

## Progress of Cooperative Banks in India

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### ABSTRACT

Cooperative is one of the oldest and effective systems in terms of development of human civilization. Cooperative institutions are organized and managed on the principle of cooperation, self-help and mutual help. There are different types of cooperative institutions functioning in India. As far as the institutional credit structure is concerned, cooperatives play a significant role in this regard. Cooperative credit institutions are spread all over India and are providing their services at the grass root level. As main portion of the population in India lives in rural areas so it is important to strengthen the cooperative credit institutions in these areas. The major advantage of the institutions is their strong branch network which covers entire area of the country. This paper attempts to study the Co-operative Banking in India. The

paper mainly focuses on the branch networking, capital, advances, deposits, borrowing, loans issued and outstanding performance of these banks in India. Basically we have studied the growth and performance of Co-operative Banks in India. The study is based on secondary data. The data required for the study has been collected from RBI annual reports, Journals, reports on trend and progress of banking in India, Annual Reports of NAFSCOB etc.

**Keywords--** State Co-operative Banks, District Central Co-operative Banks, Primary Cooperative Banks, Short Term Credit, Long Term Credit.

### I. INTRODUCTION

Co-operatives play a vital and predominant role in catering the credit needs of small and marginal farm and poor living in rural areas. Co-operatives were introduced in 1904 in India with the enactment of Co-operative Credit Societies Act. The main objective of co-operatives is to help the most distressed class of rural people who were exploited by the rural elite for several years. The Co-operative Act of 1912 was passed to improve their co-operative movement which provided for federal co-operatives in India. Ever since, the credit through co-operatives is significant in the country. As a significant part of the multi-agency approach to credit delivery in India, co-operatives, both the short-term and long-term structure hold an important position, especially in the rural credit scenario and have played a pivotal role in the development of rural credit over the years. The geographical spread of the entire co-operative credit system covers over 74 per cent of rural credit outlets.

Structure of co-operatives Banks: The structure of the cooperative bank in India is divided into a short-term structure and a long-term structure. Although the short-term structure is three levels, the structure of long-term cooperative banks is two-tier, as follows:

### II. SHORT TERM CO-OPERATIVE BANKS

- A state cooperative bank works at the highest level (i.e. it works at the state level).
- The Central Cooperative Bank operates at an intermediate level (e.g. District Bank Cooperatives Ltd. District-level works)
- Primary co operative Banks (at village level)

### III. LONG TERM CO-OPERATIVE BANK

- State agricultural cooperatives and rural development banks (SCARDB) at the highest level.
- Primary cooperative banks for agriculture and rural development (PCARDB) at the district or block level.

### III. OBJECTIVES OF THE STUDY

The following are the objectives of the study:

1. To examine the growth of Cooperative Banks in India through selective indicators.
2. To analyze the deposits and credit

3. To study the performance of the bank's loans and out standings

#### IV. METHODOLOGY OF THE STUDY

The study is based on secondary data. The data required for the study has been collected from RBI annual reports, Journals, reports on trend and progress of banking in India, Annual Reports of NAFSCOB.

#### V. PERIOD OF THE STUDY

This study covers a period (in years) from 2010 to 2017.

##### 1. PRIMARY AGRICULTURE CO-OPERATIVE SOCIETIES (PACSS)

The Primary Agricultural Co-operative Societies (PACSSs), the grass-root level institutions in the three tier co-operative credit structure in India aimed at promoting the economic and social interests of their members in accordance with the principles of Co-operation. Table 1 presents details relating to the progress of the PACSSs in India. PACSSs deal directly with the individual members. Being a credit institution at the grass-root level the PACSSs have a large potential in working as input suppliers and a medium for public distribution system. The table indicates a raising membership in the co-operative movement at the village level and highlights the relevance of the co-operatives to the million small and marginal farmers in India.

Table- 1  
Performance of PACS (Rs .in Crores)

Paticulors	2010	2011	2012	2013	2014	2015	2016	2017
Number	94647	93413	92432	93488	93042	92789	93367	95595
Membership(lakh)	1264	1212	1136	1275	1301	1211	1273	1312
Borrowing members(lakh)	598	523	449	495	481	498	462	520
Owned funds	12478	14456	15996	18516	18923	21675	24443	32981
deposits	35286	37238	50253	67113	81895	84616	101065	115884
Borrowing	51763	54000	88836	93359	95835	99980	112690	124830
Loans issued	74937	91304	107300	161909	171419	159050	180823	200678
Loans outstanding	76479	87768	87767	139399	130053	147225	158487	170459

Source: National federation of state cooperative bank Ltd., NABARD Annual reports

Table.1 An analysis of the financial position of PACS(table-1 ) indicated that their deposits was increased from Rs 35286 in 2010 to Rs 115884 in 2017 ,borrowing was increased from Rs51763 in 2010 to Rs 124830 in 2017,and Loans outstanding was increased from Rs76479 in 2010 to Rs 170459 in 2017.

##### 2. DISTRICT CO-OPERATIVE CENTRAL BANKS (DCCBS)

The resources of PACSSs are generally inadequate and therefore they are unable to cope with the credit requirements of cultivators. In other words, PACSSs need financial support from outside. Further, they also require technical and administrative guidance. Therefore, there should be some central organizations to meet the financial requirements of PACSSs besides being helpful to PACSSs both technically and administratively, such central organizations are known as District Co-operative Central banks (DCCBs).

The main object of DCCBs is to meet the financial requirements of their affiliated PACSSs. Besides, the DCCBs undertake some normal banking activities like acceptance of deposits, remittance of funds, collection of cheques etc. The DCCBs also act as balancing and controlling centre of

finance for PACSSs by channeling resources from those PACSSs which have surplus funds to those which have shortage of funds. Following the multifarious activities undertaken by DCCBs and also in view of the unprecedented increase in the number of PACSSs and their loan operations, it was felt that the DCCBs should have branches at some intermediate level between the villages and the District Headquarters. Accordingly, the DCCBs follow branch banking with a network of branches located at even at tashil headquarters and also lower levels, if possible. The main sources of working capital of DCCBs are share capital, reserves, deposits and borrowings. The DCCBs accept deposits both from members and non-members. Their borrowings are mainly from apex banks, RBI / NABARD, Government etc. The apex bank is the chief source of borrowings of DCCBs. The borrowings of DCCBs are mainly refinancing type. The DCCBs mainly deploy their funds as loans and advances to PACSSs both for ST and MT purposes. But most of the ST loans are for seasonal agricultural operations, purchase of agricultural implements, marketing of crops, processing of agricultural produce etc. The DCCBs extend MT credit for effecting improvements on land, purchase of cattle and so on. The

progress of DCCBs in India during 2010-2017 is presented in the Table 2.

Table- 2  
Performance of DCCBs (Rs. in Crores)

Particulars	2010	2011	2012	2013	2014	2015	2016	2017
Number	370	370	370	370	370	370	370	370
Share capital	7235	7950	8914	10084	11147	13045	16008	18674
Reserves	22807	25040	24785	32665	29044	16307	14356	19766
deposits	153585	166489	187770	208137	235920	257315	291599	330904
Borrowing	28188	42370	53924	64954	72776	79825	81891	91438
Loans outstanding	126356	131280	157184	183643	202672	218947	236852	252655

Source: National federation of state cooperative bank Ltd., NABARD Annual reports

Table .2 An analysis of the financial position of DCCB(table-2 ) indicated that their deposits was increased from Rs 153585 in 2010 to Rs 330904in 2017 ,borrowing was increased from Rs 28188 in 2010 to Rs 91438 in 2017,and Loans outstanding was increased from Rs 126356 in 2010 to Rs 252655 in 2017.

### 3. STATE CO-OPERATIVE BANKS (SCBS)

Ever since the co-operative movement was launched, it has been felt that there should be a strong bank at the state level to co-ordinate the activities of PACSs and DCCBs in the state. The idea of organizing a state level apex bank is based on the premise that just as the PACSs at the bottom level, which need DCCBs to finance and co-ordinate them and financing agency at the scattered DCCBs also need a co-ordinating agency at the higher level. The apex bank coordinates and controls the working of DCCBs and finances the co-operatives in the state. In fact, SCB is a link between the PACSs and DCCBs on one hand and

money market on the other .The chief functions of SCB are as follows (i) to act as balancing centre for the resources of co-operatives in the state (ii) to co-ordinate the co-operative policy at the state level (iii) to form a connecting link between the money market and the RBI / NABARD and (iv) to act as financier and guide to DCCBs. The SCBs mobilize their funds through share capital, reserves, deposits and borrowings. The paid-up share capital and reserves constitute as owned funds. Borrowings constitute the most important source of funds. The RBI / NABARD is the chief source of borrowings. The RBI / NABARD provide loans to SCBs for ST and MT purposes. The SCBs also borrow from state governments, Industrial Development Bank of India and State Bank of India for providing financial assistance to marketing and processing societies, consumer stores etc. Most of the borrowings of apex banks are of refinancing in nature. The progress of state Co-operative banks is presented in the Table 3

Table- 3  
Performance of StCBs (Rs. in Crores)

Paticulors	2010	2011	2012	2013	2014	2015	2016	2017
Number	31	31	31	32	32	32	33	33
Share capital	1636	2024	3508	3063	4537	5355	5647	5161
Reserves	10555	12048	11824	11384	11187	12887	7334	10294
deposits	82937	79179	86429	94508	104207	102858	109257	122039
Borrowing	23530	32252	43424	50856	60938	68721	68775	80892
Loans outstanding	49239	64213	77644	91894	103116	114545	122854	127048

Source: National federation of state cooperative bank Ltd., NABARD Annual reports

Table- 4  
Performance of SCARDBs (Rs. in Crores)

Paticulors	2010	2011	2012	2013	2014	2015	2016	2017
Number	20	20	20	20	20	19	19	19
Share capital	821	833	847	884	911	976	908	939
Reserves	3321	3578	4613	5172	5961	6434	4326	3365
deposits	759	822	1029	1065	1539	1953	2350	2423
Borrowing	15646	15809	16099	15427	15751	16085	14594	15500
Loans outstanding	17002	17141	19417	18775	20399	21218	20409	21208

Source: National federation of state cooperative bank Ltd., NABARD Annual reports

Table- 5  
Performance of PCARDBs (Rs. in Crores)

Paticulors	2010	2011	2012	2013	2014	2015	2016	2017
Number	697	697	714	714	714	702	601	601
Share capital	1528	1520	1383	1386	1452	1329	1093	1006
Reserves	3304	3312	3407	3492	3842	4024	2611	1688
deposits	449	431	566	601	743	1015	1353	1252
Borrowing	12698	12555	13928	13886	14441	16367	14265	15590
Loans outstanding	11666	11363	12600	12457	12892	14812	12682	15064

Source: National federation of state cooperative bank Ltd., NABARD Annual reports

Table 3 An analysis of the financial position of StCBs (table- 3) indicated that their deposits was increased from Rs 82937 in 2010 to Rs 122039 in 2017 ,borrowing was increased from Rs 23530 in 2010 to Rs 80892 in 2017,and Loans outstanding was increased from Rs 49239 in 2010 to Rs 127048 in 2017.

Table 4 An analysis of the financial position of SCARDBs(table-4 ) indicated that their deposits was increased from Rs 759 in 2010 to Rs 2423 in 2017 ,borrowing was decreased from Rs15646 in 2010 to Rs 15500 in 2017,and Loans outstanding was increased from Rs 17002 in 2010 to Rs 21208 in 2017.

Table 5 An analysis of the financial position of PCARDBs(table-5 ) indicated that their deposits was increased from Rs 449 in 2010 to Rs 1252 in 2017 ,borrowing was increased from Rs12698 in 2010 to Rs 15590 in 2017,and Loans outstanding was increased from Rs 11666 in 2010 to Rs 15064 in 2017.

## VI. CONCLUSION

From the above analysis of the Co-operative Banks in India. We found that these banks are working efficiently, increasing the profits level and using the managerial talent in a best way. The increasing amount of deposits was achieved as result of increased membership. The overall financial performance of the Co-operative Banks in India all fronts namely, Membership, Share Capital, Deposits, Loans and Advances,, Loans issued etc., are showing a significantly trend during the study period The study shows that till the year 2017. The loan outstanding is increases of the Co-operative Banks in India so recovery of over dues also increases. Thereafter, the recovery of over dues position has been decreased but still it required some improving measurement.

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