

A Study of the Performance of the Non-Performing Assets of the Rural Co-Operative Bank of India

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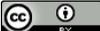
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The study of Non-Performing Assets (NPAs) in Rural Co-operative Banks of India focuses on understanding how these bad loans affect the financial health and performance of these banks. Rural cooperative banks play a crucial role in providing credit to the agricultural and rural sectors, supporting millions of members and contributing significantly to rural development. However, the rising level of NPAs poses a serious challenge, as it reduces profitability, erodes the asset base, and threatens the sustainability of these banks. This research aims to analyze the trends and causes of NPAs in rural cooperative banks, assess their impact on profitability and productivity, and suggest measures to manage and reduce NPAs effectively. The study highlights that factor such as priority sector lending, government debt waivers, and credit risk in rural lending contribute to the growth of NPAs. Addressing these issues is vital for strengthening the cooperative banking sector and ensuring its continued support to rural economies.

Keywords: Rural Cooperative Banks, Non-Performing Assets, Credit Risk, Profitability, Priority Sector Lending, Rural Economy, Loan Recovery, Financial Sustainability

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1. Introduction

A bank is a financial institution that plays a vital role in our daily lives by offering essential banking and financial services such as accepting deposits and providing loans. It supports individuals and businesses across agriculture, industry, and service sectors, contributing significantly to the overall growth and development of society. Banks help maximize production, accelerate consumption, and facilitate the circulation and exchange of money, thereby boosting the nation's economy.

In India, the banking sector is diverse and competitive, classified mainly into three broad categories of commercial banks:

- **Public Sector Banks:** These banks are majority-owned by the government and serve a wide range of customers, including rural and urban areas. They mobilize public deposits and provide loans to support various economic activities.
- **Private Sector Banks:** Owned by private individuals or corporations, these banks operate on a commercial basis aiming for profit. They have grown significantly in recent years, offering a variety of financial products and services to individuals and businesses.
- **Foreign Banks:** These are banks headquartered outside India but operate branches within the country. They provide a range of services including corporate and retail banking, bringing international banking practices to the Indian market.

Besides these, India also has other types of banks such as Regional Rural Banks (RRBs), Cooperative Banks, Small Finance Banks, and Payments Banks, each serving specific segments of the population and contributing to financial inclusion.

Scheduled banks, which include most commercial banks, are regulated by the Reserve Bank of India (RBI) and enjoy certain privileges like access to RBI's financial facilities. They must meet criteria such as maintaining a minimum paid-up capital and ensuring their operations do not harm depositors' interests.

2. Cooperation

Cooperation means working together without any individual interest.

Co-operative banks are financial institutions established on a principle of cooperation. In its simplest form, cooperation may involve only two people who work together towards a common goal.

Definition of Co-Operative Banking

A Co-operative Bank has been defined by Devine as "a manual society formed, composed and governed by working people themselves for encouraging regular savings and granting small loans on easy terms of interest and repayment"

Mr. N. Baron defined a co-operative bank as "A Bank formed by Co-operative and labor organization for the purpose of accumulating their collective funds and the savings of these individual Members. It manages these financed Interest, grants credit to Co-operative and labor Enterprises, helps to satisfy the needs for personal credit of their individual Members; the banks surpluses are distributed between shareholders, depositors, and borrowers or placed to reserves.

Objectives of Co-Operative Bank

Making Banking Easy and Affordable: Cooperative banks aim to provide financial services like savings accounts and loans at reasonable rates, especially to people who might not have easy access to regular banks-often farmers, small business owners, and those from weaker sections of society.

Supporting Rural Growth: These banks play a big role in helping rural areas develop by giving loans for farming, small industries, and related activities. This not only boosts the local economy but also creates jobs and improves livelihoods.

Protecting People from High-Interest Loans: Many people in rural areas rely on money lenders who charge very high interest. Cooperative banks offer a safer and cheaper alternative, helping members avoid falling into debt traps.

Promoting Financial Inclusion: Cooperative banks work hard to reach out to people who are often left out of the formal banking system, especially in remote villages, making sure everyone has a chance to save money and get credit.

Following Cooperative Principles: These banks are run by the members themselves, where everyone has an equal say (one member, one vote). Instead of focusing only on profits.

Structure of Co-operative Banking in India

Cooperative banks are relatively small financial institutions that operate in both urban and rural areas. They primarily provide financial support to small borrowers engaged in industries, trade, as well as professionals and salaried individuals. These banks are regulated by the Reserve Bank of India (RBI) under the Banking Regulation Act of 1949 and the Banking Laws (Co-operative Societies) Act of 1965. This dual regulation ensures that cooperative banks maintain sound banking practices while also adhering to cooperative principles. They play a crucial role in catering to the financial needs of local communities by offering accessible banking services tailored to smaller businesses and individuals.

The structure of a cooperative bank is designed to be simple, democratic, and community-focused. Here's a clear, human-friendly explanation:

- **Owned by Members:** Cooperative banks are owned and run by their members, who are usually the customers themselves. Anyone who meets the membership criteria—often by buying shares or making a deposit—can join.
- **Democratic Control:** Every member has an equal say in how the bank is run, following the principle of “one member, one vote.” This means decisions are made fairly, regardless of how much money a member has invested.
- **Board of Directors:** Members elect a board of directors from among themselves. This board is responsible for managing the bank's daily operations and making important policy decisions.
- **Three-Tier System (in India):**
 - At the grassroots level are Primary Agricultural Credit Societies (PACS), which serve local villages and communities.
 - Above them are Central Cooperative Banks at the district level, coordinating activities and providing support to PACS.
 - At the top are State Cooperative Banks, which oversee the entire state's cooperative banking system and link it with national financial institutions.
- **Capital Formation:** Members contribute capital by purchasing shares or deposits, which the bank uses to provide loans and other financial services.

- **Profit Sharing:** Unlike traditional banks, cooperative banks operate on a not-for-profit basis. Any surplus earnings are either shared among members as dividends or reinvested to strengthen the bank.
- **Focus on Community:** Cooperative banks prioritize serving the financial needs of their members and supporting local economic development, especially in rural and underserved areas.

Non-Performing Assets

Non-performing assets (NPA) refer to the classification of loans and advances in the books of a lender (usually banks) in which there is no payment of interest and principal has been received and is “past due.” In most cases, debt has been classified as NPAs where the loan payments have been outstanding for more than 90 days.

In the liberalized economy, Banking and Financial sector get high priority. The banks in India are facing the problem of Non-Performing Assets (NPAs). The earning capacity and profitability of the banks are highly affected because of the existence of NPAs.

Definition

“An asset including leased assets becomes non-performing when it ceases to generate income for the bank. The Non-Performing Assets (NPA) was defined as a credit facility in respect of which the interest and / or instalment of principal has remained ‘past due’ for a specific period of time”.

Classification of Loan Assets

Non-Performing Assets (NPAs) are loans or advances given by banks that stop generating income because the borrower fails to repay the principal or interest for a certain period—usually 90 days or more. Simply put, when a loan stops earning money for the bank, it is called a non-performing asset.

The Reserve Bank of India (RBI) classifies NPAs into three main categories based on how long the loan has been overdue and the chances of recovery:

Substandard Assets: These are loans that have remained non-performing for up to 12 months. They show clear signs of financial weakness, and while there is some risk, there is still a possibility of recovery.

Doubtful Assets: If a loan stays in the substandard category for more than 12 months, it becomes a doubtful asset. The chances of recovering the full amount are very slim, and the risk to the bank is much higher.

Loss Assets: These are loans where the bank or auditors have identified a loss, meaning the amount is unlikely to be recovered. Such assets are considered almost worthless, though there might be some small recovery value.

The RBI guidelines, effective from March 31, 2005, require banks to classify and provision for these NPAs carefully to reflect the true financial health of the institution. This classification helps banks manage risks better and maintain transparency. It also ensures that banks set aside funds (provisions) to cover potential losses from these bad loans, protecting depositors and the banking system

Classification of Loan Assets:

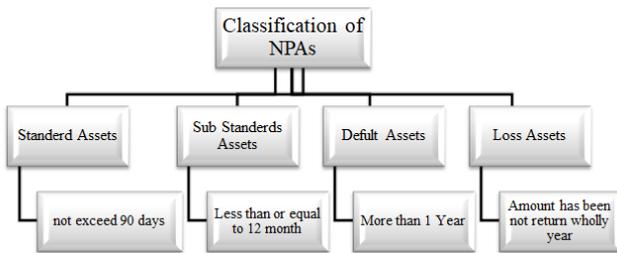


Chart No VI Classification of NPAs

3. Review of Literature

Narsimhan Committee – Reform I (1991)

[1]The development of the financial sector has been a major milestone, playing a key role in boosting our country’s savings rate, especially among households. The main focus was to review how the financial system is currently structured, including its different parts, and to suggest ways to make it work better. This means improving how efficiently and effectively the system operates, with special attention to how commercial banks and financial institutions manage their operations, stay accountable, and maintain profitability.

Narasimhan Committee – Reform II[2] (1998):

Reform of the Indian banking sector began following the 1991 report of the Committee on Financial System (CFS), led by M. Narasimham.

The second phase of reforms focuses on three key, interconnected areas to strengthen the banking system’s foundation and bring structural improvements. These include ensuring banks maintain adequate capital (capital adequacy), improving the quality of their assets by reducing bad loans (asset quality), and enforcing prudential norms-rules that promote careful and responsible banking practices. Alongside these, upgrading the systems and methods banks use is essential to make operations more efficient, transparent, and robust. Together, these measures aim to build a stronger, more stable, and competitive banking sector that can better support India’s growing economy.

Ankita C. Kanchan S., (2017) 3 In their study titled “A Study of Non-Performing Assets of District Central Co-operative Banks in Rajasthan,” the authors examined how NPAs are managed and what causes them in these banks. They conducted a survey and found that at the appraisal stage, the main issue was the lack of authority to properly select borrowers. During the sanction and disbursement stage, bank officials faced problems like incomplete or faulty legal documents and political pressure. After disbursement, the key reasons for NPAs included borrowers failing to submit security papers and periodic statements, diversion of funds, and poor monitoring by the banks.

Dr.R.Elangovan, (2012)[3] in his study “An analysis of Non-Performing Assets in Urban Co-operative Bank Ltd.” In the study “An Analysis of Non-Performing Assets in Urban Co-operative Bank Ltd.,” the researchers evaluated the NPA situation of the Urban Co-operative Bank in Villupuram. They found that NPAs arose mainly due to weaknesses in credit appraisal, poor monitoring and follow-ups, delays in payment settlements, and issues with government subsidiaries.

4. Research Methodology

The study will use a descriptive and exploratory research design to thoroughly examine the performance of NPAs in rural cooperative banks. This combined approach will help in understanding how large the NPA problem is, what causes it, and its impact, while also assessing the effectiveness of current management strategies.

Descriptive research will provide a clear picture of the existing situation, and exploratory research will help uncover new insights and deeper understanding to improve NPA handling

5. Objectives of the study

- To examine the current status and trends of Non-Performing Assets (NPAs) in rural cooperative banks across India.
- To identify the key factors driving the increase in NPAs within rural cooperative banks.
- To evaluate how NPAs affect the financial health and long-term sustainability of rural cooperative banks.
- To review the effectiveness of existing policies and measures aimed at controlling and reducing NPAs in these banks.
- To propose practical recommendations for better NPA management and to enhance the overall performance of rural cooperative banks.

6. Scope of the study

The study will focus on rural co-operative banks, including Primary Agricultural Credit Societies, District Central Co-operative Banks, and State Co-operative Banks, with particular attention to their credit portfolio, recovery processes, and government policy impacts.

7. Hypothesis

| | |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hypo-thesis 01 | Ho- There is no significant association between Net NPA and Net Profit of Rural Cooperative bank of India. H1 - There is significant association between Net NPA and Net Profit of Rural Cooperative bank of India. |
| Hypo-thesis 02 | Ho- There is no significant association between Gross NPA and Net Profit of Rural Cooperative bank of India. H1 - There is significant association between Gross NPA and Net Profit of Rural Cooperative bank of India. |

8. Limitations

The study may be limited by the availability and reliability of data, regional variations in co-operative banking practices, and the dynamic nature of economic conditions affecting NPAs.

This methodology and objective framework will provide a comprehensive understanding of NPAs in rural co-operative banks, enabling targeted strategies to improve their financial health and contribution to rural development.

9. Data Collection

The present study is based on secondary data which covered period of 02 financial year 2022 – 2023 and 2021-2022. The data has been collected from annual reports of Bank of Maharashtra, various Articles, Journals, and Books dealing with the current banking scenario and research papers.

Sources of Data

The study is entirely based on the secondary data available from the reports, articles, journals, documents, printed literatures, Cooperative bank of India) and other online data bases etc. **Period of the study:** Financial Year 2021-2022 and 2022-2023.

10. Data Analysis and Interpretation

Consolidated performance of StCBs and DCCBs (amount in ₹ crore)

| Sr. No. | Particular | State Cooperative Bank | | | District Central Cooperative Bank | | |
|---------|-----------------------|------------------------|---------------|----------------|-----------------------------------|---------------|----------------|
| | | 31 March 2022 | 31 March 2023 | % Change (YOY) | 31 March 2022 | 31 March 2023 | % Change (YOY) |
| | | 1 | Banks (no.) | 34 | 34 | - | 351 |
| 2 | Branches (no.) | 2,089 | 2,102 | 0.6 | 13,670 | 13,698 | 0.2 |
| 3 | Share capital | 9,263 | 9,774 | 5.5 | 24,472 | 26,486 | 8.2 |
| 4 | Reserves | 17,971 | 20,544 | 14.3 | 26,474 | 28,729 | 8.5 |
| 5 | Deposits | 2,40,953 | 2,42,327 | 0.6 | 4,12,573 | 4,33,358 | 5.0 |
| 6 | Borrowings | 1,23,785 | 1,54,970 | 25.2 | 1,28,524 | 1,47,207 | 14.5 |
| 7 | Investments | 1,40,966 | 1,48,666 | 5.5 | 2,35,913 | 2,47,942 | 5.1 |
| 8 | Loans outstanding | 2,38,919 | 2,65,580 | 11.2 | 3,36,546 | 3,70,851 | 10.2 |
| 9 | Assets/ Liabilities | 4,17,233 | 4,51,840 | 8.3 | 6,49,546 | 6,97,304 | 7.4 |
| 10 | Banks in profit (no.) | 31 | 32 | Improved | 302 | 305 | Improved |
| 11 | Banks in loss (no.) | 3 | 2 | Improved | 49 | 46 | Improved |

| | | | | | | | |
|----|-----------------|------|-------|----------|------|------|--------------|
| 12 | Net profit/loss | 2288 | 2458 | 7.4 | 1358 | 1881 | 38.5 |
| 13 | CD Ratio (%) | 99.2 | 109.6 | Improved | 81.6 | 85.6 | Improved |
| 14 | CRAR (%) | 13 | 13.3 | Improved | 12.2 | 12.1 | Deteriorated |
| 15 | CRAR | 3 | 2 | Improved | 39 | 42 | Deteriorated |
| 16 | GNPA (%) | 6 | 5.4 | Improved | 10.8 | 9.6 | Improved |
| 17 | NNPA (%) | 2.5 | 2.1 | Improved | 4.5 | 3.9 | Improved |
| 18 | PCR (%) | 65.1 | 67.2 | Improved | 70.7 | 78.4 | Improved |

Interpretation:

Non-Performing Assets (NPAs) show how healthy a bank’s loans are. In 2022–23, both State Cooperative Banks (StCBs) and District Central Cooperative Banks (DCCBs) saw a good drop in their NPAs. For StCBs, the gross NPAs (GNPA) fell from 6.0% to 5.4%, while for DCCBs, it went down more sharply from 10.8% to 9.6%. This means both types of banks are getting better at recovering loans, managing risky loans, or lending more carefully. The improvement is especially important for DCCBs, which lend a lot to farmers and usually face more defaults. When looking at net NPAs (NNPA), which accounts for loan provisions, StCBs improved from 2.5% to 2.1%, and DCCBs from 4.5% to 3.9%. This shows both banks are making better provisions and managing risks well, leading to stronger financial health.

Table showing Gross NPA of Indian Regions of State Cooperative Banks

| Sr. No. | Region | 2021-2022 | | 2022-2023 | |
|---------|----------------------|-----------|------------|-----------|------------|
| | | Amount | Percentage | Amount | Percentage |
| 1 | Central Region | 1,272.7 | 8.88% | 1,218.1 | 8.52% |
| 2 | Eastern Region | 1,082.6 | 7.55% | 1,191.9 | 8.34% |
| 3 | North-Eastern Region | 753.2 | 5.26% | 828.5 | 5.80% |
| 4 | Northern Region | 1,019.9 | 7.12% | 981.9 | 6.87% |
| 5 | Southern Region | 7,135.1 | 49.79% | 7,059.6 | 49.38% |
| 6 | Western Region | 3,068.1 | 21.41% | 3,015.7 | 21.10% |
| | All India | 14,331.5 | 100% | 14,295.7 | 100% |

Interpretation:

The analysis of Gross Non-Performing Assets (GNPA) in Indian State Cooperative Banks for 2021–22 and 2022–23 shows regional differences in loan quality. Nationally, GNPA slightly decreased from ₹14,331.5 crore to ₹14,295.7 crore, indicating a small overall improvement. The Southern Region holds nearly half of the total GNPA, with a slight drop from ₹7,135.1 crore to ₹7,059.6 crore, showing persistent challenges there. The Western and Central Regions saw small declines in GNPA amounts and percentages, reflecting better recovery efforts.

However, the Eastern and North-Eastern Regions experienced increases in both GNPA value and share, signaling worsening asset quality that needs attention. The Northern Region showed improvement with reduced GNPA figures. These regional trends suggest that while overall asset quality is stable, focused efforts are needed especially in the Southern, Eastern, and North-Eastern regions to strengthen cooperative.

State wise & Region-wise Working Results of District Central Cooperative Banks (as on 31 March 2023)

| Sr No | States/ Region | No. of banks reported profit | | | | No. of banks reported Loss | | | | 2021-2022 | | 2022-2023 | | Recovery June | |
|-------|------------------|------------------------------|-------|-----------|-------|----------------------------|-------|-----------|-------|-----------|--------|-----------|------|---------------|------|
| | | 2021-2022 | | 2022-2023 | | 2021-2022 | | 2022-2023 | | GNPA | GNPA | 2021 | 2022 | | |
| | | No. | Amt | No. | Amt | No. | Amt | No. | Amt | | | | | | |
| 1 | Chhattisgarh | 6 | 55.4 | 0 | 0.0 | 6 | 123.0 | 0 | 0.0 | 358.0 | 1237.4 | 11.0 | 7.6 | 77.8 | |
| 2 | Madhya Pradesh | 22 | 126.7 | 16 | 765.6 | 23 | 146.0 | 15 | 409.9 | 690.7 | 267.7 | 710.2 | 25.8 | 57.2 | 60.2 |
| 3 | Uttarakhand | 10 | 50.8 | 0 | 0.0 | 10 | 54.8 | 0 | 0.0 | 449.0 | 95.6 | 459.8 | 8.0 | 70.3 | 72.0 |
| 4 | Uttar Pradesh | 32 | 93.1 | 18 | 76.1 | 39 | 100.4 | 11 | 94.8 | 161.8 | 1205.5 | 103.2 | 8.2 | 69.2 | 73.5 |
| | Central Region | 70 | 325.9 | 34 | 841.8 | 78 | 425.0 | 26 | 504.7 | 932.5 | 201.1 | 896.6 | 18.4 | 63.4 | 66.1 |
| 5 | Bihar | 18 | 22.3 | 5 | 34.9 | 17 | 11.5 | 6 | 23.0 | 461.5 | 87.2 | 542.2 | 9.2 | 37.4 | 39.2 |
| 6 | Jharkhand | 1 | 3.1 | 0 | 0.0 | 1 | 0.9 | 0 | 0.0 | 3.3 | 9.6 | 6.9 | 12.7 | 96.3 | 54.5 |
| 7 | Odisha | 17 | 109.5 | 0 | 0.0 | 17 | 98.0 | 0 | 0.0 | 137.7 | 7.5 | 147.7 | 7.5 | 76.7 | 74.4 |
| 8 | West Bengal | 16 | 99.0 | 1 | 0.9 | 16 | 101.8 | 1 | 27.2 | 1079.4 | 91.1 | 1150.1 | 10.0 | 76.6 | 80.0 |
| | Eastern Region | 52 | 233.9 | 6 | 35.8 | 51 | 212.0 | 7 | 50.2 | 2916.7 | 85.5 | 3178.5 | 7.5 | 74.0 | 73.7 |
| 9 | Haryana | 19 | 63.2 | 0 | 0.0 | 19 | 80.5 | 0 | 0.0 | 814.2 | 5.8 | 900.5 | 6.3 | 68.8 | 65.6 |
| 10 | Himachal Pradesh | 2 | 93.9 | 0 | 0.0 | 2 | 65.8 | 0 | 0.0 | 127.8 | 27.2 | 119.2 | 25.2 | 61.3 | 76.9 |
| 11 | Jammu & Kashmir | 0 | 0.0 | 3 | 30.5 | 2 | 1.3 | 1 | 10.7 | 222.1 | 36.5 | 164.5 | 26.7 | 18.4 | 19.6 |
| 12 | Punjab | 18 | 50.7 | 2 | 2.0 | 14 | 52.5 | 6 | 82.2 | 1214.3 | 10.3 | 1283.8 | 11.0 | 74.4 | 77.6 |
| 13 | Rajasthan | 28 | 66.1 | 1 | 11.8 | 28 | 76.3 | 1 | 7.2 | 857.1 | 6.0 | 891.5 | 16.0 | 90.4 | 87.8 |
| | Northern Region | 67 | 273.8 | 6 | 44.3 | 65 | 276.4 | 8 | 100.0 | 4386.2 | 9.7 | 4433.6 | 9.6 | 76.5 | 77.1 |

| | | | | | | | | | | | |
|----|-----------------|-----|---------|-------|--------|---------|--------|---------|----------|-------|-------|
| 14 | Andhra Pradesh | 137 | 119.00 | 0.00 | 128 | 133.17 | 35.4 | 1142.40 | 1192.36 | 87.11 | 89.16 |
| 15 | Karnataka | 215 | 227.00 | 0.00 | 200 | 217.15 | 76.55 | 1911.50 | 2990.67 | 91.79 | 91.19 |
| 16 | Kerala | 10 | 2.00 | 0.00 | 0.00 | 12.5 | 553.37 | 15.7 | 536.74 | 51.44 | 66.11 |
| 17 | Tamil Nadu | 232 | 270.00 | 0.00 | 238 | 310.00 | 0.00 | 4487.60 | 11.2832 | 6.388 | 83.87 |
| 18 | Telangana | 99 | 62.50 | 0.00 | 90.00 | 0.00 | 537.9 | 4.8 | 497.13 | 8.84 | 85.74 |
| | Southern Region | 679 | 681.00 | 0.00 | 645 | 751.3 | 124.7 | 8632.77 | 18048.58 | 88.59 | 87.59 |
| 19 | Gujarat | 171 | 297.12 | 2.88 | 188 | 413.00 | 0.00 | 1046.41 | 1020.44 | 3.75 | 92.94 |
| 20 | Maharashtra | 297 | 541.24 | 71.29 | 280.25 | 218.2 | 2.06 | 1002.67 | 15.1007 | 14.61 | 64.01 |
| | Western Region | 468 | 838.33 | 74.47 | 421.23 | 218.2 | 8.15 | 1106.83 | 12.1109 | 11.71 | 73.24 |
| | All-India | 302 | 2354.92 | 99.25 | 303 | 2879.36 | 99.9 | 36329.6 | 10.3572 | 9.675 | 76.65 |

Table showing Gross NPA of Indian Regions of District Central Cooperative Banks

| Sr. No. | Region | 2021-2022 | | 2022-2023 | |
|---------|-----------------|-----------|------------|-----------|------------|
| | | Amount | Percentage | Amount | Percentage |
| 1 | Central Region | 9325.9 | 25.67 | 8966.6 | 25.10 |
| 2 | Eastern Region | 2916.7 | 8.03 | 3175.4 | 8.89 |
| 3 | Northern Region | 4386.2 | 12.07 | 4433.6 | 12.41 |
| 4 | Southern Region | 8632.7 | 23.76 | 8048.7 | 22.53 |
| 5 | Western Region | 11068.1 | 30.47 | 11098.3 | 31.07 |
| 6 | All India | 36329.6 | 100 | 35722.4 | 100 |

Interpretation:

The Gross Non-Performing Assets (GNPA) of District Central Cooperative Banks (DCCBs) in India showed a slight improvement from ₹36,329.6 crore in 2021-22 to ₹35,722.4 crore in 2022-23, indicating better asset quality overall. Region-wise, the Western Region, especially Maharashtra and Gujarat, had the highest GNPA share, slightly increasing to 31.07%, showing continued stress. The Central Region improved with a decline in GNPA amount and share, reflecting better recovery efforts. The Southern Region also saw a notable reduction in GNPA, signaling effective loan management in states like Tamil Nadu and Kerala. However, the Northern Region experienced a small rise in GNPA, and the Eastern Region showed a clear increase, highlighting emerging concerns there. Overall, while national GNPA levels have marginally improved, regional differences call for focused strategies and stronger governance to sustain progress and reduce bad loans further.

State wise & Region-wise Working Results of SCARDBs (Position as on 31 March 2023)

| Sr. No. | States/Region | Branches | 2021-22 | | 2022-23 | | GNPA (Amount) | | GNPA % | | Recovery % | |
|---------|---------------------|----------|---------|--------|---------|--------|---------------|---------|---------|---------|------------|--|
| | | | Profit | Loss | Profit | Loss | 2021-22 | 2022-23 | 2021-22 | 2022-23 | | |
| 1 | Uttar Pradesh | 323 | 4.90 | 0.98 | 1.00 | 1826.2 | 1867.9 | 80.2 | 81.9 | 29.1 | 29.1 | |
| | Central Total | 323 | 4.90 | 0.98 | 1.00 | 1826.2 | 1867.9 | 80.2 | 81.9 | 29.1 | 29.1 | |
| 2 | West Bengal | 11 | 6.10 | 7.00 | 0.00 | 327.5 | 335.2 | 24.5 | 24.7 | 3.4 | 3.5 | |
| | Eastern Region | 11 | 6.10 | 7.00 | 0.00 | 327.5 | 335.2 | 24.5 | 24.7 | 3.4 | 3.5 | |
| 3 | Tripura | 5 | 0.04 | 0.02 | 0.00 | 8.8 | 7.7 | 99.5 | 98.3 | 8.8 | 29.8 | |
| | North-Eastern Total | 5 | 0.04 | 0.02 | 0.00 | 8.8 | 7.7 | 99.5 | 98.3 | 8.8 | 29.8 | |
| 4 | Haryana | 0 | 0.07 | 48.06 | 20.14 | 1349.4 | 1322.4 | 77.6 | 76.6 | 11.6 | 11.6 | |
| 5 | Himachal Pradesh | 51 | 1.80 | 0.00 | 1.70 | 165.0 | 153.1 | 42.7 | 38.0 | 42.6 | 41.0 | |
| 6 | Jammu & Kashmir | 51 | 0.08 | 22.09 | 0.00 | 17.25 | 25.74 | 26.4 | 49.4 | 55.0 | 30.7 | |
| 7 | Punjab | 0 | 2.70 | 196.08 | 933.5 | 1157.1 | 45.3 | 62.0 | 25.7 | 42.2 | 0 | |
| 8 | Rajasthan | 2 | 8.70 | 6.70 | 0.00 | 833.3 | 883.6 | 53.8 | 55.6 | 18.2 | 16.7 | |
| | Northern Total | 104 | 13.36 | 71.51 | 203.19 | 3306.6 | 3542.6 | 57.2 | 62.9 | 18.5 | 22.4 | |
| 9 | Karnataka | 25 | 29.30 | 0.00 | 0.00 | 652.5 | 770.3 | 33.0 | 38.7 | 32.2 | 32.0 | |
| 10 | Kerala | 16 | 29.30 | 0.34 | 0.00 | 888.8 | 646.7 | 11.1 | 8.3 | 84.0 | 86.5 | |
| 11 | Puducherry | 1 | 0.10 | 0.02 | 0.00 | 3.6 | 4.2 | 8.1 | 8.8 | 89.5 | 91.2 | |
| 12 | Tamil Nadu | 31 | 40.20 | 44.60 | 0.00 | 185.2 | 113.0 | 22.0 | 11.6 | 79.9 | 88.6 | |
| | Southern Total | 73 | 98.90 | 79.40 | 0.00 | 1730.1 | 1534.2 | 15.9 | 14.1 | 71.0 | 73.9 | |
| 13 | Gujarat | 176 | 33.30 | 60.10 | 0.00 | 322.2 | 283.1 | 58.5 | 44.1 | 9.0 | 14.4 | |
| | Western Total | 176 | 33.30 | 60.10 | 0.00 | 322.2 | 283.1 | 58.5 | 44.1 | 9.0 | 14.4 | |
| | All India | 692 | 156.6 | 71.91 | 448.11 | 7521.7 | 7570.8 | 36.1 | 36.5 | 40.8 | 42.8 | |

Table showing Gross NPA of Indian Regions of SCARDBs

| Sr. No. | Region | 2021-2022 | | 2022-2023 | |
|---------|---------------------|-----------|------------|-----------|------------|
| | | Amount | Percentage | Amount | Percentage |
| 1 | Central Total | 1826.2 | 24.67 | 1867.9 | 24.28 |
| 2 | Eastern Region | 327.5 | 4.43 | 335.2 | 4.35 |
| 3 | North-Eastern Total | 8.8 | 0.10 | 7.7 | 0.12 |
| 4 | Northern Total | 3306.9 | 46.79 | 3542.6 | 43.96 |
| 5 | Southern Total | 1730.1 | 20.26 | 1534.2 | 23.00 |
| 6 | Western Total | 322.2 | 3.74 | 283.1 | 4.28 |
| | All India | 7521.7 | 100 | 7570.8 | 100% |

Interpretation:

The Gross NPA (GNPA) percentages of SCARDBs show regional variations but overall a slight increase in absolute NPAs from ₹7,521.7 crore to ₹7,570.8 crore between 2021-22 and 2022-23. Though the Northern region's share decreased slightly, it remains the largest contributor to NPAs, indicating persistent asset quality challenges. Such trends reflect ongoing stress in SCARDBs' loan portfolios, impacting their financial health and requiring focused recovery efforts

The Northern region's high GNPA levels are often linked to factors such as agricultural distress, delayed loan repayments due to crop failures or market fluctuations, and possibly weaker credit appraisal and recovery mechanisms. Structural issues in rural credit delivery and economic shocks may also contribute to rising NPAs SCARDBs generally exhibit higher GNPA percentages compared to Regional Rural Banks (RRBs) and District Central Cooperative Banks (DCCBs), which have shown some improvement in asset quality with declining GNPA ratios recently. This suggests SCARDBs face greater challenges in managing long-term agricultural credit risks relative Efforts to reduce GNPA include strengthening governance, adopting digital technologies for better monitoring, capacity building, diversification of loan portfolios, and improving recovery processes. Government support via NABARD and other schemes also aids in capacity enhancement and The Southern region's GNPA percentage increased from 20.26% to 23%, which is somewhat higher than its previous share but still below the Northern region's dominant share. Compared to the all-India GNPA distribution, the Southern region's NPAs represent a significant portion, indicating moderate stress but better than the Northern region's situation

State wise & Region-wise Working Results of PCARDBs as on 31 March 2023

| Sr. No. | States/ Region | Branches | 2021-22 | | 2022-23 | | GNPA (Amount) | | GNPA % | | Recovery % | |
|---------|------------------|----------|---------|-------|---------|------|---------------|---------|---------|---------|------------|---------|
| | | | Profit | Loss | Profit | Loss | 2021-22 | 2022-23 | 2021-22 | 2022-23 | 2021-22 | 2022-23 |
| 1 | West Bengal | 12 | 19.9 | 12.4 | 25.8 | 8 | 26.3 | 16 | 32.6 | 501.4 | 498.8 | 35.4 |
| | Eastern Region | 12 | 19.9 | 12.4 | 25.8 | 8 | 26.3 | 16 | 32.6 | 501.4 | 498.8 | 35.4 |
| 2 | Haryana | 0 | 0.0 | 19.7 | 172.0 | 0 | 0.0 | 19 | 80.9 | 935.2 | 900.9 | 85.0 |
| 3 | Himachal Pradesh | 0 | 0.0 | 1.6 | 0.6 | 0 | 0.0 | 1 | 1.6 | 59.4 | 59.5 | 34.6 |
| 4 | Punjab | 5 | 3.6 | 84.4 | 166.8 | 87 | 348.7 | 2 | 1.0 | 1530.8 | 1452.0 | 78.7 |
| 5 | Rajasthan | 13 | 6.3 | 23.4 | 66.15 | 15 | 4.4 | 21 | 64.7 | 374.5 | 326.6 | 40.1 |
| | Northern Region | 18 | 9.9 | 127.0 | 406.2 | 10 | 353.1 | 43 | 148.2 | 2899.8 | 2738.9 | 69.9 |
| 6 | Karnataka | 48 | 26.2 | 131.0 | 81.56 | 10 | 20.0 | 124 | 83.9 | 395.5 | 387.1 | 20.5 |
| 7 | Kerala | 30 | 25.3 | 46.4 | 120.59 | 59 | 91.5 | 15 | 21.0 | 2804.1 | 2626.2 | 33.8 |
| 8 | Tamil Nadu | 95 | 14.1 | 85.9 | 51.12 | 6 | 33.9 | 54 | 19.4 | 166.9 | 120.2 | 20.1 |
| | Southern Region | 173 | 65.6 | 262.3 | 253.1 | 24 | 145.4 | 193 | 124.3 | 3366.6 | 3133.4 | 30.5 |
| | Grand Total | 203 | 95.4 | 401.7 | 684.1 | 35 | 524.8 | 252 | 305.1 | 6767.8 | 6371.2 | 40.7 |

Interpretation:

The data on PCARDBs' financial performance for 2021-22 and 2022-23 shows varied regional trends:

Eastern Region (West Bengal): Profits increased, losses decreased, but GNPA rose from 26.3% to 32.6%, with low recovery (35.4%), indicating worsening asset quality despite profitability.

Northern Region: Mixed results-Haryana and Punjab show high GNPA but strong recovery rates (85% and 78.7%), Punjab also improved profits significantly. Rajasthan and Himachal Pradesh have moderate NPAs and recovery. Overall recovery here is relatively good at 69.9%.

Southern Region: Large GNPA amounts, especially in Kerala (~₹2,800 crore), with poor recovery rates (~30.5%). Karnataka and Tamil Nadu have stable or reduced NPAs but low recovery, indicating challenges in asset recovery.

Overall, profits improved, losses decreased, and GNPA slightly reduced nationally, with a moderate recovery rate of 40.7%. Despite some progress, PCARDBs face ongoing challenges in managing NPAs and improving recovery, requiring stronger regional strategies and recovery mechanisms.

11. Conclusion

The analysis of Gross and Net Non-Performing Assets (GNPA and NNPA) across State Cooperative Banks (StCBs) and District Central Cooperative Banks (DCCBs) for the financial years 2021–22 and 2022–23 reveals a marginal yet meaningful improvement in overall asset quality at the national level. Both StCBs and DCCBs showed reductions in GNPA and NNPA percentages, indicating progress in loan recovery, provisioning practices, and credit risk management. However, this aggregate improvement masks significant regional disparities that warrant attention.

The Southern and Western regions remain the most burdened by NPAs in both StCBs and DCCBs, contributing the highest share of bad loans. In contrast, the Central region shows promising signs of asset quality improvement, while the Eastern and North-Eastern regions are emerging as new areas of concern, with rising GNPA levels. The Northern region, although showing a decline in percentage share of GNPA, still records rising absolute NPA amounts, suggesting only partial success in managing loan defaults. The improvement in Provision Coverage Ratios (PCR) across both StCBs and DCCBs further strengthens the resilience of the cooperative banking sector. However, persistent and region-specific issues, particularly in southern and eastern parts of the country, highlight the need for targeted policy interventions, enhanced governance, stricter credit appraisal mechanisms, and improved recovery strategies.

SCARDBs continue to struggle with high NPAs, especially in the Northern region due to agricultural distress and structural credit issues. Compared to RRBs and DCCBs, SCARDBs face greater challenges in managing long-term agricultural loans. To tackle this, NABARD is driving initiatives like computerization of PACS and ARDBs, adoption of digital technologies, and improving governance through tools like the Cooperative Governance Index. These efforts aim to enhance monitoring, transparency, and recovery processes.

While the Southern and Eastern regions also face asset quality pressures, overall profitability and NPAs have shown slight improvement. Continued focus on technology adoption, capacity building, and stronger recovery strategies is essential for SCARDBs to improve financial health and better support rural credit needs

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Footnotes

- [1] **Narsimhan Committee I – Reform I (1991)**
- [2] **Narsimhan Committee II – Reform I (1991)**
- [3] **Dr.R.Elan[3]govan**, (2012)[3] in his study "An analysis of Non-Performing Assets in Urban Co-operative Bank Ltd."

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