLICE COOPERATIVE BANK LTD	90.57351	87.1066	93.25298	109.18				

EASTERN & NORTH-EAST FRONTIER RAILWAY CO-OP BANK LTD	122.3313	112.5322	108.7706	107.41
NATIONAL INSURANCE EMPL.COOP. CREDIT & BANKING SOCIETY LTD	78.50306	78.33999	66.55623	64.89
AVERAGE CD RATIO	74.90409	71.62473	70.90561	71.81375

Source: Author's own calculation.

NOTE :-The table in the previous page shows the net deposits, net advances & CD ratio of UCBs in Kolkata District. In Kolkata the average CD ratio of the UCBs is above 70% which is mainly because of the presence of large no. of salary earner UCBs. There are total 5 salary earner UCBs in Kolkata out of 6 salary earner UCBs in whole West Bengal. Kolkata Mohila Cooperative Bank Ltd is also having high CD ratio i.e. between 55%-80%.

Presence of Maximum Salary Earner UCBs-a major reason behind high CD Ratio in Kolkata :-

The five salary Earner UCBs in Kolkata i.e. Bank Employees' Cooperative Bank Ltd, Eastern Railway Employees' Cooperative Bank Ltd, Kolkata Police Cooperative Bank Ltd, Eastern & North-East Frontier Railway Cooperative Bank Ltd, National Insurance Employees Cooperative Bank Ltd & National Insurance Employees Cooperative Credit & Banking Society Ltd contribute significantly towards the CD ratio in Kolkata. There are total 8 UCBs in Kolkata out of which 5 are Salary Earner UCBs.

The Salary Earner UCBs have high CD ratio, as they mainly finance the credit needs of the employees where there are least chances of NPA. So the UCBs extend maximum part of their deposits as loans & advances to the employees of the organisation leading to high CD ratio. The average CD ratio of all Salary Earner UCBs in Kolkata for the year 2009, 2010, 2011 & 2012 were 84.2%, 83.09%, 82.17% & 84.47% respectively. The CD ratio of the remaining three UCBs apart from Kolkata Mohila Cooperative Bank has been below 55%. Total loans & advances granted by UCBs in Kolkata were 479.04 crore, 622.8 crore, 703.08 crore, 748.93 crore in the year 2009, 2010, 2011 & 2012 respectively out of which the Salary Earner UCBs contributed 439 crore, 582 crore, 664 crore & 710 crore in the years 2009, 2010, 2011 & 2012 respectively. From this it can be concluded that Salary Earner UCBs are mainly responsible for the high CD ratio in Kolkata.

DISTRICT – 24PGS(N)

TABLE 10: DEPOSITS, ADVANCES & CD RATIO OF UCBs IN 24PGS(N)

PARTICULARS	DEPOSITS				ADVANCES				CD RATIO			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
BHATPARA-NAIHATI COOPERATIVE BANK LTD	66.68	73.5	76.45	83.95	23.2	22.7	23.1	25.4	34.9%	30.9%	30%	30.3%
KHARDAH COOPERATIVE BANK LTD	22.78	28.7	33.14	37.12	12.6	15.3	17.2	19.2	55.4%	53.3%	52%	51.7%
NABAPALLI COOPERATIVE BANK LTD	31.66	38.6	45.77	52.02	8.02	8.13	9.83	10.7	25.3%	21%	22%	20.6%
PANIHATI COOPERATIVE BANK LTD	19.03	19.4	19	18.14	12.3	12.0	10.2	9.53	64.8%	61.8%	54%	52.5%
SAMATA COOPERATIVE BANK LTD	12.92	14.6	19.31	25.73	7.59	9.54	11.8	13.2	58.7%	65.3%	62%	51.6%
TOTAL	153.0	174	193.6	216.9	63.8	67.8	72.3	78.2				
AVERAGE	30.6	34.9	38.73	43.39	12.7	13.5	14.4	15.6	47.8%	46.5%	44%	41.3%

Source: Author's own calculation.

NOTE :-The above table shows the deposits, loans & advances and CD ratio of the UCBs in 24PGS(N). Bhatpara Naihati Cooperative Bank Ltd & Nabapalli Cooperative Bank Ltd are having more deposits as compared to other banks but still they are having the lowest CD ratio (below 30%) in 24PGS(N) as they are not extending loans & advances. UCBs like Khardah, Panihati & Samata Cooperative Bank Ltd are having CD ratio between 50-60%.

DISTRICT – NADIA

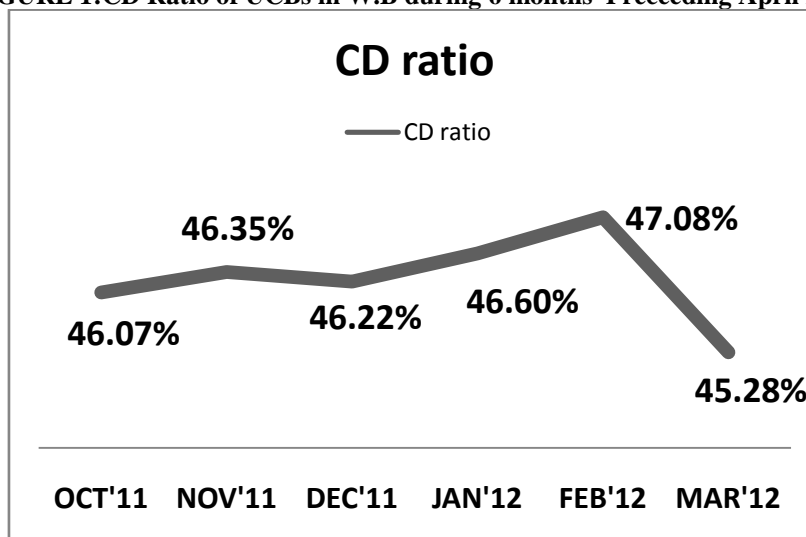
TABLE 11:DEPOSITS, ADVANCES & CD RATIO OF UCBs IN NADIA DISTRICT

Source: Author’s own calculation.

PARTICULARS	DEPOSITS(in crore)				ADVANCES(in crore)				CD RATIO			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
THE KRISHNAGAR CITY COOPERATIVE BANK LTD	16.4	19.2	18.9	21.0	9.5	10	9.2	10	58%	52%	48%	50%
NABADWIP COOPERATIVE CREDIT BANK LTD	28.9	32	40	48	0.0	14	16	17	0.00	44%	40%	36%
RANAGHAT PEOPLES ' COOPERATIVE BANK LTD	57.5	64	77	81.6	0.0	7.3	7.8	11	0.00	11%	10%	13%
SHREE CHAITANYA COOPERATIVE BANK LTD	1.59	1.91	2.13	2.25	0.7	0.7	0.8	0.8	44%	38%	37%	36%
TOTAL	104	118	139	153	10.2	32.8	34.2	40.7				
AVERAGE	26	29	34	38	2.6	8.2	8.5	10.2	25%	36%	34%	34%

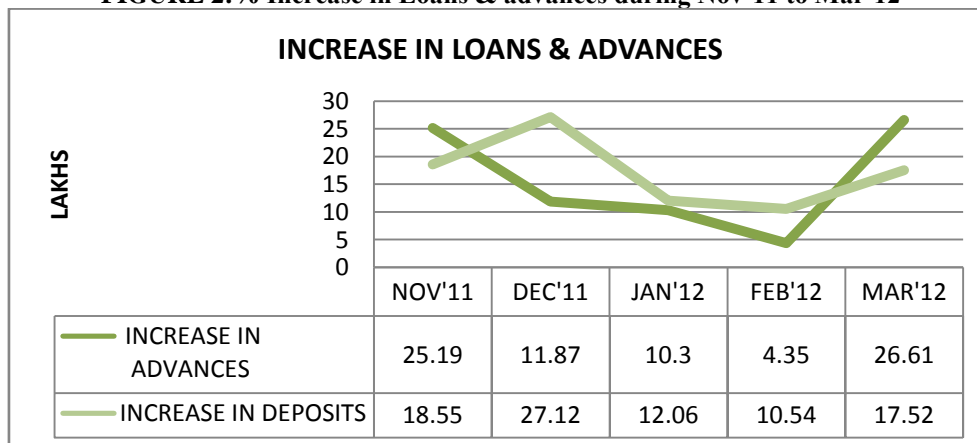
NOTE :-The above table shows the CD ratio of UCBs in Nadia District. The Krishnagar City Cooperative Bank is having the highest CD ratio i.e between 58-48%. The Ranaghat Peoples’ Cooperative Bank is having highest amount of deposits as compared to other banks but still it is having the lowest CD ratio. The CD ratio of others UCBs is also very low.

FIGURE 1:CD Ratio of UCBs in W.B during 6 months Preceding April 2012



NOTE :-The line diagram above shows the CD ratio of UCBs during the six months preceding April, 2012. The CD ratio has been minimum in the month of March i.e 45.28%.

FIGURE 2:% Increase in Loans & advances during Nov'11 to Mar'12



NOTE :- During last 6 months it can be seen that most of the times % increase in deposits have been more than % increase in loans & advances. That is the reason in spite of growth in loans & advances during March 2012, the CD ratio has remained low. (shown in the previous diagram). Again we can see that the amount of loans & advances extended has increased significantly after February as banks financial year is about to end & during this period banks try to show higher loans & advances.

Other reasons behind low CD ratio :- Apart from the reasons like Narrow banking practices & fear of high NPA (Discussed during district-wise study of CD Ratio in W.B), there are some other reasons behind low CD Ratio which have been discussed below :-

- Low Risk appetite :- Low risk appetite of the banks means the inability of the banks to estimate the risk behind various investments. Low risk appetite is a major reason behind increasing NPAs of the UCBs.
- Restricted area of operation of the UCBs :- The area of operation of the UCBs is very restricted i.e. confined within a small geographical area. The UCBs have to restrict their banking operations within the area in which they exist.
- Share linking norm on loans & advances :- In case of UCBs there is share linking norms on loans & advances. RBI has made it mandatory for UCBs to collect share capital from the borrowers in the ratio of 2.5 per cent and 5 per cent for secured and unsecured loans respectively, except for UCBs with CRAR of 12 per cent or more. As a result of this norm people going for secured loans will get 97.5% of the amount demanded in cash & the rest 2.5% as shares of the company. On the other hand people going for unsecured loans will have to accept 95% of the amount demanded in cash & the rest 5% as shares of the company. Due to non-availability of 100% cash on loans demanded people avoid UCBs for this purpose & mainly prefer commercial banks.
- Loan among the members only :- UCBs are permitted to grant loans to its members only. For becoming a member a person should be a resident within the area in which the bank operates.
- Non-availability of advance technology for fund transfer viz. RTGS, NEFT etc :- Non-availability of these advance technologies for fund transfer like Real Time Gross Settlement, National Electronic Fund Transfer, etc doesn't encourage people to go for banking in these UCBs.
- Low capital base & lower availability of lendable funds :- The capital base of the UCBs mainly consists of share linking funds as a result the capital base of these UCBs are very less & there is lower availability of lendable funds for purpose of extending loans & advances.
- Poor corporate governance & un-skilled staffs :- There is poor corporate governance & control in these UCBs. Staffs working in these UCBs are mainly unskilled & also lack experience.
- Low demand for loans in its area of operation :- These UCBs mainly exist in those areas where there is lack of industrialization as a result there is lack of demand for loans.
- On account of low capital base, UCBs exposure limit doesn't permit to meet the demand of big borrowers :- Due to lower availability of lendable funds because of lower capital base, the UCBs are permitted to lend only 15% of Tier I capital to individuals as loans & only 40% of their Tier I capital as loans to group borrowers.

A burning fact about UCBs in West Bengal

9 UCBs mainly deciding the CD Ratio of UCBs in W.B. They are:-

CD ratio 2012

• United Cooperative Bank	85.36%
• Khatra People's Cooperative Bank	61.88%
• Durgapore Mohila Cooperative Bank	72.03%
• AVB Employees Co. Credit Society & Bank Ltd	149.26%
• Eastern Railway Employees Co. Bank Ltd	81.76%
• Kolkata Police Co. Bank Ltd	109.18%
• Eastern & North-East Frontier Railway Co. Bank Ltd	107.41%
• National Insurance Emp. Co. Credit & Banking Society Ltd	64.89%
• Contai Cooperative Bank	71.16%

AVERAGE CD RATIO OF THESE 9 UCBs 89.21%

- **The average CD ratio of the UCBs in West Bengal**

Including above 9 UCBs 53.35%

- **The average CD ratio of the UCBs in West Bengal**

Excluding above 9 UCBs 44.34%

NOTE :- The above calculation shows that the 9 UCBs mainly decide the CD ratio of UCBs in W.B. If these 9 UCBs are excluded the CD ratio of UCBs in W.B. will fall to 44.34%. This shows the condition of the rest 38 UCBs in W.B.

HOW CD RATIO OF UCBs CAN BE IMPROVED ?

Measures for improving CD ratio :-

The following measures should be taken by the UCBs for improving their CD ratio :-

- Discarding the attitude of risk aversion & policy of narrow banking practices.
- Increasing credit outflow.

The main reason behind the negative attitude of risk aversion & the policy of under-taking narrow banking practices is the fear of NPA. Increasing NPA is a major field of concern for the banks. Therefore if the increasing NPA of the UCBs are controlled, the banks will be able to lend more & thus their CD ratio can be improved.

Reducing NPA of the UCBs'

Just as banks need Credit Management, NPA Management is also a very necessary aspect. It has to be remembered that Credit Management has to be performed in such a way that there will not be any need for NPA Management. It is a fact that Urban Co – Op – banks never pay heed to give need based advances. On the contrary the managements administer in such a way as if the institutions / banks are their own business firms. They are governed by personal relations and without taking in to consideration the actual need and purpose of loan. Inadequate securities, approval of loan accounts more than actually needed etc., have become a common practice.

Bank Managements should, in fact, administer banks not as their personal business firm but as if they are trustees of popular funds or investments. As mentioned earlier, the greatest NPA Management is to prevent NPA. Genuine advances, sufficient security, post loan inspections, regular renewal of loans, all these stop banks from making NPA. Very often, lack of follow up increases NPA. NPA level rises when stock statement of the cash credit account is not promptly obtained, transactions do not take place in the account, the turnover is even less than the interest, the credit is not renewed from time to time – all irresponsible activities of banks. Sending installment notice is a usual banking custom and many bank fail in doing even this. If the above problems are avoided, the NPA can be minimized by 5 to 10 percent approximately.

The following steps should be followed for reducing NPA :-

- 1) There should be constant, in depth inspections of accounts which turn into NPA and have a specific policy for periodical evaluation of such accounts.
- 2) There must be a deep study of the viability of loan repayment while sanctioning new loans and proper pre – inspection procedure must be undertaken.
- 3) Banks should have a loan recovery policy giving details of the strategies adopted for recovery of dues, period wise targeted level of reducing NPAs.
- 4) It is high time to introduce methods of evaluation of risks involved in lending and to determine category or degree of risk so as to decrease non-performing assets.
- 5) There should be quarterly / monthly review of NPA account prior to balance sheet date to know the actual position of accounts to get an early signal of potential NPA accounts.
- 6) To reduce existing level of NPA there must be a separate team in recovery department which consist of experienced and skilled personnel.
- 7) There must be emphasis on reduction of Net NPAs as Zero Net NPA indicates good NPA management.
- 8) There is a need for modification in the existing methods of accounting to make it more transparent and meaningful.
- 9) While sanctioning a new loan proper pre-inspection procedure must be undertaken.
- 10) Norms for entering in to compromise proposal involving sacrifice/waiver, factors to be taken into account before considering waivers, decision, levels, reporting to higher authorities and monitoring of higher authorities and monitoring of write – off/waiver cases.

- 11) All branches must have separate NPA departments consisting of experienced and a dedicated team.
- 12) To conduct monthly or quarterly meeting for meaningful dialogue with the borrower (NPA) consulting with the management to arrive at a possible solution.
- 13) When chances of recovery are negligible bank should write-off an advance to reduce its income and save tax. In other words up to certain extent doubtful and loss assets should be written off.
- 14) Special Recovery cells may be set up region/zone wise. Similarly recovery officers may be appointed at branches having sizeable NPAs and their recovery progress may be monitored on monthly basis.
- 15) There should be “Management Information System” or “Intelligence Department” by which the entire departments can avail proper, adequate and timely information, which help in taking timely decision regarding Non performing accounts.
- 16) In order to decrease NPA, personnel of the banks must be motivated by motivational scheme and while judging the performance of staff; sufficient emphasis should be laid to the recovery of loans.
- 17) Nepotism and bogus loans must be drastically removed by directors.
- 18) It is unfortunately true that co-operative banks have come to be hotbeds of political patronage, irresponsible financial accounting for this.
It is high time to take corrective steps by government though some modification.
- 19) For Government, peer pressure is not working and its time to think of more formal mechanism of corporate governance.
If the above steps are followed by the UCBs, Non Performing Assets can be controlled to a large extent.

Increasing Credit Outflow – a measure to increase CD ratio :-

Credit outflow of the UCBs can be improved if the UCBs are able to extend more funds as loans & advances out of their deposits. The UCBs are required to first understand the needs of the people. Since these banks are known for their local presence, they can take the full advantage of their local presence in order to understand the preferences of the customers. Various types of loans that can be extended by these UCBs are housing loan, cash & credit, term loan, transport loan, utility goods loan, vehicle loans, educational loans, travel loan, multi-purpose loan, Gold loan, etc at attractive rates.

How customers can be attracted to UCBs schemes?

- Launching Banks own website :- UCBs should have their own websites where they can promote their products/financial schemes. Internet is the best way to reach a wide mass within a small span of time.
- Local newspapers, journals, etc. :- UCBs can also take the help of local newspapers, journals, magazines etc to reach a wider mass of the population at a very affordable cost. UCBs in W.B can promote their financial schemes through local newspapers like ANANDA BAZAR PATRIKA, BARTAMAN, etc.
- Loan mella :- Like commercial & private banks, the UCBs can also organise loan mella's where a large number of local people can come to know about the various loan schemes of the bank. Here the banks can discuss their loan & other schemes with the people.
- Door to Door visit :- The UCBs can also arrange for door to door visits in their area of operation. The UCBs may target the poor & middle class people who are in need of the funds by directly visiting their homes.
- Promotion through local clubs, local TV Channels, radio, etc. :- The UCBs can take the help of local clubs (Para clubs), local T.V channels, radio for promoting their schemes. Every year these UCBs extend huge donations (also called "chandas") to these local clubs during Puja's & other occasions. So UCBs can take the help of these local clubs in promoting their schemes. Local T.V channels of cable operators like Siti Bangla, etc can also be used as a medium for promotion. Local Bengali radio channels can also be of great help.

Other services at UCBs :- In this competitive market people are always looking for more & more utilities which will benefit them. So only banking is not enough, the banks are required to extend more facilities to the people. The various services that UCBs should avail to its customers are :-

- Cash pick-up :- For our valuable customers who are required to deposit cash on a regular basis, bank offers the service of pick of cash from the customer's door-steps at a minimum charge.

- Lockers :-Bank offers facility of Safe Deposit Locker at many of its branches .This enables people to keep their valuables/security safely.
 - Instant Funds Transfer :-This helps many of customers to transfer their business/ personal funds instantaneously to any of the branch of the bank.
 - Electronic Clearing Services :-Periodic payments such as monthly/quarterly interest on fixed deposits, dividend on our shares etc. can now be instantaneously credited to the beneficiaries account at any of our branches or at any other bank-branch.
 - NEFT(National Electronic Funds Transfer) :-To facilitate transfer of funds from any bank branch to any other bank branch participating in NEFT.
- The above mentioned services are really need of the time. These services are provided by all most all the commercial & private banks and thus these banks are preferred more by the people. Therefore the UCBs must try to avail these services which will help them attract new customers & retain existing ones.

II. FINDINGS OF THE STUDY :-

- The CD ratio of UCBs in W.B is very low as compared to UCBs in other states like Maharashtra, Andhra Pradesh, Gujarat, Karnataka, Tamil Nadu etc.
- Commercial Banks have dominated in W.B. They are having CD ratio above 60%. This shows people in W.B mainly prefer commercial banks for the purpose of loans & advances
- The CD ratio of all 46 UCBs in W.B is around 53.65%. CD ratio of UCBs in W.B is mainly influenced by 9 UCBs (mentioned earlier) having average CD ratio of 89.29%. The CD ratio of UCBs excluding these 9 UCBs is below 45%.
- The 6 salary earner UCBs are also major influencer of CD ratio of UCBs in W.B. The average CD ratio of these Salary Earner UCBs is 95.28%.
- The Districts like Howrah & Hoogly are having very low CD ratio mainly because of the shut-down of the ancillary units of the Jute industries after 2005.
- The CD ratio of UCBs in Kolkata is above 70% in the year 2009, 2010, 2011, & 2012 mainly because of the presence of 5 Salary earner UCBs having average CD ratio above 85%.
- The CD ratio of UCBs in Purbo Medinipore district is above 70% as there is only one UCB there i.e. Contai Cooperative Bank which is having CD ratio above 70%. Contai Cooperative Bank mainly extends travel loans. Medinipore is a place which is famous for travel & tourism. There are tourist places like Digha where there is huge demand for travel loans.
- The UCBs maintain huge deposits in SCBs, DCCBs from where they get a return of around 8-9%. They do not prefer to extend loans & advances as they have fear off NPA.
- UCBs never prefer to give need based advances. Inadequate securities, approval of loan accounts more than actually needed etc are common practices of UCBs which lead to high NPA.

III. Suggestions & Recommendations :-

After the study, the following points can be suggested which can benefit the UCBs & can help them improve their CD Ratio :-

- The UCBs should stop their narrow banking practices instead the bank should channelize a major part of their deposits as loans & advances to the needy.
- The UCBs should discard their risk aversion attitude by ensuring sound credit & NPA management mechanism in the bank.
- Banks management should administer bank not as their personal business firm but as if they are trustees of popular funds or investment.
- Selfless, serviceminded, talented employees having cooperative sentiment & sound knowledge of banking should be selected as employees in UCBs. They should be capable of quick decision making.
- Area of operation has to be expanded for better performing UCBs. eg:- Contai Cooperative Bank.
- Exemption in the exposure limit for better performing UCBs.
- Security based loans should not be given only preference.
- Share linking norm should be removed. There should be more ways by which banks can issue share capital like participation in share market.
- They should Take full advantage of their local existence. Meeting financial requirements of the local people. In this way these UCBs can truly become the bank "of the people", "by the people", "for the people" of local, urban & semi-urban areas.
- Finally in the present situation RBI should act as a "watch dog" in order to ensure quality performance of UCBs.

IV. Conclusion :-

In this project I have tried to analyse the CD ratio of various of UCBs in different districts of West Bengal. The project also involved a comparison of the CD ratio of the UCBs with that of the UCBs & Commercial Banks in various states of the country. Through this study I have tried to detect the reasons behind low CD ratio of UCBs in various districts of West Bengal.

In this project I have tried to lay more stress on the narrow banking practices of these UCBs which is a major reasons behind the low CD ratio of the UCBs. The project also focuses on high NPA of the UCBs which is one of the major factor affecting the CD ratio of the UCBs. Various other reasons for low CD ratio of the UCBs like low risk appetite of the banks, restricted area of operation, share linking norm on loans & advances, low capital base of the UCBs, poor corporate governance & lack of availability of skilled staffs , etc have also been discussed in the project.

The project also suggest various remedies for improving the CD ratio of the UCBs. The project also recommends various ways in which NPA can be dealt by the UCBs & also suggest various actions that can be taken for reducing the NPA of the UCBs. As the area of operations of these UCBs are restricted, the project also suggest some steps by which these UCBs can promote their products locally & can attract new customers & retain existing ones. The project also suggests various necessary services that can be availed by the UCBs to its customers.

Thus it can be said that urban banking sector has stood the test of time and it has the inherent strength to adopt itself to the changing environment. If all the varied suggestions made above are implemented, the UCBs can improve their CD ratio & truly become the bank“of thepeople”, “by the people”,”for the people”of local, urban and semi-urban areas.

However sustenance of its growth is dependent on professionalisation of its management, technology absorption and scrupulous adherence to regulatory framework.

Finally, it is very important in the present situation that the RBI should act as a “watch dog” in order to see that banks perform in time with the rules of inspection monitoring etc.

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